

## A Message From Our Chairman of the Board & CEO



It is my pleasure to report that the financial condition of North Dallas Bank & Trust Co. is strong. 2019 was the second-most profitable year in our history and marked the 58th year of uninterrupted earnings. We finished the year with more than \$1.3 billion in total assets and a loan portfolio exceeding \$634 million. Net income of \$9.1 million was the result of efficient operations, enhanced marketing and steady loan demand allowing the bank to pay dividends of \$1.30 per share in 2019.

We continued to concentrate on brand awareness that communicates the remarkable story of North Dallas Bank and promotes our culture of "doing the right things, the right way" by "treating others the way you want to be treated."

North Dallas Bank remains dedicated to responsible management and exceptional service which are the key fundamentals of our success. We are mindful that the support of our shareholders and customers, the encouragement of our friends and the loyal service of our employees are vital for continued success.

We appreciate your business, investment and friendship. As we enter a new decade of opportunity, on behalf of the Board of Directors, Officers and Employees, we extend our best wishes for a happy and prosperous 2020.

Sincerely,

A handwritten signature in black ink that reads 'Mike Shipman' in a cursive script.

W. Michael Shipman  
Chairman of the Board & CEO

## Financial Highlights for 2019

- Earnings exceeded \$9.1 million
- Paid cash dividends for the 33rd consecutive year
- Shareholders' Equity surpassed \$161 million
- Reserve for Possible Loan Losses of \$12 million
- Total Loans Outstanding exceeded \$634 million
- Total Assets exceeded \$1.3 billion



**W. Michael Shipman**

Chairman & Chief  
Executive Officer

# Financial Highlights

Income Statement	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	2019	2018
Net Interest Income	\$ 8,355,597	\$ 8,729,320	\$ 33,620,681	\$ 36,072,134
Provision for Loan Losses	0	0	(75,000)	(125,000)
Noninterest Income	1,064,065	1,067,468	4,042,294	3,945,442
Noninterest Expenses	(6,567,758)	(6,459,713)	(26,108,109)	(24,741,543)
Income Before Taxes & Extraordinary Income Tax	2,851,904 (553,466)	3,337,075 (671,157)	11,479,866 (2,302,240)	15,151,033 (2,917,259)
Income Before Extraordinary Extraordinary	2,298,438 0	2,665,918 0	9,177,626 0	12,233,774 0
Net Income	\$ 2,298,438	\$ 2,665,918	\$ 9,177,626	\$ 12,233,774
Earnings per Share	\$ 0.89	\$ 1.04	\$ 3.57	\$ 4.76

Balance Sheet	As of December 31		Twelve Month Average Ended December 31	
	2019	2018	2019	2018
Total Assets	\$ 1,307,762,331	\$ 1,303,978,796	\$ 1,296,855,779	\$ 1,360,807,400
Total Loans	646,612,498	645,182,803	635,992,357	640,280,188
Deposits	1,141,514,257	1,147,410,040	1,131,406,255	1,203,558,206
Stockholders' Equity	161,385,466	151,339,474	157,337,158	146,975,266

(Prepared internally without review by our independent accountants)



