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TEXAS BRAND BANK



Member FDIC

Dear Shareholders,

We are pleased to announce another outstanding year for Texas Brand Bancshares, Inc. & our subsidiary, Texas Brand Bank. Growth, capital, earnings, asset quality and dividends all are at or near record levels, while our expansion plans remain on schedule. We are excited to play our part in the booming DFW economy by offering community bank services in the big bank era.

GROWTH - Year-end assets increased 12.36% to \$228,716,000. Deposits were up 11.81% to \$198,250,000, while our loan portfolio increased an impressive 24.3% to \$188,050,000. Prior to the recent COVID-19 upheaval, our projections forecast the same or even greater increases in 2020; however, we anticipate that the recent market developments in response to national health concerns will impact those projections, perhaps significantly.

CAPITAL - Our capital to assets ratio, considered by many the primary indicator of bank strength and solvency, was 12.87% at

year end, significantly above the “well capitalized” regulatory requirements. Despite our very high capital ratio, our after-tax return on equity from continuing operations was 7.35%. Return on average assets was 0.95%.

EARNINGS - While down slightly in 2019, our earnings were still strong at \$1,964,000. Prime rate decreases of 0.75% vs. projected increases of 1.00%, coupled with the full year costs of opening two new offices, contributed to the decline. Without the cost of the new offices, our earnings would have increased about 10% for the year. Our Q1 2020 earnings were significantly greater than our projections; however, we now expect that our earnings for the remainder of 2020 will be considerably less than our projections and may even be less than our 2019 results.

ASSET QUALITY - For the fourth consecutive year, we had no real estate foreclosures, no non-performing loans and no past due loans at year end, reflecting the strength of our local market and our continuing focus on credit quality. Net loan

losses for the year were likewise zero. Unfortunately, it is likely that asset quality in 2020 will be strained by impacts from the Covid-19 virus on our customer base.

DIVIDENDS - We increased our quarterly dividends to 15% of net earnings, resulting in a return of \$353,423 to shareholders. We have now paid dividends for 18 consecutive quarters.

EXPANSION - After lengthy construction and municipal delays, we opened our fourth banking office in the rapidly-growing Deep Ellum area of Dallas in November. If you have not yet done so, we invite you to visit us at 3033 Main at Hall Street. We believe that our company strategy of opening offices in redeveloping urban locations that do not have a banking presence will continue to produce results for our shareholders.

Although we are closely monitoring the market and implementing contingency plans relating to any potential impact of the current health concerns, we continue to be optimistic about the future. While the new offices and other initiatives slightly decreased

profit in 2019, we are excited about the contributions we expect they will add to growth and profitability in future years as the world economy normalizes following the current COVID-19 impact.

