

TCBI Q4 2017 Earnings

January 24, 2018

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Opening Remarks & Financial Highlights

Balanced Growth

- Solid traditional LHI growth in Q4-2017
- Strong Mortgage Finance balances despite expected seasonal weakness
- Continued growth in deposits, including DDAs

Core Earnings Power

- Benefit of good yields on strong growth in traditional LHI
- Continued growth in net revenue; 3% from Q3-2017 and 21% from Q4-2016
- Operating leverage improvement excluding some non-recurring NIE items
- ROE of 11.58% for Q4-2017, excluding the \$17.6 million DTA write-off

Credit Quality

- NCOs for Q4-2017 \$964,000, or 3 bps with \$175,000 related to energy
- Credit metrics continuing to improve
- Q4-2017 total credit costs \$8.1 million (\$2.0 provision and \$6.1 million OREO write-down) compared to \$20.0 million for Q3-2017

Operating Results

| <i>Net Income</i> | <i>EPS</i> | <i>ROE</i> | <i>Total LHI</i> | <i>Total Deposits</i> |
|-----------------------|---------------|--------------|-----------------------|-----------------------|
| \$44.7 million | \$0.84 | 8.18% | \$20.7 billion | \$19.1 billion |

Hurricane, Energy and Retail Update

Hurricane Exposure

- Provision of \$4.5 million recorded in Q3-2017 still available to absorb hurricane-related losses
- Traditional LHI client impact has been minimal, but continuing to monitor as some grade migrations could occur
- Total MFL exposure \$1.6 million (7 loans), all of which are paying in accordance with loan terms and should be sold in due course

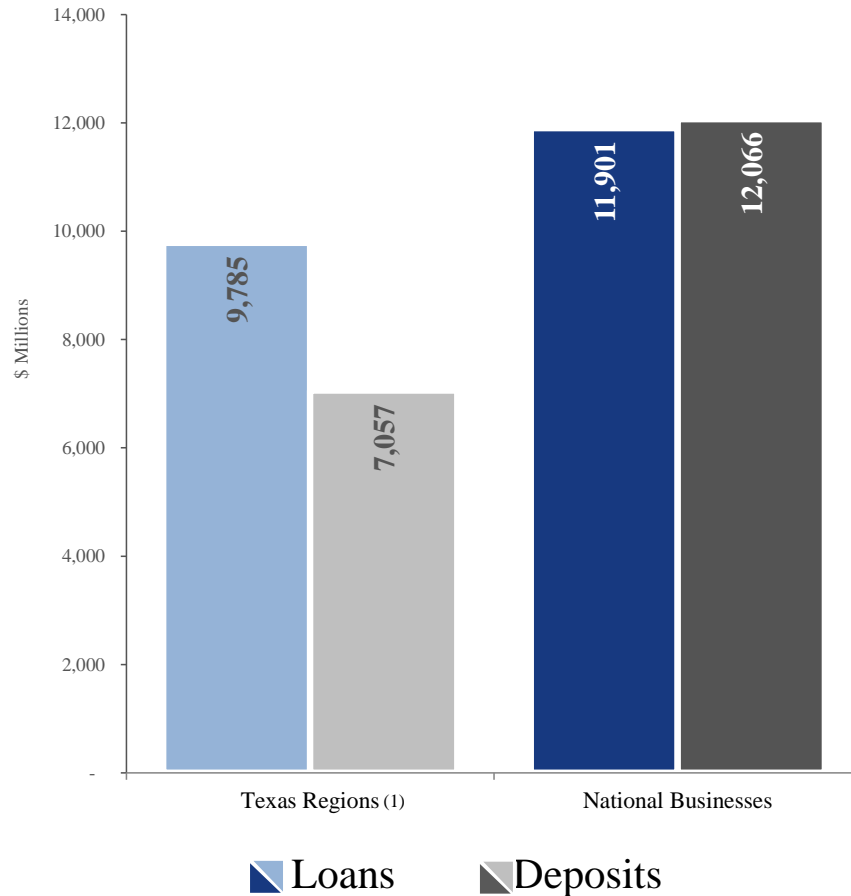
Energy Exposure

- Outstanding energy loans represented 6% of total loans, or \$1.3 billion, at Q4-2017 compared to \$1.2 billion at Q3-2017
- Addition of new loans improves composition and quality of total portfolio as problem assets are resolved
- Strong reserve position relative to criticized assets and total energy portfolio
 - Allocated reserve of \$50.5 million represents 4% of energy loans and 54% of criticized energy loans
 - \$175,000 of energy net charge-offs in Q4-2017 previously reserved
- Decrease in energy non-accruals
 - Non-accruals \$65.2 million at Q4-2017 compared to \$81.6 million at Q3-2017 and \$121.5 million at Q4-2016
 - Criticized energy loans decreased to 7% of energy loans at Q4-2017 from 10% at Q3-2017 and 20% at Q4-2016
 - Total criticized energy loans at Q4-2017 \$93.3 million, down from a high of \$259.7 million at Q3-2016

