


TCBI Q3 2019 Earnings

October 16, 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>
\$24.7 billion	\$27.4 billion	\$88.1 million	\$1.70	13.22%	1.06%

Net Interest Income and Margin

- Net interest income increased 4% from Q2-2019 and increased 9% from Q3-2018
- Net interest margin decreased 25 bps from Q2-2019 to 3.16% and decreased 54 bps from Q3-2018
- LIBOR movement reflected in core LHI yields and mortgage finance yields impacted by volume pricing

Balance Sheet Growth

- Average LHI, excluding MFLs, increased 1% from Q2-2019 (\$119.7 million); and increased 3% from Q3-2018 (\$569.8 million)
- Average total MFLs increased 12% from Q2-2019 (\$1.1 billion); 54% from Q3-2018 (\$3.7 billion)
- Average total deposits increased 18% from Q2-2019 (\$4.1 billion); 28% from Q3-2018 (\$5.8 billion)

Operating Leverage

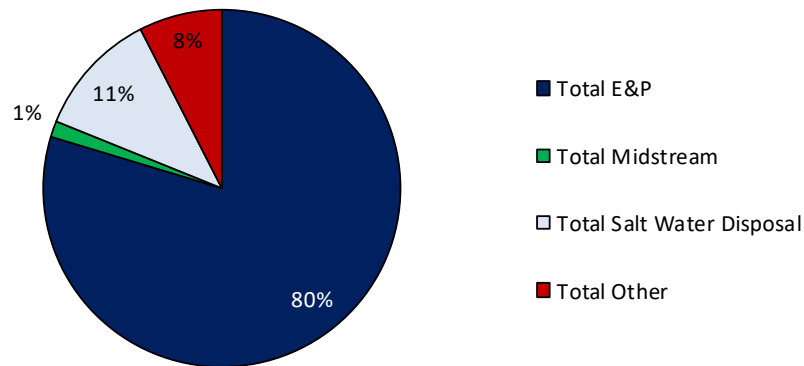
- Net revenue increased 2% from Q2-2019 and increased 6% from Q3-2018
- Non-interest expense increased 6% from Q2-2019 and increased 10% from Q3-2018

Credit Quality

- Criticized loans were \$536.3 million compared to \$629.1 million at Q2-2019 and \$359.6 million at Q3-2018
- NCOs / average total LHI of .58% for Q3-2019 compared to .34% for Q2-2019 and .04% for Q3-2018
- Non-accrual loans / total LHI of .49%, compared to .47% in Q2-2019 and .49% in Q3-2018

Energy and Leveraged Lending Update

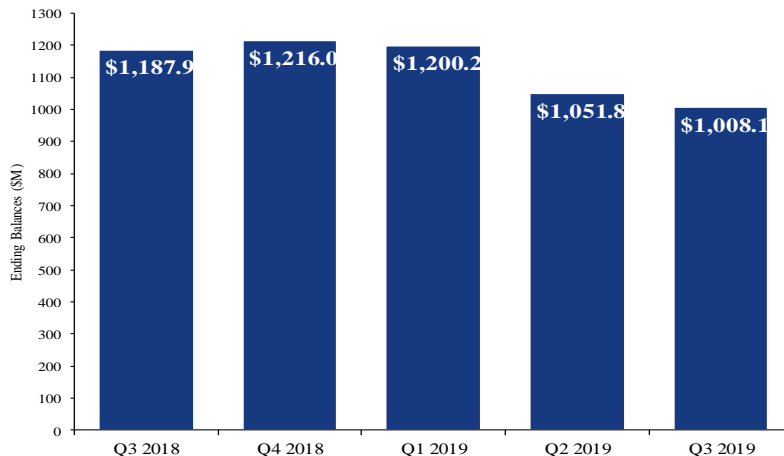
Energy Outstandings 9/30/19



Energy

- Outstanding energy loans represented 6% of total loans, or \$1.5 billion, at Q3-2019 compared to 6%, or \$1.6 billion, at Q2-2019 and 6%, or \$1.5 billion, at Q3-2018
- Non-accruals totaled \$63.2 million at Q3-2019 compared to \$61.1 million at Q2-2019 and \$31.2 million at Q3-2018
- Criticized energy loans totaled \$136.0 million (9% of outstanding energy loans) at Q3-2019 compared to \$151.5 million (10%) at Q2-2019 and \$75.8 million (5%) at Q3-2018
- Allocated reserves of \$47.2 million represents 3% of outstanding energy loans

