

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.
AND
DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
AUSTIN, TEXAS

_____)	
In the Matter of)	CONSENT ORDER
)	
TRUSTTEXAS BANK, SSB)	
CUERO, TEXAS)	FDIC-23-0068b
)	
(INSURED STATE NONMEMBER)	SML-247001
BANK))	
_____)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for TRUSTTEXAS BANK, SSB, CUERO, TEXAS ("Bank"), under 12 U.S.C. § 1813(q). The Department of Savings and Mortgage Lending ("SML" or "Department") is the appropriate state banking agency for the Bank, under Texas Finance Code, Title 3, Subtitle C, §§ 91.001 et seq.

The Bank, by and through its duly elected and acting board of directors ("Board"), has executed a "STIPULATION TO THE ISSUANCE OF A CONSENT ORDER" ("STIPULATION"), dated October 26, 2023, that is accepted by the FDIC and the Department. With the STIPULATION, the Bank, without admitting or denying any charges of unsafe or unsound banking practices relating to interest rate risk exposure, deterioration in capital protection and earnings, and deficiencies in management and oversight by the Board, has consented to the issuance of this CONSENT ORDER ("ORDER") by the Regional Director of the Dallas Regional

Office of the FDIC ("Regional Director") and the Commissioner of the Department of Savings and Mortgage Lending ("Commissioner").

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Tex. Fin. Code § 96.107 have been satisfied or waived, the FDIC and the Commissioner hereby order that:

COMPLIANCE COMMITTEE

1. Within 30 days of the effective date of this ORDER, the Board shall establish a committee of the Board to monitor compliance with this ORDER. The committee, at a minimum, shall meet and report to the Board monthly with its findings recorded in the official minutes of the Board. The establishment of this committee shall not diminish the responsibility or liability of the entire Bank's Board to ensure compliance with the provisions of this Order.

INTEREST RATE RISK

2. Within 60 days of the effective date of this ORDER, the Board shall implement the following measures to improve interest rate risk management:

- (a) develop a plan to reduce interest rate risk exposure on the balance sheet, return the economic value of equity to an acceptable level, and attain a more evenly matched interest rate risk position; and
- (b) evaluate interest rate risk model assumptions such as prepayment rates, deposit betas, and repricing risk for appropriateness to ensure reliability of model results.

LIQUIDITY & WHOLESALE FUNDING DEPENDENCY

3. Within 60 days of the effective date of this ORDER, the Bank shall review its overall liquidity objectives and develop plans and procedures aimed at improving liquidity and reducing reliance on wholesale funding sources to fund longer-term assets. The plans and procedures, when developed, shall be submitted to the Regional Director and the Commissioner. After review and approval by the Regional Director and the Commissioner, the Bank's plans and procedures shall be fully implemented by officers of the Bank.

INVESTMENT POLICY

4. Within 60 days of the effective date of this ORDER, the Board shall revise the Bank's Investment Policy. The revised policy shall include:

- (a) provisions establishing liquidity objectives and funding strategies;
- (b) requirements for complete analysis of individual securities prior to purchase;
- (c) procedures requiring prior Board approval for deviations from the policy; and
- (d) provisions outlining the documentation required for all investments.

FUNDS MANAGEMENT POLICY

5. Within 60 days of the effective date of this ORDER, the Board shall revise the Bank's funds management policy. The revised policy shall include:

- (a) requirements for regular performance reviews of the Bank's target liquidity ratio;
- (b) identification of alternative funding sources and requirements for periodic testing of these alternative funding sources.

EARNINGS, PROFIT PLAN, & BUDGET

6. Within 60 days of the effective date of this ORDER, the Board shall develop a written profit plan designed to be implemented over a 24-month period and submit it to the Regional Director and the Commissioner for approval. The plan will establish specific strategies and remedial measures to improve the profitability of the Bank. The plan, at a minimum, shall address:

- (a) the major areas in which the Board will seek to improve the Bank's operating performance;
- (b) a budget which incorporates realistic and comprehensive assumptions; and
- (c) a description of the assumptions that support projected income and expense components.

STRATEGIC PLAN

7. Within 90 days of the effective date of this ORDER, the Board shall develop a comprehensive, written strategic plan and submit the plan to the Regional Director and the Commissioner. The plan, at a minimum, shall include:

- (a) short-term goals to comply with this ORDER;
- (b) an operating plan for the next 12 to 18 months to accomplish the short-term goals; and
- (c) long-term goals for liquidity, capital maintenance, and profitability.

CAPITAL PLAN & MAINTENANCE

8. (a) Within 180 days of the date of this ORDER, the Board shall adopt a comprehensive plan to restore the Bank's capital position to a satisfactory level. The plan, at a

minimum, shall address the achievement and maintenance of a 9 percent Leverage Capital Ratio, as defined in Part 324 of the FDIC Rules and Regulations (12 C.F.R. Part 324).

(b) If any such capital ratios are less than required by the Order, as determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the Department, the Board shall, within thirty (30) days after receipt of a written notice of the capital deficiency from the Regional Director or the Commissioner, present to the Regional Director and the Commissioner a plan to increase the Bank's Tier 1 Capital of the Bank or to take such other measures to bring all the capital ratios to the percentages required by this Order. After the Regional Director and the Commissioner respond to the plan, the Bank's Board shall adopt the plan, including any modifications or amendments requested by the Regional Director and the Commissioner.

(c) Thereafter, to the extent such measures have not previously been initiated, the Board shall immediately initiate measures detailed in the plan, to increase its Tier 1 Capital by an amount sufficient to bring all the Bank's capital ratios to the percentages required by this Order within thirty (30) days after the Regional Director and the Commissioner respond to the plan. Such increase in Tier 1 Capital and any increase in Tier 1 Capital necessary to meet the capital ratios required by this Order may be accomplished by:

- i. The sale of securities in the form of common stock; or
 - ii. The direct contribution of cash subsequent to January 31, 2021, by the directors and/or shareholders of the Bank or by the Bank's holding company;
- or

- iii. Receipt of an income tax refund or the capitalization subsequent to December 31, 2023, of a bone fide tax refund certified as being accurate by a certified public accounting firm; or
- iv. Any other method approved by the Regional Director and the Commissioner.

VIOLATIONS

9. Within 30 days of the date of this ORDER, the Board shall, consistent with sound banking practices, ensure that all apparent violations cited in the January 16, 2023, Report of Examination are corrected. The Board shall also adopt procedures to prevent the recurrence of such violations.

PROGRESS REPORTS

10. The Board shall provide written reports to the Regional Director and the Commissioner outlining its progress toward complying with this ORDER. The Board will provide these reports 30 days after each calendar quarter end. This requirement for progress reports shall continue during the life of this ORDER unless modified or terminated in writing by the Regional Director and the Commissioner.

OTHER ACTIONS

11. The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the Department, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order shall be effective upon its issuance by the FDIC and Commissioner.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain in effect and enforceable except to the extent that and until such time that any provision has been modified, terminated, suspended, or set aside by the FDIC and the Commissioner. Violation of any provisions of this ORDER will be deemed to be conducting business in an unsafe or unsound manner and will subject the Bank to further regulatory enforcement action.

Issued and made effective this 30th day of October 2023.

/s/
Deona L. Payne
Acting Deputy Regional Director
Federal Deposit Insurance Corporation

/s/
Hector Retta
Commissioner
Department of Savings and Mortgage Lending