Retail CRE and Commercial Exposure

- No significant changes in direct exposure levels since prior year-end, up \$30 million to \$798 million, split between C&I and CRE
- Focus is concentrated in strip centers and personal services in strong markets and sub-markets
- Loans are generally smaller transactions with modest advance rates
- No criticized loans at December 31, 2017

Update on Geographic Diversification



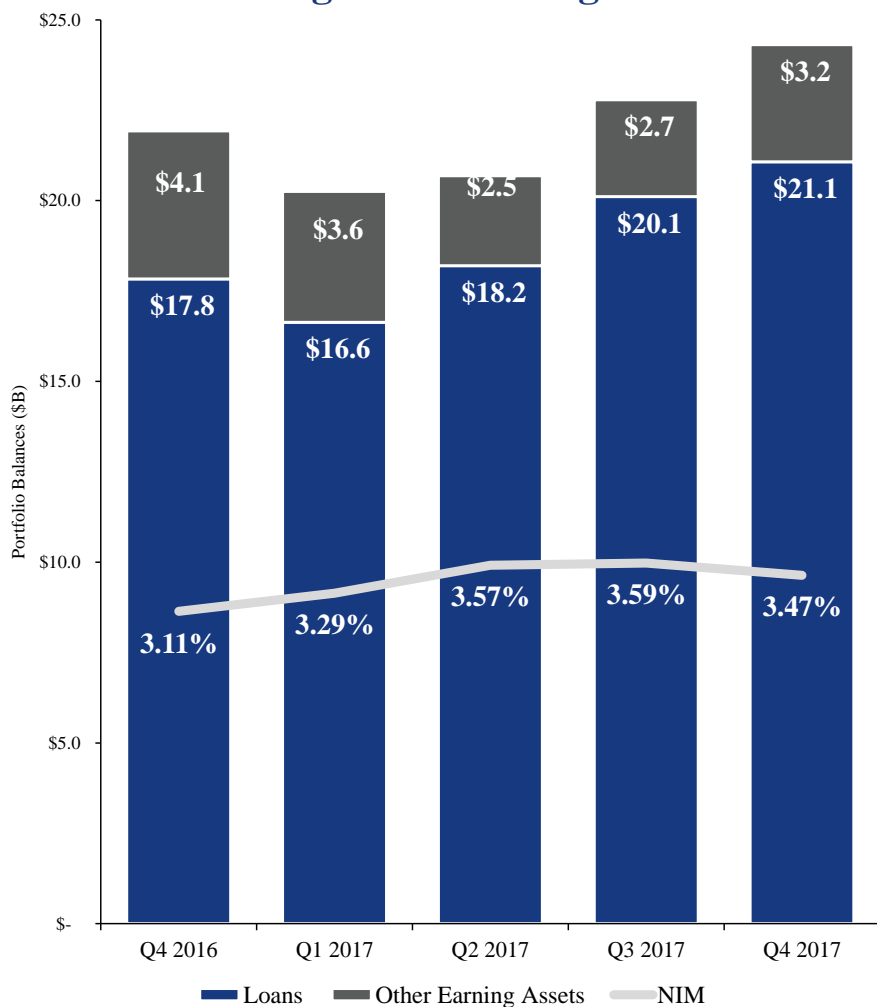
| Major Texas Metro Areas | Unemployment Rate ⁽²⁾ |
|-------------------------|----------------------------------|
| Austin-Round Rock | 2.7% |
| DFW-Arlington | 3.2% |
| Houston metro | 4.3% |
| San Antonio | 3.0% |

