

TCBI Q4 2014 Earnings

January 21, 2015



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Opening Remarks & Financial Highlights

Strong Balanced Growth

- Exceptional growth in traditional LHI balances despite highly competitive C&I market, with increase in Q4-2014 average balances of \$498 million compared to Q3-2014
- Growth in mortgage finance loans (MFLs) with little evidence of seasonality in Q4-2014
- Continued strong growth in demand and total deposits
- Asset sensitivity position increased with extended duration of low-cost funding

Core Earnings Power

- Growth in total loans continues to produce strong net revenue
- Operating leverage improved with rate of growth in net revenue greater than NIE for full year
- Business model focused on organic growth demonstrates ability to produce high returns on invested capital

Credit Quality

- Credit metrics remain strong with nominal increase in NPAs
- NCOs at 5 bps in Q4-2014 and 7 bps YTD
- High allowance coverage ratios
- Provision primarily related to growth in core LHI

Energy Commentary

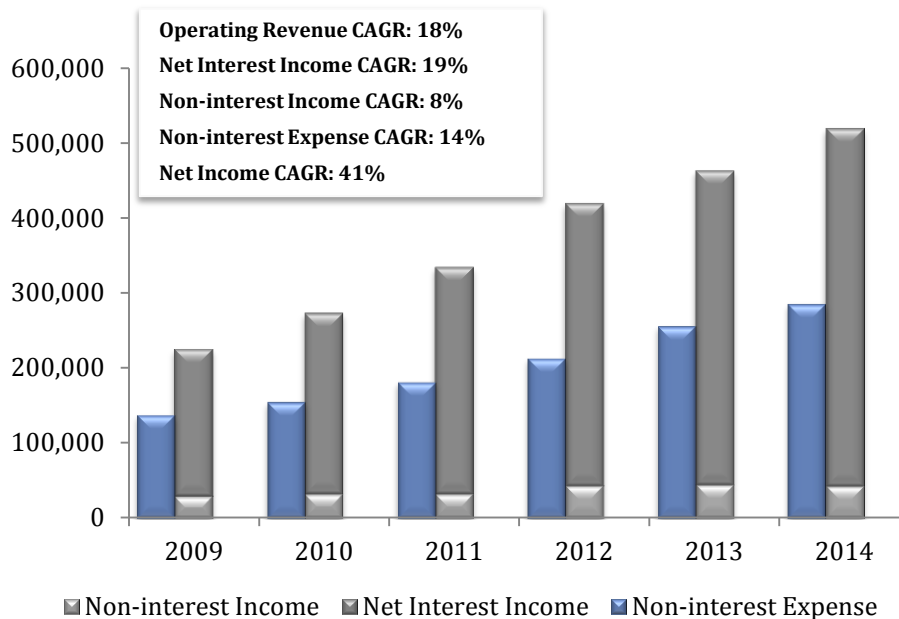


- TCBI has deep experience in energy lending
 - Executives, lenders, credit policy and engineers, on average, have more than 3 decades of experience
 - Since our inception there have been five corrections in energy commodity prices, with no significant consequences
 - Cumulative energy losses < \$300,000 in 15 years
- Outstanding loans in energy portfolio 6% of total loans
- Price decks are dynamic, but our underwriting standards have not changed since our inception
 - Average credit line is approximately 60% funded
 - Agreements generally provide unilateral discretion to reduce borrowing bases as necessary
 - Over 90% of oil-weighted outstandings are hedged
 - Hedged price much higher than lifting costs, providing significant cash flow to reduce debt
 - Collateral comprised of long-lived reserves providing capacity to absorb price swings
 - In-house engineering reviews all credits and reports to Credit Policy
- Anticipate some downgrades; currently nothing that would drive significant allocation of loan loss reserves
- Exposure to oil service
 - Less than 1% of total loans
 - Exposure generally limited to production, not the higher risk drilling and completion

