Texas Capital Bancshares, Inc.

Q3-2022 Earnings

October 19, 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, TCBI’s 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. Several factors, many of which are beyond management’s 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, uncertainties related to our sale of BankDirect Capital Finance, LLC, cyber incidents or other failures, disruptions or security breaches, interest rates, commercial and residential real estate values, economic conditions, including inflation, recession, and market conditions in Texas, the United States or globally, including governmental and consumer responses to those economic and market conditions, fund availability, accounting estimates and risk management processes, the transition away from the London Interbank Offered Rate (LIBOR), legislative and regulatory changes, ratings or interpretations, business strategy execution, key personnel, competition, mortgage markets, fraud, environmental liability and severe weather, natural disasters, acts of war, terrorism, global conflict or other external events.

These and other factors that could cause actual results for TCBI on a consolidated basis to differ materially from those described in the forward-looking statements, including a discussion of the risks and uncertainties that may affect TCBI’s business, can be found in TCBI’s most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and in other documents and filings we make with the SEC. The information contained in this communication speaks only as of its date. Except to the extent required by applicable law or regulation, TCBI disclaims 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**	**YTD 2022**	**2025**
Investment Banking and Trading Income (% of Total Revenue)[1]	2.5%	2.8%	3.3%	~10%
Treasury Product Fees[2] (% of Total Revenue)[1]	1.6%	2.6%	3.2%	~5%
Non-interest Income[3] (% of Total Revenue)[1]	11.2%	13.4%	10.3%	15%–20%

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

Talent				
Frontline Talent Growth	1.0x	1.4x	1.8x	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%	4.9%	>12.5%
CET1	9.4%	11.1%	11.1%	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

- 3Q22 CET1: 11.1%
- 3Q22 Avg. Liquidity Assets[4]: 22% of Avg. Assets
- YoY TBV[6] per Share Growth: -8.0%

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

Expanding Coverage and Enhanced Product and Services

Business Banking

- Poised for improved contribution with average frontline tenure of less than 6 months
- Targeted investments in providing financial services to Texas communities and small businesses

Middle Market Banking

- Continued focus on best-in-class Texas-based clients; loans are up 17% YoY
- Partnership with Texas Capital Securities resulting in additional mandates

Corporate Banking

- Industry vertical segmentation maturing; client acquisition strategy continues to be substantiated
- Non-credit fee income is ramping; gross PxV is up 40% YoY

Financial Performance (Period End)	Q3' 21	Q4' 21	Q1' 22	Q2' 22	Q3' 22	YoY
Business, Middle Market, and Corporate Banking Talent	1.4x	1.7x	2.1x	2.3x	2.5x	
Business, Middle Market, and Corporate Banking Deposits ($B)	$7.0	$7.7	$7.1	$7.3	$6.9	(1%)
C&I Loans[7] Excl Insurance Premium Finance Loans ($B)	$7.2	$7.8	$8.1	$9.4	$10.0	38%
Real Estate Loans ($B)	$5.2	$4.8	$4.9	$5.1	$5.0	(4%)

Treasury Solutions

- Strong growth trends in core operating deposits; Treasury Product Fees up 27%, YoY
- Gross PxV continues to trend favorably as rapidly expanding product suite gaining traction with clients

Private Wealth

- AUM increased 3% YoY; pressured market conditions offset by continued strong net organic flows
- Focused investment across the platform in products, client experience, and talent

Investment Banking

- Platform build remains on schedule with client receptivity despite challenging market conditions
- YTD income up 29% (89% YoY); Capital Solutions, Syndicated Finance, Sales & Trading all contributing

Financial Performance	Q3' 21	Q4' 21	Q1' 22	Q2' 22	Q3' 22	YoY
Assets Under Management ($B)	$2.5	$2.7	$2.7	$2.6	$2.6	3%
Treasury Product Fees[2] ($M)	$5.8	$6.0	$7.4	$7.6	$7.4	27%
Wealth Management & Trust Fee Income ($M)	$3.4	$3.8	$3.9	$4.1	$3.6	7%
Investment Banking and Trading Income ($M)	$4.1	$6.5	$4.2	$11.1	$7.8	89%
Income From Areas of Focus ($M)	**$13.4**	**$16.3**	**$15.5**	**$22.8**	**$18.9**	**41%**

