



NASDAQ: CBTX

KBW Community Bank  
Investor Conference  
July 30 - 31, 2019



# SAFE HARBOR STATEMENT

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## **NON-GAAP FINANCIAL MEASURES**

This presentation contains certain non-GAAP (generally accepted accounting principles) financial measures, including tangible equity, tangible assets, tangible book value per share and tangible equity to tangible assets. The non-GAAP financial measures that CBTX, Inc. (the "Company") discusses in this presentation should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. A reconciliation of the non-GAAP financial measures used in this presentation to the most directly comparable GAAP measures is provided at the end of this presentation.

## **FORWARD LOOKING STATEMENTS**

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the Company's current views with respect to, among other things, future events and its financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, the Company cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following: natural disasters and adverse weather, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, and other matters beyond our control; the geographic concentration of our markets in Beaumont and Houston, Texas; our ability to prudently manage our growth and execute our strategy; risks associated with our acquisition and de novo branching strategy; changes in management personnel; the amount of nonperforming and classified assets that we hold; time and effort necessary to resolve nonperforming assets; deterioration of our asset quality; interest rate risk associated with our business; business and economic conditions generally and in the financial services industry, nationally and within our primary markets; volatility and direction of oil prices and the strength of the energy industry, generally and within Texas; the composition of our loan portfolio, including the identity of our borrowers and the concentration of loans in specialized industries; changes in the value of collateral securing our loans; our ability to maintain important deposit customer relationships and our reputation; our ability to maintain effective internal control over financial reporting; operational risks associated with our business; increased competition in the financial services industry, particularly from regional and national institutions; volatility and direction of market interest rates; liquidity risks associated with our business; the market price of our common stock; the nature of other investment opportunities; systems failures or interruptions involving our information technology and telecommunications systems or third-party servicers; interruptions or breaches in the Company's information system security; the results of regulatory examinations, investigations or reviews or the ability to obtain required regulatory approvals; the failure of certain third party vendors to perform; environmental liability associated with our lending activities; the institution and outcome of litigation and other legal proceedings against us or to which we may become subject; changes in the laws, rules, regulations, interpretations or policies relating to financial institution, accounting, tax, trade, monetary and fiscal matters; and further government intervention in the U.S. financial system.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included under "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in the Company's Annual Report on Form 10-K filed with the SEC on February 28, 2019 and any updates to those risk factors set forth in the Company's subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and the Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict which will arise. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this communication are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on the Company's behalf may issue. Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results.

## COMPANY SNAPSHOT

- *Founded in 2007*
- *Initial public offering November 2017*
- *Primarily a business bank with 35 banking centers across Texas*
- *Relationship based~ 81% of loan customers also had a deposit relationship at June 30, 2019*
- *Strong credit culture*
- *Low-cost core funding*
- *Strong insider ownership of ~29% as of June 30, 2019*
- *Track record of growth and expansion*
- *Announced share repurchase program of up to \$40 million on July 26, 2019*



