


TCBI Q1 2019 Earnings

April 17, 2019



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Opening Remarks & Financial Highlights

Operating Results

<i>Total Loans HFI</i>	<i>Total Deposits</i>	<i>Net Income</i>	<i>EPS</i>	<i>ROE</i>	<i>ROA</i>
\$23.4 billion	\$20.7 billion	\$82.8 million	\$1.60	13.58%	1.26%

Net Interest Income and Margin

- Net interest income decreased 2% from Q4-2018 and increased 12% from Q1-2018
- Net interest margin decreased 5 bps from Q4-2018 to 3.73% and increased 2 bps from Q1-2018
- LIBOR movement reflected in core LHI yields with stabilized mortgage finance yields, but offset by lower core LHI fees

Balance Sheet Growth

- Average LHI, excluding MFLs, grew 1% from Q4-2018 (\$222.9 million); 9% from Q1-2018 (\$1.4 billion)
- Average total MFLs decreased 1% from Q4-2018 (\$41.8 million); increased 33% from Q1-2018 (\$1.8 billion)
- Average total deposits increased 1% from Q4-2018 (\$136.1 million); 8% from Q1-2018 (\$1.6 billion)

Operating Leverage

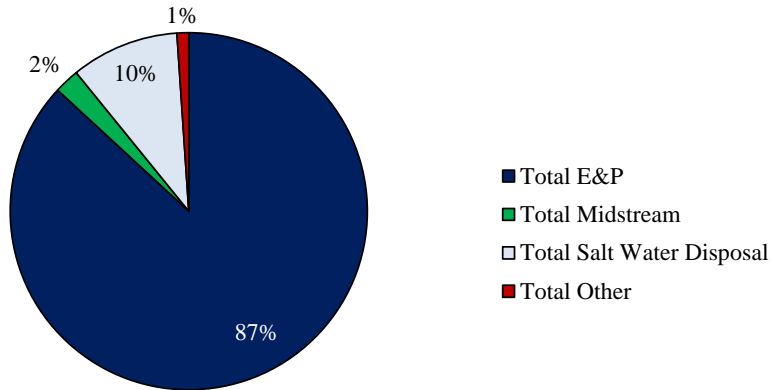
- Net revenue increased 4% from Q4-2018 and increased 15% from Q1-2018
- Non-interest expense increased 8% from Q4-2018 (includes seasonal payroll expense items and MSR impairment charge) and increased 11% from Q1-2018

Credit Quality

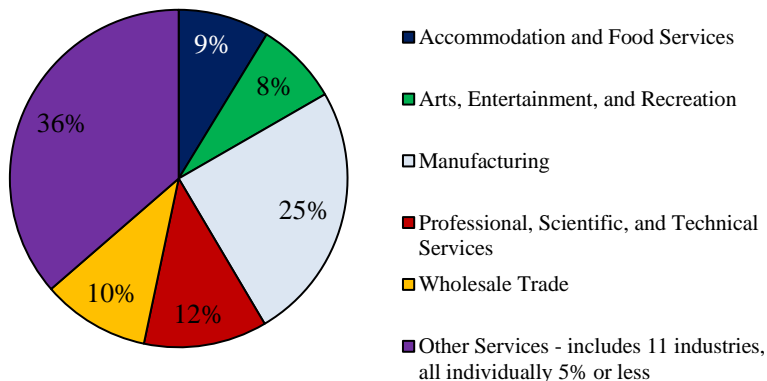
- NCOs / average total LHI of .09% for Q1-2019 compared to .60% for Q4-2018 and .11% for Q1-2018
- Non-accrual loans / total LHI of .57%, compared to .36% in Q4-2018 and .60% in Q1-2018

Energy and Leveraged Lending Update

Energy Outstandings 3/31/19



C&I Leveraged Outstandings 3/31/19



Energy

- Outstanding energy loans represented 7% of total loans, or \$1.7 billion, at Q1-2019 compared to 8%, or \$1.8 billion, at Q4-2018 and 7%, or \$1.4 billion, at Q1-2018
- Non-accruals totaled \$76.7 million at Q1-2019 compared to \$37.5 million at Q4-2018 and \$50.4 million at Q1-2018; increase primarily related to legacy deals that have deteriorated
- Criticized energy loans totaled \$102.4 million (6% of outstanding energy loans) at Q1-2019 compared to \$83.4 million (5%) at Q4-2018 and \$64.1 million (5%) at Q1-2018
- Allocated reserves of \$48.6 million represents 3% of outstanding energy loans

