



Third Quarter 2017  
Investor Presentation

October 25, 2017

# Safe harbor statement

When used in filings by LegacyTexas Financial Group, Inc. (the "Company") with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "intends" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, including, among other things: the expected cost savings, synergies and other financial benefits from acquisition or disposition transactions might not be realized within the expected time frames or at all and costs or difficulties relating to integration matters might be greater than expected; changes in economic conditions; legislative changes; changes in policies by regulatory agencies; fluctuations in interest rates; the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; the Company's ability to access cost-effective funding; fluctuations in real estate values and both residential and commercial real estate market conditions; demand for loans and deposits in the Company's market area; fluctuations in the price of oil, natural gas and other commodities; competition; changes in management's business strategies and other factors set forth in the Company's filings with the SEC.

The Company does not undertake - and specifically declines any obligation - to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

# Today's presenters

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Kevin Hanigan

## **President and Chief Executive Officer**

- **CEO and President of LegacyTexas Financial Group, Inc.**
- **Former Chairman and Chief Executive Officer of Highlands Bancshares in 2010**
- **Former Chairman and Chief Executive Officer of Guaranty Bank in 2009**
- **36+ years of Texas banking experience**



Mays Davenport

## **Executive Vice President, Chief Financial Officer**

- **Former Executive Vice President at LegacyTexas Bank**
- **Senior management experience for retail branch, treasury management, human resources, marketing, mortgage, and wealth advisory functions**
- **Certified Public Accountant, former national accounting and tax advisory firm experience**
- **24+ years of Texas banking experience**

# Key franchise highlights

<p>North Texas Focused</p>	<ul style="list-style-type: none"> <li>• #1 deposit market share among all banks in affluent Collin County</li> <li>• #2 deposit market share among Dallas-based banks<sup>1</sup> in the attractive DFW market, which is home to 22 companies on the 2017 Fortune 500 list</li> <li>• DFW hosts a diverse business environment across a broad set of industries, with 42% of employment in the service-providing sector and less than 1% in oil and gas<sup>2</sup></li> </ul>
<p>Profitability</p>	<ul style="list-style-type: none"> <li>• Net income totaled \$28.7 million, an increase of \$774 thousand from Q2 2017 and \$1.5 million from Q3 2016</li> <li>• Company assets of \$9.07 billion generated basic earnings per share for Q3 2017 of \$0.61</li> <li>• Loans held for investment<sup>3</sup> grew \$208.6 million from Q2 2017, while total deposits grew \$197.9 million for the same period</li> <li>• Efficiency ratio improved to 44.19% compared to 44.96% for Q2 2017</li> </ul>
<p>Asset quality</p>	<ul style="list-style-type: none"> <li>• Non-performing loans down \$22.3 million from Q2 2017</li> <li>• A \$22.1 million decline in classified energy loans drove a \$22.0 million decrease in classified loans compared to Q3 2016</li> </ul>
<p>Capital</p>	<p><i>Profitability levered excess capital while maintaining strong capital levels</i></p> <ul style="list-style-type: none"> <li>• TCE / TA<sup>4</sup>: 8.7%</li> <li>• Estimated Tier 1 common risk-based capital<sup>5</sup>: 9.17%</li> </ul>

Source: Company Documents

<sup>1</sup> Includes banks headquartered in the Dallas-Fort Worth-Arlington MSA

<sup>2</sup> Represents latest available data from the Bureau of Labor Statistics for the Dallas-Fort Worth-Arlington, TX MSA (i.e., data as of Q1 2017)

<sup>3</sup> Excludes Warehouse Purchase Program loans and loans held for sale

<sup>4</sup> See the section labeled "Supplemental Information - Non-GAAP Financial Measures"

<sup>5</sup> Calculated at the Company level, which is subject to the capital adequacy requirements of the Federal Reserve

# Third quarter highlights

(\$ in millions except for per share data)

	Quarter ended			Linked Q Δ	YOY Δ
	September 30, 2016	June 30, 2017	September 30, 2017		
<b>Selected balance sheet data</b>					
<b>Gross loans held for investment<sup>1</sup></b>	\$ 5,757.2	\$ 6,409.3	\$ 6,617.9	3.3 %	14.9 %
<b>Total deposits</b>	6,128.1	6,562.5	6,760.4	3.0 %	10.3 %
<b>Selected profitability data</b>					
<b>Net interest income</b>	\$ 73.5	\$ 75.7	\$ 79.0	4.3 %	7.5 %
<b>NIM</b>	3.78%	3.77%	3.71%	-6bps	-7bps
<b>Non-interest income</b>	\$ 11.3	\$ 12.3	\$ 12.2	(0.8)%	8.4 %
<b>Non-interest expense</b>	39.7	39.6	40.3	1.8 %	1.6 %
<b>Net income</b>	27.2	27.9	28.7	2.8 %	5.5 %
<b>Core net income<sup>2</sup></b>	28.2	27.9	28.5	1.9 %	1.0 %
<b>Basic EPS</b>	0.59	0.60	0.61	1.7 %	3.4 %
<b>Core EPS<sup>2</sup></b>	0.61	0.60	0.61	1.7 %	– %

Source: Company Documents

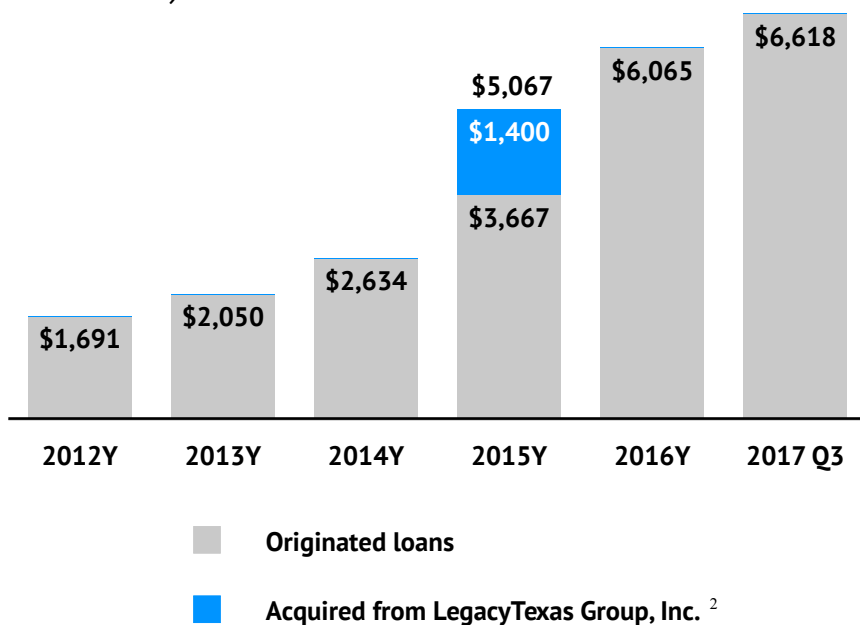
<sup>1</sup> Excludes Warehouse Purchase Program loans<sup>2</sup> See the section labeled "Supplemental Information- Non-GAAP Financial Measures"

