TCBI Q2 2019 Earnings

July 17, 2019

Texas Capital Bancshares, Inc.

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Opening Remarks & Financial Highlights

Operating Results	*Total Loans HFI*	*Total Deposits*	*Net Income*	*EPS*	*ROE*	*ROA*
	$24.3 billion	**$23.0 billion**	**$78.0 million**	**$1.50**	**12.20%**	**1.05%**

Net Interest Income and Margin

- Net interest income increased 3% from Q1-2019 and increased 5% from Q2-2018
- Net interest margin decreased 32 bps from Q1-2019 to 3.41% and decreased 52 bps from Q2-2018
- LIBOR movement reflected in core LHI yields and mortgage finance yields impacted by volume pricing

Balance Sheet Growth

- Average LHI, excluding MFLs, decreased 1% from Q1-2019 ($84.7 million); and increased 6% from Q2-2018 ($898.4 million)
- Average total MFLs increased 35% from Q1-2019 ($2.5 billion); 49% from Q2-2018 ($3.1 billion)
- Average total deposits increased 7% from Q1-2019 ($1.5 billion); 15% from Q2-2018 ($2.9 billion)

Operating Leverage

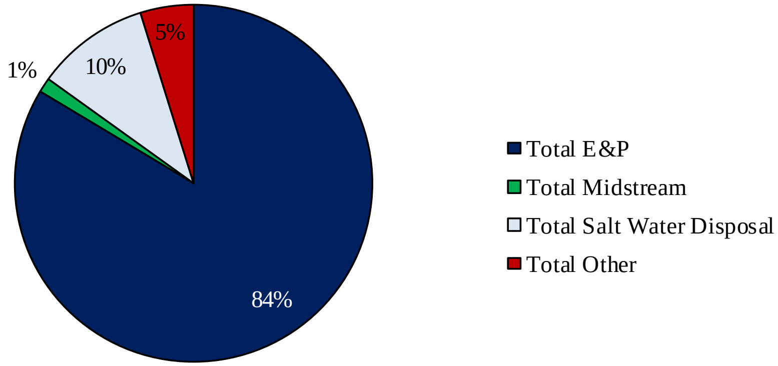
- Net revenue increased 1% from Q1-2019 and increased 8% from Q2-2018
- Non-interest expense increased 1% from Q1-2019 and increased 7% from Q2-2018

Credit Quality

- NCOs / average total LHI of .34% for Q2-2019 compared to .09% for Q1-2019 and .73% for Q2-2018
- Non-accrual loans / total LHI of .47%, compared to .57% in Q1-2019 and .37% in Q2-2018

Energy and Leveraged Lending Update

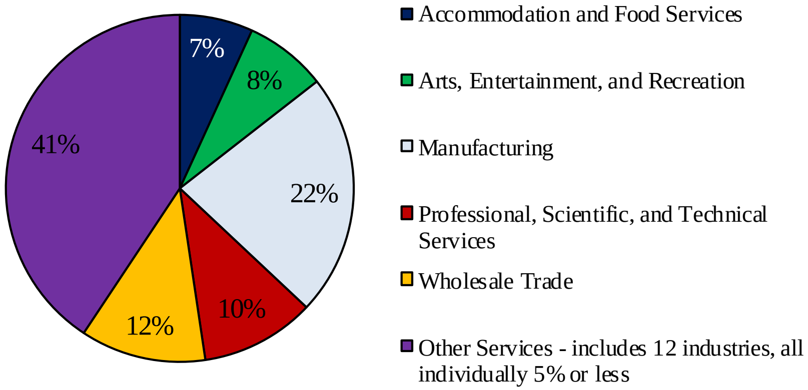
Energy Outstandings 6/30/19



Energy

- Outstanding energy loans represented 6% of total loans, or $1.6 billion, at Q2-2019 compared to 7%, or $1.7 billion, at Q1-2019 and 7%, or $1.6 billion, at Q2-2018
- Non-accruals totaled $61.1 million at Q2-2019 compared to $76.7 million at Q1-2019 and $33.6 million at Q2-2018; linked quarter decrease related to charge-offs taken during Q2-2019
- Criticized energy loans totaled $151.5 million (10% of outstanding energy loans) at Q2-2019 compared to $102.4 million (6%) at Q1-2019 and $66.0 million (4%) at Q2-2018; linked quarter increase primarily related to one relationship
- Allocated reserves of $49.4 million represents 3% of outstanding energy loans

