

# 2017 ANNUAL REPORT

TEXASBR

**TEXAS** BRAND **BANK**





# 2017 HIGHLIGHTS

## To Our Shareholders

*...proud to remain a locally owned  
and operated independent bank.*

### 2017

was another exciting and record year for Texas Brand Bancshares, Inc. and Texas Brand Bank. Our operating results were the highest in our thirteen year history. The dynamic economy in the DFW Metroplex continues to offer opportunities for our company to provide banking services to local businesses.

### OPERATING EARNINGS

before the one-time non-cash charge from the recently enacted tax legislation increased 28% from the previous year to \$1,740,000. This represents the sixth consecutive year of earnings growth of 25% or more. Our expanding loan portfolio increased to \$146,000,000 at year-end. Deposits were up to \$152,000,000, while year-end assets grew to \$178,000,000. Credit quality remained strong – for the second consecutive year, we had zero real estate foreclosures, zero non-performing loans and zero past due loans at year-end.

### OTHER RATIOS

show our continued progress. Thanks to our earnings and the completion of a \$10,000,000 capital offering, equity capital equals 13.61% of assets at year end, significantly above “well capitalized” regulatory requirements. Although equity increased substantially from the capital offering and we experienced a material charge arising from the tax law change, our after-tax return on equity from continuing operations was 8.08%. Notably, we were able to continue paying dividends in an amount equal to 10% of operating earnings, resulting in a return of \$160,000 to shareholders.

### NEW OFFICE

In addition to our two existing banking offices, we have been granted regulatory approval to open a third office. The Cedars/Southside branch office at 1600 S. Ervay will open this spring. We believe that being the only bank in this rapidly revitalizing community will provide a good return for our shareholders.

Our existing branch offices continue their successful operations. As a result, along with the new office on Ervay, we continue to explore other possible locations for expansion around the downtown core.

### LOOKING AHEAD

We are optimistic about ongoing success in 2018 and beyond. Based on our projections, the new lower tax rate for corporations should provide a substantial benefit for our shareholders in 2018 and future years. We anticipate that continuation of our earnings stream and the additional capital raised last year will serve to continue your company’s recent profitable growth. As always, increasing shareholder value is our paramount concern.

  
Frederic W. Heinke  
Chief Executive Officer

  
William Lowe  
President

  
Edward B. Tomlinson, II  
Chairman of the Board



Texas Brand Bancshares, Inc. and Subsidiary  
**CONSOLIDATED BALANCE SHEETS**

December 31, 2017 and 2016

<u>Assets</u>	2017	2016
Cash and due from banks	\$2,182,126	\$2,615,656
Interest bearing deposits in other banks	19,759,891	16,251,113
Investment Securities AFS	10,238,130	9,340,398
Stock of Federal Home Loan Bank	266,200	265,000
Stock of Texas Independent Bank	117,121	117,121
Loans, net	143,678,549	136,195,819
Bank premises and equipment, net	651,894	403,579
Other real estate owned	-	-
Accrued interest receivable	483,477	430,921
Deferred tax asset	359,272	362,493
Other assets	408,791	258,848
Total Assets	<u>\$178,145,451</u>	<u>\$166,240,948</u>
 <u>Liabilities And Stockholders' Equity</u>		
Noninterest-bearing demand deposits	\$37,215,217	\$29,802,994
Interest-bearing demand deposits	6,842,418	6,824,564
Money market and savings	31,284,977	33,298,088
Time, \$100,000 and over	65,064,398	64,975,106
Time, less than \$100,000	11,279,983	13,139,964
Total Deposits	<u>151,686,993</u>	<u>148,040,716</u>
Accrued interest payable	154,113	153,736
Deferred loan fees	439,537	248,237
FHLB advances	-	-
Notes payable	-	3,100,000
Other liabilities	549,600	633,528
Total Liabilities	<u>152,830,243</u>	<u>152,176,217</u>
Common stock- \$5 par value; authorized 5,000,000 shares, 1,814,087 and 1,126,801 shares issued in 2017 & 2016, respectively and 1,814,087 and 1,101,801 outstanding in 2017 and 2016, respectively	9,205,435	5,634,005
Additional paid-in capital	12,447,168	6,087,389
Treasury stock - 27,000 and 25,000 shares at cost as of 2017 and 2016, respectively	(311,800)	(283,800)
Retained earnings	4,017,169	2,649,521
Unrealized gain on investment securities available-for-sale	(42,764)	(22,384)
Total Stockholders' Equity	<u>25,315,208</u>	<u>14,064,731</u>
Total Liabilities and Stockholders' Equity	<u>\$178,145,451</u>	<u>\$166,240,948</u>

