



VBTX

Veritex Holdings, Inc.

**3rd Quarter Earnings
Conference Call
October 27, 2021**



Safe Harbor Statement

Forward-looking statements

This presentation contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on various facts and derived utilizing assumptions, current expectations, estimates and projections and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation, statements relating to Veritex Holdings, Inc.’s (“Veritex”) recent investment in Thrive Mortgage, the expected payment date of Veritex’s quarterly cash dividend, the expected timing of completion of Veritex’s acquisition of North Avenue Capital, LLC (“NAC”), impact of certain changes in Veritex’s accounting policies, standards and interpretations, the effects of the COVID-19 pandemic and actions taken in response thereto, Veritex’s future financial performance, business and growth strategy, projected plans and objectives, as well as other projections based on macroeconomic and industry trends, which are inherently unreliable due to the multiple factors that impact broader economic and industry trends, and any such variations may be material. Statements preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts, although not all forward-looking statements include the foregoing words. Further, certain important factors could affect future results and cause actual results to differ materially from those expressed in the forward-looking statements, including, but not limited to, the possibility that Veritex’s acquisition of NAC does not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all, the failure to close for any other reason, that the businesses of Veritex and NAC will not be integrated successfully, that the cost savings and any synergies from the proposed acquisition may not be fully realized or may take longer to realize than expected, disruption from the proposed acquisition making it more difficult to maintain relationships with employees, customers or other parties with whom Veritex or NAC have business relationships, diversion of management time on acquisition-related issues, the reaction to the transaction of the companies’ customers, employees and counterparties and other factors, many of which are beyond the control of Veritex and NAC. We refer you to the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of Veritex’s Annual Report on Form 10-K for the year ended December 31, 2020 and any updates to those risk factors set forth in Veritex’s Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the Securities and Exchange Commission (“SEC”), which are available on the SEC’s website at www.sec.gov. If one or more events related to these or other risks or uncertainties materialize, or if Veritex’s underlying assumptions prove to be incorrect, actual results may differ materially from what Veritex anticipates. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. Veritex does not undertake any obligation, and specifically declines any obligation, to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law. All forward-looking statements, expressed or implied, included in this presentation are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Veritex or persons acting on Veritex’s behalf may issue.

This presentation also includes industry and trade association data, forecasts and information that Veritex has prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys, government agencies and other information publicly available to Veritex, which information may be specific to particular markets or geographic locations. Some data is also based on Veritex’s good faith estimates, which are derived from management’s knowledge of the industry and independent sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. Although Veritex believes these sources are reliable, Veritex has not independently verified the information contained therein. While Veritex is not aware of any misstatements regarding the industry data presented in this presentation, Veritex’s estimates involve risks and uncertainties and are subject to change based on various factors. Similarly, Veritex believes that its internal research is reliable, even though such research has not been verified by independent sources.



Non-GAAP Financial Measures

Veritex reports its results in accordance with United States generally accepted accounting principles (“GAAP”). However, management believes that certain supplemental non-GAAP financial measures used in managing its business provide meaningful information to investors about underlying trends in its business. Management uses these non-GAAP measures to assess Veritex’s operating performance and believes that these non-GAAP measures provide information that is important to investors and that is useful in understanding Veritex’s results of operations. However, non-GAAP financial measures are supplemental and should be viewed in addition to, and not as an alternative for, Veritex’s reported results prepared in accordance with GAAP. The following are the non-GAAP measures used in this presentation:

- Tangible book value per common share (“TBVPS”);
- Tangible common equity to tangible assets;
- Return on average tangible common equity (“ROATCE”);
- Operating earnings;
- Pre-tax, pre-provision (“PTPP”) operating earnings;
- Diluted operating earnings per share (“EPS”);
- Operating return on average assets (“ROAA”);
- PTPP operating ROAA;
- Operating ROATCE;
- Operating efficiency ratio;
- Operating noninterest income;
- Operating noninterest expense; and
- Adjusted net interest margin (“NIM”).

Please see “Reconciliation of Non-GAAP Financial Measures” at the end of this presentation for reconciliations of non-GAAP measures to the most directly comparable financial measures calculated in accordance with GAAP.



Third Quarter Overview

Strong Earnings

- Net income of \$36.8 million, or \$0.73 diluted EPS, for 3Q21 compared to \$29.5 million, or \$0.59 diluted EPS, for 2Q21
- Operating earnings¹ of \$35.1 million, or \$0.70 diluted operating EPS¹ for 3Q21 compared to \$30.0 million, or \$0.60 diluted operating EPS, for 2Q21
- Return on average equity of 11.32% in 3Q21 and 10.43% YTD
- Operating ROATCE¹ of 16.92% in 3Q21 and 16.57% YTD

Solid Loan and Deposit Growth

- Total loans held for investment (“LHI”), excluding mortgage warehouse (“MW”) and Paycheck Protection Program (“PPP”) loans, increased \$343.8 million, or 21.9% linked quarter annualized (“LQA”)
- Total LHI, excluding MW and PPP, grew \$768.0 million from December 31, 2020, or 17.5% annualized, and \$826.6 million, or 14.3%, year over year (“YOY”)
- Total deposits grew \$199.9 million, or 11.4% LQA, and \$956.2 million, or 15.4%, YOY
- Average cost of total deposits decreased to 0.20% for 3Q21 from 0.46% for 3Q20

Diversifying Revenue

- Completed 49% investment in Thrive Mortgage (“Thrive”) in 3Q21
- Announced acquisition of North Avenue Capital, LLC (“NAC”), a regulated non-depository government guaranteed lender, on September 21, 2021. Transaction will close Nov. 1, 2021

Capital Summary

- Book value per common share increased to \$26.09 from \$25.72 at June 30, 2021
- Tangible book value per common share¹ increased to \$17.53 from \$17.16 at June 30, 2021
- Repurchased 328,122 shares at an average price of \$34.85 during 3Q21 and extended the Stock Buyback Program to December 31, 2022
- Declared quarterly dividend of \$0.20 payable on November 23, 2021

¹ Please refer to the “Reconciliation of Non-GAAP Financial Measures” at the end of this presentation for a description and reconciliation of these non-GAAP financial measures.

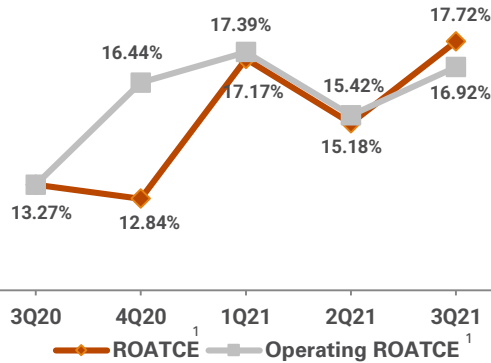


Key Financial Metrics

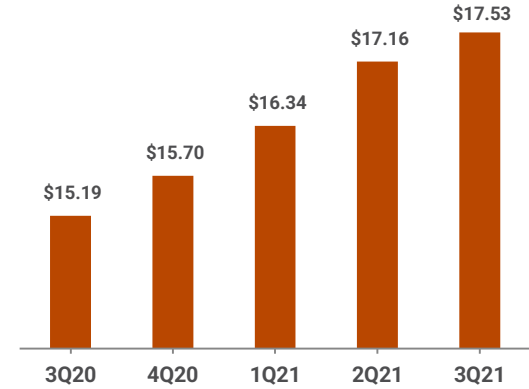
Diluted EPS



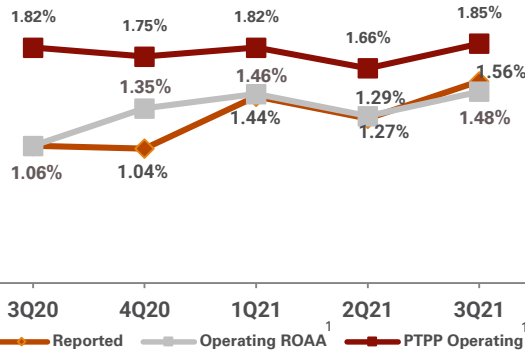
Return on Average Tangible Common Equity¹



