



**ELEVATING  
THE CHAMPIONS  
OF FREE ENTERPRISE**

THROUGH STRENGTH, SECURITY, AND STABILITY



**TEXAS SECURITY  
BANK**

2022 ANNUAL REPORT  
TEXAS SECURITY BANKSHARES, INC.

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# ELEVATING THE CHAMPIONS OF FREE ENTERPRISE

THROUGH STRENGTH, SECURITY, AND STABILITY

## LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Normally I would not consider a year in which the Company's net income was down from the previous year a positive result; however, Texas Security Bankshares, Inc.'s (the "Company") performance in 2022 was a win! You will recall 2020 and 2021 were record years, bolstered by the Paycheck Protection Program ("PPP") income, of which we had none in 2022. We accomplished core asset loan growth of \$184 million, a 29% increase for the year, which allowed the Company to replace the PPP income of \$7.8 million earned in 2021. These core earning assets are much more valuable to the Company. Unfortunately, the rise in residential mortgage rates had a large negative impact on our fee income, down \$1.4 million in 2022. Additionally, we faced substantial pressure on costs of deposits and funding. Despite these difficulties, the Company achieved net earnings of \$11.5 million, down \$1.5 million, or 11.5%, from 2021. Thus, the Company's earnings per share were \$3.51 for 2022, down \$0.50.



We experienced substantial headwinds in 2022 due to the rate of inflation remaining stubbornly high, which drove dramatic increases in interest rates. The rise in interest rates impacts borrower demand, increases credit risk, and raises funding costs. Also, we saw a rate of increase in 2022 we have not seen since the 1980s. Some key metrics for perspective:

- The U.S. inflation rate peaked at 9.1% in June, finishing the year at 6.5%
- United States prime rate rose from 3.25% to 7.50%, a 131% increase (and is now higher)
- Residential mortgage rates rose from 3.125% to 6.50%, peaking at over 7.00% in October

What does this mean for the Company and our operating subsidiary Texas Security Bank (the "Bank")? Two things primarily: First, we must remain hyper-vigilant with our existing loan portfolio monitoring and sensitivity analysis. Most borrowers are experiencing increased costs and may experience decreasing revenue. Many face re-pricing risk as fixed-rate loans come due. The Company finished the year with no past-due or non-accrual loans, and virtually no charge-offs in 2022, a testament to our diligent underwriting and monitoring. Second, we must remain focused on steady but sound growth — economic pressures provide opportunities for the Bank as the best companies tend to be revealed, and we want those companies as customers.

To further our growth, we opened our fourth location, in Southlake, at State Highway 114 and Kimball. This new branch and offices provide us with a presence in Northeast Tarrant County. We have great visibility with building signage, and this modern facility helps us present the progressive nature of the Bank. The grand opening was May 2.

**Craig T. Scheef**

Founder, Chairman, Chief Executive Officer

# STRENGTH

We strive to cultivate a culture of strength and resilience at Texas Security Bank that will help us continue to grow and succeed. We've been recognized for our strength and commitment to excellence by The Dallas Morning News "Top Places to Work" and "Best in DFW" two years in a row, as well as by the Texas Bankers Association for the commitment made to our community through the TSB Academy and Business Speaker Series. We recognize the importance of business education and have invested in the TSB Academy and Business Speaker Series to help business owners run better businesses. With our commitment to strength and excellence, we look forward to providing the highest level of service to our customers and community. Our strong Net Promoter Score demonstrates the level of trust and confidence our customers have in our services.



## AWARD-WINNING BANKING

At Texas Security Bank, **We Elevate** the Champions of Free Enterprise. **We Educate** business owners to help them build better businesses. **We Lead** by consistently earning high marks and awards for our financial health, customer service, and employee satisfaction.



With the banking benchmark average of a 34 Net Promoter Score, we are proud to consistently achieve a high level of customer satisfaction and loyalty, as shown by our most recent score.



The Dallas Morning News People's Choice Award as Gold Winner for Best Bank in DFW, second year in a row.



Selected by the Dallas Morning News as one of the Top 100 Places to Work, second year in a row.



Awarded by the Texas Bankers Association for the commitment made to our community through the TSB Academy and Business Speaker Series.



Recognized as one of top front line customer service teams of the year in the financial services industry.



Recognized by National Customer Service Association as Service Organization of the Year.



Awarded by the Texas Bankers Association as a LIFE award winner for promoting financial education in our community.



Awarded Outstanding Finance Team D CEO's 2022 Financial Executive Awards.



Best Workplaces Institute certification of positive workplace culture, fourth year in a row.

## TEXAS SECURITY BANK LEADERSHIP TEAM

Meet the businesspeople behind Texas Security Bank. The leadership team is the cornerstone of the Bank's success. The team is committed to creating a rich culture, where the development of its young leaders is at the forefront. Texas Security Bank's emphasis on teamwork, innovation, and winning ensures a strong future. The team's ability to not only embody the core values, but to lead with them while holding them at the center of the decision-making process, has contributed to the growth of the organization and is key to the Bank's accomplishments. This team of champions knows what it takes to turn a dream into a company.



(Left to Right): **SHON C. CASS**, Executive Vice President and Chief Experience Officer; **LIBBY SMITH**, Executive Vice President, Mortgage Lending; **DREW KEITH**, President; **LYNNE MINTER**, Vice President, Director of Human Resources; **JOHN LEVINSKI**, Senior Vice President and Managing Director, Commercial Real Estate; **CHRIS BENSON**, Senior Vice President, Chief Credit Officer; **CRAIG T. SCHEEF**, Chairman and Chief Executive Officer.