Texas Brand Bancshares, Inc. and Subsidiary  
**CONSOLIDATED STATEMENTS OF INCOME**

Years Ending December 31, 2017 and 2016

<u>Interest Income</u>	2017	2016
Interest and fees on loans	\$7,992,421	\$7,266,072
Interest on investment securities - taxable	29,739	27,948
Interest on investment securities - non taxable	111,856	93,717
Interest on federal funds sold	17,303	20,863
Interest on deposit accounts	251,958	176,573
Total Interest Income	<u>8,403,277</u>	<u>7,585,173</u>
 <u>Interest Expense</u>		
Interest on deposits	182,640	107,823
Money market and savings NOW accounts	13,695	8,393
Time, \$100,000 and over	778,569	746,275
Other Time	142,876	148,482
Other borrowings	91,135	150,849
Total Interest Expense	<u>1,208,915</u>	<u>1,161,822</u>
Net interest income	7,194,362	6,423,351
Provision for loan losses	300,000	230,000
Net interest income after provision for loan losses	6,894,362	6,193,351
 <u>Non-Interest Income</u>		
Service fees	189,040	184,640
Other	12,883	7,443
Insurance Recovery	-	580,000
Total Non-Interest Income	<u>201,923</u>	<u>772,083</u>
 <u>Non-Interest Expense</u>		
Salaries and employee benefits	2,772,003	2,645,280
Occupancy expense	385,125	371,905
Advertising	130,921	146,093
Furniture and equipment	121,922	117,198
Data processing services	436,815	429,632
Other	820,879	805,660
Total Non-Interest Expense	<u>4,667,665</u>	<u>4,515,768</u>
Income before income taxes	2,428,620	2,449,666
Income tax expense	901,189 <sup>1</sup>	513,682
Net Income	<u>\$1,527,431</u>	<u>\$1,935,984</u>

1. 2017 Includes \$212,000 reduction of Deferred Tax Asset.



# THEN AND NOW . . . OUR FINANCIAL PERFORMANCE

2017      2016      2015      2014

(in whole dollars except per share data)

## Operating Results

Net interest income	\$7,194,362	\$6,423,351	\$5,644,622	\$5,013,192
Provision for loan losses	300,000	230,000	180,000	120,000
Non-interest income	201,923	193,083	190,962	187,644
Non-interest expense	4,667,665	4,515,768	4,286,818	4,083,024
Earnings before provision for income taxes	2,428,620	1,870,666	1,368,766	997,812
Federal income tax	901,189 <sup>1</sup>	513,682	340,537	235,413
Net Income	1,527,431	1,356,984 <sup>2</sup>	1,028,229	762,399

## At Year End

Total assets	178,145,451	166,240,948	147,366,269	139,395,436
Loans, net of allowance	143,678,549	136,195,819	115,324,115	103,218,995
Investments in securities & deposits	29,998,021	25,591,511	27,673,033	31,054,187
Deposits	151,686,993	148,040,716	126,461,361	124,687,996
Stockholder equity	25,315,208	14,064,731	12,289,029	11,281,076
Common shares outstanding (net of treasury)	1,814,087	1,101,801	1,101,801	1,101,801

## Other Financial Data

Return on assets	0.92%	0.87%	0.72%	0.61%
Return on equity	8.08% <sup>3</sup>	9.94%	8.72%	7.00%
Loans/deposits	91.73%	91.99%	91.45%	83.20%
Allowance for loan losses/loans	1.26%	1.20%	1.20%	1.28%

## Per Share Data

Net income	\$1.19 <sup>3</sup>	\$1.23 <sup>2</sup>	\$0.93	\$0.69
Book Value	\$13.95	\$12.77	\$11.15	\$10.24

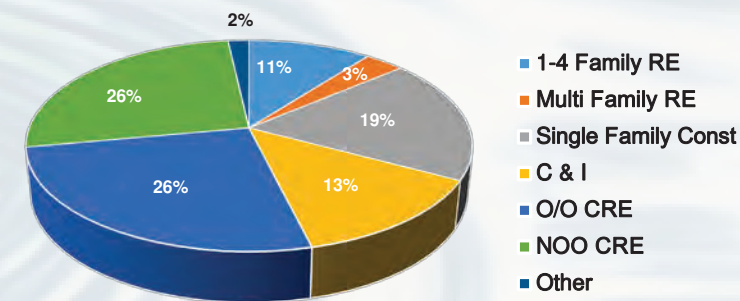
1. 2017 Federal Income Tax Includes \$212,000 reduction of Defferred Tax Asset

