


Security Federal
Savings Bank















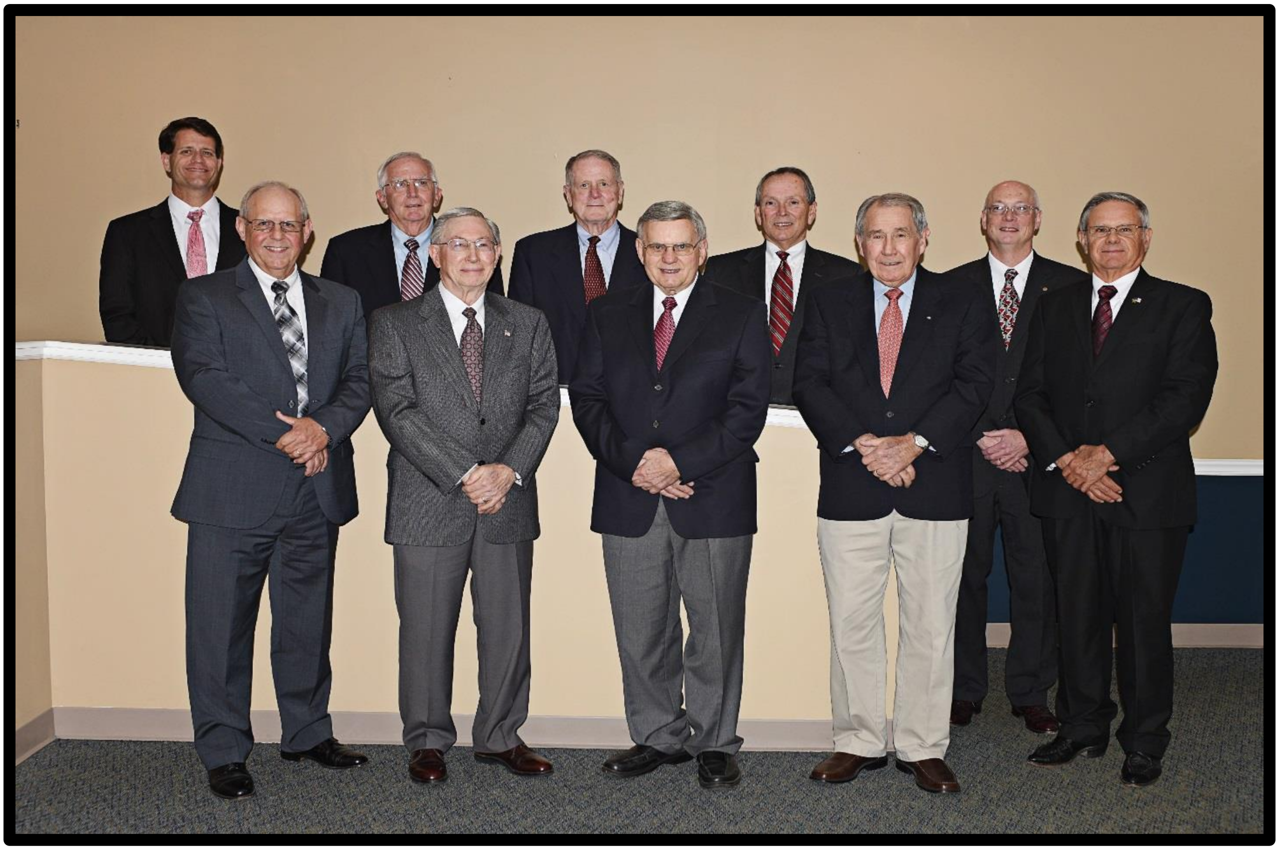



SECURITY
BANCORP, INC.

2018 Annual Report

2018 Board of Directors

Security Federal Savings Bank and Security Bancorp, INC.



Front Row: Joe H. Pugh, Dr. R. Neil Schultz, Earl H. Barr, Donald R. Collette, Thomas L. Foster

Back Row: Herschel Wells, Jr., Dr. Franklin J. Noblin, Dr. John T. Mason III, Robert W. Newman, Ray ("Buzz") Spivey, Jr.

Directors

Joe H. Pugh
President and CEO

Herschel Wells, Jr.
Chairman of the Board

Robert W. Newman
Vice Chairman

Ray ("Buzz") Spivey, Jr.
Secretary

Thomas L. Foster
Director

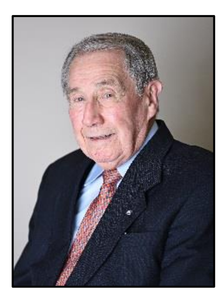
Director Emeriti

Dr. R. Neil Schultz

Dr. John T. Mason, III

Earl H. Barr

Dr. Franklin J. Noblin



Donald R. Collette

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President's Message

To Our Stockholders:

On behalf of the Board of Directors, Officers and Employees of Security Bancorp, Inc. and its wholly owned subsidiary, Security Federal Savings Bank, we are pleased to present our twenty-first Annual Report as a public company.

Net income for the year ended December 31, 2018 was $2.2 million, or $5.74 per share, compared to $1.5 million, or $3.88 per share, in 2017. This $719,000, or 48.1% increase in net income was primarily due to an increase in net interest income. The Company's consolidated assets totaled $213.6 million at December 31, 2018 compared to $203.6 million a year earlier, representing a 4.9% increase. The increase in assets was primarily attributable to an increase in loans which was funded by cash and a decrease in investments. Total stockholders' equity was $22.1 million at December 31, 2018, compared to $20.5 million from the prior year. During the year ended December 31, 2018, the Company paid its twenty-first annual dividend of $1.00 per share.

Income diversification remained a primary focus of the Company during 2018 and we believe that this diversification will further enhance the Company's performance in the future. At December 31, 2018, real estate loans represented 71% of the Bank's total loan portfolio. Diversification has also been achieved through the Bank's mortgage and financial services departments which provide additional sources of non-interest income. As a result, the Bank's mortgage department services an off-balance sheet portfolio of $75.8 million at December 31, 2018.

Our management team continues to be proud of the quality of our loan portfolio. At December 31, 2018, the Bank had $762,000, or 0.36%, in non-performing assets. We believe that this low level of non-performing assets is indicative of both our conservative underwriting practices as well as the quality of customers that choose to bank with Security Federal Savings Bank.

Security Bancorp, Inc. is positioned to meet future challenges and opportunities by offering high quality financial products and services that are provided by our dedicated staff, management, and directors who recognize the importance of customer and stockholder satisfaction all of which, will continue to be the key ingredients to our continued success and profitability.

We are very proud to serve Warren County with three conveniently located full-service bank locations as well as five ATM locations.

On behalf of the Board of Directors, management and staff, we would like to thank you for your continued loyalty and confidence in us and your investment in Security Bancorp, Inc.

Sincerely,

Joe H. Pugh
President and CEO

BUSINESS OF THE COMPANY

Security Bancorp, Inc. ("Company"), a Tennessee corporation, was organized on March 18, 1997 for the purpose of becoming the holding company for Security Federal Savings Bank of McMinnville, TN ("Bank") upon its conversion from a federal mutual savings bank to a federal stock savings bank ("Conversion"). The Conversion was completed on June 30, 1997 through the issuance, by the Company, of 436,425 shares of common stock at $10.00 per share. At December 31, 2018, the Company had total consolidated assets of $213.6 million and consolidated stockholders' equity of $22.1 million. The Company is not engaged in any significant business activity other than holding the stock of the Bank. Accordingly, the information set forth in this report, including financial statements and related data, applies primarily to the Bank.

The Bank was organized in 1960 as a federal savings and loan association. Effective February 11, 2009, the Bank converted to a Tennessee chartered commercial bank and the Company became a bank holding company regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve"). The Bank's primary regulator is the Tennessee Department of Financial Institutions ("Department") and the Federal Deposit Insurance Corporation ("FDIC"). The Bank's deposits are insured up to applicable limits by the FDIC and the Bank is a member of the Federal Home Loan Bank ("FHLB") System.

The Bank operates as a community-oriented financial institution devoted to serving the needs of its customers in its primary market area of Warren County, Tennessee and contiguous counties. The Bank's business consists primarily of attracting deposits from the general public and using those funds to originate residential real estate loans, acquisition and development loans, commercial business loans, and consumer loans.

FORWARD-LOOKING STATEMENTS

This Annual Report, including information included or incorporated by reference, contains, and future oral and written statements by the Company and its management may contain, forward-looking statements about the Company and the Bank, which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, growth opportunities, interest rates acquisition and divestiture opportunities, and synergies, efficiencies, cost savings and funding advantages expected to be realized from prior acquisitions. Words such as "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions are intended to identify these forward-looking statements. Forward-looking statements by the Company and its management are based on beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. The important factors we discuss below and elsewhere in this document, as well as other factors discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein**,** and identified in our filings with the Department, FDIC, Federal Reserve, and those presented by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this Annual Report.

COMMON STOCK INFORMATION

The Company's common stock is traded on the over-the-counter market through the OTC "Electronic Bulletin Board" under the symbol of "SCYT". As of December 31, 2018, there were approximately 203 stockholders of record and 436,425 shares of common stock outstanding (including treasury stock of 52,227 shares). Generally, if the Bank satisfies its regulatory capital requirements, it may make dividend payments up to the limits prescribed in the regulations. However, institutions that have converted to the stock form of ownership may not declare or pay a dividend on, or repurchase any of, its common stock if the effect thereof would cause the regulatory capital of the institution to be reduced below the amount required in accordance with the regulations. To date, the Company has not established a policy of paying regular cash dividends.

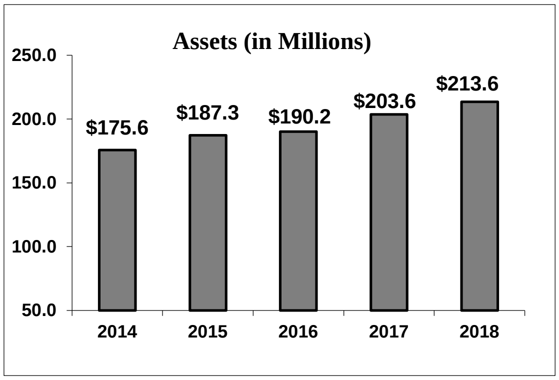
The following table sets forth market price range of the Company's common stock for the four quarters of fiscal years 2016, 2017 and 2018.

2016	High	Low	Dividend
First Quarter	$37.99	$36.50	N/A
Second Quarter	36.51	36.51	N/A
Third Quarter	39.50	38.90	1.00/share
Fourth Quarter	42.00	40.00	N/A
2017			
First Quarter	46.00	44.00	N/A
Second Quarter	48.00	48.00	N/A
Third Quarter	50.00	50.00	1.00/share
Fourth Quarter	52.00	51.50	N/A
2018			
First Quarter	52.00	52.00	N/A
Second Quarter	54.75	52.00	N/A
Third Quarter	57.86	54.75	1.00/share
Fourth Quarter	58.20	56.45	N/A

FINANCIAL HIGHLIGHTS

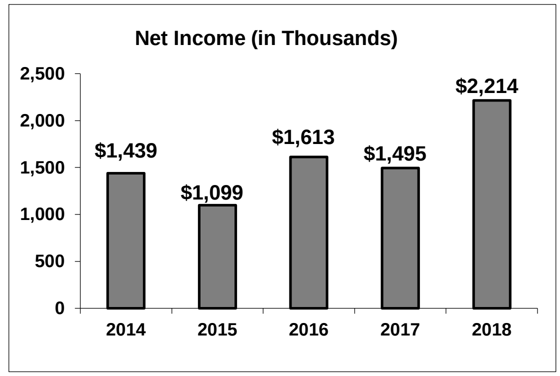
Total Assets

Assets at December 31, 2018 were $213.6 million.



