#2014-140

UNITED STATES OF AMERICA

DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of:	)
CertusBank, N.A.	)
Greenville, South Carolina	)

CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller"), through his authorized representative, has supervisory authority over CertusBank, N.A., Greenville, South Carolina ("Bank").

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation and Consent to the Issuance of a Consent Order," dated November 6, 2014 that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order ("Order") by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days, the Board shall appoint a Compliance Committee 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 Order.

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

(3) Within sixty (60) days, and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Order;

(b) specific actions taken to comply with each Article of this Order, and

(c) the results and status of those actions.

(4) 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 II

BOARD TO ENSURE COMPETENT BOARD OVERSIGHT, MANAGEMENT, AND ADEQUATE STAFFING

(1) The Board shall ensure that the Bank has competent management in place on a full-time basis in its executive officer positions to: (i) carry out the Board’s policies, (ii) take the necessary steps to implement corporate governance and decision making processes to correct the Bank’s deficiencies in management, leadership, and Board oversight as described in the 2014 ROE and any subsequent ROE; and (iii) ensure compliance with this Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner. By March 31, 2015, the Board shall ensure the following:

(a) that capable executive officers (including, but not limited to, the Chief Financial Officer, Chief Banking Officer, Chief Risk Officer, and Special

Assets Bank Manager positions) are in place on a full-time basis to perform present and anticipated duties, with particular emphasis on their responsibilities to execute the Comprehensive Business Plan required by Article III of this Order, achieve and maintain the minimum capital ratios required by Article IV of this Order, and address all matters requiring attention and violations of law noted in the 2014 ROE and any subsequent ROE;

(b) the identification of future senior executive management and staffing requirements of each area of the Bank;

(c) that clear lines of responsibility and authority exist for each member of senior executive management;

(d) that a management employment and succession program is in place to promote the retention and continuity of capable management;

(e) that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order;

(f) that an adequate process is in place to evaluate, at least annually, the Bank's overall internal operations, staffing, Board and management oversight and information systems, policies, procedures, and other risk management systems, with time sensitive strategies to address any deficiencies;

(g) that 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 Order to enable the

Board to provide oversight and fulfill their fiduciary duties and other responsibilities under law and as outlined in the OCC's "The Directors Book: The Role of a National Bank Director" (October 2010) and "Duties and Responsibilities of Directors" booklet (Section 501) of the *Comptroller's Handbook.*

(h) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses; and

(i) an assessment of the current Board members and Board committee structure to determine if the Board members have sufficient expertise and time to provide sufficient and appropriate oversight of the affairs of the Bank. The assessment of the Board's committee structure shall include:

  (i) an analysis of the number of committees and responsibilities assigned to each;

  (ii) the composition of each committee with regard to the number of members and the technical expertise required for each committee; and

  (iii) specific recommendations to improve the efficiency and responsiveness of each committee.

(2) By March 31, 2015, the Board shall develop, implement, and thereafter ensure Bank adherence to a written action plan, with specific time frames, that will address any deficiencies identified and actions required pursuant to paragraph one (1) of this Article.

(3) For incumbent executive officers in the positions mentioned in paragraph (1) of this Article, the Board shall, within sixty (60) days of the date of this Order, assess each of these officers' experience, other qualifications and performance compared to the position's description, duties and responsibilities.

(4) 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 sixty (60) 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.

(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, the Board shall within sixty (60) days of the date of this Order 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 who has sufficient prior experience in problem bank situations. 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.

(6) Prior to the appointment of any individual to an executive officer position (other than for a senior executive officer as defined in 12 C.F.R. § 5.51(c)(3)), the Board shall submit to the Assistant Deputy Comptroller written notice containing the information that 12 C.F.R. § 5.51 requires for senior executive officers and receive the Assistant Deputy Comptroller's written determination of non-disapproval.

(7) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such disapproval power shall not constitute an approval or endorsement of the proposed executive officer.

