

TCBI Q4 2013 Earnings

January 22, 2014



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Opening Remarks



- Exceptional growth in loans, deposits and net revenue for 2013
- Capital raising consistent with market opportunity for growth
- Continued improvement in NPAs with low level of charge-offs for the year
- 2013 non-interest expense includes hiring foundation of market leading talent supporting 2014 growth and beyond
- Mortgage Finance levels up, with 2013 average slightly up as compared to 2012 average, and continued to outperform the industry

Financial Review



Net Income

- Decrease in net income of 9% compared to Q3-2013; full year net income consistent with 2012
- Profitability – ROA and ROE remained strong, despite decrease in net income

Operating Leverage, Core Earnings Power & NIM

- Net Revenue
 - 3% increase from Q3-2013
 - 8% growth from Q4-2012
- Exceptional growth in LHI average balances (excluding mortgage finance) and Total Loans
 - Growth of 5% from Q3-2013 and 22% from Q4-2012
 - Clear increase in market share for Mortgage Finance with growth of 2% from 2012 and modest decrease from Q3-2013
- Margin remained consistent with Q3-2013 at 4.21%
 - Strong LHI levels, improved composition with reduced proportion of MF Loan balances and yields
 - Improved funding profile from continued growth in DDA and total deposits

LHI/LHS Accounting

- Correction of error for accounting of Mortgage Finance – formerly LHS
 - Previously classified as Held for Sale; will now be consistent with regulatory accounting and treated as Held for Investment
 - No change in business direction – anticipate continued improvement in market position
 - No change in character of the assets – quality, liquidity and duration unaffected
 - No change in any aspect of the business – still producing excellent returns with highly liquid ownership interests in individual mortgage loans of superior quality

Financial Review



Loan Growth

- Broad-based growth in traditional LHI (excluding Mortgage Finance)
 - Growth of \$435.1 million from Q3-2013 and \$1.7 billion from Q4-2012
 - Period end balance \$343.7 million over average balance for the quarter
 - Averages increased 5% from Q3-2013 and 22% from Q4-2012
- Average MF balances consistent with objectives
 - Results well above industry trends demonstrate increase in market position and management's focus on providing ongoing income
 - Growth of 2% from 2012 and only modest decrease from Q3-2013

Expense Management

- Q4-2013 expenses were largest factor in linked quarter earnings change, including those associated with exceptional performance and growth
 - Cost of long-term incentives increased \$3.6 million (\$0.06 per share) resulting from unprecedented increase in stock price from Q3-2013
 - Incentive true-up of \$1.6 million (almost \$0.03 per share) for lines of business producing average of 20% increase in earnings contribution from 2012
 - Build-out expense of \$0.02 per share related to exceptional recruiting in Q3, expansion of business lines and impact of lag in growth of support and infrastructure costs associated with growth
 - For all of 2013, the "unusual" items represented almost \$20 million

Financial Review



Funding

- Funding profile optimal with exceptional DDA and total deposit growth
 - Average DDA increased 5% from Q3-2013 and 40% from Q4-2012
 - Total average deposits increased 5% from Q3-2013 and 31% from Q4-2012
- Total deposit cost stable at 17 bps

Credit Costs

- Total credit costs of \$5.4 million for Q4-2013
 - Provision of \$5.0 million consistent with Q3-2013
 - OREO valuation cost of \$466,000 in Q4-2013 associated with 60% reduction in total ORE balances
 - NCOs of 6 bps in Q4-2013 and 7 bps for all of 2013
 - Favorable trend in NPA ratio with \$11.1 million (23%) decrease from Q3-2013

