

#2010-242

Also Terminates #2010-100

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Armed Forces Bank, N.A.)
Ft. Leavenworth, Kansas)

AA-EC-2010-114

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over Armed Forces Bank, N.A., Ft. Leavenworth, Kansas (“Bank”);

WHEREAS, the Bank, by and through its duly elected and acting Board of Directors (“Board”), executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation and Consent”), dated May 11, 2010, pursuant to which the Comptroller issued a Consent Order dated May 11, 2010 (the “May Consent Order”);

WHEREAS, on August 20, 2010, the Bank filed an application with the Comptroller to acquire by merger its affiliate Bank Midwest, National Association, Kansas City, Missouri (“Bank Midwest”) (“Merger”);

WHEREAS, the Bank has fulfilled certain of the terms of the May Consent Order;

WHEREAS, changes in the operations of the Bank that will occur as a result of the Merger necessitate revisions to the terms of the Consent Order;

WHEREAS, the Bank, by and through its Board on November 11, 2010 has executed a Stipulation and Consent to the Issuance of a Consent Order to replace the May Consent Order, that is accepted by the Comptroller;

WHEREAS, by this Stipulation and Consent, which is incorporated by reference, the Bank, has consented to the issuance of this new Consent Order (“Order”) by the Comptroller;

NOW, THEREFORE, pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) The Compliance Committee appointed by the Board pursuant to the May Consent Order shall continue to consist of at least three (3) directors, a majority of whom shall not be employees or controlling shareholders of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. In the event of a change of the membership, the name of any new member shall be immediately submitted in writing to the Director for Special Supervision ("Director"). The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall continue to meet at least monthly.

(3) Within thirty (30) days of the date the Compliance Committee last submitted a written progress report to the Board under the terms of the May Consent Order, the Compliance Committee shall issue a report to the Board and thereafter issue such report to the Board every thirty (30) days. The written progress reports shall set forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Director within ten (10) days of receiving such report.

(5) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision
Comptroller of the Currency
250 E Street, S.W.
Mail Stop 7-4
Washington, DC 20219

with a copy to:
Kansas City South Field Office
Comptroller of the Currency
7101 College Blvd., Suite 1600
Overland Park, Kansas 66210

(6) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to timely and effectively implement and adhere to all provisions of this Order, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order.

ARTICLE II

STRATEGIC PLAN

(1) Immediately upon consummation of the Merger, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to all terms of the Strategic Plan submitted to the Director pursuant to the May Consent Order and in connection with the Merger application (“Strategic Plan”).

(2) At least monthly, the Board shall review financial reports and earnings analyses prepared by the Bank that evaluate the Bank's performance against the goals and objectives established in the Strategic Plan, as well as the Bank's written explanation of significant differences between actual and projected balance sheets, income statements, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. Within ten (10) days of the completion of its review, the Board shall submit a copy of the reports to the Director.

(3) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance with the Strategic Plan, based on the Bank's monthly reports, analyses, and written explanations of any differences between actual performance and the Bank's strategic goals and objectives, and shall include a description of the actions the Board will require the Bank to take to

address any shortcomings, which shall be documented in the Board meeting minutes. Within ten (10) days of completing its evaluation, the Board shall submit a copy to the Director.

(4) Any subsequent amendments or revisions to the Strategic Plan shall be forwarded to the Director for review and prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Director, the Board shall adopt and the Bank shall immediately implement and thereafter adhere to the Strategic Plan.

(5) The Bank shall not initiate any action that deviates significantly from the Board-approved Strategic Plan without first receiving a written determination of no supervisory objection from the Director. The Board shall give the Director advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(6) For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's marketing strategies, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the president, chief executive officer, chief operating officer, chief financial officer, chief credit officer, chief

compliance officer, risk manager, auditor, member of the Bank's board of directors, or any other position subsequently identified in writing by the Director.

(7) The Board shall ensure that the Strategic Plan is updated annually, no later than January 31 each year, or more frequently if directed by the Director, to cover the next three (3) year period. The Bank shall submit the updated annual financial projections included in the Strategic Plan to the Director within ten (10) days of completion. If there is no significant deviation to the Strategic Plan in the annual update other than the updated financial projections, the Bank shall so certify to the OCC within ten (10) days of the Board's review and update. If the Bank proposes a significant deviation to the Strategic Plan in the annual update, or upon direction of the Director, the Bank shall submit an Amended Strategic Plan to the Director for review and supervisory non-objection and shall not implement any proposed significant deviation until it has received written supervisory non-objection from the OCC.

