



Banking Texas Style.

2022 ANNUAL REPORT



FROM THE CHAIRMAN

This year we put most of the effects of COVID behind us, including the PPP stimulus program, and focused on the ever-changing expectations and conditions of the marketplace. Our ability to be nimble has served our customers and communities well as we adjusted to rising interest rates and inflationary pressures while continuing to grow our core business.

The results were extraordinary, as the CBTx team achieved another year of impressive operational results. In fact, we have improved our performance in almost every metric to levels that place us in the company of the elite banks of our peer group. I am especially proud of presiding over the growth of our net income from \$4.96 million in 2017 to over \$16.7 million in 2022. Yet, I am reminded of the words of my mentor, former CEO and board chairman Tommy Ellison, when he said "Success of that magnitude is not attributable to a single individual, but it is the result of the contributions of many." I congratulate each of you for your creativity, energy, teamwork and sense of urgency so essential to achieving these results.

The tremendous growth of CBTx was fueled and energized by our emerging leaders and the vision of our leadership team, complimented by a board that is comprised of an amazing group of businessmen and entrepreneurs. The results speak for themselves. Our

bank has evolved into a sophisticated financial services organization while continuously expanding into new markets and communities. Staying true to our core values and our commitment to customer service will ensure continued success in the years ahead.

Looking back over the past 26 years, it has been an exciting journey, but there comes a time when every board member must retire, and my time has arrived. I know I was blessed to have served on this board and to be part of such a great cadre of dedicated and wonderful people.

I will always cherish your friendship and support, and I look forward to watching CBTx continue its outstanding customer service, phenomenal growth and leadership in the communities we serve.



A handwritten signature in black ink, appearing to read "Bryant H. Krenek, Jr.".

Bryant H. Krenek, Jr.
Chairman of the Board

RETIRING DIRECTOR'S FAREWELL

What a pleasure it has been for me to serve on the Board of Directors since 2014. These nine years have passed quickly as we witnessed additional branch acquisitions, solid earnings growth and increasing return on assets. Reaching the \$1 billion mark in total assets was particularly exciting, resulting from our team's hard work, persistence and sense of duty to each community we represent. The shareholders can be proud of the accomplishments of the three-way partnership of the Board, management and staff. I congratulate the administration for its vision for CBTx and its skills in assembling a sound management team. This has guided the bank through the growth, as well as the economic and public health challenges, of the last several years.

Attending necessary training sessions certainly increased my understanding of the challenges of the evolving bank culture, as well as my admiration for all who face them. It was also important to me to visit each branch at least once a year to offer a link between the employees and the Board. In well over 150 stops, I found our people to be caring, efficient and customer-oriented, just as management has successfully trained them to be.

CBTx is an excellent example of how a community bank should work. Regardless of the size of each branch, we present a "community face." Management's concern

for each community is evident in the monies invested in each area and in the significant participation of our employees who willingly serve in various community activities and committees. The bank's continued success in preserving its community image depends upon such positive interactions with our customers.

The Baker family respects the bank's accomplishments in protecting and perpetuating the heritage begun in 1901 by community leaders, investors and the grass-roots citizens of Nacogdoches. E.A. Blount and T.E. Baker were both early investors, officers and directors of the bank. There is no way to know if they imagined that, over 100 years later, their descendants would still share their dream. Though I am retiring from the Board this year, I'm only four traffic lights and three stop signs away, so please call if my help is needed. I will miss serving directly but will be resting, smiling and cheering on the sideline with continuing interest.



A handwritten signature in black ink, appearing to read "Dianne Baker".

Dianne M. Baker
Retiring Director

COMMUNITY LEADERSHIP at its best!