- 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 November 30, 2017

Net Interest Income & Margin

Earning Asset & Margin Trends



Quarterly Change

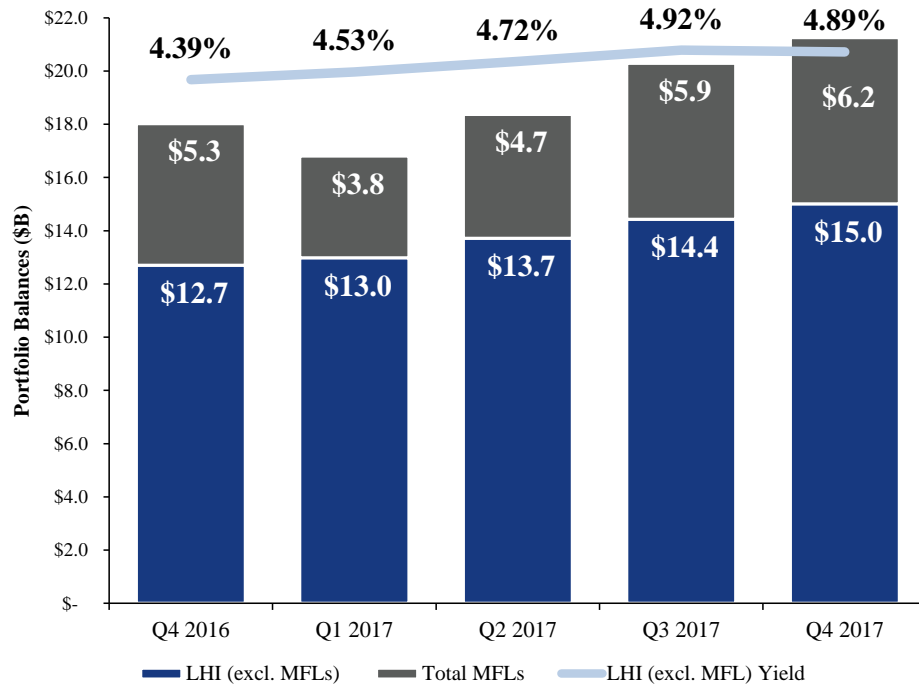
| NII (\$MM) | | NIM (%) |
|------------|--|---------|
| \$204.4 | Q3 2017 | 3.59% |
| 9.4 | Increase in loan balances | - |
| .3 | Increase in LHS yields | .01 |
| - | Increase in contribution of free funds | .02 |
| - | Increase in liquidity | (.09) |
| (1.1) | Decrease in LHI yields (including impact of loan fees) | (.02) |
| (2.4) | Increase in funding costs | (.04) |
| \$210.6 | Q4 2017 | 3.47% |

NIM Highlights

- Net interest income increase of 3% from Q3-2017 and 21% from Q4-2016
- Decrease in traditional LHI yield of 3 bps, with impact of lower fees
- Growth in total MFLs decreased NIM with an increase in NII
- Less than \$565 million in loans subject to floors, down over \$259 million compared to Q3-2017
- Average Liquidity Assets 13% of average earning assets at Q4-2017 compared to 11% at Q3-2017; negative impact on NIM

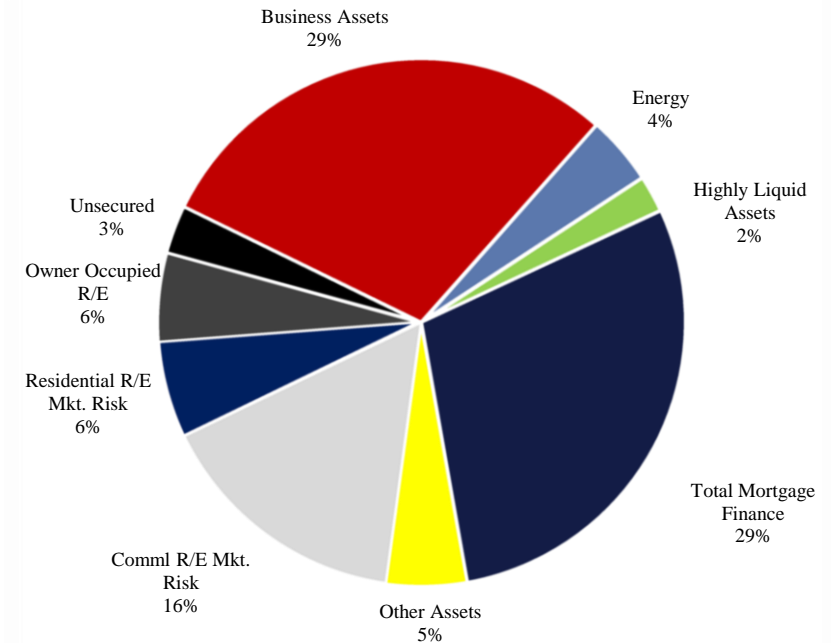
Loan Growth

Average Balance Trends (\$B)



Total Loan Composition

(\$21.7Billion at 12/31/17)

