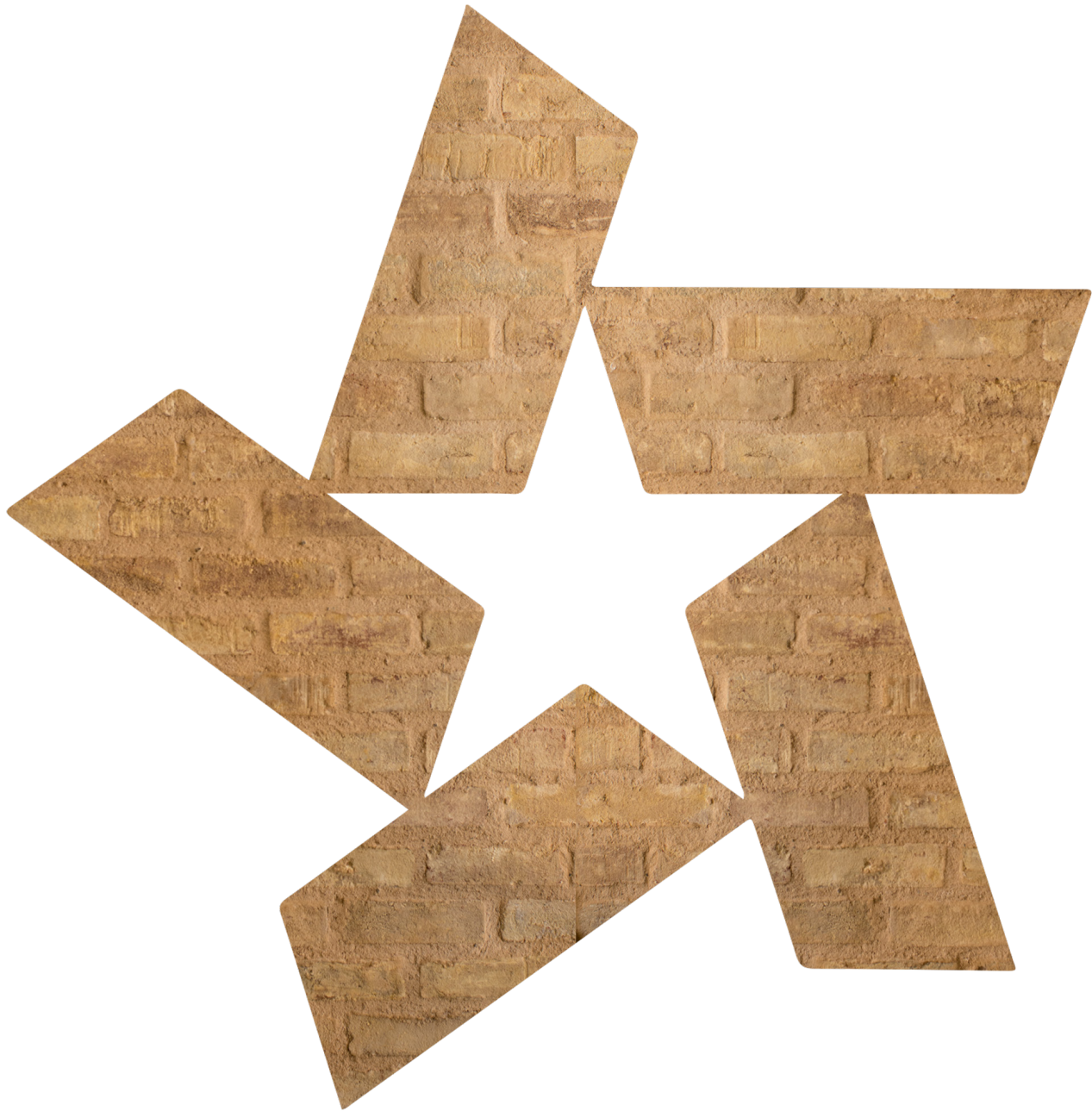


# TRB | SHAREHOLDER REPORT

Vol. 5 Issue 2





The People



## **CONTENTS**

---

- 04 LETTER FROM THE CHAIRMAN
- 05 THE PEOPLE YOU KNOW
- 06 FEDERAL RESERVE REPORT COMMENTARY
- 08 BRICK BY BRICK
- 10 WELCOME MR. FARRIS
- 11 NEW FEATURES, FRESH LOOK
- 12 COMMUNITY GIVING YOU CAN BANK ON
- 14 EVENTS
- 15 DIRECTORS & EXECUTIVE TEAM



2015 is shaping up to be another strong year for Texas Regional Bank. We continue to focus on building our brand, improving workflow and efficiencies, and expanding the franchise.

