

NEW YORK STATE  
DEPARTMENT OF FINANCIAL SERVICES

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In the Matter of

UNITED INTERNATIONAL BANK  
FLUSHING, NEW YORK

Consent Order  
Issued Pursuant  
to Section 39 of the  
New York Banking Law

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WHEREAS, in recognition of their common goals to ensure compliance with all applicable federal and state laws, rules and regulations, and the conduct of safe and sound banking operations, by UNITED INTERNATIONAL BANK (the "Bank"), a New York State chartered institution, the deposits of which are insured by the Federal Deposit Insurance Corporation (the "FDIC"), the New York State Department of Financial Services (the "Department") and the Bank have mutually agreed to enter into this Consent Order (the "Order") issued pursuant to Section 39 of the New York State Banking Law (the "Banking Law"); and

WHEREAS, the Department and the FDIC recently completed a joint safety and soundness examination of the Bank, as of December 31, 2012; and

WHEREAS, as a result of said examination, the Department and the FDIC identified significant supervisory concerns relating to the conduct of the Bank's business, including unsafe and unsound banking practices and apparent violations of laws and regulations; and

WHEREAS, the Superintendent possesses the authority under Banking Law Section 39 to issue an order to the Bank directing it to discontinue unlawful and unsafe practices; and

WHEREAS, the Superintendent believes that prompt enforcement action and the issuance of such an order is necessary to address the aforementioned supervisory concerns with respect to the Bank; and

WHEREAS, additional enforcement action consistent with the duties, powers and obligations of the Superintendent may be taken as required and if necessary to address these and any other supervisory concerns of the Department with respect to the Bank; and

WHEREAS, on July 1, 2013, the Board of Directors (the "Board"), by unanimous written consent, adopted a resolution:

1. Stipulating and consenting to the issuance of this Order on behalf of the Bank and consenting to compliance on behalf of the Bank with each and every provision of this Order;
2. Waiving any and all rights to judicial review of this Order;
3. Waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of the provisions of this Order.

NOW, THEREFORE, without admission or denial by the Bank of any findings of fact or conclusions of law, and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED pursuant to Banking Law Section 39 that the Bank shall not engage in unsafe or unsound banking practices and not commit apparent violations of the law and/or regulation.

IT IS FURTHER ORDERED that the Bank, its institution-affiliated parties, and its successors and assigns, shall take affirmative action as follows:

#### CORRECTION AND PREVENTION

Beginning on the effective date of this Order, the Bank shall take all steps necessary, consistent with the provisions of this Order and sound banking practices, to correct and prevent the unsafe or unsound banking practices and violations of law and regulation identified by the Department and the FDIC.

In addition, the Board shall take all steps necessary to ensure that the Bank is operated with adequate management supervision and Board oversight to prevent any future unsafe or unsound banking practice or violations of laws or regulations.

#### BOARD PARTICIPATION

1. (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) The Board's participation shall include meetings to be held no less frequently than on a monthly basis at which, at a minimum, the following areas shall be reviewed and approved, when appropriate and in accordance with any applicable provision(s) of this Order: insider loans; 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.

(c) Board minutes shall document Board reviews and contain detailed information of the review and any related actions or discussions. The Board minutes shall be made and maintained on a timely basis, with each individual member's vote appropriately recorded and reflecting the name of each approving and dissenting director.

(d) The Bank shall notify the Superintendent and the Regional Director of the FDIC's New York Regional Office (the "Regional Director") in writing of the resignation, termination or change in duties or responsibilities of any member of its Board or any of its senior executive officers as that term is defined in the FDIC's Rules and Regulations ("Senior Executive Officers") 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 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.

(e) Within 60 days from the effective date of this Order, the Bank shall increase the number of directors such that a majority of the Board is "independent," as that term is defined below.

(f) The addition of any new director shall be accomplished in accordance with applicable state and federal law, and the Bank's by-laws and/or other governing corporate instrument(s).

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

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

(ii) if applicable, does not own more than 10% 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 10% 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 1% of the Bank's total Tier 1 Capital and Allowance for Loan and Lease Losses ("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 Superintendent and the Regional Director.