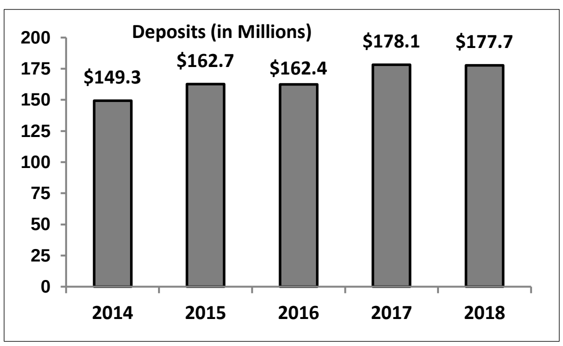
Net Income

Net income was $2.2 million in 2018.



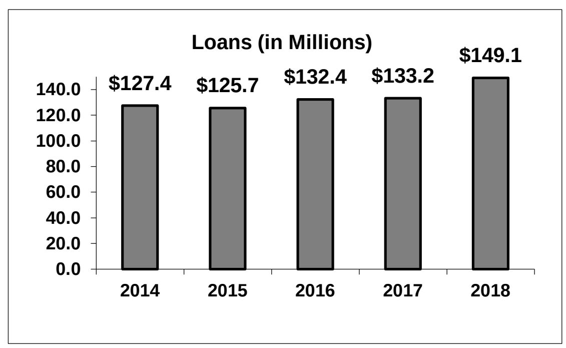
Deposits

Deposits at December 31, 2018 were $177.7 million.



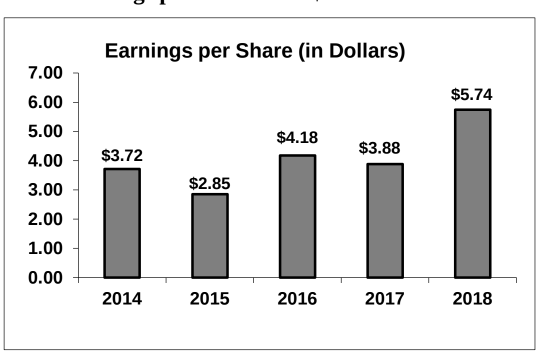
Loans

In 2018, net loans were $149.1 million.



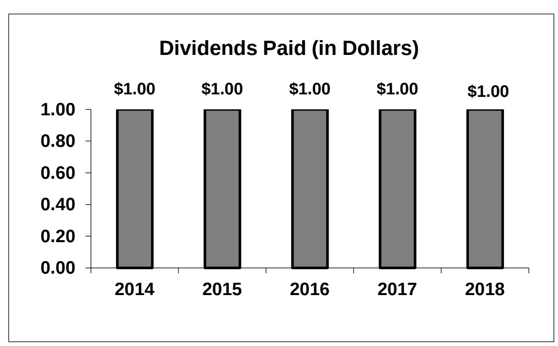
Earnings per Share

Earnings per share were $5.74 in 2018.



Dividends

The Bank declared a $1.00 dividend in 2018.



SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth certain information concerning the consolidated financial position and results of operations of the Company at and for the dates indicated. The consolidated data is derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company and its Subsidiary presented herein.

	At December 31,				
	2018	2017	2016	2015	2014
			(In thousands)		
SELECTED FINANCIAL CONDITION DATA:					
Total assets	$213,579	$203,587	$190,242	$187,256	$175,590
Loans receivable, net	149,054	133,190	132,367	125,712	127,431
Cash and due from banks	16,065	18,665	13,314	15,142	17,130
Investment securities available for sale	39,591	42,706	35,510	38,181	22,926
Deposits	177,654	178,099	162,362	162,653	149,302
FHLB advances	4,000	-0-	-0-	-0-	-0-
Repurchase agreements	7,652	3,032	6,619	4,792	7,175
Stockholders' equity, substantially restricted	22,125	20,476	19,417	18,344	17,755

	Year Ended December 31,				
	2018	2017	2016	2015	2014
			(In thousands)		
SELECTED OPERATING DATA:					
Interest income	$8,385	$7,251	$6,558	$6,212	$6,273
Interest expense	1,238	768	748	785	798
Net interest income	7,147	6,483	5,810	5,427	5,475
Provision for loan losses	170	54	74	377	369
Net interest income after provision for loan losses	6,977	6,429	5,736	5,050	5,106
Other income	1,744	1,724	2,052	1,822	2,057
Other expenses	5,775	5,599	5,461	5,168	4,995
Income before income tax expense	2,946	2,554	2,327	1,704	2,168
Income tax expense	732	1,059	714	605	729
Net income	$2,214	$1,495	$1,613	$1,099	$1,439

	At December 31,				
	2018	2017	2016	2015	2014
KEY OPERATING RATIOS					
Performance Ratios:					
Return on average assets (net income divided by average assets)	1.07%	0.76%	0.85%	0.60%	0.84%
Return on average equity (net income divided by average equity)	10.53	7.48	8.48	6.04	8.39
Interest rate spread (difference between average yield on interest-earning assets and average cost of interest-bearing liabilities)	3.58	3.50	3.22	3.11	3.34
Net interest margin (net interest income as a percentage of average interest-earning assets)	3.76	3.62	3.33	3.22	3.46
Noninterest expense as a percent of average assets	2.78	2.84	2.88	2.80	2.91
Average interest-earning assets to interest-bearing liabilities	128.05	127.74	126.89	122.74	122.36
Efficiency ratio (other expenses divided by the sum of net interest income and noninterest income)	64.95	68.22	69.46	71.30	66.31
Capital Ratios:					
Average equity to average assets	10.12	10.14	10.02	9.86	9.99
Tangible capital to assets	10.65	10.01	10.30	10.50	9.98
Core capital to assets	10.65	10.01	10.30	10.50	9.94
Tier I capital to risk adjusted assets	14.85	15.28	14.20	14.40	14.40
Asset Quality Ratios:					
Allowance for loan losses to total loans at end of period	1.05	1.09	1.07	1.02	0.85
Net charge offs to average outstanding loans during the period	0.04	0.02	0.05	0.14	0.37
Ratio of nonperforming assets to total assets(1)	0.36	0.33	0.82	1.07	0.64
Ratio of allowance for loan losses to nonperforming assets(1)	208.13	216.08	92.00	64.96	96.90
SELECTED OTHER DATA:					
Number of:					
Real estate loans outstanding	1,998	2,007	2,027	2,056	2,105
Deposit accounts	9,992	9,914	9,935	9,788	9,836
Full service offices	3	3	3	3	3

(1) Nonperforming assets consist of non-accrual loans, accruing loans contractually past due 90 days or more, and foreclosed property.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Management’s discussion and analysis of the financial condition and results of operations is intended to assist in understanding the consolidated financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto included herein.

Operating Strategy

The business of the Bank consists principally of attracting deposits from the general public and using such deposits to originate mortgage loans secured primarily by one- to four-family residences. The Bank also originates mortgage loans secured by residential real estate, consumer, commercial business, acquisition and development, and commercial real estate loans. The Bank invests primarily in investment grade federal agency securities and mortgage-backed securities. The Bank intends to continue to fund its assets primarily with deposits, although FHLB advances and repurchase agreements may be used as supplemental sources of funds.

Operating results are dependent primarily on net interest income, which is the difference between the income earned on its interest-earning assets, such as loans and investments, and the cost of its interest-bearing liabilities, consisting of deposits and other borrowings. Operating results are also significantly affected by general economic and competitive conditions, primarily changes in market interest rates, governmental legislation and policies concerning monetary and fiscal affairs and housing, as well as financial institutions and the attendant actions of the regulatory authorities.

The Bank’s strategy is to operate as a conservative, well-capitalized, profitable community-oriented financial institution dedicated to financing home ownership and other consumer and local business needs and to provide quality service to all customers. The Bank believes that it has successfully implemented its strategy by (i) maintaining strong capital levels, (ii) maintaining effective control over net noninterest income to attempt to achieve profitability under differing interest rate scenarios, (iii) limiting interest rate risk by diversifying its assets, (iv) emphasizing local loan originations, and (v) emphasizing high-quality customer service with a competitive fee structure.

Interest Rate Risk Management

The Bank’s principal financial objective is to achieve long-term profitability by maintaining conservative underwriting standards and reducing nonperforming assets. The Bank has sought to reduce exposure of its earnings to changes in market interest rates by managing the mismatch between asset and liability maturities and interest rates. The principal element in achieving the objective is to increase the interest-rate sensitivity of the Bank’s assets by originating loans with interest rates subject to periodic adjustment to market conditions. The Bank relies on retail deposits as its primary external source of funds. Management believes retail deposits, compared to brokered deposits and long-term borrowings reduce the effects of interest rate fluctuations because these deposits generally represent a more stable source of funds.

Liquidity and Capital Resources

The Bank's primary sources of funds are deposits and proceeds from principal and interest payments on loans. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Bank's primary investing activity is loan originations and to a lesser extent, investment securities. The Bank maintains liquidity levels adequate to fund loan commitments, investment opportunities, deposit withdrawals and other financial commitments. At December 31, 2018, the Bank's liquidity ratio was 19.1%. The Bank also had unfunded loan commitments and outstanding commercial letters of credit of $34.0 million. At December 31, 2018, management had no knowledge of any trends, events or uncertainties that will have or are likely to have material effects on the liquidity, capital resources or operations of the Bank.

Comparison of Financial Condition at December 31, 2018 and 2017

Total assets increased $10.0 million, or 4.9%, to $213.6 million at December 31, 2018 from $203.6 million at December 31, 2017. Loans, net, increased $15.9 million, or 11.9%, to $149.1 million at December 31, 2018 from $133.2 million at December 31, 2017 as a result of an increase in commercial loans. Investment securities decreased $3.1 million, or 7.3%, to $39.6 million at December 31, 2018 from $42.7 million at December 31, 2017. The decrease in investments was due to maturities and the sales of investments to fund loan growth. Deposits decreased $445,000, or 0.2%, to $177.7 million at December 31, 2018 from $178.1 million at December 31, 2017. The slight decrease is primarily attributable to a decrease in certificates of deposits offset by an increase in demand deposits and savings account balances. Stockholders' equity increased $1.6 million, or 8.1%, to $22.1 million at December 31, 2018 from $20.5 million at December 31, 2017.

Comparison of Operating Results for the Years Ended December 31, 2018 and 2017

Net Income. Net income for the year ended December 31, 2018 was $2.2 million compared to $1.5 million for the year ended December 31, 2017. The $719,000, or 48.1%, increase was primarily due to an increase in loan interest income due to loan growth as well as a rise in interest rates.

Net Interest Income. Net interest income after provision for loan losses for the year ended December 31, 2018 increased $548,000, or 8.5%. Total interest income increased $1.1 million, or 15.6%, to $8.4 million for the year ended December 31, 2018 from $7.3 million a year earlier primarily as a result of an increase in interest income on loans. Interest expense increased $470,000, or 61.2%, to $1.2 million for the year ended December 31, 2018 from $768,000 a year earlier primarily a result of interest rate increases as well as the increase in other borrowings.