(8) Any Amended Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development, and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives, which, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) a description of the Bank's targeted market(s) and an assessment of the current and projected risks and competitive factors in its identified target market(s);
- (c) the strategic goals and objectives to be accomplished;

- (d) specific actions to improve Bank earnings and accomplish the identified strategic goals and objectives;
- (e) identification of Bank personnel to be responsible and accountable for achieving each goal and objective of the Strategic Plan, including specific time frames;
- (f) a financial forecast, to include projections for major balance sheet and income statement accounts, targeted financial ratios, and growth projections over the period covered by the Strategic Plan;
- (g) a description of the assumptions used to determine financial projections and growth targets;
- (h) an identification and risk assessment of the Bank's present and planned future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in the Strategic Plan, with the requirement that the risk assessment of new product lines must be completed prior to the offering of such product lines;
- (i) a description of control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's markets;
- (j) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives established in the Strategic Plan;
- (k) a management employment and succession program to promote the retention and continuity of capable management;

- (l) assigned responsibilities and accountability for the strategic planning process, new products, growth goals, and proposed changes in the Bank's operating environment; and
- (m) a description of systems to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(9) Upon receiving a written determination of no supervisory objection from the Director, the Board shall immediately adopt and the Bank shall implement and thereafter adhere to the Amended Strategic Plan as amended or revised. The Amended Strategic Plan shall be subject to the requirements set forth in paragraphs (2) – (8) of this Article.

(10) The Board shall ensure that all policies or directives of the Bank's holding company or any affiliate bank that affect the Bank are in the Bank's best interest. The Board shall either approve or record its lack of approval of policies or directives of the Bank's holding company or any affiliate bank that affect the Bank. The Board shall monitor the effect of such policies or directives upon the Bank and shall notify the Bank's holding company or affiliate bank of any modifications that are necessary to protect the Bank. If the Bank's holding company or affiliate bank does not adequately address the Bank's concerns, the Board shall dissent on the record and shall take appropriate action to protect the Bank. Such action may include, but is not limited to, refusing to implement any policies or directives that are not in the best interest of the Bank, hiring an independent legal counsel or accountant, or a combination of actions.

ARTICLE III

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall maintain the following minimum capital ratios (as defined in 12 C.F.R. Part 3)¹:

- (a) Total capital at least equal to twelve percent (12%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to ten percent (10%) of adjusted total assets.²

(2) Immediately upon consummation of the Merger, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to all terms of the Capital Plan submitted to the Director pursuant to the May Consent Order and in connection with the Merger application.

(3) The Board shall review and update the Bank's Capital Plan at least annually and more frequently if necessary or if requested by the Director. Revisions to the Bank's Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection.

ARTICLE IV

BOARD OVERSIGHT, COMPOSITION AND INDEPENDENCE

(1) Within one hundred and twenty (120) days, the Board shall perform or cause to be performed a written assessment that addresses Board oversight, composition, and independence.

¹ The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

² Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for call report purposes minus end-of-quarter intangible assets.

Upon completion, a copy of the written assessment shall be submitted to the Director. At a minimum, the written assessment shall address the following:

- (a) performance of the Board prior to and after the Merger;
- (b) size and composition of the Board immediately after the Merger, including the need for additional diversification that is independent of controlling ownership and management;
- (c) experience, qualifications, stature and reputation of individual Board members;
- (d) intellectual strength of individual Board members to evaluate and discuss strategic, regulatory, and market conditions;
- (e) willingness and ability of individual Board members to express objective and independent opinions, including dissenting opinions where appropriate;
- (f) interpersonal skills of individual Board members to motivate and effectively interact in a Board environment;
- (g) actual or potential conflicts of interests of individual Board members, including but not limited to actual or potential conflicts of interest with respect to the Bank's holding company; and
- (h) willingness and availability of individual Board members to devote sufficient time to the Board, especially after considering other internal/external obligations and memberships (including committee memberships).

