

AGREEMENT BY AND BETWEEN
First National Bank of Santa Fe
Santa Fe, New Mexico
and
The Comptroller of the Currency

The First National Bank of Santa Fe, Santa Fe, NM (“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 relating to weak credit risk management and concentrations of credit.

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) 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 the:

Assistant Deputy Comptroller
Arizona/New Mexico Field Office
9633 South 48th Street, Suite 265
Phoenix, Arizona 85044

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. 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 thirty (30) 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.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the requirements of this Agreement.

ARTICLE III

CAPITAL AND STRATEGIC PLANNING

(1) Within sixty (60) days of the date of this Agreement, 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 sufficient capital given the risk profile of the Bank;
- (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.

(2) 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.

(3) Effective as of the date of this Agreement, the Bank shall not increase its total loans and commitments more than five percent (5%) per year above the Bank's actual total loans and commitments as of October 21, 2009, and shall not increase its Commercial Real Estate (CRE) loans and commitments above the Bank's actual CRE total loans and commitments as of October 21, 2009 until the Bank corrects the deficiencies in Asset Quality described in the Report of Examination conducted as of March 31, 2009 (the "ROE"), returns the Bank to a satisfactory condition, and the Bank receives a prior written determination of no supervisory objection from the Assistant Deputy Comptroller. For purposes of this paragraph, the compliance determination shall be made as of each Call Report filing.

- (a) for the purposes of Paragraph (3) of this Article, CRE shall include owner occupied CRE.

(b) for the purposes of Paragraph (3) of this Article, “total loans” shall be defined as the amount that would appear on schedule RC-C Part I, line 12 if the Bank were to file a Consolidated Report of Condition (“Call Report”) as of such date. “Commitments” shall include all unfunded commitments as of October 21, 2009.

(4) Within ninety (90) days of the date of this Agreement the Bank shall take the following steps, at a minimum, to enhance its Strategic Plan:

- (a) growth limitations designed to comply with Paragraph (3) of this Article;
- (b) development of a more dynamic process to update the Bank’s strategic initiatives to address major changes such as going into a different out-of-state market;
- (c) revisit growth expectations and compare to actual growth; and
- (d) lower excessive concentration limits in higher-risk Commercial Real Estate (CRE) categories.

ARTICLE IV

CONCENTRATIONS OF CREDIT

(1) The Bank shall take immediate and ongoing action to significantly reduce its concentrations of credit risk in commercial real estate (CRE) lending;

(2) Within sixty (60) days of the date of this Agreement, the Board shall adopt and thereafter ensure that the Bank implements and adheres to a written asset diversification program. The program shall include, but not necessarily be limited to, the following:

- (a) the establishment of reduced, reasonable concentration limits for the following portfolios:
 - (i) CRE; and
 - (ii) construction and development (C&D)
- (b) A detailed description of the actions it is taking to comply with Paragraph (1) of this Article;
- (c) a review of the balance sheet to identify any other concentrations of credit risk not identified in Paragraph (1) of this article;
- (d) a written analysis of any concentration of credit risk identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk.
- (e) policies and procedures to control and monitor concentrations of credit risk, that include, at a minimum:
 - (i) a concentrations management system(s) that aggregates exposures across the Bank;
 - (ii) concentration limits and actionable thresholds by capital and the total portfolio; and
 - (iii) the establishment of limits for direct and indirect exposures to industries.
- (f) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(3) For purposes of this Article, a concentration of credit risk is as defined in the “Loan Portfolio Management” booklet of the Comptroller's Handbook.

(4) The Board shall ensure that future concentrations of credit risk are subjected to the analysis required by Paragraph (2) of this Article and that the analysis demonstrates that the concentration will not subject the Bank to undue credit, liquidity, or interest rate risk.

(5) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit risk to the Assistant Deputy Comptroller immediately following the review.