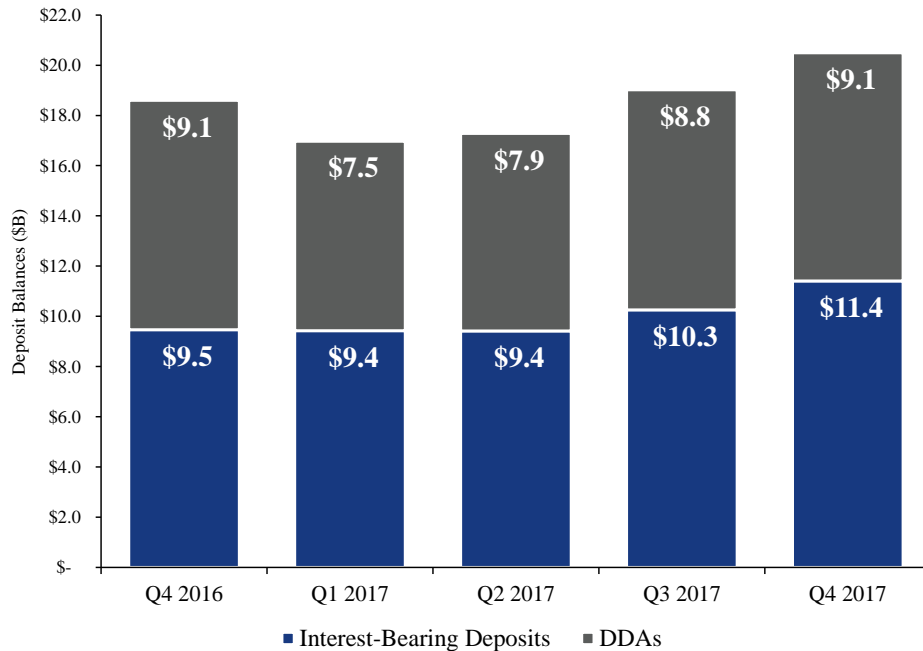


Growth Highlights

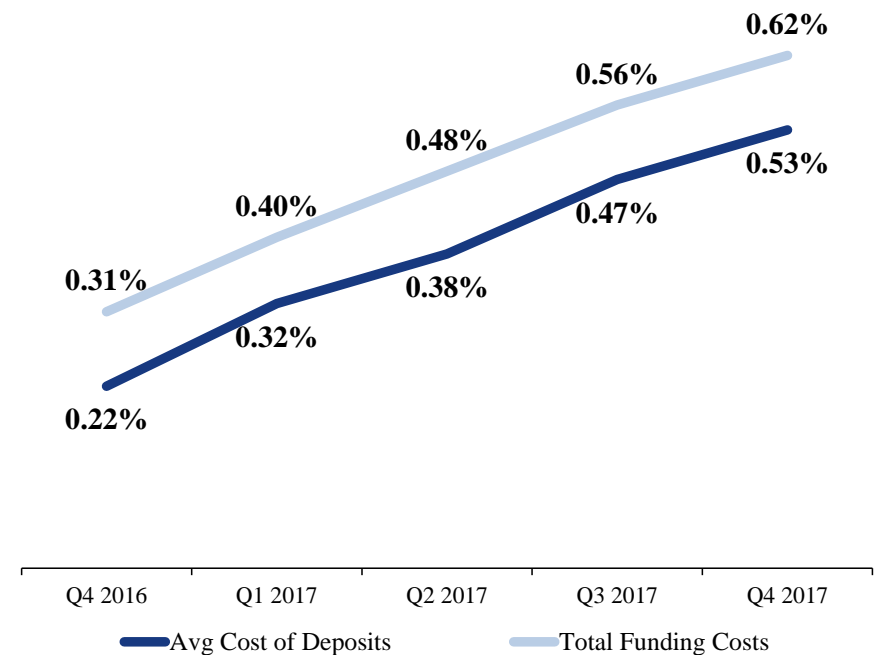
- Broad-based growth in average traditional LHI – Growth of \$582.1 million (4%) from Q3-2017 and \$2.3 billion (18%) from Q4-2016
- Strong growth at end of the quarter; period-end balance \$356.2 million higher than Q4-2017 average balance
- Increase in average MFL balances of \$388.9 million from Q3-2017, building on Q3-2017 levels; benefit of higher retained balances and less impact from seasonality than expected
- Average total MFLs represent 29% of average total loans at Q4-2017 compared to 29% in Q3-2017 and 29% at period end

Deposit Growth

Average Balance Trends (\$B)



