

TCBI Q3 2013 Earnings

October 23, 2013



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Opening Remarks



- Strong continued core earnings growth, with provision reflecting another quarter of significant growth in LHI
- Continued improvement in NPAs
- Continued strong growth in deposits, specifically DDAs
- LHS levels down slightly as expected, with 2013 average to be relatively flat as compared to 2012 average

Financial Review



Net Income and EPS

- Increase in net income of 47% compared to Q2-2013, 23% compared to Q2-2013 before non-recurring FDIC charge and Q2-2013 charge of \$7.7 million
- Increase in EPS compared to Q2-2013
- Decrease in EPS compared to Q3-2012 due to preferred dividend in Q3-2013

Operating Leverage, Core Earnings Power & NIM

- Net Revenue
 - 6% increase from Q2-2013
 - 11% growth from Q3-2012
- Exceptional growth in LHI average balances
 - Growth of 8% from Q2-2013
 - Growth of 22% from Q3-2012
- Margin improved 2 bps from Q2-2013 to 4.21%
 - Strong LHI levels with favorable spreads; yields up slightly in LHI and LHS
 - Improved funding profile from growth in DDA and total deposits
- Provision for loan losses directly related to strong quarterly growth in LHI of \$540.7 million
- \$3.0 million of FDIC assessment (\$0.05 per share) included in non-interest expense in Q3-13
 - Relates to year-end 2011 and 2012 call reports which were amended for the change in risk weight applicable to our mortgage finance loans
 - Disputing the charge as we believe it is unwarranted given the circumstances; any recovery would be credited to a future quarter

Financial Review



Loan Growth

- Broad-based growth in LHI
 - Growth of \$579.6 million, or 8%, from Q2-2013
 - Period end balance \$319.4 million over average balance for the quarter
 - Averages increased 8% from Q2-2013 and 22% from Q3-2012
- Average LHS balances down 2% from Q2-2013 and 3% from Q3-2012
 - Results remained well above industry trends in mortgage origination and warehouse

Funding

- Funding profile optimal with exceptional DDA and total deposit growth
 - Average DDA increased 7% from Q2-2013 and 55% from Q3-2012
 - Total average deposits increased 9% from Q2-2013 and 31% from Q3-2012
- Total deposit cost stable at 17 bps

Credit Costs

- Total credit costs of \$5.0 million for Q3-2013
 - Provision of \$5.0 million compared to \$7.0 million in Q2-2013
 - No OREO valuation cost in Q3-2013 compared to \$382,000 in Q2-2013 and \$64,000 in Q3-2012
 - NCOs of \$46,000 (0 bps) compared to \$2.4 million (13 bps) in Q2-2013 and 8 bps for Q3-2012
- Favorable trend in NPA ratio with \$3.0 million (6%) decrease from Q2-13, including 2% OREO reduction

Income Statement - Quarterly



	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Net interest income	\$ 108,776	\$ 101,220	\$ 98,042	\$ 101,155	\$ 96,855
Non-interest income	10,431	11,128	11,281	12,836	10,552
Net revenue	119,207	112,348	109,323	113,991	107,407
Provision for credit losses	5,000	7,000	2,000	4,500	3,000
OREO valuation and write-down expense	–	382	71	955	64
Total provision and OREO valuation	5,000	7,382	2,071	5,455	3,064
Non-interest expense	62,009	68,352	55,629	59,119	53,457
Income before income taxes	52,198	36,614	51,623	49,417	50,886
Income tax expense	18,724	12,542	18,479	17,982	18,316
Net income	33,474	24,072	33,144	31,435	32,570
Preferred stock dividends	2,437	2,438	81	–	–
Net income available to common shareholders	\$ 31,037	\$ 21,634	\$ 33,063	\$ 31,435	\$ 32,570
Diluted EPS	\$.74	\$.52	\$.80	\$.76	\$.80
Diluted EPS excluding charges	\$.79	\$.64	\$.80	\$.76	\$.80
Net interest margin	4.21%	4.19%	4.27%	4.27%	4.36%
ROA	1.25%	0.95%	1.38%	1.27%	1.40%
ROA excluding FDIC charge	1.32%	0.95%	1.38%	1.27%	1.40%
ROE	13.74%	9.94%	15.82%	15.35%	17.27%
ROE excluding FDIC charge	14.59%	9.94%	15.82%	15.35%	17.27%
Efficiency ⁽¹⁾	52.0%	60.8%	50.9%	51.9%	49.8%
Efficiency excluding FDIC charge ⁽¹⁾	49.2%	60.8%	50.9%	51.9%	49.8%

