



# ELEVATING

THE CHAMPIONS OF FREE ENTERPRISE



TEXAS SECURITY  
BANK

2023 ANNUAL REPORT  
TEXAS SECURITY BANKSHARES, INC.

## TABLE OF CONTENTS

# ELEVATE

YOUR BANKING EXPERIENCE

ELEVATE

ELEVATE

ELEVATE

Letter to Shareholders, <i>Craig Scheef, CEO</i> .....	3
Elevate Your Banking Experience .....	4
Executive Team .....	5
Digital Solutions to Elevate Your Banking Experience .....	6
Transforming Your Digital Landscape, <i>Shon Cass, Chief Experience Officer</i> .....	7
TSB Academy and Business Speaker Series .....	8
Award-Winning Banking .....	9
New Facilities and LMS, <i>Drew Keith, President</i> .....	10
Financial Highlights, <i>Traci Spratt, Chief Financial Officer</i> .....	11
Locations. ....	Back Cover

## LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

The operating environment during 2023 was unique and rather harsh. The bank failures – there were five, with combined assets of \$548 billion – represented the largest year in dollar amount for bank failures ever. This created pressure on deposits. The continued high short-term interest rates increased our cost of funds. Combined with the general rise in costs, persistent inflation, and higher borrowing costs, cost of doing business remains high. These conditions made growth difficult for our customers and Texas Security Bankshares, Inc. (the “Company”). The Company grew by \$57 million (5.0%) in 2023 – less than desired, but reasonable given the environment and our continued focus on credit quality. The Company maintained non-performing assets near zero, and had charge-offs of only 0.08% in 2023. This quality growth, combined with repricing of some of our existing loans, provided assets with higher earning rates; however, that was not enough to overcome the large increase in our funding costs, primarily due to the cost of deposits. Thus, the Company’s earnings per share dropped to \$2.89 in 2023, down from \$3.51 in 2022.



While not as dramatic in terms of rate of change experienced in 2022, we experienced increased pressure over the course of 2023 due to macroeconomic factors. Some key metrics for perspective:

- United States prime rate rose to 8.50%, a 13.3% increase (after a 131% increase in 2022)
- Residential mortgage rates remained persistently high at almost 7.00%
- 10-year U.S. treasury rate remained at 3.88% (but has since risen further)
- 3-month U.S. treasury rate rose to 5.24%, an 18.6% increase (after a 5,000% increase in 2022)

Inflation subsided somewhat, settling at about 3.4%, down from 6.5% in 2022. However, unemployment remains low, and the Federal Reserve Board continues to maintain its short-term rate posture. All of this culminated in a total cost of funds of 2.68% at year-end 2023, *more than double the rate from 2022.*

While the Company and our operating subsidiary Texas Security Bank (the “Bank”) must endure this difficult environment, we remain committed to quality growth. Through our 2024 *DepositFirst* strategic initiative, our focus is upon relationship-based growth, including a sound balance of treasury management services and core deposits along with loans. The Bank continues to position itself for future improved performance and value through this initiative, which relies upon our past investment in enhanced digital banking platforms and services. Our Bank employees are also key to this initiative and have embraced the training and enhanced knowledge required, which also provides long-term benefits to the Company.

To further support our growth, combined with opening our new Southlake branch in early 2023, we accomplished moving our Metrocrest branch three miles east to Prestonwood Tower in October. Located at Belt Line Road and the Dallas North Tollway, this new location provides much easier access for our Dallas and Collin County customers, and serves as the operations center for the Bank. Additionally, this facility provides a much-improved work environment for our employees. We are excited about our opportunities for quality growth in 2024 as we continue *Elevating the Champions of Free Enterprise!*

**Craig T. Scheef**  
 Founder, Chairman, Chief Executive Officer

**WITHOUT CONTINUAL  
 GROWTH AND  
 PROGRESS,  
 SUCH WORDS AS  
 IMPROVEMENT,  
 ACHIEVEMENT, AND  
 SUCCESS HAVE NO  
 MEANING.  
 – BENJAMIN FRANKLIN**

## ELEVATE YOUR BANKING EXPERIENCE

As a bank built by entrepreneurs, for entrepreneurs, we understand that in today's fast-paced world, banking is about creating an elevated experience that meets the unique needs of business owners.

Modern banking has evolved beyond the confines of brick-and-mortar institutions, with a focus on convenience, innovation, and exemplary customer service.

An elevated banking experience begins with seamless digital integration, allowing customers to bank anytime, anywhere, with banking products and services that provide user-friendly, seamless integration, empowering business owners to manage their businesses effortlessly.

We educate business owners to run better businesses, champion the free enterprise system, and uplift the economy for growth and success.

We provide an exemplary customer experience by balancing convenience with service, with a team of professionals dedicated to not only understand your needs, but anticipate them.

These are the differentiators that elevate Texas Security Bank, making our organization a premier banking destination of choice.

**A NOBLE PURPOSE INSPIRES SACRIFICE,  
STIMULATES INNOVATION, AND  
ENCOURAGES PERSEVERANCE.**

**– GARY HAMEL**

## TEXAS SECURITY BANK EXECUTIVE TEAM



### **Craig Scheef**

#### **Chief Executive Officer, Chairman of the Board of Directors**

Craig is the founder of Texas Security Bank, which has total assets of over \$1 Billion. Craig's leadership continues to propel the bank into a highly recognized financial institution, providing banking and education services. Craig has more than 35 years of experience as a commercial banker and is a trusted resource for owner-managed businesses.



### **Drew Keith**

#### **President, Board of Directors**

Drew is a founder of Texas Security Bank with over 35 years of commercial banking and finance experience. Drew previously served as the Bank's CFO and COO, since 2018. Drew brings a wealth of experience to his role, with prior positions as CFO of a public company in the airfreight logistics industry, and CFO of private companies in real estate development, trucking, home-building, and property management.



