

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES**

**Commonwealth of Pennsylvania,
Department of Banking and Securities,
Bureau of Bank Supervision**

v.

United Bank of Philadelphia.

Docket No.: ¹²⁰⁰¹³~~18~~ (ENF-ORD)

2018 APR 25 PM 3:54
DEPARTMENT OF
BANKING AND SECURITIES

FILED

AMENDED CONSENT ORDER

WHEREAS, United Bank of Philadelphia, Philadelphia Pennsylvania, (the “Bank”), is a Pennsylvania state-chartered bank and subject to regulation by the Commonwealth of Pennsylvania Department of Banking and Securities (the “Department”) and the Federal Deposit Insurance Corporation (“FDIC”);

WHEREAS, the Bureau of Bank Supervision (the “Bureau”) is primarily responsible within the Department for the regulation and supervision of the Bank;

WHEREAS, the Bank is currently subject to a Consent Order issued by the Bureau and entered on February 1, 2012 and an FDIC Consent Order issued on January 31, 2012.

WHEREAS, the Bureau believes it is necessary to amend the Department’s February 1, 2012 Consent Order based upon the unsafe and unsound condition of the Bank; and,

WHEREAS, the Bank, without admitting or denying wrongdoing as more fully set forth in the Stipulation of Consent and Entry of Order executed by the Bank, agrees to the issuance of this Amended Consent Order (the “Order”) by the Bureau.

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 trustees, directors, officers, employees, agents, and other “institution-affiliated parties,” as that term is defined in Section 3(u) of the FDIA, 12 U.S.C. § 1813(u), and its successors and assigns, shall take the following affirmative action:

I. BOARD GOVERNANCE

A. Supervision and Oversight:

1. The Board must immediately increase its oversight of the Bank and assume full responsibility for the Bank's timely and complete compliance with this ORDER.

2. The Board must, no less than monthly, assess all action(s) taken or planned to comply with the ORDER. The Board must prepare a monthly written report noting (i) these actions or plans; (ii) the results of any action(s) taken and the status of any planned action(s); and (iii) the Board's directives to Bank management regarding any additional action(s) necessary to comply with this ORDER ("Order Compliance Report"). A copy of the Order Compliance Report, and any discussion related to the Order Compliance Report or this ORDER, must be reflected in the minutes of the Board meeting during which the discussion occurred. Copies of the Order Compliance Reports must be submitted to the Director of the Bureau of Bank Supervision of the Commonwealth of Pennsylvania Department of Banking and Securities ("Director") and the Regional Director of the FDIC's New York Regional Office ("Regional Director") as part of the Progress Reports required by this ORDER and must also be provided to Bank management on a monthly basis with instructions to promptly implement any Board directives included in the Order Compliance Report.

3. The Board must hold meetings at least once a month and, at a minimum, must review and approve any report required by this ORDER. Board minutes must be detailed and must specifically document these reviews and any directives given to management regarding additional action(s) necessary to comply with this ORDER, including the names of any dissenting directors.

B. Notification of Changes in Directors and Senior Executive Officers:

In addition to complying 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, the Board must notify the

Regional Director and the Director in writing of any resignations or terminations of any members of its Board or any of its “senior executive officers” (as 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.

C. Financial Statements:

The Board must ensure that the audit of the Bank’s books and affairs and financial statements are completed by certified public accountants on an annual basis. The audit and financial statements for the years 2016 and 2017 must be completed submitted to the Director and Regional Director by September 30, 2018. The annual audit and financial statements for the year 2018 and thereafter must be submitted to the Director and Regional Director within six months of the calendar year-end.

II. RESTORATION PLAN

The Board must, within 90 days from the effective date of this ORDER, develop a written plan to restore the Bank to a safe and sound condition (the “Restoration Plan”). The Restoration Plan must cover an operating period of at least three years, be based on a realistic assessment of the Bank’s size, current financial condition, and future prospects and, at a minimum, address and include detailed action plans and forecasts for each of the areas listed below (Strategy, Budget, and Capital). The action plans must include major milestones and the dates on which the milestones will be completed. The Board must also develop and include the framework required by paragraph D below in the Restoration Plan. The Board must update the Restoration Plan annually. Updated Restoration Plans must be submitted to the Regional Director and Director within 60 days after the end of each calendar year.