Provision for Loan Losses. Provisions for loan losses are charges to earnings to bring the total allowance for loan losses to a level considered adequate by management to provide for estimated loan losses based on management's evaluation of the collectability of the loan portfolio, including past loan loss experience, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. The provision for loan losses increased $116,000, or 214.8% to $170,000 for the year ended December 31, 2018 from $54,000 a year earlier. The increase in the provision during the year was the result of loan growth. Management deemed the allowance for loan losses adequate at December 31, 2018.

Other Income. Total other income increased by $20,000, or 11.6%, but remained unchanged at $1.7 million for the year ended December 31, 2018 compared to the same period in 2017. Gains on the sale of loans decreased $44,000, or 10.6%, to $372,000 during fiscal 2018 compared to $416,000 in 2017. This decrease was due to the decreased volume in the sales of residential mortgages. Financial service fees increased $41,000, or 15.9%, to $299,000 in fiscal 2018 from $258,000 in fiscal 2017.

Other Expenses. Total other expenses increased by $176,000, or 3.1%, to $5.8 million for the year ended December 31, 2018 from $5.6 million compared to the prior year. Data processing increased $30,000, or 4.7%, to $666,000 in fiscal 2018 from $637,000 in fiscal 2017. Salaries and employee benefits increased $153,000, or 4.8%, to $3.3 million for the year ended December 31, 2018 from $3.2 million for the prior period as a result of salary increases as well as an increase in 401k expenses and the cost of insurance benefits.

Income Tax Expense. Income tax expense decreased $327,000, or 30.9%, to $732,000 for the year ended December 31, 2018 compared to $1.1 million a year earlier. A portion of the decrease in 2018 was due to the additional expense recorded in 2017 due to tax laws that affected deferred tax assets and liabilities. The income tax expense decrease was also due to significant changes in the tax laws that had a favorable impact on the effective tax rate for 2018.

Average Balances, Interest and Average Yield/Cost. The earnings of the Bank depend largely on the spread between the yield on interest-earning assets (primarily loans and investments) and the cost of interest-bearing liabilities (primarily deposit accounts and borrowings), as well as the relative size of the Bank's interest-earning assets and interest-bearing liabilities.

The following table sets forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin, and ratio of average interest-earning assets to average interest-bearing liabilities. Average balances have been calculated using the average of daily balances during the year.

	At December 31, 2018	Year Ended December 31,					
		2018			2017		
	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
		(Dollars in thousands)					
Interest-earning assets:							
Loans receivable	5.37%	$141,698	$7,285	5.14%	$134,549	$6,463	4.80%
Investment securities	2.25%	42,194	929	2.20%	37,197	660	1.77%
Other	2.97%	6,286	171	2.72%	7,190	128	1.78%
Total interest–earning assets	4.66%	190,178	8,385	4.41%	178,936	7,251	4.05%
Noninterest-earning assets		17,534			18,304		
Total assets		$207,712			$197,240		
Interest-bearing liabilites:							
Interest-bearing checking, MMDA and Savings	0.67%	80,121	429	0.54%	71,185	235	0.33%
Certificates of deposit	1.39%	62,794	709	1.13%	64,231	517	0.80%
Total interest-bearing deposits	0.98%	142,915	1,138	0.80%	135,416	752	0.56%
FHLB advances and other borrowings	2.25%	5,603	100	1.78%	4,665	16	0.34%
Total interest-bearing liabilities	1.07%	148,518	1,238	0.83%	140,081	768	0.55%
Noninterest-bearing liabilities		38,175			37,164		
Total liabilities		186,693			177,245		
Equity		21,019			19,995		
Total liabilities and equity		$207,712			$197,240		
Net interest income			$7,147			$6,483	
Interest rate spread	3.59%			3.58%			3.50%
Net interest margin				3.76%			3.62%
Ratio of average interest-earning assets to average interest-bearing liabilities				128.05%			127.74%

Effect of Inflation and Changing Prices

The Consolidated Financial Statements and related financial data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without considering the change in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Bank's operations. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Off-Balance Sheet Arrangements

As of the date of this Annual Report, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The Bank does have commitments to originate loans in the ordinary course of business, as disclosed herein. The term "off-balance sheet arrangement" generally means any transaction, agreement, or other contractual arrangement of to which an entity unconsolidated with the Company is a party under which the Company has (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Independent Auditor's Report

To the Board of Directors
Security Bancorp, Inc. and Subsidiary
P.O. Box 7027
McMinnville, TN 37111

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 Security Bancorp, Inc. and Subsidiary as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Alexander Thompson Arnold PLLC
Milan, Tennessee
March 4, 2019

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 5,036,323	$ 6,699,587
Interest-bearing deposits with banks	11,028,636	11,965,340
Investment securities available-for-sale, at fair value	39,590,956	42,706,446
Federal Home Loan Bank stock, at cost	955,600	955,600
Loans, net	149,054,168	133,190,246
Loans held for sale	665,828	997,277
Premises and equipment, net	2,715,813	2,690,246
Foreclosed assets	77,250	127,250
Cash surrender value of life insurance	2,397,799	2,345,871
Accrued interest receivable	1,062,114	997,074
Other assets	994,077	912,000
Total assets	**$ 213,578,564**	**$ 203,586,937**
Liabilities and stockholders' equity		
Liabilities		
Deposits:		
Noninterest-bearing		
Demand deposits	$ 35,853,971	$ 36,816,168
Interest-bearing		
Demand deposits	45,999,974	44,253,829
Savings	34,769,670	33,558,589
Time	61,030,767	63,470,019
Total deposits	177,654,382	178,098,605
Repurchase agreements	7,651,636	3,031,656
Accrued interest payable	118,487	87,545
FHLB borrowings	4,000,000	-
Accrued expenses and other liabilities	2,028,970	1,893,501
Total liabilities	191,453,475	183,111,307
Stockholders' equity		
Preferred stock - *$.01 par value, 250,000 shares authorized, zero shares issued*	-	-
Common stock - *$.01 par value; 3,000,000 shares authorized; 436,425 issued*	4,364	4,364
Additional paid-in capital	4,500,811	4,479,250
Retained earnings	19,797,831	17,968,433
Accumulated other comprehensive loss	(473,846)	(309,831)
Treasury stock - *at cost; 52,227 and 51,439 shares at December 31, 2018 and 2017*	(1,704,071)	(1,666,586)
Total stockholders' equity	22,125,089	20,475,630
Total liabilities and stockholders' equity	**$ 213,578,564**	**$ 203,586,937**

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2018 and 2017

	2018	2017
Interest income		
Interest and fees on loans	$ 7,283,904	$ 6,463,229
Interest on investment securities	928,769	659,690
Interest other	115,937	80,453
Dividends - FHLB stock	56,145	47,757
Total interest income	8,384,755	7,251,129
Interest expense		
Interest on demand deposits and savings	429,034	235,072
Interest on time deposits	708,839	516,518
Other interest	100,021	16,308
Total interest expense	1,237,894	767,898
Net interest income	7,146,861	6,483,231
Provision for loan losses	169,570	54,165
Net interest income after provision for loan losses	6,977,291	6,429,066
Other income		
Deposit service charges and fees	832,831	820,593
Gain on sale of loans	371,888	416,182
Gain on sale of investment securities	1,809	1,544
Gain on sale of interest-bearing deposits with banks	-	637
Gain on sale of foreclosed assets	45,452	5,913
Gain on sale of premises and equipment	88	60
Financial services fees	298,675	257,636
Servicing fee, net	61,746	55,528
Earnings on cash surrender value	60,485	73,917
Other income	71,059	92,749
Total other income	1,744,033	1,724,759
Other expense		
Salaries and employee benefits	3,328,888	3,176,236
Net occupancy expense	675,491	647,441
Loss on sale of interest-bearing deposits with banks	7,076	-
Legal and professional fees	190,963	206,987
FDIC assessments	48,200	47,850
Data processing	666,337	636,730
Financial services expenses	23,907	23,343
Advertising	88,739	81,323
Deferred compensation	113,341	113,265
Other operating expense	631,999	666,207
Total other expense	5,774,941	5,599,382
Income before income taxes	2,946,383	2,554,443
Provision for income tax expense	732,075	1,059,055
Net income	**$ 2,214,308**	**$ 1,495,388**
Earnings per common share:		
Net income	**$ 5.74**	**$ 3.88**
Weighted average shares outstanding	**385,468**	**384,986**

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2018 and 2017

	2018	2017
Net income for the year	$ 2,214,308	$ 1,495,388
Other comprehensive income, net of tax		
Unrealized gains (losses) on securities available-for-sale:		
Unrealized gains (losses) arising during the period	(162,324)	(62,851)
Reclassification adjustment for (gains) losses included in net income	(1,691)	(1,444)
Net unrealized gains (losses)	(164,015)	(64,295)
Total comprehensive income	**$ 2,050,293**	**$ 1,431,093**

Required disclosure of related tax effects allocated to each component of other comprehensive income:

Year Ended December 31, 2018	**Before-tax Amount**	**Tax (Expense) or Benefit**	**Net-of-tax Amount**
Unrealized gains (losses) on securities available-for-sale:			
Unrealized gains (losses) arising during the period	$ (173,609)	$ 11,285	$ (162,324)
Reclassification adjustment for (gains) losses included in net income	(1,809)	118	(1,691)
Net unrealized gains (losses)	$ (175,418)	$ 11,403	$ (164,015)

Year Ended December 31, 2017	**Before-tax Amount**	**Tax (Expense) or Benefit**	**Net-of-tax Amount**
Unrealized gains (losses) on securities available-for-sale:			
Unrealized gains (losses) arising during the period	$ (67,220)	$ 4,369	$ (62,851)
Reclassification adjustment for (gains) losses included in net income	(1,544)	100	(1,444)
Net unrealized gains (losses)	$ (68,764)	$ 4,469	$ (64,295)

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2018 and 2017

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
Balance - January 1, 2017	**$ 4,364**	**$ 4,459,047**	**$ 16,858,331**	**$ (245,536)**	**$ (1,658,960)**
Shareholder distributions	-	-	(385,286)	-	-
Net income for the year	-	-	1,495,388	-	-
Purchase of treasury stock	-	-	-	-	(14,147)
Stock option expense	-	18,180	-	-	-
Management recognition plan shares issued	-	2,023	-	-	6,521
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes	-	-	-	(64,295)	-
Balance - December 31, 2017	4,364	4,479,250	17,968,433	(309,831)	(1,666,586)
Shareholder distributions	-	-	(384,910)	-	-
Net income for the year	-	-	2,214,308	-	-
Purchase of treasury stock	-	-	-	-	(44,006)
Stock option expense	-	18,180	-	-	-
Management recognition plan shares issued	-	3,381	-	-	6,521
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes	-	-	-	(164,015)	-
Balance - December 31, 2018	**$ 4,364**	**$ 4,500,811**	**$ 19,797,831**	**$ (473,846)**	**$ (1,704,071)**

