

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
)	
UNITED BANK OF PHILADELPHIA)	ORDER TO CEASE AND DESIST
PHILADELPHIA, PENNSYLVANIA)	
)	FDIC-07-272b
(INSURED STATE NONMEMBER BANK))	
_____)	

United Bank of Philadelphia, Philadelphia, Pennsylvania ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and regulation alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated January 23, 2008, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and the joint June 11, 2007 (as of March 31, 2007) Report of Examination ("Report of

Examination") of the Bank by the Commonwealth of Pennsylvania Department of Banking (the "Department") and the Federal Reserve Bank of Philadelphia and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of law and regulation. The FDIC acknowledges that the Department has issued an Order dated February 1, 2008 ("State Order") to the Bank addressing the unsafe or unsound banking practices and violations of law and regulation set forth in the Report of Examination and issues this ORDER paralleling the provisions of the State Order. The FDIC, therefore, accepted the CONSENT AGREEMENT and issues the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Bank, its directors, officers, employees, agents, and other institution-affiliated parties (as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u)), and its successors and assigns cease and desist from engaging in the following unsafe or unsound banking practices and violations of law and regulation:

(a) operating with a capital position insufficient in relation to the risk profile of the Bank;

(b) operating in such a manner as to produce insufficient earnings;

(c) operating in violation of section 215.4 of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.4; and

(d) engaging in the unsafe or unsound banking practices described in the Report of Examination.

IT IS FURTHER ORDERED that the Bank, its institution-affiliated parties, and its successors and assigns, shall take affirmative action, as follows:

MANAGEMENT

1. (a) Within 90 days of this ORDER, the Bank's board of directors shall conduct a review of the functions and performance of the Bank's officers and shall forward to the Regional Director of the New York Regional Office ("Regional Director") and the Department a written report that includes findings, conclusions, and a description of specific actions that the board of directors proposes to take to strengthen the Bank's management and its oversight by the board of directors. The review shall focus on an assessment of the duties performed by each officer, reporting lines of authority, and the ability of each officer to perform capably his or her assigned duties. The primary purpose of this review shall be to aid in the

development of a management structure that is suitable to the Bank's needs and is adequately staffed by qualified and trained personnel, who are able to devote full-time, on-site service to the Bank. At a minimum, the qualifications of management shall be assessed for its ability to: (i) restore and maintain all aspects of the Bank to a safe and sound condition; and (ii) comply with the requirements of this ORDER.

(b) Within 30 days of this ORDER, the Bank's board of directors shall develop a written plan providing for orderly management succession and submit the plan to the Regional Director and the Department.

(c) During the term of this ORDER, or as otherwise required by law, the Bank shall comply with the provisions of section 32 of the Act, 12 U.S.C. § 1831i, and shall submit any applications or notices required under those provisions to the Regional Director and the Department.

(d) The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the Act, 12 U.S.C. § 1828, and Part 359 of the FDIC's Rules and Regulations, 12 C.F.R. Part 359.

BOARD OF DIRECTORS' OVERSIGHT

2. (a) Within 90 days of this ORDER, and annually thereafter, the Bank's board of directors shall review management's adherence to the Bank's written policies and procedures and shall prepare written findings and conclusions of this review along with written descriptions of any management or operational changes that are made as a result of the review. These written findings shall be included in the minutes of the board of directors.

(b) The board of directors shall maintain adequate and complete minutes of all board meetings, approve such minutes and retain them for supervisory review.

CAPITAL ADEQUACY

3. (a) Within 60 days of this ORDER, the Bank shall submit to the Regional Director and the Department an acceptable written plan to achieve and maintain sufficient capital at the Bank. The plan shall, at a minimum, address and consider: (i) the Bank's current and future capital requirements; (ii) any planned growth in the Bank's assets; (iii) the Bank's level of concentrations of credit; (iv) the volume of the Bank's adversely classified assets; (v) the Bank's anticipated level of retained earnings; and (vi) the source and timing of additional funds to fulfill the future capital needs of the Bank.

(b) Notwithstanding the provisions of paragraph 3(a) hereof, the Bank shall at all times during the term of this ORDER, maintain its Tier 1 leverage ratio at a level of no less than 7 percent.

OPERATIONS AND EXPENSES REVIEW

4. Within 60 days of this ORDER, the Bank's board of directors shall prepare a written review of the Bank's operations and expenses including recommendations by which the Bank can improve its operating performance, with particular attention to achieving reductions in the Bank's overhead and operating costs. The Bank's board of directors shall submit the written review to the Regional Director and the Department describing specific actions that the board of directors proposes to take in order to reduce overhead expenses. The review shall fully address the findings and recommendations.

