

# TEXAS REGIONAL BANK

2020 ANNUAL REPORT

● TRB

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2020 ANNUAL REPORT

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## OUR STORY

The idea for Texas Regional Bank emerged in 2008 when four businessmen recognized the 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 their 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:

- Hire top bankers who know their customers and make good 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 area of 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.

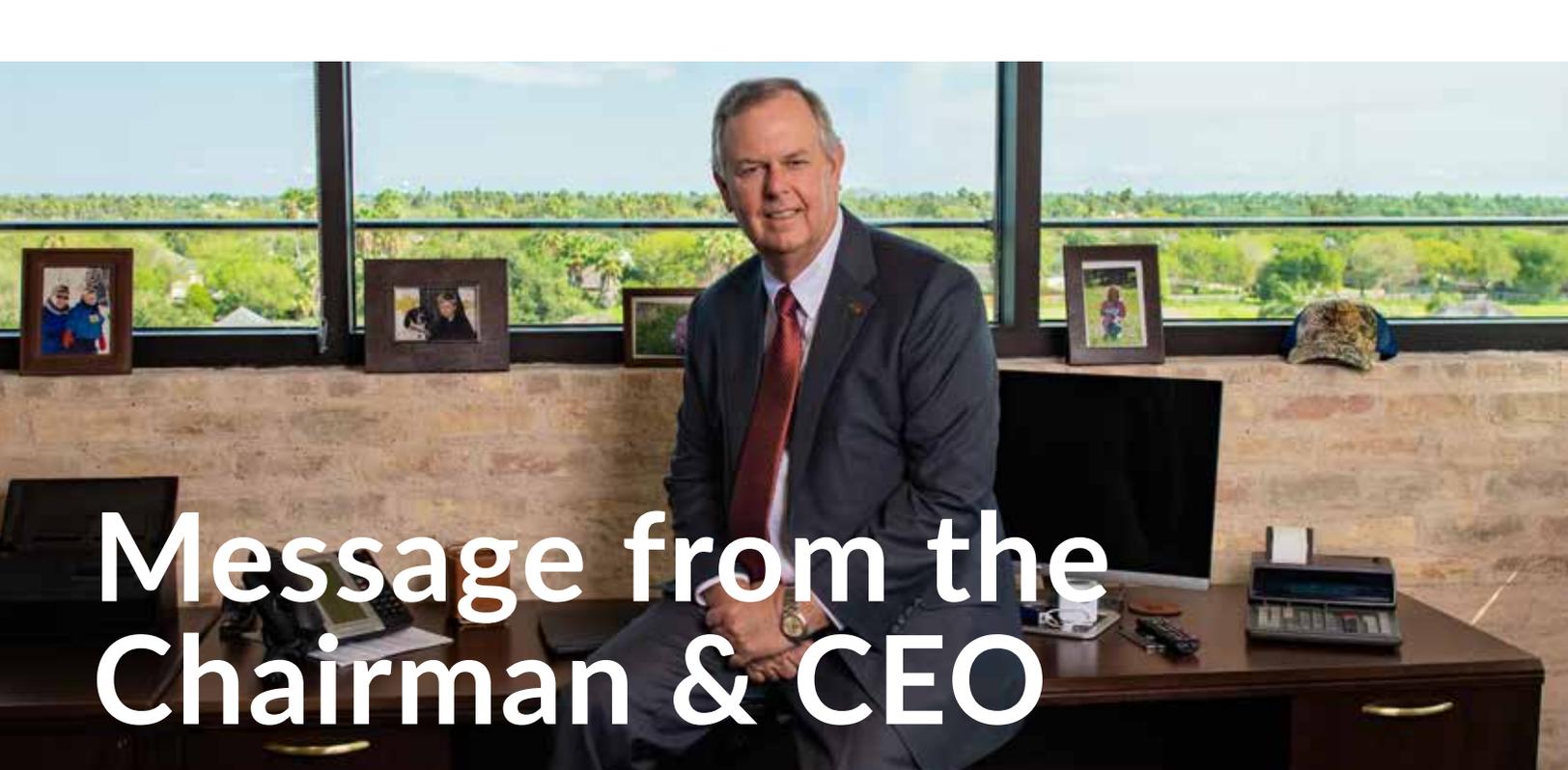
The TSBI Board soon was charged with raising capital to acquire Falfurrias State Bank. In February 2010, the capital raise began with a goal of \$20 million. The community response was overwhelming, and in less than six weeks, the holding company closed its capital raise with nearly \$24 million from 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 on November 18, 2013 when Border Capital Bank was acquired. The merger added a trust department and four more locations in the Rio Grande Valley market. Texas Regional Bank continued to find opportunities to grow and be a leader in community banking. In February 2017, Texas Regional Bank completed the acquisition of Blanco National Bank.

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

In late 2019, Texas Regional Bank crossed the billion-dollar mark in assets, three years ahead of projections when the bank first started. As of December 2020, Texas Regional Bank has assets of approximately \$1.5 billion and 21 locations across the Rio Grande Valley and the Texas Hill Country.

Texas Regional Bank is a wholly-owned subsidiary of Texas State Bankshares, Inc. with equity of more than \$140 million and more than 700 shareholders across Texas. Without a doubt, the influence of its broad shareholder base and team of well-known and seasoned bankers has made Texas Regional the "bank of choice" in many Texas markets.



# Message from the Chairman & CEO

## To Our Shareholders

Being raised in a farming family, my dad would always tell me, “no one farming year is ever the same; there will always be a new challenge you don’t expect.” Banking in 2020 was one of those years I could relate to my dad’s advice; it was a challenge we didn’t expect. As I see it today, the pandemic carried the destruction of a hurricane, except it had a global impact. If this analogy has any truth, what is the path ahead, and how will the future play out? From the board to the leadership and shareholders of the company, we are surrounded by very bright folks from many different disciplines. As brilliant as they are, I promise I can get numerous opinions on where our economy is headed. Instead of speculating, I will discuss strategies that will keep us focused on success in the year ahead, navigate the turbulent waters, and block out the noise that can take us off track.

In light of the pandemic, our bank came through the year with record financial results. The most incredible performance was from our team who had to embrace change immediately, work in different locations and different roles, trust the unknown, be flexible, socially responsible, and take care of their family at home. Throughout the annual report, please take time to read the message from each of the management team. They provide great insight into the performance of the bank in all aspects.

This year, TRB will pay its first dividend to shareholders of record as of April 20, 2021. The dividend will be \$.28 per share and paid in cash on or about May 20, 2021.

## Remaining Focused on Major Company Strategic Themes

The most significant risk we face as a company is “losing focus” by not staying true to our strategic themes or doing something out of character that deviates from our long-term goals. In 2020, we celebrated ten years and completed a lengthy strategic planning process to map our future. From the beginning (2010), our strategy was to grow the company and build the infrastructure with safety and soundness. Today, our Strategic Plan includes four pillars: Grow the Franchise, Safety and Soundness, Operational Excellence, and Independence. Each of these strategies was challenged in 2020, and we will talk about each of them ahead.

**Turbulent waters from the pandemic in the near term.** I believe we all would agree and hope we are in the aftermath of the Covid storm, yet still in turbulent waters. With massive stimulus supporting the economy and cushioning the downside, unexpected outcomes have evolved, including a reduced labor force, insufficient supply chain, and product inventory levels at unseen lows. While these pain points in our economy will work themselves out, consumer behavior has significantly shifted towards convenience and digital. We believe there are business models that will not survive the substantial change while others will flourish. We have exposure in most industries, so we are not immune to this consumer behavior shift and its effect on business customers. The examples of industry obsolescence are endless; consider how your online ordering habits changed in the last 12 months, now multiply by 350 million people in the U.S. and apply your changed habits to the effect on business. Our Strategic Plan addresses these risks in two strategic themes. Our first pillar is **Safety and Soundness**. In the middle of the pandemic, we increased our

reserves by \$1.5 million as a precaution to mitigate new risks. In addition, we completed a regulatory exam of credit quality in late 2020 and received the highest rating from the agency. Nothing in the organization can substitute for safety and soundness. There is not enough margin in loans to accept marginal risk.

The second pillar is **Operational Excellence**. As we discussed previously, the pandemic accelerated change for our customers as it did for our bank. The digital platforms we use to deliver products and services will forever be at the forefront of continued enhancement. Everything we do operationally and with technology must provide an excellent customer experience, which today means a click as much as a voice. The improvement in functionality of digital technology today will rapidly change. The bank's investment in technology is second only to salaries. Facilities is a close third. Recently, the bank invested in two executive roles specific to process management, digital platforms, and programming. The management and implementation of technology is the fastest-growing expense in the organization and questions if in 10 years we will look more like a tech company or a bank.

**Turbulent turning to calm waters as the pandemic gets behind us.** As the feeding frenzy subsides and folks get back to normal conditions, savings will be deployed, unemployment will reduce, our supply chain will recover, inventories will be replaced, and price competition will return. It is nothing simpler than supply and demand. Through all of the distractions, we must *Remain Focused* to maintain our **Independence**. This is our third pillar of our Strategic plan and means we must control the outcome to remain independence. Our independence is determined by our board, shareholders, employees, customers, and regulators. Simply put, if the bank wants to achieve its long-term objectives, we must satisfy this strategic theme. These measurements include, but are not limited to, growth, revenue, social responsibilities, regulatory compliance, shareholder value, and customer expectations.

**Performance through the pandemic storm and forward-looking.** Over the years, TRB has built many divisions that surround and complement our core banking business. Each of our divisions (Wealth, Trust, International Private Banking & Foreign Exchange, Mortgage, and Public Finance) have produced phenomenal results in the last 12 months. However, the times we are in are unique, and the continued ability for the market to maintain this type of volume, I suspect, could be challenging. The Fiscal Policy (Stimulus) of our country has helped our pocketbooks, increased the money supply, and reduced interest rates while spurring investments in real estate and other asset purchases (both restricting supply and dramatically increasing prices). Inflationary pressures have moved into all aspects of our business lending and bring increased caution to asset-based collateral. The money supply in financial institutions has become large (financial institutions are flush with cash). Today, no institution needs to pay much interest to attract deposits. Options in the financial markets for a return of a year ago are non-existent without market risk. However, at some point, the turbulent waters will begin to calm as cash gets deployed and stimulus runs its course. After that, the artificial economy created by the stimulus will need support from the typical economic drivers or another extraordinary event, or we will see an economic correction. The caveat is that there is so much money circulating and so little supply and available labor to produce the supply; we may see benefits of the stimulus for some time to come giving normal economic drivers time to recover.