C&I Leveraged Outstandings 6/30/19



C&I Leveraged

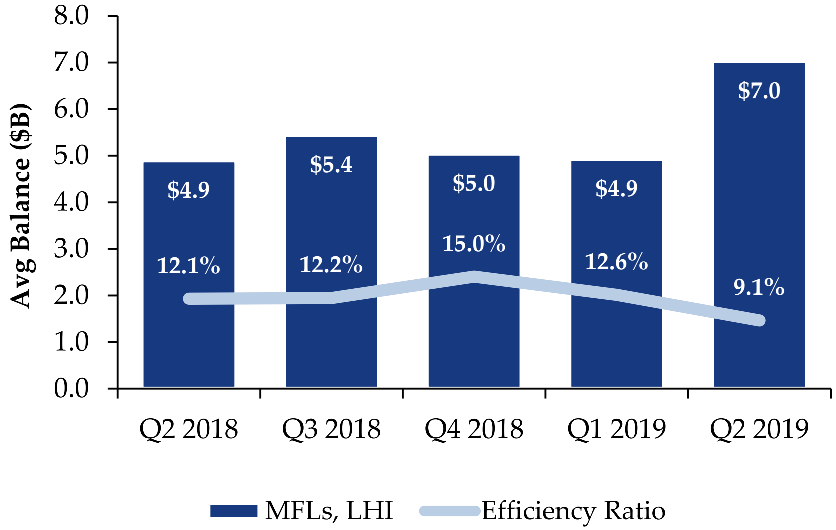
- Outstanding C&I leveraged loans decreased $164.2 million, or 13%, from Q4-2018; on track for expected 30% reduction for full year 2019
- Outstanding C&I leveraged loans represented 4% of total loans, or $1.1 billion, at Q2-2019 compared to 5%, or $1.2 billion, at Q1-2019 and 5%, or $1.2 billion, at Q2-2018
- Non-accruals totaled $25.0 million (2% of outstanding C&I leveraged loans) at Q2-2019, compared to $30.6 million (3%) at Q1-2019 and $36.3 million (3%) at Q2-2018
- Criticized loans totaled $197.3 million (19% of outstanding C&I leveraged loans) at Q2-2019, compared to $218.9 million (18%) at Q1-2019 and $113.7 million (9%) at Q2-2018
- Allocated reserves of $67.5 million represents 6% of outstanding C&I leveraged loans
- No significant concentration in any industry

