TCBI Q1 2016 Earnings

April 20, 2016

Texas Capital Bancshares, Inc.

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Opening Remarks & Financial Highlights

Strong Balanced Growth

- Solid Q1-2016 growth in traditional LHI balances in continuing highly competitive C&I market
- Flat average balances in MFLs with significant quarter-end surge following market-share improvement throughout 2015
- MCA balances increasing at pace consistent with plan and guidance
- Small reduction in average DDAs and total deposits, due to seasonal trends in escrow balances

Core Earnings Power

- Traditional LHI and MFL expansion continue to produce solid net revenue growth
- Operating leverage remains good
- Benefit of increase in rates approximately $4 million in Q1-2016
- MCA will be a capital efficient contributor to earnings in late 2016 and beyond

Credit Quality

- Credit metrics remain acceptable despite increase in provision and NPAs related to energy
- NCOs at 25 bps in Q1-2016 or $7.4 million, with $5.9 million related to energy
- High allowance coverage ratios
- With significant weakness in commodity prices in Q1-2016, especially natural gas, energy reserve increased by $19.5 million in Q1-2016 related to adverse migration from internal and SNC review

Operating Results

Net Income	*EPS*	*ROE*	*Total LHI*	*Total Deposits*
$25.1 million	**$0.49**	**6.13%**	**$17.0 billion**	**$16.3 billion**

Energy Update

- Outstanding energy loans represented 6% of total loans, or $1.1 billion, at March 31, 2016 compared to $1.2 million at Q4-2015
- Allocated reserve of $51.5 million represents 5% of loans subject to direct commodity price exposure
- TCBI's energy loans primarily consist of engineered reserve-based loans to upstream E&P operators, which represented 5% of total loans at March 31, 2016
  - E&P portfolio concentrated in long-lived production with low lifting costs
  - Energy collateral weighted 61% oil and 39% gas – total commitments down from Q4-2015
  - 59% of energy is non-SNC, 41% is SNC with 15% of SNCs agented by us
  - Portfolio consists entirely of senior secured positions; borrowers have limited use of junior debt
- TCBI's energy loans other than reserved-based E&P are slightly more than 1% of total loans
  - Service - 1% with exposure primarily related to production rather than exploration and development with slight increase in this category from existing commitments – no NPAs, criticized of $14.3 million
  - Other - less than 1% - secured by assets other than reserves or guaranteed – no NPAs, all Pass rated
- Provision reflective of continued risk grade migration occurring in Q1-2016
  - Incorporates impact of lower commodity prices as well as SNC exam results and application of new regulatory guidance to our non-SNC energy portfolio
  - $5.9 million of energy charge-offs in Q1-2016
- Energy non-accruals and criticized increased due to internal grade changes and SNC exam
  - Non-accruals - $141.3 million at Q1-2016 compared to $120.4 million at Q4-2015
  - Criticized energy loans increased to 21% at Q1-2016 of energy loans from 17% at Q4-2015
  - Total criticized at Q1-2016 $229.2 million, includes classified of $193.7 and all NPAs

Energy Update continued

- SNC review
  - SNC review included over 80% of our energy SNC loans, resulting in downgrade of only 4 credits representing $70.9 million or 16% of energy SNC book and 6% of total energy loans
  - Increase in NPAs of $38.3 million
  - No charge-offs in SNC portfolio
- Borrowing bases are defined by conservative advances (generally 60% – 65%) of the NPV of expected future cash flows estimated using future prices as one of numerous inputs, including the effects of hedges
  - Proven, non-producing collateral is given only minimal weighting in borrowing base determinations
  - For Q1-2016 price deck, we assume Base Case oil and gas pricing of $38.50/bl oil and $2.00/mcf gas. We also sensitize the portfolio at $35.00/bl oil and $1.75/mcf gas
  - Over time our pricing tracks the forward strip
- TCBI has significant control over exposure to unfunded commitments
  - Borrowing base determinations control obligation to lend in all E&P loans
  - In substantial majority of portfolio, borrowing base determinations are not limited to semi-annual review
  - Commitments represent exposure only if borrowing base will support
  - Commodity price reductions have reduced total exposure over the last year and are likely to do so in coming months as redeterminations are completed
  - Total of all unfunded commitments – before completion of redeterminations – is less than one-third of current outstanding energy loans
    - Expect current redeterminations to have a substantial impact on unfunded commitments to all but most creditworthy borrowers
    - Most important issue is exposure to unfunded commitments that would be criticized at time of any request for advance
  - After detailed review, including results of SNC exam, unfunded commitments related to loans that are currently criticized are less than $10 million