Revenue & Expense



Revenue & Expense Trends



Revenue & Expense Highlights

- High returns maintained with effective deployment of additional capital
- Improvement in operating leverage and Efficiency Ratio for full year
- Strong capacity for Net Revenue growth
 - Total loans spread at 3.91%
 - Net Revenue increased 2% from Q3-2014
 - Reduction in NIM driven by growth, liquidity build and debt issuance in Q1
- Continued focus on managing growth in NIE
 - Effective utilization of professional resources and reduction in legal expense
 - Linked quarter net decrease in incentive expense linked to performance and change in stock price
- Provision expense related to growth represents net interest income contribution of loan growth for 3+ months

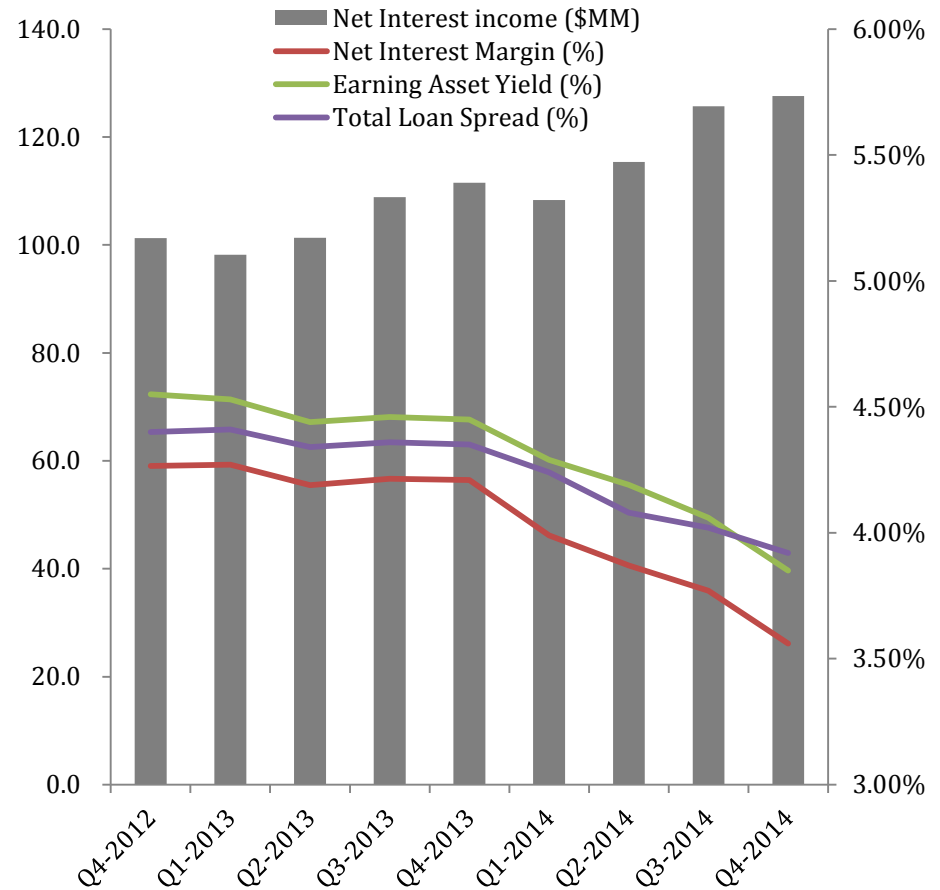
Net Interest Income & Margin



NIM Highlights

- Net interest income growth of 2% from Q3-2014 and 14% from Q4-2013
- Yields on traditional LHI down modestly with 5% growth in average balances from Q3-2014
- MFL growth benefits NII
 - Yield reduction based on profile of customers
 - Favorable deposit position
 - High risk-adjusted returns despite impact on NIM
- Core funding costs – deposits and borrowed funds – flat at 17 bps
- Deposit growth consistent with plan to increase liquidity
 - Minor benefit to NII
 - Impact on NIM consistent with objectives
 - Significant increase in asset sensitivity and duration of low-cost funding

Net Interest Income & Margin Trends



Analysis of Net Interest Income & Expenses



NII (\$MM)		NIM (%)
125.7	Q3 2014	3.77%
.1	Increase in liquidity	(.12)
(3.0)	Decrease in LHI loan yields	(.08)
(.6)	Decrease in MF loan yields	(.02)
1.5	Mix shift of MF loans/total loans	.01
3.8	Impact of increase in earning assets	-
.1	Other	-
\$127.6	Q4 2014	3.56%