Mortgage Finance, LHI

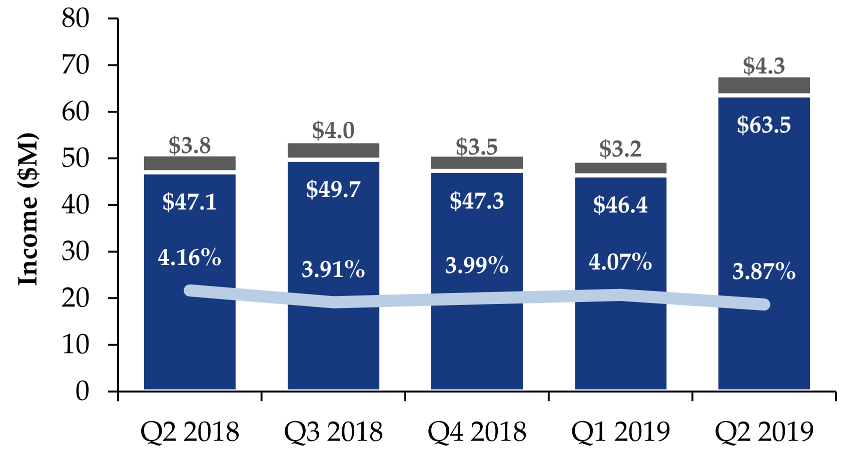
Core Strengths

- 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

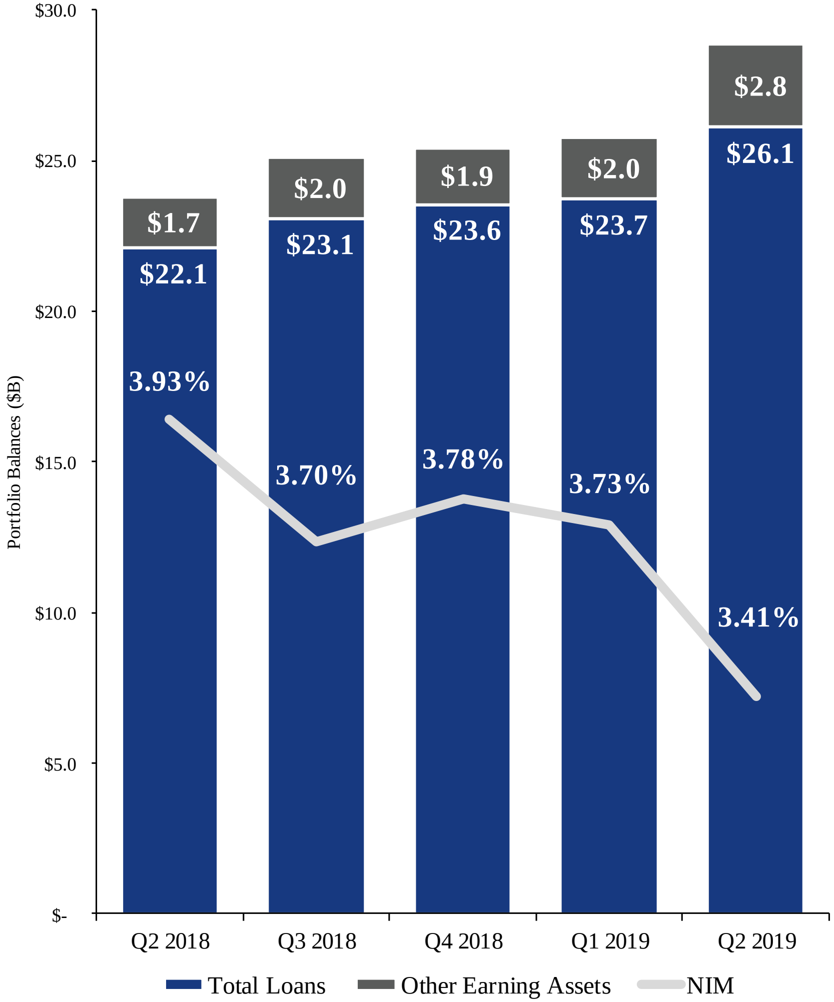


1M LIBOR*	1.97%	2.11%	2.35%	2.50%	2.44%

*Average of quarter's daily 1M LIBOR rates

Net Interest Income & Margin

Earning Asset & Margin Trends



Quarterly Change

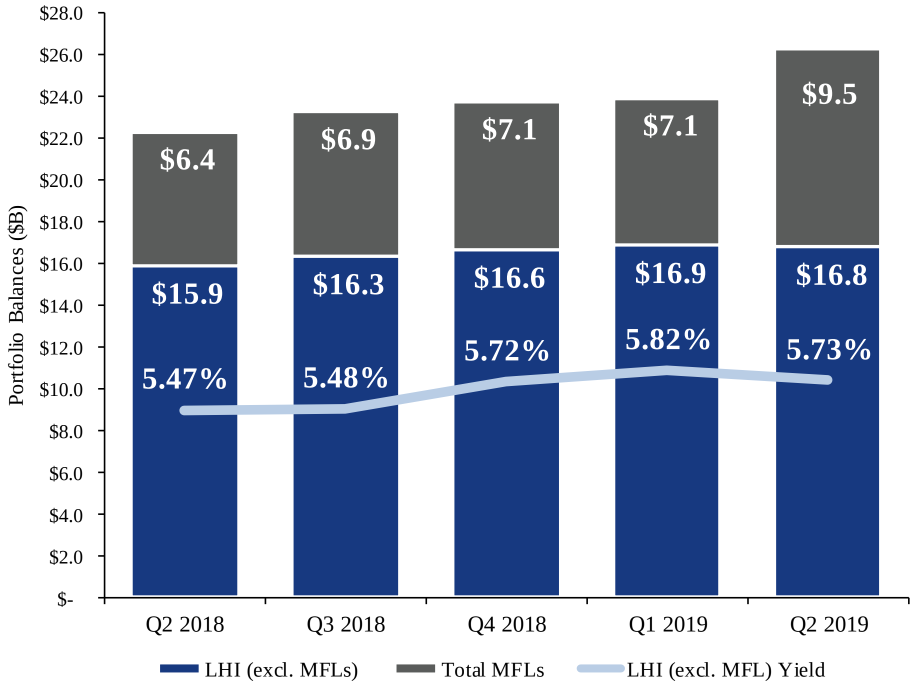
NII ($MM)		NIM (%)
$235.6	Q1 2019	3.73%
2.6	Increase in day count	.00
(3.8)	Decrease in LHI loan yields	(.05)
(3.3)	Decrease in MF loan yields	(.05)
(2.5)	Decrease in LHS yields	(.03)
24.9	Increase in loan balances	.00
(9.1)	Mix shift from LHI to MF	(.13)
(.3)	Increase in liquidity	(.08)
(.5)	Increase in funding costs	(.01)
-	Other	.03
$243.6	Q2 2019	3.41%

