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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 21st day of April, 1998 ("effective date"), by and between Washington Federal Savings Bank, Washington, Iowa (OTS No. 02715) (the "Association"), a federally-chartered stock Association, having its main office located at 102 East Main Street, Washington, Iowa, for itself and any wholly owned or partly owned subsidiary, and the Director of the Office of Thrift Supervision ("OTS"). The OTS is an office within the United States Department of the Treasury, having its principal offices located at 1700 G Street, N.W., Washington, D.C., acting through its Midwest Regional Director or his successor or designee ("Regional Director").

WHEREAS, the OTS is the appropriate Federal banking agency with authority over the Association;

WHEREAS, based on the Report of Examination dated February 11, 1998 (the "ROE"), the OTS is of the opinion that the Association has engaged in acts and practices that have resulted in violations of certain regulations, i.e., 12 C.F.R. § 563.161(a) and 12 C.F.R. § 563.170(c), and of certain standards adopted by the OTS to implement the Year 2000 Guidance Documents, specifically, OTS CEO Memo 67 transmitting the Federal Financial Institutions Examination Council ("FFIEC") May 5, 1997 Interagency Statement on Year 2000 Project Management Awareness, and OTS CEO Memo 76 transmitting the FFIEC December 17, 1997, Interagency Statement on Safety and Soundness Guidelines Concerning the Year 2000 Business Risk, thereby providing grounds for the initiation of administrative proceedings against the Association by the OTS;

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association, but is willing to forbear at this time from the initiation of administrative proceedings against the Association as a result of the Association's past aforementioned specific acts and practices, as set forth in the Association's ROE dated February 11, 1998, as long as the Association is in compliance with the provisions of this Agreement; and

WHEREAS, the Association, acting through its Board of Directors ("BOD"), wishes to cooperate with the OTS and to evidence its intent to comply with all applicable regulations and standards, and to avoid the initiation of such administrative proceedings by the OTS.

NOW, THEREFORE, in consideration of the above-stated premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

1. COMPLIANCE WITH STANDARDS AND REGULATIONS

The Association shall take all necessary and appropriate actions to achieve compliance with the following regulations and standards: 12 C.F.R. § 563.161(a); 12 C.F.R. § 563.170(c); OTS CEO Memo 67 transmitting the FFIEC May 5, 1997 Interagency Statement on Year 2000 Project Management Awareness; and OTS CEO Memo 76 transmitting the FFIEC December 17, 1997, Interagency Statement on Safety and Soundness Guidelines Concerning the Year 2000 Business Risk.

2. YEAR 2000 PLAN

By May 15, 1998, the Board of Directors of the Association ("BOD") shall develop and approve a revised plan ("Year 2000 Plan") for identifying, renovating, testing and implementing solutions for all Electronic Systems that are utilized by the Association, or upon which the Association depends for the conduct of its business, so that they are able to perform correctly all automated processing operations involving the Year 2000 Computer Problem and are tested to demonstrate such capability. The Year 2000 Plan shall clearly identify accountability for reporting, monitoring, and notification of compliance and the failure to meet benchmarks or deadlines set forth in the Year 2000 Plan.

At a minimum, the Association's Year 2000 Plan shall provide for the following:

- a) Beginning upon the effective date of this Agreement, the Association shall continually communicate to the Association's BOD, management, and employees:
 - (i) the nature of the Year 2000 Computer Problem, as determined by reference to standards promulgated in the Year 2000 Guidance Documents; and
 - (ii) the need for the Association, its Electronic System service providers, auditors, software vendors, Customers, Payment Service Providers, counter parties, business partners, and suppliers to identify and correct any deficiencies in their capability to correct their respective Year 2000 Computer Problems.

