

TCBI Q2 2014 Earnings

July 23, 2014



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Opening Remarks & Financial Highlights



Strong Balanced Growth

- Solid growth in traditional LHI balances despite highly competitive C&I market
- Exceptional growth in Mortgage finance loans (MFLs)
- Continued strong growth in deposits, improving low-cost funding composition
- Asset sensitive position enhanced
- Average DDA growth particularly strong in Q2-2014

Core Earnings Power

- Growth in total loans produced strong growth in net revenue
- Operating leverage improved with rate of growth in net revenue greater than NIE
- Business model focused on organic growth demonstrates ability to produce high returns on invested capital following offerings in Q1-2014
- Growth driven by improvement in market share with increased capacity resulting from success in recruiting and product extension

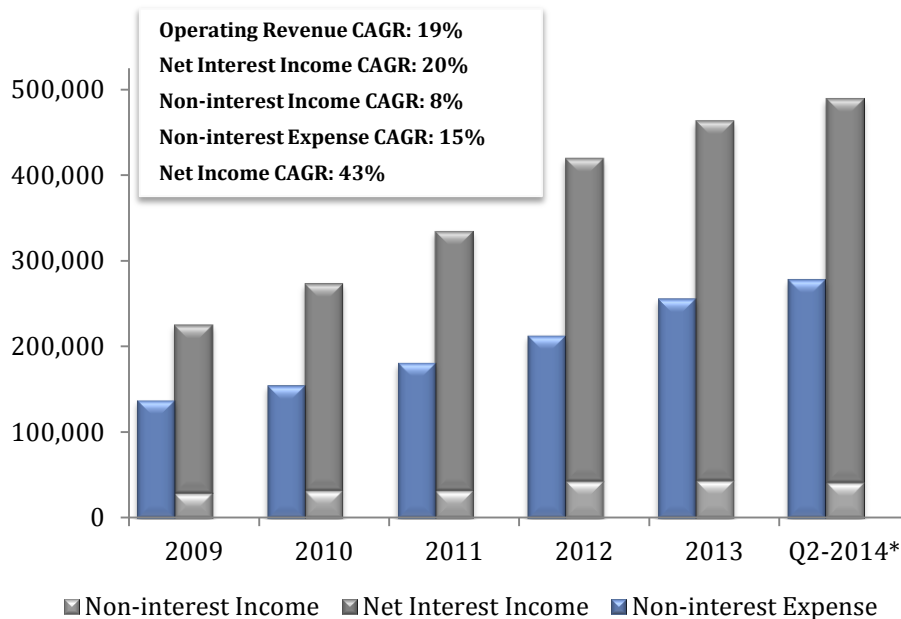
Credit Quality

- Credit metrics remain strong
- NCOs at 11 bps in Q2-2014
- NPAs well below pre-crisis levels
- High allowance coverage ratios
- Provision primarily related to growth in core LHI

Revenue & Expense



Revenue & Expense Trends



* Annualized based on 6/30/14 data.