For the first time, TRB went on air with a series of television spots to build our brand. The segments highlight our commitment to the Valley, this wonderful place in which we work, call home, and raise our families. All of the video was shot in the Valley and produced by our marketing team with local talent, including many of our bankers. While it's always hard to measure the effectiveness of advertising, it certainly enhanced our momentum. For the third quarter ending, new deposits and loan balances are well ahead of 2014 volume with assets up 19% to \$530 million and loans up over 12% to \$290 million. Net revenue is on track to outpace 2014 by approximately 20%.

Since the beginning of the year, several internal initiatives have helped re-tool TRB's central operations and maximized efficiencies in our 36,000 square foot main facility in McAllen. By redefining work flow, we have consolidated central operations under one roof. Given the current staffing levels and available capacity, this facility will accommodate substantial company growth in the years ahead.

In the first quarter of this year we moved our corporate offices to a leased facility on Stuart Place Road in Harlingen. Along with the move we applied for and received approval to operate a loan production office and establish a presence in West Harlingen. In 2014 we acquired 3.5 acres near the corner of the Expressway and Stuart Place Road for future expansion of our second Harlingen bank and our permanent corporate office. The new facility will be surrounded by a planned retail development that will bring new restaurants, shops, and services to the area. Planning for the facility is underway and we hope to break ground in mid-2016.

Our new Weslaco location opened on October 12th at the corner of Westgate and Panther. Lincoln Talbert leads our Weslaco team as the market president. Already the team has gathered more than a million in deposits and several million in loans. We believe Weslaco will be a wonderful fit for TRB and will make a substantial contribution to the company. In Edinburg, a search is underway for our next expansion. Edinburg native Fred Garza has been promoted to market president and will lead our team there. We hope to secure a location by year's end and complete construction by October 2016.

Trust and Wealth Management offices also were renovated this year, incorporating the traditional TRB look and feel of brick and granite finishes. The division has proven to be immensely successful in developing investment relationships throughout the Valley. In August, Bobby Farris joined the team as Senior Investment Advisor and Chairman of the Trust and Wealth Management Division. Bobby's track record and disciplined approach to investing complements and delivers tremendous depth to an already solid team. In our first year of operation, TRB Wealth Management, under Bobby and Juan Garcia's direction, has increased the division's assets over \$60 million, a 30% increase to more than \$260 million.

The success of Texas Regional Bank continues to be driven by our shareholders and employees, and our commitment to the communities in which we operate. Referrals are our number one source of new customers. Keep up the momentum by promoting TRB in your circles of influence. This strategy has worked for five years running, and 2015 is shaping up to be our strongest organic growth year since inception.

Again, thank you for your continued support of and confidence in Texas Regional Bank!





# The people you know

The loan team is led by Brent Baldree, Chief Lending Officer. Each of the team members were recruited based on their long track record of building and maintaining relationships. We are proud of the veteran team of bankers in each of the Texas Regional Bank markets.



**BRENT BALDREE**  
Chief Lending Officer



**CARLOS A. RODRIGUEZ**  
Senior Vice President  
Brownsville Market President



**CARLOS GARZA**  
Assistant Vice President  
Brownsville



**FRED L. GARZA**  
Senior Vice President  
Edinburg Market President



**ELIAS LONGORIA**  
Vice President  
Edinburg



**ANABEL S. NAVARRO**  
Senior Vice President  
Falfurrias



**ANNETTE I. SALINAS**  
Assistant Vice President  
Falfurrias



**LOUIE TIJERINA**  
Senior Vice President  
Harlingen Market President



**MICHELE ROBINSON**  
Senior Vice President  
Harlingen



**OLIVIA GARZA**  
Vice President  
Harlingen



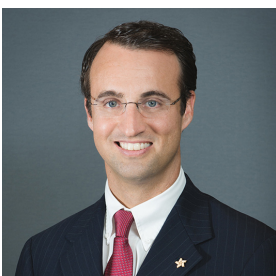
**CURTIS BROCKMAN, SR.**  
Executive Vice President  
McAllen



