



**TRB EVERYWHERE,
ALL THE TIME.**



Table of Contents

03	OUR STORY	21	FINANCIAL HIGHLIGHTS
04	CHAIRMAN'S LETTER	22	CONSOLIDATED FINANCIAL STATEMENT
06	PRESIDENT ADMINISTRATION	24	INDEPENDENT AUDIT REPORT
07	PRESIDENT PRODUCTION	28	ECONOMIC DEVELOPMENT & PUBLIC FINANCE
08	SOUTH TEXAS - LOWER RGV	29	TRUST & WEALTH MANAGEMENT
09	SOUTH TEXAS - UPPER RGV	30	PRIVATE BANKING
10	HILL COUNTRY	31	MORTGAGE
12	HOUSTON	32	INSURANCE
14	DALLAS/FORT WORTH	33	TECHNOLOGY
16	HUMAN RESOURCES	34	VISION, MISSION, & CORE VALUES
17	OPERATIONS	35	BOARD & EXECUTIVE TEAM
18	TRB EVERYWHERE, ALL THE TIME		
20	CHIEF FINANCIAL OFFICER		

The idea for Texas Regional Bank emerged in 2008 when four businessmen recognized the community banking void in their local region caused by the consolidation of privately-held community and regional banks. Over the years, locally-owned banks had decreased, reducing the banking choices in many parts of Texas.

Michael Scaief, Bobby Farris, Tudor Uhlhorn, and Bill Elliff, leaders in business and the community, set out to develop a regional banking franchise committed to the success of the community. The group identified what had worked among regional banks in the past and adopted these strategies as operating principles.

Key objectives in their business plan were to:

- Hire top bankers who know their customers and can make decisions
- Build a broad shareholder base and ownership structure, so no one family could control more than 10% of the bank
- Raise enough capital to be effective in the market
- Embrace technological advances to accommodate emerging and future banking trends

Initially, the group intended to establish a brand new banking operation in the Rio Grande Valley of Texas. But, as their planning came together in mid-2009, the strategy changed, from chartering a new bank to acquiring an existing franchise. In September 2009, a revised business plan was submitted to regulators, and Texas State Bankshares, Inc. (TSBI) was organized to serve as the bank's holding company, in anticipation of an acquisition.

The TSBI board soon was charged with raising capital to acquire Falfurrias State Bank. In February 2010, the capital raise began, with a goal of \$20 million. The community response was overwhelming and, in less than six weeks, the holding company closed its capital raise with nearly \$24 million from approximately 160 different families.

On May 4, 2010, Texas State Bankshares, Inc. acquired 100% of the stock of Falfurrias State Bank. Ninety days into the acquisition, the charter was relocated to Harlingen, Texas. The bank was renamed Texas Regional Bank, and its relationship style of banking articulated in the new tag line, 'The people you know'.

Texas Regional Bank celebrated another milestone in November 2013, when Border Capital Bank was acquired. The merger added a trust department and four more locations in the Rio Grande Valley market. Texas Regional Bank continues to find opportunities to grow and be a leader in community banking. In February 2017, Texas Regional Bank completed the acquisition of Blanco National Bank expanding the regions we serve to the Texas Hill Country.

In September 2021, we opened our first TRB in Houston in the Memorial City area. In July 2022, we expanded into the DFW market with the acquisition of AccessBank Texas. This expansion gave us banking centers in north east Dallas, Downtown Fort Worth, Denton, Krum, and an ITM (interactive teller machine) in Ponder.

The Board of Directors and Management of Texas Regional Bank remain committed to the communities we serve through high touch banking relationships, advanced technology solutions, diverse ownership, and community involvement. Each year, team members contribute thousands of hours to community service projects.

As of December 31, 2022, Texas Regional Bank has assets of approximately \$2.61 billion with banking centers across the Rio Grande Valley, Texas Hill Country, Houston, and DFW Metroplex.



Michael Scaief

CHAIRMAN OF THE BOARD & CEO

Message from the Chairman

With the events surrounding banking in the first quarter of 2023, reflecting on 2022 seems long ago. While 2022 was an excellent year for the bank, with many milestones achieved, including entering the Dallas-Fort Worth Metroplex, I remain focused on our bank's position in the industry, our continued independence, and our forward-looking strategies. But let's not discount the success we have accomplished with four regions (South Texas, Central Texas, Houston, and DFW), 28 locations, and a comprehensive suite of financial services, including banking, mortgage, trust, wealth management, insurance, and soon investment banking. Our executive team will discuss TRB's financial performance, operations, regions, and divisions in the following pages. I will devote most of my comments to discussing the industry and ongoing strategies.

Recent events with the FDIC closings of Silicon Valley Bank (SVB) in California and Signature Bank in New York can be unsettling, so I wanted to provide our perspective. Rest assured, community banking in Texas, notably Texas Regional Bank, operates by a sound and diversified business model to protect against risk. From the beginning, TRB has focused on community banking in the markets we serve by banking people and businesses in almost all sectors of the Texas economy. We can confidently report that we are well-capitalized, profitable, and continue to grow and prosper as a diversified financial services company.

If you chose to research the circumstances of the failed banks, you would find each had a concentration of business in a niche industry that targeted tech start-up companies primarily funded by venture capital or involvement in "crypto assets." I can say with certainty that this is not who TRB is. We have no concentration in either of these sectors. Our customers are small businesses from diverse industries and folks like you who live in South Texas, the Texas Hill Country, Houston, or the Dallas-Fort Worth Metroplex.

When you research the banking landscape, the Federal Reserve reports that approximately 4,000 commercial banks in the country fall into three categories. The largest of the three is about 29 Money Center Banks. A Money Center Bank has assets greater than \$100 billion. The next category is the roughly 88 Regional Banks with assets between \$10 billion and \$100 billion. And finally, there are Community Banks, defined as those with assets of up to \$10 billion. There are over 3,700 Community Banks in our country. At \$2.6 billion in assets, Texas Regional Bank is considered a "Community Bank" with a regionally diversified footprint. None of the banking turmoil has been in the Community Bank sector.

The turmoil in the financial markets can be summed up as customer concentration, industry concentration, and geographic concentration. The velocity of rising interest rates caused a dramatic slowdown in venture capital investment of tech start-ups concentrated

in the Silicon Valley region among a finite group of clientele. But, of course, it's easy to be an armchair quarterback. Banking is a highly regulated industry, and I suspect the post-mortem from the regulators will be informative and most certainly lead to more oversight.

