

INTERNATIONAL BANCSHARES CORP  
Form PRE 14A  
March 22, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**INTERNATIONAL BANCSHARES CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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[IBC Letterhead]

April , 2013

Dear Shareholder:

Once again, we are preparing for our **Annual Shareholders' Meeting on Monday, May 20, 2013, at 5:00 PM. We encourage everyone to arrive no later than 4:30 p.m. to avoid delays.** The meeting will be **held at the IBC Annex Building at 2416 Jacaman Rd. Laredo, Texas 78041, across from the Laredo Energy Arena.**

In preparation for the meeting, I'm enclosing the Annual Report to Shareholders containing financial statements audited by McGladrey & Pullen, LLP, as well as the formal Notice of Annual Meeting of Shareholders, Proxy Statement and a Proxy Card. The Proxy Card has been provided for the purpose of voting for the election of Directors and other issues to be presented at the meeting. **In order to have a quorum at the meeting, I urge you to complete and sign the Proxy Card and return it in the enclosed self-addressed envelope.**

I'm not satisfied with the results for 2012, but considering the challenges we faced during these difficult economic times, especially for the financial services industry, I must view our success with some comfort as your company has not only had to deal with the adversity thrust on us by the recession, but has also had to manage through a near impossible regulatory period. On the positive side, I am pleased to note that the Company exited the TARP Capital Purchase program on November 28, 2012, which will eliminate dividend payments on preferred stock and favorably impact the return for the common shareholders. Even facing these intense challenges, IBC produced good results in 2012 as summarized below:

	2011	2012
Net Profits After Taxes	\$ 113,869,000	\$ 93,473,000
Total Assets	\$ 11,739,469,000	\$ 11,882,673,000
Return on Your Shareholders' Equity	8.71%	7.71%
Book Value of Each of Your Common Shares	\$ 21.83	\$ 22.24
Basic Earnings per Share Adjusted for Dividends	\$ 1.69	\$ 1.39

Since the beginning of the recession in 2008, your management team has been extremely focused on building strength throughout our system. We have been dedicated to improving the quality of our balance sheet, building our capital strength and maintaining positive earnings. I am happy to report that we have been successful with each of these initiatives. In fact, very few banks can report positive earnings throughout this crisis.

Your Board of Directors approved on February 28, 2013, a twenty cents (\$.20) per share cash dividend payable to all holders of common stock, \$1.00 par value, of record on April 1, 2013. **This cash dividend is enclosed with this mailing or it has been deposited directly to the account you have provided.** The Board supports this action because it believes that this cash dividend will add value to your shares and provide an additional incentive to hold the stock of IBC.

This is my 38<sup>th</sup> year of service to IBC. It has been a real joy leading a company that has been built around successful people ready to meet all the challenges we face in the industry. I'm looking forward to sharing our success story at the annual meeting, so please make a special effort to attend, but in any event, **please return your Proxy Card as soon as possible in order that we may have the necessary votes recorded at the meeting.**

We will have a social time immediately following our business session to provide you an opportunity to visit with your staff and enjoy the afternoon. Just one last reminder, **the time of the meeting has been changed to 5:00 pm and it will be held at the IBC Annex Building on Jacaman Rd. This later hour will provide a more convenient time to visit and enjoy some food and beverages.**

Sincerely yours,

Dennis E. Nixon

President

Enclosures

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## INTERNATIONAL BANCSHARES CORPORATION

1200 San Bernardo Avenue

Laredo, Texas 78040

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 20, 2013

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of International Bancshares Corporation (the "Company") will be held at **IBC's Annex Building, at 2416 Jacaman Rd., Laredo, Texas 78041 on Monday, May 20, 2013 at 5:00 p.m.** for the following purposes:

- (1) To elect ten (10) directors of the Company to serve until the next Annual Meeting of Shareholders and until their successors shall have been duly elected and qualified;
- (2) To ratify the appointment of McGladrey LLP as independent auditors for the fiscal year ending December 31, 2013;
- (3) To consider and vote on a non-binding advisory resolution to approve the compensation of the Company's named executives as described in the Compensation Discussion and Analysis and the tabular disclosure regarding named executive officer compensation in the Proxy Statement;
- (4) To consider an advisory vote regarding the frequency of the advisory approval of the Company's executive compensation;
- (5) To consider and vote on a proposal to approve the 2013 Management Incentive Plan;
- (6) To consider and vote on a proposal to amend the Articles of Incorporation of the Company to provide for a majority vote standard in uncontested director elections; and
- (7) To transact such other business as may lawfully come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on April 1, 2013 are entitled to notice of and to vote at the Annual Meeting and any postponements or adjournments thereof. The Company's 2012 Annual Report is being furnished with this Proxy Statement to shareholders of record as of the close of business on April 1, 2013. The Annual Report does not constitute a part of this Proxy Statement or proxy solicitation material.

Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. The enclosed Proxy Statement and the Annual Report are available on our website at [www.abc.com](http://www.abc.com), under the heading "Investors" in the section for "SEC Filings." Additionally, and in accordance with SEC rules, you may access our Proxy Statement and Form 10-K at <https://materials.proxyvote.com/459044>, which does not have "cookies" that identify visitors to the site.

In order to ensure the representation of a quorum at the Annual Meeting, shareholders who do not expect to attend the Annual Meeting in person are urged to sign the enclosed proxy and return it promptly to the Trust Division, International Bank of Commerce, P. O. Drawer 1359, Laredo, Texas 78042-1359. A return envelope is enclosed for that purpose.

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Dennis E. Nixon  
*President and Chairman*

Dated: April , 2013

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## INTERNATIONAL BANCSHARES CORPORATION

1200 San Bernardo Avenue  
Laredo, Texas 78040

### PROXY STATEMENT

#### *SOLICITATION AND REVOCATION OF PROXIES, AVAILABILITY OF PROXY MATERIALS AND VOTING OF PROXIES AND SHARES*

##### *Solicitation and Revocation of Proxies*

The Board of Directors of International Bancshares Corporation, a Texas corporation (the "Company") is soliciting proxies to be used at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Monday, May 20, 2013 at 5:00 p.m., local time, at IBC Annex, at 2416 Jacaman Rd., Laredo, Texas 78041. The Company will pay for the cost of the proxy preparation and solicitation, including the reasonable charges and expenses of brokerage firms, banks or other nominees for forwarding proxy materials to street name holders.

It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company. No additional compensation will be paid to employees for such services. Any shareholder giving a proxy has the power to revoke it at any time prior to the voting of the proxy by giving notice in person or in writing to the Secretary of the Company at 1200 San Bernardo Avenue, Laredo, Texas 78040 or by appearing at the Annual Meeting, giving notice of revocation of the proxy and voting in person. The approximate date on which this Proxy Statement and the accompanying form of proxy are first sent or given to shareholders is April 1, 2013.

##### *Important Notice Regarding Availability of Proxy Materials For Annual Meeting To Be Held On May 20, 2013*

Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This Proxy Statement and our Annual Report are available on our website at [www.abc.com](http://www.abc.com), under the heading "Investors" in the section for "SEC Filings." Additionally, and in accordance with SEC rules, you may access our Proxy Statement and form 10-K at <https://materials.proxyvote.com/459044>, which does not have "cookies" that identify visitors to the site, and thus protects your privacy.

##### *Voting of Proxies and Shares*

Only holders of record of common stock, par value \$1.00 per share ("Common Stock"), of the Company at the close of business on April 1, 2013 (the "Record Date"), shall be entitled to vote at the Annual Meeting. There were \_\_\_\_\_ shares of Common Stock issued and outstanding on the Record Date held of record by approximately 2,555 shareholders. Each owner of record on the Record Date is entitled to one vote for each share of Common Stock held.

All shares entitled to vote represented by a properly executed and unrevoked proxy received in time for the Annual Meeting will be voted at the Annual Meeting in accordance with the instructions given, but, in the absence of instructions to the contrary, such shares will be voted affirmatively. Persons empowered as Proxies will also be empowered to vote in their discretion upon such other matters as may properly come before the meeting or any adjournment or postponement thereof. Each of the Proxies will have the power to appoint his substitute. Any of the Proxies, or their respective substitutes, who shall be present and acting at the Annual Meeting, shall have and may exercise all the powers granted to the Proxies. If any nominee for director shall be unable to serve, which is not now contemplated, the proxies will be voted for such substitute nominee(s) as the Board of Directors recommends.

