

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2018

Month / Day / Year

none

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

I, **David L Baty**

Name of the Holding Company Director and Official

President / Director

Title of the Holding Company Director and Official

TXRB Holdings, Inc.

Legal Title of Holding Company

2595 Preston Rd, Suite 100

(Mailing Address of the Holding Company) Street / P.O. Box

Frisco

TX

75034

City

State

Zip Code

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

Physical Location (if different from mailing address)

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Person to whom questions about this report should be directed:

Tom Golas

CFO

Name

Title

972 334-0700

Area Code / Phone Number / Extension

972 334-0114

Area Code / FAX Number

tom.golas@texasrepublicbank.com

E-mail Address

none

Address (URL) for the Holding Company's web page

Signature of Holding Company Director and Official

07/25/2019

Date of Signature

For holding companies *not* registered with the SEC—
 Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID _____

C.I. _____

Is confidential treatment requested for any portion of this report submission?

0=No

1=Yes

0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report

2. a letter justifying this request has been provided separately ...

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

N/A

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

N/A

Legal Title of Subsidiary Holding Company

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City State Zip Code

Physical Location (if different from mailing address)

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Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

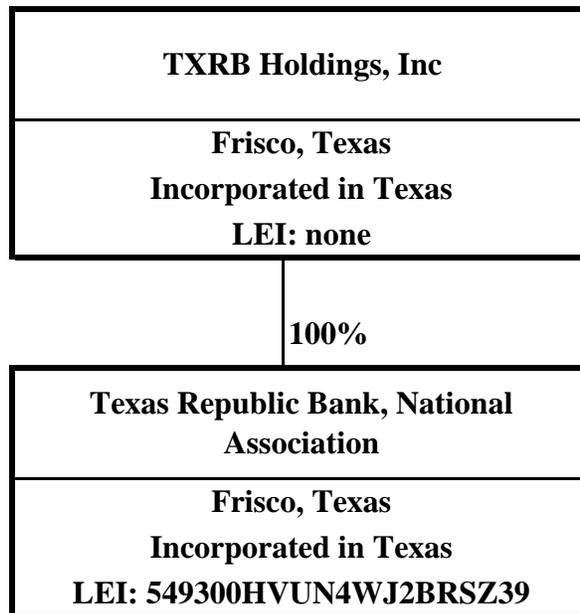
Physical Location (if different from mailing address)

Form FR Y-6

**TXRB Holdings, Inc
Frisco, Texas
Fiscal Year Ending December 31, 2018**

Report Item

- 1 The bank holding company prepares an annual report for its securities holders.
The report is not complete - Two copies will be mailed when complete.
- 2 Organizational Chart



Form FR Y-6

TXRB Holdings, Inc.
 Frisco, TX
 Fiscal Year Ending 12/31/2018

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12/31/2017			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12/31/2017 (but not at fiscal year-end)		
(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
David Baty Richardson, TX, USA	USA	100,100 5% Common Stock	N/A		
Timothy Cantrell Dallas, TX, USA	USA	95,139 5% Common Stock			

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2018

Report Item 4: Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with holding company	(3)(a) Title/Position with holding company	(3)(b) Title/Position with Subsidiaries (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
David L. Baty Richardson, TX USA	Banker	Director & President	Director & President (Texas Republic Bank)	None	5%	None	N/A
Charles Rolfe McKinney, TX USA	Retired Banker	Director & Chairman	Director & Chairman (Texas Republic Bank)	None	1%	None	N/A
Steve Pirkey, DVM Wylie, TX USA	Veterinarian	Director	Director (Texas Republic Bank)	President Veterinary Services P.C. President Pirkey Management LLC	4%	None	Veterinary Services P.C. 100% Pirkey Management LLC 49%
Scott Anderson Richardson, TX USA	Attorney	Director	Director (Texas Republic Bank)	Managing Member Anderson Grossman, PLLC Director Firstand Corp	1%	None	Anderson Grossman, PLLC 50% Firstand Corp 33%
Barry Pryor Dallas, TX USA	Retired Car Dealer	Director	Director (Texas Republic Bank)	Member 2595 Preston, LLC	3%	None	2595 Preston, LLC 26%
Timothy Cantrell Dallas, TX USA	Real Estate Investor	Director & Vice Chairman	Director & Vice Chairman (Texas Republic Bank)	Member 1301 Sycamore Member 133 South 4th Street Princeton LLC Member 1620 South Pecan, LLC Member 1809 Baker, LLC Member 2595 Preston, LLC	5%	None	1301 Sycamore 50% 133 South 4th Street Princeton LLC 99% 1620 South Pecan, LLC 100% 1809 Baker, LLC 100% 2595 Preston, LLC 33%

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2018

Report Item 4: Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with holding company	(3)(a) Title/Position with holding company	(3)(b) Title/Position with Subsidiaries (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Timothy Cantrell Dallas, TX USA	(Continued)			Member 2700 S Travis, LLC			2700 S Travis, LLC 99%
				Member 303 S FM 1417, LLC			303 S FM 1417, LLC 99%
				Member 701 Arkansas, LLC			701 Arkansas, LLC 100%
				Member 701 SGSW, LLC			701 SGSW, LLC 100%
				Member Anchor Laundry			Anchor Laundry 100%
				Partner Annuity Transfers, Ltd.			Annuity Transfers, Ltd. 49%
				Member Bayswater			Bayswater 50%
				Partner Apartment Inspection Services			Apartment Inspection Services 100%
				Partner Buffalo Run, Ltd.			Buffalo Run, Ltd. 99%
				President Cantrell Investment Corp			Cantrell Investment Corp 100%
				Treasurer Cantrell McCulloch			Cantrell McCulloch 33%
				Member CP Arlington, LLC			CP Arlington, LLC 100%
				Member CDGHL, LLC			CDGHL, LLC 30%
				President CPR, Inc			CPR, Inc 100%
				Partner Dove Hollow Allen, Ltd.			Dove Hollow Allen, Ltd. 80%

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2018

Report Item 4: Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with holding company	(3)(a) Title/Position with holding company	(3)(b) Title/Position with Subsidiaries (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Timothy Cantrell Dallas, TX USA	(Continued)			Partner Eastfield Dallas, Ltd.			Eastfield Dallas, Ltd. 49%
				Member Fidelity Bldg & Const, LLC			Fidelity Bldg & Const, LLC 99%
				President Fidelity Realty Advisors, Inc			Fidelity Realty Advisors, Inc 100%
				Partner Franciscan Garland, Ltd.			Franciscan Garland, Ltd. 99%
				President RBT, Inc			RBT, Inc 50%
				Member Independent Oaks Capital Funding			Independent Oaks Capital Funding 100%
				President Lakeview on Shady Oaks GP			Lakeview on Shady Oaks GP 100%
				Member Live Oak Locwood			Live Oak Locwood 50%
				Partner McKinney Stonegate			McKinney Stonegate 99%
				Partner Mesquite-CV Apts.			Mesquite-CV Apts. 99%
				President Monticello Asset Mgt, Inc			Monticello Asset Mgt, Inc 100%
				President P.R. General Partners Inc			P.R. General Partners Inc 33%
				Member Rivercrest Waco			Rivercrest Waco 25%
				Member Six T Dallas Assoc. LLC			Six T Dallas Assoc. LLC 99%
				President T C Apartments, Inc.			T C Apartments, Inc. 100%

Form FR Y-6

TXRB Holdings, Inc.
Frisco, TX
Fiscal Year Ending 12/31/2018

Report Item 4: Insiders

(1) Name & Address (City, State, Country)	(2) Principal Occupation, if other than with holding company	(3)(a) Title/Position with holding company	(3)(b) Title/Position with Subsidiaries (including subsidiary name)	(3)(c) Title/Position with Other Businesses (including business name)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (including subsidiary name)	(4)(c) Percentage of Voting Securities in any other co. (including co. name) if ≥ 25%
Timothy Cantrell Dallas, TX USA	(Continued)			Vice President The Cantrell Company, Inc			The Cantrell Company, Inc 51%
				Member Vernon Oaks Capital Funding			Vernon Oaks Capital Funding 100%
				Member Willoughby - Wheatland, LLC			Willoughby - Wheatland, LLC 100%
				Member Four T Rentals			Four T Rentals 99%
				Member Six T Malakoff Ranch			Six T Malakoff Ranch 99%
				Member Merit Drive Capital Funding			Merit Drive Capital Funding 100%
				Investor BMT Life, J.V.			BMT Life, J.V. 33%
				Member MWD MT Advisors LLC			MWD MT Advisors LLC 33%

Results: A list of branches for your depository institution: **TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION (ID_RSSD: 735067).**

This depository institution is held by **TXRB HOLDINGS, INC. (4215745) of FRISCO, TX.**

The data are as of **12/31/2018.** Data reflects information that was received and processed through **01/06/2019.**

Reconciliation and Verification Steps

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions

OK: If the branch information is correct, enter 'OK' in the **Data Action** column.

Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.

Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.

Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.

Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.

If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:

To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of **Change, Close, Delete, or Add.**

The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	735067	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	2595 PRESTON ROAD, BUILDING 100	FRISCO	TX	75034	COLLIN	UNITED STATES	Not Required	Not Required	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	
OK		Full Service	3730988	QUANAH BRANCH	211 SOUTH MAIN STREET	QUANAH	TX	79252	HARDEMAN	UNITED STATES	Not Required	Not Required	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	
OK		Full Service	4844293	RICHARDSON BRANCH	690 WEST CAMPBELL ROAD, SUITE 100	RICHARDSON	TX	75080	DALLAS	UNITED STATES	Not Required	Not Required	TEXAS REPUBLIC BANK, NATIONAL ASSOCIATION	735067	

2018 ANNUAL REPORT



The Holding Company for



Banking like it oughta be!





Banking like it oughta be!

April 10, 2019

Dear Fellow Shareholders:

Throughout 2018 we communicated to you in our quarterly updates that the year was to be one of transition for the bank, and that certainly proved accurate looking back over the year. During the year we took the step of hiring a Dallas Area Market President, Dale Duboskas, who came to work as our Senior Lender with all loan officers reporting to him. Previously, all loan officers reported to David Baty, President/CEO. Mr. Duboskas is a seasoned banker and has quickly proven his value in assuming this important role. The year also saw us take the step of creating a residential mortgage division, operating under the name of **Texas Republic Mortgage**, in order to expand our mortgage offerings to include long term fixed rate mortgages that we originate and sell to the secondary market. We tapped Maureen McGuire, previously our Richardson branch President, to serve as President of this division. These new mortgage offerings will work in synergy with our already robust real estate lending activity, as we now offer a much broader solution to the marketplace for residential mortgages, including Conventional, Conforming, Jumbo, FHA, VA, fixed rate, and adjustable rate mortgages, and construction loans. With Ms. McGuire's transition, we were most fortunate to backfill the Richardson President position with veteran banker Craig Overstreet. Mr. Overstreet has a broad banking background, including an extended tenure as President/CEO of a community bank in the area.