Income Statement - Quarterly



	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12
Net interest income	\$ 111,475	\$ 108,776	\$ 101,220	\$ 98,042	\$ 101,155
Non-interest income	11,184	10,431	11,128	11,281	12,836
Net revenue	122,659	119,207	112,348	109,323	113,991
Provision for credit losses	5,000	5,000	7,000	2,000	4,500
OREO valuation and write-down expense	466	–	382	71	955
Total provision and OREO valuation	5,466	5,000	7,382	2,071	5,455
Non-interest expense	69,825	62,009	68,352	55,629	59,119
Income before income taxes	47,368	52,198	36,614	51,623	49,417
Income tax expense	17,012	18,724	12,542	18,479	17,982
Net income	30,356	33,474	24,072	33,144	31,435
Preferred stock dividends	2,438	2,437	2,438	81	–
Net income available to common shareholders	\$ 27,918	\$ 31,037	\$ 21,634	\$ 33,063	\$ 31,435
Diluted EPS	\$.67	\$.74	\$.52	\$.80	\$.76
Net interest margin	4.21%	4.21%	4.19%	4.27%	4.27%
ROA	1.10%	1.25%	0.95%	1.38%	1.27%
ROE	11.94%	13.74%	9.94%	15.82%	15.35%
Efficiency ⁽¹⁾	56.9%	52.0%	60.8%	50.9%	51.9%

Income Statement - Annual



	2013	2012	2011	2010	2009
Net interest income	\$ 419,513	\$ 376,879	\$ 302,937	\$ 241,674	\$ 196,691
Non-interest income	44,024	43,040	32,232	32,263	29,260
Net revenue	463,537	419,919	335,169	273,937	225,951
Provision for credit losses	19,000	11,500	28,500	53,500	43,500
OREO valuation and write-down expense	920	6,883	6,798	8,504	7,809
Total provision and OREO valuation	19,920	18,383	35,298	62,004	51,309
Non-interest expense	255,814	212,961	181,403	154,984	137,733
Income before income taxes	187,803	188,575	118,468	56,949	36,909
Income tax expense	66,757	67,866	42,366	19,626	12,522
Net income	121,046	120,709	76,102	37,323	24,387
Preferred stock dividends	7,394	–	–	–	–
Net income available to common shareholders	\$ 113,652	\$ 120,709	\$ 76,102	\$ 37,323	\$ 24,387
Diluted EPS	\$ 2.72	\$ 3.01	\$ 1.99	\$ 1.00	\$.56
Net interest margin	4.22%	4.41%	4.68%	4.28%	3.89%
ROA	1.17%	1.35%	1.12%	.63%	.46%
ROE	12.82%	16.93%	13.39%	7.23%	5.15%
Efficiency⁽¹⁾	55.2%	49.8%	54.1%	56.6%	61.0%

QTD Average Balances, Yields and Rates



(in thousands)	Q4 2013		Q3 2013		Q4 2012	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 65,067	4.25%	\$ 71,717	4.25%	\$103,483	4.55%
Fed funds sold & liquidity investments	158,594	.21%	167,613	.19%	91,503	.27%
Loans held for investment, mortgage finance	2,238,730	3.59%	2,362,118	3.79%	2,658,092	3.96%
Loans held for investment	8,142,569	4.73%	7,731,901	4.72%	6,662,817	4.79%
Total loans, net of reserve	10,297,290	4.52%	10,014,468	4.53%	9,246,997	4.59%
Total earning assets	10,520,951	4.45%	10,253,798	4.46%	9,441,983	4.55%
Total assets	\$10,899,266		\$10,637,766		\$9,869,282	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 5,887,252	.26%	\$ 5,612,874	.26%	\$4,662,116	.28%
Other borrowings	314,018	.20%	539,767	.20%	1,725,129	.19%
Subordinated notes	111,000	6.58%	111,000	6.54%	12,065	6.56%
Long-term debt	113,406	2.21%	113,406	2.23%	113,406	2.33%
Total interest bearing liabilities	6,425,676	.40%	6,377,047	.40%	6,611,651	.40%
Demand deposits	3,289,307		3,124,602		2,356,758	
Stockholders' equity	1,077,822		1,046,477		814,565	
Total liabilities and stockholders' equity	\$10,899,266	.24%	\$10,637,766	.24%	\$9,869,282	.27%
Net interest margin		4.21%		4.21%		4.27%