So, what does this mean to the bank? We need to make hay when the sun is shining. Our fourth pillar is **Grow the Franchise**. This includes asset growth and net income growth through core banking and the ancillary services surrounding the bank. As I mentioned earlier, growth was phenomenal in assets, net income, and ancillary services divisions. To keep focus on our fourth pillar and for every employee of the company, we introduced a new Vision Statement, **Banking Texas One Relationship at a Time**. This Vision employs every strategic theme to add customer relationships every month successfully. Our companies' long-term value is measured on the numbers we bank. In other words, as a shareholder, if you want your value to go up, bank with TRB. If banking with TRB is not crucial to you, we have a list of interested buyers to purchase your stock who will; it's that important. We will bank Texas in two ways: through the expansion of new regions and through our digital and electronic platforms. Like the changing habits of your commerce, all you need is convenience, digital, and FedEx. Blend these new habits and technology with a personal or business banking relationship, one you can touch and talk to in times of need, then we have a winning proposition. The Payment Protection Program (PPP) taught us and a whole lot of customers the importance of relationships.

In closing, change is good; it keeps our organization on its toes, focused, and looking for opportunity. While the Covid storm was painful in many ways, it exposed opportunities and forced our organization into the digital age. I believe this year will also present opportunity with the most significant related to shifts in U.S. policies.

Thank you for all you do as a shareholder. Our success is heavily weighted on the confidence you have in your bank and the business you bring.

Regards,



# STRATEGY IN ACTION

## PLAN HIGHLIGHTS

In a world characterized by risk and uncertainty, as well as significant opportunity, it is important to have a roadmap that will lead us into the next phase of our growth. Our strategic plan represents Texas Regional Bank's continuous and renewed efforts to advance and expand. This plan invites active participation of all of our team as we build upon our strengths, address our weaknesses, and work to realize our potential.

Within this report, you will find the passion and the excitement of our organization as it is captured in our Strategic Themes, Vision, Mission, and Core Values.

**"A strategy on a page simplifies the communication process, but it is meaningless without execution. It takes a collection of individuals, the entire team, to move in the same direction. This is the point when a strategic plan turns into actual results."**

- Carlos Varela, Director

**"TRB's strategic plan for the next decade focuses on where we want to go, what we hope to achieve, and how we plan to get there; hence, Banking Texas, one relationship at a time. As we move forward, it is very important that we engage our TRB family and align the resources needed to achieve our vision."**

- Jason Leal, Chief Administrative Officer

### Strategic Themes

Texas Regional Bank's strategic plan has four main areas of focus. These strategic themes will help guide our efforts to accomplish our Vision of "Banking Texas, one relationship at a time."

STRATEGIC THEME	STRATEGIC RESULT
Grow the Franchise	Increase shareholder value through acquisitions and organic growth
Safety and Soundness	Proactively manage the institution's risk to avoid failure
Operational Excellence	Timely, accurate, value-added, and cost-effective execution
Independence	Long-term, sustainable above peer performance

# VISION, MISSION, & CORE VALUES

## Vision

Banking Texas, one relationship at a time.

The years ahead are a new chapter in TRB's growth and development. We will continue building an efficient operation while expanding into new markets and regions that complement the overall risk profile of TRB and help us become a super-regional bank in Texas.

## Mission

Be "The people you know" in the communities we serve.

We live where our customers live and are active in the communities we call home. Relationship banking isn't a slogan; it's what we do. We work hard on a daily basis to be the bank of choice in the markets 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' needs and protect our value.

### Success

We constantly focus on improvement and forward-looking solutions. We surround ourselves with a team that 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 talents, diverse work styles, and contributions.

# 2020 T I

**JAN 21**  
Johnson City Opens

**FEB 27**  
Johnson City's Grand Opening



**MAR 11**  
First Covid Management Meeting

**MAR 13**  
First Pandemic Response Team Meeting  
First Covid Message on TRB Website

**MAR 18**  
First 'Remaining Focused' Newsletter is Published  
Management Starts Distancing Out Employees



**MAR 20**  
Second 'Remaining Focused' Newsletter is Published

**MAR 23**  
Lobbies Close for the 1st Time

**MAR 25**  
Third 'Remaining Focused' Newsletter is Published

**APR 1**  
TRB Donates 1,200 Face Masks



**STARTING MAY 4TH**  
**LOBBIES OPEN**  
Face Mask Required

**MAY 4**  
Lobbies Re-Open from  
March 23 Closing

**APR 28**  
New Website Design Process Starts

**APR 27**  
Second PPP Notice is Published

**APR 16**  
First PPP Notice is Published

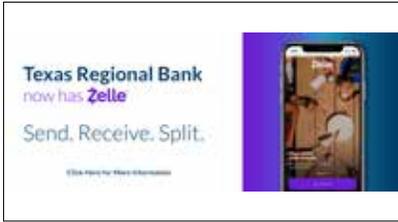
**APR 9**  
Fifth 'Remaining Focused'  
Newsletter is Published

**APR 3**  
Fourth 'Remaining Focused'  
Newsletter is Published

**APR 2**  
First PPP Loan Meeting

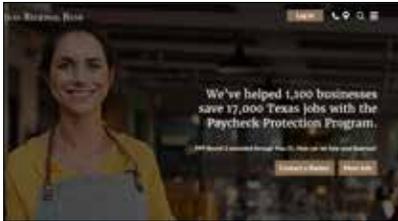
# MELINE

**JUL 1**  
Zelle Launches



**JUL 2**  
Lobbies Close from May 4 Opening

**JUL 6**  
\$100 Million in PPP Loans & Estimated 17,061 Texas Jobs Saved



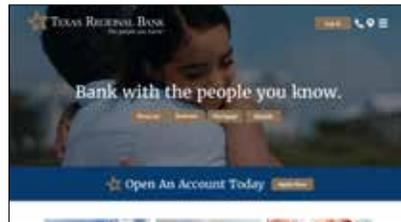
**JUL 27**  
Dripping Springs Opens



**AUG**  
Remodeled Blanco Opens



**DEC 16**  
Bee Cave Opens



**DEC 12**  
New and Improved Website Launches

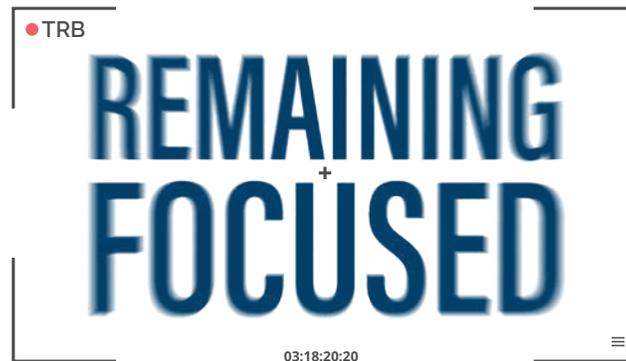


**NOV 5**  
San Benito's Grand Opening

**OCT 19**  
San Benito Opens

**SEP 21**  
Lobbies Re-Open from July 2 Closing

*Covid-19 disrupted everything. In 2020, we learned we're resilient, agile, and regardless of what the future holds, we will thrive. In the following "Remaining Focused" Q&A sections, our Executive Team discusses TRB's response to Covid and all the challenges that came with it.*



## Rising to challenges while remaining focused on our values

### What was the biggest challenge TRB faced?

**Scaief:** 2020 was like no other. The pandemic created some very unique conditions that we had to adapt to very quickly. The challenge, as with any industry, is the unknown effect that change creates. TRB thrives on opportunity that is caused by change and focuses on being able to adapt quickly. The most interesting change was the disruption that the pandemic created because of the uncertainty of the financial markets. Mr. Farris has always said "it is time in the market not timing the market". Those disruptions accelerated some investment decisions which created rewarding financial opportunities for the company as a whole. Overall, the biggest challenge was managing the unknown.

**Talbert:** Man, that's a big question. There were so many. I think it was just the complete shift in the banking environment and the environment in general because of the pandemic. When you couple that with how fast our bank has been growing and the challenges it presents, it just made it a bigger challenge for Texas Regional Bank.

**Valdez:** Okay, so my perspective is from the branches and human resources. I think the biggest challenge we faced was how to service our customers and meet their financial needs while keeping our employees and their families safe.

**Moxley:** The biggest challenge TRB faced in 2020 was, of course, Covid-19. It changed the way of banking, and I think it's a change that's going to last for some time. It not only changed banking but also our customers, how they operate and how they function in today's world in dealing

with this. It also affected our employees. We worked hard at making sure that our employees were safe. And in doing so, they were able to take care of themselves, stay healthy, and take care of our customers.

### How were 2020 challenges handled?

**Talbert:** Probably the best answer to that is dynamic management focused on making sure we maintain the TRB way for our customers and our employees in the face of a different operating environment. Our management teams, from the executive level all the way down to the department level, had to understand what had changed and what they had to do in response to maintain our customer service levels but also meet the new challenges of providing a safe work environment for employees. I mean that was a new thing that we faced we had never even considered before.

**Leal:** We had to assess what the challenges were, prioritize the challenges to the needs of not only the clients but also our employees, determine timelines needed for each of those challenges, and assess the right course of action and needed implementation. But we continued our communication within management by making sure we were, as I say, all on the same page, not duplicating efforts, and always helping each other out.

**Lamon:** Communication was the key to handle the challenge. Reaching out to our employees and customers alike kept us on the same page, saying the same things, and maintaining their trust.

**Scaief:** When we started to hear about the challenges the pandemic could present, a number of things happened

immediately. One, we started constant communication with our employees and customers through Karen and Jason. Our management team began to meet every morning to discuss changes over night, not just the last day. We began writing a series of letters, called *'Remaining Focused'*, to our shareholders, which we also posted for our customers and our employees. It became important to communicate often and to try to anticipate questions folks may have. It was a moving target, kind of like playing Pac-Man. You had to shift to the left and to the right, up and down, and be very flexible and ready to change directions or position all together. Our core values really shined during all the chaos and prepared us to handle the situations with compassion and leadership. This was a grand testament to the character of every person that works in this organization.

**Baldree:** As a group we met often. We were really focused on the health of our staff, our customers, and ultimately the organization. You've got to take care of your people. By doing that, it allows us to provide the services to the community that we serve in a timely and efficient manner.

### What is the biggest change TRB went through?

**Moxley:** The biggest change in 2020 was just the way of doing things. It was new to all of us. And the problem was not so much change because we work well with change, but we do not work well with the unknown. And I think that is what Covid-19 did to us, it was the unknown. And our customers' unknown. And how do we deal with that? So, we learned a new way of banking, and we had to adapt. And I think we adapted well.

