

AGREEMENT BY AND BETWEEN
Unity National Bank of Houston
Houston, Texas
and
The Office of the Comptroller of the Currency

AA-SO-2022-9

Unity National Bank of Houston, Houston, Texas (“Bank”) and the Office of the Comptroller of the Currency (“OCC”) wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency (“Comptroller”) has found unsafe or unsound practice(s), including those relating to strategic and capital planning, credit risk management, Allowance for Loan and Lease Losses (“ALLL”) methodology, corporate governance, and internal controls.

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

ARTICLE I

JURISDICTION

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

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

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

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller (“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 Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

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

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

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

ARTICLE III

BOARD SUPERVISION AND MANAGEMENT

(1) Within sixty (60) days of the date of the Agreement, 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 necessary steps to implement corporate governance and decision-making processes to correct the deficiencies identified in the most recent Report of Examination ("ROE") 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 Agreement. For the purposes of this Agreement, "deficiencies" includes deficient practices (including policies, procedures, practices, and controls) and violations of laws, regulations, final agency order, conditions imposed in writing, or written agreements).

(2) Within sixty (60) days of the date of this Agreement, the Board shall ensure the following:

- (a) capable senior executive officers are in place to perform present and anticipated duties, factoring in each officer's performance, experience, and qualifications as compared to their position description, duties and responsibilities;
- (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 the senior executive management;

- (d) a management employment and succession plan is in place to promote adequate staffing and continuity of capable management;
- (e) Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement;
- (f) an adequate process is in place 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 with associated timelines to address any deficiencies;
- (g) a sufficient process is in place to ensure that management appropriately responds to any audit, compliance, and/or regulatory criticisms and 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 Agreement to enable the Board 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 (i) the OCC's "The Director's Book: The Role of Directors for National Banks and Federal Savings Associations;" and (ii) the "Corporate and Risk Governance" booklet of the Comptroller's Handbook for guidance.

(3) 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 OCC Bulletin 2013-29, “Third-Party Relationships” 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 Agreement; 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.

ARTICLE IV

TRANSACTIONS WITH AFFILIATES

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written program that provides for effective policies and control systems over relationships with related organizations such as affiliates (“Affiliate Program”). Refer to the “Related Organizations” booklet of the Comptroller’s Handbook for guidance. For the purpose of this Agreement, “affiliate” shall have the meaning set forth in 12 U.S.C. § 371c and 12 C.F.R. Part 223. The Affiliate Program shall, at a minimum, address the following:

- (a) approval in advance by a majority of the entire Board, not merely a quorum thereof, with any interested insiders abstaining from voting and

participation directly or indirectly in the deliberations regarding the approval;

- (b) analysis and documentation by the Board that the transaction is in the best interest of the Bank and that the transaction complies with all applicable laws, rules, regulations, and Comptroller's issuances, including, but not limited to, 12 C.F.R. Part 223; and
- (c) documented approval by the Board.

(2) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the Affiliate Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Affiliate Program. The Board shall review the effectiveness of the Affiliate Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Affiliate Program, as needed or directed by the OCC. Any amendments to the Affiliate Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

(3) From the effective date of this Agreement, the Bank is prohibited from entering into any new Business Transaction with any affiliates of the Bank until the Board has established a written program that provides for effective policies and control systems over relationships with affiliates in accordance with paragraph (1) of this Article. For the purpose of this Agreement, "Business Transaction" means any single transaction including any renewal of or change to an existing transaction, or any commitment to enter into a transaction.

(4) The Board shall maintain adequate centralized records in the Bank of all Business Transactions and contemplated Business Transactions subject to this Article in a form and

manner that will enable independent review. These records shall identify all affiliates and insiders and specify the names of the parties to the transaction, the relationship of the parties to the Bank, and provide a brief description of the transaction and its terms, including documentation supporting compliance with the requirements of paragraph (1) of this Article

(5) The Board shall require each insider to immediately provide in writing a listing of the insider's respective related interests. The list of these persons' related interests shall be maintained by the Board and any changes to these listings shall be promptly reported to the Board and reflected in centralized records. For the purpose of this Agreement, "insider" means the Bank's executive officers, directors, principal shareholders, or related interests thereof. The terms "executive officer," "director," "principal shareholder," and "related interest" shall have the meanings set forth in 12 C.F.R. § 215.2.

