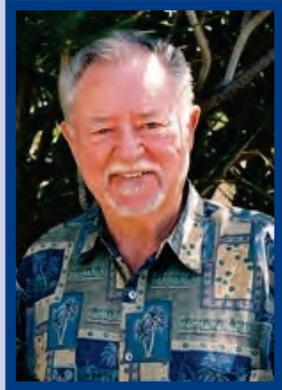


TEXAS BRAND BANK

TEXAS BRAND BANKSHARES, INC.
ANNUAL REPORT

2015



... Embrace a culture of loyal and life long friendships, and always give back.

Dorvin Leis



... proud to remain a locally

In Memoriam

Dorvin D. Leis

On June 15, 2015, Dorvin D. Leis passed away at home in Kihei, Hawaii after a long five year battle with cancer. Dorvin's values, work ethic, and generosity will truly be missed by his family and all the communities he supported.

Dorvin was a ball of energy throughout his life and was always seeking his next adventure. He developed his entrepreneurial spirit at a very young age, beginning at about age 12 when he started a successful limeade stand. After that it was on to a lawn mowing business, a lamp manufacturing company, and then delivering newspapers.

He started his mechanical contracting business in Pomona, California in 1961. In 1967 he was awarded a job in Hawaii. Things went so well that in 1971 he moved his company and family to Hawaii. The Dorvin D. Leis Co., Inc. has become the largest mechanical contractor in the State of Hawaii. With headquarters in Maui, the company serves all of the Hawaiian Islands, and also completed work in Guam and American Samoa.

Dorvin was a major stockholder in three Texas banks, including Texas Brand Bank. He had ownership interests in several other successful business, among them real estate, construction and contracting. A real estate development company has offices in Hawaii and Texas. Other business holdings include a music publishing company in Nashville, Tennessee and several Texas radio stations. He was also the largest shareholder of National Pasteurized Egg, Inc., a nationwide company with a patented process producing pasteurized eggs in the shell.

Dorvin D. Leis was a dedicated family man foremost and he lived by these guiding principles: family is a top priority, genuinely care about people and believe none should feel hopeless, helpless, or alone, embrace a culture of loyal and lifelong friendships, and always give back. Support the community in which you live and work.

This remarkably astute man, with incredible foresight, the founder and leader of diverse and highly successful businesses with a great spirit of generosity and giving back, leaves a memorable legacy for all those who knew him.



owned and operated independent bank.

Dear Shareholders,

2015 was an exciting year for Texas Brand Bancshares, Inc., and Texas Brand Bank. Having celebrated our ten year anniversary in March, our operating results were the best in our history. We are indeed fortunate to be doing business in the dynamic economic climate of the Dallas-Fort Worth metroplex.

All major metrics illustrate our successful year. Earnings increased 34.87% from the previous year to \$1,028,000. Average assets grew to \$143,000,000, an increase of more than 13%. Community needs for loans continued, with loan volume growing 11.7% to \$117,000,000. Credit quality remained strong; at year end, we had zero real estate foreclosures, non-performing loan totals totaled a low 0.055% of assets, and past dues were only 0.11% of total loans.

These impressive results had a positive impact on our balance sheet. Our equity capital ratio was 8.34%, well above regulatory requirements. The after tax return on your equity was 8.72%, and, starting in the second quarter, we began paying a dividend, returning 10% of earnings to our shareholders.

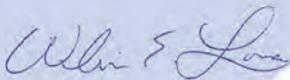
We are pleased to have two, well-established operating offices. Both the Garland office and the Dallas Uptown office are continuing to see strong growth, and have become integral parts of their respective markets. We are proud to remain a locally owned and operated independent bank.

We continue to evolve the company, looking for products, programs, systems, and better ways to provide excellent service to our loyal customers. As we grow, all decisions are made with a commitment to enhance shareholder value.

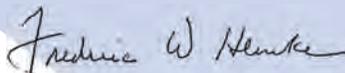
We are optimistic about ongoing success in 2016 and beyond. Continued good performance will have a further impact on our bottom-line and the value of your investment in the company.

Finally, we note with sadness the passing of our friend and founder, Dorvin D. Leis on June 15, 2015. Our prayers go out to his family, and he will always be in our thoughts. His wisdom, insight and business acumen will be sorely missed.

We appreciate your involvement, investment, and confidence.



William E. Lowe
President



Frederic W. Heinke
Chief Executive Officer



Edward B. Tomlinson, II
Chairman of the Board





Clockwise from Top Left: Edward B. Tomlinson, II, William E. Lowe, Fritz Heinke, Lance Bigham, Brenda Babb, Taylor Chandler, Gina Suniga, Daniel Faulks, Larry Tonroy and Jeannine Shepherd.

