

Flying Under the Radar: Texas Small and Micro-Cap Banks



“Always on My Mind.” - Willie Nelson. Texas is home to over 400 depository institutions, of which only 24 are publicly traded. Texas has many enviable banking markets – this fast-growing and business-friendly state ranks second in the U.S. regarding both population and size. As discussed in more detail herein, Texas has distinctive markets that include Dallas-Fort Worth, Houston, Austin, San Antonio, the Texas/Mexico

border, and West Texas.

This report highlights 16 publicly traded banks with assets between \$750 million and \$20 billion. We believe banks in this size range are large enough to operate efficiently and small enough to deliver personalized services. These stocks typically trade “under the radar screen” – they are not widely followed by brokerages or institutional investors for several reasons, including relatively low market caps and little trading volume.

As we approach 2022, a number of key issues have bankers’ attention. These include: (1) rising inflation and elevated interest rate volatility, which anecdotally seems to have replaced credit risk as the top concern; (2) continuing pressure on spread income, which represents the major source of revenue for our highlighted banks; and (3) the challenge of actively managing outsized cash and securities portfolios (31% of total assets for our highlighted banks) without taking on outsized interest rate and duration risk. **PNC FIG Advisory suggests analytical models tailored to reflect the attributes of each unique bank can best identify strategic options available to manage in this environment.**

Figure 1.a

Institution	HQ	Ticker	Stock Price (\$)	Mkt Cap (\$mm)	Total Assets (\$000s)
Allegiance Bancshares, Inc.	Houston	ABTX	40.56	821	6,759,761
Bancaffiliated Inc.	Arlington	BAFI	100.00	43	1,303,363
CBTX, Inc.	Houston	CBTX	27.69	681	4,209,119
First Fin’l Bankshares, Inc.	Abilene	FFIN	52.31	7,404	12,543,258
Guaranty Bancshares, Inc.	Addison	GNTY	37.87	458	2,968,268
Hilltop Holdings Inc.	Dallas	HTH	34.61	2,733	17,989,651
Independent Bank Group	McKinney	IBTX	71.83	3,084	18,918,225
International Bncshs Corp.	Laredo	IBOC	43.45	2,753	15,677,496
North Dallas B&T Co.	Dallas	NODB	79.49	204	1,613,009
Pioneer Bancshares, Inc.	Austin	PONB	29.50	184	1,591,422
South Plains Financial, Inc.	Lubbock	SPFI	26.51	472	3,774,175
Southside Bancshares, Inc.	Tyler	SBSI	41.51	1,340	7,135,691
Spirit of Texas Bncshs, Inc.	Conroe	STXB	28.74	496	3,154,252
Third Coast Bancshares, Inc.	Humble	TCBX	28.36	374	2,013,300
Triumph Bancorp, Inc.	Dallas	TBK	129.56	3,209	6,024,535
Veritex Holdings, Inc.	Dallas	VBTX	40.40	1,992	9,572,300
Median				751	5,116,827

Source: S&P Global Market Intelligence. Pricing data as of December 8, 2021. Financial data as of or for the 3 months ending September 30, 2021, or if not available, June 30, 2021

For more information, visit pnc.com/fig

Rick Weiss
610.724.7133
richard.weiss@pnc.com

Joshua Albright
484.954.3704
joshua.albright@pnc.com

Ryan Epler
484.954.3705
ryan.epler@pnc.com

Kate Lynch
614-929-8620
kate.lynch@pnc.com

Mark Neff
484.954.3707
mark.neff@pnc.com

Robert Pachence
484.954.3710
robert.pachence@pnc.com

Jack Payne
610.295.5555
jack.payne@pnc.com

Matthew Resch
484.954.3709
matthew.resch@pnc.com

Eric Tesche
484.954.3708
eric.tesche@pnc.com

Mark Trinkle
484.954.3706
mark.trinkle@pnc.com

Andrew Underwood
901-337-7077
andrew.underwood@pnc.com

Ryan Walker
610.851.4945
ryan.walker@pnc.com

Contact PNC FIG Advisory:

1-610-351-1633

Figure 1.b

Institution	TE/ Assets (%)	Div Yld (%)	LTM P/E (x)	Price/ TBV (%)	Insider Owner (%)	Inst. Owner (%)	ROAA (%)	ROATCE (%)
Allegiance Bancshares, Inc.	8.6	1.2	10.9	147	8	50	1.20	14.8
Bancaffiliated Inc.	9.9	0.0	NA	NA	NA	NA	0.76	NA
CBTX, Inc.	11.6	1.9	14.7	141	30	35	1.15	10.0
First Fin'l Bankshares, Inc.	11.6	1.1	32.5	526	5	54	2.00	17.0
Guaranty Bancshares, Inc.	9.0	2.1	11.4	174	23	22	1.43	16.6
Hilltop Holdings Inc.	12.5	1.4	6.7	125	23	65	2.53	20.7
Independent Bank Group	8.4	2.0	13.6	206	14	73	1.27	16.4
International Bncshs Corp.	13.2	2.8	11.2	137	12	69	1.69	12.7
North Dallas B&T Co.	10.6	1.3	25.2	119	NA	NA	0.53	4.8
Pioneer Bancshares, Inc.	10.7	0.0	NA	NA	0	2	0.79	8.3
South Plains Financial, Inc.	9.9	1.4	8.2	127	26	23	1.62	17.4
Southside Bancshares, Inc.	9.7	3.2	11.9	200	5	51	1.61	17.5
Spirit of Texas Bncshs, Inc.	9.9	1.7	11.1	164	23	40	1.47	16.8
Third Coast Bancshares, Inc.	5.9	0.0	11.8	157	NA	NA	0.80	NA
Triumph Bancorp, Inc.	9.4	0.0	28.2	657	6	78	1.98	24.7
Veritex Holdings, Inc.	9.4	2.0	16.7	232	4	82	1.33	15.9
Median	9.9	1.4	11.9	161	12	51	1.38	16.5

Source: S&P Global Market Intelligence. Pricing data as of December 8, 2021. Financial data as of or for the 3 months ending September 30, 2021, or if not available, June 30, 2021.

Although credit conditions seem benign and capital ratios are generally acceptable, many banks should consider taking advantage of favorable capital markets to provide “progressive padding” for an upcoming regulatory cycle that appears likely to be more scrutinizing. **Environment, Social, and Governance (“ESG”) financing appears to have much growth potential due to the increased interest for “socially responsible investing” among both potential issuers and investors.** Included within the ESG financings will be capital offerings to advance gender and racial equality, economic opportunities for underprivileged communities, and sustainable environmental initiatives.

Merger activity has bounced back in Texas. There were 14 deal announcements with Texas sellers in 2021, compared with 10 and 21 announcements in 2020 and 2019, respectively. We believe that banks across all asset sizes have a greater need for scale – the pandemic has demonstrated that major and permanent changes are coming to the community banking industry through the effective use of financial technology. Although there are many financial and economic reasons to merge, banks should consider potential regulatory delays regarding deal approvals when pursuing mergers.

Third quarter, 2021 earnings results for our selected banks were generally good. Most of the highlighted banks have strong balance sheets (including ample loan loss reserves), which provided enough financial flexibility to overcome disappointing third quarter loan growth and net interest margin (“NIM”) pressure. For some banks, loan originations were offset by paydowns and payoffs. Several banks, however, commented that loan pipelines were improving, which along with potentially higher interest rates, should bode well for earnings in the foreseeable future. Because, credit quality was not a serious issue, many banks recorded low, or even negative, loan loss provisions. Economic activity is returning to pre-pandemic levels and many banks decreased specific allocations within the allowance for loan losses. Due to the increased emphasis on economic forecasts on establishing loan loss allowances under the Current Expected Credit Loss (“CECL”) method, it will bear watching to see what impact, if any, higher inflation figures will have on loan loss provisioning.

Table of Contents

Highlights 4

Valuation Summary..... 6

Mergers and Acquisitions 8

Recent Deals with Texas Sellers..... 11

Market Area 12

Company Descriptions 15

Company Ratios 31

Random (But Not Alternative) Facts About Texas

- Texas is known as the Lone-Star State because of its former status as an independent republic and as a reminder of its struggle to gain independence from Mexico. Texas became a state in 1845.
- Hippie Hollow, on the shores of Lake Travis, is about 30 minutes northwest of Austin and the only “clothes-optional” park in Texas.
- One of the largest bat colonies in the world (approximately 1.5 million bats) roost under the Ann W. Richards Congress Avenue Bridge in Austin.
- On September 12, 1886, Lyne T. Barret drilled the first Texas oil well in Nacogdoches County.
- Blues guitarists from Texas include Albert Collins, Billy Gibbons, Lightin’ Hopkins, Albert King, Freddie King, Jimmy Vaughn, Stevie Ray Vaughn, T-Bone Walker, and Johnny Winter.
- Established in Independence on February 1, 1845, Baylor is the oldest, continuously operating university in Texas.
- Dwight D. Eisenhower (Abilene) and Lyndon B. Johnson (Stonewall) were the two U.S. presidents born in Texas.
- “Houston, we have a problem.” In 1961, NASA announced Houston as home to the Manned Spacecraft Center, which would serve as Mission Control Center for the U.S. space flight program.
- Barbeque – OMG! Brisket- not pork – is the king of Texas barbeque and is rubbed with lots of salt and pepper and typically served without sauce.

Highlights

- This *Industry Report* highlights key performance ratios of 16 publicly traded, Texas community banks with assets between \$750 million and \$20 billion using September 2021 quarter financial data (except as specifically noted).
- Texas has over 400 regulated depository institutions, of which only 24 are publicly traded banks and thrifts. There are 12 companies headquartered in the Lone Star State with total assets between \$5 and \$20 billion.
- Home to nearly 30 million people, Texas is the second largest state regarding both size and population. Approximately 7.2 million people reside in the Houston metropolitan statistical area (MSA) and 7.8 million live in the Dallas-Fort Worth MSA. According to the U.S. Bureau of Labor Statistics, the unemployment rate in Texas was 5.4% in October 2021. The unemployment rate in the U.S. was 4.2% in November 2021.
- The top five banks in the Lone Star State have a combined deposit market share of approximately 58%. JPMorgan Chase & Co. (NYSE: JPM) and Bank of America Corp. (NYSE: BAC) are the market leaders with 26% and 16% market shares, respectively.
- The highlighted banks generally had solid balance sheets that reflect strong asset quality and acceptable capital ratios relative to national medians. Per *S&P Capital IQ*, cash and investment securities were 31% (median) of total assets as of September 30, 2021, compared with 22% (median) at the same time, last year. The median loan to deposit ratio was about 75% as of September 30, 2021, versus 88% a year-ago.
- Although data is obscured by Payroll Protection Program (“PPP”) loan run-off, it appears loan growth remains soft. Besides customers’ excess liquidity, uncertainties associated with supply chain delays, potential tax rate hikes, and other fiscal matters changes may reduce near-term capital spending and further dampen loan demand.
- Until loan growth picks up, NIMs will likely remain under pressure as bankers are challenged to invest excess liquidity without undue interest rate risk. Several of our highlighted banks have already reduced funding costs to ultra-low levels as newly originated loan yields trended lower.
- For the quarter ending September 30, 2021, the median NIMs for our highlighted banks and nationwide banks with assets between \$750 million and \$20 billion were 3.28% and 3.22%, respectively. The median NIMs for the same banks were 3.28% and 3.17%, for the quarter ending June 30, 2021, and 3.57% and 3.24%, respectively, for the quarter ending September 30, 2020.

- As of December 8, 2021, there were 14 deals announced with Texas sellers since January 1, 2021. The median deal price to trailing 12-month earnings and tangible book value were 12.8 times and 158%. The median core deposit premium was 7.1%.
- The largest 2021 deal was the merger-of equals (“MOE”) transaction between Tupelo, MS-based, BancorpSouth Bank with Houston-based, Cadence Bancorp. Upon completion of the transaction on October 29, 2021, BancorpSouth was renamed Cadence Bank and the stock listed on the NYSE under the symbol “CADE”. The deal value was approximately \$2.9 billion, which equated to 129% of tangible book value.
- Among larger in-state institutions, the more logical buyers of Texas’s community banks appear to be First Financial Bankshares (NASDAQ: FFIN), First Foundation Inc. (NASDAQ: FFWM), Independent Bank Group (NASDAQ: IBTX), Prosperity Bancshares (NYSE: PB), and Texas Capital Bancshares (NASDAQ: TCBI). Allegiance Bancshares (NASDAQ: ABTX) appears to be sidelined pending completion of its MOE with CBTX, Inc. (NASDAQ: CBTX).
- Among the larger out-of-state institutions, the more logical buyers of Texas’s community banks include, but are not limited to, BancFirst Corporation (NASDAQ: BANF), Bank OZK (NASDAQ: OZK), Comerica Incorporated (NYSE: CMA), Hancock Whitney Corporation (NASDAQ: HWC), Home Bancshares, (NASDAQ: HOMB), Regions Financial (NYSE: RF), UMB Financial Corporation (NASDAQ: UMBF), U.S. Bancorp (NYSE: USB), and Zions Bancorp (NASDAQ: ZION).
- Smaller banks may not have the scale to duplicate services provided by mid-size banks. Banks, with assets below \$2 billion or so, may sell in hopes of a “double dip” where the buyer pays a relatively higher price to increase size and reposition itself for a sale.
- Many mergers await regulatory approval. Of 203 announcements in 2021, only 100 deals have been completed thus far. We surmise the 2021 logjam is mainly due to high-level vacancies at banking agencies and a shift in the level of regulatory oversight after last year’s elections.
- The current interest rate environment pressures net interest margins and challenges asset/liability officers. Investment and loan portfolios must be constantly evaluated to maximize profitability without sacrificing liquidity or credit quality.
- Based on banks’ strong balance sheets, we believe most companies that raise capital will do so to support growth or satisfy potentially higher regulatory demands rather than guard against credit losses. As of September 30, 2021, the median tangible common equity ratio for our highlighted banks was 9.9%.
- Opportunistic banks continue to raise sub debt. Because it is unlikely pricing can improve much, we believe there is limited value for prospective issuers to wait for better conditions. Community bank sub debt coupon rates for rated deals have trended down as certain new issue sub debt deals were recently priced with coupons around 2.875% - 3.25%.

Valuation Summary

Figure 2

Investing in bank stocks has become a “stock pickers” market due to higher valuations and increased volatility. We believe bank stock prices reflect mixed and inconsistent sentiments regarding the economy (especially pandemic developments), interest rate forecasts (particularly the 10-year Treasury), and expectations for more bank consolidation.