Our regulators and shareholders often ask me, "What keeps you up at night." For me, that is a simple question. It is events that I cannot control and the unknown that lies ahead of us. I cannot control government policy, the economy, natural disasters, and acts by others, which have become weaponized by our newest uncontrollable "social media." The "known" is that there will always be disruption in some form ahead. The "unknown" is what the "disruption" will be.

My role is to mitigate this risk and protect the bank's financial health by always being prepared for the "unknown." The four pillars of our strategic plan bring focus to every Region, Division, and Operation of the bank. Our four strategic pillars are (1) Safety and Soundness, (2) Grow the Franchise, (3) Operational Excellence, and (4) Independence. These pillars help to prepare our company for the "unknown."

At a high level, here are a few ways to mitigate the risk of an unforeseen economic event becoming systemic. First, we have an organization spread across 28 markets in four different regions in the state, thus eliminating a geographic concentration. Second, we have established

Divisions (Trust & Wealth Management, Mortgage, Insurance, Foreign Exchange, Capital Markets) that continue to diversify revenue streams, thus eliminating revenue concentration. Third, we are a "community" financial institution that banks every industry with no niche concentration, thereby mitigating economic risk. And fourth, we are a bank "owned by many, not few," with no ownership concentration, venture capital, or private equity ownership. We have 1,200 stockholders who support the success and vision of the bank.

In closing, there is comfort and safety in the Texas Community Banking industry. As a shareholder, we cannot say it better than to "bank with The people you know" vs. "bank with the people you don't know." We will continue to follow our vision of Banking Texas, one relationship at a time and accomplish what's ahead through our strategic pillars and mission of be 'The people you know' in the communities we serve. As always, thank you for all you do as a shareholder.



Culture

Michael Lamon

PRESIDENT
BANKING ADMINISTRATION

As the President of Banking Administration, I have the privilege of watching our banking professionals interact with our clients, communities, and other employees. While the numbers define how successful we are, these interactions and, ultimately, our culture drive these numbers.

Our culture defines how we manage the company's strategic goals and collectively accomplish our current and long-term visions. It is embedded in our work ethic, desire to succeed, and willingness to achieve better than peer results. It is our personality and how we do business. To be 'The people you know' in the communities we serve requires us to be everywhere, all the time. In so doing, we help build stronger communities, stronger client loyalty, and a top-of-mind presence when financial services are needed. It also informs us of any opportunities or challenges our customers may face.

Along those lines, 2022 was not without its challenges. Banks and borrowers in 2022 faced the fastest rate increases in history, nearly twice as fast as the rate

hike cycle of 1988-1989. The stress on the bank's loan portfolio can be significant in such a market. Fortunately, our focus has always prioritized the importance of asset quality and risk management processes. Due to our disciplined approach, our asset quality remains strong. We continue to outperform our peers in loan growth and loan portfolio quality. Ultimately, it is our culture and this style of relationship banking that ensures the continued safety and soundness of the organization.

Finally, our employees, customers, and shareholders' continued support, dedication, and trust are unique and appreciated. Our success is a collective effort, and we remain fully committed to our vision, mission, and core values.

May 2023 be as prosperous as we continue Banking Texas, one relationship at a time.

Growth

Brent Baldree

PRESIDENT
COMMERCIAL BANKING



2022 was an exceptional year for the bank and one of our best regarding loan growth, community development, and franchise expansion. Our mission to be 'The people you know' in the communities we serve drives our approach to offering quality service and products to our growing markets.

Our lending team stayed focused on our vision of Banking Texas, one relationship at a time. This initiative, driven by our strategic plan to expand the franchise, resulted in tremendous growth. The lending team grew the portfolio by 30% before the Dallas-Fort Worth acquisition, and we continue building new relationships throughout our regions. Several factors contributed to this success, but our commitment to the communities we serve positions our lending team as one of the industry's most trusted. While loan growth continues to be an area in which we focus, we know that contributing our time and resources to our communities and business leaders is vital to our regions' intellectual and economic growth.

In 2022, our Business Development & Community Engagement approach allowed us to enhance the needs of our internal and external shareholders.

Listening to and learning from our customers, employees, stockholders, and community gives us a better understanding of what organizations best align with our core values. Considering this approach, we logged 3,731 community involvement hours with over 250 organizations. We cannot share this remarkable data without mentioning the character of our TRB volunteers. Our employees give their time to worthy causes, lead various organizations, and provide vital support to help "run the show." In 2022, our financial literacy volunteers earned TRB the designation "Best in Community Banking," an award from the Independent Bankers Association of Texas that placed our program in the spotlight state-wide.

Expanding our footprint, we seek opportunities to promote our people and products. In July of 2022, we finalized the acquisition of AccessBank Texas in the Dallas-Fort Worth metroplex, which added five locations to our franchise. We welcomed our DFW team and sent "boots on the ground" to help implement our TRB culture. We will not relent on our focus to provide a positive banking experience that retains customers who, in turn, refer family and friends to TRB. Our 2023 goals are ambitious but so are our people.



Raul Villanueva

EVP, REGION PRESIDENT
CAMERON COUNTY



Fred Garza

EVP, REGION PRESIDENT
HIDALGO COUNTY

Time flies when you are having fun! The year of 2022 flashed before our eyes.

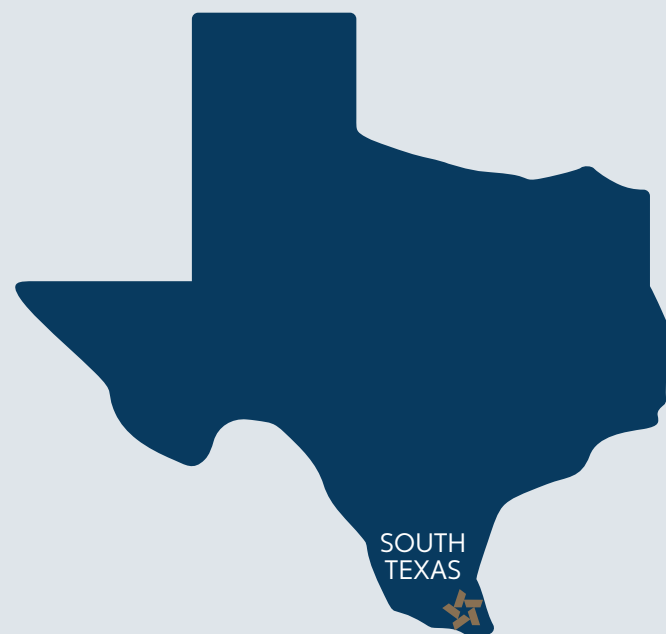
It was a remarkable year for the Lower RGV, with \$69 million in deposit growth (17%) and \$33 million in loan growth (19%). Moreover, we surpassed the net income goal for the region for 2022. These results are all thanks to the dedicated team of individuals who are committed to our mission to be 'The people you know' in the communities we serve. This team is committed to providing exceptional customer service and consistently going above and beyond the call of duty.

