

AGREEMENT BY AND BETWEEN
Hopkins Federal Savings Bank
Baltimore, Maryland
and
The Comptroller of the Currency

Hopkins Federal Savings Bank, Baltimore, Maryland (“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 credit administration and internal controls 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) The Bank is federal savings association examined by the Comptroller pursuant to the Home Owners’ Loan Act of 1933, as amended, 12 U.S.C. § 1461 *et seq.* and is defined as a “savings association” within the meaning of 12 U.S.C. § 1813(b)(2).

(2) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1813(c).

(3) Pursuant to 12 U.S.C. § 1813(q), the Comptroller is “the appropriate Federal banking agency” to initiate and maintain the proceeding against the Bank pursuant to 12 U.S.C. §1818(b).

(4) 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).

(5) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 163.555. *See* 12 U.S.C. § 1831i.

(6) 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) Within sixty (60) days of the date of this Agreement, the Board shall establish a Compliance Committee comprised 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. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be 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 meet at least quarterly.

(3) The Compliance Committee shall ensure that the Bank conducts periodic audits to ensure compliance with each provision of this Agreement.

(4) Within forty-five (45) days of the end of each fiscal quarter after the effective date of this Agreement, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve 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) the status of any audits completed and the remedial actions required by any audit evaluating compliance with this Agreement.

(5) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

STRATEGIC PLAN

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall develop a written Strategic Plan for the Bank covering at least a three-year period. The Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, liquidity, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in classified and special mention assets, product line development and

market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

- (a) an assessment of the Bank's present and future operating environment;
- (b) the development of strategic goals and objectives to be accomplished over the short and long term;
- (c) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(b) of this Article;
- (d) 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 goals and objectives developed under (1)(b) of this Article;
- (e) a management employment and succession program to promote the retention and continuity of capable management;
- (f) product line development and market segments that the Bank intends to promote or develop;
- (g) 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;
- (h) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;

- (i) specific plans to establish responsibilities and accountability for the Strategic Planning process, new products, growth goals, or proposed changes in the Bank's operating environment;
- (j) systems to monitor the Bank's progress in meeting the plan's goals and objectives;
- (k) strategies for ensuring that the Bank has the financial and personnel resources necessary to implement and adhere to the Strategic Plan, adequately support the Bank's risk profile, maintain compliance with applicable regulatory capital requirements, comply with this Agreement, and maintain appropriate levels of liquidity;
- (l) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, income statement, classified assets, special mention assets, and key financial ratios) and budget; and
- (m) identification of all relevant assumptions made in formulating the Strategic Plan and retention of documentation supporting such assumptions.

(2) Prior to adoption by the Board, a copy of the Strategic Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Revisions to the Bank's 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 at least annually, and more frequently if necessary, or as required by the Assistant Deputy Comptroller in writing. At the next Board meeting following receipt of the Assistant Deputy Comptroller'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 Strategic Plan and any amendments and revisions thereto.

(3) Until the Strategic Plan, or any revisions thereto, required under this Article has been submitted by the Bank for OCC review, and the Bank has received a written determination of no supervisory objection from the OCC, and is being implemented by the Bank, 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 OCC's prior written determination of no supervisory objection to such significant deviation. Any request to the OCC for prior written determination of no supervisory objections to a significant deviation must be submitted to the Assistant Deputy Comptroller at least 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.

(4) For the purposes of this Article, once the Bank has received no supervisory objection to its Strategic Plan, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets,

any of which, alone or in the aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(5) If the OCC determines, in its sole judgment, that the Bank has failed to submit an acceptable Strategic Plan as required by paragraph (1) of this Article or has failed to implement or adhere to the Bank's specific, measurable, and verifiable objectives included in the Strategic Plan, for which the OCC has taken no supervisory objection pursuant to paragraph (2) of this Article, then within thirty (30) days of receiving written notice from the OCC of such fact, the Board shall develop and shall submit to the OCC for its review and prior determination of no supervisory objection, a revised Strategic Plan.

(6) Failure to submit a timely, acceptable Strategic Plan may be deemed a violation of this Agreement, in the exercise of the OCC's sole discretion.

(7) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article.

