FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	ORDER TO CEASE AND DESIST
ALLEGIANCE BANK OF NORTH AMERICA BALA CYNWYD, PENNSYLVANIA	)	FDIC-09-525b
(Insured State Nonmember Bank)	)	

Allegiance Bank of North America, Bala Cynwyd, Pennsylvania ("Bank"), through its board of directors ("Board"), having been advised of its right to the issuance and service of a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), 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 November 3, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices, 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 May 18, 2009 Report of Examination ("Report of Examination") of the Bank by the Commonwealth of Pennsylvania Department of Banking (the "Department") and the FDIC and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC, therefore, accepted the

CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS ORDERED, that the Bank, institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), of the Bank and its successors and assigns, cease and desist from the following unsafe or unsound banking practices:

1. Operating with inadequate management supervision and oversight by the Board to prevent unsafe and unsound banking practices;
2. Operating with an inadequate level of capital protection for the kind and quality of assets held by the Bank;
3. Operating with inadequate earnings to support operations and maintain capital levels;
4. Operating with an excessive level of adversely classified assets and/or delinquent or non-accrual loans;
5. Operating with inadequate liquidity and funds management practices in light of the Bank's reliance on non-core funding, its capital position, and prospective funding needs;
6. Operating with lax underwriting, poor credit administration practices and ineffective loan review practices; and
7. Creating concentrations of credit.

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

BOARD PARTICIPATION AND SUPERVISION

1. Beginning on the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank and assume full responsibility for the approval of sound policies and objectives for compliance with this ORDER and for the supervision of all of the Bank's activities, consistent with its fiduciary responsibilities. This participation shall include monthly meetings in which the following areas, at a minimum, shall be reviewed and approved: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, nonaccrued and recovered loans; investment activities; liquidity levels and funds management, including whether asset sales jeopardize future earnings potential; operating policies and individual committee actions. Board meeting minutes shall fully document these reviews and approvals and record the status of the corrective actions taken by the Bank.

MANAGEMENT

2. (a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management personnel shall be evaluated on their ability to:

(1) comply with the requirement of this ORDER;

(2) operate the Bank in a safe and sound manner;

(3) comply with applicable laws and regulations; and

(4) restore all aspects of the Bank to a safe and sound condition,

including improving the Bank's asset quality, capital adequacy, earnings, management effectiveness and liquidity.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director of the FDIC's New York Regional Office ("Regional Director") in writing of any resignations or terminations of any members of its Board or any of its senior executive officers within 15 days of the event. The Bank shall establish procedures to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations.

BUDGET AND PROFIT PLAN

3. (a) Within 75 days of the effective date of the Order, the Bank shall formulate and submit to the Regional Director and the Department for review and comment a revised written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2010. The revised written profit plan required by this paragraph shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings and net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The revised written profit plan shall address, at a minimum:

(i) an analysis of the Bank's pricing structure;

(ii) goals to improve the Bank's net interest margin, reduce discretionary expenses and improve and sustain earnings;

(iii) the level and related provision expenses of adversely classified loans or assets, while ensuring that an adequate Allowance for Loan and Lease Losses is maintained;

(iv) a realistic and comprehensive budget for all categories of income and expense items that take into account loan quality deterioration and reduction of overhead expenses;

(v) a branch profitability analysis that includes profitability projections, and

(vi) a plan for reducing the Bank's cost of funds.

(c) Within 30 days after the end of each calendar quarter following completion of the revised written profit plan and budget required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the revised written profit plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board meeting when such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director and the Department for review and comment within 30 days after the end of each year. Within 30 days after receipt of all such comments from the Regional Director and the Department, and after adoption of any recommended changes, the Board shall approve the written profit plan and budget, which approval shall be recorded in the minutes of the applicable Board meeting. Thereafter, the Bank shall implement and follow the plan.

LOAN POLICIES AND PROCEDURES

4. Within 45 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Department revised written loan policies and procedures that have been approved by the Board which shall establish policy guidelines to determine the

appropriateness of continued recognition of interest income on loans and also for the identification and treatment of collateral dependent impaired loans in conformance with guidance contained in the Statement of Financial Accounting Standard No.114 and FDIC Call Report instructions; establish procedures to ensure that market analyses and stress testing of commercial real estate concentrations are appropriately conducted; and provide for the implementation of an effective loan review program.

CAPITAL PLAN

5. (a) Within 45 days after the effective date of this ORDER, the Bank shall submit a written capital plan to the Regional Director and the Department. The capital plan shall require the Bank, after establishing an adequate Allowance for Loan and Lease Losses, to achieve and maintain, on or before June 30, 2010, its Tier 1 Leverage Capital ratio equal to or greater than 8 percent of the Bank's Average Total Assets and its Total Risk-Based Capital ratio equal to or greater than 12 percent of the Bank's Total Risk Weighted Assets. In developing the capital plan, the Bank must take into consideration:

(i) the volume of the Bank's adversely classified assets;

(ii) the nature and level of the Bank's asset concentrations;

(iii) the adequacy of the Bank's Allowance for Loan and Lease Losses;

(iv) the anticipated level of retained earnings;

(v) anticipated and contingent liquidity needs;

(vi) the source and timing of additional funds to fulfill future capital needs, and

(vii) the Bank's overhead expenses.

