



TEXAS BRAND BANK

2020
Member FDIC



“WHAT A LONG,

DEAR SHAREHOLDERS,

2020 was best described by the famous song line by the Grateful Dead - “What a long, strange trip it’s been.” We went from a booming economy early in the year, to a massive drop in the stock market and an almost total lockdown of the country due to the worst pandemic in over 100 years in the spring, to civil unrest in the summer and finally to the anticipation of a new administration and a stock market boom in the fall.

Last year was truly a year like no other in recent memory.

Despite all of these headwinds, Texas Brand Bancshares, Inc., and Texas Brand Bank are pleased to announce a record year.

Borrower dissatisfaction with large, money center banks, particularly with respect to the Paycheck Protection Program (PPP), resulted in borrowers turning to community banks.

This new business, along with our existing customer base, drove growth, capital, earnings, asset quality and dividends to record levels.

At the same time, Texas Brand Bank continued to execute its long-time business plan. We are fortunate to be a community bank in the strong Metroplex economy. The fallout from the pandemic and the PPP led small businesses to choose small banks such as ours.

GROWTH - Year-end assets increased 34.37% to \$307,327,273. Deposits were up 37.8% to \$274,208,306, while our loan portfolio increased 23.5% to \$235,296,015. We anticipate continued strong growth in 2021, although we expect that growth to be at slower levels than the record increases that we saw in 2020.

CAPITAL - Our capital to assets ratio, considered by many the primary indicator of bank strength and solvency, was 9.97% at year end, significantly above “well capitalized” regulatory requirements. Despite our strong capital ratio, our after-tax return on equity from continuing operations was 9.66%. Return on average assets was 0.99%.

EARNINGS - Earnings were up sharply in 2020, rising 41.42% over 2019.

Our earnings were core earnings from traditional operations because we contributed virtually all of our PPP fees to our allowance for loan losses in an abundance of caution.

We still have a significant amount of these fees which will contribute to 2021 income, along with earnings from the second phase of the PPP. While further economic stress may impact our results, we are projecting continued strong earnings in 2021.

STRANGE TRIP IT'S BEEN."

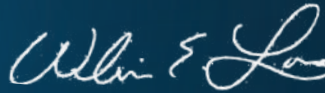
ASSET QUALITY - For the fifth consecutive year, we had no real estate foreclosures, no non-performing loans and no past due loans at year end, reflecting the strength of our local market and our continuing focus on credit quality. Net loan losses for the past five years are likewise zero.

DIVIDENDS - We continued to pay quarterly dividends in an amount equal to 15% of our net earnings, resulting in an annual return of \$386,658 to our shareholders. We have now paid dividends for 22 consecutive quarters.

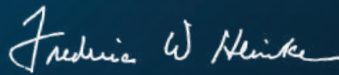
EXPANSION - In late 2020, we purchased real estate located at 247 W. Davis in the rapidly growing Bishop Arts area of west Oak Cliff. We anticipate opening our fifth office there in late 2021. This office will complete our business strategy of offices located north, east, south and west of downtown Dallas, along with our original location in the Garland market. We will let you know when we open our Bishop Arts location, and we welcome you to visit us there at that time. Our company strategy of opening offices in redeveloping urban locations that do not have a banking presence continues to produce results for our shareholders.

While noting the challenges that remain from COVID-19, we are optimistic about the future. We believe our new offices and business plan will continue to add growth and profitability in 2021 and beyond.

As one of the few remaining locally owned and operated independent banks in the Metroplex, we ask that you visit us for your banking needs, and that you refer your family, friends and business acquaintances to us as well.