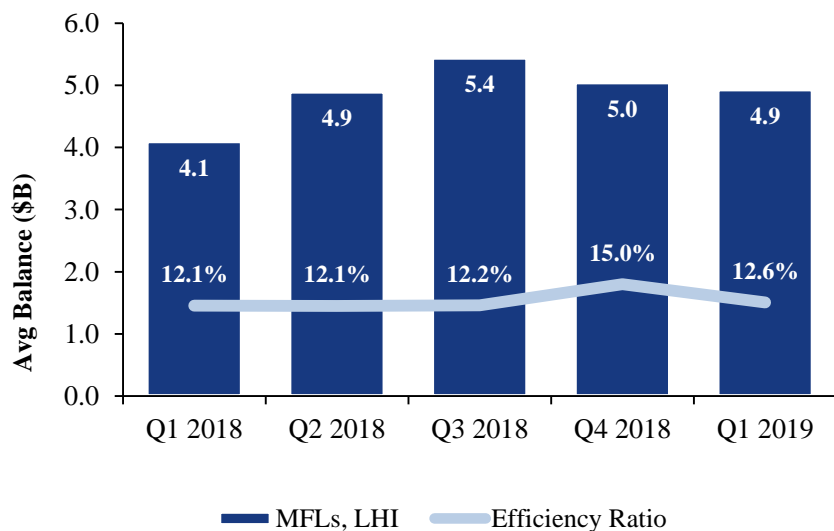
C&I Leveraged

- Outstanding C&I leveraged loans represented 5% of total loans, or \$1.2 billion, at Q1-2019 compared to 5%, or \$1.2 billion, at Q4-2018 and 6%, or \$1.2 billion, at Q1-2018
- Non-accruals totaled \$30.6 million (3% of outstanding C&I leveraged loans) at Q1-2019, compared to \$28.8 million (2%) at Q4-2018 and \$54.4 million (5%) at Q1-2018
- Criticized loans totaled \$218.9 million (18% of outstanding C&I leveraged loans) at Q1-2019, compared to \$151.0 million (12%) at Q4-2018 and \$138.1 million (12%) at Q1-2018
- Allocated reserves of \$68.9 million represents 6% of outstanding C&I leveraged loans
- No significant concentration in any industry
- No significant change since year end of senior leverage greater than 3.0x and total leverage greater than 4.0x, slightly over 50% of the portfolio

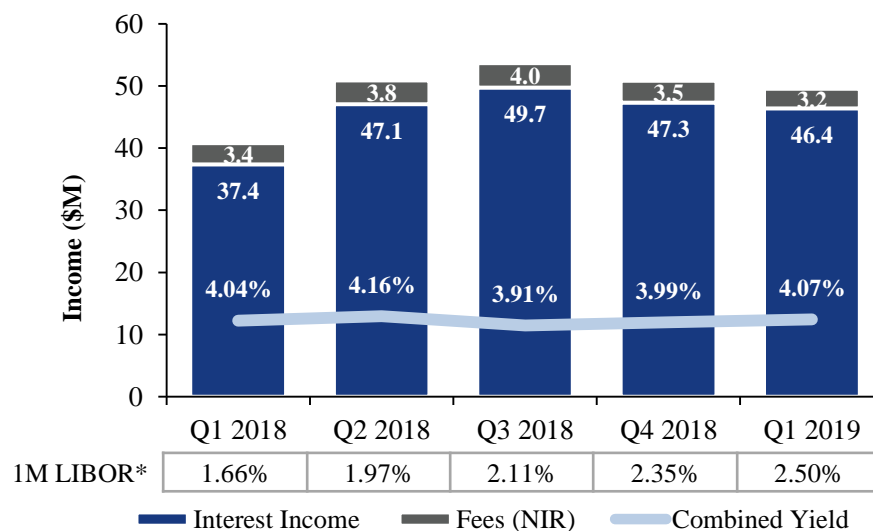
Core Strengths

- Technology investments have allowed for scalability
- Historically low credit risk
- Strong funding opportunities
- Other product offerings developed to serve the industry
- Commitment to clients in the industry allow for increased market share

