

AGREEMENT BY AND BETWEEN
The First National Bank of Beloit
Beloit, Kansas
and
The Comptroller of the Currency

The First National Bank of Beloit, Beloit, Kansas (“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 loan portfolio management and administration.

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
Wichita Field Office
2959 North Rock Road, Suite 510
Wichita, Kansas 67226

Article II

Compliance Committee

(1) Within fifteen (15) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors comprised of the President, Compliance Officer and no more than one other individual from the lending group in the Bank. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller for a written determination of no supervisory objection. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.

(2) Upon appointment of any outside Director, as required by Article III, the outside Director(s) shall serve on the Compliance Committee.

(3) The Compliance Committee shall meet at least monthly.

(4) Within thirty (30) days of this Agreement and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(5) The Board shall forward a copy of the Compliance Committee’s report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures and programs required by this Agreement.

Article III

Appointment of New Director(s)

(1) The Board shall take immediate action to add at least one independent external director who has Banking and/or business experience. For purposes of this Paragraph, the term “independent external” means that the director may not be an employee 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.

(2) Prior to appointing any new director, the Bank must provide the Assistant Deputy Comptroller with written notice as required by 12 C.F.R. § 5.51 (notice forms and instructions in the “Changes in Directors and Senior Executive Officers” and “Background Investigations” booklets of the Comptroller’s Licensing Manual).

(3) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new director. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed director.

(4) If the Board is unable to identify any qualified director candidates within sixty (60) days, the Board shall document its efforts to locate such candidates, and notify the Assistant Deputy Comptroller in writing. Thereafter, the Board shall provide monthly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

Article IV

Senior Lending Officer

(1) Within one hundred and fifty (150) days of this Agreement, the Board shall identify a qualified and capable candidate for Senior Lending Officer of the Bank, and submit the information required by Paragraph (2) of this Article to the Assistant Deputy Comptroller for appropriate review. The candidate shall be employed and vested with sufficient authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank. If the Board is unable to appoint a qualified candidate within the time frame set forth above, the Board shall provide documentation of its efforts to locate such a candidate to the Assistant Deputy Comptroller. Thereafter, the Board shall provide quarterly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

(2) Prior to appointing a Senior Lending Officer, the Bank must provide the Assistant Deputy Comptroller with written notice as required by 12 C.F.R. § 5.51 (notice forms and instructions in the “Changes in Directors and Senior Executive Officers” and “Background Investigations” booklets of the Comptroller’s Licensing Manual).

(3) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(4) Within forty five (45) days of the receipt of a notice of intent not to disapprove the proposed Senior Loan Officer, the Senior Loan Officer shall develop and/or implement an Action Plan regarding how the Bank will achieve compliance with Articles VI through Articles XI of this Agreement. The Action Plan shall be submitted to the Board upon completion.

(5) The Bank shall submit the Action Plan required pursuant to this Article to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

(6) In the event the Assistant Deputy Comptroller asks the Bank to revise the Action Plan, the Bank shall immediately make the requested revisions and resubmit the Action Plan to the Assistant Deputy Comptroller. Following implementation, the Bank shall not take any action that will cause a significant deviation from, or material change to the Action Plan unless and until the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article V

Independent Consultant

(1) In the absence of a qualified and capable Senior Lending Officer, within thirty (30) days of this Agreement, the Board shall engage an independent lending consultant (“Consultant”).

(2) Prior to the appointment or employment of any consultant or entering into any contract with a consultant, the Board shall submit the name and qualifications of the proposed

consultant and proposed “Engagement Letter” of the employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(3) Within forty five (45) days of the receipt of the written determination of no supervisory objection to the proposed consultant, the Consultant shall develop and implement an Action Plan regarding how the Bank will achieve compliance with Articles VI through Articles XI of this Agreement, in light of the Bank’s present condition as described in the January 5, 2015 Report of Examination (“2015 ROE”). The Action Plan shall be submitted to the Board.

(4) The Board will thereafter ensure the Bank implements the Action Plan regarding how the Bank will achieve compliance with Articles VI through Articles XII of this Agreement.

(5) The Bank shall submit the Consultant’s Action Plan required pursuant to this Article to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

(6) In the event the Assistant Deputy Comptroller asks the Bank to revise the Action Plan, the Bank shall immediately make the requested revisions and resubmit the Action Plan to the Assistant Deputy Comptroller. Following implementation, the Bank shall not take any action that will cause a significant deviation from, or material change to the Action Plan unless and until the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article VI

Loan Portfolio Management

(1) Effective as of the date of this Agreement, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound

banking practices, and fiduciary duties. Within ninety (90) days the Board shall ensure that there is a program in place regarding the following requirements:

- (a) establish and enforce requirements that lending officers appropriately analyze, document, and communicate appropriate credit and collateral information for all loans;
- (b) requirement for annual loan officer training;
- (c) provide training to lending staff on credit underwriting and monitoring;
- (d) requirements for the periodic performance of loan stress testing and/or sensitivity analysis for commercial and agricultural loan relationships totaling two hundred and fifty thousand dollars (\$250,000) or more, to quantify the impact of common stresses such as varying input costs, commodity prices, and interest rates in accordance with OCC Bulletin 2012-33, Community Bank Stress Testing;
- (e) establish requirements for quarterly review of the loan portfolio to identify credits with LTV's in excess of supervisory limits.