(8) Within thirty (30) days of receiving the Assistant Deputy Comptroller's written non-disapproval of a proposed executive officer referred to in paragraph (6) of this Article, the Board shall appoint the individual to that executive officer position. That new executive officer shall be vested with sufficient authority to fulfill the duties and responsibilities of the position, carry out the Board's policies, ensure compliance with this Order, applicable laws, rules and regulations, and ensure the safe and sound operation of the Bank within the scope of that position's responsibilities.

(9) The requirement to submit information and the prior disapproval provisions of paragraph (6) of this Article are based upon the authority of 12 U.S.C. § 1818(b)(6)(E) and do

not require the Comptroller or the Assistant Deputy Comptroller to complete his or her review and act on any such information or authority within ninety (90) days.

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

ARTICLE III

COMPREHENSIVE BUSINESS PLAN

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a revised written Comprehensive Business Plan for the Bank covering at least a three-year period. The revised Comprehensive Business Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming 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, including realistic strategies to improve the overall condition of the Bank;

(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 paragraph (1)(b) of this Article;

(d) an evaluation of the Bank's internal operations, executive management structure, 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 paragraph (1)(b) of this Article;

(e) a management employment and succession program to promote the retention and continuity of capable management;

(f) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;

(g) a financial forecast that reflects the current condition of the bank and includes projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the Comprehensive Business Plan;

(h) 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;

(i) systems to monitor the Bank's progress in meeting the plan's goals and objectives;

(j) a written risk management program that is consistent with the size, complexity and geographic diversification of the Bank's business and corporate structure;

(k) an evaluation of the adequacy of the Bank's vendor management program, including the due diligence process for selecting third-party service providers and consultants and the oversight process for monitoring them consistent with OCC Bulletin 2013-29, *Third-Party Relationships* (October 30, 2013); and

(l) a written Capital Plan as outlined in Article IV of this Order.

(2) Upon adoption, a copy of the Comprehensive Business Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Immediately upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the Comprehensive Business Plan.

(3) The Bank must give the Assistant Deputy Comptroller at least thirty (30) days' advance, written notice of its intent to deviate significantly from the Comprehensive Business Plan for which the OCC has taken no supervisory objection pursuant to paragraph (2) of this Article.

(a) For purposes of this Article, changes that may constitute a significant deviation from the Comprehensive Business Plan include, but are not limited to, any significant deviations from the products, services, business lines, asset composition and size, funding sources, structure, operations, and markets of the Bank that may have a material impact on the Bank's operations or financial performance;

(b) Prior to making any changes that significantly deviate from the Bank's Comprehensive Business Plan, the Board shall perform 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 product or service. The evaluation shall include an assessment of the impact of such change on the Bank's condition, including a profitability analysis.

(4) Until the revised Comprehensive Business 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 is being implemented by the Bank, the Bank shall not deviate significantly from the products, services, business lines, asset composition and size, funding sources, structure, operations, and markets of the Bank that existed before this Order 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 objection to a significant deviation must be submitted to the Assistant Deputy Comptroller at least thirty (30) days in advance of the significant deviation, along with an assessment of the impact of such a change on the Bank’s condition, 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 risks associated with the change.

(5) If the OCC determines, in its sole judgment, that the Bank has failed to submit an acceptable Comprehensive Business 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 Comprehensive Business Plan, for which the OCC has taken no supervisory objection pursuant to paragraph (2) of this Article, then within fifteen (15) 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 Comprehensive Business Plan, which shall detail the Bank's proposal to correct deficiencies resulting in the Bank's failure to adhere to the Bank's original Comprehensive Business Plan.

(a) After the OCC has advised the Bank that it does not take supervisory objection to the revised Comprehensive Business Plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the revised Comprehensive Business Plan.

(b) Failure to submit a timely, acceptable revised Comprehensive Business Plan may be deemed a violation of this Order, in the exercise of the OCC's sole discretion.

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

ARTICLE IV

CAPITAL PLAN

(1) The Bank shall achieve by December 31, 2014, and thereafter maintain, the following capital ratios as defined in 12 C.F.R. Parts 3 and 6:

(a) Total capital at least equal to twelve percent (12%) of risk weighted assets;

(b) Tier 1 capital at least equal to eleven percent (11%) of risk weighted assets; and

(c) Tier 1 capital at least equal to ten percent (10%) of adjusted total assets.

