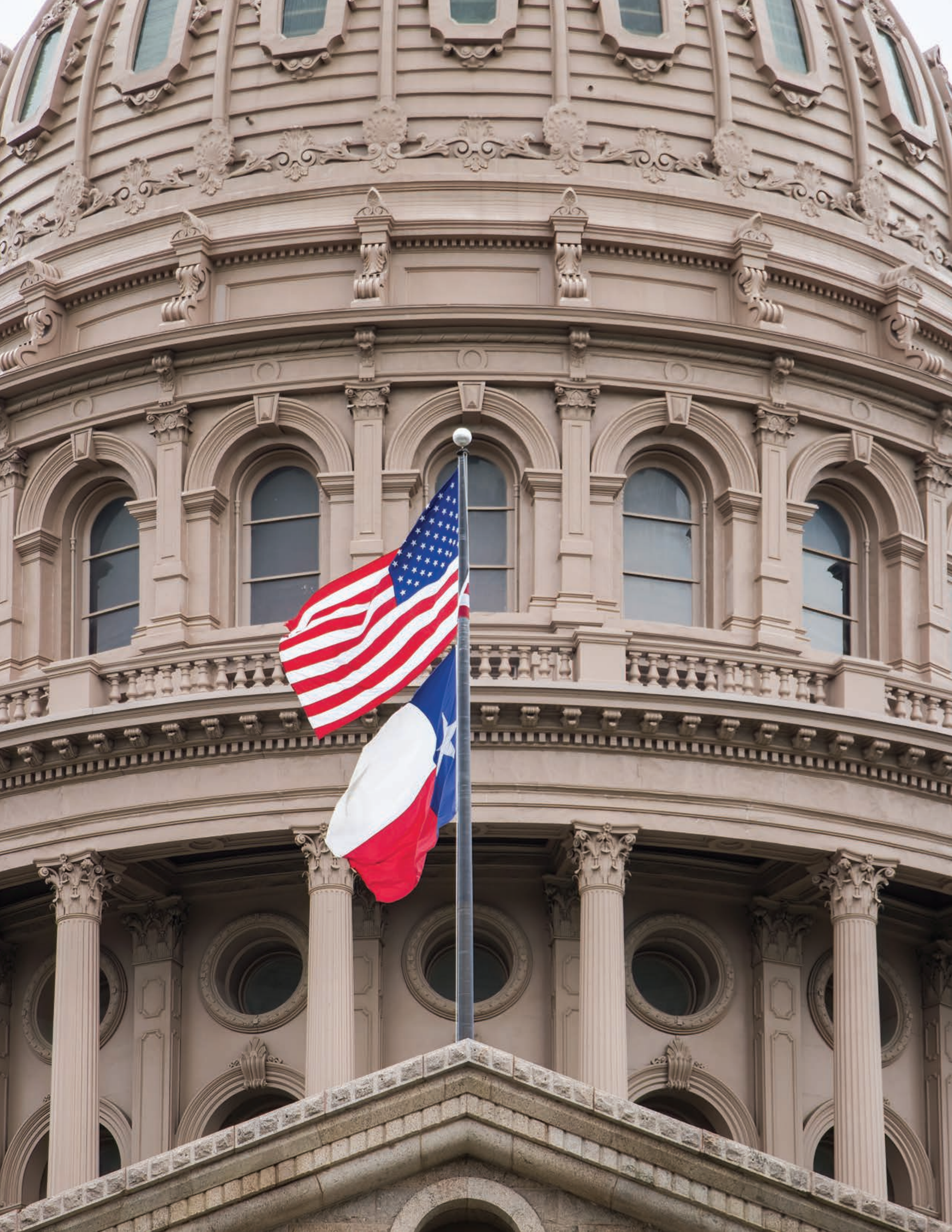
Texas Capital

2024

A LOOK AHEAD

A MESSAGE FROM OUR PRESIDENT & CEO

ROB C. HOLMES



In the two years since we announced a transformative strategy for Texas Capital in September 2021, our Firm steadfastly pursued our goal of building the flagship full-service financial services firm headquartered in Texas. Looking ahead, we expect this new year will bring unfamiliar challenges and significant uncertainties for businesses everywhere. Texas Capital is well equipped and prepared to support our clients, come what may.