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

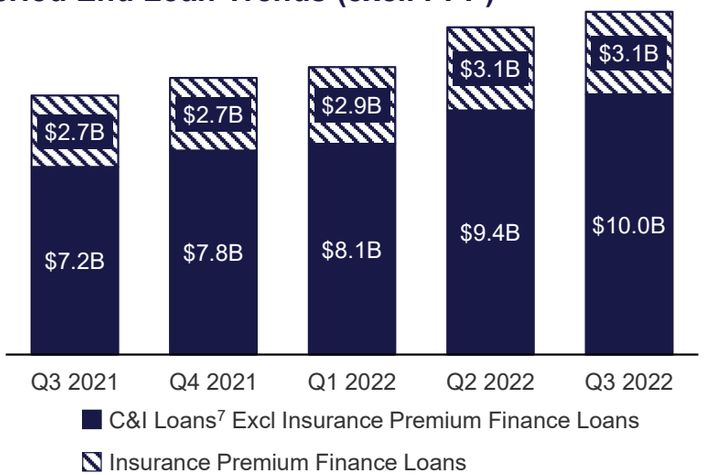
Financial Performance

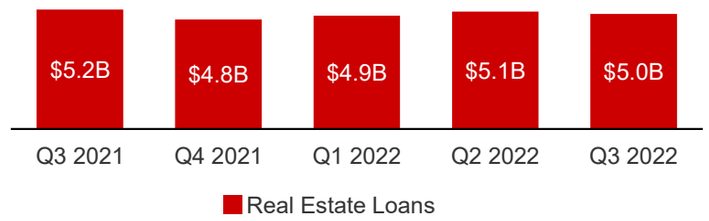
Financial Highlights ($M)	Q3 2021	Q2 2022	Q3 2022
Net Interest Income	$190.5	$205.5	$239.1
Non-Interest Revenue	24.8	26.2	25.3
Total Revenue	215.3	231.8	264.4
Non-Interest Expense	153.0	164.3	197.0
PPNR[8]	62.3	67.5	67.4
Provision for Credit Losses	5.0	22.0	12.0
Income Tax Expense	13.9	11.3	13.9
Net Income	43.4	34.2	41.4
Preferred Stock Dividends	4.3	4.3	4.3
Net Income to Common	39.1	29.8	37.1
Key Performance Metrics			
Return on Average Assets	0.47%	0.44%	0.52%
PPNR[8] / Average Assets	0.67%	0.86%	0.84%
Efficiency Ratio[9]	71%	71%	75%
Return On Average Common Equity	5.41%	4.35%	5.36%
Earnings Per Share	$0.76	$0.59	$0.74
Tangible Book Value[6] per Share	$55.93	$53.93	$51.48

- Net income to common of $37.1 million, $0.74 per diluted share, or $0.98 per diluted share excluding divestiture transaction expenses
- Deliberate balance sheet positioning coupled with sustained execution on defined growth initiatives drove a 16.3% increase in net interest income QoQ as interest rates continued to increase
- Strategic focus on expanding products and services resulting in positive trends in targeted fee categories—treasury, wealth management fees and investment banking fees increased 41% YoY
- Service charges on deposits down slightly QoQ due to increased client fee credits from higher deposit rates but up 23.4% YoY
- Non-interest expense continues to grow as expected, with a larger-portion increasingly allocated to higher-value activities directly supporting our defined strategy
  - Total non-interest expense up $32.7 million, or 19.9% QoQ, including $16.7 million of transaction expenses related to the divestiture of insurance premium finance loan portfolio
    - Transaction expenses: $13.7 million in salaries and benefits and $3.0 million in legal and professional
  - Excluding the transaction expenses, total non-interest expense increased $16.1 million, or 9.8% QoQ, driven by an $11.8 million increase in salaries and benefits, and a $2.8 million increase in technology
- Provision expense of $12 million was predominantly related to updated views on the downside risks to the economic forecast offset by QoQ improvement in criticized assets
- Tangible book value per share decline QoQ was attributed to $163.2 million additional AOCI impairment during the quarter from valuations on both the securities portfolio and the cash flow hedges portfolio

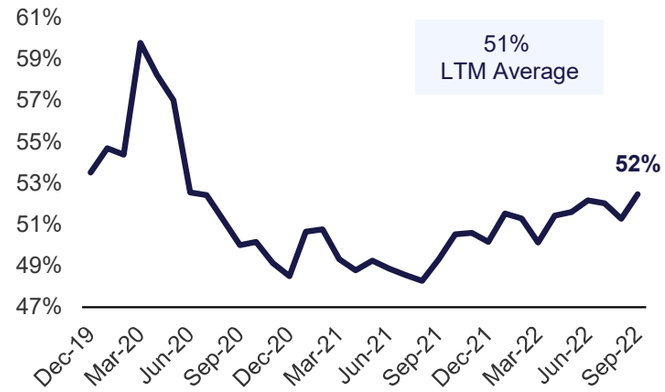
Loan Portfolio

Period End Loan Trends (excl. PPP)