(2) Within thirty (30) days following the completion of the written assessment required under paragraph (1) of this Article, the Board shall develop a written program, with specific time

frames, that corresponds to the written assessment and addresses any weaknesses noted in the written assessment.

(3) Upon completion of the written program, the Board shall submit the written program to the Director for review and supervisory non-objection and the Board shall not implement the written program until it has received written supervisory non-objection from the Director. Upon receipt of a written supervisory non-objection from the Director, the Board shall immediately implement and thereafter adhere to the written program.

ARTICLE V

BOARD TO ENSURE EFFECTIVE MANAGEMENT

(1) The Board shall ensure that the Bank has effective management in place on a full-time basis in all senior executive officer (as defined in 12 C.F.R. § 5.51(c)(3)) positions to carry out the Board's policies; ensure compliance with this Order; ensure compliance with applicable laws, rules, and regulations; and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) To the extent that the Bank has not already done so under the terms of the May Consent Order, within ninety (90) days, the Board (with the exception of any senior executive officer of the Bank) shall revise, as appropriate, its written assessment of the capabilities of the Bank's senior executive officers to perform present and anticipated duties, taking into account the findings contained in the most recent Report of Examination ("ROE"), and factoring in the senior executive officer's past actual performance, experience, and qualifications, with particular emphasis on any changes in position description, duties and responsibilities that arise as a result of the Merger, the Strategic Plan, or as a result of the Consent Order. Upon completion, a copy of the revised written assessment shall be submitted to the Director.

(3) If the Board determines that a senior executive officer's performance, skills or abilities need improvement, the Board shall, within thirty (30) days following its determination, require the Bank to develop and implement a written program, with specific time frames, to improve the senior executive officer's performance, skills and abilities. Upon development, a copy of the written program shall be submitted to the Director.

(4) If the Board determines that a senior executive officer shall not continue in his/her position, the Board shall document the reasons for this decision in its assessment performed pursuant to paragraph (2) of this Article, and shall within sixty (60) days of such vacancy identify and provide notice to the Director, pursuant to 12 C.F.R. § 5.51 and in accordance with the Comptroller's Licensing Manual, of a qualified and capable candidate for the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Order and the safe and sound operation of functions within the scope of that position's responsibility.

(5) The Board shall perform, at least annually, a written performance appraisal for each Bank senior executive officer. The written performance appraisals shall establish the objectives by which the officer's effectiveness will be measured, evaluate performance according to the position's description and responsibilities, and assess accountability for action plans to remedy issues raised in ROE or audit reports. Upon completion, copies of the performance appraisals shall be submitted to the Director. The Board shall ensure that the Bank addresses any identified deficiencies in a manner consistent with paragraphs (3) and (4) of this Article.

ARTICLE VI

LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to a written credit

policy to improve the Bank's loan portfolio management. The credit policy shall carry forward the provisions submitted in response to the May Consent Order but shall be revised to address the following:

- (a) procedures to ensure that loans made for the purpose of constructing or developing real estate include (but are not limited to) requirements to conducting stress testing of significant project and lending;
- (b) procedures for early problem loan identification, to ensure that credits are accurately risk rated at least monthly; and
- (c) procedures for overdraft and workout loans that provide for sound credit underwriting and administration, adherence to regulatory guidelines, and applicable laws, rules, and regulations, and that includes but is not limited to:
 - (i) assessment and verification of a borrower's ability to repay that includes an analysis of financial information, debt to income and credit bureau information;
 - (ii) assessment and verification of collateral, where applicable;
 - (iii) reasonable amortization timeframes;
 - (iv) borrower's character and willingness to repay as agreed; and
 - (v) proper accounting for receipt of principal and interest on charged off overdraft loans.

(2) Upon completion of the policy revisions in paragraph (1)(a) – (1)(c), the Board shall submit the revisions to the Director for review and supervisory non-objection and the Board shall not implement the revisions in (1)(a) – (1)(c) until it has received written supervisory non-

objection from the Director. Upon receipt of a written supervisory non-objection from the Director, the Board shall immediately implement and thereafter adhere to the revisions.

(3) Until such time as the credit policy described in paragraph (1) and (2) of this Article is implemented, the Board shall continue to adhere to the written credit policy provided to the Comptroller in connection with the May Consent Order.

