



2021  
Annual Report  
**TEXAS**BRANDBANK



## DEAR SHAREHOLDERS,

For our shareholders, 2021 was best described by Frank Sinatra in his 1965 Grammy winning song (originally written by the Kingston Trio in 1961) – “It was a very good year.”

The year began full of hope due to the creation of multiple new Covid-19 vaccines. February brought us the Snowpocalypse, which brought our state to a standstill for over a week and repercussions lasting for months. Most adults were vaccinated by early summer, and the country became optimistic for the first time since the pandemic began. Unfortunately, inflation began to rise in the latter part of 2021, to the highest level in 40 years. Due to concerns about even more inflation, Congress was unable to agree on additional stimulus or support for the country. Finally, the end of the year brought us the Omicron virus, which thankfully has proven to be much less severe than prior variants. Despite all of these crosscurrents, Texas Brand Bancshares, Inc., and Texas Brand Bank, as mentioned above, had a very good year. We are pleased to announce a year of record earnings and significant growth.

We continue to grow our loans, deposits and assets as Americans continue to be less and less willing to endure banking with large, impersonal banks. These new customers, along with our existing customer base, drove capital, earnings, and dividends to record levels.

At the same time, Texas Brand Bank continued to execute its long-time business plan. We are happy to be a community bank in the strong Metroplex economy.

**GROWTH** - Year-end assets increased 12.4% to \$345,000,000. Deposits were up 12.5% to \$307,000,000, while our loan portfolio increased 13.2% to \$266,000,000. As expected, while significant, these growth levels were lower than in the past year; however, as we have previously communicated, the lower growth is primarily a result of the fact that our results in the fourth quarter of 2020, as well as those at virtually all banks, were still inflated due to Paycheck Protection Program loans.

Also noteworthy, while we had \$37,000,000 of PPP loans on December 31, 2020, those loans had declined to \$17,000,000 at year end 2021. Without that difference, our loans were up substantially in 2021. We anticipate continued strong growth in 2022 and believe our growth will return to historic levels.

**CAPITAL** - Our capital to assets ratio, considered by many the primary indicator of bank strength and solvency, was 10.25% at year end, significantly above “well capitalized” regulatory requirements. Despite our strong capital ratio, our after-tax return on equity from continuing operations was 17.5%. Return on average assets was 1.75%. Total capital rose to \$35,370,000.

# “It was a very



**EARNINGS** - Earnings were up sharply in 2021, rising 102% over 2020. While our earnings were clearly positively impacted by PPP fees, we are pleased to note that earnings net of PPP fees grew a strong 31.5% over 2020. We still have significant fees to recognize in 2022, albeit less than half of 2021. While economic stress and supply chain issues could impact our results, we are optimistic and are projecting continued strong earnings in 2022.

**ASSET QUALITY** - For the sixth 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 six years are likewise nil. While we are happy to continue this success, we know that it is only a matter of time before we will need to report less positive results.

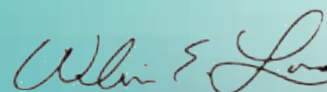
**DIVIDENDS** - We continued to pay quarterly dividends, which were increased mid-year to 20% of our net earnings, resulting in regular quarterly dividends totaling \$772,000 to our shareholders. We also paid a special annual dividend of \$967,000, in recognition of extraordinary earnings. We have now paid dividends for 26 consecutive quarters.

**EXPANSION** - Our Bishop Arts office will open in mid April, completing our strategy of having offices located north, east, south and west of downtown Dallas, along with our original location in the Garland market. Please visit our new location if you are in the area. Our business model of offices in rebuilding urban neighborhoods that do not have a banking presence has served us and our shareholders well.

**THE FUTURE** - While noting the challenges that remain from COVID-19, inflation, supply chain issues and continuing global tension, we remain focused on the future. We are optimistic that our new offices and business plan will continue to add growth and profitability in 2022 and the years to come.

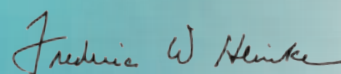
We believe that community banks are one of the many reasons that America is the economic powerhouse of the world and ask for your continued support.