	Median LTM P/E (x)	Median Price/ TBV (%)
Highlighted Banks	12.0	163
Texas Banks	12.5	167
All U.S. Banks	10.6	122

Source: S&P Global Market Intelligence. Pricing data as of December 7, 2021. Financial data as of or for the period ending September 30, 2021. U.S. banks between \$750mm and \$50B.

The latest economic data along with Fed Chairman Jerome Powell’s recent comments has fueled speculation that the

Fed will accelerate its bond tapering program and raise interest rates sooner than previously forecasted. (The Consumer Price Index increased 6.2% year-over-year in October 2021.) This could benefit some asset sensitive banks, provided there is enough loan and other interest-earning asset growth to generate higher earnings. A higher yielding 10-year Treasury Note (TNX) typically provides support to bank equities. The problem for most community banks, however, would be if short term rates rise while longer term rates fall thus flattening the yield curve.

Along with generally favorable equity markets for bank investors, capital markets for bank debt and preferred stock continue to present a promising financing and investment opportunity.

As shown above in Figure 2, Texas banks trade at premium multiples compared with banks based in many other parts across the United States. Why? To paraphrase the three most important things about real estate – location, location, location. Texas is considered “business friendly” and has favorable demographics, which should provide superior business opportunities for banks.

As of December 7, 2021, the NASDAQ Bank and S&P 500 Bank Indices increased 39.6% and 33.4%, respectively, since the start of 2021. Over that time, the S&P 500 Index increased 22.3%, and the DJIA Index increased 15.1%. Since the start of the fourth quarter (October 1), the NASDAQ Bank Index rose 4.6% and the S&P 500 Bank Index is up 0.4%. Since October 1, 2021, the DJIA and the S&P 500 Index increased 4.1% and 6.6%, respectively.

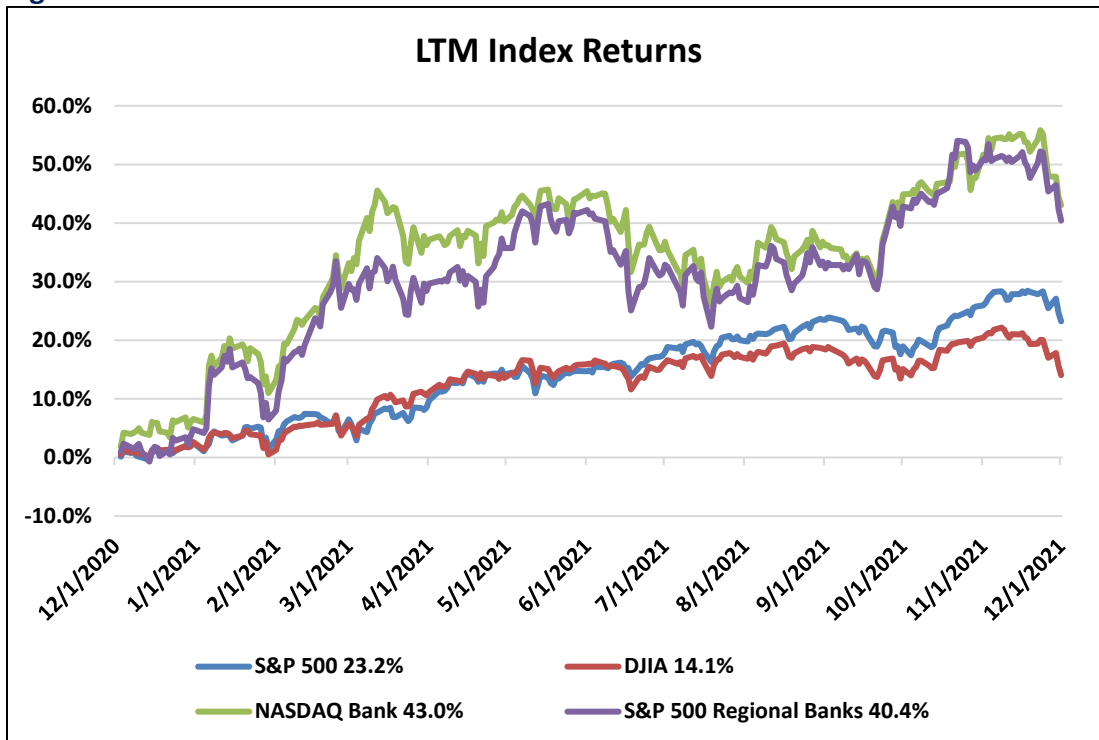
Earnings forecasts have become less predictable due to the pandemic and the CECL accounting standard. In addition to global economic and political concerns, other elements of uncertainty for banks include the prospects of a tougher supervisory/regulatory environment and potential increases in corporate tax rates.

We suspect that much equity trading volume reflects cash inflows or outflows being directed by passive investment funds, including ETFs, rather than strong conviction among traditional

bank investors. Depending upon the flow of funds at any moment in time, bank stocks can be at the mercy of the market regardless of fundamentals.

Institutional Use Only

Figure 3



Source: S&P Global Market Intelligence.

Contact PNC
FIG Advisory:

1-610-351-1633

Mergers and Acquisitions

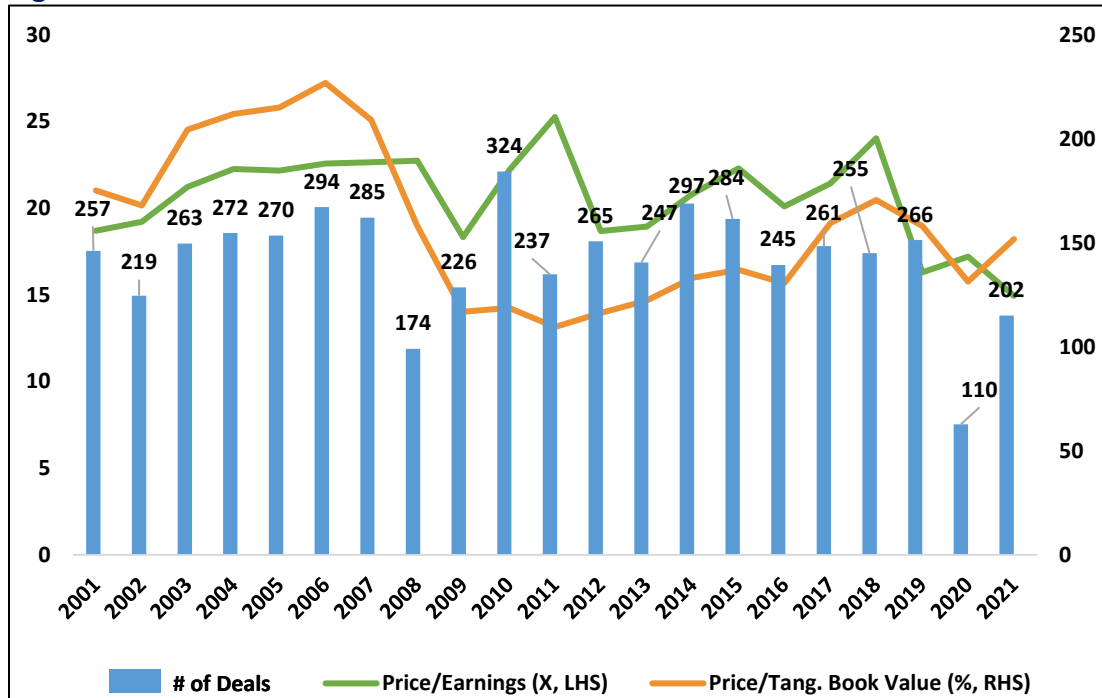
Texas merger and acquisition activity will likely exceed that of many U.S. regions due to better demographics and a higher entrepreneurial spirit among businesses, which includes bankers. The Texas economy is faster growing, more diverse, and has less governmental interference than those of most states. Buyers are primarily motivated to efficiently obtain core deposits and gain economies of scale (along with synergies). The pandemic has clearly demonstrated that community banks have many issues to address, which includes revenue generation, ongoing technology expenditures, recruiting and retaining quality employees, regulatory burdens, and possibly succession issues. All of these can be resolved through the sale of the company. Smaller banks appear more apt to sell as they often lack the critical mass of interest-earning assets and/or other revenue drivers to offset fixed costs. Credit quality – typically the main reason for limited deal activity - appears to be sound and should not be a drag for the foreseeable future.

M&A activity has picked up across the nation following a period of limited deal flow due primarily to COVID-19 and its related concerns. To date, there have been 203 national deal announcements in 2021 (14 with Texas sellers), compared with 115 (10 with Texas sellers) and 260 (21 with Texas sellers) national deals in 2020 and 2019, respectively. Recent deals across the nation include out-of-market and in-market transactions; mergers-of-equals (“MOEs”); super-regional, foreign, and community bank combinations; bidding processes; privately negotiated transactions; and purchases of publicly traded companies by mutual institutions.

Because banks are sold and not bought, merger and acquisition activity is largely determined by potential sellers’ willingness to accept acquisition prices (premiums) relative to trading values. We believe potential buyers will continue to maintain pricing discipline, perhaps to the disappointment of sellers and their shareholders looking for immediate gratification. **PNC FIG Advisory believes, however, that there are more important metrics (i.e., earnings, tangible book value accretion/dilution, IRR analysis, strategic) to consider vs. focusing solely on the market premium.** (The glaring exception is cash deals viewed from the seller’s perspective.) We also opine that the best deals for both buyers and sellers generally occur when bank valuations are reasonable; and there is significant upside potential to reflect the combined institution’s increased earnings power and franchise value.

We suspect that most of the Texas deals will be smaller, given the relatively large number of privately held companies that could face economies of scale or management succession issues. That said, included among Texas’s banks that hover around \$10 billion in assets are CBTX, Inc. (NASDAQ: CBTX) (pro forma), First Financial Bankshares (NASDAQ: FFIN) and Veritex Holdings (NASDAQ: VBTX). The \$10 billion asset threshold is significant due to the reduction of debit card interchange income mandated by the Durbin amendment as well as more regulatory scrutiny. We opine that companies approaching this threshold generally look harder at merger opportunities – both as potential buyers and sellers.

Figure 4 National Deals



Source: S&P Global Market Intelligence. FDIC and MOE deals included. Data as of December 8, 2021.

Companies with stronger currencies are typically the more active acquirers. Among larger in-state institutions, the more logical buyers of Texas’s community banks appear to be, Comerica Incorporated (NYSE: CMA), Cullen/Frost Bankers, Inc. (NYSE: CFR), First Financial Bankshares, Inc. (NASDAQ: FFIN), Independent Bank Group (NASDAQ: IBTX), and Prosperity Bancshares (NYSE: PB) (NASDAQ: TCBI). Among the larger out-of-state institutions, the more logical buyers of Texas’s community banks include, but are not limited to, Bank OZK (NASDAQ: OZK), Hancock Whitney Corporation (NASDAQ: HWC), Home Bancshares, Inc. (NASDAQ: HOMB), Regions Financial Corporation (NYSE: RF), UMB Financial Corporation (NASDAQ: UMBF), U.S. Bancorp (NYSE: USB), and Zions Bancorp (NASDAQ: ZION).

Recent deals with Texas-based sellers include:

- On November 19, 2021, Pine Bluff, AR-based, Simmons First National Corporation (NASDAQ: SFNC) agreed to acquire Conroe, TX-based, Spirit of Texas Bancshares Inc. (NASDAQ: STXB). The all-stock deal was valued at approximately \$581 million, which equated to 192% of tangible book value and 12.8 times trailing 12-month earnings. The core deposit premium was 10.4%.
- On November 11, 2021, Houston-based, Allegiance Bancshares, Inc. (NASDAQ: ABTX) agreed to merge with Houston-based, CBTX, Inc. (NASDAQ: CBTX). In a reverse MOE, CBTX will be the legal acquirer and Allegiance will be the accounting acquirer. CBTX will exchange 1.4184 shares of its common stock for each outstanding share of Allegiance Bancshares. On a pro forma basis, the combined company will have total assets of over \$11 billion and the largest deposit market share of any Texas-based bank in the Houston Region.
- On October 29, 2021, Tupelo, MS-based, BancorpSouth Bank completed its MOE transaction with Houston-based, Cadence Bancorp. Upon completion of the transaction, BancorpSouth was renamed Cadence Bank and the stock listed on the NYSE under the symbol "CADE". The deal was valued at approximately \$2.9 billion, which equated to 129% of tangible book value.
- On September 15, 2021, Conway, AR-based, Home Bancshares, Inc. (NYSE: HOMB) agreed to acquire Canyon-based, Happy Bancshares, Inc. (privately held). Home will enter Texas with 63 branches. The all-stock deal was valued at approximately \$887 million, which equated to 159% of tangible book value and 12.2 times trailing 12-month earnings. The core deposit premium was 7.3%.
- On June 1, 2021, Pittsburgh-based, PNC Financial Services Group, Inc. completed its acquisition of Houston-based, BBVA USA Bancshares, Inc., including its U.S. banking subsidiary, BBVA USA, for a purchase price of \$11.6 billion to be funded with cash on hand in a fixed price structure. At completion, the deal was valued at 123% of tangible book value, 15.2 times trailing 12-month earnings, and a deposit premium of 2.5%. PNC FIG Advisory acted as a financial advisor to PNC.