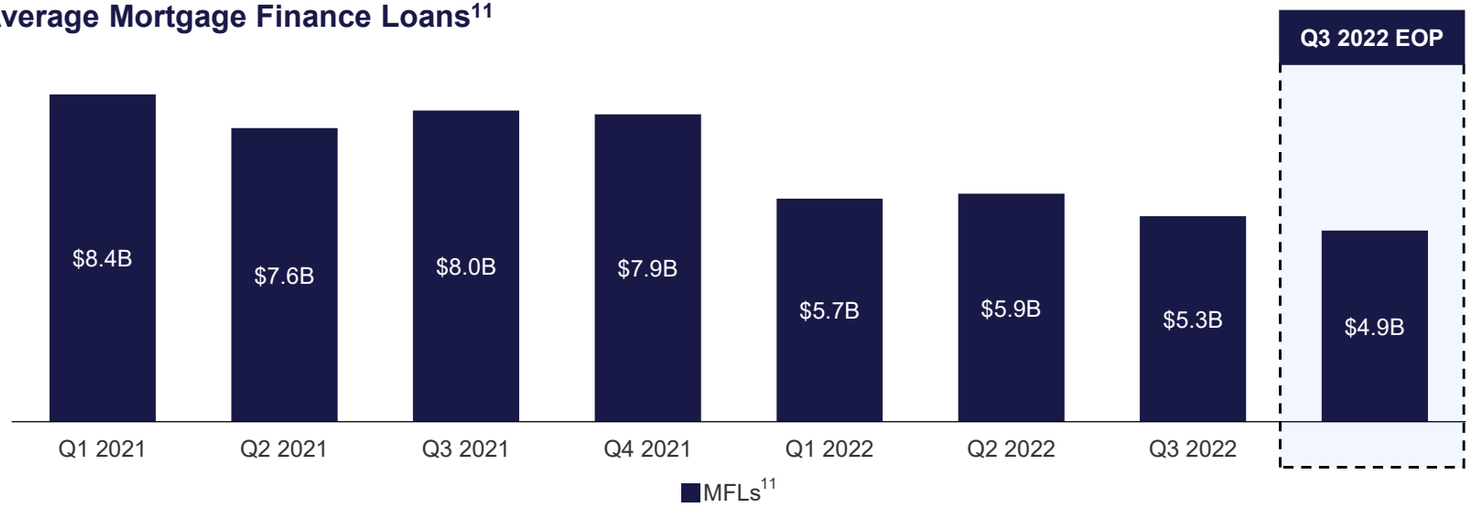




Utilization Rates[10]



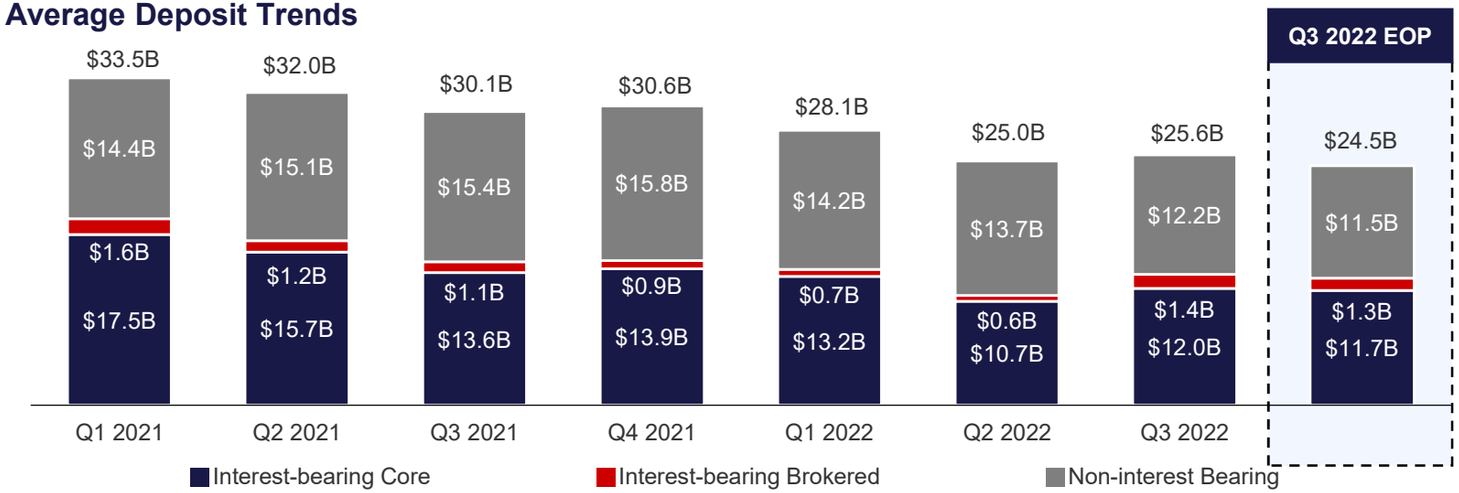
Average Mortgage Finance Loans[11]