**CHRIS JONES**, Executive Vice President and Chief Lending Officer; **SUSAN TYLER**, Senior Vice President, Director of Loan Administration; **JAMIE BRITTON**, Executive Vice President, Chief Financial Officer and Chief Operating Officer; **PAMELA MCQUADE**, Vice President, Marketing & Branding and Executive Director, TSB Business Education; **BEN PARKEY**, Executive Vice President and Managing Director, Central; **SCOTT HESTER**, Senior Vice President, Chief Technology Officer.  
Not pictured: **MELANIE SMITH**, Senior Vice President, Chief Risk Officer; **BEN SWINNEY**, Senior Vice President, Treasurer.

## BUILDING BETTER BUSINESSES

Texas Security Bank is the only bank in Texas that invests in Business Education for Owner Managed Businesses. Our focus on continuing education is truly unique and needed. We *Elevate the Champions of Free Enterprise* in an era when little differentiation among banks exists.

### TSB Academy

The only one of its kind in Texas, the TSB Academy is an intensive course with 50 hours of instruction led by business experts. In addition to leadership skills, attendees acquire the foundational, strategic and functional tools needed to grow a business, exploring topics that range from cyber security to brand differentiation. Since its inception, 113 executives and their key players have graduated from the program, and 30 students are attending the 2023 class. The year-long program is composed of 18 classes taught by experts in their field. The classes are specifically crafted to assist in leveraging your current experience and providing the additional depth of knowledge needed to scale and grow.

Interested in learning more about the TSB Academy for yourself or one of your employees? For course and admission information, visit [www.texassecuritybank.com/business-education/tsb-academy](http://www.texassecuritybank.com/business-education/tsb-academy).

### Business Speaker Series

When it comes to your business, education never stops. With these monthly executive education presentations, we bring together a diverse mix of business leaders and experts to discuss the topics that impact business owners the most. We offer thought-provoking business topics, and actionable take-aways to assist you in running your business.

Gain greater knowledge of the foundational, functional, and strategic aspects of running a business, while continuing to build valuable skills that will help you elevate your organization in this challenging business environment. Educating you is our business model.

For more information on the Business Speaker Series, visit [www.texassecuritybank.com/business-education/tsb-business-speaker-series](http://www.texassecuritybank.com/business-education/tsb-business-speaker-series).

*"An investment in knowledge pays the best interest."*

— Benjamin Franklin

# SECURITY

## THE FUTURE BELONGS TO THOSE WHO INNOVATE

It's no coincidence that one of our core values at Texas Security Bank is innovation. When we opened our doors in 2008, we knew an "innovation" mindset was a key to future success. Even with that early mindset, we could never have imagined how fast and how far technology would advance especially in the financial services sector.

There are roughly 33.5 million small businesses in the U.S. which comprise 99.9% of all U.S. businesses. 51% of these businesses are owned by baby boomers that are expected to be fully retired by 2035. In addition, there have been 12,000 bank branch closures in the past 10 years — and that number continues to grow. These statistics, in conjunction with the "pandemic effects," have led to double-digit growth in the use of digital banking tools by small businesses. The online banking system of the past is rapidly transforming into a robust digital banking platform, where clients conduct all their day-to-day banking transactions, utilize insightful transactional data, and get seamless access to all types of new, creative, value-add fintech solutions.

Texas Security Bank is fully committed to innovation and providing market-leading technology to our clients and our bankers while staying true to our middle name, **Security**. As William Shakespeare famously quoted, *all that glitters is not gold*. Our commitment is to be vigilant and diligent selecting technology and technology partners that provide innovative solutions while keeping our clients' assets and information safe and secure.

*Welcome to the new Digital Banking Frontier.*



**Shon Cass**

Founder, EVP, CTP, Chief Experience Officer

*"If everyone is moving forward together,  
then success takes care of itself."*

— Henry Ford

# STABILITY

## NEW SOUTHLAKE LOCATION OPENS FOR BUSINESS

**A wider geographic presence enhances stability.** Texas Security Bank's fourth location is now open in Southlake. This was a 2022 strategic initiative for the bank, and we are excited about the abundance of new loan and deposit opportunities in Tarrant County. Our new location accommodates 21 employees, including a strong presence of relationship managers, mortgage, business development, and treasury management officers, as well as key executives to facilitate growth in Tarrant County. The new location includes a full-service branch on the first floor and executive offices on the second floor.

We are located in the District 114 building at Kimball Park, a mixed-use, Class A facility. This new location is well branded with elevated signage on the west side of the building visible to traffic on Highway 114, and signage above the branch entrance on the front of the building. There is also a large lion graphic dominating the wall behind the teller line, visible to the exterior. We also have access to the fourth-floor tenant lounge and deck for hosting meetings and events.

The Southlake location is home to new technologies for the bank. The branch has a state-of-the-art cash recycler to improve efficiencies and enhance the customer experience. Teller capture technology was also implemented at Southlake to enable real-time balancing of deposits at the teller line while the customer is present, improving service, reducing errors, and accelerating fraud detection. The bank's newest generation ATM is inside the building's modern lobby, presenting marketing messages rotated on the high-tech screen advertising the bank's services.

This expansion strengthens the bank, enabling new relationships and the pursuit of new markets to the west, which in turn benefits our stakeholders. We are excited to continue our mission of *Elevating the Champions of Free Enterprise* from our new Southlake location.