Recent Deals with Texas Sellers

Figure 5

Buyer/Target Name	Status	Completion Date**	Deal Value (\$MM)	Price/LTM Earnings (X)	Price/Tangible Book (%)	Core Deposit Premium (%)	Buyer Price Change 3 Days After (%)	Target Price Change 3 Days After (%)
Simmons First Nat'l Corp./Spirit of Texas Bancshares, Inc.	Pending	11/19/2021	581.0	12.8	192	12.7	-3.2	8.7
Allegiance Bancshares, Inc./CBTX, Inc.	Pending	11/8/2021	845.6	NA	NA	NA	5.3	2.3
BancFirst Corporation/Worthington National Bank	Pending	11/1/2021	NA	NA	NA	NA	3.3	NA
Business First Bancshares, Inc./Texas Citizens Bancorp, Inc.	Pending	10/21/2021	53.6	16.6	157	4.8	4.8	NA
Home Bancshares, Inc./Happy Bancshares, Inc.	Pending	9/15/2021	887.7	12.2	159	7.3	5.9	NA
Private investor - Mr. Tilman Fertitta/The Chasewood Bank	Pending	8/23/2021	NA	NA	NA	NA	NA	NA
C.S.B. Bancshares, Inc./Burton Bancshares, Inc.	Pending	8/16/2021	NA	NA	NA	NA	NA	NA
Cornerstone Home Lending, Inc./The Roscoe State Bank	Pending	6/14/2021	NA	NA	NA	NA	NA	NA
FirstSun Capital Bancorp/Pioneer Bancshares, Inc.	Pending	5/11/2021	218.2	16.3	137	6.6	NA	5.4
BancorpSouth Bank/Cadence Bancorporation	Completion	10/29/2021	2,874.2	9.6	159	7.1	-3.5	5.7
BAT Investments, Inc./Capital Bank of Texas	Completion	9/28/2021	NA	NA	NA	NA	NA	NA
GrahamJB6 Co/Security Bancshares, Inc.	Completion	9/1/2021	NA	NA	NA	NA	NA	NA
Plains Bancorp, Inc./Childress Bancshares, Inc.	Completion	8/31/2021	NA	NA	NA	NA	NA	NA
Happy Bancshares, Inc./First National Bank of Tahoka	Completion	6/4/2021	NA	NA	NA	NA	NA	NA
PNC Fin'l Services Group, Inc./BBVA USA Bancshares, Inc.*	Completion	6/1/2021	11,566.7	19.70	131	NA	5.3	NA
VeraBank, Inc./Panola National Bank	Completion	5/17/2021	NA	NA	NA	NA	NA	NA
Peoples Bancorp, Inc./Baylor Bancshares, Inc.	Completion	5/1/2021	NA	NA	NA	NA	NA	NA
Lone Star Capital Bank, NA/Business Bank of Texas, N.A.	Completion	5/1/2021	NA	NA	NA	NA	NA	NA
BancorpSouth Bank/National United Bancshares, Inc.	Completion	5/1/2021	114.7	15.8	156	6.8	4.2	NA
Texas Heritage Bncshs, Inc./Medina Community Bncshs, Inc.	Completion	4/1/2021	NA	NA	NA	NA	NA	NA
Happy Bancshares, Inc./Muleshoe Bancshares, Inc.	Completion	2/20/2021	NA	NA	NA	NA	NA	NA
Sulphur Springs Bncshs, Inc./Morris County National Bank	Completion	1/30/2021	NA	NA	NA	NA	NA	NA
Dry Lake Financial, LLC/Espuela Bank Shares, Inc.	Completion	1/23/2021	NA	NA	NA	NA	NA	NA
Louise Bancshares, Inc./Dilley State Bank	Completion	12/12/2020	NA	NA	NA	NA	NA	NA
Heartland Financial USA, Inc./AIM Bancshares, Inc.	Completion	12/4/2020	280.4	13.4	210	12.3	1.8	NA
Snyder Holding Company/West Texas State Bank	Completion	11/30/2020	NA	NA	NA	NA	NA	NA
SW Bncshs/Capitol of TX Bncshs/TX Hill Country Bncshs	Completion	10/21/2020	NA	NA	NA	NA	NA	NA
Median			582.2	14.6	158	7.1	4.2	5.6
Average			1,935.9	14.5	163	8.2	2.7	5.5

Deals announced through December 7, 2021.

*PNC FIG Advisory Deals; ** Announcement date is listed for pending deals

Source: S&P Global Market Intelligence

Market Area

Figure 6



Texas, home to nearly 30 million individuals, is the nation’s second most populous state and second biggest in landmass. The median household income (\$70,950) is slightly lower than that of the country. Texas features urban and suburban areas, particularly the Austin, San Antonio, Dallas/Fort Worth, and Houston markets, but much of the state is considered rural. The size of Texas is immense. For instance, El Paso is closer to Los Angeles than the eastern border of Texas.

Originally colonized by Spanish missionaries, Texas was a part of Mexico until the Texas Revolution succeeded and the region became an independent nation in 1836. Primarily because the newly formed Texas Republic could not adequately defend itself against Mexican army raids, Texas opted to join the U.S. in 1845, and as the saying goes, “the rest is history”.

According to the Texas Economic Development Corporation, Texas would have the ninth largest Gross Domestic Product (“GDP”) in the world if it were an independent nation. In 2020, its economic output was approximately \$1.9 trillion, placing the state slightly ahead of Canada and Brazil. Texas accounts for 10% of total manufacturing output in the United States, and its annual GDP lags only that of California. Texas is one of the few states with no income tax for residents. Instead, the state relies on high sales and user taxes. Many high-tech

companies have relocated to Texas in recent years. Included among these firms are BluePallet, CrowdStreet, Green Dot, iFly.vc, Markaaz, NinjaOne, Oracle, and Tesla.

Energy remains a key component of the Texas economy – the state produces approximately 40% of America’s crude oil and about 25% of the nation’s marketed natural gas. It is also the largest producer of wind power in the nation. Most of Texas’s total exports go to Mexico. About \$92.5 billion of the state’s exports went to Mexico, compared with \$25.5 billion and \$11.5 billion of goods shipped to Canada and China, respectively. Although the United States immigration and trade policy is outside the scope of this report, it is obvious that Texas will be affected more than most states if trade, immigration, and other border problems with Mexico cannot be resolved. Among other problems caused by tariffs on foreign-made steel, they have increased the costs of building pipelines in Texas. There is also a shortage of construction and oilfield workers, which would probably be exacerbated by continued immigration restrictions.

As is the case across the United States, the banking environment in Texas has changed dramatically over the past few decades as local banks were gobbled up by larger national and international banking institutions. Arguably, the most significant acquirer has been JPMorgan Chase, which through its predecessor companies, purchased Bank One Corporation in 2004 and Houston-based, Texas Commerce in 1987. Although headquartered in Chicago, Bank One had plenty of Texas branches and business relationships. Bank of America, through its predecessor companies, entered Texas through several acquisitions, which included Charter Bancshares Inc., Corpus Christi National Bank, and First Republic. In addition to JPMorgan and Bank of America, other national/international banks with a meaningful Texas presence include Wells Fargo & Co., Comerica Incorporated, PNC Financial Services, and Zions Bancorp, N.A.

Dallas/Fort Worth Metro Market Area. The Dallas/Fort Worth metroplex covers 13 Texas counties in North Texas. This area is home to approximately 7.8 million people and is the state’s fastest growing region. The median household income is about \$81,000. Per *Zillow*, over the last five years, home values in Dallas increased 61% and the median home price is about \$282,000. Many reports regarding this area as one of the more “livable places” in the U.S. and according to *Forbes*, Dallas/Fort Worth ranks as the fifth best place to retire in the U.S. The region’s economy is fueled by banking, commerce, energy, healthcare, medical research, telecommunications, and transportation industries. Major employers include AMR Corporation (American Airlines), Bank of America Corp., Texas Health Resources, Dallas ISD, Baylor Health Care System, and AT&T. The unemployment rate was 4.7% in October 2021.

Houston Metro Market Area. Located in Southeast Texas, the Houston metropolitan statistical area has a total population of around 7.2 million residents. The median household income is about \$69,000 and the median home price is approximately \$238,000 (per *Zillow*). Energy has been a key component to the Houston economy since oil was discovered in the region in 1901. Houston is home to major U.S. energy companies in every segment including exploration, production, development, oil field service and supply. Houston is also a major hub of the chemical industry as almost 40% of the nation’s capacity for producing basic chemicals are based there. Other major industries include financial services, agribusiness,

and healthcare. Major employers include: Memorial Hermann Healthcare System, Continental Airlines, The University of Texas M.D. Anderson Cancer Center, The Methodist Hospital System, Exxon Mobil Corporation, and the Johnson Space Center of NASA. The unemployment rate was 5.4% in October 2021.

San Antonio Market Areas. Founded in 1718 by Spanish explorers, San Antonio is in South-Central Texas, about 90 miles southwest of Austin and 150 miles from the Mexican border at Laredo. About 60% of its population are Hispanic (mainly Mexican descent) and many are Spanish speaking or bilingual. San Antonio's population is approximately 1.5 million residents. In addition to the military, major elements of San Antonio's economy are education, healthcare, medical research, financial services, and tourism. Major employers include the U.S. government (including military), Methodist Healthcare System, Baptist Health Care System, JPMorgan Chase, Wells Fargo, and Six Flags Fiesta Texas. The unemployment rate was 4.7% in October 2021.

Austin Market Area. Austin, which is the capital of Texas, is located about 200 miles southwest of Dallas, 160 miles west of Houston, and 90 miles north of San Antonio. The city has a population of approximately 950,000 people and is fast-growing. Due to its diversified economy, the Austin area has experienced consistent economic growth throughout the 21st Century. Austin is one of the nation's leading centers for high technology, including computer software, biotechnology, wireless technology, medical products, and semiconductors. Austin is home to the University of Texas, which has a student enrollment of about 52,000. Major employers include Austin Independent School District, City of Austin, Dell, Inc., U.S. Federal Government, IBM Corp., and Seton Family of Hospitals. The unemployment rate was 3.4% in October 2021.

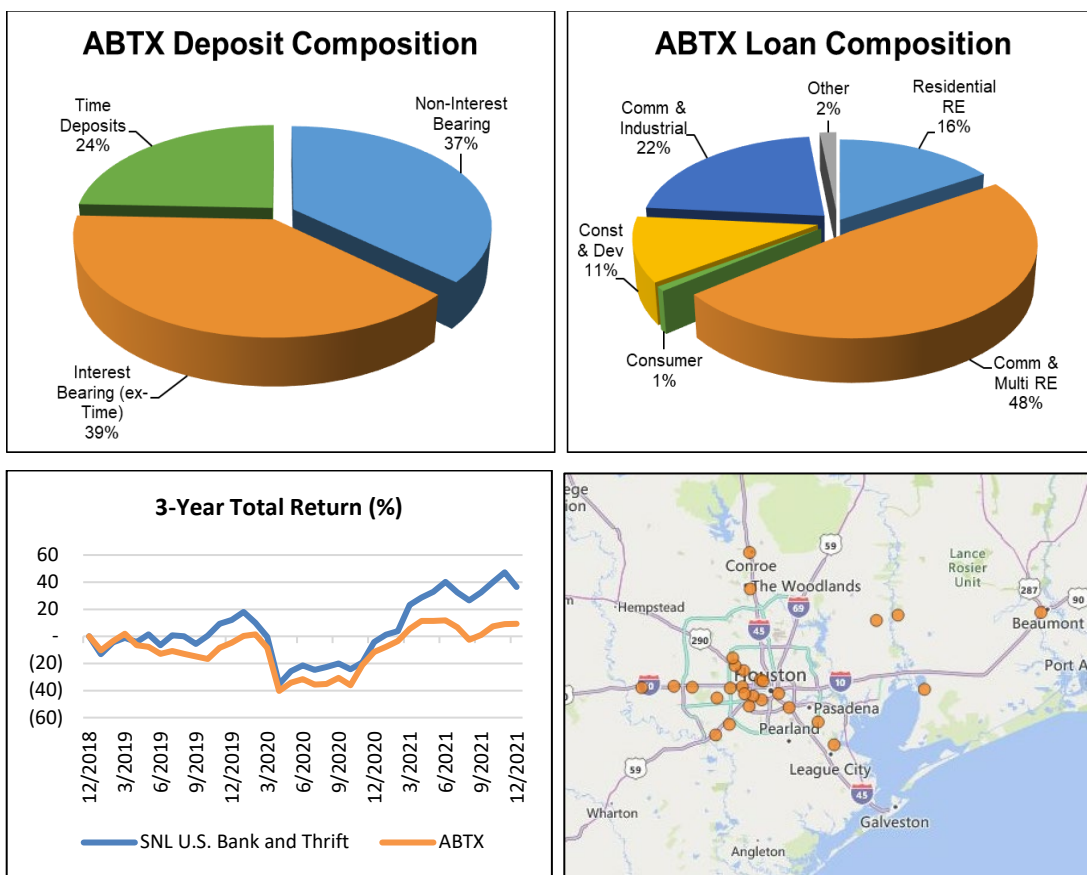
West Texas Market. We, somewhat arbitrarily, define West Texas as the area extending to the Pecos River on the western border and the Brazos River on the eastern edge. The five major metropolitan areas in West Texas include El Paso, Lubbock, Midland/Odessa, and San Angelo. The Permian Basin covers 55 counties in West Texas, which is a huge source of oil and gas. The region supplied the nation with approximately 15% of all U.S. crude oil production in 2020, according to the U.S. Department of Energy. In addition to oil (also known as Texas Tea), the West Texas economy benefits from agriculture, manufacturing, the military, and universities including Texas Tech and Texas A&M. There are approximately 30 banks located in West Texas with assets between \$250 million and \$2.0 billion.

South Texas (Border) Areas. South Texas is the region which extends from the Rio Grande on the south and west and extends east to the Gulf of Mexico and north to San Antonio. The area is an important economic corridor between the United States and Mexico. There is an extensive network of highways, rail, waterways, and air for transporting raw materials, employment, and finished products between the two countries. The Port of Corpus Christi is the fifth largest port in the country regarding total tonnage and the deepest inshore port on the Gulf of Mexico. Many of the population are binational; and depend upon regular border crossings for both business and personal reasons. Farming remains an important part of the South Texas economy: key agricultural commodities include beef, feed crops, nursery, and cotton.

Company Descriptions

Allegiance Bancshares, Inc. (NASDAQ: ABTX). Allegiance is Houston’s largest locally headquartered bank. Through its wholly owned subsidiary, Allegiance Bank, the company provides a diversified range of commercial banking services primarily for small to medium-sized businesses and individual customers in the Houston region. Allegiance made the strategic decision to focus on the Houston region because of its deep roots and experience operating through a variety of economic cycles in this large and vibrant market. There are 26 full-service banking locations in the Houston MSA and one branch in the Beaumont-Port Arthur MSA. In 2018, Allegiance acquired Houston-based, Post Oak Bancshares through a stock deal valued at approximately \$348 million (at completion). On November 11, 2021, Allegiance agreed to merge with Houston-based, CBTX, Inc. through a reverse MOE. CBTX will be the legal acquirer and Allegiance will be the accounting acquirer. On a pro forma basis, the combined company will have total assets of over \$11 billion.

Allegiance uses the CECL method of accounting for the loan loss allowance, and as September 30, 2021, the loan loss reserve was \$50.5 million, or 1.18% of total loans, compared with \$53.2 million, or 1.18% of total loans as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 76%, loans were 63% of total assets, and the tangible common equity ratio was 8.6%. As of the same date, total assets, deposits, and shareholders’ equity were \$6.6 billion, \$5.7 billion, and \$798.6 million, respectively.