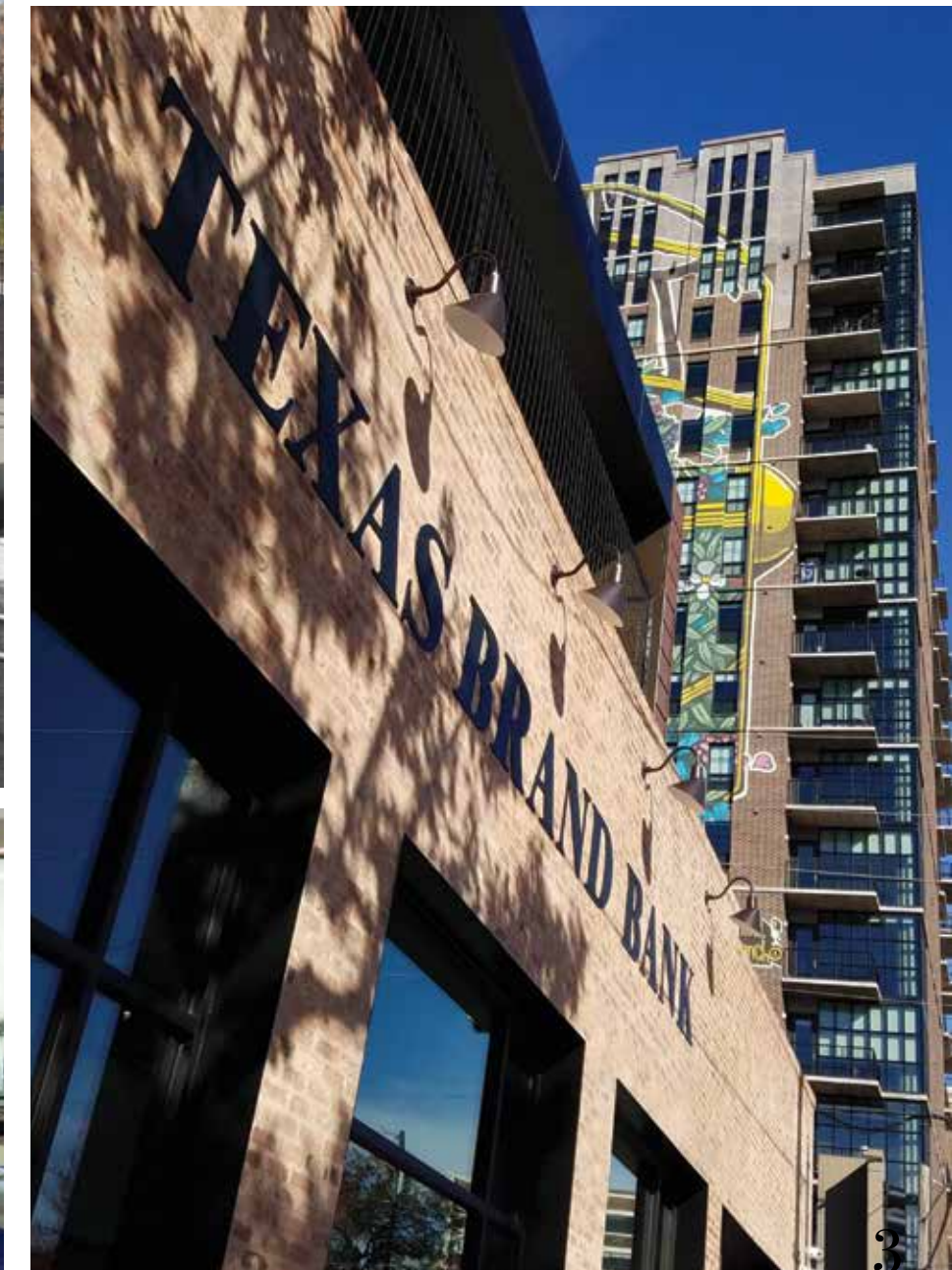
We remain one of the few locally owned and operated independent banks in the Metroplex.

Please keep us in mind for banking services for your business associates, your family and you.

William E. Lowe
President

Frederic W. Heinke
Chief Executive Officer

Edward B. Tomlinson, II
Chairman of the Board



ASSETS

	2019	2018
Total cash and cash equivalents	\$3,103,783	\$1,837,791
Interest bearing deposits in other banks	29,546,650	40,843,740
Investment Securities AFS	4,438,641	7,309,598
Stock of Federal Home Loan Bank	278,500	269,589
Stock of Texas Independent Bank	117,121	117,121
Loans, net	188,050,583	151,259,547
Bank premises and equipment, net	1,917,585	733,509
Other real estate owned	-	-
Accrued interest receivable	559,464	458,062
Deferred tax asset	414,268	384,268
Other assets	374,905	407,801
Total Assets	\$228,801,500	\$203,621,026