- C&I Loans[7] Excl Insurance Premium Finance Loans grew $569 million or 6% QoQ
- Real Estate Loans declined 2% QoQ on par with expectations as payoffs remain elevated; thru-cycle strategy centered on client selection
- In the industry-wide contracting market, average MFLs[11] declined 10% QoQ comparing favorably to observed sector trends

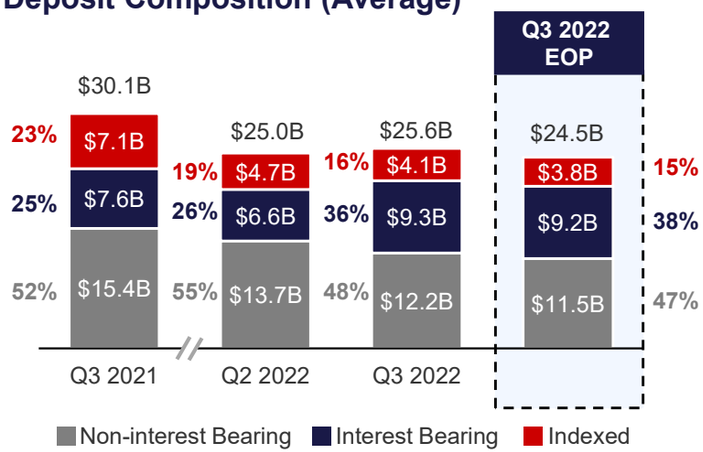
Deposits and Fundings

Average Deposit Trends

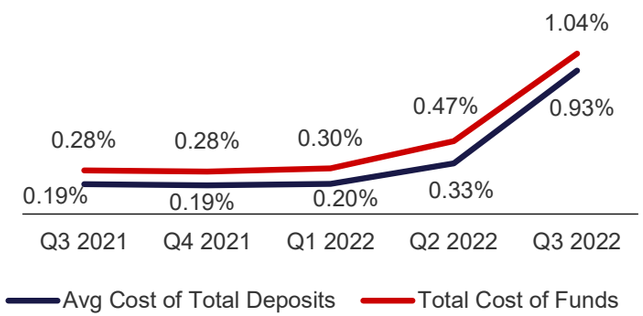


- Funding base continuing multi-year transition to target state composition
  - NIB balances of 47%
  - Mortgage Finance deposit volumes remain pressured in current market environment
  - Indexed deposits further reduced by $700 million; now at long-term target level 15% of total deposits
- Average Cost of Total Deposits increased 60 bps QoQ; a cumulative beta of 25% since the beginning of the current tightening cycle
  - 57% cumulative beta in the last tightening cycle (Sep-15 to Jun-19)

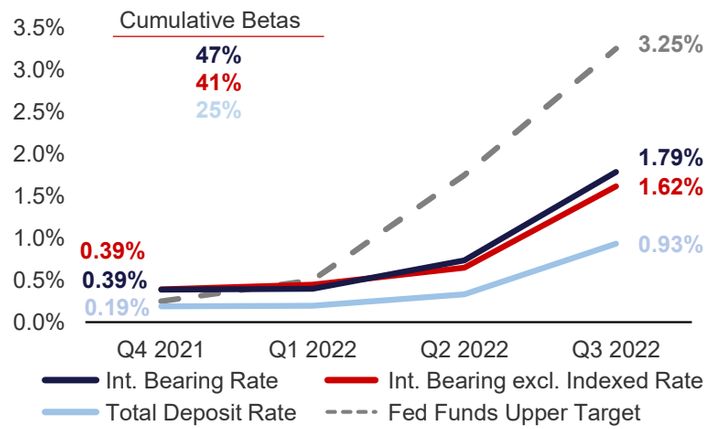
Deposit Composition (Average)



Funding Costs



Current Cycle Rates Paid Betas[12]

