

AGREEMENT BY AND BETWEEN
NexTier Bank NA
Evans City, PA
and
The Comptroller of the Currency

NexTier Bank NA, Evans City, Pa. (“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 has found unsafe or unsound banking practices relating to Board of Directors (“Board”) and management oversight of the credit portfolio, asset quality, credit administration practices, and violations of appraisal regulations at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting 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) The Bank was notified, per the Letter dated November 16, 2009, that the Bank is designated in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Letter stipulates that the Bank will not be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) 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:

James M. Calhoun, Assistant Deputy Comptroller
Office of the Comptroller of the Currency
Pittsburgh Field Office
Building 2, Suite 300
4075 Monroeville Blvd.
Monroeville, PA 15146

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least four (4) directors, of which no more than one (1) shall be an employee or controlling shareholder 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 and, in the event of a change of the membership, the name of any new member 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 date of this Agreement and monthly thereafter until further notice, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:
 - (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
 - (b) actions taken to comply with each Article of this Agreement; and
 - (c) the results and status of those actions.
- (4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

BOARD TO ENSURE COMPETENT CREDIT MANAGEMENT

- (1) Within ninety (90) days, the Board shall ensure that the Bank has competent management in place on a full-time basis in its Senior Executive Lending Officer position to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.
- (2) Within thirty (30) days, the Board shall review the capabilities of the Bank's credit management to perform present and anticipated duties and the Board will determine whether management changes will be made, including the need for additions to or deletions from current management.

(3) If the Board determines that an officer will continue in his/her position but that the officer's depth of skills needs improvement, the Board will within sixty (60) days develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Bank. 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;
- (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 Bank's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(4) If a position mentioned in Paragraph (1) of this Article is vacant in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, the Board shall within ninety (90) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(5) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" booklets of the Comptroller's

Licensing Manual, together with a legible fingerprint card for the proposed individual;

- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(6) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(7) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

ARTICLE IV

PROFIT IMPROVEMENT PLAN

(1) Within sixty (60) days, the Board shall update and revise its 2010 budget and profit plan and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) identification of the major areas and a description of the operating assumptions that form the basis for major projected income and expense components impacting the Bank's operating performance, including but not limited to operating expense cost increases/reduction, credit losses, loan loss provisions, net interest margins, goodwill adjustments and any extraordinary expenses or gains and

- (b) realistic and comprehensive budget, including quarterly projected balance sheet and a year-end income statement.

(2) By November 30, 2010, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan for 2011 and annually thereafter to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance, including but not limited to operating expense cost increases/reduction, credit losses, loan loss provisions, net interest margins, goodwill adjustments and any extraordinary expenses or gains; realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (b) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (c) a description of the operating assumptions that form the basis for major projected income and expense components.

(3) The budgets and related documents required in paragraph (1) above for 2010 and paragraph (2) above for 2011 and beyond shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (2) above for each year this Formal Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(4) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

(5) 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

STRATEGIC PLAN

(1) By November 30, 2010, 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, 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, including an assessment of whether the sale, merger, or liquidation of the Bank is in the best interests of the Bank, its shareholders, and its depositors;
- (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 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) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon

receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the strategic plan.

(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 VI

CAPITAL PLAN and HIGHER MINIMUMS

(1) The bank shall achieve by June 30, 2010, and thereafter maintain, the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to six percent (6%) of risk weighted assets;
- (b) Total risk based capital at least equal to ten percent (10%) of risk weighted assets; and
- (c) Tier 1 capital at least equal to five percent (5%) of adjusted total assets.

(2) The bank shall achieve by September 30, 2010, and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to eleven percent (11%) of risk weighted assets;
- (b) Total risk based capital at least equal to thirteen percent (13%) of risk weighted assets; and
- (c) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets.

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

(4) By November 30, 2010, the Board shall develop, implement, and thereafter ensure Bank adherence to a three year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital levels;
- (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, including an assessment of whether the sale, merger, or liquidation of the Bank is in the best interests of the Bank, its shareholders, and its depositors; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(5) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from 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.

