

2020 ANNUAL REPORT

Nacogdoches Commercial Bancshares, Inc.



THE YEAR OF Banking Texas Style

FROM VIRTUALLY EVERYWHERE!



FROM THE CHAIRMAN

We began the year with such optimism and then — wham! — a worldwide pandemic was upon us. We all have been forced to adjust how we live and how we conduct our business.



When asked, the CBTx team has acted unselfishly and performed extraordinarily well, to such an extent that operational results exceeded plans and service to our communities continued uninterrupted. Many worked from home seamlessly and effectively, in concert with efforts to protect each other and their families from the spread of COVID-19. In addition, people assisted in areas not normally part of their job description as work demands shifted, further exemplifying their dedication and respect for CBTx values and community goals.

To emerge from 2020 relatively unscathed was tremendously fortunate, yet many of our staff and families were not so lucky. My prayers and thoughts have been with each of you throughout the year and will continue as we focus on 2021 and getting our lives back into a more normal routine. I am both proud and blessed to be a part of this organization, its shareholders and the communities we serve. My optimism for the future is strong because I know we have the team, the leadership and the culture to succeed.

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

Bryant H. Krenek, Jr.
Chairman of the Board

RETIRING DIRECTOR

JEFFERSON B. DAVIS, JD
2014 – 2020

CBTx would like to thank Jeff Davis for his six years of service on our Board of Directors.



Jefferson Barclay Davis is a sixth generation Nacogdochian. His parents are the late Bryan Holt and Carolyn Davis. His father served as the County Attorney for Nacogdoches County for 35 years. Jeff is married to the former Julianne Wade and they have two children, Holt and Elizabeth. Jeff is a graduate of Nacogdoches High School, attended Stephen F. Austin State University and received his undergraduate degree from Texas Christian University. Following graduation, Jeff worked at the Texas Legislature for the Sergeant at Arms of the Texas State Senate. He

also worked under Lt. Governor Bob Bullock and was the Legislative Assistant for the Texas State Senator serving Senate District 3. Jeff graduated from Texas Tech University School of Law with a Doctor of Jurisprudence. While at Texas Tech, he was awarded a full scholarship and served as vice-chairman of the Board of Barristers. Upon graduating from law school, Jeff returned to Nacogdoches to practice law. After his father's retirement, Jeff was elected as County Attorney for Nacogdoches County; serving for two terms in this capacity. After making the decision not to seek a third term, Jeff engaged in the private practice of law primarily focused in the areas of governmental representation, oil and gas, water law, economic development and general civil litigation. He served as the attorney for the City of Nacogdoches until he was elected as District Judge on November 3, 2020. CBTx is proud of Jeff's desire to serve our community as District Judge.

TO OUR SHAREHOLDERS

We are pleased to report the Company (Nacogdoches Commercial Bancshares, Inc.) had a very successful 2020. Over the past 120 years, the Bank has experienced challenging times. While 2020 brought about its share of challenges, it also brought about positive changes and positive results. Through the pandemic, the Bank adjusted to having remote workers, Zoom meetings, remote banking, record low interest rates, government stimulus, \$1 billion in assets and record earnings for the Company, just to name a few.



from home at one point) and maintained branch operations through our drive-thrus and restricted lobby access. We followed CDC's ever-changing guidelines to combat COVID-19, while also serving our customers as an essential business. Our investments in mobile banking, remote banking and other online digital platforms became essential to our success. Zoom meetings, plexiglass desk dividers, social distancing, hand sanitizer and masks became the norm. Even under these adverse operating conditions, the Bank experienced significant growth and profitability, and acquired a branch in Farmersville.