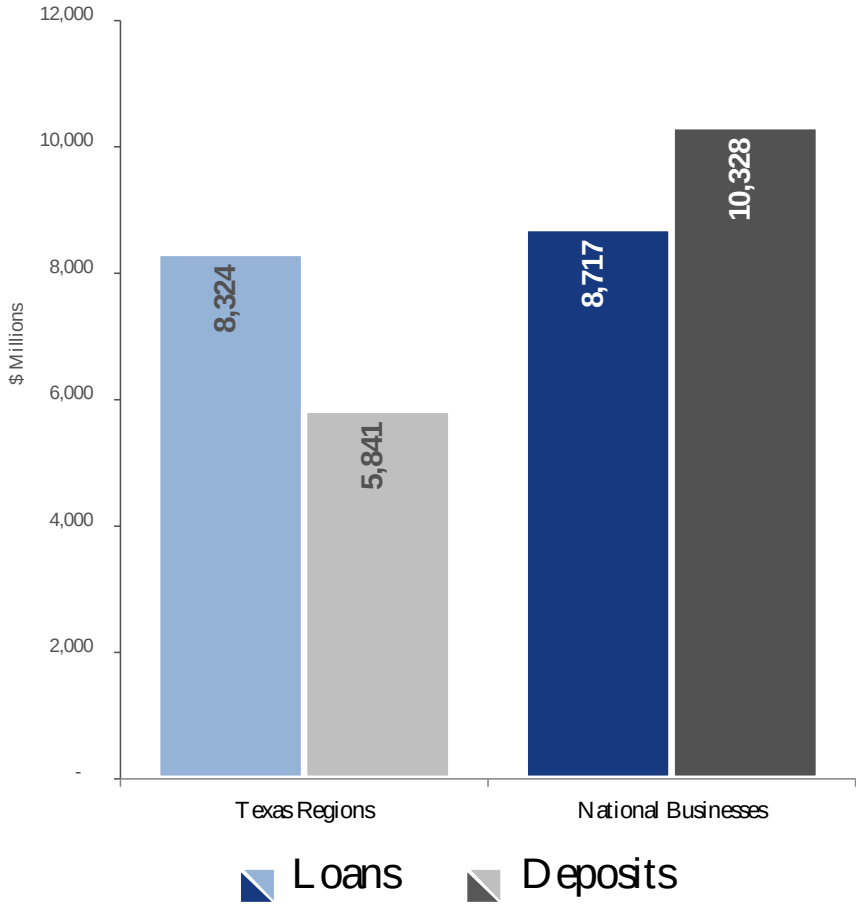
Houston Market Risk Real Estate

(in thousands except % data)	Q1 2016	% of Total Houston Market Risk CRE	Q4 2015	% of Total Houston Market Risk CRE
Apartment buildings	$241,189	32%	$214,863	32%
Commercial buildings[1]	96,112	14%	90,766	14%
Shopping center/mall buildings	103,764	15%	102,179	15%
Hotel/motel buildings	89,370	13%	83,636	13%
Manufacturing/Industrial	111,969	16%	105,752	16%
Other	69,811	10%	69,835	10%
Total Houston Market Risk CRE (excluding builder finance loans)	$712,215		$667,031	
Percentage of total LHI	4%		4%	

- The above table summarizes our Houston market risk real estate portfolio, excluding loans related to our builder finance line of business
- Of the March 31, 2016 total, $9.1 million were “special mention”; no “substandard” loans and no NPAs
- The linked quarter increase in outstanding balances was due primarily to new fundings on existing relationships

(1) Commercial buildings includes office and build-to-suit properties.

