

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number: 001-36682

VERITEX HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Texas

27-0973566

(State or other jurisdiction of
incorporation or organization)

(I.R.S. employer
identification no.)

8214 Westchester Drive, Suite 800

Dallas, Texas

75225

(Address of principal executive offices)

(Zip code)

(972) 349-6200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01	VBTX	Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 3, 2024, there were 54,525,408 outstanding shares of the registrant's common stock, par value \$0.01 per share.

VERITEX HOLDINGS, INC. AND SUBSIDIARIES

	Page
<u>PART I — FINANCIAL INFORMATION</u>	
Glossary of Acronyms, Abbreviations, and Terms	2
Item 1. Financial Statements – Unaudited	3
Consolidated Balance Sheets	4
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income (Loss)	6
Consolidated Statements of Changes in Stockholders' Equity	7
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Item 3. Quantitative and Qualitative Disclosures about Market Risk	61
Item 4. Controls and Procedures	63
<u>PART II — OTHER INFORMATION</u>	
Item 1. Legal Proceedings	64
Item 1A. Risk Factors	64
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	64
Item 6. Exhibits	65
SIGNATURES	66

Glossary of Acronyms, Abbreviations, and Terms

The acronyms, abbreviations, and terms listed below are used in various sections of this Form 10-Q, including "Part I, Item 1. Financial Statements" and "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ACL	Allowance for Credit Loss	Green	Green Bank
AFS	Available-For-Sale	HTM	Held-To-Maturity
AML	Anti-Money Laundering	IRA	Inflation Reduction Act of 2022
AMLA	Anti-Money Laundering Act of 2020	LHFS	Loans Held for Sale
AOCI	Accumulated Other Comprehensive Income	LHI	Loans Held for Investment
APIC	Additional Paid-In Capital	LIBOR	London Interbank Offered Rate
ASC	Accounting Standards Codification	Lower	Lower Holding Company
ASU	Accounting Standard Update	M&A	Mergers and acquisitions
BOLI	Bank-Owned Life Insurance	MBS	Mortgage-backed Securities
Board	Board of Directors of Veritex Holdings, Inc.	MW	Mortgage Warehouse
BTFP	Bank Term Funding Program	NAC	North Avenue Capital, LLC
CBLR	Community Bank Leverage Ratio	NOOCRE	Non-owner Occupied CRE
CD	Certificates of Deposit	NPV	Net Present Value
CECL	Current Expected Credit Losses	OBS	Off-Balance Sheet
CET1	Common Equity Tier 1	OOCRE	Owner Occupied CRE
CMO	Collateralized Mortgage Obligation	OREO	Other Real Estate Owned
CRA	Community Reinvestment Act	PCA	Prompt Corrective Action
CRE	Commercial Real Estate	PCD	Purchased Credit Deteriorated
DCF	Discounted Cash Flow	PSU	Performance-based Restricted stock units
DFW	Dallas-Fort Worth	RBC	Risk-Based Capital
DIF	Deposit Insurance Fund	RSU	Restricted stock units
EPS	Earnings Per Share	RWA	Risk-Weighted Assets
Exchange Act	Securities Exchange Act of 1934, as amended	Sarbanes-Oxley Act	Sarbanes-Oxley Act of 2002
FASB	Financial Accounting Standards Board	SBA	U. S. Small Business Administration
FDIC	Federal Deposit Insurance Corporation	SEC	Securities and Exchange Commission
Federal Reserve	The Federal Reserve System	SOFR	Secured Overnight Financing Rate
FHLB	Federal Home Loan Bank	TDB	Texas Department of Banking
FRB	Federal Reserve Bank of Dallas	Thrive	Thrive Mortgage, LLC
GAAP	Generally Accepted Accounting Principles in the United States of America	USDA	United States Department of Agriculture

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VERITEX HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
as of March 31, 2024 and December 31, 2023
(Dollars in thousands, except par value and share information)

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Cash and due from banks	\$ 41,884	\$ 58,914
Interest bearing deposits in other banks	698,885	570,149
Total cash and cash equivalents	740,769	629,063
Debt securities AFS, at fair value	1,166,268	1,076,639
Debt securities HTM (fair value of \$155,741 and \$160,021, at March 31, 2024 and December 31, 2023, respectively)	178,662	180,403
Equity securities	21,676	21,521
Investment in unconsolidated subsidiaries	1,018	1,018
FHLB Stock and FRB Stock	54,094	53,699
Total investments	1,421,718	1,333,280
LHFS	64,762	79,072
LHI, MW	449,531	377,796
LHI, excluding MW	9,249,551	9,206,544
Less: ACL	(112,032)	(109,816)
Total LHI, net	9,587,050	9,474,524
BOLI	85,359	84,833
Premises and equipment, net	105,299	105,727
OREO	18,445	—
Intangible assets, net of accumulated amortization	38,679	41,753
Goodwill	404,452	404,452
Other assets	241,863	241,633
Total assets	\$ 12,708,396	\$ 12,394,337
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing deposits	\$ 2,349,211	\$ 2,218,036
Interest-bearing transaction and savings deposits	4,220,114	4,348,385
Certificates and other time deposits	3,486,805	3,191,737
Correspondent money market deposits	597,690	580,037
Total deposits	10,653,820	10,338,195
Accounts payable and other liabilities	186,027	195,036
Advances from FHLB	100,000	100,000
Subordinated debentures and subordinated notes	230,034	229,783
Total liabilities	11,169,881	10,863,014
Stockholders' equity:		
Common stock, \$0.01 par value:		
Authorized shares - 75,000,000		
Issued shares - 61,134,055 and 60,976,462 at March 31, 2024 and December 31, 2023, respectively	611	610
APIC	1,319,144	1,317,516
Retained earnings	457,499	444,242
AOCI	(71,157)	(63,463)
Treasury stock, 6,638,094 and 6,638,094 shares, at cost, at March 31, 2024 and December 31, 2023, respectively	(167,582)	(167,582)
Total stockholders' equity	1,538,515	1,531,323
Total liabilities and stockholders' equity	\$ 12,708,396	\$ 12,394,337

See accompanying Notes to Consolidated Financial Statements.

VERITEX HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Income (Unaudited)
For the Three Months Ended March 31, 2024 and 2023
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	2024	2023
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 161,942	\$ 151,707
Debt securities	13,695	10,988
Deposits in financial institutions and Federal Funds sold	8,050	5,534
Equity securities and other investments	900	1,408
Total interest and dividend income	184,587	169,637
INTEREST EXPENSE		
Transaction and savings deposits	46,784	29,857
Certificates and other time deposits	40,492	20,967
Advances from FHLB	1,391	12,358
Subordinated debentures and subordinated notes	3,114	3,066
Total interest expense	91,781	66,248
NET INTEREST INCOME		
Provision for credit losses	7,500	9,385
(Benefit) provision for credit losses on unfunded commitments	(1,541)	1,497
Net interest income after provision (benefit) for credit losses	86,847	92,507
NONINTEREST INCOME		
Service charges and fees on deposit accounts	4,896	5,017
Loan fees	2,510	2,064
Loss on sales of debt securities	(6,304)	(5,321)
Government guaranteed loan income, net	2,614	9,688
Equity method investment loss	—	(1,521)
Customer swap income	408	217
Other	2,538	3,387
Total noninterest income	6,662	13,531
NONINTEREST EXPENSE		
Salaries and employee benefits	33,365	31,865
Occupancy and equipment	4,677	4,973
Professional and regulatory fees	6,053	4,389
Data processing and software expense	4,856	4,720
Marketing	1,546	1,779
Amortization of intangibles	2,438	2,495
Telephone and communications	261	478
Other	8,920	5,916
Total noninterest expense	62,116	56,615
Income before income tax expense	31,393	49,423
Income tax expense	7,237	11,012
NET INCOME	\$ 24,156	\$ 38,411
Basic EPS	\$ 0.44	\$ 0.71
Diluted EPS	\$ 0.44	\$ 0.70

See accompanying Notes to Consolidated Financial Statements.

VERITEX HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
For the Three Months Ended March 31, 2024 and 2023
(Dollars in thousands)

	Three Months Ended March 31,	
	2024	2023
NET INCOME	\$ 24,156	\$ 38,411
OTHER COMPREHENSIVE INCOME		
Net unrealized (losses) gains on debt securities AFS:		
Change in net unrealized (losses) gains on debt securities AFS during the period, net	(10,421)	2,547
Amortization from transfer of debt securities from AFS to HTM	2,925	3,622
Reclassification adjustment for net losses included in net income	6,304	5,321
Net unrealized (losses) gains on debt securities AFS	(1,192)	11,490
Net unrealized (losses) gains on derivative instruments designated as cash flow hedges	(8,495)	7,078
Other comprehensive (loss) income, before tax	(9,687)	18,568
Income tax (benefit) expense	(1,993)	3,673
Other comprehensive (loss) income, net of tax	(7,694)	14,895
COMPREHENSIVE INCOME	\$ 16,462	\$ 53,306

See accompanying Notes to Consolidated Financial Statements.

VERITEX HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Three Months Ended March 31, 2024 and 2023
(Dollars in thousands, except share data)

Three Months Ended March 31, 2024								
	Common Stock		Treasury Stock		Retained Earnings			
	Shares	Amount	Shares	Amount	APIC	Earnings	AOCI	Total
Balance at December 31, 2023	54,338,368	\$ 610	6,638,094	\$(167,582)	\$ 1,317,516	\$ 444,242	\$ (63,463)	\$ 1,531,323
RSU vested, net of 69,034 shares withheld to cover taxes	157,593	1	—	—	(1,261)	—	—	(1,260)
Stock based compensation	—	—	—	—	2,889	—	—	2,889
Net income	—	—	—	—	—	24,156	—	24,156
Dividends paid	—	—	—	—	—	(10,899)	—	(10,899)
Other comprehensive loss	—	—	—	—	—	—	(7,694)	(7,694)
Balance at March 31, 2024	54,495,961	\$ 611	6,638,094	\$(167,582)	\$ 1,319,144	\$ 457,499	\$ (71,157)	\$ 1,538,515

Three Months Ended March 31, 2023								
	Common Stock		Treasury Stock		Retained Earnings			
	Shares	Amount	Shares	Amount	APIC	Earnings	AOCI	Total
Balance at December 31, 2022	54,029,955	\$ 607	6,638,094	\$(167,582)	\$ 1,306,852	\$ 379,299	\$ (69,403)	\$ 1,449,773
RSUs vested, net of 71,465 shares withheld to cover taxes	161,081	2	—	—	(1,928)	—	—	(1,926)
Exercise of employee stock options, net of 121 and 9,729 shares withheld to cover taxes and exercise, respectively	37,997	—	—	—	534	—	—	534
Stock based compensation	—	—	—	—	2,887	—	—	2,887
Net income	—	—	—	—	—	38,411	—	38,411
Dividends paid	—	—	—	—	—	(10,837)	—	(10,837)
Other comprehensive loss	—	—	—	—	—	—	14,895	14,895
Balance at March 31, 2023	54,229,033	\$ 609	6,638,094	\$(167,582)	\$ 1,308,345	\$ 406,873	\$ (54,508)	\$ 1,493,737

See accompanying Notes to Consolidated Financial Statements.

VERITEX HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended March 31, 2024 and 2023
(Dollars in thousands)

	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 24,156	\$ 38,411
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets and intangibles	5,127	4,764
Net (accretion) amortization of time deposit premium, debt discount and debt issuance costs	(843)	240
Provision for credit losses and unfunded commitments	5,959	10,882
Accretion of loan discount	(422)	(1,014)
Stock-based compensation expense	2,889	2,887
Excess tax expense from stock compensation	384	112
Net amortization of premiums on debt securities	1,191	885
Unrealized loss (gain) on equity securities recognized in earnings	105	(126)
Change in cash surrender value and mortality rates of BOLI	(526)	(466)
Loss on sales of debt securities	6,304	5,321
Change in fair value of government guaranteed loans using fair value option	49	(2,239)
Gain on sales of mortgage LHFS	(10)	(6)
Gain on sales of government guaranteed loans	(3,211)	(7,449)
Servicing asset recoveries, net	(222)	(424)
Originations of LHFS	(7,842)	(25,136)
Proceeds from sales of LHFS	24,148	5,520
Equity method investment loss	—	1,521
Decrease (increase) in other assets	4,845	(3,119)
(Decrease) increase in accounts payable and other liabilities	(17,812)	3,975
Net cash provided by operating activities	44,269	34,539
Cash flows from investing activities:		
Purchases of AFS debt securities	(229,936)	(149,982)
Proceeds from sales of AFS debt securities	113,794	109,793
Proceeds from maturities, calls and pay downs of AFS debt securities	18,201	175,289
Maturity, calls and paydowns of HTM debt securities	1,366	800
Purchases of other investments	(655)	(15,045)
Net loans originated	(153,534)	(134,513)
Proceeds from sale of government guaranteed loans	14,409	(52,868)
Net (disposals) additions to premises and equipment	(768)	18
Net cash used in investing activities	(237,123)	(66,508)
Cash flows from financing activities:		
Net increase (decrease) in deposits	316,719	(88,484)
Net increase in advances from FHLB	—	505,000
Payments to tax authorities for stock-based compensation	(1,260)	(1,926)
Proceeds from exercise of employee stock options	—	534
Dividends paid	(10,899)	(10,837)
Net cash provided by financing activities	304,560	404,287
Net increase in cash and cash equivalents	111,706	372,318
Cash and cash equivalents at beginning of period	629,063	436,077
Cash and cash equivalents at end of period	\$ 740,769	\$ 808,395

See accompanying Notes to Consolidated Financial Statements.

VERITEX HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Dollars in thousands, except for per share amounts)

1. Operations and Summary of Significant Accounting Policies

Organization and Nature of Business

In this report, the words "Veritex," "the Company," "we," "us," and "our" refer to the combined entities of Veritex Holdings, Inc. and its subsidiaries, including Veritex Community Bank. The word "Holdco" refers to Veritex Holdings, Inc. The word "the Bank" refers to Veritex Community Bank.

Veritex is a Texas state banking organization, with corporate offices in Dallas, Texas, and currently operates 19 branches located in the Dallas-Fort Worth metroplex and 11 branches in the Houston metropolitan area. As of this filing, one branch in the Dallas-Fort Worth metroplex was opened after first quarter end 2024. The Bank provides a full range of banking services, including commercial and retail lending and the acceptance of checking and savings deposits, to individual and corporate customers. The TDB and the Board of Governors of the Federal Reserve are the primary regulators of the Company and the Bank, and both regulatory agencies perform periodic examinations to ensure regulatory compliance.

Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Veritex Holdings, Inc. and its subsidiaries, including the Bank.

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP, but do not include all of the information and footnotes required for complete financial statements. Intercompany transactions and balances are eliminated in consolidation. In management's opinion, these unaudited consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair statement of the Company's consolidated balance sheets at March 31, 2024 and December 31, 2023, consolidated statements of income, consolidated statements of comprehensive income (loss) and consolidated changes in stockholders' equity for the three months ended March 31, 2024 and 2023 and consolidated statements of cash flows for the three months ended March 31, 2024 and 2023.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end and the results for the interim periods shown herein are not necessarily indicative of results to be expected for the full year due in part to global economic and financial market conditions, interest rates, access to sources of liquidity, market competition and interruptions of business processes. These unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Quarterly Reports on Form 10-Q adopted by the SEC. These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2023 included in the Company's Annual Report on Form 10-K, as filed with the SEC on February 28, 2024.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

EPS

EPS is based upon the weighted average shares outstanding. The table below sets forth the reconciliation between weighted average shares used for calculating basic and diluted EPS for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net income	\$ 24,156	\$ 38,411
Denominator:		
Weighted average shares outstanding for basic EPS	54,444	54,149
Dilutive effect of employee stock-based awards	398	457
Adjusted weighted average shares outstanding	<u>54,842</u>	<u>54,606</u>
EPS:		
Basic	\$ 0.44	\$ 0.71
Diluted	\$ 0.44	\$ 0.70
Antidilutive shares	1,127	834

For the three months ended March 31, 2024, there were 1,127 antidilutive shares excluded from the diluted EPS weighted average shares outstanding, 514 relating to RSUs and 613 relating to stock options.

For the three months ended March 31, 2023, there were 834 antidilutive shares excluded from the diluted EPS weighted average shares outstanding, 440 related to RSUs and 214 related to stock options.

Cost Method Accounting

The Company follows ASC 325-20, Cost Method Investments, to account for its ownership interest in noncontrolled entities. Under ASC 325-20, equity securities that do not have readily determinable fair values (i.e., non-marketable equity securities) and are not required to be accounted for under the equity method are typically carried at cost (i.e., cost method investments). Investments of this nature are initially recorded at cost. Income is recorded for dividends received that are distributed from net accumulated earnings of the noncontrolled entity subsequent to the date of investment. Dividends received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as reductions in the cost of the investment. Investments are written down only when there is clear evidence that a decline in value that is other than temporary has occurred.

Recent Accounting Pronouncements

ASU 2024-01, "Compensation — Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards" ("ASU 2024-01") clarifies how an entity determines whether a profits interest or similar award is within the scope of Topic 718 or is not a share-based payment arrangement and therefore within the scope of other guidance. ASU 2024-01 provides an illustrative example with multiple fact patterns and also amends certain language in the "Scope" and "Scope Exceptions" sections of Topic 718 to improve its clarity and operability without changing the guidance. Entities can apply the amendments either retrospectively to all prior periods presented in the financial statements or prospectively to profits interest and similar awards granted or modified on or after the date of adoption. If prospective application is elected, an entity must disclose the nature of and reason for the change in accounting principle. ASU 2024-01 is effective January 1, 2025, including interim periods, and is not expected to have a significant impact on our financial statements.