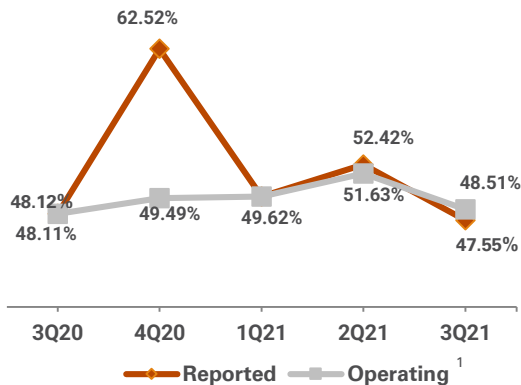
Tangible Book Value per Common Share¹



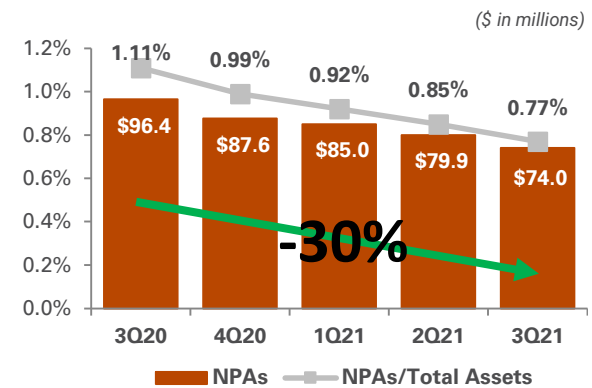
ROAA



Efficiency Ratio



NPAs / Total Assets



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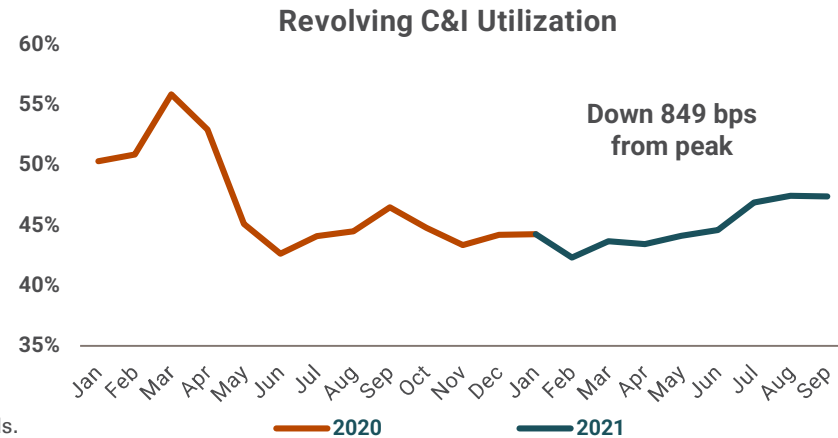
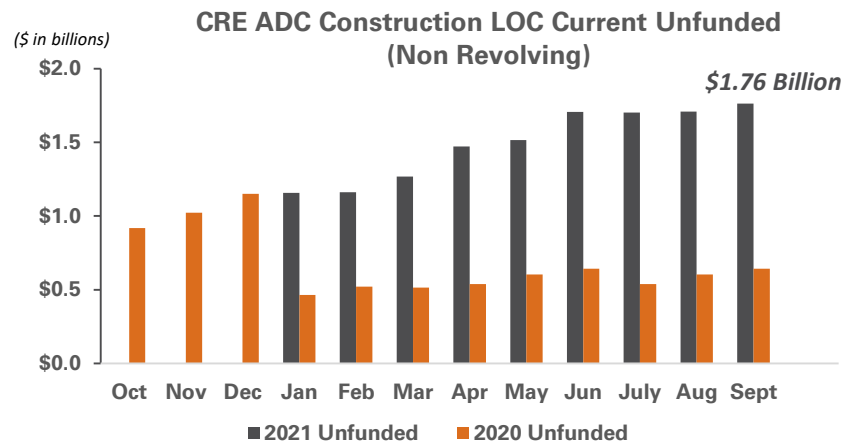
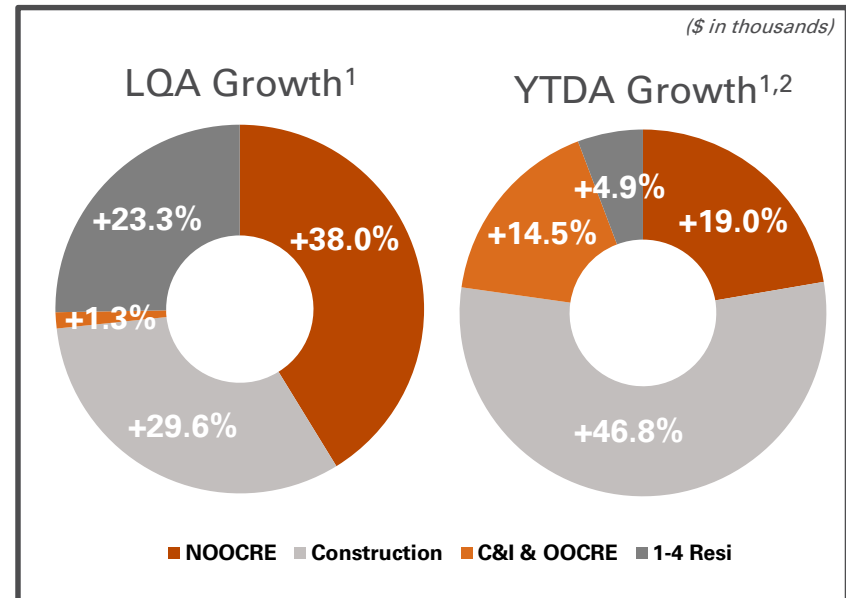
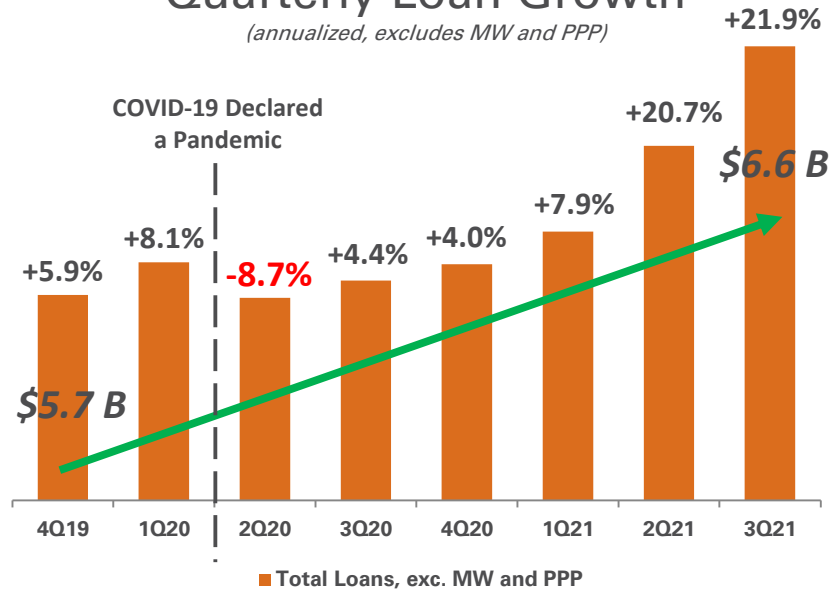


Loan Growth

3.70% weighted average rate of new and renewed Q3 loan production, excluding MW and PPP

Quarterly Loan Growth

(annualized, excludes MW and PPP)



¹ Excludes MW and PPP and represents portfolios with growth for the respective periods.