Update on Geographic Diversification



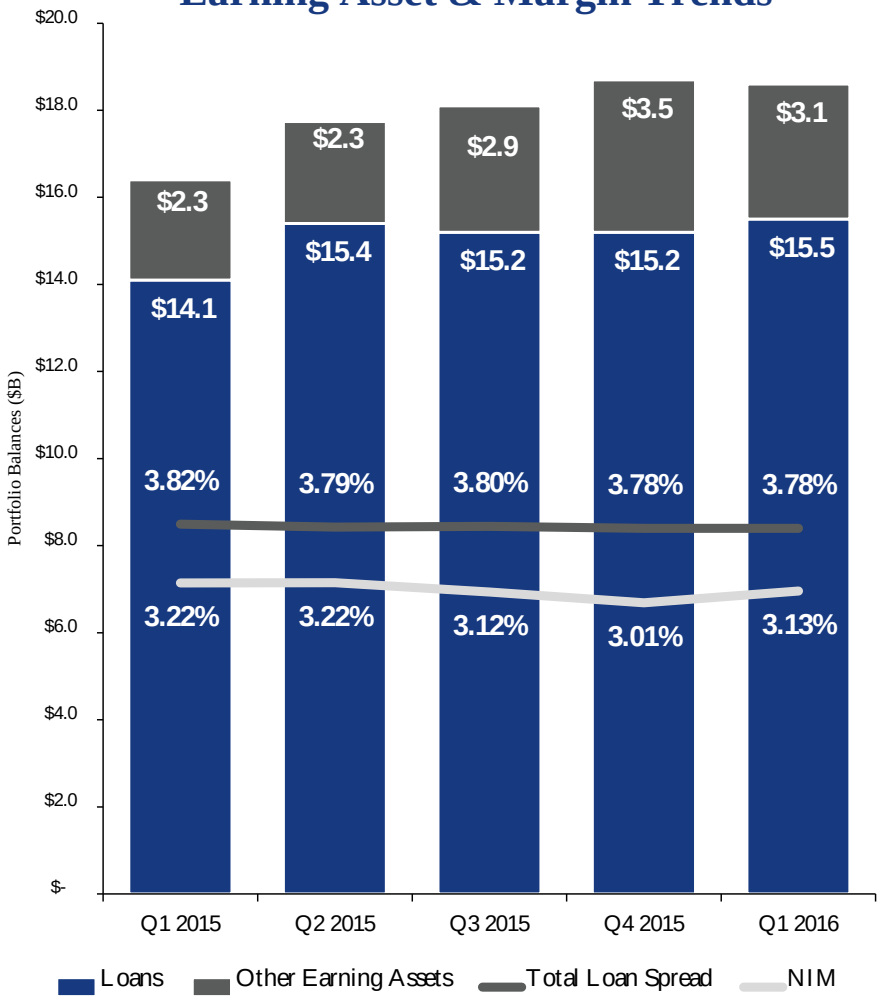
Major Texas Metro Areas	Unemployment Rate[2]	Ranking out of 387 MSAs
Austin-Round Rock	3.1%	Top 5%
DFW-Arlington	3.7%	Top 10%
Houston metro	4.7%	Top Third
San Antonio	3.5%	Top 10%

- While cities directly involved in the oil/gas industry are more exposed to the energy downturn, Texas as a whole and TCB markets are more resilient, due to improvement in its economic diversification, corporate relocations and strong population growth
- All of our national lines of business have been part of our business for many years, increasing the geographic diversification as each gained additional market share
- Now more than 50% of loan exposure outside of Texas by borrower and collateral