### **Ben Parkey**

#### **Executive Vice President, Chief Banking Officer**

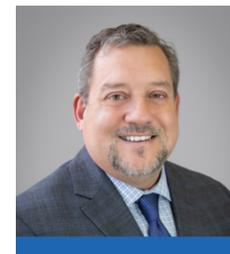
Ben has more than 22 years of banking experience as a leader and commercial banker. He was an integral part of Texas Security Bank's support during the PPP loan application process and has extensive experience in both commercial banking and finance. Ben has been instrumental in his leadership with the young commercial bankers, mentoring relationship managers and assisting with loan structuring and underwriting processes, ultimately helping grow the Bank's presence in the Dallas/Fort Worth area.



### **Chris Jones**

#### **Executive Vice President, Special Assets and Special Projects**

Chris has been in the financial services industry for over 35 years, serving in various roles from middle market lending to business development. He joined the Bank's organizing group and is one of the founders of Texas Security Bank. Chris' business expertise and financial knowledge allow him to provide guidance to customers across the many industries the Bank serves.



### **Shon Cass**

#### **Executive Vice President, Chief Experience Officer**

Shon is a founder of Texas Security Bank and has been in banking and financial services for over 25 years. In Shon's role as Chief Experience Officer, he directs all aspects of integrated support, deposit operations and digital banking product management teams, leading these operational teams to earn a net promoter score far outpacing the industry. Shon is a recognized expert in digital banking.



### **Traci Spratt**

#### **Senior Vice President, Chief Financial Officer**

With more than 12 years of banking experience, Traci oversees Accounting Operations, Financial Planning & Analysis, and Human Resources. Traci also serves as Secretary to the Board of Directors for both the Holding Company and the Bank. Traci is a Certified Public Accountant and brings broad experience to the role, having held previous positions in accounting, audit, compliance, and consulting.

## DIGITAL SOLUTIONS TO ELEVATE YOUR BANKING EXPERIENCE

Run your business anytime, anywhere. Our cash management tools are always at your fingertips. From payables and disbursements to collections and electronic deposits, whatever you need to manage and predict cash flow is available wherever you are.

### Digital Banking

Experience the TSB Marketplace that incorporates third-party fintech functionality to make your digital banking environment seamless. This means you integrate with curated fintechs through a single relationship with us and gain access to partners both retail and business focused. This functionality removes integration burdens and fuels banking innovation.



### Treasury Management Services

Elevate your financial landscape by reducing costs and accelerating growth. Our cash management solutions streamline and automate processes, helping you reduce your monthly banking expenses while also helping mitigate risk.



### IntraFi

Bring unparalleled convenience and efficiency to your banking experience. While other banks may offer IntraFi, their clients often face the challenge of navigating separate platforms, making their banking experience cumbersome and time consuming. With our seamless integration, we've made it easy for our clients to see and utilize their balances directly from our online banking system.



### Glia

Meet Tessa, TSB's new virtual customer service assistant, which is powered by Glia. Tessa connects you with the information that you need, when you need it, providing superior digital customer service support 24/7. Chat with Tessa or connect with a TSB associate via chat, video, computer audio, or phone, utilizing co-browsing and live observation to help resolve issues quickly.



**Run Your Business**  
*Anytime/Anywhere*

## TRANSFORMING YOUR DIGITAL LANDSCAPE

Texas Security Bank turned a dream into reality when our bank charter was approved on May 5, 2008. Through financial crises, pandemics, and threats of recession, our mission has never changed: **Elevate the Champions of Free Enterprise**. As Chief Experience Officer, my mission is to do this by elevating each client's experience as it relates to treasury services, deposit products, innovative technology, and exemplary service.

Earlier this year, with the failure of several large banks, we were proud we could offer our clients the safety of increased FDIC limits through the automation integration we built with IntraFi's® ICS® platform more than three years ago. In addition, we created a new high-yield money market account, tied directly to the ICS platform that offered both security and competitive interest rates.

With a sharp increase in demand for international payments, we partnered with an award-winning fintech, Payrecs®, to provide our clients with an International FX platform embedded directly into our digital banking ecosystem. This technology allows clients to easily make and receive electronic payments, as well as buy and hold foreign currency for future international payments.

Lastly, we deployed another state-of-the-art fintech solution, Glia®, into our customer service department. This new fully digital customer service platform is redefining the way we interact with clients, giving us one channelLess® interaction platform for digital, phone, and automation. As part of this project, we recently introduced our new virtual assistant, Tessa, into our Glia support environment. We are very excited to see her learn and grow.

**Shon Cass**

Founder, EVP, Chief Experience Officer

**QUALITY IN A SERVICE OR PRODUCT IS  
NOT WHAT YOU PUT INTO IT. IT IS WHAT  
THE CUSTOMER GETS OUT OF IT.**

**- PETER DRUCKER**

## TSB ACADEMY/BUSINESS SPEAKER SERIES

### TSB Business Education 2023 Recap



We helped **670**  
business owners build  
better businesses.



We served an additional  
**174** business owners  
over last year.



We held **26** classes  
that gave business owners  
and their key players  
tools to improve their  
organizations.



We proudly had **24**  
TSB Academy graduates.

### *We are in business to help your business!*

Take your business and career to the next level with TSB's award-winning business education programs. Our Business Speaker Series and TSB Academy have classes specifically designed to elevate your organization. Our webinars and classes provide key concepts, tools, and practical applications that will assist in your company's growth.

Invest in your success by attending our educational programs. Find out more by visiting [www.texassecuritybank.com/business-education](http://www.texassecuritybank.com/business-education).