William E. Lowe
President and
Chief Executive Officer



Frederic W. Heinke
Vice Chairman of the Board



Edward B. Tomlinson, II
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

TEXAS BRAND BANCSHARES, INC. AND SUBSIDIARY

ASSETS	2020	2019
Total cash and cash equivalents	\$7,310,291	\$3,103,783
Interest bearing deposits in other banks	61,215,009	29,546,650
Investment Securities AFS	1,752,197	4,438,641
Stock of Federal Home Loan Bank	507,100	278,500
Stock of Texas Independent Bank	117,121	117,121
Loans, net	231,456,502	188,050,583
Bank premises and equipment, net	3,524,499	1,917,585
Other real estate owned	-	-
Accrued interest receivable	746,896	559,464
Deferred tax asset	414,268	414,268
Other assets	<u>352,455</u>	<u>374,905</u>
Total Assets	\$307,396,338	\$228,801,500
Liabilities And Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$81,204,478	\$49,593,486
Interest-bearing demand	13,148,712	7,693,493
Money market and savings	87,230,141	49,271,124
Time, \$100,000 and over	76,822,612	77,180,053
Other time, less than \$100,000	<u>15,020,067</u>	<u>14,512,138</u>
Total deposits	273,426,010	198,250,294
Accrued interest payable	129,790	206,896
Deferred loan fees	1,719,952	848,096
FHLB advances	-	-
Notes payable	-	-
Other liabilities	<u>700,804</u>	<u>437,157</u>
Total liabilities	275,976,556	199,742,443
Common stock - \$5 par value; authorized 5,000,000 shares; 1,841,087 and 1,841,087 shares issued in 2020 and 2019, respectively and 1,803,087 and 1,808,087 outstanding in 2020 and 2019 respectively	9,205,435	9,205,435
Additional paid-in capital	12,481,163	12,461,411
Treasury stock - 38,000 shares and 33,000 shares at cost as of 2020 and 2019, respectively	(476,150)	(395,800)
Retained earnings	10,157,839	7,741,886
Unrealized gain on investment securities available-for-sale	<u>51,495</u>	<u>46,125</u>
Total stockholders' equity	<u>31,419,782</u>	<u>29,059,057</u>
Total liabilities and stockholders' equity	\$307,396,338	\$228,801,500

CONSOLIDATED STATEMENTS OF INCOME

TEXAS BRAND BANCSHARES, INC. AND SUBSIDIARY

INTEREST INCOME

2020

2019

	2020	2019
Interest and fees on loans	\$13,283,347	\$10,754,918
Interest on investment securities - taxable	6,983	20,633
Interest on investment securities - non taxable	41,108	70,256
Interest on federal funds sold	5,333	25,601
Interest on deposit accounts	328,413	862,282
Total interest income	13,665,184	11,733,690
<u>Interest Expense</u>		
Interest on Deposits		
Money market and savings	341,912	664,010
NOW accounts	39,439	26,919
Time, \$100,000 and over	1,553,677	1,743,597
Other Time	245,779	233,161
Fed Funds Purchased	20	-
Other borrowings	22,215	16,797
Total Interest Expense	2,203,042	2,684,484
Net interest income	11,462,142	9,049,206
Provision for loan losses	1,350,000	300,000
Net interest income after provision for loan losses	10,112,142	8,749,206
<u>Non-Interest Income</u>		
Service fees	241,060	195,859
Gain on sale of fixed assets	34,007	-
Gain on sale of securities	22,658	-
Other	6,663	6,168
Total Non-Interest Income	304,388	202,027
<u>Non-Interest Expense</u>		
Salaries and employee benefits	4,204,373	4,093,447
Occupancy expense	803,205	721,419
Advertising	97,244	169,409
Furniture and equipment	179,559	137,948
Data processing services	565,589	526,038
Other	1,037,949	842,408
Total Non-Interest Expense	6,887,919	6,490,669
Income before income taxes	3,528,611	2,460,564
Income tax expense	726,000	496,043
Net income	\$2,802,611	\$1,964,521

A YEAR LIKE NO OTHER.

A RECORD YEAR.

