

#2003-11

**AGREEMENT BY AND BETWEEN
BANK OF COMMUNICATIONS, NEW YORK BRANCH
NEW YORK, NEW YORK
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his staff has examined Bank of Communications, New York Branch (“Branch”), which is a Federal Branch of Bank of Communications, Shanghai, People’s Republic of China (“Bank”), and his findings are contained in the Report of Examination, dated June 30, 2002 (“ROE”).

The Branch, by and through its General Manager, duly authorized by the Bank, and the Comptroller, pursuant to the authority vested in him by the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 *et seq.*, and the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, through his authorized representative, agree that the Branch 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 “final Agreement” within the meaning of 12 U.S.C. § 1818(u).

ARTICLE II - STRATEGIC PLAN

(1) Within ninety (90) days, the General Manager shall adopt, implement, and thereafter ensure Branch adherence to a written strategic plan for the Branch covering at least a three-year period. The strategic plan shall establish objectives for the Branch's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital equivalency deposit adequacy, reduction in the volume of problem assets, and product line development and market segments that the Branch 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 Branch's present and future operating environment;
- (c) the development of strategic goals and objectives in conjunction with the Bank's Head Office ("Head Office") to be accomplished over the short- and long-term;
- (d) an identification of the Branch's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in paragraph (1)(c) of this Article;
- (e) an action plan to improve Branch earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (f) 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;

- (g) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Branch's operating environment and;
- (h) procedures to monitor the Branch's progress in meeting the plan's goals and objectives.

(2) Upon adoption, a copy of the plan shall be forwarded to the Director for Special Supervision/Fraud ("Director") for review and prior determination of no supervisory objection.

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

ARTICLE III – GENERAL MANAGER TO ENSURE COMPETENT MANAGEMENT

(1) The General Manager shall ensure that the Branch has competent management in place on a full-time basis in order to effectively implement the Branch's strategic plan. The General Manager shall also ensure that its Senior Loan and Line Officer positions have the requisite level of competence and experience to carry out the General Manager's policies, ensure compliance with this Formal Agreement, applicable laws, rules and regulations, and manage the day-to-day lending operations of the Branch in a safe and sound manner.

(2) Within thirty (30) days of receipt of no supervisory objection to the strategic plan submitted pursuant to Article II, the General Manager shall ensure that the Branch has in place current, updated job descriptions, which includes duties and responsibilities, for each Branch management position, including the lending department management. The General Manager shall review the capabilities of the Branch's management, including the lending department management, to perform present and anticipated duties, and assess each of these officers' experience, other qualifications and performance compared to their position's job description.

The General Manager will determine whether management changes should be made, including the need for additions to or deletions from current management.

(3) If the General Manager determines, pursuant to paragraph (2), that an officer will continue in his position but that the officer's skills needs improvement, the General Manager will within thirty (30) days of such determination, develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Branch.

At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively and identify risk effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Branch's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Director.

(4) If an officer position is vacant now or in the future, including if the General Manager terminates an officer or realigns an existing officer's responsibilities and a position becomes vacant, the General Manager shall within sixty (60) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Branch's compliance with this Formal Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

ARTICLE IV - MANAGEMENT INFORMATION SYSTEMS FOR THE LOAN PORTFOLIO

(1) Within ninety (90) days, the General Manager shall develop, implement, and thereafter ensure Branch adherence to a written program establishing an effective management information system (“MIS”) that facilitates risk identification, establishes controls, and delivers accurate information for timely review. In so doing, the General Manager shall identify the Branch’s specific information requirements, particularly regarding the loan portfolio, and establish effective reporting mechanisms to guide decisions. The program shall, at a minimum, include procedures for:

- (a) establishing controls to ensure the accuracy and confidentiality of information;
- (b) ensuring that data are processed and compiled uniformly to facilitate meaningful trend analysis, and provide for future systems changes;
- (c) producing complete and relevant information in a summarized form, for Head Office, General Manager, and Management Reports, to permit effective decision-making;
- (d) identifying, recording, and tracking missing, incomplete, or imperfect loan and collateral documentation;
- (e) generating periodic reports, on at least a monthly basis, which identify emerging problem loans, and identified problem loans;
- (f) maintaining a system by which the Head Office and General Manager can identify at the time of the extension of credit, the aggregate credit extended by the Branch to that customer of the Branch;

- (g) maintaining systems and reports, which identify and analyze loan portfolio concentrations, including, but not limited to, commitments, by type, collateral and location;
- (h) maintaining a system to calculate each loan portfolio concentration as a percentage of total assets and the Capital Equivalency Deposit;
- (i) reviewing the adequacy of the current Information Technology Systems and their ability to support the lending function; and
- (j) producing the information, which is listed in any Report of Examination or supervisory review, that is necessary to effectively supervise the entire loan portfolio.