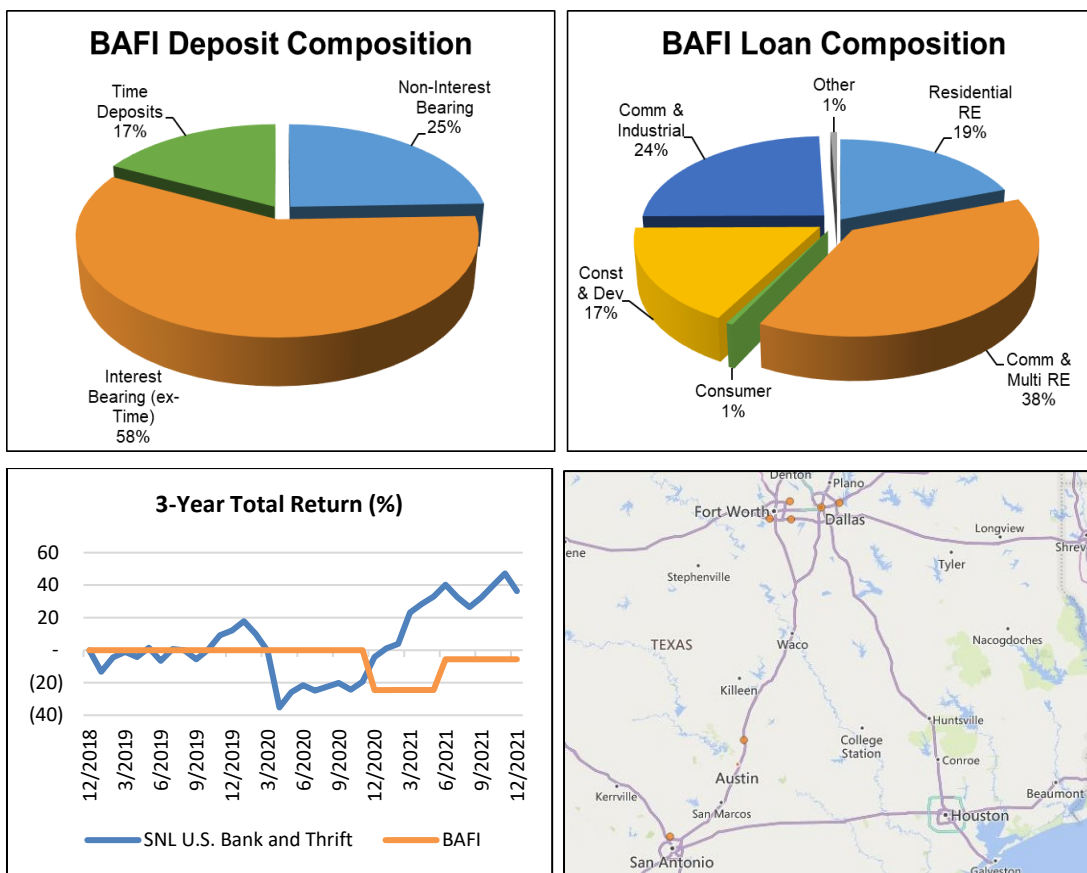
Source: S&P Global Market Intelligence

Contact PNC
FIG Advisory:

1-610-351-1633

BancAffiliated, Inc. (OTCEM: BAFI). Headquartered in Arlington (near Dallas), BancAffiliated is the holding company for Affiliated Bank, N.A. The bank operates five branch offices. The company's roots date back to 1959, when it opened its doors as a federal credit union. The company converted to a state-chartered bank and began operating as Susser Bank under its new charter, effective January 1, 2021. In July 2020, BancAffiliated and Odessa SouthWest Bancshares (privately held) mutually agreed to terminate their merger agreement due to the uncertainty caused by the coronavirus.

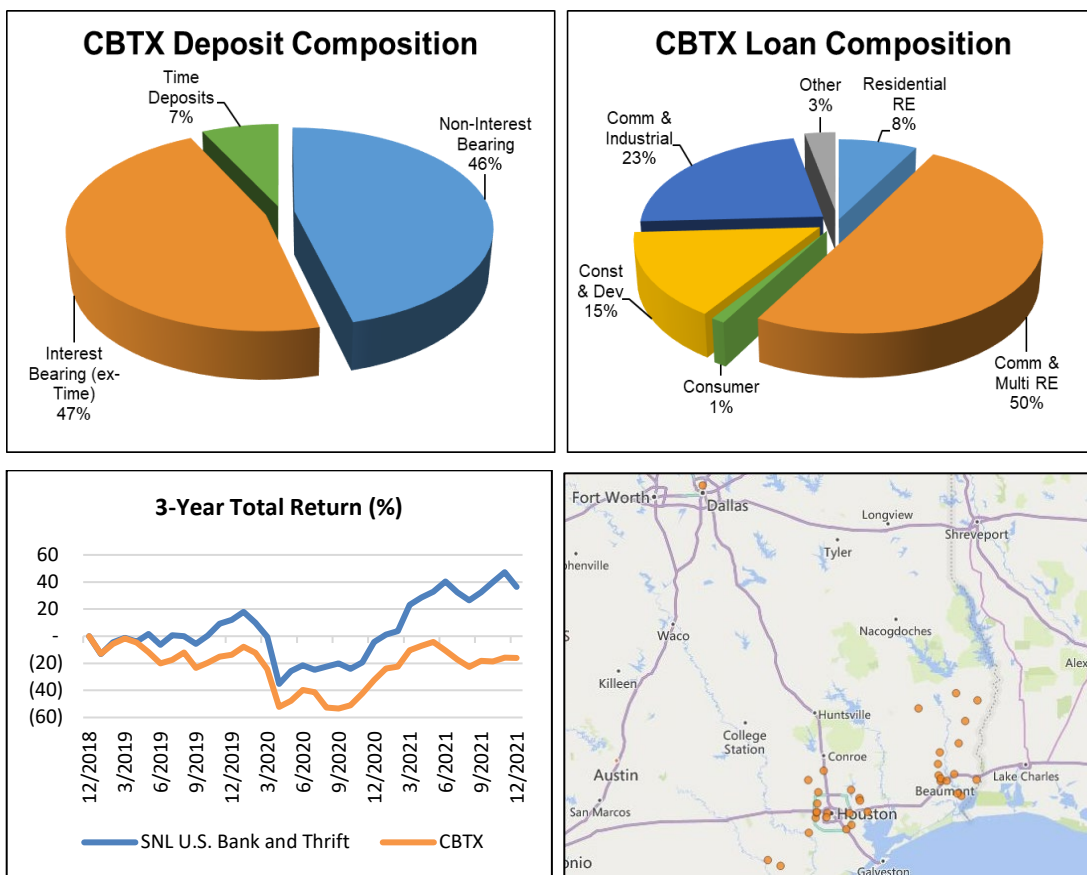
As of September 30, 2021, the loan loss reserve was \$10.9 million, or 1.16% of total loans, compared with \$9.8 million, or 1.06% of total loans as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 85%, loans were 71% of total assets, and tangible equity was 9.9% of total tangible assets. As of the same date, total assets, deposits, and shareholders' equity were \$1.3 billion, \$1.1 billion, and \$158.0 million, respectively. The company's fiscal year ends September 30.



Source: S&P Global Market Intelligence

CBTX, Inc. (NASDAQ: CBTX). Headquartered in Beaumont, CBTX, Inc. was incorporated in 2007 and completed its IPO in 2017. CBTX is the bank holding company for CommunityBank of Texas, N.A., which offers commercial banking solutions to small and mid-sized businesses and professionals in Houston, Dallas, Beaumont, and surrounding communities in Texas. The company operates 35 branches. CBTX has experienced significant organic growth since 2007, as well as growth through mergers, acquisitions, and *de novo* branching. On November 11, 2021, CBTX and Houston-based, Allegiance Bancshares agreed to merge. In a reverse MOE, CBTX will be the legal acquirer and Allegiance will be the accounting acquirer. CBTX will exchange 1.4184 shares of its common stock for each outstanding share of Allegiance Bancshares. On a pro forma basis, the combined company will have total assets of over \$11 billion and the largest deposit market share of any Texas-based bank in the Houston Region.

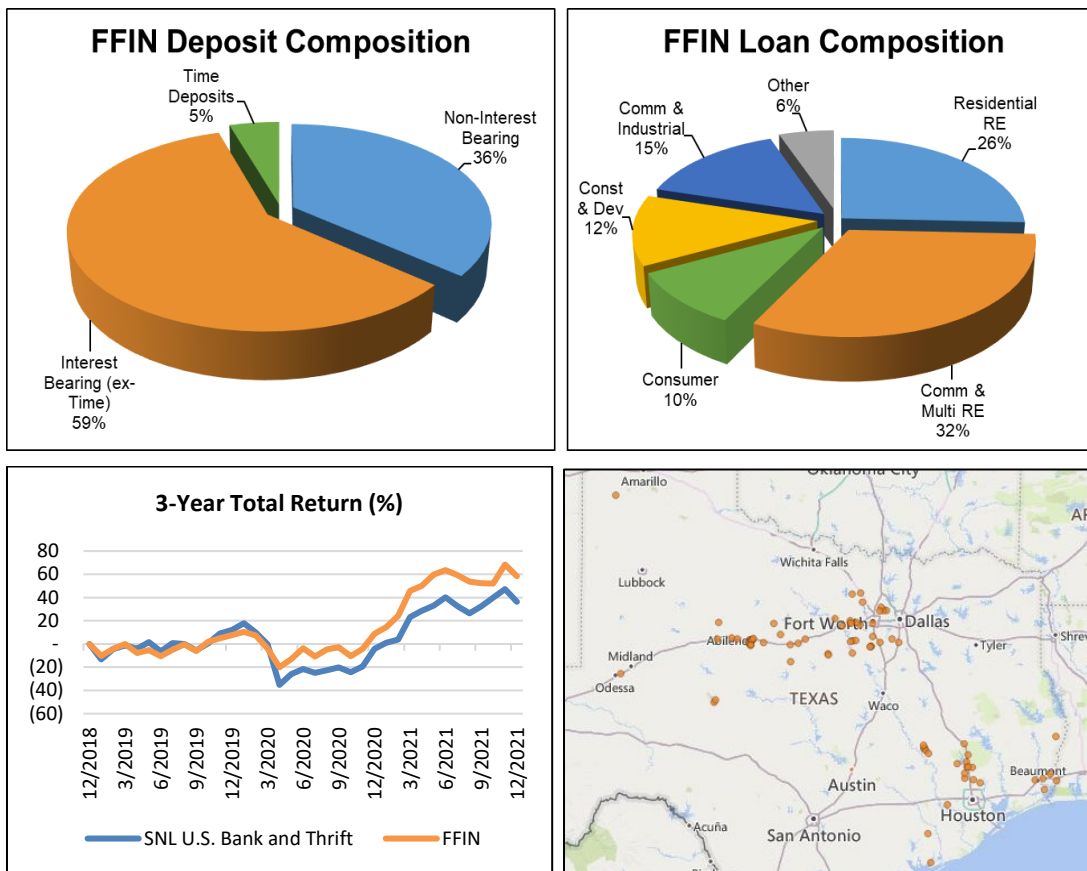
CBTX uses the CECL method of accounting for the loan loss allowance, and as September 30, 2021, the loan loss reserve was \$32.2 million, or 1.23% of total loans, compared with \$40.6 million, or 1.39% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 74%, loans were 62% of total assets, and the tangible common equity ratio was 11.6%. As of the same date, total assets, deposits, and shareholders' equity were \$4.2 billion, \$3.5 billion, and \$564.6 million, respectively.



Source: S&P Global Market Intelligence

First Financial Bankshares, Inc. (NASDAQ: FFIN). Headquartered in Abilene, First Financial Bankshares, is a financial holding company that through its subsidiary, First Financial Bank, N.A., operates multiple banking regions with over 80 Texas locations. The company also operates First Financial Trust & Asset Management Company, N.A., with 10 locations and First Technology Services, Inc., a technology operating company. On January 1, 2018, First Financial completed its acquisition of Commercial Bancshares through a cash deal valued at \$59 million. On January 1, 2020, First Financial completed its acquisition of Bryan, TX-based, TB&T Bancshares through an all-stock deal valued at approximately \$218 million. The purchase price equated to roughly 320% of tangible book value and 20.4 times trailing 12-month earnings.

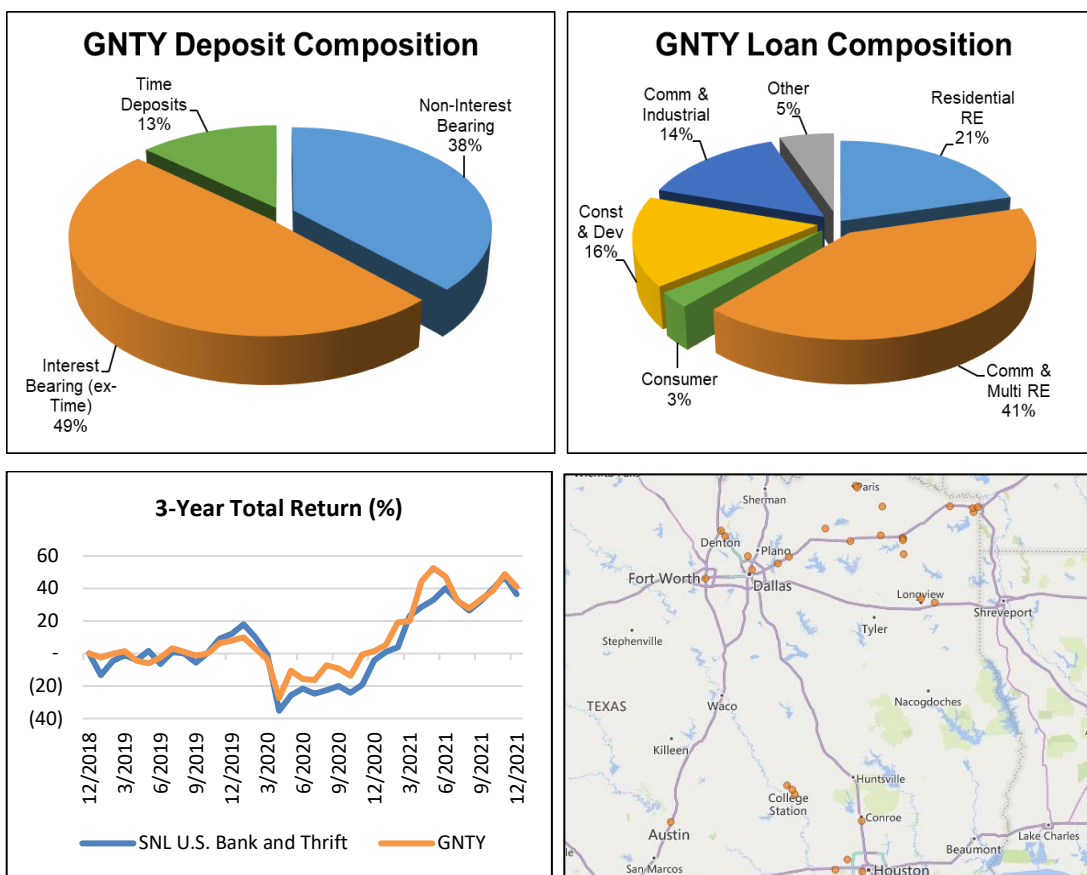
First Financial uses the CECL method of accounting for the loan loss allowance, and as September 30, 2021, the loan loss reserve was \$5.3 million, or 1.19% of total loans, compared with \$66.5 million, or 1.27% as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 53%, loans were 42% of total assets, and the tangible common equity ratio was 11.6%. As of the same date, total assets, deposits, and shareholders' equity were \$12.5 billion, \$9.9 billion, and \$1.7 billion, respectively.



