

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
TRENTON, NEW JERSEY

Written Agreement by and among

AMBOY BANCORPORATION
Old Bridge, New Jersey

AMBOY BANK
Old Bridge, New Jersey

FEDERAL RESERVE BANK OF NEW YORK
New York, New York

and

NEW JERSEY DEPARTMENT OF BANKING
AND INSURANCE
Trenton, New Jersey

Docket Nos. 09-068-WA/RB-HC
09-068-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Amboy Bancorporation, Old Bridge, New Jersey (“Bancorp”), a registered bank holding company, and its subsidiary bank, Amboy Bank, Old Bridge, New Jersey (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, Bancorp, the Bank, the Federal Reserve Bank of New York (the “Reserve Bank”), and the New Jersey Department of Banking and Insurance (the “Department”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on June 23, 2009, Bancorp’s and the Bank’s boards of directors, at duly constituted meetings, adopted resolutions authorizing and directing George E. Scharpf, President

and Chief Executive Officer, to consent to this Agreement on behalf of Bancorp and the Bank, respectively, and consenting to compliance with each and every applicable provision of this Agreement by Bancorp, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Bancorp, the Bank, the Reserve Bank, and the Department agree as follows:

Board Oversight

1. Within 60 days of this Agreement, the Bank’s board of directors shall submit to the Reserve Bank and the Department a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank’s condition and maintain effective control over, and supervision of, the Bank’s major operations and activities, including but not limited to, credit risk management, credit administration, processes to mitigate risks associated with credit concentrations, and earnings; and

(b) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank’s adversely classified assets, other real estate owned (“OREO”), allowance for loan and lease losses (“ALLL”), capital, earnings, and liquidity.

Management and Staffing Review

2. (a) Within 30 days of this Agreement, the Bank’s board of directors shall retain an independent consultant acceptable to the Reserve Bank and the Department to conduct

a review of the qualifications and performance of all senior Bank management and the staffing needs of the Bank's credit function (the "Management Review"), and to prepare a written report of findings and recommendations (the "Report"). The primary purpose of the Management Review shall be to aid in the development of a suitable management structure that is adequately staffed by qualified and trained personnel. The Bank shall submit an engagement letter to the Reserve Bank and the Department as part of the approval of the independent consultant. The engagement letter shall require the independent consultant to submit the Report within 60 days of the approval of the independent consultant and to provide a copy of the Report to the Reserve Bank and the Department at the same time that it is provided to the Bank. The Management Review shall, at a minimum, address, consider, and include:

(i) the identification of the type and number of senior officers needed to manage and supervise properly the affairs of the Bank;

(ii) an evaluation of each senior officer to determine whether the individual possesses the ability, experience, and other qualifications required to perform competently present and anticipated duties, including the ability to comply with applicable laws and regulations, adhere to the Bank's established policies and procedures, restore and maintain the Bank to a safe and sound condition, and comply with the requirements of this Agreement; and

(iii) the number and qualifications of staff necessary to properly administer the Bank's the credit function.

(b) Within 45 days of the Bank's receipt of the Report, the Bank's board of directors shall submit a written management plan to the Reserve Bank and the Department that fully addresses the findings and recommendations in the Report and describes the specific actions that the board of directors proposes to take in order to strengthen the Bank's

management, including but not limited to plans to hire or appoint additional or replacement personnel. In the event that recommendations made by the independent consultant are not adopted, the board of directors shall provide in writing to the Reserve Bank and the Department the specific reasons why such recommendations were not adopted.

Credit Risk Management

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

- (a) Procedures to periodically review and revise risk exposure limits to address changes in market conditions and strategies to minimize credit losses;
- (b) frequency of periodic credit grading;
- (c) credit grading practices that include timely analysis of the borrower's financial statements, as well as analyses of collateral and the guarantor's consolidated cash flow and ability to service debt; and
- (d) procedures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1).

Credit Administration

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable enhanced written credit administration program that shall, at a minimum, address, consider, and include:

- (a) Procedures to ensure that appraisals conform to accepted appraisal standards, as defined in the Uniform Standards of Professional Appraisal Practice, and comply

with the requirements of Subpart G of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. Part 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50);

- (b) enhanced appraisal review procedures to ensure the quality of appraisals;
- (c) adequate staffing of the loan workout function by qualified individuals;

and

- (d) the administration of OREO.

Asset Improvement

5. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, “loss” in the report of the examination of the Bank conducted jointly by the Reserve Bank and the Department that was transmitted to the Bank by letter dated January 13, 2009 (the “Report of Examination”) or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified “doubtful” or “substandard” in the Report of Examination or in any subsequent report of examination, without the prior approval of the Bank’s board of directors.