LOAN POLICIES AND PROCEDURES

5. Within 60 days of this ORDER, the Bank shall submit to the Regional Director and the Department, written loan policies and procedures that have been approved by the Bank's board of directors, which shall, at a minimum, address, consider, and include the following:

- (a) underwriting standards for loans;

(b) the monitoring and reporting of past due loans; and
(c) controlling and monitoring concentrations of credit, including: (i) establishing concentrations of credit limits by industries and types of loans; and (ii) managing the risk associated with asset concentrations.

LENDING AND CREDIT ADMINISTRATION

6. The Bank shall not grant, extend, renew, alter, or restructure any loan or other extension of credit without first obtaining and analyzing all relevant credit information, as well as taking all necessary steps to properly value and perfect its interest in collateral, where applicable, and the Bank shall also take the following measures:

(a) Loan review procedures shall be designed to identify and categorize problem credits and to assess the overall quality of the Bank's loan portfolio. These reviews shall be reported to the Bank's board of directors along with the action taken by management to improve the Bank's position on each loan adversely graded.

(b) Management shall enhance loan documentation procedures and correct any deficiencies identified either internally, by auditors or consultants, or during an examination process, including, but not limited to, technical exceptions related to obtaining accurate and current income and cash flow information, financial statements, and appraisals.

(c) Reduce the level of classified and delinquent loans through aggressive workout of problem credits, and maintain strict adherence to prudent underwriting standards for new extensions of credit.

(d) Do not capitalize loan interest to bring delinquent loans current without the benefit of repayment from the borrower, thereby distorting the borrower's ability to repay the loan, and distorting the bank's delinquency ratios.

ALLOWANCE FOR LOAN AND LEASE LOSSES

7. (a) Within 10 days of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination, which have not been previously collected in full or charged off. Thereafter, the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge-off all assets classified "loss", unless otherwise approved in writing by the Regional Director and the Department.

(b) The Bank shall maintain, through charges to current operating income, an adequate allowance for loan and lease losses. The adequacy of the allowance for loan and lease losses shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of the potential for loan losses in the Bank's portfolio, current economic conditions, and any criticisms as contained in the Bank's most recent report of

examination. The Bank shall conduct, at a minimum, a quarterly assessment of its allowance for loan and lease losses and shall maintain a written record, for supervisory review, indicating the methodology used in determining the amount of the allowance needed.

ASSET/LIABILITY MANAGEMENT

8. Within 60 days of this ORDER, the Bank shall submit to the Regional Director and the Department an acceptable written asset/liability management plan designed to improve management of the Bank's sensitivity to market risk. The written plan shall, at a minimum, address, consider, and include:

(a) verification of compliance with risk tolerance levels and limits established by the Bank's board of directors and identification of policy exceptions;

(b) quarterly reporting to the Bank's board of directors, noting the review in the minutes of the board of directors, on the status of the interest rate sensitivity position of the Bank and any actions taken by management to improve the Bank's position as it relates to rate sensitivity;

(c) an interest rate risk process that includes an independent review;

(d) evaluation of the sensitivity and reasonableness of key assumptions; and,

(e) maintaining sufficient capital for the level of interest rate risk being taken.

FUNDS MANAGEMENT AND LIQUIDITY

9. Within 60 days of this Order, the Bank shall submit to the Regional Director and the Department an acceptable, comprehensive liquidity contingency plan. The plan shall assess possible liquidity events that the Bank may encounter and identify responses to the potential impact of such events on the Bank's short-term, intermediate-term, and long-term liquidity profile.

INTERNAL CONTROLS

10. The Bank shall maintain all reconcilements of its general and subsidiary ledger accounts current and balanced.

AUDIT/COMPLIANCE

11. (a) The Bank's Audit/Compliance Committee shall consist solely of outside directors. For the purposes of this ORDER, the term "outside director" shall be defined as a director who is not an officer or employee of the Bank.

(b) The Bank's Audit/Compliance Committee shall: (i) meet at least once every month; (ii) maintain full and complete

minutes of its actions; (iii) report, in writing, to the full board of directors each month; (iv) address, in a timely manner, any weaknesses identified by the Bank's internal and external auditors; and (v) recommend to the full board of directors the scope of outside audits.

(c) Within 10 days of receipt of an external audit report, the Bank shall provide the Regional Director and the Department with the audit report and management letter. Within 45 days of the receipt of the audit report and management letter, the Bank shall provide the Regional Director and the Department with its written plan, including acceptable time frames, to correct any deficiencies noted in the audit report or management letter.

