

# 2023 ANNUAL REPORT

TEXAS REGIONAL BANK

 TEXAS REGIONAL BANK

THE PEOPLE YOU KNOW





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Certain statements contained in this annual report may be considered “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon the belief of Texas State Bankshares, Inc.’s (the “Company”) management, as well as assumptions made beyond information currently available to the Company’s management, and may be, but not necessarily are, identified by such words as “believes,” “expect,” “plan,” “anticipate,” “target,” “forecast” and “goal.” Because such forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from the Company’s expectations include competition from other financial institutions and financial holding companies; the effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; changes in the demand for loans, fluctuations in value of collateral and loan reserves; inflation, interest rate, market and monetary fluctuations; changes in consumer spending, borrowing or saving habits; and acquisitions and integration of acquired businesses, and similar variables. Except as required by law, the Company undertakes no obligation to revise any forward-looking statements contained in this annual report, whether as a result of new information, future events or otherwise. The factors discussed herein are not intended to be a complete summary of all risks and uncertainties that may affect the Company’s businesses. Though management strives to monitor and mitigate risk, the Company cannot anticipate all potential economic, operational, and financial developments that may adversely impact its operations and the financial results.

## OUR STORY

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. 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.

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 location 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 Dallas, Fort Worth, Denton, Krum, as well as a LPO/DPO in Downtown Fort Worth, 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, 2023, Texas Regional Bank has assets of approximately \$2.67 billion with banking centers across South Texas, Central Texas, Houston, and North Texas.

# MESSAGE FROM THE CHAIRMAN

**Michael Scaief**  
Chairman of the Board & CEO

Dear Fellow Shareholders,

Across our country, the financial services sector faced significant headwinds in 2023, with uncertainty rumbling in the markets driven by the extreme upward velocity of interest rates. Additionally, geopolitical tensions with China and ongoing conflicts in the Middle East and Ukraine have further compounded the delicate nature of the world economy. As our company continues to grow and expand, these events and related disruptions bring focus to the necessary guardrails we must have that protect the independence and long-term stability of the company. These guardrails look beyond the obvious of income and expense and focus on the effects that other forms of disruption could cause to our company, customers, employees, and community.

The past several years have provided us with a unique perspective on disruption. Health, economic, and social events have led to crises unprecedented in our industry's history. These experiences validated the vision and long-term planning that have guided the development of our diversified company.

Diversification serves as the central theme of this year's annual report. From the beginning, not by accident, the directors and management team have focused on mitigating risk through traditional and non-traditional avenues. With over 350 banks in Texas, only a handful have achieved the level of diversification demonstrated by Texas Regional Bank.

As shareholders, we can confidently say that Texas Regional Bank has become a "diversified financial services company." However, to put things in perspective, we are still in our infancy, as we build out products, divisions, and scale compared to our century-old peers. Time, focus, and investment are key to building the company's long-term value.

Investing in revenue growth has been a key focus of the organization over the years. To provide perspective, our gross revenue has grown from \$19.95 million in 2014

to \$144.89 million in 2023, representing a compounded annual growth rate (CAGR) of 24.64%. The expense of growth is high, but the future value of reoccurring earnings and scale is greater. Therefore, we will continue to take current revenue and build for the future by investing in services that complement the long-term growth and mission of a diversified financial services company.

In the years to come, our focus will be on growing every segment of our enterprise to diversify revenue streams, geographic reach, and the economies we serve. This approach will allow us to navigate turbulent events by spreading risk and growing diversified future earning streams that drive long-term enterprise value.

In closing, we take great pride in the organization that has been built by so many dedicated individuals. We will continue to follow our vision, "Banking Texas, One Relationship at a Time," through our mission of being "the people you know in the communities we serve." As always, thank you for all you do as shareholders.

Sincerely,



Michael Scaief  
Chairman and CEO  
Texas Regional Bank



# PRESIDENT - ADMINISTRATION

Michael Lamon

The banking industry in 2023 was not without its challenges. The industry witnessed the failures of several large regional banks, the lingering effect of the largest rate increases in decades, and the highest inflation in recent memory. On a positive note, however, it seems we may have reached the new post-pandemic normal, one that I believe brings stability and confidence to the sector and our customers' businesses and employers.

Although these challenges required TRB to pivot from offense to defense for a period, we never lost focus on our mission and certainly not on our values. Our competitive advantage has always been our culture and the employees that built it. We strive to give our customers more than they were expecting, something better and something faster. We continue to make strides in enhancing our customer relationships, improving mobility, and understanding, leveraging our data, managing risk, and reducing delivery costs. We must re-engineer our processes, continue investing in technology, and, with a purpose, leverage our employees to differentiate ourselves from others.

As these challenges have presented themselves, safety and soundness are paramount. Since day one, my primary focus has been asset quality and the management of risk. Our organization is known for responsible banking, a characteristic that continues to set us apart. The landscape is competitive, but we continue to be disciplined in our credit decisions, loan category concentrations, and customer selection. We maintain an analytical approach to risk mitigation and continue to outperform our peers in loan portfolio quality and performance.

Finally, we should not forget that at the core of our company is our need and desire to help and support the communities we serve. It is our corporate responsibility to include all individuals, small business owners, and larger companies that have the desire or need for "best in class" financial advice, guidance, and support. We take great pride in our client and community successes and must never lose sight of the fact that we are only as strong as the communities we support.

May 2024 be prosperous as we continue to bank Texas, one relationship at a time.



*Our competitive advantage has always been our culture and the employees that built it. We strive to give our customers more than they were expecting, something better and something faster.*

# PRESIDENT - REGIONS

Brent Baldree

As we approach our 14th anniversary, it's impossible not to reflect on the significant growth and diversification our team has experienced. What began as a single flagship location in Falfurrias in 2010 evolved into thirty-one locations spread across four regions in Texas. Throughout this journey, TRB has remained steadfast in our commitment to innovation, continuously developing and diversifying our product portfolio to meet the needs of our expanding client base.

In 2023 alone, TRB proudly added four full-service locations to our state-wide footprint. Starting with the opening of our Austin banking center, followed by Cypress, San Antonio, and Southlake, each new addition has been accompanied by the establishment of dedicated teams deeply rooted in their respective communities. These teams have swiftly integrated into their regions, effectively introducing the TRB brand and core values to their markets.

Our unwavering commitment to teamwork is at the heart of our success, a cornerstone of our organizational culture. Guided by our four strategic pillars, our collaborative efforts consistently yield outcomes that benefit our employees, customers, and shareholders. Beyond the realm of finance, the dedication our employees extend to community engagement is exemplified by the over 6,000 hours of volunteer service logged in 2023 - almost double the impact made in 2022. We supported over 420 organizations, leaving a lasting positive impact in the regions we serve. Our endeavors not only illustrate our mission of being "the people you know in the communities we serve," but also earned us esteemed recognition from the Independent Bankers Association of Texas (IBAT) in the form of two awards: the Gold Eagle Award for Innovation and the Community Spirit Award for Architectural Design.

As our expansion continues, our primary focus remains on equipping our team with the resources necessary for delivering superior products and services in the communities we serve. Prioritizing the success of our employees solidifies TRB's position as a trusted financial partner committed to our vision of "Banking Texas, one relationship at a time."