ARTICLE V

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized (those listed as “special mention,” “substandard,” or “doubtful”) in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) The Board shall immediately take all necessary steps to ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets in the ROE, in any subsequent Report of Examination or OCC correspondence, or by any internal or external loan review. This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank’s lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and

- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds two hundred thousand dollars (\$200,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(4) The Bank may not extend credit, directly or indirectly, including renewals or extensions, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination or OCC correspondence, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed two hundred thousand dollars (\$200,000), unless the Board certifies in writing that each of the following conditions is met:

- (a) the extension or renewal is necessary to promote the best interests of the Bank;
- (b) the Board has documented the reason(s) that the extension or renewal is necessary to promote the best interests of the Bank;
- (c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised;
- (d) the borrower has paid any and all accrued interest;

- (e) the Bank has obtained current and satisfactory credit information, and has performed and documented an analysis of such credit information, including a detailed cash flow analysis of all expected repayment sources;
- (f) the Bank has provided documentation and support of any collateral value and complied with the appraisal and evaluation requirements of 12 C.F.R. Part 34;
- (g) the Bank has determined and documented whether the loan complies with the Bank's loan policies, including the programs required by this Agreement;
- (h) the Bank has placed the loan on a defined repayment program that is consistent with the purpose of the original extension of credit and the collateral supporting the loan;
- (i) the collateral value supporting the loan is in accordance with the Bank's lending policy;
- (j) both the borrower's and guarantors' cash flow is sufficient to support repayment of the loan as agreed; and
- (k) the Bank has properly risk rated the entire credit.

(5) A copy of the written certification required by paragraph (4) of this article shall be maintained in the credit file of the borrower.

ARTICLE VI

CREDIT RISK RATINGS

(1) Within sixty days (60) of the date of this Agreement, the Bank shall perform a portfolio-wide credit review of CRE and C&D loans over five hundred thousand dollars (\$500,000) with a focus on real estate secured loans, to determine the current extent of risk.

Factors that must be considered in this review are:

- (a) new appraised values or other updated valuations;
- (b) project performance;
- (c) payment performance;
- (d) maturity dates;
- (e) remaining interest reserves; and
- (f) current financial information regarding principals and guarantors.

(2) Within forty five (45) days of the date of this Agreement, the Board shall develop a program to ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, provisions requiring that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged-off by the lending officers using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*;
- (b) the Bank's loan review system provides meaningful, detailed reports to the Board on portfolio quality, risks, and trends; and

- (c) loan officers are accountable for failing to appropriately and timely risk rate loans.

ARTICLE VII

EXTERNAL LOAN REVIEW

(1) The Board shall employ a new qualified consultant to perform quarterly loan reviews of the Bank.

(2) Within sixty (60) days of the date of this Agreement, the name of the consultant and the scope of the quarterly external loan review that is required by Paragraph (1) of this Agreement shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The external loan review system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the loan review scope and coverage parameters;
- (b) the overall quality of the loan and lease portfolios;
- (c) the identification, type, rating, and amount of problem loans and leases including grading differences;
- (d) the identification and amount of delinquent loans and leases;
- (e) credit and collateral documentation exceptions;
- (f) the identification and status of credit related violations of law, rule or regulation;

- (g) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;
- (h) concentrations of credit;
- (i) loans and leases to affiliates and related parties;
- (j) loans and leases not in conformance with the Bank's Loan Policy, and exceptions to the Bank's Loan Policy; and
- (k) any recommendations for improvements.

ARTICLE VIII

APPRAISAL MANAGEMENT

(1) Effective immediately, the Board and management shall ensure that re-appraisals on extensions and renewals of real estate secured loans are obtained when necessary. Credit memos for renewals of CRE loans must specifically address this issue.

(2) Within sixty (60) days of the date of this agreement, the Bank shall develop and implement an appraisal management reporting system to ensure timely request, receipt and secondary review of appraisals.