**TAKE THE NEXT STEPS TO SUCCESS  
BY IMPROVING YOUR BUSINESS  
EXPERTISE AND ELEVATING YOUR  
ORGANIZATION.**



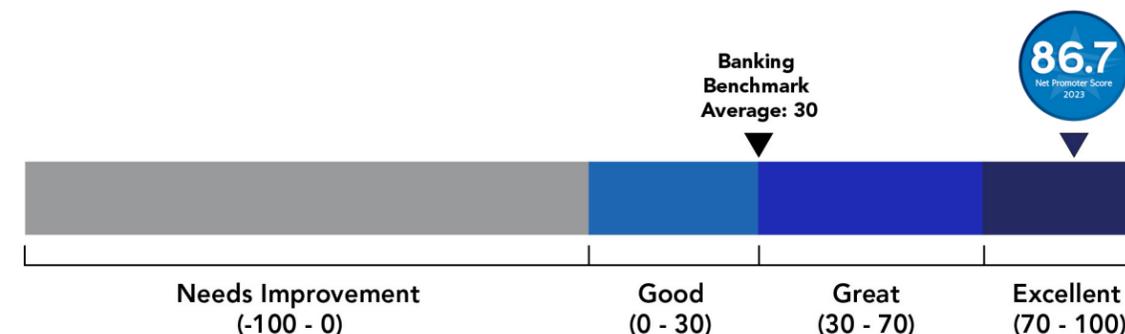
## AWARD-WINNING BANKING

Texas Security Bank is a bank you can count on. In a world filled with uncertainty, our customers know they can rely on us to provide secure and trusted banking solutions. Our commitment to elevating your banking experience by providing our customers with exemplary service and innovative financial solutions makes us the banking destination of choice for business owners.

### Net Promoter Score (NPS)

NPS has been used by companies of all sizes, in a variety of industries, as an effective way of gauging customer satisfaction. It involves asking customers just one question: "How likely are you to recommend Texas Security Bank to a friend or colleague?"

With the banking benchmark average of a 30 NPS, Texas Security Bank is proud to consistently achieve a world-class customer satisfaction rating, as shown by our 2023 score of **86.7**.



### Recognition

Texas Security Bank continues to thrive, winning awards for best bank, a positive workplace culture, and leadership, year after year.

<p>The Dallas Morning News People's Choice Award as Gold Winner for Best Bank in DFW, third year in a row</p>	<p>Best Workplaces Institute certification of positive workplace culture, fifth year in a row</p>	<p>Michael Castaldo, D CEO's Emerging Leader in Finance Award Winner, 2023</p>	<p>Megan Henry, Texas Bankers Association: Emerging Leader Award, 2023</p>	<p>Pamela McQuade, D CEO's Emerging Women Leadership Network Mentor, 2023-2024</p>

## NEW FACILITIES AND LMS

*Elevating the banking experience through growth in terms of branches, locations, and enhanced ability to serve our customers.*

### Texas Security Bank Expansion and Enhanced Facilities



2023 was a big year for Texas Security Bank (Bank) expansion and improvement to facilities. In January, our newest expansion location in Southlake opened with a full-service branch and lobby ATM, as well as executive offices, in the District 114 building. This new facility, located at Kimball Ave. and State Highway 114, accommodates more than 20 employees, and facilitates the Bank's pursuit of new customers in Tarrant County. Also, in October we relocated our Metrocrest location,

formerly in Farmers Branch, moving three miles east on Belt Line Road to the Dallas North Tollway. This branch, now located in Prestonwood Tower (pictured), provides better access for customers – a much-improved experience for customers and employees alike – and serves as the Bank's operations center. The Bank's visibility is enhanced with signage on Belt Line Road, and high on Prestonwood Tower's north face, visible to Tollway traffic. Both our Southlake and North Dallas locations enhance our ability to serve our existing customers while also expanding our customer base.

### Texas Security Bank's Learning Management System



During the latter half of 2022, we educated ourselves on implementation and production of an internal Learning Management System (LMS). As our **Growth** value states, *"The only sustainable competitive advantage is an organization's ability to learn faster than the competition"* – we recognize that being able to both educate new personnel, and learn new technologies and skills across employee groups quickly, is critical for success. Over the course of 2023 we created a

robust LMS with more than 400 education units, covering topics such as closing loans and documentation, credit underwriting skills, treasury management services and products, and time management skills/leadership development. We are already benefiting from our LMS as it allows employees to learn at any time and at their own pace, and is a tremendous resource for review of subjects and processes whenever needed. In this fast-paced, ever-changing banking environment, the LMS is just another way we may continue to be the resource that our customers, *The Champions of Free Enterprise*, need and expect.

**Drew Keith**  
Founder, President

**WE INNOVATE BY STARTING WITH  
THE CUSTOMER AND WORKING  
BACKWARDS. THAT BECOMES THE  
TOUCHSTONE FOR HOW WE INVENT.**

**– JEFF BEZOS**

## FINANCIAL HIGHLIGHTS

Below is a summary of Texas Security Bankshares, Inc.'s (TSB) financial highlights and performance ratios for 2019 through 2023. Pages 12-19 present TSB's comparative consolidated financial statements for the years ended December 31, 2023 and 2022. These reports are presented in our annual audited financial statements. You may request a complete copy of our 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 unqualified opinion on our consolidated financial statements for both 2023 and 2022. 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.