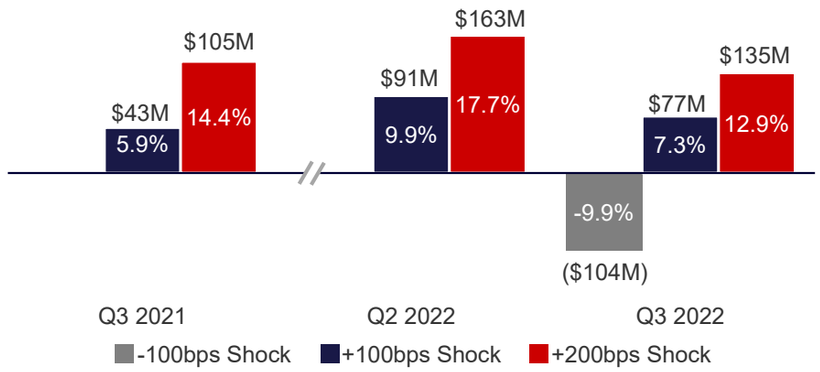


Net Interest Income Sensitivity

Standard Model Assumptions
100bp & 200bp Parallel Shocks

- **Loan Balances:** Static
- **Deposit Balances:** Static
  - **Indexed Deposits:** Ratio held constant at 15%
- **Loan Spreads:** Current Levels
- **Total Deposit Beta:** ~50%
- **Investment Portfolio:** Ratio held constant

TCBI NII Sensitivity



	Q3 2021	Q2 2022	Q3 2022
Base NII[13]	$727M	$920M	$1,045M

Loan Repricing Detail // Gross LHI excl. MFLs[11] and BDCF

($14.9B)	Q3 2022
Fixed	**8%**
Prime	20%
1 Month	66%
3 Month	4%
6 Month	2%
Variable	**92%**
Total	**100%**

Hedging Profile

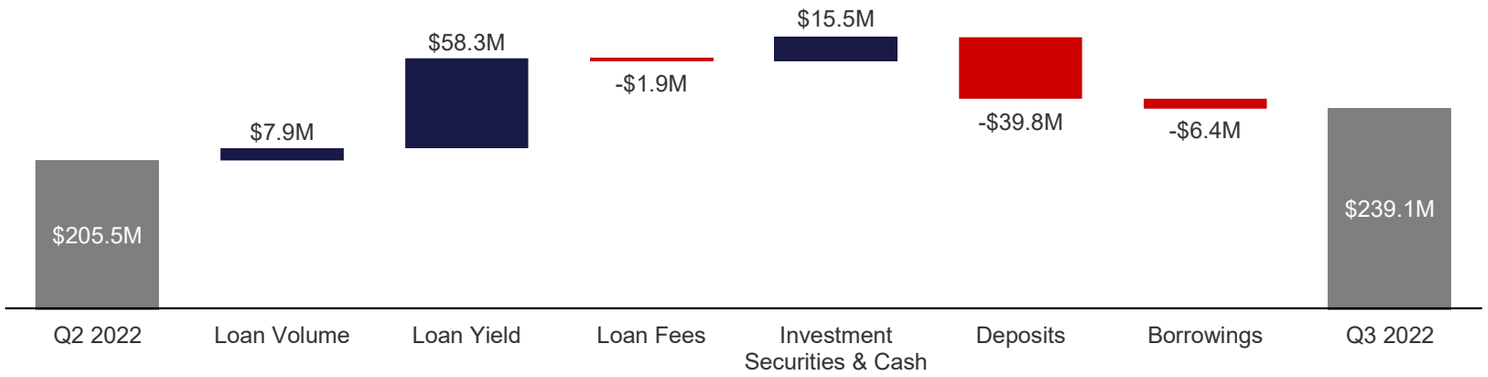
($M)	Notional Balance	Fixed Rate
Q2 2022	750	5.01%
Q3 2022	3,000	3.61%
Q4 2022	3,000	3.61%
2023	3,000	3.61%
2024	2,750	3.54%

- The asset sensitivity profile of the bank decreased QoQ primarily driven by $2.25 billion in swaps executed during the quarter which reduced asset sensitivity by approx 2%
  - Swaps executed during the quarter had an average receive fixed rate of 3.1% and duration of 37 months
- Actions create a more stable medium-term NIM profile, while lowering rates-fall risk
- LHI excl. MFLs[11]: 8% fixed / 92% variable
- $4.9 billion (33%) of LHI excl. MFLs[11] have contractual floors
  - All loans with floors are acting as variable rate loans