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Net income	$ 2,214,308	$ 1,495,388
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	163,162	172,259
Provision for loan losses	169,570	54,165
Gain on sale of premises and equipment	(88)	(60)
Gain on sale of foreclosed assets	(45,452)	(5,913)
Gain on sale of investment securities	(1,809)	(1,544)
(Gain) loss on sale of interest-bearing deposits with banks	7,076	(637)
Gain on sale of loans	(371,888)	(416,182)
Premium amortization, net of discount accretion	230,754	242,505
Management recognition plan compensation	28,082	26,724
Loans originated for sale	(10,992,513)	(12,940,141)
Proceeds from sale of loans	11,695,850	13,026,891
Increase in accrued interest receivable	(65,040)	(79,699)
(Increase) decrease in deferred income taxes	(41,530)	66,818
(Increase) decrease in other assets	11,246	(117,168)
Increase in accrued interest payable	30,942	6,803
Increase in cash surrender value life insurance	(51,928)	(54,576)
Increase (decrease) in custodial escrow	(121,241)	121,317
Increase in accrued expenses and other liabilities	256,710	8,890
Net cash provided by operating activities	3,116,211	1,605,840
Investing Activities		
Proceeds from maturities, prepayments and calls of securities available-for-sale	3,948,561	4,221,613
Proceeds from sales of securities available-for-sale	3,001,809	2,921,544
Purchases of securities available-for-sale	(4,279,633)	(14,592,258)
Proceeds from sale of interest-bearing deposits with banks	1,222,924	490,637
Investment in interest-bearing deposits with banks	(293,296)	(7,024,495)
Proceeds from sale of premises and equipment	-	60
Purchases of premises and equipment	(188,641)	(116,306)
Increase in loans, net	(16,081,680)	(526,576)
Net cash used by investing activities	(12,669,956)	(14,625,781)
Financing Activities		
Net change in demand deposits and savings	1,995,029	17,065,228
Net change in time deposits	(2,439,252)	(1,328,499)
Net change in repurchase agreements	4,619,980	(3,587,467)
Proceeds from sale of foreclosed assets	143,640	86,141
Increase in FHLB borrowings	4,000,000	-
Purchase of treasury stock	(44,006)	(14,147)
Shareholder distributions	(384,910)	(385,286)
Net cash provided by financing activities	7,890,481	11,835,970
Net decrease in cash and cash equivalents	**(1,663,264)**	**(1,183,971)**
Cash and cash equivalents - beginning of year	6,699,587	7,883,558
Cash and cash equivalents - end of year	**$ 5,036,323**	**$ 6,699,587**
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$ 733,820	$ 982,744
Cash paid for interest	$ 1,206,952	$ 761,095
Transfer from loans to foreclosed assets	$ 134,116	$ 208,873
Transfer from foreclosed assets to loans	$ 85,928	$ 559,345

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The consolidated financial statements include all the accounts of Security Bancorp, Inc. (the Company) and its wholly owned subsidiary, Security Federal Savings Bank (the Bank). Significant intercompany balances and transactions have been eliminated in consolidation.

The accounting and reporting policies of the Company and its subsidiary conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry.

B. Nature of Operations

The Company and the Bank provide a full range of banking, financial and mortgage services to individual and corporate customers principally in Warren County, Tennessee, through its three locations in McMinnville, Tennessee, and the surrounding area. The Bank is subject to competition from other financial services companies and financial institutions. The Company and the Bank are also subject to the regulations of certain federal agencies and undergo periodic examinations by those regulatory authorities.

C. Use of Estimates

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with general practices of the banking industry in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date. These estimates and assumptions are susceptible to significant change in the near term and actual results could differ significantly from those estimates. Those estimates and assumptions relate principally to the determination of the adequacy of the allowance for loan losses and the valuation of other real estate acquired through foreclosure. The accounting policies for loans and other significant accounting policies are presented below.

D. Cash Equivalents

For purposes of reporting, cash and cash equivalents include cash on hand, cash items in process of collection, amounts due from banks which do not bear interest, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

E. Investment Securities

Investment securities, including marketable equity securities, classified available-for-sale are stated at approximate market value. Approximate market values are determined by reference to current market quotations. Unrealized holding gains and losses, net of income tax effect, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized.

Gains or losses on disposition of investment securities are based on the net proceeds and the adjusted carrying amount of the securities sold using the specific identification method and are recorded on the settlement date which does not vary materially from trade date accounting. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Securities sold under agreements to repurchase are treated as collateralized financial transactions. These agreements are recorded at the amount at which the securities were sold plus accrued interest. The Company monitors its exposure with respect to securities sold under repurchase agreements and may be required to provide additional collateral based on the fair value of the underlying securities.

F. Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and the value determined by par value.

G. Loans

Loans are stated at the principal amount outstanding, net of the allowance for loan losses. The Company has both the positive intent and ability to hold loans to maturity.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due, or at the time the loan is 90 days past due, unless the loan is well secured and in the process of collection. Loans are typically charged off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal and interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income or charged to the allowance, unless management believes that the accrual of interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is recognized on the cash basis, until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and the loan has been performing according to the contractual terms generally for a period of not less than six months.

Fees on loans and costs incurred in origination of loans are generally recognized at the time the loan is recorded. For origination fees greater than $1,000, the first $1,000 is recorded to income immediately and the remainder is deferred over the life of the loan or 5 years, whichever is shortest. Because loan fees are not significant and the majority of loans have maturities of one year or less, the results of operations are not materially different than the results which would be obtained by accounting for loan fees and costs in accordance with accounting principles set forth in the FASB ASC Topic 310, Receivables.

H. Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market, as determined by outstanding commitments from investors.

I. Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes the collectibility of principal is unlikely. Recoveries of amounts previously charged off are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the uncollectibility of loans in light of historical experience, the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions that may affect the borrower's ability to pay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. For impaired loans, an allowance is established when the discounted cash flows, collateral value, or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical loss experience adjusted for other qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data. An unallocated component may be 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.

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified at the borrower's request, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

A loan is considered impaired when it is probable, based on current information and events, the Bank will be unable to collect all principal and interest payments due in accordance with 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 when due. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. Impaired loans are measured 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. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

J. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Provisions for depreciation are computed principally on the straight-line method and are charged to noninterest expense over the estimated useful lives of the assets. Maintenance agreements are amortized to expense over the period of time covered by the agreement. Costs of major additions, replacements or improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

K. Foreclosed Assets

Other real estate acquired through foreclosure is carried at approximate market value. Approximate market value is the amount the Company could reasonably expect to receive in a current sale of the subject property to a willing buyer in other than a forced or liquidation sale. The excess of cost over approximate market value at the time of foreclosure is charged to the allowance for loan losses. Subsequent declines in fair value are recognized and charged to noninterest expense.

L. Income Taxes

The Company and the Bank file consolidated federal and state income tax returns. Deferred income taxes are provided on significant temporary differences between income determined for financial reporting and income tax purposes. Such differences include expense items relating to the Bank’s bad debt expense, FHLB stock dividends, depreciation, deferred compensation plan recognized for financial reporting and deferred for income tax purposes, the effect of unrealized gains (losses) on securities available-for-sale, and various tax credits obtained by the Company.

M. Compensated Absences

Compensated absences for sick and personal time have not been accrued since they cannot be reasonably estimated. The Bank’s policy is to recognize the costs of compensated absences when actually paid to employees.

N. Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share is computed by dividing net income, adjusted for the effect of assumed conversions, by the weighted average number of common shares outstanding plus amounts representing the dilutive effect of stock options outstanding. Dilutive potential common shares are calculated using the treasury stock method.

O. Stock Compensation Plans

The Company recognizes compensation cost relating to share-based payment transactions in accordance with ASC Topic 718. Compensation cost has been measured based on the grant date fair value of the equity or liability instruments issued. Compensation cost is calculated and recognized over the employee service period, generally defined as the vesting period. The Company uses a stock option pricing model to determine the fair value of the award on the grant date.

P. Profit Sharing Plan

Profit sharing plan costs are discretionary and do not exceed the amount that can be deducted for federal income tax purposes.

Q. Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost.

R. Financial Instruments

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

S. Advertising and Promotions

The Company's policy is to charge advertising and promotions to expense as incurred, which includes no direct-response advertising.

T. Mortgage Servicing Rights

Mortgage servicing rights represent the rights to future income related to servicing mortgage loans for others. These rights are capitalized at the lower of their carrying amount or fair value and included in other assets on the consolidated balance sheets. The carrying amount of mortgage loans originated or purchased is allocated between the loans and the mortgage servicing rights. Mortgage servicing rights are capitalized when the underlying loans are sold or securitized. Mortgage servicing rights are amortized over the estimated period of, and in proportion to, net servicing income.

The Bank periodically evaluates mortgage servicing rights for impairment by estimating the fair value based on a discounted cash flow methodology. If the carrying amount of the mortgage servicing rights exceeds estimated fair value, a valuation allowance is established. Changes to the valuation allowance are charged or credited to mortgage servicing income.

U. Trust Department

Assets under management of the Bank's trust department are not included in these consolidated financial statements. The market value of assets under management of the trust department as of December 31, 2018 and 2017, was $2,641,870 and $2,653,870, respectively.

V. Date of Management Review

Subsequent events have been evaluated through March 4, 2019, which is the date the financial statements were available to be issued.

NOTE 2 - DETAILED NOTES ON ACCOUNTS

A. Due From Banks

At December 31, 2018 and 2017, the Bank had concentrations of credit risk with financial institutions in the form of correspondent bank accounts. Total uninsured balances held at correspondent banks amounted to $3,376,015 and $4,325,561 as of December 31, 2018 and 2017, respectively. In addition, federal funds sold are not insured or guaranteed by other parties. If the financial institutions failed to completely perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory insurance.

Correspondent bank balances are maintained for check clearing and other services. The Bank is required to maintain average balances in cash or on deposit with the Federal Reserve Bank based on a percentage of deposits. The total of those required reserve balances was $1,346,000 and $1,199,000 as of December 31, 2018 and 2017, respectively, and the Bank had in excess of this.

B. Interest-Bearing Deposits with Banks

Interest-bearing deposits with banks consists of an account with the FHLB, an account with the Federal Reserve Bank, sweep accounts with correspondent banks, and certificates of deposit with various financial institutions purchased for investment. As of December 31, 2018 and 2017, all certificates held by the Bank were within regulatory insurance maximums. If the FHLB or Federal Reserve Bank were to completely fail to perform under the terms of the financial instruments, the exposure for credit loss would be the total amount of deposits the Bank maintains with the institution. If the financial institutions failed to completely perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory insurance. Total uninsured balances held at other banks amounted to $5,111,756 and $5,533,056 as of December 31, 2018 and 2017, respectively.