(2) The General Manager shall ensure that the Branch has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(3) Upon completion, the General Manager shall submit a copy of the program to the Director.

ARTICLE V - CREDIT RISK

(1) Within ninety (90) days, the General Manager shall develop, implement, and thereafter ensure Branch adherence to a written program to reduce the high level of credit risk in the Branch as identified in the ROE. The program shall include, but not be limited to:

- (a) procedures to strengthen credit underwriting and renewal criteria, particularly in the trade company and syndicated loan portfolios;
- (b) procedures to strengthen management of loan operations and to maintain an adequate, qualified staff in all lending areas;

(c) procedures for strengthening the collection of outstanding credits including those loans which are past due or have been previously charged-off; and

(d) an action plan to control the growth in the Syndicated Loan portfolio.

(2) Upon completion, the General Manager shall submit a copy of the program to the Director.

(3) At least quarterly, the General Manager shall prepare a written assessment of the Branch's credit risk, which shall evaluate the Branch's progress under the aforementioned program. Upon completion, the General Manager shall submit a copy of this assessment to the Director.

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

ARTICLE VI - LOAN WORKOUT DEPARTMENT

(1) Within thirty (30) days, the General Manager shall ensure that the loan workout program is separate from the Loan Department for the purpose of restoring and reclaiming classified assets, consistent with OCC Banking Circular 255.

(2) Within sixty (60) days, the General Manager shall ensure that its workout officer has the demonstrated experience and skills in managing a loan workout program to manage the disposition of problem loans. This individual shall report to the General Manager or Deputy General Manager of the Branch and shall be independent of the Branch's credit origination function.

(3) Within ninety (90) days, the General Manager or the Deputy General Manager shall take all steps necessary to improve the operation of the Branch's workout function including, but not limited to:

- (a) the establishment of policies and procedures to distinguish assets that should be managed by the loan workout program from assets that should be managed by the originating unit;
- (b) the establishment of policies and procedures to require assets that remain with the originating unit are managed according to the standards applicable to the loan workout program;
- (c) the development and implementation of management information systems to track workloads and staffing requirements within the loan workout program; and
- (d) the development and implementation of management information systems to measure the success of workout activities.

(6) The General Manager shall ensure that the loan workout program receives staffing and funding support necessary to maintain its sound operation.

ARTICLE VII – CRITICIZED ASSETS

(1) The Branch shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination or supervisory review.

(2) Within thirty (30) days, the General Manager shall adopt, implement, and thereafter ensure Branch adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE. For each asset criticized in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management

by the National Bank Examiners during any examination or supervisory review, as "doubtful," "substandard," or "special mention." the General Manager shall, within sixty (60) days of such criticism for Syndicated Loans and thirty (30) days of such criticism for all other loans, adopt, implement, and thereafter ensure Branch adherence to a written program designed to eliminate the basis of criticism. Each program shall, at a minimum, include:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and, where applicable, the position of the Bank's lien on such collateral;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding two hundred and fifty thousand dollars (\$250,000) shall be forwarded to the Director.

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

(5) The General Manager, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset, or criticized portion thereof, that equals or exceeds two hundred and fifty thousand dollars (\$250,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and

(d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Director and the Portfolio Manager on a monthly basis (in a format similar to Appendix A, attached hereto).

(7) The Branch may only extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination or supervisory review and whose aggregate loans or other extensions exceed two hundred and fifty thousand dollars (\$250,000) if each of the following conditions are met:

(a) The General Manager or designated committee:

(i) finds that the extension of additional credit is necessary to promote the best interests of the Branch;

(ii) compares the extension of additional credit to the written program adopted pursuant to this Article and determines that the Branch's formal plan to collect or strengthen the criticized asset will not be compromised; and

(iii) records; in writing, why such extension is necessary to promote the best interests of the Branch.