Efficiency



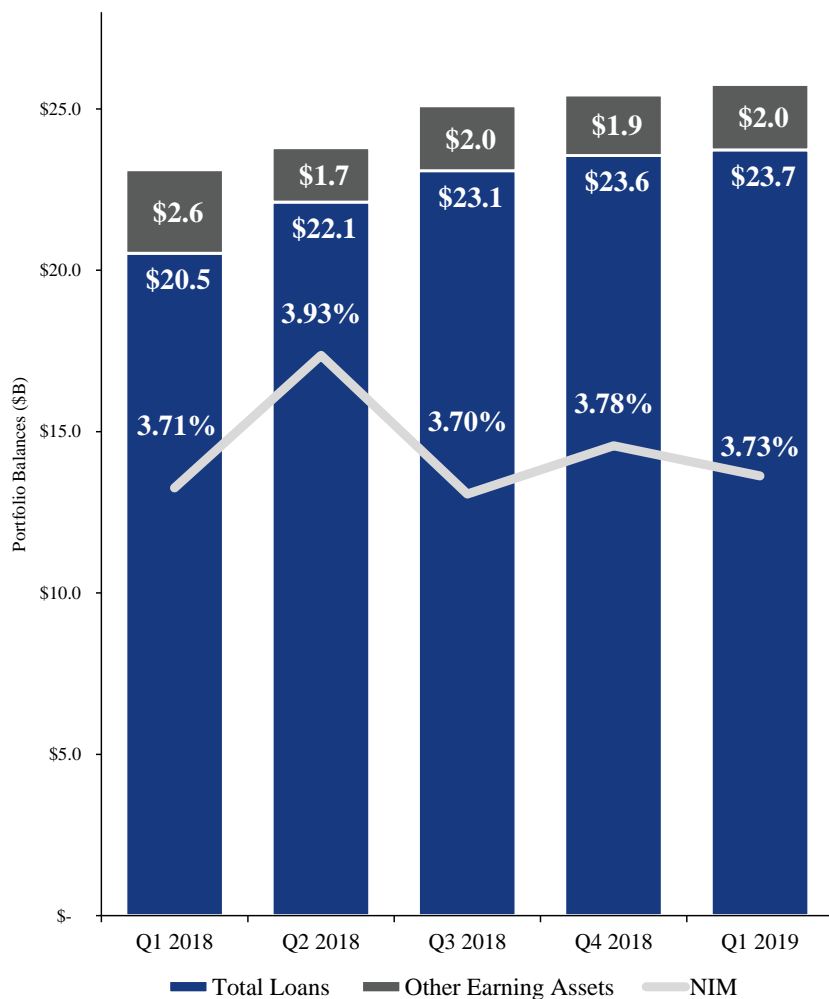
Earnings & Combined Yield



*Average of quarter's daily 1M LIBOR rates

Net Interest Income & Margin

Earning Asset & Margin Trends



Quarterly Change

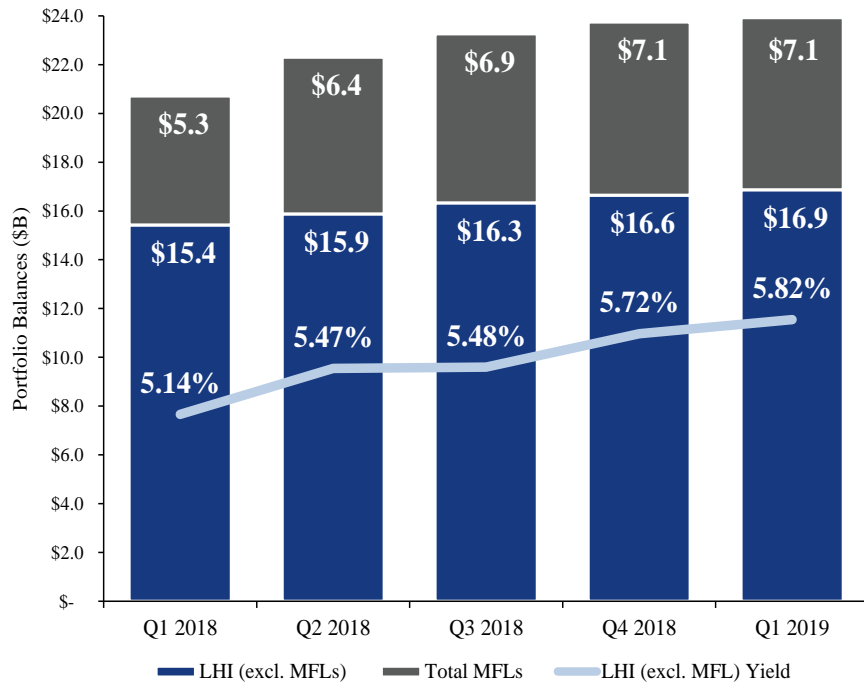
NII (\$MM)		NIM (%)
\$240.7	Q4 2018	3.78%
(5.4)	Decrease in day count	.00
8.6	Increase in LHI loan yields	.14
(4.4)	Decrease in LHI fees	(.07)
1.9	Increase in loan balances	.00
1.1	Increase in MF yields	.02
.6	Increase in LHS yields	.01
(7.5)	Increase in funding costs	(.12)
(.0)	Other	(.03)
235.6	Q1 2019	3.73%

NIM Highlights

- Catchup of LIBOR moves from Q4-2018 reflected in traditional LHI yields
- Lower loan fees in Q1-2019 compared to Q4-2018
- Mortgage finance yields stabilized
- Rate of increase in total funding costs declined 1 bp from Q4-2018; increase of 15 bps during Q1-2019 compared to 16 bps during Q4-2018

