

UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

STATE OF INDIANA
DEPARTMENT OF FINANCIAL INSTITUTIONS
INDIANAPOLIS, INDIANA

Written Agreement by and among

SALIN BANK AND TRUST COMPANY
Indianapolis, Indiana

FEDERAL RESERVE BANK OF CHICAGO
Chicago, Illinois

and

STATE OF INDIANA
DEPARTMENT OF FINANCIAL
INSTITUTIONS
Indianapolis, Indiana

Docket No. 07-029-WA/RB-SM

WHEREAS, Salin Bank and Trust Company, Indianapolis, Indiana (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, is taking steps to address deficiencies relating to the Bank’s compliance with applicable laws, rules, and regulations relating to anti-money laundering (“AML”), including the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311 et seq.); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Part 103); the AML requirements of Regulation H of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. §§ 208.62 and 208.63); and the BSA and AML provisions of Ind. Code § 28-1-2-6.5;

WHEREAS, it is the common goal of the Board of Governors, the Federal Reserve Bank of Chicago (the “Reserve Bank”), the Indiana Department of Financial Institutions (the “DFI”), and the Bank to ensure that the Bank fully addresses all deficiencies in the Bank’s AML policies and procedures, customer due diligence practices, risk management processes, internal audit program, and internal control environment; and

WHEREAS, on January 9, 2008 the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing William N. Salin II to enter into this Agreement on behalf of the Bank, and consenting to compliance by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the “FDI Act”)(12 U.S.C. § 1813(u)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank, the Reserve Bank, and the DFI agree as follows:

Board Oversight

1. Within 60 days of this Agreement, the board of directors shall submit to the Reserve Bank and the DFI a written plan to strengthen and maintain effective board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank’s BSA/AML compliance and audit programs, and maintain effective control over and supervision of the Bank’s senior management;

(b) the responsibility of the board of directors to monitor management’s adherence to approved policies and procedures, and applicable laws and regulations; and

(c) a description of the detailed information to be included in the periodic reports to be reviewed by the board of directors in its oversight of the operations and management of the Bank, including information sufficient to assess management's compliance with written plans, policies, procedures, and programs.

Anti-Money Laundering Compliance

BSA/AML Compliance Program Requirements

2. Within 60 days of this Agreement, Bank shall submit to the Reserve Bank and the DFI an acceptable enhanced written BSA/AML compliance program that is reasonably designed to ensure compliance with all applicable BSA/AML requirements. The program shall include provisions for updates on an on-going basis as necessary to incorporate amendments to the BSA and BSA rules and regulations. The program, at minimum, shall provide for:

(a) An adequate system of internal controls to ensure compliance with all recordkeeping and reporting requirements, including, but not limited to, currency transaction reporting and currency transaction reporting exemption procedures (31 C.F.R. §103.22);

(b) management of the Bank's BSA/AML compliance program by a qualified compliance officer who is supported by adequate staffing levels and resources, and is responsible for implementing and maintaining an effective BSA/AML compliance program that is commensurate with the Bank's size and risk profile;

(c) training of appropriate personnel that includes all relevant aspects of BSA/AML regulatory requirements, and internal policies and procedures; the training must be updated and presented to personnel on a regular basis to reasonably ensure that appropriate personnel are trained in the most current legal requirements and the Bank's BSA/AML compliance processes, policies and procedures; and

(d) enhancements to the Bank's customer identification program to ensure compliance with the requirements of 31 C.F.R. § 103.120 and 12 C.F.R. § 208.63(b)(2).

Suspicious Activity Reporting and Customer Due Diligence

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written customer due diligence program reasonably designed to ensure the identification and timely, accurate, and complete reporting of all known or suspected violations of law against or involving the Bank, and suspicious transactions at the Bank, to law enforcement and supervisory authorities as required by applicable suspicious activity reporting laws and regulations. At a minimum, the program shall include:

- (a) A methodology for assigning risk levels to the Bank's customer base;
 - (b) a risk-focused assessment of the Bank's customer base that:
 - (i) identifies the categories of customers whose transactions and banking activities are routine and usual;
 - (ii) determines the appropriate level of enhanced due diligence necessary for those categories of customers that pose a heightened risk of conducting potentially illicit activities at or through the Bank; and
 - (iii) provides for the periodic reassessment and update of customer assessment risk-ratings;
 - (c) for each customer who requires enhanced due diligence, procedures to:
 - (i) determine the appropriate documentation necessary to verify the identity and business activities of the customer;
 - (ii) understand the normal and expected transactions of the customer;
- and

- (iii) periodically review the adequacy of the customer files documentation; and
- (d) establishment of procedures designed to ensure proper identification and timely reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:
 - (i) effective monitoring of customer accounts and transactions;
 - (ii) appropriate participation by senior management in the process of identifying, reviewing, and reporting potentially suspicious activity;
 - (iii) adequate referral and escalation of information about potentially suspicious activity through appropriate levels of management;
 - (iv) adequate procedures to ensure the timely and complete preparation and filing of Suspicious Activity Reports and Currency Transaction Reports; and
 - (v) maintenance of sufficient documentation with respect to the review and analysis of suspicious activity, including the resolution and escalation of concerns.