Please visit us for your banking needs, and refer your family, friends, and business acquaintances to us as well.



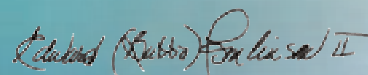
William E. Lowe

*President and Chief Executive Officer*



Frederic W. Heinke

*Vice Chairman of the Board*



Edward B. Tomlinson, II

*Chairman of the Board*

# good year."

# CONSOLIDATED BALANCE SHEETS

TEXAS BRAND BANCSHARES, INC. AND SUBSIDIARY

## Assets

	2021	2020
Total cash and cash equivalents	\$5,183,394	\$7,310,291
Interest bearing deposits in other banks	69,330,104	61,215,009
Investment Securities AFS	1,613,408	1,752,197
Stock of Federal Home Loan Bank	508,200	507,100
Stock of Texas Independent Bank	117,121	117,121
Loans, net	261,944,220	231,456,502
Bank premises and equipment, net	3,421,102	3,524,499
Other real estate owned	-	-
Accrued interest receivable	747,132	746,896
Deferred tax asset	1,284,706	414,268
Other assets	<u>1,073,077</u>	<u>343,522</u>
Total Assets	\$345,222,464	\$307,387,405
Liabilities And Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$90,009,501	\$81,204,478
Interest-bearing demand	33,256,748	13,148,712
Money market and savings	97,887,609	87,230,141
Time, \$100,000 and over	74,801,318	76,822,612
Other time, less than \$100,000	<u>10,792,896</u>	<u>15,020,067</u>
Total deposits	306,748,072	273,426,010
Accrued interest payable	97,390	129,790
Deferred loan fees	2,048,770	1,719,952
FHLB advances	-	-
Notes payable	-	-
Other liabilities	<u>764,324</u>	<u>691,871</u>
Total liabilities	309,658,556	275,967,623
Common stock- \$5 par value; authorized 5,000,000 shares; 1,855,587 and 1,841,087 shares issued in 2021 and 2020, respectively and 1,817,587 and 1,803,087 outstanding in 2021 and 2020 respectively	9,277,935	9,205,435
Additional paid-in capital	13,935,328	12,481,163
Treasury stock - 38,000 shares and 33,000 shares at cost as of 2021 and 2020, respectively	(476,150)	(476,150)
Retained earnings	14,129,486	10,157,839
Notes receivable - stock options	(1,334,645)	-
Unrealized gain on investment securities available-for-sale	<u>31,954</u>	<u>51,495</u>
Total stockholders' equity	<u>35,563,908</u>	<u>31,419,782</u>
Total liabilities and stockholders' equity	\$345,222,464	\$307,387,405

# CONSOLIDATED STATEMENTS OF INCOME

TEXAS BRAND BANCSHARES, INC. AND SUBSIDIARY

## Interest Income

	2021	2020
Interest and fees on loans	\$15,337,286	\$13,283,347
Interest on investment securities - taxable	3,321	6,983
Interest on investment securities - non taxable	30,613	41,108
Interest on federal funds sold	2,537	5,333
Interest on deposit accounts	<u>246,957</u>	<u>328,413</u>
Total interest income	15,620,714	13,665,184
<u>Interest Expense</u>		
Interest on Deposits		
Money market and savings	241,190	341,912
NOW accounts	45,634	39,439
Time, \$100,000 and over	1,082,877	1,553,677
Other Time	130,048	245,779
Fed Funds Purchased	24	20
Other borrowings	<u>14,112</u>	<u>22,215</u>
Total Interest Expense	1,513,885	2,203,042
Net interest income	14,106,829	11,462,142
Provision for loan losses	-	1,350,000
Net interest income after provision for loan losses	14,106,829	10,112,142
<u>Non-Interest Income</u>		
Service fees	309,256	241,060
Gain on sale of fixed assets	-	34,007
Gain on sale of securities	-	22,658
Other	17,764	6,663
Total Non-Interest Income	327,020	304,388
<u>Non-Interest Expense</u>		
Salaries and employee benefits	4,329,094	4,204,373
Occupancy expense	755,721	803,205
Advertising	110,684	97,244
Furniture and equipment	176,234	179,559
Data processing services	541,315	565,589
Other	<u>1,328,384</u>	<u>1,037,949</u>
Total Non-Interest Expense	7,241,432	6,887,919
Income before income taxes	7,192,417	3,528,611
Income tax expense	<u>1,482,297</u>	<u>726,000</u>
Net income	\$5,710,120	\$2,802,611

