Texas Capital Bancshares, Inc.

Q1-2022 Earnings

April 20, 2022

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Forward-looking Statements

This communication contains “forward-looking statements” within the meaning of and pursuant to the Private Securities Litigation Reform Act of 1995 regarding, among other things, our financial condition, results of operations, business plans and future performance. These statements are not historical in nature and may often be identified by the use of words such as “expect,” “estimate,” “anticipate,” “plan,” “may,” “will,” “forecast,” “could,” “should,” “projects,” “targeted,” “continue,” “become,” “intend” and similar expressions.

Because forward-looking statements relate to future results and occurrences, they are subject to inherent and various uncertainties, risks, and changes in circumstances that are difficult to predict, may change over time, are based on management’s expectations and assumptions at the time the statements are made and are not guarantees of future results. A number of factors, many of which are beyond our control, could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These factors include, but are not limited to, credit quality and risk, the COVID-19 pandemic, industry and technological changes, cyber incidents or other failures, disruptions or security breaches, interest rates, commercial and residential real estate values, economic and market conditions in Texas, the United States or internationally, fund availability, accounting estimates and risk management processes, the transition away from the London Interbank Offered Rate (LIBOR), legislative and regulatory changes, business strategy execution, key personnel, competition, mortgage markets, fraud, environmental liability and severe weather, natural disasters, acts of war or terrorism or other external events.

These and other factors that could cause results to differ materially from those described in the forward-looking statements, as well as a discussion of the risks and uncertainties that may affect our business, can be found in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and in other filings we make with the Securities and Exchange Commission. The information contained in this communication speaks only as of its date. Except to the extent required by applicable law or regulation, we disclaim any obligation to update such factors or to publicly announce the results of any revisions to any of the forward-looking statements included herein to reflect future events or developments.

Our Distinct Opportunity

Serving strong core Texas markets with expanded coverage and a complete set of capabilities

Improving client relevance and diversifying our revenue base

Attracting high-quality talent with significant experience

Operating from a de-risked position of financial strength

Strategic Performance Drivers Announced September 1st

	Where We Started			Where We Are Going
Income Statement	**2020**	**2021**	**Q1 2022**	**2025**
Investment Banking and Trading Income (% of Total Revenue)[1]	2.5%	2.8%	2.1%	~10%
Treasury Product Fees[2] (% of Total Revenue)[1]	1.6%	2.6%	3.6%	~5%
Non-interest Income[3] (% of Total Revenue)[1]	11.2%	13.4%	10.0%	15%–20%

	Where We Started			Where We Are Going
Balance Sheet	**2020**	**2021**	**Q1 2022**	**2025**
FY Average Liquidity Assets[4] (% of Total Average Assets)	28%	37%	35%	>20%
FY Average Indexed Deposits (% of Total Deposits)	36%	27%	25%	<15%

Talent				
Frontline Talent Growth	1.0x	1.4x	1.6x	2.3x

Performance Metrics				
Return on Average Assets	0.18%	0.67%	0.47%	>1.10%
Return on Average Tangible Common Equity[5]	2.1%	8.4%	5.0%	>12.5%
CET1	9.4%	11.1%	11.5%	9%–10%

Our Path Forward

Operating Model Aligned to our Vision, Grounded in our Values

Organized Around Client Delivery

- Product & Industry Specialization
- Frontline Growth
- Technology

New Products and Services

- Treasury Solutions
- Private Wealth
- Investment Banking

Clear Strategic Direction and Fortitude to Deliver

Expanding Coverage

- Business Banking
- Middle Market Banking
- Corporate Banking

Evaluating Opportunities for Growth

- Disciplined Capital Management
- Structured Criteria Guiding Programmatic Investment
- Optimizing Capital Allocation Across the Portfolio

Committed to Financial Resilience

Risk Management

- Granular Risk Rating System
- Values Driven Culture
- Improved Portfolio Positioning

Capital and Liquidity

- 1Q22 CET1: 11.5%
- 1Q22 Avg. Liquidity Assets[4]: 35% of Avg. Assets
- YoY TBV[6] Growth: 3.0%

Resulting business model poised to generate structurally higher, more sustainable earnings through enhanced fee income and decreased thru-cycle asset sensitivity

Our ability to serve our clients, access markets, and support our community through cycles is a strategic multiplier

New Products and Services

Recent Progress

Treasury Solutions

- Steady growth in core operating deposits continues; Treasury Product Fees up 33%, YoY
- Internally developed, digital Commercial Onboarding Platform in market this quarter. Moving from RM guided to self-serve by year end 2022

Private Wealth

- AUM increased 37% YoY with $581MM or 81% of the increase resulting from net organic flows
- Strategic review of Private Wealth complete; accelerating realization of product roadmap and hiring plan to take advantage of market opportunity

Investment Banking

- Underwrote the first high yield debt issuance transaction as a co-manager for a Real Estate client of the Bank
- Winning additional sell-side mandates through focused Banker partnerships
- Key front-line, Risk, and Operations talent now in place

Upcoming Milestones

- Zelle payment solutions for small business and consumer clients in market during Q2 2022
- Application Programming Interface (API) payment and information reporting strategy underway with multi-phase deliverables through-out 2022 and 2023
- Remapping and improving client service model to better integrate across full product suite and improve scalability
- Digital consumer onboarding goes live in Q2 2022, significantly improving account opening process and client experience
- Corporate Securities Trading, TBA Hedging, and Gestation Financing products are all expected to go live in Q2 2022
- Corporate Loan Trading and Mortgage Whole Loan Trading available in late Q2 or early Q3 2022

