

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY

In the Matter of:)	
)	AA-SO-2021-40
BancCentral, National Association)	
Alva, Oklahoma)	
)	

CONSENT ORDER

WHEREAS, the Office of the Comptroller of the Currency (OCC) has supervisory authority over BancCentral, National Association, Alva, Oklahoma (Bank);

WHEREAS, the OCC intends to initiate cease and desist proceedings against the Bank pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for engaging in unsafe or unsound practices, including those relating to management and board supervision, strategic and capital planning, risk ratings and loan review, credit administration, and the allowance for loan and lease losses.

WHEREAS, in the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, the Bank, by and through its duly elected and acting Board of Directors (Board), consents to the issuance of this Consent Order (Order), by the OCC through the duly authorized representative of the Comptroller of the Currency (Comptroller); and

NOW, THEREFORE, pursuant to the authority vested in the OCC by Section 8(b) of the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818(b), the OCC hereby orders that:

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) and is therefore authorized to initiate and maintain this cease and desist action against the Bank pursuant to 12 U.S.C. § 1818(b).

ARTICLE II

COMPTROLLER’S FINDINGS

The Comptroller finds, and the Bank neither admits nor denies, the following:

(1) The Bank has engaged in unsafe or unsound practices regarding management and board supervision, strategic and capital planning, risk ratings and loan review, credit administration, and the allowance for loan and lease losses. These unsafe or unsound practices resulted in violations of 12 U.S.C. § 161.

(2) The Bank has begun corrective action and has committed resources to remediate these unsafe or unsound practices.

ARTICLE III

COMPLIANCE COMMITTEE

(1) By November 15, 2021, 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 Brian Wall, Assistant Deputy Comptroller, Oklahoma City Field Office (ADC), 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 ADC 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 Order. The Compliance Committee shall meet at least monthly and maintain minutes of its meetings.

(2) By January 31, 2022, and thereafter within thirty (30) days after the end of each month, 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 Order;

(b) the specific corrective actions undertaken to comply with each Article of this Order; 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 ADC within ten (10) days of the first Board meeting following the Board's receipt of such report.

ARTICLE IV

BOARD SUPERVISION AND MANAGEMENT

(1) By March 31, 2022, the Board shall ensure that the Bank has effective and

qualified management in place for all senior executive officer positions to carry out the Board's policies, take the necessary steps to implement corporate governance and decision-making processes to correct previously identified deficiencies and to timely address deficiencies described in future or any supervisory or regulatory communications, and take the necessary steps to ensure compliance with applicable laws, rules, and regulations and compliance with the Order. For the purposes of this Order, "deficiencies" includes unsafe or unsound policies, procedures, practices, and controls, as well as violations of laws, regulations, final agency orders, conditions imposed in writing, or written agreements.

(2) By March 31, 2022, the Board shall ensure the following:

(a) the Bank has senior executive officers willing and able to perform present and anticipated duties, factoring in each senior executive officer's performance, experience, and qualifications as compared to their position description, duties and responsibilities, with particular emphasis on their actual and proposed responsibilities to execute the Strategic and Capital Plan required by Article VI of this Order, achieve and maintain the minimum capital ratios required by Article V of this Order, and correct previously identified deficiencies;

(b) identification of future senior executive management staffing requirements of each area of the Bank;

(c) clear lines of responsibility and authority exist for each member of senior executive management;

(d) the Bank's management employment and succession plan promotes adequate staffing and continuity of capable management, including:

(i) a plan to retain a Chief Credit Officer who has the knowledge,

skills, ability, and authority to effectively manage the Bank's loan portfolio and credit function and

(ii) a plan to retain sufficient staff and expertise in the Bank's credit department to effectively manage the Bank's loan portfolio and credit function and periodic (no less than annual) evaluation of the number and expertise of current staff to determine whether additional staff is needed;

(e) Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order, including requirements for periodic training of all credit department personnel, to include at a minimum: cash flow and credit analysis, credit risk rating and nonaccrual determinations, loan policy requirements, collateral perfection and inspections of construction and inventory, as appropriate, real estate appraisal review and evaluations, and applicable lending-related laws and regulations;

(f) the Bank has an adequate process to evaluate, at least annually, the Bank's overall internal operations; staffing; Board and management oversight; information systems, policies, procedures; and other risk management systems, with strategies and associated timelines to address any deficiencies;