Non-interest expense (\$MM)	Linked quarter increases/ (decreases)
Q3 2014	\$71.9
Salaries and employee benefits – related to stock price changes	(.8)
Salaries and employee benefits – performance based incentives, LTI and annual incentive pool	.1
Legal & other professional – effective use of professional services; legal reduced and varies by quarter	(1.1)
Salaries and employee benefits – continued build out	2.1
All other – includes occupancy, technology and marketing, all with some one-time and seasonal expenses	1.9
Q4 2014	\$74.1

Performance Summary - Quarterly



(in thousands)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	\$ 127,582	\$ 125,661	\$ 115,407	\$ 108,315	\$ 111,475
Non-interest income	11,226	10,396	10,533	10,356	11,184
Net revenue	138,808	136,057	125,940	118,671	122,659
Provision for credit losses	6,500	6,500	4,000	5,000	5,000
OREO valuation and write-down expense	-	-	-	-	466
Total provision and OREO valuation	6,500	6,500	4,000	5,000	5,466
Non-interest expense	74,117	71,915	69,765	69,317	69,822
Income before income taxes	58,191	57,642	52,175	44,354	47,371
Income tax expense	20,357	20,810	18,754	16,089	17,012
Net income	37,834	36,832	33,421	28,265	30,359
Preferred stock dividends	2,437	2,438	2,437	2,438	2,438
Net income available to common shareholders	\$ 35,397	\$ 34,394	\$ 30,984	\$ 25,827	\$ 27,921
Diluted EPS	\$.78	\$.78	\$.71	\$.60	\$.67
Net interest margin	3.56%	3.77%	3.87%	3.99%	4.21%
ROA	1.03%	1.07%	1.08%	1.01%	1.10%
ROE	11.41%	12.11%	11.38%	10.20%	11.94%
Efficiency⁽¹⁾	53.4%	52.9%	55.4%	58.4%	56.9%

Performance Summary - Annual



(in thousands)	2014	2013	2012	2011	2010
Net interest income	\$ 476,965	\$ 419,513	\$ 376,879	\$ 302,937	\$ 241,674
Non-interest income	42,511	44,024	43,040	32,232	32,263
Net revenue	519,476	463,537	419,919	335,169	273,937
Provision for credit losses	22,000	19,000	11,500	28,500	53,500
OREO valuation and write-down expense	-	920	6,883	6,798	8,504
Total provision and OREO valuation	22,000	19,920	18,383	35,298	62,004
Non-interest expense	285,114	255,809	212,998	181,529	155,120
Income before income taxes	212,362	187,808	188,538	118,342	56,813
Income tax expense	76,010	66,757	67,866	42,366	19,626
Net income	136,352	121,051	120,672	75,976	37,187
Preferred stock dividends	9,750	7,394	-	-	-
Net income available to common shareholders	\$ 126,602	\$ 113,657	\$ 120,672	\$ 75,976	\$ 31,187
Diluted EPS	\$ 2.88	\$ 2.72	\$ 3.01	\$ 1.99	\$ 1.00
Net interest margin	3.78%	4.22%	4.41%	4.68%	4.28%
ROA	1.05%	1.17%	1.35%	1.12%	.63%
ROE	11.31%	12.82%	16.93%	13.39%	7.23%
Efficiency⁽¹⁾	54.9%	55.2%	49.8%	54.1%	56.6%

