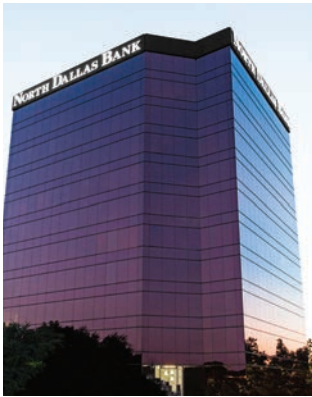




2017 ANNUAL REPORT

Member FDIC | ndbt.com

ADDISON | DALLAS | FRISCO | LAS COLINAS | PLANO



A Message From Our CEO & Chairman

It is my pleasure to deliver the message that the financial condition of North Dallas Bank & Trust Co. remains strong. We finished 2017 with more than \$1.2 billion in total deposits and our loan portfolio exceeded \$625 million at year end, an increase of \$20 million over last year. We were on course to record the best income year in the history of the Bank before the passing of the Tax Cuts and Jobs Act in late December. While this act will diminish the earnings of most banks in 2017,

the industry expects the tax law change to favorably affect our future financial results. The impact of the act to the Bank was a reduction in net income by \$2.5MM or 97 cents per share to \$6.3 million. The Bank paid dividends of 84 cents per share which equates to a 5% increase over 2016.

At North Dallas Bank & Trust Co., we understand that the best way to create value for our shareholders is to provide our customers with a complete array of banking products and services that address their distinct financial objectives, in any economic environment. We continue to pursue new opportunities in the marketplace, with quality companies preferring to do business with a safe dependable independent bank.

Our new and innovative mobile solutions make it easier than ever to conduct business with us. Our commitment to customers is essential to creating long-term value for our shareholders. We remain focused on responsible management, consistency in our delivery and excellent service as key elements to our success.

Thank you for your business, your investment and your friendship. We appreciate the opportunity to serve you and extend our best wishes for a prosperous year.

Financial Highlights for 2017

- Earnings exceeded \$6.3 million
- Paid cash dividends for the 31st consecutive year
- Shareholders' Equity surpassed \$143 million
- Reserve for Possible Loan Losses of \$11.4 million
- Total Loans Outstanding reached a historic level of over \$625 million
- Total Assets exceeded \$1.37 billion



W. Michael Shipman
Chief Executive
Officer & Chairman

Financial Highlights

Three Months Ended
December 31

Twelve Months Ended
December 31

Income Statement	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
Net Interest Income	8,429,365	7,564,210	32,776,779	29,298,230
Provision for Loan Losses	0	0	(300,000)	(300,000)
Non-Interest Income	1,001,696	1,012,661	3,718,419	4,119,804
Non-Interest Expenses	(5,645,823)	(5,680,206)	(22,914,065)	(22,455,915)
Income Before Taxes & Extraordinary Income Tax	3,785,238 (1,256,743)	2,896,665 (1,068,378)	13,281,133 (4,425,873)	10,662,119 (3,658,255)
Income Before Extraordinary Extraordinary (Note 3)	2,528,495 (2,500,319)	1,828,287 0	8,855,260 (2,500,319)	7,003,864 0
Net Income	28,176	1,828,287	6,354,941	7,003,864
Earnings per Share	0.01	0.71	2.47	2.73

Balance Sheet

As of December 31

Twelve-Month Average
Ended December 31

Balance Sheet	As of December 31		Twelve-Month Average Ended December 31	
	2017	2016	2017	2016
Total Assets	1,374,726,575	1,367,985,256	1,367,499,704	1,340,169,896
Total Loans	625,953,934	605,350,171	615,536,850	581,159,601
Deposits	1,220,440,262	1,218,839,636	1,209,944,192	1,187,345,774
Stockholders' Equity	143,534,362	140,580,133	144,654,000	140,636,526

(Prepared internally without review by our independent accountants)

The Officers and Directors of
North Dallas Bank & Trust Company
cordially invite you and your guests
to visit our new Banking Branches during
Open House
Thursday and Friday
March 23 and 24
9:00 a.m. to 3:00 p.m.
11811 Preston Road at Forest Lane
Dallas, Texas