	2017	2018	2019	2020
OPERATING RESULTS				
Net interest income	\$7,194,362	\$8,471,531	\$9,049,206	\$11,462,142
Provision for loan losses	300,000	300,000	300,000	1,350,000
Non-interest income	201,923	178,657	202,027	304,388
Non-interest expense	<u>4,667,665</u>	<u>5,563,813</u>	<u>6,490,669</u>	<u>6,887,919</u>
Earnings before provision for income taxes	2,428,620	2,786,375	2,460,564	3,528,611
Federal income tax	<u>689,189</u> ¹	<u>547,271</u>	<u>496,043</u>	<u>726,000</u>
Net income (loss)	1,739,431	2,239,104	1,964,521	2,802,611
AT YEAR END				
Total Assets	178,145,451	203,621,026	228,801,500	307,396,338
Loans, Net of allowance	143,678,549	151,259,547	188,050,583	231,453,502
Investments	29,998,021	48,153,338	33,985,291	62,967,206
Deposits	151,686,993	174,965,222	198,250,294	273,426,010
Stockholders' equity	25,315,208	27,236,418	29,059,057	31,419,782
Common shares outstanding (net of treasury)	1,814,087	1,808,087	1,808,087	1,803,087
OTHER FINANCIAL DATA				
Return on Avg. Assets	1.05%	1.15%	0.95%	0.99%
Return on Avg. Stockholder Equity	9.16% ²	8.81%	7.35%	9.66%
Loans to deposits	91.73%	95.88%	92.42%	96.35%
Allowance for loan losses to loans	1.26%	1.26%	1.37%	1.94% ³
PER SHARE DATA				
Net income \$	\$1.36 ²	\$1.24	\$1.09	\$1.55
Book value	\$13.95	\$15.06	\$16.07	\$17.43
(in whole dollars except per share data)				

1. Federal income tax not including \$212,000 writedown of Deferred Tax Asset pursuant to Tax Cuts and Jobs Act of 2017.

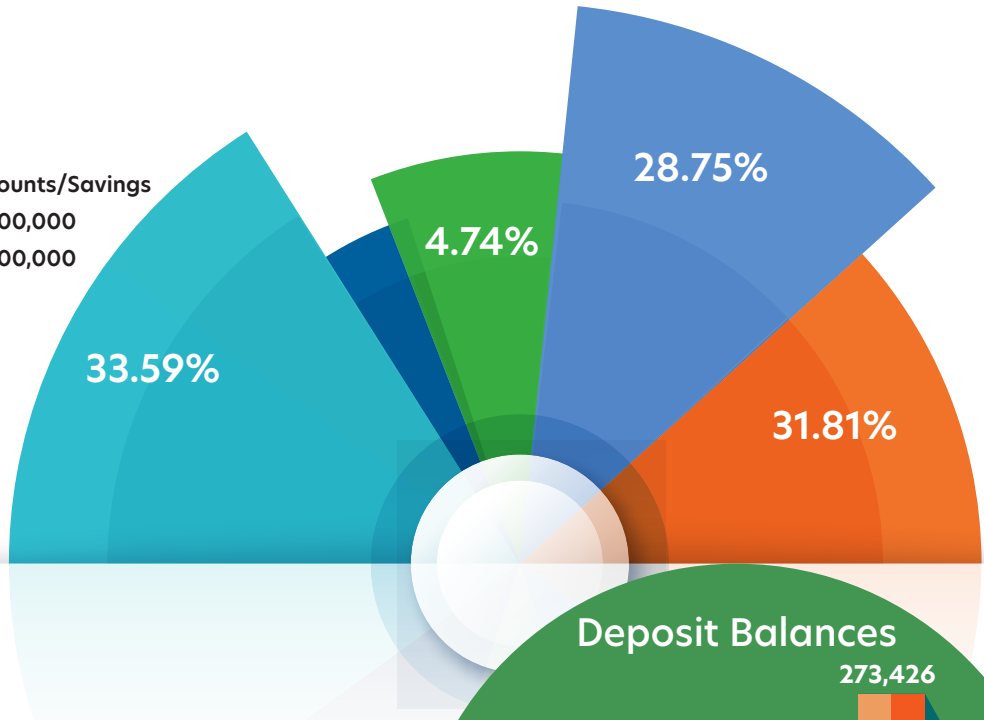
2. Reflects an additional 714,286 shares totalling \$10,000,004 issued in September 2017.