We are proud to report that our Firm accomplished everything we set out to do in 2023 — we have done what we said we would do. We created a Texas-based platform providing our clients with the widest possible range of differentiated products and services, on parity with the largest money center banks. We are positioned to serve as a relevant, trusted partner for the best clients in all our markets.

We built a team of outstanding leaders who are client-obsessed, committed to our strategy and determined to create a firm that is unique in Texas. Texas Capital is the Firm that Texas deserves. We are ahead of plan in nearly doubling our client-facing professionals, many of them long-experienced bankers with deep industry knowledge, and dramatically expanding our local market coverage and industry specialization.

Our Firm achieved one of the most successful investment bank launches in history, starting with receiving our broker-dealer license in December 2021 and opening our sales and trading floor in May 2022. We are determined to ensure our clients will never outgrow the services or guidance we can provide them. In 2023 we closed our first sell-side M&A advisory transaction, completed the largest sole-agented term loan transaction in the country and traded more than $50 billion in total securities volume. We broke into the top 10 institutions nationally for syndicated loans to middle-market companies in the second quarter. We helped numerous clients manage their interest rate exposure against a backdrop of 11 rate hikes by the Federal Reserve, executing a $700 million interest rate collar for one client. The successful build-out of our corporate and investment banking business is visible in our results: starting with Q4 2022, we reported four straight quarters of record investment banking revenues.

We transformed our Treasury Services business, building best-in-class payments and cash management capabilities. Our Firm now provides faster, more seamless client onboarding than the major money center banks and ongoing frictionless client journeys that match or exceed theirs, with high-touch local service and decisioning. I am proud to report that Coalition Greenwich rated our Firm best in class for "Ease of Doing Business" in late 2022.

We added numerous commercial banking capabilities, like Small Business Administration loans to support our emerging Business Banking clients. We have empowered market leadership teams in all the major markets of Texas with full-service commercial and investment banking teams.

Our Private Wealth business experienced 22% year-over-year growth of its assets under management. We launched our first Exchange Traded Fund (ETF), the Texas Capital Texas Equity Index (NYSE Arca: TXS), in July — the first of its kind in the country. The fund offers a simple and efficient way for investors to put the diversity and exceptionalism of the Texas economy to work in their portfolio. We are excited to expand our lineup of fund solutions soon.

Our ongoing enterprise-wide technology investments are targeted toward best-in-class security and ease of doing business for our clients. Last year Security Scorecard awarded our cybersecurity platform a rating of "A" — the highest possible score.

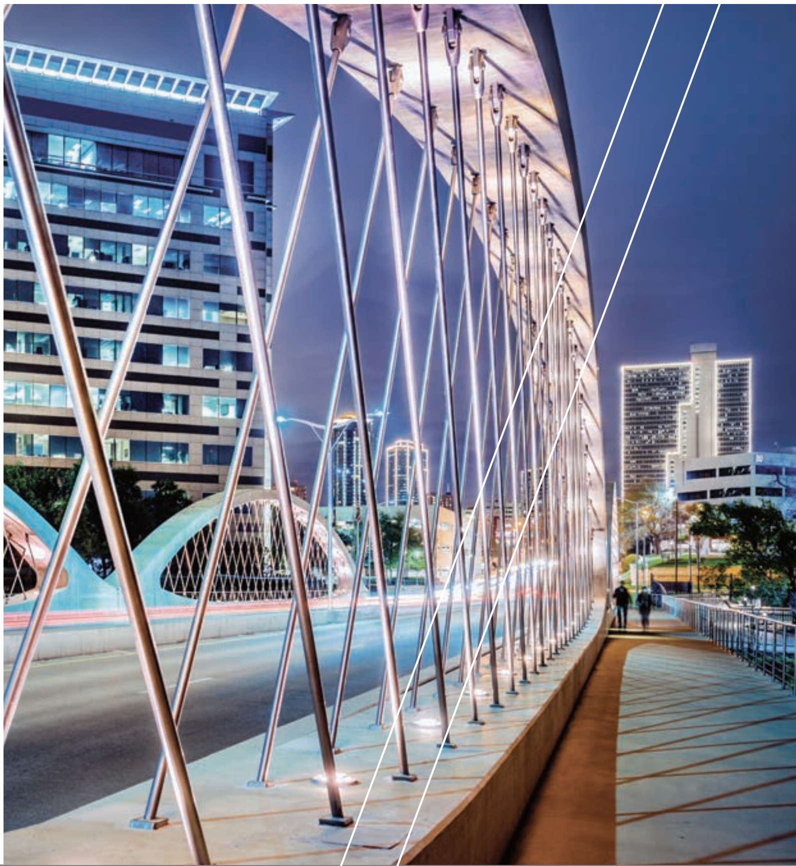
A testing environment

A core element of our strategy is maintaining the strongest possible balance sheet so we can support our clients through any circumstances — and even increase our support when our clients need it most. We sacrificed potential growth and earnings over the past three years to ensure our Firm is prepared for such times. The bank sector stressors that arose during the first quarter of 2023 tested all financial services firms, and I am proud to report that Texas Capital was not only ready but emerged stronger by testing our resiliency and resolve.

