

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

In the Matter of:)	OCC Docket No. AA-EC-2013-
Slavie Federal Savings Bank)	104
Bel Air, Maryland)	

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”), through his duly authorized representative, has supervisory authority over Slavie Federal Savings Bank, Bel Air, 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 and Consent”), dated January 7, 2014, that is accepted by the Comptroller, through his duly authorized representative; and

WHEREAS, by the Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“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 the following:

ARTICLE I

COMPLIANCE COMMITTEE

(1) The Compliance Committee shall continue to consist 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. The Chairman of the Board may not serve as a member of the Compliance Committee. 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 continue to be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Order.

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

(3) Within thirty (30) days of the end of each calendar quarter, 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 Order, Bank personnel responsible for implementing the corrective actions, and the timeframes for completion;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall continue to forward a copy of the Compliance Committee's reports, with any additional comments by the Board, to the Director within ten (10) days of receiving such report.

ARTICLE II

STRATEGIC PLAN

(1) Within sixty (60) days of the date of this Order, the Board shall revise and forward to the Director for his review, pursuant to paragraph three (3) of this Article, a written three-year Strategic Plan that shall include a projection of major balance sheet and income statement components. 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 and liquidity adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) the strategic goals and objectives for the three-year period, including key financial indicators and risk tolerances;
- (b) an assessment of the Bank's strengths, weaknesses, opportunities, and threats that impact strategic goals and objectives;
- (c) an identification and prioritization of initiatives and opportunities, including timeframes that take into account the requirements of this Order;
- (d) a description of the processes in place to ensure the Bank has sufficient and adequate processes, personnel, and control systems to effectively implement and adhere to the Strategic Plan and this Order;
- (e) a description of the Bank's targeted market(s) and competitive factors in its identified target market(s) and a description of control systems to mitigate risks in the Bank's markets;
- (f) an assessment of the present and planned product lines (assets and liabilities) and the identification of appropriate risk management systems to identify, measure, monitor, and control risks within the product lines;
- (g) a budget that corresponds to the Strategic Plan's goals and objectives;
- (h) a description of the systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives; and
- (i) assigned responsibilities and accountability for the strategic planning process.

(2) If the Board's Strategic Plan under paragraph one (1) of this Article includes a proposed sale or merger of the Bank, the Strategic Plan shall, at a minimum, address the steps that will be taken and the associated timeline to effect the implementation of that alternative.

(3) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, 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 Strategic Plan.

(4) The Bank may not initiate any action that deviates significantly from the Strategic Plan (that has received a supervisory no-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 at least thirty (30) days advance, written notice of its intent to deviate significantly from the Strategic 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 Strategic Plan. For the purposes of this Article, changes that may constitute a significant deviation from the Strategic 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 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.

(5) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic 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. Upon completion of its evaluation, the Board shall submit a copy to the Director.

(6) The Board shall review and update the Strategic Plan at least annually and more frequently if necessary or if requested by the Director in writing.

(7) Until the Strategic Plan required under this Article has been submitted by the Bank for the Director's review, received a written determination of no supervisory objection from the Director, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for prior written determination of no supervisory objection to a significant deviation must be submitted to the Director at least thirty (30) days in advance of the significant deviation, 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.

ARTICLE III

CAPITAL PLAN AND HIGHER MINIMUMS

(1) By March 31, 2014, the Bank shall achieve and thereafter maintain the following minimum capital ratios (as defined in 12 C.F.R. Part 167):

- (a) Total risk-based capital ratio equal to or greater than fourteen percent (14 %); and
- (b) Tier 1 capital to adjusted total assets ratio (leverage ratio) equal to or greater than nine percent (9 %).

(2) The requirement in this 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)1.

(3) Within sixty (60) days of the date of this Order, the Board shall develop and implement an effective internal capital planning process to assess the Bank’s capital adequacy in relation to its overall risks and to ensure 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 2012-16 (June 7, 2012), *Guidance for Evaluating Capital Planning and Adequacy*, and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the initial capital planning process and thereafter review and document the capital planning process at least annually or more frequently if requested by the Director in writing.

¹ The Bank may not solicit, accept, renew, or roll over any brokered deposit (as defined in 12 C.F.R. § 337.6(a)(2)) except in compliance with the applicable restrictions of 12 U.S.C. § 1831f and 12 C.F.R. § 337.6.