(g) a performance appraisal process, including annual performance appraisals, job descriptions, and consideration of performance relative to policy compliance, documentation standards, and other applicable measures for all officers and staff, including for all loan officers with consideration of performance relative to loan policy compliance, accuracy in risk rating and nonaccrual determinations, and other applicable credit risk management matters for total compensation and any applicable incentive

programs;

(h) the Bank has a sufficient process to ensure that management appropriately responds to any audit, compliance, and/or regulatory criticisms with written action plans that contain corrective actions to be taken, appropriate deadlines for taking corrective action, and Board follow-up and documentation demonstrating each matter was resolved satisfactorily;

(i) the Board receives and reviews sufficient information from management (including scope, frequency, timing and content) regarding the operation of the Bank and compliance with this Order to enable the Directors to provide oversight and fulfill their fiduciary duties and other responsibilities as required by law and in accordance with safe and sound practices (refer to the “Corporate and Risk Governance” booklet of the *Comptroller’s Handbook* for guidance);

(j) minutes of meetings of the Board and its committees fully document the review and discussion of material action items, actions taken, and follow-up items to be addressed at subsequent meetings, especially as those items and actions relate to identified deficiencies or compliance with applicable laws, rules, regulations or this Order.

(3) By March 31, 2022, and annually thereafter, the Board shall ensure that an annual written performance appraisal is performed and prepared for all Bank senior executive officers. The Board shall ensure that each written performance appraisal is completed by sufficiently qualified and independent Board members. If necessary and as appropriate, the Board shall engage a qualified independent third party to assist the Board in preparing the written appraisals; refer to “Third-Party Relationships: Risk Management Guidance” (OCC Bulletin 2013-29) for

guidance. Each annual written performance appraisal shall evaluate the performance of each senior executive officer according to the position's description and responsibilities. Each annual written performance appraisal also must evaluate the following:

- (a) compliance with objectives established by the Board;
- (b) compliance with Board-approved policies and procedures;
- (c) compliance with Board-approved strategic and capital plans;
- (d) compliance with laws, regulations, and the Order; and
- (e) appropriateness of compensation and benefits in accordance with Safety and Soundness standards in 12 C.F.R. Part 30, Appendix A, Section III.

(4) By March 31, 2022, the Board will develop, and thereafter implement and ensure adherence to, a written compensation plan for each officer and director. Refer to "Incentive Compensation: Interagency Guidance on Sound Incentive Compensation Policies" (OCC Bulletin 2010-24) for guidance. The Board shall review its compensation practices annually and ensure that they comply with Safety and Soundness standards in 12 C.F.R. Part 30, Appendix A, Section III. At minimum, the written compensation plan must:

- (a) be connected to an identifiable position at the Bank;
- (b) correlate to the assessment of each officer and director's performance;
- (c) be market-based, reasonable, and proportionate to the services rendered;
- (d) consider the Bank's ability to pay the compensation and the impact of such payments on the financial condition of the Bank; and
- (e) be consistent with the Strategic Plan required by Article VI of this Order.

(5) The Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to a Board

Supervision and Management Program that addresses the requirements of this Article. The Board shall review the effectiveness of the Board Supervision and Management Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Board Supervision and Management Program as needed or directed by the OCC. Any amendment to the Board Supervision and Management Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE V

CAPITAL HIGHER MINIMUMS

(1) The Bank shall achieve by March 31, 2022, and thereafter maintain the following capital ratios as defined in and as calculated in accordance with 12 C.F.R. Part 3¹:

- (a) a total capital ratio at least equal to thirteen percent (13%); and
- (b) a leverage ratio at least equal to nine percent (9%).

(2) Notwithstanding any election to use the community bank leverage ratio (CBLR) framework under 12 C.F.R. § 3.12, the Bank is subject to the minimum capital levels prescribed in paragraph (1) of this Article pursuant to the OCC's authority to impose affirmative corrective actions pursuant to 12 U.S.C. § 1818(b)(6) and must demonstrate compliance with these requirements by completing Schedule RC-R to the Consolidated Reports of Condition and Income in accordance with the instructions for Banks that have not made the CBLR election in addition to Schedule RC-R, CBLR.

