

TCBI Q3 2014 Earnings

October 22, 2014



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Opening Remarks & Financial Highlights



Strong Balanced Growth

- Exceptional growth in traditional LHI balances despite highly competitive C&I market
- Growth in mortgage finance loans (MFLs) as seasonality returns
- Continued strong growth in deposits, improving low-cost funding composition
- Average DDA growth exceptionally strong in Q3-2014
- Asset sensitivity position continues to be very favorable

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
- Growth driven by improvement in market share with increased capacity resulting from success in recruiting and product extension

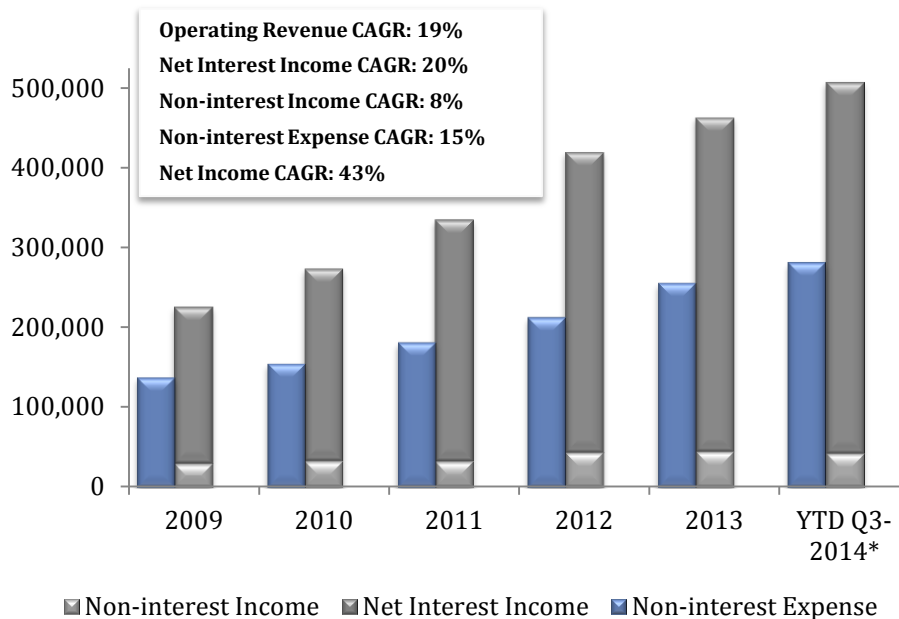
Credit Quality

- Credit metrics remain strong
- NCOs at 3 bps in Q3-2014 and 8 bps YTD
- Further reduction in NPAs – now below pre-crisis levels
- High allowance coverage ratios
- Provision primarily related to growth in core LHI

Revenue & Expense



Revenue & Expense Trends



* Annualized based on 9/30/14 data.

Revenue & Expense Highlights

- High returns maintained with effective deployment of additional capital
- Significant improvement in operating leverage and Efficiency Ratio
- Strong capacity for Net Revenue growth
 - Total loans spreads remained above 4.00%
 - Net Revenue increased 8% from Q2-2014
 - Reduction in NIM driven by MFL growth, liquidity build and debt issuance in Q1
- Reduced rate of growth in NIE
 - Effective utilization of professional resources and reduction in legal expense
 - Linked quarter increase in incentive expense linked to performance and change in stock price
- Provision expense related to growth represents net interest income contribution of loan growth for 3+ months

