

| 2023 Annual Report

 Texas Capital Bancshares, Inc.

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## About Us

Texas Capital Bancshares, Inc. (NASDAQ: TCBI), a member of the Russell 2000 Index and the S&P MidCap 400, is the parent company of Texas Capital, a full-service financial services firm that delivers customized solutions to businesses, entrepreneurs, and individual customers. Founded in 1998, the firm is headquartered in Dallas with offices in Austin, Houston, San Antonio, and Fort Worth, and has built a network of clients across the country. With the ability to service clients through their entire lifecycles, Texas Capital has established commercial banking, consumer banking, investment banking and wealth management capabilities.

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## Corporate Information

### Annual Meeting

The annual meeting of stockholders will be held on April 16, 2024, at 7:30 a.m., central daylight time, at 2000 McKinney Avenue, 9th Floor, Dallas, Texas 75201

### Stock Exchange

Texas Capital Bancshares, Inc. is traded under the symbol TCBI on the Nasdaq Stock Market\*

### Transfer Agent

Computershare  
250 Royall Street, Mail Stop 1A  
Canton, Massachusetts 02021  
800.568.3476

### Corporate Headquarters

2000 McKinney Avenue  
Dallas, Texas 75201  
214.932.6600

### Other Information

Corporate governance and other investor information may be found at [www.texascapitalbank.com](http://www.texascapitalbank.com)

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## Board of Directors

**Robert W. Stallings** *Chairman, Texas Capital Bancshares, Inc.; Chairman and Chief Executive Officer, Stallings Capital Group, Inc.*

**Rob C. Holmes** *Chief Executive Officer and President of Texas Capital Bancshares, Inc. and Texas Capital*

**Paola M. Arbour** *Executive Vice President and Chief Information Officer, Tenet Healthcare Corp.*

**Jonathan E. Baliff** *Chief Financial Officer and Director, Redwire Corporation*

**James H. Browning** *Former Partner, KPMG LLP*

**David S. Huntley** *Former Senior Vice President and Chief Compliance Officer, AT&T Inc.*

**Charles S. Hyle** *Former Chief Risk Officer, KeyCorp*

**Thomas E. Long** *Co-Chief Executive Officer and Director, Energy Transfer LP*

**Elysia Holt Ragusa** *Principal, RCubetti LLC*

**Steven P. Rosenberg** *President, SPR Ventures, Inc.*

**Dale W. Tremblay** *Executive Chairman, C.H. Guenther & Son LLC*

**Laura L. Whitley** *Chief Financial Officer, Urban Strategies*

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## Executive Officers

**Rob C. Holmes** *Chief Executive Officer and President of Texas Capital Bancshares, Inc. and Texas Capital*

**Anna M. Alvarado** *Chief Legal Officer and Corporate Secretary of Texas Capital Bancshares, Inc. and Texas Capital*

**John W. Cummings** *Chief Administrative Officer of Texas Capital Bancshares, Inc. and Texas Capital*

**J. Matthew Scurlock** *Chief Financial Officer of Texas Capital Bancshares, Inc. and Texas Capital*

**Tim J. Storms** *Chief Risk Officer of Texas Capital Bancshares, Inc. and Texas Capital*

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

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended December 31, 2023

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 001-34657

**TEXAS CAPITAL BANCSHARES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

75-2679109

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

2000 McKinney Avenue

Suite 700

Dallas TX USA

(Address of principal executive offices)

75201

(Zip Code)

214/932-6600

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.01 per share	TCBI	Nasdaq Stock Market
5.75% Non-Cumulative Perpetual Preferred Stock Series B, par value \$0.01 per share	TCBIO	Nasdaq Stock Market

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the issuer is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 (Section 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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to Section 240.10D-1(b).

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 June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the shares of common stock held by non-affiliates, based on the closing price per share of the registrant's common stock as reported on The Nasdaq Global Select Market, was approximately \$2,447,009,000.

There were 47,409,350 shares of the registrant's common stock outstanding on February 9, 2024.

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## Forward-Looking Statements

Certain statements and financial analysis contained in this report that are not historical facts may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on beliefs, assumptions and expectations of future performance taking into account all information available to us at the time such statements are made. Forward-looking statements may often be identified by the use of words such as “believes,” “projects,” “expects,” “may,” “estimates,” “should,” “plans,” “targets,” “intends,” “could,” “would,” “anticipates,” “potential,” “confident,” “optimistic” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of strategy, objectives, estimates, guidance, expectations and future plans.

Forward-looking statements may include, among other things and without limitation, statements about the credit quality of loan portfolio, liquidity, general economic conditions in the United States and in the Company’s markets, including with respect to interest rates and the market generally, the material risks and uncertainties for the U.S. and world economies, and for the business, expectations regarding rates of default and loan losses, volatility in the mortgage industry, business strategies (including new lines of business, products and services) and expectations about future financial performance, future growth and earnings, the appropriateness of the allowance for credit losses and provision for credit losses, the impact of changing regulatory requirements and legislative changes on the business, increased competition, and technologies (including new technologies and information security risks).

Forward-looking statements are subject to various risks and uncertainties, which change over time, are based on management’s expectations and assumptions at the time the statements are made and are not guarantees of future results. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, the following:

- Deterioration of the credit quality of the loan portfolio or declines in the value of collateral due to external factors or otherwise.
- The ability to effectively manage credit risks.
- Economic or business conditions in Texas, the United States or globally that impact the Company or its customers.
- The ability to effectively manage liquidity risk.
- The ability to pursue and execute upon growth plans, whether as a function of capital, liquidity or other limitations.
- The extensive regulations to which the Company and the Bank are subject and the Company and the Bank’s ability to comply with applicable governmental regulations, including legislative and regulatory changes that may impose further restrictions and costs on the business, any regulatory enforcement actions that may be brought against us and the effect of changes in laws, regulations, policies and guidelines (including, among others, those concerning taxes, banking, accounting, securities and monetary and fiscal policies) with which the Company must generally comply.
- The ability to effectively manage the information technology systems, including third party vendors, cyber or data privacy incidents or other failures, disruptions or security breaches.
- Elevated or further changes in interest rates, including the impact of interest rates on the Company’s securities portfolio and funding costs, as well as related balance sheet implications stemming from the fair value of our assets and liabilities.
- Changes in market risk associated primarily with the Company’s sales and trading activities.
- Material failures of accounting estimates and risk management processes based on management judgment, or the supporting assumptions or models.
- The ability to effectively manage interest rate risk.
- The effectiveness of the Company’s risk management processes strategies and monitoring.
- Negative press and social media attention with respect to the banking industry or the Company, in particular.
- Recent adverse developments in the banking industry highlighted by high-profile bank failures and the potential impact of such developments on customer confidence, liquidity and regulatory responses to these developments, including in the context of regulatory examinations and related findings and actions.
- Fluctuations in commercial and residential real estate values, especially as they relate to the value of collateral supporting the Company’s loans.
- Claims and litigation that may arise in the ordinary course of business, including those that may not be covered by insurers.

- The ability to successfully execute its business strategy, including developing and executing new lines of business and new products and services.
- The failure to identify, attract and retain key personnel and other employees.
- Increased or expanded competition from banks and other financial service providers in Company markets.
- The susceptibility of fraud on the business.
- The failure to maintain adequate regulatory capital to support the business.
- Environmental liability associated with properties related to lending activities.
- Severe weather, natural disasters, acts of war or terrorism, global conflict (including those already reported by the media, as well as others that may arise) or other external events.
- Climate change and related legislative and regulatory initiatives.
- The ability to effectively manage ESG risks.
- Risks relating to securities, including the volatility of stock price, rights of holders of the indebtedness and preferred stock and other related factors.
- Other factors and other information in this Report and in other reports and filings that we make with the SEC, including, without limitation, those found in “Part 1 – Item 1A. Risk Factors” of this Report.

Actual outcomes and results may differ materially from what is expressed in the Company’s forward-looking statements and from its historical financial results due to the factors discussed elsewhere in this report or disclosed in the Company’s other SEC filings. Forward-looking statements included herein speak only as of the date hereof and should not be relied upon as representing the Company’s expectations or beliefs as of any date subsequent to the date of this report. Except as required by law, the Company undertakes no obligation to revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. The factors discussed herein are not intended to be a complete summary of all risks and uncertainties that may affect the Company’s businesses. Though management strives to monitor and mitigate risk, the Company cannot anticipate all potential economic, operational and financial developments that may adversely impact its operations and the financial results. Forward-looking statements should not be viewed as predictions and should not be the primary basis upon which investors evaluate an investment in the Company’s securities.

## **ITEM 1.**

## ***BUSINESS***

### **Background**

Texas Capital Bancshares, Inc. (“TCBI” or the “Company”) is a registered bank holding company and a full-service financial services firm that delivers customized solutions to businesses, entrepreneurs and individual customers. TCBI is headquartered in Dallas, with primary banking offices in Austin, Dallas, Fort Worth, Houston and San Antonio, and has built a network of clients across the country. Substantially all of the Company’s business activities are conducted through its wholly-owned subsidiary bank Texas Capital Bank (the “Bank”).

The Company was incorporated as a Delaware corporation in 1996 and commenced banking operations in 1998.

### **Business Strategy and Markets**

The Company was founded with an entrepreneurial culture and a mission to build a commercial banking presence across Texas. Drawing on the banking experience and business and community ties of management, the Company’s strategy has evolved to become a Texas-based full-service financial services firm that can seamlessly serve the best clients in its markets through the entirety of their life cycles. A core tenant of this strategy is the maintenance of financial resiliency through market and rate cycles enabling the Company to serve its clients, access markets, and support its communities through changing market conditions. The Company is well positioned with a wide range of relevant products and services along with best-in-class levels of liquidity, credit reserves and capital.

### **Competition**

The Company’s business is concentrated in Texas which is a highly competitive market for banking services. TCBI competes with national, regional, and local bank holding companies and commercial banks. The largest banking organizations operating in Texas are headquartered outside of the state and are controlled by out-of-state organizations. TCBI also competes with other providers of financial services, such as non-bank financial institutions, commercial finance and leasing companies, consumer finance companies, financial technology companies, securities firms, insurance companies, full-service brokerage firms and discount brokerage firms, credit unions and savings and loan associations. As a tenant of TCBI’s strategic plan, the Company believes that commercial businesses, entrepreneurs and professionals are interested in banking with a company both headquartered and with decision-making authority based in Texas.

The Company’s banking centers in its target markets are served by experienced bankers with expertise in the specific industries found in their market areas and established community ties. The Company believes it is positioned to offer clients more responsive and personalized service and advice than its competitors. By providing effective service to these customers, the Company believes it will be able to establish “first call” relationships, and provide all the banking needs of its customers, thereby enhancing its relevance and financial returns.

While the Texas market continues to be central to its growth and success, the Company has built several lines of business that offer specialized products and services to businesses and individuals regionally and nationwide, including mortgage finance, homebuilder finance, investment banking and Bask Bank. Bask Bank is an online division of the Bank that offers depositors American Airlines AAdvantage® miles in lieu of cash interest as well as traditional interest bearing deposit products such as savings accounts and certificates of deposit. The Company believes these business lines help to mitigate its geographic concentration risk in Texas.

### **Products and Services**

The Company offers a variety of loan, deposit account and other financial products and services to its customers.

*Business Customers.* The Company offers a full range of products and services oriented to the needs of its business customers including commercial loans for general corporate purposes, including financing for working capital, organic growth, and acquisitions; real estate term and construction loans; mortgage warehouse lending and mortgage finance services; treasury management services, including online banking and debit and credit card services; investment banking and advisory services; and letters of credit.

*Individual Customers.* The Company also provides comprehensive banking services for its individual customers including personal wealth management and trust services; certificates of deposit; interest bearing and non-interest bearing checking accounts; traditional money market and savings accounts; loans, both secured and unsecured; online and mobile banking; investment banking and advisory services; and Bask Bank.

### **Lending Activities**

The Company targets its lending to commercial businesses, entrepreneurs and professionals who meet certain desired client characteristics and credit standards. The credit standards are set by a standing Credit Policy Committee with the assistance of the Chief Credit Officer, who is charged with ensuring that all loans in the portfolio meet the credit standards. The Credit Policy

Committee is comprised of senior Bank officers, including the Chief Risk Officer, the Chief Credit Officer and other Bank officers as deemed appropriate, and is subject to oversight by the Risk Committee of the Company's board of directors. The Company believes it maintains an appropriately diversified loan portfolio. Credit policies and underwriting guidelines are tailored to address the unique risks associated with each industry represented in the portfolio. Of note, the Company's mortgage finance business encounters seasonal demands for credit, surges and declines in consumer demand driven by changes in interest rates and month-end upticks of residential mortgage closings.

The credit standards for commercial borrowers are based on numerous criteria with respect to the borrower, including historical and projected financial information, strength of management, acceptable collateral and associated advance rates, and market conditions and trends in the borrower's industry. In addition, prospective loans are analyzed based on current industry concentrations in the loan portfolio to prevent an unacceptable concentration of loans in any particular industry. The Company believes its credit standards are consistent with achieving its business objectives in the markets it serves and are an important part of the Company's risk mitigation strategy. The Company believes that it is differentiated from its competitors by its client selection, focus on and targeted marketing to its core customers and by its ability to tailor its products to the individual needs of its customers.

The Company generally extends variable rate loans in which the interest rate fluctuates with a specified reference rate and may provide for a minimum floor rate. The use of variable rate loans is designed to protect the Company from risks associated with interest rate fluctuations since the rates of interest earned will automatically reflect such fluctuations.

### **Treasury Solutions and Deposit Products**

Texas Capital Bank offers treasury solutions and deposit products to meet its customers evolving needs. For commercial business customers, the Company offers a full suite of deposit solutions including checking, money market savings, and sweep accounts with competitive industry rates. Treasury products offered include state of the art payment and receivables solutions ranging from instant payments, wire, ACH, commercial card, merchant, and lockbox solutions underpinned by a commercial grade digital platform supporting a broad range of payment initiation, information reporting and liquidity management solutions.

Personal banking deposit products offered by the Bank include checking accounts, savings accounts, money market accounts and certificates of deposit. Personal banking deposit customers have online and mobile access to fully manage their accounts leveraging features that include funds transfers, peer-to-peer payments, bill pay, wire transfer requests, remote check deposit and more.

### **Wealth Management and Trust**

Texas Capital Bank Private Wealth Advisors ("PWA") services include investment management, lending, depository products, financial planning, trust and estate services, as well as insurance services. The PWA professionals work with clients to define objectives, goals, and strategies. Investment managers work alongside the client to choose an individually tailored program that matches their financial goals and aspirations while managing their risk tolerance. PWA also offers all clients a financial plan which is used to ensure that they are on track to achieve their long term objectives. Throughout the relationship PWA also offers insurance solutions as well as trust and estate planning services that work towards a tax efficient transition of assets to family or charitable types of organizations.

### **Investment Banking**

Texas Capital Securities ("TCS") offers a full suite of investment banking products and services to clients. TCS professionals leverage their knowledge of industry dynamics, transaction structure and market conditions complemented by a network of investors, buyers, lenders and other capital sources, to assist clients in completing underwritten and privately placed offerings of debt, convertible and equity securities, buy-side and sell-side mergers and acquisitions and other transactions. Additionally, TCS offers services to manage interest rate, foreign exchange, and commodity risks, and enable market access by offering sales, trading and other institutional services.

### **Human Capital**

The Company's focus is to attract, develop, engage and retain the best talent, and to plan for succession of key talent and executives to achieve strategic objectives. The Company is continually investing in its workforce to further emphasize diversity and inclusion and to foster its employees' growth and career development. Further, the Company is regularly evaluating the resources available to employees to address professional, financial and health-related matters, as the health, safety and well-being of employees and customers is of paramount importance. The Compensation and Human Capital Committee of the Board of Directors provides input and oversight of human capital management, including talent management, executive succession planning, diversity and inclusion and company culture.



At the Company, diversity, equity and inclusion (“DEI”) is an integral part of the strategy to build a strong culture where employees can reach their full potential professionally and personally. In 2023, the Company continued its inclusion efforts through cultural celebrations and employee engagement activities across markets, and the Company broadened communications internally and externally as it highlighted the stories and experiences of diverse leaders. Listening tours were conducted with employees to get their perspective of what DEI means to them and where the Company has opportunity to improve.

In 2022, we launched Employee Resource Groups (“ERGs”). In 2023, the Company focused on ensuring charters were clear and leadership was in place. The Company also prioritized proactive planning, strong execution, and defined processes. With new leadership teams in place, there was an exponential growth in employee engagement and programming. Employee participation increased by 40% and programming tripled year over year. In addition to advancing educational awareness, the ERGs led the way in creating opportunities for our employees to give back to the communities the Company serves through volunteerism.

The Company offers a comprehensive benefits program to its employees and designs compensation programs to attract, retain and motivate employees that align with Company performance. The Company’s performance management process is designed for succession planning deeper into the organization. The Company utilizes feedback from exit interviews to drive improvements where possible and reduced attrition by 6% in 2023.

The Company also continued enhancements to its training and development program during 2023, which included the completion of job profiles for roles across the Company with skills, knowledge, and abilities to empower employees to focus on targeted skill development and career ownership. Further, the Company expanded its use of leadership models, which identify the critical skills and behaviors necessary to be successful at every level, and success profiles, that describe the critical knowledge, skills and abilities needed for every role.

To help employees be successful in their roles, the Company implemented a new Human Capital Management System, which among other things, resulted in more streamlined HR processes, and creating a more favorable employee experience and engagement in HR-related activities.

At December 31, 2023, the Company had 1,987 employees, nearly all of whom are full time and of which approximately 42% were female and 43% self-identify as ethnically diverse. Due to the Company’s significant Texas-based operations and branch-lite network, the majority of its employees are based in Texas.

None of the Company’s employees are represented by a collective bargaining agreement, and management considers relations with employees to be good.

## **Regulation and Supervision**

*General.* The Company is subject to extensive federal and state laws and regulations that impose specific requirements and provide regulatory oversight of virtually all aspects of its operations. These laws and regulations generally are intended for the protection of depositors, the Deposit Insurance Fund (“DIF”) of the Federal Deposit Insurance Corporation (“FDIC”) and the stability of the U.S. banking system as a whole, rather than for the protection of stockholders and creditors. Complying with the regulations discussed below did not have and is not expected to have a material effect on capital expenditures, earnings and competitive position. The Company does not have any environmental control facilities and did not spend any capital expenditures on such facilities during 2023.

The following discussion summarizes certain laws, regulations and policies to which the Company is subject. It does not address all applicable laws, regulations and policies that affect the Company currently or might affect it in the future. This discussion is qualified in its entirety by reference to the full texts of the laws, regulations and policies described.

TCBI’s activities are governed by the Bank Holding Company Act of 1956, as amended (the “BHCA”). It is subject to primary regulation, supervision and examination by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) pursuant to the BHCA. The Company files quarterly reports and other information with the Federal Reserve. As a public company, the Company also files reports with the U.S. Securities and Exchange Commission (“SEC”) and is subject to its regulatory authority, including the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, with respect to the Company’s securities, financial reporting and certain governance matters. Because TCBI’s securities are listed on the Nasdaq Global Select Market (“Nasdaq”), the Company is subject to Nasdaq’s rules for listed companies, including rules relating to corporate governance.

The Bank is organized as a Texas state-chartered bank, and is subject to primary regulation, supervision and examination by the Texas Department of Banking and the FDIC. The Bank’s activities are also subject to regulation by the Consumer Financial Protection Bureau (the “CFPB”) and by certain other federal and state agencies. The Bank files quarterly reports of condition and income with the FDIC, which provides insurance for certain of the Bank’s deposits.

The Bank has a wholly owned non-bank subsidiary, TCBI Securities, Inc. (“TCBI Securities”), doing business as Texas Capital Securities, that is a registered broker-dealer with the SEC and a member of the Financial Industry Regulatory Authority

(“FINRA”). TCBI Securities is subject to the jurisdiction of several regulatory bodies, including the SEC, FINRA, and state securities regulators.

*Bank Holding Company Regulation.* The BHCA limits the Company’s business to banking, managing or controlling banks and other activities that the Federal Reserve has determined to be closely related to banking. The Gramm-Leach-Bliley Act of 1999, as amended (the “GLB Act”), allows bank holding companies meeting certain management, capital and Community Reinvestment Act standards to elect to be treated as a financial holding company that may offer customers a more comprehensive array of financial products and services. The Company has elected to register with the Federal Reserve as a financial holding company. This authorizes it to engage in any activity that is either (i) financial in nature or incidental to such financial activity, as determined by the Federal Reserve, or (ii) complementary to a financial activity, so long as the activity does not pose a substantial risk to the safety and soundness of the Bank or the financial system generally, as determined by the Federal Reserve. Examples of non-banking activities that are financial in nature include securities underwriting and dealing, insurance underwriting, providing investment and financial advice, leasing personal property and making merchant banking investments.

In order for the Company to undertake certain new activities permitted by the BHCA, the Company must be considered “well capitalized” (as defined below) and well managed, the Bank must have received a rating of at least “satisfactory” in its most recent examination under the Community Reinvestment Act, and must notify the Federal Reserve within 30 days of engaging in the new activity.

Under Federal Reserve regulations, which were codified by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), TCBI is expected to act as a source of financial and managerial strength to the Bank and commit resources to its support. Such support may be required even at times when a holding company may not be in a financial position, or otherwise inclined, to provide such resources. Additionally, TCBI could in certain circumstances be required to guarantee the capital restoration plan of the Bank if it became undercapitalized.

It is the policy of the Federal Reserve that bank holding companies may maintain their existing rate of cash dividends on common stock only out of net income available over the past year and only if the prospective rate of earnings retention is consistent with the organization’s expected future capital needs, asset quality and financial condition. As a general matter, the Federal Reserve expects a bank holding company’s board of directors to inform it and to eliminate, defer or significantly reduce the bank holding company’s dividends if (i) the bank holding company’s net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the bank holding company’s prospective rate of earnings retention is not consistent with the company’s capital needs and overall current and prospective financial condition or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. The policy provides that bank holding companies may not pay cash dividends in an amount that would undermine the holding company’s ability to serve as a source of strength to its banking subsidiary.

With certain limited exceptions, the BHCA and the Change in Bank Control Act of 1978, as amended (the “CIBC Act”), together with regulations promulgated thereunder, prohibit a person or company or a group of persons deemed to be an association or “acting in concert” from, directly or indirectly, acquiring 10% or more (5% or more if the acquirer is a bank holding company) of any class of the Company’s voting stock or obtaining the ability to control in any manner the election of a majority of the Company’s directors or otherwise direct the management or policies of the Company without prior notice or application to and the approval of the Federal Reserve.

If, in the opinion of the applicable federal bank regulatory authorities, a depository institution or holding company is engaged in or is about to engage in an unsafe or unsound practice (which could include the payment of dividends or repurchase or redemptions of securities), such authority may require, generally after notice and hearing, that such institution or holding company cease and desist such practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution’s or holding company’s capital base to an inadequate level would be such an unsafe or unsound banking practice. Declaring or paying dividends that exceed its earnings for the relevant period could result in supervisory findings by the Federal Reserve. Federal Reserve regulations require that the Company, under certain circumstances, provide prior notice to or obtain prior approval for redemptions or repurchases of its equity securities. Under such regulations, the Federal Reserve may disapprove such actions if the Federal Reserve finds that they would constitute an unsafe or unsound practice or violate any law or Federal Reserve order.

*Regulation of the Bank by the Texas Department of Banking and the FDIC.* Pursuant to applicable Texas and federal law, Texas state-chartered banks are permitted to engage in any activity permissible for national banks, including non-banking activities that are permissible for national banks. In addition, Texas state-chartered banks may engage in financial activities or activities incidental or complementary to a financial activity with prior approval.

The Bank is subject to continuous regulation, supervision and examination by the Texas Department of Banking and the FDIC. The regulators monitor all areas of the Bank’s operations, including security devices and procedures, adequacy of capitalization and loss reserves, accounting treatment and impact on capital determinations, loans, investments, borrowings, deposits,

liquidity, mergers, issuances of securities, payment of dividends, interest rate risk management, establishment of branches, corporate reorganizations, maintenance of books and records, and adequacy of staff training to carry on safe and sound lending and deposit gathering practices. Among other things, the Bank is required by its regulators to maintain specified capital ratios, file quarterly reports of its financial condition and results of operations and to obtain an annual audit of its financial statements.

*Regulation of the Bank by the CFPB.* The CFPB has regulation, supervision and examination authority over the Bank with respect to substantially all federal statutes and regulations protecting the interests of consumers of financial services, including but not limited to the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Truth in Savings Act, the Right to Financial Privacy Act and the Electronic Funds Transfer Act and their respective related regulations. Penalties for violating these laws and regulations could subject the Bank to lawsuits and administrative penalties, including civil monetary penalties, payments to affected consumers and orders to halt or materially change the Bank's consumer banking activities. The CFPB has broad authority to pursue enforcement actions, including investigations, civil actions and cease and desist proceedings, and can refer civil and criminal findings to the Department of Justice for prosecution. The Bank is also subject to other federal and state consumer protection laws and regulations that, among other things, prohibit unfair, deceptive and abusive, corrupt or fraudulent business practices, untrue or misleading advertising and unfair competition.

*Capital Adequacy Requirements.* Federal banking regulators adopted a system using certain risk-based capital guidelines to evaluate the capital adequacy of banks and bank holding companies that is based upon the 1988 capital accord of the Bank for International Settlements' Basel Committee on Banking Supervision (the "Basel Committee"), a committee of central banks and bank regulators from the major industrialized countries that coordinates international standards for bank regulation. Under the guidelines, specific categories of assets and off-balance-sheet activities such as letters of credit are assigned risk weights, based generally on the perceived credit or other risks associated with the asset. Off-balance-sheet activities are assigned a credit conversion factor based on the perceived likelihood that they will become on-balance-sheet assets. These risk weights are multiplied by corresponding asset balances to determine a "risk weighted" asset base, which is then measured against various forms of capital to produce capital ratios.

In 2010, the Basel Committee released a set of international recommendations for strengthening the regulation, supervision and risk management of banking organizations, known as Basel III. In July 2013, the Federal Reserve published final rules for the adoption of the Basel III regulatory capital framework (the "Basel III Capital Rules"). The Basel III Capital Rules became effective for the Company on January 1, 2015, with certain transition provisions phasing in over a period that ended on January 1, 2019.

The Basel III Capital Rules, among other things, (i) establishes the capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting stated requirements, (iii) requires that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) defines the scope of the deductions/adjustments to the capital measures. The Basel III Capital Rules also specify a capital measure for Tier 2 capital, which includes subordinated debt and a portion of the allowance for credit losses, in each case, subject to certain regulatory requirements. The Company's preferred stock constitutes Additional Tier 1 capital and subordinated notes constitute Tier 2 capital.

The Basel III Capital Rules set the CET1 risk-based capital requirement, the Tier 1 risk-based capital requirement and the total risk-based capital requirement to a minimum of 4.5%, 6.0% and 8.0%, respectively, each plus a 2.5% capital conservation buffer composed entirely of CET1, producing targeted ratios of 7.0%, 8.5% and 10.5%, respectively. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers. The leverage ratio requirement under the Basel III Capital Rules, calculated as the ratio of Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets and certain other deduction), is 4.0%. Under the Basel III Capital Rules, the Company and the Bank must maintain CET1, Tier 1 and total capital ratios that are equal to or greater than 7.0%, 8.5% and 10.5%, respectively, and a leverage ratio equal to or greater than 4.0%.

The Company has met the capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis since it commenced filing of the applicable reports with its federal banking regulators, and as of December 31, 2023 the Bank's CET1 risk-based capital ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio were in excess of the amounts required for the Bank to be classified as "well capitalized" for purposes of the FDIC's prompt corrective action regulations, which is discussed in more detail below.

Because the Company had less than \$15 billion in total consolidated assets as of December 31, 2009, it is allowed to continue to classify its trust preferred securities, all of which were issued prior to May 19, 2010, as Tier 1 capital up to 25% of that measure. However, the treatment of existing trust preferred securities as capital may be subject to further regulatory change prior to their maturity, which could require the Company to seek additional capital. As a non-advanced approaches banking organization, the Company has elected to exclude the effects of certain accumulated other comprehensive income ("AOCI")

items included in stockholders' equity for the determination of regulatory capital and capital ratios under the Basel III Capital Rules.

In August 2020, the U.S. federal banking agencies adopted a final rule altering the definition of eligible retained income in their respective capital rules. Under the new rule, eligible retained income is the greater of a firm's (i) net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) average net income over the preceding four quarters. An institution's eligible retained income, when considered in conjunction with capital ratios and the capital conservation buffer, provides limitations on capital distributions (including dividends and share repurchases) and certain executive compensation arrangements for the quarter following the calculation. As of December 31, 2023, the Company was permitted to use 100% of its eligible retained income for these purposes in the first quarter of 2024.

In February 2019, the federal bank regulatory agencies issued a final rule (the "2019 CECL Rule") that revised certain capital regulations to account for changes to credit loss accounting under accounting principles generally accepted in the United States ("GAAP"). The 2019 CECL Rule included a transition option that allows banking organizations to phase in, over a three-year period, the day-one adverse effects of adopting the new accounting standard related to the measurement of current expected credit losses ("CECL") on their regulatory capital ratios (three-year transition option). In March 2020, the federal bank regulatory agencies issued an interim final rule that maintains the three-year transition option of the 2019 CECL Rule and also provides banking organizations that were required under GAAP to implement CECL before the end of 2020 the option to delay for two years an estimate of the effect of CECL on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company adopted CECL on January 1, 2020 and elected to utilize the five-year transition option.

Regulators may change capital and liquidity requirements, including previous interpretations of practices related to risk weights, which could require an increase to the allocation of capital to assets held by the Bank. Regulators could also require the Company to make retroactive adjustments to financial statements to reflect such changes. A regulatory capital ratio or category may not constitute an accurate representation of a financial institution's overall financial condition or prospects. The Company's regulatory capital status is addressed in more detail under the heading "*Liquidity and Capital Resources*" within *Management's Discussion and Analysis of Financial Condition and Results of Operations* and in Note 10 - Regulatory Ratios and Capital in the accompanying notes to the consolidated financial statements included elsewhere in this report.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA") established a system of prompt corrective action regulations and policies to resolve the problems of undercapitalized insured depository institutions. Under this system, insured depository institutions are ranked in one of five capital categories as described below. Regulators are required to take mandatory supervisory actions and are authorized to take other discretionary actions of increasing severity with respect to insured depository institutions in the three undercapitalized categories. The five capital categories for insured depository institutions under the prompt corrective action regulations consist of:

- Well capitalized - equals or exceeds a 10% total risk-based capital ratio, 8% Tier 1 risk-based capital ratio, 6.5% CET1 capital ratio and 5% leverage ratio and is not subject to any written agreement, order or directive requiring it to maintain a specific level for any capital measure;
- Adequately capitalized - equals or exceeds an 8% total risk-based capital ratio, 6% Tier 1 risk-based capital ratio, 4.5% CET1 capital ratio and 4% leverage ratio;
- Undercapitalized - total risk-based capital ratio of less than 8%, or a Tier 1 risk-based ratio of less than 6%, a CET1 capital ratio of less than 4.5% or a leverage ratio of less than 4%;
- Significantly undercapitalized - total risk-based capital ratio of less than 6%, or a Tier 1 risk-based capital ratio of less than 4%, a CET1 capital ratio of less than 3% or a leverage ratio of less than 3%; and
- Critically undercapitalized - a ratio of tangible equity to total assets equal to or less than 2%.

The prompt corrective action regulations provide that an institution may be downgraded to the next lower category if its regulator determines, after notice and opportunity for hearing or response, that the institution is in an unsafe or unsound condition or has received and not corrected a less-than-satisfactory rating for any of the categories of asset quality, management, earnings or liquidity in its most recent examination.

Federal bank regulatory agencies are required to implement arrangements for prompt corrective action for institutions failing to meet minimum requirements to be at least adequately capitalized. FDICIA imposes an increasingly stringent array of restrictions, requirements and prohibitions as an organization's capital levels deteriorate. A bank rated "adequately capitalized" or below may not accept, renew or roll over brokered deposits unless it receives a waiver from the FDIC. A "significantly undercapitalized" institution is subject to mandated capital raising activities, restrictions on interest rates paid and transactions with affiliates, removal of management and other restrictions. The FDIC has only very limited discretion in dealing with a

“critically undercapitalized” institution and generally must appoint a receiver or conservator if the capital deficiency is not corrected promptly.

Under the Federal Deposit Insurance Act, as amended (the “FDIA”), “critically undercapitalized” banks may not, beginning 60 days after becoming critically undercapitalized, make any payment of principal or interest on their subordinated debt (subject to certain limited exceptions). In addition, under Section 18(i) of the FDIA, banks are required to obtain the advance consent of the FDIC to retire any part of their subordinated notes. Under the FDIA, a bank may not pay interest on its subordinated notes if such interest is required to be paid only out of net profits, or distribute any of its capital assets, while it remains in default on any assessment due to the FDIC.

In December 2020, the FDIC issued a final rule that is designed to bring the brokered deposits regulations in line with modern deposit taking methods and generally reduces the scope of deposits that would be classified as brokered, which most directly affects banks rated as “adequately capitalized” or “undercapitalized”. The final rule became effective on April 1, 2021, with an extended compliance date of January 1, 2022. Compliance with the final rule did not have an impact to the Company’s classification of brokered deposits.

Federal bank regulators may set capital requirements for a particular banking organization that are higher than the minimum ratios when circumstances warrant. Federal banking guidelines provide that banking organizations experiencing significant growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. Concentration of credit risks, interest rate risk (imbalances in rates, maturities or sensitivities) and risks arising from non-traditional activities, as well as an institution’s ability to manage these risks, are important factors taken into account by regulatory agencies in assessing an organization’s overall capital adequacy.

The risk-based and leverage capital ratios established by federal banking regulators are minimum supervisory ratios generally applicable to banking organizations that meet specified criteria, assuming that they otherwise have received the highest regulatory ratings in their most recent examinations. Banking organizations not meeting these criteria are expected to operate with capital positions in excess of the minimum ratios. Regulators can, from time to time, change their policies or interpretations of banking practices to require changes in risk weights assigned to the Bank’s assets or changes in the factors considered in order to evaluate capital adequacy, which may require the Bank to obtain additional capital to support existing asset levels or future growth or reduce asset balances in order to meet minimum acceptable capital ratios.

*Liquidity Requirements.* U.S. capital rules implementing the Basel III standards also include two quantitative liquidity tests for certain large banking organizations. One of the liquidity tests, referred to as the liquidity coverage ratio (“LCR”), is designed to ensure that a banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario.

The other test, referred to as the net stable funding ratio (“NSFR”), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements encourage the covered banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and to increase the use of long-term debt as a funding source.

While the LCR and NSFR tests are not currently applicable to the Company or the Bank, other relevant measures of liquidity are monitored by management and are reported to the board of directors. Regulators may change capital and liquidity requirements, including previous interpretations of practices related to risk weights, which could require an increase in liquid assets or in the necessary capital to support the assets held by the Bank. Regulators could also require the Company to make retroactive adjustments to financial statements and reported capital ratios to reflect such changes.

*Stress Testing.* Pursuant to the Dodd-Frank Act and regulations published by the federal bank regulatory agencies, the Company was required to conduct an annual “stress test” of capital and consolidated earnings and losses under a base case and two severely adverse stress scenarios provided by federal bank regulatory agencies from the years 2016 to 2018. In response to this requirement, the Company developed dedicated staffing, economic models, policies and procedures to implement stress testing on an annual basis, the results of which were furnished to regulators. However, the Economic Growth, Regulatory Relief and Consumer Protection Act, enacted in 2018 (the “Regulatory Relief Act”) terminated TCBI’s stress testing requirements, however, the Company created its own stress testing framework and continues to perform certain stress tests as a matter of good governance and risk management and has incorporated the economic models and information developed through the stress testing program into the Company’s risk management and business, capital and liquidity planning activities, which are subject to continuing regulatory oversight.

*Privacy and Data Security.* The financial privacy provisions of the GLB Act generally prohibit financial institutions, including the Bank, from disclosing non-public personal financial information about customers to non-affiliated third parties unless customers have the opportunity to “opt out” of the disclosure and have not elected to do so. The Bank is required to comply with state laws regarding consumer privacy if they are more protective than the GLB Act.

