#2013-202

AGREEMENT BY AND BETWEEN
The First National Bank of Layton
Layton, Utah
And
The Comptroller of the Currency

The First National Bank of Layton, Layton, Utah ("Bank") and the Comptroller of the Currency of the United States of America (the "Comptroller" or "OCC") wish to protect the interests of the depositors and other customers 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, through his authorized representative, has examined the Bank and his findings are contained in the Report of Examination for the examination that commenced on July 29, 2013 (the "ROE"). The Comptroller has found unsafe or unsound banking practices relating to compliance risk management, credit administration, and mortgage banking compensation.

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) Unless otherwise informed in writing by the Comptroller, all reports or plans that 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 S. 48th Street, Suite 265
Phoenix, Arizona 85044

ARTICLE II

COMPLIANCE COMMITTEE

(1) The Board shall maintain 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 such person. In the event of a change in the membership of the Compliance Committee, 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) By December 31, 2013, and every calendar quarter 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 quarterly progress 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 PLAN

(1) Effective immediately, the Bank shall at all times maintain the following minimum capital ratios (as defined in 12 C.F.R. Part 3):

(a) tier 1 capital at least equal to nine percent (9%) of adjusted total assets; and

(b) total risk-based capital at least equal to eleven percent (11%) of risk-weighted assets.

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank is not to be deemed "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).

(3) Effective immediately, the Bank may declare or pay a dividend or make a capital distribution only:

(a) when the Bank is in compliance with the minimum capital ratios set forth in paragraph (1) of this Article;

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

(c) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(4) 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 capital plan for the Bank covering at least the next three years, complete with specific timeframes that incorporate requirements of this Article. The Bank's Capital Plan shall establish projections for the Bank's overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, and capital and liquidity adequacy that the Bank intends to achieve, and at a minimum, address or include:

(a) specific plans to maintain adequate capital consistent with the Bank's overall condition and risk profile, that may in no event be less than the requirements of Paragraph (1) of this Article,

(b) growth limitations designed to comply with Article VI of this Agreement, and actions to monitor, control and reduce, where appropriate, significant concentrations of credit;

(c) recognition that the Bank cannot offer or introduce new products or enter new market segments until it adopts an appropriate credit culture, implements sound risk management principles, and returns the Bank's condition to satisfactory;

(d) projections for capital and liquidity requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

(e) the primary source(s), especially those that are not credit sensitive, from which the Bank will strengthen its capital structure to meet the Bank's needs;

(f) contingency plans that identify alternative capital sources should the primary source(s) under subparagraph (d) not be available;

(g) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three years that shall address or include consideration of the requirements of this Article; and

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

(5) 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 Capital Plan.

ARTICLE IV

CONSUMER COMPLIANCE PROGRAM

(1) Within thirty (30) days of this Agreement, the Board shall appoint or employ a qualified Compliance Officer who shall be responsible for ensuring the Bank complies with all applicable consumer protection laws, rules, and regulations.

(2) 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 consumer compliance program designed to ensure that the Bank is operating in

compliance with all applicable consumer protection laws, rules, and regulations. This program shall include, but not be limited to:

(a) a written description of the duties and responsibilities of the Compliance Officer, who shall be responsible for monitoring regulatory changes and communicating those changes to appropriate Bank personnel;

(b) the establishment of employee and management accountability for noncompliance with all applicable consumer protection laws, rules, and regulations;

(c) revised policies and procedures to ensure they provide appropriate guidance regarding all applicable consumer protection laws, rules, and regulations, to include in particular, the Real Estate Settlement Procedures Act, the Flood Disaster Protection Act, and the Servicemembers Civil Relief Act;

(d) timely updates of written policies and procedures to ensure they remain current;

(e) adequate internal controls and staffing to ensure compliance with all applicable consumer protection laws, rules, and regulations;

(f) a formalized risk assessment process and annual audit plan to use in determining the frequency and scope of ongoing compliance monitoring and audit;

(g) a comprehensive independent audit program to adequately test for compliance with all applicable consumer protection laws, rules, and regulations;

(h) procedures to ensure that exceptions noted in the audit reports are corrected and responded to by the appropriate Bank personnel;

(i) the education and training of all appropriate Bank personnel in the requirements of all applicable consumer protection laws, rules, and regulations;

(j) procedures for the dissemination of changes in laws, rules, regulations and OCC policy changes to affected Bank personnel; and

(k) periodic reporting of the results of the consumer compliance audit to the Board or a committee thereof.

(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 consumer compliance program.