**Scaief:** Two big things at different spectrums came out of 2020: the government stimulus (PPP) and the growth and maturity in the organization. In late December of 2019, we were hearing about some disease in China, but it really was not on the radar yet. Our bank began the year at \$1.080 billion dollars in assets and with normality and a focus on defined strategies. Now, I have read about pandemics in history books, and I have presented the "Pandemic Policy" to our Board to approve in the past, but I had never mentally prepared for what was ahead. On the lighter side, I never thought I would let someone into the bank wearing a mask asking for money. Everybody had to change their focus from calling on customers and gathering new business to keeping customers abreast of government stimulus opportunities and loan modifications. There is just a ton of team members that went above and beyond to deliver the type of service that I never expected to see in a situation like we had.

**Baldree:** I think our biggest change was educating ourselves on the new program that was rolled out by the SBA due to the pandemic. We were given the task of introducing a program that was going to provide PPP loans to our communities. We not only helped our customer base, we were able to help many customers that bank elsewhere who needed someone to facilitate their transaction, which was great for the organization as well as the customer.

**Valdez:** The biggest change that TRB went through was figuring out how to have employees separated from each other, set up employees to work from home, or move them to other departments or branches. That was a big change. The other change for our customers is that we started doing many of our services with no contact or remotely through our motor banks. This was a big change for us.

### How did 2020 TRB compare to 2019 TRB?

**Scaief:** The past 10 years have been all about building infrastructure of the organization. We could not afford to not put all of the resources out front. We needed to protect the integrity or the safety and soundness of the organization. We expanded the franchise and hired folks that would take us to the next level. It all blossomed in 2019 through 2020. We achieved critical mass to distribute the investment we had made, and the momentum of the company accelerated in growth of assets and revenue.

**Leal:** 2020 just heightened expectations and needs. We did several things and initiatives and action plans that would have normally taken a few years, but we were able to accomplish those in a shorter timeframe in 2020.

**Talbert:** I do not think you can compare. 2020 definitely was a year like no other, but for TRB, it was somewhat similar because we had above-average growth, we opened new markets, and we gained new relationships. The way we went about it was similar in the fact that it was relationship-oriented, but the tools that we used did not exist in 2019.

**Lamon:** Both were great years for the bank, but 2020 just had more uncertainty. Once we were accustomed to the new normal, the teams buckled down and achieved great results. ■



## TRB's Strengths

# Demonstrating our resilience in the face of market disruption

### What goals had been set for the year and were they reached?

**Valdez:** Prior to the pandemic, yes, there were lots of goals that were set. There was a strategic plan that was in place. But when we had the unprecedented situation, some of those goals had to be put on hold or had to be sidelined while we prioritize other things that were more critical at the time. One of the goals that we had was to communicate better. I think we achieved that goal, definitely. Our communication through the pandemic was employed inter-departmentally. And with management teams, communication became key and critical. One of the goals was also to improve our training and the education of our employees. We were able to take advantage of the fact that our lobbies were closed throughout the year to provide additional training on a regular basis to our lobby operations staff. We always have a goal of promoting from within and offering performance-based opportunities. In 2020, we had 33 internal promotions. We did very well in that arena. And so, I think those three goals were met very well.

**Talbert:** Well, from my perspective, I look at financial goals, and the goals that we set financially are only as good as the crystal ball that I used to set them. Obviously, I didn't foresee a pandemic coming. I didn't foresee the government response and those sorts of things. So we exceeded every financial goal that we had set at the beginning of the year from growth, new customer acquisition, and income goals. We even exceeded all the revised goals that I had put together. From the financial perspective, we hit every goal that was put out there and exceeded even the revised goals.

**Scaief:** We like measuring performance. There are metrics that we use throughout the organization to drive efficiencies. All of those roll up to the key strategic themes of our organization. They are growth of the organization, safety and soundness, operational excellence, and

independence. When I evaluate 2020, did we do those things? Yes. We had a Texas Department of Banking examination that confirmed safety and soundness and allowed our continued independence. Our growth in assets and earnings was unprecedented, and we had many "base hits" on improving operations. Operational excellence is a forever effort. Once you get it right, technology changes the processes the next year, so you start over.

**Moxley:** We set our strategic plan for the year in 2019, and as we started 2020, the first 90 days was pretty much on course and running direct. Then, all of a sudden, Covid started changing our lives come March. And so we sat down and reevaluated our strategy and strategic plan for 2020, focusing on how to continue taking care of our shareholders, make a profit in the bank, take care of our customers and new customers, and work with our teams to keep them safe. And we changed some direction. But yes, I really think we met our goals for 2020, and we had a very successful year for the bank.

### How did TRB continue to grow?

**Lamon:** Even with the uncertainty and initial panic, TRB employees never lost focus of our mission. The culture of the bank allowed us to succeed in uncertain times.

**Leal:** Well, it continued to grow with the teamwork of our staff. The true work ethic of our employees was shown in their commitment and passion for not only what they do but what they do for our clients. And again, we always, as we attained those goals with the safety of our employees and their families in mind, made sure there was a balance for them.

**Baldree:** When we facilitated 1,160 transactions to new and existing clients in round one, it gave us the opportunity to bring new customers in to the TRB family and hopefully cultivate a long time relationship by being there when they needed a bank.

**Moxley:** When you look at a bank and growth, you look at loans. And during this period, I would tell you that Brent Baldree and his loan team did an excellent job. They not only took care of our current customer base but also created a new customer base of loyal customers that were not being taken care of by their bank with the PPP SBA loans. I think that's real important. I think that was the biggest accomplishment and the biggest thing we did, besides how we faced Covid and got through all that.

**Talbert:** I think it is by sticking to our Core Values, our Mission, and our Vision. It was one relationship at a time. I think the growth was amplified by what happened, but it was still through customer acquisition, one relationship at a time.

### **How did TRB align with its Vision and Mission in 2020?**

**Lamon:** We spent a lot of time on Mission and Vision even during not so certain circumstances. We never lost focus of our Mission and Vision.

**Scaief:** Our strategic focus matured, and we developed a Vision and a Mission that I think is second to none and very telling for where we are going and who we are. Our Vision is, 'Banking Texas, one relationship at a time'. It is a very bold statement. It's consistent with banking Texas, one region at a time, growing from \$0 to \$700 million in South Texas and from \$160 million to \$300 million in assets within four years in the Hill Country and moving to other regions, with sights on Houston and Dallas. You will hear me repeat that there is going to be some super-regional banks that do well in Texas in the next 10 years, and I fully believe the talent and brainpower that we have in this organization can get us there. It is very much aligned with who we are and our culture, which is defined by our Core Values, further defined by our Mission, that is: "Be the people you know in the communities you serve." I look at that statement in two ways. One, we recruit the "people you know" to serve our communities, and two, you build a market with the people that become the "people you know" in the communities we serve. Our expectations of everyone in the company is to focus on the success of our customers and communities we serve. Our company's success will follow.

**Moxley:** We not only took care of our customers, but we took care of new customers one at a time. It's just not that they knew us; we knew them. And we knew who we needed to take care of. This is the great thing about the bank. We have great customer core, and our talented and professional employees do a great job as a team in taking care of that customer base.

**Leal:** From a strategic standpoint, it took a redirection, but we still kept our Vision and Mission in mind as we brought all these new innovations, services, and products. Banking Texas, one relationship at a time still meant that we were being reactive to the changing environment. In terms of serving our communities, even though we weren't able to be there from a volunteer standpoint understandably due to Covid, we tried to help with their financial needs and answering any questions.

### **What do you feel was TRB's biggest strength in 2020?**

**Lamon:** No question, the employees and culture of TRB are our biggest strengths.

**Scaief:** The biggest strength in 2020 was obviously our people, who changed with the conditions and accommodated a difficult situation. It was all but the status quo. Everybody's cheese was moved!

**Valdez:** The employee unity and the true caring for our TRB family, both our employees and our customers, painted a true picture of our company culture and strength. From an employee standpoint, I think that as an employer, we showed a tremendous amount of compassion to our employees. We really showed that we are a company that cares about our TRB family members, both our employees and our customers.

**Baldree:** Our people – without a doubt. I think our people coming together to deliver the services that we were able to deliver was our biggest strength. Our employees, lots of them, came to work every day. We were very cautious. I think we went above and beyond trying to make sure that we continued to deliver our services. ■



## Practices & Care

# Protecting our people, standing by our clients

### What was TRB's response to Covid?

**Talbert:** I think the number one, if you summed up our response to Covid, was taking measures with one thing in mind: keeping our employees and our customers safe. The way to do that and still provide the service that we need to, in a nutshell, was our response to Covid.

**Valdez:** We patterned our protocols and our bank policies on CDC guidelines. We had continuous combat communications about the safety protocols. In one month, we had nine or ten detailed communication messages that went out to help employees understand how to protect themselves in the bank and their personal lives. We closely monitored positive cases, hospitalization, and mortality rates in our communities. Those drove our decisions as to our requirements and protocols put in place.

**Baldree:** TRB did a tremendous job of keeping our staff well aware of the guidelines. Safety was our focus. At the end of the day, you are only as good as your employees. We have lots of people that went well and above the task and that's hard to find: dedicated people.

**Leal:** This was totally new to us. We wanted to make sure, first and foremost, we were educated. We kept up with the CDC guidelines and instructions from our local cities and counties. We were able to have a good direction and make sure we had all the precautions and protocols in place as guided and directed by our authorities.

### How did the pandemic affect the way TRB operates?

**Scaief:** We kind of threw the rule book out the window and managed the day-to-day based on the needs of our people and customers within parameters, but the normal way of doing things changed. One of the simple challenges

I remember was all the trouble we had getting our household groceries. We created a flex schedule that allowed our employees to take care of personal business during working hours because if everybody had to go to the grocery store after work, for example, it was a mess. Shelves were getting empty, and it just was not reasonable; it did not work. So, we made necessary changes.

**Talbert:** Well, it changed everything we do. For the first time, since I have ever been in banking, just simply coming to work was a risk. It was completely unknown and trying to understand how to have a safe work environment was a big challenge. Karen, Jason, and our operations team did a great job in assessing our works spaces, assessing our capabilities of some people working from home, and maintaining our level of service.

**Leal:** Well, it increased the timeline on implementing new products and procedures, and it enhanced some of our existing products and services, especially anything that was digital. Giving that option to our clients was heightened. It accelerated initiatives that we had so that we could make sure we were still taking care of our clients.

**Baldree:** We were used to having meetings face to face. Thanks to technology such as, Zoom: the go-to-virtual meeting platform, we have really been able to maximize our time by not having to travel so much in a vehicle. We also utilized technology where people can work at home through VPN. It's funny that sometimes when people can work from home, a lot more can get accomplished because you don't have the disruptions of being in an office. Bottom line: I think we got a lot of work done, and we stayed focused on our mission to grow the franchise.

