#2019-072

AGREEMENT BY AND BETWEEN
Texas Citizens Bank, N.A.
Pasadena, Texas
and
The Office of the Comptroller of the Currency

AA-SO-2019-90

Texas Citizens Bank, N.A., Pasadena, Texas ("Bank") and the Office of the Comptroller of the Currency ("OCC") wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency ("Comptroller") has found unsafe or unsound practice(s), including those relating to strategic planning, capital planning, credit risk management, Allowance for Loan and Lease Losses ("ALLL") methodology, and liquidity risk management;

Therefore, the OCC, through the duly authorized representative of the Comptroller, and the Bank, through its duly elected and acting Board of Directors ("Board"), hereby agree that the Bank shall operate at all times in compliance with the following:

ARTICLE I

JURISDICTION

(1) The Bank is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. *See* 12 U.S.C. § 1 *et seq.*

(3) The OCC is the "appropriate Federal banking agency" as that term is defined in 12 U.S.C. § 1813(q).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the Assistant Deputy Comptroller within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

(2) Within sixty (60) days of the date of this Agreement, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

(a) a description of the corrective actions needed to achieve compliance with each Article of this Agreement;

(b) the specific corrective actions undertaken to comply with each Article of this Agreement; and

(c) the results and status of the corrective actions.

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of the first Board meeting following the Board's receipt of such report.

ARTICLE III

STRATEGIC PLAN

(1) By March 31, 2020, the Board shall forward to the Assistant Deputy Comptroller, pursuant to paragraph (3) of this Article, a revised 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, and capital and liquidity adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

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

(b) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;

(c) an assessment of the Bank's strengths, weaknesses, opportunities and threats that impact its strategic goals and objectives;

(d) identification of the Bank's plan to service current and anticipated subordinated debt including the Bank's plan to repay debt at the holding company (both current and anticipated);

(e) the Bank's dividend declaration and payment plans;

(f) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, policies, and procedures for their adequacy and contribution to the accomplishment of the strategic goals and objectives developed under paragraph (1)(b) of this Article;

(g) a management employment and succession plan designed to promote adequate staffing and continuity of capable management;

(h) a realistic and comprehensive budget that corresponds to the Strategic Plan’s goals and objectives;

(i) an action plan to improve and sustain the Bank’s earnings and accomplish identified strategic goals and objectives;

(j) 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;

(k) a detailed description and assessment of major capital expenditures required to achieve the goals and objectives of the Strategic Plan;

(l) an identification of expenses that can be reduced;

(m) provide support for executive compensation levels;

(n) an identification and prioritization of initiatives and opportunities, including timeframes that comply with the requirements of this Agreement;

(o) a description of the Bank’s target market(s) and competitive factors in its identified target market(s), and a description of controls systems to mitigate risks in the Bank’s target market(s);

(p) an identification and assessment of the present and planned product lines (assets and liabilities) and the identification of appropriate risk management systems to identify, measure, monitor, and control risks within the product lines;

(q) concentration limits commensurate with the Bank's strategic goals and objectives and risk profile;

(r) assigned roles, responsibilities, and accountability for the strategic planning; and

(s) a description of systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) If the Strategic Plan under paragraph (1) of this Article includes a proposed sale or merger of the Bank, including a transaction pursuant to 12 U.S.C. § 215a-3 the Strategic Plan shall, at a minimum, address the steps that shall be taken and the associated timeline to effect the implementation of that alternative.

(3) Prior to adoption by the Board, a copy of the revised Strategic Plan, and any subsequent amendments, revisions, or updates, shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the Strategic Plan and any amendments or revisions thereto.

(4) Until the Strategic Plan required under this Article has been submitted by the Bank for the Assistant Deputy Comptroller's review, has received a written determination of no supervisory objection from the Assistant Deputy Comptroller and has been adopted by the Board, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed immediately before the effective date of this Formal Agreement without first obtaining

the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such significant deviation.

(5) The Bank may not initiate any action that significantly deviates from a Strategic Plan (that has received written determination of no supervisory objection from the Assistant Deputy Comptroller and has been adopted by the Board) without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(6) Any request by the Bank for prior written determination of no supervisory objection to a significant deviation described in paragraphs (4) or (5) of this Article shall be submitted in writing to the Assistant Deputy Comptroller at least sixty (60) days in advance of the proposed significant deviation. Such written request by the Bank shall include an assessment of the effects of such proposed change on the Bank's condition and risk profile, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the proposed change.