2015 Outlook

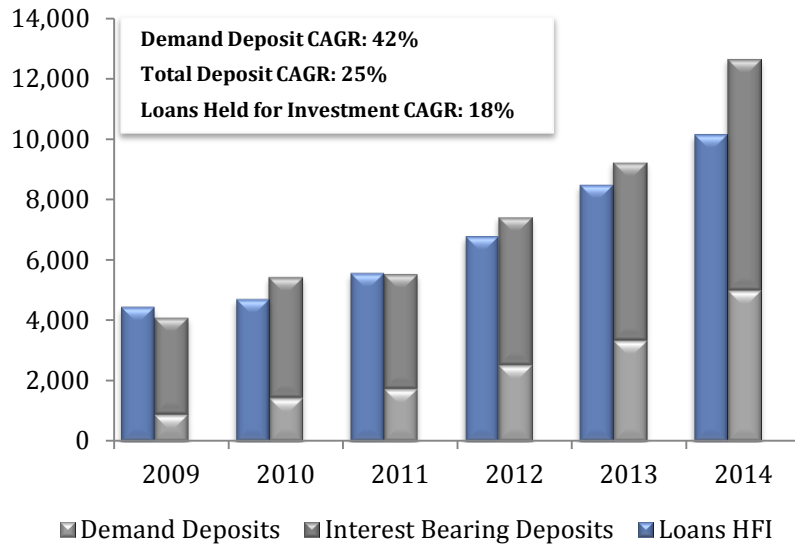


Business Driver	2015 Outlook v. 2014 Results
Average LHI	Low teens percent growth
Average LHI - Mortgage Finance	Flat to single digit percent growth
Average Deposits	Mid to high teens percent growth
Net Interest Income	Low double-digit percent growth, with continued low interest rates and impact of days in Q1
Net Interest Margin	3.40% to 3.50%, continued compression with growth and liquidity build
Net Charge-Offs	Less than 0.25%
NIE	Low to mid-teens percent growth
Efficiency Ratio	Mid -fifties, includes continued development of product extension and regulatory compliance costs, with improvement expected in 2 nd half of 2015
Diluted shares	2015 will include full effect of 2014 common equity offerings

Loan & Deposit Growth

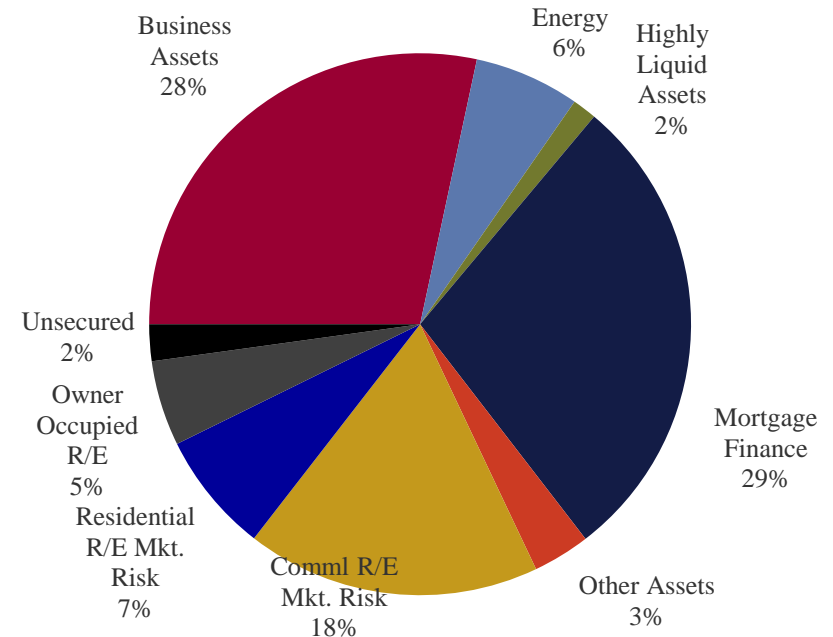


Balance Trends



Total Loan Composition

(\$14.3 Billion at 12/31/14)



