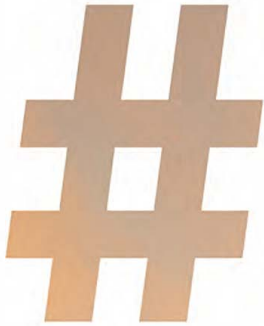




TEXAS REGIONAL BANK

Newsletter
Vol.4 Issue2



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Chairman's Letter

Michael Scaief, Chairman of the Board

Once again we find ourselves heading into the holiday season and wondering where the year has gone! It is hard to believe Texas Regional Bank began its 4th year of operations in May. We continue to achieve quarterly milestones in growth and performance and deliver exceptional banking results.

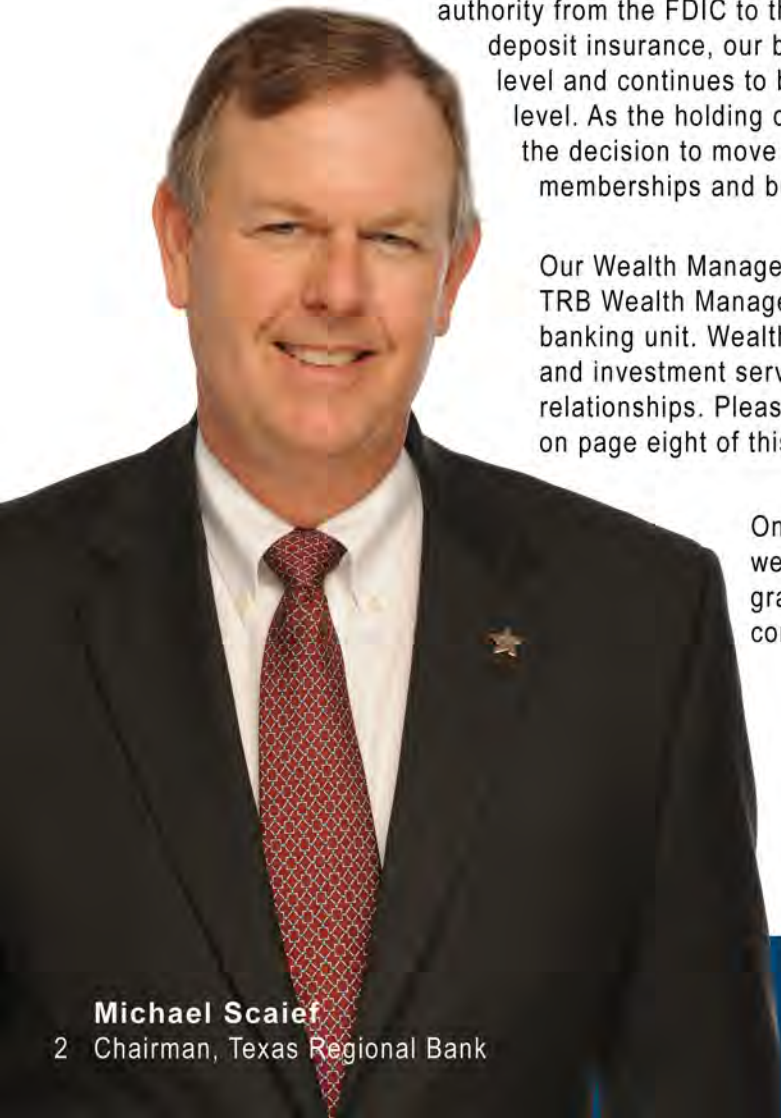
For 2014, we anticipate asset growth to exceed 20% (just over \$60 million) with sound loan growth exceeding 20% (just over \$50 million). As of September 30th, assets were \$437 million, with loans at \$240 million. Earnings improved through the first three quarters of the year: Q1 - \$267K, Q2 - \$314K, and Q3 - \$443K. Total earnings through the 3rd quarter exceeded \$1 million, with our past month (September) being our best earnings period thus far.

On September 29th we opened our ninth branch in Mission, Texas. The beautiful 4,000 square foot facility features the same traditional brick, arches, and clerestory as our other branches, along with compelling historic photos from the community's past. We assembled a team of seasoned bankers from the area that know the community well and without a doubt, will build a successful franchise in short order. TRB Weslaco will be our next focus. We are close to securing our location and plan to be operational by mid-summer 2015.