(3) The requirement in this Order to meet and maintain a specific capital level for

¹ For purposes of the capital conservation buffer set forth at 12 C.F.R. § 3.11, the Bank's minimum total capital ratio, minimum tier 1 capital ratio, and minimum common equity tier 1 capital ratio requirements are deemed to be those that are set forth in 12 C.F.R. § 3.10.

any capital measure means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4.²

ARTICLE VI

STRATEGIC AND CAPITAL PLAN

(1) By March 31, 2022, the Board shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable strategic and capital plan, covering at least a three-year period (Strategic and Capital Plan) to assess and establish objectives for the Bank’s overall risk profile, capital adequacy in relation to overall risks, 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 ensure maintenance of appropriate capital levels. The Strategic and Capital Plan shall be consistent with safe and sound practices and ensure the integrity, objectivity, and consistency of the process through adequate governance. Refer to the “Corporate and Risk Governance” and “Capital and Dividends” booklets of the *Comptroller’s Handbook*. The Board shall document the initial Strategic and Capital Plan and thereafter review and document the Strategic and Capital Plan at least annually or more frequently, if appropriate, or required by the ADC in writing.

- (2) The Bank’s Strategic and Capital Plan 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

² The Bank may not solicit, accept, renew, or roll over any brokered deposit (as defined in 12 C.F.R. § 337.6(a)(2)) except in compliance with the applicable restrictions of 12 U.S.C. § 1831f and 12 C.F.R. § 337.6.

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) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies for their adequacy and contribution to the accomplishment of the strategic goals and objectives developed under this Article and are consistent with the other Articles in this Order;

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

(f) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of Article V;

(g) a strategy to maintain capital and strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;

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

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

(j) 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);

(k) 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;

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

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

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

(o) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios for each quarter over the period covered by the Strategic and Capital Plan; and

(p) specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order that will have an impact on the Bank's strategy or capital.

(3) If the Bank's Strategic and Capital Plan outlines a sale or merger of the Bank, including a transaction pursuant to 12 U.S.C. § 215a-3, the Strategic and Capital Plan shall, at a minimum, address the steps and the associated timeline to ensure that within sixty (60) days after the receipt of the ADC's written determination of no supervisory objection to the Strategic and Capital Plan, a definitive agreement for the sale or merger is executed.

(4) The Bank may declare or pay a dividend or make a capital distribution only:

(a) when the Bank is in compliance with its Board-approved Strategic and Capital Plan and would remain in compliance with such Strategic and Capital Plan immediately following the declaration or payment of any dividend or capital distribution;

(b) when the dividend or capital distribution would comply with 12 U.S.C.

§§ 56, 60 and 1831o(d)(1) and 12 C.F.R. § 3.11(a)(4); and

(c) following the ADC's prior written determination of no supervisory objection to the dividend or capital distribution.

(5) Within fifteen (15) days following receipt of the ADC's written determination of no supervisory objection to the Bank's Strategic and Capital Plan or to any subsequent amendment to the Strategic and 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 Strategic and Capital Plan. The Board shall review the effectiveness of the Strategic and Capital Plan at least annually, no later than January 31 each year, and more frequently if necessary or if required by the OCC in writing, and amend the Strategic and Capital Plan as needed or directed by the OCC. Any amendment to the Strategic and Capital Plan must be submitted to the ADC for review and prior written determination of no supervisory objection.

(6) At least monthly, the Board shall review financial reports, earnings analyses, and appropriate documentation that evaluate the Bank's performance against the goals and objectives established in the Strategic and 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 a description of any extraordinary and nonrecurring items. This review shall include a description of the actions the Board and management will take to address any deficiencies. The Board's monthly reviews shall be documented in the Board meeting minutes. The Board shall forward a copy of these monthly reviews and Board meeting minutes to the ADC within ten (10) days of month-end, as well as a detailed description of the corrective actions the Board will require the Bank to take to address any

identified shortcomings.

(7) If the Bank fails to maintain or achieve the capital ratios required by Article V, or fails to submit a Strategic and Capital Plan as required by this Article, or fails to implement a Strategic and Capital Plan to which the ADC has provided a written determination of no supervisory objection, then the Bank may, in the ADC's sole discretion, be deemed undercapitalized for purposes of this Order. Following written notification from the ADC that the Bank is deemed undercapitalized for purpose of this Order, the Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 6. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by Article V and any other action deemed necessary by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

(8) Until the Strategic and Capital Plan required under this Article has been submitted by the Bank for the ADC's review, has received a written determination of no supervisory objection from the ADC 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 Order without first obtaining the ADC's prior written determination of no supervisory objection to such significant deviation.

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

supervisory objection from the ADC.

(10) Any request by the Bank for prior written determination of no supervisory objection to a significant deviation described in this Article shall be submitted in writing to the ADC 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.

(11) 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 the 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.

