



November 3, 2016

Dear Shareholder:

One might be tempted to describe the bank's current fortunes as unexpected, even mysterious in origin. In my forty-five plus years in Dallas banking I can't recall a period that parallels this one in quantity and quality of new customers. However, the explanation may be an amalgam of the obvious: first, this simply confirms that our original vision and strategy was "spot on." Second, many of our customers have been enjoying the fruits of the turbocharged economy of Dallas and north Texas.

The Total Assets and Total Deposits of the bank have grown \$82 million since the same period last year; amazingly, 50% of the deposit growth has been in the non-interest bearing deposit category. A couple of noteworthy points: this growth is roughly twice our original expectation, and the average size of the new relationships is quite impressive. Loan growth, on the other hand, has been a bit tepid; the loan portfolio has, on average, increased \$23 million or 9%--well ahead of our peers, but short of our expectation.

Net income continues to impress. After tax net income for the quarter is \$977,000, which is 51% over the third quarter of 2015; year-to-date (YTD) net income is \$2,681,406 which is a 50% increase over the 2015 YTD net income. There is nothing episodic in the results—our entire employee family is simply doing the right things for the customers every day. A careful study of the attached financial statement will show that even with a 50% increase in net income, our loan to deposit ratio, a reflection of our strong liquidity, has remained modest and our Reserve for Loan Losses has increased.

**There are exciting expansion plans to announce.** After thoughtful study, the bank will begin construction on its third office, which will be located at 5940 Forest Lane, a few hundred feet west of Preston Road, the site currently occupied by Vintage Car Wash. The bank will build and own a two story, 14,000 square foot building and will occupy the first floor with two drive thru lanes and a second floor available for leasing (Interested in becoming a tenant?....call Joe). **As the enclosed rendering exhibits,** this will be the most exciting building between downtown and LBJ. This location is integral to our long term plans for both our customers and our franchise; Pegasus Bank's three offices will be positioned geographically to continue to grow and serve the north Dallas market as well as capitalize on the remarkable growth of the successful millennials in the Knox Street area. In addition, our residential mortgage processing center is well positioned at Democracy and the North Dallas Tollway in Plano where over 75% of the new mortgages in north Texas originate.

P.O. Box 7908

Dallas, Texas 75209-7908

office 214.353.3000

fax 214.357.3204

[www.pegasusbankdallas.com](http://www.pegasusbankdallas.com)

This is the time of year the board and staff begin to develop plans for next year and there are many additional, important initiatives. The bank will devote resources to expand fraud detection, compliance, and website content development. Also, plans are being considered to invest in commercial treasury services and improved customer connections and communication.

I am both euphoric and appreciative to send you these remarkable results. We are keenly aware that the growth and success of our bank is a team effort which starts with your efforts to refer friends and colleagues to the bank.

Fall is here, and that means the holiday season is approaching. Remember that Pegasus Bank is your best source for **VISA Gift cards**; these cards can be personalized with a few days' notice, or the standard holiday version is in stock and immediately available at both Mockingbird and Knox. There is no fee for these cards from November 1 through December 31; should you desire a large quantity of gift cards, please call in advance.

As always, thank you for your business and continued support. From all of us at the bank, I wish you and your family the happiest of holidays and wonderful 2017.

Your most obedient servant



Joe Goyne  
President

Enclosures

JRG:me

**PEGASUS BANK**  
**SEPTEMBER 2016**  
**(unaudited)**

**Avg Balance Sheet**

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>% Chg</u>
Cash & Equivalents	\$ 8,603,102	\$ 13,756,750	-37%
Investments	173,155,183	104,848,514	65%
Gross Loans	280,714,398	257,302,049	9%
Loan Loss Reserve	(2,679,833)	(2,318,333)	16%
Net Loans	<u>\$ 278,034,565</u>	<u>\$ 254,983,716</u>	9%
Fixed Assets	6,154,724	6,439,466	-4%
Other Assets	2,878,035	2,416,886	19%
Total Assets	<u>\$ 468,825,609</u>	<u>\$ 382,445,332</u>	23%
Non-Interest Deposits	182,119,114	143,477,445	27%
Interest Bearing Deposits	252,410,002	209,029,507	21%
Total Deposits	<u>\$ 434,529,116</u>	<u>\$ 352,506,952</u>	23%
Other Liabilities	957,392	655,150	46%
Total Liabilities	<u>\$ 435,486,508</u>	<u>\$ 353,162,102</u>	23%
Equity Capital	<u>\$ 33,339,101</u>	<u>\$ 29,283,230</u>	14%
Total Liabilities and Equity	<u>\$ 468,825,609</u>	<u>\$ 382,445,332</u>	23%

**Ratios: (Monthend)**

	<u>9/30/2016</u>	<u>9/30/2015</u>
Loan to Deposit Ratio	66.11%	72.99%
Tier 1 Capital to Assets	7.02%	7.68%
Ln Loss Reserve to Loans	0.93%	0.90%
Book Value per Share	\$8.04	\$7.28

**Income Statement**

	<u>3rd Qtr Ending 9/30/16</u>	<u>9 mos. YTD 2016</u>	<u>9 mos. YTD 2015</u>	<u>YTD % Chg</u>
Interest Income - Invest.	\$ 417,086	\$ 1,034,195	\$ 665,989	55%
Interest Income - Loans	2,965,045	8,754,783	7,335,030	19%
Total Interest Income	<u>\$ 3,382,131</u>	<u>\$ 9,788,978</u>	<u>\$ 8,001,019</u>	22%
Interest Expense	137,049	394,007	292,191	35%
Total Interest Margin	<u>\$ 3,245,082</u>	<u>\$ 9,394,971</u>	<u>\$ 7,708,828</u>	22%
Non-Interest Income	\$ 560,233	\$ 1,480,979	\$ 1,022,961	45%
Personnel Expense	1,466,123	4,239,894	3,424,759	24%
Occupancy Expense	253,777	781,106	738,296	6%
Other Expenses	566,365	1,675,507	1,492,179	12%
Total Expenses	<u>\$ 2,286,265</u>	<u>\$ 6,696,507</u>	<u>\$ 5,655,234</u>	18%
Loan Loss Provision	<u>\$ 60,000</u>	<u>\$ 170,000</u>	<u>\$ 390,000</u>	-56%
Net Income Before Tax	\$ 1,459,050	\$ 4,009,443	\$ 2,686,555	49%
Income Tax	481,818	1,328,037	901,837	
Net Income	<u>\$ 977,232</u>	<u>\$ 2,681,406</u>	<u>\$ 1,784,718</u>	50%





# Gift Cards

# Making Spirits Bright!



Pegasus  
BANK

MEMBER FDIC



No Purchase Fee November 1st - December 31st