Map excludes branch locations in Kentucky
Source: S&P Global Market Intelligence

Guaranty Bancshares, Inc. (NASDAQ: GNTY). Headquartered in Addison (near Dallas), Guaranty Bancshares is a bank holding company that conducts commercial banking activities through its wholly owned subsidiary, Guaranty Bank & Trust, N.A. Originally chartered as a Texas state banking association in 1913, Guaranty is one of the oldest regional community banks based in the Lone Star State. The company provides its customers with a full array of relationship-driven commercial and consumer banking products and services, as well as mortgage, trust, and wealth management products and services. Guaranty Bank & Trust has 32 banking locations across 26 Texas communities located within the East Texas, Dallas/Fort Worth, Greater Houston, and Central Texas regions of the state. The holding company completed its initial public offering in May 2017 as an emerging growth company under the JOBS Act. During the past seven years, the company supplemented its organic growth with three strategic acquisition in the Dallas/Fort Worth and Houston regions.

Guaranty uses the CECL method of accounting for the loan loss allowance, and as September 30, 2021, the loan loss reserve was \$30.6 million, or 1.55% of total loans, compared with \$33.6 million, or 1.80% as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 77%, loans were 66% of total assets, and the tangible common equity ratio was 9.0%. As of the same date, total assets, deposits, and shareholders' equity were \$3.0 billion, \$2.6 billion, and \$297.4 million, respectively.



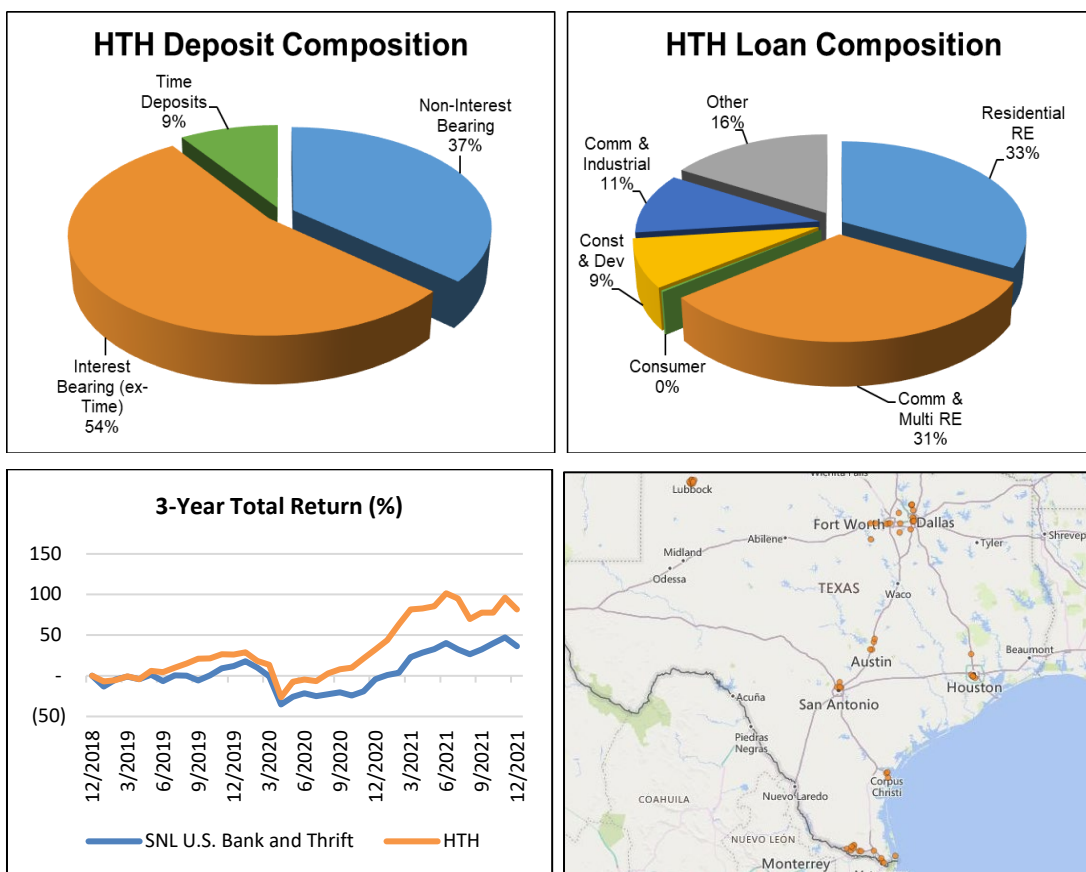
Source: S&P Global Market Intelligence

Contact PNC
FIG Advisory:

1-610-351-1633

Hilltop Holdings, Inc. (NYSE: HTH). Hilltop Holdings is a Dallas-based financial holding company. Its primary line of business is to provide business and consumer banking services from offices located throughout Texas through PlainsCapital Bank. PlainsCapital Bank's wholly owned subsidiary, PrimeLending, provides residential mortgage lending throughout the United States. Hilltop Holdings' broker-dealer subsidiaries, Hilltop Securities Inc., and Hilltop Securities Independent Network Inc. provide a full complement of securities brokerage, institutional and investment banking services in addition to clearing services and retail financial advisory. On June 30, 2020, Hilltop completed the sale of National Lloyds Corporation, which comprised the operations of its former insurance segment, for cash proceeds of \$154.1 million. As of September 30, 2021, Hilltop employed approximately 5,000 people and operated in 410 locations in 47 states.

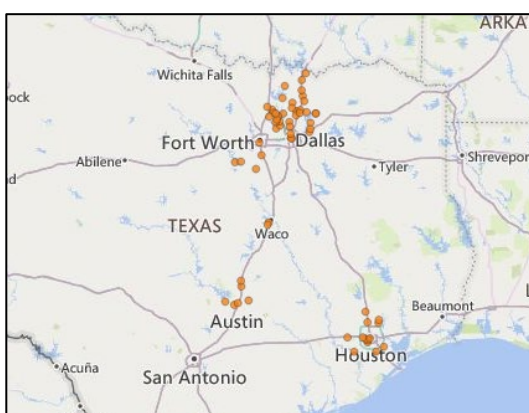
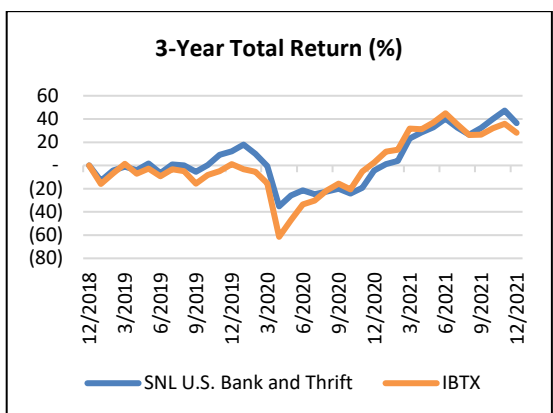
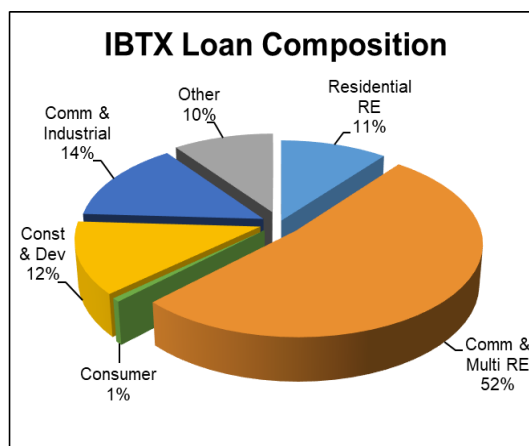
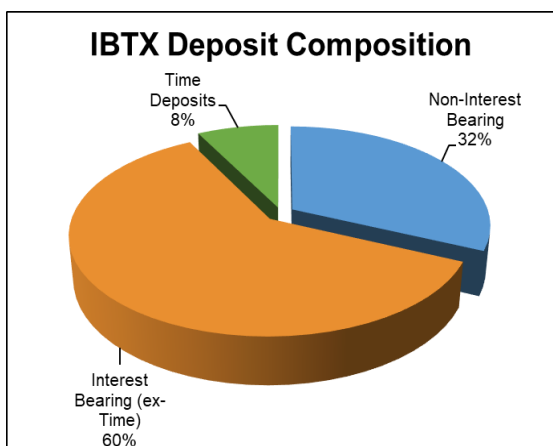
Hilltop uses the CECL method of accounting for the loan loss allowance, and as September 30, 2021, the loan loss reserve was \$109.5 million, or 1.45% of total loans, compared with \$149.0 million, or 1.94% as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 62%, loans were 42% of total assets, and the tangible common equity ratio was 12.4%. As of the same date, total assets, deposits, and shareholders' equity were \$18.0 billion, \$12.1 billion, and \$2.5 billion, respectively.



Source: S&P Global Market Intelligence

Independent Bank Group, Inc. (NASDAQ: IBTX). Headquartered in McKinney (between Dallas and the Oklahoma border), Independent Bank Group, through its wholly owned subsidiary, Independent Bank, provides a wide range of relationship-driven commercial banking products and services tailored to meet the needs of businesses, professionals, and individuals. Independent Bank Group operates in four market regions and has 93 branches located in the Dallas/Fort Worth, Austin and Houston areas in Texas and the Colorado Front Range area, including Denver, Colorado Springs, and Fort Collins. The company has an established history of growing assets organically and through acquisitions. Its most recent acquisition was the January 1, 2019 purchase of Denver, CO-based, Guaranty Bancorp. At completion, the all-stock deal was valued at \$604 million, which equated to a price-to-tangible book value ratio of 175% and 11.8 times trailing 12-month earnings. On May 26, 2020, Independent and Texas Capital Bancshares (NASDAQ: TCBI) announced the mutual agreement to terminate their all-stock merger of equals due to the pandemic.

Independent Bank Group uses the CECL accounting standard for the loan loss allowance and as of September 30, 2021, the loan loss reserve was \$150.3 million, or 1.20% of total loans, compared with \$87.8 million, or 0.67% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 80%, loans were 66% of total assets, and the tangible common equity ratio was 8.4%. As of the same date, total assets, deposits, and shareholders' equity were \$18.9 billion, \$15.5 billion, and \$2.6 billion, respectively.



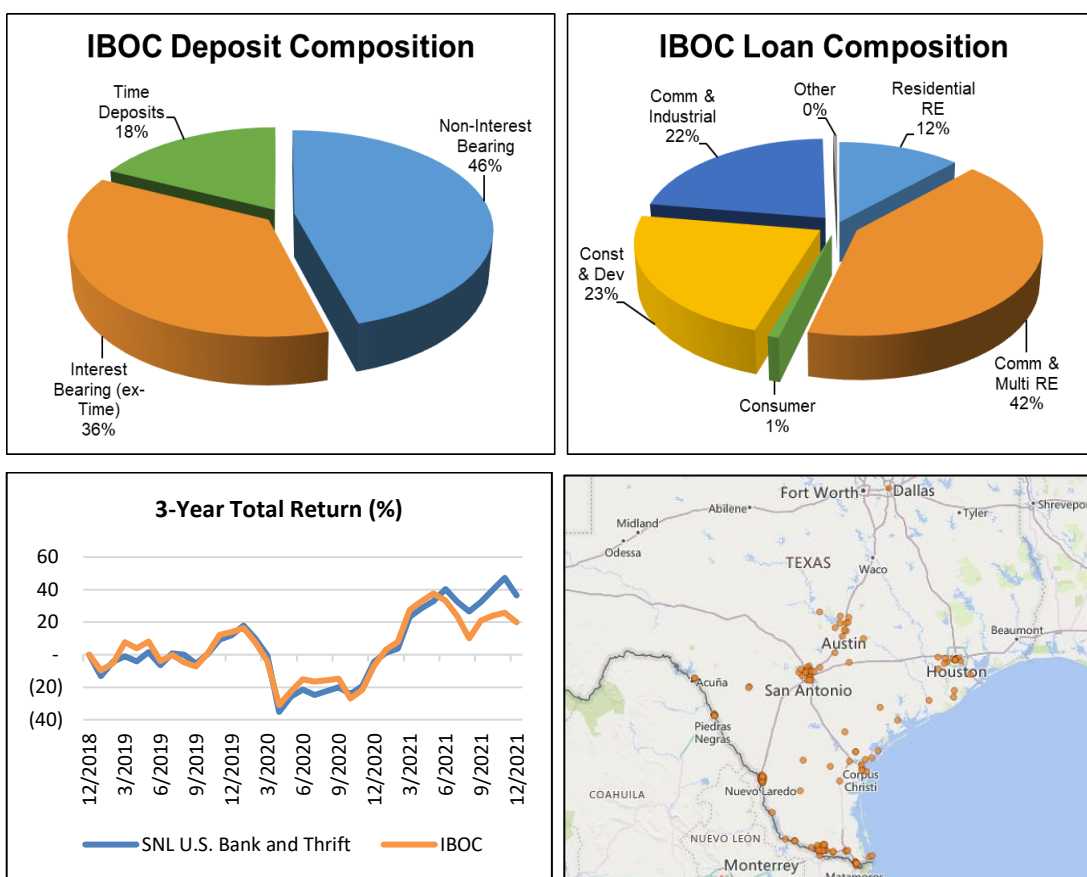
Map excludes branch locations in Colorado
 Source: S&P Global Market Intelligence

Contact PNC
 FIG Advisory:

1-610-351-1633

International Bancshares Corporation (NASDAQ: IBOC). IBOC is one of the larger independent bank holding companies in Texas. Independent is headquartered in Laredo, Texas, with 186 facilities and 280 ATMs serving 87 communities in Texas and Oklahoma. The company’s subsidiary banks focus on providing commercial banking services to small and medium sized businesses located in their trade areas and select international banking services.