ASU 2024-02 "Codification Improvements" ("ASU 2024-02") amends the Codification to remove references to various concepts statements and impacts a variety of topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. ASU 2024-02 is effective January 1, 2025 and is not expected to have a significant impact on our financial statements.

2. Supplemental Statement of Cash Flows

Other supplemental cash flow information is presented below:

Supplemental Disclosures of Cash Flow Information:	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Cash paid for interest	\$ 98,354	\$ 54,189
Cash paid for income taxes	—	—

3. Securities

Equity Securities With a Readily Determinable Fair Value

The Company held equity securities with a fair value of \$ 9,792 and \$9,897 at March 31, 2024 and December 31, 2023, respectively. The Company did not realize a loss on equity securities with a readily determinable fair value during the three months ended March 31, 2024 or 2023. The gross unrealized loss recognized on equity securities with readily determinable fair values recorded in other noninterest income in the Company's consolidated statements of income were as follows:

	Three Months Ended March 31,	
	2024	2023
Unrealized (loss) gain recognized on equity securities with a readily determinable fair value	\$ (105)	\$ 126

Equity Securities Without a Readily Determinable Fair Value

The Company held equity securities without a readily determinable fair value and measured at aggregate cost of \$ 38,194 and \$11,624 as of March 31, 2024 and December 31, 2023, respectively.

Securities Purchased Under Agreements to Resell

We held no securities purchased under agreements to resell and we recognized no interest income on securities purchased under agreements to resell during the three months ended March 31, 2024 or 2023. Securities purchased under agreements to resell typically mature 30 days from the settlement date, qualify as a secured borrowing and are measured at amortized cost.

Debt Securities

Debt securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost, related gross unrealized gains and losses, ACL and the fair value of AFS and HTM debt securities are as follows:

March 31, 2024

	Amortized Cost	Gross Unrealized Gains		Gross Unrealized Losses		ACL	Fair Value
AFS							
Corporate bonds	\$ 262,526	\$ 1,198	\$ 26,431	\$ —	\$ 237,293		
Municipal securities	14,272	—	3,357	—	10,915		
MBS	199,632	3,361	14,686	—	188,307		
CMO	574,622	3,520	47,263	—	530,879		
Asset-backed securities	122,078	732	2,549	—	120,261		
Collateralized loan obligations	78,672	14	73	—	78,613		
	<u>\$ 1,251,802</u>	<u>\$ 8,825</u>	<u>\$ 94,359</u>	<u>\$ —</u>	<u>\$ 1,166,268</u>		

	Amortized Cost	Gross Unrealized Gains		Gross Unrealized Losses		ACL	Fair Value
HTM							
MBS	\$ 33,154	\$ —	\$ 6,719	\$ —	\$ 26,435		
CMO	33,586	—	4,927	—	28,659		
Municipal securities	111,922	7	11,282	—	100,647		
	<u>\$ 178,662</u>	<u>\$ 7</u>	<u>\$ 22,928</u>	<u>\$ —</u>	<u>\$ 155,741</u>		

December 31, 2023

	Amortized Cost	Gross Unrealized Gains		Gross Unrealized Losses		ACL	Fair Value
AFS							
Corporate bonds	\$ 244,652	\$ 1,034	\$ 29,566	\$ —	\$ 216,120		
Municipal securities	46,631	108	3,258	—	43,481		
MBS	194,486	4,430	13,465	—	185,451		
CMO	563,421	4,634	46,999	—	521,056		
Asset-backed securities	47,738	1,045	2,130	—	46,653		
Collateralized loan obligations	64,250	—	372	—	63,878		
	<u>\$ 1,161,178</u>	<u>\$ 11,251</u>	<u>\$ 95,790</u>	<u>\$ —</u>	<u>\$ 1,076,639</u>		

	Amortized Cost	Gross Unrealized Gains		Gross Unrealized Losses		ACL	Fair Value
HTM							
MBS	\$ 33,716	\$ —	\$ 6,037	\$ —	\$ 27,679		
CMO	34,483	—	4,567	—	29,916		
Municipal securities	112,204	86	9,864	—	102,426		
	<u>\$ 180,403</u>	<u>\$ 86</u>	<u>\$ 20,468</u>	<u>\$ —</u>	<u>\$ 160,021</u>		

MBS are commercial MBS, secured by commercial properties, and residential MBS, generally secured by single-family residential properties. All MBS included in the table above were issued by U.S. government agencies or corporations.

The Company elected to transfer 25 AFS debt securities with an aggregate fair value of \$ 117,001 to a classification of HTM debt securities on January 1, 2022. In accordance with FASB ASC 320-10-35-10, the transfer from AFS to HTM was recorded at the fair value of the AFS debt securities at the time of transfer. The net unrealized holding gain retained in AOCI for securities transferred from AFS to HTM was \$ 2,925 and \$ 3,122 at March 31, 2024 and December 31, 2023, respectively.

The following tables disclose the Company's debt securities in an unrealized loss position, aggregated by investment category and length of time that individual debt securities have been in a continuous loss position:

	March 31, 2024							
	Less Than 12 Months		12 Months or More		Totals			
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss		
AFS								
Corporate bonds	\$ 53,376	\$ 5,297	\$ 164,604	\$ 21,134	\$ 217,980	\$ 26,431		
Municipal securities	10,915	3,357	—	—	10,915	3,357		
MBS	—	—	87,805	14,686	87,805	14,686		
CMO	61,680	1,066	339,830	46,197	401,510	47,263		
Asset-backed securities	64,037	1,999	6,250	550	70,287	2,549		
Collateralized loan obligations	—	—	33,177	73	33,177	73		
	<u>\$ 190,008</u>	<u>\$ 11,719</u>	<u>\$ 631,666</u>	<u>\$ 82,640</u>	<u>\$ 821,674</u>	<u>\$ 94,359</u>		
HTM								
MBS	\$ —	\$ —	\$ 26,435	\$ 6,719	\$ 26,435	\$ 6,719		
CMO	—	—	28,659	4,927	28,659	4,927		
Municipal securities	100,109	11,275	—	—	100,109	11,275		
	<u>\$ 100,109</u>	<u>\$ 11,275</u>	<u>\$ 55,094</u>	<u>\$ 11,646</u>	<u>\$ 155,203</u>	<u>\$ 22,921</u>		
December 31, 2023								
	Less Than 12 Months		12 Months or More		Totals			
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss		
AFS								
Corporate bonds	\$ 34,989	\$ 5,970	\$ 162,148	\$ 23,596	\$ 197,137	\$ 29,566		
Municipal securities	6,792	45	22,052	3,213	28,844	3,258		
MBS	—	—	104,486	13,465	104,486	13,465		
CMO	—	—	419,044	46,999	419,044	46,999		
Asset-backed securities	9,011	1,559	8,847	571	17,858	2,130		
Collateralized loan obligations	—	—	63,878	372	63,878	372		
	<u>\$ 50,792</u>	<u>\$ 7,574</u>	<u>\$ 780,455</u>	<u>\$ 88,216</u>	<u>\$ 831,247</u>	<u>\$ 95,790</u>		
HTM								
MBS	\$ —	\$ —	\$ 27,679	\$ 6,037	\$ 27,679	\$ 6,037		
CMO	—	—	29,916	4,567	29,916	4,567		
Municipal securities	7,845	270	79,713	9,594	87,558	9,864		
	<u>\$ 7,845</u>	<u>\$ 270</u>	<u>\$ 137,308</u>	<u>\$ 20,198</u>	<u>\$ 145,153</u>	<u>\$ 20,468</u>		

Management evaluates AFS debt securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Consideration is given to (1) the extent to which the fair value is less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value.

The number of AFS debt securities in an unrealized loss position totaled 133 and 142 at March 31, 2024 and December 31, 2023, respectively. Management does not have the intent to sell any of these debt securities and believes that it is more likely than not that the Company will not have to sell any such debt securities before a recovery of cost. The fair value is expected to recover as the debt securities approach their maturity date or repricing date or if market yields for such investments

decline. Accordingly, as of March 31, 2024, management believes that the unrealized losses detailed in the previous table are due to noncredit-related factors, including changes in interest rates and other market conditions, and therefore no losses have been recognized in the Company's consolidated statements of income.

The following table presents the activity in the ACL for AFS debt securities:

	Three Months ended March 31,	
	2024	2023
ACL:		
Beginning balance	\$ —	\$ —
Credit loss expense	—	885
ACL ending balance	\$ —	885

The amortized costs and estimated fair values of AFS and HTM debt securities, by contractual maturity, as of the dates indicated, are shown in the table below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. MBS, CMOs, asset-backed securities, and collateralized loan obligations typically are issued with stated principal amounts, and the securities are backed by pools of mortgage loans and other loans that have varying maturities. The terms of MBS, CMOs, asset-backed securities, and collateralized loan obligations thus approximates the terms of the underlying mortgages and loans and can vary significantly due to prepayments. Therefore, these securities are not included in the maturity categories below.

	March 31, 2024			
	AFS		HTM	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 2,010	\$ 1,977	\$ 3,977	\$ 3,963
Due from one year to five years	45,060	45,423	447	443
Due from five years to ten years	199,462	177,121	20,060	19,570
Due after ten years	30,266	23,687	87,438	76,671
	276,798	248,208	111,922	100,647
MBS and CMO	774,254	719,186	66,740	55,094
Asset-backed securities	122,078	120,261	—	—
Collateralized loan obligations	78,672	78,613	—	—
	\$ 1,251,802	\$ 1,166,268	\$ 178,662	\$ 155,741

	December 31, 2023			
	AFS		HTM	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 2,018	\$ 1,906	\$ —	\$ —
Due from one year to five years	46,645	46,682	4,445	4,448
Due from five years to ten years	188,526	163,397	12,806	12,628
Due after ten years	54,094	47,616	94,953	85,350
	291,283	259,601	112,204	102,426
MBS and CMO	757,907	706,507	68,199	57,595
Asset-backed securities	47,738	46,653	—	—
Collateralized loan obligations	64,250	63,878	—	—
	\$ 1,161,178	\$ 1,076,639	\$ 180,403	\$ 160,021

Proceeds from sales of debt securities AFS and gross gains and losses for the three months ended March 31, 2024 and 2023 were as follows:

	Three Months Ended March 31,	
	2024	2023
Proceeds from sales	\$ 113,794	\$ 109,793
Gross realized losses	6,304	5,321

As of March 31, 2024 and December 31, 2023, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders' equity. There was a blanket floating lien on all debt securities held by the Company to secure FHLB advances as of March 31, 2024 and December 31, 2023.

4. LHI and ACL

LHI in the accompanying consolidated balance sheets are summarized as follows:

	March 31, 2024	December 31, 2023
LHI, carried at amortized cost:		
Real estate:		
Construction and land	\$ 1,568,257	\$ 1,734,254
Farmland	30,979	31,114
1 - 4 family residential	969,401	937,119
Multi-family residential	751,607	605,817
OOCRE	788,376	794,088
NOOCRE	2,352,993	2,350,725
Commercial	2,785,987	2,752,063
MW	449,531	377,796
Consumer	8,882	10,149
	<hr/> \$ 9,706,013	<hr/> \$ 9,593,125
Deferred loan fees, net	(6,931)	(8,785)
ACL	<hr/> (112,032)	<hr/> (109,816)
Total LHI, net	<hr/>\$ 9,587,050	<hr/>\$ 9,474,524

Included in the total LHI, net, as of March 31, 2024 and December 31, 2023 was an accretable discount related to purchased performing and PCD loans acquired in the approximate amounts of \$5,084 and \$5,334, respectively. The discount is being accreted into income on a level-yield basis over the life of the loans. In addition, included in the net loan portfolio as of March 31, 2024 and December 31, 2023 is a discount on retained loans from sale of originated SBA and USDA loans of \$8,512 and \$7,629, respectively.

During the year ended December 31, 2022, the Company purchased \$ 223,924 in pooled residential real estate loans at a net discount, with a remaining balance of \$160,695 as of March 31, 2024. The remaining net purchase discount of \$3,005 and \$3,231 related to these 1-4 family residential loans purchased is included in the total LHI, net, as of March 31, 2024 and December 31, 2023, respectively. No additional pooled residential real estate loans have been repurchased since 2022.

ACL

The Company's estimate of the ACL reflects losses expected over the remaining contractual life of the assets. The activity in the ACL related to LHI is as follows:

Three Months Ended March 31, 2024

	Construction and Land	Farmland	Residential	Multifamily	OOCRE	NOOCRE	Commercial	MW	Consumer	Total
Balance at beginning of the period	\$ 21,032	\$ 101	\$ 9,539	\$ 4,882	\$ 10,252	\$ 27,729	\$ 35,886	\$ 260	\$ 135	\$ 109,816
Credit loss expense non-PCD loans	(1,251)	6	1,978	1,457	47	11,653	(2,136)	144	42	11,940
Credit (benefit) loss expense PCD loans	—	—	(2)	—	(377)	(3,952)	(109)	—	—	(4,440)
Charge-offs	—	—	—	—	(120)	(4,293)	(946)	—	(71)	(5,430)
Recoveries	—	—	1	—	—	—	96	—	49	146
Ending Balance	\$ 19,781	\$ 107	\$ 11,516	\$ 6,339	\$ 9,802	\$ 31,137	\$ 32,791	\$ 404	\$ 155	\$ 112,032

Three Months Ended March 31, 2023

	Construction and Land	Farmland	Residential	Multifamily	OOCRE	NOOCRE	Commercial	Consumer	Total
Balance at beginning of the period	\$ 13,120	\$ 127	\$ 9,533	\$ 2,607	\$ 8,707	\$ 26,704	\$ 30,142	\$ 112	\$ 91,052
Credit loss (benefit) expense non-PCD loans	4,240	41	12	877	238	(499)	2,995	363	8,267
Credit (benefit) loss expense PCD loans	(46)	—	(5)	—	(16)	33	267	—	233
Charge-offs	—	—	—	—	(116)	—	(1,051)	(62)	(1,229)
Recoveries	—	—	1	—	—	—	364	6	371
Ending Balance	\$ 17,314	\$ 168	\$ 9,541	\$ 3,484	\$ 8,813	\$ 26,238	\$ 32,717	\$ 419	\$ 98,694

The majority of the Company's loan portfolio consists of loans to businesses and individuals in the Dallas-Fort Worth metroplex and the Houston metropolitan area. This geographic concentration subjects the loan portfolio to the general economic conditions within these areas. The risks created by this concentration have been considered by management in the determination of the adequacy of the ACL.

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans:

	March 31, 2024				December 31, 2023			
	Real Property⁽¹⁾		ACL Allocation		Real Property⁽¹⁾		ACL Allocation	
Construction and land	\$ 159	\$ 7	—	\$ —	\$ 9,357	—	3,059	47
1 - 4 family residential	530	44	—	—	—	—	—	—
OOCRE	9,357	—	—	—	—	—	—	—
NOOCRE	9,344	—	—	—	21,169	—	—	—
Commercial	18,379	2,906	20,711	3,339	—	—	—	—
Total	\$ 37,769	\$ 2,957	\$ 44,939	\$ 3,386				

⁽¹⁾ Loans reported exclude PCD loans that transitioned upon adoption of ASC 326 and accounted for on a pooled basis.

Nonaccrual and Past Due Loans

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due in accordance with the terms of the loan agreement. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Nonaccrual loans aggregated by class of loans, as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024			December 31, 2023		
	Nonaccrual With No		Nonaccrual	Nonaccrual With		Nonaccrual With No ACL
	Nonaccrual	ACL		Nonaccrual	No ACL	
Construction and land	\$ 6,737	\$ 6,619	\$ 6,793	\$ 6,793	\$ 6,793	\$ 6,793
1 - 4 family residential	3,263	3,058	1,965	1,965	1,965	1,965
OOCRE	15,126	15,126	9,719	9,719	9,493	9,493
NOOCRE	22,366	11,866	33,479	33,479	33,479	33,479
Commercial	37,627	10,086	40,868	40,868	10,610	10,610
Consumer	21	21	24	24	24	24
Total	\$ 85,140	\$ 46,776	\$ 92,848	\$ 92,848	\$ 62,364	\$ 62,364

There were \$9,419 and \$13,715 of PCD loans that are not accounted for on a pooled basis included in nonaccrual loans at March 31, 2024 and December 31, 2023, respectively.

During the three months ended March 31, 2024 and 2023, interest income not recognized on nonaccrual loans was \$ 781 and 772, respectively.