**WE'VE COME
A LONG WAY.**

North Dallas Bank & Trust Company

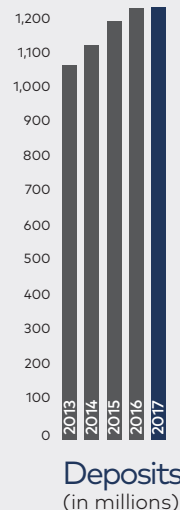
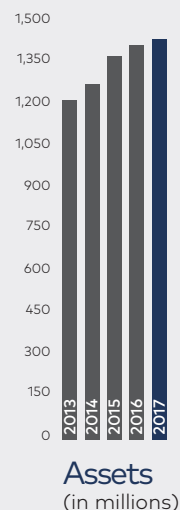
DIRECTORS

*Your Invitation
TO OUR OPENING*

Statement of Condition

As of December 31, 2017 and 2016

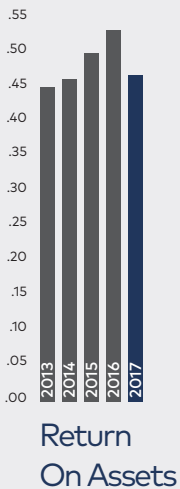
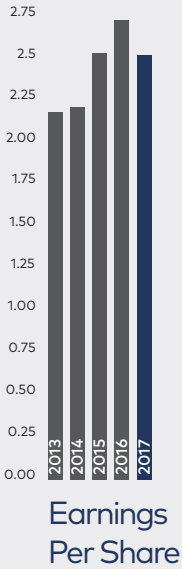
	2017	2016
Assets		
Cash and Due From Banks	\$175,932,693	\$179,245,663
Interest-Bearing Deposits at Other Banks	61,437,308	83,868,675
Securities Held to Maturity	227,146,640	239,281,306
Securities Available for Sale	269,652,736	242,659,405
Fed Funds Sold	5,068,084	5,069,008
Loans		
Commercial	82,481,101	86,767,732
Real Estate	534,956,742	508,046,783
Consumer	8,516,091	10,535,656
Reserve for Losses on Loans	(11,467,862)	(10,774,724)
Net Loans		
Interest Earned, Not Collected	614,486,072	594,575,447
Bank Premises and Equipment	3,181,361	3,195,837
Other Real Estate (net)	10,896,109	11,501,072
Other Assets (net)	0	0
	6,925,572	8,588,843
Total Assets	\$1,374,726,575	\$1,367,985,256
Liabilities and Stockholders' Equity		
Deposits		
Demand Deposits	\$554,780,535	\$553,041,317
Savings and Other Time Deposits	665,659,727	665,798,319
Total Deposits	1,220,440,262	1,218,839,636
Accrued Interest Payable	192,347	156,948
Federal Income Tax Payable	0	0
Other Liabilities	10,559,604	8,408,539
Total Liabilities	1,231,192,213	1,227,405,123
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	(1,542,534)	(299,804)
Undivided Earnings	103,416,754	99,219,795
Total Stockholders' Equity	143,534,362	140,580,133
Total Liabilities and Stockholders' Equity	\$1,374,726,575	\$1,367,985,256



(Prepared internally without review by our independent accountants)

Statement of Earnings

For the Twelve Months Ended December 31



	2017	2016
Interest Income		
Loans (including fees)	\$25,167,140	\$23,368,839
Investment Securities	7,013,999	6,117,041
Federal Funds Sold	58,415	28,537
Deposit Interest	2,792,738	1,869,435
	35,032,292	31,383,852
Interest Expense		
Deposit, Time and Savings	2,247,394	2,077,113
Other Borrowings	8,119	8,509
	2,255,513	2,085,622
Net Interest Income	32,776,779	29,298,230
Provision for Losses on Loans	(300,000)	(300,000)
Net Interest Income After Provision For Losses on Loans	\$32,476,779	\$28,998,230
Non-Interest Income		
Service Charges	907,755	931,651
Net Gain on Sale of Assets	(5,343)	46,166
Net Gain on Sale of Loans	188,891	301,246
Gain on Sale of Securities	0	0
Other Operating Income	2,627,116	2,840,741
	3,718,419	4,119,804
Non-Interest Expenses		
Employee Compensation and Benefits	15,682,111	15,218,890
FDIC Insurance and Examination Fees	580,243	709,326
Net Occupancy Expense	1,242,036	1,329,580
Other Operating Expenses	5,409,675	5,198,119
	22,914,065	22,455,915
Income Before Income Tax & Extraordinary	13,281,133	10,662,119
Income Tax Expense	4,425,873	3,658,255
Net Income Before Extraordinary	8,855,260	7,003,864
Extraordinary Expense (Note 3)	(2,500,319)	0
Net Income	6,354,941	\$7,003,864
Earnings Per Share	2.47	2.73