The high-profile bank failures of early 2023 took place because a handful of firms neglected the basics of sound banking, focused on generating short-term profits from dangerous asset-liability maturity mismatches and low-yielding securities, and relied excessively on highly concentrated deposits. This left them vulnerable to a classic run on the bank in the event of an increase in interest rates or an economic slowdown, both of which unfolded over the last two years.

Texas Capital, by contrast, came into early 2023 with exceptionally strong capital and liquidity. Throughout this year, our Firm maintained a higher ratio of tangible common equity to tangible assets than any U.S. bank with assets over $200 billion, inclusive of the mark-to-market impact of our bond portfolio. We also maintain higher levels of cash as a percentage of our total asset base than the average bank. Ninety-five percent of Texas Capital's deposits are sourced from clients with whom we have a direct, durable and deep relationship.

Our financial strength put us in a position to do exactly what we promised we would do during the turbulent period early this year: Call on all our clients, provide relevant advice and offer to increase our support for them. The rising interest rate environment also gave



us new opportunities to show how important state-of-the-art treasury services are to clients.

Again, the results of our preparation and resolve are clear. 2023 marks Texas Capital's second straight year of record new client acquisition in the commercial bank. High-quality deposits have grown every quarter of the year, consistently faster than the average large U.S. bank. More than three-quarters of clients to whom we have made credit commitments since we launched our strategy in 2021 have expanded their engagement with our treasury business or other services.

A turbulent year ahead

2024 is likely to present business leaders with significant headwinds.

SOFTENING U.S. ECONOMY

America's economy has experienced rolling slowdowns since the Fed started raising interest rates in early 2022. The first industries to experience recession-like conditions were those most dependent on new consumer borrowing, autos and housing, though homebuilders have been able to sustain new home sales through mortgage rate incentives and are now seeing signs of rebounding demand. Next was commercial real estate, which has experienced worsening conditions because of over-development, imprudent borrowing and slow returns to central business districts and other office real estate. (Our Firm has very little exposure to office or retail real estate compared to other financial services firms.) More recently, consumer goods industries have started to slow down, which has shown up in sharply falling freight and shipping prices. Households have largely exhausted the excess cash balances they built up from Covid-era federal cash transfers, so consumer spending is likely to slow further, including in service industries.

Texas business leaders have cautious views on the outlook for 2024, based on more than 700 respondents to our second annual survey conducted in October with the Business Journals. Thirty-two percent expressed a positive or somewhat positive outlook for the U.S. economy, while 49% indicated a negative or somewhat negative prognosis, with the largest firms leaning more negative than smaller companies. A slight majority — moderately fewer than in our October 2022 survey — plan on increasing their workforce and capital expenditures in 2024, while most of the rest plan on holding head count and capital spending flat compared with 2023.

INFLATION, INTEREST RATES AND ECONOMIC POLICY

Inflation is likely to prove stubborn, partly because of ongoing record peacetime federal spending. Expectations for long-term inflation have started to become un-anchored as Congress shows no inclination to restore the nation's finances to a responsible and sustainable path. Rising business costs and interest rates are the top concerns cited by business leaders in our survey. The Fed says it remains committed to pushing inflation down to its 2% goal. Headline inflation may temporarily dip toward that level, but we would plan on 3% to 4% for the coming year.