Revenue & Expense Highlights

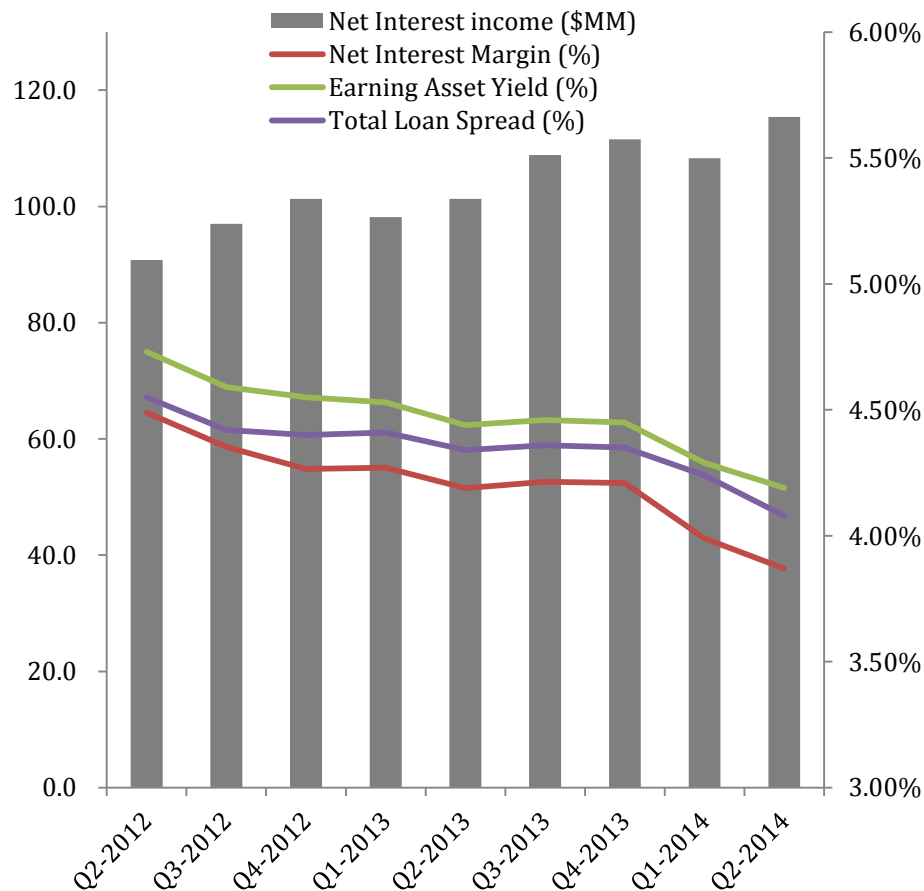
- Strong capacity for net revenue
 - Growth in total loans at spreads above 4.00%
 - Increased 6% from Q1-2014
 - Increased 12% from Q2-2013 despite increased sub debt expense
- High returns maintained
- Modest reduction in margin as a result of loan growth and higher proportion of MF loans to total loans
- Improved operating leverage in Q2-2014 with more modest growth in non-interest expense
- Continued build-out expense related to recruiting, product extension and support costs associated with growth
- Provision expense related to growth represents net interest income contribution of loan growth for 3+ months
- Organic growth produced improvements in ROA and ROE

Net Interest Income & Margin

NIM Highlights

- Net interest income growth of 7% from Q1-2014 and 14% from Q2-2013
- Yields on traditional LHI down modestly with solid growth
- Benefit of MFL growth on NII
- Growth in MFLs and change in composition of total loans had impact of 4 bps on NIM
- Core funding costs - deposits and borrowed funds - stable at 17 bps
- Effective utilization of liquidity growth in Q1-2014
- Emphasis on building liquidity will continue

Net Interest Income & Margin Trends



Analysis of Net Interest Income & Expenses



NII (\$MM)		NIM (%)
\$108.4	Q1 2014	3.99%
(2.4)	Decrease in LHI net loan yields	(.08)
(1.3)	Mix shift from LHI to MF	(.04)
(.9)	Full quarter of sub debt expense	(.03)
(.4)	Decrease in MF loan yields	(.01)
1.3	Impact of increase in day count	-
10.3	Impact of increase in earning assets	-
-	Decrease in liquidity	.03
.4	Other	.01
\$115.4	Q2 2014	3.87%

Non interest expense (\$MM)	Linked quarter increases/ (decreases)
Q1 2014	\$69.3
FICA	(1.9)
FAS 123R change (related to price)	(1.6)
Legal and professional (varies by quarter)	1.8
Incentive (normal ramp-up)	1.4
Salaries (continued build out)	1.0
All other	(.2)
Q2 2014	\$69.8