*Over 6,000 hours of volunteer service logged in 2023 - almost double the impact made in 2022. We supported over 420 organizations, leaving a lasting positive impact in the regions we serve.*

# SOUTH TEXAS

Fred Garza  
Region President

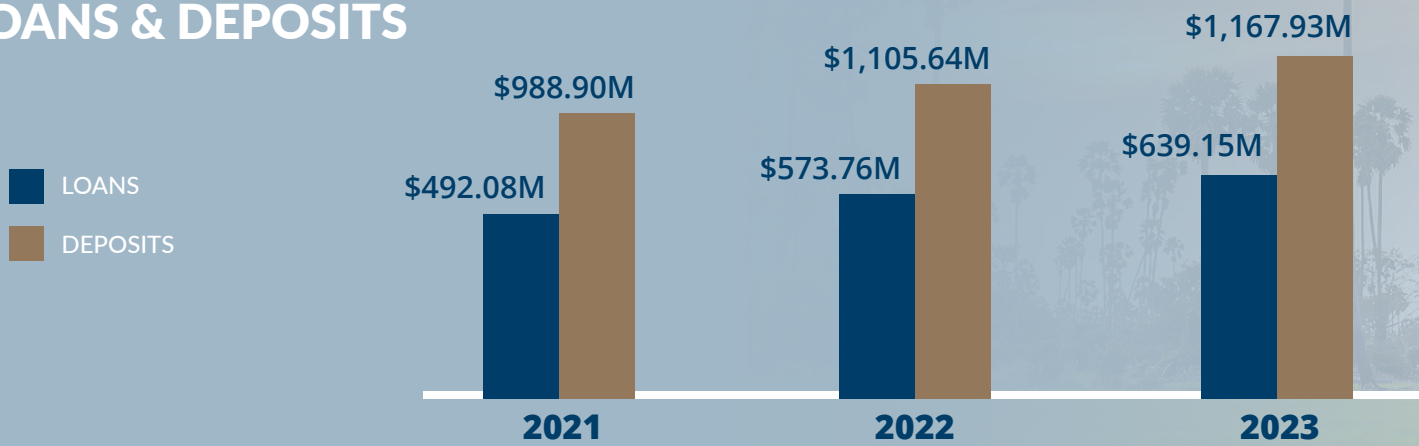
Texas Regional Bank originated nearly 14 years ago in the South Texas Region. The dream to build a bank that could fill the banking void in the area began with the vision: “Banking Texas- One Relationship at a Time.” Texas Regional Bank has grown to 31 locations statewide by following our vision.

Texas Regional Bank strives to provide superior customer service. Our bankers take the time, whether it takes 15 minutes or 2 hours, to visit with new and existing customers to listen to their banking needs. Over the years, various new divisions have been added to the TRB footprint as a commitment to become a trusted financial resource center throughout the state. The availability of additional divisions, diverse products, and services allows bankers to help customers succeed and expand their businesses. Our products enable customers to purchase or refinance a new home, invest in a partnership, acquire investment property, secure assets via wealth management and trust services, improve economic development for municipalities or public entities, consult with international private banking, attain insurance, and access specialty lending. TRB is here to help!

South Texas has 13 banking centers, with an additional 14th location opening in Rio Grande City in 2024. All locations are staffed with individuals committed to helping their communities grow. Providing the best banking experience to all customers is a priority, and it is enhanced by addressing each customer by name and actively listening to ensure their financial needs are met.

The South Texas lending team grew its loan portfolio by \$65 million, or 11%, in 2023. Striving to be the people you know in South Texas, our dedicated lenders and lending assistants focus on enhancing relationships with their customer base and being visible in the community. Being accessible to customers and providing help when needed has contributed to the region’s continued loan growth.

## LOANS & DEPOSITS



Deposits played an important role in the bank and for our customer base in 2023. TRB grew deposits by \$62 million or 5.7% in 2023. As interest rates soared from 2022 through 2023, TRB raised its interest rates to help depositors increase their investments in our bank. These higher rates helped our customers earn a little more income to help with increased inflation.

Net Income for the South Texas Region increased by \$7.8M or 42.8% in 2023 over the prior year. The increase was due to increased interest income from loans, investment income, and non-interest income from TRB divisions. Diversifying these financial resources will only strengthen the name of Texas Regional Bank as a financial resource center for all financial needs.

I invite you to come and experience Texas Regional Bank.



# CENTRAL TEXAS

Lance Spruiell (top)  
Region President - Production

Erin Needham (bottom)  
Region President - Administration

Forbes magazine dubbed the Hill Country Region ‘America’s Next Great Metropolis.’ The population is predicted to grow from 3.1 million to 4.3 million by 2030. Furthermore, the I-35 corridor, the 74 miles between San Antonio and Austin, has seen an 82.4% job growth increase. With our existing footprint, TRB is strategically positioned in Central Texas to capitalize on the growth and further diversify our loan portfolio.

Our branches have specialized lending experts who cater to various needs, from consumer and lot loans to the more complex realm of industrial, medical, and commercial real estate financing. This wide range of services broadens our client base and empowers us to attract top-tier talent, essential for driving market leadership.

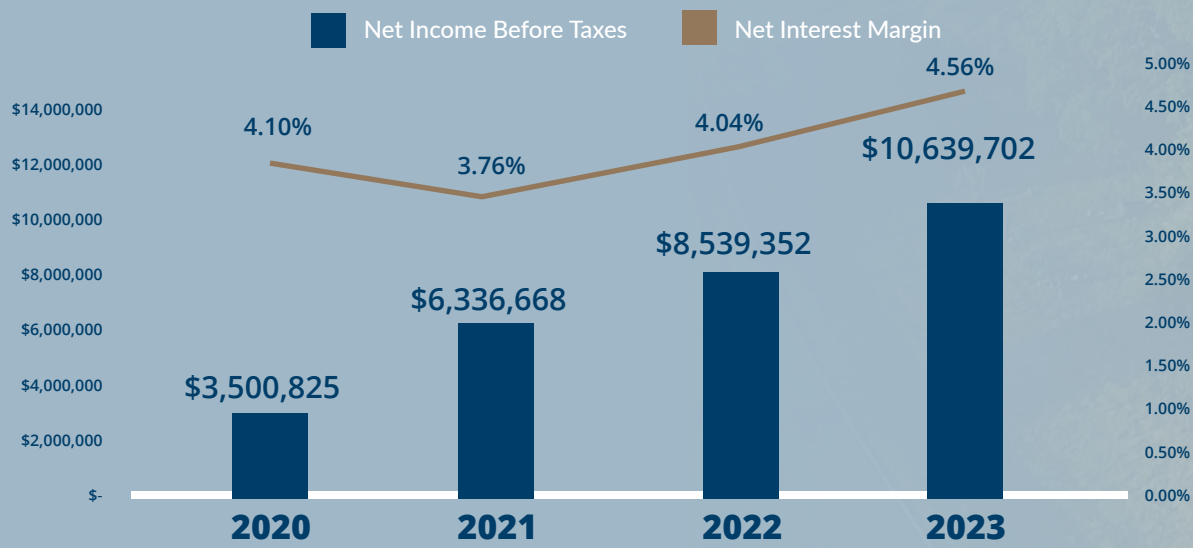
A pivotal moment of our region’s expansion and diversification came with the grand opening of our first locations in Bexar County and the city of Austin. Bexar County is known for its booming cyber-security, aerospace engineering, and medical industries. Brian Anderson, San Antonio Market President, brings over 15 years of medical lending expertise to his role and is at the helm of our endeavors to enter the San Antonio market.

Anderson will spearhead our medical lending offerings, leveraging his expertise to cultivate and expand our medical loan portfolio.

The Downtown Austin banking center is situated a block from the state capitol and is surrounded by a thriving business services industry. At this location, Ed Lick, a 40-year commercial banker, led the Austin expansion and is the C&I Team Lead in the Hill Country Region. Lick’s experience in commercial and industrial lending brings additional opportunities to our team, allowing us to serve the diverse needs of businesses throughout the region.

In 2024, we will continue to grow and focus our footprint by adding new locations in Boerne, Kerrville, Liberty Hill, and future sites on the I-35 corridor. We’ll explore expansion opportunities on the east side of I-35 to serve underrepresented communities.

Our net income has tripled since 2020; growing from \$3.2 million to \$10.6 million in 2023. Profitability and creating shareholder value will continue to be our focus in 2024.



