


TCBI Q1 2017 Earnings

April 19, 2017



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Opening Remarks & Financial Highlights

Strong Balanced Growth

- Solid traditional LHI growth in Q1-2017
- Mortgage finance balances down significantly as a result of seasonal impact and higher rates, offset partially by significant growth in MCA
- More dramatic seasonal impact experienced in average DDAs and total deposits as base has grown

Core Earnings Power

- Solid net revenue contribution despite seasonal impact, YOY net revenue growth significant
- Operating leverage acceptable with improvements expected later in the year
- Benefit of increase in rates, before decline in mortgage finance volumes, is as expected; additional rate move will be impactful

Credit Quality

- Credit metrics remain acceptable with Q1-2017 provision of \$9 million as a result of continued improvement in criticized loan balances
- NCOs for Q1-2017 \$5.7 million, or 18 bps
- Meaningful decline in NPA levels since Q4-2016
- High allowance coverage ratios

Operating Results

<i>Net Income</i>	<i>EPS</i>	<i>ROE</i>	<i>Total LHI</i>	<i>Total Deposits</i>
\$42.5 million	\$0.80	8.60%	\$16.7 billion	\$16.6 billion

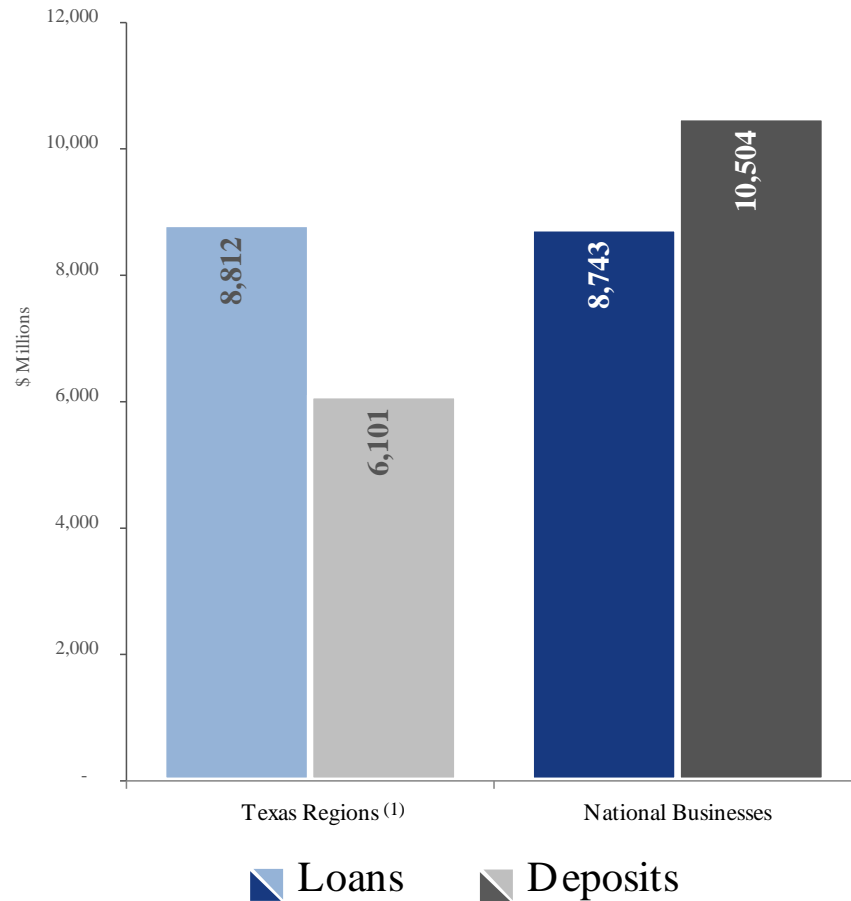
Energy Exposure

- Outstanding energy loans represented 5% of total loans, or \$968.5 million, at Q1-2017 compared to \$996.1 million at Q4-2016
- Conservative underwriting provided appropriate protection from industry weakness
- Strong reserve position
 - Allocated reserve of \$57.4 million represents 6% of energy loans
 - \$7.1 million of energy net charge-offs in Q1-2017 previously reserved
 - Strongest position compared to other energy lending peers in criticized assets, reserve coverage to criticized assets and exposure to unfunded commitments
- Decrease in energy non-accruals
 - Non-accruals \$100.9 million at Q1-2017 compared to \$121.5 million at Q4-2016
 - Criticized energy loans decreased to 16% of energy loans at Q1-2017 from 20 % at Q4-2016
 - Total criticized energy loans at Q1-2017 \$154.9 million, includes classified of \$137.9 million and all NPAs

