

#2012-159

Terminates OTS Order #SE 09-050 & SE 11-011

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

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In the Matter of:)	
Colombo Bank)	AA-EC-12-74
Rockville, Maryland)	
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CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”), through his authorized representative, has supervisory authority over Colombo Bank, Rockville, Maryland (“Bank”);

WHEREAS, the Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”), dated July 9, 2012, that is accepted by the Comptroller through his duly authorized representative; and

WHEREAS, by this Stipulation, which is incorporated by reference, the Bank, has consented to the issuance of this Consent Order (“Consent Order”) by the Comptroller.

NOW THEREFORE, pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Consent Order, the Board shall appoint and maintain an active Compliance Committee of at least three (3) directors, of which at least two (2) shall not be employees, former employees, or controlling shareholders 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 immediately submitted in writing to the Director of Special Supervision (“Director”). The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Consent Order.

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

(3) Within thirty (30) days of the date of this Consent Order, and every thirty (30) days thereafter or within such other time period as the Director requires in writing, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Consent Order, Bank personnel responsible for implementing the corrective actions, and the timeframes for completion;
- (b) actions taken to comply with each Article of this Consent Order; 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 Director within ten (10) days of receiving such report.

ARTICLE II

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by June 30, 2012, and thereafter maintain the following capital ratios (as defined in 12 C.F.R. Parts 165 and 167):

- (a) Total risk-based capital at least equal to twelve percent (12%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.

(2) The requirement in this Consent Order to meet and maintain a specific capital level means that the Bank may not be deemed to be “well-capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165, pursuant to 12 C.F.R. § 165.4(b)(1)(iv).

(3) Within five (5) days of the date of this Consent Order, the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the three-year Business/Capital Plan (“Capital Plan”) adopted by the Board on January 6, 2012. The Capital Plan implementation must be accompanied by an effective and ongoing internal Capital Planning Process that assesses the Bank’s capital adequacy in relation to its overall risks and ensures maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph one (1) of this Article. The Capital Planning Process shall be consistent with OCC Bulletin 2010-16 (Guidance for Evaluating capital Planning and Adequacy) (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the Capital Planning Process and review the Capital Planning Process at least annually.

(4) The Bank may declare or pay a dividend or make a capital distribution only:

- (a) when the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately following the declaration or payment of any dividend or capital distribution; and
- (b) following the approval of the Director, pursuant to 12 U.S.C. Part 163, Subpart E.

(5) At least monthly, the Board shall review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. The Board shall forward a copy of these monthly reports to the Director within ten (10) days of completion of its review.

(6) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Capital Plan and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. The Board shall forward a copy of the quarterly evaluations to the Director within ten (10) days of completion of the evaluations.

(7) The Board shall review and update the Bank's Capital Plan at least annually, no later than January 31, and more frequently if necessary or if requested by the Director in writing.

(8) Prior to adoption by the Board, a copy of any subsequent amendments or revisions to the Capital Plan shall be submitted to the Director for review and prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the amended or revised Capital Plan.

(9) The Bank may not initiate any action that deviates significantly from the Capital Plan (that has received a supervisory non-objection from the Director and that has been adopted by the Board) without a written determination of no supervisory objection from the Director. The Board must give the Director advance, written notice of its intent to deviate significantly from the Capital Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Capital Plan. For the purposes of this Article, changes that may constitute a significant deviation from the Capital Plan include, but are not limited to, a change in the Bank's marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in the aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(10) If the Bank fails to achieve or thereafter maintain the capital ratios required by paragraph one (1) of this Article or fails to implement a Capital Plan to which the Director has provided a written no supervisory objection, then the Bank may, in the Director's sole discretion, be deemed undercapitalized for purposes of this Consent Order. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 165. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under

12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by this Consent Order, and any other action deemed advisable by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within one hundred and twenty (120) days of the date of this Consent Order, the Board shall adopt and take the necessary steps to implement corporate governance and decision-making processes to correct the Bank's deficiencies in management, leadership, and Board oversight as described in the September 6, 2011 Report of Examination ("2011 ROE"). At a minimum, the Board shall ensure and document the following:

- (a) executive officers are capable of performing present and anticipated duties, factoring in each officer's past actual performance, experience, and qualifications, compared to their position description, duties, and responsibilities, with particular emphasis on their proposed responsibilities to execute the Capital Plan and correct the concerns raised in the 2011 ROE;
- (b) clear lines of responsibility and authority for each member of senior management, including but not limited to the Chairman of the Board, Chief Executive Officer, President, Chief Operating Officer, Chief Credit Officer, and Chief Financial Officer;
- (c) a management employment and succession program to promote the retention and continuity of capable management;

- (d) sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Consent Order, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Consent Order;
- (e) a process to evaluate, at least annually, the Bank's overall internal operations, staffing, Board and management oversight and information systems, policies, procedures and other risk management systems with time sensitive strategies to address any deficiencies;
- (f) a process exists to ensure that management appropriately responds to any audit or compliance or regulatory criticisms; and
- (g) that the Board receives and reviews sufficient Bank information from management (including scope, frequency, and content) on the operation of the Bank and compliance with this Consent Order to enable them to provide oversight and fulfill their fiduciary duties and other responsibilities under law and as outlined in the OCC's *The Directors Handbook and Duties and Responsibilities of Directors* (Section 501 of the *Comptroller's Handbook*).

(2) The Board shall perform and prepare an annual written performance appraisal for each Bank senior executive officer that evaluates performance according to the position's description and responsibilities. Each annual written performance appraisal also must address the following as it applies to each senior executive officer:

- (a) compliance with objectives established by the Board;
- (b) compliance with Board approved policies and procedures;

- (c) compliance with Board approved business and capital plans;
- (d) compliance with action plans to remedy issues raised in Reports of Examination or audit reports; and
- (e) compliance with laws, regulations, and regulatory guidance.

(3) The Board shall ensure that the Bank addresses any deficiencies identified pursuant to paragraph two (2) of this Article.

ARTICLE IV

AFFILIATE TRANSACTIONS

(1) Within sixty (60) days of the date of this Consent Order, the Board shall revise its written affiliate transactions policy. The Board shall thereafter adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the revised affiliate transactions policy. The policy shall include, but is not limited to the following:

- (a) mandatory annual training for appropriate Bank staff and the Board;
- (b) procedures to identify the Bank's affiliates and keep the information current;
- (c) procedures to identify all Bank affiliate transactions, as well as non-affiliate transactions that benefit an affiliate pursuant to 12 C.F.R. § 223.16(a);
- (d) a centralized system of affiliate transactions records to facilitate compliance reviews by the Board, independent reviewers, and the OCC Examiners; and
- (e) independent annual review of the Bank's compliance with its affiliate transactions policy and confirmation that each affiliate transaction is accurately recorded on the Bank's books.

(2) For purposes of this Article, “affiliate” shall have the meaning set forth in 12 U.S.C. § 221a(B) and 12 C.F.R. § 223.2(a), as modified by 12 C.F.R. § 223.72.

ARTICLE V

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall maintain and adhere to a written policy and procedures for the maintenance of an adequate Allowance for Loan and Lease Losses (“ALLL”). The policy and procedures shall be consistent with 12 C.F.R. § 160.160 and the guidance on maintaining a proper ALLL found in the Interagency Policy statement of the ALLL contained in OCC Bulletins 2001-37 (July 20, 2001) and 2006-47 (December 13, 2006) and with “Allowance for Loan and Lease Losses,” Booklet A-ALLL of the *Comptroller’s Handbook* (June 19, 1996, May 1998), and shall incorporate the following:

- (a) internal loan risk ratings;
- (b) results of the Bank’s independent loan review;
- (c) criteria for determining which loans will be reviewed under Accounting Standards Codification (“ASC”) Topic 310, how impairment will be determined, and procedures to ensure that the analysis of loans complies with ASC 310 requirements;
- (d) criteria for determining loan pools under ASC 450 and an analysis of those loan pools;
- (e) recognition of non-accrual loans in conformance with generally accepted accounting principles and regulatory guidance;
- (f) loan loss experience;
- (g) trends of delinquent and non-accrual loans;

- (h) concentrations of credit in the Bank; and
- (i) present and projected economic and market conditions.