The federal banking agencies have adopted guidelines for safeguarding confidential, personal customer information. The guidelines require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. In addition, various U.S. regulators have increased their focus on cyber security through guidance, examinations and regulations. Banking organizations are required to notify their primary federal regulator within 36 hours of becoming aware of a “computer-security incident” that rises to the level of a “notification incident.”

In February 2018, the SEC published interpretive guidance to assist public companies in preparing disclosures about cybersecurity risks and incidents. These SEC guidelines, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations.

In July 2023, the SEC issued a final rule to enhance and standardize disclosures regarding cybersecurity risk management, strategy, governance, and incident reporting by public companies that are subject to the reporting requirements of the Securities Exchange Act of 1934. Specifically, the final rule requires current reporting about material cybersecurity incidents, periodic disclosures about a registrant’s policies and procedures to identify and manage cybersecurity risk, management’s role in implementing cybersecurity policies and procedures, and the board of directors’ cybersecurity expertise, if any, and its oversight of cybersecurity risk. See Item 1C. Cybersecurity for a discussion of the Company’s cybersecurity risk management, strategy and governance.

Privacy and data security areas are expected to receive increased attention at the federal level. An increasing number of state laws and regulations have been enacted in recent years to implement privacy and cybersecurity standards and regulations, including data breach notification and data privacy requirements. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs that meet specified requirements. In addition, other jurisdictions in which customers do business, such as the European Union, have adopted similar requirements. This trend of activity is expected to continue to expand, requiring continual monitoring of developments in the states and nations in which the Company’s customers are located and ongoing investments in its information systems and compliance capabilities.

*Community Reinvestment Act.* The Community Reinvestment Act of 1977 (the “CRA”) requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit, making investments and providing community development services to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned one of four ratings. The Bank is subject to examination by the FDIC. In order for a financial holding company to commence new activity permitted by the BHCA, each insured depository institution subsidiary of the financial holding company must have received a rating of at least “satisfactory” in its most recent examination under the CRA. The Bank’s strategic focus on serving commercial customers in regional and national markets from a limited number of branches makes it more challenging for it to satisfy CRA requirements as compared to banks of comparable size that focus on providing retail banking services in markets where they maintain a network of full-service branches.

On October 24, 2023, the Office of the Comptroller of the Currency (“OCC”), Federal Reserve, and FDIC issued a final rule to modernize their respective CRA regulations. The revised rules substantially alter the methodology for assessing compliance with the CRA, with material aspects taking effect January 1, 2026 and revised data reporting requirements taking effect January 1, 2027. Among other things, the revised rules evaluate lending outside traditional assessment areas generated by the growth of non-branch delivery systems, such as online and mobile banking, apply a metrics-based benchmarking approach to assessment, and clarify eligible CRA activities. The final rules are likely to make it more challenging and/or costly for the Bank to receive a rating of at least “satisfactory” on its CRA exam.

*The USA Patriot Act, the International Money Laundering Abatement and Financial Anti-Terrorism Act and the Bank Secrecy Act.* A major focus of U.S. government policy regarding financial institutions in recent years has been combating money laundering, terrorist financing and other illegal payments. The USA Patriot Act of 2001 and the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 substantially broadened the scope of U.S. anti-money laundering laws and penalties, specifically related to the Bank Secrecy Act of 1970, and expanded the extra-territorial jurisdiction of the U.S. government in this area. Regulations issued under these laws impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and other suspicious activity and to verify the identity of their customers and apply additional scrutiny to customers considered to present greater than normal risk. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with relevant laws or regulations, could have serious legal, reputational and financial consequences for the institution. Because of the significance of regulatory emphasis on these requirements, the Company has expended, and expects to continue to expend, significant staffing, technology and financial resources to maintain

programs designed to ensure compliance with applicable laws and regulations and an effective audit function for testing compliance with the Bank Secrecy Act on an ongoing basis.

The Anti-Money Laundering Act of 2020 (“*AMLA*”), which amends the Bank Secrecy Act of 1970 (“*BSA*”), was enacted in January 2021. The *AMLA* is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for *BSA* compliance; and expands enforcement- and investigation-related authority, including increasing available sanctions for certain *BSA* violations and instituting *BSA* whistleblower incentives and protections.

*Office of Foreign Assets Control.* The U.S. Treasury Department’s Office of Foreign Assets Control (“*OFAC*”) is responsible for administering and enforcing economic and trade sanctions against specified foreign parties, including countries and regimes, foreign individuals and other foreign organizations and entities. *OFAC* publishes lists of prohibited parties that are regularly consulted by the Bank in the conduct of its business in order to ensure compliance. The Company is responsible for, among other things, blocking accounts of, and transactions with, prohibited parties identified by *OFAC*, avoiding unlicensed trade and financial transactions with such parties and reporting blocked transactions after their occurrence. Failure to comply with *OFAC* requirements could have serious legal, financial and reputational consequences for the Company.

*Safe and Sound Banking Practices; Enforcement.* Banks and bank holding companies are prohibited from engaging in unsafe and unsound banking practices. Bank regulators have broad authority to prohibit and penalize activities of bank holding companies and their subsidiaries which represent unsafe and unsound banking practices or which constitute violations of laws, regulations or written directives of or agreements with regulators. Regulators have considerable discretion in identifying what they deem to be unsafe and unsound practices and in pursuing enforcement actions in response to them.

The *FDIA* requires federal bank regulatory agencies to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions that relate to, among other things: (i) internal controls, information systems and audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate exposure; (v) asset growth and quality; and (vi) compensation and benefits. Federal banking agencies have adopted regulations and Interagency Guidelines Prescribing Standards for Safety and Soundness to implement these requirements, which regulators use to identify and address problems at insured depository institutions before capital becomes impaired. If a regulator determines that a bank fails to meet any standards prescribed by the guidelines, the bank may be required to submit an acceptable plan to achieve compliance and agree to specific deadlines for the submission to and review by the regulator of reports confirming progress in implementing the safety and soundness compliance plan. Failure to implement such a plan may result in an enforcement action against the bank.

Enforcement actions against the Company, the Bank and their respective officers and directors may include the issuance of a written directive, the issuance of a cease-and-desist order that can be judicially enforced, the imposition of civil money penalties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the issuance of removal and prohibition orders against officers or other institution-affiliated parties, the imposition of restrictions and sanctions under prompt corrective action regulations, the termination of deposit insurance (in the case of the Bank) and the appointment of a conservator or receiver for the Bank. Civil money penalties can be over \$2 million for each day a violation continues.

*Transactions with Affiliates and Insiders.* The Bank is subject to Section 23A of the Federal Reserve Act, as amended (the “*FRA*”) which places limits on, among other covered transactions, the amount of loans or extensions of credit to affiliates that may be made by the Bank. Extensions of credit to affiliates must be adequately collateralized by specified amounts and types of collateral. Section 23A also limits the amount of loans or advances made by the Bank to third party borrowers that are collateralized by securities or obligations of the Bank’s affiliates. The Bank is also subject to Section 23B of the *FRA*, which, among other things, prohibits an institution from engaging in transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with non-affiliates.

The Company is subject to restrictions on extensions of credit to insiders (namely executive officers, directors, and 10% stockholders) and their related interests. These restrictions are contained in the *FRA* and Federal Reserve Regulation O and apply to all insured depository institutions as well as their subsidiaries and holding companies. These restrictions include limits on loans to any individual insider and such insider's related interests and certain conditions that must be met before such loans can be made. There is also an aggregate limitation on all loans to insiders and their related interests, which cannot exceed the institution’s total unimpaired capital and surplus, unless the *FDIC* determines that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions.

*Restrictions on Payment of Dividends by the Bank.* The sole source of funding of *TCBI*’s financial obligations has consisted of proceeds of capital markets transactions and cash payments from the Bank. The Bank is subject to federal banking law requirements concerning the payment of dividends, including, under the *FDICIA*, the Bank may not pay any dividend if it is undercapitalized or if payment would cause it to become undercapitalized.

*Limits on Compensation.* The Federal Reserve, OCC and FDIC in 2010 issued comprehensive final guidance on incentive compensation policies for executive management of banks and bank holding companies. This guidance was intended to ensure that the incentive compensation policies of banking organizations do not undermine their safety and soundness by encouraging excessive risk-taking. The objective of the guidance is to ensure that incentive compensation arrangements (i) provide incentives that do not encourage excessive risk-taking, (ii) are compatible with effective internal controls and risk management and (iii) are supported by strong corporate governance, including oversight by the board of directors. In 2016, as required by the Dodd-Frank Act, the Federal Reserve, the FDIC and the SEC proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2023, these rules have not been implemented.

*Deposit Insurance.* The Bank's deposits are insured through the DIF, which is administered by the FDIC, up to limits established by applicable law, currently \$250,000 per depositor, per account ownership category, per bank. The FDIC determines quarterly deposit insurance assessments consisting of a percentage of an assessment base equal to the Bank's average consolidated total assets less average tangible equity capital and the assignment of one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. The FDIC has the discretion to adjust an institution's risk rating and may terminate its insurance of deposits upon a finding that the institution engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered into with the FDIC. The FDIC may also prohibit any FDIC-insured institution from engaging in any activity it determines to pose a serious risk to the DIF.

For 2023, the FDIC assigned assessment rates based on a scorecard considering CAMELS component ratings, financial measures used to measure a bank's ability to withstand asset-related and funding-related stress, and a measure of loss severity that estimates the relative magnitude of potential losses to the FDIC in the event of the bank's failure, all subject to certain adjustments. As of June 30, 2020, the DIF reserve ratio fell to 1.30%, below the statutory minimum of 1.35%. The FDIC, as required under the Federal Deposit Insurance Act, established a plan on September 15, 2020 to restore the DIF reserve ratio to meet or exceed the statutory minimum of 1.35% within eight years. On October 18, 2022, the FDIC adopted an amended restoration plan to increase the likelihood that the reserve ratio would be restored to at least 1.35% by September 30, 2028. The FDIC's amended restoration plan increases the initial base deposit insurance assessment rate schedules uniformly by 2 basis points, which began the first quarterly assessment period of 2023. The FDIC could further increase the deposit insurance assessments for certain insured depository institutions, including the Bank, if the DIF reserve ratio is not restored as projected.

In November 2023, the FDIC approved a final rule to implement a special assessment to recover the loss to the DIF associated with several bank failures that occurred during early 2023. The assessment base for the special assessment is equal to estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first \$5 billion, to be collected at an annual rate of approximately 13.4 basis points for an anticipated total of eight quarterly assessment periods, beginning the first quarterly assessment period of 2024.

*The Volcker Rule.* The Dodd-Frank Act amended the BHCA to require the federal financial regulatory agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading in designated types of financial instruments and from investing in and sponsoring certain hedge funds and private equity funds. The Volcker Rule has not had a material effect on the Company's operations. Unanticipated effects of the Volcker Rule's provisions or future interpretations may have an adverse effect on business or services provided to the Bank by other financial institutions.

*Debit Card Interchange Fees.* Dodd-Frank includes a set of rules requiring that interchange transaction fees for electronic debit transactions be reasonable and proportional to certain costs associated with processing the transactions. Interchange fees for electronic debit transactions are limited to 21 cents plus 0.05% of the transaction, plus an additional one cent per transaction fraud adjustment. These rules impose requirements regarding routing and exclusivity of electronic debit transactions, and generally require that debit cards be usable in at least two unaffiliated networks. On October 25, 2023, the FRB proposed to lower the maximum interchange fee that a large debit card issuer can receive for a debit card transaction. The proposal would also establish a regular process for updating the maximum amount every other year going forward. We continue to monitor the development of these proposed rule revisions.

*Future Legislation and Regulation.* Laws, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies. In addition to the specific legislation and regulations described above, future legislation and regulations or changes to existing statutes, regulations or regulatory policies applicable to the Company and its subsidiaries may affect the business, financial condition and results of operations in adverse and unpredictable ways and increase reporting requirements and compliance costs. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted.



## Available Information

Under the Securities Exchange Act of 1934, the Company is required to file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information that we file electronically with the SEC.

The Company makes available, free of charge through its website, reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after such reports are filed with or furnished to the SEC. Additionally, the Company has adopted and posted on its website a code of business conduct that applies to the principal executive officer, principal financial officer and principal accounting officer. The address for the website is [www.texascapitalbank.com](http://www.texascapitalbank.com). Any amendments to, or waivers from, the code of business conduct applicable to the Company's executive officers will be posted on the website within four days of such amendment or waiver. The Company will provide a printed copy of any of the aforementioned documents to any requesting stockholder of the Company.

## ITEM 1A. **RISK FACTORS**

*The Company is subject to risk. The following discussion, along with management's discussion and analysis and the financial statements and footnotes, sets forth the most significant risks and uncertainties that management believes could adversely affect the business, financial condition or results of operations. Additional risks and uncertainties that management is not aware of or that management currently deems immaterial may also have a material adverse effect on the business, financial condition or results of operations. There is no assurance that this discussion covers all potential risks that the Company faces. The occurrence of the described risks could cause results to differ materially from those described in its forward-looking statements included elsewhere in this report or in other filings with the SEC, and could have a material adverse impact on the business, financial condition or results of operations.*

### Summary of Risk Factors

The following is a summary of the most significant risks and uncertainties that management believes could adversely affect the business, financial condition or results of operations. In addition to the following summary, you should consider the other information set forth in this "Risk Factors" section and the other information contained in this report before investing in the Company's securities.

#### *Credit Risks*

- The Company must effectively manage its credit risks.
- A significant portion of the Company's assets consists of commercial loans, which may involve a higher degree of credit risk.
- The Company is subject to risks arising from conditions in the real estate market, as a significant portion of its loans are secured by commercial and residential real estate.
- Future profitability depends, to a significant extent, upon commercial business customers.
- The Company's business is concentrated in Texas and exposure to the Texas economy, including the energy industry, could adversely affect its performance.
- The Company must effectively manage its counterparty risk.
- The Company must maintain an appropriate allowance for credit losses.
- Changes in accounting standards could materially affect how the Company reports its financial results.

#### *Liquidity Risks*

- The Company must effectively manage its liquidity risk.
- The Company's growth plans are dependent on the availability of capital and funding.
- The Company is dependent on funds obtained from borrowing or capital transactions or from the Bank to fund its obligations.

#### *Market Risks*

- The Company must effectively manage its interest rate risks.
- The Company must effectively manage market risk associated primarily with sales and trading activities.
- Rising interest rates have decreased the value of the Company's securities portfolio, and the Company may realize losses if it were to sell such securities.

#### *Strategic Risks*

- The Company must be effective in developing and executing new lines of business and new products and services while managing associated risks.
- The Company competes with many banks and other traditional, non-traditional, brick and mortar and online financial service providers.
- The Company must effectively execute its business strategy in order to continue asset and earnings growth.

### *Operational Risks*

- The Company, its vendors and customers must effectively manage information systems and cyber risk and threats which may result in disruptions, failures or breaches in security.
- A successful cyber attack affecting the Company could cause significant harm to the Company and its clients and customers.
- The Company's operations rely extensively on a broad range of external vendors.
- The Company must continue to attract, retain and develop key personnel.
- The Company's accounting estimates and risk management processes rely on management judgment, which may prove inadequate, wrong or be adversely impacted by inaccurate or mistakes in assumptions or models.
- The risk management strategies and processes may not be effective and the Company's controls and procedures, including disclosure controls and procedures and internal control over financial reporting, may fail or be circumvented.
- The business is susceptible to fraud and conduct risk.

### *Legal, Regulatory and Compliance Risks*

- The Company is subject to extensive government regulation and supervision and interpretations thereof.
- The Company must maintain adequate regulatory capital to support its business objectives and strategy.
- The Company is subject to claims and litigation in the ordinary course of its business, including claims that may not be covered by insurance.
- Any regulatory examination scrutiny or new regulatory requirements arising from the recent events in the banking industry could increase the Company's expenses and affect the Company's operations.

### *Other Risks Affecting the Business*

- The business faces unpredictable economic and business conditions.
- The soundness of other financial institutions could adversely affect the business.
- Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system.
- The Company is subject to environmental liability risk associated with lending activities.
- Severe weather, earthquakes, other natural disasters, pandemics, acts of war or terrorism and other external and geopolitical events could significantly impact the business.
- Climate change and related legislative and regulatory initiatives including interpretations thereof have the potential to disrupt the business and result in operational changes and expenditures that could significantly impact the business and the operations and creditworthiness of the Company's clients.
- Negative public opinion could damage the Company's reputation and adversely affect its earnings.
- Environmental, social and governance ("ESG") risks could adversely affect the Company's reputation and shareholder, employee, client and third-party relationships and may negatively affect the Company's stock price.

### *Risks Relating to Company Securities*

- The Company's stock price can be volatile.
- The holders of the Company's indebtedness and preferred stock have rights that are senior to those of its common stockholders.
- Federal legislation and regulations impose restrictions on the ownership of the Company's common stock.
- Anti-takeover provisions of the Company's certificate of incorporation, bylaws and Delaware law may make it more difficult for holders to receive a change in control premium.

## **Risk Factors Associated with the Business**

### **Credit Risks**

*The Company must effectively manage its credit risks.* The risk of non-payment of loans is inherent in commercial banking, which may result from many factors, including:

- Adverse changes in local, U.S. and global economic and industry conditions, and other geopolitical events;
- Declines in the value of collateral, including asset values that are directly or indirectly related to external factors such as commodity prices, real estate values, interest rates or geopolitical risks;
- Concentrations of credit associated with specific loan categories, industries or collateral types; and
- Exposures to individual borrowers and to groups of entities that may be affiliated on some basis that individually and/or collectively represent a larger percentage of the Company's total loans or capital than might be considered common at other banks of similar size.

The Company relies heavily on information provided by third parties when originating and monitoring loans. If this information is intentionally or negligently misrepresented and the Company does not detect such misrepresentations, the credit risk associated with the transaction may be increased. Although the Company attempts to manage its credit risk by carefully monitoring the concentration of its loans within specific loan categories and industries and through prudent loan approval and monitoring practices in all categories of lending, the Company cannot assure that its approval and monitoring procedures will reduce these lending risks. The Company's significant number of large credit relationships (above \$20 million) could exacerbate credit problems precipitated by a regional or national economic downturn. Competitive pressures could erode underwriting standards, leading to a decline in general credit quality and increases in credit defaults and non-performing asset levels. If the Company's credit portfolio management routines, policies and procedures are not able to adequately adapt to changes in economic, competitive or other conditions that affect customers and the quality of the loan portfolio, the Company may incur increased losses that could adversely affect its financial results and lead to increased regulatory scrutiny, restrictions on its lending activity or financial penalties.

*A significant portion of the Company's assets consists of commercial loans, which may involve a higher degree of credit risk.* The Company generally invests a greater proportion of its assets in commercial loans to business customers than other banking institutions of its size, and its business plan calls for continued efforts to increase its assets invested in these loans. Commercial loans may involve a higher degree of credit risk than other types of loans due, in part, to their larger average size, the effects of changing economic conditions on the businesses of the Company's commercial loan customers, the dependence of borrowers and counterparties on operating cash flow to service debt and the Company's reliance upon collateral which may not be readily marketable. Due to the greater proportion of these commercial loans in its portfolio and because the balances of these loans are, on average, larger than other categories of loans, losses incurred on a relatively small number of commercial loans could have a materially adverse impact on results of operations and financial condition.

*The Company is subject to risks arising from conditions in the real estate market, as a significant portion of its loans are secured by commercial and residential real estate.* The Company's real estate lending activities and its exposure to fluctuations in real estate collateral values are significant and may increase as its assets increase. The market value of real estate can fluctuate significantly in a relatively short period of time as a result of market conditions in the geographic area in which the real estate is located, in response to factors such as economic downturns, changes in the economic health of industries heavily concentrated in a particular area and in response to changes in market interest rates, which influence capitalization rates used to value revenue-generating commercial real estate. If the value of real estate serving as collateral for loans declines materially, a significant part of the loan portfolio could become under-collateralized and losses incurred upon borrower defaults would increase. Conditions in certain segments of the real estate industry, including homebuilding, lot development and mortgage lending, may have an effect on the values of real estate pledged as collateral for loans. The inability of purchasers of real estate, including residential real estate, to obtain financing may weaken the financial condition of borrowers who are dependent on the sale or refinancing of property to repay their loans. Changes in the economic health of certain industries can have a significant impact on other sectors or industries which are directly or indirectly associated with those industries and may impact the value of real estate in areas where such industries are concentrated.

*Future profitability depends, to a significant extent, upon commercial business customers.* The Company's future profitability depends, to a significant extent, upon revenue it receives from commercial business customers, and their ability to continue to meet their loan obligations. Adverse economic conditions or other factors affecting this market segment, and the Company's failure to timely identify and react to unexpected economic downturns, may have a greater adverse effect than other financial institutions that have a more diversified customer base. Additionally, the Company's inability to grow its commercial business customer base in a highly competitive market could affect its future growth and profitability.

*The Company's business is concentrated in Texas and exposure to the Texas economy, including the energy industry, could adversely affect its performance.* Although more than 50% of the Company's loan exposure is outside of Texas and more than 50% of its deposits are sourced outside of Texas, the Texas concentration remains significant compared to peer banks. A majority of the loans held for investment, excluding mortgage finance loans and other national lines of business, are to businesses with headquarters or operations in Texas. As a result, the Company's financial condition and results of operations may be strongly affected by any prolonged period of economic recession or other adverse business, economic or regulatory conditions affecting Texas businesses and financial institutions. Furthermore, while the Texas economy is increasingly more diversified, the energy sector continues to play an important role in the overall Texas economy. Furthermore, energy production and related industries represent a significant part of the economies in some of the primary markets in which the Company operates. The Company's portfolio of energy loans consists primarily of producing reserve-based loans to exploration and production companies, with a smaller portion of loan balances attributable to royalty owners, midstream operators, saltwater disposal and other service companies whose businesses primarily relate to production, not exploration and development, of oil and gas. These businesses are significantly affected by volatility in oil and natural gas prices, reserve depletion curves, material declines in the level of drilling and production activity in Texas and in other areas of the United States and material fluctuations in investor interest in oil and gas exploration and production investments. There is no assurance that the Company will not be materially adversely impacted by the direct and indirect effects of current and future economic conditions in Texas.

*The Company must effectively manage its counterparty risk.* Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other financial market participants. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be increased when the collateral securing its loans cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of its credit or derivative exposure. Any such losses could have a material adverse effect on the business, financial condition, results of operations or profitability.

*The Company must maintain an appropriate allowance for credit losses.* Management's experience in the banking industry indicates that some portion of the Company's loans will become delinquent, and some may only be partially repaid or may never be repaid at all. The Company maintains an allowance for credit losses on loans, which is a reserve established through a provision for credit losses charged to expense each quarter, that is consistent with management's assessment of the collectability of the loan portfolio in light of the amount of loans committed and outstanding and current and future economic conditions and market trends. When specific loan losses are identified, the amount of the expected loss is removed, or charged off, from the allowance. Management's methodology for establishing the appropriateness of the allowance for credit losses on loans depends on subjective application of risk grades as indicators of each borrower's ability to repay specific loans, together with an assessment of how actual or projected changes in competitor underwriting practices, competition for borrowers and depositors and other conditions in markets are likely to impact improvement or deterioration in the collectability of loans as compared to historical experience.

The Company has a substantially larger percentage of commercial, real estate and other categories of business loans relative to total assets than most other banks in the market and individual loans are generally larger as a percentage of the Company's total earning assets than other banks. As a result, the Company's business model may make it more vulnerable to changes in the underlying business credit quality than other entities with which the Company competes. The failure to maintain above-peer credit quality metrics could have a material adverse impact on growth and profitability. Historically, the Company has sought to take action prior to economic downturns by slowing growth rates and decreasing the risk level of its assets by, among other things, allowing runoff of loans that the Company believes may not perform well during a weakening or declining economic environment.

If management's assessment of inherent risk and losses in the loan portfolio is inaccurate, or geopolitical, economic and market conditions or borrowers' financial performance experience material unanticipated changes, the allowance may become inadequate, requiring larger provisions for loan losses that can materially decrease the Company's earnings or profitability. Federal regulators periodically review the Company's allowance for credit losses and based on their judgments or interpretations, which may be different than management's, may require the Company to change classifications or grades of loans, increase the allowance for credit losses or recognize further loan charge-offs. Any increase in the allowance for credit losses or in the amount of loan charge-offs required by the Company's methodology or regulatory agencies could have a negative effect on results of operations and financial condition.

*Changes in accounting standards could materially affect how the Company reports its financial results.* The Financial Accounting Standards Board and the SEC may change the financial accounting and reporting standards, or the interpretation of those standards, that govern the preparation of the Company's external financial statements from time to time. The impact of these changes or the application thereof on the Company's financial condition and operations can be difficult to predict.

For example, the Company adopted ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326)* on January 1, 2020 which replaced the incurred loss methodology for determining the provision for credit losses and allowance for credit losses with the CECL model. Implementation of CECL requires that management determines periodic estimates of lifetime expected future credit losses on loans in the provision for credit losses in the period when the loans are booked. The adoption of CECL resulted in an increase to the allowance for credit losses by \$9.1 million. The impact of CECL in future periods will be significantly influenced by the composition, characteristics and quality of the loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Should these factors materially change, the Company may be required to increase or decrease the allowance for credit losses, decreasing or increasing reported income, and introducing additional volatility into reported earnings.

## **Liquidity Risks**

*The company must effectively manage its liquidity risk.* The Company requires liquidity in the form of available funds to meet deposit, debt and other obligations as they come due, borrower requests to draw on committed credit facilities including unexpected demands for cash payments. While neither the Company nor the Bank is subject to Basel III liquidity regulations, the adequacy of its liquidity is a matter of regulatory interest given the significant portion of the balance sheet represented by loans as opposed to securities and other more marketable investments. The Company's principal source of funding consists of customer deposits, supplemented by its short-term and long-term borrowings, including federal funds purchased and Federal Home Loan Bank ("FHLB") borrowings. Recently proposed changes to the FHLB system could adversely impact the

Company's access to FHLB borrowings or increase the cost of such borrowings. The Company also relies on the availability of the mortgage secondary market provided by Ginnie Mae and the government sponsored entities ("GSEs") to support the liquidity of its residential mortgage assets. A substantial majority of the Company's liabilities consist of demand, savings, checking and money market deposits, which are payable on demand or upon relatively short notice. By comparison, a substantial portion of the assets are loans, most of which, excluding mortgage finance loans, cannot be collected or sold in so short a time frame, creating the potential for an imbalance in the availability of liquid assets to satisfy depositors and loan funding requirements.

An inability to raise funds through deposits, borrowings, the sale of securities and loans and other sources, or an inability to access the capital markets, could have a substantial negative effect on the Company's liquidity. Furthermore, such funding sources even if available could become more expensive, which could negatively impact the Company's profitability and net interest margin. The Company actively manages its available sources of funds to meet expected or anticipated needs under normal and financially stressed conditions, but there is no assurance that the Company will be able to make new loans, meet ongoing funding commitments to borrowers, or replace maturing deposits and advances as necessary under all possible circumstances. The Company's ability to obtain funding, including on attractive terms, could be impaired by factors beyond its control, such as disruptions in financial markets, negative expectations regarding the financial services industry generally or in the markets or negative perceptions of the Company, including credit ratings.

The Company sources a significant volume of its non-interest bearing deposits from its commercial clients, creating concentrations of deposits that may carry a greater risk of unexpected material withdrawals. These customers are more likely to actively monitor the Company's financial condition and results of operations and could withdraw their deposits quickly upon the occurrence of a material adverse development affecting the Company or its businesses or based on market rumors regarding the Company or other regional banks. In response to this risk, the Company has increased its liquidity and developed techniques for monitoring and planning for changes in liquidity and capital, but there is no assurance that the Company will maintain or have access to sufficient funding and capital to fully mitigate its liquidity risk.

One potential source of liquidity for the Company are brokered deposits arranged by brokers acting as intermediaries, typically larger money-center financial institutions. The Company receives these deposits from certain of its customers in connection with its delivery of other financial services to them or their customers. The deposits are subject to regulatory classification as brokered deposits even though the Company considers these to be relationship deposits and they are not subject to the typical risks or market pricing associated with conventional brokered deposits. However, brokered deposits are generally considered to be more sensitive to interest rates, with a higher withdrawal than other deposits if the rates offered are not competitive with rates offered by the Bank's competitors. Furthermore, banks with higher levels of brokered deposits may be viewed as having higher liquidity risks, which may lead to further deposit outflow.

If the Bank does not maintain regulatory capital above the level required to be well capitalized the Bank would be required to obtain FDIC consent for it to continue to accept, renew or roll over most deposits classified as brokered deposits, and there can be no assurance that the FDIC would consent under any circumstances. The Bank could also be required to suspend or eliminate deposit gathering from any source classified as brokered deposits. The FDIC can change the definition of brokered deposits or extend the classification to deposits not currently classified as brokered deposits. These non-traditional deposits are subject to greater operational and reputational risk of unexpected withdrawal than traditional demand and time deposits, particularly those provided by consumers. A significant decrease in balances of brokered deposits could have a material adverse effect on the Bank's and the Company's financial condition, results of operations or profitability. See *Management's Discussion and Analysis of Financial Condition and Results of Operations* below for further discussion of liquidity.

*The Company's growth plans are dependent on the availability of capital and funding.* The Company's historical ability to raise capital through the sale of capital stock and debt securities may be affected by economic and market conditions or regulatory changes that are beyond its control. Adverse changes in its operating performance or financial condition could make raising additional capital difficult or more expensive or limit access to customary sources of funding, including inter-bank borrowings, repurchase agreements and borrowings from the Federal Reserve Bank of Dallas ("Reserve Bank") or the FHLB. Unexpected changes in requirements for capital resulting from regulatory actions could require the Company to raise capital at a time, and at a price, that might be unfavorable, or could require that the Company forego continuing growth or reduce its then current loan portfolio. The Company cannot offer assurance that capital and funding will be available to it in the future, in needed amounts, upon acceptable terms or at all. The Company's efforts to raise capital could require the issuance of securities at times and with maturities, conditions and rates that are disadvantageous, and which could have a dilutive impact on its then or current stockholders. Factors that could adversely affect the Company's ability to raise additional capital or necessary funding include conditions in the capital markets, its financial performance, its credit ratings, regulatory actions and general economic conditions. Increases in cost of capital, including dilution and increased interest or dividend requirements, could have a direct adverse impact on the Company's operating performance and its ability to achieve its growth objectives.

The Company's mortgage finance business has experienced, and will likely continue to experience, highly variable usage of the Company's funding capacity resulting from seasonal demands for credit, surges in consumer demand driven by changes in

interest rates and month-end “spikes” of residential mortgage closings. These spikes could also result in the Company and the Bank having capital ratios that are below internally targeted levels or even levels that could cause the Bank to not be well capitalized and could affect liquidity levels. At the same time, managing this risk by declining to respond fully to the needs of customers could severely impact the business. The Company has historically responded to these variable funding demands by, among other things, increasing the extent of participations sold in its mortgage loan interests, as needed, and by maintaining a substantial borrowing relationship with the FHLB. Its mortgage finance customers have also provided significant low-cost deposit balances associated with the borrower escrow accounts created at the time certain mortgage loans are funded, which have benefited liquidity and net interest margin. In response to competitive pressures, the Company sometimes finds it necessary to pay interest on some of these accounts, as regulations allow or require and this trend may continue, which can affect its costs of funds. Individual escrow account balances also experience significant variability monthly as principal and interest payments, including ad valorem taxes and insurance premiums, are paid periodically. While the short average holding period of its mortgage interests of approximately 20 days will allow the Company, if necessitated by a funding shortfall, to rapidly decrease the size of the portfolio and its associated capital and funding requirements, any such action might significantly damage the business and important mortgage finance relationships.

*The Company is dependent on funds obtained from borrowing or capital transactions or from the Bank to fund its obligations.* The Company is a financial holding company engaged in the business of managing, controlling and operating the Bank. The Company conducts no material business or other activity at the parent company level other than activities incidental to holding equity and debt investments in the Bank. As a result, the Company relies on the proceeds of capital transactions, borrowings under its revolving line of credit and payments of interest and principal on loans made to the Bank to pay its operating expenses, to satisfy its obligations to debt holders and to pay dividends on its preferred stock. The profitability of the Bank is subject to fluctuation based upon, among other things, the cost and availability of funds, changes in interest rates and economic conditions in general. The Bank’s ability to pay dividends to the Company is subject to regulatory limitations that can, under certain adverse circumstances, prohibit the payment of dividends to it. The Company’s right to participate in any distribution from the liquidation or sale of the Bank’s assets is subject to the prior claims of the Bank’s creditors.

If the Company is unable to access funds from capital transactions, borrowing under its revolving line of credit or dividends or interest on loan payments from the Bank, the Company may be unable to satisfy its obligations to creditors or debtholders or pay dividends on its preferred stock.

### **Market Risks**

*The Company must effectively manage its interest rate risk.* The Company’s profitability is dependent to a large extent on its net interest income, which is the difference between the interest income paid on its loans and investments and the interest the Company pays to third parties such as its depositors, lenders and debtholders. Changes in interest rates can impact profits and the fair values of certain assets and liabilities. Models that the Company uses to forecast and plan for the impact of rising and falling interest rates may be incorrect or fail to consider the impact of competition and other conditions affecting loans and deposits.

Periods of volatile interest rates may have a material effect on the Company’s earnings. Throughout 2023, the Federal Reserve has increased the target Federal Funds rate at a steady pace, reaching its current range of 5.25% to 5.50% at the July 2023 meeting. At the most recent meeting in November 2023, the Federal Reserve voted to maintain this target range.

Increases in interest rates and economic conditions affecting consumer demand for housing can have a material impact on the volume of mortgage originations and refinancings, adversely affecting the profitability of the mortgage finance business. Interest rate risk can also result from mismatches between the dollar amounts of repricing or maturing assets and liabilities and from mismatches in the timing and rates at which the assets and liabilities reprice. The Company actively monitors and manages the balances of maturing and repricing assets and liabilities to reduce the adverse impact of changes in interest rates, but there can be no assurance that the Company will be able to avoid material adverse effects on net interest margin in all market conditions.

Rising interest rates in prior periods have increased interest expense, with a commensurate positive effect on net interest income, but may not be expected to do so in future periods. In a rising rate environment, competition for cost-effective deposits increases, making it more costly for the Company to fund loan growth. Rapid and unexpected volatility in interest rates creates additional uncertainty and potential for adverse financial effects. There can be no assurance that the Company will not be materially adversely affected by future changes in interest rates.

*The company must effectively manage market risk associated primarily with sales and trading activities.* In addition to interest rate risk, the Company is exposed to other forms of market risk, principally related to trading activities which support customer transactions. The Company has typically minimized the market and liquidity risks of customer-related positions with similar offsetting positions with broker-dealers.

The Company uses VaR as a primary risk measure to aggregate, monitor and limit risks at the portfolio level across all trading activities. VaR is calculated based on one year historical moves in key market risk factors relevant to the portfolio and it estimates potential loss on current portfolio at 95th percentile confidence interval.

*Rising interest rates have decreased the value of the Company's securities portfolio, and the Company may realize losses if it were to sell such securities.* As a result of inflationary pressures and the resulting rapid increases in interest rates over the last two years, the trading value of previously issued government and other fixed income securities has declined significantly. These securities make up a majority of the securities portfolio of most banks in the U.S., including the Company's, resulting in unrealized losses embedded in U.S. banks' securities portfolios. If the Company were to sell such securities with embedded unrealized losses, it may incur losses, which could impair the Company's capital, financial condition, and results of operations and require the Company to raise additional capital on unfavorable terms, thereby negatively impacting its profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, while the Federal Reserve Board has announced a Bank Term Funding Program available to eligible depository institutions secured by U.S. treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral at par, to mitigate the risk of potential losses on the sale of such instruments, there is no guarantee that this program or similar programs will be available in the future or effective in addressing liquidity needs on favorable terms as they arise.

### **Strategic Risks**

*The Company must be effective in developing and executing new lines of business and new products and services while managing associated risks.* The Company's business strategy involves developing and growing new lines of business and offering new products and services within existing lines of business to grow its client base, retain existing clients and realize strategic priorities for both loans and deposits. Substantial costs, risks and uncertainties are associated with these efforts, particularly in instances where the markets are not fully developed. Developing and marketing new activities requires that the Company invests significant time and resources before new sources of revenues, funding and profits can be realized. Timetables for the development and launch of new activities may not be achieved and price and profitability targets may not prove feasible, or their realization may be delayed. External factors, such as compliance with regulations, receipt of necessary licenses or permits, competitive alternatives and shifting market preferences, may also adversely impact the successful execution of new activities. New activities necessarily entail additional risks and may present additional risks to the effectiveness of the Company's system of internal controls and risk management strategies. All service offerings, including current offerings and new activities, may become more risky due to changes in economic, competitive and market conditions beyond the Company's control. Regulators could determine that the Company's or the Bank's risk management practices are not adequate or the Company's or the Bank's capital levels are not sufficiently in excess of well capitalized levels and take action to restrain growth. Failure to successfully manage these risks, generally and to the satisfaction of regulators, in the development and implementation of new lines of business or new products or services could have a material adverse effect on the business, results of operations and financial condition.