(2) The requirement in this Order to meet and maintain specific capital levels means the bank shall 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(b)(1)(iv).

(3) Within sixty (60) days, the Board shall develop and implement 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, which shall in no event be less than the requirements of paragraph (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 quarterly or more frequently if requested by the Assistant Deputy Comptroller in writing.

(4) Within sixty (60) days, the Board shall forward to the Assistant Deputy Comptroller for his review and written determination of no supervisory objection, a written Capital Plan for the Bank, consistent with the Comprehensive Business Plan developed pursuant to Article III of this Order, 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 (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;

(d) identify and establish a strategy to strengthen capital and establish a contingency or back-up capital plan 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 Order 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 by the Assistant Deputy Comptroller. The Board shall review and update the Bank's written Capital Plan at least quarterly and more frequently if they deem necessary and/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 Deputy Comptroller’s written determination of no supervisory objection, the Board shall adopt and the

Bank (subject to the Board's 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 the capital ratios required by paragraph (1) of this Article, fails to submit a Capital Plan as required by paragraph (4) of this Article, or fails to implement or adhere to a Capital Plan for which the OCC has taken no supervisory objection, then the Bank may, in the OCC's sole discretion, be deemed undercapitalized for the purposes of this Order. 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. § 18310(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. § 183o(e) shall include restoration of the Bank's capital to the minimum ratios required by this Order and any other action deemed advisable by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

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

ARTICLE V

LIQUIDITY RISK MANAGEMENT

(1) Within sixty (60) days, the Board shall develop, adopt, and thereafter ensure compliance with a comprehensive liquidity risk management policy ("Liquidity Policy") that incorporates prudent risk management standards as set forth in the "Liquidity" booklet of the Comptroller's Handbook (June 2012) and OCC Bulletin 2010-13, *Interagency Policy Statement on Funding and Liquidity Risk Management* (March 22, 2010). The Liquidity Policy shall emphasize the importance of cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. In addition to the general requirements set forth above, the Liquidity Policy shall, at minimum:

(a) assess, on an ongoing basis, the Bank's current and projected funding needs, including the development of cash flow projections (Sources and Uses Report) that include discrete and cumulative cash flow mismatches or gaps over specified time horizons under both expected and adverse business conditions;

(b) ensure that sufficient funds or access to funds exist to meet those needs;

(c) require Management to prepare, on a quarterly basis, liquidity risk management reports that provide sufficient liquidity information over at least a one-year time horizon to enable the Board and Asset Liability Committee to recognize longer-term liquidity needs; and

(d) include a Contingency Funding Plan that incorporates, at a minimum, a quantitative projection and evaluation of expected funding needs and funding capacity based on realistic assessments of the behaviors of funding providers during stress events.

(2) Upon adoption, the Board shall implement and thereafter ensure adherence to the Liquidity Policy.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the Liquidity Policy developed pursuant to this Article. A copy of the written Liquidity Policy shall be maintained in a readily accessible manner at the Bank for review by the OCC.

ARTICLE VI

MORTGAGE BANKING RISK MANAGEMENT PROGRAM

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's mortgage banking risk management program consistent with the guidance of OCC Bulletin 2014-2, *Mortgage Banking* (February 2, 2014). The program shall include, but not be limited to:

(a) establishment of formal risk limits and tolerances for the Bank's mortgage banking activities, including pipeline, production volume, products, and hedging. Limits must be tracked and reported to the Board on a quarterly basis;

(b) development of key production and performance reports to be provided to the Board and senior management quarterly;

(c) establishment of formal policies and procedures for each functional area of the mortgage banking department with training to be provided regarding the policies and procedures to requisite employees in each mortgage banking department;

(d) implementation of improved internal controls surrounding the mortgage origination systems;

(e) analysis of and development of a plan to reduce the loan suspense rate levels;

(f) establishment of a dedicated compliance resource for the mortgage banking department;

(g) requirement that the quality assurance and quality control functions are independent of the production function; and

(h) requirement of a look-back compliance review for all loans transferred to the Bank's mortgage banking portfolio in calendar years 2013 and 2014.