Houston CRE

- Diversified exposure representing 5% of total LHI
- Limited new commitments since year-end 2014
- Credit quality remains strong with \$3 million “special mention”, no substandard or nonaccrual at Q1-2017 compared to \$8.3 million “special mention” \$159,000 substandard, and no non-accrual at Q4-2016
- Confident of position due to conservative underwriting standards – still watching carefully

Update on Geographic Diversification



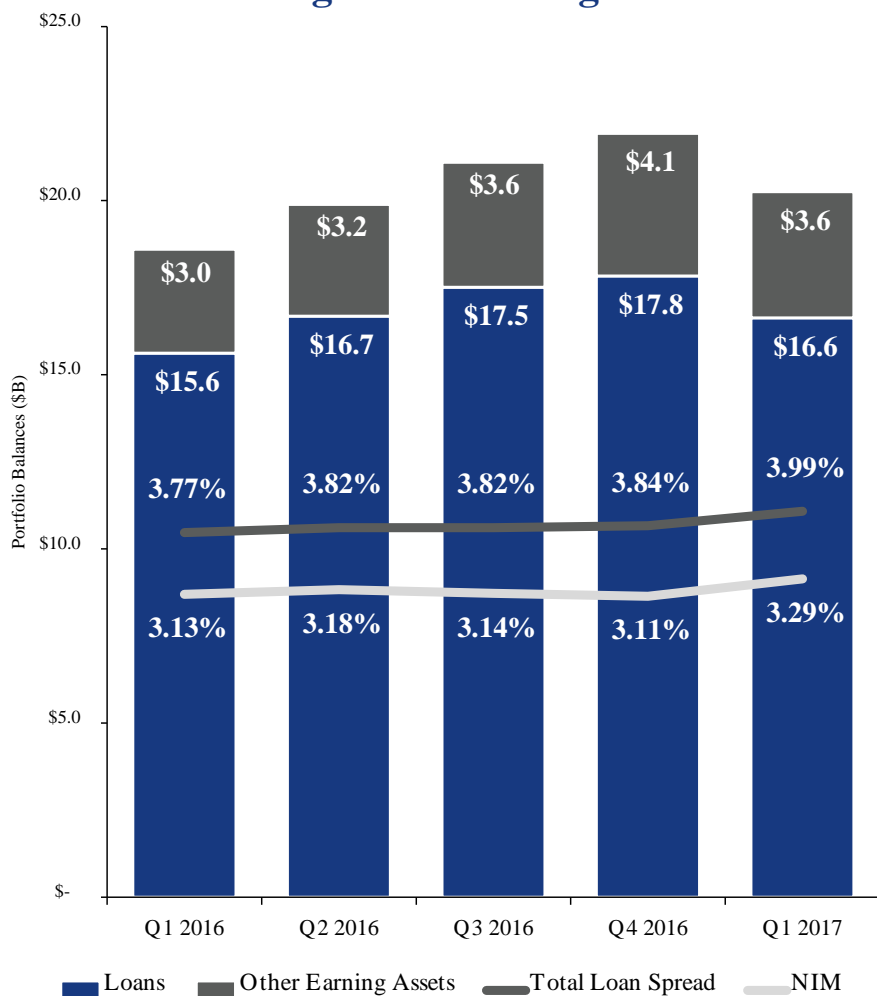
Major Texas Metro Areas	Unemployment Rate(2)
Austin-Round Rock	3.7%
DFW-Arlington	4.3%
Houston metro	5.9%
San Antonio	4.2%

- While cities directly involved in the oil/gas industry are more exposed to the energy downturn, Texas as a whole and TCBI markets are more resilient, due to improvement in its economic diversification, corporate relocations and strong population growth
- Many of our national lines of business have been operating for many years, increasing our geographic diversification as each gained additional market share
- National Business balances include Mortgage Finance, Builder Finance, Lender Finance, Public Finance, ABL, Franchise Finance, BDCF and national depository businesses
- Our national LOBs include Texas clients, but Texas clients represent less than 20% of their total business