3. Net of \$36,908,000 Government guaranteed PPP loans.

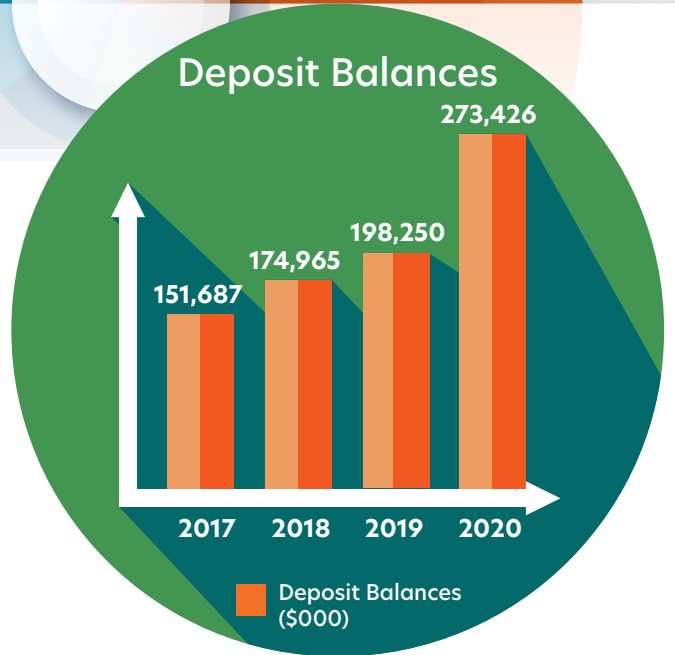
Deposit Portfolio

December 31, 2020

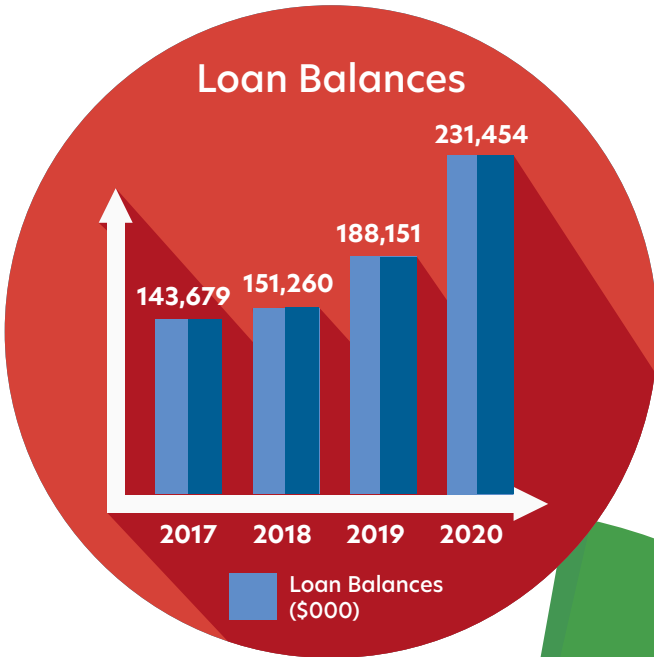
- Transaction Accounts
- Money Market Deposit Accounts/Savings
- Certificates of Deposit > \$100,000
- Certificates of Deposit < \$100,000
- Other