QTD Average Balances, Yields and Rates



(in thousands)	Q3 2013		Q2 2013		Q3 2012	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 71,717	4.25%	\$ 78,906	4.42%	\$110,300	4.43%
Fed funds sold & liquidity investments	167,613	.19%	145,625	.20%	74,219	.30%
Loans held for sale	2,362,118	3.79%	2,406,246	3.74%	2,432,027	4.00%
Loans held for investment	7,731,901	4.72%	7,152,323	4.71%	6,313,263	4.81%
Total loans, net of reserve	10,014,468	4.53%	9,483,563	4.50%	8,672,917	4.63%
Total earning assets	10,253,798	4.46%	9,708,094	4.44%	8,857,436	4.59%
Total assets	\$10,637,766		\$10,110,992		\$9,256,864	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 5,612,874	.26%	\$ 5,130,200	.25%	\$4,649,823	.29%
Other borrowings	539,767	.20%	727,158	.20%	1,639,953	.21%
Subordinated notes	111,000	6.54%	111,000	6.61%	12,065	6.86%
Long-term debt	113,406	2.23%	113,406	2.24%	113,406	2.43%
Total interest bearing liabilities	6,377,047	.40%	6,081,764	.40%	6,415,247	.32%
Demand deposits	3,124,602		2,914,341		2,010,694	
Stockholders' equity	1,046,477		1,023,279		750,113	
Total liabilities and stockholders' equity	\$10,637,766	.24%	\$10,110,992	.24%	\$9,256,864	.22%
Net interest margin		4.21%		4.19%		4.36%

Financial Summary



(in thousands)	QTD Averages			Q3/Q2 % Change	YOY % Change
	Q3 2013	Q2 2013	Q3 2012		
Total assets	\$10,637,766	\$10,110,992	\$9,256,864	5%	15%
Loans held for investment	7,731,901	7,152,323	6,313,263	8%	22%
Loans held for sale	2,362,118	2,406,246	2,432,027	(2)%	(3)%
Total loans	10,094,019	9,558,569	8,745,290	6%	15%
Securities	71,717	78,906	110,300	(9)%	(35)%
Demand deposits	3,124,602	2,914,341	2,010,694	7%	55%
Total deposits	8,737,476	8,044,541	6,660,517	9%	31%
Stockholders' equity	1,046,477	1,023,279	750,113	2%	40%