**Drew Keith**  
Founder, President



## FINANCIAL HIGHLIGHTS

Below is a summary of Texas Security Bankshares, Inc.'s ("TSB") financial highlights and performance ratios for 2018 through 2022. Pages 12–19 present TSB's comparative consolidated financial statements for the years ended December 31, 2022 and 2021. These reports are presented in our annual audited financial statements. You may request complete audited financial statements, including the Report of Independent Registered Public Accounting Firm and the required notes to the consolidated financial statements, at any time from me.

Our auditors have expressed an unmodified opinion on our consolidated financial statements for both 2022 and 2021. This means that the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Texas Security Bankshares, Inc. and Subsidiary and the results of their consolidated operations and cash flows for these years.



**James M. Britton**

Executive Vice President, Chief Financial Officer and Chief Operating Officer

	2018	2019	2020	2021	2022
<b>OPERATING RESULTS</b>					
Net interest income	\$ 16,910,728	\$ 18,642,057	\$ 25,989,511	\$ 33,366,923	\$ 34,885,317
Provision for loan losses	4,010,000	900,000	2,412,399	1,300,000	1,550,000
Non-interest income	1,940,398	2,766,074	3,531,710	3,086,712	2,366,909
Net realized gain (loss) on sales of securities	(513)	111,446	961,746	1,056,036	(3,115)
Non-interest expense	9,952,575	11,750,547	17,245,298	19,737,281	21,098,333
Income before provision for income tax expense	4,888,038	8,869,030	10,825,270	16,472,390	14,600,778
Income tax expense	1,034,704	1,986,692	2,267,976	3,454,217	3,067,759
Net income	\$ 3,853,334	\$ 6,882,338	\$ 8,557,294	\$ 13,018,173	\$ 11,533,019
<b>AT YEAR END</b>					
Total assets	\$ 476,323,586	\$ 563,612,766	\$ 872,256,563	\$ 974,072,740	\$ 1,139,946,092
Federal funds sold	10,000,000	-	-	-	-
Investments in securities & interest bearing deposits	66,102,716	146,794,120	250,192,923	307,908,597	265,327,711
Loans, net of allowance	388,458,693	403,165,079	603,500,038	634,884,535	820,983,524
Deposits	412,580,832	488,076,434	552,759,801	808,459,633	833,364,467
Stockholders' equity	50,983,982	57,055,607	69,634,718	76,261,715	57,976,658
Common shares outstanding (net of treasury)	3,216,874	3,194,264	3,240,623	3,252,306	3,290,798
<b>OTHER FINANCIAL DATA</b>					
Return on average assets	0.80%	1.22%	1.07%	1.29%	1.08%
Return on average equity	7.79%	12.70%	13.80%	17.70%	18.17%
Loans to deposits	95%	83%	110%	80%	100%
Allowance for loan losses to loans	1.00%	1.27%	1.23%	1.40%	1.20%
Net charge offs to loans	0.91%	0.00%	0.01%	0.00%	0.00%
<b>PER SHARE DATA</b>					
Net income (basic)	\$ 1.21	\$ 2.14	\$ 2.65	\$ 4.01	\$ 3.51
Book value	\$ 15.86	\$ 17.82	\$ 21.49	\$ 23.45	\$ 17.62

# FINANCIAL HIGHLIGHTS

## Texas Security Bankshares, Inc. and Subsidiary Consolidated Balance Sheets for the Years Ended December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,293,013	\$ 1,218,881
Interest bearing deposits in other banks	32,283,788	21,395,325
Total cash and cash equivalents	33,576,801	22,614,206
Securities available for sale, at fair value	233,043,923	286,513,272
Loans held for sale	-	1,634,690
Loans, net	820,983,524	634,884,535
Bank-owned life insurance	15,060,652	-
Bank premises and equipment, net	5,891,003	5,108,319
Accrued interest receivable	4,363,713	3,062,966
Servicing asset	159,689	130,632
Other assets	26,866,787	20,124,120
<b>Total assets</b>	<b>\$ 1,139,946,092</b>	<b>\$ 974,072,740</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Noninterest bearing	\$ 360,146,104	\$ 329,177,009
Interest bearing	473,218,363	479,282,624
Total deposits	833,364,467	808,459,633
Subordinated promissory notes	14,500,000	14,500,000
Other borrowings	225,000,000	65,000,000
Accrued interest payable	299,873	594,419
Other liabilities	8,805,094	9,256,973
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0 par value; 1,000,000 shares authorized, 0 shares outstanding	-	-
Common stock, \$5 par value; 10,000,000 shares authorized, 3,697,209 and 3,665,293 shares issued, respectively; 3,290,798 and 3,252,306 outstanding, respectively	18,486,045	18,326,465
Additional paid-in capital	25,668,609	24,941,615
Stock issued with notes receivable	(1,972,450)	(1,972,450)
Accrued interest receivable on stock issued with notes receivable	(251,588)	(210,829)
Retained earnings	53,415,480	43,951,060
Accumulated other comprehensive loss	(31,066,874)	(2,317,797)
Treasury stock, at cost, 406,411 shares and 412,987 shares, respectively	(6,302,564)	(6,456,349)
Total stockholders' equity	57,976,658	76,261,715
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,139,946,092</b>	<b>\$ 974,072,740</b>

## Texas Security Bankshares, Inc. and Subsidiary Consolidated Statements of Income for the Years Ended December 31, 2022 and 2021

