

TCBI Q1 2014 Earnings

April 23, 2014



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Opening Remarks & Financial Highlights



Strong Balanced Growth

- Exceptional growth in traditional LHI balances – record growth for seasonally weak Q1
- Mortgage Finance (MF) increased market share with exceptional results
- Continued growth in deposits, improving low-cost funding composition
- Successful deployment of new capital with growth in loans exceeding the \$281 million raised in anticipation of growth
- Growth in deposits produced planned growth and improved asset sensitive position

Core Earnings Power

- Growth in total loans producing foundation for strong growth in net revenue
- High level of asset sensitivity increased with growth in loans and demand deposits
- 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

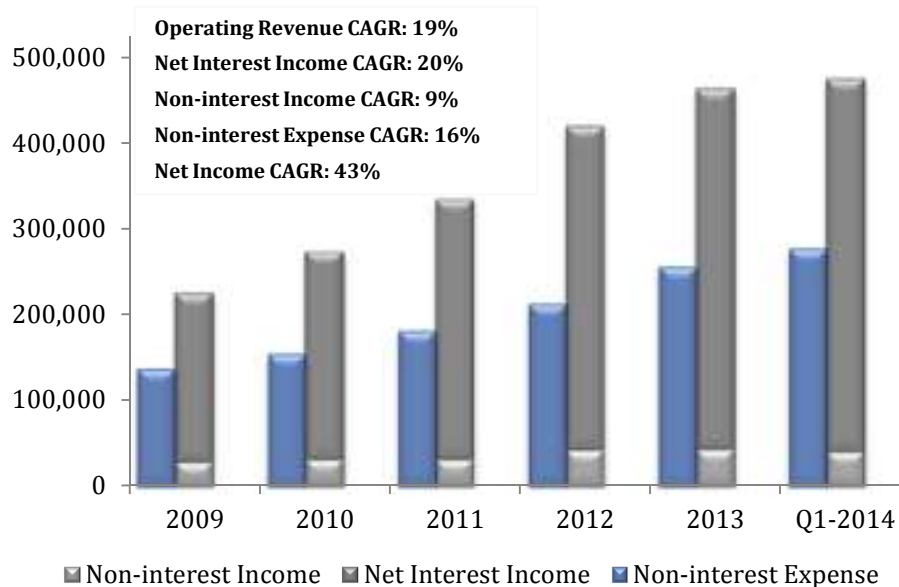
Credit Quality

- Credit metrics remain strong
- NCOs at 10 bps in Q1-2014
- NPAs well below pre-crisis levels
- High allowance coverage ratios
- Provision primarily related to growth in core LHI

Revenue & Expense



Revenue & Expense Trends



Revenue & Expense Highlights

- Strong capacity for net revenue
 - Growth in total loans at spreads above 4.20%
 - Decreased from Q4-2013 due to reduced days and subordinated debt cost
 - Increased 9% from Q1-2013 before adjustments
- High returns maintained
- Difference in days and debt expense – \$4.1 million
- Q1-2014 expenses include seasonal increase in FICA and related employment expense of \$2.5 million from Q4-2013
- Increase of \$900,000 in FDIC assessment with increased rates for over \$10 billion
- Continued build-out expense related to recruiting in Q4-2013 and Q1-2014, product extension and support costs associated with growth
- Adjusting for effects of Q1 variables, achieved improvement in operating leverage with decrease in efficiency ratio from Q4-2013
- Provision represents net interest income contribution of loan growth for 3+ months