(2) 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. A copy of the written program shall be maintained in a readily accessible manner at the Bank for review by the OCC.

.

ARTICLE VII

INTERNAL AUDIT AND CONTROLS

(1) The Board shall take immediate and continuing action to ensure that the Bank implements and maintains adequate and effective internal controls. Within sixty (60) days, the Board shall develop, implement, and thereafter maintain a satisfactory internal control program in accordance with the guidance set forth in: (i) Section II.A of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 30, and (ii) the "Internal Control" booklet of the Comptroller's Handbook (January 2001). The Board shall ensure that the Bank addresses all corrective actions set forth in the 2014 ROE and any subsequent ROE relating to internal controls. At a minimum, the program shall include:

(a) an organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to prescribed policies;

(b) effective risk management;

(c) timely and accurate financial, operational, and regulatory reports;

(d) adequate procedures to safeguard and manage assets;

(e) compliance with applicable laws and regulations; and

(f) appropriate segregation of duties and authorization structure for the approval and payment of business expenses. .

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program that: (i) comports 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; and (ii) is consistent with

the guidance set forth in OCC Bulletin 2003-12, *Interagency Policy Statement on the Internal Audit Function and Its Outsourcing* (March 17, 2003). At a minimum, the program shall include:

(a) an audit universe that ensures that all auditable entities are identified, assessed, and audited in a timely manner;

(b) an audit plan that incorporates a current audit schedule and ensures timely audits of entities not previously subject to an audit;

(c) a risk assessment process that: (i) details inherent risks and includes any mitigating control factors, (ii) provides supporting narrative for risk scores in the inherent risk categories, and (iii) includes business-line specific narratives detailing mitigating factors and any other components used to determine level of risk for each audit entity;

(d) a process to track and validate the resolution of deficiencies;

(e) a plan to improve staffing in the internal audit department or to engage in appropriate outsourcing arrangements to ensure the maintenance of a satisfactory audit program;

(f) appropriate oversight of the audit program by the Audit Committee;

(g) revised and updated audit policies and procedures to reflect all changes made to the Bank's audit program; and

(h) contingency plans to mitigate any significant continuity issues in audit coverage.

(3) As part of this audit program, the Board 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, including 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 audit program described above shall report directly to the Board or a committee thereof, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed 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.

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

(8) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the audit program developed pursuant to this Article. A copy of the written program and all audit reports shall be maintained in a readily accessible manner at the Bank for review by the OCC.

ARTICLE VIII

CREDIT RISK IDENTIFICATION AND NON-ACCRUAL PRACTICES

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's credit risk identification process and non-accrual practices. The program shall include, but not be limited to:

(a) procedures to ensure the Bank's credit risk ratings are consistent with applicable regulatory risk ratings defined in the "Rating Credit Risk" booklet of the Comptroller's Handbook (April 2001);

(b) procedures to ensure accurate and timely risk grades, including loss recognition and identification of nonaccrual loans;

(c) procedures for establishing loan officer and credit administration accountability for failure to assign accurate and timely risk grades on loans, including recognition of non-accrual status, under their respective supervision;

(d) training for loan officers regarding the Bank's risk rating process;

(e) policies and procedures to ensure the Bank's Allowance for Loan and Lease Losses ("Allowance") methodology complies with: (i) OCC Bulletin 2006-47, *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (December 13, 2006); (ii) U.S. generally accepted accounting principles ("GAAP"); and (iii) the Instructions for Preparation of Consolidated Reports of Condition and Income ("Call Report Instructions"); and

(f) procedures to ensure compliance with the requirements contained in the Call Report Instructions governing nonaccrual loans.

(2) By November 30, 2014, the Board shall employ an independent external loan review firm to conduct a review of the Bank's loan portfolio(s) for all commercial loan relationships with committed exposure that equals or exceeds seven hundred and fifty thousand

dollars ($750,000) to ensure that current risk ratings and corresponding accrual statuses are appropriate.