- b) The Association shall complete a written assessment by May 15, 1998, of the extent of its actual and potential Year 2000 Computer Problem(s) posed by the Electronic Systems and other automated systems utilized by the Association ("Year 2000 Assessment"). At a minimum, the Year 2000 Assessment shall:
 - (i) identify all Electronic Systems, including specifically those that are mission-critical, that are utilized by the Association;

- (ii) identify all interdependencies between the Association's Electronic Systems and those of its auditors, software vendors, suppliers, service providers, business partners, Payment Service Providers, counterparties, and Customers;
- (iii) evaluate the capability of all identified Electronic Systems to conduct correctly all operations that might involve the Year 2000 Computer Problem and progress to date in remedying each of the potential Year 2000 Computer Problems, in accordance with standards and requirements in the Year 2000 Guidance Documents;
- (iv) review all data processing outsourcing agreements and all other contracts with the Association's Electronic Systems service providers, including warranties, to determine whether those agreements contain compliance obligations and continuing support obligations relating to the Year 2000 Computer Problem;
- (v) evaluate the Association's Electronic Systems service providers and software vendors and any supplier used by them, to determine their awareness of, and ability to correct, any Year 2000 Computer Problems that might affect the Electronic Systems of the Association, including their financial and operational capabilities;
- (vi) contain a legal assessment of licensing and maintenance agreements to which the Association is or will be bound;
- (vii) identify the availability of alternative service providers, software vendors, and back-up systems for all Electronic Systems, as well as the time required to replace them and to obtain or develop the appropriate back-up support;
- (viii) identify all other resources that will be needed to correct any Year 2000 Computer Problems that are identified by the Association under this Agreement (e.g., in-house expertise, consulting firms);
- (ix) establish time-frames for correcting the Year 2000 Computer Problems, prioritizing the applications and processes that are mission-critical and setting dates by which the Association's management will need to correct the problem or replace the service provider, software vendor, or Electronic System;
- (x) establish time-frames for correcting the Year 2000 Computer Problems, prioritizing the applications and processes that are not mission-critical and setting dates by which the Association's management will need to

correct the problem or replace the service provider, software vendor, or Electronic System;

- (xi) establish deadlines for implementing alternative solutions for mission-critical systems and applications, if the service provider or software vendor cannot correct its Year 2000 Computer Problems by the deadline; and
 - (xii) establish deadlines for developing a contingency plan by which the Association's management can assure operation of the Association as Year 2000 Compliant.
- c) By June 30, 1998, the Association shall implement, in writing, a due diligence assessment that identifies, assesses, and establishes controls for the risk posed to the Association's Customers from their Year 2000 Computer Problems ("Credit Risk Assessment"). By September 30, 1998, the Credit Risk Assessment, indicating the preparedness of the Customers and the potential impact on the Association, shall be complete. Thereafter, the Credit Risk Assessment shall be updated quarterly. The BOD shall review Credit Report Assessment quarterly. The Credit Risk Assessment shall include reasonable inquiry into the exposure of the Association's Customers to the Year 2000 Computer Problem and their reliance on general technology involving imbedded microprocessors that might jeopardize the timely repayment of loans to the Association.
- d) By June 30, 1998, the Association shall have completed the development of its written testing plan and strategies. The testing plan shall specify, at a minimum, the testing environment, testing methodology, testing schedules, human and financial resources, critical test dates, written documentation, and contingency planning supporting every stage of the testing process. The written documentation shall include the types of tests performed, explanation for the choice of the test and the parameters of the test, results of the tests, criteria used to determine whether an application on system is deemed Year 2000 compliant, plans for remediating and retesting any computer systems on applications that failed Year 2000 tests, and the individuals responsible for authorizing the testing plan and accepting testing results. The testing plan shall require verification of the testing process by, at a minimum, [the project manager, the owner of the system tested] and an objective independent party such as an auditor, consultant (an expert from an independent area). The testing strategies shall include:
- (i) testing of all changes to hardware and software that occur in the renovation phase of the Association's Year 2000 Plan;

