#2013-073

AGREEMENT BY AND BETWEEN
RepublicBankAz, N.A
Phoenix, Arizona
and
The Comptroller of the Currency

RepublicBankAz, N.A., Phoenix, Arizona ("Bank") and the Comptroller of the Currency of the United States of America ("Comptroller") wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to Board and Management oversight, credit risk management and credit administration.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors ("Board"), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

Jurisdiction

(1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a "written agreement" within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Phoenix Field Office
9633 South 48th Street, Suite 265
Phoenix, Arizona 85044

Article II

Compliance Committee

(1) Within fifteen (15) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder 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. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

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

(3) Within thirty (30) days of this Agreement and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Agreement;

(b) actions taken to comply with each Article of this Agreement; 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 Assistant Deputy Comptroller within ten (10) days of receiving such report.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the requirements of this Agreement.

Article III

Capital and Strategic Plan

(1) Within sixty (60) days of this Agreement, the Board shall develop a written capital and strategic plan for the Bank covering at least the next three years (hereafter the "Bank's Three-Year Plan"), complete with specific time frames that incorporate the strategic and other requirements of this Article. A copy of the Bank's Three-Year Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(2) The Bank's Three-Year Plan shall establish objectives and projections for the Bank's overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, product line development and market segments that the Bank intends to promote or develop, together with specific strategies to achieve those objectives, that are specific, measurable, verifiable, and, at a minimum, address or include:

(a) a mission statement that forms the framework for the establishment of strategic goals and objectives;

(b) an assessment of the Bank's present and future operating environment;

(c) the development of strategic goals and objectives to be accomplished over the short and long term;

(d) an action plan to achieve and maintain Bank earnings from sustainable sources and accomplish identified strategic goals and objectives, and specific time frames;

(e) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;

(f) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (3) of this Article;

(g) specific plans for the maintenance of adequate capital, consistent with the Bank's overall condition and risk profile, including:

  (i) projections for growth or asset reduction and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, provision expense, and off balance sheet activities;

  (ii) projections of the sources and timing of additional capital, to meet the Bank's current and future needs; and

  (iii) contingency plans that identity alternative methods should the capital primary sources not be available;

(h) control systems to mitigate risks associated with planned new products, growth, asset reduction, or any proposed changes in the Bank's operating environment;

(i) systems to monitor the Bank's progress in meeting the plan's goals and objectives; and

(j) provisions for plan updates and review by the Board on an annual basis, or more frequently if necessary.

(3) Effective immediately, the Bank shall only declare dividends when:

(a) the Bank is in compliance with the Bank's Three-Year Plan as described above;

(b) the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and

(c) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's Three-Year Plan.

Article IV

Chief Credit Officer

(1) Within sixty (60) days of this Agreement, the Board shall identify a qualified and capable candidate for Chief Credit Officer of the Bank, and submit the information required by Paragraph (2) of this Article. The candidate shall be employed and vested with sufficient authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank, following review and written no objection by the Assistant Deputy Comptroller, as provided in this Article.

(2) Prior to the employment of any individual as Chief Credit Officer, the Board shall submit to the Assistant Deputy Comptroller the following information:

(a) the information sought in the "Changes in Directors and Senior Executive Officers" booklet of the Comptroller's Corporate Manual, together with a legible fingerprint card for the proposed individual;

(b) a written statement of the Board's reasons for selecting the proposed officer; and

(c) a written description of the proposed officer's duties and responsibilities.

Article V

Board Oversight

(1) Within ninety (90) days of this Agreement, the Board shall take the necessary steps to eliminate the deficiencies in management leadership and Board oversight as described in the Report of Examination conducted as of December 31, 2012 (the "ROE"), to include specific actions for attaining the necessary management expertise and Board involvement to return the Bank to a safe and sound condition.

(2) Within thirty (30) days of this Agreement, the Board shall employ an independent outside management consultant ("Consultant").