Performance Summary



(in thousands)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	\$ 115,407	\$ 108,315	\$ 111,475	\$ 108,776	\$ 101,220
Non-interest income	10,533	10,356	11,184	10,431	11,128
Net revenue	125,940	118,671	122,659	119,207	112,348
Provision for credit losses	4,000	5,000	5,000	5,000	7,000
OREO valuation and write-down expense	-	-	466	-	383
Total provision and OREO valuation	4,000	5,000	5,466	5,000	7,383
Non-interest expense	69,768	69,321	69,825	62,009	68,351
Income before income taxes	52,172	44,350	47,368	52,198	36,614
Income tax expense	18,754	16,089	17,012	18,724	12,542
Net income	33,418	28,261	30,356	33,474	24,072
Preferred stock dividends	2,437	2,438	2,438	2,437	2,438
Net income available to common shareholders	\$ 30,981	\$ 25,823	\$ 27,918	\$ 31,037	\$ 21,634
Diluted EPS	\$.71	\$.60	\$.67	\$.74	\$.52
Net interest margin	3.87%	3.99%	4.21%	4.21%	4.19%
ROA	1.08%	1.01%	1.10%	1.25%	0.95%
ROE	11.38%	10.20%	11.94%	13.74%	9.94%
Efficiency⁽¹⁾	55.4%	58.4%	56.9%	52.0%	60.8%

2014 Outlook

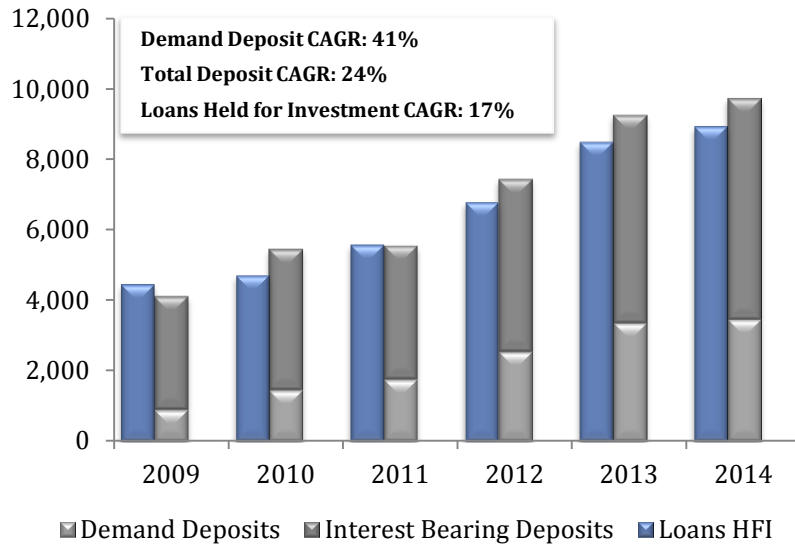


Business Driver	2014 Outlook v. 2013 Results	Changes since June 10, 2014
Average LHI	Low 20s percent growth, pace declining	Increased from mid to high teens
Average LHI- Mortgage Finance	Flat to slight increase, outperforming industry	Increased from flat to down
Average Deposits	Low 20's percent growth	Increased from high teens to low 20's
Liquidity Assets	Growth with 5-8 bps impact on NIM; impact increasing in second half of 2014 with minimal impact on net interest income	Increased from 5bps or less
Net Interest Income	Low double digit percent growth	-
Net Interest Margin	3.80% to 3.90%, driven by growth and above peer	-
Net Charge-Offs	Less than 0.15%, and continued strong credit quality	-
NIE	High single-digit to low double-digit percent growth	-
Efficiency Ratio	Less than 55%, slight reduction from 2013	-

