



TEXAS CAPITAL BANCSHARES, INC.

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TEXAS CAPITAL BANCSHARES ANNOUNCES STRONG SECOND QUARTER OPERATING RESULTS

Dallas, Texas – July 21, 2004 - Texas Capital Bancshares (Nasdaq: TCBI), the parent company of Texas Capital Bank, announced earnings for the second quarter of 2004.

On a comparative basis:

- Net income increased 88%
- EPS increased 55%
- Loans grew 25%
- Deposits grew 21%

“Our focus on the Texas market and the development of quality banking relationships continues to produce strong results for us and our shareholders,” said Jody Grant, Chairman and CEO. “As the economy improves and interest rates move up, we are positioned for a substantial improvement in profitability.”

FINANCIAL SUMMARY

(dollars and shares in thousands)

	<u>Q2 2004</u>	<u>Adjusted Q2 2003</u>	<u>% Change</u>	<u>Q2 2003</u>	<u>% Change</u>
OPERATING RESULTS					
Net Income	\$ 4,360	\$ 2,320	88 %	\$ 3,857	13 %
Diluted EPS	\$.17	\$.11	55 %	\$.18	(6)%
ROA	.77%	.48%	60 %	.80%	(.04)%
ROE	10.04%	7.23%	39 %	12.03%	(17)%
Diluted Shares	26,140	21,509	22 %	21,509	22%

	<u>Q2 2004</u>	<u>Q2 2003</u>	<u>% Change</u>
BALANCE SHEET			
Total Assets	\$2,399,603	\$2,003,818	20 %
Total Deposits	1,628,397	1,340,322	21 %
Loans Held for Investment	1,364,106	1,090,666	25 %
Loans Held For Sale	58,058	157,176	(63)%
Stockholders' Equity	174,327	132,168	32 %

See Note (2) on page 5 for discussion of adjusted 2003 numbers. Loans Held for Investment are stated net of unearned income.

DETAILED FINANCIALS

Texas Capital Bancshares, Inc. reported net income of \$4.4 million for the second quarter of 2004 and \$8.3 million for the year to date. For the second quarter and first half of 2003, the Company reported net income of \$2.3 million and \$5.4 million, respectively, on an as adjusted basis. (See Note (2) on page 5 for the discussion of adjusted income for 2003). Net income for the second quarter and first half of 2003 was reported as \$3.9 million and \$6.9 million respectively. On a fully diluted basis, earnings per share were \$.17 and \$.32, for the three and six month periods ended June 30, 2004, respectively. For 2003 the EPS comparisons for the three and six month periods were \$.11 and \$.25 (as adjusted) and \$.18 and \$.32 (as reported).

Return on average equity was 10.04 percent and return on average assets was .77 percent for the second quarter of 2004 compared to 7.23 percent and .48 percent, respectively, on an as adjusted basis for the second quarter of 2003. Return on average equity and return on average assets for the second quarter of 2003 as reported was 12.03 percent and .80 percent. The increase in net income and improvement in return on assets in 2004 as compared to 2003 as adjusted results are attributed to growth in net interest income which came from continued earning asset growth, as well as an improvement in net interest margin.

Net interest income was \$17.3 million for the second quarter of 2004, compared to \$12.7 million for the second quarter of 2003. The increase was due to an increase in average earning assets of \$325.4 million over levels reported in the second quarter of 2003 and an improvement in the net interest margin. The increase in average earning assets included a \$259.6 million increase in average loans held for investment (core loans) and an increase of \$145.8 million in average securities. The average balance of loans held for sale decreased to \$68.9 million in the second quarter of 2004 from \$141.4 million in 2003. The net interest margin in the second quarter of 2004 was 3.23 percent, a 45 basis point increase from the second quarter of 2003 and equal to the first quarter of 2004. The improvement in the net interest margin resulted primarily from a stable level of yield on earning assets coupled with a 51 basis point reduction in the cost of interest bearing liabilities from the prior year.

Average interest bearing liabilities increased \$257.2 million from the second quarter of 2003, which included a \$176.7 million increase in interest bearing deposits and a \$79.4 million increase in other borrowings. The increase in average borrowings was primarily related to an increase in securities sold under repurchase agreements and was used to supplement deposits in funding the purchase of securities and the growth in loans. For the same periods, the average balance of demand deposits increased to \$290.0 million from \$246.8 million.