# HOUSTON

**Gregg Booth** *(left)*

Region President - Administration

**Lewis Gissel** *(right)*

Region President - Production

The Houston Region's focus for 2023, our second year of full operations, was to grow and expand Texas Regional Bank's footprint in the Greater Houston Metropolitan area. Despite a challenging lending environment due to economic and competitive pressures, we ended the year with significant momentum in terms of growth, talent acquisition, and community engagement.

The Houston Region ended 2023 with just under \$51 million in outstanding loans and over \$33 million in deposits, the latter representing an 83% year-over-year growth. Our Region began with two employees and one de novo branch location in 2021, and today, it boasts 19 employees and two full-service branches. The Houston Region doubled its lenders in 2023 from 3 to 6 and is home to our Chief Human Resources Officer and President of the Trust Division.

Deposits grew from \$18 million in 2022 to over \$33 million by year-end 2023. In addition, net new deposit accounts grew over 150%, increasing from 157 to 402 accounts by year-end 2023.

The Houston Region continues to be a good referral partner across all divisions but is primarily aligned with Wealth Management. In 2022, the region referred \$26 million in investable dollars to Wealth Management. By year-end 2023, that number grew by 115% to \$57 million under management. In 2023, the region actively cross-sold ancillary banking services, sending 114 referrals to other divisions at TRB, such as wealth management, mortgage, insurance, international private banking, and a full array of cash management services.

In addition to our locations in Memorial City and Cypress, a third location is under construction in Rosenberg. The branch will be off U.S. Highway 59 in the Brazos Town Center. We have hired the Market President for our Rosenberg location and are hiring team members to support the branch. TRB is actively searching for an East Houston location and a Montgomery County location to complement our respective Baytown Market President and Montgomery County Market President. They bring a combined 43 years of community banking experience to the Houston Region team. Lastly, our corporate Memorial Branch is expanding its existing footprint by adding offices adjacent to our current space to add Trust Department personnel.

In 2022, the Houston Region contributed over 150 community service hours across 15 organizations. In 2023, our 19-member staff contributed 369 community service hours across 23 organizations in support of the communities we serve.

Heading into 2024, the Houston Region's operational goal is to develop three new locations mentioned above and build out our talent acquisition to ensure their success. Our strategic focus is on increasing our loan and deposit base, cross-selling ancillary bank services, and building new relationships for TRB.



# NORTH TEXAS

**Mandy Austin** *(right)*  
President - North Texas & Commercial Banking

**Jacque Kruppa** *(left)*  
Chief Legal Officer

The opportunity in North Texas is immense thanks to the business-friendly climate, rapidly growing population, global transportation infrastructure, and active philanthropic network, which reinvests into our region. For perspective, it is worth noting that, according to the Kinder Institute for Urban Research at Rice University, Dallas-Fort Worth metroplex is set to surpass Chicago as the third-largest major metropolitan area by the mid-2030s, behind only New York and Los Angeles. This vast economic scale, combined with the industrial diversity of the region, makes North Texas a prime market for a diversified financial services firm like TRB.

We’ve all heard the saying, “It’s not what you know, it’s who you know,” but success requires both in a region as competitive as North Texas. By combining TRB’s relationship-focused Community Bank core with the Commercial Bank platform’s broad industry expertise and scale, we will expand our reach in the communities we serve and accelerate our financial success.

Our leadership team will be focused on five key initiatives in 2024:

**We have enhanced market coverage.** Ensuring that our bankers are “everywhere all the time” means that they must have the bandwidth to engage with clients, prospective clients, and our communities 80% of the time. To accomplish this, we will refine roles to create efficiency, expand geographically with new branches, and hire a team of commercial bankers, a business development officer, and a treasury management officer to cover the middle market.

**Portfolio and revenue diversification.** The build-out of the Commercial Bank will diversify the loan portfolio, emphasizing commercial and industrial (C&I) loans across various industries. These clients will also diversify TRB’s revenue mix as C&I clients often utilize higher volumes of fee-based products and services. Our bankers will partner closely with local TRB product experts and division leadership to ensure that we are delivering the entirety of the bank to our region.

**Leverage technology.** TRB has made impressive investments in its technology platform, so our teams must be equipped to use it effectively. Region-wide training on all technology platforms will enable teams to fully leverage these investments.

**Talent development.** Talent development will be emphasized as a cultural priority. Ensuring our clients have a best-in-class experience means our team members must be exceptional in their roles. To be exceptional, our teams must access regular training and development opportunities, which will be provided through regular coaching, mentorship, and formal in-person and web-based education.

**Foster a culture of collaboration, innovation, and accountability.** Cleve Breedlove and Doug Hester have said it best, “we are stronger together,” which is certainly true. We are committed to fostering best-in-class partnerships across the organization to ensure our clients have a seamless experience. We will continue to take a solutions-oriented approach to our interactions and leverage our firm’s expertise for our clients’ benefit. We will be accountable to our clients, colleagues, and shareholders for driving successful outcomes.

We expect the new Dallas location on Lovers Lane will come online in the fall and serve as a key location for our Private Banking clients. We will open our Commercial Bank office in Dallas in 2024. We are very proud of the bank that our team has built, and we are confident that our future will be even greater. It is great to be at TRB.



# HUMAN RESOURCES

**Cambrea Merriwether**  
Chief Human Resources Officer

As the Chief Human Resources Officer, I have the privilege of ultimately ensuring we deliver a culture admired by all, which serves as our most valuable recruiting tool. In 2023, we saw the evolution of Human Resources towards best practices in workforce management by exploring strategy diversification. Implementing best practices promotes the inclusion of diversified HR processes that result in superior business performance.

Texas Regional Bank grew in headcount by 9% in 2023. This growth was attributed to onboarding acquisition partners and expanding our divisions. This type of growth demonstrates job security to job seekers. This is the first thing any employee looks for during their job search. One HR process we added in 2023 was a center of excellence in talent acquisition. As a part of this process, we can target recruits and be more selective in our hiring practices. Selective hiring allows TRB to hire those candidates who can add exceptional value to our bank. Employees have an extraordinary career path at TRB.

Once hired, the right incumbent should be compensated in line with the industry and their skill set. The HR process of performance-based fair compensation was also developed last year. Focusing on retaining our talent and combating turnover feedback, we added technology to equip us with tools and data to stay competitive with peers. I am confident that this enhancement will continue to support our responsibility of creating value for our employees.

All employees are valuable members of the organization and must be treated as such. Fostering a culture of care and wellness was at the forefront of our minds as we added the HR process of recognition with the launch of the TRB Health and Well-being Program. We have partnered with a platform for all employees to access health content, track daily health goals, explore self-care tips, and boost mental health. This program's benefits include improved team culture, decreased stress and absenteeism, greater employee satisfaction, and heightened employee engagement. The program directly increases our overall loyalty and satisfaction scores from our customers.

A key leadership principle is the belief that great companies have great employees. Texas Regional Bank is a great company with over 480 great employees. As we move into 2024, we look forward to exploring more best-practice processes to diversify our HR strategy and hire, retain, and care for The People You Know.



*A key leadership principle is the belief that great companies have great employees. Texas Regional Bank is a great company with over 480 great employees.*

# OPERATIONS

**Cesar Suarez**  
Chief Banking Officer

In 2023, TRB upheld its mission of "Banking Texas One Relationship at a Time," marking another year of steady progress. We achieved significant milestones, including the launch of four new banking centers in Austin, Cypress, San Antonio, and Southlake, increasing our network to 30 full-service branches. This expansion was complemented by our venture into the insurance sector and our announcement of entering the Capital Markets arena. Our commitment to diversifying our geographical presence and revenue sources is balanced by our foundational focus on relationships.