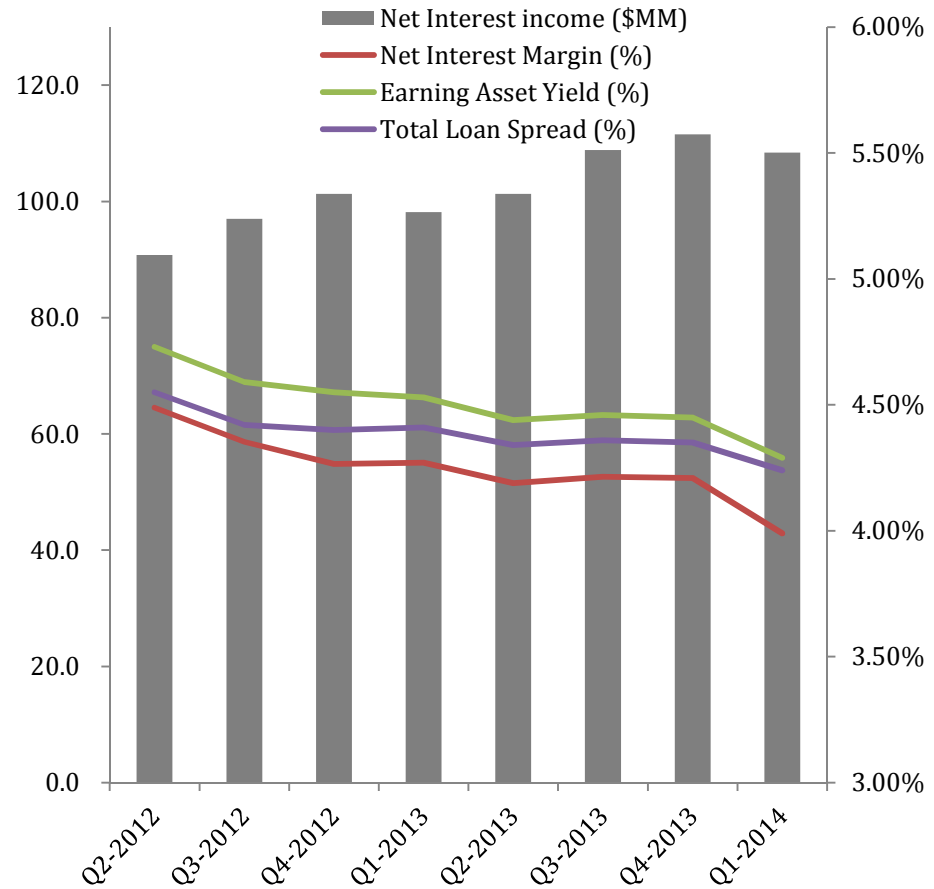
Net Interest Income & Margin



NIM Highlights

- Net interest income, before change in days and sub-debt expense above Q4-2013 and Q1-2013
- Yields on traditional LHI down modestly with strong growth
- Lower MF yields due to relationship pricing offset benefit to NIM from change in composition
- Core funding costs - deposits and borrowed funds - stable at 17 bps after increase in liquidity balances
- Cost of subordinated debt had impact of 6 bps in Q1-2014
- Cost of additional liquidity approximately 5 bps in Q1-2014
- Fee collection on NPLs created swing of 4 bps from Q4-2013

Net Interest Income & Margin Trends



Analysis of Net Interest Income & Profitability



NII (\$MM)		NIM (%)		Pre-tax Income	EPS	ROA	ROE	Efficiency Ratio
\$111.6	Q4-2013	4.21%						
(1.6)	Subordinated note interest	(0.06)	Q1-2014 Reported	\$44,350	\$0.60	1.01%	10.2%	58.4%
(1.1)	Decline in loan fee	(0.04)	Effect of significant items					
0.0	Increase in liquidity	(0.05)	- Common stock offering	-	0.02	-	0.75%	-
(1.1)	Decrease in MF loan yields	(0.04)	- Reduced day count in Q1	2,518	0.04	0.06%	0.64%	(1.2%)
(0.6)	Decrease in LHI net loan yields	(0.02)	- Subordinated note interest ⁽¹⁾	1,600	0.02	0.04%	0.40%	(0.8%)
0.6	Mix shift from MF to LHI	0.02	- FICA & Other	2,471	0.04	0.06%	0.62%	(1.9%)
(2.5)	Reduced day count in Q1	-	- FDIC insurance assessment	934	0.01	0.02%	0.24%	(0.8%)
3.7	Growth (at Q4 margin)	-						
(0.6)	Other	(0.03)						
108.4	Q1-2014	3.99%						

