FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT

SACRAMENTO, CALIFORNIA

In the Matter of: GOLDEN STATE BANK GLENDALE, CALIFORNIA (INSURED STATE NONMEMBER BANK)	CONSENT ORDER FDIC-19-0141b

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Golden State Bank, Glendale, California ("Bank") under Section 3(q) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1813(q)(2). The California Department of Business Oversight ("CDBO") is the appropriate State banking agency for the Bank under Division 1 of the California Financial Code ("CFC").

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a Stipulation to the Issuance of a Consent Order ("Stipulation"), dated December 17, 2019, that is accepted by the FDIC and the CDBO. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to the Bank's Bank Secrecy Act ("BSA") and Anti-Money Laundering ("AML") program, to the issuance of this Consent Order ("Order") by the FDIC and the CDBO pursuant to Section 8(b)(1) of the FDI Act, and Section 580 of the CFC.

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), and CFC have been satisfied, the FDIC and the CDBO hereby order that:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the following:

(i) a chief executive officer with proven ability in managing a bank of comparable size and risk profile;

(ii) a chief financial officer with proven ability in all aspects of financial management; and

(iii) a senior lending officer with significant lending, collection, and loan supervision experience. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this Order;

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

(iii) comply with applicable laws and regulations.

2. As long as this Order is in effect, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the CDBO ("Commissioner") in writing, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC

Rules and Regulations, 12 C.F.R. §§ 303.100–303.104 and any requirement of the State of California for prior notification and approval.

3. Within 180 days of the effective date of this Order, the Bank shall correct all violations of law to the extent possible, as more fully set forth in the Report of Examination ("ROE") as of March 4, 2019. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations including the BSA and its rules and regulations.

4. Within 180 days of the effective date of this Order, the Bank shall revise, adopt, and implement a written compliance program, as required by the applicable provisions of Section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, designed to, among other things, ensure and maintain compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto, and address the BSA/AML related deficiencies as set forth in the ROE dated March 4, 2019. The program shall ensure that clear and comprehensive BSA/AML compliance reports are provided to the Bank's Board on a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall:

(a) Implement an improved system of internal controls to ensure compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions to ensure that they are not being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations.

(b) Provide for independent testing at least annually. The testing should contain sufficient documentation and descriptions of the testing procedures performed and the resulting conclusions regarding the sufficiency of the program in assuring ongoing compliance

with all BSA-related regulations. Reports of the independent testing shall be presented directly to the Bank's Board.

(c) Provide that the Bank's BSA compliance program is managed by a qualified officer who has the required authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's BSA program requirements and BSA-related regulations.

(d) Provide that there is a sufficient number of trained staff to implement the Bank's BSA compliance program.

(e) Provide that training is provided to address the deficiencies identified in the following areas:

(i) Alert reviews and dispositions;

(ii) Expanded due diligence reviews with appropriate Suspicious Activity Report ("SAR") escalation;

(iii) Politically Exposed Person identification; and

(iv) Red flag identification, including money laundering.

5. Within 150 days of the effective date of this Order, management shall complete comprehensive BSA/AML and Office of Foreign Assets Control ("OFAC") Risk Assessments. The Risk Assessments shall address all pertinent risk factors that affect the overall BSA/AML/OFAC risk profile of the Bank, including consideration of transactional activity from high-risk customers, and documentation for any mitigating controls for the identified high-risk customer relationships to determine overall residual risk.

6. Within 180 days of the effective date of this Order, the Bank shall develop, adopt, and implement a written customer due diligence program ("CDD"). Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the CDD program shall provide for the following:

(a) Appropriate risk-based policies, procedures, and processes for conducting ongoing CDD. The Bank shall ensure its risk-based CDD policies, procedures, and processes for new and existing customers are consistent with Section 1020.210(b)(5) of Title 31 of the Code of Federal Regulations, 31 CFR § 1020.210(b)(5), and include all appropriate information regarding the beneficial ownership of customer accounts. The Bank's ongoing CDD shall operate in conjunction with its Customer Identification Program ("CIP") and enable the Bank to understand the nature and purpose of customer relationships to develop sufficient customer risk profiles. The CDD shall also ensure that the Bank conducts ongoing monitoring to identify and report suspicious transactions.

(b) Ongoing Monitoring: The Bank shall ensure its CDD policies, procedures, and processes define both when and what additional customer information will be collected, and shall ensure that the Bank obtains current information as needed to monitor its customer risk profiles and the specific risks posed. In addition, the CDD policies, procedures, and processes shall ensure the Bank conducts the appropriate level of due diligence necessary for those customers that pose a higher-risk for money laundering, terrorist financing, and other illicit financial transactions.

7. Within 180 days from the effective date of this Order, the BSA Officer shall develop a plan to review transaction monitoring alerts that were generated by the automated suspicious activity system during the 2018 calendar year ("Transaction Review Period") and

conduct the review in acccordance with the plan. The BSA Officer shall prepare and file any additional SARs necessary based upon the review. Based upon the results of the review, the Regional Director and the CDBO may extend the Transaction Review Period if necessary.

(a) On completion of the review required pursuant to this paragraph, the Bank shall submit the written findings of the review and copies of any additional SARs filed to the Board, the Regional Director and the Commissioner.

(b) The Bank shall ensure that all matters or transactions required to be reported that have not previously been reported during the Transaction Review Period are reported in accordance with applicable rules and regulations.

(c) The review pursuant to this paragraph, including the rationale for concluding that a SAR filing is not necessary, shall be documented and such documentation shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

8. Within 180 days of the effective date of this Order, management shall ensure that the suspicious activity monitoring system is independently validated to ensure that the criteria and parameters utilized are appropriate for the institution's customer base. Management shall also perform periodic review of the criteria to ensure the system is effective and efficient in identifying potential suspicious activity.

9. Following the effective date of this Order, the Board shall oversee and confirm the completion of actions taken by management to comply with the terms of this Order. All actions taken by the Board pursuant to this Order shall be duly noted in the minutes of its meetings. The qualified officer appointed in Paragraph 3 shall report to the Board regarding

compliance with the BSA at every meeting. The Board shall certify in writing to the Regional Director and the Commissioner when all of the above actions have been accomplished.

10. During the life of this Order, the Bank shall not engage in any expansionary activities without the prior written consent of the Regional Director and the Commissioner. For the purposes of this Order, expansionary activities shall be defined to include opening any branches or other offices, entering into any new lines of business, and acquiring or forming any subsidiaries.

11. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this 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 Commissioner have released the Bank in writing from making further reports.

12. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of this Order in conjunction with the Bank's next shareholder communication and also 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, Accounting and Securities Section, Washington, D.C. 20429, at least 15 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.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the

CDBO or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the CDBO.

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 the CDBO.

Issued pursuant to delegated authority.

Dated this 7th day of January, ~~2019~~ 2020.

/s/
Aaron Prosperi
Deputy Commissioner
California Department of
Business Oversight

/s/
Paul P. Worthing
Deputy Regional Director
Division of Risk Management Supervision
San Francisco Region
Federal Deposit Insurance Corporation