

**AGREEMENT BY AND BETWEEN
NATIONAL BANK OF PETERSBURG,
PETERSBURG, ILLINOIS
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY**

National of Petersburg, Petersburg, IL (“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.

In consideration of the above premise, the Comptroller, through his/her authorized representative, and the Bank, by and through its duly elected and acting Board of Directors (“Board”), do hereby agree that the Bank shall at all times operate in compliance with the articles of this Formal Agreement (“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:

Gary L. Baranowski, Assistant Deputy Comptroller
Office of the Comptroller of the Currency
111 West Washington Street, Suite 300
East Peoria, IL 61611

ARTICLE II

APPOINT A SENIOR LENDING OFFICER

(1) Within 30 days, the Board shall develop a plan that outlines its actions to employ a qualified Senior Lending Officer (“SLO”) who possesses the proper knowledge, skills, and abilities to manage the bank’s lending function in a safe and sound manner. This plan should:

- (a) contain a written description of the proposed officer's duties and responsibilities;
- (b) describe the executive search and selection process; and
- (c) be submitted to the Assistant Deputy Comptroller following full Board approval.

(2) Within 60 days from the adoption of the above plan, the Board shall offer a capable individual the position of SLO. The SLO position shall be vested with sufficient executive authority to provide effective oversight over lending activities and fulfill the duties and responsibilities of the position. The Board shall employ the chosen individual only upon completion of the prior review processes in 12 C.F.R. § 5.51, and paragraphs 3-5 of this Article.

(3) Prior to the appointment of any individual to the position of Senior Lending Officer, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the “Changes in Directors and Senior Executive Officers” booklet of the Comptroller’s Corporate Manual; and
- (b) a written statement of the Board's reasons for selecting the proposed officer.

(4) The Assistant Deputy Comptroller shall have the power of veto over the employment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(5) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

ARTICLE III

INDEPENDENT LOAN REVIEW

(1) Within 90 days, the Board shall 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 120 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 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 (b) through (e) of the Article;
 - (g) concentrations of credit;
 - (h) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
 - (i) 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) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.
- (4) The Board shall evaluate the independent loan 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).
- (5) A copy of the reports 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 IV

PROBLEM LOAN ACTION PLANS

- (1) Within 90 days, the Board shall ensure that written action plans are developed and updated quarterly for all loan relationships in excess of \$100M and adversely criticized as OAEM, Substandard, or Doubtful at the June 30, 2003 OCC examination and/or identified in subsequent bank-generated internal reports as a problem loan.
- (2) These actions plans shall contain, at a minimum, the information provided in the criticized Asset Report template provided in Appendix A of this document.

(3) A copy of the Problem Loan Action plans prepared by the bank shall be forwarded to the Assistant Deputy Comptroller each quarter.

ARTICLE V

NONACCRUAL LOANS

(1) The Bank shall immediately reverse or charge off all interest that has been accrued contrary to the requirements contained in the Instructions for Preparation of Consolidated Reports of Condition and Income (“Call Report Instructions”) governing nonaccrual loans. Further, the Bank shall immediately reverse or charge off that portion of the remaining accrued interest on such loans that, when combined with principal, is not protected by sound collateral values.

(2) Within 90 days, the Board shall adopt and implement written policies and procedures governing the supervision and control of nonaccrual loans. Such policies and procedures shall:

- (a) be consistent with the accounting requirements contained in the Call Report Instructions;
- (b) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured; and
- (c) require the monthly presentation to the Board of all loans meeting any of the nonaccrual criteria.

(3) Within 90 days, the Board shall develop and implement a written policy governing the identification of and accounting treatment for nonaccrual loans. The policy shall address paragraph (2) above and shall be consistent with the accounting requirements contained in the Call Report Instructions.

(4) Within 90 days, the Board shall develop and implement a written policy that shall provide for auditing accrued interest on loans. The policy shall, at a minimum, provide for quarterly audits of loan accruals and incorporate procedures for periodically testing the Bank's identification of nonaccrual loans as governed by the policy adopted pursuant to paragraph (3) above.

(5) Upon adoption, a copy of the written policies and procedures shall be forwarded to the Assistant Deputy Comptroller and the Board shall thereafter ensure Bank adherence to all policies and procedures developed pursuant to this Article.

ARTICLE VI

CALL REPORTS - REFILE

(1) The Board shall immediately cause the Bank to refile amended Reports of Condition and Income for the periods ending December 31, 2002 and June 30, 2003. This action is required due to the material overstatement of earnings in that period resulting from the inappropriate interest income recognition on several loans as discussed in the July 31, 2003 Report of Examination.

(2) Within 60 days, the Board shall adopt and cause the Bank to implement policies and procedures, in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, to ensure that all official and regulatory reports filed by the Bank accurately reflect the Bank's condition as of the date that such reports are submitted. Thereafter the Board shall ensure Bank adherence to the policies and procedures adopted pursuant to this Article.

(3) Upon completion of the policies, the Board shall submit a copy of the policies to the Assistant Deputy Comptroller.