(7) For the purposes of this Article, changes that may constitute a significant deviation include, but are not limited to, a change in the Bank's marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material effect on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material effect on the Bank's operations or financial performance.

(8) At least quarterly, a written evaluation of the Bank's performance against the Strategic Plan shall be prepared by Bank management and submitted to the Board. Within thirty (30) days after submission of the evaluation, the Board shall review the evaluation and determine the corrective actions the Board will require Bank management to take to address any identified shortcomings. The Board's review of the evaluation and discussion of any required corrective actions to address any identified shortcomings shall be documented in the Board's meeting minutes. Upon completion of the Board's review, the Board shall submit to the Assistant Deputy Comptroller a copy of the evaluation as well as a detailed description of the corrective actions the Board will require the Bank to take to address any identified shortcomings.

(9) The Board shall review and update the Strategic Plan, including after expiration of the three-year period referenced in paragraph one (1) of this Article, at least annually and more frequently if necessary or if required by the Assistant Deputy Comptroller in writing.

ARTICLE IV

CAPITAL PLAN

(1) By March 31, 2020, the Board shall develop and implement an effective internal capital planning process to assess the Bank's capital adequacy in relation to its overall risks. The capital planning process shall be consistent with safe and sound practices and ensure the integrity, objectivity, and consistency of the process through adequate governance. Refer to "Capital and Dividends" booklet of the *Comptroller's Handbook* for further guidance. The Board shall document the initial capital planning process and thereafter review and document the capital planning process at least annually or more frequently if requested by the Assistant Deputy Comptroller in writing.

(2) By March 31, 2020, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection, a revised written Capital Plan for the Bank consistent with the Strategic Plan required by Article III, covering at least a three-year period. The Capital Plan shall, at a minimum:

(a) identify and evaluate all material risks including, but not limited to:

(i) commercial real estate ("CRE") concentrations and other credit concentrations;

(ii) weak credit risk management and problem loan identification practices;

(iii) reduced loan growth and growth plans in the future;

(iv) funding pressures or reliance on volatile funding sources;

(v) planned capital expenditures and holding company debt;

(vi) major asset and liability strategies or changes, including, new products and services; and

(vii) exposure to market risks;

(b) stress testing to reasonably assess the impact to earning and capital – including stress testing on a static balance sheet and CRE portfolio;

(c) determine the Bank's capital needs in relation to material risks and strategic direction;

(d) include quarterly detailed financial projections of the sources and timing of additional capital to meet the Bank's current and future needs;

(e) identify the primary sources from which the Bank will strengthen its capital structure to meet the Bank's needs; and

(f) identify and establish a strategy to strengthen capital if necessary and establish a contingency plan that identifies alternative capital sources should the primary sources identified under paragraph (2)(e) of this Article be unavailable.

(3) Immediately upon receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Capital Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Capital Plan and any amendments or revisions thereto.

(4) At least monthly, the Board shall review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board will require the Bank to take to address any deficiencies. At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Capital Plan, which shall include a description of the actions the Board will require the Bank to take to address any deficiencies. The Board's monthly reviews and preparation of the quarterly written evaluations shall be documented in the Board meeting minutes. The Board shall retain a copy of these monthly reviews and Board meeting minutes and shall forward a copy of these quarterly written evaluations and Board meeting minutes to the Director within ten (10) days of completion of its quarterly written evaluations.

ARTICLE V

<u>CREDIT RISK MANAGEMENT</u>

(1) By March 31, 2020, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection, a written program to improve the Bank's credit risk management. The program shall include, at a minimum, provisions for the following:

(a) ensuring that the Chief Credit Officer has the knowledge, skills, ability and authority necessary to ensure appropriate oversight of the Bank's loan portfolio;

(b) requiring the Chief Credit Officer to develop a plan to improve and formalize oversight of the loan portfolio. This plan must include the following:

(i) an evaluation of the number and expertise of current staff and whether additional staff is necessary to achieve compliance with this Agreement;

(ii) an assessment of the actions needed to reach and maintain compliance with this Agreement;

(iii) documentation on how the Chief Credit Officer will remediate the deficiencies detailed in the Bank's most recent Report of Examination ("ROE");