**JAMIE D. WHITTEMORE**  
Senior Vice President  
McAllen



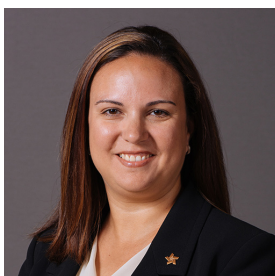
**MARIO YSAGUIRRE**  
Senior Vice President  
McAllen



**TROY GEARHART**  
Vice President  
McAllen



**CESAR SUAREZ**  
Senior Vice President  
Mission Market President



**LAURA VILLARREAL**  
Vice President  
Mission



**LINCOLN TALBERT**  
Senior Vice President  
Weslaco Market President



## Regional Economy Presents Mixed Picture

Even though the Texas economy has perked up in recent months, some skepticism exists about the future. The just-released July employment report showed a strong 3.7% growth largely due to a rebound in the goods-producing sector. While this is good, weakness in the Texas Business Outlook survey and a decline in the Texas Leading Economic Index paints a different picture.

Texas is beginning to see further fallout from the recent decline in oil prices, although the slippage is smaller than earlier in the year. In spite of the energy bust and other headwinds, the resilient Texas economy is set to add jobs this year.

Market volatility remains in full force worldwide. One reason for this volatility has been the Federal Reserve and its reluctance to raise rates. At the beginning of 2015, it was expected that interest rates would go up. Job growth was showing signs of strengthening as the national unemployment rate dropped to a multi-year low of 5.6%. The national Labor Force Participation rate remains at a high level, 62.6%, down from over 66% in 2008. This indicates a large portion of our population is still unemployed and has given up on looking for work. Inflation remains low, as measured by the Federal Open Market Committee (FOMC) members. Their target level remains at 2% before they begin raising rates. After the most recent FOMC meeting, Chairman Janet Yellen announced there would be no rate hike this month but one is likely toward the end of the year. She stated oil price decline and slowdown in China as main reasons for keeping rates unchanged.

Interest rates across the board remain unchanged from the beginning of 2015. CD investors should continue to build maturity-laddered portfolios for additional income until the rate environment changes.

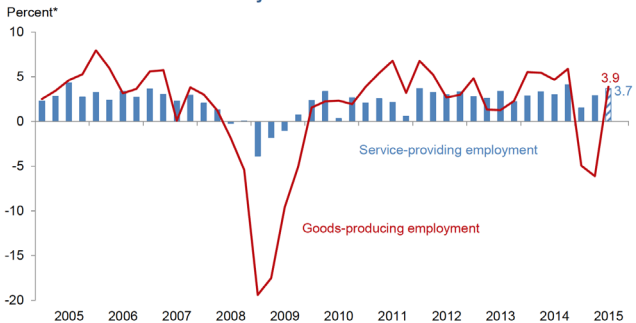
Stock markets will continue to be volatile. Stay well diversified and focused on fundamentals. Don't look at your account until quarterly statements arrive. Stocks have been shown to rebound from worse scenarios!

### Excerpts from Federal Reserve Bank of Dallas September 17, 2015 Report

#### Goods-Sector Rebound Boosts Employment

Texas job growth is an annualized 1.3% year to date through July, weaker than last year's 3.6% rate. The goods-producing sector added jobs at an annualized 3.9% rate in July after posting fairly sharp declines in the first two quarters of the year (chart 1). The most staggering rally was in the construction industry, which added jobs at an 8.8% annual rate in July after four consecutive months of declines.