Focused on What Matters

- Driving new operating-account relationships to improve balances and fee income
- Continuing to advance our Private Wealth platform through banker partnership and augmented capabilities
- Establishing competitive offering of advisory-based products and services to help our clients access the capital markets and mitigate risk to grow fees in partnership with existing lines of business

Financial Performance	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	YoY
Assets Under Management ($B)	$2.0	$2.2	$2.5	$2.7	$2.7	37%
Treasury Product Fees[3] ($M)	$5.5	$5.7	$5.8	$6.0	$7.4	33%
Wealth Management & Trust Fee Income ($M)	$2.9	$3.1	$3.4	$3.8	$3.9	37%
Investment Banking and Trading Income ($M)	$5.8	$8.1	$4.1	$6.5	$4.2	-28%
Income From Areas of Focus ($M)	$14.2	$16.9	$13.4	$16.3	$15.5	9%

Expanding Coverage

Recent Progress

Business Banking

- Segment specific credit underwriting is working – defined risk appetite, efficient underwriting, and informed decisioning
- Successfully adding banking, treasury solutions, and credit talent
- Banking leadership now in place in each of our five Texas markets

Middle Market Banking

- Deliberate go to market strategy is showing tangible results as loans and gross PxV are up 10%, and 18% YoY, respectively
- Proactive partnership with the investment bank continues resulting in additional sell-side mandates
- Current market penetration levels allow for continued outsized market share gains

Corporate Banking

- Front, middle, and back-office alignment on client selection, go-to-market strategy, risk appetite, and product needs
- Loan pipeline throughout Corporate Banking remains robust and Treasury products are hitting the mark
  - Mandated new loans up ~160% over Q1 originations; gross PxV is up 21% YoY

Focused on What Matters

- Filling out highly differentiated coverage model that better aligns bankers, product, and expertise to support existing and new clients
- Positioning expanded industry specialization alongside local market coverage and decision-making to do what is right for the client
- Programmatic technology investments focused on earning the right to be there for our clients and ensuring our client experience remains a competitive advantage

Financial Performance (Period End)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	YoY
Business, Middle Market, and Corporate Banking Talent	1.0x	1.2x	1.4x	1.7x	2.1x	
Business, Middle Market, and Corporate Banking Deposits ($B)	$6.3	$7.0	$7.0	$7.7	$7.1	14%
C&I Loans[7] ($B)	$8.9	$9.3	$9.9	$10.5	$11.0	23%
Real Estate Loans ($B)	$5.8	$5.6	$5.2	$4.8	$4.9	-15%

Focused on the Future

Current Financial Priorities

Investment // Re-aligning the expense base to directly support the business and investing aggressively to take advantage of market opportunities that we are uniquely positioned to serve

Revenue Growth // Growing top-line revenue as a result of expanded banking capabilities for best-in-class clients in our Texas and national markets

Building Tangible Book Value // Reinvesting organically generated capital to improve client relevance and create a more valuable franchise

Flagship Results

Proactive, disciplined engagement with the best clients in our markets to provide the talent, products, and offerings they need through their entire life-cycles

Structurally higher, more sustainable earnings driving greater performance and lower annual variability

Commitment to financial resilience allowing us to serve clients, access markets, and support communities through all cycles

Consistent communication, enhanced accountability, and a bias for action ensure execution and delivery

Higher quality earnings and a lower cost of capital drive a significant expansion in incremental shareholder returns that can be maintained through all cycles

Financial Performance

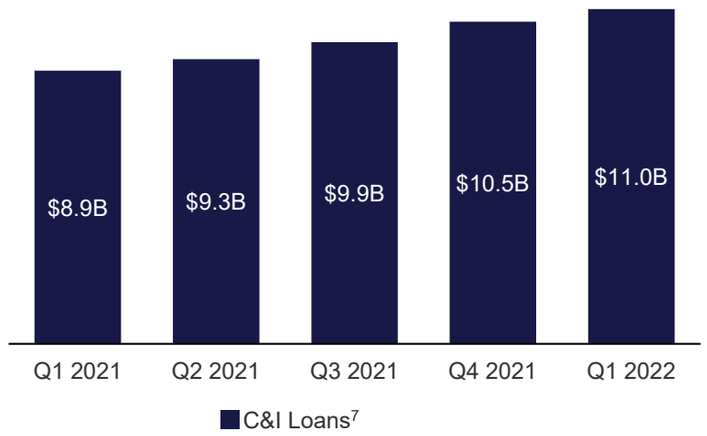
Financial Highlights ($M)	Q1 2021	Q4 2021	Q1 2022
Net Interest Income	$194.8	$194.0	$183.5
Non-Interest Revenue	44.4	31.5	20.3
Total Revenue	239.2	225.5	203.8
Non-Interest Expense	150.3	146.6	153.1
PPNR[8]	88.8	78.8	50.7
Provision for Credit Losses	-6.0	-10.0	-2.0
Income Tax Expense	22.9	23.7	13.1
Net Income	71.9	65.1	39.7
Preferred Stock Dividends	3.8	4.3	4.3
Net Income to Common	68.2	60.8	35.3

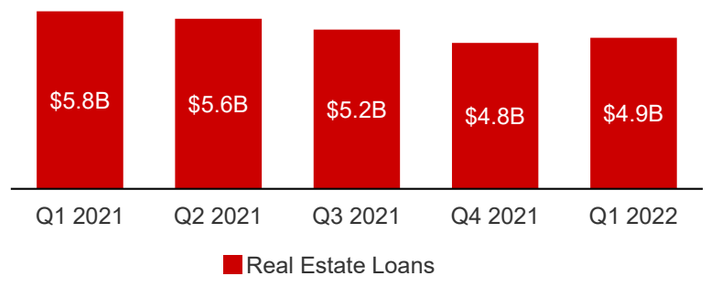
Key Performance Metrics			
Return on Average Assets	0.73%	0.69%	0.47%
PPNR[8] / Average Assets	0.90%	0.84%	0.60%
Efficiency Ratio[9]	62.9%	65.0%	75.1%
EPS	$1.33	$1.19	$0.69
Return on Average Common Equity	10.08%	8.36%	4.97%