An age analysis of past due loans, aggregated by class of loans and including past due nonaccrual loans, as of March 31, 2024 and December 31, 2023, is as follows:

	March 31, 2024						Total 90 Days Past Due and Still Accruing
	30 to 59 Days		60 to 89 Days		90 Days or Greater	Total Past Due	
	Real estate:	Total Loans	Total Current	Total Past Due	30 to 59 Days	60 to 89 Days	
Construction and land	\$ 13,150	\$ 1,548,370	\$ 1,568,257	\$ 19,887	\$ 6,678	\$ 59	\$ —
Farmland	—	—	30,979	—	—	—	30,979
1 - 4 family residential	2,352	964,431	969,401	4,970	2,159	459	—
Multi-family residential	—	751,607	751,607	—	—	—	—
OOCRE	1,826	771,204	788,376	17,172	15,346	—	220
NOOCRE	10,605	2,326,883	2,352,993	26,110	12,658	2,847	—
Commercial	427	2,772,522	2,785,987	13,465	9,963	3,075	—
MW	—	449,531	449,531	—	—	—	—
Consumer	11	8,871	8,882	11	—	—	—
Total	\$ 28,371	\$ 9,624,398	\$ 9,706,013	\$ 81,615	\$ 46,804	\$ 6,440	\$ 28,371

December 31, 2023

	30 to 59 Days	60 to 89 Days	90 Days or Greater	Total Past Due	Total Current	Total Loans	Total 90 Days Past Due and Still Accruing ⁽²⁾
Real estate:							
Construction and land	\$ 29,379	\$ —	\$ 6,793	\$ 36,172	\$ 1,698,082	\$ 1,734,254	\$ —
Farmland	—	—	—	—	31,114	31,114	—
1 - 4 family residential	4,359	2,535	3,691	10,585	926,534	937,119	1,726
Multi-family residential	15,095	—	—	15,095	590,722	605,817	—
OOCRE	916	114	10,185	11,215	782,873	794,088	466
NOOCRE	3,182	642	20,547	24,371	2,326,354	2,350,725	783
Commercial	3,485	1,394	9,122	14,001	2,738,062	2,752,063	—
MW	—	—	—	—	377,796	377,796	—
Consumer	76	—	—	76	10,073	10,149	—
Total	\$ 56,492	\$ 4,685	\$ 50,338	\$ 111,515	\$ 9,481,610	\$ 9,593,125	\$ 2,975

Loans 90 days past due and still accruing interest are considered well-secured and in the process of collection as of the reporting date with plans in place for the borrowers to bring the notes fully current. The Company believes that it will collect all principal and interest due on each of the loans 90 days past due and still accruing.

Modifications to Borrowers Experiencing Financial Difficulty

The Company adopted ASU 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures, effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measure of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ACL (due to the measurement methodologies used to estimate the allowance), a change to the ACL is generally not recorded upon modification.

The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted during the three months ended March 31, 2024:

Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
Interest Rate Reduction		Financial Impact	
	Amortized Cost Basis	% of Loan Class	
NOOCRE	\$ 28,441	1.2 %	Interest rate reduced longer than 3 months
Term Extension			
	Amortized Cost Basis	% of Loan Class	Financial Impact
Construction and land	\$ 2,000	0.1 %	Principal and interest payments deferred longer than three months

Combination - Interest Rate Reduction and Term Extension			
	Amortized Cost Basis	% of Loan Class	Financial Impact
NOOCRE	\$ 45,762	1.9 %	Principal payments deferred and interest rate reduced longer than three months
Commercial	6,336	0.2 %	Principal payments deferred and interest rate reduced longer than three months
	\$ 52,098		

No modifications to borrowers in financial difficulty had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified in the last 12 months:

	Payment Status			
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due
Construction and land	\$ —	\$ 2,000	\$ —	\$ —
NOOCRE	84,190	9,343	—	—
Commercial	27,764	—	—	2,108
Total	\$ 111,954	\$ 11,343	\$ —	\$ 2,108

The Company has not committed to lend additional amounts to customers with outstanding loans classified as Troubled Loan Modifications as of March 31, 2024 or December 31, 2023.

Credit Quality Indicators

From a credit risk standpoint, the Company classifies its loans in one of the following categories: (i) pass, (ii) special mention, (iii) substandard or (iv) doubtful. Loans classified as loss are charged-off. Loans not rated special mention, substandard, doubtful or loss are classified as pass loans.

The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the ratings on criticized credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. All classified credits are evaluated for impairment. If impairment is determined to exist, a specific reserve is established. The Company's methodology is structured so that specific reserves are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness, however, such concerns are generally not so pronounced that the Company expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits with a lower rating.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses which exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and in which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on non-accrual.

Credits classified as PCD are those that, at acquisition date, have experienced a more-than-insignificant deterioration in credit quality since origination. All loans considered to be purchased-credit impaired loans prior to January 1, 2020 were converted to PCD loans upon adoption of ASC 326. The Company elected to maintain pools of loans that were previously accounted for under ASC 310-30 and will continue to account for these pools as a unit of account. Loans are only removed from the existing pools if they are foreclosed, written off, paid off, or sold.

The Company considers the guidance in ASC 310-20 when determining whether a modification, extension or renewal of a loan constitutes a current period origination. Generally, current period renewals of credit are re-underwritten at the point of renewal and considered current period originations for purposes of the table below. Based on the most recent analysis performed, the risk category of loans by class of loans based on year or origination is as follows:

	Term Loans Amortized Cost Basis by Origination Year ¹							Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total		
	2024	2023	2022	2021	2020	Prior						
	As of March 31, 2024											
Construction and land:												
Pass	\$ 32,907	\$ 100,050	\$ 788,951	\$ 372,550	\$ 34,954	\$ 6,324	\$ 205,423	\$ —	\$ 1,541,159			
Special mention	—	12,112	2,000	4,968	—	—	1,281	—	20,361			
Substandard	—	—	6,706	—	31	—	—	—	6,737			
Total construction and land	\$ 32,907	\$ 112,162	\$ 797,657	\$ 377,518	\$ 34,985	\$ 6,324	\$ 206,704	\$ —	\$ 1,568,257			
Construction and land gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —			
Farmland:												
Pass	\$ 132	\$ 2,517	\$ 4,372	\$ —	\$ 17,863	\$ 4,927	\$ 1,168	\$ —	\$ 30,979			
Total farmland	\$ 132	\$ 2,517	\$ 4,372	\$ —	\$ 17,863	\$ 4,927	\$ 1,168	\$ —	\$ 30,979			
Farmland gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —			
1 - 4 family residential:												
Pass	\$ 18,518	\$ 77,907	\$ 139,311	\$ 209,626	\$ 82,714	\$ 288,540	\$ 114,455	\$ 17,236	\$ 948,307			
Special mention	—	3,722	—	—	—	1,227	—	—	4,949			
Substandard	—	—	861	852	50	12,739	529	—	15,031			
PCD	—	—	—	—	—	1,114	—	—	1,114			
Total 1 - 4 family residential	\$ 18,518	\$ 81,629	\$ 140,172	\$ 210,478	\$ 82,764	\$ 303,620	\$ 114,984	\$ 17,236	\$ 969,401			
1-4 family residential gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —			
Multi-family residential:												
Pass	\$ —	\$ 11,788	\$ 104,244	\$ 338,897	\$ 264,985	\$ 21,038	\$ 10,655	\$ —	\$ 751,607			
Total multi-family residential	\$ —	\$ 11,788	\$ 104,244	\$ 338,897	\$ 264,985	\$ 21,038	\$ 10,655	\$ —	\$ 751,607			
Multi-family residential gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —			
OOCRE:												
Pass	\$ 14,365	\$ 141,955	\$ 176,643	\$ 100,173	\$ 89,496	\$ 201,542	\$ 4,623	\$ —	\$ 728,797			
Special mention	—	5,446	468	4,030	1,405	15,926	210	—	27,485			
Substandard	—	—	9,357	2,963	2,945	6,261	—	—	21,526			
PCD	—	—	—	—	—	10,568	—	—	10,568			
Total OOCRE	\$ 14,365	\$ 147,401	\$ 186,468	\$ 107,166	\$ 93,846	\$ 234,297	\$ 4,833	\$ —	\$ 788,376			
OOCRE gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 120	\$ —	\$ —	\$ 120			
NOOCRE:												
Pass	\$ 17,713	\$ 50,026	\$ 667,589	\$ 546,455	\$ 239,974	\$ 497,749	\$ 33,047	\$ 571	\$ 2,053,124			
Special mention	—	—	57,088	27,217	28,614	135,930	—	—	248,849			
Substandard	—	—	3,858	3,241	303	33,834	—	—	41,236			
PCD	—	—	—	—	—	9,784	—	—	9,784			
Total NOOCRE	\$ 17,713	\$ 50,026	\$ 728,535	\$ 576,913	\$ 268,891	\$ 677,297	\$ 33,047	\$ 571	\$ 2,352,993			

NOOCRE gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,293	\$ —	\$ —	\$ —	\$ 4,293
Commercial:											
Pass	\$ 80,714	\$ 271,814	\$ 336,946	\$ 74,917	\$ 39,435	\$ 83,231	\$ 1,772,806	\$ 1,151	\$ 2,661,014		
Special mention	—	2,544	13,057	12,221	75	6,008	14,184	25	48,114		
Substandard	—	695	16,431	9,990	1,009	15,593	32,721	—	76,439		
PCD	—	—	—	—	—	420	—	—	—	420	
Total commercial	\$ 80,714	\$ 275,053	\$ 366,434	\$ 97,128	\$ 40,519	\$ 105,252	\$ 1,819,711	\$ 1,176	\$ 2,785,987		
Commercial gross charge-offs	\$ —	\$ —	\$ 43	\$ —	\$ —	\$ 903	\$ —	\$ —	\$ —	946	
MW:											
Pass	\$ 144	\$ 1,592	\$ —	\$ —	\$ —	\$ —	\$ 447,795	\$ —	\$ —	\$ 449,531	
Total MW	\$ 144	\$ 1,592	\$ —	\$ —	\$ —	\$ —	\$ 447,795	\$ —	\$ —	\$ 449,531	
MW gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—
Consumer:											
Pass	\$ 604	\$ 3,141	\$ 866	\$ 251	\$ 552	\$ 1,678	\$ 1,628	\$ —	\$ —	\$ 8,720	
Special mention	—	—	—	—	—	82	—	—	—	82	
Substandard	—	—	2	—	—	67	—	—	—	69	
PCD	—	—	—	—	—	11	—	—	—	11	
Total consumer	\$ 604	\$ 3,141	\$ 868	\$ 251	\$ 552	\$ 1,838	\$ 1,628	\$ —	\$ —	\$ 8,882	
Consumer gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 71	\$ —	\$ —	\$ —	71	
Total Pass	\$ 165,097	\$ 660,790	\$ 2,218,922	\$ 1,642,869	\$ 769,973	\$ 1,105,029	\$ 2,591,600	\$ 18,958	\$ 9,173,238		
Total Special Mention	—	23,824	72,613	48,436	30,094	159,173	15,675	25	349,840		
Total Substandard	—	695	37,215	17,046	4,338	68,494	33,250	—	161,038		
Total PCD	—	—	—	—	—	21,897	—	—	—	21,897	
Total	\$ 165,097	\$ 685,309	\$ 2,328,750	\$ 1,708,351	\$ 804,405	\$ 1,354,593	\$ 2,640,525	\$ 18,983	\$ 9,706,013		
Current period gross charge-offs	\$ —	\$ —	\$ 43	\$ —	\$ —	\$ 5,387	\$ —	\$ —	\$ —	5,430	

¹ Term loans amortized cost basis by origination year excludes \$6,931 of deferred loan fees, net.

Term Loans Amortized Cost Basis by Origination Year¹

	2023	2022	2021	2020	2019	Prior	Revolving	Revolving	Converted to	Term	Total
							Loans Amortized	Loans			
As of December 31,											
Construction and land:											
Pass	\$ 116,333	\$ 740,244	\$ 538,946	\$ 109,017	\$ 3,089	\$ 3,661	\$ 181,940	\$ —	\$ 1,693,230		
Special mention	593	13,782	4,980	3,439	—	8,760	2,677	—	34,231		
Substandard	—	6,547	—	246	—	—	—	—	—	6,793	
Total construction and land	\$ 116,926	\$ 760,573	\$ 543,926	\$ 112,702	\$ 3,089	\$ 12,421	\$ 184,617	\$ —	\$ 1,734,254		
Construction and land gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—
Farmland:											
Pass	\$ 2,531	\$ 4,398	\$ —	\$ 17,999	\$ 15	\$ 4,944	\$ 1,227	\$ —	\$ 31,114		
Total farmland	\$ 2,531	\$ 4,398	\$ —	\$ 17,999	\$ 15	\$ 4,944	\$ 1,227	\$ —	\$ 31,114		
Farmland gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—

1 - 4 family residential:

Pass	\$ 73,289	\$ 140,824	\$ 193,914	\$ 79,767	\$ 38,589	\$ 270,193	\$ 114,275	\$ 17,255	\$ 928,106	
Special mention	3,732	531	—	—	—	238	—	—	4,501	
Substandard	—	144	902	—	106	1,701	529	—	3,382	
PCD	—	—	—	—	—	1,130	—	—	1,130	

Total 1 - 4 family residential	\$ 77,021	\$ 141,499	\$ 194,816	\$ 79,767	\$ 38,695	\$ 273,262	\$ 114,804	\$ 17,255	\$ 937,119
1-4 Family gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 21	\$ —	\$ —	\$ —	\$ 21
Multi-family residential:									
Pass	\$ 9,441	\$ 82,040	\$ 257,714	\$ 196,575	\$ 8,054	\$ 14,570	\$ 10,627	\$ —	\$ 579,021
Special mention	—	—	—	—	—	11,701	—	—	11,701
Substandard	—	—	—	—	—	15,095	—	—	15,095
Total multi-family residential	\$ 9,441	\$ 82,040	\$ 257,714	\$ 196,575	\$ 8,054	\$ 41,366	\$ 10,627	\$ —	\$ 605,817
Multifamily gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 192	\$ —	\$ —	\$ —	\$ 192
OOCRE:									
Pass	\$ 129,463	\$ 178,777	\$ 113,207	\$ 90,219	\$ 39,876	\$ 166,270	\$ 4,618	\$ —	\$ 722,430
Special mention	5,481	—	2,479	1,019	1,961	14,775	210	—	25,925
Substandard	—	9,357	2,131	3,644	736	11,695	—	—	27,563
PCD	—	—	—	—	—	18,170	—	—	18,170
Total OOCRE	\$ 134,944	\$ 188,134	\$ 117,817	\$ 94,882	\$ 42,573	\$ 210,910	\$ 4,828	\$ —	\$ 794,088
OOCRE gross charge-offs	\$ —	\$ —	\$ —	\$ 369	\$ 5	\$ 481	\$ —	\$ —	\$ 855
NOOCRE:									
Pass	\$ 33,525	\$ 724,110	\$ 500,354	\$ 247,385	\$ 148,046	\$ 381,559	\$ 30,524	\$ 577	\$ 2,066,080
Special mention	—	5,950	25,985	26,175	68,616	55,805	—	—	182,531
Substandard	—	3,858	2,774	364	2,620	78,414	—	—	88,030
PCD	—	—	—	—	—	14,084	—	—	14,084
Total NOOCRE	\$ 33,525	\$ 733,918	\$ 529,113	\$ 273,924	\$ 219,282	\$ 529,862	\$ 30,524	\$ 577	\$ 2,350,725
NOOCRE gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13,649	\$ —	\$ —	\$ 13,649
Commercial:									
Pass	\$ 314,939	\$ 384,713	\$ 86,757	\$ 38,554	\$ 43,535	\$ 45,812	\$ 1,725,663	\$ 1,044	\$ 2,641,017
Special mention	4,584	13,583	12,794	541	—	10,144	9,392	35	51,073
Substandard	640	16,974	3,978	545	3,767	15,843	15,244	74	57,065
PCD	—	—	—	—	—	2,908	—	—	2,908
Total commercial	\$ 320,163	\$ 415,270	\$ 103,529	\$ 39,640	\$ 47,302	\$ 74,707	\$ 1,750,299	\$ 1,153	\$ 2,752,063
Commercial gross charge-offs	\$ —	\$ 2,158	\$ —	\$ 2,572	\$ 1,083	\$ 4,600	\$ —	\$ —	\$ 10,413
MW:									
Pass	\$ 1,905	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 375,891	\$ —	\$ 377,796
Total MW	\$ 1,905	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 375,891	\$ —	\$ 377,796
MW gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer:									
Pass	\$ 4,552	\$ 1,045	\$ 276	\$ 604	\$ 89	\$ 1,678	\$ 1,728	\$ —	\$ 9,972
Special mention	—	—	—	—	—	85	—	—	85
Substandard	—	—	4	—	12	63	—	—	79
PCD	—	—	—	—	—	13	—	—	13
Total consumer	\$ 4,552	\$ 1,045	\$ 280	\$ 604	\$ 101	\$ 1,839	\$ 1,728	\$ —	\$ 10,149
Consumer gross charge-offs	\$ —	\$ 29	\$ 2	\$ —	\$ —	\$ 205	\$ —	\$ —	\$ 236
Total Pass	\$ 685,978	\$ 2,256,151	\$ 1,691,168	\$ 780,120	\$ 281,293	\$ 888,687	\$ 2,446,493	\$ 18,876	\$ 9,048,766
Total Special Mention	14,390	33,846	46,238	31,174	70,577	101,508	12,279	35	310,047

Total Substandard	640	36,880	9,789	4,799	7,241	122,811	15,773	74	198,007
Total PCD	—	—	—	—	—	36,305	—	—	36,305
Total	\$ 701,008	\$ 2,326,877	\$ 1,747,195	\$ 816,093	\$ 359,111	\$ 1,149,311	\$ 2,474,545	\$ 18,985	\$ 9,593,125
Current year gross charge-offs	\$ —	\$ 2,187	\$ 2	\$ 2,941	\$ 1,301	\$ 18,935	\$ —	\$ —	\$ 25,366

¹ Term loans amortized cost basis by origination year excludes \$8,785 of deferred loan fees, net.

Servicing Assets

The Company was servicing loans of approximately \$ 586,583 and \$571,611 as of March 31, 2024 and 2023, respectively. A summary of the changes in the related servicing assets are as follows:

	Three Months Ended March 31,	
	2024	2023
Balance at beginning of period	\$ 13,258	\$ 14,880
Increase from loan sales	635	959
Servicing asset impairment, net recoveries	222	424
Amortization charged as a reduction to income	(1,493)	(1,015)
Balance at end of period	\$ 12,622	\$ 15,248

Fair value of servicing assets is estimated by discounting estimated future cash flows from the servicing assets using discount rates that approximate current market rates over the expected lives of the loans being serviced. A valuation allowance is recorded when the fair value is below the carrying amount of the asset. As of March 31, 2024 and 2023 there was a valuation allowance of \$ 1,310 and \$2,027, respectively.

