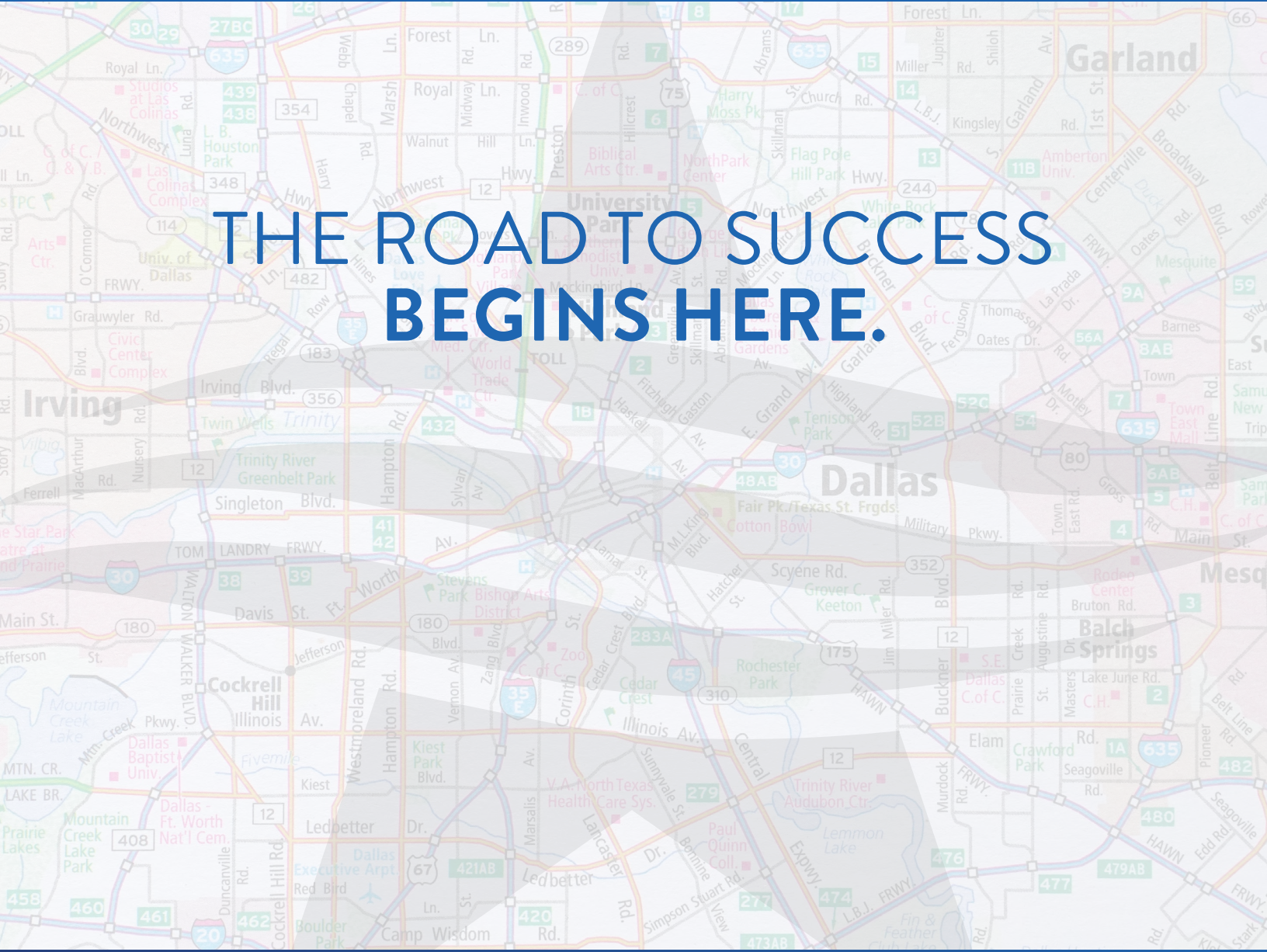


ELEVATING

THE CHAMPIONS OF FREE ENTERPRISE



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LETTER TO SHAREHOLDERS — — — — —

Dear Fellow Shareholders,



Last year I wrote to you about the harsh operating environment in which Texas Security Bankshares, Inc. (the “Company”) found itself given the combination of high short-term interest rates and the bank failures in 2023. Over the course of 2024, we saw the bank failure concerns wane and enjoyed some short-term interest rate relief – the Federal Reserve (“Fed”) cut short-term interest rates by 100 basis points late in the year. However, throughout 2024 we experienced continued internal migration of deposit accounts to higher-yielding money market accounts, putting continued upward pressure on our cost of funds, as the competition for deposits remained fierce. Our cost of funding hit a peak in the third quarter of 2024, and our ability to reprice loans continued to lag the rise in funding costs, which led to a drop in earnings per share to \$2.59, down \$0.30 per share from \$2.89 in 2023. While disappointing, I am encouraged by the steady rise in our net interest margin (“NIM”) late in 2024 and continuing into 2025, driven by the easing in our total cost of funds and, finally, the net increase in asset yields.

The Greek philosopher Plato wrote “*our need will be the real creator*,” which has evolved into the proverb “*necessity is the mother of invention*.” In late 2023 we recognized the need to both gather deposits and, to a degree, move away from wholesale funding, which consists of brokered deposits and borrowings. Given those needs, Texas Security Bank (the “Bank”) created a unique process called *Demonstration and Treasury Assessment*, or DTA, to bring value to our customers and prospects in areas beyond banking services and provide an enhanced platform for taking the Bank’s treasury management services to market. Successful implementation of the DTA process required enhanced treasury management product training, account structures to attract customer investable balances, and banker focus upon other business aspects such as cyber-security, incident response planning, and proper internal controls, etc. As a result, while our bankers became much more knowledgeable, versatile, and valuable to our customers, the DTA process was instrumental in the Bank, *increasing* core deposits over \$170 million, or 21%, and *reducing* wholesale funding by over \$190 million, or 71%. Along with improving our balance sheet health, the Bank captured new treasury management customers that positively affect its franchise value, as these customers tend to be very loyal given the importance of the Bank’s treasury management services to their operations.

I am energized! With the changes in the administration, we are seeing a return to more rational regulation and a focus on production in the U.S., which benefits commercial banking. The Bank’s DTA process continues to bolster valuable growth. Time has allowed us to enhance loan yields and begin overcoming the higher cost of funds (deposits), helped by easing from the Fed. This has combined to produce a positive trend in our NIM which we expect to continue through 2025. Good things are happening as we continue *Elevating the Champions of Free Enterprise!*

Craig Scheef

Craig T. Scheef
Founder, Chairman, Chief Executive Officer



THE ROAD TO SUCCESS BEGINS HERE.

A year of growth, innovation, education, and excellence

Texas Security Bank ("TSB") continued to pave the way toward a brighter future for our customers, partners and communities. Our journey marked by world-class service, education, and innovation, has positioned us as a trusted partner on the roadmap to success.

