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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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Commonwealth of Pennsylvania	:	PA DEPARTMENT OF
Department of Banking and Securities	:	BANKING AND SECURITIES
Bureau of Commercial Institutions	:	
	:	
v.	:	Docket No. 14 <u>0047</u> (BNK-ORD)
	:	
Noah Bank	:	
	:	

CONSENT ORDER

WHEREAS, Noah Bank, Elkins Park, Pennsylvania ("Bank"), is a Pennsylvania state-chartered bank subject to regulation by the Commonwealth of Pennsylvania Department of Banking and Securities ("Department") and the Federal Deposit Insurance Corporation ("FDIC");

WHEREAS, the Bureau of Commercial Institutions ("Bureau") is the Bureau within the Department primarily responsible for the regulation and supervision of the Bank;

WHEREAS, the Bureau and the FDIC commenced a joint examination of the Bank on March 10, 2014 using financial data as of December 31, 2013;

WHEREAS, the Bureau and the FDIC set forth the results of the examination in the December 31, 2013 Report of Examination ("Report of Examination");

WHEREAS, the Bank, without admitting or denying the findings in the Report of Examination of unsafe or unsound banking practices, violations of law and regulation with respect to, in part, management oversight, asset quality, capital, and liquidity, the Bank agrees to the issuance of this Consent Order ("Order") as more fully set forth in the Stipulation and Consent to Entry of Order executed by the Board of Directors ("Board"); and

IT IS HEREBY ORDERED, pursuant to Section 501.A of the Department of Banking and Securities Code, 71 P.S. § 733-501.A, that the Bank, its directors, officers, employees, agents, and other “institution-affiliated parties,” as that term is defined in Section 3(u) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(u), and its successors and assigns, shall take the following affirmative action:

1. Board Participation.

(a) The Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank’s activities, consistent with the role and expertise commonly expected for directors of banks of comparable size.

(b) This participation shall include meetings to be held no less frequently than monthly, at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; liquidity levels and funds management; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including managements’ responses; reconciliation of general ledger accounts; and compliance with this Order. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(c) The Bank shall notify the Director of the Bureau of Commercial Institutions, Pennsylvania Department of Banking and Securities (“Bureau Director”) and the Regional Director of the FDIC’s New York Regional Office (“Regional Director”) in writing of any resignations or terminations of any members of its Board or any of its “senior executive officers” (as that term is defined in section 303.101(b) of the FDIC’s Rules and

Regulations, 12 C.F.R. § 303.101(b)) within 10 days of the event. Any notification required by this subparagraph shall include a description of the background(s) and experience of any proposed replacement personnel and must be received at least 30 days prior to the individual(s) assuming the new position(s). The Bank shall also establish procedures to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. Part 303.

2. Management.

(a) The Bank shall have and retain qualified management. At a minimum, such management shall include: a chief executive officer with proven ability in managing a bank of comparable size and complexity and experience in upgrading loan portfolio credit administration; a senior lending officer with an appropriate level of Small Business Administration ("SBA") lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and a chief financial officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate risk management. The Board shall provide the necessary written authority to management to implement the provisions of this Order.

(b) The qualifications of management shall be assessed on their ability to:

- (i) comply with the requirements of this Order;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws, rules, and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including capital adequacy, asset quality, management effectiveness, earnings, liquidity, and sensitivity to interest rate risk.

(c) Within 60 days from the effective date of this Order, the Board, or a committee appointed by the Board, shall analyze and assess the Bank's management, staffing performance, and needs. The analysis and assessment shall be summarized in a written report ("Management Report"):

(d) The Management Report shall be developed within 120 days from the effective date of this Order and submitted to the Bureau Director and the Regional Director for non-objection or comment. The Management Report shall include, at a minimum:

(i) identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

(ii) identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) evaluation of all Bank officers to determine whether these individuals possess the ability, experience, and other qualifications required to perform present and anticipated duties, including adherence to the SBA Standard Operating Procedures, the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;

(iv) evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits;

(v) a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience, and other qualifications to fill those officer or staff member positions;

(vi) a provision to implement necessary training and development for all employees; and

(vii) a plan of action to respond to each recommendation in the Management Report and a time frame for completing each action.

3. Loan Review Program.

(a) Within 30 days from the effective date of this Order, the Board shall establish and submit for review as required by subparagraph (c), a program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of credits ("Loan Review Program").

(b) At a minimum, the Loan Review Program shall provide for:

(i) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(iii) prompt identification of SBA loans which do not comply with SBA Standard Operating Procedures;

(iv) identification of trends affecting the quality of the loan portfolio and potential problem areas;

(v) assessment of the overall quality of the loan portfolio;

(vi) identification of credit and collateral documentation exceptions;

(vii) identification and status of violations of laws, rules, or regulations with respect to the lending function;

(viii) identification of loans that are not in conformance with the Bank's Loan Policy;

(ix) identification of loans to directors, officers, principal shareholders, and their related interests; and

(x) a mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (ix) above to the Board.

