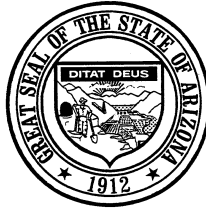


Arizona Department of Financial Institutions



SUBSTANTIVE POLICY STATEMENT

Section: Banks

July 30, 2012

Subject: Minimum Audit Procedures

Policy Statement # BA 1

In view of its interest in the financial soundness of banks and the State's banking system, the Department believes that a strong internal auditing function combined with a well-planned external auditing program substantially lessens the risk that a bank will not detect potentially serious problems.

In response to numerous inquiries regarding what constitutes an acceptable audit pursuant to A.R.S. Section 6-186, the Department is issuing this policy statement. Specifically, the Department adopts the attached Federal Deposit Insurance Corporation's "Integrating Policy Statement on External Auditing Programs of Banks and Associations" as the minimum requirements of the audit.

Questions regarding this policy statement should be directed to our Financial Institutions Division at (602) 771-2800.

This Substantive Policy Statement supersedes our Policy State #BA-1 issued November 9, 1988.

See FDIC Statement of Policy attached