Funding Costs



Growth Highlights

- Core funding costs – deposit costs increased 6 bps from .47% at Q3-2017 to .53% at Q4-2017 with more growth coming from interest-bearing deposits
- Deposit focus on cost-effective growth
 - Increase in linked quarter deposits with liquidity at slightly higher level than Q3-2017
 - Higher liquidity unfavorable to NIM in Q4-2017; some fluctuations may occur from quarter to quarter based on timing of deposit growth relative to total loan growth

Non-interest Expense

Quarterly Change

| Non-interest expense (\$MM) | Increase/ (Decrease) |
|--|-------------------------|
| Q3 2017 | \$114.8 |
| Salaries and employee benefits – FAS 123R (includes stock price changes) | 1.0 |
| Salaries and employee benefits – non-LTI incentives and annual incentive pool | 1.0 |
| Salaries and employee benefits – continued build out | 1.3 |
| FDIC assessment | .5 |
| Legal and professional – can vary from quarter to quarter | 2.4 |
| Servicing related expenses – includes \$2.8 million MSR impairment expense | 3.3 |
| OREO write-down | 6.1 |
| All other – includes occupancy, technology, marketing | 2.7 |
| Q4 2017 | \$133.1 |

Annual Change

| Non-interest expense (\$MM) | Increase/ (Decrease) |
|--|-------------------------|
| YTD 2016 | \$382.4 |
| Salaries and employee benefits – FAS 123R (includes stock price changes) | 8.4 |
| Salaries and employee benefits – non-LTI incentives and annual incentive pool | 4.9 |
| Salaries and employee benefits – continued build out | 22.7 |
| Communications and technology – technology write-off in Q2 | 5.3 |
| Legal and professional | 6.4 |
| Servicing related expenses | 13.8 |
| OREO write-down in Q4 | 6.1 |
| All other – includes occupancy, technology, marketing, FDIC assessment | 15.9 |
| YTD 2017 | \$465.9 |

NIE - Efficiency

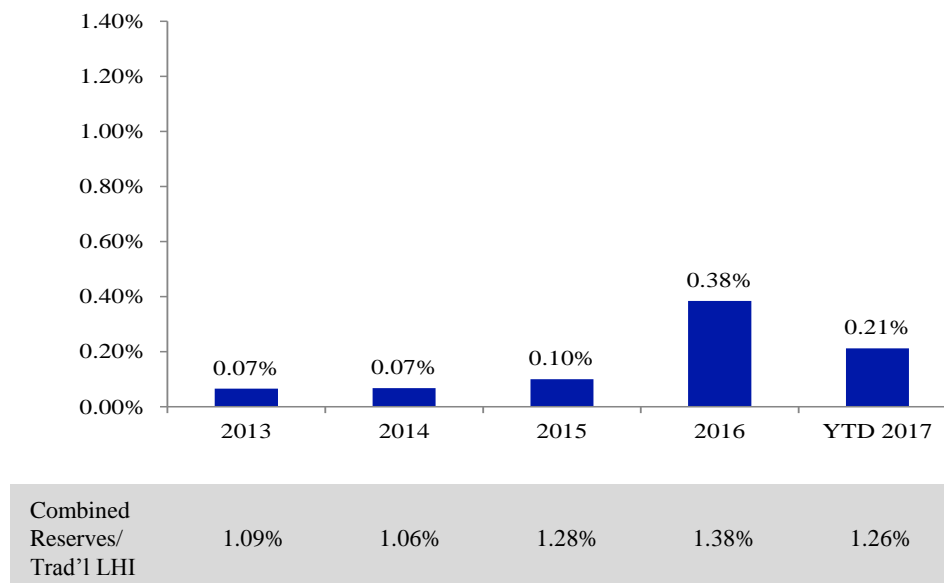
- Full year 2017 efficiency ratio (excluding OREO write-down) of 55.0% comparable with prior year of 54.6% with some additional items in Q4-2017 driving higher NIE such as MSR impairment, stock price increase, additional incentives related to tax reform and lumpiness in other professional and other
- Increase in FAS 123R expense with stock price changes; Q4-2017 expense of \$7.1 million compared to \$6.1 million with \$1.4 million increase related to stock price; total expense \$22.0 million for 2017 compared to \$13.6 million in 2016
- Q4-2017 legal and professional expense elevated related to some non-recurring items compared to Q3-2017 which was unusually low

