

2023 ANNUAL REPORT



THE HEART *of the community*



 **CBTx**
Commercial Bank of Texas, N.A.[®]
**NACOGDOCHES COMMERCIAL
BANCSHARES, INC.**

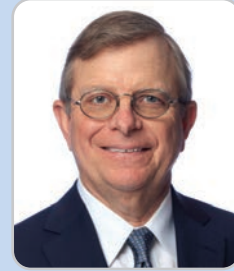
FROM THE CHAIRMAN

Like many years, 2023 presented challenges. Rising interest rates were not a surprise, but the rate which they rose could not be predicted. However, we can congratulate your leaders for another successful year. That success was not by chance. Your executive team keeps the bank well positioned for unforeseeable circumstances, while continuing to grow and provide opportunities for our employees.

We are proud of our company's resilience and of our employees, who participate each day in making this an admirable community institution. Each year gives me a better understanding of the significance of the term "community bank" and its value to our shareholders. We also serve our communities in helpful but less visible ways. For example, a team member in one of our smaller communities told me how people in town will often come in to

the bank for help with their new mobile phones. Those seemingly small interactions help cement relationships that last.

It's my privilege to represent CBTx and your board of directors. Your board offers broad experience in a variety of businesses, higher education, military service, and professional careers. I am truly honored to have their trust and look forward to the coming year.



Steve Muckleroy

Steve Muckleroy
Chairman of the Board

NORTH TEXAS ADVISORY BOARD

The bank formed an advisory board for our North Texas region to guide us in meeting the needs of the communities we serve. These community leaders bring local knowledge and expertise to our bank as we expand Banking Texas Style to the region.



Karen Gregory Gantt
Legal & Asset
Management



Bill Cox
Real Estate/Property
Management



Jeff Stewart
Commercial HVAC



Thad Helsley
Real Estate



Banking Texas Style.

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.

TO OUR SHAREHOLDERS

We are happy to report your bank had a very good year. Loans grew \$85 million, and even as the industry experienced deposit contraction we grew deposits \$15.3 million. These efforts resulted in net income of \$15.98 million, which produced a 15.57% return on average equity and a return on average assets of 1.22%. These results were derived from our normal bank operations and were not assisted by any direct benefits from Federal stimulus. Book value per common share closed the year at \$122.68/share, up from \$97.12/share one year ago. While 2023 was a very challenging year for the banking industry, we are pleased with the performance of the company. After raising rates 425 basis points in 2022 in an unprecedented manner, the Federal Open Market Committee followed up in 2023 with an additional 100 basis points in rate increases. During the first half of the year three bank failures occurred and over \$1.3 trillion in deposits left banks to go to capital markets. Higher mortgage rates adversely

affected new and existing home sales as borrowers shied away from higher rates and potential sellers were compelled to hold on to their existing homes that were financed with very low rates. CBTx felt the decline in demand for mortgages too, as income from that line of business declined almost \$1 million as compared to last year.

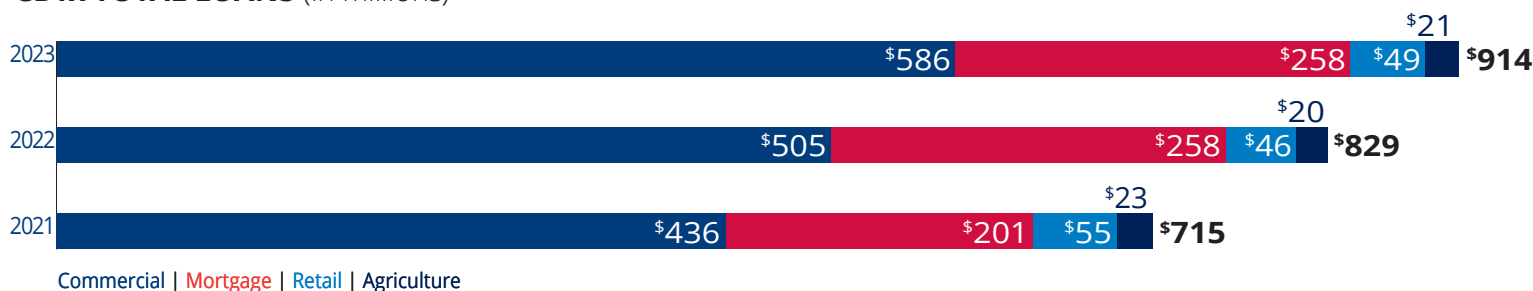
We are particularly pleased with the result, given the funding challenges created from the rate environment. Competition for deposits was fierce as banks scrambled to attract reasonably priced funding. The industry saw the cost of funds skyrocket for all financial institutions, and we were no different. Our deposit costs increased 408% or \$11.2 million on a year-over-year basis. Interest expense for 2023 was \$13.9 million compared to \$2.7 million in 2022. While this did squeeze our margins, we were able to provide a good return for our shareholders.