(2) Within sixty (60) days of this Agreement, the Board shall take the necessary steps to ensure that the Bank develops safe and sound credit risk management and administration practices to be included in the Bank's Loan Policy, for credit relationships over \$250M, to include at a minimum:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) documentation of the history of the credit;
- (c) obtaining credit reports per Bank policy;
- (d) identifying the expected source of repayment in writing;

- (e) documentation of trends and operating cycle trends;
- (f) structuring the repayment terms to coincide with the expected source of repayment and the useful life of the collateral;
- (g) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources, including global cash flow analysis, evaluation of contingent liabilities and verification of liquid assets, where appropriate;
- (h) establish monitoring requirements for new businesses or borrowers engaging in new activities;
- (i) determining and documenting whether the loan complies with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
- (j) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (k) providing an accurate risk assessment grade and proper accrual status for each credit;
- (l) determining and documenting that any participations purchased comply with safe and sound banking practices, guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34.

(3) Effective as of the date of this Agreement, the Board shall take the necessary steps to eliminate credit, collateral, and Bank Loan Policy exceptions, to include, at a minimum,

the development of a program that makes loan officers accountable for such exceptions and considers such exceptions in the periodic performance reviews and compensation of such loan officers. The Board shall submit the program required pursuant to this paragraph to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

(4) The Board shall also create policies and procedures to ensure that all commercial, commercial real estate, and agricultural loans are properly monitored to include periodic receipt (no less than annually), analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's financial condition and repayment ability.

(5) The Board shall take the necessary steps to ensure that current and satisfactory credit information is maintained on all loans. Within sixty (60) days of notification, the Board shall ensure that the Bank obtains any missing credit information described in the Report of Examination ("ROE"), as of December 31, 2014, in any subsequent ROE, in any internal or external loan review, or in any listings of loans lacking such information. The Board shall also implement a tracking system to ensure that the appropriate documentation is obtained for financial requirements for each loan.

(6) The Board shall take the necessary steps to ensure that proper collateral documentation is maintained on all loans. Within sixty (60) days of notification, the Board shall ensure that the Bank obtains any missing collateral documentation described in the ROE, in any subsequent ROE, in any internal or external loan review, or in any listing of loans lacking information. The Board shall also implement:

- (a) a tracking system to ensure that the appropriate documentation is obtained for collateral requirements for each loan; and
- (b) routine collateral inspections and valuations on non-real estate collateral.

(7) Effective as the date of this Agreement the Board shall ensure Bank adherence to the Bank's written Appraisal and Evaluation policy and procedures for obtaining updated appraisals, new appraisals, and evaluations, in accordance with the provisions of 12 C.F.R. Part 34 and the "Interagency Appraisal and Evaluation Guidelines," dated December 10, 2010.

Article VII

Credit Risk Ratings

(1) Within sixty (60) days of this Agreement, the Board shall prepare a written program designed to ensure that the Bank complies with paragraph (2) of this Article that contains at a minimum:

- (a) immediate and ongoing training for the lending staff with respect to the application of paragraph (2) of this Article;
- (b) procedures to ensure loan officers are held accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual, including, but not limited to, consideration of loan officer and staff failure to properly risk rate and/or place loans on nonaccrual in periodic performance reviews and compensation.

(2) Within ninety (90) days, the Board shall take the necessary steps to ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, the quarterly review of all credit relationships that equal or exceed two hundred and fifty thousand dollars (\$250,000) by the loan officers to ensure that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged off using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the guidelines

set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook;
and

(b) the Bank's loans and other assets are timely placed on nonaccrual in accordance with the guidelines set forth in the Call Report.

(3) Upon completion, the Board shall submit a copy of the program required by Paragraph (1) of this Article to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the Assistant Deputy Comptroller has advised the Bank that there is no supervisory objection to the program, the Board shall immediately implement, and thereafter ensure adherence to, the terms of the program.

Article VIII

Problem Loan Management

(1) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days of this Agreement, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program designed to reduce the Bank's criticized assets (the "Problem Assets Program"). The Problem Assets Program shall include or address the following matters:

- (a) aggregate reporting of criticized asset levels by type to the Board on a quarterly basis; and
- (b) specific plans for the reduction of criticized assets by asset type with target reductions by month.

(3) The Board's compliance with Paragraph (2) of this Article shall include the development of procedures for the quarterly review and preparation of written determinations by the Board or a designated committee thereof regarding the effectiveness of the responsible officer's efforts to eliminate the weaknesses in each criticized credit relationship totaling two hundred and fifty thousand dollars (\$250,000) or more, and that require the preparation of Problem Asset Reports ("PARs" or "PAR") that contain, at a minimum, analysis and documentation of the following:

- (a) an identification of the root cause(s) of credit weaknesses;
- (b) an identification of the expected sources of repayment and an analysis of their adequacy;
- (c) an identification of prior charge-offs;
- (d) an identification of rehabilitation of the borrower or plan to exit the loan;
- (e) the current appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable as well as other necessary documentation to support the collateral valuation;
- (f) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (g) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;
- (h) trigger dates for positive borrower actions or for loan officers to reassess the strategy, enact collection plans, and make appropriate downgrades or place on nonaccrual;

(i) a determination of whether the loan is impaired and the amount of the impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program required by this Article.

(5) A copy of each PAR prepared during the month of each quarter end (e.g., March, June, September, and December), along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit, shall be submitted to the Assistant Deputy Comptroller within fifteen (15) days of each calendar quarter end.

(6) Effective as of the date of this Agreement, the Bank may not 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 of credit equal or exceed two hundred fifty thousand dollars (\$250,000), unless each of the following conditions is met:

(a) the Board or a designated committee thereof 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 Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and

- (b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of credit.

Article IX

Other Real Estate Owned

(1) Effective immediately, the Board shall take the necessary steps to ensure the Bank manages its Other Real Estate Owned ("OREO") in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34, to include in the OREO policy, at a minimum:

- (a) proper accounting and regulatory procedures for OREO properties from transfer to the Bank and until and upon sale to a third party;
- (b) proper identification of targeted time frames for disposing each parcel of OREO that ensure compliance with the holding period limitation; and
- (c) establishment of procedures to require periodic market valuations of each property, and the methodology to be used.

Article X

External Loan Review

(1) Within forty-five (45) days of this Agreement, the Board shall employ a qualified consultant to perform periodic (at least semi-annually) asset quality reviews of the Bank's loan portfolio. The scope of the external loan review shall include fifty percent (50%) by dollar volume of the commercial, agricultural, and commercial real estate portfolios on an annual basis, and 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 comments and conclusions regarding:

- (a) the loan review scope and coverage;
- (b) overall quality of the loan and lease portfolios;
- (c) the identification, type, rating, and amount of problem loans and leases;
- (d) the identification and amount of delinquent and nonaccrual loans;
- (e) the identification/status of credit related violations of law or regulation;
- (f) loans not in conformance with the Bank's lending policies;
- (g) credit underwriting and documentation exceptions;
- (h) credit analysis and documentation of such;
- (i) accuracy of internal risk ratings;
- (j) overall credit administration practices; and
- (k) completeness and effectiveness of problem loan workout plans.

(2) Prior to the appointment or employment of any individual as loan review consultant or entering into any contract with any consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the loan review consultant or the scope of the review, the Board shall immediately engage the loan review consultant pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee thereof shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action is taken upon the findings noted in the reports.

(4) Within five (5) days of the Board or designated committee's review pursuant to Paragraph (3) of this Article, the Board shall forward a copy of the independent loan review report to the Assistant Deputy Comptroller.

(5) The Bank shall not terminate the consultant's asset quality review services without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article XI

Allowance for Loan and Lease Losses

(1) Within thirty (30) days of this Agreement, the Board shall take the necessary steps to ensure the Bank maintains an appropriate Allowance for Loan and Lease Losses ("Allowance") in accordance with GAAP. The Allowance 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), and July 20, 2001 (OCC Bulletin 2001-37), and shall at a minimum include:

- (a) procedures for assessing loans for impairment;
- (b) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, as it applies to each pool, with a focus on the following:
 - (i) trends in the Bank's internal risk ratings, delinquent loans and nonaccrual loans;
 - (ii) the Bank's historical risk rating accuracy;
 - (iii) results of the Bank's external loan review;

- (iv) concentrations of credit in the Bank, and present and prospective economic conditions;
- (v) the sufficiency of current financial and operating information; and
- (vi) applicable experience, performance and sufficiency of the Bank's lending staff.

(2) The program shall provide for 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 Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) The Board shall take the necessary steps to ensure that an independent review and test of the Allowance sufficiency is performed prior to the filing of each Call Report.

Article XII

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/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 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/

W. Keith Osborne
Assistant Deputy Comptroller
Wichita Field Office

April 27, 2015

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>/s/</i> _____ David A. Dubbert	April 27, 2015 _____ Date
<i>/s/</i> _____ Brian Eilert	April 27, 2015 _____ Date
<i>/s/</i> _____ Brenda Krone	April 27, 2015 _____ Date
<i>/s/</i> _____ Robert L. Lampert	April 27, 2015 _____ Date
<i>/s/</i> _____ Aaron Lampert	April 27, 2015 _____ Date
<i>/s/</i> _____ Stephanie Chancellor	April 27, 2015 _____ Date