#2015-070

AGREEMENT BY AND BETWEEN
Home Federal Savings & Loan Association of Nebraska
Lexington, Nebraska
and
The Comptroller of the Currency

Home Federal Savings & Loan Association of Nebraska of Lexington, Nebraska ("Bank") and the Comptroller of the Currency of the United States of America ("Comptroller") 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 has found unsafe or unsound banking practices relating to credit underwriting, credit administration, and management and Board oversight of the Bank.

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. § 163.555. *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) This Agreement shall cause the Bank to not be eligible for "expedited treatment" within the meaning of 12 C.F.R. § 116.5, unless otherwise informed in writing by the Comptroller.

(6) 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
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154-5298

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 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 within ten (10) days of each 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 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

MANAGEMENT AND STAFFING

(1) Within ninety (90) days of this Agreement, the Board shall ensure that an independent consultant completes a study of all current staffing and management positions presently at the Bank. The findings and recommendations shall be set forth in a written report (the "Staff Study"). At a minimum, the Staff Study shall contain:

(a) the identification of present and future management and staffing requirements of the Bank that recognizes the need for individuals with skills in all areas of the Bank;

(b) an evaluation of the knowledge, skills, and abilities of each staff person and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of each respective position;

(c) a detailed, written review and determination of whether the salary and other compensation paid to each officer with a title of vice-president or above is consistent with the local market for comparable knowledge, skills, and abilities;

(d) recommendations as to whether management or staffing changes should be made, including the need for additions to, or deletions from, the staff and management team that considers the determinations made in Subparagraph (a);

(e) where additions are determined necessary, specific determinations of whether the Bank needs to make deletions as well;

(f) a recommended training program to address identified weaknesses in the skills and abilities of the management and staff; and

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

(2) Within thirty (30) days of the completion of the Staff Study, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a Staff Plan (along with a copy of the Staff Study), that is designed to provide the Bank with a management team and staff that possesses the knowledge, skills, oversight, accountability, and ability to ensure the Bank operates in a safe and sound manner and in compliance with the law.

ARTICLE IV

INTERNAL AUDIT

(1) Within ninety (90) days of this Agreement, the Board shall prepare a written policy for an independent and comprehensive internal audit program. This policy shall, at a minimum, require that the Bank:

(a) establish a line of communication for audit reporting issues between the internal auditor, audit committee, and board of directors;

(b) ensure timely management responses and corrective actions on identified weaknesses; and

(c) establish a formal Board tickler system that tracks the status of all reported deficiencies until corrected.

(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 within thirty (30) days of receipt.

(3) The Board shall ensure that the audit program is independent. The person responsible for implementing the internal audit program described above shall report directly to the Board, who shall have the sole power to direct his/her activities. All reports prepared by the audit staff or audit firm shall be filed directly with the Board and/or Board Audit Committee (comprised of at least two (2) external directors) and not through any intervening party.

ARTICLE V

CAPITAL AND STRATEGIC PLAN

(1) Within ninety (90) days of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a

three-year period. The 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 and, at a minimum, 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 identification of the Bank’s present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(c) of this Article;

(e) 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 developed under (1)(c) of this Article;

(f) a management employment and succession program to promote the retention and continuity of capable management;

(g) product line development and market segments that the Bank intends to promote or develop;

(h) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability, and specific time frames;

(i) establishment and guidance of the Bank's strategic direction and tolerance for interest rate risk;

(j) 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;

(k) a detailed budgeting process;

(l) a capital plan commensurate with the risk profile of the institution;

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

(n) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and

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

(2) Upon adoption, a copy of the plan, and any subsequent amendments or revisions, shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the strategic plan.

(3) The Bank may not initiate any action, which deviates significantly from the Board-approved Strategic Plan without a written determination of no supervisory objection from the Assistant Deputy Comptroller. The Board must give the Assistant Deputy Comptroller at least fifteen (15) days 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.

(4) 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 Assistant Deputy Comptroller.