Over the last six months, we were working on becoming a Federal Reserve member bank and the application process was completed successfully in October. This move, transfers the bank's regulatory authority from the FDIC to the Federal Reserve. While the FDIC continues to provide deposit insurance, our bank is now regulated by the Federal Reserve at the federal level and continues to be regulated by the Texas Department of Banking at the state level. As the holding company has always been a member of the Federal Reserve, the decision to move the bank's membership was strategic, helping us to consolidate memberships and build our Federal Reserve relationship.

Our Wealth Management Division, led by Juan Garcia, opened on September 15th. TRB Wealth Management will complement Trust Services as well as our core banking unit. Wealth Management will provide a tremendous financial planning and investment service for our customers as well as new opportunities for building relationships. Please take a minute to read Juan's piece on wealth management on page eight of this newsletter.

On behalf of the employees and directors of Texas Regional Bank we wish you all a safe and joyous holiday season. We remain grateful to our shareholders and customers for their continued confidence and support and look forward to a prosperous 2015.



Michael Scaief

2 Chairman, Texas Regional Bank

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Board of Directors

Michael Scaief - Chairman
Robert Farris - Vice Chairman
Tudor Uhlhorn - Secretary
William Elliff
Michael Fallek
Paul Moxley
Mark Richards
Carlos Varela
William Wolfe

Executive Team

Paul Moxley - President & Chief Executive Officer
Mark Ramirez - Chief Financial Officer
Michael Lamon - Chief Credit Officer
Brent Baldree - Chief Lending Officer
Joe Brown - Chief Operations Officer

“We are the bank you can count on
with a team dedicated to
your success.”

- Moxley



The people you know.™



Full Speed Ahead

By: John Booth, Senior Vice President / Investment Officer



The Texas economy has surged this year in job growth, housing, and energy-related industries. As noted in the Dallas Fed report, employment in Texas has grown at levels above the national average. Corporations continue to move to Texas to take advantage of lower costs, weather, and no state income tax.

In recent weeks we have seen volatility return to markets worldwide. Factors contributing to this include deteriorating economic situations in Europe, widespread geopolitical trouble in the Middle East and Europe, and uncertainty about Ebola. Markets worldwide have sold off dramatically from recent highs. The foreign exchange value of the dollar has appreciated 8% in the past 3 months, particularly against the euro, the yen, and the pound sterling. The concern now is the persistent shortfall of economic growth in the euro area, which could lead to further appreciation of the dollar, and in turn, adverse effects on U.S. economy.

The stronger dollar has caused commodity prices to decline precipitously over the last several months. Oil, gold, and copper have all declined. Oil peaked at \$107.26 per barrel on June 20th. Since then it has seen a steady decline to a new low on October 14th of \$84.46. Crude oil has returned to levels not seen since the summer of July 2012. Economists believe the drop at the gasoline pump will add \$431 million of discretionary income to the US economy, just in time for the Christmas shopping season.

Interest rates have been close to 0% since 2008 and, with the U.S. economy showing signs of a pickup, the Federal Open Market Committee members are debating when they should begin to rise. Many market participants have indicated rates should begin to pick up in mid 2015, while others believe it will be early 2016. With the recent sell off in the stock market, most economists think it will be later rather than sooner.

BOTTOM LINE

- Interest rates may continue to be low for a longer period than anticipated. Fixed income investors should build a laddered portfolio for additional income. Ladder maturity dates equally at 6, 12, 18, and 24 months.
- Stock markets will be volatile. Stay focused on fundamentals! Throughout this economic expansion, the stock market has shown a remarkable ability to rebound from these types of situations.

Here are some excerpts from the September 18, 2014 Federal Reserve Bank of Dallas Report

Texas Job Growth Spikes; Dallas Heating Up

Texas employment grew an annualized 4.5% in July, about the same as the 4.6% growth realized in the second quarter—the strongest quarterly growth since 1997 (Chart 1). Employment gains are broad based, with the energy sector still adding jobs at a faster rate than all other sectors.