(3) The engagement letter shall provide and the Board shall ensure that the findings and recommendations of the independent external loan review firm shall be set forth in a written report to the Board ("Large Commercial Loan Report"). The Board shall evaluate the Bank's independent external loan review firm to ensure objectives are met, and the scope, quality, and timelines are adequate.

(4) The Board shall evaluate the Large Commercial Loan Report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(5) 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. A copy of the written program and all Large Commercial Loan Reports shall be maintained in a readily accessible manner at the Bank for review by the OCC.

ARTICLE IX

CREDIT UNDERWRITING AND ADMINISTRATION

(1) The Board shall, within sixty (60) days, revise, implement and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management (credit underwriting and administration). The program shall include, but not be limited to:

(a) 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;

(b) procedures that require any extensions of credit are granted, by renewal or otherwise, to any borrower, 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 cash flow, debt service requirements, contingent liabilities, and global liquidity condition, and only after the credit officer prepares a documented credit analysis;

(c) procedures that require adequate collateral coverage, particularly for revolving lines-of-credit;

(d) a system to track, analyze, and report to the Board all exceptions, including but not limited to, financial exceptions, collateral exceptions, policy exceptions, and underwriting exceptions. The number of exceptions and aggregate dollar value of all exceptions shall be reported to the Board quarterly;

(e) procedures to track, test, and approve any covenant waivers in accordance with the applicable loan agreements;

(f) specialized credit underwriting and administration policies and procedures for large and/or complex credits, including commercial and industrial loans, leveraged loans, enterprise value loans, participations, and Shared National Credits. The policies and procedures should address acceptable loan types, terms, concentration limits, collateral valuation analysis and shall ensure conformance with OCC Bulletin 2013-9, *Guidance on Leveraged Lending* (March 22, 2013) and Banking Circular 181 (REV), *Purchase of Loans In-whole or In-Part Participations* (October 10, 2013);

(g) policies and procedures to address weak credit underwriting and administration practices such as liberal repayment programs (e.g. extended amortizations, multiple extensions, and capitalization of interest);

(h) specific assignment of responsibility and accountability over the credit administration process to ensure the program developed pursuant to this Article is effectively implemented. The Board must review the experience level of lending staff to ensure employees have the requisite knowledge to perform their duties, and must implement a plan to hire additional staff and/or provide training where staffing or knowledge gaps exist;

(i) implementation of a plan to complete ongoing annual reviews of commercial lending relationships to support or revise current risk ratings; and

(j) establishment of an independent loan review process reporting to the Board or a designated committee thereof.

(2) 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. A copy of the written program shall be maintained in a readily accessible manner at the Bank for review by the OCC.

ARTICLE X

PURCHASE CREDIT IMPAIRED LOAN ACCOUNTING

(1) The Board shall develop, adopt, implement, and thereafter ensure Bank adherence to a written program to improve the accounting process for the Bank's Purchase Credit Impaired (PCI) loans. The program shall include, at a minimum:

(a) procedures to ensure a consistent accounting methodology is applied to the Bank's pool of PCI loans in accordance with FASB ASC 310-30 (Accounting for Purchased Loans with Deteriorated Credit Quality);

(b) provide for an independent third party review, by November 30, 2014, of the PCI loan pools to verify the validity of the assumptions used in the model and validation of cash flow estimates;

(c) within sixty (60) days, the Bank shall correct any deficiencies regarding the accuracy and inputs into the model and the Bank shall re-run the model for March 31, 2014 and June 30, 2014 to determine the impact on the allowance, earnings and capital; and

(d) on a quarterly basis, provide for validation of cash flow estimates used in the model for a sampling of loans in the PCI loan portfolio.

(2) 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. A copy of the written program shall be maintained in a readily accessible manner at the Bank for review by the OCC.