**Traci Spratt**

Senior Vice President, Chief Financial Officer

	2019	2020	2021	2022	2023
<b>OPERATING RESULTS</b>					
Net interest income	\$ 18,642,057	\$ 25,989,511	\$ 33,366,923	\$ 34,885,317	\$ 34,337,816
Provision for loan losses	900,000	2,412,399	1,300,000	1,550,000	2,137,000
Non-interest Income	2,766,074	3,531,710	3,086,712	2,366,909	3,076,596
Net realized gain (loss) on sales of securities	111,446	961,746	1,056,036	(3,115)	(1,045,885)
Non-interest expense	11,750,547	17,245,298	19,737,281	21,098,333	22,309,725
Income before provision for income tax expense	8,869,030	10,825,270	16,472,390	14,600,778	11,921,802
Income tax expense	1,986,692	2,267,976	3,454,217	3,067,759	2,413,650
Net income	\$ 6,882,338	\$ 8,557,294	\$ 13,018,173	\$ 11,533,019	\$ 9,508,152
<b>AT YEAR END</b>					
Total assets	\$ 563,612,766	\$ 872,256,563	\$ 974,072,740	\$ 1,139,946,092	\$ 1,197,408,512
Investments in securities & interest bearing deposits	146,794,120	250,192,923	307,908,597	265,327,711	269,399,190
Loans, net of allowance	403,165,079	603,500,038	634,884,535	820,983,524	876,173,824
Deposits	488,076,434	552,759,801	808,459,633	833,364,467	923,980,380
Total borrowings	14,500,000	245,616,433	79,500,000	239,500,000	183,000,000
Stockholders' equity	57,055,607	69,634,718	76,261,715	57,976,658	75,077,452
Common shares outstanding (net of treasury)	3,194,264	3,240,623	3,252,306	3,290,798	3,291,096
<b>OTHER FINANCIAL DATA</b>					
Return on average assets	1.22%	1.07%	1.29%	1.08%	0.77%
Return on average equity	12.70%	13.80%	17.70%	18.17%	14.50%
Loans to deposits	83%	110%	80%	100%	95%
Allowance for loan losses to loans	1.27%	1.23%	1.40%	1.20%	1.20%
Net charge offs to loans	0.00%	0.01%	0.00%	0.00%	0.10%
<b>PER SHARE DATA</b>					
Net income (basic)	\$ 2.14	\$ 2.65	\$ 4.01	\$ 3.51	\$ 2.89
Book value	\$ 17.82	\$ 21.49	\$ 23.45	\$ 17.62	\$ 22.81

# FINANCIAL HIGHLIGHTS

Texas Security Bankshares, Inc. and Subsidiary

Consolidated Balance Sheets for the Years Ended December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,124,966	\$ 1,293,013
Interest bearing deposits in other banks	39,967,088	32,283,788
Total cash and cash equivalents	42,092,054	33,576,801
Securities available for sale, at fair value (amortized cost of \$260,539,076 and \$272,369,080, respectively)	229,432,102	233,043,923
Loans held for sale	608,000	-
Loans, net of allowance for credit losses of \$10,888,130 and \$10,211,535, respectively	876,173,824	820,983,524
Bank-owned life insurance	15,705,221	15,060,652
Bank premises and equipment, net	7,417,298	5,891,003
Accrued interest receivable	5,602,564	4,363,713
Servicing asset	149,771	159,689
Other assets	20,227,678	26,866,787
<b>Total assets</b>	<b>\$ 1,197,408,512</b>	<b>\$ 1,139,946,092</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Noninterest bearing	\$ 275,471,188	\$ 360,146,104
Interest bearing	648,509,192	473,218,363
Total deposits	923,980,380	833,364,467
Subordinated promissory notes	14,500,000	14,500,000
Other borrowings	168,500,000	225,000,000
Accrued interest payable	5,485,883	299,873
Other liabilities	9,864,797	8,805,094
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, 3,709,209 and 3,697,209 shares issued, respectively; 3,291,096 and 3,290,798 outstanding, respectively	18,546,045	18,486,045
Additional paid-in capital	26,281,355	25,668,609
Stock issued with notes receivable	(1,813,540)	(1,972,450)
Accrued interest receivable on stock issued with notes receivable	(263,624)	(251,588)
Retained earnings	63,632,262	53,415,480
Accumulated other comprehensive loss	(24,574,511)	(31,066,874)
Treasury stock, at cost, 418,113 shares and 406,411 shares, respectively	(6,730,535)	(6,302,564)
Total stockholders' equity	75,077,452	57,976,658
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,197,408,512</b>	<b>\$ 1,139,946,092</b>

Texas Security Bankshares, Inc. and Subsidiary

Consolidated Statements of Income for the Years Ended December 31, 2023 and 2022

	2023	2022
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 51,583,597	\$ 35,002,953
Interest on investment securities:		
Taxable	6,696,187	4,556,942
Non-taxable	458,210	464,598
Interest and dividends on other accounts	5,176,452	1,248,626
<b>Total interest income</b>	<b>63,914,446</b>	<b>41,273,119</b>
<b>INTEREST EXPENSE</b>		
Interest and fees on deposit accounts	20,086,613	3,427,272
Interest on borrowings	9,490,017	2,960,530
<b>Total interest expense</b>	<b>29,576,630</b>	<b>6,387,802</b>
<b>Net interest income</b>	<b>34,337,816</b>	<b>34,885,317</b>
Provision for credit losses	2,137,000	1,550,000
<b>Net interest income after provision</b>	<b>32,200,816</b>	<b>33,335,317</b>
<b>NONINTEREST INCOME:</b>		
Service charges on deposit accounts	1,542,436	1,419,278
Gain on sales of mortgage loans	187,614	411,335
Net loss on sales of investment securities	(1,045,885)	(3,115)
Other	1,346,546	536,296
<b>Total noninterest income</b>	<b>2,030,711</b>	<b>2,363,794</b>
<b>NONINTEREST EXPENSE:</b>		
Salaries and employee benefits	13,717,950	13,880,112
Occupancy of bank premises	1,467,058	814,327
Professional fees	1,112,922	899,632
Advertising and promotional	300,043	278,966
Data processing and IT management	1,612,760	1,347,639
Mortgage and lending	217,643	274,456
Internet banking	544,293	589,116
Regulatory assessments	1,068,972	825,765
Software costs	743,606	636,597
Other	1,524,478	1,551,723
<b>Total noninterest expense</b>	<b>22,309,725</b>	<b>21,098,333</b>
<b>Net income before income tax expense</b>	<b>11,921,802</b>	<b>14,600,778</b>
<b>Income tax expense</b>	<b>2,413,650</b>	<b>3,067,759</b>
<b>Net income</b>	<b>\$ 9,508,152</b>	<b>\$ 11,533,019</b>
<b>Basic earnings per share</b>	<b>\$ 2.89</b>	<b>\$ 3.51</b>
<b>Diluted earnings per share</b>	<b>\$ 2.84</b>	<b>\$ 3.44</b>