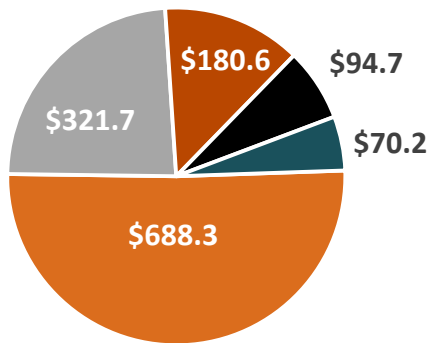
² Year to date annualized ("YTDA")



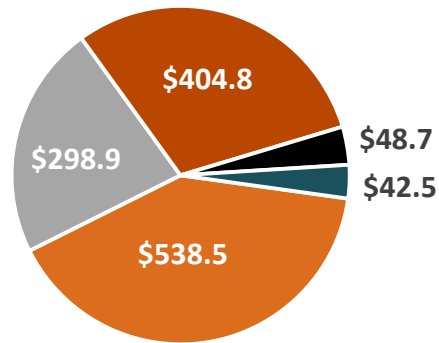
3rd Quarter Loan Production

\$1.33 Billion in Q3 Production by Portfolio
(\$ in millions, excludes PPP)

2Q21 Production

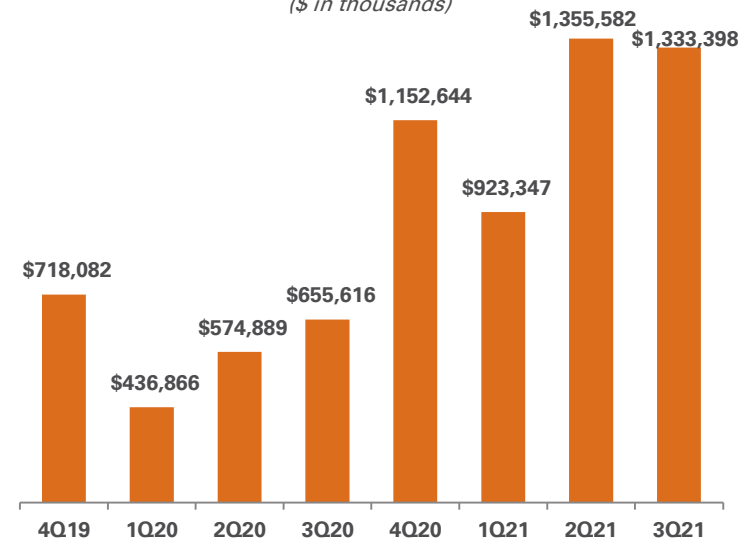


3Q21 Production



■ Construction ■ C&I ■ CRE ■ 1-4 Resi ■ Other

Quarterly Commitment Production
(\$ in thousands)



■ Total Loans, exc. MW and PPP

Construction Production Details > \$10 Million

| | 3Q20 | 3Q21 |
|-----------------------|-------------------------------------|-------------------------------------|
| % of Total Production | 70% | 42% |
| Wavg LTV | 49% | 52% |
| Wavg LTC | 62% | 63% |
| Wavg DSCR | 1.65 | 1.66 |
| Production Mix | 58% Industrial / 42% Multifamily | 69% Industrial / 31% Multifamily |
| Existing Customers | 60% | 58% |

Production Team Headcount



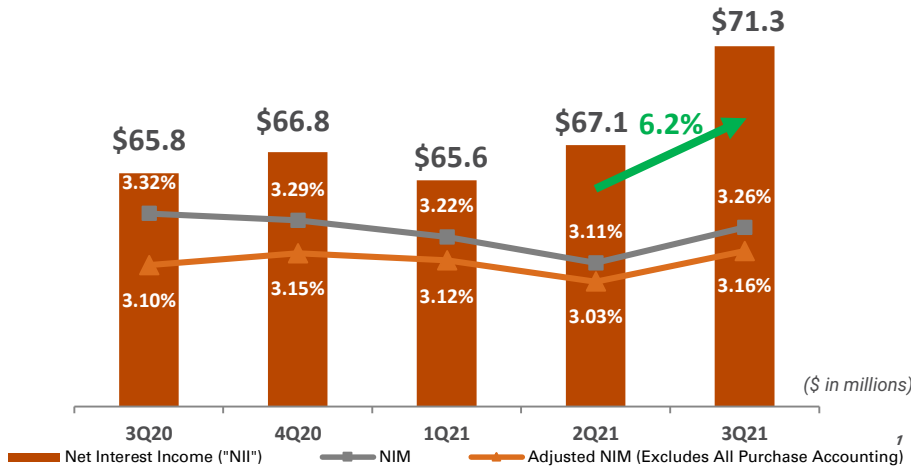


Net Interest Income

Net Interest Income Rollforward

(\$ in thousands)

| | |
|---------------------------------|-----------------|
| 2Q21 Net Interest Income | \$67,131 |
| Loan Volume | 2,286 |
| Day Count | 736 |
| Deposit Rates | 615 |
| Purchase Accounting Accretion | 351 |
| Change in earning asset mix | 171 |
| Other | < 14 > |
| 3Q21 Net Interest Income | \$71,276 |



Asset Sensitivity as of September 30, 2021

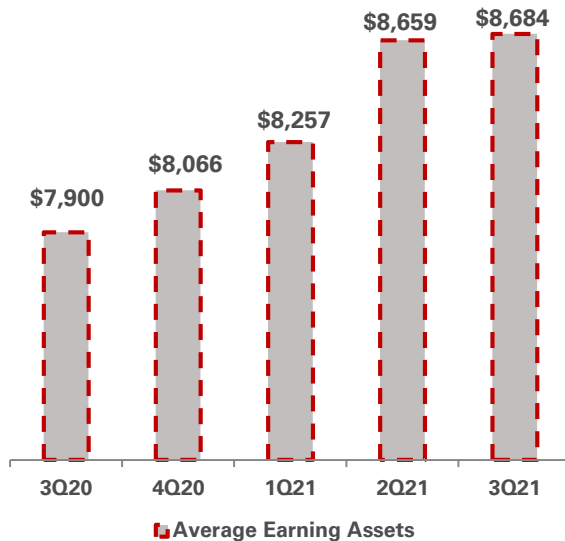
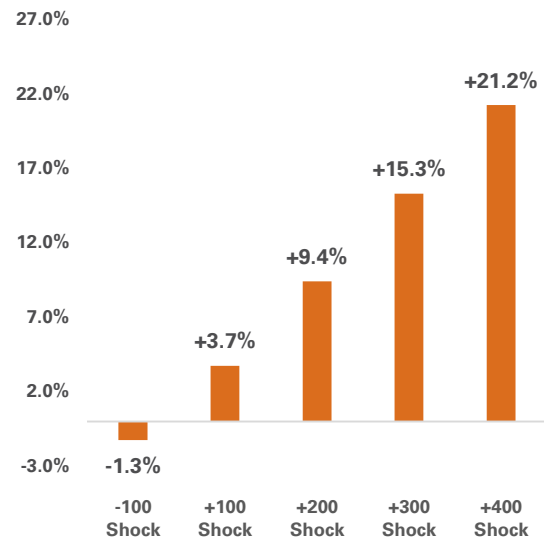
Average Earning Assets

(\$ in millions)

Floating Rate Loan Repricing

Static Shock Impact on NII

| Floor Reprice Grouping (\$ in thousands) | Total Balance | % of Total Balance | Cumulative % of Total Balance |
|---|-------------------|--------------------|-------------------------------|
| No Floor | \$ 2,575.5 | 52.6% | 52.6% |
| Floor reached | 1,949.7 | 37.2% | 89.8% |
| 0-25 bps to Reprice | 51.7 | 1.0% | 90.8% |
| 26-50 bps to Reprice | 26.8 | 0.5% | 91.3% |
| 51-75 bps to Reprice | 85.7 | 1.6% | 92.9% |
| 76-100 bps to Reprice | 234.9 | 4.5% | 97.4% |
| 101-125 bps to Reprice | 10.9 | 0.2% | 97.6% |
| 126-150 bps to Reprice | 14.6 | 0.3% | 97.9% |
| 151+ bps to Reprice | 112.6 | 2.1% | 100% |
| Totals | \$ 5,243.9 | 100% | |



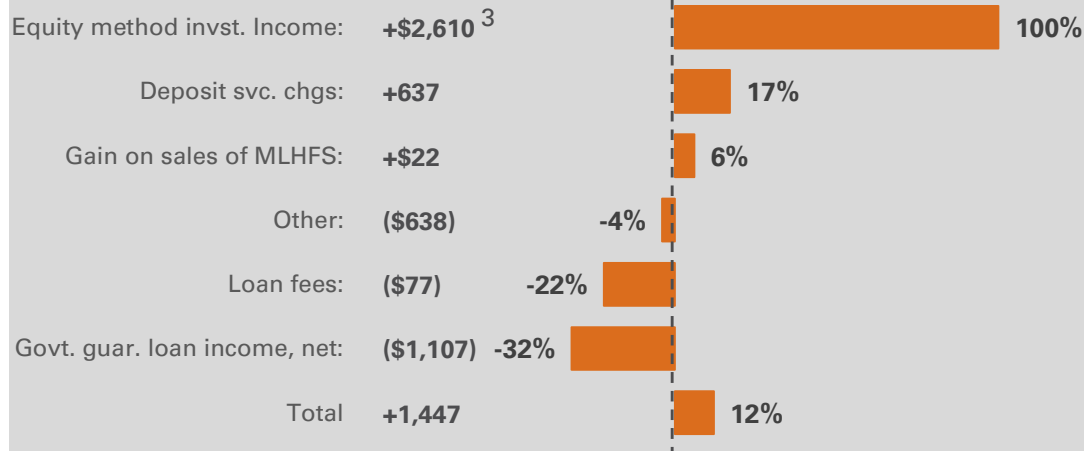
¹ Please refer to the "Reconciliation of Non-GAAP Financial Measures" at the end of this presentation for a description and reconciliation of these non-GAAP financial measures.



