#2018-093

AGREEMENT BY AND BETWEEN
Quontic Bank
Astoria, New York
and
The Comptroller of the Currency

Quontic Bank, Astoria, New York ("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 determined that the Bank has engaged in unsafe or unsound banking practices relating to its Board and management oversight and funds management practices.

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 representation, that the Bank shall operate at all times in compliance with the Articles of this Formal Agreement ("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 USC 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 USC 1818(e)(1) and 12 USC 1818(i)(2).

(3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 CFR 5.51(c)(7)(ii). See 12 USC 1831i.

(4) This Agreement shall be construed to be a "written agreement" within the meaning of 12 USC 1818(u)(1)(A).

(5) This Agreement shall not be construed to require the Bank "to meet and maintain a specific capital level" within the meaning of 12 CFR 6.4.

Article II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least four (4) directors, of which no more than two (2) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 USC 371c(b)(1)), or a family member of any such person. The Board shall remain responsible for the Bank's adherence to the provisions of this Agreement, and the appointment of the Compliance Committee shall not relieve the Board of its compliance responsibilities. 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.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of the Agreement and shall meet at least monthly.

(3) Within ninety (90) days of the date of this Agreement and every calendar quarter 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; and,

(c) the results and status of those actions.

(4) The Board shall provide a summary report of the progress reached in attaining compliance with each Article of the Agreement to the Assistant Deputy Comptroller within thirty (30) days of the end of each calendar quarter.

(5) 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 the:

Assistant Deputy Comptroller
Comptroller of the Currency – New York Field Office
340 Madison Avenue, 4th Floor
New York, NY 10173

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

Article III

STRATEGIC PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop an updated and revised Strategic Plan (hereinafter the "Strategic Plan"). The Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, together with strategies to achieve those objectives, and shall include, at a minimum:

(a) a funding strategy to improve the Bank's core deposit base and reduce liquidity and interest rate risk on the balance sheet;

(b) a management information system to measure, monitor, and report core deposit sources, volume, and trends to the Board;

(c) reasonable mortgage banking projections based on historical performance and an analysis of relevant market and economic conditions;

(d) a formal process for opening and closing loan production offices; and,

(e) a formal process for measuring on an ongoing basis key performance indicators to determine the success of each loan production office - which shall include, but is not limited to: sales volumes, overhead expenses, cost and benefit analysis, and conditions of the regulatory environment.

(2) Prior to the adoption by the Board, a copy of the Bank's updated Strategic Plan shall be submitted to the Assistant Deputy Comptroller for 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 the Strategic Plan. The Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the Strategic Plan and any amendments or revisions thereto.

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

(4) The Board shall review and update the Bank's Strategic Plan at least annually or more frequently, if necessary, or if requested by the Assistant Deputy Comptroller in writing. Annual updates shall be forwarded to the Assistant Deputy Comptroller for review and a written determination of no supervisory objection.

(5) The Bank may not initiate any action that deviates significantly from the Strategic Plan (that has received no supervisory objection from the Assistant Deputy Comptroller and that has been adopted by the Board) without a written determination of no supervisory objection from the Assistant Deputy Comptroller. The Board must give the Assistant Deputy Comptroller at least thirty (30) days advance written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls, and written policies and procedures to identify, measure, modify, and control the risks associated with the change in the Strategic Plan. For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, (A) a change in the Bank's asset composition or size, products and services, marketing strategies, marketing partners, underwriting practices and standards, credit administration, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategies, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial

performance; (B) changes to dealers or strategic partners that may have a material impact on the Bank's operations or financial performance; or (C) any other changes in personnel or operations that may have a material impact on the Bank's operations or financial performance.

(6) Until the Strategic Plan required under this Article has received a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall not significantly deviate from the products, services, asset composition and/or size, structure, operations, policies, procedures, and/or market(s) 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 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 change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change.

Article IV

CAPITAL PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop a revised and updated internal Capital Plan that assesses the Bank's capital adequacy in relation to its overall size and risk profile. The capital planning process shall ensure the integrity, objectivity, and consistency of the process through adequate

governance and be well-supported by quantitative and qualitative risk analysis. Refer to OCC Bulletin 2012-16, "Capital Planning: Guidance for Evaluating Capital Planning and Adequacy," dated June 7, 2012 for guidance. The Capital Plan shall at a minimum include:

(a) stress testing to reasonably assess the impact to earnings and capital - including a stress scenario on a static balance sheet; and,

(b) an analysis of each potential source of capital including an assessment of the cost(s) and benefit(s) of each potential source of capital and the amount of time it will take to obtain capital from each source.