Our branches serve as vital hubs for community interaction and are central to our customer engagement strategy. Last year, we welcomed 10,000 new accounts and facilitated over 8 million transactions involving checks and debit cards. In line with our commitment to enhancing customer convenience, we continue to upgrade our ATM fleet, with deposit-capable ATMs now available at 23 locations and Interactive Teller Machine (ITM) technology, which extends service hours from 7 am to 7 pm at select sites.

Addressing the increasing threats of identity theft, mail fraud, and authorized push payment scams, we've significantly bolstered our Fraud Prevention team. This is a critical step in protecting our customers' assets. Additionally, we've implemented ACH positive pay services, enabling businesses to block and filter unauthorized ACH transactions. Soon we will introduce a payee verification feature to enhance our check positive pay service further. These measures reflect our ongoing adaptation to the challenges and opportunities of the digital age.

Banking digitalization is undeniable. It has reshaped where transactions happen and streamlined certain customer acquisition activities. At the same time, banking centers have evolved from a place of simple transactions to hubs of advice and consultation. We believe customers find value in the personal advisory role that branches play today, and evidence suggests that digital acquisitions do not match the outcome of in-person interactions. Major banks are now acknowledging this shift, with announcements of renewed investment in their branch networks. These developments underscore our long-standing belief that banking is fundamentally a people-oriented business. Our slogan, "The People You Know," has never been more relevant.



*Addressing the increasing threats of identity theft, mail fraud, and authorized push payment scams, we've significantly bolstered our Fraud Prevention team.*

TRUST

Ben Fedorko  
Division President - Trust Services

Texas Regional Bank is committed to serving our customers through full-service trust and estate administration capabilities. We believe an unmet demand exists for an independent, Texas-owned and operated institution like Texas Regional Bank to be a central pillar in our customers’ estate planning process. By investing resources to build a team of top-tier trust and estate professionals focused on caring for our customers by serving as trustees or executors, we can carry that burden and do so with excellence. Not only does talent within our trust division play a role in providing trust and estate services, but that talent also contributes to the services we provide our wealth management clients who may not be ready to hire TRB as a corporate fiduciary but need help thinking about how to best approach the estate planning questions they are facing. Our experience in this area will allow us to better serve our customers across the board.

According to research by Cerulli & Associates, approximately \$84 trillion in wealth will pass from the Silent and Baby Boomer generations to the Millennial and Gen X generations. Many of those families are not prepared for this transfer of wealth and the complexity that it brings. Likewise, many community and regional banks are not adequately prepared to be reliable corporate fiduciaries to serve as a formal part of their customers’ estate plans. We are committed to stepping into this gap by delivering excellent fiduciary services by “The People You Know” for generations to come. Texas Regional Bank’s trust and estate administration business can grow significantly because of these trends. We are attracting the right talent and customers to do so.

In the year ahead, you will see us make high-quality hires in Houston to build out our expertise in trust and estate administration, investment management, and holistic advisory services. We aim to build a unified approach throughout TRB Trust and Wealth Management that allows us to successfully compete against other banks, trust companies, and investment firms, large and small. From a foundation we will build in Houston, we will continue expansion into our different markets, including North Texas and the Hill Country. We are committed to maintaining our roots in the Rio Grande Valley as we grow the division.

The TRB story is incredibly compelling, and I know we are just getting started within TRB Trust and Wealth Management. Our team is excited to play an important role in continuing to diversify the growth of the business at Texas Regional Bank.



*The TRB story is incredibly compelling, and I know we are just getting started within TRB Trust and Wealth Management.*

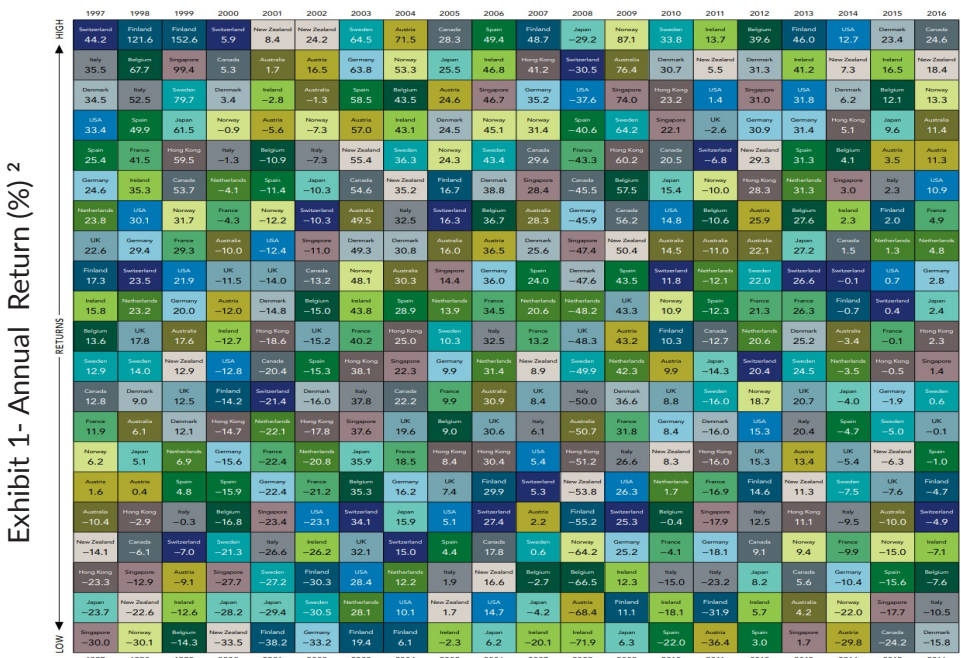
WEALTH MANAGEMENT

Bobby Farris  
Division President - Wealth Management

Every day, we enjoy the benefits of an interconnected world. We might start our day with a cup of coffee that originated in South America or check our email on a smartphone designed in California and manufactured in Taiwan.

As consumers, we rarely think twice about the benefits of access to the cornucopia of goods the global market offers. Yet, as investors, we will often concentrate our portfolios in favor of our home market at the expense of global diversification. For example, while US stock markets represent just over 50% of the value of global equity markets, many US investors tend to allocate around 70% of their equity assets to domestic stocks<sup>1</sup>. This phenomenon, which can be observed across countries worldwide, is known in the investment community as “home-country bias.”

As Exhibit 1 illustrates, 13 different developed countries (out of 21) had the best-performing equity market in a given calendar year for the 20 years ending in December 2016, and no country had the best-performing market for more than two consecutive years.



Attempting to pick only winning markets in any given period is a challenging proposition. By pursuing a globally diversified approach to investing, one doesn’t have to attempt to pick winners to achieve a rewarding investment experience. By expanding the investment opportunity set beyond their domestic stock market, investors can help increase the reliability of outcomes. Thus, investors can be confident that a globally diversified portfolio will hold the best (and worst) performing countries each year.

TRB Wealth Management’s philosophy of global diversification has been a critical component in helping our clients grow wealth. By holding a globally diversified portfolio, our clients are well-positioned to capture returns wherever they occur.