# Performance

	2018	2019	2020	2021
OPERATING RESULTS				
Net interest income	\$8,471,531	\$9,049,206	\$11,462,142	\$14,106,829
Provision for loan losses	300,000	300,000	1,350,000	-
Non-interest income	178,657	202,027	304,388	327,020
Non-interest expense	<u>5,563,813</u>	<u>6,490,669</u>	<u>6,887,919</u>	<u>7,241,432</u>
Earnings before provision for income taxes	2,786,375	2,460,564	3,528,611	7,192,417
Federal income tax	<u>547,271</u>	<u>496,043</u>	<u>726,000</u>	<u>1,482,297</u>
Net income (loss)	2,239,104	1,964,521	2,802,611	5,710,120
AT YEAR END				
Total Assets	203,621,026	228,801,500	307,396,338	345,222,464
Loans, Net of allowance	151,259,547	188,050,583	231,453,502	261,944,220
Investments	48,153,338	33,985,291	62,967,206	70,943,512
Deposits	174,965,222	198,250,294	273,426,010	306,748,072
Stockholders' equity	27,236,418	29,059,057	31,419,782	35,563,908
Common shares outstanding (net of treasury)	1,808,087	1,808,087	1,808,087	1,817,587 <sup>1</sup>
OTHER FINANCIAL DATA				
Return on Avg. Assets	1.15%	0.95%	0.99%	1.75%
Return on Avg. Stockholder Equity	8.81%	7.35%	9.66%	17.50%
Loans to deposits	87.32%	95.76%	85.81%	86.60%
Allowance for loan losses to loans	1.26%	1.37%	1.94% <sup>2</sup>	1.56% <sup>3</sup>
PER SHARE DATA				
Net income \$	\$1.24	\$1.09	\$1.55	\$3.14 <sup>1</sup>
Book value	\$15.06	\$16.07	\$17.43	\$19.57 <sup>1</sup>
(in whole dollars except per share data)				

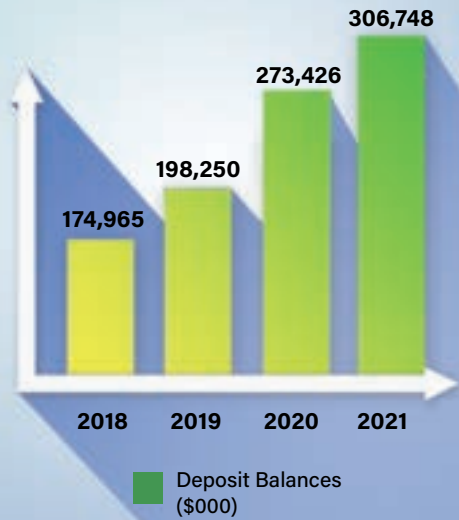
1. Excludes 116,225 exercised stock options financed by TBBI

