

INTERNATIONAL BANCSHARES CORPORATION
Risk Committee Charter
May 2019

I. Risk Committee Purpose

The Risk Committee (the “Committee”) of International Bancshares Corporation (the “Company”) is appointed by the Board of Directors (the “Board”) to assist the Board in fulfilling its oversight responsibilities with regard to the Company’s enterprise-wide risk structure, risk management and overseeing policies, procedures and practices relating to the Company’s risk management, risk control infrastructure and its compliance with regulatory obligations. The Company intends for this Charter to comply with Section 165(h) of the Dodd-Frank Act. If any changes to this Charter are necessary in order to comply with Section 165(h), the Company intends to further amend this Charter promptly in order to comply with the requirements of Section 165(h). Section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act raises the asset threshold from \$10 billion to \$50 billion for the provisions within Section 165(h) of the Dodd-Frank Act.

II. Committee Composition and Meetings

The Committee shall be comprised of not less than three (3) members of the Board, as may be appointed to the Committee from time to time by the Board. Committee members shall serve at the pleasure of the Board for such term or terms as the Board may determine and until their successors are duly-qualified and appointed. The Board shall select one Committee member to be the Committee Chair (the “Chair”). The Chair shall preside at Committee meetings. The Committee shall not be housed within another committee or be part of a joint committee. The Committee must have a formal written charter approved by the Board.

The Chair of the Committee must, at all times, be “independent” within the requirements of the Nasdaq Stock Market, Inc. (“Nasdaq”) Listing Standards and the rules of the Securities and Exchange Commission (the “SEC”), including the Sarbanes-Oxley Act of 2002, and otherwise meet the requirements set forth for the Chair under 12 C.F.R. § 252.22. If at any time while serving on the Committee the Chair ceases to satisfy these independence requirements, a new Chair meeting the independence requirements must be chosen by the Board.

The Committee should include at least one member having experience in identifying, assessing, and managing risk exposures of large, complex firms (the “Risk Management Expert”). Risk management expertise in a nonbanking or nonfinancial field may fulfill the requirement for risk management expertise for the Company. All members of the Committee should generally have an understanding of risk management principles and practices relevant to the Company. The Risk Management Expert should have risk management expertise that is commensurate with the Company’s capital structure, risk profile, complexity, activities, size and other appropriate risk-related factors. The Risk Management Expert should have an understanding of risk management principles and practices with respect to bank holding companies or depository institutions; the ability to assess the general application of such principles and practices; and experience developing and applying risk-management practices and procedures, measuring and identifying risks, and monitoring and testing risk controls with respect to banking organizations. Relevant experience for the Risk Management Expert could include risk-management experience acquired through executive-level service at a financial company with total assets between \$10 billion and \$50 billion or more, or a nonfinancial company with a high-risk profile and above-average complexity.

The Committee shall meet at least semi-annually, or more frequently if necessary, at a time and place determined by the Chair. If circumstances warrant, an unscheduled meeting of the Committee may be called by the Chair. The Committee may ask the Chief Executive Officer (“CEO”), Chief Financial Officer, other Company executives, outside counsel or consultants to attend a Committee meeting to provide pertinent information, as necessary. Committee meetings will be documented in minutes, which will be approved by the Committee. Committee action may be taken by written consent in lieu of a Committee meeting. The Chair shall report regularly to the Board regarding the Committee’s actions. The Committee shall annually review its own performance and report its findings to the Board. The Committee shall fully document and maintain records of its proceedings, including risk management decisions. The Committee may form and delegate authority to subcommittees of the Committee, as necessary. The Committee must report directly to the Board. The Committee must receive and review reports from the Company’s chief risk officer.

III. Committee Responsibilities and Duties

The Committee has the following duties and responsibilities:

1. Understand the Company’s enterprise-wide risk management policies and framework, and have a general understanding of the Company’s risk management practices;
2. Evaluate and develop risk management controls, infrastructure and procedures and policies that reflect the Company’s risk management philosophy, principles and limits;
3. Review, evaluate and update Company processes and systems for (i) identifying and reporting risks and risk management deficiencies, including regarding emerging risks, and assisting to ensure effective and timely implementation of actions to address emerging risks and risk management deficiencies, and (ii) establishing managerial and employee responsibility for risk management;
4. Review risk exposures and the steps management has taken to mitigate, manage, monitor and control such exposures, including, without limitation, (i) credit, (ii) capital adequacy (iii) earnings sufficiency and stability, (iv) reputational risk, (v) operational risk, (vi) liquidity/funding certainty, (vii) compliance and regulatory risk (viii) legal risk, and (ix) interest rate risk;
5. Review, evaluate and update Company processes and systems to facilitate integration of risk management and associated controls with management goals and the Company’s compensation structure;
6. Review and evaluate the Company’s policies, initiatives and practices with respect to risk assessment and risk management, and annually present to the Board a report summarizing the Committee’s review of the Company’s methods for identifying and managing risks;
7. Evaluate the Company’s risk exposure and tolerance as presented in the Company’s risk appetite statement;
8. When significant risk issues arise, whether internal or external, provide guidance to executive management and evaluate the causal factors or likely impact of such events, review management’s plan to resolve the matter (and approve if acceptable), and monitor progress against the plan until the exception or risk issue is resolved or mitigated to an acceptable level;
9. Periodically review the status of any pending litigation of the Company;

10. Review significant reports from state and federal regulatory agencies relating to risk management and compliance issues, and management's responses, except to the extent such is subject to the jurisdiction of another committee of the Board pursuant to such committee's Charter;
11. Review and approve, as appropriate, significant policies and programs designed to comply with the terms of applicable federal and state banking laws, rules, regulations and guidance over risk management;
12. Review and approve the adequacy of the Company's significant insurance programs and policies, including coverages, limits, risk retention, claims, loss histories and related matters;
13. Review management's reports regarding Company compliance with laws and regulations;
14. Review management's reports on the adequacy of the Company's business recovery and contingency planning activities, information security program, including risks related to customer information, and significant third party outsourcing, vendor, or operational outsourcing arrangements;
15. Escalate to the Company's Audit Committee for a discussion and joint session of the Audit and Risk Committees any items that have a significant financial statement impact or require significant financial statement or regulatory disclosures;
16. Review and assess the continued independence of the Committee members in accordance with the terms of this Charter and all applicable legal requirements, and the independence of the risk management functions of the Company;
17. Review and assess annually the adequacy of this Charter and, if appropriate, recommend changes to this Charter to the Board for approval;
18. Perform any other activities consistent with this Charter, the Company's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.
19. Fully document and maintain records of the Committee's proceedings relating to risk management policies.

IV. Committee Resources and Authority

The Committee shall have the authority, and the Company shall provide the resources necessary, to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve fees and other retention terms of special counsel or other experts or consultants (the "Committee Advisors"), as appropriate, without seeking the approval of the Board or management.

In the performance of Committee responsibilities, each Committee member is entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- Committee Advisors, legal counsel or independent auditors whom the Committee member reasonably believes to be within the professional or expert competence of such person;
- One or more officers or employees of the Company whom the Committee member reasonably believes to be reliable and competent in the matter presented; and

- Any other committee of the Board as to matters within such committee's designated authority.

Each Committee member shall be entitled to rely, to the fullest extent permitted by law, on the integrity and expertise of any person identified in this Article IV from whom he or she receives information and the accuracy and completeness of the information provided by such person, provided that the Committee member reasonably believes such information merits confidence.