#2001-115

AGREEMENT BY AND BETWEEN
THE PARK AVENUE BANK, N.A.
NEW YORK, NEW YORK
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Park Avenue Bank, N.A., New York, New York (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination, dated February 12, 2001 (ROE).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Comptroller of the Currency
Kristin A. Kiefer
Assistant Deputy Comptroller
New York Metro Field Office
830 Morris Turnpike, Second Floor
Short Hills, New Jersey 07078

Article II

DEFINITIONS

For purposes of this Agreement, the following definitions shall apply:

(1) "OECD" shall include: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea,

Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom, and the United States.

(2) "Emerging market country" shall include Turkey, Mexico, and any country not part of the OECD as that term is defined in (1).

(3) "Turkish exposure" shall include all direct and indirect obligations of any obligor located in Turkey.

(4) "Emerging market exposure" shall include all direct and indirect obligations of any obligor located in an emerging market country.

(5) "Turkish Insurance coverage" shall include insurance the Bank maintains to cover potential losses on its Turkish exposure.

Article III

CAPITAL AND RISK EXPOSURE LIMITS, CAPITAL MINIMUMS AND CAPITAL PLAN

(1) The Board has determined it is in the Bank's best interest to, and the Bank shall, limit its sovereign risk and foreign exchange risk exposure by not engaging in any transaction:

(a) that results in the bank holding a direct or indirect government obligation of any emerging market country; or

(b) which is denominated in the currency of an emerging market country.

(2) The Bank shall, by November 30, 2001, reduce and thereafter limit its Turkish Insurance coverage to a maximum level of $100 million.

(3) The Bank shall immediately reduce the total deductible related to any Turkish Insurance coverage to a maximum of 75% of Tier 1 capital plus the Allowance for Loan and Lease Losses. If the Bank fails to reduce the deductible to that amount or the deductible at any

time exceeds 75% of Tier 1 capital plus the Allowance for Loan and Lease Losses, then the Bank shall immediately establish a reserve in the amount by which the deductible exceeds 75% of Tier 1 capital plus the Allowance for Loan and Lease Losses. The required reserve shall be not be included in the calculation of the Bank's Tier 1 capital in determining the Bank's compliance with the capital ratios required by this Agreement.

(4) The Bank's total Turkish exposure shall at all times be limited to no more than 250% of Tier 1 capital plus the Allowance for Loan and Lease Losses.

(5) The Bank's total emerging market exposure, including the Bank's Turkish exposure, shall at all times be limited to no more than 500% of Tier 1 capital plus the Allowance for Loan and Lease Losses.

(6) The Bank shall achieve and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

(a) By December 31, 2001:

(i) Tier 1 capital at least equal to 9 percent (9%) of risk-weighted assets;

(ii) Tier 1 capital at least equal to 8 percent (8%) of actual total assets as of December 31, 2001 and each day thereafter.

(b) By March 31, 2002:

(i) Tier 1 capital at least equal to 11 percent (11%) of risk-weighted assets;

(ii) Tier 1 capital at least equal to 10 percent (10%) of actual total assets as of March 31, 2002 and each day thereafter.

(7) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank is not deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(8) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three-year capital program. The program shall be developed in consideration of the Strategic Plan required in Article III, and shall include:

(a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (6);

(b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

(c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

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

(e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and

(f) a dividend policy that permits the declaration of a dividend only:
(i) when the Bank is in compliance with it’s approved capital program;
(ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
(iii) with the prior written non-objection of the Assistant Deputy Comptroller, until the Assistant Deputy Comptroller notifies the Board in writing that such prior non-objection is no longer required.

(9) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for a written determination of no supervisory objection. Upon issuance of such determination by the Assistant Deputy Comptroller, the Bank shall implement and adhere to

the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

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

Article IV

STRATEGIC PLAN

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile and prudent risk diversification, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

(a) a mission statement that forms the framework for the establishment of strategic goals and objectives;

(b) an assessment of the Bank's present and future operating environment;

(c) the development of strategic goals and objectives to be accomplished over the short and long term;

(d) an identification of the Bank’s present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(c) of this Article;

(e) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (1)(c) of this Article;

(f) a management employment and succession program to promote the retention and continuity of capable management;

(g) product line development and market segments that the Bank intends to promote or develop;

(h) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;

(i) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;

(j) control systems to mitigate risks associated with current and planned new products, growth, or any proposed changes in the Bank’s operating environment;

(k) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank’s operating environment; and

(l) systems to monitor the Bank’s progress in meeting the plan’s goals and objectives.