## BOARD AND MANAGEMENT

2. (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 a low quality loan portfolio; a senior lending officer with an appropriate level of 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 its 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 30 days from the effective date of this Order, the Bank shall retain a bank consultant who is acceptable to the Superintendent and the Regional Director and who will develop a written analysis and assessment of the Bank's management needs ("Management Report") for the purpose of providing qualified management for the Bank.

(d) The Management Report shall be developed within 60 days from the effective date of this Order and shall, at a minimum:

- (i) identify the type and number of director and officer positions needed to properly manage and supervise the affairs of the Bank;

(ii) identify and establish such Bank committees as are needed to provide guidance and oversight to active management;

(iii) evaluate the current and past performance of the Chairman of the Board, Senior Executive Officers (including the President) and staff members of the Bank, indicating whether the individuals are competent and qualified to perform present duties, adhere to the Bank's established plans, policies, procedures and processes, and operate the Bank in a safe and sound manner;

(iv) evaluate the Chairman of the Board, all Bank officers (including the President) and staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;

(v) with respect to the position of Chairman of the Board and President of the Bank, giving appropriate consideration to the size and complexity of the Bank, identify the authorities, responsibilities and accountabilities appropriate to the positions, and present a clear and concise description of the relevant knowledge, skills, abilities and experience necessary for the positions;

(vi) evaluate the Chairman of the Board's compensation;

(vii) evaluate all Bank officers' compensation, including salaries, director fees, and other benefits;

(viii) provide a plan to recruit and hire any additional or replacement personnel (including the Chairman of the Board and the President) with the requisite ability, experience and other qualifications to fill those director (including the Chairman of the Board), officer (including the President) or staff member positions identified in the Management Report; and

(ix) recommend procedures for the periodic review and update of the Management Report and assess the performance of the Chairman, each Senior Executive Officer (including the President) and staff member.

(e) Within 10 days from the effective date of this Order, the Bank shall provide the Superintendent and the Regional Director with a copy of the proposed engagement letter or contract with the third-party for non-objection or comment before it is executed.

(f) The contract or engagement letter shall include, at a minimum:

(i) a description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) the responsibilities of the firm or individual;

(iii) identification of the professional standards covering the work to be performed;

(iv) identification of the specific procedures to be used when carrying out the work to be performed;

(v) the qualifications of the employee(s) who are to perform the work;

(vi) the time frame for completion of the work;

(vii) any restrictions on the use of the reported findings;

(viii) a provision for unrestricted access to work papers by the Department and the FDIC; and

(ix) a certification that the firm or individual is not affiliated in any manner with the Bank, any director or officer.

(g) Within 30 days from receipt of the Management Report, the Bank shall formulate a written plan ("Management Plan") that incorporates the findings of the Management Report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action.

(h) At a minimum, the Management Plan shall:

(i) contain a recitation of the recommendations included in the Management Report, a plan of action to respond to each recommendation, and a time frame for completing each action;

(ii) include provisions to implement necessary training and development for all employees;

(iii) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and

(iv) set forth a current management succession plan.

(i) The Management Plan shall be submitted to the Superintendent and the Regional Director for non-objection or comment. Within 10 days from receipt of non-objection or any comments from the Superintendent and the Regional Director, and after incorporation and adoption of all comments, the Board shall approve the Management Plan, recording such approval in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Management Plan.

#### CLASSIFIED ASSETS REDUCTION

3. (a) Within 30 days from the effective date of this Order the Bank shall formulate and submit for review as described in subparagraph (c), a written plan ("Classified Asset Plan") to reduce the Bank's risk position in each asset which is classified "Substandard" or "Doubtful" in the current Report of Examination. 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 Superintendent and the Regional Director.

(b) The Classified Asset Plan shall include, at a minimum, the following:

(i) an action plan to review, analyze and document the current financial condition of each classified borrower 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;



(ii) a schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its dollar balance on a quarterly basis);

(iii) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iv) delineated areas of responsibility for loan officers; and

(v) provision(s) for the submission of monthly written progress reports to the Board for review and notation in minutes of the Board meetings.

