

CBTX, Inc. Reports Second Quarter Financial Results

7/26/2018

HOUSTON, July 26, 2018 (GLOBE NEWSWIRE) -- CBTX, Inc. (the "Company") (NASDAQ:CBTX), the bank holding company for CommunityBank of Texas N.A., today announced net income of \$11.0 million, or \$0.44 per diluted share, for the quarter ended June 30, 2018, compared to \$8.7 million, or \$0.39 per diluted share, for the quarter ended June 30, 2017 and \$9.1 million, or \$0.37 per diluted share, for the quarter ended March 31, 2018.

For 2018, net income and earnings per share were positively impacted by the 14% reduction of the corporate U.S. statutory federal tax rate from 35% to 21% as a result of the enactment of the Tax Cuts and Jobs Act (the "Tax Act"), which became effective January 1, 2018.

Highlights

- Total loans, excluding loans held for sale, increased \$48.1 million, or 8.2% annualized, to \$2.4 billion compared to the quarter ended March 31, 2018.
- Net interest income for the quarter ended June 30, 2018 totaled \$30.9 million, an increase of 6.3% from the first quarter of 2018, primarily due to increased average loans and yields on loans.
- The efficiency ratio improved to 58.2% for the quarter ended June 30, 2018, compared to 62.6% for the quarter ended March 31, 2018.

Operating Results:

Net Interest Income

Net interest income was \$30.9 million for the second quarter of 2018, compared to \$26.5 million for the second quarter of 2017 and \$29.0 million for the first quarter of 2018. The increase in net interest income in the second

quarter of 2018 from the second quarter of 2017, was due to increased average loans and increased average yields on loans and federal funds sold. The increase in net interest income in the second quarter of 2018 from the first quarter of 2018 was due to increased average loans and average loan yields.

The yield on interest-earning assets was 4.71% for the second quarter of 2018, compared to 4.32% for the second quarter of 2017 and 4.49% for the first quarter of 2018.

The cost of interest-bearing liabilities, including borrowings, was 0.60% for the second quarter of 2018, compared to 0.58% for the second quarter of 2017 and 0.55% for the first quarter of 2018.

The net interest margin was 4.39% for the second quarter of 2018 compared to 3.99% for the second quarter of 2017 and 4.19% for the first quarter of 2018.

Provision (Recapture) for Loan Losses

Provision for loan loss was \$690,000 for the second quarter of 2018, compared to a recapture of \$694,000 for the second quarter of 2017 and a provision of \$865,000 for the first quarter of 2018.

The allowance for loan losses was \$25.7 million, or 1.07% of total loans, at June 30, 2018, compared to \$25.2 million, or 1.15% of total loans, at June 30, 2017 and \$25.3 million, or 1.08% of total loans, at March 31, 2018.

Noninterest Income

Noninterest income was \$3.5 million for the second quarter of 2018, \$3.5 million for the second quarter of 2017 and \$3.4 million for the first quarter of 2018. Although noninterest income was relatively flat between the second quarter 2018 and the second quarter 2017, there was a decrease in gains on sales of loans and assets, offset by an increase in earnings on bank-owned life insurance.

Noninterest income increased from the first quarter of 2018 to the second quarter of 2018 primarily due to higher gains on sales of loans and assets in the second quarter of 2018.

Noninterest Expense

Noninterest expense was \$20.0 million for the second quarter of 2018, \$18.9 million for the second quarter of 2017 and \$20.3 million for the first quarter of 2018.

Noninterest expense during the second quarter of 2018 compared to the first quarter of 2018 was relatively flat, with decreases in salaries and employee benefits and professional and director fees offset by increased occupancy

costs.

Noninterest expense increased \$1.2 million in the second quarter of 2018 compared to the second quarter of 2017 primarily due to increased salaries, employee benefits, incentive compensation, health insurance premiums and stock compensation expense.

Income Taxes

Income tax expense was \$2.6 million for the second quarter of 2018, \$3.2 million for the second quarter of 2017 and \$2.1 million for the first quarter of 2018.

The effective tax rates were 19.3% for the second quarter of 2018, 26.8% for the second quarter of 2017 and 19.0% for the first quarter of 2018. The effective tax rate for the first and second quarter of 2018 reflect reduction of the federal tax rate from 35% to 21% in the fourth quarter of 2017.

Balance Sheet Highlights:

Loans

Loans were \$2.4 billion at June 30, 2018, \$2.2 billion at June 30, 2017 and \$2.4 billion at March 31, 2018. The increases from the prior year and first quarter are primarily due to organic growth.

Asset Quality

Nonperforming assets remain low relative to total assets at \$4.9 million, or 0.16% of total assets, at June 30, 2018, \$9.7 million, or 0.33% of total assets, at June 30, 2017 and \$6.1 million, or 0.20% of total assets at March 31, 2018.

Annualized net charge-offs (recoveries) to average loans were 0.05% for the second quarter of 2018, 0.00% for the second quarter of 2017 and 0.05% for the first quarter of 2018.

Deposits and Borrowings

Total deposits were \$2.6 billion at June 30, 2018, compared to \$2.5 billion at June 30, 2017 and \$2.6 billion at March 31, 2018.

Total borrowings (excluding junior subordinated debentures) were \$51.4 million at June 30, 2018, \$27.6 million at June 30, 2017 and \$861,000 at March 31, 2018. The increase in borrowings from March 31, 2018 to June 30, 2018 is due to Federal Home Loan Bank (FHLB) short-term advances of \$50 million. Borrowings at June 30, 2017 include

\$25.5 million for our note payable, which was repaid due to scheduled payments and repayment in full during the quarter ended December 31, 2017.