(iv) documentation on changes required in the Bank's review processes and management information systems necessary to improve the Bank's loan portfolio management; and

(v) a requirement for the Board to approve the plan developed by the Chief Credit Officer;

(c) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;

(d) procedures to ensure pre- and post-funding analysis is comprehensive and includes a complete analysis of the borrower's background, primary source of repayment, guarantor support, and collateral value, including:

   (i) analysis that focuses on key financial indicators (i.e., cash flow/repayment capacity, income statement trends/ratios, balance sheet analysis), in addition to other appropriate considerations for credit approval decisions and determining risk classification for loans; and

   (ii) analysis, assessment, and verification of contingent liabilities and liquid assets when consideration of such is relevant to loan approval decisions;

(e) procedures to ensure satisfactory and perfected collateral documentation including analysis of collateral inspections for construction and commercial loans;

(f) procedures to ensure conformance with loan approval requirements;

(g) a system to track, aggregate, and analyze exceptions by loan officer;

(h) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately considers their performance relative to policy compliance, documentation standards, accuracy in credit grading, other loan administration matters;

(i) procedures to identify and track supervisory loan-to-value exceptions;

(j) procedures to track and reduce the volume of financial exceptions; and

(k) procedures to ensure proper accounting treatment for other real estate owned ("OREO").

(2) Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the written credit risk management program and any amendments or revisions thereto.

ARTICLE VI

PROBLEM LOAN IDENTIFICATION

(1) By March 31, 2020, the Board shall develop a program to ensure that the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records and to ensure that the Bank does not improperly recognize income. This program shall include, at a minimum, provisions to:

(a) adopt a risk rating system that accurately identifies and stratifies risk. Refer to the "Rating Credit Risk" booklet of the *Comptroller's Handbook* for guidance;

(b) ensure that the Bank's loans and other assets are appropriately and timely risk rated and charged off by management using a safe and sound loan grading system that is based upon current facts and existing repayment terms. Refer to the "Rating Credit Risk" booklet of the *Comptroller's Handbook* for guidance;

(c) establish standards for accurate classification of commercial credits. Refer to “Commercial Real Estate Lending” booklet of the *Comptroller’s Handbook* for guidance;

(d) adopt written policies and procedures governing the identification and accounting of nonaccrual loans and Troubled Debt Restructurings (“TDRs”). These policies and procedures shall:

(i) be consistent with the accounting requirements contained in the Instructions for Preparation of Consolidate Reports of Condition and Income (“Call Report”):

(ii) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured;

(iii) require the quarterly presentation to the Board of all loans meeting any of the nonaccrual and TDR criteria; and

(iv) incorporate procedures for periodically testing the Bank’s identification of and accounting for nonaccrual loans and TDRs;

(e) ensure that the lending staff are held accountable for failing to appropriately and timely risk rate, place loans on nonaccrual, and/or identify TDRs, including, but not limited to, consideration of such failure in periodic performance reviews and compensation; and

(f) require that appropriate analysis and documentation is maintained in the credit files to support the current risk rating and accrual determination for each credit relationship.

(2) After the Board has developed the program required by this Article, the Board shall adopt, and Bank management, subject to Board review and ongoing monitoring, shall immediately implement, and shall thereafter ensure adherence to the terms of the program and any amendments or revisions thereto.

ARTICLE VII

PROBLEM ASSET ACTION PLANS

(1) By March 31, 2020, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to a written program designed to protect the Bank's interest in those assets criticized in the most recent ROE, in any subsequent ROE, by any internal or external loan review, or in any list provided to management by the OCC during any examinations as "doubtful," "substandard," or "special mention." The program shall include the development of Criticized Asset Reports ("CARs") identifying all credit relationships and other assets including OREO totaling in aggregate two-hundred fifty thousand dollars ($250,000) or more, criticized as "doubtful," "substandard," or "special mention." The CARs shall be updated and submitted to the Board and to the Assistant Deputy Comptroller quarterly. Each CAR shall cover an entire credit relationship and include, at a minimum, analysis and documentation of the following:

(a) a brief factual summary of the relationship, including the reason for the basis of criticism, the origination date and any renewal or extension dates, amount, purpose of the loan, payment history, accrual status, impairment (if applicable), and the originating and current loan officer(s);

(b) an analysis of the repayment capacity of the borrower, including identification of the expected source of repayment and cash flow analysis where loans are to be repaid from the borrower's operations;