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

(d) The Bank shall 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 current or any future report of examination, so long as such credit remains uncollected.

(e) The Bank shall 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", "Doubtful", or is listed for "Special Mention" in the current or any future report of examination, and is uncollected, unless the Board, or a designated committee thereof, 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 shall be approved by the Board who shall determine that:

(i) 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;

(ii) 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

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(f) The Board's determinations and approvals shall be recorded in the minutes of the Board meeting and copies shall be submitted to the Superintendent and the Regional Director at such times as the Bank submits the progress reports required by this Order, or sooner upon the written request of the Superintendent or the Regional Director.

#### LOSS CHARGE-OFF

4. The Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the Department and the FDIC in the current 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 Department 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.

#### CONCENTRATIONS

5. (a) Within 30 days from the effective date of this Order, the Bank shall formulate and submit for review as described in subparagraph (b), a written plan to reduce and manage each of the concentrations of credit (including overdrafts and immediate availability on check deposits) identified in the current Report of Examination ("Concentrations Reduction Plan"). At a minimum, the

Concentrations Reduction Plan must provide for written procedures for the ongoing measurement and monitoring of the concentrations of credit, and a limit on concentrations commensurate with the Bank's capital position, business strategy, management expertise, size, location, safe and sound banking practices, and the overall risk profile of the Bank. Such plan shall prohibit any advances that would increase the concentration unless the advance is pursuant to an existing loan agreement and is otherwise permissible pursuant to this Order.

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

#### CAPITAL

6. (a) Within 60 days from the effective date of this Order, the Bank shall meet and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325), after establishing an appropriate ALLL:

- (i) Tier 1 Capital at least equal to 10% of total assets; and
- (ii) Total risk-based Capital at least equal to 15% of total risk-weighted assets.

(b) For purposes of this Order, all terms relating to capital shall be calculated in accordance with Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, and 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.

(c) In the event any capital ratio falls below the minimum required by this Order, the Bank shall immediately notify the Superintendent and the Regional Director; and

(i) within 90 days shall increase capital in an amount sufficient to comply with this Order; or

(ii) within 60 days shall develop a written plan ("Capital Plan") describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth in this Order, as well as a contingency plan ("Contingency Plan") for the sale, merger, or liquidation of the Bank in the event the primary sources of capital are not available within 30 days. The Capital Plan and Contingency Plan shall be submitted for review as described below.

(d) At a minimum, the Capital Plan shall include:

(i) specific plans to achieve the capital levels required under this Order;

(ii) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of the provisions of this Order;

(iii) projections for asset growth and capital requirements, and 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;

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

(v) the primary source(s) from which the Bank will strengthen its capital to meet the Bank's needs; and

(vi) contingency plans that identify alternative sources of capital should the primary source(s) under (v) above not be available.

(e) The Capital Plan and the Contingency Plan shall be submitted to the Superintendent and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Superintendent 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 the Contingency Plan.

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

#### LOAN POLICY

7. (a) Within 60 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 current 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 a 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 that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be reviewed for compliance with Banking Law Section 130 as implemented by Part 321 of the Superintendent's Regulations and Part 11 of the General Regulations of the Banking Board, as well as Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 215, section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3;

(iv) require accurate reporting of past due loans to the Board or the Bank's loan committee at least monthly;

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

(vi) prohibit the capitalization of interest or loan-related expenses unless the Board or the Bank's loan committee provides, in writing, a detailed explanation of why such action is in the best interest of the Bank; and

(vii) 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).

(c) The Loan Policy shall be submitted to the Superintendent and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or comments from the

Superintendent 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.

#### INSIDER TRANSACTIONS

8. (a) No new loans or other extensions of credit shall be granted without the prior written approval or non-objection of the Superintendent and the Regional Director to or for the benefit of any Bank director, executive officer, principal shareholder, or their “related interests,” (as such terms are defined in section 215.2 of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.2), referred to collectively as “insiders”, or any entity or organization in which insiders have a financial interest, or serves as an officer, director, trustee, or partner.

(b) Collateral supporting any loans or other extensions of credit to or for the direct or indirect benefit of any Insider, or any entity or organization in which any Insider has a financial interest, or serves as an officer, director, trustee, or partner, may not be released without the prior written approval or non-objection of the Regional Director and the Superintendent.