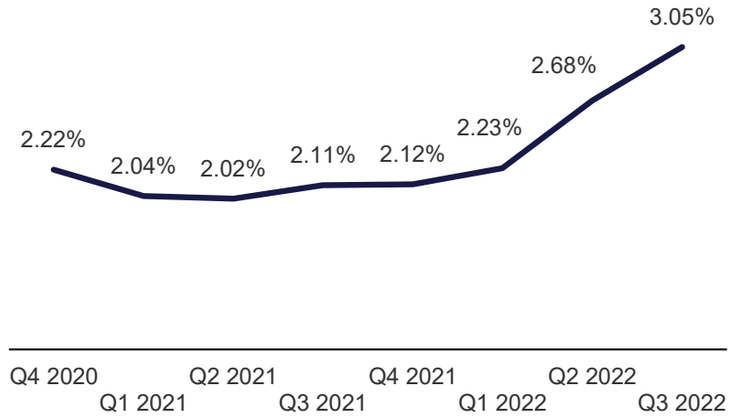
- MFLs[11] represent 22% of the total Loan portfolio with the majority tied to 1 month LIBOR which rose 136 bps in Q3 2022
- Overall Mortgage Finance NII will not be as sensitive to changes in index rates as the rest of the portfolio due to the pricing dynamic of the associated deposits held in non-interest bearing accounts
- Bank's overall Net Interest Income sensitivity (7.3%, $77M and 12.9%, $135M for Q3 2022) inclusive of Mortgage Finance NII impact

Q3-2022 Earnings Overview

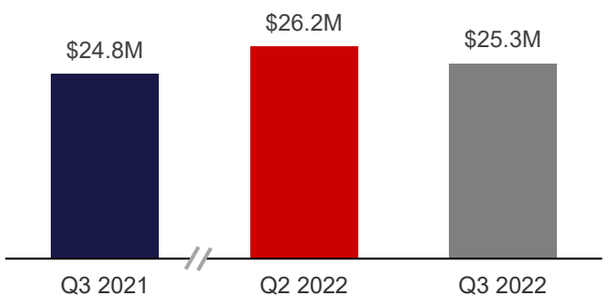
Net Interest Income



Net Interest Margin

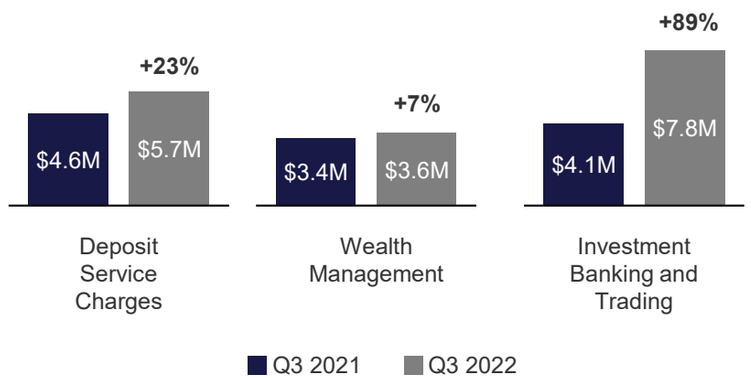


Non-Interest Income

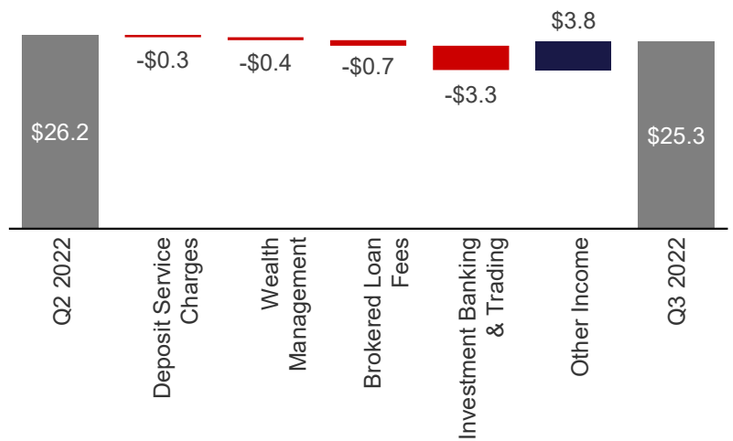


	Q3 2021	Q2 2022	Q3 2022
% of Revenue	12%	11%	10%

Fee Income Detail

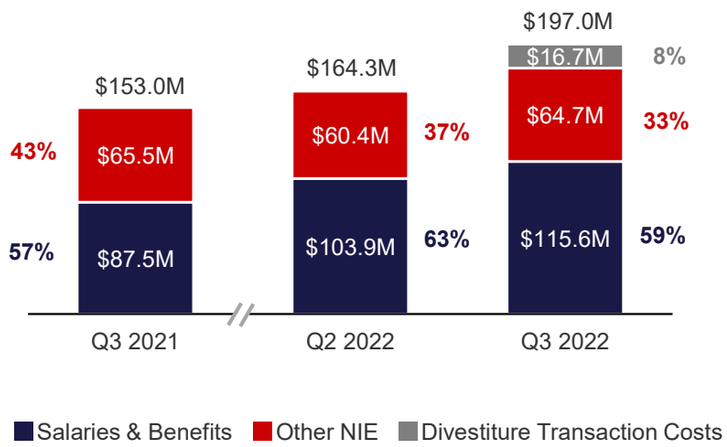


Non-Interest Income Walk ($M)

