

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 7th day of June, 1993 ("Effective Date"), by and between Republic Savings Bank, F.S.B. ("Republic" or the "Institution"), a federally chartered stock association, having its main office located at Louisville, Kentucky and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C. This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Republic. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. §1818(b)(1) and (i)(2).

WHEREAS, the OTS is the primary federal regulator of the Institution; and

WHEREAS, based on the Report of Compliance Examination dated November 20, 1992 ("Compliance Examination"), the OTS, by and through the Regional Director for the Central Region or his designee ("Regional Director") is of the opinion that the Institution has engaged in acts and practices in operating the business of the Institution that have resulted in violations of certain of the laws or regulations to which the Institution is subject; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of cease and desist proceedings against the Institution pursuant to 12 U.S.C. §1818(b); and

WHEREAS, the OTS is willing to forbear at this time from the initiation

of proceedings pursuant to 12 U.S.C. Section 1818(b) on the matters covered by this Agreement, for so long as the Institution is in compliance with the provisions of this Agreements; and

WHEREAS, in the interest of regulatory compliance and cooperation, Republic by its Boards of Directors ("Board"), without admitting or denying that grounds for proceedings pursuant to 12 U.S.C. Section 1818(b) exist, is willing to enter into this Agreement to avoid the initiation of such proceedings;

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

CORRECT EXISTING VIOLATIONS

1. The Institution shall correct existing violations of Federal statutes and regulations cited in the Compliance Examination, and shall not knowingly initiate any action which would result in a violation of those statutes and regulations.

COMMUNITY REINVESTMENT ACT/NONDISCRIMINATION

2. Within 90 days from the Effective Date of this Agreement, the Board shall produce a written analysis of the credit needs of the Institution's community. In preparing the written analysis, the Board shall take into consideration Section 220 of the OTS's Regulatory Handbook regarding Compliance Activities, as well as:

(a) studies concerning local credit needs particularly in minority and low- and moderate-income neighborhoods; and

(b) direct communications with community members and organizations

including the Institution's customers, local government officials, neighborhood organizations, block organizations, minority organizations, small business groups, and consumer groups.

3. Within 120 days from the Effective Date of this Agreement, the Board shall analyze and evaluate the Institution's current loan portfolio and shall compare it to the analysis required by paragraph 2. Republic shall then develop and adopt a CRA plan designed to satisfy the credit needs of the community. The CRA plan shall include procedures for investigating participation in government-insured, guaranteed or subsidized loan programs, improving marketing and advertising strategies, and to remain consistent with the safe and sound operation of the Institution. The CRA plan shall, at a minimum, contain the following:

(a) a description of the various types of credit that the Institution is prepared to extend within the community and the rationale for offering these types of credit;

(b) a description of the methods that the Institution will use to communicate the availability of its credit services to the community; such methods may include utilizing media targeted to the community such as neighborhood or minority newspapers and radio stations;

(c) a marketing program designed to encourage applications for loans in the Institution's community, particularly in minority and low- and moderate-income neighborhoods;

(d) an accurate CRA statement of what types of credit the Institution makes available to its community;

(e) procedures to monitor the geographic distribution of the Institution's credit extensions, credit applications, and credit denials such

that the Board may determine whether the Institution is meeting the credit needs of the community, particularly minority and low- and moderate-income neighborhoods;

(f) procedures for the Board to monitor on a quarterly basis the effectiveness of, and the Institution's adherence to, the plan; and

(g) procedures for an annual Board review and/or revision of the Institution's community delineation and CRA plan.

4. Within 30 days of its completion, the Board shall submit a copy of the Institution's community delineation and CRA plan to the OTS.

5. Within 30 days from the Effective Date of this Agreement, the Board shall review and revise the loan underwriting policy to include definitive nondiscriminatory loan underwriting standards.

6. Within 60 days from the Effective Date of this Agreement, the Board shall revise and implement its loan policies and procedures to ensure compliance with 12 C.F.R. Part 203. The revised policies and procedures shall give particular attention to: (a) the compilation and maintenance of monitoring information on loan applications; (b) the accurate and timely completion and maintenance of loan application registers; and (c) the adequate training of personnel regarding the requirements of 12 C.F.R. Part 203 and Appendix B.