**Chart 1**  
 Goods Sector Rebounds in July

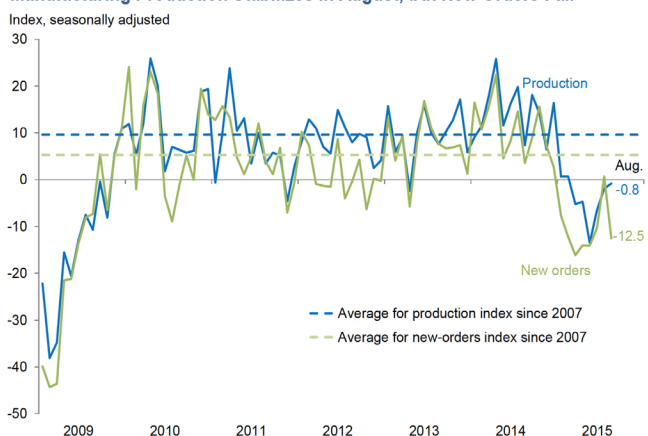


\* Quarter/quarter, seasonally adjusted, annualized rate.  
 NOTE: Quarterly employment is the last month of the quarter, except third quarter 2015, which reflects the July-over-June change.  
 SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Federal Reserve Bank of Dallas.

#### Manufacturing Data Suggest Slowing

After five months of declines, manufacturing activity came in flat in August, as indicated by the near-zero reading of the Texas Manufacturing Outlook Survey (TMOS) production index (chart 2). While this is an improvement, forward-looking indicators in the survey paint an ominous picture. The retail sales index, a component of the Texas Service Sector Outlook Survey (TSSOS) revenue index, dropped 15 points to -3.6 in August after posting positive readings in June and July.

**Chart 2**  
 Manufacturing Production Stabilizes in August, but New Orders Fall

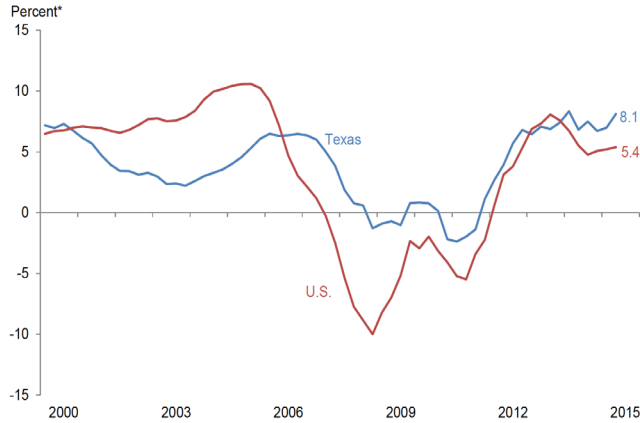


SOURCE: Federal Reserve Bank of Dallas' Texas Manufacturing Outlook Survey (TMOS).

### Housing Prices Continue to Rise

Home prices continue to climb at an unprecedented rate. The Federal Housing Finance Agency (FHFA) house price index for Texas rose 1.8% in the second quarter and is up a remarkable 8% from last year (chart 3). However, quarter-over-quarter appreciation in Texas was slightly slower in the second quarter than in the first, a sign that some cooling may be ahead.

**Chart 3**  
House Prices Rising Faster in Texas than U.S.



\* Year/year change.  
SOURCE: Federal Housing Finance Agency.

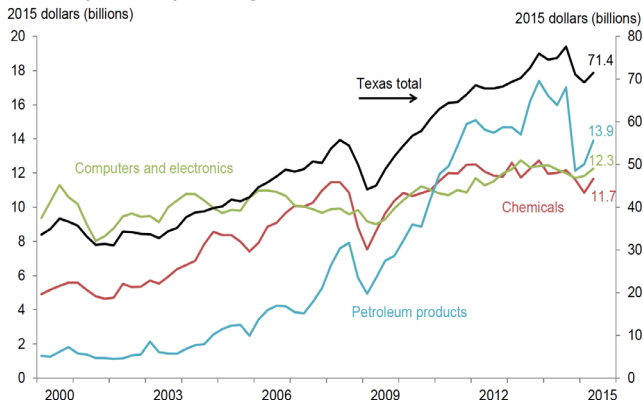
### Energy Sector Faces Second Round of Oil Price Declines

The Texas rig count appeared to bottom out in June and rose 3.4% from the June weekly average to the first week of September. However, the second drop in oil prices may hinder the nascent recovery. Oil prices started sliding again as the average monthly oil price in August was down 16% from July.