Growth Highlights

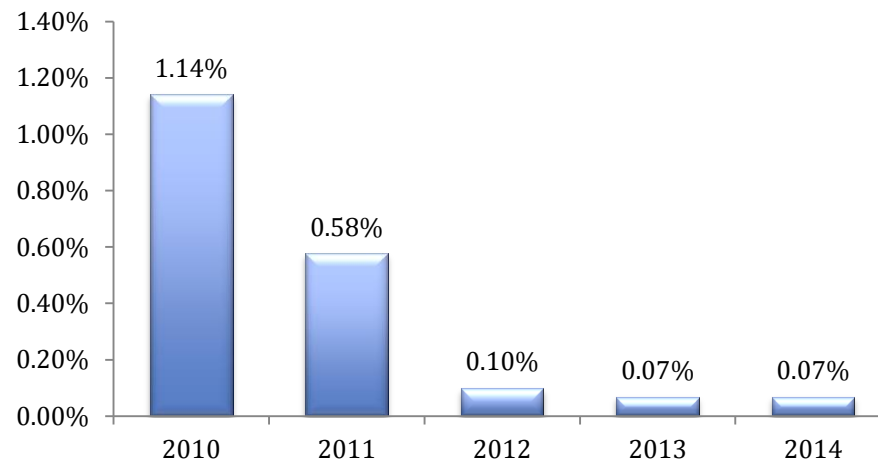
- Broad-based growth in average traditional LHI – Growth of \$498.1 million (5%) from Q3-2014 and \$1.8 billion (22%) from Q4-2013
- Period-end balance \$233.6 million higher than Q4-2014 average balance and 20% above Q4-2013 period-end balance
- MF performance exceeded industry trends with increase in averages of 1% from Q3-2014 and 55% from Q4-2013
- Average DDA increased 8% from Q3-2014 and 53% from Q4-2013
- Total average deposits increased 8% from Q3-2014 and 36% from Q4-2013

Asset Quality



	Q4-2014
Non-accrual loans	
Commercial	\$ 33,122
Construction	-
Real estate	9,947
Consumer	62
Equipment leases	173
Total non-accrual loans	43,304
Non-accrual loans as % of loans excluding MF	.43%
Non-accrual loans as % of total loans	.30%
OREO	568
Total Non-accruals + OREO	\$ 43,872
Non-accrual loans + OREO as % of loans excluding MF + OREO	.43%
Reserve to non-accrual loans	2.3x

NCO / Average Traditional LHI



Asset Quality Highlights

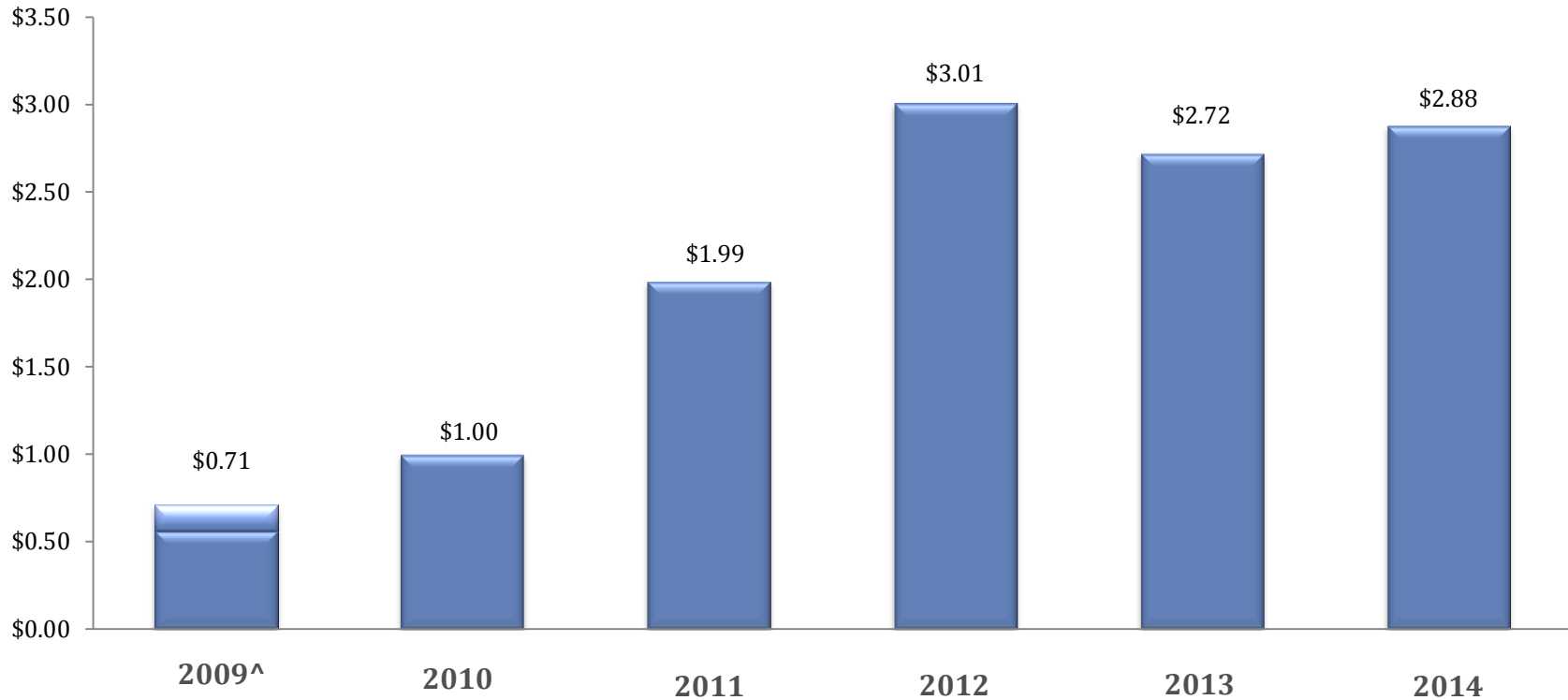
- Total credit cost of \$6.5 million for Q4-2014, compared to \$6.5 million in Q3-2014 and \$5.5 million in Q4-2013
- NCOs \$1.1 million, or 5 bps, in Q4-2014 compared to 3 bps in Q3-2014 and 6 bps in Q4-2013
- No OREO valuation charge in Q4-2014 or Q3-2014 compared to \$466,000 in Q4-2013
- Modest increase in non-accruals and OREO now less than \$1 million