C. Investment Securities

Debt and equity securities have been classified in the financial statements according to management intent. As of December 31, 2018 and 2017, the Bank held only investment securities available-for-sale in its portfolio. The book value and approximate market value of investment securities at December 31, 2018 and 2017, together with gross unrealized gains and losses are as follows:

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 11,511,799	$ -	$ (151,485)	$ 11,360,314
Mortgage-backed securities	15,789,835	10,426	(332,549)	15,467,712
State and municipal securities	12,907,467	344	(150,653)	12,757,158
Federal Home Loan Mortgage Corporation stock	5,336	436	-	5,772
Total available-for-sale	40,214,437	11,206	(634,687)	39,590,956
Federal Home Loan Bank stock	955,600	-	-	955,600
Total investment securities	$ 41,170,037	$ 11,206	$ (634,687)	$ 40,546,556

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 13,506,872	$ 9,880	$ (145,437)	$ 13,371,315
Mortgage-backed securities	15,574,176	-	(171,956)	15,402,220
State and municipal securities	14,027,735	27,043	(135,588)	13,919,190
Federal Home Loan Mortgage Corporation stock	5,336	8,385	-	13,721
Total available-for-sale	43,114,119	45,308	(452,981)	42,706,446
Federal Home Loan Bank stock	955,600	-	-	955,600
Total investment securities	$ 44,069,719	$ 45,308	$ (452,981)	$ 43,662,046

The book value and approximate market value of securities (other than equity securities) available-for-sale at December 31, 2018, by contractual maturity are as follows. Certain securities are distributed according to their stated final maturity. However, expected maturities will differ from contractual maturities due to scheduled monthly payments and because borrowers may have the right to call or prepay obligations, in whole or in part, with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 5,784,176	$ 5,758,138
Due in one to five years	16,394,265	16,140,198
Due in five to ten years	1,811,385	1,790,656
Due in over ten years	429,440	428,480
	24,419,266	24,117,472
Mortgage-backed securities	15,789,835	15,467,712
Federal Home Loan Mortgage Corporation stock	5,336	5,772
	$ 40,214,437	$ 39,590,956

Proceeds from sale of investment securities, call of securities prior to maturity, or prepayment of principal, gross realized gains, and gross realized losses from such sales for the years ended December 31, 2018 and 2017, for investment securities available-for-sale are shown as follows:

	2018	2017
Proceeds from sales, maturities, prepayments, and calls	$6,950,370	$7,143,157
Gross realized gains	$ 6,000	$ 1,544
Gross realized losses	(4,191)	-
Net realized gain	$ 1,809	$ 1,544

Investment securities with a book value of $21,235,215 and $14,107,200 and a fair value of $20,885,982 and $13,943,334 at December 31, 2018 and 2017, respectively, were pledged to secure public deposits, repurchase agreements, and for other purposes as required or permitted by law.

The following table presents information on securities with gross unrealized losses at December 31, 2018 and 2017, aggregated by investment category and the length of time that the individual securities have been in a continuous loss position:

	Less Than Twelve Months		*Over Twelve Months*		*Total*	
December 31, 2018	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ (1,520)	$ 979,900	$ (149,965)	$ 10,380,414	$ (151,485)	$ 11,360,314
Mortgage-backed securities	(7,127)	2,717,787	(325,422)	12,749,925	(332,549)	15,467,712
State and municipal securities	(17,092)	3,400,677	(133,561)	9,356,481	(150,653)	12,757,158
Total	$ (25,739)	$ 7,098,364	$ (608,948)	$ 32,486,820	$ (634,687)	$ 39,585,184

	Less Than Twelve Months		*Over Twelve Months*		*Total*	
December 31, 2017	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ (51,865)	$ 5,996,921	$ (93,572)	$ 6,364,514	$ (145,437)	$ 12,361,435
Mortgage-backed securities	(102,512)	11,807,820	(69,444)	3,594,400	(171,956)	15,402,220
State and municipal securities	(53,292)	6,388,987	(82,296)	4,070,764	(135,588)	10,459,751
Total	$ (207,669)	$ 24,193,728	$ (245,312)	$ 14,029,678	$ (452,981)	$ 38,223,406

In reviewing the investment portfolio for other-than-temporary impairment of individual securities, consideration is given to (1) the timeframe involved in which the fair value has been less than cost, (2) the financial condition of the issuer, and (3) the ability of the Bank to maintain its investment in the issuer for a time that would provide for any anticipated recovery in the fair value.

As of December 31, 2018, the Bank had 67 debt securities noted with unrealized losses. Of the total debt securities, 12 were mortgage-backed securities, 8 were U.S. government agency securities, and 47 were state and municipal securities. In analyzing the reasons for the unrealized losses, management considers whether the securities are issued by the federal government or its agencies, whether downgrades of bond ratings have occurred, and also reviews any applicable industry analysts' reports. With respect to the unrealized losses on the securities noted and the analysis performed relating to the securities, management currently believes that the declines in the market value are temporary.

D. Loans

Loans outstanding at December 31, 2018 and 2017, by major lending classifications are as follows:

	2018	2017
Real estate	$ 107,251,160	$ 95,361,585
Commercial and industrial	28,532,741	26,013,524
Consumer installment	14,857,241	13,284,458
Total loans	150,641,142	134,659,567
Less: Allowance for loan losses	(1,586,974)	(1,469,321)
Net loans	$ 149,054,168	$ 133,190,246

Loans on nonaccrual status as of December 31, 2018 and 2017, by category are as follows:

	2018	2017
Real estate	$ 626,835	$ 519,573
Commercial and industrial	41,622	-
Consumer installment	16,760	33,382
Total	$ 685,217	$ 552,955

An aging analysis of loans by category as of December 31, 2018 and 2017, is as follows:

December 31, 2018	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate	$ 1,216,976	$ 759,246	$ 1,976,222	$ 105,274,938	$ 107,251,160	$ -
Commercial and industrial	91,902	41,622	133,524	28,399,217	28,532,741	-
Consumer installment	86,467	15,159	101,626	14,755,615	14,857,241	-
Total	$ 1,395,345	$ 816,027	$ 2,211,372	$ 148,429,770	$ 150,641,142	$ -

December 31, 2017	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Real estate	$ 1,768,372	$ 427,045	$ 2,195,417	$ 93,166,168	$ 95,361,585	$ -
Commercial and industrial	272,357	-	272,357	25,741,167	26,013,524	-
Consumer installment	28,850	33,382	62,232	13,222,226	13,284,458	-
Total	$ 2,069,579	$ 460,427	$ 2,530,006	$ 132,129,561	$ 134,659,567	$ -

An analysis of impaired loans by category as of December 31, 2018 and 2017, is as follows:

December 31, 2018	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment	Interest Income Recognized
With no specific allocation recorded:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial and industrial	-	-	-	-	-
Consumer installment	-	-	-	-	-
With allocation recorded:					
Real estate	1,509,967	1,501,615	296,360	1,596,219	74,050
Commercial and industrial	122,074	119,943	44,105	129,789	6,888
Consumer installment	31,826	31,139	15,774	42,883	2,348
Total:					
Real estate	1,509,967	1,501,615	296,360	1,596,219	74,050
Commercial and industrial	122,074	119,943	44,105	129,789	6,888
Consumer installment	31,826	31,139	15,774	42,883	2,348
Totals	$ 1,663,867	$ 1,652,697	$ 356,239	$ 1,768,891	$ 83,286

December 31, 2017	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment	Interest Income Recognized
With no specific allocation recorded:					
Real estate	$ -	$ -	$ -	$ -	$ -
Commercial and industrial	-	-	-	-	-
Consumer installment	-	-	-	-	-
With allocation recorded:					
Real estate	1,682,471	1,673,470	320,000	1,381,091	72,680
Commercial and industrial	137,503	135,214	49,105	119,968	6,574
Consumer installment	53,940	53,725	20,000	100,530	3,767
Total:					
Real estate	1,682,471	1,673,470	320,000	1,381,091	72,680
Commercial and industrial	137,503	135,214	49,105	119,968	6,574
Consumer installment	53,940	53,725	20,000	100,530	3,767
Totals	$ 1,873,914	$ 1,862,409	$ 389,105	$ 1,601,589	$ 83,021

The Bank is exposed to risk of loss on loans due to the borrower's difficulties, which may arise from a number of factors including problems within the respective industry or general economic conditions within the Bank's trade area.

The Bank evaluates the credit risk of each customer on an individual basis and when deemed appropriate, collateral is obtained. Collateral varies by individual loan customer, but may include accounts receivable, inventory, real estate, equipment, deposits, agricultural crops and livestock, personal guarantees, and general security agreements. Access to collateral is dependent upon the type of collateral obtained. On a regular basis, the Bank monitors its collateral position relative to the loan balance outstanding and takes the appropriate action, as necessary.

The Bank primarily grants commercial, residential, and consumer loans to customers within its defined market area, primarily in Warren County, Tennessee, and continuous counties, all of which are affected by the general economic conditions of the area. Although the Bank reviews the diversification of the loan portfolio on a regular basis to avoid concentrations of credit risk, the overall quality of the loan portfolio and the borrowers' ability to repay the loans are, to some extent, affected by the health of the local economy taken as a whole.

Credit risk management procedures include assessment of loan quality through the use of an internal loan rating system. Each loan is assigned a rating upon origination and the rating may be revised over the life of the loan as circumstances warrant. The rating system utilizes five major classification types based on risk of loss with Pass being the lowest level of risk and Uncollectable being the highest level of risk. Loans internally rated Pass and are considered loans with low to average level of risk of credit losses. Loans in this risk grade would possess sufficient mitigating factors, such as adequate collateral or strong guarantors possessing the capacity to repay the debt if required, for any weakness that may exist. Loans rated Special Mention have potential weaknesses that deserve management’s close attention. Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. Doubtful loans have all the characteristics of Substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Uncollectable loans are considered to be non-collectible and of little value that their continuance as bankable assets is not warranted. This does not mean the loan has absolutely no recovery value, but rather it is neither practical nor desirable to defer writing off the loan, even though partial recovery may be obtained in the future. Charge-offs against the allowance for loan losses are taken in the period in which the loan becomes uncollectible. Consequently, the Bank typically does not maintain a recorded investment in loans within this category. Loans by internal risk rating by category as of December 31, 2018 and 2017, are as follows:

December 31, 2018	Pass	Special Mention	Substandard	Doubtful	Total
Real estate	$ 102,374,576	$ 273,330	$ 4,603,254	$ -	$ 107,251,160
Commercial and industrial	28,284,829	118,641	129,271	-	28,532,741
Consumer installment	14,682,258	42,617	132,366	-	14,857,241
Total	$ 145,341,663	$ 434,588	$ 4,864,891	$ -	$ 150,641,142

December 31, 2017	Pass	Special Mention	Substandard	Doubtful	Total
Real estate	$ 92,703,612	$ 448,454	$ 2,209,519	$ -	$ 95,361,585
Commercial and industrial	25,807,139	-	206,385	-	26,013,524
Consumer installment	13,177,227	37,107	70,124	-	13,284,458
Total	$ 131,687,978	$ 485,561	$ 2,486,028	$ -	$ 134,659,567

The Bank seeks to assist customers that are experiencing financial difficulty by renegotiating loans within lending regulations and guidelines. At the time of restructuring, a loan is evaluated for an asset-specific allowance for credit losses. The Bank continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. If a borrower subsequently defaults on the loan after it is restructured, the Bank provides an allowance for credit losses for the amount of the loan that exceeds the value of the related collateral. There were no loans that were restructured during the years ended December 31, 2018 and 2017.