- Net income to common of $35.3 million, or $0.69 per diluted share
- Market-driven contraction in Mortgage Finance Loan balances resulted in modest declines in quarterly and YoY net interest income which were partially offset by continued execution on defined growth initiatives
- Strategic focus on expanding products and services resulting in steady growth in certain fee categories—service charges on deposits and wealth management fees are higher both YoY and QoQ (31% and 17%, respectively)
  - Investment banking and trading income lower both YoY and QoQ due to slower market activity, but pipeline remains strong with anticipated growth in 2H2022
- Continued improvement in criticized loan balances and non-performing assets drove a $2.0 million negative provision
  - Criticized loans declined $106.8 million QoQ to 2.20% of LHI
    - Declined $469.0 million YoY, or 50%
  - Non-performing assets declined $13.2 million QoQ to 0.27% of LHI
    - Declined $38.4 million YoY, or 39%
- Non-interest expense continues to grow as anticipated, with a larger-portion increasingly allocated to higher-value activities directly supporting our defined strategy
  - Total NIE up $2.8 million, or 2% YoY, with salaries and benefits up $12.6 million or 14% as front-line C&I banking talent up 2.1x YoY
- Book value impacted by a decline in AOCI of $158 million due primarily to the steady rise in the long end of the treasury yield curve since the start of the year. As part of the Bank's proactive interest rate risk mitigation strategy, $1.0 billion of securities were transferred to HTM from AFS on 3/1/2022

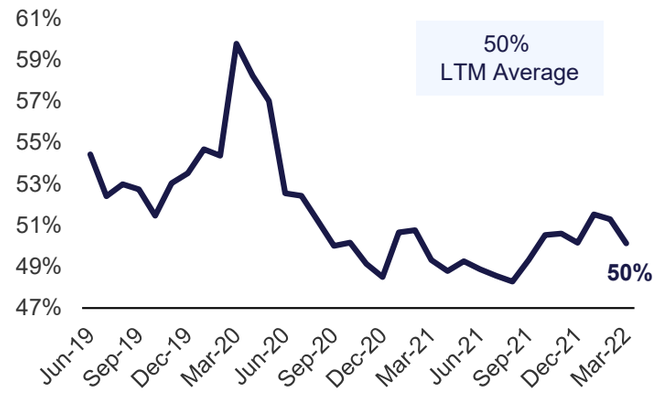
Loan Portfolio

Period End Loan Trends (excl. PPP)

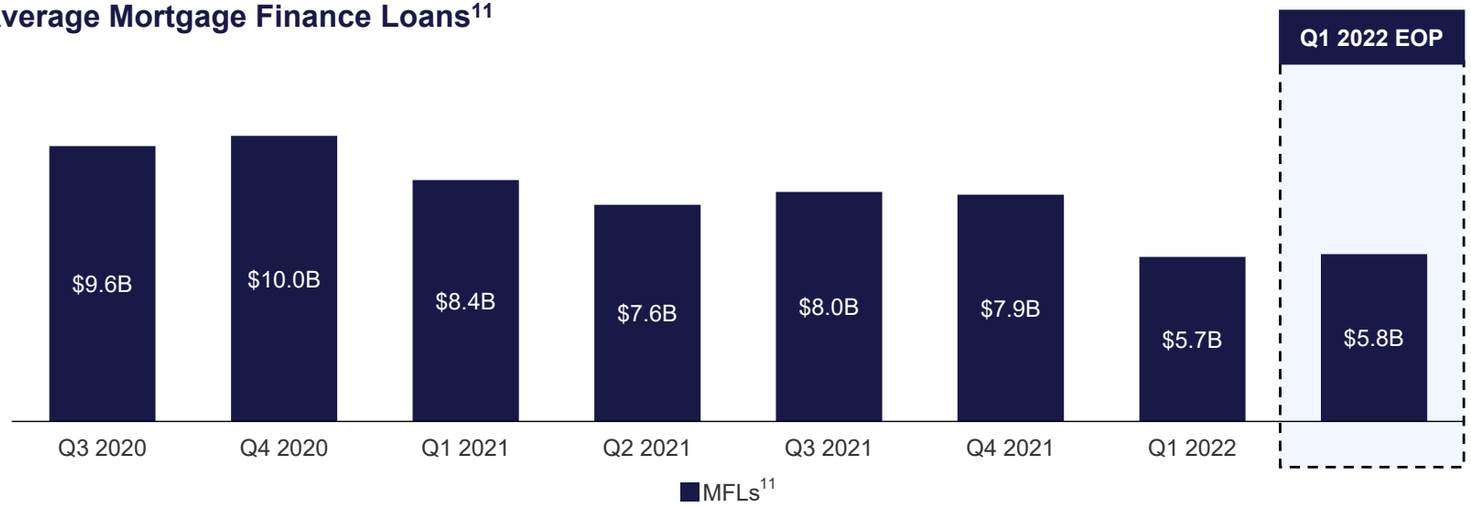




Utilization Rates[10]