#### FORENSIC AUDIT

9. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain an independent third party forensic auditor acceptable to the Superintendent and the Regional Director, who will examine the accounts and lending activities of officers and directors of the Bank, and any transactions involving the related interests of officers and directors of the Bank from beginning June 1, 2007 to the effective date of this Order (“Forensic Audit”).

(b) The Bank shall provide the Superintendent and the Regional Director with a copy of the proposed engagement letter or contract with the independent third party forensic auditor for non-objection or comment before it is executed. Any changes requested to be made in the engagement letter or contract by the Superintendent and the Regional Director, including but not limited to, the

accounts, transactions and lending activities to be examined, shall be made prior to execution by the Bank.

(c) The Forensic Audit shall be completed within 60 days from the effective date of this Order.

(d) Within 30 days after receipt of the completed Forensic Audit the Bank shall implement and enforce an effective system of internal controls, consistent with the findings of the external Forensic Audit.

(e) The Forensic Audit required by this paragraph shall be submitted to the Superintendent and the Regional Director for review and comment. Within 30 days of receipt of any comments from the Superintendent and the Regional Director, the Bank shall incorporate any changes required by the Superintendent and the Regional Director and thereafter adopt, implement, and adhere to the recommendations of the Forensic Audit.

#### BANK SECRECY ACT

10. (a) Within 60 days from the effective date of this Order, the Bank shall develop, adopt, and implement a system of internal controls designed to ensure full compliance with the Bank Secrecy Act (“BSA Internal Controls”) taking into consideration its size and risk profile.

(b) At a minimum, the system of BSA Internal Controls shall include policies, procedures and processes addressing the following areas:

(i) Risk Assessment: The Bank shall conduct an initial and subsequent periodic risk assessments and identification of the Bank’s operations, products and services (“Risk Assessment”) consistent with the guidance for risk assessments set forth in the *Bank Secrecy Act/Anti-Money Laundering Examination Manual* compiled by the Federal Financial Institutions Examination Council ([www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm)) (the “BSA Manual”).

a. The Risk Assessment shall establish appropriate written policies, procedures, and processes regarding Risk Assessments.



b. The Risk Assessment shall include policies and procedures to address risk mitigation factors relating to risk ratings assigned to customers and customer accounts.

(ii) Customer Due Diligence (“CDD”): The Bank shall review and enhance its CDD policies, procedures and processes for new and existing customers to:

a. be consistent with the guidance for customer due diligence and enhanced due diligence set forth in the BSA Manual;

b. operate in conjunction with its CIP; and

c. enable the Bank to predict with relative certainty the types of transactions in which a customer is likely to engage;

(iii) Enhanced CDD: The Bank shall establish enhanced due diligence policies, procedures and processes to identify, understand and monitor new and existing high-risk customers to:

a. be consistent with the guidance for enhanced CDD set forth in the BSA Manual; and

b. operate in conjunction with its CIP, CDD and Enhanced CDD policies, procedures and processes.

(iv) The Bank shall establish procedures to conduct periodic reviews for low and medium-risk customers.

(v) The Bank shall establish procedures for monitoring suspicious activity involving customer check deposits and withdrawal.

(c) These policies, procedures, processes and systems should operate in conjunction with each other and be consistent with the guidance for account/transaction monitoring and reporting set forth in the BSA Manual.

(d) Within 60 days from the effective date of this Order, the Bank shall establish independent testing programs for compliance with the BSA and Office of Foreign Control (“OFAC”) rules and regulations, to be performed on no less than an annual basis. The scope of the testing

procedures to be performed, and testing results, shall be documented in writing and approved by the Board. Minimum testing procedures should be consistent with the guidance for independent testing as set forth in the BSA Manual.

(e) The Bank shall designate a qualified individual or individuals (“BSA Officer”) responsible for coordinating and monitoring day-to-day compliance with the BSA and OFAC laws and regulations. The appointment of a qualified individual shall conform with guidance for the BSA officer position as set forth in the BSA Manual.

