



TEXAS REGIONAL BANK

The people you know.™

TRB SHAREHOLDER REPORT - 3RD QUARTER

Acquisition of AccessBank Texas

On July 1, 2022, Texas State Bankshares, Inc. (“TSBI”) completed the acquisition of Access Bancorp, Inc along with its subsidiary, AccessBank Texas (“ABT”). The acquisition of ABT adds approximately \$570 million in assets and five locations in the Denton, Fort Worth, and Dallas markets. The acquisition represents the start of our fourth region across Texas. A part of the acquisition consideration included the issuance of approximately 656,000 shares of TSBI stock to eligible Access Bancorp shareholders.

Branch Expansion

TRB filed a branch application for a location on 10th Street and Congress Avenue in Austin, Texas. This location will serve the downtown area and place us close to the Capitol as we become more involved in economic and community development programs as well as public finance. The downtown area is now home to many high-rise residential complexes and places us close to the growth east of I35. The bank has also closed on purchases for future locations in San Antonio, Kerrville, Boerne, Rio Grande City, and Cypress (Houston). These projects are under planning with target openings in 2023.

Other News

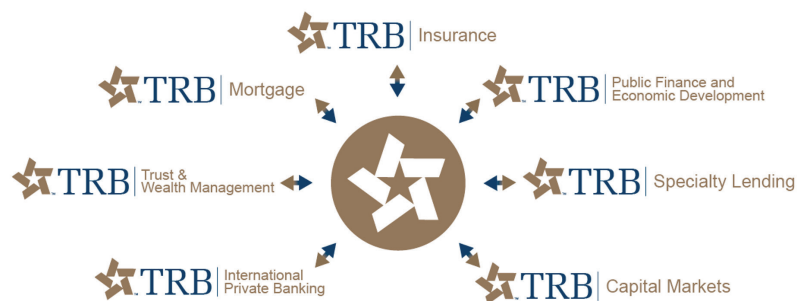
TRB Insurance plans to begin operations before year-end.

Insurance services will include offering a full line of insurance for both personal and commercial. Our concentration of customers throughout the state offers a competitive edge for our insurance model.

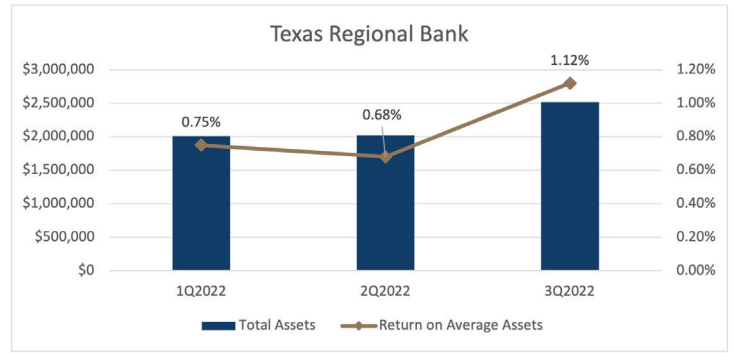
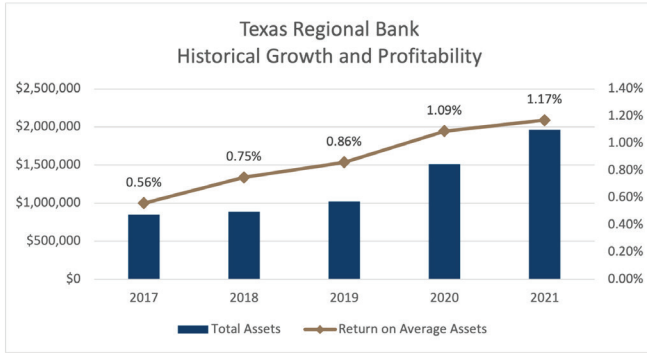
TRB continues to expand its Economic and Community Development model while working on introducing Capital Markets to its suite of services. Capital Markets will focus on bond issuance and advisory services for municipal needs.

Growth and Earnings

The accelerated growth experienced in 2020 and 2021 resulted in an influx of liquidity that has been used to fund excellent loan growth in 2022 and take advantage of high-yielding investment opportunities. While we continue to have growth in all regions, it has slowed from the pace of the prior two years. Earnings in the 3rd quarter have been strong as the acquisition has further leveraged fixed costs and rising rates have improved yields. Annualized earnings in the 3rd quarter were near \$25 million resulting in earnings per share near \$3.50.