C&I Leveraged Outstandings 9/30/19



C&I Leveraged

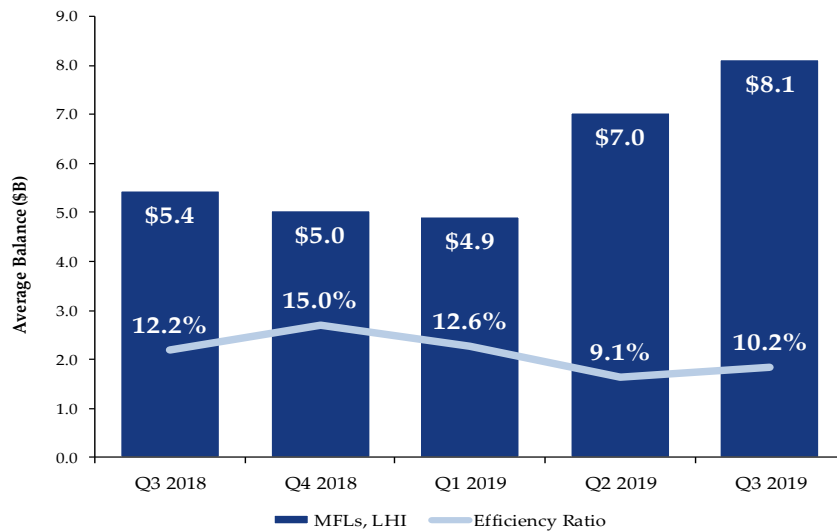
- Outstanding C&I leveraged loans decreased \$207.9 million, or 17%, from Q4-2018; on track for expected 25%-30% reduction for full year 2019
- Outstanding C&I leveraged loans represented 4% of total loans, or \$1.0 billion, at Q3-2019 compared to 4%, or \$1.1 billion, at Q2-2019 and 5%, or \$1.2 billion, at Q3-2018
- Non-accruals totaled \$28.3 million (3% of outstanding C&I leveraged loans) at Q3-2019, compared to \$25.0 million (2%) at Q2-2019 and \$47.4 million (4%) at Q3-2018
- Criticized loans totaled \$177.1 million (18% of outstanding C&I leveraged loans) at Q3-2019, compared to \$197.3 million (19%) at Q2-2019 and \$97.4 million (8%) at Q3-2018
- Allocated reserves of \$62.0 million represents 6% of outstanding C&I leveraged loans
- No significant concentration in any industry