E. Allowance for Loan Losses

Activity in the allowance for loan losses by category for the years ended December 31, 2018 and 2017, is as follows:

December 31, 2018	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance	ASC 310 Evaluated Individually	ASC 450 Evaluated Collectively
Real estate	$ 765,774	$ (47,498)	$ 1,363	$ 115,952	$ 835,591	$ 296,360	$ 539,231
Commercial and industrial	481,575	(2,017)	9,249	15,000	503,807	44,105	459,702
Consumer installment	101,997	(11,448)	997	35,000	126,546	15,774	110,772
Other	119,975	(5,332)	2,769	3,618	121,030	-	121,030
Total	$ 1,469,321	$ (66,295)	$ 14,378	$ 169,570	$ 1,586,974	$ 356,239	$ 1,230,735

December 31, 2017	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance	ASC 310 Evaluated Individually	ASC 450 Evaluated Collectively
Real estate	$ 755,776	$ (5,845)	$ 843	$ 15,000	$ 765,774	$ 320,000	$ 445,774
Commercial and industrial	465,231	-	11,344	5,000	481,575	49,105	432,470
Consumer installment	96,229	(26,356)	2,124	30,000	101,997	20,000	81,997
Other	120,138	(8,572)	4,244	4,165	119,975	-	119,975
Total	$ 1,437,374	$ (40,773)	$ 18,555	$ 54,165	$ 1,469,321	$ 389,105	$ 1,080,216

F. Loan Servicing

Mortgage loans serviced for Federal Home Loan Mortgage Corporation (FHLMC) are not included in the accompanying consolidated balance sheet. The unpaid principal balances of these loans were $75,797,656 and $73,666,881 at December 31, 2018 and 2017, respectively.

Mortgage servicing rights are included in other assets in the accompanying consolidated balance sheet. A summary of transactions in mortgage servicing rights for the years ended December 31, 2018 and 2017, is as follows:

	2018	2017
Balance, beginning of year	$287,914	$258,834
Amount capitalized	137,486	146,628
Amount amortized	(123,010)	(117,548)
Balance, end of year	$302,390	$287,914

Custodial escrow balances maintained in connection with FHLMC loan servicing were $224,713 and $345,954 at December 31, 2018 and 2017, respectively.

G. Premises and Equipment

Premises and equipment and related accumulated depreciation at December 31, 2018 and 2017, are as follows:

	Estimated Useful Life	2018	2017
Land	0	$1,005,343	$1,005,343
Buildings and improvements	5-40	2,527,138	2,489,213
Furniture and equipment	5	1,363,682	1,589,051
Vehicles	5	121,190	105,883
Total		5,017,353	5,189,490
Less: accumulated depreciation		(2,301,540)	(2,499,244)
Premises and equipment, net		$2,715,813	$2,690,246

H. Deposits

The total amount of demand deposits reclassified as loans at December 31, 2018 and 2017, was $44,217 and $37,776. The aggregate amounts of time deposits in denominations of $250,000 or more at December 31, 2018 and 2017, were $14,995,616 and $14,424,979, respectively. At December 31, 2018, the scheduled maturities of time deposits are as follows:

On or before December 31, 2019	$40,182,068
On or before December 31, 2020	10,090,068
On or before December 31, 2021	3,691,392
On or before December 31, 2022	4,535,679
On or before December 31, 2023	2,531,560
Total	$61,030,767

I. Lines of Credit and FHLB Lines of Credit

The Bank currently has available from correspondent banks lines of short-term credit in the form of federal fund purchases. Interest on these lines is at the current daily rate at the time of purchase. The line with First Tennessee is for $5,000,000, unsecured and may be drawn for fourteen consecutive days before collateral is required. Currently, there are no borrowings against this line. The line with ServisFirst Bank is for $4,000,000, unsecured and must be repaid in a maximum of thirty consecutive calendar days. There are no borrowings against this line.

The Bank has available a line of credit with the FHLB of Cincinnati. The Bank has an additional borrowing capacity of $29,847,291. Currently, there is $4,000,000 borrowed against this line at a weighted average rate of 2.51% with the full balance due in the next year. The Bank has $5,880,000 in 1-4 family loans pledged as collateral against this line. The Bank also has available a line of credit to borrow up to $10,000,000 in overnight funds, which would limit the borrowing capacity by the borrowed amount. The terms of the borrowings are subject to market rates at the time of the advance with maturities of one to twenty years. Currently, the Bank has no borrowings against this line.

J. Income Taxes

Allocation of Federal and State income taxes between current and deferred is as follows as of December 31, 2018 and 2017:

December 31, 2018	Current	Deferred	Total Expense
State income tax	$ 182,565	$ -	$ 182,565
Federal income tax	618,202	(68,692)	549,510
Total expense	$ 800,767	$ (68,692)	$ 732,075

December 31, 2017	Current	Deferred	Total Expense
State income tax	$ 154,550	$ -	$ 154,550
Federal income tax	1,096,037	(191,532)	904,505
Total expense	$ 1,250,587	$ (191,532)	$ 1,059,055

The Company adopted practices in accordance with the FASB ASC Topic 740, Income Taxes. FASB ASC Topic 740 on Income Taxes provides guidance for how an entity should recognize, measure, present and disclose uncertain tax positions that it has taken or expects to take on a tax return. As of December 31, 2018 and 2017, the Company had no unrecognized tax benefits. The Company's policy is to recognize penalties and interest on unrecognized tax benefits in provision for income tax expense in the consolidated statements of income. There were no amounts related to interest and penalties recognized for the years ended December 31, 2018 and 2017.

Changes in tax laws and rates affect recorded deferred tax assets and liabilities and the effective tax rate in the future. In December 2017, there were significant changes to the tax laws. Because a change in tax law is accounted for in the period of enactment, the effects are recognized in the 2017 financial results. This tax law change affects the Bank's estimated annual effective tax rate for 2018 by thirteen percentage points.

The components of the net deferred tax asset (liability) included in other assets (liabilities) are as follows:

	2018	2017
Deferred tax asset:		
Allowance for loan losses	$ 374,771	$ 301,391
Unearned loan fees	11,409	4,862
Non-accrual loan interest	7,066	740
Deferred compensation	297,918	274,050
Net unrealized loss on securities available-for-sale	149,740	99,854
Subtotal	840,904	680,897
Deferred tax liability:		
FHLB stock dividends	176,071	170,411
Net unrealized gain on stocks available-for-sale	105	2,012
Depreciation	92,797	65,582
Deferred gains on mortgage servicing rights	78,145	69,582
Other	68,683	41,530
Subtotal	415,801	349,117
Net deferred tax asset	$ 425,103	$ 331,780

The ratio of applicable income taxes to net income before taxes differed from the statutory rate of 21% in 2018 and 2017. The reasons for these differences are as follows:

	2018	2017
Tax expense at statutory rate	$619,847	$ 868,511
Increase (decrease) resulting from:		
State income taxes, net of federal tax benefit	11,867	10,046
Allowance for loan losses	24,707	10,862
Tax exempt interest, net of nondeductible expenses	(33,429)	(59,828)
Earnings on cash surrender value life insurance	(10,905)	(18,556)
Change in deferred tax assets attributable to corporate income tax rate change	-	150,000
Other differences	119,988	98,020
	$732,075	$1,059,055

NOTE 3 - DIVDEND RESTRICTION

Due to state banking regulations, the Bank may not declare dividends in any calendar year that exceed the total of its net income of that year combined with its retained net income of the preceding two years without the prior approval of the commissioner. As of December 31, 2018 and 2017, the Bank's retained earnings available for the payment of dividends was $4,171,143 and $2,937,539, respectively.

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Bank has in effect a contributory profit sharing plan, a deferred compensation plan, and an employee stock ownership plan (ESOP). Employees become eligible to participate in the plans after reaching age 21 and completing one year of service.

The Bank's contributions to the profit sharing plan are discretionary and totaled $109,525 and $89,898 at December 31, 2018 and 2017, respectively. Employer contributions vest on a graduated schedule from two to six years of service.

The Bank has a deferred compensation plan for the benefit of its directors. Under the plan, any director electing to defer directors' fees will be entitled to receive the accumulated benefits, including interest earned, over a period of ten or fifteen years following retirement. The Bank recognizes the liability for these benefits over the director's service period. As of December 31, 2018 and 2017, the liability for these benefits was $1,133,838 and $1,077,330, respectively. Expenses related to the deferred compensation plan were $113,341 and $113,265 at December 31, 2018 and 2017, respectively.

The deferred compensation plan also provides for payments of benefits in the event of early termination or death. The Bank purchased single premium, whole life insurance policies to facilitate the funding of these benefits. The Bank is the sole owner and beneficiary of such policies. As of December 31, 2018 and 2017, the cash surrender value of these policies was $2,397,799 and $2,345,871, respectively.

At December 31, 2018 and 2017, the ESOP held common shares of 23,033 and 23,033, and all have been allocated to participants. Allocated ESOP shares are treated as outstanding in the computation of earnings per share. The Bank recorded no charges in related to the ESOP in 2018 and 2017. Contributions are allocated to participants based on their eligible compensation relative to total eligible compensation. Dividends on ESOP shares are paid to the ESOP trust.

NOTE 5 - STOCK OPTION PLANS

The Company has two stock option plans that provide for both incentive stock options and nonqualified stock options. The exercise price of each option shall not be less than 100 percent of the fair market value of the common stock on the date of the grant. All options have been granted at the fair market value of the shares at the date of grant.

The maximum number of common shares that can be sold or optioned under the 2007 Incentive Stock Plan is 17,000 shares. The maximum term is ten years for incentive options and fifteen years for nonqualified options. Each option vests on an equal incremental basis over five years.

The effect of stock options forfeited is recognized as the forfeitures occur. The fair value of each stock option was estimated on the grant date using the Black-Scholes option-pricing model. The Company incurred compensation expense for stock options of $18,180 and $18,180 at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the total remaining compensation cost to be recognized on non-vested options is $28,786 and $46,967, respectively. If not exercised, the options will expire from 2021 to 2025.

A summary of activity in the stock option plans for the years ended December 31, 2018 and 2017, is as follows:

December 31, 2018	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	11,000	$ 37.02
Options granted	-	-
Options reissued	-	-
Options terminated	-	-
Outstanding at end of year	11,000	$ 37.02

December 31, 2017	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	11,000	$ 37.02
Options granted	-	-
Options reissued	-	-
Options terminated	-	-
Outstanding at end of year	11,000	$ 37.02

There is no aggregate intrinsic value of options outstanding at December 31, 2018 and 2017. The aggregate intrinsic value represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all option holders exercised their options on December 31, 2018 and 2017. This amount changes based on changes in the market value of the Company’s stock. The fair value (present value of the estimated future benefit to the option holder) of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

Information pertaining to options outstanding at December 31, 2018 and 2017, is as follows:

December 31, 2018

Options Outstanding			Options Exercisable	
Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
8,800	6.7 Years	$ 39.24	5,280	$ 39.24
2,200	2.4 Years	28.12	2,200	28.12
11,000	5.8 Years	37.02	7,480	37.02

December 31, 2017

Options Outstanding			Options Exercisable	
Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
8,800	7.7 Years	$ 39.24	3,520	$ 39.24
2,200	3.4 Years	28.12	2,200	28.12
11,000	6.8 Years	37.02	5,720	37.02

Information related to non-vested options for the years ended December 31, 2018 and 2017, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested options, December 31, 2016	7,040	$ 37.02
Reissued	-	39.24
Granted	-	39.24
Vested	(1,760)	39.24
Forfeited/expired	-	-
Non-vested options, December 31, 2017	5,280	37.02
Reissued	-	39.24
Granted	-	39.24
Vested	(1,760)	39.24
Forfeited/expired	-	-
Non-vested options, December 31, 2018	3,520	37.02

The total value of shares that vested during 2018 and 2017, was $81,435 and $81,435, respectively.