The board of directors shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank’s interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in

full compliance with the Bank's written loan policy, is adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

6. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$1 million, including OREO, that: (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination. In developing the plan for each loan, the Bank shall, at a minimum, 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.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$1 million, including OREO, becomes past due as to principal or interest for more than

90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the Department to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, extension report, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Reserve Bank and the Department and shall document the review in the minutes of the board of directors' meetings.

Allowance for Loan and Lease Losses

7. (a) Within 10 days of this Agreement, 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 that 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 Reserve Bank and the Department.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank and the Department. The revised ALLL methodology shall be

designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the Bank's board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the Department within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

8. Within 60 days of this Agreement, Bancorp and the Bank shall submit to the Reserve Bank and the Department an acceptable joint written plan to maintain sufficient capital

at Bancorp on a consolidated basis, and the Bank as a separate legal entity on a stand-alone basis.

The plan shall, at a minimum, address, consider, and include:

(a) Bancorp's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D);

(b) the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(c) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings;

(d) the source and timing of additional funds to fulfill Bancorp's and the Bank's future capital requirements; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that Bancorp serve as a source of strength to the Bank.

9. Bancorp and the Bank shall notify the Reserve Bank and the Department, in writing, no more than 30 days after the end of any calendar quarter in which any of Bancorp's consolidated capital ratios or the Bank's capital ratios (total risk-based, Tier 1, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bancorp and the Bank shall submit an acceptable written plan that details the steps Bancorp or the Bank,

as appropriate, will take to increase Bancorp's or the Bank's capital ratios to or above the approved capital plan's minimums.

Strategic Plan and Budget

10. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department a strategic plan to improve the Bank's earnings, and a budget for 2009. The written plan and budget shall include, but not be limited to:

(i) Identification of the major areas where, and means by which, the board of directors will seek to improve the Bank's operating performance;

(ii) a realistic and comprehensive budget for calendar year 2009, including income statement and balance sheet projections; and

(iii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) A strategic plan and budget for each calendar year subsequent to 2009 shall be submitted to the Reserve Bank and the Department at least 30 days prior to the beginning of that calendar year.

Liquidity/Funds Management

11. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan designed to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

(a) Measures to enhance the monitoring, measurement, and reporting of the Bank's liquidity to the board of directors; and

(b) specific liquidity targets and parameters and the maintenance of sufficient liquidity to meet contractual obligations and unanticipated demands.

Brokered Deposits

12. (a) At all times during the term of this Agreement that the Bank is well capitalized, the Bank shall not accept any new brokered deposits. For purposes of this subparagraph, the term “brokered deposits” is defined as set forth in section 337.6(a) of the regulations of the Federal Deposit Insurance Corporation (the “FDIC”) (12 C.F.R. § 337.6(a)) and includes deposits funded by third party agents or nominees for depositors; and the term “new brokered deposits” is defined not to include renewals or rollovers of brokered deposits.

(b) Within 30 days of this Agreement, the Bank shall submit an acceptable plan to the Reserve Bank and the Department for reducing its reliance on brokered deposits. The plan shall detail the current composition of the Bank’s brokered deposits by maturity and explain the means by which such deposits will be paid at maturity.

13. The Bank shall comply with the provisions of section 29 of the FDI Act (12 U.S.C. § 1831f) and the FDIC’s accompanying regulations at 12 C.F.R. § 337 that are applicable to the Bank. The Bank shall notify the Reserve Bank and the Department, in writing, if the Bank requests any waiver of the restrictions imposed by section 29 from the FDIC and shall notify the Reserve Bank and the Department of the FDIC’s disposition of any request for such a waiver.

Dividends

14. (a) Bancorp and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the “Director”), and the Department.

(b) Bancorp shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the Department.

(c) Bancorp and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank, the Director, and the Department.

(d) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information, as appropriate, on the parent's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Bancorp and the Bank, as appropriate, must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

15. (a) Bancorp shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the Department. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Bancorp shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the Department.

Anti-Money Laundering Compliance

BSA/AML Compliance Program

16. (a) Within 30 days of this Agreement, the Bank shall engage a qualified independent consultant (the “Compliance Review Consultant”) acceptable to the Reserve Bank and the Department to: (i) conduct a comprehensive review of the Bank’s program for compliance with all applicable laws, rules, and regulations relating to anti-money laundering (“AML”), including the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311 *et seq.*), the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Part 103), and the AML requirements of Regulation H of the Board of Governors (12 C.F.R. §§ 208.62 and 208.63); suspicious activity reporting; and customer due diligence program (collectively, the “BSA/AML Compliance Review”), and (ii) prepare a written report of findings, conclusions, and recommendations (the “BSA/AML Compliance Report”).