(f) The Bank shall develop, adopt and implement a comprehensive and effective risk based training program designed for the Board, management, and staff and their specific duties on all relevant aspects of BSA and OFAC laws, regulations, and Bank policies and procedures that are consistent with the guidance for training as set forth in the BSA Manual. The Bank shall monitor the training program to ensure that the Board, management and staff complete the training in the specified time, and provide an annual certification to the Board regarding the completion of training of the Board, management and staff.

(g) The Bank shall engage a qualified independent firm acceptable to the Superintendent and the Regional Director to conduct a review of accounts and transaction activity, for the time period beginning June 1, 2007 through the effective date of this Order, to determine whether suspicious activity involving any accounts of, or transactions within or through, the Bank was properly identified and reported in accordance with the applicable suspicious activity reporting requirements.

(i) The qualified independent firm shall conduct a review of the Bank’s process relating to the closing procedures of customer accounts subject to suspicious activity monitoring.

(ii) The qualified independent firm shall conduct a review of and validate the automatic and/or manual procedures, processes and systems used by the Bank to detect suspicious activity conducted within or through the Bank.

(iii) The review and validation by the qualified independent firm shall include an assessment of the methodology, software, algorithms and filtering criteria used by the Bank's automated processes and systems in detecting suspicious activity.

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

#### ETHICS POLICY

11. (a) Within 60 days from the effective date of this Order, the Bank shall revise its written ethics policy and procedures with regard to the ethical conduct and other standards of conduct and responsibilities for its directors, officers, employees, and other persons participating in the conduct of the Bank's affairs. At a minimum, the ethics policy and procedures shall address the financial interests and obligations of an individual that are in conflict with such individual's duties and responsibilities, and at a minimum shall contain the following:

(i) Participation, in any manner, in any transaction or extension of credit in which the individual, his or her spouse, child, partner, controlled organization or other related interest is involved; or, in any transaction with, or extension of credit to, an entity in which the individual has a financial interest, or serves as an officer, director, trustee, partner or employee; and

(ii) Receiving portions of the proceeds of extensions of credit made by the Bank to third parties

(b) Within 60 days from the effective date of this Order, the Bank shall develop, adopt and implement a comprehensive conflicts of interest policy. At a minimum such policy must establish specific guidelines for officers and directors of the Bank regarding conflicts of interests and

specifically respond to any recommendations made in the Audit Reports required by this Order. The policy and its implementation shall be submitted to the Superintendent and the Regional Director for approval or non-objection.

#### INTERNAL ROUTINE AND CONTROLS

12. (a) Within 60 days from the effective date of this Order, the Bank shall revise and submit for review, as described in subparagraph (b), the Bank's internal routine and controls policy ("IRC Policy") for the operation of the Bank in such a manner as to provide adequate internal routines and controls consistent with safe and sound banking practices.

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

#### AUDIT PROGRAM

13. (a) Within 60 days from the effective date of this Order, the Bank shall develop internal and external audit programs ("Audit Programs") that establish procedures to protect the integrity of the Bank's operational and accounting systems. At a minimum the Audit Programs shall:

(i) comply with the *Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations* and the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing*;

(ii) provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records; and

(iii) provide for monthly reports of audit findings from the auditors directly to the Board. The minutes of the Board shall reflect consideration of these reports and describe any discussion or action taken as a result thereof.

(b) The Bank shall provide the Superintendent and the Regional Director with a copy of all external audit reports, management letters, and qualifications within 15 days of the Bank's receipt of such report(s). The Board shall address all findings of the external audit reports at its next regular meeting after receipt of the reports. Any action or inaction taken as a result of addressing the reports shall be noted in the minutes of the Board meeting with each individual member's vote recorded.

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

#### CORRECTION OF VIOLATIONS

14. The Bank shall take all steps necessary, consistent with other provisions of this Order and safe and sound banking practices, to, eliminate, correct and prevent unsafe or unsound banking practices, violations of law or regulation, and all contraventions of regulatory policies and guidelines.