ARTICLE VII

PROBLEM LOAN MANAGEMENT

(1) The Board shall take immediate and continuing action to protect its interest in those adversely classified and special mention assets identified by OCC examiners, internal or external loan review, or the Bank (collectively, problem assets), including ensuring that the Bank

has adequate collateral and inspections of construction and inventory, as appropriate, for these loans.

(2) By January 31, 2022, the Board shall adopt, implement and thereafter ensure Bank adherence to a written program designed to reduce the Bank's problem assets (Problem Assets Program) to a safe and sound level and to govern the management of problem assets.

(3) The Problem Asset Program shall include and address, at a minimum:

(a) policies that detail responsibility of problem loan management, including oversight of action plans, reporting, and escalation;

(b) the designated committee's oversight of obtaining updated collateral valuations;

(c) oversight of problem loan management by a qualified senior executive officer;

(d) aggregate and monthly reporting of problem asset levels by risk rating for each major portfolio segment with trend analyses to the Board or a designated committee thereof every month; and

(e) specific plans for the reduction of problem assets by each major portfolio segment with target reductions by month and documented reviews of these plans.

(4) The Board shall review the effectiveness of the Problem Assets Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Problem Assets Program as needed or directed by the OCC. Any amendment to the Problem Assets Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

(5) By January 31, 2022, the Board shall develop written procedures, with assigned

responsibilities, for the quarterly submission and review of individual problem asset reports (“PAR”) of all problem assets over five hundred thousand dollars (\$500,000). Each PAR shall require, at a minimum, analysis and documentation of the following:

- (a) current information and analyses of expected sources of repayment and detailed collateral information, including, as applicable, the current value of supporting collateral, the condition of the collateral, and the Bank’s lien position;
- (b) concessions made to the terms of the credit, if any, and how doing so will improve the problem credit;
- (c) trigger dates for borrower actions or for loan officer reassessment of strategy and enactment of collection plans;
- (d) the root causes of the credit weakness;
- (e) an analysis of current and satisfactory financial information for the credit relationship;
- (f) a determination of whether the loan is impaired and the impairment amount, consistent with generally accepted accounting principles (GAAP);
- (g) analysis and reasoning to support the current risk rating along with specific action plans and trigger dates for risk rating changes; and
- (h) a review, at least quarterly, by the Board or a designated committee thereof to measure progress and reevaluate the suitability of the action plans; and document the effectiveness of the responsible officer’s efforts to eliminate the weakness in each problem asset relationship.

(6) A copy of each PAR prepared pursuant to this Article, along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each problem

asset, shall be submitted to the ADC within ten (10) days of each calendar quarter end.

(7) Effective as of the date of this Order, the Bank may not extend credit, directly or indirectly, including overdrafts, renewals, extensions of the payment or principal due date, or capitalization of accrued interest, but excluding advances on previously approved lines of credit, to a borrower whose loans or other extensions of credit are considered problem assets by the OCC examiners, external loan review, or the Bank, and whose aggregate loans or other extensions of credit, are over, or the additional extension of credit causes the aggregate loans or other extensions of credit to a borrower to be over, five hundred thousand dollars (\$500,000) unless each of the following conditions is met:

- (a) a majority of the full Board approves the credit extension;
- (b) the Board explains in writing how the credit extension is necessary to promote the best interests of the Bank;
- (c) the Board explains in writing how the credit extension will not compromise the Board's formal plan to collect or strengthen the problem asset; and
- (d) the Board's written determinations required by this Article are maintained in the borrower's credit file.

ARTICLE VIII

CREDIT RISK RATING AND NONACCRUAL RECOGNITION

(1) By December 15, 2021, the Bank shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written credit risk ratings and nonaccrual recognition program (Credit Risk Rating and Nonaccrual Recognition Program) designed 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. Refer to the "Rating Credit Risk" booklet of the *Comptroller's Handbook* for related safe and sound principles.