(6) 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 VII

LIQUIDITY CONTINGENCY FUNDING PLAN

(1) Within thirty (30) days, the Board shall implement an effective Liquidity Contingency Funding Plan to ensure that the bank has sufficient existing and alternative liquidity sources to fund operations under adverse liquidity circumstances. At a minimum, the plan shall incorporate the requirements detailed in the Liquidity Contingency Funding Plan Matter Requiring Attention in the July 27, 2009 Report of Examination (hereafter “2009 ROE”).

(2) Upon adoption, the plan shall be implemented, the Board shall thereafter ensure Bank adherence to the plan, and a copy of the plan 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 VIII

LOAN REVIEW

(1) The Board shall within thirty (30) days engage a sufficiently experienced and qualified independent loan review firm, subject to OCC concurrence, to evaluate the bank's loan portfolio.

(2) Within ninety (90) days after engagement, the independent loan review firm shall provide a written report, which should, at a minimum, include a conclusion on the following:

- (i) the accuracy of assigned risk ratings to individual credits and credit relationships, and the timeliness of risk rating changes;
- (ii) the appropriateness of loan underwriting and structures (term, repayment, loan covenants, interest rate, etc.);
- (iii) the quality and completeness of financial information, in particular on guarantors and contingent liabilities, noting any exceptions;
- (iv) the adequacy and timeliness of collateral valuations, noting any exceptions;
- (v) the level of financial statement and collateral documentation exceptions relative to volume and other risk metrics;
- (vi) the appropriateness of extensions or renewals;
- (vii) the appropriateness and timeliness of impairment and loan loss recognition;
- (viii) the adequacy of problem loan action plans in removing the basis for criticism, protecting the bank's interest and providing sufficient

disclosure to the board so that they may independently measure progress or determine if management actions are sufficient;

(ix) the level of compliance with regulatory guidance, particularly OCC Bulletins 2009-32 – Guidance on Prudent CRE Loan Workouts; 2006-47 – Interagency Policy Statement on the Allowance for Loan and Lease Losses; and 2006-46 Concentrations in Commercial Real Estate Lending and Sound Risk Management Practices;

(x) the adequacy of the ALLL and

(xi) any violations of law or regulation.

(3) Within one hundred twenty days (120) days after the engagement, the independent loan review firm shall provide a written report, which should, at a minimum, include a conclusion on the following:

- (i) the adequacy of lending personnel qualifications and lending department staffing levels;
- (ii) the quality of loan reporting at the line, management and Board levels given the Bank's credit risk profile;
- (iv) key credit metrics, which at a minimum includes: loan growth, concentrations, problem loans, past due loans, non-accrual loans, loan losses, ALLL levels, and other real estate owned;

- (iv) the level of compliance with Bank policy, the volume and trends in exceptions to Bank policy as measured against portfolios, risk rated credits, and capital.

(4) To accomplish the objectives listed in (1) above, the loan review firm shall review a sample of individual loans. The sample shall, at a minimum, include but not be limited to:

- (b) all loans in the Arizona portfolio;
- (c) all construction, land, and land development loans;
- (d) all loans risk rated Pass/Watch or Special Mention or worse above \$250,000;
- (e) 60% (sixty percent) of the commercial real estate portfolio inclusive of (2)(a), (2)(b), and (2)(c) above;
- (f) a sample of loans considered to be Troubled Debt Restructures (TDRs), if any;
- (g) sample of loans taken in as Other Real Estate Owned (OREO), if any and
- (h) commercial and industrial loans in excess of \$500,000 (five hundred thousand dollars) with a particular emphasis on loans to businesses in economically vulnerable industries, including, but not limited to auto, high-end retail, and restaurants.

(5) On a periodic basis not less than bi-annually thereafter, the Board shall ensure the bank maintains an effective and independent loan review program. The program shall provide for a written report to be filed with the Board after each review.

(6) A written description of the program called for in (1) and (2) shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(7) If the OCC disagrees with certain portions of the review, the Bank may be requested to obtain a second review from another independent firm.

(8) 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.

(9) The Board shall evaluate the loan 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).