(2) The policy and procedures shall provide for a review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to filing the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation of the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL shall be maintained.

(3) A copy of the Board's ALLL policy and procedures, and any subsequent revisions, shall be submitted to the Director.

ARTICLE VI

PROBLEM ASSET MANAGEMENT

(1) Within thirty (30) days of the date of this Consent Order, the Board shall revise its Problem Asset Plan ("PAP") which shall be designed to eliminate the basis of criticism of those assets criticized as "doubtful," "substandard," or "special mention" in the 2011 ROE, in any subsequent ROE, by any internal or external loan review, or in any list provided to management by the OCC Examiners during any examination. The PAP shall include:

- (a) sufficient staff having the qualifications, skills, and experience to effectively manage and resolve problem assets;
- (b) adequate management information systems to measure the status of problem assets; and
- (c) the development of Asset Resolution Plans ("ARPs") identifying all credit relationships and other assets totaling in aggregate five hundred thousand dollars (\$500,000) or more, criticized as "doubtful," "substandard," or "special

mention,” which must be updated and submitted to the Board or a committee designated by the Board monthly and to the Director quarterly.

(2) Upon completion the Board shall thereafter adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the revised PAP.

(3) Each ARP shall cover an entire credit relationship and other assets, and include, at a minimum, analysis and documentation of the following:

- (a) the origination date and any renewal or extension dates, amount, purpose of the loan or other asset, and the originating and current handling officer(s);
- (b) the expected primary and secondary sources of repayment, and an analysis of the adequacy of the repayment source;
- (c) the appraised value of supporting collateral, along with the date and source of the appraisal, and the position of the Bank’s lien on such collateral, as well as other necessary documentation to support the current collateral valuation;
- (d) an analysis of current and complete credit information, including a global cash flow analysis where loans are to be repaid from operations;
- (e) results of any impairment analysis as required under ASC Topic 310;
- (f) accurate risk ratings consistent with the classification standards contained in the “Rating Credit Risk” booklet of the *Comptroller’s Handbook* (April 2001);
- (g) appropriate accrual status pursuant to the FFIEC Instructions for the Preparation of Consolidated Reports of Condition and Income;
- (h) significant developments, including a discussion of changes since the prior ARP, if any; and

- (i) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment, including, if appropriate, an exit strategy.

(4) The Bank shall not extend credit, directly or indirectly, including renewals, modifications, or extensions, to a borrower whose loans or other extensions of credit are subject to an ARP and are criticized in any ROE, or any internal or external loan review, or in any list provided to management by the Examiners during any examination, unless and until a majority of the Board, or a designated committee thereof, determines in writing that each of the following conditions are met:

- (a) the extension of additional credit is necessary to promote the best interests of the Bank;
- (b) a written credit and collateral analysis is performed; and
- (c) the Board's ARP for that borrower will not be compromised by the extension of additional credit.

(5) At least quarterly, the Board or a committee thereof, shall review and evaluate the effectiveness of the PAP and the ARPs. The Board's review shall include an assessment of the Bank's compliance with the PAP and the ARPs. Written documentation of the factors considered and conclusions reached by the Board in determining the Bank's compliance and progress reducing the level of problem assets shall be maintained.

