

AGREEMENT BY AND BETWEEN
Inter National Bank
McAllen, Texas
and
The Comptroller of the Currency

Inter National Bank, McAllen, Texas (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to increasing credit risk at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller for Bank Supervision pursuant to this Agreement shall be forwarded to:

Gerry B. Hagar
Assistant Deputy Comptroller for Bank Supervision
San Antonio South Field Office
10001 Reunion Place, Suite 250
San Antonio, Texas 78216

ARTICLE II

LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within ninety (90) days, develop, implement, and thereafter ensure Bank adherence to a written, action plan to improve the Bank's loan portfolio management. The actions shall include, but not be limited to:

- (a) develop and ensure compliance with guidelines consistent with Banking Circular 255, setting forth the criteria under which renewals of extensions of credit may be approved. At a minimum the policy shall:
 - (i) ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies; and
 - (ii) provide guidelines and limitations on the capitalization of interest;
- (b) ensure conformance with loan approval requirements;
- (c) ensure conformance with applicable regulatory guidance;
- (d) ensure conformance with Call Report instructions;

- (e) develop a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy and timeliness in credit grading; and
- (f) develop a training program for loan officers on timely problem loan identification, accurate risk assessments, and the consequences of unacceptable lending practices.

(2) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit when the total indebtedness is in excess of one million dollars (\$1,000,000) only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in subparagraph 2(d) of this Article II shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in subparagraph 2(d) of this Article II would be detrimental to the best interests of the Bank.

(ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank.

(3) The Board, or a designated committee thereof, shall conduct a review, on at least a quarterly basis, to determine management's adherence to the program adopted pursuant to this Article II.

(4) Upon completion, a copy of the review shall be forwarded to the Assistant Deputy Comptroller.

ARTICLE III

CRITICIZED ASSETS

(1) The Bank shall take prompt and continuing action to protect its interest in those assets criticized in the Report of Examination dated March 30, 2009 (ROE), or in any subsequent ROE, in any written list provided to management by the National Bank Examiners, by any internal or external loan review, or by any other asset grading process.

(2) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, or in any subsequent ROE, in any written list provided to management by the National Bank Examiners, by any internal or external loan review, or by any other asset grading process equal to or exceeding one million dollars (\$1,000,000) as "doubtful," "substandard," or "special mention." For criticized loans, this program shall include, at a minimum:

(a) an identification of the expected sources of repayment;

- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
 - (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
 - (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.
- (3) For Other Real Estate Owned (OREO), this program shall include, at a minimum:
- (a) a list of the Bank officer(s) responsible for managing and authorizing transactions relating to the OREO properties;
 - (b) an analysis of each OREO property which compares the cost to carry against the financial benefits of near term sale;
 - (c) a detailed description of the marketing strategies for each parcel;
 - (d) an outline of targeted time frames for disposing each parcel of OREO;
 - (e) a schedule of targeted write-downs at periodic intervals if marketing strategies are unsuccessful;
 - (f) procedures to require periodic market valuations of each property, and the methodology to be used; and
 - (g) provision for reports to the Board on the status of OREO properties on at least a quarterly basis.
- (4) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.
- (5) The Board, or a designated committee thereof, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds one million dollars (\$1,000,000);
- (b) management's adherence to the program adopted pursuant to this Article III;
- (c) the status and effectiveness of the written program; and,
- (d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, or in any subsequent ROE, in any written list provided to management by the National Bank Examiners, by any internal or external loan review, or by any other loan grading process and whose aggregate loans or other extensions exceed one million dollars (\$1,000,000) only if each of the following conditions is met:

- (a) the Board, or a designated committee thereof, finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee thereof) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article III shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board, or a designated committee thereof, shall be maintained in the file of the affected borrower.

ARTICLE IV

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the "Allowance for Loan and Lease Losses" booklet of the Comptroller's Handbook, shall ensure a methodology consistent with OCC Bulletin 2006-47, and shall ensure directional consistency with the level of credit risk in the loan portfolio.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

ARTICLE V

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program consistent with OCC Banking Circular 255 and OCC Bulletin 2006-46. To achieve full compliance, the program shall be further improved by including, but not necessarily be limited to, the following:

- (a) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (b) policies and procedures to control and monitor concentrations of credit;
- (c) policies and procedures to require stress testing, periodic market analyses on a portfolio/concentration level, and limitations and exit strategies for concentrations identified by geographic location.