Customer-Centric Focus

Our commitment to delivering outstanding customer experiences remains at the heart of everything we do. This year, our Net Promoter Score ("NPS") continued to outpace banking industry benchmarks, reflecting the trust and satisfaction of our clients. By fostering quality relationships and understanding the unique needs of each customer, we've built lasting partnerships that go beyond banking.

Driving Growth and Building Strong Foundations

Through our *DepositFirst* initiative, we achieved healthy deposit growth, demonstrating the confidence our customers place in us. We've empowered business owners with the knowledge they need to thrive, offering financial education that turns ambition into achievement.

Innovation & Digital Transformation

Our investment in cutting-edge digital banking solutions has made banking secure, faster, and more convenient than ever before. From new applications that make banking easier to advanced online platforms, we've embraced technology to meet the evolving needs of our customers, ensuring they have access to banking anytime, anywhere.

Recognition of Excellence

Our dedication is getting noticed! TSB proudly received *The Dallas Morning News People's Choice Gold Award for Best Bank in DFW* for its fourth year in a row. This is a testament to our unwavering pursuit of excellence in service, innovation, education, and community engagement.

As we reflect on the achievements of this year, we remain focused on the road ahead. The journey to success begins with trust and a commitment to helping our customers achieve their goals. We are proud to be a valued partner at every stop on the roadmap.



TEXAS SECURITY BANK EXECUTIVE TEAM



Craig Scheef
Chief Executive Officer,
Chairman of the Board of Directors



Drew Keith
President, Board of
Directors



Ben Parkey
Executive Vice President,
Chief Banking Officer



Chris Jones
Executive Vice President,
Special Assets and Special Projects



Shon Cass
Executive Vice President,
Chief Experience Officer



Traci Spratt
Senior Vice President,
Chief Financial Officer

BOARD OF DIRECTORS



(Top, left to right): Chris Kirkpatrick, Partner, Wick Phillips Gould & Martin, LLP; Dale Pearce, Founder, Pearce Advisors; Craig Scheef, CEO/Chairman, Texas Security Bank; Chris Jones, EVP, Special Assets & Special Projects, Texas Security Bank; Joe Shockley, Semi-Retired, CEO Shockley Consulting, LLC.
(Bottom, left to right): Kip Kernodle, Retired, Formerly CFO & Director Allflex Holdings, Inc.; Leann Nabors, CFO, The Wright Group; Drew Keith, President, Texas Security Bank; Scott Miller, Principal, Miller Global Investments, LLC.
(Not Pictured): Courtney Liddiard, Retired, Former CEO, Ball Ventures LLC; Michael Thomas, Retired, Former President, Commercial Industries for NTT Data, Inc.; Jeff Whittle, Founder, Whittle Partners.

CULTURE AND VALUES COMMITTEE



Culture and Values Team
(Bottom, left to right): Laura Jones, Toni Sewell, Grace Shea-han, Alex Strieter, Sandy Leon, Emily Sanders, Denise Caramanna, Robert Kernodle
(Top, left to right): Jackson Jett, Kaden Dalton, Logan Lane, Michael McIntosh, Pranjal Shelly
(Not Pictured): Shon Cass, Pamela McQueen, Lynne Minter, Jacqueline Johnston, Melissa Varela, Taylor Woods

Mission Statement
Cultivate a culture centered around enhancing the physical, emotional, and spiritual well-being of our employees, their families, and the communities we serve.

Vision Statement
The overall vision of the Culture and Values Committee (“CVC”) is to create and support a culture that fosters unity and dedication to each other.

Care Matrix

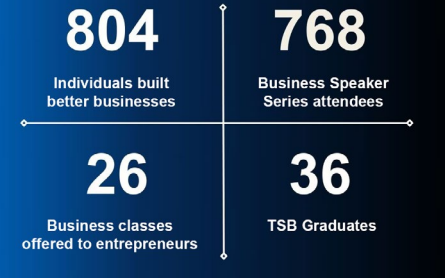
	Physical	Emotional	Spiritual
Employees	<ul style="list-style-type: none">• Teambuilding Group Activities• Monthly Holiday Celebrations	<ul style="list-style-type: none">• Holiday Party• Monthly Newsletter• Quarterly Team Meeting• Monthly Holiday Celebrations	<ul style="list-style-type: none">• Bible Studies• CVC Growth Group• Rightnow media @work
Families	<ul style="list-style-type: none">• Teambuilding Group Activities• Chili Cook Off	<ul style="list-style-type: none">• Condolence: Flowers/Cards• Birthday Cards/Emails	<ul style="list-style-type: none">• CVC Growth Group• Rightnow media @work
Community	<ul style="list-style-type: none">• Blood Drive with Carter BloodCare• Adopt-A-Block• Vogel Alcove Backpack Drive• Hope Clinic Holiday Donations/Sponsorship	<ul style="list-style-type: none">• Free Enterprise Celebration/ BBQ• Vogel Alcove Backpack Drive• Hope Clinic Holiday Donations/Sponsorship	<ul style="list-style-type: none">• Volunteering activities

BUSINESS EDUCATION

Fueling Your Journey to Success

Business education is essential for empowering entrepreneurs and business owners with the knowledge and skills needed to make strategic decisions, drive sustainable growth, and navigate market challenges. It enhances leadership, fosters innovation, and provides a competitive edge in an evolving market to position business owners for long term success. By investing in continuous learning, business owners can confidently navigate challenges, seize new opportunities, and build stronger, more successful organizations.

2024 Business Education Recap by the Numbers



Invest in your success by attending our educational programs. Find out more about both our Business Speaker Series and the TSB Academy by visiting www.texassecuritybank.com/business-education.

Meet A Few of Our TSB Academy Instructors

Jamie Crosbie
Hiring and Retaining Top Talent

Rebecca Crosby
Tax & Entity Planning for Business

Bryan Flanagan
Selling With Certainty

Jonathan King
Leadership: System & Soul

Loic LeMener
Wealth and Succession Planning

Chris McKee
Accounting Principles

Ed McQueen
Negotiating

Amy Power
Executive Communications & Public Relations

Clint Pugh
Tax & Entity Planning for Business

Sean Rosensteel
Traction: Entrepreneurial Operating System

Terri Swain
HR: Compliance & Creating a Respectful Workplace

Zane Tarence
Is Your Company Investment Grade?

ELEVATING THE COMMUNITY

EO Dallas and Fort Worth

Texas Security Bank is a strategic alliance partner with Entrepreneurs’ Organization (EO), a global, peer-to-peer network of businesses, providing a catalyst that enables entrepreneurs to learn and grow, leading to greater success in business and beyond.

Stemmons Corridor Business Association

Texas Security Bank provides Board Leadership to the association, which provides a focused and organized voice for the Stemmons Corridor business community through unified advocacy leading to sustainable economic growth and an attractive, accessible, and safe business environment.