The Lower RGV region team strives to ensure TRB's mission is shared in our local markets, and we take immense pride in being fully engaged in our communities. Giving back to the community is a core value for us, and we highly encourage our employees to participate in activities that promote our region and assist our residents.

We aim to ensure 'TRB is everywhere, all the time'; thus, we need the right team of motivators and leaders to achieve that. The Lower RGV is comprised of talented individuals who deliver and live by this message.

The team is blessed to have a solid footprint in our market, making us an essential player in our communities. We continue to work hard to increase our market share and strive to become the largest bank in Cameron County. To achieve this goal, Texas Regional Bank is committed to offering exceptional service and standing above all to become the bank of choice for all.

I am looking forward to more exciting things coming in 2023 for Texas Regional Bank. We are determined to continue the momentum in adding locations and services so we can meet the needs of all our current and future customers.



In 2022, Texas Regional Bank split the RGV between the Upper and Lower Valley. The Upper RGV team focused on its commitment to our customers and our involvement in charitable causes within our communities.

Our team has been heavily involved in local organizations that help families and businesses improve the quality of life in our area. TRB employees serve on boards and are members of organizations such as Rotary, United Way, Palm Valley Animal Shelter, Boys and Girls Clubs, CASA, Education Foundations, Hospice Centers, church boards, and many other service programs. We volunteered over 3,700 hours to help raise funds and assist at many fundraising events. You can find TRB volunteers working registration, cashiering, ushering guests, and cooking at shrimp boils we donated and auctioned. This culture defines Texas Regional Bank and is exemplified not only in the bank's leadership but throughout all positions; our employees are the heart of our bank.

The team's attitude towards superior and unparalleled customer service led to solid loan growth of 14% in 2022. This is a testament to our commitment of 'Banking Texas, one relationship at a time' by offering quality products and services to our customers and providing a safe bank for the State of Texas.

Building and strengthening relationships with our customers is our priority. The trust is earned by our employees' friendliness, customer service, and willingness to help. TRB employees will go the distance to help our customers where their money is concerned. As a result, the Upper RGV grew deposits by 6% in 2022, demonstrating the intense dedication to our customers.

Texas Regional Bank is a mere reflection of our customer base. Together WE will continue to grow our businesses and relationships throughout Texas!

Thank you to our customers and employees for being a vital part of the TRB Family!



Lance Spruiell

EVP, REGION PRESIDENT
COMMERCIAL BANKING



Erin Needham

EVP, REGION PRESIDENT
BANKING ADMINISTRATION

The Hill Country region had an outstanding 2022; our team’s hard work and dedication helped expand TRB’s reach to better serve more communities and customers. We purchased prime locations in Bulverde, San Antonio, and Kerrville and signed a lease in Austin, positioning ourselves as the bank that is everywhere, all the time. These new locations will make it easier for our customers to access our services, and we are thrilled to expand our footprint in the Texas Hill Country.

We expanded our physical presence and continued to attract and retain top talent, building a solid team of influential professionals. Adding Ed Lick and Lisa Sholeye, seasoned banking professionals in our Austin Bank, to build the bank’s C&I department is just one example of how we continue to add value to our communities.

Along with expanding our reach, our Hill Country employees invested heavily in our communities in 2022. Our employees have spent 1,056 hours volunteering, targeting our footprint’s most influential and impactful organizations, non-profits, and city projects. Our communities have taken notice of our leadership, and in turn, new customers have gravitated toward us.

Due to the time spent in our communities, the Hill Country region secured significant deposit and loan growth. We aimed to grow loans by an aggressive \$84 million, which we achieved by increasing loans by \$106 million. We also looked to add new accounts and expand our deposits, which we did by \$28MM. With all the focus on the balance sheet, we also improved from \$4.9 million in net income in 2021 to \$6.8 million at the year-end of 2022, an incredible 35% increase.

Looking forward to 2023, we are excited to open our new locations officially. These new branches will bring even more influential team members to help us better serve our communities. As we continue to grow, our impact on our communities will only deepen, and we look forward to strengthening TRB’s position as the bank that is everywhere, all the time.



Operational Excellence

2022



Gregg Booth

EVP, REGION PRESIDENT
BANKING ADMINISTRATION



Lewis Gissel

EVP, REGION PRESIDENT
COMMERCIAL BANKING

2022 represented the first full year of operations for the Houston region. Our focus was getting the story of Texas Regional Bank into the market and growing the franchise.

The Houston region ended the year with over \$45 million in outstanding loans, compared to \$15 million at the end of 2021. The region added 26 net new loan relationships and finished 2022 with total loan commitments of \$63 million. Deposits rose from \$1.6 million in 2021 to over \$18 million at year-end 2022, with net new accounts increasing from 19 to 157 deposit accounts by year-end.

The Houston region has been a good referral partner to TRB Wealth Management, referring \$9.5 million in 2021, and has referred another \$19 million in investable dollars in 2022 for a total of \$28.5 million since the region's inception. We started 2022 with five employees, two lenders, and three branch personnel. By the end of 2022, we added another lender, a wealth management advisor, and a mortgage lender. We purchased a second location in the Cypress/

Northwest Houston area that is scheduled to open early 2023. We hired team members in preparation for the new branch, and the region totaled 13 employees at year-end. Our staff contributed nearly 150 community service hours in our region across 15 organizations in support of the communities we serve.

As a strategic initiative, the team will focus on talent acquisition and brand expansion in 2023 while remaining focused on year-over-year loan and deposit growth and cross-selling ancillary bank services, such as wealth management, mortgage, insurance, and a full array of cash management services.