Deposit Balances



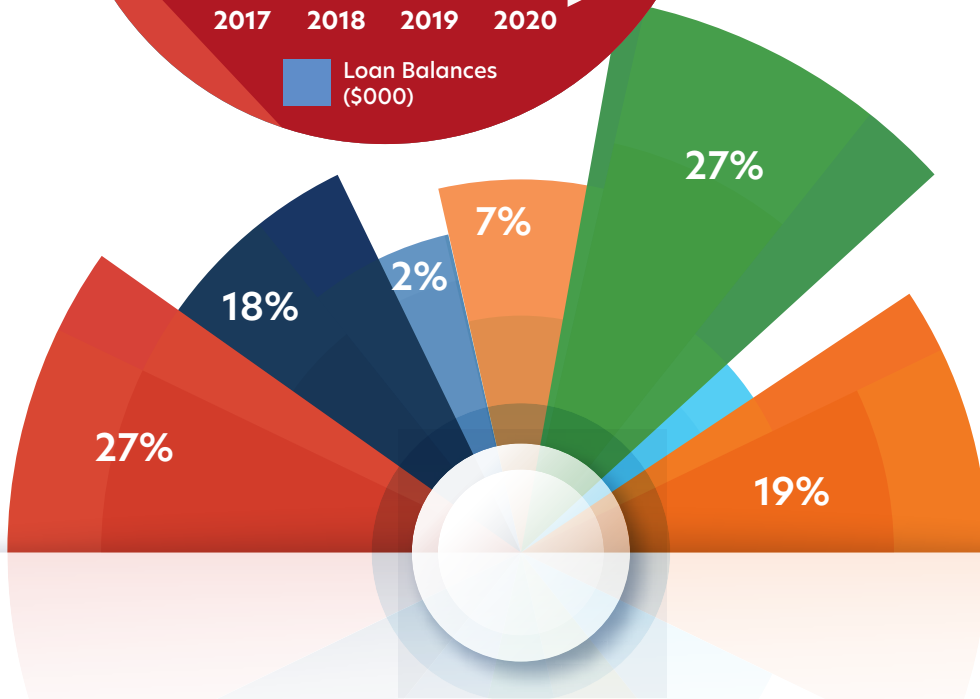
Loan Balances



Loan Portfolio

December 31, 2020

- 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

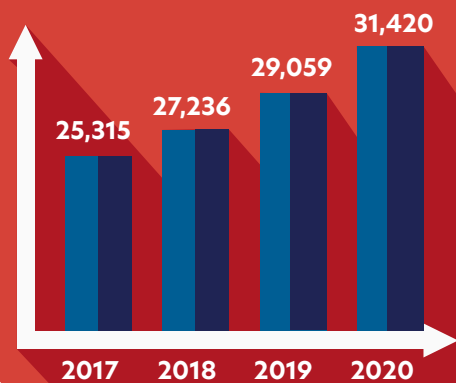


9.97%

Capital to Assets Ratio

Significantly above
"well capitalized"

Stockholders' Equity (000)



Total Assets (000)