Women’s Business Council Southwest

Texas Security Bank is a member of the Women’s Business Council Southwest, which supports and uplifts women-owned businesses to help make a greater impact in business opportunities in the community.

Services of Hope

Texas Security Bank supports Services of Hope to transform the holiday season for thousands of low- to moderate-income families with a goal of providing meals for 3,000 families at Thanksgiving and 3,200 families at Christmas, lifting up families in need and helping create a season filled with warmth and gratitude for those who need it most.

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.

We are honored to have earned the prestigious Gold Award, naming us the “Best Bank in DFW” for the fourth consecutive year. This incredible achievement wouldn’t be possible without the support of our amazing customers and dedicated team.



THE ROAD TO SUCCESS

Paved with Innovation and Exemplary Customer Service

At Texas Security Bank, the journey to success is driven by our core values. As Chief Experience Officer, I believe that **Innovation** and **Exemplary Customer Service** have the power to transform and differentiate our organization. Texas Security Bank is committed to embracing process improvements as we continue to journey forward. Our organization values creative thinkers who leverage technology to solve challenges. In addition, our core value of delivering exemplary customer service guides us to not only meet but exceed our customers’ expectations. “Good enough” is never good enough.



Our year ended with an overall Net Promoter Score (“NPS”) of 82, outperforming the banking industry benchmark of 30. Additionally, we received a robust overall Customer Experience Score (“CES”) of 4.62 out of 5.0 utilizing our digital service platform, Glia. To further our commitment to innovation, I am equally proud of **Business Insights**, a new digital platform that provides business owners with cash flow forecasting to assist

them with planning for future revenues and expenses. We also enhanced our FinTech marketplace suite of products to add three exciting new applications: **VEEM**®, **Workforce GO**® and **Email A Check**®.

THE BEST WAY TO PREDICT
THE FUTURE IS TO CREATE IT.
– ALAN KAY

As we look to the road ahead, we are committed to expanding the landscape of innovation and delivering unparalleled customer service like we never have before. Our team is committed to creating a future where Texas Security Bank continues to lead the way in the banking industry.

Shon Cass
Executive Vice President, Chief Experience Officer

QUALITY RELATIONSHIPS AND *DEPOSITFIRST*

Texas Security Bank's franchise value is materially enhanced by expanding its high-quality customer base. So, what constitutes a high-quality customer, and how is this accomplished?

Texas Security Bank (the "Bank") is focused upon serving owner-managed businesses – arguably the most important constituency in the U.S., as small to medium size businesses employ most of the domestic workforce, which accounts for the majority of the tax base. From inception, the Bank has deployed a "branch-light" model – meaning the Bank does not have a great number of expensive "brick and mortar" locations, rather choosing to primarily deliver its services via cost-effective electronic methods. The trade-off is that the Bank does not have a retail banking system to gather deposits. Thus, in the highly competitive North Texas market, the Bank must attract and retain deposit customers through its treasury management services, combined with superb customer service.

High-quality customers: The Bank becomes an integral part of its customers' operations by:

- Tailoring the treasury management services to the customers' operating needs
- Designing account structures for payment efficiency and enhanced earnings on deposits
- Providing management reporting tools that help customers operate effectively
- Delivering on a user-friendly, easily managed online and mobile platforms
- Achieving excellent customer service

The result is enhanced value to the Bank as we enjoy a very stable source of deposits. Frankly, customers are highly motivated to remain with the Bank. This creates the high-quality customer base coveted by commercial banks.

Capturing these coveted customers: In 2024, the Bank maintained a *DepositFirst* mentality, which was a strategic focus on gathering core deposits. With the investment in our treasury platform and customer service tools, the Bank has the platform to capture high-quality customers; however, we needed a consistent method for getting these services to market. Born from this need was the *Demonstration and Treasury Assessment ("DTA")*. We created an interview style process whereby, in a consistent manner, we discuss a broad range of treasury management needs, business performance tracking and cash forecasting, operations, management controls, cyber-security, incident response planning, etc. From this DTA process, we then provide specific treasury management solutions as well as thoughtful recommendations in the aforementioned areas, including external resources and vendors the prospect or customer may utilize.

The DTA process is now engrained in the Bank. The Bank has improved its value-added relationship with customers, which, by improving our core deposit base, enhances the value to our shareholders as well.



Drew Keith
Founder, President



FINANCIAL HIGHLIGHTS

Below is a summary of Texas Security Bankshares, Inc.'s (TSB) financial highlights and performance ratios for 2020 through 2024. Pages 12-15 present TSB's comparative consolidated financial statements for the years ended December 31, 2024 and 2023. 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 2024 and 2023. 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

	2020	2021	2022	2023	2024
OPERATING RESULTS					
Net interest income	\$ 25,989,511	\$ 33,366,923	\$ 34,885,317	\$ 34,337,816	\$ 32,131,748
Provision (benefit) for loan losses	2,412,399	1,300,000	1,550,000	2,137,000	(425,441)
Non-interest Income	3,531,710	3,086,712	2,366,909	3,076,596	2,819,252
Net realized gain (loss) on sales of securities	961,746	1,056,036	(3,115)	(1,045,885)	(52)
Non-interest expense	17,245,298	19,737,281	21,098,333	22,309,725	24,957,276
Income before provision for income tax expense	10,825,270	16,472,390	14,600,778	11,921,802	10,419,113
Income tax expense	2,267,976	3,454,217	3,067,759	2,413,650	1,915,223
Net income	\$ 8,557,294	\$ 13,018,173	\$ 11,533,019	\$ 9,508,152	\$ 8,503,890
AT YEAR END					
Total assets	\$ 872,256,563	\$ 974,072,740	\$ 1,139,946,092	\$ 1,197,408,512	\$ 1,169,575,803
Investments in securities & interest bearing deposits	250,192,923	307,908,597	265,327,711	269,399,190	265,943,556
Loans, net of allowance	603,500,038	634,884,535	820,983,524	876,173,824	853,816,620
Deposits	552,759,801	808,459,633	833,364,467	923,980,380	1,058,854,858
Total borrowings	245,616,433	79,500,000	239,500,000	183,000,000	15,000,000
Stockholders' equity	69,634,718	76,261,715	57,976,658	75,077,452	84,260,459
Common shares outstanding (net of treasury)	3,240,623	3,252,306	3,290,798	3,291,096	3,285,624
OTHER FINANCIAL DATA					
Return on average assets	1.07%	1.29%	1.08%	0.77%	0.70%
Return on average equity	13.80%	17.70%	18.17%	14.50%	10.70%
Loans to deposits	110%	80%	100%	95%	81%
Allowance for loan losses to loans	1.23%	1.40%	1.20%	1.20%	1.25%
Net charge offs to loans	0.01%	0.00%	0.00%	0.10%	0.00%
PER SHARE DATA					
Net income (basic)	\$ 2.65	\$ 4.01	\$ 3.51	\$ 2.89	\$ 2.59
Book value	\$ 21.49	\$ 23.45	\$ 17.62	\$ 22.81	\$ 25.65