The Company may also receive a portion of subsequent interest collections on loans sold that exceed the contractual servicing fees. In that case, the Company records an interest-only strip based on its relative fair market value and the other components of the loans. There was no interest-only strip receivable recorded at March 31, 2024 and December 31, 2023.

The following table reflects principal sold and related gain for SBA and USDA LHI. The gain on sale of these loans is recorded in government guaranteed loan income, net in the Company's consolidated statements of income.

	Three Months Ended March 31,	
	2024	2023
SBA LHI principal sold	\$ 13,233	\$ 6,340
Gain on sale of SBA LHI	1,176	148
USDA LHI principal sold	—	44,002
Gain on sale of USDA LHI	—	6,984

LHFS

The following table reflects LHFS.

	March 31, 2024	December 31, 2023
SBA/USDA construction and land	\$ 41,456	\$ 41,492
1 - 4 family residential	772	788
SBA OCRE	3,976	16,758
NOOCRE	10,500	10,500
SBA commercial	8,058	9,534
Total LHFS	\$ 64,762	\$ 79,072

5. Fair Value

The following table summarizes assets measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	March 31, 2024			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial Assets:				
AFS debt securities	\$ —	\$ 1,166,268	\$ —	\$ 1,166,268
Equity securities with a readily determinable fair value	9,792	—	—	9,792
LHFS ⁽¹⁾	—	53,490	—	53,490
Interest rate swap designated as hedging instruments	—	14,370	—	14,370
Correspondent interest rate swaps not designated as hedging instruments	—	36,357	—	36,357
Customer interest rate swaps not designated as hedging instruments	—	941	—	941
Correspondent interest rate caps and collars not designated as hedging instruments	—	1,367	—	1,367
Financial Liabilities:				
Interest rate swap designated as hedging instruments	\$ —	\$ 50,431	\$ —	\$ 50,431
Correspondent interest rate swaps not designated as hedging instruments	—	1,068	—	1,068
Customer interest rate swaps not designated as hedging instruments	—	35,755	—	35,755
Customer interest rate caps and collars not designated as hedging instruments	—	1,367	—	1,367

⁽¹⁾Represents LHFS elected to be carried at fair value upon origination or acquisition.

	December 31, 2023			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial Assets:				
AFS debt securities	\$ —	\$ 1,076,639	\$ —	\$ 1,076,639
Equity securities with a readily determinable fair value	9,897	—	—	9,897
LHFS ⁽¹⁾	—	67,784	—	67,784
Interest rate swap designated as hedging instruments	—	18,814	—	18,814
Correspondent interest rate swaps not designated as hedging instruments	—	28,007	—	28,007
Customer interest rate swaps not designated as hedging instruments	—	2,118	—	2,118
Correspondent interest rate caps and collars not designated as hedging instruments	—	1,344	—	1,344
Financial Liabilities:				
Interest rate swap designated as hedging instruments	\$ —	\$ 47,121	\$ —	\$ 47,121
Correspondent interest rate swaps not designated as hedging instruments	—	2,322	—	2,322
Customer interest rate swaps not designated as hedging instruments	—	27,288	—	27,288
Customer interest rate caps and collars not designated as hedging instruments	—	1,344	—	1,344

⁽¹⁾Represents LHFS elected to be carried at fair value upon origination or acquisition.

There were no transfers between Level 2 and Level 3 during the three months ended March 31, 2024 and December 31, 2023.

The following table summarizes assets measured at fair value on a non-recurring basis as of March 31, 2024 and December 31, 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements Using				Total Fair Value	
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs			
As of March 31, 2024						
Assets:						
Collateral dependent loans with an ACL	\$ —	\$ —	\$ 13,160	\$ 13,160		
Servicing assets with a valuation allowance	—	—	4,728	4,728		
OREO	—	—	18,445	18,445		
As of December 31, 2023						
Assets:						
Collateral dependent loans with an ACL	\$ —	\$ —	\$ 14,274	\$ 14,274		
Servicing assets with a valuation allowance	—	—	6,682	6,682		

At March 31, 2024, collateral dependent loans with an allowance had a recorded investment of \$ 16,117, with \$2,957 specific ACL allocated. At December 31, 2023, collateral dependent loans with an allowance had a carrying value of \$17,660, with \$3,386 of specific ACL allocated.

At March 31, 2024, servicing assets of \$6,038 had a valuation allowance totaling \$1,310. At December 31, 2023, servicing assets of \$ 8,214 had a valuation allowance totaling \$1,532.

OREO primarily consists of five properties recorded with a fair value of approximately \$ 18,445 at March 31, 2024. There were no OREO properties recorded as of December 31, 2023.

There were no liabilities measured at fair value on a non-recurring basis as of March 31, 2024 or December 31, 2023.

Fair Value of Financial Instruments

The Company's methods of determining fair value of financial instruments in this Note are consistent with its methodologies disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Please refer to Note 17 in the Company's Annual Report on Form 10-K for information on these methods.

The estimated fair values and carrying values of all financial instruments not measured at fair value on a recurring basis under current authoritative guidance as of March 31, 2024 and December 31, 2023 were as follows:

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	
March 31, 2024					
Financial assets:					
Cash and cash equivalents	\$ 740,769	\$ —	\$ 740,769	\$ —	
HTM debt securities	178,662	—	155,741	—	
LHFS ⁽¹⁾	11,272	—	11,272	—	
LHI ⁽²⁾	9,573,890	—	—	9,409,404	
Accrued interest receivable	51,476	—	51,476	—	
BOLI	85,359	—	85,359	—	
Servicing asset	7,894	—	7,894	—	
Equity securities without a readily determinable fair value	38,194	N/A	N/A	N/A	
FHLB and FRB stock	54,094	N/A	N/A	N/A	
Financial liabilities:					
Noninterest-bearing deposits	\$ 2,349,211	\$ —	\$ 2,349,211	\$ —	
Interest-bearing deposits	8,304,609	—	8,147,449	—	
Advances from FHLB	100,000	—	100,056	—	
Accrued interest payable	33,200	—	33,200	—	
Subordinated debentures and subordinated notes	230,034	—	230,034	—	
December 31, 2023					
Financial assets:					
Cash and cash equivalents	\$ 629,063	\$ —	\$ 629,063	\$ —	
HTM debt securities	180,403	—	160,021	—	
LHFS ⁽¹⁾	11,288	—	11,288	—	
LHI ⁽²⁾	9,577,180	—	—	9,322,744	
Accrued interest receivable	53,313	—	53,313	—	
BOLI	84,833	—	84,833	—	
Servicing asset	6,576	—	6,576	—	
Equity securities without a readily determinable fair value	11,624	N/A	N/A	N/A	
FHLB and FRB stock	53,699	N/A	N/A	N/A	
Financial liabilities:					
Noninterest-bearing deposits	\$ 2,218,036	\$ —	\$ 2,218,036	\$ —	
Interest-bearing deposits	8,120,159	—	8,096,209	—	
Advances from FHLB	100,000	—	100,051	—	
Accrued interest payable	41,948	—	41,948	—	
Subordinated debentures and subordinated notes	229,783	—	229,783	—	

⁽¹⁾ LHFS primarily represent commercial loans moved to held for sale or mortgage LHFS that are carried at lower of cost or market.

⁽²⁾ LHI includes MW and is carried at amortized cost.

6. Derivative Financial Instruments

The Company primarily uses derivatives to manage exposure to market risk, including interest rate risk and credit risk and to assist customers with their risk management objectives. Management will designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship. The Company's remaining derivatives consist of derivatives held for customer accommodation or other purposes.

The fair value of derivative positions outstanding is included in other assets and accounts payable and other liabilities on the accompanying consolidated balance sheets and in the net change in each of these financial statement line items in the

accompanying consolidated statements of cash flows. For derivatives not designated as hedging instruments, swap fee income and gains and losses due to changes in fair value are included in other noninterest income and the operating section of the consolidated statement of cash flows. For derivatives designated as hedging instruments, the entire change in the fair value related to the derivative instrument is recognized as a component of other comprehensive income and subsequently reclassified into interest income or interest expense when the forecasted transaction affects income. The notional amounts and estimated fair values as of March 31, 2024 and December 31, 2023 are as shown in the table below.

	March 31, 2024			December 31, 2023		
	Notional Amount	Estimated Fair Value		Notional Amount	Estimated Fair Value	
		Asset Derivative	Liability Derivative		Asset Derivative	Liability Derivative
Derivatives designated as hedging instruments (cash flow hedges):						
Interest rate swap on money market deposit account payments	\$ 250,000	\$ 11,047	\$ —	\$ 250,000	\$ 12,208	\$ —
Interest rate swaps on fixed rate advances/brokered CDs	200,000	—	1,286	200,000	—	4,296
Interest rate swaps on customer loan interest payments	375,000	—	45,237	375,000	—	40,055
Interest rate collars on customer loan interest payments	450,000	1,151	3,908	450,000	2,304	2,770
Interest rate floor on customer loan interest payments	200,000	2,172	—	200,000	4,302	—
Total derivatives designated as hedging instruments	\$ 1,475,000	\$ 14,370	\$ 50,431	\$ 1,475,000	\$ 18,814	\$ 47,121
Derivatives not designated as hedging instruments:						
Financial institution counterparty:						
Interest rate swaps	\$ 907,171	\$ 36,357	\$ 1,068	\$ 893,702	\$ 28,007	\$ 2,322
Interest rate caps and corridors	319,974	1,367	—	285,370	1,344	—
Commercial customer counterparty:						
Interest rate swaps	907,171	941	35,755	893,702	2,118	27,288
Interest rate caps and corridors	319,974	—	1,367	285,370	—	1,344
Total derivatives not designated as hedging instruments	\$ 2,454,290	\$ 38,665	\$ 38,190	\$ 2,358,144	\$ 31,469	\$ 30,954
Offsetting derivative assets/liabilities	—	(33,531)	(33,531)	—	(29,463)	(29,463)
Total derivatives	\$ 3,929,290	\$ 19,504	\$ 55,090	\$ 3,833,144	\$ 20,820	\$ 48,612

Pre-tax (loss) gain included in the consolidated statements of income and related to derivative instruments for the three months ended March 31, 2024 and 2023 were as follows.

	For the Three Months Ended March 31, 2024			For the Three Months Ended March 31, 2023		
	(Loss) gain recognized in other comprehensive income on derivative	Gain (loss) reclassified from accumulated other comprehensive income into income	Location of (loss) gain reclassified from accumulated other comprehensive income into income	(Loss) gain recognized in other comprehensive income on derivative	Gain (loss) reclassified from accumulated other comprehensive income into income	Location of (loss) gain reclassified from accumulated other comprehensive income into income
Derivatives designated as hedging instruments (cash flow hedges):						
Interest rate swap on borrowing advances	\$ (1,094)	\$ 1,094	Interest Expense	\$ (1,082)	\$ 1,082	Interest Expense
Interest rate swap on money market deposit account payments	1,849	3,439	Interest Expense	(3,977)	2,568	Interest Expense
Interest rate swaps, collars and floors on customer loan interest payments	(9,250)	(5,369)	Interest Income	12,136	(3,807)	Interest Income
Total	\$ (8,495)	\$ (836)		\$ 7,077	\$ (157)	
Net gain recognized in other noninterest income						
Derivatives not designated as hedging instruments:						
Interest rate swaps, caps and collars		\$ 449			\$ 212	

Cash Flow Hedges

We enter into cash flow hedge relationships to mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company uses interest rate swaps, floors, caps and collars to manage overall cash flow changes related to interest rate risk exposure on benchmark interest rate loans. To qualify for hedge accounting, a formal assessment is prepared to determine whether the hedging relationship, both at inception and on an ongoing basis, is expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the cash flow hedge. At inception a statistical regression analysis is prepared to determine hedge effectiveness. At each reporting period thereafter, a statistical regression or qualitative analysis is performed. If it is determined that hedge effectiveness has not been or will not continue to be highly effective, then hedge accounting ceases and any gain or loss in AOCI is recognized in earnings immediately. The cash flow hedges are recorded at fair value in other assets and other liabilities on the consolidated balance sheets with changes in fair value recorded in AOCI, net of tax. Amounts recorded to AOCI are reclassified into earnings in the same period in which the hedged asset or liability affects earnings and are presented in the same income statement line item as the earnings effect of the hedged asset or liability.

Interest Rate Swap, Floor, Cap and Collar Agreements Not Designated as Hedging Derivatives

In order to accommodate the borrowing needs of certain commercial customers, the Company has entered into interest rate swap or cap agreements with those customers. These interest rate derivative contracts effectively allow the Company's customers to convert a variable rate loan into a fixed rate loan. In order to offset the exposure and manage interest rate risk, at the time an agreement was entered into with a customer, the Company entered into an interest rate swap or cap with a correspondent bank counterparty with offsetting terms. These derivative instruments are not designated as accounting hedges and changes in the net fair value are recognized in noninterest income or expense. Because the Company acts as an intermediary for its customers, changes in the fair value of the underlying derivative contracts substantially offset each other and do not have a material impact on the Company's results of operations. The fair value amounts are included in other assets and other liabilities.

The following is a summary of the interest rate swaps, caps and collars outstanding as of March 31, 2024 and December 31, 2023.

March 31, 2024								
	Notional Amount	Fixed Rate	Floating Rate	Maturity	Fair Value			
Non-hedging derivative instruments:								
Customer interest rate derivative:								
Interest rate swaps - receive fixed/pay floating	\$ 907,171	2.4% - 7.4%	LIBOR 1 month + 3.0% SOFR CME 1 month + 0.0% - 3.8% SOFR-NYFD 30 day avg +2.5% - 3.0%	Wtd. Avg. 3.9 years	\$ (34,815)			
Interest rate caps and corridors	\$ 319,974	3.50% - 7.50%	SOFR CME 1 month + 0.0% - 3% SOFR + 0.0%	Wtd. Avg. 0.5 years	\$ (1,367)			
Correspondent interest rate derivative:								
Interest rate swaps - pay fixed/receive floating	\$ 907,171	2.41% - 7.37%	LIBOR 1 month + 3.0% SOFR CME 1 month + 0.0% - 3.8% SOFR-NYFD 30 day avg +2.5% - 3.0%	Wtd. Avg. 3.9 years	\$ 35,288			
Interest rate caps and corridors	\$ 319,974	3.50% - 7.50%	SOFR CME 1 month + 0.0% - 3.0% SOFR + 0.0%	Wtd. Avg. 0.5 years	\$ 1,367			
December 31, 2023								
	Notional Amount	Fixed Rate	Floating Rate	Maturity	Fair Value			
Non-hedging derivative instruments:								
Customer interest rate derivative:								
Interest rate swaps - receive fixed/pay floating	\$ 893,702	2.4% - 7.4%	LIBOR 1 month + 3.0% SOFR CME 1 month + 0.0% - 3.8% SOFR-NYFD 30 day avg +2.5% - 3.0%	Wtd. Avg. 4.1 years	\$ (25,170)			
Interest rate caps and corridors	\$ 285,370	3.5% - 7.5%	SOFR CME 1 month 0.0% + 3.0% SOFR + 0.0%	Wtd. Avg. 0.8 years	\$ (1,344)			
Correspondent interest rate derivative:								
Interest rate swaps - pay fixed/receive floating	\$ 893,702	2.4% - 7.4%	LIBOR 1 month + 3.0% SOFR CME 1 month + 0.0% - 3.8% SOFR-NYFD 30 day avg +2.5% - 3.0%	Wtd. Avg. 4.1 years	\$ 25,685			
Interest rate caps and corridors	\$ 285,370	3.5% - 7.5%	SOFR CME 1 month + 0.0% - 3% SOFR + 0.0%	Wtd. Avg. 0.8 years	\$ 1,344			

7. OBS Loan Commitments

The Company is party to financial instruments with OBS risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, MW commitments and standby and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to a financial instrument for commitments to extend credit, MW commitments and standby and commercial letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The following table sets forth the approximate amounts of these financial instruments as of March 31, 2024 and December 31, 2023:

	March 31,		December 31,	
	2024		2023	
Commitments to extend credit	\$ 2,834,310		\$ 3,083,501	
MW commitments	794,470		803,704	
Standby and commercial letters of credit	113,405		111,590	
Total	\$ 3,742,185		\$ 3,998,795	

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer's creditworthiness on a case-by-case basis and substantially all of the Company's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of future loan funding. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

MW commitments are unconditionally cancellable and represent the unused capacity on MW facilities the Company has approved. The Company reserves the right to refuse to buy any mortgage loans offered for sale by a customer, for any reason, at the Company's sole and absolute discretion.

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby and commercial letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral and the nature of such collateral is substantially the same as that involved in making commitments to extend credit.

The table below presents the activity in the allowance for unfunded commitment credit losses related to those financial instruments discussed above. This ACL on unfunded commitments is recorded in accounts payable and other liabilities on the consolidated balance sheets:

	Three Months Ended March 31,	
	2024	2023
Beginning balance for ACL on unfunded commitments	\$ 8,045	\$ 10,086
(Benefit) provision for credit losses on unfunded commitments	(1,541)	1,497
Ending balance of ACL on unfunded commitments	\$ 6,504	\$ 11,583

8. Stock-Based Awards

2010 Stock Option and Equity Incentive Plan ("2010 Incentive Plan")

The Company recognized no stock compensation expense related to the 2010 Incentive Plan for the three months ended March 31, 2024 and 2023.