# FINANCIAL HIGHLIGHTS

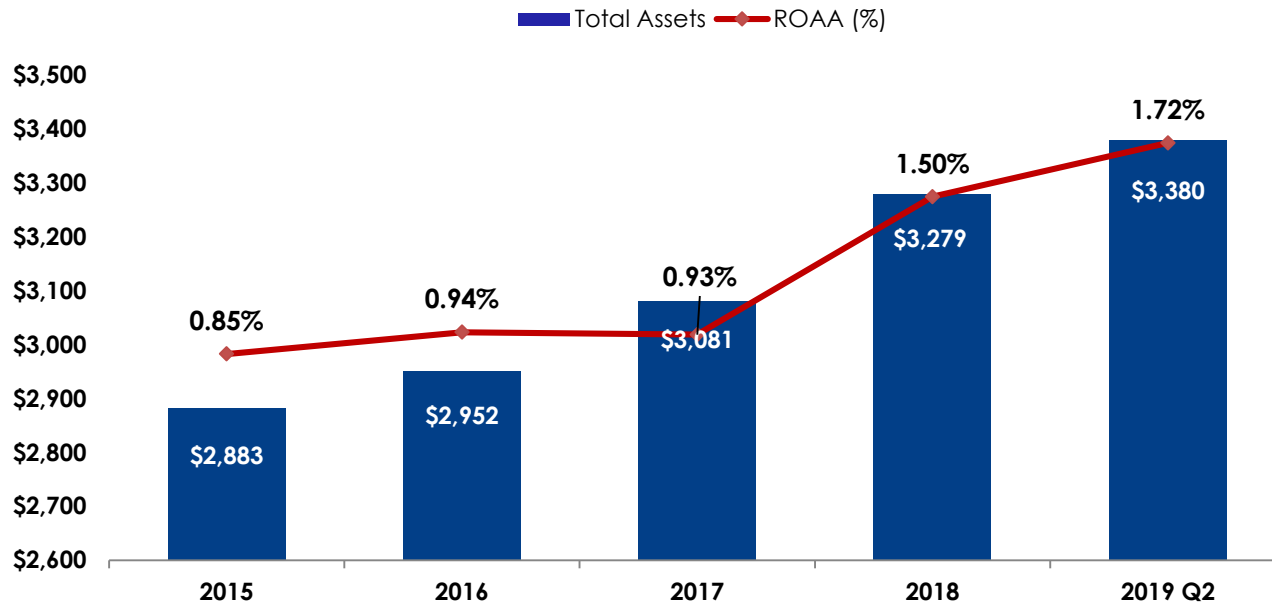
	Q2 2019	Q1 2019	Q4 2018	Q2 2019 vs Q1 2019	Q2 2019 vs Q4 2018
<b>Balance Sheet (\$000)</b>					
Loans, Net	\$ 2,616,947	\$ 2,520,066	\$ 2,423,130	\$ 96,881	\$ 193,817
Total Assets	3,379,506	3,283,462	3,279,096	96,044	100,410
Total Deposits	2,738,907	2,750,999	2,766,282	(12,092)	(27,375)
<b>Income Statement (\$000)</b>					
Net Interest Income	\$ 34,299	\$ 33,328	\$ 33,220	\$ 971	\$ 1,079
Noninterest Income	7,303	3,493	3,859	3,810	3,444
Noninterest Expense	23,403	22,585	21,756	818	1,647
Net Income	14,315	10,490	14,112	3,825	203
<b>Selected Data</b>					
Diluted Earnings per Share	\$ 0.57	\$ 0.42	\$ 0.56	\$ 0.15	\$ 0.01
Book Value per Share	20.59	20.01	19.58	0.58	1.01
Tangible Book Value per Share <sup>(1)</sup>	17.13	16.54	16.10	0.59	1.03
Net Interest Margin - Tax Equivalent	4.53%	4.56%	4.42%	(0.03%)	0.11%
Cost of total deposits	0.57%	0.53%	0.51%	0.03%	0.06%
Efficiency Ratio <sup>(2)</sup>	56.25%	61.34%	58.67%	(5.09%)	2.67%
Total Shareholders' Equity to Total Assets	15.18%	15.19%	14.87%	(0.01%)	0.32%
Tangible Equity to Tangible Assets <sup>(1)</sup>	12.96%	12.89%	12.56%	0.07%	0.33%
Return on Average Assets	1.72%	1.30%	1.71%	0.42%	(0.41%)
Return on Average Shareholders' Equity	11.30%	8.59%	11.66%	2.71%	(3.07%)
Allowance for Loan Losses / Loans	0.96%	0.97%	0.97%	(0.01%)	0.00%
Nonperforming Assets / Assets	0.10%	0.09%	0.11%	0.01%	(0.02%)
Nonperforming Loans / Assets	0.12%	0.12%	0.14%	0.00%	(0.02%)
Net Charge-offs (Recoveries) / Average Loans	0.02%	0.03%	(0.22%)	(0.01%)	0.25%

(1) See Appendix for reconciliation of non-GAAP financial measures.

