PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, the Office of the Comptroller of the Currency ("OCC") has supervisory authority over City National Bank of New Jersey, Newark, New Jersey ("Bank");

WHEREAS, the Bank is undercapitalized pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6;

WHEREAS, on November 1, 2018, the OCC notified the Bank that its Capital Restoration Plan had been disapproved and not accepted, and the Bank has not subsequently submitted an acceptable Capital Restoration Plan;

WHEREAS, the Bank is therefore subject to all provisions of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 applicable to significantly undercapitalized banks;

WHEREAS, the OCC is authorized, pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6, to take certain supervisory actions against undercapitalized and significantly undercapitalized institutions;

WHEREAS, on June 14, 2019, the OCC issued a Notice of Intent to Issue a Prompt Corrective Action Directive ("Notice") to the Bank pursuant to 12 C.F.R. § 6.21;

WHEREAS, on June 21, 2019, the Bank submitted a written response to the Notice pursuant to 12 C.F.R. § 6.22;

WHEREAS, the OCC has considered the Bank’s response to the Notice;
WHEREAS, the OCC finds it necessary in order to carry out the purpose of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 to issue this Prompt Corrective Action Directive (“Directive”), requiring the Bank to immediately follow proscriptions and take actions; and

NOW THEREFORE, pursuant to the authority vested in the OCC by 12 U.S.C. § 1831o and 12 C.F.R. Part 6, the OCC, through the duly authorized representative of the Comptroller of the Currency (“Comptroller”), hereby issues this Directive.

ARTICLE I

JURISDICTION

(1) The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2) and within the meaning of 12 U.S.C. § 1831o.

(2) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. See 12 U.S.C. § 1 et seq.

(3) The OCC is “the appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q) and is therefore authorized to initiate and maintain this action against the Bank pursuant to 12 U.S.C. § 1831o.

ARTICLE II

COMPLIANCE COMMITTEE

(1) Effective immediately upon the issuance of this Directive, the Bank’s Compliance Committee appointed and maintained pursuant to Article I of the Consent Order issued by the OCC on February 12, 2018 (“2018 Order”), shall be responsible for monitoring and overseeing the Bank’s compliance with the provisions of this Directive. The Compliance Committee shall meet at least monthly and maintain minutes of its meetings.
Within ten (10) days of the issuance of this Directive and thereafter along with any written progress report submitted to the Bank’s Board of Directors (“Board”) pursuant to Article I, Paragraph (3) of the 2018 Order, or within such other period as the Director for Special Supervision (“Director”) requires in writing, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the actions to be taken to comply with each Article of this Directive;

(b) Bank personnel responsible for implementing the corrective actions and the time frames for completion;

(c) the actions taken to comply with each Article of this Directive; and

(d) the results and status of those actions.

The Board shall forward a copy of the reports required by Paragraph (2) of this Article, with any additional comments by the Board, to the Director within ten (10) days of receiving such reports.

ARTICLE III

CAPITAL RESTORATION PLAN

(1) Effective immediately upon the issuance of this Directive, the Bank is obligated to submit an acceptable Capital Restoration Plan pursuant to and that complies with all the requirements of 12 U.S.C. § 1831o(e)(2) and 12 C.F.R. § 6.5 to the Director for approval.

(2) Within seven (7) days of receipt of the Director’s approval, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the Capital Restoration Plan and any amendments or revisions thereto.
(3) The Board shall review and update the Capital Restoration Plan at least annually
and more frequently if necessary or if required by the Director in writing.

ARTICLE IV

ACQUISITION OR COMBINATION PLAN

(1) Within thirty (30) days of the issuance of this Directive, the Board shall submit an
acceptable acquisition or combination plan to the Director for prior written determination of no
supervisory objection. The acquisition or combination plan must detail, with specific time
frames, how the Board and Bank management, subject to Board review and ongoing monitoring,
shall ensure that appropriate actions are taken to have the Bank be acquired by a depository
institution holding company or combine with another insured depository institution.

(2) Within seven (7) days of receipt of the Director’s written determination of no
supervisory objection, the Board shall adopt and Bank management, subject to Board review and
ongoing monitoring, shall immediately implement and ensure adherence to the acquisition or
combination plan and any amendments or revisions thereto.

(3) The Bank may not initiate any action that significantly deviates from an
acquisition or combination plan (that has received written determination of no supervisory
objection from the Director and has been adopted by the Board) without a prior written
determination of no supervisory objection from the Director.