(c) The Loan Review Program shall be submitted to the Bureau Director and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau Director and the Regional Director, and after incorporation and adoption of all comments, the Board shall approve the Loan Review Program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Loan Review Program.

4. Loan Policy.

(a) Within 30 days from the effective date of this Order, the Bank shall conduct a review of the Bank's loan policies and procedures for adequacy and, based upon such

review, shall make all appropriate revisions to the loan policies and procedures (“Loan Policy”) necessary to address the lending deficiencies identified in the Report of Examination. The revised Loan Policy shall be submitted for review as described in subparagraph (c). The Board shall also establish review and monitoring procedures to ensure that all lending personnel adhere to the Loan Policy, and that the Board receives timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policy.

(b) The Loan Policy shall, at minimum:

(i) require that all extensions of credit originated or renewed by the Bank, including loans purchased from a third party (loan participations):

- a. have a clearly defined and stated purpose;
- b. have a predetermined and realistic repayment source and schedule, including secondary source of repayment;
- c. are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and
- d. are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which shall be maintained throughout the term of the loan and are otherwise in conformance with the Loan Policy;

(ii) incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment

to lend funds, and require that collateral valuations be performed on a periodic basis over the term of the loan;

(iii) require the individual reporting of loans granted as exception to the Loan Policy and aggregation of such loans in the portfolio;

(iv) establish review and monitoring procedures for compliance with the FDIC's appraisal regulation, 12 C.F.R. Part 323, and the *Interagency Appraisal and Evaluation Guidelines* (FIL-74-94, issued November 11, 1994); and

(v) establish review and monitoring procedures for compliance with the SBA Standard Operating Procedures.

(c) The Loan Policy shall be submitted to the Bureau Director and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or comments from the Bureau Director and the Regional Director, and after incorporation and adoption of all comments, the Board shall approve the Loan Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Loan Policy.

(d) Prior to opening, establishing or relocating any new loan production offices, the Bank shall submit a Request for Limited Purpose Banking Office with the Department for approval as required by 7 P.S. § 102(h). The Bank shall provide a copy of the Request for Limited Purpose Banking Office to the Regional Director when it is submitted to the Department.

5. Capital.

(a) Within 90 days from the effective date of this Order, the Bank shall develop and submit for review as required by subparagraph (c), a written capital plan ("Capital

Plan”) that details the manner in which the Bank will meet and maintain a Tier 1 Leverage Ratio of at least 10 percent and a Total Risk-Based Capital Ratio of at least 12 percent (as such terms are defined in Part 325 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 325). At a minimum, the Capital Plan shall include:

(i) specific benchmark Tier 1 Leverage Ratios and Total Risk-Based Capital Ratios to be met at each calendar quarter end until the required capital levels are achieved. The Bank shall comply with the FDIC’s *Statement of Policy on Risk-Based Capital* found in Appendix A to Part 325 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 325, App. A;

(ii) projections for asset growth and capital requirements: such projections shall be based upon a detailed analysis of the Bank’s current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank’s strategic business plan as described in paragraph 7;

(iii) projections for the amount and timing of the capital necessary to meet the Bank’s current and future needs;

(iv) projections for the amount and timing of capital necessary to incorporate forward-looking assessment of risks and stress testing; and

(v) the primary source(s) from which the Bank will strengthen its capital to meet the Bank’s needs.

(b) In the event any required capital ratio falls below the minimum required by the approved Capital Plan, the Bank shall immediately notify the Bureau Director and the Regional Director and within 45 days shall either:

(i) increase capital in an amount sufficient to comply with the capital ratios as set forth in the approved Capital Plan; or

(ii) submit a Contingency Plan for the sale, merger or liquidation of the Bank in the event the primary sources of capital are not available.

(c) The Capital Plan and the Contingency Plan shall be submitted to the Bureau Director and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau Director and the Regional Director, and after incorporation and adoption of all comments, the Board shall approve the Capital Plan and the Contingency Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Capital Plan and, to the extent necessary, the Contingency Plan.

(d) The Board shall review the Bank's adherence to the Capital Plan, at minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Bureau Director and the Regional Director as part of the progress reports required by this Order.

6. Profit and Budget Plan.

(a) Within 60 days from the effective date of this Order, and within the first 45 days of each calendar year thereafter, the Bank shall formulate and submit for review as described in subparagraph (c), a written profit and budget plan ("Profit Plan") consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order.