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:		
Noninterest-bearing demand	\$49,593,486	\$38,114,533
Interest-bearing demand	7,693,493	7,001,096
Money market and savings	49,271,124	45,809,342
Time, \$100,000 and over	77,180,053	73,517,370
Other time, less than \$100,000	14,512,138	10,522,881
Total deposits	198,250,294	174,965,222
Accrued interest payable	206,896	289,605
Deferred loan fees	848,096	576,948
FHLB advances	-	-
Notes payable	-	-
Other liabilities	437,157	552,833
Total liabilities	199,742,443	176,384,608
Common stock - \$5 par value; authorized 5,000,000 shares; 1,841,087 and 1,841,087 shares issued in 2019 and 2018, respectively and 1,808,087 and 1,808,087 outstanding in 2019 and 2018 respectively	9,205,435	9,205,435
Additional paid-in capital	12,461,411	12,444,574
Treasury stock - 33,000 shares and 33,000 shares at cost as of 2019 and 2018, respectively	(395,800)	(395,800)
Retained earnings	7,741,886	6,033,571
Unrealized gain on investment securities available-for-sale	46,125	(51,362)
Total stockholders' equity	29,059,057	27,236,418
Total liabilities and stockholders' equity	\$228,801,500	\$203,621,026



INTEREST INCOME

Interest and fees on loans	\$10,754,918	\$9,893,387
Interest on investment securities - taxable	20,633	33,102
Interest on investment securities - non taxable	70,256	106,486
Interest on federal funds sold	25,601	36,146
Interest on deposit accounts	862,282	463,319
Total interest income	11,733,690	10,532,440

Interest Expense

Interest on Deposits		
Money market and savings	664,010	617,428
NOW accounts	26,919	20,496
Time, \$100,000 and over	1,743,597	1,237,683
Other Time	233,161	174,033
Other borrowings	16,797	11,269
Total Interest Expense	2,684,484	2,060,909

Net interest income	9,049,206	8,471,531
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Provision for loan losses	300,000	300,000
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Net interest income after provision for loan losses	8,749,206	8,171,531
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Non-Interest Income

Service fees	195,859	173,617
Other	6,168	5,040
Total Non-Interest Income	202,027	178,657

Non-Interest Expense

Salaries and employee benefits	4,093,447	3,370,685
Occupancy expense	721,419	546,568
Advertising	169,409	171,814
Furniture and equipment	137,948	140,972
Data processing services	526,038	504,204
Other	842,408	829,570
Total Non-Interest Expense	6,490,669	5,563,813

Income before income taxes	2,460,564	2,786,375
Income tax expense	496,043	547,271

Net income	\$1,964,521	\$2,239,104
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2019

2018

OPERATING RESULTS

Net interest income	\$6,423,351	\$7,194,362	\$8,471,531	\$9,049,206
Provision for loan losses	230,000	300,000	300,000	300,000
Non-interest income	193,083	201,923	178,657	202,027
Non-interest expense	4,515,768	4,667,665	5,563,813	6,490,669
Earnings before provision for income taxes	1,870,666	2,428,620	2,786,375	2,460,564
Federal income tax	513,682	689,189 ¹	547,271	496,043
Net income (loss)	1,356,984 ²	1,739,431	2,239,104	1,964,521

AT YEAR END

Total Assets	166,240,948	178,145,451	203,621,026	228,801,500
Loans, Net of allowance	136,195,819	143,678,549	151,259,547	188,050,583
Investments	25,591,511	29,998,021	48,153,338	33,985,291
Deposits	148,040,716	151,686,993	174,965,222	198,250,294
Stockholders' equity	14,064,731	25,315,208	27,236,418	29,059,057
Common shares outstanding (net of treasury)	1,101,801	1,814,087	1,808,087	1,808,087

OTHER FINANCIAL DATA

Return on Avg. Assets	0.87%	1.05%	1.15%	0.95%
Return on Avg. Stockholder Equity	9.94%	9.16% ³	8.81%	7.35%
Loans to deposits	91.99%	91.73%	95.88%	92.42%
Allowance for loan losses to loans	1.20%	1.26%	1.26%	1.37%

PER SHARE DATA

Net income \$	\$1.23 ²	\$1.36 ¹	\$1.24	\$1.09
Book value	\$12.77	\$13.95	\$15.06	\$16.07

(in whole dollars except per share data)