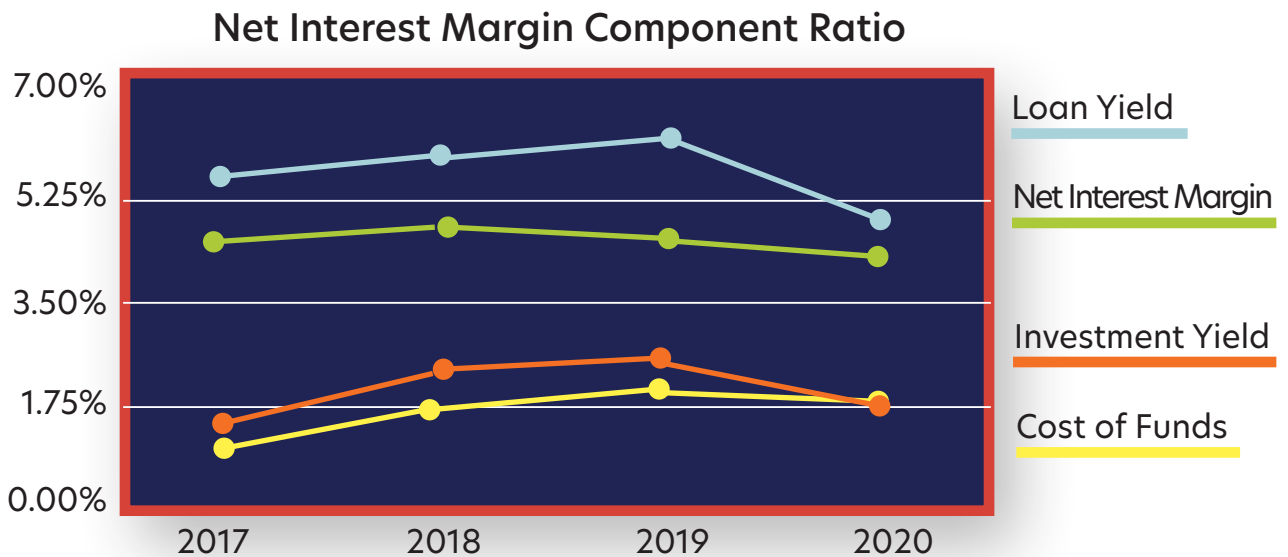
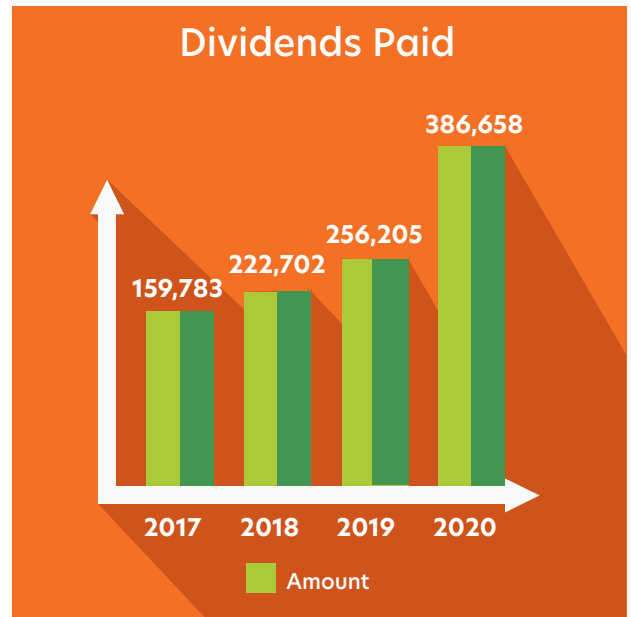
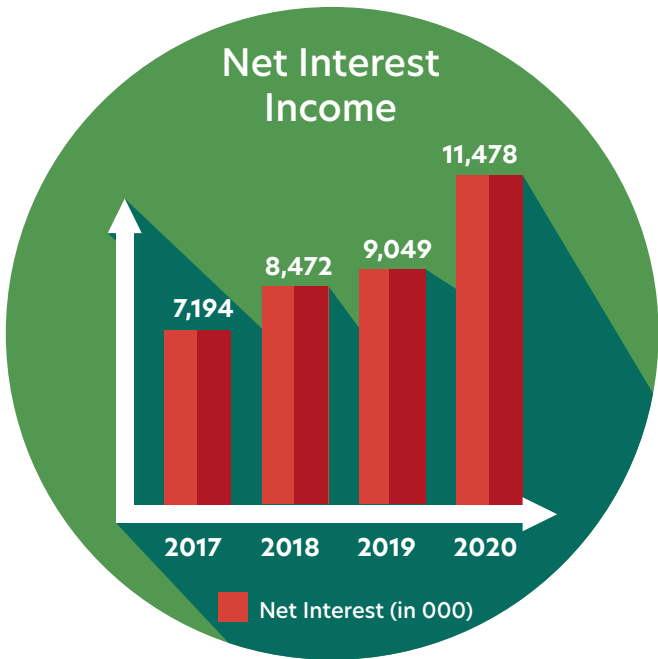
"We went from a **booming economy** early in the year, to a **massive drop in the stock market** and an **almost total lockdown** of the country due to the **worst pandemic in over 100 years** in the spring, to **civil unrest** in the summer and finally to the anticipation of a **new administration** and a **stock market boom** in the fall."