During the year, we also had the pleasure of promoting several of our key loan officers who have been with us for a number of years. These promotions reflect their increasingly significant contributions to our results: Ron Corcoran to Executive Vice President, Jerry Song and Kelly McBryer to Senior Vice President. It is also noted that we took the step of opening a loan production office in Fort Worth during the summer of 2018 but found that effort proved unproductive and closed the office by year end.

Finally, year-end 2018 witnessed a transition in our Chairman of the Board position as our long-time Chairman, Charles Rolfe, passed the Chairman's torch to Tim Cantrell. Mr. Rolfe believed it was time to step aside and have Mr. Cantrell assume the mantle of board leadership (Tim has been serving as Vice Chairman). We are grateful that Mr. Rolfe will continue to serve us as a director going forward, and fortunate to have Mr. Cantrell as our new Chairman.

Most of the actions mentioned above were taken with the intent to set a broader foundation on which to continue the bank's successful growth for 2019 and beyond. At first glance, it might be thought that such steps would be a distraction to growth or a drag on earnings. However, as reflected in this report, the bank experienced good asset and capital growth, and earnings were once again at record levels. Some of the more notable achievements and recognitions during 2018 were:

- In the third quarter of the year, we experienced our first *quarterly* after-tax profit of \$1,000,000 or more, and repeated that result in the fourth quarter
- Continued **A+** rating as one of "Healthiest Banks in the U.S." by *DepositAccounts.com*
- Attained a *pre-tax return* on total shareholder investment of **30%** and an *after-tax return* of **24%**

Included with this letter is some graphical information together with the annual report by our outside auditors, Payne & Smith. The graphs highlight several facts on the bank covered in more detail in the auditor's report. Some of those we consider most noteworthy are:

- Total Assets: \$256 million at year end, for an annual increase of **10%**
- Total Loans: \$236 million at year end, for an annual increase of **12%**
- Total Deposits: \$206 million at year end, for an annual increase of **4%**
- Net Income: Continued record profits, with net after tax profit of \$4,017,000, or **32%** increase over 2017
- Net Interest Margin: Continued its high level and was **113 basis points** greater than the average of banks in our peer group
- Credit Quality: Continued strong underwriting standards and diligence in managing the loan portfolio. Significantly, the bank ended 2018 with no loans on non-accrual and no foreclosed/repossessed assets. Our reserve for loan loss continues to grow, and sits at a healthy \$2.5 million, or 1.06% of loans.

In summary, 2018 was indeed a year of transition and our foundation has been broadened and strengthened for future growth and prosperity. Our board of directors continues to provide engaged, dedicated leadership and our staff remains committed to continuing our tradition of running the bank in a safe and sound manner, while achieving a very good return for our shareholders. We are humbled, yet excited, about the significant opportunity that continues to lie before us of providing "**banking like it oughta be!**" every day. We look forward to seeing all of you at the annual shareholders' meeting on May 9th.

Sincerely,



David Baty
President/CEO



Tim Cantrell
Chairman of the Board

TXRB Holdings, Inc.

TXRB Holdings, Inc.

is a one-bank holding company with assets of \$256.5 million as of December 31, 2018. The company has offices in three banking markets – Frisco/Collin County, Richardson/Dallas County, and Quanah/Hardeman County.

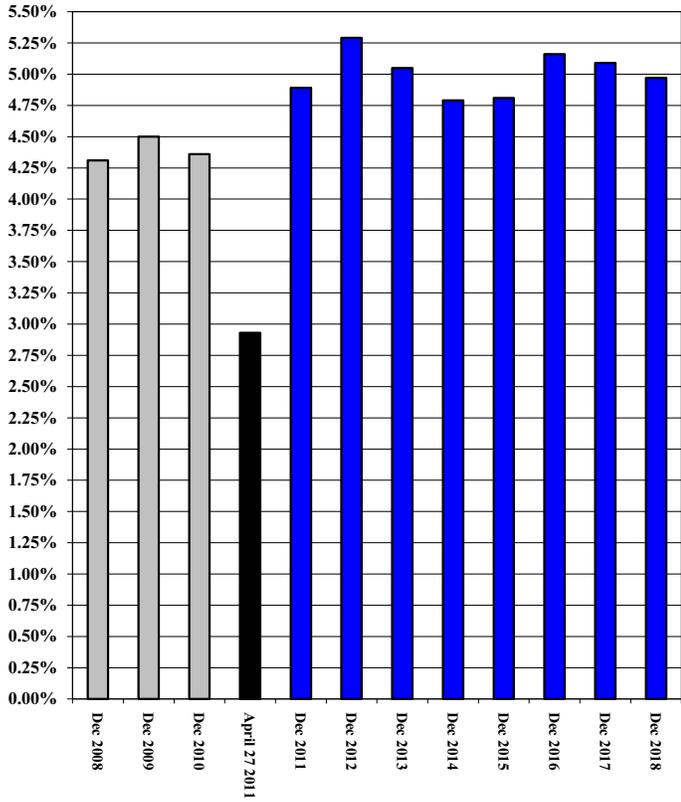
The Annual Meeting of Shareholders

is scheduled for May 9, 2019 at 6:00 p.m. at Bent Tree Country Club located at 5201 Westgrove Drive, Dallas, TX 75248.

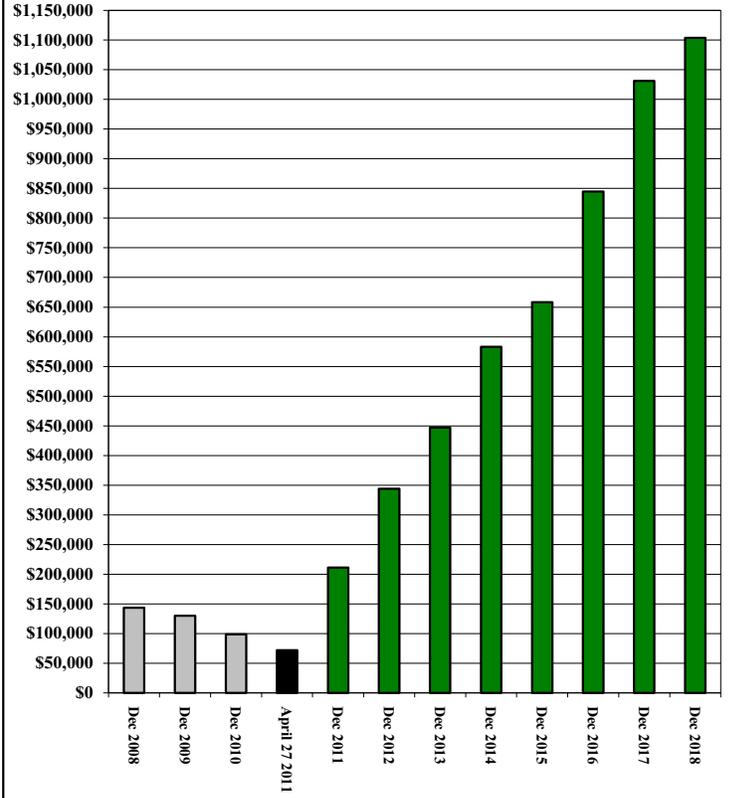
The Corporate Headquarters

is located at 2595 Preston Road, Suite 100 Frisco, Texas 75034 and the telephone number is 972-334-0700. The President/CEO's e-mail address is banker@texasrepublicbank.com.

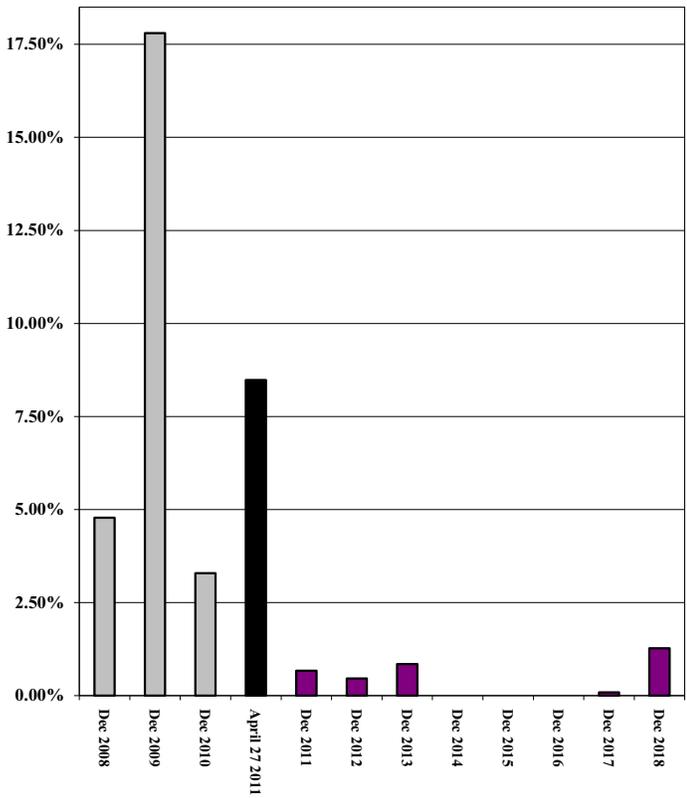
**Texas Republic Bank
Net Interest Margin (%)**



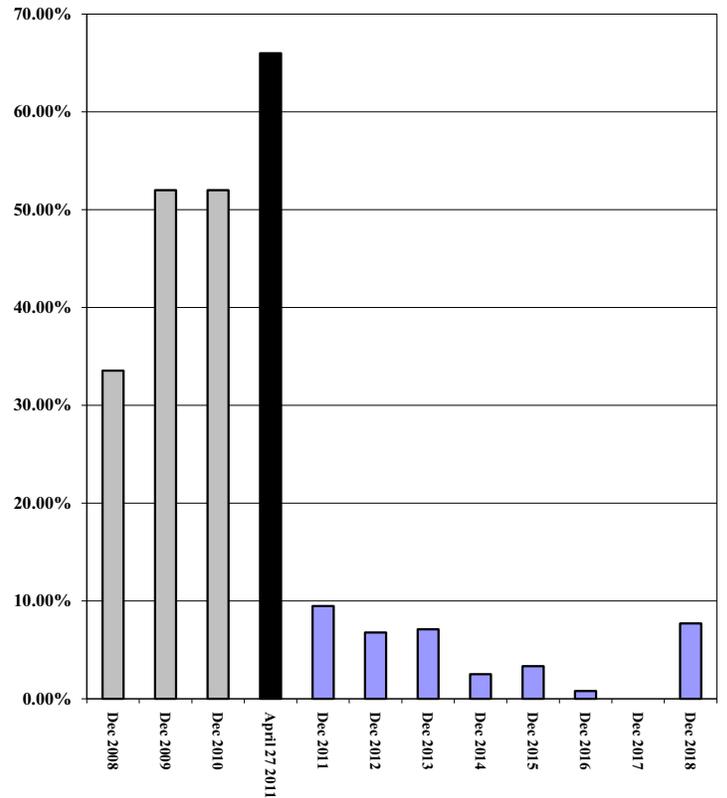
**Texas Republic Bank
Net Interest Income (\$'s)
(monthly)**