# Commercially focused loan portfolio

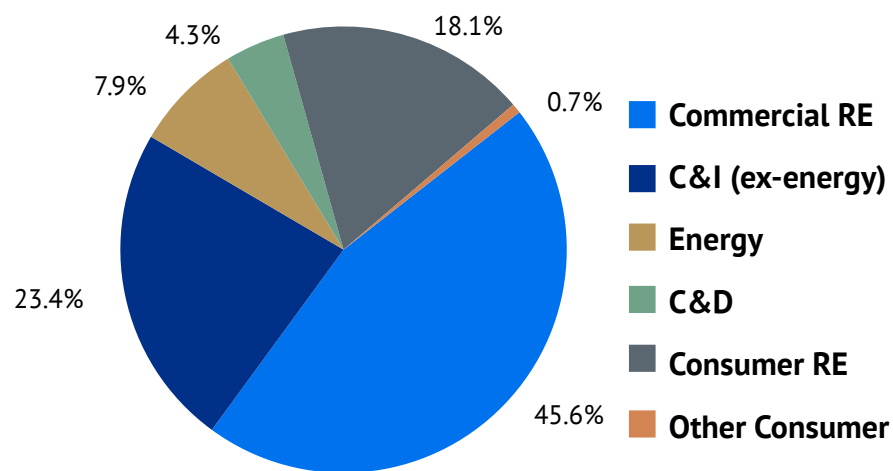
Gross loans held for investment<sup>1</sup> at Q3 2017 grew \$208.6 million from Q2 2017, which included growth in commercial real estate, construction and land, and consumer real estate loans.

## Total Loans HFI<sup>1</sup>

(\$ in millions)



As of September 30, 2017<sup>1</sup>



Quarterly yield on loans held for investment<sup>1</sup>: 4.97%

Source: Company Documents

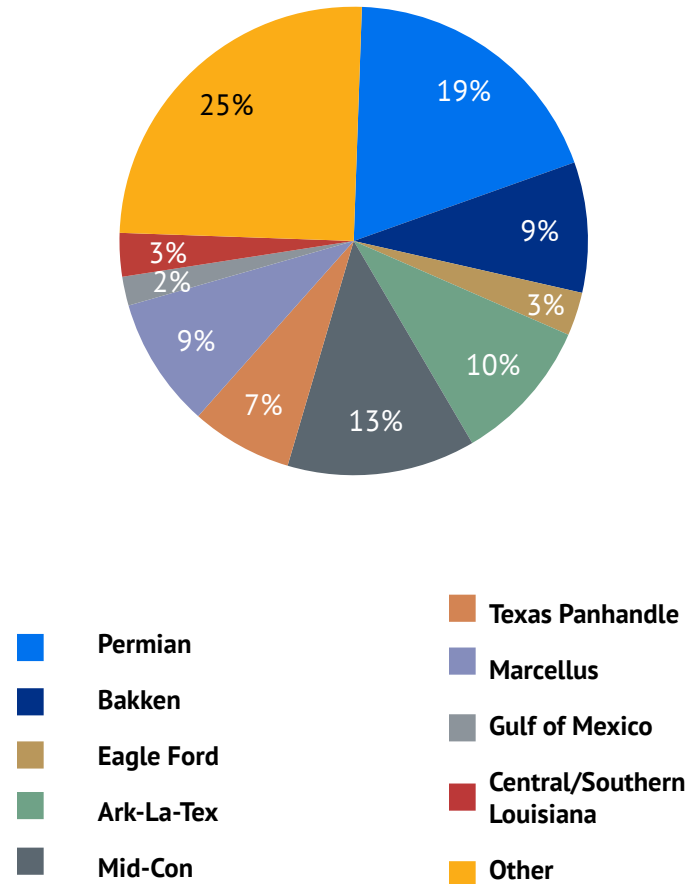
<sup>1</sup> Excludes Warehouse Purchase Program loans

<sup>2</sup> Represents balance acquired on January 1, 2015

# Energy lending

- Reserve-based energy portfolio at September 30, 2017 consisted of 53% crude oil reserves and 47% natural gas reserves
- At September 30, 2017, 55 reserve-based borrowers and 3 midstream borrowers
- \$373 million, or 67%, of our outstanding energy loans are backed by private equity firms with significant capital invested and additional equity commitments available

## Geographic Concentration of Reserves

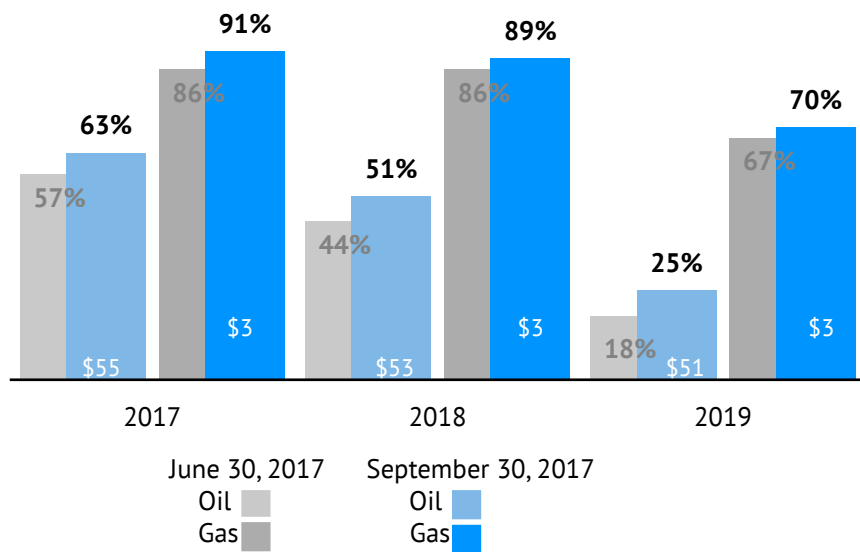


Source: Company documents for loans managed by Energy Finance group

# Energy lending

- Reserve-based loans are almost exclusively first liens, with only a \$5 million commitment to a 2nd lien facility at September 30, 2017
- No unsecured commitments/exposure
- At September 30, 2017, only \$1.2 million in outstanding loans to oil field service companies, of which \$32,000 are rated substandard

