



Main Banking Center Nacogdoches, Texas



Allen Banking Center
Allen, Texas



Elkhart Banking Center Elkhart, Texas



Cushing Banking Center Cushing, Texas









Emory Banking Center Emory, Texas



Tulane Banking Center Lufkin, Texas



Diboll Banking Center Diboll, Texas



Palestine Banking Center Palestine, Texas

FROM THE CHAIRMAN

By any measure, all of you, the CBTx Team, were champions in 2019. From community service to customer service, your performance resulted in not only achieving but also exceeding our goals. The quality of our culture of service permeates our organization and is the essential element driving our success.

There is nothing more satisfying than the pride of knowing your hard work and dedication has resulted in an extremely successful outcome. In business, as in sports, winning gives you a little more bounce in your step. Success puts a smile on your face, makes you hold your head high and fuels your hunger to repeat your performance as you enter a new year. We have the blueprint, the talent, and the trajectory to repeat in 2020.

The board is extremely excited to be part of this success, and we look forward to working with each of you as we build another championship year.

Bryant H. Krenek, Jr. Chairman of the Board

TBA RECOGNITION



The Texas Bankers Foundation presented CBTx with a Cornerstone Award at its 135th Annual Convention, in recognition of our annual BBQ for Badges event. BBQ for Badges has become a staple for our local first responders, and the 2018 event held extra significance due to the tragic loss of beloved Sheriff's Deputy Raymond Brad Jimmerson, who was killed in the line of duty just a month before the event. The TBA also presented Brigid Pitts, vice president/controller, with its first annual Emerging Leader award. Pitts was one of 10 Texas bankers to receive the honor, which was created to recognize bankers who have had a positive impact in the industry.





Bedford Banking Center Bedford, Texas





South First Banking Center Lufkin, Texas













Community Service at its best!

CBTx proudly invested \$317,049 back into the communities we serve through sponsorships, donations and charitable contributions in 2019. We also donate thousands of volunteer hours each year. Some of our many leadership roles include:

NORTH MARKET

Brian Dale Chair of the Collin County Park Foundation Advisory Board

Amy Smith
Vice President of the Lovejoy ISD
Board of Trustees

Heather Cicirello Chair of Main & Mill Business Association in Old Town Lewisville

ANGELINA MARKET

Brian Cyr Chair of the Lufkin/Angelina County Chamber of Commerce

Michelle Briley President of the Lufkin Salvation Army Board

Chris Caraway President of United Way of Angelina County

Jessica Jones Treasurer of United Way of East Central Texas

Debbie Wacha Treasurer of Palestine Chamber of Commerce

Martha Tyer President of the Palestine Chamber of Commerce Ambassadors

Spencer Brown Financial Secretary for Hudson First United Methodist Church

Martha Castillo Treasurer of Diboll Area Lions Club

Andreina Salas Treasurer of Diboll Festival Committee

EMORY/ALBA MARKET

Cody Beaver Treasurer of the Rains County Emergency Services District

Carlos Palomo Treasurer of the Knights of Columbus

NACOGDOCHES MARKET

Rusty Rust Vice Chair of the Texas Bankers Association

Miles McCall President-Elect of Nacogdoches Rotary Club

Jimmy Mize Chair of the Pineywoods Groundwater Conservation District

Scott Bowyer
Incoming Chair of Nacogdoches
Economic Development Corporation

Charlotte Ashcraft
President-Elect of the Stephen F.
Austin State University Alumni
Association

Brigid Pitts Treasurer for Love INC

Carol Bostian Treasurer of Nacogdoches Crime Stoppers

Renee Ramirez Secretary for Garden Capital of Texas Committee

Dusty Brown Chair of the Sales Committee for the Pineywoods Fair Agricultural Committee

Jeff Whitfield Vice President of Hudson Water Board

Joe Weaver Chair-Elect of the Nacogdoches Area United Way



The second class of CBTx EMERGING LEADERS completed their 9-month program and includes: Cody Beaver, Carlos Palomo, Mark Brooks, Nelly Esteves, Chris Collins and Callie Collins.

To Our Shareholders

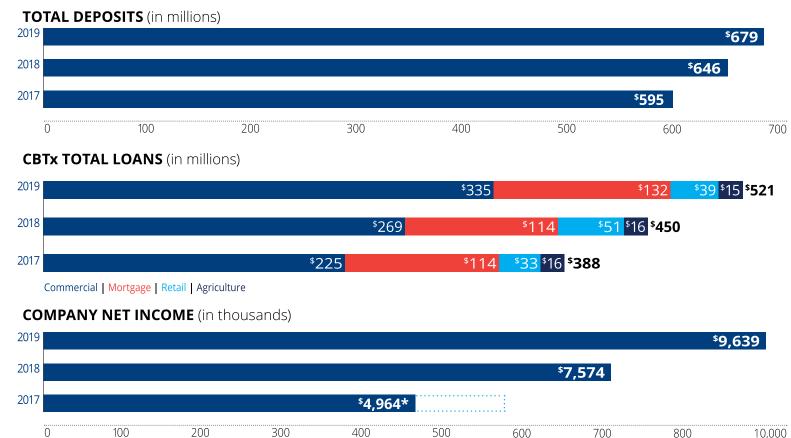
We are pleased to report positive momentum from 2018 carried over into our 2019 operating results. Your company obtained record earnings of \$9.6 Million for 2019. The company continued to experience growth in terms of income, assets, deposits, shareholder returns and shareholder equity. Home mortgage production increased 40% over prior year. The Wealth Management Department posted growth in income, number of accounts, and assets under management. Company earnings increased 27% over prior year. The growth and earnings were not a result of any one-time gain but were the results of good, old-fashioned community banking; deposits were gathered in our local markets, and loans were made within those same communities.