Asset Quality

Non-accrual loans

| | Q4 2017 |
|---|-------------------|
| Commercial | \$ 99,731 |
| Construction | – |
| Real estate | 1,713 |
| Consumer | – |
| Equipment leases | – |
| Total non-accrual loans | 101,444 |
| Non-accrual loans as % of LHI excluding MF | .66% |
| Non-accrual loans as % of total LHI | .49% |
| OREO | 11,742 |
| Total Non-accruals + OREO | \$ 113,186 |
| Non-accrual loans + OREO as % of loans excluding MF + OREO | .74% |
| Reserve to non-accrual total LHI | 1.8x |

NCO / Average Traditional LHI



Asset Quality Highlights

- Total credit cost of \$8.1 million for Q4-2017 (includes \$6.1 million OREO write-down), compared to \$20.0 million in Q3-2017 and \$9.0 million in Q4-2016
- NCOs \$964,000, or 3 bps, in Q4-2017 compared to \$10.7 million, or 30 bps, in Q3-2017 and 65 bps in Q4-2016
- NPL ratio reduced to .49% of total LHI
- \$175,000 in charge-offs related to energy in Q4-2017; energy NPLs at \$65.2 million for Q4-2017 compared to \$81.6 million in Q3-2017 and \$121.5 million in Q4-2016

Performance Summary - Quarterly

| <i>(in thousands)</i> | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 |
|--|------------|------------|------------|------------|------------|
| Net interest income | \$ 210,649 | \$ 204,361 | \$ 182,959 | \$ 163,359 | \$ 171,223 |
| Non-interest income | 19,374 | 19,003 | 18,769 | 17,110 | 18,835 |
| Net revenue | 230,023 | 223,364 | 201,728 | 180,469 | 190,058 |
| Provision for credit losses | 2,000 | 20,000 | 13,000 | 9,000 | 9,000 |
| OREO write-down | 6,111 | - | - | - | - |
| Non-interest expense | 127,027 | 114,830 | 111,814 | 106,094 | 106,523 |
| Income before income taxes | 94,885 | 88,534 | 76,914 | 65,375 | 74,535 |
| Income tax expense | 50,143 | 29,850 | 25,819 | 22,833 | 26,149 |
| Net income | 44,742 | 58,684 | 51,095 | 42,542 | 48,386 |
| Preferred stock dividends | 2,437 | 2,438 | 2,437 | 2,438 | 2,437 |
| Net income available to common shareholders | \$ 42,305 | \$ 56,246 | \$ 48,658 | \$ 40,104 | \$ 45,949 |
| Diluted EPS | \$.84 | \$ 1.12 | \$.97 | \$.80 | \$.96 |
| Net interest margin | 3.47% | 3.59% | 3.57% | 3.29% | 3.11% |
| ROA | .71% | .99% | .96% | .83% | .85% |
| ROE | 8.18% | 11.20% | 10.08% | 8.60% | 10.82% |
| ROE, excl. DTA write-off | 11.58% | 11.20% | 10.08% | 8.60% | 10.82% |
| Efficiency | 57.9% | 51.4% | 55.4% | 58.8% | 56.0% |
| Efficiency, excl. OREO write-down | 55.2% | 51.4% | 55.4% | 58.8% | 56.0% |

Performance Summary - Annual

| <i>(in thousands)</i> | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------------|------------|------------|------------|------------|
| Net interest income | \$ 761,328 | \$ 639,814 | \$ 556,530 | \$ 476,965 | \$ 419,513 |
| Non-interest income | 74,256 | 60,780 | 47,738 | 42,511 | 44,024 |
| Net revenue | 835,584 | 700,594 | 604,268 | 519,476 | 463,537 |
| Provision for credit losses | 44,000 | 77,000 | 53,250 | 22,000 | 19,000 |
| OREO write-down | 6,111 | - | - | - | - |
| Non-interest expense | 459,765 | 382,397 | 326,523 | 285,114 | 256,729 |
| Income before income taxes | 325,708 | 241,197 | 224,495 | 212,362 | 187,808 |
| Income tax expense | 128,645 | 86,078 | 79,641 | 76,010 | 66,757 |
| Net income | 197,063 | 155,119 | 144,854 | 136,352 | 121,051 |
| Preferred stock dividends | 9,750 | 9,750 | 9,750 | 9,750 | 7,394 |
| Net income available to common shareholders | \$ 187,313 | \$ 145,369 | \$ 135,104 | \$ 126,602 | \$ 113,657 |
| Diluted EPS | \$ 3.73 | \$ 3.11 | \$ 2.91 | \$ 2.88 | \$ 2.72 |
| Net interest margin | 3.49% | 3.14% | 3.14% | 3.78% | 4.22% |
| Net interest margin excl. liquidity assets | 3.86% | 3.67% | 3.66% | 3.91% | 4.28% |
| ROA | .87% | .74% | .79% | 1.05% | 1.17% |
| ROE | 9.51% | 9.27% | 9.65% | 11.31% | 12.82% |
| ROE, excl. DTA write-off | 10.41% | 9.27% | 9.65% | 11.31% | 12.82% |
| Efficiency | 55.8% | 54.6% | 54.0% | 54.9% | 55.4% |
| Efficiency, excl. OREO write-down | 55.0% | 54.6% | 54.0% | 54.9% | 55.4% |