Capital

At June 30, 2018, the Company remains well capitalized. Our ratio of total shareholders' equity to total assets was 14.87% at June 30, 2018, 12.65% at June 30, 2017 and 14.69% at March 31, 2018.

Our ratio of tangible equity to total tangible assets was 12.41% at June 30, 2018, 9.95% at June 30, 2017 and 12.19% at March 31, 2018. Tangible equity to total tangible assets is a non-GAAP financial measure. See the table captioned "Non-GAAP to GAAP Reconciliation."

Our ratio of tangible equity to total assets increased from June 30, 2017 to June 30, 2018 due to our November 2017 initial public offering of our common stock.

About CBTX, Inc.

CBTX, Inc. is the bank holding company for CommunityBank of Texas, N.A., a \$3.1 billion asset bank, offering commercial banking solutions to local small and mid-sized businesses and professionals in Houston, Beaumont and surrounding communities in southeast Texas. Visit www.communitybankoftx.com for more information.

Forward-Looking Statements

This release may contain certain forward-looking statements within the meaning of the securities laws that are based on various facts and derived utilizing important assumptions, current expectations, estimates and projections about the Company and its subsidiary. Forward-looking statements include information regarding the Company's future financial performance, business and growth strategy, projected plans and objectives, as well as projections of macroeconomic and industry trends, which are inherently unreliable due to the multiple factors that impact economic trends, and any such variations may be material. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts, although not all forward-looking statements include the foregoing. Further, certain factors that could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to whether the Company can: prudently manage and execute its growth strategy; manage risks associated with its acquisition and de novo branching strategy; maintain its asset quality; address the volatility and direction of market interest rates; continue to have access to debt and equity capital markets; and achieve its performance goals. The foregoing factors should not be

construed as exhaustive and should be read together with the other cautionary statements included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") and other reports and statements that the Company has filed with the SEC. If one or more events related to these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, actual results may differ materially from what its anticipates. Accordingly, you should not place undue reliance on any such forward looking statements. Any forward-looking statement speaks only as of the date on which it is made, 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. Copies of the SEC filings for the Company are available for download free of charge from www.communitybankoftx.com under the Investor Relations tab.

CBTX, INC. AND SUBSIDIARY
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands)

| Balance Sheet Data (at period end): | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 |
|--|--------------|--------------|--------------|--------------|--------------|
| Loans, excluding loans held for sale | \$ 2,404,132 | \$ 2,356,053 | \$ 2,311,544 | \$ 2,199,478 | \$ 2,192,443 |
| Allowance for loan losses | (25,746) | (25,349) | (24,778) | (23,757) | (25,187) |
| Loans, net | 2,378,386 | 2,330,704 | 2,286,766 | 2,175,721 | 2,167,256 |
| Cash and equivalents | 245,265 | 279,915 | 326,199 | 348,578 | 307,173 |
| Debt securities | 230,393 | 221,183 | 223,208 | 217,660 | 220,330 |
| Premises and equipment, net | 52,607 | 53,135 | 53,607 | 54,129 | 56,609 |
| Goodwill | 80,950 | 80,950 | 80,950 | 80,950 | 80,950 |
| Other intangible assets, net | 6,276 | 6,521 | 6,770 | 7,031 | 7,298 |
| Reposessed real estate and other assets | 137 | 295 | 705 | 1,136 | 1,435 |
| Loans held for sale | 560 | 113 | 1,460 | 466 | 559 |
| Other assets | 106,186 | 101,974 | 101,418 | 104,167 | 99,267 |
| Total Assets | \$ 3,100,760 | \$ 3,074,790 | \$ 3,081,083 | \$ 2,989,838 | \$ 2,940,877 |
| Noninterest-bearing deposits | \$ 1,114,155 | \$ 1,120,521 | \$ 1,109,789 | \$ 1,051,755 | \$ 1,030,865 |
| Interest-bearing deposits | 1,447,119 | 1,479,181 | 1,493,183 | 1,502,872 | 1,485,919 |
| Total deposits | 2,561,274 | 2,599,702 | 2,602,972 | 2,554,627 | 2,516,784 |
| Note payable | - | - | - | 24,357 | 25,464 |
| Repurchase agreements | 1,448 | 861 | 1,525 | 2,239 | 2,179 |
| Federal Home Loan Bank advances | 50,000 | - | - | - | - |
| Junior subordinated debt | 6,726 | 6,726 | 6,726 | 6,726 | 6,726 |
| Other liabilities | 20,117 | 15,930 | 23,646 | 20,768 | 17,760 |
| Total Liabilities | 2,639,565 | 2,623,219 | 2,634,869 | 2,608,717 | 2,568,913 |
| Shareholders' Equity | 461,195 | 451,571 | 446,214 | 381,121 | 371,964 |
| Total Liabilities and Shareholders' Equity | \$ 3,100,760 | \$ 3,074,790 | \$ 3,081,083 | \$ 2,989,838 | \$ 2,940,877 |