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If you hold your shares in nominee or street name, a "voting instruction form" is the document used to designate your proxy to vote your shares. If your shares are held in street name by a broker, the broker will vote your shares only if you give your broker instructions on the "voting instruction form." If you do not tell your broker how to vote, your broker may vote your shares in favor of ratification of the auditor appointment, but may not vote your shares in favor of the non-binding advisory resolution to approve the executive compensation program, the proposal regarding the frequency of the advisory approval of the executive compensation program, the election of directors, the proposal to approve the 2013 International Bancshares Corporation Management Incentive Plan, the proposal to amend the Company's Articles of Incorporation to provide for a majority vote standard in uncontested director elections, or any other item of business that is not considered a "routine" matter. Under New York Stock Exchange (NYSE) Rule 452, brokers are entitled to vote shares held by them for customers on matters deemed "routine" under applicable rules, even though the brokers have not received voting instructions from their customers. Although the Company is listed on the NASDAQ Global Select Market, Rule 452 affects shareholders of the Company since most of the common stock held in "street name" is held with NYSE member brokers. Your broker will return a proxy card without voting on non-routine matters if you do not give voting instructions with respect to these matters. This is referred to as a "broker non-vote." However, your broker is not required to vote your shares if you do not provide instructions. We encourage you to vote on all matters proposed in this proxy statement.

A quorum for the transaction of business at the Annual Meeting requires representation, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock. The judges of election will treat abstentions and broker non-votes as shares that are present for purposes of determining the presence of a quorum for the transaction of business at the Annual Meeting. A quorum with respect to any specific proposal to be voted on at the Annual Meeting requires representation, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock entitled to vote on the proposal. Abstentions will be treated as present and entitled to vote with respect to any proposal submitted to the shareholders for a vote for purposes of determining both the presence of a quorum with respect to such proposal and the approval of such proposal. If a broker indicates on a proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, the holder(s) of such shares will not be considered as present and entitled to vote with respect to such matter for purposes of determining either the presence of a quorum with respect to such matter or the approval of such matter. With respect to any proposal other than the election of directors, and the advisory vote on the frequency of the advisory approval of the Company's executive compensation, such proposal shall be determined by the affirmative vote of the holders of a majority of the shares of Common Stock represented, in person or by proxy, at the Annual Meeting and entitled to vote thereon. Thus, abstentions with respect to any such matter will have the same legal effect as a vote against such matter, while broker non-votes will not affect the outcome of such matter. With respect to the election of directors, the directors shall be elected by a plurality vote of the holders of shares of Common Stock present at the Annual Meeting and entitled to vote thereon. Plurality vote means that the nominees receiving the most votes will be elected regardless of the number of votes each nominee receives. With respect to the advisory vote on the frequency of the advisory approval of the Company's executive compensation, the frequency option (1, 2 or 3 years) that receives the highest number of votes cast by shareholders will be deemed to be the frequency that is preferred by the shareholders of the Company. The Company will consider the frequency preferred by the shareholders, but the vote will not be binding on the Company. Abstentions and broker non-votes, if any, will have no effect on the result of the vote.

### *Annual Meeting Admission*

If you wish to attend the Annual Meeting in person, you must present a valid form of photo identification, such as a driver's license. If you are a beneficial owner of Company Common Stock that is held of record by a bank, broker or other nominee, you will also need proof of ownership to be admitted to the meeting. A recent brokerage statement or a letter from your bank or broker are examples of proof of ownership. No cameras, recording equipment, or electronic devices will be permitted in the meeting.