YTD Average Balances, Yields and Rates



(in thousands)	2013		2012	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets				
Securities	\$ 77,178	4.39%	\$117,375	4.46%
Fed funds sold & liquidity investments	144,050	.21%	72,689	.30%
Loans held for investment, mortgage finance	2,342,149	3.75%	2,298,651	4.06%
Loans held for investment	7,471,676	4.73%	6,148,860	4.88%
Total loans, net of reserve	9,735,543	4.53%	8,375,424	4.70%
Total earning assets	9,956,771	4.47%	8,565,488	4.66%
Total assets	\$10,348,404		\$8,965,960	
Liabilities and Stockholders' Equity				
Total interest bearing deposits	\$ 5,407,810	.26%	\$4,459,836	.31%
Other borrowings	653,318	.19%	1,585,723	.20%
Subordinated notes	111,000	6.60%	30,934	6.58%
Long-term debt	113,406	2.24%	113,406	2.43%
Total interest bearing liabilities	6,285,534	.40%	6,189,899	.35%
Demand deposits	2,967,063		1,984,171	
Stockholders' equity	1,001,215		713,190	
Total liabilities and stockholders' equity	\$10,348,404	.24%	\$8,965,960	.24%
Net interest margin		4.22%		4.41%

Financial Summary



(in thousands)	QTD Averages			Q4/Q3 % Change	YOY % Change
	Q4 2013	Q3 2013	Q4 2012		
Total assets	\$10,899,266	\$10,637,766	\$9,869,282	2%	10%
Loans held for investment	8,142,569	7,731,901	6,662,817	5%	22%
Loans held for investment, mortgage finance	2,238,730	2,362,118	2,658,092	(5)%	(16)%
Total loans	10,381,299	10,094,019	9,320,909	3%	11%
Securities	65,067	71,717	103,483	(9)%	(37)%
Demand deposits	3,289,307	3,124,602	2,356,758	5%	40%
Total deposits	9,176,559	8,737,476	7,018,874	5%	31%
Stockholders' equity	1,077,822	1,046,477	814,565	3%	32%

Financial Summary



(in thousands)	YTD Averages		
	2013	2012	YOY % Change
Total assets	\$10,348,404	\$8,965,961	15%
Loans held for investment	7,471,676	6,148,860	22%
Loans held for investment, mortgage finance	2,342,149	2,298,651	2%
Total loans	9,813,825	8,447,511	16%
Securities	77,178	117,375	(34)%
Demand deposits	2,967,063	1,984,171	50%
Total deposits	8,374,873	6,444,007	30%
Stockholders' equity	1,001,215	713,190	40%