Loan & Deposit Growth

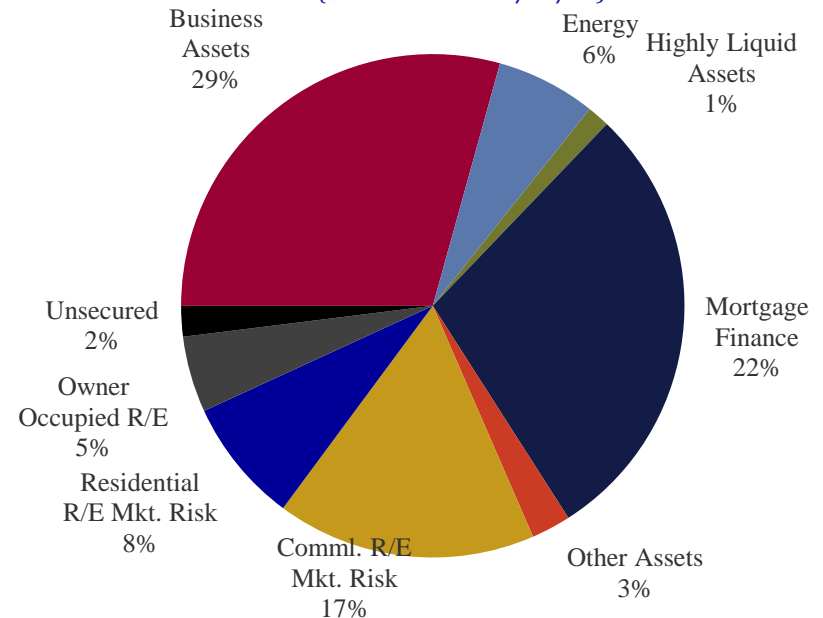


Balance Trends



Total Loan Composition

(\$12.9 Billion at 6/30/14)



Growth Highlights

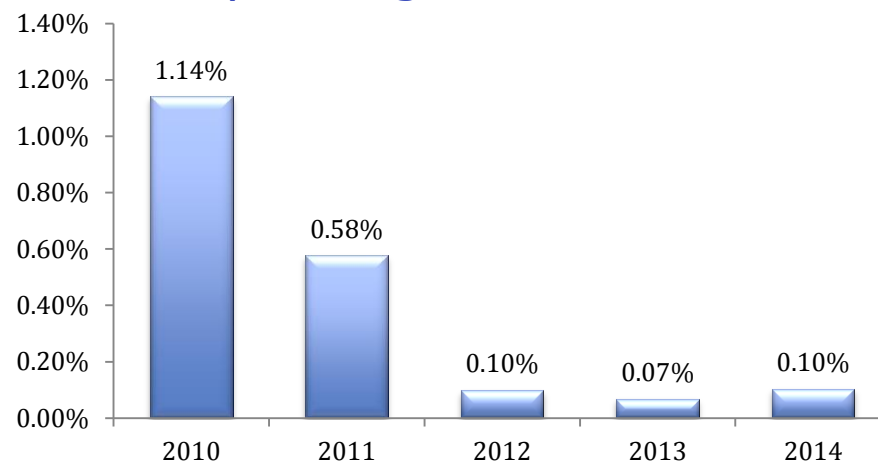
- Broad-based growth in average traditional LHI – Growth of \$266.3 million (3%) from Q1-2014 and \$1.8 billion (26%) from Q2-2013. Period-end balance \$168.5 million higher than Q2-2014 average balance and 22% above Q2-2013 period-end balance. Quarter-end balance is 22% above average for all of 2013
- MF performance exceeded industry trends with increase in averages of 39% from Q1-2014
- Average DDA increased 7% from Q1-2014 and 25% from Q2-2013; total average deposits increased 5% from Q1-2014 and 24% from Q2-2013

Asset Quality



	Q2-2014
Non-accrual loans	
Commercial	\$ 25,545
Construction	-
Real estate	15,998
Consumer	-
Equipment leases	22
Total non-accrual loans	41,565
Non-accrual loans as % of loans excluding MF	.45%
Non-accrual loans as % of total loans	.32%
OREO	685
Total Non-accruals + OREO	\$ 42,250
Non-accrual loans + OREO as % of loans excluding MF + OREO	.46%
Reserve to non-accrual loans	2.2x