*The Company competes with many banks and other traditional, non-traditional, brick and mortar and online financial service providers.* Competition among providers of financial services in markets, in Texas, regionally and nationally, is intense. The Company competes with other financial and bank holding companies, state and national commercial banks, savings and loan associations, consumer finance companies, credit unions, securities brokerages, insurance companies, mortgage banking companies, money market mutual funds, asset-based non-bank lenders, government sponsored or subsidized lenders, financial technology companies and other financial services providers. Many of these competitors have substantially greater financial resources, lending limits and technological resources and larger branch networks than the Company does and are able to offer a broader range of products and services than the Company can, including systems and services that could more effectively protect customers from cyber threats. Many competitors offer lower interest rates and more liberal loan terms that appeal to borrowers but adversely affect net interest margin and assurance of repayment. The Company is increasingly faced with competition in many of its products and services by non-bank providers who may have competitive advantages of size, access to potential customers and fewer regulatory requirements. Failure to compete effectively for deposit, loan and other banking customers in any of the lines of business could cause the Company to lose market share, slow or reverse growth rate or suffer adverse effects on financial condition, results of operations or profitability. See the discussion above at Business – Competition for additional discussion of the Company's competition.

*The Company must effectively execute its business strategy in order to continue asset and earnings growth.* The Company's core strategy is to develop its business principally through organic growth by offering a differentiated banking experience to companies in high-value business segments. Its prospects for continued growth must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies. In order to execute the Company's business strategy successfully, the Company must, among other things:

- continue to identify and expand into suitable markets and lines of business, in Texas, regionally and nationally;
- develop new products and services and execute the full range of products and services more efficiently and effectively;

- attract and retain qualified front-line personnel in each of the targeted market segments to build customer base;
- respond to market opportunities promptly and nimbly while balancing the demands of risk management and compliance with regulatory requirements;
- expand loan portfolio in an intensely competitive environment while maintaining credit quality;
- attract sufficient deposits and capital to fund expected and anticipated loan growth and satisfy regulatory requirements;
- compete effectively for investment banking and broker-dealer customers;
- control expenses; and
- acquire and maintain sufficient qualified staffing and information technology and operational resources to support growth and compliance with regulatory requirements.

Failure to effectively execute the business strategy could have a material adverse effect on the business, future prospects, financial condition, results of operations or profitability.

### **Operational Risks**

*The Company, its vendors and customers must effectively manage information systems and cyber risk and threats which may result in disruptions, failures or breaches in security.* The Company, its vendors and customers all rely heavily on communications and information systems to conduct their respective businesses, store sensitive data and work effectively together. The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. The Company's ability to compete successfully depends in part upon its ability to use technology to provide products and services that will satisfy customer demands. Many of the Company's larger competitors invest substantially greater resources in technological capabilities than the Company does. The Company may not be able to effectively protect, develop and manage mission critical systems and IT infrastructure to support strategic business initiatives, which could impair its ability to achieve financial, operational, compliance and strategic objectives and negatively affect the business, results of operations, financial condition or profitability.

Communications and information systems and those of the Company's vendors and customers remain vulnerable to unexpected disruptions, failures and cyber-attacks. Any disruptions, failures or breaches in security of these systems could result in significant disruption to the Company's operations. Information security breaches and cyber-security-related incidents include, but are not limited to, attempts to access information, theft of information, credentials or other intellectual property, including customer and company information, malicious code, computer viruses and denial of service attacks that could result in unauthorized access, data breaches resulting in misuse, loss or destruction of data (including confidential customer and employee information), ransomware attacks, account takeovers, unavailability of service or other events. These types of threats may derive from human error, fraud or malice on the part of external or internal parties or may result from accidental technological failure. The risk, frequency and intensity of such attacks is escalating, including as a result of remote working arrangements, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication of these threats. Material failures or interruptions of these systems could impair the Company's ability to serve customers and to operate the business and could damage the Company's reputation, result in a loss of business, subject the Company or the Bank to additional regulatory scrutiny or enforcement or exposure to civil litigation, criminal penalties or financial liability. While the Company has developed extensive recovery plans, the Company cannot assure that those plans will be effective to prevent adverse effects resulting from system failures.

The use of the Company's cloud technologies is also critical to the operation of systems, and its reliance on cloud technologies is growing. Service disruptions in cloud technologies may lead to delays in accessing, or the loss of, data that is important to the businesses and may hinder clients' access to products and services.

The Company collects and stores sensitive data, including personally identifiable information of its customers and employees and in the ordinary course of business must allow certain vendors access to that data. Breaches of the systems or vendors' or customers' systems, thefts of data and other breaches and criminal activity may result in significant costs to respond or remediate losses if the Company or its vendors are at fault, damage to the Company's customer relationships, regulatory scrutiny and enforcement and loss of future business opportunities due to reputational damage. Even the most well-protected information, networks, systems and facilities remain potentially vulnerable because attempted security breaches, particularly cyber-attacks and intrusions, or disruptions will occur in the future, and because the techniques used in such attempts are rapidly and constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected for a period of time or at all. Accordingly, the Company may be unable to anticipate or be prepared for these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for the Company to entirely mitigate this risk.

Breaches can be perpetrated by unknown third parties, but could also be facilitated by employees either inadvertently or by consciously attempting to create disruption or certain acts of fraud. The Company's customers and employees have been, and



will continue to be, targeted by parties using fraudulent e-mails and other communications in attempts to misappropriate passwords, bank account information or other personal information or to introduce viruses or other malware through “Trojan horse” programs to the Company’s information systems, the information systems of merchants or third-party service providers and/or customers’ computers. Although the Company, with the help of third-party service providers, will continue to implement information security technology solutions and establish operational procedures to protect sensitive data, there can be no assurance that these measures will be effective. The Company advises, or alerts and provides some guidance to customers and evaluates and imposes security requirements on vendors regarding protection of their respective information systems, but there is no assurance that these actions will have the intended positive effects or will be effective to prevent losses or attacks. Successful cyber-attacks on the Company, vendors or customers may affect the Company’s reputation, and failure to meet customer expectations could have a material impact on the Company’s ability to attract and retain deposits as a primary source of funding.

A security breach or other significant disruption of information systems or those related to customers, merchants and third-party vendors, including as a result of cyber-attacks, could (i) disrupt the proper functioning of networks and systems and therefore the operations and/or those of certain customers; (ii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information; (iii) result in a violation of applicable privacy, data breach and other laws, subjecting the Company to additional regulatory scrutiny and exposure to civil litigation, criminal penalties, governmental fines or financial liability; (iv) require significant management attention and resources to respond, remediate or remedy the damages that result; or (v) harm the reputation or cause a decrease in the number of customers that choose to do business with the Company. The occurrence of any of the foregoing could have a material adverse effect on the business, financial condition, results of operations or profitability.

*A successful cyber attack affecting the Company could cause significant harm to the Company and its clients and customers.* The Company and similar financial institutions are subject to continuous threats from cyber attacks on its computer systems, software, networks and other technology from various actors, including groups acting on behalf of hostile countries, cyber-criminals, “hacktivists” (i.e., individuals or groups that use technology to promote a political agenda or social change) and others. These cyber attacks can take many forms, including attempts to introduce computer viruses or malicious code, which are commonly referred to as “malware,” into the Company’s systems. These attacks are often designed to: obtain unauthorized access to confidential information belonging to the Company or its clients, customers, counterparties or employees, manipulate data, destroy data or systems with the aim of rendering services unavailable, disrupt, sabotage or degrade service on the Company’s systems, steal money, or extort money through the use of so-called “ransomware.” The Company has experienced security breaches and cyber attacks in the past, and it is inevitable that additional breaches and attacks will occur in the future. While such breaches and attacks have not materially impacted the Company to date, future security breaches and cyber attacks could result in serious and harmful consequences for the Company or its clients and customers. A principal reason that the Company cannot provide absolute security against cyber attacks is that it may not always be possible to anticipate, detect or recognize threats to the Company’s systems, or to implement effective preventive measures against all breaches because: the techniques used in cyber attacks evolve frequently and are increasingly sophisticated, and therefore may not be recognized until launched, cyber attacks can originate from a wide variety of sources, including the Company’s own employees, cyber-criminals, hacktivists, groups linked to terrorist organizations or hostile countries, or third parties whose objective is to disrupt the operations of financial institutions more generally, the Company does not have control over the cybersecurity of the systems of the large number of clients, customers, counterparties and third-party service providers with which it does business, and it is possible that a third party, after establishing a foothold on an internal network without being detected, might obtain access to other networks and systems. The risk of a security breach due to a cyber attack could increase in the future due to factors such as: the Company’s ongoing expansion of its mobile and digital banking and other internet-based product offerings and its internal use of internet-based products and applications and the increased use of remote access to facilitate remote arrangements for employees, vendors and other third parties. In addition, a third party could misappropriate confidential information obtained by intercepting signals or communications from mobile devices used by the Company’s employees. A successful penetration or circumvention of the security of the Company’s systems or the systems of a vendor, governmental body or another market participant could cause serious negative consequences, including: significant disruption of the Company’s operations and those of its clients, customers and counterparties, including losing access to operational systems, misappropriation of confidential information of the Company or that of its clients, customers, counterparties, employees or regulators, disruption of or damage to the Company’s systems and those of its clients, customers and counterparties, the inability, or extended delays in the ability, to fully recover and restore data that has been stolen, manipulated or destroyed, or the inability to prevent systems from processing fraudulent transactions, allegations or violations by the Company of applicable privacy and other laws, financial loss to the Company or to its clients, customers, counterparties or employees, loss of confidence in the Company’s cybersecurity and business resiliency measures, dissatisfaction among the Company’s clients, customers or counterparties, significant exposure to litigation and regulatory fines, penalties or other sanctions, and harm to the Company’s reputation. The extent of a particular cyber attack and the steps that the Company may need to take to investigate the attack may not be immediately clear, and it may take a significant amount of time before such an investigation or determination, judicial or otherwise, can be completed. While such an investigation is ongoing, the Company may not necessarily know the full extent of the harm caused by the cyber attack,

and that damage may continue to spread. These factors may inhibit the Company's ability to provide rapid, full and reliable information about the cyber attack to its clients, customers, counterparties and regulators, and the public. Furthermore, it may not be clear how best to contain and remediate the harm caused by the cyber attack, and certain errors or actions could be repeated or compounded before they are discovered and remediated. Any or all of these factors could further increase the costs and consequences of a cyber attack.

*The Company's operations rely extensively on a broad range of external vendors.* The Company relies on a large number of vendors to provide products and services necessary to maintain the day-to-day operations, particularly in the areas of operations, treasury management systems, information technology and security. This reliance exposes the Company to the risk that these vendors will not perform as required by agreements including risks resulting from disruptions in communications with vendors, cyber-attacks and security breaches at vendors, failure of a vendor to provide services for other reasons and poor performance of services. An external vendor's failure to perform in any of these areas could be disruptive to the business and operations, which could have a material adverse impact on the business, financial condition, results of operations or profitability, including causing reputational damage. External vendors who must have access to the Company's information systems in order to provide their services have been identified as significant sources of information technology security risk and are monitored. While the Company has implemented an active program of oversight to address this risk, there can be no assurance that the Company will not experience material security breaches associated with vendors or other third parties.

*The Company must continue to attract, retain and develop key personnel.* The Company's success depends to a significant extent upon its ability to attract, develop and retain experienced personnel in each of its lines of business and markets including managers in operational areas, compliance and other support areas to build and maintain the infrastructure and controls required to support continuing growth. Competition for the best people in the industry can be intense, and there is no assurance that the Company will continue to attract or retain talent or develop personnel. Factors that affect its ability to attract, develop and retain key employees include compensation and benefits programs, profitability, ability to establish appropriate succession plans for key talent, reputation for rewarding and promoting qualified employees and market competition for employees with certain skills, including information systems development and security. The cost of employee compensation is a significant portion of operating expenses and can materially impact results of operations or profitability, especially during periods of wage inflation. The unanticipated loss of the services of key personnel could have an adverse effect on the business.

*The Company's accounting estimates and risk management processes rely on management judgment, which may prove inadequate, wrong or be adversely impacted by inaccurate or mistakes in assumptions or models.* The processes the Company's uses to estimate expected credit losses for purposes of establishing the allowance for credit losses and to measure the fair value of financial instruments, certain liquidity and capital planning tools, including the processes the Company uses to estimate the effects of changing interest rates and other market measures on its financial condition and results of operations, all depend upon management's judgment. Management's judgment and the data relied upon by management may be based on assumptions that prove to be inaccurate, particularly in times of market stress or other unforeseen circumstances. Additionally, CECL requires the application of greater management judgment that is supported by new models and more data elements, including macroeconomic forecasts, than the previous allowance standard. The Company's adoption of the CECL model has increased the complexity, and associated risk, of the analysis and processes relying on management judgment, which could negatively impact the financial condition, results of operations or profitability of the Company.

*The risk management strategies and processes may not be effective and the Company's controls and procedures, including disclosure controls and procedures and internal control over financial reporting, may fail or be circumvented.* The Company continues to invest in the development of risk management techniques, strategies, assessment methods and related controls and monitoring approaches on an ongoing basis. However, these risk management strategies and processes may not be fully effective in mitigating the risk exposure in all economic market environments or against all types of risk. Any failures in risk management strategies and processes to accurately identify, quantify and monitor risk exposure could limit the ability to effectively manage risks. Management regularly reviews and updates internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. In particular, any failure to maintain or develop effective internal control over financial reporting and disclosure controls and procedures and or any difficulties encountered in their implementation or improvement could cause the Company to fail to meet its reporting obligations and may result in a restatement of its financial statements for prior periods. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in the Company's reported financial and other information, including if the Company were to report a material weakness, which would likely have a negative effect on the trading price of the Company's common stock. If the Company has a material weakness in its internal control over financial reporting, the Company may not detect errors on a timely basis and its financial statements may be materially misstated. If the Company is unable to maintain effective internal controls over financial reporting and disclosure controls, the Company could become subject to investigations by the NASDAQ, the SEC or other regulatory authorities or shareholder litigation, which could require additional management attention and which could adversely affect the Company's business, financial condition and results of operations.

Any system of controls, however well designed and operated, is based in part on certain assumptions and management judgment and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the business, financial condition, results of operations or profitability.

*The business is susceptible to fraud and conduct risk.* The Company's business exposes it to fraud risk from loan and deposit customers, the parties they do business with, as well as from employees, contractors and vendors. The Company relies on financial and other data from new and existing customers which could turn out to be fraudulent when accepting such customers, executing their financial transactions and making and purchasing loans and other financial assets. In times of increased economic stress the Company is at increased risk of fraud losses. The Company believes it has underwriting and operational controls in place to prevent or detect such fraud, but cannot provide assurance that these controls will be effective in detecting fraud or that the Company will not experience fraud losses or incur costs or other damage related to such fraud, at levels that adversely affect financial results or reputation. The Company's lending customers may also experience fraud in their businesses which could adversely affect their ability to repay their loans or make use of services. The Company's and its customers' exposure to fraud may increase the Company's financial risk and reputation risk as it may result in unexpected loan losses that exceed those that have been provided for in the allowance for credit losses. In addition, the Company is subject to risk from the conduct of its employees, including the negative impact that can result from employee misconduct or failure by employees to conduct themselves in accordance with the Company's policies. All of which could damage the Company's reputation and result in loss of customers or other financial loss or expose the Company to increased regulatory or other risk.

### **Legal, Regulatory and Compliance Risks**

*The Company is subject to extensive government regulation and supervision and interpretations thereof.* The Company, as a bank holding company and financial holding company, and the Bank, as a Texas state-chartered bank, are subject to extensive federal and state regulation and supervision and the potential for regulatory enforcement actions, which impact the business on a daily basis. TCBI Securities, Inc., the Bank's wholly owned non-bank subsidiary, is also subject to the jurisdiction of several regulatory bodies, including the SEC, FINRA and state securities regulators. These regulations affect lending practices, permissible products and services and their terms and conditions, customer relationships, capital structure, investment practices, accounting, financial reporting, operations and ability to grow, among other things. These regulations also impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identities of customers. See the discussion above at *Business - Regulation and Supervision* for additional discussion of the extensive regulation and supervision the Company and the Bank are subject to.

The level of regulatory scrutiny that the Company and the Bank are subject to may fluctuate over time, based on numerous factors. In addition, Congress, state legislatures, and federal and state regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company and the Bank in substantial and unpredictable ways. Material changes in regulation and requirements imposed on financial institutions, such as the Dodd-Frank Act, Basel III Capital Rules, European Union's General Data Protection Regulations and California Consumer Privacy Act result in additional costs, impose more stringent capital, liquidity and leverage requirements, limit the types of financial services and products the Company may offer and increase the ability of non-bank financial services providers to offer competing financial services and products, among other things. Such changes could result in new regulatory obligations which could prove difficult, expensive or competitively impractical to comply with if not equally imposed upon non-bank financial services providers with whom the Company competes.

The Company is subject to a continuous program and routine of examinations by regulators concerning, among other things, lending practices, reserve methodology, compliance with changing regulations and interpretations, BSA/AML compliance, interest rate management, liquidity, capital and operational risk, enterprise risk management, regulatory and financial accounting practices and policies and related matters, which can divert management's time and attention from focusing on the business. The Company devotes a significant amount of management time and expense to enhancing the infrastructure to support its compliance obligations, which can pose significant regulatory enforcement, financial and reputational risks if not appropriately addressed.

The Regulatory Relief Act passed on May 22, 2018, has provided a limited degree of regulatory relief for institutions of the Company's size. Uncertainty regarding how regulators will evaluate or require capital and liquidity planning going forward remains a risk. The Company continues to increase its capital and liquidity and expand regulatory compliance staffing and systems in order to address evolving regulatory requirements. There is no assurance that financial performance in future years will not be similarly burdened.

The Company expends substantial effort and incurs costs to maintain and improve its systems, controls, accounting, operations, information security, compliance, audit effectiveness, analytical capabilities, staffing and training in order to satisfy regulatory requirements or recommendations. The Company cannot offer assurance that these efforts will be accepted by regulators as satisfying the applicable legal and regulatory requirements. Failure to comply with relevant laws, regulations, recommendations

or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the business, financial condition and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

*The Company must maintain adequate regulatory capital to support its business objectives and strategy.* Under regulatory capital adequacy guidelines and other regulatory requirements, the Company must satisfy capital requirements based upon quantitative measures of assets, liabilities and certain off-balance sheet items. Satisfaction of these requirements is subject to qualitative judgments by regulators that may differ materially from management's and that are subject to being determined retroactively for prior periods. Additionally, regulators can make subjective assessments about the adequacy of capital levels, even if the Company's and the Bank's reported capital exceeds the "well capitalized" requirements. The Company's ability to maintain its status as a financial holding company and to continue to operate the Bank as it has in recent periods is dependent upon a number of factors, including the Bank qualifying as "well capitalized" and "well managed" under applicable prompt corrective action regulations and upon the Company qualifying on an ongoing basis as "well capitalized" and "well managed" under applicable Federal Reserve regulations.

Failure to meet regulatory capital standards could have a material adverse effect on the business, including damaging the confidence of customers, adversely impacting the Company's and the Bank's reputation and competitive position and retention of key personnel. Any of these developments could limit access to:

- brokered deposits;
- FRB discount window;
- advances from the FHLB;
- capital markets transactions; and
- development of new financial services.

Failure to meet regulatory capital standards may also result in higher FDIC assessments. If the Company or the Bank falls below guidelines for being deemed "adequately capitalized" the FDIC or Federal Reserve could impose restrictions on banking activities and a broad range of regulatory requirements in order to effect "prompt corrective action." The capital requirements applicable to the Company and the Bank are in a process of continuous evaluation and revision in connection with actions of the Basel Committee and regulators. The Company cannot predict the final form, or the effects, of these regulations on the business, but among the possible effects are requirements that the Company slow the rate of growth or obtain additional capital which could reduce earnings or dilute existing stockholders.

*The Company is subject to claims and litigation in the ordinary course of its business, including claims that may not be covered by insurance.* Customers and other parties the Company engage with may, on a regular basis, assert claims and take legal action against the Company and the Company regularly takes legal action to collect unpaid borrowers' obligations, realize on collateral and assert rights in commercial and other contexts. These actions frequently result in counter claims against the Company. Litigation arises in a variety of contexts, including lending activities, employment practices, commercial agreements, fiduciary responsibility related to wealth management services, intellectual property rights and other general business and banking matters.

Claims and legal actions may result in significant legal costs to defend or assert rights and may result in reputational damage that adversely affects existing and future customer relationships. If claims and legal actions are not resolved in a favorable manner, the Company may suffer significant financial liability or adverse effects on its reputation, which could have a material adverse effect on the business, financial condition, results of operations or profitability. See *Legal Proceedings* below for additional disclosures regarding legal proceedings.

The Company purchases insurance coverage to mitigate a wide range of risks. There is no assurance that insurance will be adequate to protect the Company against material losses in excess of coverage limits or that insurers will perform their obligations under policies without attempting to limit or exclude coverage. The Company could be required to pursue legal actions against insurers to obtain payment of amounts owed, and there is no assurance that such actions, if pursued, would be successful.

*Any regulatory examination scrutiny or new regulatory requirements arising from the recent events in the banking industry could increase the Company's expenses and affect the Company's operations.* The Company also anticipates increased regulatory scrutiny – in the course of routine examinations and otherwise – and new regulations directed towards banks of similar size to the Bank, designed to address the recent negative developments in the banking industry, all of which may increase the Company's costs of doing business and reduce its profitability. Among other things, there may be an increased focus by both regulators and investors on the on-balance sheet liquidity of and funding sources for financial institutions, the composition of their deposits and the level of uninsured deposits, the amount of accumulated other comprehensive loss, capital levels and interest rate risk management. As primarily a commercial bank, the Bank has a high degree of uninsured deposits

compared to larger national banks or smaller community banks with a stronger focus on retail deposits. As a result, the Bank could face increased scrutiny or be viewed as higher risk by regulators and the investor community.

### **Other Risks Affecting the Business**

*The business faces unpredictable economic and business conditions.* The business is directly impacted by general economic, business and political conditions in Texas, the United States and internationally. The credit quality of the loan portfolio necessarily reflects, among other things, the general economic conditions in the areas in which the Company and its customers conduct their respective businesses. The Company's financial condition can be affected by other factors that are beyond its control, including:

- geopolitical, national, regional and local economic conditions;
- the value of the U.S. Dollar in relation to the currencies of other advanced and emerging market countries;
- the performance of both domestic and international equity and debt markets and valuation of securities traded on recognized domestic and international exchanges;
- general economic consequences of international conditions and the impact of those conditions on the U.S. and global economies;
- legislative and regulatory changes impacting the banking industry;
- impact of the 2024 presidential and congressional elections and other political conditions;
- the financial health of customers and economic conditions affecting them and the value of collateral, including effects from the COVID-19 pandemic and other pandemics and the continued price volatility of oil and gas and other commodities;
- the incidence of fraud, illegal payments, security breaches and other illegal acts among or impacting the Company, its customers and third parties;
- structural changes in the markets for origination, sale and servicing of residential mortgages;
- changes in governmental economic and regulatory policies, including the extent and timing of intervention in credit markets by the Federal Reserve or withdrawal from that intervention, generally including changes attributable to presidential and congressional elections;
- acts or threats of war, including the ongoing war in Ukraine and the Israeli Palestinian conflict;
- changes in the availability of liquidity at a systemic level; and
- material inflation or deflation.

Substantial deterioration in any of the foregoing conditions can have a material adverse effect on prospects and results of operations and financial condition. Declining or adverse economic conditions and adverse changes in investor, consumer and business sentiment generally result in reduced business activity, which may decrease the demand for products and services. Recently, inflation has been at a higher level than experienced in many decades, which has increased costs and impacted operations for the Company and many of its customers. There is no assurance that the Company will be able to return to historical rate of growth or profitability. The Company's customer base is primarily commercial in nature, and the Company does not have a significant retail branch network or retail consumer deposit base. In periods of economic downturn, business and commercial deposits may be more volatile than traditional retail consumer deposits. As a result, the financial condition and results of operations could be adversely affected to a greater degree by these uncertainties than competitors having a larger retail customer base. Additionally, the Company's investment banking revenue is directly related to general economic conditions and corresponding financial market activity. When the outlook for such economic conditions is uncertain or negative, financial market activity generally tends to decrease, which can be expected to reduce the Company's investment banking revenues and prospects for new business.

*The soundness of other financial institutions could adversely affect the business.* Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to many different industries and counterparties, and the Company routinely executes transactions with counterparties in the financial services industry, including broker-dealers, commercial banks, investment banks and other institutional clients. Many of these transactions expose the Company to credit risk in the event of default of a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by the Company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due. There can be no assurance that any such losses would not materially and adversely affect results of operations or profitability.

*Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system.* The closures of Silicon Valley Bank and Signature Bank in March 2023 and First Republic Bank in

May 2023, and concerns about similar future events, have generated significant market volatility among publicly traded bank holding companies and, in particular, regional banks like the Company. These market developments have negatively impacted customer confidence in the safety and soundness of regional banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC took action to ensure that depositors of these failed banks had access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly. Furthermore, there is no guarantee that regional bank failures or bank runs similar to the ones that occurred in 2023 will not occur in the future and, if they were to occur, they may have a material and adverse impact on customer and investor confidence in regional banks negatively impacting the Company's liquidity, capital, results of operations and stock price.

*The Company is subject to environmental liability risk associated with lending activities.* A significant portion of the loan portfolio is secured by real property. During the ordinary course of business, the Company may foreclose on and take title to properties securing certain loans. There is a risk that hazardous or toxic substances could be found on these properties, and that the Company may be liable for remediation costs, including personal injury and property damage. Environmental laws may require incurring substantial expenses and may materially reduce the affected property's value by limiting the ability to use or sell it. Although the Company has policies and procedures requiring environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on financial condition, results of operations and profitability. Future laws or regulations or more stringent interpretations or enforcement policies with respect to existing laws and regulations may increase the Company's exposure to environmental liability.

*Severe weather, earthquakes, other natural disasters, pandemics, acts of war or terrorism and other external and geopolitical events could significantly impact the business.* Severe weather, earthquakes, other natural disasters, pandemics (such as the COVID-19 pandemic), acts of war or terrorism and other adverse external events could have a significant impact on the Company's ability to conduct business. Such events could affect the stability of its deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause us to incur additional expenses. In recent years, hurricanes have caused extensive flooding and destruction along the coastal areas of Texas and in other areas in the U.S., including communities where the Company conducts business. Although management has established disaster recovery policies and procedures, the occurrence of any such events could have a material adverse effect on the business, financial condition, results of operations or profitability.

*Climate change and related legislative and regulatory initiatives including interpretations thereof have the potential to disrupt the business and result in operational changes and expenditures that could significantly impact the business and the operations and creditworthiness of the Company's clients.* Climate change has caused severe and abnormal weather patterns and events that could disrupt operations at one or more of the Company's locations, which may disrupt its ability to provide financial products and services to clients. Climate change could also have a negative effect on the financial status and creditworthiness of clients, which may decrease revenues and business activities from those clients, increase the credit risk associated with loans and other credit exposures to such clients.

The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The U.S. government has rejoined the Paris Climate Agreement, the most recent international climate change accord, while the U.S. Congress, state legislatures and federal and state regulatory agencies are likely to continue to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes. In 2022, the federal banking agencies proposed guidance for large banking organizations (defined as those having more than \$100 billion in total assets) to address climate-related issues through risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors, and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. Each of the above-described initiatives, including other similar initiatives and increasing supervisory expectations, may require the Company to expend significant capital and incur compliance, operating, maintenance and remediation costs. Given the lack of empirical data on the credit and other financial risks posed by climate change, it is impossible to predict how climate change may impact the financial condition and operations; however, as a banking organization, the physical effects of climate change may present certain unique risks. For example, weather disasters, shifts in local climates and other disruptions related to climate change may adversely affect the value of real properties securing loans, which could diminish the value of the loan portfolio. Such events may also cause reductions in regional and local economic activity that may have an adverse effect on customers, which could limit the Company's ability to raise and invest capital in

these areas and communities, each of which could have a material adverse effect on the financial condition, results of operations or profitability.

*Negative public opinion could damage the Company's reputation and adversely affect its earnings.* Reputational risk, or the risk to earnings and capital from negative public opinion, is inherent in the business. Negative public opinion can result from the actual or perceived manner in which the Company conducts its business activities; management of actual or potential conflicts of interest and ethical issues; and protection of confidential client information. The Company's brand and reputation may also be harmed by actions taken by third parties that it contracts with to provide services to the extent such parties fail to meet their contractual, legal and regulatory obligations or act in a manner that is harmful to clients. If the Company fails to supervise these relationships effectively, it could also be subject to regulatory enforcement, including fines and penalties. Negative public opinion can adversely affect the Company's ability to keep and attract clients and can expose it to litigation and regulatory action. The Company takes steps to minimize reputation risk, but its efforts may not be sufficient.

*ESG risks could adversely affect the Company's reputation and shareholder, employee, client, and third party relationships and may negatively affect the Company's stock price.* The Company faces increasing public scrutiny related to ESG activities and if the Company fails to act responsibly in a number of areas, such as DEI, environmental stewardship, including with respect to climate change, human capital management, support for our local communities, corporate governance, and transparency, or fails to consider ESG factors in our business operations, the Company's brand and reputation may be damaged.

Furthermore, as a result of the Company's diverse base of clients and business partners, the Company may face potential negative publicity based on the identity of its clients or business partners and the public's (or certain segments of the public's) view of those entities. Such publicity may arise from traditional media sources or from social media and may increase rapidly in size and scope. If the Company's client or business partner relationships were to become intertwined in such negative publicity, the Company's ability to attract and retain clients, business partners, and employees may be negatively impacted, and the Company's stock price may also be negatively impacted. Additionally, the Company faces pressure to not do business in certain industries that are viewed as harmful to the environment or are otherwise negatively perceived, which could impact our growth.

Additionally, investors and shareholder advocates are placing ever increasing emphasis on how corporations address ESG issues in their business strategy when making investment decisions and when developing their investment theses and proxy recommendations. The Company may incur meaningful costs with respect to its ESG efforts and if such efforts are negatively perceived, its reputation and stock price may suffer.

### **Risks Relating to Company Securities**

*The Company's stock price can be volatile.* Stock price volatility may make it more difficult to resell or buy common stock. The stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly and annual results of operations;
- changes in recommendations by securities analysts;
- changes in composition and perceptions of the investors who own the Company's stock and other securities;
- changes in ratings from national rating agencies on publicly or privately-owned debt securities and deposits in the Bank;
- operating and stock price performance of other companies that investors deem comparable to the Company;
- news reports relating to trends, concerns and other issues in the financial services industry, including regulatory actions against other financial institutions;
- actual or expected economic conditions that are perceived to affect the Company such as changes in commodity prices, real estate values or interest rates;
- perceptions in the marketplace regarding the Company or its competitors;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or competitors;
- changes in government regulations and interpretation of those regulations, changes in practices requested or required by regulators and changes in regulatory enforcement focus;
- impacts and disruptions resulting from the COVID-19 pandemic, variants or other pandemics;
- environmental or ESG-related concerns or ratings; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause the Company's stock price to decrease regardless of operating results.

Additionally, the trading volume in the Company's common stock is less than that of other larger financial services companies. Given the lower trading volume of the common stock, significant sales of the common stock, or the expectation of these sales, could increase the volatility of the Company's stock price and cause the stock price to fall.

*The holders of the Company's indebtedness and preferred stock have rights that are senior to those of its common stockholders.* As of December 31, 2023, the Company had \$375.0 million in outstanding subordinated notes issued by the holding company, \$175.0 million in outstanding subordinated notes issued by the Bank, and \$113.4 million in outstanding junior subordinated notes that are held by statutory trusts which issued trust preferred securities to investors. Payments of the principal and interest on trust preferred securities are conditionally guaranteed to the extent not paid by each trust, provided the trust has funds available for such obligations.

The Company's subordinated notes and junior subordinated notes are senior to the shares of preferred stock and common stock in right of payment of dividends and other distributions. The Company must be current on interest and principal payments on its indebtedness before any dividends can be paid on its preferred stock or its common stock. In the event of bankruptcy, dissolution or liquidation, the holders of the Company's indebtedness must be satisfied before any distributions can be made to preferred or common stockholders. If certain conditions are met, the Company has the right to defer interest payments on the junior subordinated debentures (and the related trust preferred securities) at any time or from time to time for a period not to exceed 20 consecutive quarters in a deferral period, during which time no dividends may be paid to holders of preferred stock or common stock. Because the Bank's subordinated notes are obligations of the Bank, they would, in liquidation of the Bank or sale of its assets, receive payment before any amounts would be payable to holders of the Company's common stock, preferred stock or subordinated notes.

At December 31, 2023, the Company had issued and outstanding 300,000 shares of 5.75% fixed rate non-cumulative perpetual preferred stock, Series B, with a liquidation preference of \$1,000 per share (the "Series B Preferred Stock") and 12 million depositary shares, each representing 1/40th interest in a share of the Series B preferred stock. The preferred stock is senior to the shares of common stock in right of payment of dividends and other distributions. The Company must be current on dividends payable to holders of preferred stock before any dividends can be paid on the common stock. In the event of the Company's bankruptcy, dissolution or liquidation, the holders of preferred stock must be satisfied before any distributions can be made to common stockholders.

*Federal legislation and regulations impose restriction on the ownership of the Company's common stock.* The ability of a third party to acquire the Company is limited under applicable U.S. banking laws and regulations. The BHCA requires any bank holding company (as defined therein) to obtain the approval of the Federal Reserve prior to acquiring, directly or indirectly, 5% or more of the Company's outstanding common stock. Any "company" (as defined in the BHCA) other than a bank holding company would be required to obtain Federal Reserve approval before acquiring "control" of the Company. "Control" generally means (i) the ownership or control of 25% or more of a class of voting securities, (ii) the ability to elect a majority of the directors or (iii) the ability otherwise to exercise a controlling influence over management and policies. A holder of 25% or more of outstanding voting common stock, other than an individual, is subject to regulation and supervision as a bank holding company under the BHCA. In addition, under the CIBC Act and the Federal Reserve's regulations thereunder, any person, either individually or acting through or in concert with one or more persons, is required to provide notice to the Federal Reserve prior to acquiring, directly or indirectly, 10% or more of the Company's outstanding voting common stock.

*Anti-takeover provisions of the Company's certificate of incorporation, bylaws and Delaware law may make it more difficult for holders to receive a change in control premium.* Certain provisions of the Company's certificate of incorporation and bylaws could make a merger, tender offer or proxy contest more difficult, even if such events were perceived by many stockholders as beneficial to their interests. These provisions include advance notice for nominations of directors and stockholders' proposals, and authority to issue "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Company's board of directors. In addition, as a Delaware corporation, the Company is subject to Section 203 of the Delaware General Corporation Law which, in general, prevents an interested stockholder, defined generally as a person owning 15% or more of a corporation's outstanding voting stock, from engaging in a business combination with the Company for three years following the date that person became an interested stockholder unless certain specified conditions are satisfied.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.



## ITEM 1C.

## CYBERSECURITY

### Cybersecurity Risk Management and Strategy

Cybersecurity risks are constantly evolving and becoming increasingly pervasive across all industries. To mitigate these risks and protect sensitive customer data, financial transactions and our information systems, the Company has implemented a comprehensive cybersecurity risk management program, which is a component of its overarching enterprise risk management program. Key components of the cybersecurity risk management program include:

- A risk assessment process that identifies and prioritizes material cybersecurity risks; defines and evaluates the effectiveness of controls to mitigate the risks; and reports results to executive management and the Board of Directors.
- A third-party Managed Detection and Response (“MDR”) service, which monitors the security of our information systems around-the-clock, including intrusion detection and alerting.
- A dedicated cybersecurity team covering all critical cyber defense functions such as engineering, data protection, identity and access management, insider risk management, security operations, threat emulation and threat intelligence.
- A training program that educates employees about cybersecurity risks and how to protect themselves from cyberattacks.
- An awareness program that keeps employees informed about cybersecurity threats and how to stay safe online.
- An incident response plan that outlines the steps the Company will take to respond to a cybersecurity incident, which is tested on a periodic basis.