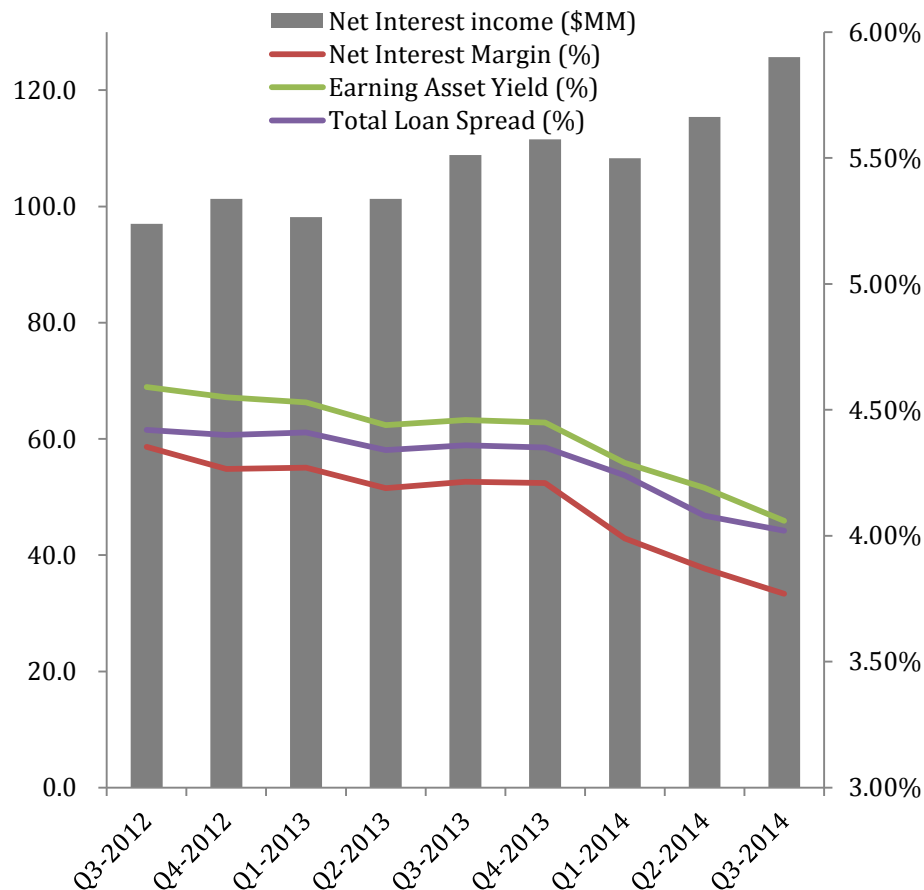
Net Interest Income & Margin



NIM Highlights

- Net interest income growth of 9% from Q2-2014 and 16% from Q3-2013
- Yields on traditional LHI stable with 6% growth from Q2-2014
- MFL growth benefits NII
 - Yield reduction based on profile of customers
 - Composition resulted in 5 bps reduction in NIM
 - Favorable deposit position
- Core funding costs – deposits and borrowed funds – down slightly to 16 bps
- Deposit growth consistent with plan to increase liquidity
 - Minor benefit to NII
 - Impact on NIM consistent with objectives
 - NIM reduction of 5 bps compared to Q2-2014

Net Interest Income & Margin Trends



Analysis of Net Interest Income & Expenses



NII (\$MM)		NIM (%)
\$115.4	Q2 2014	3.87%
-	Increase in liquidity	(.05)
(1.6)	Mix shift with MFL growth	(.05)
(1.5)	Decrease in MF loan yields	(.04)
.2	Increase in LHI loan yields	.01
-	Increase in contribution from free funds	.02
1.4	Impact of increase in day count	-
11.6	Impact of increase in earning assets	-
.2	Other	.01
\$125.7	Q3 2014	3.77%

Non interest expense (\$MM)	Linked quarter increases/ (decreases)
Q2 2014	\$69.8
Salaries and employee benefits – related to stock price changes	1.4
Salaries and employee benefits – performance based incentives, LTI and annual incentive pool	1.8
Legal & other professional – effective use of professional services; legal reduced and varies by quarter	(2.3)
Salaries and employee benefits – continued build out	.6
All other	.6
Q3 2014	\$71.9