CBTx proudly invested \$451,307.77 back into the communities we serve through sponsorships, donations and charitable contributions in 2022. We also donate thousands of volunteer hours each year. Some of our many leadership roles include:

ANGELINA MARKET

Michelle Briley: The Salvation Army of Lufkin Parliamentarian; Impact Lufkin Secretary; Angelina County Emergency Food and Shelter Program Local Board Chair; The Junior League of Lufkin Sustaining Member; Angelina County Child Welfare Board Member; Chamber Diplomat, Chamber Leading Edge Mentor, Founder of Lufkin Banker Ladies.

Chris Caraway: United Way Board Member; Angelina County Senior Citizen's Center Board Member; J.D.'s Center of Hope Board Member; Angelina County Fair Board Member; City of Lufkin Hotel Occupancy Tax Board Member; Z & OO Railroad Board

Martha Castillo: Diboll Area Lions Club Vice President; Diboll Festival Committee Treasurer, Our Lady of Guadalupe – Member/Finance Board; Diboll Area Business Association Member

Brian Cyr: Past Chairman of Lufkin/Angelina County Chamber Board

Jessica Jones: East Central Texas United Way Past President; Disabled Veterans Auxiliary Member; Mystics of Time Member

Dollinda Toole: American League Auxiliary; MOT

Martha Tyer: Palestine Chamber of Commerce Ambassador Chair

Debbie Wacha: American League Auxiliary member; member of MOT, President Elect of Rotary

NACOGDOCHES MARKET

Charlotte Ashcraft: Stephen F. Austin State University Alumni Association President; Nacogdoches Treatment Center President;

Community Rx President; Nacogdoches County Historical Foundation Board Secretary; Leadership Nacogdoches Co-Chair

Carol Bostian: Nacogdoches Crime Stoppers Treasurer

Scott Bowyer: Nacogdoches Economic Development Vice Chair; Treasurer of Nacogdoches Industrial Development Authority

Spencer Brown: Milam Masonic Lodge No 2 Treasurer; Tranquility Masonic Lodge No 2000 Treasurer; Bethlehem Global Methodist Church Worship Leader; Bethlehem Global Methodist Church Finance Chairman/Treasurer

Miles McCall: Nacogdoches Rotary Past President; Nacogdoches County Parks Commissioner; Chairman Main Street Board; Chairman of the Nacogdoches Downtown Strategic Planning Committee; SFASU College of Business Advisory Council

Brad McGuire: Nacogdoches Jaycees Treasurer

Jimmy Mize: Mayor of Nacogdoches; Chair of Pineywoods Groundwater Conservation District; Nacogdoches Economic Development Corporation – Executive Committee; Stephen F. Austin State University Foundation, Executive Committee

Carlos Palomo: CASA of DET Board Member; Nacogdoches ISD Education Foundation Board Member; Better Together Advisory Board Member; Conexion Hispana Advisory Board Member; Capital Needs Advisory Committee

Lily Phou: Board of Trustees for the Museum of East Texas; Commissioner for the Planning

and Zoning Board for the City of Nacogdoches; President of the Friends of the Visual Arts; President Elect of the Fredonia Rotary; Advisory Board for the SFA Preparatory School of Music

Brigid Pitts: Treasurer of Love INC; McMichael Middle School PTA; Nacogdoches High School Cheer Boosters

Rusty Rust: Texas Bankers Association Past Chair; Nacogdoches Booster Club President; SFASU Real Estate Foundation Board; President of the Nacogdoches Charitable Foundation

Joe Weaver: Nacogdoches Area United Way Treasurer and Past Chairman

NORTH MARKET:

Brian Dale: Collin County Park Advisory Board Chair; Vice President for the Lovejoy School Foundation; Collin County Health Advisory Board Member; City of Lucas Board of Adjustments member

Angela Underwood: Fannin County Indigent Board Secretary/Treasurer

Nicole Van Zandt: Texas A&M Denton County Club Communication Chair and Vice President of Flower Mound Rotary

RAINS COUNTY MARKET

Cody Beaver: Member of the Rains County Emergency Services Planning Committee District Treasurer; Rains ISD Education Foundation Board

Keri Gowin: Treasurer of the Booster Club

TO OUR SHAREHOLDERS

Your company experienced record earnings for the year of 2022 in the amount of \$16.22 million. Earnings at this level resulted in a Return on Assets (ROA) of 1.27% and Return on Equity (ROE) of 16.98%. Earnings per common share were unchanged from the prior year at \$17.17 per share. While the increase in year-over-year earnings was relatively small, the path for the two years was very different. In 2021 CBTx had \$2.73 million in PPP (Paycheck Protection Program) income versus \$262,000 in 2022. Due to loan growth, \$900,000 was put in our loan loss reserve in 2022 versus \$0 in 2021.