Operating Noninterest Income¹

Change in Operating Noninterest Income Quarter-over-Quarter

(\$ in thousands)

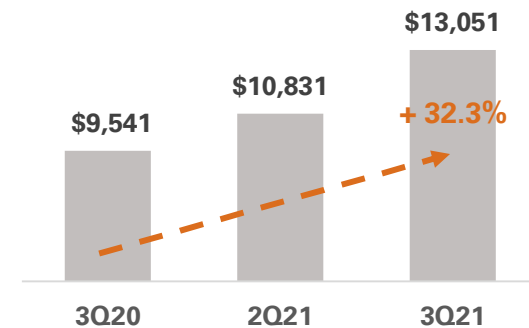


Quarter-over-Quarter Commentary

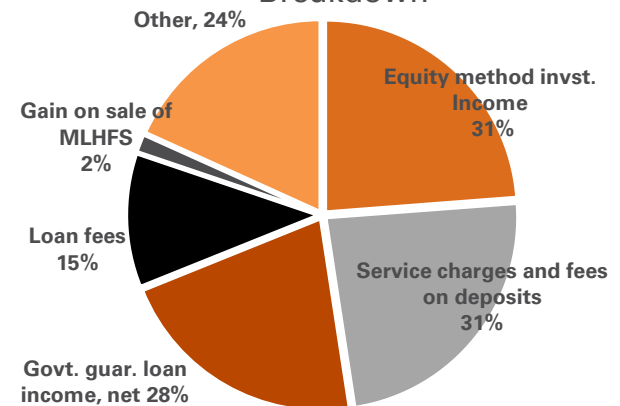
- Equity method investment income was \$2,610 which represents our 49% investment in Thrive which closed during 3Q21
- Deposit service charges increased 17% primarily related to additional analysis charges during 3Q21
- Government guaranteed loan income, net, decreased 32%, primarily as a result of a \$774 thousand decrease in PPP income during 3Q21 compared to 2Q21

Total Operating Noninterest Income, exc. PPP income²

(\$ in thousands)



3Q21 Operating Noninterest Income Breakdown



¹ Please refer to the "Reconciliation of Non-GAAP Financial Measures" at the end of this presentation for a description and reconciliation of these non-GAAP financial measures.

² Excludes PPP income of \$712 thousand, \$1.6 million, and \$262 thousand as of September 30, 2021, June 30, 2021, and September 30, 2020, respectively. PPP income includes upfront fees and changes in fair value recognized as the Company elected to report PPP loans at fair value using the fair value option.

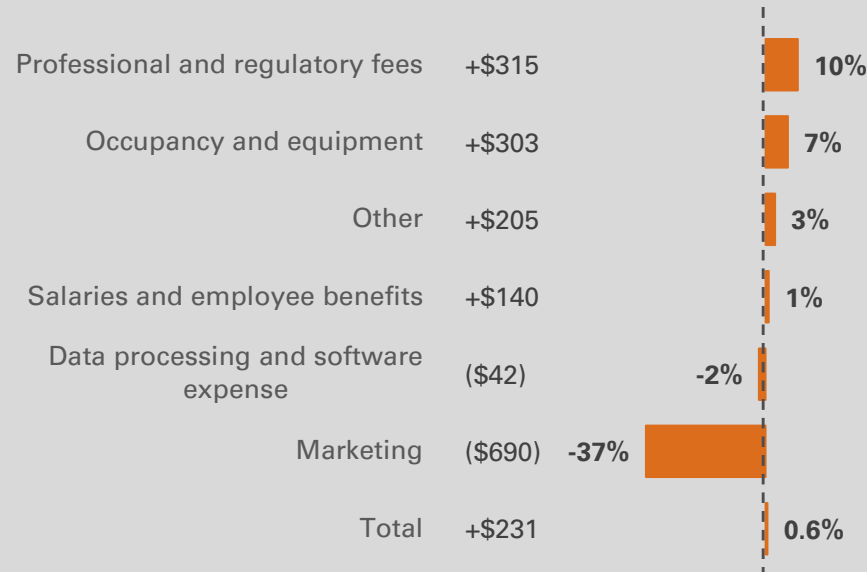
³ Excludes \$1.9 million of PPP loan forgiveness income received by Thrive during the third quarter of 2021.



Operating Noninterest Expense¹

Change in Operating Noninterest Expense Quarter-over-Quarter

(\$ in thousands)



Quarter-over-Quarter Commentary

- Professional and regulatory fees increased 10% as a result of a \$317 thousand increase in FDIC assessment fees driven by growth
- Marketing decreased 37% from 2Q21, primarily resulting from \$842 thousand in annual sponsorship fees paid in 2Q21

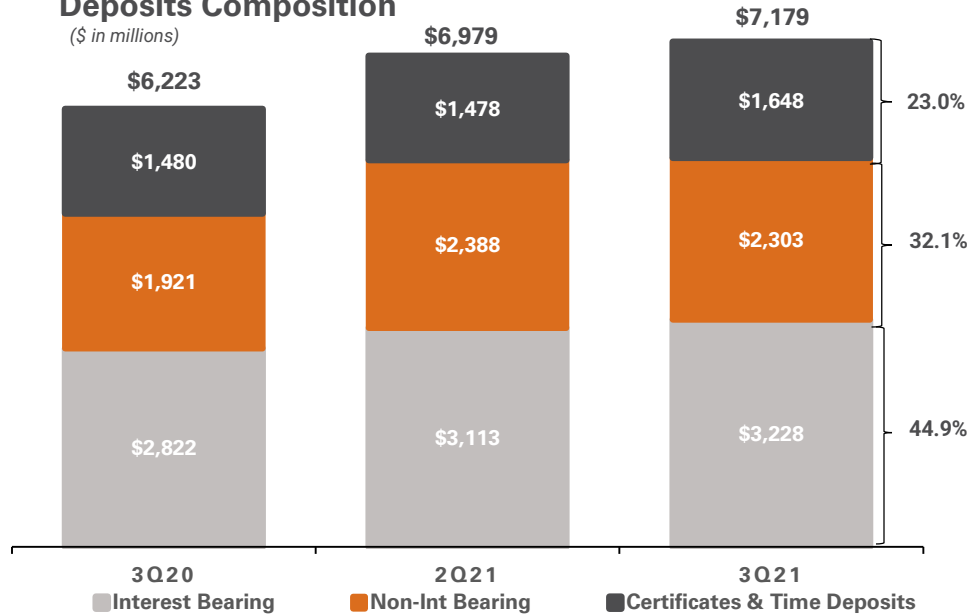
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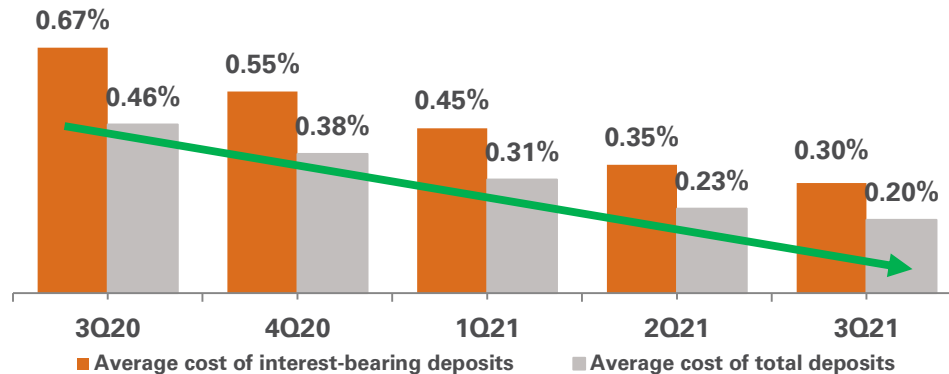
Deposit Growth

Deposits Composition

(\$ in millions)