EPS Growth



EPS Growth

(5-yr CAGR of 39%)



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

Closing Comments



- Proven organic growth business model continues to produce in key lines of business with improvements in operating leverage
- Solid core earnings power and strong asset growth experienced in 2014; 2015 expected to be challenging year for asset growth
- Despite drop in energy prices, remain confident about underwriting standards and performance of energy portfolio
- Continue to have critical focus on maintaining excellent credit quality which could limit C&I growth
- Continued success in building liquidity which will continue in 2015
- Remain highly asset sensitive based on how we run our business; now better positioned to take advantage of increases in short-term rates
- Successful track record of talent acquisition and being opportunistic with hires
- No real seasonality experienced in Q4-2014 as Mortgage Finance continues to exceed industry trends with improved market position
- Strong build out in 2014 and the first half of 2015 positions us for improving earnings trajectory in 2016



Q&A



Appendix

Average Balances, Yields & Rates - Quarterly



(in thousands)	Q4 2014		Q3 2014		Q4 2013	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 42,515	3.80%	\$ 46,413	3.86%	\$ 65,067	4.25%
Fed funds sold & liquidity investments	882,001	.25%	388,855	.25%	158,594	.21%
Loans held for investment, mortgage finance	3,471,737	3.06%	3,452,782	3.13%	2,238,730	3.59%
Loans held for investment	9,921,323	4.40%	9,423,259	4.52%	8,142,569	4.73%
Total loans, net of reserve	13,296,921	4.08%	12,784,614	4.18%	10,297,290	4.52%
Total earning assets	14,221,437	3.85%	13,219,882	4.06%	10,520,951	4.45%
Total assets	\$14,631,072		\$13,629,609		\$10,899,266	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 7,405,436	.28%	\$ 6,856,542	.27%	\$ 5,887,252	.26%
Other borrowings	251,449	.19%	309,868	.20%	314,018	.20%
Subordinated notes	286,000	5.88%	286,000	5.88%	111,000	6.58%
Long-term debt	113,406	2.19%	113,406	2.19%	113,406	2.21%
Total interest bearing liabilities	8,056,291	.50%	7,565,816	.50%	6,425,676	.40%
Demand deposits	5,047,876		4,669,772		3,289,307	
Stockholders' equity	1,380,646		1,276,603		1,077,822	
Total liabilities and stockholders' equity	\$14,631,072	.28%	\$13,629,609	.28%	\$10,899,266	.24%
Net interest margin		3.56%		3.77%		4.21%
Total deposits and borrowed funds	\$12,704,761	.17%	\$11,836,182	.16%	\$ 9,490,577	.17%
Loan spread		3.91%		4.02%		4.35%