Note: (1) Texas Regions loan balances include balances from the Energy business. National Business balances include Mortgage Finance, Builder Finance, Premium Finance, Lender Finance, and our national depository businesses. Our national LOBs include Texas clients, but Texas clients represent less than 20% of their total business (2) Unemployment data through February 29, 2016

Net Interest Income & Margin

Earning Asset & Margin Trends



Quarterly Change

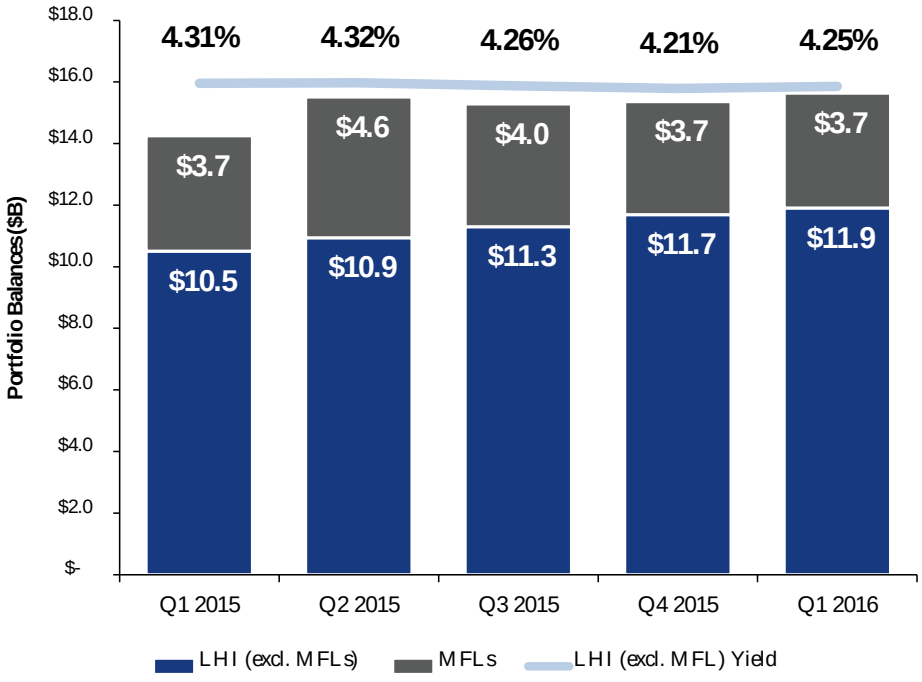
NII ($MM)		NIM (%)
$142.2	Q4 2015	3.01%
4.5	Increase in LHI loan yields	.10
(.1)	Decrease in liquidity	.08
1.1	Increase in MF loan yields	.02
(1.6)	Decrease in day count from Q4	-
(2.6)	Increase in funding costs/free funds contribution	(.01)
4.6	Increase in LHI loans	-
(3.3)	Decrease in loan fees	(.07)
$144.8	Q1 2016	3.13%

NIM Highlights

- Net interest income growth of 2% from Q4-2015 and 11% from Q4-2014
- Adjusted NIM net of effect of liquidity is 3.63%
- MFL balances continue to benefit NII with small negative to NIM
- Traditional LHI spreads showed increase from Fed rate increase, offset by new growth and decrease in fees from Q4-2015
- Total Average Liquidity Assets 16% of earning assets with yield of 50 bps; significantly reduces NIM, but no adverse impact on NII

