

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 30th day of APRIL, 1992 ("effective date"), by and between Citizens Federal Savings Bank, Birmingham, Alabama, OTS No. 6125, for itself and its wholly owned service corporations and subsidiaries ("Citizens Federal" or "Institution") and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

WHEREAS, the OTS is of the opinion that the grounds exist to initiate administrative proceedings against Citizens Federal pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. Sec 1818(b) (1988 & Supp. I 1989); and

WHEREAS, Citizens Federal, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement to avoid the initiation of such administrative proceedings on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceedings against Citizens Federal to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of this Agreement that pertain to such actions; and

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures on matters not specifically covered by this Agreement that the OTS considers appropriate under the circumstances.

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

MANAGEMENT

1. (a) Within 60 days after the effective date of this Agreement, the Board of Directors of Citizens Federal ("the Board") shall establish and implement written policies, procedures and responsibilities for comprehensive Electronic Data Processing ("EDP") contingency planning that are consistent with Thrift Bulletin No. 30, dated July 19, 1989.

- (b) The Board shall review and approve the Institution's EDP contingency plans annually, and shall document such reviews in the minutes of the meeting where the review occurs.

ASSET QUALITY

2. Within 60 days after the effective date of this Agreement, the Board shall adopt and implement policies and procedures concerning Appraisals that comply with the requirements of 12 C.F.R. ScSc 564.8(c)(1), 564.8(c)(2) and 564.8(c)(3).
3. Within 60 days after the effective date of this Agreement, the Board shall revise the Institution's policy for the establishment and maintenance of general valuation allowances to identify the loss analysis methodologies and procedures used by the Institution to maintain adequate valuation allowances. The methodologies and procedures shall give due consideration to both quantitative and qualitative factors, including those contained in Section 261 of the OTS' Thrift Activities Regulatory Handbook.
4. Citizens Federal shall account for each parcel of real estate owned and in-substance foreclosure, and all other troubled debt restructurings, in accordance with Generally Accepted Accounting Principles set forth in Statements of Financial Accounting Standards Numbers 5 and 15, and in accordance with the provisions of 12 C.F.R. ScSc 563.172 and 571.18.
5. Within 60 days after the effective date of this Agreement, the Board shall adopt and implement written policies and procedures for holding and disposing of Real Estate Owned ("REO"). The policies and procedures shall, at a minimum:
 - (a) require management to perform a costs/benefits analysis in making any decision to hold or dispose of REO,
 - (b) require management to consider, at a minimum, the cost/benefit factors identified in Section 251 of the OTS' Regulatory Handbook on Thrift Activities in performing the costs/benefits analysis required by Paragraph 6(a) of this Agreement,

- (c) require management to justify all decisions to hold or dispose of REO by documenting the costs/benefits analysis performed and any other factors considered in making the decision, and
- (d) require the Board to review and update the policies and procedures on a periodic basis.

CAPITAL

- 6.
 - (a) Citizens Federal shall make accurate reports of condition to the OTS in accordance with the provisions of Section 301(v) of the Home Owners' Loan Act of 1933 ("HOLA"), 12 U.S.C. Sc 1464(v).
 - (b) Within 30 days after the effective date of this Agreement, the Board shall adopt and implement procedures to ensure that Thrift Financial Reports filed by the Institution with the OTS are accurate.
- 7. Citizens Federal shall comply with the provisions concerning notice or approval of capital distributions contained in 12 C.F.R. Sc 563.134.
- 8.
 - (a) Within 60 days after the effective date of this Agreement, the Board shall adopt and implement revisions to the Institution's policy for management of interest rate risk to correct the deficiencies noted in the January 27, 1992 OTS Report of Examination and to ensure that the policy accords with the guidance contained in Thrift Bulletin 13, dated January 26, 1989.
 - (b) Within 60 days after the effective date of this Agreement, the Board shall adopt and implement a plan to reduce the Institution's exposure to interest rate risk. The plan shall include specific targets and timeframes for the reduction of interest rate risk. At least quarterly, the Board shall review the Institution's progress in meeting the targets of the plan.