A. Strategy:

The Bank’s current Strategic Plan must be updated to (i) satisfactorily consider and reflect the Bank’s actual operating results for the last 5 years; (ii) take into account the other Restoration

Plan action plans and the Bank's outstanding operating policies; and (iii) outline strategies that will allow the Bank to achieve its objectives in a safe and sound manner.

The revised Strategic Plan must, at a minimum:

1. identify the major areas in and means by which the Bank will seek to improve operating performance; and
2. establish specific and realistic goals to improve earnings, reduce expenses, and achieve capital adequacy.

B. Budget:

The Board must ensure that the Bank implements a realistic budget that results in the profitability levels set forth in paragraph 1 below and includes the operating assumptions forming the basis of the material projected revenue and expense components in accordance with paragraph 2 below.

1. Profitability levels:
 - a. the Bank must, at a minimum, achieve a return on assets ("ROA") of 0.0 percent by year-end 2018;
 - b. the Bank must, at a minimum, achieve a ROA of 0.10 percent by year-end 2019; and
 - c. the Bank must, at a minimum, achieve a ROA of 0.20 percent by year-end 2020.

For purposes of this ORDER, the term "Return on Assets" means "Net Operating Income as a percent of Average Assets" as defined in the Federal Financial Institutions Examination Council's Uniform Bank Performance Report ("UBPR") User's Guide and as reflected on the Bank's UBPR for the specified year-end.

2. Operating assumptions must be adequately supported, and at a minimum, include:
 - a. Income: Income assumptions must satisfactorily consider and reflect (i) the Bank's actual results for the preceding five year period, including the actual volume of its Small Business Administration ("SBA") lending activities; and (ii) realistic interest and noninterest income forecasts.
 - b. Expenses: Expense assumptions must satisfactorily consider and reflect (i) the Bank's actual expenses for the preceding five year period; and (ii) realistic forecasts based on a review of personnel, facilities, and other operating expenses. For example, the review of the Bank's facilities expenses must (i) evaluate and document the current and past performance of all existing locations, assessing each location's contribution to revenue generation, expense of operation, and cost to close; and (ii) analyze the structure of existing locations to identify opportunities for greater efficiency, such as branch consolidation.

3. The Board must, at a minimum, monitor actual income and expenses on a monthly basis and prepare a report comparing actual to forecasted performance with Bank management's explanation for any variances. These monthly reports must be discussed during Board meetings. Board minutes must specifically document this discussion. If the Bank has not met one or more of its forecasts, the Board must identify the measures necessary to achieve the required year-end ROA and direct management to immediately initiate the identified measures. Any directives given to management as the result of any variances must be documented in the Board minutes.

C. Capital

1. The Board must ensure that the Bank, after establishing an appropriate Allowance for Loan and Lease Losses (“ALLL”), obtains sufficient capital to meet and maintain Tier 1 Capital and Total Capital ratios as follows:

- a. by December 31, 2018, the Bank must, at a minimum, reach and maintain a Leverage ratio of at least 6.5 percent of total assets and a Total Capital ratio of at least 10.5 percent of total risk-weighted assets;
- b. by June 30, 2019, the Bank must, at a minimum, reach and maintain a Leverage ratio of at least 7.5 percent of total assets and a Total Capital ratio of at least 11.5 percent of total risk-weighted assets; and
- c. by September 30, 2019, the Bank must, at a minimum, reach and maintain a Leverage ratio of at least 8.5 percent of total assets and a Total Capital ratio of at least 12.5 percent of total risk-weighted assets.

For purposes of this ORDER, all terms relating to capital have the definition assigned to them in Part 324 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 324 (“Part 324”) and must be calculated in accordance with Part 324.

2. The Board must, at a minimum, review the Bank’s capital levels on a monthly basis. Copies of these reviews must be submitted to the Regional Director and the Director as part of the Progress Reports required by this ORDER.

D. Framework:

1. The Board must establish a reasonable framework by which to sell, merge, or liquidate the Bank.

2. If at any time the Bank does not meet a capital level required by section C paragraph 1 above, the Board must immediately notify the Regional Director and the Director of its capital status in writing. If within 90 days of the submission of this notification, the Bank has not

increased capital in an amount sufficient to meet or exceed each of the capital levels required in section C paragraph 1 above and does not have a Restoration Plan in place that has received non-objections from both the Regional Director and the Director, then the Board must implement its framework to sell, merge, or liquidate the Bank.

