FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	CONSENT ORDER
	)	
COVENANT BANK LEEDS, ALABAMA	)	FDIC-15-0004b
	)	
(INSURED STATE NONMEMBER BANK)	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Covenant Bank, Leeds, Alabama ("Bank"), under Section 3(q) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION"), dated March 19, 2015, that is accepted by the FDIC and the Superintendent of Banks, Alabama State Banking Department ("Department"), hereinafter referred to as the "Supervisory Authorities." The Department may issue an order pursuant to Section 5-2A-12 of the Code of Alabama.

With the STIPULATION, the Bank has consented without admitting or denying any charges of unsafe or unsound banking practices and/or violations of law or regulation relating to weaknesses in capital, asset quality, management, earnings, and sensitivity to market risk, to the issuance of this CONSENT ORDER ("ORDER") by the Supervisory Authorities.

Having determined that the requirements for issuance of an order under Section 8(b) of the Act, 12 U.S.C. § 1818(b) and Section 5-2A-12 of the Code of Alabama have been satisfied, the Supervisory Authorities hereby order that:

BOARD OF DIRECTORS

1. (a) As of the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews, including management's responses; and compliance with this ORDER. Board meeting minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within thirty (30) days from the effective date of this ORDER, the Board shall establish a Board committee ("Directors' Committee"), charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The Directors' Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. The Directors' Committee shall present a report detailing the Bank's adherence to this ORDER to the Board at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board's meetings and shall be retained in the Bank's records. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

MANAGEMENT

2. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall have and retain qualified management with the qualifications and experience commensurate with assigned duties and responsibilities at the Bank. Each member of management shall be provided

appropriate written authority from the Board to implement the provisions of this ORDER. At a minimum, management shall include the following:

(i) A chief executive officer with proven ability in managing a bank of comparable size and in effectively implementing lending, investment and operating policies in accordance with safe and sound banking practices;

(ii) A senior lending officer with a significant amount of appropriate lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio; and

(iii) A chief financial officer with a significant amount of appropriate experience in managing the operations of a bank of similar size and complexity in accordance with sound banking practices.

(b) The qualifications of management shall be assessed on its ability to:

(i) Comply with the requirements of this ORDER;

(ii) Operate the Bank in a safe and sound manner;

(iii) Comply with applicable laws and regulations; and

(iv) Restore all aspects of the Bank to a safe and sound condition, including, but not limited to, asset quality, capital adequacy, earnings, management effectiveness, risk management, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Supervisory Authorities, in writing, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of Section 32 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831i, 12 C.F.R. §§ 303.100-303.104. The Bank shall also obtain the written approval of the Department prior to the addition of any individual to the Board or the employment of any individual as an executive officer. If the Regional Director issues a notice of disapproval pursuant to 12 U.S.C. § 1831i, or the Department issues a letter of disapproval with respect to the proposed individual, then such individual may not be added to the Board or employed by the Bank.

(d) Within forty-five (45) days from the effective date of this ORDER, the Bank shall retain a qualified bank consultant to develop a written analysis and assessment of the Bank's Board and management needs ("Board and Management Report") for the purpose of advising what is required to have a qualified Board and management for the Bank. The Board and Management Report shall address the Board and management's performance as it relates to weaknesses in management, asset quality, earnings, capital, and sensitivity to market risk identified in the Report of Examination dated October 6, 2014 ("Report").

(e) The Board and Management Report shall be developed and submitted to the Board and Supervisory Authorities simultaneously within seventy-five (75) days from the effective date of this ORDER and shall include, at a minimum:

(i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

(ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) Written evaluation of all senior executive officers to determine whether such individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including, but not limited to, adherence to the Bank's established policies and practices, restoration of the Bank to a safe and sound condition, and maintenance of the Bank in a safe and sound condition thereafter;

(iv) Evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits;

(v) Evaluation of the effectiveness of the Board of Directors as a governing body;

(vi) Development of detailed position descriptions for each officer position at the Bank;

(vii) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions consistent with the needs identified;

(viii) An evaluation of the Bank’s plan for management succession; and

(ix) An organizational chart.

(f) Within thirty (30) days from the effective date of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter or third party contract for review before it is executed.

(g) The contract or engagement letter, at a minimum, shall include:

(i) A description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) The responsibilities of the firm or individual;

(iii) An identification of the professional standards covering the work to be performed;

(iv) Identification of the specific procedures to be used when carrying out the work to be performed;

(v) The qualifications of the employee(s) who will perform the work;

(vi) The timeframe for completion of the work;

(vii) Any restrictions on the use of the reported findings;

(viii) A provision for unrestricted examiner access to work papers; and

(ix) A certification that neither the firm, nor any individual involved in the work to be performed, is affiliated in any manner with the Bank.