2. Excludes 100% guaranteed PPP loans totaling \$36,908,131

3. Excludes 100% guaranteed PPP loans totaling \$17,479,538



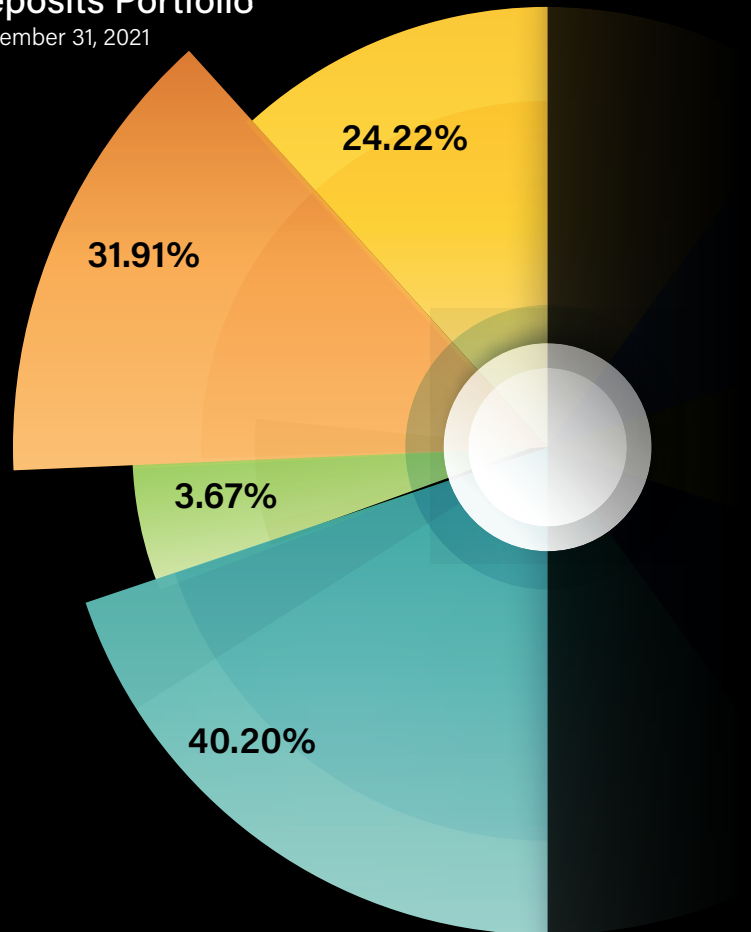
## Deposit Balances



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

## Deposits Portfolio

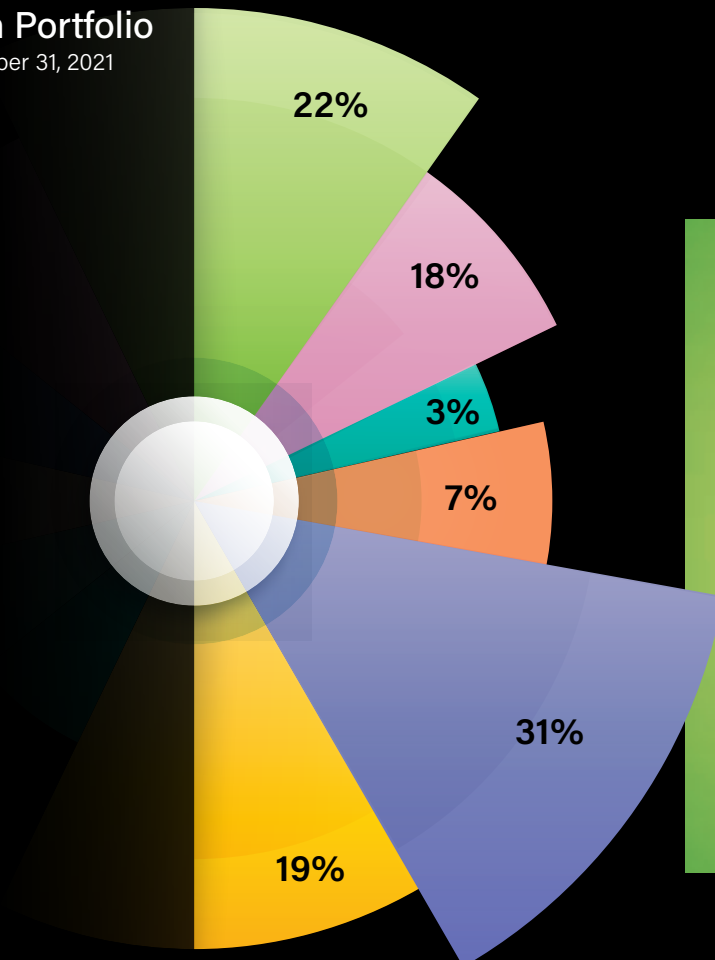
December 31, 2021



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

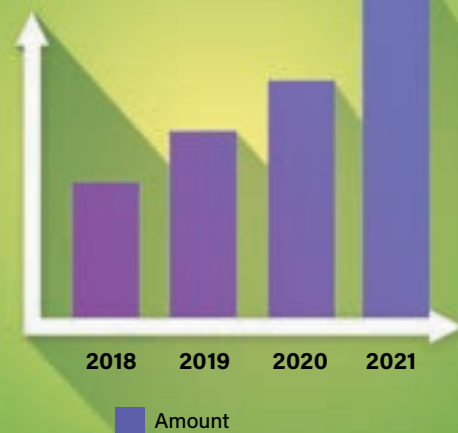
## Loan Portfolio

December 31, 2021



## Loan Balances

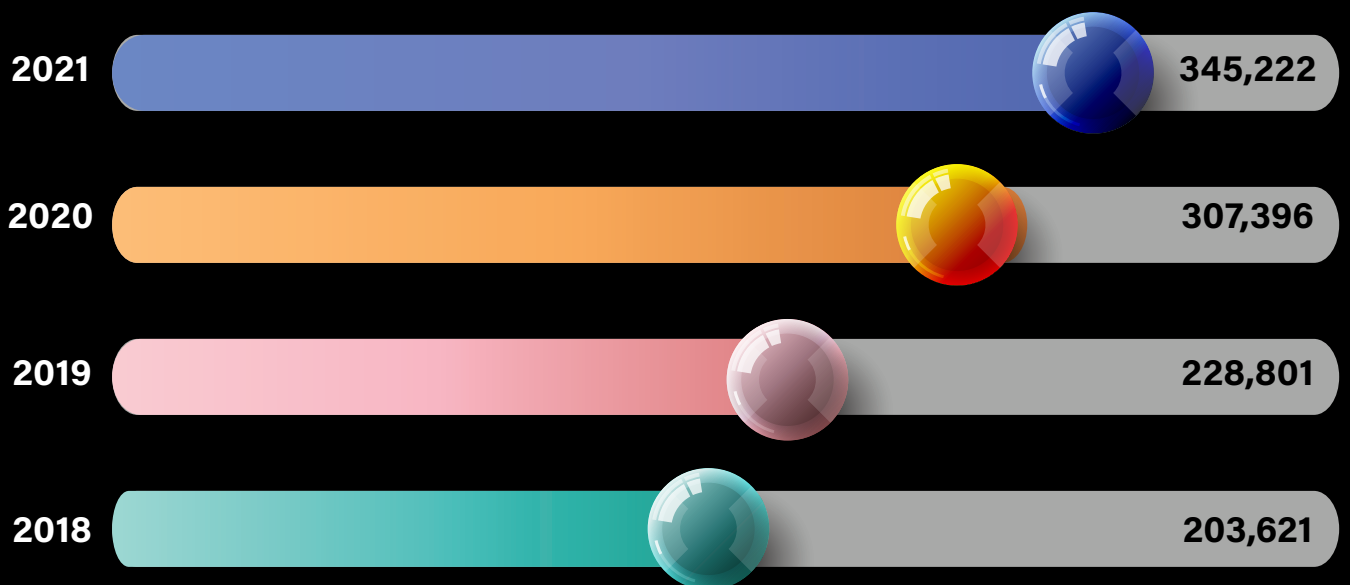
\$265,783,000



## Stockholders' Equity (000)

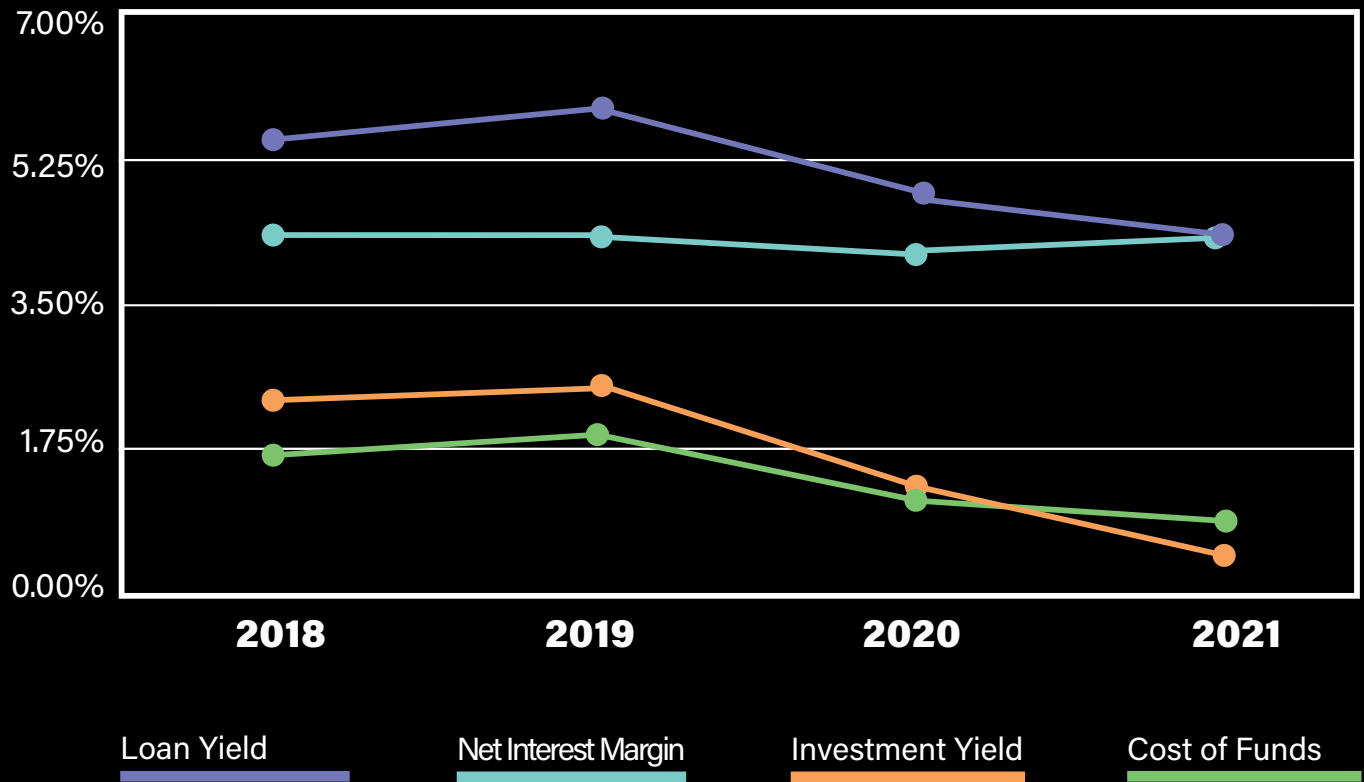


## Total Assets (000) \$345,222,000

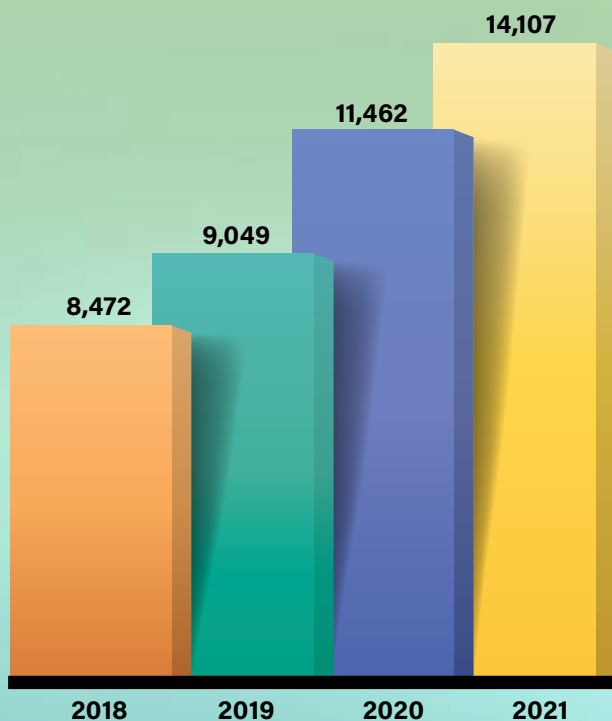