CBTX, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Income (Unaudited)
(In thousands)

| | For the Three Months Ended | | | | | For the Six Months Ended | |
|---|----------------------------|-----------|------------|-----------|-----------|--------------------------|-----------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | 6/30/2018 | 6/30/2017 |
| Interest Income | | | | | | | |
| Interest and fees on loans | \$30,493 | \$28,462 | \$27,726 | \$27,129 | \$26,560 | \$58,955 | \$52,513 |
| Securities | 1,507 | 1,436 | 1,357 | 1,334 | 1,353 | 2,943 | 2,656 |
| Federal Funds and interest-bearing deposits | 1,127 | 1,187 | 1,283 | 1,106 | 813 | 2,314 | 1,555 |
| Total Interest Income | 33,127 | 31,085 | 30,366 | 29,569 | 28,726 | 64,212 | 56,724 |
| Interest Expense | | | | | | | |
| Deposits | 2,126 | 1,948 | 1,993 | 1,964 | 1,857 | 4,074 | 3,695 |
| Repurchase agreements | 1 | 1 | — | 2 | 1 | 2 | 3 |
| Federal Home Loan Bank advances | 12 | — | — | — | — | 12 | — |
| Note payable | 3 | 4 | 122 | 269 | 264 | 7 | 515 |
| Junior subordinated debt | 109 | 93 | 86 | 83 | 79 | 202 | 153 |
| Total Interest Expense | 2,251 | 2,046 | 2,201 | 2,318 | 2,201 | 4,297 | 4,366 |
| Net Interest Income | 30,876 | 29,039 | 28,165 | 27,251 | 26,525 | 59,915 | 52,358 |
| Provision (Recapture) for Loan Losses | 690 | 865 | 1,050 | (1,654) | (694) | 1,555 | 266 |
| Net Interest Income After Provision (Recapture) for Loan Losses | 30,186 | 28,174 | 27,115 | 28,905 | 27,219 | 58,360 | 52,092 |
| Noninterest Income | | | | | | | |
| Deposit account service charges | 1,497 | 1,478 | 1,388 | 1,395 | 1,517 | 2,975 | 3,017 |
| Net gain (loss) on sale of assets | 210 | 130 | (7) | 828 | 339 | 340 | 703 |
| Card interchange fees | 971 | 927 | 941 | 803 | 877 | 1,898 | 1,709 |
| Earnings on bank-owned life insurance | 465 | 451 | 460 | 459 | 335 | 916 | 661 |
| Other | 363 | 375 | 362 | 601 | 458 | 738 | 884 |
| Total Noninterest Income | 3,506 | 3,361 | 3,144 | 4,086 | 3,526 | 6,867 | 6,974 |
| Noninterest Expense | | | | | | | |
| Salaries and employee benefits | 12,496 | 12,695 | 14,021 | 11,829 | 11,299 | 25,191 | 22,723 |
| Net occupancy expense | 2,433 | 2,265 | 2,346 | 2,221 | 2,351 | 4,698 | 4,584 |
| Regulatory fees | 513 | 545 | 487 | 458 | 621 | 1,058 | 1,231 |
| Data processing | 666 | 683 | 674 | 662 | 651 | 1,349 | 1,293 |
| Printing, stationery and office | 480 | 411 | 415 | 348 | 370 | 891 | 717 |
| Amortization of intangibles | 248 | 255 | 263 | 267 | 271 | 503 | 549 |
| Professional and director fees | 686 | 919 | 1,168 | 606 | 706 | 1,605 | 1,331 |
| Correspondent bank and customer related transaction expenses | 68 | 67 | 67 | 67 | 78 | 135 | 152 |
| Loan processing costs | 75 | 118 | 141 | 115 | 133 | 193 | 205 |
| Advertising, marketing and business development | 475 | 506 | 508 | 266 | 508 | 981 | 687 |
| Reposessed real estate and other asset expense | 5 | 57 | 66 | 340 | 85 | 62 | 203 |
| Security and protection expense | 311 | 302 | 300 | 331 | 352 | 613 | 724 |
| Telephone and communications | 394 | 386 | 344 | 311 | 307 | 780 | 661 |
| Other expenses | 1,162 | 1,075 | 1,189 | 1,196 | 1,127 | 2,237 | 2,226 |
| Total Noninterest Expense | 20,012 | 20,284 | 21,989 | 19,017 | 18,859 | 40,296 | 37,286 |
| Net Income Before Income Tax Expense | 13,680 | 11,251 | 8,270 | 13,974 | 11,886 | 24,931 | 21,780 |
| Income Tax Expense | 2,638 | 2,139 | 6,313 | 3,927 | 3,181 | 4,777 | 6,213 |
| Net Income | \$11,042 | \$9,112 | \$1,957 | \$10,047 | \$8,705 | \$20,154 | \$15,567 |

CBTX, INC. AND SUBSIDIARY
Financial Highlights (Unaudited)
(In thousands, except per share data and percentages)

| | For the Three Months Ended | | | | | For the Six Months Ended | |
|---|----------------------------|-----------|------------|-----------|-----------|--------------------------|-----------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | 6/30/2018 | 6/30/2017 |
| Profitability: | | | | | | | |
| Net income | \$11,042 | \$9,112 | \$1,957 | \$10,047 | \$8,705 | \$20,154 | \$15,567 |
| Basic earnings per share | \$0.44 | \$0.37 | \$0.08 | \$0.46 | \$0.39 | \$0.81 | \$0.71 |
| Diluted earnings per share | \$0.44 | \$0.37 | \$0.08 | \$0.45 | \$0.39 | \$0.81 | \$0.70 |
| Return on average assets ⁽¹⁾ | 1.44 | % 1.20 | % 0.25 | % 1.34 | % 1.20 | % 1.32 | % 1.08 |
| Return on average shareholders' equity ⁽¹⁾ | 9.66 | % 8.20 | % 1.83 | % 10.54 | % 9.46 | % 8.94 | % 8.58 |
| Net interest margin- tax equivalent ⁽¹⁾ | 4.43 | % 4.23 | % 4.06 | % 4.07 | % 4.08 | % 4.33 | % 4.05 |
| Efficiency ratio ⁽²⁾ | 58.20 | % 62.60 | % 70.23 | % 60.69 | % 62.76 | % 60.34 | % 62.84 |