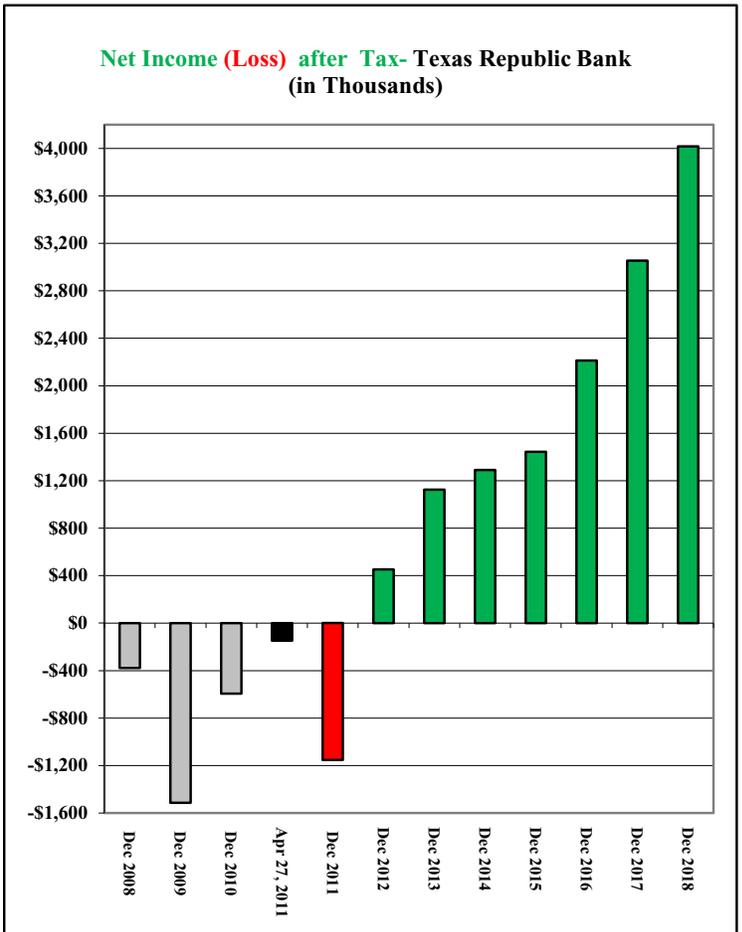
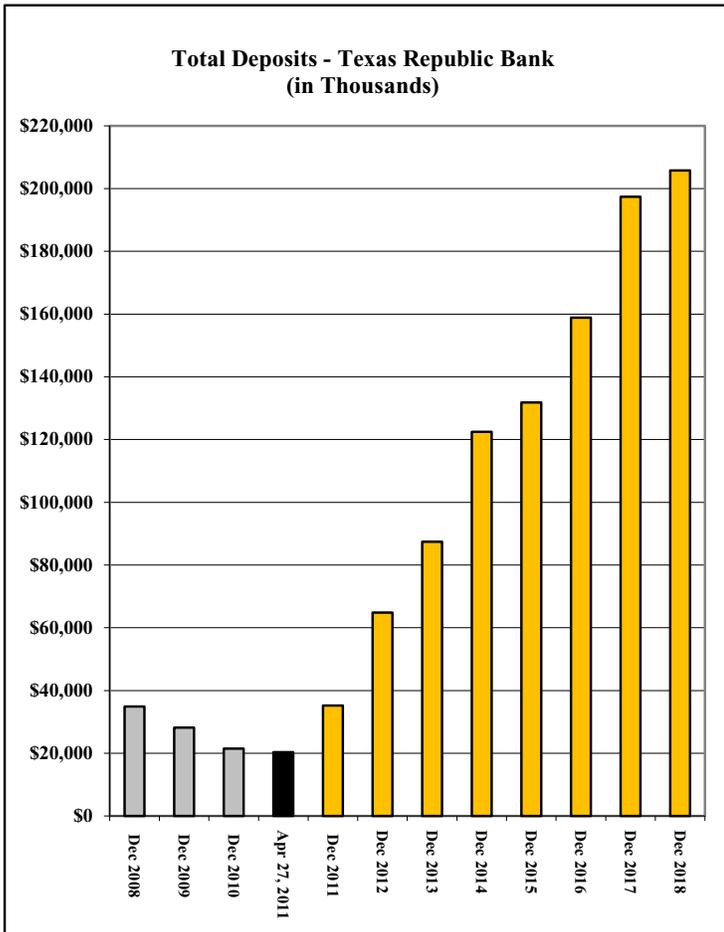
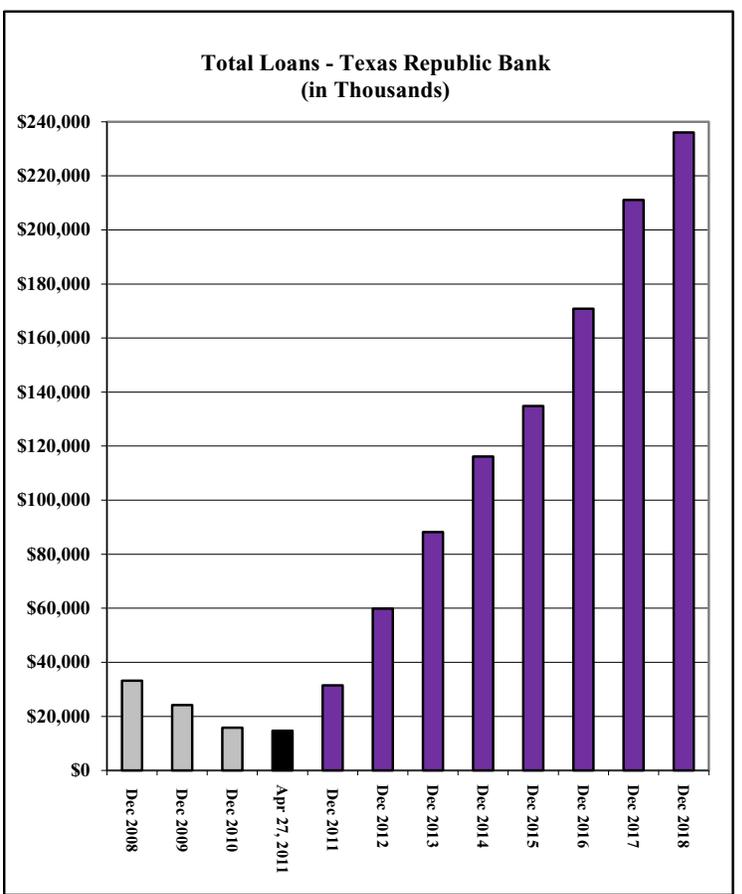
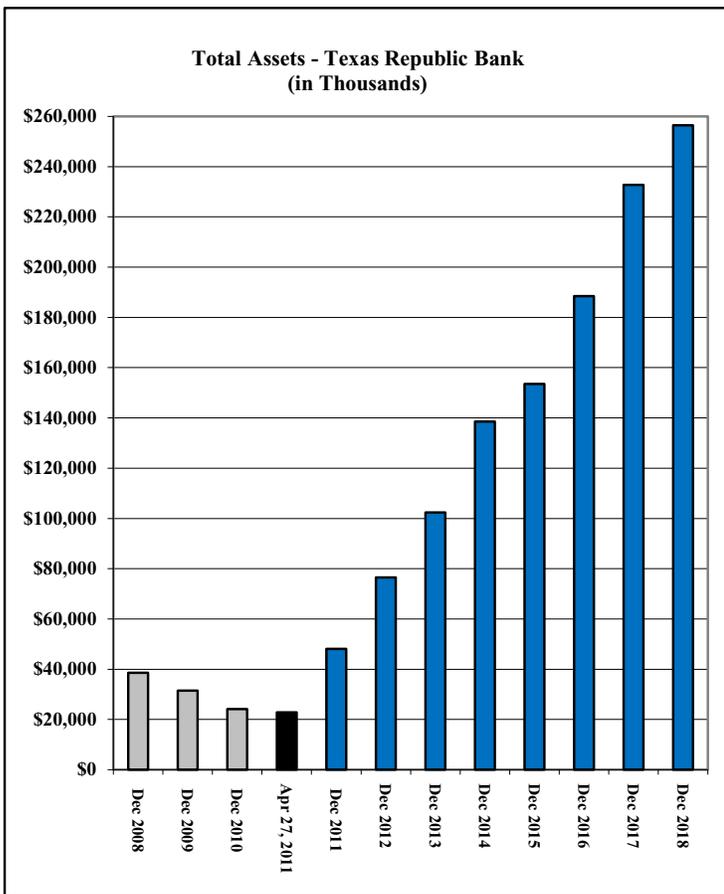
**Texas Republic Bank
Loans Past Due over 30 Days (%)**



**Texas Republic Bank
Texas Ratio (%)
(Non Performing Loans + Other Real Estate / Tangible Capital +
Loan Loss Reserves)**



Note: The Black lines in each graph represent the information at the time the bank was purchased. Grey lines represent information before the bank purchase and the Colored lines represent information after the bank was purchased.



Note: The Black lines in each graph represent the information at the time the bank was purchased. Grey lines represent information before the bank purchase and the Colored lines represent information after the bank was purchased.

TEXAS REPUBLIC BANK

Est. 1891

Frisco's Bank for Business!



Ron Coronan
Executive Vice President
Texas Republic Bank

Michelle Young
Vice President/Owner
Legacy Plumbing

Theron Young
President/Owner
Legacy Plumbing

Look What Our Customers are Saying

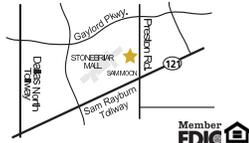
"It's refreshing to find a bank that matches our commitment to provide outstanding customer service. Ron, David and the rest of the team at Texas Republic Bank take the time to understand our business needs and work closely with us to fulfill our future goals. We know we're in good hands with Texas Republic Bank!"

