

AGREEMENT BY AND BETWEEN  
San Antonio National Bank  
Refugio, Texas  
and  
The Comptroller of the Currency

San Antonio National Bank, Refugio, 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 fundamental earnings problems and high 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) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) 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 the:

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

## ARTICLE II

### CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to nine percent (9.00%) of adjusted total assets;<sup>1</sup> and,
- (b) Total risk based capital at least equal to thirteen percent (13.00%) of risk-weighted assets.

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<sup>1</sup>Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 § C.F.R. § 6.4(b)(1)(iv).

(3) The Board shall develop, implement, and thereafter ensure Bank adherence to a three year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
  - (i) when the Bank is in compliance with its approved capital program;
  - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
  - (iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller for Bank Supervision. Upon receiving a determination of no supervisory objection from the

Assistant Deputy Comptroller for Bank Supervision, the Bank shall implement and adhere to the dividend policy.

(4) The Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller for Bank Supervision.

(5) The Board shall forward capital ratio calculations to the Assistant Deputy Comptroller for Bank Supervision on a monthly basis no more than ten (10) business days after the end of the month until notified otherwise.

### ARTICLE III

#### STRATEGIC AND PROFIT PLAN

(1) The Board shall 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, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, 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) and market segments that will be utilized to accomplish the strategic goals and objectives established in (1 )(c) of this Article;
- (e) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (f) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (g) 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;
- (h) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (i) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (j) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (k) a description of the operating assumptions that form the basis for major projected income and expense components.
- (l) a management employment and succession program to promote the retention and continuity of capable management; and,

(m) 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.

(2) The Board shall review and update the Bank's strategic plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller for Bank Supervision.

(3) The Board shall submit to the Assistant Deputy Comptroller for Bank Supervision annual budgets as described in paragraph (1)(i) above for each year this Formal Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(4) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller for Bank Supervision on a monthly basis no more than ten (10) business days after the end of the month until notified otherwise.

#### ARTICLE IV

##### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) The Board shall ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management

by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." 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) an analysis of each OREO property which compares the cost to carry against the financial benefits of near term sale;
- (b) a detailed description of the marketing strategies for each parcel;
- (c) an outline of targeted time frames for disposing each parcel of OREO;
- (d) procedures to require periodic market valuations of each property, and the methodology to be used; and
- (e) provision for reports to the Board on the status of OREO properties on at least a quarterly basis.

(4) The Board, or a designated committee, 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 two hundred fifty thousand dollars (\$250,000);
- (b) management's adherence to the program adopted pursuant to this Article;

- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

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

(6) 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, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed two hundred fifty thousand dollars (\$250,000) only if each of the following conditions is met:

- (a) the Board or designated committee 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) 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 shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

## ARTICLE V

### 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 according to guidance 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 VI

### LIQUIDITY RISK MANAGEMENT PROGRAM

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a comprehensive liquidity risk management program, consistent with OCC Bulletin 2010-13, “Liquidity: Final Interagency Policy Statement on Funding and Liquidity Risk Management” (March 22, 2010). This program shall assess, on an ongoing basis, the Bank’s current and projected funding needs, and ensure that sufficient funds or access to funds exist to meet those needs. This program shall include a process to identify, measure, monitor, and control liquidity risk, and this program must be integrated into the Bank’s risk management processes. At a minimum, this program shall include the following elements:

- (a) strategies to maintain sufficient liquidity at reasonable costs including, but not limited to, the following:
  - (i) better diversification of funding sources, reducing the Bank's reliance on brokered deposits and wholesale funding sources. The program should include reasonable policy limits for these types of funding sources and strategies for achieving and maintaining compliance with these new limits within reasonable time frames;
  - (ii) increasing liquidity through such actions as obtaining additional capital, placing limits on asset growth, aggressive collection of problem loans and recovery of charged-off assets, and asset sales; and,
  - (iii) monitoring the projected impact on reputation, economic and credit conditions in the Bank's market(s);
- (b) the preparation of liquidity reports which shall be reviewed by the Board on at least a monthly basis to include, at a minimum, the following:
  - (i) a certificate of deposit maturity schedule;
  - (ii) a schedule of all funding obligations, including money market accounts, unfunded loan commitments, outstanding lines of credit and outstanding letters of credit which shall be prepared and updated at least weekly;
  - (iii) a listing of funding sources, prepared and updated on a weekly basis, including federal funds sold; unpledged assets and assets available for sale; and borrowing lines by lender, including original

- amount, remaining availability, type and book value of collateral pledged, terms, and maturity date, if applicable;
- (iv) a monthly sources and uses of funds report for a minimum period of three (3) months, updated monthly, which reflects known and projected changes in asset and liability accounts, and the assumptions used in developing the projections; and,
- (c) a comprehensive contingency funding plan (“CFP”) that, on a monthly basis, sufficiently forecasts funding needs and funding sources under different stress scenarios which represent management’s best estimate of balance sheet changes that may result from a liquidity or credit event, and addresses potential adverse liquidity events and emergency cash flow requirements. The CFP shall include:
- (i) specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Agreement and 12 U.S.C. § 1831o, including the restrictions against brokered deposits contained in 12 C.F.R. § 337.6;
  - (ii) the preparation of reports which identify and quantify all sources of funding and funding obligations under best case and worst case scenarios, including asset funding, liability; and,
  - (iii) procedures which ensure that the Bank’s contingency funding practices are consistent with the Board’s guidance and risk tolerances.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review.

(3) The Board shall maintain the liquidity of the Bank at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base.

## ARTICLE VII

### INTEREST RATE RISK MANAGEMENT PROGRAM

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written interest rate risk management program consistent with OCC Bulletin 2010-1 and the "Interest Rate Risk" booklet of the Comptroller's Handbook. The program shall provide for a coordinated interest rate risk strategy and, at a minimum, address:

- (a) establishment and guidance of the Bank's strategic direction and tolerance for interest rate risk;
- (b) prudent limits on the nature and amount of interest rate risk that can be taken, including appropriate net interest income-at-risk limits; and,
- (c) implementation of effective tools to measure and monitor the Bank's performance and overall interest rate risk profile.

(2) Upon adoption, a copy of the written policy shall be forwarded to the Assistant Deputy Comptroller.

## ARTICLE VIII

### CONSUMER COMPLIANCE PROGRAM

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure adherence to a written consumer compliance program designed to ensure that the Bank is operating in compliance with all applicable consumer protection laws, rules and regulations.

This program shall ensure, but not be limited to:

- (a) adequate internal controls to ensure compliance with consumer protection laws, rules, and regulations;
- (b) an audit program to test for compliance with consumer protection laws, rules and regulations;
- (c) procedures to ensure that exceptions noted in the audit reports are corrected and responded to by the appropriate Bank personnel; and,
- (d) the education and training of all appropriate Bank personnel in the requirements of all federal and state consumer protection laws, rules and regulations.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review.

## ARTICLE IX

### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination.

(2) The Board shall ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and

education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

## ARTICLE X

### 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/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this 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 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 Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this 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 Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.
- (e) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to these Articles.

(6) This 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 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

9/30/10  
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/  
Guy S. Bodine, III

9/30/10  
Date

/S/  
James W. Collins

9/30/10  
Date

/S/  
Heriberto Guerra, Jr.

9/30/10  
Date

/S/  
George J. Kauss

9/30/10  
Date

/S/  
Eduardo Salido, Jr.

9/30/10  
Date

/S/  
Carroll E. Summers

9/30/10  
Date