Average Balances, Yields & Rates - Annual



(in thousands)	2014		2013	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets				
Securities	\$ 49,200	3.98%	\$ 77,178	4.39%
Fed funds sold & liquidity investments	444,673	.25%	144,050	.21%
Loans held for investment, mortgage finance	2,948,938	3.19%	2,342,149	3.75%
Loans held for investment	9,265,435	4.51%	7,471,676	4.73%
Total loans, net of reserve	12,123,010	4.22%	9,735,543	4.53%
Total earning assets	12,616,883	4.08%	9,956,771	4.47%
Total assets	\$13,016,611		\$10,348,404	
Liabilities and Stockholders' Equity				
Total interest bearing deposits	\$ 6,677,371	.27%	\$ 5,407,810	.26%
Other borrowings	379,877	.20%	653,318	.19%
Subordinated notes	271,617	5.97%	111,000	6.60%
Long-term debt	113,406	2.19%	113,406	2.24%
Total interest bearing liabilities	7,442,271	.50%	6,285,534	.40%
Demand deposits	4,188,173		2,967,063	
Stockholders' equity	1,269,601		1,001,215	
Total liabilities and stockholders' equity	\$13,016,611	.29%	\$10,348,404	.24%
Net interest margin		3.78%		4.22%
Total deposits and borrowed funds	\$11,245,421	.17%	\$ 9,028,191	.17%
Loan spread		4.05%		4.36%

Average Balance Sheet - Quarterly



(in thousands)	QTD Average			Q4/Q3 % Change	YOY % Change
	Q4 2014	Q3 2014	Q4 2013		
Total assets	\$14,631,072	\$13,629,609	\$10,899,266	7%	34%
Loans held for investment	9,921,323	9,423,259	8,142,569	5%	22%
Loans held for investment, mortgage finance	3,471,737	3,452,782	2,238,730	1%	55%
Total loans	13,393,060	12,876,041	10,381,299	4%	29%
Securities	42,515	46,413	65,067	(8)%	(35)%
Demand deposits	5,047,876	4,669,772	3,289,307	8%	53%
Total deposits	12,453,312	11,526,314	9,176,559	8%	36%
Stockholders' equity	1,380,646	1,276,603	1,077,822	8%	28%

Average Balance Sheet - Annual



(in thousands)	YTD Average		YOY % Change
	2014	2013	
Total assets	\$13,016,611	\$10,348,404	26%
Loans held for investment	9,265,435	7,471,676	24%
Loans held for investment, mortgage finance	2,948,938	2,342,149	26%
Total loans	12,214,373	9,813,825	24%
Securities	49,200	77,178	(36)%
Demand deposits	4,188,173	2,967,063	41%
Total deposits	10,865,544	8,374,873	30%
Stockholders' equity	1,269,601	1,001,215	27%

Period End Balance Sheet



(in thousands)	Period End			Q4/Q3 % Change	YOY % Change
	Q4 2014	Q3 2014	Q4 2013		
Total assets	\$15,899,946	\$14,266,503	\$11,720,064	11%	36%
Loans held for investment	10,154,887	9,686,422	8,486,603	5%	20%
Loans held for investment, mortgage finance	4,102,125	3,774,467	2,784,265	9%	47%
Total loans	14,257,012	13,460,889	11,270,868	6%	26%
Securities	41,719	43,938	63,214	(5)%	(34)%
Demand deposits	5,011,619	4,722,479	3,347,567	6%	50%
Total deposits	12,673,300	11,715,808	9,257,379	8%	37%
Stockholders' equity	1,484,190	1,297,922	1,096,350	14%	35%