2018 Outlook v. 2017 Results

| Business Driver | |
|--------------------------------|---|
| Average LHI | Low to mid-teens percent growth |
| Average LHI – Mortgage Finance | Flat to low single digit percent growth for the year; seasonal decline in Q1-2018 |
| Loans held for sale (MCA) | \$1 billion average |
| Average Deposits | Low to mid-teens percent growth |
| Net Revenue | Low to mid-teens percent growth |
| Net Interest Margin | 3.35% to 3.45% |
| Provision Expense | Mid-\$50 to mid-\$60 million level |
| NIE | High single digit to low-teens percent growth |
| Efficiency Ratio | Low- to mid-50s |
| Effective tax rate | 22% |

Closing Comments

- Exceptional 2017 earnings and improving profitability metrics
- Continued strong traditional LHI growth expected in 2018
- Deposit growth continuing and more balanced with loan growth; continued effective utilization of liquidity and capital
- Strong asset sensitivity overcomes the expected shift in deposit composition with rising rates, allowing continued positive spread on future rate moves
- Credit metrics improving and remains especially favorable on non-energy portfolio; we are comfortable with energy portfolio and reserve position
- Focus on ROE
 - Increase in contribution from new/expanded businesses while continuing to grow core areas
 - Slowing in pace of NIE growth evidenced in Q4-2017, excluding some unusual items
 - Increased operating leverage in 2018
 - Positive impact from new corporate tax rate



Q&A



Appendix

Average Balances, Yields & Rates - Quarterly

| <i>(in thousands)</i> | Q4 2017 | | Q3 2017 | | Q4 2016 | |
|---|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | Avg. Bal. | Yield Rate | Avg. Bal. | Yield Rate | Avg. Bal. | Yield Rate |
| Assets | | | | | | |
| Securities | \$ 23,678 | 3.57% | \$ 86,087 | 1.57% | \$ 25,539 | 3.59% |
| Liquidity assets | 3,217,486 | 1.28% | 2,588,998 | 1.25% | 4,066,084 | .54% |
| Loans held for sale | 1,144,124 | 3.99% | 1,009,703 | 3.88% | 944,484 | 3.33% |
| LHI, mortgage finance | 5,102,107 | 3.46% | 4,847,530 | 3.46% | 4,371,475 | 3.19% |
| LHI | 15,010,041 | 4.89% | 14,427,980 | 4.92% | 12,701,868 | 4.39% |
| Total LHI, net of reserve | 19,928,915 | 4.57% | 19,102,736 | 4.59% | 16,892,616 | 4.13% |
| Total earning assets | 24,314,203 | 4.11% | 22,787,524 | 4.17% | 21,928,723 | 3.43% |
| Total assets | \$25,080,825 | | \$23,501,302 | | \$22,524,394 | |
| Liabilities and Stockholders' Equity | | | | | | |
| Total interest bearing deposits | \$11,406,769 | .96% | \$ 10,260,243 | .87% | \$ 9,466,871 | .44% |
| Other borrowings | 1,852,750 | 1.31% | 1,821,837 | 1.25% | 1,553,010 | .52% |
| Total long-term debt | 394,754 | 5.17% | 394,662 | 5.15% | 394,391 | 5.04% |
| Total interest bearing liabilities | 13,654,273 | 1.13% | 12,476,742 | 1.06% | 11,414,272 | .61% |
| Demand deposits | 9,085,819 | | 8,764,263 | | 9,129,668 | |
| Total deposits | 20,492,588 | .53% | 19,024,506 | .47% | 18,596,539 | .22% |
| Stockholders' equity | 2,202,683 | | 2,143,299 | | 1,839,301 | |
| Total liabilities and stockholders' equity | \$25,080,825 | .62% | \$23,501,302 | .56% | \$22,524,394 | .31% |
| Net interest margin | | 3.47% | | 3.59% | | 3.11% |
| Total deposits and borrowed funds | \$22,345,338 | .60% | \$20,846,343 | .54% | \$20,149,549 | .25% |