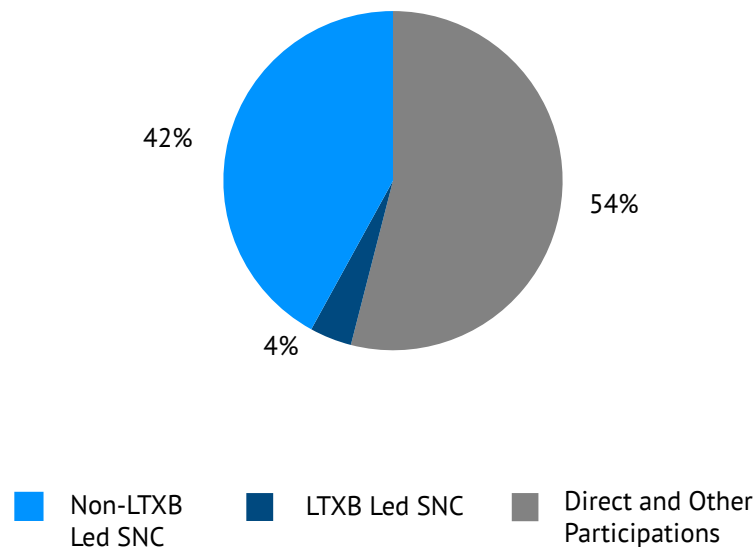
Hedging Percentages at September 30, 2017 compared to June 30, 2017 with September 30, 2017 Weighted Average Prices<sup>1</sup>



<sup>1</sup> % of engineered PDP volumes

Source: Company documents for loans managed by Energy Finance group

SNC Breakout of Reserve-Based Energy Loans



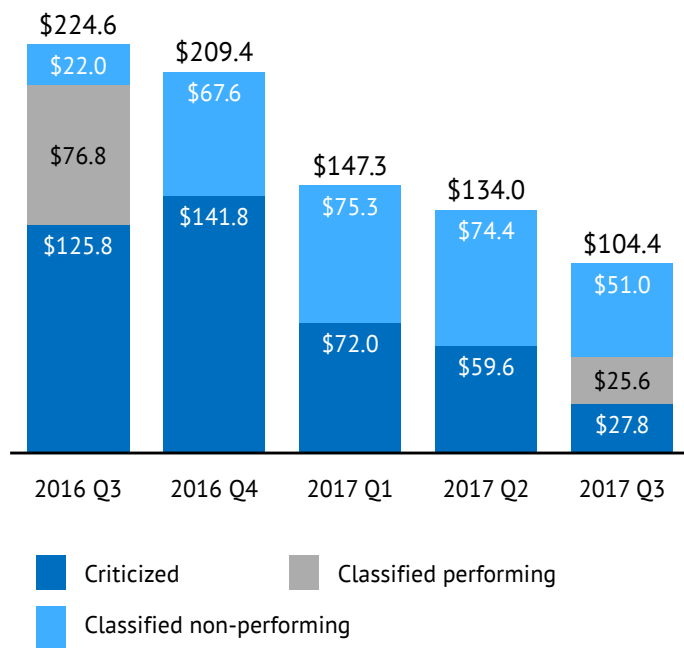


# Energy lending

- The allowance for loan losses allocated to energy loans at September 30, 2017 totaled \$18.4 million
- Criticized and classified energy loans at September 30, 2017 declined by \$29.6 million from June 30, 2017, primarily due to the resolution of two reserve-based energy relationships

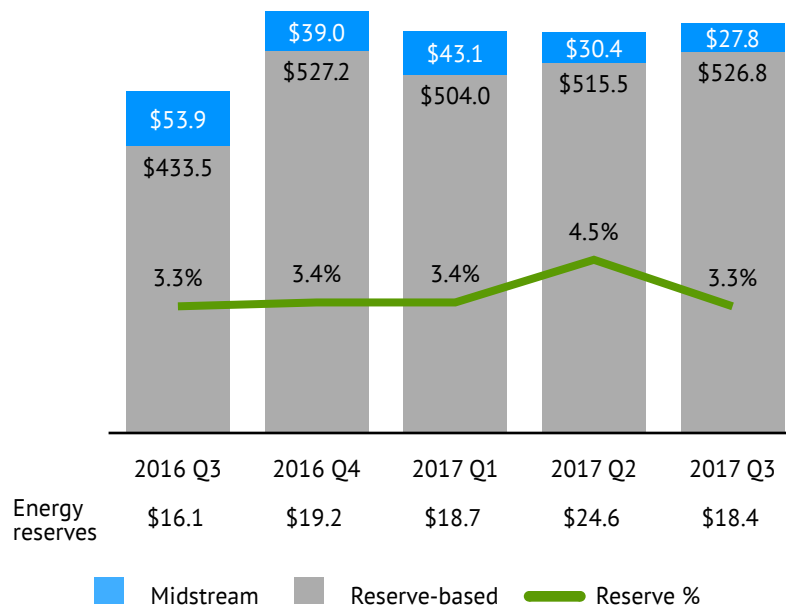
Criticized and classified energy loans

(\$ in millions)



Outstanding loan balances and related loan loss reserves

(\$ in millions)

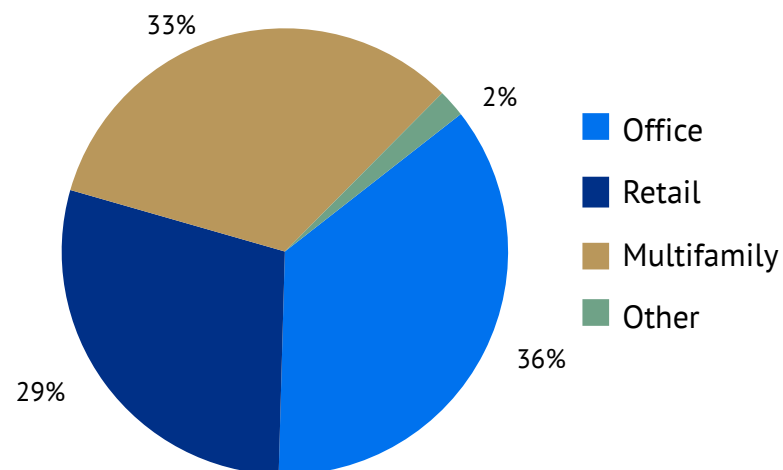


# Commercial Real Estate- Houston

- Continued low LTV in Houston CRE portfolio - 63% for entire Houston portfolio, 69% for energy corridor only
- Low loan price per square foot - energy corridor ranges \$56-\$127 with average of \$93
- Only one Houston area loss since the 2003 inception of CRE lending in Houston, totaling only \$34 thousand