(2) The Credit Risk Rating and Nonaccrual Recognition Program shall address, at a minimum:

(a) policies and procedures designed to ensure 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, existing repayment terms, considers the loan purpose, and focuses on the primary source of repayment;

(b) policies and procedures designed to ensure credit risk ratings are reviewed and updated whenever relevant new information is received, but no less than annually, and include procedures for timely risk rating downgrades when conditions warrant without compromise or delay based on unfounded reliance on guarantors, payment history, borrower character or potential future events;

(c) policies and procedures designed to ensure the Bank's loans and other assets are timely placed on nonaccrual by lending officers in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income;

(d) policies and procedures governing the identification, analysis, accounting, monitoring, and reporting of troubled debt restructurings; refer to OCC Bulletin 2012-10, "Troubled Debt Restructurings: Supervisory Guidance on Accounting and Reporting Requirements" for related safe and sound principles;

(e) annual training for loan officers, president, senior management, and directors on risk rating definitions and the importance of accurate and timely risk ratings;

(f) policies and procedures for holding loan officers and management

accountable for failing to appropriately and timely risk rate and place loans on nonaccrual; and

(g) the maintenance of appropriate analysis and documentation in the credit files to support the current and previous risk rating and accrual determination for each credit relationship.

(3) By December 15, 2021, the Board shall identify an independent third party to identify and evaluate the Bank's current credit risk and ensure that credit relationships are reviewed and accurately risk rated. Refer to "Third-Party Relationships: Risk Management Guidance" (OCC Bulletin 2013-29) for guidance. The independent third party must complete and submit a written report to the Board within sixty (60) days of engagement. Immediately following completion, the Bank shall submit the results of the independent third party's evaluation to the ADC.

(4) Within fifteen (15) days following receipt of the ADC's written determination of no supervisory objection to the Credit Risk Rating and Nonaccrual Recognition Program or to any subsequent amendment to the Credit Risk Rating and Nonaccrual Recognition Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Credit Risk Rating and Nonaccrual Recognition Program. The Board shall review the effectiveness of the Credit Risk Rating and Nonaccrual Recognition Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Risk Rating and Nonaccrual Recognition Program as needed or directed by the OCC. Any amendment to the Credit Risk Rating and Nonaccrual Recognition Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE IX

LOAN REVIEW

(1) By March 31, 2022, the Board shall adopt, adopt, implement and thereafter ensure Bank adherence to a revised and adequate program to independently assess loan quality on an ongoing basis and to appropriately communicate loan review findings to the Board and management (Loan Review Program). Refer to “Interagency Guidance on Credit Risk Review Systems” (OCC Bulletin 2020-50) for guidance.

(2) The Loan Review Program shall include or address, at a minimum:

- (a) ensuring that the frequency, scope, and depth of loan review is commensurate with the Bank’s overall and credit-related risks;
- (b) prompt identification of loans with actual and potential credit weaknesses;
- (c) appropriate validation and, if necessary, adjustment of risk ratings, especially for those loans with potential or well-defined credit weaknesses that may jeopardize repayment;
- (d) identification of relevant trends that affect the quality of the loan portfolio and highlights segments of those portfolios that are potential problem areas.
- (e) assessment of the adequacy of and adherence to internal credit policies and loan administration procedures;
- (f) assessment of compliance with applicable laws and regulations;
- (g) evaluation of the activities of lending personnel and management, including compliance with lending policies and the quality of their loan approval, monitoring, and risk assessment;

- (h) discussion of loan review findings, including identified deficiencies and weaknesses, with appropriate loan officers and management;
- (i) procedures for correcting identified deficiencies and weaknesses, as well as a system for reporting unresolved deficiencies and weaknesses within scheduled time frames to the Board and management;
- (j) procedures for ensuring periodic, objective, independent, and timely assessments of the overall quality of the loan portfolio;
- (k) procedures for ensuring the Board and management receive accurate and timely credit quality information for financial and regulatory reporting purposes, including the determination of an appropriate ALLL; and
- (l) procedures for ensuring that the loan review function is staffed with personnel who are independent and qualified based on their education, experience, and formal credit training.

(3) The Board shall review the effectiveness of the Loan Review Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Loan Review Program as needed or directed by the OCC.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) By December 31, 2021, the Board shall adopt, implement and thereafter ensure Bank adherence to a written program designed to a written program for maintaining and reporting an adequate, written Allowance for Loan and Lease Losses (ALLL Program) in accordance with GAAP and the instructions for reporting the ALLL on the Consolidated Reports

of Condition and Income (Call Reports). Refer to the “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47), the “Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Association” dated July 2, 2001 (OCC Bulletin 2001-37), and the “Allowance for Loan and Lease Losses” booklet of the Comptroller’s Handbook (June 1996).