Average Balances, Yields & Rates - Annual

| <i>(in thousands)</i> | 2017 | | 2016 | |
|---|---------------------|--------------|---------------------|--------------|
| | Avg. Bal. | Yield Rate | Avg. Bal. | Yield Rate |
| Assets | | | | |
| Securities | \$ 51,806 | 2.06% | \$ 27,223 | 3.60% |
| Liquidity assets | 2,953,040 | 1.08% | 3,443,324 | .52% |
| Loans held for sale | 1,016,144 | 3.85% | 416,325 | 3.36% |
| LHI, mortgage finance | 4,136,653 | 3.46% | 4,292,942 | 3.14% |
| LHI | 14,040,965 | 4.77% | 12,371,634 | 4.33% |
| Total LHI, net of reserve | 18,003,513 | 4.52% | 16,500,953 | 4.07% |
| Total earning assets | 22,024,503 | 4.02% | 20,387,825 | 3.45% |
| Total assets | \$22,704,848 | | \$20,946,725 | |
| Liabilities and Stockholders' Equity | | | | |
| Total interest bearing deposits | \$10,133,206 | .79% | \$ 9,095,726 | .41% |
| Other borrowings | 1,618,238 | 1.10% | 1,480,302 | .45% |
| Total long-term debt | 394,619 | 5.16% | 394,256 | 5.02% |
| Total interest bearing liabilities | 12,146,063 | .97% | 10,970,284 | .58% |
| Demand deposits | 8,320,650 | | 8,124,174 | |
| Stockholders' equity | 2,119,191 | | 1,717,589 | |
| Total liabilities and stockholders' equity | \$22,704,848 | .52% | \$20,946,725 | .30% |
| Net interest margin | | 3.49% | | 3.14% |
| Net interest margin excl. liquidity assets | | 3.86% | | 3.67% |
| Total deposits and borrowed funds | \$20,072,094 | .49% | \$18,700,202 | .23% |

Average Balance Sheet - Quarterly

| <i>(in thousands)</i> | QTD Average | | | Q4/Q3 % Change | YOY % Change |
|--|--------------|--------------|--------------|-------------------|-----------------|
| | Q4 2017 | Q3 2017 | Q4 2016 | | |
| Total assets | \$25,080,825 | \$23,501,302 | \$22,524,394 | 7% | 11% |
| Loans held for sale | 1,144,124 | 1,009,703 | 944,484 | 13% | 21% |
| Loans held for investment | 15,010,041 | 14,427,980 | 12,701,868 | 4% | 18% |
| Loans held for investment, mortgage finance | 5,102,107 | 4,847,530 | 4,371,475 | 5% | 17% |
| Total loans held for investment | 20,112,148 | 19,275,510 | 17,073,343 | 4% | 18% |
| Total loans | 21,256,272 | 20,285,213 | 18,017,827 | 5% | 18% |
| Liquidity assets | 3,217,486 | 2,588,998 | 4,066,084 | 24% | (21)% |
| Demand deposits | 9,085,819 | 8,764,263 | 9,129,668 | 4% | (0)% |
| Total deposits | 20,492,588 | 19,024,506 | 18,596,539 | 8% | 10% |
| Stockholders' equity | 2,202,683 | 2,143,299 | 1,839,301 | 3% | 20% |

Period End Balance Sheet

| <i>(in thousands)</i> | Period End | | | Q4/Q3 % Change | YOY % Change |
|--|--------------|--------------|--------------|-------------------|-----------------|
| | Q4 2017 | Q3 2017 | Q3 2016 | | |
| Total assets | \$25,075,645 | \$24,400,998 | \$21,697,134 | 3% | 16% |
| Loans held for sale | 1,011,004 | 955,983 | 968,929 | 6% | 4% |
| Loans held for investment | 15,366,252 | 14,828,406 | 13,001,011 | 4% | 18% |
| Loans held for investment, mortgage finance | 5,308,160 | 5,642,285 | 4,497,338 | (6)% | 18% |
| Total loans held for investment | 20,674,412 | 20,470,691 | 17,498,349 | 1% | 18% |
| Total loans | 21,685,416 | 21,426,674 | 18,467,278 | 1% | 17% |
| Liquidity assets | 2,727,581 | 2,357,537 | 2,725,645 | 16% | 0% |
| Demand deposits | 7,812,660 | 8,263,202 | 7,994,201 | (5)% | (2)% |
| Total deposits | 19,123,180 | 19,081,257 | 17,016,831 | 0% | 12% |
| Stockholders' equity | 2,202,721 | 2,158,363 | 2,009,557 | 2% | 10% |