2022
Community



Cleve Breedlove

EVP
REGION PRESIDENT, DFW



Doug Hester

EVP
CHIEF ADMINISTRATIVE OFFICER, DFW

The Dallas-Fort Worth region is nearing its first anniversary since TRB finalized the acquisition of AccessBank Texas in July 2022. With approximately \$500 million in assets and five locations in DFW, the region is well positioned in one of the fastest growing markets in the U.S., serving the counties of Dallas, Denton, and Tarrant.

The first few months after the transition created an opportunity for our DFW team to rise above the challenges, with the IT conversion, customer retention, and employee training. The current focus has pivoted back to growth, emphasizing increasing the number of deposit accounts.

TRB has recently acquired a branch location in Southlake, and plans for a significant renovation are underway. Mimi Tran, a seasoned banker and private banking expert, is building a team that will provide both private banking and wealth management products and services. She will also serve as the Southlake Market President.

Denton County, led by Market President Duke York, continues to expand with numerous business opportunities in the rapidly growing area. With branches in Denton, Krum, and Roanoke, Denton County represents \$414 million in total deposits in the DFW region.

Enhancing TRB's sales culture in the DFW market is another primary emphasis. Daric Parent, who previously held the DFW Treasury Management Sales Manager position, was promoted to DFW Regional Sales Manager. Daric will focus on customer service quality and provide needs-based sales training to the staff. Deposit growth and selling TRB's ancillary products to existing customers will be a priority.

In 2023, we will focus on expanding our DFW footprint, increasing efficiencies, talent acquisition, community involvement, building new relationships, and providing a more rewarding experience for our customers throughout the DFW Metroplex. The saying 'we are stronger together' is true. We continue to be 'The people you know' in our market and strive to serve our community daily.



Expansion

20

22



Cambrea Merriwether

EVP
CHIEF HUMAN RESOURCES OFFICER



Cesar Suarez

EVP
CHIEF BANKING OFFICER

The bank’s core values are what convinced me to accept the role of Executive Vice President and Chief Human Resources Officer for Texas Regional Bank. TRB places a heavy emphasis on SUCCESS, and it was readily apparent to me that applied to the employees. With the foundation of strong values, the human resources department is committed to the health and well-being of our team, creating high-performing and compassionate team members, and a team committed to the bank’s vision, mission, and core values.

TRB Human Resources is poised to be a center of excellence, focused on critical areas of HR and initiative driven. ‘TRB everywhere, all the time’ was demonstrated in 2022 by the HR department’s continued focus on consistently delivering the best-in-class experience for our employees. With the growth of our franchise into the DFW market and TRB Insurance, HR successfully integrated newly acquired employees into the TRB culture. The staff dedicated many hours to ensuring the new TRB employees received proper training, accurate payroll and employee benefits enrollment, and employee relations support.

All regulatory exams and audits related to human resources were met with satisfactory ratings. In 2022, HR reviewed current practices, policies, and procedures to ensure compliance with laws and regulations. This practice launched new initiatives for 2023, such as enhanced savings plans for employees, new HRIS systems, and realigned job duties.

Educating, engaging, and informing employees remained a focus of the HR department with the distribution of the HR Monthly Digest. This communication kept employees ‘In the know’, welcomed new team members, celebrated milestones such as birthdays and work anniversaries, and allowed employees to share words of wisdom. Employees were called to action monthly to support our communities and share the good news. As an excellent example of our familial culture, TRB HR received great feedback and encouragement from our employees to keep publishing the Digest into 2023.

‘TRB everywhere, all the time’ is a phrase coined by our Chairman & CEO. It is a call to action and a frame of mind. I am reminded of it each time I see a TRB star decal on the back of a vehicle, like a favorite sport team logo. Are they rooting for their favorite bank? It’s just not expected, but that is what we are, a team of ‘The people you know’ in the communities we serve.

This past year, we expanded our operation into DFW with the acquisition of AccessBank Texas. We added four banking centers in Dallas, Denton, Fort Worth, and Krum, and a loan production office in Fort Worth.

We increased accounts under management by approximately 6,500 and welcomed 68 new team members to our TRB family. Conversions are never easy, so I could not be more proud of our employees’ commitment to our mission and to each other. Teamwork and success are two of TRB’s core values, evident during this process, highlighting our greatest strength, our people.

As we continue our path of Banking Texas, one relationship at a time, operational excellence remains

an important strategic pillar. TRB is committed to expanding our digital product offering to enhance the customer experience. This year, we deployed a new contactless debit card and improved rewards for our commercial credit card. We continue to upgrade our ATM fleet, and deposit taking ATMs are now available at 20 of our banking centers. We also added online digital features, such as CardHub, a debit card management tool, AllData for third party account aggregation, and TransferNow, which enables consumers to move money to and from accounts at nearly every U.S. based financial institution.

As I see another TRB star decal on the road, I feel a sense of pride followed by the sharp curiosity about who’s behind the wheel. It is a reminder that we are a team. A team that values community and believes every interaction counts. Next time you hit the road, keep your eyes peeled for the TRB star. What city across our great state of Texas will you see one next?

TRB

EVERYWHERE, ALL THE TIME.





Independence
Lincoln Talbert

SEVP
CHIEF FINANCIAL OFFICER

In 2022, Texas Regional Bank continued its focus on our vision of ‘Banking Texas, One Relationship at a Time.’ We completed our first full year of operation in the Houston region. We entered the Dallas- Fort Worth region by acquiring AccessBank in July. Total bank assets at year-end 2022 totaled \$2.61 billion, an increase of \$650.87 million, or 33.2%, over 2021. The asset growth is attributed to the acquisition of AccessBank, which had \$541 million in assets at purchase, and the continued commitment of Texas Regional Bank to relationship banking which fueled organic growth in each of our regions.

Total deposit growth for 2022 totaled \$468 million, or an increase of 26.2% over 2021. In 2022, as we came out of the pandemic era, the banking landscape related to deposits changed through increases in interest rates and the winding up of monetary stimulus programs. Considering this challenging dynamic, our commitment to initiatives that ensure ‘TRB is Everywhere, All the Time’ led to month-over-month increases in new account growth that will set the stage for continued deposit balance growth in the years to come.