(2) The ALLL Program shall address, at a minimum:

(a) identifying and documenting impaired loans, including all Troubled Debt Restructurings, and measuring the amount of impairment consistent with GAAP, including Accounting Standards Codification (ASC) 310-10-35, at least quarterly;

(b) segmenting the loan portfolio and documenting the estimated loss on groups of loans consistent with GAAP, including ASC 450-20, at least quarterly;

(c) supporting the estimation of credit losses and adjustments with documentation and analysis of historical loss rates and all significant qualitative and environmental factors that affect the collectability of the Bank’s loan and lease portfolio;

(d) independently validating the Bank’s ALLL methodology on an annual basis and reporting the conclusions to the Board, which shall address identified deficiencies through revision of the ALLL Program in a manner consistent with this Article; and

(e) documenting the Board’s determination, at least quarterly, of the adequacy of the Bank’s ALLL amount to be reported in the Bank’s Call Report, including the factors considered and rationale supporting the Board’s conclusion.

(3) The Board shall review the effectiveness of the ALLL Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the ALLL Program as needed or directed by the OCC. The Board shall forward a copy of the adopted

ALLL Program, and any subsequent amendments thereto, to the ADC within (10) then days of adoption.

(4) If at any time the Bank's actual ALLL balance is determined to be inadequate in comparison to the ALLL balance calculated pursuant to this Article, the Board shall remedy the inadequacy through additional provisions from earnings in the quarter the inadequacy is discovered, prior to the filing of the Bank's Call Report.

(5) By December 15, 2021, the Bank must refile its Call Reports for the periods December 31, 2020 to June 30, 2021.

ARTICLE XI

CREDIT UNDERWRITING AND ADMINISTRATION

(1) By March 31, 2022, the Bank shall adopt, implement and thereafter ensure Bank adherence to a written program for credit underwriting and administration (Credit Underwriting and Administration Program) designed to ensure the Bank obtains and analyzes credit and collateral information sufficient to identify, monitor, and report the Bank's credit risk, properly account for loans, and assign accurate risk ratings in a timely manner. The Credit Underwriting and Administration Program shall be consistent with safe and sound banking practices.

(2) The Credit Underwriting and Administration Program shall, at a minimum, include:

(a) policies that address acceptable loan types, terms, covenants, concentration limits, credit and collateral requirements and exceptions, and ongoing monitoring;

(b) a description of the types of credit and collateral information required

from borrowers and guarantors prior to making a loan determination and on an ongoing basis, including, annual audited statements, interim financial statements, personal financial statements, tax returns with supporting schedules, and loan advance controls;

(c) policies that require any extensions of credit are granted, by renewal or otherwise, only after obtaining the required credit information and adequately analyzing and documenting the borrower's and guarantor's cash flow, debt service requirements, contingent liabilities, global liquidity condition, and sensitivity analysis in support of the credit decision;

(d) policies to identify, measure, monitor, and control all exceptions and efforts to mitigate or cure exceptions, including but not limited to financial exceptions, collateral exceptions, policy exceptions, and underwriting exceptions. The number of loans with exceptions, and their aggregate dollar value, shall be reported to the Board monthly. The Board shall establish aggregate exception level limits. The Bank shall consider each loan officer's exceptions in conducting periodic performance reviews and compensation decisions;

(e) established criteria to limit the number and frequency to identify, track, and approve covenant waivers in accordance with the applicable loan agreements. The number of loans with covenant waivers, and their aggregate dollar value, shall be reported to the Board monthly;

(f) established criteria to limit the number or frequency to identify, track, and approve extensions, renewals, or rewrites of existing extensions of credit. The number of loans that have been extended, renewed, or rewritten, and their aggregate dollar value, shall be reported to the Board monthly and documented in the Board minutes;

(g) policies regarding the appropriateness of the capitalization of interest, which shall be prohibited unless doing so is conducted in a safe and sound manner. Refer to OCC Examining Circular 229 – Guidelines for Capitalization of Interest on Loans, and OCC Bank Accounting Advisory Series for related safe and sound principles;

(h) specific assignment of responsibility and accountability over the credit administration process to ensure the Credit Underwriting and Administration Program developed pursuant to this Article is effectively implemented; and

(i) the Bank must review the experience level of lending staff, on an annual basis, to ensure employees have the requisite knowledge to perform their duties, and must implement a plan to hire additional staff and provide periodic training where staffing or knowledge gaps exist.