INTERNATIONAL ECONOMIC AND POLITICAL STRESSORS

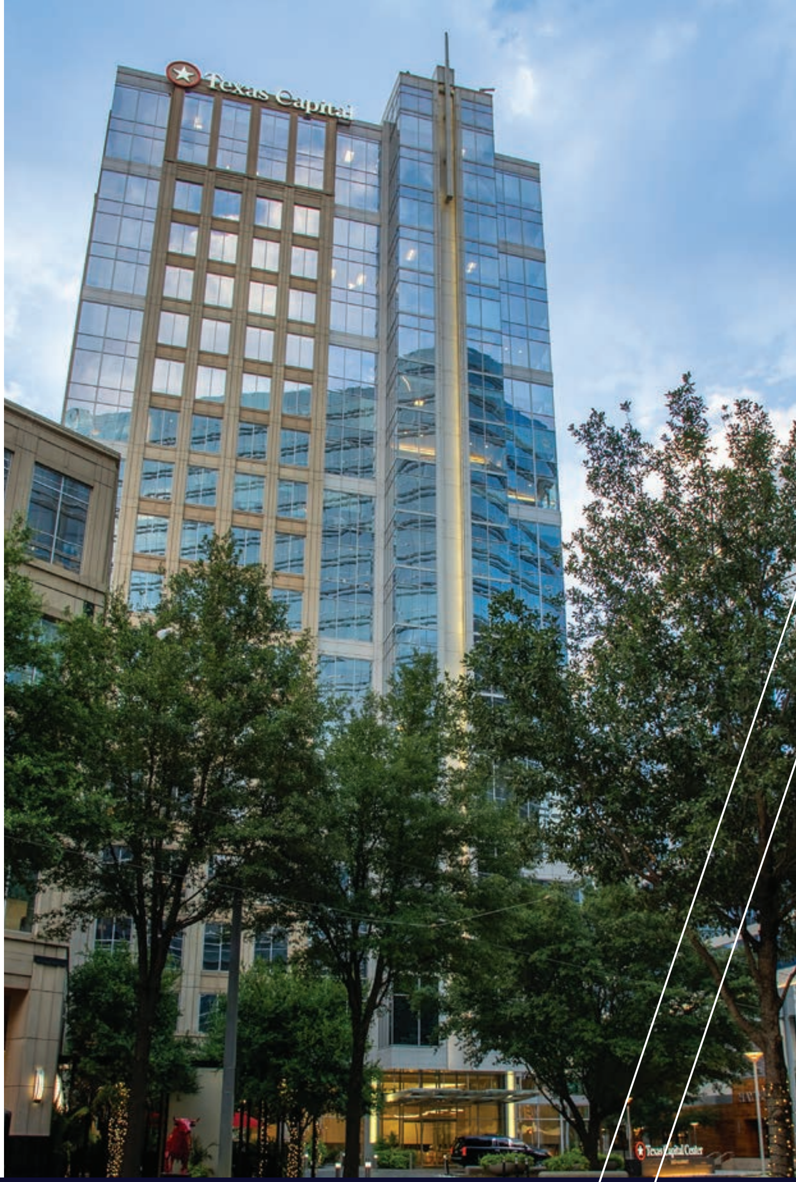
China's economy is likely to keep underperforming in view of its slow-burning debt crisis and deteriorating demographics. It looks unlikely to Texas Capital that China will catch up to the U.S. in GDP terms during this century — good news for the world's geopolitical stability in the long term but bad news for Western firms with hopes set on fast-growing Chinese export markets. Xi Jinping's saber-rattling toward Taiwan and the prospect of the decoupling of the world's two largest economies are growing concerns, too. Germany, France, Italy and the UK are all seeing near-recessionary conditions. The barbaric aggression of the terrorist group Hamas in the Middle East and Russia's unconscionable invasion of Ukraine pose risks of escalation and energy market disruptions, not to mention the innocent lives lost and the tragic toll they have taken on all affected.

DEMOGRAPHIC DOWNSHIFT

Looking further out, the U.S. economy will increasingly feel the effects of very slow growth in the working-age population and a likely end to overall population growth by about the 2060s. Labor scarcity and the consequent need to automate business activities will be a constant challenge facing business leaders for the foreseeable future. Sixty percent of respondents in our October survey said they continue to have a hard time filling open positions, despite the economic slowdown underway. Companies are starved for competitive talent.

GALLOPING TECHNOLOGICAL CHANGE

One of the largest stories of 2023 has been the stunning growth in the capabilities of AI/machine-learning tools. Although the specific applications of AI are still unclear for most industries, all businesses will have to ponder how they can use AI tools to increase productivity and how to defend themselves against increasingly sophisticated cyberattacks.