ARTICLE IV

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall ensure that the Bank has competent senior management in place on a full-time basis, including its Chief Credit Officer and Chief Financial Officer positions, 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, rules and regulations, and

manage the day-to-day operations of the Bank in safe and sound manner within the scope of that position's responsibilities.

(2) Within ninety (90) days of the date of this Agreement, the Board shall engage an independent third party to complete a review and written assessment of 1) the capabilities of Bank officers to perform present and anticipated duties; 2) current staffing levels; and 3) whether any changes to the management team are needed, including the need for additions to or deletions from current management. The independent third party shall complete the review and provide the final written assessment within ninety (90) days of the date of this Agreement.

(3) Within ten (10) days of receiving the final written assessment, the Board shall submit a copy of the final written assessment to the Assistant Deputy Comptroller.

(4) Within sixty (60) days of receiving the final written assessment, the Board shall review the final written assessment and determine whether management changes will be made, including the need for additions to or deletions from current management.

(5) If the Board determines that an officer will continue in his or her position but that the officer's depth of skills needs improvement, the Board shall within forty-five (45) days of such determination develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Bank. 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.

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

(6) If any senior executive officer, as defined in 12 C.F.R. § 163.555, position is vacant now or in the future, the Board shall within forty-five (45) days of the date of this Agreement or the future vacancy, respectively, identify and provide notice to the Assistant Deputy Comptroller, of a competent and full-time candidate for the position who has sufficient experience. The Board shall comply with the prior notice requirements of 12 U.S.C. § 1831i and 12 C.F.R. Part 163, subpart H when selecting an individual to serve in any senior executive officer position.

(7) Within ten (10) days of receiving the Assistant Deputy Comptroller's written notice of intent not to disapprove a proposed senior executive officer position, the Board shall appoint that individual to the senior executive officer position on a permanent and full-time basis. Any senior executive officer shall be vested with sufficient executive authority to fulfill the duties and responsibilities of his or her position, carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and ensure the safe and sound operation of the Bank within the scope of that position's responsibilities.

(8) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article.

ARTICLE V

LOAN PORTFOLIO MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management ("Loan Portfolio Management Program"). The Loan Portfolio Management Program shall include, but not be limited to:

- (a) 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;
- (b) procedures to ensure conformance with loan approval requirements;
- (c) procedures to ensure conformance with Consolidated Reports of Condition and Income ("Call Report") instructions;
- (d) a description of the types of credit information required from borrowers and guarantors, including, but not limited to, annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;
- (e) procedures that require borrowers to provide periodic financial data;
- (f) procedures that require any extensions of credit (new, maturity extension, or renewal) are made only after obtaining and validating current credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's global cash flow, debt service requirements, contingent liabilities, and global liquidity condition, and only after the credit officer prepares a documented credit analysis;

- (g) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and documenting the current valuation of any supporting collateral;
- (h) guidelines for the performance of interim financial analysis or annual reviews using alternative procedures for borrowers refusing to provide periodic financial information;
- (i) procedures to ensure exceptions to policy and credit and collateral exceptions are within levels consistent with prudential standards and internal limits;
- (j) procedures to ensure that all exceptions to the credit policy shall be clearly documented on the loan offering sheet, problem loan report, criticized asset report, and other management information systems (“MIS”) and approved by the Board or a committee thereof before the loan is funded or renewed;
- (k) appropriate management information systems to monitor and track financial, policy, and collateral exceptions;
- (l) assignment of accountability for the updating and recording of exceptions and maintenance of management information system accuracy;
- (m) establishment of timeframes for the follow up and elimination of identified exceptions;
- (n) procedures to ensure risk rating upgrades and restoration of loans to accrual status, including upgrading a loan designated as a troubled debt restructuring (“TDR”), are supported by a current and well documented

credit evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's historical repayment performance and other relevant factors; and

- (o) procedures to maintain standards of independence for the appraisal and evaluation function as part of an effective collateral valuation program that is independent of the loan approval process (if staff limitations prevent full segregation of these functions, then the Board and management must make sure that the individual accepting and reviewing the appraisal abstains from and has no power to approve loans).

(2) Upon completion, a copy of the Loan Portfolio Management Program shall be forwarded to the Assistant Deputy Comptroller.