A summary of option activity under the 2010 Incentive Plan for the three months ended March 31, 2024 and 2023, and changes during the periods then ended, is presented below:

2010 Incentive Plan				
Non-Performance Based Stock Options				
	Shares Underlying Options	Weighted Exercise Price	Average Contractual Term	Weighted Aggregate Intrinsic Value
Outstanding at January 1, 2023	1,000	\$ 10.43	1.07 years	
Exercised	(1,000)	10.43		
Outstanding and exercisable at March 31, 2023	—	\$ —	—	\$ —

A summary of the fair value of the Company's stock options exercised under the 2010 Incentive Plan for the three months ended March 31, 2024 and 2023 is presented below:

	Fair Value of Options Exercised as of March 31,	
	2024	2023
Nonperformance-based stock options exercised	\$ —	\$ 16

2022 Equity Plan, Veritex (Green) 2014 Plan and Green 2010 Plan

Grants of RSU

During the three months ending March 31, 2024, the Company granted non-performance-based RSUs and PSUs under the 2022 Amended and Restated Omnibus Incentive Plan (the "2022 Equity Plan") and the Veritex (Green) 2014 Omnibus Equity Incentive Plan (the "Veritex (Green) 2014 Plan"). The majority of the RSUs granted to employees during the three months ending March 31, 2024 have an annual graded vesting over a three year period from the grant date.

The PSUs granted in February 2024 are subject to a service, performance and market conditions. The performance and market condition determine the number of awards to vest. The service period is from February 1, 2024 to January 31, 2027, the performance conditions performance period is from January 1, 2024 to December 31, 2026 and the market condition performance period is from February 1, 2024 to January 31, 2027. A Monte Carlo simulation was used to estimate the fair value of PSUs on the grant date.

Stock Compensation Expense

Stock compensation expense for options, RSUs and PSUs granted under the 2022 Equity Plan and the Veritex (Green) 2014 Plan were as follows:

	Three Months Ended March 31,	
	2024	2023
2022 Equity Plan	\$ 2,459	\$ 2,465
Veritex (Green) 2014 Plan	430	422

2022 Equity Plan

A summary of the status of the Company's stock options under the 2022 Equity Plan as of March 31, 2024 and 2023, and changes during the three months then ended, is as follows:

2022 Equity Plan					
Non-performance Based Stock Options					
	Shares Underlying Options	Weighted Exercise Price	Weighted Average Contractual Term	Weighted Average Aggregate Intrinsic Value	
Outstanding at January 1, 2023	657,494	\$ 24.47			
Forfeited	(1,666)	17.38			
Cancelled	(3,804)	29.13			
Exercised	(3,951)	21.38			
Outstanding at March 31, 2023	648,073	\$ 24.48	5.24 years		
Options exercisable at March 31, 2023	610,073	\$ 24.74	5.13 years		
Outstanding at January 1, 2024	602,573	\$ 24.40			
Outstanding at March 31, 2024	602,573	\$ 24.40	4.59 years	\$ 215,379	
Options exercisable at March 31, 2024	602,573	\$ 24.40	4.59 years	\$ 215,379	

There was no unrecognized compensation expense related to options awarded under the 2022 Equity Plan as of March 31, 2024 and December 31, 2023. As of March 31, 2023, there \$122 of total unrecognized compensation expense related to options awarded under the 2022 Equity Plan.

A summary of the status of the Company's RSUs under the 2022 Equity Plan as of March 31, 2024 and 2023, and changes during the three months then ended, is as follows:

2022 Equity Plan					
Non-performance-Based RSUs					
	Units	Weighted Average Grant Date Fair Value			
Outstanding at January 1, 2023	955,104	\$ 28.38			
Granted	224,165	27.90			
Vested into shares	(162,952)	30.23			
Forfeited	(16,394)	31.77			
Outstanding at March 31, 2023	999,923	\$ 27.87			
Outstanding at January 1, 2024	948,513	\$ 27.52			
Granted	190,018	21.94			
Vested into shares	(159,113)	29.87			
Forfeited	(4,700)	30.73			
Outstanding at March 31, 2024	974,718	\$ 26.03			

A summary of the status of the Company's PSUs under the 2022 Equity Plan as of March 31, 2024 and 2023, and changes during the three months then ended, is as follows:

2022 Equity Plan			
Performance-Based PSUs			
	Units	Weighted Average Grant Date Fair Value	
Outstanding at January 1, 2023	126,707	\$ 31.19	
Granted	53,310	27.55	
Vested into shares	(41,781)	26.42	
Outstanding at March 31, 2023	129,768	\$ 30.28	
Outstanding at January 1, 2024	129,786	\$ 30.28	
Granted	113,144	18.84	
Vested into shares	(56,729)	25.94	
Outstanding at March 31, 2024	186,201	\$ 25.01	

As of March 31, 2024, December 31, 2023 and March 31, 2023, there was \$18,421, \$14,692 and \$15,278 of total unrecognized compensation related to RSUs and PSUs awarded under the 2022 Equity Plan, respectively. The unrecognized compensation expense at March 31, 2024 is expected to be recognized over the remaining weighted average requisite service period of 2.60 years.

A summary of the fair value of the Company's stock options exercised, RSUs and PSUs vested under the 2022 Equity Plan during the three months ended March 31, 2024 and 2023 is presented below:

	Fair Value of Options Exercised or RSUs Vested in the Three Months Ended March 31,	
	2024	2023
Non-performance-based stock options exercised	\$ —	\$ 31
RSUs vested	3,057	3,044
PSUs vested	1,133	1,070

Veritex (Green) 2014 Plan

A summary of the status of the Company's stock options under the Veritex (Green) 2014 Plan as of March 31, 2024 and 2023, and changes during the three months then ended, is as follows:

Veritex (Green) 2014 Plan				
Non-performance Based Stock Options				
	Shares Underlying Options	Weighted Exercise Price	Average Contractual Term	Weighted Aggregate Intrinsic Value
Outstanding at January 1, 2023	155,212	\$ 19.83		
Cancelled	(505)	21.38		
Exercised	(13,266)	21.38		
Outstanding at March 31, 2023	141,441	\$ 21.86	4.87 years	
Options exercisable at March 31, 2023	141,441	\$ 21.86	4.87 years	
Outstanding at January 1, 2024	124,499	\$ 22.00		
Outstanding at March 31, 2024	124,499	\$ 22.00	3.46 years	\$ 391,054
Options exercisable at March 31, 2024	124,499	\$ 22.00	3.46 years	\$ 391,054
Weighted average fair value of options granted during the period		\$ —		

As of March 31, 2024, December 31, 2023 and March 31, 2023 there was no unrecognized compensation expense related to options awarded under the Veritex (Green) 2014 Plan.

A summary of the status of the Company's RSUs under the Veritex (Green) 2014 Plan as of March 31, 2024 and 2023 and changes during the three months then ended, is as follows:

Veritex (Green) 2014 Plan			
Non-performance-Based			
RSUs			
	Units	Weighted Average Grant Date	Fair Value
Outstanding at January 1, 2023	86,233	\$ 21.09	
Vested into shares	(19,282)	29.66	
Forfeited	(2,232)	29.13	
Outstanding at March 31, 2023	64,719	\$ 18.26	
Outstanding at January 1, 2024	64,719	\$ 18.26	
Vested into shares	(3,308)	32.20	
Outstanding at March 31, 2024	61,411	\$ 17.51	

A summary of the status of the Company's PSUs under the Veritex (Green) 2014 Plan as of March 31, 2024 and 2023 and changes during the three months then ended, is as follows:

Veritex (Green) 2014 Plan			
Performance-Based			
PSUs			
	Units	Weighted Average Grant Date	Fair Value
Outstanding at January 1, 2023	19,173	\$ 30.74	
Vested into shares	(8,531)	25.94	
Outstanding at March 31, 2023	10,642	\$ 31.93	
Outstanding at January 1, 2024	10,642	\$ 31.93	
Granted	1,246	18.84	
Vested into shares	(7,477)	25.94	
Outstanding at March 31, 2024	4,411	\$ 40.38	

As of March 31, 2024, December 31, 2023 and March 31, 2023, there was \$1,383, \$1,781, and \$3,260, respectively, of total unrecognized compensation related to outstanding RSUs and PSUs awarded under the Veritex (Green) 2014 Plan to be recognized over a remaining weighted average requisite service period of 1.12 years.

A summary of the fair value of the Company's stock options exercised, RSUs and PSUs vested under the Veritex (Green) 2014 Plan during the three months ended March 31, 2024 and 2023 presented below:

	Fair Value of Options Exercised or RSUs Vested in the Three Months Ended March 31,	
	2024	2023
Non-performance-based stock options exercised	\$ —	\$ 18
RSUs vested	326	1,990
PSU vested	149	227

Green 2010 Plan

In addition to the Veritex (Green) 2014 Plan discussed earlier in this Note, the Company assumed the Green Bancorp Inc. 2010 Stock Option Plan ("Green 2010 Plan").

A summary of the status of the Company's stock options under the Green 2010 Plan as of March 31, 2024 and 2023, and changes during the three months then ended, is as follows:

	Green 2010 Plan			
	Non-performance Based Stock Options			
	Shares Underlying Options	Weighted Exercise Price	Average Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2023	43,162	\$ 13.11		
Exercised	(29,630)	13.22		
Outstanding at March 31, 2023	<u>13,532</u>	<u>\$ 12.86</u>	<u>3.94 years</u>	
Outstanding at January 1, 2024	10,784	\$ 12.65		
Outstanding at March 31, 2024	<u>10,784</u>	<u>\$ 12.65</u>	<u>3.82 years</u>	<u>\$ 85</u>

A summary of the fair value of the Company's stock options exercised under the Green 2010 Plan during the three months ended March 31, 2024 and 2023 presented below:

	Fair Value of Options Exercised as of March 31,	
	2024	2023
	\$ —	\$ 365
Nonperformance-based stock options exercised	\$ —	\$ 365

9. Income Taxes

Income tax expense for the three months ended March 31, 2024 and 2023 was as follows:

	Three Months Ended March 31,	
	2024	2023
Income tax expense for the period	\$ 7,237	\$ 11,012
Effective tax rate	23.1 %	22.3 %

For the three months ended March 31, 2024, the Company had an effective tax rate of 23.1%. The Company had a net discrete tax expense of \$384 thousand associated with the recognition of an excess tax expense realized on share-based payment awards during the three months ended March 31, 2024. Excluding this discrete tax item, the Company had an effective tax rate of 21.8% for the three months ended March 31, 2024.

At December 31, 2023, we determined it was more likely than not that a portion of our deferred tax assets would not be realized in their entirety. Thus, the Company recorded a \$4,249 valuation allowance in continuing operations relating to the

impairment on our investment in Thrive as of March 31, 2024. The deferred tax asset is not realizable due to the capital loss that will not be recognized. The position was upheld as of March 31, 2024. There was no valuation allowance in the comparable period in 2023.

For the three months ended March 31, 2023, the Company had an effective tax rate of 22.3%. The Company had a net discrete tax expense of \$112 thousand associated with the recognition of an excess tax expense realized on share-based payment awards during the three months ended March 31, 2023. Excluding this discrete tax item, the Company had an effective tax rate of 22.1% for the three months ended March 31, 2023.

10. Legal Contingencies

Litigation

The Company may from time to time be involved in legal actions arising from normal business activities. In the opinion of management, there are no claims for which it is reasonably possible that an adverse outcome would have a material effect on the Company's financial position, liquidity or results of operations. The Company is not aware of any material unasserted claims.

11. Capital Requirements and Restrictions on Retained Earnings

Under applicable U.S. banking laws, there are legal restrictions limiting the amount of dividends the Company can declare. Approval of the regulatory authorities is required if, among other things, the effect of the dividends declared would cause regulatory capital of the Company to fall below specified minimum levels.

The Company on a consolidated basis and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements triggers certain mandatory actions and may lead to additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for PCA, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain OBS items as calculated under regulatory accounting practices. The Bank's capital amounts and PCA classification are also subject to qualitative judgments by the regulators about components of capital, risk weightings of assets, and other factors. In addition, an institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios, if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters.

As a result of our no longer using the CBLR framework, we are subject to various quantitative measures established by regulation to ensure capital adequacy. These generally applicable capital requirements require a banking organization that does not operate under the CBLR framework to maintain minimum amounts and ratios (set forth in the table below) of total capital, Tier 1 capital, and CET1 capital to RWA, and of Tier 1 capital to average assets. The capital rules implementing Basel III also include a "capital conservation buffer" of 2.5% on top of each of the minimum RBC ratios, and a banking organization with any RBC ratio that meets or exceeds the minimum requirement but does not meet the capital conservation buffer will face constraints on dividends, equity repurchases and discretionary bonus payments based on the amount of the shortfall. Additionally, to be categorized as "well capitalized," a bank that does not operate under the CBLR framework is required to maintain minimum total risk-based CET1, Tier 1, and total capital ratios and Tier 1 leverage ratios as set forth in the table below.

As of March 31, 2024 and December 31, 2023, the Company's and the Bank's capital ratios exceeded those levels necessary to be categorized as "well capitalized". There are no conditions or events since March 31, 2024 that management believes have changed the Company's category.

In the first quarter of 2020, U.S. federal regulatory authorities issued an interim final rule that provides banking organizations that adopt CECL during the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay (i.e., a five-year transition in total). In connection with our adoption of CECL on January 1, 2020, the Company elected to utilize the five-year CECL transition. As a result, the effects of CECL on the Company's and the Bank's regulatory capital was delayed through the year 2021, with the effects phased-in over a three-year period from January 1, 2022 through December 31, 2024.

A comparison of the Company's and Bank's actual capital amounts and ratios to required capital amounts and ratios is presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under PCA Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2024						
Total capital (to RWA)						
Company	\$ 1,520,656	13.33 %	\$ 912,622	8.0 %	n/a	n/a
Bank	1,475,046	12.98	909,119	8.0	\$ 1,136,399	10.0
Tier 1 capital (to RWA)						
Company	1,212,512	10.63	684,391	6.0	n/a	n/a
Bank	1,365,973	12.02	681,850	6.0	909,133	8.0
CET1 (to RWA)						
Company	1,182,567	10.37	513,168	4.5	n/a	n/a
Bank	1,365,973	12.02	511,388	4.5	738,671	6.5
Tier 1 capital (to average assets)						
Company	1,212,512	10.12	479,254	4.0	n/a	n/a
Bank	1,365,973	11.41	478,869	4.0	598,586	5.0
As of December 31, 2023						
Total capital (to RWA)						
Company	\$ 1,500,703	13.18 %	\$ 910,897	8.0 %	n/a	n/a
Bank	1,467,960	12.90	910,363	8.0	\$ 1,137,953	10.0 %
Tier 1 capital (to RWA)						
Company	1,202,252	10.56	683,098	6.0	n/a	n/a
Bank	1,368,384	12.03	682,486	6.0	909,981	8.0
CET1 (to RWA)						
Company	1,172,362	10.29	512,695	4.5	n/a	n/a
Bank	1,368,384	12.03	511,864	4.5	739,360	6.5
Tier 1 capital (to average assets)						
Company	1,202,252	10.03	479,462	4.0	n/a	n/a
Bank	1,368,384	11.43	478,875	4.0	598,593	5.0

Dividend Restrictions

Dividends paid by the Bank are subject to certain restrictions imposed by regulatory agencies. Capital requirements further limit the amount of dividends that may be paid by the Bank. Dividends of \$27,500 were paid by the Bank to the Holdco during the three months ending March 31, 2024. There were no dividends paid by the Bank to the Holdco during the three months ended March 31, 2023.

Dividends of \$10,899, or \$0.20 per issued and outstanding share of the Company's common stock and \$10,837, or \$0.20, per outstanding share of the Company's common stock were paid by the Company during the three months ended March 31, 2024 and 2023, respectively.

The Bank is subject to limitations on dividend payouts if, among other things, it does not have a capital conservation buffer of 2.5% or more. The Bank had a capital conservation buffer of 4.98% as of March 31, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes thereto appearing in Item 1 of Part I of this Quarterly Report on Form 10-Q (this "Report") as well as with our consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the year ended December 31, 2023. Except where the content otherwise requires or when otherwise indicated, the terms "Veritex," "the "Company," "we," "us," "our," and "our business" refer to the combined entities of Veritex Holdings, Inc. and its subsidiaries, including Veritex Community Bank.

This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that we believe are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under "Special Cautionary Notice Regarding Forward-Looking Statements," may cause actual results to differ materially from the projected results discussed in the forward-looking statements appearing in this discussion and analysis. We assume no obligation to update any of these forward-looking statements. For additional information concerning forward-looking statements, please read "Special Cautionary Notice Regarding Forward-Looking Statements" below.

Overview

We are a Texas state banking organization with corporate offices in Dallas, Texas. Through our wholly owned subsidiary, Veritex Community Bank, a Texas state-chartered bank, we provide relationship-driven commercial banking products and services tailored to meet the needs of small to medium-sized businesses and professionals. Beginning at our operational inception in 2010, we initially targeted customers and focused our acquisitions primarily in the Dallas metropolitan area, which we consider to be Dallas and the adjacent communities in North Dallas. Our current primary markets now includes the broader Dallas-Fort Worth metroplex and the Houston metropolitan area. As we continue to grow, we may expand to other metropolitan banking markets in Texas.