Mortgage Finance, LHI

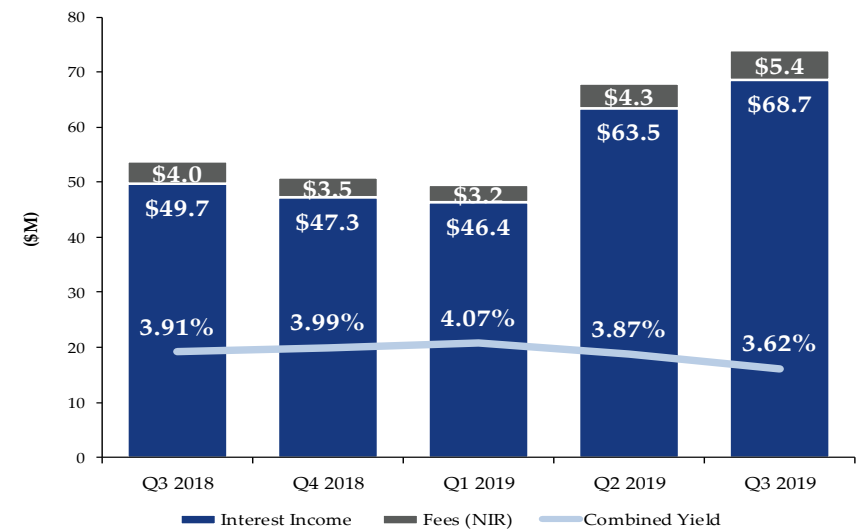
Core Strengths

- 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



Earning Asset Yield

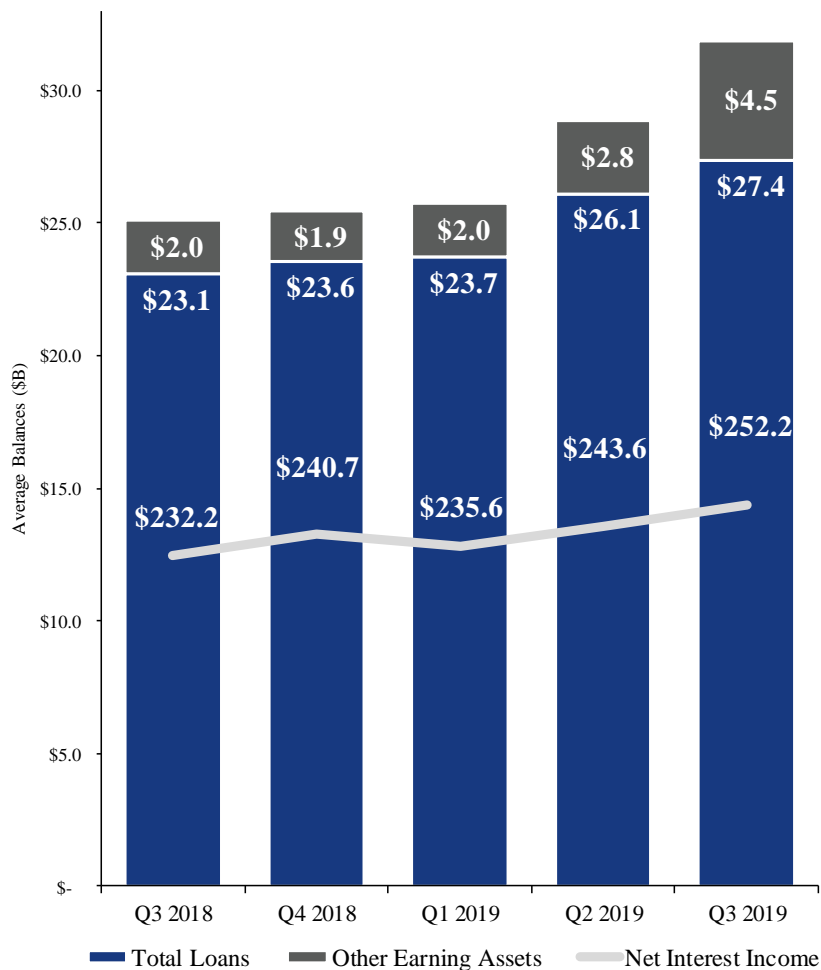


1M LIBOR*	2.11%	2.35%	2.50%	2.44%	2.17%
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*Average of quarter's daily 1M LIBOR rates

Net Interest Income & Margin

Average Earning Assets & Net Interest Income



Quarterly Change

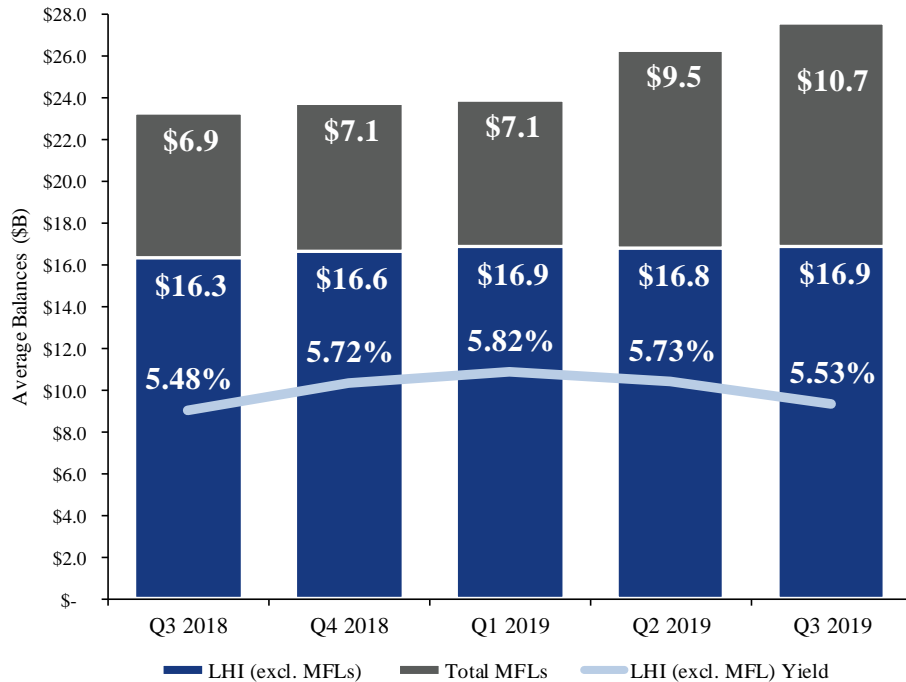
NII (\$MM)		NIM (%)
\$243.6	Q2 2019	3.41%
11.5	Increase in loan balances	-
7.0	Contribution from free funds	.09
6.5	Decrease in funding costs	.08
2.7	Increase in day count	-
(.4)	Increase in liquidity	(.18)
(4.6)	Mix shift from LHI to MF	(.06)
(5.5)	Decrease in MF loan yields	(.07)
(8.5)	Decrease in LHI loan yields	(.11)
(.1)	Other	-
\$252.2	Q3 2019	3.16%