(2) Efficiency ratio is calculated by dividing noninterest expense divided by the sum of net interest income and noninterest income.

# ASSET AND EARNINGS GROWTH

## Asset and Earnings Growth (\$'000)

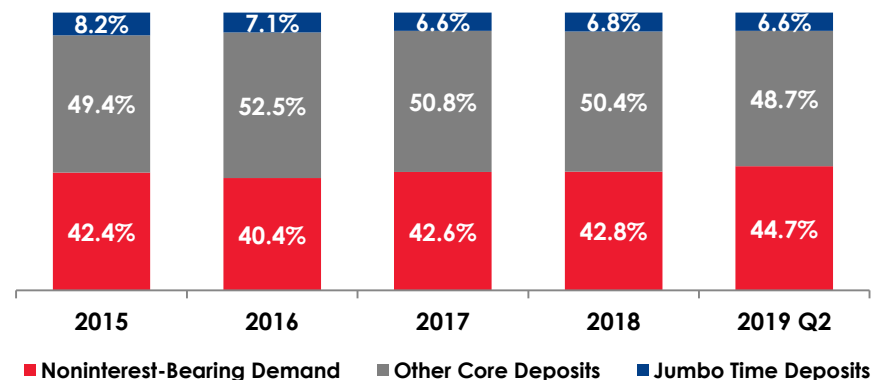


Note: Figures as of year-end 12/31. 2019 Q2 as of 6/30/2019.

# DEPOSITS

- Proven ability to generate low-cost core deposits<sup>(2)</sup> to fund loan growth
- 96% loan to deposit ratio as of June 30, 2019
- ~45% noninterest-bearing demand deposits at June 30, 2019
- ~93% core deposits<sup>(2)</sup> with minimal reliance on time deposits at June 30, 2019

## Stable Core Deposit Base <sup>(1)</sup>



Deposit Base	6/30/2019	
	(\$000)	(%)
Noninterest Bearing Demand Accounts	\$ 1,201,287	43.9 %
Interest Bearing Demand Accounts	351,326	12.8
Savings and Money Market Accounts	809,711	29.6
Certificates and Other Time > \$100K	189,741	6.9
Certificates and Other Time < \$100K	186,842	6.8
<b>Total Deposits</b>	<b>\$ 2,738,907</b>	<b>100.0 %</b>
<b>Cost of Total Deposits - Q2 2019</b>		<b>0.57 %</b>

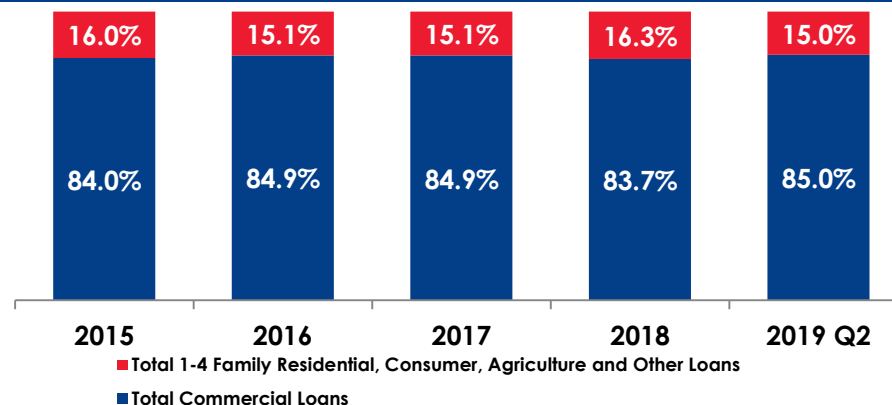
(1) Figures as of year-end 12/31. 2019 Q2 as of 6/30/2019.

(2) Core deposits defined as total deposits less jumbo time deposits (time deposits over \$100,000).