Our business is conducted through one reportable segment, community banking, which generates the majority of our revenues from interest income on loans, customer service and loan fees, gains on sale of government guaranteed loans and mortgage loans and interest income from securities. We incur interest expense on deposits and other borrowed funds and noninterest expense, such as salaries, employee benefits and occupancy expenses. We analyze our ability to maximize income generated from interest earning assets and expense of our liabilities through net interest margin. Net interest margin is a ratio calculated as net interest income divided by average interest-earning assets. Net interest income is the difference between interest income on interest-earning assets, such as loans and securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings, which are used to fund those assets.

Changes in the market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, and interest-bearing and noninterest-bearing liabilities, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Fluctuations in market interest rates are driven by many factors, including governmental monetary policies, inflation, deflation, macroeconomic developments, changes in unemployment, the money supply, political and international conditions and conditions in domestic and foreign financial markets. Periodic changes in the volume and types of loans in our loan portfolio are affected by, among other factors, economic and competitive conditions in Texas and, specifically, in the Dallas-Fort Worth metroplex and Houston metropolitan area, as well as developments affecting the real estate, technology, financial services, insurance, transportation, manufacturing and energy sectors within our target markets and throughout the state of Texas.

Results of Operations for the Three Months Ended March 31, 2024 and March 31, 2023

General

Net income for the three months ended March 31, 2024 was \$24.2 million, a decrease of \$14.2 million, or 37.1%, from net income of \$38.4 million for the three months ended March 31, 2023.

Basic EPS for the three months ended March 31, 2024 was \$0.44, a decrease of \$0.27 from \$0.71 for the three months ended March 31, 2023. Diluted EPS for the three months ended March 31, 2024 was \$0.44, a decrease of \$0.26 from \$0.70 for the three months ended March 31, 2023.

Net Interest Income

For the three months ended March 31, 2024, net interest income before provisions for credit losses totaled \$92.8 million and net interest margin and net interest spread were 3.24% and 1.97%, respectively. For the three months ended March 31, 2023, net interest income before provision for credit losses totaled \$103.4 million and net interest margin and net interest spread were 3.69% and 2.74%, respectively. Net interest margin decreased 45 bps from the three months ended March 31, 2023, primarily due to an increase in the average rate paid on interest-bearing liabilities, offset by an increase in the average yields earned on interest-earning assets. The decrease in net interest income of \$10.6 million was primarily attributable to an increase of \$19.5 million in interest expense on certificates and other time deposits and a \$16.9 million increase in interest expense on transaction. The decrease was partially offset by a \$11.0 million decrease in interest expense on advances from FHLB, an increase in interest income on loans of \$10.2 million due to an increase in loan yields and higher average balances, during the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The \$36.5 million increase in interest expense on deposit accounts was due to an increase in average funding costs of total deposits and borrowings. As a result, the average cost of interest-bearing deposits increased 137 bps to 4.43% for the three months ended March 31, 2024 from 3.06% for the three months ended March 31, 2023. The average costs of total deposits, including noninterest-bearing deposits, for the three months ended March 31, 2024 increased 118 basis points to 3.42% compared to 2.24% for the three months ended March 31, 2023.

For the three months ended March 31, 2024, interest expense totaled \$91.8 million and the average rate paid on interest-bearing liabilities was 4.47%. For the three months ended March 31, 2023, interest expense totaled \$66.2 million and the average rate paid on interest-bearing liabilities was 3.32%. The increase of \$25.6 million in interest expense was primarily due increases in the average rates paid on interest-bearing demand and savings deposits, certificates and other time deposits driven by the impact of rising interest rates year over year.

The following table presents, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average amounts outstanding and the interest earned or paid on such amounts. The table also sets forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. Interest earned on loans that are classified as non-accrual is not recognized in income; however, the balances are reflected in average outstanding balances for the period. For the three months ended March 31, 2024 and March 31, 2023, interest income not recognized on non-accrual loans was \$781 thousand and \$772 thousand, respectively. Any non-accrual loans have been included in the table as loans carrying a zero yield.

For the Three Months Ended March 31,									
	2024					2023			
	Average Outstanding Balance	Interest Earned/ Interest Paid		Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid		Average Yield/ Rate	
		Interest Earned/ Interest Paid	Average Yield/ Rate			Interest Earned/ Interest Paid	Average Yield/ Rate		
								(Dollars in thousands)	
Assets									
Interest-earning assets:									
Loans ⁽¹⁾	\$ 9,283,815	\$ 157,585	6.83 %	\$ 9,141,137	\$ 146,801	6.51 %			
LHI, MW	279,557	4,357	6.27	360,172	4,906	5.52			
Debt securities	1,294,994	13,695	4.25	1,252,457	10,988	3.56			
Interest-bearing deposits in other banks	584,593	8,050	5.54	478,345	5,534	4.69			
Equity securities and other investments	85,232	900	4.25	124,985	1,408	4.57			
Total interest-earning assets	11,528,191	184,587	6.44	11,357,096	169,637	6.06			
ACL	(112,229)			(92,664)					
Noninterest-earning assets	920,080			949,881					
Total assets	<u>\$ 12,336,042</u>			<u>\$ 12,214,313</u>					
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand and savings deposits	\$ 4,639,445	\$ 46,784	4.06 %	\$ 4,150,995	\$ 29,857	2.92 %			
Certificates and other time deposits	3,283,735	40,492	4.96	2,588,728	20,967	3.28			
Advances from FHLB	100,989	1,391	5.54	1,122,683	12,358	4.46			
Subordinated debentures and subordinated notes	229,881	3,114	5.45	231,251	3,066	5.38			
Total interest-bearing liabilities	8,254,050	91,781	4.47	8,093,657	66,248	3.32			
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	2,355,315			2,470,700					
Other liabilities	192,809			173,380					
Total liabilities	10,802,174			10,737,737					
Stockholders' equity	1,533,868			1,476,576					
Total liabilities and stockholders' equity	<u>\$ 12,336,042</u>			<u>\$ 12,214,313</u>					
Net interest rate spread ⁽²⁾			1.97 %						2.74 %
Net interest income		<u>\$ 92,806</u>						<u>\$ 103,389</u>	
Net interest margin ⁽³⁾			3.24 %						3.69 %

⁽¹⁾ Includes average outstanding balances of LHFS of \$53,866 and \$19,679 for the three months ended March 31, 2024 and March 31, 2023, respectively, and average balances of LHI, excluding MW.

⁽²⁾ Net interest rate spread is equal to the average yield on interest-earning assets minus the average rate on interest-bearing liabilities.

⁽³⁾ Net interest margin is equal to net interest income divided by average interest-earning assets.

The following table presents the changes in interest income and interest expense for the periods indicated for each major component of interest-earning assets and interest-bearing liabilities and distinguishes between the changes attributable to changes in volume and interest rates. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated to rate.

	For the Three Months Ended		
	March 31, 2024 vs March 31, 2023		
	Increase (Decrease)		
	Due to Change in		
	Volume	Rate	Total
(In thousands)			
Interest-earning assets:			
Loans	\$ 2,310	\$ 8,474	\$ 10,784
LHI, MW	(1,106)	557	(549)
Debt securities	376	2,331	2,707
Interest-bearing deposits in other banks	1,239	1,277	2,516
Equity securities and other investments	(452)	(56)	(508)
Total increase in interest income	2,367	12,583	14,950
Interest-bearing liabilities:			
Interest-bearing demand and savings deposits	3,543	13,384	16,927
Certificates and other time deposits	5,676	13,849	19,525
Advances from FHLB	(11,340)	373	(10,967)
Subordinated debentures and subordinated notes	(18)	66	48
Total increase in interest expense	(2,139)	27,672	25,533
Increase in net interest income	\$ 4,506	\$ (15,089)	\$ (10,583)

Provision for Credit Losses

Our provision for credit losses is a charge to income in order to bring our ACL to a level deemed appropriate by management. For a description of the factors taken into account by management in determining the ACL see “—Financial Condition—ACL on LHI” The provision for credit loan losses was \$7.5 million for the three months ended March 31, 2024, compared to a \$9.4 million provision for credit loan losses for the three months ended March 31, 2023, a decrease of \$1.9 million. The decrease in the recorded provision for credit losses for the three months ended March 31, 2024 was primarily attributable to changes in the Texas economic forecast.

For the three months ended March 31, 2024, we also recorded a \$1.5 million benefit for unfunded commitments compared to a \$1.5 million provision for unfunded commitments for three months ended March 31, 2023. The change from a provision to a benefit for unfunded commitments was attributable to a decrease in unfunded commitment balances.

Noninterest Income

The following table presents, for the periods indicated, the major categories of noninterest income:

	For the		Increase (Decrease)
	Three Months Ended		
	March 31,	2024	2023
(In thousands)			
Noninterest income:			
Service charges and fees on deposit accounts	\$ 4,896	\$ 5,017	\$ (121)
Loan fees	2,510	2,064	446
Loss on sales of debt securities	(6,304)	(5,321)	(983)
Government guaranteed loan income, net	2,614	9,688	(7,074)
Equity method investment loss	—	(1,521)	1,521
Customer swap income	408	217	191
Other	2,538	3,387	(849)
Total noninterest income	\$ 6,662	\$ 13,531	\$ (6,869)

Noninterest income for the three months ended March 31, 2024 decreased \$6.9 million, or 50.8%, to \$6.7 million compared to noninterest income of \$13.5 million for the three months ended March 31, 2023. The primary drivers of the decrease were as follows:

Loss on sales of debt securities. The increase in the loss on sale of debt securities during the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was due to a \$6.3 million loss on sales of debt securities due to as a result of a strategic restructuring in which we sold \$120.1 million of lower-yielding AFS debt securities, at amortized cost, with a 3.11% average yield compared to a \$5.3 million loss on sales of debt securities due to the Company selling \$116.2 million of debt securities in March 2023.

Government guaranteed loan income, net. Government guaranteed loan income, net, includes income related to the sales of SBA and USDA loans. The decrease in government guaranteed loan income, net, of \$7.1 million during the three months ended March 31, 2024 was primarily due to a \$5.7 million decrease in the gain on USDA loans and a decrease of \$2.8 million in government guaranteed LHFS loan valuation, compared to the three months ended March 31, 2023. The decrease was partially offset by an increase of \$1.4 million in the gain on SBA loans.

Equity method investment loss. Equity method investment loss is comprised of losses and gains primarily related to our Thrive Investment. The change in equity method investment loss is related to the Company divesting of our equity method investment in Thrive related to Thrive's entry into a definitive agreement in December 2023 to be acquired by Lower, which acquisition closed in March of 2024. Our subsequent investment in Lower is accounted for under cost method accounting.

Other. Other includes other noninterest income from fees. Other noninterest income was \$2.5 million for the three months ended March 31, 2024, an decrease of \$849 thousand, or 25.1% as compared to the three months ended March 31, 2023. The decrease was primarily driven by a decrease in the valuation adjustment and amortization of our servicing asset of \$681 thousand compared to the three months ended March 31, 2023.

Noninterest Expense

The following table presents, for the periods indicated, the major categories of noninterest expense:

	For the Three Months Ended		Increase (Decrease)	
	March 31,			
	2024	2023		
(In thousands)				
Noninterest expense				
Salaries and employee benefits	\$ 33,365	\$ 31,865	\$ 1,500	
Occupancy and equipment	4,677	4,973	(296)	
Professional and regulatory fees	6,053	4,389	1,664	
Data processing and software expense	4,856	4,720	136	
Marketing	1,546	1,779	(233)	
Amortization of intangibles	2,438	2,495	(57)	
Telephone and communications	261	478	(217)	
Other	8,920	5,916	3,004	
Total noninterest expense	\$ 62,116	\$ 56,615	\$ 5,501	

Noninterest expense for the three months ended March 31, 2024 increased \$5.5 million, or 9.7%, to \$62.1 million compared to noninterest expense of \$56.6 million for the three months ended March 31, 2023. The most significant components of the increase were as follows:

Salaries and employee benefits. Salaries and employee benefits include payroll expense, the cost of incentive compensation, benefit plans, health insurance and payroll taxes. These expenses are impacted by the amount of direct loan origination costs, which are required to be deferred in accordance with ASC 310-20. Salaries and employee benefits were \$33.4 million for the three months ended March 31, 2024, an increase of \$1.5 million, or 4.7%, compared to the three months ended March 31, 2023. The increase was primarily attributable to a \$1.8 million increase in officer salaries, offset by an increase of \$1.2 million in contra origination costs, a decrease of \$1.0 million in bonuses and a decrease of \$709 thousand in severance costs. The remaining changes were nominal amongst individual other noninterest expense accounts.

Professional and regulatory fees. The category includes legal, professional, audit, regulatory, and FDIC assessment fees. The increase of \$1.7 million, or 37.9%, was primarily attributable to an increase of \$963 thousand of FDIC assessment fees that increased when the Company crossed \$10 billion in total assets and an increase of \$536 thousand professional services.

Other noninterest expense. This category includes loan operations and collections, supplies and printing, automatic teller and online expenses and other miscellaneous expenses. Other noninterest expense was \$8.9 million for the three months ended March 31, 2024, compared to \$5.9 million for the same period in 2023, an increase of \$3.0 million, or 50.8%. This increase was primarily due to an increase of \$2.7 million in earned credit rebates during the three months ended March 31, 2024 as compared to the same period in 2023. The remaining changes were nominal amongst individual other noninterest expense accounts

Income Tax Expense

Income tax expense is a function of our pre-tax income, tax-exempt income and other nondeductible expenses. Deferred tax assets and liabilities reflect current statutory income tax rates in effect for the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or statutory tax rates are enacted, deferred tax assets and liabilities are adjusted through the provision of income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of December 31, 2023, a \$4.2 million valuation allowance was established relating to an impairment on our investment in Thrive. The position was upheld as of March 31, 2024. As of March 31, 2023, the Company did not believe a valuation allowance was necessary.

For the three months ended March 31, 2024, income tax expense totaled \$7.2 million, a decrease of \$3.8 million, compared to an income tax expense of \$11.0 million for the three months ended March 31, 2023. For the three months ended March 31, 2024, we had an effective tax rate of 23.1% which includes a discrete tax expense of \$384 thousand associated with the recognition of an excess tax expense realized on share-based payment awards. Excluding this discrete tax item, the Company had an effective tax rate of 21.8%. For the three months ended March 31, 2023, the Company had an effective tax rate of 22.3%.

Financial Condition

Our total assets increased \$314.1 million, or 2.5%, from \$12.39 billion as of December 31, 2023 to \$12.71 billion as of March 31, 2024. Our asset growth was due to the continued execution of our strategy to establish deep relationships in the Dallas-Fort Worth metroplex and the Houston metropolitan area. We believe these relationships will continue to bring in new customer accounts and grow balances from existing loan and deposit customers.

Loan Portfolio

Our primary source of income is interest on loans to individuals, professionals, small to medium-sized businesses and commercial companies primarily located in the Dallas-Fort Worth metroplex and Houston metropolitan area. Our loan portfolio consists primarily of commercial loans and real estate loans secured by CRE properties located in our primary market areas. Our loan portfolio represents the highest yielding component of our interest-earning asset base.

As of March 31, 2024, total LHI, excluding ACL, was \$9.71 billion, an increase of \$112.9 million, or 1.2%, compared to \$9.59 billion as of December 31, 2023. The increase was the result of the continued execution and success of our loan growth strategy. In addition to these amounts, \$64.8 million and \$79.1 million in loans were classified as LHFS as of March 31, 2024 and December 31, 2023, respectively.

Total LHI as a percentage of deposits were 91.1% and 92.8% as of March 31, 2024 and December 31, 2023, respectively. Total LHI, excluding MW loans, as a percentage of deposits were 86.9% and 89.1% as of March 31, 2024 and December 31, 2023, respectively. Total LHI as a percentage of assets were 76.4% and 77.4% as of March 31, 2024 and December 31, 2023, respectively.

The following table summarizes our loan portfolio by type of loan as of the dates indicated:

	As of March 31,		As of December 31,		Increase (Decrease)	
	2024		2023			
	Amount	% of Total	Amount	% of Total	Amount	% Change Quarter over Quarter
(Dollars in thousands)						
Commercial	\$ 2,785,987	28.8 %	\$ 2,752,063	28.7 %	\$ 33,924	1.2 %
MW	449,531	4.6	377,796	3.9	71,735	19.0
Real estate:						
OOCRE	788,376	8.1	794,088	8.3	(5,712)	(0.7)
NOOCRE	2,352,993	24.2	2,350,725	24.5	2,268	0.1
Construction and land	1,568,257	16.2	1,734,254	18.1	(165,997)	(9.6)
Farmland	30,979	0.3	31,114	0.3	(135)	(0.4)
1-4 family residential	969,401	10.0	937,119	9.8	32,282	3.4
Multifamily	751,607	7.7	605,817	6.3	145,790	24.1
Consumer	8,882	0.1	10,149	0.1	(1,267)	(12.5)
Total LHI, carried at amortized cost ⁽¹⁾	\$ 9,706,013	100.0 %	\$ 9,593,125	100.0 %	\$ 112,888	1.2 %
Total LHFS	\$ 64,762		\$ 79,072			

⁽¹⁾ Total LHI, carried at amortized cost, excludes \$6.9 million and \$8.8 million of deferred loan fees, net, as of March 31, 2024 and December 31, 2023, respectively.

CRE Portfolio Composition

The majority of our CRE loan portfolio consists of multifamily residential, NOOCRE and construction and land loans. The table below details the composition of the multifamily residential, NOOCRE and construction and land loan portfolio's by borrower type and geographic location.

