

**#2012-012**

AGREEMENT BY AND BETWEEN  
First Federal Savings and Loan Association of Kewanee  
Kewanee, Illinois  
and  
The Comptroller of the Currency

First Federal Savings and Loan Association of Kewanee, Kewanee, 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 has found unsafe and unsound banking practices relating to inadequate support for the allowance for loan and lease losses, inadequate concentration of credit limitations and Board monitoring, and approval of modifications without sufficient documentation and credit analysis.

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 Subpart H of 12 C.F.R. Part 163. 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  
Peoria Field Office  
One Technology Plaza, 211 Fulton Street, Suite 604  
Peoria, IL 61602-1350

## ARTICLE II

### LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within sixty (60) 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 satisfactory and perfected collateral and loan modification documentation;
- (b) 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; and
- (c) procedures to ensure conformance with loan approval requirements.

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

(3) 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 III

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within forty-five (45) days, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“ALLL”) in accordance with U.S. generally accepted accounting principles (“GAAP”). The ALLL policies and procedures shall 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” OCC Bulletin 2006-47 (December 13, 2006) (“Interagency Statement”) or any subsequent guidance which supersedes or supplements this guidance in the future and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with GAAP (including 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 GAAP (including FASB ASC 450-20, *Loss Contingencies*). These procedures shall require the Bank to document its estimation of credit losses and its analysis of the nine qualitative factors set forth in the Interagency Statement;

- (c) procedures for validating the ALLL methodology; and
- (d) a process for summarizing and documenting, for the Board's prior review and approval, the amount to be reported in the Thrift Financial Report for December 31, 2011 and thereafter in the Consolidated Reports of Condition and Income (collectively "Call Reports") for the ALLL.

(2) The Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted. Any difference between the ALLL balance as determined by the analysis required by this Article and the Bank's actual ALLL balance shall be remedied through appropriate account adjustments in the quarter it is discovered, prior to the filing of the Call Reports.

(3) Upon adoption, the Board shall submit a copy of the policies and procedures required by this Article to the Assistant Deputy Comptroller for determination of no supervisory objection.

(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

##### CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a concentrations of credit risk management program consistent with OCC Bulletin 2011-48 (December 13, 2011) or any subsequent guidance which supersedes or

supplements this guidance in the future. The program shall include, but not necessarily be limited to, the following:

- (a) a review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above and the concentrations identified in the Report of Examination for the examination that started August 15, 2011 in order to identify and assess the inherent credit, liquidity, and interest rate and to determine whether the risks of each concentration is imprudent;
- (c) policies and procedures to control and monitor concentrations of credit; and
- (d) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(2) For purposes of this Article, a concentration of credit is as defined in OCC Bulletin 2011-48 (December 13, 2011) or any subsequent guidance which supersedes or supplements this guidance in the future.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph (b) and that the analysis demonstrate that the concentration will not subject the Bank to undue credit or interest rate risk.

(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 V

### CONTINGENCY FUNDING PLAN

(1) Within ninety (90) days the Board shall adopt, implement, and thereafter ensure adherence to a comprehensive Bank-specific Contingency Funding Plan consistent with the guidelines set forth in Section 530, of the OTS Examination Handbook and the *Interagency Policy Statement on Funding and Liquidity Risk Management* OCC Bulletin 2010-13 (March 22, 2010). The plan shall, among other things, include:

- (a) a statement of the Board's strategy for maintaining adequate sources of stable funding given the Bank's anticipated liquidity and funding needs;
- (b) a definition of a liquidity crisis for the Bank;
- (c) an identification of early warning liquidity triggers;
- (d) an explicit quantification of the sources and uses of liquidity in stressed scenarios that correspond to the early warning liquidity triggers;
- (e) detailed action plans to identify and obtain sources of liquidity to meet projected shortfalls;
- (f) an identification of responsible bank personnel to declare, manage, and resolve a liquidity crisis;
- (g) an internal and external communication process, including a process for reporting to the Board, for disseminating relevant information; and
- (h) a process of regular testing to ensure that the plan is operationally robust.

(2) Upon adoption, the Board shall forward the Contingency Funding Plan to the Assistant Deputy Comptroller for determination of no supervisory objection.

(3) 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 VI

### CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written 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 Comptroller or the United States. 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(b)(1), 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. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency 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. 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/  
\_\_\_\_\_  
Gary L. Baranowski  
Assistant Deputy Comptroller  
Peoria Field Office

1/18/12  
\_\_\_\_\_  
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.

/s/  
\_\_\_\_\_  
David F. Boswell

1/18/12  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
James H Grier

1/18/12  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
David J. Harker

1/18/12  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
Thomas G. Miler

1/18/12  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
William R. Thompson

1/18/12  
\_\_\_\_\_  
Date