\$ in thousands except % data	Total Houston CRE Portfolio	Energy Corridor (all office)	Remainder Houston Portfolio
<b>Balance at September 30, 2017</b>	\$ 457,673	\$ 83,853	\$ 373,820
<b>% of Houston CRE Portfolio</b>		18%	82%
<b>Weighted Average Debt Service Coverage</b>	1.60X	1.53X	1.61X
<b>Weighted Average Yield on Debt</b>	10.99%	10.49%	11.12%

## Collateral Mix of Houston Portfolio



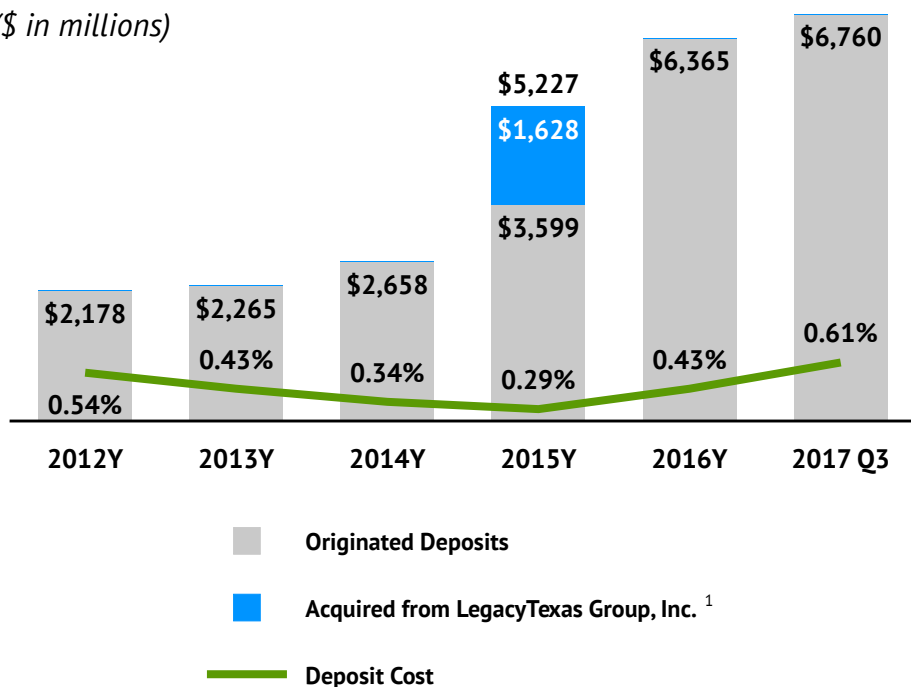
Source: Company Documents

# Core funded, low cost deposit base

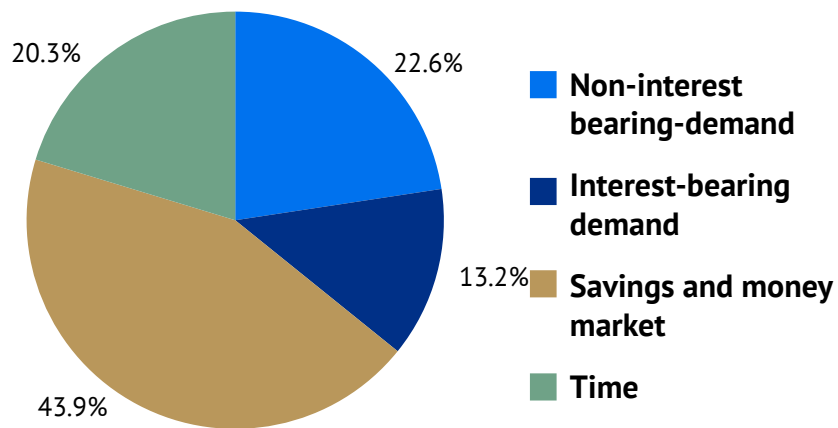
Total deposits at September 30, 2017 increased by \$197.9 million from June 30, 2017, which included growth in savings and money market and non-interest-bearing demand deposits.

## Total Deposits

(\$ in millions)