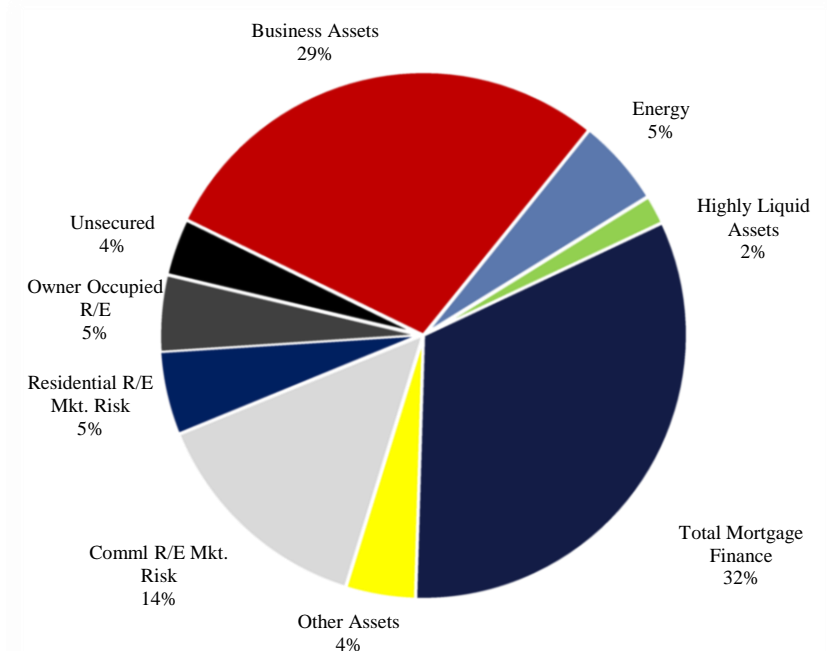
Loan Growth

Average Balance Trends (\$B)



Total Loan Composition

(\$25.3 Billion at 3/31/19)

