

AGREEMENT BY AND BETWEEN
First National Bank Albany/Breckenridge
Albany, Texas
and
The Comptroller of the Currency

AA-SO-2021-3

The First National Bank of Albany/Breckenridge Albany, 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 Classified & Special Mention Assets, Problem Loan Identification, the Bank Secrecy Act, and Staffing.

In consideration of the above premise, 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) The Bank has been deemed to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6). 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 pursuant to this Agreement shall be forwarded to:

Nanalie Andress
Assistant Deputy Comptroller
Dallas Field Office
225 E. John Carpenter Frwy., Suite 900
Irving, TX 75062

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within ten (10) days, the Board shall establish a Compliance Committee of at least five (5) directors, a majority of whom are not an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the date of this Agreement and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
 - (b) actions taken to comply with each Article of this Agreement; and
 - (c) the results and status of those actions.
- (4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.
- (5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article.

ARTICLE III

CLASSIFIED & SPECIAL MENTION ASSETS

- (1) The Board shall take immediate and continuing action to protect its interest in those assets designated classified or special mention in the Bank's most recent Report of Examination ("ROE"), in any subsequent ROE, by internal or external loan review, by internal problem loan identification processes, or in any list provided to management by the National Bank Examiners during any examination.
- (2) Within sixty (60) days, the Board shall review, revise, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism in assets designated classified or special mention in the Report of Examination, in any subsequent Report of Examination, by any internal or external loan review, by internal problem loan identification processes, or in any list provided to management by the National Bank Examiners during any examination. This program shall require the Bank to include in its workout strategy for each classified or special mention asset:

- (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;
- (d) the proposed action to eliminate the basis of criticism and the timeframe for its accomplishment.

(3) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller within ten (10) days. Any subsequent modifications or additions to the program shall be forwarded to the Assistant Deputy Comptroller within ten (10) days of the modification or addition.

(4) Within sixty (60) days, the Bank shall establish internal control processes for approving new or renewed loans related to classified and special mention loan relationships to ensure new loans, renewals, or extensions are in the best interest of the bank.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine the status of each classified and special mention asset (or portion thereof) that equals or exceeds two hundred and fifty thousand dollars (\$250,000.00). Status updates for each classified or special mention asset (or portion thereof) that equals or exceeds two hundred and fifty thousand dollars (\$250,000.00) shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis. The status updates shall follow a format similar to Appendix A, attached hereto.

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article and the programs developed pursuant to it.

ARTICLE IV

PROBLEM LOAN IDENTIFICATION

(1) Within thirty (30) days, the Board shall review, revise, and thereafter ensure Bank adherence to a program to ensure lending officers identify in a timely and accurate manner nonaccrual loans and loans rated "Special Mention", "Substandard", "Doubtful", and "Loss." An acceptable program shall include:

- (a) Providing training to lending staff on recognition of nonaccrual loans and loan grading, with subsequent refresher training as needed;
- (b) Remediating any problem loan identification deficiencies identified in the current or any future ROE, including the identified deficient related to risk rating accuracy, problem loan administration, and policy exceptions; and
- (c) Requiring that lending officers and senior management are assigned responsibility and held accountable (to include, at a minimum, consideration in periodic performance reviews and compensation) for ensuring that the Bank's loans and other assets are appropriately and timely risk rated, charged off and/or placed on nonaccrual.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article and the programs developed pursuant to it.

ARTICLE V

BANK SECRECY ACT

(1) Within ninety (90) days of the date of this Agreement, the Board shall review, revise, and thereafter ensure Bank adherence to its written program of policies and procedures to provide for compliance with the Bank Secrecy Act, as amended (31 U.S.C. §§ 5311 et seq.), the

regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, 12 C.F.R. Part 21, Subparts B and C, the rules and regulations of the Office of Foreign Assets Control (“OFAC”) (collectively referred to as the “Bank Secrecy Act” or “BSA”), and the appropriate identification and monitoring of transactions that pose greater than normal risk for compliance with the BSA. This program shall include, but not be limited to, all corrective actions identified in the ROE as necessary to address Customer Due Diligence/Enhanced Due Diligence, and Third-Party Risk Management of Merchant Processors.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article and the programs developed pursuant to it.

ARTICLE VI

MANAGEMENT & STAFFING

(1) Within ninety (90) days, the Board shall develop a staffing plan that consists of the following:

- (a) An evaluation of current and future management and staffing needs for each primary area of the Bank;
- (b) An evaluation of key employee's qualifications and abilities to perform current and anticipated duties, specifically considering any deficiencies identified in the current or any future ROE;
- (c) Specific plans to ensure that the level of responsibilities of all bank personnel, but specifically the CEO and CAO positions, are appropriate to maintain strong oversight of credit risk and overall risk management of the Bank;

- (d) An analysis of staffing levels in the credit administration department to ensure timely and appropriate completion of financial analyses, annual reviews, proper risk identification, and other responsibilities; and
- (e) Specific plans to ensure that overall risk management of both past due and emerging concerns are addressed in a timely fashion and that sustainability of practices continues.

(2) Within five (5) days of completion, the Board shall provide a copy of the staffing plan to the ADC for prior no supervisory objection.

(3) Upon receiving no supervisory objection, within sixty (60) days, the board shall adopt, implement and ensure adherence to the staffing plan.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article and the plan developed pursuant to it.

ARTICLE VII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United

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

(3) 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.

(4) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. If the Bank requires a suspension or waiver of any provision or an extension of any timeframe within this Agreement, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the Bank's request for a suspension or waiver of any provision or an extension of a timeframe within this Agreement.

(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; and
- (c) require corrective action be taken in a timely manner of any non-

compliance with such actions.

(6) This Agreement 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// Digitally Signed, Dated: 2021.02.09

Nanalie K. Andress
Assistant Deputy Comptroller

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.

<u>/s/</u> Robert Arnot	<u>2/24/21</u> Date
<u>/s/</u> James H. Cotter	<u>2/19/2021</u> Date
<u>/s/</u> Jimmy Dye	<u>2-16-21</u> Date
<u>/s/</u> Jon Rex Jones	<u>2-16-21</u> Date
<u>/s/</u> Stephen M. Jones	<u>2/18/21</u> Date
<u>/s/</u> Dan A. Neff	<u>2-16-21</u> Date
<u>/s/</u> J. Randall Palmore	<u>2/16/2021</u> Date
<u>/s/</u> Glenn A. Picquet	<u>02/16/2021</u> Date
<u>/s/</u> James C. Shelton	<u>2-16-2021</u> Date
<u>/s/</u> K. Kevin Simmons	<u>2-22-21</u> Date
<u>/s/</u> Lynne J. Teinert	<u>2-16-21</u> Date

APPENDIX A

First National Bank of Albany/Breckenridge
Albany, Texas

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S): _____

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds two hundred fifty thousand dollars (\$250,000) and retain the original in the credit file for review by the examiners. Submit your reports **quarterly** until notified otherwise, in writing, by the Assistant Deputy Comptroller.