Key measures of credit quality showed improvement during the second quarter. In the second quarter of 2004, net charge-offs of \$96,000 represented only .03 percent of average loans, compared to net charge-offs of \$219,000, or .08 percent of loans in second quarter 2003 and \$466,000, or .15 percent in the first quarter of 2004. The Company also reported a \$2.4 million improvement in the level of non-performing loans from first quarter 2004 levels, bringing the ratio to .79 percent of total loans. Of the total of \$10.8 million of non-performing loans, \$4.4 million was past due by more than 90 days and still accruing interest. Of the past-due total of \$4.4 million, \$1.1 million is fully guaranteed by the United States Government and \$3.0 million was brought current shortly after quarter-end. With the improvement in overall quality of the loan portfolio, the provision for possible loan losses decreased to \$363,000 from \$750,000 in the first quarter of 2004 and \$1.6 million in the second quarter of 2003. In management's opinion, the reserve is sufficient to cover all reasonably expected losses in the portfolio and is derived from consistent application of the methodology for establishing the

adequacy of reserves for Texas Capital Bank's loan portfolio.

Non-interest expense for the second quarter of 2004 increased \$3.1 million or 30 percent, to \$13.5 million from \$10.4 million (net of \$6.3 million in repurchase penalties and \$250,000 in separation expenses that are discussed in Note (2) on page 5) in the second quarter of 2003. The increase is primarily related to a \$2.4 million increase in salaries and employee benefits to \$8.0 million from \$5.6 million. The increase in salaries and employee benefits resulted from an increase in the total number of employees related to general business growth, staffing for the new Houston office and the start-up of the residential mortgage lending division.

During the second quarter, the asset sensitivity position increased slightly and will result in an expansion of net interest margins with rising interest rates anticipated following the actions by the Federal Reserve on June 30, 2004. Because of the timing of the increase in the federal funds rate, the Company did not benefit from the rate increase during the second quarter.

ABOUT TEXAS CAPITAL BANK

Texas Capital Bancshares (Nasdaq: TCBI) is the parent company of Texas Capital Bank, a commercial bank that delivers highly personalized financial services to businesses and private clients. Headquartered in Dallas, the Bank has full-service locations in Austin, Dallas, Fort Worth, Houston, Plano, and San Antonio.

This release contains forward-looking statements, which are subject to risks and uncertainties. A number of factors, many of which are beyond Texas Capital Bancshares' control, could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These risks and uncertainties include the risk of adverse impacts from general economic conditions, competition, interest rate sensitivity and exposure to regulatory and legislative changes. These and other factors that could cause results to differ materially from those described in the forward-looking statements can be found in the Form 10-K and other filings made by Texas Capital Bancshares with the Securities and Exchange Commission.

TEXAS CAPITAL BANCSHARES, INC.

SELECTED FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share data)

	2 nd Quarter 2004	1 st Quarter 2004	4 th Quarter 2003	3 rd Quarter 2003	2 nd Quarter 2003
CONSOLIDATED STATEMENT OF OPERATIONS					
Interest income	\$ 25,056	\$ 24,274	\$ 22,998	\$ 20,977	\$ 21,363
Interest expense	7,804	7,630	7,600	7,626	8,699
Net interest income	17,252	16,644	15,398	13,351	12,664
Provision for loan losses	363	750	700	475	1,600
Net interest income after provision for loan losses	16,889	15,894	14,698	12,876	11,064
Non-interest income	3,116	3,315	2,255	2,512	2,473
Gain (loss) on sale of securities	—	—	(20)	—	345
Non-interest expense	13,496	13,332	11,618	10,483	16,901
Income (loss) before income taxes	6,509	5,877	5,315	4,905	(3,019)
Income tax expense (benefit)	2,149	1,940	1,701	1,573	(6,876)
Net income	\$ 4,360	\$ 3,937	\$ 3,614	\$ 3,332	\$ 3,857
Diluted EPS	\$.17	\$.15	\$.14	\$.14	\$.18
Adjusted income ⁽²⁾	\$ 4,360	\$ 3,937	\$ 3,614	\$ 3,332	\$ 2,320
Adjusted diluted EPS ⁽²⁾	\$.17	\$.15	\$.14	\$.14	\$.11
Diluted shares	26,140,080	26,075,754	25,808,258	23,670,626	21,509,249

