TCBI Q3 2016 Earnings

October 20, 2016

TEXAS CAPITAL BANCSHARES, INC.

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Opening Remarks & Financial Highlights

Strong Balanced Growth

- Solid Q3-2016 growth in average traditional LHI balances coming from strong Q2-2016 growth
- Significant growth in average balances in MFLs consistent with seasonally strong quarter
- MCA balances increasing at pace consistent with guidance
- Continued strong growth in average DDAs and total deposits

Core Earnings Power

- Traditional LHI and MFL expansion continue to produce solid net revenue growth
- Operating leverage improving with reduction in efficiency ratio consistent with guidance
- MCA ramping as expected and will be a capital efficient contributor to earnings

Credit Quality

- Credit metrics remain acceptable despite continued higher provisioning and higher levels of NPAs primarily related to energy
- NCOs at 24 bps in Q3-2016 or $7.4 million, with $1.8 million related to energy
- High allowance coverage ratios

Operating Results

Net Income	*EPS*	*ROE*	*Total LHI*	*Total Deposits*
$42.7 million	**$0.87**	**10.20%**	**$17.6 billion**	**$18.1 billion**

Energy Update

- Outstanding energy loans represented 6% of total loans, or $1.1 billion, at Q3-2016 compared to $1.1 billion at Q2-2016
- E&P portfolio concentrated in long-lived production with low lifting costs, approximately 60% oil and 40% gas
- TCBI's energy loans other than reserve-based E&P are approximately 1.5% of total loans
- Provision reflective of continued risk grade migration occurring in Q3-2016
  - Allocated reserve of $65.1 million represents 6% of energy loans
  - $1.8 million of energy net charge-offs in Q3-2016 previously reserved; $19.8 million for YTD 2016
  - Reserve increased by $6.5 million after NCOs
- Increase in energy non-accruals
  - Non-accruals $150.0 million at Q3-2016 compared to $125.9 million at Q2-2016
  - Criticized energy loans increased to 25% of energy loans at Q3-2016 from 22% at Q2-2016
  - Total criticized energy loans at Q3-2016 $259.7 million, includes classified of $205.9 and all NPAs
- 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
- TCBI has significant control over exposure to unfunded commitments
  - Total of all unfunded commitments approximately 45% of current outstanding energy loans, percentage increased as a result of new commitments
  - Unfunded commitments related to loans that are currently criticized are less than $10 million
- Market update
  - Very few banks competing
  - Better structures, more hedging
  - Covenants and advance rates more consistent with regulatory review standards