### Exports Rebound but Are Still Down From Last Year

Texas exports rose 3.2% in the second quarter following two quarters of declines. Overall growth was led by Texas' biggest export category—petroleum products—which benefited from temporarily higher oil prices. Exports of chemicals and of computers and electronics, which round out Texas' top export categories, also increased markedly in the second quarter (chart 4). Exports were down 5% year over year, however, and the weakness is reflective of lower oil prices, weaker global demand and a higher dollar—all factors that may continue to dampen Texas trade in coming months.

**Chart 4**  
Texas' Top Three Export Categories Rise in Second Quarter

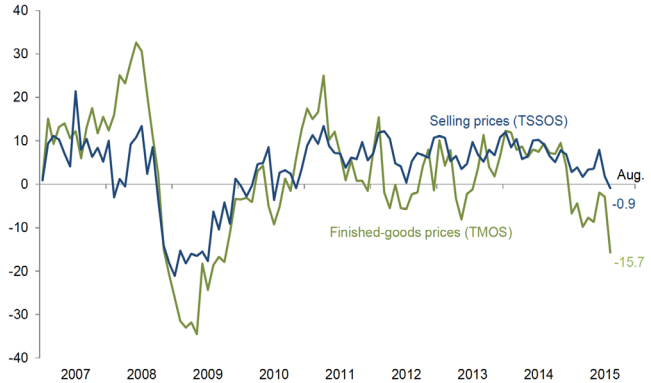


NOTE: Shares of Texas exports are as follows: Petroleum products (19.4 percent), computers and electronics (17.2 percent) and chemicals (16.3 percent).  
SOURCES: Census Bureau; WISERTrade; adjustments by the Federal Reserve Bank of Dallas.

### Manufacturing Prices Continue to Fall

Prices have been declining in the manufacturing sector since January, according to TMOS data, and this downward price pressure accelerated notably in August. The finished goods price index declined 13 points to -15.7, hitting its lowest level since October 2009, when Texas was working its way out of the recession (chart 5).

**Chart 5**  
August Survey Data Suggest Falling Prices



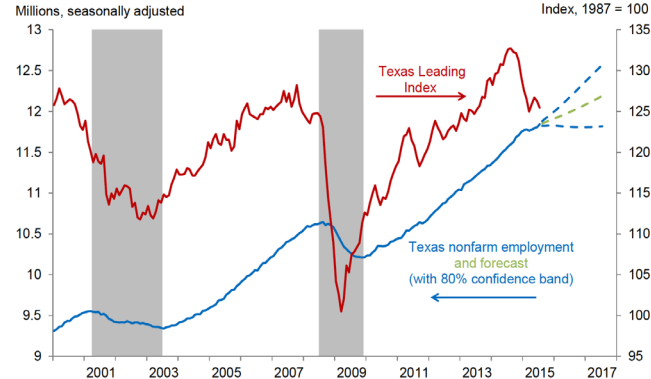
SOURCES: Federal Reserve Bank of Dallas' Texas Manufacturing Outlook Survey (TMOS) and Texas Service Sector Outlook Survey (TSSOS).

### Texas Economy Shows Resilience

After rising in April and May, the Texas Leading Index has posted two months of declines, largely due to lower oil prices and a stronger dollar (chart 6). Further deterioration of the leading index is likely in August as oil prices dropped further from July and the dollar strengthened.

Despite the energy bust and other headwinds, the resilient Texas economy is set to add jobs this year. The Dallas Fed forecast for Texas employment growth is 1.3 percent in 2015.

**Chart 6**  
Texas Leading Index Declines Again in July



NOTES: Shaded areas represent Texas recessions. July value of Texas Leading Index estimated using the U.S. trade-weighted value of the dollar.  
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.



# BRICK BY BRICK WESLACO

In 2008, during the time of the initial planning of Texas Regional Bank, the economic outlook of growing a safe, sound, and reliable bank that served the community appeared a bit speculative. In spite of the hurdles at the time, one thing was clear: Texas Regional Bank would grow person by person, account by account, and brick by brick. Shortcuts were not an option. South Texas and the Rio Grande Valley needed a bank that knew the people and the economy of the region, and was proud to be local.