FINANCIAL HIGHLIGHTS

Texas Security Bankshares, Inc. and Subsidiary Consolidated Balance Sheets for the Years Ended December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,783,219	\$ 2,124,966
Interest bearing deposits in other banks	53,780,519	39,967,088
Total cash and cash equivalents	55,563,738	42,092,054
Securities available for sale, at fair value (amortized cost of \$242,359,719 and \$260,539,076 respectively)	212,163,037	229,432,102
Loans held for sale	250,000	608,000
Loans, net of allowance for credit losses of \$10,783,000 and \$10,888,130, respectively	853,816,620	876,173,824
Bank-owned life insurance	17,032,562	15,705,221
Bank premises and equipment, net	7,130,132	7,417,298
Accrued interest receivable	5,423,740	5,602,564
Servicing asset	47,860	149,771
Other assets	18,148,114	20,227,678
Total assets	\$ 1,169,575,803	\$ 1,197,408,512
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	\$ 313,754,796	\$ 275,471,188
Interest bearing	745,100,062	648,509,192
Total deposits	1,058,854,858	923,980,380
Subordinated promissory notes	7,250,000	14,500,000
Other borrowings	7,750,000	168,500,000
Accrued interest payable	436,577	5,485,883
Other liabilities	11,023,909	9,864,797
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, 3,731,209 and 3,709,209 shares issued, respectively; 3,285,624 and 3,291,096 shares outstanding, respectively	18,656,045	18,546,045
Additional paid-in capital	26,968,675	26,281,355
Stock issued with notes receivable	(1,759,720)	(1,813,540)
Accrued interest receivable on stock issued with notes receivable	(255,474)	(263,624)
Retained earnings	72,136,152	63,632,262
Accumulated other comprehensive loss	(23,855,379)	(24,574,511)
Treasury stock, at cost, 445,585 shares and 418,113 shares, respectively	(7,629,840)	(6,730,535)
Total stockholders' equity	84,260,459	75,077,452
Total liabilities and stockholders' equity	\$ 1,169,575,803	\$ 1,197,408,512

FINANCIAL HIGHLIGHTS

Texas Security Bankshares, Inc. and Subsidiary Consolidated Statements of Income for the Years Ended December 31, 2024 and 2023

	2024	2023
INTEREST INCOME		
Interest and fees on loans	\$ 55,996,935	\$ 51,583,597
Interest on investment securities:		
Taxable	6,334,414	6,696,187
Non-taxable	451,691	458,210
Interest and dividends on other accounts	3,531,141	5,176,452
Total interest income	66,314,181	63,914,446
INTEREST EXPENSE		
Interest and fees on deposit accounts	25,683,198	20,086,613
Interest on borrowings	8,499,235	9,490,017
Total interest expense	34,182,433	29,576,630
Net interest income	32,131,748	34,337,816
(Reversal of) provision for credit losses	(425,441)	2,137,000
Net interest income after provision	32,557,189	32,200,816
NONINTEREST INCOME:		
Service charges on deposit accounts	1,630,825	1,542,436
Gain on sales of mortgage loans	233,170	187,614
Net loss on sales of investment securities	(52)	(1,045,885)
Other	955,257	1,346,546
Total noninterest income	2,819,200	2,030,711
NONINTEREST EXPENSE:		
Salaries and employee benefits	15,810,212	13,717,950
Occupancy of bank premises	1,575,641	1,467,058
Professional fees	1,229,134	1,112,922
Advertising and promotional	276,558	300,043
Data processing and IT management	1,538,517	1,612,760
Mortgage and lending	188,118	217,643
Internet banking	809,421	544,293
Regulatory assessments	881,533	1,068,972
Software costs	757,818	743,606
Other	1,890,324	1,524,478
Total noninterest expense	24,957,276	22,309,725
Net income before income tax expense	10,419,113	11,921,802
Income tax expense	1,915,223	2,413,650
Net income	\$ 8,503,890	\$ 9,508,152
Basic earnings per share	\$ 2.59	\$ 2.89
Diluted earnings per share	\$ 2.55	\$ 2.84

FINANCIAL HIGHLIGHTS

Texas Security Bankshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2024 and 2023

	2024	2023
Net income	\$ 8,503,890	\$ 9,508,152
Other comprehensive income:		
Net unrealized holding gains on available for sale securities during the period	910,240	7,172,298
Reclassification adjustment for net realized losses on available for sale securities included in net income	52	1,045,885
Other comprehensive income, before income tax expense	910,292	8,218,183
Income tax expense	191,160	1,725,820
Other comprehensive income, net of income tax expense	719,132	6,492,363
Total comprehensive income	\$ 9,223,022	\$ 16,000,515

Texas Security Bankshares Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2024 and 2023

	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
Balance, January 1, 2023	\$ -	\$18,486,045	\$25,668,609	\$(1,972,450)	\$ (251,588)	\$ 53,415,480	\$ (31,066,874)	\$ (6,302,564)	\$ 57,976,658
Impact of adopting ASC 326	-	-	-	-	-	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
Balance, Dec. 31, 2023	\$ -	\$18,546,045	\$26,281,355	\$(1,813,540)	\$ (263,624)	\$63,632,262	\$ (24,574,511)	\$ (6,730,535)	\$ 75,077,452
Sale of common stock, 22,000 shares	-	110,000	212,000	-	-	-	-	-	322,000
Purchase of treasury stock, 31,782 shares	-	-	-	-	-	-	-	(1,032,915)	(1,032,915)
Sale of treasury stock, 4,310 shares	-	-	-	-	-	-	-	133,610	133,610
Payments received on notes receivable	-	-	-	317,820	45,651	-	-	-	363,471
Funding of notes receivable	-	-	-	(264,000)	-	-	-	-	(264,000)
Interest on stock issued with notes receivable	-	-	37,501	-	(37,501)	-	-	-	-
Net income	-	-	-	-	-	8,503,890	-	-	8,503,890
Stock based compensation	-	-	437,819	-	-	-	-	-	437,819
Other comprehensive income	-	-	-	-	-	-	719,132	-	719,132
Balance, Dec. 31, 2024	\$ -	\$18,656,045	\$26,968,675	\$(1,759,720)	\$ (255,474)	\$ 72,136,152	\$ (23,855,379)	\$ (7,629,840)	\$ 84,260,459

FINANCIAL HIGHLIGHTS

Texas Security Bankshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows for the Years Ended December 31, 2024 and 2023