**PROPOSAL 1****ELECTION OF DIRECTORS****Nominees for Election as Director**

Ten directors, constituting the entire Board of Directors, are to be elected at the Annual Meeting. Each nominee currently serves as a director of the Company, however the eleventh current board member, Sioma Neiman, is not a nominee due to health reasons. Each director is to hold office until the next Annual Meeting and until his or her successor is elected and qualified. The Proxies named in the accompanying proxy card, who have been designated by the Board of Directors of the Company, intend to vote for the following nominees, unless otherwise instructed in such proxy card. Certain information concerning each nominee as of April 1, 2013 is set forth below, including information regarding each nominee's positions, if any, with International Bank of Commerce, the Company's lead bank subsidiary ("IBC"):

<b>Nominee For Director</b>	<b>Served as Director Since(1)</b>	<b>Age</b>	<b>Principal Occupation and Directorships(2)</b>
Irving Greenblum	1981	83	International Investments & Real Estate and Director of IBC
R. David Guerra	1993	60	Vice President of the Company since 1986 and President of the IBC Branch in McAllen, Texas and Director of IBC
Daniel B. Hastings Jr.	2000	65	Licensed U.S. Custom Broker; President and owner of Daniel B. Hastings, Inc. and Director of IBC since 2000
Douglas B. Howland(4)	2010	62	CEO of Libcon, Inc., a construction company until April 2011; Investments and Director of IBC since 2010
Imelda Navarro	2002	55	Treasurer of the Company since 1982 and Senior Executive Vice President of IBC and Director of IBC since 2002
Peggy J. Newman	1997	81	Real Estate Investments; President of Newman Poultry Co. and Director of IBC
Dennis E. Nixon	1975	70	Chairman of the Board of the Company since May 1992 and President of the Company since 1979; President, Chief Executive Officer and Director of IBC
Larry A. Norton(4)	2010	66	President of Norton Stores Inc., a family retail sales business and owner of Larry A. Norton & Co., a retail computer sales company and Director of IBC since 2010
Leonardo Salinas(3)	1976	79	Real Estate Investments and Director of IBC
Antonio R. Sanchez, Jr.	1995	70	Chairman of the Board of Sanchez Oil & Gas Corporation & Investments

(1) Includes time served as a director of IBC prior to July 28, 1980, when the Company became the successor issuer to IBC.

(2) Except as otherwise noted, each nominee has held the office indicated or other offices in the same company for the last ten years. Includes disclosure of any directorships held at any time during the past five years at any public company or registered management investment company.

(3) Leonardo Salinas, who had served as Vice President of the Company and Senior Executive Vice President of IBC, retired as of June 30, 2000.

(4) Messrs. Howland and Norton were appointed to the Board on August 5, 2010 to fill the vacant directorships resulting from action by the Board to increase the number of directors. Messrs. Howland and Norton both served on the Board of Commerce Bank, a subsidiary of the Company, for over twenty years.

None of the nominees for director and none of the executive officers of the Company have a family relationship with any of the other nominees for director or executive officers.

None of the above nominees is or has been during the last five years a director of any other company which has a class of securities registered under, or is required to file reports under, the Securities Exchange Act of 1934, as amended (the "Exchange Act") or of any company registered under the Investment Company Act of 1940, as amended.

During the last ten years, none of the above nominees has been involved in any legal proceeding that is material to the evaluation of the ability or integrity of the nominee, as set forth in Item 401 of Regulation S-K under the Exchange Act.

#### ***Vote Required***

A plurality of the votes cast is required for the election of directors. Abstentions and broker non-votes are not counted as votes "For" a director nominee or "Withheld" from a director nominee.

**The Board of Directors recommends a vote "FOR" each named nominee.**

### ***CORPORATE GOVERNANCE***

#### ***General***

This section includes information about the qualifications, compensation and meetings of the Board of Directors and the qualification, composition, purpose and meetings of the committees of the Board of Directors. This section also discusses the Code of Ethics of the Company. The Company was honored as one of America's 100 "Most Trustworthy Companies" in 2012 in an annual survey commissioned by *Forbes*. The list was prepared for Forbes.com by Governance Metrics International, a leading independent provider of global corporate governance and accounting risk ratings and research on public companies, and ranks the nation's top 100 companies that have "consistently demonstrated transparent and conservative accounting principles and solid corporate governance and management."