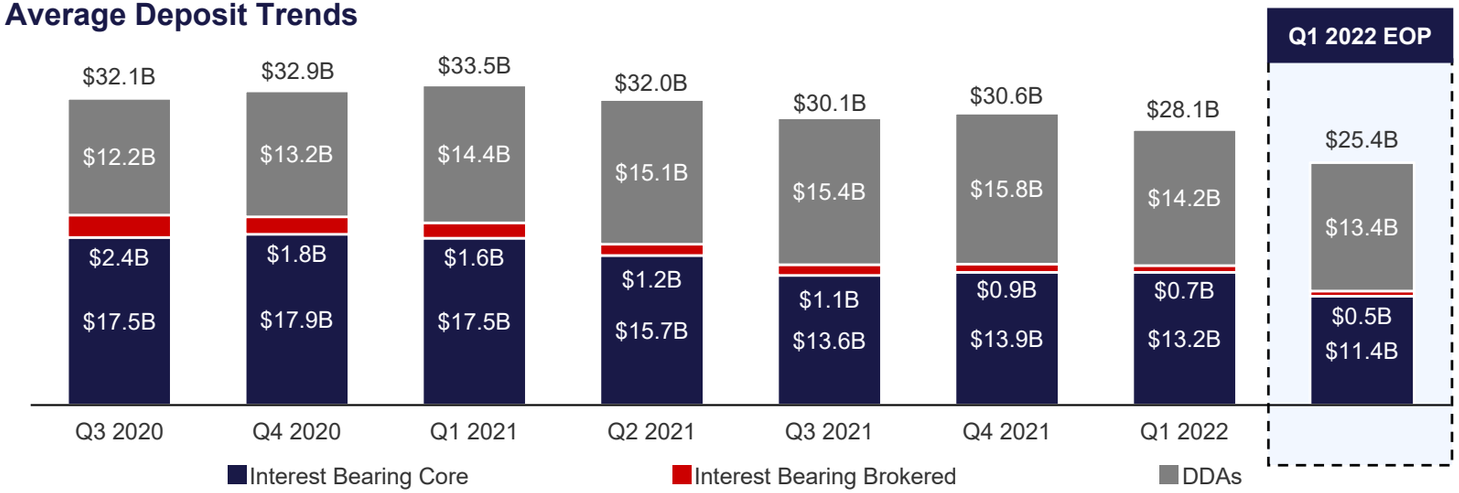
Average Mortgage Finance Loans[11]



- C&I[7] Loan balances continue to trend favorably and grew 16% annualized during the quarter and 23% YoY with broad based market share gains driven primarily by new client acquisition
- Moderating payoffs coupled with consistent origination trends led to 14% QoQ annualized increase in Real Estate Loans
- Rapidly rising mortgage rates in the first quarter of 2022 significantly impacted the purchase and refinance volumes, resulting in average MFLs[11] declining 27% QoQ

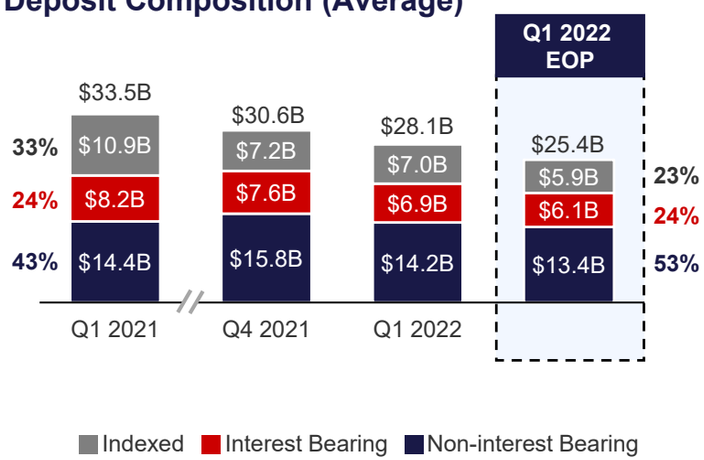
Deposits and Fundings

Average Deposit Trends

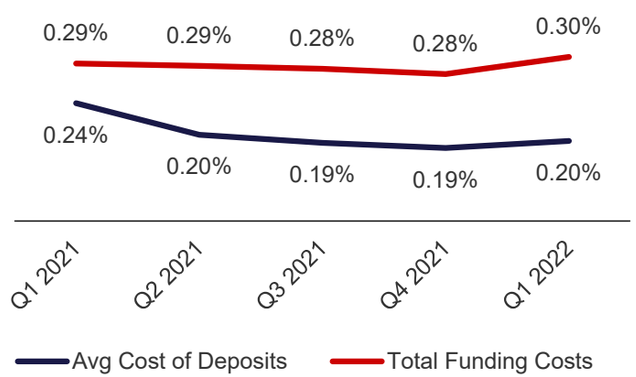


- Composition of the funding base continues to show improvement
  - DDA deposits comprise 53% of total deposits, compared to 45% a year ago
  - Continued proactive reduction of $1.4B of high-cost, high-beta indexed deposits at the end of Q1 2022, cumulatively $3.9B over the last 5 quarters
- Funding costs remained stable with an upward bias as interest rates are rising

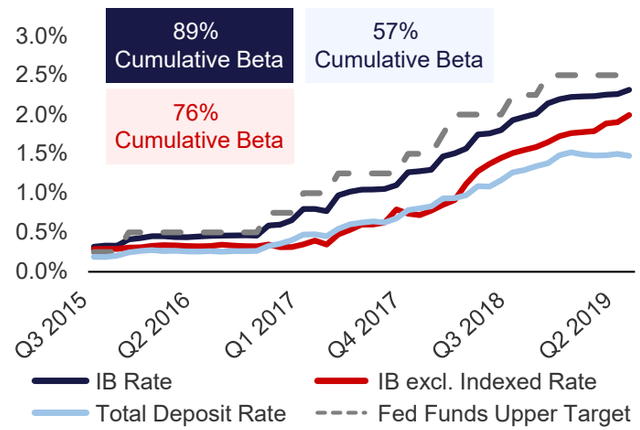
Deposit Composition (Average)



