

AGREEMENT BY AND BETWEEN
EH National Bank
Beverly Hills, California
and
The Office of the Comptroller of the Currency

AA-WE-2023-37

EH National Bank, Beverly Hills, California (“Bank”) and the Office of the Comptroller of the Currency (“OCC”) wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency (“Comptroller”) has found unsafe or unsound practice(s), including those relating to inadequate capital and strategic planning, inadequate interest rate risk management, and failure to maintain adequate levels of liquidity and satisfactory liquidity management practices.

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) By October 31, 2023, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the Assistant Deputy Comptroller within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

(2) By December 31, 2023, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

- (a) a description of the corrective actions needed to achieve compliance with each Article of this Agreement;
- (b) the specific corrective actions undertaken to comply with each Article of this Agreement; and
- (c) the results and status of the corrective actions.

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

ARTICLE III

STRATEGIC PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable revised written strategic plan for the Bank, covering at least a three-year time period (“Strategic Plan”). The revised Strategic Plan shall establish objectives for the Bank’s applicable risks and strategies, including but not limited to overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, and capital and liquidity adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) an updated assessment of the Bank’s present and future operating environment, including the need for additional capital;
- (b) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;
- (c) a detailed assessment of the actions necessary to achieve the Bank’s strategic objectives and goals, as well as processes to measure and monitor progress in meeting all strategic objectives and goals;
- (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 realistic and comprehensive budget that corresponds to the Strategic Plan's goals and objectives;
- (g) an assessment of all risks to earnings and capital (i.e. credit, concentrations, IRR, liquidity, operational, etc.);
- (h) an action plan to improve and sustain the Bank's earnings and accomplish identified strategic goals and objectives, and maintain appropriate capital levels;
- (i) a description of the strategic objectives and actions the Bank will take assuming both a capital injection and no capital injection;
- (j) an assessment of the impact to earnings and capital should strategic objectives not be met or need to be reversed; and
- (k) a description of systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) Within fifteen (15) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the revised Strategic Plan or to any subsequent 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 at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Strategic Plan as needed or directed by the OCC. Any amendment to the Strategic Plan must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

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

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

(5) Any request by the Bank for prior written determination of no supervisory objection to a significant deviation described in paragraphs (4) or (5) of this Article shall be submitted in writing to the Assistant Deputy Comptroller at least forty-five (45) 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.

(6) 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.

(7) At least quarterly, a written evaluation of the Bank's performance against the Strategic Plan shall be prepared by Bank management and submitted to the Board. Within fifteen (15) days after submission of the evaluation, the Board shall review the evaluation and determine the corrective actions the Board will require Bank management to take to address any identified shortcomings. The Board's review of the evaluation and discussion of any required corrective actions to address any identified shortcomings shall be documented in the Board's meeting minutes. Upon completion of the Board's review, the Board shall submit to the Assistant Deputy Comptroller a copy of the evaluation as well as a detailed description of the corrective actions the Board will require the Bank to take to address any identified shortcomings.

ARTICLE IV

CAPITAL PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall adopt an effective internal capital planning process to assess the Bank's capital adequacy in relation to its overall risks and strategies. Thereafter, management shall implement, and the Board shall verify, no less than annually, adherence to the capital planning process. The capital planning process shall be consistent with safe and sound practices and ensure the integrity, objectivity, and

consistency of the process through adequate governance. Refer to the “Capital and Dividends” booklet of the *Comptroller’s Handbook*. The Board shall document the capital planning process and thereafter review and document the capital planning process at least annually or more frequently, if appropriate, or required by the Assistant Deputy Comptroller in writing.

(2) Within sixty (60) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable revised written capital plan for the Bank, consistent with the Strategic Plan required by Article III, covering at least a three-year time frame (“Capital Plan”). Refer to “Capital and Dividends” booklet of the *Comptroller’s Handbook* for guidance. The Bank’s Capital Plan shall, at a minimum:

- (a) include specific plans for the achievement and ongoing maintenance of adequate capital;
- (b) an updated risk assessment within the Capital Plan to ensure it considers all current and future threats to the Bank’s capital. Specifically, the Capital Plan shall include an updated assessment of the quantity and direction of credit, liquidity, interest rate, and operational risks;
- (c) the Bank must develop, and the Asset / Liability Committee (ALCO) and Board must approve, a capital policy that includes, at a minimum:
 - (i) reasonable minimum capital requirements based on the risk assessment required by sub-paragraph (b) of this paragraph;
 - (ii) identifies and establishes a strategy to strengthen the Bank’s capital, including plans to seek capital injections into the Bank;

