FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of: LIBERTY BANK, INC. SALT LAKE CITY, UTAH (INSURED STATE NONMEMBER BANK)	)	CONSENT ORDER FDIC-17-0106b

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Liberty Bank, Inc., Salt Lake City, Utah ("Bank") under Section 3(q) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1813(q)(3).

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a Stipulation to the Issuance of a Consent Order ("Stipulation"), dated July 10, 2017, that is accepted by the FDIC. With the Stipulation, the Bank has consented to this Order, without admitting or denying any of the FDIC's allegations including, without limitation, allegations of unsafe or unsound banking practices relating to Bank management and directors, capital maintenance, liquidity, credit administration, third-party risk management, audit, interest rate risk, and strategic and profit planning.

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

MANAGEMENT AND BOARD OVERSIGHT/COMPOSITION

1. Within one hundred and twenty (120) days from the effective date of this Order, the Bank shall have and retain qualified management, as follows:

(a) Each member of management shall have qualifications and experience commensurate with the Bank's size and complexity and his or her duties and responsibilities at the Bank. In addition to the current chief executive officer, management shall include the following: (i) if the current chief executive officer resigns or is removed from office, a chief executive officer with proven ability in managing a bank of comparable size and risk profile; (ii) a chief financial officer with proven ability in all aspects of financial management; and (iii) a senior lending officer with significant lending, collection, and loan supervision experience. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(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 asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this Order, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director"), 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 Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100–303.104 and any requirement of the State of Utah for prior notification and approval.

2. Effective immediately, 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; liquidity and funds management activities; operating policies; and individual committee actions. The Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. Within one hundred and eighty (180) days from the date of this Order, the Bank shall increase the size of the Board by the addition of two (2) independent directors; thereafter, independent directors shall comprise at least 33 1/3 percent (33.33%) of the Board.

(a) For purposes of this Order, an independent director shall be any individual who is not an officer of the Bank, any subsidiary, or any of its affiliated organizations; who does not own more than 5 percent of the outstanding shares of the Bank; who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares and does not otherwise have a common financial interest with such officer, director or shareholder; who is not indebted to the Bank directly or indirectly, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 5 percent of the Bank's total Tier 1 capital; or who is deemed to be an independent director for purposes of this Order by the Regional Director.

CAPITAL, SHAREHOLDERS, AND DIVIDENDS

4. Within ninety (90) days from the effective date of this Order, the Bank shall increase and thereafter maintain its Tier 1 capital in such an amount to ensure that the Bank's Leverage Ratio equals or exceeds ten (10) percent and twelve (12) percent within one hundred eighty (180) days from the effective date of this Order.

(a) Within ninety (90) days from the effective date of this Order, the Bank shall develop and adopt a plan to meet and maintain the capital requirements of this Order. Such plan and its implementation shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations.

(b) The level of capital to be maintained during the life of this Order shall be in addition to a fully funded allowance for loan and lease losses, the adequacy of which shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(c) If all or part of the increase in capital required by this Order is accomplished by the sale of new securities, the Board shall adopt and 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, the Bank shall prepare offering materials required by federal or state securities laws 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 the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of any offering materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th St. N.W., Washington, D.C. 20429, for review. Any changes requested by the FDIC shall be made prior to dissemination. If the increase in 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 Regional Director for prior approval.

(d) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a written notice of any planned or existing development or other changes to proposed uses of funds which arise prior to the closing of the offering and are materially different from the information reflected in any offering materials used in connection with the sale of Bank 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.

(e) For the purposes of this Order, the term “Leverage Ratio” shall have the meaning ascribed to it in Part 324 of the FDIC’s Rules and Regulations, 12 C.F.R. § 324.10(b)(4).

5. Following the effective date of this Order, the Bank shall provide a copy of the Order or otherwise furnish a description of the Order to its shareholder(s) in conjunction with:

(a) The Bank's next shareholder communication; and

(b) The notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the Order in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, at least 20 days prior to the dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice or statement.

6. During the life of this Order, the Bank shall not pay cash dividends or make any other payments to its shareholders without the prior written consent of the Regional Director.