REAL ESTATE SETTLEMENT PROCEDURES ACT

7. Within 30 days from the Effective Date of this Agreement, the Board shall revise and implement its loan policies and procedures to ensure compliance with the provisions of the Real Estate Settlement Procedures Act, 12 U.S.C. § 2601 et seq., and Regulation X, 24 C.F.R. Part 3500. The revised policies and procedures shall, to the extent they do not now do so, at a minimum, require:

(a) the disclosure on the HUD-1 settlement statement of any closing fee or reimbursement paid to the Institution and the source and purpose of any

fee or reimbursement shall be thoroughly documented;

(b) the prohibition of the receipt of a "thing of value" by persons having referral authority as defined in 24 C.F.R. § 3500.14 (this provision shall also be incorporated in the existing Conflict of Interest Policy at the Institution);

(c) the proper disclosure of all designated providers of settlement services as required by 24 C.F.R. § 3500.7(e); and

(d) The adequate training of personnel as to the requirements of the Real Estate Settlement Procedures Act.

8. Republic shall fully comply with 24 C.F.R. 3500.15, regarding "controlled business arrangements."

9. The Institution shall not require the use of Eagle Title Services/Bankers Insurance Agency, Inc. as the provider of title insurance services.

10. Effective immediately, the Institution shall disclose to the borrower any fee paid to affiliates for loan applications purchased from the affiliates. The Institution shall maintain documentation detailing the work performed by the affiliate to support the fee paid. Transactions with affiliated entities must be in conformance with 12 C.F.R. §§ 563.41 and 563.42.

TRUTH IN LENDING POLICIES

11. Within 60 days from the Effective Date of this Agreement, the Board shall revise its lending procedures to ensure compliance with the requirements of Regulation Z, 12 C.F.R. Part 226, with emphasis on construction loan disclosures and disclosures on mortgage loans with terms of 15 years or less.

12. Within 30 days from the Effective Date of this Agreement, the Board shall implement procedures for the review of all construction loans and all mortgage loans with a term of less than 15 years originated by the Institution

since August 28, 1990 for possible reimbursement pursuant to 12 C.F.R. Part 226 ("Regulation Z"). The review shall consist of a file search of all applicable loans originated during this period and shall list those loans which contain reimburseable Regulation Z violations. The list shall indicate the borrower's name, loan number, calculation and amount of restitution, and cause of restitution (e.g. failure to properly disclose discounted interest rate feature, improper disclosure of private mortgage insurance premiums and/or improper disclosure of credit life and/or disability insurance, failure to include closing fees or inspection fees in the finance charge). In determining the loans requiring restitution and the amount of the restitution, the Institution shall utilize the Interagency Policy Guide for Restitution, which implements the restitution provisions of Section 108 of the Truth in Lending Act, 15 U.S.C. § 1607.

13. Within 90 days from the Effective Date of this Agreement, the Board shall submit to the OTS a report detailing the results of the loan review required by paragraph twelve above. The report shall include a copy of the list of loans which contain any reimburseable Regulation Z violations referred to in paragraph twelve.

ADJUSTABLE RATE MORTGAGE LOAN DISCLOSURES

14. Within 60 days from the Effective Date of this Agreement, the Board shall review the internal audit program which addresses Adjustable Rate Mortgage Loan ("ARM") adjustments. The Board shall also periodically review the internal audit findings.

15. Within 30 days from the Effective Date of this Agreement, the Institution shall conduct a judgmental loan file search of the ARM portfolio to

determine if ARM adjustments comply with the terms of the note. A detailed written explanation of the sampling technique chosen shall be submitted to the OTS.

LOAN SERVICES

16. Within 60 days from the Effective Date of this Agreement, the Board shall revise and implement its loan policies and procedures to ensure that the Institution complies with the requirements of 12 C.F.R. § 563.35. The revised policies and procedures shall give particular attention to providing borrowers with written notification of their right to choose the provider of insurance services, and providing borrowers with an attorney statement disclosing legal fees paid by the borrowers. The disclosure for the legal fees should specify all areas for which legal fees are charged such as closing costs, title examination, and title insurance.

BOARD OF DIRECTORS

17. The Board and the executive officers of Republic shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.

CLOSINGS

18. (a) Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the Deputy Regional Director or his/her designee, the Board has the ultimate responsibility for proper and sound management of the Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any

member or agent thereof to take any action or omit to take any action inconsistent with his or her fiduciary duties.

(b) It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

(c) Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement. Such time limitations may be extended by the Deputy Regional Director or his/her designee for good cause upon written application by the Board.

(d) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provision of this Agreement, shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitation, Chapter V of Title 12 Code of Federal Regulation). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

(e) 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.

(f) It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.

(g) Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 8260 North Creek Drive, Suite 200, Cincinnati, Ohio 45236, Attn: Assistant Director. All reports and other documents shall be deemed filed when received by the OTS.

(h) In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(i) The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

(j) This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Deputy Regional Director and Republic, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION
Cincinnati, Ohio

By: 15/
Daniel T. McKee
Deputy Regional Director

REPUBLIC SAVINGS BANK, F.S.B.
Louisville, Kentucky

By: 15/
Director

By: 15/
Director