(b) The Profit Plan shall include, at a minimum:

(i) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(ii) specific goals to maintain appropriate provisions to the allowance for loan and lease losses ("ALLL");

(iii) realistic and comprehensive budgets for all categories of income and expense;

(iv) an executive compensation plan, addressing any and all salaries, bonuses and other benefits of every kind or nature whatsoever, both current and deferred, whether paid directly or indirectly, which plan incorporates qualitative as well as profitability performance standards for the Bank's senior executive officers; and

(v) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly.

(c) The Profit Plan shall be submitted to the Bureau Director and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau Director and the Regional Director, and after incorporation and adoption of all comments, the Board shall approve the Profit Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Profit Plan.

(d) Within 60 days following the end of each calendar quarter following completion of the Profit Plan required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the Profit Plan, record the results of the evaluation,

and note any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken.

7. Strategic Plan.

(a) Within 90 days from the effective date of this Order, the Bank shall develop and submit for review as required by subparagraph (c), a written strategic plan ("Strategic Plan") supported by an operating budget and consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order. The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The Strategic Plan shall include, at a minimum:

(i) identification of the major areas in and means by which the Bank will seek to improve operating performance;

(ii) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses;

(iii) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(iv) coordination of the Bank's loan, investment, funds management, and operating policies, profit and budget plan, and ALLL methodology with the Strategic Plan.

(c) The Strategic Plan shall be submitted to the Bureau Director and the Regional Director for non-objection or comment. Within 30 days from receipt of non-

objection or any comments from the Bureau Director and the Regional Director, and after incorporation and adoption of all comments, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Strategic Plan.

(d) The Strategic Plan required by this Order shall be revised 60 days prior to the end of each calendar year, and approved by the Board, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and adhere to the revised Strategic Plan.

8. Brokered Deposits.

(a) The Bank shall not accept, renew, or rollover any brokered deposit, as defined by section 337.6(a)(2) of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b), governing solicitation and acceptance of brokered deposits by insured depository institutions.

(b) The Bank shall comply with the restrictions on the effective yields on deposits described in section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6.

9. Liquidity and Funds Management.

(a) Within 45 days from the effective date of this Order, the Bank shall revise its liquidity and funds management policy to strengthen the Bank's funds management procedures and maintain adequate liquidity ("Liquidity and Funds Management Policy"), which shall be submitted for review as described in subparagraph (c).

(b) The Liquidity and Funds Management Policy shall include, at a minimum, provisions that:

(i) provide a statement of the Bank's long-term and short-term liquidity needs and plans for ensuring that such needs are met;

(ii) provide for an ongoing review of the Bank's deposit structure, including the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, and out-of-area deposits;

(iii) establish a reasonable range for its net non-core funding ratios as computed in the Uniform Bank Performance Report;

(iv) require the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;

(v) define and establish a minimum liquidity ratio;

(vi) establish contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;

(vii) address the source and use of borrowings (i.e., non-core funds, seasonal credit needs, match funding mortgage loans) and provide for reasonable maturities commensurate with the use of the borrowed funds; address concentration of funding sources; and address pricing and collateral requirements with specific

allowable funding channels (i.e., brokered deposits, internet deposits, Fed funds purchased, and other borrowings);

(viii) establish sufficient back-up lines of credit that would allow the Bank to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate; and

(ix) comply with the guidance set forth in Liquidity Risk Management (FIL-84-2008, issued August 26, 2008).

(c) The Liquidity and Funds Management Policy shall be submitted to the Bureau Director and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Bureau Director and the Regional Director, and after incorporation and adoption of all comments, the Board shall approve the Liquidity and Funds Management Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Liquidity and Funds Management Policy.

(d) The Bank shall review annually its Liquidity and Funds Management Policy for adequacy and, based upon such review, shall make necessary revisions to the policy.

10. Loss Charge-Off. The Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the Bureau Director or the FDIC in the Report of Examination that have not been previously collected or charged off. Elimination or reduction of such assets with the proceeds of other Bank extensions of credit shall not be considered "collection" for purposes of this paragraph. Thereafter, within 10 days after the receipt of any Report of Examination of the Bank from the Bureau Director or the FDIC, the Bank shall

eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in any Report of Examination that have not been previously collected or charged off.

11. Corrective Action. The Bank shall take all steps necessary, consistent with the provisions of this Order and safe and sound banking practices; to eliminate or correct and prevent unsafe or unsound banking practices, violations of law or regulation, and all contraventions of regulatory policies or guidelines cited in the Report of Examination.

12. Progress Reports. Within 45 days from the end of each calendar quarter following the effective date of this Order, the Bank shall furnish to the Bureau Director and Regional Director written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this Order. All progress reports and other written responses to this Order shall be reviewed by the Board and made a part of the Board minutes.