# LOAN PORTFOLIO

- Total commercial loans<sup>(2)</sup> represented ~ 85% of total loans as of June 30, 2019
- As of June 30, 2019, ~ 75% of loans are Houston based
- Focused on lending to professionals and local small- and mid-sized businesses
- Key emphasis on developing core relationships
- Well-diversified loan portfolio

## Loan Portfolio Composition<sup>(1)</sup>



Loan Portfolio	6/30/2019	
	(\$000)	(%)
Commercial and Industrial	\$ 540,084	20.4 %
Commercial Real Estate and Multi-Family	1,153,400	43.5
Construction and Development	559,672	21.1
1-4 Family Residential	281,525	10.6
Consumer, Agriculture and Other	115,197	4.4
<b>Gross Loans</b>	<b>2,649,878</b>	<b>100.0 %</b>
Less Allowance for Loan Losses	(25,342)	
Less Deferred Fees and Unearned Discount	(6,181)	
Less Loans Held for Sale	(1,408)	
<b>Loans, Net</b>	<b>\$ 2,616,947</b>	
<b>Yield on Loans - Q2 2019 (%)</b>		<b>5.51 %</b>

(1) Figures as of year end 12/31. 2019 Q2 as of 6/30/2019.

(2) Commercial loans defined as total loans less 1-4 family residential, consumer, agriculture and other loans.

# COMMERCIAL LOANS

- INDUSTRIAL CONSTRUCTION/EQUIPMENT RENTAL**

Provide operating lines of credit, fixed asset financing and real estate loans to numerous industrial companies involved in the construction, modification, support and maintenance of petrochemical plants

- PROFESSIONAL**

Provide operating lines of credit, fixed asset financing and real estate loans to law firms, medical practices and professional service firms

- MULTIFAMILY**

Multifamily CRE and multifamily construction portfolios are predominantly Texas based community development projects promoting affordable housing

- NON-OWNER OCCUPIED CRE**

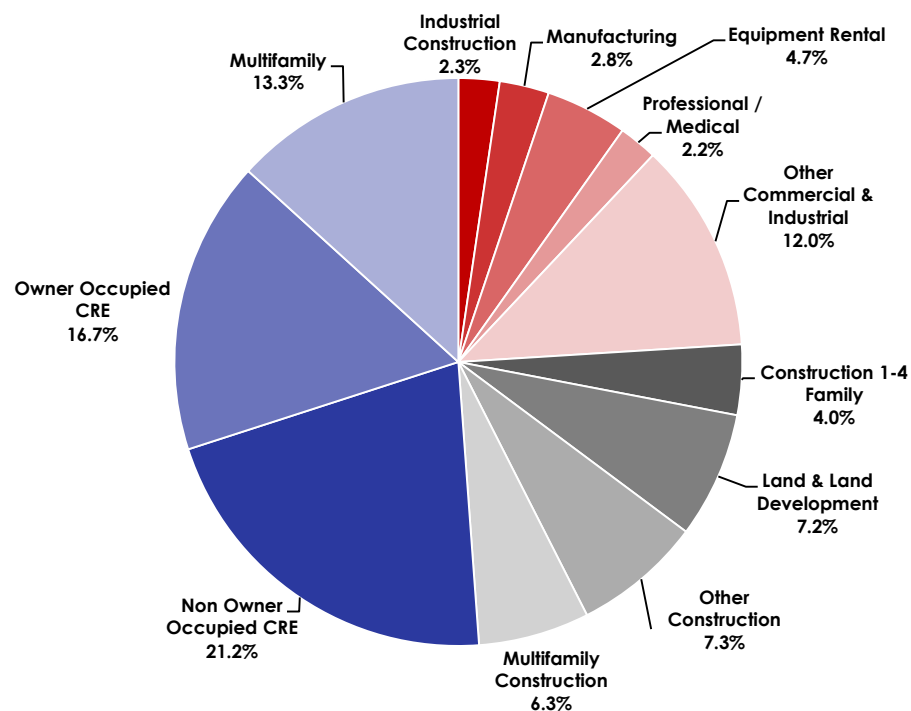
Predominantly local investor projects (i.e., industrial, office and retail buildings) with investors/developers with long term CBTX relationships

## Commercial Loans Outstanding by Type (\$2.253B) <sup>(1)</sup> <sup>(2)</sup>

Commercial Real Estate (\$1.153B)

Construction & Development (\$560M)

Commercial & Industrial (\$540M)



(1) Figures as of 6/30/2019.