Our loan portfolio grew \$631.7 million, or 80.8%, over the prior year, ending with a total net loan portfolio of \$1.4 billion as of year-end 2022. The total loan portfolio acquired in acquiring AccessBank as of year-end totaled \$376.8 million. Organic loan growth from our regions totaled \$254.9 million, or 32.6%, in 2022,

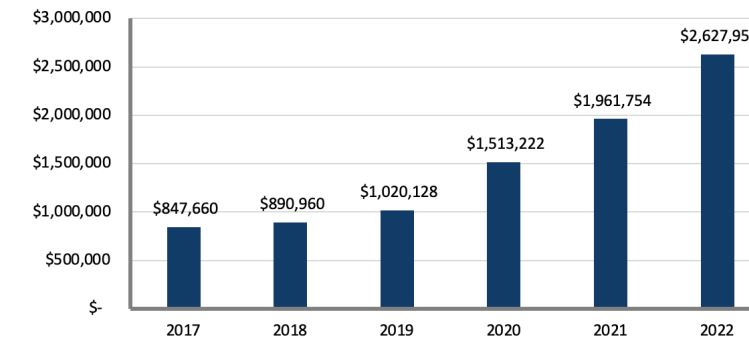
representing the Bank’s best year of loan production since its inception in 2010.

Total revenue in 2022 was \$98.37 million, representing a 33.14% increase over the prior year, resulting in a net income of \$20.59 million. Interest income represented the most significant revenue segment increase in 2022, increasing \$29.85 million, or 53.95%, over 2021 totals. The increased interest income is attributed to the loan growth mentioned above and the deployment of assets into low-risk, attractive-yielding bond security assets.

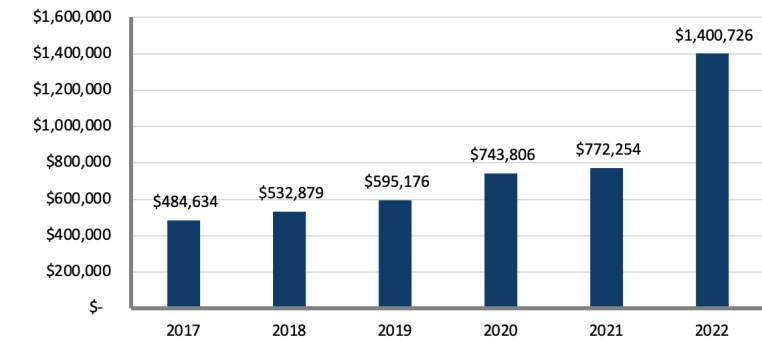
Our Board of Directors is committed to building long-term shareholder value by creating sustainable current and future earnings. The implementation of strategies will drive these focused on the increase of normal, recurring operating revenues generated through our core bank and complementary financial services. This focus in 2022 produced an increase of \$31.45 million, or 45.88%, of normal operating revenues, which increased net operating income by \$6.35 million, or 40.73%.

We look forward to continued growth in future earnings as we ‘Bank Texas, One Relationship at a Time’ by ensuring that ‘TRB is Everywhere, All the Time.’

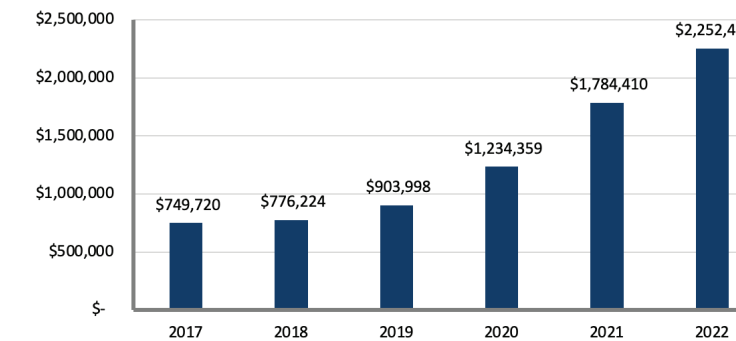
Assets (in thousands)



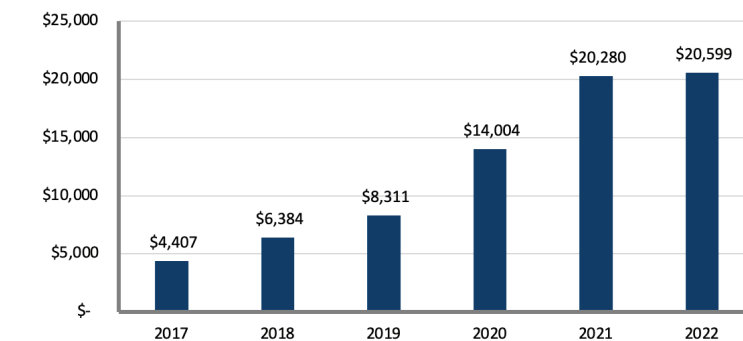
Net Loans (in thousands)



Deposits (in thousands)



Net Income (in thousands)



	2017	2018	2019	2020	2021	2022
Assets	\$ 847,660	\$ 890,960	\$ 1,020,128	\$ 1,513,222	\$ 1,961,754	\$ 2,627,954
Net Loans	\$ 484,634	\$ 532,879	\$ 595,176	\$ 743,806	\$ 772,254	\$ 1,400,726
Deposits	\$ 749,720	\$ 776,224	\$ 903,998	\$ 1,234,359	\$ 1,784,410	\$ 2,252,440
Equity	\$ 93,738	\$ 97,577	\$ 110,227	\$ 140,367	\$ 168,013	\$ 171,653
Net Income	\$ 4,407	\$ 6,384	\$ 8,311	\$ 14,004	\$ 20,280	\$ 20,599
Loans to Assets	57%	60%	58%	49%	39%	53%
Loans to Deposits	65%	69%	66%	60%	43%	62%

Texas State Bankshares, Inc. and Subsidiaries

Consolidated Balance Sheets

Years Ended December 31, 2022 and 2021
(Dollars in Thousands, Except Share Data)