- (ii) testing of all aspects of interconnectivity and interoperation of the Association's Electronic Systems with any other systems;
 - (iii) determinations by internal users and by external users that at the completion of the validation and renovation phase of the Association's Year 2000 Plan, all of the Electronic Systems utilized by the Association are capable of performing all operations and addressing the Year 2000 Computer Problem; and,
 - (iv) proper controls to ensure that final implementation of renovations does not occur until successful testing is completed.
- e) By September 1, 1998, the Association shall have commenced testing of internal mission-critical Electronic Systems, including those programmed in-house and those purchased from software vendors and shall report to the OTS its testing progress.
 - f) By December 31, 1998, the Association shall have substantially completed the testing of internal mission-critical Electronic Systems and shall report to the OTS its testing completion.
 - g) By December 31, 1998, the Association's service providers should be ready to test with the Association.
 - h) By June 30, 1999, the Association shall have implemented a fully Year 2000 Compliant Electronic System.

The Association shall submit to the OTS its written plan and strategies and shall report to the OTS its testing progress.

3. CONTINGENCY PLAN

By May 31, 1998, the Association shall develop and implement an appropriate Contingency Plan with respect to the possible disruption in the Association's utilization of Electronic Systems due to Year 2000 Computer Problems. In developing the provisions of the Contingency Plan, the Association shall incorporate the guidance provided in Chapter 10 of the FFIEC Information System Examination Handbook, "Corporate Contingency Planning" and the Year 2000 Guidance Documents. This Contingency Plan shall, at a minimum, provide policies to:

- a) identify mission-critical information systems and business functions that may, if disrupted, expose the Association to abnormal risk;

- c) minimize disruptions to the Association and its operations if invalid data are received from an external source;
- d) ensure support for business functions and processes that may be interrupted by the failure to achieve Year 2000 Compliance of a specific mission-critical system;
- e) limit losses to earnings and capital by addressing processes that may be interrupted by the failure to achieve Year 2000 Compliance, such as hardware, software, telecommunications, network and data recovery, backup sources, and lines of credit;
- f) assess response capability of key contingency suppliers, Payment Systems Providers, Customers, service providers and software vendors;
- g) evaluate periodically Customers' Year 2000 Compliance efforts to determine if they are sufficient to avoid disruption of the Customers' operations that could significantly affect the Customers' creditworthiness;
- h) evaluate the Association's potential liquidity needs, taking into account fund flows, implications of different currencies, and assumptions about the timing and magnitude of funds providers' Year 2000 Compliance efforts; and
- i) test periodically the Contingency Plan, and all of its mission-critical applications, functions, interface with suppliers, Payment Systems Providers, Customers, service providers and software vendors;
- j) Cover unforeseen obstacles during the renovation and validation phases as well as plans to deal with lesser priority systems that would be fixed later in the renovation phase; and
- k) Identify the availability of alternative service providers and back-up systems for all Electronic Systems and the time required to replace the provider or system, and to obtain or develop the appropriate back-up support.

4. CONTRACTS WITH ELECTRONIC SYSTEMS SERVICE PROVIDERS AND SOFTWARE VENDORS

Beginning on the effective date of this Agreement, and for so long as this Agreement shall remain in effect, the Association shall not enter into, renew, or modify any contract for the provision of Electronic Systems services or software unless such contract specifically provides for the Association to retain the power [either alone or in conjunction with affiliates of the Association or others that obtain services or software

from the same supplier] to define in the contract the technical specifications that insure that the Association will remain Year 2000 Compliant.