Highlights

- Impact of continued downward LIBOR move reflected in traditional LHI yields
- Mortgage finance yields impacted by volume pricing
- MCA/LHS yields impacted by decline in mortgage rates
- Total funding costs declined significantly with declining rates and lower usage of borrowings; decrease of 15 bps during Q3-2019 compared to increase of 2 bps during Q2-2019
- Deposit costs decreased 8 bps during Q3-2019 compared to a decrease of 4 bps during Q2-2019

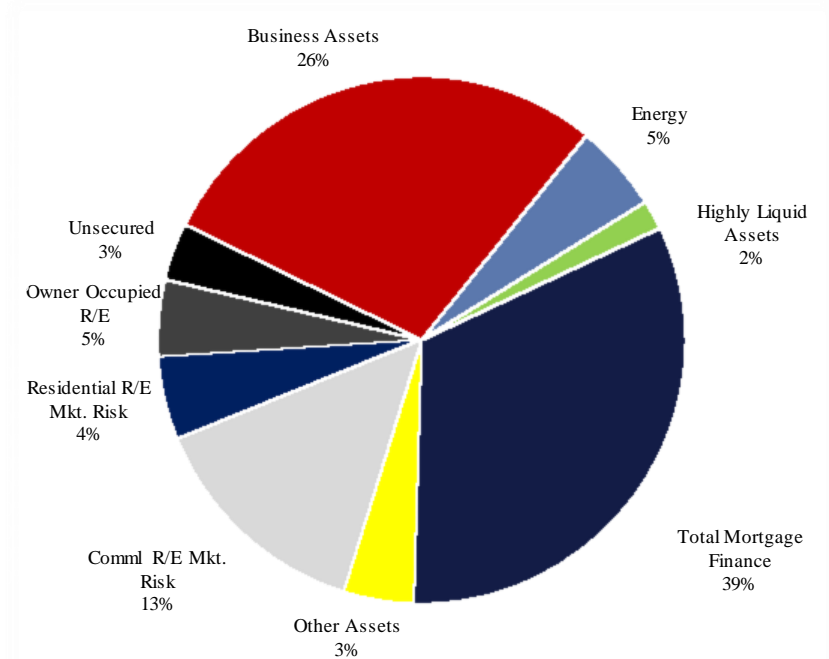
Loan Growth

Average Loans & Yield



Loan Composition

(\$27.4 Billion outstanding balance 9/30/19)