(2) Prior to implementing the strategic plan, the Board shall forward a copy of the plan to the Assistant Deputy Comptroller for a written determination of no objection. If the Board adopts any significant changes to the plan, such changes shall be forwarded to the Assistant Deputy Comptroller for a written determination of no objection, prior to the Board implementing such changes. For purposes of this paragraph, "significant changes" shall include changes involving the Bank's strategy or philosophy, scope of activities, lines of business, funding sources, markets or delivery systems.

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

Article V

TURKISH INSURANCE

(1) Within forty-five (45) days, the Board shall develop, implement and thereafter ensure Bank adherence to a system to effectively monitor the Bank's compliance with the terms and conditions of the Bank's Turkish Insurance coverage.

(2) Within ninety (90) days of the effective date of this Agreement, and at least annually thereafter, the Board shall require Internal or External Audit to review the Bank's compliance with the policies' terms and conditions and provide to the Board, within 30 days of such review, a written report detailing any exceptions, deficiencies or other recommendations noted. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited or to address other audit recommendations in the report. The Board shall also ensure that the auditor maintains a written record describing those actions.

(3) Within thirty (30) days of receiving the auditor's report, the Board shall forward a copy to the Assistant Deputy Comptroller along with the Board's written notification and confirmation of the specific action it has taken to remedy deficiencies cited or to address other recommendations in the report.

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

Article VI

POTENTIAL ACTION BY TURKISH SAVINGS DEPOSIT INSURANCE FUND

(1) The Bank shall immediately notify the Assistant Deputy Comptroller, in writing, of any action, or anticipated action, by the Turkish Savings Deposit Insurance Fund (SDIF), which may impact the Bank, including any attempt by the SDIF to gain control of Mr. Erol Aksoy's ownership interest in the Bank or any attempt to attach or seize Bank assets.

(2) The Board shall not comply with any request or order of the SDIF regarding the Bank without receiving the prior written non-objection of the Assistant Deputy Comptroller.

(3) The Board shall engage counsel to provide a written opinion, within forty-five (45) days, which addresses:

(a) whether and under what circumstances the SDIF may seize any or all of Mr. Erol Aksoy's 95% ownership interest in the Bank;

(b) whether and under what circumstances the SDIF may take action with regard to the Bank or its assets, including seizure or liquidation of such assets;

(4) Within thirty (30) days of receiving the opinion of counsel required in paragraph (3), the Board shall develop a plan identifying specific actions the Bank shall take in anticipation of or in response to, any action or potential action by the SDIF regarding the Bank.

(5) Upon completion, the Board shall forward a copy of the plan, and counsel's opinion, to the Assistant Deputy Comptroller.

Article VII

LIQUIDITY

(1) The Board shall, within fifteen (15) days, review the Bank's liquidity contingency plan to ensure the plan enables the Bank to maintain a liquidity level sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base. The plan shall set forth actions the Bank will take to maintain adequate liquidity in relation to the Bank's needs and identify the triggers at which management will be required to take such actions. Actions identified in the Bank's liquidity contingency plan may include:

(a) reduction of wholesale or credit sensitive liabilities and/or increase of liquid assets;

(b) selling assets;

(c) obtaining lines of credit from the Federal Reserve Bank;

(d) obtaining lines of credit from correspondent banks;

(e) recovering charged-off assets; and

(f) injecting additional equity capital.

(2) The Board shall review the Bank's liquidity biweekly. Such reviews shall consider:

(a) a maturity schedule of certificates of deposit, including large uninsured deposits;

(b) geographic disbursement of and risk from brokered deposits;

(c) geographic disbursement of and risk from national market certificates of deposit;

(d) the amount and type of loan commitments and standby letters of credit;

(e) an analysis of the continuing availability and volatility of present funding sources; and

(f) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans;

(3) The Board shall take appropriate action to ensure adequate sources of liquidity in relation to the Bank's needs. Biweekly reports shall set forth liquidity requirements and sources and establish a contingency plan. Copies of these reports shall be forwarded to the Assistant Deputy Comptroller in the Bank’s monthly report to the Assistant Deputy Comptroller.

Article VIII

SENSITIVITY TO MARKET RISK

(1) Within ninety (90) days, the Board shall revise, implement and thereafter ensure Bank adherence to foreign exchange risk and interest rate risk policies and practices, which provide for:

(a) the establishment and periodic review of prudent foreign exchange position limits, including nature, amount and tenor, for each currency in which the Bank deals or will deal. In establishing these limits, the Board and management shall consider current political and economic factors that may impact exchange rates to ensure the Bank does not take unwarranted risk positions in unstable or potentially unstable currencies.

(b) the establishment of contingency plans that identify actions the Bank will take to reduce the risk of loss on currency positions that pose increasing risk due to unanticipated exchange rate fluctuations and the triggers at which management will be required to take such actions.