The global pandemic impacted our lives and ability to interact in person with our customers and co-workers. As in the past, the Bank team met the challenge head-on. On short notice the Bank successfully implemented work-from-home strategies on a large scale (40% of our team worked

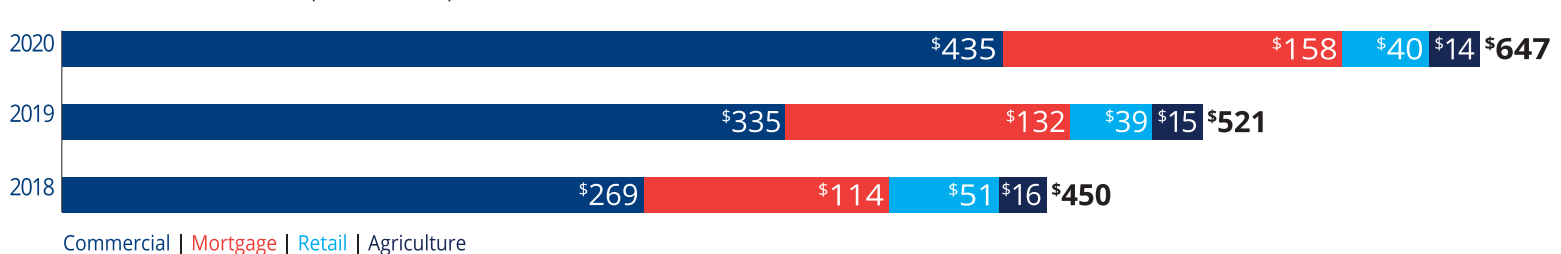
From March to May, the Bank experienced a surge in deposits of almost \$139 million. These deposits came from various sources. At the same time, the Bank originated over \$82 million in Payroll Protection Program (PPP) Loans to assist both existing and new customers. These loans helped many businesses and communities weather the pandemic. During

FINANCIAL INFORMATION AT A GLANCE As of December 31, 2020

TOTAL DEPOSITS (in millions)



CBTx TOTAL LOANS (in millions)



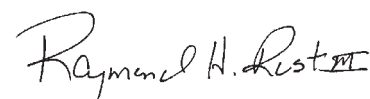
COMPANY NET INCOME (in thousands)



that same time the Federal Reserve slashed short term rates to near zero. Historically low interest rates ignited a refinance and purchase boom in the residential lending market. Again, the CBTx team rallied as we experienced unprecedented residential mortgage volumes. While many employees worked from home and closings were held in parking lots and side buildings, CBTx provided millions of dollars in residential and commercial loans. CBTx exceeded \$1 billion in assets during the year and posted net income of \$11.5 million, 19% better than last year's record earnings of \$9.6 million. Management also built the provision for loan losses significantly during the year. While we did not experience any notable credit deterioration during the year, we are well prepared to absorb future losses that may occur once the government stimulus winds down and customers begin to resume normal business operations. Our Wealth Management and Trust Division realized a significant increase in both assets under management and income.

During the year, the Company purchased or converted all outstanding preferred stock. Even with the increase in outstanding common shares, Company earnings per share increased from \$11.22/share to \$12.18/share from 2019 to 2020. Return on average equity also increased to 13.16% from 11.88% in the prior year.

2020 was a challenge as everyone was affected by the pandemic. Although we have not lost any employees, some of our staff have lost loved ones during the crisis. Our culture is one of teamwork, and we rally around each other in times of need. Our strength in unity and resiliency served us well as the CBTx team responded with a great deal of compassion for our fellow employees and customers while achieving excellent financial results for our shareholders.



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

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

FOR TWELVE MONTHS	12/31/2020	12/31/2019	12/31/2018
Net interest income	\$ 35,279	29,228	24,781
Provision for loan losses	9,250	2,795	1,675
Other operating income	16,191	11,440	10,441
Other operating expense	27,861	25,765	24,055
Income from operations	\$ 14,359	12,108	9,492
Federal income tax	2,878	2,469	1,918
Net income	\$ 11,481	9,639	7,574
Per Common Share			
Net income, after preferred dividends	\$ 12.18	11.22	8.33
Book value	\$ 100.98	94.44	84.61
Dividends declared	\$ 0.92	0.92	0.84
Common shares outstanding at end of quarter	942,911	859,232	858,593
At December 31			
Earning assets	\$ 899,236	758,017	694,031
Loans, net of unearned discounts & overdrafts	\$ 646,723	520,520	450,259
Investment securities	\$ 154,123	206,737	220,720
Average for Period			
Average assets	\$ 931,783	787,523	696,076
Average deposits	\$ 789,004	680,256	607,124
Average common shareholders' equity	\$ 91,268	81,144	69,136
Financial Ratios (Annualized)	(%)	(%)	(%)
Return on average total assets	1.23	1.22	1.09
Return on average total tangible assets	1.24	1.23	1.09
Return on average common shareholders' equity	12.58	11.88	10.95
Return on average common tangible shareholders' equity	13.16	11.88	11.86
Tangible shareholders' equity to total assets	8.82	10.47	10.15

COMMUNITY LEADERSHIP at its best!