Liquidity and Capital Ratios:

| | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|---|
| Total shareholders' equity to total assets | 14.8/ | % 14.69 | % 14.48 | % 12.75 | % 12.65 | % 14.8/ | % 12.65 | % |
| Tangible equity to tangible assets ⁽³⁾ | 12.41 | % 12.19 | % 11.98 | % 10.10 | % 9.95 | % 12.41 | % 9.95 | % |
| Common equity tier 1 capital ratio | 14.08 | % 14.12 | % 14.19 | % 12.23 | % 12.00 | % 14.08 | % 12.00 | % |
| Tier 1 leverage ratio | 12.87 | % 12.58 | % 12.30 | % 10.48 | % 10.39 | % 12.87 | % 10.39 | % |
| Tier 1 risk-based capital ratio | 14.32 | % 14.37 | % 14.44 | % 12.49 | % 12.26 | % 14.32 | % 12.26 | % |
| Total risk-based capital ratio | 15.29 | % 15.35 | % 15.42 | % 13.48 | % 13.33 | % 15.29 | % 13.33 | % |
| Other Data: | | | | | | | | |
| Weighted average common shares outstanding- Basic | 24,858 | 24,833 | 23,629 | 22,063 | 22,062 | 24,845 | 22,062 | |
| Weighted average common shares outstanding- Diluted | 24,997 | 24,954 | 23,742 | 22,138 | 22,148 | 24,977 | 22,148 | |
| Common shares outstanding at period end | 24,859 | 24,833 | 24,833 | 22,063 | 22,063 | 24,859 | 22,063 | |
| Dividends per share | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.10 | \$ 0.10 | |
| Book value per share | \$ 18.55 | \$ 18.18 | \$ 17.97 | \$ 17.27 | \$ 16.86 | \$ 18.55 | \$ 16.86 | |
| Tangible book value per share ⁽³⁾ | \$ 15.04 | \$ 14.66 | \$ 14.44 | \$ 13.29 | \$ 12.86 | \$ 15.04 | \$ 12.86 | |
| Employees - full-time equivalents | 488 | 477 | 462 | 464 | 472 | 488 | 472 | |

(1) Quarterly ratios are annualized.

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

(3) Non-GAAP financial measure. See the table captioned "Non-GAAP to GAAP Reconciliation."

CBTX, INC. AND SUBSIDIARY
Net Interest Margin (Unaudited)
(In thousands, except percentages)

| | For the Three Months Ended 6/30/2018 | | | 3/31/2018 | | | 6/30/2017 | | |
|--|---|-----------------------------|--|-----------------------------------|-----------------------------|--|-----------------------------------|-----------------------------|--|
| | Average Outstanding Balance | Interest Earned/ Paid | Average Yield/ Rate ⁽¹⁾ | Average Outstanding Balance | Interest Earned/ Paid | Average Yield/ Rate ⁽¹⁾ | Average Outstanding Balance | Interest Earned/ Paid | Average Yield/ Rate ⁽¹⁾ |
| Assets | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Total loans ⁽²⁾ | \$2,375,253 | \$30,493 | 5.15 % | \$2,319,463 | \$28,462 | 4.98 % | \$2,203,145 | \$26,560 | 4.83 % |
| Debt securities | 228,262 | 1,507 | 2.65 % | 223,730 | 1,436 | 2.60 % | 220,905 | 1,353 | 2.45 % |
| Federal funds sold and other interest-earning assets | 201,906 | 936 | 1.86 % | 252,722 | 994 | 1.60 % | 228,393 | 637 | 1.12 % |
| Nonmarketable equity securities | 14,823 | 191 | 5.17 % | 14,701 | 193 | 5.32 % | 14,691 | 176 | 4.81 % |
| Total interest-earning assets | 2,820,244 | \$33,127 | 4.71 % | 2,810,616 | \$31,085 | 4.49 % | 2,667,134 | \$28,726 | 4.32 % |
| Allowance for loan losses | (25,392) | | | (24,866) | | | (26,424) | | |
| Noninterest-earning assets | 288,416 | | | 287,099 | | | 273,760 | | |
| Total assets | \$3,083,268 | | | \$3,072,849 | | | \$2,914,470 | | |
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Interest-bearing deposits | \$1,478,016 | \$2,126 | 0.58 % | \$1,491,613 | \$1,948 | 0.53 % | \$1,478,579 | \$1,857 | 0.50 % |
| Repurchase agreements | 1,540 | 1 | 0.26 % | 1,418 | 1 | 0.29 % | 2,356 | 1 | 0.17 % |
| FHLB advances | 2,198 | 12 | 2.19 % | — | — | — % | — | — | — % |
| Note payable | — | 3 | — % | — | 4 | — % | 25,841 | 264 | 4.10 % |
| Junior subordinated debt | 10,826 | 109 | 4.04 % | 10,826 | 93 | 3.48 % | 10,826 | 79 | 2.93 % |
| Total interest-bearing liabilities | 1,492,580 | \$2,251 | 0.60 % | 1,503,857 | \$2,046 | 0.55 % | 1,517,602 | \$2,201 | 0.58 % |
| Noninterest-bearing liabilities: | | | | | | | | | |
| Noninterest-bearing deposits | 1,111,736 | | | 1,097,085 | | | 1,010,823 | | |
| Other liabilities | 20,441 | | | 21,165 | | | 16,910 | | |
| Total noninterest-bearing liabilities | 1,132,177 | | | 1,118,250 | | | 1,027,733 | | |
| Shareholders' equity | 458,511 | | | 450,742 | | | 369,135 | | |
| Total liabilities and shareholders' equity | \$3,083,268 | | | \$3,072,849 | | | \$2,914,470 | | |
| Net interest income | | \$30,876 | | | \$29,039 | | | \$26,525 | |
| Net interest spread ⁽³⁾ | | | 4.11 % | | | 3.93 % | | | 3.74 % |
| Net interest margin ⁽⁴⁾ | | | 4.39 % | | | 4.19 % | | | 3.99 % |
| Net interest margin—tax equivalent ⁽⁵⁾ | | | 4.43 % | | | 4.23 % | | | 4.08 % |

(1) Annualized.

