UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

STATE OF IDAHO
DEPARTMENT OF FINANCE
BOISE, IDAHO

Written Agreement by and among IDAHO BANCORP Boise, Idaho IDAHO BANKING COMPANY Boise, Idaho FEDERAL RESERVE BANK OF SAN FRANCISCO San Francisco, California and STATE OF IDAHO DEPARTMENT OF FINANCE Boise, Idaho	Docket Nos. 10-028-WA/RB-HC 10-028-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Idaho Bancorp ("Bancorp"), a registered bank holding company, that owns and controls Idaho Banking Company (the "Bank"), an Idaho state chartered bank that is a member of the Federal Reserve System, both of Boise, Idaho, and several nonbank subsidiaries, Bancorp, the Bank, the Federal Reserve Bank of San Francisco (the "Reserve Bank"), and the Idaho Department of Finance (the "Department") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on February 24, 2010, Bancorp's and the Bank's boards of directors, at duly constituted meetings, adopted resolutions authorizing and directing V. Dale Babbitt, to consent to this Agreement on behalf of Bancorp and the Bank, respectively, and consenting to compliance with each and every applicable provision of this Agreement by Bancorp, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Bancorp, the Bank, the Reserve Bank, and the Department agree as follows:

Board Oversight

1. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the Department a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, loan review, processes to mitigate risks associated with credit concentrations, loan workouts, and liquidity;

(b) a revised strategic plan to improve the Bank's condition; and

(c) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's adversely classified assets, concentrations of credits, allowance for loan and lease losses ("ALLL"), capital, liquidity, and earnings.

Corporate Governance and Management Review

2. (a) Within 60 days of this Agreement, the boards of directors of Bancorp and the Bank shall complete an assessment of the Bank's management and staffing needs and the qualifications and performance of all senior Bank management. The primary purpose of the review shall be to aid in the development of a suitable management structure commensurate with the size and complexity of the Bank that is adequately staffed by qualified personnel (the "Management Review"). The Management Review shall, at a minimum, address, consider, and include:

(i) the identification of the type and number of officers needed to manage and supervise properly the affairs of the Bank, restore and maintain the Bank to a safe and sound condition, and comply with the requirements of this Agreement;

(ii) the identification of present and future management and staffing needs for each area of the Bank, particularly in the areas of credit risk management, loan underwriting, credit administration, and problem asset resolution; and

(iii) an assessment of the current structure and composition of the board of directors' committees, and a determination of the structure and composition needed to adequately supervise the affairs of the Bank.

3. Within 30 days of receipt of the Management Review, the boards of directors shall submit a written management plan to the Reserve Bank and the Department that fully addresses the findings and recommendations in the Management Review and describes the specific actions that the boards of directors propose to take in order to strengthen the Bank's management, and to hire, as necessary, additional officers or staff to properly manage and operate the Bank.

Credit Risk Management and Credit Administration

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

(a) Strategies to minimize credit losses and reduce the level of problem assets;

(b) policies and procedures to strengthen the Bank's management of commercial real estate ("CRE") concentrations and a plan to reduce the Bank's level of CRE concentrations. The policies and procedures shall be consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1);

(c) underwriting standards that require documented analyses on an on-going basis of the borrower's and guarantor's repayment sources, global cash flow, creditworthiness, and overall debt service ability, and the periodic submission of current financial statements;

(d) the appropriate use of interest reserves;

(e) the establishment of an effective and accurate internal risk rating system consistent with regulatory guidance; and

(f) measures to improve management's monitoring and controlling of problem assets, including the development of workout strategies.

Appraisal and Appraisal Review Program

5. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written program for real estate appraisals and appraisal reviews that shall, at a minimum, address, consider, and include:

(a) Procedures to ensure that appraisals conform to accepted appraisal standards, as defined in the Uniform Standards of Professional Appraisal Practice, and comply with the requirements of Subpart G of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50), and the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55);

(b) the review of appraisals by qualified individuals who are independent of the loan production process;

(c) written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, when new funds are advanced or when changes in market conditions or the condition of the collateral or project occur; and

(d) enhanced appraisal review procedures to ensure the quality and timeliness of appraisals.