Chart 1
Texas Employment Growing at Blistering Pace

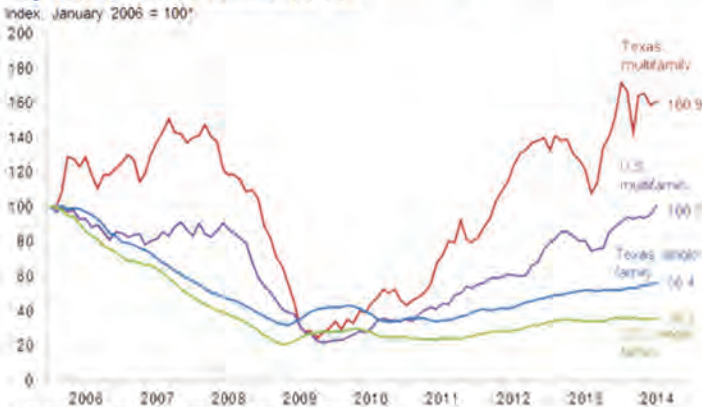


*Seasonally adjusted, annualized rate.
NOTES: Growth is quarter/quarter; shading represents an incomplete third quarter for 2014, which is July/June for Texas and August/June for U.S.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal adjustments by the Federal Reserve Bank of Dallas.

Residential Permits Strong; Commercial Rents Climb

Multifamily building permits have surpassed prerecession highs in Texas and the nation this year (Chart 2). Despite the increased supply of apartments, rents continue to rise in all major Texas metros due to continued solid demand. In contrast, single-family home construction has increased gradually. This slower growth is in part due to constraints on the supply side, such as a shortage of developed lots, higher construction costs and widespread labor shortages. Texas home price appreciation is slowing, increasing 0.2% in the second quarter.

Chart 2
Permits Data Suggest Texas Multifamily Building May Cool Off After a Remarkable Run



*Five-month moving average; seasonally adjusted, annualized rates.
NOTE: Last data point is July.
SOURCE: U.S. Census Bureau.

Rig Counts Rise, While Oil Prices Dip

Crude oil prices have trended downward since late July, while natural gas prices have firmed slightly. Since August, the Texas rig count has been over 900—the highest in two years. Plentiful supplies of relatively inexpensive oil and natural gas liquids in the Gulf Coast region have led to record exports of petroleum products. The U.S. has been a net exporter of petroleum products since July 2011 (Chart 3). A recent U.S. ruling allowing some exports of condensate could further boost this trend.

Chart 3
Net Imports of Petroleum Products Go Negative as Exports Surge



*Four-week moving average.
NOTE: Last data point is the week of Aug. 29.
SOURCE: Energy Information Administration.

July Exports Surge

Texas exports rose in July after six straight months of no growth. The July total of \$26.5 billion surpassed the prior peak earlier this year (in January). Year to date, exports are up 7.8% over the same period last year, most likely due to refined petroleum products.

Prices and Wage Pressures Growing

Both the TMOS finished goods prices and the TSSOS selling prices indexes have been rising at above-average rates this year, with August readings well above their post-recession averages. Texas hourly earnings rose 3.6% in the past year, compared with a U.S. increase of 1.7% over the same period. Wage pressures remain far above their average levels, according to both TMOS and TSSOS (Chart 4).

Chart 4
TBOS Wage Pressures at Postrecession Highs



*Three-month moving average; seasonally adjusted.
SOURCES: Federal Reserve Bank of Dallas Texas Business Outlook Survey (TBOS); Texas Manufacturing Outlook Survey (TMOS) and Texas Service Sector Outlook Survey (TSSOS).

Outlook Positive, but Growth Pace Unsustainable

The Dallas Fed leading index grew in June for the 5th consecutive month, rising 0.4%. Combined with strong July employment gains, the Dallas Fed forecast is for 3.6% job growth in 2014. All told, the regional economy is growing at an unsustainable pace. Texas employment has grown at more than twice its long-run average rate over the past four months. Declines in unemployment measures have slowed, suggesting Texas is near full employment and slack is being depleted. The rapid growth has led to labor shortages, which can cause bottlenecks in production and hurt productivity. Tight labor and housing markets are leading to mounting wage pressures and increasing prices.



#9 AND LOOKING FINE



Cindy Mancha
Operations Manager

Steven Rodriguez
Operations Specialist

Edeisy Chapa
Operations Specialist

Cesar Suarez
Mission Market President

It's hard to believe, but in 2010, Texas Regional Bank had only one location. In the past four years we have focused on building new locations to give customers a bank just down the street. While some claim 'going to the bank' is a thing of the past, we know that sometimes you need to sit down with someone, talk about your vision, and work out a solution. Building relationships is why we continue to build banks across South Texas.