NOTE 6 - MANAGEMENT RECOGNITION PLAN

The Company's management recognition plan serves as a means of providing existing directors and employees of the Bank with an ownership interest in the Company. Common shares awarded under the management recognition plan vest equally over a five-year period. Compensation expense related to those shares is recognized on a straight-line basis corresponding with the vesting period. Prior to vesting, each participant granted shares under the management recognition plan may direct the voting of the shares allocated to the participant and will be entitled to receive any dividends or other distributions paid on such shares.

Shares that vested and were issued to participants in the management recognition plan totaled 180 and 180 shares in 2018 and 2017. Total compensation expense associated with the management recognition plan was $9,903 and $8,543 at December 31, 2018 and 2017, respectively.

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summary presents the methodologies and assumptions used to estimate the fair value of the Bank's financial instruments presented below. The Bank operates as a going concern, and, except for its investment securities portfolio, no active market exists for its financial instruments. Much of the information used to determine fair value is highly subjective and judgmental in nature, and therefore, the results may not be precise. The subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since the fair value is estimated as of December 31, 2018 and 2017, the amounts, which will actually be realized or paid upon settlement or maturity of the various instruments, could be significantly different. Certain financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented are not intended to represent the underlying value of the Bank.

A. Cash, Due From Banks, Interest-Bearing Deposits with Banks, Federal Funds Sold, Accrued Interest Receivable, and Accrued Interest Payable

The carrying amount for cash, due from banks, interest-bearing deposits, federal funds sold, accrued interest receivable and accrued interest payable is a reasonable estimate of fair value for those assets and liabilities.

B. Investment Securities

In estimating fair values, management makes use of prices or dealer quotes for U.S. Treasury securities, other U.S. government agency securities, tax exempt securities, and mortgage-backed certificates. As required by FASB ASC Topic 820, Fair Value Measurements and Disclosures, securities available-for-sale are recorded at fair value.

C. Stock Investments

The carrying value of Federal Home Loan Bank stock is a reasonable estimate of the fair value.

D. Loans

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities. The risk of default is measured as an adjustment to the discount rate, and no future interest income is assumed for nonaccrual loans.

The fair value of loans does not include the value of the customer relationship or the right to fees generated by the account.

E. Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at lower of aggregate cost or market.

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F. Cash Surrender Value of Life Insurance

Carrying amount of bank-owned life insurance is the cash surrender value as of the end of the periods presented and approximates fair value.

G. Other Assets, Other Liabilities and Repurchase Agreements

Financial instruments included in other assets, other liabilities and repurchase are short-term and, therefore, valued at their carrying values.

H. Deposit Liabilities

The fair value of deposits with no stated maturities (which includes demand deposits, savings accounts, and money market deposits) is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using a discounted cash flow model based on the rates currently offered for deposits of similar maturities.

FASB ASC Topic 820, Fair Value Measurements and Disclosures requires deposit liabilities with no stated maturity to be reported at the amount payable on demand without regard for the inherent funding value of these instruments. The Bank believes that significant value exists in this funding source.

I. Loan Commitments and Standby Letters of Credit

The Bank has reviewed its loan commitments and standby letters of credit and determined that differences between the fair value and notional principal amounts are not significant.

The estimated fair values of the Bank's financial instruments are as follows:

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	$ 5,036,323	$ 5,036,323	$ 6,699,587	$ 6,699,587
Interest-bearing deposits with banks	11,028,636	11,028,636	11,965,340	11,965,340
Securities available-for-sale	39,590,956	39,590,956	42,706,446	42,706,446
FHLB stock	955,600	955,600	955,600	955,600
Loans, net: [(1)]				
Held for investment	149,054,168	148,402,558	133,190,246	132,377,479
Loans held for sale	665,828	665,828	997,277	997,277
Bank-owned life insurance	2,397,799	2,397,799	2,345,871	2,345,871
Accrued interest receivable	1,062,114	1,062,114	997,074	997,074
Other assets	994,077	994,077	912,000	912,000
Financial liabilities:				
Deposits: [(1)]				
Without stated maturities	116,623,615	116,623,615	114,628,586	114,628,586
With stated maturities	61,030,767	60,973,816	63,470,019	63,397,894
Repurchase agreements	7,651,636	7,651,636	3,031,656	3,031,656
Accrued interest payable	118,487	118,487	87,545	87,545
FHLB borrowings	4,000,000	4,089,600	-	-
Accrued expenses and other liabilities	2,028,970	2,028,970	1,893,501	1,893,501
Unrecorded financial instruments:				
Commitments to extend credit	33,560,168	33,560,168	29,336,393	29,336,393
Standby letters of credit	434,200	434,200	425,800	425,800

[(1)]*As mentioned in the assumptions above, the fair value of these financial instruments does not include any value for the customer relationship or the right to future fee income which may be generated by these relationships.*

The Bank adopted FASB ASC Topic on Fair Value Measurements and Disclosures effective January 1, 2008. The codification defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. This standard clarifies the principle that fair value should be based on assumptions market participants would use when pricing the asset or liability and establishes a hierarchy that prioritizes information used to develop these assumptions. The hierarchy is as follows:

A. Level 1 Inputs

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

B. Level 2 Inputs

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs may include quoted prices for similar assets or liabilities in active market, and inputs other than quoted market prices that are observable for the assets and liabilities such as interest rates and yield curves that are observable at commonly quoted intervals.

C. Level 3 Inputs

Unobservable inputs for determining fair values of assets and liabilities that reflect an entity's own assumptions about the assumptions that market participants would use pricing the assets and liabilities.

Securities available-for-sale are the only balance sheet components reported at fair value. They are valued using Level 2 inputs. The Bank obtains fair value measurements from a third party vendor. 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 prepayment speeds, credit information and terms and conditions of bonds, and other factors.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017:

December 31, 2018	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets:				
U.S. government agency securities	$ -	$ 11,360,314	$ -	$ 11,360,314
Mortgage-backed securities	-	15,467,712	-	15,467,712
State and municipal securities	-	12,757,158	-	12,757,158
Federal Home Loan Mortage Corporation stock	-	5,772	-	5,772
Total	$ -	$ 39,590,956	$ -	$ 39,590,956

December 31, 2017	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets:				
U.S. government agency securities	$ -	$ 13,371,315	$ -	$ 13,371,315
Mortgage-backed securities	-	15,402,220	-	15,402,220
State and municipal securities	-	13,919,190	-	13,919,190
Federal Home Loan Mortage Corporation stock	-	13,721	-	13,721
Total	$ -	$ 42,706,446	$ -	$ 42,706,446

Certain non-financial assets measured at fair value on a non-recurring basis include intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment. Foreclosed assets are recorded at the lower of cost or fair value. Fair value is measured based on independent appraisals and may be discounted by management based on historical experience and knowledge and changes in market conditions from time of valuation. Values of impaired loans are reviewed at least annually or more often if circumstances require more frequent evaluations. The following table summarizes non-financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017:

December 31, 2018	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Non-financial assets:				
Foreclosed assets	$ -	$ 77,250	$ -	$ 77,250
Impaired loans	-	1,652,697	-	1,652,697
Total	$ -	$ 1,729,947	$ -	$ 1,729,947

December 31, 2017	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Non-financial assets:				
Foreclosed assets	$ -	$ 127,250	$ -	$ 127,250
Impaired loans	-	1,862,409	-	1,862,409
Total	$ -	$ 1,989,659	$ -	$ 1,989,659

The total amount of foreclosed assets that represents residential real estate at December 31, 2018 and 2017, is $0 and $62,000, respectively.

NOTE 8 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk, interest rate risk and liquidity risk, in excess of the amounts recognized in the accompanying balance sheets. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by one of the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies and procedures in making commitments and conditional obligations as it does for on balance-sheet instruments. Financial instruments, whose contract amounts represent credit risk at December 31, 2018 and 2017, are as follows:

	2018	2017
Commitments to extend credit	$ 33,560,168	$ 29,336,393
Standby letters of credit	$ 434,200	$ 425,800

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 have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of the collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held, if any, varies but may include certificates of deposit, accounts receivable, inventory, property and equipment, real estate, crops, and income-producing properties. Of the $33,560,168 unfunded commitments as of December 31, 2018, $25,417,619 had variable interest rates and $8,142,549 had fixed interest rates.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The standby letters of credit at December 31, 2018, are short-term guarantees generally expiring on or before December 31, 2019. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank evaluates each customer's credit worthiness on a case-by-case basis. When deemed necessary, the Bank may hold a variety of collateral to support these commitments similar to the types of collateral held for commitments to extend credit.

NOTE 9 - SIGNIFICANT GROUP OF CONCENTRATIONS OF CREDIT RISK

Most of the Company’s loans, commitments and commercial and standby letters of credit have been granted to customers in the Company’s market area. Many such customers are depositors of the Bank. A substantial portion of the Company’s customers’ ability to honor their contracts is dependent on the business economy in those areas. Seventy-one percent of the Company’s loan portfolio is concentrated in real estate. A substantial portion of these loans is secured by real estate in the Company’s primary market area. Accordingly, the ultimate collectability of the loan portfolio is susceptible to changes in market conditions in the Company’s primary market area.

NOTE 10 - LEASE AGREEMENTS

The Bank had a lease agreement for a digital mailing system mature in 2018 and a storage building in 2017. Rental expense was $585 and $4,065 as of December 31, 2018 and 2017, respectively.

NOTE 11 - RELATED PARTIES

As of December 31, 2018 and 2017, the Bank had entered into loan transactions with its directors, officers, and their affiliates. Direct and indirect loans to executive officers and directors of the Bank and their related interests are as follows:

	2018	2017
Loans outstanding at beginning of the year	$ 714,004	$ 1,444,283
New borrowings	682,741	-
Repayments of loans	(125,161)	(378,895)
Added to (removed from) related party loans	190,769	(351,384)
Loans outstanding at the end of the year	$ 1,462,353	$ 714,004

Deposits from related parties held by the Bank at December 31, 2018 and 2017, amounted to $1,300,969 and $1,180,546, respectively.

As of December 31, 2018 and 2017, there were $0 and $9,100, respectively, in outstanding official checks to a related party. There were $402,796 and $2,231,707 in repurchase agreements held by a related party at December 31, 2018 and 2017, respectively.

NOTE 12 - LEGAL MATTERS

The Company and subsidiaries are involved in legal proceedings arising in the normal course of business. In the opinion of management, after consulting with counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position and results of operations of the Company and subsidiaries.

NOTE 13 - REGULATORY 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 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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2018, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2018, the most recent notification from the applicable regulatory agencies 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 and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management feels have changed the institution's category. The Bank's actual capital amounts and ratios are also shown in the table. The actual capital amounts were calculated as of December 31, 2018 and 2017.