ARTICLE V

CREDIT ADMINISTRATION

(1) The Board shall ensure that all lending personnel comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(2) Within thirty (30) days of this Agreement, the Board shall revise and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection a portfolio management program that includes:

(a) a system for measuring the level and trend of exceptions to the Loan Policy and other underwriting guidelines against Board-approved limits;

(b) monthly Board reporting and monitoring of exception reports that track the level and trend of exceptions, including the number and dollar amount of loans with loan exceptions by type of loan and loan officer;

(c) accountability for such exceptions that considers exceptions in periodic performance and compensation reviews of loan officers;

(d) procedures to ensure that committee-approved covenants are accurately transferred to loan documents;

(e) timely completion of annual credit reviews of the Bank's loan portfolio, using risk-based thresholds to determine the scope of the reviews; and

(f) maintenance of a tickler system that accurately tracks and reports exceptions, including dates for annual credit reviews.

(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 revised portfolio management program.

(4) Within thirty (30) days of this Agreement, the Board shall ensure that the Bank takes all necessary steps to obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listing of loans lacking such information provided to management by the OCC at the conclusion of an examination.

ARTICLE VI

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*, dated December 2011, and the Interagency Guidance on CRE Concentration Risk Management, OCC Bulletin 2006-46. The program shall include, but not necessarily be limited to, the following:

(a) identification of the Bank’s known and potential concentrations of credit, stratified by property type, geography and other meaningful measures;

(b) 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;

(c) analysis of the risk that the Bank’s known and potential concentrations of credit pose to the Bank’s earnings, capital, and operating strategy under stressed market conditions, economic downturns, and periods of general market illiquidity as well as normal market conditions;

(d) establishment of safe and sound, formal risk limits for all concentrations of credit, stratified by property type, geography and other meaningful measures;

(e) periodic monitoring and re-evaluation of concentration limits by the Board;

(f) development and implementation of action plans, approved by the Board, to reduce the risk of any concentration that approaches or exceeds the limitations established pursuant to subparagraph (1)(d) of this Article; and

(g) management information systems designed to ensure timely and accurate reporting of concentrations to the Board.

(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 concentration risk management program.

(3) The Board shall ensure that all concentrations of credit are subjected to the analysis required by subparagraph (1)(c) of this Article at least annually, and, if that analysis demonstrates that a concentration subjects the Bank to undue risk, the Board shall take appropriate steps to mitigate such risk.

(4) For purposes of this Article, a concentration of credit is as defined in the "Concentrations of Credit" booklet of the *Comptroller's Handbook*.

ARTICLE VII

INTERNAL CONTROLS OVER COMPENSATION

(1) Within sixty (60) days of this Agreement, the Board shall review, revise, and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection the internal controls governing mortgage banking compensation to ensure compliance with all applicable laws, regulations, guidance, and Bank policies and procedures. The revised internal controls governing mortgage banking compensation shall include, at a minimum:

(a) appropriate documentation and communication of compensation issues, audit findings, and corrective actions between management, the Board, and the compliance department;

(b) training to affected employees related to the revised internal controls;

(c) independent testing of the effectiveness of the revised internal controls; and

(d) annual review and analysis of reasonableness by the Board of the compensation paid to mortgage production center managers to ensure the level of compensation is not excessive.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall promptly implement and thereafter ensure adherence to the revised internal controls governing mortgage banking compensation.

ARTICLE VIII

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, 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.

(2) The quarterly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(3) Within sixty (60) days of this Agreement, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to:

(a) specific procedures to prevent future violations as cited in the most recent ROE and to prevent future violations as cited in subsequent ROEs; and

(b) the enhanced internal control systems, policies and procedures required by Article IV of this Agreement.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

ARTICLE IX

CLOSING

(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 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 noncompliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any noncompliance 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/ December 12, 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/	December 12, 2013
E. Harris Adams	Date
/s/	December 12, 2013
Haven J. Barlow	Date
/s/	December 12, 2013
Noall J. Bennett	Date
/s/	December 12, 2013
D. William Day	Date
/s/	December 12, 2013
Peter K. Ellison	Date
/s/	December 12, 2013
Ralph W. Firth	Date
/s/	December 12, 2013
Vernon W. Flint	Date
/s/	December 12, 2013
Kevin S. Garn	Date
/s/	December 12, 2013
K. John Jones	Date
/s/	December 12, 2013
David E. Simmons	Date
/s/	December 12, 2013
Catherine W. Smith	Date
/s/	December 12, 2013
Sharman R. Stevenson	Date