With the opening of TRB in Weslaco, we have realized an important goal: to be in all the major markets in the Rio Grande Valley. "It's a great time to be in Weslaco," said Paul Moxley, CEO. "Like the rest of the Valley, Weslaco is growing very quickly and we're excited to partner with local entrepreneurs and families who are making a difference in this community." Brent Baldree, Chief Lending Officer, worked in Weslaco for many years and used his intimate knowledge of the city to help decide where to build our new banking facility.

In our efforts to transform what "going to the bank" means for customers, the Weslaco bank features a more efficient customer service center and a new concept, the TRB Room that customers can use as an office away from their office. The TRB Room has workstations, Wi-Fi, and, of course, coffee. "We hope the community will use the space just like they would a coffee shop," said Lincoln Talbert, Weslaco Market President.

We will continue our community-focused approach in Weslaco and look forward to developing many long-lasting relationships there.







Weslaco Team (L to R): Diana De La Fuente, Edeisy Chapa, Yvette Vasquez, RJ Basaldua, Lincoln Talbert, Janie Torres, Robert Donalson



UCING **THE TRB ROOM**



## Welcome Mr. Farris

Texas Regional Bank (TRB) prides itself on being “The people you know” and our newest Trust & Wealth Management Division (T&WM) officer is no exception. Robert “Bobby” Farris has joined the Trust & Wealth Management Division as Chairman on a full time basis. “I look forward to helping all our customers achieve their financial and estate planning goals,” said Farris.

In addition to Bobby’s successful career in transportation, and being one of TRB’s four founders, Bobby also has served for years as a Certified Financial Planner for clients across the Valley. Bobby’s many years of business, investment, and estate planning expertise now can benefit all of TRB’s current and prospective clients interested in creating, preserving, and transferring their wealth.

“Our investment philosophy is simple. We believe capital markets work and we always put our clients interest first. We invest for market based returns, reducing risk through global diversification, while keeping costs to a minimum.” said Farris. “Our team of financial advisors do not have quotas to meet, are not paid on commission, so we only offer investments that are in our clients best interest. We stay focused on our clients goals.”

Bobby, a Harlingen native, is a graduate of the Marine Military Academy and holds a BBA in Finance from the University of Texas at Austin and an MBA in Finance, with honors, from St. Edward’s University. Bobby holds a Texas Real Estate Broker license and is a Certified Financial Planner. He is also an accomplished pilot, holding multi-engine and instrument ratings as well as an SIC rating in the B-25, and a license from the U.S. Coast Guard as an Offshore Master Captain.

Please contact TRB’s T&WM Division to schedule an appointment with Bobby Farris.

“We will only present investment plans that benefit our clients’ best interests”



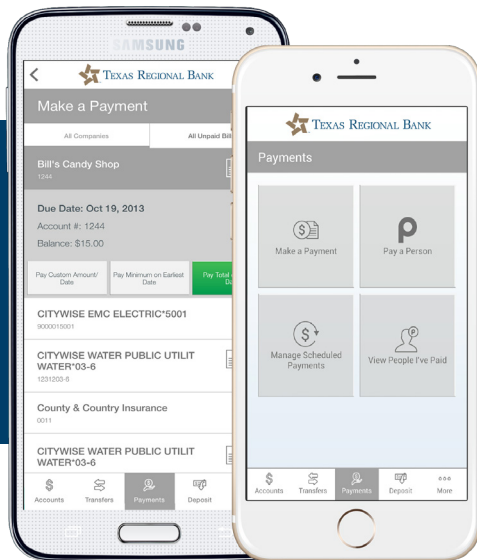
1801 S. McColl- 2<sup>nd</sup> Floor | McAllen, TX  
956-972-5407



# NEW FEATURES, FRESH LOOK

More and more people are banking with their mobile devices, including managing accounts, transferring money, making deposits, paying bills, and even paying other people. Texas Regional Bank offers our customers innovative mobile solutions that help you monitor your finances on the go so, in effect, the bank is never closed.