CONSOLIDATED BALANCE SHEET DATA

Total assets	\$2,399,603	\$2,233,135	\$2,192,875	\$2,151,128	\$2,003,818
Loans held for investment	1,364,106	1,311,511	1,229,773	1,125,828	1,090,666
Loans held for sale	58,058	72,789	80,780	91,686	157,176
Securities	783,234	752,861	775,338	811,968	649,522
Deposits	1,628,397	1,495,891	1,445,030	1,427,107	1,340,322
Other borrowings	569,404	524,502	545,754	527,613	502,967
Long-term debt	20,620	20,620	20,620	20,620	20,620
Stockholders' equity	174,327	182,587	171,756	165,080	132,168
End of period shares	25,259,574	25,145,617	25,009,525	24,814,282	21,370,749
Book Value	6.90	7.26	6.87	6.65	6.18

SELECTED FINANCIAL RATIOS

Net interest margin	3.23%	3.23%	3.07%	2.76%	2.78%
Return on average assets ⁽²⁾	.77%	.71%	.68%	.64%	.80%
Return on average equity ⁽²⁾	10.04%	8.96%	8.55%	9.05%	12.03%
Non-interest expense to earning assets ⁽²⁾	2.52%	2.58%	2.31%	2.17%	3.71%
Efficiency ratio (excludes securities gains) ⁽²⁾	66.26%	66.80%	65.89%	66.08%	111.65%
Tier 1 capital ratio	11.44%	11.73%	12.03%	12.35%	10.27%
Total capital ratio	12.50%	12.84%	13.17%	13.53%	11.50%
Tier 1 leverage ratio	8.62%	8.67%	8.83%	8.81%	7.43%

ASSET QUALITY SUMMARY

Non-performing loans	\$ 10,816	\$ 13,203	\$ 10,224	\$ 12,121	\$ 12,690
Net charge-offs	96	466	249	473	219
Net charge-offs to average loans ⁽¹⁾	.03%	.15%	.08%	.17%	.08%
Allowance to loans ⁽¹⁾	1.34%	1.37%	1.44%	1.53%	1.58%
Allowance to non-performing loans ⁽¹⁾	168.99%	136.42%	173.39%	142.53%	136.12%
Non-performing loans to loans ⁽¹⁾	.79%	1.01%	.83%	1.08%	1.16%

(1) Excludes loans held for sale.

(2) During the quarter ended June 30, 2003, net income included the impact of reversing our deferred tax asset valuation allowance of \$5.9 million, \$6.3 million in penalties related to unwinding repurchase agreements prior to maturity and approximately \$250,000 in separation expense related to the resignation of a senior officer. For the quarter ended June 30, 2003, adjusted income, or income per share excluding the impact of reversing the valuation allowance, unwinding penalties and separation expense would have been \$0.11, on a diluted basis. During the quarter ended December 31, 2002, net income included \$1.2 million in IPO expenses recognized as our offering was postponed. For the quarter ended December 31, 2002, adjusted income, or income per share excluding these IPO expenses would have been \$0.14 on a diluted basis. Adjusted income per share, or income per share excluding the impact of reversing the valuation allowance, unwinding penalties and separation expense for the quarter ended June 30, 2003 and adjusted income per share, or income per share excluding IPO expenses for the quarter ended December 31, 2002 are non-GAAP financial measures. As disclosed in our second quarter Form 10Q, management believes that these non-GAAP financial measures are useful to investors and to management because they provide additional information that more closely reflects our intrinsic operating performance and growth. Reversal of the entire valuation allowance was based on our assessment of our ability to generate earnings to allow the deferred tax assets to be realized which is supported by our current earnings trends. We unwound certain repurchase agreements, incurring the unwinding penalties, in order to take advantage of historical lows in interest rates, which had decreased on similar repurchase agreements by approximately 1.4 percent since the time we entered into the original repurchase agreements. Although we have experienced employee separations in the past, this was the first separation with an executive who had entered into an employee agreement with us. We currently have only four other employees with employment agreements. Since we have not had any reversals of valuation allowances, unwinding penalties or separation expenses related to employees who have employment agreements in our operating history, and because expenses related to the initial public offering will not recur now that the offering is completed, we believe that these non-GAAP financial measures are useful to investors and to management to understand the development of our income per share results, efficiency ratio and ratio of non-interest expense to average assets since our founding and to help in comparing our intrinsic operating performance in different periods. Management also uses these measures internally to evaluate our performance and manage our operations. These measurements should not be regarded as a replacement for corresponding GAAP measures.