(3) Prior to the appointment or employment of any consultant or entering into any contract with a consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(4) Within sixty (60) days of the receipt of the written determination of no supervisory objection to the proposed consultant, the Consultant shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements, including a staffing plan for the Bank's loan function, in light of the Bank's present condition. The findings and recommendations of the Consultant shall be set forth in a written report (the "Management Study") to the Board. At a minimum, the Management Study shall contain:

(a) the identification of present and future management and staffing requirements of each area of the Bank, with particular emphasis given to Board oversight, senior management and lending officers;

(b) a detailed written description of:

   (i) the Bank's corporate governance and decision-making process;

   (ii) the Bank's committees and the structure and purpose of each committee;

   (iii) organizational chart; and

   (iv) job descriptions for all executive officers;

(c) an evaluation of each senior manager's knowledge, skills, abilities and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of the position;

(d) identification of the skills and expertise needed to administer the Bank's credit function in a safe and sound manner;

(e) identification of the skills and expertise of the Bank's current loan officers;

(f) comparison of the loan officers' skills and expertise identified in (6)(d) of this Article to the skills and expertise identified in (6)(e) of this Article as necessary to develop, market, and administer the products that will be utilized in accomplishing the Bank's goals and objectives;

(g) an evaluation of the responsibility for present weaknesses in the Bank's condition;

(h) the effectiveness of the Bank’s committees, corporate governance and decision-making process;

(i) recommendations as to whether management, staffing and structural changes should be made, including the need for additions to, or deletions from, the current Board and management team or structure and lending staff;

(j) objectives by which management’s and the Board’s effectiveness will be measured;

(k) a training program to address identified weaknesses in the skills and abilities of the Bank’s staff and management team;

(l) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;

(m) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers;

(n) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary duties and other responsibilities under law;

(o) an assessment of the Board’s strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;

(p) recommendations to ensure the Board exercises proper oversight over the affairs of the Bank; and

(q) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(5) Within five (5) days of completion of the Management Study, a copy shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) Within forty-five (45) days of receipt of the OCC's no objection to the Management Study, the Board shall prepare and submit a management plan ("Management Plan") to address the deficiencies noted in the Management Study to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The Management Plan shall include the recommendations made in the Management Study and shall also include the following specific measures to correct deficiencies in Board and management oversight and corporate governance, including but not limited to:

(a) incentives designed to ensure that commission-based compensation arrangements promote quality and long-term performance, including:

(i) recusals by any officer, employee, or director who may benefit directly or indirectly from the granting of the credit from any participation in the loan approval process;

(ii) compliance with sound underwriting standards prior to the payment of commissions, bonuses and other compensation;

(iii) commission, bonus and other compensation amounts that consider the quality and ongoing performance of loans generated, including financial statement exception levels as appropriate for the position; and

(iv) hold-back provisions for incentive-based compensation arrangements that require substantial portions of the compensation be withheld and not paid in the event the loan is not sold, is returned by an investor, or becomes criticized within one year of its funding date;

(b) policies and procedures to ensure that prior to the Bank's involvement in any new products or services, the Board shall prepare a written analysis of the product or service in accordance with the New Products Policy and submit it to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The analysis shall at a minimum, include the following:

(i) the assessment of the risks and benefits of the product or services to the Bank;

(ii) an explanation of how the product or service is consistent with the Bank's strategic plan;

(iii) an evaluation of the adequacy of the Bank's staffing, expertise, MIS, internal controls, and written policies and procedures to identify, measure, monitor and control the risks associated with the product; and

(iv) a profitability analysis, including growth projections;

(c) plans for the addition of outside directors, as appropriate;

(d) a succession plan for key management positions and the Board; and

(e) the development of revised internal controls and assigned accountability to monitor and ensure policy adherence.

(7) Subsequent to the receipt of the OCC's non-objection to the Management Plan, the Board at its next regularly scheduled monthly meeting shall adopt, implement and thereafter ensure adherence to the Management Plan.