(3) Within sixty (60) days of the date of this Agreement, the Board shall ensure that Bank personnel performing credit analyses are adequately trained in cash flow analysis, particularly analysis using information from tax returns, and that processes are in place to ensure that additional training is provided as needed.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE VI

ANNUAL REVIEW OF COMMERCIAL LOANS

(1) Within ninety (90) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program providing for annual reviews of commercial loans (“Annual Review Program”).

(2) At minimum, the Annual Review Program must include:

- (a) thresholds for performing periodic reviews on non-problem credits;
- (b) policy guidance for the depth of annual reviews;
- (c) management information systems to track the completion of annual reviews;
- (d) a review function to ensure the quality of period reviews is appropriate;
and
- (e) requirements of what should be included in an effective annual review,
including, but not limited to:
 - (i) assessment of the ongoing capacity of the borrowers and guarantors, including a global cash flow analysis and discussion of contingent liabilities;
 - (ii) updated collateral values and stress tests, as appropriate;
 - (iii) discussion of significant trends and the reasons behind the trends;
and
 - (iv) confirmation of the current risk rating.

(3) The Board must ensure that all internal personnel required to complete annual reviews receive sufficient training on the program implemented pursuant to this Article

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article.

ARTICLE VII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) of the date of this Agreement, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of (i) the comments on maintaining a proper Allowance found in the "Allowance for Loan and Lease Losses" booklet of the *Comptroller's Handbook*; (ii) U.S. generally accepted accounting principles ("GAAP"); (iii) the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006 (OCC Bulletin 2006-47); and the instructions for reporting the Allowance on the Call Report. The program, and any revisions thereto, shall focus particular attention on the following:

- (a) loans rated special mention or substandard, but not impaired, must be further segmented into their own pools within each lending category for the Accounting Standards Codification ("ASC") 450-20 analysis;
- (b) loans designated as Troubled Debt Restructurings ("TDRs"), including special mention and pass, must receive an impairment analysis;
- (c) discounts applied to collateral values during impairment analyses must be well supported and documented;

- (d) reasonable documentation to support qualitative factor adjustments to ASC 450-20 loan pools to include:
 - (i) description of each qualitative factor;
 - (ii) management's analysis of each factor's change over time;
 - (iii) narrative detailing loss rate adjustments to each loan pool;
 - (iv) amount by which loss estimates have been adjusted for changes in conditions;
 - (v) explanation of method used to estimate the impact; and
 - (vi) other available data that supports the reasonableness of the adjustments;
- (e) loan balances used in the ASC 450-20 analysis must be net of previous charge-offs; and
- (f) credit losses on off balance sheet credit exposures must be estimated in accordance with ASC 450-20 and reported as an "Other Liability" account.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) The Bank shall implement and adhere to the program.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VIII

PROBLEM LOAN ACTION PLANS

(1) Within ninety (90) days, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to a written program designed to protect the Bank's interest in those assets criticized in the most recent Report of Examination ("ROE"), in any subsequent ROE, by any internal or external loan review, or in any list provided to management by the OCC during any examination as "doubtful," "substandard," or "special mention." The program shall include the development of Criticized Asset Reports ("CARs") identifying all credit relationships and other assets totaling in aggregate two-hundred fifty thousand dollars (\$250,000) or more, criticized as "doubtful," "substandard," or "special mention." The CARs shall be updated and submitted to the Board and to the Assistant Deputy Comptroller quarterly. Each CAR shall cover an entire credit relationship and include, at a minimum, analysis and documentation of the following:

- (a) a brief factual summary of the relationship, including reason for the basis of criticism, the origination date and any renewal or extension dates, amount, purpose of the loan, payment history, accrual status, impairment (if applicable), and the originating and current loan officer(s);

- (b) an analysis of the repayment capacity of the borrower, including identification of the expected sources of repayment and cash flow analysis where loans are to be repaid from the borrower's operations;
- (c) an assessment of collateral supporting the loan, including an evaluation of the appraisal of such collateral and the position of the Bank's lien on such collateral where applicable;
- (d) an evaluation of any guarantees, including the guarantor's financial capacity and willingness to provide support for the credit;
- (e) an assessment of the appropriateness of loan accrual status;
- (f) results of any ASC 310-10 analysis;
- (g) summary of borrower discussions, including willingness to work with the Bank;
- (h) significant developments, including a discussion of changes since the prior CAR, if any; and
- (i) the proposed action(s) to eliminate the basis of criticism, identification of employees responsible for implementing the action(s), and the time frame for accomplishment of the proposed action(s).