Financial Summary



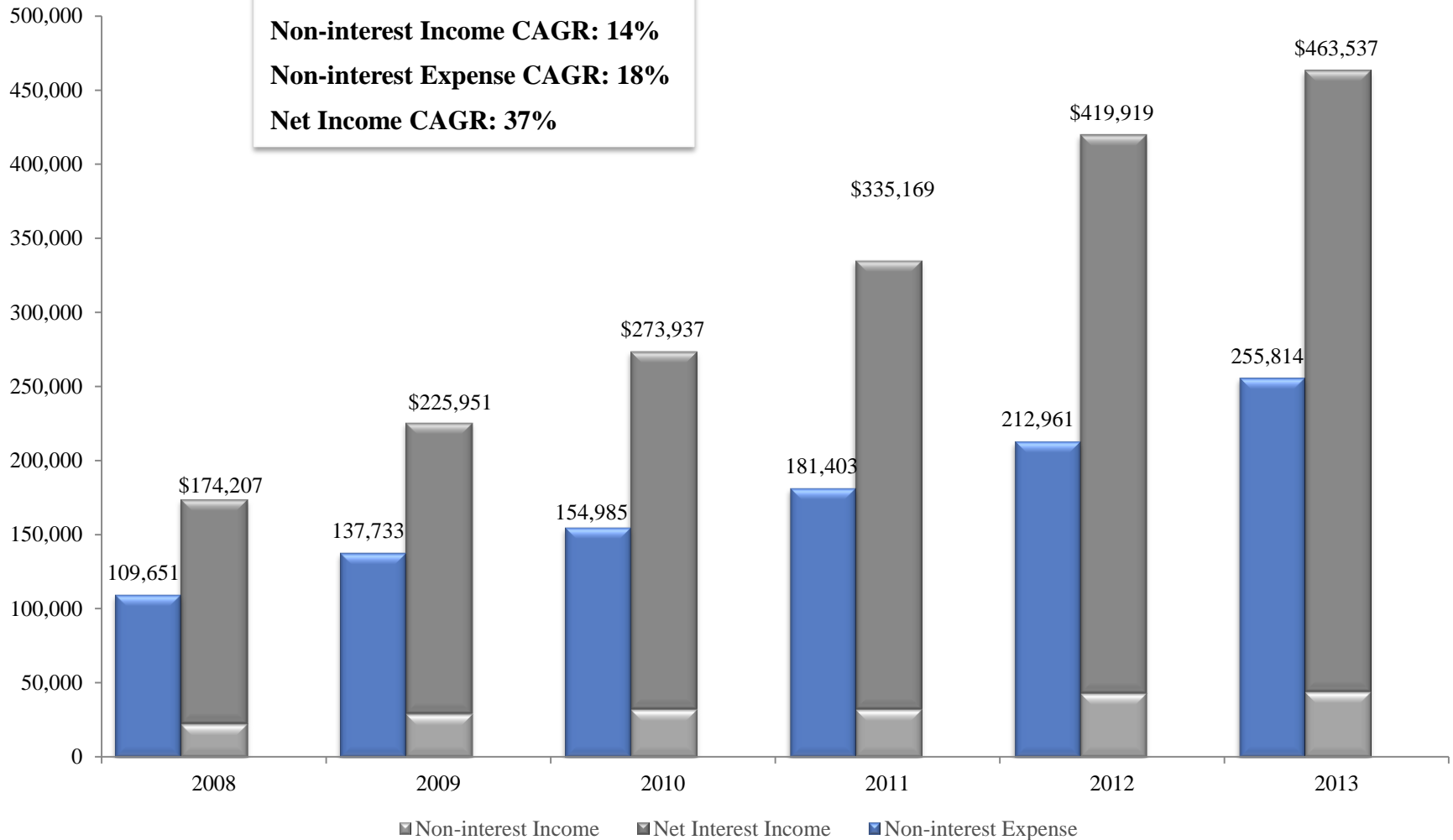
(in thousands)	Period End			Q4/Q3 % Change	YOY % Change
	Q4 2013	Q3 2013	Q4 2012		
Total assets	\$11,714,397	\$10,797,448	\$10,540,542	8%	11%
Loans held for investment	8,486,309	8,051,328	6,785,535	5%	25%
Loans held for investment, mortgage finance	2,784,265	2,262,085	3,175,272	23%	(12)%
Total loans	11,270,574	10,313,413	9,960,807	9%	13%
Securities	63,214	67,815	100,195	(7)%	(37)%
Demand deposits	3,347,567	3,242,060	2,535,375	3%	32%
Total deposits	9,257,379	8,957,081	7,440,804	3%	24%
Stockholders' equity	1,096,350	1,066,629	836,242	3%	31%

Revenue and Income Growth



(\$ in thousands)

