

INVESTOR CONTACT

Heather Worley, 214.932.6646

heather.worley@texascapitalbank.com
TEXAS CAPITAL BANCSHARES, INC. ANNOUNCES OPERATING RESULTS FOR Q2 2018

DALLAS - July 18, 2018 - Texas Capital Bancshares, Inc. (NASDAQ: TCBI), the parent company of Texas Capital Bank, announced earnings and operating results for the second quarter of 2018.

"We are pleased with our continued strong operating results in the second quarter, including solid growth in traditional LHI and mortgage finance balances," said Keith Cargill, CEO. "We are highly focused on credit quality, as well as driving efficiencies and improving client experience to position us for long-term success."

- Loans held for investment ("LHI"), excluding mortgage finance, increased 5% on a linked quarter basis, growing 16% from the second quarter of 2017.
- Total mortgage finance loans, including mortgage correspondent aggregation ("MCA") loans, increased 25% on a linked quarter basis, growing 19% from the second quarter of 2017.
- Demand deposits increased 3% and total deposits increased 8% on a linked quarter basis, decreasing 6% and increasing 18%, respectively, from the second quarter of 2017.
- Net income decreased 1% on a linked quarter basis as a result of higher loan loss provisioning and increased 40% from the second quarter of 2017.
- EPS remained flat on a linked quarter basis as a result of higher loan loss provisioning and increased 42% from the second quarter of 2017.

FINANCIAL SUMMARY

(dollars and shares in thousands)

| | <u>Q2 2018</u> | <u>Q2 2017</u> | <u>% Change</u> |
|---------------------------------------------|----------------|----------------|-----------------|
| QUARTERLY OPERATING RESULTS | | | |
| Net income | \$ 71,436 | \$ 51,095 | 40 % |
| Net income available to common stockholders | \$ 68,999 | \$ 48,658 | 42 % |
| Diluted EPS | \$ 1.38 | \$ 0.97 | 42 % |
| Diluted shares | 50,096 | 50,230 | — % |
| ROA | 1.16% | 0.96% | |
| ROE | 12.72% | 10.08% | |
| BALANCE SHEET | | | |
| Loans held for sale (LHS), MCA | \$ 1,275,466 | \$ 843,164 | 51 % |
| LHI, mortgage finance | 5,923,058 | 5,183,600 | 14 % |
| LHI | 16,536,721 | 14,280,353 | 16 % |
| Total LHI | 22,459,779 | 19,463,953 | 15 % |
| Total loans | 23,736,547 | 20,309,970 | 17 % |
| Total assets | 27,781,910 | 23,119,713 | 20 % |
| Demand deposits | 7,648,125 | 8,174,830 | (6)% |
| Total deposits | 20,334,871 | 17,292,223 | 18 % |
| Stockholders' equity | 2,343,530 | 2,100,553 | 12 % |

DETAILED FINANCIALS

Texas Capital Bancshares, Inc. reported net income of \$71.4 million and net income available to common stockholders of \$69.0 million for the quarter ended June 30, 2018 compared to net income of \$51.1 million and net income available to common stockholders of \$48.7 million for the same period in 2017. On a fully diluted basis, earnings per common share were \$1.38 for the quarter ended June 30, 2018 compared to \$0.97 for the same period of 2017. The increase reflects a \$20.3 million year-over-year increase in net income caused by an increase in net interest income for the second quarter of 2018 compared to the second quarter of 2017 and a decrease in income tax rates as a result of the Tax Cuts and Jobs Act which became effective on January 1, 2018, offset by an increase in the provision for credit losses and non-interest expense.

Return on average common equity ("ROE") was 12.72 percent and return on average assets ("ROA") was 1.16 percent for the second quarter of 2018, compared to 13.39 percent and 1.22 percent, respectively, for the first quarter of 2018 and 10.08 percent and 0.96 percent, respectively, for the second quarter of 2017. The linked quarter decreases in ROE and ROA resulted primarily from increases in the provision for credit losses.

Net interest income was \$231.7 million for the second quarter of 2018, compared to \$210.3 million for the first quarter of 2018 and \$183.0 million for the second quarter of 2017. The linked quarter and year-over-year increases in net interest income were primarily due to increases in total mortgage finance loans (including MCA) and traditional LHI loans, improved earning asset composition and the effect of increases in interest rates on loan yields attributable to our asset-sensitive balance sheet. Net interest margin for the second quarter of 2018 was 3.93 percent, an increase of 22 basis points from the first quarter of 2018 and an increase of 36 basis points from the second quarter of 2017. We experienced significant improvement in traditional LHI yields, reporting a 33 basis point increase for the second quarter of 2018 compared to the first quarter of 2018 and a 75 basis point increase compared to the second quarter of 2017. In contrast, total cost of deposits for the second quarter of 2018 was up only 15 basis points to 0.81 percent compared to 0.66 percent for the first quarter of 2018, and was up 43 basis points from 0.38 percent for the second quarter of 2017.

Average LHI, excluding mortgage finance loans, for the second quarter of 2018 were \$15.9 billion, an increase of \$458.0 million, or 3 percent, from the first quarter of 2018 and an increase of \$2.2 billion, or 16 percent, from the second quarter of 2017. Average total mortgage finance loans for the second quarter of 2018 were \$6.4 billion, an increase of \$1.1 billion, or 21 percent, from the first quarter of 2018 and an increase of \$1.8 billion, or 38 percent, from the second quarter of 2017. Total mortgage finance volumes for the second quarter of 2018 showed increases in average balances from the seasonal lower volumes in the first quarter of 2018.