The following table reconciles each of the non-GAAP financial measures described above to the most directly comparable financial measure presented in accordance with GAAP.

(Dollars in thousands except per share data)	2 nd Quarter 2004	1 st Quarter 2004	4 th Quarter 2003	3 rd Quarter 2003	2 nd Quarter 2003
Net income before adjustments	\$ 4,360	\$ 3,937	\$ 3,614	\$ 3,332	\$ 3,857
Adjustments (net of tax):					
Repurchase agreement unwinding penalties	—	—	—	—	4,223
Impact of reversing deferred tax asset valuation allowance	—	—	—	—	(5,929)
IPO expenses and other	—	—	—	—	169
Adjusted income	<u>\$ 4,360</u>	<u>\$ 3,937</u>	<u>\$ 3,614</u>	<u>\$ 3,332</u>	<u>\$ 2,320</u>
Adjusted diluted EPS	<u>\$.17</u>	<u>\$.15</u>	<u>\$.14</u>	<u>\$.14</u>	<u>\$.11</u>

SELECTED FINANCIAL RATIOS

Return on average assets	.77%	.71%	.68%	.64%	.80%
Adjusted return on average assets	.77%	.71%	.68%	.64%	.48%
Return on average equity	10.04%	8.96%	8.55%	9.05%	12.03%
Adjusted return on average equity	10.04%	8.96%	8.55%	9.05%	7.23%
Non-interest expense to earning assets	2.52%	2.58%	2.31%	2.17%	3.71%
Adjusted non-interest expense to earning assets	2.52%	2.58%	2.31%	2.17%	2.28%
Efficiency ratio ⁽³⁾	66.26%	66.80%	65.89%	66.08%	111.65%
Adjusted efficiency ratio ⁽³⁾	66.26%	66.80%	65.89%	66.08%	68.63%

(3) Excludes securities gains.

TEXAS CAPITAL BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands)

	June 30, 2004	June 30, 2003	% Change
Assets			
Cash and due from banks	\$ 90,754	\$ 65,145	39%
Federal funds sold	59,970	470	n/m
Securities, available-for-sale	783,234	649,522	21%
Loans held for sale	58,058	157,176	(63)%
Loans held for investment (net of unearned income)	1,364,106	1,090,666	25%
Less: Allowance for loan losses	(18,278)	(17,274)	6%
Loans held for investment, net	1,345,828	1,073,392	25%
Premises and equipment, net	4,719	3,581	32%
Accrued interest receivable and other assets	55,544	53,036	5%
Goodwill, net	1,496	1,496	–
Total assets	<u>\$2,399,603</u>	<u>\$2,003,818</u>	<u>20%</u>
Liabilities and Stockholders' Equity			
Liabilities:			
Deposits:			
Non-interest bearing	\$ 359,628	\$ 330,015	9%
Interest bearing	1,174,284	1,010,307	16%
Interest bearing in foreign branches	94,485	–	100%
Total deposits	1,628,397	1,340,322	21%
Accrued interest payable	2,832	3,393	(17)%
Other liabilities	4,023	4,348	(7)%
Federal funds purchased	97,972	156,194	(37)%
Repurchase agreements	467,686	293,272	59%
Other borrowings	3,746	53,501	(93)%
Long-term debt	20,620	20,620	–
Total liabilities	2,225,276	1,871,650	19%
Stockholders' equity:			
Series A convertible preferred stock, \$.01 par value, 6%:			
Authorized shares – 10,000,000			
Issued shares – 1,057,142 at June 30, 2003	–	11	(100)%
Common stock, \$.01 par value:			
Authorized shares – 100,000,000			
Issued shares – 24,978,518 and 18,577,704 at June 30, 2004 and 2003, respectively	250	185	35%
Series A-1 non-voting common stock, \$.01 par value:			
Issued shares – 281,056 and 691,733 at June 30, 2004 and 2003, respectively	3	7	(57)%
Additional paid-in capital	170,147	131,801	29%
Retained earnings (accumulated deficit)	8,784	(6,459)	236%
Treasury stock (shares at cost: 84,274 and 97,246 at June 30, 2004 and 2003, respectively)	(573)	(668)	14%
Deferred compensation	573	573	–
Accumulated other comprehensive income (loss), net	(4,857)	6,718	(172)%
Total stockholders' equity	174,327	132,168	32%
Total liabilities and stockholders' equity	<u>\$2,399,603</u>	<u>\$2,003,818</u>	<u>20%</u>

