

**AGREEMENT BY AND BETWEEN
Alaska First Bank & Trust, N. A.
Anchorage, Alaska
and
The Comptroller of the Currency**

Alaska First Bank & Trust, N. A., Anchorage, Alaska (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders 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 and unsound banking practices and violations of law at 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. § 5.51(c)(6)(ii). 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 be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), 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:

Assistant Deputy Comptroller
Comptroller of the Currency
One Front Street, Suite 1000
San Francisco, California 94111; and

NBE James Lohn
Comptroller of the Currency
1000 2nd Avenue, Suite 3300
Seattle, Washington 98104

Article II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee that includes at least three (3) outside directors. 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 sixty (60) days of the date of this Agreement, and quarterly 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.

Article III

PERFORMANCE STANDARDS FOR MANAGEMENT

- (1) Within ninety (90) days, the Board shall develop and implement a written program, with specific time frames, to establish performance standards for each executive officer of the Bank in order to improve his/her effectiveness. At a minimum, the written program shall include:
- (a) A detailed written job description for each executive officer;
 - (b) Objective standards by which each executive officer's effectiveness will be measured. These standards should directly support the Bank's strategic plan and budget;
 - (c) A performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives. The appraisal program shall provide for

regular reporting to the Board regarding the performance of each executive officer; and

(d) A program to improve the effectiveness of each executive officer based on an evaluation of the Bank's present weaknesses.

(2) Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection.

Article IV

MANAGEMENT SYSTEM TO TRACK CORRECTIVE ACTION

(1) Within thirty (30) days, the Board shall ensure that Bank management establishes a system to track recommendations made by external or internal audits, regulatory examinations, or other reviews of the Bank and its subsidiaries. At a minimum, this system should track all recommendations made in reports of examination from the Comptroller, reports and findings from external and internal audits, reports from the state insurance commissioner, and reports from external and internal loan reviews.

(2) The tracking system shall be established in a manner that defines the issue, recommends remedial action, and monitors the progress of Bank management in addressing the issue. The tracking system shall produce regular reports for use at regularly scheduled Board meetings, and such reports shall be prepared in a manner that enables the Board to determine whether the Bank management is actively resolving the issues being tracked.

(3) A copy of the reports used at the regularly scheduled Board meetings in paragraph (2) of this Article shall be submitted to the Assistant Deputy Comptroller for review within ten (10) days after the Board meeting.

Article V

STRATEGIC PLAN

(1) Within ninety (90) days, 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, 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 identification of the skills and expertise needed to develop, market, and administer the products identified in (1)(d) of this Article;
- (f) An identification of the skills and expertise of the Bank's current staff;
- (g) 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;

- (h) A review of the Bank's overhead and a plan to reduce or eliminate any excessive expenses or staffing;
- (i) An action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;
- (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) Control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (l) 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;
- (m) Systems to monitor the Bank's progress in meeting the plan's goals and objectives; and
- (n) A detailed budget covering the next three-year period. The budget shall be reviewed and updated annually, with revisions as appropriate.

(2) Upon adoption, a copy of the strategic plan 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. Once the strategic plan is implemented, the Bank shall not deviate from the plan without the prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article VI

AUDITS AND BOARD REVIEW OF REPORTING

(1) Within ninety (90) days, the Board shall complete a written review of the Bank's internal audit, external audit, and loan review coverage to determine whether the Bank has adequate tests and controls in place to produce accurate reports on which the Board, shareholders and public can rely. In addition to the items detailed below, this review must ensure adequate coverage of your interest rate risk models and ensure adequate testing of Bank Secrecy Act compliance. Upon completion, a copy of the written review shall be submitted to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection.

(2) Within one hundred twenty (120) days, the Board shall develop, implement, and thereafter adhere to a written, well-documented, risk-based audit program for information technology. At a minimum, the IT audit program shall be performed by an independent and qualified party, and include fundamental elements of a sound audit program as described in the "Audit" booklet of the FFIEC Information Technology Examination Handbook. A copy of the audit report submitted to the Board, as well as documentation of the action taken by the Board in response to such report, shall be forwarded to the Assistant Deputy Comptroller within ten (10) days following the Board meeting.

(3) Within ninety (90) days, the Board shall obtain an independent external compliance audit to test for compliance with consumer protection laws, rules and regulations, and to make any recommendations necessary to correct any violations, risks or deficiencies identified in the audit. A copy of the final audit report submitted to the Board, as well as documentation of the action taken by the Board in response to such report, shall be forwarded to the Assistant Deputy Comptroller within ten (10) days following the Board meeting.

Article VII

INTEREST RATE RISK

(1) Within sixty (60) days, the Board shall develop strategies for reducing the Bank's interest rate risk, with particular emphasis given to guidance and recommendations received from the Comptroller during the supervisory process, and the results of a fully implemented interest rate risk modeling system.

(2) Within sixty (60) days, the Board shall establish an appropriate limit for the Bank's economic or market value of equity (EVE/MVE) at risk, taking into consideration and providing for, at a minimum, rate changes of 1% and 2%.

(3) Within thirty (30) days, the Board shall evaluate the Bank's net interest income at risk limits, make any appropriate adjustments to those limits, and ensure that management adheres to such limits.

(4) Within sixty (60) days, the Bank shall ensure that management receives extensive training in the implementation and use of the Bank's Profitstar interest rate risk modeling system.

(5) Within ninety (90) days, the Bank shall ensure that management formally documents and supports the assumptions and valuations used in the Bank's interest rate risk modeling system.

(6) Within one hundred twenty (120) days, the Bank shall ensure that its revised interest rate risk modeling system is properly validated consistent with OCC Bulletin 2000-16, Risk Modeling – Model Validation (May 30, 2000).