FINANCIAL INFORMATION AT A GLANCE As of December 31, 2023

TOTAL DEPOSITS (in millions)



CBTx TOTAL LOANS (in millions)



COMPANY NET INCOME (in thousands)



CBTx experienced good demand for loans across all markets. Loan production was spread evenly across our rural and metro markets. Our overall loan and deposit portfolios are geographically distributed across our rural and metro markets and we believe that is a strength for the company. Additionally, loan quality metrics continued to be historically good.

Looking forward, most pundits have declared interest rates have peaked and the next move will be down, but no one knows for sure how that will play out. Many are saying that the Fed will achieve the "soft" landing we have heard about while others say we are headed for a recession. For our part going forward into 2024, we plan on continuing to do what we know, Banking Texas Style!

Sincerely,



Raymond H. Rust III

Raymond H. "Rusty" Rust III
President & CEO



Jim Denman

Jim Denman
Executive VP, CFO & COO

Thank you for Banking Texas Style.

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

FOR TWELVE MONTHS	12/31/2023	12/31/2022	12/31/2021
Net interest income	\$ 44,121	41,975	37,480
Provision for loan losses	800	900	0
Other operating income	14,073	14,805	16,037
Other operating expense	37,547	35,757	32,947
Income from operations	\$ 19,847	20,123	20,570
Federal income tax	3,867	3,900	4,364
Net income	\$ 15,980	16,223	16,206

Per Common Share

Net income, after preferred dividends	\$ 17.13	17.17	17.17
Book value	\$ 122.68	97.12	112.17
Dividends declared	\$ 1.09	1.04	1.00
Common shares outstanding at end of year	933,090	944,811	943,736

At December 31

Earning assets	\$ 1,172,401	1,123,139	1,099,031
Loans, net of unearned discounts & overdrafts	\$ 912,545	828,191	714,354
Investment securities	\$ 376,430	402,139	351,804

Average for Period

Average assets	\$ 1,310,541	1,281,303	1,158,721
Average deposits	\$ 1,206,140	1,188,798	1,028,726
Average common shareholders' equity	\$ 102,659	95,546	102,416

Financial Ratios (Annualized)

	(%)	(%)	(%)
Return on average total assets	1.22	1.27	1.40
Return on average total tangible assets	1.22	1.27	1.41
Return on average common shareholders' equity	15.57	16.98	15.82
Return on average common tangible shareholders' equity	16.22	17.65	16.40
Tangible shareholders' equity to total assets	8.44	6.63	8.11

COMMUNITY LEADERSHIP at its best!

CBTx proudly invested \$462,284.75 back into the communities we serve through sponsorships, donations and charitable contributions in 2023. We also donate thousands of volunteer hours each year. Leadership roles include:

ANGELINA MARKET

Michelle Briley: Impact Lufkin Secretary; Angelina County Emergency Food and Shelter Program Local Board Chair; Junior League of Lufkin Sustaining Member; Angelina County Child Welfare Board Member; Chamber Diplomat; Lufkin Banker Ladies Founding Member; Hudson Class of 2024 Project Celebration Co-Chair and Treasurer

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 Chair

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

Brian Cyr: Lufkin/Angelina County Chamber Board Past Chair; Junior Achievement Past Chair; United Way Past Chair; Lions Club Past Chair

Jessica Hawkins: East Central Texas United Way Past President; Disabled Veterans Auxiliary Member; Mystics of Time Member; Blankets & Bears ACTX President