(h) Within thirty (30) days from receipt of the Board and Management Report, the Bank shall formulate a written plan ("Board and Management Plan") that incorporates the findings of the Board and Management Report, a plan of action in response to each recommendation contained in the Board and Management Report, and a time frame for completing each action. At a minimum, the Board and Management Plan shall:

(i) Contain a recitation of the recommendations included in the Board and Management Report;

(ii) Incorporate a plan to provide necessary training and development for all employees;

(iii) Establish procedures to periodically review and update the Board and Management Plan, as well as periodically review and assess the performance of each officer and staff member; and

(iv) Contain a current management succession plan.

Such Board and Management Plan and its implementation shall be submitted to the Supervisory Authorities for review and comment.

CAPITAL

3. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall have, and thereafter maintain during the life of this ORDER, a Leverage Ratio of no less than nine percent (9%) and a Total Risk-Based Capital Ratio of no less than twelve percent (12%), as those terms are defined in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

(b) The level of Tier 1 Capital to be maintained during the life of this ORDER pursuant to this paragraph shall be in addition to a fully funded allowance for loan and lease losses ("ALLL"), the adequacy of which must be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(c) Within sixty (60) days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities a written capital plan. Such capital plan shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in this ORDER. In developing the capital plan, the Bank shall take into consideration:

(i) The volume of the Bank's adversely classified assets;

(ii) The nature and level of the Bank's asset concentrations;

(iii) The adequacy of the Bank's ALLL;

(iv) The anticipated level of retained earnings;

(v) Anticipated and contingent liquidity needs; and

(vi) The source and timing of additional funds to fulfill future capital needs.

(d) In addition, the capital plan must include a contingency plan in the event that the Bank has failed to:

(i) Maintain the minimum capital ratios required by this paragraph;

(ii) Submit an acceptable capital plan as required by this paragraph; or

(iii) Implement or adhere to a capital plan to which the Supervisory Authorities have made no written objection pursuant to this paragraph.

(e) The contingency plan shall include a plan to sell or merge the Bank. The Bank shall implement the contingency plan upon written notice from the Supervisory Authorities.

(f) If any such capital ratios are less than the percentages required by this ORDER, as determined as of the date of any Consolidated Reports of Condition and Income or at an examination by the FDIC or the Department, the Bank shall, within thirty (30) days from receipt of a written notice of the capital deficiency from the Supervisory Authorities, present to the Supervisory Authorities a plan to increase the Bank's Tier 1 Capital or to take other measures to bring all the capital ratios to the percentages required by this ORDER. After the Supervisory Authorities respond to the plan, the Board shall implement the plan, including any modifications and/or amendments requested by the Supervisory Authorities.

(g) Any increase in Tier 1 Capital necessary to meet the requirements of this ORDER may be accomplished by the following:

(i) Sale of common stock;

(ii) Sale of noncumulative perpetual preferred stock;

(iii) Direct contribution of cash by the Board, shareholders, and/or parent holding company;

(iv) Any combination of the above means; or

(v) Any other means acceptable to the Supervisory Authorities.

(h) No increase in Tier 1 Capital that is necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's ALLL, unless the deduction conforms with Generally Accepted Accounting Principles (GAAP) and has the prior written approval of Supervisory Authorities.

(i) If all or part of any necessary increase in Tier 1 Capital required by this ORDER is accomplished by the sale of new securities, the Board shall take all necessary steps to implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with applicable federal securities laws. Prior to the implementation of the plan and, in any event, not less than fifteen (15) days prior to the dissemination of such materials, the plan and any materials proposed to be used in the sale of the securities shall be submitted to the Alabama State Banking Department, 401 Adams Avenue, Suite 680, Montgomery, Alabama 36130-1201 and the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or materials by the Department or the FDIC shall be made prior to the dissemination of the plan and materials. If the increase in Tier 1 Capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including, but not limited to, those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(j) In complying with the provisions of the Capital paragraph of this ORDER, the Bank shall provide written notice of any planned or existing development, or other changes that are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities, to any subscriber and/or purchaser of the Bank's securities. The written notice required by this paragraph shall be furnished within ten (10) days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

CHARGE-OFF LOSS AND DOUBTFUL

4. (a) Within ten (10) days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the Report that have not been previously collected or charged-off. Elimination of any of these assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within thirty (30) days from the receipt of any official Report of Examination of the Bank from the FDIC or the Department, eliminate from its books, by collection, charge-off, or other proper entry, the remaining balance of any asset classified "Loss" and fifty percent (50%) of those assets classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities. If an asset is classified "Doubtful", the Bank may, in the alternative, charge-off the amount that is considered uncollectible in accordance with the Bank's written analysis of loan or lease impairment. Such analysis shall be accomplished in accordance with generally accepted accounting principles, the Federal Financial Institutions Examination Council's ("FFIEC") *Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041),* http://www.ffiec.gov/, Interagency Statements of Policy on the ALLL, and other applicable regulatory guidance that addresses the adequacy of the Bank's ALLL.