(2) Includes average outstanding balances of loans held for sale of \$425,000, \$544,000 and \$770,000 for the quarter ended June 30, 2018, March 31, 2018 and June 30, 2017, respectively.

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

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

(5) To make pre-tax income and resultant yields on tax-exempt investments and loans comparable to those on taxable investments and loans, a tax equivalent adjustment of \$267,000, \$270,000 and \$585,000 for the quarter ended June 30, 2018, March 31, 2018 and June 30, 2017, respectively, has been computed using a federal income tax rate of 21% for 2018 and 35% for 2017.

| (Dollars in thousands) | For the Six Months Ended June 30, 2018 | | | 2017 | | |
|--|--|--------------------------------|---------------------|-----------------------------|--------------------------------|---------------------|
| | Average Outstanding Balance | Interest Earned/ Interest Paid | Average Yield/ Rate | Average Outstanding Balance | Interest Earned/ Interest Paid | Average Yield/ Rate |
| Assets | | | | | | |
| Interest-earnings assets: | | | | | | |
| Total loans ⁽¹⁾ | \$ 2,347,512 | \$ 58,955 | 5.06 % | \$ 2,190,953 | \$ 52,513 | 4.83 % |
| Debt securities | 226,008 | 2,943 | 2.63 % | 219,005 | 2,656 | 2.45 % |
| Federal funds sold and other interest-earning assets | 227,172 | 1,929 | 1.71 % | 244,053 | 1,186 | 0.98 % |
| Nonmarketable equity securities | 14,763 | 385 | 5.26 % | 14,688 | 369 | 5.07 % |
| Total interest-earning assets | 2,815,455 | \$ 64,212 | 4.60 % | 2,668,699 | \$ 56,724 | 4.29 % |
| Allowance for loan losses | (25,131) |) | | (25,932) |) | |
| Noninterest-earnings assets | 287,764 | | | 275,208 | | |
| Total assets | \$ 3,078,088 | | | \$ 2,917,975 | | |
| Liabilities and Shareholders' Equity | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits | \$ 1,484,777 | \$ 4,074 | 0.55 % | \$ 1,495,867 | \$ 3,695 | 0.50 % |
| Repurchase agreements | 1,480 | 2 | 0.27 % | 2,412 | 3 | 0.25 % |
| FHLB advances | 1,105 | 12 | 2.19 % | — | — | — % |
| Note payable | — | 7 | — % | 26,400 | 515 | 3.93 % |
| Junior subordinated debt | 10,826 | 202 | 3.76 % | 10,826 | 153 | 2.85 % |
| Total interest-bearing liabilities | 1,498,188 | \$ 4,297 | 0.58 % | 1,535,505 | \$ 4,366 | 0.57 % |
| Noninterest-bearing liabilities: | | | | | | |
| Noninterest-bearing deposits | 1,104,451 | | | 998,326 | | |
| Other liabilities | 20,801 | | | 18,157 | | |
| Total noninterest-bearing liabilities | 1,125,252 | | | 1,016,483 | | |
| Shareholders' equity | 454,648 | | | 365,987 | | |
| Total liabilities and shareholders' equity | \$ 3,078,088 | | | \$ 2,917,975 | | |
| Net interest income | | \$ 59,915 | | | \$ 52,358 | |
| Net interest spread ⁽²⁾ | | | 4.02 % | | | 3.71 % |
| Net interest margin ⁽³⁾ | | | 4.29 % | | | 3.96 % |
| Net interest margin—tax equivalent ⁽⁴⁾ | | | 4.33 % | | | 4.05 % |

(1) Annualized.

(2) Includes average outstanding balances of loans held for sale of \$484,000 and \$730,000 for the six months

ended June 30, 2018 and June 30, 2017, respectively.

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

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

(5) To make pre-tax income and resultant yields on tax-exempt investments and loans comparable to those on taxable investments and loans, a tax equivalent adjustment of \$537,000 and \$1.2 million for the six months ended June 30, 2018 and June 30, 2017, respectively, has been computed using a federal income tax rate of 21% for 2018 and 35% for 2017.

CBTX, INC. AND SUBSIDIARY
Yield Trend (Unaudited)