ARTICLE XI

PROBLEM ASSET REDUCTION

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the 2014 ROE, in any subsequent ROE, by internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to reduce the level of and to eliminate the basis of criticism of assets classified or listed as special mention in the 2014 ROE, in any subsequent ROE, or by any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination as "doubtful," "substandard," or "special mention." This written program shall comport with the Federal Financial Institutions Examination Council's *Policy Statement on Prudent Commercial Real Estate Workouts* (October 30, 2009).

(3) The written program shall include the development and implementation of specific workout plans for loan relationships with total committed exposure equal to or greater than seven hundred and fifty thousand dollars ($750,000) and risk rated as "doubtful", "substandard", or "special mention". The workout plans shall include, at a minimum:

(a) 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;

(b) an assessment of collateral supporting the loan, including an evaluation of the appraised value of such collateral and the position of the Bank's lien on such collateral where applicable;

(c) an evaluation of any guarantees, including the guarantor's financial capacity and willingness to provide support for the credit;

(d) the proposed action(s) to eliminate the basis of criticism; identification of employees responsible for implementing the action(s); and

(e) the time frame for accomplishment of the proposed action(s).

(4) The Board, or a designated committee thereof, shall conduct a review of the program and workout plans on at least a quarterly basis, to determine:

(a) the status of each criticized asset or criticized portion thereof that equals or exceeds seven hundred and fifty thousand dollars ($750,000);

(b) management's adherence to the program adopted pursuant to this Article;

(c) the status and effectiveness of the written program; and

(d) the need to revise the program or take alternative action.

(5) A copy of each review (in a format similar to Appendix A, attached hereto) shall be maintained in the file of the affected borrower as well as in a consolidated binder for OCC review.

(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. Within sixty (60) days, the Board, or a designated committee thereof, shall conduct an assessment of the level and expertise of the problem asset workout staff to ensure that resources are sufficient to address the increasing volume of problem assets.

(7) The Bank may 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 the 2014 ROE, in any subsequent ROE, in any internal or external loan review, or in any list provided to management by the Comptroller’s Examiners during any examination and whose aggregate loans or other extensions exceed seven hundred and fifty thousand dollars ($750,000) only if the Board (or a designated committee thereof) approves the extension and fully documents in writing that the extension of additional credit is necessary to promote the best

interests of the Bank and will not compromise the formal workout plan to collect or strengthen the criticized asset.

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

(9) 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 XII

INSIDER/NON-INSIDER TRANSACTIONS AND CONFLICT OF INTEREST POLICY

(1) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive conflict of interest policy applicable to the Bank's and the Bank's holding company's directors, principal shareholders, executive officers, affiliates, and employees (Insiders) and related interests of such Insiders. The conflict of interest policy shall comport with: (i) 12 C.F.R. Part 215 (Regulation O); (ii) 12 U.S.C. § 1828(z) (General prohibition on the sale of assets to or the purchase of assets from an executive officer, director, or principal shareholder of the insured depository institution, or any related interest of such person); (iii) 12 C.F.R. Part 223 (Regulation W); (iv) "The Directors Book: The Role of a National Bank Director" (Oct. 2010); and (v) "Duties and Responsibilities of Directors" booklet (Section 501) of the *Comptroller's Handbook*. In addition to defining a conflict of interest, the policy shall address and include:

(a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;

(b) involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;

(c) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215;

(d) requirements for arms-length dealing in any transactions by Insiders, or their related organizations, involving the Bank's sale, purchase, or rental of property and services;

(e) disclosure of any Insider’s material interest in the business of or relationship to a borrower, an applicant, or other customer of the Bank;

(f) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank;

(g) measures to maintain the Bank’s separate corporate identity from any associated companies or third parties providing services to the Bank;

(h) development and implementation of specific policies, procedures, and controls and documentation regarding the contracts for services and payment of invoices to third-party vendors or consultants of the Bank;

(i) development and implementation of specific policies, procedures, and controls and documentation regarding extensions of credit to any persons or companies conducting business or providing services to the Bank to include: (i) disclosure in the credit approval file of the borrowers relationship with the Bank and/or the Bank’s insiders, and an analysis and documentation in the credit approval file that the transaction was at arms-length; and