CLASSIFIED ASSET REDUCTION

5. (a) Within sixty (60) days from the effective date of this ORDER, and within sixty (60) days from the receipt of any future regulatory Examination Report, the Bank shall submit a written plan to the Supervisory Authorities to reduce the remaining assets classified "Doubtful" or "Substandard" therein. For purposes of this paragraph, “reduce” means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. The plan shall address each asset so classified with a balance of $250,000 or greater and provide the following:

(i) The name under which the asset is carried on the books of the Bank;

(ii) Type of asset;

(iii) Actions to be taken in order to reduce the classified asset; and

(iv) Timeframes for accomplishing the proposed actions.

(b) The plan shall also include, at a minimum:

(i) A review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and

(ii) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(c) In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall require the submission of monthly progress reports to the Board and mandate a review by the Board.

(d) The Bank shall present the plan to the Supervisory Authorities for review. Within thirty (30) days from the Supervisory Authorities’ response, the plan, including any requested modifications or amendments, shall be adopted by the Board and the approval shall be recorded in the Board minutes. The Bank shall then immediately implement the plan.

(e) For purposes of the plan, the reduction of adversely classified assets as of the Report shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's ALLL and may be accomplished by:

(i) Charge-off;

(ii) Collection;

(iii) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the Department; and/or

(iv) Increase in the Bank's Tier 1 Capital.

NO ADDITIONAL CREDIT

6. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" or "Doubtful" and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) Additionally, during the life of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Substandard."

(c) The above limitations on additional credit in subparagraph 6(b) shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to the extension of any additional credit pursuant to this paragraph, either in the form of an extension or further advance of funds, such additional credit shall be approved by a majority of the Board or a designated committee thereof, who shall certify in writing that:

(i) The failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, including an explanatory statement of why it would be detrimental to the Bank's best interests;

(ii) The Bank's position would be improved thereby, including an explanatory statement of how the Bank's position would be improved;

(iii) An appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and

(iv) That the extension of such credit does not violate Section 5-5A-22 of the Alabama Banking Code and adheres to State of Alabama Banking Board Regulation No. 14.

(d) The signed certification shall be made a part of the meeting minutes of the Board or its designated committee and a copy of the signed certification shall be retained in the borrower's credit file.

(e) Any additional extensions of credit to classified borrowers made under this provision shall be reported to the Supervisory Authorities at 90-day intervals with the other reporting requirements set forth in this ORDER. At a minimum, the 90-day reports shall include the name of the classified borrower, the amount of additional credit extended, and the total outstanding balance of credit extended to the classified borrower.

ASSET GROWTH

7. While this ORDER is in effect, the Bank shall notify the Supervisory Authorities at least sixty (60) days prior to undertaking asset growth that exceeds ten percent (10%) or more per annum or initiating material changes in asset or liability composition. In no event shall asset

growth result in noncompliance with the capital maintenance provisions of this ORDER unless the Bank requests and receives prior written approval from the Supervisory Authorities.

BROKERED DEPOSITS

8. (a) Throughout the effective life of this ORDER, the Bank shall not accept, renew, or rollover any brokered deposit, as defined in 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b) which governs the solicitation and acceptance of brokered deposits by insured depository institutions.

(b) The Bank shall comply with the restrictions on the effective yields on deposits as described in 12 C.F.R. § 337.6.

RESTRICTIONS ON CERTAIN PAYMENTS

9. (a) While this ORDER is in effect, the Bank shall not declare or pay dividends, bonuses, or any form of payment resulting in a reduction of capital, without the prior written approval of the Supervisory Authorities. All requests for prior approval shall be received at least thirty (30) days prior to the proposed dividend or bonus payment declaration date (or at least five (5) days with respect to any request filed within the first thirty (30) days from the date of this ORDER) and shall contain, but not be limited to, an analysis of the impact such dividend or bonus payment would have on the Bank's capital, income, and liquidity positions.