# FINANCIAL HIGHLIGHTS

Texas Security Bankshares, Inc. and Subsidiary

## Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Net income</b>	\$ 9,508,152	\$ 11,533,019
<b>Other comprehensive income (loss):</b>		
Net unrealized holding gains (losses) on available for sale securities during the period	7,172,298	(36,394,353)
Reclassification adjustment for net realized losses on available for sale securities included in net income	1,045,885	3,115
Other comprehensive income (loss), before income tax expense (benefit)	8,218,183	(36,391,238)
Income tax expense (benefit)	1,725,820	7,642,161
Other comprehensive income (loss), net of income tax expense (benefit)	6,492,363	(28,749,077)
<b>Total comprehensive income (loss)</b>	\$ 16,000,515	\$ (17,216,058)

Texas Security Bankshares Inc. and Subsidiary

## Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2023 and 2022

	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 Income (Loss)	Treasury Stock	Total
<b>Balance, January 1, 2022</b>	\$ -	\$18,326,465	\$24,941,615	\$(1,972,450)	\$ (210,829)	\$ 43,951,060	\$ (2,317,797)	\$ (6,456,349)	\$ 76,261,715
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>	\$ -	\$18,486,045	\$25,668,609	\$(1,972,450)	\$ (251,588)	\$53,415,480	\$ (31,066,874)	\$ (6,302,564)	\$ 57,976,658
<b>Impact on adopting ASC 326</b>	-	-	-	-	-	708,630	-	-	708,630
Exercise of stock options, 12,000 shares	-	60,000	102,500	-	-	-	-	-	162,500
Purchase of treasury stock, 25,379 shares	-	-	-	-	-	-	-	(888,265)	(888,265)
Sale of treasury stock, 13,677 shares	-	-	(21,967)	-	-	-	-	460,294	438,327
Payments received on notes receivable	-	-	-	158,910	26,559	-	-	-	185,469
Interest on stock issued with notes receivable	-	-	38,595	-	(38,595)	-	-	-	-
Net income	-	-	-	-	-	9,508,152	-	-	9,508,152
Stock based compensation	-	-	493,618	-	-	-	-	-	493,618
Other comprehensive income	-	-	-	-	-	-	6,492,363	-	6,492,363
<b>Balance, December 31, 2023</b>	\$ -	\$18,546,045	\$26,281,355	\$(1,813,540)	\$ (263,624)	\$ 63,632,262	\$ (24,574,511)	\$ (6,730,535)	\$ 75,077,452

Texas Security Bankshares, Inc. and Subsidiary

## Consolidated Statements of Cash Flows for the Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 9,508,152	\$ 11,533,019
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	2,240,866	2,338,451
Provision for credit losses	2,137,000	1,550,000
Net loss on sales of securities	1,045,885	3,115
Gain on sales of loans held for sale	(187,614)	(411,335)
Proceeds from sales of loans held for sale	11,582,556	18,201,828
Gain on sales of SBA loans	(385,905)	-
Proceeds from sales of SBA loans	8,097,735	-
Net originations of loans held for sale	(12,002,942)	(16,155,803)
Increase in cash surrender value of bank-owned life insurance	(644,569)	(60,652)
Stock based compensation	493,618	307,721
Deferred tax expense (benefit)	487,614	(158,266)
(Increase) decrease in accrued interest and other assets	(1,238,853)	6,589,063
Increase (decrease) in accrued expenses and other liabilities	3,364,670	(746,425)
<b>Net cash provided by operating activities</b>	<b>24,498,213</b>	<b>22,990,716</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Activity in available for sale securities:		
Maturities, calls, sales and principal paydowns received	139,421,772	459,307,580
Purchases	(130,364,532)	(444,194,090)
Net originations of loans	(64,169,039)	(187,810,025)
Purchase of bank-owned life insurance	-	(15,000,000)
Additions to bank premises and equipment	(1,988,273)	(1,027,650)
Capital calls on non-marketable investments	(370,332)	(6,832,050)
Proceeds from redemptions of non-marketable investments	7,473,500	-
<b>Net cash used in investing activities</b>	<b>(49,996,904)</b>	<b>(195,556,235)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in deposits	90,615,913	24,904,834
Repayments of other borrowings	(3,166,000,000)	(1,724,300,000)
Proceeds from other borrowings	3,109,500,000	1,884,300,000
Proceeds from sale of common stock	162,500	455,882
Proceeds from sale of treasury stock	438,327	290,464
Purchase of treasury stock	(888,265)	(54,467)
Repayment of stock issued with notes receivable	185,469	-
Dividends paid to shareholders	-	(2,068,599)
<b>Net cash provided by financing activities</b>	<b>34,013,944</b>	<b>183,528,114</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,515,253</b>	<b>10,962,595</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>33,576,801</b>	<b>22,614,206</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 42,092,054</b>	<b>\$ 33,576,801</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	\$ 24,390,620	\$ 6,682,348
Cash paid for income taxes	\$ 1,390,000	\$ 1,955,000
<b>Noncash Transaction:</b>		
Record new ROU asset and lease liability	\$ 2,636,121	\$ -
Interest on stock issued with notes receivable	\$ 38,595	\$ 40,759