- (iii) measurable triggers/early warning indicators to prompt board and management action to assess additional capital sources; and
 - (iv) identification and quantification of contingent sources of capital, including primary and alternate sources of capital as well as order of preference of these sources and the time required to access these sources;
 - (d) include detailed quarterly financial projections which shall be consistent with the Strategic Plan required by Article III; and
 - (e) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Agreement that will have an impact on the Bank's capital.
- (3) 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 Capital Plan and would remain in compliance with such 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 Assistant Deputy Comptroller's prior written determination of no supervisory objection to the dividend or capital distribution.
- (4) Within fifteen (15) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Bank's Capital Plan or to any

subsequent amendment to the Capital Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Capital Plan. The Board shall review the effectiveness of the 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 Capital Plan as needed or directed by the OCC. Any amendment to the Capital Plan must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(5) At least monthly, the Board shall review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including a description of any extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board and management will take to address any deficiencies. At least quarterly, management shall prepare, and the Board shall review, a written evaluation of the Bank's performance against the Capital Plan, which shall include a description of the actions the Board and management will take to address any deficiencies. The Board's monthly reviews and quarterly written evaluations shall be documented in the Board meeting minutes. The Board shall forward a copy of these monthly reviews and Board meeting minutes to the Assistant Deputy Comptroller within fifteen (15) days of completion of its quarterly written evaluations, respectively.

ARTICLE V

LIQUIDITY RISK MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Liquidity Risk Management Program (“Liquidity Program”) for the Bank, covering at least a three-year period. This Liquidity 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 (CFP) as primary tools for measuring and managing liquidity risk. Refer to the “Liquidity” booklet of the *Comptroller’s Handbook*. In addition to the general requirements set forth above, the Liquidity Program shall, at a minimum:

- (a) identify appropriate strategies, policies, procedures, 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, deposit runoff, or rollovers;
- (e) the Bank must update the liquidity stress testing to include, at a minimum:

- (i) asset quality deterioration, credit and concentration risk stress scenarios that may impact the allowance for credit losses (ACL), cash flows and liquidity funds management; and
 - (ii) quantify the impact on earnings and capital caused by changes in the Bank's liquidity position and the additional interest expenses from the use of higher-cost and contingent funding sources;
- (f) the Bank must expand and the ALCO must approve the CFP to include, at a minimum:
- (i) a clear differentiation between short-term and long-term responses to stress scenarios and detail corresponding liquidity sources; and
 - (ii) an identification of the short-term and long-term sources of liquidity by availability, timing and in chronological order.

ARTICLE VI

INTEREST RATE RISK MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Interest Rate Risk Program ("IRR Program"). Refer to the "Interest Rate Risk" booklet of the *Comptroller's Handbook*, OCC Bulletin 2010-1 ("Interagency Advisory on Interest Rate Risk Management") (Jan. 2010); OCC Bulletin 2012-5 ("Interest Rate Risk Management: FAQs on 2010 Interagency Advisory on Interest Rate Risk Management") (Jan. 2012); and OCC Bulletin 2011-12 ("Sound Practices for Model Risk Management: Supervisory Guidance on Model Risk Management") (Apr. 2011).

- (2) The IRR Program shall include, at a minimum:
- (a) the Bank's strategic direction and tolerance for interest rate risk;
 - (b) establishment of prudent short- and long-term limits on the nature and amount of interest rate risk the Board is willing to accept in relation to earnings and capital;
 - (c) implementation of effective tools to measure and monitor the Bank's performance and overall interest rate risk profile;
 - (d) strategies and procedures to manage and reduce interest rate risk to conform with the established limits set in subparagraph (2)(b) of this Article;
 - (e) employment of competent personnel or outside consultants to manage and monitor interest rate risk, which may include additional training or addition of knowledgeable staff;
 - (f) establishment of management reports, including comparison of actual exposures to set limits, providing sufficient information on which to base sound interest rate risk management decisions for both short- and long-term risks;
 - (g) enhancements to the Bank's Model Risk Management program, including at minimum:
 - (i) develop and implement effective internal model validation procedures for back-testing;