As of September 30, 2017



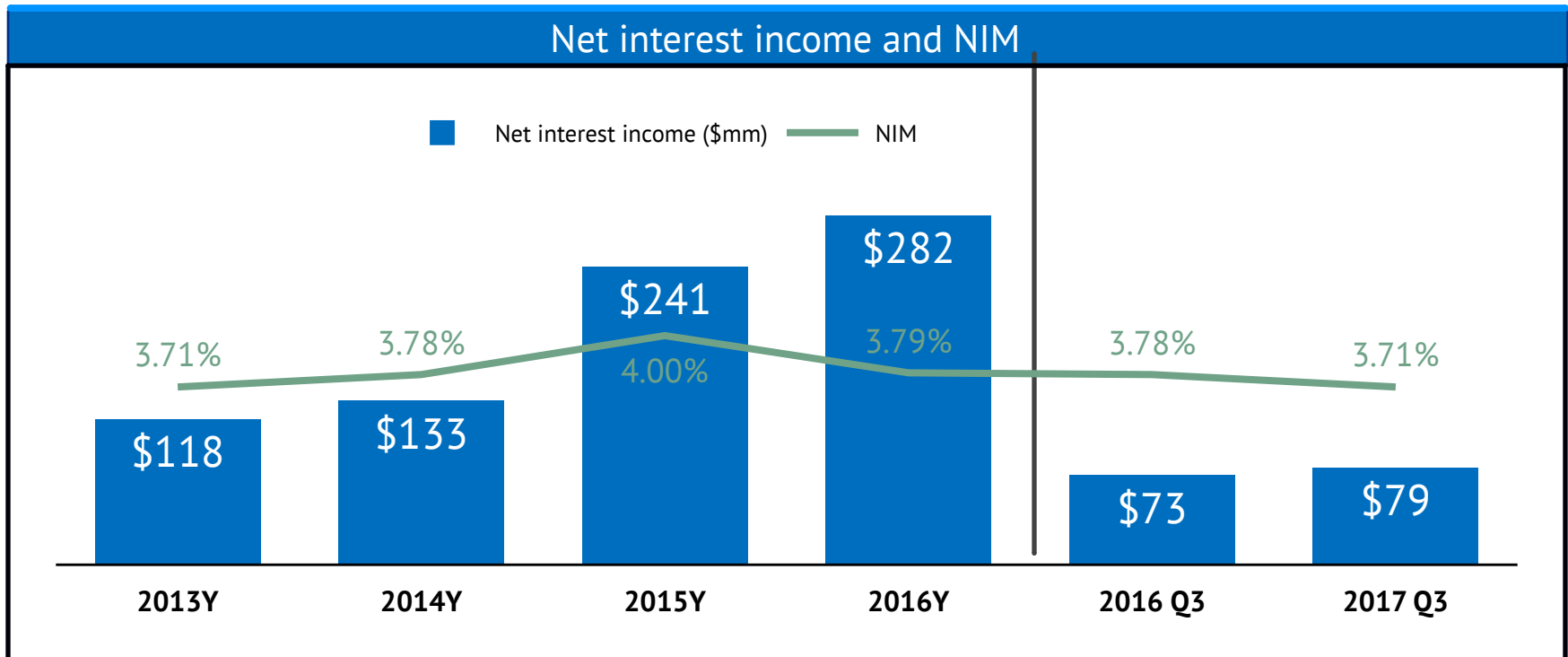
Cost of deposits: 0.61%

Source: Company Documents

<sup>1</sup> Represents balance acquired on January 1, 2015

# Solid net interest income growth

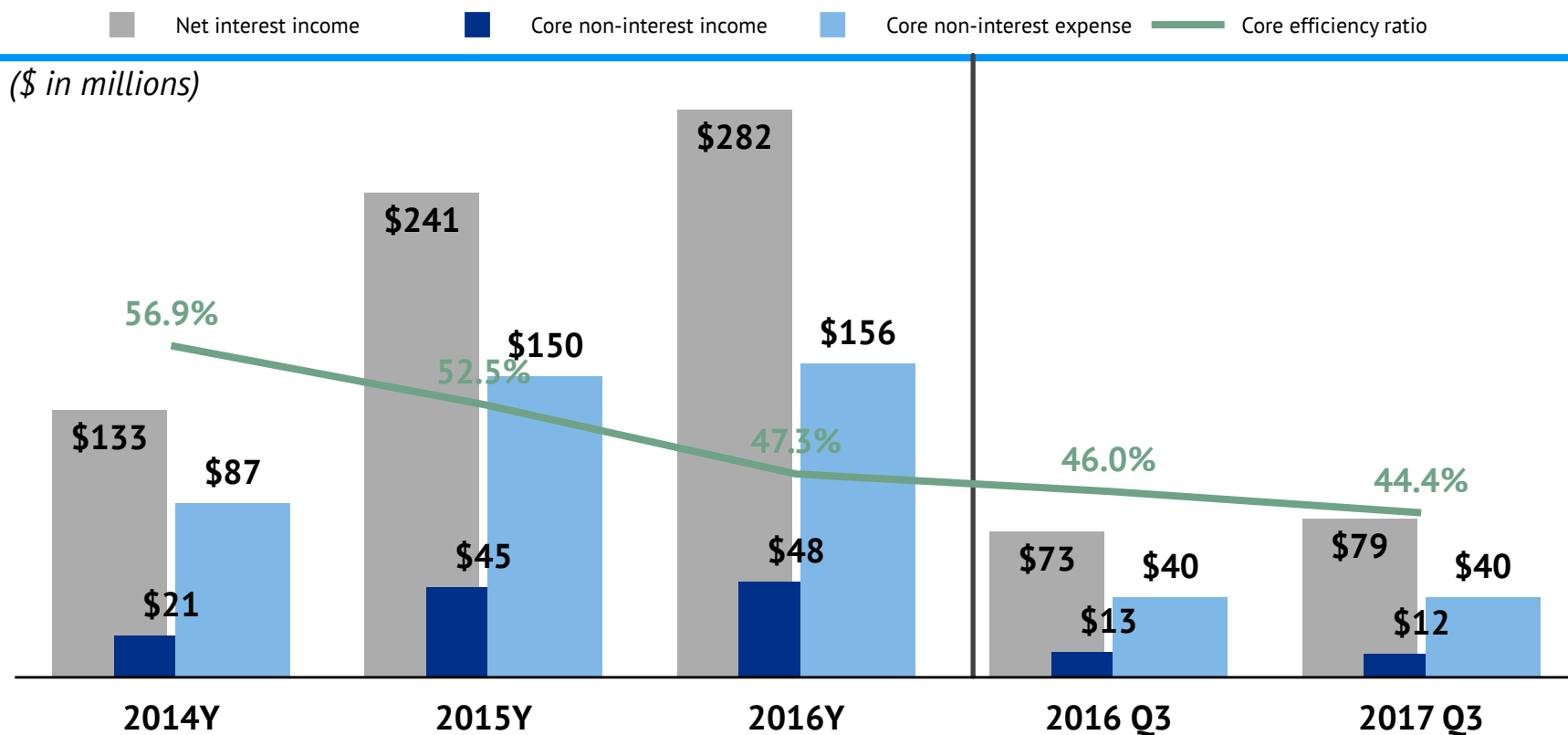
- Net interest income for Q3 2017 increased \$3.2 million from Q2 2017 and increased \$5.5 million from Q3 2016.
- The net interest margin for the third quarter of 2017 was 3.71%, a six basis point decrease from the second quarter of 2017 and a seven basis point decrease from the third quarter of 2016.



Source: Company Documents

# Disciplined expense management

Efficiency ratio on a GAAP and core basis improved to 44.19% and 44.37%, respectively, for Q3 2017, compared to 44.96% (both GAAP and core) for Q2 2017. Non-interest expense for Q3 2017 increased by \$706,000 on a linked-quarter basis, while non-interest income decreased by \$99,000 for the same period.

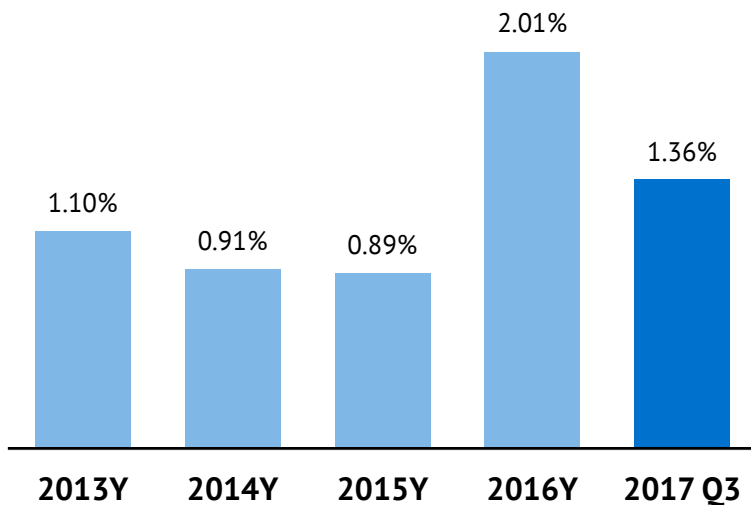


Note: Core (non-GAAP) non-interest income, non-interest expense and efficiency ratio are adjusted for the impact of infrequent or non-recurring items. The reconciliation of non-GAAP measures, which the Company believes facilitates the assessment of its banking operations and peer comparability, is included in tabular form at the end of this presentation.