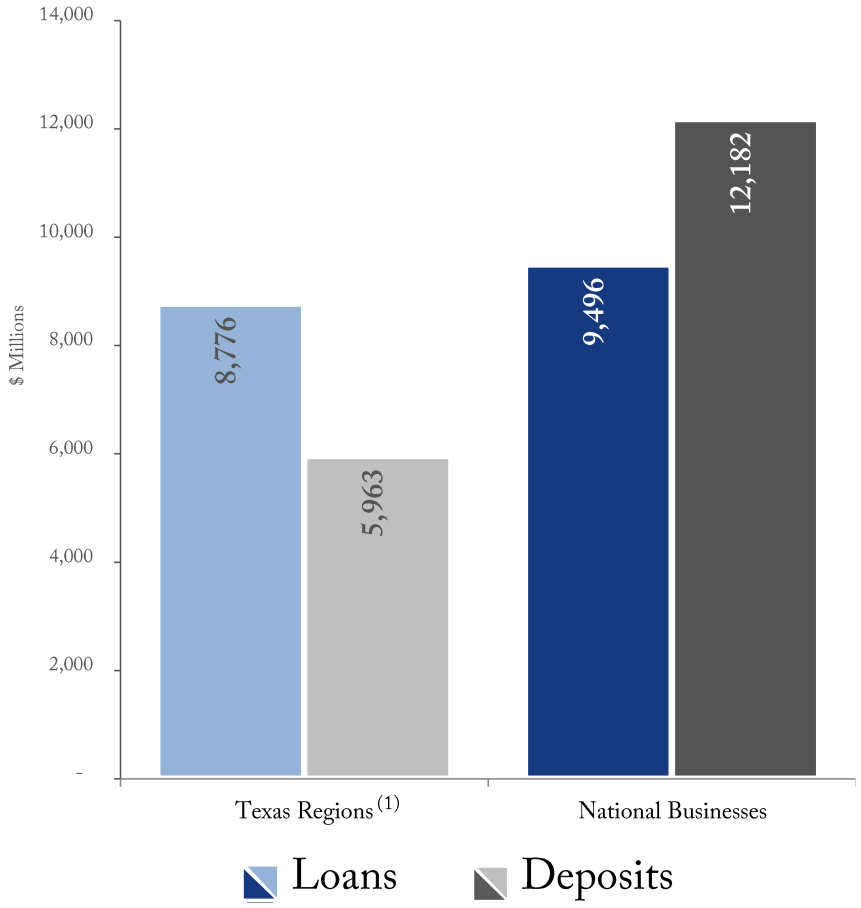
Houston Market Risk Real Estate

(in thousands except % data)	Q3 2016	% of Total Houston Market Risk CRE	Q2 2016	% of Total Houston Market Risk CRE
Apartment buildings	$206,407	24%	$230,378	32%
Commercial buildings[1]	171,914	20%	150,554	18%
Shopping center/mall buildings	124,593	14%	103,094	13%
Hotel/motel buildings	154,812	18%	128,728	14%
Manufacturing/Industrial	109,015	12%	114,571	14%
Other	109,799	13%	86,686	9%
Total Houston Market Risk CRE (excluding builder finance loans)	$876,540		$814,011	
Percentage of total LHI	5%		5%	

- The above table summarizes our Houston market risk real estate portfolio, excluding loans related to our builder finance line of business
- Of the September 30, 2016 total, $8.5 million were "special mention"; $159,000 "substandard" loans and no NPAs
- The linked quarter increase in outstanding balances was due primarily to new fundings on previous commitments

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

Update on Geographic Diversification



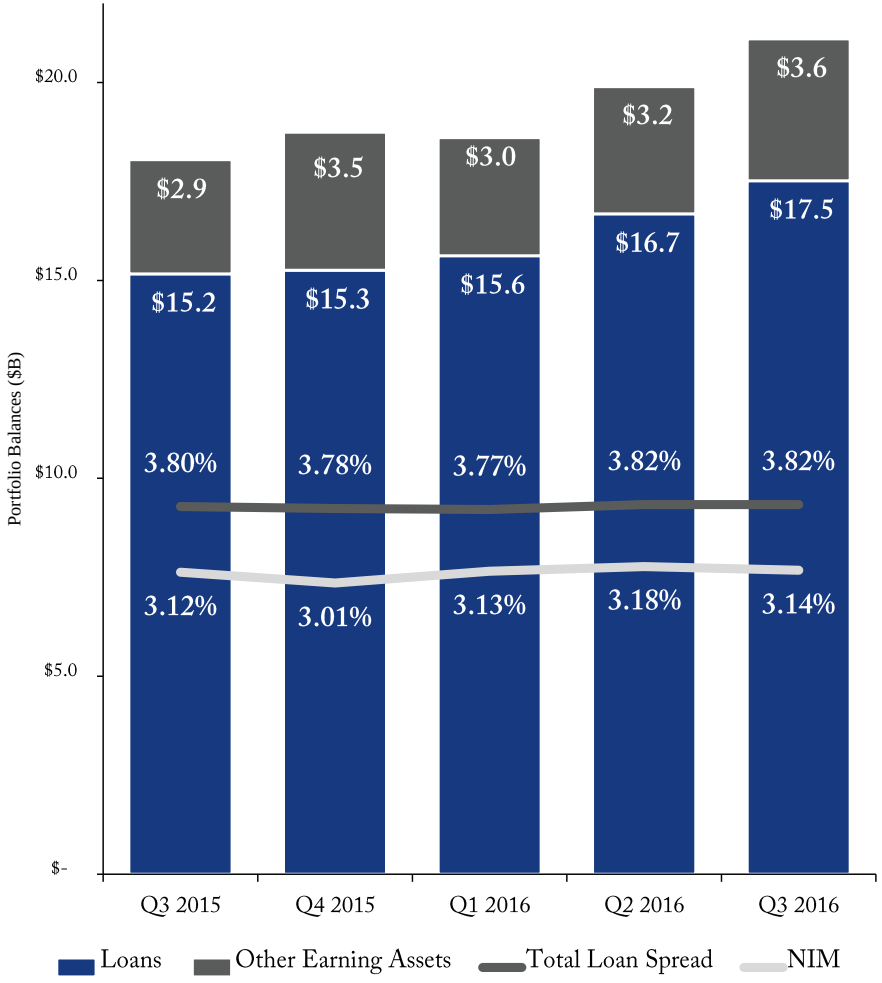
Major Texas Metro Areas	Unemployment Rate(2)
Austin-Round Rock	3.6%
DFW-Arlington	4.2%
Houston metro	5.8%
San Antonio	4.2%