The Company engages reputable third-party assessors to conduct various independent risk assessments on a regular basis, including but not limited to maturity assessments and various testing. Following a defense-in-depth strategy, the Company leverages both in-house resources and third-party service providers to implement and maintain processes and controls to manage the identified risks.

Our Third-Party Risk Management program is designed to ensure that our vendors meet our cybersecurity requirements. This includes conducting periodic risk assessments of vendors, requiring vendors to implement appropriate cybersecurity controls and monitoring vendor compliance with our cybersecurity requirements.

The Company’s cybersecurity risk management program and strategy are designed to ensure the company’s information and information systems are appropriately protected from a variety of threats, both natural and man-made. Periodic risk assessments are performed to validate control requirements and ensure that the Company’s information is protected at a level commensurate with its sensitivity, value, and criticality. Preventative and detective security controls are employed on all media where information is stored, the systems that process it, and infrastructure components that facilitate its transmission to ensure the confidentiality, integrity, and availability of Company information. These controls include, but are not limited to access control, data encryption, data loss prevention, incident response, security monitoring, third party risk management, and vulnerability management.

The Company’s cybersecurity risk management program and strategy are regularly reviewed and updated to ensure that they are aligned with the Company’s business objectives and are designed to address evolving cybersecurity threats and satisfy regulatory requirements and industry standards.

### Material Effects of Cybersecurity Threats

While cybersecurity risks have the potential to materially affect the Company’s business, financial condition, and results of operations, the Company does not believe that risks from cybersecurity threats or attacks, including as a result of any previous cybersecurity incidents, have materially affected the Company, including its business strategy, results of operations or financial condition. However, the sophistication of cyber threats continues to increase, and the Company’s cybersecurity risk management and strategy may be insufficient or may not be successful in protecting against all cyber incidents. Accordingly, no matter how well designed or implemented the Company’s controls are, it will not be able to anticipate all cyber security breaches, and it may not be able to implement effective preventive measures against such security breaches in a timely manner. For more information on how cybersecurity risk may materially affect the Company’s business strategy, results of operations or financial condition, please refer to Item 1A Risk Factors.

### Governance

#### Board of Directors Oversight

The Company’s Board of Directors is charged with overseeing the establishment and execution of the Company’s risk management framework and monitoring adherence to related policies required by applicable statutes, regulations and principles of safety and soundness. Consistent with this responsibility the Board has delegated primary oversight responsibility over the Company’s risk management framework, including oversight of cybersecurity risk and cybersecurity risk management, to the

Risk Committee of the Board of Directors. The Risk Committee receives regular updates on cybersecurity risks and incidents and the cybersecurity program through direct interaction with the Chief Information Security Officer (“CISO”) and the Head of Information Risk and provides periodic updates regarding cybersecurity risks and the cybersecurity program to the full Board of Directors. Additionally, awareness and training on cybersecurity topics is provided to the Board on an annual basis.

#### Management's Role

The Information Security department is responsible for implementing and maintaining the Company’s cybersecurity risk management program. The Information Security department consists of cybersecurity and information risk professionals who assess, identify, and manage cybersecurity risks. Information Security is led by the CISO, who reports directly to the Chief Information Officer and the Board of Directors with dotted-line reporting to the Chief Risk Officer. The Company’s CISO has over 20 years of experience in cybersecurity across the financial services industry as well as experience working in a leading managed security services provider. Prior to joining the Company, the Company’s CISO served as leader of the Global Threat Management Center for a major global financial institution. The Information Risk department, led by the Head of Information Risk who reports directly to the Chief Risk Officer, is responsible for ensuring the protection of electronic and physical information through the identification and management of risk activities. As a governance and oversight function, the Information Risk department measures and reports on the quality of information and cyber risk management across all functions of the firm. Information security risk is reported by both the Information Security and Information Risk departments through monthly management metric reporting working groups and multiple layers of quarterly risk committees to achieve an appropriate flow of information risk reporting to the Board. The risk committees include the Operational Risk Management Committee, the Executive Risk Management Committee and the Risk Committee of the Board of Directors. These committees establish and oversee policies, programs, and other guidance to provide specific expectations for managing the cybersecurity risk.

#### **ITEM 2. *PROPERTIES***

The Company’s corporate headquarters is located in Dallas, Texas. These facilities, which the Company leases, house its executive and primary administrative offices, as well as the principal banking headquarters of Texas Capital Bank. The Company also leases other facilities in its primary Texas market regions of Dallas, Fort Worth, Houston, Austin and San Antonio, as well as in New York, some of which operate as full-service banking centers. The Company also leases an operations center in Richardson, Texas that houses its loan and deposit operations and customer call center.

#### **ITEM 3. *LEGAL PROCEEDINGS***

The Company is subject to various claims and legal actions that may arise in the course of conducting its business. Management does not expect the final disposition or adjudication of any of these matters to have a material adverse impact on the Company’s financial statements or results of operations.

#### **ITEM 4. *MINE SAFETY DISCLOSURES***

Not applicable.

**ITEM 5.**

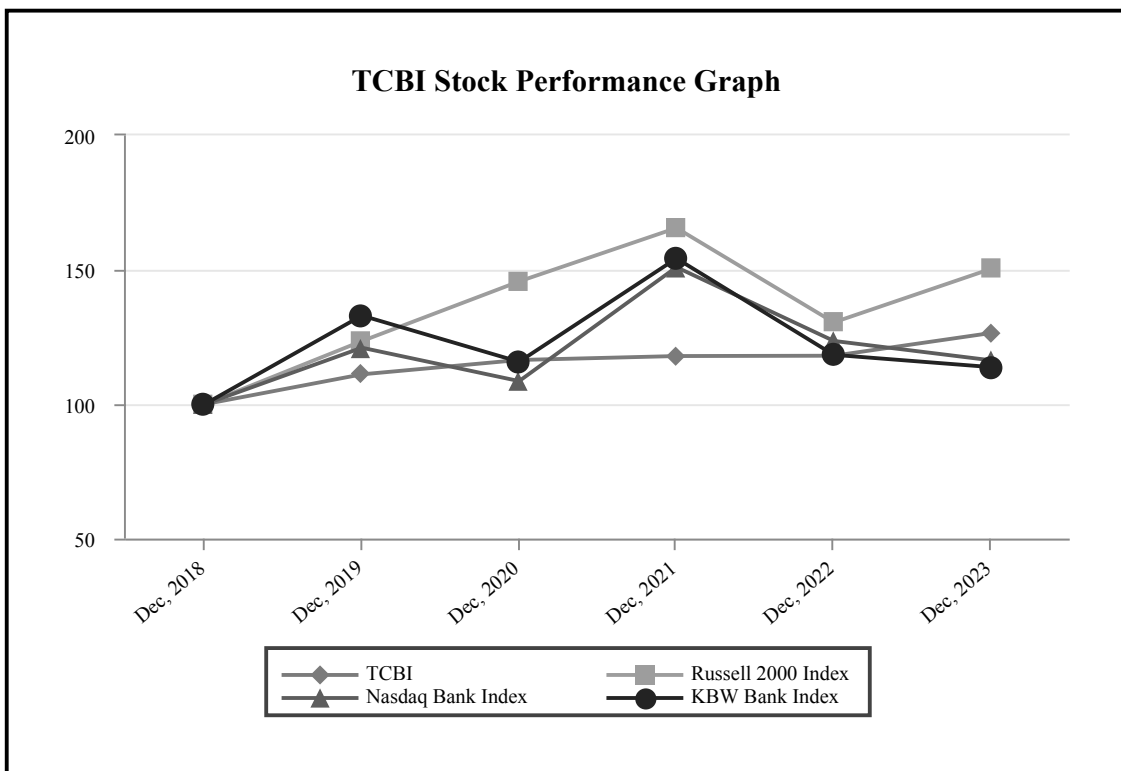
***MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

The Company’s common stock is traded on The Nasdaq Global Select Market under the symbol “TCBI”. On February 9, 2024, there were approximately 137 holders of record of the Company’s common stock. The Company has not paid any cash dividends on its common stock since it commenced operations and has no plans to do so in the foreseeable future.

**Stock Performance Graph**

The following table and graph sets forth the cumulative total stockholder return for the Company’s common stock for the five-year period ending on December 31, 2023, compared to an overall stock market index (Russell 2000 Index) and two of the Company’s peer group indexes (Nasdaq Bank Index and KBW Bank Index). The Russell 2000 Index (Bloomberg: RTY), Nasdaq Bank Index (Bloomberg: CBNK) and KBW Bank Index (Bloomberg: BKX) are based on total returns assuming reinvestment of dividends. The graph assumes an investment of \$100 on December 31, 2018. The performance graph represents past performance and should not be considered to be an indication of future performance.

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Texas Capital Bancshares, Inc.	\$ 100.00	\$ 111.12	\$ 116.46	\$ 117.93	\$ 118.05	\$ 126.50
Russell 2000 Index	100.00	123.48	145.69	165.58	130.45	150.37
Nasdaq Bank Index	100.00	121.03	108.61	150.99	123.56	116.35
KBW Bank Index	100.00	132.99	115.79	154.25	118.38	113.82



## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company repurchased shares of its common stock in the open market during 2023 as follows:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
January 2023	564,206	\$ 61.50	564,206	\$ 150,000,000
February 2023	—	—	—	150,000,000
March 2023	447,703	55.80	447,703	125,019,420
April 2023	—	—	—	125,019,420
May 2023	—	—	—	125,019,420
June 2023	—	—	—	125,019,420
July 2023	—	—	—	125,019,420
August 2023	—	—	—	125,019,420
September 2023	—	—	—	125,019,420
October 2023	301,135	54.58	301,135	108,582,560
November 2023	484,746	55.04	484,746	81,903,573
December 2023	23,742	56.22	23,742	80,568,851
<b>Total</b>	<b>1,821,532</b>	<b>\$ 57.17</b>	<b>1,821,532</b>	<b>\$ 80,568,851</b>

On April 19, 2022, the Company's board of directors authorized a share repurchase program under which the Company could repurchase up to \$150.0 million in shares of its outstanding common stock. In January 2023, the Company repurchased 564,206 shares of common stock at a weighted average price of \$61.50, completing the full \$150.0 million of repurchases authorized under this plan. A new share repurchase program was approved on January 18, 2023 under which the Company could repurchase up to \$150.0 million in shares of outstanding common stock. From March 2023 through December 2023, the Company repurchased 1,257,326 shares of its common stock for an aggregate purchase price of \$69.4 million, at a weighted average price of \$55.22 per share under this plan. The aggregate purchase price and weighted average price per share does not include the effect of excise tax expense incurred on net stock repurchases.

On January 17, 2024, the Company's board of directors authorized a new share repurchase program under which the Company may repurchase up to \$150.0 million in shares of its outstanding common stock. Any repurchases under the repurchase program will be made in accordance with applicable securities laws from time to time in open market or private transactions. The extent to which the Company repurchases shares, and the timing of such repurchases, will be at management's discretion and will depend upon a variety of factors, including market conditions, our capital position and amount of retained earnings, regulatory requirements and other considerations. The share repurchase program is set to expire on January 31, 2025, and the program may be suspended or discontinued at any time. Remaining repurchase authorization under the January 18, 2023 share repurchase program was terminated upon authorization of this new program.

## ITEM 6.

***[RESERVED]***

**ITEM 7.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Overview****Recent Industry Developments**

During 2023, the banking industry experienced significant volatility with multiple high-profile bank failures and industry wide concerns related to liquidity, deposit outflows, unrealized securities losses, eroding consumer confidence and increased regulatory scrutiny. Despite these negative industry developments, the Company's liquidity position and balance sheet remains robust. Furthermore, the Company's capital remains at historically high levels with CET1 and total capital ratios of 12.6% and 17.1%, respectively, as of December 31, 2023. The Company's total deposits decreased by 2% as compared to December 31, 2022, to \$22.4 billion at December 31, 2023. In response to the industry-wide concerns, the Company took a number of preemptive actions, which included pro-active outreach to clients and an enhanced review of its borrowing and liquidity positions to ensure that the Company's liquidity and capital positions remain strong and that the Company is positioned to best serve its clients.

**Results of Operations**

Selected income statement data and key performance indicators are presented in the table below:

<i>(dollars in thousands except per share data)</i>	<b>For the Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net interest income	\$ 914,123	\$ 875,765	\$ 768,781
Provision for credit losses	72,000	66,000	(30,000)
Non-interest income	161,419	349,522	138,286
Non-interest expense	756,947	727,532	599,012
Income before income taxes	246,595	431,755	338,055
Income tax expense	57,454	99,277	84,116
Net income	189,141	332,478	253,939
Preferred stock dividends	17,250	17,250	18,721
<b>Net income available to common stockholders</b>	<b>\$ 171,891</b>	<b>\$ 315,228</b>	<b>\$ 235,218</b>
Basic earnings per common share	\$ 3.58	\$ 6.25	\$ 4.65
Diluted earnings per common share	\$ 3.54	\$ 6.18	\$ 4.60
Net interest margin	3.17 %	2.79 %	2.07 %
Return on average assets ("ROA")	0.64 %	1.04 %	0.67 %
Return on average common equity ("ROE")	6.15 %	11.33 %	8.35 %
Efficiency ratio(1)	70.4 %	59.4 %	66.0 %
Non-interest income to average earning assets	0.57 %	1.12 %	0.37 %
Non-interest expense to average earning assets	2.66 %	2.34 %	1.61 %

(1) Non-interest expense divided by the sum of net interest income and non-interest income.

**Year ended December 31, 2023 compared to year ended December 31, 2022**

The Company reported net income of \$189.1 million and net income available to common stockholders of \$171.9 million for the year ended December 31, 2023, compared to net income of \$332.5 million and net income available to common stockholders of \$315.2 million for the same period in 2022. On a fully diluted basis, earnings per common share were \$3.54 for the year ended December 31, 2023, compared to \$6.18 for the same period in 2022. ROE was 6.15% and ROA was 0.64% for the twelve months ended December 31, 2023, compared to 11.33% and 1.04%, respectively, for the same period in 2022. The decrease in net income for the year ended December 31, 2023 compared to the same period in 2022 resulted primarily from a decrease in non-interest income.

Details of the changes in the various components of net income are discussed below.

## Taxable Equivalent Net Interest Income Analysis - Year to Date(1)

	Year ended December 31,								
	2023			2022			2021		
(dollars in thousands)	Average Balance	Revenue / Expense	Yield / Rate	Average Balance	Revenue / Expense	Yield / Rate	Average Balance	Revenue / Expense	Yield / Rate
<b>Assets</b>									
Investment securities(2)	\$ 4,162,931	\$ 108,294	2.37 %	\$ 3,525,986	\$ 64,021	1.69 %	\$ 3,588,565	\$ 44,636	1.24 %
Interest bearing cash and cash equivalents	4,353,911	220,976	5.08 %	5,967,329	97,271	1.63 %	10,549,153	13,233	0.13 %
Loans held for sale	33,166	2,856	8.61 %	528,973	23,555	4.45 %	90,066	2,481	2.75 %
Loans held for investment, mortgage finance	4,080,263	107,111	2.63 %	5,285,612	189,843	3.59 %	7,881,791	239,205	3.03 %
Loans held for investment(3)	16,076,646	1,191,098	7.41 %	16,063,437	770,802	4.80 %	15,328,390	579,157	3.78 %
Less: Allowance for credit losses on loans	249,180	—	—	221,639	—	—	234,973	—	—
Loans held for investment, net	19,907,729	1,298,209	6.52 %	21,127,410	960,645	4.55 %	22,975,208	818,362	3.56 %
Total earning assets	28,457,737	1,630,335	5.65 %	31,149,698	1,145,492	3.65 %	37,202,992	878,712	2.36 %
Cash and other assets	1,079,607			900,121			937,264		
<b>Total assets</b>	<b>\$ 29,537,344</b>			<b>\$ 32,049,819</b>			<b>\$ 38,140,256</b>		
<b>Liabilities and Stockholders' Equity</b>									
Transaction deposits	\$ 1,466,583	\$ 42,561	2.90 %	\$ 1,659,476	\$ 18,099	1.09 %	\$ 3,447,849	\$ 20,657	0.60 %
Savings deposits	10,921,264	480,106	4.40 %	9,983,571	151,400	1.52 %	11,180,645	36,459	0.33 %
Time deposits	1,573,294	65,108	4.14 %	1,313,483	21,164	1.61 %	1,716,642	8,391	0.49 %
Total interest bearing deposits	13,961,141	587,775	4.21 %	12,956,530	190,663	1.47 %	16,345,136	65,507	0.40 %
Short-term borrowings	1,323,039	70,642	5.34 %	1,829,751	29,077	1.59 %	2,399,280	4,613	0.19 %
Long-term debt	882,904	57,383	6.50 %	927,847	48,739	5.25 %	802,112	37,628	4.69 %
Total interest bearing liabilities	16,167,084	715,800	4.43 %	15,714,128	268,479	1.71 %	19,546,528	107,748	0.55 %
Non-interest bearing deposits	9,814,517			12,951,134			15,186,455		
Other liabilities	460,779			301,251			274,357		
Stockholders' equity	3,094,964			3,083,306			3,132,916		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 29,537,344</b>			<b>\$ 32,049,819</b>			<b>\$ 38,140,256</b>		
Net interest income		<u>\$ 914,535</u>			<u>\$ 877,013</u>			<u>\$ 770,964</u>	
Net interest margin			3.17 %			2.79 %			2.07 %

(1) Taxable equivalent rates used where applicable.

(2) Yields on investment securities are calculated using available-for-sale securities at amortized cost.

(3) Average balances include non-accrual loans. Loan interest income includes loan fees totaling \$47.2 million, \$37.2 million and \$47.8 million for the years ended December 31, 2023, 2022 and 2021, respectively.

## Volume/Rate Analysis

The following table presents the changes in taxable equivalent net interest income and identifies the changes due to differences in the average volume of earning assets and interest bearing liabilities and the changes due to differences in the average interest rate on those assets and liabilities.

<i>(in thousands)</i>	Years Ended December 31,					
	2023/2022			2022/2021		
	Net Change	Change Due To(1)		Net Change	Change Due To(1)	
Volume		Yield/Rate(2)	Volume		Yield/Rate(2)	
<b>Interest income</b>						
Investment securities	\$ 44,273	\$ 10,764	\$ 33,509	\$ 19,385	\$ (752)	\$ 20,137
Interest bearing cash and cash equivalents	123,705	(26,299)	150,004	84,038	(5,731)	89,769
Loans held for sale	(20,699)	(22,063)	1,364	21,074	6,995	14,079
Loans held for investment, mortgage finance	(82,732)	(43,272)	(39,460)	(49,362)	(78,274)	28,912
Loans held for investment	420,296	634	419,662	191,645	27,721	163,924
Total interest income	484,843	(80,236)	565,079	266,780	(50,041)	316,821
<b>Interest expense</b>						
Transaction deposits	24,462	(2,103)	26,565	(2,558)	(10,747)	8,189
Savings deposits	328,706	14,253	314,453	114,941	(3,947)	118,888
Time deposits	43,944	4,183	39,761	12,773	(2,273)	15,046
Short-term borrowings	41,565	(8,057)	49,622	24,464	(1,315)	25,779
Long-term debt	8,644	(2,360)	11,004	11,111	6,287	4,824
Total interest expense	447,321	5,916	441,405	160,731	(11,995)	172,726
Net interest income	\$ 37,522	\$ (86,152)	\$ 123,674	\$ 106,049	\$ (38,046)	\$ 144,095

(1) Yield/rate and volume variances are allocated to yield/rate.

(2) Taxable equivalent rates used where applicable assuming a 21% tax rate.

## Net Interest Income

Net interest income was \$914.1 million for the year ended December 31, 2023 compared to \$875.8 million for 2022. The increase was primarily due to an increase in yields on average earning assets, partially offset by an increase in funding costs and a decrease in average earning assets.

Average earning assets for the year ended December 31, 2023 decreased \$2.7 billion compared to the same period in 2022, which included a \$1.6 billion decrease in average interest bearing cash and cash equivalents and a \$1.7 billion decrease in average total loans, partially offset by a \$636.9 million increase in investment securities. Average interest bearing liabilities increased \$453.0 million for the year ended December 31, 2023 compared to the same period in 2022, primarily due to a \$1.0 billion increase in average interest bearing deposits, partially offset by a \$506.7 million decrease in average short-term borrowings and a \$44.9 million decrease in average long-term debt. Average non-interest bearing deposits for the year ended December 31, 2023 decreased to \$9.8 billion from \$13.0 billion for the same period in 2022.

Net interest margin for the year ended December 31, 2023 was 3.17% compared to 2.79% for 2022. The increase was primarily due to the effect of rising interest rates on earning asset yields and a shift in earning asset composition, partially offset by higher funding costs, also as a result of rising interest rates, compared to the same period in 2022.

The yield on total loans held for investment, net, increased to 6.52% for the year ended December 31, 2023 compared to 4.55% for the same period in 2022 and the yield on earning assets increased to 5.65% for the year ended December 31, 2023 compared to 3.65% for the same period in 2022. The average cost of total deposits increased to 2.47% for 2023 from 0.74% for the same period in 2022 and total funding costs, including all deposits, long-term debt and stockholders' equity, increased to 2.46% for 2023 compared to 0.85% for the same period 2022.

## Non-interest Income

<i>(in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Service charges on deposit accounts	\$ 20,874	\$ 23,266	\$ 19,054
Wealth management and trust fee income	13,955	15,036	13,173
Brokered loan fees	8,918	14,159	27,954
Investment banking and trading income	86,182	35,054	24,441
Gain on disposal of subsidiary	—	248,526	—
Other	31,490	13,481	53,664
<b>Total non-interest income</b>	<b>\$ 161,419</b>	<b>\$ 349,522</b>	<b>\$ 138,286</b>

Non-interest income decreased by \$188.1 million during the year ended December 31, 2023 to \$161.4 million, compared to \$349.5 million for the same period in 2022. The decrease was primarily due to a non-recurring \$248.5 million gain related to the sale of our premium finance subsidiary recorded in 2022, partially offset by increases in investment banking and trading income and other non-interest income.

## Non-interest Expense

<i>(in thousands)</i>	Year ended December 31,		
	2023	2022	2021
Salaries and benefits	\$ 459,700	\$ 434,906	\$ 350,197
Occupancy expense	38,494	44,222	33,232
Marketing	25,854	32,388	10,006
Legal and professional	64,924	75,858	41,152
Communications and technology	81,262	69,253	75,185
Federal Deposit Insurance Corporation (“FDIC”) insurance assessment	36,775	14,344	21,027
Servicing-related expenses	—	—	27,765
Other	49,938	56,561	40,448
<b>Total non-interest expense</b>	<b>\$ 756,947</b>	<b>\$ 727,532</b>	<b>\$ 599,012</b>

Non-interest expense for the year ended December 31, 2023 increased \$29.4 million compared to the same period in 2022 primarily due to an increase in salaries and benefits, communications and technology and FDIC insurance assessment, which included \$19.9 million in special assessment expense in 2023, partially offset by a decrease in legal and professional expense. Full-year 2022 legal and professional expense included \$15.9 million in expenses related to the sale of our premium finance subsidiary.

## Analysis of Financial Condition

### Loans Held for Investment

As discussed in Note 1 - Operations and Summary of Significant Accounting Policies in the accompanying notes to the consolidated financial statements included elsewhere in this report, in the second quarter of 2023, changes were made to certain estimates used in the Company’s current expected credit loss model which resulted in adjustments being made to the Company’s portfolio segments. As a result, certain prior period balances below have been reclassified to conform to the current period presentation of portfolio segments.

The following table summarizes the Company’s loans held for investment by portfolio segment. See Note 1 - Operations and Summary of Significant Accounting Policies in the accompanying notes to the consolidated financial statements included elsewhere in this report for details of these portfolio segments.

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
Commercial	\$ 10,410,766	\$ 9,832,676
Mortgage finance	3,978,328	4,090,033
Commercial real estate	5,500,774	4,875,363
Consumer	530,948	552,848
Gross loans held for investment	20,420,816	19,350,920
Unearned income (net of direct origination costs)	(80,258)	(63,580)
<b>Total loans held for investment</b>	<b>\$ 20,340,558</b>	<b>\$ 19,287,340</b>



Total loans held for investment were \$20.3 billion at December 31, 2023, an increase of \$1.1 billion from December 31, 2022. The Company experienced loan growth in the commercial and commercial real estate categories as it has continued to execute on its long-term strategy. Mortgage finance loans relate to the mortgage warehouse lending operations in which the Company purchases mortgage loan ownership interests that are typically sold within 10 to 20 days and represent 19% and 21% of gross loans held for investment at December 31, 2023 and December 31, 2022, respectively. Volumes fluctuate based on the level of market demand for the product and the number of days between purchase and sale of the loans, which can be affected by changes in overall market interest rates, and tend to peak at the end of each month.

The Company originates a substantial majority of all loans held for investment. The Company also participates in shared national credits, both as a participant and as an agent. As of December 31, 2023, the Company had \$5.3 billion in shared national credits, \$1.2 billion of which the Company administered as agent. All syndicated loans, whether the Company acts as agent or participant, are underwritten to the same standards as all other loans the Company originates. As of December 31, 2023, approximately \$6.5 million of the Company's shared national credits were on non-accrual.

## Portfolio Concentrations

Although more than 50% of the Company's total loan exposure is outside of Texas and more than 50% of deposits are sourced outside of Texas, Texas concentration remains significant. As of December 31, 2023, a majority of the loans held for investment, excluding mortgage finance and other national lines of business, were to businesses with headquarters or operations in Texas. This geographic concentration subjects the Company's loan portfolio to the general economic conditions within this state. The risks created by this concentration have been considered by management in the determination of the appropriateness of the allowance for credit losses.

The table below summarizes the industry concentrations of loans held for investment on a gross basis at December 31, 2023:

<i>(dollars in thousands)</i>	<b>Amount</b>	<b>Percent of Total</b>
<b>Commercial:</b>		
Financials (excluding banks)	\$ 3,950,879	19.4 %
Oil and gas and pipelines	1,205,100	5.9 %
Technology, telecom and media	1,004,186	4.9 %
Real estate related services (not secured by real estate)	947,494	4.6 %
Commercial services	419,065	2.1 %
Retail	410,162	2.0 %
Machinery, equipment and parts manufacturing	300,606	1.5 %
Entertainment and recreation	291,146	1.4 %
Transportation services	236,100	1.2 %
Healthcare and pharmaceuticals	217,558	1.1 %
Government and education	208,828	1.0 %
Food and beverage manufacturing and wholesale	179,673	0.9 %
Materials and commodities	173,574	0.8 %
Utilities	146,923	0.7 %
Consumer services	137,823	0.7 %
Diversified or miscellaneous	581,649	2.8 %
<b>Total commercial</b>	<b>10,410,766</b>	<b>51.0 %</b>
Mortgage finance	3,978,328	19.5 %
Commercial real estate	5,500,774	26.9 %
Consumer	530,948	2.6 %
<b>Total</b>	<b>\$ 20,420,816</b>	<b>100.0 %</b>

The Company's largest concentration of commercial loans held for investment in any single industry is in financials excluding banks. Loans extended to borrowers in the financials excluding banks category are comprised largely of loans to companies who loan money to businesses and consumers for various purposes including, but not limited to, insurance, consumer goods and real estate. This category also includes loans to companies involved in investment management and securities and commodities trading.

The Company believes the loans it originates are appropriately collateralized under its credit standards. Approximately 96% of the Company's loans held for investment are secured by collateral. The table below sets forth information regarding the distribution of loans held for investment on a gross basis among various types of collateral at December 31, 2023:

<i>(dollars in thousands)</i>	<b>Amount</b>	<b>Percent of Total</b>
Commercial:		
Business assets	\$ 8,848,736	43.4 %
Other assets	337,444	1.7 %
Highly liquid assets	330,767	1.6 %
Municipal tax- and revenue-secured	89,079	0.4 %
Rolling stock	30,415	0.1 %
U. S. Government guaranty	1,261	— %
Unsecured	773,064	3.8 %
Total commercial	10,410,766	51.0 %
Mortgage finance	3,978,328	19.5 %
Commercial real estate	5,500,774	26.9 %
Consumer	530,948	2.6 %
Total	\$ 20,420,816	100.0 %

As noted in the tables above, approximately 27% of loans held for investment as of December 31, 2023 are commercial real estate loans that are generally secured by real property. The commercial real estate portfolio is comprised primarily of non-owner occupied construction/development financing and limited term financing provided to professional real estate developers, owners/managers of commercial real estate projects and properties, and residential builders/developers. Collateral properties include office buildings, warehouse/distribution buildings, shopping centers, hotels/motels, senior living, apartment buildings, residential and commercial tract developments, and raw land or lots to be developed into single-family homes. The primary source of repayment on these loans is generally expected to come from the sale, permanent financing or lease of the real property collateral. As a result, the performance of these loans is generally impacted by fluctuations in collateral values, the ability of the borrower to obtain permanent financing, and, in the case of loans to residential builder/developers, volatility in consumer demand. Commercial real estate net charge-offs totaled \$5.5 million in 2023, primarily related to a single hospitality loan that was significantly impacted by the COVID-19 pandemic, as compared to \$350,000 in 2022.

The table below summarizes the commercial real estate loan portfolio, by property type as of December 31, 2023:

<i>(dollars in thousands)</i>	<b>Amount</b>	<b>Percent of Total</b>
Apartment/condominium buildings	\$ 2,196,299	39.9 %
Industrial buildings	1,032,647	18.8 %
Office buildings	451,660	8.2 %
1-4 Family dwellings (other than condominium)	340,632	6.2 %
Shopping center/mall buildings	265,938	4.8 %
Senior housing buildings	260,656	4.7 %
Self-storage buildings	212,571	3.9 %
Commercial buildings	166,405	3.0 %
Hotel/motel buildings	162,585	3.0 %
Residential lots	92,037	1.7 %
Student housing	84,003	1.5 %
Commercial lots	78,192	1.4 %
Other	157,149	2.9 %
Total commercial real estate loans	\$ 5,500,774	100.0 %

The table below summarizes the Company's commercial real estate portfolio at December 31, 2023 as segregated by the geographic region in which the property is located. Approximately 59% of the commercial real estate collateral is located in Texas.

<i>(dollars in thousands)</i>	<b>Amount</b>	<b>Percent of Total</b>
Texas geographic region:		
Dallas/Fort Worth	\$ 1,140,779	20.7 %
Houston	881,487	16.0 %
San Antonio	515,875	9.4 %
Austin	503,052	9.2 %
Other Texas cities	181,278	3.3 %
Total Texas	3,222,471	58.6 %
Other states	2,278,303	41.4 %
Total commercial real estate loans	\$ 5,500,774	100.0 %

The determination of collateral value is critically important when financing real estate. As a result, obtaining current and objectively prepared appraisals is a major part of the underwriting and monitoring processes. The Company engages a variety of professional firms to supply appraisals, market studies and feasibility reports, environmental assessments and project site inspections to complement its internal resources to underwrite and monitor these credit exposures. Generally, the credit policy requires a new appraisal every three years. However, in periods of economic uncertainty where real estate market conditions may change rapidly, more current appraisals are obtained when warranted by conditions such as a borrower's deteriorating financial condition, their possible inability to perform on the loan or other indicators of increasing risk of reliance on collateral value as the sole source of repayment of the loan. Annual appraisals are generally obtained for loans graded substandard or worse where real estate is a material portion of the collateral value and/or the income from the real estate or sale of the real estate is the primary source of debt service.

Appraisals are, in substantially all cases, reviewed by a third party to determine the reasonableness of the appraised value. The third-party reviewer will challenge whether or not the data used is appropriate and relevant, form an opinion as to the appropriateness of the appraisal methods and techniques used, and determine if overall the analysis and conclusions of the appraiser can be relied upon. Additionally, the third-party reviewer provides a detailed report of that analysis. Further review may be conducted by credit officers, including the Bank's managed asset committee as conditions warrant. These additional steps of review are undertaken to confirm that the underlying appraisal and the third-party analysis can be relied upon. If differences arise, management addresses those with the reviewer and determines an appropriate resolution. Both the appraisal process and the appraisal review process can be less reliable in establishing accurate collateral values during and following periods of economic weakness due to the lack of comparable sales and the limited availability of financing to support an active market of potential purchasers.

### **Interest Reserve Loans**

As of December 31, 2023 and December 31, 2022, the Company had \$788.9 million and \$854.5 million, respectively, in loans held for investment that included interest reserve arrangements, representing approximately 14% and 18%, respectively, of outstanding commercial real estate loans. The use of interest reserves is common in construction loans and is carefully controlled by underwriting standards, which consider the feasibility of the project, the creditworthiness of the borrower and guarantors and the loan-to-value coverage of the collateral. The interest reserve allows the borrower to draw loan funds to pay interest charges on the outstanding balance of the loan when financial condition precedents are met. When drawn, the interest is capitalized and added to the loan balance, subject to conditions specified during the initial underwriting and at the time the credit is approved. The Company has ongoing controls for monitoring compliance with loan covenants, advancing funds and determining default conditions.

When the Company finances land on which improvements will be constructed, construction funds are generally not advanced until the borrower has received lease or purchase commitments which will meet cash flow coverage requirements and/or an analysis of market conditions and project feasibility indicates to management's satisfaction that such lease or purchase commitments are forthcoming or other sources of repayment have been identified to repay the loan. It is the general policy to require a substantial equity investment by the borrower to complement the Bank's credit commitment. Any such required borrower investment is first contributed and invested in the project before any draws are allowed under the Bank's credit commitment. The Company requires current financial statements of the borrowing entity and guarantors, as well as conduct periodic inspections of the project and analysis of whether the project is on schedule or delayed. Updated appraisals are ordered when necessary to validate the collateral values to support advances, including reserve interest. Advances of interest reserves are discontinued if collateral values do not support the advances or if the borrower does not comply with other terms and conditions in the loan agreements. If at any time management believes that the collateral position is jeopardized, the Company

retains the right to stop the use of interest reserves. As of December 31, 2023 and December 31, 2022, none of the loans with interest reserves were on non-accrual.

### Large Credit Relationships

The Company originates and maintains large credit relationships with numerous customers in the ordinary course of business. The legal lending limit of the Bank is approximately \$593.9 million. The Company, however, generally employs lower house limits which vary by assigned risk grade, product and collateral type. Such house limits, which generally range from \$20 million to \$60 million, may be exceeded with appropriate authorization for exceptionally strong borrowers and otherwise where business opportunity and assessed credit risk warrant a somewhat larger investment. The Company considers large credit relationships to be those with commitments equal to or in excess of \$20.0 million. The following table provides additional information on large held for investment credit relationships outstanding at year-end:

<i>(dollars in thousands)</i>	Number of Relationships	December 31, 2023		December 31, 2022		
		Period End Balances		Period End Balances		
		Committed	Outstanding	Committed	Outstanding	
\$30.0 million and greater	344	\$ 18,053,123	\$ 11,794,216	315	\$ 16,287,723	\$ 10,515,253
\$20.0 million to \$29.9 million	215	5,245,658	3,493,601	216	5,262,032	3,485,755

### Loan Maturities and Interest Rate Sensitivity

<i>(in thousands)</i>	December 31, 2023				
	Total	Within 1 Year	1-5 Years	5-15 Years	After 15 Years
Loan maturity:					
Commercial	\$ 10,410,766	\$ 1,897,320	\$ 7,870,372	\$ 635,042	\$ 8,032
Mortgage finance	3,978,328	3,978,328	—	—	—
Commercial real estate	5,500,774	1,516,284	3,643,612	303,895	36,983
Consumer	530,948	207,616	19,220	4,242	299,870
<b>Total loans held for investment</b>	<b>\$ 20,420,816</b>	<b>\$ 7,599,548</b>	<b>\$ 11,533,204</b>	<b>\$ 943,179</b>	<b>\$ 344,885</b>
Interest rate sensitivity for selected loans with:					
Fixed interest rates	\$ 1,133,129	\$ 72,272	\$ 506,292	\$ 536,237	\$ 18,328
Floating or adjustable interest rates	19,287,687	7,527,276	11,026,912	406,942	326,557
<b>Total loans held for investment</b>	<b>\$ 20,420,816</b>	<b>\$ 7,599,548</b>	<b>\$ 11,533,204</b>	<b>\$ 943,179</b>	<b>\$ 344,885</b>

## Non-performing Assets

Non-performing assets include non-accrual loans and leases and repossessed assets. The table below summarizes non-accrual loans by portfolio segment and by type of property securing the credit.