(2) Commercial loans defined as total loans less 1-4 family residential, consumer, agriculture and other loans.



# CONSTRUCTION AND DEVELOPMENT LOANS

Construction and Development Loan Components	June 30, 2019	
	(\$000)	(% Capital) <sup>(1)</sup>
Construction Community Development Multifamily	\$ 105	25.6%
Construction 1-4 Single Family - Primary	34	8.3%
Construction 1-4 Single Family - Commercial	56	13.6%
Land - Consumer Lots	11	2.7%
Land - Commercial Purpose	128	31.2%
Land Development	24	5.8%
Commercial Construction	<u>202</u>	49.2%
<b>Total Construction and Development Loans</b>	<b><u>\$ 560</u></b>	<b>136.3%</b>

(1) Total capital of CommunityBank of Texas, N.A., the wholly-owned subsidiary of the Company.

# STRONG CREDIT CULTURE

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- **CHIEF CREDIT OFFICER WITH 40 YEARS OF EXPERIENCE**

*Seasoned Regional Credit Officers located in Houston and Beaumont*

- **CENTRALIZED UNDERWRITING, TIERED APPROVAL REQUIREMENT BASED ON AGGREGATED REALTIONSHIP SIZE**

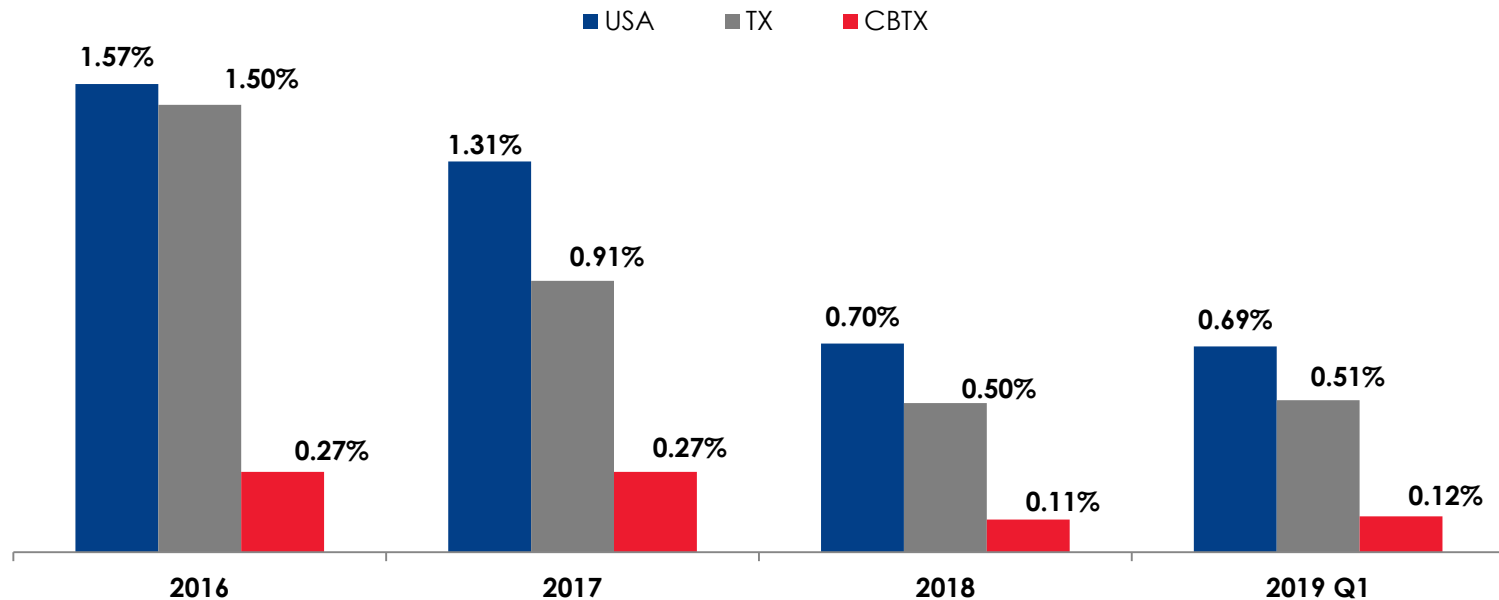
*Officer credit authority, credit executive committee, and directors' loan committee*