(4) Each of the credit policies described in paragraphs (1), (2) and (3) of this Article shall include (but is not limited to) :

- (a) a description of the types of credit information required from borrowers and guarantors, including (but not limited to) annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;
- (b) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and validating current credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's cash flow, debt service requirements, contingent liabilities, and global liquidity condition, and only after the credit officer prepares a documented credit analysis;
- (c) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and documenting the current valuation of any supporting collateral, perfecting and verifying the Bank's lien position, and that reasonable limits are established on credit advances against collateral, based on a consideration of (but not limited to) a realistic assessment of the value of collateral, the ratio of loan to value, and overall debt service requirements;

- (d) procedures to ensure that loans made for the purpose of constructing or developing real estate include (but are not limited to) requirements to:
 - (i) obtain and evaluate detailed project plans; detailed project budget; time frames for project completion; detailed market analysis; and sales projections, including projected absorption rates; and
 - (ii) obtain current documentation sufficient to support a detailed analysis of the financial condition of borrowers and significant guarantors.
- (e) a requirement that borrowers and/or guarantors maintain any collateral margins established in the credit approval process;
- (f) procedures that prohibit the capitalization of accrued interest on any loan renewal or extension;
- (g) procedures that prohibit, on any loan renewal, extension or modification, the establishment of a new interest reserve using the proceeds of any Bank loan to the same borrower or guarantor;
- (h) procedures to ensure that all exceptions to the credit policy shall be clearly documented on the loan offering sheet, problem loan report, and other MIS; and approved by the Board or a committee thereof before the loan is funded or renewed;
- (i) credit risk rating definitions consistent with applicable regulatory guidance;
- (j) procedures governing the identification and accounting for nonaccrual loans that are consistent with the requirements contained in the Call Report Instructions; and

- (k) prudent lending and approval limits for lending officers that are commensurate with their experience and qualifications, and that prohibit combining individual lending officers' lending authority to increase limits.

(5) The Board shall ensure that Bank personnel performing credit analyses are adequately trained in cash flow analysis, particularly analysis using information from tax returns, and that processes are in place to ensure that additional training is provided as needed.

(6) The Board shall continue to implement a written performance appraisal and salary administration process for loan officers that adequately considers performance relative to job descriptions, policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters.

(7) The Board shall, at least on an annual basis, review the policy developed pursuant to this Article, and revise it as appropriate.

ARTICLE VII

OVERDRAFT PROGRAM

(1) Within sixty (60) days, the Board shall submit to the Director for prior written supervisory non-objection a written "Overdraft Plan" that shall, at a minimum:

- (a) identify each overdraft program to be provided by the Bank and including the following information about each overdraft program:
 - (i) the standards under which a consumer qualifies for the overdraft program;
 - (ii) the fees that a consumer may be charged under the program, and the limitation on the fees that a customer may be charged,

- including the number of overdraft charges a consumer may be assessed in a single day, month, and year;
- (iii) any disclosures, marketing, promotional materials, contract provisions, terms, account management, monitoring, internal controls, and implementation associated with the overdraft programs;
- (b) comply with all applicable laws, regulations or OCC guidance, including but not limited to, section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45 and Regulation E of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 205; and
- (c) ensure the following:
- (i) that the Bank's marketing or promotional materials and other information about deposit accounts, related fees, and overdraft protection are not misleading or deceptive;
 - (ii) that the Bank adopt reasonable and consistent limits on aggregate and/or daily/monthly overdraft fees based on total dollars and/or total number of transactions with full disclosure to the consumer;
 - (iii) that the bank adopt reasonable and consistent procedures to process checks or other deposit charges to assist customers in avoiding unnecessary overdraft charges;
 - (iv) that the Bank adopt and implement procedures to alert consumers before a transaction triggers any fees;
 - (v) that the Bank adopt and implement procedures that timely notify a customer of overdrafts;

- (vi) that the Bank establish standards, internal controls and management information systems to monitor overdrafts to identify overuse, misuse, or abuse of the program, and develop appropriate intervention policies, including consumer education, alternative credit sources, and/or termination of the program as appropriate, for consumers who use the program excessively;
- (vii) that the Bank adopt reasonable conditions and circumstances under which overdrafts will be charged off but in no case in excess of 60 days;
- (viii) that the Bank adopt and implement a comprehensive overdraft training program for employees; and
- (ix) that overdrafts will only be converted to a loan status if they meet written bank policy requirements, adhere to sound underwriting guidelines, and comply with applicable laws, rules, and regulations, including but not limited to 12 C.F.R. 30.