(4) The Board shall review and update the acquisition or combination plan at least
every thirty (30) days and more frequently if necessary or if required by the Director in writing.
ARTICLE V

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Effective immediately upon the issuance of this Directive, the Board shall ensure that the Bank has competent management in place on a full-time basis to:

   (a) manage the day-to-day operations of the Bank in a safe and sound manner;

   (b) carry out the Bank’s policies;

   (c) ensure compliance with this Directive and the 2018 Order; and

   (d) ensure compliance with all applicable laws, rules, and regulations.

(2) Effective immediately upon the issuance of this Directive, the Board shall ensure that all its actions taken pursuant to Article IV of the 2018 Order also incorporate consideration of senior executive officers’ responsibilities and efforts to ensure compliance with this Directive.

(3) Within fifteen (15) days of the issuance of this Directive, the Board (with the exception of any directors who are also Bank officers) shall submit an acceptable plan to the Director for prior written determination of no supervisory objection with specific time frames detailing how the Board shall ensure the Bank has competent management in place on a full-time basis subject to the requirements of Paragraph (1) of this Article. The plan must take into account the findings from the OCC’s most recent full scope and interim examinations of the Bank with particular emphasis on management’s responsibilities to ensure compliance with this Directive and the 2018 Order and correct the concerns identified in the OCC’s most recent examinations of the Bank.

(4) Within seven (7) days of receipt of the Director’s written determination of no supervisory objection to a plan submitted in accordance with Paragraph (3) of this Article, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall
immediately implement and ensure adherence to the plan and any amendments or revisions thereto.

(5) The Bank may not initiate any action that significantly deviates from a plan submitted in accordance with Paragraph (3) of this Article (that has received written determination of no supervisory objection from the Director and has been adopted by the Board) without a prior written determination of no supervisory objection from the Director.

ARTICLE VI

ACCURATE MAINTENANCE AND PRESERVATION OF BOOKS AND RECORDS

(1) Effective immediately upon the issuance of this Directive, the Board and Bank management, subject to Board review and ongoing monitoring, shall ensure that all of the Bank’s documents, books, and records are accurately maintained and preserved on the premises of the Bank and shall ensure that no Bank documents, books, or records are destroyed, altered, or removed from the Bank’s premises until further written notice from the Director. However, such documents, books, and records may be altered and amended in the course of ordinary Bank business to accurately and timely record routine banking transactions.

(2) For purposes of this Article, “documents, books, and records” shall have the broadest possible meaning reasonably imaginable and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, electronic mail, voice mail, financial instruments, and tapes.

(3) The Bank shall provide OCC personnel with prompt and unrestricted access to the documents, books, records, directors, officers, and staff of the Bank. The Board and Bank management, subject to Board review and ongoing monitoring, shall ensure all agents and
representatives of the Bank provide OCC personnel with prompt and complete access to the documents, books, and records of the Bank.

(4) The Bank shall provide full and complete details, including but not limited to any relevant documentation, of the structure and purpose of any transaction by and between the Bank and any of its customers, transaction by and between the Bank and any of its actual or potential investors or acquirers, and transaction by and between the Bank and any of its directors, officers, and staff to OCC personnel upon inquiry. For all such transactions, the Bank shall also disclose any current or former affiliations as well as any potential or actual conflicts of interest between the Bank’s directors, officers, and staff and the entity or person with which the Bank engaged in the transaction.

(5) Effective immediately upon the issuance of this Directive, the Bank, subject to Board oversight, shall take the necessary steps to ensure that the Bank timely files complete and accurate Consolidated Reports of Condition and Income (“Call Reports”) in accordance with the Federal Financial Institutions Examination Council’s “Instructions for Preparation of Consolidated Reports of Condition and Income.” These steps shall include:

(a) the designation of an officer with the knowledge, skills, and abilities necessary to ensure the Bank timely and accurately files its Call Reports;

(b) training of appropriate Bank personnel in Call Report preparation;

(c) procedures to ensure the Bank retains documentation providing an appropriate audit trail for all Call Report schedules; and

(d) the performance of an independent review and verification of the accuracy of all Call Report schedules in advance of each Call Report filing.
(6) Effective immediately upon the issuance of this Directive, the Bank shall submit a copy of all adjustments to Call Reports to the Director upon filing or re-filing the Call Report.

ARTICLE VII

COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(1) Effective immediately upon the issuance of this Directive, Bank management, subject to Board review and ongoing monitoring, shall ensure the Bank’s books and records are maintained in compliance with Generally Accepted Accounting Principles (“GAAP”) and are consistent with safe and sound banking practices, including but not limited to ensuring all assets and liabilities are accounted for in accordance with GAAP.