*Directors' loan committee meets weekly in each market*

- **RECEIVE PERSONAL GUARANTEES FROM PRINCIPALS ON THE MAJORITY OF COMMERCIAL CREDITS**

# NONPERFORMING ASSETS

## Nonperforming Assets / Total Assets <sup>(1)(2)</sup>

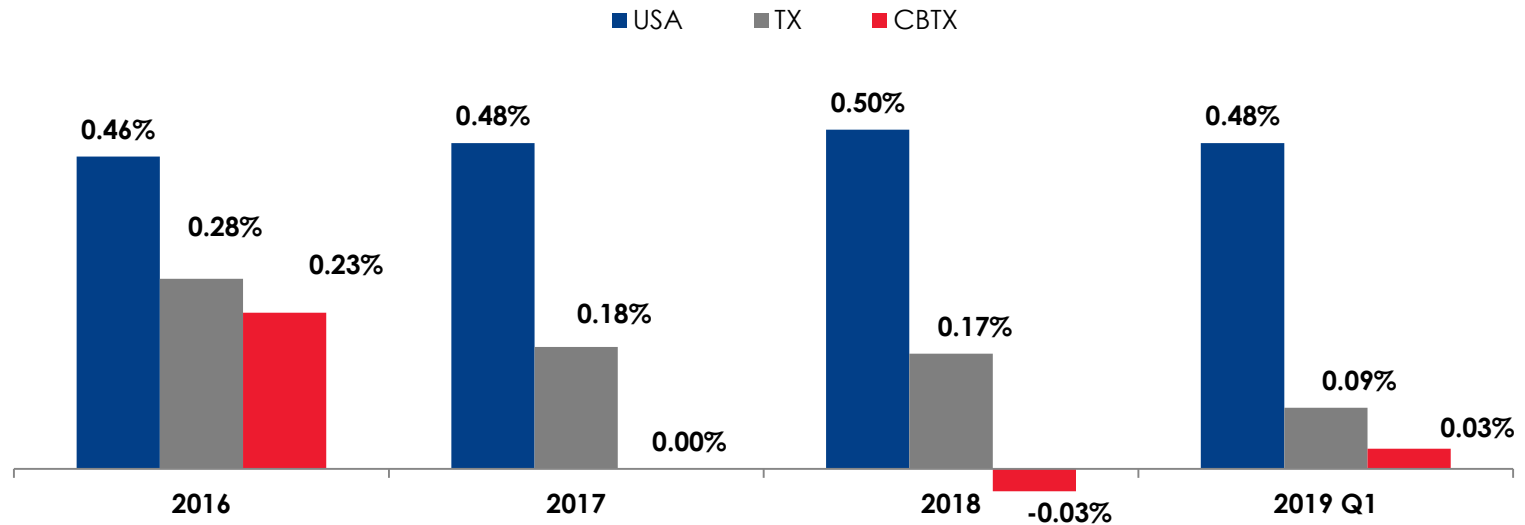


(1) Figures as of year-end 12/31. Q1 2019 figures as of 3/31/19.

(2) USA and TX figures based on SNL Financial aggregates for commercial banks as of 3/31/19.

# NET CHARGE-OFFS

## Net Charge-Offs / Average Loans <sup>(1)(2)</sup>



1) Figures as of year-end 12/31. Q1 2019 figures as of 3/31/19.

2) USA and TX figures based on SNL Financial aggregates for commercial banks as of 3/31/19.

