FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF MICHIGAN

DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

LANSING, MICHIGAN

In the Matter of UNITED BANK OF MICHIGAN GRAND RAPIDS, MICHIGAN (Michigan Chartered Insured Nonmember Bank)	CONSENT ORDER FDIC-13-0287b

United Bank of Michigan, Grand Rapids, Michigan ("**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 or regulation alleged to have been committed by the Bank related to the Bank Secrecy Act, 31 U.S.C. §§ 5311-5330, and regulations implementing the Bank Secrecy Act, including 12 C.F.R. Part 326, Subpart B, and 31 C.F.R. Chapter X (hereinafter collectively, the "**Bank Secrecy Act**" or "**BSA**"), and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("**Act**"), 12 U.S.C. § 1818(b), and under Section 2304 of the Banking Code of 1999, Mich. Comp.

Laws § 487.12304, regarding hearings before the Michigan Department of Insurance and Financial Services ("**DIFS**"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("**STIPULATION**") with representatives of the Federal Deposit Insurance Corporation ("**FDIC**") and DIFS, dated October 7, 2013, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation relating to the Bank Secrecy Act, the Bank consented to the issuance of a CONSENT ORDER ("**ORDER**") by the FDIC and DIFS.

The FDIC and DIFS considered the matter and determined that they had reason to believe the Bank had engaged in unsafe or unsound banking practices related to the Bank Secrecy Act and therefore accepted the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Section 2304 of the Banking Code of 1999, Mich. Comp. Laws § 487.12304, have been satisfied, the FDIC and DIFS **HEREBY ORDER** that the Bank, its 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, take affirmative action as follows:

QUALIFIED BSA MANAGEMENT

1. (a) While this ORDER remains in effect, the Bank shall have and thereafter retain management qualified to effectively oversee all aspects of the Bank's BSA Compliance Program and to assure compliance with this ORDER and all applicable laws and regulations related thereto.

(b) Within thirty (30) days from the effective date of this ORDER, the Bank's Board of Directors ("**Board**") shall designate a senior bank official to be responsible for overall BSA compliance. This designated senior official shall be in a position, and have the authority, to make and enforce policies with respect to BSA compliance, and to assure that full and complete corrective action is taken regarding previously identified violations and deficiencies. This senior bank official shall have the necessary knowledge and expertise to effectively oversee the Bank's BSA program commensurate with the level of risk in the Bank's operations.

(c) Within sixty (60) days from the effective date of this ORDER, the Board shall conduct a comprehensive review of the Bank's current BSA staffing requirements, assess the sufficiency of present BSA personnel, and document the findings of this review in the Board minutes.

(d) Each member of management with responsibilities relating to the BSA, section 326.8 of the FDIC Rules and

Regulations ("**FDIC Rules**"), 12 C.F.R. § 326.8, or the Treasury Department's Financial Recordkeeping Regulations, 31 C.F.R. Chapter X, shall have the qualifications and experience commensurate with his or her duties and responsibilities under those regulations.

(e) The Board shall ensure that the Bank's BSA officer and all personnel with BSA responsibilities be provided the written authority and the necessary training, time, and resources to fully implement and comply with all requirements of this ORDER.

BSA TRAINING PROGRAM

2. Within sixty (60) days from the effective date of this ORDER, the Board shall ensure that the Bank implements an improved, comprehensive BSA training program for all appropriate personnel, including, without limitation, tellers, customer service representatives, lending officers, private and personal banking officers, as well as all other customer contact personnel, and fully documents the completion of BSA training for all such personnel. Required training shall be conducted by qualified staff and/or independent contractors, shall include training in all aspects of regulatory and internal policies and procedures related to the BSA, and shall provide specific, enhanced training with regard to Customer Identification

Procedures, Customer Due Diligence requirements, Enhanced Due Diligence requirements and Suspicious Activity Report filing.

