

SUPERVISORY AGREEMENT

This Agreement ("Agreement") is made and is effective this 19th day of March, 1992 ("Effective Date"), by and between Republic Savings Bank, F.S.B. (OTS No. 7430) Louisville, Kentucky ("Republic" or "Institution") for itself and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. Sections 1818(b)(1) and (i)(2) (Supp. I 1989).

WHEREAS, the OTS is of the opinion based on the results of the Report of Examination dated September 3, 1991, that grounds exist for the initiation of proceedings against Republic by the OTS pursuant to 12 U.S.C. Section 1818(b); and

WHEREAS, the OTS is willing to forbear at this time from the initiation of proceedings pursuant to 12 U.S.C. Section 1818(b) on the matters covered by this Agreement, for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Republic by its Board of Directors ("Board"), without admitting that grounds for proceedings pursuant to 12 U.S.C. Section 1818(b) exist, is willing to enter into this Agreement to avoid the initiation of such proceedings;

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NOW, THEREFORE, in consideration of the above-stated forbearance by OTS, it is agreed between the parties hereto as follows:

Statutes and Regulations

1. Republic shall correct violations cited in this section and the Report of Examination dated September 3, 1991, and shall not knowingly initiate any action which would result in a violation of, or the aiding and abetting of any violation of 12 C.F.R. Sections 563.34, 563.96, 563.93, 563.160, 12 C.F.R. Part 207 (1991) and Section 22(h) of the Federal Reserve Act (12 U.S.C. § 375b) (1982).

Policies and Procedures

2. No renewals/extensions of credit shall be made (without prior OTS approval), and no new loans shall be made to any "affiliated persons" (as that term is defined at 12 C.F.R. 561.5) until Republic's Board has adopted a Conflicts of Interest Policy. Such Policy shall be acceptable to the Assistant Director, OTS-Cincinnati and shall, at a minimum, delineate all applicable conflict of interest regulations and statutes, including, but not limited to, 12 C.F.R. §§ 563.41, 563.42, 563.43, 571.7 and §§ 23A, 23B, and 22(h) of the Federal Reserve Act (12 U.S.C. §§ 371c, 371c-1, and 375b).

3. Within 60 days from the date of this Agreement, Republic's Board shall review all outstanding loans to affiliated persons and adjust the terms, including interest rates, of such loans to reflect the risks associated with each loan. Such adjustments shall be made retroactively, with the affiliated person paying Republic reimbursement for any unpaid interest as discussed on page 12 of the September 3, 1991 OTS Report of Examination. Such review and

reimbursement shall be reflected in the minutes of the appropriate Board meeting.

4. Republic shall refrain from establishing a depository relationship with any affiliate prior to obtaining preapproval from OTS, as required by 12 C.F.R. § 563.34 (1991). Republic shall limit all future investments with one institution to the amount prescribed in 12 C.F.R. § 563.96 (1991).

5. Within 30 days from the date of this Agreement, Republic shall submit for approval to the Assistant Director, a plan to reduce the indebtedness of any borrowers that currently exceed the loans to one borrower limitations ("LTOB") set forth in 12 C.F.R. 563.93 (1991). Republic shall maintain adequate records to demonstrate compliance with its LTOB limitations.

6. Within 60 days from the date of this Agreement, Republic's Board shall adopt policies and management shall implement procedures for enhanced internal asset review and classification which the Board shall review annually and update as necessary. Such policies and procedures shall be submitted for approval to the Assistant Director, and shall provide for the following:

- (a) review of assets on a monthly basis;
- (b) net realizable value analysis in the evaluation of loans;
- (c) fair value analysis in the evaluation of real estate owned and in-substance foreclosed properties;
- (d) preparation of an Asset Plan for each criticized or classified asset with a balance larger than \$250,000. Such Plans shall provide specific details for each asset as to the optimum way to protect Republic from loss and as to the methodology and rationale used in the evaluation; and
- (e) establishment of General Valuation Allowances ("GVAs") based upon the characteristics of the various types of assets held by Republic.

7. Within 60 days from the date of this Agreement, Republic shall review its loan portfolio and characterize each loan by type, in accordance with Thrift Financial Report instructions.

8. Republic increased its GVAs to a level of at least \$1.1 million in December of 1991. Republic shall review such level on at least a quarterly basis and maintain GVAs at an appropriate level in accordance with a written GVA policy.

9. Within 30 days from the date of this Agreement, Republic's Board shall adopt policies and management shall implement procedures pertaining to commercial loans. Such policies and procedures shall be submitted for approval to the Assistant Director, and shall provide for the following:

(a) an aggregate limitation for commercial loans and commercial real estate loans; and

(b) a dollar limit on such loans which may be approved by management. Loans exceeding such limit must be reviewed for approval by the Board.

10. Republic shall review all outstanding loans made for the purpose of purchasing or carrying margin stock or secured, directly or indirectly, by margin stock, and ensure that such loans are brought into compliance with Regulation G (12 C.F.R. Part 207 (1991)).

Composition of Board

11. Republic's Board of Directors shall consist of at least a two thirds majority of outside directors who are not otherwise employed by Republic.

Closings

12. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy

Regional Director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

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

(c) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time limitations may be extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.

(d) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provision of this Agreement, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulation). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(e) The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 525 Vine Street, Suite 700, Cincinnati, Ohio 45202, Attn: Assistant Director. All reports and other documents shall be deemed filed when received by the OTS.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

(j) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Regional Director, and Republic, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

By:

Stuart H. Braiman
Regional Director

REPUBLIC SAVINGS BANK, FSB
Louisville, Kentucky

By:

Director

By:

Director

By:

Director

By:

Director

By:

Director

By:

Director

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THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

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Stuart M. Bradman
Regional Director

REPUBLIC SAVINGS BANK, FSB
Louisville, Kentucky

By:

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