(b) The Bank shall submit an engagement letter to the Reserve Bank and the Department as part of the approval of the Compliance Review Consultant. The engagement letter shall provide, among other things, that:

(i) the BSA/AML Compliance Review be completed within 90 days of the retention of the Compliance Review Consultant;

(ii) within 10 days of the completion of the BSA/AML Compliance Review, the BSA/AML Compliance Report be submitted simultaneously to the Bank, the Reserve Bank, and the Department; and

(iii) supporting material associated with the BSA/AML Compliance

Review be made available to the Reserve Bank and the Department upon request.

17. Within 60 days of the submission of the BSA/AML Compliance Report, the Bank shall submit to the Reserve Bank and the Department an acceptable plan to strengthen the Bank's BSA/AML compliance program that incorporates the findings and recommendations of the BSA/AML Compliance Report. The program shall include provisions for updates on an on-going basis as necessary to incorporate amendments to the BSA, the rules and regulations issued thereunder, and Regulation H. The program, at minimum, shall provide for:

(a) An adequate system of internal controls to ensure compliance with all recordkeeping and reporting requirements;

(b) adequate staffing levels to maintain an effective BSA/AML compliance program that is commensurate with the Bank's size and risk profile; and

(c) training of appropriate personnel that includes all relevant aspects of BSA/AML regulatory requirements, and internal policies and procedures; the training must be updated and presented to personnel on a regular basis to reasonably ensure that appropriate personnel are trained in the most current legal requirements and the Bank's BSA/AML risk management processes.

Independent Testing

18. Within 60 days of the submission of the BSA/AML Compliance Report, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan for independent testing of the Bank's compliance with all applicable BSA/AML requirements. At a minimum, the plan shall include:

- (a) Procedures to evaluate the adequacy and effectiveness of the Bank's compliance for all appropriate operations, departments, and business lines, including monitoring of customer activity to ensure reporting of suspicious activity;
- (b) formal, documented work programs, including adequately detailed reports and workpapers;
- (c) provisions for independent testing to be performed on a regular basis by qualified parties (which may include internal audit) who are independent of the Bank's business lines and compliance function;
- (d) procedures for the review of independent testing results by senior management and escalation to the board of directors in appropriate circumstances; and
- (e) procedures to ensure that senior management institute and complete appropriate actions in response to the independent testing results.

Customer Due Diligence and Suspicious Activity Reporting

19. Within 60 days of the submission of the BSA/AML Compliance Report, the Bank shall submit to the Reserve Bank and the Department an acceptable customer due diligence program that is designed to reasonably ensure the identification and timely, accurate and complete reporting of all known or suspected violations of law against or involving the Bank and suspicious transactions at the Bank to law enforcement and supervisory authorities as required by applicable suspicious activity reporting laws and regulations. At a minimum, the program shall include:

- (a) Enhanced policies and procedures for obtaining at the time of account opening, and thereafter maintaining, complete and accurate information for all Bank customers;
- (b) remediation of customer due diligence for existing accounts;

- (c) staff responsibilities related to due diligence, including identifying the employee or employees responsible for reviewing or approving changes to a customer's risk rating and the completeness of customer due diligence profiles;
- (d) a methodology for assigning risk levels to the Bank's customer base;
- (e) a risk-focused assessment of the Bank's customer base that:
 - (i) identifies the categories of customers whose transactions and banking activities are routine and usual;
 - (ii) determines the appropriate level of enhanced due diligence necessary for those categories of customers that pose a heightened risk of conducting potentially illicit activities at or through the Bank; and
 - (iii) provides for the periodic reassessment and update of customer assessment risk-ratings;
- (f) for each customer who requires enhanced due diligence, procedures to:
 - (i) determine and obtain the appropriate documentation necessary to verify the identity and business activities of the customer;
 - (ii) understand the normal and expected transactions of the customer;and
 - (iii) periodically review the adequacy of the customer files documentation; and
- (g) establishment of procedures designed to ensure proper identification and timely reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:
 - (i) effective monitoring of customer accounts and transactions;

- (ii) appropriate participation by senior management in the process of identifying, reviewing, and reporting potentially suspicious activity;
- (iii) adequate referral and escalation of information about potentially suspicious activity through appropriate levels of management;
- (iv) adequate procedures to ensure the timely and complete preparation and filing of Suspicious Activity Reports and Currency Transaction Reports; and
- (v) maintenance of sufficient documentation with respect to the review and analysis of suspicious activity, including the resolution and escalation of concerns.

Transaction Monitoring

20. Within 60 days of the submission of the BSA/AML Compliance Report, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to enhance the Bank's current transaction monitoring system, including a timetable for completing each action. The plan shall, at a minimum, include:

- (a) Monitoring of check, wire, ACH, ATM, and all other appropriate transaction activity;
- (b) procedures for comparing customer information collected at account opening with customer activity;
- (c) application of appropriate filters, algorithms, and scenarios used for monitoring all types of transactions, including rules designed to detect unusual activity;
- (d) enhanced monitoring of accounts designated as high risk and comprehensive documentation of the review process; and
- (e) adequate staffing of the account monitoring function.