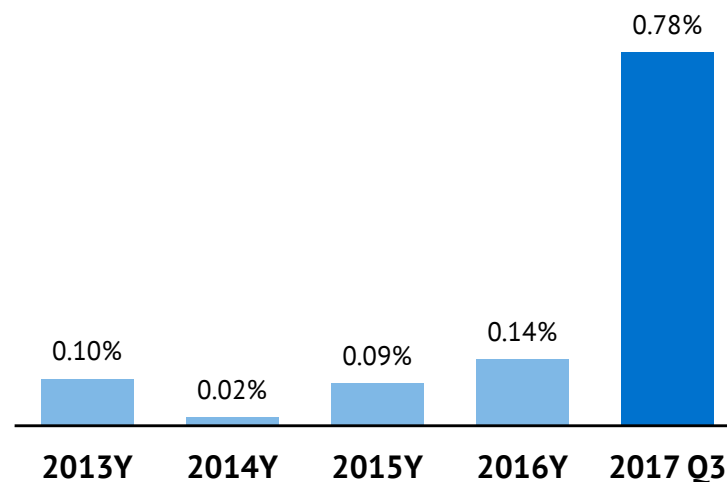
# Asset quality

Total non-performing loans decreased by \$22.3 million from Q2 2017, with only \$11.7 million, or 15%, of total NPLs past due at September 30, 2017. Net charge-offs for Q3 2017 included \$11.9 million in charge-offs recorded on the resolution of two reserve-based energy relationships.

NPAs / loans HFI<sup>1</sup> + OREO



NCOs / average loans HFI<sup>1</sup>



Source: Company documents

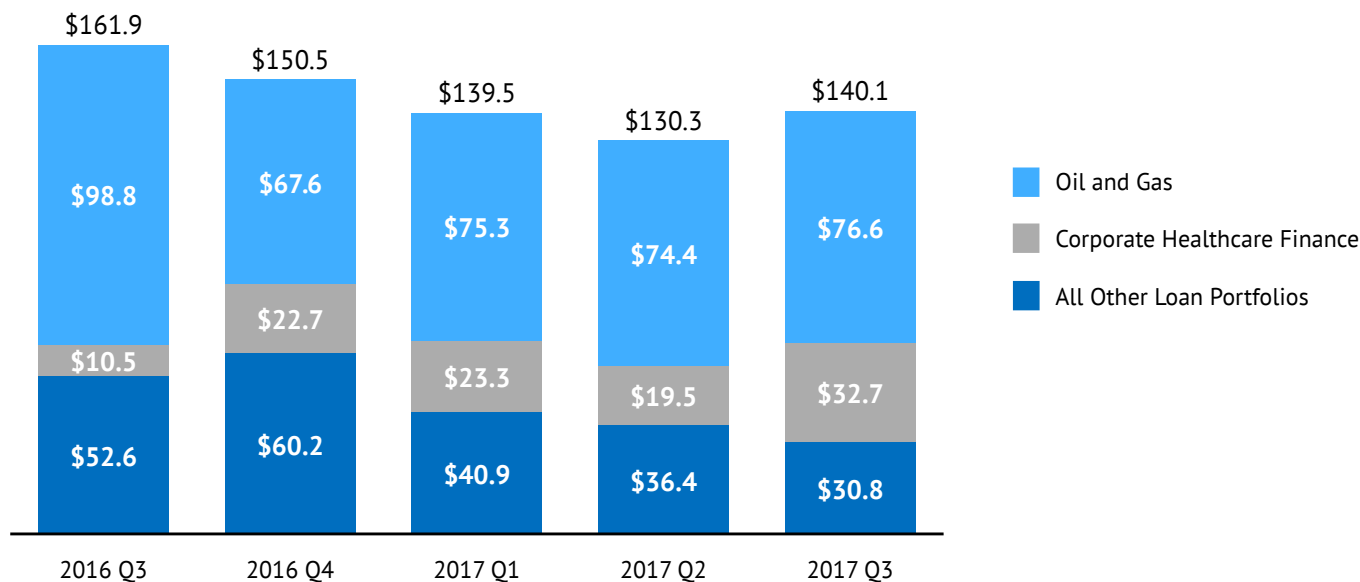
<sup>1</sup> Held for investment, excluding Warehouse Purchase Program loans

# Asset quality

Classified assets increased by \$9.8 million from Q2 2017, while a \$22.2 million decline in classified energy loans drove a \$21.8 million decrease in classified assets compared to Q3 2016.

## Total Classified Assets (including foreclosed assets)

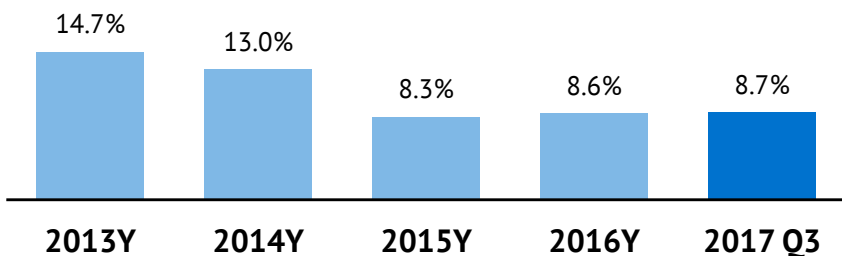
(\$ in millions)



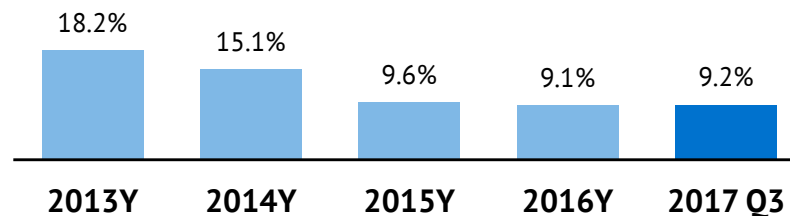
Source: Company documents

# Prudent capital management

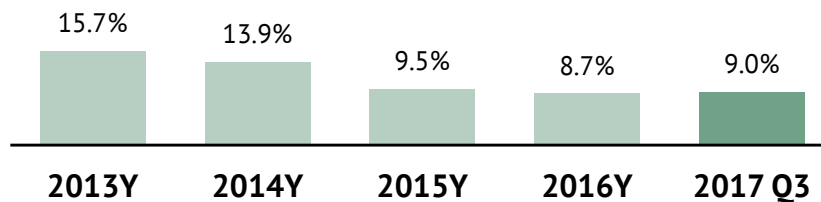
TCE / TA<sup>1</sup>



Tier 1 common risk-based<sup>2</sup>



Tier 1 leverage<sup>2</sup>



Source: Company documents

<sup>1</sup> See the section labeled "Supplemental Information- Non-GAAP Financial Measures"