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

ARTICLE IX

APPRAISALS OF REAL PROPERTY

(1) Within thirty (30) days, the Board shall engage the services of an independent, professionally certified, or licensed appraiser(s) to provide:

- (a) a written or updated appraisal, in accordance with 12 C.F.R. Part 34, for each parcel of real property that represents primary collateral behind any extension of credit where:

- (i) the loan was criticized in the 2009 ROE or by the Bank's internal loan review, and the most recent independent appraisal is more than twelve (12) months old; or
- (ii) accrued interest or loan fees have been or will be added to the outstanding principal balance, and the most recent independent appraisal is more than twelve (12) months old; or
- (iii) all construction, land, and land development loans that exceed five hundred thousand dollars (\$500,000), and the most recent independent appraisal is more than twelve (12) months old; or
- (iv) all loans risk rated special mention or worse that exceed five hundred thousand dollars (\$500,000), and the most recent independent appraisal is more than twelve (12) months old.

(2) Within sixty (60) days, the Board shall review and revise the Bank's written policy for reappraisals. In revising this policy, the Board shall develop detailed standards for having reappraisals completed. At a minimum, the following factors should be addressed in the appraisal policy:

- (a) age of the appraisal;
- (b) loan risk rating;
- (c) deterioration in project performance;
- (d) deterioration in market conditions;
- (e) variance between actual conditions and appraisal assumptions;
- (f) change in project plans;
- (g) loss of significant lease or take-out commitment;

- (h) change in zoning requirements; and
- (i) environment contamination.

(3) Should the Bank continue to utilize collateral evaluations, then within ninety (90) days, the Board shall develop and maintain an effective process for preparing internal collateral evaluations. The process shall ensure internal collateral valuations meet the criteria set forth in the OCC's *Commercial Real Estate and Construction Lending handbook*. At a minimum, internal evaluations shall include the following:

- (a) be documented in writing;
- (b) include the preparer's name, signature, and effective date of evaluation;
and
- (c) a detailed description of the information and assumptions used to arrive at the final estimate of value.

(4) If the Board chooses to continue to use its tax assessment valuation model, within ninety (90) days, the Board shall develop a process to validate that tax assessment valuation model. This process shall comply with *OCC Bulletin 2000-16, Risk Modeling – Modeling Validation*.

(5) Within ninety (90) days the Board shall develop standards for having appraisal reviews completed by an external party.

(6) Within one hundred twenty (120) days, the Board shall develop and maintain an effective appraisal training program for all personnel involved in the appraisal process. As part of this program there shall be a system in place to ensure personnel involved in reviewing appraisal and preparing internal evaluations receive on-going training.

(7) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to strengthen appraisal processes and policy, shall be preserved in the Bank.

ARTICLE X

LOAN RISK RATING ACCURACY AND TIMELINESS

(1) Within ninety (90) days, the Board must take the following actions to improve risk rating processes:

- (a) establish formal training for all applicable personnel, including but not limited to loan officers, credit officers, credit analysts, and the Board to ensure a thorough understanding of the importance of accurate and timely risk ratings. The Comptroller's Handbook for *Rating Credit Risk* is an appropriate reference. A plan for ongoing refresher training needs to be established as well;
- (b) strengthen processes to ensure risk ratings are timely and accurate; and
- (c) ensure policies, procedures, and compensation plans set out standards for accurate and timely risk ratings.

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

ARTICLE XI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the

maintenance of an adequate Allowance. The Board shall ensure the ALLL (“Allowance”) is sufficient every quarter to cover inherent losses in the portfolio. The Bank’s analysis shall be designed in light of the comments on maintaining a proper Allowance found in *OCC Bulletin 2006-47, Interagency Policy Statement on the Allowance for Loan and Lease Losses* and shall focus particular attention on the following factors:

- (a) results of the Bank’s external loan review as described in Article VIII of this Agreement;
- (b) an estimate of inherent loss exposure on each significant credit;
- (c) loan loss experience;
- (d) trends in delinquent and nonaccrual loans;
- (e) concentrations of credit in the bank;
- (f) present and prospective economic conditions;
- (g) ensure all loss allocation factors in the FASB ASC Topic 450-20 (Formerly FAS 5) analysis are directionally consistent with the intrinsic and perceived risk in the FASB ASC Topic 450-20 (Formerly FAS 5) loan pools; results; and
- (h) ensure the FASB ASC Topic 450-20 (Formerly FAS 5) pools capture the risk associated with all out of market loans.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the

factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

(4) 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 XII

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the 2009 ROE, in any subsequent ROE, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the 2009 ROE, in any subsequent ROE, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;

- (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 five hundred thousand dollars (\$500,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) 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.