	2022	2021
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 35,002,953	\$ 32,843,018
Interest on investment securities:		
Taxable	4,556,942	2,673,389
Non-taxable	464,598	456,488
Interest and dividends on other accounts	1,248,626	268,499
<b>Total interest income</b>	<b>41,273,119</b>	<b>36,241,394</b>
<b>INTEREST EXPENSE</b>		
Interest and fees on deposit accounts	3,427,272	1,301,126
Interest on borrowings	2,960,530	1,573,345
<b>Total interest expense</b>	<b>6,387,802</b>	<b>2,874,471</b>
<b>Net interest income</b>	<b>34,885,317</b>	<b>33,366,923</b>
Provision for loan losses	1,550,000	1,300,000
<b>Net interest income after provision</b>	<b>33,335,317</b>	<b>32,066,923</b>
<b>NONINTEREST INCOME:</b>		
Service charges on deposit accounts	1,419,278	1,234,379
Gain on sales of mortgage loans	411,335	1,641,447
Net (loss) gain on sales of investment securities	(3,115)	1,056,036
Other	536,296	210,886
<b>Total noninterest income</b>	<b>2,363,794</b>	<b>4,142,748</b>
<b>NONINTEREST EXPENSE:</b>		
Salaries and employee benefits	13,880,112	13,400,195
Occupancy of bank premises	814,327	838,853
Professional fees	899,632	775,162
Advertising and promotional	278,966	264,118
Data processing and IT management	1,347,639	1,157,367
Brokered CD fees	-	18,750
Mortgage and lending	274,456	388,981
Internet banking	589,116	437,547
Regulatory assessments	825,765	424,346
Software costs	636,597	584,202
Other	1,551,723	1,447,760
<b>Total noninterest expense</b>	<b>21,098,333</b>	<b>19,737,281</b>
<b>Net income before income tax expense</b>	<b>14,600,778</b>	<b>16,472,390</b>
<b>Income tax expense</b>	<b>3,067,759</b>	<b>3,454,217</b>
<b>Net income</b>	<b>\$ 11,533,019</b>	<b>\$ 13,018,173</b>
<b>Basic earnings per share</b>	<b>\$ 3.51</b>	<b>\$ 4.01</b>
<b>Diluted earnings per share</b>	<b>\$ 3.44</b>	<b>\$ 3.90</b>

# FINANCIAL HIGHLIGHTS

Texas Security Bankshares, Inc. and Subsidiary

## Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Net income</b>	<b>\$ 11,533,019</b>	<b>\$ 13,018,173</b>
<b>Other comprehensive (loss) income:</b>		
Net unrealized holding losses on available for sale securities during the period	(36,394,353)	(5,363,120)
Reclassification adjustment for net realized losses (gains) on available for sale securities included in net income	3,115	(1,056,036)
Other comprehensive loss, before income tax benefit	(36,391,238)	(6,419,156)
Income tax benefit	7,642,161	1,348,022
Other comprehensive loss, net of income tax benefit	(28,749,077)	(5,071,134)
<b>Total comprehensive (loss) income</b>	<b>\$ (17,216,058)</b>	<b>\$ 7,947,039</b>

Texas Security Bankshares Inc. and Subsidiary

## Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2022 and 2021

	Preferred Stock	Common Stock	Additional Paid-in Capital	Stock Issued with Notes Receivable	Accrued Interest on Stock Issued with Notes Receivable	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
<b>Balance, January 1, 2021</b>	<b>\$ -</b>	<b>\$18,278,890</b>	<b>\$24,527,377</b>	<b>\$(1,972,450)</b>	<b>\$ -</b>	<b>\$32,555,945</b>	<b>\$ 2,753,337</b>	<b>\$(6,508,381)</b>	<b>\$ 69,634,718</b>
Exercise of stock options, 9,515 shares	-	47,575	86,418	-	-	-	-	-	133,993
Sale of treasury stock, 2,168 shares	-	-	17,151	-	-	-	-	52,032	69,183
Reclassification of accrued interest receivable on stock issued with notes receivable	-	-	-	-	(170,068)	-	-	-	(170,068)
Interest on stock issued with notes receivable	-	-	40,761	-	(40,761)	-	-	-	-
Dividends paid	-	-	-	-	-	(1,623,058)	-	-	(1,623,058)
Net income	-	-	-	-	-	13,018,173	-	-	13,018,173
Stock based compensation	-	-	269,908	-	-	-	-	-	269,908
Other comprehensive loss	-	-	-	-	-	-	(5,071,134)	-	(5,071,134)
<b>Balance, December 31, 2021</b>	<b>\$ -</b>	<b>\$18,326,465</b>	<b>\$24,941,615</b>	<b>\$(1,972,450)</b>	<b>\$ (210,829)</b>	<b>\$43,951,060</b>	<b>\$ (2,317,797)</b>	<b>\$(6,456,349)</b>	<b>\$76,261,715</b>
Exercise of stock options, 31,916 shares	-	159,580	296,302	-	-	-	-	-	455,882
Purchase of treasury stock, 1,573 shares	-	-	-	-	-	-	-	(54,467)	(54,467)
Sale of treasury stock, 8,149 shares	-	-	82,212	-	-	-	-	208,252	290,464
Interest on stock issued with notes receivable	-	-	40,759	-	(40,759)	-	-	-	-
Dividends paid	-	-	-	-	-	(2,068,599)	-	-	(2,068,599)
Net income	-	-	-	-	-	11,533,019	-	-	11,533,019
Stock based compensation	-	-	307,721	-	-	-	-	-	307,721
Other comprehensive loss	-	-	-	-	-	-	(28,749,077)	-	(28,749,077)
<b>Balance, December 31, 2022</b>	<b>\$ -</b>	<b>\$18,486,045</b>	<b>\$25,668,609</b>	<b>\$(1,972,450)</b>	<b>\$ (251,588)</b>	<b>\$53,415,480</b>	<b>\$ (31,066,874)</b>	<b>\$(6,302,564)</b>	<b>\$57,976,658</b>