## Statement of Condition

As of December 31, 2019 and 2018

### Assets

	2019	2018
Cash and Due From Banks	\$ 15,744,750	\$ 13,184,359
Interest-Bearing Deposits at Other Banks	140,700,075	139,091,630
Securities Held to Maturity	233,367,735	226,868,816
Securities Available for Sale	261,403,880	264,218,765
Fed Funds Sold	153,075	5,067,670
Loans		
Commercial	78,238,100	90,853,693
Real Estate	559,048,905	544,913,524
Consumer	9,325,494	9,415,586
Reserve for Losses on Loans	(12,407,809)	(12,052,103)
Net Loans	634,204,690	633,130,700
Interest Earned, Not Collected	3,398,271	3,314,081
Bank Premises and Equipment	11,931,835	11,149,391
Other Real Estate (net)	0	0
Other Assets (net)	6,858,020	7,953,384
<b>Total Assets</b>	<b>1,307,762,331</b>	<b>1,303,978,796</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits		
Demand Deposits	\$ 512,841,953	\$ 521,994,691
Savings and Other Time Deposits	628,672,304	625,415,349
Total Deposits	1,141,514,257	1,147,410,040
Accrued Interest Payable	437,129	352,048
Federal Income Tax Payable	0	0
Other Liabilities	4,425,479	4,877,234
<b>Total Liabilities</b>	<b>1,146,376,865</b>	<b>1,152,639,322</b>
Stockholders' Equity		
Capital Stock: Common, \$5.00 Par Value, 2,569,082 Shares authorized and 2,569,026 outstanding	12,845,130	12,845,130
Capital Surplus	28,815,012	28,815,012
Accumulated Other Comprehensive Income	1,528,577	(2,679,522)
Undivided Earnings	118,196,747	112,358,854
<b>Total Stockholders' Equity</b>	<b>161,385,466</b>	<b>151,339,474</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,307,762,331</b>	<b>\$ 1,303,978,796</b>

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## Statement of Earnings

For the Twelve Months Ended December 31, 2019 and 2018

	2019	2018
<b>Interest Income</b>		
Loans (including fees)	\$ 27,546,704	\$ 27,274,866
Investment Securities	9,917,904	9,264,898
Federal Funds Sold	85,310	99,479
Deposit Interest	2,936,840	3,439,594
	40,486,758	40,078,837
<b>Interest Expense</b>		
Deposit, Time and Savings	6,860,520	3,997,490
Other Borrowings	5,557	9,213
	6,866,077	4,006,703
Net Interest Income	33,620,681	36,072,134
Provision for Losses on Loans	(75,000)	(125,000)
	33,545,681	35,947,134
<b>Non-Interest Income</b>		
Service Charges	840,134	877,752
Net Gain/(Loss) on Sale of Assets	(20,590)	(941)
Net Gain/(Loss) on Sale of Loans	170,630	217,918
Gain/(Loss) on Sale of Securities	0	0
Other Operating Income	3,052,120	2,850,713
	4,042,294	3,945,442
<b>Non-Interest Expenses</b>		
Employee Compensation and Benefits	17,939,488	16,499,575
FDIC Insurance and Examination Fees	227,207	568,516
Net Occupancy Expense	1,029,902	1,101,592
Other Operating Expenses	6,911,512	6,571,861
	26,108,109	24,741,543
Income Before Income Tax & Extraordinary	11,479,866	15,151,033
Income Tax Expense	2,302,240	2,917,259
Net Income Before Extraordinary	9,177,626	12,233,774
Extraordinary Expense	0	0
<b>Net Income</b>	\$ 9,177,626	\$ 12,233,774
<b>Earnings Per Share</b>	\$ 3.57	\$ 4.76

(Prepared internally without review by our independent accountants)

## Reserve for Losses on Loans

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	2019	2018
Balance, beginning of period	\$ 12,390,848	\$ 12,007,415	\$ 12,052,103	\$ 11,467,862
Provision charged to income	0	0	75,000	125,000
Loans charged off, net of recoveries:				
Charge-offs	28,601	0	61,930	190,653
Recoveries	45,562	44,688	342,636	649,894
(Net charge-offs)/Recoveries	16,961	44,688	280,706	459,241
<b>Balance, end of period</b>	<b>\$ 12,407,809</b>	<b>\$ 12,052,103</b>	<b>\$ 12,407,809</b>	<b>\$ 12,052,103</b>