Note: (1) Texas Regions loan balances include balances from the Energy business (2) Unemployment data through February 28, 2017

Net Interest Income & Margin

Earning Asset & Margin Trends



Quarterly Change

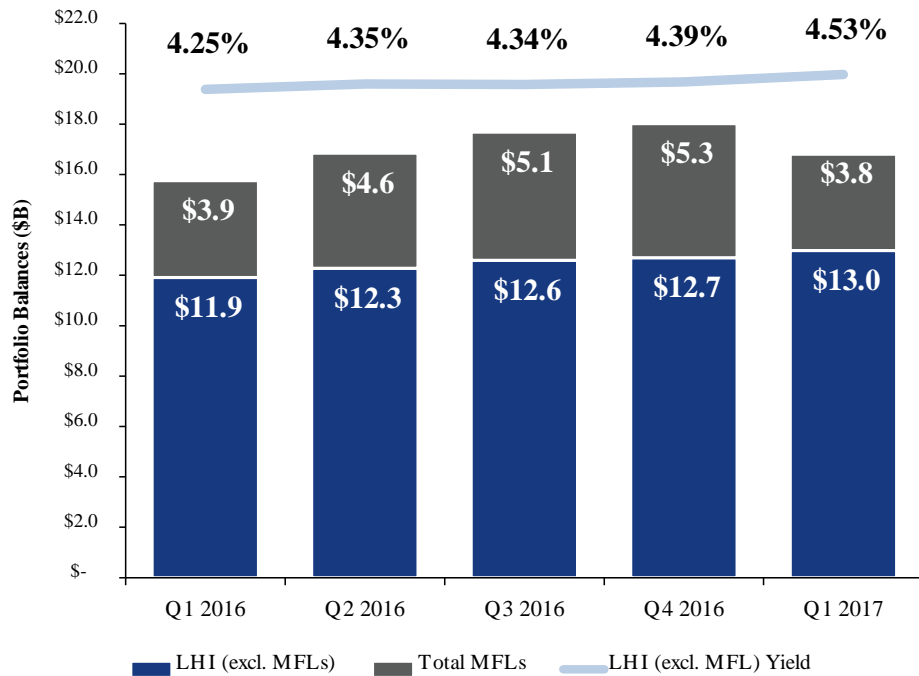
NII (\$MM)		NIM (%)
\$171.2	Q4 2016	3.11%
3.9	Mix shift from MFLs to LHI	.08
5.6	Increase in LHI net loan yields	.11
1.4	Increase in MF loan yields	.03
-	Decrease in liquidity assets	.07
(3.8)	Decrease in day count	-
(3.9)	Increase in funding costs	(.08)
(1.1)	Decrease in loans fees	(.02)
3.1	Increase in LHI balances	
(12.1)	Decrease in MF balances	-
-	Other	(.01)
\$164.3	Q1 2017	3.29%

NIM Highlights

- Net interest income decrease of 5% from Q4-2016; 13% increase from Q1-2016
- Adjusted NIM net of effect of liquidity is 3.83%
- Loan fees, including syndication fees, slightly less than Q4-2016
- Total Average Liquidity Assets 18% of earning assets with yield of 80 bps and slight decrease in average since Q4-2016 which was favorable to NIM; overall levels significantly reduce NIM and ROA with minor benefit to NII