Property Type	As of March 31,						% of Total Loans	
	2024							
	DFW	Houston	Secondary Texas ⁽¹⁾	Out of State	Total			
Industrial	\$ 440,988	\$ 257,198	\$ 166,967	\$ 252,100	\$ 1,117,253		11.5 %	
Multifamily	425,041	481,602	173,180	137,544	1,217,367		12.5	
Office	336,002	135,784	23,748	32,652	528,186		5.4	
Retails	188,223	194,289	137,745	180,340	700,597		7.2	
Hotel	169,792	22,610	112,436	138,819	443,657		4.6	
SFR	249,310	34,421	81,248	8,833	373,812		3.9	
Other	69,333	86,650	53,393	82,609	291,985		3.0	
Total CRE	\$ 1,878,689	\$ 1,212,554	\$ 748,717	\$ 832,897	\$ 4,672,857		48.1 %	

Property Type	As of December 31,						% of Total Loans	
	2023							
	DFW	Houston	Secondary Texas ⁽¹⁾	Out of State	Total			
Industrial	\$ 409,899	\$ 263,880	\$ 151,780	\$ 265,138	\$ 1,090,697		11.4 %	
Multifamily	395,344	506,761	165,340	125,890	1,193,335		12.4	
Office	361,612	137,486	31,914	32,627	563,639		5.9	
Retails	192,770	188,582	138,176	179,536	699,064		7.3	
Hotel	166,356	22,764	110,795	141,054	440,969		4.6	
SFR	250,151	29,556	89,582	8,201	377,490		3.9	
Other	81,981	108,512	53,438	81,671	325,602		3.4	
Total CRE	\$ 1,858,113	\$ 1,257,541	\$ 741,025	\$ 834,117	\$ 4,690,796		48.9 %	

⁽¹⁾Includes loans made to markets in the state of Texas outside of DFW and Houston.

Out of State Concentration

The majority of the Company's loan portfolio consists of loans to businesses and individuals in the Dallas-Fort Worth metroplex and the Houston metropolitan area. The following table provides details on our out of state portfolio concentration:

Out of State Loan Portfolio (Dollars in thousands)	As of March 31,		As of December 31,	
	2024		2023	
	Amount	Percent of Total Loans	Amount	Percent of Total Loans
Commercial Real Estate	\$ 785,201	8.1 %	\$ 784,523	8.2 %
Lender Finance	536,568	5.5	536,568	5.6
Commercial	371,075	3.8	355,626	3.7
MW	224,903	2.3	141,329	1.5
Mortgage Servicing Rights	229,804	2.4	227,002	2.4
1-4 Family Residential	257,846	2.7	259,745	2.7
USDA and SBA	192,676	2.0	199,184	2.1
Other	370	—	370	—
Total Out of State Loans	\$ 2,598,443	26.8 %	\$ 2,504,347	26.1 %

Nonperforming Assets

The following table presents information regarding nonperforming assets by category as of the dates indicated:

	As of March 31,		As of December 31,	
	2024	2023	(Dollars in thousands)	
Nonperforming loans⁽¹⁾				
Construction and land	\$ 6,737	\$ 6,793		
1-4 family residential	3,263	1,965		
OOCRE	15,126	9,719		
NOOCRE	22,366	33,479		
Commercial	37,627	40,868		
Consumer	21	24		
Accruing loans 90 or more days past due	220	2,975		
Total nonperforming loans	85,360	95,823		
OREO	18,445	—		
Total nonperforming assets	\$ 103,805	\$ 95,823		
Nonperforming assets to total assets				
			0.82 %	0.77 %
Nonperforming assets to total loans and OREO				
			1.06 %	0.99 %
Nonperforming loans to total loans				
			0.88 %	1.00 %

(1) At March 31, 2024 and December 31, 2023, nonaccrual loans included \$9.4 million and \$13.7 million, respectively, of PCD loans that are accounted for on a pooled basis.

Potential Problem Loans

The following tables summarize our internal ratings of our loans as of the dates indicated.

	March 31, 2024					(Dollars in thousands)
	Pass	Special Mention	Substandard	PCD ¹	Total	
Real estate:						
Construction and land	\$ 1,541,159	\$ 20,361	\$ 6,737	\$ —	\$ 1,568,257	
Farmland	30,979	—	—	—	30,979	
1 - 4 family residential	948,307	4,949	15,031	1,114	969,401	
Multi-family residential	751,607	—	—	—	751,607	
OOCRE	728,797	27,485	21,526	10,568	788,376	
NOOCRE	2,053,124	248,849	41,236	9,784	2,352,993	
Commercial	2,661,014	48,114	76,439	420	2,785,987	
MW	449,531	—	—	—	449,531	
Consumer	8,720	82	69	11	8,882	
Total	\$ 9,173,238	\$ 349,840	\$ 161,038	\$ 21,897	\$ 9,706,013	

¹ Within PCD loans, \$13,503 are considered classified credits.

	December 31, 2023					(Dollars in thousands)
	Pass	Special Mention	Substandard	PCD	Total	
Real estate:						
Construction and land	\$ 1,693,230	\$ 34,231	\$ 6,793	\$ —	\$ 1,734,254	
Farmland	31,114	—	—	—	31,114	
1 - 4 family residential	928,106	4,501	3,382	1,130	937,119	
Multi-family residential	579,021	11,701	15,095	—	605,817	
OOCRE	722,430	25,925	27,563	18,170	794,088	
NOOCRE	2,066,080	182,531	88,030	14,084	2,350,725	
Commercial	2,641,017	51,073	57,065	2,908	2,752,063	
MW	377,796	—	—	—	377,796	
Consumer	9,972	85	79	13	10,149	
Total	\$ 9,048,766	\$ 310,047	\$ 198,007	\$ 36,305	\$ 9,593,125	

ACL on LHI

We maintain an ACL that represents management's best estimate of the credit losses and risks inherent in the loan portfolio. In determining the ACL, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of the ACL is based on internally assigned risk classifications of loans, historical loan loss rates, changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, current economic factors and the estimated impact of current economic conditions on certain historical loan loss rates.

The following table presents, as of and for the periods indicated, an analysis of the ACL and other related data:

	March 31, 2024			December 31, 2023		
	Allocated Allowance	% of Loan Portfolio	ACL to Loans	Allocated Allowance	% of Loan Portfolio	ACL to Loans
Construction and land	\$ 19,781	16.2 %	1.26 %	\$ 21,032	18.1 %	1.21 %
Farmland	107	0.3	0.35	101	0.3	0.32
1 - 4 family residential	11,516	10.0	1.19	9,539	9.8	1.02
Multi-family residential	6,339	7.7	0.84	4,882	6.3	0.81
OOCRE	9,802	8.1	1.24	10,252	8.3	1.29
NOOCRE	31,137	24.2	1.32	27,729	24.5	1.18
Commercial	32,791	28.8	1.18	35,886	28.7	1.30
MW	404	4.6	0.09	260	3.9	0.07
Consumer	155	0.1	1.75	135	0.1	1.33
Total	\$ 112,032	100.0 %	1.15 %	\$ 109,816	100.0 %	1.14 %

The ACL increased \$2.2 million to \$112.0 million as of March 31, 2024 from December 31, 2023. The increase in the ACL compared to December 31, 2023, was primarily attributable to changes in economic factors resulting in increases in both general and qualitative factor reserves.

(Dollars in thousands)	Net (Charge-offs)		Annualized Net (Charge-off)	
	Recoveries	Average Loans	Recoveries	Average Loans
Three Months Ended March 31, 2024				
Construction and land	\$ —	\$ 1,709,399	—	%
Farmland	—	31,584	—	
1 - 4 family residential	1	944,704	—	
Multi-family residential	—	712,940	—	
OOCRE	(120)	775,124	(0.06)	
NOOCRE	(4,293)	2,291,047	(0.75)	
Commercial	(850)	2,780,354	(0.12)	
MW	—	279,557	—	
Consumer	(22)	9,115	(0.97)	
Total	\$ (5,284)	\$ 9,533,824	(0.22)	%
Three Months Ended March 31, 2023				
Construction and land	\$ —	\$ 1,913,734	—	%
Farmland	—	46,370	—	
1 - 4 family residential	1	891,003	—	
Multi-family residential	—	377,725	—	
OOCRE	(116)	706,052	(0.07)	
NOOCRE	—	2,329,895	—	
Commercial	(687)	2,866,017	(0.10)	
MW	—	360,172	—	
Consumer	(56)	7,624	(2.98)	
Total	\$ (858)	\$ 9,498,592	(0.04)	%

Net charged-offs increased \$4.4 million, or 18 bps to average loans annualized. Although we believe that we have established our ACL in accordance with GAAP and that the ACL was adequate to provide for known and inherent losses in the portfolio at all times shown above, future provisions will be subject to ongoing evaluations of the risks in our loan portfolio. If we experience economic declines or if asset quality deteriorates, material additional provisions could be required.

OBS Credit exposure

The ACL on off-balance-sheet credit exposures totaled \$6.5 million and \$8.0 million at March 31, 2024 and December 31, 2023, respectively. The level of the ACL on off-balance-sheet credit exposures depends upon the volume of outstanding commitments, underlying risk grades, the expected utilization of available funds and forecasted economic conditions impacting our loan portfolio.

Equity Securities

As of March 31, 2024, we held equity securities with a readily determinable fair value of \$9.8 million compared to \$9.9 million as of December 31, 2023. These equity securities primarily represent investments in a publicly traded CRA fund and are subject to market pricing volatility, with changes in fair value recorded in earnings.

The Company held equity securities without a readily determinable fair values and measured at cost of \$38.2 million at March 31, 2024, compared to \$11.6 million at December 31, 2023. The Company measures equity securities that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

FHLB Stock and FRB Stock

As of March 31, 2024, we held FHLB stock and FRB stock of \$54.1 million compared to \$53.7 million as of December 31, 2023. The Bank is a member of its regional FRB and of the FHLB system. FHLB members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. Both FRB and FHLB stock are carried at cost, restricted for sale, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Debt Securities

We use our debt securities portfolio to provide a source of liquidity, provide an appropriate return on funds invested, manage interest rate risk, meet collateral requirements and meet regulatory capital requirements. As of March 31, 2024, the carrying amount of debt securities totaled \$1.34 billion, an increase of \$87.9 million, or 7.0%, compared to \$1.26 billion as of December 31, 2023. The increase was primarily due purchases of AFS debt securities of \$230.0 million. The increase was partially offset by the sale of debt securities of \$120.1 million at a loss of \$6.3 million and \$19.5 million in paydowns. Debt securities represented 10.6% and 10.1% of total assets as of March 31, 2024 and December 31, 2023, respectively.

All of our MBS and CMOs are issued and/or guaranteed by U.S. government agencies or U.S. government-sponsored entities. We do not hold any Fannie Mae or Freddie Mac preferred stock, corporate equity, collateralized debt obligations, structured investment vehicles, private label collateralized mortgage obligations, subprime, Alt-A, or second lien elements in our investment portfolio. As of March 31, 2024, our investment portfolio did not contain any securities that are directly backed by subprime or Alt-A mortgages.

Management evaluates AFS debt securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Consideration is given to (1) the extent to which the fair value is less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company has 133 AFS debt securities that were in an unrealized loss position totaling \$94.4 million as of March 31, 2024. The Company evaluated all debt securities and no ACL on debt securities was recognized in the Company's consolidated balance sheets as of March 31, 2024. The Company recorded no ACL for its held to maturity debt securities as of March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024 and December 31, 2023, we did not own securities of any one issuer other than U.S. government agency securities for which aggregate cost exceeded 10.0% of our stockholders' equity as of such respective dates

Deposits

Total deposits as of March 31, 2024 were \$10.65 billion, an increase of \$315.6 million, or 3.1%, compared to \$10.34 billion as of December 31, 2023. The increase from December 31, 2023 was primarily the result of increases of \$295.1 million in certificates and other time deposits, \$131.2 million in noninterest-bearing transactions and \$17.7 million in correspondent money market deposits. The increase was partially offset by a decrease of \$128.3 million in interest-bearing demand deposits.

	March 31, 2024		
	Ending Balance	% of Total	Average Outstanding Balance
Noninterest-bearing	\$ 2,349,211	22.1 %	\$ 2,355,315
Interest-bearing transaction	724,171	6.8	810,004
Money market	3,326,742	31.2	3,096,567
Savings	169,201	1.6	150,214
Certificates and other time deposits > \$250k	1,307,412	12.3	1,318,235
Certificates and other time deposits < \$250k	2,179,393	20.4	1,965,500
Correspondent money market accounts	597,690	5.6	582,660
Total deposits	\$ 10,653,820	100.0 %	\$ 10,278,495

	December 31, 2023		
	Ending Balance	% of Total	Average Outstanding Balance
Noninterest-bearing	\$ 2,218,036	21.4 %	\$ 2,322,556
Interest-bearing transaction	927,193	9.0	851,375
Money market	3,284,324	31.8	3,061,472
Savings	136,868	1.3	115,519
Certificates and other time deposits > \$250k	1,312,032	12.7	1,240,834
Certificates and other time deposits < \$250k	1,879,705	18.2	2,044,330
Correspondent money market accounts	580,037	5.6	519,544
Total deposits	\$ 10,338,195	100.0 %	\$ 10,155,630

Borrowings

We utilize short- and long-term borrowings to supplement deposits to fund our lending and investment activities, each of which is discussed below.

FHLB Advances

The FHLB allows us to borrow on a blanket floating lien status collateralized by certain securities and loans. As of March 31, 2024 and December 31, 2023, total available borrowing capacity of \$2.21 billion and \$2.19 billion, respectively, was available under this arrangement with outstanding balances of \$100.0 million and \$100.0 million, respectively, and a weighted average interest rate of 5.54% for the three months ended March 31, 2024 and 4.70% for the year ended December 31, 2023. The FHLB has also issued standby letters of credit to the Company for \$1.38 billion and \$1.38 billion as of March 31, 2024 and December 31, 2023, respectively. Our current FHLB advances mature within 0.2 years. Other than FHLB borrowings, we had no other short-term borrowings at the dates indicated.

FRB

The FRB has an available borrower in custody arrangement, which allows us to borrow on a collateralized basis. Certain commercial and consumer loans are pledged under this arrangement. We maintain this borrowing arrangement to meet liquidity needs pursuant to our contingency funding plan. The following table outlines the FRB availability:

	Three Months Ended	
	March 31,	December 31,
	2024	2023
FRB loans pledged as collateral at period end	\$ 2,015,276	\$ 2,143,269
FRB securities pledged as collateral at period end	953,163	328,919
BTFP availability at period end ⁽¹⁾	—	455,361
Total FRB availability	\$ 2,968,439	\$ 2,927,549

⁽¹⁾ There were no borrowings against the BTFP at the end of the respective periods.

Junior subordinated debentures and subordinated notes

The table below details our junior subordinated debentures and subordinated notes. Refer to Note 13 "Subordinated Debentures and Subordinated Notes" in our Annual Report on Form 10-K for the year ended December 31, 2023 for further discussion on the details of our junior subordinated debentures and subordinated notes.

	March 31, 2024	
	Balance	Rate
(Dollars in thousands)		
Junior subordinated debentures		
Parkway National Capital Trust I	\$ 3,093	7.44%
SovDallas Capital Trust I	8,609	9.59
Patriot Bancshares Capital Trust I	5,155	7.43
Patriot Bancshares Capital Trust II	17,011	7.39
Subordinated notes		
4.75% Fixed-to-Floating Rate Subordinated Notes	75,000	4.75
4.125% Fixed-to-Floating Rate Subordinated Notes	125,000	4.125

Liquidity and Capital Resources

Liquidity

Liquidity management involves our ability to raise funds to support asset growth and acquisitions or reduce assets to meet deposit withdrawals and other payment obligations, to maintain reserve requirements and otherwise to operate on an ongoing basis and manage unexpected events. For the three months ended March 31, 2024 and the year ended December 31, 2023, our liquidity needs were primarily met by core deposits, wholesale borrowings, security and loan maturities and amortizing investment and loan portfolios. Use of brokered deposits, purchased funds from correspondent banks and overnight advances from the FHLB and the FRB are available and have been utilized to take advantage of the cost of these funding sources.

We maintained five lines of credit with commercial banks that provide for extensions of credit with an availability to borrow up to an aggregate of \$150.0 million as of March 31, 2024. We maintained five lines of credit with commercial banks that provide for extensions of credit with an availability to borrow up to an aggregate of \$125.0 million as of December 31, 2023. There were no advances under these lines of credit outstanding as of March 31, 2024 and December 31, 2023.

The following table illustrates, during the periods presented, the mix of our funding sources and the average assets in which those funds are invested as a percentage of our average total assets for the period indicated. Average assets totaled \$12.34 billion for the three months ended March 31, 2024 and \$12.28 billion for the year ended December 31, 2023.

	For the Three Months Ended March 31, 2024	For the Year Ended December 31, 2023
Sources of Funds:		
Deposits:		
Noninterest-bearing	19.1 %	18.8 %
Interest-bearing	37.6	34.2
Certificates and other time deposits	26.6	24.2
Advances from FHLB	0.8	7.1
Other borrowings	1.9	1.9
Other liabilities	1.6	1.6
Stockholders' equity	12.4	12.2
Total	<u>100.0 %</u>	<u>100.0 %</u>
Uses of Funds:		
Loans	76.7 %	77.3 %
Debt Securities	10.5	9.6
Interest-bearing deposits in other banks	4.7	1.0
Other noninterest-earning assets	8.1	12.1
Total	<u>100.0 %</u>	<u>100.0 %</u>
Average noninterest-bearing deposits to average deposits	22.9 %	24.4 %
Average loans, excluding MW, to average deposits	90.3 %	97.5 %

Our primary source of funds is deposits, and our primary use of funds is loans. We do not expect a change in the primary source or use of our funds in the foreseeable future. Our average LHI decreased 0.4% for the three months ended March 31, 2024, compared to the year ended December 31, 2023. We use excess deposits to pay down FHLB borrowings to reduce wholesale funding.