| | For the Three Months Ended | | | | | | | | | |
|--|----------------------------|---|-----------|---|------------|---|-----------|---|-----------|---|
| | 6/30/2018 | | 3/31/2018 | | 12/31/2017 | | 9/30/2017 | | 6/30/2017 | |
| Yield Trend - Annualized: | | | | | | | | | | |
| Interest-earnings assets: | | | | | | | | | | |
| Total loans | 5.15 | % | 4.98 | % | 4.88 | % | 4.91 | % | 4.83 | % |
| Debt securities | 2.65 | % | 2.60 | % | 2.42 | % | 2.37 | % | 2.45 | % |
| Federal funds sold and other interest-earning assets | 1.86 | % | 1.60 | % | 1.37 | % | 1.29 | % | 1.12 | % |
| Nonmarketable equity securities | 5.17 | % | 5.32 | % | 5.13 | % | 4.83 | % | 4.81 | % |
| Total interest-earning assets | 4.71 | % | 4.49 | % | 4.29 | % | 4.32 | % | 4.32 | % |
| Interest-bearing liabilities: | | | | | | | | | | |
| Interest-bearing deposits | 0.58 | % | 0.53 | % | 0.52 | % | 0.52 | % | 0.50 | % |
| Repurchase agreements | 0.26 | % | 0.29 | % | — | % | 0.33 | % | 0.17 | % |
| FHLB advances | 2.19 | % | — | % | — | % | — | % | — | % |
| Note payable | — | % | — | % | 4.30 | % | 4.31 | % | 4.10 | % |
| Junior subordinated debt | 4.04 | % | 3.48 | % | 3.15 | % | 3.04 | % | 2.93 | % |
| Total interest-bearing liabilities | 0.60 | % | 0.55 | % | 0.56 | % | 0.60 | % | 0.58 | % |
| Net interest spread ⁽¹⁾ | 4.11 | % | 3.93 | % | 3.73 | % | 3.73 | % | 3.74 | % |
| Net interest margin ⁽²⁾ | 4.39 | % | 4.19 | % | 3.98 | % | 3.98 | % | 3.99 | % |
| Net interest margin—tax equivalent ⁽³⁾ | 4.43 | % | 4.23 | % | 4.06 | % | 4.07 | % | 4.08 | % |

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

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

(3) To make pre-tax income and resultant yields on tax-exempt investments and loans comparable to those on taxable investments and loans, a tax equivalent adjustment has been computed using a federal income tax rate of 21% for 2018 and 35% for 2017.

CBTX, INC. AND SUBSIDIARY
Average Outstanding Balances (Unaudited)
(In thousands)

| Average Outstanding Balances: | For the Three Months Ended | | | | |
|--|----------------------------|--------------|--------------|--------------|--------------|
| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 |
| Assets | | | | | |
| Interest-earnings assets: | | | | | |
| Total loans ⁽¹⁾ | \$ 2,375,253 | \$ 2,319,463 | \$ 2,252,735 | \$ 2,191,016 | \$ 2,203,145 |
| Debt securities | 228,262 | 223,730 | 222,602 | 223,132 | 220,905 |
| Federal funds sold and other interest-earning assets | 201,906 | 252,722 | 317,484 | 284,334 | 228,393 |
| Nonmarketable equity securities | 14,823 | 14,701 | 14,698 | 14,695 | 14,691 |
| Total interest-earning assets | 2,820,244 | 2,810,616 | 2,807,519 | 2,713,177 | 2,667,134 |
| Allowance for loan losses | (25,392) | (24,866) | (24,127) | (25,316) | (26,424) |
| Noninterest-earnings assets | 288,416 | 287,099 | 296,108 | 290,767 | 273,760 |
| Total assets | \$ 3,083,268 | \$ 3,072,849 | \$ 3,079,500 | \$ 2,978,628 | \$ 2,914,470 |
| Liabilities and Shareholders' Equity | | | | | |
| Interest-bearing liabilities: | | | | | |
| Interest-bearing deposits | \$ 1,478,016 | \$ 1,491,613 | \$ 1,519,631 | \$ 1,501,732 | \$ 1,478,579 |
| Repurchase agreements | 1,540 | 1,418 | 1,793 | 2,404 | 2,356 |
| FHLB advances | 2,198 | — | — | — | — |
| Note payable | — | — | 11,252 | 24,742 | 25,841 |
| Junior subordinated debt | 10,826 | 10,826 | 10,826 | 10,826 | 10,826 |
| Total interest-bearing liabilities | 1,492,580 | 1,503,857 | 1,543,502 | 1,539,704 | 1,517,602 |
| Noninterest-bearing liabilities: | | | | | |
| Noninterest-bearing deposits | 1,111,736 | 1,097,085 | 1,087,416 | 1,041,731 | 1,010,823 |
| Other liabilities | 20,441 | 21,165 | 23,271 | 18,844 | 16,910 |
| Total noninterest-bearing liabilities | 1,132,177 | 1,118,250 | 1,110,687 | 1,060,575 | 1,027,733 |
| Shareholders' equity | 458,511 | 450,742 | 425,311 | 378,349 | 369,135 |
| Total liabilities and shareholders' equity | \$ 3,083,268 | \$ 3,072,849 | \$ 3,079,500 | \$ 2,978,628 | \$ 2,914,470 |

(1) Includes average outstanding balances of loans held for sale.

CBTX, INC. AND SUBSIDIARY
Period End Balances (Unaudited)
(In thousands, except percentages)