1. Willis Towers Watson, Global Pension Assets Study 2017.  
2. MSCI developed markets country indices (net dividends). MSCI data © MSCI 2017, all rights reserved. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

# DIVERSIFICATION:

## TRB FINANCIAL SERVICES



**EST. 2019** The International Private Banking division develops relationships in the Mexico & bi-national high net worth segments, including personal, commercial and foreign exchange relationships. Eduardo Caso, SVP, International Private Banking. *Read more on page 32.*



**EST. 2018** 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 through the mortgage process. Jason Leal, EVP, Mortgage Division. *Read more on page 34.*



**EST. 2013** Since inception, TRB Trust & Wealth Management has helped our clients grow their wealth. Ultimately, we want our clients to be financially comfortable so they can spend more time doing what they love. Bobby Farris, Wealth Management Division President. *Read more on page 19.*



**EST. 2020** The Economic Development team is responsible for the success of the business development within the public sector. 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. Alex Meade, EVP, Economic Development. *Read more on page 33.*



**EST. 2022** In 2022, Texas Regional Bank added TRB Insurance to the services we offer our bank customers and communities. This was a natural next step for the bank that got us one step closer to being a “one-stop shop” for financial services. Ryan Newman, Division President. *Read more on page 35.*



**EST. 2022** Specialty Lending has received a considerable amount of focus in the past several years to be able to provide the most competitive products and a suite of products that differentiate us from others. The products include loans to professionals, home equity lines of credit, factoring lines, home equity loans, lease financing, government guaranty loans, and factoring lines. Michael Lamon, President - Administration. *Read more on page 06.*



**EST. 2024** Our pending acquisition of investment banking firm Estrada Hinojosa is an opportunity to provide a holistic service to our municipalities. One that provides core banking, money management, economic development, financial advice, bond underwriting, and bond trading. John Tippit, TRB Divisions President. *Read more on page 30.*

# CHIEF FINANCIAL OFFICER

Lincoln Talbert

In 2023, Texas Regional Bank (TRB) continued its focus on our vision of ‘Banking Texas, One Relationship at a Time’ by strategically building our franchise in the four regions of Texas we serve. As a result, TRB successfully opened new locations in our Central Texas (2), North Texas (2), and Houston (1) regions with additional locations substantially near completion in all four regions of Texas as of the end of the year. In addition to our commitment to grow our core bank franchise, TRB is devoted to broadening our approach to relationship banking with an emphasis on evolving into a diversified financial services enterprise. As a result, we completed the acquisition of a second insurance agency and continued meaningful investments into the growth of our financial services endeavors.

Total assets at year-end 2023 totaled \$2.68 billion, a 3% increase over 2022. Loans increased by 2.6% (\$37.35 million), in 2023 and was led by growth in our South Texas and Central Texas regions. Total deposit growth for the year 2023 totaled \$197 million, an 8.8% increase from 2022. The growth in total deposits, surpassing that of asset growth, has been leveraged to strategically reposition our bank’s balance sheet. This move is in preparation for anticipated future expansion as we continue to develop our new regions. In response to the ongoing interest rate volatility and economic disruptions, the Bank has implemented balance sheet strategies and introduced a hedging program to reduce our risk exposure and decrease income volatility.

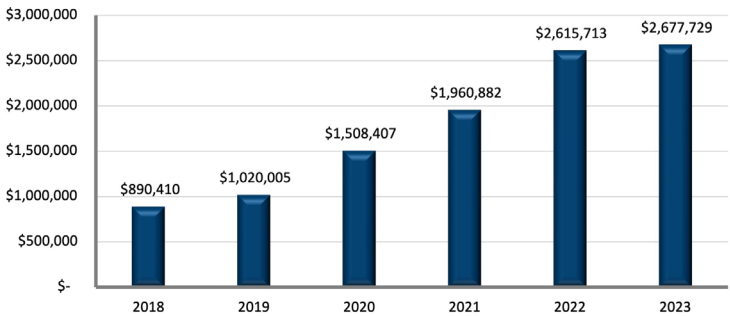
In 2023, the total revenue reached \$136.4 million, marking a 27.9% increase from the previous year. This total included \$128 million in interest income and \$8.5 million in non-interest income, which are up by 33.4% and down by 55.4% respectively from the prior year. The net income stood at \$14.1 million, reflecting a 31.55% decline. These figures include the impact of a strategic balance sheet maneuver carried out in January 2023, which entailed selling about \$90 million in low-yield bonds, leading to a realized loss of \$8.4 million.

The bonds sold had an average yield of 0.84%, and the proceeds from the sale were reinvested in a portfolio of higher-yielding bonds, averaging an approximate yield of over 6%. This resulted in a 700% increase in revenue from those assets, which the bank will benefit from in the subsequent years. Taking into account the loss recognized in the strategy and the rates of redeployment, TRB will recover the loss in under 20 months. Reflecting on the strategy’s impact, the adjusted non-interest income reached \$16.9 million for 2023, marking a 12.5% increase, while the adjusted net income for the year was \$21.6 million.

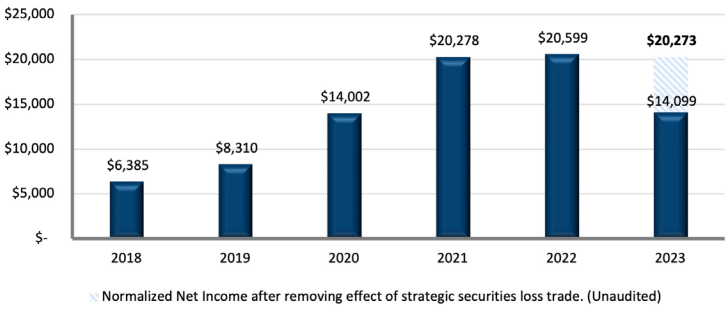
Looking ahead to 2024 and beyond, our TRB Family remains dedicated to advancing shareholder value through the continued development of our banking franchise into a multifaceted financial services entity. The ongoing refinement of these strategies will strengthen our relationships with our customers as a dependable financial advisor and yield favorable financial outcomes through the advancement of multiple, diverse revenue streams.

# FINANCIAL HIGHLIGHTS

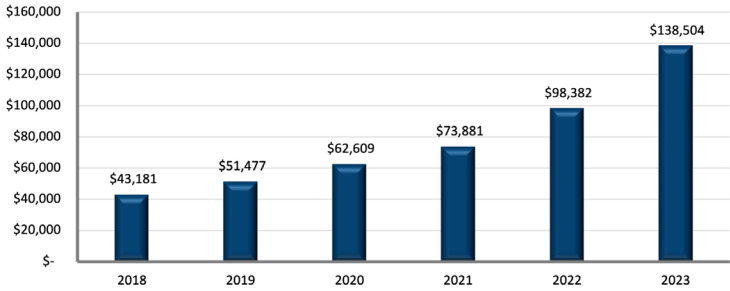
Assets (in thousands)



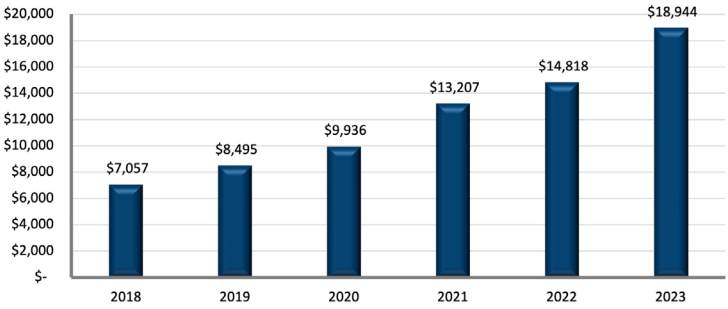
Net Income (in thousands)



Revenue (in thousands)



Normalized Non-Interest Income (in thousands)



	2018	2019	2020	2021	2022	2023
Assets	\$890,410	\$1,020,005	\$1,508,407	\$1,960,882	\$2,615,713	\$2,677,729
Net Loans	\$533,270	\$595,161	\$743,791	\$772,457	\$1,400,702	\$1,437,470
Deposits	\$777,217	\$904,450	\$1,236,691	\$1,785,582	\$2,253,801	\$2,449,774
Equity	\$97,577	\$110,226	\$140,367	\$168,013	\$171,654	\$211,002
Net Income	\$6,385	\$8,310	\$14,002	\$20,278	\$20,599	\$14,099
Loans to Assets	60%	58%	49%	39%	54%	54%
Loans to Deposits	69%	66%	60%	43%	62%	59%