ARTICLE VI

CREDIT UNDERWRITING AND ADMINISTRATION

(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) Effective as of the date of this Agreement, the Bank may not grant, extend, renew, modify or restructure any commercial, agricultural, 1-4 family rental, or indirect consumer related loan, or purchase any loan participation, equal to or exceeding $100,000, without:

(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) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;

(e) providing an accurate risk assessment grade for all loan types;

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

(g) documenting with adequate supporting material, the value of collateral and collateral type for each loan properly perfecting the Bank's lien on it where applicable;

(h) ensuring that any participations purchased are consistent with sound banking practices, guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34; and

(i) obtaining the written approval of the Bank's Loan Committee or Board.

(3) 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 Report of Examination conducted as of December 31, 2014 (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.

(4) Within ninety (90) days of this Agreement, the Board shall take the necessary steps to eliminate credit, collateral, and Bank Loan Policy exceptions by revising, adopting, implementing, and thereafter ensuring Bank adherence to a written program of policies and procedures designed to aggregate and track exceptions to the Bank Loan Policy. This includes at a minimum, monthly 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.

(5) Within sixty (60) days of this Agreement, the Board shall revise loan policies and procedures to reflect conformance with Agricultural Lending, AL-L, of the *Comptroller's Handbook*. Such revised loan policies and procedures must ensure that periodic (no less than annual) inspections of livestock and crop pledged as collateral are performed, which shall, at a

minimum, include an inspection report to be used on agricultural/farm visits that includes the current value of the borrower's agricultural assets.

(6) Within sixty (60) days of this Agreement, the Board shall revise its written policy to ensure the Bank obtains real estate appraisals and evaluations in compliance with the Interagency Appraisal and Evaluation Guidelines (December 10, 2010), OCC Bulletin 2010-42 (December 10, 2010), and OCC Bulletin 2005-6 (March 22, 2005), to include at a minimum:

(a) the establishment of criteria for obtaining updated appraisals, new appraisals, and evaluations; and

(b) the development of procedures to ensure that appraisals, updates and evaluations are the appropriate type and ordered in a timely manner.

ARTICLE VII

PORTFOLIO STRESS TESTING

(1) Within ninety (90) days of this Agreement, the Board shall develop portfolio level stress testing that at a minimum:

(a) identifies current and emerging risks and vulnerabilities within the loan portfolio;

(b) reasonably determines the impact the stress event or factor might have on earnings and capital;

(c) incorporates the resulting analysis into the Bank's overall risk management process, asset and liability strategies, and strategic and capital planning processes; and

(d) formalizes the stress testing results in quantitative reports to management and the Board.

(2) The Board shall document, review, and approve the policies and procedures required by this Article.

ARTICLE VIII

INDIRECT AUTO LENDING

(1) Within ninety (90) 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, a program designed to ensure the Bank's indirect auto lending policies and procedures conform with safe and sound practices, and address or include at a minimum:

(a) concentration sub-limits, expressed as a percentage of capital, for loan types that present differentiated credit risk characteristics;

(b) specific underwriting criteria to control risks relevant to different vehicle types and identified concentration sub-limits;

(c) a matrix for policy and underwriting exceptions with detailed determinations for acceptable mitigating factors;

(d) minimum collateral requirements and methods for determining auto values;

(e) methods for improving dealer performance monitoring and centralizing volume, delinquency, repossession, credit, and profitability metrics; and

(f) develop appropriate management and Board reporting to ensure the risk in the portfolio is appropriately monitored and controlled to include at a minimum:

(i) prepare monthly reports that isolate credit score, loan to value, debt to income, and other objective risk characteristics to identify and segment risk of default and loss and to identify trends in risk of default and loss over time;

(ii) the collection of relevant data fields to include purchase money and down payment information at a minimum;

(iii) review and identify outstanding loans made with exceptions to down payment requirements;

(iv) aggregate, track, and report the level of underwriting exceptions in the portfolio, including separate categories of borrowers with multiple exceptions (layered risk); and

(v) collect and track relevant data fields to capture mitigating factors used to support loan approval decisions.