(2) Effective immediately upon the issuance of this Directive, the Bank shall not make any change in accounting methods, policies, or procedures without the Board’s prior written approval and the Director’s prior written determination of no supervisory objection. Any new accounting method, policy, or procedure or any change or other revision to an existing method, policy, or procedure shall be submitted to the Director for a prior written determination of no supervisory objection at least thirty (30) days prior to the effective date of such new, changed, or revised method, policy, or procedure.

(3) Notwithstanding Paragraph (2) above, upon written direction by the Director, the Bank shall make appropriate modifications to its accounting methods, policies, and procedures to address any Matters Requiring Attention or citations of violation of law or regulation concerning accounting matters that the OCC may issue to the Bank.

(4) The Bank shall not undertake any action that could result in a material change to the Bank’s financial condition without the Director’s prior written determination of no supervisory objection.
ARTICLE VIII

RISK MANAGEMENT

(1) Effective immediately upon the issuance of this Directive, the Board must ensure there is appropriate risk management and oversight at the Bank, including but not limited to the Bank’s adoption, implementation, and adherence to an adequate Bank Secrecy Act program that fully complies with 12 C.F.R. § 21.21, on an ongoing basis for all customer relationships and lines of business at the Bank.

(2) Within seven (7) days of the issuance of this Directive, the Board must determine if it will be able to comply with the requirements of Paragraph (1) of this Article. If the Board determines it is unable to ensure, or is or has been notified in writing by the OCC that the Bank does not possess, appropriate risk management and oversight for a customer relationship or line of business, the Board shall, within thirty (30) days of the determination or notification, submit an acceptable plan to the Director for prior written determination of no supervisory objection with specific time frames detailing how the Bank will exit the customer relationship or line of business.

(3) Within seven (7) days of receipt of the Director’s written determination of no supervisory objection to a plan submitted in accordance with Paragraph (2) of this Article, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the plan and any amendments or revisions thereto.

(4) The Bank may not initiate any action that significantly deviates from a plan submitted in accordance with Paragraph (2) of this Article (that has received written
determination of no supervisory objection from the Director and has been adopted by the Board) without a prior written determination of no supervisory objection from the Director.

ARTICLE IX

LIQUIDITY MANAGEMENT

(1) Effective immediately upon the issuance of this Directive, the Board shall submit an acceptable liquidity plan (“Liquidity Plan”) to the Director for prior written determination of no supervisory objection. The Liquidity Plan shall include, at a minimum, the following items with specific time frames:

(a) the Bank’s current and projected funding needs and how the Bank will ensure that sufficient funds or access to funds exist to meet those needs;
(b) policies and procedures for identifying, measuring, and controlling liquidity risk exposures;
(c) how the Bank will reduce its liquidity risk to an acceptable level;
(d) the designation of Bank personnel to manage liquidity;
(e) how the Bank shall comply with the brokered deposit and interest rate restrictions set forth in 12 U.S.C. § 1831f and 12 C.F.R. § 337.6; and
(f) a Contingency Funding Plan that includes, at a minimum:
   (i) 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;
   (ii) a definition of a liquidity crisis for the Bank;
   (iii) a designated crisis-management team and administrative structure that will operate during a liquidity event;
(iv) the identification of early warning indicators and liquidity event triggers;

(v) a methodology and framework for evaluating and revising stress scenarios and contingency funding availability to reflect current market conditions and Bank-specific circumstances; and

(vi) detailed action plans to identify how the Bank will obtain sufficient liquidity to meet projected shortfalls during stress events.

(2) Within seven (7) days of receipt of the Director’s written determination of no supervisory objection to the Liquidity Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the Liquidity Plan and any amendments or revisions thereto.

(3) The Bank may not initiate any action that significantly deviates from the Liquidity Plan (that has received written determination of no supervisory objection from the Director and has been adopted by the Board) without a prior written determination of no supervisory objection from the Director.

(4) The Board shall review and update the Liquidity Plan at least every three (3) months and more frequently if necessary or if required by the Director in writing.

ARTICLE X

COMPENSATION, SEVERANCE PAYMENTS, AND INDEMNIFICATION PAYMENTS

(1) Effective immediately upon the issuance of this Directive, the Bank shall cease paying excessive compensation or bonuses to, or on behalf of, any director, officer, or employee.

(2) Effective immediately upon the issuance of this Directive, the Bank may not:

(a) pay any bonus to any senior executive officer; or
(b) provide compensation to any senior executive officer exceeding that officer’s average rate of compensation (excluding bonuses, stock options, and profit sharing) during the 12 calendar months preceding the calendar month in which the Bank’s Prompt Corrective Action capital category became undercapitalized.