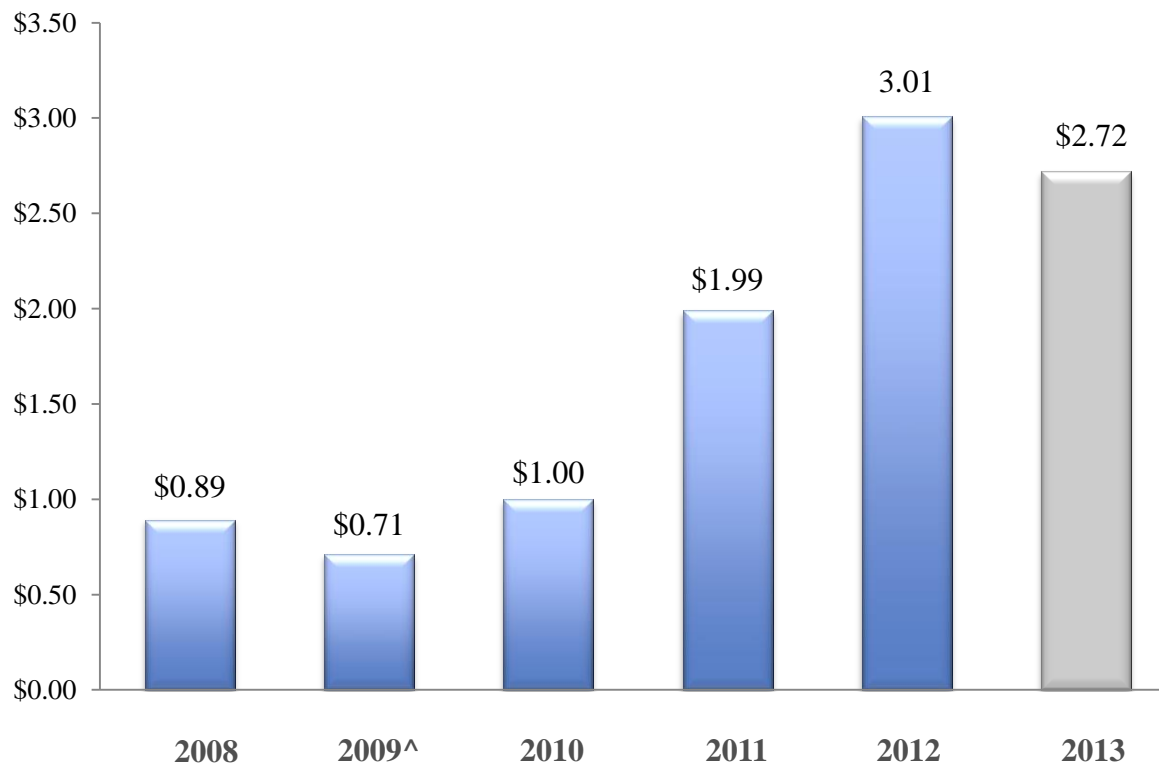
Operating Revenue CAGR: 22%
Net Interest Income CAGR: 23%
Non-interest Income CAGR: 14%
Non-interest Expense CAGR: 18%
Net Income CAGR: 37%