Performance Summary



(in thousands)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net interest income	\$ 125,661	\$ 115,407	\$ 108,315	\$ 111,475	\$ 108,776
Non-interest income	10,396	10,533	10,356	11,184	10,431
Net revenue	136,057	125,940	118,671	122,659	119,207
Provision for credit losses	6,500	4,000	5,000	5,000	5,000
OREO valuation and write-down expense	-	-	-	466	-
Total provision and OREO valuation	6,500	4,000	5,000	5,466	5,000
Non-interest expense	71,915	69,768	69,321	69,825	62,009
Income before income taxes	57,642	52,172	44,350	47,368	52,198
Income tax expense	20,810	18,754	16,089	17,012	18,724
Net income	36,832	33,418	28,261	30,356	33,474
Preferred stock dividends	2,438	2,437	2,438	2,438	2,437
Net income available to common shareholders	\$ 34,394	\$ 30,981	\$ 25,823	\$ 27,918	\$ 31,037
Diluted EPS	\$.78	\$.71	\$.60	\$.67	\$.74
Net interest margin	3.77%	3.87%	3.99%	4.21%	4.21%
ROA	1.07%	1.08%	1.01%	1.10%	1.25%
ROE	12.11%	11.38%	10.20%	11.94%	13.74%
Efficiency⁽¹⁾	52.9%	55.4%	58.4%	56.9%	52.0%

2014 Outlook

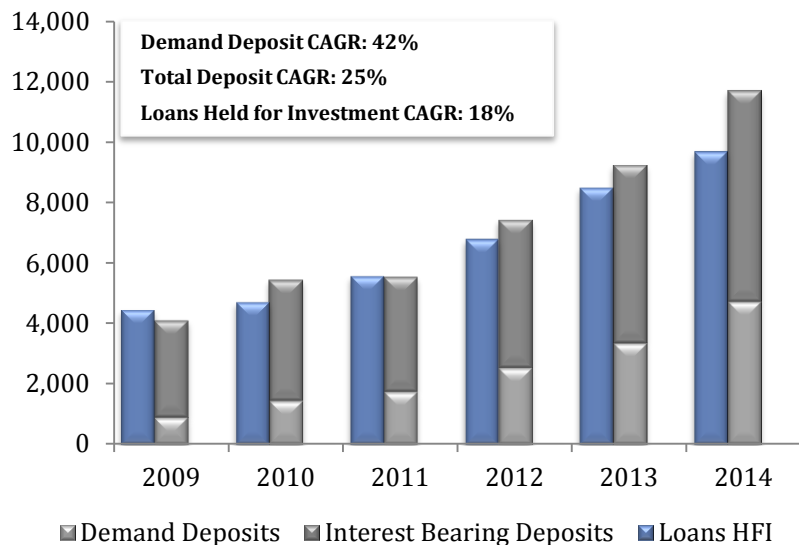


Business Driver	2014 Outlook v. 2013 Results	Changes since July 23, 2014
Average LHI	Low 20's percent growth, pace declining	-
Average LHI - Mortgage Finance	Low to mid teens percent growth, with expected decreases in Q4-2014	Increased from flat to slight increase
Average Deposits	Upper 20's percent growth	Increased from low 20's
Liquidity Assets	Growth with 5-8 bps impact on NIM; impact increasing with minimal impact on net interest income	No change, depends on growth in MFLs and deposits
Net Interest Income	Low double-digit percent growth	-
Net Interest Margin	Small decrease from previous outlook, now 3.75% to 3.85%	Decreased from 3.80% to 3.90% due to growth in MFLs and liquidity
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