ARTICLE VII

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days of the date of this Consent Order, the Board shall revise its written concentration management program for identifying, monitoring, and controlling risks associated with concentrations of credit to ensure that it addresses all concentrations of credit-

related corrective actions in the 2011 ROE and is consistent with the guidance set forth in OCC Bulletin 2006-46 (December 6, 2006) and the “Concentrations of Credit” booklet of the *Comptroller’s Handbook* (December 13, 2011). The program shall include, but is not limited to, the following:

- (a) policy guidelines addressing the level and nature of exposures acceptable to the institution and setting concentration limits, including limits on commitments to individual borrowers and appropriate sub-limits;
- (b) procedures to identify and quantify the nature and level of risk presented by concentrations, including review of changes in conditions in the Bank’s markets;
- (c) procedures to periodically review and revise, as appropriate, risk exposure limits and sub-limits to conform to any changes in the Bank’s strategies and to respond to changes in market conditions;
- (d) quarterly portfolio-level stress tests or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital;
- (e) appropriate strategies for managing concentration levels, including a contingency plan to reduce or mitigate concentrations deemed imprudent for the Bank’s earnings, capital, or in the event of adverse market conditions; and
- (f) quarterly reports to the Board which shall at a minimum include the following:
 - i. a summary of concentration levels, by type and subtype;
 - ii. a summary of the Bank’s market analysis;
 - iii. discussion of recommended strategies when concentrations approach or exceed Board-approved limits; and

- iv. a summary of changes in risk levels by concentration type and subtype, with discussion of recommended changes in credit administration procedures (i.e., underwriting practices, risk rating, monitoring, training).

(2) Upon completion, the Board shall thereafter adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the revised written concentration management program.

(3) Upon completion, the Board shall forward a copy of the program required in paragraph one (1) of this Article, and any concentration reports, studies, or analysis to the Director.

ARTICLE VIII

LIQUIDITY RISK MANAGEMENT

(1) Within thirty (30) days of the date of this Consent Order, the Board or a designated committee shall revise its written Wholesale Funding Plan (“Plan”) to ensure that the Bank makes prudent use of wholesale funding sources. The Board shall thereafter adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the revised Plan.

(2) The Plan shall set limits for the Bank’s use of wholesale funding sources based upon its anticipated liquidity and funding needs. The Plan shall include all wholesale funding sources currently utilized or contemplated to be utilized by the Bank, including, but not be limited to appropriate limits for Federal Home Loan Bank funding.

(3) Within thirty (30) days of the date of this Consent Order, the Board shall review, revise, and thereafter ensure adherence to a Contingency Funding Plan (“CFP”) that is reasonable and effective in ensuring that the Bank will continue to operate with adequate

liquidity in the event of extraordinary demands against its funding base. At a minimum, the CFP shall be consistent with the guidance outlined in the “Liquidity” booklet of the *Comptroller’s Handbook* (June 2012).

(4) Upon completion, the Board shall forward a copy of the Plan and the enhanced CFP plan to the Director.

ARTICLE IX

VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in the 2011 ROE, any subsequent ROE, or brought to the Board’s or Bank’s attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within ninety (90) days after the violation is cited or brought to the Board’s or appropriate committee’s attention, the Bank shall provide to the Board a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified time.

(2) Within ninety (90) days of the date of this Consent Order and thereafter within receipt of an ROE, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to:

- (a) specific procedures to prevent violations as cited in the 2011 ROE and future ROEs; and
- (b) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

ARTICLE X

THIRD PARTY CONTRACTS INVOLVING SALE, MERGER, OR RECAPITALIZATION

(1) The Bank shall not enter into any contract with a third party to assist in the sale, merger, or recapitalization of the Bank that requires the payment of anything other than expenses prior to such sale, merger, or recapitalization, or that requires the Bank to pay, directly or indirectly, the cost of performing due diligence, or other services related to the transaction, unless the Bank first receives the Director's written determination of no supervisory objection.

(2) Any request for the Director's written determination of no supervisory objection shall include:

- (a) a description of the due diligence credit review, fairness opinion, or any other services to be performed by the third party, including a copy of the proposed contract or engagement;
- (b) a description of the Bank's due diligence process for agreeing to the services to be performed by a potential purchaser or merger partner; and
- (c) a determination by the Board that:
 - i. the activities to be performed by the third party as part of the sale or merger requirements are fair and reasonable to the Bank;
 - ii. the parties are able to perform under the contract or commitment;
 - iii. the fees the Bank is required to pay to the third party are reasonable for the services provided; and
 - iv. the contract is in the best interests of the Bank.