NIM Highlights

- Impact of downward LIBOR move in Q1-2019 reflected in traditional LHI yields
- Mortgage finance yields impacted by volume pricing
- MCA/LHS yields impacted by decline in mortgage rates
- Rate of increase in total funding costs declined significantly with stable rates; increase of 2 bps during Q2-2019 compared to 15 bps during Q1-2019
- Deposit costs decreased 4 bps during Q2-2019 compared to an increase of 16 bps during Q1-2019

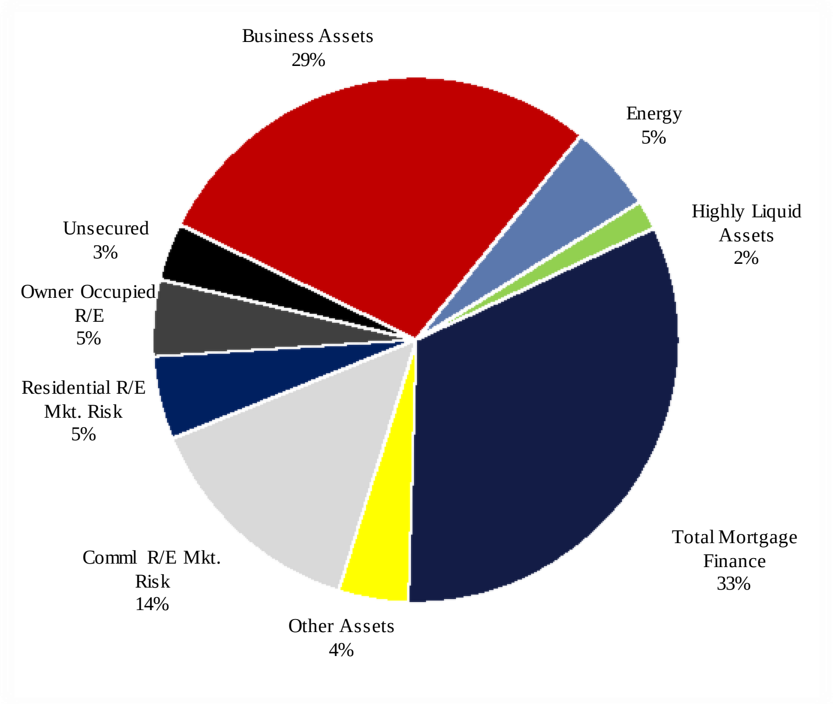
Loan Growth

Average Balance Trends ($B)



Total Loan Composition

($25.4Billion Q2-2019 period-end balance)

