

**#2015-018**

*Also Terminates #2009-241*

AGREEMENT BY AND BETWEEN  
BNB Hana Bank, National Association  
Fort Lee, New Jersey  
and  
The Comptroller of the Currency

BNB Hana Bank, National Association, Fort Lee, New Jersey (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to capital, Board and management supervision, credit administration, earnings, and violations of law at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) The Compliance Committee appointed by the Board pursuant to the Agreement by and between BNB Bank, National Association, Fort Lee, New Jersey and the Comptroller of the Currency, dated December 18, 2009 (“Formal Agreement dated December 18, 2009”), shall continue to consist of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. In the event of a change of the membership, the name of any new member shall be immediately submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall continue to meet at least monthly.

(3) Within thirty (30) days of the date the Compliance Committee last submitted a written progress report to the Board under the terms of the Formal Agreement dated December 18, 2009, the Compliance Committee shall submit a written progress report to the Board and thereafter submit such report to the Board every thirty (30) days setting forth in detail:

- (a) a description of the actions needed to achieve and thereafter maintain full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement;

- (c) the results and status of those actions; and
- (d) a description of the process by which the information required by subparagraphs (3)(a) through (c) of this Article was independently verified.

(4) The Board shall continue to forward a copy of the Compliance Committee's report, with any additional written comments by the Board, to the Assistant Deputy Comptroller within fifteen (15) days of receiving such report.

### ARTICLE III

#### BOARD SUPERVISION

(1) Within ninety (90) days of the date of this Agreement, the Board shall strengthen its supervision presently being provided to the Bank by, at a minimum:

- (a) assessing the strengths and weaknesses of each member of the Board and the Board as a whole;
- (b) making additions to or deletions from the membership of the Board if any weaknesses identified in subparagraph (1)(a) of this Article cannot be timely and effectively addressed through the education program described in subparagraph (1)(b) of this Article; and
- (c) correcting or eliminating any other deficiencies in the supervision or organizational structure of the Bank.

The Board shall document in writing its actions to comply with the requirements of paragraph one (1) of this Article.

(2) Within thirty (30) days of the date of this Agreement, and on an ongoing basis thereafter, the Board shall ensure that management keeps the Board appropriately, adequately, and timely informed on the Bank's operations to enable the Board members to fulfill their

fiduciary responsibilities, their responsibilities under this Agreement, and other responsibilities under law.

(3) Within ninety (90) days of the date of this Agreement, the Board shall develop, adopt, implement, and thereafter adhere to, a written education program designed to strengthen weaknesses identified in the assessment required by subparagraph (1)(a) of this Article and to ensure the Board members have the knowledge and skills to fulfill their fiduciary responsibilities, their responsibilities under this Agreement, and other responsibilities under law.

(4) The Board shall reassess its supervision of the Bank at least annually, or more frequently if necessary or if required by the Assistant Deputy Comptroller in writing. This reassessment shall, at a minimum, comply with the requirements of paragraph one (1) of this Article. The Board shall document in writing all reassessments.

#### ARTICLE IV

##### BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, and on an ongoing basis thereafter, the Board shall ensure that the Bank has competent management in place on a permanent and full-time basis in all senior executive officer positions, including in its recently created Chief Compliance Officer position, each of whom shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position, carry out the Board's policies, ensure compliance with this Agreement, applicable laws, sound corporate governance practices, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner within the scope of that position's responsibilities.

(2) Within ninety (90) days of the date of this Agreement, and annually thereafter, or when required by the Assistant Deputy Comptroller in writing, the Board shall review the

capabilities of the Bank's senior executive officers to perform present and anticipated duties, which considers the senior executive officers' past actual performance, experience, and qualifications, compared to their position descriptions, duties, established performance objectives, and responsibilities. Based on this review, the Board shall determine whether management changes will be made, including the need for additions to or deletions from current management. The Board shall document in writing its review and determination required by this paragraph.