- (ii) back-testing must compare actual modeled results to the modeled scenario that most closely reflects actual rate movements over the testing period; and
 - (iii) differences between modeled and actual outcomes must be reviewed to determine if the variance is due to model development errors, including omission of material factors from the model or inaccurate assumptions, or external factors;
- (h) enhancements to the Bank's model stress testing process, including at minimum:
 - (i) review and adjust all model assumptions, including beta and growth assumptions, to accurately reflect the changes in liability mix and the Board must review and approve the adjustments;
 - (ii) sensitivity testing around the growth and beta assumptions to identify earnings at risk (EAR) and economic value of equity (EVE) implications; and
 - (iii) incorporation of off-balance sheet items into the IRR model and develop corresponding assumptions for unused commitments.
ALCO and the Board must review and approve the new assumptions;
- (i) The Board must ensure that the Bank and its ALCO have the resources they need to effectively measure, monitor and control the IRR exposure, including non-parallel shifts in the yield curve, and basis risk;

- (j) enhancements to the Bank’s IRR policy development and approval process, including at minimum:
 - (i) ALCO must develop, and the Board must approve, updates to the IRR policy to include procedures and practices for measuring and monitoring yield curve risk and effective back testing; and
 - (ii) the Board must establish risk limits for yield curve risk; and
- (k) an annual review of the Bank’s adherence to the IRR Program.

ARTICLE VII

CONCENTRATION RISK MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Board shall adopt a written Concentration Risk Management Program. Refer to the “Concentrations of Credit” booklet of the *Comptroller's Handbook* for related safe and sound principles.

- (2) The Concentration Program shall include, at a minimum:
- (a) identification of the Bank’s known and potential concentrations of credit including, but not limited to, the Bank’s concentration in commercial real estate, including non-owners occupied and multifamily loans, which were identified in the most recent examination of the Bank;
 - (b) identification of the Bank’s deposit-related concentrations;
 - (c) a written analysis of all concentrations that identifies and assesses inherent credit, liquidity, and interest rate risks as applicable; considers the impact of concentration levels on overall growth plans, financial targets, portfolio stress tests, and capital plan objectives; and confirms all concentration

limits are consistent with the Board's risk tolerance based on current market conditions, the declining capital base, and results of the most recent stress test results;

- (d) 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 credit losses, stratified by loan type, locality of the borrower and/or collateral, and other meaningful measures;
- (e) development and implementation of action plans, approved by the Board, to reduce concentrations to conform to the established limits set in subparagraph (d) of this Article, including strategies and procedures when concentrations approach or exceed Board-approved limits;
- (f) 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 and procedures for monitoring concentration reports monthly based upon total committed amounts relative to Board-approved limits;
- (g) 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 concentration;
- (h) annual re-evaluation and approval of concentration limits by the Board, and a Board policy that requires a detailed analysis of the most recent stress testing results and written support of any proposed change(s)

demonstrating the credit, liquidity or interest rate risk that will result from the change(s); and

- (i) a detailed contingency plan to reduce or mitigate concentration risk in the event of adverse CRE market conditions or when limits are breached because of declining capital, including reasonable action plans, including, but not limited to, revise underwriting parameters, cease lending, or pursue loan sales. The Board must also establish a risk tolerance for selling loans at a discount based on market conditions.

(3) The Bank shall submit all proposed increases to any concentration limits to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(4) Upon adoption of the Concentration Program, Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Concentration Program and any amendments thereto. 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. The Board shall forward a copy of the adopted Concentration Program, and any subsequent amendments thereto, to the Assistant Deputy Comptroller within ten (10) days of adoption.

ARTICLE VIII

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 IX

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 X

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 Assistant Deputy Comptroller 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 sent electronically to the following:

Richard S. Dixon, Jr.
Assistant Deputy Comptroller
CAFOCorrespondence@occ.treas.gov

(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 his signature on behalf of the Comptroller.

//s// Digitally Signed, Dated: 2023.10.11

Richard S. Dixon, Jr
Assistant Deputy Comptroller

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

//s// Digitally Signed, Dated: 2023.10.11

Oct 11, 2023

John F. Chavez

Date

//s// Digitally Signed, Dated: 2023.10.11

Oct 11, 2023

John L. Sadd, Jr.

Date

//s// Digitally Signed, Dated: 2023.10.11

Oct 11, 2023

Sinan Sinanian

Date

//s// Digitally Signed, Dated: 2023.10.11

Oct 11, 2023

Dougley E. Stewart

Date

//s// Digitally Signed, Dated: 2023.10.11

Oct 11, 2023

Charles Thomas

Date