Texas Regional Bank's Electronic Banking department has announced an update to our mobile banking products, scheduled for early 4th quarter of 2015. The latest version of our Retail Mobile Banking app will feature a new user experience, and our new Business Mobile Banking app will give business customers the tools they need to manage their finances more effectively.



**NEW DESIGN**  
**EASIER NAVIGATION**  
**REMEMBER ME LOGIN**



## Retail Mobile Banking

Our Retail Mobile Banking app will feature an enhanced user interface with a more modern design, intuitive navigation and workflow, multiple access login, and improved touch optimization of screen and controls. With the recent addition of Mobile Deposit, our mobile banking app gives customers a powerful, best-in-class mobile banking solution that goes beyond the basics. The app includes these key features:

- Snapshot of account balances
- View transaction history for the last 90 days
- Transfer between TRB accounts
- Make check deposits using your mobile device
- Pay others via Popmoney
- Locate a Texas Regional Bank location or ATM

## Business Mobile Banking

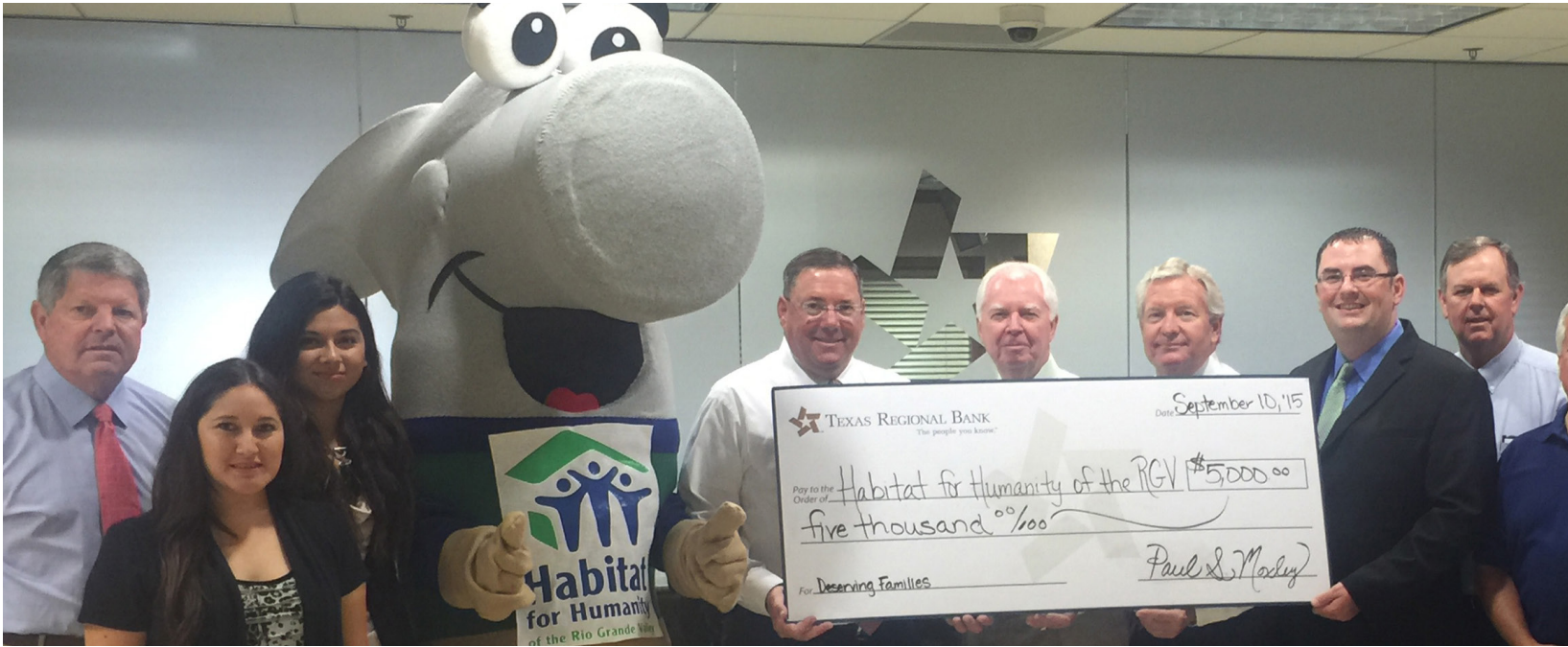
Texas Regional Bank also will deploy a new Business Mobile Banking app during the 4th quarter of 2015. The demand for anytime, anywhere business banking has grown exponentially in recent years. Business customers now will be able to manage their business accounts with safety and convenience through their smart phones or tablets. The new Business Mobile Banking app will include all of the retail app features plus:

- View check images
- Receive alerts for transactions pending approval
- Approve in-office transactions.