## Net Interest Margin Component Ratio

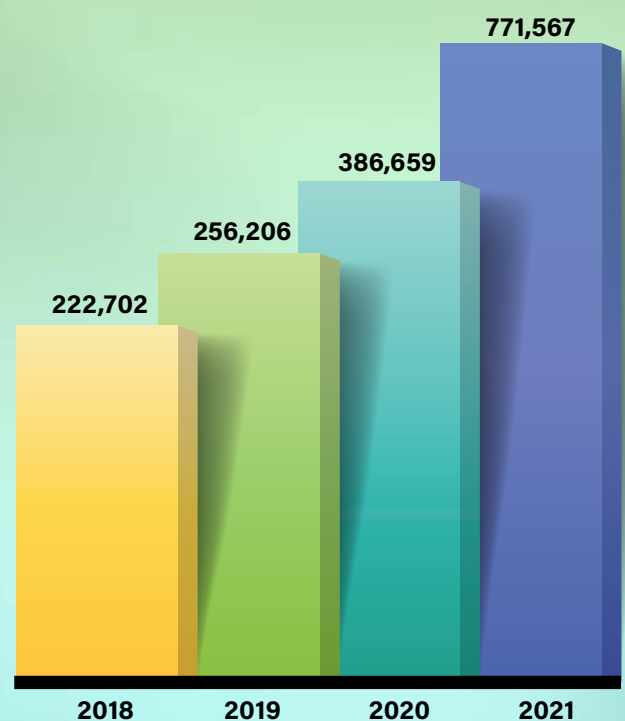


## Net Interest Income



Net Interest (in 000)

## Dividends Paid



\* 2021 does not include the special one time dividend in the amount of \$966,906 paid in December 2021.



For the 7th consecutive year, Bauer Financial has named Texas Brand Bank a Five Star Bank.

Recognition by this premier Bank Rating firm indicates that Texas Brand Bank is one of the strongest banks in the country.

Deposit Accounts is an organization that has grown into one of the largest and most comprehensive resources dedicated to rating the health and safety of FDIC insured banks. Deposit Accounts has named Texas Brand Bank an A+ bank for the year 2021.