2016

2017

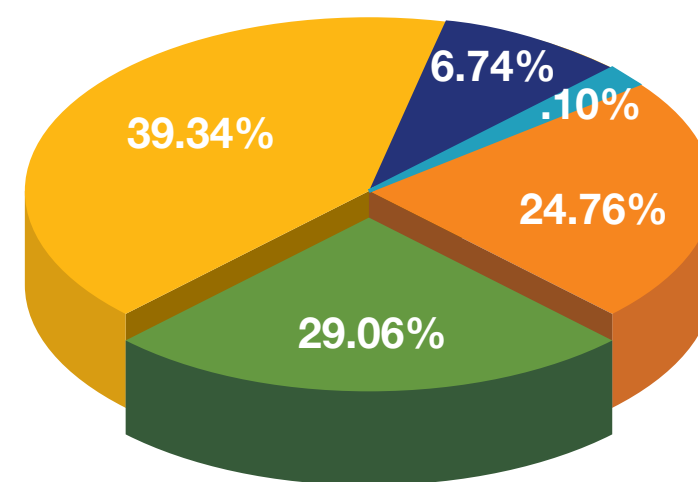
2018

2019

1. Federal income tax not including \$212,000 writedown of Deferred Tax Asset pursuant to Tax Cuts and Jobs Act of 2017.
 2. 2016 Net income and Net income per share calculations do not include \$580,000 insurance recovery.
 3. Reflects an additional 714,286 shares totalling \$10,000,004 issued in September 2017.

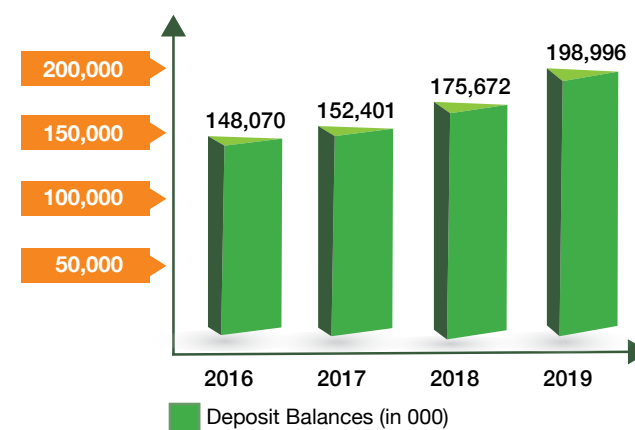
Deposit Portfolio

December 31, 2019

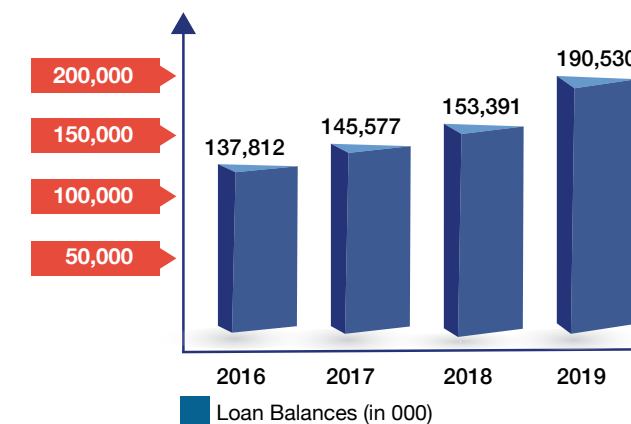


- Transaction Accounts
- Money Market Deposit Accounts/Savings
- Certificates of Deposit > \$100,000
- Certificates of Deposit < \$100,000
- Other