(3) Following any written determination of no supervisory objection by the Director, the Board shall regularly monitor the contractor or service provider's performance to ensure that

the contractor or service provider is complying with the written contract or engagement. The Board shall immediately take appropriate action if the contractor or service provider is not complying with the written contract or engagement and shall maintain documentation of any such actions.

ARTICLE XI

OTHER PROVISIONS

(1) Although the Bank is by this Consent Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

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

(3) The provisions of this Consent Order are effective upon issuance by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Consent Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller, through his authorized representative.

(4) Except as otherwise expressly provided herein, any time limitations imposed by this Consent Order shall begin to run from the effective date of this Consent Order.

(5) If the Bank requires an exception to or waiver of any provision or an extension of any timeframe within this Consent Order, the Board shall submit a written request to the Director

asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that prevent the Bank from complying with a provision and that require an exception to or waiver of any provision or an extension of a timeframe within this Consent Order.

(6) The Director's decision concerning a request submitted pursuant to paragraph five (5) of this Article is final and not subject to further review.

(7) In each instance in this Consent Order in which the Board or a Board committee 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 Consent Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Consent Order;
- (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.

(8) This Consent Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(9) The Office of Thrift Supervision (“OTS”) issued a Cease and Desist Order to the Bank on October 28, 2009, OTS Order No. SE-09-050. This Consent Order replaces OTS Order No. SE-09-050 in its entirety and, therefore, OTS Order No. SE-09-050 is hereby terminated. Provided however, no provision in this Consent Order shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its institution-affiliated parties (“IAPs”) for any failure to comply with OTS Order No. SE-09-050 while it was effective.

(10) The OTS issued a Cease and Desist Order to the Bank on March 2, 2011, OTS Order No. SE-11-011. This Consent Order replaces OTS Order No. SE-11-011 in its entirety and, therefore, OTS Order No. SE-11-011 is hereby terminated. Provided however, no provision in this Consent Order shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its IAPs for any failure to comply with OTS Order No. SE-11-011 while it was effective.

(11) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Consent Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision
Comptroller of the Currency
250 E Street, SW
Mail Stop 2-7
Washington, D.C. 20219

with a copy to:
Washington, D.C. Field Office
Comptroller of the Currency
395 E Street, SW, Suite 850
Washington, D.C. 20024

(12) The terms of this Consent Order, 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.

IT IS SO ORDERED, this 9th day of July, 2012.

 /signed/
James R. Moore
Director
Special Supervision Division

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
Colombo Bank)	AA-EC-12-74
Rockville, Maryland)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) intends to initiate cease and desist proceedings against Colombo Bank, Rockville, Maryland (“Bank”) pursuant to 12 U.S.C. § 1818 through the issuance of a Notice of Charges, for unsafe or unsound banking practices relating to asset quality, earnings, and management, for violation of law, and for failure to comply with the Cease and Desist Order dated October 28, 2009, and the Cease and Desist Order dated March 2, 2011; and

WHEREAS, the Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated July 9, 2012 (“Consent Order”) by executing this Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”).

NOW THEREFORE, in consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a Federal Savings Association within the meaning of 12 U.S.C. § 1462(f) and an insured depository institution within the meaning of 12 U.S.C. § 1813(c).

(2) Pursuant to Section 312 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. § 5412, all powers, authorities, rights and duties relating to federal savings associations that were vested in the Office of Thrift Supervision (“OTS”) and the Director of the OTS, transferred to the OCC on July 21, 2011.

(3) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(4) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Consent Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Consent Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i).

(3) 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(i), 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.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute the Consent Order.

(5) The Bank also expressly acknowledges that no officer or employee of the Comptroller 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.

(6) The terms and provisions of this Stipulation and the Consent Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Consent Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Stipulation or the Consent Order.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation, hereby waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Consent Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;

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 /
Morton A. Bender

6/29/12
Date

/signed /
Nelson Decklebaum

6/29/12
Date

/signed /
Edward W. Gold

6/29/12
Date

/signed /
James S. Regan

6/29/12
Date