Article VI

Internal Audit

(1) Within sixty (60) days of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent and comprehensive internal audit program that ensures timely management responses and corrective actions on identified weaknesses, to include, at a minimum:

(a) a comprehensive audit exception tracking report that identifies and tracks all audit findings and exceptions, including those from all third party audits, with specific action plans, individual accountability, and due dates;

(b) follow up procedures to ensure corrective actions are effective;

(c) designating an individual responsible for maintaining the tracking report;

(d) tracking and documenting corrected exceptions; and

(e) review and discussion of all audits by the Audit Committee with discussion noted in meeting minutes.

(2) As part of this audit program, the Board shall 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) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

Article VII

<u>Credit Underwriting and Administration</u>

(1) Effective as of the date of this Agreement, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(2) Within sixty (60) days of this Agreement, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a revised loan policy. The revised loan policy shall incorporate the guidelines set forth in Loan Portfolio Management, A-LPM, of the *Comptroller's Handbook* and shall incorporate, but not be limited to, the following:

(a) current individual lending limits;

(b) authority and approval procedures for purchasing and selling participations;

(c) maximum periods for loan approval from application date;

(d) detailed guidance on loan terms and amortizations;

(e) supporting exhibits as referenced in Bank policies;

(f) a system for measuring exceptions against the Board approved limits;

(g) measures to correct the deficiencies in the Bank's lending procedures noted in any Report of Examination; and

(h) guidelines for periodic review of the Bank's adherence to the revised lending policy.

(3) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Paragraph (2) of this Article.

(4) Within sixty (60) days of this Agreement, the Board shall take the necessary steps to ensure that the Bank develops safe and sound credit risk management and administration practices, to include at a minimum:

(a) a determination and documentation of whether a loan complies with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;

(b) policies and procedures designed to aggregate, track and eliminate exceptions to the Loan Policy and underwriting guidelines for all loans to include, at a minimum:

(i) quarterly Board monitoring of policy exception reports that track aggregate number and dollar amount of loans with material underwriting exceptions by type of loan and loan officer; and

(ii) accountability by the lending staff for such exceptions that, at a minimum, considers such exceptions in the periodic performance reviews and compensation of such lending staff.

(5) The Board shall take the necessary steps to ensure that current and satisfactory credit and proper collateral information is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing credit or collateral information described in the ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(6) The Board shall implement an effective policy that monitors, aggregates, and reports financial statement and collateral exceptions, which shall include at a minimum:

(a) a tickler system to identify all exceptions, including dates for lender annual financial reviews;

(b) an analysis of exceptions by type and loan officer;

(c) holding loan officers accountable for exceptions not cleared within ninety (90) days;

(d) assigning responsibility of monitoring and clearing exceptions to the individuals responsible for the lending relationship; and

(e) reporting all exceptions to the Board at least quarterly.

(7) Within thirty (30) days of this Agreement, the Board shall engage a consultant to perform a review of the Bank's government guaranteed lending program, including the Bank's SBA lending program. The scope of the review shall include a review of all government guaranteed loans and provide for a written report ("Report") to be provided to the Board after the review is completed. The Report shall include, at a minimum, the following:

(a) a detailed list of loans and any weaknesses that could threaten the validity of the government guarantee;

(b) a list of recommended corrective actions to address the individual weaknesses identified in any government guaranteed loan; and

(c) recommendations to improve the Bank's government guaranteed program that includes at a minimum a comprehensive set of pre-funding procedures.

(8) Within forty five (45) days of this Agreement, the Consultant shall prepare a report in accordance with the required scope and provide it to the Board.

(9) Within thirty (30) days of the receipt of the Report, the Board shall prepare a written plan (the "Board Plan") designed to ensure that the Bank corrects any individual government guaranteed loan weaknesses and has appropriate policies and procedures in place to prevent future weaknesses in any government guaranteed loans. The Board shall immediately submit the Board Plan to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the Board Plan, the Board shall immediately implement and thereafter ensure adherence to the Board Plan and any policies and procedures required by it.