Transaction Review

21. (a) Within 30 days of this Agreement, the Bank shall engage a qualified independent firm (the “Independent Firm”) acceptable to the Reserve Bank and the Department to conduct a review of the Bank’s account and transaction activity during the time period between January 1, 2008 and May 31, 2008 to determine whether suspicious activity involving accounts or transactions at, by, or through the Bank was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the “Transaction Review”) and to prepare a written report detailing the Independent Firm’s findings (the “Independent Firm’s Report”).

(b) Based on the Reserve Bank’s and the Department’s evaluation of the Transaction Review, the Reserve Bank, and the Department, may, in their sole discretion, direct the Bank to extend the Transaction Review to include time periods subsequent to May 31, 2008, with the scope and methodology for such an extension to be determined in the same manner as described in paragraph 22 of this Agreement.

22. The Bank shall submit an engagement letter to the Reserve Bank and the Department as part of the approval of the Independent Firm. The engagement letter shall set forth:

(a) The scope of the Transaction Review, including the types of accounts and transactions to be reviewed;

(b) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;

(c) the expertise and resources to be dedicated to the Transaction Review;

(d) the anticipated date of completion of the Transaction Review and the Independent Firm's Report; and

(e) a commitment that supporting material associated with the Transaction Review will be made available to the Reserve Bank and the Department upon request.

23. Upon completion of the Transaction Review, the Bank shall provide to the Reserve Bank and the Department a copy of the Independent Firm's Report at the same time that the report is provided to the Bank.

24. Throughout the Transaction Review, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

Compliance with Laws and Regulations

25. (a) In appointing any new director or senior executive officer or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Bancorp and the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Bancorp and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

Compliance with the Agreement

26. (a) Within 10 days of this Agreement, the boards of directors of Bancorp and the Bank shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate Bancorp's and the Bank's compliance with the provisions of this Agreement. The

Compliance Committee shall include a majority of outside directors who are not executive officers or principal shareholders of Bancorp and the Bank, as defined in sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)). At a minimum, the Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to the boards of directors of Bancorp and the Bank. Bancorp and the Bank shall notify the Reserve Bank and the Department in writing of the composition of the Compliance Committee at the time that the members are appointed.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, the Bank shall submit to the Reserve Bank and the Department written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans, Policies, Procedures, and Programs

27. The Bank and, as applicable, Bancorp shall submit written plans, programs, and engagement letters that are acceptable to the Reserve Bank and the Department within the applicable time periods set forth in paragraphs 2(a), 3, 4, 6, 7(c), 8, 11, 12(b), 16(b), 17, 18, 19, 20, and 22 of this Agreement. Independent consultants and an independent firm acceptable to the Reserve Bank and the Department shall be retained by the Bank within the periods set forth in paragraphs 2(a), 16(a), and 21(a) of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Department, the Bank and, as applicable, Bancorp shall adopt the approved plans, programs, and engagement letters. Upon adoption, the Bank and, as applicable, Bancorp shall promptly implement the approved plans and programs and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, programs, and engagements letter shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Department.

Communications

28. All communications regarding this Agreement shall be sent to:

- (a) Mr. Armin Lovi
Examining Officer
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) Mr. Terry K. McEwen
Director
New Jersey Department of Banking and Insurance
PO Box 040
Trenton, New Jersey 08625
- (c) Mr. George E. Scharpf
President and Chief Executive Officer
Amboy Bancorporation
Amboy Bank
3590 U.S. Highway 9
Old Bridge, New Jersey 08857

Miscellaneous

29. Notwithstanding any provision of this Agreement, the Reserve Bank and the Department, may, in their sole discretion, grant written extensions of time to Bancorp and the Bank to comply with any provision of this Agreement.

30. The provisions of this Agreement shall be binding upon Bancorp, the Bank, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

31. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Department.

32. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department, or any other federal or state agency from taking any other action affecting Bancorp, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns

33. Pursuant to Section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under Section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 29th day of June, 2009.

AMBOY BANCORPORATION

FEDERAL RESERVE BANK OF
NEW YORK

By: /s/ George E. Scharpf
George E. Scharpf
President and CEO

By: /s/ Thomas Oravez
Thomas Oravez
Assistant Vice President

AMBOY BANK

NEW JERSEY DEPARTMENT OF
BANKING AND INSURANCE

By: /s/ George E. Scharpf
George E. Scharpf
President and CEO

By: /s/ Steven M. Goldman
Steven M. Goldman
Commissioner