(1) Sub debt only outstanding for two months of Q1-2014

Performance Summary

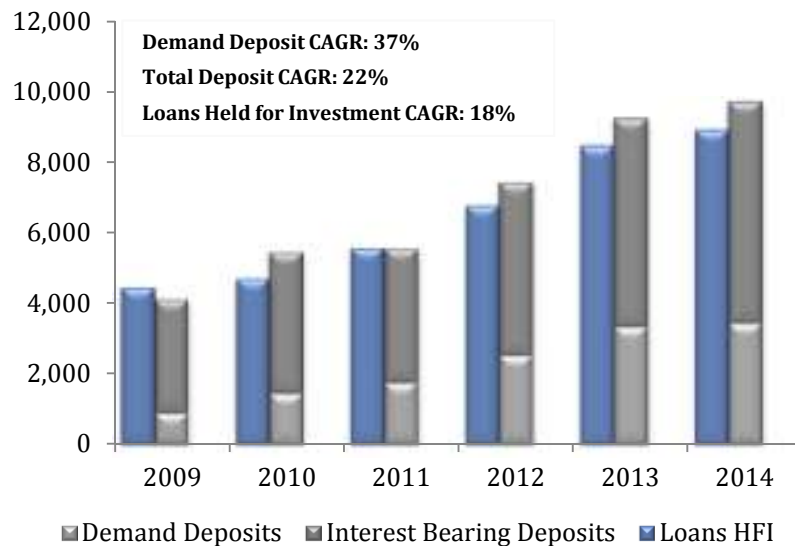


(in thousands)	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net interest income	\$ 108,315	\$ 111,475	\$ 108,776	\$ 101,220	\$ 98,042
Non-interest income	10,356	11,184	10,431	11,128	11,281
Net revenue	118,671	122,659	119,207	112,348	109,323
Provision for credit losses	5,000	5,000	5,000	7,000	2,000
OREO valuation and write-down expense	-	466	-	382	71
Total provision and OREO valuation	5,000	5,466	5,000	7,382	2,071
Non-interest expense	69,321	69,825	62,009	68,352	55,629
Income before income taxes	44,350	47,368	52,198	36,614	51,623
Income tax expense	16,089	17,012	18,724	12,542	18,479
Net income	28,261	30,356	33,474	24,072	33,144
Preferred stock dividends	2,438	2,438	2,437	2,438	81
Net income available to common shareholders	\$ 25,823	\$ 27,918	\$ 31,037	\$ 21,634	\$ 33,063
Diluted EPS	\$.60	\$.67	\$.74	\$.52	\$.80
Net interest margin	3.99%	4.21%	4.21%	4.19%	4.27%
ROA	1.01%	1.10%	1.25%	0.95%	1.38%
ROE	10.20%	11.94%	13.74%	9.94%	15.82%
Efficiency⁽¹⁾	58.4%	56.9%	52.0%	60.8%	50.9%