2. 2016 Net Income and Net income per share calculations do not include \$580,000 Insurance Recovery

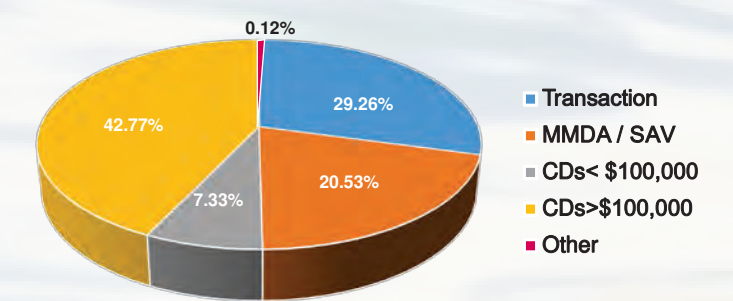
3. Reflects an additional 714,286 shares totalling \$10,000,004 Issued in September 2017

# DEPOSITS, LOANS, ASSETS & EQUITY

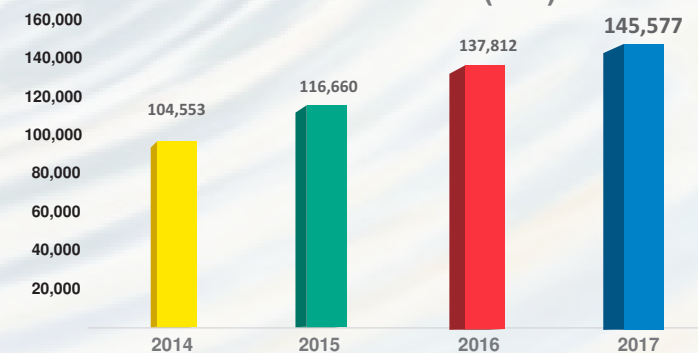
December 31, 2017 Loan Portfolio



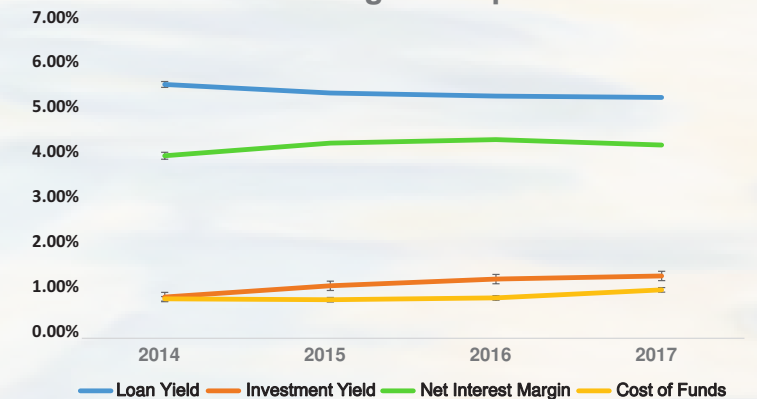
December 31, 2017 Deposit Portfolio



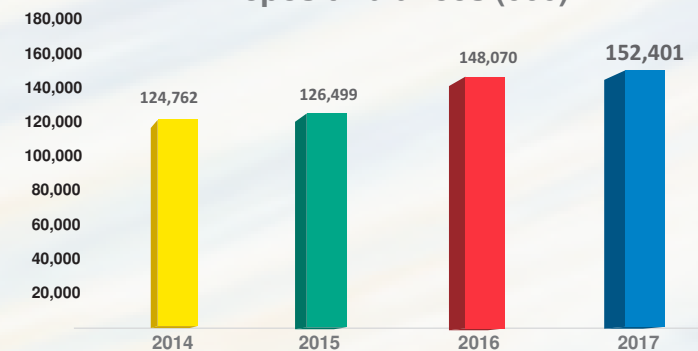
Loan Balances (000)