EARNINGS

7. Within one hundred and twenty (120) days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written Strategic Plan ("Strategic Plan") including the following:

(a) Specific goals for the dollar volume of Tier 1 capital, net income, total loans, total investment securities, and total deposits as of year-end 2017, 2018, and 2019. For each time frame, the Strategic Plan will also specify:

(i) the projected average maturity and average yield on loans and securities;

(ii) the average maturity and average cost of deposits;

(iii) the level of earning assets as a percentage of total assets; and

(iv) the ratio of net interest income to average earning assets.

(b) The provision required by the Strategic Plan as set forth in this paragraph shall contain formal goals, strategies and benchmarks which are consistent with sound banking practices to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings of the Bank. It shall also contain a thorough description of the operating assumptions that form the basis for, and adequately support, each major component of the plan.

(c) Following the end of each calendar quarter, the Board shall evaluate actual performance in relation to the Strategic Plan and shall record the results of the evaluation, and any actions taken, in the minutes of the Board meeting at which such evaluation is undertaken.

(d) Such Strategic Plan and its implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

ALLOWANCE FOR LOAN AND LEASE LOSSES

8. Within thirty (30) days from the effective date of this Order, the Board shall review the appropriateness of the Bank’s allowance for loan and lease losses (“ALLL”) and establish a comprehensive policy for determining an appropriate level of the ALLL, including documenting its analysis according to the standards set forth in the December 13, 2006 *Interagency Policy Statement on the Allowance for Loan and Lease Losses*. For the purpose of this determination, an appropriate ALLL shall be determined after the charge-off of all loans or other items classified “Loss.” Such policy shall provide for a review of the ALLL at least once each calendar quarter. Said review shall be completed in order that the findings of the Board with respect to the ALLL are properly reported in the quarterly Reports of Condition and Income. The review shall focus on the accounting standards set forth in the Financial

Accounting Standards Board Accounting Standards Codification ("ASC") 450 and ASC 310, 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. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the Bank's ALLL and its implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

CALL REPORT

9. During the life of this Order, the Bank shall file with the FDIC Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any adjustment in the Bank's books made necessary or appropriate as a consequence of any FDIC examination of the Bank during that reporting period.

INTERNAL CONTROLS AND AUDIT

10. Within sixty (60) days from the effective date of this Order, the Bank shall revise, adopt, and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routine and control policies consistent with safe and sound banking practices; Such policy and its implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations and shall, at minimum, include:

(a) Provisions that ensure adequate training, qualifications, and procedural independence of Bank personnel performing internal audit functions, or for the outsourcing of the internal audit function; and

(b) Provisions that establish adequate tracking and resolution of all audit findings, including issues addressed in internal audits, external audits, and regulatory examinations.

ASSET/LIABILITY MANAGEMENT

11. Within thirty (30) days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy that appropriately manages the Bank's liquidity risk exposure. Such policy and its implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

(a) The initial revisions to the Bank's liquidity policy required by this paragraph shall, at a minimum, include the following:

(i) provisions that implement a liquidity measurement tool that provides a comprehensive view of the Bank's liquidity risk profile, including sources and uses of funds over various scenarios, stresses, and timeframes;

(ii) provisions that establish target amounts of unencumbered liquid assets, and incorporate such targets into regular liquidity monitoring reports; and

(iii) provisions that establish adequate minimum thresholds for local deposit funding sources as a percentage of total deposits and total assets.

12. Within ninety (90) days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a systematic plan for reducing the Bank's reliance on wholesale funding sources, such as internet listing service certificates of deposit. Such plan and

its implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

(a) Such plan required by this paragraph shall, at a minimum, include formal goals, strategies, and benchmarks for complying with the following:

(i) Within sixty (60) days from the effective date of this Order, the Bank shall have reduced wholesale funding sources to not more than thirty-five (35) percent of total assets.

(ii) Within one hundred and twenty (120) days from the effective date of this Order, the Bank shall have reduced wholesale funding sources to not more than twenty-five (25) percent of total assets.

(iii) Within one hundred and eighty (180) days from the effective date of this Order, the Bank shall have reduced wholesale funding sources to not more than twenty (20) percent of total assets.