Stacy Pardue: Junior Service League Vice President

Jim Roper: Z&OO Railroad Board Member

Dollinda Toole: MOT; Chamber Ambassador; Rotary Member

Martha Tyler: Palestine Chamber of Commerce Ambassador; Harvey Woman's Club

Debbie Wacha: American League Auxiliary Member; MOT; Rotary; Blankets & Bears ACTX Treasurer

NACOGDOCHES MARKET

Charlotte Ashcraft: SFASU Alumni Association Past President; Nacogdoches Treatment Center President; Community Rx Past

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

Carol Bostian: Nacogdoches Crime Stoppers Treasurer

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

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

Christa Coulter: Fredonia Rotary Club President-Elect; CASA of DET Board Member; First Baptist Church Sunday School Teacher; NYSA Soccer Coach

Autumn Finchum: Fredonia Rotary Treasurer; Goodwill Central East Texas Vice Chair; Salvation Army Nacogdoches Advisory Board Member; Nacogdoches Senior Center Dancing with the Nacogdoches Stars Committee; SFASU Alumni Association Finance Committee Chair

Juan Gonzalez: Rotary Club of Nacogdoches President-Elect; Nacogdoches Economic Development Corporation Board Member; Entrepreneurship Committee; SFASU Charter School Board Member; Hispanic Connection Advisory Committee Board Member; CASA of DET Board Member

Patrick Lanmon: Central Heights ISD Board of Trustees Vice President; First Christian Church Deacon

Jimmy Mize: Pineywoods Groundwater Conservation District Chair; Nacogdoches Economic Development Corporation Executive Committee; SFASU Foundation Executive Committee; SFASU Presidential Search Committee

Carlos Palomo: CASA of DET Board President; NISD Education Foundation Board Member; Better Together Advisory Board Member; Conexion Hispana Advisory Board Member;

Capital Needs Advisory Committee

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

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

Joe Weaver: Nacogdoches Area United Way Treasurer and Past Chairman

NORTH MARKET:

Zane Clay: Farmersville Education Corporation Board Member

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

Andrea Harvey-Rogers: YMCA McKinney Board of Managers; McKinney Community Food Pantry Board Member; Serenity High Board of Directors, Finance Committee; Leadership McKinney Alumni Association Chair; SCORE Mentor; MISD Partner in Education; McKinney Chamber Ambassador

Miles McCall: McKinney Rotary Board Member, Membership Director, Speaker Committee; SFASU College of Business and Legal Studies Advisory Council; Nacogdoches Downtown Strategic Planning Committee Chair; Collin County Salvation Army Volunteer

Monica Pate: Chi Lambda of Fannin County Treasurer

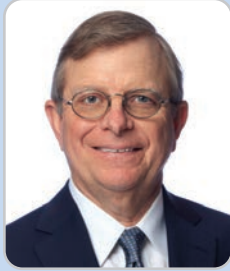
Angela Underwood: Fannin County Indigent Board Secretary/Treasurer

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

RAINS COUNTY MARKET

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

BOARD OF DIRECTORS



Steve Muckleroy
Austin
Construction



Rusty Rust, JD
Nacogdoches
Banking & Finance



Benjamin Dee Winston
Lufkin
Land, Cattle &
Investments



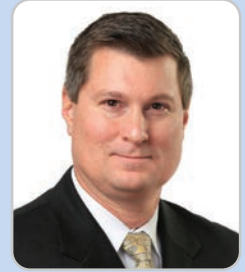
William M. Elliott, Jr.
Nacogdoches
Wholesale Electrical



Stephen Greak, CPA
Lufkin
Accounting &
Oil Field Services



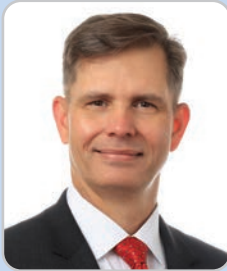
Todd A. Brown, PhD
Nacogdoches
Higher Education



T. Andrew Ellison
Parker
Technology



Bud Wright
Nacogdoches
Agribusiness



Lance Cangelosi
Midlothian, VA
Government &
Logistics



Karen Gregory Gantt
McKinney
Legal & Asset
Management

ADVISORY

NACOGDOCHES COMMERCIAL BANCSHARES, INC.

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Commercial Bank of Texas, N.A.®

800-723-7601 ★ www.cbt.com

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