Financial Summary



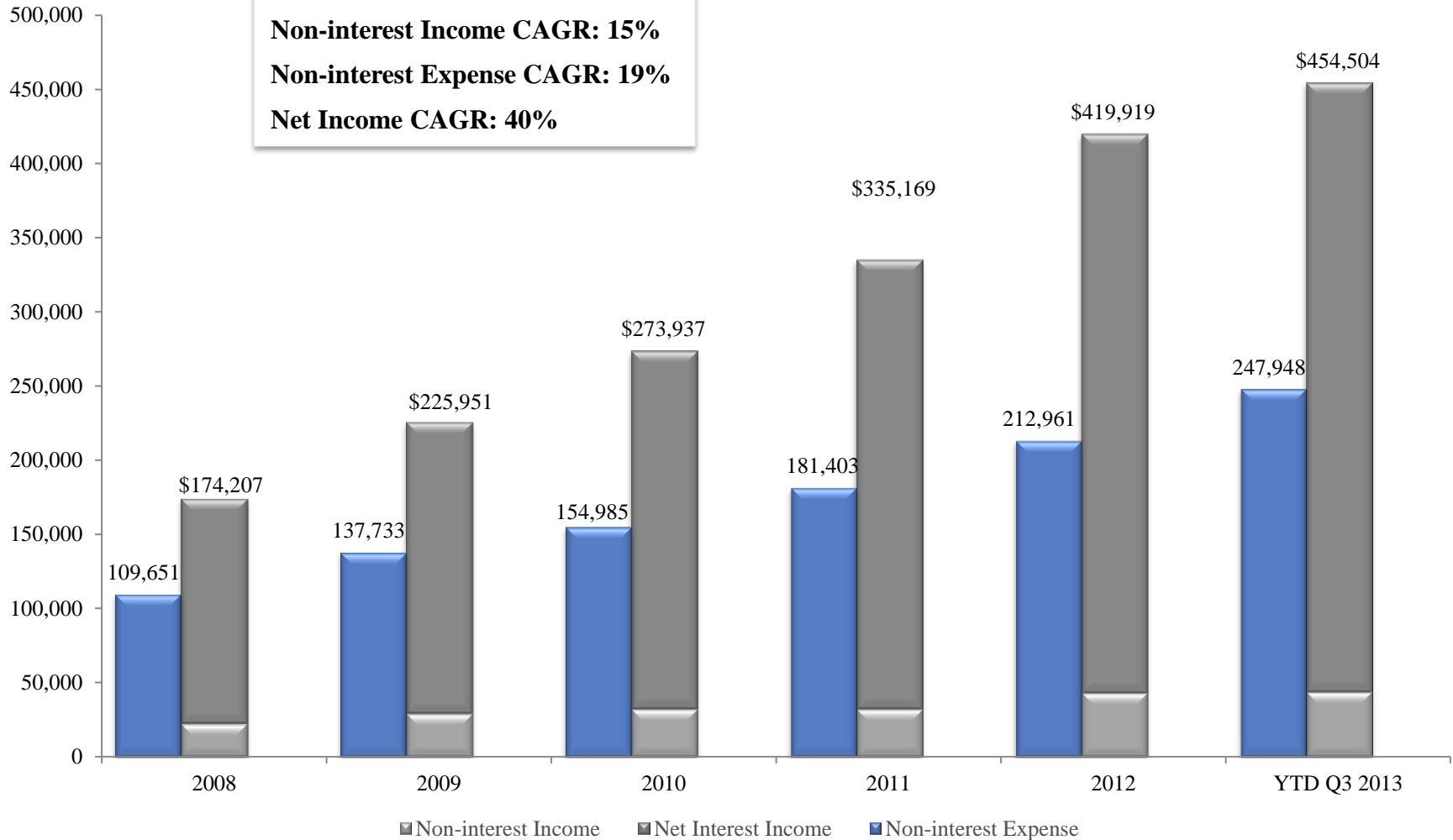
(in thousands)	Period End			Q3/Q2 % Change	YOY % Change
	Q3 2013	Q2 2013	Q3 2012		
Total assets	\$10,797,448	\$10,977,990	\$9,881,362	(2)%	9%
Loans held for investment	8,051,328	7,510,662	6,549,089	7%	23%
Loans held for sale	2,262,085	2,838,234	2,818,622	(20)%	(20)%
Total loans	10,313,413	10,348,896	9,367,711	(0)%	10%
Securities	67,815	75,861	107,288	(11)%	(37)%
Demand deposits	3,242,060	2,928,735	2,114,279	11%	53%
Total deposits	8,957,081	7,980,598	6,717,579	12%	33%
Stockholders' equity	1,066,629	1,034,955	802,406	3%	33%

Revenue and Income Growth



(\$ in thousands)