Texas Security Bankshares, Inc. and Subsidiary

## Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021

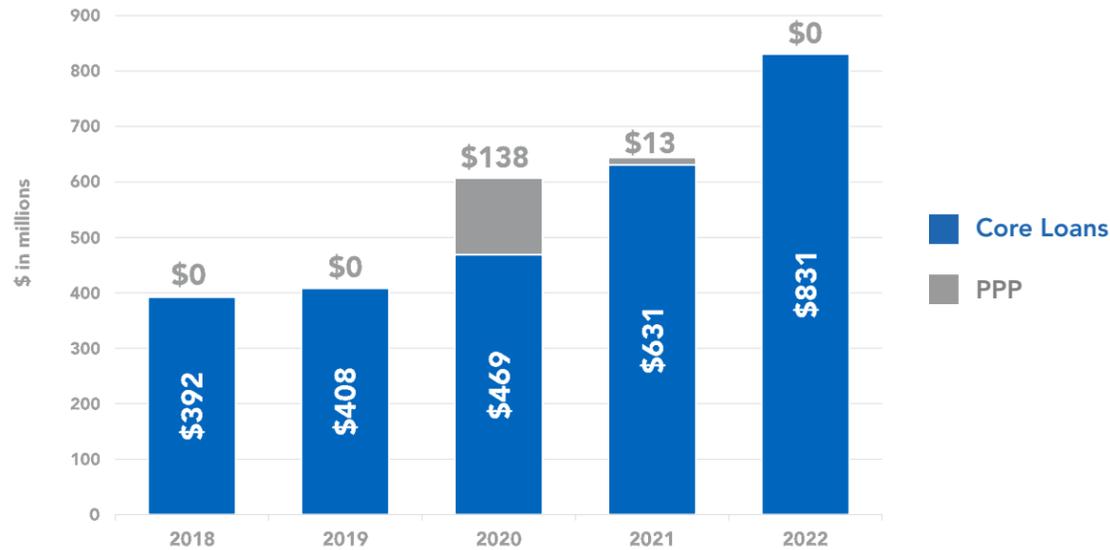
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	<b>\$ 11,533,019</b>	<b>\$ 13,018,173</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	2,338,451	739,029
Provision for loan losses	1,550,000	1,300,000
Net loss (gain) on sales of securities	3,115	(1,056,036)
Gain on sales of loans held for sale	(411,335)	(1,641,447)
Proceeds from sales of loans held for sale	18,201,828	66,038,310
Net originations of loans held for sale	(16,155,803)	(59,564,404)
Increase in cash surrender value of bank-owned life insurance	(60,652)	-
Stock based compensation	307,721	269,908
Deferred tax benefit	(158,266)	(758,217)
Decrease in accrued interest and other assets	6,589,063	291,647
(Decrease) increase in accrued expenses and other liabilities	(746,425)	996,086
<b>Net cash provided by operating activities</b>	<b>22,990,716</b>	<b>19,633,049</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Activity in available for sale securities:		
Maturities, calls, sales and principal paydowns received	459,307,580	506,140,216
Purchases	(444,194,090)	(596,596,492)
Net originations of loans	(187,810,025)	(46,903,903)
Purchase of bank-owned life insurance	(15,000,000)	-
Additions to bank premises and equipment	(1,027,650)	(209,857)
Purchases of non-marketable investments	(6,832,050)	(51,891)
Proceeds from redemptions of non-marketable investments	-	908,100
<b>Net cash used in investing activities</b>	<b>(195,556,235)</b>	<b>(136,713,827)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in deposits	24,904,834	255,699,832
Repayments of other borrowings	(1,724,300,000)	(327,116,433)
Proceeds from other borrowings	1,884,300,000	161,000,000
Proceeds from sale of common stock	455,882	133,993
Proceeds from sale of treasury stock	290,464	69,183
Purchase of treasury stock	(54,467)	-
Dividends paid to shareholders	(2,068,599)	(1,623,058)
<b>Net cash provided by financing activities</b>	<b>183,528,114</b>	<b>88,163,517</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,962,595</b>	<b>(28,917,261)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>22,614,206</b>	<b>51,531,467</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 33,576,801</b>	<b>\$ 22,614,206</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	\$ 6,682,348	\$ 3,117,368
Cash paid for income taxes	\$ 1,955,000	\$ 4,601,271
<b>Noncash Transaction:</b>		
Record new ROU asset and lease liability	\$ -	\$ 4,609,695
Interest on stock issued with notes receivable	\$ 40,759	\$ 40,761
Reclassification of accrued interest receivable on stock issued with notes receivable	\$ -	\$ 170,068