- While cities directly involved in the oil/gas industry are more exposed to the energy downturn, Texas as a whole and TCBI 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 operating for many years, increasing our geographic diversification as each gained additional market share
- National Business balances include Mortgage Finance, Builder Finance, Lender Finance, BDCF and national depository businesses
- Our national LOBs include Texas clients, but Texas clients represent less than 20% of their total business

Note: (1) Texas Regions loan balances include balances from the Energy business (2) Unemployment data through July 31, 2016

Net Interest Income & Margin

Earning Asset & Margin Trends



Quarterly Change

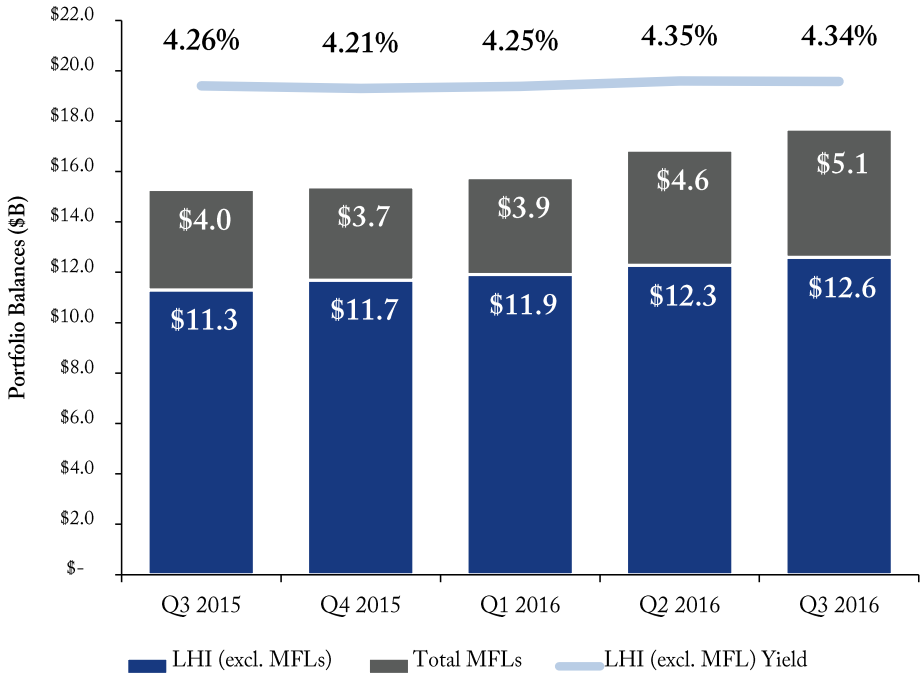
NII ($MM)		NIM (%)
$157.1	Q2 2016	3.18%
-	Increase in liquidity assets	(.06)
(.3)	Decrease in LHI gross loan yields	(.01)
.4	Increase in MF loan yields	.01
-	Increase in free funds contribution	.02
7.8	Increase in LHI & LHS balances	-
1.7	Increase in day count	-
-	Other	-
$166.7	Q3 2016	3.14%

NIM Highlights

- Net interest income growth of 6% from Q2-2016 and 17% from Q3-2015
- Adjusted NIM net of effect of liquidity is 3.68%
- Strong MFL balances continue to benefit NII with small negative to NIM
- Loan fees, including syndication fees, continued at a normalized level
- Total Average Liquidity Assets 17% of earning assets with yield of 51 bps; significantly reduces NIM with minor benefit NII