E. Submission, Implementation, and Monitoring:

The Restoration Plan and annual updates of the Restoration Plan must be submitted to the Regional Director and the Director in accordance with the timeframes noted above. Within 30 days from receipt of any comments from the Regional Director and the Director regarding a Restoration Plan, and after addressing all comments, the Board must resubmit such Restoration Plan to the Regional Director and the Director. Within 30 days of receipt of non-objections to a Restoration Plan, the Board must adopt it with its adoption recorded in the minutes of the Board meeting. Once adopted, the Board must ensure that the Bank fully implements its Restoration Plan. At each Board meeting subsequent to the adoption of a Restoration Plan, the Board must (i) monitor and evaluate the Bank's actual performance in relation to the Restoration Plan action plan milestones timeline; (ii) prepare a report recording the results of the evaluation, specifically noting and analyzing any variations; and (iii) note any Board recommendations or directives to Bank management regarding any additional action(s) necessary to comply with the Restoration Plan in the minutes of the Board meeting at which such evaluation is undertaken.

III. CLASSIFIED ASSETS

The Board must, within 90 days from the effective date of this ORDER, develop a detailed action plan ("Classified Asset Plan") to reduce the Bank's risk position in each asset or loan relationship (or related other real estate owned property) which is classified "Substandard" or "Doubtful" in the April 24, 2017 Report of Examination ("2017 ROE") and in any subsequent Report of Examination or visitation findings. For purposes of this provision, "reduce" means to

collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC and/or the Pennsylvania Department of Banking and Securities.

Subsequent to each examination and visitation conducted while the Bank is subject to this ORDER, and within 45 days of receiving the applicable Report of Examination or visitation findings, the Board must update the Classified Asset Plan to include any additional classified assets or loan relationships identified in such Report of Examination or visitation findings.

The Classified Asset Plan and subsequent updates must be submitted to the Regional Director and Director in accordance with the timeframes noted above. Within 30 days from receipt of any comments from the Regional Director and the Director regarding the Classified Asset Plan, and after addressing all comments, the Board must resubmit such Classified Asset Plan to the Regional Director and Director. Within 30 days of receipt of non-objections to a Classified Asset Plan, the Board must adopt it with its adoption recorded in the minutes of the Board meeting. Once adopted, the Board must ensure that the Bank fully implements the Classified Asset Plan.

A. Classified Asset Plan:

The Board must ensure, at a minimum, that the Classified Asset Plan:

1. includes major milestones and the dates on which the milestones will be completed, including a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified items, and the ratio of the consolidated balance to the Bank's projected Tier 1 Capital plus the ALLL.
2. analyzes and documents the current financial condition of each borrower whose loan is classified "Substandard" or "Doubtful" in the 2017 ROE or any future Report of Examination or visitation findings and has an outstanding principal balance in excess of \$100,000, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to

improve the Bank's collateral position and/or reduce the Bank's risk exposure in each classified item;

3. reduces delinquencies and classified items to 75 percent of Tier 1 Capital plus the ALLL, and 50 percent of Tier 1 Capital plus the ALLL, within 6 months and 12 months, respectively, from the effective date of this ORDER;

B. Classified Asset Plan Progress Reports:

The Board must, at a minimum, monitor the Bank's monthly progress on its Classified Asset Plan for reducing delinquencies and classified items and prepare a report comparing actual performance to action plan milestones with Bank management's explanation for any variances. These monthly reports must be discussed during Board meetings. Board minutes must specifically document this discussion and any directives given to management as the result of any variances.

C. Extension of Credit – Charge Off/Loss:

The Board must ensure that the Bank does not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the 2017 ROE or any future Report of Examination or visitation findings, so long as such credit remains uncollected.

D. Extension of Credit – Substandard, Doubtful or Special Mention:

The Board must ensure that the Bank does not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful" or is listed for "Special Mention" in the 2017 ROE or any future Report of Examination or visitation findings, and is uncollected, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension,

or further advance of funds, such additional credit must be approved by the Board who must first determine that:

1. the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with a written explanation of why the failure to extend such credit would be detrimental;
2. the extension of such credit would improve the Bank's position, with a written explanatory statement of how and why the Bank's position would improve; and
3. an appropriate workout plan has been developed, and will be implemented, in conjunction with the additional credit to be extended.