Mission, Texas, is home to our 9th location and we are very proud of this new, smaller footprint bank. "Mission is a great city for Texas Regional Bank to grow into," said Paul Moxley, CEO. "Like the rest of the Valley, Mission has a rich history and a very bright future." Mission is the first construction project since the merger and it is doing very well. "The response has been amazing!" said Beverly Speer, Sr. Vice President/ Branch Development. "Everyone that comes in is excited that we are in Mission, and I'm proud to be working in the new TRB."

The TRB Mission branch is unique. It breaks the mold of a traditional bank by combining new account desks and teller counters into one. Cindy Mancha is the manager, and her team is ready to serve you. "The new system is going to give us more opportunity to provide solutions to our customers," said Mancha.

"When we were designing the Mission bank, our goal was to create a location that utilized cross-trained staff who could handle a variety of services with a strong loan officer as the anchor," said Paul Moxley. Cesar Suarez, Senior VP / Mission Market President, is the lead loan officer with 12 years of banking experience.

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



Beverly Speer
Sr. Vice President/Branch Development

Laura Villarreal
Commercial Lender

Esmer Hinojosa
Operations Specialist

Miriam Lozano
Lending Assistant



The Value of Independent Advice

By: Juan Garcia, Senior Vice President / Financial Advisor



A recent *New York Times* article (“Before the Advice, Check out the Adviser” by Tara Siegel, October 10, 2014) highlighted the importance of obtaining independent financial advice. Often consumers do not realize that many financial advisors are not required to follow the most stringent requirement for financial professionals, known as the fiduciary standard.

Under the fiduciary standard an investment advisor must place the client’s interests above their own and act in the best interest of the client. For example, the advisor cannot buy securities for their account prior to buying them for a client, and is prohibited from making trades that may result in higher commissions for the advisor or the investment firm.

It also means that the advisor must do his best to ensure investment advice is based on accurate and complete information, and that any financial analysis is thorough. Avoiding conflicts of interest is important when acting as a fiduciary, and it means that an advisor must disclose any potential conflicts, should those occur.

Evidence overwhelmingly suggests that investors suffer real financial harm — albeit unquantifiable harm — as a result of so-called ‘advice’ to invest in products that have high costs, that expose them to unnecessary risks or that simply offer mediocre performance relative to other options. Many people think that they are getting fiduciary level advice when they are not. Prior to working with any financial advisor make sure to ask whether the advisor is acting in a fiduciary capacity on your behalf. If the advisor does not answer yes, then you should choose another advisor.

The advisors at TRB Trust & Wealth Management pride themselves on providing their clients with a fiduciary standard level of service. Contact us to see how we may be able to assist you in developing a financial plan that works for you.



Juan Garcia

Bobby Farris, CFP



The Wealth Management team is lead by Juan Garcia. He has a BBA in Economics and Business Administration from Trinity University and Law Degree from Georgetown University. Bobby Farris is Vice Chairman of Texas Regional Bank Board of Directors and is serving as Chairman of the Wealth Management Division. Bobby has a BBA in Finance from UT Austin and an MBA in Finance from St. Edward’s University. He is also a Certified Financial Planner, CFP. Combined they have over 50 years of successful wealth management experience.

Investment and insurance products and services are: Not a Deposit. Not FDIC Insured. May Lose Value. Not Bank Guaranteed. Not Insured by any Federal Government Agency. Texas Regional Bank and its representatives do not provide tax or legal advice. Each individual’s tax and financial situation is unique. Individuals should consult their tax and/or legal advisor for advice and information concerning their particular situation.

Grow Your Business with TRB

By: Sylvia Huerta, First Vice President / Merchant Services Sales Manager



Texas Regional Bank provides merchant services (credit cards) from, mail and phone orders to e-commerce and customer processing solutions for retail, lodging, and healthcare industries. Our highly trained and dedicated employees provide unmatched customer service, always striving to make sure that our merchants are happy. Using the latest in technology, Texas Regional Bank offers a broad range of processing solutions to keep you well ahead of the pace.

