

AGREEMENT BY AND BETWEEN  
National Bank  
Hillsboro, Illinois  
and  
The Office of the Comptroller of the Currency

National Bank, Hillsboro, Illinois (“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, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination for the examination that commenced on September 22, 2003 (“ROE”).

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  
St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103-2555

## ARTICLE II

### COMPLIANCE COMMITTEE AND PROGRESS REPORTS

(1) Within thirty (30) days, the Board shall appoint a Compliance Committee of at least four (4) directors, of which no more than two shall be employees 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 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 appointment of the Committee and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Agreement;
- (b) the results of those actions; and

- (c) a description of the actions needed to achieve full compliance with each Article of this Agreement.

(4) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the ROE or in any future Report of Examination. The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller.

### ARTICLE III

#### CREDIT RISK

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the level of increasing credit risk in the Bank.

The program shall include, but not be limited to:

- (a) procedures to strengthen credit underwriting, particularly in the commercial loan portfolio;
- (b) procedures to strengthen management of the commercial credit function and to maintain an adequate, qualified staff in all commercial lending functional areas;
- (c) procedures and/or standards to improve the quality of credit analysis;
- (d) action plan to control commercial loan growth; and
- (e) actions taken to address corollary processes described in Article IV – Loan Portfolio Management, and Article V – Credit and Collateral Exceptions, and Article IX – Management and Staff Skills Evaluation of this Agreement.

(2) The Board shall submit a copy of the program to the Assistant Deputy Comptroller.

(3) At least quarterly, the Board shall prepare a written assessment of the Bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

#### ARTICLE IV

##### LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within ninety (90) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (b) procedures to ensure conformance with loan approval requirements;
- (c) a system to track and analyze exceptions;
- (d) procedures to ensure conformance with the written loan policy;
- (e) procedures to ensure the accuracy of internal management information systems;

- (f) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters; and
- (g) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(3) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for effective monitoring of:

- (a) early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that will serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) previously charged-off assets and their recovery potential;
- (d) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
- (e) adequacy of credit and collateral documentation; and
- (f) concentrations of credit.

(4) Beginning June 30, 2004, on a quarterly basis, management will provide the Board with written reports including, at a minimum, the following information:

- (a) the risk profile (i.e., risk distribution) of the loan and lease portfolios and any changes to that risk profile from prior periods;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;
- (d) credit and collateral documentation exceptions;
- (e) the identification and status of credit-related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;
- (g) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (h) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (i) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

## ARTICLE V

### CREDIT AND COLLATERAL EXCEPTIONS

(1) Within sixty (60) days, the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, in any internally prepared exception report, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) Within sixty (60) days, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, in any internally prepared exception report, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected sources (i.e., primary, secondary, etc.) of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source(s) of repayment; and
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis (historical and projected), where loans are to be repaid from operations;

- (i) Failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank.
- (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank.
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the bank's lien on it where applicable.

## ARTICLE VI

### HIGHER CAPITAL MINIMUMS

- (1) The Bank shall maintain the following capital levels as defined in 12 CFR Part 3:
  - (a) Tier 1 capital at least equal to ten percent (10%) of risk-weighted assets;
  - (b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.
- (2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 USC § 1831o and 12 CFR § 6.4(b)(1)(iv).



## ARTICLE VII

### SENIOR LOAN OFFICER

(1) Within one hundred twenty (120) days, the Board shall ensure the Bank has a competent Senior Loan Officer who possesses the skills and knowledge necessary to perform the duties of the position, is vested with sufficient executive authority to fulfill the responsibilities of the position, implements and supervises programs to reduce the level of credit risk, improve loan portfolio management, and reduce exception levels, and ensures the safe and sound operation of the Bank. The Board should also ensure the Senior Loan Officer receives training necessary to effectively perform the job.

(2) The Board shall maintain a written description of the proposed officer's duties and responsibilities.

