

AGREEMENT BY AND BETWEEN
Commonwealth National Bank
Mobile, Alabama
and
The Office of the Comptroller of the Currency

AA-ENF-2021-50

Commonwealth National Bank, Mobile, Alabama (“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 practices, including those relating to strategic planning, loan portfolio management, and internal audit.

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) Upon the effective date of this Agreement, the Board shall maintain a Compliance Committee of at least three (3) directors, of which no more than one (1) may be an employee, former employee, officer, or controlling shareholder of the Bank or any of its subsidiaries or affiliates, or a family member of any such person. The Board shall submit in writing to the Director for Special Supervision (“Director”) the names of the members of the Compliance Committee within ten (10) days from the effective date of this Agreement. In the event of a change of the membership, the Board shall submit in writing to the Director 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) By April 30, 2022, 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 Director within ten (10) days of the first Board meeting following the Board’s receipt of such report.

ARTICLE III
STRATEGIC PLAN

(1) By February 28, 2022, the Board shall submit to the Director for review and prior written determination of no supervisory objection an acceptable written strategic plan for the Bank, covering at least a three-year period (“Strategic Plan”). 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, capital and liquidity adequacy, product line development, and market segments that the Bank intends to promote or develop, 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, risk tolerances, and realistic strategies to improve the overall condition of the Bank;
- (c) a risk profile that evaluates credit, interest rate, liquidity, price, operational, compliance, strategic, and reputation risks in relationship to capital;
- (d) an assessment of the Bank’s strengths, weaknesses, opportunities, and threats that impact its strategic goals and objectives;
- (e) 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;

- (f) a management employment and succession plan designed to promote adequate staffing and continuity of capable management;
- (g) a realistic and comprehensive budget that corresponds to the Strategic Plan's goals and objectives;
- (h) an action plan to improve and sustain the Bank's earnings and accomplish identified strategic goals and objectives;
- (i) a financial forecast to include projections for significant balance sheet and income statement accounts and desired financial ratios over the period covered by the Strategic Plan;
- (j) a detailed description and assessment of major capital expenditures required to achieve the goals and objectives of the Strategic Plan;
- (k) an identification and prioritization of initiatives and opportunities, including timeframes that comply with the requirements of this Agreement;
- (l) a description of the Bank's target market(s), competitive factors in its identified target market(s), and controls systems to mitigate risks in the Bank's target market(s);
- (m) 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;
- (n) concentration limits commensurate with the Bank's strategic goals and objectives and risk profile;

- (o) assigned roles, responsibilities, and accountability for the strategic planning process; and
- (p) 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) Within thirty (30) days following the Board's receipt of the Director's written determination of no supervisory objection to the Strategic Plan or to any subsequent update or amendment to the Strategic 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 Plan. The Board shall review the effectiveness of the Strategic Plan and update the Strategic Plan to cover the next three-year period at least annually, no later than January 31 of each year, and more frequently if necessary or if required by the OCC in writing. The Board shall amend the Strategic Plan as needed or directed by the OCC. Any update or amendment to the Strategic Plan must be submitted to the Director for review and prior written determination of no supervisory objection.

(4) Until the Strategic Plan required under this Article has been submitted by the Bank for the Director's review, has received a written determination of no supervisory objection from the Director, 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 Agreement without first obtaining the Director'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 Director and has been adopted by the Board) without a prior written determination of no supervisory objection from the Director.

(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 Director at least thirty (30) 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 markets, 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, asset composition and size, 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.

(8) Within thirty (30) days after the end of each quarter, 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 Director 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.

ARTICLE IV

LOAN PORTFOLIO MANAGEMENT

(1) By March 31, 2022, the Bank shall develop and the Board shall adopt an acceptable written loan portfolio management program ("Loan Portfolio Management Program") designed to ensure the risks that are inherent in the credit process are managed and controlled and are consistent with safe and sound banking practices. Refer to the "Loan Portfolio Management" booklet of the *Comptroller's Handbook*.

- (2) The Loan Portfolio Management Program shall include, at a minimum:
- (a) 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, real estate appraisal review and evaluations, and applicable lending-related laws and regulations;
 - (b) requirements for a written loan policy that provides for proper and sound

- underwriting, details approval requirements, reflects proper risk tolerances and is tailored for the Bank's risk profile, addresses when policy exceptions are allowed, and establishes clear lines of responsibility;
- (c) requirements for the periodic review (no less than annually) and updating, as appropriate, of the Bank's loan policy to ensure it provides for proper underwriting, reflects proper risk tolerance, addresses when policy exceptions are allowed, and establishes clear lines of responsibility;
 - (d) procedures to ensure that any participations purchased by the Bank are consistent with safe and sound banking practices; refer to OCC Bulletin 2020-81, "Credit Risk: Risk Management of Loan Purchase Activities" for related safe and sound principles;
 - (e) procedures and systems for identifying and monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
 - (f) procedures to 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 credit information, including but not limited to cash flow, debt service requirements, contingent liabilities, global liquidity condition, and sensitivity analysis in support of the credit decision;
 - (g) procedures to ensure the Bank obtains and analyzes updated credit information when appropriate;
 - (h) procedures to ensure satisfactory documentation of perfected collateral;

and

- (i) aggregate limits for credit, collateral, and loan policy exceptions, procedures and systems to monitor compliance with these aggregate limits, and a process for adjusting these aggregate limits as needed.