13. Within sixty (60) days from the effective date of this Order, the Bank shall develop a contingency funding plan that is responsive to changes in the Bank's liquidity risk exposure. The Bank shall develop the contingency funding plan in accordance with the guidance contained in the 2010 *Interagency Policy Statement on Funding and Liquidity Risk Management*, and the Financial Institution Letter ("FIL") entitled *Liquidity Risk Management* (FIL-84-2008). Such policies and their implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations and shall, at a minimum, include:

(a) Provisions that include event triggers associated with potential liquidity events and establish specific management actions in response to those liquidity events; and

(b) Provisions that establish clear lines of authority and management roles and responsibilities during liquidity stress events.

14. During the life of this Order, the Bank shall comply with the provisions of section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. §337.6.

15. Within sixty (60) days from the effective date of this Order, the Bank shall develop a written interest rate risk management program ("IRR program") based on the principles set forth in the June 26, 1996 *Joint Agency Policy Statement on Interest Rate Risk*. The initial revisions to the IRR program required by this paragraph shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations and shall, at a minimum, include:

(a) Provisions that establish a comprehensive risk management process that include a system for identifying and measuring interest rate risk ("IRR");

(b) Provisions that ensure timely management of and reporting to the Board of the Bank's IRR position; and

(c) Provisions that ensure documentation of critical IRR model assumptions with a brief explanation how each assumption was derived.

THIRD-PARTY RISK MANAGEMENT AND LENDING POLICIES

16. Within sixty (60) days from the effective date of this Order, the Bank shall develop a written third-party risk management program ("Third-Party Risk Management Program") based on the guidance set forth in FIL 44-2008-*Guidance for Managing Third-Party Risk.*

(a) The Bank shall comply with the requirements of this paragraph and all provisions of the guidance set forth in FIL 44-2008, as confirmed by a regulatory examination and/or visitation, before it enters into any future or new third-party relationships, including but not limited to any third-party lending strategic partnership.

(b) The Third-Party Risk Management Program shall be satisfactory to the Regional Director as determined at subsequent examinations or visitations.

17. Within sixty (60) days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank’s lending function. Such policies and their implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

(a) The initial revisions to the Bank's loan policy and practices required by this paragraph shall, at a minimum, include the following:

(i) provisions that require the Board of Directors to periodically determine if lending staff has the expertise necessary to properly supervise and administer the types of credits originated by the Bank;

(ii) provisions that require complete loan documentation, including adequate financial information and current credit information to adequately support the outstanding indebtedness of the borrower;

(iii) provisions that establish strategic partner lending concentration limits as a percentage of total capital;

(iv) provisions that require an accurate internal loan grading system;

(v) provisions that establish the frequency, documentation, and reporting requirements for monitoring strategic partner relationships; and

(vi) the Board shall adopt procedures whereby officer compliance with the revised loan policy is monitored and responsibility for exceptions thereto assigned. The procedures adopted shall be reflected in minutes of a Board meeting at which all members are present and the vote of each is noted.

CORRECTION OF VIOLATIONS OF LAW

18. Within ninety (90) days from the effective date of this Order, the Bank shall eliminate and/or correct all violations of law and regulations, as well as contraventions of statements of policy and/or non-conformance with other regulatory guidance, as more fully set forth in the February 13, 2017, Report of Examination. The Bank shall also take all necessary steps to ensure future compliance with all applicable laws and regulations, statements of policy, and other regulatory guidance. The Bank's actions as required by this provision shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

PROGRESS REPORTS

19. Within forty-five (45) days of the end of the first quarter following the effective date of this Order, and within 45 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports shall include a copy of the Bank's reports of Condition and Income. Such reports may combine responses together under relevant classifications. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director has released the Bank in writing from making further reports.

The provisions of this Order shall not bar estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC.

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 FDIC.

Issued pursuant to delegated authority

Dated this 12th day of July, 2017.

/s/

Paul P. Worthing
Acting Deputy Regional Director
Division of Risk Management Supervision
San Francisco Region
Federal Deposit Insurance Corporation