(2) For purposes of this Article V, a concentration of credit is as defined in the “Loan Portfolio Management” booklet of the Comptroller's Handbook.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph 1(a) of this Article V and that the analysis demonstrate that the concentration will not subject the Bank to undue credit or interest rate risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller immediately following the review.

ARTICLE VI

LOAN REVIEW

(1) Effective immediately, the Board shall ensure a continued effective loan review. To achieve full effectiveness, the loan review program shall be further improved by including, but not necessarily be limited to, the following:

- (a) an acceptable minimum scope and penetration level based upon a suitable time frame is achieved;
- (b) accurate loan risk ratings in accordance with the “Rating Credit Risk” booklet of the Comptroller's Handbook;

- (c) testing for compliance with appropriate lending laws, rulings, and regulations, and compliance with the loan policy;
- (d) availability of adequate internal or external resources to complete penetration objectives for 2009 and beyond; and,
- (e) evaluation of individual department performance.

(2) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

ARTICLE VII

STRATEGIC PLAN

(1) Within one hundred twenty (120) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, concentrations of credit, liability structure, capital adequacy, reduction in the volume of nonperforming assets, acquisition plans, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives. The strategic plan may be part of the parent company's strategic plan as long as the plan includes Bank specific topics that, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;

- (b) an assessment of the Bank's present and future operating environment;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in subparagraph 1(c) of this Article VII;
- (e) a management employment and succession program to promote the retention and continuity of capable management;
- (f) product line development and market segments that the Bank intends to promote or develop;
- (g) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (h) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (i) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (j) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment;

- (k) plans to comply with the requirements related to Brokered Deposits (as defined by 12 C.F.R. § 337.6(a)(2)) set forth in paragraph 3 of this Article VII; and
- (l) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the strategic plan.

(3) The Board shall, within one hundred and twenty (120) days cause the Bank to comply with the following:

- (a) the Bank may accept Brokered Deposits for deposit at the Bank only after obtaining a prior written determination of no supervisory objection from the Assistant Deputy Comptroller;
- (b) the limitation of subparagraph 3(a) of this Article VII shall include the acquisition of Brokered Deposits through any transfer, purchase, or sale of assets, including Federal funds transactions;
- (c) if the Bank seeks to acquire Brokered Deposits, the Board shall apply to the Assistant Deputy Comptroller for written permission. Such application shall contain, at a minimum, the following:
 - (i) the dollar volume, maturities, and cost of the Brokered Deposits to be acquired;

- (ii) the proposed use of the Brokered Deposits, i.e., short-term liquidity or restructuring of liabilities to reduce cost;
 - (iii) alternative funding sources available to the Bank; and
 - (iv) the reasons why the Bank believes that the acceptance of the Brokered Deposits does not constitute an unsafe and unsound practice in its particular circumstances.
- (d) the Assistant Deputy Comptroller may require the submission of such additional information as necessary to make an informed decision. Upon consideration of the Bank's application, the Assistant Deputy Comptroller will determine whether the proposed acquisition of Brokered Deposits may be accomplished in a safe and sound manner and may condition the Bank's acquisition as the Assistant Deputy Comptroller shall deem appropriate; and
- (e) nothing in paragraph 3 of this Article VII shall relieve the Bank of its obligation under 12 U.S.C. § 1831f to seek necessary approvals from the Federal Deposit Insurance Corporation before accepting Brokered Deposits and to comply with all the requirements of 12 U.S.C. § 1831f.

ARTICLE VIII

CLOSING

- (1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for Bank Supervision for review or prior written determination of

no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Formal Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Formal Agreement shall begin to run from the effective date of this Formal Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for Bank Supervision for good cause upon written application by the Board.

(4) The provisions of this Formal Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Formal Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Formal Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Formal Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Formal Agreement;

- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner;
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions; and,
- (e) ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to each Article.

(6) This Formal Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Formal Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/S/
Gerry B. Hagar
Assistant Deputy Comptroller for Bank Supervision
San Antonio South Field Office

9/21/09
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/S/
Carlos I. Garza

9/21/09
Date

/S/
Alberto Guerra

9/21/09
Date

/S/
R. Glenn Jarvis

9/21/09
Date

/S/
James. L. Jones, Jr.

9/21/09
Date

/S/
Antonio Ortiz

9/21/09
Date

/S/
Terry Van Burkleo

9/21/09
Date