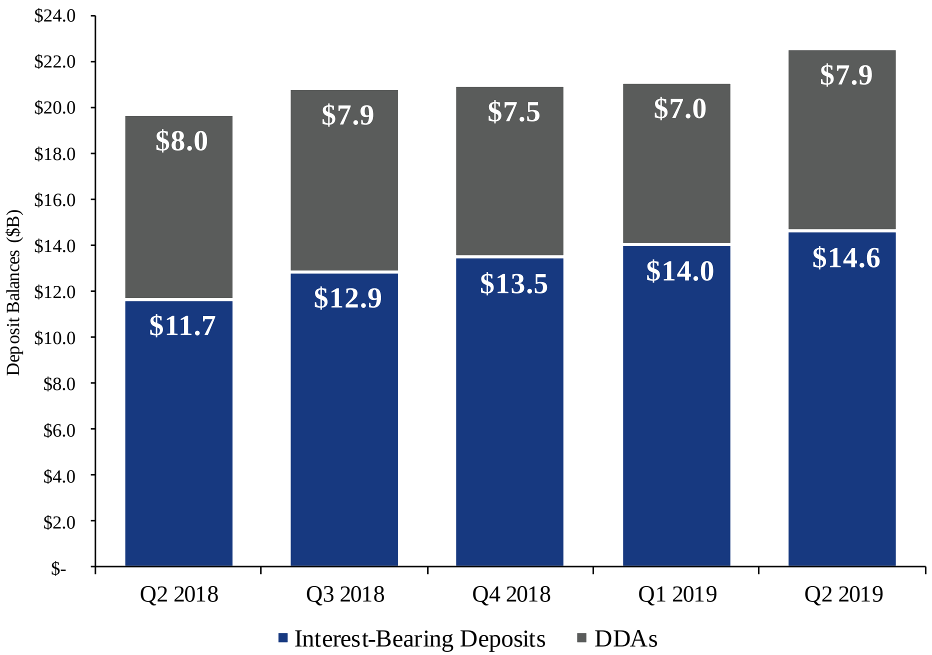


Growth Highlights

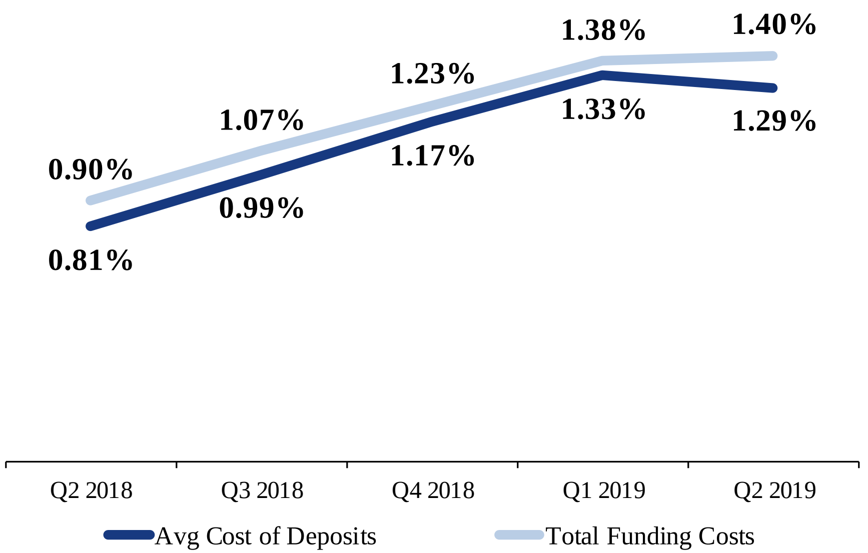
- Average traditional LHI down $84.7 million (1%) from Q1-2019 and up $898.4 million (6%) from Q2-2018
- Modest growth in traditional LHI at end of the quarter; period-end balance $142.8 million higher than Q2-2019 average balance
- Increase in average total MFL balances of $2.5 billion (35%) from Q1-2019 and an increase of $3.1 billion (49%) from Q2-2018
- Average total MFLs represent 36% of average total loans at Q2-2019 compared to 29% in Q1-2019 and 33% at period end

Deposit Growth

Average Balance Trends ($B)



Funding Costs



Growth Highlights

- Deposit costs decreased 4 bps during Q2-2019 and total funding costs increased 2 bps; compared to increases of 16 bps and 15 bps, respectively, in Q1-2019
- Increase in linked quarter average total deposits with growth in demand deposits improving overall deposit costs
- Continued focus on cost-effective deposit growth with new verticals and core client relationships
- Slight increase in total funding costs resulting from higher FHLB borrowings used for seasonal MF surge