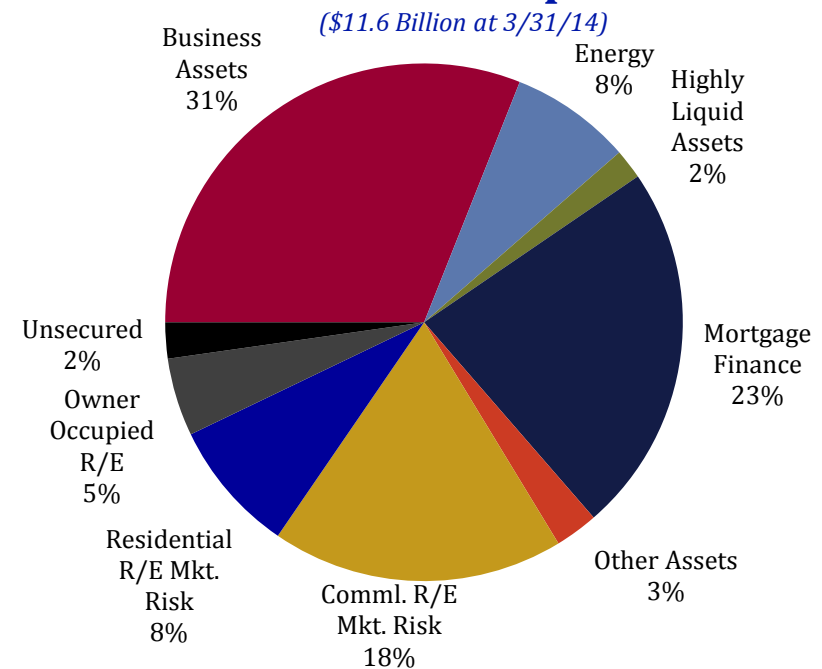
Loan & Deposit Growth



Balance Trends



Total Loan Composition



Growth Highlights

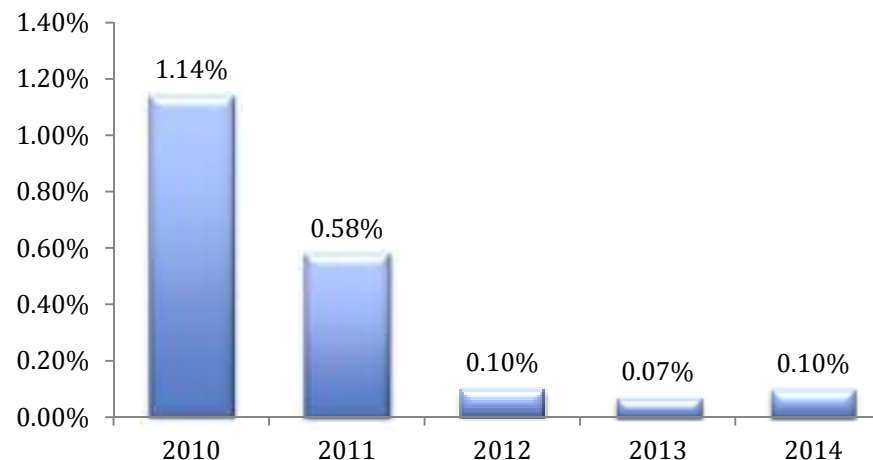
- Broad-based growth in average traditional LHI (excluding MF) – Growth of \$575 million (7%) from Q4-2013 and \$1.9 billion (27%) from Q1-2013. Period-end balance \$210.1million higher than Q1-2014 average balance and 29% above Q1-2013. Quarter-end balance is 20% above average for all of 2013.
- MF performance exceeded industry trends with decrease of 9% from Q4-2013. Maintained average MF balances over \$2.0 billion for Q1-2014.
- Average DDA increased 3% from Q4-2013 and 34% from Q1-2013; total average deposits increased 3% from Q4-2013 and 26% from Q1-2013
- Total deposit growth from Q1-2013 of \$2 billion compared to total loan growth of \$1.5 billion as planned for liquidity build and reduction in borrowed funds.

Asset Quality



	Q1-2014
Non-accrual loans	
Commercial	\$ 26,834
Construction	-
Real estate	16,329
Consumer	8
Equipment leases	42
Total non-accrual loans	43,213
Non-accrual loans as % of loans excluding MF	.48%
Non-accrual loans as % of total loans	.37%
OREO	2,420
Total Non-accruals + OREO	\$ 45,633
Non-accrual loans + OREO as % of loans excluding MF + OREO	.51%
Reserve to non-accrual loans	2.1x