(3) The Bank may not make any payment described in Paragraphs (1) or (2) without prior written Board approval and the Director’s prior written determination of no supervisory objection.

(4) Effective immediately upon the issuance of this Directive, and except as permitted in writing by the Director, the Board and Bank management, subject to Board review and ongoing monitoring, shall ensure the Bank reduces its total compensation for any director, officer, or employee in accordance with any written direction from the OCC.

(5) Effective immediately upon the issuance of this Directive, the Bank shall not make or agree to make any indemnification payment without the prior written approval of the Board and the Director’s prior written determination of no supervisory objection. Any request for the Director’s written determination of no supervisory objection shall set forth the basis under which such indemnification payment fully complies with the requirements of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359.

(6) Effective immediately upon the issuance of this Directive, the Bank shall not make or agree to make any severance payment without the prior written approval of the Board and the Director’s prior written determination of no supervisory objection. Any request for the Director’s written determination of no supervisory objection shall set forth the basis under which
such severance payment fully complies with the requirements of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359.

ARTICLE XI

EXPENSE REDUCTION PLAN

(1) Within fifteen (15) days of the issuance of this Directive, the Board shall submit an acceptable expense reduction plan (“Expense Reduction Plan”) to the Director for written determination of no supervisory objection. The Expense Reduction Plan must detail, with specific time frames, how the Bank will eliminate all non-essential expenses and address Bank staffing levels and the Bank’s compensation of directors, officers, and employees.

(2) Within seven (7) days of receipt of the Director’s written determination of no supervisory objection to the Expense Reduction Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the Expense Reduction Plan and any amendments or revisions thereto.

(3) The Board shall review and update the Expense Reduction Plan at least every thirty (30) days and more frequently if necessary or if required by the Director in writing.

(4) Nothing in this Article shall be interpreted as requiring the Board or Bank management to seek a written determination of no supervisory objection from the Director prior to reducing the Bank’s non-essential expenses.

ARTICLE XII

THIRD-PARTY CONTRACTS

(1) Effective immediately upon the issuance of this Directive, the Bank shall not enter into any new contracts with or engage any vendor, contractor, or other third party (collectively, “third party”) for any services prior to receipt of the Director’s written
determination of no supervisory objection. This includes, but is not limited to, any contract with a third party to assist in the sale, merger, or recapitalization of the Bank.

(2) Any request for the Director’s written determination of no supervisory objection shall be in writing and shall include:

(a) a description of the services to be performed by the third party, including a copy of the proposed contract or engagement;

(b) a description of the Bank’s due diligence; and

(c) a determination by the Board that:

   (i) the activities to be performed by the third party are fair and reasonable to the Bank;

   (ii) the parties are able to perform under the contract or commitment;

   (iii) the fees the Bank is required to pay to the third party are reasonable for the services provided; and

   (iv) the contract is in the best interests of the Bank and consistent with sound governance and risk management principles. Refer to OCC Bulletin 2013-29, “Third-Party Relationships” for guidance.

(3) Following receipt of the Director’s written determination of no supervisory objection, Bank management, subject to Board review and ongoing monitoring, shall regularly monitor the third party’s performance to ensure that the third party is complying with the written contract or engagement. The Board shall immediately take appropriate action if the third party is not complying with the written contract or engagement and shall maintain documentation of any actions.
ARTICLE XIII

OTHER ACTIONS REQUIRED

(1) Effective immediately upon the issuance of this Directive, the Bank shall not take any of the following actions without the prior written approval of the Board and the Director’s prior written determination of no supervisory objection:

(a) enter into any new product or service, or undertake a significant expansion of any existing product or service;

(b) enter into any material transaction, including but not limited to any investment, expansion, acquisition, or other similar action;

(c) engage in the sale or transfer of any Bank asset or pool of assets exceeding a fair market value of twenty-five thousand dollars ($25,000). Any asset sale or transfer less than $25,000 must be reported to the Director immediately after the sale;

(d) amend the Bank’s charter or bylaws, except to the extent necessary to carry out any other requirement of any law, regulation, or order, and so long as any required notice or application is appropriately provided;