(2) Within thirty (30) days of receipt of a written supervisory non-objection from the OCC, the Board shall adopt and the Bank (subject to Board review and monitoring) shall implement and thereafter ensure adherence to the Overdraft Program.

ARTICLE VIII

CREDIT AND COLLATERAL EXCEPTIONS

(1) Except as otherwise provided herein, the Bank shall obtain current and complete credit information on all loans and correct each credit exception and shall continue to ensure that proper

collateral documentation is maintained on all loans and correct each collateral exception, including those credit or collateral exceptions listed:

- (a) in the most recent ROE of the Bank (within sixty (60) days from the effective date of this Order);
- (b) those acquired by the Bank as a result of the Merger with Bank Midwest that were listed in the most recent ROE of Bank Midwest, (within sixty ((60)) days from the effective date of the Merger);
- (c) those listed in any subsequent ROE of the Bank (within sixty ((60)) days from the issuance of such ROE);
- (d) those loans listed in any internal or external loan review of the Bank (within sixty ((60)) days from the completion of such review);
- (e) those loans listed in any internal or external loan review of Bank Midwest (within sixty ((60)) days from effective date of the Merger); and
- (f) those in any listings of loans lacking such information provided to management by the National Bank Examiners (within sixty ((60)) days from receipt of such listing).

(2) The Bank shall maintain a list of any credit or collateral exceptions that have not been corrected within the timeframes stated above. This list shall include an explanation of the actions taken to correct the exception, the reasons why the exception has not yet been corrected, and a plan to correct the exception.

(3) The Bank may continue to grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;

- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and
- (e) obtaining and analyzing current and complete credit information, including cash flow analysis, where loans are to be repaid from operations and global cash flow analysis, where loan repayment is expected from other sources such as Guarantors, unless:
 - (i) a majority of the full Board (or a designated committee thereof) certifies in writing the specific reasons why obtaining and analyzing this information would be detrimental to the best interests of the Bank; and
 - (ii) a copy of the Board certification is maintained in the credit file of the affected borrower(s).

ARTICLE IX

LOAN REVIEW

(1) The Board shall continue to implement and adhere to an effective, independent, and on-going loan review program to review, at least quarterly, the Bank's loan and lease portfolios, to assure the timely identification and categorization of problem credits. The program shall continue to provide for a written report to be filed with the Board promptly after each review, and the program shall continue to employ a loan and lease rating system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses," Booklets A-RCR and

A-ALLL, respectively, of the *Comptroller's Handbook*. Such reports shall continue to include, at a minimum:

- (a) the loan review scope and coverage parameters;
- (b) conclusions regarding the overall quality of the loan and lease portfolios;
- (c) the identification, type, rating, and amount of problem loans and leases;
- (d) the identification and amount of delinquent loans and leases;
- (e) credit and collateral documentation exceptions;
- (f) loans meeting the criteria for non-accrual status;
- (g) the identification and status of credit-related violations of law, rule, or regulation;
- (h) loans and leases in nonconformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies
- (i) the identity of the loan officer(s) of each loan reported in accordance with subparagraphs (b) through (h); and
- (j) concentrations of credit.

(2) The Board shall continue to evaluate the loan and lease review report(s) and shall continue to ensure that immediate, adequate, and continuing remedial action, as appropriate, is taken upon all findings noted in the report(s). The Board shall also ensure that the Bank preserves documentation of any actions to collect or strengthen assets identified as problem credits.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall continue to require and the Bank shall continue to implement and thereafter adhere to a program for the maintenance of an adequate Allowance for Loan and Lease

Losses ("ALLL"). The program shall continue to be consistent with the comments on maintaining a proper ALLL found in the Interagency Policy Statement on the ALLL contained in OCC Bulletin 2006-47 (December 13, 2006) and with "Allowance for Loan and Lease Losses," booklet A-ALLL of the *Comptroller's Handbook*, and shall continue to incorporate the following:

- (a) internal risk ratings of loans;
- (b) results of the Bank's independent loan review;
- (c) criteria for determining which loans will be reviewed under Accounting Standards Codification ("ASC") Topic 310 *Receivables* (pre-codification reference: Statement of Financial Accounting Standards ("FAS") Statement No. 114), how impairment will be determined, and procedures to ensure that the analysis of loans complies with ASC 310 requirements;
- (d) criteria for determining loan pools under ASC 310 (pre-codification reference: FAS Statement No. 5) and an analysis of those loan pools;
- (e) recognition of non-accrual loans in conformance with generally accepted accounting principles ("GAAP") and regulatory guidance;
- (f) loan loss experience;
- (g) trends of delinquent and non-accrual loans;
- (h) concentrations of credit in the Bank; and
- (i) present and projected economic and market conditions.

(2) The program shall continue to provide for a review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to filing the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall continue to be maintained of the factors

considered and conclusions reached by the Board in determining the adequacy of the ALLL and made available for review by Bank Examiners.

(3) A copy of the Board's ALLL program, and any subsequent revisions to the program, shall continue to be submitted to the Director.

ARTICLE XI

CRITICIZED ASSETS

(1) The Board shall continue to ensure adherence by the Bank (subject to Board review and ongoing monitoring) to a written program designed to protect the Bank's interest in:

- (a) those assets criticized as “doubtful,” “substandard,” or “special mention” in the most recent ROE of the Bank (within sixty ((60)) days from the effective date of this Order);
- (b) those assets acquired by the Bank as a result of the Merger that were criticized in the most recent ROE of Bank Midwest (within sixty ((60)) days from the effective date of the Merger);
- (c) those assets criticized in any subsequent ROE of the Bank (within sixty ((60)) days from the issuance of such ROE);
- (d) those assets criticized in any internal or external loan review for the Bank (within sixty ((60)) days from the completion of such review);
- (e) those assets acquired by the Bank as a result of the Merger that were criticized in any internal or external loan review for Bank Midwest (with sixty ((60)) days from the effective date of the Merger); and

- (f) those assets held by the Bank or acquired by the Bank as a result of the Merger that were criticized in any list provided to the Bank by the National Bank Examiners (within 60 days of receipt of that list by the Bank).

(2) The program shall provide for Criticized Asset Reports (“CARs”) identifying all credit relationships and other assets, whether held by the Bank or held by Bank Midwest and acquired to the Bank as a result of the Merger, totaling in aggregate two-hundred and fifty thousand dollars (\$250,000) or more, criticized as "doubtful," "substandard," or "special mention." The CARs shall continue to be updated and submitted to the Board and the Directors monthly. Each CAR shall continue to cover an entire credit relationship and include, at a minimum, analysis and documentation of the following:

- (a) the origination date and any renewal or extension dates, amount, purpose of the loan, and the originating and current loan officer(s);
- (b) the expected primary and secondary sources of repayment, and an analysis of the adequacy of the repayment source;
- (c) the appraised value of supporting collateral and the position of the Bank's lien on such collateral, where applicable, as well as other necessary documentation to support the current collateral valuation;
- (d) an analysis of current and complete credit information, including cash flow analysis where loans are to be repaid from operations;
- (e) results of any ASC Topic 310 *Receivables* (pre-codification reference: FAS 114) impairment analysis;
- (f) significant developments, including a discussion of changes since the prior CAR, if any; and

- (g) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment, including an appropriate exit strategy.

(3) The Bank shall not extend credit, directly or indirectly, including renewals, modifications or extensions, to a borrower whose loans or other extensions of credit are criticized in any ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination, unless and until the Board or a designated committee thereof documents in writing that each of the following conditions is met:

- (a) the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, modifying or extending any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank. A copy of the findings and approval of the Board or designated committee shall be maintained in the credit file of the affected borrower and made available for review by National Bank Examiners;
- (b) the Bank performs a written credit and collateral analysis as required by paragraph (2)(d) of this Article and, if necessary, the proposed action referred to in paragraph (2)(g) of this Article is revised, as appropriate; and
- (c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of additional credit.