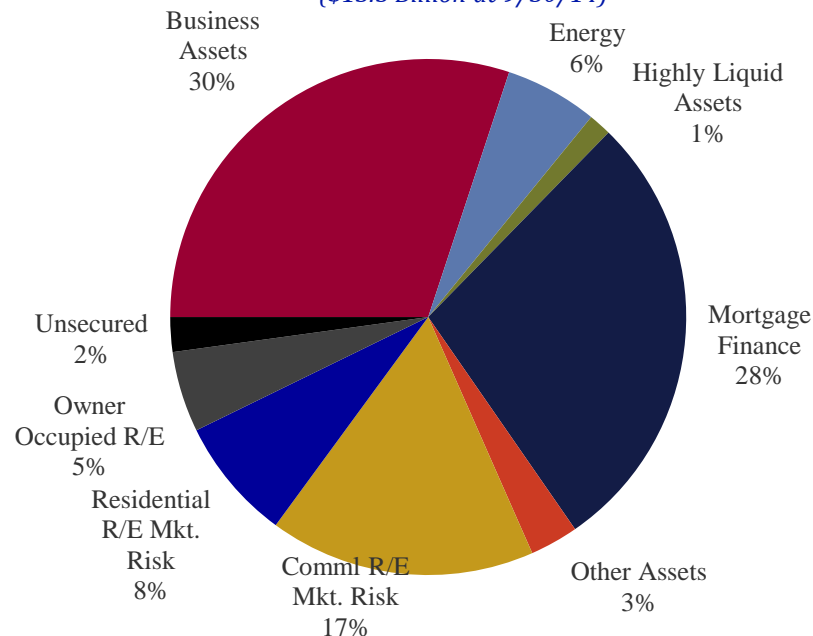


Balance Trends



Total Loan Composition

(\$13.5 Billion at 9/30/14)



Growth Highlights

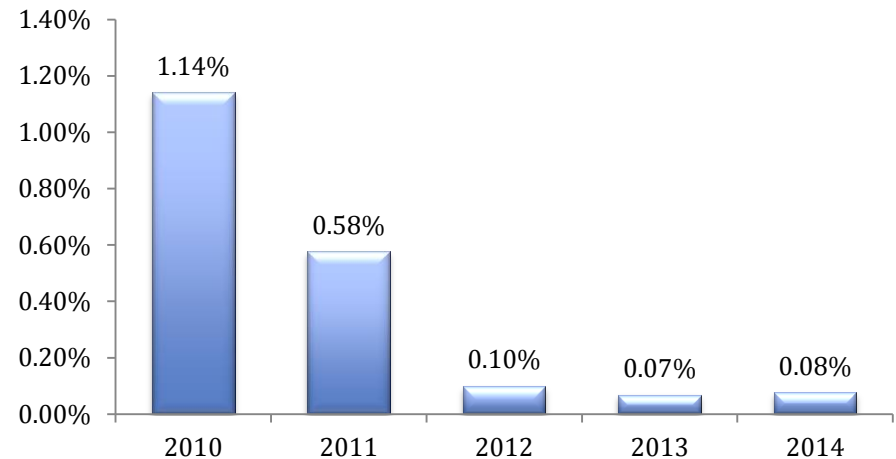
- Broad-based growth in average traditional LHI – Growth of \$439.0 million (5%) from Q2-2014 and \$1.7 billion (22%) from Q3-2013
- Period-end balance \$262.9 million higher than Q3-2014 average balance and 20% above Q3-2013 period-end balance. Quarter-end balance is 30% above average for all of 2013
- MF performance exceeded industry trends with increase in averages of 22% from Q2-2014
- Average DDA increased 29% from Q2-2014 and 49% from Q3-2013
- Total average deposits increased 16% from Q2-2014 and 32% from Q3-2013

Asset Quality



	Q3-2014
Non-accrual loans	
Commercial	\$ 25,006
Construction	-
Real estate	12,717
Consumer	-
Equipment leases	10
Total non-accrual loans	37,733
Non-accrual loans as % of loans excluding MF	.39%
Non-accrual loans as % of total loans	.28%
OREO	617
Total Non-accruals + OREO	\$ 38,350
Non-accrual loans + OREO as % of loans excluding MF + OREO	.40%
Reserve to non-accrual loans	2.6x