(3) Within one hundred twenty (120) of days of the date of this Agreement, and thereafter within thirty (30) days of any subsequent review required by paragraph two (2) of this Article, the Board shall submit the results of the review and the determination, including the written documentation, required by paragraph two (2) of this Article to the Assistant Deputy Comptroller.

(4) If, based on any review required by paragraph two (2) of this Article, the Board determines that a senior executive officer will continue in his or her position but that the officer's depth of skills needs improvement, the Board shall within sixty (60) days of the date of such determination develop and implement a written program, with specific timeframes, to improve the officer's supervision and management of the Bank within the scope of that position's responsibilities. At a minimum, the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and

- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

Immediately upon completion, a copy of the written program required by this paragraph shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the written program required by this paragraph, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the written program.

(5) If any senior executive officer (as defined in 12 C.F.R. § 5.51(c)(3)) position is vacant now or in the future, including if the Board realigns an existing senior executive officer's responsibilities and a senior executive officer position becomes vacant, the Board shall within fifteen (15) days of the date of this Agreement or the future vacancy, respectively, identify and provide notice to the Assistant Deputy Comptroller, of a competent, permanent, and full-time candidate for the position. The Board shall comply with the prior notice requirements of 12 U.S.C. § 1831i and 12 C.F.R. § 5.51 when selecting an individual to serve in any senior executive officer position. Pursuant to 12 U.S.C. § 1831i, 12 C.F.R. § 5.51, the Bank must receive a written notice of intent not to disapprove from the Assistant Deputy Comptroller before appointing an individual to a senior executive officer position.

(6) Within thirty (30) days of receiving the Assistant Deputy Comptroller's written notice of intent not to disapprove of a proposed senior executive officer referred to in paragraph five (5) of this Article, the Board shall appoint the individual to that position. That new senior executive officer shall be vested with sufficient authority to fulfill the duties and responsibilities

of the position, carry out the Board's policies, and, within the scope of that position's responsibilities, ensure compliance with this Agreement, applicable laws, rules and regulations, and the safe and sound operation of the Bank.

## ARTICLE V

### INTERNAL AUDIT

(1) Within sixty (60) days of the date of this Agreement, the Board shall designate a committee of at least three (3) directors with relevant banking experience, to review and monitor the Bank's implementation and adherence to the independent, internal audit program required by paragraph two (2) of this Article. A majority of the members of this committee shall not be an employee or controlling shareholder of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. The composition of this committee shall not be identical to the composition of the Compliance Committee required by Article II of this Agreement. In the event of a change of the membership, the name of any new member shall be immediately submitted in writing to the Assistant Deputy Comptroller.

(2) Within ninety (90) days of the date of this Agreement, the Board shall adopt, and the Bank (subject to review and ongoing monitoring by the committee established pursuant to paragraph one (1) of this Article) shall implement and thereafter ensure adherence to an independent, internal audit program sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) determine the Bank's level of compliance with the requirements of this Agreement;

- (d) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (e) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (f) review and provide an opinion regarding whether regulatory reports beginning with the quarter ending March 31, 2015, contain “material misstatements” within thirty (30) days of filing; for purposes of this Article, “material misstatements” has the same meaning as the term is used in the SEC’s Staff Accounting Bulletin No. 99 on Materiality (“SAB 99”);
- (g) adequately cover all areas; and
- (h) establish an annual audit plan using a risk based approach (with a written risk assessment) sufficient to achieve these objectives.

(3) As part of this audit program, the Board or the committee established pursuant to paragraph one (1) of this Article, shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(4) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.



(5) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program required by this Article shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed in writing directly with the Board and not through any intervening party.

(6) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions. The Board shall also ensure that actions undertaken to remedy deficiencies cited in any audit report are subject to independent verification, which shall be documented in the Bank's records.