Well Equipped to Support Our Clients

UNCERTAIN FINANCIAL REGULATORY ENVIRONMENT

Federal regulators have yet to address the deficiencies in the U.S. bank regulatory framework that became impossible to ignore during the turmoil of March 2023. While our Firm was well prepared, official actions during that episode sparked uncertainty, fueled destabilizing deposit outflows from some banks and underlined concerns that the U.S. has a two-tier regulatory system tilted against regional banks, local communities and the Main Street businesses they serve. It is past time for Congress to target specific problems that came to light, update the federal deposit insurance system to expand insured deposit levels, make banks and not taxpayers pay the cost of insurance and reestablish a level playing field.

CONTINUED STANDOUT PERFORMANCE OF TEXAS

Our Firm is proud and fortunate to do business from our home state of Texas, which in our view will continue to outperform the U.S. economy for the foreseeable future. The Texas economy is now larger than all but seven other countries. Texas hosts more New York Stock Exchange-listed companies than any other state and dominates the rankings as a destination for relocating businesses. People are continuing to move into the state's largest metro areas in record numbers, contrary to a narrative that population outflows from West Coast and northeastern cities are starting to slow. The price gap between one-way U-Haul trips from San Francisco or New York to Dallas-Fort Worth or Austin, on the one hand, versus one-way trips in the other direction, on the other, is at record highs. Texas business leaders are dramatically more positive on the state's economy in 2024 than on the nation's economy as a whole, our business survey confirms.

Earning trust

We are grateful for the trust you place in our Firm and for each member of our team and their determination to earn your trust every day. We have built Texas Capital into an institution strong enough to serve our clients and support them through any financial, economic or geopolitical challenge. As always, we hope our Firm will be your first call.

With my best wishes for your success in 2024.

Sincerely,

Rob C. Holmes

President & Chief Executive Officer
Texas Capital Bancshares, Inc.
and Texas Capital

Financial metrics as of 9/30/2023.

Texas Capital

Texas Capital Bancshares, Inc. (NASDAQ®: TCBI), a member of the Russell 2000® Index and the S&P MidCap 400®, is the parent company of Texas Capital Bank, d/b/a Texas Capital, a full-service financial services firm that delivers customized solutions to businesses, entrepreneurs and individual customers. Founded in 1998, the institution is headquartered in Dallas with offices in Austin, Houston, San Antonio and Fort Worth, and has built a network of clients across the country. With the ability to service clients through their entire lifecycles, Texas Capital has established commercial banking, consumer banking, investment banking and wealth management capabilities. All services are subject to applicable laws, regulations and service terms. Member FDIC.

For more information, please visit www.texascapital.com.

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With respect to Texas Capital ETF & Funds Management:

Investors should carefully consider the investment objectives, risks and charges of the fund before investing. The prospectus contains this information and other information about the fund, and it should be read carefully before investing. Investors can obtain a copy of the prospectus by calling 844.TCB. ETFS (844.822.3837).

Investment and Market Risk. As with all investments, an investment in the Fund is subject to investment risk. Investors in the Fund could lose money, including the possible loss of the entire principal amount of an investment, over short or prolonged periods of time.

Index Tracking Risk. There is no guarantee that the Fund will achieve a high degree of correlation to the Index and therefore achieve its investment objective. The Fund may have difficulty achieving its investment objective due to fees, expenses (including rebalancing expenses), and other transaction costs related to the normal operation of the Fund. These costs that may be incurred by the Fund are not incurred by the Index, which may make it more difficult for the Fund to track the Index.

New Adviser Risk. The Adviser has not previously served as an adviser to a registered mutual fund or ETF. As a result, there is no long-term track record against which an investor may judge the Adviser and it is possible the Adviser may not achieve the Fund's intended investment objective.

New Fund Risk. The Fund is new and does not have shares outstanding as of the date of this Prospectus. If the Fund does not grow large once it commences trading, it will be at greater risk than larger funds of wider bid-ask spreads for its shares, trading at a greater premium or discount to NAV, liquidation and/or a stop to trading. Any resulting liquidation of the Fund could cause the Fund to incur elevated transaction costs for the Fund and negative tax consequences for its shareholders.

Geographic Concentration Risk. Because the Fund and the Index will invest only in issuers headquartered in a particular geographic region, the Fund's performance is expected to be closely tied to various factors such as social, financial, economic, and political conditions within that region. Events that negatively affect that region may cause the value of the Fund's shares to decrease, in some cases significantly. As a result, the Fund may be more volatile than more geographically diverse funds.

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