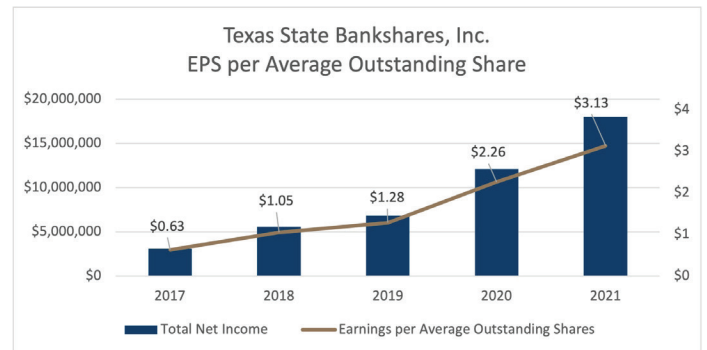
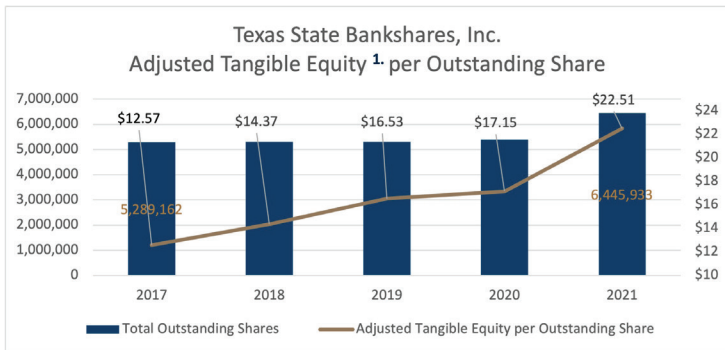
Performance Outlook and Bank Growth Profitability



Bank Growth and Profitability Commentary

TRB continues to focus on its strategic vision of “Banking Texas, one relationship at a time” to achieve profitable growth with emphasis on safe and sound risk management practices. You can see this strategy in the results from 2017 to 2021, resulting in asset growth of approximately 131% and profitability increasing by 110% to a return on average assets of 1.17% in 2021. In 2022, TRB has been focused on the acquisition of AccessBank Texas. While preparation for the acquisition tempered profitability in the first two quarters, the 3rd quarter results show great performance with an annualized return on average assets of 1.12%.

Shareholder Value

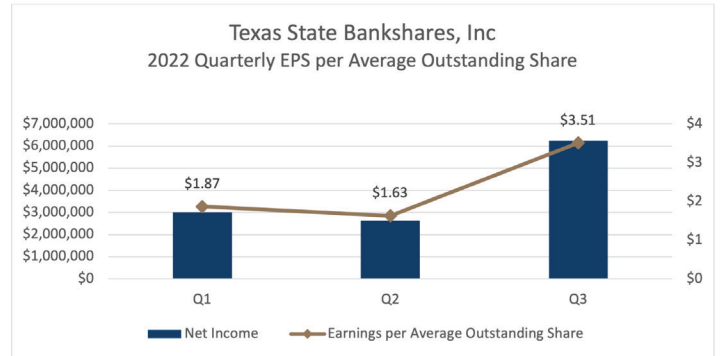
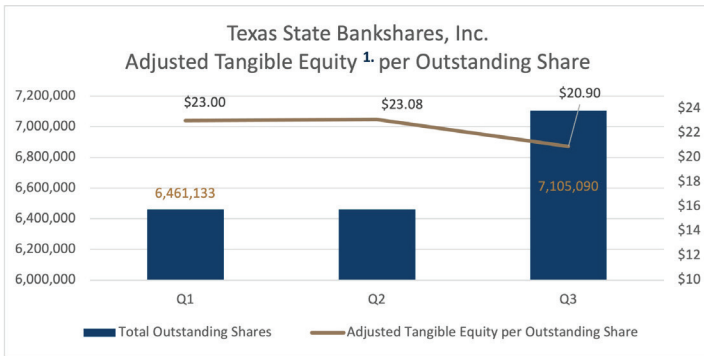


Shareholder Value Commentary

2017-2021

Texas State Bankshares, Inc. is dedicated to delivering shareholder return through consistent growth in baseline share value and sustained, long-term earnings per share enhancement. From 2017 to 2021, adjusted tangible equity per outstanding share has increased 79% or \$9.94, to \$22.51 per share while the number of outstanding shares increased 1,156,771 shares to 6,445,933 of shares outstanding at the end of 2021. During that same time, earnings per average outstanding share increased 397% to \$3.13 at the end of 2021.