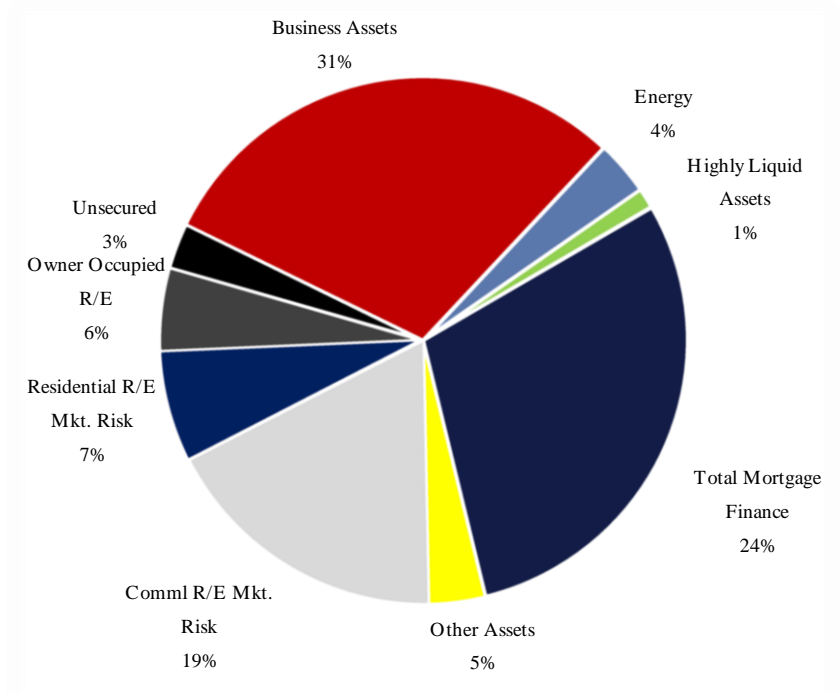
Loan Growth

Average Balance Trends (\$B)



Total Loan Composition

(\$17.6Billion at 3/31/17)

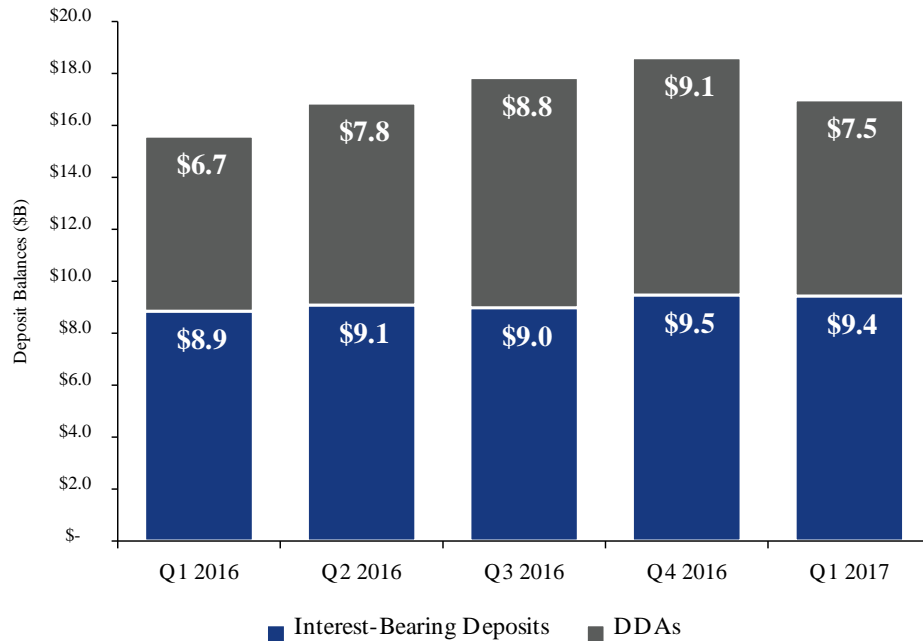


Growth Highlights

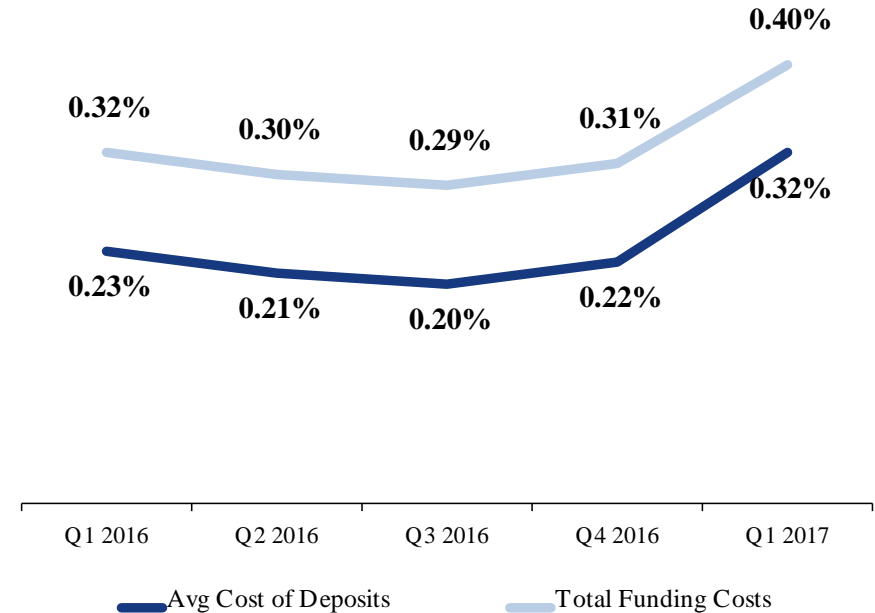
- Broad-based growth in average traditional LHI – Growth of \$278.7 million (2%) from Q4-2016 and \$1.1 billion (9%) from Q1-2016
- Strong growth at end of the quarter; period-end balance \$318.4 million higher than Q1-2017 average balance
- Decrease in average MFL balances of \$1.5 billion from Q4-2016
- Less than recent trends, average total MFLs represent 23% of average total loans at Q1-2017 compared to 24% at period end