(7) The audit staff shall have access to any records necessary for the proper conduct of its activities. The examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

## ARTICLE VI

### STRATEGIC PLAN

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall revise and forward to the Assistant Deputy Comptroller for review, pursuant to paragraph three (3) of this Article, the Bank's written Strategic Plan. The Strategic Plan shall cover at least a three-year period and shall include reasonable projections of major balance sheet and income statement components. The Strategic Plan shall establish objectives for the Bank's overall risk profile, Board and management competencies, sound corporate governance practices, earnings

performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, risk management, BSA/AML program, CRA plan, together with strategies to achieve those objectives and, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) the development and maintenance of action plans to achieve the strategic goals and objectives developed under subparagraph (1) (c) of this Article;
- (e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, and policies and procedures for their adequacy and contribution to the accomplishment of the strategic goals and objectives developed under subparagraph (1)(c) of this Article;
- (f) an identification and assessment of the Bank's present and planned product lines (assets and liabilities) and services and identification of appropriate risk management systems to identify, measure, monitor, and control risks within the product lines and services;
- (g) a management employment and succession program to promote the retention and continuity of capable management;
- (h) a realistic and comprehensive budget that corresponds to the Strategic Plan's goals and objectives;

- (i) an action plan to improve and sustain bank earnings to a profitable level and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (j) 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;
- (k) provisions for injections of equity capital, as necessary, including any commitments to the Bank for injections of equity capital;
- (l) a detailed description and assessment of major capital expenditures required to achieve the objectives of the Strategic Plan;
- (m) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (n) a sound risk management program;
- (o) a sound interest rate risk management program;
- (p) a sound liquidity management program and contingency funding plan;
- (q) assigned responsibilities and accountability for the strategic planning process, including development, implementation, and adherence within the timeframes consistent with the requirements of this Article; and
- (r) a description of the systems and metrics to monitor the Bank's progress in meeting and thereafter adhering to the Strategic Plan's goals and objectives.

(2) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan and shall include a description of the actions the Board

will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Upon completion of its written evaluation, the Board shall submit a copy to the Assistant Deputy Comptroller.

(3) Prior to adoption by the Board, the Strategic Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The Board shall review and update the Bank's Strategic Plan, including after expiration of the three-year period referenced in paragraph one (1) of this Article, at least annually and more frequently if necessary or if required by the Assistant Deputy Comptroller in writing. Revisions to and significant deviations from the Bank's Strategic Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the initial or revised Strategic Plan or to the significant deviations from the Strategic Plan, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Strategic Plan and any amendments, revisions thereto or to the significant deviations from the Strategic Plan.

(4) Until the Strategic Plan required under this Article has been submitted by the Bank for review by the Assistant Deputy Comptroller, has received a written determination of no supervisory objection from the Assistant Deputy Comptroller, and has been adopted by and is being implemented 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 before this Agreement without first obtaining the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such significant deviation. Any request to the Assistant Deputy Comptroller for prior written determination of no

supervisory objections to a significant deviation must be submitted in writing to the Assistant Deputy Comptroller thirty (30) days in advance of the significant deviation and shall include:

- (a) an assessment of the adequacy of the Bank's management, staffing levels, organizational structure, financial condition, capital adequacy, funding sources, management information systems, internal controls, and written policies and procedures with respect to the proposed significant deviation, and
- (b) the Bank's evaluation of its capability to identify, measure, monitor, and control the risks associated with the proposed significant deviation.

## ARTICLE VII

### CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall maintain the following capital ratios as defined in and as calculated in accordance with 12 C.F.R. Part 3:

- (a) A tier 1 capital ratio at least equal to thirteen percent (13%);
- (b) A total capital ratio at least equal to fourteen percent (14%); and
- (c) A leverage ratio at least equal to ten percent (10%).