	2022	2021
Assets		
Cash and due from banks	\$ 68,855	\$ 242,937
Federal funds sold	1,685	-
Interest-bearing deposits in banks	4,775	3,360
Securities available for sale	922,250	833,927
Securities held to maturity	7,000	5,000
Restricted investment securities	13,414	5,846
Mortgage loans held for sale, net	990	4,389
Loans – net of allowance for loan losses of \$12,847 (\$9,354 in 2021)	1,400,701	772,237
Premises and equipment – net	99,439	67,455
Right of use asset	4,715	-
Accrued interest receivable	12,351	6,831
Goodwill	32,968	9,956
Other intangible assets – net	13,673	208
Prepaid expenses and other assets	4,371	4,394
Deferred tax asset, net	23,656	-
Cash surrender value of life insurance	12,222	5,733
Total assets	\$ 2,623,065	\$ 1,962,273
Liabilities		
Deposits:		
Noninterest-bearing	\$ 837,898	\$ 628,400
Interest-bearing	1,408,524	1,108,318
Total deposits	2,246,422	1,736,718
Federal Home Loan Bank borrowings	184,638	324
Subordinated notes payable - net of unamortized debt issuance costs of \$766 (\$766 in 2021)	81,234	59,234
Junior subordinated debenture	2,578	2,578
Right of use liability	4,787	-
Accrued interest payable and other liabilities	6,746	6,749
Total liabilities	2,526,405	1,805,603
Stockholders' Equity		
Common stock – \$1 par value; 100,000,000 shares authorized; 7,548,386 shares issued, 7,126,554 shares outstanding (6,854,867 shares issued, 6,451,063 shares outstanding in 2021)	7,548	6,855
Surplus	137,360	111,529
Retained earnings	63,264	48,101
Notes receivable from stockholders	(1,063)	(1,503)
Treasury stock - 421,832 shares at cost (403,804 shares in 2021)	(10,416)	(9,731)
Accumulated other comprehensive income (loss)	(100,033)	1,419
Total stockholders' equity	96,660	156,670
Total liabilities and stockholders' equity	\$ 2,623,065	\$ 1,962,273

Notes to the consolidated financial statements form an integral part of these statements.

Texas State Bankshares, Inc. and Subsidiaries

Consolidated Statements of Income

Years Ended December 31, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Interest income:		
Interest and fees on loans	\$ 62,568	\$ 43,643
Interest on investment securities	21,873	11,302
Interest on interest-bearing deposits in banks	600	264
Total interest income	85,041	55,209
Interest expense		
	12,172	6,136
Net interest income	72,869	49,073
Provision for loan losses		
	3,926	447
Net interest income after provision for loan losses	68,943	48,626
Noninterest income:		
Service charges and fees	7,216	5,516
Wealth management fees	5,223	5,043
Gain (loss) on sale of securities	(1,627)	4,285
Gain on termination of derivatives	-	1,050
Other	1,700	2,073
	12,512	17,967
Noninterest expenses:		
Salaries and employee benefits	36,138	26,235
Occupancy and equipment expenses	7,487	6,027
Other operating expenses	17,043	12,278
Total noninterest expenses	60,668	44,540
Income before federal income tax expense	20,787	22,053
Federal income tax expense	3,361	4,060
Net income	\$ 17,426	\$ 17,993

Notes to the consolidated financial statements form an integral part of these statements.

FORVIS

8200 W. Interstate 10, Suite 900 / San Antonio, TX 78230

P 210.341.9400 / F 210.341.9434

forvis.com

Independent Auditor's Report

Board of Directors and Stockholders
Texas State Bankshares, Inc. and Subsidiaries
Harlingen, Texas

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements of Texas State Bankshares, Inc. and Subsidiaries (Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on COSO.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control over Financial Reporting" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management also is responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Assessment of Internal Control over Financial Reporting.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Definition and Inherent Limitations of Internal Control over Financial Reporting

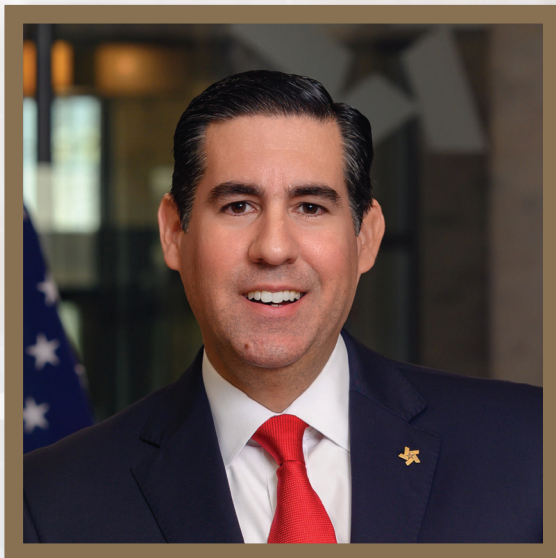
An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the *Federal Deposit Insurance Corporation Improvement Act* (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Parent Company-Only Financial Statements for Small Holding Companies (Form FR Y-9SP). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FORVIS, LLP

San Antonio, Texas
April 29, 2023

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Alex Meade

EVP
ECONOMIC DEVELOPMENT & PUBLIC FINANCE



Bobby Farris

DIVISION PRESIDENT
TRUST & WEALTH MANAGEMENT

The Economic Development and Public Finance (EDPF) team is responsible for the success of business development within the public sector. The EDPF team serves as a resource and relationship manager for local, state, and federal leadership and continually invests in developing relationships to grow the public funds segment of the bank.

TRB Approach: We are private bankers to local government who incorporate a solutions-based strategy to improve the economic well-being and quality of life of the communities we serve.

As TRB continues to grow throughout the state, the EDPF team aims to be top of mind for the communities we serve. Our goal is to be seen as private bankers to all municipalities. Regardless of their need, we want cities and counties to know we can assist them. This approach is precisely what sets us apart from other banks. Two approaches we use to engage the public sector are economic studies and public affairs.

Community leaders, whether they are elected officials or public employees, are always trying to obtain more information about their community to better understand what they have to offer and where they need to focus their efforts when it comes to planning. In an effort to continue to be 'The people you know' in the communities we serve, the EDPF team began analyzing various towns and cities and developed customized retail analysis reports for them. In doing so, this provided us with additional opportunities to get

in front of these leaders and talk to them about issues that are important to them.

In 2022, the EDPF team met and provided a customized retail analysis for the following cities:

- Alamo
- Alton
- Corinth
- Donna
- Edcouch
- Edinburg
- Elsa
- Fredericksburg
- Hickory Creek
- Hidalgo
- La Joya
- La Villa
- Mercedes
- Northlake
- Palmhurst
- Palmview
- Peñitas
- Primera
- San Juan
- Sullivan City
- Weslaco

These two approaches allow TRB to become familiar with the communities it serves, and it is often asked to help provide solutions to both the private and public sectors; thus, allowing TRB to be everywhere all the time!