Average total deposits for the second quarter of 2018 increased \$242.8 million from the first quarter of 2018 and increased \$2.4 billion from the second quarter of 2017. Average demand deposits for the second quarter of 2018 decreased \$130.1 million, or 2 percent, to \$8.0 billion from \$8.1 billion during the first quarter of 2018, and increased \$154.2 million, or 2 percent, from the second quarter of 2017.

We recorded a \$27.0 million provision for credit losses for the second quarter of 2018 compared to \$12.0 million for the first quarter of 2018 and \$13.0 million for the second quarter of 2017. The provision for the second quarter of 2018 was driven by the consistent application of our methodology. The linked-quarter increase was primarily related to traditional LHI growth, as well as credit deterioration in four loans, all of which were identified as non-accrual as of March 31, 2018. The total allowance for credit losses decreased to 1.15 percent of LHI excluding mortgage finance loans at June 30, 2018 compared to 1.27 percent at March 31, 2018 and 1.28 percent at June 30, 2017. In management's opinion, the allowance is appropriate and is derived from consistent application of the methodology for establishing reserves for the loan portfolio.

We experienced a decrease in non-performing assets ("NPAs") in the second quarter of 2018, decreasing the ratio of total non-performing assets to total LHI plus other real estate owned ("OREO") to 0.41 percent compared to 0.65 percent for the first quarter of 2018 and 0.73 percent for the second quarter of 2017. Net charge-offs for the second quarter of 2018 were \$38.0 million compared to \$5.2 million for the first quarter of 2018 and \$12.4 million for the second quarter of 2017. The elevated charge-offs for the second quarter of 2018 were primarily related to the four loans referred to above. One of the loans is energy-related, two are leveraged health care and one is general commercial and industrial. For the second quarter of 2018, net charge-offs were 0.73 percent of average total LHI, compared to 0.11 percent for the first quarter of 2018 and 0.28 percent for the same period in 2017. At June 30, 2018, total OREO was \$9.5 million compared to \$9.6 million at March 31, 2018 and \$18.7 million at June 30, 2017. We did not record an OREO valuation allowance during the second quarter of 2018, compared to a valuation allowance of \$2.0 million recorded during the first quarter of 2018.

Non-interest income decreased \$1.5 million, or 8 percent, during the second quarter of 2018 compared to the same period of 2017, and decreased \$2.7 million, or 13 percent, compared to the first quarter of 2018. The year-over-year decrease primarily related to a \$3.9 million decrease in other non-interest income attributable to a decrease in gain on sale of MCA loans, offset by a \$1.3 million increase in servicing income attributable to an increase in mortgage servicing rights ("MSRs") associated with our MCA program.

Non-interest expense for the second quarter of 2018 increased \$20.3 million, or 18 percent, compared to the second quarter of 2017, and increased \$5.2 million, or 4 percent, compared to the first quarter of 2018. The year-over-year increase is primarily related to increases in salaries and employee benefits, marketing, legal and professional, FDIC insurance assessment and other non-interest expenses, all of which were attributable to general business growth. Servicing related expenses for the second quarter of 2018 increased \$1.7 million compared to the second quarter of 2017 primarily due to an increase in MSRs, which are being amortized. Offsetting these increases was a \$4.8 million decrease in communications and technology expense related to a technology write-off taken in the second quarter of 2017. The linked quarter increase in non-interest expense is primarily related to increases in marketing, legal and professional, communications and technology and servicing related expenses, offset by a decrease in allowance and other carrying costs for OREO.

Stockholders' equity increased by 12 percent from \$2.1 billion at June 30, 2017 to \$2.3 billion at June 30, 2018, due to retention of net income. Texas Capital Bank is well capitalized under regulatory guidelines and at June 30, 2018, our ratio of tangible common equity to total tangible assets was 7.8 percent.

ABOUT TEXAS CAPITAL BANCSHARES, INC.

Texas Capital Bancshares, Inc. (NASDAQ®: TCBI), a member of the Russell 1000® Index and the S&P MidCap 400®, is the parent company of Texas Capital Bank, a commercial bank that delivers highly personalized financial services to businesses and entrepreneurs. Headquartered in Dallas, the bank has full-service locations in Austin, Dallas, Fort Worth, Houston and San Antonio.

This news release may be deemed to include forward-looking statements which are based on management's current estimates or expectations of future events or future results. These statements are not historical in nature and can generally be identified by such words as "believe," "expect," "estimate," "anticipate," "plan," "may," "will," "intend" and similar expressions. 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 risks and uncertainties include, but are not limited to, the credit quality of our loan portfolio, general economic conditions in the United States and in our markets, including the continued impact on our customers from declines and volatility in oil and gas prices, the financial impact of the Tax Cuts and Jobs Act on our results of operations, rates of default or loan losses, volatility in the mortgage industry, the success or failure of our business strategies, future financial performance, future growth and earnings, the appropriateness of our allowance for loan losses and provision for credit losses, the impact of increased regulatory requirements and legislative changes on our business, increased competition, interest rate risk, the success or failure of new lines of business and new product or service offerings and the impact of new technologies. 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 and in other filings we make with the Securities and Exchange Commission. The information contained in this release speaks only as of its date. We are under no obligation, and expressly disclaim such obligation, to update, alter or revise our forward-looking statements, whether as a result of new information, future events, or otherwise.