EPS Growth



5 Year EPS CAGR: 27%



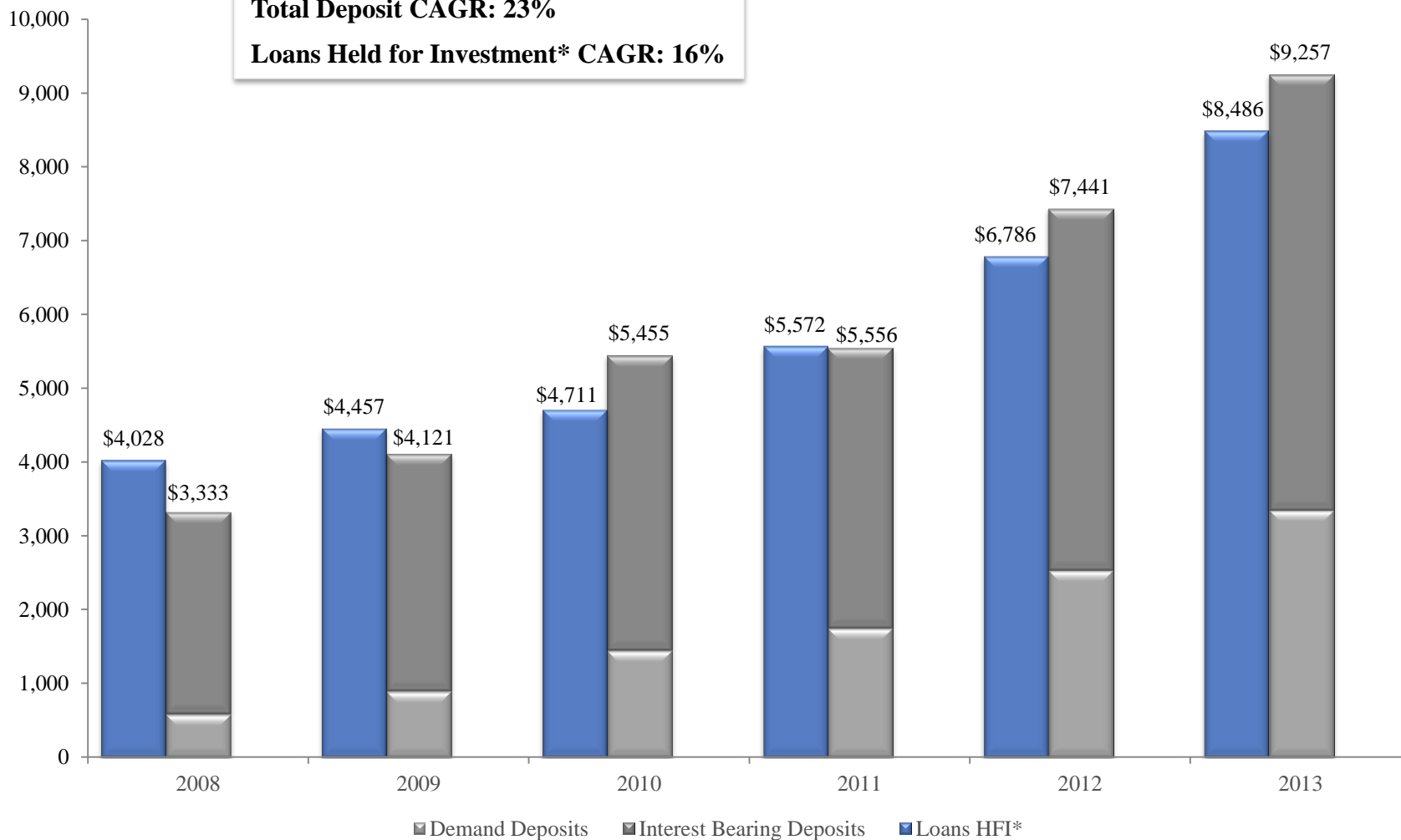
[^]Excludes \$.15 effect of preferred TARP dividend during 2009. Reported EPS was \$0.56.

Deposit and Loan Growth



(\$ in millions)