For additional information or questions on the recent updates contact the Electronic Banking department or customer service at 956-682-2265.



# COMMUNITY GIVING YOU CAN **BANK ON**



Since 2010, Texas Regional Bank has grown its commitment to community service. We now have organizations asking for TRB volunteers because they know they can 'bank on' having a dedicated team providing great service at their events. This year, the TRB team is on track to volunteer close to 2300 hours. It's hard to put a true value on the impact this has on our communities. Our team thrives on helping each organization meet their mission.

"I cannot express how proud it makes me feel knowing on any given day we have team members in cities throughout the region contributing their time, energy, and talent," said Paul Moxley, CEO. "As we say, it's 'community giving you can bank on'."

Some of our team members sit on boards of local non-profits as well as civic and faith-based organizations. Our staff is keenly involved in helping these organizations achieve their goals and improve the communities in which we do business.

"For an organization our size we are at many events across the Rio Grande Valley," said Felicia Villarreal, Business Development Officer, who manages the Volunteer Program. "People often think we have a much larger team than we do because of the amount of time we give back. It's a great compliment to our team."

If you belong to or know about an organization that could benefit from TRB volunteers, please contact Felicia Villarreal at [fvillarreal@texasregionalbank.com](mailto:fvillarreal@texasregionalbank.com).



**"Year after year we continue to grow our volunteer program because our team cares about the communities we serve."**

Felicia Villarreal - Business Development Officer





In our first five years, Texas Regional Bank has earned a reputation of hosting great events, from groundbreakings and shareholder meetings to networking mixers and community celebrations.

**Highlights this year included:**

- Annual Shareholders Meeting
- Senior Advisory Board Meeting in McAllen
- Senior Advisory Board Meeting in Harlingen
- Annual Company Picnic at Schlitterbahn Water Park
- Brooks County I.S.D. Teacher Appreciation Mixer
- Ground Breaking and Grand Opening in Weslaco

“These events keep us engaged with our shareholders, customers, potential customers, our team, and our communities,” said Michael Scaief, Chairman of the Board. “We have a strong brand promise that we are proud to be from South Texas and that we are interested not just in account growth but relationship banking that helps everyone succeed.”

We look forward to many more networking events and celebrations in the years ahead.



## TEXAS REGIONAL BANK BOARD OF DIRECTORS

---



**MICHAEL SCAIEF**  
Chairman & President



**ROBERT R. FARRIS**  
Vice Chairman



**TUDOR UHLHORN**  
Secretary



**WILLIAM L. ELLIFF**  
Director



**CARLOS VARELA**  
Director



**MARK V. RICHARDS**  
Director



**MICHAEL A. FALLEK**  
Director



**WILLIAM B. WOLFE**  
Director



**PAUL S. MOXLEY**  
Director

## TEXAS STATE BANKSHARES, INC.

---

**MICHAEL SCAIEF**  
Chairman & President

**ROBERT R. FARRIS**  
Vice Chairman

**TUDOR UHLHORN**  
Secretary

**WILLIAM L. ELLIFF**  
Director

**CARLOS VARELA**  
Director

**MARK V. RICHARDS**  
Director

## TEXAS REGIONAL BANK EXECUTIVE TEAM

---

**MICHAEL SCAIEF**  
Chairman

**PAUL S. MOXLEY**  
President/Chief Executive Officer

**MARK R. RAMIREZ**  
Executive Vice President/Chief Financial Officer

**MICHAEL K. LAMON**  
Executive Vice President/Chief Operations Officer

**BRENT BALDREE**  
Executive Vice President/Chief Lending Officer  
McAllen Market President