(2) Upon completion, the Bank's Capital Plan shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the Capital Plan. The Board shall review and update the Bank's Capital Plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates 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 Capital Plan developed pursuant to this Article.

Article V

INTEREST RATE RISK MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop and adopt a revised and updated written interest rate risk program ("program"). In formulating this program, the Board shall refer to the "Interest Rate Risk" booklet of the Comptroller's Handbook, OCC Bulletin 2010-1, "Interagency Advisory on Interest Rate Risk Management," and OCC Bulletin 2012-5, "Interest Rate Risk Management: FAQs on 2010 Interagency Advisory on Interest Rate Risk Management." The program shall provide for a coordinated interest rate risk strategy and, at a minimum, address:

(a) establishment of, and guidance for, the Bank's strategic decision and tolerance for interest rate risk;

(b) implementation of effective tools to measure and monitor the Bank's performance and overall interest rate risk profile;

(c) prudent limits on the nature and amount of interest rate risk that can be taken;

(d) the net interest income risk limits;

(e) improving the simulation models such that the models:

(i) measure the impact of rate movements on net interest income;

(ii) capture the impact to non-interest income over various adverse rate scenarios;

(iii) capture the resulting net income over various adverse rate scenarios; and,

(iv) measure the impact to capital and the tier 1 leverage ratio in each of the adverse rate scenarios.

(f) periodic review of the Bank's adherence to the liquidity risk management policy.

(2) Upon adoption, a copy of the written program shall be forwarded to the Assistant Deputy Comptroller for review.

(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.

Article VI

LIQUIDITY RISK MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, the Board shall revise, implement and thereafter ensure Bank adherence to a comprehensive formal liquidity risk management policy. Refer to OCC Bulletin 2010-13, "Interagency Policy Statement on Funding and Liquidity Risk Management." The Bank's liquidity risk management policy shall be written and shall address, at a minimum, the following requirements:

(a) a statement of the Board's overall funds management strategy;

(b) guidelines concerning the nature, extent and purpose of Bank borrowings, including guidelines concerning the Bank's use of brokered deposits and listing service deposits that are consistent with the Bank's overall funds management strategies;

(c) limits on concentrations of funding sources;

(d) procedures for Board approval of funding concentrations above the Board-established limits; and

(e) procedures for documenting support for high limits.

(2) Within sixty (60) days of the date of this Agreement, the Board and management shall revise early warning indicators. At a minimum these indicators shall reflect the Bank's existing liquidity risk profile.

(3) All limits and early warning indicators must be reviewed and revised on a regular basis by the Board and management. The review should include, but is not limited to, the three basic surplus risk levels.

(4) The Board and management must review all stress scenarios including, but not limited to, the scenario in which the Bank is not well-capitalized. The Board and management must include the following in its assessment of the stress tests:

(a) an identification of which depositors are priced above the FDIC rate cap;

(b) a distinction between small dollar core deposits and large dollar core deposits; and

(c) a model of expected behavior of larger deposits in the event that the Bank becomes less than well-capitalized.

(5) The Board and management must identify contingent funding sources for stress scenarios in which the Bank becomes less than well-capitalized. The Board and management shall review the results and develop a plan to lower risk and activate the contingent funding plan.

Article VII

CLOSING

(1) 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.

(2) 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) ensure that the Bank has sufficient processes, management, personnel, and control systems to ensure implementation of and adherence to the policies, plans and 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 collective action be taken in a timely manner of any non-compliance with such actions.

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

(4) Any time requirements specified in 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) 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.

The provisions of this Agreement shall be effective upon execution by the parties hereto, and its provisions shall continue in full force and effect until such time as they shall be amended by written mutual consent of the parties to this Agreement of excepted, waived, or terminated in writing by the Comptroller.This Agreement expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. 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 OCC 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. IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/	10/29/18
Matthew T. Johnson Assistant Deputy Comptroller 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/	10/29/18
Donald Frain	Date
/s/	10/29/18
George Lazaridis	Date
/s/	10/29/18
Evan Metalios	Date
/s/	10/29/18
Michael Piracci	Date
/s/	10/29/18
Daniel Rowe	Date
/s/	10/29/18
Steven Schnall	Date
/s/	10/29/18
Michael Wirth	Date