(b) During the term of this ORDER, the Bank shall not make any distributions of interest, principal or other sums on subordinated debentures, if any, without the prior written approval of the Supervisory Authorities.

INTERNAL CONTROLS

10. Within sixty (60) days from the effective date of this ORDER, the Bank shall implement procedures for the operation of the Bank in such a manner as to provide adequate internal routines and controls within the Bank consistent with safe and sound banking practices. Such

procedures and their implementation shall, at a minimum, eliminate and/or correct all internal routine and control deficiencies as more fully set forth in the Report and must be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

INTERNAL AUDIT

11. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop an internal audit program that establishes procedures to provide for an independent review of the integrity of the Bank's operational and accounting systems. The program shall be in a form and manner acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(b) Within sixty (60) days from the effective date of this ORDER, the Board shall comply with the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing*, FIL-21-2003 (Mar. 17, 2003). Changes made to the audit program as a result of complying with this paragraph shall be reviewed and adopted by the Board, recorded in the applicable Board minutes, and must be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

STRATEGIC PLAN

12. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities an acceptable written business/strategic plan covering the overall operation of the Bank for the next three (3) years. At a minimum the plan shall establish objectives for the Bank's earnings performance, growth, balance sheet mix, liability structure, capital adequacy, and reduction of nonperforming and underperforming assets, together with strategies for achieving those objectives. The plan shall also identify capital,

funding, managerial, and other resources needed to accomplish its objectives. Such plan shall specifically provide for the following:

(i) Goals for the composition of the loan portfolio by loan type, including strategies to diversify the type and improve the quality of loans held;

(ii) Goals for the composition of the deposit base including strategies to reduce reliance on volatile and costly deposits; and

(iii) Plans for effective risk management and collection practices.

(b) Within thirty (30) days from the Supervisory Authorities' response, the plan, including any requested modifications or amendments, shall be adopted by the Board and the approval shall be recorded in the Board meeting minutes. The Bank shall then immediately implement the plan.

BUDGET

13. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop and implement a written plan and a comprehensive budget for all categories of income and expense for the calendar year ending 2015. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices, and take into account the Bank's other written policies in order to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, reduce problem asset costs, control overhead, and improve and sustain the earnings of the Bank. The plan shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30 of each subsequent year and submit the plan and budget to the Supervisory Authorities for review and comment by December 15 of each subsequent year.

(b) The plan and budget required by this ORDER must be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(c) On a monthly basis, the Board shall evaluate the Bank's actual performance in relation to the plan and budget required by this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken. The actual performance compared to the budget shall be submitted to the Supervisory Authorities with the quarterly progress reports required by this ORDER.

ALLOWANCE FOR LOAN AND LEASE LOSSES

14. (a) Immediately upon the issuance of this ORDER, the Board shall make a provision to replenish the ALLL, which as of the date of the examination was underfunded as set forth in the Report.

(b) Within thirty (30) days from the effective date of this ORDER, the Bank shall review the Consolidated Reports of Condition and Income filed with the FDIC on or after June 30, 2014, and shall amend said reports, if necessary, to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain an adequate ALLL. Reports filed after the effective date of this ORDER shall accurately reflect the financial condition of the Bank as of the reporting date.

(c) Within thirty (30) days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL and establish a comprehensive policy for determining the adequacy of the ALLL. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified "Loss". The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review shall be completed in time to properly report the ALLL in the quarterly Consolidated Reports of

Condition and Income. The review shall focus on the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. The review should include a review of compliance with ASC 450 (Topic 450, "Contingencies") and ASC 310-10-35 (Section 35, "Subsequent Measurement General," of Subtopic 310-10). The policy shall adhere to the guidance set forth in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses*, FIL-105-2006 (Dec. 13, 2006). A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the next Consolidated Report of Condition and Income, by a charge to current operating earnings. The Board meeting minutes for the meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the ALLL and its implementation must be satisfactory to the Supervisory Authorities as determined at the initial review and at subsequent examinations and/or visitations.