Asset Improvement

6. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the report of examination of the Bank conducted by the Reserve Bank and the Department that commenced on July 9, 2009 (the "Report of Examination") or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank's risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and

protect the Bank's interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

7. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan, or other asset in excess of $750,000, including other real estate owned ("OREO"), that are past due as to principal or interest more than 90 days as of the date of this Agreement, are on the Bank's problem loan list, or were adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan, or other asset in excess of $750,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the Department to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report.

Allowance for Loan and Lease Losses

8. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the Department.

(b) Within 60 days of this Agreement, the Bank shall review and revise its allowance for loan and lease losses ("ALLL") methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank and the Department. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the Bank's revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the Department, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of the ALLL for that quarter.

Capital Plan

9. Within 60 days of this Agreement, the Bancorp and the Bank shall jointly submit to the Reserve Bank and the Department an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The Bank's current and future capital needs, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings; and

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements.

10. The Bank shall notify the Reserve Bank and the Department, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit an acceptable written plan that details the steps the Bank will take to increase its capital ratios to or above the approved capital plan's minimums.

Liquidity and Funds Management

11. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

(a) Measures to enhance the monitoring, measurement, and reporting of the Bank's liquidity to the board of directors;

(b) measures to reduce asset/liability funding mismatches;

(c) appropriate policy limits to minimize funding mismatches by funding type and maturity;

(d) measures to diversify funding sources;

(e) identification of contingent liquidity sources;

(f) appropriate risk limits for each liquidity source;

(g) adverse scenario analyses and planning; and

(h) measures to ensure timely reporting to the board of directors on the Bank's liquidity position.

12. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable revised written contingency funding plan that, at a minimum, includes adverse scenario planning and identifies and quantifies available sources of liquidity for each scenario.

Brokered Deposits

13. (a) At all times during the term of this Agreement that the Bank is well capitalized, the Bank shall not accept any new brokered deposits. For purposes of this subparagraph, the term "brokered deposits" is defined as set forth in section 337.6(a) of the regulations of the Federal Deposit Insurance Corporation ("FDIC") (12 C.F.R. § 337.6(a)) and includes deposits funded by third party agents or nominees for depositors; and the term "new brokered deposits" is defined not to include contractual renewals or rollovers of brokered deposits.

(b) Within 30 days of this Agreement, the Bank shall submit an acceptable written plan to the Reserve Bank and the Department for reducing its reliance on brokered deposits. The plan shall detail the current composition of the Bank's brokered deposits by maturity and explain the means by which such deposits will be paid at maturity.

14. The Bank shall comply with the provisions of section 29 of the FDI Act (12 U.S.C. § 1831f) and the FDIC's accompanying regulations at 12 C.F.R. § 337 that are applicable to the Bank. The Bank shall notify the Reserve Bank and the Department, in writing, if the Bank requests any waiver of the restrictions imposed by section 29 from the FDIC and shall notify the Reserve Bank and the Department of the FDIC's disposition of any request for such a waiver.

Investment Portfolio Management

15. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department acceptable written policies and procedures to strengthen the management of the Bank's investment portfolio, including but not limited to:

(a) Periodic analysis of the investment portfolio;

(b) procedures for the development of action plans for when an investment's credit rating declines; and

(c) procedures to assess for impairments and to ensure that the Bank's valuation processes and impairment analyses, including recognition of Other Than Temporary Impairment, are in accordance with generally accepted accounting principles, including FASB Staff Position (FSP) FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other Than Temporary Impairments,* and regulatory reporting instructions.

Earnings Plan and Budget

16. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department a written business plan for 2010 to improve the Bank's earnings and overall condition. The plan, at a minimum, shall provide for or describe:

(i) identification of the major areas where, and means by which, the board of directors will seek to improve the Bank's operating performance;

(ii) financial performance objectives, including plans for asset growth and earnings supported by detailed monthly pro forma financial statements, including projected budgets, balance sheets, and income statements;

(iii) a realistic and comprehensive budget for calendar year 2010, including income statement and balance sheet projections; and

(iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) During the term of this Agreement, a business plan and budget for each calendar year subsequent to 2010 shall be submitted to the Reserve Bank and the Department at least 30 days prior to the beginning of that calendar year.