Non-interest Expense

Quarterly Change

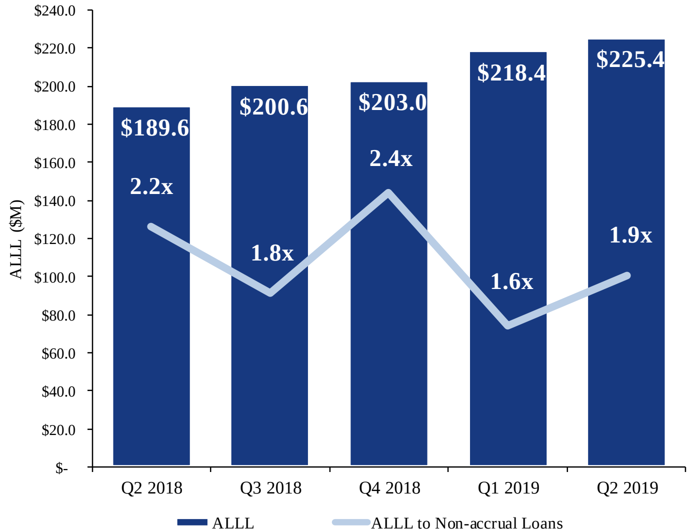
Non-interest expense ($MM)	Increase/ (Decrease)
Q1 2019	**$140.4**
Salaries and employee benefits – salaries only	1.1
Salaries and employee benefits – non-LTI incentives and annual incentive pool	2.1
Salaries and employee benefits – FICA and seasonal payroll related items	(3.3)
Salaries and employee benefits – MTM on deferred compensation	(.8)
Marketing expense	2.4
Communications and technology	1.8
FDIC insurance assessment	(1.0)
Servicing related expenses	.7
All other – includes occupancy, legal and professional and OREO related expenses	(1.8)
Q2 2019	**$141.6**

NIE - Efficiency

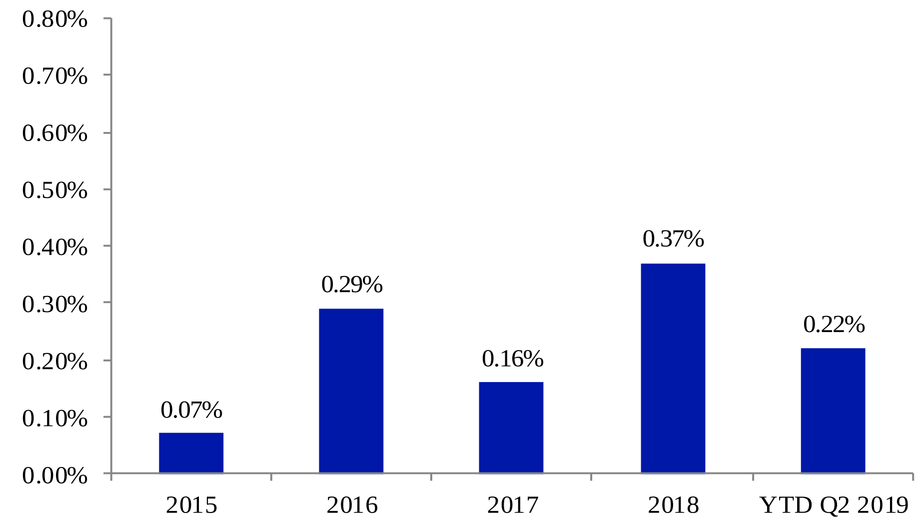
- Changes in Salaries & Benefits components
  - Slowing of hiring positively impacting NIE growth
  - Annual incentive accrual ramps throughout the year and generally higher in Q2 than Q1
  - FICA and seasonal payroll related items generally higher in Q1 compared to Q2
  - Deferred compensation MTM offset in other non-interest income by MTM on related deferred compensation investments
- Marketing expense has variable component tied to deposits
- Increase in technology expense offset by decrease in other non-interest expense as certain licenses and subscriptions related to technology solutions are moving to technology expense
- MSR impairment of $2.8 million in Q2-2019 compared to $2.9 million in Q1-2019
- Efficiency ratio 52.8% for Q2-2019 compared to 52.8% for Q1-2019 and 53.1% for Q2-2018