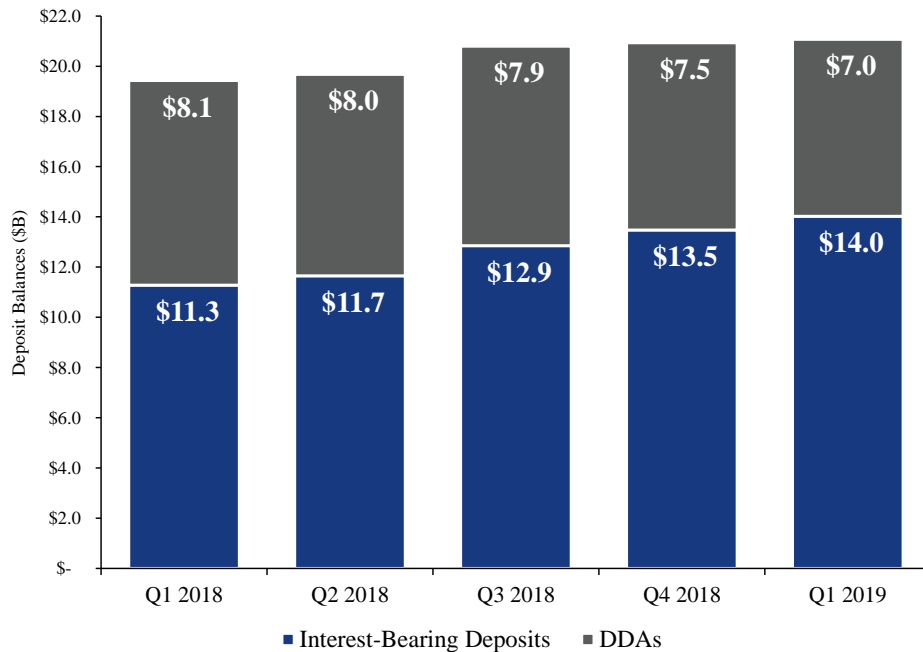


Growth Highlights

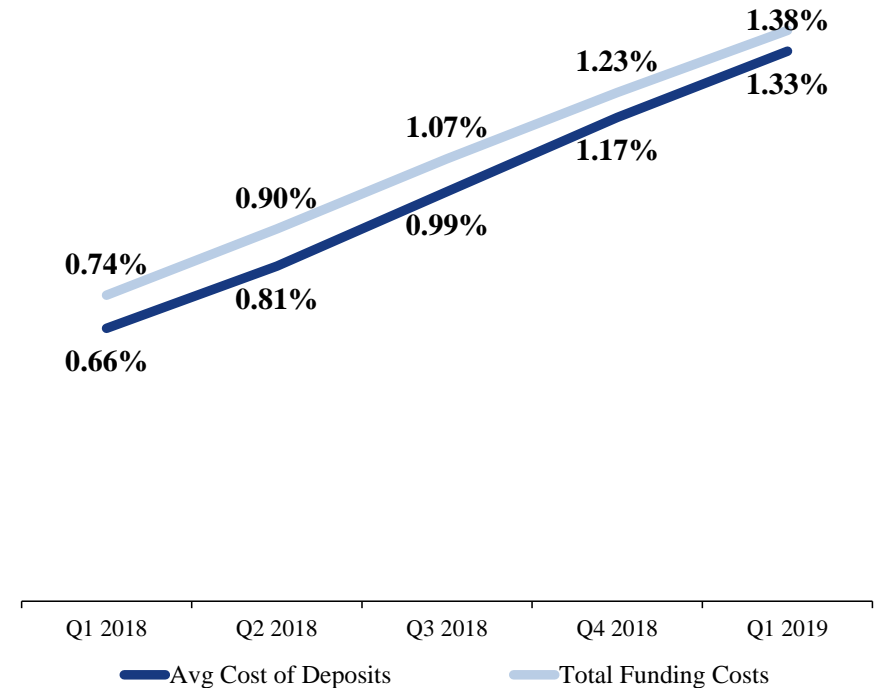
- Growth in average traditional LHI; up \$222.9 million (1%) from Q4-2018 and \$1.4 billion (9%) from Q1-2018
- Modest growth in traditional LHI at end of the quarter; period-end balance \$195.1 million higher than Q1-2019 average balance
- Decrease in average total MFL balances of \$41.8 million (1%) from Q4-2018 and an increase of \$1.8 billion (33%) from Q1-2018
- Average total MFLs represent 29% of average total loans at Q1-2019 compared to 30% in Q4-2018 and 32% at period end

Deposit Growth

Average Balance Trends (\$B)



Funding Costs



Growth Highlights

- Deposit costs increased 16 bps during Q1-2019 and total funding costs increased 15 bps; compared to increases of 18 bps and 16 bps, respectively, in Q4-2018
- Slight increase in linked quarter average total deposits with growth in interest-bearing
- Continued focus on cost-effective deposit growth with new verticals and core client relationships
- Betas on interest bearing deposits declined slightly in Q1-2019

Non-interest Expense

Quarterly Change

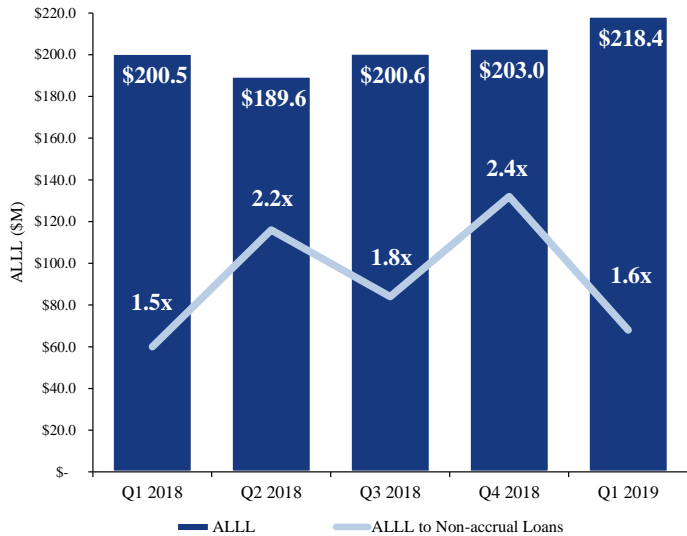
Non-interest expense (\$MM)	Increase/ (Decrease)
Q4 2018	\$129.9
Salaries and employee benefits – salaries only	1.2
Salaries and employee benefits – non-LTI incentives and annual incentive pool	(2.1)
Salaries and employee benefits – FICA and seasonal payroll related items	4.3
Salaries and employee benefits – FAS 123R (includes stock price changes)	3.2
Salaries and employee benefits – MTM on deferred compensation	2.5
Salaries and employee benefits – severance	(.8)
Marketing expense	1.5
Legal and professional	(3.0)
Servicing related expenses	2.8
All other – includes occupancy, technology, FDIC insurance assessment and OREO related expenses	.9
Q1 2019	\$140.4