NCO / Average Traditional LHI



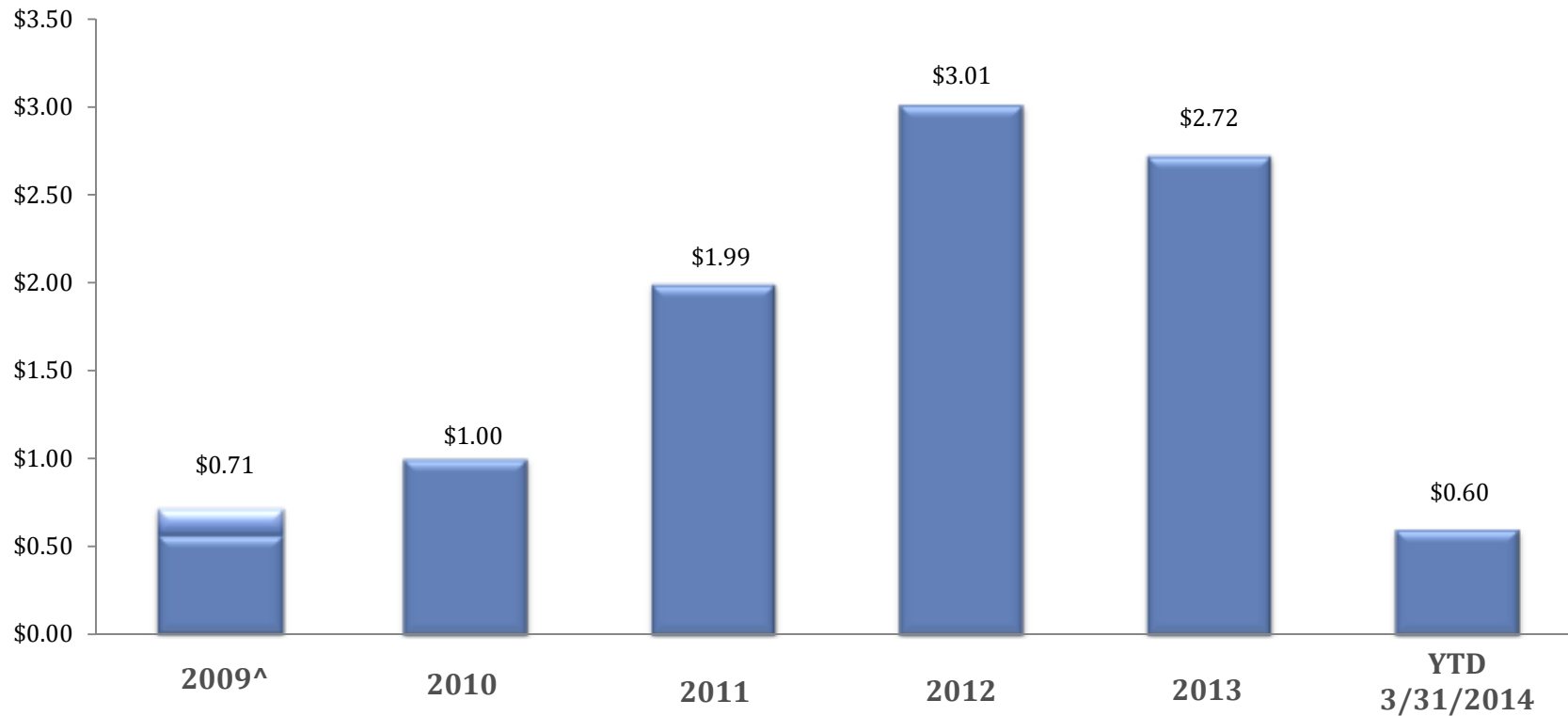
Asset Quality Highlights

- Total credit cost of \$5.0 million for Q1-2014, compared to \$5.4 million in Q4-2013 and \$2.1 million in Q1-2013
- Provision of \$5.0 million for Q1-2014 compared to \$5.0 million for Q4-2013 and \$2.0 million in Q1-2013
- NCOs \$2.1 million, or 10 bps in Q1-2014 compared to 6 bps in Q4-2013 and 7 bps in Q1-2013
- No OREO valuation charge in Q1-2014 compared to \$466,000 in Q4-2013 and \$71,000 in Q1-2013

EPS Growth



EPS Growth (5-yr CAGR of 27%)