#### ***Attendance at Board Meetings***

During 2012, the Board of Directors held six meetings. All of the directors attended at least 75% of the aggregate of the total number of meetings of the Company's Board of Directors and the total number of meetings held by all committees of the Board on which such director served, except for Sioma Neiman who attended fewer than 75% of such meetings.

#### ***Executive Sessions of Board of Directors***

In addition to Board meetings, non-employee directors meet periodically in executive session without members of management present. The non-employee directors met in executive session five times during 2012. The non-employee directors review in executive session any related person transaction that is required to be disclosed pursuant to Item 404 of Regulation S-K under the Exchange Act.

***Board Nominations***

The Company's Board of Directors does not have a standing nominating committee or any other committee performing similar functions. The Company's Board of Directors has adopted a resolution setting forth certain Guidelines Regarding Nomination of Directors (the "Guidelines"). The Company has not established a separate nominating committee because it desires active participation of all Board members in the analysis and process of making nominations. In addition, nominees for selection are recommended to the whole Board of Directors by a majority of the Company's directors who are "independent" as defined in the applicable NASDAQ Marketplace Rules and securities laws. The Board believes that these measures maintain the integrity of the nomination process in the same manner as if it had established a nominating committee. The Guidelines are available on the Company's website at [www.ibc.com](http://www.ibc.com). There have been no changes to the procedures by which shareholders may recommend nominees to our Board of Directors since our procedures were disclosed in the Proxy Statement for the 2009 annual meeting.

Pursuant to the Guidelines, the independent directors seek to recommend individuals as director nominees who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who will be most effective, in conjunction with the other nominees to the Board, in collectively serving the long-term interests of the Company's shareholders. The independent directors utilize a variety of methods for identifying and evaluating director nominees. The Board has no formal policy regarding diversity, but diversity is considered by the independent directors when evaluating nominees because the Board believes it is beneficial to the Company for board membership to reflect the diversity of the Company's markets. The independent directors will consider director candidates recommended by shareholders if provided with the following: (i) evidence, in accordance with Rule 14a-8 under the Exchange Act, of compliance with shareholder eligibility requirements; (ii) the written consent of the candidate(s) for nomination as a director and verification as to the accuracy of the biographical and other information submitted in support of the candidate; (iii) a resume or other written statement of the qualifications of the candidate(s) for nomination as a director; and, (iv) all information regarding the candidate(s) and the submitting shareholder that would be required to be disclosed in a proxy statement filed with the SEC if the candidate(s) were nominated for election to the Board of Directors. Any recommendations received from shareholders will be evaluated in the same manner that other potential nominees are evaluated. Any shareholder that wishes to present a director candidate for consideration should submit the information identified above pursuant to the procedures set forth below under "Shareholder Communication with the Board of Directors." With respect to the timing of shareholder nominations for the 2014 Annual Meeting, please see the discussion set forth below under "Shareholder Proposals for 2014 Annual Meeting." In 2012, we received no nominations of board candidates from our shareholders.

***Annual Meeting Attendance***

The Company encourages all members of its Board of Directors to attend the annual meetings of shareholders, but it has not adopted a formal policy requiring attendance. All of the members of the Board of Directors of the Company who were directors at the time of the 2012 annual meeting of shareholders, were in attendance at such meeting, except for Sioma Neiman.

***Director Independence***

The Company's Board of Directors has determined that a majority of its members are "independent" as defined in the applicable NASDAQ Marketplace Rules and securities laws. As of April 1, 2013, the following members of the Board of Directors are not independent: Imelda Navarro, Dennis E. Nixon, R. David Guerra, and Antonio R. Sanchez, Jr.

**Director Compensation**

The table below summarizes the compensation paid by the Company to directors, other than the named executive officers, for the year ended December 31, 2012.