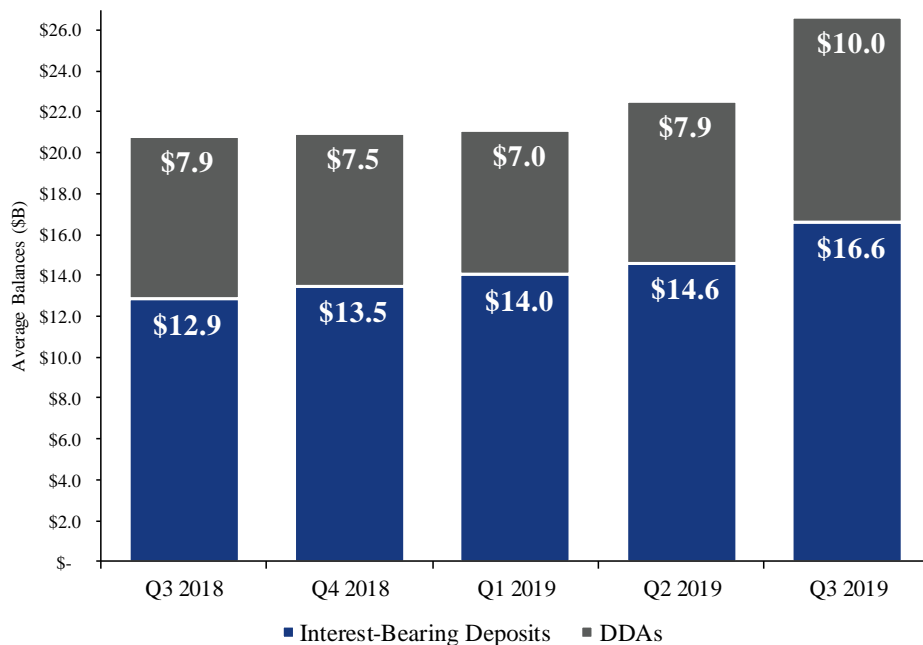


Growth Highlights

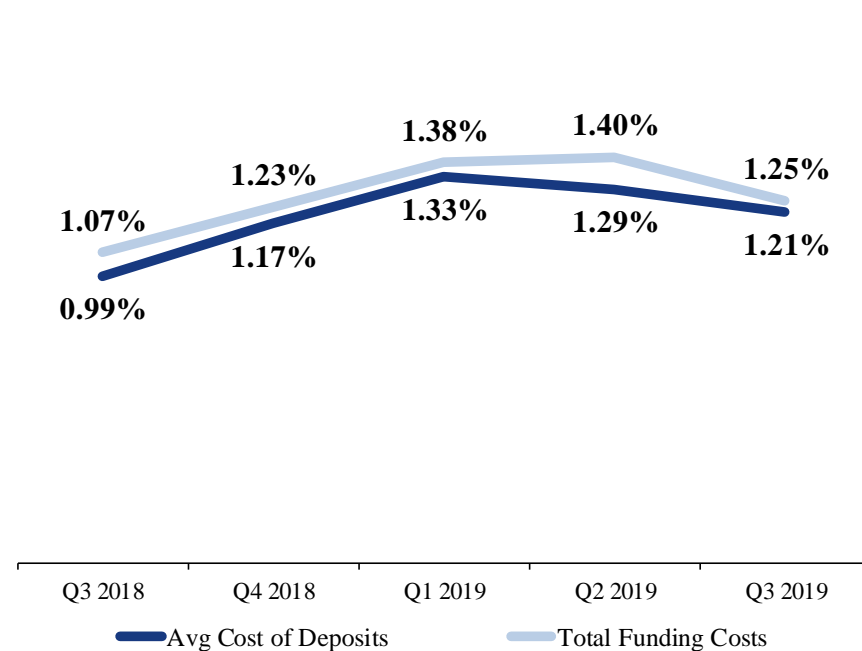
- Average LHI, excluding MFLs, up \$119.7 million (1%) from Q2-2019 and \$569.8 million (3%) from Q3-2018
- Decrease in LHI, excluding MFLs, at end of the quarter; period-end balance \$128.6 million lower than Q3-2019 average balance
- Increase in average total MFL balances of \$1.1 billion (12%) from Q2-2019 and \$3.7 billion (54%) from Q3-2018
- Average total MFLs represent 39% of average total loans for Q3-2019 compared to 36% for Q2-2019 and 39% at period end

Deposit Growth

Average Deposits



Funding Costs



Growth Highlights

- Deposit costs decreased 8 bps during Q3-2019 and total funding costs decreased 15 bps; compared to a decrease of 4 bps and an increase of 2 bps, respectively, in Q2-2019
- 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
- Decrease in total funding costs resulting from lower FHLB borrowings

Non-interest Expense

Quarterly Change

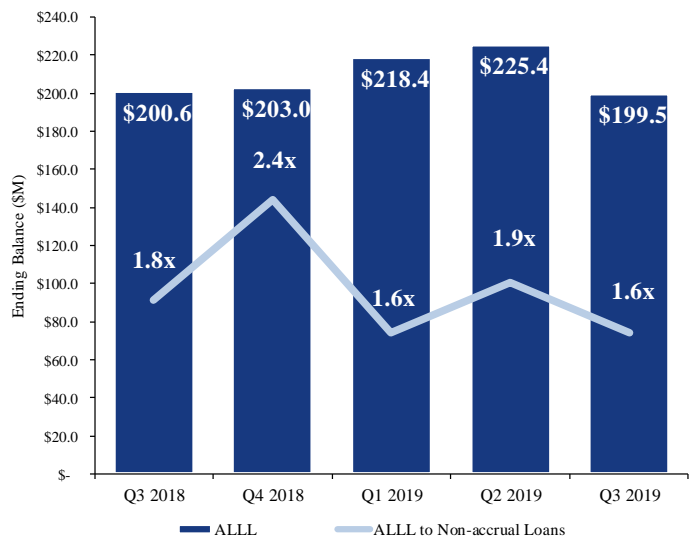
Non-interest expense (\$MM)	Increase/ (Decrease)
Q2 2019	\$141.6
Salaries and employee benefits – salaries only	1.1
Salaries and employee benefits – non-LTI incentives and annual incentive pool	1.6
Salaries and employee benefits – severance	1.2
Salaries and employee benefits – FAS 123R (includes stock price changes)	(.4)
Salaries and employee benefits – FICA and seasonal payroll related items	(.3)
Marketing expense	.7
Legal and professional	1.4
FDIC insurance assessment	1.1
Servicing related expenses	2.1
All other – includes occupancy, communications and technology and OREO related expenses	(.7)
Q3 2019	\$149.4