<i>(dollars in thousands)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Non-accrual loans held for investment				
Commercial:				
Business assets	\$	63,094	\$	41,448
Oil and gas properties		2,543		3,658
Machinery and equipment		3,332		—
Accounts receivable and inventory		—		1,405
Other		79		531
Total commercial		69,048		47,042
Commercial real estate:				
Hotel/motel		12,350		—
Commercial property		—		1,263
Total commercial real estate		12,350		1,263
Consumer				
Other		—		33
Total consumer		—		33
Total non-accrual loans held for investment		81,398		48,338
Non-accrual loans held for sale		—		—
Other real estate owned (“OREO”)		—		—
Total non-performing assets	\$	81,398	\$	48,338
Non-accrual loans held for investment to total loans held for investment		0.40 %		0.25 %
Total non-performing assets to total assets		0.29 %		0.17 %
Allowance for credit losses on loans to non-accrual loans held for investment		3.1x		5.2x
Loans held for investment past due 90 days and accruing	\$	19,523	\$	131
Loans held for investment past due 90 days to total loans held for investment		0.10 %		— %
Loans held for sale past due 90 days and accruing	\$	—	\$	—

## Summary of Credit Loss Experience

The provision for credit losses, comprised of a provision for loans and off-balance sheet credit losses, is a charge to earnings to maintain the allowance for credit losses at a level consistent with management’s assessment of expected losses at each balance sheet date. Below is a discussion of provision for credit losses on loans. The changes made to the Company’s current expected credit loss model, as discussed in Note 1 - Operations and Summary of Significant Accounting Policies in the accompanying notes to the consolidated financial statements included elsewhere in this report, resulted in a reallocation of the allowance for credit losses between loan portfolio segments and allowance balances allocated to off-balance sheet financial instruments. The changes made result in a higher allocation of losses to off-balance sheet financial statements. See Note 9 - Financial Instruments with Off-Balance Sheet Risk in the accompanying notes to the consolidated financial statements included elsewhere in this report for presentation of the activity in the allowance for credit losses for off-balance asset credit losses.

The Company recorded a provision for credit losses on loans of \$47.4 million for the year ended December 31, 2023 compared to a provision of \$61.5 million for the year ended December 31, 2022. The provision for credit losses on loans for the year ended December 31, 2023 reflects increases in total loans held for investment, criticized and non-accrual loans and net charge-offs during the year ended December 31, 2023. The Company recorded \$50.9 million in net charge-offs during the year ended December 31, 2023 compared to \$19.9 million in net charge-offs during the same period in 2022. Criticized loans totaled \$738.2 million at December 31, 2023, compared to \$513.2 million at December 31, 2022.

The table below presents key metrics related to the Company's credit loss experience:

	December 31, 2023	December 31, 2022
Allowance for credit losses on loans to total loans held for investment	1.23 %	1.31 %
Allowance for credit losses on loans to average total loans held for investment	1.24 %	1.19 %
Total allowance for credit losses to total loans held for investment	1.46 %	1.43 %
Total provision for credit losses to average total loans held for investment	0.36 %	0.31 %

The table below details net charge-offs/(recoveries) as a percentage of average total loans by portfolio segment:

<i>(dollars in thousands)</i>	2023		2022	
	Net Charge-offs	Net Charge-offs to Average Loans(1)	Net Charge-offs	Net Charge-offs to Average Loans(1)
Commercial	\$ 45,395	0.44 %	\$ 19,542	0.18 %
Mortgage finance	—	— %	—	— %
Commercial real estate	5,496	0.10 %	350	0.01 %
Consumer	36	0.01 %	(23)	— %
Total	\$ 50,927	0.25 %	\$ 19,869	0.09 %

The allowance for credit losses on loans totaled \$250.0 million at December 31, 2023 and \$253.5 million at December 31, 2022. The following table presents a summary of the Company's allowance for credit losses on loans by portfolio segment for the past two years:

<i>(dollars in thousands)</i>	December 31,			
	2023		2022	
	Allowance for Credit Losses on Loans	% of Loans in each Category to Total Loans	Allowance for Credit Losses on Loans	% of Loans in each Category to Total Loans
Commercial	\$ 171,437	51 %	\$ 185,303	51 %
Mortgage finance	4,173	19 %	10,745	21 %
Commercial real estate	71,829	27 %	54,268	25 %
Consumer	2,534	3 %	3,153	3 %
Total	\$ 249,973	100 %	\$ 253,469	100 %

See Note 1 - Operations and Summary of Significant Accounting Policies and Note 4 - Loans and Allowance for Credit Losses on Loans in the accompanying notes to the consolidated financial statements included elsewhere in this report for details of the allowance for credit losses on loans.

## Deposits

The Company competes for deposits by offering a full suite of deposit products and services to its customers. While this includes offering competitive interest rates and fees, the primary means of competing for deposits is convenience and service to customers, tailored to the strategy of maintaining a branch-lite network. The Company offers banking centers, courier services and online and mobile banking. Bask Bank, the Company's online banking division, serves customers on a 24 hours-a-day, 7 days-a-week basis solely through online banking.

Average total deposits for the year ended December 31, 2023 decreased \$2.1 billion compared to 2022. Average non-interest bearing deposits for the year ended December 31, 2023 decreased \$3.1 billion compared to 2022 and average interest bearing deposits increased \$1.0 billion. The average cost of total deposits increased to 2.47% in 2023 from 0.74% in 2022 primarily due to rising interest rates.

The following table discloses average deposits and weighted-average cost of deposits by type:

<i>(dollars in thousands)</i>	Year Ended December 31,			
	2023		2022	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest bearing	\$ 9,814,517	— %	\$ 12,951,134	— %
Interest bearing transaction	1,466,583	2.90 %	1,659,476	1.09 %
Savings	10,921,264	4.40 %	9,983,571	1.52 %
Time deposits	1,573,294	4.14 %	1,313,483	1.61 %
Total	\$ 23,775,658	2.47 %	\$ 25,907,664	0.74 %

Estimated uninsured deposits at December 31, 2023 were \$9.7 billion (43% of total deposits), compared to \$12.4 billion (54% of total deposits) at December 31, 2022. The uninsured amounts are estimated based on the methodologies and assumptions used for the Bank’s regulatory reporting requirements.

The following table shows scheduled maturities of time deposits greater than \$250,000:

<i>(in thousands)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Months to maturity:				
Three or less	\$	79,162	\$	70,008
Over three through six		127,289		50,282
Over six through twelve		150,382		117,435
Over twelve		19,535		20,715
<b>Total</b>	<b>\$</b>	<b>376,368</b>	<b>\$</b>	<b>258,440</b>

## Liquidity and Capital Resources

### Liquidity

In general terms, liquidity is a measurement of the Company’s ability to meet its cash needs. The Company’s objectives in managing its liquidity are to maintain the ability to meet loan commitments, repurchase investment securities and repay deposits and other liabilities in accordance with their terms, without an adverse impact on current or future earnings. The Company’s liquidity strategy is guided by policies, formulated and monitored by senior management and the Asset and Liability Management Committee (“ALCO”), which take into account the demonstrated marketability of the Company’s assets, the sources and stability of its funding and the level of unfunded commitments. The Company regularly evaluates all of its various funding sources with an emphasis on accessibility, stability, reliability and cost-effectiveness. The Company’s principal source of funding is customer deposits, supplemented by short-term borrowings, primarily from federal funds purchased and Federal Home Loan Bank (“FHLB”) borrowings, which are generally used to fund mortgage finance assets, and long-term debt. The Company also relies on the availability of the mortgage secondary market provided by Ginnie Mae and government sponsored entities to support the liquidity of mortgage finance assets.

The following table summarizes the Company’s interest bearing cash and cash equivalents:

<i>(dollars in thousands)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Interest bearing cash and cash equivalents	\$	3,042,357	\$	4,778,623
Interest bearing cash and cash equivalents as a percent of:				
Total loans held for investment		15.0 %		24.8 %
Total earning assets		11.1 %		17.4 %
Total deposits		13.6 %		20.9 %

The Company’s goal is to obtain as much of its funding for loans held for investment and other earning assets as possible from customer deposits, which are generated principally through development of long-term customer relationships, with a significant focus on treasury management products. In addition, the Company also has access to deposits through brokered channels. The following table summarizes period-end total deposits:

<i>(dollars in thousands)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Balance</b>	<b>% of Total</b>	<b>Balance</b>	<b>% of Total</b>
Customer deposits	\$ 21,454,568	95.9 %	\$ 21,247,999	93.0 %
Brokered deposits	917,271	4.1 %	1,608,881	7.0 %
<b>Total deposits</b>	<b>\$ 22,371,839</b>	<b>100.0 %</b>	<b>\$ 22,856,880</b>	<b>100.0 %</b>

The Company has short-term borrowing sources available to supplement deposits and meet its funding needs. Such borrowings are generally used to fund mortgage finance loans, due to their liquidity, short duration and interest spreads available. These borrowing sources include federal funds purchased from downstream correspondent bank relationships (which consist of banks that are smaller than the Bank) and from upstream correspondent bank relationships (which consist of banks that are larger than the Bank), customer repurchase agreements and advances from the FHLB and the Federal Reserve. The following table summarizes short-term borrowings, all of which mature within one year:

<i>(in thousands)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Repurchase agreements	\$ —	\$ 1,142
FHLB borrowings	1,500,000	1,200,000
Total short-term and other borrowings	\$ 1,500,000	\$ 1,201,142

The following table summarizes the Company's short-term borrowing capacities net of balances outstanding:

<i>(in thousands)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
FHLB borrowing capacity relating to loans and pledged securities	\$ 2,602,092	\$ 2,621,218
FHLB borrowing capacity relating to unencumbered securities	3,737,615	3,539,297
Total FHLB borrowing capacity(1)	\$ 6,339,707	\$ 6,160,515
Unused federal funds lines available from commercial banks	\$ 1,188,000	\$ 1,479,000
Unused Federal Reserve borrowings capacity	\$ 4,094,801	\$ 3,574,762
Unused revolving line of credit(2)	\$ 100,000	\$ 75,000

- (1) FHLB borrowings are collateralized by a blanket floating lien on certain real estate secured loans, mortgage finance assets and certain pledged securities.
- (2) Unsecured revolving, non-amortizing line of credit with maturity date of February 8, 2025. Proceeds may be used for general corporate purposes, including funding regulatory capital infusions into the Bank. The loan agreement contains customary financial covenants and restrictions. No borrowings were made against this line of credit during the twelve months ended December 31, 2023 or 2022. The line of credit was reduced to \$75.0 million in the first quarter of 2024.

The Company has long-term debt outstanding of \$859.1 million as of December 31, 2023, comprised of trust preferred securities, subordinated notes and senior unsecured credit linked notes with maturity dates ranging from September 2024 to December 2036. In the second quarter of 2023, the Company partially paid down \$75.0 million of the senior unsecured credit-linked notes in accordance with the terms of the notes. See Note 8 - Short-Term Borrowings and Long-Term Debt in the accompanying notes to the consolidated financial statements included elsewhere in this report for additional information. The Company may consider raising additional capital, if needed, in public or private offerings of debt or equity securities to supplement deposits and meet its long-term funding needs.

As the Company is a holding company and is a separate operating entity from the Bank, the Company's primary sources of liquidity are dividends received from the Bank and borrowings from outside sources. Banking regulations may limit the amount of dividends that may be paid by the Bank. See Note 10 - Regulatory Ratios and Capital in the accompanying notes to the consolidated financial statements included elsewhere in this report for additional information regarding dividend restrictions and "Liquidity Risks" included in Part I, Item 1A of the 2022 Form 10-K.

Periodically, based on market conditions and other factors, and subject to compliance with applicable laws and regulations and the terms of its existing indebtedness, the Company may repay, repurchase, exchange or redeem outstanding indebtedness, or otherwise enter into transactions regarding debt or capital structure. For example, the Company periodically evaluates and may engage in liability management transactions, including repurchases or redemptions of outstanding subordinated notes, which may be funded by the issuance of, or exchanges of, newly issued unsecured borrowings to actively manage the debt maturity profile and interest cost.

#### *Capital Resources*

The Company's equity capital averaged \$3.1 billion for the year ended December 31, 2023 compared to \$3.1 billion for the same period in 2022. The Company has not paid any cash dividends on common stock since operations commenced and has no plans to do so in the foreseeable future.

On April 19, 2022, the Company's board of directors authorized a share repurchase program under which the Company could repurchase up to \$150.0 million in shares of its outstanding common stock. In January 2023, the Company repurchased 564,206 shares of common stock at a weighted average price of \$61.50, completing the full \$150.0 million of repurchases authorized under this plan. A new share repurchase program was approved on January 18, 2023 under which the Company could repurchase up to \$150.0 million in shares of outstanding common stock. From March 2023 through December 2023, the Company repurchased 1,257,326 shares of its common stock for an aggregate purchase price of \$69.4 million, at a weighted average price of \$55.22 per share under this plan. The aggregate purchase price and weighted average price per share does not include the effect of excise tax expense incurred on net stock repurchases.



On January 17, 2024, the Company's board of directors authorized a new share repurchase program under which the Company may repurchase up to \$150.0 million in shares of its outstanding common stock. Any repurchases under the repurchase program will be made in accordance with applicable securities laws from time to time in open market or private transactions. The extent to which the Company repurchases shares, and the timing of such repurchases, will be at management's discretion and will depend upon a variety of factors, including market conditions, our capital position and amount of retained earnings, regulatory requirements and other considerations. The share repurchase program is set to expire on January 31, 2025, and the program may be suspended or discontinued at any time. Remaining repurchase authorization under the January 18, 2023 share repurchase program was terminated upon authorization of this new program.

For additional information on the Company's capital and stockholders' equity, see Note 10 - Regulatory Ratios and Capital, in the accompanying notes to the consolidated financial statements included elsewhere in this report.

### **Critical Accounting Estimates**

SEC guidance requires disclosure of "critical accounting estimates." The SEC defines "critical accounting estimates" as those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations of the registrant.

The Company follows financial accounting and reporting policies that are in accordance with accounting principles generally accepted in the United States. The more significant of these policies are summarized in Note 1 - Operations and Summary of Significant Accounting Policies in the notes to the consolidated financial statements included elsewhere in this report. Not all significant accounting policies require management to make difficult, subjective or complex judgments. However, the policy noted below could be deemed to meet the SEC's definition of a critical accounting policy.

#### *Allowance for Credit Losses*

Management considers the policies related to the allowance for credit losses as the most critical to the financial statement presentation. The total allowance for credit losses includes activity related to allowances calculated in accordance with Accounting Standards Codification 326, *Credit Losses*. The allowance for credit losses is established through a provision for credit losses charged to current earnings. The amount maintained in the allowance reflects management's continuing evaluation of the credit losses expected to be recognized over the life of the loans in the Company's portfolio. The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The allowance for credit losses on off-balance sheet financial instruments is recorded in other liabilities on the consolidated balance sheets. For purposes of determining the allowance for credit losses, the loan portfolio is segregated into pools first by portfolio segment and then by past due status or credit grade. Each pool is assigned a loss estimate, reflecting historical loss rates that incorporate probability of default and severity of losses over the estimated remaining life of the loans. Loans that do not share risk characteristics are evaluated on an individual basis and are not included in the collective (pool) evaluation. Management estimates the allowance balance using relevant available information from internal and external sources relating to past events, current conditions and reasonable and supportable forecasts. Modifications to loss estimates are made to incorporate a reasonable and supportable forecast of future losses at the pool level, as well as any necessary qualitative adjustments using a Portfolio Level Qualitative Factor ("PLQF") and/or a Portfolio Segment Level Qualitative Factor ("SLQF"). A similar process is employed to calculate a reserve assigned to off-balance sheet financial instruments, specifically unfunded loan commitments and letters of credit. Modified loss estimates are assigned based on the balance of the commitments estimated to be outstanding at the time of default. The PLQF and SLQF are utilized to address factors that are not present in historical loss rates and are otherwise unaccounted for in the quantitative process. A reserve is recorded upon origination or purchase of a loan. See "*Summary of Credit Loss Experience*" above and Note 4 - Loans and Allowance for Credit Losses on Loans in the accompanying notes to the consolidated financial statements included elsewhere in this report for further discussion of the risk factors considered by management in establishing the allowance for credit losses.

Management considers a range of macroeconomic scenarios in connection with the allowance estimation process. Within the various economic scenarios considered as of December 31, 2023, the quantitative estimate of the allowance for credit loss would increase by approximately \$220.4 million under sole consideration of the most severe downside scenario. The quoted sensitivity calculation reflects the sensitivity of the modeled allowance estimate to macroeconomic forecast data, but is absent of qualitative overlays and other qualitative adjustments that are part of the quarterly reserving process and does not necessarily reflect the nature and extent of future changes in the allowance for reasons including increases or decreases in qualitative adjustments, changes in the risk profile and size of the portfolio, changes in the severity of the macroeconomic scenario and the range of scenarios under management consideration.

**ITEM 7A.****QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Market risk represents the potential economic loss on trading and non-trading portfolios and financial instruments due to adverse price movements in markets including interest rates, foreign exchange rates, credit spreads, commodity prices and equity and related implied volatility levels. The Company is subject to market risk primarily through the effect of changes in interest rates on its portfolio of assets held for purposes other than trading and interest rate derivative instruments that are used for managing interest rate risk.

In addition, the Company has exposure to market risk through its trading desk that engages in fixed income and equity securities, derivatives and foreign exchange transactions to support the investing and hedging activities of customers. The Company uses Value-at-Risk (“VaR”) as a means to measure, monitor, and limit aggregate market risk on the trading portfolio. VaR is a statistical risk measure estimating potential loss at the 95th percentile based on a one-year history of market risk factors associated with the trading portfolio. VaR provides a consistent cross-asset measure for risk profiles and allows for diversification benefit based on historical correlations across market moves. As of December 31, 2023, the Company’s exposure through its trading desk does not pose a significant market risk to the Company. All statistical models involve a degree of uncertainty and VaR is calculated at a statistical confidence interval of the 95th percentile based on one-year daily historic market moves. Larger economic losses are possible, particularly during stressed macroeconomic and market conditions.

The responsibility for managing market risk rests with the ALCO, which operates under policy guidelines established by the Company’s board of directors. Oversight of the Company’s compliance with the guidelines is the ongoing responsibility of the ALCO, with exceptions reported to the Executive Risk Committee and the board of directors, if necessary, on a quarterly basis.

**Interest Rate Risk Management**

The Company’s interest rate sensitivity as of December 31, 2023 is illustrated in the following table. The table reflects rate-sensitive positions as of December 31, 2023 and is not necessarily indicative of positions on other dates. The table does not take into account the effect of the Company’s derivatives designated as cash flow hedges. The balances of interest rate sensitive assets and liabilities are presented in the periods in which they next reprice to market rates or mature and are aggregated to show the interest rate sensitivity gap. The mismatch between repricings or maturities within a time period is commonly referred to as the “gap” for that period. A positive gap (asset sensitive), where interest rate-sensitive assets exceed interest rate sensitive liabilities, generally will result in the net interest margin increasing in a rising rate environment and decreasing in a falling rate environment. A negative gap (liability sensitive) will generally have the opposite results on the net interest margin. Certain variable rate loans have embedded floors which limit the decline in yield on those loans at times when market interest rates are extraordinarily low. The degree of asset sensitivity, spreads on loans and net interest margin may be reduced until rates increase by an amount sufficient to eliminate the effects of floors. The adverse effect of floors as market rates increase may also be offset by the positive gap, the extent to which rates on deposits and other funding sources lag increasing market rates for loans and changes in composition of funding.

<i>(in thousands)</i>	0-3 months		4-12 months		1-3 years		3+ years		Total
<b>Assets</b>									
Interest bearing cash and cash equivalents	\$	3,042,357	\$	—	\$	—	\$	—	\$ 3,042,357
Investment securities(1)		314,764		899		299,493		3,528,038	4,143,194
Variable loans		18,741,790		216,809		96,449		276,745	19,331,793
Fixed loans		25,780		46,491		240,407		820,450	1,133,128
Total loans(2)		18,767,570		263,300		336,856		1,097,195	20,464,921
Total interest sensitive assets	\$	22,124,691	\$	264,199	\$	636,349	\$	4,625,233	\$ 27,650,472
<b>Liabilities</b>									
Interest bearing customer deposits	\$	13,264,838	\$	—	\$	—	\$	—	\$ 13,264,838
CDs		500,262		1,252,576		25,177		710	1,778,725
Total interest bearing deposits		13,765,100		1,252,576		25,177		710	15,043,563
Short-term borrowings		1,500,000		—		—		—	1,500,000
Long-term debt		312,905		—		174,457		371,785	859,147
Total borrowings		1,812,905		—		174,457		371,785	2,359,147
Total interest sensitive liabilities	\$	15,578,005	\$	1,252,576	\$	199,634	\$	372,495	\$ 17,402,710
GAP	\$	6,546,686	\$	(988,377)	\$	436,715	\$	4,252,738	\$ —
Cumulative GAP	\$	6,546,686	\$	5,558,309	\$	5,995,024	\$	10,247,762	\$ 10,247,762
Non-interest bearing deposits									7,328,276
Stockholders’ equity									3,199,142
Total									<u>\$ 10,527,418</u>

(1) Available-for-sale debt securities and equity securities based on fair market value.

(2) Total loans include gross loans held for investment and loans held for sale.

While a gap interest table is useful in analyzing interest rate sensitivity, an interest rate sensitivity simulation provides a better illustration of the sensitivity of earnings to changes in interest rates. Earnings are also affected by the effects of changing interest rates on the value of funding derived from non-interest bearing deposits and stockholders' equity. Management performs a sensitivity analysis to identify interest rate risk exposure on net interest income. Management also quantifies and measures interest rate risk exposure using a model to dynamically simulate the effect of changes in net interest income relative to changes in interest rates over the next twelve months based on three interest rate scenarios. These are a static rate scenario and two "shock test" scenarios.

These scenarios are based on interest rates as of the last day of a reporting period published by independent sources and incorporate relevant spreads of instruments that are actively traded in the open market. The Federal Reserve's federal funds target affects short-term borrowing; the prime lending rate, SOFR, Bloomberg Short Term Yield Index and other alternative indexes are the basis for most of the variable-rate loan pricing. The 10-year treasury rate is also monitored because of its effect on prepayment speeds for mortgage-backed securities. These are the Company's primary interest rate exposures. Interest rate derivative contracts may be used to manage exposure to adverse fluctuations in these primary interest rate exposures as is discussed in more detail under the heading *Use of Derivatives to Manage Interest Rate and Other Risks* below.

For modeling purposes, the "shock test" scenarios as of December 31, 2023 assume immediate, sustained 100 and 200 basis point increases in interest rates as well as 100 and 200 basis point decreases in interest rates. As of December 31, 2022, the scenarios assumed a sustained 100 and 200 basis point increase in interest rates, as well as a 100 basis point decrease in interest rates. The Company will continue to evaluate these scenarios as interest rates change.

During 2023, the Company's interest rate risk exposure model incorporated updated assumptions regarding the level of interest rate, including indeterminable maturity deposits (non-interest bearing deposits, interest bearing transaction accounts and savings accounts) and loan and security prepayments behaviors for a given level of market rate change. In the current environment of changing short-term rates, deposit pricing can vary by product and customer. These assumptions have been developed through a combination of historical analysis and projection of future expected pricing behavior. Changes in prepayment behavior of mortgage-backed securities, residential and commercial mortgage loans in each rate environment are captured using industry estimates of prepayment speeds for various coupon segments of the portfolio. The impact of these changes is factored into the simulation model results for 2023. This modeling indicated interest rate sensitivity as follows:

	Annualized Hypothetical Change in Net Interest Income	
	December 31, 2023	December 31, 2022
+ 200 basis points	3.2 %	14.5 %
+ 100 basis points	1.6 %	8.0 %
- 100 basis points	(4.4)%	(10.2)%
- 200 basis points	(9.1)%	N/A

The simulations used to manage market risk are based on numerous assumptions regarding the effect of changes in interest rates on the timing and extent of repricing characteristics, future cash flows and customer behavior. These assumptions are inherently uncertain and, as a result, the model cannot precisely estimate net interest income or precisely predict the impact of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions, customer behavior and management strategies, among other factors.

### **Use of Derivatives to Manage Interest Rate and Other Risks**

In the ordinary course of business, the Company enters into derivative transactions to manage various risks and to accommodate the business requirements of its customers.

On the date the Company enters into a derivative contract, the derivative is designated as either a fair value hedge, cash flow hedge, net investment hedge, or a designation is not made as it is a customer-related transaction, an economic hedge for asset/liability risk management purposes or another stand-alone derivative created through the Company's operations.

To manage the sensitivity of earnings and capital to interest rate, prepayment, credit, price and foreign currency fluctuations (asset and liability management positions), the Company may enter into derivative transactions. In addition, the Company enters into interest rate and foreign exchange derivative contracts to support the business requirements of its customers (customer-related positions).

For additional information regarding derivatives, see Note 14 - Derivative Financial Instruments in the accompanying notes to the consolidated financial statements included elsewhere in this report.

**ITEM 8.****FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

## Index to Consolidated Financial Statements

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Texas Capital Bancshares, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Texas Capital Bancshares, Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income and other comprehensive income/(loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 13, 2024 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

### *Allowance for Credit Losses - Loans*

**Description of the Matter** The Company's loans held for investment portfolio totaled \$20.3 billion as of December 31, 2023, and the associated allowance for credit losses (ACL) was \$296.3 million. The ACL represents management's best estimate of expected credit losses over the contractual life of loans and for off-balance sheet commitments. The ACL is estimated using relevant available information relating to past events, current conditions, and reasonable and supportable forecasts, as well as qualitative adjustments using a Portfolio Level Qualitative Factor and/or Portfolio Segment Level Qualitative Factor (collectively the "qualitative factors"). In the second quarter of 2023, changes were made to certain estimates used in the Company's current expected credit loss model, the most significant of which are more granular estimates of historical loss rates to incorporate probability of default and loss severities and allocations of expected losses to outstanding loan balances and off-balance sheet financial instruments. The qualitative factors are used to bring the ACL to the level management believes is appropriate based on factors that are otherwise unaccounted for in the quantitative process. The ACL also includes reserves for loans evaluated on an individual basis, such as certain loans graded substandard or worse. Management applies judgment in the determination and usage of the qualitative factors, and in the use of a single or a blend of forecast scenarios used to calculate the reasonable and supportable forecast.

Auditing management's estimate of the ACL is complex due to the models utilized and involves a high degree of subjectivity due to the judgment required in evaluating management's determination and usage of the qualitative factors, and in the use of a single or blend of forecast scenarios used to calculate the reasonable and supportable forecast.

### **How We Addressed the Matter in Our Audit**

Our considerations and procedures performed included evaluation of the process utilized by management to challenge the model results and determine the best estimate of the ACL as of the balance sheet date. We obtained an understanding of the Company's process for establishing the ACL, including determination and usage of the qualitative factors and determination of a single or blend of multiple forecast scenarios used to calculate the reasonable and supportable forecast. We evaluated the design and tested the operating effectiveness of the controls associated with the ACL process, including controls around 1) the reliability and accuracy of data used in the model; 2) management's review and approval of the selected qualitative factors; 3) the single or blend of multiple forecast scenarios used to calculate the reasonable and supportable forecast; 4) the governance of the credit loss methodology including model validation; and 5) management's review and approval of the ACL.

We performed specific substantive tests of the models utilized, qualitative factors and the single or blend of forecast scenarios used to calculate the reasonable and supportable forecast. We involved EY specialists to assist in testing management models including evaluating model methodology and key modeling assumptions, as well as the appropriateness of management's qualitative and reasonable and supportable forecast framework. We evaluated if the qualitative factors were applied based on a comprehensive framework and compared the adjustments utilized by management to both internal portfolio metrics and external macroeconomic data (as applicable) to support the adjustments and evaluate trends in such adjustments. We searched for and evaluated information that corroborates or contradicts management's reasonable and supportable forecast as well as identification and measurement of qualitative factors. In addition, we evaluated the Company's estimate of the overall ACL, giving consideration to the Company's borrowers, loan portfolio, and macroeconomic trends, independently obtained and compared such information to comparable financial institutions and considered whether new or contrary information existed.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.

Dallas, TX

February 13, 2024

**TEXAS CAPITAL BANCSHARES, INC.**  
**CONSOLIDATED BALANCE SHEETS**

*(in thousands except share data)*

	December 31, 2023	December 31, 2022
<b>Assets</b>		
Cash and due from banks	\$ 200,493	\$ 233,637
Interest bearing cash and cash equivalents	3,042,357	4,778,623
Available-for-sale debt securities	3,225,892	2,615,644
Held-to-maturity debt securities	865,477	935,514
Equity securities	51,825	33,956
Investment securities	4,143,194	3,585,114
Loans held for sale	44,105	36,357
Loans held for investment, mortgage finance	3,978,328	4,090,033
Loans held for investment	16,362,230	15,197,307
Less: Allowance for credit losses on loans	249,973	253,469
Loans held for investment, net	20,090,585	19,033,871
Premises and equipment, net	32,366	26,382
Accrued interest receivable and other assets	801,670	719,162
Goodwill and intangibles, net	1,496	1,496
<b>Total assets</b>	<b>\$ 28,356,266</b>	<b>\$ 28,414,642</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Non-interest bearing deposits	\$ 7,328,276	\$ 9,618,081
Interest bearing deposits	15,043,563	13,238,799
Total deposits	22,371,839	22,856,880
Accrued interest payable	33,234	24,000
Other liabilities	392,904	345,827
Short-term borrowings	1,500,000	1,201,142
Long-term debt	859,147	931,442
<b>Total liabilities</b>	<b>25,157,124</b>	<b>25,359,291</b>
<b>Stockholders' equity:</b>		
Preferred stock, \$0.01 par value, \$1,000 liquidation value:		
Authorized shares - 10,000,000		
Issued shares - 300,000 at December 31, 2023 and 2022	300,000	300,000
Common stock, \$0.01 par value:		
Authorized shares - 100,000,000		
Issued shares - 51,142,979 and 50,867,298 at December 31, 2023 and 2022, respectively	511	509
Additional paid-in capital	1,045,576	1,025,593
Retained earnings	2,435,393	2,263,502
Treasury stock - 3,905,067 and 2,083,535 shares at cost at December 31, 2023 and 2022, respectively	(220,334)	(115,310)
Accumulated other comprehensive loss, net of taxes	(362,004)	(418,943)
<b>Total stockholders' equity</b>	<b>3,199,142</b>	<b>3,055,351</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 28,356,266</b>	<b>\$ 28,414,642</b>

See accompanying notes to consolidated financial statements.

**TEXAS CAPITAL BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME AND OTHER**  
**COMPREHENSIVE INCOME/(LOSS)**

<i>(in thousands except per share data)</i>	Year ended December 31,		
	2023	2022	2021
<b>Interest income</b>			
Interest and fees on loans	\$ 1,300,653	\$ 983,794	\$ 820,476
Investment securities	108,294	63,179	42,820
Interest bearing cash and cash equivalents	220,976	97,271	13,233
Total interest income	1,629,923	1,144,244	876,529
<b>Interest expense</b>			
Deposits	587,775	190,663	65,507
Short-term borrowings	70,642	29,077	4,613
Long-term debt	57,383	48,739	37,628
Total interest expense	715,800	268,479	107,748
<b>Net interest income</b>	914,123	875,765	768,781
<b>Provision for credit losses</b>	72,000	66,000	(30,000)
<b>Net interest income after provision for credit losses</b>	842,123	809,765	798,781
<b>Non-interest income</b>			
Service charges on deposit accounts	20,874	23,266	19,054
Wealth management and trust fee income	13,955	15,036	13,173
Brokered loan fees	8,918	14,159	27,954
Investment banking and trading income	86,182	35,054	24,441
Gain on disposal of subsidiary	—	248,526	—
Other	31,490	13,481	53,664
Total non-interest income	161,419	349,522	138,286
<b>Non-interest expense</b>			
Salaries and benefits	459,700	434,906	350,197
Occupancy expense	38,494	44,222	33,232
Marketing	25,854	32,388	10,006
Legal and professional	64,924	75,858	41,152
Communications and technology	81,262	69,253	75,185
Federal Deposit Insurance Corporation insurance assessment	36,775	14,344	21,027
Servicing-related expenses	—	—	27,765
Other	49,938	56,561	40,448
Total non-interest expense	756,947	727,532	599,012
Income before income taxes	246,595	431,755	338,055
Income tax expense	57,454	99,277	84,116
<b>Net income</b>	189,141	332,478	253,939
Preferred stock dividends	17,250	17,250	18,721
<b>Net income available to common stockholders</b>	\$ 171,891	\$ 315,228	\$ 235,218
<b>Other comprehensive income/(loss)</b>			
Change in unrealized gain/(loss)	\$ 3,834	\$ (479,814)	\$ (80,366)
Amounts reclassified into net income	68,241	9,905	—
Other comprehensive income/(loss)	72,075	(469,909)	(80,366)
Income tax expense/(benefit)	15,136	(98,681)	(16,877)
Other comprehensive income/(loss), net of tax	56,939	(371,228)	(63,489)
<b>Comprehensive income/(loss)</b>	\$ 246,080	\$ (38,750)	\$ 190,450
Basic earnings per common share	\$ 3.58	\$ 6.25	\$ 4.65
Diluted earnings per common share	\$ 3.54	\$ 6.18	\$ 4.60

See accompanying notes to consolidated financial statements.



**TEXAS CAPITAL BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Preferred Stock		Common Stock		Additional Paid-in Capital		Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)		Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Income/(Loss)		
<i>(in thousands except share data)</i>											
<b>Balance at December 31, 2020</b>	6,000,000	\$ 150,000	50,470,867	\$ 504	\$ 991,898	\$ 1,713,056	(417)	\$ (8)	\$ 15,774	\$ 2,871,224	
Comprehensive income/(loss):											
Net income	—	—	—	—	—	253,939	—	—	—	253,939	
Change in other comprehensive income/(loss), net of taxes	—	—	—	—	—	—	—	—	(63,489)	(63,489)	
Total comprehensive income	—	—	—	—	—	253,939	—	—	—	253,939	
Stock-based compensation expense recognized in earnings	—	—	—	—	30,061	—	—	—	—	30,061	
Issuance of preferred stock	300,000	300,000	—	—	(10,277)	—	—	—	—	289,723	
Preferred stock dividend	—	—	—	—	—	(18,721)	—	—	—	(18,721)	
Issuance of stock related to stock-based awards	—	—	148,044	2	(3,123)	—	—	—	—	(3,121)	
Redemption of preferred stock	(6,000,000)	(150,000)	—	—	—	—	—	—	—	(150,000)	
<b>Balance at December 31, 2021</b>	300,000	\$ 300,000	50,618,911	\$ 506	\$ 1,008,559	\$ 1,948,274	(417)	\$ (8)	\$ (47,715)	\$ 3,209,616	
Comprehensive income/(loss):											
Net income	—	—	—	—	—	332,478	—	—	—	332,478	
Change in other comprehensive income/(loss), net of taxes	—	—	—	—	—	—	—	—	(371,228)	(371,228)	
Total comprehensive loss	—	—	—	—	—	—	—	—	—	(38,750)	
Stock-based compensation expense recognized in earnings	—	—	—	—	21,246	—	—	—	—	21,246	
Preferred stock dividend	—	—	—	—	—	(17,250)	—	—	—	(17,250)	
Issuance of stock related to stock-based awards	—	—	248,387	3	(4,212)	—	—	—	—	(4,209)	
Repurchase of common stock	—	—	—	—	—	—	(2,083,118)	(115,302)	—	(115,302)	
<b>Balance at December 31, 2022</b>	300,000	\$ 300,000	50,867,298	\$ 509	\$ 1,025,593	\$ 2,263,502	(2,083,535)	\$ (115,310)	\$ (418,943)	\$ 3,055,351	
Comprehensive income/(loss):											
Net income	—	—	—	—	—	189,141	—	—	—	189,141	
Change in other comprehensive income/(loss), net of taxes	—	—	—	—	—	—	—	—	56,939	56,939	
Total comprehensive income	—	—	—	—	—	189,141	—	—	—	246,080	
Stock-based compensation expense recognized in earnings	—	—	—	—	24,200	—	—	—	—	24,200	
Preferred stock dividend	—	—	—	—	—	(17,250)	—	—	—	(17,250)	
Issuance of stock related to stock-based awards	—	—	275,681	2	(4,217)	—	—	—	—	(4,215)	
Repurchase of common stock	—	—	—	—	—	—	(1,821,532)	(105,024)	—	(105,024)	
<b>Balance at December 31, 2023</b>	300,000	\$ 300,000	51,142,979	\$ 511	\$ 1,045,576	\$ 2,435,393	(3,905,067)	\$ (220,334)	\$ (362,004)	\$ 3,199,142	

See accompanying notes to consolidated financial statements.