NIE - Efficiency

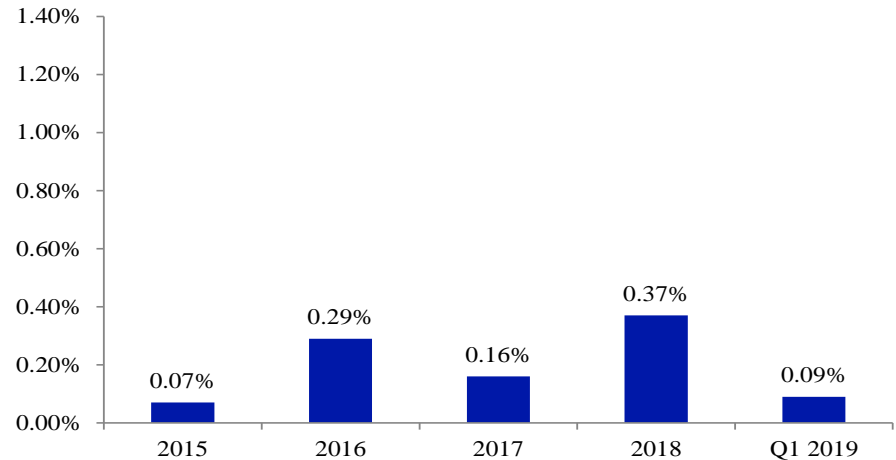
- Changes in Salaries & Benefits components
 - Slowing of hiring positively impacting NIE growth
 - Annual incentive accrual ramps throughout the year and generally lower in Q1
 - FICA and seasonal payroll related items peak in Q1
 - Increase in FAS 123R expense mainly due to stock price
 - Deferred compensation MTM offset in other non-interest income by MTM on related deferred compensation investments
- Marketing expense has variable component tied to deposits
- Servicing related expenses includes MSR impairment of \$2.9 million recorded in Q1-2019 related to drop in long-term interest rates
- Efficiency ratio 52.8% for Q1-2019 compared to 50.7% for Q4-2018 and 55.1% for Q1-2018

Asset Quality

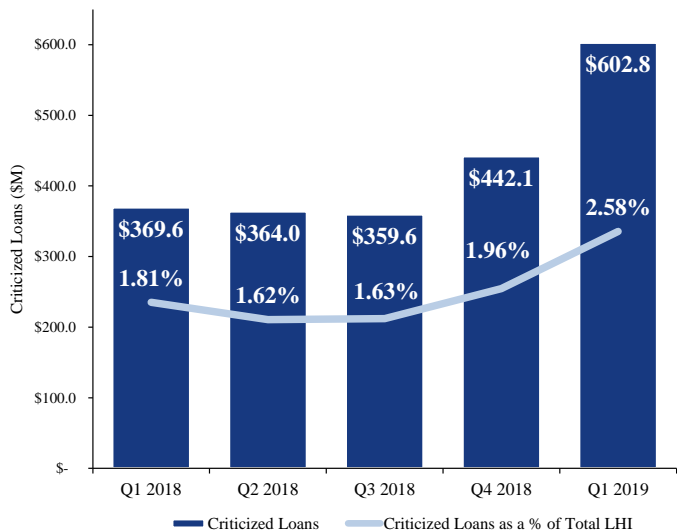
Allowance for Credit Losses



NCO/Average Total LHI



Criticized Loans as % of Total LHI



Combined Reserves/
Total LHI

2015	2016	2017	2018	Q1 2019
.90%	1.03%	.94%	.90%	.93%

Asset Quality Highlights

- Credit cost of \$20.0 million for Q1-2019, compared to \$35.0 million in Q4-2018 and \$14.0 million (\$12.0 million provision, \$2.0 million OREO valuation allowance) in Q1-2018
- NCOs \$4.6 million, or 9 bps of average total LHI, in Q1-2019 compared to \$32.6 million, or 60 bps, in Q4-2018 and 11 bps in Q1-2018
- NPL ratio increased to .57% of total LHI compared to .36% at Q4-2018
- Increase in criticized loans to \$602.8 million at Q1-2019 compared to \$442.1 million at Q4-2018