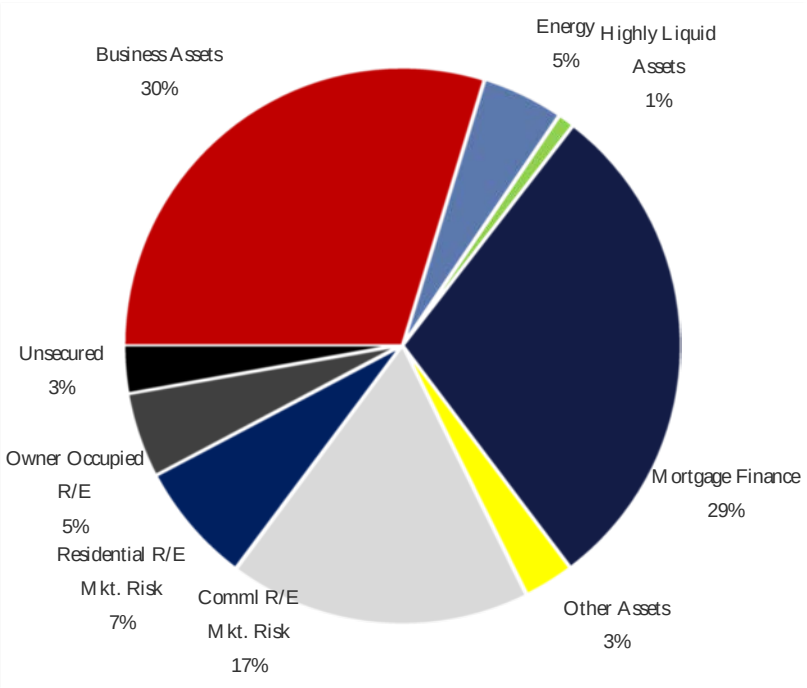
Loan Growth

Average Balance Trends ($B)



Total Loan Composition

($17.0 Billion at 3/31/16)