Funding Costs



Historical Rates Paid Betas

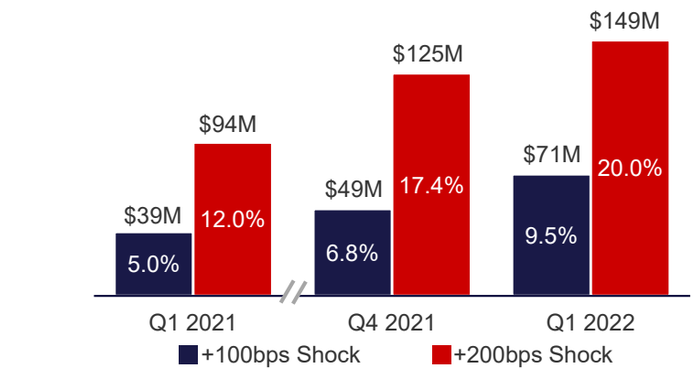


NII Sensitivity

Standard Model Assumptions
100bp & 200bp Parallel Shocks

- **Loan Balances:** Static
- **Deposit Balances:** Static
  - **Indexed Deposits:** Ratio held constant at 23%
- **Loan Spreads:** Current Levels
- **Total Deposit Beta:** ~50%
- **Investment Portfolio:** Ratio held constant

TCBI NII Sensitivity



	Q1 2021	Q4 2021	Q1 2022
Base NII[12]	$782M	$718M	$745M

Loan Repricing Detail // Excl. MFLs[11]

($15.9B of Gross LHI Excl. MFLs[11])	Q1 2022
Fixed	**18%**
Prime	18%
1 Month	51%
3 Month	4%
6 Month	1%
12+ Month	9%
Variable	**82%**
Total	**100%**

Upward Rate Change Moves from Floors // Excl. MFLs[11]
(Variable Rate Loans at Floors)

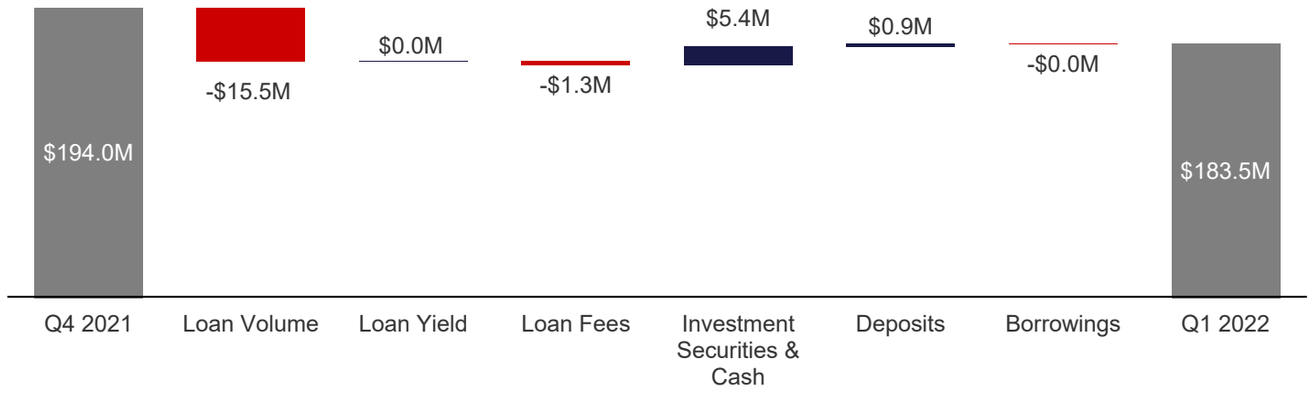
($M)	+25bps or less	25-50 bps	50-75 bps	75-100 bps	>100 bps
LBR1	$873	$479	$487	$84	$370
LBR3	178	5	13	0	0
Prime	226	176	300	36	268
Total	**$1,277**	**$660**	**$799**	**$120**	**$638**
Cumulative Total	**$1,277**	**$1,937**	**$2,736**	**$2,856**	**$3,494**
Cumulative % Above Floor	37%	55%	78%	82%	100%

- The asset sensitivity profile of the bank has increased over the last year as loans began rising off floors in Q1 and overall, the deposit composition is more focused on noninterest bearing deposits
- LHI excl. MFLs[11]: 18% fixed / 82% variable
  - 38% ($5.0B) of variable loans have floors
  - 70% ($3.5B) of variable loans with floors are at their floors
- The 50 basis point rise in rates anticipated in May will release 55% of LHI excl. MFLs[11] with floors from their floors

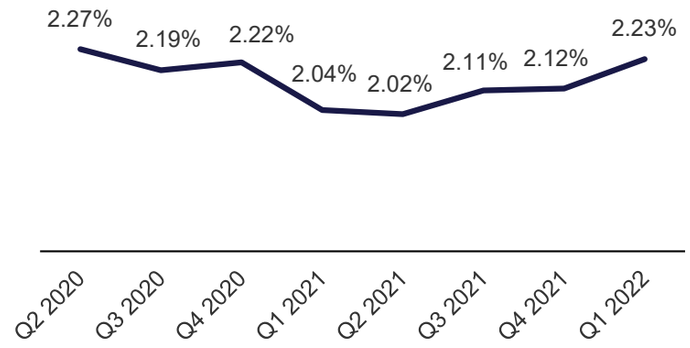
- The Mortgage Finance Loan[11] portfolio represents 27% of LHI with the majority tied to 1 month LIBOR which rose 35 bps in Q1 2022
- Overall Mortgage Finance NII will not be as sensitive to changes in index rates as the rest of the portfolio
- Bank's overall NII sensitivity (9.5%, $71M and 20%, $149M) inclusive of Mortgage Finance NII impact