ARTICLE XII

OTHER REAL ESTATE OWNED - ACTION PLANS

(1) The Board shall continue to ensure Bank adherence to action plans for each parcel of OREO, whether held by the Bank or acquired by the Bank as a result of the Merger, to ensure that these assets are managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34, Subpart E. At a minimum, the plans shall:

- (a) identify the Bank officer(s) responsible for managing and authorizing transactions relating to the OREO properties;
- (b) include proper accounting procedures for OREO properties from transfer to the Bank;
- (c) contain procedures to require timely appraisals pursuant to 12 C.F.R. § 34.85 and 12 C.F.R. Part 34, Subpart C;
- (d) contain an analysis of each OREO property that compares the cost to carry against the financial benefits of near-term sale;
- (e) detail the marketing strategies for each parcel;
- (f) identify targeted time frames for disposing of each parcel of OREO;
- (g) establish procedures to require periodic market valuations of each property, and the methodology to be used; and
- (h) provide for reports to the Board on the status of OREO properties on at least a quarterly basis.

(2) The Board shall submit copies of the action plans and the quarterly reports required by paragraph (1)(h) to the Director.

ARTICLE XIII

CONCENTRATIONS OF CREDIT

(1) Within forty-five (45) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written concentration management program consistent with OCC Bulletin 2006-46. The program shall include, but not be limited to, the following:

- (a) policy guidelines that address the level and nature of exposures acceptable to the institution and that set concentration limits, including limits on commitments to individual borrowers and appropriate sub-limits;
- (b) procedures to identify and quantify the nature and level of risk presented by concentrations, including review of reports describing changes in conditions in the Bank's markets;
- (c) procedures to periodically review and revise, as appropriate, risk exposure limits and sub-limits to conform to any changes in the institution's strategies and to respond to changes in market conditions;
- (d) periodic portfolio-level stress tests or sensitivity analyses to quantify the impact of changing economic conditions on asset quality, earnings, and capital;
- (e) appropriate strategies for managing concentration levels, including a contingency plan to reduce or mitigate concentrations in the event of adverse market conditions; and
- (f) periodic reports to the Board, to include the following, as appropriate:
 - (i) a summary of concentration levels, by type and subtype;
 - (ii) a synopsis of the Bank's market analysis;

- (iii) a discussion of recommended strategy when concentrations approach or exceed Board-approved limits;
- (iv) a synopsis of changes in risk levels by concentration type and subtype, with discussion of recommended changes in credit administration procedures (for example, underwriting practices, risk rating, monitoring, and training).

(2) The Board shall forward a copy of the program required in paragraph (1) above, and any concentration reports, studies, or analyses to the Director.

ARTICLE XIV

LIQUIDITY RISK MANAGEMENT

(1) The Bank shall continue to take action to maintain adequate sources of stable funding given the Bank's anticipated liquidity and funding needs. Such actions shall include, but not be limited to:

- (a) reduction of wholesale or credit sensitive liabilities and/or increase of liquid assets; and
- (b) continue implementation of and adherence to a policy on the Bank's use of wholesale or credit sensitive liabilities.

(2) The Board shall continue to review the Bank's liquidity on a monthly basis. Such reviews shall consider:

- (a) a maturity schedule of certificates of deposit;
- (b) the volatility of demand deposits including escrow deposits;
- (c) the amount and type of loan commitments and standby letters of credit;

- (d) an analysis of the continuing availability and volatility of present funding sources;
- (e) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans;
- (f) an analysis of the impact of decreased cash flow from the sale of loans or loan participations; and
- (g) geographic disbursement of and risk from brokered deposits, including those from deposit placement programs.

(3) The Board shall continue to take appropriate action to ensure adequate sources of liquidity in relation to the Bank's needs. Monthly reports shall continue to set forth liquidity requirements and sources and establish a contingency plan. Copies of these reports shall be forwarded to the Director.

ARTICLE XV

INTERNAL AUDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies

concerning underwriting standards and problem loan identification and classification;

- (e) adequately cover all areas; and
- (f) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board or its Audit Committee shall continue to evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall continue to ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(4) The Board shall continue to ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board or its Audit Committee, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall continue to be in writing and filed directly with the Board or its Audit Committee and not through any intervening party.

(5) The Board shall continue to ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and maintain a written record describing the deficiency, the projected corrective action, and the status of the corrective action.

(6) The audit staff shall continue to evaluate in writing the effectiveness of the corrective action and recommend additional corrective actions, as necessary.