Cost of Interest-bearing Deposits and Total Deposits



- Total deposit balances increased \$199.9 million, or 11.4% LQA, and increased \$1.0 billion, or 15.4% YOY

| | LQA | YOY |
|--------------------------------|--------|--------|
| Demand & Savings | +3.7% | +14.4% |
| Non-Int Bearing | -3.6% | +19.9% |
| Certificates and Time Deposits | +11.5% | +11.3% |

- Total deposit cost down 3 bps compared to 2Q21 due to pricing diligence and product mix
- Excluding MW and PPP loans, the loan to deposit ratio was 92.3% at September 30, 2021
- 3Q21 weighted average of interest-bearing deposit rate of 21 bps on production

Certificates & Time Maturity Table

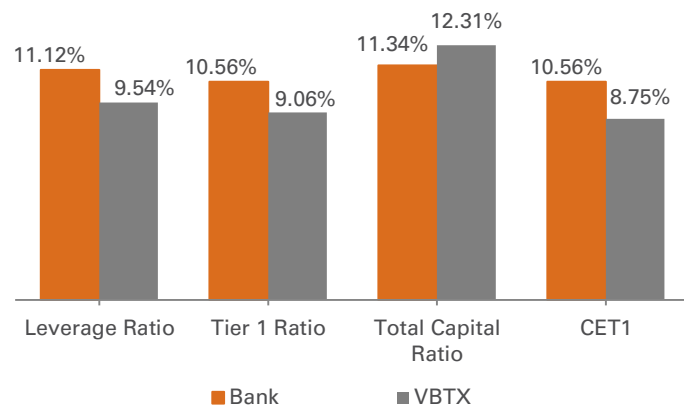
| | Balance (\$000s) | W A Rate |
|--------------|------------------|--------------|
| Q4 2021 | 336,873 | 0.54% |
| Q1 2022 | 318,951 | 0.52% |
| Q2 2022 | 171,081 | 0.37% |
| Q3 2022 | 218,571 | 0.30% |
| Q4 2022 | 106,694 | 0.34% |
| Q1 2023 | 160,396 | 0.32% |
| Q2 2023 | 98,299 | 0.36% |
| Q3 2023 | 201,657 | 0.29% |
| Q4 2023+ | 35,000 | 1.58% |
| Total | 1,647,521 | 0.43% |



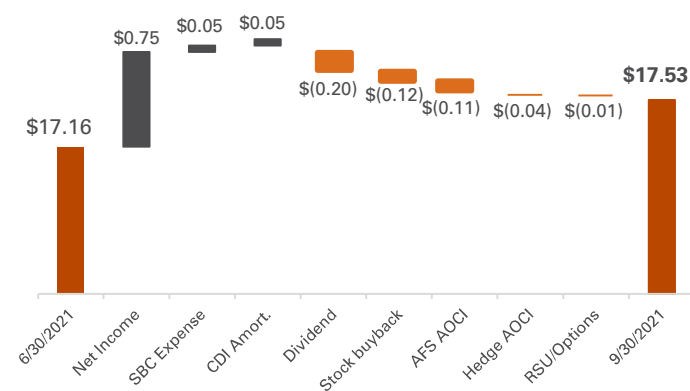
Capital Overview

| VBTX Amounts (\$ in thousands) | September 30, 2021 | June 30, 2021 | \$ Change |
|---|--------------------|---------------|------------|
| Basel III Standardized¹ | | | |
| CET1 capital | \$ 825,001 | \$ 804,619 | \$ 20,382 |
| CET1 capital ratio | 8.75% | 9.03% | |
| Leverage capital | \$ 854,393 | \$ 833,956 | \$ 20,437 |
| Leverage capital ratio | 9.54% | 9.38% | |
| Tier 1 capital | \$ 854,393 | \$ 833,956 | \$ 20,437 |
| Tier 1 capital ratio | 9.06% | 9.36% | |
| Total capital | \$ 1,160,589 | \$ 1,146,015 | \$ 14,574 |
| Total capital ratio | 12.31% | 12.86% | |
| Risk weighted assets | \$ 9,419,819 | \$ 8,913,134 | \$ 506,685 |
| <hr/> | | | |
| Total assets ² | \$ 9,572,300 | \$ 9,349,525 | \$ 222,775 |
| <hr/> | | | |
| Tangible common equity / Tangible assets ³ | 9.43% | 9.51% | |

Ratios as of September 30, 2021



TBVPS Rollforward



¹ Estimated capital measures inclusive of CECL capital transition provisions as of September 30, 2021 and June 30, 2021.

² Total assets includes PPP loans that we did not utilize the Paycheck Protection Program Liquidity Facility to fund.

³ Please refer to the "Reconciliation of Non-GAAP Financial Measures" at the end of this presentation for a description and reconciliation of these non-GAAP financial measures.



Thrive Mortgage Investment

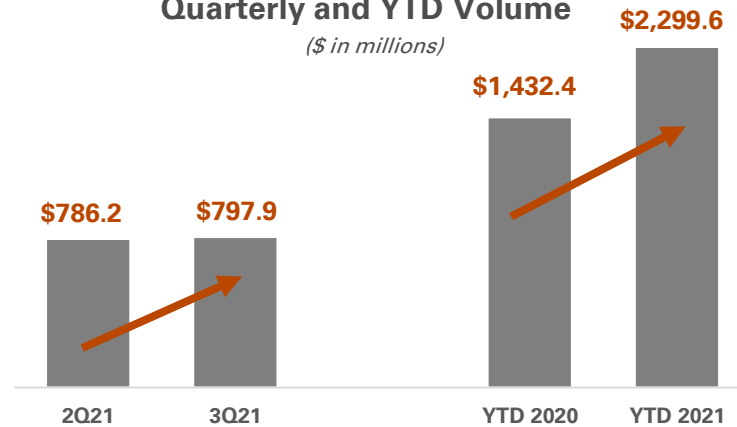
49% Investment Completed 3Q21

Quarterly 2021 Financial Information

| | <i>unaudited</i> | <i>unaudited</i> |
|--------------------------|--------------------------|------------------|
| <i>(\$ in thousands)</i> | 3Q21 | 2Q21 |
| Loans HFS | 162,678 | 154,622 |
| Total Assets | 235,393 | 223,635 |
| Members Equity | 45,329 | 47,112 |
| Pre-Tax Income | 9,229¹ | 5,233 |

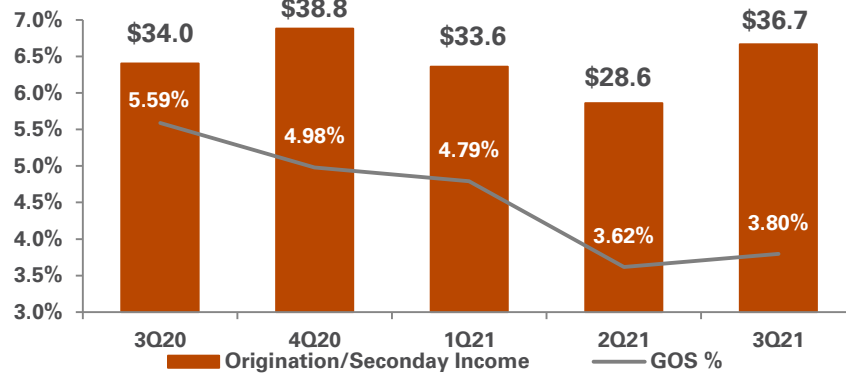
Quarterly and YTD Volume

(\$ in millions)



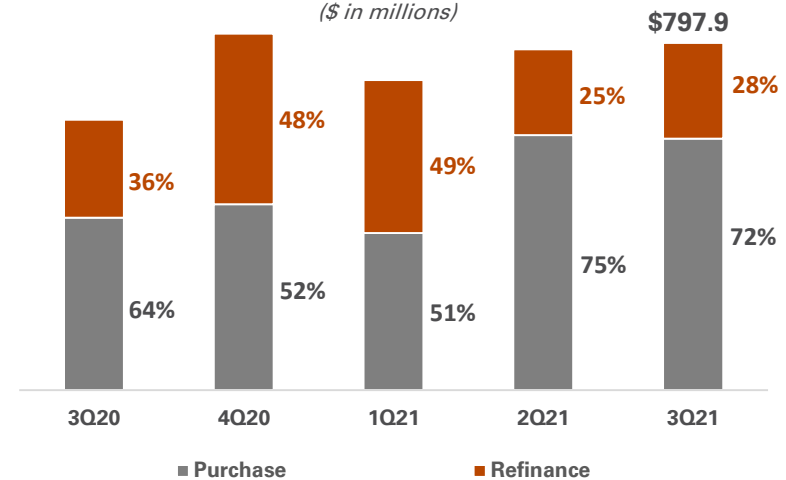
Income and GOS %

(\$ in millions)