-Theron Young, President
Legacy Plumbing

Banking like it oughta be!

www.texasrepublicbank.com

2595 Preston Road (121 & Preston) | Frisco, TX 75034
Next to Sam Moon | 972-334-0700



Member FDIC

TEXAS REPUBLIC BANK

Est. 1891

Richardson's Bank for Business



Kelly McBrayer
Senior Vice President
Texas Republic Bank

Tim C. Spiars
P.E., President/CEO
Spiars Engineering

Matthew M. Dorsett
P.E., Vice President/Principal
Spiars Engineering

Kevin S. Wier
P.E., Vice President/Principal
Spiars Engineering

Look What Our Customers are Saying

Spiars Engineering is an engineering firm involved in commercial and residential land development in the DFW area and are thrilled to be on the same team with Texas Republic Bank. We made the switch to Texas Republic Bank last year and it's been a pleasant experience working with Kelly and all the good people at the bank. Similar to Spiars Engineering, Texas Republic Bank is about solutions, professionalism, excellent service, family, and lasting relationships. This is a bank that can be trusted to accommodate your small and large business and banking needs with a friendly hometown feel.

-Tim C. Spiars, P.E., President/CEO

Banking like it oughta be!

www.texasrepublicbank.com

690 W. Campbell Road | Richardson, TX 75080
(Next to U.T.D.) | 972.685.2040



Member FDIC

TEXAS REPUBLIC BANK

Est. 1891

Banking like it oughta be!



텍사스 리퍼블릭 뱅크를 만나 고향에 큰 힘이 되었습니다!



본문 최영준 (최영준) 씨

“66세 시은 리퍼블릭 뱅크(TRB)는 교회, 학회, 한국교회의 특성을 잘 알고 믿어지는 정직한 좋은 은행입니다. 특별히 다-계급 넓은 최영준 씨 혼자서 사업장을 가지고 인터넷으로 하는 은행을 찾기는 Loan Officer입니다. 그리고 교회와 관련된 단체 가입은 100% 저축이 할 수대로 도와 베풀 수 있는 무료 채권 이자공제를 제공합니다. TRB 적극 추천합니다.”



본문 손재홍 (손재홍) 씨

“저희 교회가 성경을 구입하면서 여러 번을 은행을 알아보면서 같은 어려움을 겪었습니다. 특별히 문제가 너무 많아 유자를 찾다가 TRB에 왔습니다. 교회의 TRB를 만나 성경을 잘 구입할 수 있었습니다. TRB는 신속하면서도 훌륭한 상사로 훌륭한 문제가 해결되었습니다. 교회를 구입하려는 작은 교회들에게 큰 도움이 됩니다.”



본문 김민 (김민) 씨

“60년 교회를 구입하면서 TRB에 큰 도움을 받았습니다. TRB는 Local Community Bank이기 때문에 서투로운 관리까지 하고, 원장을 직접 방문해서 교회의 Loan을 받을 수 있도록 도와주 도와주었습니다. 교회의 현재 상황 뿐만 아니라 교회의 미래에 비해서 보고 싶어하면 경영을 내리기 때문에 미래를 보고 큰 꿈을 꾸는 교회들에게 큰 도움이 됩니다.”

TEXAS REPUBLIC BANK 제공업무

- 비즈니스 / SBA 융자
- 주택 융자
- 건축 융자
- 채용자
- Lines of Credit
- Equipment Financing
- 교회 및 비영리단체 융자
- Commercial Real Estate 상가 / 부동산 / 토지 대출
- Buy Fix Sell / Rental Homes 투자목적의 건물/집 대출



Texas Republic Bank의 특징 **★ 신속한 CLOSING (2-3주) "No one commits and closes faster than TRB" ★ 모든 합리적인 대출은 가능합니다.**

FRISCO
2595 Preston Road #100
Frisco, TX 75034 (Next to Sam Moon)
972-334-0700



RICHARDSON
690 W. Campbell Road #100
Richardson, TX 75080
972-685-2040



FDIC www.texasrepublicbank.com
Daniel Nam 469-826-5102 | 214-619-3939

TEXAS REPUBLIC BANK

Est. 1891

Frisco's Bank for Business!



Tiffany Burns
Broker & Owner
Monument Realty

Eddie Burns
Owner
Monument Realty

Jerry Song
Senior Vice President
Texas Republic Bank

Look What Our Customers are Saying

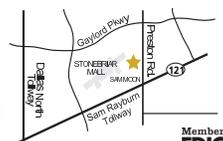
"Thank you Texas Republic Bank for all of your support and help! As small business owners, working to expand in this highly competitive real estate market, you have been there to help with our financing needs. Your relationship based approach is exactly what we needed!"

Tiffany Burns, Broker & Owner
Eddie Burns, Owner

Banking like it oughta be!

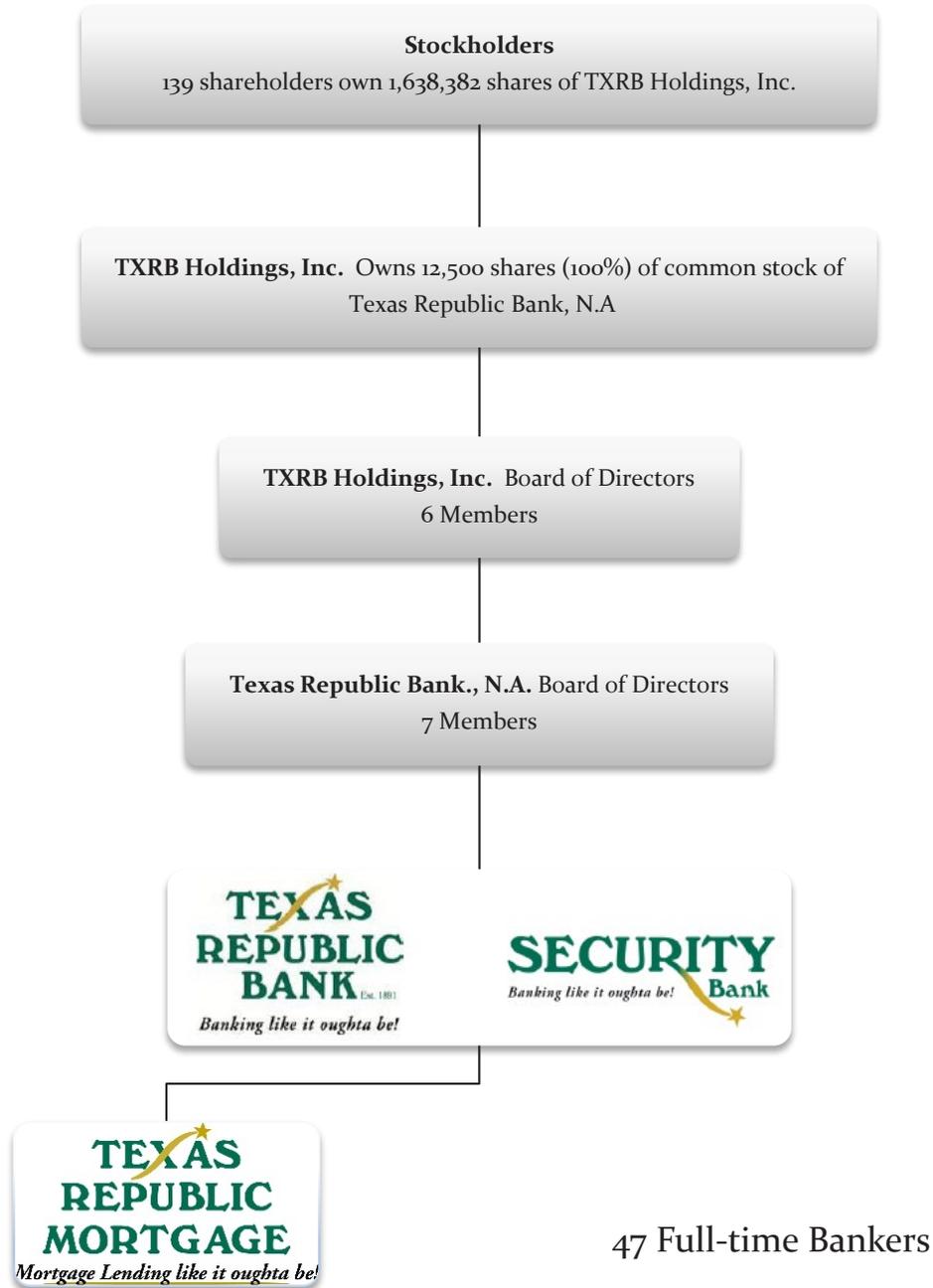
www.texasrepublicbank.com

2595 Preston Road (121 & Preston) | Frisco, TX 75034
Next to Sam Moon | 972-334-0700



Member FDIC

TXRB Holdings, Inc.



TXRB Holdings, Inc.

History and Significant Dates

May 1891

Bank Chartered as Quanah National Bank in Quanah, Hardeman County, TX

December 1910

Bank was succeeded by The Citizens National Bank of Quanah

August 1917

Bank went into voluntary liquidation and was succeeded by Security State Bank of Quanah

January 1923

Bank converted from state to national charter and name changed from Security State Bank to Security National Bank of Quanah

January 1934

With formation of the FDIC, bank becomes FDIC insured

October 1958

Bank moved to new location at 211 Main, Quanah, TX (we still operate a branch from this location)

1980

Weldon "Butch" Tabor, longtime Quanah farmer/rancher, buys controlling interest in Security National Bank of Quanah

2001

Weldon "Butch" Tabor sells controlling interest in Security National Bank to TRB Bancorp

November 2002

Frisco branch opens at 2595 Preston Rd, Frisco, TX under the name Texas Republic Bank

January 2003

Bank name formally changed to Texas Republic Bank, N.A. and Quanah location re-named Security Bank, an office of Texas Republic Bank, N.A.