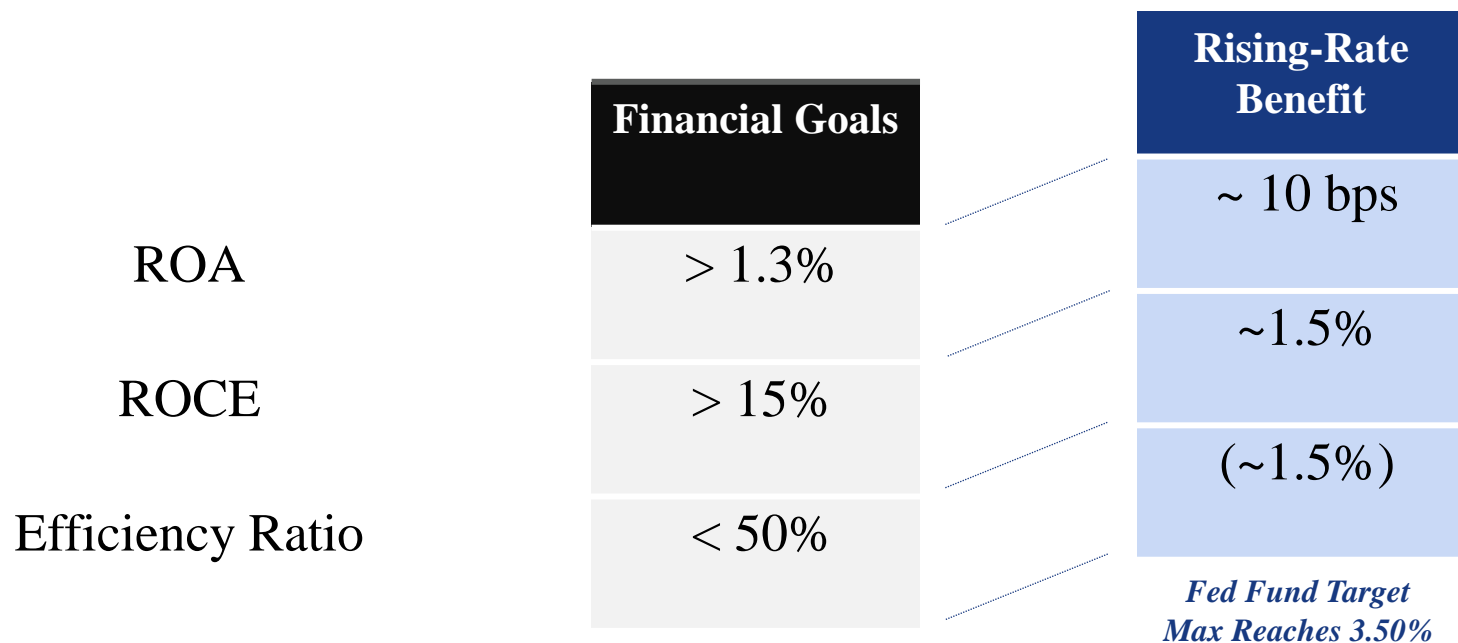
Performance Summary - Quarterly

<i>(in thousands)</i>	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	\$ 235,614	\$ 240,673	\$ 232,175	\$ 231,712	\$ 210,300
Non-interest income	30,014	15,280	25,518	17,279	19,947
Net revenue	265,628	255,953	257,693	248,991	230,247
Provision for credit losses	20,000	35,000	13,000	27,000	12,000
OREO write-down	-	-	(2,000)	-	2,000
Non-interest expense	140,378	129,862	138,143	132,131	124,960
Income before income taxes	105,250	91,091	108,550	89,860	91,287
Income tax expense	22,411	19,200	22,998	18,424	19,342
Net income	82,839	71,891	85,552	71,436	71,945
Preferred stock dividends	2,438	2,437	2,438	2,437	2,438
Net income available to common shareholders	\$ 80,401	\$ 69,454	\$ 83,114	\$ 68,999	\$ 69,507
Diluted EPS	\$ 1.60	\$ 1.38	\$ 1.65	\$ 1.38	\$ 1.38
Net interest margin	3.73%	3.78%	3.70%	3.93%	3.71%
ROA	1.26%	1.09%	1.31%	1.16%	1.22%
ROE	13.58%	11.82%	14.68%	12.72%	13.39%
Efficiency	52.8%	50.7%	52.8%	53.1%	55.1%
Efficiency, excl. OREO write-down	52.8%	50.7%	53.6%	53.1%	54.3%

2019 Outlook

Business Driver	2019 Outlook v. 2018 Results	Comments & Changes since January 23, 2019
Average LHI	Mid to high single digit percent growth	Decreased from high single digit percent growth
Average LHI – Mortgage Finance	High-teens percent growth	Increased from low single digit percent growth
Loans held for sale (MCA)	\$2.5 billion average	Up from \$1.9 billion average
Average Deposits	High single digit percent growth	Up from mid to high single digit percent growth
Net Revenue	High single digit percent growth	-
Net Interest Margin	3.60% to 3.70%	Decreased from 3.75% to 3.85%
Provision Expense	Mid to high \$80 million level	-
NIE	Mid single digit percent growth	-
Efficiency Ratio	Low-50s	-

Long-term Outlook



Key Assumptions

- Continuation of current economic conditions, allowing the Bank to capitalize on Inflection Point initiatives of growing higher return businesses and limiting investments in lower return or non-strategic portfolios
- Despite more potential volatility in provision, NCOs remain 20-25 bps of average total LHI
- Mortgage Finance brand strengthens and relationships expand, despite additional growth headwinds generated by point in rate cycle
- Lower-cost, lower-beta deposit verticals achieve growth and ROI targets
- Product enhancements and expanded offerings maintain non-interest income contribution to total revenue, even amidst ex-liquidity NIM expansion
- Internal investments yield efficiency benefits and allow Bank to maintain moderate overhead growth over the horizon
- Bank remains committed to efficient use of shareholder capital and maintaining liquidity at appropriate levels