As of March 31, 2024, we had \$2.83 billion in outstanding commitments to extend credit, \$794.5 million in unconditionally cancellable MW commitments and \$113.4 million in commitments associated with outstanding standby and commercial letters of credit. As of December 31, 2023, we had \$3.08 billion in outstanding commitments to extend credit, \$803.7 million in MW commitments and \$111.6 million in commitments associated with outstanding standby and commercial letters of credit. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding may not necessarily reflect the actual future cash funding requirements.

As of March 31, 2024, we had cash and cash equivalents of \$740.8 million compared to \$629.1 million as of December 31, 2023.

Analysis of Cash Flows

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
		(In thousands)
Net cash provided by operating activities	\$ 44,269	\$ 34,539
Net cash used in investing activities	(237,123)	(66,508)
Net cash provided by financing activities	304,560	404,287
Net change in cash and cash equivalents	<u>\$ 111,706</u>	<u>\$ 372,318</u>

Cash Flows Provided by Operating Activities

For the three months ended March 31, 2024, net cash provided by operating activities increased by \$9.7 million when compared to the same period in 2023. The increase in cash provided by operating activities was primarily attributable to a \$18.6 million increase in proceeds from LHFS and a \$17.3 million decrease in originations of LHFS. The increase was partially offset by a \$21.8 million decrease in accounts payable and other liabilities.

Cash Flows Used in Investing Activities

For the three months ended March 31, 2024, net cash used in investing activities increased by \$170.6 million when compared to the same period in 2023. The increase in cash used in investing activities was primarily attributable to a \$157.1 million decrease in maturities, and calls and sales/paydowns of AFS debt securities as part of our strategic restructuring of the portfolio.

Cash Flows Provided by Financing Activities

For the three months ended March 31, 2024, net cash provided by financing activities decreased by \$99.7 million when compared to the same period in 2023. The decrease in cash provided by financing activities was primarily attributable to a \$505.0 million decrease in advances from FHLB, partially offset by a \$405.2 million increase in new deposits.

As of the three months ended March 31, 2024 and 2023, we had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature.

Share Repurchases

On March 28, 2024, the Board authorized a stock buyback program (the "Stock Buyback Program") pursuant to which the Company could, from time to time, purchase up to \$50,000 of its outstanding common stock in the aggregate. The Stock Buyback Program has an expiration date of March 31, 2025 and may be suspended, terminated, amended or modified by the Board at any time without prior notice at the Board's discretion. The shares may be repurchased in the open market or in privately negotiated transactions from time to time, depending upon market conditions and other factors, and in accordance with applicable regulations of the SEC. The Stock Buyback Program does not obligate the Company to purchase any share and the program may be terminated or amended by the Board at any time prior to its expiration. All repurchases under the Stock Buyback Program to date were made subsequent to the three months ended March 31, 2024.

Share repurchases subsequent to three months ended March 31, 2024 are as follows:

	As of	
	May 6, 2024	March 31, 2023
Number of shares repurchased	36,846	—
Weighted average price per share	\$ 19.97	\$ —

Capital Resources

Total stockholders' equity increased to \$1.54 billion as of March 31, 2024, compared to \$1.53 billion as of December 31, 2023, an increase of \$7.2 million, or 0.5%. The increase from December 31, 2023 to March 31, 2024 was primarily the result of \$24.2 million of net income recognized and \$2.9 million in stock-based compensation during the three months ended March 31, 2024. This increase was partially offset by \$10.9 million in dividends declared and paid, \$7.7 million in accumulated other comprehensive income, and \$1.3 million of RSUs vesting during the three months ended March 31, 2024.

By comparison, total stockholders' equity increased to \$1.49 billion as of March 31, 2023, compared to \$1.45 billion as of December 31, 2022, an increase of \$44.0 million, or 3.0%. The increase from December 31, 2022 to March 31, 2023 was primarily the result of \$38.4 million of net income recognized, \$14.9 million in other comprehensive income along with \$2.9 million in stock-based compensation and a \$534 thousand increase due to the exercise of employee stock options during the three months ended March 31, 2023. This increase was partially offset by \$10.8 million in dividends declared and paid and \$1.9 million of RSUs vesting during the three months ended March 31, 2023.

Capital management consists of providing equity to support our current and future operations. Our regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. We are subject to regulatory capital requirements at the bank holding company and bank levels. See Note 11 – "Capital Requirements and Restrictions on Retained Earnings" in the notes to our consolidated financial statements for additional discussion regarding the regulatory capital requirements applicable to us and the Bank. As of March 31, 2024 and December 31, 2023, we and the Bank were in compliance with all applicable regulatory capital requirements, and the Bank was classified as "well capitalized" for purposes of the PCA regulations. As we employ our capital and continue to grow our operations, our regulatory capital levels may decrease depending on our level of earnings. However, we expect to monitor and control our growth in order to remain in compliance with all regulatory capital standards applicable to us.

The following table presents the actual capital amounts and regulatory capital ratios for us and the Bank as of the dates indicated.

	As of March 31,		As of December 31,	
	2024		2023	
	Amount	Ratio	Amount	Ratio
(Dollars in thousands)				
Veritex Holdings, Inc.				
Total capital (to RWA)	\$ 1,520,656	13.33 %	\$ 1,500,703	13.18 %
Tier 1 capital (to RWA)	1,212,512	10.63	1,202,252	10.56
CET1 (to RWA)	1,182,567	10.37	1,172,362	10.29
Tier 1 capital (to average assets)	1,212,512	10.12	1,202,252	10.03
Veritex Community Bank				
Total capital (to RWA)	\$ 1,475,046	12.98 %	\$ 1,467,960	12.90 %
Tier 1 capital (to RWA)	1,365,973	12.02	1,368,384	12.03
CET1 (to RWA)	1,365,973	12.02	1,368,384	12.03
Tier 1 capital (to average assets)	1,365,973	11.41	1,368,384	11.43

Contractual Obligations

In the ordinary course of the Company's operations, we have entered into contractual obligations and have made other commitments to make future payments. Other than normal changes in the ordinary course of business and changes discussed within "Financial Condition—Borrowings," there have been no significant changes in the types of contractual obligations or amounts due as of March 31, 2024 since December 31, 2023 as reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

Critical Accounting Policies

Our accounting policies are fundamental to understanding our management's discussion and analysis of our results of operations and financial condition. We have identified certain significant accounting policies which involve a higher degree of judgment and complexity in making certain estimates and assumptions that affect amounts reported in our consolidated financial statements. The significant accounting policies which we believe to be the most critical in preparing our consolidated financial statements relate to ACL, business combinations, debt securities and goodwill. Since December 31, 2023, there have been no changes in critical accounting policies as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in our Form 10-K for the year ended December 31, 2023, except for those updates discussed in Note 1 - Summary of Significant Accounting Policies in the accompanying notes to the consolidated financial statements included in this report.

Cautionary Notice Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "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 the expected payment date of our quarterly cash dividend, impact of certain changes in our accounting policies, standards and interpretations, a continuation of recent turmoil in the banking industry, responsive measures to mitigate and manage it and related supervisory and regulatory actions and costs and our 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," "seeks," "projects," "estimates," "targets," "outlooks," "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. You should understand that the following important factors could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements:

- risks related to the concentration of our business in Texas, and specifically within the Dallas-Fort Worth metroplex and the Houston metropolitan area, including risks associated with any downturn in the real estate sector and risks associated with a decline in the values of single family homes in the Dallas-Fort Worth metroplex and the Houston metropolitan area;
- Uncertain market conditions and economic trends nationally, regionally and particularly in the Dallas-Fort Worth metroplex and Texas;
- the effects of regional or national civil unrest;
- the effects of war or other conflicts, including, but not limited to, the current conflicts between Russia and the Ukraine and Israel and Hamas, acts of terrorism, cyber attacks or other catastrophic events, including natural disasters such as storms, droughts, tornadoes, hurricanes and flooding, that may affect general economic conditions;
- changes in market interest rates that affect the pricing of our loans and deposits and our net interest income;
- risks related to our strategic focus on lending to small to medium-sized businesses;
- the sufficiency of the assumptions and estimates we make in establishing reserves for potential loan losses;
- our ability to implement our growth strategy, including identifying and consummating suitable acquisitions;
- our ability to recruit and retain successful bankers that meet our expectations in terms of customer relationships and profitability;
- changes in our accounting policies, standards and interpretations;
- our ability to retain executive officers and key employees and their customer and community relationships;
- risks associated with our CRE and construction loan portfolios, including the risks inherent in the valuation of the collateral securing such loans;
- risks associated with our commercial loan portfolio, including the risk of deterioration in value of the general business assets that generally secure such loans;

- our level of nonperforming assets and the costs associated with resolving problem loans, if any, and complying with government-imposed foreclosure moratoriums;
- potential changes in the prices, values and sales volumes of commercial and residential real estate securing our real estate loans;
- risks related to the significant amount of credit that we have extended to a limited number of borrowers and in a limited geographic area;
- Changes in the financial performance and/or condition of our borrowers;
- our ability to maintain adequate liquidity (including the effect of the transition to the CECL methodology for allowances and related adjustments) and to raise necessary capital to fund our acquisition strategy and operations or to meet increased minimum regulatory capital levels;
- potential fluctuations in the market value and liquidity of our debt securities;
- the effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;
- our ability to maintain an effective system of disclosure controls and procedures and internal control over financial reporting;
- risks associated with fraudulent and negligent acts by our customers, employees or vendors;
- our ability to keep pace with technological change or difficulties when implementing new technologies;
- risks associated with difficulties and/or terminations with third-party service providers and the services they provide;
- risks associated with unauthorized access, cyber-crime and other threats to data security;
- potential impairment on the goodwill we have recorded or may record in connection with business acquisitions;
- our ability to comply with various governmental and regulatory requirements applicable to financial institutions;
- the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators, and economic stimulus programs;
- uncertainty regarding the future of LIBOR and any replacement alternatives on our business;
- changes in consumer spending, borrowing and saving habits;
- the potential impact of climate change;
- the impact of pandemics, epidemics and any other health-related crisis;
- the effects of changes in governmental monetary and fiscal policies and laws, including the policies of the Federal Reserve;
- our ability to comply with supervisory actions by federal and state banking agencies;
- changes in the scope and cost of FDIC, insurance and other coverage; and
- systemic risks associated with the soundness of other financial institutions.

Other factors not identified above, including those described under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended December 31, 2023, may also cause actual results to differ materially from those described in our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control. Any forward-looking statement speaks only as of the date on which it is made. You should consider these factors in connection with considering any forward-looking statements that may be made by us. We undertake no obligation, and specifically decline any obligation to, publicly release any supplement, update or revision to any forward-looking statements, to report events or to report the occurrence of unanticipated events, whether as a result of new information, future developments or otherwise, unless we are required to do so by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a financial institution, our primary component of market risk is interest rate volatility. Our asset, liability and funds management policy provides management with the guidelines for effective funds management, and we have established a measurement system for monitoring our net interest rate sensitivity position. We manage our sensitivity position within our established guidelines.

Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those which have a short term to maturity. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income.

We manage our exposure to interest rates by structuring our balance sheet in the ordinary course of business. With exception of our cash flow hedges designated as a hedging instrument, we do not enter into instruments such as leveraged derivatives, interest rate swaps, financial options, financial future contracts or forward delivery contracts for the purpose of reducing interest rate risk. We enter into interest rate swaps, caps and collars as an accommodation to our customers in connection with our interest rate swap program. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

Our exposure to interest rate risk is managed by the Asset-Liability Committee of the Bank in accordance with policies approved by its board of directors. The committee formulates strategies based on appropriate levels of interest rate risk. In determining the appropriate level of interest rate risk, the committee considers the impact on earnings and capital of the current outlook on interest rates, potential changes in interest rates, regional economies, liquidity, business strategies and other factors. The committee meets regularly to review, among other things, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, purchase and sale activities, commitments to originate loans and the maturities of investments and borrowings. Additionally, the committee reviews liquidity, cash flow flexibility, maturities of deposits and consumer and commercial deposit activity. Management employs methodologies to manage interest rate risk, which include an analysis of relationships between interest-earning assets and interest-bearing liabilities, and an interest rate shock simulation model.

We use an interest rate risk simulation model and shock analysis to test the interest rate sensitivity of net interest income and the balance sheet, respectively. Contractual maturities and repricing opportunities of loans are incorporated in the model as are prepayment assumptions, maturity data and call options within the investment portfolio.

We utilize static balance sheet rate shocks to estimate the potential impact on net interest income of changes in interest rates under various rate scenarios. This analysis estimates a percentage of change in the metric from the stable rate base scenario versus alternative scenarios of rising and falling market interest rates by instantaneously shocking a static balance sheet. Internal policy regarding internal rate risk simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated net income at risk for the subsequent one-year period should not decline by more than 5.0% for a 100 basis point shift, 10.0% for a 200 basis point shift, and 15.0% for a 300 basis point shift.

The following table summarizes the simulated change in net interest income and fair value of equity over a 12-month horizon as of the dates indicated:

Change in Interest Rates (Basis Points)	As of March 31, 2024				As of December 31, 2023			
	Percent Change in Net Interest		Percent Change in Fair Value		Percent Change in Net Interest		Percent Change in Fair Value	
	Income	of Equity	Income	of Equity	Income	of Equity	Income	of Equity
+ 300	13.54	%	(6.78)	%	11.39	%	(6.15)	%
+ 200	9.12		(3.77)		7.70		(3.23)	
+ 100	4.67		(1.33)		3.92		(1.05)	
Base	—		—		—		—	
-100	(5.89)		(1.51)		(4.16)		(1.65)	
-200	(10.32)		(3.98)		(10.01)		(6.48)	

The results are primarily due to behavior of demand, money market and savings deposits during such rate fluctuations. We have found that, historically, interest rates on these deposits change more slowly than changes in the discount and Federal Funds Rates. This assumption is incorporated into the simulation model and is generally not fully reflected in a gap analysis. The assumptions incorporated into the model are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and the application and timing of various strategies.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures — As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of its management, including its CEO and CFO, of the effectiveness of the design and operation of its disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on this evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this report.

There were no significant changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of banking and other applicable regulations, competition law, labor laws and consumer protection laws, as well as claims or litigation relating to intellectual property, securities, breach of contract and tort. We intend to defend ourselves vigorously against any pending or future claims and litigation.

At this time, in the opinion of management, the likelihood is remote that the impact of such proceedings, either individually or in the aggregate, would have a material adverse effect on our consolidated results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management's attention and may materially adversely affect our reputation, even if resolved in our favor.

Item 1A. Risk Factors

In evaluating an investment in our common stock, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, as well as the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements filed with the SEC.

There has been no material change in the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On March 26, 2024, the Board authorized a stock buyback program (the "Stock Buyback Program") pursuant to which the Company is authorized to purchase up to \$50 million shares of the Company's outstanding common stock. The Stock Buyback Program has an expiration date of March 31, 2025, and may be suspended, terminated, amended or modified by the Board at any time without prior notice at the Board's discretion. Repurchases under the Stock Buyback Program may be made, from time to time, in amounts and at prices the Company deems appropriate. The Stock Buyback Program does not obligate the Company to purchase any shares of its common stock. Repurchases by the Company under the Stock Buyback Program will be subject to general market and economic conditions, applicable legal and regulatory requirements and other considerations. During the three months ended March 31, 2024, the Company did not repurchase any shares of its common stock under the Stock Buyback Program.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
2.3	Agreement and Plan of Reorganization dated July 23, 2018, by and among Veritex Holdings, Inc., MustMS, Inc. and Green Bancorp, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 24, 2018).
3.2	Third Amended and Restated Bylaws of Veritex Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed July 25, 2017).
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from Veritex Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (Inline eXtensible Business Reporting Language): (i) Cover Page, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Income, (iv) Consolidated Statements of Comprehensive Income, (v) Consolidated Statements of Changes in Stockholders' Equity, (vi) Consolidated Statements of Cash Flows, and (vii) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed with this Quarterly Report on Form 10-Q

** Furnished with this Quarterly Report on Form 10-Q

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure, other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VERITEX HOLDINGS, INC.

(Registrant)

Date: May 6, 2024

/s/ C. Malcolm Holland, III

C. Malcolm Holland, III
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 6, 2024

/s/ Terry S. Earley

Terry S. Earley
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

I, C. Malcolm Holland, III, certify that:

1. I have reviewed this Annual Report on Form 10-K of Veritex Holdings, Inc. for the period ended March 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024

/s/ C. Malcolm Holland, III

C. Malcolm Holland, III

Chairman of the Board & Chief Executive Officer

CERTIFICATION

I, Terry S. Earley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Veritex Holdings, Inc. for the period ended March 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024

/s/ Terry S. Earley

Terry S. Earley
Chief Financial Officer

CERTIFICATION

In connection with the Annual Report on Form 10-K of Veritex Holdings, Inc. (the "Company") for the period ended March 31, 2024 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, C. Malcolm Holland, III, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ C. Malcolm Holland, III

C. Malcolm Holland, III

Chairman of the Board & Chief Executive Officer

Date: May 6, 2024

CERTIFICATION

In connection with the Annual Report on Form 10-K of Veritex Holdings, Inc. (the "Company") for the period ended March 31, 2024 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Terry S. Earley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terry S. Earley

Terry S. Earley
Chief Financial Officer
Date: May 6, 2024