

**#2016-023**

AGREEMENT BY AND BETWEEN  
Gibraltar Bank  
Oak Ridge, New Jersey  
and  
The Comptroller of the Currency

Gibraltar Bank, Oak Ridge, New Jersey (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, members, and other customers 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 results of operation, balance sheet management and strategy at the Bank.

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

ARTICLE I

JURISDICTION

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

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

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(7)(ii). See 12 U.S.C. § 1831i.

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

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) Within sixty (60) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee 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 monthly.

(3) Within sixty (60) days of the date of this Agreement and quarterly 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 Agreement;
- (b) actions taken to comply with each Article of this Agreement;
- (c) the results and status of those actions; and

- (d) a description of the process by which the information required by subparagraphs (3)(a) through (c) of this Article was independently verified.

(4) The Board shall 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

#### BOARD SUPERVISION

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall strengthen its supervision presently being provided to the Bank by, at a minimum:

- (a) assessing the strengths and weaknesses of each member of the Board and the Board as a whole;
- (b) making additions to or deletions from the membership of the Board if any weaknesses identified in subparagraph (1)(a) of this Article cannot be timely and effectively addressed through the education program described in paragraph (3) of this Article; and
- (c) correcting or eliminating any other deficiencies in the supervision or organizational structure of the Bank.

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

(2) Within thirty (30) days of the date of this Agreement, and on an ongoing basis thereafter, the Board shall ensure that management keeps the Board appropriately, adequately,

and timely informed on the Bank's operations to enable the Board members to fulfill their fiduciary responsibilities, their responsibilities under this Agreement, and other responsibilities under law.

(3) Within one hundred twenty (120) days of the date of this Agreement, the Board shall develop, adopt, implement, and thereafter adhere to, a written education program designed to strengthen weaknesses identified in the assessment required by subparagraph (1)(a) of this Article and to ensure the Board members have the knowledge and skills to fulfill their fiduciary responsibilities, their responsibilities under this Agreement, and other responsibilities under law.

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

#### ARTICLE IV

##### BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within one hundred twenty (120) days of the date of this Agreement, and on an ongoing basis thereafter, the Board shall ensure that the Bank has competent management in place on a permanent and full-time basis in all senior executive officer positions, each of whom shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position, carry out the Board's policies, ensure compliance with this Agreement, applicable laws, sound corporate governance practices, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner within the scope of that position's responsibilities.

(2) Within one hundred twenty (120) days of the date of this Agreement, and

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

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

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

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

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

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

(5) If any senior executive officer (as defined in 12 C.F.R. § 5.51(c)(4)) position is vacant now or in the future, including if the Board realigns an existing senior executive officer's responsibilities and a senior executive officer position becomes vacant, the Board shall within ten (10) days of the vacancy notify the Assistant Deputy Comptroller and the Board shall within sixty (60) days of the date of this Agreement or the future vacancy, respectively, identify and provide notice to the Assistant Deputy Comptroller, of a competent, permanent, and full-time candidate for the position. The Board shall comply with the prior notice requirements of 12 U.S.C. § 1831i and 12 C.F.R. § 5.51 when selecting an individual to serve in any senior executive officer position. Pursuant to 12 U.S.C. § 1831i, 12 C.F.R. § 5.51, the Bank must receive a written notice of intent not to disapprove from the Assistant Deputy Comptroller before appointing an individual to a senior executive officer position.

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

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

## ARTICLE V

### STRATEGIC PLAN

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall revise and forward to the Assistant Deputy Comptroller for review, pursuant to paragraph (3) of this Article, the Bank's written Strategic Plan. The Strategic Plan shall cover at least a three-year period and shall include reasonable projections of major balance sheet and income statement components. The Strategic Plan shall establish objectives for the Bank's overall risk profile, Board and management competencies, sound corporate governance practices, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, maintenance of sound credit quality, and risk management, together with strategies to achieve those objectives and, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) the development and maintenance of action plans to achieve the strategic goals and objectives developed under subparagraph (1) (c) of this Article;