2022 Highlights:

Public Funds – As a result of the competitive rate environment that followed the unprecedented low rates in 2021, the EDPF team shifted its focus from business recruitment to business retention.

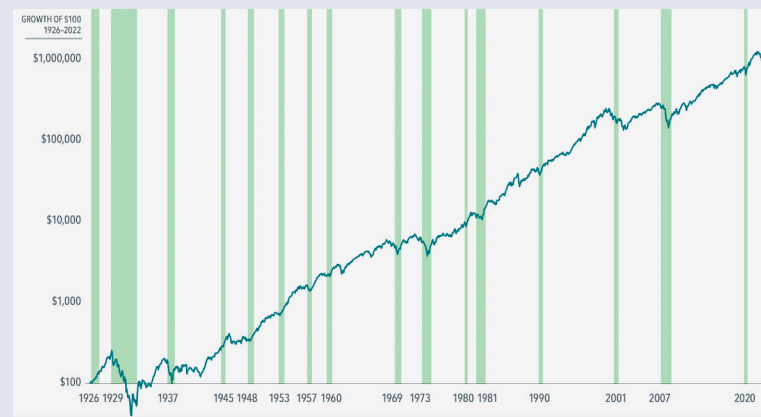
Total Interest DDA deposits decreased by 68%

- \$375,257,073 in 2021
- \$230,033,733 in 2022

Total Non-Interest DDA deposits increased by 87%

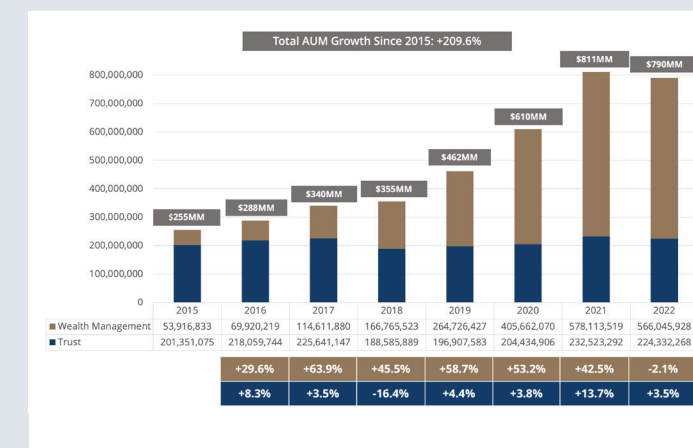
- \$71,828,980 in 2021
- \$134,553,283 in 2022

What does a century of economic cycles teach investors about investing? During the 20th century, the United States endured a depression, a dozen or more recessions, inflation, an oil crisis, two world wars, financial panics, two pandemics, and the resignation of a president. Yet, the Dow rose from 66 to 30,606.



Markets worldwide have often rewarded investors even when economic activity has declined. Our investment philosophy is simple yet effective: Stay fully invested around the world and let the markets work for you! Ultimately, we want our clients to be financially comfortable so they can spend more time doing what they love.

TRB Trust and Wealth Management have spent the last eight years helping our clients grow their wealth.



In addition to our growth, we have added four new employees. Cordero Lopez will be assisting our advisors as Financial Analyst, John Robin Stewart will be covering our Hill Country market as a Wealth Advisor, Fernanda Salinas will be assisting as Client Relationship Manager, and Stacy Wells will be covering our DFW market as a Wealth Advisor.



Eduardo Caso

SVP
INTERNATIONAL PRIVATE BANKING



Jason Leal

EVP
MORTGAGE

For the past four years, TRB’s International Private Banking (IPB) division has developed a unique view of developing and expanding the Mexico/Bi-national high net worth market segments, including personal and commercial relationships.

IPB is One effective team comprised of experienced leaders, high-performing bankers, and knowledgeable FX specialists, working together towards a single vision:

Banking Texas and Mexico, one relationship at a time.

The goal of IPB is to be the premier provider of financial services in every one of the markets we serve. IPB achieves its goal by delivering world-class customer experience, providing value, and building lifelong relationships with our customers.

2022 Performance Results

Deposits: Net deposit balances at the end of the year totaled \$100.2 M, a 23% year over year growth.

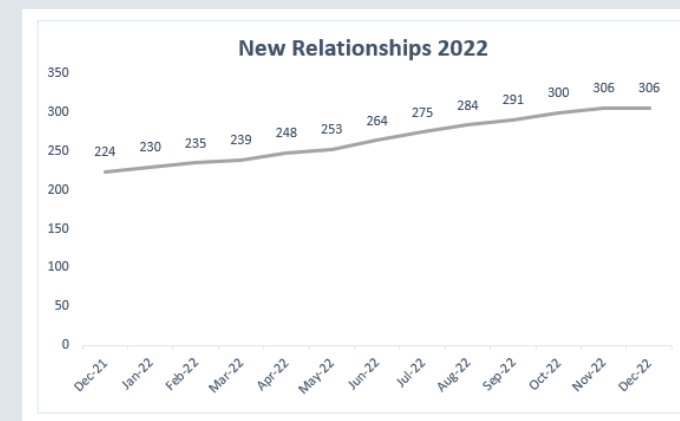
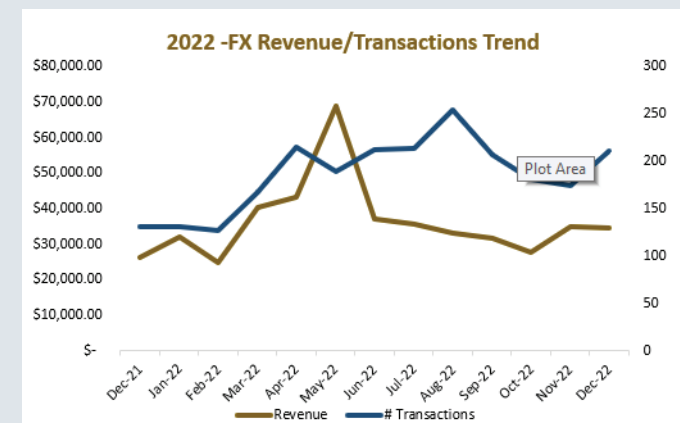
New Relationships: In 2022, IPB established 82 new banking relationships, a 37% growth compared to 2021.

Loans: In 2022, IPB continued offering credit facilities to its customers. New loans funded through this year amounted to \$6.3 M.

Closed Referrals: During 2022, IPB referred five customers who invested \$1.4M in managed accounts and brokerage products to TRB Wealth Management.