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Interest income				
Interest and fees on loans	\$ 17,498	\$ 15,981	\$ 34,204	\$ 30,677
Securities	7,536	5,329	15,087	10,685
Federal funds sold	18	43	33	130
Deposits in other banks	4	4	6	7
Total interest income	25,056	21,357	49,330	41,499
Interest expense				
Deposits	4,948	5,597	9,691	10,979
Federal funds purchased	294	469	614	909
Repurchase agreements	2,250	–	4,335	–
Other borrowings	56	2,380	282	4,825
Long-term debt	256	247	512	380
Total interest expense	7,804	8,693	15,434	17,093
Net interest income	17,252	12,664	33,896	24,406
Provision for loan losses	363	1,600	1,113	2,850
Net interest income after provision for loan losses	16,889	11,064	32,783	21,556
Non-interest income				
Service charges on deposit accounts	891	897	1,748	1,740
Trust fee income	454	306	891	587
Gain on sale of securities	–	345	–	686
Cash processing fees	–	73	587	973
Bank owned life insurance (BOLI) income	329	428	650	842
Mortgage warehouse fees	274	424	512	703
Gain on sale of mortgage loans	729	–	1,192	–
Other	439	345	851	614
Total non-interest income	3,116	2,818	6,431	6,145
Non-interest expense				
Salaries and employee benefits	7,964	5,857	16,094	11,236
Net occupancy expense	1,341	1,199	2,675	2,386
Advertising	296	199	581	392
Legal and professional	779	930	1,572	1,509
Communications and data processing	995	736	1,854	1,456
Franchise taxes	56	37	153	74
Repurchase agreement penalties	–	6,262	–	6,262
Other	2,065	1,681	3,899	2,964
Total non-interest expense	13,496	16,901	26,828	26,279
Income (loss) before income taxes	6,509	(3,019)	12,386	1,422
Income tax expense (benefit)	2,149	(6,876)	4,089	(5,466)
Net income	4,360	3,857	8,297	6,888
Preferred stock dividends	–	(276)	–	(550)
Income available to common stockholders	\$ 4,360	\$ 3,581	\$ 8,297	\$ 6,338
Earnings per share:				
Basic	\$.17	\$.19	\$.33	\$.33
Diluted	\$.17	\$.18	\$.32	\$.32

TEXAS CAPITAL BANCSHARES, INC.

SUMMARY OF LOAN LOSS EXPERIENCE

(Dollars in thousands)