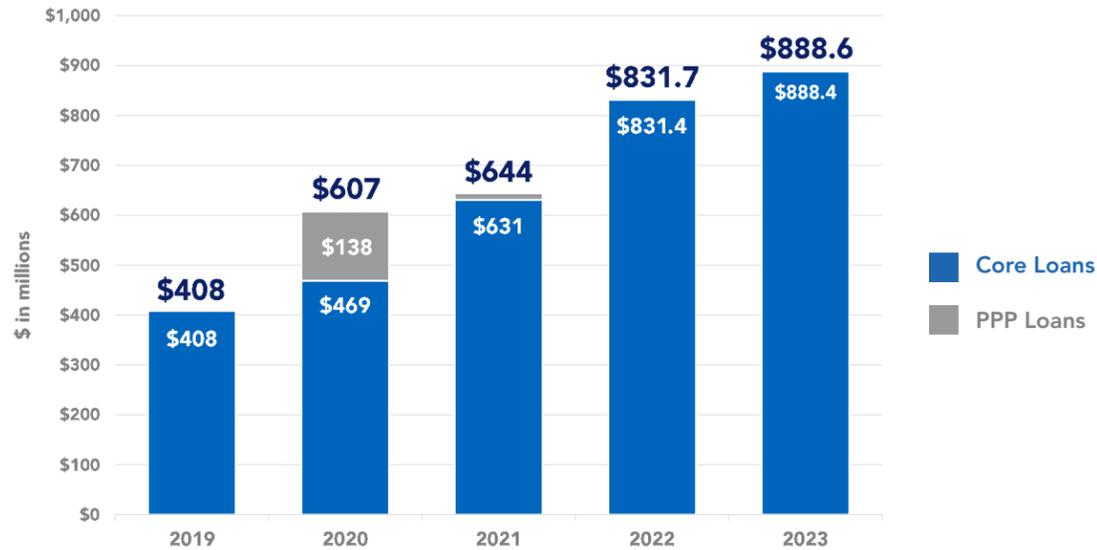
# FINANCIAL HIGHLIGHTS

## Financial Trends

Texas Security Bankshares, Inc. and Subsidiary

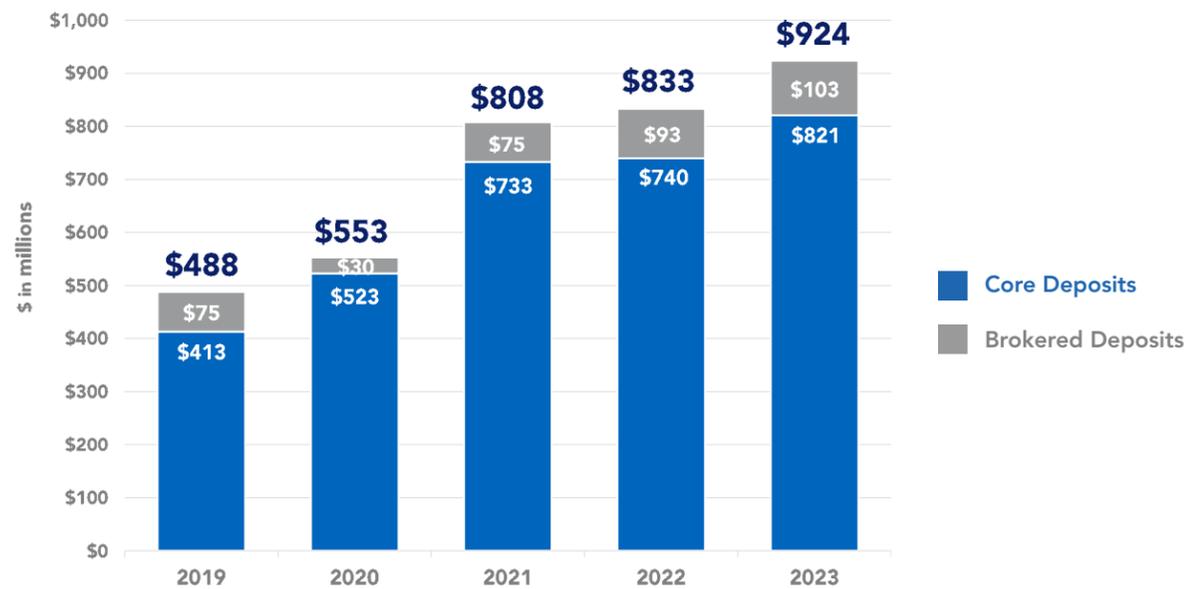
### Loan & Deposit Growth

Four year average annual growth rate for core loans of 22%\*



\* The annual growth rate calculations for 2023, 2022, 2021, and 2020 do not include loan growth from funding of PPP loans with remaining balances of \$200 thousand, \$300 thousand, \$13 million, and \$138 million, respectively, at year end.

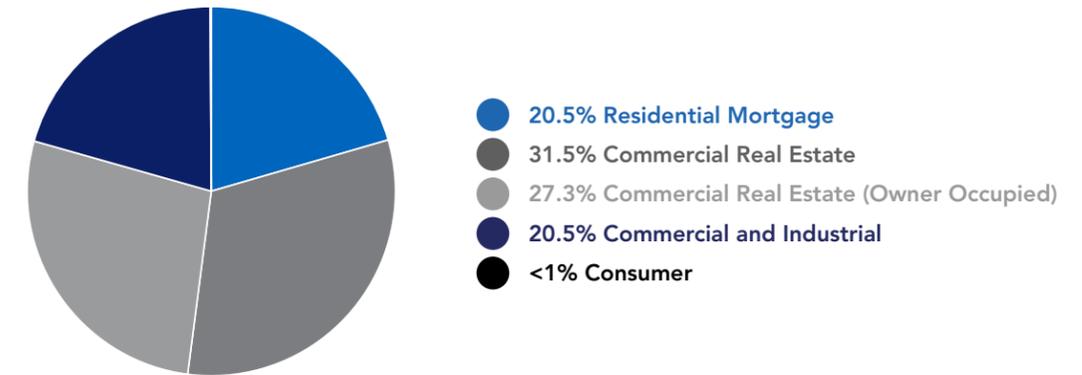
Four year average annual growth rate for deposits of 20%\*