NIE

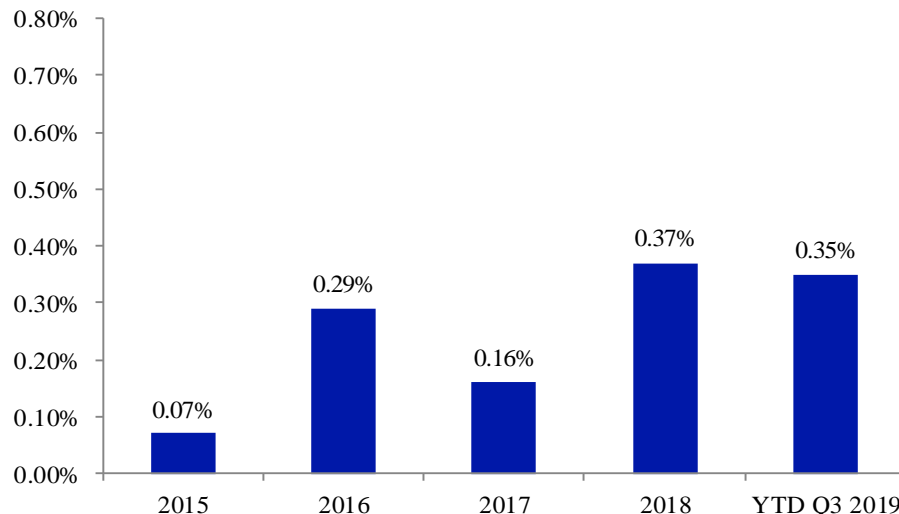
- Changes in Salaries & Benefits components
 - Annual incentive accrual ramps throughout the year and generally higher in Q3 than Q2 based on improved earnings
 - Severance payments related to organizational changes
 - Decrease in FAS 123R expense mainly due to stock price
- Marketing expense has variable component tied to deposits
- Servicing related expenses include increased MSR amortization expense resulting from higher mortgage prepayment rates
- Classification of variable portion of marketing, as well as servicing expenses, is punitive to efficiency ratio
- Efficiency ratio 54.8% for Q3-2019 compared to 52.8% for both Q2-2019 and Q3-2018
- Non-interest expense to average earnings assets is more reflective of improvement in managing core operating expense; 1.86% for Q3-2019 compared to 1.97% in Q2-2019 and 2.15% in Q3-2018

Asset Quality

Allowance for Credit Losses

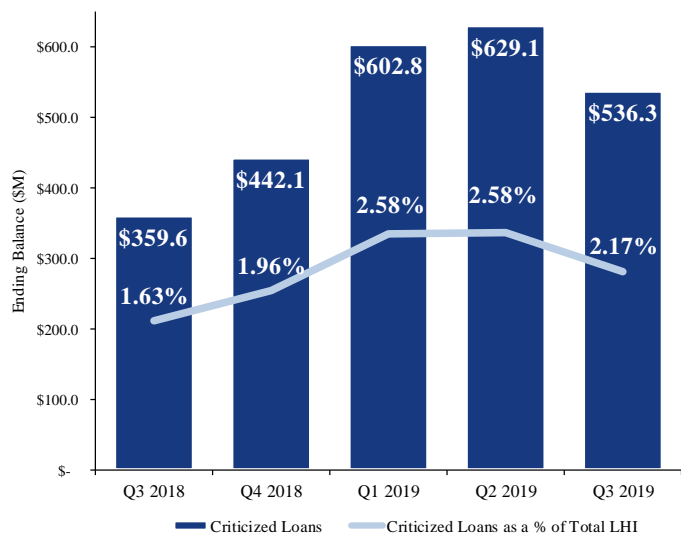


NCO/Average Total LHI



Year	Combined Reserves/Total LHI
2015	.90%
2016	1.03%
2017	.94%
2018	.90%
YTD Q3 2019	.81%