(b) Within 30 days after receipt of comments to the capital plan from the Regional Director and the Department, the Board shall adopt the capital plan, including any modifications or amendments requested by the Regional Director and the Department. Thereafter, the Bank shall immediately initiate measures detailed in the new capital plan, to the extent such measures have not previously been initiated, to increase the Bank's capital by an amount sufficient to bring the Tier 1 Leverage and Total Risk Based capital ratios to the percentages required by this ORDER. Such increase in Tier 1 Capital and any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

(i) The sale of securities in the form of common stock; or

(ii) The direct contribution of cash by the directors and/or shareholders of the Bank or by the Bank's holding company; or

(iii) Any other method approved by the Regional Director and the Department.

(c) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's Board shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Department for prior approval.

(d) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank's securities. The written notice required by this paragraph shall be furnished within 10 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(e) If any such capital ratios are less than required by this ORDER, as determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the Department, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director and the Department, present to the Regional Director and the Department a new capital plan to increase the Bank's Tier 1 Capital or to take other measures to bring the Tier 1 Leverage and Total Risk Based capital ratios to the percentages required by this ORDER. Such other measures shall include, but not be limited to, the merger with or acquisition by another federally insured institution or holding company thereof. Within 30 days after receipt of comments to the new capital plan from the Regional Director and the Department, the Board shall adopt the new capital plan, including any modifications or amendments requested by the Regional Director and the Department.

(f) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(g) For purposes of this ORDER, all terms relating to capital shall have the meanings ascribed to them and be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

REDUCTION OF ADVERSELY CLASSIFIED ASSETS

6. (a) Immediately upon the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge off or collection, all assets classified "Loss" in the Bank's Report of Examination that have not been previously collected or charged off. Elimination of these assets through proceeds of other loans made by the Bank to or for the benefit of any borrower whose existing credit has been adversely classified in the Report of Examination is not considered collection for the purpose of this paragraph.

(b) Within 30 days from the effective date of this ORDER, the Bank shall revise or adopt a written plan to reduce the Bank's risk exposure in each asset classified "Substandard" in the Report of Examination, and submit such plan to the Regional Director and the Department for review and comment. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC and/or the Department. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze and document the financial position of the borrower, including source of repayment, repayment ability and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral and any possible actions to improve the Bank's collateral position.

(c) In addition, the plan mandated by this paragraph shall also include, but not be limited to, the following:

(i) a schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes, with the objective of achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the Allowance for Loan and Lease Losses;

(iv) a provision for the Bank's submission of monthly written progress reports to the Board; and

(v) a provision mandating the Board to review the progress reports, with a notation of the review recorded in the meeting minutes of the Board.

(d) The plan mandated by this paragraph shall further require a reduction in the aggregate balance of assets classified "Substandard" in the Report of Examination in accordance with the following schedule:

(i) within 45 days from the effective date of this ORDER, shall be reduced by at least 20 percent; and

(ii) by June 30, 2010, shall be reduced by at least 40 percent.

(e) The requirements of this paragraph do not represent standards for future operations of the Bank. Following achievement with any expected or anticipated reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets.

(f) Within 30 days after the Regional Director and the Department have responded to the plan mandated by this paragraph, the Board shall adopt the plan, as amended or modified by the Regional Director and the Department, at which time the Bank shall immediately implement the plan to the extent that the provisions of the plan are not already in effect at the Bank.

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

7. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit has been classified Loss by the FDIC or the Department as the result of its examination of the Bank, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose extension of credit is classified Doubtful and/or Substandard by the FDIC or the Department as the result of its examination of the Bank, either in whole or in part, and is uncollected, unless the Bank's Board has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Board meeting.

REDUCTION OF COMMERCIAL REAL ESTATE CONCENTRATIONS

8. (a) Within 45 days from the effective date of this ORDER, the Bank shall develop and submit a written plan, acceptable to the Regional Director and the Department, for systematically reducing and monitoring the Bank's commercial real estate ("CRE") loan concentration of credit identified in the Report of Examination to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location. Such plan shall prohibit any advances that would increase the concentration unless the advance is pursuant to an existing loan agreement and shall include, but not be limited to:

(i) dollar levels and percent of capital to which the Bank shall reduce the concentration;

(ii) timeframes for achieving the reduction in dollar levels and percent of capital in response to (i) above;

(iii) provisions requiring compliance with the *Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices* (FIL-104-2006, issued December 12, 2006) and *Managing Commercial Real Estate Concentrations in a Challenging Environment* (FIL-22-2008, issued March 17, 2008);

(iv) provisions for controlling and monitoring of CRE lending, including plans to address the rationale for CRE loan levels as they relate to growth and capital targets, segmentation and testing of the CRE loan portfolio to detect and limit concentrations with similar risk characteristics; and

(v) provisions for the submission of monthly written progress reports to the Board for review and notation in minutes of the Board meetings.