(3) Effective as of the date of this Order, the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit without:

(a) documenting the specific reason or purpose for the extension of credit;

(b) identifying the expected source of repayment in writing;

(c) structuring the repayment terms to coincide with the expected source of repayment;

(d) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;

(e) determining and documenting whether the loan complies with the Bank's loan policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;

- (f) determining and documenting the customer's ability to repay the credit on the proposed repayment terms;
- (g) providing an accurate risk assessment grade and proper accrual status for each credit;
- (h) documenting, with adequate supporting material, the value of collateral; and properly perfecting the Bank's lien on it where applicable; and
- (i) obtaining the written approval of the Bank's loan committee or Board for any extension of credit that is over, or any extension of credit that causes the aggregate loans or other extensions of credit to a borrower to be over, five hundred thousand dollars (\$500,000).

(4) The Board shall review the effectiveness of the Credit Underwriting and Administration Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Underwriting and Administration Program as needed or directed by the OCC. Any amendment to the Credit Underwriting and Administration Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE XII

CONCENTRATIONS OF CREDIT

(1) By March 31, 2022, the Bank shall adopt, implement and thereafter ensure Bank adherence to a written Concentration Risk Management Program (Concentration Program). Refer to the "Concentrations of Credit" booklet of the Comptroller's Handbook. For purposes of this Article, a concentration of credit is as defined in the "Concentrations of Credit" booklet of

the Comptroller's Handbook.

- (2) The Concentration Program shall include, at a minimum:
 - (a) identification of the Bank's known and potential concentrations of credit;
 - (b) a written analysis of all concentrations of credit that identifies and assesses inherent credit, liquidity, and interest rate risks and considers the impact of concentration levels on overall growth plans, financial targets, portfolio stress tests, and capital plan objectives;
 - (c) the establishment of safe and sound, formal limits and sub-limits for all concentrations of credit based on a percentage of Tier 1 capital plus the allowance for loan and lease losses, stratified by loan type, locality of the borrower and collateral, and other meaningful measures;
 - (d) management information systems that ensure timely and accurate reporting of concentrations to the Board including concentration reports that stratify the loan portfolio by type, locality, and other meaningful measures, including, but not limited to, quarterly monitoring of concentration reports based upon total committed amounts relative to Board-approved limits;
 - (e) portfolio-level stress tests to quantify the impact of changes to portfolio-specific characteristics and market conditions on earnings and capital, consistent with the size, complexity, and risk profile of the Bank's loan portfolio;
 - (f) annual re-evaluation and approval of concentration limits by the Board, and a Board policy that requires detailed analysis and written support of any proposed changes demonstrating the credit or interest rate risk that will result from the change; and
 - (g) a detailed contingency plan to reduce concentration risk in the event of

adverse market conditions, including reasonable action plans.

(3) The Board shall review the effectiveness of the Concentration Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Concentration Program as needed or directed by the OCC.

ARTICLE XIII

LIQUIDITY RISK MANAGEMENT

(1) By December 31, 2021, the Board shall update and adopt, and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to, a comprehensive written Liquidity Risk Management Program for the Bank. This Liquidity Risk Management Program shall provide for the identification, measurement, monitoring, and control of the Bank's liquidity risk exposure, and shall emphasize the importance of cash flow projections, diversified funding sources, a cushion of highly liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. Refer to the "Liquidity" booklet of the *Comptroller's Handbook*.

(2) The Liquidity Risk Management Program shall, at a minimum:

(a) identify appropriate strategies, policies, and limits to manage liquidity risk, commensurate with the Bank's complexity and business activities;

(b) assess, on an ongoing basis, the Bank's current and projected funding needs, including the development of cash flow projections under both expected and adverse conditions;

(c) ensure that sufficient funds or access to funds exist to meet those needs under both expected and adverse conditions;

(d) assess the risks related to brokered deposit restrictions, interest rate restrictions, deposit runoff, or rollovers;

(e) detail action plans to identify and obtain sources of liquidity to meet projected shortfalls from existing sources under both expected and adverse conditions; and

(f) include a Contingency Funding Plan that incorporates, at a minimum, a quantitative projection and evaluation of expected funding needs and funding capacity based on realistic assessments of the behaviors of funding providers during stress events; a definition of a liquidity crisis for the Bank; an identification of early warning liquidity triggers; and provision for management processes, reporting, and internal as well as external communication throughout the stress event.

(3) The Board shall review the effectiveness of the Liquidity Risk Management Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Liquidity Risk Management Program as needed or directed by the OCC.

ARTICLE XIV

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Order, 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 Order.