NCO / Average Traditional LHI



Asset Quality Highlights

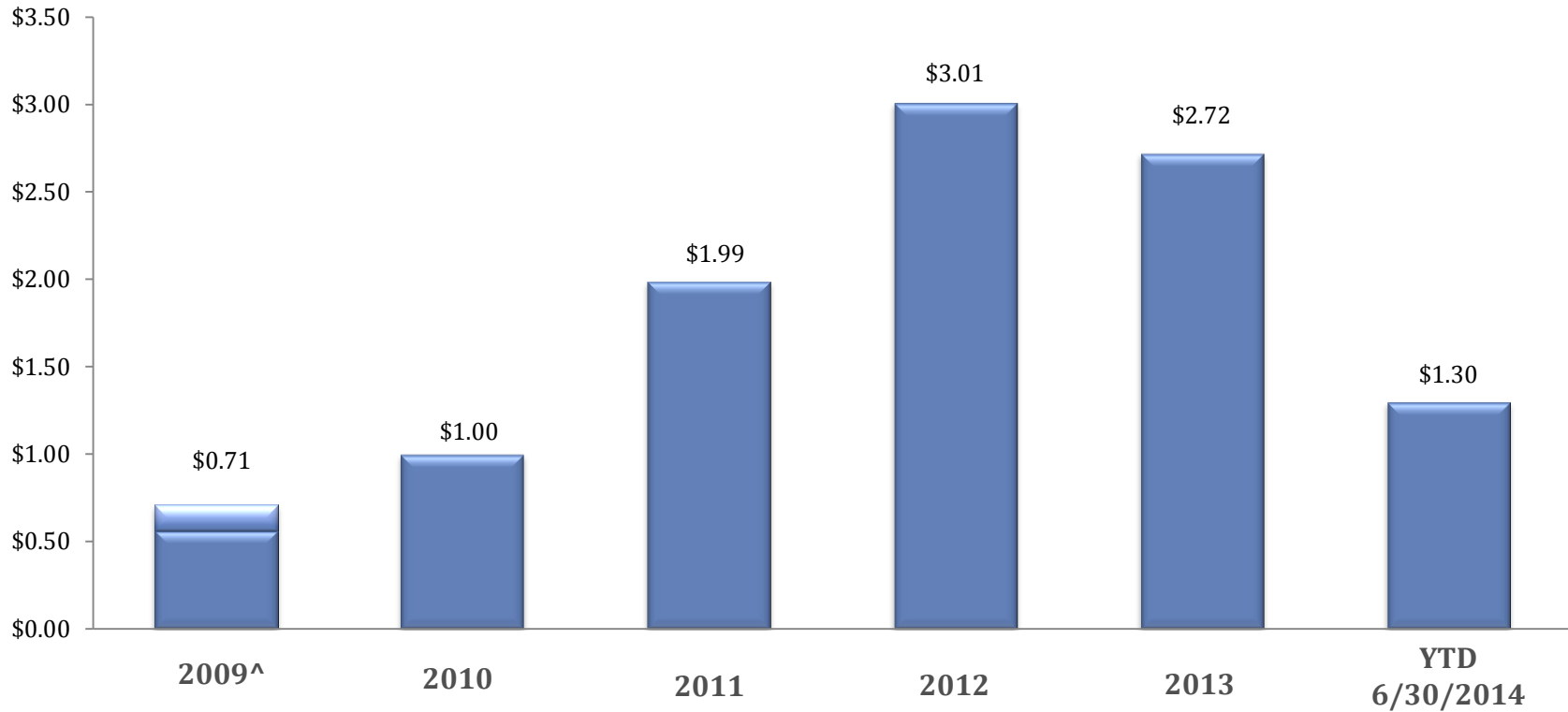
- Total credit cost of \$4.0 million for Q2-2014, compared to \$5.0 million in Q1-2014 and \$7.4 million in Q2-2013
- NCOs \$2.5 million, or 11 bps, in Q2-2014 compared to 10 bps in Q1-2014 and 13 bps in Q2-2013
- No OREO valuation charge in Q2-2014 or Q1-2014 compared to \$383,000 in Q2-2013
- Reduction in NPAs and ORE now less than \$1 million