(4) Within sixty (60) days of the date of this Order, the Board shall forward to the Director for his review, pursuant to paragraph (6), a written Capital Plan for the Bank, consistent with the Strategic Plan pursuant to Article III, covering at least a three (3) year period. The written Capital Plan shall, at a minimum:

- (a) include specific plans for the maintenance of adequate capital, which shall in no event be less than the requirements of paragraph one (1) of this Article;
- (b) identify and evaluate all material risks;
- (c) determine the Bank's capital needs in relation to material risks and strategic direction;
- (d) identify and establish a strategy to maintain capital adequacy and strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;
- (e) include detailed quarterly financial projections; and
- (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order that will have an impact on the Bank's capital.

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

- (a) when the Bank is in compliance with its approved written Capital Plan and would remain in compliance with its approved written Capital Plan immediately following the declaration or payment of any dividend or the capital distribution;
- (b) when the Bank is in compliance with 12 U.S.C. § 1467a(f) and 12 C.F.R. Part 163, subpart E; and
- (c) when the Bank is in compliance with the minimum capital ratios set forth in paragraph (1) of this article.

(6) Prior to adoption by the Board, a copy of the Bank's written Capital Plan shall be submitted to the Director for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually and more frequently if required by the Director in writing. Revisions to the Bank's written Capital Plan shall be submitted to the Director for a 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 written Capital Plan and any amendments or revisions thereto.

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

(8) If the Bank's written Capital Plan outlines a sale or merger of the Bank, the written Capital Plan shall only address the steps that will be taken and the associated timeline, to ensure

that within ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the written Capital Plan, a definitive agreement for the sale or merger is executed.

(9) If the Bank fails to maintain the capital ratios required by paragraph one (1) of this Article, fails to submit a Capital Plan as required by paragraph four (4) of this Article, or fails to implement a Capital Plan to which the Director has provided a written determination of no supervisory objection, then the Bank may, in the Director's sole discretion, be deemed undercapitalized for purposes of this 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 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 IV

LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days of the date of this Order, and on an ongoing basis thereafter, the Board shall request current and satisfactory credit and collateral information on all loans lacking such information, including but not limited to loans within the Bank's non-owner occupied residential/investor loan portfolio, and those loans listed in the Report of Examination ("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 OCC.

(2) The Board shall take immediate and continuing action to adhere to credit risk management policies and procedures that ensure effective credit administration, portfolio management and monitoring, and risk mitigation. The program shall include, but not be limited to:

- (a) procedures to ensure repayment terms are structured to coincide with the expected source of repayment;
- (b) procedures to ensure perfected collateral documentation and satisfactory collateral valuations that are consistent with 12 C.F.R. § 164 and applicable regulatory guidance, including the Interagency Appraisal and Evaluation Guidelines, OCC 2010-42, dated December 10, 2010;
- (c) procedures and staff to ensure that loans are properly monitored to include periodic receipt, analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's and guarantor's financial condition and repayment ability, to include at a minimum:
 - (i) the collection of financial statements and operating information no less than annually;
 - (ii) the addition of staff as necessary to ensure the Bank appropriately collects and analyzes appropriate periodic financial statements, tax returns, rent rolls, and other financial information;
- (d) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (e) procedures to ensure conformance with loan approval requirements;
- (f) a system to track and analyze exceptions; and

- (g) procedures to hold employees and officers accountable for noncompliance with the Bank's lending policies and other underwriting requirements;

(3) The Board shall ensure that all Bank lenders or any other personnel performing credit analyses receive loan policy training at least annually and be adequately trained in cash flow analysis, particularly analysis using information on a global cash flow basis, evaluation of contingent liabilities, and verification of liquidity. Processes and procedures must be in place to ensure that additional training is provided as needed.

(4) Beginning March 31, 2014, and on a quarterly basis thereafter, management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of criticized loans and leases;
- (b) the identification and amount of delinquent loans and leases, nonaccrual loans and leases, and troubled debt restructurings;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;
- (f) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (g) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

ARTICLE V

LOAN RISK RATINGS

(1) Effective upon the date of this Order, the Board shall ensure that the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records and that the Bank properly recognizes income.