<sup>2</sup> Calculated at the Company level, which is subject to the capital adequacy requirements of the Federal Reserve



# Key investment highlights

One of the largest independent Texas financial services companies built upon a strong customer focus and a long history of serving Texans

Commercially focused loan growth and disciplined expense management

Growth balanced with disciplined underwriting and risk management

Capital ratios remain strong; provides dry powder for robust organic growth

# Looking ahead

Expand our Texas footprint and solidify our deep-rooted culture

Focus on growth – organically and through selective acquisitions

Diversify income sources

Prudent and focused expense management

Maintain asset quality

Strategic capital deployment

# Manifesto

We believe in our customers. Their goals. Their dreams. Their ambitions for tomorrow.

And since 1952, we've been doing whatever it takes to support them as they advance in business and in life.

We are responsive, accountable, trusted, experts at what we do. And we listen. Because we believe that true understanding is the first step toward bold, meaningful results.

Fueled by an independent spirit, inspired by the ingenuity of our customers and grounded by the values of our community, we are a family like no other.

We are LegacyTexas.

# Appendix

# Supplemental Information – Non-GAAP Financial Measures (unaudited)

## Reconciliation of Core (non-GAAP) to GAAP Net Income and Earnings per Share (net of tax):

	At or For the Quarter Ended				
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
	(Dollars in thousands, except per share amounts)				
GAAP net income available to common shareholders <sup>1</sup>	\$ 28,617	\$ 27,837	\$ 18,111	\$ 25,174	\$ 27,084
Distributed and undistributed earnings to participating securities <sup>1</sup>	92	98	79	131	133
(Gain) loss on sale of branch locations and land	(237)	—	(847)	—	—
Loss on sale of FHA loan portfolio	—	—	—	—	969
Core (non-GAAP) net income	<u>\$ 28,472</u>	<u>\$ 27,935</u>	<u>\$ 17,343</u>	<u>\$ 25,305</u>	<u>\$ 28,186</u>
Average shares for basic earnings per share	46,664,233	46,596,467	46,453,658	46,346,053	46,227,734
GAAP basic earnings per share	\$ 0.61	\$ 0.60	\$ 0.39	\$ 0.54	\$ 0.59
Core (non-GAAP) basic earnings per share	0.61	0.60	0.37	0.55	0.61
Average shares for diluted earnings per share	47,158,729	47,005,554	47,060,306	46,873,215	46,546,532
GAAP diluted earnings per share	\$ 0.61	\$ 0.59	\$ 0.38	\$ 0.54	\$ 0.58
Core (non-GAAP) diluted earnings per share	0.60	0.59	0.37	0.54	0.61

	At or For the Year Ended December 31,				
	2016	2015	2014	2013	2012
GAAP net income available to common shareholders <sup>1</sup>	\$ 97,324	\$ 70,382	\$ 30,942	\$ 31,294	\$ 35,135
Distributed and undistributed earnings to participating securities <sup>1</sup>	497	534	336	394	106
Merger and acquisition costs	—	1,009	7,071	431	2,621
Net (gain) on sale of insurance subsidiary operations	(39)	—	—	—	—
(Gain) loss on sale of branch locations and land	(2,529)	(190)	—	—	—
Loss on sale of FHA loan portfolio	969	—	—	—	—
Valuation adjustment on mortgage servicing rights	—	121	—	—	—
One-time payroll and severance costs	—	—	234	436	777
Costs relating to sale of ViewPoint Mortgage	—	—	—	—	227
Goodwill impairment	—	—	—	—	532
Core (non-GAAP) net income	<u>\$ 96,222</u>	<u>\$ 71,856</u>	<u>\$ 38,583</u>	<u>\$ 32,555</u>	<u>\$ 39,398</u>
Average shares for basic earnings per share	46,184,074	45,847,284	37,919,065	37,589,548	35,879,704
GAAP basic earnings per share	\$ 2.11	\$ 1.54	\$ 0.82	\$ 0.83	\$ 0.98
Core (non-GAAP) basic earnings per share	2.08	1.57	1.02	0.87	1.10
Average shares for diluted earnings per share	46,484,967	46,125,447	38,162,094	37,744,786	35,998,345
GAAP diluted earnings per share	\$ 2.09	\$ 1.53	\$ 0.81	\$ 0.83	\$ 0.98
Core (non-GAAP) diluted earnings per share	2.07	1.56	1.01	0.86	1.09

<sup>1</sup> Unvested share-based awards that contain nonforfeitable rights to dividends (whether paid or unpaid) are participating securities and are included in the computation of GAAP earnings per share pursuant to the two-class method described in ASC 260-10-45-60B.

# Supplemental Information – Non-GAAP Financial Measures (unaudited)

	At or For the Quarter Ended				
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
(Dollars in thousands, except per share amounts)					
<b>Reconciliation of Core (non-GAAP) to GAAP Non-Interest Income (gross of tax):</b>					
GAAP non-interest income	\$ 12,226	\$ 12,325	\$ 12,130	\$ 12,277	\$ 11,277
(Gain) loss on sale of branch locations and land	(365)	–	(1,304)	–	–
Loss on sale of FHA loan portfolio	–	–	–	–	1,491
Core (non-GAAP) non-interest income	<u>\$ 11,861</u>	<u>\$ 12,325</u>	<u>\$ 10,826</u>	<u>\$ 12,277</u>	<u>\$ 12,768</u>
<b>Reconciliation of Core (non-GAAP) to GAAP Efficiency Ratio (gross of tax):</b>					
GAAP efficiency ratio:					
Non-interest expense	\$ 40,295	\$ 39,589	\$ 39,752	\$ 39,548	\$ 39,674
Net interest income plus non-interest income	91,190	88,045	88,678	86,361	84,757
Efficiency ratio- GAAP basis	44.19%	44.96%	44.83%	45.79%	46.81%
Core (non-GAAP) efficiency ratio:					
GAAP non-interest expense	\$ 40,295	\$ 39,589	\$ 39,752	\$ 39,548	\$ 39,674
Net interest income plus core (non-GAAP) non-interest income	90,825	88,045	87,374	86,361	86,248
Efficiency ratio- core (non-GAAP) basis	44.37%	44.96%	45.50%	45.79%	46.00%