TEXAS CAPITAL BANCSHARES, INC.
SELECTED FINANCIAL HIGHLIGHTS (UNAUDITED)

(Dollars in thousands except per share data)

| | 2nd Quarter 2018 | 1st Quarter 2018 | 4th Quarter 2017 | 3rd Quarter 2017 | 2nd Quarter 2017 |
|----------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| CONSOLIDATED STATEMENTS OF INCOME | | | | | |
| Interest income | \$ 286,852 | \$ 253,869 | \$ 249,519 | \$ 237,643 | \$ 208,191 |
| Interest expense | 55,140 | 43,569 | 38,870 | 33,282 | 25,232 |
| Net interest income | 231,712 | 210,300 | 210,649 | 204,361 | 182,959 |
| Provision for credit losses | 27,000 | 12,000 | 2,000 | 20,000 | 13,000 |
| Net interest income after provision for credit losses | 204,712 | 198,300 | 208,649 | 184,361 | 169,959 |
| Non-interest income | 17,279 | 19,947 | 19,374 | 19,003 | 18,769 |
| Non-interest expense | 132,131 | 126,960 | 133,138 | 114,830 | 111,814 |
| Income before income taxes | 89,860 | 91,287 | 94,885 | 88,534 | 76,914 |
| Income tax expense | 18,424 | 19,342 | 50,143 | 29,850 | 25,819 |
| Net income | 71,436 | 71,945 | 44,742 | 58,684 | 51,095 |
| Preferred stock dividends | 2,437 | 2,438 | 2,437 | 2,438 | 2,437 |
| Net income available to common stockholders | \$ 68,999 | \$ 69,507 | \$ 42,305 | \$ 56,246 | \$ 48,658 |
| Diluted EPS | \$ 1.38 | \$ 1.38 | \$ 0.84 | \$ 1.12 | \$ 0.97 |
| Diluted shares | 50,096,015 | 50,353,497 | 50,311,962 | 50,250,866 | 50,229,670 |
| CONSOLIDATED BALANCE SHEET DATA | | | | | |
| Total assets | \$ 27,781,910 | \$ 24,449,147 | \$ 25,075,645 | \$ 24,400,998 | \$ 23,119,713 |
| LHI | 16,536,721 | 15,741,772 | 15,366,252 | 14,828,406 | 14,280,353 |
| LHI, mortgage finance | 5,923,058 | 4,689,938 | 5,308,160 | 5,642,285 | 5,183,600 |
| LHS | 1,276,768 | 1,088,565 | 1,011,004 | 955,983 | 846,017 |
| Liquidity assets ⁽¹⁾ | 3,288,107 | 2,296,673 | 2,727,581 | 2,357,537 | 2,142,658 |
| Investment securities | 24,408 | 24,929 | 23,511 | 24,224 | 119,043 |
| Demand deposits | 7,648,125 | 7,413,340 | 7,812,660 | 8,263,202 | 8,174,830 |
| Total deposits | 20,334,871 | 18,764,533 | 19,123,180 | 19,081,257 | 17,292,223 |
| Other borrowings | 4,520,849 | 2,835,540 | 3,165,040 | 2,583,496 | 3,162,224 |
| Subordinated notes | 281,586 | 281,496 | 281,406 | 281,315 | 281,225 |
| Long-term debt | 113,406 | 113,406 | 113,406 | 113,406 | 113,406 |
| Stockholders' equity | 2,343,530 | 2,273,429 | 2,202,721 | 2,158,363 | 2,100,553 |
| End of period shares outstanding | 50,151,064 | 49,669,774 | 49,643,344 | 49,621,825 | 49,595,252 |
| Book value | \$ 43.74 | \$ 42.75 | \$ 41.35 | \$ 40.47 | \$ 39.33 |
| Tangible book value ⁽²⁾ | \$ 43.36 | \$ 42.37 | \$ 40.97 | \$ 40.09 | \$ 38.94 |
| SELECTED FINANCIAL RATIOS | | | | | |
| Net interest margin | 3.93% | 3.71% | 3.47% | 3.59% | 3.57% |
| Return on average assets | 1.16% | 1.22% | 0.71% | 0.99% | 0.96% |
| Return on average common equity | 12.72% | 13.39% | 8.18% | 11.20% | 10.08% |
| Non-interest income to average earning assets | 0.29% | 0.35% | 0.32% | 0.33% | 0.36% |
| Efficiency ratio ⁽³⁾ | 53.1% | 55.1% | 57.9% | 51.4% | 55.4% |
| Efficiency ratio, excluding OREO write-down ⁽³⁾ | 53.1% | 54.3% | 55.2% | 51.4% | 55.4% |
| Non-interest expense to average earning assets | 2.23% | 2.23% | 2.17% | 2.00% | 2.17% |
| Tangible common equity to total tangible assets ⁽⁴⁾ | 7.8% | 8.6% | 8.1% | 8.2% | 8.4% |
| Common Equity Tier 1 | 8.3% | 8.8% | 8.5% | 8.4% | 8.6% |
| Tier 1 capital | 9.3% | 9.9% | 9.5% | 9.4% | 9.8% |
| Total capital | 11.1% | 11.9% | 11.5% | 11.4% | 11.8% |
| Leverage | 9.9% | 9.9% | 9.2% | 9.6% | 10.3% |

(1) Liquidity assets include Federal funds sold and interest-bearing deposits in other banks.