(j) specific requirements for the types, amount and timing of information to be supplied to the Board of the Bank;

(2) Within sixty (60) days, the Compliance Committee shall conduct a review of the Bank's existing relationships with its and its holding company's directors, executive officers, affiliates, principal shareholders, employees and their related interests for the purpose of identifying relationships not in conformity with the policy. The Board shall ensure that:

(a) any nonconforming relationships are brought into conformity with the policy within ninety (90) days; and

(b) that within ninety (90) days the Bank is properly reimbursed for:

(i) any excess or improper payments to Insiders and their related interests, associated companies, or related organizations; and

(ii) any excess or improper payments for services provided by Insiders and their related interests.

(3) Thereafter, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and any of its or its holding company's directors, executive officers, affiliates, principal shareholders, employees and their related interests. Documentation supporting these reviews shall be in writing and preserved in the Bank.

(4) 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. A copy of the written policy shall be maintained in a readily accessible manner at the Bank for review by the OCC.

ARTICLE XIII

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the 2014 ROE and in any subsequent ROE. The monthly progress reports required by Article I, paragraph (3) of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within thirty (30) days of receipt of any subsequent ROE which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

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

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

ARTICLE XIV

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs 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) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

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

(4) If the Bank requires a waiver or suspension of any relevant provision, or an extension of any timeframe within this order, the Board shall submit a written request to the Assistant Deputy Comptroller asking for the relief. Any written requests 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 Order. The Assistant Deputy Comptroller's decision concerning a request submitted pursuant to this paragraph is final and not subject to further review.

(5) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain

effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(6) In each instance in this Order 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 Order;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;

(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 Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(8) The terms of this Order, 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) Each citation or referenced guidance included in this Order includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation or guidance.

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

David L. Payne
Assistant Deputy Comptroller
Office of the Comptroller of the Currency
Charlotte Field Office
212 South Tryon Street, Suite 700
Charlotte, NC 28281

IT IS SO ORDERED, this 6th day of November, 2014.

/S/
____
David L. Payne
Assistant Deputy Comptroller
Office of the Comptroller of the Currency

[Remainder of this page intentionally left blank]

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of:	)
CertusBank, NA	)
Greenville, South Carolina	)

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller") intends to initiate cease and desist proceedings against CertusBank NA, Greenville, South Carolina ("Bank") pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for unsafe and unsound banking practices relating to the Bank's capital, asset quality, credit risk management, management, earnings, liquidity, and violations of laws and regulations, including violations of 12 U.S.C. 371c (c) and 12 C.F.R. 223.14 (a) and (b) (Collateral for Certain Affiliate Transactions); 12 C.F.R. Part 215 (Regulation O); 12 C.F.R. 215.5(c) (Restrictions on Loans to Executive Officers); and 12 U.S.C. 1828(z) (General Prohibition of Sale of Assets).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated November 6, 2014 ("Order").

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

Article I

<u>Jurisdiction</u>

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq*.

(2) The Comptroller is "the appropriate Federal banking agency" regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1818(b)(1).

(4) This Order shall cause the Bank to be designated as in "troubled condition," as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an "eligible bank" for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

Article II

<u>Agreement</u>

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an "order issued with the consent of the depository institution" as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). 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(i), 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.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller 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.

Article III

Waivers

(1) The Bank, by signing this Stipulation and Consent, hereby waives:

(a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);

(b) any and all procedural rights available in connection with the issuance of the Order;

(c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;

(d) all rights to seek any type of administrative or judicial review of the Order; and

(e) any and all rights to challenge or contest the validity of the Order.

Article IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting

the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

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

/S/	11/06/2014
David L. Payne Assistant Deputy Comptroller Office of the Comptroller of the Currency	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/	11/3/2014
J. Veronica Biggins	Date
/S/	11/4/2014
Douglas W. Johnson	Date
/S/	11/4/2014
John S. Poelker	Date
/S/	11/3/2014
Hildy Teegen	Date
/S/	11/3/2014
Robert L. Wright	Date