(3) Upon adoption of the Loan Portfolio Management Program, Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Loan Portfolio Management Program and any amendments thereto. The Board shall review the effectiveness of the Loan Portfolio Management Program at least annually, no later than January 31 of each year, and more frequently if necessary or if required by the OCC in writing, and amend the Loan Portfolio Management Program as needed or directed by the OCC. The Board shall forward a copy of the adopted Loan Portfolio Management Program, and any subsequent amendments thereto, to the Director within ten (10) days of adoption.

ARTICLE V

INTERNAL AUDIT

(1) By March 31, 2022, the Bank shall develop and the Board shall adopt a comprehensive, written internal audit program that adequately assesses controls and operations to allow the Board and management to understand the sufficiency of the Bank's internal controls system ("Internal Audit Program").

(2) Management shall ensure the Internal Audit Program's compliance with the standards for internal audit systems set forth in Section II.B of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 30. Refer to the "Internal and External Audits" booklet of the *Comptroller's Handbook* for related safe and sound principles. The Internal Audit Program shall incorporate standards of safety and soundness that

are commensurate with the Bank's size, complexity, scope of activities, and risk profile and shall, at a minimum:

- (a) require the development of an annual risk assessment of the Bank's auditable areas, with annual documented Audit Committee approval of the risk assessment;
- (b) require the development of an internal audit plan that is risk-based and provides adequate audit scope, coverage, and frequency for all areas of the Bank, with annual documented Audit Committee approval of the internal audit plan and Audit Committee notification of any material variance from the plan;
- (c) address the use of third-parties to complete any internal audit activities, including documented Audit Committee approval of selection and termination of third-parties; refer to OCC Bulletin 2013-29, "Third-Party Relationships" for related safe and sound principles;
- (d) evaluate the reliability, adequacy, and effectiveness of the Bank's internal controls system, whether operated by the Bank or a third-party;
- (e) evaluate whether the Bank's internal controls system results in prompt and accurate recording of transactions and proper safeguarding of assets;
- (f) determine whether the Bank complies with laws and regulations and adheres to its established policies, procedures, and processes;
- (g) require (i) management to take appropriate and timely steps to address control deficiencies and audit report recommendations, (ii) the progress of such steps to be adequately validated, documented, and tracked, (iii) the

progress to be reported to the Audit Committee on at least a monthly basis, and (iv) the Audit Committee to determine whether the actions taken by management are satisfactory;

- (h) require all internal audit reports to be in writing and distributed directly, not through any intervening party, to the Audit Committee in a timely manner after audit completion;
- (i) require all internal audits to be supported through adequate transaction testing, which includes documenting the transaction testing methodology, sample size, the accounts and names selected for testing, the documents reviewed as part of the testing, and the results of transaction testing; and
- (j) require audit work papers and documentation that provides a meaningful audit trail and validation for audit findings, conclusions, and recommendations.

(3) The Board shall provide effective oversight of the Internal Audit Program, including:

- (a) verifying that management has adequately staffed the internal audit function, using internal resources and/or third-parties, with respect to both the number of auditors required and their knowledge, skills, and experience;
- (b) verifying the internal audit function is independent and objective. The person responsible for implementing the Internal Audit Program shall functionally report directly to the Audit Committee, which shall direct his or her activities, set compensation, and evaluate performance;

- (c) verifying management's actions to address material weaknesses in a timely manner and, where appropriate, directing management to take additional action; and
- (d) verifying management satisfies all statutory, regulatory, and supervisory requirements.

(4) The internal audit staff shall have access to any records necessary for the proper conduct of its activities. The OCC shall have access to all reports and work papers of the internal audit staff and any third parties providing internal audit services.

(5) Upon adoption of the Internal Audit Program, Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Internal Audit Program and any amendments thereto. The Board shall review the effectiveness of the Internal Audit Program at least annually, no later than January 31 of each year, and more frequently if necessary or if required by the OCC in writing, and amend the Internal Audit Program as needed or directed by the OCC. The Board shall forward a copy of the adopted Internal Audit Program, and any subsequent amendments thereto, to the Director within ten (10) days of adoption.

ARTICLE VI

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 VII

OTHER PROVISIONS

(1) As a result of this Agreement, 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.

ARTICLE VIII

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.

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

(4) 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.

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

(6) 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.

(7) All reports, plans, or programs submitted to the OCC pursuant to this Agreement shall be forwarded, by via email, to the following: Director for Special Supervision with a copy to Assistant Deputy Comptroller, New Orleans Field Office.

(8) 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 her signature on behalf of the Comptroller.

//s// Digitally Signed, Dated: 2022.01.31

Julie A. Thieman
Director for Special Supervision

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

<u>/s/</u> Kaine T. Alozie	<u>1/26/2022</u> Date
<u>/s/</u> Patrick C. Cooper	<u>1-27-22</u> Date
<u>/s/</u> Beverly M Cooper	<u>1-26-22</u> Date
<u>/s/</u> Kathy C. Dunning	<u>1.24.22</u> Date
<u>/s/</u> Timothy O. Hale	<u>1/27/2022</u> Date
<u>/s/</u> Clarence Johnson	<u>1-26-22</u> Date
<u>/s/</u> Sidney King	<u>1/18/22</u> Date
<u>/s/</u> Taylor M. Watson	<u>1/27/2022</u> Date
<u>/s/</u> Tracy E. Williams, III	<u>1/18/22</u> Date