# Recognition

## **BOARD OF DIRECTORS**

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**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**

# Neighborhoods



Uptown  
McKinney @ Fitzhugh



Garland  
Miller @ Shiloh



Bishop Arts  
West Davis @ Madison



Deep Ellum  
Main @ Hall



Cedars/Southside  
Ervay @ Gano



## **GROWTH**

Assets up 12.4%  
Deposits up 12.5%  
Loan Portfolio up 13.2%

## **CAPITAL**

Capital to Assets Ratio is 10.25%,  
significantly above "well capitalized"  
regulatory requirements

## **EARNINGS**

A year of record earnings

## **ASSET QUALITY**

6 consecutive years with  
no Real Estate foreclosures,  
no non-performing loans,  
no past due loans, and  
no loan losses

## **DIVIDENDS**

Shareholder Dividends paid  
for 26 consecutive quarters

## **EXPANSION**

Bishop Arts Office completed  
our business strategy of  
locating banking offices  
North, East, South and West  
of Downtown Dallas

## **THE FUTURE**

Optimistic that our business plan  
will add growth and  
profitability in the years to come

## **WE BELIEVE**

Community Banks have  
helped make America  
the Global Powerhouse  
that it is today

**WE ARE PROUD TO BE A LOCALLY OWNED  
AND OPERATED COMMUNITY BANK**



Uptown  
McKinney @ Fitzhugh

Bishop Arts  
West Davis @ Madison

Deep Ellum  
Main @ Hall

Cedars/Southside  
Ervay @ Gano

Garland  
Miller @ Shiloh