**Valdez:** When we first had to shut down, 28 employees began working from home. There were other employees that we moved to different branches to ensure social distancing. The other thing that affected the way we operate is the touchless services that I have already talked about. And then, of course, we had to rely on

virtual meetings. Even our board meetings were held via Zoom, as well as most of the other meetings.

### **What practices and care were taken due to the pandemic?**

**Moxley:** The practices and care were as they are today: face masks and social distancing. We've had to make sure our customers are comfortable with coming in the bank. Our people managed it well. It is something when you are trying to help your customer, but when your employees are facing the same problems that the customer is, I think to me, that unites us even more. As a team, we all tried to figure it out. We were able to help customers get through a tough time. They're unknown was kind of our unknown. But we tried to keep our Chamber of Commerce hat on, stay positive, and move forward.

**Valdez:** Separating the employees and making sure we did not have all of our talents in a department in one area so that if one person got sick, they did not infect the others. All of the protocols that we used over the past year were very successful for the most part in keeping employees safe. We reminded them frequently of the rules and everybody followed them.

**Talbert:** Well, we had to close lobbies. We had to figure out how to provide services through drive-thrus and digitally that were always available for somebody walking in. We had to implement all of the necessary precautions so people would feel safe coming and doing their job. I look at my department, and I was used to having my whole crew downstairs. Now I walk down there, and it is pretty lonely sometimes but that's what we had to do. Putting the employee safety first along with our customers is what we had to do.

**Leal:** Many practices and care. Several protocols and procedures were implemented and emphasized. We had a protocol in place of asking questions and taking temperatures when they entered the bank. The whole process of people working from home was assessed thoroughly as well. ■



## Connecting with TRB

# Connecting with our customers through our digital platforms, appointments, & drive-thru services

### What products/services were introduced in 2020?

**Baldree:** The obvious answer here, due to the pandemic, is PPP loans. We basically had two full-time people working on the PPP process. Earlier we talked about round one of PPP, round two we were right at 631 additional loans to the tune of about \$46 million. We continue to focus our efforts on the product and work to ensure our clients have the information needed to achieve “forgiveness” through the SBA. I think one of the main things on round two is that an automated process was established and instrumental in freeing up some of our time to focus on other products and services.

**Scaief:** In 2020, we introduced foreign exchange and a number of digital banking enhancements. Foreign exchange has been a big hit because of all the cross-border trade in our markets. Digital banking enhancements accelerated because of the forced change of customer habits. Our electronic and digital transaction volumes have increased between 20 to 40 percent as a result. However, for 2020, it is fair to say that focus on new development of products and services was shifted to focus on the health and well-being of our customers and our employees.

**Leal:** Well, we started discussing a platform on appointment-taking. In mid-2019, a vendor approached me when I attended a conference in Austin, and I didn't think much of it. In my mind, it wasn't appropriate for a bank like us, you know, having that relationship banking, the one-on-one, being face-to-face. However, with the pandemic, it certainly heightened the need for something like that. And so, with the help of our IT department, that was quickly assessed and implemented in 2020. The ability for our clients to make an appointment online with certain

officers has been a great avenue for them. Other services, such as opening an account, signing applications, and signing signature cards, were available through the drive-thru.

**Valdez:** We added four new deposit-taking ATMs, so that is an additional convenience for our customers. We changed our person-to-person payment system to Zelle. It has been a really successful addition.

### How did TRB evolve?

**Lamon:** Continued focus on technology to meet the expectations of our customers.

**Baldree:** We have some superstars. When you are dealt with a nationwide shut down, we had some people that really rose to the top. I have some team members that I know I can depend on if there's a special project because I know they are going to deliver. That was very rewarding to me, just to see the team really come together and deliver an exceptional product. You can't ask for anything better.

**Leal:** TRB evolved in knowing that we could do what was needed to implement a new process, procedure, or service. It was shown that we can do that with the help of all of the TRB family. We proved that we could adapt to change quickly, that we could assess the situation and prioritize. Being upfront and proactive in that arena will be more critical as we move forward.

### What needs, if any, were identified?

**Moxley:** I think the need that was identified was to make sure we knew how to take care of the customers in this type of situation. We also learned that we need to be on the cusp of technology, and we are going to have to stay there. It has pushed our customers

over to working with their phones and computers, and this is a way of life now. Everybody is health-conscious and being careful with that they do with their life and around others.

**Baldree:** I think we learned that you don't always have to meet face to face. We can be very productive with a Zoom call. It's funny at the amount of time that you spend on Zoom now in your office where you can really get a lot more accomplished in a day. Hence, the needs are reliable and advanced technology. It's going to be the focus of the future. TRB has done a great job of identifying the technology needs that will take us into the next ten years of banking.

**Talbert:** It was the acceleration for the need to get our digital acumen further along than it ever has been. I think we had identified some initiatives on moving to the digital bank and incorporating that in everything we do prior to, but those were things that we thought, "Man, it would be cool if we could do that," and in 2020 it became, "No, we have to be able to that."

**Valdez:** We realized that we really need to spend a little more time making sure everybody understands our business resumption plans when it comes to pandemics and that people know their roles. I think we learned that.

**Leal:** Innovations. What other innovation is out there that we still could be taking part of? We will continue to look at other options and avenues to help our clients. ■



## Energizing TRB

# A journey of support

### How did TRB keep the team motivated?

**Valdez:** We used a lot of communication, flexibility, and compassion with our employees. I think all of that was really appreciated by our employees. I think they felt like we were being very responsible, and we were putting their best interest above all else. We also had some extra benefits for our employees. The first two weeks of the lockdown in March, we offered all hourly employees an extra five hours of paid time off each week for those first two weeks. If you remember, this was when people were having to wait in line to get into the grocery store, to pick up medication, and so on. The management team graciously offered five extra hours of PTO to hourly employees for those first two weeks. We also added three extra days of sick leave to every employee for Covid-related absences or childcare reasons. And then, in April, we offered an attendance bonus for employees that were working on-site if they had minimal absences. We received lots of positive comments about the fact that we were very flexible with employees and worked with them to the best of our ability. There is always a balance. We had to make sure that we performed the work that met our customers' needs and our customers' expectations, but we also realized we had an obligation to make sure our employees were safe and felt valued, and so, I think we did a great job of balancing those things.

**Leal:** I think one part of the motivation was that we were willing to listen and to work with everyone. Everyone had a different case. I think the motivation came knowing that TRB was there for them and had a true concern for them personally. It wasn't bank first. It was employee and family first. And I think that just helps the motivation.

**Talbert:** That was a challenge because I am the first to tell you, I mean, Covid fatigue was real. So I think it was just constant communication. We all learned how to use Zoom. On my team meetings, I tried to keep it light with some comical Zoom backgrounds and those sorts of things. We did everything we could just to get a little joke and stuff

like that. I think it was, "Guys, we can still do this. Let us not focus on what we cannot do anymore, but let us focus on what we can do." I think that is the primary thing we did to keep the teams motivated and going through that.

**Baldree:** Staying focused on our families to make sure that everyone was staying safe and feeling well.

**Moxley:** Through communication and working with each other. We were always having meetings, discussing where we were and how everyone was doing. Just communicating, staying positive, and heading in the right direction.

### What support did TRB employees receive during the outbreak?

**Talbert:** We were real cognizant that work-life balance changed quite a bit. My kids haven't been to school since March of 2020, and that's a different dynamic that everybody had to deal with. Just trying to provide some stability in a real turbulent time. We tried providing a space where we could make things as normal as possible and give some degree of normalcy. We listened to all requests. In other times, some of the requests we received would have been extraordinary, but during this time they really weren't because we were in unprecedented times.

**Moxley:** They had the opportunity to stay home with their children when they couldn't go to school, so some worked from home and were able to take care of their kids. If they were ill, or if anybody in the family was ill, we gave them time to make sure everybody was well. I think we worked with our employees well, and they were comfortable in dealing with this. We had a lot of employees that had a hard time with it. Some got through it pretty good, but some lost some loved ones along the way, but the bank was there to support our team.

**Lamon:** TRB maintained its flexibility as employees' needs arose. We quickly adapted to the new rules in place and were able to keep employees safe.

**Leal:** Well, there was financial support. We did offer some options on payroll. If they were out due to the pandemic, we took additional initiatives with Human Resources. There was also support from a non-monetary standpoint. Team members within departments stepped up and helped out when someone in their team was out or could not do their functions. Giving that helping hand to each other was also the support they received.

### **How was TRB able to maintain internal/external ongoing communication?**

**Moxley:** Our employees were knowledgeable of the direction that we were headed in and what we needed to accomplish. They were able to work with our customers to help them understand what their needs were. We were there to help them because we knew the direction we were going in, which was positive.

**Valdez:** People were well-informed on a regular basis on what the status was, what our actions were, what we asked them to do, and what we expected them to do. This changed as we learned more about the virus and about the things that we needed to do to protect ourselves; it made us change the protocol.

**Baldree:** By really providing the tools to our staff: phone, computer newsletters, having a VPN from home where you can rely on the network... We did a great, great job I think.

**Talbert:** From the internal perspective, I think Mr. Scaief's letters out to everybody were very good. We've always had a high level of internal communication, right? But that was always through meetings and getting together and so we tried to keep up that level of communication by using the digital tools like Zoom. We did everything we could to keep the same frequency and impact of internal communication up but just doing it a different way, which was a challenge. I worked from home for six months and that was tough, but we did everything we could to keep up the communication. I honestly think when I was at home, I talked to Mr. Scaief more on a daily basis than I did when I was here, so that was interesting.

**Lamon:** It was a necessity to maintain communication with stakeholders. We maintained our commitment and continued to do the same things, only virtually.

### **Moving forward, where do you see TRB?**

**Moxley:** I see nothing but growth going forward. Very positive, very positive. You have to support your communities and have good employees, customers, and shareholders in a good bank. And when everybody is proud of that, it means you are doing well. Our brand is something that people recognize. They recognize the people that work here, and I think our people are very proud that they're a part of the bank. And when you get that, it just makes sense that you just continue to grow. My hat's off to our loan base. A lot of banks had a lot of delinquent loans during Covid, and our bank did not. And I think our shareholders should be proud of us. And I am very proud of our employees.

**Talbert:** I know it might sound cliché or a little corny, but I honestly believe in our statement of banking Texas. I honestly think several years down the road, we will be in every major market in Texas and can honestly say that "We're banking Texas."

I think that's where we're going. I know I am a little biased, but I don't see another bank out there with quite the team that we have so I have all confidence that we can accomplish that goal.