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

Closing Comments



- Success of organic growth model demonstrated with strong growth in loans and deposits
- Solid core earnings power and strong asset growth expected to continue in 2014 and beyond
- New capital deployed and generating favorable returns with strong growth in loans and deposits
- Talent acquisition continued in Q1-2014; outlook for 2014 remains favorable
- Asset sensitivity increased; now better positioned to take advantage of increases in short-term rates
- Excellent credit quality position maintained with Q1-2014 provision related to growth
- Mortgage Finance clearly exceeding industry trends with improved market position



Q&A



Appendix

Average Balances, Yields & Rates - Quarterly



(in thousands)	Q1 2014		Q4 2013		Q1 2013	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	\$ 57,581	4.18%	\$ 65,067	4.25%	\$ 93,394	4.57%
Fed funds sold & liquidity investments	304,042	.27%	158,594	.21%	103,503	.23%
Loans held for investment, mortgage finance	2,027,264	3.36%	2,238,730	3.59%	2,362,646	3.89%
Loans held for investment	8,717,969	4.61%	8,142,569	4.73%	6,842,766	4.77%
Total loans, net of reserve	10,657,547	4.41%	10,297,290	4.52%	9,130,970	4.58%
Total earning assets	11,019,170	4.29%	10,520,951	4.45%	9,327,867	4.53%
Total assets	\$11,401,368		\$10,899,266		\$ 9,729,559	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	\$ 6,105,214	.27%	\$ 5,887,252	.26%	\$ 4,988,788	.26%
Other borrowings	293,012	.24%	314,018	.20%	1,041,573	.17%
Subordinated notes	227,667	6.20%	111,000	6.58%	111,000	6.68%
Long-term debt	113,406	2.20%	113,406	2.21%	113,406	2.27%
Total interest bearing liabilities	6,739,299	.50%	6,425,676	.40%	6,254,767	.40%
Demand deposits	3,381,501		3,289,307		2,529,927	
Stockholders' equity	1,177,054		1,077,822		854,327	
Total liabilities and stockholders' equity	\$11,401,368	.30%	\$10,899,266	.24%	\$ 9,729,559	.26%
Net interest margin		3.99%		4.21%		4.27%
Total deposits and borrowed funds	\$ 9,779,727	.17%	\$ 9,490,577	.17%	\$ 8,560,288	.17%
Loan spread		4.24%		4.35%		4.41%

Average Balance Sheet - Quarterly



(in thousands)	QTD Average			Q1/Q4 % Change	YOY % Change
	Q1 2014	Q4 2013	Q1 2013		
Total assets	\$11,401,368	\$10,899,266	\$9,729,559	5%	17%
Loans held for investment	8,717,969	8,142,569	6,842,766	7%	27%
Loans held for investment, mortgage finance	2,027,264	2,238,730	2,362,646	(9)%	(14)%
Total loans	10,745,233	10,381,299	9,205,412	4%	17%
Securities	57,581	65,067	93,394	(12)%	(38)%
Demand deposits	3,381,501	3,289,307	2,529,927	3%	34%
Total deposits	9,486,715	9,176,559	7,518,715	3%	26%
Stockholders' equity	1,177,054	1,077,822	854,327	9%	38%

Ending Balance Sheet - Quarterly



(in thousands)	Period End			Q1/Q4 % Change	YOY % Change
	Q1 2014	Q4 2013	Q1 2013		
Total assets	\$12,143,296	\$11,714,397	\$10,020,565	4%	21%
Loans held for investment	8,928,033	8,486,309	6,920,011	5%	29%
Loans held for investment, mortgage finance	2,688,044	2,784,265	2,577,830	(3)%	4%
Total loans	11,616,077	11,270,574	9,497,841	3%	22%
Securities	52,960	63,214	87,527	(16)%	(39)%
Demand deposits	3,451,294	3,347,567	2,628,446	3%	31%
Total deposits	9,729,128	9,257,379	7,745,831	5%	26%
Stockholders' equity	1,230,131	1,096,350	1,013,195	12%	21%