Name	Fees Earned or Paid in	All Other	Total (\$)
	Cash (\$)	Compensation \$(1)	
Irving Greenblum	5,700	16,100	21,800
Daniel B. Hastings, Jr.	4,500	17,000	21,500
Douglas B. Howland	5,400	15,500	20,900
Sioma Neiman	2,700	4,760	7,460
Peggy J. Newman	3,900	17,000	20,900
Larry A. Norton	5,400	16,700	22,100
Leonardo Salinas	4,800	17,300	22,100
Antonio R. Sanchez, Jr.	3,600	5,900	9,500

(1)

All directors received certain perquisites from the Company during 2012, but the incremental cost of providing those perquisites was significantly less than the \$10,000 disclosure threshold per director. Certain directors of the Company serve as directors of subsidiary banks of the Company, and each such director receives compensation for his or her services as a director of the subsidiary bank in the amount of \$900 for each board meeting and \$300 for each meeting of a board committee of the subsidiary bank that he or she attends, as well as an additional year-end payment of \$5,000.00. The amounts paid to directors of the Company for their services as a director of a subsidiary bank are set forth in the "All Other Compensation" column above.

Each director of the Company receives compensation for his or her services as a director of the Company in the amount of \$900 for each board meeting of the Company and \$300 for each meeting of a board committee he or she attends. These director fees are set forth in the "Fees Earned or Paid in Cash" column in the foregoing table. Some of the board meetings of the Company were by telephone conference and the directors are not paid for these meetings. Salaried officers of the Company who are directors are not compensated for committee meetings. No stock options, equity-based awards, or other forms of non-equity incentive plan compensation are granted to non-employee board members. The director fees paid to the named executive officers by the Company and the subsidiary banks are included in the "All Other Compensation" column set forth in the "Summary Compensation Table" below.

**Director Qualifications and Experience**

The following table identifies the primary experience, qualifications, attributes and skills that contributed to the Board's decision to nominate directors to our Board. This information supplements the biographical information provided above. The vertical axis displays the primary factors or attributes reviewed by the Board of Directors in evaluating a board candidate. The absence of an "X" should not be

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construed to be a determination that the director lacks such an attribute, only that it was not a factor the Board considered in nominating the individual.

	Irving Greenblum	R. David Guerra	Daniel B. Hastings, Jr.	Douglas B. Howland	Imelda Navarro	Peggy Newman	Dennis E. Nixon	Larry A. Norton	Leonardo Salinas	Antonio R. Sanchez Jr.
Experience Qualification Or Skill										
Professional Standing in Chosen field	x	x	x	x	x	x	x	x	x	x
Experience in Financial Services or Related Industry		x			x		x		x	x
Experience Reviewing Financial Statement and Financial Matters	x	x	x	x	x	x	x	x	x	x
Civic and Community Involvement	x	x	x	x	x	x	x	x	x	x
Independent Director	x		x	x		x		x	x	
Leadership and Team Building Skills	x	x	x	x	x	x	x	x	x	x
Diversity by Race, Gender or Culture		x	x	x	x	x			x	x
Collegial and Insightful	x	x	x	x	x	x	x	x	x	x

All members of our Board have worked for all or substantial parts of their careers in Texas or Mexico and have significant knowledge of the markets that we serve and extensive ties to local community and business leaders. In addition to each director's qualifications and attributes described in the foregoing table, set forth below is additional information about the specific qualifications of each director related to such director's business experience.

**Irving Greenblum**

**Director since 1981**

Mr. Greenblum has been active in the Laredo, Texas business community for over fifty years. He currently is pursuing international investments and real estate transactions in the Laredo, Texas area. In addition to the qualifications and attributes described in the foregoing table, it is because of his business experience, his long-standing tenure and very active role as a director of the Company, as well as his knowledge of the Texas communities we serve, that the Board has concluded that Mr. Greenblum should continue serving on the Board.

**R. David Guerra**

**Director since 1993**

Mr. Guerra has been the President of the IBC Branch in McAllen, Texas since the Company's expansion to that area in 1991. He has been an officer of the Company since 1986. In addition to the qualifications and attributes described in the foregoing table, it is because of his experience in banking and his long-standing tenure with the Company, as well as his knowledge of the Texas communities we serve, that the Board has concluded that Mr. Guerra should continue serving on the Board.