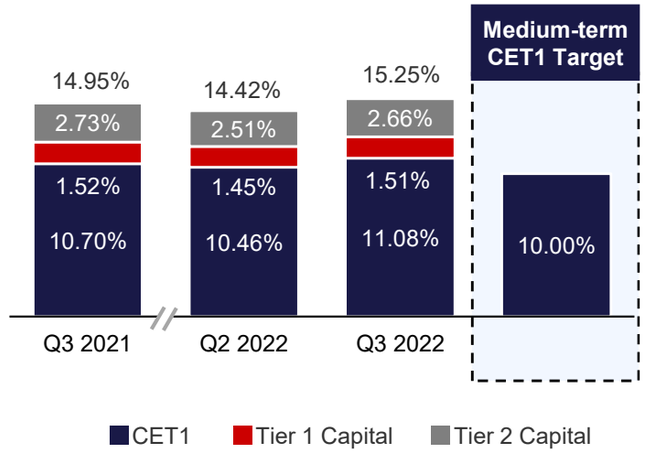


Q3-2022 Earnings Overview

Non-interest Expense

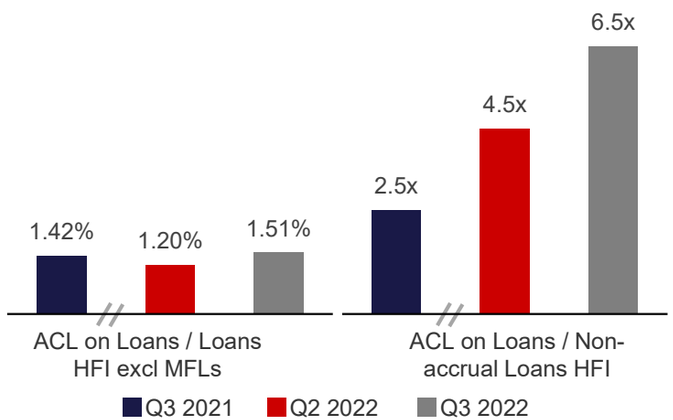


Regulatory Capital Levels

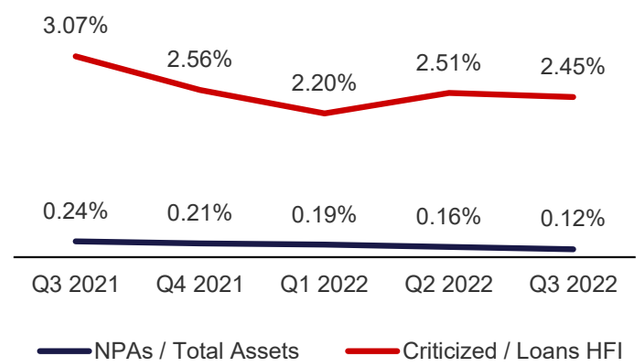


- Expense base continues repositioning for enhanced client experience and future scale
- Capital remains above historical averages with Total Capital Ratio and TCE[6]/Tangible Assets in the top 20 percentile of peers[14]
- Reserve levels in top 30 percentile among peers[14]
- Enterprise disciplines supporting a values-driven credit culture, driving criticized loans down 34% YoY
  - Q2 $144.6 million mortgage finance downgrade has been resolved; no losses recognized by CRT investors or TCBI

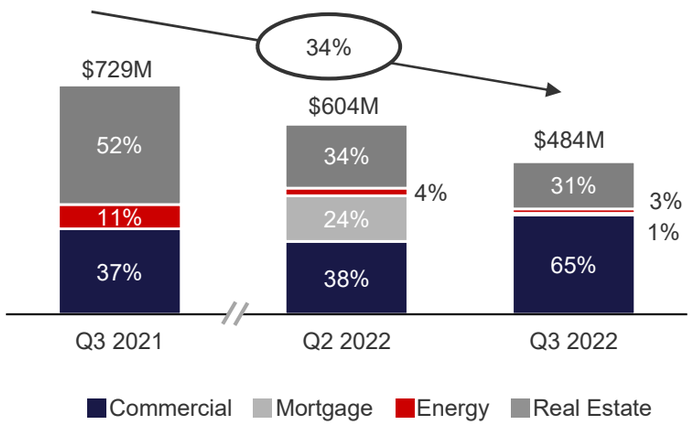
Credit Quality



Asset Quality Ratios



Criticized Composition | YoY



Full Year 2022 Guidance

Full Year 2022 Guidance	
Average Mortgage Finance Loans[11]	Mid-30% Decline
Total Revenue	Mid-to-High Single Digit % Growth
Non-Interest Expense	Mid Teens % Growth
Quarterly Operating Leverage (YoY Growth in Quarterly PPNR[8])	Maintain