ARTICLE VII

AGRICULTURAL LENDING POLICY

(1) Within 90 days, the Board shall review, revise, and thereafter ensure Bank adherence to the Bank's written lending policy incorporating at a minimum policies to ensure that all loans secured by farmland, all loans to finance agricultural production, and all other loans to farmers (as defined in Instructions for Preparation of Consolidated Reports of Condition and Income) are structured and supervised according to prudent banking practices. The Bank's revised policy shall:

- (a) provide for segregation and classification of loans according to use of proceeds in the following categories:
 - (i) current year operating expenses,
 - (ii) carry over debt from previous years operating loans,
 - (iii) loans secured by livestock or commodities,
 - (iv) intermediate term loans for purchase of equipment and machinery,
 - (v) loans for acquisition of land and loans for capital improvements;
- (b) ensure current, independent appraisals are maintained on all collateral for loans exceeding \$250,000;
- (c) provide for periodic on-site inspections with written reports detailing the condition of farm assets and farm operations;
- (d) require identification of repayment source(s) and establishment of specific repayment terms for each loan cited in (a) (i) through (a) (v) commensurate with the type and purpose of the loan, and the borrower's expected cash flow;
- (e) require an annual analysis of the cash flow and profitability of each agricultural borrower including:

- (i) documentation of assumptions used in cash flow analysis, including product prices, anticipated expenses, and production levels;
 - (ii) analysis of the borrower's ability to retire current operating loans and to meet established repayment terms on other loans; and
 - (iii) determination of the period of time necessary to retire carryover debt, and the extent of reliance on liquidation of capital assets; and
 - (iv) require periodic review of the Bank's adherence to the revised lending policy.
- (2) Upon completion, a copy of the revised policy shall be forwarded to the Assistant Deputy Comptroller.

ARTICLE VIII

CREDIT RISK PROGRAM

- (1) Within 90 days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the high level of credit risk in the Bank. The program shall include, but not be limited to:
- (a) procedures to strengthen credit underwriting, particularly in the agricultural lending portfolio;
 - (b) procedures to strengthen management of lending operations and to maintain an adequate, qualified staff in all functional areas;
 - (c) procedures for ensuring proper structuring of loan transactions; and
 - (d) procedures for strengthening collections;
 - (e) The Board shall submit a copy of the program to the Assistant Deputy Comptroller.

- (f) 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.

ARTICLE IX

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within 120 days, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception noted during the June 30, 2003 examination, in any subsequent ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) 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 source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) failure to obtain the information in (2)(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 (2)(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; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE X

CAPITAL PLAN AND HIGHER MINIMUMS

- (1) The Bank shall maintain the following capital levels (as defined in 12 C.F.R.

Part 3):

- (a) Tier 1 capital at least equal to 9 percent (9%) of risk-weighted assets;
 - (b) Tier 1 capital at least equal to 7.5 percent (7.5%) 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 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

ARTICLE XI

BOARD OVERSIGHT AND ACCOUNTABILITY

- (1) The Board shall ensure the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, programs, and systems developed pursuant to the Articles in this Agreement.

ARTICLE XII

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 XIII

CLOSING

(1) Although the Board has by this Agreement consented to submit certain proposed actions and programs for the review or prior determination of no supervisory objection of the Assistant Deputy Comptroller, 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/her 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 him/her from so doing.

(3) Any time requirements specified in this Agreement shall begin to run from the effective date of this Agreement.

(4) This Agreement shall be effective upon execution by the parties hereto, and its provisions shall continue in full force and effect until such time as they shall be amended by written mutual consent of the parties to this Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) 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 has hereunto set his/her hand.

/S/ Gary L. Baranowski

1-15-04

Gary L. Baranowski
Assistant Deputy Comptroller
North Central Illinois and Eastern Iowa Field Office

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.

<i>Signed</i> _____ Robert F. Anderson	<i>1-15-04</i> _____ Date
<i>Signed</i> _____ Bruce A. DeCourcy	<i>1/15/04</i> _____ Date
<i>Signed</i> _____ Phillip H. Deverman	<i>1-15-04</i> _____ Date
<i>Signed</i> _____ John D. Grosboll	<i>1-15-2000</i> _____ Date
<i>Signed</i> _____ Gail L. Miller	<i>1-15-04</i> _____ Date
<i>Signed</i> _____ John Harry Schirding	<i>1-15-2004</i> _____ Date
<i>Signed</i> _____ Charles K. Smith	<i>1-15-04</i> _____ Date
<i>Signed</i> _____ Ronald G. Stevens	<i>1-15-04</i> _____ Date
<i>Signed</i> _____ Milo F. Vogt, III	<i>1-15-04</i> _____ Date
<i>Signed</i> _____ Lawrence R. Wohler	<i>1/15/04</i> _____ Date

APPENDIX A
National Bank of Petersburg
Petersburg, IL

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S): _____

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds \$100,000 and retain the original in the credit file for review by the examiners. Submit your reports quarterly until notified otherwise, in writing, to the Assistant Deputy Comptroller.