Article VIII

Credit Risk Ratings and Nonaccrual Recognition

(1) Within sixty (60) days of this Agreement, the Board shall develop, and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a program designed to ensure that: 1) the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records, and that 2) the Bank does not improperly recognize income, to include, at a minimum, provisions requiring that:

(a) the Bank's loans and other assets are graded based upon current facts and existing/reasonable (considering the loan purpose) repayment terms with a focus upon whether the primary repayment source is threatened by a well-defined weakness and whether the credit relies heavily upon secondary repayment sources, especially illiquid collateral or an unsubstantiated guarantor;

(b) the Bank's loans and other assets are timely placed on nonaccrual by the lending officers in accordance with the guidelines set forth in the Call Report;

(c) lending officers conduct periodic, formal reviews for determining the appropriate risk rate and accrual determination;

(d) appropriate analysis and documentation are maintained in the credit files to support the current and previous risk rating or accrual determination for all credit relationships totaling one-hundred thousand dollars ($100,000) or more;

(e) the President, Senior Loan Officer, and all lending officers receive immediate training with respect to the application of Subparagraphs (a) through (d) of this Article;

(f) the lending officers and senior management are assigned responsibility and held accountable (to include, at a minimum, consideration in periodic performance reviews and compensation) for ensuring that the Bank's loans and other assets are appropriately and timely risk rated, charged off and/or placed on nonaccrual; and

(g) management information systems that periodically provide feedback about the effectiveness of the program by senior management and the individual lending officers.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program required by this Article.

Article IX

Problem Loan Management

(1) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) The Board's compliance with Paragraph (1) of this Article shall include the development of procedures for the quarterly submission and review of reports of all criticized asset relationships totaling two-hundred and fifty thousand dollars ($250,000) or above, that require, at a minimum, analysis and documentation of the following:

(a) an identification of the expected sources of repayment;

(b) 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 collateral valuation;

(c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;

(d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;

(e) trigger dates for positive borrower actions or for loan officers to reassess the strategy and enact collection plans; and

(f) documented support for accrual status.

(3) Effective as of the date of this Agreement, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent

Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed two-hundred and fifty thousand dollars ($250,000) unless each of the following conditions is met:

(a) the Board finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

(b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

Article X

Concentration Risk Management

(1) Within sixty (60) days of this Agreement, the Board shall develop and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written concentration risk management program consistent with the "Concentrations of Credit" booklet of the *Comptroller's Handbook* (Section 216). The concentration risk management program shall include, but not necessarily be limited to, the following:

(a) a review and revision of current policies, processes and procedures to control and monitor concentrations that are derived from all bank operations, and not simply credit concentrations, including a review of on- and off-balance sheet positions to identify all concentrations, including

FHLB borrowings, larger depositor(s), serviced SBA loans, and total unguaranteed SBA loans;

(b) a written analysis of all concentrations of credit that fully assesses inherent credit, liquidity, and interest rate risk;

(c) the establishment of safe and sound, formal risk limits for all concentrations based on a percentage of capital, stratified by type, locality and other meaningful measures;

(d) strategies and procedures to manage and reduce concentrations to conform with the established limits set in Subparagraph (c) of this Article;

(e) strategies and procedures to be taken when concentrations approach or exceed Board limits that includes a Board policy that requires a detailed analysis and written support to conclude that any concentration limit increase will not subject the Bank to undue concentrations risk before the Board may approve such increase; and

(f) periodic monitoring and re-evaluation of concentration limits by the Board.

(2) For purposes of this Article, a concentration of credit is as defined in the "Loan Portfolio Management" booklet of the *Comptroller's Handbook*.

(3) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

Article XI

<u>External Loan Review</u>

(1) Within forty-five (45) days of this Agreement, the Board shall employ a qualified consultant to perform semi-annual asset quality reviews of the Bank's loan portfolio. The scope of the external loan review shall include seventy percent (70%) by dollar volume of the commercial, agricultural, and commercial real estate portfolios on an annual basis, and provide for a written report to be filed with the Board after each review, with the first report due no later than August 31, 2013, and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*. Such reports shall, at a minimum, include comments and conclusions regarding:

(a) the loan review scope and coverage;

(b) 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 and nonaccrual loans;

(e) the identification/status of credit related violations of law or regulation;

(f) loans not in conformance with the Bank's lending policies;

(g) credit underwriting and documentation exceptions;

(h) credit analysis and documentation of such;

(i) accuracy of internal risk ratings;

(j) the identity of the loan officer who originated each loan reported in accordance with Subparagraphs (b) through (g) of the Article;

(k) overall credit administration practices; and

(l) completeness and effectiveness of problem loan workout plans.