ARTICLE V

STRATEGIC PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the ADC 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 expectations, balance sheet mix, off-balance sheet activities, liability structure, and capital and liquidity adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

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

- (b) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;
- (c) an assessment of the Bank's strengths, weaknesses, opportunities and threats that impact its strategic goals and objectives;
- (d) the Bank's dividend declaration and payment plans;
- (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 major 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 of expenses that can be reduced;

- (l) an identification and prioritization of initiatives and opportunities, including timeframes that comply with the requirements of this Agreement;
- (m) 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) by which the Board and management will seek to improve earnings performance and ensure profitability;
- (n) 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;
- (o) concentration limits commensurate with the Bank's strategic goals and objectives and risk profile;
- (p) assigned roles, responsibilities, and accountability for the strategic planning; and
- (q) 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 receipt of the ADC's written determination of no supervisory objection to the 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 ADC 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 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 Formal Agreement without first obtaining the ADC'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 ADC and has been adopted by the Board) without a prior written determination of no supervisory objection from the ADC.

(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 ADC 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 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.

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

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 to ensure maintenance of appropriate capital levels. 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 initial capital planning process and thereafter review and document the capital planning process at least annually or more frequently, if appropriate, or required by the ADC in writing.

(2) Within sixty (60) days of the date of this Agreement, the Board shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written capital plan for the Bank, consistent with the Strategic Plan required by Article V, covering at least a three-year period ("Capital Plan"). Refer to "Capital and Dividends" booklet of the Comptroller's Handbook. The Bank's Capital Plan shall, at a minimum:

- (a) minimum capital ratios that communicate a clear risk tolerance;
- (b) specific plans for maintenance of adequate capital that may in no event be less than the ratios established under subparagraph (a);
- (c) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

- (d) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (e) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (f) contingency plans that identify alternative methods should the primary source(s) under subparagraph (e) not be available; and
- (g) procedures for routine capital stress testing, which shall at a minimum:
 - (i) identify the person(s) responsible for overseeing the testing;
 - (ii) define the methodology that will be utilized;
 - (iii) establish the frequency of testing;
 - (iv) provide for the timely reporting to the Board of testing results; and
 - (v) provide a process for taking appropriate action if testing shows significant vulnerabilities.

(3) If the Bank's Capital Plan outlines a sale or merger of the Bank, including a transaction pursuant to 12 U.S.C. § 215a-3, the Capital Plan shall, at a minimum, address the steps and the associated timeline to ensure that within one hundred twenty (120) days after the receipt of the ADC's written determination of no supervisory objection to the 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 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 ADC prior written determination of no supervisory objection to the dividend or capital distribution.

(5) Within thirty (30) days following receipt of the ADC'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 ADC for review and prior written determination of no supervisory objection.

(6) At least quarterly, 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 quarterly reviews and written evaluations shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly

reviews and written evaluations and Board meeting minutes to the ADC within thirty (30) days of completion of its quarterly reviews and written evaluations, respectively.

ARTICLE VII

CREDIT RISK MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the ADC for review and prior written determination of no supervisory objection a credit underwriting and administration program (the “Credit Risk Management 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 Risk Management Program shall be consistent with safe and sound banking practices and at a minimum shall include:

- (a) policies that address acceptable loan types, terms, covenants, concentration limits, and collateral requirements and exceptions;
- (b) a description of the types of credit information required from borrowers and guarantors prior to making a loan determination, including, annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedule;
- (c) procedures 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) procedures to identify and track all exceptions and efforts to mitigate or cure exceptions, including but not limited to financial exceptions, collateral exceptions, policy exceptions, and underwriting exceptions;
- (e) 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;
- (f) procedures for the identification of, and accounting treatment for, nonaccrual loans that are consistent with the accounting requirements contained in the appropriate FFIEC’s Instructions for Preparation of Consolidated Reports of Condition and Income;
- (g) 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;
- (h) 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/or provide periodic training where staffing or knowledge gaps exist;
- (i) risk-based reviews of commercial lending relationships to support or revise current risk ratings on at least an annual basis;
- (j) an independent loan review process reporting directly to the Board; and

- (k) generate reports that aggregate loans, both commercial and retail, that exceed the supervisory loan-to-value limits (“SLTV”) in 12 C.F.R 34, Subpart D, Appendix A.