5. AUDIT POLICIES AND PROCEDURES

By May 15, 1998, the Association shall develop and implement revised audit policies and procedures in a manner that ensures that the Association shall conduct effective audits of all aspects of its electronic and mechanical operations, including its Electronic Systems, for any Year 2000 Compliance problems. At a minimum, the Association's revised audit procedures shall provide that:

- a) the Association's internal audit function shall include the Association's Electronic Systems in its scope;
- b) all audit reports that are presented to the Association shall be reviewed by the BOD within 30 days of the Association's receipt of such audit reports, and such review shall be recorded in the minutes of the BOD;
- c) within 60 days from the receipt of each and every audit report, the Association shall prepare a written response to such audit report, to be reviewed and approved by the BOD, and such review and approval shall be recorded in the minutes of the BOD;
- d) those performing the Association's internal audit work shall have training and experience that are appropriate and sufficient to enable them to conduct appropriate audits of all aspects of the Association's Electronic Systems;
- e) the duties of those performing the Association's internal audit work shall be defined to avoid potential conflicts involving the interests of the Association's holding company, and any subsidiary of the Association's holding company; and
- f) the scope and timing of the internal audit function of the Association shall be specified in the Association's revised audit policy and procedures.

6. QUALIFIED MANAGEMENT AND ELECTRONIC SYSTEMS OFFICER

By no later than April 30, 1998, the Association shall appoint and retain qualified management to oversee compliance with this Agreement. At a minimum, such management shall include an Electronic Systems Officer who shall possess the experience and qualifications necessary to provide appropriate oversight over both the daily operation of the Association's Electronic Systems and the Association's longer term provisions for its Electronic Systems needs. The Association shall provide to such Electronic Systems Officer the necessary written authority to implement the provisions of this Agreement. The Electronic Systems Officer shall provide the BOD with a written

- c) minimize disruptions to the Association and its operations if invalid data are received from an external source;
- d) ensure support for business functions and processes that may be interrupted by the failure to achieve Year 2000 Compliance of a specific mission-critical system;
- e) limit losses to earnings and capital by addressing processes that may be interrupted by the failure to achieve Year 2000 Compliance, such as hardware, software, telecommunications, network and data recovery, backup sources, and lines of credit;
- f) assess response capability of key contingency suppliers, Payment Systems Providers, Customers, service providers and software vendors;
- g) evaluate periodically Customers' Year 2000 Compliance efforts to determine if they are sufficient to avoid disruption of the Customers' operations that could significantly affect the Customers' creditworthiness;
- h) evaluate the Association's potential liquidity needs, taking into account fund flows, implications of different currencies, and assumptions about the timing and magnitude of funds providers' Year 2000 Compliance efforts; and
- i) test periodically the Contingency Plan, and all of its mission-critical applications, functions, interface with suppliers, Payment Systems Providers, Customers, service providers and software vendors;
- j) Cover unforeseen obstacles during the renovation and validation phases as well as plans to deal with lesser priority systems that would be fixed later in the renovation phase; and
- k) Identify the availability of alternative service providers and back-up systems for all Electronic Systems and the time required to replace the provider or system, and to obtain or develop the appropriate back-up support.

4. CONTRACTS WITH ELECTRONIC SYSTEMS SERVICE PROVIDERS AND SOFTWARE VENDORS

Beginning on the effective date of this Agreement, and for so long as this Agreement shall remain in effect, the Association shall not enter into, renew, or modify any contract for the provision of Electronic Systems services or software unless such contract specifically provides for the Association to retain the power [either alone or in conjunction with affiliates of the Association or others that obtain services or software

monthly report on: (i) all developments related to the Association's efforts to become Year 2000 Compliant; and (ii) the Association's compliance or failure to comply with the provisions of this Agreement. The Electronic Systems Officer's monthly report will be attached to the minutes of the BOD. The qualifications of the Electronic Systems Officer shall be assessed on such officer's ability to:

- a) comply with the requirements of this Agreement;
- b) cause the Association's Electronic Systems utilization to be conducted in a safe and sound manner;
- c) ensure that the Association, and not its Electronic Systems provider, exercises control over the Association's utilization of the Electronic Systems; and
- d) ascertain that all Electronic Systems utilized by the Association are capable of performing correctly all automated processing operations involving the Year 2000 Computer Problem and are appropriately tested to demonstrate such capability.