#### COMPLIANCE COMMITTEE

15. (a) Within 60 days from the effective date of this Order, the Board shall establish a compliance committee ("Compliance Committee"), the majority of which members shall be "independent", as that term is defined in Paragraph 1(g) of this Order, with the responsibility of ensuring compliance with all provisions of this Order.

(b) The Compliance Committee shall monitor compliance with this Order and submit a written report monthly to the Board, and a copy of the report and any discussion related to the report or this Order shall be made part of the minutes of the Board meeting. Copies of the monthly report shall be submitted to the Superintendent 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.

#### PROFIT AND BUDGET PLAN

16. (a) Within 60 days from the effective date of this Order, and within the first 30 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 ALLL;

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

(iv) an executive compensation plan to address any and all salaries, bonuses and other benefits of every kind or nature whatsoever, both current and deferred, whether paid directly or indirectly. The executive compensation plan shall incorporate qualitative as well as profitability performance standards for the Bank’s Senior Executive Officers;

(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; and

(vi) a recording made in the Board minutes of the results of the budget review and any actions taken by the Bank as a result of the budget review.

(c) The Profit Plan shall be submitted to the Superintendent and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Superintendent and the Regional Director, and after incorporation and adoption of all comments, the

Board shall approve the Profit Plan. Approval of the Profit Plan shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Profit Plan.

(d) Within 30 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.

#### STRATEGIC PLAN

17. (a) Within 60 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 Superintendent and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from

the Superintendent 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 10 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.

#### DIVIDEND RESTRICTION

18. The Bank shall not declare or pay any dividend without the prior written consent of the Superintendent and the Regional Director.

#### PROGRESS REPORTS

19. Within 30 days from the end of each calendar quarter following the effective date of this Order, the Bank shall furnish to the Superintendent and the 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.

#### SHAREHOLDER DISCLOSURE

20. Following the effective date of this Order, the Bank shall provide to its shareholders or otherwise furnish a description of this Order within 45 days of the effective date of this Order. 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 Superintendent for non-objection or comment within 30 days of the effective date of this Order. Any changes requested to be made shall be made prior to dissemination of the description, communication, notice, or statement.



## GENERAL PROVISIONS

21. The provisions of this Order shall be effective on the date of issuance and shall remain effective and binding upon the Bank and each of its directors, officers, employees, agents, successors and assigns.
22. No promise, assurance, representation or understanding, other than those contained in this Order, has been made to induce the Bank and its directors to agree to the provisions of this Order.
23. No provision of this Order shall bar, estop or otherwise prevent or preclude the Department or any federal or state agency or department from taking additional action affecting the Bank or any of its officers, directors or employees.
24. The provisions of this Order shall remain effective and enforceable except to the extent that, and until such time as, any provision of this Order has been modified, terminated, suspended or set aside in writing by the Superintendent and the Regional Director.

## NOTICES

25. All communications regarding this Order shall be sent to:

Yolanda Ford  
Acting Deputy Superintendent of Banks  
New York State Department of Financial Services  
One State Street  
New York, New York 10004

By ORDER of the Superintendent of Financial Services  
this 1<sup>st</sup> Day of July, 2013

NEW YORK STATE DEPARTMENT  
OF FINANCIAL SERVICES

UNITED INTERNATIONAL BANK  
Flushing, New York

By: \_\_\_\_\_  
GAURAV VASISHT  
Executive Deputy Superintendent  
Banking Division  
New York State Department of Financial Services

By: \_\_\_\_\_ date \_\_\_\_\_  
William J. Cardew  
Director

By: \_\_\_\_\_ date \_\_\_\_\_  
Fred T. Hung  
Director

By: \_\_\_\_\_ date \_\_\_\_\_  
Myint J. Kyaw  
(a/k/a Jeffrey Wu)  
Director

By: \_\_\_\_\_ date \_\_\_\_\_  
Dai Hai (Jerry) S.Y.  
Director

By: \_\_\_\_\_ date \_\_\_\_\_  
Yvonne S. Y. Liu  
Director

By: \_\_\_\_\_ date \_\_\_\_\_  
Ian Francis MacKinnon  
Director

By: \_\_\_\_\_ date \_\_\_\_\_  
Raymond Murray Pride  
Director