(5) The Board, 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 five hundred thousand dollars (\$500,000);
- (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 Assistant Deputy Comptroller on a monthly basis.

(7) The Bank may 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 2009 ROE, in any subsequent ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and

whose aggregate loans or other extensions exceed five hundred thousand dollars (\$500,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

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

ARTICLE XIII

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days the Board shall use commercially reasonable efforts to obtain current and satisfactory credit information on all loans lacking such information included in any ROE, in any internal or external loan review, or in any listings of loans lacking such

information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) Within ninety (90) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the 2009 ROE, in any subsequent ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) Effective immediately, the Bank may not grant, extend, renew, alter or restructure any loan or other extension until the Bank has completed:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
- (i) failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank;
- (ii) a copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank; and

- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it, where applicable.

ARTICLE XIV

COMMERCIAL REAL ESTATE UNDERWRITING

(1) Within ninety (90) 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, but not be limited:

- (a) procedures to strengthen credit underwriting in the commercial real estate portfolio. At a minimum, underwriting analyses prepared in conjunction with new extensions of credit or renewals of existing extensions of credit must address the following:
 - (i) project feasibility;
 - (ii) projected absorption and marketing times for new projects;
 - (iii) historical absorption for the refinance of existing projects;
 - (iv) project time line;
 - (v) detailed description of the planned use for the collateral property;
and,
 - (vi) stress testing for changes in vacancy, rental or lease rates, or interest rates.
- (b) procedures to strengthen guarantor analysis. At a minimum, guarantor financial analyses should address the following:
 - (i) recurring sources and uses of funds;

- (ii) debt service requirements;
 - (iii) information on all contingent debt;
 - (iv) personal living expenses; and
 - (v) verification of reported liquidity.
- (c) procedures to ensure annual reviews are based on current financial information;
- (d) procedures to strengthen credit risk management and maintain an adequate, qualified lending staff;
- (e) procedures for ensuring risk ratings for commercial real estate (CRE) loans are accurate and changes in CRE loan risk ratings are timely; and
- (f) procedures to ensure compliance with *OCC Bulletins 2009-32 Commercial Real Estate (CRE) Loans - Guidance on Prudent CRE Loan Workouts; 2006- 46 Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices: Interagency Guidance on CRE Concentrations Risk Management.*

(2) The program developed in (1) shall comply and be consistent with requirements outlined in Article XV Management Information Systems For The Loan Portfolio and Article XVI Lending Policy.

(3) The Board shall submit a copy of the program to the Assistant Deputy Comptroller.

(4) At least quarterly, the Board shall prepare a written assessment of the Bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the Assistant Deputy Comptroller.

(5) 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 XV

MANAGEMENT INFORMATION SYSTEMS FOR THE LOAN PORTFOLIO

(1) Within one hundred twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program establishing an effective management information system (MIS) which facilitates risk identification, establishes controls, and delivers accurate information for timely review. In so doing, the Board shall identify the Bank's specific information requirements, particularly regarding the commercial and CRE portfolios, and establish effective reporting mechanisms to guide decisions. The program shall include procedures for:

- (a) expediting the timely delivery of current information;
- (b) establishing controls to ensure the accuracy of information;
- (c) producing complete and relevant information in a summarized form, for Board and management reports, to permit effective decision making;
- (d) identifying, recording, and tracking missing, incomplete, or imperfect loan and collateral documentation, including lacking or outdated appraisals and operating statements on real estate projects;
- (e) generating periodic reports, on at least a monthly basis which identify emerging problem loans, identified problem loans, OREO, and foreclosed assets;

- (f) maintaining a system by which the Board, or a delegated committee of the Board, can identify at the time of extension of credit, the aggregate customer liability relationship of that customer of the bank;
- (g) generating reports that aggregate loans, both commercial and retail, that exceed the supervisory loan-to-value limits (SLTV) in *12 C.F.R § 34 Subpart D, Appendix A*. The reports shall detail the bank's compliance with those SLTV limits;
- (h) generating reports that aggregate loans, both commercial and retail, with exceptions to policy and underwriting guidelines. The reports shall detail the type of exceptions cited and the total dollar volume of loans with exceptions;
- (i) enhancing systems and reports which identify and analyze real estate portfolio concentrations by detailing the level of owner-occupied, land acquisition, and land development loans; stratifying the portfolio by property type (office, retail, warehouse, etc.); detailing the level of speculative real estate; and stratifying the portfolio location, city and state;
- (j) maintaining a system to calculate each concentration as a percentage of total capital;
- (k) maintaining systems and reports identifying each real estate loan or project that evidences one or more of the following characteristics: slower than anticipated sales, lease or rental activity; slower than anticipated construction progress; cost overruns; other impediments to

orderly project completion; or inadequate reserves to pay interest and/or tenant improvements until project stabilization;