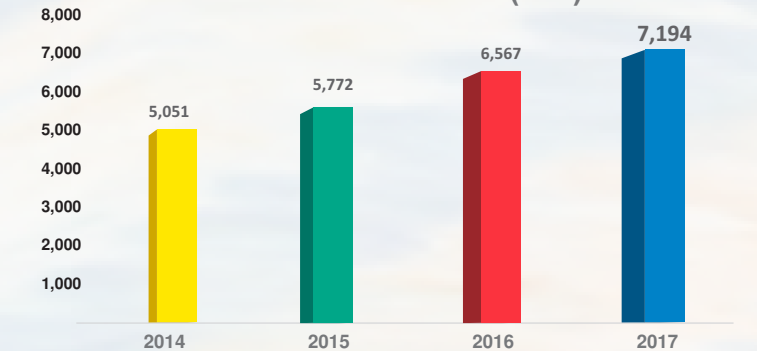
Net Interest Margin Component Ratio



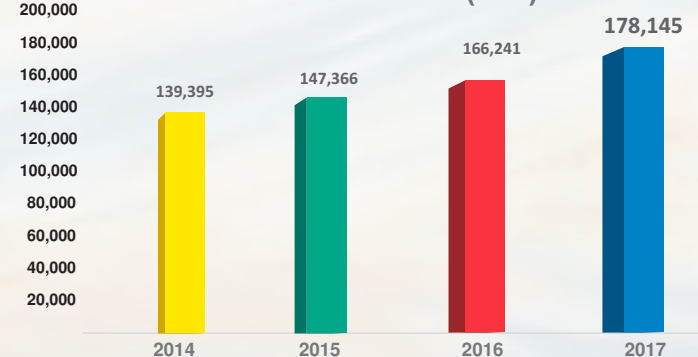
Deposit Balances (000)



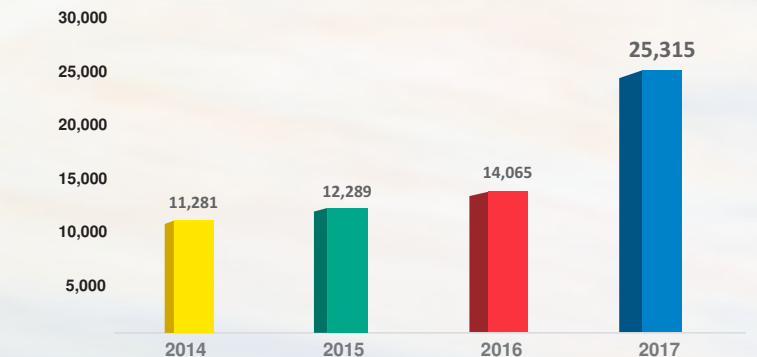
Net Interest Income (000)



Total Assets (000)



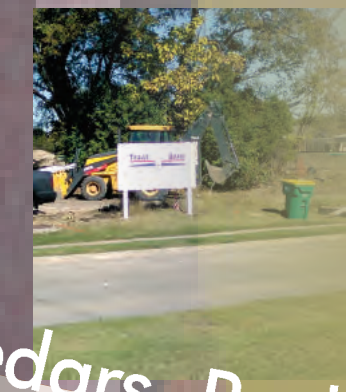
Stockholders' Equity (000)





# All Around Town

This is what we do . . .



Frisco, Plano, Dallas, Garland, Bishop Arts, Uptown, Rowlett, The Cedars, Rockwall, Deep Ellum



## We Support Our Community

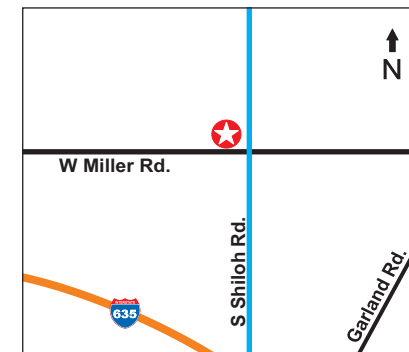
As a locally owned and operated independent bank, Texas Brand Bank is very involved in supporting and giving back to our local community.



