

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of:)
Charter National Bank and Trust)
Hoffman Estates, Illinois)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over Charter National Bank and Trust, Hoffman Estates, Illinois (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated April 29, 2010, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) by September 30, 2010, Tier 1 Capital at least equal to eight percent (8.00%) of adjusted total assets; and
- (b) by September 30, 2010, Total Risk Based Capital of eleven percent (11%) of risk-weighted 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).

(3) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to specific plans, including contingency plans, for achieving and thereafter maintaining adequate capital commensurate with the Bank’s risk profile, which may in no event be less than the requirements of paragraph (1).

(4) Prior to paying any dividends, the Board shall provide a written request to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

ARTICLE II

CRITICIZED ASSETS

(1) Within thirty (30) days, the Board will review, revise, and thereafter ensure Bank adherence to written workout plans designed to eliminate the basis of criticism of each asset criticized in the Report of Examination, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." Each workout plan will include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and

(d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(2) The Board will ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the workout plans developed pursuant to this Article.

(3) The Board, or a designated committee, will conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds \$200,000;
- (b) management's adherence to the workout plan adopted pursuant to paragraph (1);
- (c) the status and effectiveness of the written workout plan; and
- (d) the need to revise the workout plan or take alternative action.

(4) A copy of each review will be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

(5) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed \$100,000 only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior

to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

- (b) a comparison to the written workout plan adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(6) A copy of the approval of the Board or of the designated committee will be maintained in the file of the affected borrower.

ARTICLE III

LOAN UNDERWRITING AND CREDIT AND COLLATERAL INFORMATION

(1) Within sixty (60) days, the Board shall ensure that the Bank obtains 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, 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 that the Bank maintains proper collateral documentation 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, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) If the Bank is unable to obtain the credit information or collateral documentation required by paragraphs (1) and (2) of this Article within sixty (60) days, the Board shall document its efforts to obtain such information or documentation, and maintain the documentation of its efforts in the loan file.

(4) Effective immediately, the Bank will 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 (3)(d) will 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; and
 - (ii) A copy of the Board certification will be maintained in the credit file of the affected borrower(s); and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE IV

LOAN RISK RATING SYSTEM

(1) Effective immediately, and on an ongoing basis thereafter, the Board will ensure that the Bank's internal risk ratings of commercial credit relationships in the principal amount of \$100,000 or greater (covered relationship) as assigned by responsible loan officers and by internal loan review, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. At a minimum, the Board will ensure, on an ongoing basis, that with respect to the Bank's assessment of credit risk of any covered relationship:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);
- (b) the strength of the borrower's primary source of repayment is determined through analysis of the borrower's historical and projected financial statements, past performance, and future prospects in light of conditions that have occurred or may occur during the term of the loan;
- (c) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;
- (d) collateral values should reflect a current assessment of value based on actual market conditions and project status;
- (e) credit risk ratings are reviewed and updated whenever relevant new information is received; and

(f) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

(2) Effective immediately, and on an ongoing basis thereafter, the Board will ensure that any covered relationship with a high probability of payment default or other well-defined weaknesses is rated no better than Substandard, unless the debt is secured by marketable securities or cash. Consistent with the guidance in the Rating Credit Risk Booklet, A-RCR, of the Comptroller's Handbook, the presence of illiquid collateral or existence of a plan for improvement does not, and a non-government guarantee generally will not, mitigate the probability of default or a well-defined weakness.

(3) The Board will 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 V

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within thirty (30) days, the Board will review, revise, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL") in accordance with generally accepted accounting principles. The ALLL policies and procedures will be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006, (OCC Bulletin 2006-47) ("Interagency Statement") and will at a minimum include:

(a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial Accounting

Standards No. 114, Accounting by Creditors for Impairment of a Loan (recently codified as FASB ASC 310-10, *Receivables – Overall – Subsequent Measurement – Impairment*);

(b) procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (recently codified as FASB ASC 450-20, *Loss Contingencies*); these procedures must also address the nine qualitative factors set forth in the Interagency Statement;

(c) procedures for validating the ALLL methodology;

(d) a process for summarizing and documenting, for the Board’s review and approval, the amount to be reported in the Consolidated Reports of Condition and Income (“Call Reports”) for the ALLL.

(2) Any deficiency between the ALLL balance as determined by the analysis required by this Article and the Bank’s actual ALLL balance, regardless of the amount of such deficiency, will be remedied through additional provision expense in the quarter it is discovered, prior to the filing of the Call Reports.

(3) The Board will ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies and procedures developed pursuant to this Article.

ARTICLE VI

APPRAISALS

(1) Within thirty (30) days, the Board shall develop, implement and ensure adherence to a process to ensure that real estate collateral is reappraised in a timely manner to support

problem loan identification, work-out strategies, identification of impairment, and impact to ALLL. The process should include criteria for when appraisals should be updated, such as when a credit deteriorates, when there are materially negative market trends, or when stress testing indicates concentrations are increasingly susceptible to market variances.

(2) Within thirty (30) days, the Board shall revise, implement and ensure adherence to an appraisal review program. The program shall require, at a minimum, that:

- (a) appraisal reviews are:
 - (i) conducted by a qualified person independent of the transaction,
 - (ii) adequately documented, and
 - (iii) completed prior to making the final credit decision, and
- (b) appraisal reviewers analyze:
 - (i) all project assumptions, including absorption or lease-up periods, sales prices or rental rates,
 - (ii) all cost considerations, and
 - (iii) how these assumptions relate to current market conditions.

(3) Within sixty (60) days, the Board shall develop, implement and ensure adherence to criteria for obtaining appraisals or evaluations for transactions that are not otherwise covered by regulatory requirements.

ARTICLE VII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written 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 it by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order 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 Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, 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.

IT IS SO ORDERED, this 29th day of April, 2010.

/s/

Mary Beth Farrell
Assistant Deputy Comptroller
Chicago South Field Office

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Charter National Bank and Trust)
Hoffman Estates, Illinois)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Charter National Bank and Trust, Hoffman Estates, Illinois (“Bank”) pursuant to 12 U.S.C. § 1818(b) for unsafe and unsound banking practices relating to credit underwriting, credit administration, and credit risk rating.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated April 29, 2010 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

ARTICLE III

Waivers

(1) The Bank, by signing this Stipulation and Consent, hereby waives:

(a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);

- (b) any and all procedural rights available in connection with the issuance of the Order;
- (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19
- (d) all rights to seek any type of administrative or judicial review of the Order; and
- (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

/s/
Mary Beth Farrell
Assistant Deputy Comptroller
Chicago South

4/29/10
Date

