

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

Written Agreement by and between

PARKWAY BANCORP, INC.  
Harwood Heights, Illinois

and

FEDERAL RESERVE BANK OF  
CHICAGO  
Chicago, Illinois

Docket No. 11-118-WA/RB-HC

WHEREAS, Parkway Bancorp, Inc., Harwood Heights, Illinois (“Parkway”), a registered bank holding company, owns and controls Parkway Bank and Trust Company, Harwood Heights, Illinois (the “Bank”), a state-chartered nonmember bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of Parkway and the Federal Reserve Bank of Chicago (the “Reserve Bank”) to maintain the financial soundness of Parkway so that Parkway may serve as a source of strength to the Bank;

WHEREAS, Parkway and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on October 20, 2011, the board of directors of Parkway, at a duly constituted meeting, adopted a resolution authorizing and directing Rocco Suspenzi

to enter into this Agreement on behalf of Parkway, and consenting to compliance with each and every provision of this Agreement by Parkway and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

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

**Source of Strength**

1. The board of directors of Parkway shall take appropriate steps to fully utilize Parkway’s financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 18300-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Federal Deposit Insurance Corporation and the Illinois Department of Financial and Professional Regulation, Division of Banking dated April 4, 2011, and any other supervisory action taken by the Bank’s federal or state regulator.

**Dividends and Distributions**

2. (a) Parkway shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors.

(b) Parkway shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Parkway and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Parkway's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Parkway must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Debt and Stock Redemption**

3. (a) Parkway and its nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Parkway shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Capital Plan**

4. Within 60 days of this Agreement, Parkway shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at Parkway on a consolidated basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Bank issued by the Bank's federal regulator;

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, risk profile, the adequacy of the allowance for loan and lease losses, current and projected asset growth, and projected earnings;

(c) the source and timing of additional funds necessary to fulfill the consolidated organization's and the Bank's future capital requirements on a timely basis;

(d) supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by its federal or state regulator; and

(e) the requirements of section 38A of the FDI act and section 225.4(a) of Regulation Y of the Board of Governors that Parkway serve as a source of strength to the Bank.

5. Parkway shall notify the Reserve Bank, in writing, no more than 45 days after the end of any quarter in which Parkway's capital ratios fall below the approved plan's minimum ratios. Together with the notification, Parkway shall submit an acceptable written plan that details the steps that Parkway will take to increase Parkway's capital ratios to or above the approved plan's minimums.

### **Cash Flow Projections**

6. Within 60 days of this Agreement, Parkway shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2012. Parkway shall submit to the Reserve

Bank a Cash Flow Projection for each calendar year subsequent to 2012 at least one month prior to the beginning of that calendar year.

### **Compliance with Laws and Regulations**

7. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Parkway shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Parkway shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

### **Progress Reports**

8. Within 45 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank 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, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

### **Approval and Implementation of Plan**

9. (a) Parkway shall submit written capital plans that are acceptable to the Reserve Bank within the applicable time period set forth in paragraphs 4 and 5 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, Parkway shall adopt the approved capital plans. Upon adoption, Parkway shall promptly implement the approved plans, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved capital plan shall not be amended or rescinded without the prior written approval of the Reserve Bank.

### **Communications**

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

(a) Mr. David A. Ward  
Assistant Vice President  
Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, Illinois 60604

(b) Mr. Rocco Suspenzi  
President and CEO  
Parkway Bancorp, Inc.  
4800 N. Harlem Avenue  
Harwood Heights, Illinois 60706

### **Miscellaneous**

11. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to Parkway to comply with any provision of this Agreement.

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

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

14. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any

other action affecting Parkway, the Bank, any nonbank subsidiary of Parkway, or any of their current or former institution-affiliated parties and their successors and assigns.

15. 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 21<sup>st</sup> day of October, 2011.

PARKWAY BANCORP, INC.

FEDERAL RESERVE BANK  
OF CHICAGO

By: /s/ Rocco Suspenzi  
Rocco Suspenzi  
President and CEO

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