LENDING

15. Within sixty (60) days from the effective date of this ORDER, the Board shall review, revise, adopt, and implement its written lending and collection policy to provide effective guidance and control over the Bank's lending and credit administration functions, which implementation shall include the resolution of those exceptions enumerated in the Report. The written policy shall include specific guidelines for loan review and risk grading and procedures to ensure that the Bank performs appropriate underwriting and loan structuring. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policy and its implementation must be in a form and manner acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

INTERNAL LOAN REVIEW

16. Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt an effective internal loan review and grading system to provide for the periodic review of the Bank's loan portfolio in order to identify and categorize the Bank's loans, and other extensions of credit, which are carried on the Bank's books as loans, on the basis of credit quality. Such system and its implementation must be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

ASSET/LIABILITY POLICY

17. Within sixty (60) days from the effective date of this ORDER, the Board shall review and revise, as necessary, the Bank's written policy and procedures for managing interest rate risk, taking into consideration the criticisms in the Report. The policy shall comply with the *Joint Agency Policy Statement on Interest Rate Risk*, FIL-52-1996 (June 26, 1996), shall be consistent with the comments and recommendations detailed in the Report, and shall include, at a minimum, the means by which the interest rate risk position will be monitored, the establishment of risk parameters, and provisions for periodic reporting to management and the Board regarding interest rate risk. Such policy and its implementation must be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

BSA OFFICER

18. Within sixty (60) days from the effective date of this ORDER, the Board shall designate a qualified individual (“BSA Officer”), acceptable to the Supervisory Authorities, with delegated authority and adequate and appropriate resources to implement, manage, coordinate, and monitor the Bank’s Bank Secrecy Act (“BSA”) Compliance Program. The BSA Officer’s qualifications shall be commensurate with the complexity of the Bank’s activities and the appointment of the BSA Officer shall conform to the guidance regarding BSA officers set forth

in the FFIEC's *Bank Secrecy Act/Anti-Money Laundering Examination Manual* (http://www.ffiec.gov/bsa_aml_infobase/default.htm). The BSA Officer shall:

(i) have the responsibility and necessary authority to ensure the Bank's compliance with the Bank's Secrecy Act, 31 U.S.C. § 5311 et seq., 12 U.S.C. § 1829b and 12 U.S.C. §§ 1951-1959, and its implementing regulations, 31 C.F.R. Chapter X and 12 C.F.R. Part 353, and 12 U.S.C. § 1818(s) and its implementing regulation, 12 C.F.R. § 326.8 (collectively referred to as "BSA Rules and Regulations"), including, without limitation, the timely, accurate, and complete reporting to the Board, law enforcement and the Supervisory Authorities of required Currency Transaction Reports and reports regarding unusual or suspicious activity, or known or suspected criminal activity perpetrated against or involving the Bank;

(ii) be responsible for supervising the BSA staff;

(iii) receive ongoing comprehensive training regarding the BSA Rules and Regulations (this should include the BSA staff that are involved in day-to-day operations);

(iv) report directly to the Board or a designated committee; and

(v) provide monthly comprehensive written reports to the Board or committee regarding, at a minimum, updates of BSA Rules and Regulations, ongoing monitoring of the Bank's overall BSA Program, filing of reports, and exceptions to policies and procedures.

VIOLATIONS OF LAW, REGULATION, AND CONTRAVENTION OF POLICY

19. Within sixty (60) days from the effective date of this ORDER, the Bank will eliminate and/or correct all violations of laws, regulations, and/or contraventions of statements of policy in the Report and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable federal and state laws, regulations, and/or statements of policy.

PROGRESS REPORTS

20. Within thirty (30) days from the end of the first quarter following the effective date of this ORDER, and within thirty (30) days from the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Supervisory Authorities have released the Bank in writing from making further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the appropriate Board meeting minutes.

SHAREHOLDER DISCLOSURE

21. Within thirty (30) days from the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its parent holding company. The description shall fully describe this ORDER in all material respects.

OTHER ACTIONS

22. This ORDER shall not bar, estop, or otherwise prevent the FDIC, the Department, or any other federal or state agency or department from taking any action against the Bank, the Bank's current or former institution-affiliated parties, and/or any of their respective directors, officers, employees, and agents, including, but not limited to, the imposition of civil money penalties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the Supervisory Authorities.

Issued Pursuant to Delegated Authority

Dated this 31st day of March, 2015.

By:

/s/

Michael J. Dean
Regional Director
Division of Risk Management Supervision
Atlanta Region
Federal Deposit Insurance Corporation

The Alabama Superintendent of Banks, having duly approved the foregoing ORDER, and the Bank, through its Board, agree that the issuance of said ORDER by the FDIC shall be binding as between the Bank and the Alabama Superintendent of Banks to the same degree and to the same legal effect that such ORDER would be binding if the Alabama Superintendent of Banks had issued a separate ORDER that included and incorporated all of the provisions of the foregoing ORDER, pursuant to the provisions of § 5-2A-12, Code of Alabama.

Dated this 31st day of March, 2015.

By:

/s/

John D. Harrison
Superintendent of Banks
Alabama State Banking Department