(2) Stockholders' equity excluding preferred stock, less goodwill and intangibles, divided by shares outstanding at period end.

(3) Non-interest expense divided by the sum of net interest income and non-interest income.

(4) Stockholders' equity excluding preferred stock and accumulated other comprehensive income less goodwill and intangibles divided by total assets less accumulated other comprehensive income and goodwill and intangibles.

TEXAS CAPITAL BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands)

| | June 30, 2018 | June 30, 2017 | % Change |
|-------------------------------------------------------------------------------------------------------------|----------------------|----------------------|-------------|
| Assets | | | |
| Cash and due from banks | \$ 174,687 | \$ 126,977 | 38 % |
| Interest-bearing deposits in other banks | 3,249,107 | 2,117,658 | 53 % |
| Federal funds sold and securities purchased under resale agreements | 39,000 | 25,000 | 56 % |
| Investment securities | 24,408 | 119,043 | (79)% |
| LHS (\$1,275.5 million and \$843.2 million at June 30, 2018 and June 30, 2017, respectively, at fair value) | 1,276,768 | 846,017 | 51 % |
| LHI, mortgage finance | 5,923,058 | 5,183,600 | 14 % |
| LHI (net of unearned income) | 16,536,721 | 14,280,353 | 16 % |
| Less: Allowance for loan losses | 179,096 | 174,225 | 3 % |
| LHI, net | 22,280,683 | 19,289,728 | 16 % |
| Mortgage servicing rights, net | 82,776 | 63,023 | 31 % |
| Premises and equipment, net | 26,175 | 20,750 | 26 % |
| Accrued interest receivable and other assets | 609,501 | 492,240 | 24 % |
| Goodwill and intangibles, net | 18,805 | 19,277 | (2)% |
| Total assets | <u>\$ 27,781,910</u> | <u>\$ 23,119,713</u> | <u>20 %</u> |
| Liabilities and Stockholders' Equity | | | |
| Liabilities: | | | |
| Deposits: | | | |
| Non-interest bearing | \$ 7,648,125 | \$ 8,174,830 | (6)% |
| Interest bearing | 12,686,746 | 9,117,393 | 39 % |
| Total deposits | 20,334,871 | 17,292,223 | 18 % |
| Accrued interest payable | 11,268 | 6,246 | 80 % |
| Other liabilities | 176,400 | 163,836 | 8 % |
| Federal funds purchased and repurchase agreements | 520,849 | 462,224 | 13 % |
| Other borrowings | 4,000,000 | 2,700,000 | 48 % |
| Subordinated notes, net | 281,586 | 281,225 | — |
| Trust preferred subordinated debentures | 113,406 | 113,406 | — |
| Total liabilities | 25,438,380 | 21,019,160 | 21 % |
| Stockholders' equity: | | | |
| Preferred stock, \$.01 par value, \$1,000 liquidation value: | | | |
| Authorized shares - 10,000,000 | | | |
| Issued shares - 6,000,000 shares issued at June 30, 2018 and 2017 | 150,000 | 150,000 | — |
| Common stock, \$.01 par value: | | | |
| Authorized shares - 100,000,000 | | | |
| Issued shares - 50,151,481 and 49,595,669 at June 30, 2018 and 2017, respectively | 502 | 496 | 1 % |
| Additional paid-in capital | 963,732 | 957,721 | 1 % |
| Retained earnings | 1,228,924 | 991,949 | 24 % |
| Treasury stock (shares at cost: 417 at June 30, 2018 and 2017) | (8) | (8) | — |
| Accumulated other comprehensive income, net of taxes | 380 | 395 | (4)% |
| Total stockholders' equity | 2,343,530 | 2,100,553 | 12 % |
| Total liabilities and stockholders' equity | <u>\$ 27,781,910</u> | <u>\$ 23,119,713</u> | <u>20 %</u> |

TEXAS CAPITAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in thousands except per share data)