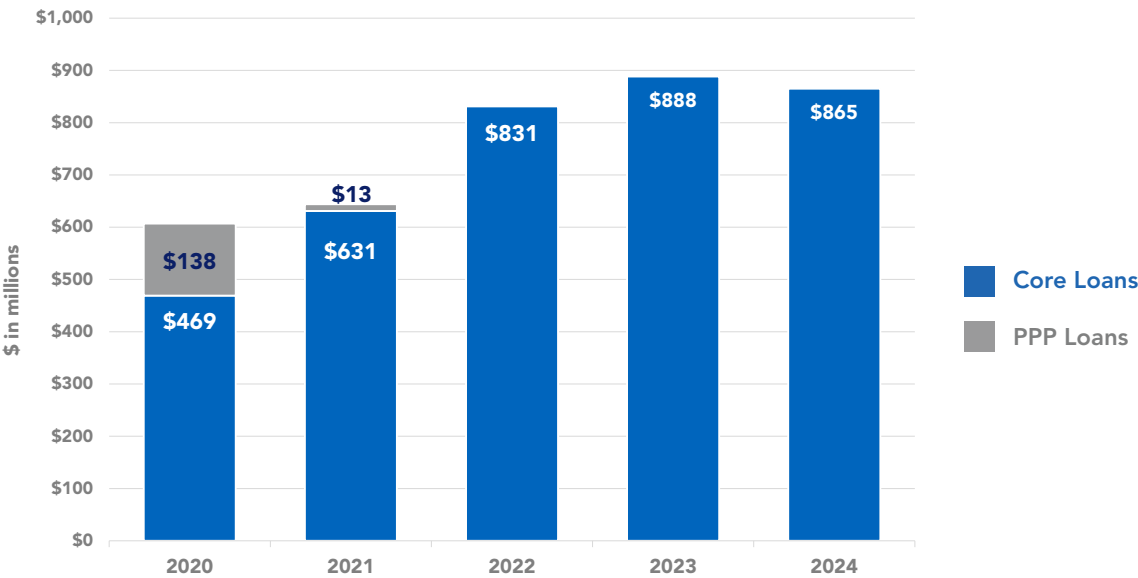
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 8,503,890	\$ 9,508,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	2,081,392	2,240,866
(Reversal of) provision for credit losses	(425,441)	2,137,000
Net loss on sales of securities	52	1,045,885
Gain on sales of loans held for sale	(233,170)	(187,614)
Proceeds from sales of loans held for sale	14,814,215	11,582,556
Gain on sales of SBA loans	-	(385,905)
Proceeds from sales of SBA loans	-	8,097,735
Net originations of loans held for sale	(14,223,045)	(12,002,942)
Increase in cash surrender value of bank-owned life insurance	(661,569)	(644,569)
Stock based compensation	437,819	493,618
Deferred tax (benefit) expense	(485,720)	487,614
Net change in accrued interest and other assets	948,217	(1,238,853)
Net change in accrued expenses and other liabilities	(3,839,139)	3,364,670
Net cash provided by operating activities	6,917,501	24,498,213
CASH FLOWS FROM INVESTING ACTIVITIES:		
Activity in available for sale securities:		
Maturities, calls, sales and principal paydowns received	138,178,387	139,421,772
Purchases	(121,494,461)	(130,364,532)
Net repayments (originations) of loans	22,769,345	(64,169,039)
Purchase of bank-owned life insurance	(665,772)	-
Additions to bank premises and equipment	(234,691)	(1,988,273)
Capital calls on non-marketable investments	(10,335,654)	(370,332)
Proceeds from redemptions of non-marketable investments	11,940,385	7,473,500
Net cash provided by (used in) investing activities	40,157,539	(49,996,904)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in deposits	134,874,478	90,615,913
Repayment of subordinated notes	(7,250,000)	-
Repayments of other borrowings	(1,083,000,000)	(3,166,000,000)
Proceeds from other borrowings	922,250,000	3,109,500,000
Proceeds from sale of common stock	322,000	162,500
Proceeds from sale of treasury stock	133,610	438,327
Purchase of treasury stock	(1,032,915)	(888,265)
Funding of stock issued with notes receivable	(264,000)	-
Repayment of stock issued with notes receivable	363,471	185,469
Net cash (used in) provided by financing activities	(33,603,356)	34,013,944
Net increase in cash and cash equivalents	13,471,684	8,515,253
Cash and cash equivalents at beginning of year	42,092,054	33,576,801
Cash and cash equivalents at end of year	\$ 55,563,738	\$ 42,092,054
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 39,231,739	\$ 24,390,620
Cash paid for income taxes	\$ 2,346,154	\$ 1,390,000
Noncash Transaction:		
Record new ROU asset and lease liability	\$ -	\$ 2,636,121
Interest on stock issued with notes receivable	\$ 37,501	\$ 38,595

FINANCIAL HIGHLIGHTS

Financial Trends
Texas Security Bankshares, Inc. and Subsidiary

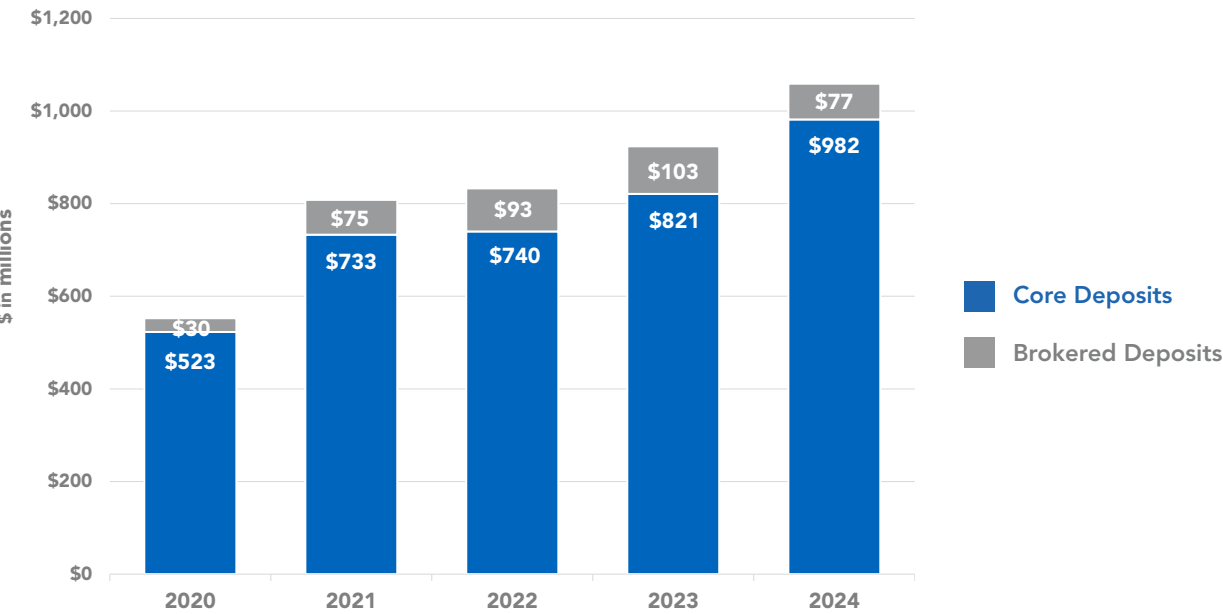
Loan & Deposit Growth

Four Year Average Annual Growth Rate for Core Loans of 17%*



* The annual growth rate calculations for 2024, 2023, 2022, 2021, and 2020 do not include loan growth from funding of PPP loans with remaining balances of \$100 thousand, \$200 thousand, \$300 thousand, \$13 million, and \$138 million, respectively, at year end.