Earnings up 41%

Dividends paid for 22 consecutive quarters

Producing results for our shareholders

Optimistic about 2021 and beyond



iPads/electronic tablets
View account balances
Encrypted software

Safe and secure
Move money
Mobile app

Wi-fi
Night drop
Digital

Electronic transfers
Transfer funds between accounts
Fewer trips to the bank
Sign, scan, and send

Free smiles
Coffee
Cookies

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

Pay bills
Receive alerts
Set savings goals
Mobile wallet

Bill pay
Mobile deposit
Set a budget
Anytime, anywhere

Digital banking
Easy account opening
Track your spending

ATMs
Quick
Personal

MAKING 24/7 BANKING EASY

STRONG



Earning a
5 Star Rating for the 6th year,
Texas Brand Bank
has been named one of
the strongest banks in the country
by Bauer Financial,
the nation's premier
Bank and Credit Union
rating firm.

HEALTHY



In 2020,
Texas Brand Bank
was named one of the healthiest banks
among FDIC insured banks
by Deposit Accounts,
an organization rating all banks
insured by the FDIC.
Texas Brand Bank was rated
number 26 out of 5035
FDIC insured banks.

BOARD OF DIRECTORS

Edward B. Tomlinson II
Chairman of the Board

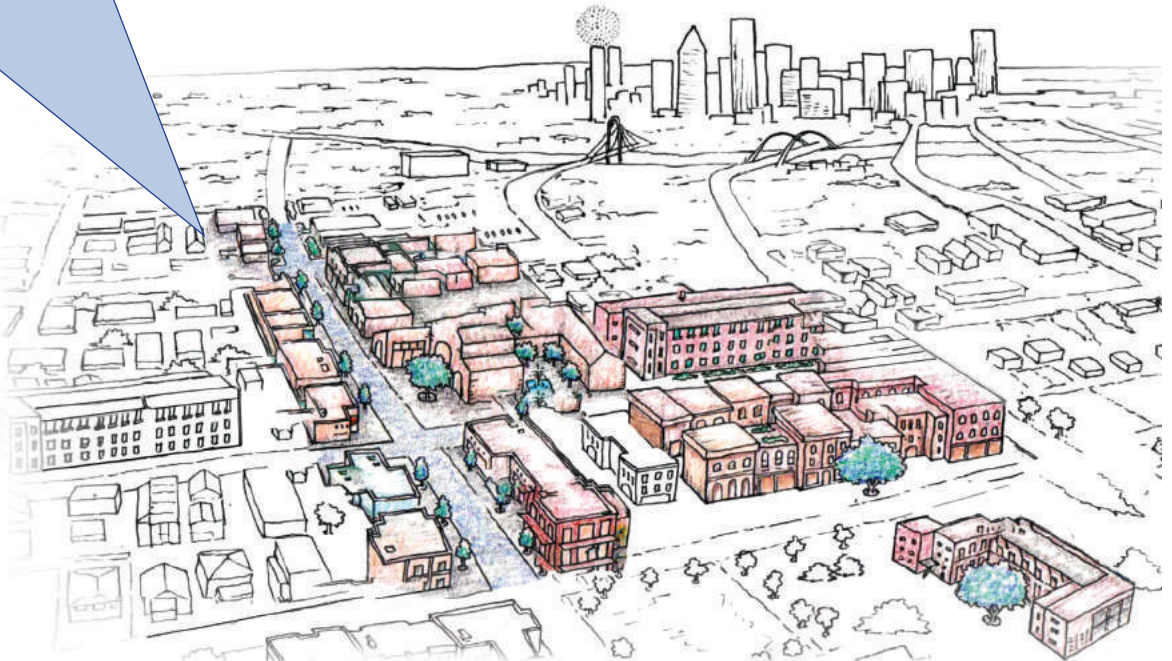
Frederic W. Heinke
Vice Chairman of the Board

William E. Lowe
*President
and Chief Executive Officer*

Lance C. Bigham
*Executive Vice President
and Chief Financial Officer*

James Bowen Chris Hill Charles S. Leis
Stan Luckie John Shackelford
D. Cecil Williams

Bishop Arts— Opening 4th Quarter 2021



Uptown
McKinney @ Fitzhugh

Bishop Arts
West Davis @ Madison

Deep Ellum
Main @ Hall

Cedars/Southside
Ervay @ Gano

Garland
Miller @ Shiloh

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