Q1-2022 Earnings Overview

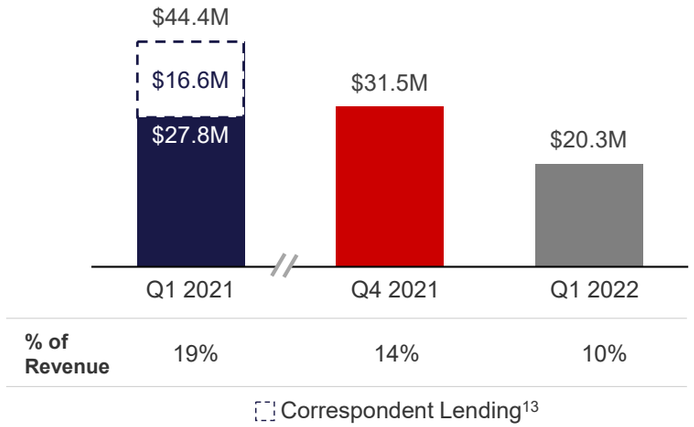
Net Interest Income



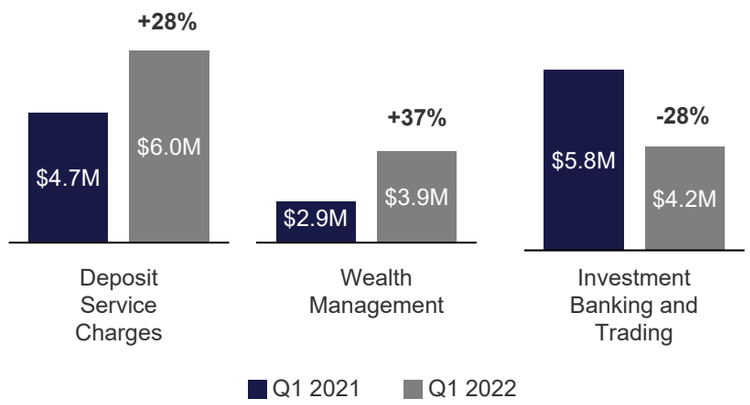
Net Interest Margin



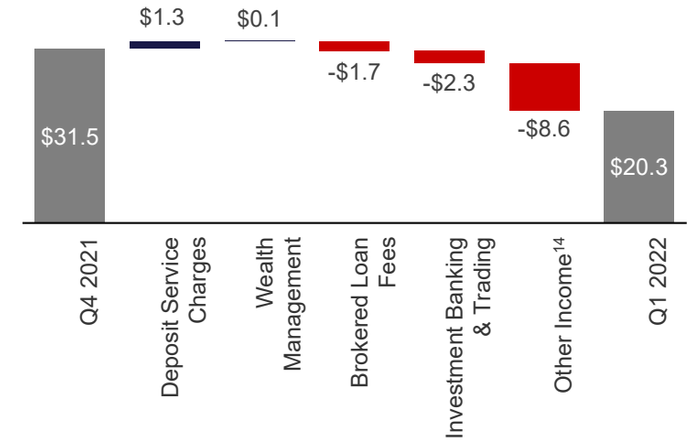
Non-Interest Income



Fee Income Detail



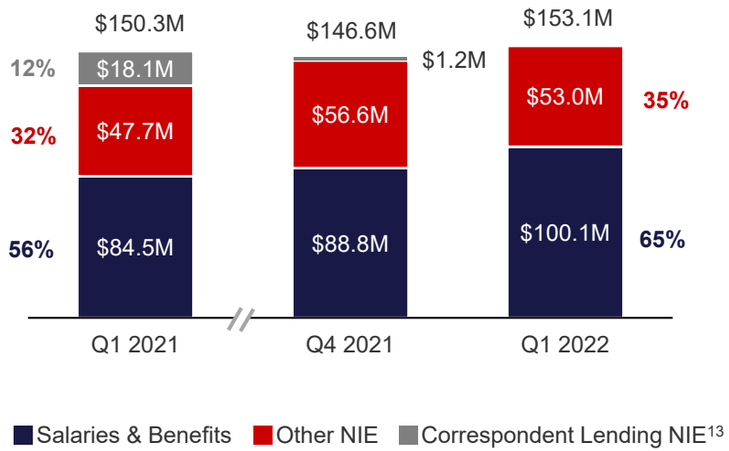
Non-Interest Income Walk ($M)



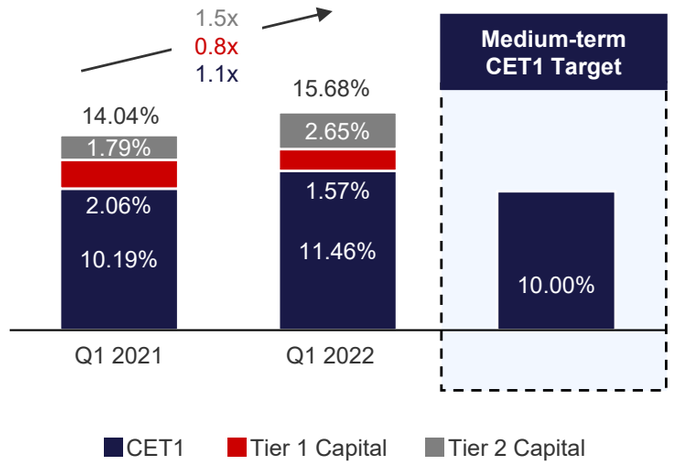
Texas Capital Bancshares, Inc.