**Valdez:** I think we are ready to get back to business as usual, little by little. People are more comfortable coming into the lobby, and we are more comfortable with them in our lobbies. Also, the customers have been getting used to more digital channels, and I believe they are going to continue to use them. More and more customers realize now that it is convenient and easy. Some of those will stay digital, but we are a people business and people talk to people.

**Leal:** There'll probably be some balance back to how we did some items in 2019. But I feel from the innovation standpoint, we will continue to look for those opportunities. We need to continue to keep that at the forefront. I think 2020 was a realization that the unexpected can happen, and we need to be ready for that. We need to have plan A, B, C, and D ready to go so that we are ready to implement, escalate, and educate as quickly as possible if we ever go through this or anything similar like this again. ■

● TRB

**17,000+**  
**JOBS**  
**SAVED**

04:02:20:20

THE VALUE OF COMMUNITY BANKING

Small businesses are the backbone of the U.S. economy; they are essential to our country's economic growth and employment. In the early weeks of the pandemic, small businesses saw an almost immediate impact. Many were in need of financial relief as access to funding meant the difference between staying in business or shutting down permanently. When Congress announced the Paycheck Protection Program (PPP) to provide small businesses with funds to cover payroll, rent, and utility expenses amongst other expenditures, Texas Regional Bank jumped on the opportunity to service our small business communities when they needed us the most.

Texas Regional Bank succeeded where national banks failed. We were there for them through the whole PPP loan application process helping them regain their footing, retain their employees, and reopen their doors.

The message of 'bank local' and the importance of community banking hit home for many of the locally owned businesses of all sizes. As the pandemic continued month after month, the people that really drive the economy, small businesses, who banked with national or regional banks, found themselves in a precarious situation. They could not get the service and the turnaround they needed, and so all of a sudden, community banking was back on top. "As a result, customers made a big shift from being comfortable with the big banks to saying, 'You know what? There is a need, and there is a reason to have a relationship with the community bank,'" said Michael Scaief. As the PPP continued to materialize, these customers and our relationship officers created some strong relationships. Over the last year, the number of new relationships that have come into the bank from the big, megabanks have been absolutely amazing and rewarding. It has been good for the organization.

Outside of our customers and back to the community we serve, we did not just help the people that bank with us. We helped people banking elsewhere when their banks were either too slow or would not help them. "They reached out to us because they know us. They know the branch. They know about us. They noticed people in their community," said Karen Valdez. We were able to help a lot of non-customers as well with their PPP needs.

While the PPP program promised financial assistance, many small business owners expressed frustration and confusion when navigating the application. Determined to make a difference and make loans more accessible, TRB worked diligently to accelerate and simplify the application process. Our team came together and continued regular duties along with the addition of PPP responsibilities that went beyond the normal call of duty. "Coming through the pandemic, TRB really proved the value of community banking in the communities that we serve by just answering the phone and accommodating people's needs when they were not able to get that service where they banked. Cultivating those relationships to be long-term relationships with the bank is going to take us to the next level," said Brent Baldree.

"Customers that still dealt with big banks that we had been pursuing for a long time came and said, 'Now, I understand what you are talking about, about the importance of having a community banker that really cares about my business and my personal finance, and I am not just a number.' I think us, sticking to our Core Values as a community bank really is what shined the brightest in 2020," said Lincoln Talbert.

Since then, we have applied our platform, relentless execution, and unmatched customer support providing more than 1,100 small businesses with \$152 million in PPP loans and saving 17,000+ jobs. We are proud of our team that helped our friends and neighbors bring that money into our local economy.

“TRB made it very easy for us to complete the application and provide the information. At the beginning, everybody reaches out trying to help you with the application but at a cost. We almost hired a third party to complete the application. When I spoke to Texas Regional Bank, they made it very easy and convenient. I'm just very thankful and truly enjoy working with TRB. There was a change in administration, and they wanted to change accounts, but I fought to stay with TRB and we did.”

- Alejandra Contreras  
San Juan Nursing Home Accountant

We had tons of shining stars out beyond to provide extraordinary



in the rain. Our team went above and  
service in an unprecedented time...



-Michael Scaief

# INTRO



## Johnson City

### The Team

**Cubby Hudler**  
Johnson City Market President

**Aaron Humphrey**  
Loan Officer

**Barbara Schmidt**

**Claudia Meza**

**Tabitha Smith**



## Dripping Springs

### The Team

**Erin Needham**  
Division President / Senior Credit Officer

**Benjamin Ingram**  
Loan Officer

**Greg Lick**  
Loan Officer

**Michael Lux**  
Mortgage Loan Officer

**Patricia Morales**  
Treasury Management &  
Business Development Specialist

**Marie Wright**  
Banking Center Manager

**Pamela Cantu**

**Clayton Fearneyhough**

**Raegan Garibay**

**Tiffany Martinez**

# D U C I N G

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## Bee Cave

### The Team

**David DeStefano**  
Bee Cave Market President

**Taylor Hansen**  
Financial Advisor

**Patricia Lattanzi**  
Banking Center Manager

**Shelley Perez**  
Private Banker

**Lindsey Fair**  
**Sadaf Mehkeri**



## San Benito

### The Team

**Jaime Collins**  
Banking Center Supervisor

**Abel Cisneros**

**Erika Juarez**



**SOUTH**



**TEXAS**



**MARKET**



## By Brent Baldree, SEVP

Division President & CLO

**Y**ou've heard it before, and I am sure you will hear it again: 2020 brought many challenges due to the pandemic. With these challenges, I am proud to say that our team found opportunities, and 2020 proved to be a great year for TRB in the Rio Grande Valley. The level of commitment our team displayed was above and beyond. Despite social distancing mandates, Texas Regional Bank as a whole came together and delivered exceptional value to our customers. This helped us deliver on our vision of "Banking Texas, one relationship at a time."

The RGV team produced \$72 million in loans for the year, which was up 19% in growth for the region. This growth ended our fiscal year at a loan portfolio of \$504 million. Much of this growth was attributed to the new SBA platform, which allowed us to attract and retain several new relationships. These new relationships contributed to over 2,000 new transactional accounts, leading to \$157 million in deposit growth, equating to 25% growth in deposits for the year. The Deposit Ops team went above and beyond in cultivating these new relationships and helping clients fulfill their banking needs.

2020 also brought the opening of our 13th Rio Grande Valley location in San Benito. We were able to host a "virtual" ribbon cutting and get San Benito fully functioning. The San Benito branch is one of our new flagship design locations that offers innovative and flexible technology resources. These resources allow our customers to have access to multiple bank services through the convenience of modern technology, all at one location.



San Benito  
Banking Center

Our Weslaco location also celebrated a milestone: its 5th anniversary. The Weslaco team has done a great job of cultivating relationships and building the TRB brand throughout the Mid-Valley.

In 2021, we will celebrate 11 years of TRB in the Rio Grande Valley. It has been a pleasure to see the accomplishments that the team has been able to achieve. The future looks bright, and I look forward to expanding the TRB footprint throughout the regions we serve.



# H I L L



# COUNTRY



# MARKET



**By Lance Spruiell, EVP**  
Division President

**A**t our 2017 acquisition, Blanco National Bank was a \$122 million asset bank. As of December 31, 2020, the Hill Country Region stands at \$232 million in total assets for a compound annual growth rate of 17.43%. Asset growth was led by lending activity; loans grew from \$88 million to \$209 million, a 135% increase. In 2020, we had a record year: our lenders increased our loan portfolio by \$51 million, which included helping 307 local businesses with \$26 million in Paycheck Protection Program (PPP) funds.

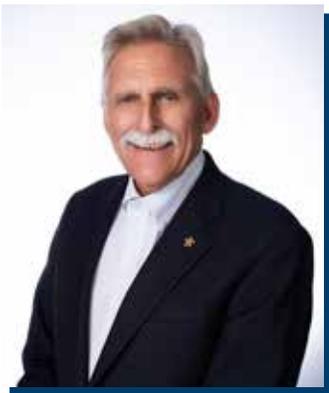
The Hill Country remained a strong funding source for loans as well. Since 2017, we've nearly doubled our deposits from \$170 million to \$310 million with an astounding \$84 million of that coming in 2020.

We considerably strengthened our Hill Country footprint. In 2020, we opened two new banking centers. First, in February, we opened a hi-visibility location in Dripping Springs near the high school entrance. The banking center finished the year at \$29 million in loans and is consistently ranked as one of the company's most profitable locations. Six months later, we welcomed customers into our new Bee Cave banking center, near the busy intersection of 620 and 71. With the number of accounts opened tripling since moving in, this location is a new customer magnet.

Our footprint expanded as well. Last year, we opened in Johnson City and Leander. The Johnson City Banking Center is run by Market President Cubby Hudler, who celebrated 50 years in banking last year. Prior to joining TRB, Cubby spent 48 years in local banking, with 30 years as CEO. The Johnson City team have accumulated \$4 million in loans and \$12 million in deposits in a short amount of time.

Leander opened as a loan production office in January and is led by Market President and Brownsville native JR Manatt. A graduate of Los Fresnos High School and Texas State University, JR spent the last 20 years as a commercial banker, most recently at Frost Bank in Cedar Park. While JR grows his loan portfolio, we are actively searching for a permanent TRB home in one of the fastest-growing areas in the country.

I am proud of our staff's resilience throughout 2020. They never stopped helping customers, working together as a team, or growing the bank. Going into 2021, we'll continue our growth. We'll seek out and hire only the best bankers, like Cubby and JR. We'll fortify our existing locations with remodels and renovations. We'll look for opportunities to expand into surrounding markets like Boerne or New Braunfels. We'll continue to grow customer relationships, the TRB brand, and your investment.



**Cubby Hudler, EVP**  
Johnson City  
Market President



# Financial Report

**Lincoln Talbert, Chief Financial Officer**

## Asset Growth

In 2020, Texas Regional Bank continued to expand the franchise with new locations in the Rio Grande Valley and the Hill Country. Our relationship style of banking produced asset growth above peers in both regions, ending the year with \$1.508 billion in total assets, an increase of \$488.4 million, or 47.9%, over 2019.

We believe in safe, sound, profitable growth and the creation of true and lasting relationships with the communities we serve. We focus continually on building our team with people you know, enhancing our balance sheet, and implementing the right controls to expand the organization successfully.

## Loan Growth

Our loan portfolio grew \$151.11 million, or 25.1%, from the prior year, through the addition of new customer relationships and participation in the Small Business Administration's Paycheck Protection loan program. We are well positioned to increase and strengthen the loan portfolio with quality assets in the coming year.

## Net Income and Shareholder Value

This was another record year for profits with a 68.5% growth in net earnings resulting in a \$14 million net income. Interest income increased by 18.4%, totaling over \$48.89 million, and non-interest income increased to over \$13.72 million, or 34.9%, over the prior year's total.