(2) Effective as of the date of this Agreement, 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, a detailed cash flow analysis of all expected repayment sources, and verification of liquid assets that the Bank is relying on as a source of repayment;
- (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, including an evaluation of both primary and secondary sources of repayment, as well as global cash flow analysis that considers all customer debt service requirements;
- (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;
- (i) ongoing requirements for obtaining and analyzing financial statements and periodic collateral inspections as appropriate; and
- (j) obtaining the written approval of the Bank's loan committee or Board for any extension of credit greater than \$500,000.

(3) Within sixty (60) days of the date of this Agreement, the Board shall adopt an appropriate written exception tracking and monitoring system that establishes that financial, collateral, underwriting, documentation, credit administration, and policy exceptions are tracked and reported to the Board in a timely manner (“Exception Tracking Program”). Refer to the “Loan Portfolio Management” booklet of the Comptroller’s Handbook for guidance. The Exception Tracking Program, at a minimum, shall include:

- (a) Board-established limits for financial, collateral, and policy exceptions. All exceptions must be vetted, and mitigating factors sufficiently supported;
- (b) a requirement that the Bank maintains, on an ongoing basis, a detailed listing of all loans not in conformance with the Bank’s lending policies, with a notation as to whether the exceptions were properly granted in accordance with the Bank’s loan policy;
- (c) identification of the loan officer who originated each loan or other extension of credit reported in accordance with subparagraphs (3)(a) and (3)(b) of this Article;

- (d) consideration of each loan officer's exceptions in conducting periodic performance reviews and compensation decisions;
- (e) a requirement for quarterly reports to the Board that, at a minimum, include:
 - (i) the current listings described in subparagraph (3)(b) of this Article;
 - (ii) the aggregate dollar amount of all loans with outstanding exceptions compared as a percentage to the dollar amount of total loans;
 - (iii) the aggregate dollar amount of all loans with outstanding exceptions compared to board approved limits;
 - (iv) the number of credit documentation exceptions by type such as borrower financial statements, guarantor tax returns, or rent rolls; and
 - (v) identify actionable items if/when exception levels exceed board-approved limits;
- (f) a reporting structure for measuring exceptions against the Board-approved limits, quarterly Board monitoring of exception reports, and accountability by lending staff for such exceptions.

(4) Upon adoption of the Exception Tracking Program, Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Exception Tracking Program and any amendments thereto. The Board shall review the effectiveness of the Exception Tracking Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Exception Tracking

Program as needed or directed by the OCC. The Board shall forward a copy of the adopted Exception Tracking Program, and any subsequent amendments thereto, to the ADC within thirty (30) days of adoption.

ARTICLE VIII

CONCENTRATION RISK MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written Concentration Risk Management Program (“Concentration Program”). Refer to the “Concentrations of Credit” booklet of the Comptroller Handbook, “Commercial Real Estate Concentrations” (OCC Bulletin 2006-46), and “Capital and Dividends” (OCC Bulletin 2018-20) for guidance. For the purposes of this Article, a concentration of credit is as defined in “Concentrations of Credit” booklet of the Comptroller’s Handbook. The 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/or collateral, and other meaningful measures;

- (d) development and implementation of action plans, approved by the Board, to reduce concentrations to conform to the established limits set in subparagraph (1)(c) of this Article, including strategies and procedures when concentrations approach or exceed Board-approved limits;
- (e) 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 that stratify the loan portfolio by type (office, retail, warehouse, etc.) and other meaningful measures relative to Board-approved limits. The periodic reporting to the Board should include the following:
 - (i) a summary of the concentration levels by type and subtype;
 - (ii) a synopsis of the Bank's market analysis;
 - (iii) a discussion of the recommended strategy (e.g., revise limits or change underwriting criteria) when concentrations approach or exceed Board-approved limits; and
 - (iv) a synopsis of changes in risk levels by concentration type and subtype, with discussion of recommended changes in credit administration procedures (i.e., underwriting practices, risk rating, monitoring, and training);
- (f) portfolio-level stress tests or sensitivity analysis to quantify the impact of changes to the portfolio-specific characteristics and market conditions on

earnings and capital, consistent with the size, complexity and risk profile of the portfolio;

(g) 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;

(h) a detailed contingency plan to reduce or mitigate concentration risk in the event of adverse market conditions, including reasonable action plans.

(2) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the Concentration Program or to any subsequent amendment to the Concentration Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Concentration Program. 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 need or directed by the OCC. Any amendment to the Concentration Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE IX

CREDIT RISK RATING AND NONACCRUAL RECOGNITION

(1) Within sixty (60) days of the date of this Agreement, the Board shall adopt 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 guidance.