Q1-2022 Earnings Overview

Non-interest Expense

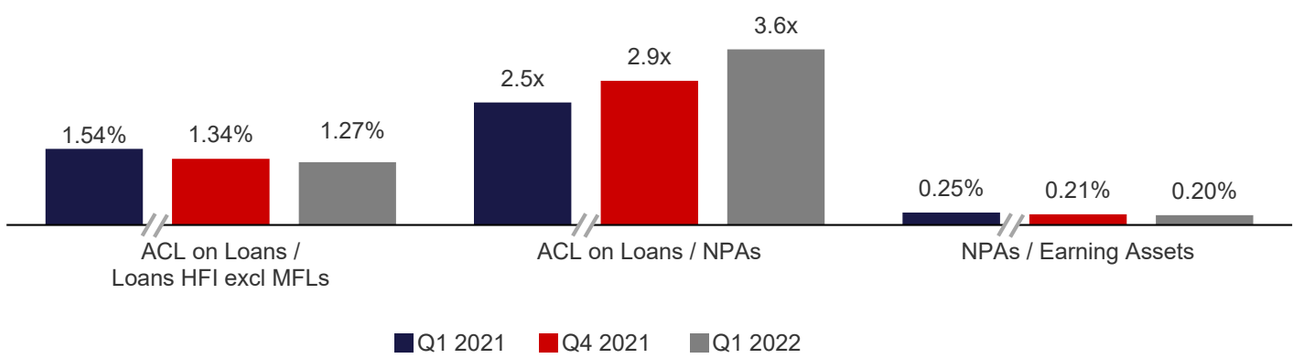


Regulatory Capital Levels

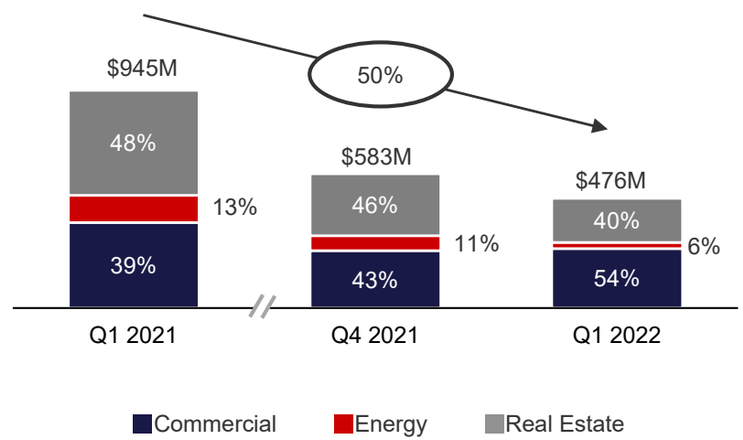


- Expense base is reinvested and repositioning to support revenue production
  - Increased front-line talent by over 60% since year end 2020
- Organization realignment and new enterprise disciplines support a values-driven credit culture, driving criticized loans down 50% YoY
- Capital remains at an all time high and Total Capital Ratio is in the top quartile for peers[15], providing confidence and stability as the Bank continues to invest in frontline talent and new capabilities

Credit Quality



Criticized Composition |YoY



Full Year Guidance

Full Year 2022 Guidance	Prior Guidance	Current
Average MFLs[11] Decline	High-teens % Decline	Mid 30s% Decline
MFLs[11] Yields	2.70-2.90%	~3.00%
Revenue Growth	Low-to-mid Single Digit	Down Low Single Digit
Non-interest Expense Growth	Low Double Digit	Unchanged
Achieve Quarterly Operating Leverage (YoY Growth in Quarterly PPNR[8])	Q4 2022 / Q1 2023	Unchanged

Rate Assumptions in Full Year Guidance

- Mortgage Finance volumes are inclusive of the forward curve as of 3/31/2022
- All other guidance excludes rate changes

Appendix // Footnotes

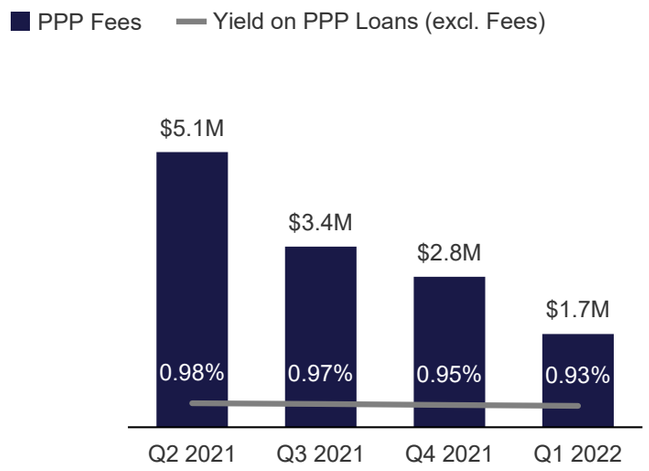
1. Total Revenue in 2020 and 2021 excludes Correspondent Lending; See slide: Appendix // Correspondent Lending Historical Contribution
2. Non-interest Income for 2020 and 2021 excludes Correspondent Lending; See slide: Appendix // Correspondent Lending Historical Contribution
3. Includes service charges on deposit accounts, as well as fees related to our commercial card program, merchant transactions, wire fees, and FX transactions, all of which are included in other non-interest income and totaled $3.1M for FY 2020, $4.4M for 2021, and $0.8M, $1.1M, $1.2M, $1.3M, and $1.3M for Q1 2021, Q2 2021, Q3 2021, Q4 2021, and Q1 2022, respectively
4. Includes interest-bearing cash and cash equivalents, available-for-sale debt securities, and equity securities
5. See slide: Appendix // Return on Average Tangible Common Equity (ROTCE)
6. Stockholders' equity excluding preferred stock, less goodwill and intangibles, divided by shares outstanding at period end
7. C&I Loans includes Commercial and Energy loans and excludes PPP loans
8. Net interest income and non-interest income, less non-interest expense
9. Non-interest expense divided by the sum of net interest income and non-interest income
10. Outstanding loans divided by total commitments excluding Mortgage Finance Loans and leases
11. Total Mortgage Finance Loans (MFLs) include Mortgage Warehouse loans and Correspondent Lending LHS
12. Baseline scenarios hold constant balances, market rates, and assumptions as of period end reporting
13. See slide: Appendix // Correspondent Lending Historical Contribution
14. Related to a $5.9M gain on the sale of an energy asset
15. Compared to peer banks with $10-250B in assets for Q4 2021 results Source: S&P Capital IQ Pro