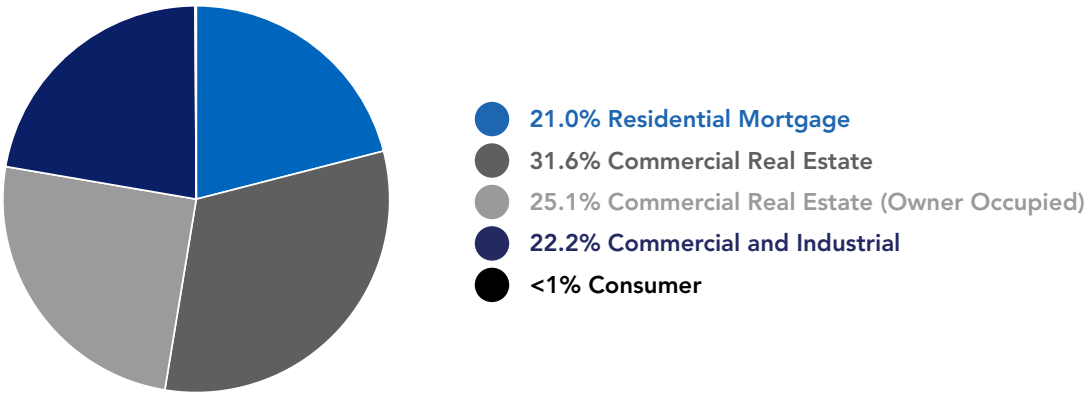
Four Year Average Annual Growth Rate for Deposits of 18%



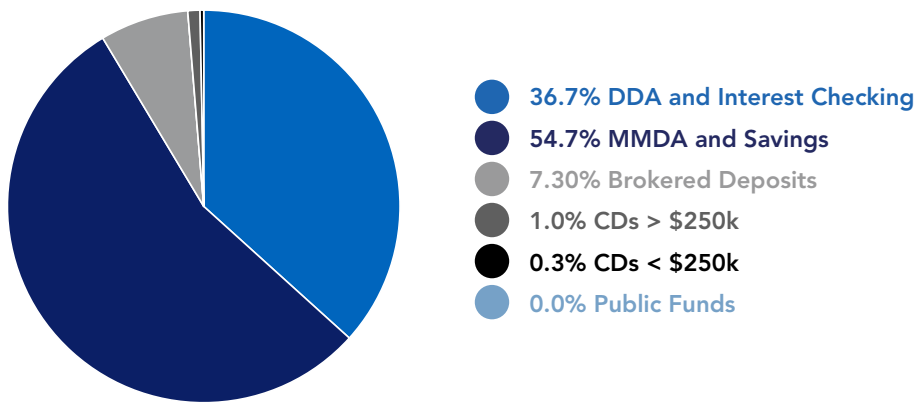
FINANCIAL HIGHLIGHTS

Loan & Deposit Components

December 31, 2024 Loan Portfolio

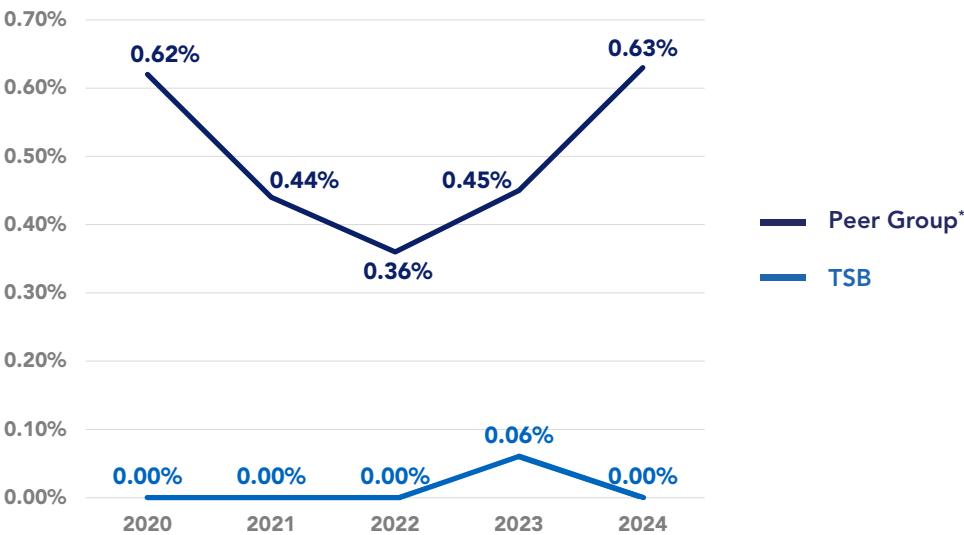


December 31, 2024 Deposit Mix



Credit Quality

No Significant Non-Performing Assets (NPA) Despite Substantial Growth



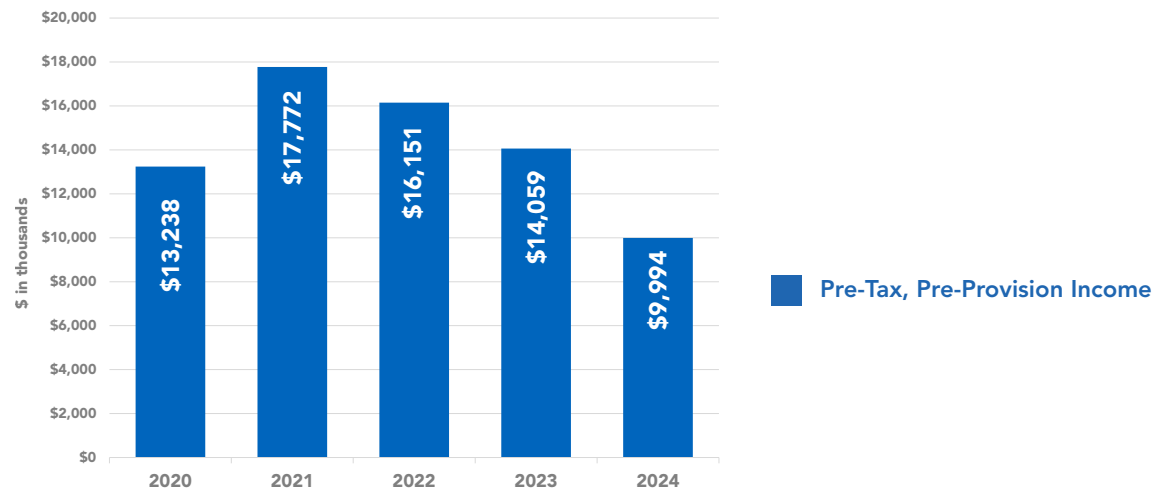
* Peer Group 4: FDIC-insured commercial banks having assets between \$1 billion and \$3 billion