Shareholder Value Continued



1. Adjusted Tangible Equity definition: Total equity minus Accumulated Other Comprehensive Income minus Goodwill minus Other Intangible Assets

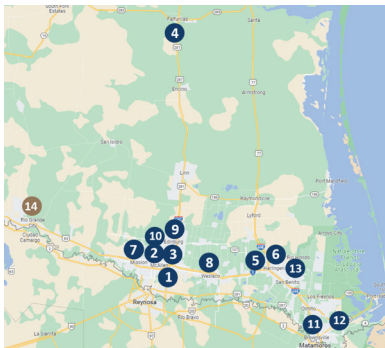
2022

In 2022, total outstanding shares has increased by 659,157 shares to 7,105,090 outstanding as of September 30, 2022. This increase is primarily attributed to the issuance of shares mentioned above related to the acquisition of Access Bancorp (and AccessBank Texas “ABT”). As a result, adjusted tangible equity per outstanding share has decreased to \$20.90. However, as you can see, annualized results from the 3rd quarter show a step up in earnings per average outstanding share to \$3.51 per share. We are confident that the acquisition of ABT will continue to enhance TRB’s profitability and produce accretive results to the adjusted tangible equity per outstanding share through increased earnings.

Banking Texas, One Relationship at a Time.



SOUTH TEXAS/RIO GRANDE VALLEY

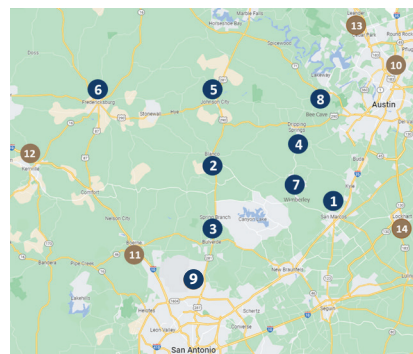


CURRENT

1. McAllen Main
2. McAllen - 23rd
3. McAllen - 10th Street
4. Falfurrias
5. Harlingen - Corporate
6. Harlingen - Stuart Place
7. Mission
8. Weslaco
9. Edinburg Main
10. Edinburg
11. Brownsville
12. Brownsville - Boca Chica
13. San Benito
14. Rio Grande City (Q3 2023)

UNDER DEVELOPMENT & PROSPECTIVE

HILL COUNTRY

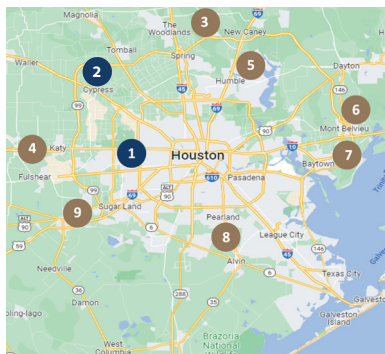


CURRENT

1. San Marcos
2. Blanco
3. Bulverde
4. Dripping Springs
5. Johnson City
6. Fredericksburg
7. Wimberley
8. Bee Cave
9. San Antonio (Q1 2023)
10. Downtown Austin (Q4 2022)
11. Boerne (Q4 2023)
12. Kerrville (Q2 2023)
13. Leander
14. Lockhart

UNDER DEVELOPMENT & PROSPECTIVE

HOUSTON

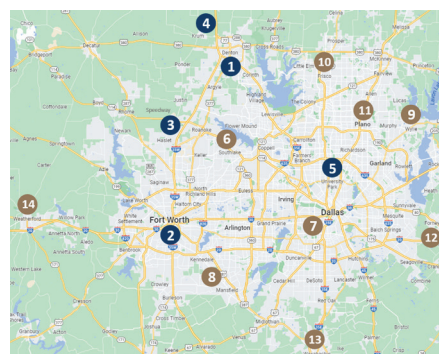


CURRENT

1. Memorial
2. Cypress (Q1 2023)
3. The Woodlands
4. Katy
5. Kingwood
6. Mont Belvieu
7. Baytown
8. Pearland
9. Sugar Land

UNDER DEVELOPMENT & PROSPECTIVE

DALLAS/FT. WORTH



CURRENT

1. Denton
2. Fort Worth LPO
3. Speedway
4. Krum
5. North Dallas (Galleria)
6. Southlake (Q1 2023)
7. Bishop Arts District
8. Mansfield
9. Wylie
10. Frisco
11. Plano
12. Forney
13. Waxahachie
14. Weatherford

UNDER DEVELOPMENT & PROSPECTIVE

- LEGEND
- CURRENT
 - UPCOMING LOCATIONS