	2 nd Quarter 2004	1 st Quarter 2004	4 th Quarter 2003	3 rd Quarter 2003	2 nd Quarter 2003
Beginning balance	\$ 18,011	\$ 17,727	\$ 17,276	\$ 17,274	\$ 15,893
Loans charged-off:					
Commercial	—	—	—	33	17
Real estate	—	—	200	200	2
Consumer	6	—	5	—	—
Leases	266	493	107	261	237
Total	272	493	312	494	256
Recoveries:					
Commercial	—	—	—	—	—
Consumer	—	—	—	—	—
Leases	176	27	63	21	37
Total recoveries	176	27	63	21	37
Net charge-offs	96	466	249	473	219
Provision for loan losses	363	750	700	475	1,600
Ending balance	\$ 18,278	\$ 18,011	\$ 17,727	\$ 17,276	\$ 17,274
Reserve to loans held for investment ⁽²⁾	1.34%	1.37%	1.44%	1.53%	1.58%
Net charge-offs to average loans ⁽¹⁾⁽²⁾	.03%	.15%	.08%	.17%	.08%
Provision for loan losses to average loans ⁽¹⁾⁽²⁾	.11%	.24%	.24%	.17%	.60%
Recoveries to gross charge-offs	64.71%	5.48%	20.19%	4.25%	14.45%
Reserve as a multiple of net charge-offs	190.40x	38.65x	71.19x	36.5x	78.9x
Non-performing loans:					
Loans past due (90 days)	\$ 4,423	\$ 6,250	\$ 7	\$ 1,095	\$ 1,145
Non-accrual	6,393	6,953	10,217	11,026	11,545
Total	\$ 10,816	\$ 13,203	\$ 10,224	\$ 12,121	\$ 12,690
Reserve as a percent of non-performing loans ⁽²⁾	168.99%	136.42%	173.39%	142.53%	136.12%

(1) Interim period ratios are annualized.

(2) Excludes loans held for sale.

TEXAS CAPITAL BANCSHARES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in thousands)

	2 nd Quarter 2004	1 st Quarter 2004	4 th Quarter 2003	3 rd Quarter 2003	2 nd Quarter 2003
Interest income					
Interest and fees on loans	\$ 17,498	\$ 16,706	\$ 15,660	\$ 16,114	\$ 15,981
Securities	7,536	7,551	7,319	4,839	5,335
Federal funds sold	18	15	16	20	43
Deposits in other banks	4	2	3	4	4
Total interest income	25,056	24,274	22,998	20,977	21,363
Interest expense					
Deposits	4,948	4,743	4,911	5,041	5,597
Federal funds purchased	294	320	293	348	469
Repurchase agreements	2,250	2,085	2,106	1,835	2,320
Other borrowings	56	226	32	145	60
Long-term debt	256	256	258	257	253
Total interest expense	7,804	7,630	7,600	7,626	8,699
Net interest income	17,252	16,644	15,398	13,351	12,664
Provision for loan losses	363	750	700	475	1,600
Net interest income after provision for loan losses	16,889	15,894	14,698	12,876	11,064
Non-interest income					
Service charges on deposit accounts	891	857	850	856	897
Trust fee income	454	437	376	350	306
Gain (loss) on sale of securities	—	—	(20)	—	345
Cash processing fees	—	587	—	—	73
Bank owned life insurance (BOLI) income	329	321	326	451	428
Mortgage warehouse fees	274	238	276	545	424
Gain on sale of mortgage loans	729	463	120	—	—
Other	439	412	307	310	345
Total non-interest income	3,116	3,315	2,235	2,512	2,818
Non-interest expense					
Salaries and employee benefits	7,964	8,130	6,614	5,754	5,857
Net occupancy expense	1,341	1,334	1,336	1,265	1,199
Advertising and affinity payments	296	285	214	213	199
Legal and professional	779	793	614	744	930
Communications and data processing	995	859	819	767	736
Franchise taxes	56	97	13	37	37
Repurchase agreement penalties	—	—	—	—	6,262
Other	2,065	1,834	2,008	1,703	1,681
Total non-interest expense	13,496	13,332	11,618	10,483	16,901
Income (loss) before income taxes	6,509	5,877	5,315	4,905	(3,019)
Income tax expense (benefit)	2,149	1,940	1,701	1,573	(6,876)
Net income	4,360	3,937	3,614	3,332	3,857
Preferred stock dividends	—	—	—	(149)	(276)
Income available to common stockholders	\$ 4,360	\$ 3,937	\$ 3,614	\$ 3,183	\$ 3,581

QUARTERLY FINANCIAL SUMMARY – UNAUDITED
Consolidated Daily Average Balances, Average Yields and Rates
(Dollars in thousands)

