

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

Written Agreement by and between

FBOP CORPORATION  
Oak Park, Illinois

and

FEDERAL RESERVE BANK  
OF CHICAGO  
Chicago, Illinois

Docket No. 09-110-WA/RB-HC

WHEREAS, FBOP Corporation, Oak Park, Illinois (“FBOP”), a registered multi-bank holding company, owns and controls: Park National Bank, Chicago, Illinois; California National Bank, Los Angeles, California; San Diego National Bank, San Diego, California; Pacific National Bank, San Francisco, California; North Houston Bank, Houston, Texas; Madisonville State Bank, Madisonville, Texas; Bank USA National Association, Phoenix, Arizona; Citizens National Bank, Teague, Texas; and Community Bank of Lemont, Lemont, Illinois, (each a “Bank”, collectively, the “Banks”); and various nonbank subsidiaries (collectively, the “Consolidated Organization”);

WHEREAS, in recognition of their common goal to maintain the financial soundness of FBOP and the Consolidated Organization, FBOP and the Federal Reserve Bank of Chicago (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on August 28, 2009, the board of directors of FBOP, at a duly constituted meeting, adopted a resolution authorizing and directing Michael Kelly to enter into this Agreement on behalf of FBOP, and consenting to compliance with each and every provision of this Agreement by FBOP 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, FBOP and the Reserve Bank agree as follows:

### **Risk Management**

1. Within 90 days of this Agreement, the board of directors of FBOP shall submit to the Reserve Bank an acceptable written risk management plan that addresses the findings and recommendations of the inspection of FBOP that was commenced on March 23, 2009. The plan shall describe the specific actions that the board of directors proposes to take to enhance FBOP’s overall risk management practices for the Consolidated Organization. The plan shall, at a minimum, address, consider, and include:

(a) The establishment of a risk management program that adequately identifies, measures, monitors, and controls the risks of the Consolidated Organization, including the identification and implementation of mitigation strategies;

(b) procedures for the periodic review and revision of risk exposure limits and adjustment of the Consolidated Organization’s activities in response to changes in market conditions;

(c) controls to ensure that risk management policies and procedures are promptly modified in response to significant changes in business activities or business conditions;

(d) procedures to report accurate, timely, and appropriate information to management, the board of directors, and its committees to ensure that all material risk exposures are managed effectively and deficiencies are corrected in a timely manner; and

(e) the responsibility of the board of directors to monitor and enforce adherence to approved risk limits.

### **Concentrations of Risk**

2. (a) Within 30 days of this Agreement, FBOP shall submit to the Reserve Bank an acceptable written plan to reduce FBOP's concentrations of commercial real estate loans ("CRE").

(b) Within 60 days of this Agreement, FBOP shall submit to the Reserve Bank an acceptable written policy to manage FBOP's concentrations of risk. The policy, as it pertains to CRE, should be consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1). In addition, the policy should establish concentration limits for loans, by loan type.

### **Capital Plan**

3. Within 30 days of this Agreement, FBOP shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at FBOP, on a consolidated basis, and at each Bank, as a separate legal entity on a stand-alone basis. The plan shall, at a minimum, address, consider, and include:

(a) The Consolidated Organization's and the Banks' 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 of the Federal Reserve System (the "Board of Governors") (12 C.F.R. Part 225, App. A and D) ("Regulation Y") and the applicable capital adequacy guidelines for each Bank issued by the Bank's federal or state regulator;

(b) the adequacy of each Bank's capital, taking into account the volume of classified credits, concentrations of credit, allowance for loan and lease losses ("ALLL"), current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds to fulfill the Consolidated Organization's and each Bank's future capital requirements;

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

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that FBOP serve as a source of strength to the Banks.

4. (a) FBOP shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which FBOP's consolidated capital ratios or any of the Banks' capital ratios (total risk-based, tier 1 risk-based, or leverage) fall below the plan's minimum ratios. Together with the notification, FBOP shall submit an acceptable written plan that details the steps FBOP will take to increase its and/or a Bank's capital ratios above the plan's minimums.

### **Allowance for Loan and Lease Losses**

5. Within 60 days of this Agreement, FBOP shall adopt a parent company ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17). Upon adoption, FBOP shall submit a description of the methodology to the Reserve Bank and thereafter, adhere to the methodology.

### **Audit**

6. Within 60 days of this Agreement, FBOP shall submit to the Reserve Bank an acceptable written enhanced internal audit program that shall, at a minimum, provide for periodic updates to the audit scope, work programs, and schedules to ensure that all auditable areas are appropriately risk weighted and reviewed.

### **Dividends and Distributions**

7. (a) FBOP 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 of the Federal Reserve System (the "Board of Governors").

(b) FBOP shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital, without the prior written approval of the Reserve Bank, from any of the Banks that, during the term of this Agreement, is subject to any restriction by the Bank's federal or state regulator that limits the payment of dividends or other intercorporate payments.

(c) FBOP 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 FBOP's capital, earnings, and cash flow; the Banks' capital, asset quality, earnings, and ALLL; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, FBOP 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**

8. (a) FBOP, and any nonbank subsidiary, 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) FBOP shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Cash Flow Projections**

9. Within 30 days of this Agreement, FBOP shall submit to the Reserve Bank a written statement of FBOP's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for the remainder 2009. On a monthly basis, FBOP shall submit to the Reserve Bank an updated Cash Flow Projection.

### **Affiliate Transactions**

10. Within 30 days of this Agreement, FBOP shall submit to the Reserve Bank acceptable written policy that includes procedures, limits, and reporting practices to ensure that the Banks comply with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Banks and FBOP or its nonbank subsidiaries.

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

11. (a) Within 30 days of this Agreement, FBOP shall submit an acceptable plan, including a timetable, to cease engaging, directly and indirectly, in all activities that are impermissible for a bank holding company that is not a financial holding company.

(b) 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, FBOP 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.*).

(c) FBOP 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).

## **Approval and Implementation of Plans, Program, and Policy**

12. (a) FBOP shall submit written plans, policies, and a program, that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 1, 2(a), 2(b), 3, 6, 10, and 11(a) of this Agreement.

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

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

## **Progress Reports**

13. Within 30 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.

## **Communications**

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

- (a) Ms. Paula S. Armstrong  
Assistant Vice President  
Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, IL 60604



- (b) Mr. Michael Kelly  
Chairman and Chief Executive Officer  
FBOP Corporation  
11 West Madison Street  
Oak Park, IL 60302

**Miscellaneous**

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

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

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

18. 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 FBOP, the Banks, any nonbank subsidiary of FBOP, or any of their current or former institution-affiliated parties and their successors and assigns.

19. 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 28th day of August, 2009.

FBOP CORPORATION

FEDERAL RESERVE BANK  
OF CHICAGO

By: /s/ Michael E. Kelly  
Michael E. Kelly  
Chairman and Chief Executive Officer

By: /s/ Douglas J. Kasl  
Douglas J. Kasl  
Vice President