Deposit Growth

Average Balance Trends (\$B)



Funding Costs



Growth Highlights

- Core funding costs – deposits and borrowed funds increased by 9 bps from .25% at Q4-2016 to .34% at Q1-2017 compared to increase in average earning assets yield of 27 bps
- Continued deposit growth strategy
 - Decrease in linked quarter deposits resulting from seasonal impacts, with liquidity still maintained at a high level
 - Slightly lower liquidity favorable to NIM in Q1-2017, but will fluctuate from quarter to quarter based on levels of liquidity assets, use of borrowed funds and related loan mix
 - Significant asset sensitivity and duration of low-cost funding over past several years

Non-interest Expense

Quarterly Change

Non-interest expense (\$MM)	Increase/ (Decrease)
Q4 2016	\$106.5
Salaries and employee benefits – FAS 123R (includes stock price changes)	(2.8)
Salaries and employee benefits – non-LTI incentives and annual incentive pool	(3.1)
Salaries and employee benefits – FICA and seasonal payroll related items	3.0
Salaries and employee benefits – continued build out	0.6
FDIC assessment	(0.6)
Other professional – can vary from quarter to quarter	1.0
All other – includes occupancy, technology, marketing, MSR amortization and impairment	1.4
Q1 2017	\$106.0

NIE - Efficiency

- Changes in Salaries & Benefits expense were major components of net change
 - Reduction in 123R expense – (\$2.8 million)
 - Expected expense for 2017 approximately \$19 million compared to 2016 plan of \$16 million
 - 2016 actual \$2.1 million less than plan due to stock price changes
 - Q1-2017 expense of \$4.6 million compared to \$7.4 million in Q4-2016
 - Annual incentive accrual ramps in line with plan progress generally lower in Q1
- Increase in Efficiency Ratio to 58.8% driven by reduction in Net Revenue
 - Growth in traditional LHI and MCA offset by MF contraction
 - Seasonal reduction in purchase financing exacerbated by sharp decrease in refinancing activity
 - Contrast to Q1-2015 and 2016 when low rates drove surge in refinancing activity

Performance Summary - Quarterly

<i>(in thousands)</i>	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net interest income	\$ 163,359	\$ 171,223	\$ 166,739	\$ 157,069	\$ 144,783
Non-interest income	17,110	18,835	16,716	13,932	11,297
Net revenue	180,469	190,058	183,455	171,001	156,080
Provision for credit losses	9,000	9,000	22,000	16,000	30,000
Non-interest expense	106,094	106,523	94,799	94,255	86,820
Income before income taxes	65,375	74,535	66,656	60,746	39,260
Income tax expense	22,833	26,149	23,931	21,866	14,132
Net income	42,542	48,386	42,725	38,880	25,128
Preferred stock dividends	2,438	2,437	2,438	2,437	2,438
Net income available to common shareholders	\$ 40,104	\$ 45,949	\$ 40,287	\$ 36,443	\$ 22,690
Diluted EPS	\$.80	\$.96	\$.87	\$.78	\$.49
Net interest margin	3.29%	3.11%	3.14%	3.18%	3.13%
Net interest margin excl. liquidity assets	3.83%	3.69%	3.68%	3.68%	3.63%
ROA	.83%	.85%	.78%	.77%	.53%
ROA excl. liquidity assets	.89%	.97%	.87%	.84%	.57%
ROE	8.60%	10.82%	10.20%	9.65%	6.13%
Efficiency	58.8%	56.0%	51.7%	55.1%	55.6%