Asset Quality

Allowance for Credit Losses

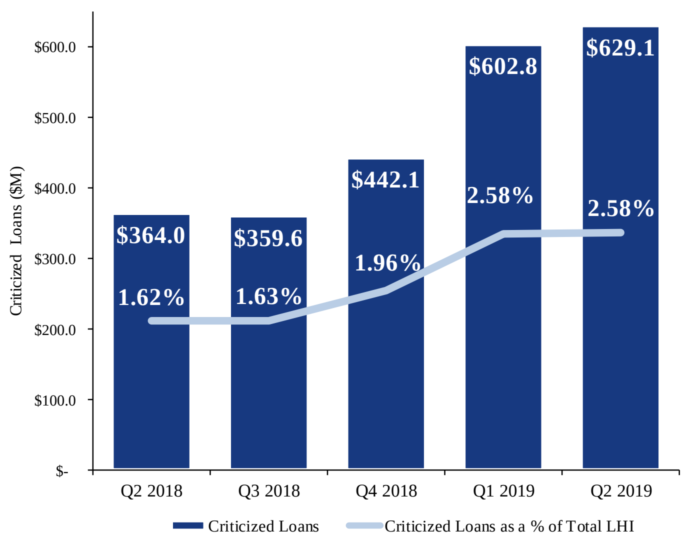


NCO/Average Total LHI



Combined Reserves/ Total LHI	1.03%	.94%	.90%	.93%	.93%

Criticized Loans as % of Total LHI



Asset Quality Highlights

- Credit cost of $27.0 million for Q2-2019, compared to $20.0 million in Q1-2019 and $27.0 million in Q2-2018
- NCOs $20.0 million, or 34 bps of average total LHI, in Q2-2019 compared to $4.6 million, or 9 bps, in Q1-2019 and 73 bps in Q2-2018
- NPL ratio decreased to .47% of total LHI at Q2-2019 compared to .57% at Q1-2019 and increased compared to .37% at Q2-2018
- Increase in criticized loans to $629.1 million at Q2-2019 compared to $602.8 million at Q1-2019 and $364.0 million at Q2-2018

Performance Summary - Quarterly

(in thousands)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net interest income	$ 243,553	$ 235,614	$ 240,673	$ 232,175	$ 231,712
Non-interest income	24,364	30,014	15,280	25,518	17,279
Net revenue	267,917	265,628	255,953	257,693	248,991
Provision for credit losses	27,000	20,000	35,000	13,000	27,000
OREO write-down	-	-	-	(2,000)	-
Non-interest expense	141,561	140,378	129,862	138,143	132,131
Income before income taxes	99,356	105,250	91,091	108,550	89,860
Income tax expense	21,387	22,411	19,200	22,998	18,424
Net income	77,969	82,839	71,891	85,552	71,436
Preferred stock dividends	2,437	2,438	2,437	2,438	2,437
Net income available to common shareholders	$ 75,532	$ 80,401	$ 69,454	$ 83,114	$ 68,999
Diluted EPS	$ 1.50	$ 1.60	$ 1.38	$ 1.65	$ 1.38
Net interest margin	3.41%	3.73%	3.78%	3.70%	3.93%
ROA	1.05%	1.26%	1.09%	1.31%	1.16%
ROE	12.20%	13.58%	11.82%	14.68%	12.72%
Efficiency	52.8%	52.8%	50.7%	52.8%	53.1%
Efficiency, excl. OREO write-down	52.8%	52.8%	50.7%	53.6%	53.1%

2019 Outlook

Business Driver	2019 Outlook v. 2018 Results	Comments & Changes since April 17, 2019
Average LHI	Mid-single digit percent growth	Decreased from mid to high-single digit percent growth
Average LHI – Mortgage Finance	Low to mid-twenties percent growth	Increased from high-teens percent growth
Loans held for sale (MCA)	$2.5 billion average	-
Average Deposits	Low-double digit percent growth	Increased from high-single digit percent growth
Net Revenue	High-single digit percent growth	-
Net Interest Margin	3.35% to 3.45%	Decreased from 3.60% to 3.70%
Provision Expense	Mid to high $80 million level	-
NIE	Mid to high-single digit percent growth	Increased from mid-single digit percent growth
Efficiency Ratio	Low-50s	-

Long-term Outlook

	Financial Goals
ROA	> 1.3%
ROCE	> 15%
Efficiency Ratio	< 50%

Key Assumptions

- Continuation of current economic conditions, allowing the Bank to capitalize on Inflection Point initiatives of growing higher return businesses and deepening client relationships
- Despite more potential volatility in provision, NCOs remain 20-25 bps of average total LHI
- Mortgage Finance brand strengthens and relationships expand, allowing the Bank to focus on serving high-value clients and maximizing returns
- Lower-cost, lower-beta deposit verticals achieve growth and ROI targets and mitigate any earnings impacts caused by rate volatility
- Product enhancements and expanded offerings improve 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