| | Three Months Ended | | Six Months Ended | |
|---------------------------------------------------------------------|--------------------|------------|------------------|------------|
| | June 30 | | June 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Interest income | | | | |
| Interest and fees on loans | \$ 279,447 | \$ 201,646 | \$ 523,311 | \$ 378,270 |
| Investment securities | 193 | 287 | 399 | 512 |
| Federal funds sold and securities purchased under resale agreements | 745 | 434 | 1,790 | 964 |
| Interest-bearing deposits in other banks | 6,467 | 5,824 | 15,221 | 12,391 |
| Total interest income | 286,852 | 208,191 | 540,721 | 392,137 |
| Interest expense | | | | |
| Deposits | 39,607 | 16,533 | 71,309 | 29,826 |
| Federal funds purchased | 1,665 | 726 | 2,634 | 978 |
| Other borrowings | 8,484 | 2,901 | 14,164 | 4,922 |
| Subordinated notes | 4,191 | 4,191 | 8,382 | 8,382 |
| Trust preferred subordinated debentures | 1,193 | 881 | 2,220 | 1,711 |
| Total interest expense | 55,140 | 25,232 | 98,709 | 45,819 |
| Net interest income | 231,712 | 182,959 | 442,012 | 346,318 |
| Provision for credit losses | 27,000 | 13,000 | 39,000 | 22,000 |
| Net interest income after provision for credit losses | 204,712 | 169,959 | 403,012 | 324,318 |
| Non-interest income | | | | |
| Service charges on deposit accounts | 3,005 | 3,067 | 6,142 | 6,112 |
| Wealth management and trust fee income | 2,007 | 1,402 | 3,931 | 2,759 |
| Bank owned life insurance (BOLI) income | 657 | 481 | 1,316 | 947 |
| Brokered loan fees | 5,815 | 5,809 | 10,983 | 11,487 |
| Servicing income | 4,967 | 3,700 | 10,459 | 5,901 |
| Swap fees | 1,352 | 954 | 2,914 | 2,757 |
| Other | (524) | 3,356 | 1,481 | 5,916 |
| Total non-interest income | 17,279 | 18,769 | 37,226 | 35,879 |
| Non-interest expense | | | | |
| Salaries and employee benefits | 72,404 | 63,154 | 144,941 | 126,157 |
| Net occupancy expense | 7,356 | 6,515 | 14,590 | 12,626 |
| Marketing | 10,236 | 6,157 | 18,913 | 11,107 |
| Legal and professional | 11,654 | 7,127 | 19,184 | 14,580 |
| Communications and technology | 7,143 | 11,906 | 13,776 | 18,412 |
| FDIC insurance assessment | 6,257 | 4,603 | 12,360 | 10,597 |
| Servicing related expenses | 4,367 | 2,682 | 8,172 | 4,432 |
| Allowance and other carrying costs for OREO | 176 | 71 | 2,331 | 210 |
| Other | 12,538 | 9,599 | 24,824 | 19,787 |
| Total non-interest expense | 132,131 | 111,814 | 259,091 | 217,908 |
| Income before income taxes | 89,860 | 76,914 | 181,147 | 142,289 |
| Income tax expense | 18,424 | 25,819 | 37,766 | 48,652 |
| Net income | 71,436 | 51,095 | 143,381 | 93,637 |
| Preferred stock dividends | 2,437 | 2,437 | 4,875 | 4,875 |
| Net income available to common stockholders | \$ 68,999 | \$ 48,658 | \$ 138,506 | \$ 88,762 |
| Basic earnings per common share | \$ 1.39 | \$ 0.98 | \$ 2.79 | \$ 1.79 |
| Diluted earnings per common share | \$ 1.38 | \$ 0.97 | \$ 2.76 | \$ 1.77 |

TEXAS CAPITAL BANCSHARES, INC.
SUMMARY OF LOAN LOSS EXPERIENCE

(Dollars in thousands)

| | 2nd Quarter 2018 | 1st Quarter 2018 | 4th Quarter 2017 | 3rd Quarter 2017 | 2nd Quarter 2017 |
|----------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Allowance for loan losses: | | | | | |
| Beginning balance | \$ 190,898 | \$ 184,655 | \$ 182,929 | \$ 174,225 | \$ 172,013 |
| Loans charged-off: | | | | | |
| Commercial | 38,305 | 5,667 | 1,999 | 10,603 | 12,310 |
| Real estate | — | — | — | 250 | 40 |
| Construction | — | — | — | 59 | — |
| Consumer | — | — | — | — | 180 |
| Total charge-offs | 38,305 | 5,667 | 1,999 | 10,912 | 12,530 |
| Recoveries: | | | | | |
| Commercial | 320 | 360 | 1,019 | 132 | 61 |
| Real estate | 8 | 24 | 1 | 21 | 3 |
| Construction | — | — | — | 3 | — |
| Consumer | 9 | 59 | 14 | 15 | 36 |
| Leases | 1 | 19 | 1 | 1 | — |
| Total recoveries | 338 | 462 | 1,035 | 172 | 100 |
| Net charge-offs | 37,967 | 5,205 | 964 | 10,740 | 12,430 |
| Provision for loan losses | 26,165 | 11,448 | 2,690 | 19,444 | 14,642 |
| Ending balance | \$ 179,096 | \$ 190,898 | \$ 184,655 | \$ 182,929 | \$ 174,225 |
| Allowance for off-balance sheet credit losses: | | | | | |
| Beginning balance | \$ 9,623 | \$ 9,071 | \$ 9,761 | \$ 9,205 | \$ 10,847 |
| Provision for off-balance sheet credit losses | 835 | 552 | (690) | 556 | (1,642) |
| Ending balance | \$ 10,458 | \$ 9,623 | \$ 9,071 | \$ 9,761 | \$ 9,205 |
| Total allowance for credit losses | \$ 189,554 | \$ 200,521 | \$ 193,726 | \$ 192,690 | \$ 183,430 |
| Total provision for credit losses | \$ 27,000 | \$ 12,000 | \$ 2,000 | \$ 20,000 | \$ 13,000 |
| Allowance for loan losses to LHI | 0.80% | 0.93% | 0.89% | 0.89% | 0.90% |
| Allowance for loan losses to LHI excluding mortgage finance loans ⁽²⁾ | 1.08% | 1.21% | 1.20% | 1.23% | 1.22% |
| Allowance for loan losses to average LHI | 0.86% | 0.98% | 0.92% | 0.95% | 0.99% |
| Allowance for loan losses to average LHI excluding mortgage finance loans ⁽²⁾ | 1.13% | 1.24% | 1.23% | 1.27% | 1.27% |
| Net charge-offs to average LHI ⁽¹⁾ | 0.73% | 0.11% | 0.02% | 0.22% | 0.28% |
| Net charge-offs to average LHI excluding mortgage finance loans ⁽¹⁾⁽²⁾ | 0.96% | 0.14% | 0.03% | 0.30% | 0.36% |
| Net charge-offs to average LHI for last twelve months ⁽¹⁾ | 0.28% | 0.15% | 0.16% | 0.29% | 0.27% |
| Net charge-offs to average LHI excluding mortgage finance loans for last twelve months ⁽¹⁾⁽²⁾ | 0.36% | 0.20% | 0.21% | 0.37% | 0.36% |
| Total provision for credit losses to average LHI ⁽¹⁾ | 0.52% | 0.25% | 0.04% | 0.41% | 0.30% |
| Total provision for credit losses to average LHI excluding mortgage finance loans ⁽¹⁾⁽²⁾ | 0.68% | 0.32% | 0.05% | 0.55% | 0.38% |
| Total allowance for credit losses to LHI | 0.84% | 0.98% | 0.94% | 0.94% | 0.94% |
| Total allowance for credit losses to LHI excluding mortgage finance loans ⁽¹⁾⁽²⁾ | 1.15% | 1.27% | 1.26% | 1.30% | 1.28% |