CBTx proudly invested \$228,183.29 back into the communities we serve through sponsorships, donations and charitable contributions in 2020. We also donate thousands of volunteer hours each year. Some of our many leadership roles include:

NORTH MARKET

Heather Cicirello: Main & Mill Business Association Co-Chair

Brian Dale: Collin County Park Advisory Board Chair; Foundation for Lovejoy School Treasurer and Executive Board member

Angela Underwood: Fannin County Indigent Board Secretary/Treasurer

NACOGDOCHES MARKET

Joe Weaver: Nacogdoches Area United Way Chair

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

Scott Bowyer: Nacogdoches Economic Development Corporation Chair

Gabe Lindsay: Nacogdoches Jaycees President

Miles McCall: Nacogdoches Rotary Club President

Jimmy Mize: Pineywoods Groundwater Conservation District Chair

Rusty Rust: Texas Bankers Association Vice Chair

Lily Phou: Friends of the Visual Arts Vice President

Jeff Whitfield: Hudson Water Board Vice President

Spencer Brown: Milam No 2 Masonic Lodge Treasurer

Brad McGuire: Nacogdoches Jaycees Treasurer

Carol Bostian: Nacogdoches Crime Stoppers Treasurer

Brigid Pitts: Love INC Treasurer

Renee Ramirez: Garden Capital of Texas Committee Secretary

ANGELINA MARKET

Brian Cyr: Angelina County Chamber of Commerce Board Chair

Martha Tyer: Palestine Chamber of Commerce Ambassador Chair

Michelle Briley: Angelina County Salvation Army Board President; The Mosaic Center Board President; Impact Lufkin Board Secretary; Angelina County Emergency Food and Shelter Board Chair

Angela Henderson: Angelina Rotary Club Treasurer

Christina Chapin: Elkhart ISD Booster Secretary/Treasurer

Martha Castillo: Diboll Area Lions Club Treasurer; Diboll Festival Committee Treasurer

Debbie Wach: Palestine Chamber of Commerce Board Treasurer

Andreina Salas: Diboll Festival Committee Assistant Treasurer

RAINS COUNTY MARKET

Cody Beaver: Rains County Emergency Services District Treasurer

NEW BANKING CENTER



2020 was the year CBTx brought #BankingTexasStyle to Farmersville! We are proud to be new members of the Farmersville community and look forward to helping further grow Collin County!

TBA RECOGNITION

During the 2020 Texas Bankers Association Convention, the Texas Bankers Foundation presented Heather Cicirello, vice president and Lewisville branch manager, with its second annual Emerging Leader award. Cicirello was one of nine Texas bankers to receive the honor, which was created last year by the Texas Bankers Foundation in partnership with the Bank Leadership Council to honor bankers who have had a positive impact in the banking industry and are expected to become leaders in their banks. Cicirello has been with CBTx for her entire 10-year career. She began as a teller, then was promoted to a loan clerk and assistant vice president/loan administration/scanning department manager. She has been in her current position since 2015. CBTx is proud to have Heather as a leader both in the bank and in the Lewisville community.



BOARD OF DIRECTORS



Bryant H. Krenek, Jr.
Mt. Enterprise

Hospital Administration



Rusty Rust, JD
Nacogdoches

Banking & Finance



Dianne M. Baker
Nacogdoches

Education

INCOMING DIRECTORS



Alton Frailey
Fulshear

Education



Bud Wright
Nacogdoches

Agribusiness



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

NACOGDOCHES COMMERCIAL BANCSHARES, INC.

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Kennard | Lewisville | Lufkin | Nacogdoches | Palestine | Roxton | Wells

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