Deposit Balances

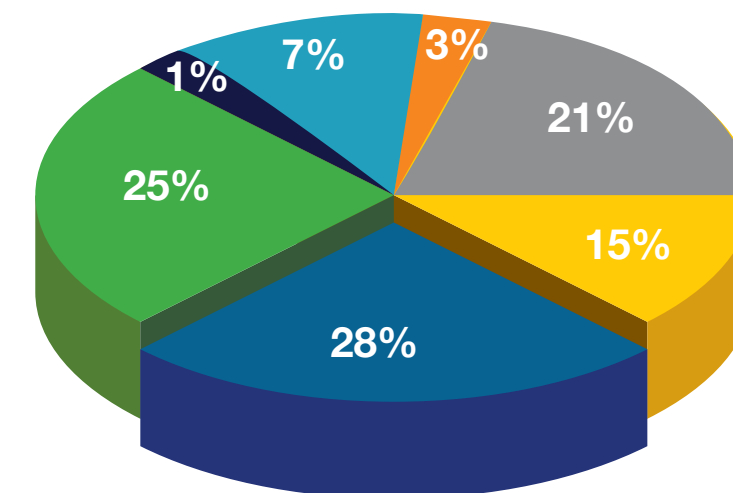


Loan Balances



Loan Portfolio

December 31, 2019



- 1-4 Family Real Estate
- Multi-Family Real Estate
- Single Family Construction
- Commercial and Industrial
- Owner Occupied Commercial Real Estate
- Non-Owner-Occupied Real Estate
- Other

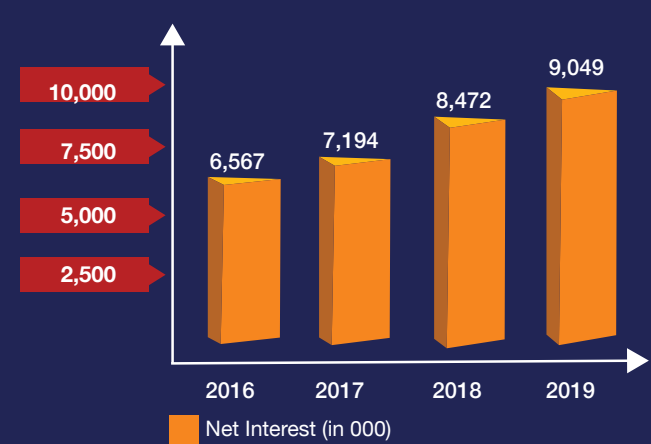
We are proud to be a locally owned community bank. Throughout the United States, community banks have been a mainstay for encouraging and funding small businesses for decades.

Our officers go the extra mile to understand our customers' businesses and how those businesses work so that we can provide assistance when and where it becomes necessary. Our team works hard and focuses on the continued success of the bank, the continued growth of return on equity for our shareholders and the continued development of good customer relationships.

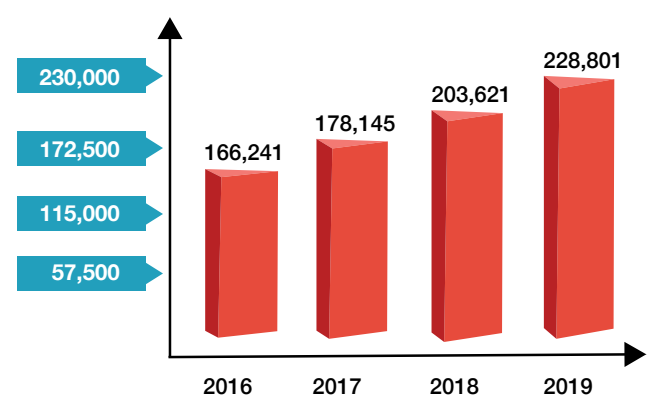
As you examine this 2019 Annual Report, you will see that over the past several years we have continued to accomplish outstanding results in key performance areas.

We are confident that if we do these things consistently, then we will succeed.