OPERATING RESULTS

- 9.
 - (a) By June 20, 1992, the Board shall adopt, implement, and submit to the Regional Director for review a Business Plan ("Plan") for the remainder of calendar year 1992.

The Plan shall set forth the Institution's overall goals and objectives and shall accurately describe its current operations as well as operations projected for the term of the Plan. In addition, the Plan shall:

- i. discuss the types and levels of lending activities contemplated,
- ii. include measures to reduce the level of operating expenses and support the level and types of operating expenses proposed in the Plan,
- iii. be designed to cause Citizens Federal to generate net income on a consistent basis, without reliance on non-operating, non-recurring income, and
- iv. demonstrate compliance with the provisions of this Agreement, and with applicable statutory and regulatory requirements and restrictions.

The Plan also shall include quarterly pro forma financial statements and a statement of the significant assumptions on which the pro forma financial statements are based.

- (b) No later than 30 calendar days prior to the expiration of the Plan then in effect, the Board shall adopt and submit to the Regional Director for review a Plan in the form described in this Paragraph 11 for calendar year 1993 and calendar year 1994.
- (c) The Institution shall not deviate substantially from the Plan in effect, including the pro forma financial projections contained therein, without the prior written approval of the Regional Director. The Regional Director shall determine whether the Institution has deviated substantially from the Plan.
- (d) The Board shall review and document compliance with the appropriate Business Plan at least once each calendar quarter. Within 30 days of the end of each

calendar quarter, the Board shall submit a report to the Regional Director documenting the Institution's compliance or noncompliance with the provisions of the Plan and describing any material variances from the Plan.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Agreement, references to regulations, bulletins, memoranda, and publications shall include any successor regulations, bulletins, memoranda, and publications.

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 agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. 1818(b)(1).

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.

This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director. The Regional Director may suspend, in his sole discretion, any or all provisions of this Agreement.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Institution, by its duly elected directors, have executed this Agreement.

Citizens Federal Savings Bank
Birmingham, Alabama
OTS No. 6125

By: _____

Director

Date: _____

4/21/92

By: 151
Director

Date: 4/21/92

By: 151
Director

Date: 4-21-92

By: 151
Director

Date: 4/21/92

By: 151
Director

Date: 4-21-92

By: 151
Director

Date: 4/21/92

By: 151
Director

Date: 4/21/92

By: 151
Director

Date: 4-22-92

OFFICE OF THRIFT SUPERVISION

By: 151
John E. Ryan
Regional Director

DIRECTORS' WAIVER OF NOTICE

I hereby waive notice of the meeting of the Board of Directors of Citizens Federal Savings Bank, Birmingham, Alabama, OTS No. 6125, held on the ____ day of _____, 1992, at which the Board of Directors considered and adopted the attached resolution concerning a Supervisory Agreement between Citizens Federal Savings Bank and the Office of Thrift Supervision.

By: 151
Director

By: 151
Director

By: 151
Director

By: 151
Director

By: 151
Director

By: 151
Director

By: 151
Director

By: 151
Director

**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly qualified Secretary of Citizens Federal Savings Bank, Birmingham, Alabama, OTS No. 6125 ("Institution"), hereby certify that the following is a true copy of a resolution duly adopted by the Institution's Board of Directors at a meeting duly called and held on this _____ day of _____, 1992, and at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

WHEREAS, the officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the grounds exist to initiate administrative proceedings against the Institution pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(b) (1988 and Supp. I 1989); and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of such administrative proceedings in connection with the matters referred to in the attached Supervisory Agreement ("Agreement") if the Agreement is executed by the Institution and if its terms are thereafter complied with by the Institution; and

WHEREAS, the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the Board of Directors held on the _____ day of _____, 1992, and, after due consideration and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Citizens Federal Savings Bank this _____ day of _____, 1992.

151
Secretary