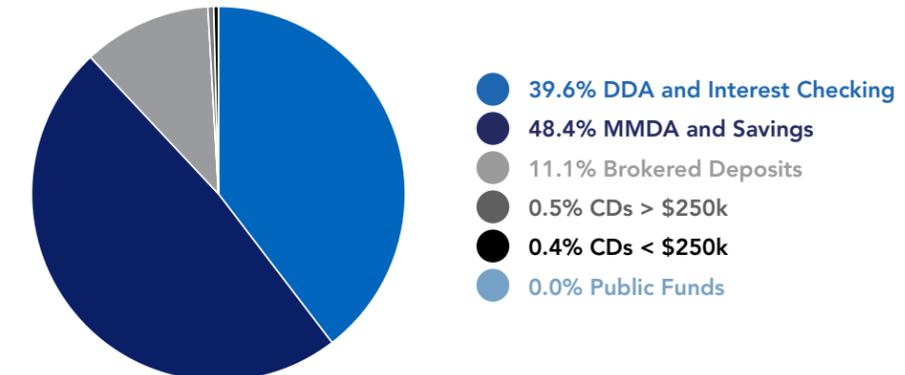
\* Growth rate is for core deposits.

### Loan & Deposit Components

December 31, 2023 loan portfolio



December 31, 2023 deposit mix



### Credit Quality

No significant non-performing assets (NPA) despite substantial growth



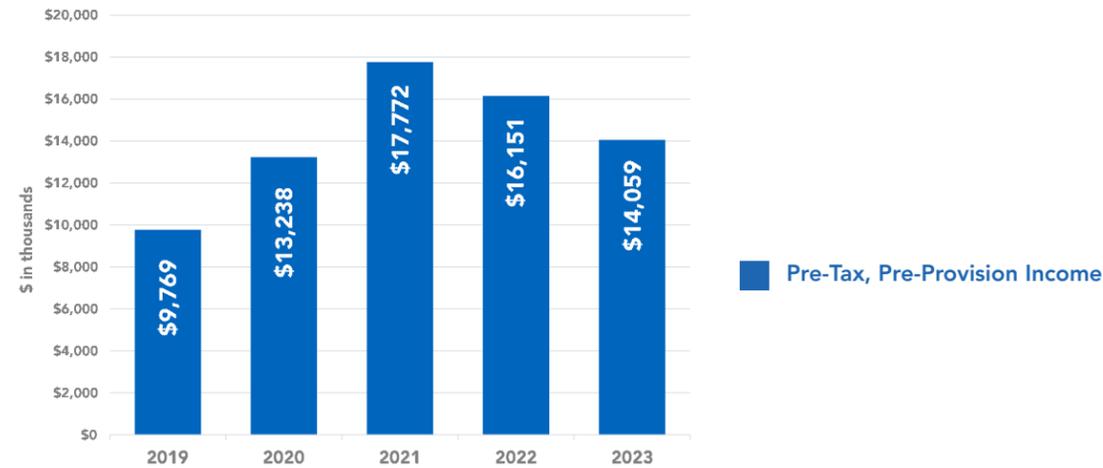
\* Peer Group 4: FDIC-insured commercial banks having assets between \$1 billion and \$3 billion