These determinations and any approvals must be recorded in the minutes of the Board meeting during which they were made and submitted to the Regional Director and the Director at such times as the Bank submits the Progress Reports required by this ORDER, or sooner if requested in writing by the Regional Director or the Director.

E. Identified Loss:

Within 15 days from the effective date of this ORDER, the Board must ensure that all assets or portions of assets classified "Loss" by the FDIC or the Pennsylvania Department of Banking and Securities in the 2017 ROE, not previously collected or charged off, are eliminated from the Bank's books by charge-off or collection. Thereafter, the Board must ensure that all assets or portions of assets classified "Loss" in any future Report of Examination or visitation findings, not previously collected or charged off, are eliminated from the Bank's books by charge-off or collection within 15 days of the Bank's receipt of any Report of Examination or visitation findings. Elimination or reduction of such assets with the proceeds of other Bank extensions of credit will not be considered "collection" for purposes of this paragraph.

IV. LIQUIDITY

A. Cash Flow Analysis:

The Board must ensure that the Bank has and maintains sufficient liquidity to meet its current and projected needs. At a minimum, the Board must ensure that the Bank has a realistic cash flow analysis reflecting the Bank's projected sources and uses of funds under various liquidity scenarios. The Bank's cash flow analysis must include a base scenario whereby all projected SBA loans are funded. The Board must ensure that the Bank is able to address potential funding shortfalls projected in this base scenario.

B. Brokered Deposits:

The Board must also ensure that the Bank does 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 the solicitation and acceptance of brokered deposits including 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.

V. CORRECTION AND CONFORMANCE

The Board must ensure that all steps necessary, consistent with other provisions of this ORDER and safe and sound banking practices, are taken to address all unsafe or unsound banking practices, violations of law or regulation, and nonconformance with Interagency Guidelines Establishing Standards for Safety and Soundness (12 C.F.R. Part 364, Appendix A) ("Interagency Guidelines") cited in the 2017 ROE and to ensure future compliance with all applicable laws and regulations and conformance with the Interagency Guidelines.

VI. DIVIDEND RESTRICTION

The Board must ensure that the Bank does not declare or pay any dividend without the prior written consent of the Regional Director and the Director.

VII. PROGRESS REPORTS

Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Board must provide to the Regional Director and the Director written Progress Reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All Progress Reports and any other written responses to this ORDER must be made a part of the Board minutes.

VIII. SHAREHOLDER DISCLOSURE

Within 30 days from the effective date of this ORDER, the Board must ensure that the Bank provides either a copy of this ORDER or an accurate and complete description of all material aspects of the ORDER to its parent holding company.

IX. MISCELLANEOUS

A. Fidelity Bond.

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

2. The Bank shall immediately notify the Bureau and the Regional Director of 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.

B. Section 403 Reports to the Bureau.

All reports required to be submitted to the Bureau under this Order are special reports being required under Section 403 of the Department of Banking and Securities Code, 71 P.S. § 733-403,

and shall be submitted to the Bureau in accordance with Section 403.B of the Department of Banking and Securities Code, 71 P.S. § 733-403.B.

C. Other Actions.

1. 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, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Department from doing so.

2. Nothing herein shall preclude any proceedings brought by the Department to enforce the terms of this Order, and that nothing herein constitutes, nor shall the Bank contend that it 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.

D. Communications.

All communications regarding this Order shall be sent to:

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

E. Binding Nature.

The provisions of this Order including the recital paragraphs shall be binding upon the Bank and all of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

F. Effective Date.

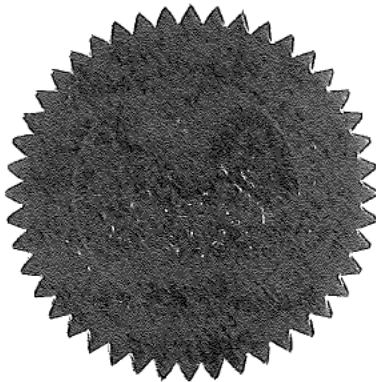
The effective date of this Order shall be the date upon which this Order has been executed by the Bureau. Each provision of this Order shall remain effective and enforceable, jointly and severally, until stayed, modified, terminated or suspended by the Bureau.

G. 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.

SO ORDERED

4/25/13
Date



Redacted

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