(2) The requirement in this Agreement to continue to meet and maintain a specific capital ratio means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4(c)(1)(v).<sup>1</sup>

(3) Within ninety (90) days of the date of this Agreement, the Board shall develop, adopt, implement and thereafter ensure Bank adherence to an effective internal capital planning

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<sup>1</sup> The Bank may not solicit, accept, renew, or roll over any brokered deposit (as defined in 12 C.F.R. § 337.6(a)(2)) except in compliance with the applicable restrictions of 12 U.S.C. § 1831f and 12 C.F.R. § 337.6.

process to assess the Bank's capital adequacy in relation to its overall risks and to ensure maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph one (1) of this Article. The capital planning process shall be consistent with OCC Bulletin 2012-16 (Guidance for Evaluating Capital Planning and Adequacy) (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. 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 requested by the Assistant Deputy Comptroller in writing.

(4) Within ninety (90) days of the date of this Agreement, the Board shall forward to the Assistant Deputy Comptroller for her review, pursuant to paragraph six (6) of this Article, a written Capital Plan for the Bank, consistent with the Strategic Plan pursuant to Article VI of this Agreement, covering at least a three-year period. The written Capital Plan shall, at a minimum:

- (a) include specific plans for the maintenance of adequate capital, which shall in no event be less than the requirements of paragraph one (1) of this Article;
- (b) identify and evaluate all material risks;
- (c) determine the Bank's capital needs in relation to material risks and strategic direction consistent with the Strategic Plan pursuant to Article VI of this Agreement;
- (d) identify and establish a strategy to strengthen capital if necessary and establish a contingency or back-up capital plan consistent with the Strategic Plan required by Article VI of this Agreement and commensurate with the Bank's overall risk and complexity;

- (e) include detailed quarterly financial projections; and
  - (f) 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.
- (5) The Bank may declare or pay a dividend or make a capital distribution only:
- (a) when the Bank is in compliance with its approved written Capital Plan and would remain in compliance with its approved written Capital Plan immediately following the declaration or payment of any dividend or the capital distribution;
  - (b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
  - (c) following the prior written determination of supervisory no objection by the Assistant Deputy Comptroller.
- (6) Prior to adoption by the Board, a copy of the Bank's written Capital Plan shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan, including after expiration of the three-year period referenced in paragraph four (4) of this Article, at least annually and more frequently if necessary or if required by the Assistant Deputy Comptroller in writing. Revisions to the Bank's written Capital Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.

- (7) At least quarterly, the Board shall:
- (a) 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 descriptions of extraordinary and/or nonrecurring items; and
  - (b) prepare a written evaluation of the Bank's performance against the written Capital Plan, which shall include a description of the actions the Board will require the Bank to take to address any deficiencies.

The Board's review and preparation of the written evaluation shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly written evaluations and Board meeting minutes to the Assistant Deputy Comptroller within ten (10) days of completion of its written evaluation.

(8) If the Bank fails to maintain capital ratios required by paragraph one (1) of this Article, or fails to develop or implement a written Capital Plan to which the Assistant Deputy Comptroller has provided a written determination of no supervisory objection, then the Bank may, in the Assistant Deputy Comptroller's sole discretion, be deemed undercapitalized for purposes of this Agreement. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 6. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by paragraph one (1) of this



Article, and any other action deemed necessary by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

## ARTICLE VIII

### LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop, adopt, implement, and thereafter ensure Bank adherence to a written program to ensure effective and safe and sound management of the Bank's loan portfolio. The program shall include, but not be limited to:

- (a) procedures to ensure consistent application of the Bank's underwriting criteria;
- (b) procedures to ensure accurate and timely risk rating of credits;
- (c) procedures to accurately and timely identify and control risk throughout the credit process;
- (d) procedures to ensure satisfactory and perfect collateral documentation;
- (e) procedures to document and monitor action plans to work out problem assets, which shall include timely and targeted dates for disposition;
- (f) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (g) procedures to ensure conformance with loan approval requirements;
- (h) a system to track and analyze exceptions;
- (i) procedures to ensure conformance with Call Report Instructions;

- (j) procedures to ensure the accuracy of internal management information systems; and
- (k) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be submitted to the Assistant Deputy Comptroller.