2017 Outlook

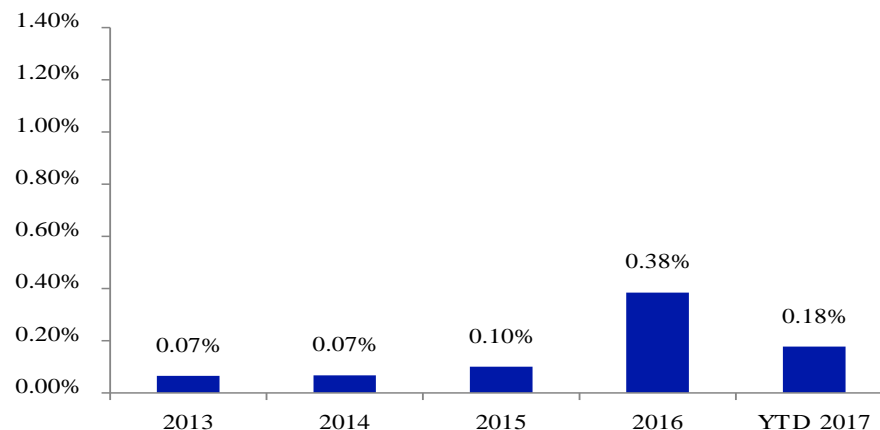
Business Driver	2017 Outlook v. 2016 Results	Comments & Changes since January 25, 2017
Average LHI	High single to low double-digit percent growth	–
Average LHI – Mortgage Finance	\$3.2-3.5 billion average for final 9 months of 2017	Decreased from flat for the year
Loans held for sale (MCA)	\$1.2 billion average outstandings	Increased from \$1.0 billion average outstandings
Average Deposits	Low teens percent growth	Decreased from low to mid-teens percent growth
Net Revenue	Low to mid-teens percent growth	Decreased from mid to high teens percent growth
Net Interest Margin	3.25% to 3.35% 3.80% to 3.90%, excluding effect of liquidity assets	Increased from 3.20 to 3.30% and 3.70% to 3.80%, excluding effect of liquidity assets
Provision Expense	Low-\$50 to low-\$60 million level	Decreased from low-\$60 to mid-\$70 million level
NIE	Low-teens percent growth	–
Efficiency Ratio	Mid 50's	Reduced from low 50's

Asset Quality

Non-accrual loans

	Q1 2017
Commercial	\$ 142,087
Construction	—
Real estate	4,179
Consumer	200
Equipment leases	83
Total non-accrual loans	146,549
Non-accrual loans as % of LHI excluding MF	1.10%
Non-accrual loans as % of total LHI	.88%
OREO	18,833
Total Non-accruals + OREO	\$ 165,382
Non-accrual loans + OREO as % of loans excluding MF + OREO	1.24%
Reserve to non-accrual total LHI	1.2x

NCO / Average Traditional LHI



Combined
Reserves/
Trad'l LHI

2013	2014	2015	2016	YTD 2017
1.09%	1.06%	1.28%	1.38%	1.37%

Asset Quality Highlights

- Total credit cost of \$9.0 million for Q1-2017, compared to \$9.0 million in Q4-2016 and \$30.0 million in Q1-2016
- NCOs \$5.7 million, or 18bps, in Q1-2017 compared to \$20.8 million, or 65 bps, in Q4-2016 and 25 bps in Q1-2016
- NPL ratio at 1.10% and at manageable level
- \$7.1 million in charge-offs related to energy; energy NPAs at \$100.9 million for Q1-2017 compared to \$121.5 million in Q4-2016

Closing Comments

- Solid core earnings despite mortgage headwinds
- Consistent traditional LHI growth experienced in Q1-2017
- Remain optimistic about pipeline despite the fact that we're not seeing any growth from Trump effect, as clients wait for tangible changes
- Prospect of additional short term rate hike positive for our asset sensitive balance sheet
- Energy portfolio properly reserved for remaining losses; remain confident in underwriting standards, portfolio composition and reserve level
- Lower provision in Q1-2017 reflective of continued improvement in criticized loan levels
- MFL balances down significantly resulting from seasonality and lack of refinance activity as rates were rising; first time in several years the market has experienced the full effects of seasonality
- Continued focus on future ROE improvement from existing business with efficiencies, improved non-interest income from new LOBs and targeted growth in highest return businesses