Operating Revenue CAGR: 22%
Net Interest Income CAGR: 23%
Non-interest Income CAGR: 15%
Non-interest Expense CAGR: 19%
Net Income CAGR: 40%

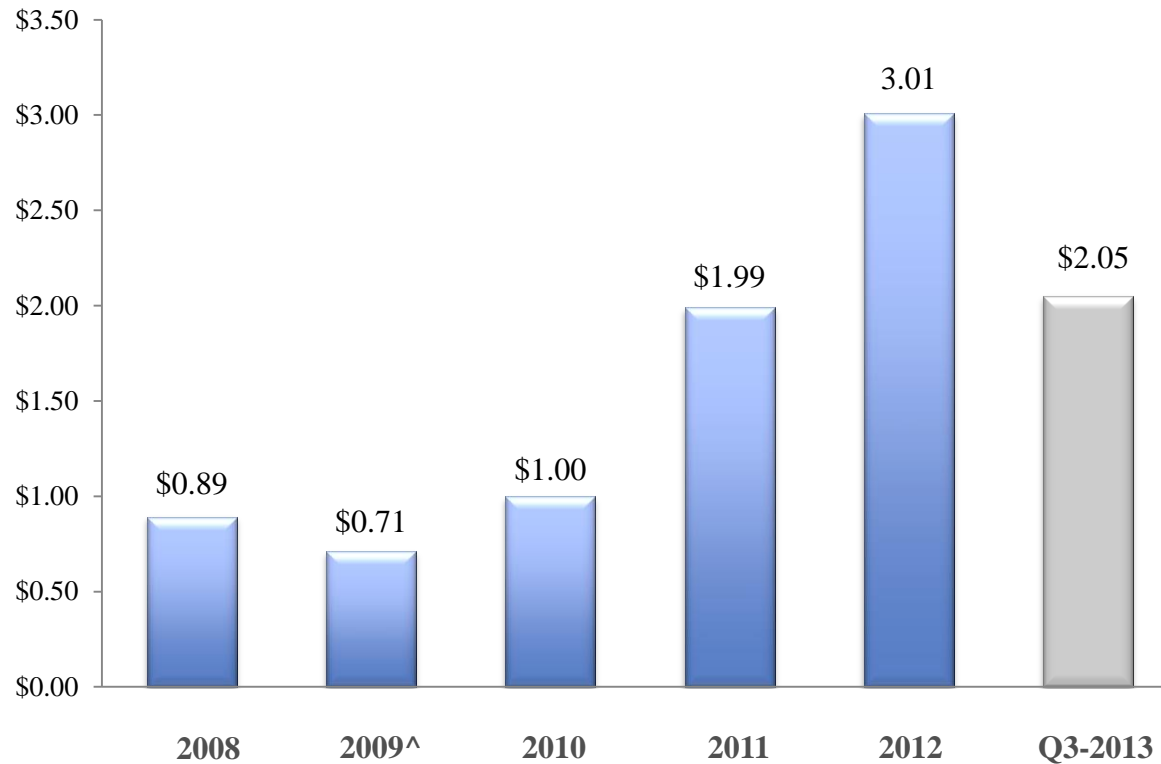


Note: Excludes OREO valuation charge for YTD 2013, 2012, 2011 and 2010. YTD Q3 2013 data is annualized.