- (e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, and policies and procedures for their adequacy and contribution to the accomplishment of the strategic goals and objectives developed under subparagraph (1)(c) of this Article;
- (f) an identification and assessment of the Bank's present and planned product lines (assets and liabilities) and services and identification of appropriate risk management systems to identify, measure, monitor, and control risks within the product lines and services;
- (g) a management employment and succession program to promote the retention and continuity of capable management;
- (h) a realistic and comprehensive budget that corresponds to the Strategic Plan's goals and objectives;
- (i) an action plan to improve and sustain bank earnings to a profitable level and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (j) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (k) a detailed description and assessment of major capital expenditures required to achieve the objectives of the Strategic Plan;
- (l) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (m) a sound risk management program;

- (n) a sound interest rate risk management program;
- (o) a sound liquidity management program and contingency funding plan;
- (p) assigned responsibilities and accountability for the strategic planning process, including development, implementation, and adherence within the timeframes consistent with the requirements of this Article; and
- (q) a description of the systems and metrics to monitor the Bank's progress in meeting and thereafter adhering to the Strategic Plan's goals and objectives.

(2) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Upon completion of its written evaluation, the Board shall submit a copy to the Assistant Deputy Comptroller.

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

monitoring) shall implement and thereafter ensure adherence to the Strategic Plan and any amendments, revisions thereto or to the significant deviations from the Strategic Plan.

(4) Until the Strategic Plan required under this Article has been submitted by the Bank for review by the Assistant Deputy Comptroller, has received a written determination of no supervisory objection from the Assistant Deputy Comptroller, and has been adopted by and is being implemented by the Board, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Agreement without first obtaining the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such significant deviation. Any request to the Assistant Deputy Comptroller for prior written determination of no supervisory objections to a significant deviation must be submitted in writing to the Assistant Deputy Comptroller thirty (30) days in advance of the significant deviation and shall include:

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

## ARTICLE VI

### ASSET/LIABILITY MANAGEMENT POLICY

(1) Within one hundred twenty (120) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written liquidity, asset and liability management policy. In formulating this policy, the Board shall refer to the “Liquidity” booklet, L-L, of the Comptroller’s Handbook. The policy shall provide for a coordinated asset/liability management strategy, be consistent with OCC Bulletins 2010-1 (Interagency Advisory on Interest Rate Risk Management) 2011-12 (Supervisory Guidance on Model Risk Management) and 2010-13 (Final Policy Statement: Interagency Policy Statement on Funding and Liquidity Risk Management), and, at a minimum, address:

- (a) adequate management reports that enable the Board and management to monitor the Bank's liquidity position and maintain liquidity at an adequate level;
- (b) the liquidity, maturity and pledging requirements of the investment portfolio;
- (c) development of a liquidity contingency plan;
- (d) guidelines concerning the nature, extent, and purpose of the Bank's use of brokered deposits consistent with the Bank's overall funds management strategies;
- (e) the nature, extent and purpose of Bank borrowings;
- (f) limits on concentrations of funding sources;
- (g) a plan to reduce interest rate risk exposure;
- (h) the independent review of assumptions used in modeling; and

- (i) periodic review of the Bank's adherence to the policy.
- (2) Upon adoption, a copy of the written policy shall be forwarded to the Assistant Deputy Comptroller for review.

## ARTICLE VII

### OTHER PROVISIONS

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

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

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

- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

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

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

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

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

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

(8) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the

Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

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

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

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

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

/S/

2/3/2016

\_\_\_\_\_  
Tara L. French  
Assistant Deputy Comptroller for Bank Supervision  
New York 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/

2/3/2016

\_\_\_\_\_  
Charles Badenhausen

\_\_\_\_\_  
Date

/S/

2/3/2016

\_\_\_\_\_  
Patrick Cooke

\_\_\_\_\_  
Date

/S/

2/3/2016

\_\_\_\_\_  
Paul Gregory

\_\_\_\_\_  
Date

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2/3/2016

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Nancy Kridel

\_\_\_\_\_  
Date

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2/3/2016

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Walter Provost

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Date

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2/3/2016

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Jack Reiner

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Date

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2/3/2016

\_\_\_\_\_  
Frederick Schlesinger

\_\_\_\_\_  
Date

/S/  
Robert Walsh

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2/3/2016  
Date

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