(1) Interim period ratios are annualized.

(2) The indicated ratios are presented with and excluding the mortgage finance loans because the risk profile of our mortgage finance loans is different than our other loans held for investment. No provision for credit losses is allocated to these loans based on the internal risk grade assigned.

TEXAS CAPITAL BANCSHARES, INC.
SUMMARY OF LOAN LOSS EXPERIENCE

(Dollars in thousands)

| | 2nd Quarter 2018 | 1st Quarter 2018 | 4th Quarter 2017 | 3rd Quarter 2017 | 2nd Quarter 2017 |
|-------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Non-accrual loans | \$ 83,295 | \$ 123,542 | \$ 101,444 | \$ 118,205 | \$ 123,730 |
| Other real estate owned (OREO) ⁽²⁾ | 9,526 | 9,558 | 11,742 | 18,131 | 18,689 |
| Total LHI NPAs | \$ 92,821 | \$ 133,100 | \$ 113,186 | \$ 136,336 | \$ 142,419 |
| Non-accrual loans to LHI | 0.37% | 0.60% | 0.49% | 0.58% | 0.64% |
| Non-accrual loans to LHI excluding mortgage finance loans ⁽¹⁾ | 0.50% | 0.78% | 0.66% | 0.80% | 0.87% |
| Total NPAs to LHI plus OREO | 0.41% | 0.65% | 0.55% | 0.67% | 0.73% |
| Total NPAs to LHI excluding mortgage finance loans plus OREO ⁽¹⁾ | 0.56% | 0.85% | 0.74% | 0.92% | 1.00% |
| Total NPAs to earning assets | 0.35% | 0.56% | 0.47% | 0.58% | 0.64% |
| Allowance for loan losses to non-accrual loans | 2.2x | 1.5x | 1.8x | 1.5x | 1.4x |
| Loans past due 90 days and still accruing ⁽³⁾ | \$ 7,357 | \$ 13,563 | \$ 8,429 | \$ 8,892 | \$ 11,077 |
| Loans past due 90 days to LHI | 0.03% | 0.07% | 0.14% | 0.04% | 0.06% |
| Loans past due 90 days to LHI excluding mortgage finance loans ⁽¹⁾ | 0.04% | 0.09% | 0.18% | 0.06% | 0.08% |
| LHS past due 90 days and still accruing ⁽⁴⁾ | \$ 27,858 | \$ 35,226 | \$ 19,737 | \$ — | \$ — |

- (1) The indicated ratios are presented with and excluding the mortgage finance loans because the risk profile of our mortgage finance loans is different than our other loans held for investment. No provision for credit losses is allocated to these loans based on the internal risk grade assigned.
- (2) At June 30, 2018, there was a \$2.0 million valuation allowance recorded against the OREO balance.
- (3) At June 30, 2018, loans past due 90 days and still accruing includes premium finance loans of \$6.0 million. These loans are primarily secured by obligations of insurance carriers to refund premiums on cancelled insurance policies. The refund of premiums from the insurance carriers can take 180 days or longer from the cancellation date.
- (4) Includes loans guaranteed by U.S. government agencies that were repurchased out of Ginnie Mae securities. Loans are recorded as LHS and carried at fair value on the balance sheet. Interest on these past due loans accrues at the debenture rate guaranteed by the U.S. government. Also includes loans that, pursuant to Ginnie Mae servicing guidelines, we have the unilateral right, but not obligation, to repurchase and thus must record as LHS on the balance sheet regardless of whether the repurchase option has been exercised.