FINANCIAL HIGHLIGHTS

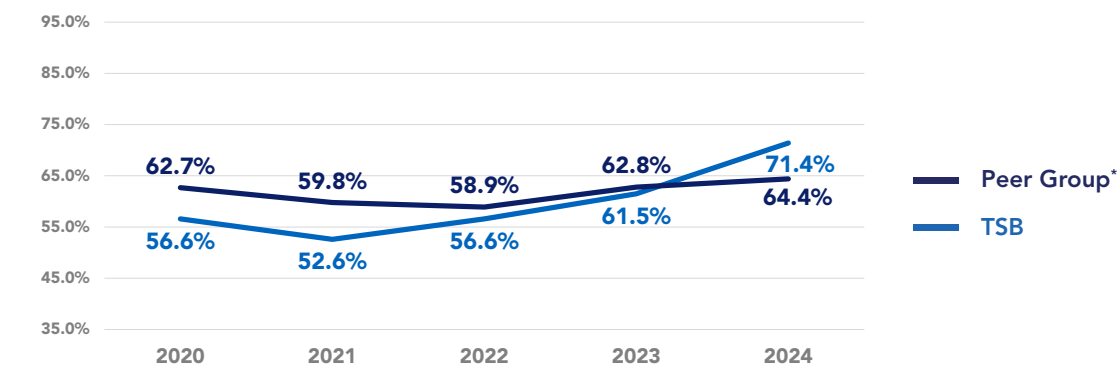
In 2024, the Company experienced a challenging operating environment due to high short-term interest rates and internal migration of deposit accounts to higher-yielding money market accounts, which increased funding costs and led to an increase in interest expense and a drop in profitability. As a result, key earnings and efficiency metrics were negatively impacted. However, the Company saw a steady rise in net interest margin late in 2024 and into 2025, driven by relief in funding costs and a net increase in asset yields.

Financial Trends
Texas Security Bankshares, Inc. and Subsidiary

Pre-Tax, Pre-Provision Income

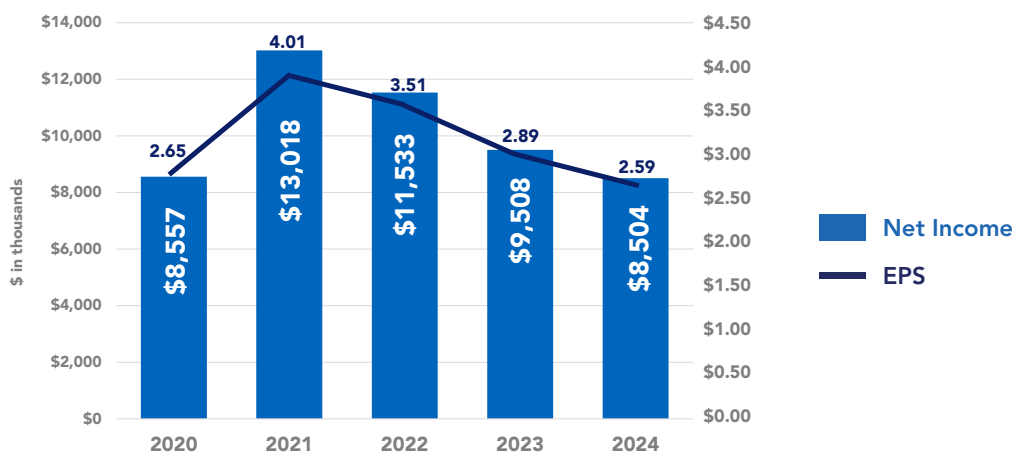


Efficiency Ratio



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

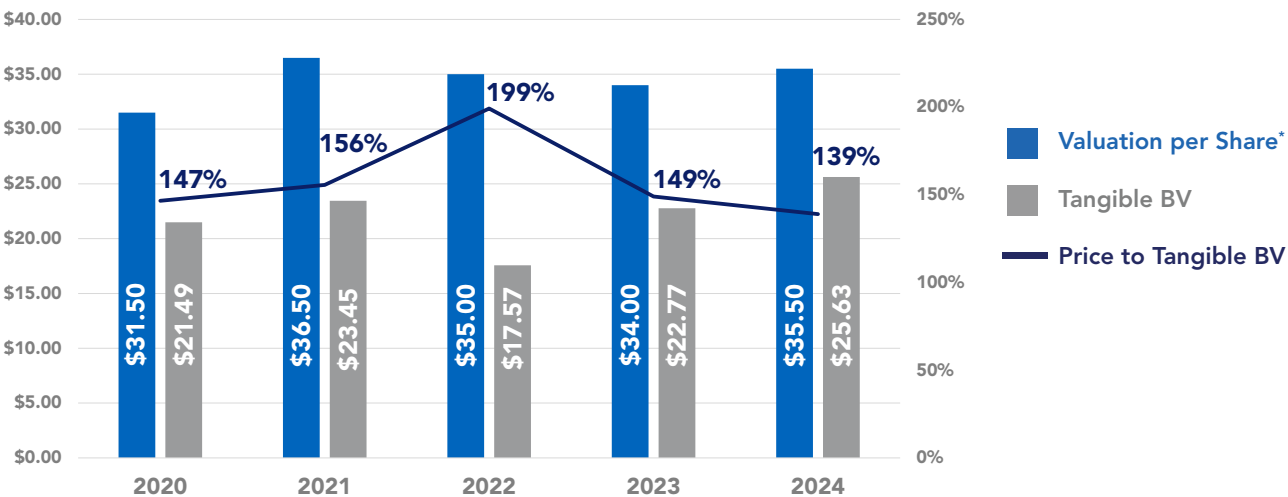
Earnings Per Share (EPS)