NCO / Average Traditional LHI



Asset Quality Highlights

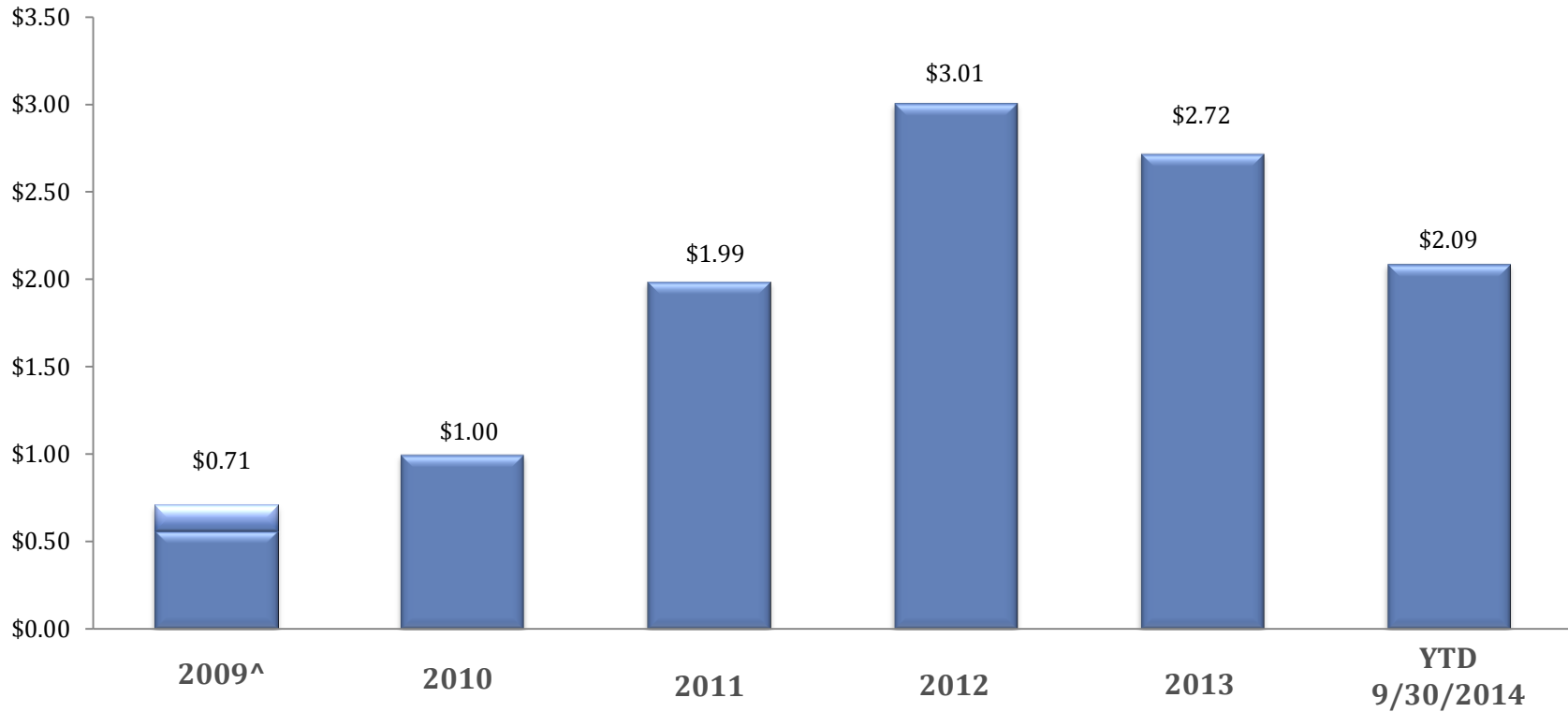
- Total credit cost of \$6.5 million for Q3-2014, compared to \$4.0 million in Q2-2014 and \$5.0 million in Q3-2013
- NCOs \$595,000, or 3 bps, in Q3-2014 compared to 11 bps in Q2-2014 and less than 1 bp in Q3-2013
- No OREO valuation charge in Q3-2014, Q2-2014 or Q3-2013
- Reduction in NPAs and OREO now less than \$1 million