# REVENUE GROWTH AND EFFICIENCY

## REVENUE GROWTH

- Increasing net interest margin (NIM)
- Asset sensitive, with 54% variable rate loans as of June 30, 2019
- Increasing revenue and improving efficiency ratio <sup>(2)</sup>

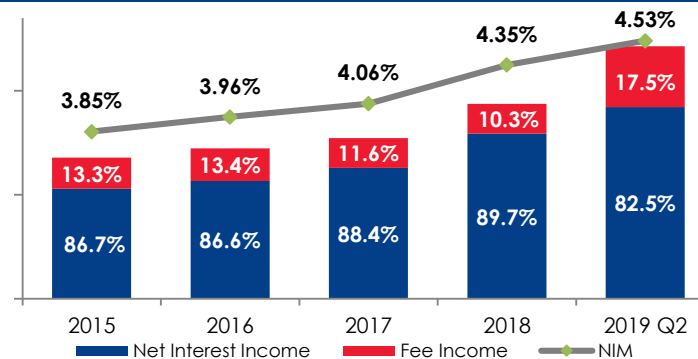
## EFFICIENCY EFFORTS

- *Branch rationalization effort – successful and ongoing*
- *Investments in people, technology and systems*
- *Infrastructure capable of supporting a much larger bank*
- *Resulting scalability should allow for growth without significant expenses*

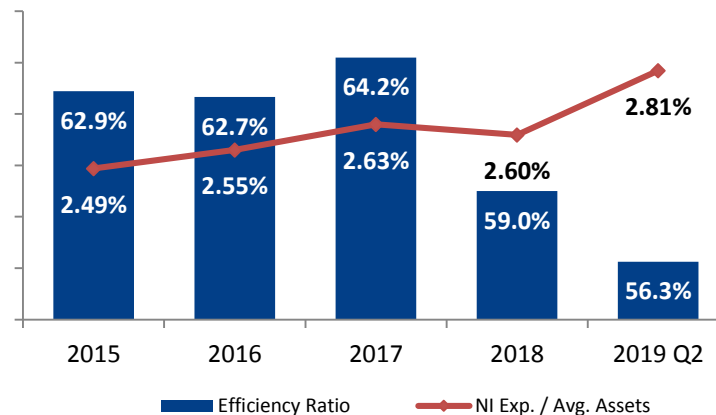
(1) Figures as of year-end 12/31. 2019 Q2 as of 6/30/2019.

(2) Efficiency ratio is calculated by dividing noninterest expense divided by the sum of net interest income and noninterest income.

## Revenue and NIM <sup>(1)</sup>



## Improving Efficiency <sup>(1)(2)</sup>



# GROWTH STRATEGY

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## ORGANIC GROWTH

- Continue hiring experienced bankers
- New Southeast Houston branch was added in Q4 2018
- Areas of additional expansion within certain lending verticals:
  - Commercial and industrial
  - SBA lending
- Dedicated focus on gathering core deposits

## STRATEGIC GROWTH

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- Proven ability to source, acquire, and successfully integrate strategic acquisitions, while remaining disciplined
- Focused on acquisitions that are additive to overall franchise - banks with talented bankers, sound credit culture and complementary branch footprint
- Publicly traded shares increase M&A potential
- Dallas LPO/DPO Q4 2018 converted to branch Q1 2019
- Expansion in Houston and Dallas around experienced teams and bankers



*At CommunityBank of Texas, we're committed to building strong honest relationships. We strive to keep our clients' and partners' needs at the forefront of everything we do. And we measure our success by the success we help create for them.*

## OUR VISION

Here to Serve.

## OUR POSITIONING

To experienced business owners, CommunityBank of Texas is the financial partner that delivers a better banking experience.

## OUR PERSONALITY

Resourceful, Trustworthy, Friendly,  
Responsive, Strong

## BUSINESS BANKING \ BETTER BANKING

At CommunityBank of Texas, we believe in a powerful and multi-faceted statement, one that drills straight to the heart of our reason for being, while clearly illuminating the mission that our many employees pursue each day:

### Here to serve.

**Here to serve** is a commitment to building strong and honest relationships, a clarion call to remember that in everything we do, our highest purpose is to transform our extensive financial expertise into success for our clients.