(2) Within sixty (60) days of the date of this Order, the Board shall implement and adhere to a written program, which, at a minimum, shall:

- (a) use a risk grading system that is consistent with and reconcilable to the Uniform Agreement on the Classification of Assets and Appraisal of Securities Held By Banks and Thrifts, OCC Bulletin 2004-20 (June 15, 2004), and the Interagency Uniform Retail Credit Classification and Account Management Policy, OCC Bulletin 2000-20 (September 8, 2000), where applicable;
- (b) be consistent with the guidelines set forth in the "Rating Credit Risk" booklet (April 2001) of the *Comptroller's Handbook*;
- (c) incorporate a process to ensure risk ratings are assigned by lending officers on a timely basis and are accurate based on receipt and analysis of current and satisfactory financial and collateral information;
- (d) incorporate a process to ensure the Bank's loans and other assets are timely placed on nonaccrual where appropriate with the Instructions for Consolidated Reports of Income and Condition;
- (e) require that appropriate analysis and documentation is maintained in the credit files to support the current and previous risk rating and accrual determination for each credit relationship;

- (f) incorporate a process to ensure that substitute borrower transactions are treated in accordance with FASB ASC 310-40 “Troubled Debt Restructurings By Creditors”; and
 - (g) incorporate management information systems that periodically provide feedback to the Board about the effectiveness of the program from senior management and the individual lending officers.
- (3) Upon adoption, the Board shall forward a copy of the written program adopted pursuant to this Article to the Director.
- (4) Within sixty (60) days, the Board or a designated committee shall ensure the Bank has an effective, independent, and on-going loan review system and internal officer grading system to review the Bank’s loan and lease portfolios to assure the timely and accurate identification and categorization of nonaccrual loans and loans rated "Special Mention," "Substandard," "Doubtful," and "Loss." The system shall include, but not be limited to:
- (a) procedures to maintain an independent loan review with appropriate scope, coverage and detailed findings with respect to testing for the accuracy of assigned risk ratings;
 - (b) procedures to ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

ARTICLE VI

CRITICIZED ASSETS

- (1) The Board shall take immediate and continuing action to review, monitor, and ensure adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent ROE, or by any internal or external loan review, or in

any list provided to management by the Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include:

- (a) sufficient staff having the qualifications, skills, and experience to effectively manage and resolve problem assets, who will be held accountable by the Bank's Board to successfully execute their assigned duties;
 - (b) adequate management information systems to measure the status of workout plans on each problem asset; and
 - (c) the ongoing use of Criticized Asset Reports ("CARs") identifying all credit relationships and other assets totaling in aggregate one hundred fifty thousand dollars (\$150,000) or more, criticized as "doubtful," "substandard," or "special mention." The CARs must be updated and submitted to the Board or a committee designated by the Board monthly and to the Director quarterly.
 - (d) the development of Other Real Estate Owned ("OREO") CARs identifying OREO totaling in aggregate one hundred thousand dollars (\$100,000) or more. The OREO CARs must be updated and submitted to the Board or a committee designated by the Board monthly and to the Director quarterly.
- (2) Each CAR shall cover an entire credit relationship 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) an identification of the expected sources of repayment, and an analysis of the adequacy of the repayment source;

- (c) the current value of supporting collateral, results of inspections, and the Bank's current lien position on such collateral;
 - (d) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations or rental income;
 - (e) significant developments, including a discussion of changes since the prior CAR, if any; and
 - (f) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.
- (3) Each OREO CAR shall cover an entire OREO relationship and other assets, and include, at a minimum, analysis and documentation to ensure compliance with 12 C.F.R. Part 160.172 and the "*Other Real Estate Owned*" booklet of the *Comptroller's Handbook*. The OREO CARs shall, at a minimum, address and incorporate the following:
- (a) responsible officer;
 - (b) date of foreclosure;
 - (c) original balance, amount of any increases and the description of increases;
 - (d) zoning, lien, tax and insurance information;
 - (e) income and expenses associated with the OREO;
 - (f) date, source and amount of the appraisal or evaluation;
 - (g) accurate risk ratings consistent with the classification standards contained in the
 - (h) Comptroller's Handbook on "Rating Credit Risk";
 - (i) actions and marketing efforts to dispose of OREO; and
 - (j) if applicable, description of noncompliance with laws and regulation and GAAP.

