



2005 ANNUAL REPORT

TEXAS CAPITAL BANCSHARES, INC.

TEXAS CAPITAL BANK

TEXAS CAPITAL BANCSHARES, INC. IS THE PARENT COMPANY OF TEXAS CAPITAL BANK, A COMMERCIAL BANK THAT CATERS TO BUSINESSES AND PRIVATE CLIENTS WITH OFFICES IN AUSTIN, DALLAS, FORT WORTH, HOUSTON AND SAN ANTONIO.

THE COMPANY COMPLETED A HIGHLY SUCCESSFUL IPO IN 2003 AND THE PRICE OF SHARES HAS DOUBLED SINCE THAT TIME WITH A 35% ANNUAL RETURN. IN 2005 TCBI DELIVERED LOAN AND DEPOSIT GROWTH OF 30% AND 39% RESPECTIVELY, ACHIEVED PRISTINE CREDIT QUALITY, AND CONTINUED TO ATTRACT EXPERIENCED TALENT.

INVESTMENT HIGHLIGHTS

- Texas-based business and private client bank
- Experienced management team with proven track record
- Growth fueled by the acquisition of seasoned bankers and creation of adjacent lines of business
- Earnings appreciation among highest in the country

2005 HIGHLIGHTS

- Continued double-digit growth
Net income increased 39%
Total loans grew 30%
EPS increased 36%
Total deposits grew 39%
- Rising interest rates drove improved profitability including net interest margin, ROA and ROE
- Exceptional credit quality – net recoveries for the year
- Invested in future growth with expansion of Houston, San Antonio and Fort Worth, and launch of premium finance business

2005 STOCK PRICE PERFORMANCE

2005 FINANCIAL SUMMARY



	Dec 2005	Dec 2004	% change
Total Assets	\$3,042,235	\$2,611,163	17%
Total Deposits	\$2,495,179	\$1,789,887	39%
Loans Held For Investment, Net	\$2,057,064	\$1,545,880	33%
Loans Held For Sale	\$111,178	\$119,537	(7%)
Full-Year Net Income	\$27,192	\$19,560	39%
Full-Year Diluted EPS	\$1.02	\$.75	36%
Full-Year ROA	.97%	.82%	
Full-Year ROE	13.29%	10.74%	

Dollars in the thousands



Joseph M. Grant
Chairman and
Chief Executive Officer

LETTER TO OUR SHAREHOLDERS

Dear Shareholder:

On behalf of our entire team, I am extremely pleased to report that 2005 was another outstanding year for Texas Capital Bancshares, Inc., the parent company of Texas Capital Bank.

CONSISTENT, HIGH-GROWTH PERFORMANCE

Texas Capital Bank exceeded \$3 billion in assets during the year, delivered a 30% increase in loans and a 39% increase in deposits, and demonstrated improvement in key measures of profitability. Our industry-leading credit quality, with net recoveries for the year, further highlights our achievements.

Due to the growth in loans and deposits, coupled with a favorable asset-sensitive balance sheet, the Company experienced consecutive increases in net interest income and delivered record net income for the year – increasing 39% over 2004. And in the fourth quarter of 2005, we exceeded our ROE and ROA goals by achieving 14.5% and 1.04% respectively.

FOCUS ON CORE BUSINESS

We continue to successfully execute our business strategy as the premier Texas-based bank serving businesses and private clients in the five major markets in Texas. This focus has not wavered since the inception of the bank in 1998. Our extraordinary growth and market-share expansion further validate the strength of our business model.

The Dallas lending teams continue to successfully deliver across all lines of business, and their exceptional deposit growth is noteworthy. The opening of our Houston office in 2003 has been rewarding, and early in 2006 we added a private client group to that office. In Austin we have expanded our real estate expertise with the addition of two 25-year industry veterans – one will focus on commercial lending and the other on residential construction lending – and a team of residential mortgage lenders. The Fort Worth office welcomed experienced real estate and private client lenders and relocated into a prestigious downtown building. We also further invested in the San Antonio market with the opening of a second office.

In 2005, our loan growth was funded entirely by customer deposits which are at an all-time high. Our Internet bank, BankDirect, also continues to provide a stable level of funding, which can be predictably increased with a slight rise in our offered interest rates.

PURSUIT OF INNOVATIVE GROWTH OPPORTUNITIES

As an entrepreneurial company, Texas Capital continues to seek innovative opportunities to drive growth and attract leadership to our management team. We look for proven professionals who provide relationship-based lending to other middle-market niches and invest in them at an accelerated pace to create long-term value.

We have been particularly pleased with the 2004 launch of our Lender Finance Group, which serves independently owned consumer finance companies. The group is led by four lenders with an average of 16 years of experience in this market, and their relationships have quickly had an impact on our profitability. And in early 2006 we added additional relationship managers with proven track records.

In an effort to provide our clients with a one-stop approach to financial services, Texas Capital Bank launched its own insurance agency in 2002. This year we augmented our capabilities with the addition of a 30-year Texas insurance veteran whose team is providing enhanced property & casualty and employee benefit products to commercial enterprises.

Our newest line of business, created in mid-2005, is BankDirect Capital Finance. It provides premium finance and other financial services to insurance agencies and their customers in Texas and nationwide. The experienced management team has already demonstrated success in building the enterprise into a very promising source of profitable growth.

Finally, in what we believe to be a highly innovative use of Texas Capital's demonstrated capabilities, TCBI has entered into a strategic alliance with a private equity fund, BankCap Partners, which will invest primarily in newly chartered banks. In conjunction with this venture, TCBI launched a subsidiary, TCB Banking Solutions, which will provide a broad range of services to facilitate the start up and management of BankCap Partners' portfolio banks. These services will include consulting and products related to back-office operations, credit policy, financial management, asset/liability management, and human resources. We believe that TCB Banking Solutions' expertise will enable these banks to accelerate development, growth and profitability.

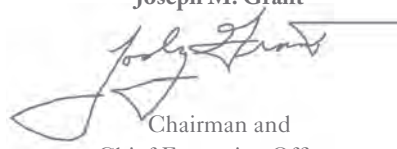
THE RIGHT INVESTMENT FOR THE FUTURE

Building upon the success and momentum created in 2005, Texas Capital will continue to allocate resources to the lines of business that produce the highest growth potential, explore new opportunities, and focus on increasing ROE and ROA. As we enter 2006, we believe the stage is set for another exceptional year in terms of growth and improving profitability.

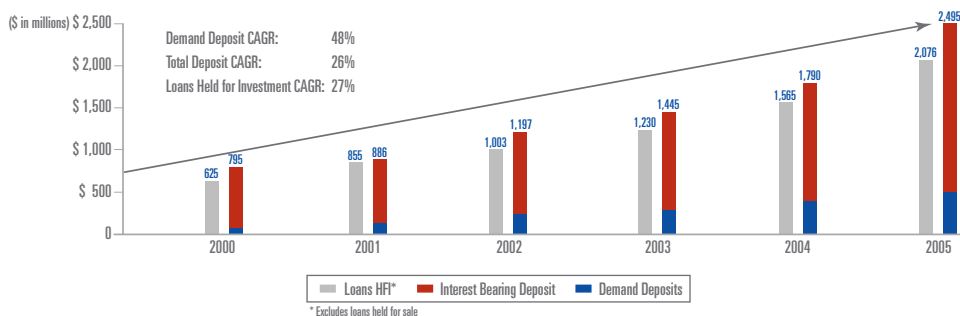
Our commitment to invest in our future growth has placed us in a distinguished and respected category in the banking industry. Our high-growth business model is unique within our peer group and will be the driver of long-term investment value for our shareholders.

In closing, I want to personally thank retiring Board members Jimmie Thompson and Jim Erwin, who were instrumental in guiding Texas Capital through critical years. Also, I am pleased to announce that Larry Helm has joined our Board. Larry is an executive vice president with Houston-based Petrohawk Energy Corporation and is the former chairman and CEO of Bank One Dallas. His long-standing reputation in the banking community combined with his vast knowledge of the energy industry make him a valuable addition to our team.

I also want to thank all of our directors, employees, customers, and shareholders for your continued support and for helping us build the "Best Business Bank in Texas."TM

Joseph M. Grant

 Chairman and
 Chief Executive Officer

LOAN AND DEPOSIT GROWTH



CORPORATE INFORMATION

STOCK EXCHANGE

Texas Capital Bancshares is traded under the symbol TCBI on The NASDAQ Stock Market.®

ACCOUNTANTS

Ernst & Young
2121 San Jacinto
Suite 1500
Dallas, Texas 75201

LEGAL COUNSEL

Patton Boggs LLP
2001 Ross Avenue
Suite 3000
Dallas, Texas 75201

TRANSFER AGENT

SunTrust Bank
Restricted Stock Area
Stock Transfer Dept.
58 Edgewood Avenue
Room 225
Atlanta, Georgia 30303

ANNUAL MEETING

The Annual Meeting of Shareholders will be held on May 16, 2006.

OTHER INFORMATION

Corporate governance and other investor information may be found at www.texascapitalbank.com

LOCATIONS

CORPORATE HEADQUARTERS

2100 McKinney Avenue
Dallas, Texas 75201
214.932.6600

DALLAS/PREMIER PLACE

5910 North Central Expressway
Dallas, Texas 75206
214.890.5800

PLANO

5800 Granite Parkway
Plano, Texas 75024
972.963.3000

AUSTIN

114 West 7th Street
Austin, Texas 78701
512.236.6770

FORT WORTH

500 Throckmorton
Fort Worth, Texas 76102
817.212.8333

SAN ANTONIO

745 East Mulberry
San Antonio, Texas 78212
210.785.3600

DALLAS/LBJ & MIDWAY

4230 LBJ Freeway
Dallas, Texas 75244
972.450.5050

HOUSTON

One Riverway
Houston, Texas 77056
713.439.5900

SAN ANTONIO/QUARRY HEIGHTS

7373 Broadway
San Antonio, Texas 78209
210.283.5220

BOARD OF DIRECTORS

Peter B. Bartholow
Leo F. Corrigan III
Joseph M. Grant
Frederick B. Hegi, Jr.
Larry L. Helm

J.R. Holland, Jr.
George F. Jones, Jr.
Larry A. Makel
W.W. "Bo" McAllister III
Lee Roy Mitchell
Steven P. Rosenberg

John C. Snyder
Robert W. Stallings
James Cleo Thompson, Jr.*
Ian J. Turpin
* Director Emeritus

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WWW.TEXASCAPITALBANK.COM