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

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(4) The Bank may not extend credit, directly or indirectly, including renewals, extensions, or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in any ROE, in any internal or external loan review, or in any list provided to management by the OCC unless and until each of the following conditions is met:

- (a) the Board, or designated committee thereof, finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending, or capitalizing any additional credit, a majority of the full Board, or designated committee thereof, approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank;
- (b) the Bank performs all written credit and collateral analysis required by Paragraph (1) of this Article; and
- (c) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of additional credit.

(5) A copy of the approval of the Board, or of the designated committee thereof, shall be maintained in the file of the affected borrower.

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IX

INTEREST RATE RISK MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Board must ensure Bank management documents, monitors, and updates key assumptions used in the Bank's Interest Rate Risk Model ("IRR Model") that comport with 12 C.F.R. § 163.176 and are consistent with the "Interest Rate Risk" booklet of the *Comptroller's Handbook; Interagency Guidance on Interest Rate Risk Management*, OCC Bulletin 2010-1; and *Interest Rate Risk Management: FAQs on 2010 Interagency Advisory on Interest Rate Risk Management*, OCC Bulletin 2012-5. At a minimum:

- (a) management must evaluate key IRR Model assumptions related to asset prepayments, non-maturity deposit price sensitivity and decay rates, and key rate drivers for each interest rate shock scenario at least annually;
- (b) management must provide the Board, or a designated committee thereof, with documentation supporting their validation of the reasonableness of assumptions used in the model and shall notify the Board, or the committee designated thereof, within thirty (30) days of any changes to the IRR Model assumptions; and
- (c) the Board shall establish risk tolerances for variances in back-testing variances results, and Bank operation outside of risk limits must result in additional review of the IRR Model assumptions and key drivers.
- (d) an annual, independent review of the reasonableness of the IRR Model assumptions used must be performed.

(2) The Board shall engage an independent review and validation of the IRR Model, including the reasonableness of its assumptions, performance of a backtest, and an assessment of the Bank's adherence to the interest rate risk policy, on at least an annual basis.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE X

LOAN ACCOUNTING PRACTICES

(1) Within five (5) days of the date of this Agreement, the Board shall ensure that the Bank reverses or charges off all interest that has been accrued contrary to the requirements of the Call Report instructions and which has been identified by the OCC and communicated to the Bank by the date of this Agreement.

(2) Within five (5) days of the date of this Agreement, the Board shall ensure that the Bank identifies and reverses or charges off all interest income recognized on nonaccrual loans maintained on a cash basis but without appropriate documentation to support cash basis income recognition.

(3) Within sixty (60) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to written policies and procedures governing proper accounting treatment of capitalization of interest, cash basis income recognition on nonaccrual loans, and Other Real Estate Owned ("OREO"). Such policies and procedures shall:

- (a) comply with requirements contained in GAAP, Call Report instructions, and regulatory guidelines;

- (b) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured;
- (c) address the criteria for placing assets in nonaccrual, reversal of previously accrued but uncollected interest, treatment of cash payments received on nonaccrual assets and the criteria for cash basis income recognition, restoration of a nonaccrual asset to accrual status, and the treatment of multiple extensions of credit to one borrower;
- (d) ensure that systems are fully implemented to identify and monitor non-accrual loans;
- (e) ensure the Bank has control and legal right to the property prior to transferring the asset to OREO; and
- (f) ensure OREO is consistently recorded at fair value less cost to sell consistent with GAAP and Call Report instructions.