(e) transfer any asset to a current or former “institution-affiliated party” of the Bank (collectively, “IAP”), as that term is defined in 12 U.S.C. § 1813(u), an IAP’s “related interest”, as that term is defined in 12 U.S.C. § 371c(b)(1) and 12 C.F.R. § 223.2(a), or any other affiliated party or person;
engage in any transaction for the transfer of funds, the extension of credit, the acceptance or transference of risk, and/or the conferring of another type of benefit, directly or indirectly, involving any Bank “affiliate”, as that term is defined in 12 U.S.C. § 371c(b)(1) and 12 C.F.R. § 223.2(a), or any other affiliated party or person;

engage in any “covered transaction”, as that term is defined in 12 U.S.C. § 371c(b)(7);

extend credit for any highly leveraged transaction;

pay interest on new or renewed liabilities at a rate that would increase the Bank’s weighted average cost of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the Bank’s normal market areas;

pay interest rates on deposits made, renewed, or renegotiated after the date of this Directive that exceed prevailing rates of interest on deposits of comparable amounts and maturities in the region where the Bank is located.

The Bank shall cooperate fully with the efforts of the Federal Deposit Insurance Corporation (“FDIC”) to avoid a loss or otherwise minimize exposure to the Deposit Insurance Fund. Such cooperation includes, but is not limited to, timely responding to requests for information, providing full access to personnel, agents, and third parties, accommodating on-site visits, and permitting the FDIC to provide otherwise confidential information to third parties to facilitate the liquidation or other resolution of the Bank in anticipation of the possible appointment of the FDIC as conservator or receiver.
ARTICLE XIV

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Directive, and shall verify that the Bank adheres to the corrective actions and they are effective in addressing the Bank’s deficiencies that resulted in this Directive.

(2) In each instance in which this Directive imposes responsibilities upon the Board, including but not limited to oversight, it is intended to mean that the Board shall:

(a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Directive;

(b) ensure the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Directive;

(c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Directive;

(d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Directive;

(e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under the terms of this Directive; and
(f) address any noncompliance with corrective actions in a timely and appropriate manner.

ARTICLE XV

CLOSING

(1) This Directive is:

(a) issued pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6; and

(b) enforceable under 12 U.S.C. § 1818(i) and 12 C.F.R. § 6.25.

(2) The provisions of this Directive supplement, and do not replace or supersede, the requirements of the 2018 Order. Notwithstanding this Directive, the Bank remains under a continuing obligation to comply with the 2018 Order, comply with applicable laws and regulations, including but not limited to the requirement that the Bank submit an acceptable Capital Restoration Plan, and operate safely and soundly.

(3) It is expressly and clearly understood that if, at any time, the OCC deems it appropriate to undertake any action affecting the Bank or any IAP, nothing in this Directive shall in any way inhibit, estop, bar, or otherwise prevent the OCC from so doing.

(4) Nothing in this Directive is a release, discharge, compromise, settlement, dismissal, or resolution of any actions, or in any way affects any actions that may be or have been brought by any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice.

(5) This Directive is effective upon its issuance by the OCC, through the Comptroller’s duly authorized representative. Except as otherwise expressly provided herein, all references to “days” in this Directive shall mean calendar days and the computation of any period of time imposed by this Directive shall not include the date of the act or event that
commences the period of time. The Bank may, upon a change in circumstances, submit a request
for modification or rescission of this Directive, including a request for an extension, amendment,
suspension, waiver, or termination of any provision of this Directive or within any plan or
program submitted pursuant to this Directive, to the OCC pursuant to 12 C.F.R. § 6.24. Any such
request shall be submitted in writing to the Director, shall include a statement setting forth in
detail the change in circumstances, and shall be accompanied by relevant supporting
documentation. The OCC’s decision concerning a request submitted pursuant to this paragraph,
which will be communicated to the Board in writing, is final and not subject to further review.
During the review of any such request, this Directive shall remain in effect.

(6) The Bank will not be deemed to be in compliance with this Directive until it has
adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this
Directive; the corrective actions are effective in addressing the Bank’s deficiencies; and the OCC
has verified and validated the corrective actions. An assessment of the effectiveness of the
corrective actions requires sufficient passage of time for the Bank to demonstrate the sustained
effectiveness of the corrective actions.

(7) Each citation, guidance, or issuance referenced in this Directive includes any
subsequent citation, guidance, or issuance that replaces, supersedes, amends, or revises the
referenced cited citation, guidance, or issuance.

(8) The terms of this Directive, 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) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to consent to the issuance of this Directive.

(10) All reports, plans, or programs submitted to the OCC pursuant to this Directive shall be forwarded via email to the Director for Special Supervision.

IT IS SO ORDERED, this 26th day of June, 2019.

/s/ Digitally Signed, Date: 2019.06.26

Julie A. Thieman
Director for Special Supervision