# Supplemental Information – Non-GAAP Financial Measures (unaudited)

	At or For the Year Ended December 31,		
	2016	2015	2014
<b>Reconciliation of Core (non-GAAP) to GAAP Non-Interest Income and Expense (gross of tax):</b>			
GAAP non-interest income	\$ 51,931	\$ 44,815	\$ 20,743
Net (gain) on sale of insurance subsidiary operations	(1,181)	–	–
(Gain) loss on sale of branch locations and land	(3,891)	(293)	–
Loss on sale of FHA loan portfolio	1,491	–	–
Valuation adjustment on mortgage servicing rights	–	186	–
Core (non-GAAP) non-interest income	<u>\$ 48,350</u>	<u>\$ 44,708</u>	<u>\$ 20,743</u>
GAAP non-interest expense	\$ 156,377	\$ 151,555	\$ 98,092
Merger and acquisition costs	–	(1,553)	(10,291)
One-time payroll and severance costs	–	–	(360)
Core (non-GAAP) non-interest expense	<u>\$ 156,377</u>	<u>\$ 150,002</u>	<u>\$ 87,441</u>
<b>Reconciliation of Core (non-GAAP) to GAAP Efficiency Ratio (gross of tax):</b>			
Net interest income	\$ 282,269	\$ 241,077	\$ 133,007
GAAP efficiency ratio:			
Non-interest expense	\$ 156,377	\$ 151,555	\$ 98,092
Net interest income plus non-interest income	334,200	285,892	153,750
Efficiency ratio- GAAP basis	46.79%	53.01%	63.80%
Core (non-GAAP) efficiency ratio:			
Core (non-GAAP) non-interest expense	\$ 156,377	\$ 150,002	\$ 87,441
Net interest income plus core (non-GAAP) non-interest income	330,619	285,785	153,750
Efficiency ratio- core (non-GAAP) basis	47.30%	52.49%	56.87%

# Supplemental Information – Non-GAAP Financial Measures (unaudited)

## Calculation of Tangible Book Value and Tangible Equity to Tangible Assets:

	At or For the Quarter Ended				
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
<b>Calculation of Tangible Book Value per share:</b>	(Dollars in thousands, except per share amounts)				
Total shareholders' equity	\$ 950,092	\$ 925,283	\$ 899,917	\$ 885,365	\$ 866,845
Less: Goodwill	(178,559)	(178,559)	(178,559)	(178,559)	(178,559)
Less: Identifiable intangible assets, net	(463)	(524)	(585)	(665)	(752)
Total tangible shareholders' equity	<u>\$ 771,070</u>	<u>\$ 746,200</u>	<u>\$ 720,773</u>	<u>\$ 706,141</u>	<u>\$ 687,534</u>
Shares outstanding at end of period	48,040,059	48,009,379	47,940,133	47,876,198	47,773,160
Book value per share- GAAP	\$ 19.78	\$ 19.27	\$ 18.77	\$ 18.49	\$ 18.15
Tangible book value per share- Non-GAAP	16.05	15.54	15.03	14.75	14.39
<b>Calculation of Tangible Equity to Tangible Assets:</b>					
Total assets	\$ 9,068,612	\$ 8,970,375	\$ 8,436,542	\$ 8,362,255	\$ 8,440,010
Less: Goodwill	(178,559)	(178,559)	(178,559)	(178,559)	(178,559)
Less: Identifiable intangible assets, net	(463)	(524)	(585)	(665)	(752)
Total tangible assets	<u>\$ 8,889,590</u>	<u>\$ 8,791,292</u>	<u>\$ 8,257,398</u>	<u>\$ 8,183,031</u>	<u>\$ 8,260,699</u>
Equity to assets- GAAP	10.48%	10.31%	10.67%	10.59%	10.27%
Tangible equity to tangible assets- Non-GAAP	8.67%	8.49%	8.73%	8.63%	8.32%

	At or For the Year Ended December 31,			
	2015	2014	2013	2012
<b>Calculation of Tangible Book Value per share:</b>				
Total shareholders' equity	\$ 804,076	\$ 568,223	\$ 544,460	\$ 520,871
Less: Goodwill	(180,776)	(29,650)	(29,650)	(29,650)
Less: Identifiable intangible assets, net	(1,030)	(813)	(1,239)	(1,653)
Total tangible shareholders' equity	<u>\$ 622,270</u>	<u>\$ 537,760</u>	<u>\$ 513,571</u>	<u>\$ 489,568</u>
Shares outstanding at end of period	47,645,826	40,014,851	39,938,816	39,612,911
Book value per share- GAAP	\$ 16.88	\$ 14.20	\$ 13.63	\$ 13.15
Tangible book value per share- Non-GAAP	13.06	13.44	12.86	12.36
<b>Calculation of Tangible Equity to Tangible Assets:</b>				
Total assets	\$ 7,691,940	\$ 4,164,114	\$ 3,525,232	\$ 3,663,058
Less: Goodwill	(180,776)	(29,650)	(29,650)	(29,650)
Less: Identifiable intangible assets, net	(1,030)	(813)	(1,239)	(1,653)
Total tangible assets	<u>\$ 7,510,134</u>	<u>\$ 4,133,651</u>	<u>\$ 3,494,343</u>	<u>\$ 3,631,755</u>
Equity to assets- GAAP	10.45%	13.65%	15.44%	14.22%
Tangible equity to tangible assets- Non-GAAP	8.29%	13.01%	14.70%	13.48%



## Supplemental Information – Non-GAAP Financial Measures (unaudited)

	At or For the Quarter Ended				
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
(Dollars in thousands, except per share amounts)					
<b>Calculation of Return on Average Assets and Return on Average Equity Ratios (GAAP and core)</b>					
Net income	\$ 28,709	\$ 27,935	\$ 18,190	\$ 25,305	\$ 27,217
Core (non-GAAP) net income	28,472	27,935	17,343	25,305	28,186
Average total equity	940,606	914,564	900,118	880,250	860,142
Average total assets	8,889,914	8,491,696	8,172,072	8,445,209	8,176,612
Return on average common shareholders' equity	12.21%	12.22%	8.08%	11.50%	12.66%
Core (non-GAAP) return on average common shareholders' equity	12.11	12.22	7.71	11.50	13.11
Return on average assets	1.29	1.32	0.89	1.20	1.33
Core (non-GAAP) return on average assets	1.28	1.32	0.85	1.20	1.38