(7) Upon adoption, a copy of the internal audit program shall be submitted to the Director.

ARTICLE XVI

VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in the most recent ROE of the Bank and to the extent appropriate any Bank Midwest ROE, any subsequent ROE, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within ninety (90) days after the violation is cited or brought to the Board's attention, the Bank shall provide to the Board a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified time.

(2) Within sixty (60) days, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure continued adherence to:

- (a) specific procedures to prevent future violations as cited in the ROE; and
- (b) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(3) Upon adoption, the Board shall forward a copy of these policies and procedures to the Director.

ARTICLE XVII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank requires an extension of any timeframe within this Order, the Board shall submit a written request to the Director asking for relief. Any written requests submitted pursuant

to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with a provision and that require an extension of a timeframe within this Order.

(2) All such requests shall be accompanied by relevant supporting documentation, and any other facts upon which the Bank relies. The Director's decision concerning a request is final and not subject to further review.

ARTICLE XVIII

OTHER PROVISIONS

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose signature appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, including the obligation to implement plans, policies or other actions, it is intended to mean that the Board or Board committee shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The Bank entered into a Consent Order dated May 11, 2010. This Order replaces and supersedes the May 11, 2010 Consent order in its entirety and, therefore, that Consent Order is hereby terminated.

(8) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 14 day of December, 2010.

Signed

Henry Fleming

Director

Special Supervision Division

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Armed Forces Bank, N.A.)
Ft. Leavenworth, Kansas)

AA-EC-2010-114

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”) has supervisory authority over Armed Forces Bank, N.A., Ft. Leavenworth, Kansas (“Bank”);

WHEREAS, the Bank, by and through its duly elected and acting Board of Directors (“Board”), on May 11, 2010, executed a Stipulation and Consent to the Issuance of a Consent Order pursuant to which the Comptroller issued a Consent Order dated May 11, 2010 (the “May Consent Order”), addressing unsafe and unsound banking practices relating to, among other issues, asset quality, management, credit risk management, and audit;

WHEREAS, on August 20, 2010, the Bank filed an application with the Comptroller to acquire by merger its affiliate, Bank Midwest, National Association, Kansas City, Missouri (“Bank Midwest”) (“Merger”);

WHEREAS, the Bank has fulfilled certain of the terms of the May Consent Order;

WHEREAS, changes in the operations of the Bank that will occur as a result of the Merger necessitate revisions to the terms of the May Consent Order,

WHEREAS, the Bank, in the interest of compliance and cooperation, and without admitting or denying any wrongdoing, consents to the issuance of a Consent Order, dated December 14, 2010 (“Order”) to replace the May Consent Order by executing this Stipulation and Consent to the Issuance of a Consent Order;

NOW, THEREFORE, the Comptroller through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank, pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

ACKNOWLEDGMENTS

(1) The Bank acknowledges that said Order shall be deemed an “order issued with the consent of the depository institution,” as defined in 12 U.S.C. § 1818(h)(2), and consents and acknowledges that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818, and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(2) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of

any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) any and all procedural rights available in connection with the issuance of the Order;
 - (b) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) or 12 C.F.R. Part 19;
 - (c) all rights to seek any type of administrative or judicial review of the Order;
and
 - (d) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

CLOSING PROVISIONS

(1) The provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, the Comptroller deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

Signed _____
Henry Fleming
Director, Special Supervision Division

December 14, 2010 _____
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>Signed</u> Robert Arter	<u>November 12, 2010</u> Date
<u>Unsigned</u> Roger Box	_____
<u>Signed</u> Ron Bramlage	<u>November 12, 2010</u> Date
<u>Signed</u> Ann K. Dickinson	<u>November 12, 2010</u> Date
<u>Signed</u> Daniel L. Dickinson	<u>November 12, 2010</u> Date
<u>Signed</u> Burton Dickinson	<u>November 12, 2010</u> Date
<u>Signed</u> Don Giles	<u>November 12, 2010</u> Date
<u>Signed</u> Michael D. Hockley	<u>November 12, 2010</u> Date
<u>Signed</u> Paul P. Holewinski	<u>November 12, 2010</u> Date
<u>Signed</u> Jane Dickinson Kress	<u>November 12, 2010</u> Date