(4) Effective immediately, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, or overdrafts to a borrower whose loans or other extensions of credit are criticized internally, in the ROE, in any subsequent ROE, in any internal or external loan review, or in any list provided to management by OCC Examiners, whose aggregate loans or other extensions of credit exceed one hundred fifty thousand dollars (\$150,000) unless a majority of the full Board, or a designated committee thereof, approves the credit extension and records in writing that each of the following conditions is met:

- (a) the extension of additional credit is necessary to promote the best interests of the Bank;
- (b) the Bank has performed a written credit and collateral analysis as required by paragraph (1)(b) – (d) of this Article, and, if necessary, the proposed action referred to in paragraph (1)(f) of this Article is revised, as appropriate; and
- (c) 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.

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

(6) Within ninety (90) days, the Board shall obtain a current appraisal or evaluation, as applicable, of the real estate securing each criticized or classified asset, where the existing valuation is more than twelve (12) months old.

- (a) The appraisals obtained pursuant to paragraph (6) above shall conform to the minimum appraisal standards set forth at 12 C.F.R. § 164.4 and the evaluations

shall conform to the guidelines for evaluations set forth in the “Interagency Appraisal and Evaluation Guidelines” contained in OCC Bulletin 2010-42, dated December 10, 2010.

ARTICLE VII

CONCENTRATION RISK MANAGEMENT

(1) The Board shall continue to review, monitor, maintain and adhere to a written concentration risk management program for identifying, monitoring, and controlling risks associated with concentrations of credit and ensure that it addresses all concentrations of credit-related corrective actions in the most recent ROE and is consistent with the guidance set forth in OCC Bulletin 2006-46 (December 6, 2006), *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices: Interagency Guidance on CRE Concentration Management*, and the “Concentrations of Credit” booklet of the *Comptrollers’ Handbook* (December 13, 2011). The program shall continue to include, but is not limited to, the following:

- (a) policy guidelines addressing the level and nature of exposures acceptable to the Bank and setting of concentration limits, including limits for each primary and identifiable sub-category of real estate secured loans (i.e., construction, multi-family, hotel, land nonresidential, and nonmortgage commercial loans) such as the Bank’s non-owner occupied residential investor loan portfolio;
- (b) procedures to identify and quantify the nature and level of risk presented by concentrations, including a written analysis of any concentration of credit identified in order to identify and assess the inherent credit, liquidity, and interest rate risk;

- (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 or market conditions on asset quality, earnings, and capital;
 - (e) appropriate strategies for managing concentration levels, including a written action plan which includes specific time frames, to reduce the risk of any concentration deemed imprudent in the analysis conducted pursuant to paragraph (1)(b) of this Article and to bring the Bank into compliance with its concentration of credit limits established pursuant to paragraph (1)(a) of this Article; and
 - (f) Beginning March 31, 2014, quarterly reports shall be submitted to the Board, which shall at a minimum include the following:
 - (i) a summary of concentration levels, by type and sub-type;
 - (ii) a summary of the Bank's market analysis;
 - (iii) strategies implemented to ensure or obtain compliance when concentrations approach or exceed Board-approved limits; and
 - (iv) a summary of changes in risk levels by concentration type and sub-type, with discussion of recommended changes in credit administration procedures (i.e., underwriting practices, risk rating, monitoring, training).
- (2) Any subsequent revisions to the Bank's concentration risk management program shall be submitted to the Director.

ARTICLE VIII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall continue to 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 on the ALLL contained in OCC Bulletin 2006-47, dated December 13, 2006, and shall incorporate the following:

- (a) loan risk ratings;
- (b) results of the Bank's independent loan review;
- (c) criteria for determining which loans will be reviewed under ASC 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) Any subsequent revisions to the Board's ALLL policy and procedures shall be submitted to the Director.

ARTICLE IX

BOOKS AND RECORDS

(1) The Board shall immediately take all necessary actions to ensure that the Bank's books, records and management information systems (MIS) are restored and maintained in a complete and accurate condition.

(2) Within ninety (90) days, the Board shall develop an Action Plan, including formal accounting and financial internal control policies and procedures, detailing how the Board intends to support the ongoing integrity of financial information reported. This plan shall address, at a minimum, the following:

- (a) procedures to ensure Call Reports and other regulatory financial reports are accurate;
- (b) timing and frequency of performing balance sheet and income and expense account reconcilements;
- (c) personnel assigned to perform account reconcilements;
- (d) supervisory personnel independent of the account reconciliation process assigned to review account reconcilements for completeness and accuracy;
- (e) investigation and resolution of account reconciliation differences to occur within the quarter of discovery;
- (f) a charge-off policy on account reconciliation differences which cannot be resolved within the quarter of discovery;

- (g) sufficient and ongoing training of personnel involved in the account reconciliation process and resolution of account reconciliation differences, and preparation of financial reports;
- (h) procedures to ensure MIS is accurate; and
- (i) standards for which Bank personnel will be held accountable to ensure compliance with the requirements of this Article.