## CONSOLIDATED FINANCIAL STATEMENTS

### Texas State Bankshares, Inc. and Subsidiaries

#### Consolidated Balance Sheets

Years Ended December 31, 2023 and 2022

(Dollars in Thousands, Except Share Data)

	2023	2022
<b>Assets</b>		
Cash and due from banks	\$ 48,870	\$ 68,855
Federal funds sold	3,465	1,685
Interest-bearing deposits in banks	29,667	4,775
Securities available for sale	924,073	922,250
Securities held to maturity	7,000	7,000
Restricted investment securities	8,443	13,414
Mortgage loans held for sale, net	290	990
Loans – net of allowance for credit losses of \$13,829 (\$12,847 in 2022)	1,437,470	1,400,701
Premises and equipment – net	111,996	99,439
Right of use asset	3,884	4,715
Accrued interest receivable	14,168	12,351
Goodwill	36,528	32,968
Other intangible assets – net	13,144	13,673
Prepaid expenses and other assets	6,589	4,371
Deferred tax asset, net	16,713	23,656
Cash surrender value of life insurance	12,522	12,222
<b>Total assets</b>	<b>\$ 2,674,822</b>	<b>\$ 2,623,065</b>
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 683,350	\$ 837,898
Interest-bearing	1,759,476	1,408,524
<b>Total deposits</b>	<b>2,442,826</b>	<b>2,246,422</b>
Federal Home Loan Bank borrowings	-	184,638
Subordinated notes payable - net of unamortized debt issuance costs of \$498 (\$766 in 2022)	81,502	81,234
Junior subordinated debenture	2,578	2,578
Right of use liability	3,986	4,787
Accrued interest payable and other liabilities	16,234	6,746
<b>Total liabilities</b>	<b>2,547,126</b>	<b>2,526,405</b>
<b>Stockholders' Equity</b>		
Common stock – \$1 par value; 100,000,000 shares authorized; 7,635,110 shares issued, 7,153,055 shares outstanding (7,548,386 shares issued, 7,126,554 shares outstanding in 2022)	7,635	7,548
Surplus	140,314	137,360
Retained earnings	70,721	63,264
Notes receivable from stockholders	(1,178)	(1,063)
Treasury stock - 482,055 shares at cost (421,832 shares in 2022)	(12,943)	(10,416)
Accumulated other comprehensive income (loss)	(76,853)	(100,033)
<b>Total stockholders' equity</b>	<b>127,696</b>	<b>96,660</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,674,822</b>	<b>\$ 2,623,065</b>

## CONSOLIDATED FINANCIAL STATEMENTS

### Texas State Bankshares, Inc. and Subsidiaries

#### Consolidated Statements of Income

Years Ended December 31, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Interest income:		
Interest and fees on loans	\$ 88,542	\$ 62,568
Interest on investment securities	34,960	21,873
Interest on interest-bearing deposits in banks	4,481	600
<b>Total interest income</b>	<b>127,983</b>	<b>85,041</b>
Interest expense	49,199	12,172
<b>Net interest income</b>	<b>78,784</b>	<b>72,869</b>
Provision for credit loss expense	443	3,926
<b>Net interest income after provision for credit losses</b>	<b>78,341</b>	<b>68,943</b>
Noninterest income:		
Service charges and fees	9,134	7,216
Wealth management fees	5,775	5,223
Loss on sale of securities	(8,434)	(1,627)
Other	2,927	1,700
<b>Noninterest income</b>	<b>9,402</b>	<b>12,512</b>
Noninterest expenses:		
Salaries and employee benefits	44,124	36,138
Occupancy and equipment expenses	9,251	7,487
Other operating expenses	23,871	17,043
<b>Total noninterest expenses</b>	<b>77,246</b>	<b>60,668</b>
<b>Income before federal income tax expense</b>	<b>10,497</b>	<b>20,787</b>
Federal income tax expense	549	3,361
<b>Net income</b>	<b>\$ 9,948</b>	<b>\$ 17,426</b>

# INDEPENDENT AUDIT REPORT



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 its subsidiaries (Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023, 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, 2023, 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.

### Adoption of New Accounting Standard

As discussed in Note 1, Note 3, Note 4, and Note 5 to the consolidated financial statements, the Company has changed its method of accounting for the allowance for credit losses in 2023 due to the adoption of Topic 326.

# INDEPENDENT AUDIT REPORT

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

### 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 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 consolidated financial statement audit.



# INDEPENDENT AUDIT REPORT

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

## **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 audits 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 Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (Call Report Instructions). 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.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Adjusted Net Worth to Determine Compliance with HUD Net Worth Requirements – Texas Regional Bank listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**FORVIS,LLP**

**San Antonio, Texas  
April 29, 2024**

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**Texas State Bankshares, Inc. and Subsidiary  
Consolidated Annual Financial Report  
December 31, 2023**

**To request a copy of report, please contact Rebecca Perez:  
rperez@trb.bank | 956-507-4134**

CAPITAL MARKETS

John Tippit (left)  
President - Divisions

Noe Hinojosa (right)  
CEO, Estrada & Hinojosa

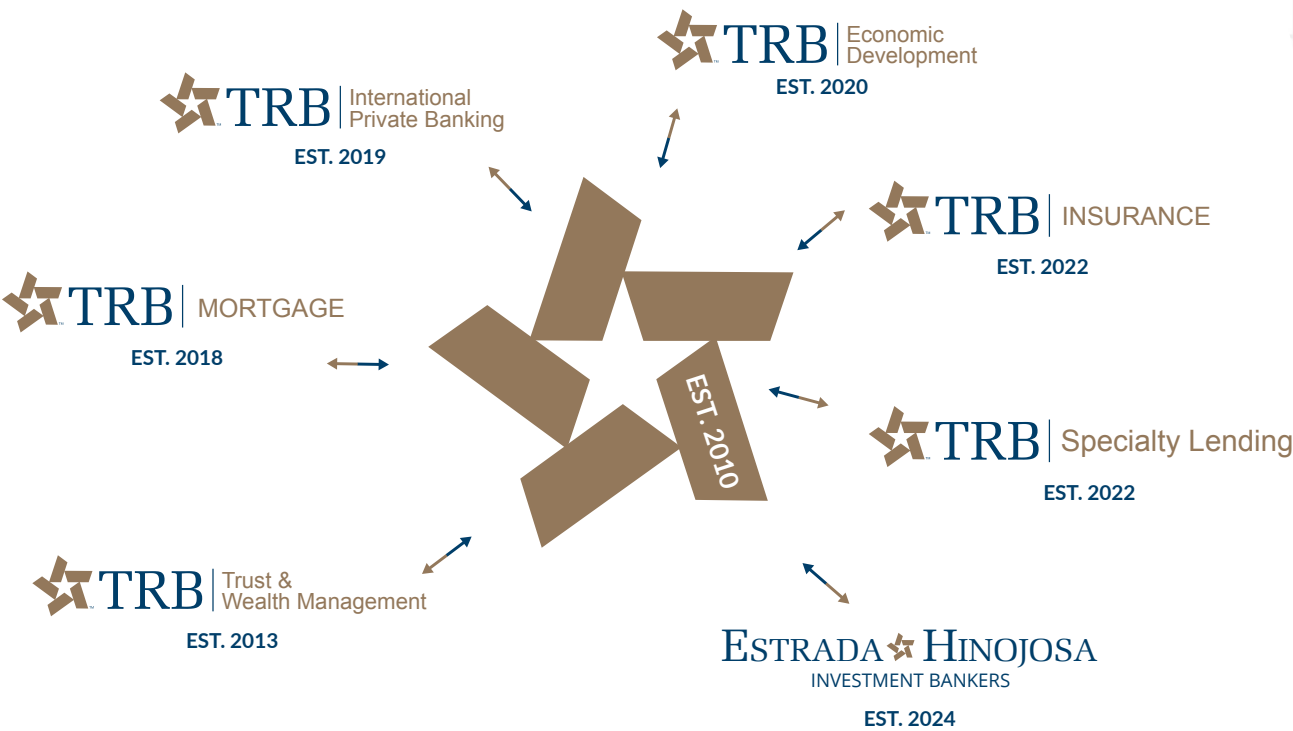
One of the big lessons learned in the aftermath of the Banking Crisis in early 2023 is that proper diversification is a must in our industry. While most of the issues in the banking crisis were due to concentrations of customer bases and risk mismanagement, we can still take a few lessons from that time to help protect and enhance shareholder value.