(4) Upon adoption of the written policies and procedures developed pursuant to this Article, a copy of the policies and procedures shall be forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE XI

BANK SECRECY ACT / ANTI-MONEY LAUNDERING PROGRAM

(1) Within sixty (60) days of the date of this Agreement, the Board shall ensure Bank adherence to a written program of policies and procedures to provide for compliance with the Bank Secrecy Act, as amended (31 U.S.C. §§ 5311 et seq.), the regulations promulgated thereunder at 31 C.F.R. Chapter X, as amended, and 12 C.F.R. 163.77 (collectively, “Bank Secrecy Act” or “BSA”) and for the appropriate identification and monitoring of transactions that pose greater than normal risk for compliance with the BSA. This program shall include the following:

- (a) a system that ensures Suspicious Activity Reports (“SARs”) are filed as required by 12 C.F.R. §163.180;
- (b) procedures that provide for adequate documentation of all decisions of whether or not to file a SAR;
- (c) procedures requiring audit committee validation and documentation that consulting activities performed by audit firms do not compromise BSA audit independence or conflict with the objectivity required in performance of the audit; and
- (d) enhancements to the BSA/AML/OFAC training program to ensure staff training is adequate, accurate, complete, and incorporates regulatory requirements. At a minimum:
 - (i) the Bank’s training program must provide training for all personnel whose duties require knowledge of the BSA;
 - (ii) training shall be tailored to each individual employee’s specific job responsibilities;

- (iii) training shall be ongoing and incorporate current developments and changes to the BSA and any related regulations, including expectations for filing SARs; and
- (iv) the BSA compliance officer shall receive periodic training that is relevant and appropriate given changes to regulatory requirements and is consistent with the Bank's overall activities and its BSA/AML risk profile.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE XII

INVESTMENT PORTFOLIO RISK MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Board must ensure Bank management identifies and measures risks associated with individual investment securities prior to purchase and no less than quarterly after purchase. The analysis must be commensurate with the level of market, credit, liquidity, and operational risks associated with each security. Corporate bonds, municipal bonds, and structured securities require credit-focused pre-purchase analysis and ongoing reviews of credit quality that meet the "investment grade" standards of 12 C.F.R Parts 1 and 160 and may not rely solely on the ratings of National Recognized Statistical Rating Organizations ("NRSROs") to make this determination. Specifically:

- (a) the Board must establish a policy for appropriate risk-based ongoing reviews of the investment portfolio to verify credit quality, in addition to ongoing evaluations of price sensitivity, market risk, and yield curve risk;
- (b) management must review current investment holdings to verify each security meets “investment grade” standards (*i.e.*, the security has (1) low risk of default by the obligor and (2) the full and timely repayment of principal and interest is expected over the expected life of the investment); *Alternatives to the Use of External Credit Ratings*, OCC Bulletin 2012-18, includes a matrix with examples of factors banks should consider as part of a robust credit risk assessment framework; and
- (c) for securities that have experienced credit loss, the review determines the securities to not to meet the new standard for “investment grade”, or both, management must ensure the securities are classified in accordance with the newly issued guidance summarized in *Uniform Agreement on the Classification and appraisal of Securities Held by Depository Institutions*, OCC Bulletin 2013-28. Management must also ensure that analysis of impaired securities for other than temporary impairment (“OTTI”) appropriately incorporates the new standard for investment grade, and that the OTTI analysis appropriately documents conclusions about credit risk and how it impacts expected cash flows.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to this Article.

ARTICLE XIII

CLOSING

(1) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Anne Marie Fernandez, Assistant Deputy Comptroller
Washington, D.C. Field Office
400 7th Street, SW, Suite 3E-218, M/S 2W-11
Washington, DC 20219

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

(3) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her 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.

(4) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(5) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(6) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

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

(7) 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.

/s/ Anne Marie Fernandez

4/17/14

Anne Marie Fernandez
Assistant Deputy Comptroller
District of Columbia Field Office

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.

/s/ Richard Alter

4/17/14

Richard Alter

Date

/s/ Richard Azrael

4/17/14

Richard Azrael

Date

/s/ Kenneth Ensor

4/17/14

Kenneth Ensor

Date

/s/ Wilmer Knight

4/17/14

Wilmer Knight

Date

/s/ Alvin Lapidus

4/17/14

Alvin Lapidus

Date

/s/ Michael L. Shomper

4/17/14

Michael L. Shomper

Date

/s/ Basil Taibel

4/17/14

Basil Taibel

Date