Because we are based here, we can make decisions fast, without having to wait for an answer from some isolated committee in an out-of-state office. Our customers know and trust our bankers and staff as trusted advisors who understand their businesses and who work hard to help them succeed.



Texas Brand Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2015 and 2014

Assets

	2015	2014
Cash and due from banks	\$2,570,796	\$3,559,603
Interest bearing deposits in other banks	20,200,177	24,429,602
Investment Securities AFS	7,472,856	6,624,585
Loans, net	115,324,115	103,218,995
Bank premises and equipment, net	456,748	399,109
Accrued interest receivable	421,812	357,946
Other real estate owned	-	225,000
Deferred tax asset	258,493	140,000
Other assets	661,272	440,596
Total Assets	<u>\$147,366,269</u>	<u>\$139,395,436</u>

Liabilities And Stockholders' Equity

Deposits

Noninterest-bearing demand	\$23,535,924	\$27,513,454
Interest-bearing demand	4,866,513	5,968,879
Money market and savings	21,992,481	23,117,789
Time, \$100,000 and over	61,859,611	50,631,018
Other time, less than \$100,000	14,206,832	17,456,856
Total deposits	<u>126,461,361</u>	<u>124,687,996</u>

Accrued interest payable	98,211	84,233
Deferred loan fees	248,237	149,451
FHLB advances	5,000,000	-
Notes payable	3,050,000	3,000,000
Other liabilities	219,431	192,680
Total liabilities	<u>135,077,240</u>	<u>128,114,360</u>

Common stock- \$5 par value; authorized 5,000,000 shares; 1,126,801 shares issued and 1,101,801 outstanding in 2015 and 2014 respectively

Additional paid-in capital	5,634,005	5,634,005
Treasury stock - 25,000 shares at cost as of 2015 and 2014, respectively	6,080,141	6,066,926
Retained earnings	(283,800)	(283,800)
Unrealized gain on investment securities considered available-for-sale	834,318	(144,642)
	24,365	8,587
Total stockholders' equity	<u>12,289,029</u>	<u>11,281,076</u>

Total liabilities and stockholders' equity	<u>\$147,366,269</u>	<u>\$139,395,436</u>
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Texas Brand Bancshares, Inc. and Subsidiary
Consolidated Statements of Income
 Years Ending December 31, 2015 and 2014

Interest Income

	2015	2014
Interest and fees on loans	\$6,407,756	\$5,659,024
Interest on investment securities - taxable	33,619	37,805
Interest on investment securities - non taxable	99,472	63,694
Interest on federal funds sold	45	203
Interest on deposit accounts	<u>103,422</u>	<u>137,827</u>
Total interest income	<u>6,644,314</u>	<u>5,898,553</u>

Interest Expense

Interest on Deposits		
Money market and savings	78,279	86,534
NOW accounts	7,323	6,323
Time, \$100,000 and over	602,237	545,369
Other Time	176,048	207,928
Federal funds purchased	80	194
Other borrowings	<u>135,725</u>	<u>39,013</u>
Total Interest Expense	<u>999,692</u>	<u>885,361</u>

Net interest income 5,644,622 5,013,192

Provision for loan losses 180,000 120,000

Net interest income after provision for loan losses 5,464,622 4,893,192

Non-Interest Income

Service fees	183,712	179,083
Gain (loss) on sale of other real estate owned	45	(3,026)
Gain on sale of securities	-	1,215
Rental income on other real estate owned	-	2,000
Other	<u>7,205</u>	<u>8,372</u>
	190,962	187,644

Non-Interest Expense

Salaries and employee benefits	2,446,178	2,301,380
Occupancy expense	362,961	362,725
Advertising	144,952	138,671
Furniture and equipment	108,053	116,656
Data processing services	410,400	374,002
Other real estate	24,013	21,677
Other	<u>790,261</u>	<u>767,913</u>
	<u>4,286,818</u>	<u>4,083,024</u>

Income before income taxes 1,368,766 997,812

Income tax expense 340,537 235,413

Net income \$1,028,229 \$762,399





Then and Now: A LOOK AT OUR PERFORMANCE

(in whole dollars except per share data)