(3) Within ninety (90) days of the date of this Agreement, the Board shall develop and adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to systems that provide for the effective monitoring of the Bank's loan portfolio, including:

- (a) early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that will serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) loan portfolio concentration limits that are measured and monitored in relation to the Bank's Tier 1 capital (as defined in 12 C.F.R. Part 3) and Allowance for Loan and Lease Losses ("Allowance");
- (d) previously charged-off assets and their recovery potential;
- (e) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;

- (f) a policy for administering the Allowance that, at a minimum, complies with OCC Bulletin 2006-47 (Guidance and Frequently Asked Questions on the ALLL) (December 13, 2006) addresses the necessary controls for supporting the appropriateness of the Allowance level and documentation of the factors used to estimate credit losses and impairments.

(4) Beginning March 31, 2015 and on a quarterly basis management shall provide the Board with written reports including, at a minimum the following information:

- (a) identification, type, rating, and amount of problem loans and leases;
  - (b) the identification and amount of delinquent loans and leases;
  - (c) credit and collateral documentation exceptions;
  - (d) the identification and status of credit related violations of law, rule or regulation;
  - (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (4) (a) through (d) of this Article;
  - (f) the identity of the loan officer responsible for the ongoing administration of each loan maintained within the Bank's loan portfolio;
  - (g) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
  - (h) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank;
- and

- (i) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

## ARTICLE IX

### VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule or regulation cited in the most recent Report of Examination ("ROE"), any subsequent ROE, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. The monthly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days of the date of this Agreement and thereafter within sixty (60) days after the violation is cited or brought to the attention of the Board (including any committee thereof) or the Bank in a manner described in paragraph one (1) of this Article, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to:

- (a) specific procedures to prevent violations cited in the most recent ROE and to prevent future violations as cited in subsequent ROEs and as subsequently brought to the attention of the Board (including any committee thereof) or the Bank in a manner described in paragraph one (1) of this Article; and

(b) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(3) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

## ARTICLE X

### OTHER PROVISIONS

(1) Although the Board has agreed to submit certain proposed actions, programs, plans and reports for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) In each instance in this Agreement in which the Board or a Board committee is required to take action, ensure adherence to and undertake to perform certain obligations of the Board or of the Bank, including the obligation to implement plans, policies or other actions, it is intended to mean that the Board or Board committee shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to ensure implementation of and adhere to the programs developed pursuant to this Agreement, that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement;
- (b) authorize, direct, and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

- (c) require appropriate, adequate, and timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

(3) Each citation or referenced guidance included in this Agreement includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation, or guidance.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and shall continue in full force and effect, except to the extent that, and until such time as, any provisions of this Agreement shall have been amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) Except as otherwise expressly provided herein, any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement.

(6) If the Bank requires a waiver or suspension of any provision or an extension of any timeframe within this Agreement, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any written request submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the waiver or suspension of any provision or an extension of a timeframe within this Agreement.

(7) The Assistant Deputy Comptroller's written decision concerning a request submitted pursuant to paragraph six (6) of this Article is final and not subject to further review.

(8) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his 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 Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. 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.

(9) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(10) All reports or plans that the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the following:

Assistant Deputy Comptroller  
Comptroller of the Currency  
New York Field Office  
343 Thornall Street, Suite 610  
Edison, New Jersey 08837

(11) This Agreement replaces the Formal Agreement dated December 18, 2009, in its entirety and therefore, the Formal Agreement dated December 18, 2009 is hereby terminated. Provided, however, that the Bank and its institution-affiliated parties remain liable for any breach of the Formal Agreement dated December 18, 2009 preceding its termination.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

/S/  
\_\_\_\_\_  
Tara L. French  
Assistant Deputy Comptroller

1/23/2015  
\_\_\_\_\_  
Date

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

Not a director on January 23, 2015  
\_\_\_\_\_  
Daniel J. Cardone

\_\_\_\_\_  
Date