EPS Growth



5 Year EPS CAGR: 27%



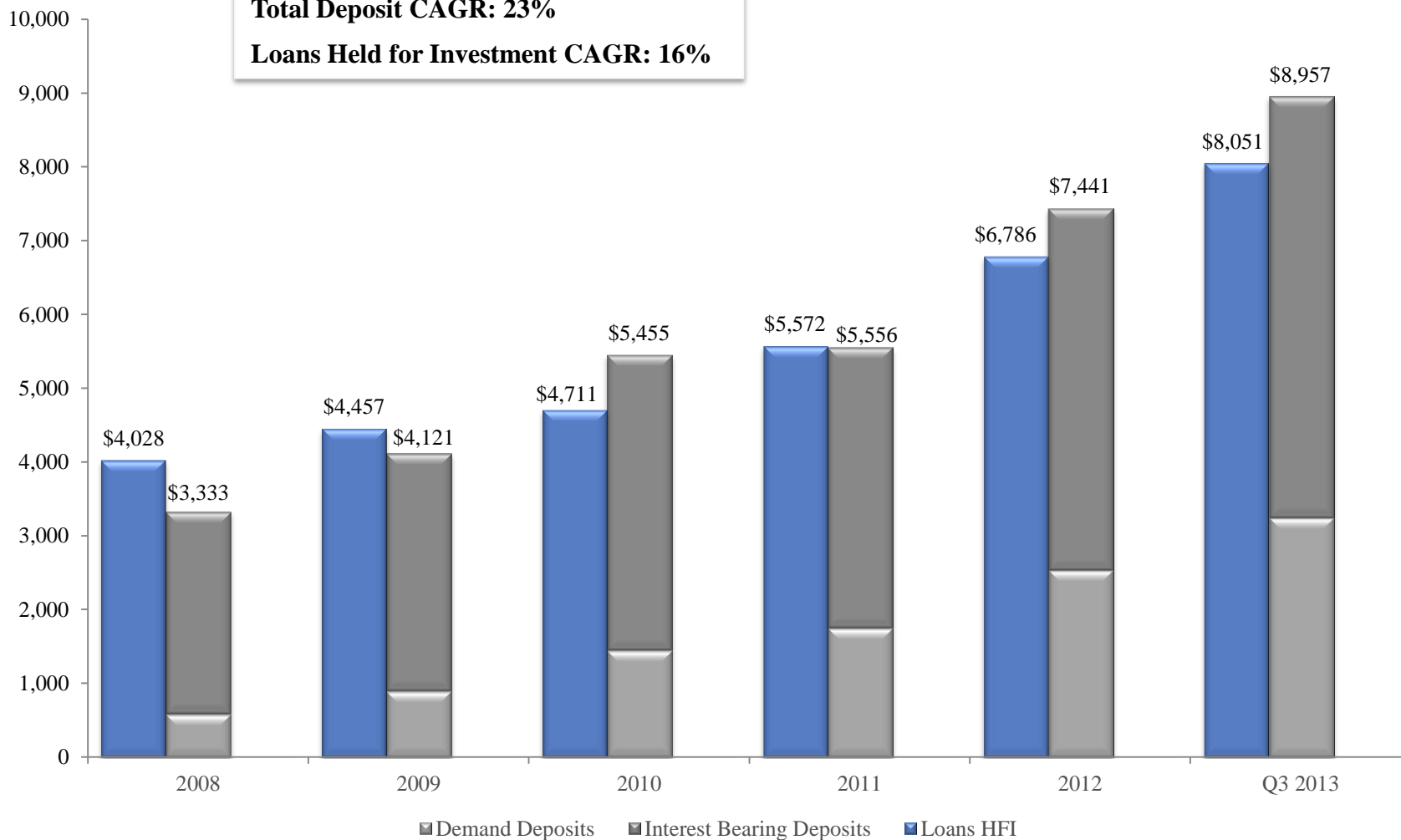
[^]Excludes \$.15 effect of preferred TARP dividend during 2009. Reported EPS was \$0.56.

Deposit and Loan Growth



(\$ in millions)