Criticized Loans as % of Total LHI



Asset Quality Highlights

- Credit cost of \$11.0 million for Q3-2019, compared to \$27.0 million in Q2-2019 and \$13.0 million in Q3-2018
- NCOs \$36.9 million (\$16.5 million in energy and \$20.5 million in leveraged lending), or 58 bps of average total LHI, in Q3-2019 compared to \$20.0 million, or 34 bps, in Q2-2019 and 4 bps in Q3-2018; YTD Q3-2019 NCOs \$61.5 million (\$31.7 million energy and \$24.0 million leveraged lending)
- NPL ratio increased to .49% of total LHI at Q3-2019 compared to .47% at Q2-2019 and remained flat compared to .49% at Q3-2018
- Criticized loans decreased to \$536.3 million at Q3-2019 compared to \$629.1 million at Q2-2019 and increased from \$359.6 million at Q3-2018

Performance Summary - Quarterly

<i>(in thousands except per share data)</i>	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	\$ 252,168	\$ 243,553	\$ 235,614	\$ 240,673	\$ 232,175
Non-interest income	20,301	24,364	30,014	15,280	25,518
Net revenue	272,469	267,917	265,628	255,953	257,693
Provision for credit losses	11,000	27,000	20,000	35,000	13,000
OREO write-down	-	-	-	-	(2,000)
Non-interest expense	149,370	141,561	140,378	129,862	138,143
Income before income taxes	112,099	99,356	105,250	91,091	108,550
Income tax expense	23,958	21,387	22,411	19,200	22,998
Net income	88,141	77,969	82,839	71,891	85,552
Preferred stock dividends	2,438	2,437	2,438	2,437	2,438
Net income available to common shareholders	\$ 85,703	\$ 75,532	\$ 80,401	\$ 69,454	\$ 83,114
Diluted EPS	\$ 1.70	\$ 1.50	\$ 1.60	\$ 1.38	\$ 1.65
Net interest margin	3.16%	3.41%	3.73%	3.78%	3.70%
ROA	1.06%	1.05%	1.26%	1.09%	1.31%
ROE	13.22%	12.20%	13.58%	11.82%	14.68%
Non-interest expense to average earning assets	1.86%	1.97%	2.21%	2.03%	2.15%
Efficiency	54.8%	52.8%	52.8%	50.7%	52.8%
Efficiency, excl. OREO write-down	54.8%	52.8%	52.8%	50.7%	53.6%

2019 Outlook

Business Driver	2019 Outlook v. 2018 Results	Comments & Changes since July 17, 2019
Average LHI	Mid-single digit percent growth	-
Average LHI – Mortgage Finance	Mid to high-thirties percent growth	Increased from low to mid-twenties percent growth
Loans held for sale (MCA)	\$2.5 billion average	-
Average Deposits	High-teens percent growth	Increased from low-double digit percent growth
Net Revenue	High-single digit percent growth	-
Net Interest Margin	3.20% to 3.30%	Decreased from 3.35% to 3.45%
Provision Expense	High \$60 to high \$70 million level	Decreased from mid to high \$80 million level
NIE	Mid to high-single digit percent growth	-
Efficiency Ratio	Low-50s	-

Long-term Outlook

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

Key Assumptions

- Remain committed to the financial goals, which include investing over the short term in initiatives needed to achieve them, but timeline will be more challenging in existing rate environment
- Risk-appropriate C&I industry verticals are a focus to drive self-funding improvements and reduce reliance on leveraged lending
- As the Mortgage Finance brand strengthens and relationships expand, serving high-value clients and maximizing returns provides additional flexibility to optimize balance sheet over the coming years
- Meaningful investments in lower-cost, lower-beta core deposit verticals achieve growth and ROI targets, mitigating the earnings impacts caused by rate volatility and allowing for a more efficient balance sheet
- While volatility in provision can be experienced, NCOs remain 20-25 bps of average total LHI
- Product enhancements and expanded offerings improve non-interest income contribution to total revenue
- Internal investments yield core efficiency benefits and allow for only moderate overhead growth over the horizon
- Committed to efficient use of shareholder capital and repositioning the balance sheet to maintain liquidity at efficient levels