Appendix // Loan Fees and PPP

Loan Fees (excl. PPP)

	Loan Fees (excl. PPP)	LHI Yield Contribution	NIM Contribution
Q1 2021	$7.6M	0.20%	0.08%
Q2 2021	$8.2M	0.22%	0.09%
Q3 2021	$8.6M	0.22%	0.10%
Q4 2021	$8.8M	0.23%	0.10%
Q1 2022	$8.6M	0.22%	0.10%

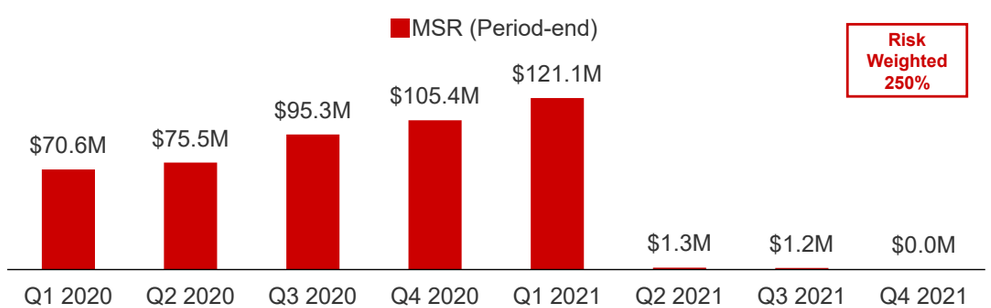
PPP Loans

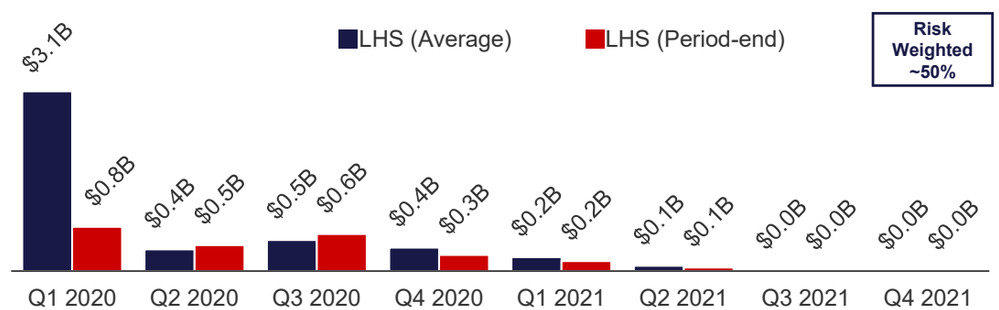


	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Beginning PPP ($M)	$728.1	$364.4	$207.3	$82.4
Forgiven PPP ($M)	$367.1	$157.1	$124.9	$59.7
Originations ($M)	$3.4	$-	$-	$-
Period-end PPP ($M)	$364.4	$207.3	$82.4	$22.7

Appendix // Correspondent Lending Historical Contribution

($M)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021
Net Interest Income	24.5	1.5	2.8	1.4	30.2	0.9	0.3	0.0	0.0	1.2
Non-interest Income										
Brokered Loan Fees	2.6	2.8	5.8	3.9	15.1	2.2	0.7	0.0	0.0	2.9
Servicing Income	4.6	5.9	7.1	8.6	26.2	8.8	5.7	0.0	0.0	14.5
Gain/(Loss) on Sale of LHS	(13.0)	39.0	25.2	6.8	58.0	5.6	(3.1)	(1.2)	0.0	1.3
Non-Interest Expense										
Salaries & Benefits	3.6	3.5	4.5	3.4	15.0	3.0	3.1	0.4	0.3	6.8
Marketing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legal & Professional	0.8	0.6	0.8	0.9	3.1	1.0	0.8	0.3	0.2	2.3
Communications & Tech	0.7	1.4	1.0	1.0	4.1	0.4	0.3	1.3	0.5	2.5
Servicing-Related Expenses	16.4	20.1	12.3	15.9	64.7	13.0	12.4	2.4	0.0	27.8
Other Expense	0.5	0.5	0.4	0.7	2.1	0.7	0.6	0.6	0.2	2.1





Appendix // Return on Average Tangible Common Equity (ROTCE)

ROTCE is a non-GAAP financial measure. ROTCE represents the measure of net income available to common shareholders as a percentage of average tangible common equity. ROTCE is used by management in assessing financial performance and use of equity. A reconcilement of ROTCE to the most directly comparable U.S. GAAP measure, ROCE, for all periods presented below.

	2020 ($000s)	2021 ($000s)	Q1 2022[1] ($000s)
Net Income Available to Common Stockholders	$56,539	$235,218	$35,337
Average Common Equity	$2,686,747	$2,815,656	$2,884,654
Less: Average Goodwill and Intangibles	17,857	17,447	17,194
Average Tangible Common Equity	$2,668,890	$2,798,209	$2,867,460
ROCE	2.1%	8.4%	5.0%
ROTCE	2.1%	8.4%	5.0%

(1) Ratios are annualized