# FINANCIAL HIGHLIGHTS

Financial Trends  
Texas Security Bankshares, Inc. and Subsidiary

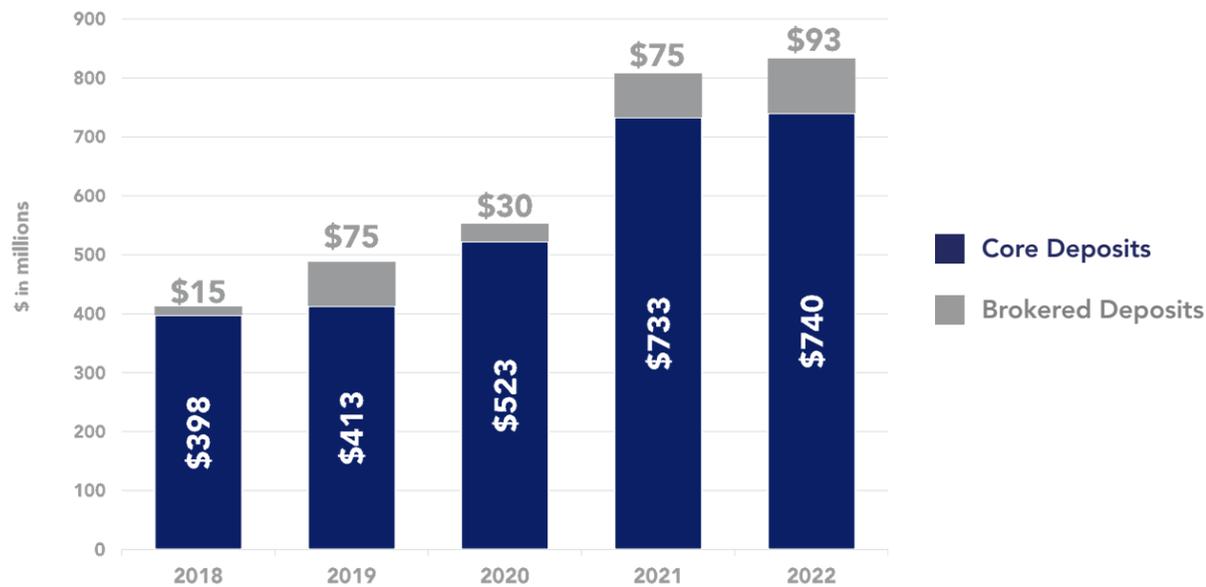
## Balance Sheet Growth

Four Year Average Annual Growth Rate for Core Loans of 21%\*



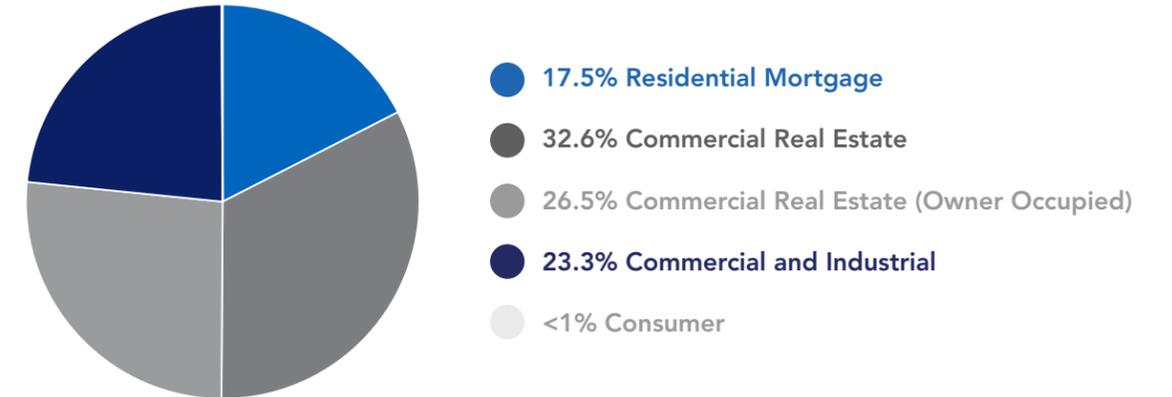
\* The annual growth rate calculations for 2022, 2021, and 2020 do not include loan growth from funding of PPP loans with remaining balances of \$300 thousand, \$13 million, and \$138 million, respectively, at year end.