The most notable item this year was the Federal Open Market Committee (FOMC) raising interest rates in an unprecedented manner, 425 basis points during the year, which drastically slowed mortgage originations and refinances. These items totaled over \$6.5 million of non-recurring income in 2021. This non-recurring income was effectively replaced with the recurring interest income from loan growth, organic deposit growth that provided low-cost funding and additional interchange income from debit card swipes. In short, our record earnings were the result of good old-fashioned community banking, Texas

Style — intense service to our communities delivered with 21st century technology.

Our focus during 2022 was, and continues to be, improving our processes in terms of efficiency and accuracy. CBTx crossed the billion-dollar threshold, which carries additional compliance and accounting regulations. Our continuing challenge is to remain focused on customer service and maintaining that hometown feel, while at the same time adhering to additional rules and regulations that come with being a larger financial institution.

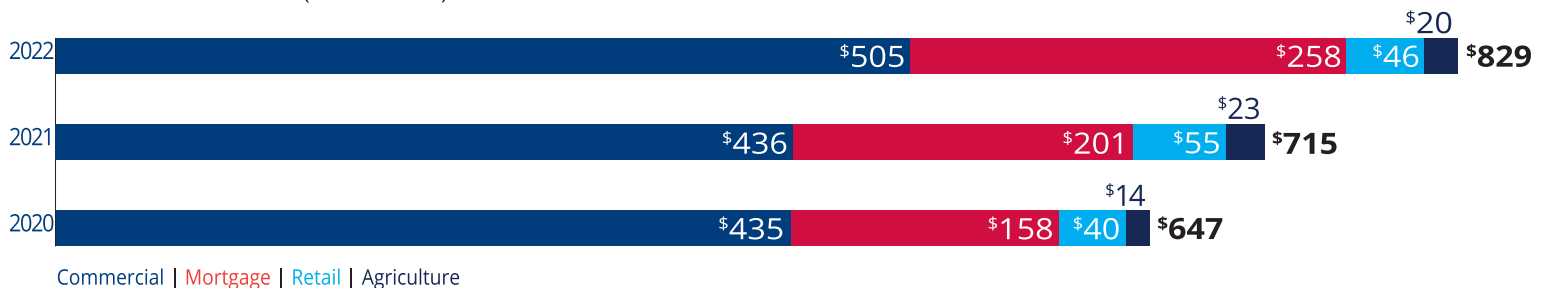
As we look forward to 2023, we see another set of challenges. The FOMC is focused on their mandate of taming inflation, which is at a 40-year high. Management anticipates additional increases in rates during the first half of 2023. This not only affects the bank, but our customers and the communities we serve as well. If the Fed can achieve its goal while avoiding a deep recession, management feels like last year's earnings are sustainable.

FINANCIAL INFORMATION AT A GLANCE As of December 31, 2022

TOTAL DEPOSITS (in millions)



CBTx TOTAL LOANS (in millions)



COMPANY NET INCOME (in thousands)



Thank you for the support you provided during the pandemic and in its aftermath. We strive to not only be a good investment for our shareholders, but also an institution you can be proud of as an owner.



Raymond H. Rust III

Raymond H. "Rusty" Rust III
President & CEO



Jim Denman

Jim Denman
Executive VP, CFO & COO



CBTx Vision:

Be the premier community-focused financial services organization... right products, right people, right reasons.