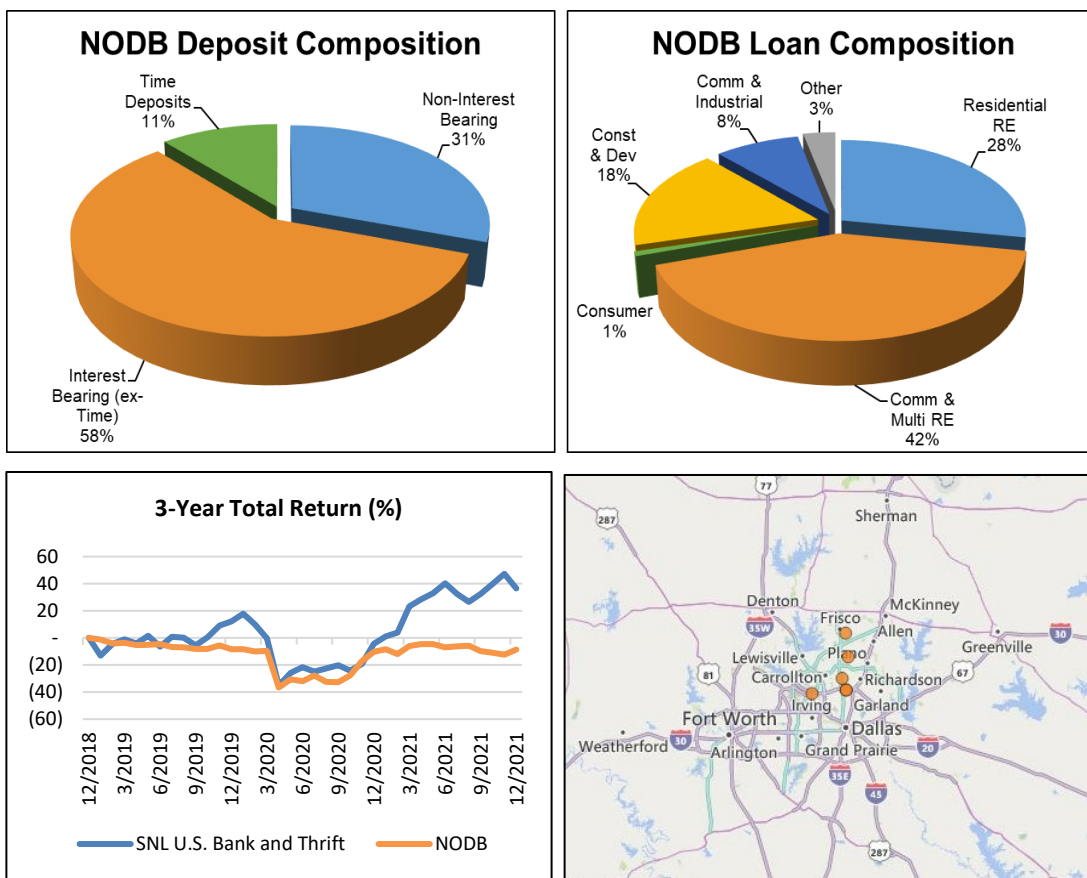
International Bancshares uses the CECL accounting standard and as of September 30, 2021, the loan loss reserve was \$109.3 million, or 1.48% of total loans, compared with \$109.1 million, or 1.45% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 60%, loans were 47% of total assets, and the tangible common equity ratio was 13.1%. As of the same date, total assets, deposits, and shareholders’ equity were \$15.7 billion, \$12.2 billion, and \$2.4 billion, respectively.



Map excludes branch locations in Oklahoma
Source: S&P Global Market Intelligence

North Dallas Bank & Trust Co. (OTCPK: NODB). North Dallas Bank & Trust Co. is an independent bank established in 1961 with five branch locations in the Dallas area. The bank has served the North Texas community since its establishment. In each of the last four years, the company declared a special dividend in December in addition to its regular quarterly cash dividend.

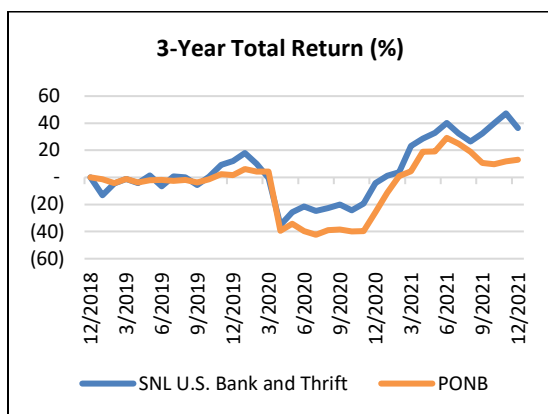
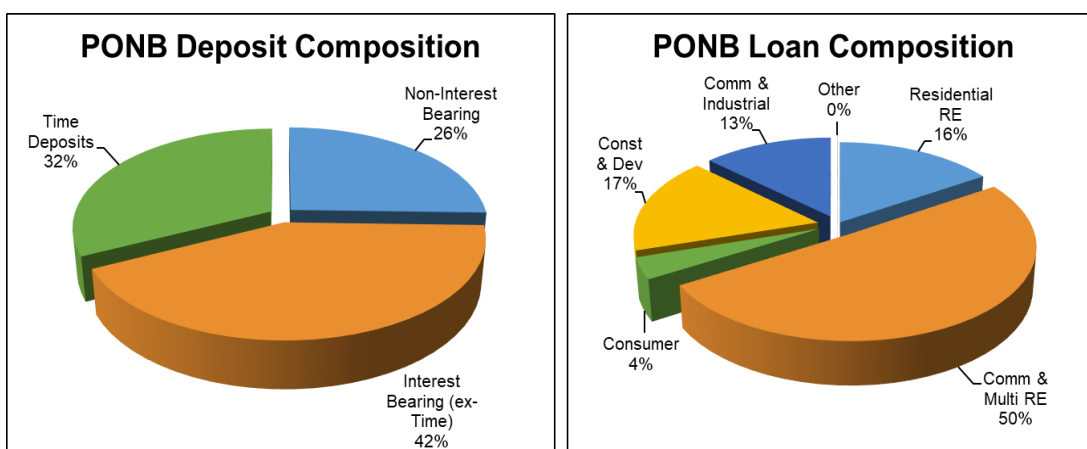
North Dallas uses the incurred loss method of accounting for the loan loss allowance, and as of September 30, 2021, the loan loss reserve was \$14.5 million, or 2.07% of total loans, compared with \$13.9 million, or 2.02% of total loans as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 49%, loans were 49% of total assets, and the tangible common equity ratio was 10.6%. As of the same date, total assets, deposits, and shareholders' equity were \$1.6 billion, \$1.4 billion, and \$171.3 million, respectively.



Source: S&P Global Market Intelligence

Pioneer Bancshares, Inc. (OTCPK: PONB). Based in Dripping Springs (approximately 23 miles west of Austin), Pioneer Bancshares was incorporated in 2013 for the purpose of qualifying and acting as a bank holding company with respect to Pioneer Bank, SSB. Pioneer’s market area includes Austin, San Antonio, Dallas, and the communities in between. On May 11, 2021, Pioneer agreed to be acquired by Denver, CO-based, FirstSun Capital Bancorp (Privately held). The all-stock deal value was approximately \$218 million, which equated to 16.3 times trailing 12-month earnings and 137% of tangible book value. The core deposit premium was 4.6%.

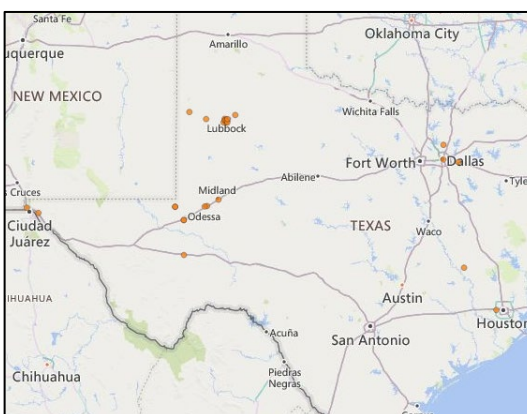
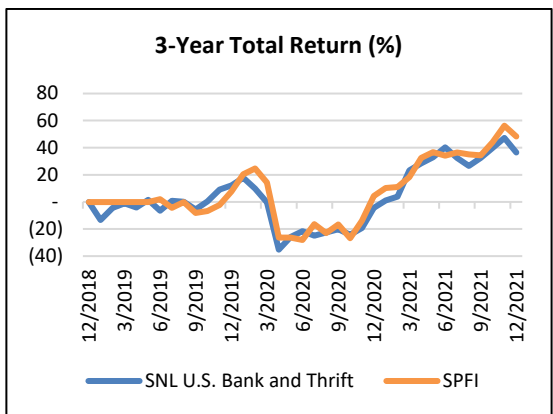
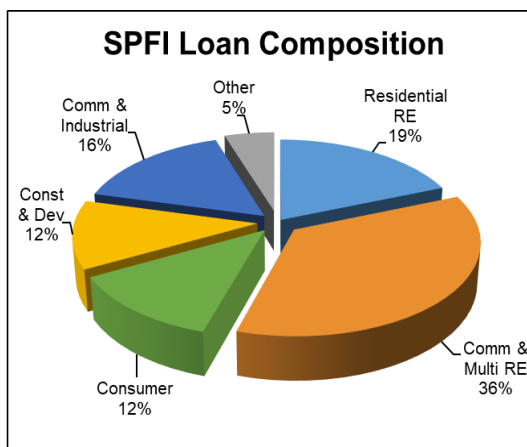
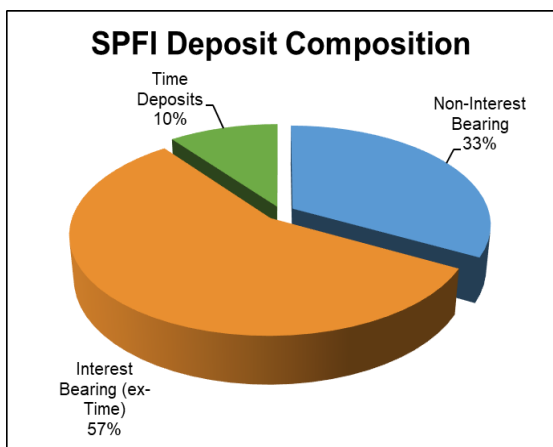
As of September 30, 2021, the loan loss reserve was 0.93% of total loans, compared with 0.95% as of December 31, 2020. As of September 30, 2021, the loan-to-deposit ratio was 79%, loans were 62% of total assets, and the tangible common equity ratio was 10.7%. As of the same date, total assets, deposits, and shareholders’ equity were \$1.6 billion, \$1.3 billion, and \$172.6 million, respectively.



Branch map unavailable for PONB
 Source: S&P Global Market Intelligence

South Plains Financial, Inc. (NASDAQ: SPFI). South Plains, which completed its initial public offering (“IPO”) in 2019, is the bank holding company for City Bank, a Texas-chartered bank headquartered in Lubbock. City Bank is one of the largest independent banks in West Texas and has additional banking operations in the Dallas and El Paso markets, as well as in the Greater Houston, College Station, and Ruidoso, and Eastern New Mexico markets. South Plains provides a wide range of commercial and consumer financial services to small and medium-sized businesses and individuals in its market areas. In July 2019, South Plains acquired Odessa, TX-based West Texas State Bank in a cash deal valued at approximately \$76 million.

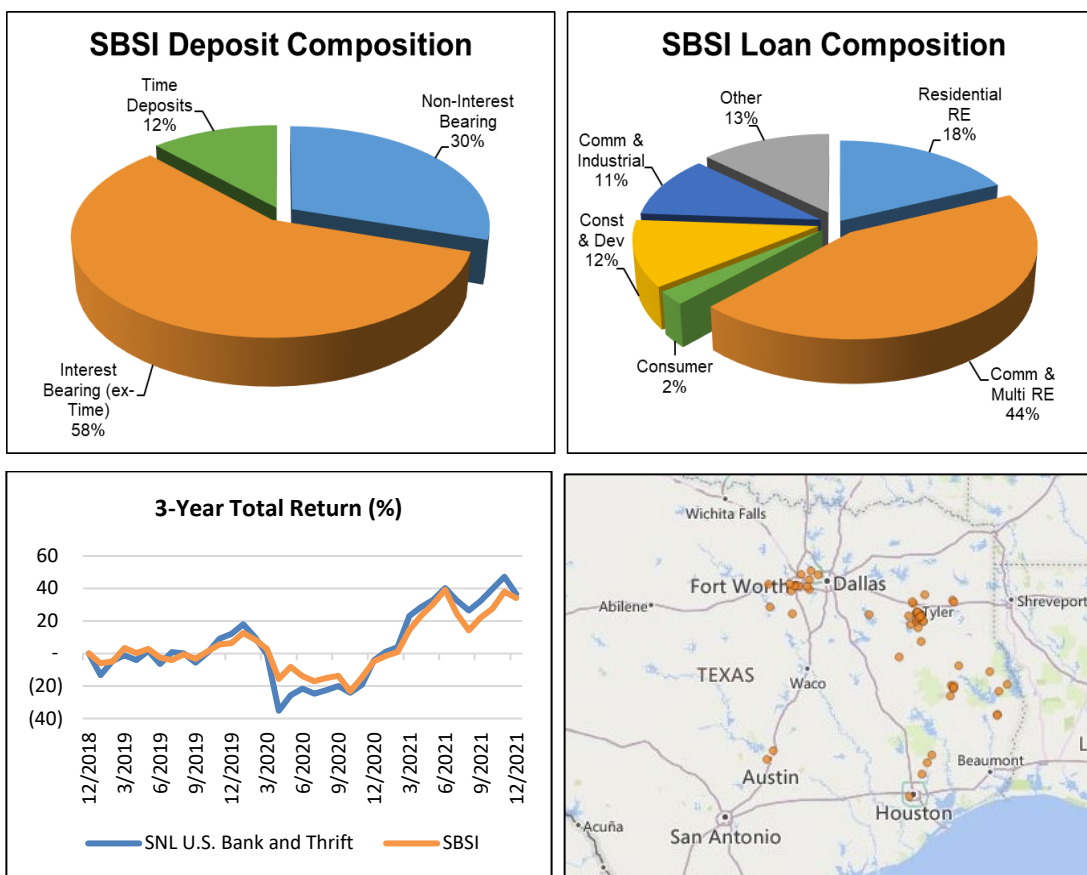
South Plains uses the incurred loss method of accounting for the loan loss allowance, and as September 30, 2021, the loan loss reserve was \$42.8 million, or 1.76% of total loans, compared with \$45.6 million, or 1.95% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 76%, loans were 64% of total assets, and the tangible common equity ratio was 9.9%. As of the same date, total assets, deposits, and shareholders’ equity were \$3.8 billion, \$3.2 billion, and \$398.3 million, respectively.