The Credit Risk 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 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/or place loans on nonaccrual;
- (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;
- (h) the development and implementation of management information systems that provide timely and relevant reporting to the Board about the effectiveness of the program's components.

(2) Upon adoption of the Credit Risk Rating and Nonaccrual Recognition Program, 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 and any amendments thereto. 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. The Board shall forward a copy of the adopted Credit Risk Rating and Nonaccrual Recognition Program, and any subsequent amendments thereto, to the ADC within thirty (30) days of adoption.

(3) Within sixty (60) days of the date of this Agreement, the Board shall employ a qualified consultant to perform semi-annual asset quality reviews of the Bank's loan portfolio. The scope of the external loan review shall provide for a written report to be filed with the Board

after each review and shall use a loan and lease grading system that accurately identifies and stratifies risk. Refer to the “Rating Credit Risk” booklet of the Comptroller’s Handbook for guidance. The review shall include at least fifty (50) percent of the Bank’s portfolio with focus on areas of higher concentrations and shall include a review of retail loans. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans;
- (c) loans not in conformance with the Bank’s lending policies;
- (d) credit underwriting and documentation exceptions;
- (e) credit analysis and documentation of such;
- (f) accuracy of internal risk ratings;
- (g) overall credit administration practices, including extension and renewal practices and Troubled Debt Restructurings;
- (h) the Bank’s ALLL methodology; and
- (i) the completeness and effectiveness of problem loan workout plans.

(4) Within thirty (30) days of receipt, the Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate adequate, and continuing remedial action, is taken upon the findings noted in the reports. This review shall include a formal process that tracks the correction of any deficiencies noted in the report, identifies a party responsible for correcting the deficiencies, and a deadline for correcting the deficiencies.

(5) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be maintained in the books and records of the Bank.

(6) Within sixty (60) days of the date of this Agreement, the Board shall adopt a written program to ensure sound underwriting standards and satisfactory controls over the purchase of loan participations (“Loan Participations Program”). Refer to the “Loan Portfolio Management” booklet of the Comptroller’s Handbook for guidance. At a minimum, the Loan Participations Program shall:

- (a) require an independent and well-documented financial and collateral valuation analysis prior to the purchasing of any participation;
- (b) standards, procedures, and limits for the purchase of loans and participations;
- (c) obtaining the written approval of the Bank’s loan committee or Board for any loan participation greater than \$500,000;
- (d) require ongoing periodic monitoring of each loan participation credit; and
- (e) require an annual review and analysis of credit and collateral information received from the lead bank to ensure that the credits are properly risk rated.

(7) Upon adoption of the Loan Participations Program, Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Loan Participations Program and any amendments thereto. The Board shall review the effectiveness of the Loan Participations Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Loan Participations

Program as needed or directed by the OCC. The Board shall forward a copy of the adopted Loan Participations Program, and any subsequent amendments thereto, to the ADC within thirty (30) days of adoption.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the ADC for review and prior written determination of no supervisory objection a revised written program for maintaining and reporting an adequate Allowance for Loan and Lease Losses (“ALLL Program”) in accordance with generally accepted accounting principles (“GAAP”) and the instructions for reporting the ALLL on 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 for guidance. The ALLL Program shall, at a minimum, include criteria and procedures for:

- (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 remaining unimpaired 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, including the following;
 - (i) trends in internal risk ratings and delinquent and nonaccrual loans;
 - (ii) concentrations of credit in the Bank;
 - (iii) present and perspective economic condition; and
 - (iv) experience of the Bank's lending staff;
- (d) independently validating the Bank's ALLL methodology of a periodic basis and reporting the conclusions of the Board, which shall address identified deficiencies through revisions of the ALLL Program in a manner consistent with this Article;
- (e) a designation of individuals responsible and methodology used to determine the ALLL;
- (f) 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;

(2) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the ALLL Program, or to any subsequent amendment to the ALLL Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the ALLL Program. 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. Any amendment to the ALLL Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

(3) 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.