(7) The Bank shall not engage in any off-balance sheet derivatives activity until such time as management and the Board can demonstrate to the Comptroller that management truly

understands the risks associated with these instruments, and the Bank has adequate systems in place to manage these instruments. The Bank shall obtain a prior determination of no supervisory objection from the Assistant Deputy Comptroller before engaging in any subsequent off-balance sheet derivatives activity.

Article VIII

INFORMATION TECHNOLOGY

(1) The Board shall immediately take all steps necessary to improve the management of the Bank's Information Technology ("IT") activities and correct each deficiency cited in the Report of Examination ("ROE"), any subsequent ROE, or any external and internal audit or review.

(2) Within sixty (60) days, the Board shall develop and implement a security test plan that provides for regular independent testing of key controls, systems and procedures of its information security program. The frequency and nature of such tests shall be determined by the Bank's risk assessment. Such tests shall be conducted or reviewed by independent third parties or staff independent of those that develop or maintain the information security program.

(3) The Bank shall immediately update its Risk Assessment and Business Resumption Plans to reflect changes in vendors and any other material changes, obtain Board approval of the updated plans, and then forward such plans to the Assistant Deputy Comptroller.

(4) Within thirty (30) days, the Board shall develop and document an Incident Response Program in its Information Security Program consistent with the guidelines contained in OCC Bulletin 2005-13, Response Programs for Unauthorized Access to Customer Information and Customer Notice: Final Guidance (April 14, 2005).

(5) Within ninety (90) days, the Board shall improve its risk management processes for data integrity, particularly with respect to separation of duties in the item processing area, and management supervision of the Bank's Fed account reconciliation program.

Article IX

INTERNAL CONTROLS

(1) Within sixty (60) days, the Board shall engage an independent auditor to conduct a review of the Bank's internal controls to determine and identify, if any, deviations from safe and sound internal control procedures.

(2) The Board shall submit a copy of the independent auditor's Engagement Letter to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection.

(3) Within seventy-five (75) days, the Board shall develop and submit a Compliance Plan to address the deficiencies identified in paragraph (1) of this Article and institute corrective action. Satisfactory internal controls should be appropriate for the size and nature, scope, and risk of the Bank's activities, and include:

- (a) An organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to prescribed policies;
- (b) Effective risk assessment;
- (c) Timely and accurate financial, operational, and regulatory reports;
- (d) Adequate policies and procedures to safeguard and manage assets; and
- (e) Compliance with applicable laws and regulations.

(4) Upon completion, a copy of the Compliance Plan 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 Compliance Plan.

Article X

CAPITAL PLAN AND HIGHER MINIMUM

(1) The Bank shall achieve and thereafter maintain tangible equity capital at least equal to eight percent (8%) of “adjusted total assets,” as that term is defined in 12 C.F.R. Part 3;

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three-year capital program. The program shall include:

- (a) Specific plans for the maintenance of adequate capital that may in no event be less than the requirement of paragraph (1) of this Article;
- (b) Projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) Projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) The primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;

- (e) Contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) A dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(4) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior 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 capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently, if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

Article XI

BSA AND CONSUMER COMPLIANCE

(1) Within thirty (30) days, the Board shall formally appoint a BSA Officer to ensure compliance with the Bank Secrecy Act (“BSA”). For purposes of this Agreement, the BSA includes all BSA implementing regulations, as well as the rules and regulations of the Office of Foreign Asset Control (“OFAC”).

(2) Within sixty (60) days, the Board shall conduct a review of the Bank’s BSA compliance program and update its policies as necessary.

(3) Within sixty (60) days, the Board shall ensure that its BSA compliance program contains adequate independent testing to achieve compliance with the BSA.

(4) Within sixty (60) days, the Board shall re-implement guidelines, procedures and systems for compliance with the rules and regulations of OFAC.

(5) Within ninety (90) days, the Board shall adopt, implement and thereafter ensure adherence to formal written operating procedures to ensure that the Bank complies with all applicable consumer protection laws, rules and regulations.

(6) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of, and compliance with, the requirements of the BSA, USA PATRIOT Act, and applicable consumer protection laws, rules and regulations. All training under this program shall be fully documented, including who attended the training sessions, the length of the sessions, the subject matters covered, and the methods used to ensure the attendees adequately comprehended the material presented.

Article XII

BANK-OWNED LIFE INSURANCE

(1) Within one hundred twenty (120) days, the Board shall ensure that management, consistent with the guidelines contained in OCC Bulletin 2004-56, Bank-Owned Life Insurance: Interagency Statement on the Purchase and Risk Management of Life Insurance (December 7, 2004) (“OCC Bulletin 2004-56”);

(a) Provides the Board with an analysis of the level of bank-owned life insurance currently held by the Bank; and

(b) Adequately documents and supports the potential loss to the Bank in the event of the death of the Bank's sole insured executive officer.

(2) Within one hundred twenty (120) days, the Board shall ensure that management brings the amount of bank-owned life insurance held by the Bank in conformance with the guidelines contained in OCC Bulletin 2004-56.

(3) Within ten (10) days of receipt of management's review and analysis, the Board shall submit a copy of the analysis, support and documentation provided by management in response to paragraph (1) of this Article, together with any additional comments by the Board, to the Assistant Deputy Comptroller for review.

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 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 excepted, waived, or terminated in writing by the Comptroller.

(5) 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 his hand on behalf of the Comptroller.

Signed

Brian J. Quade
Assistant Deputy Comptroller
Western District

2-2-06

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.

Signed

Brian Choi

2-2-06

Date

Signed

Alvin H. Fleetwood

2-2-06

Date

Signed

Ron G. Kukes

2-2-06

Date

Signed

Paul L. Schilling

02-02-06

Date

Signed

Willem Van Hemert

02-02-06

Date