Purchased v. Refinance

(\$ in millions)



1. Includes \$3.8 million of PPP loan forgiveness received during the third quarter of 2021.



NAC Transaction

Meaningful strategic expansion into the fragmented USDA lending space
Diversification of Veritex's revenue streams
Enhanced profitability outlook
Strong cultural fit

Transaction Overview

Valuation (\$ in millions)

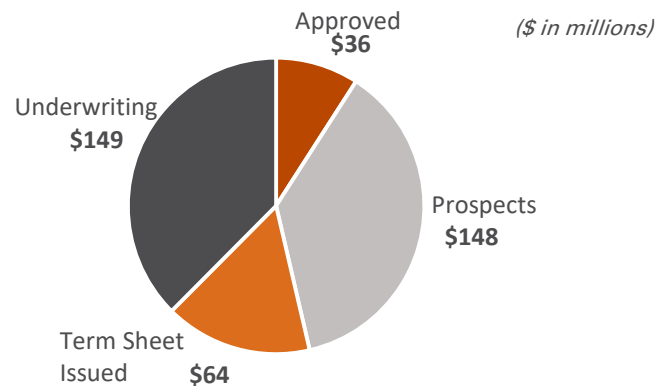
| | |
|--|--------|
| Purchase Price (including holdback) | \$62.5 |
| Deal Value / Tangible Common Equity ¹ | 2.50x |
| Deal Value / 2022E Net Income | 5.4x |

Transaction Impact

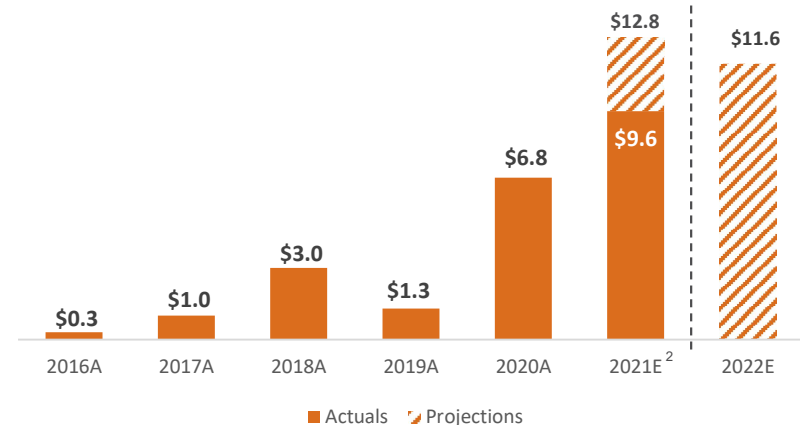
| | |
|--------------------------------------|------------------|
| 2022E EPS Accretion | 8.1% |
| Change in 2022E ROATCE | +178bps |
| TBV Dilution ² Earnback | (4.3%) 3.3 yrs |
| Internal Rate of Return | >20% |
| Change in CET1 Ratio at Close | (43bps) |

- 100% cash transaction
- Purchase price is based on minimum closing tangible equity of \$25 million, where any shortfall would be deducted from the purchase price dollar for dollar
- \$5 million in cash to be held in escrow and paid out on the third anniversary of close based on the asset quality performance of the existing portfolio and pipeline at close
- Transaction will close on November 1, 2021

Loan Pipeline - \$397 million



Net Income¹ (\$ in millions)

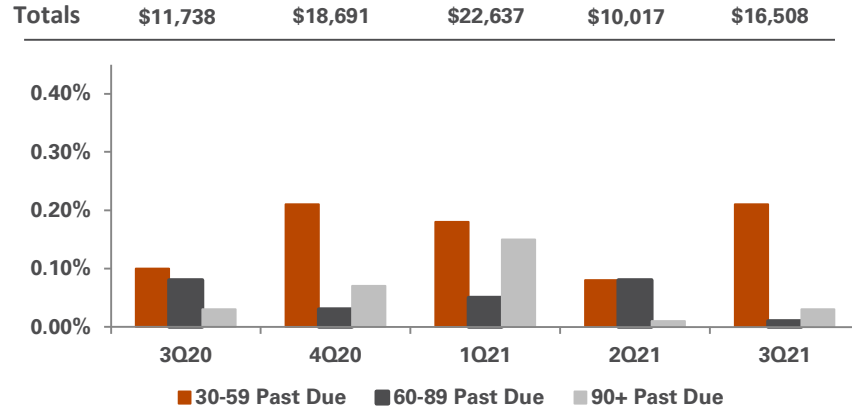


1. Assumes a 35% tax rate before 2018 and a 21% tax rate starting in 2018.
 2. 2021 actuals as of the nine months ended September 30, 2021.

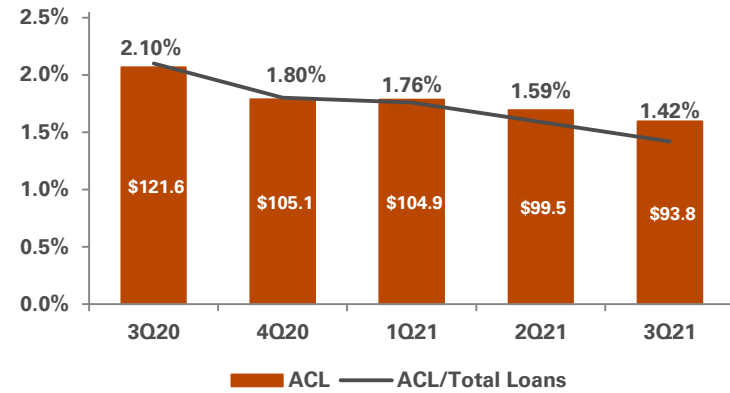


Asset Quality and ACL

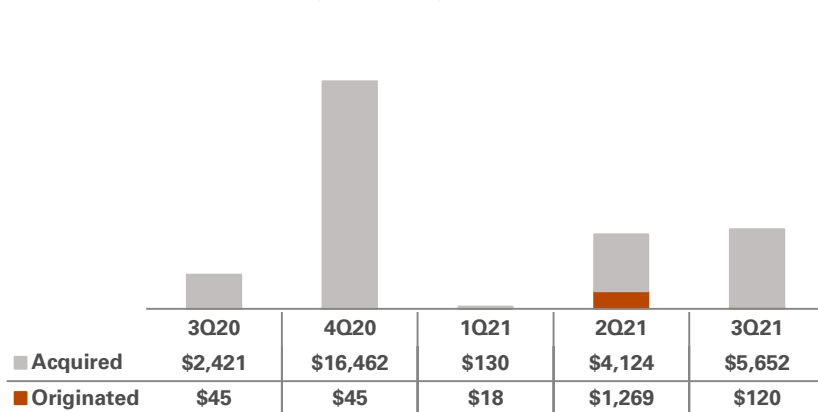
Past Due¹ Trends % of Total Loans²
(\$ in thousands)



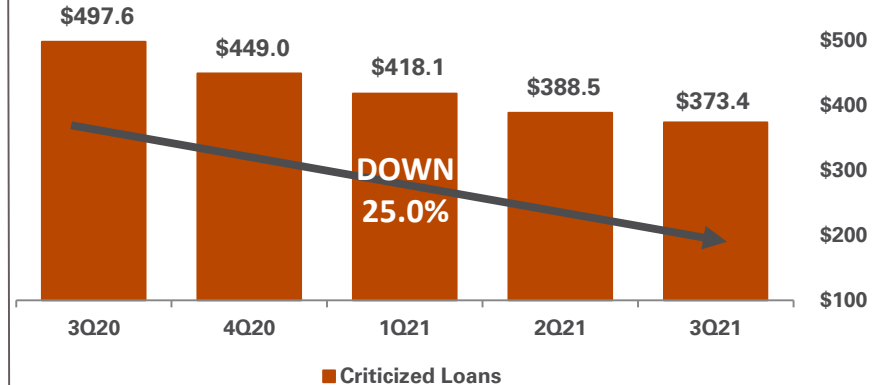
ACL / Total Loans²
(\$ in millions)



Net Charge-offs
(\$ in thousands)



Quarterly Criticized Loans
(\$ in millions, excludes PCD loans)



¹ Past due loans exclude purchased credit deteriorated loans that are accounted for on a pooled basis and non-accrual loans.
² Total loans excludes Loans Held for Sale, MW and PPP loans.