**Daniel B. Hastings, Jr.**

**Director since 2000**

Mr. Hastings is an active member of the Laredo business community and a licensed U.S. customs broker. Mr. Hastings is president and owner of Daniel B. Hastings, Inc. a Texas Regional Custom Broker. In addition to the qualifications and attributes described in the foregoing table, it is because of his experience in international business operations and his long-standing tenure and very active role as a director of the Company, as well as his knowledge of the Texas and international communities we serve, that the Board has concluded that Mr. Hastings should continue serving on the Board.

**Douglas B. Howland**

**Director since 2010**

Mr. Howland was the CEO and sole shareholder of Libcon, Inc., a construction company in Laredo, Texas for more than twenty years. In 2011, Mr. Howland sold the company. Now, Mr. Howland continues to be an active member of the Laredo business community and he manages his other investments. In addition to the qualifications and attributes described in the foregoing table, it is because of his experience in business operations and management, as well as his knowledge of the Texas communities we serve, that the Board has concluded that Mr. Howland should continue serving on the Board.

**Dennis E. Nixon**

**Director since 1975**

Mr. Nixon has been President of the Company since 1979 and Chairman of the Board of the Company since 1992. In addition to the qualifications and attributes described in the foregoing table, it is because of his experience in banking and his years of experience as the chief executive officer of the Company, as well as his knowledge of the communities we serve, that the Board has concluded that Mr. Nixon should continue serving on the Board.

**Imelda Navarro**

**Director since 2002**

Ms. Navarro has been Treasurer of the Company since 1982. In addition to the qualifications and attributes described in the foregoing table, it is because of her experience in banking and years of experience as an executive officer at the Company, as well as her knowledge of the communities we serve, that the Board has concluded that Ms. Navarro should continue serving on the Board.

**Peggy J. Newman**

**Director since 1997**

Ms. Newman has been active in the Texas business community for many years. She currently is the President of Newman Poultry Co. and active in real estate investments. In addition to the qualifications and attributes described in the foregoing table, it is because of her experience in business operations and management, her tenure and very active role as a director of the Company, as well as her knowledge of the Texas communities we serve, that the Board has concluded that Ms. Newman should continue serving on the Board.

**Larry A. Norton**

**Director since 2010**

Mr. Norton has been the President of a family retail sales business and owner of Larry A. Norton & Co., a retail computer sales company in Laredo, Texas for more

than twenty years. In addition to the qualifications and attributes described in the foregoing table, it is because of his experience in business operations and management, as well as his knowledge of the Texas communities we serve, that the Board has concluded that Mr. Norton should continue serving on the Board.

**Leonardo Salinas**

**Director since 1976**

Mr. Salinas served as Vice President of the Company until he retired in 2000. Currently he is involved in real estate investments in Laredo, Texas. In addition to the qualifications and attributes described in the foregoing table, it is because of his experience in banking, his long-standing tenure as a director of the Company, as well as his knowledge of the communities we serve, that the Board has concluded that Mr. Salinas should continue serving on the Board.

**Antonio R. Sanchez, Jr.**

**Director since 1995**

Mr. Sanchez is Chairman of the Board of Sanchez Oil & Gas Corporation. In addition to the qualifications and attributes described in the foregoing table, it is because of his experience in business operations and management, his long-standing tenure as a director of the Company, as well as his knowledge of the Texas communities we serve, that the Board has concluded that Mr. Sanchez should continue serving on the Board.

***Shareholder Communications With The Board of Directors***

Shareholders may communicate directly with the Board of Directors. All communications should be in writing and directed to the Company's Corporate Secretary at the address below and should prominently indicate on the outside of the envelope that it is intended for the Board of Directors. The Company's Corporate Secretary has the authority to disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications. If deemed appropriate, the Company's Corporate Secretary will forward correspondence to the Chairman of the Board or any specific director to whom the correspondence is directed. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which the Company tends to receive repetitive or duplicative communications. Also, pursuant to the Company's Bylaws, a special meeting of the Shareholders of the Company shall be called by the Chairman of the Board, President or Secretary of the Company whenever Shareholders holding at least fifty percent (50%) of all the shares entitled to vote at the proposed special meeting make application therefore in writing, which request must state a proper purpose of the meeting and shall be delivered to the Chairman of the Board or the President.