As long as this Agreement remains in effect, the Association shall notify the Regional Director, in writing, of any addition of or change in the identity of the Association's Electronic Systems Officer. Such notification shall be in addition to any application and prior approval requirements established by Section 32 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1831i, and implementing regulations; must include the names and qualifications of any replacement personnel; and must be provided at least 30 days prior to the individual assuming the new position.

7. SECURITIES FILINGS

The Association shall provide the requested information to its holding company, Washington Bancorp, regarding this Agreement and its Year 2000 Compliance to enable Washington Bancorp to make all necessary securities filings with the Securities and Exchange Commission.

8. DIRECTOR RESPONSIBILITY

Notwithstanding the requirements of this Agreement, including the obligation of the BOD to submit various matters to the Regional Director for his/her review and for the purpose of receiving his/her approval, non-objection or notice of acceptability, such regulatory oversight does not negate or supplant each individual director's continuing fiduciary duty to his/her Association. At all times, the BOD shall have the ultimate responsibility for overseeing the safe and sound operation of the Association, including compliance with the determinations of the Regional Director as required by this Agreement.

9. COMPLIANCE WITH AGREEMENT

- a) The BOD, officers and employees of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.
- b) The BOD, on a monthly basis, shall adopt a board resolution (the "Compliance Resolution"), following a diligent inquiry of relevant information, that to the best of the BOD's knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of the Agreement currently in effect, except as otherwise stated. The aforementioned inquiry shall include reports of management, auditors, and/or consultant(s) that address:
 - (i) overall progress of the Year 2000 Plan, including any new efforts initiated since the last report;
 - (ii) progress made in implementing the Association's Year 2000 Plan, including comparisons with performance benchmarks;
 - (iii) status of efforts by service providers, software vendors, business partners, suppliers, correspondents, clearing associations, and Customers to address the Year 2000 Problem, including any weaknesses discovered or failure(s) to meet specified target dates; and
 - (iv) results of internal and external testing of the Electronic Systems applications, programs, and systems.
- c) The Compliance Resolution shall:
 - (i) specify in detail how, if at all, full compliance was found not to exist; and
 - (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date the Compliance Resolution is adopted.
- d) The minutes of the meeting of the BOD shall set forth the following information with respect to the adoption of each Compliance Resolution:
 - (i) the identity of each director voting in favor of its adoption; and
 - (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each director's reason for opposing or abstaining.

- e) No later than the tenth (10th) calendar day of the month following the effective date of this Agreement, and for each month thereafter, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolution[s] adopted at the BOD meeting of each month. The BOD, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the BOD. The minutes reflecting the dissent shall be attached to the Compliance Resolution and provided to the Regional Director.
- f) Any plans, assessments, policies, reports, or actions (including, but not limited to the Year 2000 Plan), made or taken pursuant to this Agreement, shall be reviewed and approved by the BOD prior to their implementation. Such review and approval shall be recorded in the minutes of the BOD meetings. Immediately following their approval, the Association shall submit a copy of the plan, assessment, policy, report, or action to the Regional Director. Thereafter, for as long as this Agreement shall remain in effect, the Association shall adhere to the provisions and guidance stated therein and any subsequent OTS-approved modifications. The Association agrees to make any revisions or amendments to any plans, assessments, policies or actions made or taken pursuant to this Agreement that the OTS requests, based on the OTS's determinations that the plan, assessments, policies, or action are unacceptable for purposes of addressing the Association's Year 2000 Computer Problem.
- g) Any plans, assessments, policies, reports, or actions taken pursuant to this Agreement shall comply with the guidance and standards provided in the Year 2000 Guidance Documents.