(2) Prior to the appointment or employment of any individual as loan review consultant or entering into any contract with any consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the loan review consultant or the scope of the review, the Board shall immediately engage the loan review consultant pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee thereof shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action is taken upon the findings noted in the reports.

(4) Within five (5) days of the Board or designated committee's review pursuant to Paragraph (3) of this Article, the Board shall forward a copy of the independent loan review report to the Assistant Deputy Comptroller.

(5) The Bank shall not terminate the consultant's asset quality review services without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article XII

Liquidity

(1) Within sixty (60) days of this Agreement, the Board shall develop and submit for a prior written determination of no supervisory objection, a written liquidity program designed to ensure the Bank maintains liquidity at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base, to include at a minimum:

(a) measures to maintain sufficient on-balance sheet liquidity;

(b) develop and implement concentration limits for secondary wholesale sources of liquidity and large depositors;

(c) measures to ensure limited reliance upon non-core funding sources;

(d) the maintenance of additional back-up funding sources;

(e) policies and procedures to ensure the implementation of adequate liquidity planning tools, to include:

  (i) a review of administrative policies and procedures to ensure they are consistent with the Board's guidance and risk tolerances;

  (ii) specific balance sheet liquidity targets that are consistent with the tools used to measure performance; and

  (iii) reasonable risk limits to control the level of liquidity risk that incorporate forward-looking risk measurements and liability concentration limits, such as limits on the amount of funds that may be sourced from any individual customer or groups of customers, or liability concentration limits by instrument; and

(f) a contingency funding plan that ensures the Bank can remain liquid and solvent through stressed environments and that includes, at a minimum:

  (i) management's best estimate of balance sheet changes that may result from a liquidity or credit event;

  (ii) specific terms or events that trigger enactment of the plan;

  (iii) necessary management information systems and reporting criteria for use in crises situations;

(iv) management responsibilities for enacting the plan and for taking specific actions once enacted; and

(v) prioritization of all sources of funding for the various scenarios, including asset side funding, liability side funding, and off-balance sheet funding.

(2) After the OCC has advised the Bank that it does not take supervisory objection to the liquidity program required by this Article, the Board shall immediately implement, and shall thereafter ensure adherence to its terms.

Article XIII

Interest Rate Risk

(1) Within sixty (60) days of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written interest rate risk program that is consistent with the January 6, 2010 Interagency Advisory on Interest Rate Risk Management (OCC Bulletin 2010-1) and current management practices at the Bank, including, at a minimum, ensuring:

(a) consistency between the Bank's practices and policy for modeling time frames and analysis of deposit assumptions;

(b) all audits of Interest Rate Risk are properly discussed by the Board, or appropriate committee thereof, with sufficient documentation of this discussion noted in the meeting minutes; and

(c) the Board, or an appropriate committee thereof, periodically reviews, discusses, and documents the discussion of model assumptions.

(2) The Board shall submit a copy of the revised program and management reports required by this Article to the Assistant Deputy Comptroller.

Article XIV

<u>Closing</u>

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

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

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board 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 Agreement;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;

(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 Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. 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(b)(1), 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. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency 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. The terms of this Agreement, 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.

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

/s/ May 31, 2013

Steven D. Jacobs
Assistant Deputy Comptroller
Phoenix Field Office

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.

/s/	May 31, 2013
Camala Bailey	Date
/s/	May 31, 2013
Chad E. Cline	Date
/s/	May 31, 2013
Donald E. Cline	Date
/s/	May 31, 2013
Bette F. DeGraw	Date
/s/	May 31, 2013
Regina Edwards	Date
/s/	May 31, 2013
Luther W. Goehring	Date
/s/	May 31, 2013
Rodney Larson	Date
/s/	May 31, 2013
Judith A. Lynn	Date
/s/	May 31, 2013
Robert Sparks	Date