Guidance Commentary

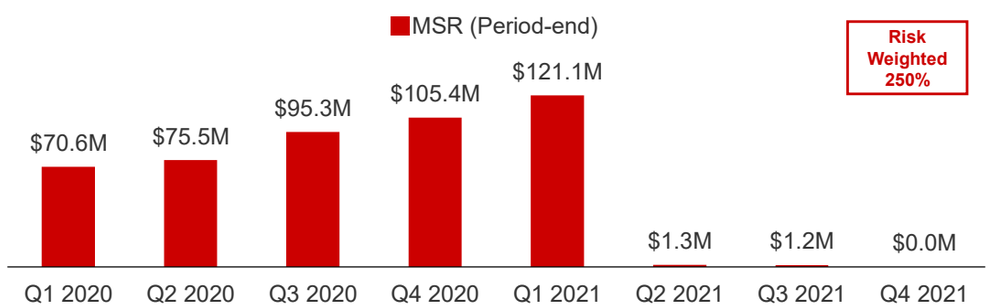
- Forward curve[15] assumes 2022 terminal rate of 4.50% Fed Funds
- Non-interest expense growth guidance excludes insurance premium finance loan portfolio divestiture transaction expenses

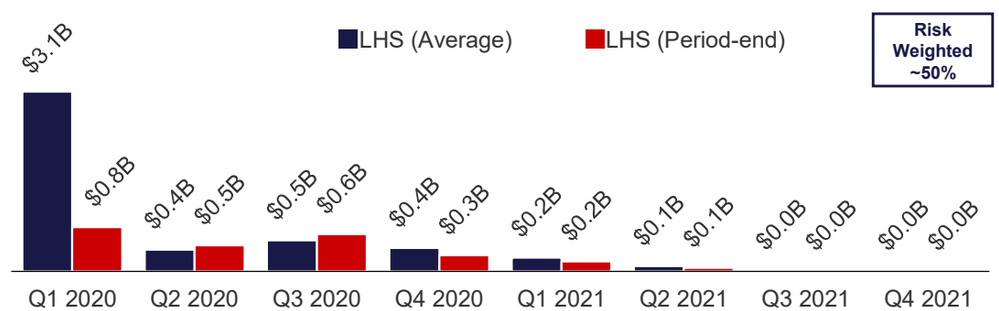
Appendix // Footnotes

1. Total Revenue in 2020 and 2021 excludes Correspondent Lending; See slide: Appendix // Correspondent Lending Historical Contribution
2. 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, $4.7M for Q3-YTD 2022 and $1.2M, $1.3M, $1.3M, $1.6M, and $1.7M for Q3 2021, Q4 2021, Q1 2022, Q2 2022, and Q3 2022 respectively
3. Non-interest Income for 2020 and 2021 excludes Correspondent Lending; See slide: Appendix // Correspondent Lending Historical Contribution
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 (includes $15.5M of BankDirect Capital Finance ("BDCF") goodwill and intangibles reclassed to other assets held for sale as of 9/30/2022)
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 Loans held for sale
12. Beta taken as the difference of Q3 2022 and Q4 2021 cost of total deposits, cost of interest-bearing deposits, and cost of indexed deposits divided by the change in fed funds upper target over the same period
13. Baseline scenarios hold constant balances, market rates, and assumptions as of period end reporting
14. Compared to major exchange traded peer banks with $20-100B in assets as of Q2 2022, excluding PR headquartered banks and merger targets Source: S&P Capital IQ Pro
15. Forward curve as of September 16, 2022

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)	YTD 2022[1] ($000s)
Net Income Available to Common Stockholders	$56,539	$235,218	$102,289
Average Common Equity	$2,686,747	$2,815,656	$2,792,591
Less: Average Goodwill and Intangibles	17,857	17,447	17,092[2]
Average Tangible Common Equity	$2,668,890	$2,798,209	$2,775,499
ROCE	2.1%	8.4%	4.9%
ROTCE	2.1%	8.4%	4.9%

(1) Ratios are annualized
(2) Includes BDCF goodwill and intangibles reclassed to other assets held for sale as of 9/30/2022