(b) A copy of the approval of the General Manager or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE VIII - INTERNAL LOAN REVIEW

(1) Within thirty (30) days, the General Manager shall ensure that the Branch's loan review system is effective and independent and that the on-going loan review system reviews, at

least quarterly, the Branch's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the General Manager after each review and shall use a loan and lease grading system consistent with the guidelines set forth in the Comptroller's Handbook for Rating Credit Risk dated April 2001. Such reports shall, at a minimum, include conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;
- (d) credit and collateral documentation exceptions;
- (e) the identification and status of credit related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;
- (g) concentrations of credit;
- (h) loans and leases to officers of the Branch (and their related interests); and
- (i) loans and leases not in conformance with the Branch's lending and leasing policies, including where exceptions to the Branch's lending and leasing policies have been approved.

(2) Within ninety (90) days, the General Manager shall develop, implement, and thereafter ensure Branch adherence to a written program providing for independent review of problem loans and leases in the Branch's loan and lease portfolios, on at least a quarterly basis, for the purpose of monitoring portfolio trends. The program shall require a quarterly report to

the General Manager. At a minimum, the program shall provide for an independent reviewer's assessment of the Branch's:

- (a) monitoring systems for early problem loan identification to ensure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, indirect dealer, and individual lending officer;
- (c) system for monitoring previously charged-off assets and their recovery potential;
- (d) system for monitoring compliance with the Branch's lending policies and laws, rules, and regulations pertaining to the Branch's lending function; and
- (e) system for monitoring the adequacy of credit and collateral documentation.

(3) Upon implementation, the General Manager shall submit the written program to the Director.

(4) The General Manager shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(5) A copy of the reports submitted to the General Manager, as well as documentation of the action taken by the Branch to collect or strengthen assets identified as problem credits, shall be preserved in the Branch.

ARTICLE IX - SPECIAL CONSULTANT

(1) Within ninety (90) days, the Branch shall employ an independent outside consultant (“Consultant”) to review the Branch’s trading company/trade finance portfolio. Prior to employment of the Consultant, the name and the qualifications of the Consultant considered for employment shall be submitted to the Director for prior determination of no supervisory objection. However, failure to exercise any objection shall not constitute approval or endorsement of the Consultant.

(2) The Consultant shall review all trading company/trade finance extensions of credit focusing particular attention on collateral controls and, at a minimum, include:

- (a) identification and analysis of the borrower’s affiliate and subsidiary relationships and transactions;
- (b) analysis of the source of funds originating from other banks that are transferred to the Branch for payment on these loans;
- (c) analysis of the quantity and quality of current financial information and existing loan covenants;
- (d) analysis of the Branch’s collateral for each loan to include lien perfection and other ancillary items, including, but not limited to, current status of state incorporations and confirmation of real estate tax payments;
- (e) analysis of the transaction and supporting documentation to determine if the transaction or documents appear fraudulent or indicate suspicious activity;
- (f) an evaluation of the invoice lending process and structure, the benefits to the Branch and identification of standards for invoice financing; and

- (g) development of appropriate action plans including exit strategies and trigger events/dates for further action.

(3) Within ninety (90) days of employment, the Consultant shall submit a written report to the General Manager and the Director that shall include:

- (a) a description of the scope of the review;
- (b) table(s) setting forth the aggregate extensions of credit to the trading company borrowers and related interests; and;
- (c) recommendations with regard to the findings in Paragraph (2) above.

The Consultant shall also submit to the Director all supporting documentation for the Consultant's report required under this Article.

ARTICLE X - BANK SECRECY ACT/ANTI-MONEY LAUNDERING PROGRAM

(1) Within one hundred twenty (120) days, the Branch shall strengthen its compliance program to ensure that satisfactory systems, controls and supervision exist in order to appropriately identify, measure, monitor and control compliance risk. At minimum, this written program shall include:

- (a) ensuring that the Branch has a Compliance Officer with the requisite level of experience to effectively develop and administer the compliance program, especially as it relates to know your customer/enhanced due diligence and suspicious activity recognition;
- (b) ensuring that the Compliance Officer's periodic reviews are expanded to include independent transactional testing of all risk exposures in order to determine the effectiveness of departmental suspicious activity monitoring and reporting processes;

- (c) continuing to retain an external individual or entity for the purpose of advising the Branch on compliance issues and aiding in the development and implementation of an effective and comprehensive Branch compliance program. This aid shall, at a minimum, include developing adequate monitoring procedures at the departmental level as well as procedures for the Compliance Officer to test the effectiveness of each department's monitoring efforts;
- (d) a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act and the Office of Foreign Assets Control (“OFAC”), including the currency reporting and monetary instrument and funds transfer record keeping requirements, and the reporting requirements associated with Suspicious Activity Reports (“SARs”) pursuant to 12 C.F.R. Part 21, Subpart B;
- (e) a written program to establish a system of internal controls and processes to ensure compliance with the requirements of the OFAC. At a minimum, this written program shall establish procedures for monitoring all account activity, including, but not limited to, activity in credit accounts, deposit accounts, and trade settlement accounts, identifying and reporting any prohibited transactions, and auditing Branch compliance with OFAC; and
- (f) implementing all recommendations identified in the ROE, in subsequent Reports of Examination, or by the Compliance Officer.