The gains in non-interest income result from enhanced income-generating strategies related to our deposit services and revenue generated from investments in human capital over the last several years in multiple business lines. The Wealth Management Group continued to experience great

success and generated over \$3.5 million in revenue in 2020. TRB Mortgage increased revenue by over 145.7% to \$1.53 million, and International Private Banking Services increased its deposit portfolio to \$67.89 million, an increase of 28.7% in 2020. We are continuing to realize revenue from these new divisions and expect strong returns on investment in the coming years.

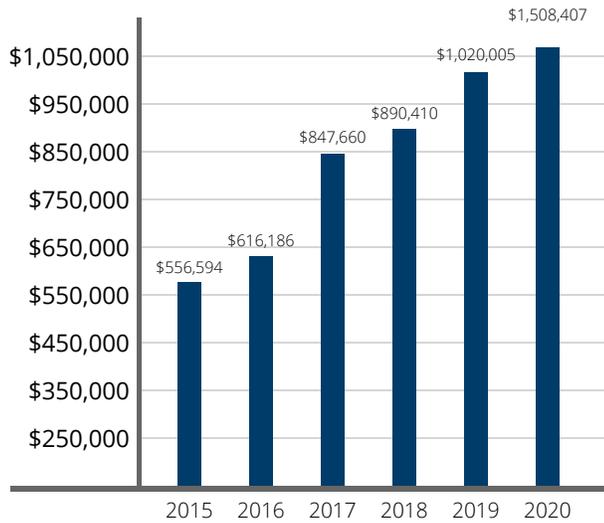
By year-end, the total equity of Texas Regional Bank had increased by \$30.14 million to \$140.37 million. Strong earnings from the securities and loan portfolios, coupled with reduced expenses, added significant income to the bottom line.

The Board is intent on creating long-term shareholder value. The company has tremendous momentum, multiple revenue streams, and solid franchise value. We look forward to additional growth and success in 2021.

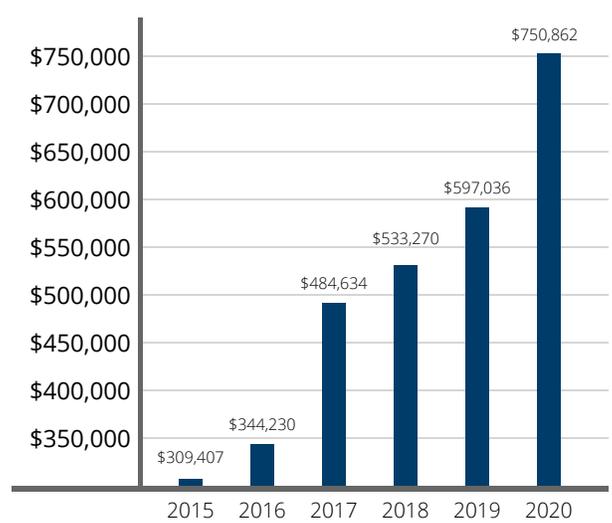


# FINANCIAL HIGHLIGHTS

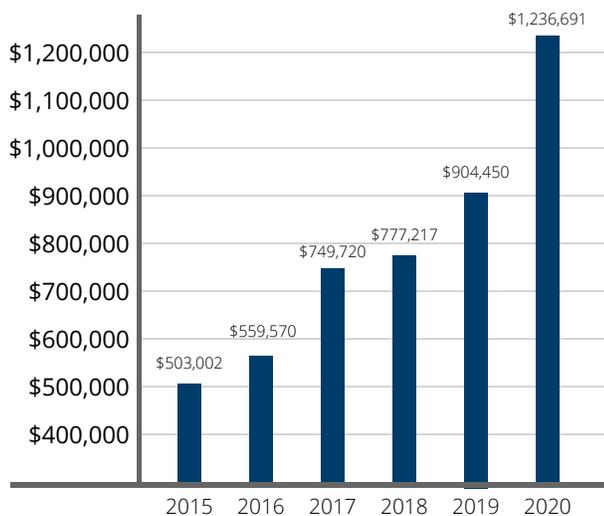
## Assets (in millions)



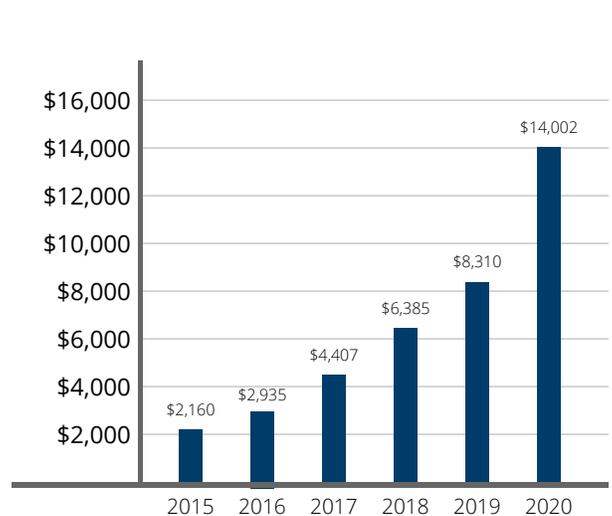
## Net Loans (in millions)



## Deposits (in millions)



## Net Income (in millions)



	2015	2016	2017	2018	2019	2020
<b>Assets</b>	\$556,594	\$616,186	\$847,660	\$890,410	\$1,020,005	\$1,508,407
<b>Net Loans</b>	\$309,407	\$344,230	\$484,634	\$533,270	\$597,036	\$750,862
<b>Deposits</b>	\$503,002	\$559,570	\$749,720	\$777,217	\$904,450	\$1,236,691
<b>Equity</b>	\$50,795	\$52,225	\$93,738	\$97,577	\$110,226	\$140,367
<b>Net Income</b>	\$2,160	\$2,935	\$4,407	\$6,385	\$8,310	\$14,002
<b>Loans to Assets</b>	56%	56%	57%	60%	59%	50%
<b>Loans to Deposits</b>	62%	62%	65%	69%	66%	61%



## CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and due from banks	\$ 77,559	\$ 63,276
Interest-bearing deposits in banks	94,775	5,341
Securities available for sale	485,715	283,770
Securities held to maturity	4,000	-
Restricted investment securities	5,226	4,501
Loans – net of allowance for loan losses of \$9,032 (\$6,553 in 2019)	750,862	597,036
Premises and equipment – net	68,082	59,959
Accrued interest receivable	7,027	2,648
Goodwill	9,956	9,956
Other intangible assets – net	366	676
Prepaid expenses and other assets	3,302	2,876
Cash surrender value of life insurance	5,596	5,460
	<u>1,512,466</u>	<u>1,035,499</u>
<b>Total assets</b>	<b>\$ 1,512,466</b>	<b>\$ 1,035,499</b>
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 497,196	\$ 324,903
Interest-bearing	724,125	579,235
	<u>1,221,321</u>	<u>904,138</u>
<b>Total deposits</b>	<b>1,221,321</b>	<b>904,138</b>
Federal funds purchased	-	1,050
Federal Home Loan Bank borrowings	50,489	648
Federal Reserve Bank borrowings	76,349	-
Subordinated notes payable - net of unamortized debt issuance costs of \$472 (\$610 in 2019)	34,528	34,390
Junior subordinated debenture	2,578	2,578
Accrued interest payable and other liabilities	9,707	2,865
	<u>1,394,972</u>	<u>945,669</u>
<b>Total liabilities</b>	<b>1,394,972</b>	<b>945,669</b>
Commitments and contingencies (notes 6, 14, 15 and 16)		
<b>Stockholders' Equity</b>		
Common stock – \$1 par value; 20,000,000 shares authorized; 5,800,796 shares issued, 5,393,692 shares outstanding (5,298,927 shares outstanding in 2019)	5,801	5,654
Surplus	76,177	74,287
Retained earnings	31,659	19,520
Notes receivable from stockholders	(1,019)	-
Treasury stock - 406,804 shares at cost (355,069 shares in 2019)	(9,731)	(8,464)
Accumulated other comprehensive income (loss)	14,607	(1,167)
	<u>117,494</u>	<u>89,830</u>
<b>Total stockholders' equity</b>	<b>117,494</b>	<b>89,830</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,512,466</b>	<b>\$ 1,035,499</b>



## CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Interest income:		
Interest and fees on loans	\$ 39,906	\$ 34,547
Interest on investment securities	8,542	6,052
Interest on interest-bearing deposits in banks	344	682
Total interest income	<u>48,792</u>	41,281
Interest expense	<u>6,977</u>	7,794
Net interest income	41,815	33,487
Provision for loan losses	<u>2,713</u>	873
Net interest income after provision for loan losses	<u>39,102</u>	32,614
Noninterest income:		
Service charges and fees	4,310	3,857
Wealth management fees	3,514	3,353
Gain on sale of securities	3,783	1,673
Other	1,503	657
	<u>13,110</u>	9,540
Noninterest expenses:		
Salaries and employee benefits	22,077	19,896
Occupancy and equipment expenses	5,150	4,982
Other operating expenses	10,270	8,874
Total noninterest expenses	<u>37,497</u>	33,752
Income before federal income tax expense	14,715	8,402
Federal income tax expense	<u>2,576</u>	1,589
Net income	<u>\$ 12,139</u>	\$ 6,813



## Independent Auditor's Report

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

### Report on the Financial Statements and Internal Control

We have audited the accompanying consolidated financial statements of Texas State Bankshares, Inc. and Subsidiary (Company), which comprise the balance sheet as of December 31, 2020, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements. We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### ***Management's Responsibility for the Financial Statements and Internal Control over Financial Reporting***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Definition and Inherent Limitations of Internal Control over Financial Reporting***

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas State Bankshares, Inc. and Subsidiary as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the COSO.

### ***Prior Year Audited by Other Auditors***

The 2019 financial statements were audited by other auditors, and their report thereon, dated April 24, 2020, expressed an unmodified opinion.

**BKD, LLP**

San Antonio, Texas  
April 29, 2021



# Operations

**Karen Valdez, Chief Operations Officer**

As we look back on the year 2020, the word “unprecedented” took on a whole new meaning. We found ourselves adapting and re-adapting to new facts and information about the pandemic, all the while trying to meet the needs of our customers and employees. In Operations and Human Resources, the themes throughout the year centered around customer service, communication, compassion and, above all, safety.