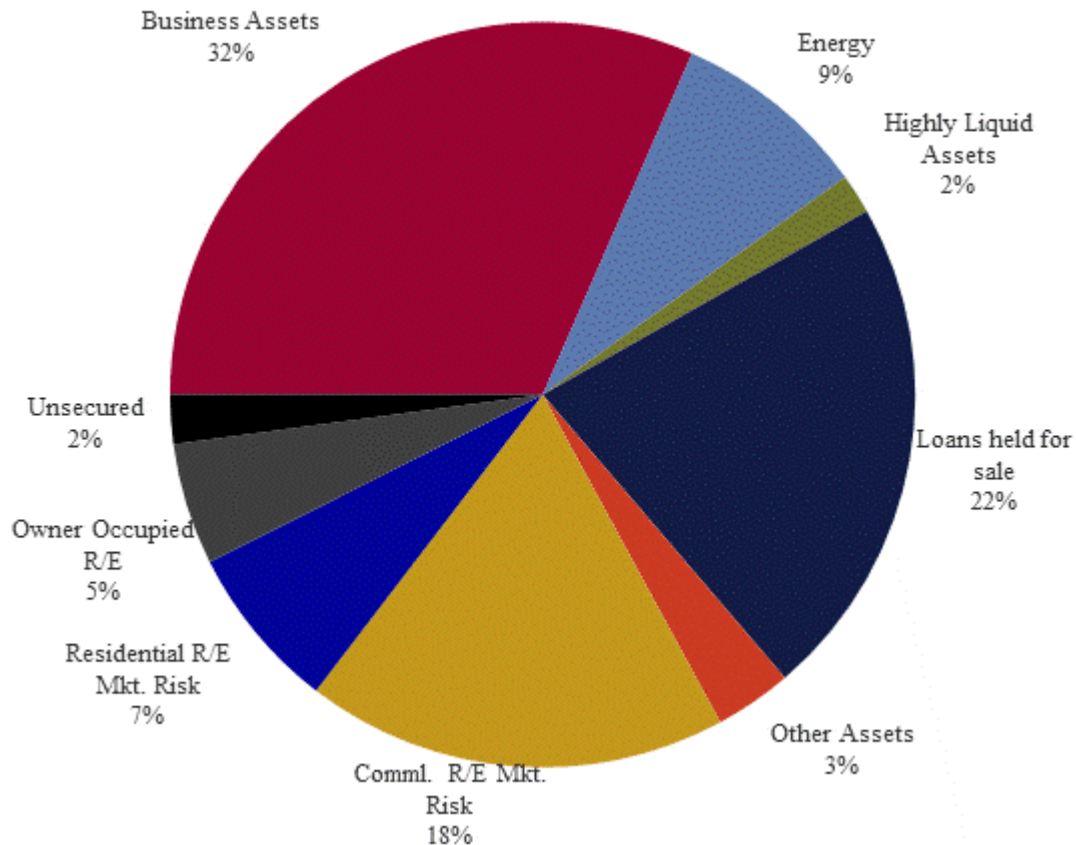
Demand Deposit CAGR: 43%
Total Deposit CAGR: 23%
Loans Held for Investment CAGR: 16%



Loan Portfolio Statistics



Loan Collateral by Type 9/30/13



Total Loans \$10,313,413

Non-accrual loans

Commercial	\$ 20,994
Construction	—
Real estate	14,616
Consumer	70
Equipment leases	57