DUE DILIGENCE PROGRAM

3. Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement revised written Customer Identification ("**CI**") and Customer Due Diligence ("**CDD**") procedures necessary to fully address all BSA deficiencies noted in the Report of Examination dated May 20, 2013 ("**ROE**"). The revised CI and CDD Procedures and their implementation shall be prepared and implemented in a manner acceptable to the FDIC and DIFS as determined at subsequent examinations and/or visitations of the Bank.

(a) The revised CI and CDD procedures shall ensure full compliance with all CI and CDD program requirements. A risk focused assessment of the Bank's customer base and records shall also be conducted in order to identify all potentially high risk customers and to determine the appropriate level of ongoing monitoring required. The revised procedures shall ensure that Bank personnel can reasonably detect suspicious activity and determine which customers require Enhanced Due Diligence ("**EDD**") necessary for those categories of customers and activities posing a heightened risk of illicit activity.

(b) The revised CI and CDD procedures shall require:

i. The maintenance of complete CI records for each customer and full compliance with all CI requirements, as set forth at 31 C.F.R. § 1020.220;

ii. Risk rating of the Bank's customers, based on the potential for money laundering risk or other unlawful activity posed by the customer's activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services utilized, and locations and markets served by the customer;

iii. Obtaining, analyzing, and maintaining sufficient customer information necessary to allow effective suspicious activity monitoring, including, but not limited to, documentation of normal and expected transactions of the customer;

iv. Guidance for documenting the analysis conducted under the CI, CDD and EDD processes, including guidance for resolving issues when insufficient or inaccurate information is obtained;

v. Monitoring procedures required for each customer category under the BSA risk ratings;

vi. Guidelines to reasonably ensure the identification and timely, accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC Rules, 12 C.F.R. § 353; and

vii. Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate.

(c) The revised procedures shall also include General and Special EDD procedures and restrictions as applicable and required by Subpart F of Chapter X, 31 C.F.R. § 1010.600 et seq., regarding higher risk accounts and activities.

ACCOUNT MONITORING

4. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall establish an effective system for identifying, monitoring, and determining the appropriateness of accounts with frequent or large cash, check, or wire transfer deposits and withdrawals. Documentation supporting the review of accounts and determinations made shall be retained in the Bank's records.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and implement internal control procedures requiring the regular periodic comparison of actual activity in each account identified under paragraph (a) above against expected or anticipated activity. Such internal control procedures shall include procedures for identifying and documenting significant variances between anticipated and actual activity along with procedures for reporting variances to the Board and the filing of Suspicious Activity Reports ("**SAR**") and Currency Transaction Reports ("**CTR**") when necessary.

SUSPICIOUS ACTIVITY MONITORING AND REPORTING

5. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised written program for monitoring and reporting suspicious activity which fully meets and maintains compliance with all applicable requirements of section 353 of the FDIC's Rules, 12 C.F.R. § 353, and which is specifically designed to, among other things, require full documentation by management of the rationale for its decision to not file a SAR in each instance.

CURRENCY TRANSACTION REPORTING

6. Within thirty (30) days from the effective date of this ORDER, the Bank shall review and revise as necessary its BSA/AML Compliance Policy to correctly reflect all current CTR filing procedures and requirements, as reflected by 31 C.F.R.

Chapter X, Section 1010.306, and to fully correct and address all CTR deficiencies noted in the ROE.

CORRECTION OF VIOLATIONS

7. Within sixty (60) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law or regulation cited in the ROE.

NOTIFICATION TO SHAREHOLDER

8. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

9. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER while it remains in effect, the Bank shall furnish to the FDIC and DIFS written progress reports approved by the Board, detailing the actions taken to secure compliance with this ORDER and the results thereof. The Board's approval and any discussion thereof shall be noted in the Board's minutes for the meeting at which approval is given.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the day of its issuance by the FDIC and DIFS.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

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

Pursuant to delegated authority.

Dated: October 9, 2013.

/S/
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation

/S/
Karen K. Lawson
Deputy Director
State of Michigan
Department of Insurance and Financial Services