Four Year Average Annual Growth Rate for Core Deposits of 17%

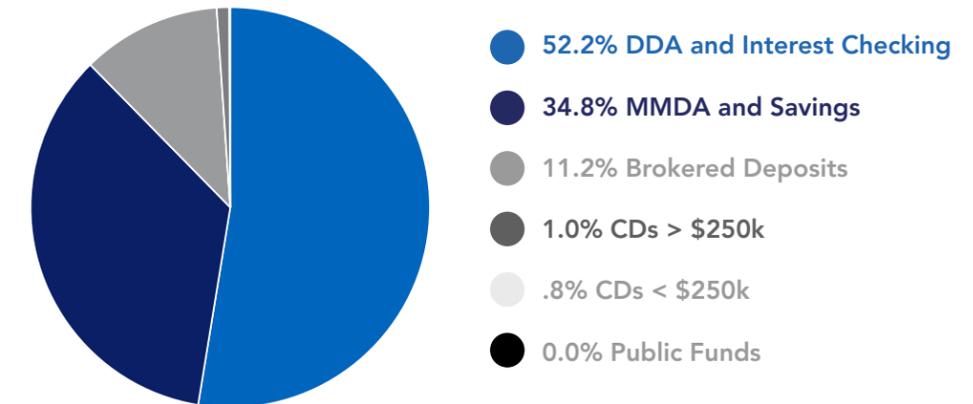


## Balance Sheet Makeup

December 31, 2022 Loan Portfolio

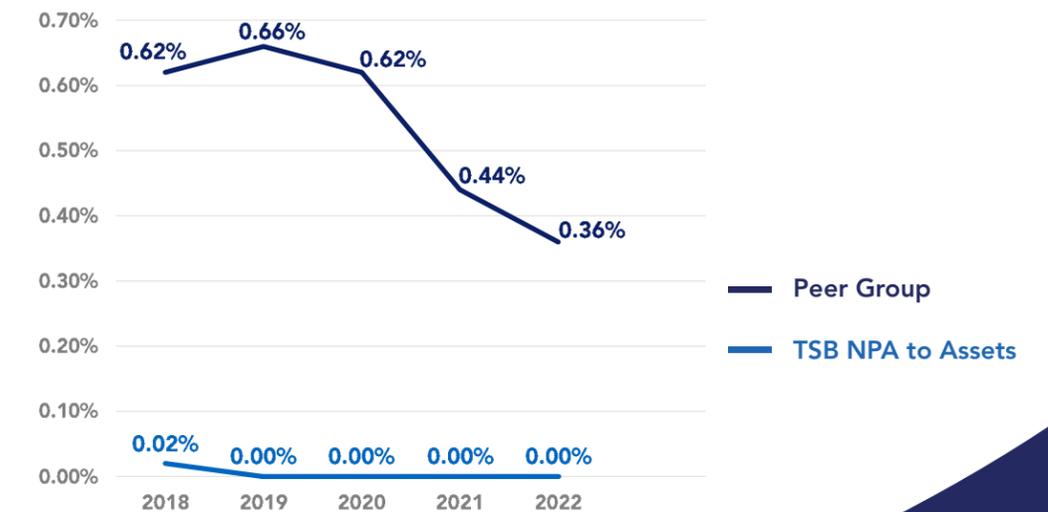


December 31, 2022 Deposit Mix



## Credit Quality

No Non-Performing Assets (NPA) Despite Substantial Growth



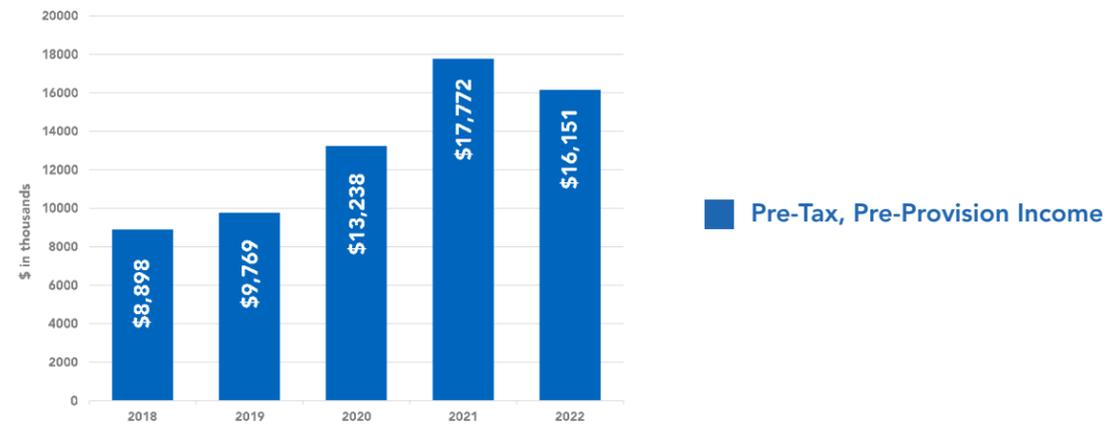
# FINANCIAL HIGHLIGHTS

## Financial Trends

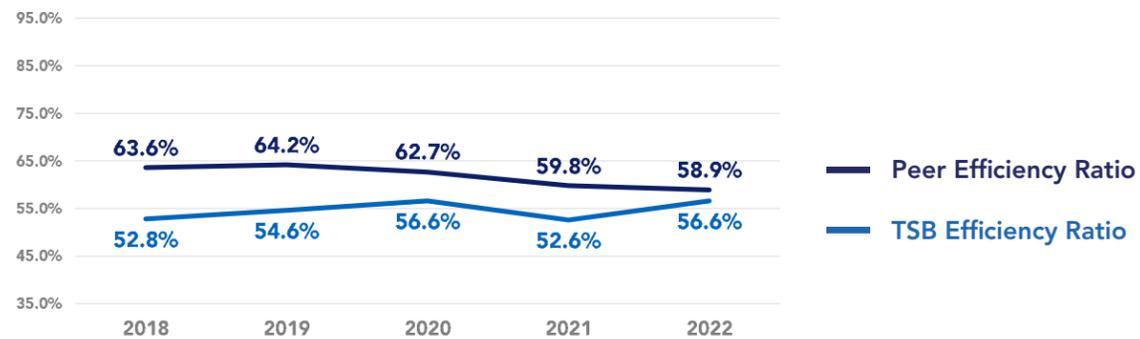
Texas Security Bankshares, Inc. and Subsidiary