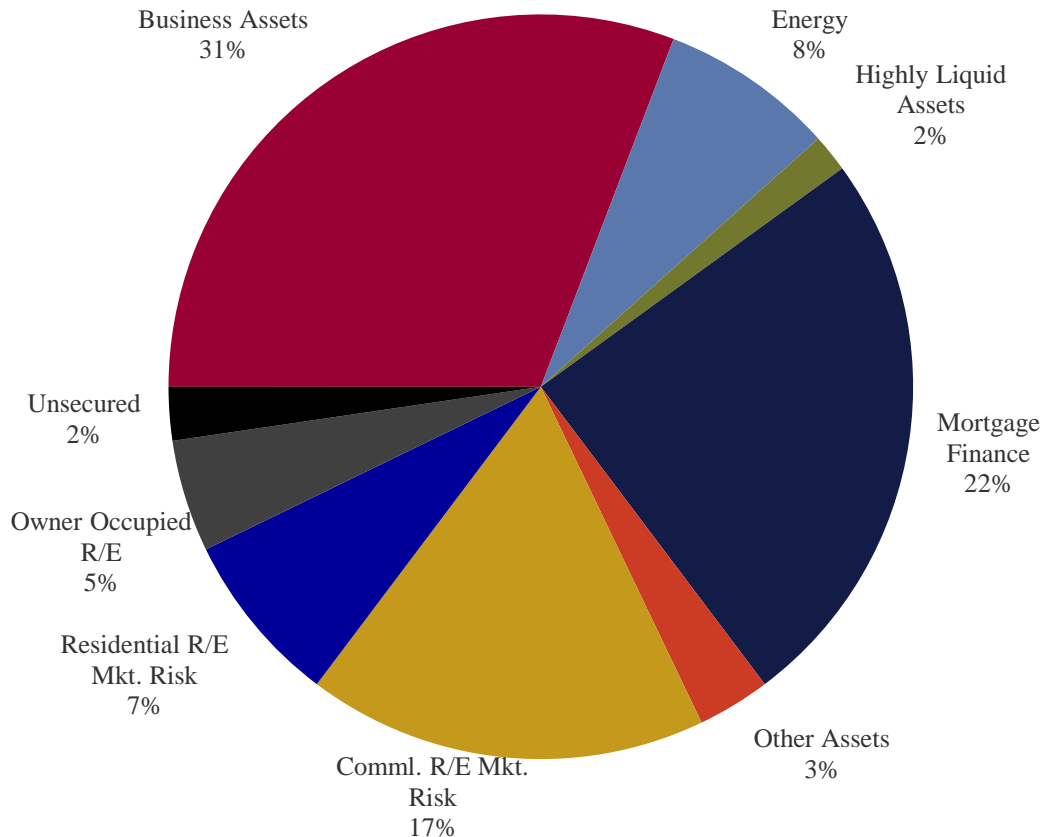
Demand Deposit CAGR: 42%
Total Deposit CAGR: 23%
Loans Held for Investment* CAGR: 16%



Loan Portfolio Statistics



Loan Collateral by Type 12/31/13



Total Loans \$11,270,574

Non-accrual loans

Commercial	\$	12,896
Construction		705
Real estate		18,670
Consumer		54
Equipment leases		50