	2nd Quarter 2004			1st Quarter 2004			4th Quarter 2003			3rd Quarter 2003			2nd Quarter 2003		
	Average Balance	Revenue/Expense (1)	Yield/Rate	Average Balance	Revenue/Expense (1)	Yield/Rate	Average Balance	Revenue/Expense (1)	Yield/Rate	Average Balance	Revenue/Expense (1)	Yield/Rate	Average Balance	Revenue/Expense (1)	Yield/Rate
Assets															
Securities	\$ 766,007	\$ 7,536	3.96%	\$ 758,966	\$ 7,551	4.00%	\$ 758,629	\$ 7,319	3.83%	\$ 652,082	\$ 4,839	2.94%	\$ 620,239	\$ 5,335	3.45%
Federal funds sold	7,686	18	0.94%	6,058	15	1.00%	6,746	16	0.94%	8,090	20	0.98%	13,220	43	1.30%
Deposits in other banks	995	4	1.62%	829	2	0.97%	1,081	3	1.10%	1,118	4	1.42%	923	4	1.74%
Loans held for sale	68,922	1,456	8.50%	61,177	1,157	7.61%	71,413	1,159	6.44%	171,971	2,227	5.14%	141,375	1,944	5.52%
Loans held for investment	1,326,066	16,042	4.87%	1,265,840	15,549	4.94%	1,171,395	14,501	4.91%	1,103,340	13,887	4.99%	1,066,440	14,037	5.28%
Less reserve for loan losses	18,205	—	—	17,720	—	—	17,394	—	—	17,573	—	—	16,100	—	—
Loans, net of reserve	1,376,783	17,498	5.11%	1,309,297	16,706	5.13%	1,225,414	15,660	5.07%	1,257,738	16,114	5.08%	1,191,715	15,981	5.38%
Total earning assets	2,151,471	25,056	4.68%	2,075,150	24,274	4.70%	1,991,870	22,998	4.58%	1,919,028	20,977	4.34%	1,826,097	21,363	4.69%
Cash and other assets	138,399			146,414			129,068			144,385			120,977		
Total assets	\$2,289,870			\$2,221,564			\$2,120,938			\$2,063,413			\$1,947,074		
Liabilities and Stockholders' Equity															
Transaction deposits	\$ 95,031	\$ 140	0.59%	\$ 88,635	\$ 132	0.60%	\$ 75,723	\$ 116	0.61%	\$ 64,137	\$ 102	0.63%	\$ 62,476	\$ 121	0.78%
Savings deposits	560,182	1,639	1.18%	504,530	1,499	1.19%	504,839	1,505	1.18%	477,158	1,466	1.22%	407,081	1,629	1.61%
Time deposits	566,369	3,169	2.25%	534,981	3,112	2.34%	544,190	3,290	2.40%	548,288	3,473	2.51%	575,325	3,847	2.68%
Total interest bearing deposits	1,221,582	4,948	1.63%	1,128,146	4,743	1.69%	1,124,752	4,911	1.73%	1,089,583	5,041	1.84%	1,044,882	5,597	2.15%
Other borrowings	574,942	2,600	1.82%	620,982	2,631	1.70%	531,402	2,431	1.81%	527,658	2,328	1.75%	495,511	2,849	2.31%
Long-term debt	20,620	256	4.99%	20,620	256	4.99%	20,620	258	4.96%	20,620	257	4.94%	19,600	253	5.18%
Total interest bearing liabilities	1,817,144	7,804	1.73%	1,769,748	7,630	1.73%	1,676,774	7,600	1.80%	1,637,861	7,626	1.85%	1,559,993	8,699	2.24%
Demand deposits	289,973			265,039			267,614			269,891			246,822		
Other liabilities	8,047			10,013			8,914			9,592			11,619		
Stockholders' equity	174,706			176,764			167,636			146,069			128,640		
Total liabilities and stockholders' equity	\$2,289,870			\$2,221,564			\$2,120,938			\$2,063,413			\$1,947,074		
Net interest income	\$ 17,252			\$ 16,644			\$ 15,398			\$ 13,351			\$ 12,664		
Net interest income to earning assets			3.23%			3.23%			3.07%			2.76%			2.78%

(1) The loan averages include loans on which the accrual of interest has been discontinued and are stated net of unearned income.