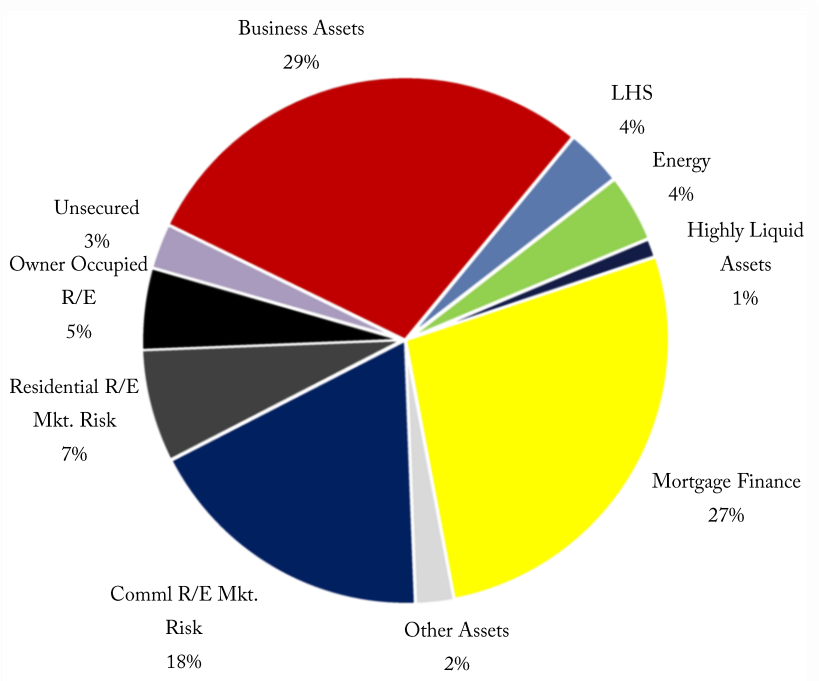
Loan Growth

Average Balance Trends ($B)



Total Loan Composition

($18.3 Billion at 9/30/16)