March 2005

Bank headquarters moved from Quanah to Frisco

December 2009

TXRB Holdings, Inc. formed by David Baty and Tim Cantrell with intent to acquire a community bank

June 2010

TXRB Holdings, Inc. Founder group is finalized

Late 2010 – Early 2011

TXRB Holdings, Inc. Founder group leads successful capital raise effort to provide funds for bank acquisition, and ultimately raises \$16.4 million

April 2011

TXRB Holdings, Inc. buys 100% of Texas Republic Bank, including Security Bank in Quanah

May 2014

Richardson branch opens at 690 W. Campbell Rd., Suite 100 Richardson, TX

January 2016

Frisco headquarters expands to add Suite 300, and bank celebrates 125 years in business

October 2018

Texas Republic Bank establishes Texas Republic Mortgage to offer conventional mortgage loan products

TXRB Holdings, Inc. Board of Directors

R. Scott Anderson
Attorney

David L. Baty
President/CEO
Banker

Charles O. “Buz” Rolfe
Retired Banking Executive

Barry Pryor
Retired Executive

Tim L. Cantrell
Chairman
Real Estate Investments

Steve Pirkey, DVM
Veterinarian

Texas Republic Bank, N.A. Board of Directors

R. Scott Anderson
Attorney

David L. Baty
President/CEO
Banker

Steve Pirkey, DVM
Veterinarian

Barry Pryor
Retired Executive

Tim L. Cantrell
Chairman
Real Estate Investments

Dale Duboskas
President – Dallas Market
Banker

Charles O. “Buz” Rolfe
Retired Banking Executive

Texas Republic Bank, N. A. Officers

David L. Baty (F)
President/CEO

Lane Troiani (F)
Senior Vice President
Senior Credit Officer

Pamela Folkman (F)
Senior Vice President
Senior Operations Officer

Maureen McGuire (F)
President/TR Mortgage

Collin Douglas (F)
Senior Vice President

Tammy Martinez (Q)
Senior Vice President

Craig Overstreet (R)
President/Richardson

Jerrica Anderson (F)
Vice President

Kelly McBrayer (R)
Senior Vice President

Tom Golas (F)
Chief Financial Officer

Kathy Selvidge (F)
Assistant Vice President

Carly Hollaway (F)
Vice President

Dale Duboskas (F)
President – Dallas Market

Kaili Parde Baines (F)
Banking Officer

Joanna Coleman (F)
Assistant Vice President

Scott Driscoll (M)
President – Melissa

Daniel Nam (F)
Banking Officer

Ash Kaura (R)
Banking Officer

Ron Corcoran (F)
Executive Vice President

Julian Moolman (R)
Banking Officer

Michelle Tellez (F)
Banking Officer

Jerry Song (F)
Senior Vice President

F – Frisco R – Richardson

Q – Quannah M – Melissa

***TXRB HOLDINGS, INC.
AND SUBSIDIARY***

**Consolidated Financial Statements
and Additional Information**

December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

The Board of Directors
TXRB Holdings, Inc. and Subsidiary
Frisco, Texas

We have audited the accompanying consolidated financial statements of TXRB Holdings, Inc. and Subsidiary (Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TXRB Holdings, Inc. and Subsidiary as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Payne & Smith, LLC

March 21, 2019

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2018 and 2017

(In thousands of dollars, except for share amounts)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 17,620	\$ 18,996
Loans, net	233,554	208,847
Bank premises and equipment, net	1,181	1,386
Core deposit intangible	77	103
Goodwill	1,092	1,092
Other assets	<u>2,989</u>	<u>2,368</u>
	<u>\$ 256,513</u>	<u>\$ 232,792</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Deposits:		
Noninterest bearing	\$ 51,519	\$ 46,774
Interest bearing	<u>152,535</u>	<u>150,278</u>
Total deposits	204,054	197,052
Federal funds purchased	1,066	-
Advances from the Federal Home Loan Bank	17,446	7,997
Other borrowings	4,500	3,005
Other liabilities	1,755	934
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, \$1 par value; 10,000,000 shares authorized, 1,641,716 shares issued and 1,638,382 shares outstanding at December 31, 2018 and 2017	1,641	1,641
Capital surplus	14,869	14,869
Retained earnings	11,222	7,334
Treasury stock, at cost	<u>(40)</u>	<u>(40)</u>
Total stockholders' equity	<u>27,692</u>	<u>23,804</u>
	<u>\$ 256,513</u>	<u>\$ 232,792</u>

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Income

For the Years Ended December 31, 2018 and 2017

(In thousands of dollars)

	<u>2018</u>	<u>2017</u>
Interest income:		
Interest and fees on loans	\$ 13,519	\$ 12,593
Interest on deposits in other banks	554	215
Other	<u>50</u>	<u>37</u>
Total interest income	<u>14,123</u>	<u>12,845</u>
Interest expense:		
Interest on deposit accounts	1,725	1,315
Interest on borrowings	<u>489</u>	<u>185</u>
Total interest expense	<u>2,214</u>	<u>1,500</u>
Net interest income	11,909	11,345
Provision for loan losses	<u>270</u>	<u>325</u>
Net interest income after provision for loan losses	<u>11,639</u>	<u>11,020</u>
Noninterest income:		
Service charges on deposit accounts	328	279
Gain on sale of other real estate owned	-	44
Bank card and credit card interchange fees	204	196
Other	<u>70</u>	<u>63</u>
Total noninterest income	<u>602</u>	<u>582</u>
Noninterest expense:		
Salaries and employee benefits	4,670	4,045
Occupancy expense	663	600
Data processing expense	804	636
FDIC insurance expense	76	176
Other	<u>1,107</u>	<u>1,061</u>
Total noninterest expense	<u>7,320</u>	<u>6,518</u>
Income before income tax expense	4,921	5,084
Income tax expense	<u>1,033</u>	<u>2,085</u>
Net income	<u>\$ 3,888</u>	<u>\$ 2,999</u>

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2018 and 2017

(In thousands of dollars)

	<u>2018</u>	<u>2017</u>
Net income	\$ 3,888	\$ 2,999
Other comprehensive income, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 3,888</u>	<u>\$ 2,999</u>

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2018 and 2017

(In thousands of dollars)

	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance January 1, 2017	\$ 1,641	\$ 14,869	\$ 4,335	\$ (40)	\$ 20,805
Net income	<u>-</u>	<u>-</u>	<u>2,999</u>	<u>-</u>	<u>2,999</u>
Balance December 31, 2017	1,641	14,869	7,334	(40)	23,804
Net income	<u>-</u>	<u>-</u>	<u>3,888</u>	<u>-</u>	<u>3,888</u>
Balance December 31, 2018	<u>\$ 1,641</u>	<u>\$ 14,869</u>	<u>\$ 11,222</u>	<u>\$ (40)</u>	<u>\$ 27,692</u>

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

(In thousands of dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Net income	\$ 3,888	\$ 2,999
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	236	239
Amortization	26	26
Provision for loan losses	270	325
Net gain on sales of other real estate owned	-	(44)
Deferred tax benefit (expense)	(125)	224
Increase in other assets	(496)	(108)
Increase in other liabilities	<u>821</u>	<u>226</u>
Net cash provided by operating activities	<u>4,620</u>	<u>3,887</u>
Cash flows from investing activities:		
Purchases of securities available for sale	(144,993)	(124,997)
Proceeds from sales, maturities and principal reductions of securities available for sale	144,993	124,997
Net originations of loans	(24,977)	(40,092)
Net additions to bank premises and equipment	(31)	(84)
Net proceeds from sales of other real estate owned	<u>-</u>	<u>212</u>
Net cash used in investing activities	<u>(25,008)</u>	<u>(39,964)</u>
Cash flows from financing activities:		
Net (decrease) increase in demand deposits, NOW and savings deposits	(8,705)	7,767
Net increase in certificates of deposits	15,707	30,582
Net increase in federal funds purchased	1,066	-
Proceeds from advances with Federal Home Loan Bank	10,000	-
Repayments on advances from Federal Home Loan Bank	(551)	(541)
Proceeds from other borrowings	<u>1,495</u>	<u>3,005</u>
Net cash provided by financing activities	<u>19,012</u>	<u>40,813</u>
Net (decrease) increase in cash and cash equivalents	(1,376)	4,736
Cash and cash equivalents at beginning of year	<u>18,996</u>	<u>14,260</u>
Cash and cash equivalents at end of year	<u>\$ 17,620</u>	<u>\$ 18,996</u>

See accompanying notes to consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by TXRB Holdings, Inc. and Subsidiary (referred to collectively as the Company), in the preparation of its consolidated financial statements. These accounting policies conform to generally accepted accounting principles and practices generally followed within the banking industry. A description of the more significant of these policies follows.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of TXRB Holdings, Inc. (TXRB) and its wholly-owned subsidiary, Texas Republic Bank, N.A. (Bank). All significant inter-company transactions and balances have been eliminated in consolidation.

Business

TXRB acquired 100% of the common stock of Texas Republic Bank, N.A. (Bank) on April 27, 2011. The Bank, a national bank located in Frisco, Texas, with branches in Richardson and Quanah, Texas, began operations in 1891. The Bank provides a full range of banking services to individual and corporate customers and is subject to competition from other local, regional, and national financial institutions. The Bank is subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities.

The summary of the significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are the representation of the Company's management, who are responsible for their integrity and objectivity.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and valuation of other real estate owned. While management uses available information to recognize losses on loans and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company's allowance for loan and other real estate losses. They may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

A significant portion of the Company's loans are secured by real estate and related assets located in local markets. Accordingly, the ultimate collectability of this portion of the Company's loan portfolio is susceptible to changes in local market conditions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, other short-term investments and federal funds sold. All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Federal Reserve Bank (FRB) Stock

The bank is a member of its regional Federal Reserve Bank (FRB). FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. FRB stock is included in other assets in the accompanying consolidated balance sheets.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Federal Home Loan Bank (FHLB) Stock

The bank is a member of the Federal Home Loan Bank (FHLB). Members are required to own a certain amount of stock based on the level of its borrowings and also may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. FHLB stock is included in other assets in the accompanying consolidated balance sheets.

Loans

The Company grants commercial, real estate, agricultural, and consumer loans to customers. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in its geographic area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees and costs associated with originating loans with maturities greater than one year are deferred and recognized over the life of the loan as an adjustment of yield.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, the Company considers the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Company's collateral position. Regulatory provisions typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest on nonaccrual loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment based on historical loss experience, current economic conditions, and performance trends.

Interest payments on impaired loans are typically applied to principal unless collectibility of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Troubled Debt Restructured (TDR) Loans

A TDR loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms, which have been modified or restructured due to a borrower's financial difficulty, include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals, and rewrites. A TDR loan would generally be considered impaired in the year of modification and will be assessed periodically for further impairment.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses inherent in the loan portfolio. The allowance for possible loan losses includes allowance allocations calculated in accordance with Accounting Standards Codification (ASC) Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general allocation is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity, and other financial and qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves, which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Bank Premises and Equipment

Land is carried at cost. Premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method over the estimated useful lives of the related property.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Intangible Assets

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability. The Company's intangible assets relate to core deposits acquired in the purchase of the Bank. Intangible assets with definite useful lives are amortized over their estimated life.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. At least annually or more frequently if circumstances dictate, management assesses qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that goodwill is impaired. If, after assessing the totality of events and circumstances, management concludes that it is not more likely than not that goodwill is impaired, then no further action is taken. If, however, management concludes otherwise, then the fair value of goodwill is determined and tested for impairment by comparing the fair value with the carrying amount in accordance with ASC Topic 350, *Intangibles-Goodwill and Other*.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Income Taxes

TXRB Holdings Inc. files a consolidated income tax return with its subsidiary. Federal income tax expense or benefit has been allocated on a separate return basis.