Foreign Exchange: In 2022, the FX Department continued growing, with 2,283 transactions contrasted with the 1,178 transactions at the end of 2021 and a year over year growth of 1,105 operations or 194%. The 2022 income totaled USD\$444,217, a 40% increase year over year.

As we continue our mission, our goals remain the same: To provide, in a professional and distinctive (personalized) way, financial products and integrated services specifically designed to satisfy all the financial needs of our high-value customers.



In TRB Mortgage, ‘TRB everywhere, all the time’ means being top of mind. Whether our client is ready now or later to buy a home, we want them to think of TRB Mortgage. Being top of mind means establishing those relationships now and guiding our clients as they learn about the mortgage process.

Our team strives to be accessible, whether online or in person. Outside or during regular business hours, we are dedicated to being available and responsive to customer needs. With established relationships, we’re also at the forefront of customers’ thoughts when referring a family member or friend to TRB.

In 2022, TRB Mortgage played a crucial role in being everywhere, all the time by helping over 200 families find their first home or build a new one. Our loan portfolio increased by over 43%, primarily due to our one-time close construction loan product, which was instrumental for many across the state. We also established value-added content to our website to assist many with their mortgage questions.

Our commitment to community involvement was also critical in the markets we serve. In 2022, our mortgage team attended/volunteered at over 150 local community events. It was important to us to invest our time and efforts in all communities that TRB serves.

As we expand into new markets and regions, our emphasis on relationship banking will be stronger than ever. Our mortgage team strives to be a resource or advisor while meeting community needs. With the mortgage industry continuing to change in 2023, our focus is improving the customer experience through our technology, processes, and procedures. With this emphasis and the variety of products we offer, we will provide the best service to all.



Ryan Newman

SVP
DIVISION PRESIDENT, INSURANCE



Brad Freudenberg

EVP
CHIEF TECHNOLOGY OFFICER

In 2022, Texas Regional Bank added TRB Insurance to the products and services we offer our bank customers and communities. This was a planned and natural next step for the bank that got us one step closer to being a “one-stop shop” for financial services.

Our insurance division was created through the acquisition of Mission Duncan Insurance Agency in December of 2022. This acquisition gave us a team of seasoned insurance professionals to serve our customers, a portfolio of competitive carriers to place policies with, and an instant revenue source, all being used as a foundation to help all our regions and as a platform to build off.

TRB Insurance is a full-service, independent insurance broker offering insurance products of all shapes and sizes, including personal lines, commercial lines, and employee benefits from some of the industry’s best and most recognizable insurance carriers.

We are off to a great start and are experiencing strong momentum, thanks to our incredible team and the

support of the entire TRB family. Our current banking relationships continue to serve as a significant referral base for our division. Our commercial lenders, mortgage officers, and front-line bankers are often asked about insurance by their customers. In the past, we have sent those customers elsewhere. Today, there is a natural and organic opportunity to keep those insurance buying conversations in-house.

Factors such as inflation, increasing reinsurance costs, growing catastrophic losses, and nuclear verdicts will continue to drive a challenging insurance marketplace in 2023. TRB Insurance is here to help. Our experienced team, strong carrier and underwriter relationships, and proactive approach to managing our client’s insurance programs position us to achieve great results.

In 2023, we will continue to be hyper-focused on relationships, first-class service, giving back to our communities, and our plan of growing and scaling our insurance presence to all our regions across Texas.

We are just getting started!

2022 was a transitional year for the TRB Information Technology division at Texas Regional Bank. Much of this year’s focus was on becoming a more modern and self-reliant technology group. We expanded our personnel by hiring a more varied set of skilled workers, such as software developers, infrastructure engineers, project managers, data analysts, and desktop support technicians. We implemented vital security and reliability upgrades to our network, phone system, and email. In addition, we created a secure “compliance first” cloud platform.

Perhaps most notable in 2022 was the acquisition of AccessBank Texas. A tremendous amount of effort and coordination was required to accomplish this integration. IT was happy to facilitate the effort across the bank by helping to manage many different aspects of data conversion and coordinating tasks with virtually every department and group in the bank.

In 2023, we will complete our move into the cloud platform, enhancing reliability, scalability, and security, while at the same time managing costs. We will also make the transition to owning our data, housing it in our data warehouse, and creating real-time analytics and reporting for strategic planning and day-to-day operations. We will establish key workflow processes to improve operational efficiencies and roll out our “digital first” customer experience platform.

I have enjoyed leading a skilled group of technology professionals as we transform IT from a traditional cost center into an opportunity center, which will help drive and support the future success of Texas Regional Bank.

Vision

Banking Texas, One Relationship At A Time.

Mission

Be the People You Know in the Communities We Serve.

Core Values



Integrity

We live by the highest moral and ethical standards. In everything we do, we are open, honest and respectful.



Community

We take pride in contributing our time and resources to make our communities a great place to live and work. We are successful when our communities are successful.



Safety

We operate within a sound risk management system that leads to prudent decisions ensuring we are able to meet our communities' greatest needs and protect our value.



Success

We constantly focus on improvement and forward-looking solutions. We surround ourselves with a team who wins through planning, implementing, and executing. Our processes are consistent, accurate, and without waste. This enables us to respond to market changes faster while providing better service to customers.



Innovation

We identify, develop, and deploy customer value through leading technology and process improvement tools. This increases our productivity, improves the customer experience, and drives the sustainability of the company long term.



Teamwork

We collaborate and work collectively to deliver a better outcome for our employees, customers, and stakeholders. Through a spirit of cooperation, we embrace each individual's unique talent, diverse work styles, and contribution.

Board of Directors

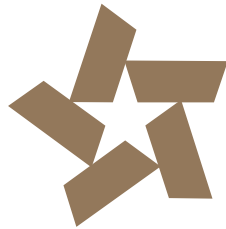


(L-R) Carlos Varela, Michael Fallek, Brad Wolfe, John Guevara, Bobby Farris, Michael Scaief, Bill Elliff, Mark Richards, Tudor Uhlhorn, Dr. Antonio Falcon, David Garza.
[Not pictured: Cleve Breedlove and Brett M. Bingham]

Executive Team



(L-R) Cambrea Merriwether, Brad Freudenberg, Brent Baldree, Michael Scaief, Michael Lamon, Cesar Suarez, Lincoln Talbert



TRB