VBTX

Veritex Holdings, Inc.

**Supplemental
Information**

Reconciliation of Non-GAAP Financial Measures



| | 9/30/2021 | 6/30/2021 | As of 3/31/2021 | 12/31/2020 | 9/30/2020 |
|--|---|---------------------|---------------------|---------------------|---------------------|
| | (Dollars in thousands, except per share data) | | | | |
| Tangible Common Equity | | | | | |
| Total stockholders' equity | \$ 1,284,160 | \$ 1,272,907 | \$ 1,233,808 | \$ 1,203,376 | \$ 1,185,337 |
| Adjustments: | | | | | |
| Goodwill | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) |
| Core deposit intangibles | (50,436) | (52,873) | (55,311) | (57,758) | (60,209) |
| Tangible common equity | \$ 862,884 | \$ 849,194 | \$ 807,657 | \$ 774,778 | \$ 754,288 |
| Common shares outstanding | 49,229 | 49,498 | 49,433 | 49,340 | 49,650 |
| Book value per common share | \$ 26.09 | \$ 25.72 | \$ 24.96 | \$ 24.39 | \$ 23.87 |
| Tangible book value per common share | \$ 17.53 | \$ 17.16 | \$ 16.34 | \$ 15.70 | \$ 15.19 |
| | | | | | |
| | 9/30/2021 | 6/30/2021 | As of 3/31/2021 | 12/31/2020 | 9/30/2020 |
| | (Dollars in thousands) | | | | |
| Tangible Common Equity | | | | | |
| Total stockholders' equity | \$ 1,284,160 | \$ 1,272,907 | \$ 1,233,808 | \$ 1,203,376 | \$ 1,185,337 |
| Adjustments: | | | | | |
| Goodwill | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) |
| Core deposit intangibles | (50,436) | (52,873) | (55,311) | (57,758) | (60,209) |
| Tangible common equity | \$ 862,884 | \$ 849,194 | \$ 807,657 | \$ 774,778 | \$ 754,288 |
| Tangible Assets | | | | | |
| Total assets | \$ 9,572,300 | \$ 9,349,525 | \$ 9,237,510 | \$ 8,820,871 | \$ 8,702,375 |
| Adjustments: | | | | | |
| Goodwill | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) |
| Core deposit intangibles | (50,436) | (52,873) | (55,311) | (57,758) | (60,209) |
| Tangible Assets | \$ 9,151,024 | \$ 8,925,812 | \$ 8,811,359 | \$ 8,392,273 | \$ 8,271,326 |
| Tangible Common Equity to Tangible Assets | 9.43% | 9.51% | 9.17% | 9.23% | 9.12% |

Reconciliation of Non-GAAP Financial Measures



| | For the Quarter Ended | | | | For the Year Ended | | |
|---|------------------------|------------------|------------------|------------------|--------------------|-------------------|------------------|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 9/30/2020 | |
| | (Dollars in thousands) | | | | | | |
| Net income available for common stockholders adjusted for amortization of core deposit intangibles | | | | | | | |
| Net income | \$ 36,835 | \$ 29,456 | \$ 31,787 | \$ 22,801 | \$ 22,920 | \$ 98,078 | \$ 51,082 |
| Adjustments: | | | | | | | |
| Plus: Amortization of core deposit intangibles | 2,438 | 2,438 | 2,447 | 2,451 | 2,451 | 7,323 | 7,353 |
| Less: Tax benefit at the statutory rate | 512 | 512 | 514 | 515 | 515 | 1,538 | 1,545 |
| Net income available for common stockholders adjusted for amortization of core deposit intangibles | \$ 38,761 | \$ 31,382 | \$ 33,720 | \$ 24,737 | \$ 24,856 | \$ 103,863 | \$ 56,890 |
| Average Tangible Common Equity | | | | | | | |
| Total average stockholders' equity | \$ 1,290,528 | \$ 1,254,371 | \$ 1,224,294 | \$ 1,196,274 | \$ 1,177,882 | \$ 1,256,640 | \$ 1,154,464 |
| Adjustments: | | | | | | | |
| Average goodwill | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) |
| Average core deposit intangibles | (52,043) | (54,471) | (56,913) | (59,010) | (61,666) | (54,458) | (64,077) |
| Average tangible common equity | 867,645 | 829,060 | 796,541 | 766,424 | 745,376 | 831,342 | 719,547 |
| Return on Average Tangible Common Equity (Annualized) | 17.72% | 15.18% | 17.17% | 12.84% | 13.27% | 16.70% | 10.56% |

Reconciliation of Non-GAAP Financial Measures



| | For the Quarter Ended | | | | For the Year Ended | | |
|---|------------------------|-----------|-----------|------------|--------------------|-----------|-----------|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 9/30/2021 | 9/30/2020 |
| | (Dollars in thousands) | | | | | | |
| Operating Earnings | | | | | | | |
| Net income | \$ 36,835 | \$ 29,456 | \$ 31,787 | \$ 22,801 | \$ 22,920 | \$ 98,078 | \$ 51,082 |
| Plus: Severance payments ¹ | - | 627 | - | - | - | 627 | - |
| Plus: Loss (gain) on sale of securities available for sale, net | 188 | - | - | 256 | 8 | 188 | (2,871) |
| Plus: Debt extinguishment costs ² | - | - | - | 9,746 | - | - | 1,561 |
| Less: Thrive PPP loan forgiveness income ³ | 1,912 | - | - | - | - | 1,912 | - |
| Operating pre-tax income | 35,111 | 30,083 | 31,787 | 32,803 | 22,928 | 96,981 | 49,772 |
| Less: Tax impact of adjustments | 39 | 131 | - | 2,100 | - | 170 | (277) |
| Plus: Discrete tax adjustments ⁴ | - | - | 426 | (973) | - | 426 | (1,799) |
| Operating earnings | \$ 35,072 | \$ 29,952 | \$ 32,213 | \$ 29,730 | \$ 22,928 | \$ 97,237 | \$ 48,250 |
| Weighted average diluted shares outstanding | 50,306 | 50,331 | 49,998 | 49,837 | 49,775 | 50,230 | 50,176 |
| Diluted EPS | \$ 0.73 | \$ 0.59 | \$ 0.64 | \$ 0.46 | \$ 0.46 | \$ 1.95 | \$ 1.02 |
| Diluted operating EPS | \$ 0.70 | \$ 0.60 | \$ 0.64 | \$ 0.60 | \$ 0.46 | \$ 1.94 | \$ 0.96 |

¹ Severance payments relate to branch restructurings made during the three months ended June 30, 2021.

² Debt extinguishment costs relate to prepayment penalties paid in connection with the early payoff of FHLB structured advances.

³ During the third quarter of 2021, Thrive's PPP loan with another bank was 100% forgiven by the SBA. As a result of our 49% investment in Thrive, the \$1.9 million represents our portion of the PPP loan forgiveness. PPP fee income is not taxable and as such has no tax impact.

⁴ A nonrecurring tax adjustment of \$426 thousand recorded in the first quarter of 2021 was due to a true-up of a deferred tax liability. A nonrecurring tax adjustment of \$973 thousand recorded in the fourth quarter of 2020 was primarily due the reversal of acquired deferred tax liabilities resulting in a tax benefit of \$1.2 million offset by tax expense of \$281 thousand for the setup of an uncertain tax position liability relating to state tax exposure for tax years prior to the year ending December 31, 2020. A nonrecurring tax adjustment of \$1,799 was recorded in the second quarter of 2020 as a result of the Company amending a prior year Green Bancorp, Inc. tax return to carry back a net operating loss ("NOL") incurred by Green Bancorp, Inc. on January 1, 2019. The Company was allowed to carry back this NOL as result of a provision in the CARES Act, which permits ("NOL") generated in tax years 2018, 2019 or 2020 to be carried back five years.