**TEXAS CAPITAL BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(in thousands)</i>	Year ended December 31,		
	2023	2022	2021
<b>Operating activities</b>			
Net income	\$ 189,141	\$ 332,478	\$ 253,939
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Provision/(benefit) for credit losses	72,000	66,000	(30,000)
Deferred tax expense/(benefit)	(17,784)	(17,395)	(20,253)
Depreciation and amortization	40,473	45,284	93,406
Net (gain)/loss on sale of loans held for sale	—	990	(1,317)
Net gain recognized on investment securities	(4,060)	—	—
Decrease in valuation allowance on mortgage servicing rights	—	—	(16,448)
Stock-based compensation expense	24,200	21,432	31,326
Purchases and originations of loans held for sale	(15,706)	(37,461)	(1,413,899)
Proceeds from sales and repayments of loans held for sale	134,948	8,132	1,676,601
Gain on sale of subsidiary	—	(248,526)	—
Changes in operating assets and liabilities:			
Accrued interest receivable and other assets	(78,606)	(25,482)	154,114
Accrued interest payable and other liabilities	29,134	2,518	(70,154)
<b>Net cash provided by operating activities</b>	<b>373,740</b>	<b>147,970</b>	<b>657,315</b>
<b>Investing activities</b>			
Purchases of available-for-sale debt securities	(849,391)	(920,217)	(1,059,897)
Proceeds from sales of available-for-sale debt securities	56,923	—	—
Proceeds from maturities, redemptions and pay-downs of available-for-sale debt securities	225,034	432,175	569,931
Proceeds from maturities, redemptions and pay-downs of held-to-maturity debt securities	73,770	87,945	—
Sales/(purchases) of equity securities, net	(14,298)	11,651	—
Originations of loans held for investment, mortgage finance	(75,671,642)	(102,438,943)	(167,084,439)
Proceeds from pay-offs of loans held for investment, mortgage finance	75,783,347	105,824,407	168,688,351
Proceeds from sale of mortgage servicing rights	—	—	115,891
Net (increase)/decrease in loans held for investment, excluding mortgage finance loans	(1,342,840)	(3,001,340)	7,076
Proceeds from sale of subsidiary	—	3,324,159	—
Purchase of premises and equipment, net	(16,381)	(11,270)	(4,127)
<b>Net cash provided by/(used in) investing activities</b>	<b>(1,755,478)</b>	<b>3,308,567</b>	<b>1,232,786</b>
<b>Financing activities</b>			
Net increase/(decrease) in deposits	(485,041)	(5,252,485)	(2,887,224)
Issuance of stock related to stock-based awards	(4,215)	(4,209)	(3,121)
Net proceeds from issuance of preferred stock	—	—	289,723
Redemption of preferred stock	—	—	(150,000)
Preferred dividends paid	(17,250)	(17,250)	(18,721)
Repurchase of common stock	(105,024)	(115,302)	—
Net increase/(decrease) in short-term borrowings	298,858	(1,001,690)	(908,919)
Net proceeds from issuance of long-term debt	—	—	639,440
Redemption of long-term debt	(75,000)	—	(111,000)
<b>Net cash used in financing activities</b>	<b>(387,672)</b>	<b>(6,390,936)</b>	<b>(3,149,822)</b>
Net decrease in cash and cash equivalents	(1,769,410)	(2,934,399)	(1,259,721)
Cash and cash equivalents at beginning of period	5,012,260	7,946,659	9,206,380
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,242,850</b>	<b>\$ 5,012,260</b>	<b>\$ 7,946,659</b>
<b>Supplemental disclosures of cash flow information</b>			
Cash paid during the period for interest	\$ 773,034	\$ 252,178	\$ 111,199
Cash paid during the period for income taxes	71,941	128,435	101,101
Transfers of loans from held for investment to held for sale	126,990	—	—
Transfers of debt securities from available-for-sale to held-to-maturity	—	1,019,365	—

See accompanying notes to consolidated financial statements.

## **(1) Operations and Summary of Significant Accounting Policies**

### **Organization and Nature of Business**

Texas Capital Bancshares, Inc. (“TCBI” or the “Company”), a Delaware corporation, was incorporated in 1996 and commenced banking operations in 1998. The consolidated financial statements include the accounts of TCBI and its wholly owned subsidiary, Texas Capital Bank (the “Bank”), a full-service financial services firm that delivers customized solutions to businesses, entrepreneurs and individual customers. The Company is headquartered in Dallas, with primary banking offices in Austin, Dallas, Fort Worth, Houston and San Antonio, and has built a network of clients across the country.

### **Basis of Presentation**

The Company’s accounting and reporting policies conform to accounting principles generally accepted in the United States (“GAAP”) and to generally accepted practices within the banking industry. Certain prior period balances have been reclassified to conform to the current period presentation.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The allowance for credit losses, the fair value of financial instruments and the status of contingencies are particularly susceptible to significant change.

In the second quarter of 2023, changes were made to certain estimates used in the Company’s current expected credit loss model, the most significant of which are more granular estimates of historical loss rates to incorporate probability of default and loss severities and allocations of expected losses to outstanding loan balances and off-balance sheet financial instruments. As a result of these changes, corresponding adjustments were also made to the Company’s portfolio segments to appropriately pool loans with similar risk characteristics and to the speed at which the Company reverts to historical loss rates for periods beyond which management is able to develop reasonable and supportable forecasts.

See the Allowance for Credit Losses accounting policy below for additional details of these changes.

### **Basic and Diluted Earnings Per Common Share**

Basic earnings per common share is based on net income available to common stockholders divided by the weighted-average number of common shares outstanding during the period excluding non-vested stock-settled awards. Diluted earnings per common share include the dilutive effect of non-vested stock-settled awards granted using the treasury stock method.

### **Cash and Cash Equivalents**

Cash equivalents include amounts due from banks, interest bearing deposits in other banks and federal funds sold.

### **Investment Securities**

Investment securities include debt securities and equity securities.

#### *Debt Securities*

Debt securities are classified as trading, available-for-sale or held-to-maturity. Debt securities not classified as held-to-maturity or trading are classified as available-for-sale. Management classifies securities at the time of purchase and re-assesses such designation at each balance sheet date.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization and accretion are included in interest income from investment securities. Gains or losses realized upon the sale of debt securities is recorded in other non-interest income on the consolidated statements of income and other comprehensive income. The cost of securities sold is based on the specific identification method.

The Company has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and report accrued interest separately in accrued interest and other assets on the consolidated balance sheets. Available-for-sale and held-to-maturity debt securities are placed on non-accrual status when management no longer expects to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on non-accrual status. Accordingly, the Company does not recognize an allowance for credit loss against accrued interest receivable.

### Trading Account

Debt securities acquired for resale in anticipation of short-term market movements are classified as trading and recorded at fair value, with realized and unrealized gains and losses recognized in income.

### Held-to-Maturity

Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, net of any allowance for credit losses.

Management may transfer debt securities classified as available-for-sale to held-to-maturity when upon reassessment it is determined that the Company has both the positive intent and ability to hold these securities to maturity. The debt securities are transferred at fair value resulting in a premium or discount recorded on transfer date. Unrealized gains or losses at the date of transfer continue to be reported as a separate component of accumulated other comprehensive income/loss, net ("AOCI"). The premium or discount and the unrealized gain or loss, net of tax, in AOCI will be amortized to interest income over the remaining life of the securities using the interest method.

### Available-for-Sale

Available-for-sale debt securities are recorded at fair value, with unrealized gains and losses, net of tax, reported as a separate component of AOCI. For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more-likely-than-not that it will be required to sell, the securities before recovery of the amortized cost basis. If either of these criteria is met, the securities' amortized cost basis is written down to fair value as a current period expense recorded on the consolidated statements of income and other comprehensive income. If either of the above criteria is not met, management evaluates whether the decline in fair value is the result of credit losses or other factors. In making this assessment, management may consider various factors including the extent to which fair value is less than amortized cost, performance of any underlying collateral and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit losses, limited to the amount by which the fair value is less than the amortized cost basis. Any impairment not recorded through an allowance for credit losses is recognized in AOCI, net of tax, as a non-credit related impairment.

Included in debt securities available-for-sale are credit risk transfer ("CRT") securities, which represent unsecured obligations issued by government sponsored entities ("GSEs") such as Freddie Mac and are designed to transfer mortgage credit risk from the GSE to private investors. CRT securities are structured to be subject to the performance of a reference pool of mortgage loans in which the Company shares in 50% of the first losses with the GSE. If the reference pool incurs losses, the amount the Company will recover on the notes is reduced by its share of the amount of such losses, which could potentially be up to 100% of the amount outstanding. Unrealized losses recognized in AOCI for the CRT securities are primarily related to the difference between the current market rate for similar securities and the stated interest rate and are not considered to be related to credit loss events. The CRT securities are generally interest-only for an initial period of time and may be restricted from being transferred until a future date.

### *Equity Securities*

Equity securities with readily determinable fair values are stated at fair value with realized and unrealized gains and losses reported in income. Equity securities without readily determinable fair values are recorded at cost less any impairment.

## **Loans**

### *Loans Held for Sale*

The Company transitioned its mortgage correspondent aggregation ("MCA") program to a third party in 2021. Prior to transition, the Company committed to purchase residential mortgage loans from independent correspondent lenders and delivered those loans into the secondary market via whole loan sales to independent third parties or in securitization transactions to third parties such as Ginnie Mae or to GSEs. In some cases, the Company retained the mortgage servicing rights. Once purchased, these loans were classified as held for sale and carried at fair value pursuant to the election of the fair value option in accordance with Accounting Standards Codification ("ASC") 825, *Financial Instruments*. At the commitment date, the Company entered into a corresponding forward sale commitment with a third party, typically Ginnie Mae or a GSE, to deliver the loans within a specified timeframe. The estimated gain/(loss) for the entire transaction (from initial purchase commitment to final delivery of loans) was recorded as an asset or liability.

The fair value of loans held for sale is derived from observable current market prices, when available, and includes the fair value of the mortgage servicing rights. Adjustments to reflect unrealized gains and losses resulting from changes in fair value and realized gains and losses upon ultimate sale of the loans are classified as gain/(loss) on sale of loans held for sale on the consolidated statements of income and other comprehensive income. Residential mortgage loans held for sale are subject to both credit and interest rate risk. Credit risk is managed through underwriting policies and procedures, including collateral

requirements, which are generally accepted by the secondary loan markets. Exposure to interest rate fluctuations is partially managed through forward sales contracts, which set the price for loans that will be delivered in the next 60 to 90 days.

From time to time the Company holds for sale certain commercial loans and also the guaranteed portion of Small Business Administration 7(a) loans, which are carried at lower of cost or fair value.

#### *Loans Held for Investment*

Loans held for investment (including financing leases) are stated at the amount of unpaid principal reduced by unearned income, net of direct loan origination costs. Interest on loans is recognized using the simple interest method on the daily balances of the principal amounts outstanding. Loan origination fees, net of direct loan origination costs, and commitment fees are deferred and amortized as an adjustment to yield over the life of the loan, or over the commitment period, as applicable.

A loan is considered past due when a contractually due payment has not been received by the contractual due date. The Company places a loan on non-accrual when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due. When a loan is placed on non-accrual status, all previously accrued and unpaid interest is reversed as a reduction of current period interest income. Interest income is subsequently recognized on a cash basis as long as the remaining book balance of the asset is deemed to be collectible. If collectability is questionable, then cash payments are applied to principal. A loan is placed back on accrual status when both principal and interest are current and it is probable that all amounts due will be collected (both principal and interest) according to the terms of the loan agreement.

Loans held for investment includes legal ownership interests in mortgage loans that the Company purchases through its mortgage finance division. The ownership interests are purchased from unaffiliated mortgage originators who are seeking additional liquidity to facilitate their ability to originate loans. The mortgage originator has no obligation to offer and the Company has no obligation to purchase these interests. The originator closes mortgage loans consistent with underwriting standards established by approved investors, and, at the time of the sale to the investor, the Company's ownership interest and that of the originator are delivered to the investor selected by the originator and approved. The Company typically purchases up to a 99% ownership interest in each mortgage with the originator owning the remaining percentage. These mortgage ownership interests are generally held for a period of less than 30 days and more typically 10-20 days. Because of conditions in agreements with originators designed to reduce transaction risks, under ASC 860, *Transfers and Servicing of Financial Assets* ("ASC 860"), the ownership interests do not qualify as participating interests. Under ASC 860, the ownership interests are deemed to be loans to the originators and payments received from investors are deemed to be payments made by or on behalf of the originator to repay the loan. Because the Company has an actual, legal ownership interest in the underlying residential mortgage loan, these interests are reported as extensions of credit to the originators that are secured by the mortgage loans as collateral.

Due to market conditions or events of default by the investor or the originator, the Company could be required to purchase the remaining interests in the mortgage loans and hold them beyond the expected 10-20 days. Mortgage loans acquired under these conditions would require mark-to-market adjustments to income and could require further allocations of the allowance for credit losses or be subject to charge-off in the event the loans become impaired.

#### **Allowance for Credit Losses**

The Company's allowance for credit losses is determined using a current expected credit loss ("CECL") model. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with ASU 2016-02 "*Leases (Topic 842)*".

The following is a discussion of the allowance for credit losses on loans held for investment and off-balance sheet credit exposures. See "*Investment Securities - Debt Securities*" above for discussion of the allowance for credit losses on available-for-sale and held-to maturity debt securities.

The CECL methodology recognizes lifetime expected credit losses immediately when a financial asset is originated or purchased. The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. The allowance for credit losses on off-balance sheet financial instruments is recorded in other liabilities on the consolidated balance sheets.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, credit quality, or term, as well as for

changes in macroeconomic conditions, such as changes in unemployment rates, gross domestic product, property values, or other relevant factors.

The allowance for credit losses is comprised of reserves measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are assigned a reserve based on an individual evaluation and are not included in the collective (pool) evaluation. For purposes of determining the collective (pool) allowance for credit losses, the loan portfolio is segregated into pools first by portfolio segment and then by past due status or credit grade. Each pool is assigned a loss estimate, reflecting historical loss rates that incorporate probability of default and severity of losses over the estimated remaining life of the loans. These loss estimates are then modified to incorporate a reasonable and supportable forecast of future losses at the pool level, as well as any necessary qualitative adjustments using a Portfolio Level Qualitative Factor (“PLQF”) and/or a Portfolio Segment Level Qualitative Factor (“SLQF”). A similar process is employed to calculate a reserve assigned to off-balance financial instruments, specifically unfunded loan commitments and letters of credit. Modified loss estimates are assigned based on the balance of the commitments estimated to be outstanding at the time of default. The PLQF and SLQF are utilized to address factors that are not present in historical loss rates and are otherwise unaccounted for in the quantitative process. The PLQF is used to apply a qualitative adjustment across the entire portfolio of loans, while the SLQF is designed to apply a qualitative adjustment across a single portfolio segment. Even though portions of the allowance may be allocated to specific loans, the entire allowance is available for any credit that, in management’s judgment, should be charged off.

The Company generally uses a two-year forecast period, based on a single forecast scenario or a blend of multiple forecast scenarios, using variables management believes are most relevant to each portfolio segment. For periods beyond which management is able to develop reasonable and supportable forecasts, the Company reverts to the average historical loss rate, reflecting historical default probabilities and loss severities, using a reversion speed that approximates 1 to 2 years. The forecast period and scenario(s) used are reviewed on a quarterly basis and may be adjusted based on management's view of the current economic conditions and level of predictability the forecast can provide.

Portfolio segments are used to pool loans with similar risk characteristics and align with the Company’s methodology for measuring expected credit losses. A summary of the primary portfolio segments is as follows:

*Commercial.* The commercial loan portfolio is comprised of lines of credit for working capital, term loans, reserve-based loans to energy exploration and production companies, and leases to finance equipment and other business assets across a variety of industries. These loans are used for general corporate purposes including financing working capital, internal growth, and acquisitions and are generally secured by accounts receivable, inventory, oil and gas reserves, equipment and other assets of clients’ businesses.

*Mortgage Finance.* Mortgage finance loans relate to mortgage warehouse lending operations in which the Company purchases mortgage loan ownership interests from unaffiliated mortgage originators that are generally held for a period of less than 30 days and more typically 10-20 days before they are sold to an approved investor. Volumes fluctuate based on the level of market demand for the product and the number of days between purchase and sale of the loans, which can be affected by changes in overall market interest rates and housing demand and tend to peak at the end of each month. Mortgage finance loans are consistently underwritten based on standards established by the approved investors. Market conditions or events of default by an investor or originator could require that the Company repurchases the remaining interests in the mortgage loans and hold them beyond the expected 10-20 days.

*Commercial Real Estate (“CRE”).* The CRE portfolio is comprised of construction/development financing and limited term financing provided to professional real estate developers, owners/managers of commercial real estate projects and properties, and residential builders/developers. Collateral properties include office buildings, warehouse/distribution buildings, shopping centers, hotels/motels, senior living, apartment buildings, residential and commercial tract developments, and raw land or lots to be developed into single-family homes. The primary source of repayment on these loans is expected to come from the sale, permanent financing or lease of the real property collateral. The performance of these loans is impacted by fluctuations in collateral values, the ability of the borrower to obtain permanent financing, and, in the case of loans to residential builder/developers, volatility in consumer demand.

*Consumer.* This category of loans is comprised of loans made to consumers for personal expenditures, first and second lien mortgages made for the purpose of purchasing or constructing 1-4 family residential dwellings and home equity revolving lines of credit.

The Company has several pass credit grades that are assigned to loans based on varying levels of risk, ranging from credits that are secured by cash or marketable securities, to watch credits which have all the characteristics of an acceptable credit risk but warrant more than the normal level of monitoring. Within the criticized/classified credit grades are special mention, substandard and doubtful. Special mention loans are those that are currently protected by the sound worth and paying capacity of the borrower, but that are potentially weak and constitute an additional credit risk. These loans have the potential to deteriorate to a substandard grade due to the existence of financial or administrative deficiencies. Substandard loans have a well-defined weakness or weaknesses that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the

Company will sustain some loss if the deficiencies are not corrected. Some substandard loans are inadequately protected by the sound worth and paying capacity of the borrower and of the collateral pledged and may be considered impaired. Substandard loans can be accruing or can be on non-accrual depending on the circumstances of the individual loans. Loans classified as doubtful have all the weaknesses inherent in substandard loans with the added characteristics that the weaknesses make collection in full highly questionable and improbable. The possibility of loss is extremely high. All doubtful loans are on non-accrual.

The methodology used in the estimation of the allowance, which is performed at least quarterly, is designed to be dynamic and responsive to changes in portfolio credit quality and forecasted economic conditions. Changes are reflected in the pool-basis allowance and in reserves assigned on an individual basis as the collectability of classified loans is evaluated with new information. As the Company's portfolio has matured, historical loss ratios have been closely monitored. The review of the appropriateness of the allowance is performed by executive management and presented to the audit and risk committees of the board of directors for their review. The committees report to the board as part of the board's quarterly review of the Company's consolidated financial statements.

When management determines that foreclosure is probable, and for certain collateral-dependent loans where foreclosure is not considered probable, expected credit losses are based on the estimated fair value of the collateral adjusted for selling costs, when appropriate. 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.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless either of the following applies: management has a reasonable expectation that a loan will be restructured or the extension or renewal options are included in the borrower contract and are not unconditionally cancellable.

The Company does not measure an allowance for credit losses on accrued interest receivable balances because these balances are written off in a timely manner as a reduction to interest income when loans are placed on non-accrual status as discussed above.

#### **Other Real Estate Owned**

Other real estate owned ("OREO"), which is included in other assets on the consolidated balance sheet, consists of real estate that has been foreclosed. When foreclosure occurs, the acquired asset is recorded at fair value less selling costs, generally based on appraised value, which may result in partial charge-off of the loan through a charge to the allowance for credit losses, if necessary. Subsequent write-downs required for declines in value are recorded through a valuation allowance, or taken directly to the asset, and are recorded in other non-interest expense on the consolidated statements of income and other comprehensive income. Gains or losses on sale of OREO are recorded in other non-interest income on the consolidated statements of income and other comprehensive income.

#### **Goodwill and Other Intangible Assets, Net**

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. The Company had \$1.5 million of goodwill at both December 31, 2023 and December 31, 2022. Intangible assets with definite useful lives are amortized over their estimated life. No amortization expense related to intangible assets was recorded during the year ended December 31, 2023, as compared to \$338,000 and \$405,000 during the years ended December 31, 2022 and 2021, respectively. Goodwill and intangible assets are tested for impairment at least annually or whenever changes in circumstances indicate the carrying amount of the assets may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. In 2023 and 2022, the annual test of goodwill impairment was performed, and in both periods, no impairment was indicated.

#### **Premises and Equipment, Net**

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment are generally depreciated over three to five years, while leasehold improvements are generally depreciated over the term of their respective lease. Gains or losses on disposals of premises and equipment are included in other non-interest income on the consolidated statements of income and other comprehensive income.

#### **Software**

Costs incurred in connection with development or purchase of internal use software and cloud computing arrangements, including in-substance software licenses, are capitalized. Amortization is computed on a straight-line basis over the estimated

useful life of the asset, which generally ranges from one to five years. Capitalized software is included in other assets on the consolidated balance sheets.

### **Financial Instruments with Off-Balance Sheet Risk**

The Company has undertaken certain guarantee obligations in the ordinary course of business which include liabilities with off-balance sheet risk.

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit that involve varying degrees of credit risk in excess of the amount recognized on the consolidated balance sheets. The Company's exposure to credit loss in the event of non-performance by the other party to these financial instruments is represented by the contractual amount of the instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the borrower.

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. The Company evaluates each customer's creditworthiness on a case-by-case basis. Commitments to extend credit generally do not include mortgage finance arrangements with mortgage loan originators through the mortgage warehouse lending division, which are established as uncommitted "guidance" purchase and sale facilities under which the mortgage originator has no obligation to offer and the Company has no obligation to purchase interests in the mortgage loans subject to the arrangements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

In conjunction with the sale and securitization of loans held for sale and their related servicing rights, the Company may be exposed to liability resulting from recourse, repurchase and make-whole agreements. If it is determined subsequent to the sale of a loan or its related servicing rights that a breach of the representations or warranties made in the applicable sale agreement has occurred, which may include guarantees that prepayments will not occur within a specified and customary time frame, the Company may have an obligation to either (a) repurchase the loan for the unpaid principal balance, accrued interest and related advances, (b) indemnify the purchaser against any loss it suffers or (c) make the purchaser whole for the economic benefits of the loan and its related servicing rights. The repurchase, indemnification and make-whole obligations vary based upon the terms of the applicable agreements, the nature of the asserted breach and the status of the mortgage loan at the time a claim is made. The Company establishes reserves for estimated losses of this nature inherent in the sale of mortgage loans by estimating the losses inherent in the population of all loans sold based on trends in claims and actual loss severities experienced. The reserve will include accruals for probable contingent losses in addition to those identified in the pipeline of claims received.

### **Leases**

Right of use ("ROU") assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Lease agreements may contain extension options which typically provide for an extension of a lease term at the then fair market rental rates. As these extension options are not generally considered reasonably certain of exercise, they are not included in the lease term. Operating leases relate primarily to real estate used for corporate offices and bank branches and finance leases relate primarily to equipment. The Company does not separate lease and non-lease components for real estate leases.

For those leases with a term greater than one year, ROU assets and lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the incremental borrowing rate on the effective date of the lease, which is based on the Company's collateralized borrowing capabilities over a similar term as the related lease payments. ROU assets are further adjusted for lease incentives.

Operating leases in which the Company is the lessee are recorded as operating lease ROU assets and operating lease liabilities, and are included in other assets and other liabilities, respectively, on the consolidated balance sheets. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and recorded in net occupancy expense on the consolidated statements of income and other comprehensive income.

Finance leases in which the Company is the lessee are recorded as finance lease ROU assets and finance lease liabilities and are included in premises and equipment, net, and other liabilities, respectively, on the consolidated balance sheets. Finance lease expense is comprised of amortization of the ROU asset, which is recognized on a straight-line basis over the lease term and



recorded in net occupancy expense on the consolidated statements of income and other comprehensive income, and the implicit interest accreted on the operating lease liability, which is recognized using the effective interest method over the lease term and recorded in interest expense on the consolidated statements of income and other comprehensive income.

Variable costs, such as maintenance expenses, parking and property and sales taxes, are expensed as they are incurred, and are recorded in net occupancy expense on the consolidated statements of income and other comprehensive income.

## Revenue Recognition

ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company’s revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans, letters of credit, derivatives and investment securities, as these activities are subject to other GAAP discussed elsewhere within the Company’s disclosures. Descriptions of revenue-generating activities that are within the scope of ASC 606, which are presented in the income statements as components of non-interest income are as follows:

- Service charges on deposit accounts - these represent general service fees for monthly account maintenance and activity- or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when the performance obligation is completed, which is generally monthly for account maintenance services or when a transaction has been completed (such as a stop payment). Payments for these activities are generally received at the time the performance obligations are satisfied.
- Wealth management and trust fee income - this represents monthly fees due from wealth management customers as consideration for managing the customers' assets. Wealth management and trust services include custody of assets, investment management, escrow services, fees for trust services and similar fiduciary activities. These fees are typically paid on a quarterly basis and recognized ratably throughout the quarter as the performance obligation is satisfied each month.
- Brokered loan fees - these represent fees for the administration and funding of purchased mortgage loan interests as well as facility renewal and application fees received from mortgage originator customers in the mortgage warehouse lending business. Also included are fees received from independent correspondent mortgage lenders as consideration for the purchase of individual residential mortgage loans through the Company’s MCA business. Revenue related to the mortgage warehouse lending business is recognized when the related loan interest is disposed (i.e., through sale or payoff) or upon receipt of the facility renewal or application. Revenue related to the MCA business is recognized at the time a loan is purchased.
- Investment banking and trading income - includes the following:

	Year Ended December 31,		
	2023	2022	2021
Investment banking and advisory fees	\$ 61,366	\$ 24,974	\$ 22,007
Trading income	24,816	10,080	2,434
<b>Total</b>	<b>\$ 86,182</b>	<b>\$ 35,054</b>	<b>\$ 24,441</b>

- Investment banking and advisory fees includes fees for merger, acquisition, divestiture and restructuring advisory services, fees for securities underwriting activities and loan and security syndication fees. Advisory fees are generally earned as performance obligations of the advisory service are satisfied. Underwriting fees are generally recognized upon execution of the client’s issuance of debt or equity instruments. Loan syndication fees are generally recognized upon closing of a loan syndication transaction.
- Trading income includes fees for derivative transactions which are generally recognized when the derivative transaction occurs. Also included in trading income are realized and unrealized gains and losses recognized on the Company’s trading assets and liabilities. Realized gains and losses are generally recognized when a sale occurs and unrealized gains and losses are generally recognized monthly as the trading assets and liabilities are marked to fair value.
- Other non-interest income includes items such as letter of credit fees, bank owned life insurance income, dividends on FHLB and FRB stock and other general operating income, none of which are subject to the requirements of ASC 606. Also included in other-non-interest income are interchange fees earned when commercial credit card clients process

transactions through card networks. The Company's performance obligations are generally complete when the transactions generating the fees are processed.

### **Stock-based Compensation**

The Company accounts for all stock-based compensation transactions in accordance with ASC 718, *Compensation — Stock Compensation* ("ASC 718"), which requires that stock compensation transactions be recognized as compensation expense on the consolidated statements of income and other comprehensive income based on their fair values on the measurement date, which is generally the date of the grant.

### **Income Taxes**

The Company and its subsidiary file a consolidated federal income tax return. The Company utilizes the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. As changes in tax law or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is provided against deferred tax assets unless it is more likely than not that such deferred tax assets will be realized. Deferred tax assets, net, are included in other assets on the consolidated balance sheets.

The tax effect of unrealized gains and losses on available-for-sale debt securities and derivative instruments designated as hedges is recorded to other comprehensive income and is not a component of income tax expense/(benefit).

GAAP does not permit the adjustment of tax amounts in AOCI for changes in tax rates; as a result the effects become "stranded" in AOCI. Stranded tax effects caused by the revaluation of deferred taxes are reclassified from AOCI to retained earnings in accordance with ASU 2018-02 *"Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income."*

Unrecognized tax benefits for the uncertain portion of recorded tax benefits and related interest may result from the application of complex tax laws, rules, regulations and interpretations. Unrecognized tax benefits, as well as estimated penalties and interest, are assessed quarterly and may be adjusted through current income tax expense in future periods based on changing facts and circumstances, completion of examinations by taxing authorities or expiration of a statute of limitations.

### **Fair Values of Financial Instruments**

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value as provided below.

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Also required are disclosures of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The disclosure of fair value information about financial instruments does not and is not intended to represent the fair value of the Company.

The following are descriptions of the methods and significant assumptions used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents, Variable Rate Loans, Variable Rate Short-term Borrowings and Variable Rate Long-term Debt

The fair value of these financial instruments approximates carrying value.

Investment Securities

The fair value of the Company's U.S. Treasury, U.S. government agency and residential mortgage-backed securities are based on prices obtained from independent pricing services. The Company's U.S. Treasury securities are valued based on quoted

market prices for identical securities in an active market and are classified as Level 1 assets in the fair value hierarchy, while the Company's U.S. government agency and residential mortgage-backed securities are valued based on quoted market prices for the same or similar securities and are characterized as Level 2 assets in the fair value hierarchy. Management obtains documentation from the primary independent pricing service regarding the processes and controls applicable to pricing investment securities, and on a quarterly basis independently verify the prices that were received from the service provider using two additional independent pricing sources. CRT securities are valued using a discounted cash flow model, which utilizes Level 3 inputs, and are classified as Level 3 assets in the fair value hierarchy.

Within the investment securities portfolio, the Company holds equity securities that consist of investments that qualify for consideration under the regulations implementing the Community Reinvestment Act and investments in exchange traded funds. Some of these equity securities are valued using quoted market prices for identical equity securities in an active market and are classified as Level 1 assets in the fair value hierarchy and others are traded in less active markets and are classified as Level 2 assets in the fair value hierarchy.

#### *Loans Held for Sale*

The fair value for loans held for sale is derived from quoted market prices for similar loans, in which case they are characterized as Level 2 assets in the fair value hierarchy, or is derived from third party pricing models, in which case they are characterized as Level 3 assets in the fair value hierarchy.

#### *Securities Sold Not Yet Purchased*

The fair value for securities sold but not yet purchased is derived from quoted prices in active markets and are classified as Level 1 liabilities in the fair value hierarchy.

#### *Derivative Assets and Liabilities*

The estimated fair value of derivative assets and liabilities is obtained from independent pricing services based on quoted market prices for similar derivative contracts and these financial instruments are characterized as Level 2 assets and liabilities in the fair value hierarchy. On a quarterly basis, management independently verifies the fair value using an additional independent pricing source.

### **Derivative Financial Instruments**

All contracts that satisfy the definition of a derivative are recorded at fair value in other assets and other liabilities on the consolidated balance sheets, and the related cash flows are recorded in the operating activities section of the consolidated statement of cash flows. The Company records the derivatives on a net basis when a right of offset exists with a single counterparty that is subject to a legally enforceable master netting agreement.

#### Non-Hedging Derivatives

The Company enters into interest rate derivative instruments with customers while at the same time entering into offsetting interest rate derivative instruments with another financial institution. These transactions allow the customer to effectively manage their exposure to a variable rate loan. Because the Company acts as an intermediary for its customers, changes in the fair value of the underlying derivative instruments substantially offset each other and do not have a material impact on the Company's results of operations.

The Company offers forward contract derivative instruments, such as to-be-announced U.S. agency residential mortgage-back securities, to its mortgage banking customers to allow the customers to mitigate exposure to market risks associated with the purchase or origination of mortgage loans. To mitigate the Company's exposure to these forward contracts, the Company will enter into offsetting forward contracts, most typically with a financial institution. Any changes in fair value to the forward contract derivative instruments are recorded in investment banking and trading income on the consolidated statements of income and other comprehensive income.

The Company also offers foreign currency derivative instruments in which the Company enters into a contract with a customer to buy or sell a foreign currency at a future date for a specified price while at the same time entering into an offsetting contract with a financial institution to buy or sell the same currency at the same future date for a specified price. The transaction allows the customer to manage their exposure to foreign currency exchange rate fluctuations. Because the Company acts as an intermediary for its customers, changes in the fair value of the underlying derivative instruments substantially offset each other and do not have a material impact on the Company's results of operations.

#### Derivatives Designated as Hedges

The Company enters into interest rate derivative contracts that are designated as qualifying cash flow hedges to hedge the exposure to variability in expected future cash flows attributable to changes in a contractually specified interest rate. 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 hedge if a 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. All related cash flows are reported in the operating activities section of the consolidated statement of cash flows. 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.

## Segment Reporting

The Company has determined that all of its banking divisions and subsidiaries meet the aggregation criteria of ASC 280, *Segment Reporting*, as its current operating model is structured whereby banking divisions and subsidiaries serve a similar base of primarily commercial clients utilizing a company-wide offering of similar products and services managed through similar processes and platforms that are collectively reviewed by the chief operating decision maker.

## (2) Earnings Per Share

The following table presents the computation of basic and diluted earnings per share:

<i>(in thousands except share and per share data)</i>	Year ended December 31,		
	2023	2022	2021
Numerator:			
Net income	\$ 189,141	\$ 332,478	\$ 253,939
Preferred stock dividends	17,250	17,250	18,721
Net income available to common stockholders	\$ 171,891	\$ 315,228	\$ 235,218
Denominator:			
Basic earnings per common share—weighted average common shares	48,054,935	50,457,746	50,580,660
Effect of dilutive outstanding stock-settled awards	555,271	588,996	560,314
Dilutive earnings per common share—weighted average diluted common shares	48,610,206	51,046,742	51,140,974
Basic earnings per common share	\$ 3.58	\$ 6.25	\$ 4.65
Diluted earnings per common share	\$ 3.54	\$ 6.18	\$ 4.60
Anti-dilutive outstanding stock-settled awards	97,368	311,226	93,945

### (3) Investment Securities

The following is a summary of the Company's investment securities:

<i>(in thousands)</i>	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>December 31, 2023</b>				
<b>Available-for-sale debt securities:</b>				
U.S. Treasury securities	\$ 651,112	\$ —	\$ (14,639)	\$ 636,473
U.S. government agency securities	125,000	—	(18,408)	106,592
Residential mortgage-backed securities	2,782,734	540	(312,442)	2,470,832
CRT securities	13,636	—	(1,641)	11,995
Total available-for-sale debt securities	3,572,482	540	(347,130)	3,225,892
<b>Held-to-maturity debt securities:</b>				
Residential mortgage-backed securities	865,477	—	(101,633)	763,844
Total held-to-maturity debt securities	865,477	—	(101,633)	763,844
<b>Equity securities</b>				
				51,825
Total investment securities(2)				\$ 4,143,194
<b>December 31, 2022</b>				
<b>Available-for-sale debt securities:</b>				
U.S. Treasury securities	\$ 698,769	\$ —	\$ (28,187)	\$ 670,582
U.S. government agency securities	125,000	—	(22,846)	102,154
Residential mortgage-backed securities	2,162,364	3	(331,320)	1,831,047
CRT securities	14,713	—	(2,852)	11,861
Total available-for-sale debt securities	3,000,846	3	(385,205)	2,615,644
<b>Held-to-maturity securities:</b>				
Residential mortgage-backed securities	935,514	—	(118,600)	816,914
Total held-to-maturity securities	935,514	—	(118,600)	816,914
<b>Equity securities</b>				
				33,956
Total investment securities(2)				\$ 3,585,114

(1) Excludes accrued interest receivable of \$9.5 million and \$6.6 million at December 31, 2023 and December 31, 2022, respectively, related to available-for-sale debt securities and \$1.4 million and \$1.5 million at December 31, 2023 and December 31, 2022, respectively, related to held-to-maturity debt securities that is recorded in accrued interest receivable and other assets on the consolidated balance sheets.