Our institution has been focused on this concept long before 2023, though. In fact, Texas Regional Bank has been undergoing an evolution since 2013. The changes might have seemed subtle at first, but our plan is now coming into focus. We are transforming our community bank into a full-service financial institution (illustrated in the graph). One that can cater to all the financial needs of our customers.

Why is this evolution so important? We know that diversified lines of revenue are extremely valuable. Increasing our level of revenue, which is not correlated to the movements of interest rates, helps protect us and provide long-term value for our shareholders. Ultimately, we have been focused on the mix of our interest income versus non-interest income. Interest income is revenue sources tied to interest rates, like loans or investments. Non-interest income is more fee-oriented and not directly tied to interest rates. Noninterest income includes Trust & Wealth Management fees, Mortgage-related fees, Foreign Exchange fees, and Insurance commissions. Having a strategic balance between these two types of revenues will be important to our success moving forward.

In 2023, Texas Regional Bank announced the pending acquisition of Estrada Hinojosa & Company Inc. (EH). Our newest addition to non-interest income. EH is an investment banking firm that specializes in municipal finance. Not many community banks have an investment banking division, but we collectively saw an opportunity. Noe Hinojosa, Chairman, President, and CEO of EH saw that there was an opportunity to partner together and provide a holistic service to our municipalities; one that provides core banking, money management, economic development, financial advice, bond underwriting, and bond trading.

It just so happens that EH is one of the best in the business. In 2023, they were ranked the #2 Financial Advisor in the state of Texas for advising on over \$11 billion in municipal issuances. They have locations in Edinburg, San Antonio, Austin, Houston, Dallas, Miami, New York, Chicago, and Denver. This partnership complements our other sources of non-interest income and more importantly, adds to the diversification of our organization.



*In August 2023, Texas State Bankshares, Inc. announced it entered into a definitive agreement to acquire Dallas-based Estrada Hinojosa & Company, Inc., pending receipt of all required regulatory and shareholder approvals. It is anticipated that the acquisition will close in the second or third quarter of 2024.*

2023  
TEXAS  
RANKINGS

TOP  
FINANCIAL  
ADVISORS

All Issues

RANK	FIRM	AMOUNT
1	Hilltop Securities	\$14,472
2	Estrada Hinojosa & Company Inc	\$11,144
3	PFM Financial Advisors LLC	\$5,649
4	RBC Capital Markets	\$5,536
5	Specialized Public Finance Inc	\$4,380
6	SAMCO Capital Markets	\$3,594
7	BOK Financial Securities Inc	\$3,301
8	Masterson Advisors LLC	\$3,212
9	Post Oak Municipal Advisors LLC	\$3,011
10	Stifel Nicolaus & Co Inc	\$1,611



# INTERNATIONAL PRIVATE BANKING

Eduardo Caso

As part of its diversification strategy, TRB decided in 2018 to expand its geographic roots by engaging in cross-border activities and creating the International Private Banking Division. The Division offers a comprehensive array of financial products and services to customers from Mexico.

### What is International Private Banking?

International Private Bank (IPB) is a “Concierge” type of banking service that offers personalized and integrated banking solutions to high-net-worth families, professionals and executives, and business owners from Mexico (or Bi-National clients living in the U.S.). This service is delivered in a comprehensive team environment by experienced Relationship Managers and specialists dedicated to meeting our banking customers’ financial needs.

### Benefits of International Private Banking

- Dedicated Relationship Manager offering personalized service.
- Quickly and easily open private banking accounts and business structures.
- Custom Credit and Lines
- Commercial Real Estate Lending (For investment purposes).
- Mortgage Loans
- Specialty Financing (e.g., aircraft, life insurance premium financing, etc.).
- Mobile and Online banking
- Foreign Exchange
- Enhanced Deposit Products
- Investment Management
- Trust and Wealth Planning
- Insurance

### How Private Banking Works

Our main goal is to deliver highly personalized service and provide tailored banking solutions using a Holistic Team Approach that best meets customers’ unique financial demands.

# ECONOMIC DEVELOPMENT

Alex Meade

Texas is the fastest-growing state in the nation<sup>1</sup>; thus, a major component of the Economic Development division is the study and understanding of the communities growing faster than the state of Texas. The Economic Development team is tasked with researching trends in land development, construction, education and healthcare expansion, and new retail. These trends give TRB a better understanding of where communities are headed and if they are a great fit for a new banking center or loan processing office. As you know, one of TRB’s strategic pillars is to grow the franchise. As we grow, we want to ensure that the communities we are going into are communities where we can provide services to meet their needs and continue in our mission to bank Texas, one relationship at a time.

In 2023, we zeroed in on the following locations around the state:

### Rio Grande Valley

Rio Grande City

### Central Texas

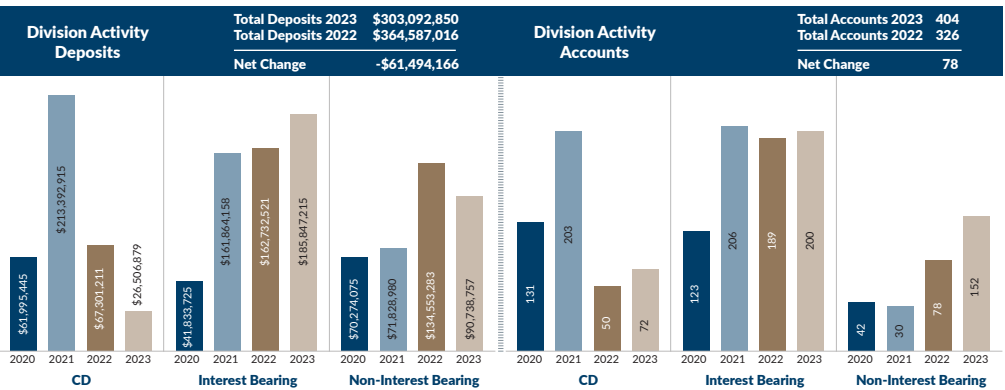
Leander/Liberty Hill, Boerne, Kerrville, Bulverde

### North Texas

Dallas - Lovers Lane, Terrell, Forney, Frisco, Little Elm

### Houston

Magnolia, Rosenberg



### Texas Regional Bank starts a State & Federal Political Action Committee (PAC)

Another component of the Economic Development division is managing the bank’s Public Affairs. We are constantly staying abreast of new laws and regulations at the state and federal levels of government that may affect TRB and any of the clients we serve. During legislative sessions, it is often said within the capitol community that if you’re not seated at the table when new laws and regulations are being written, you’re more than likely on the menu. The Economic Development division has done a very good job in fostering genuine relationships with our state and federal elected officials to ensure they always know where TRB stands on any given topic. In 2023, our board of directors made the strategic decision to start a state PAC and a federal PAC. We will utilize each PAC to strategize and strengthen our connections to our elected officials throughout the state. TRB will be the people you know in Austin and Washington, DC.

1. Source: US Census Bureau, 2022

# MORTGAGE

**Jason Leal**  
Chief Experience Officer

In 2023, TRB Mortgage saw the effects of a challenging market and reacted accordingly. It was a transformative year for the mortgage industry, with volatility in interest rates which dampened home sales and refinancing activity. Increased interest rates also affected the supply of available homes and made it difficult for willing buyers to purchase their dream homes.

