

AGREEMENT BY AND BETWEEN  
Illinois-Service Federal Savings & Loan Association  
Chicago, IL and  
The Comptroller of the Currency

Illinois-Service Federal Savings & Loan Association, Chicago, IL (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) wish to protect the interests of the depositors and other customers 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 authorized representatives, has examined the Bank, and has found unsafe or unsound banking practices, including those related to strategic and capital planning, management of credit risk, and action plans for problem assets.

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. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “final order” within the meaning of 12 U.S.C. § 1818(u).

(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:

Assistant Deputy Comptroller  
Chicago North Field Office  
1700 East Golf Road, Suite 800  
Schaumburg, IL 60173

## ARTICLE II

### CAPITAL PROGRAM AND HIGHER MINIMUMS

(1) By no later than March 31, 2013, the Bank shall achieve and thereafter maintain the following minimum capital levels:

- (a) Tier 1 leverage ratio at least equal to eight percent (8%); and
- (b) Total risk-based capital ratio at least equal to twelve percent (12%).<sup>1</sup>

(2) Within one hundred twenty (120) days of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for his review and prior written determination of no supervisory objection, a written Capital Plan for the Bank covering at least a three-year period.

The Capital Plan shall, at a minimum, include:

- (a) identification and evaluation of material risks to the Bank’s capital;
- (b) a determination of the Bank’s capital needs in relation the Bank’s material risks and strategic direction;

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<sup>1</sup> All terms used in these two bullet points are as reported on Schedule RC-R of the Bank’s Consolidated Reports of Condition and Income (“Call Report”) in accordance with applicable instructions.

- (c) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of Paragraph (1) of this Article;
- (d) quarterly projections for growth and capital requirements through December 31, 2014 based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (e) sources, amounts, and timing of additional capital to meet the Bank's current and future needs;
- (f) identification of the primary source(s) from which the Bank will increase and maintain its capital structure to meet the Bank's needs; and
- (g) contingency plans that identify alternative sources and methods to increase capital should the primary source(s) identified under paragraph(2)(e) of this Article not be available.

(3) At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Bank's Capital Plan, the Board shall adopt, implement, and thereafter ensure Bank adherence to the Capital Plan. The Board shall review and update, as needed, the Bank's Capital Plan at least annually, and more frequently if necessary or if required by the Assistant Deputy Comptroller in writing. Prior to adopting any subsequent amendments or revisions to the Capital Plan, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a prior written determination of no supervisory objection.

### ARTICLE III

#### STRATEGIC AND BUSINESS PLAN

- (1) Within one hundred twenty (120) days, the Board shall revise its strategic plan for

the Bank to include a detailed budget, with projections of major balance sheet and income statement components. The revised Strategic Plan shall cover no less than a 3-year period and also, at a minimum, include the following:

- (a) short and long-term strategic goals and objectives for the Bank;
- (b) detailed strategies designed to improve and sustain earnings based upon an assessment of the Bank's present and future operating environment;
- (c) an analysis of the Bank's current and projected balance sheet mix and liability structure in relation to the Bank's strategic goals and objectives and concentration limits;
- (d) detailed strategies designed to reduce the volume of nonperforming assets;  
and
- (e) discussion and analysis of any significant product line or market segments that the Bank intends to promote or develop.

(2) Prior to adoption, a copy of the Strategic Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's determination of no supervisory objection, the Board shall adopt, implement, and thereafter ensure adherence to the Strategic Plan.

(3) Within forty-five (45) days of the end of each calendar quarter, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly reports to the Assistant Deputy Comptroller within fifteen (15)

days of completion of its review.

(4) The Board shall review and update the Strategic Plan at least annually, no later than January 31 (beginning in 2014) and more frequently if necessary or if requested by the Assistant Deputy Comptroller in writing. Any changes to the Strategic Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's determination of no supervisory objection, the Board shall implement and thereafter ensure adherence to the revised Strategic Plan.

#### ARTICLE IV

##### CRITICIZED ASSET WORKOUT PLANS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized<sup>2</sup> in the Report of Examination dated as of June 30, 2012 ("ROE"), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the OCC during any examination.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans designed to protect the Bank's interest in or eliminate the basis of criticism of assets criticized in the ROE or internally identified by the Bank as criticized as of the effective date of this Agreement. On an ongoing basis, when any asset is criticized in a subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the OCC during any examination, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans for the criticized

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<sup>2</sup> The term "criticized" as used in this Article refers to assets rated the equivalent of "doubtful," "substandard," or "special mention" as defined in the "Rating Credit Risk" booklet of the Comptroller's Handbook.

asset within sixty (60) days. Each workout plan shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
  - (b) an analysis of the borrower's ability to repay the loan based on current and satisfactory credit information, including cash flow analysis where loans are to be repaid from business operations, and an appropriate analysis of the guarantor's repayment ability where repayment is dependent in whole or in part on such guarantor;
  - (c) the current value of supporting collateral, as well as information on property condition and occupancy rates, and the position of the Bank's lien on such collateral where applicable;
  - (d) actions designed to protect the Bank's interest in, or eliminate the basis of criticism of, the asset, including timeframes for implementing and evaluating the effectiveness of those actions;
  - (e) alternative strategies if the primary action to eliminate the basis of criticism is no longer a viable option; and
  - (f) for each parcel of Other Real Estate Owned ("OREO"), a written action plan that, at a minimum:
    - (i) details the marketing strategy for the property, including listing price and agent;
    - (ii) identifies targeted time frames for disposing of the property; and
    - (iii) contains a current valuation of the property.
- (3) On a quarterly basis, the Board shall forward a copy of workout plans for all

criticized assets equal to or exceeding Two Hundred Thousand Dollars (\$200,000).

(4) The Board, or a designated committee, shall 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 Two Hundred Thousand Dollars (\$200,000);
- (b) management's adherence to the workout plans adopted pursuant to this Article;
- (c) the status and effectiveness of the workout plans; and
- (d) the need to revise the plans or take alternative action.

(5) A copy of each review conducted pursuant to Paragraph (4) of this Article shall be retained at the Bank and be available for OCC inspection upon request.

(6) Effective immediately, the Bank may extend credit, directly or indirectly, including renewals and extensions, 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 OCC during any examination and whose aggregate loans or other extensions exceed Two Hundred Thousand Dollars (\$200,000) 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 or extending 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 plans adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee pursuant to Paragraph (6) of this Article shall be maintained in the file of the affected borrower.

## ARTICLE V

### LOAN RISK RATINGS

(1) Within sixty (60) days, and on an ongoing basis thereafter, the Board must ensure the Bank's internal risk ratings of credit relationships, as assigned by responsible loan officers and by any independent loan reviewer, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in the Rating Credit Risk Booklet of the Comptroller's Handbook.

(2) Within sixty (60) days, the Board must establish and thereafter ensure adherence to a credit risk rating management information system that provides, at a minimum, the following information in writing to the Board on a monthly basis:

- (a) reports that detail all loans at the Bank that are delinquent, constitute exceptions to the Bank's lending policies, have negative escrow accounts, or have outdated collateral values;
- (b) documentation and reconciliation of all criticized asset reports by and between the Loan and Accounting Departments; and
- (c) impairment calculations on all classified assets, with any allowance or charge-offs recorded in the period the impairment was recognized.

(3) Within sixty (60) days, the Board shall adopt revisions to the Bank's Credit



Administration Policy to include guidelines for retail classification that are consistent with OCC Bulletin 2000-20, Uniform Retail Credit Classification and Account Management Policy (June 20, 2000). The Board shall thereafter ensure adherence to the revised Credit Administration Policy.

(4) Upon adoption of the revised policy required by paragraph (3) of this Article, the Board shall forward a copy of the policy to the Assistant Deputy Comptroller for review and a written determination of no supervisory objection.

## ARTICLE VI

### CREDIT & COLLATERAL EXCEPTIONS

(1) Within ninety (90) days, the Board shall adopt revisions to the Bank's written policies and procedures sufficient to ensure the Bank obtains and analyzes updated credit and collateral information as necessary to monitor the Bank's credit risk, properly account for loans, and assign accurate risk-ratings in a timely manner. At a minimum, with respect to all loans, leases, or other extensions of credit not subject to the FFIEC Uniform Retail Credit Classification and Account Management Policy (OCC Bulletin 2000-20), the program shall require the Bank to obtain and analyze current and satisfactory credit information, maintain proper collateral documentation, and, where necessary, substantiate the current value of collateral, on an ongoing basis as needed to effectuate the purposes of the program listed above.

(2) If despite prudent efforts the Board and management are unable to obtain the credit information or collateral documentation required by paragraph (1) of this Article, it shall not constitute a violation of this Article so long as the Board and management document and record their ongoing efforts to obtain such credit information or collateral documentation in the respective credit file.

(3) Upon adoption and at all times thereafter, the Board shall ensure adherence to the revised policies and procedures required by paragraph (1) of this Article. Also upon adoption, the Board shall forward a copy of the revised policies and procedures to the Assistant Deputy Comptroller for review and determination of no supervisory objection

## ARTICLE VII

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days, the Board shall revise its 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 revised 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” dated December 13, 2006, (OCC Bulletin 2006-47) (“Interagency Statement”) 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 losses on groups of loans using historical loss data that reflect current economic conditions and the current financial condition of the bank, consistent with GAAP (including FASB ASC 450-20, *Loss Contingencies*). These procedures shall require the Bank to document its estimation of credit losses and an appropriate 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 review and approval, the amount to be reported in the Consolidated Reports of Condition and Income ("Call Reports") for the ALLL.

(2) The Board shall 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, or any subsequent amendments or changes to those policies and procedures, to the Assistant Deputy Comptroller for determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure adherence to the revised policies and procedures.

## ARTICLE VIII

### OTHER REAL ESTATE OWNED

(1) Within sixty (60) days, the Board shall adopt revisions to its written Foreclosure and OREO Policy to ensure that OREO is managed and accounted for in accordance with applicable regulations and provisions of GAAP and Call Report instructions. Upon adoption, the Board shall implement and thereafter ensure bank adherence to the revised policy. At a minimum, the Bank's revised Foreclosure and OREO Policy shall include:

- (a) proper accounting procedures for OREO properties from the time the property is transferred to the Bank until disposition or other use;

- (b) policies and procedures to require timely appraisals or evaluations of OREO, as appropriate, pursuant to 12 C.F.R. § 160.172, including policies and procedures addressing when the Bank will obtain updated valuations for OREO to ensure compliance with safe and sound banking practices; and
- (c) policies and procedures to ensure reconciliation of documentation and reports by and between the Loan Department and the Accounting Department.

(2) Upon adoption, the Board shall submit a copy of the revised policy required under this Article to the Assistant Deputy Comptroller for review and written determination of no supervisory objection.

## ARTICLE IX

### 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, including ensuring that the Bank has necessary processes, personnel, and control systems;
- (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