ARTICLE XI

CONTINGENCY FUNDING PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board adopt a safe and sound Contingency Funding Plan ("CFP") that is reasonable and effective in ensuring that the Bank will continue to operate with adequate liquidity in the event of extraordinary demands against its funding base. Refer to the "Liquidity" booklet of the Comptroller's Handbook for guidance. The CFP shall include at a minimum:

- (a) a statement on the Board's strategy for maintaining adequate sources of stable funding given the Bank's anticipated liquidity and funding needs;
- (b) a description of specific stress scenarios quantified projected effects of the stress scenarios on cash flows, and specific action plans in each scenario;
- (c) expanded stress scenarios for worse case scenarios reflecting asset quality and financial condition deterioration including:
 - (i) the impact of the regulatory CAMELS ratings downgrades and the loss of Prompt Corrective Action well-capitalized status;

- (ii) the potential impact from the retention of deposits subject to rate cap restrictions, wholesale funding sources, and other volatile sources of funding; and
- (iii) the potential impact of the Federal Deposit Insurance Corporation (“FDIC”) restrictions on rates paid on deposits by less than well capitalized FDIC-insured institution;
- (d) management’s best estimate of balance sheet changes that may result from each of the stress scenarios and corresponding action plans;
- (e) procedures to ensure periodic monitoring and reporting of the rate cap;
- (f) specific terms or events that trigger enactment of the plan;
- (g) necessary management information systems and reporting criteria for use in crises situations;
- (h) management responsibilities and specific actions for enacting the plan;
- (i) prioritization of all sources of funding for the various scenarios including asset side funding, liability side funding, off-balance sheet funding; and
- (j) testing contingency liquidity sources at least annually.

(2) Upon adoption of the CFP, Bank management, subject to the Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the CFP and any amendments thereto. The Board shall review the effectiveness of the CFP at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the CFP as needed or directed by the OCC. The Board shall forward a copy of the adopted CFP, and any subsequent amendments thereto, to the ADC within thirty (30) days of adoption.

ARTICLE XII

INTERNAL AUDIT

(1) Within sixty (60) days of the date of this Agreement, 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 control system ("Internal Audit Program"). Upon adoption, Bank management subject to Board review and ongoing monitoring, shall immediately implement and adhere to the Internal Audit Program and any amendments or revisions thereto.

(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 Handbook for guidance. The Internal Audit Program shall incorporate safety and soundness standards 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 a risk-based and provides adequate audit scope, coverage, and frequency for all areas of the Bank, with annual documented Board approval of the internal audit plan and Board notification of any material variance from the plan;
- (b) address the use of third-parties to complete any internal audit activities, including documented Board approval of selection and termination of third-parties; refer to OCC Bulletin 2013-29, "Third-Party Relationships" for related safe and sound principles;

- (c) evaluate the reliability, adequacy, and effectiveness of the Bank's internal controls system, whether operated by the Bank or a third-party;
- (d) evaluate whether the Bank's internal controls system results in prompt and accurate recording of transactions and proper safeguarding of assets;
- (e) determine whether the Bank complies with laws and regulations and adheres to its established policies, procedures, and processes;
- (f) determine whether management is taking appropriate and timely steps to address control deficiencies and audit report recommendations, that the progress of such steps is adequately validated, documented, and tracked, and that such progress is reported to the Board on at least a quarterly basis;
- (g) require all internal audit reports to be in writing and distributed directly, not through any intervening party, to the Board in a timely manner after audit completion; and
- (h) 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 Board, 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) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the Internal Audit Program or to any subsequent amendment to the Internal Audit Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Internal Audit Program. The Board shall review the effectiveness of the Internal Audit Program at least annually, 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. Any amendment to the Internal Audit Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE XIII

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 XIV

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.

(2) This Agreement 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 XV

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 [signer's title] 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 overnight mail or via email, to the following:

Assistant Deputy Comptroller
Office of the Comptroller of the Currency
Houston Field Office
Two Houston Center
909 Fannin Street, Suite 1900
Houston, Texas 77010

(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: 2022.08.30

David Elsenbrock
Assistant Deputy Comptroller
Houston Field Office

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

<u>/s/</u>	<u>8/29/22</u>
<u>Carol Alvarado</u>	<u>Date</u>
<u>/s/</u>	<u>08/29/2022</u>
<u>Kamoru Lawal</u>	<u>Date</u>
<u>/s/</u>	<u>8/29/22</u>
<u>Kase Lawal</u>	<u>Date</u>
<u>/s/</u>	<u>8/29/22</u>
<u>Moez Mangalji</u>	<u>Date</u>
<u>/s/</u>	<u>8/29/22</u>
<u>Sharon Murphy</u>	<u>Date</u>
<u>/s/</u>	<u>8/29/22</u>
<u>Cyril Jeffrey Smith</u>	<u>Date</u>