(2) Upon completion, a copy of this program shall be submitted to the Director for review. In the event the Director recommends changes to the program, the General Manager shall immediately incorporate those changes into the program.

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

ARTICLE XI - ACCOUNT-OPENING AND MONITORING

(1) Within one hundred twenty (120) days, the Branch shall adopt, implement and thereafter adhere to an expanded account-opening program for all accounts by requiring:

- (a) identification of all account owners and beneficial owners;
- (b) for business accounts, identification of, as applicable, the officers, directors, Major Shareholders, and partners, of the business; and
- (c) information to ensure that the Branch understands the nature of the customer's business or occupation and the type of activity that can therefore be expected in the customer's account(s), including an understanding of the customer's principal line of business, primary trade area and whether international transactions are expected to be routine, description of the business operations, and anticipated volume of cash and total sales.

(2) For purposes of this Agreement, the term "Major Shareholder" shall mean any individual or entity that owns, controls, or has the power to vote ten percent (10%) or more of a company's voting stock.

(3) The program shall contain procedures that specify the type of information that the Branch must obtain from each customer identified under paragraph (1), to include, at a minimum:

- (a) name;
- (b) date of birth;
- (c) residence and, if different, mailing address; or for business accounts principal place of business and, if different, mailing address;
- (d) taxpayer identification number or for non-U.S. persons a U.S. taxpayer identification number; passport number and country of issuance; alien identification card number; or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

(4) The program shall contain procedures for verifying information obtained pursuant to paragraph (2) through:

- (a) documents, which may include:
 - (i) for individuals, unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard; and
 - (ii) for corporations, partnerships, trusts and persons other than individuals, documents showing the existence of the entity, such as registered articles of incorporation, a government-issued business license, partnership agreement, or trust instrument; or through

- (b) other verification methods, which may include independently verifying documentary information through credit bureaus, public databases, or checking references with other financial institutions.

(5) The program must include procedures for determining whether the customer appears on any list of known or suspected terrorists or terrorist organizations provided to the Branch by any federal government agency or any OFAC list. The procedures must also ensure that the Branch follows all federal directives issued in connection with such lists.

(6) Prior to renewing or modifying an existing customer's account, the Branch shall obtain the information required by this Article.

(7) The Branch shall not open any new account, and shall immediately close any existing account, if the information required by this Article is not received by the Branch.

(8) Within one hundred twenty (120) days, the Branch shall adopt, implement and thereafter adhere to:

- (a) a system for identifying high-risk customers; and
- (b) procedures for regular, on-going review of account activity of high-risk customers to monitor and report suspicious activity.

(9) Beginning in 2003, all account officers within the Branch shall periodically review, not less than annually, all account documentation for all accounts administered by or originated through the account officer and all other Related Accounts of those customers that are maintained at the Branch to determine if the account activity is consistent with the customer's occupation or business and the stated purpose of the account. This paragraph shall apply to all deposit accounts the balance of which reached or exceeded one hundred thousand dollars (\$100,000) at any time during the previous twelve (12) month period (aggregating all Related

Accounts). Documentation of the reviews required by this paragraph shall be submitted to the Compliance Officer.

(10) For purposes of this Agreement, the term “Related Accounts” shall be broadly construed and includes:

- (a) all accounts at the Branch for which there are common signatories, directors, officers, addresses, or phone numbers;
- (b) all accounts at the Branch of relatives of the customer, whether by blood or marriage, including, but not limited to, spouse, sons, daughters, son-in-law, daughters-in-law, and parent;
- (c) all accounts of any corporation, partnership, joint enterprise or other enterprise, or undertaking whatsoever, controlled by or operated substantially in the interest of any of the Branch’s customer; where “control” shall be defined as ownership, whether direct or indirect, of ten percent (10%) of more of the stock or other evidence of capital or equity ownership of any such organization; and where “substantial interest” shall be defined as derivation, in any manner whatsoever, of income of ten thousand dollars (\$10,000) or more per annum as a result of the operation of any such organization;
- (d) all accounts where the Branch’s customer exercises control or authority over the account holder;
- (e) all accounts of any Affiliate (as defined in 12 U.S.C. § 371c) of the Branch’s customer; and
- (f) any accounts so designated by the Director.