| | 6/30/2018 | | 3/31/2018 | | 12/31/2017 | | 9/30/2017 | | 6/30/2017 | |
|--|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Loan Portfolio: | | | | | | | | | | |
| Commercial and industrial | \$565,850 | 23.5 % | \$559,070 | 23.7 % | \$559,363 | 24.1 % | \$548,870 | 24.9 % | \$535,116 | 24.4 % |
| Real estate: | | | | | | | | | | |
| Commercial real estate | 780,224 | 32.4 % | 767,108 | 32.5 % | 738,293 | 31.9 % | 689,501 | 31.3 % | 690,044 | 31.4 % |
| Construction and development | 449,390 | 18.6 % | 436,260 | 18.5 % | 449,211 | 19.4 % | 424,489 | 19.3 % | 433,966 | 19.8 % |
| 1-4 family residential | 279,227 | 11.6 % | 260,580 | 11.0 % | 258,584 | 11.2 % | 246,564 | 11.2 % | 240,073 | 10.9 % |
| Multi-family residential | 229,609 | 9.5 % | 236,000 | 10.0 % | 220,305 | 9.5 % | 211,219 | 9.6 % | 208,222 | 9.5 % |
| Consumer | 41,833 | 1.7 % | 40,869 | 1.7 % | 40,433 | 1.7 % | 42,772 | 1.9 % | 41,130 | 1.9 % |
| Agricultural | 10,951 | 0.5 % | 8,807 | 0.4 % | 11,256 | 0.5 % | 11,424 | 0.5 % | 10,650 | 0.4 % |
| Other | 53,376 | 2.2 % | 52,382 | 2.2 % | 40,344 | 1.7 % | 29,684 | 1.3 % | 38,237 | 1.7 % |
| Gross loans | 2,410,460 | 100.0 % | 2,361,076 | 100.0 % | 2,317,789 | 100.0 % | 2,204,523 | 100.0 % | 2,197,438 | 100.0 % |
| Less deferred fees and unearned discount | (5,768) | | (4,910) | | (4,785) | | (4,579) | | (4,436) | |
| Less allowance for loan losses | (25,746) | | (25,349) | | (24,778) | | (23,757) | | (25,187) | |
| Less loans held for sale | (560) | | (113) | | (1,460) | | (466) | | (559) | |
| Loans, net | \$2,378,386 | | \$2,330,704 | | \$2,286,766 | | \$2,175,721 | | \$2,167,256 | |
| Deposits: | | | | | | | | | | |
| Interest-bearing demand accounts | \$342,890 | 13.4 % | \$345,378 | 13.3 % | \$363,015 | 14.0 % | \$340,627 | 13.3 % | \$343,826 | 13.7 % |
| Money market accounts | 650,747 | 25.4 % | 717,548 | 27.6 % | 702,299 | 27.0 % | 726,903 | 28.5 % | 698,546 | 27.7 % |
| Savings accounts | 97,576 | 3.8 % | 95,603 | 3.7 % | 95,842 | 3.7 % | 88,613 | 3.5 % | 88,083 | 3.5 % |
| Certificates and other time deposits, \$100,000 or greater | 164,464 | 6.4 % | 161,777 | 6.2 % | 172,469 | 6.6 % | 179,777 | 7.0 % | 182,143 | 7.2 % |
| Certificates and other time deposits, less | 191,442 | 7.5 % | 158,875 | 6.1 % | 159,558 | 6.1 % | 166,952 | 6.5 % | 173,321 | 6.9 % |

| | | | | | | | | | | |
|---------------------------------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|
| than \$100,000 | | | | | | | | | | |
| Total interest-bearing deposits | 1,447,119 | 56.5 % | 1,479,181 | 56.9 % | 1,493,183 | 57.4 % | 1,502,872 | 58.8 % | 1,485,919 | 59.0 % |
| Noninterest-bearing deposits | 1,114,155 | 43.5 % | 1,120,521 | 43.1 % | 1,109,789 | 42.6 % | 1,051,755 | 41.2 % | 1,030,865 | 41.0 % |
| Total deposits | \$2,561,274 | 100.0% | \$2,599,702 | 100.0% | \$2,602,972 | 100.0% | \$2,554,627 | 100.0% | \$2,516,784 | 100.0% |

CBTX, INC. AND SUBSIDIARY
Credit Quality (Unaudited)
(In thousands, except percentages)

| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | |
|---|-----------|-----------|------------|-----------|-----------|---|
| Nonperforming assets (at period end): | | | | | | |
| Nonaccrual loans: | | | | | | |
| Commercial and industrial | \$ 1,734 | \$ 2,533 | \$ 3,280 | \$ 2,444 | \$ 2,348 | |
| Real estate: | | | | | | |
| Commercial real estate | 2,092 | 2,217 | 3,216 | 5,038 | 4,964 | |
| Construction and development | 225 | 233 | 252 | 265 | 362 | |
| 1-4 family residential | 738 | 765 | 898 | 844 | 578 | |
| Multi-family residential | — | — | — | 1 | 3 | |
| Consumer | 4 | 21 | — | — | — | |
| Agricultural | — | — | — | — | — | |
| Nonaccrual loans | 4,793 | 5,769 | 7,646 | 8,592 | 8,255 | |
| Accruing loans 90 or more days past due | — | — | — | — | — | |
| Total nonperforming loans | 4,793 | 5,769 | 7,646 | 8,592 | 8,255 | |
| Foreclosed assets, including other real estate: | | | | | | |
| Commercial real estate, construction and development, land and land development | 137 | 295 | 298 | 729 | 1,018 | |
| Residential real estate | — | — | 407 | 407 | 417 | |
| Total foreclosed assets | 137 | 295 | 705 | 1,136 | 1,435 | |
| Total nonperforming assets | \$4,930 | \$6,064 | \$8,351 | \$9,728 | \$9,690 | |
| Allowance for Loan Losses (at period end): | | | | | | |
| Commercial and industrial | \$7,648 | \$7,439 | \$7,257 | \$7,194 | \$8,466 | |
| Real estate: | | | | | | |
| Commercial real estate | 10,930 | 10,742 | 10,375 | 9,640 | 10,000 | |
| Construction and development | 3,335 | 3,356 | 3,482 | 3,364 | 3,313 | |
| 1-4 family residential | 1,404 | 1,329 | 1,326 | 1,282 | 1,138 | |
| Multi-family residential | 1,479 | 1,520 | 1,419 | 1,360 | 1,341 | |
| Consumer | 479 | 517 | 566 | 626 | 599 | |
| Agricultural | 66 | 53 | 68 | 69 | 64 | |
| Other | 405 | 393 | 285 | 222 | 266 | |
| Total allowance for loan losses | \$25,746 | \$25,349 | \$24,778 | \$23,757 | \$25,187 | |
| Credit Quality Ratios (at period end): | | | | | | |
| Nonperforming assets to total assets | 0.16 | % 0.20 | % 0.27 | % 0.33 | % 0.33 | % |
| Nonperforming loans to total loans | 0.20 | % 0.24 | % 0.33 | % 0.39 | % 0.38 | % |
| Allowance for loan losses to nonperforming loans | 537.16 | % 439.40 | % 324.06 | % 276.50 | % 305.11 | % |
| Allowance for loan losses to total loans | 1.07 | % 1.08 | % 1.07 | % 1.08 | % 1.15 | % |