Total non-accrual loans 35,737

Non-accrual loans as % of loans held for investment .44%

Non-accrual loans as % of total loans .35%

OREO 12,805

Total Non-accruals + OREO \$ 48,542

Non-accrual loans + OREO as % of loans held for investment + OREO .60%



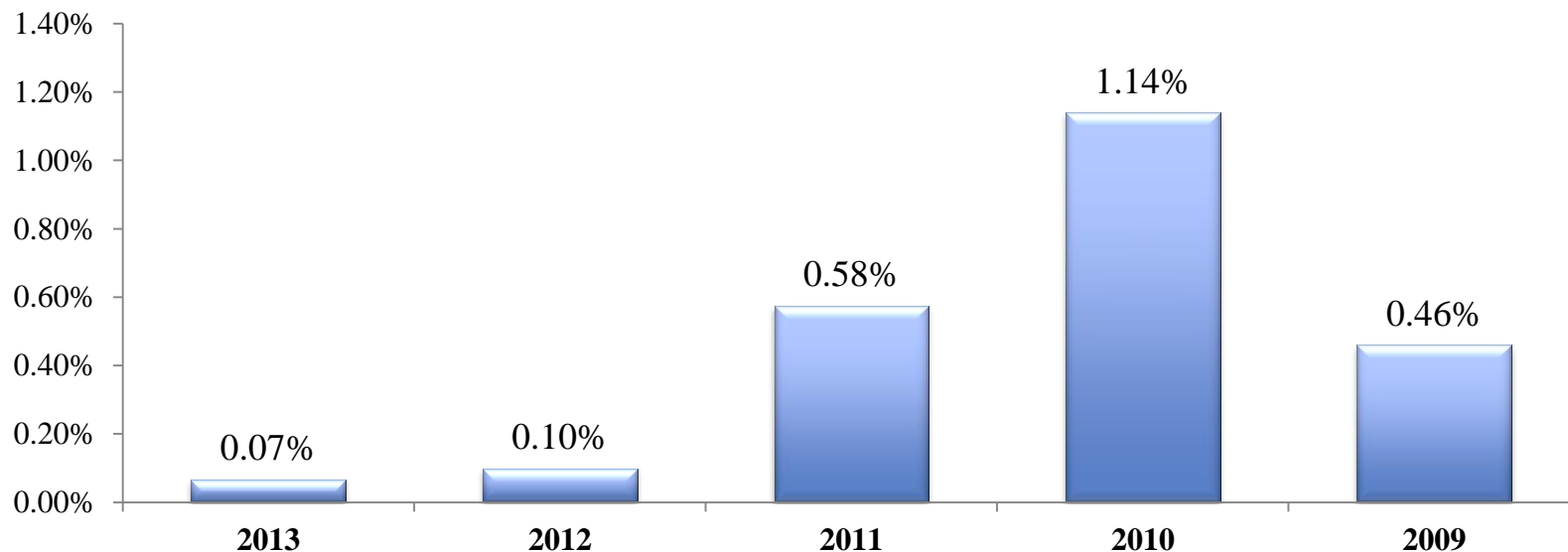
Improved Credit Trends

- Total credit cost of \$5.0 million for Q3-2013, compared to \$ 7.4 million in Q2-2013 and \$3.1 million in Q3-2012
 - Provision of \$5.0 million for Q3-2013 compared to \$7.0 million for Q2-2013 and \$3.0 million in Q3-2012
 - NCOs \$46,000 (0 bps) in Q3-2013 compared to 13 bps in Q2-2013 and 8 bps in Q3-2012; NCO ratio of 7 bps for YTD
 - No OREO valuation charge in Q3-2013 compared to \$382,000 in Q2-2013 and \$64,000 in Q3-2012
- NPA ratio continues to decline
 - Reduction of \$3.0 million (6%) from Q2-2013 and \$27.8 million (36%) from Q3-2012
 - NPA ratio of .60% compared to .68% in Q2-2013 and 1.16% in Q3-2012
 - NPLs at \$35.7 million, down \$2.5 million from Q2-2013 and down \$21.5 million from Q3-2012
 - NPL ratio at .35% of total loans and .44% of LHI
 - OREO reduction of \$248,000 (2%) from Q2-2013 and \$6.3 million (33%) from Q3-2012

Credit Quality



Net Charge-offs / Average Loans



Combined reserve / Loans*	2013	2012	2011	2010	2009
	1.10%	1.15%	1.31%	1.56%	1.59%
Non-accrual loans + OREO to loans* + OREO	2013	2012	2011	2010	2009
	.60%	1.06%	1.58%	3.25%	2.74%
Combined reserve to non-accruals	2013	2012	2011	2010	2009
	2.4x	1.3x	1.3x	.6x	.7x

* Excludes loans held for sale.

Closing Comments



- Strong core earnings power, profitability and growth to continue in 2013
- Credit continues positive trend
- Strong LHI pipeline and new commitments present opportunity for growth potential
- LHS average balances to remain in line with expectations for flat year-over-year averages



Q&A