(c) an assessment of the collateral supporting the loan, including an evaluation of the appraisal of such collateral and the position of the Bank's lien on such collateral where applicable;

(d) an evaluation of any guarantees, including the guarantor's financial capacity and willingness to provide support for the credit;

(e) an assessment of the appropriateness of loan accrual status;

(f) results of any Accounting Standards Codification ("ASC") 310-10-35, Receivables - Overall - Subsequent Measurement – Impairment analysis;

(g) summary of borrower discussions, including willingness to work with the Bank;

(h) significant developments, including a discussion of changes since the prior CAR, if any; and

(i) the proposed action(s) to eliminate the basis of criticism, identification of employees responsible for implementing the action(s), and the timeframe for accomplishment of the proposed action(s).

(2) Upon adoption, a copy of the criticized asset program shall be submitted to the Assistant Deputy Comptroller.

(3) The Bank may not 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 any ROE, in any internal or external loan review, or in any list provided to management by the OCC unless each of the following conditions is met:

(a) the Board, or 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 of the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank;

(b) the Bank performs all written credit and collateral analysis required by paragraph (1) of this Article; and

(c) 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 by the extension of additional credit.

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

ARTICLE VIII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) By March 31, 2020, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection revised policies and procedures for maintaining an adequate ALLL in accordance with the Federal Accounting Standards Advisory Board's ("FASB") generally accepted accounting principles ("GAAP"). Refer to the Federal Financial Institutions Examination Council's "Interagency Policy Statement

on the Allowance for Loan and Lease Losses" dated December 13, 2006, (OCC Bulletin 2006-47), for guidance. The ALLL policies and procedures shall, at a minimum, include the following:

(a) criteria and procedures for determining whether a loan is impaired and measuring the amount of impairment consistent with GAAP including FASB's ASC 310-35, Receivables - Overall - Subsequent Measurement – Impairment;

(b) criteria and procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with GAAP including FASB's ASC 450-20, Loss Contingencies. These procedures shall require the Bank to document its estimation of credit losses and its analysis of the nine qualitative factors set forth in OCC Bulletin 2006-47;

(c) validating the ALLL methodology;

(d) ensuring that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:

  (i) trends in the Bank's internal risk ratings as well as in delinquent and nonaccrual loans;

  (ii) results of the Bank's external loan review;

  (iii) concentrations of credit in the Bank;

  (iv) present and prospective economic conditions; and

  (v) applicable experience of the Bank's lending staff;

(e) loans designated as TDRs, including "special mention" and "pass," receive an impairment analysis;

(f) reviewing on at least a quarterly basis, to determine the adequacy of the ALLL. The Board shall maintain written documentation indicating the factors considered and conclusions reached in its determination of the adequacy of the ALLL; and

(g) summarizing and documenting, for the Board's prior review and approval, the amount to be reported in the Bank's Call Report for the ALLL.

(2) The Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted. Any material difference between the ALLL balance as determined by the analysis required by this Article and the Bank's actual ALLL balance shall be remedied through appropriate account adjustments in the quarter it is discovered, prior to the filing of the Bank's Call Reports. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL.

(3) Within thirty (30) days of receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Bank's revised policies and procedures for maintaining an adequate ALLL and any amendments or revisions thereto.

ARTICLE IX

LIQUIDITY RISK MANAGEMENT

(1) By March 31, 2020, the Board shall develop and submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection, a written

program to improve the Bank’s liquidity risk management. The program must include effective methods to achieve and maintain sufficient liquidity and to measure and monitor liquidity risk. Refer to “Liquidity” booklet of the *Comptroller’s Handbook* and Interagency Policy Statement on Funding and Liquidity Risk Management” dated March 22, 2010, (OCC Bulletin 2010-13) for guidance. The program shall include, at a minimum, provisions for the following:

(a) strategies to maintain sufficient liquidity at a reasonable cost including, but not limited, to the following:

(i) improving diversification of funding sources and reducing reliance on high cost providers;

(ii) identifying and reducing rollover risk;

(iii) increasing liquidity through such action as obtaining additional capital, placing limits on asset growth, aggressive collection of problem loans and recovery of charged-off assets, and asset sales; and

(iv) monitoring the projected impact on reputation, economic and credit conditions in the Bank’s market(s);