Q&A



Appendix

Average Balances, Yields & Rates - Quarterly

<i>(in thousands)</i>	Q1 2017		Q4 2016		Q1 2016	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 32,129	2.86%	\$ 25,539	3.59%	\$ 29,102	3.61%
Liquidity assets	3,589,166	.80%	4,066,084	.54%	2,953,589	.50%
Loans held for sale	1,064,322	3.63%	944,484	3.33%	126,084	3.49%
LHI, mortgage finance	2,757,566	3.40%	4,371,475	3.19%	3,724,513	3.14%
LHI	12,980,544	4.53%	12,701,868	4.39%	11,910,788	4.25%
Total LHI, net of reserve	15,568,792	4.38%	16,892,616	4.13%	15,494,176	4.02%
Total earning assets	20,254,409	3.70%	21,928,723	3.43%	18,602,951	3.46%
Total assets	\$20,861,171		\$22,524,394		\$19,108,976	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 9,425,919	.57%	\$ 9,466,871	.45%	\$ 8,850,004	.40%
Other borrowings	1,333,685	.69%	1,553,010	.52%	1,346,998	.39%
Total long-term debt	394,482	5.16%	394,391	5.04%	394,119	5.01%
Total interest bearing liabilities	11,154,086	.75%	11,414,272	.61%	10,591,121	.57%
Demand deposits	7,547,338		9,129,668		6,730,586	
Stockholders' equity	2,041,870		1,839,301		1,638,851	
Total liabilities and stockholders' equity	\$20,861,171	.40%	\$22,524,394	.31%	\$19,108,976	.32%
Net interest margin		3.29%		3.11%		3.13%
Net interest margin excl. liquidity assets		3.83%		3.69%		3.63%
Total deposits and borrowed funds	\$18,306,942	.34%	\$20,149,549	.25%	\$16,927,588	.24%
Loan spread		3.99%		3.84%		3.77%

Average Balance Sheet - Quarterly

<i>(in thousands)</i>	QTD Average			Q1/Q4 % Change	YOY % Change
	Q1 2017	Q4 2016	Q1 2016		
Total assets	\$20,861,171	\$22,524,394	\$19,108,976	(7)%	9%
Loans held for sale	1,064,322	944,484	126,084	13%	744%
Loans held for investment	12,980,544	12,701,868	11,910,788	2%	9%
Loans held for investment, mortgage finance	2,757,566	4,371,475	3,724,513	(37)%	(26)%
Total loans held for investment	15,738,110	17,073,343	15,635,301	(8)%	1%
Total loans	16,802,432	18,017,827	15,761,385	(7)%	7%
Liquidity assets	3,589,166	4,066,084	2,953,589	(12)%	22%
Demand deposits	7,547,338	9,129,668	6,730,586	(17)%	12%
Total deposits	16,973,257	18,596,539	15,580,590	(9)%	9%
Stockholders' equity	2,041,870	1,839,301	1,638,851	11%	25%

Period End Balance Sheet

<i>(in thousands)</i>	Period End			Q1/Q4 % Change	YOY % Change
	Q1 2017	Q4 2016	Q1 2016		
Total assets	\$20,864,874	\$21,697,134	\$20,210,893	(4)%	3%
Loans held for sale	884,647	968,929	94,702	(9)%	834%
Loans held for investment	13,298,918	13,001,011	12,059,849	2%	10%
Loans held for investment, mortgage finance	3,371,598	4,497,338	4,981,304	(25)%	(32)%
Total loans held for investment	16,670,516	17,498,349	17,041,153	(5)%	(2)%
Total loans	17,555,163	18,467,278	17,135,855	(5)%	2%
Liquidity assets	2,804,921	2,725,645	2,644,418	3%	6%
Demand deposits	7,094,696	7,994,201	7,455,107	(11)%	(5)%
Total deposits	16,605,380	17,016,831	16,298,847	(2)%	2%
Stockholders' equity	2,050,442	2,009,557	1,647,088	2%	24%