CBTx Return on Average Assets (ROAA) improved to 1.22% in 2019 as compared to prior year's mark of 1.09%. Return on Average Equity (ROAE) also had a substantial increase to 11.88%, an 8.5% increase over the past fiscal year. Book Value per Common Share (BVPS) increased almost \$10.00 per share due to

record earnings and market rates that were favorable to our investment portfolio. Organic deposit and loan growth drove these results. On a year-over-year basis, total deposits increased almost \$48 million or 7.4%, in and of itself an outstanding result; however, the loan portfolio did even better as net loans increased from \$445 million to \$511 million, an increase of 14.8%. At the same time, management felt it prudent to grow loan loss reserves, not because of any known credit quality issues, but as a fundamentally sound banking practice. During 2019 the allowance for loan losses increased to \$7.8 million from \$5.4 million which equates to 1.5% of loans.

As a part of our strategic plan, we actively pursued upgrading and realigning processes and operations across many areas of the bank to provide more efficient and consistent outcomes as the bank continues to grow and expand. These include customer-facing operations such as online account opening, additional interactive teller machines, remote check deposits and additional features within our website and

FINANCIAL INFORMATION AT A GLANCE As of December 31, 2019



mobile banking application. We also upgraded our point of sale product to take advantage of the latest technology desired by our small business customers. These systems allow our customers quick access to our services. Internally, we revised our organizational structure to take full advantage of the strengths of our team members. In addition, we implemented a robust financial statement tracking and imaging system across both our loan and deposit portfolios. These systems enable our bankers to retrieve documents needed to serve our customers in an efficient and more timely manner.

Bank mergers within our markets gave us opportunities to grow organically in both commercial and consumer financial services. We recognized the opportunity to expand our market share but also the responsibility, as a community bank, to serve the needs of our communities. During the year, our Community Reinvestment Act examination validated our commitment to the communities we serve. Based on customer expectations, we implemented

a process to deliver consumer loans through an entirely electronic means from application to closing. The process is seamless, user friendly, efficient and compliant.

Going forward we will continue to formalize and document our processes to meet the demands of a growing financial services company. We will leverage technology both for internal bank operations and for external customer-facing products. We will increase efforts to attract low-cost core deposits through training all employees to better understand our products and through reducing the time necessary to open an account, while maintaining our compliance standards. We remain optimistic about the coming year and look forward to providing Texas Style service to our communities as we have since 1901.

Raymond H. "Rusty" Rust III President and C.E.O.

Kaymond H. Ristm

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

FOR TWELVE MONTHS	12	2/31/2019	12/31/2018	12/31/2017
Net interest income	\$	29,228	24,781	22,931
Provision for loan losses		2,795	1,675	1,609
Other operating income		11,440	10,441	9,834
Other operating expense		25,765	24,055	21,995
Income from operations	\$	12,108	9,492	9,161
Federal income tax		2,469	1,918	2,969
Net income	\$	9,639	7,574	6,192
Per Common Share				
Net income, after preferred dividends	\$	11.22	8.33	6.72
Book value	\$	94.44	84.61	78.08
Dividends declared	\$	0.92	0.84	0.80
Common shares outstanding at end of quarter		859,232	858,593	858,050
At December 31				
Earning assets	\$	758,017	694,031	641,673
Loans, net of unearned discounts & overdrafts	\$	520,520	450,259	388,161
Investment securities	\$	206,737	220,720	211,586
Average for Period				
Average assets	\$	787,523	696,076	665,902
Average deposits	\$	680,256	607,124	584,792
Average common shareholders' equity	\$	81,144	69,136	64,353
Financial Ratios (Annualized)		(%)	(%)	(%)
Return on average total assets		1.22	1.09	0.93
Return on average total tangible assets		1.23	1.09	0.93
Return on average common shareholders' equity		11.88	10.95	9.62
Return on average common tangible shareholders' equity		12.44	11.86	10.48
Tangible shareholders' equity to total assets		10.47	10.15	10.19







Gaslight Banking Center Lufkin, Texas



Roxton Banking Center Roxton, Texas



Kennard Banking Center Kennard, Texas





Banking Texas Style.

BOARD OF DIRECTORS



Pictured (front row, from left) — W. Stephen Muckleroy, Rusty Rust, JD, Chairman of the Board Bryant H. Krenek, Jr. and Dianne M. Baker; (back row, from left) — Stephen Greak, CPA, Todd A. Brown, PhD, William M. Elliott, Jr., Benjamin Dee Winston, T. Andrew Ellison and Jefferson B. Davis, JD.

NACOGDOCHES COMMERCIAL BANCSHARES, INC.

215 East Main St., P.O. Drawer 635050 Nacogdoches, TX 75963-5050



Commercial Bank of Texas, N.A.®

800-723-7601 ★ www.cbtx.com

Alba | Allen | Bedford | Cushing | Diboll | Elkhart | Emory | Kennard Lewisville | Lufkin | Nacogdoches | Palestine | Roxton | Wells