ARTICLE IX

CREDIT UNDERWRITING

(1) Within sixty (60) days of the date of this Agreement, the Board shall revise the Bank's loan policy to ensure that the Bank does not make excessive accommodation loans or otherwise offer overly liberal loan terms in an effort to expand customer relationships. These revisions shall include, at a minimum:

- (a) Management must ensure that accommodation loans or loans made with liberal terms in an effort to expand customer relationships are only made on rare occasions;
 - (i) when a loan of the type described in subpart (a) of this Paragraph is made, the loan officer shall document the reason why such liberal terms were necessary under the circumstances.
 - (b) Management must track and monitor exceptions to the loan policy, and factor the increased risk in the Allowance for Loan and Lease Loss (ALLL) analysis.
- (2) Upon revision and adoption, the Bank shall forward the loan policy to the Assistant Deputy Comptroller for review.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

- (1) Within forty-five (45) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“ALLL”) in accordance with generally accepted accounting principles. The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47), and shall at a minimum include:
- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial

Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;

- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;
- (c) procedures for validating the ALLL methodology; and
- (d) a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Consolidated Reports of Condition and Income ("Call Reports") for the ALLL. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Call Reports, through additional provision expense.

ARTICLE XI

BANK SECRECY ACT COMPLIANCE FUNCTION

(1) Within ninety (90) days of the date of this Agreement, the Board shall revise the Bank's Bank Secrecy Act (BSA), and anti-money laundering (AML) compliance policy to include, at minimum, the following enhancements:

- (a) Customer Due Diligence (CDD) Enhancements
 - (i) CDD procedures must provide guidance for documenting analysis, including guidance for resolving issues when insufficient or inaccurate information is obtained; and
 - (ii) CDD procedures also must ensure the Bank maintains current customer information.

- (b) Enhanced Due Diligence (EDD) Enhancements
 - (i) High risk account monitoring or EDD must be performed more frequently;
 - (ii) Monitoring frequency within the high-risk category must be tailored depending on level of risk identified by the Bank; and
 - (iii) management must ensure monitoring activities include statement reviews.
 - (c) Management must ensure that the BSA officer has the appropriate level of staffing to oversee daily BSA monitoring activities.
- (2) Upon revision and adoption, the Bank shall forward the revised BSA/AML compliance policy to the Assistant Deputy Comptroller for review.

ARTICLE XII

REGULATION R COMPLIANCE

- (1) Within ninety (90) days of the date of this Agreement management must implement a Regulation R Steering Committee to perform the analysis and develop the structure necessary to ensure compliance with Regulation R.
- (2) Once established, the Steering Committee shall take, at a minimum, the following actions:
- (a) analyze the bank's trust/fiduciary business to determine what steps need to be implemented;
 - (b) understand trust/fiduciary accounts and revenues;
 - (c) review advertising policies and procedures:

- (d) review trade order handling;
- (e) determine whether certain accounts or business lines need to be re-priced, restructured or pushed-out to a broker;
- (f) make decisions on which “chiefly compensated” test will be used per 12 C.F.R. Part 218;
- (g) determine whether adjustments to the chiefly compensated test will be implemented;
- (h) make necessary programming changes to trust accounting systems as needed;
- (i) adopt business line policies and procedures that include addressing Graham-Leach-Bliley Act (GLBA)/Regulation R requirements in the new products and services review processes; and
- (j) adopt risk control (compliance, risk management, internal audit) systems.

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/her 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) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) 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.

/s/

Steven D. Jacobs
Assistant Deputy Comptroller
Arizona/New Mexico Field Office

1/29/2010

Date

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| <hr/> | <hr/> |
| /s/ | 1/29/2010 |
| <hr/> John Lewinger | <hr/> Date |
| /s/ | 1/29/2010 |
| <hr/> Blair Richardson | <hr/> Date |
| /s/ | 1/29/2010 |
| <hr/> Julie Rose | <hr/> Date |
| /s/ | 1/29/2010 |
| <hr/> Douglas Schwartz | <hr/> Date |
| /s/ | 1/29/2010 |
| <hr/> Stephen Stork | <hr/> Date |