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2015.

Enactment of the Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Act"). The Act includes several changes which impact the Company's income taxes including the permanent reduction in the maximum U.S. corporate income tax rate from 35% to 21% for years beginning after December 31, 2017. Under generally accepted accounting principles, deferred tax assets and liabilities are required to be adjusted for the Act's effect through income from continuing operations in the reporting period that includes the enactment date. Accordingly, the Company has adjusted certain deferred tax assets and liabilities in the accompanying 2017 consolidated financial statements to record the effect of the decrease in the corporate income tax rate in the years the temporary differences are expected to reverse. The corresponding expense of approximately \$336,000 has been included as a component of deferred income tax expense in the accompanying consolidated statement of income and consolidated comprehensive income for the year ended December 31, 2017.

Treasury Stock

Treasury stock is recorded at cost. At December 31, 2018 and 2017, the Company had 3,334 shares held in treasury.

Stock Compensation Plans

Compensation expense for stock options and warrants is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized ratably over the service period of the award. The fair value of stock options and warrants is estimated using the Black-Scholes option-pricing model. The fair value on non-vested stock awards is generally the market price of the Company's stock on the date of grant.

Advertising

Advertising consists of the Company's advertising in its local market area. Advertising is expensed as incurred. Advertising expense was approximately \$116,000 and \$105,000 for the years ended December 31, 2018 and 2017, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss), which includes the change in unrealized gains and losses on securities available for sale, if applicable.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Fair Values of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through March 21, 2019, the date the consolidated financial statements were available to be issued.

Accounting Pronouncement Adopted in 2018

In January 2016, the FASB issued ASU 2016-01 which eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The new standard is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company early adopted the provisions which allow for the discontinuation of the fair value disclosures for financial instruments not measured at fair value as of January 2018.

Reclassification

Certain amounts previously reported have been reclassified to conform to the current format. The reclassifications have no impact on the consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

2. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The amendment to the Leases topic of the Accounting Standards Codification was to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amended guidance requires lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date (i) A lease liability, which is lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The amendment will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Earlier application is permitted. The Company is evaluating the impact this statement will have in the Company's consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The update requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. The guidance replaces the incurred loss model with a current expected loss model, which is referred to as the current expected credit loss (CECL) model. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In November 2018, the FASB issued Accounting Standards Update 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*. The amendment requires that for nonpublic business entities the amendments will be effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. The Company has formed a CECL committee and is evaluating the impact this amendment will have on the Company's consolidated financial statements.

In February 2018, the FASB issued Accounting Standards Update ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and improve the usefulness of information reported to financial statement users and requires certain disclosures about stranded tax affects. The update will be effective for fiscal years beginning after December 15, 2018. Early adoption of the amendments in this update is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

TXRB HOLDINGS, INC. AND SUBSIDIARY

3. Statement of Cash Flows

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, loans made to customers and principal collections on those loans.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2018 and 2017 is presented as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Cash transactions:		
Interest expense paid	\$ <u>2,074</u>	\$ <u>1,464</u>
Federal income taxes paid	\$ <u>1,140</u>	\$ <u>1,790</u>

TXRB HOLDINGS, INC. AND SUBSIDIARY

4. Loans and Allowance for Loan Losses

Loans at December 31, 2018 and 2017 consisted of the following (in thousands):

	<u>2018</u>	<u>2017</u>
Real estate:		
Construction, land development, land	\$ 30,301	\$ 37,282
Farmland	11,154	7,693
1-4 family residential properties	107,254	94,226
Multi-family residential	3,716	1,440
Nonfarm nonresidential owner occupied	40,199	30,691
Nonfarm nonresidential other	<u>19,536</u>	<u>19,408</u>
Total real estate	212,160	190,740
Commercial	21,639	17,810
Agricultural	781	951
Consumer	1,322	1,406
Other	<u>186</u>	<u>242</u>
	236,088	211,149
Unearned income	(21)	(62)
Allowance for loan losses	<u>(2,513)</u>	<u>(2,240)</u>
	<u>\$ 233,554</u>	<u>\$ 208,847</u>

At December 31, 2018 and 2017, the Bank had total commercial real estate loans of \$93,752,000 and \$88,821,000, respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 96% and 136% of total risk based capital at December 31, 2018 and 2017, respectively. The Bank had non-owner occupied commercial real estate loans representing 169% and 212%, respectively, of total risk based capital at December 31, 2018 and 2017. Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE). Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk-based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institution's total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration.

The Company extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2018 and 2017, the majority of the Company's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Company's profitability, and asset quality. If the Company were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Company has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2018 and 2017 is as follows (in thousands):

	Beginning <u>Balance</u>	<u>Provision</u>	<u>Charge offs</u>	<u>Recoveries</u>	Ending <u>Balance</u>
December 31, 2018:					
Real estate:					
Construction, land development, land	\$ 385	\$ (41)	\$ -	\$ -	\$ 344
Farmland	79	48	-	-	127
1-4 family residential properties	975	55	-	2	1,032
Multi-family residential	15	27	-	-	42
Nonfarm nonresidential owner occupied	317	140	-	-	457
Nonfarm nonresidential other	<u>200</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>222</u>
Total real estate	1,971	251	-	2	2,224
Commercial	247	24	-	1	272
Agricultural	9	(2)	-	-	7
Consumer	11	(2)	-	-	9
Other	<u>2</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 2,240</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 2,513</u>
December 31, 2017:					
Real estate:					
Construction, land development, land	\$ 326	\$ 59	\$ -	\$ -	\$ 385
Farmland	89	(10)	-	-	79
1-4 family residential properties	952	28	(6)	1	975
Multi-family residential	17	(2)	-	-	15
Nonfarm nonresidential owner occupied	165	152	-	-	317
Nonfarm nonresidential other	<u>172</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total real estate	1,721	255	(6)	1	1,971
Commercial	235	88	(93)	17	247
Agricultural	8	1	-	-	9
Consumer	22	(18)	-	7	11
Other	<u>3</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>\$ 1,989</u>	<u>\$ 325</u>	<u>\$ (99)</u>	<u>\$ 25</u>	<u>\$ 2,240</u>

TXRB HOLDINGS, INC. AND SUBSIDIARY

The Company's individual ALLL allocations are established for probable losses on specific loans. The Company's general ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics and on economic conditions and other qualitative risk factors both internal and external to the Company. Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2018 and 2017 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations			
	Individually	General	Total loans	General			Total ALLL
				Individually	Historical	Other	
December 31, 2018:							
Real estate:							
Construction, land development, land	\$ -	\$ 30,301	\$ 30,301	\$ -	\$ -	\$ 344	\$ 344
Farmland	-	11,154	11,154	-	-	127	127
1-4 family residential properties	-	107,254	107,254	-	1	1,031	1,032
Multi-family residential	-	3,716	3,716	-	-	42	42
Nonfarm nonresidential owner occupied	-	40,199	40,199	-	-	457	457
Nonfarm nonresidential other	-	<u>19,536</u>	<u>19,536</u>	-	-	<u>222</u>	<u>222</u>
Total real estate	-	212,160	212,160	-	1	2,223	2,224
Commercial	-	21,639	21,639	-	26	246	272
Agricultural	-	781	781	-	-	7	7
Consumer	-	1,322	1,322	-	-	9	9
Other	-	<u>186</u>	<u>186</u>	-	-	<u>1</u>	<u>1</u>
	<u>\$ -</u>	<u>\$ 236,088</u>	<u>\$ 236,088</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 2,486</u>	<u>\$ 2,513</u>
December 31, 2017:							
Real estate:							
Construction, land development, land	\$ -	\$ 37,282	\$ 37,282	\$ -	\$ -	\$ 385	\$ 385
Farmland	-	7,693	7,693	-	-	79	79
1-4 family residential properties	-	94,226	94,226	-	2	973	975
Multi-family residential	-	1,440	1,440	-	-	15	15
Nonfarm nonresidential owner occupied	-	30,691	30,691	-	-	317	317
Nonfarm nonresidential other	-	<u>19,408</u>	<u>19,408</u>	-	-	<u>200</u>	<u>200</u>
Total real estate	-	190,740	190,740	-	2	1,969	1,971
Commercial	-	17,810	17,810	-	54	193	247
Agricultural	-	951	951	-	-	9	9
Consumer	-	1,406	1,406	-	-	11	11
Other	-	<u>242</u>	<u>242</u>	-	-	<u>2</u>	<u>2</u>
	<u>\$ -</u>	<u>\$ 211,149</u>	<u>\$ 211,149</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 2,184</u>	<u>\$ 2,240</u>

TXRB HOLDINGS, INC. AND SUBSIDIARY

Impaired Loans

The Company had no impaired loans at December 31, 2018 and 2017.

Past Due and Nonaccrual Loans

The following is a summary of past due and nonaccrual loans at December 31, 2018 and 2017 (in thousands):

	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Nonaccrual	Total Past Due and Nonaccrual
December 31, 2018:				
Real estate:				
Construction, land development, land	\$ -	\$ -	\$ -	\$ -
Farmland	173	-	-	173
1-4 family residential properties	1,224	-	-	1,224
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	-	1,161	-	1,161
Nonfarm nonresidential other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total real estate	1,397	1,161	-	2,558
Commercial	163	275	-	438
Agricultural	-	-	-	-
Consumer	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,560</u>	<u>\$ 1,436</u>	<u>\$ -</u>	<u>\$ 2,996</u>
December 31, 2017:				
Real estate:				
Construction, land development, land	\$ -	\$ -	\$ -	\$ -
Farmland	-	-	-	-
1-4 family residential properties	190	-	-	190
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-
Nonfarm nonresidential other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total real estate	190	-	-	190
Commercial	-	-	-	-
Agricultural	-	-	-	-
Consumer	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190</u>

The Company had no loans on nonaccrual during the years ended December 31, 2018 and 2017.

TXRB HOLDINGS, INC. AND SUBSIDIARY

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring (TDR) if both the borrower is experiencing financial difficulties and the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company did not have any TDR's during the years ended December 31, 2018 and 2017. The Company is not committed to lend additional funds to debtors whose loans have been modified.

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. The Company uses the following definitions for risk ratings:

Pass

Loans classified as pass are loans with low to average risk.