13. Shareholder Disclosure. Following the effective date of this Order, the Bank shall provide to its shareholders or otherwise furnish a description of this Order, in conjunction with the Bank's next shareholder communication and in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the Order in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the Bureau Director and the FDIC, Risk Management Division, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 for non-objection or comment at least 30 days prior to dissemination to shareholders. Any changes requested to be made by the Bureau Director and FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

14. Compliance Committee.

(a) Within 30 days from the effective date of this Order, the Board shall establish a compliance committee ("Compliance Committee"), a majority of which members shall be "independent," as that term is defined in subparagraph (c), with the responsibility of ensuring compliance with the provisions of this Order.

(b) The Compliance Committee shall monitor compliance with this Order and submit a written report monthly to the entire Board; a copy of the report and any discussion related to the report or this Order shall be part of the minutes of the Board meeting. Copies of the monthly report shall be submitted to the Bureau Director and the Regional Director as part of the progress reports required by this Order. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this Order.

(c) For the purposes of this Order, an "independent" director shall be an individual who:

(i) is not employed in any capacity by the Bank, any of its subsidiaries, or affiliated organizations, other than as a director;

(ii) does not own more than 5 percent of the outstanding shares of the Bank or any of the Bank's affiliates;

(iii) is not related by blood or marriage to an officer or director of the Bank or its affiliates, or any shareholder owning more than 5 percent of the outstanding shares of the Bank or its affiliates, and who does not otherwise share a common financial interest with such officer, director, or shareholder;

(iv) is not indebted, directly or indirectly, to the Bank or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 5 percent of the Bank's total Tier 1 Capital and ALLL; and

(v) is a resident of, or engaged in business in, the Bank's trade area; or is otherwise deemed to be an independent director for purposes of this Order by the Bureau Director and the Regional Director.

15. Fidelity Bond.

(a) Immediately upon renewal of the Bank's current bond required by 7 P.S. § 1410 ("Bond") the Bank shall provide a full and complete copy to the Bureau Director and Regional Director. The Bank shall provide a copy of the required Bond to the Bureau Director and Regional Director each time the Bond is renewed while this Order remains in effect.

(b) The Bank shall immediately notify the Bureau Director and Regional Director if it receives any notifications or information from the Bank's bond insurance carrier, its agents and/or representatives that the Bond is not going to be renewed or will be terminated.

16. Section 403 Reports to the Bureau. All reports that the Bank must submit to the Bureau per this Order are special reports as set forth in Section 403 of the Department of Banking and Securities Code, 71 P.S. § 733-403.B.

17. Publication. The Department will publish this Order pursuant to its authority in Section 302.A.(5) of the Department of Banking and Securities Code, 71 P.S. § 733-302.A(5).

18. Other Actions.

(a) If at any time the Department shall deem it appropriate in fulfilling the responsibilities placed upon the Department under applicable law to undertake any further action affecting the Bank or any of the Bank's current or former institution-affiliated parties, nothing in this Order shall in any way inhibit, estop, bar or otherwise the Department from doing so.

(b) Nothing herein shall preclude any proceedings brought by the Department to enforce the terms of this Order and nothing herein constitutes a waiver of any right, power or authority of any other representatives of the United States, departments or agencies thereof, Department of Justice, or any other representatives of the Commonwealth of Pennsylvania or any other departments or agencies thereof, including any prosecutorial agency, to bring other actions deemed appropriate.

19. Communications. All communications regarding this Order shall be sent to:

Robert C. Lopez, Director
Bureau of Commercial Institutions
Commonwealth of Pennsylvania
Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, PA 17101

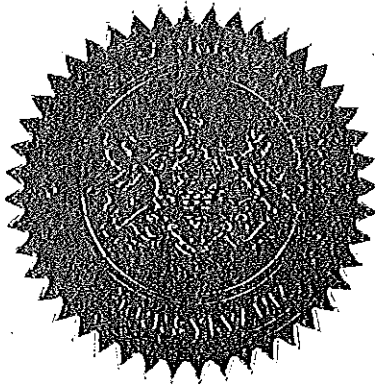
20. Binding Nature. The provisions of this Order including the recital paragraphs shall be binding upon the Bank, its institution-affiliated parties, and their successors and assigns.

21. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

22. Effective Date. The effective date of this Order shall be the date upon which this Order has been executed by the Bureau. Each provision of this Order shall remain effective and enforceable, jointly and severally, until stayed, modified, terminated or suspended by the Bureau.

SO ORDERED.

Dated: October 23, 2014



By: Redacted
Robert C. Lopez, Director
Bureau of Commercial Institutions
Commonwealth of Pennsylvania
Department of Banking and Securities
17 North Second Street
Harrisburg, PA 17101