Relationships are the bedrock of our business – both internally and externally – and there is a stewardship in the word **serve** that promises that, in these relationships, we will be caring, humble and precise. That we will keep the needs of our clients at the forefront of our minds at all times and measure our performance by the success we create for each other.

The other critical component of our brand vision is the word **here**, which serves several important roles.

**Here** is a promise that we will be there for our clients and answer the call when they need us the most. We will be Dependable. Honest. Trustworthy. And we will remember that every time is the right time to put our clients' needs first.

**Here** is also a pledge to be visible and present in the communities we serve. It adds weight to the first and most key component of our name: Community.

We are not some faceless financial institution located high above the rank and file, safely sheltered in an ivory tower. We are right **here**, serving the cities and communities in which we live. Day-in and day-out. We sponsor civic events, donate back to our neighbors in need, and spend the time to really get to know our clients on a personal level.

In the face of an increasingly digital and impersonal world, we are proudly present in the lives of our clients and our communities.

# APPENDIX

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# NON-GAAP RECONCILIATION

Our management uses certain non-GAAP (generally accepted accounting principles) financial measures to evaluate performance. We have included in this presentation information related these non-GAAP financial measures for the applicable periods presented. The table below reconciles, as of the dates shown, total shareholders' equity to tangible equity, total assets to tangible assets and presents book value per share, tangible book value per share, total shareholders' equity to total assets and tangible equity to tangible assets. The most directly comparable GAAP financial measure for tangible book value per share is book value per share and the most directly comparable GAAP financial measure for tangible equity to tangible assets is total shareholders' equity to total assets. The Company believes that tangible book value per share and tangible equity to tangible assets are important to many investors in the marketplace who are interested in changes from period to period in book value per share and total shareholders' equity to total assets exclusive of changes in intangible assets.

(\$000)	June 30,	March 31,	December 31,			
	2019	2019	2018	2017	2016	2015
Total Shareholders' Equity	\$ 513,158	\$ 498,653	\$ 487,625	\$ 446,214	\$ 357,637	\$ 344,313
Adjustments:						
Goodwill	80,950	80,950	80,950	80,950	80,950	80,950
Other Intangibles	<u>5,318</u>	<u>5,538</u>	<u>5,775</u>	<u>6,770</u>	<u>7,791</u>	<u>8,879</u>
Tangible Equity	<u>\$ 426,890</u>	<u>\$ 412,165</u>	<u>\$ 400,900</u>	<u>\$ 358,494</u>	<u>\$ 268,896</u>	<u>\$ 254,484</u>
Total Assets	3,379,506	3,283,462	3,279,096	3,081,083	2,951,522	2,882,625
Adjustments:						
Goodwill	80,950	80,950	80,950	80,950	80,950	80,950
Other Intangibles	<u>5,318</u>	<u>5,538</u>	<u>5,775</u>	<u>6,770</u>	<u>7,791</u>	<u>8,879</u>
Tangible Assets	<u>\$ 3,293,238</u>	<u>\$ 3,196,974</u>	<u>\$ 3,192,371</u>	<u>\$ 2,993,363</u>	<u>\$ 2,862,781</u>	<u>\$ 2,792,796</u>
Common Shares Outstanding	24,923	24,918	24,907	24,833	22,062	22,303
Book Value Per Share	\$ 20.59	\$ 20.01	\$ 19.58	\$ 17.97	\$ 16.21	\$ 15.44
Tangible Book Value Per Share	\$ 17.13	\$ 16.54	\$ 16.10	\$ 14.44	\$ 12.19	\$ 11.41
Total Shareholders' Equity to Total Assets	15.18%	15.19%	14.87%	14.48%	12.12%	11.94%
Tangible Equity to Tangible Assets	12.96%	12.89%	12.56%	11.98%	9.39%	9.11%