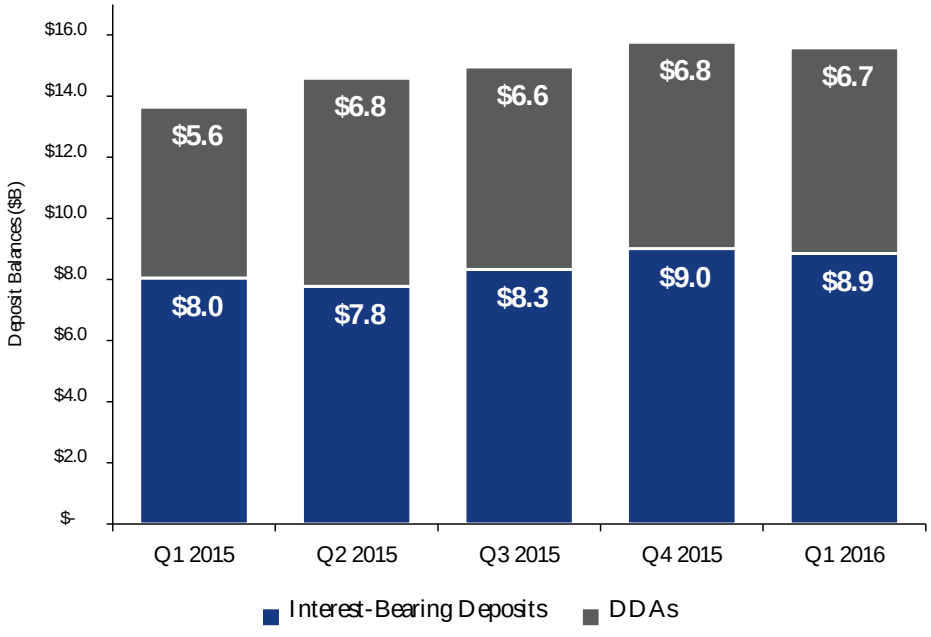


Growth Highlights

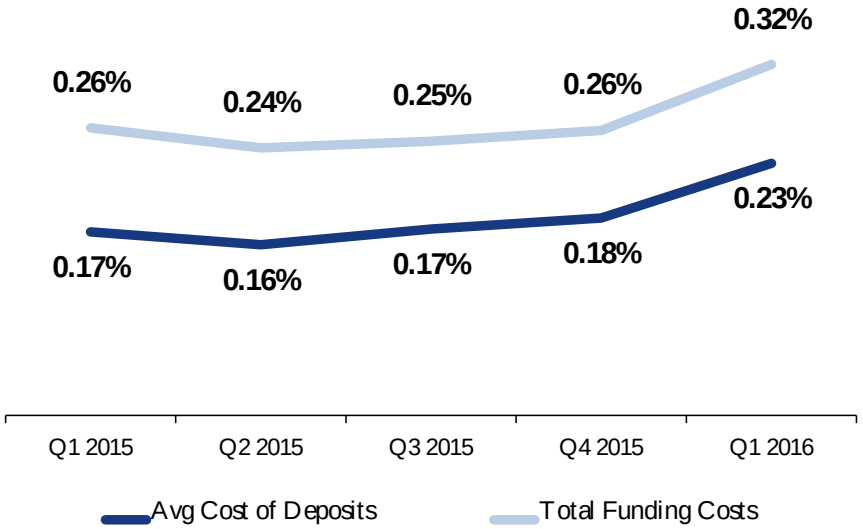
- Broad-based growth in average traditional LHI – Growth of $217.3 million (2%) from Q4-2015 and $1.4 billion (13%) from Q1-2015
- Period-end balance $149.1 million higher than Q1-2016 average balance and 12% above Q1-2015 period-end balance
- MF performance continues to be strong with Q1-2016 average balances consistent with Q4-2015 and Q1-2015
- Consistent with trends, average MFLs represent 24% of total average LHI at Q1-2016 compared to 29% at period end

Deposit Growth

Average Balance Trends ($B)



Funding Costs



Growth Highlights

- Core funding costs – deposits and borrowed funds increased by 6 bps compared to LHI yields of 6 bps
- Deposit growth consistent with strategic opportunity to build deposit base
  - Slight decrease in linked-quarter deposits, with liquidity maintained at a high level
  - Impact on NIM consistent with objectives, and will fluctuate from quarter to quarter based on levels of liquidity assets, use of borrowed funds and related loan mix
  - Significant increase in asset sensitivity and duration of low-cost funding over past several years

Non-interest Expense

Quarterly Change

Non-interest expense ($MM)	Increase/ (Decrease)
Q4 2015	**$87.0**
Salaries and employee benefits – related to stock price changes	(2.3)
Salaries and employee benefits – FICA and seasonal payroll related items	2.4
Salaries and employee benefits – continued build out	0.9
FDIC assessment	0.7
Other professional – can vary from quarter to quarter	(1.7)
All other – includes occupancy, technology and marketing, all with some one-time and seasonal expenses	(0.2)
Q1 2016	**$86.8**

Expense Highlights

- Efficiency Ratio consistent with guidance
  - Linked quarter increase in salaries expense related to seasonal payroll offset by effect of change in stock price
  - MCA-related expenses and Wealth Management build out
  - Impact of net MCA expenses for Q1-2016 was $.03 compared to Q4-2015 of $.04 per share

Performance Summary - Quarterly

(in thousands)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	$ 144,783	$ 142,188	$ 142,048	$ 142,285	$ 130,009
Non-interest income	11,297	11,320	11,380	12,771	12,267
Net revenue	156,080	153,508	153,428	155,056	142,276
Provision for credit losses	30,000	14,000	13,750	14,500	11,000
Non-interest expense	86,820	87,042	81,688	81,276	76,517
Income before income taxes	39,260	52,466	57,990	59,280	54,759
Income tax expense	14,132	17,713	20,876	21,343	19,709
Net income	25,128	34,753	37,114	37,937	35,050
Preferred stock dividends	2,438	2,437	2,438	2,437	2,438
Net income available to common shareholders	$ 22,690	$ 32,316	$ 34,676	$ 35,500	$ 32,612
Diluted EPS	$ .49	$ .70	$ .75	$ .76	$ .70
Net interest margin	3.13%	3.01%	3.12%	3.22%	3.22%
Net interest margin excl. liquidity assets	3.63%	3.63%	3.66%	3.66%	3.68%
ROA	.53%	.72%	.79%	.83%	.84%
ROA excl. liquidity assets	.57%	.84%	.91%	.93%	.95%
ROE	6.13%	8.82%	9.69%	10.32%	9.82%
Efficiency	55.6%	56.7%	53.2%	52.4%	53.8%