- (l) generating reports that provides the status of corrective actions taken to address deficiencies identified in any OCC report, external loan review, or internal audit; and
- (m) producing the information, which is listed in the 2009 ROE, that is necessary to effectively supervise the loan portfolio.

(2) 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.

(3) As a part of the Board's ongoing responsibility to ensure that the Bank has an effective MIS, the Board shall designate a senior officer to coordinate the execution of this program.

(4) The Board shall submit a copy of the program to the Assistant Deputy Comptroller.

ARTICLE XVI

LENDING POLICY

(1) Within one hundred twenty (120) days, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to the "Loan Portfolio Management" booklet of the Comptroller's Handbook. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) detailed financial statement requirements that establish specific standards for quality (Audited, Reviewed, Compiled, etc.), frequency and content based on loan size and loan type;
- (b) detailed guidance for guarantor statement requirements to include frequency, information on real estate investments, contingent liabilities, debt service requirements, and information to verify liquidity;
- (c) detailed feasibility study and pre-sale/leasing requirements that establish specific standards based on loan size and loan type;
- (d) CRE limits expressed as a percentage of total capital;
- (e) prudent sub-limits on major categories of real estate loans within the aggregate limits established at (d) above, and consistent with Subpart D of 12 C.F.R. § 34;
- (f) a pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;
- (g) a definition of the Bank's trade area;
- (h) guidelines and limitations for loans originating outside of the Bank's trade area;
- (i) guidelines consistent with *Banking Circular 255 Troubled Loan Workouts and Loans to Borrowers in Troubled Industries*, setting forth the criteria under which renewals of extensions of credit may be approved. At a minimum the policy shall ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies,

provide guidelines and limitations on the capitalization of interest and provide guidelines for principal curtailment requirements;

- (j) requirements that all future real estate loan documents, consistent with applicable laws, provide for the Bank's ability to demand additional collateral support, reduction in Bank exposure, or payment in full, when there is evidence of deteriorating credit quality;
- (k) guidelines consistent with *OCC Bulletin 2000-20, Retail Credit Classification and Account Management Policy*. At a minimum the policy shall establish: criteria for classifying retail loans; procedures for handling bankrupt, fraudulent, and deceased borrowers; and requirements for granting extensions;
- (l) charge-off guidelines, by type of loan, both retail and commercial, or other asset, including OREO, addressing the circumstances under which a charge-off would be appropriate and ensuring the recognition of losses within the quarter of discovery; and
- (m) measures to correct the deficiencies in the Bank's lending procedures noted in any ROE.

(2) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy 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 policy developed pursuant to this Article.

ARTICLE XVII

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the 2009 ROE and in any subsequent ROE. The quarterly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the 2009 ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(3) Within ninety (90) days of receipt of any subsequent ROE which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the subsequent ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

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

ARTICLE XVIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory 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/her 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) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) 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 Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his 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 Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

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

/s/ James M. Calhoun

James M. Calhoun
Assistant Deputy Comptroller
Pittsburgh Field Office

June 28, 2010

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.

/s/ _____ John D. Betres	6/28/10 _____ Date
/s/ _____ Robert L. Carbeau	6/28/10 _____ Date
/s/ _____ Ralph E. Hardt	6/28/10 _____ Date
/s/ _____ S. J. Irvine III	6/28/10 _____ Date
/s/ _____ Donald S. Shamey	6/28/10 _____ Date
/s/ _____ John M. Stilley	6/28/10 _____ Date
/s/ _____ Robert F. Wagner	6/28/10 _____ Date
/s/ _____ Margaret Irvine Weir	6/28/10 _____ Date
_____	_____
_____	_____