(Prepared internally without review by our independent accountants)



Reserve for Losses on Loans

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
Balance, beginning of period	11,431,088	10,776,853	10,774,724	10,036,181
Provision charged to income	0	0	300,000	300,000
Loans charged off, net of recoveries:				
Charge-offs	22,490	40,707	65,392	43,941
Recoveries	59,264	38,578	458,530	482,484
(Net charge-offs)/Recoveries	36,774	(2,129)	393,138	438,543
Balance, end of period	11,467,862	10,774,724	11,467,862	10,774,724

Changes in Stockholders' Equity

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
Balance, beginning of period	146,265,183	141,915,359	140,580,133	136,523,840
Net Income before extraordinary	2,528,495	1,828,287	8,855,260	7,003,864
Extraordinary Expense (Note 3)	(2,500,319)	0	(2,500,319)	0
Unrealized Gains/(Losses)	(1,911,218)	(2,418,495)	(1,242,730)	(892,350)
Cash Dividends Declared	(847,779)	(745,018)	(2,157,982)	(2,055,221)
Balance, end of period	143,534,362	140,580,133	143,534,362	140,580,133

(Prepared internally without review by our independent accountants)

Financial Ratios and Other Data

Profitability Ratios	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
Return on Average Assets (Note 3)	0.01%	0.52%	0.46%	0.52%
Return on Average Equity Capital (Note 3)	0.08%	5.10%	4.39%	4.98%
Net Interest Spread	2.51%	2.22%	2.46%	2.26%
Net Income per Share (Note 3)	0.01	0.71	2.47	2.73

Asset Quality Ratios	As of December 31	
	2017	2016
Nonperforming Loans to Total Assets	0.05%	0.06%
Nonperforming Loans to Total Loans	0.11%	0.14%
Nonperforming Loans to Total Capital	0.43%	0.55%
Reserve for Loan Losses to Total Loans	1.83%	1.78%
Total Loans to Total Deposits	51.29%	49.67%
Average Loans to Average Deposits	50.87%	48.95%
Liquidity	48.34%	54.83%

Capital Ratios	As of December 31	
	2017	2016
Equity Capital to Total Assets	10.44%	10.28%
Total Capital to Total Assets	11.28%	11.06%
Total Capital to Total Loans	24.76%	25.00%
Average Equity Capital to Average Assets	10.58%	10.49%
Average Total Capital to Average Assets	11.40%	11.28%
Average Total Capital to Average Loans	25.32%	26.01%

Key:

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

Total Capital = Equity Capital + Reserve for Loan Losses

Liquidity Ratio = (Securities + 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, 2017 of \$665,481 and on December 31, 2016 of \$835,138. (Nonperforming = Nonaccrual + Loans 90 days and over past due.)

2. North Dallas Bank Tower Corporation, an affiliated company of North Dallas Bank & Trust, at December 31, 2017, had year to date earnings of \$39,280 and Equity of \$794,853. The Affiliate's income and equity are not included in the financials of North Dallas Bank & Trust. The Affiliate was formed primarily for the purpose of buying, selling, leasing and renting office space.

3. Changes in the new tax laws and rates affected our recorded deferred tax assets and liabilities and our effective tax rate in the future. Because a change in tax law is accounted for in the period of enactment, the effect of the change is reflected in the 2017 financial results. We expect this tax law change to favorably affect our future financial results.