In addition, increased competition from non-bank lenders put pressure on TRB Mortgage to innovate and diversify our mortgage products. Thus, we focused on increased diversification in our loan products, enhancing the customer experience and ensuring consistent communication.

TRB Mortgage saw the effects of a challenging market and reacted accordingly. We added a professional and executive loan product and an affordable home loan product. TRB Mortgage partnered with local and state agencies and investors to assist first-time homebuyers who need down payment assistance. This allowed us to create more access to homeownership opportunities for all communities. With the professional and executive loan product, TRB Mortgage provided homeownership opportunities to eligible applicants by allowing higher debt-to-income ratios and not requiring mortgage insurance.

Furthermore, we continued to be successful with our One-Time Close Construction product, especially in markets where the only option was to build a home. TRB Mortgage helped these borrowers see their homes emerge from paper to reality. We ended the year with over \$26 million in One-Time Close Construction loans.

Even though 2023 was marked by change, adaptation, and thus resilience, we look ahead to 2024 by embracing these changes proactively. With recent interest rate decreases, TRB Mortgage plans to continue adding loan products such as Home Equity Lines of Credit, Home Improvement loans, and capitalize on opportunities for continued growth.



*TRB Mortgage partnered with local and state agencies and investors to assist first-time homebuyers who need down payment assistance.*



# INSURANCE

**Ryan Newman**  
Division President - Insurance

Texas Regional Bank has long had a vision of offering our customers and communities a diversified portfolio of financial service products. With that in mind, an insurance division, TRB Insurance, was established in 2022. 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, most recognizable insurance companies.

TRB Insurance was officially launched in December 2022 with the acquisition of Mission Duncan Insurance Agency in Mission, TX. In October 2023, TRB Insurance acquired Smith Reagan Insurance Agency in San Benito, TX, to support our bank's four-region footprint and offer more diversified expertise.

These acquisitions were part of an original long-term plan to provide our division with a team of seasoned insurance professionals and an extensive portfolio of competitive insurance companies. All of which is being used as a foundation to serve our communities and as a platform to support our planned growth.

Our current banking relationships continue to serve as a significant referral base for our division. Our customers often ask commercial lenders, mortgage loan officers, and front-line bankers about insurance. 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.

Texas Regional Bank's shared vision is to offer diversified products to our clients, and the value it brings runs throughout our organization at all levels. This leads to incredible support from core banking operations to all our ancillary (non-core bank) divisions, including TRB Insurance. This bank-wide effort led to significant growth for TRB Insurance in 2023. In our first twelve months, we provided over 1,000 new insurance policies to clients inside and outside the bank.

Today's insurance market is as tough as the industry has seen in 40+ years. Many industry experts say it's the toughest ever. Factors such as growing catastrophe losses, nuclear verdicts, and inflation are wreaking havoc on underwriting results for the industry. We will continue to face headwinds throughout 2024 with rising rates and tighter underwriting from companies. However, with our market knowledge, strong company relationships, and experienced team of professionals, TRB Insurance is positioned to take a proactive and consultative approach to managing our client's insurance needs and getting great results.

In 2024, we will continue to focus on our relationships with our clients, companies, and each other while delivering value to our clients through first-class service and tailored insurance solutions to meet their needs. We will invest in our communities and execute our plan of growing and scaling our insurance presence to all our regions across Texas.

We are just getting started!



# TECHNOLOGY

**Brad Freudenberg**  
Chief Technology Officer

Texas Regional Bank is different from most community banks because we view our IT division as an opportunity center, rather than a cost center. We achieve this by bringing technology in-house, building our own software, supporting our own infrastructure, and leveraging strategic vendor partnerships effectively. As a result, we are taking control of our future.

The Information Technology division spent much of 2023 enhancing our foundation and creating new technical capabilities to drive Safety and Soundness, Operational Excellence, and Independence. The addition of our software engineering group has opened opportunities to create custom solutions, tailored to the specific needs of the Bank and our customers. Additionally, the modernization of our network and data center has opened the doors to greater reliability, expanded capacity, and a new ability to be nimble, all while maintaining previously unattainable levels of safety and security.

Texas Regional Bank received the 2023 Gold Eagle Award for Innovation from the Independent Bankers Association of Texas. The award demonstrates TRB's dedication to staying at the forefront of technological advancements within the banking industry.

## 2023 Accomplishments

### Improved TRB's secure Cloud Platform

- **Network** – Our network now runs entirely through the TRB Cloud
  - **Security** – managed in the Cloud, rather than in each branch
  - **Redundancy** – multiple network connections join each branch to the TRB Cloud
  - **Backups** – maintained in the Cloud in multiple locations and cannot be corrupted or deleted by malware
  - **Monitoring** – with all activity going through the Cloud, we have one location to monitor and track activity as we keep the bank safe from cyber attackers
- 
- Created Goldstar Data Warehouse, which will be the single aggregation point for all data across the TRB Financial Services footprint
  - Built the Goldstar Employee Portal as the delivery point for TRB-created software for Employees
  - Implemented new Email Security
  - Brought our Overdraft Program in-house to control the process and reduce costs
  - Extended in-house IT support across the state, including a new physical presence in the San Antonio area
  - Expanded Single Sign-On integrations for enhanced security and ease-of-use

As we turn the page to the new year, we face a broad set of goals. Mr. Scaief's vision of TRB "At Your Fingertips" drives us to embrace new challenges for efficiency, both for employees and for our customers. We will focus on automating workflows for operations, creating convenient and frequent customer outreach opportunities for our marketing and sales teams, and putting the best solutions available in the hands of our customers.

Here are some of the major goals for 2024 that will help ensure that TRB is always "At Your Fingertips":

## 2024 Goals

- Deploy a Customer Relationship Management solution to assist the Sales teams with customer outreach
- Enable Online Account and Loan Opening to put these "At Your Fingertips"
- Roll out New Online and Mobile Banking to improve our Customer Experience
- Enhance Fraud Detection to help financially protect our Bank and our customers
- Complete our Core Contract Renewal to ensure an efficient and economical relationship for years to come
- Utilize the new Employee Interface to the Core for a more modern and optimized experience
- Expand the Goldstar Data Warehouse to include data from: Trust, Wealth Management, Insurance, Capital Markets, Treasury Management, Foreign Exchange, Private Banking, Human Resources, and 3rd parties, supporting a consolidated view of information across the TRB Financial Services landscape for our management team, and ultimately for our customers
- Implement Marketing Automation to better reach our customers and cultivate new relationships
- Create a Risk Management group to provide guidance and documentation for decision-makers, the Board, and examiners
- Establish a Cybersecurity group to ensure a continued focus on this ever-evolving threat

Our team has continued to expand, including the addition of an offshore development team that has greatly enhanced our capacity to add features and functionality to our Goldstar Employee Portal. As our footprint has spread across the state, our Support footprint has grown as well, now including a physical presence in San Antonio as well as the North Texas area. The group has also been actively training, evolving skillsets to support our expansion in technologies, as well as the constantly evolving threats in today's environment.

*It has been my privilege to continue leading an amazing group of talented, dedicated technology professionals who are safely and effectively laying the technical foundation to support the future success and growth of Texas Regional Bank.*



**2023 Gold Eagle Award**  
for Innovation from the Independent Bankers Association of Texas



(L-R) Kevin Schach, Brad Freudenberg, Ronda Johnson, Omar Rodriguez



# VISION, MISSION, & CORE VALUES

**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 & EXECUTIVE TEAM



**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 Bingham]



**EXECUTIVE TEAM**

(L-R) Cambrea Merriwether, Brad Freudenberg, Brent Baldree, Michael Scaief, Michael Lamon, Cesar Suarez, Lincoln Talbert, [Not pictured: Jacque Kruppa]



TEXAS REGIONAL BANK

The people you know.™