10. DEFINITIONS

All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in the Code of Federal Regulations, the Home Owners' Loan Act ("HOLA"), the FDIA, and OTS and FFIEC guidelines, statements, and publications. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, OTS or FFIEC guidelines, statements, or publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

The following specific definitions apply to provisions of this Agreement:

- a) **Electronic Systems:** For the purposes of this Agreement, the term "Electronic Systems" means the electronic programs, systems, and processes utilized by an entity, including, but not limited, to hardware, software, network operations, automated teller machines, audio response systems, retail delivery systems, environment systems with embedded microchips (e.g., security, vault, elevator operations, heating, ventilation and air conditioning), telecommunications systems, payment systems, and other various processing platforms, and partner, Customer, software vendor and service provider systems interdependencies.
- b) **Year 2000 Computer Problem:** For purposes of this Agreement, the term "Year 2000 Computer Problem" means, with respect to Electronic Systems and their technology, any problem which prevents such technology from accurately processing, calculating, comparing, sequencing, or transmitting, date or time data: (a) from, into, or between the twentieth and twenty-first centuries; or (b) from, into, or between the years 1999 and 2000; or (c) with regard to leap year calculations.
- c) **Year 2000 Guidance Documents:** For purposes of this Agreement, the term "Year 2000 Guidance Documents" means (i) the FFIEC's August 2, 1996, Interagency Statement on the Effect of Year 2000 on Computer Systems; the FFIEC's May 5, 1997 Interagency Statement on Year 2000 Project Management Awareness; the FFIEC's December 17, 1997, Interagency Statement on Safety and Soundness Guidelines Concerning the Year 2000 Business Risk; the FFIEC's March 17, 1998 Interagency Statement on Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness; the FFIEC's March 17, 1998 Interagency Statement on Guidance Concerning the Year 2000 Impact on Customers; and the FFIEC's April 10, 1998, Interagency Statement on Guidance Concerning Testing for Year 2000 Readiness (collectively referred to as "FFIEC Year 2000 Statements"); (ii) any supplemental statutes, regulations, guidelines, and statements that may be issued by the OTS, FDIC, FFIEC, SEC, and any other applicable federal agency including, but not limited, to the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Department of the Treasury, addressing the Year 2000 Problem; (iii) OTS guidelines and standards embodied in OTS CEO Memos No. 57, 66, 67, 76, 77 and 79; and OTS Supervisory Notice 98-01; (iv) the Interagency Policy Statement on the Internal Audit Function and its Outsourcing, dated December 22, 1997; and (v) the publication of the American Institute of Certified Public Accountants entitled "The Year 2000 Issue: Current Accounting and Auditing Guidance".
- d) **Year 2000 Compliance and Year 2000 Compliant:** For purposes of this Agreement, the terms "Year 2000 Compliance" and "Year 2000 Compliant" mean the capability of successfully possessing information technology that accurately

processes date and time data and effectively overcomes the Year 2000 Computer Problem.

- e) **Payment Systems Providers:** For the purposes of this Agreement, the term "Payment Systems Providers" shall mean wire transfer systems, including Fedwire, Clearing House Interbank Payment System, Society for Worldwide Interbank Financial Telecommunications; automated clearing houses; check clearing providers; credit card merchant and issuing systems; automated teller machine networks; electronic data interchange systems; and electronic benefits transfer systems.
- f) **Customers:** For the purposes of this Agreement, the term "Customers" shall include (i) fund takers, such as "material" borrowers (as determined in accordance with the FFIEC's March 17, 1998 Interagency Statement on Guidance Concerning the Year 2000 Impact on Customers) and bond issuers that borrow or use Association funds; (ii) funds providers, who provide deposits or other sources of funds to the Association; and (iii) capital market/asset management counter-parties, including Customers who are active in domestic and global financial markets.
- g) **Mission-Critical:** For the purposes of this Agreement, an application or system is "mission-critical" if it is vital to the successful continuance of a core business activity. An application also may be "mission-critical" if it interfaces with a designated "mission-critical" system. Products of software vendors also may be "mission-critical."

11. SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENT

Reference in this Agreement to statutes, regulations, policies, standards, and guidelines shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

12. NOTICES

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Agreement to be made upon, given or furnished to, delivered to, or filed with the OTS or the

Association shall be in writing and mailed, by first class or overnight courier or means of electronic transmission, or physically delivered, and addressed as follows:

To the OTS:
 Regional Director
 Office of Thrift Supervision
 Midwest Region
 P.O. Box 619027
 Dallas, Texas 75261-9027

To the Association:
 President
 Washington Federal Savings
 Bank
 102 East Main Street
 Washington, Iowa 02715

13. DURATION, TERMINATION OR SUSPENSION OF AGREEMENT

- a) This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below; and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof) or any of their successors.
- b) The Director of the OTS or the Regional Director in her or his sole discretion may, by written notice, suspend any or all provisions of this Agreement.

14. TIME LIMITS

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

15. EFFECT OF HEADINGS

The Section headings herein are for convenience only and shall not affect the construction hereof.

16. SEPARABILITY CLAUSE

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Administrative Law Judge or Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Director of the OTS or the Regional Director in her or his sole discretion determines otherwise.

17. NO VIOLATIONS OF LAW, RULE, REGULATION OR POLICY STATEMENT AUTHORIZED: OTS NOT RESTRICTED

Nothing in this Agreement shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject; or (ii) restricting the OTS from taking such action(s) that are appropriate in fulfilling the responsibilities

placed upon it by law including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

18. SUCCESSORS IN INTEREST

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the FDIC and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

19. SIGNATURE OF DIRECTORS

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

20. INTEGRATION CLAUSE

This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

21. ENFORCEABILITY OF AGREEMENT

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of and enforceable pursuant to applicable statute(s), including, but not limited to, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Association, by its duly elected directors, have executed this Agreement on the date first above written.

Washington Federal Savings Bank

Washington, Iowa

By:

Director 151

Director 151

Director 151

Director 151

Director 15/

Director 15/

Director 15/

Director 15/

Director _____

Director _____

OFFICE OF THRIFT SUPERVISION

By: 15/

For Regional Director

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

I, the undersigned, being the duly qualified Secretary of Washington Federal Savings Bank, Washington, Iowa ("Association"), hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on April 21, 1998; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect;

RESOLUTION

WHEREAS, the directors of the Association have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that as of February 11, 1998, the Association has engaged in acts and practices that have resulted in violations of certain regulations, i.e., 12 C.F.R. § 563.161(a) and 12 C.F.R. § 563.170(c), and of certain standards adopted by the OTS to implement the Year 2000 Guidance Documents, specifically, OTS CEO Memo 67 transmitting the Federal Financial Institutions Examination Council ("FFIEC") May 5, 1997 Interagency Statement on Year 2000 Project Management Awareness and OTS CEO Memo 76 transmitting the FFIEC December 17, 1997, Interagency Statement on Safety and Soundness Guidelines Concerning the Year 2000 Business Risk, thereby providing grounds for the initiation of administrative proceedings against the Association by the OTS;

WHEREAS, the directors of the Association have been informed that the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association, but is willing to forbear at this time from the initiation of administrative proceedings against the Association as a result of the Association's past aforementioned specific acts and practices as set forth the Association's ROE dated February 11, 1998, if the attached Supervisory Agreement ("Agreement") is executed by the Association and if its terms are thereafter carried out by the Association; and

WHEREAS, the directors of the Association have read and considered the proposed Agreement attached to the minutes of the meeting of the Board of Directors held on April 21, 1998, and

WHEREAS, after due consideration, the directors of the Association have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors of the Association. The officers and employees of the Association, including those of any wholly owned or

partly owned subsidiaries, are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Washington Federal Savings Bank this 21 day of April 1998.

Bonita Turner
Asst. Secretary

(Seal)