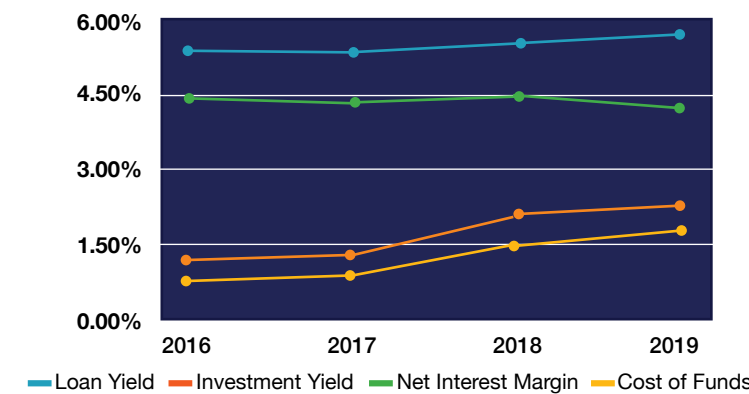
Net Interest Income



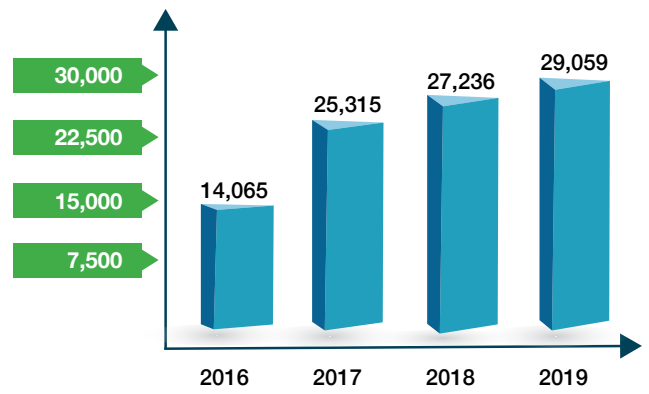
Total Assets (000)



Net Interest Margin Component Ratio



Stockholders' Equity (000)



Night drop View account balances Digital Set a budget

Transfer funds between accounts Pay bills Receive alerts

Electronic transfers Safe and secure Wi-fi Move money

Encrypted software Mobile app iPads/electronic tablets

Freesmiles Coffee Cookies Easy account opening Bill pay

Digital banking 24/7 Mobile deposit Track your spending

Turn debit card off and on with a touch of a button ATMs

Sign, scan, and send Quick Anytime, anywhere Personal

Fewer trips to the bank Set savings goals Mobile wallet

Consider Texas Brand Bank to be a small community bank?

Don't judge too quickly. Because life is complicated enough, we continually evaluate technology, products and services that we make available to our customers. We make 24/7 banking easy for our customers. Whether it's using our mobile app, using online bill pay or viewing account balances, our customers can be comfortable that their privacy is secure. Technology has opened a brand-new world of how corporations and individuals conduct their business. Keeping abreast of ever-changing technology and providing innovative systems and products for customers is a major challenge. Though technology is redefining our customers relationships, we strive to maintain that personal touch wherever possible. While providing new opportunities, it also brings the challenge of protecting against hackers and data breaches. Our team members are vigilant in everything they do and our state-of-the-art security systems are dedicated to reducing our customers' risk.





Our passion– to plant offices in parts of the city where there is visible transition and community resurgence. The fact is, community banks are the primary source of loans for small businesses. By bringing services and community involvement to these often neglected but emerging neighborhoods our goal is to be a vital part of their reinvention and economic rebirth.



Deposit Accounts, a national bank rating organization named Texas Brand Bank as one of Deposit Accounts top 200 Healthiest Banks for 2019. The organization rates all FDIC insured banks, regardless of size, based on certain criteria that determine the overall health and strength of the bank. Of the 5,267 FDIC insured banks in the United States, Texas Brand Bank was named 22 out of the 5,267 studied banks.

BOARD OF DIRECTORS

- Edward B. Tomlinson, II – Chairman of the Board
- Fritz W. Heinke – Chief Executive Officer
- William E. Lowe – President
- James Bowen
- Charles S. Leis
- Stan Luckie
- John Shackelford
- D. Cecil Williams



Texas Brand Bank has earned a 5 Star rating from Bauer Financial, “the Nation’s Premier Bank and Credit Union Rating Firm”. For more than 5 years, Texas Brand Bank has earned this 5 Star rating. The hard work of our employees and Directors has paid off, making Texas Brand Bank one of the strongest Financial Institutions in the Country.

What our customers
say about us.

STRAIGHT FORWARD

Responsive

Experienced

Fair

RESPECTED

Community

TRUSTED

INNOVATIVE

Locally Owned

Diligent

TEXAS BRAND BANK

TEXAS BRAND BANK

Uptown
McKinney @ Fitzhugh

Cedars/Southside
Ervey @ Gano

Deep Ellum
Main @ Hall

Garland
Miller @ Shiloh

www.texasbrandbank.com
Member FDIC