Dividends and Distributions

17. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director), and the Department.

(b) Bancorp shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director, and the Department.

(c) Bancorp and its nonbank subsidiaries shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the Department.

(d) Bancorp and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank, the Director, and the Department.

(e) All requests for prior written approval shall be received by the Reserve Bank and the Department at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Bancorp's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Bancorp and the Bank must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

18. (a) Bancorp and its nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the Department. All requests for prior written approval shall contain, but not be limited to, a statement regarding

the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Bancorp shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the Department.

Cash Flow Projections

19. Within 60 days of this Agreement, Bancorp shall submit to the Reserve Bank and the Department a written statement of Bancorp's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2010. Bancorp shall submit to the Reserve Bank and the Department a Cash Flow Projection for each calendar year subsequent to 2010 at least one month prior to the beginning of that calendar year.

Compliance with Laws and Regulations

20. In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall comply with the notice provisions of Section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

21. The Bank shall comply with the restrictions on indemnification and severance payments of Section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359), and Idaho Code §§ 26-203, 26-204, 26-213(5), and 30-1-833.

Compliance with the Agreement

22. (a) Within 10 days of this Agreement, the boards of directors of Bancorp and the Bank shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate Bancorp's and the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall include a majority of outside directors who are not executive officers of Bancorp and the Bank as defined in Sections 215.2(e)(1) and 215.2(m)(1) of

Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)). The Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to the boards of directors of Bancorp and the Bank.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, Bancorp and the Bank shall submit to the Reserve Bank and the Department written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans, Policies, Procedures, and Program

23. (a) The written plans, policies, procedures, and program required by paragraphs 4, 5, 7, 8(c), 9, 11, 12, 13(b), and 15 of this Agreement shall be submitted to the Reserve Bank and the Department for review and approval. Acceptable plans, policies, procedures, and a program shall be submitted within the time periods set forth in the Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Department, the Bank shall adopt the approved plans, policies, procedures, and program. Upon adoption, the Bank shall promptly implement the approved plans, policies, procedures, and program.

(c) During the term of this Agreement, the approved plans, policies, procedures, and program shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Department.

Communications

24. All communications regarding this Agreement shall be sent to:

(a) Mr. Kevin Zerbe
Vice President
Banking Supervision & Regulation
Federal Reserve Bank of San Francisco
101 Market Street, Mail Stop 920
San Francisco, CA 94105

(b) Mr. Gavin Gee
Director of Finance
Department of Finance
State of Idaho
800 Park Boulevard, Suite 200
Boise, Idaho 83712

(c) Mr. V. Dale Babbitt
Chairman of the Board
Idaho Bancorp
Idaho Banking Company
7661 W. Riverside Drive, Suite 201
Garden City, Idaho 83714

Miscellaneous

25. Notwithstanding any provision of this Agreement, the Reserve Bank and the Department may, in their sole discretion, grant written extensions of time to Bancorp and the Bank to comply with any provision of this Agreement.

26. The provisions of this Agreement shall be binding upon Bancorp and the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

27. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Department.

28. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department or any other federal or state agency from taking any other action affecting Bancorp and the Bank or any of their current or former institution-affiliated parties and their successors and assigns.

29. Pursuant to Section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under Section 8 of the FDI Act (12 U.S.C. § 1818) and the Idaho Department of Finance under Idaho Code §§ 26-509 and 26-1101, *et seq*.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 24th of February, 2010.

IDAHO BANCORP

By: /s/ V. Dale Babbitt
V. Dale Babbitt
Chairman of the Board

FEDERAL RESERVE BANK
OF SAN FRANCISCO

By: /s/ Kevin Zerbe
Kevin Zerbe
Vice President

IDAHO BANKING COMPANY

By: /s/ V. Dale Babbitt
V. Dale Babbitt
Chairman of the Board

STATE OF IDAHO
DEPARTMENT OF FINANCE

By: /s/ Gavin Gee
Gavin Gee
Director of Finance
State of Idaho
Department of Finance