# FINANCIAL HIGHLIGHTS

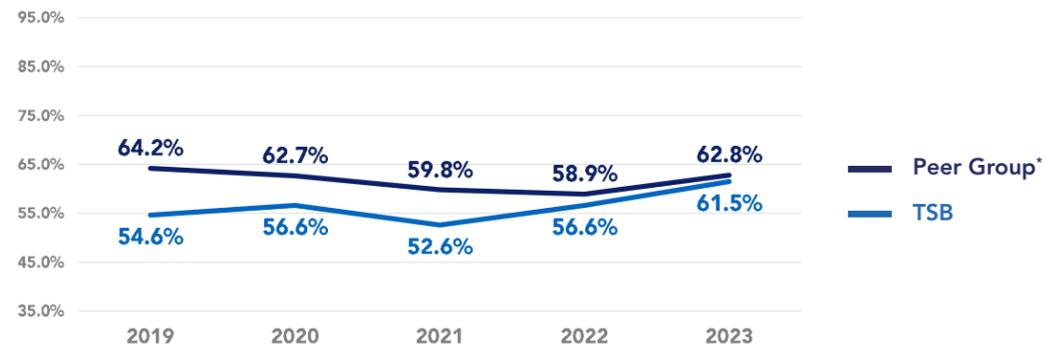
## Financial Trends

Texas Security Bankshares, Inc. and Subsidiary

### Pre-Tax, Pre-Provision Income



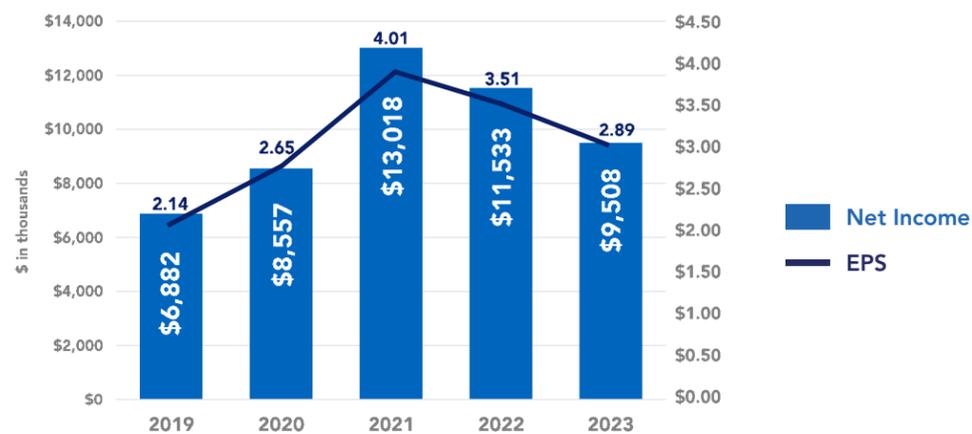
### Efficiency Ratio



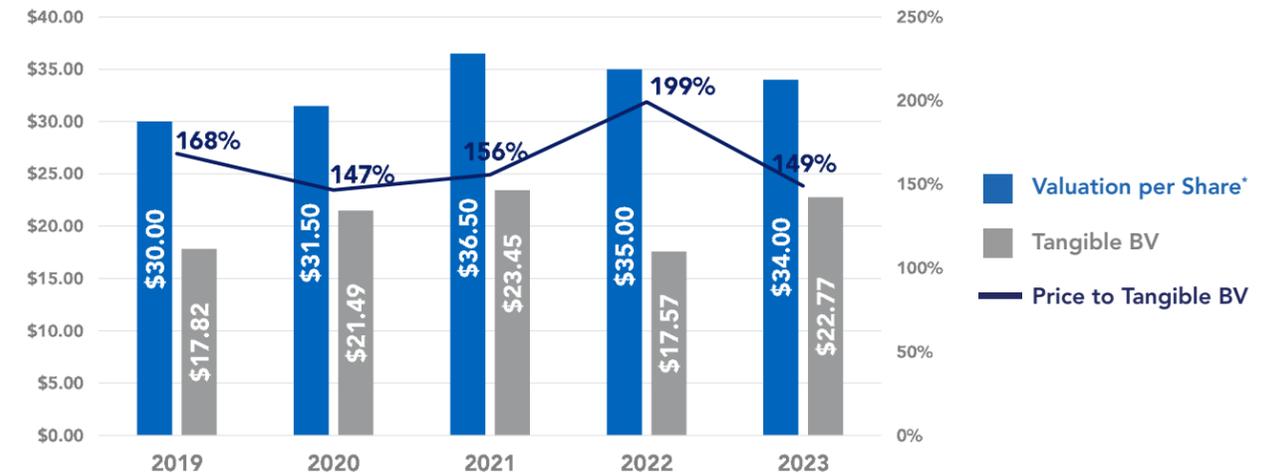
Efficiency ratio measures how much expense is incurred to earn the company's revenue stream.

\* Peer Group 4: FDIC-insured commercial banks having assets between \$1 billion and \$3 billion

### Earnings Per Share (EPS)



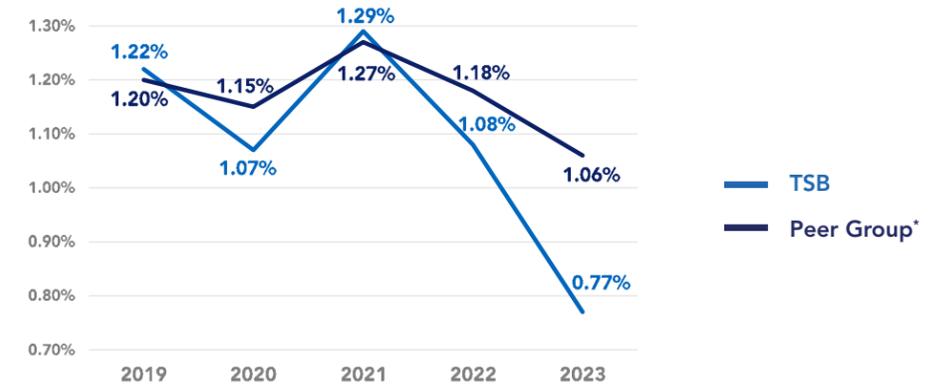
### Shareholder Value



\* The valuation is discounted considering a minority interest and lack of liquidity (non-public).

### Return on Average Assets (ROAA)

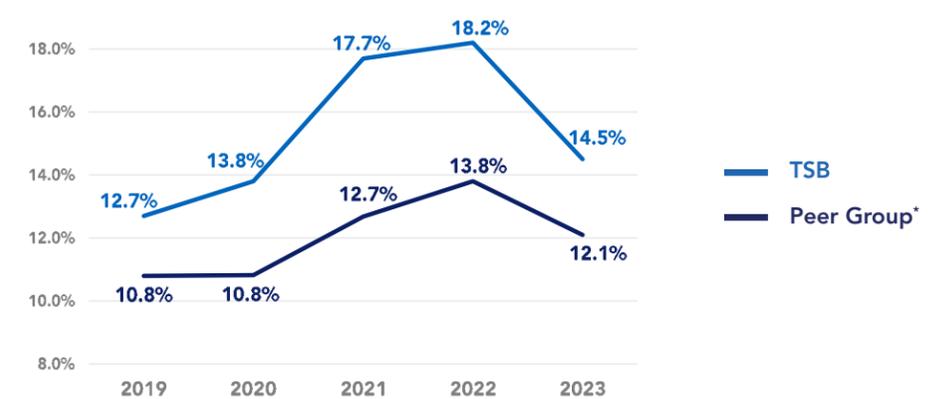
ROAA declined with ~40% of earning assets invested at lower yields and longer terms as rates have risen



\* Peer Group 4: FDIC-insured commercial banks having assets between \$1 billion and \$3 billion

### Return on Average Equity (ROAE)

ROAE was negatively impacted by rate-related funding costs



\* Peer Group 4: FDIC-insured commercial banks having assets between \$1 billion and \$3 billion

TEXAS SECURITY BANKSHARES, INC.

**ELEVATE**  
YOUR BANKING EXPERIENCE

ELEVATE

ELEVATE

ELEVATE



**Dallas**

1212 Turtle Creek Boulevard  
Dallas, TX 75207



**North Dallas**

5151 Belt Line Road, Suite #101  
Dallas, TX 75254



**Garland**

101 N. Garland Avenue  
Garland, TX 75040



**Southlake**

2102 E. State Highway 114, Suite #109  
Southlake, TX 76092



TEXASSEURITYBANK.COM  
469.398.4800 · FAX 469.398.4888

2023 ANNUAL REPORT | TEXAS SECURITY BANKSHARES, INC.