CBTx Mission:

Be intensely focused on customer satisfaction, personnel development, community service, and shareholder value.

CBTx Core Values:

HIR²E people to join our family environment based on our core values of HONESTY, INITIATIVE, RELIABILITY, RESPONSIVENESS, and ENGAGEMENT.

CBTx Philosophy:

Focus on profitability targets, revenue per employee, return on equity, and increasing shareholder value.

SUMMARY OF SELECTED FINANCIAL HIGHLIGHTS (Dollars in thousands, except per share data)

| FOR TWELVE MONTHS | 12/31/2022 | 12/31/2021 | 12/31/2020 |
|----------------------------|------------------|---------------|---------------|
| Net interest income | \$ 41,975 | 37,491 | 35,279 |
| Provision for loan losses | 900 | 4 | 9,250 |
| Other operating income | 14,805 | 16,027 | 16,191 |
| Other operating expense | 35,757 | 32,955 | 27,940 |
| Income from operations | \$ 20,123 | 20,599 | 14,360 |
| Federal income tax | 3,900 | 4,364 | 2,879 |
| Net income | \$ 16,223 | 16,195 | 11,481 |

Per Common Share

| | | | |
|--|----------|---------|---------|
| Net income, after preferred dividends | \$ 17.17 | 17.17 | 12.18 |
| Book value | \$ 97.12 | 112.17 | 100.98 |
| Dividends declared | \$ 1.04 | 1.00 | 0.92 |
| Common shares outstanding at end of year | 944,811 | 943,736 | 942,911 |

At December 31

| | | | |
|---|--------------|-----------|---------|
| Earning assets | \$ 1,123,139 | 1,099,031 | 899,236 |
| Loans, net of unearned discounts & overdrafts | \$ 828,191 | 714,354 | 646,723 |
| Investment securities | \$ 402,139 | 351,804 | 154,123 |

Average for Period

| | | | |
|-------------------------------------|--------------|-----------|---------|
| Average assets | \$ 1,281,303 | 1,158,721 | 931,783 |
| Average deposits | \$ 1,188,798 | 1,028,726 | 789,004 |
| Average common shareholders' equity | \$ 95,546 | 102,416 | 91,268 |

Financial Ratios (Annualized)

| | (%) | (%) | (%) |
|--|-------|-------|-------|
| Return on average total assets | 1.27 | 1.40 | 1.23 |
| Return on average total tangible assets | 1.27 | 1.41 | 1.24 |
| Return on average common shareholders' equity | 16.98 | 15.82 | 13.16 |
| Return on average common tangible shareholders' equity | 17.65 | 16.40 | 13.73 |
| Tangible shareholders' equity to total assets | 6.63 | 8.11 | 8.82 |

BOARD OF DIRECTORS



Bryant H. Krenek, Jr.
Mt. Enterprise

Hospital Administration



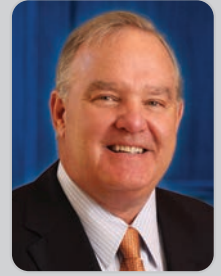
Rusty Rust, JD
Nacogdoches

Banking & Finance



Dianne M. Baker
Nacogdoches

Education



Benjamin Dee Winston
Lufkin

Land, Cattle &
Investments



W. Stephen Muckleroy
Austin

Construction



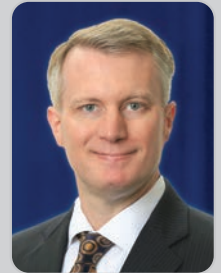
William M. Elliott, Jr.
Nacogdoches

Wholesale Electrical



Stephen Greak, CPA
Lufkin

Accounting &
Oil Field Services



Todd A. Brown, PhD
Nacogdoches

Higher Education



T. Andrew Ellison
Parker

Technology



Bud Wright
Nacogdoches

Agribusiness

NACOGDOCHES COMMERCIAL BANCSHARES, INC.

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Commercial Bank of Texas, N.A.®

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