FINANCIAL HIGHLIGHTS

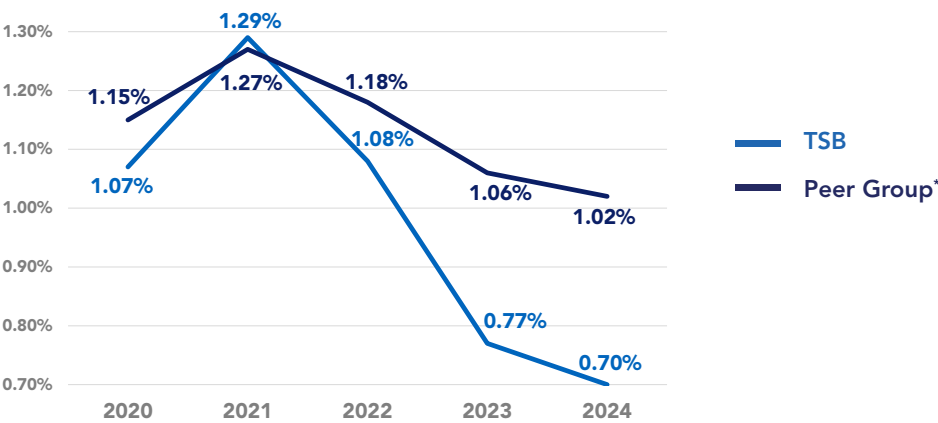
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Shareholder Value



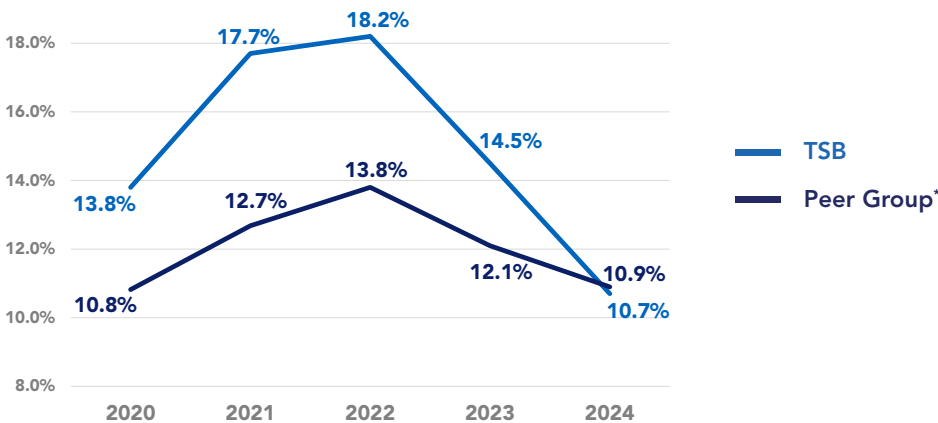
* The valuation is discounted considering a minority interest and lack of liquidity (non-public).

Return on Average Assets (ROAA)



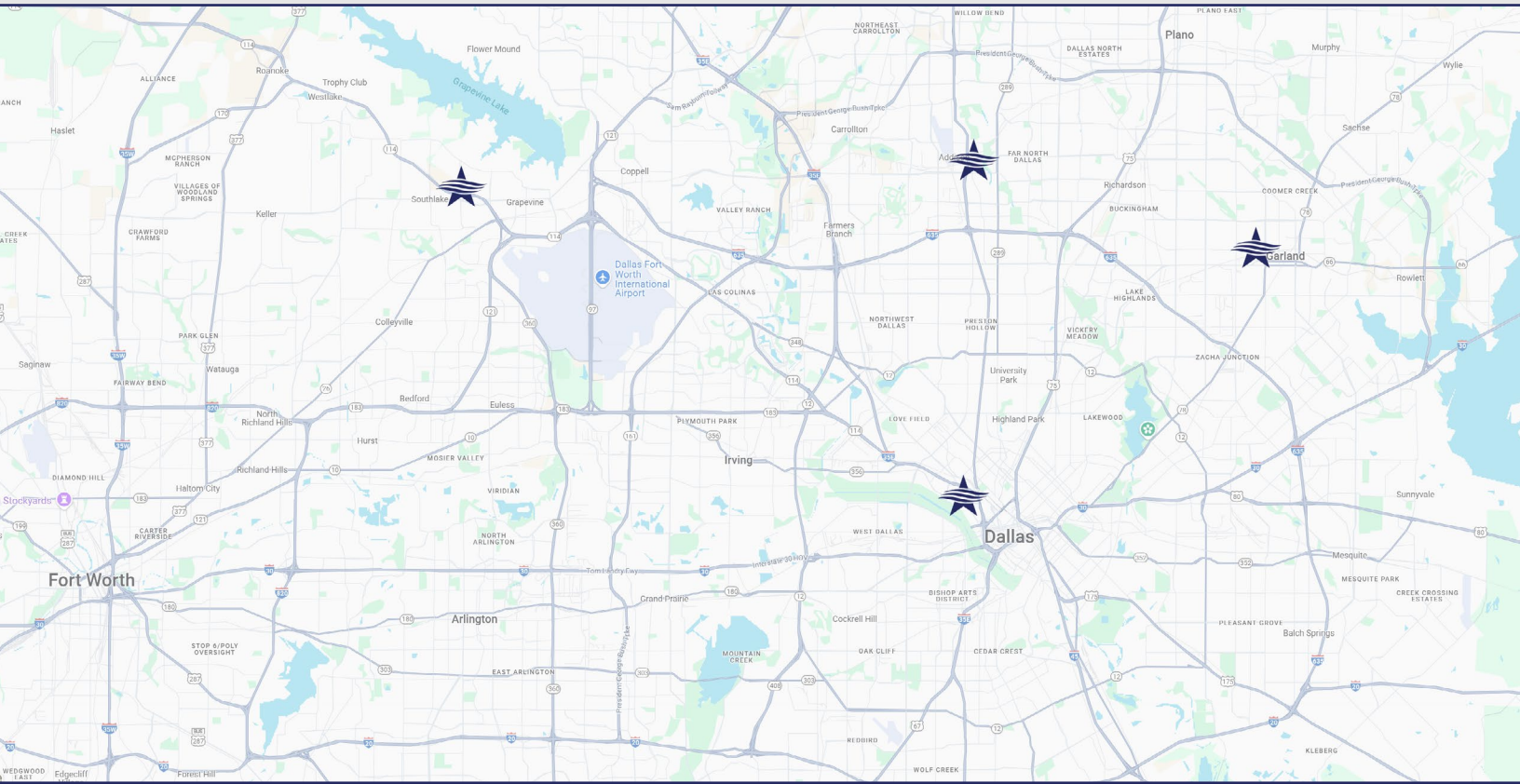
* Peer Group 4: FDIC-insured commercial banks having assets between \$1 billion and \$3 billion

Return on Average Equity (ROAE)

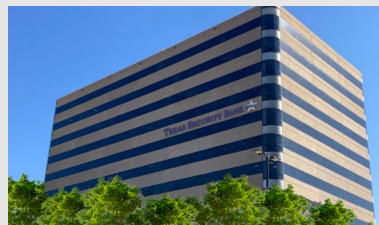


* Peer Group 4: FDIC-insured commercial banks having assets between \$1 billion and \$3 billion

THE ROAD TO SUCCESS BEGINS HERE.



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