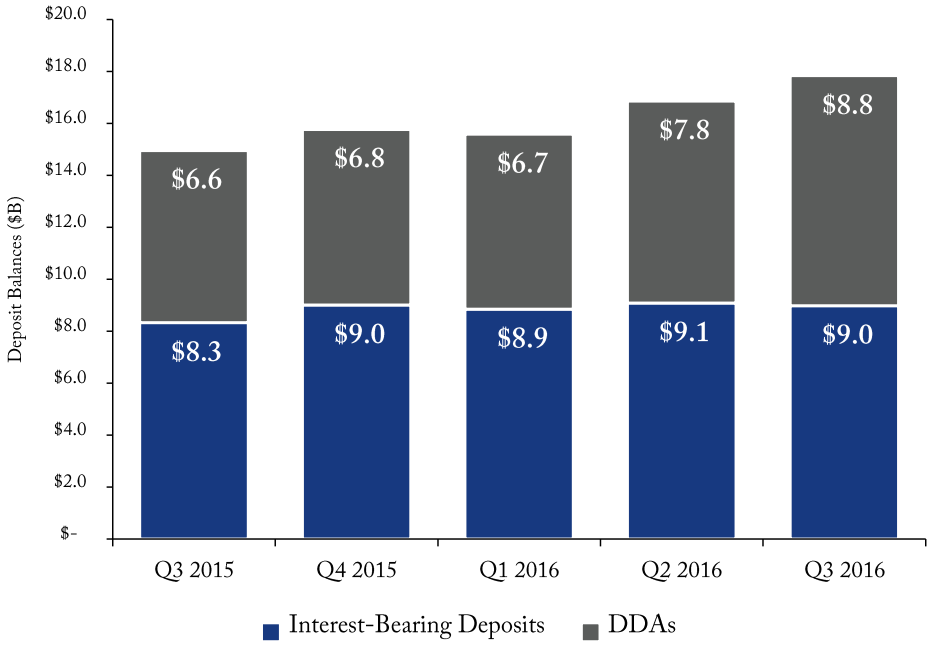


Growth Highlights

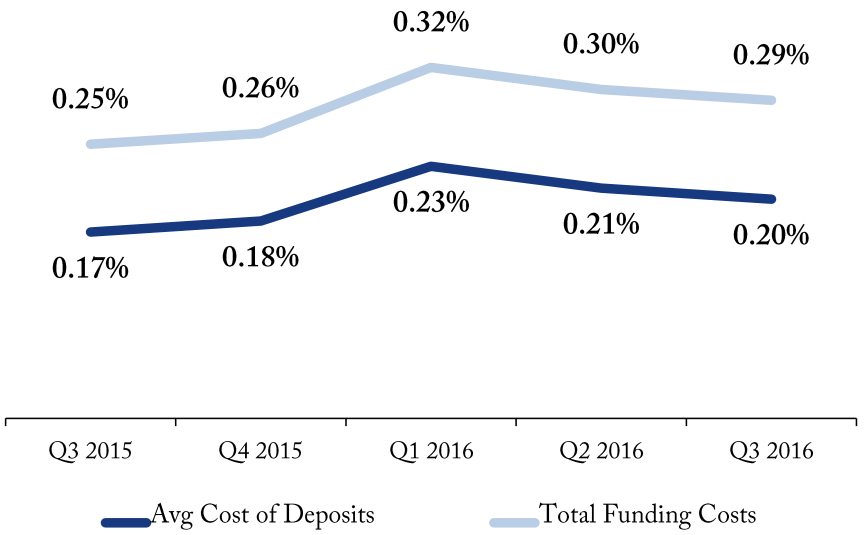
- Broad-based growth in average traditional LHI – Growth of $315.3 million (3%) from Q2-2016 and $1.3 billion (11%) from Q3-2015
- Consistent with expectations, moderated growth with period-end balance $70.8 million higher than Q3-2016 average balance
- Increase in MCA balances of $273.0 million producing 11% increase in average total MFLs from Q2-2016, and 28% increase from Q3-2015
- Consistent with trends, average total MFLs represent 29% of average total loans at Q3-2016 compared to 31% at period end

Deposit Growth

Average Balance Trends ($B)



Funding Costs



Growth Highlights

- Core funding costs – deposits and borrowed funds decreased by 1 bp compared to decrease in LHI yields of 1 bp
- Continued deposit growth consistent with strategic opportunity to build deposit base
  - Increase 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)
Q2 2016	**$94.3**
Salaries and employee benefits – related to stock price changes	(0.1)
Salaries and employee benefits – performance based incentives, LTI and annual incentive pool	0.2
Salaries and employee benefits – continued build out	1.1
FDIC assessment	0.3
Other professional – can vary from quarter to quarter	(0.9)
All other – includes occupancy, technology, marketing, MSR amortization and impairment, all with some one-time and seasonal expenses	(0.1)
Q3 2016	**$94.8**

Efficiency Ratio

- 51.7% for Q3-2016 compared to 55.1% for Q2-2016
- Q3-2016 efficiency ratio of 51.7% is not new run rate; seasonally Q3 and Q4 have more favorable ratios
- Continued build out expenses with new LOB's, as well as other critical areas supporting regulatory compliance

Performance Summary - Quarterly

(in thousands)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	$ 166,739	$ 157,069	$ 144,783	$ 142,188	$ 142,048
Non-interest income	16,716	13,932	11,297	11,320	11,380
Net revenue	183,455	171,001	156,080	153,508	153,428
Provision for credit losses	22,000	16,000	30,000	14,000	13,750
Non-interest expense	94,799	94,255	86,820	87,042	81,688
Income before income taxes	66,656	60,746	39,260	52,466	57,990
Income tax expense	23,931	21,866	14,132	17,713	20,876
Net income	42,725	38,880	25,128	34,753	37,114
Preferred stock dividends	2,438	2,437	2,438	2,437	2,438
Net income available to common shareholders	$ 40,287	$ 36,443	$ 22,690	$ 32,316	$ 34,676
Diluted EPS	$ .87	$ .78	$ .49	$ .70	$ .75
Net interest margin	3.14%	3.18%	3.13%	3.01%	3.12%
Net interest margin excl. liquidity assets	3.68%	3.68%	3.63%	3.63%	3.66%
ROA	.78%	.77%	.53%	.72%	.79%
ROA excl. liquidity assets	.87%	.84%	.57%	.84%	.91%
ROE	10.20%	9.65%	6.13%	8.82%	9.69%
Efficiency	51.7%	55.1%	55.6%	56.7%	53.2%