Map excludes branch locations in New Mexico
Source: S&P Global Market Intelligence

Southside Bancshares, Inc. (NASDAQ: SBSI). Southside Bancshares, incorporated in 1982, is based in Tyler and is a bank holding company that owns 100% of Southside Bank. The bank was formed in 1960. The Tyler metropolitan area has a population of approximately 210,000 and is located approximately 90 miles east of Dallas and 90 miles west of Shreveport, Louisiana. The principal economic activities in the company’s market areas include medical services, retail, education, financial services, technology, distribution, manufacturing, government and to a lesser extent, oil, and gas industries. Additionally, the industry base includes conventions and tourism, as well as retirement relocation. Southside Bank has 55 branches in Texas and operates a network of 73 ATMs. Southside acquired Diboll, Texas-based Diboll State Bancshares in 2017 through a stock and cash deal valued at \$231 million (at completion). On November 4, 2021, Southside declared a fourth quarter and special cash dividend. Shareholders have received special cash dividends for 18 consecutive years.

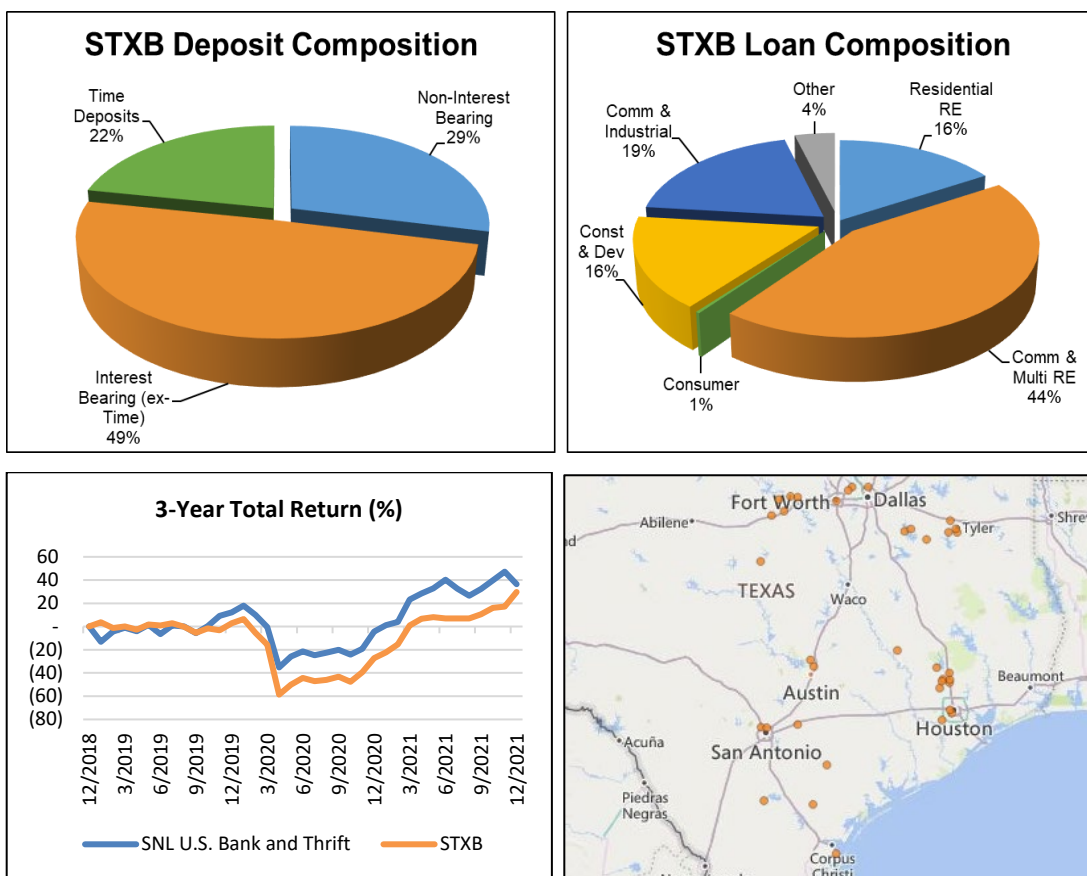
Southside uses the CECL method of accounting for the loan loss allowance, and as of September 30, 2021, the loan loss reserve was \$38.0 million, or 1.04% of total loans, compared with \$49.0 million, or 1.34% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 68%, loans were 51% of total assets, and the tangible common equity ratio was 9.7%. As of the same date, total assets, deposits, and shareholders’ equity were \$7.1 billion, \$5.3 billion, and \$877.9 million, respectively.



Source: S&P Global Market Intelligence

Spirit of Texas Bancshares, Inc. (NASDAQ: STXB). Spirit of Texas Bancshares through its wholly owned subsidiary, Spirit of Texas Bank, provides a wide range of relationship-driven commercial banking products and services tailored to meet the needs of businesses, professionals, and individuals. Headquartered in Conroe (about 40 miles north of Houston), Spirit of Texas Bank has 37 branch locations. On November 19, 2021, Pine Bluff, AR-based, Simmons First National Corporation agreed to acquire Spirit of Texas Bancshares. The all-stock deal was valued at approximately \$581 million, which equated to 192% of tangible book value and 12.8 times trailing 12-month earnings. The core deposit premium was 10.4%.

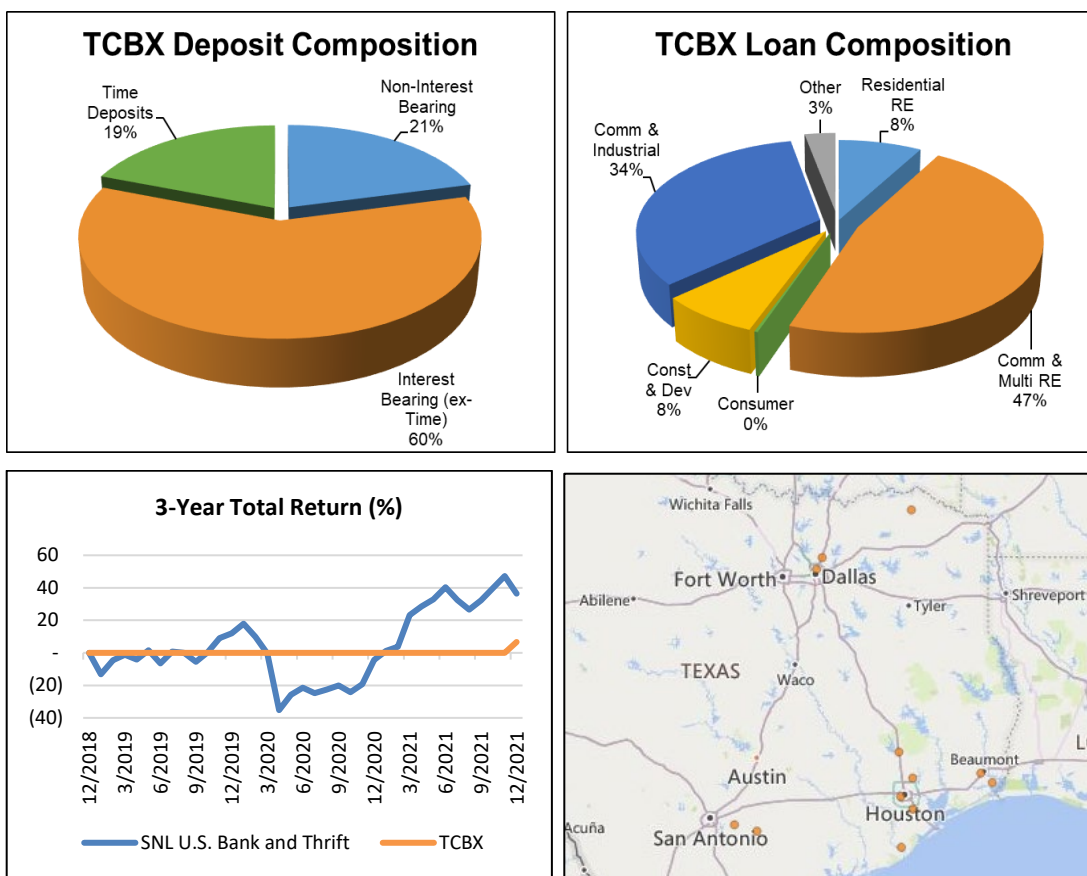
Spirit of Texas uses the incurred loss method of accounting for the loan loss allowance, and as September 30, 2021, the loan loss reserve was \$16.3 million, or 0.72% of total loans, compared with \$16.0 million, or 0.67% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 84%, loans were 71% of total assets, and the tangible common equity ratio was 9.9%. As of the same date, total assets, deposits, and shareholders' equity were \$3.1 billion, \$2.7 billion, and \$387.8 million, respectively.



Source: S&P Global Market Intelligence

Third Coast Bancshares, Inc. (NASDAQ: TCBX). Third Coast Bancshares, Inc. is a commercially focused, Texas-based bank holding company operating primarily in the Greater Houston, Dallas-Fort Worth, and Austin-San Antonio markets through its wholly owned subsidiary, Third Coast Bank, SSB. Founded in 2008 in Humble, Texas, Third Coast Bank, SSB conducts banking operations through 12 branches and one loan production office encompassing the four largest metropolitan areas in Texas. On November 17, 2021, Third Coast announced the closing of the sale of 525,000 shares of its common stock in connection with its initial public offering (“IPO”) for total gross proceeds of approximately \$100 million.

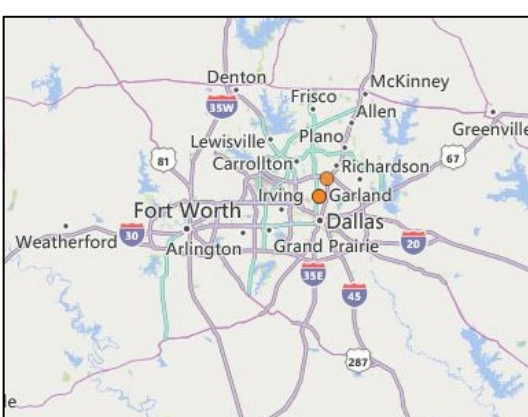
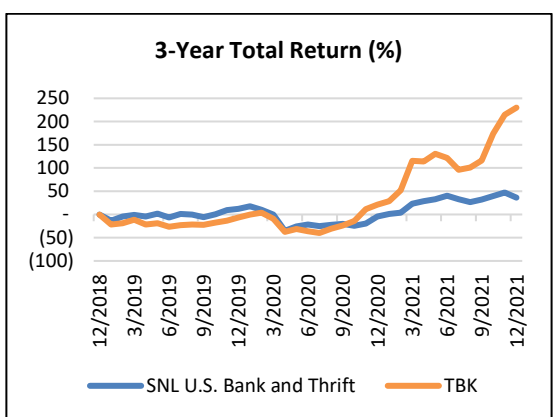
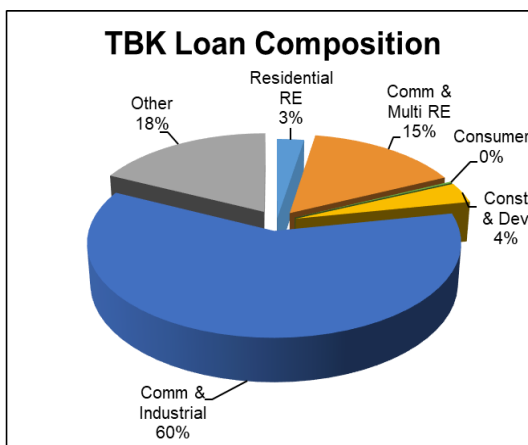
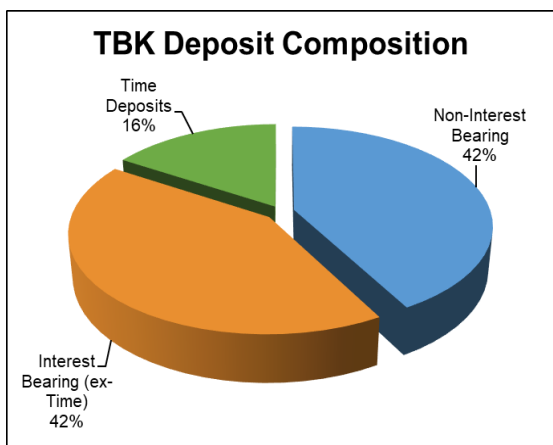
As of June 30, 2021 (the most recent publicly available data), the loan loss reserve was \$13.4 million, or 0.86% of total loans. As of the same date, total assets, deposits, and shareholders’ equity were \$2.0 billion, \$1.8 billion, and \$137.8 million, respectively.



Source: S&P Global Market Intelligence

Triumph Bancorp, Inc. (NASDAQ: TBK). Triumph Bancorp is a financial holding company headquartered in Dallas. Triumph offers a diversified line of community banking and commercial finance products (including business capital factoring) through its bank subsidiary, TBK Bank, SSB. TBK Bank operates retail branch networks in three geographic markets, (i) a mid-western division consisting of branches in the Quad Cities Metropolitan Area of Iowa and Illinois, together with branches throughout central and northern Illinois, (ii) a western division consisting of branches located throughout central and eastern Colorado and western Kansas, and (iii) a mountain division consisting of branches in southern Colorado, Mexico, and Texas. On June 1, 2021, TriumphPay, a division of TBK Bank, acquired cloud-based, automation software provider, HubTran, Inc. for \$97 million in cash.