EPS Growth



EPS Growth

(5-yr CAGR of 41%)



[^]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 challenging environment
- Solid core earnings power and strong asset growth expected to continue in 2014 and beyond
- Continue to be 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
- Excellent credit quality position maintained
- Mortgage Finance clearly exceeding industry trends with improved market position



Q&A



Appendix

Average Balances, Yields & Rates - Quarterly



(in thousands)	Q2 2014		Q1 2014		Q2 2013	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 50,487	4.00%	\$ 57,581	4.18%	\$ 78,906	4.42%
Fed funds sold & liquidity investments	198,058	.22%	304,042	.27%	145,625	.20%
Loans held for investment, mortgage finance	2,822,560	3.30%	2,027,264	3.36%	2,406,246	3.74%
Loans held for investment	8,984,230	4.51%	8,717,969	4.61%	7,152,323	4.71%
Total loans, net of reserve	11,716,685	4.25%	10,657,547	4.41%	9,483,563	4.50%
Total earning assets	11,965,230	4.19%	11,019,170	4.29%	8,708,094	4.44%
Total assets	\$12,362,168		\$11,401,368		\$10,110,992	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 6,326,034	.27%	\$ 6,105,214	.27%	\$ 5,130,200	.25%
Other borrowings	666,405	.18%	293,012	.24%	727,158	.20%
Subordinated notes	286,000	5.95%	227,667	6.20%	111,000	6.61%
Long-term debt	113,406	2.19%	113,406	2.20%	113,406	2.24%
Total interest bearing liabilities	7,391,845	.51%	6,739,299	.50%	6,081,764	.40%
Demand deposits	3,629,941		3,381,501		2,914,341	
Stockholders' equity	1,241,787		1,177,054		1,023,279	
Total liabilities and stockholders' equity	\$12,362,168	.31%	\$11,401,368	.30%	\$10,110,992	.24%
Net interest margin		3.87%		3.99%		4.19%
Total deposits and borrowed funds	\$10,622,380	.17%	\$ 9,779,727	.17%	\$ 8,771,699	.16%
Loan spread		4.08%		4.24%		4.34%

Average Balance Sheet - Quarterly



(in thousands)	QTD Average			Q2/Q1 % Change	YOY % Change
	Q2 2014	Q1 2014	Q2 2013		
Total assets	\$12,362,168	\$11,401,368	\$10,110,992	8%	22%
Loans held for investment	8,984,230	8,717,969	7,152,323	3%	26%
Loans held for investment, mortgage finance	2,822,560	2,027,264	2,406,246	39%	17%
Total loans	11,806,790	10,745,233	9,558,569	10%	24%
Securities	50,487	57,581	78,906	(12)%	(36)%
Demand deposits	3,629,941	3,381,501	2,914,341	7%	25%
Total deposits	9,955,975	9,486,715	8,044,541	5%	24%
Stockholders' equity	1,241,787	1,177,054	1,023,279	5%	21%

Ending Balance Sheet - Quarterly



(in thousands)	Period End			Q2/Q1 % Change	YOY % Change
	Q2 2014	Q1 2014	Q2 2013		
Total assets	\$13,532,536	\$12,143,296	\$10,977,990	11%	23%
Loans held for investment	9,152,715	8,928,033	7,510,662	3%	22%
Loans held for investment, mortgage finance	3,700,253	2,688,044	2,838,234	38%	30%
Total loans	12,852,968	11,616,077	10,348,896	11%	24%
Securities	49,330	52,960	75,861	(7)%	(35)%
Demand deposits	4,181,774	3,451,294	2,928,735	21%	43%
Total deposits	10,757,316	9,729,128	7,980,598	11%	35%
Stockholders' equity	1,262,816	1,230,131	1,034,955	3%	22%