Marisa V. Santos  
Corporate Secretary  
International Bancshares Corporation  
P. O. Drawer 1359  
Laredo, Texas 78042

***Code of Ethics***

The Company has adopted a code of business conduct and ethics for executive officers (including the Company's Chief Executive Officer and Chief Financial Officer), known as the International Bancshares Code of Ethics for Financial Professionals. The Company also maintains a code of ethics for all employees and directors, known as the International Bancshares and Subsidiary Banks and Affiliated Companies Code of Ethics. The International Bancshares Code of Ethics for Financial Professionals and the International Bancshares and Subsidiary Banks and Affiliated Companies Code of Ethics are available on the Company's website at [www.ibc.com](http://www.ibc.com). Any amendment to, or waiver of, the International Bancshares Code of Ethics for Financial Professionals will be disclosed on such Company website.



***Leadership Structure***

Pursuant to the Company's Bylaws, the President of the Company shall be the chief executive officer ("CEO"). The board appoints one of its members to be the Chairman of the Board and the Chairman of the Board position is not deemed or considered an officer position of the Company. The Board does not have a policy on whether the role of Chairman and CEO should be separate or combined, but currently believes that the most effective leadership structure for the Company is to combine these responsibilities. The structure avoids duplication of efforts that can result from the roles being separated and avoids confusion within and outside of the Company with respect to who is the highest ranked officer of the Company. The Board also believes that combining these roles enhances accountability for the Company's performance by avoiding confusion about who is the highest ranked officer. Furthermore, as the Company has combined these roles for almost twenty years separating them could cause significant disruption in oversight and lines of reporting. Nevertheless, depending upon the circumstances, the Board could choose to separate the roles of Chairman and CEO in the future. The Company does not have a designated lead independent director; however, the Board believes the composition of the Board and very active involvement by the independent directors create a Board culture that is effective and promotes the consideration of the varied views of all of the directors of the Company. Seven of the current eleven directors of the Company are "independent" as defined in the applicable NASDAQ Marketplace Rules and securities laws. The Board does not limit the tenure of the Company's directors, but considers the tenure of the director and the level of involvement of the director on the Board of Directors along with all the other attributes of the director in determining whether to approve a director as a nominee for election as a director.

The Company has a Succession Plan for the CEO of the Company and the CEOs of the twelve banking centers of the Company. The Succession Plan focuses on an internal growth strategy. The Company has developed a management structure that emphasizes development from within, but also allows for the addition of qualified leadership from outside the Company when the circumstances warrant such action. The Company's decentralized operating platform enables the Company to grow and mature its executive management team. There are a number of banking center CEOs of the Company that have served in such capacity for over twenty years. It is contemplated that the Company's Board with the advice and counsel of Mr. Nixon, the current long-standing CEO, will at the time deemed appropriate by the Board, select a new CEO by choosing one of the banking center CEOs; however, the Succession Plan would allow the Board to recruit a new CEO if it chooses to do so.

To help ensure oversight by our independent directors, our Audit, Compensation, Stock Option and Long-Term Restricted Stock Unit Committees are composed only of independent directors, as defined in the applicable NASDAQ Marketplace Rules and securities laws.

The entire Board is responsible for overseeing all aspects of management of the Company, including risk oversight.

***The Board's Role in Enterprise Risk Oversight***

The entire Board of Directors is actively involved in overseeing risk management for the Company. The Company's senior risk officers provide a comprehensive risk report to the Board. The full Board also engages in periodic risk management discussions with the senior risk officers, CEO, CFO, and other Company officers as the Board may deem appropriate. All of the directors of the Company, except for Mr. Neiman and Mr. Sanchez, are also directors of the Bank, which represents over a majority of the Company's banking assets, and as such, the Board of Directors also receives regular reports on risk management matters of the Bank. In addition, each committee of the Board of Directors has been assigned oversight responsibility for specific areas of risk. The committees consider risks within their areas of responsibility; for instance the Compensation Committee considers risks that may result from changes in compensation programs, and the Asset/Liability, Investment, Balance Sheet-Management, Funds