## ARTICLE VIII

### INTERNAL LOAN REVIEW

(1) Within thirty (30) days, the Board shall determine whether the Bank will continue to employ the current external firm who performs the loan reviews. As part of the determination, the Board shall assess whether the firm, including individuals employed by the firm, is qualified to perform the loan reviews. If the Board decides to retain the firm, the Board shall ensure that the loan review function complies with the requirements in section (2) and (3) of this Article. If the Board terminates the contract, the Board shall within sixty (60) days employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases.

(2) Within ninety (90) days, the Board shall establish an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The 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 conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;
- (d) credit and collateral documentation exceptions;
- (e) the identification of any structural weaknesses;
- (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 (f) of the Article;
- (h) concentrations of credit;
- (i) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (j) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(3) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for independent review of problem loans and leases in the Bank's loan and lease portfolios for the purpose of monitoring portfolio trends,

on at least a quarterly basis. The program shall require a quarterly report to the Board. At a minimum the program shall provide for an independent reviewer's assessment of the Bank's:

- (a) monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) system for monitoring previously charged-off assets and their recovery potential;
- (d) system for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
- (e) system for supervising individual credits by the loan officers, including the appropriateness of credit terms, amortization period, credit analysis, collateral valuation, and file memorandums; and
- (f) system for monitoring the adequacy of credit and collateral documentation.

(4) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(6) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(7) A copy of the report submitted to the Board as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits shall be preserved in the Bank.

## ARTICLE IX

### MANAGEMENT AND STAFF SKILLS EVALUATION

(1) Within ninety (90) days, the Board shall develop and implement a plan to evaluate the risk rating and commercial lending skills of all commercial (including agricultural and commercial real estate) lending staff, including supervisors and managers, and any persons involved in the commercial loan analysis, approval, management or risk rating process. This may include all members of the Board. At a minimum, the plan will consist of the following:

- (a) identification of the skills and expertise needed by persons analyzing, approving, managing or reviewing commercial credit risk. This would include ability to identify/stratify commercial credit risk, manage commercial credit risk and identify problem loans or leases;
- (b) identification of the skills and expertise of persons in the bank who perform the functions listed in (1)(a) above; and
- (c) comparison of the current staff's skills and expertise identified in (1)(b) of this Article to the skills and expertise identified in (1)(a) of this Article.

(2) Within thirty (30) days of the skills evaluation required by paragraph (1)(c) of this Article, the Board will develop a skills improvement plan and direct any changes or actions

necessary to fulfill the skills improvement plan and provide the Bank with management and staff that possess the skills and expertise identified in paragraph (1)(a) of this Article. Thereafter, the Board will ensure that the Bank adheres to this skills improvement plan.

(3) Upon completion of the actions required by (1) and (2), the Board will provide a copy of its staffing plan to the Assistant Deputy Comptroller for review.

## ARTICLE X

### ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank determines that an exception to any provision of this Agreement is in the best interests of the Bank, or requires an extension of any timeframe within this Agreement, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief.

(2) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with any provision, that require the Assistant Deputy Comptroller to exempt the Bank from any provision, or that require an extension of any timeframe within this Agreement. All such requests shall be accompanied by relevant supporting documentation.

(3) The Assistant Deputy Comptroller's decision in granting the request is final and not subject to further review.

## ARTICLE XI

### CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior 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 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 OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its 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 OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC’s exercise of its 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/ Craig L. Morton*

4.22.04

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Craig L. Morton  
Acting Assistant Deputy Comptroller  
St. Louis Field Office

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Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed  
Stephen Cullison

4-22-04  
Date

Signed  
Harry Hutchison

4/22/04  
Date

Signed  
William K. Jenkins

4-22-04  
Date

Signed  
Orville H. Johnson

4/22/04  
Date

Signed  
Richard G. Kloss

4/22/04  
Date

Signed  
Earl Meier

4-22-04  
Date

Signed  
R.M. Patton

4/22/04  
Date