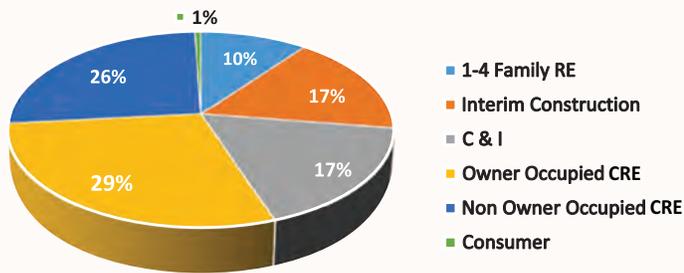
	2015	2014	2013
Operating Results			
Net interest income	\$5,644,662	\$5,013,192	\$4,522,322
Provision for loan losses	180,000	120,000	350,000
Non-interest income	190,962	187,644	(15,224)
Non-interest expense	<u>4,286,818</u>	<u>4,083,024</u>	<u>3,394,059</u>
Earnings before provision for income taxes	1,368,766	997,812	763,039
Federal income tax *	<u>340,537</u>	<u>235,413</u>	<u>183,130</u>
Net income	1,028,229	762,399	579,909
At Year End			
Total Assets	147,366,269	139,395,436	112,604,923
Loans, Net of allowance	115,324,115	103,218,995	90,449,907
Investments in securities & deposits	27,673,033	31,054,187	18,921,159
Deposits	126,461,361	124,687,996	101,884,004
Stockholder equity	12,289,029	11,281,076	10,473,629
Common shares outstanding (net of treasury)	1,101,801	1,101,801	1,101,801
Other Financial Data			
Return on Assets	0.72%	0.61%	0.54%
Return on Equity	8.72%	7.00%	5.72%
Loans/deposits	91.45%	83.20%	88.46%
Allowance for loan losses/loans	1.20%	1.28%	1.29%
Per Share Data			
Net income	\$ 0.93	\$ 0.69	\$0.53
Book value	\$11.15	\$10.24	\$9.51

*During the year 2013 Texas Brand Bancshares, Inc. operated as an S-Corporation. In 2014 Texas Brand Bancshares, Inc converted to a C-Corporation. 2013 net income has been adjusted for estimated income taxes.

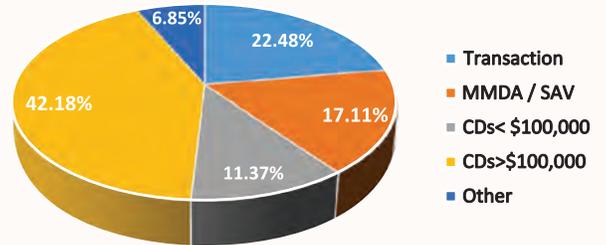




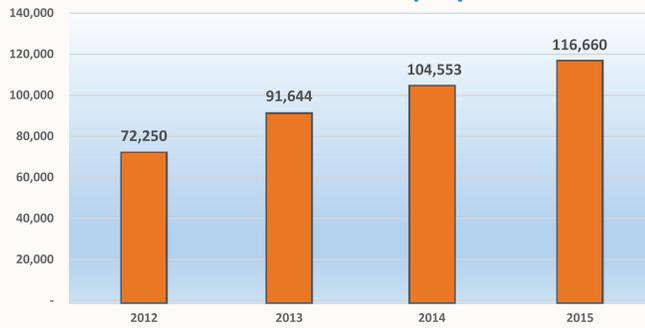
December 31, 2015 Loan Portfolio



December 31, 2015 Deposit Portfolio



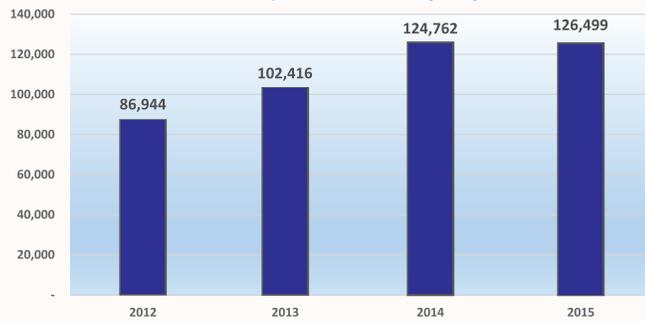
Loan Balances (000)