	Actual:		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
December 31, 2018	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital						
(to risk-weighted assets)	$22,433,000	14.847%	$ 9,632,243	≥6.375%	$ 9,821,110	≥6.500%
Total capital						
(to risk-weighted assets)	$24,020,000	15.897%	$14,920,533	≥9.875%	$15,109,400	≥10.00%
Tier I capital						
(to risk-weighted assets)	$22,433,000	14.847%	$11,898,653	≥7.875%	$12,087,520	≥8.000%
Tier I capital						
(to average assets)	$22,433,000	10.651%	$ 8,424,440	≥4.000%	$10,530,550	≥5.000%

	Actual:		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
December 31, 2017	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital						
(to risk-weighted assets)	$20,615,000	15.278%	$ 7,758,705	≥5.750%	$ 8,096,040	≥6.000%
Total capital						
(to risk-weighted assets)	$22,088,000	16.369%	$12,481,395	≥9.250%	$13,493,400	≥10.00%
Tier I capital						
(to risk-weighted assets)	$20,615,000	15.278%	$ 9,782,715	≥7.250%	$10,794,720	≥8.000%
Tier I capital						
(to average assets)	$20,615,000	10.013%	$ 8,235,440	≥4.000%	$10,294,300	≥5.000%

NOTE 14 - CAPITAL CONSERVATION BUFFER

As part of the Basel III regulations, there is a new calculation for a capital conservation buffer (buffer ratio) beginning in 2016. The buffer ratio is the lowest of the following three ratios: 1) the institution's actual common equity tier 1capital ratio minus the minimum required common equity tier 1 capital ratio; 2) the institution's tier 1 capital ratio minus the minimum required tier 1 capital ratio; or 3) the institution's total capital ratio minus the minimum required total capital ratio.

The buffer ratio is used to determine the maximum payout ratio (as a percentage of eligible retained income) for payouts in the form of distributions and discretionary bonus payments. The buffer ratio has a transition period from January 1, 2016 through December 31, 2018. It becomes fully implemented beginning January 1, 2019. The ratio is calculated and applied each calendar quarter. The table below outlines the buffer ratio calculations for each transitional year as well as the first year of full implementation:

Transition period	Capital Conservation Buffer	Maximum Payout Ratio (as a percentage of eligible retained income)
Calendar year 2016	> 0.625%	No payout ratio limitation applies
	≤ 0.625% and > 0.469%	60 percent
	≤ 0.469% and > 0.313%	40 percent
	≤ 0.313% and > 0.156%	20 percent
	≤ 0.156%	0 percent
Calendar year 2017	> 1.25%	No payout ratio limitation applies
	≤ 1.25% and > 0.938%	60 percent
	≤ 0.938% and > 0.625%	40 percent
	≤ 0.625% and > 0.313%	20 percent
	≤ 0.313%	0 percent
Calendar year 2018	> 1.875%	No payout ratio limitation applies
	≤ 1.875% and > 1.406%	60 percent
	≤ 1.406% and > 0.938%	40 percent
	≤ 0.938% and > 0.469%	20 percent
	≤ 0.469%	0 percent
Fully Implemented	**Capital Conservation Buffer**	**Maximum Payout Ratio (as a percentage of eligible retained income)**
Calendar year 2019	> 2.50%	No payout ratio limitation applies
	≤ 2.50% and > 1.875%	60 percent
	≤ 1.875% and > 1.25%	40 percent
	≤ 1.25% and > 0.625%	20 percent
	≤ 0.625%	0 percent

The Bank’s capital conservation buffer as of December 31, 2018 and 2017, was 7.90% and 8.37%, respectively.

Alexander Thompson Arnold PLLC
2070 Rhino Crossing, Milan, TN 38358
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Independent Auditor's Report on Supplementary Information

To the Board of Directors
Security Bancorp, Inc. and Subsidiary
P.O. Box 7027
McMinnville, TN 37111

We have audited the consolidated financial statements of Security Bancorp, Inc. and Subsidiary as of and for the years ended December 31, 2018 and 2017, and our report thereon dated March 4, 2019, which expressed an unqualified opinion on those financial statements, appears on page 12. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it 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 consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Alexander Thompson Arnold PLLC

Milan, Tennessee
March 4, 2019

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
December 31, 2018

Assets	Security Bancorp, Inc.	Security Federal Savings Bank	Eliminations	Consolidated
Cash and cash equivalents	$ 46,701	$ 5,036,323	$ (46,701)	$ 5,036,323
Interest-bearing deposits with banks	-	11,028,636	-	11,028,636
Investment securities available-for-sale	-	39,590,956	-	39,590,956
Investment in subsidiary	21,959,548	-	(21,959,548)	-
Federal Home Loan Bank stock, at cost	-	955,600	-	955,600
Loans, net	-	149,054,168	-	149,054,168
Loans held for sale	-	665,828	-	665,828
Premises and equipment, net	71,745	2,644,068	-	2,715,813
Foreclosed assets	-	77,250	-	77,250
Cash surrender value life insurance	-	2,397,799	-	2,397,799
Accrued interest receivable	-	1,062,114	-	1,062,114
Other assets	55,500	938,577	-	994,077
Total assets	**$ 22,133,494**	**$ 213,451,319**	**$ (22,006,249)**	**$ 213,578,564**
Liabilities and stockholders' equity				
Liabilities				
Deposits:				
Noninterest-bearing				
Demand deposits	$ -	$ 35,900,672	$ (46,701)	$ 35,853,971
Interest-bearing				
Demand deposits	-	45,999,974	-	45,999,974
Savings	-	34,769,670	-	34,769,670
Time	-	61,030,767	-	61,030,767
Total deposits	-	177,701,083	(46,701)	177,654,382
Repurchase agreements	-	7,651,636	-	7,651,636
Accrued interest payable	-	118,487	-	118,487
FHLB borrowings	-	4,000,000	-	4,000,000
Accrued expenses and other liabilities	8,405	2,020,565	-	2,028,970
Total liabilities	8,405	191,491,771	(46,701)	191,453,475
Stockholders' equity				
Preferred stock	-	-	-	-
Common stock	4,364	1,000	(1,000)	4,364
Additional paid-in capital	4,500,811	4,124,942	(4,124,942)	4,500,811
Retained earnings	19,797,831	18,307,452	(18,307,452)	19,797,831
Accumulated other comprehensive loss	(473,846)	(473,846)	473,846	(473,846)
Treasury stock	(1,704,071)	-	-	(1,704,071)
Total stockholders' equity	22,125,089	21,959,548	(21,959,548)	22,125,089
Total liabilities and stockholders' equity	**$ 22,133,494**	**$ 213,451,319**	**$ (22,006,249)**	**$ 213,578,564**

See independent auditor's report on supplementary information.

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2018

	Security Bancorp, Inc.	Security Federal Savings Bank	Eliminations	Consolidated
Interest income				
Interest and fees on loans	$ -	$ 7,283,904	$ -	$ 7,283,904
Interest on investment securities	-	928,769	-	928,769
Interest other	15,972	99,965	-	115,937
Dividends - FHLB stock	-	56,145	-	56,145
Total interest income	15,972	8,368,783	-	8,384,755
Interest expense				
Interest on demand deposits and savings	-	429,034	-	429,034
Interest on time deposits	-	708,839	-	708,839
Other interest	-	100,021	-	100,021
Total interest expense	-	1,237,894	-	1,237,894
Net interest income	15,972	7,130,889	-	7,146,861
Provision for loan losses	-	169,570	-	169,570
Net interest income after provision for loan losses	15,972	6,961,319	-	6,977,291
Other income				
Deposit service charges and fees	-	832,831	-	832,831
Gain on sale of loans	-	371,888	-	371,888
Gain on sale of investment securities	-	1,809	-	1,809
Gain on sale of foreclosed assets	-	45,452	-	45,452
Gain on sale of premises and equipment	-	88	-	88
Income from subsidiary	2,224,197	-	(2,224,197)	-
Financial service fees	-	298,675	-	298,675
Servicing fee, net	-	61,746	-	61,746
Earnings on cash surrender value	-	60,485	-	60,485
Other income	6,900	67,159	(3,000)	71,059
Total other income	2,231,097	1,740,133	(2,227,197)	1,744,033
Other expense				
Salaries and employee benefits	-	3,328,888	-	3,328,888
Net occupancy expense	1,752	673,739	-	675,491
Loss on sale of interest-bearing deposits with banks	-	7,076	-	7,076
Legal and professional fees	-	190,963	-	190,963
FDIC assessments	-	48,200	-	48,200
Data processing	-	666,337	-	666,337
Financial service expenses	-	23,907	-	23,907
Advertising	-	88,739	-	88,739
Deferred Compensation	-	113,341	-	113,341
Other operating expense	34,109	600,890	(3,000)	631,999
Total other expense	35,861	5,742,080	(3,000)	5,774,941
Income before income taxes	2,211,208	2,959,372	(2,224,197)	2,946,383
Provision for income tax expense (benefit)	(3,100)	735,175	-	732,075
Net income	**$ 2,214,308**	**$ 2,224,197**	**$ (2,224,197)**	**$ 2,214,308**

See independent auditor's report on supplementary information.

DIRECTORS AND OFFICERS
of
SECURITY BANCORP, INC.

Directors

Joe H. Pugh
President and Chief Executive Officer

Robert W. Newman
Attorney

Ray ("Buzz") Spivey, Jr.
Secretary
President of the Cumberland Lumber & Mfg. Co.

Thomas L. Foster
Owner of Foster & Foster Realty and
Auction Company

Herschel Wells, Jr.
Chairman of the Board
Owner of Tennessee Warehouse and Distribution

Dr. R. Neil Schultz (1)
Retired Orthodontist

Dr. John T. Mason, III (1)
Retired Professor of Chemical Engineering
at Tennessee Technological University

Earl H. Barr (1)
Owner and Manager of Barr's, Inc.

Dr. Franklin J. Noblin (1)
Retired Dentist

Donald R. Collette (1)
Retired General Manager of
McMinnville Electric System

Officers

Joe H. Pugh
President and Chief Executive Officer

Michael D. Griffith
Executive Vice President

Barbara A. Page
Senior Vice President

Angela D. Brown
Chief Financial Officer

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(1) Director emeritus.

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of
SECURITY FEDERAL SAVINGS BANK OF
MCMINNVILLE, TN

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Attorney

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Senior Vice President/
Chief Financial Officer

Ken Martin
Senior Vice President

Danny Martin
Senior Vice President

Barbara A. Page
Senior Vice President

Sherry Clendenon
Senior Vice President/Compliance
and Training

Kelly T. Basham
Senior Vice President

---
(1) Director emeritus.

CORPORATE INFORMATION

Corporate Headquarters

306 West Main Street
McMinnville, Tennessee 37110

Independent Auditors

Alexander Thompson Arnold, PLLC
Milan, Tennessee

General Counsel

Stanley & Bratcher
McMinnville, Tennessee

Special Securities Counsel

Breyer & Associates PC
McLean, Virginia

Transfer Agent

Computershare Investor Services
211 Quality Circle, Suite 210
College Station, Texas 77845

Common Stock

Traded over-the-counter on the
OTC Electronic Bulletin Board
under the symbol: SCYT

ANNUAL MEETING

The Annual Meeting of Stockholders will be held Wednesday, April 17, 2019 at 2:00 p.m., Central Time, at the Bank's Mortgage/Financial Services Building located at 305 West Morford Street, McMinnville, Tennessee.


SECURITY FEDERAL
SAVINGS BANK





McMINNVILLE
Security Federal
Savings Bank


READY
SET
EAT!
GAME
TIME











County
McMinnville

Levi's

GAME
TIME

SECURITY
BANCORP, INC.

P.O. Box 7027 – McMinnville, TN 37111