(2) Includes available-for-sale debt securities and equity securities at estimated fair value and held-to-maturity debt securities at amortized cost.

### Debt Securities

In the first quarter of 2023, the Company sold U.S. Treasury securities with an amortized cost of \$56.4 million and realized a gain of \$489,000.

The amortized cost and estimated fair value as of December 31, 2023, excluding accrued interest receivable, of available-for-sale and held-to-maturity debt securities are presented below by contractual maturity. Actual maturities may differ from contractual maturities of mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

<i>(in thousands)</i>	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 251,438	\$ 250,610	\$ —	\$ —
Due after one year through five years	449,674	430,022	—	—
Due after five years through ten years	105,690	89,141	—	—
Due after ten years	2,765,680	2,456,119	865,477	763,844
Total	\$ 3,572,482	\$ 3,225,892	\$ 865,477	\$ 763,844

The table below presents the weighted average yields for the Company's available-for-sale debt securities for the year ended December 31, 2023. Weighted average yields are calculated based on amortized cost on a tax-exempt basis assuming a 21% tax rate, where applicable.

	U.S. Treasury securities	U.S. government agency securities	Residential mortgage-backed securities	CRT securities
Due within one year	1.16 %	— %	— %	— %
Due after one year through five years	2.70	1.00	—	—
Due after five years through ten years	—	1.21	1.20	5.51
Due after ten years	—	—	2.79	—
Total	2.11 %	1.13 %	2.78 %	5.51 %

The following table discloses the Company's available-for-sale debt securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months:

<i>(in thousands)</i>	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>December 31, 2023</b>						
U.S. Treasury securities	\$ —	\$ —	\$ 636,473	\$ (14,639)	\$ 636,473	\$ (14,639)
U.S. government agency securities	—	—	106,592	(18,408)	106,592	(18,408)
Residential mortgage-backed securities	910,999	(19,751)	1,501,340	(292,691)	2,412,339	(312,442)
CRT securities	—	—	11,995	(1,641)	11,995	(1,641)
Total	\$ 910,999	\$ (19,751)	\$ 2,256,400	\$ (327,379)	\$ 3,167,399	\$ (347,130)
<b>December 31, 2022</b>						
U.S. Treasury securities	\$ 670,582	\$ (28,187)	\$ —	\$ —	\$ 670,582	\$ (28,187)
U.S. government agency securities	—	—	102,154	(22,846)	102,154	(22,846)
Residential mortgage-backed securities	261,502	(9,481)	1,569,107	(321,839)	1,830,609	(331,320)
CRT securities	—	—	11,861	(2,852)	11,861	(2,852)
Total	\$ 932,084	\$ (37,668)	\$ 1,683,122	\$ (347,537)	\$ 2,615,206	\$ (385,205)

At December 31, 2023, the Company had 108 available-for-sale debt securities in an unrealized loss position, comprised of 11 U.S. Treasury securities, five U.S. government agency securities, 90 residential mortgage-backed securities and two CRT securities. The unrealized losses on the available-for-sale debt securities were the result of changes in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans. The Company does not currently intend to sell and based on current conditions it does not believe it is likely that the Company will be required to sell these available-for-sale debt securities before recovery of the amortized cost of such securities in an unrealized loss position and has, therefore recorded the unrealized losses related to this portfolio in AOCI. Held-to-maturity securities consist of government guaranteed securities for which no loss is expected. At December 31, 2023 and December 31, 2022, no allowance for credit losses was established for available-for-sale or held-to-maturity debt securities.

At December 31, 2023, debt securities with carrying values of approximately \$1.6 million were pledged to secure certain customer deposits. At December 31, 2022, debt securities with carrying values of approximately \$16.1 million and \$1.4 million were pledged to secure certain customer repurchase agreements and deposits, respectively.

## Equity Securities

Equity securities consist of investments that qualify for consideration under the regulations implementing the Community Reinvestment Act and investments in exchange traded funds. The following is a summary of unrealized and realized gains/(losses) recognized on equity securities included in other non-interest income on the consolidated statements of income and other comprehensive income:

<i>(in thousands)</i>	Year Ended December 31,	
	2023	2022
Net gains/(losses) recognized during the period	\$ 3,571	\$ (7,876)
Less: Realized net gains/(losses) recognized on securities sold	(393)	714
Unrealized net gains/(losses) recognized on securities still held	\$ 3,964	\$ (8,590)

#### (4) Loans and Allowance for Credit Losses on Loans

As discussed in Note 1 - Operations and Summary of Significant Accounting Policies, in the second quarter of 2023, changes were made to certain estimates used in the Company's current expected credit loss model which resulted in adjustments being made to the Company's portfolio segments. As a result, certain prior period balances below have been reclassified to conform to the current period presentation of portfolio segments.

Loans are summarized by portfolio segment as follows:

<i>(in thousands)</i>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
<b>Loans held for investment(1):</b>				
Commercial	\$	10,410,766	\$	9,832,676
Mortgage finance		3,978,328		4,090,033
Commercial real estate		5,500,774		4,875,363
Consumer		530,948		552,848
Gross loans held for investment		20,420,816		19,350,920
Unearned income (net of direct origination costs)		(80,258)		(63,580)
Total loans held for investment		20,340,558		19,287,340
Allowance for credit losses on loans		(249,973)		(253,469)
Total loans held for investment, net	\$	20,090,585	\$	19,033,871
<b>Loans held for sale:</b>				
Mortgage loans, at fair value	\$	706	\$	—
Non-mortgage loans, at lower of cost or fair value		43,399		36,357
Total loans held for sale	\$	44,105	\$	36,357

- (1) Excludes accrued interest receivable of \$118.1 million and \$100.4 million at December 31, 2023 and December 31, 2022, respectively, that is recorded in accrued interest receivable and other assets on the consolidated balance sheets.

The following tables summarize gross loans held for investment by year of origination and internally assigned credit grades:

<i>(in thousands)</i>	2023	2022	2021	2020	2019	2018 and prior	Revolving lines of credit	Revolving lines of credit converted to term loans	Total
<b>December 31, 2023</b>									
Commercial									
(1-7) Pass	\$ 1,546,257	\$ 1,408,672	\$ 279,266	\$ 144,699	\$ 142,301	\$ 157,808	\$ 6,284,464	\$ 16,580	\$ 9,980,047
(8) Special mention	22,148	118,991	35,619	285	823	13,385	40,647	89	231,987
(9) Substandard - accruing	12,477	50,876	9,334	18,547	—	78	38,372	—	129,684
(9+) Non-accrual	9,395	34,229	340	2,085	15,080	7,840	79	—	69,048
Total commercial	\$ 1,590,277	\$ 1,612,768	\$ 324,559	\$ 165,616	\$ 158,204	\$ 179,111	\$ 6,363,562	\$ 16,669	\$ 10,410,766
Mortgage finance									
(1-7) Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,978,328	\$ —	\$ 3,978,328
(8) Special mention	—	—	—	—	—	—	—	—	—
(9) Substandard - accruing	—	—	—	—	—	—	—	—	—
(9+) Non-accrual	—	—	—	—	—	—	—	—	—
Total mortgage finance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,978,328	\$ —	\$ 3,978,328
Commercial real estate									
(1-7) Pass	\$ 561,801	\$ 1,689,325	\$ 1,042,953	\$ 419,703	\$ 317,480	\$ 559,026	\$ 575,928	\$ 28,175	\$ 5,194,391
(8) Special mention	—	136,801	32,937	24,440	34,181	22,833	7,895	—	259,087
(9) Substandard - accruing	—	2,232	—	—	—	28,573	4,141	—	34,946
(9+) Non-accrual	—	—	12,350	—	—	—	—	—	12,350
Total commercial real estate	\$ 561,801	\$ 1,828,358	\$ 1,088,240	\$ 444,143	\$ 351,661	\$ 610,432	\$ 587,964	\$ 28,175	\$ 5,500,774
Consumer									
(1-7) Pass	\$ 31,876	\$ 56,425	\$ 78,096	\$ 47,423	\$ 14,141	\$ 102,691	\$ 199,171	\$ —	\$ 529,823
(8) Special mention	—	—	—	—	—	—	100	41	141
(9) Substandard - accruing	—	—	—	—	—	984	—	—	984
(9+) Non-accrual	—	—	—	—	—	—	—	—	—
Total consumer	\$ 31,876	\$ 56,425	\$ 78,096	\$ 47,423	\$ 14,141	\$ 103,675	\$ 199,271	\$ 41	\$ 530,948
Total	\$ 2,183,954	\$ 3,497,551	\$ 1,490,895	\$ 657,182	\$ 524,006	\$ 893,218	\$ 11,129,125	\$ 44,885	\$ 20,420,816
Gross charge-offs	\$ 8,364	\$ 5,090	\$ 25,578	\$ —	\$ 15,243	\$ 883	\$ 698	\$ 871	\$ 56,727

<i>(in thousands)</i>	2022	2021	2020	2019	2018	2017 and prior	Revolving lines of credit	Revolving lines of credit converted to term loans	Total
<b>December 31, 2022</b>									
Commercial									
(1-7) Pass	\$ 2,022,950	\$ 678,473	\$ 240,511	\$ 254,985	\$ 322,099	\$ 227,853	\$ 5,694,352	\$ 20,933	\$ 9,462,156
(8) Special mention	9,141	7,740	3,628	37,794	11,998	4,975	95,310	2,250	172,836
(9) Substandard - accruing	18,670	71,147	514	1,666	14,933	6,305	37,407	—	150,642
(9+) Non-accrual	376	512	751	30,392	6,226	2,520	6,265	—	47,042
Total commercial	\$ 2,051,137	\$ 757,872	\$ 245,404	\$ 324,837	\$ 355,256	\$ 241,653	\$ 5,833,334	\$ 23,183	\$ 9,832,676
Mortgage finance									
(1-7) Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,090,033	\$ —	\$ 4,090,033
(8) Special mention	—	—	—	—	—	—	—	—	—
(9) Substandard - accruing	—	—	—	—	—	—	—	—	—
(9+) Non-accrual	—	—	—	—	—	—	—	—	—
Total mortgage finance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,090,033	\$ —	\$ 4,090,033
Commercial real estate									
(1-7) Pass	\$ 1,362,160	\$ 958,669	\$ 670,113	\$ 520,970	\$ 263,240	\$ 448,536	\$ 465,834	\$ 43,237	\$ 4,732,759
(8) Special mention	3,494	6,524	46,512	5,295	19,350	4,038	—	—	85,213
(9) Substandard - accruing	7,840	17,850	—	247	11,458	18,733	—	—	56,128
(9+) Non-accrual	—	—	1,081	—	—	182	—	—	1,263
Total commercial real estate	\$ 1,373,494	\$ 983,043	\$ 717,706	\$ 526,512	\$ 294,048	\$ 471,489	\$ 465,834	\$ 43,237	\$ 4,875,363
Consumer									
(1-7) Pass	\$ 69,320	\$ 95,470	\$ 57,060	\$ 24,773	\$ 20,055	\$ 89,919	\$ 196,088	\$ 130	\$ 552,815
(8) Special mention	—	—	—	—	—	—	—	—	—
(9) Substandard - accruing	—	—	—	—	—	—	—	—	—
(9+) Non-accrual	—	—	—	33	—	—	—	—	33
Total Consumer	\$ 69,320	\$ 95,470	\$ 57,060	\$ 24,806	\$ 20,055	\$ 89,919	\$ 196,088	\$ 130	\$ 552,848
Total	\$ 3,493,951	\$ 1,836,385	\$ 1,020,170	\$ 876,155	\$ 669,359	\$ 803,061	\$ 10,585,289	\$ 66,550	\$ 19,350,920



The following table details activity in the allowance for credit losses on loans. The changes made to the Company's current expected credit loss model, as discussed above and in Note 1 - Operations and Summary of Significant Accounting Policies, resulted in a reallocation of the allowance for credit losses between loan portfolio segments and allowance balances allocated to off-balance sheet financial instruments, the results of which are included in the table below. The changes made result in a higher allocation of losses to off-balance sheet financial instruments. See Note 9 - Financial Instruments with Off-Balance Sheet Risk for information regarding the allowance for credit losses on off-balance sheet financial instruments. Allocation of a portion of the allowance to one category does not preclude its availability to absorb losses in other categories.

<i>(in thousands)</i>	Commercial	Mortgage Finance	Commercial Real Estate	Consumer	Total
<b>Year Ended December 31, 2023</b>					
Beginning balance	\$ 185,303	\$ 10,745	\$ 54,268	\$ 3,153	\$ 253,469
Provision for credit losses on loans	31,529	(6,572)	23,057	(583)	47,431
Charge-offs	51,186	—	5,500	41	56,727
Recoveries	5,791	—	4	5	5,800
Net charge-offs (recoveries)	45,395	—	5,496	36	50,927
Ending balance	\$ 171,437	\$ 4,173	\$ 71,829	\$ 2,534	\$ 249,973
<b>Year Ended December 31, 2022</b>					
Beginning balance	\$ 154,360	\$ 6,083	\$ 48,247	\$ 3,176	\$ 211,866
Provision for credit losses on loans	50,485	4,662	6,371	(46)	61,472
Charge-offs	23,219	—	350	—	23,569
Recoveries	3,677	—	—	23	3,700
Net charge-offs (recoveries)	19,542	—	350	(23)	19,869
Ending balance	\$ 185,303	\$ 10,745	\$ 54,268	\$ 3,153	\$ 253,469

The Company recorded a \$47.4 million provision for credit losses on loans for the year ended December 31, 2023, compared to \$61.5 million for the same period of 2022. The \$47.4 million provision for credit losses on loans resulted primarily from increases in total loans held for investment, criticized and non-accrual loans and net charge-offs during the year ended December 31, 2023. Net charge-offs of \$50.9 million were recorded during the year ended December 31, 2023, compared to net charge-offs of \$19.9 million during the same period of 2022. Criticized loans totaled \$738.2 million at December 31, 2023 and \$513.2 million at December 31, 2022.

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. At December 31, 2023, the Company had \$46.0 million in collateral-dependent commercial loans, collateralized by business assets, and \$12.4 million in collateral-dependent commercial real estate loans, collateralized by real estate.

The table below provides an age analysis of gross loans held for investment:

<i>(in thousands)</i>	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Non- accrual(1)	Current	Total	Non-accrual With No Allowance
<b>December 31, 2023</b>								
Commercial	\$ 2,642	\$ 9,584	\$ 18,540	\$ 30,766	\$ 69,048	\$ 10,310,952	\$ 10,410,766	\$ 7,773
Mortgage finance	—	—	—	—	—	3,978,328	3,978,328	—
Commercial real estate	679	4,140	—	4,819	12,350	5,483,605	5,500,774	—
Consumer	1,290	—	983	2,273	—	528,675	530,948	—
Total	\$ 4,611	\$ 13,724	\$ 19,523	\$ 37,858	\$ 81,398	\$ 20,301,560	\$ 20,420,816	\$ 7,773

- (1) As of December 31, 2023, \$358,000 of non-accrual loans were earning interest income on a cash basis compared to \$2.2 million as of December 31, 2022. Additionally, \$37,000 and \$801,000 of interest income was recognized on non-accrual loans for the years ended December 31, 2023 and 2022, respectively. Accrued interest of \$3.0 million and \$1.6 million was reversed during the years ended December 31, 2023 and December 31, 2022, respectively.

#### *Modifications to Borrowers Experiencing Financial Difficulty*

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

The table below details gross loans held for investment as of December 31, 2023 made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2023:

<i>(in thousands)</i>	Payment Deferral	Term Extension	Payment Deferral and Term Extension	Interest Rate Reduction and Term Extension	Total	Percentage of Total Loans Held for Investment
Commercial	\$ 30,873	\$ 733	\$ 5,458	\$ 6,064	\$ 43,128	0.21 %
Commercial real estate	—	21,364	—	—	21,364	0.10 %
<b>Total</b>	<b>\$ 30,873</b>	<b>\$ 22,097</b>	<b>\$ 5,458</b>	<b>\$ 6,064</b>	<b>\$ 64,492</b>	<b>0.32 %</b>

The following table summarizes the financial impacts of loan modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2023:

	Interest Rate Reduction	Term Extension (in months)	Total Payment Deferrals (in thousands)
Commercial	0.70%	4 to 36	\$ 5,139
Commercial real estate	—%	4 to 6	\$ —

During the year ended December 31, 2023, commercial loans totaling \$6.3 million experienced a default subsequent to being granted a term extension modification in the prior twelve months. Default is defined as movement to nonperforming status, foreclosure or charge-off, whichever occurs first.

The table below provides an age analysis of gross loans held for investment as of December 31, 2023 made to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date the Company adopted ASU 2022-02:

<i>(in thousands)</i>	30-89 Days Past Due	90+ Days Past Due	Non-Accrual	Current	Total
<b>December 31, 2023</b>					
Commercial	\$ 7,617	\$ —	\$ 11,601	\$ 23,910	\$ 43,128
Commercial real estate	4,141	—	—	17,223	21,364
<b>Total</b>	<b>\$ 11,758</b>	<b>\$ —</b>	<b>\$ 11,601</b>	<b>\$ 41,133</b>	<b>\$ 64,492</b>

#### *Troubled Debt Restructuring Disclosures Prior to the Adoption of ASU 2022-02*

The following table details the recorded investments of loans restructured during the year ended December 31, 2022.

<i>(in thousands, except number of contracts)</i>	Extended Maturity		Adjusted Payment Schedule		Total	
	Number of Contracts	Balance at Period End	Number of Contracts	Balance at Period End	Number of Contracts	Balance at Period End
<b>Year Ended December 31, 2022</b>						
Commercial	—	\$ —	1	\$ 531	1	\$ 531
<b>Total</b>	<b>—</b>	<b>\$ —</b>	<b>1</b>	<b>\$ 531</b>	<b>1</b>	<b>\$ 531</b>

As of December 31, 2022, the Company did not have any loans considered restructured that were not on non-accrual. Of the non-accrual loans at December 31, 2022, \$531,000 met the criteria for restructured. These loans had no unfunded commitments at December 31, 2022.

## (5) Leases

The following table presents ROU assets and lease liabilities:

<i>(in thousands)</i>	Year Ended December 31,	
	2023	2022
ROU assets:		
Finance leases	\$ 1,529	\$ 2,865
Operating leases	87,810	79,889
<b>Total</b>	<b>\$ 89,339</b>	<b>\$ 82,754</b>
Lease liabilities		
Finance leases	\$ 1,550	\$ 2,877
Operating leases	109,523	103,814
<b>Total</b>	<b>\$ 111,073</b>	<b>\$ 106,691</b>

As of December 31, 2023, operating leases had remaining lease terms of approximately 1 year to 16 years, while finance leases had remaining terms of approximately 1 year.

The table below summarizes the Company's net lease cost:

<i>(in thousands)</i>	Year Ended December 31,	
	2023	2022
Finance lease cost:		
Amortization of ROU assets	\$ 1,335	\$ 1,108
Interest on lease liabilities	40	34
Operating lease cost	14,854	23,463
Short-term lease cost	37	19
Variable lease cost	7,168	5,122
Sublease income	—	(18)
<b>Net lease cost</b>	<b>\$ 23,434</b>	<b>\$ 29,728</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 40	\$ 34
Operating cash flows from operating leases	17,203	21,910
Financing cash flows from finance leases	1,327	1,096
ROU assets obtained in exchange for new finance leases	—	3,714
ROU assets obtained in exchange for new operating leases	18,741	57,544

The table below summarizes other information related to operating and finance leases:

	Year Ended December 31,	
	2023	2022
Weighted-average remaining lease term - finance leases, in years	1.2	2.2
Weighted-average remaining lease term - operating leases, in years	12.2	11.5
Weighted-average discount rate - finance leases	1.85 %	1.74 %
Weighted-average discount rate - operating leases	4.43 %	4.16 %

The table below summarizes the maturity of remaining lease liabilities as of December 31, 2023:

<i>(in thousands)</i>	<b>Finance Leases</b>		<b>Operating Leases</b>		<b>Total</b>
2024	\$	1,334	\$	13,622	\$ 14,956
2025		237		11,027	11,264
2026		—		11,591	11,591
2027		—		11,543	11,543
2028		—		10,708	10,708
2028 and thereafter		—		90,784	90,784
Total lease payments		1,571		149,275	150,846
Less: Interest		(21)		(39,752)	(39,773)
Present value of lease liabilities	\$	1,550	\$	109,523	\$ 111,073

As of December 31, 2023, the Company had \$133.1 million of future payments for leases, primarily for banking centers and corporate offices, that have not yet commenced. These leases will commence during 2024, with lease terms ranging from 10 to 15 years.

### **(6) Premises & Equipment**

Premises and equipment are summarized as follows:

<i>(in thousands)</i>	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Premises	\$ 39,547	\$ 34,930
Furniture and equipment	63,367	54,581
Total cost	102,914	89,511
Accumulated depreciation	(70,548)	(63,129)
Total premises and equipment, net	\$ 32,366	\$ 26,382

Depreciation and amortization expense for the above premises and equipment was approximately \$10.4 million, \$9.5 million and \$8.1 million in 2023, 2022 and 2021, respectively.

### **(7) Deposits**

Deposits are summarized as follows:

<i>(in thousands)</i>	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Non-interest bearing deposits	\$ 7,328,276	\$ 9,618,081
Interest bearing deposits:		
Transaction	2,264,055	683,562
Savings	11,000,783	11,042,658
Time	1,778,725	1,512,579
Total interest bearing deposits	15,043,563	13,238,799
Total deposits	\$ 22,371,839	\$ 22,856,880

The scheduled maturities of interest bearing time deposits were as follows at December 31, 2023:

<i>(in thousands)</i>	
2024	\$ 1,752,837
2025	24,102
2026	1,075
2027	664
2028	47
2028 and after	—
Total	\$ 1,778,725

At December 31, 2023 and 2022, interest bearing time deposits greater than \$250,000 were approximately \$376.4 million and \$258.4 million, respectively.

## (8) Short-Term Borrowings and Long-Term Debt

The table below presents a summary of the Company's short-term borrowings, all of which mature within one year:

<i>(dollars in thousands)</i>	Federal Funds Purchased	Customer Repurchase Agreements	FHLB Borrowings
<b>December 31, 2023</b>			
Amount outstanding at year-end	\$ —	\$ —	\$ 1,500,000
Interest rate at year-end	— %	— %	5.64 %
Average balance outstanding during the year	\$ —	\$ 25	\$ 1,323,014
Weighted-average interest rate during the year	— %	0.39 %	5.34 %
Maximum month-end outstanding during the year	\$ —	\$ —	\$ 2,100,000
<b>December 31, 2022</b>			
Amount outstanding at year-end	\$ —	\$ 1,142	\$ 1,200,000
Interest rate at year-end	— %	0.25 %	4.25 %
Average balance outstanding during the year	\$ 30,741	\$ 1,928	\$ 1,797,082
Weighted-average interest rate during the year	1.17 %	0.28 %	1.60 %
Maximum month-end outstanding during the year	\$ 525,000	\$ 2,320	\$ 2,650,000

The following table summarizes the Company's short-term borrowing capacities net of balances outstanding:

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
FHLB borrowing capacity relating to loans and pledged securities	\$ 2,602,092	\$ 2,621,218
FHLB borrowing capacity relating to unencumbered securities	3,737,615	3,539,297
<b>Total FHLB borrowing capacity(1)</b>	<b>\$ 6,339,707</b>	<b>\$ 6,160,515</b>
Unused federal funds lines available from commercial banks	\$ 1,188,000	\$ 1,479,000
Unused Federal Reserve borrowings capacity	\$ 4,094,801	\$ 3,574,762
Unused revolving line of credit(2)	\$ 100,000	\$ 75,000

- (1) FHLB borrowings are collateralized by a blanket floating lien on certain real estate secured loans, mortgage finance assets and certain pledged securities.
- (2) Unsecured revolving, non-amortizing line of credit with maturity date of February 8, 2025. Proceeds may be used for general corporate purposes, including funding regulatory capital infusions into the Bank. The loan agreement contains customary financial covenants and restrictions. No borrowings were made against this line of credit during the twelve months ended December 31, 2023 or 2022. The line of credit was reduced to \$75.0 million in the first quarter of 2024.

The table below presents a summary of long-term debt:

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
Bank-issued floating rate senior unsecured credit-linked notes due 2024	\$ 199,499	\$ 272,492
Bank-issued 5.25% fixed rate subordinated notes due 2026	174,457	174,196
Company-issued 4.00% fixed rate subordinated notes due 2031	371,785	371,348
Trust preferred floating rate subordinated debentures due 2032 to 2036	113,406	113,406
<b>Total long-term debt</b>	<b>\$ 859,147</b>	<b>\$ 931,442</b>

In the second quarter of 2023, the Company partially paid down \$75.0 million of the senior unsecured credit-linked notes in accordance with the term of the notes.

The following table summarizes the significant terms of the Company's trust preferred subordinated debentures:

<i>(dollars in thousands)</i>	Texas Capital Statutory Trust I	Texas Capital Statutory Trust II	Texas Capital Statutory Trust III	Texas Capital Statutory Trust IV	Texas Capital Statutory Trust V
Date issued	November 19, 2002	April 10, 2003	October 6, 2005	April 28, 2006	September 29, 2006
Trust preferred securities issued	\$10,310	\$10,310	\$25,774	\$25,774	\$41,238
Floating or fixed rate securities	Floating	Floating	Floating	Floating	Floating
Interest rate on subordinated debentures	3 month SOFR + 3.61%	3 month SOFR + 3.51%	3 month SOFR + 1.77%	3 month SOFR + 1.86%	3 month SOFR + 1.97%
Maturity date	November 2032	April 2033	December 2035	June 2036	December 2036

## (9) Financial Instruments with Off-Balance Sheet Risk

The table below presents the Company's financial instruments with off-balance sheet risk, as well as the activity in the allowance for off-balance sheet credit losses related to those financial instruments. The changes made to the Company's current expected credit loss model, as discussed in Note 1 - Operations and Summary of Significant Accounting Policies, resulted in a reallocation of the allowance for credit losses between loan portfolio segments and allowance balances allocated to off-balance sheet financial instruments, the results of which are included in the table below. The changes made result in a higher allocation of losses to off-balance sheet financial instruments. See Note 4 - Loans and Allowance for Credit Losses on Loans for information regarding the allowance for credit losses on loans.

<i>(in thousands)</i>	Commercial	Mortgage Finance	Commercial Real Estate	Consumer	Total
<b>Year Ended December 31, 2023</b>					
Beginning balance	\$ 16,550	\$ —	\$ 5,222	\$ 21	\$ 21,793
Provision for off-balance sheet credit losses	19,490	6	4,925	148	24,569
Ending balance	\$ 36,040	\$ 6	\$ 10,147	\$ 169	\$ 46,362
<b>Year Ended December 31, 2022</b>					
Beginning balance	\$ 15,107	\$ —	\$ 2,136	\$ 22	\$ 17,265
Provision for off-balance sheet credit losses	1,443	—	3,086	(1)	4,528
Ending balance	\$ 16,550	\$ —	\$ 5,222	\$ 21	\$ 21,793

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
Commitments to extend credit - period end balance	\$ 9,749,085	\$ 9,673,082
Standby letters of credit - period end balance	595,079	417,896

## (10) Regulatory Ratios and Capital

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory (and possibly additional discretionary) actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Basel III regulatory capital framework (the "Basel III Capital Rules") adopted by U.S. federal regulatory authorities, among other things, (i) establishes the capital measure called "Common Equity Tier 1" ("CET1"), (ii) specifies that Tier 1 capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting stated requirements, (iii) requires that most deductions/adjustments to regulatory capital measures be made to CET1 and not to other components of capital and (iv) defines the scope of the deductions/adjustments to the capital measures.

Additionally, the Basel III Capital Rules require that the Company maintains a 2.5% capital conservation buffer with respect to each of CET1, Tier 1 and total capital to risk-weighted assets, which provides for capital levels that exceed the minimum risk-based capital adequacy requirements. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers. No dividends were declared or paid on the Company's common stock during 2023 or 2022. In January 2023, the Company completed the full \$150.0 million of share repurchases authorized by the Company's board of directors on April 19, 2022. On January 18, 2023, the Company's board of directors authorized a new share repurchase program under which the Company could repurchase up to \$150.0 million in shares of its outstanding common stock. During the year ended December 31, 2023, the Company repurchased 1,821,532 shares of its common stock for an aggregate price, including excise tax expense, of \$105.0 million, at a weighted average price of \$57.17 per share. On January 17, 2024, the Company's board of directors authorized a new share repurchase program under which the Company may repurchase up to \$150.0 million in shares of its outstanding common stock, which is set to expire on January 31, 2025. Remaining repurchase authorization under the January 18, 2023 share repurchase program was terminated upon authorization of this new program.

In February 2019, the federal bank regulatory agencies issued a final rule (the "2019 CECL Rule") that revised certain capital regulations to account for changes to credit loss accounting under GAAP. The 2019 CECL Rule included a transition option that allows banking organizations to phase in, over a three-year period, the day-one adverse effects of adopting the new accounting standard related to the measurement of current expected credit losses on their regulatory capital ratios (three-year transition option). In March 2020, the federal bank regulatory agencies issued an interim final rule that maintains the three-year

transition option of the 2019 CECL Rule and also provides banking organizations that were required under GAAP to implement CECL before the end of 2020 the option to delay for two years an estimate of the effect of CECL on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company adopted CECL on January 1, 2020 and have elected to utilize the five-year transition option.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of CET1, Tier 1 and total capital to risk-weighted assets, and of Tier 1 capital to average assets, each as defined in the regulations. Management believes, as of December 31, 2023, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

Financial institutions are categorized as well capitalized based on total risk-based, Tier 1 risk-based, CET1 and Tier 1 leverage ratios. As shown in the table below, the Company's and Bank's capital ratios exceeded the regulatory definition of well capitalized as of December 31, 2023 and December 31, 2022. The regulatory authorities can apply changes in the classification of assets and such changes may retroactively subject the Company and the Bank to changes in capital ratios. Any such change could reduce one or more capital ratios below well capitalized status. In addition, a change may result in imposition of additional assessments by the Federal Deposit Insurance Corporation ("FDIC") or could result in regulatory actions that could have a material effect on the Bank's condition and results of operations.

Because the Bank had less than \$15.0 billion in total consolidated assets as of December 31, 2009, it is allowed to continue to classify the trust preferred securities, all of which were issued prior to May 19, 2010, as Tier 1 capital.

At the beginning of each of the last five years of the life of the Bank-issued fixed rate subordinated notes due 2026, the amount that is eligible to be included in Tier 2 capital is reduced by 20% of the original amount of the notes (net of redemptions). In 2023, the amount of the notes that qualify as Tier 2 capital has been reduced by 60%.

The table below summarizes the Company's and the Bank's actual and required capital ratios under the Basel III Capital Rules. The ratios presented below include the effects of the election to utilize the five-year CECL transition described above.

	Actual		Minimum Capital Required(2)		Capital Required to be Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
<i>(dollars in thousands)</i>						
<b>December 31, 2023</b>						
CET1						
Company	\$ 3,264,609	12.65 %	\$ 1,806,644	7.00 %	N/A	N/A
Bank	3,599,919	14.01 %	1,798,495	7.00 %	1,670,031	6.50 %
Total capital (to risk-weighted assets)						
Company	4,405,575	17.07 %	2,709,965	10.50 %	2,580,919	10.00 %
Bank	3,959,100	15.41 %	2,697,742	10.50 %	2,569,278	10.00 %
Tier 1 capital (to risk-weighted assets)						
Company	3,674,609	14.24 %	2,193,781	8.50 %	1,548,552	6.00 %
Bank	3,599,919	14.01 %	2,183,886	8.50 %	2,055,422	8.00 %
Tier 1 capital (to average assets)(1)						
Company	3,674,609	12.21 %	1,204,192	4.00 %	N/A	N/A
Bank	3,599,919	12.00 %	1,200,091	4.00 %	1,500,113	5.00 %
<b>December 31, 2022</b>						
CET1						
Company	\$ 3,180,208	13.00 %	\$ 1,712,608	7.00 %	N/A	N/A
Bank	3,408,178	13.95 %	1,710,056	7.00 %	1,587,909	6.50 %
Total capital (to risk-weighted assets)						
Company	4,331,098	17.70 %	2,568,912	10.50 %	2,446,583	10.00 %
Bank	3,987,720	16.32 %	2,565,083	10.50 %	2,442,937	10.00 %
Tier 1 capital (to risk-weighted assets)						
Company	3,590,208	14.67 %	2,079,595	8.50 %	1,467,950	6.00 %
Bank	3,568,178	14.61 %	2,076,496	8.50 %	1,954,349	8.00 %
Tier 1 capital (to average assets)(1)						
Company	3,590,208	11.54 %	1,244,494	4.00 %	N/A	N/A
Bank	3,568,178	11.48 %	1,243,232	4.00 %	1,554,039	5.00 %

- (1) The Tier 1 capital ratio (to average assets) is not impacted by the Basel III Capital Rules; however, the Federal Reserve Board and the FDIC may require the Company and the Bank, respectively, to maintain a Tier 1 capital ratio (to average assets) above the required minimum.

(2) Percentages represent the minimum capital ratios plus, as applicable, the fully phased-in 2.5% CET1 capital buffer under the Basel III Capital Rules.

The Company is required to maintain reserve balances in cash and on deposit with the Federal Reserve based on a percentage of transactional deposits; however, the Federal Reserve reduced the reserve requirement ratio to zero effective March 26, 2020, therefore the total requirement was zero at both December 31, 2023 and December 31, 2022.

### (11) Stock-Based Compensation

The Company has a qualified retirement plan with a salary deferral feature designed to qualify under Section 401 of the Internal Revenue Code (“the 401(k) Plan”). The 401(k) Plan permits employees to defer a portion of their compensation. Matching contributions may be made in amounts and at times determined by the Company. These contributions were approximately \$15.2 million, \$13.3 million and \$10.2 million for the years ended December 31, 2023, 2022 and 2021, respectively. Employees are eligible to participate in the 401(k) Plan when they meet certain requirements concerning minimum age and period of credited service. All contributions to the 401(k) Plan are invested in accordance with participant elections among certain investment options.

The Company also offers a non-qualified deferred compensation plan for executives and key members of management in order to assist in attracting and retaining these individuals. Participants in the plan may elect to defer up to 75% of their annual salary and/or short-term incentive payout into deferral accounts that mirror the gains or losses of investments selected by the participants. The plan allows the Company to make discretionary contributions on behalf of a participant as well as matching contributions. The Company did not make any matching contributions in 2023 or 2022, compared to \$274,000 in 2021. All participant contributions to the plan and any related earnings are immediately vested and may be withdrawn upon the participant's separation from service, death or disability or upon a date specified by the participant. Salary deferrals are recorded as salaries and employee benefits expense on the consolidated statements of income with an offsetting payable to participants in other liabilities on the consolidated balance sheets.

The Company has an Employee Stock Purchase Plan (“ESPP”). Employees are eligible for the ESPP when they meet certain requirements concerning period of credited service and minimum hours worked. Eligible employees may contribute between 1% and 10% of eligible compensation up to the Section 423 of the Internal Revenue Code limit of \$25,000. In 2006, stockholders approved the ESPP, which allocated 400,000 shares for purchase. As of December 31, 2023, 2022 and 2021, 210,558, 184,263 and 164,033 shares, respectively, had been purchased on behalf of employees under the ESPP.

The Company has stock-based compensation plans under which equity-based compensation grants are made by the board of directors, or its designated committee. Grants are subject to vesting requirements and may be settled in shares of common stock or paid in cash. Under the plans, the Company may grant, among other things, non-qualified stock options, incentive stock options, restricted stock, restricted stock units (“RSUs”), stock appreciation rights (“SARs”), performance awards or any combination thereof to employees and non-employee directors. A total of 1,400,000 shares are authorized for grant under the current plan. Total shares remaining available for grant under the current plan at December 31, 2023 were 861,366.

A summary of the Company’s SAR activity and related information is as follows. Grants of SARs include time-based vesting conditions that generally vest ratably over a period of five years.