Special Mention

Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

TXRB HOLDINGS, INC. AND SUBSIDIARY

As of December 31, 2018 and 2017, based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
December 31, 2018:					
Real estate:					
Construction, land development, land	\$ 30,301	\$ -	\$ -	\$ -	\$ 30,301
Farmland	10,981	-	173	-	11,154
1-4 family residential properties	106,181	79	994	-	107,254
Multi-family residential	3,716	-	-	-	3,716
Nonfarm nonresidential owner occupied	39,038	-	1,161	-	40,199
Nonfarm nonresidential other	<u>19,104</u>	<u>432</u>	<u>-</u>	<u>-</u>	<u>19,536</u>
Total real estate	209,321	511	2,328	-	212,160
Commercial	21,200	-	439	-	21,639
Agricultural	781	-	-	-	781
Consumer	1,322	-	-	-	1,322
Other	<u>186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186</u>
	<u>\$ 232,810</u>	<u>\$ 511</u>	<u>\$ 2,767</u>	<u>\$ -</u>	<u>\$ 236,088</u>
December 31, 2017:					
Real estate:					
Construction, land development, land	\$ 37,282	\$ -	\$ -	\$ -	\$ 37,282
Farmland	7,693	-	-	-	7,693
1-4 family residential properties	93,990	46	190	-	94,226
Multi-family residential	1,440	-	-	-	1,440
Nonfarm nonresidential owner occupied	29,609	1,082	-	-	30,691
Nonfarm nonresidential other	<u>19,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,408</u>
Total real estate	189,422	1,128	190	-	190,740
Commercial	17,720	-	90	-	17,810
Agricultural	951	-	-	-	951
Consumer	1,406	-	-	-	1,406
Other	<u>242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242</u>
	<u>\$ 209,741</u>	<u>\$ 1,128</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 211,149</u>

TXRB HOLDINGS, INC. AND SUBSIDIARY

5. Bank Premises and Equipment

Bank premises and equipment at December 31, 2018 and 2017 consisted of the following (in thousands):

	<u>2018</u>	<u>2017</u>
Bank building	\$ 1,653	\$ 1,648
Furniture and equipment	747	721
Automobiles	<u>36</u>	<u>36</u>
	2,436	2,405
Accumulated depreciation	<u>(1,255)</u>	<u>(1,019)</u>
	<u>\$ 1,181</u>	<u>\$ 1,386</u>

The Company leases a portion of its bank premises under non-cancelable operating leases. Rental expense totaled approximately \$320,000 and \$284,000 for the years ended December 31, 2018 and 2017, respectively. Pursuant to the terms of the lease agreements in effect at December 31, 2018, pertaining to banking premises, future minimum rent commitments are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2019	\$ 222
2020	201
2021	201
2022	101
2023	-
Thereafter	<u>-</u>
	<u>\$ 725</u>

6. Goodwill

Goodwill of approximately \$1,092,000 resulting from the acquisition of the Bank is included in the accompanying consolidated financial statements at December 31, 2018 and 2017. As provided by ASC Topic 350, *Intangibles – Goodwill and Other*, the Company performs an annual impairment test for goodwill if it is determined that it is not more likely than not that the asset is impaired. At December 31, 2018 and 2017, management has determined that there is no impairment of goodwill.

TXRB HOLDINGS, INC. AND SUBSIDIARY

7. Core Deposit Intangible

Core deposit intangibles resulting from the acquisition of the Bank during 2011, are being amortized using the straight-line method over a period of 10 years. Assigned costs and accumulated amortization at December 31, 2018 and 2017 consisted of the following (in thousands):

	<u>2018</u>	<u>2017</u>
Gross amount	\$ 273	\$ 273
Accumulated amortization	<u>(196)</u>	<u>(170)</u>
	<u>\$ 77</u>	<u>\$ 103</u>

Changes in the carrying amount of the core deposit intangible for the years ended December 31, 2018 and 2017 are summarized as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Net core deposit intangible asset at the beginning of the year	\$ 103	\$ 129
Additions during the year	-	-
Amortization during the year	<u>(26)</u>	<u>(26)</u>
Net core deposit intangible asset at the end of the year	<u>\$ 77</u>	<u>\$ 103</u>

8. Deposits

Deposits at December 31, 2018 and 2017 are summarized as follows (in thousands):

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Noninterest bearing demand accounts	\$ 51,519	25.3	\$ 46,774	23.7
Interest bearing demand accounts	61,975	30.4	69,402	35.2
Savings accounts	10,875	5.3	16,898	8.6
Certificates of deposit, \$250,000 and greater	31,269	15.3	11,297	5.7
Certificates of deposit, less than \$250,000	<u>48,416</u>	<u>23.7</u>	<u>52,681</u>	<u>26.8</u>
	<u>\$ 204,054</u>	<u>100.0</u>	<u>\$ 197,052</u>	<u>100.0</u>

The Company had no brokered deposits at December 31, 2018 and 2017.

At December 31, 2018, scheduled maturities of certificates of deposit are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
Less than one year	\$ 55,657
One to three years	20,769
Over three years	<u>3,259</u>
	<u>\$ 79,685</u>

TXRB HOLDINGS, INC. AND SUBSIDIARY

9. Other Borrowings

Line of Credit

The Company has a revolving line of credit (LOC) with an unrelated bank for up to \$4,500,000. At December 31, 2018 and 2017, the LOC has an outstanding balance of approximately \$4,500,000 and \$3,005,000, respectively. The LOC matures October 31, 2022 and is secured by 100% of outstanding common stock of Texas Republic Bank. The LOC has a fixed interest rate of 4.75% and is payable in 20 quarterly interest payments beginning January 31, 2018 through October 31, 2022. The unpaid principal balance is due and payable in 16 quarterly payments equal to 2.5% of the principal balance outstanding as of October 31, 2018, beginning on January 31, 2019 through October 31, 2022.

At December 31, 2018, the scheduled repayment of principal due on the LOC is as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2019	\$ 450
2020	450
2021	450
2022	3,150
2023	-
Thereafter	-
	<u>\$ 4,500</u>

Federal Home Loan Bank

At December 31, 2018 and 2017, the Bank had advances from the Federal Home Loan Bank (FHLB) in the amount of approximately \$17,446,000 and \$7,997,000, respectively. Advances from the FHLB are collateralized by a security agreement, which requires the borrowing bank to maintain a certain level of qualified first mortgage collateral in relation to the amount of outstanding debt. The advances bear interest at rates of 1.55% to 3.02%. At December 31, 2018 scheduled maturities are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2019	\$ 559
2020	2,533
2021	2,300
2022	193
2023	11,861
Thereafter	-
	<u>\$ 17,446</u>

At December 31, 2018, the Company has additional unused borrowing capacity with the FHLB of approximately \$74,391,000.

Federal Funds Purchased

Federal funds purchased are short-term borrowings that typically mature within one to ninety days. Federal funds purchased totaled \$1,066,000 at December 31, 2018. There were no federal funds purchased at December 31, 2017. The Company had additional federal fund lines available from commercial banks of approximately \$12,034,000 at December 31, 2018.

TXRB HOLDINGS, INC. AND SUBSIDIARY

10. Income Taxes

The provision for income tax for the years ended December 31, 2018 and 2017 consisted of the following (in thousands):

	<u>2018</u>	<u>2017</u>
Income tax expense (benefit):		
Current	\$ 1,158	\$ 1,861
Deferred	<u>(125)</u>	<u>224</u>
Income tax expense	<u>\$ 1,033</u>	<u>\$ 2,085</u>

Income taxes for financial reporting purposes approximate the amounts computed by the statutory federal income tax rates for the year ended December 31, 2018. Income taxes for financial reporting purposes differed from the amounts computed by the statutory federal income tax rates for the year ended December 31, 2017 primarily due to the additional deferred tax expense resulting from the Tax Cuts and Jobs Act of 2017 discussed in Note 1 and non-deductible expenses partially offset by earnings from tax exempt loans which are not includable in income for federal income tax purposes.

Deferred income taxes reflect the net tax effects of temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax return purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2018 and 2017 are as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Deferred tax assets:		
Allowance for loan losses for book in excess of tax	\$ 528	\$ 470
Depreciation	22	-
Organizational expenses	24	28
Stock compensation expense	41	41
Loan fees	<u>161</u>	<u>99</u>
Total deferred tax assets	<u>776</u>	<u>638</u>
Deferred tax liabilities:		
Depreciation	-	4
Goodwill	105	92
Other	<u>17</u>	<u>13</u>
Total deferred tax liabilities	<u>122</u>	<u>109</u>
Net deferred tax asset	<u>\$ 654</u>	<u>\$ 529</u>

At December 31, 2018, the Company had an income tax payable of approximately \$14,000 which is included in other liabilities in the accompanying consolidated balance sheet. At December 31, 2017, the Company had an income tax receivable of approximately \$14,000 which is included in other assets in the accompanying consolidated balance sheets.

TXRB HOLDINGS, INC. AND SUBSIDIARY

11. Commitments and Contingencies

The Company is involved in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial position or results of operations of the Company.

The Company does not anticipate any material losses as a result of commitments and contingent liabilities.

12. Employee Benefits

The Company maintains a contributory 401(k) employee benefit plan (Plan) covering substantially all employees whereby the Company contributes 100% of the first 3% compensation contributed and 50% of an additional 2% of compensation contributed by the eligible employees. During 2018 and 2017, the Company contributed approximately \$108,000 and \$103,000, respectively, to the Plan.

13. Financial Instruments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 2018 and 2017, the approximate amounts of these financial instruments were as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 32,608	\$ 27,577
Standby letters of credit	<u>236</u>	<u>236</u>
	<u>\$ 32,844</u>	<u>\$ 27,813</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral and the nature of such collateral is essentially the same as that involved in making commitments to extend credit.

Although the maximum exposure to loss is the amount of such commitments, management currently anticipates no material losses from such activities.

TXRB HOLDINGS, INC. AND SUBSIDIARY

14. Significant Group Concentrations of Credit Risk

Most of the Company's business activity is with customers located within Texas. Such customers are normally also depositors of the Company.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

The contractual amounts of credit related financial instruments such as commitments to extend credit and letters of credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless.

The nature of the Company's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses from such accounts.

15. Related Party Transactions

In the ordinary course of business, the Company has and expects to continue to have transactions, including borrowings, with its officers, directors and their affiliates. In the opinion of management, such transactions are on the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unaffiliated persons. At December 31, 2018 and 2017, the aggregate amounts of such loans were approximately \$468,000 and \$486,000, respectively. During 2018, no new related party loans were originated and repayments totaled approximately \$18,000.