## Changes in Stockholders' Equity

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	2019	2018
Balance, beginning of period	\$ 160,529,767	\$ 148,963,213	\$ 151,339,474	\$ 143,534,362
Net Income before extraordinary	2,298,439	2,665,918	9,177,626	12,233,774
Extraordinary Expense	0	0	0	0
Unrealized Gains/(Losses)	(29,776)	1,637,112	4,208,100	(1,114,618)
Cash Dividends Declared	(1,412,964)	(1,926,769)	(3,339,734)	(3,314,044)
<b>Balance, end of period</b>	<b>\$ 161,385,466</b>	<b>\$ 151,339,474</b>	<b>\$ 161,385,466</b>	<b>\$ 151,339,474</b>

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## Financial Ratios and Other Data

Annualized where applicable

Profitability Ratios	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	2019	2018
Return on Average Assets	0.70%	0.80%	0.71%	0.89%
Return on Average Equity Capital	5.65%	7.05%	5.83%	8.32%
Net Interest Spread	2.52%	2.71%	2.64%	2.70%
Net Income per Share	\$ 0.89	\$ 1.04	\$ 3.57	\$ 4.76

### Asset Quality Ratios

Asset Quality Ratios	As of December 31	
	2019	2018
Nonperforming Loans to Total Assets	0.01%	0.01%
Nonperforming Loans to Total Loans	0.02%	0.01%
Nonperforming Loans to Total Capital	0.07%	0.05%
Reserve for Loan Losses to Total Loans	1.92%	1.87%
Total Loans to Total Deposits	56.65%	56.23%
Average Loans to Average Deposits	56.21%	53.20%
Liquidity	28.04%	27.65%

### Capital Ratios

Capital Ratios	As of December 31	
	2019	2018
Equity Capital to Total Assets	12.34%	11.61%
Total Capital to Total Assets	13.29%	12.53%
Total Capital to Total Loans	26.88%	25.32%
Average Equity Capital to Average Assets	12.13%	10.75%
Average Total Capital to Average Assets	13.08%	11.61%
Average Total Capital to Average Loans	26.68%	24.81%

### Key:

Equity Capital = Common Stock + Capital Surplus + Undivided Profits + Accumulated Other Comprehensive Income

Total Capital = Equity Capital + Reserve for Loan Losses

Liquidity Ratio = (Securities Available for Sale + Fed Funds + Cash & Due From Accounts – Pledged Securities) / Total Assets

Assets are net of Unearned Discount and Loan Loss Provision

Total Loans are net of Unearned Discount

### Notes to Financial Statements:

1. Net Loans include Nonperforming Loans on December 31, 2019 of \$123,779 and on December 31, 2018 of \$68,415.  
(Nonperforming Loans = Nonaccrual Loans + Loans 90 days and over past due)

2. North Dallas Bank Tower Corporation, an affiliated company of North Dallas Bank & Trust (Bank), at December 31, 2019, had year-to-date earnings of \$35,898 and Equity of \$862,102. The Affiliate's income and equity are not included in the financials of the Bank. In 2020 the operations and remaining equity of the Affiliate will be moved into the Bank and the Affiliate closed.



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## Meeting our Mission of Community Service through NDB Cares

In 2019, we launched "NDB Cares", an employee-led initiative that brings a strategic approach to community service. The creation of NDB Cares has resulted in a greater coordination of our service effort, while at the same time yielding greater efficiency in our investment of resources and a more measurable impact within the communities served. In addition, NDB Cares brings a unified focus to our community service efforts, providing our employees the vision, inspiration and resources they need to live out our Mission every day.

### Service Spotlight by Department:

- Addison – Metrocrest Services
- Dallas – Family Gateway
- Frisco – Frisco Family Services
- Las Colinas – Irving Cares
- Plano – Living for Zachary
- Trust | Wealth Management – Family Compass
- Corporate – Make-A-Wish® North Texas