	December 31, 2023		December 31, 2022		December 31, 2021	
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding at beginning of year	—	\$ —	3,000	\$ 44.20	12,400	\$ 43.48
Exercised	—	—	(3,000)	44.20	(9,400)	43.24
Outstanding at year-end	—	\$ —	—	\$ —	3,000	\$ 44.20
Vested and exercisable at year-end	—	\$ —	—	\$ —	3,000	\$ 44.20
Weighted average remaining contractual life of vested (in years)		0.00		0.00		1.66
Weighted average remaining contractual life of outstanding (in years)		0.00		0.00		1.66
Compensation expense	\$ —		\$ —		\$ —	
Unrecognized compensation expense	\$ —		\$ —		\$ —	
Intrinsic value of exercised	\$ —		\$ 64,000		\$ 302,000	

A summary of the Company’s RSU activity and related information is as follows. Grants of RSUs include time-based vesting conditions that generally vest ratably over a period of three to five years. Additionally, from time to time, grants of RSUs with both time-based and performance-based vesting conditions are made that generally vest at the end of a three or four year period.



	December 31, 2023		December 31, 2022		December 31, 2021	
	RSUs	Weighted Average Grant Date Fair Value	RSUs	Weighted Average Grant Date Fair Value	RSUs	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	1,155,652	\$ 61.12	1,206,862	\$ 56.06	955,594	\$ 48.76
Granted	405,434	68.63	453,323	68.15	677,472	66.31
Vested	(355,046)	50.79	(308,771)	54.51	(187,530)	58.82
Forfeited	(124,361)	66.98	(195,762)	58.42	(238,674)	53.76
Outstanding at year-end	1,081,679	\$ 66.91	1,155,652	\$ 61.12	1,206,862	\$ 56.06
Compensation expense	\$ 24,200,000		\$ 21,246,000		\$ 30,060,000	
Unrecognized compensation expense	\$ 28,585,000		\$ 32,148,000		\$ 32,525,000	
Weighted average years over which unrecognized compensation expense is expected to be recognized		1.89		2.31		2.79
Fair value of shares vested during the year	\$ 18,117,000		\$ 16,835,000		\$ 11,030,000	
Intrinsic value of shares vested during the year	\$ 20,125,000		\$ 18,640,000		\$ 12,870,000	

The Company may make grants of restricted common stock to various non-employee directors as to which restrictions lapse ratably over a period of three years. No grants of restricted stock were made during 2023, 2022 or 2021 and no compensation expense was recorded during 2023 or 2022, compared to compensation expense of \$1,000 for the year ended December 31, 2021. As of December 31, 2023, there were no remaining restrictions on any grants of restricted common stock.

Total compensation cost for grants of stock-settled units was \$24.2 million, \$21.2 million and \$30.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company did not have cash-settled RSUs outstanding at December 31, 2023. No grants of cash-settled RSUs were made in 2023, 2022 or 2021. Since these units have a cash payout feature, they are accounted for under the liability method with related expense based on the stock price at period end. No compensation expense for cash-settled units was recorded for the year ended December 31, 2023, compared to \$186,000 and \$1.3 million for the years ended December 31, 2022 and 2021, respectively.

## (12) Income Taxes

Income tax expense/(benefit) consists of the following:

<i>(in thousands)</i>	Year ended December 31,		
	2023	2022	2021
Current:			
Federal	\$ 69,350	\$ 109,370	\$ 97,608
State	5,888	7,302	6,761
Total	75,238	116,672	104,369
Deferred:			
Federal	(16,540)	(16,178)	(19,020)
State	(1,244)	(1,217)	(1,233)
Total	(17,784)	(17,395)	(20,253)
Total expense:			
Federal	52,810	93,192	78,588
State	4,644	6,085	5,528
Total	\$ 57,454	\$ 99,277	\$ 84,116

The reconciliation of income tax at the U.S. federal statutory tax rate to income tax expense and effective tax rate is as follows:

<i>(dollars in thousands)</i>	Year ended December 31,					
	2023		2022		2021	
	Amount	Rate	Amount	Rate	Amount	Rate
U.S. statutory rate	\$ 51,785	21 %	\$ 90,669	21 %	\$ 70,992	21 %
State taxes	2,938	1 %	6,822	2 %	4,108	1 %
Tax-exempt income	(350)	— %	(1,061)	— %	(1,855)	(1)%
Tax credits	(855)	— %	(128)	— %	(179)	— %
Disallowed FDIC	1,863	1 %	1,491	— %	2,936	1 %
Disallowed compensation	1,176	— %	2,771	1 %	6,377	2 %
Other	897	— %	(1,287)	(1)%	1,737	1 %
<b>Total</b>	<b>\$ 57,454</b>	<b>23 %</b>	<b>\$ 99,277</b>	<b>23 %</b>	<b>\$ 84,116</b>	<b>25 %</b>

At December 31, 2023, 2022 and 2021, the Company had unrecognized tax benefits of \$1.0 million, \$889,000 and \$722,000, respectively.

The Company is no longer subject to U.S. federal income tax examinations for years before 2020 or state and local income tax examinations for years before 2019.

The table below summarizes significant components of deferred tax assets and liabilities utilizing the federal corporate income tax rate of 21%. Management believes it is more likely than not that all of the deferred tax assets will be realized.

<i>(in thousands)</i>	December 31,	
	2023	2022
Deferred tax assets:		
Allowance for credit losses	\$ 66,913	\$ 62,154
Lease liabilities	25,080	24,091
Loan origination fees	14,928	14,385
Stock compensation	6,216	5,031
Non-accrual interest	1,672	1,132
Non-qualified deferred compensation	4,603	4,782
Net unrealized losses in AOCI	96,229	111,365
Other	15,079	4,678
<b>Total deferred tax assets</b>	<b>230,720</b>	<b>227,618</b>
Deferred tax liabilities:		
Loan origination costs	(1,551)	(3,217)
Leases	(9,741)	(12,863)
Lease ROU assets	(21,225)	(19,807)
Depreciation	(12,414)	(9,034)
Other	(728)	(284)
<b>Total deferred tax liabilities</b>	<b>(45,659)</b>	<b>(45,205)</b>
<b>Net deferred tax asset</b>	<b>\$ 185,061</b>	<b>\$ 182,413</b>

### (13) Fair Value Disclosures

The Company determines the fair market values of its assets and liabilities measured at fair value on a recurring and nonrecurring basis using the fair value hierarchy as prescribed in ASC 820. See Note 1 - Operations and Summary of Significant Accounting Policies for information regarding the fair value hierarchy and a description of the methods and significant assumptions used by the Company in estimating its fair value disclosures for financial statements.

Assets and liabilities measured at fair value are as follows:

<i>(in thousands)</i>	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
<b>December 31, 2023</b>			
Available-for-sale debt securities:(1)			
U.S. Treasury securities	\$ 636,473	\$ —	\$ —
U.S. government agency securities	—	106,592	—
Residential mortgage-backed securities	—	2,470,832	—
CRT securities	—	—	11,995
Equity securities(1)(2)	40,661	11,164	—
Mortgage loans held for sale(3)	—	706	—
Loans held for investment(4)	—	—	38,341
Derivative assets(5)	—	32,944	—
Securities sold not yet purchased(6)	10,602	—	—
Derivative liabilities(5)	—	70,917	—
Non-qualified deferred compensation plan liabilities(7)	20,387	—	—
<b>December 31, 2022</b>			
Available-for-sale debt securities:(1)			
U.S. Treasury securities	\$ 670,582	\$ —	\$ —
U.S. government agency securities	—	102,154	—
Residential mortgage-backed securities	—	1,831,047	—
CRT securities	—	—	11,861
Equity securities(1)(2)	22,879	11,077	—
Derivative assets(5)	—	13,504	—
Derivative liabilities(5)	—	91,758	—
Non-qualified deferred compensation plan liabilities(7)	21,177	—	—

- (1) Investment securities are measured at fair value on a recurring basis, generally monthly.
- (2) Equity securities consist of investments that qualify for consideration under the regulations implementing the Community Reinvestment Act and investments in exchange traded funds.
- (3) Loans held for sale are measured at fair value on a recurring basis, generally monthly.
- (4) Includes certain collateral-dependent loans held for investment for which a specific allocation of the allowance for credit losses is based upon the fair value of the loan's underlying collateral. These loans held for investment are measured on a nonrecurring basis, generally annually or more often as warranted by market and economic conditions.
- (5) Derivative assets and liabilities are measured at fair value on a recurring basis, generally quarterly.
- (6) Securities sold not yet purchased are measured at fair value on a recurring basis, generally monthly.
- (7) Non-qualified deferred compensation plan liabilities represent the fair value of the obligation to the employee, which generally corresponds to the fair value of the invested assets, and are measured at fair value on a recurring basis, generally monthly.

### Level 3 Valuations

The following table presents a reconciliation of the level 3 fair value category measured at fair value on a recurring basis:

<i>(in thousands)</i>	Balance at Beginning of Period	Purchases / Additions	Sales / Reductions	Net Gains/(Losses)		Balance at End of Period
				Realized	Unrealized	
<b>Year Ended December 31, 2023</b>						
Available-for-sale debt securities:(1)						
CRT securities	\$ 11,861	\$ —	\$ (1,077)	\$ —	\$ 1,211	\$ 11,995
<b>Year Ended December 31, 2022</b>						
Available-for-sale debt securities:(1)						
Tax-exempt asset-backed securities	\$ 180,033	\$ —	\$ (170,626)	\$ —	\$ (9,407)	\$ —
CRT securities	11,846	—	—	—	15	11,861
Loans held for sale(2)	7,658	1,569	(8,132)	(1,095)	—	—

- (1) Unrealized gains/(losses) on available-for-sale debt securities are recorded in AOCI. Realized gains/(losses) are recorded in other non-interest income on the consolidated statements of income and other comprehensive income/(loss).
- (2) Realized and unrealized gains/(losses) on loans held for sale are recorded in other non-interest income on the consolidated statements of income and other comprehensive income/(loss).

### CRT securities

The fair value of CRT securities is based on a discounted cash flow model, which utilizes Level 3, or unobservable, inputs, the most significant of which were a discount rate and weighted-average life. At December 31, 2023, the discount rates utilized ranged from 5.55% to 8.40% and the weighted-average life ranged from 5.16 years to 7.67 years. On a combined amortized cost weighted-average basis a discount rate of 6.57% and a weighted-average life of 6.06 years were utilized to determine the fair value of these securities at December 31, 2023. At December 31, 2022, the combined weighted-average discount rate and weighted-average life utilized were 8.24% and 6.26 years, respectively.

### Loans held for investment

Certain collateral-dependent loans held for investment are reported at fair value when, based upon an individual evaluation, the specific allocation of the allowance for credit losses that is deducted from the loan's amortized cost is based upon the fair value of the loan's underlying collateral. The \$38.3 million fair value of loans held for investment at December 31, 2023 reported above includes impaired loans with a carrying value of \$58.3 million that were reduced by specific allowance allocations totaling \$20.0 million based on collateral valuations utilizing Level 3 inputs. There were no collateral-dependent loans held for investment reported at fair value at December 31, 2022.

### Fair Value of Financial Instruments

A summary of the carrying amounts and estimated fair values of financial instruments is as follows:

<i>(in thousands)</i>	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
<b>December 31, 2023</b>					
Financial assets:					
Cash and cash equivalents	\$ 3,242,850	\$ 3,242,850	\$ 3,242,850	\$ —	\$ —
Available-for-sale debt securities	3,225,892	3,225,892	636,473	2,577,424	11,995
Held-to-maturity debt securities	865,477	763,844	—	763,844	—
Equity securities	51,825	51,825	40,661	11,164	—
Loans held for sale	44,105	44,105	15,000	29,105	—
Loans held for investment, net	20,090,585	20,050,974	—	—	20,050,974
Derivative assets	32,944	32,944	—	32,944	—
Financial liabilities:					
Total deposits	22,371,839	22,379,452	—	—	22,379,452
Short-term borrowings	1,500,000	1,500,000	—	1,500,000	—
Long-term debt	859,147	801,309	—	801,309	—
Securities sold not yet purchased	10,602	10,602	10,602	—	—
Derivative liabilities	70,917	70,917	—	70,917	—
<b>December 31, 2022</b>					
Financial assets:					
Cash and cash equivalents	\$ 5,012,260	\$ 5,012,260	\$ 5,012,260	\$ —	\$ —
Available-for-sale debt securities	2,615,644	2,615,644	670,582	1,933,201	11,861
Held-to-maturity debt securities	935,514	816,914	—	816,914	—
Equity securities	33,956	33,956	22,879	11,077	—
Loans held for sale	36,357	36,357	—	—	36,357
Loans held for investment, net	19,033,871	18,969,922	—	—	18,969,922
Derivative assets	13,504	13,504	—	13,504	—
Financial liabilities:					
Total deposits	22,856,880	22,857,949	—	—	22,857,949
Short-term borrowings	1,201,142	1,201,142	—	1,201,142	—
Long-term debt	931,442	881,716	—	881,716	—
Derivative liabilities	91,758	91,758	—	91,758	—

## (14) Derivative Financial Instruments

The notional amounts and estimated fair values of derivative positions outstanding are presented in the following table.

<i>(in thousands)</i>	December 31, 2023			December 31, 2022		
	Notional Amount	Estimated Fair Value		Notional Amount	Estimated Fair Value	
		Asset Derivative	Liability Derivative		Asset Derivative	Liability Derivative
<b>Derivatives designated as hedges</b>						
Cash flow hedges:						
Interest rate contracts:						
Swaps hedging loans	\$ 2,850,000	\$ 668	\$ 57,961	\$ 3,000,000	\$ —	\$ 86,378
<b>Non-hedging derivatives</b>						
Customer-initiated and other derivatives:						
Foreign currency forward contracts	4,824	52	31	—	—	—
Interest rate contracts:						
Swaps	5,673,822	65,247	69,863	4,396,367	83,529	83,529
Caps and floors written	637,971	1,654	2,228	220,142	—	2,583
Caps and floors purchased	637,971	2,228	1,654	220,142	2,583	—
Forward contracts	8,665,675	39,123	38,570	1,569,326	4,431	4,053
<b>Gross derivatives</b>		108,972	170,307		90,543	176,543
Netting adjustment - offsetting derivative assets/liabilities		(37,346)	(37,346)		(5,164)	(5,164)
Netting adjustment - cash collateral received/posted		(38,682)	(62,044)		(71,875)	(79,621)
<b>Net derivatives included on the consolidated balance sheets</b>		\$ 32,944	\$ 70,917		\$ 13,504	\$ 91,758

The Company's credit exposure on derivative instruments is limited to the net favorable value and interest payments by each counterparty. In some cases, collateral may be required from the counterparties involved if the net value of the derivative instruments exceeds a nominal amount. The Company's credit exposure associated with these instruments, net of any collateral pledged, was approximately \$32.9 million at December 31, 2023 and approximately \$13.5 million at December 31, 2022. Collateral levels are monitored and adjusted on a regular basis for changes in the value of derivative instruments. At December 31, 2023, the Company had \$119.0 million in cash collateral pledged to counterparties included in interest bearing cash and cash equivalents on the consolidated balance sheet and \$42.3 million in cash collateral received from counterparties included in interest bearing deposits on the consolidated balance sheet. The comparative amounts at December 31, 2022, were \$89.2 million in cash collateral pledged to counterparties and \$72.5 million cash collateral received from counterparties.

The Company also enters into credit risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which the Company is either a participant or a lead bank. The risk participation agreements entered into by the Company as a participant bank provide credit protection to the financial institution counterparty should the borrower fail to perform on its interest rate derivative contract with that financial institution. The Company is party to 14 risk participation agreements where it acts as a participant bank with a notional amount of \$230.7 million at December 31, 2023, compared to 19 risk participation agreements with a notional amount of \$291.2 million at December 31, 2022. The maximum estimated exposure to these agreements, assuming 100% default by all obligors, was approximately \$4.5 million at December 31, 2023 and \$8.9 million at December 31, 2022. The fair value of these exposures was insignificant to the consolidated financial statements at both December 31, 2023 and December 31, 2022. Risk participation agreements entered into by the Company as the lead bank provide credit protection should the borrower fail to perform on its interest rate derivative contract. The Company is party to 15 risk participation agreements where the Company acts as the lead bank having a notional amount of \$204.8 million at December 31, 2023, compared to 18 agreements having a notional amount of \$222.0 million at December 31, 2022.

### *Derivatives Designated as Cash Flow Hedges*

The Company enters into interest rate derivative contracts that are designated as qualifying cash flow hedges to hedge the exposure to variability in expected future cash flows attributable to changes in a contractually specified interest rate.

During the year ended December 31, 2023, the Company recorded \$34.8 million in unrealized losses to adjust its cash flow hedges to fair value, which was recorded net of tax to AOCI, and reclassified \$60.9 million from AOCI as a decrease to interest income on loans. Based on current market conditions, the Company estimates that during the next 12 months, an additional \$53.1 million related to active and terminated hedges will be reclassified from AOCI as a decrease to interest income. As of December 31, 2023, the maximum length of time over which forecasted transactions are hedged is 2.17.

## (15) Accumulated Other Comprehensive Income

The following table provides the change in AOCI by component:

<i>(in thousands)</i>	Cash Flow Hedges		Available-for-Sale Securities		Held-to-Maturity Securities		Total	
<b>Year Ended December 31, 2023</b>								
Beginning balance	\$	(66,394)	\$	(304,309)	\$	(48,240)	\$	(418,943)
Change in unrealized gain/(loss)		(34,778)		38,612		—		3,834
Amounts reclassified into net income		60,911		—		7,330		68,241
Total other comprehensive income/(loss)		26,133		38,612		7,330		72,075
Income tax expense/(benefit)		5,488		8,109		1,539		15,136
Total other comprehensive income/(loss), net of tax		20,645		30,503		5,791		56,939
Ending balance	\$	(45,749)	\$	(273,806)	\$	(42,449)	\$	(362,004)
<b>Year Ended December 31, 2022</b>								
Beginning balance	\$	—	\$	(47,715)	\$	—	\$	(47,715)
Change in unrealized gain/(loss)		(85,846)		(324,803)		(69,165)		(479,814)
Amounts reclassified into net income		1,803		—		8,102		9,905
Total other comprehensive income/(loss)		(84,043)		(324,803)		(61,063)		(469,909)
Income tax expense/(benefit)		(17,649)		(68,209)		(12,823)		(98,681)
Total other comprehensive income/(loss), net of tax		(66,394)		(256,594)		(48,240)		(371,228)
Ending balance	\$	(66,394)	\$	(304,309)	\$	(48,240)	\$	(418,943)

## (16) Related Party Transactions

During 2023 and 2022, the Company had transactions with its directors, executive officers and their affiliates and its employees. These transactions were made in the ordinary course of business and include extensions of credit and deposit transactions, all made on the same terms as the then prevailing market and credit terms extended to other customers. The Bank had approximately \$35.8 million in deposits from related parties, including directors, stockholders and their affiliates at December 31, 2023 and \$23.1 million at December 31, 2022.

## (17) Parent Company Only

Summarized financial information for Texas Capital Bancshares, Inc. are as follows:

### Balance Sheet

<i>(in thousands)</i>	December 31,	
	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 301,672	\$ 245,777
Investment securities	18,845	—
Investment in subsidiaries	3,306,095	3,183,767
Other assets	55,949	93,395
<b>Total assets</b>	<b>\$ 3,682,561</b>	<b>\$ 3,522,939</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Other liabilities	\$ 23,695	\$ 6,754
Long-term debt	485,191	484,754
<b>Total liabilities</b>	<b>508,886</b>	<b>491,508</b>
<b>Stockholders' Equity:</b>		
Preferred stock	300,000	300,000
Common stock	511	509
Additional paid-in capital	1,045,576	1,025,593
Retained earnings	2,409,926	2,239,582
Treasury stock	(220,334)	(115,310)
Accumulated other comprehensive income/(loss)	(362,004)	(418,943)
<b>Total stockholders' equity</b>	<b>3,173,675</b>	<b>3,031,431</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,682,561</b>	<b>\$ 3,522,939</b>

## Statement of Income

<i>(in thousands)</i>	Year ended December 31,		
	2023	2022	2021
Interest on notes receivable	\$ 2,167	\$ 3,250	\$ 3,404
Dividend income	7,671	10,529	10,472
Other income	(94)	9	5
<b>Total income</b>	<b>9,744</b>	<b>13,788</b>	<b>13,881</b>
Interest expense	23,714	19,721	15,946
Salaries and benefits	835	782	720
Legal and professional	1,504	1,583	1,803
Other non-interest expense	1,823	1,636	4,375
<b>Total expense</b>	<b>27,876</b>	<b>23,722</b>	<b>22,844</b>
Loss before income taxes and equity in undistributed income of subsidiary	(18,132)	(9,934)	(8,963)
Income tax benefit	(4,537)	(2,282)	(2,179)
Loss before equity in undistributed income of subsidiary	(13,595)	(7,652)	(6,784)
Equity in undistributed income of subsidiary	201,189	337,946	258,539
<b>Net income</b>	<b>187,594</b>	<b>330,294</b>	<b>251,755</b>
Preferred stock dividends	17,250	17,250	18,721
<b>Net income available to common stockholders</b>	<b>\$ 170,344</b>	<b>\$ 313,044</b>	<b>\$ 233,034</b>

## Statements of Cash Flows

<i>(in thousands)</i>	Year ended December 31,		
	2023	2022	2021
<b>Operating Activities</b>			
Net income	\$ 187,594	\$ 330,294	\$ 251,755
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Equity in undistributed income of subsidiary	(201,189)	(337,946)	(258,539)
Amortization expense	437	438	2,469
Changes in operating assets and liabilities:			
Accrued interest receivable and other assets	36,938	(2,095)	(1,750)
Accrued interest payable and other liabilities	16,941	3,086	2,348
<b>Net cash used in operating activities</b>	<b>40,721</b>	<b>(6,223)</b>	<b>(3,717)</b>
<b>Investing Activities</b>			
Sales/(purchases) of equity securities, net	(18,337)	—	—
Net decrease in loans held for investment	—	—	7,500
Repayments of investments in/(advances to) subsidiaries	160,000	(50,000)	—
Net cash provided by/(used in) investing activities	141,663	(50,000)	7,500
<b>Financing Activities</b>			
Issuance of stock related to stock-based awards	(4,215)	(4,209)	(3,121)
Net proceeds from issuance of preferred stock	—	—	289,723
Redemption of preferred stock	—	—	(150,000)
Preferred stock dividends paid	(17,250)	(17,250)	(18,721)
Repurchase of common stock	(105,024)	(115,302)	—
Redemption of long-term debt	—	—	(111,000)
Net proceeds from Issuance of long-term debt	—	—	370,625
<b>Net cash provided by/(used in) financing activities</b>	<b>(126,489)</b>	<b>(136,761)</b>	<b>377,506</b>
Net increase/(decrease) in cash and cash equivalents	55,895	(192,984)	381,289
Cash and cash equivalents at beginning of year	245,777	438,761	57,472
<b>Cash and cash equivalents at end of year</b>	<b>\$ 301,672</b>	<b>\$ 245,777</b>	<b>\$ 438,761</b>

## **(18) New Accounting Standards**

*ASU 2023-06 “Disclosure Improvements”* (“ASU 2023-06”) amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification (the “Codification”). ASU 2023-06 was issued in response to the SEC’s initiative to update and simplify disclosure requirements. The SEC identified 27 disclosure requirements that were incremental to those in the Codification and referred them to the FASB for potential incorporation into U.S. GAAP. To avoid duplication, the SEC intended to eliminate those disclosure requirements from existing SEC regulations as the FASB incorporated them into the relevant Codification subtopics. ASU 2023-06 adds 14 of the 27 identified disclosure or presentation requirements to the Codification. ASU 2023-06 is to be applied prospectively, and early adoption is prohibited. For reporting entities subject to the SEC’s existing disclosure requirements, the effective dates of ASU 2023-06 will be the date on which the SEC’s removal of that related disclosure requirement from Regulation S-X or Regulation S-K becomes effective. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entities. ASU 2023-06 is not expected to have a significant impact on our financial statements.

*ASU 2023-07 “Segment Reporting (Topic 280) - Improvement to Reportable Segment Disclosures”* (“ASU 2023-07”) amends the disclosure requirements related to segment reporting primarily through enhanced disclosure about significant segment expenses and by requiring disclosure of segment information on an annual and interim basis. ASU 2023-07 is effective January 1, 2024 and is not expected to have a significant impact on our financial statements.

*ASU 2023-09 “Income Taxes (Topic 740) - Improvements to Income Tax Disclosures”* (“ASU 2023-09”) enhances the transparency and decision usefulness of income tax disclosures. ASU 2023-09 will require disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. Entities will also be required to disclose income/(loss) from continuing operations before income tax expense/(benefit) disaggregated between domestic and foreign, as well as income tax expense/(benefit) from continuing operations disaggregated by federal, state and foreign. ASU 2023-09 is effective January 1, 2025 and is not expected to have a significant impact on our financial statements.

### **ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES***

None.

### **ITEM 9A. *CONTROLS AND PROCEDURES***

#### **Evaluation of Disclosure Controls and Procedures**

Management, with the supervision and participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed in the reports that the Company files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in the internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(f) under the Exchange Act) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

#### **Management’s Report on Internal Control over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2023, management assessed the effectiveness of the Company’s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in “Internal Control—Integrated Framework (2013),” issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2023.



Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. The report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, is included in this Item under the heading "Report of Independent Registered Public Accounting Firm."

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Texas Capital Bancshares, Inc.

### **Opinion on Internal Control Over Financial Reporting**

We have audited Texas Capital Bancshares, Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Texas Capital Bancshares, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income and other comprehensive income/(loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated February 13, 2024 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
Dallas, TX  
February 13, 2024

**ITEM 9B.                                    *OTHER INFORMATION***

None.

**ITEM 9C.                                    *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS***

None.

**ITEM 10.                                    *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

Information required by this item is set forth in the definitive proxy materials regarding the annual meeting of stockholders to be held April 16, 2024, which proxy materials will be filed with the SEC no later than March 7, 2024.

**ITEM 11.                                    *EXECUTIVE COMPENSATION***

Information required by this item is set forth in the definitive proxy materials regarding the annual meeting of stockholders to be held April 16, 2024, which proxy materials will be filed with the SEC no later than March 7, 2024.

**ITEM 12.                                    *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***

Information required by this item is set forth in the definitive proxy materials regarding the annual meeting of stockholders to be held April 16, 2024, which proxy materials will be filed with the SEC no later than March 7, 2024.

**ITEM 13.                                    *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

Information required by this item is set forth in the definitive proxy materials regarding the annual meeting of stockholders to be held April 16, 2024, which proxy materials will be filed with the SEC no later than March 7, 2024.

**ITEM 14.                                    *PRINCIPAL ACCOUNTING FEES AND SERVICES***

Information required by this item is set forth in the definitive proxy materials regarding the annual meeting of stockholders to be held April 16, 2024, which proxy materials will be filed with the SEC no later than March 7, 2024.

**ITEM 15.                                    *EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

(a) *Documents filed as part of this report*

(1) All financial statements

Independent Registered Public Accounting Firm’s Report of Ernst & Young LLP

(2) All financial statements required by Item 8

Independent Registered Public Accounting Firm’s Report of Ernst & Young LLP

(3) Exhibits

- 3.1 Certificate of Incorporation, which is incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10 dated August 24, 2000
- 3.2 Certificate of Amendment of Certificate of Incorporation, which is incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 10 dated August 24, 2000
- 3.3 Certificate of Amendment of Certificate of Incorporation, which is incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10 dated August 24, 2000
- 3.4 Certificate of Amendment of Certificate of Incorporation, which is incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form 10 dated August 24, 2000
- 3.5 Certificate of Amendment of Certificate of Incorporation, which is incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q dated October 30, 2008
- 3.6 Amended and Restated Bylaws of Texas Capital Bancshares, Inc. which is incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q dated October 22, 2020
- 3.7 Certificate of Designation of 5.75% Non-Cumulative Perpetual Preferred Stock, Series B, which is incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 3, 2021
- 4.1 Description of Capital Stock registered pursuant to Section 12 of the Securities Exchange Act of 1934 and is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 19, 2022
- 4.2 Placement Agreement by and between Texas Capital Bancshares Statutory Trust I and SunTrust Capital Markets, Inc., which is incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K dated December 4, 2002
- 4.3 Certificate of Trust of Texas Capital Bancshares Statutory Trust I, dated November 12, 2002 which is incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 4, 2002
- 4.4 Amended and Restated Declaration of Trust by and among State Street Bank and Trust Company of Connecticut, National Association, Texas Capital Bancshares, Inc. and Joseph M. Grant, Raleigh Hortenstine III and Gregory B. Hultgren, dated November 19, 2002 which is incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K dated December 4, 2002
- 4.5 Indenture dated November 19, 2002 which is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 2002
- 4.6 Guarantee Agreement between Texas Capital Bancshares, Inc. and State Street Bank and Trust of Connecticut, National Association dated November 19, 2002, which is incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 4, 2002
- 4.7 Placement Agreement by and among Texas Capital Bancshares, Inc., Texas Capital Statutory Trust II and Sandler O'Neill & Partners, L.P., which is incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K dated June 11, 2003
- 4.8 Certificate of Trust of Texas Capital Statutory Trust II, which is incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 11, 2003
- 4.9 Amended and Restated Declaration of Trust by and among Wilmington Trust Company, Texas Capital Bancshares, Inc., and Joseph M. Grant and Gregory B. Hultgren, dated April 10, 2003, which is incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K dated June 11, 2003
- 4.10 Indenture between Texas Capital Bancshares, Inc. and Wilmington Trust Company, dated April 10, 2003, which is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 11, 2003
- 4.11 Guarantee Agreement between Texas Capital Bancshares, Inc. and Wilmington Trust Company, dated April 10, 2003, which is incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated June 11, 2003
- 4.12 Amended and Restated Declaration of Trust for Texas Capital Statutory Trust III by and among Wilmington Trust Company, as Institutional Trustee and Delaware Trustee, Texas Capital Bancshares, Inc. as Sponsor, and the Administrators named therein, dated as of October 6, 2005, which is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 13, 2005
- 4.13 Indenture between Texas Capital Bancshares, Inc., as Issuer, and Wilmington Trust Company, as Trustee, for Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures, dated as of October 6, 2005, which is incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 13, 2005

- 4.14 Guarantee Agreement between Texas Capital Bancshares, Inc. and Wilmington Trust Company, dated as of October 6, 2005, which is incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 13, 2005
- 4.15 Amended and Restated Declaration of Trust for Texas Capital Statutory Trust IV by and among Wilmington Trust Company, as Institutional Trustee and Delaware Trustee, Texas Capital Bancshares, Inc. as Sponsor, and the Administrators named therein, dated as of April 28, 2006, which is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 3, 2006
- 4.16 Indenture between Texas Capital Bancshares, Inc., as Issuer, and Wilmington Trust Company, as Trustee, for Floating Rate Junior Subordinated Deferrable Interest Debentures dated as of April 28, 2006, which is incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated May 3, 2006
- 4.17 Guarantee Agreement between Texas Capital Bancshares, Inc. and Wilmington Trust Company, dated as of April 28, 2006, which is incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated May 3, 2006
- 4.18 Amended and Restated Trust Agreement for Texas Capital Statutory Trust V by and among Wilmington Trust Company, as Property Trustee and Delaware Trustee, Texas Capital Bancshares, Inc., as Depositor, and the Administrative Trustees named therein, dated as of September 29, 2006, which is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 5, 2006
- 4.19 Junior Subordinated Indenture between Texas Capital Bancshares, Inc. and Wilmington Trust Company, as Trustee, for Floating Rate Junior Subordinated Note dated as of September 29, 2006, which is incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 5, 2006
- 4.20 Guarantee Agreement between Texas Capital Bancshares, Inc. and Wilmington Trust Company, dated as of September 29, 2006, which is incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 5, 2006
- 4.21 Issuing and Paying Agency Agreement, dated January 31, 2014, between Texas Capital Bank, N.A., as Issuer, and U.S. Bank National Association, as Agent, which is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated January 31, 2014.
- 4.22 Form of Global 5.25% Subordinated Note due 2026, which is incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 31, 2014.
- 4.23 First Supplemental Indenture, dated May 6, 2021, between the Company and the Trustee, which is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 6, 2021.
- 4.24 Note Purchase Agreement, dated as of March 9, 2021, which is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, dated March 9, 2021.
- 4.25 Deposit Agreement, dated March 3, 2021, among the Company, Computershare, Inc. and Computershare Trust Company, N.A., acting jointly as depositary, and the holders from time to time of the depositary receipts described therein, which is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, dated March 3, 2021
- 4.26 Purchase Agreement dated as of September 5, 2022 by and between AFCO Credit Corporation and Texas Capital Bank, which is incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-d dated September 8, 2022
- 10.1 Amended and Restated Employment Agreement, dated as of January 23, 2023, between Texas Capital Bancshares, Inc. and Robert C. Holmes, which is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 27, 2023+
- 10.2 Form of Indemnity Agreement for directors and officers of Texas Capital Bancshares, Inc., which is incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K dated February 21, 2014+
- 10.3 Texas Capital Bancshares, Inc. Amended and Restated 2006 Employee Stock Purchase Plan, which is incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K dated February 9, 2021+
- 10.4 Third Amended and Restated Texas Capital Bancshares, Inc. Nonqualified Deferred Compensation Plan, which is incorporated by reference to Exhibit 10.13 to the Company's Annual Report on form 10-K dated February 9, 2021+
- 10.5 Texas Capital Bancshares, Inc. 2022 Long-Term Incentive Plan, which is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 20, 2022+

10.6	Form of 2020 Performance Award Agreement for Executive Officers pursuant to the Texas Capital Bancshares, Inc. 2015 Long-Term Incentive Plan, which is incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K dated February 9, 2021+
10.7	Form of 2021 Performance Award Agreement for Executive Officers pursuant to the Texas Capital Bancshares, Inc. 2015 Long-Term Incentive Plan, which is incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K dated February 9, 2022+
10.8	Form of 2022 Time-Based Award Agreement pursuant to the Texas Capital Bancshares, Inc. 2015 Long-Term Incentive Plan, which is incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated April 21, 2022+
10.9	Form of 2022 Performance-Based Award Agreement pursuant to the Texas Capital Bancshares, Inc. 2015 Long-Term Incentive Plan, which is incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q dated April 21, 2022+
10.10	Form of 2023 Time-Based Award Agreement pursuant to the Texas Capital Bancshares, Inc. 2022 Long-Term Incentive Plan, which is incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q dated April 20, 2023+
10.11	Form of 2023 Performance-Based Award Agreement pursuant to the Texas Capital Bancshares, Inc. 2022 Long-Term Incentive Plan, which is incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q dated April 20, 2023+
10.12	Key Executive Severance Policy, which is incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K dated February 9, 2022+
10.13	Key Executive Change-in-Control Severance Policy, which is incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K dated February 9, 2022+
21	Subsidiaries of the Registrant*
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act*
32.1	Section 1350 Certification of Chief Executive Officer**
32.2	Section 1350 Certification of Chief Financial Officer**
97.1	Policy Relating to Recovery of Erroneously Awarded Compensation*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

\* Filed herewith

\*\* Furnished herewith

+ Management contract or compensatory plan arrangement

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 13, 2024

TEXAS CAPITAL BANCSHARES, INC.

By: /S/ ROB C. HOLMES

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Rob C. Holmes  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 13, 2024

/S/ ROBERT W. STALLINGS

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Robert W. Stallings  
Chairman of the Board and Director

Date: February 13, 2024

/S/ J. MATTHEW SCURLOCK

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J. Matthew Scurlock  
Chief Financial Officer  
(principal financial officer)

Date: February 13, 2024

/S/ ELLEN E. DETRICH

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Ellen E. Detrich  
Controller and Chief Accounting Officer  
(principal accounting officer)

Date: February 13, 2024

/S/ PAOLA M. ARBOUR

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Paola M. Arbour  
Director

Date: February 13, 2024

/S/ JONATHAN E. BALIFF

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Jonathan E. Baliff  
Director

Date: February 13, 2024

/S/ JAMES H. BROWNING

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James H. Browning  
Director

Date: February 13, 2024

/S/ DAVID S. HUNTLEY

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David S. Huntley  
Director

Date: February 13, 2024

/S/ CHARLES S. HYLE

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Charles S. Hyle  
Director

Date: February 13, 2024

/S/ THOMAS E. LONG

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Thomas E. Long  
Director

Date: February 13, 2024

/S/ ELYSIA HOLT RAGUSA

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Elysia Holt Ragusa  
Director

Date: February 13, 2024

/S/ STEVEN P. ROSENBERG

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Steven P. Rosenberg  
Director

Date: February 13, 2024

/S/ DALE W. TREMBLAY

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Dale W. Tremblay  
Director

Date: February 13, 2024

/S/ LAURA L. WHITLEY

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Laura L. Whitley  
Director

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