(3) Prior to adoption by the Board, a copy of the Action Plan developed pursuant to this Article shall be submitted to the Director for review and prior written determination of no supervisory objection. In the event the Director recommends changes to the action plan, the Board shall immediately incorporate those changes into the plan. 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 implement and thereafter ensure adherence to the Action Plan.

ARTICLE X

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 most recent 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 sixty (60) 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 sixty (60) days of the date of this Order and thereafter within receipt of a 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 most recent ROE and to prevent future violations as cited in subsequent 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 XI

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) the Board's written analysis of why the proposed contract is in the best interests of the Bank;
- (b) 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;

- (c) 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
- (d) 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 items.

ARTICLE XII

OTHER PROVISIONS

(1) Although the Bank is by this 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) In each instance in this Order 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) ensure that the Bank has sufficient processes, management, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Order, and that Bank management and personnel have sufficient training and authority to execute their duties under this Order;
 - (b) 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 Order;
 - (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
 - (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
 - (e) require corrective action be taken in a timely manner of any non-compliance with such actions.
- (3) Each citation or referenced guidance included in this Order includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation, or guidance.
- (4) The provisions of this 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 Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller, through his authorized representative.
- (5) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(6) If the Bank requires a waiver or suspension of any provision or an extension of any timeframe within this 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 support the waiver or suspension of any provision or an extension of a timeframe within this Order.

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

(8) This 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) 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.

(10) The terms of this 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.

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

Director for Special Supervision
Comptroller of the Currency
400 7th Street, S.W.
Suite 3E-218, MS 8E-12
Washington, DC 20219

with a copy to:
Washington DC Field Office
Comptroller of the Currency
400 7th Street, S.W.
Suite 3E-218, MS 2W-11
Washington, DC 20219

(12) The OCC and the Bank entered into a Formal Agreement dated July 17, 2012 ("Formal Agreement"). This Order replaces the Formal Agreement in its entirety and, therefore, the Formal Agreement is hereby terminated. Provided, however, that the Bank and its institution-affiliated parties remain liable for any breach of the Formal Agreement preceding its termination.

IT IS SO ORDERED, this 7th day of January, 2014.

/s

Michael Brickman
Director for Special Supervision

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

In the Matter of:)
Slavie Federal Savings Bank)
Bel Air, Maryland)

AA-EC-2013-104

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

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Slavie Federal Savings Bank, Bel Air, Maryland (“Bank”) pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for unsafe and unsound banking practices relating to capital, asset quality, earnings, management, for violation of law, and for failure to comply with the Formal Agreement dated July 17, 2012; and

WHEREAS, the Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated January 7, 2014 (“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(3) and 1813(b). Accordingly, the Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1813(c).

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

(3) 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 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 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 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.

(5) The terms and provisions of this Stipulation and the 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 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 Order.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, 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 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 109;
 - (d) all rights to seek any type of administrative or judicial review of the Order;
and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER ACTION

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

(2) Nothing in this Stipulation shall preclude any proceedings brought by the Comptroller to enforce the terms of this Order, and nothing in this Stipulation constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power, or authority of any other

representative of the United States or an agency thereof, including, without limitation, the United State Department of Justice, to bring other actions deemed appropriate.

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

<u>/s/</u> Michael Brickman Director for Special Supervision	<u>1/7/14</u> Date
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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.

<u>/s/</u> Martin Blair	<u>1/7/14</u> Date
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<u>/s/</u> J. Benson Brown	<u>1/7/14</u> Date
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<u>/s/</u> Thomas Drechsler	<u>1/7/14</u> Date
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<u>/s/</u> Philip Logan	<u>1/7/14</u> Date
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<u>/s/</u> Eric McLauchlin	<u>1/7/14</u> Date
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<u>/s/</u> Robert Stahl	<u>1/7/14</u> Date
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<u>/s/</u> Charles Wagner Jr	<u>1/7/14</u> Date
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