TEXAS CAPITAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in thousands)

| | 2nd Quarter 2018 | 1st Quarter 2018 | 4th Quarter 2017 | 3rd Quarter 2017 | 2nd Quarter 2017 |
|---------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Interest income | | | | | |
| Interest and fees on loans | \$ 279,447 | \$ 243,864 | \$ 238,906 | \$ 229,116 | \$ 201,646 |
| Investment securities | 193 | 206 | 213 | 341 | 287 |
| Federal funds sold and securities purchased under resale agreements | 745 | 1,045 | 936 | 642 | 434 |
| Interest-bearing deposits in other banks | 6,467 | 8,754 | 9,464 | 7,544 | 5,824 |
| Total interest income | 286,852 | 253,869 | 249,519 | 237,643 | 208,191 |
| Interest expense | | | | | |
| Deposits | 39,607 | 31,702 | 27,625 | 22,435 | 16,533 |
| Federal funds purchased | 1,665 | 969 | 723 | 891 | 726 |
| Other borrowings | 8,484 | 5,680 | 5,380 | 4,835 | 2,901 |
| Subordinated notes | 4,191 | 4,191 | 4,191 | 4,191 | 4,191 |
| Trust preferred subordinated debentures | 1,193 | 1,027 | 951 | 930 | 881 |
| Total interest expense | 55,140 | 43,569 | 38,870 | 33,282 | 25,232 |
| Net interest income | 231,712 | 210,300 | 210,649 | 204,361 | 182,959 |
| Provision for credit losses | 27,000 | 12,000 | 2,000 | 20,000 | 13,000 |
| Net interest income after provision for credit losses | 204,712 | 198,300 | 208,649 | 184,361 | 169,959 |
| Non-interest income | | | | | |
| Service charges on deposit accounts | 3,005 | 3,137 | 3,109 | 3,211 | 3,067 |
| Wealth management and trust fee income | 2,007 | 1,924 | 1,767 | 1,627 | 1,402 |
| Bank owned life insurance (BOLI) income | 657 | 659 | 698 | 615 | 481 |
| Brokered loan fees | 5,815 | 5,168 | 5,692 | 6,152 | 5,809 |
| Servicing income | 4,967 | 5,492 | 5,270 | 4,486 | 3,700 |
| Swap fees | 1,352 | 1,562 | 586 | 647 | 954 |
| Other | (524) | 2,005 | 2,252 | 2,265 | 3,356 |
| Total non-interest income | 17,279 | 19,947 | 19,374 | 19,003 | 18,769 |
| Non-interest expense | | | | | |
| Salaries and employee benefits | 72,404 | 72,537 | 70,192 | 67,882 | 63,154 |
| Net occupancy expense | 7,356 | 7,234 | 6,749 | 6,436 | 6,515 |
| Marketing | 10,236 | 8,677 | 8,438 | 7,242 | 6,157 |
| Legal and professional | 11,654 | 7,530 | 8,756 | 6,395 | 7,127 |
| Communications and technology | 7,143 | 6,633 | 6,590 | 6,002 | 11,906 |
| FDIC insurance assessment | 6,257 | 6,103 | 6,710 | 6,203 | 4,603 |
| Servicing related expenses | 4,367 | 3,805 | 7,177 | 3,897 | 2,682 |
| Allowance and other carrying costs for OREO | 176 | 2,155 | 6,122 | 105 | 71 |
| Other | 12,538 | 12,286 | 12,404 | 10,668 | 9,599 |
| Total non-interest expense | 132,131 | 126,960 | 133,138 | 114,830 | 111,814 |
| Income before income taxes | 89,860 | 91,287 | 94,885 | 88,534 | 76,914 |
| Income tax expense | 18,424 | 19,342 | 50,143 | 29,850 | 25,819 |
| Net income | 71,436 | 71,945 | 44,742 | 58,684 | 51,095 |
| Preferred stock dividends | 2,437 | 2,438 | 2,437 | 2,438 | 2,437 |
| Net income available to common shareholders | \$ 68,999 | \$ 69,507 | \$ 42,305 | \$ 56,246 | \$ 48,658 |

TEXAS CAPITAL BANCSHARES, INC.
QUARTERLY FINANCIAL SUMMARY - UNAUDITED

Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in thousands)