### Pre-Tax, Pre-Provision Income

Four Year Average Annual Growth Rate for Pre-Tax, Pre-Provision Income of 16%



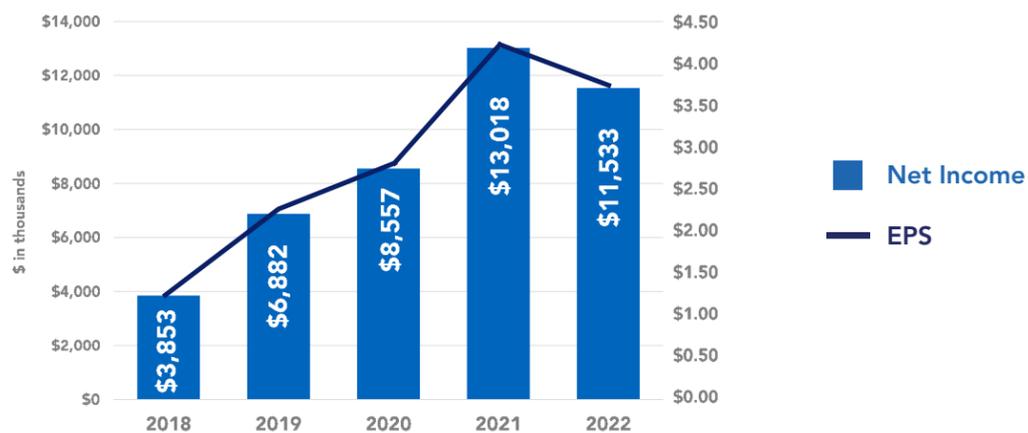
### Efficiency Measurements



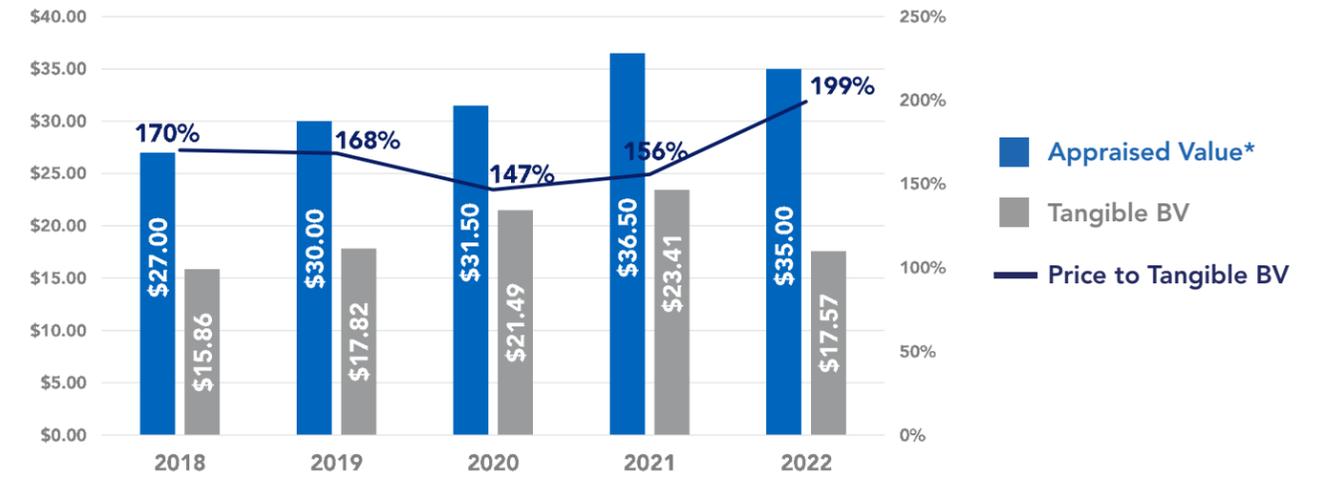
Efficiency ratio measures how much expense is incurred to earn the company's revenue stream.

### EPS Growth

#### Earnings Per Share (EPS) Growth



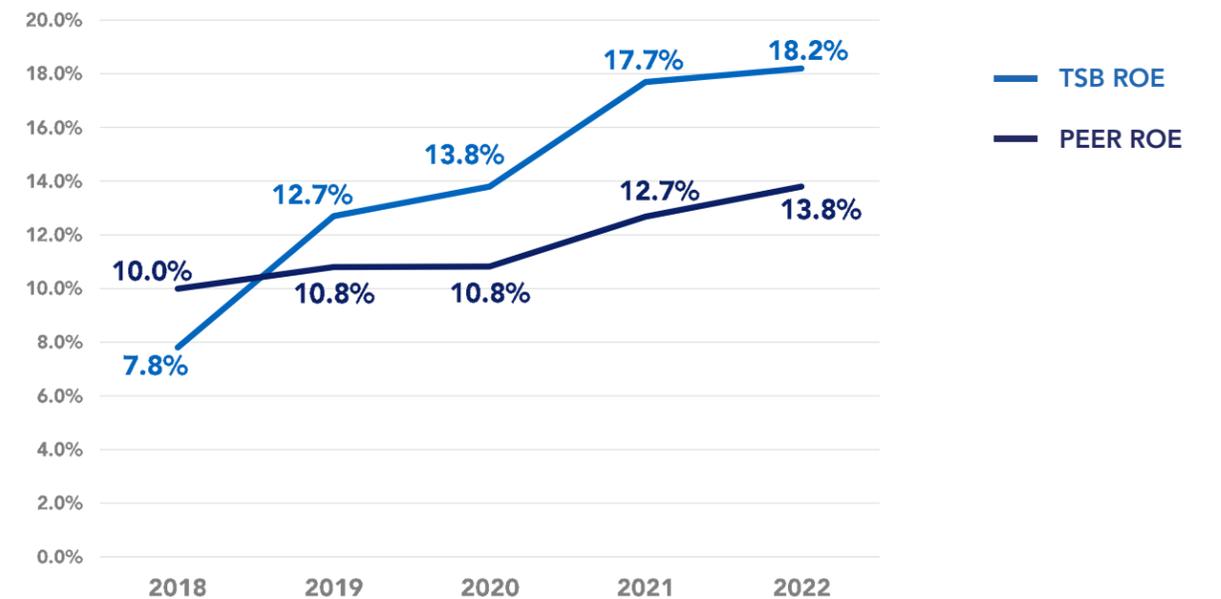
### Enhancing Shareholder Value



\* Appraisal is made on a minority interest basis

### Profitability Metrics

Return on Equity (ROE) Recovered in 2019 and Improved Further in 2020, 2021 and 2022



2018 includes a single loan charge off of \$3,612,500



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