(c) the establishment of prudent limits on the nature and amount of interest rate risk to which the Bank may be exposed. In developing these limits, the Board shall specifically consider balance sheet items that are subject to high interest rate volatility, including foreign bank placements;

(d) the establishment of adequate parameters for interest rate risk simulation models, to enable the Bank to rate shock products sensitive to extreme rate changes, including foreign bank placements, so the Bank can effectively determine potential earnings at risk;

(e) the enhancement of interest rate risk measurement reports, including gap and simulation reports, to ensure effective measuring and monitoring of the Bank's performance and overall interest rate risk position; and

(f) the Board's periodic review of the Bank's adherence to the revised policies and practices.

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

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

Article IX

CREDIT RISK MANAGEMENT

(1) Within one hundred-twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the high level of credit risk in the Bank. The program shall include:

- (a) revising the Bank's lending policy to include prudent underwriting standards and risk limits for each type of lending in which the Bank engages or intends to engage, including working capital loans in the Bank's Turkish loan portfolio. Underwriting standards shall specify:
  - (i) permissible structure and terms, including tenor of maturities; principal and interest payment requirements, collateral and collateral documentation requirements; financial statement requirements, guarantor requirements; and required convenants,
  - (ii) the requirement to identify loan purpose,
  - (iii) the requirement to identify the primary and secondary sources of repayment;
- (b) developing and implementing a formal approval procedure for the granting of any loan not in conformance with the policy revisions required in (a).
- (c) developing and implementing a policy exception tracking system, including appropriate management reports, which enables the Board and

management to determine the extent to which the Bank has extended credit not in conformance with the policy revisions or exception approval procedures required in (a) and (b), respectively;

(d) identifying actions the Board will require management to implement to address exceptions to policy;

(e) strengthening management of the financial credit analysis function to ensure that each borrower's financial condition is thoroughly reviewed and analyzed before credit is extended and that updated borrower financial information is reviewed and analyzed upon receipt;

(f) ensuring the Bank's internal risk rating process complies with regulatory guidelines for proper and timely risk rating of all credit facilities;

(g) ensuring future loan growth is well planned, controlled, supported by sufficient capital and consistent with the Bank's strategic plan;

(h) establishing procedures to track and analyze concentrations of credit (as defined in the Loan Portfolio Management booklet, A-LPM of the Comptroller's Handbook) to identify and assess inherent credit, liquidity and interest rate risks; and

(i) developing actions plan, approved by the Board, to reduce the risk of any concentration deemed imprudent as a result of the analysis required in (h).

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

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

Article X

COUNTRY RISK MANAGEMENT

(1) The Bank shall, within thirty (30) days, develop, or review and revise where appropriate, and submit to the Board for approval, country risk management policies addressing, at a minimum, the following:

(a) establishment, adherence and enforcement of prudent country risk limits as a percentage of Tier 1 capital plus the Allowance for loan and lease losses, consistent with the 500% limit on emerging market exposure in Article III;

(b) establishment of credit rating sublimits within each country, where appropriate;

(c) establishment of aggregate credit rating limits as a percentage of Tier 1 capital plus the Allowance for loan and lease losses.

(d) establishment of prudent credit underwriting standards and monitoring practices to substantiate the purchase of, pursuant to the Bank's lending authority, securities ineligible under 12 C.F.R. Part 1.

(2) Following approval by the Board and prior to any increase in emerging market exposure, a copy of the policies adopted in paragraph (1) shall be submitted to the Assistant Deputy Comptroller for no supervisory objection.

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

Article IX

COMPLIANCE COMMITTEE

(1) Within ten (10) days, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be employees of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the appointment of the Committee and every thirty-(30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) actions taken to comply with each Article of this Agreement;

(b) the results of those actions; and

(c) a description of the actions needed to achieve full compliance with each Article of this Agreement.

(4) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the Report of Examination or in any future Report of Examination.

(5) Within ten (10) days of receipt, the Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller.

Article X

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or a written determination of no objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

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

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

Dated: October 23, 2001

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

/s/ Kristin A. Kiefer	11/2/01
Kristin A. Kiefer Assistant Deputy Comptroller Office of the Comptroller of the Currency	Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed	10/26/2001
Erol Aksoy	Date
Signed	10/26/2001
Melih Dogan	Date
Signed	10/26/01
Vincent J. Love	Date
Signed	10/26/01
Barrie Lattman	Date
Signed	10/26/01
David M. Mace	Date
Signed	10/26/01
James Peale	Date
Signed	10-26-01
Omer Tigrak	Date
Signed	10/26/01
Emad A. Zikry	Date