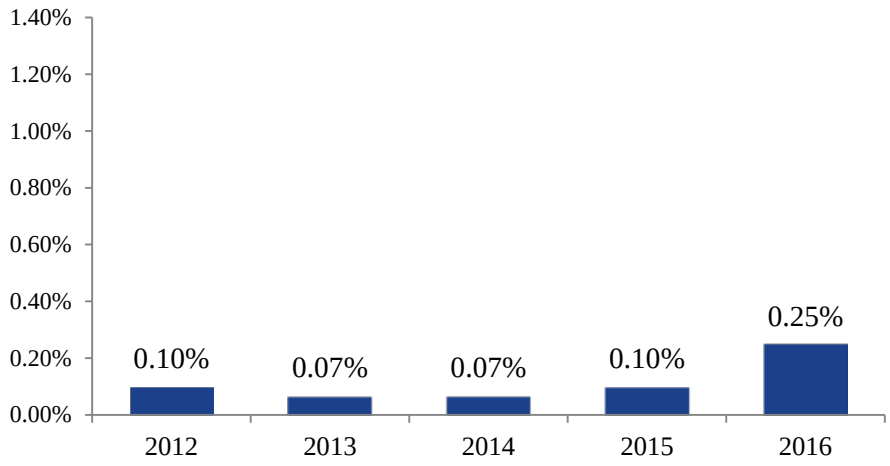
2016 Outlook

Business Driver	2016 Outlook v. 2015 Results	Comments & Changes since January 20, 2016
Average LHI	High single to low double-digit percent growth	–
Average LHI – Mortgage Finance	Flat to low single-digit percent growth	–
Loans held for sale (MCA)	Greater than $300 million average outstandings	Provided guidance for outstanding balances
Average Deposits	High single to low double-digit percent growth	–
Net Revenue	Mid to high-teens percent growth	–
Net Interest Margin	3.50% to 3.60%, excluding effect of change in liquidity assets	–
Net Charge-Offs / Provision Expense	Less than 0.25%; provision at mid-$60 million level	No change despite increase in Q1-2016
NIE	Mid to high-teens percent growth; mid to high single-digit percent growth from Q4-2015 annualized	–
Efficiency Ratio	Mid-50's	–

Asset Quality

Non-accrual loans	Q1 2016
Commercial	$ 166,097
Construction	–
Real estate	6,716
Consumer	–
Equipment leases	343
Total non-accrual loans	**173,156**
Non-accrual loans as % of LHI excluding MF	**1.44%**
Non-accrual loans as % of total LHI	**1.02%**
OREO	**17,585**
Total Non-accruals + OREO	**$ 190,741**
Non-accrual loans + OREO as % of loans excluding MF + OREO	**1.58%**
Reserve to non-accrual total LHI	**.9x**

NCO / Average Traditional LHI



	2012	2013	2014	2015	2016
Combined Reserves/ Trad'l LHI	1.15%	1.09%	1.06%	1.28%	1.43%

Asset Quality Highlights

- Total credit cost of $30.0 million for Q1-2016, compared to $14.0 million in Q4-2015 and $11.0 million in Q1-2015
- NCOs $7.4 million, or 25 bps, in Q1-2016 compared to 7 bps in Q4-2015 and 12 bps in Q1-2015
- Increase in non-accruals primarily energy; NPL ratio slightly over 1% and at manageable level; OREO growth due to foreclosure of loan previously on non-accrual
- $5.9 million in net charge-offs related to energy – 20 bps; energy NPAs at $141.3 million for Q1-2016 compared to $120.4 million in Q4-2015 after payoff of $15.8 million without charge-off

Closing Comments

- Traditional LHI growth experienced in Q1-2016 was strong and in line with guidance
- Aggressively managing energy portfolio; remain confident in underwriting standards, portfolio composition and current reserve level
- No change in full-year guidance for provision or NCOs despite front-end loading in first half of 2016
- Seasonally lower mortgage finance average balances in Q1-2016 as expected, with quarter-end surge in balances
- Remain highly asset sensitive; well-positioned to take advantage of additional increases in short-term rates
- Improvement in MCA in Q1-2016 and positioned to provide meaningful income contribution in 2016, focused in last half of the year