Closing Comments

- Commitment to delivering premier client experience to our clients and other new specialized industries offering opportunities for increased growth
- Slight decrease in linked quarter LHI, primarily from expected runoff in leveraged lending portfolio
- Continued strength in mortgage finance in seasonally strong quarter with additional volumes from lower mortgage rates; Q4-2019 volumes expected to be strong
- Deposit initiatives remain on track with highest potential verticals just starting to roll out, and also finding success in growing deposits in our existing client base
- More normalized provision for loan losses and decrease in total criticized loans were highlights of the quarter, and resulted in our lowering annual guidance on provision for loan losses
- Continued focus on operating expenses, but continuing to be opportunistic with attracting and hiring top revenue producing talent while driving efficiencies throughout the organization

Q&A



Appendix

Average Balances, Yields & Rates - Quarterly

<i>(in thousands)</i>	Q3 2019		Q2 2019		Q3 2018	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 239,834	4.69%	\$ 231,002	4.83%	\$ 115,519	4.87%
Liquidity assets	4,284,874	2.17%	2,520,263	2.36%	1,901,759	1.96%
Loans held for sale	2,555,269	4.07%	2,494,883	4.44%	1,484,459	4.62%
LHI, mortgage finance	8,118,025	3.36%	7,032,963	3.62%	5,443,829	3.62%
LHI	16,901,391	5.53%	16,781,733	5.73%	16,331,622	5.48%
Total LHI, net of reserve	24,806,518	4.87%	23,608,042	5.15%	21,596,224	5.06%
Total earning assets	31,886,495	4.44%	28,854,190	4.84%	25,097,961	4.80%
Total assets	\$32,886,612		\$29,794,983		\$25,975,915	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$16,615,417	1.93%	\$14,599,401	1.99%	\$12,852,883	1.61%
Other borrowings	2,896,477	2.27%	4,018,231	2.53%	2,275,640	2.11%
Total long-term debt	395,385	5.45%	395,295	5.56%	395,025	5.45%
Total interest bearing liabilities	19,907,279	2.05%	19,012,927	2.18%	15,523,548	1.78%
Demand deposits	9,992,406		7,929,266		7,940,503	
Total deposits	26,607,823	1.21%	22,528,667	1.29%	20,793,386	.99%
Stockholders' equity	2,722,421		2,632,485		2,395,562	
Total liabilities and stockholders' equity	\$32,886,612	1.25%	\$29,794,983	1.40%	\$25,975,915	1.07%
Net interest margin		3.16%		3.41%		3.70%
Total deposits and borrowed funds	\$29,504,300	1.31%	\$26,546,898	1.48%	\$23,069,026	1.10%

Average Balance Sheet - Quarterly

<i>(in thousands)</i>	QTD Average			Q3/Q2 % Change	YOY % Change
	Q3 2019	Q2 2019	Q3 2018		
Total assets	\$32,886,612	\$29,794,983	\$25,975,915	10%	27%
Loans held for sale	2,555,269	2,494,883	1,484,459	2%	72%
Loans held for investment	16,901,391	16,781,733	16,331,622	1%	3%
Loans held for investment, mortgage finance	8,118,025	7,032,963	5,443,829	15%	49%
Total loans held for investment	25,019,416	23,814,696	21,775,451	5%	15%
Total loans	27,574,685	26,309,579	23,259,910	5%	19%
Liquidity assets	4,284,874	2,520,263	1,901,759	70%	125%
Demand deposits	9,992,406	7,929,266	7,940,503	26%	26%
Total deposits	26,607,823	22,528,667	20,793,386	18%	28%
Stockholders' equity	2,722,421	2,632,485	2,395,562	3%	14%

Period End Balance Sheet

<i>(in thousands)</i>	Period End			Q3/Q2 % Change	YOY % Change
	Q3 2019	Q2 2019	Q3 2018		
Total assets	\$33,526,437	\$29,970,384	\$27,127,107	12%	24%
Loans held for sale	2,674,225	1,057,586	1,651,930	153%	62%
Loans held for investment	16,772,824	16,924,535	16,569,538	(1)%	1%
Loans held for investment, mortgage finance	7,951,432	7,415,363	5,477,787	7%	45%
Total loans held for investment	24,724,256	24,339,898	22,047,325	2%	12%
Total loans	27,398,481	25,397,484	23,699,255	8%	16%
Liquidity assets	4,993,185	3,480,902	2,615,570	43%	91%
Demand deposits	10,289,572	7,685,340	7,031,460	34%	46%
Total deposits	27,413,303	22,999,077	20,385,637	19%	34%
Stockholders' equity	2,757,433	2,668,452	2,426,442	3%	14%