CBTX, INC. AND SUBSIDIARY
Allowance for Loan Losses (Unaudited)
(In thousands, except percentages)

For the Three Months Ended
6/30/2018 3/31/2018 12/31/2017 9/30/2017 6/30/2017

Analysis of Allowance for Loan Losses

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Allowance for loan losses at beginning of period | \$ 25,349 | \$ 24,778 | \$ 23,757 | \$ 25,187 | \$ 25,881 |
| Provision (recapture) for loan losses | 690 | 865 | 1,050 | (1,654) | (694) |
| Net (charge-offs) recoveries | | | | | |
| Commercial and industrial | (301) | (297) | 52 | 205 | 66 |
| Real estate: | | | | | |
| Commercial real estate | 5 | 3 | (118) | 2 | 2 |
| Construction and development | — | — | — | — | — |
| 1-4 family residential | — | (2) | (7) | 2 | 8 |
| Multi-family residential | — | — | — | — | — |
| Consumer | 3 | 2 | 9 | 4 | (90) |
| Agricultural | — | — | 35 | 11 | 6 |
| Other | — | — | — | — | 8 |
| Total net (charge-offs) recoveries | (293) | (294) | (29) | 224 | — |
| Allowance for loan losses at end of period | \$ 25,746 | \$ 25,349 | \$ 24,778 | \$ 23,757 | \$ 25,187 |
| Net charge-offs (recoveries) to average loans | 0.05 | % 0.05 | % — | % (0.04) | % — |

CBTX, INC. AND SUBSIDIARY

Non-GAAP to GAAP Reconciliation (Unaudited)

(In thousands, except per share data and percentages)

Our accounting and reporting policies conform to GAAP and the prevailing practices in the banking industry. However, we also evaluate our performance based on certain additional non-GAAP financial measures. We classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts or is subject to adjustments that have the effect of excluding or including amounts, that are not included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP as in effect from time to time in the United States in our statements of income, balance sheets or statements of cash flows. Non-GAAP financial measures do not include operating and other statistical measures or ratios or statistical measures calculated using exclusively financial measures calculated in accordance with GAAP. Non-GAAP financial measures should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Moreover, the way we calculate the non-GAAP financial measures may differ from that of other companies reporting measures with similar names.

We calculate (1) tangible equity as total shareholders' equity, less goodwill and other intangible assets, net of accumulated amortization, and (2) tangible book value per share as tangible equity divided by shares of common stock outstanding at the end of the relevant period. The most directly comparable GAAP financial measure for tangible book value per share is book value per share. We calculate tangible assets as total assets less goodwill and other intangible assets, net of accumulated amortization. The most directly comparable GAAP financial measure for tangible equity to tangible assets is total shareholders' equity to total assets. We believe that tangible book value per share and tangible equity to tangible assets are measures that are important to many investors in the marketplace who are interested in book value per share and total shareholders' equity to total assets, exclusive of change in intangible assets.

The following tables reconcile, as of the dates set forth below, total shareholders' equity to tangible equity, total assets to tangible assets and presents book value per share, tangible book value per share, tangible equity to tangible assets and shareholders' equity to total assets:

| | 6/30/2018 | 3/31/2018 | 12/31/2017 | 9/30/2017 | 6/30/2017 | | |
|--|--------------|--------------|--------------|--------------|--------------|--|---|
| Tangible Equity | | | | | | | |
| Total shareholders' equity | \$ 461,195 | \$ 451,571 | \$ 446,214 | \$ 381,121 | \$ 371,964 | | |
| Adjustments: | | | | | | | |
| Goodwill | 80,950 | 80,950 | 80,950 | 80,950 | 80,950 | | |
| Other intangibles | 6,276 | 6,521 | 6,770 | 7,031 | 7,298 | | |
| Tangible equity | \$ 373,969 | \$ 364,100 | \$ 358,494 | \$ 293,140 | \$ 283,716 | | |
| Tangible Assets | | | | | | | |
| Total assets | \$ 3,100,760 | \$ 3,074,790 | \$ 3,081,083 | \$ 2,989,838 | \$ 2,940,877 | | |
| Adjustments: | | | | | | | |
| Goodwill | 80,950 | 80,950 | 80,950 | 80,950 | 80,950 | | |
| Other intangibles | 6,276 | 6,521 | 6,770 | 7,031 | 7,298 | | |
| Tangible assets | \$ 3,013,534 | \$ 2,987,319 | \$ 2,993,363 | \$ 2,901,857 | \$ 2,852,629 | | |
| Common shares outstanding | 24,859 | 24,833 | 24,833 | 22,063 | 22,063 | | |
| Book value per share | \$ 18.55 | \$ 18.18 | \$ 17.97 | \$ 17.27 | \$ 16.86 | | |
| Tangible book value per share | \$ 15.04 | \$ 14.66 | \$ 14.44 | \$ 13.29 | \$ 12.86 | | |
| Total shareholders' equity to total assets | 14.87 | % 14.69 | % 14.48 | % 12.75 | % 12.65 | | % |
| Tangible equity to tangible assets | 12.41 | % 12.19 | % 11.98 | % 10.10 | % 9.95 | | % |

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Source: CommunityBank of Texas, N.A.