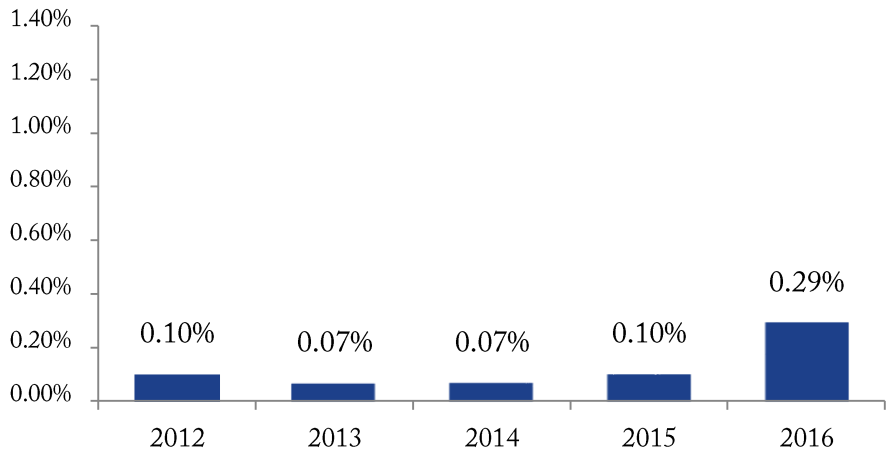
2016 Outlook

Business Driver	2016 Outlook v. 2015 Results	Comments & Changes since July 20, 2016
Average LHI	High single to low double-digit percent growth	–
Average LHI – Mortgage Finance	Low single-digit percent growth	–
Loans held for sale (MCA)	Greater than $300 million average outstandings	–
Average Deposits	Low to mid-teens percent growth	–
Net Revenue	Low to mid-teens percent growth	–
Net Interest Margin	3.00% to 3.20% 3.60% to 3.70%, excluding effect of liquidity assets	Increased from 3.50% to 3.60%, excluding effect of liquidity assets
Provision Expense	Mid-$80 million level	Increased from mid-$60 to mid-$70 million level
NIE	Low to mid-teens percent growth	–
Efficiency Ratio	Low to mid-50's	–

Asset Quality

Non-accrual loans	Q3 2016
Commercial	$ 166,333
Construction	159
Real estate	2,421
Consumer	200
Equipment leases	–
Total non-accrual loans	169,113
Non-accrual loans as % of LHI excluding MF	1.34%
Non-accrual loans as % of total LHI	.96%
OREO	19,009
Total Non-accruals + OREO	$ 188,122
Non-accrual loans + OREO as % of loans excluding MF + OREO	1.48%
Reserve to non-accrual total LHI	1.1x

NCO / Average Traditional LHI



	2012	2013	2014	2015	2016
Combined Reserves/ Trad'l LHI	1.15%	1.09%	1.06%	1.28%	1.51%

Asset Quality Highlights

- Total credit cost of $22.0 million for Q3-2016, compared to $16.0 million in Q2-2016 and $13.8 million in Q3-2015
- NCOs $7.4 million, or 24 bps, in Q3-2016 compared to $12.0 million, or 39 bps, in Q2-2016 and 8 bps in Q3-2015
- NPL ratio at .96% and at manageable level
- $1.8 million in charge-offs related to energy; energy NPAs at $150.0 million for Q3-2016 compared to $125.9 million in Q2-2016

Closing Comments

- Strong core earnings in Q3-2016
- Continue to proactively manage energy portfolio as well as overall credit; remain confident in underwriting standards, portfolio composition and reserve level
- Change in provision guidance includes Q3-2016 and expected level in Q4-2016
- Seasonally strong mortgage finance average balances in Q3-2016 as expected, with lower quarter-end surge in balances; significantly increased participation balances
- Continued ramping of MCA business in Q3-2016 and positioned to provide meaningful income contribution
- Focused on future ROE improvement from existing business with efficiencies, improved non-interest income from new LOBs and targeted growth in highest return businesses