DOWNTOWN DALLAS INC



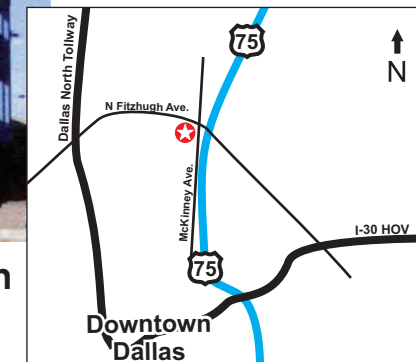
## Garland 2005



1919 South Shiloh Road at Miller



## Dallas - Uptown 2013



4161 McKinney Avenue at Fitzhugh

## Board of Directors

Edward B. Tomlinson, II - Chairman of the Board

Fritz W. Heinke - Chief Executive Officer

William E. Lowe - President

James Bowen

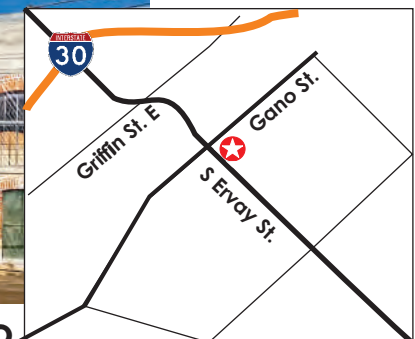
Charles S. Leis

Stan Luckie

John Shackelford

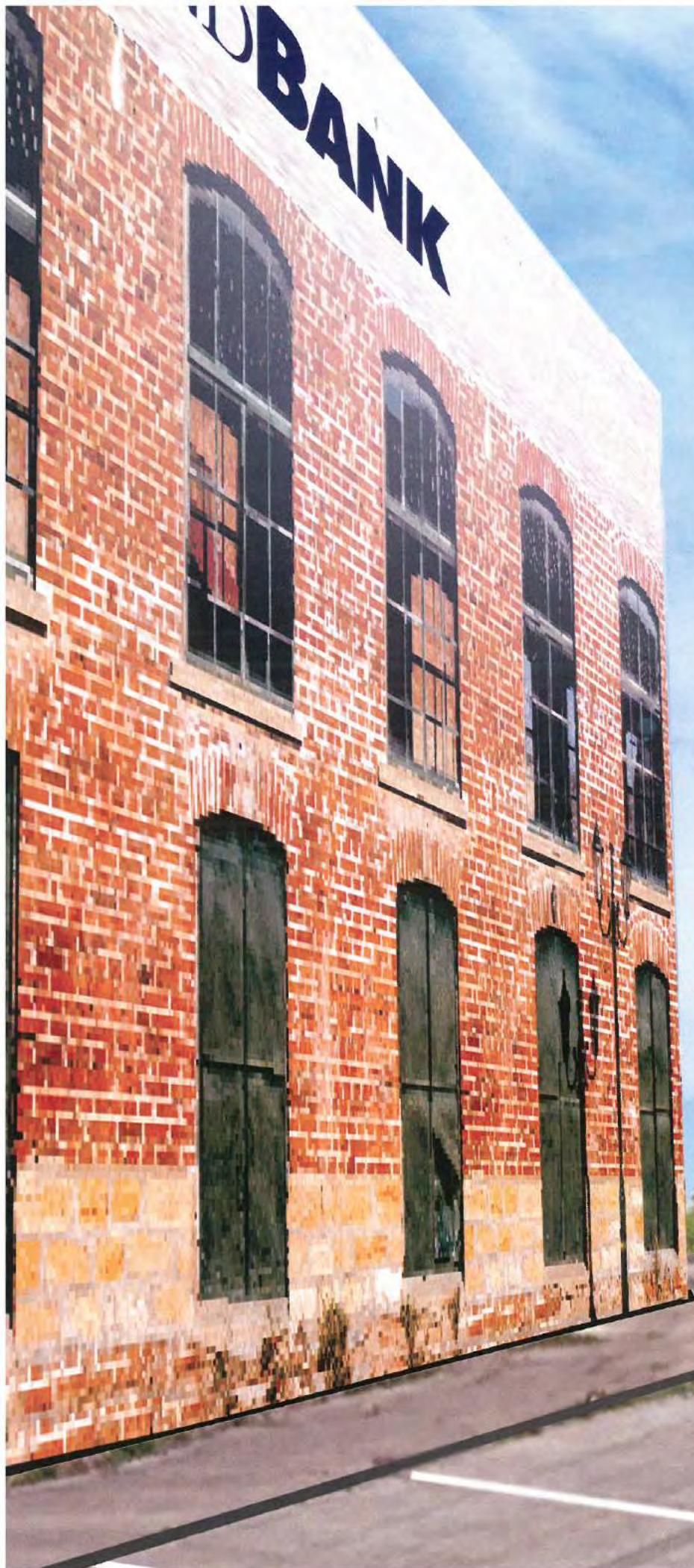
D. Cecil Williams

## Cedars/Southside 2018



1600 South Ervay at Gano





*The secret of success  
is to do the common thing  
uncommonly well.*

*John D. Rockefeller*