Reconciliation of Non-GAAP Financial Measures



| | For the Quarter Ended | | | | For the Year Ended | | | |
|---|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 9/30/2021 | 9/30/2020 | |
| | (Dollars in thousands) | | | | | | | |
| Pre-Tax, Pre-Provision Operating Earnings | | | | | | | | |
| Net Income | \$ 36,835 | \$ 29,456 | \$ 31,787 | \$ 22,801 | \$ 22,920 | \$ 98,078 | \$ 51,082 | |
| Plus: Provision for income taxes | 9,195 | 7,837 | 8,993 | 4,702 | 6,198 | 26,025 | 9,501 | |
| Plus: (Benefit) provision for credit losses and unfunded commitments | (448) | 577 | (570) | 902 | 10,139 | (441) | 64,767 | |
| Plus: Severance payments ¹ | - | 627 | - | - | - | 627 | - | |
| Plus: Loss (gain) on sale of securities, net | 188 | - | - | 256 | 8 | 188 | (2,871) | |
| Plus: Debt extinguishment costs ² | - | - | - | 9,746 | - | - | 1,561 | |
| Less: Thrive PPP loan forgiveness income ³ | 1,912 | - | - | - | - | 1,912 | - | |
| Net pre-tax, pre-provision operating earnings | \$ 43,858 | \$ 38,497 | \$ 40,210 | \$ 38,407 | \$ 39,265 | \$ 122,565 | \$ 124,040 | |
| Average total assets | \$ 9,385,470 | \$ 9,321,279 | \$ 8,941,271 | \$ 8,750,141 | \$ 8,585,926 | \$ 9,217,649 | \$ 8,449,772 | |
| Pre-tax, pre-provision operating return on average assets⁴ | 1.85% | 1.66% | 1.82% | 1.75% | 1.82% | 1.78% | 1.96% | |
| Average Total Assets | \$ 9,385,470 | \$ 9,321,279 | \$ 8,941,271 | \$ 8,750,141 | \$ 8,585,926 | \$ 9,217,649 | \$ 8,449,772 | |
| Return on average assets ⁴ | 1.56% | 1.27% | 1.44% | 1.04% | 1.06% | 1.42% | 0.81% | |
| Operating return on average assets ⁴ | 1.48% | 1.29% | 1.46% | 1.35% | 1.06% | 1.41% | 0.76% | |
| Operating earnings adjusted for amortization of core deposit intangibles | | | | | | | | |
| Operating earnings | \$ 35,072 | \$ 29,952 | \$ 32,213 | \$ 29,730 | \$ 22,928 | \$ 97,237 | \$ 48,250 | |
| Adjustments: | | | | | | | | |
| Plus: Amortization of core deposit intangibles | 2,438 | 2,438 | 2,447 | 2,451 | 2,451 | 7,323 | 7,353 | |
| Less: Tax benefit at the statutory rate | 512 | 512 | 514 | 515 | 515 | 1,538 | 1,545 | |
| Operating earnings adjusted for amortization of core deposit intangibles | \$ 36,998 | \$ 31,878 | \$ 34,146 | \$ 31,666 | \$ 24,864 | \$ 103,022 | \$ 54,058 | |

¹ Severance payments relate to branch restructurings made during the three months ended June 30, 2021.

² Debt extinguishment costs relate to prepayment penalties paid in connection with the early payoff of FHLB structured advances.

³ During the third quarter of 2021, Thrive's PPP loan with another bank was 100% forgiven by the SBA. As a result of our 49% investment in Thrive, the \$1.9 million represents our portion of the PPP loan forgiveness. PPP fee income is not taxable and as such has no tax impact.

⁴ Annualized ratio.

Reconciliation of Non-GAAP Financial Measures



| | For the Quarter Ended | | | | For the Year Ended | |
|---|------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | 9/30/2021 |
| | (Dollars in thousands) | | | | | |
| Average Tangible Common Equity | | | | | | |
| Total average stockholders' equity | \$ 1,290,528 | \$ 1,254,371 | \$ 1,224,294 | \$ 1,196,274 | \$ 1,177,882 | \$ 1,256,640 |
| Adjustments: | | | | | | |
| Average goodwill | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) | (370,840) |
| Average core deposit intangibles | (52,043) | (54,471) | (56,913) | (59,010) | (61,666) | (54,458) |
| Average tangible common equity | \$ 867,645 | \$ 829,060 | \$ 796,541 | \$ 766,424 | \$ 745,376 | \$ 831,342 |
| Operating return on average tangible common equity¹ | 16.92% | 15.42% | 17.39% | 16.44% | 13.27% | 16.57% |
| Efficiency ratio | 47.55% | 52.42% | 49.62% | 62.52% | 48.12% | 49.79% |
| Net interest income | \$ 71,276 | \$ 67,131 | \$ 65,635 | \$ 66,766 | \$ 65,870 | \$ 204,042 |
| Noninterest income | 15,627 | 12,456 | 14,172 | 9,012 | 9,795 | 42,255 |
| Plus: Loss (gain) on sale of securities available for sale, net | 188 | - | - | 256 | 8 | 188 |
| Less: Thrive PPP loan forgiveness income ² | 1,912 | - | - | - | - | 1,912 |
| Operating noninterest income | 13,903 | 12,456 | 14,172 | 9,268 | 9,803 | 40,531 |
| Noninterest expense | 41,321 | 41,717 | 39,597 | 47,373 | 36,408 | 122,635 |
| Less: Severance payments | - | 627 | - | - | - | 627 |
| Less: Debt extinguishment costs | - | - | - | 9,746 | - | - |
| Operating noninterest expense | \$ 41,321 | \$ 41,090 | \$ 39,597 | \$ 37,627 | \$ 36,408 | \$ 122,008 |
| Operating efficiency ratio | 48.51% | 51.63% | 49.62% | 49.49% | 48.11% | 49.89% |

¹ Annualized ratio.

² During the third quarter of 2021, Thrive's PPP loan with another bank was 100% forgiven by the SBA. As a result of our 49% investment in Thrive, the \$1.9 million represents our portion of the PPP loan forgiveness. PPP fee income is not taxable and as such has no tax impact.

Reconciliation of Non-GAAP Financial Measures



| | For the Quarter Ended | | | | | For the Year Ended | |
|---|---|------------------|------------------|------------------|------------------|--------------------|-------------------|
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | | 9/30/2020 | 9/30/2021 |
| | (Dollars in thousands, except per share data) | | | | | | |
| Operating noninterest income | | | | | | | |
| Noninterest income | \$ 15,627 | \$ 12,456 | \$ 14,172 | \$ 9,012 | \$ 9,795 | \$ 42,255 | \$ 38,332 |
| Plus: Loss (gain) on sale of securities available for sale, net | 188 | - | - | 256 | 8 | 188 | (2,871) |
| Less: Thrive PPP loan forgiveness income | 1,912 | - | - | - | - | 1,912 | - |
| Operating noninterest income | \$ 13,903 | \$ 12,456 | \$ 14,172 | \$ 9,268 | \$ 9,803 | \$ 40,531 | \$ 35,461 |
| Operating noninterest expense | | | | | | | |
| Noninterest expense | \$ 41,321 | \$ 41,717 | \$ 39,597 | \$ 47,373 | \$ 36,408 | \$ 122,635 | \$ 112,014 |
| Less: FHLB prepayment fees | - | - | - | 9,746 | - | - | 1,561 |
| Operating noninterest expense | \$ 41,321 | \$ 41,717 | \$ 39,597 | \$ 37,627 | \$ 36,408 | \$ 122,635 | \$ 110,453 |
| | | | | | | | |
| | For the Quarter Ended | | | | | | |
| | 9/30/2021 | 6/30/2021 | 3/31/2021 | 12/31/2020 | 9/30/2020 | | |
| | (Dollars in thousands, except per share data) | | | | | | |
| Adjusted net interest margin | | | | | | | |
| Net interest income | \$ 71,276 | \$ 67,131 | \$ 65,635 | \$ 66,766 | \$ 65,870 | | |
| Less: Loan accretion | 1,904 | 1,536 | 1,911 | 2,652 | 3,953 | | |
| Less: Deposit premium amortization | 15 | 34 | 76 | 89 | 110 | | |
| Adjusted net interest income | \$ 69,357 | \$ 65,561 | \$ 63,648 | \$ 64,025 | \$ 61,807 | | |
| Total interest-earning assets | \$ 8,684,376 | \$ 8,659,059 | \$ 8,257,048 | \$ 8,065,652 | \$ 7,899,837 | | |
| Adjusted net interest margin | 3.16% | 3.03% | 3.12% | 3.15% | 3.10% | | |