## Fulfilling our Mission through care and community service in 2019:

- Q1**
- Launched NDB Cares, a formal initiative to fulfill our mission through care and community service
  - Expanded our Allpoint Surcharge-Free ATM network to over 55,000 locations
- 
- Q2**
- Awarded two James W. Tyra Memorial college scholarships to top achieving high school students
  - Co-Sponsored the Erwin Waldman Memorial Golf Tournament benefiting the Jewish Community Center of Dallas
- 
- Q3**
- Granted a nine-year-old Dallas cancer patient's wish for a cruise voyage for her and her family in partnership with Make-A-Wish® North Texas
  - Established the Joy Emporium at the Make-A-Wish® North Texas offices, providing long-term toy supplies for children
  - Partnered with Cristo Rey Dallas to provide real-time work experience for four high school students with limited financial resources
  - Collected 125 supply-filled backpacks for homeless students in DFW
- 
- Q4**
- Released Premier Checking along with a modernized lineup of deposit products to support evolving customer needs
  - Hosted three Cyber Security Awareness forums with a focus on fraud trends
  - Key supporter of the Assist the Officer Foundation benefiting North Texas police officers
  - Awarded endowment gift to the Texas A&M Foundation establishing the Bert Fields Excellence in Banking Award
  - Awarded endowment gift to the Texas Tech Foundation supporting the Rawls College of Business Excellence in Banking scholarship
  - *Best of Bauer* 5-Star Excellence rating by BauerFinancial, Inc. for 30 consecutive years

## Officers

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Chairman & CEO

**LARRY MILLER**  
President | North Dallas Bank & Trust Co.

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Executive Vice President  
CFO

**JAY HENRY**  
President | Addison

**MICHAEL HOWELL**  
President | Las Colinas

**ALLEN HUDSON**  
President | Dallas

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President | Plano

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Executive Vice President  
CCO

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Executive Vice President  
Trust | Wealth Management

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SOO & Cashier

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ERM

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Assistant Vice President

**JILL SHEPHERD**  
Assistant Vice President

**BAHARAK SOTOUDEH**  
Assistant Vice President

**RYAN SWOR**  
Assistant Vice President

**MEGLY WESTER**  
Assistant Vice President

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Banking Officer

**MATT BROWNE**  
Banking Officer

**BEN CLAY**  
Banking Officer

**SARAH COURIER**  
Banking Officer

**JAMIE FLORES**  
Banking Officer

**TERILYN GRIFFIN**  
Banking Officer

**ZELMA HICKS**  
Banking Officer

**HEATHER HONEYSUCKLE**  
Banking Officer

**DANIJELA HRGOTA**  
Banking Officer

**PHILIP JAMES**  
Banking Officer

**CHRIS LIGHTFOOT**  
Banking Officer

**LISA RUSHING**  
Banking Officer

**ROBIN WINN**  
Banking Officer

**AMELIA SABA**  
Compliance Audit Officer

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Investments

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Executor, Estate of Bert Fields, Jr.

**THOMAS A. KOONS**  
Koons Trucking, LLC.

**JOHN S. MAHAR, JR.**  
President, Storage Services Inc.

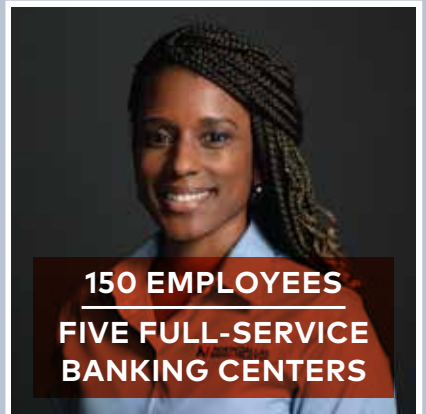
**BRANNON D. MARLOWE, M.D.**  
Anesthesiologist, Excel Anesthesia

**LARRY A. MILLER**  
President, North Dallas  
Bank & Trust Co.

**LARRY M. NOBLES**  
Investments

**W. MICHAEL SHIPMAN**  
Chairman & CEO  
North Dallas Bank & Trust Co.

**JAY S. TURNER**  
SVP | Residential Counsel  
Republic Title of Texas Inc.



**150 EMPLOYEES**  
**FIVE FULL-SERVICE**  
**BANKING CENTERS**