EPS Growth



EPS Growth

(5-yr CAGR of 40%)



[^]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 key lines of business with improvements in operating leverage
- Solid core earnings power and strong asset growth expected to continue in 2014 and beyond
- Continue to have critical focus on maintaining excellent credit quality
- Continued success in building liquidity
- 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
- Though seasonality is expected to reduce balances from Q3-2014, Mortgage Finance is clearly exceeding industry trends with improved market position



Q&A



Appendix

Average Balances, Yields & Rates - Quarterly



(in thousands)	Q3 2014		Q2 2014		Q3 2013	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 46,413	3.86%	\$ 50,487	4.00%	\$ 71,717	4.25%
Fed funds sold & liquidity investments	388,855	.25%	198,058	.22%	167,613	.19%
Loans held for investment, mortgage finance	3,452,782	3.13%	2,822,560	3.30%	2,362,118	3.79%
Loans held for investment	9,423,259	4.52%	8,984,230	4.51%	7,731,901	4.72%
Total loans, net of reserve	12,784,614	4.18%	11,716,685	4.25%	10,014,468	4.53%
Total earning assets	13,219,882	4.06%	11,965,230	4.19%	10,253,798	4.46%
Total assets	\$13,629,609		\$12,362,168		\$10,637,766	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 6,856,542	.27%	\$ 6,326,034	.27%	\$ 5,612,874	.26%
Other borrowings	309,868	.20%	666,405	.18%	539,767	.20%
Subordinated notes	286,000	5.88%	286,000	5.95%	111,000	6.54%
Long-term debt	113,406	2.19%	113,406	2.19%	113,406	2.23%
Total interest bearing liabilities	7,565,816	.50%	7,391,845	.51%	6,377,047	.40%
Demand deposits	4,669,772		3,629,941		3,124,602	
Stockholders' equity	1,276,603		1,241,787		1,046,477	
Total liabilities and stockholders' equity	\$13,629,609	.28%	\$12,362,168	.31%	\$10,637,766	.24%
Net interest margin		3.77%		3.87%		4.21%
Total deposits and borrowed funds	\$11,836,182	.16%	\$10,622,380	.17%	\$ 9,277,243	.17%
Loan spread		4.02%		4.08%		4.36%

Average Balance Sheet - Quarterly



(in thousands)	QTD Average			Q3/Q2 % Change	YOY % Change
	Q3 2014	Q2 2014	Q3 2013		
Total assets	\$13,629,609	\$12,362,168	\$10,637,766	10%	28%
Loans held for investment	9,423,259	8,984,230	7,731,901	5%	22%
Loans held for investment, mortgage finance	3,452,782	2,822,560	2,362,118	22%	46%
Total loans	12,876,041	11,806,790	10,094,019	9%	28%
Securities	46,413	50,487	71,717	(8)%	(35)%
Demand deposits	4,669,772	3,629,941	3,124,602	29%	49%
Total deposits	11,526,314	9,955,975	8,737,476	16%	32%
Stockholders' equity	1,276,603	1,241,787	1,046,477	3%	22%

Ending Balance Sheet - Quarterly



(in thousands)	Period End			Q3/Q2 % Change	YOY % Change
	Q3 2014	Q2 2014	Q3 2013		
Total assets	\$14,266,214	\$13,532,536	\$10,797,448	5%	32%
Loans held for investment	9,686,134	9,152,715	8,051,328	6%	20%
Loans held for investment, mortgage finance	3,774,467	3,700,253	2,262,085	2%	67%
Total loans	13,460,601	12,852,968	10,313,413	5%	31%
Securities	43,938	49,330	67,815	(11)%	(35)%
Demand deposits	4,722,479	4,181,774	3,242,060	13%	46%
Total deposits	11,715,808	10,757,316	8,957,081	9%	31%
Stockholders' equity	1,297,922	1,262,816	1,066,629	3%	22%