(11) All information obtained by the Branch shall be maintained by the Branch in each customer's file, or, if no customer relationship is opened, maintained by the Compliance Officer.

(12) The Branch shall not open any type of account for a customer, and shall terminate all accounts of a customer, if the information available to the Branch indicates that the customer's relationship with the Branch would be detrimental to the reputation risk of the Branch or the Bank.

ARTICLE XII – SUSPICIOUS ACTIVITY REPORTS

(1) The Branch shall immediately develop, implement, and thereafter ensure Branch adherence to a written program to establish a system of internal controls and processes to ensure compliance with the requirements to file Suspicious Activity Reports set forth in 12 C.F.R. § 21.11, as amended. At a minimum, this written program shall establish procedures for identifying, monitoring and reporting known or suspected violations of Federal law, including violations of the Bank Secrecy Act, and suspicious activity, including suspicious activity relating to the opening of new accounts, the monitoring of current accounts, the processing of Trade Settlement Transactions, the extension of credit, and the transfer of funds through the Branch.

(2) The Compliance Officer shall ensure that SARs are filed on all customers who submitted, or are believed to have submitted, fraudulent trade, credit or other documentation, and on all customers for whom any review conducted by or on behalf of the Branch indicated fraud and/or suspicious activity. If a SAR is filed on any customer pursuant to this paragraph, each additional Trade Settlement Transaction, if any, conducted by the Branch for the account of that customer (including any Related Account of the customer), or each additional extension of credit, if any, conducted by the Branch, must be approved in writing, and in advance, by the Compliance Officer or the General Manager of the Branch.

(3) For purposes of this Agreement, the term “Trade Settlement Transaction” shall be broadly construed and includes:

- (a) Letters of credit;
- (b) Trust Receipt Financing;
- (c) Documentary collections;
- (d) Payments against invoices;
- (e) Discounting or creating bankers acceptances;
- (f) Payments against sight drafts;
- (g) Any other transaction customarily supported by bills of lading, commercial invoices, or other trade documents; and
- (h) Any type of transaction so designated by the Director.

(4) Upon completion, a copy of this program shall be submitted to the Director for review. In the event the Director recommends changes to the program, the Branch shall immediately incorporate those changes into the program

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

ARTICLE XIII – FUNDS TRANSFER

(1) Within ninety (90) days, the General Manager shall submit to the Director an action plan detailing what measures will be taken to reduce the level of wire transfers requiring manual remediation that occur for both outgoing payment requests initiated by domestic branches in China as well as incoming wires received from other banks on behalf of the Head Office or the Bank’s domestic branches, and the timeframe for corrective action.

ARTICLE XIV – MONTHLY PROGRESS REPORTING

(1) The Branch shall submit to the Director monthly progress reports. These reports shall set forth in detail:

- (a) actions taken to comply with Articles II through XIII of the Agreement;
- (b) results of those actions; and
- (c) a description of the actions, if any, needed to achieve full compliance with each Article of this Agreement.

(2) The progress reports shall also include any actions initiated in response to the comments in the ROE or in any subsequent Report of Examination.

ARTICLE XV - CLOSING

(1) Although the Branch is required to submit certain proposed actions and programs for review or approval of the Director, the Bank and the General Manager have the ultimate responsibility for the proper and sound management of the Branch as well as compliance with all of the provisions contained in this Agreement.

(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 Branch, 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.

(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.

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

/s/ Ronald G. Schneck

2/4/02

Ronald G. Schneck
Director for Special Supervision/Fraud

Date

IN TESTIMONY WHEREOF, the undersigned General Manager, authorized by the Bank to enter into this Agreement, has irrevocably hereunto set his hand on behalf of the Branch.

Signed

January 31, 2003

De Cai Li, General Manager
Bank of Communications, New York Branch

Date

APPENDIX A

**BANK OF COMMUNICATIONS, NEW YORK BRANCH
NEW YORK, NEW YORK**

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S):

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM
(repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds two hundred and fifty thousand dollars (\$250,000) and retain the original in the credit file for review by the examiners. Submit your reports monthly until notified otherwise, in writing, to the Director for Special Supervision/Fraud.