As the counties throughout the state shut down in late March, 2020, we were challenged to find ways of providing the same exceptional service to our customers that they’ve come to expect. During times when our lobbies were closed, we continued to offer most all types of transactions and services through our motor banks. The use of DocuSign and Zoom became routine in order to conduct “no contact” business. We saw a tremendous increase in the use of digital banking channels. Now that customers have enjoyed the ease and convenience of using online banking and mobile banking, many of these customers may not return to face to face banking. Our vision of ‘Banking Texas one relationship at a time’ was certainly on display with the PPP program. Our lending team came to the rescue of so many customers and noncustomers, building tremendous customer loyalty and allowing us to grow deposits as well. The opening of our full service branch in San Benito in September, 2020 sent a great message to the community that TRB is here to meet their financial needs.

Communication was essential to keeping our employees well informed. Regular Zoom meetings were conducted with different leadership teams to disseminate our safety protocols and practices. We also created a continuous flow of information to employees via email messages. As the country learned more about the devastating virus, we were quick to share it with our staff. By reinforcing the wearing of masks, good hand hygiene and adherence to social distancing, we were able to minimize the incidents of employees contracting the virus from other employees. We were able to make the most of our lobbies being closed by providing training and communicating policies and procedures to our branch staff.

Our Chairman and Directors truly exemplified the TRB culture by offering additional benefits to our employees such as additional hours of PTO to take care of personal needs during the week and additional sick days for Covid related illnesses of family or self. As a company, we stayed flexible and considerate with work schedules. We were mindful of the personal risk tolerance levels of our employees. The genuine care for our TRB family members helped create a great sense of employee unity and painted a true picture of our company culture and strength.

Safe and sound operational processes were certainly priority number one in 2020. Leadership teams worked through the ever-changing surplus of information to determine best practices, safety measures, initiatives and protocols to keep the health and well-being of our customers, employees and their families protected. One of the biggest adjustments we made was in the separation of employees from each other to minimize exposure and prevent the spread of infection. It was also important to physically spread our talent out across locations so that if one employee became ill, others who could perform the same duties would not be at risk of infection. If duties and assignments permitted, many employees were set up to work remotely from home. Others were assigned to different locations and branches where space was available.

Through the many challenges, obstacles and opportunities that 2020 brought us, TRB continued to develop strong customer relationships and serve the needs of our communities. We continue to cultivate an environment that exemplifies our vision, mission, and core values.



# Trust & Wealth Management

**Bobby Farris, Division President**

2020 will be a year that will always be remembered. We were faced with a pandemic that caused a global shutdown and brought on hardships for people worldwide. Most may view the pandemic as a time where nothing good happened; however we should reflect on some of the positive things that took place. Markets have brought on new highs since March of 2020.

We learned a new meaning of “Work from Home,” technology made it possible to continue to educate children and stay in touch with loved ones, and we were given time to reflect on the things that matter most.

While the world took a short break, we here at TRB Wealth Management used the time to focus on what we could do to serve our clients better. We took the opportunity to become a Registered Investment Advisory Firm (RIA). By becoming our own RIA, we can offer and service our clients with the leading custodian in the industry, Charles Schwab Institutional. Below are some of the year’s highlights. As we look back on last year, it is remarkable how far we have come. As our nation continues to heal, we at TRB Wealth Management will continue to pray for our country and the people affected by this pandemic.

**The Trust Division** provides administrative services for many different types of trusts, including Revocable/Living Trusts; Irrevocable Trusts; Life Insurance Trusts; Court Created Trusts; Individual Retirement Accounts (IRA’s) and settlement of Estates. Due to the Covid 19 pandemic, many individuals have approached us with requests to review their existing documents and/or to help in creating documents related to their estate planning. We regularly encourage clients to review their information whenever life changing events occur (births; deaths; marriage; divorce; moves to or from different states and more). The events of 2020 reminded us all how important it is to keep these documents updated.

**What is a Trust?** A trust is a private legal arrangement that establishes a fiduciary relationship where the ownership of someone’s assets is transferred to someone else (a trustee) to look after and use to benefit a third person, group of people or charitable organization.

We work closely with our TRB Wealth Management advisors on investments for our clients’ accounts. We share in their philosophy of staying invested around the world and using a long term perspective.



“The investments you make today will provide for a better quality of life tomorrow.”

- Sandra Moreno

The Trust & Wealth Management group worked closely during the current Texas Legislative session with the office of Texas State Representative Eddie Lucio III in drafting potential legislation that would benefit our Trust Clients. One of those bills, lengthening the Rule of Perpetuities, from 21 years to 300 years has been passed by the Texas House of Representatives and is currently being considered in the Senate. Texas is one of only a handful of states that still has such a limited time frame. This bill would allow for individuals, such as many of our clients, to pass family fortunes to many more generations than current law allows. The ability to do this would keep Texas money and Texas assets in the state vs going to Trustees in other states where this is currently allowed.



“The best allocation will always be the one you’re most comfortable with which allow you to stick with it over time.”

- Sal Garcia



# International Private Banking

## Eduardo Caso, Senior Vice President

It goes without saying that 2020 was a year unlike any other. It brought many challenges presented by the spread of the Covid-19 pandemic and the crippling effects on many aspects of daily life. Still, it demonstrated our ability to execute.

Our international business also got impacted by this pandemic. Business activity slowed tremendously. The Federal government established a ban on nonessential travel across the U.S.-Mexico Border, making it very difficult for our customers to come to the United States to perform bank operations. The International Team also stopped traveling to Mexico to visit customers and do business development activities.

In response to the challenges caused by Covid-19, we had to adjust our business model and strategy. Putting customers first was our priority; it is not something we say – it is a mindset. It is who we are and how we thrive as a business. It is about making it easier for our customers to do business with us. The critical question was how we could best serve our customers during these difficult times.

As a response to the challenges caused by the pandemic, the International Team transitioned from face-to-face interaction to digital interaction via video calls. We continued servicing all our customers from Mexico, providing crucial financial advice and solving problems, successfully managing critical functions, and keeping the business operating at a high level. In addition, customers constantly received strong support from the bank's enhanced digital capabilities and strong teamwork and collaboration across all our TRB business units.

We appreciate our Chairman, Board of Directors, and Executive team for their engagement and ongoing support during these uncertain times and our customers for the opportunity to serve them.

We will continue to strive to maintain your support and trust. It is also essential to recognize the hard work and dedication of the international team who delivered the

excellent customer experience that Texas Regional Bank is known for in the face of unprecedented challenges.

### 2020 Performance Results

Despite these circumstances, we were able to obtain good results.

- **Deposits** - In 2020, we generated \$15.1 million in new deposits, a 29% growth YOY.
- **Loans** - We teamed up with TRB commercial bankers Carlos Garza and Cesar Suarez to provide credit facilities to our international customers. New loans funded for the year amounted to \$22.2 million. In addition, we referred a \$9.8 million domestic loan to Laura Villarreal, a TRB commercial banker working out of McAllen, Texas.
- **Foreign Exchange (FX)** - After several months of planning and implementation, we were able to establish the FX Department. This department officially launched its operations at the end of July 2020. Its main objective is to provide TRB's commercial and consumer customers the ability to make international payments. We currently offer twenty-six foreign currencies.

In August 2020, the FX department also started an incentive referral program for TRB bankers. This program is designed to provide a monetary reward for closed referrals made by said bankers.

At the end of the year, the FX department performed almost 300 transactions with a volume of over \$12 million.



# Mortgage

**Erin Needham, Division President**

It was a record year for the mortgage division. No, this isn't a reprint of last year's mortgage update; 2020 was another record year. Annual loan production was \$66.8 million, a 66% increase over the previous year. The number of loans closed grew to 255, an 87% increase over 2019. Loan growth contributed to another important milestone for the mortgage division: profitability. For the first time since launching in 2017, the mortgage division reported a positive net income, contributing \$502 thousand to the bank's bottom line. A red hot refinance market, a niche construction loan product, and our fantastic team all resulted in a monumental 2020. For the first four months of 2021, the mortgage division is ahead of last year's pace with \$26.4 million in loan closings.

2020 will be long remembered for many things. In the mortgage world, it will forever be remembered as the year of refinancing. According to Freddie Mac data, mortgage rates steadily declined throughout the year, finally settling at an all-time low in November. Our mortgage team was focused on helping our customers take advantage of these historically low rates. While rates have increased slightly off their record lows, customers who missed out in 2020 are still able to refinance at a low rate, for now.

Another product that saw increased demand was our one-time close construction to permanent financing solution. Traditionally, building a home would require two separate loans, one for the construction phase and then a permanent loan once complete. This process requires borrowers to go through the loan approval process twice and pay third-party fees on both loans. Our product makes it simple: Borrowers apply once, pay one set of fees and close one loan. However, the most valuable aspect of a one-time close loan is that the borrower locks in their interest rate, protecting them from the rates rising between the time they close their loan until construction is complete.

Finally, a record year for the division equates to a fast-paced environment for our lenders and operations staff. To keep with demand, we added another lender in the Hill Country. Michael Lux joined the team with 15 years of experience, and in addition to a robust competency in traditional financing, he specializes in builder and construction loans. We also recently hired Monica Garcia as an Underwriter, providing the staff with two in-house underwriters, which should improve efficiencies in processing loans. I'm looking forward to watching our team and division continue to prosper in 2021.



# Economic Development

## Alex Meade, Senior Vice President

In January 2020, Texas Regional Bank decided to expand its commitment to further serve its communities by establishing an Economic Development and Public Finance (EDPF) Division. TRB's forward-thinking vision could not have been timelier, considering that in March 2020, the world came to a stop with the Covid-19 pandemic.

The pandemic forced the local government, small businesses, and banks to swiftly create flexible rules to keep the public safe while keeping businesses operational. Businesses had to learn to do business under these new rules to stay afloat. Banks had to understand that businesses were now going to be operating at a lesser capacity and would have to work with them as best as possible until a solution was provided.

The solution was a federal stimulus package that injected millions of dollars into local governmental entities. Through its Economic Development and Public Finance division, TRB was able to work hand in hand with these entities to develop programs and strategies that best utilized these funds.

### EDPF division activities included:

- Assisting with the implementation of a tax increment reinvestment zone (TIRZ)
- Conducting retail studies
- Drafting economic development strategic plans
- Facilitating meetings between communities and state agencies
- Helping commercial clients navigate the bureaucratic permitting process throughout various municipalities

Serving as a resource to commercial and public sector clients gives TRB an advantage in identifying and developing public sector opportunities in the various TRB markets.

Additional responsibilities include managing TRB's public policy strategy and site selection for branch expansion into new markets.