| | 2nd Quarter 2018 | | | 1st Quarter 2018 | | | 4th Quarter 2017 | | | 3rd Quarter 2017 | | | 2nd Quarter 2017 | | |
|---------------------------------------------------------------------|----------------------|-----------------|------------|----------------------|-----------------|------------|----------------------|-----------------|------------|----------------------|-----------------|------------|----------------------|-----------------|------------|
| | Average Balance | Revenue/Expense | Yield/Rate | Average Balance | Revenue/Expense | Yield/Rate | Average Balance | Revenue/Expense | Yield/Rate | Average Balance | Revenue/Expense | Yield/Rate | Average Balance | Revenue/Expense | Yield/Rate |
| Assets | | | | | | | | | | | | | | | |
| Investment securities - Taxable | \$ 24,514 | \$ 193 | 3.15% | \$ 23,854 | \$ 206 | 3.50% | \$ 23,678 | \$ 213 | 3.57% | \$ 86,087 | \$ 340 | 1.57% | \$ 65,049 | \$ 287 | 1.77% |
| Investment securities - Non-taxable ⁽²⁾ | — | — | —% | — | — | —% | — | — | —% | — | — | —% | — | — | —% |
| Federal funds sold and securities purchased under resale agreements | 166,613 | 745 | 1.79% | 261,641 | 1,045 | 1.62% | 292,544 | 936 | 1.27% | 205,938 | 642 | 1.24% | 174,264 | 434 | 1.00% |
| Interest-bearing deposits in other banks | 1,498,474 | 6,467 | 1.73% | 2,302,938 | 8,754 | 1.54% | 2,924,942 | 9,464 | 1.28% | 2,383,060 | 7,544 | 1.26% | 2,250,330 | 5,824 | 1.04% |
| LHS, at fair value | 1,516,047 | 17,026 | 4.50% | 1,187,594 | 12,535 | 4.28% | 1,144,124 | 11,507 | 3.99% | 1,009,703 | 9,882 | 3.88% | 845,623 | 8,235 | 3.91% |
| LHI, mortgage finance loans | 4,898,411 | 47,056 | 3.85% | 4,097,995 | 37,362 | 3.70% | 5,102,107 | 44,477 | 3.46% | 4,847,530 | 42,294 | 3.46% | 3,805,831 | 33,399 | 3.52% |
| LHI ⁽¹⁾⁽²⁾ | 15,883,317 | 216,755 | 5.47% | 15,425,323 | 195,333 | 5.14% | 15,010,041 | 185,039 | 4.89% | 14,427,980 | 178,839 | 4.92% | 13,718,739 | 161,369 | 4.72% |
| Less allowance for loan losses | 189,238 | — | — | 184,238 | — | — | 183,233 | — | — | 172,774 | — | — | 170,957 | — | — |
| LHI, net of allowance | 20,592,490 | 263,811 | 5.14% | 19,339,080 | 232,695 | 4.88% | 19,928,915 | 229,516 | 4.57% | 19,102,736 | 221,133 | 4.59% | 17,353,613 | 194,768 | 4.50% |
| Total earning assets | 23,798,138 | 288,242 | 4.86% | 23,115,107 | 255,235 | 4.48% | 24,314,203 | 251,636 | 4.11% | 22,787,524 | 239,541 | 4.17% | 20,688,879 | 209,548 | 4.06% |
| Cash and other assets | 808,099 | | | 797,506 | | | 766,622 | | | 713,778 | | | 632,097 | | |
| Total assets | <u>\$ 24,606,237</u> | | | <u>\$ 23,912,613</u> | | | <u>\$ 25,080,825</u> | | | <u>\$ 23,501,302</u> | | | <u>\$ 21,320,976</u> | | |
| Liabilities and Stockholders' Equity | | | | | | | | | | | | | | | |
| Transaction deposits | \$ 2,889,834 | \$ 10,295 | 1.43% | \$ 2,792,954 | \$ 8,651 | 1.26% | \$ 2,469,984 | \$ 5,845 | 0.94% | \$ 2,145,324 | \$ 4,359 | 0.81% | \$ 2,008,872 | \$ 2,893 | 0.58% |
| Savings deposits | 7,784,937 | 25,454 | 1.31% | 7,982,256 | 21,958 | 1.12% | 8,403,473 | 20,655 | 0.98% | 7,618,843 | 17,152 | 0.89% | 6,952,317 | 12,940 | 0.75% |
| Time deposits | 979,735 | 3,858 | 1.58% | 506,375 | 1,093 | 0.88% | 533,312 | 1,125 | 0.84% | 496,076 | 924 | 0.74% | 455,542 | 700 | 0.62% |
| Total interest bearing deposits | 11,654,506 | 39,607 | 1.36% | 11,281,585 | 31,702 | 1.14% | 11,406,769 | 27,625 | 0.96% | 10,260,243 | 22,435 | 0.87% | 9,416,731 | 16,533 | 0.70% |
| Other borrowings | 2,113,391 | 10,149 | 1.93% | 1,721,914 | 6,649 | 1.57% | 1,852,750 | 6,103 | 1.31% | 1,821,837 | 5,726 | 1.25% | 1,456,737 | 3,627 | 1.00% |
| Subordinated notes | 281,527 | 4,191 | 5.97% | 281,437 | 4,191 | 6.04% | 281,348 | 4,191 | 5.91% | 281,256 | 4,191 | 5.91% | 281,167 | 4,191 | 5.98% |
| Trust preferred subordinated debentures | 113,406 | 1,193 | 4.22% | 113,406 | 1,027 | 3.67% | 113,406 | 951 | 3.33% | 113,406 | 930 | 3.25% | 113,406 | 881 | 3.12% |
| Total interest bearing liabilities | 14,162,830 | 55,140 | 1.56% | 13,398,342 | 43,569 | 1.32% | 13,654,273 | 38,870 | 1.13% | 12,476,742 | 33,282 | 1.06% | 11,268,041 | 25,232 | 0.90% |
| Demand deposits | 8,017,578 | | | 8,147,721 | | | 9,085,819 | | | 8,764,263 | | | 7,863,402 | | |
| Other liabilities | 100,074 | | | 110,698 | | | 138,050 | | | 116,998 | | | 102,653 | | |
| Stockholders' equity | 2,325,755 | | | 2,255,852 | | | 2,202,683 | | | 2,143,299 | | | 2,086,880 | | |
| Total liabilities and stockholders' equity | <u>\$ 24,606,237</u> | | | <u>\$ 23,912,613</u> | | | <u>\$ 25,080,825</u> | | | <u>\$ 23,501,302</u> | | | <u>\$ 21,320,976</u> | | |
| Net interest income ⁽²⁾ | | \$ 233,102 | | | \$ 211,666 | | | \$ 212,766 | | | \$ 206,259 | | | \$ 184,316 | |
| Net interest margin | | | 3.93% | | | 3.71% | | | 3.47% | | | 3.59% | | | 3.57% |

(1) The loan averages include non-accrual loans and are stated net of unearned income.

(2) Taxable equivalent rates used where applicable.