(2) In each instance in which this Order 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 Order;

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

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

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

(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 Order; and

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

ARTICLE XV

WAIVERS

(1) The Bank, by executing and consenting to this Order, waives:

(a) any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818;

(b) any and all procedural rights available in connection with the issuance of this Order;

- (c) any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818 and 12 C.F.R. Part 19;
- (d) any and all rights to seek any type of administrative or judicial review of this Order;
- (e) any and all claims for fees, costs, or expenses against the OCC, or any of its officers, employees, or agents related in any way to this enforcement matter or this Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412;
- (f) any and all rights to assert these proceedings, the consent to and/or the issuance of this Order, as the basis for a claim of double jeopardy in any pending or future proceedings brought by the United States Department of Justice or any other governmental entity; and
- (g) any and all rights to challenge or contest the validity of this Order.

ARTICLE XVI

OTHER PROVISIONS

- (1) As a result of this Order, pursuant to 12 C.F.R. § 5.51(c)(7)(ii), the Bank is in “troubled condition,” and is not an “eligible bank” for purposes of 12 C.F.R. § 5.3 or 12 C.F.R. § 24.2(e), unless otherwise informed in writing by the OCC.
- (2) This Order supersedes all prior OCC communications issued pursuant to 12 C.F.R. §§ 5.3, 5.51(c)(7)(ii), and 24.2(e)(4).

ARTICLE XVII

CLOSING

(1) This Order is a settlement of the cease and desist proceedings against the Bank contemplated by the OCC, based on the unsafe or unsound practices and violations of law described in the Comptroller's Findings set forth in Article II of this Order. The OCC releases and discharges the Bank from all potential liability for a cease and desist order that has been or might have been asserted by the OCC based on the practices and violations described in Article II of this Order, to the extent known to the OCC as of the effective date of this Order. Nothing in this Order, however, shall prevent the OCC from:

(a) instituting enforcement actions other than a cease and desist order against the Bank based on the Comptroller's Findings set forth in Article II of this Order;

(b) instituting enforcement actions against the Bank based on any other findings;

(c) instituting enforcement actions against institution-affiliated parties (as defined by 12 U.S.C. § 1813(u)) based on the Comptroller's Findings set forth in Article II of this Order, or any other findings; or

(d) utilizing the Comptroller's Findings set forth in Article II of this Order in future enforcement actions against the Bank or its institution-affiliated parties to establish a pattern or the continuation of a pattern.

(2) Nothing in this Order is a release, discharge, compromise, settlement, dismissal, or resolution of any actions, or in any way affects any actions that may be or have been brought by any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice.

(3) This Order is:

(a) a “cease-and-desist order issued upon consent” within the meaning of 12 U.S.C. § 1818(b);

(b) a “cease-and-desist order which has become final” within the meaning of 12 U.S.C. § 1818(e);

(c) an “order issued with the consent of the depository institution” within the meaning of 12 U.S.C. § 1818(h)(2);

(d) an “effective and outstanding . . . order” within the meaning of 12 U.S.C. § 1818(i)(1); and

(e) a “final order” within the meaning of 12 U.S.C. § 1818(i)(2) and (u).

(4) This Order 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 Order shall mean calendar days and the computation of any period of time imposed by this Order shall not include the date of the act or event that commences the period of time.

(5) The provisions of this Order shall remain effective 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 Order, the Board or a Board-designee shall submit a written request to the ADC asking for the desired relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the circumstances that warrant the desired relief or prevent the Bank from complying with the relevant provision(s) of the Order, 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.

(6) The Bank will not be deemed to be in compliance with this Order until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Order; 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 for the Bank to demonstrate the sustained effectiveness of the corrective actions.

(7) This Order is not a contract binding on the United States, the United States Treasury Department, the OCC, or any officer, employee, or agent of the OCC and neither the Bank nor the OCC intends this Order to be a contract.

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

(9) This Order applies to the Bank and all its subsidiaries.

(10) 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 consent to the issuance of this Order.

(11) All reports, plans, or programs submitted to the OCC pursuant to this Order shall be forwarded, by overnight mail, email or BankNet, to the ADC.

(12) The terms of this Order, 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//

11/9/2021

Brian Wall
Assistant Deputy Comptroller
Oklahoma City Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of BancCentral, National Association, have hereunto set their signatures on behalf of the Bank.

/s/

11/9/21

Harold (Hal) A. Brizzolara

Date

/s/

11.9.21

Scott C. Hartman

Date

/s/

11.9.21

Kyle D. Hughbanks

Date

/s/

11/9/21

Mary Margaret Miller

Date

/s/

11/9/21

Chris Osborne

Date