(b) Board-established liquidity limits, and requirements for the regular monitoring of compliance with Board-approved limits;

(c) the preparation of liquidity reports which shall be reviewed by the Board on at least a monthly basis;:

(d) a contingency funding plan that, on a monthly basis, forecasts funding needs, and funding sources under different stress scenarios which represents management’s best estimate of balance sheet changes that may result from a liquidity or credit event. The contingency funding plan shall include, at a minimum:

(i) a statement on the Board's strategy for maintaining adequate sources of stable funding given the Bank's anticipated liquidity and funding needs;

(ii) a definition of a liquidity crisis for the Bank;

(iii) identification of early warning liquidity triggers;

(iv) an explicit quantification of those sources and uses of liquidity in stressed scenarios that correspond to the early warning liquidity triggers;

(v) detailed action plans to identify and obtain sources of liquidity to meet projected shortfalls;

(vi) identification of responsible bank personnel to declare, manage, and resolve a liquidity crisis;

(vii) a process for regular testing to ensure that the plan is operationally sound, including periodic testing of unused funding sources;

(viii) specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Agreement and the restrictions regarding brokered deposits in 12 C.F.R. § 337.6;

(ix) expanded stress scenarios for worse case scenarios reflecting asset quality and financial condition deterioration including a less than "well capitalized" designation;

(x) the preparation of reports which identify and quantify all sources of funding and funding obligations under best case and worse case scenarios, including asset funding, liability funding and off-balance sheet funding; and

(xi) procedures which ensure that the Bank's contingency funding practices are consistent with the Board's guidance and risk tolerances.

(2) Within thirty (30) days of receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the written liquidity risk management program and any amendments or revisions thereto.

ARTICLE X

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Agreement, and shall verify that the Bank adheres to the corrective actions and they are effective in addressing the Bank's deficiencies that resulted in this Agreement.

(2) In each instance in which this Agreement imposes responsibilities upon the Board, it is intended to mean that the Board shall:

(a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Agreement;

(b) ensure that the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Agreement;

(c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Agreement;

(d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Agreement;

(e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under the terms of this Agreement; and

(f) address any noncompliance with corrective actions in a timely and appropriate manner.

ARTICLE XI

CLOSING

(1) This Agreement is intended to be, and shall be construed to be, a "written agreement" within the meaning of 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its 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 OCC has any intention to enter into a contract. The Bank also expressly acknowledges that

no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

(2) This Agreement is effective upon its issuance by the OCC, through the Comptroller's duly authorized representative. Except as otherwise expressly provided herein, all references to "days" in this Agreement shall mean calendar days and the computation of any period of time imposed by this Agreement shall not include the date of the act or event that commences the period of time. The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Agreement, or within any plan or program submitted pursuant to this Agreement, the Board or a Board-designee shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with the relevant provision(s) of the Agreement or plan or program submitted pursuant to this Agreement, and shall be accompanied by relevant supporting documentation. The OCC's decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(3) The Bank will not be deemed to be in compliance with this Agreement until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Agreement; the corrective actions are effective in addressing the Bank's deficiencies; and

the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the corrective actions requires sufficient passage of time to demonstrate the sustained effectiveness of the corrective actions.

(4) Each citation, guidance, or issuance referenced in this Agreement includes any subsequent citation, guidance, or issuance that replaces, supersedes, amends, or revises the referenced cited citation, guidance, or issuance.

(5) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to enter into this Agreement.

(6) All reports, plans, or programs submitted to the OCC pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the following:

Assistant Deputy Comptroller
Office of the Comptroller of the Currency
Houston Field Office
1301 McKinney Street, Suite 1410
Houston, Texas 77010-3031

(7) 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 as his duly authorized representative, has hereunto set his signature on behalf of the Comptroller.

/s/

David Elsenbrock
Assistant Deputy Comptroller
Houston Field Office

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Texas Citizens Bank, N.A. have hereunto set their signatures on behalf of the Bank.

/s/ Mike Bowman	Dec 18 2019 Date
/s/ Michael L. Cornett	Dec. 18 2019 Date
/s/ George L. Dempsey	Dec 18 2019 Date
/s/ Kenneth A. Love	Dec 12, 2019 Date
/s/ Duncan W. Stewart	12/18/19 Date
/s/ Tom M. Watson	12/18/19 Date