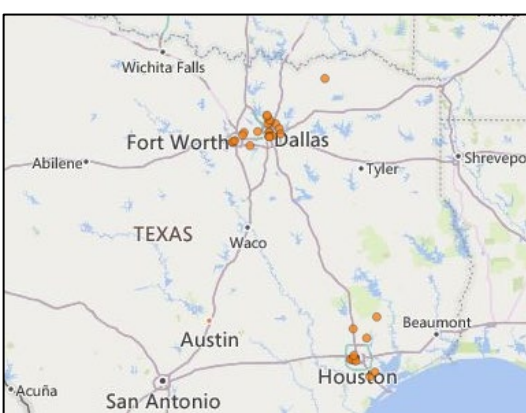
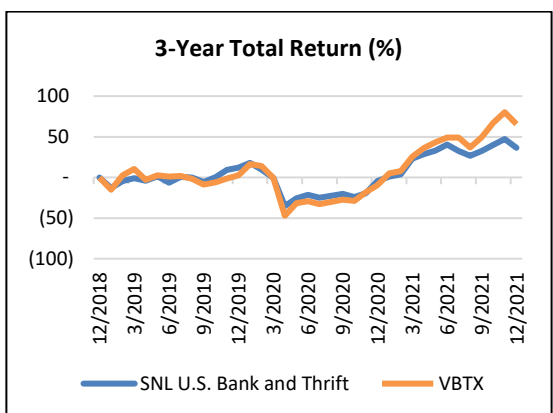
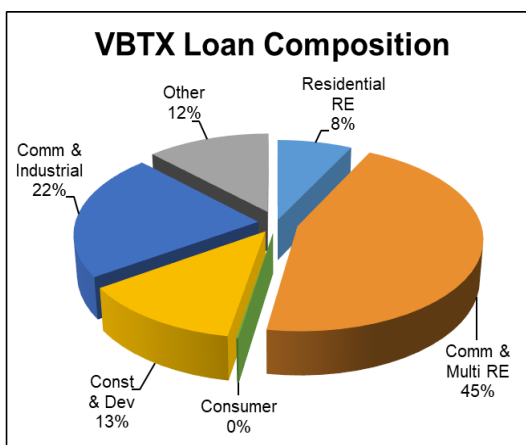
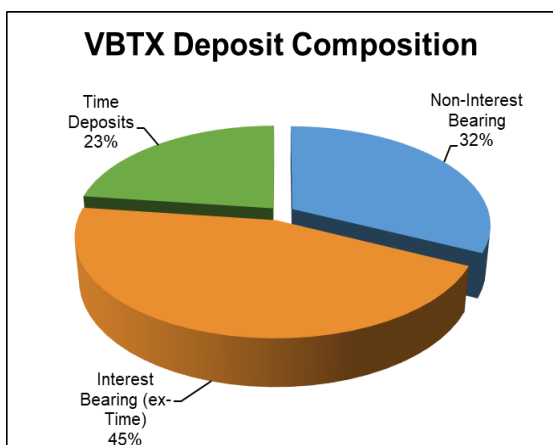
Triumph uses the CECL method of accounting for the loan loss allowance, and as of September 30, 2021, the loan loss reserve was \$41.0 million, or 0.85% of total loans, compared with \$95.7 million, or 1.91% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 99%, loans were 79% of total assets, and the tangible common equity ratio was 8.6%. As of the same date, total assets, deposits, and shareholders' equity were \$6.0 billion, \$4.8 billion, and \$820.7 million, respectively.



Map excludes branch locations in Colorado, Iowa, Illinois, Kansas, and New Mexico
 Source: S&P Global Market Intelligence

Veritex Holdings, Inc. (NASDAQ: VBTX). Headquartered in Dallas, Texas, Veritex is a bank holding company that conducts banking activities through its wholly owned subsidiary, Veritex Community Bank, with 33 locations throughout the Dallas-Fort Worth metroplex and in the Houston metropolitan area. Formed in 2009, Veritex provides relationship-driven commercial banking products and services tailored to meet the needs of small to medium-sized businesses and professionals. In 2019, Veritex acquired Houston-based, Green Bancorp. The transaction was valued at \$648 million, which equated to 159% of tangible book value and 14.4 times trailing 12-month earnings. In the third quarter of 2021, Veritex completed its 49% investment in Thrive Mortgage. On November 1, 2021, Veritex acquired Ponte Vedra, FL-based, North Avenue Capital in a cash deal valued at approximately \$62.5 million. North Avenue is a specialty finance company that provides government guaranteed loan services.

Veritex uses the CECL method of accounting for the loan loss allowance, and as of September 30, 2021, the loan loss reserve was \$93.8 million, or 1.27% of total loans, compared with \$105.1 million, or 1.54% of total loans, as of year-end 2020. As of September 30, 2021, the loan-to-deposit ratio was 103%, loans were 77% of total assets, and the tangible common equity ratio was 9.4%. As of the same date, total assets, deposits, and shareholders' equity were \$9.6 billion, \$7.2 billion, and \$1.3 billion, respectively.



Source: S&P Global Market Intelligence

Contact PNC
FIG Advisory:

1-610-351-1633

Company Ratios

Profitability

Figure 7

Institution	Ticker	ROAA (%)	ROAE (%)	ROATCE (%)	NIM (%)	Eff. Ratio (%)	Inv Sec/ Assets (%)	Avg Inv Sec Yld (%)	Loans/ Assets (%)	Loan/ Dep. (%)	Loan Yld (%)
Allegiance Bancshares, Inc.	ABTX	1.20	9.8	14.8	3.93	55	18	NA	63	76	NA
Bancaffiliated Inc.	BAFI	0.76	6.4	NA	3.40	79	5	0.77	71	85	4.91
CBTX, Inc.	CBTX	1.15	8.4	10.0	3.24	69	9	NA	62	74	NA
First Fin'l Bankshares, Inc.	FFIN	2.00	13.7	17.0	3.44	46	49	2.12	42	53	5.26
Guaranty Bancshares, Inc.	GNTY	1.43	14.4	16.6	3.43	63	15	NA	66	77	NA
Hilltop Holdings Inc.	HTH	2.53	18.4	20.7	2.56	75	16	2.15	53	62	4.07
Independent Bank Group	IBTX	1.27	9.1	16.4	3.05	53	10	NA	65	80	NA
International Bncshs Corp.	IBOC	1.69	11.1	12.7	2.68	49	29	NA	47	60	4.77
North Dallas B&T Co.	NOD	0.53	4.8	4.8	2.16	73	37	1.40	43	49	4.04
Pioneer Bancshares, Inc.	PONB	0.79	8.1	8.3	2.98	72	12	1.26	62	79	4.77
South Plains Financial, Inc.	SPFI	1.62	15.8	17.4	3.61	66	20	2.01	66	76	4.99
Southside Bancshares, Inc.	SBSI	1.61	13.0	17.5	3.19	48	40	2.99	51	68	4.12
Spirit of Texas Bncshs, Inc.	STXB	1.47	12.2	16.8	4.03	54	14	NA	71	84	5.23
Third Coast Bancshares, Inc.	TCBX	0.80	12.7	NA	NA	NA	NA	NA	NA	NA	NA
Triumph Bancorp, Inc.	TBK	1.98	15.4	24.7	6.75	67	3	2.43	79	99	7.92
Veritex Holdings, Inc.	VBTX	1.33	9.7	15.9	3.28	47	13	2.64	76	103	4.03
Median		1.38	11.7	16.5	3.28	63	15	2.12	63	76	4.77

Source: S&P Global Market Intelligence. Financial data as of or for the 3 months ending September 30, 2021, or if not available, June 30, 2021.

Lending Activities

As is the case with most community banks and thrifts, Texas banks depend on interest income from loans for revenue growth. Net interest income represents 80-85% of total revenue for the highlighted banks in this report. These community banks have generally benefited from solid loan demand, a local presence and focus on niche business and community relationships.

Figure 8

Institution	Ticker	Residential Real Estate (%)	Commercial & Multifamily Real Estate (%)	Consumer (%)	Const. & Dev. (%)	Comm. & Industrial (%)	Other (%)
Allegiance Bancshares, Inc.	ABTX	16	48	1	11	22	2
Bancaffiliated Inc.	BAFI	19	38	1	17	24	1
CBTX, Inc.	CBTX	8	50	1	15	23	3
First Fin'l Bankshares, Inc.	FFIN	26	32	10	12	15	6
Guaranty Bancshares, Inc.	GNTY	21	41	3	16	14	5
Hilltop Holdings Inc.	HTH	33	31	0	8	11	16
Independent Bank Group	IBTX	11	52	1	13	14	10
International Bncshs Corp.	IBOC	12	42	1	23	22	0
North Dallas B&T Co.	NODB	28	42	1	18	9	3
Pioneer Bancshares, Inc.	PONB	16	51	4	17	13	0
South Plains Financial, Inc.	SPFI	19	36	13	12	16	5
Southside Bancshares, Inc.	SBSI	18	44	2	12	11	13
Spirit of Texas Bncshs, Inc.	STXB	16	44	0	16	19	4
Third Coast Bancshares, Inc.	TCBX	8	47	0	8	33	3
Triumph Bancorp, Inc.	TBK	3	15	0	4	60	18
Veritex Holdings, Inc.	VBTX	7	45	0	13	22	12
Median		16	43	1	13	18	5

Source: S&P Global Market Intelligence. Financial data as of or for the 3 months ending September 30, 2021, or if not available, June 30, 2021.

Asset Quality and Loan Growth

Asset quality generally remained good through September 30, 2021.

Figure 9

Institution	Ticker	Reported NPAs (\$000s)	NPAs/ Assets (%)	NPAs/ Loans & REO (%)	NCOs/ Avg Loans (%)	Loan Loss Prov./ NCO (%)	Loan Loss Reserves/ Total Loans (%)	LTM Loan Growth (%)
Allegiance Bancshares, Inc.	ABTX	29,766	0.44	0.69	0.04	301	1.18	-6.60
Bancaffiliated Inc.	BAFI	NA	NA	NA	0.01	NM	1.16	-0.38
CBTX, Inc.	CBTX	20,585	0.49	0.79	-0.01	NM	1.23	-12.05
First Fin'l Bankshares, Inc.	FFIN	25,283	0.20	0.48	-0.09	NM	1.19	-1.12
Guaranty Bancshares, Inc.	GNTY	3,238	0.11	0.16	0.05	NA	1.55	0.34
Hilltop Holdings Inc.	HTH	83,801	0.47	1.11	0.00	NM	1.13	-7.93
Independent Bank Group	IBTX	82,829	0.44	0.67	0.00	NM	1.20	-3.65
International Bncshs Corp.	IBOC	NA	NA	NA	0.10	159	1.48	-2.44
North Dallas B&T Co.	NODB	NA	NA	NA	0.00	NM	2.07	-1.34
Pioneer Bancshares, Inc.	PONB	NA	NA	NA	-0.03	NM	0.93	-12.92
South Plains Financial, Inc.	SPFI	11,977	0.32	0.48	0.03	0	1.70	6.56
Southside Bancshares, Inc.	SBSI	12,424	0.17	0.34	0.05	NM	1.04	-3.95
Spirit of Texas Bncshs, Inc.	STXB	6,269	0.20	0.28	0.10	54	0.72	-8.05
Third Coast Bancshares, Inc.	TCBX	12,952	0.64	0.83	NA	NA	0.86	1.17
Triumph Bancorp, Inc.	TBK	51,986	0.86	1.09	0.31	-26	0.85	-1.65
Veritex Holdings, Inc.	VBTX	74,028	0.77	1.00	0.33	0	1.27	9.36
Median		22,934	0.44	0.68	0.03	27	1.18	-2.05

Source: S&P Global Market Intelligence. Financial data as of or for the 3 months ending September 30, 2021, or if not available, June 30, 2021.

Deposits:

We believe the crown jewels of a company's franchise value rests in its core deposit base. As shown in the figure below, the median core deposit ratio for the highlighted banks was about 85%, and non-interest-bearing deposits were approximately 35% of total deposits. We define core deposits as all deposits excluding certificates of deposit.

Figure 10

Institution	Ticker	Non-Interest Bearing Deposits		Interest Bearing (ex-Time) Deposits		Time Deposits		Total Deposits (\$000s)
		(\$000s)		(\$000s)		(\$000s)		
Allegiance Bancshares, Inc.	ABTX	2,086,683	37%	2,199,181	39%	1,381,014	24%	5,666,878
Bancaffiliated Inc.	BAFI	266,734	24%	633,619	58%	190,207	17%	1,090,560
CBTX, Inc.	CBTX	1,628,144	46%	1,644,157	47%	259,334	7%	3,531,635
First Fin'l Bankshares, Inc.	FFIN	3,574,405	36%	5,848,845	59%	469,867	5%	9,893,117
Guaranty Bancshares, Inc.	GNTY	972,854	38%	1,250,174	49%	340,043	13%	2,563,071
Hilltop Holdings Inc.	HTH	4,433,148	37%	6,558,212	54%	1,140,802	9%	12,132,162
Independent Bank Group	IBTX	4,913,580	32%	9,407,501	61%	1,203,101	8%	15,524,182
International Bncshs Corp.	IBOC	5,596,765	46%	4,460,556	36%	2,186,652	18%	12,243,973
North Dallas B&T Co.	NODB	436,421	30%	835,304	58%	160,765	11%	1,432,490
Pioneer Bancshares, Inc.	PONB	318,425	25%	530,570	42%	403,027	32%	1,252,022
South Plains Financial, Inc.	SPFI	1,054,264	33%	1,823,553	57%	334,428	10%	3,212,245
Southside Bancshares, Inc.	SBSI	1,596,781	30%	3,088,225	58%	646,649	12%	5,331,655
Spirit of Texas Bncshs, Inc.	STXB	767,445	29%	1,318,432	49%	584,699	22%	2,670,576
Third Coast Bancshares, Inc.	TCBX	374,942	21%	1,063,718	60%	344,608	19%	1,783,268
Triumph Bancorp, Inc.	TBK	2,020,984	42%	2,023,976	42%	777,615	16%	4,822,575
Veritex Holdings, Inc.	VBTX	2,302,925	32%	3,228,306	45%	1,647,521	23%	7,178,752
Median		1,612,463	32%	1,923,765	52%	527,283	15%	4,177,105

Source: S&P Global Market Intelligence. Financial data as of or for the 3 months ending September 30, 2021, or if not available, June 30, 2021.

This material is not considered research and is not a product of any research department. PNC Capital Markets LLC (“PNCCM”) or an affiliate of PNCCM may trade the securities or instruments that are the subject of or mentioned in this material for its own account for resale to clients and, as a result, may have an ownership interest in these financial instruments. The author or authors is/are an employee of PNC FIG Advisory, a part of PNCCM.

This material is informational only and is not intended as an offer or a solicitation to buy or sell any security or instrument or to participate in any trading strategy. This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. PNCCM believes the information contained in this material to be reliable and accurate, but neither PNCCM nor any affiliate of PNCCM makes any guaranty or warranty as to its reliability or accuracy. Unless otherwise noted, information is from publicly available sources, including but not limited to investor presentations or other reputable public resources.

PNCCM is not providing investment, legal, tax, financial, accounting or other advice to you or any other party. PNCCM is not acting as an advisor or fiduciary in any respect in connection with providing this information, and no information or material contained herein is to be construed as either projections or predictions. Past performance is not indicative of future results.

PNCCM is a member of FINRA and SIPC, and is a wholly owned subsidiary of The PNC Financial Services Group, Inc. (“PNC”). Investment banking and capital markets activities are conducted by PNC through its subsidiaries PNC Bank, National Association, PNCCM, Harris Williams LLC, Solebury Capital LLC, and Sixpoint Partners LLC. Services such as public finance investment banking services, securities underwriting, and securities sales and trading are provided by PNCCM.

Important Investor Information – Securities, insurance, foreign exchange, and derivative products are:

**Not FDIC Insured • Not Bank Guaranteed • Not A Deposit
Not Insured By Any Federal Government Agency • May Lose Value**

Contact PNC
FIG Advisory:

1-610-351-1633