Closing Comments

- Delivering premier client experience embedded in our strategic priorities for 2019
- Solid traditional LHI growth in Q1-2019, with further risk appropriate growth levels the remainder of the year net of targeted runoff in leveraged lending portfolio
- Better than expected growth for mortgage finance in seasonally weaker quarter with prospects of a robust Q2 and Q3 resulting from lower long-term rates
- Deposit initiatives continue to progress with continued roll-out in 2019 to improve funding mix and cost of funding longer term
- Confirming guidance on loan loss provisioning to ensure we're strengthening our balance sheet late cycle
- Targeted approach in slowing pace of NIE growth is working, as we continue to be more deliberate with hiring and improve efficiencies through technology and better processes

Q&A



Appendix

Average Balances, Yields & Rates - Quarterly

<i>(in thousands)</i>	Q1 2019		Q4 2018		Q1 2018	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 144,966	4.97%	\$ 117,371	5.22%	\$ 23,854	3.50%
Liquidity assets	1,886,758	2.45%	1,759,417	2.25%	2,564,579	1.55%
Loans held for sale	2,122,302	4.84%	2,049,395	4.72%	1,187,594	4.28%
LHI, mortgage finance	4,931,879	3.81%	5,046,540	3.72%	4,097,995	3.70%
LHI	16,866,456	5.82%	16,643,559	5.72%	15,425,323	5.14%
Total LHI, net of reserve	21,606,213	5.42%	21,507,285	5.30%	19,339,080	4.88%
Total earning assets	25,760,239	5.15%	25,433,468	5.04%	23,115,107	4.48%
Total assets	\$26,655,036		\$26,261,624		\$23,912,613	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$14,025,652	2.00%	\$13,474,308	1.82%	\$11,281,585	1.14%
Other borrowings	2,412,254	2.58%	2,290,520	2.39%	1,721,914	1.57%
Total long-term debt	395,205	5.67%	395,114	5.47%	394,843	5.36%
Total interest bearing liabilities	16,833,111	2.17%	16,159,942	1.99%	13,398,342	1.32%
Demand deposits	7,047,120		7,462,392		8,147,721	
Total deposits	21,072,772	1.33%	20,936,700	1.17%	19,429,306	.66%
Stockholders' equity	2,551,663		2,482,012		2,255,852	
Total liabilities and stockholders' equity	\$26,655,036	1.38%	\$26,261,624	1.23%	\$23,912,613	.74%
Net interest margin		3.73%		3.78%		3.71%
Total deposits and borrowed funds	\$23,485,026	1.46%	\$23,227,220	1.29%	\$21,151,220	.74%

Average Balance Sheet - Quarterly

<i>(in thousands)</i>	QTD Average			Q1/Q4 % Change	YOY % Change
	Q1 2019	Q4 2018	Q1 2018		
Total assets	\$26,655,036	\$26,261,624	\$23,912,613	1%	11%
Loans held for sale	2,122,302	2,049,395	1,187,594	4%	79%
Loans held for investment	16,866,456	16,643,559	15,425,323	1%	9%
Loans held for investment, mortgage finance	4,931,879	5,046,540	4,097,995	(2)%	20%
Total loans held for investment	21,798,335	21,690,099	19,523,318	0%	12%
Total loans	23,920,637	23,739,494	20,710,912	1%	15%
Liquidity assets	1,886,758	1,759,417	2,564,579	7%	(26)%
Demand deposits	7,047,120	7,462,392	8,147,721	(6)%	(14)%
Total deposits	21,072,772	20,936,700	19,429,306	1%	8%
Stockholders' equity	2,551,663	2,482,012	2,255,852	3%	13%

Period End Balance Sheet

<i>(in thousands)</i>	Period End			Q1/Q4 % Change	YOY % Change
	Q1 2019	Q4 2018	Q1 2018		
Total assets	\$28,383,111	\$28,257,767	\$24,449,147	0%	16%
Loans held for sale	1,901,637	1,969,474	1,088,565	(3)%	75%
Loans held for investment	17,061,590	16,690,550	15,741,772	2%	8%
Loans held for investment, mortgage finance	6,299,710	5,877,524	4,689,938	7%	34%
Total loans held for investment	23,361,300	22,568,074	20,431,710	4%	14%
Total loans	25,262,937	24,537,548	21,520,275	3%	17%
Liquidity assets	2,154,155	2,865,874	2,296,673	(25)%	(6)%
Demand deposits	6,743,607	7,317,161	7,413,340	(8)%	(9)%
Total deposits	20,650,127	20,606,113	18,764,533	0%	10%
Stockholders' equity	2,581,942	2,500,394	2,273,429	3%	14%