### 2020 Highlights:

#### Public Funds

- Total Accounts grew by 65%
  - 179 accounts in 2019
  - 296 accounts in 2020
- Total Deposits grew by 126%
  - \$76,289,633 in 2019
  - \$172,703,285 in 2020

#### Site Selection

- Identified site in the City of Leander
  - According to the U.S. Census, Leander is the nation's fastest-growing city of 50,000 or more in population.
- Identified site in Rio Grande City
  - FM 755 is currently being realigned to provide an additional north-south corridor on the east side of Rio Grande City and provide congestion relief along US 83. This transportation project has attracted both commercial and industrial developers making RGC a prospect for TRB.

#### Public Policy

- Worked with State Rep Eddie Lucio to introduce legislation in the 87th Legislative Session which runs from Jan 12, 2021 – May 31, 2021
  - House Bill 653 – Relating to a trust beneficiary's approval of a trustee's accounting
    - This bill would amend the Property Code to create a presumption that a beneficiary of a trust that is not under judicial control approves of the trustee's accounting of the trust if the beneficiary does not object to it before the 180th day after it is delivered to the beneficiary's last known mailing address. In the absence of fraud, intentional misrepresentation, or material omission, the trustee would be released from liability relating to all matters in an accounting that is presumptively approved by the beneficiary.
- House Bill 654 – Relating to the Rule Against Perpetuity
  - There are concerns that Texans do not have the same options in estate planning that they would have in other states that have changed or eliminated the rule against perpetuities, thus permitting a more extended period before an interest in a noncharitable trust must vest. While a number of other states have extended that period to several hundred years or more, Texas still limits it to 21 years after the death of some person who was alive when the interest was created. This may result in a less competitive market, encouraging Texans to take their estate investments out of state, and may disadvantage Texans by making it more difficult for them to devise their estates as they wish. H.B. 654 seeks to address these concerns by providing for 300 years before an interest in an applicable trust must vest.

# DIGITAL BANK

## TRB | ON-DEMAND

One of today's modern comforts is the ability to go home after a long day, relax on your couch, and watch almost any movie or TV show on demand. Can you remember not being able to watch several episodes of your favorite show back-to-back? But on demand doesn't stop with our TVs, it's just the start. We now have food delivered to us, catch a ride with a complete stranger, and, of course, do your grocery shopping in a few minutes via curbside. What a time for convenience.

Texas Regional Bank has offered a variety of digital banking solutions like mobile banking, online banking, and mobile deposit, but this year we added more capabilities for you to do your banking when you want to. The new technology really is becoming banking on demand, TRB On-Demand.

Need to pay your barber? Send him cash through Zelle®, a money transfer app inside our mobile banking that gives you the ability to send money instantly. Does someone owe you money? Receive it via Zelle®. It's part of TRB On-Demand.

Business moves quickly, and there are times when you need to meet with your banker. With TRB On-Demand, you can book an appointment with your banker or a loan officer from our website. Simply visit our website, find your banker, and book an appointment. No need to call in and see when they are available, you book the appointment right to their calendar. That's TRB Banker On-Demand.

These two new features are in addition to the many great features already available via TRB mobile and online services. While we are proud to offer these banking on demand features, we are and will always be your local bank you can walk in and be taken care of.

*To learn more about Zelle and setting an appointment with a banker, visit our website or visit your local TRB.*



**FROM LEFT TO RIGHT: MICHAEL FALLEK, BOBBY FARRIS, CARLOS VARELA, BRAD WOLFE, MICHAEL SCAIEF, TUDOR UHLHORN, BILL ELLIFF, PAUL MOXLEY, & MARK RICHARDS**



**FROM LEFT TO RIGHT: BRENT BALDREE, LINCOLN TALBERT, KAREN VALDEZ, MICHAEL SCAIEF, MICHAEL LAMON, & JASON LEAL**

**Trust & Wealth Management**

**David L. Estes** - Executive Vice President/Executive Trust Officer  
**Hortencia Villarreal** - Senior Vice President/Senior Trust Officer  
**Irma Murray** - Vice President/Trust Officer  
**Ruth Balaguer** - Vice President/Trust Administration Manager  
**John Tippit, IV** - Vice President/Investment Advisor  
**Rick Garcia** - Assistant Vice President/Financial Advisor  
**Linda Roberts** - Assistant Vice President/Financial Advisor  
**Taylor Hansen** - Administrative Officer/Financial Advisor  
**Vincent Richards** - Administrative Officer/Trust Administrative Officer

**Operations****Executive Vice President**

**Rene Avila** - Senior Operations Officer  
**Rolando Carrasco** - Chief Compliance Officer  
**Brad Freudenberg** - Chief Technology Officer  
**Ronda Johnson** - Chief Innovation Officer

**Senior Vice President**

**Belinda Cantu** - BSA Officer  
**Eduardo Caso** - International Private Banking  
**Jane Jansen** - Compliance  
**Alex Meade** - Economic Development & Public Finance  
**Karen Moore** - Application Support Manager  
**Ricardo Morales** - Senior Branch Administration Officer  
**George Mukhar** - Security & Central Operations Manager

**First Vice President**

**Diana Delaunay** - Senior Branch Sales Officer  
**Sylvia Huerta** - Merchant Services Sales Manager  
**Rita Rivas** - Senior Financial Accounting Manager/CPA  
**Benny Serna** - Client Relations Officer

**Vice President**

**Pedro Arce** - Compliance Officer  
**Nick Consiglio** - Marketing Director  
**Grant Buck** - Digital & Product Management Officer  
**Mary Espinoza** - Electronic Banking Manager  
**Nelda Rodriguez** - CRA Officer  
**Flor Torres** - Senior IT Manager  
**Norma L. Trevino** - Banking Center Operations Manager  
**Alma L. Villarreal** - International Private Banking  
**Carie Williams** - Human Resources Manager

**Assistant Vice President**

**Deborah Arfele** - Central Operations Manager  
**Judy Benson** - New Accounts Specialist  
**Kimberly Boren** - Banking Center Operations Manager  
**Ana Garcia** - Branch Administration Supervisor  
**Laura Elizondo** - Loan Servicing & Data Support Officer  
**Roel J. Estringel** - Senior Accounting Analyst  
**Lori Lopez** - Banking Center Operations Manager  
**Adriana Medrano** - Banking Center Operations Manager  
**Omar Rodriguez** - IT Officer  
**Yvette Vasquez** - Banking Center Operations Manager  
**Rogelio Vela** - International Private Banking

**Administrative Officer**

**Cathy Brown** - Deposit Operations Specialist  
**Amara Cano** - Banking Center Operations Manager  
**Indra Castaneda** - Banking Center Operations Manager  
**Irene De La Garza** - Banking Center Operations Manager  
**Gracie Diaz** - BSA Analyst Supervisor  
**Rita Garcia** - Customer Care Manager  
**Savannah Gonzalez** - Banking Center Operations Manager  
**Abigail Guzman** - Banking Center Operations Supervisor  
**Rogelio Hernandez** - Senior Corporate Financial Analyst  
**Danielle Horna** - Operations Project Manager  
**Patricia Lattanzi** - Banking Center Operations Manager  
**Donna F. Martin** - Teller Supervisor  
**Marcy Martinez** - Banking Center Operations Manager  
**Monica Obregon** - BSA Foreign Risk Supervisor  
**Alicia Perkins** - Banking Center Operations Manager  
**Nelson Quinillo** - Desktop IT Support Technician  
**Kevin Schach** - Desktop IT Support Tech Manager  
**Chet Reed** - Banking Center Operations Manager  
**Julie Rodriguez** - Reconciliation Specialist  
**Cynthia Solis** - Banking Center Operations Manager  
**Veronica Tarango** - Branch Administration Field Operative

**Josh Walker** - Banking Center Operations Manager  
**Megan Weldon** - Regional Banking Center Operations Officer  
**Dana Marie Wright** - Banking Center Operations Manager

**Lending****Executive Vice President**

**Randy McLelland** - Special Assets Credit Officer  
**Cubby Hudler** - Johnson City Market President  
**Lance Needham** - Division President/Senior Credit Officer  
**Erin Spruiell** - Division President Hill Country

**Senior Vice President**

**Natalia Bury** - Loan Officer  
**David DeStefano** - Lakeway Market President  
**Fred L. Garza** - Edinburg Market President  
**JR Manatt** - Leander Market President  
**Anabel Navarro** - Falfurrias Market President  
**Michele Robinson** - Harlingen Market President  
**Carlos A. Rodriguez** - Brownsville Market President  
**Keri Sandvig** - Bulverde Market President  
**Cesar Suarez** - Mission Market President  
**Laura Villarreal** - McAllen Main Market Manager  
**Mario Ysaguirre** - Loan Officer

**First Vice President**

**Gaby Garza** - Senior Credit Officer  
**Troy Gearhart** - Loan Officer  
**Jason R. Hendrix** - Loan Officer  
**Benjamin Ingram** - Loan Officer  
**Elias Longoria** - Loan Officer

**Vice President**

**Nydia Bravo** - Lending  
**Rachelle Cisneros** - Mortgage Services  
**Diana De La Fuente** - Lending Assistant  
**Nora L. Koite** - Loan Officer  
**Eliza Garcia** - Senior Credit Officer  
**Carlos Garza** - Loan Officer  
**Olivia Garza** - Loan Officer  
**Sherry Hawkins** - Loan Servicing  
**Zachary Hudler** - Johnson City  
**Gregory Lick** - Loan Officer  
**Calen McNett** - Loan Officer  
**Annette Salinas** - Loan Officer  
**Rebecca Rodriguez** - Loan Administration

**Assistant Vice President**

**Jessica Adame** - Senior Credit Analyst  
**Pam Cantu** - Lending Assistant  
**Olivia Contreras** - Lending Assistant  
**Kandice Bethke** - Fredericksburg Market Manager  
**Robert Donalson** - Loan Officer  
**Micaela Garcia** - Lending Assistant  
**Patricia Juaristi** - Credit Analyst Supervisor  
**Janie Martinez** - Lending Assistant  
**Tayde Miller** - Lending Assistant  
**Daniel Padilla** - Loan Officer  
**Idalia Pena** - Loan Officer  
**Margarita Rebollar** - Lending Assistant

**Administrative Officer**

**Stephanie Burson** - Lending Assistant  
**Veronica Harz** - Lending Assistant  
**Hilda Lazos** - Lending Assistant  
**Miriam Lozano** - Lending Assistant  
**Diana Morales** - Lending Assistant  
**Steven Rodriguez** - Lending Assistant  
**Barbara Schmidt** - Lending Assistant  
**Thelma Sanford** - Lending Assistant

**Loan Officer**

**Quinton Clayton** - Mortgage  
**Maria Chalico** - Lending  
**Bertha De La Garza** - Mortgage  
**Aaron Humphreys** - Lending  
**Robert James, IV** - Lending  
**Michael Lux** - Mortgage  
**Stephanie Price** - Mortgage  
**Chris Villarreal** - Lending



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