- Focus on delivering premier client experience to our clients and being deliberate in our prospecting of new client relationships
- Slight decrease in LHI in Q2-2019, primarily from expected runoff in leveraged lending portfolio
- Taking advantage of outsized growth in mortgage finance in seasonally strong quarter with additional volumes from lower long-term rates; Q3-2019 volumes expected to be equally as strong
- Seeing progress with deposit initiatives as well as growth in our existing client base
- Confirming annual guidance on loan loss provisioning despite Q2-2019 provisions primarily related to energy, and not leveraged portfolio
- Targeted approach in slowing pace of operating expenses is working, as we continue to be opportunistic with hiring and improving efficiencies through technology and better processes

Q&A

Appendix

Average Balances, Yields & Rates - Quarterly

(in thousands)	Q2 2019		Q1 2019		Q2 2018	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	$ 231,002	4.83%	$ 144,966	4.97%	$ 24,514	3.15%
Liquidity assets	2,520,263	2.36%	1,886,758	2.45%	1,665,087	1.74%
Loans held for sale	2,494,883	4.44%	2,122,302	4.84%	1,516,047	4.50%
LHI, mortgage finance	7,032,963	3.62%	4,931,879	3.81%	4,898,411	3.85%
LHI	16,781,733	5.73%	16,866,456	5.82%	15,883,317	5.47%
Total LHI, net of reserve	23,608,042	5.15%	21,606,213	5.42%	20,592,490	5.14%
Total earning assets	28,854,190	4.84%	25,760,239	5.15%	23,798,138	4.86%
Total assets	$29,794,983		$26,655,036		$24,606,237	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	$14,599,401	1.99%	$14,025,652	2.00%	$11,654,506	1.36%
Other borrowings	4,018,231	2.53%	2,412,254	2.58%	2,113,391	1.93%
Total long-term debt	395,295	5.56%	395,205	5.67%	394,933	5.47%
Total interest bearing liabilities	19,012,927	2.18%	16,833,111	2.17%	14,162,830	1.56%
Demand deposits	7,929,266		7,047,120		8,017,578	
Total deposits	22,528,667	1.29%	21,072,772	1.33%	19,672,084	.81%
Stockholders' equity	2,632,485		2,551,663		2,325,755	
Total liabilities and stockholders' equity	$29,794,983	1.40%	$26,655,036	1.38%	$24,606,237	.90%
Net interest margin		**3.41%**		**3.73%**		**3.93%**
Total deposits and borrowed funds	**$26,546,898**	**1.48%**	**$23,485,026**	**1.46%**	**$21,785,475**	**.92%**

Average Balance Sheet - Quarterly

(in thousands)	QTD Average			Q2/Q1 % Change	YOY % Change
	Q2 2019	Q1 2019	Q2 2018		
Total assets	$29,794,983	$26,655,036	$24,606,237	12%	21%
Loans held for sale	2,494,883	2,122,302	1,516,047	18%	65%
Loans held for investment	16,781,733	16,866,456	15,883,317	(1)%	6%
Loans held for investment, mortgage finance	7,032,963	4,931,879	4,898,411	43%	44%
Total loans held for investment	23,814,696	21,798,335	20,781,728	9%	15%
Total loans	26,309,579	23,920,637	22,297,775	10%	18%
Liquidity assets	2,520,263	1,886,758	1,665,087	34%	51%
Demand deposits	7,929,266	7,047,120	8,017,578	13%	(1)%
Total deposits	22,528,667	21,072,772	19,672,084	7%	15%
Stockholders’ equity	2,632,485	2,551,663	2,325,755	3%	13%

Period End Balance Sheet

(in thousands)	Period End			Q2/Q1 % Change	YOY % Change
	Q2 2019	Q1 2019	Q2 2018		
Total assets	$29,970,384	$28,383,111	$27,781,910	6%	8%
Loans held for sale	1,057,586	1,901,637	1,276,768	(44)%	(17)%
Loans held for investment	16,924,535	17,061,590	16,536,721	(1)%	2%
Loans held for investment, mortgage finance	7,415,363	6,299,710	5,923,058	18%	25%
Total loans held for investment	24,339,898	23,361,300	22,459,779	4%	8%
Total loans	25,397,484	25,262,937	23,736,547	1%	7%
Liquidity assets	3,480,902	2,154,155	3,288,107	62%	6%
Demand deposits	7,685,340	6,743,607	7,648,125	14%	0%
Total deposits	22,999,077	20,650,127	20,344,871	11%	13%
Stockholders' equity	2,668,452	2,581,942	2,343,530	3%	14%