Q&A

Appendix

Average Balances, Yields & Rates - Quarterly

(in thousands)	Q1 2016		Q4 2015		Q1 2015	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	$ 29,102	3.66%	$ 30,802	3.59%	$ 39,930	3.78%
Liquidity assets	2,953,589	.50%	3,457,063	.27%	2,210,864	.25%
Loans held for sale	126,084	3.49%	24,658	3.81%	–	–
LHI, mortgage finance	3,724,513	3.14%	3,669,022	3.01%	3,746,938	2.99%
LHI	11,910,788	4.25%	11,693,464	4.21%	10,502,172	4.31%
Total LHI, net of reserve	15,494,176	4.02%	15,231,664	3.96%	14,148,068	3.99%
Total earning assets	18,602,951	3.46%	18,744,187	3.28%	16,398,862	3.49%
Total assets	$19,108,976		$19,249,277		$16,852,243	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	$ 8,850,004	.40%	$ 9,006,352	.31%	$ 8,044,876	.28%
Other borrowings	1,346,998	.39%	1,327,087	.21%	1,172,675	.16%
Total long-term debt	394,119	5.01%	399,406	4.82%	393,757	4.95%
Total interest bearing liabilities	10,591,121	.57%	10,732,845	.47%	9,611,308	.46%
Demand deposits	6,730,586		6,755,615		5,592,124	
Stockholders' equity	1,638,851		1,603,392		1,496,172	
Total liabilities and stockholders' equity	$19,108,976	.32%	$19,249,277	.26%	$16,852,243	.26%
Net interest margin		**3.13%**		**3.01%**		**3.22%**
Net interest margin excl. liquidity assets		**3.63%**		**3.63%**		**3.68%**
Total deposits and borrowed funds	**$16,927,588**	**.24%**	**$17,089,054**	**.18%**	**$14,809,675**	**.17%**
Loan spread		**3.73%**		**3.78%**		**3.83%**

Average Balance Sheet - Quarterly

(in thousands)	QTD Average			Q1/Q4 % Change	YOY % Change
	Q1 2016	Q4 2015	Q1 2015		
Total assets	$19,108,976	$19,249,277	$16,852,243	(1)%	13%
Loans held for sale	126,084	24,658	–	411%	100%
Loans held for investment	11,910,788	11,693,464	10,502,172	2%	13%
Loans held for investment, mortgage finance	3,724,513	3,669,022	3,746,938	2%	(1)%
Total loans held for investment	15,635,301	15,362,486	14,249,110	2%	10%
Liquidity assets	2,953,589	3,457,063	2,210,864	(15)%	34%
Demand deposits	6,730,586	6,755,615	5,592,124	0%	20%
Total deposits	15,580,590	15,761,967	13,637,000	(1)%	14%
Stockholders' equity	1,638,851	1,603,392	1,496,172	2%	10%

Period End Balance Sheet

(in thousands)	Period End			Q1/Q4 % Change	YOY % Change
	Q1 2016	Q4 2015	Q1 2015		
Total assets	$20,210,893	$18,909,139	$17,326,260	7%	17%
Loans held for sale	94,702	86,075	–	10%	100%
Loans held for investment	12,059,849	11,745,674	10,760,978	3%	12%
Loans held for investment, mortgage finance	4,981,304	4,966,276	5,408,750	0%	(8)%
Total loans held for investment	17,041,153	16,711,950	16,169,728	2%	5%
Liquidity assets	2,644,418	1,681,374	734,945	57%	260%
Demand deposits	7,455,107	6,386,911	6,050,817	17%	23%
Total deposits	16,298,847	15,084,619	14,122,306	8%	15%
Stockholders' equity	1,647,088	1,623,533	1,517,958	1%	9%