ARTICLE IX

CREDIT RISK RATINGS AND PROBLEM CREDIT IDENTIFICATION

(1) Within sixty (60) days of this Agreement, the Board shall develop a program to ensure that the Bank is accurately risk rating credit relationships to include, at a minimum, provisions requiring that:

(a) the Board adopts a loan grading system that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook* and is based upon definitive objective and subjective criterion;

(b) 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;

(c) the Bank's loan presentation documents include the assigned risk rating and any risk rating changes;

(d) the Board and lending officers implement a risk rating change form in order to conduct periodic, formal reviews for determining the appropriate risk rating and accrual determination;

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

(f) the President and Executive Vice President 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) the scope of the external loan review includes sufficient samples and other requested work papers in order to verify compliance with risk rating, accrual, credit and collateral exceptions, financial analysis, and policy and underwriting guidance.

(2) Within sixty (60) days of this Agreement, the Board shall develop a program to ensure that the Bank is completing monthly action plans for all commercial and agricultural borrowers rated special mention or worse to include, at a minimum, provisions including:

(a) brief borrower description and background information on the loan and the relationship;

(b) risk rating of the credit and identification or the root cause of the problems;

(c) proposed action plan to eliminate the cause of the criticism;

(d) the date the loan was adversely rated;

(e) detailed overview of the loan amount, loan purpose, repayment terms, source of repayment, and collateral information;

(f) analysis of current and satisfactory credit information; and

(g) the dates by which borrower and loan officer will take action.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days of this Agreement, the Board shall revise, adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an appropriate Allowance for Loan and Lease Losses ("Allowance") in accordance with GAAP. The Allowance policies and procedures shall be designed in light of the comments on maintaining a proper Allowance found in the Allowance for Loan and Lease Losses, A-ALLL, of the *Comptroller's Handbook*, and shall include, at a minimum:

(a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan);

(b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with Accounting Standards Codification 310-10 and

450-20 (formerly known as FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies);

(c) procedures for validating the Allowance methodology; and

(d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:

(i) trends in the Bank's internal risk ratings, delinquent and nonaccrual loans;

(ii) results of the Bank's external loan review;

(iii) concentrations of credit in the Bank;

(iv) present and prospective economic conditions; and

(v) applicable experience of the Bank's lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Report for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

ARTICLE XI

LIQUIDITY

(1) Within ninety (90) days of this Agreement, the Board shall develop and submit for a prior written determination of no supervisory objection, a written liquidity program to ensure that 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) a contingency funding plan that ensures the Bank can remain liquidity 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) prioritization of actions for responding to stress situations and the likely responses to the defined scenarios;

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

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

(b) procedures to periodically review and revise, as appropriate, the Bank's contingency funding plan to ensure that the Bank can remain liquidity solvent through stressed environments; and

(2) The Bank's liquidity program must also ensure compliance with OCC Bulletin 2010-13, "Final Policy Statement: Interagency Policy Statement on Funding and Liquidity Risk Management," dated March 22, 2010.

ARTICLE XII

INFORMATION TECHNOLOGY

(1) Within ninety (90) days of this Agreement, the Board shall develop, implement, and thereafter adhere to a written program to oversee and manage risks associated with outsourcing technology services to third party servicers, including technology service providers and vendors. This third party management program shall be consistent with OCC Bulletin 2013-29, "Third Party Relationships," dated October 30, 2013, and FFIEC Outsourcing Technology Services booklet, dated June 2004.

ARTICLE XIII

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/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 accepted, 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 her hand on behalf of the Comptroller.

/s/	June 12, 2015
Jolene M. Schack Assistant Deputy Comptroller Omaha 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/	June 12, 2015
Richard McGinnis, Chairman	Date
/s/	06/12/15
Eric Brown, Director	Date
/s/	06/12/15
John M. Ford, Director	Date
/s/	6-12-2015
Gail D. Hall, Director	Date
/s/	6-12-15
Scott A. Haskell, Director	Date