The Top 10 Benefits of Accepting Credit Cards



- 1 Accepting credit cards legitimizes your business.**
By displaying the logos of the credit cards you accept at your cash register or on your website, you grab a cardholder's attention and create a sense of trust in your business. When they trust you, they're more likely to buy from you.
- 2 Accepting credit cards can boost sales.**
Moving from a cash-only operation to one that accepts credit and debit cards broadens your potential customer base.
- 3 Accepting credit cards helps level the playing field with your competition.**
The businesses with whom you compete are already accepting credit cards. Taking this step yourself will help to ensure the survival of your business in an uncertain financial climate.
- 4 Credit cards encourage buying in general and impulse buying in particular.**
Shoppers feel in control when they use credit and debit cards. Some studies show that customers spend more when paying with plastic instead of cash.
- 5 Accepting credit cards can improve your cash flow.**
Credit card transactions are processed electronically and typically are deposited within a few business days. No waiting for checks to clear and less cash to handle.
- 6 Accepting credit cards is practically a requirement if you do business online.**
The majority of transactions on the Internet require credit cards. If you are an e-commerce merchant, you can't afford not to accept plastic.
- 7 Accepting credit cards eliminates the risk of accepting a bad check.**
One bounced check can take a big chunk out of your daily profits. Credit card transactions are screened as they are processed to reduce the risk of fraud.
- 8 Credit cards are convenient for shoppers, who seek out merchants that accept them.**
Customers want to choose the method of payment that's most convenient and beneficial for them. Frequently that means credit cards, especially if they offer points, mileage or other rewards.
- 9 Accepting credit cards is a relatively inexpensive business expense.**
Credit card processing is a highly-competitive industry, so you'll likely find a merchant services package that suits your budget. In fact, many merchants find that the increase in sales generated by accepting credit cards more than covers the costs involved.
- 10 Getting set up to accept credit cards is quick and easy.**
At Texas Regional Bank, we can process your merchant account application immediately and have you ready to process credit card sales within 24 to 48 hours.



Proud Supporter of **Business Networking**

As the Proud Supporter of the Local Economy, we believe in encouraging and creating business networking opportunities. That is why we recently partnered with the local Chambers of Commerce in Harlingen and Brownsville to host “business after hours” mixers.

“Texas Regional Bank gets it - they are here to help the local economy,” said Chris Gonzalez, President/CEO of the Harlingen Chamber. “We were glad to be a part of the four-year anniversary celebration and honored to have their partnership.”

Close to 200 people participated in the September 18th event in Harlingen. “It was a very successful event,” said Michael Lamon, Harlingen Market President and Chief Credit Officer.

A TRB gathering in Brownsville on October 9th also saw a large turnout, “Hosting networking events not only brings in current customers but also new people who are looking to grow their businesses,” said Carlos Rodriguez, Senior VP / Brownsville Market President.

Again, we’d like to thank all of the TRB team who help make our events a success, including our directors and our shareholders. **Thank you!**



TRB In the Community

When we started the TRB Volunteer Program we couldn't predict how much and how often our team would give of their time, talents, and energy. Since its inception, the TRB staff have contributed close to 1200 hours. "Volunteering is a core value at Texas Regional Bank," said Paul Moxley, CEO. "Community service is part of the reason we have and will continue to be successful." We are anticipating the holidays, as that is the time our volunteers come out to shine the brightest.

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

Here are some of the organizations we are proud to have helped:

Smokin' on the Rio
Ronald McDonald House Charities
Edinburg Chamber of Commerce Fiesta Edinburg
Falfurrias Rotary Spaghetti Dinner
Brownsville Charro Days
Rio Grande Valley Livestock Show
Harlingen Chamber of Commerce Golf Tournament
Affordable Homes of South Texas Home Buyer's Fair
Just Kauz It's Right
McAllen North Rotary Jamaican Me Crazy
International Museum of Arts & Science - McAllen
McAllen Chamber of Commerce Gala
Easter Seals Egg Auction
Friends for Hope
Vannie E. Cook Children's Cancer & Hematology Clinic
Operation Interdependence



*"How wonderful that no one
need wait a single moment
to improve the world."*

-Anne Frank



Banking Centers

Brownsville

3450 Pablo Kisel Blvd

Edinburg

4925 South McColl Rd

Falfurrias

401 N. St Mary St

Harlingen

2019 S. 77 Sunshine Strip

McAllen

4501 N. 10th St

2111 S. 2nd Street

5201 N. 23rd St

1801 S. McColl Rd

Mission

2300 E. Griffin Parkway

*Mission Entrance at Sunrise
October 8, 2014*