(Prepared internally without review by our independent accountants)



**WE'VE CHANGED
WITH THE TIMES.**

Notable Accomplishments in 2017

1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Awarded two James W Tyra memorial college scholarships to top achieving area students	Hosted Cyber Crime Awareness forum with focus on fraud trends Co-Sponsored the Erwin Waldman Memorial Golf Tournament benefiting the Jewish Community Center of Dallas	Key supporter of the Assist The Officer Foundation benefiting North Texas Police Officers Collected over 100 supply-filled backpacks for homeless DFW students	Received our Five-Star rating for the 113th consecutive quarter from Bauer Financial Logged more than 700 employee volunteer hours for 2017 towards financial literacy and community support

Fostering Our Mission in 2017

The principles contained in our Mission Statement and Core Values of "Integrity, Responsiveness and Service" provide the foundation that has kept us on course through different economic cycles. We believe that a dependable, consistent performance and honorable principles are maintained through our commitment to values that are beneficial for all concerned. We will continue our focus on doing the right things, the right way and at the right time. On behalf of the Officers, Employees and Board of Directors, thank you for your support.

Each of our Banking Centers, as well as our Trust | Wealth Management division, supported a nonprofit association in their local communities:

- Addison – Metrocrest Services
- Dallas – Family Gateway
- Frisco – Frisco Family Services
- Las Colinas – Irving Cares
- Plano – Living for Zachary
- Trust | Wealth Management – Family Compass

Officers

Mike Shipman

CEO | Chairman of the Board

Sam Renshaw

CFO | Vice Chairman of the Board

Larry Miller

President | North Dallas Bank & Trust Co.

Jay Henry

President | Addison

Michael Howell

President | Las Colinas

Allen Hudson

President | Dallas

Ralph Thompson

President | Plano

Pam Burdine

Executive Vice President

Gary Carley

Executive Vice President

Jeff Crow

Executive Vice President

Toni McReynolds

Executive Vice President

Ron Williams

Executive Vice President

Judy Alvarado

Senior Vice President

Jerri Anderson

Senior Vice President

Donald Ashley

Senior Vice President

Steve Carpenter

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Michelle Dahl

Senior Vice President

Kirk Dixon

Senior Vice President

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Sam MacGregor

SVP | Cashier

Billy Martin

Senior Vice President

Shawna O'Dell

Senior Vice President

Landa Shaw

Senior Vice President

James Tipton

Senior Vice President

Allie Wadley

Senior Vice President

Will Alexander

Vice President

Gina Brown

Vice President

Daniel Cahill

Vice President

Sharon Cannon

Vice President

Kim Cheshier

Vice President

Ross Gillispie

Vice President

Kelly Green

Vice President

Tim Griffin

Vice President

Gloria Haddock

Vice President

Janis Moczygomba

Vice President

Haydee Olivares

Vice President

Jose Ortiz

Vice President

Corina Padron

Vice President

Gwen Pearson

Vice President

Ginger Pilgrim

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Felicia Porter

Vice President

Julie Russ

Vice President

Mirza Sadafszaz

Vice President

Ann Simmons

Vice President

Cathy Thornton

Vice President

Donna Baker

Assistant Vice President

Donna Brule

Assistant Vice President

Darci Crain

Assistant Vice President

Andrew Davenport

Assistant Vice President

Richard Fraga

Assistant Vice President

Jamie Fullerton

Assistant Vice President

Adriana Peña

Assistant Vice President

Judy Rambo

Assistant Vice President

Robyn Redden

Assistant Vice President

Michelle Skelton

Assistant Vice President

Ben Clay

Banking Officer

Sam Gunn

Banking Officer

Lee Martinez

Banking Officer

Amelia Saba

Banking Officer

Jill Shepherd

Banking Officer

Baharak Sotoudeh

Banking Officer

Robin Winn

Banking Officer

Directors

Larry R. Byrd

Investments

Michael P. Haggerty

Executer, Estate of Bert Fields, Jr.

Thomas A. Koons

President, Tommy Koons Company

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

Paul A. Pulliam

Investments

Sam W. Renshaw

CFO | Vice Chairman, North Dallas Bank & Trust Co.

W. Michael Shipman

CEO | Chairman, North Dallas Bank & Trust Co.

Jay S. Turner

SVP | Residential Counsel, Republic Title of Texas Inc.