The Company leases a branch location from an entity controlled by three directors of the Company. Rent paid in connection with this lease was approximately \$258,000 and \$233,000, respectively, for the years ending December 31, 2018 and 2017. Pursuant to the terms of the lease agreements in effect at December 31, 2018 future minimum rent commitments are as follows (also included in Note 5) are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2019	\$ 201
2020	201
2021	201
2022	101
2023	-
Thereafter	-
	<hr/>
	\$ 704

TXRB HOLDINGS, INC. AND SUBSIDIARY

16. Fair Value Disclosures

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

At December 31, 2018 and 2017, the Company had no assets or liabilities recorded at fair value on a recurring basis.

Certain financial and non-financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

At December 31, 2018 and 2017, the Company had no assets or liabilities recorded at fair value on a non-recurring basis.

17. Stock Warrants

During 2011, certain founders of the Company received warrants to purchase 132,500 shares of the Company's stock at \$10.00 per share. The warrants were immediately vested and expire in April, 2021.

TXRB HOLDINGS, INC. AND SUBSIDIARY

18. Stock Options

The Company has established a non-qualified stock option plan (Option Plan) which allows for issuance of up to 130,000 shares of the Company's common stock. Under the Option Plan, options are to be granted to certain key employees of the Company. The Option Plan is administered by the Board of Directors. The stock options (options) become exercisable on a pro rata annual basis over a four-year period and expire ten years from the date of the grant. The Company granted 8,500 options of its common stock for the option price of \$17.00 per share during the year ended December 31, 2018. The Company granted 3,000 options of its common stock for the option price of \$13.27 per share and 500 options of its common stock for the option price of \$14.86 per share during the year ended December 31, 2017. The Company recognized no significant compensation expense related to the issuance of these options in 2018 or 2017. At December 31, 2018, the Company had 49,650 options available for grant under the Option Plan.

A summary of option activity under the Option Plan as of December 31, 2018 and 2017 and changes during the years then ended are as follows:

	<u>2018</u>		<u>2017</u>	
	Option Price Per Share	Shares Under Option	Option Price Per Share	Shares Under Option
Outstanding at beginning of year	\$10.00 - \$14.86	75,850	\$10.00 - \$13.27	73,500
Granted during the year	\$17.00	8,500	\$13.27 - \$14.86	3,500
Exercised during the year	-	-	-	-
Forfeited during the year	\$10.00 - \$13.27	<u>(4,000)</u>	\$12.19 - \$13.27	<u>(1,150)</u>
Outstanding at the end of year	<u>\$10.00 - \$17.00</u>	<u>80,350</u>	<u>\$10.00 - \$14.86</u>	<u>75,850</u>
Exercisable at end of year		<u>69,291</u>		<u>67,796</u>
Weighted average remaining contractual life		<u>3.88</u>		<u>4.36</u>

A summary of the status of the Company's nonvested shares at December 31, 2018 and 2017 and the changes during the years then ended are as follows:

	<u>2018</u>		<u>2017</u>	
	Shares	Weighted Average Grant	Shares	Weighted Average Grant
		Fair Value		Fair Value
Nonvested at January 1	8,054	\$ 2.54	8,989	\$ 2.33
Granted during the year	8,500	4.18	3,500	2.97
Vested during the year	(3,721)	3.06	(3,577)	2.47
Forfeited during the year	<u>(1,774)</u>	2.67	<u>(858)</u>	2.36
Nonvested at December 31	<u>11,059</u>	<u>\$ 3.60</u>	<u>8,054</u>	<u>\$ 2.54</u>

Stock compensation cost is to be measured using the fair value of an award on the grant date and recognized over the service (vesting) period. The fair value of each option grant during 2018 and 2017 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	<u>2018</u>	<u>2017</u>
Dividend yield	0.00%	0.00%
Expected life	10 years	10 years
Expected volatility	5.02%	5.18% - 5.23%
Risk-free interest rate	2.77% - 2.97%	2.25% - 2.60%

The expected volatility is based upon historical volatility of commercially insured banks in the state of Texas. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield in effect at the date of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the dividend history of the Company.

TXRB HOLDINGS, INC. AND SUBSIDIARY

19. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on securities available for sale is not included in computing regulatory capital. Management believes as of December 31, 2018 and 2017, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2018, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Additionally, Basel III added a 2.5% "capital conservation buffer" which was designed for banking institutions to absorb losses during periods of economic stress. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a four-year period (increasing by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019). Banking institutions with capital ratios below the minimum for capital adequacy purposes plus the capital conservation buffer will face constraints on dividends, equity repurchases and executive compensation relative to the amount of the shortfall.

The Bank's actual and required capital amounts and ratios at December 31, 2018 and 2017 are presented below (in thousands):

	<u>Actual</u>		<u>Minimum Required for Capital Adequacy Purposes</u>		<u>Minimum for Capital Adequacy Purposes Plus Capital Conservation Buffer</u>		<u>Minimum to be Well Capitalized under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
December 31, 2018:								
Total capital to risk weighted assets	\$ 31,727	16.17%	\$ 15,693	8.00%	\$ 19,371	9.875%	\$ 19,616	10.00%
Tier 1 (core) capital to risk weighted assets	29,275	14.92%	11,770	6.00%	15,448	7.875%	15,693	8.00%
Common Tier 1 (CET1)	29,275	14.92%	8,827	4.50%	12,505	6.375%	12,751	6.50%
Tier 1 (core) capital to average assets	29,275	11.25%	10,409	4.00%	10,409	4.000%	13,011	5.00%
December 31, 2017:								
Total capital to risk weighted assets	\$ 27,433	15.73%	\$ 13,953	8.00%	\$ 16,133	9.250%	\$ 17,441	10.00%
Tier 1 (core) capital to risk weighted assets	25,253	14.48%	10,464	6.00%	12,645	7.250%	13,953	8.00%
Common Tier 1 (CET1)	25,253	14.48%	7,848	4.50%	10,028	5.750%	11,337	6.50%
Tier 1 (core) capital to average assets	25,253	10.61%	9,521	4.00%	9,521	4.000%	11,902	5.00%



PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
TXRB Holdings, Inc. and Subsidiary
Frisco, Texas

We have audited the consolidated financial statements of TXRB Holdings, Inc. and Subsidiary as of and for the year ended December 31, 2018, and have issued our report thereon dated March 21, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 31 and 32 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Payne & Smith, LLC

March 21, 2019

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidating Balance Sheet

December 31, 2018

(In thousands of dollars)

	TXRB	Texas Republic		
	<u>Holdings, Inc.</u>	<u>Bank</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,740	\$ 17,620	\$ (1,740) (1)	\$ 17,620
Investment in subsidiary	30,444	-	(30,444) (2)	-
Loans, net	-	233,554	-	233,554
Bank premises and equipment, net	-	1,181	-	1,181
Core deposit intangible	-	77	-	77
Goodwill	-	1,092	-	1,092
Other assets	45	2,944	-	2,989
	<u>\$ 32,229</u>	<u>\$ 256,468</u>	<u>\$ (32,184)</u>	<u>\$ 256,513</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
Deposits:				
Noninterest bearing	\$ -	\$ 53,259	\$ (1,740) (1)	\$ 51,519
Interest bearing	-	152,535	-	152,535
Total deposits	-	205,794	(1,740)	204,054
Federal funds purchased	-	1,066	-	1,066
Advances from the Federal Home Loan Bank	-	17,446	-	17,446
Other borrowings	4,500	-	-	4,500
Other liabilities	37	1,718	-	1,755
Commitments and contingencies	-	-	-	-
Stockholders' equity:				
Common stock	1,641	125	(125) (2)	1,641
Capital surplus	14,869	17,876	(17,876) (2)	14,869
Retained earnings	11,222	12,443	(12,443) (2)	11,222
Treasury stock, at cost	(40)	-	-	(40)
Total stockholders' equity	<u>27,692</u>	<u>30,444</u>	<u>(30,444)</u>	<u>27,692</u>
	<u>\$ 32,229</u>	<u>\$ 256,468</u>	<u>\$ (32,184)</u>	<u>\$ 256,513</u>

See description of consolidating entries on page 33 and accompanying independent auditor's report on additional information

TXRB HOLDINGS, INC. AND SUBSIDIARY

Consolidating Statement of Income and Comprehensive Income

For the Year ended December 31, 2018

(In thousands of dollars)

	<u>TXRB</u> <u>Holdings, Inc.</u>	Texas Republic <u>Bank</u>	<u>Eliminations</u>	<u>Consolidated</u>
Interest income:				
Interest and fees on loans	\$ -	\$ 13,519	\$ -	\$ 13,519
Interest on deposits in other banks	-	554	-	554
Other	-	50	-	50
Total interest income	<u>-</u>	<u>14,123</u>	<u>-</u>	<u>14,123</u>
Interest expense:				
Interest on deposit accounts	-	1,725	-	1,725
Interest on borrowings	157	332	-	489
Total interest expense	<u>157</u>	<u>2,057</u>	<u>-</u>	<u>2,214</u>
Net interest income	(157)	12,066	-	11,909
Provision for loan losses	-	270	-	270
Net interest income after provision for loan losses	<u>(157)</u>	<u>11,796</u>	<u>-</u>	<u>11,639</u>
Noninterest income:				
Service charges on deposit accounts	-	328	-	328
Net income from subsidiary	4,017	-	(4,017) (3)	-
Bank card and credit card interchange fees	-	204	-	204
Other	-	70	-	70
Total noninterest income	<u>4,017</u>	<u>602</u>	<u>(4,017)</u>	<u>602</u>
Noninterest expense:				
Salaries and employee benefits	1	4,669	-	4,670
Occupancy expense	-	663	-	663
Data processing expense	-	804	-	804
FDIC insurance expense	-	76	-	76
Other	6	1,101	-	1,107
Total noninterest expense	<u>7</u>	<u>7,313</u>	<u>-</u>	<u>7,320</u>
Income before income tax expense	3,853	5,085	(4,017)	4,921
Income tax expense	(35)	1,068	-	1,033
Net income	3,888	4,017	(4,017)	3,888
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 3,888</u>	<u>\$ 4,017</u>	<u>\$ (4,017)</u>	<u>\$ 3,888</u>

See description of consolidating entries on page 33 and accompanying independent auditor's report on additional information

TXRB HOLDINGS, INC. AND SUBSIDIARY

Description of Consolidating Entries

For the Year Ended December 31, 2018

- (1) To eliminate intercompany cash and deposits.
- (2) To eliminate the Company's investment account against the stockholder's equity accounts of the subsidiary.
- (3) To eliminate the net income of the subsidiary.

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