Total non-accrual loans 32,375

Non-accrual loans as % of loans excluding MF .38%

Non-accrual loans as % of total loans .29%

OREO 5,110

Total Non-accruals + OREO 37,485

Non-accrual loans + OREO as % of loans excluding MF + OREO .44%



Improved Credit Trends

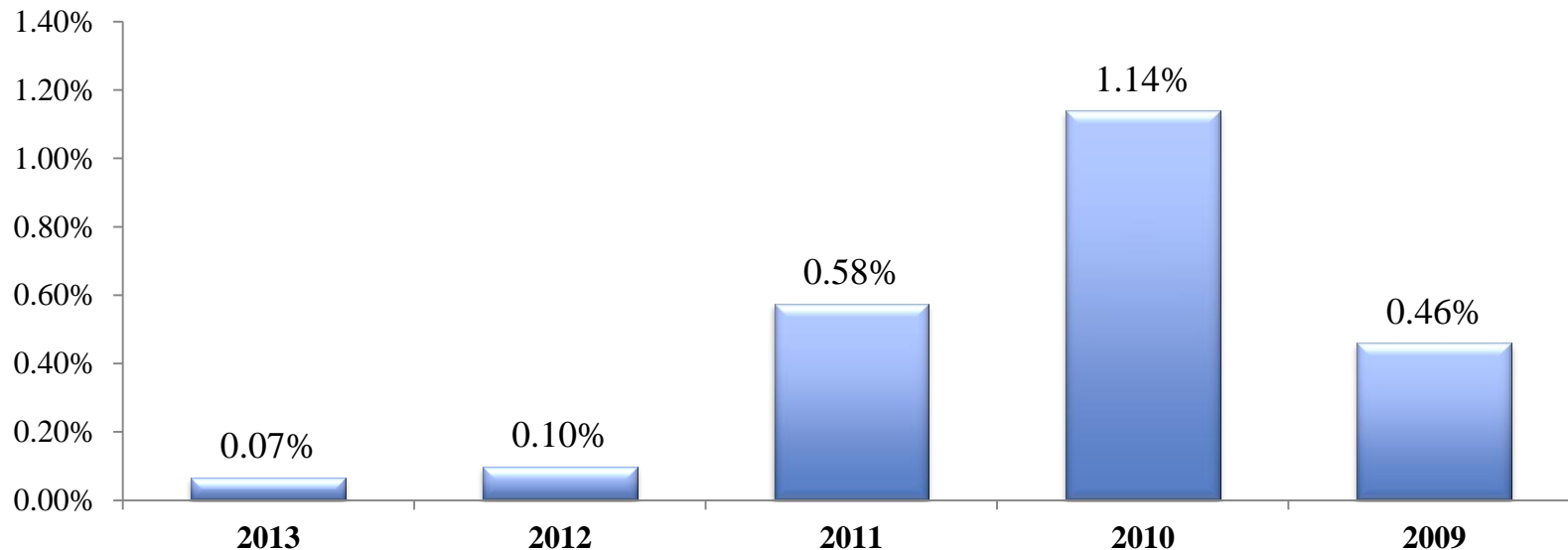
- Total credit cost of \$5.4 million for Q4-2013, compared to \$ 5.0 million in Q3-2013 and \$5.5 million in Q4-2012
 - Provision of \$5.0 million for Q4-2013 compared to \$5.0 million for Q3-2013 and \$4.5 million in Q4-2012
 - NCOs \$1.3 million (6 bps) in Q4-2013 compared to 0 bps in Q3-2013 and 21 bps in Q4-2012; NCO ratio of 7 bps for YTD
 - OREO valuation charge of \$466,000 in Q4-2013 compared to none in Q3-2013 and \$955,000 in Q4-2012

- NPA ratio continues to decline
 - Reduction of \$11.1 million (23%) from Q3-2013 and \$34.4 million (48%) from Q4-2012
 - NPA ratio of .44% compared to .60% in Q3-2013 and 1.06% in Q4-2012
 - NPLs at \$32.4 million, down \$3.4 million from Q3-2013 and down \$23.5 million from Q4-2012
 - NPL ratio at .29% of total loans and .38% of LHI excluding MF loans
 - OREO reduction of \$7.7 (60%) from Q3-2013 and \$10.9 million (68%) from Q4-2012

Credit Quality



Net Charge-offs / Average Loans*



Combined reserve / Loans*	2013	2012	2011	2010	2009
	1.09%	1.15%	1.31%	1.56%	1.59%
Non-accrual loans + OREO to loans* + OREO	2013	2012	2011	2010	2009
	.44%	1.06%	1.58%	3.25%	2.74%
Combined reserve to non-accruals	2013	2012	2011	2010	2009
	2.7x	1.3x	1.3x	.6x	.7x

* Excludes MF loans.

Closing Comments



- Strong core earnings power, profitability and growth to continue in 2014
- Credit continues positive trend
- Strong LHI pipeline and new commitments present opportunity for growth potential
- Producers in place for 2014 growth
- Building more liquidity in 2014 which will impact NIM
- Mortgage finance average balances to be down in 2014 but outperform the industry
- Improving capital position with capital raise to support growth



Q&A