STRATEGIC PLAN AND BUDGET

12. (a) Within 60 days of this ORDER, the Bank shall submit to the Regional Director and the Department a written strategic plan and budget concerning the Bank's proposed business activities for 2008. This plan shall, at a minimum, provide for or describe: (i) the responsibilities of the Bank's board of directors regarding the definition, approval, implementation, and monitoring of the strategic plan and budget, and the procedures designed to ensure that the board of directors fulfills such responsibilities; (ii) management, lending, and operational objectives, given the condition of the

Bank as reflected in the Report of Examination and subsequent reports of examination; (iii) an earnings improvement plan, with emphasis on overhead expenses; (iv) the operating assumptions that form the bases for major projected income and expense components, and the sources and uses of new funds; (v) financial performance objectives, including plans for asset growth, earnings, liquidity, and capital supported by detailed quarterly and annual pro forma financial statements, including projected budgets, balance sheets, and income statements; and (vi) the establishment of a monthly review process to monitor the actual income and expenses of the Bank in comparison to budgetary projections.

(b) A strategic plan and budget for each calendar year subsequent to 2008 shall be submitted to the Regional Director and the Department at least one month prior to the beginning of that calendar year.

DIVIDENDS

13. The Bank shall not declare or pay any dividends without the prior written approval of the Regional Director and the Department. Requests for approval shall be received at least 30 days prior to the proposed date for the declaration of dividends and shall contain, but not be limited to, information

on consolidated earnings for the most recent annual period and the last quarter.

COMPLIANCE WITH LAWS AND REGULATIONS

14. (a) Within 30 days from the effective date of this ORDER, the Bank shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct the violations of laws, rules and regulations identified in the Report of Examination or any subsequent report of examination, or identified internally. In addition, the Bank shall take all steps necessary to ensure future compliance with all applicable laws, rules, and regulations.

(b) The Bank shall immediately initiate an affirmative compliance program in order to ensure compliance with the provisions of all applicable laws, rules, and regulations. Pursuant thereto, the management of the Bank shall familiarize itself with applicable federal banking laws and the regulations promulgated thereunder, and the laws of the Commonwealth of Pennsylvania, including, but not limited to, the Banking Code of 1965 and the regulations promulgated thereunder by the Department.

AUDIT/COMPLIANCE COMMITTEE

15. (a) The Bank's Audit/Compliance Committee shall monitor and coordinate the Bank's compliance with the provisions of this ORDER.

(b) Within 45 days of this ORDER, and, thereafter, within 30 days after the end of each quarter following the date of this ORDER, the Bank's Audit/Compliance Committee shall submit a written progress report to the Bank's board of directors setting forth in detail the actions taken to comply with each provision of this ORDER and the results of those actions.

(c) Within 15 days after its receipt from the Bank's Audit/Compliance Committee, the Bank's board of directors shall forward a copy of the report with any additional comments made by the board of directors to the Regional Director and the Department.

PLANS, POLICIES, PROCEDURE, AND PROGRAMS

16. (a) Acceptable plans, policies, procedures, and programs shall be submitted to the Regional Director and the Department within the time periods set forth in this ORDER. Where applicable, the Bank shall adopt all board of director approved plans, policies, procedures, and programs, and then shall fully comply with them. During the term of this ORDER, the Bank shall not amend or rescind any plans, policies, procedures, and programs submitted pursuant to this ORDER

without the prior written approval of the Regional Director and the Department.

(b) The Bank's board of directors shall review all plans, policies, procedures, and programs annually.

EXTENSIONS

17. Notwithstanding any provision of this ORDER to the contrary, at the Regional Director's discretion, the Regional Director may grant a written extension of time to the Bank to comply with any provision of this ORDER.

OTHER ACTIONS

18. It is expressly and clearly understood that if, at any time, the Regional Director shall deem it appropriate in fulfilling the responsibilities placed upon her under applicable law to undertake any further action affecting the Bank, nothing in this ORDER shall in any way inhibit, estop, bar, or otherwise prevent her from doing so.

19. It is expressly and clearly understood that nothing herein shall preclude any proceedings brought by the Regional Director to enforce the terms of this ORDER, and that nothing herein constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power, or authority of any

other representatives of the United States, departments or agencies thereof, Department of Justice, or any other representatives of the Commonwealth of Pennsylvania or any other departments or agencies thereof, including any prosecutorial agency, to bring other actions deemed appropriate.

ORDER EFFECTIVE

20. The effective date of this ORDER shall be the date of issuance.

21. The provisions of this ORDER shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other institution-affiliated parties of the Bank.

22. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER have been modified, terminated, suspended or set aside by the FDIC.

Pursuant to delegated authority.

Dated: February 1, 2008.

Doreen R. Eberley
Regional Director