Q&A

Appendix

Average Balances, Yields & Rates - Quarterly

(in thousands)	Q3 2016		Q2 2016		Q3 2015	
	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate	Avg. Bal.	Yield Rate
Assets						
Securities	$ 26,615	3.52%	$ 27,661	3.61%	$ 33,520	3.60%
Liquidity assets	3,561,356	.51%	3,184,127	.52%	2,845,855	.25%
Loans held for sale	430,869	3.38%	157,898	3.44%	570	4.18%
LHI, mortgage finance	4,658,804	3.13%	4,412,091	3.10%	3,981,731	3.03%
LHI	12,591,561	4.34%	12,276,272	4.35%	11,302,248	4.26%
Total LHI, net of reserve	17,082,279	4.05%	16,524,047	4.06%	15,165,436	3.97%
Total earning assets	21,101,119	3.44%	19,893,733	3.49%	18,045,381	3.38%
Total assets	$21,689,559		$20,438,470		$18,526,759	
Liabilities and Stockholders' Equity						
Total interest bearing deposits	$ 8,980,744	.40%	$ 9,082,469	.40%	$ 8,329,583	.30%
Other borrowings	1,607,613	.46%	1,411,387	.42%	1,459,864	.20%
Total long-term debt	394,301	4.99%	394,211	5.03%	393,938	4.87%
Total interest bearing liabilities	10,982,658	.57%	10,888,067	.57%	10,183,385	.46%
Demand deposits	8,849,725		7,767,693		6,621,159	
Stockholders' equity	1,722,035		1,668,783		1,570,061	
Total liabilities and stockholders' equity	$21,689,559	.29%	$20,438,470	.30%	$18,526,759	.25%
Net interest margin		**3.14%**		**3.18%**		**3.12%**
Net interest margin excl. liquidity assets		**3.68%**		**3.68%**		**3.66%**
Total deposits and borrowed funds	**$19,438,082**	**.22%**	**$18,261,549**	**.23%**	**$16,410,606**	**.17%**
Loan spread		**3.82%**		**3.82%**		**3.80%**

Average Balance Sheet - Quarterly

(in thousands)	QTD Average			Q3/Q2 % Change	YOY % Change
	Q3 2016	Q2 2016	Q3 2015		
Total assets	$21,689,559	$20,438,470	$18,526,759	6%	17%
Loans held for sale	430,869	157,898	570	173%	N/M
Loans held for investment	12,591,561	12,276,272	11,302,248	3%	11%
Loans held for investment, mortgage finance	4,658,804	4,412,091	3,981,731	6%	17%
Total loans held for investment	17,250,365	16,688,363	15,283,979	3%	13%
Liquidity assets	3,561,356	3,184,127	2,845,855	12%	25%
Demand deposits	8,849,725	7,767,693	6,621,159	14%	34%
Total deposits	17,830,469	16,850,162	14,950,742	6%	19%
Stockholders' equity	1,722,035	1,668,783	1,570,061	3%	10%

Period End Balance Sheet

(in thousands)	Period End			Q3/Q2 % Change	YOY % Change
	Q3 2016	Q2 2016	Q3 2015		
Total assets	$22,216,388	$21,080,994	$18,666,705	5%	19%
Loans held for sale	648,684	221,347	1,062	193%	N/M
Loans held for investment	12,662,394	12,502,513	11,562,828	1%	10%
Loans held for investment, mortgage finance	4,961,159	5,260,027	4,312,790	(6)%	15%
Total loans held for investment	17,623,553	17,762,540	15,875,618	(1)%	11%
Liquidity assets	3,471,074	2,624,170	2,345,192	32%	48%
Demand deposits	8,789,740	7,984,208	6,545,273	10%	34%
Total deposits	18,145,123	16,703,565	15,165,345	9%	20%
Stockholders' equity	1,725,782	1,684,735	1,590,051	2%	9%