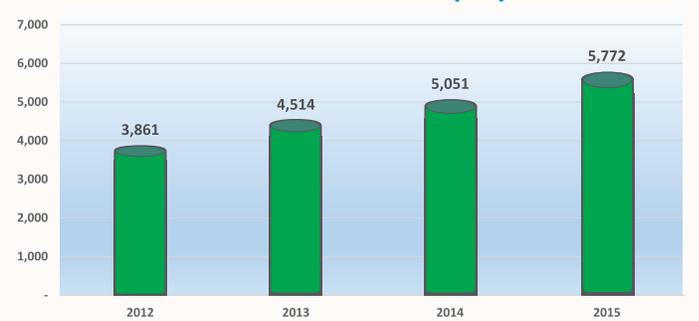
Net Interest Margin Component Ratio



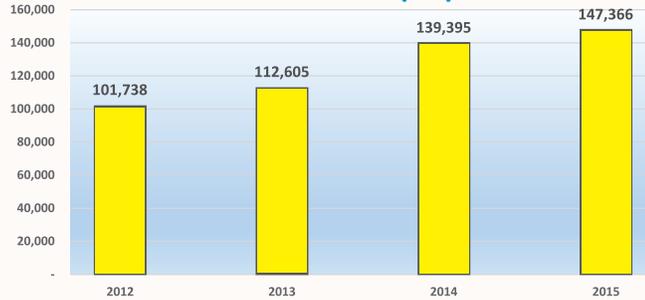
Deposit Balances (000)



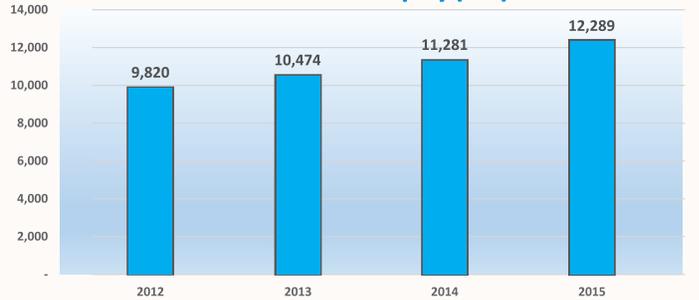
Net Interest Income (000)



Total Assets (000)



Stockholders' Equity (000)



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

Curtis Culwell Center

The bank is proud to be a continuing sponsor of the magnificent Curtis Culwell Center. Built in 2005 by the Garland Independent School District to host graduations and other special events, this first-class facility brings together more than 1 million people a year for graduations, concerts, athletic performances and competitions, trade shows, corporate meetings, weddings, reunions and a myriad of other social and community gatherings. With this facility hosting so many events, the bank receives much public exposure.



Garland Chamber of Commerce

The Garland Chamber of Commerce is known as the Connecting Source. With a large membership of local businesses, it provides assistance and other services designed to bring economic growth to the city. The Garland Chamber is considered to be one of the most active in North Texas and we are proud to be a part of this organization.



Hope Clinic of Garland

Since 2011 the bank has been involved in supporting Hope Clinic. Hope Clinic is a faith-based, non-profit organization providing free health care to Garland residents who are uninsured or who cannot afford medical care despite the Affordable Care Act. Since its inception 13 years ago, the clinic now has a state of the art facility which provided almost 8,000 patient visits in 2015.



5 Star Rating by Bauer Financial, Inc

The 5 star rating by Bauer Financial puts the bank in an elite category. The Bauer rating system has gained the trust and recognition of regulators and bankers nationwide. This 5 Star rating indicated that the bank shines in the areas of Capital Adequacy, Profitability, Asset Quality, and many other areas. The bank is pleased that we have earned Bauer's top rating.

We Also Support

North Dallas Chamber of Commerce • Richardson Chamber of Commerce • Downtown Dallas, Inc.

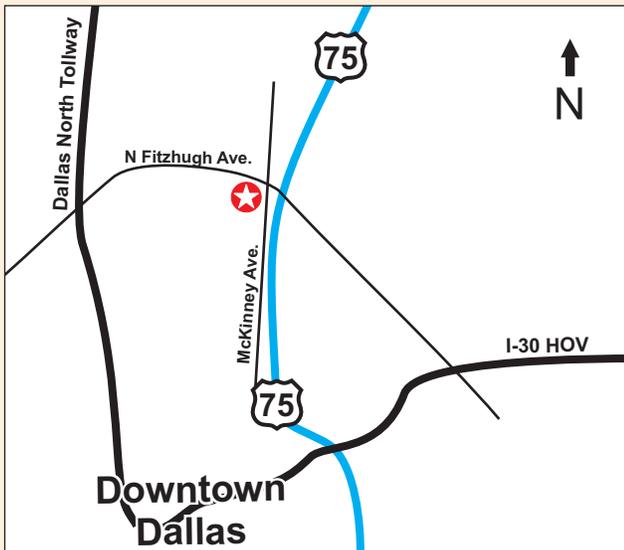


Garland



1919 South Shiloh Rd.

Dallas - Uptown



4161 McKinney Avenue

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