Transaction Review

4. (a) Within 30 days of this Agreement, the Bank shall engage a qualified independent firm (the “Independent Firm”) acceptable to the Reserve Bank and the DFI to conduct a review of the Bank’s account and transaction activity during the time period between March 1, 2007 and September 1, 2007 to determine whether suspicious activity involving accounts or transactions at, by, or through the Bank was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the “Transaction Review”) and to prepare a written report detailing the Independent Firm’s findings (the “Independent Firm’s Report”).

(b) Based on the Reserve Bank's and the DFI's evaluation of the Transaction Review, the Reserve Bank and the DFI may, in their discretion, direct the Bank to extend the Transaction Review to include time periods subsequent to September 1, 2006, with the scope and methodology for such an extension to be determined in the same manner as described in paragraph 5 of this Agreement.

5. Within 10 days of the engagement of the Independent Firm, but prior to the commencement of the Transaction Review, the Bank shall submit to the Reserve Bank and the Division for approval an engagement letter that sets forth:

(a) The scope of the Transaction Review, including the types of accounts and transactions to be reviewed;

(b) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;

(c) the expertise and resources to be dedicated to the Transaction Review;

(d) the anticipated date of completion of the Transaction Review and the Independent Firm's Report; and

(e) a commitment that supporting material associated with the Transaction Review will be made available to the Reserve Bank and the DFI upon request.

6. Upon completion of the Transaction Review, the Bank shall provide to the Reserve Bank and the DFI a copy of the Independent Firm's Report at the same time that the report is provided to the Bank.

7. Throughout the Transaction Review, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

Audit

8. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written enhanced internal audit program that shall, at a minimum, provide for:

(a) Establishment and maintenance of an audit schedule that is consistent with the Bank's risk assessment;

(b) adequate staffing of the audit function by qualified staff to ensure that internal audits are completed as scheduled; and

(c) timely management responses to audit findings and follow-up reviews to ensure completion of the corrective measures.

Books and Records

9. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI acceptable written policies and procedures to maintain the accuracy of the Bank's books and records, including reconcilements of general and subsidiary ledger accounts, and timely resolution of open items.

Approval, Implementation, and Progress Reports

10. (a) The Bank shall submit written programs, policies, procedures, and an engagement letter that are acceptable to the Reserve Bank and the DFI within the applicable time periods set forth in paragraphs 2, 3, 5, 8, and 9 of this Agreement. An Independent Firm acceptable to the Reserve Bank and the DFI shall be retained by the Bank within the time period set forth in paragraph 4(a) of this Agreement

(b) Within 10 days of approval by the Reserve Bank and the DFI, the Bank shall adopt the approved programs, policies, procedures, and engagement letter. Upon adoption,

the Bank shall implement the approved programs, policies, and procedures, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved programs, policies, procedures, and engagement letter shall not be amended or rescinded without the prior written approval of the Reserve Bank and the DFI.

11. (a) Within 10 days of this Agreement, the board of directors shall appoint a compliance committee (the “Compliance Committee”) to monitor and coordinate the Bank’s compliance with the provisions of this Agreement. The Compliance Committee shall be comprised of at least two outside directors. At a minimum, the Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to the boards of directors monthly. Copies of the Compliance Committee’s minutes shall be provided quarterly to the Reserve Bank and the DFI as part of the progress reports required by paragraph 11(b) of this Agreement.

(b) Within 15 days after the end of each calendar quarter following the date of this Agreement, the Bank shall submit to the Reserve Bank and the DFI written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof. The Reserve Bank and the DFI may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Communications

12. All communications regarding this Agreement shall be sent to:

(a) Mr. Charles F. Luse
Assistant Vice President
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, Illinois 60690

(b) Mr. Randall L. Rowe
Bank and Trust Division Supervisor
Indiana Department of Financial Institutions
30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204

(c) Mr. William N. Salin II
President and Chief Executive Officer
Salin Bank and Trust Company
8455 Keystone Crossing Drive
Suite 100
Indianapolis, Indiana 46240-4303

Miscellaneous

13. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the DFI may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

14. The provisions of this Agreement shall be binding upon the Bank and each of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

15. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank and the DFI.

16. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the DFI or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

17. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 23rd day of January, 2008.

Salin Bank and Trust Company

Federal Reserve Bank of Chicago

By: /s/ William N. Salin II
Mr. William N. Salin II
President and Chief Executive Officer

By: /s/ Mark H. Kawa
Mr. Mark H. Kawa
Vice President

Indiana Department of Financial Institutions

By: /s/ Judith G. Ripley
Ms. Judith G. Ripley
Director