(b) For purposes of the plan, "reduce" means to charge-off or collect, or increase Tier 1 capital.

(c) The Bank shall submit the plan to the Regional Director and the Department for review and comment. Within 30 days after the Regional Director and the Department has responded to the plan, the Board shall adopt the plan as amended or modified by the Regional Director and/or the Department, which approval shall be recorded in the minutes of the Board meeting. The plan shall be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

REDUCTION OF DELINQUENCIES

9. (a) Within 30 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Department for review and comment a revised written plan for the reduction and collection of delinquent and nonaccrual loans. Such plan shall include, but not be limited to, provisions which:

(i) Prohibit the extension of credit for the payment of interest;

(ii) Delineate areas of responsibility for implementing and monitoring the Bank's collection policies;

(iii) Establish specific collection procedures to be instituted at various stages of a borrower's delinquency;

(iv) Establish dollar levels to which the Bank shall reduce delinquencies within 30 days; and

(v) Provide for the submission of monthly written progress reports to the Bank's Board for review and notation in minutes of the Board meetings.

(b) For purposes of the plan, "reduce" means to:

(i) Charge-off; or

(ii) Collect.

(c) After the Regional Director and the Department have responded to the plan, the Bank's Board shall adopt the plan as amended or modified by the Regional Director and the Department. The plan will be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

BROKERED DEPOSITS

10. (a) Upon the effective date of this ORDER, the Bank shall not solicit, accept, renew or roll over any "brokered deposits" (as that term is defined in section 337.6(a)(2) of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6(a)(2)), unless the Bank has applied for and been granted a waiver by the Regional Director in accordance with the provisions of section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6.

(b) While this ORDER is in effect, the Bank shall comply with the restrictions on the effective yield on deposits described in section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6.

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT

11. (a) Within 30 days after the effective date of this ORDER, the Bank shall establish a revised liquidity and asset/liability management plan and submit it to the Regional Director and the Department for review and comment. Annually thereafter, while this ORDER is in effect, the Bank shall review its liquidity and asset/liability management plan for adequacy and, based upon such review, shall make necessary revisions to strengthen funds management procedures in order to meet the Bank's liquidity and interest rate risk needs. The revised liquidity and asset/liability management plan shall provide for a net non-core funding dependence target ratio and shall include a provision ensuring that prior to entertaining asset sales in conjunction with balance sheet restructuring, management analyzes whether the benefit of restructuring is outweighed by the loss in future earnings potential from the assets that are sold. The revised liquidity and asset/liability management plan shall also ensure that internal controls and procedures are established to ensure the integrity of the Bank's risk management process and ensure accurate periodic reviews of the Bank's interest rate risk model.

(b) Within 30 days after the Regional Director and the Department have responded to the revised liquidity and asset/liability management plan, the Board shall adopt the revised liquidity and asset/liability plan as amended or modified by the Regional Director and the Department, at which time the Bank shall immediately implement the revised liquidity and asset/liability management plan to the extent that the provisions of the revised liquidity and asset/liability management plan are not already in effect at the Bank.

CORRECTION AND PREVENTION

12. Beginning on the effective date of this ORDER, the Bank shall take steps

necessary, consistent with other provisions of this ORDER and sound banking practices, to correct and implement all recommendations and findings that were identified in the Report of Examination.

COMPLIANCE COMMITTEE

13. Within 30 days after the effective date of this ORDER, the Board shall establish a committee of the Board charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. At least 75 percent of the members of such committee shall be directors not employed in any capacity by the Bank other than as a director. The committee shall maintain minutes for all meetings. The committee shall report monthly to the full Board, and a copy of the report and any discussion relating to the report or the ORDER shall be noted in the minutes of the Board meetings. The establishment of this subcommittee shall not diminish the responsibility or liability of the entire Board to ensure compliance with the provisions of this ORDER.

SHAREHOLDERS

14. Following the effective date of this ORDER, the Board shall provide to the shareholders, or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066,

Washington, D.C. 20429 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

15. Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Department written progress reports signed by each member of the Board, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Department have released, in writing, the Bank from making further reports.

OTHER ACTIONS

16. It is expressly and clearly understood that if, at any time, the Regional Director or Department shall deem it appropriate in fulfilling the responsibilities placed upon them 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 them from doing so, and nothing herein constitutes a waiver of any right, power, or authority of any other representative of the United States, departments or agencies thereof, the Commonwealth of Pennsylvania, or any other departments or agencies thereof, including any prosecutorial agency, to bring other actions deemed appropriate.

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

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

This ORDER will become effective upon its issuance by the FDIC.

Pursuant to delegated authority.

Dated this 4th day of November, 2009.

/s/
Serena L. Owens
Acting Deputy Regional Director
New York Region
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation