

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 10th day of February 1992 ("Effective Date"), by and between Citizens Savings Bank, FSB (OTS No. 01570), Normal, Illinois ("Institution") for itself, and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. §§ 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution and has engaged in unsafe or unsound practices in conducting the business of Institution, thereby providing grounds for the initiation of cease and desist proceedings against Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against Institution for its failure to comply with statutes, regulations, and unsafe and/or unsound practices set forth in the Institution's Report of Examination, dated September 3, 1991 ("Report"), and Compliance Report of Examination, dated September 9, 1991 ("Compliance Report"), for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution, by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings;

NOW THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against Institution, it is agreed between the parties hereto as follows:

Compliance with Regulations

1. The Institution and its controlled subsidiary shall correct existing violations cited in this section and the Report and the Compliance Report, and shall not knowingly initiate any action which would result in a violation of, or the aiding and abetting of any violation of:

12 C.F.R. §§ 226.18(b), (d), (e), (g) & (h);
226.19(a)(1); 226.10(b); 226.23(b); and 226.20(b),
pertaining to first lien mortgage disclosures.

12 C.F.R. §§ 226.5a(b)(1) through (6); and
226.9(e)(1)(i) & (ii), pertaining to credit cards.

12 C.F.R. §§ 226.7(f); and 226.14(a), (b) & (c)(1),
pertaining to home equity lines of credit.

12 C.F.R. §§ 226.17(a)(1); and 226.23(b), pertaining
to home equity loans.

12 C.F.R. § 226.17(a)(1), pertaining to construction
lending.

12 C.F.R. §§ 545.33(e); 563.99(b)(2)(viii);
563.99(c)(1), (2), (4) & (5); and 563.99(d)(1), (2),
(3) & (4), pertaining to mortgage loan disclosures and
notices - OTS Regulations.

31 C.F.R. §§ 103.22(f); 103.27(d); and 103.28,
pertaining to the Bank Secrecy Act.

12 C.F.R. §§ 528.2a(b); 528.4; 528.6(a)(1) & (2);
528.6(d)(3)(i), (iii)(A), (iii)(B) & (iii)(C); and
528.7(f), pertaining to nondiscrimination in lending.

12 C.F.R. § 229.16(c)(2)(i)(D), pertaining to
Regulation CC - Expedited Funds Availability Act.

12 C.F.R. §§ 328.1(b); and 328.2(a), pertaining to
Advertising Regulations.

12 C.F.R. §§ 545.15(a); and 561.28(a)(1), pertaining
account withdrawal requests.

12 C.F.R. § 203.4(a)(4), pertaining to Regulation C -
Home Mortgage Disclosure Act.

12 C.F.R. §§ 563.180(d)(2); 568.4(b)(4); and 568.4(b)(5), (6), (8) & (9), pertaining to the Bank Protection Act.

12 C.F.R. §§ 563e.3(a); 563e.4(b)(2); and 563e.6, pertaining to the Community Reinvestment Act ("CRA").

12 C.F.R. § 563.161(a), pertaining to safe and sound management.

Compliance Officer

2. Within thirty (30) calendar days from the Effective Date of this Agreement, the Board shall submit to the OTS Manager for approval a detailed written job description for the position of Compliance and Community Reinvestment Act Officer ("Compliance Officer"). The job description shall assign this position with the appropriate level of responsibility and authority to monitor the Institution's compliance with nondiscrimination, consumer protection and other public interest laws and regulations, including the CRA. The Compliance Officer shall report directly to the Board.

Internal Compliance Program

3. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall submit to the OTS Manager for review and approval, a written internal compliance program ("Program") developed by the Compliance Officer to measure and monitor the Institution's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA. The Program shall address, at a minimum:
 - (a) the preparation of a policies and procedures manual covering nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA, for use by the Institution's personnel;
 - (b) provisions for the adequate training of new personnel, and the periodic retraining of existing personnel as to their duties and responsibilities under nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA;

- (c) ongoing procedures, including periodic compliance audits, to monitor the effectiveness of the Institution's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA;
 - (d) procedures to ensure that exceptions noted in the compliance audits are corrected and responded to by the appropriate Institution personnel;
 - (e) mechanisms for effective Board oversight; and
 - (f) guidelines for updating the compliance policies and procedures manual.
4. Upon receipt of written approval from the OTS Manager, the Board shall adopt and the Institution shall adhere to the Program in all respects. No modifications to the Program shall be made without the prior written approval of the OTS Manager.

Community Reinvestment Act

5. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall submit to the OTS for review a formal assessment of the reasonableness and adequacy of the Institution's current community delineation under the CRA. In preparing this written assessment, the Board shall take into account the Institution's financial resources, lending patterns, future lending plans, charitable contributions, and deposit patterns.
6. If the Board does not propose any material amendments to the Institution's current community delineation, the Board shall submit to the OTS Manager for approval, along with the assessment required under Article 5, a written explanation supporting the reasonableness of the Institution's current community delineation.
7. If the Board proposes to amend the Institution's current community delineation, the Board shall submit such proposed amendments to the OTS Manager for approval, along with the assessment required under Article 5. The Board shall not adopt the proposed amendments to the Institution's community delineation prior to receiving OTS approval.
8. The Board shall review the Institution's community delineation at least annually and institute the changes necessary to ensure the Institution's continued compliance with the CRA. A copy of the Institution's community delineation shall be retained at the Institution for review by OTS examiners.

Regulation Z - Truth In Lending Act

9. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall adopt a written policy governing the requirements of 12 C.F.R. Part 226 ("Regulation Z"). This policy shall address, at a minimum:
 - (a) the assignment of compliance responsibilities to specific officers and/or other staff;
 - (b) provisions for the training of Institution personnel as to the requirements of Regulation Z, e.g. disclosures and interest rate computations;
 - (c) procedures to ensure that index values for adjustable rate mortgage loans are selected on a consistent basis within the forty-five (45) day time period utilized for this purpose; and
 - (d) procedures to monitor the Institution's compliance with Regulation Z.
10. Upon adoption by the Board of the policy required in Article 9, the Institution shall adhere to it in all respects.
11. Within thirty (30) calendar days from the Effective Date of this Agreement, the Institution shall submit to the OTS Manager for review and approval a report detailing all home equity line of credit loans originated since 1983 to determine the number of borrowers affected by inaccurate APR disclosures and the amount of required restitution. The report shall contain the results of a file search of all such loans and shall list those which contain reimbursable Regulation Z violations. The list shall indicate the borrower's name, loan number, calculation, and amount of restitution and cause of the restitution. The report shall include information concerning the manner in which the Institution will effect the restitutions.
12. Within thirty (30) calendar days from the OTS Manager's approval of the report required in Article 11, the Board shall ensure that it has been implemented in all respects.

Mortgage Loan Disclosures and Notices

13. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall adopt a written policy governing the mortgage loan disclosure and notice requirements of 12 C.F.R. § 563.99. The policy shall address, at a minimum:
 - (a) the requirements of the regulation;
 - (b) provisions for the training of Institution personnel as to the mortgage loan disclosure and notification requirements necessary to effect compliance; and
 - (c) procedures to monitor the effectiveness of the Institution's compliance with these requirements.
14. Upon adoption by the Board of the policy required in Article 13, the Institution shall adhere to it in all respects.
15. Within thirty (30) calendar days from the Effective Date of this Agreement, the Board shall submit to the OTS Manager a written legal opinion on contractual liability as it relates to the recognition of interest rate floors on adjustable rate mortgage notes that do not contain provisions for said interest rate floors.
16. Within sixty (60) calendar days from the Effective Date of this Agreement, the Institution shall submit to the OTS Manager for review and approval a report detailing the results of a file search of all adjustable-rate loans originated since 1983 in which interest rates were adjusted utilizing methods other than those set forth in the respective legal documents. The report shall determine the number of borrowers affected by inaccurate interest rate adjustments and the amount of required reimbursement. The report shall contain information concerning the manner in which the Institution will effect reimbursement.
17. Within thirty (30) calendar days from the OTS Manager's approval of the report required in Article 16, the Board shall ensure that it has been implemented in all respects.

Bank Secrecy Act

18. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall adopt a written program to establish a system of internal controls and audit procedures designed to ensure compliance with the Financial

Recordkeeping and Currency and Foreign Transactions Reporting Act (31 U.S.C. § 5311 et seq.) and the regulations promulgated thereunder at 31 C.F.R. Part 103 (collectively referred to as the "Bank Secrecy Act"). At a minimum, this written program shall address:

- (a) operating procedures for the monitoring of currency accounts;
 - (b) procedures governing the correct processing and accurate reporting of large currency transactions;
 - (c) procedures for determining customers whose transactions with the Institution are exempt from the reporting requirements of the Bank Secrecy Act and the maintenance of a list of exempt customers;
 - (d) a comprehensive training program for all tellers and appropriate supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act;
 - (e) regular, periodic reviews by the Institution's Compliance Officer to ensure adherence to the requirements of the Bank Secrecy Act; and
 - (f) prompt management response and follow-up to all audit exceptions or other recommendations of the Institution's auditor or Compliance Officer.
19. Upon adoption by the Board of the program required under Article 18, the Institution shall adhere to it in all respects.

Nondiscrimination in Lending

20. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall adopt a written policy to govern the requirements of 12 C.F.R. Part 528 pertaining to nondiscrimination in lending. The policy shall address, at a minimum:
- (a) the assignment of compliance responsibilities to specific officers and/or other staff;
 - (b) the requirement for an annual self-assessment and maintenance of documentation evidencing the review;
 - (c) procedures to ensure the required information is contained in the Institution's advertisements;

(d) procedures for obtaining the required monitoring information;

(e) procedures for the accurate completion of the loan application register.

21. Upon adoption by the Board of the policy required in Article 20, the Institution shall adhere to it in all respects.

Bank Protection Act

22. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall revise the Institution's security program. The revised program shall contain procedures to comply with the provisions of the Bank Protection Act, 12 U.S.C. § 1881 et seq., and the OTS regulations at 12 C.F.R. § 568.

23. Upon adoption by the Board of the revised program required by Article 22, the Institution shall adhere to it in all respects.

Mortgage Banking

24. Within forty-five (45) calendar days from the Effective Date of this Agreement, the Board shall adopt a comprehensive Mortgage Banking Policy designed to provide guidance for management, strengthen the Institution's mortgage banking activity, and assist in reducing the Institution's risk exposure in this area. The Mortgage Banking Policy shall include, at a minimum:

- (a) the establishment of a separate mortgage banking ledger for all mortgage banking operations, including servicing;
- (b) the identification of all loans held for sale which shall be maintained in the mortgage banking ledger;
- (c) steps to identify and manage the interest rate risk inherent in the Institution's mortgage banking activities, including effects of a +100 and +200 basis point change in interest rates on loans in the pipeline and loans held for sale;
- (d) procedures regarding any contemplated hedging activities that will mitigate interest rate risk inherent in the mortgage banking activities;

- (e) limitations on the amount of commitments;
 - (f) limitations on the amount of loans held for sale in inventory;
 - (g) the establishment of a stop-loss limit of \$300,000 on all loan commitments in the pipeline and unsold loans in inventory that are not protected with forward commitments; and
 - (h) a determination of the profitability of the Institution's mortgage servicing operations on loans sold.
25. Within fifteen (15) calendar days of the Board's adoption of the Mortgage Banking Policy required in Article 24, the Board shall submit it to the OTS Manager for review and approval prior to implementation.
26. Upon receipt of written approval from the OTS Manager, the Board shall implement and the Institution shall adhere to the Mortgage Banking Policy required in Article 24 in all respects. No modifications to the Mortgage Banking Policy shall be made without the prior written approval of the OTS Manager.
27. Management shall provide to the Board, on at least a monthly basis beginning with the month following the OTS Manager's approval of the policy required in Article 24, a summary report of the Institution's mortgage banking activities which shall apprise the Board of the following:
- (a) the current amount of outstanding loan commitments and loans in the inventory;
 - (b) the current unrealized loss on loan commitments and loans in the inventory;
 - (c) the effects of a +100 and +200 basis point change in interest rates on loans in the pipeline and loans held for sale;
 - (d) outstanding hedging positions or forward commitments; and
 - (e) operating result of the mortgage banking activities, including servicing.
28. A copy of the monthly report to the Board required in Article 27 shall be forwarded to the OTS Manager within ten (10) calendar days following the Board review of the report. The report submitted to the OTS Manager shall include any actions taken by the Board in response to management's report.

Mortgage-Backed Security Activity

29. Within forty-five (45) calendar days from the Effective Date of this Agreement, the Board shall amend its Investment Policy to include policies and procedures for mortgage-backed security trading activity to provide guidance for management in this activity. The amendments to the Investment Policy shall include, at a minimum:
 - (a) a limit on the portfolio of mortgage-backed securities held for sale to five (5) percent of total assets;
 - (b) the establishment of a stop-loss limit of \$250,000 on the portfolio of mortgage-backed securities held for sale; and
 - (c) the requirement of monthly reporting to the Board addressing the size and loss in the portfolio of mortgage-backed securities held for sale, as well as the potential impact on capital resulting from the interest rate risk inherent in the portfolio.
30. Within fifteen (15) calendar days of the Board's adoption of the amended Investment Policy required in Article 29, the Board shall submit it to the OTS Manager for review and approval prior to implementation.
31. Upon receipt of written approval from the OTS Manager, the Board shall implement and the Institution shall adhere to the amended Investment Policy required in Article 29 in all respects. No modifications to the amended Investment Policy shall be made without the prior written approval of the OTS Manager.
32. A copy of the monthly report to the Board, as required in Article 29(c), shall be forwarded to the OTS Manager within ten (10) calendar days following the Board review of the report. The report submitted to the OTS Manager shall include any actions taken by the Board in response to management's report.

Closings

33. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the OTS Manager, the Board has the ultimate responsibility for proper and sound management of Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action inconsistent with his or her fiduciary duties.
34. It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.
35. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement, unless otherwise provided for. Such time limitations may be extended by the OTS Manager for good cause upon written application by the Board
36. All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meaning as defined in the rules and regulations adopted by the OTS (including without limitation, Chapter V of Title 12 Code of Federal Regulations). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have such meaning that accord with the best custom and usage in the thrift industry.
37. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.
38. It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by Institution.
39. Any report or other document required by this Agreement to be submitted to the OTS Manager shall be filed with the Office of Thrift Supervision, 111 East Wacker Dr., Suite 800, Chicago, Illinois 60601, Attn: Katrinka Markowitz. All reports and other documents shall be deemed filed when received by the OTS.

40. In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
41. The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.
42. This Agreement shall remain in effect until terminated, amended, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS acting through its Deputy Regional Director, and the Institution, by its board of directors, have executed this Agreement on the date first above written.

OFFICE OF THRIFT SUPERVISION

By:

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✓ Chester A. Biedron
Deputy Regional Director
Central Region

CITIZENS SAVINGS BANK, FSB
Normal, Illinois

By:

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Director C. William Landefeld

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Director George L. Evans

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Director Edgar E. Lundeen, Jr.

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Director Bryce A. Sides

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Director Lowell M. Thompson

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Director Donald L. Wainscott