

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

STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
MADISON, WISCONSIN

Written Agreement by and among

FIRST BANKING CENTER, INC.
Burlington, Wisconsin

FIRST BANKING CENTER
Burlington, Wisconsin

FEDERAL RESERVE BANK OF CHICAGO
Chicago, Illinois

and

STATE OF WISCONSIN DEPARTMENT OF
FINANCIAL INSTITUTIONS
Madison, Wisconsin

Docket Nos. 09-163-WA/RB-HC
09-163-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of First Banking Center, Inc., Burlington, Wisconsin (“FBC”), a registered bank holding company, and its subsidiary bank, First Banking Center, Burlington, Wisconsin (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, FBC, the Bank, the Federal Reserve Bank of Chicago (the “Reserve Bank”), and the State of Wisconsin Department of Financial Institutions (the “DFI”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on October 19, 2009, the boards of directors of FBC and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Brantly K. Chappell to enter into this Agreement on behalf of FBC and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by FBC, the Bank, and their 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, FBC, the Bank, the Reserve Bank, and the DFI agree as follows:

Board Oversight

1. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the DFI a written plan to strengthen 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 condition and maintain effective control over, and supervision of, the Bank's senior management and major operations and activities, including but not limited to, lending, credit risk management, credit administration, capital, earnings, and funds management;

(b) the responsibility of the board of directors to monitor management's adherence to approved Bank policies and procedures, and to require management to document exceptions thereto;

(c) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's adversely classified assets, credit administration, allowance for loan and lease losses ("ALLL"), capital, earnings, and liquidity;

(d) the establishment of appropriate written risk tolerance guidelines and risk limits, and controls to ensure adherence thereto; and

(e) the establishment of formal tracking and follow-up procedures to ensure corrective actions are taken to address audit and regulatory findings.

Credit Risk Management

2. Within 60 days of this agreement the board of directors of the Bank shall hire a chief credit risk officer (the “CCRO”) with the qualifications and experience needed to strengthen credit underwriting, loan review, and credit risk management.

3. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

(a) Policies and procedures that delineate the responsibilities and authority of the CCRO to manage the credit department and the credit risk management function;

(b) procedures to periodically review and revise individual and portfolio risk exposure limits to address changes in market conditions;

(c) strategies to minimize credit losses; and

(d) procedures and controls to identify, quantify, monitor, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1).

Loan Review Program

4. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written program for strengthening internal review and grading of the

Bank's loan portfolio by a qualified independent party or by staff that is independent of the Bank's lending function. The program shall, at a minimum, address, consider, and include:

- (a) The scope and frequency of loan review;
- (b) standards and criteria for assessing the credit quality of loans;
- (c) application of loan grading standards and criteria to the loan portfolio,

including procedures to re-evaluate loans in the event of material changes in the borrower's performance or value of the collateral; and

- (d) controls to ensure the consistent adherence to the loan grading standards and criteria and the revised review program.

Asset Improvement

5. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, "loss" in the report of examination of the Bank that commenced on May 4, 2009, by the Reserve Bank (the "Report of Examination") or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified "doubtful" or "substandard" in the Report of Examination or in any subsequent report of examination, without the prior approval of the Bank's board of directors.

The board of directors shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank's interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in

full compliance with the Bank's written loan policy, is adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 215.2(n)).

6. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$500,000, including other real estate owned ("OREO"), that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$500,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the DFI an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the DFI to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report.

Allowance for Loan and Lease Losses

7. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the DFI.

(b) Within 60 days of this Agreement, the Bank shall review and revise its 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), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank and the DFI. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation

of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the DFI, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

8. Within 60 days of this Agreement, FBC shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at FBC, on a consolidated basis, and FBC and the Bank shall jointly submit to the Reserve Bank and the DFI an acceptable written plan to maintain sufficient capital at the Bank, as a separate legal entity on a stand-alone basis. These plans shall, at a minimum, address, consider, and include:

(a) FBC's current and future capital needs, 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);

(b) the Bank's current and future capital needs, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(c) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings;

(d) the source and timing of additional funds to fulfill the consolidated organization's and the Bank's future capital requirements; 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 FBC serve as a source of strength to the Bank.

9. FBC and the Bank shall notify the Reserve Bank and the DFI, in writing, no more than 30 days after the end of any quarter in which any of FBC's consolidated capital ratios or the Bank's capital ratios (total risk-based, Tier 1 risk-based, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, FBC and the Bank shall submit an acceptable written plan that details the steps FBC or the Bank, as appropriate, will take to increase FBC's or the Bank's capital ratios to or above the approved capital plan's minimums.

Liquidity and Funds Management

10. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written plan designed to improve management of the Bank's liquidity position. The plan shall, at a minimum, address, consider, and include:

- (a) Measures to enhance the monitoring and reporting of the Bank's liquidity position;
- (b) measures to diversify funding sources;
- (c) establishment of meaningful benchmarks for the Bank's liquidity position and risk limits commensurate with the Bank's funding structure; and
- (d) development of a comprehensive cash flow model that will reveal discrete or cumulative cash flow mismatches or gaps (sources and uses of funds) over specific future short and long-term horizons.

11. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable revised written contingency funding plan that includes, at a minimum: (i) analysis of additional liquidity sources; and (ii) adverse scenario analyses to assess possible liquidity events that the Bank may encounter and identify responses to the potential impact of such events on the Bank's short-term, intermediate-term, and long-term liquidity profile.

Strategic Plan and Budget

12. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI a strategic plan to improve the Bank's earnings and overall condition and a budget for 2010 that, at a minimum, provides for or describes:
- (i) Goals and strategies for improving the Bank's earnings;
 - (ii) the responsibilities of the board of directors regarding the definition, approval, implementation, and monitoring of the strategic plan and budget;

- (iii) an identification of the major areas in, and means by which the board of directors and management shall seek to improve the Bank's earnings and operating performance; and
- (iv) a realistic and comprehensive budget for calendar year 2010, that includes the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) A strategic plan and budget for each calendar year subsequent to 2010 shall be submitted to the Reserve Bank and the DFI at least 30 days prior to the beginning of that calendar year.

Dividends and Distributions

13. (a) FBC and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors ("Director"), and, as to the Bank, also the DFI.

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

(c) FBC 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 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, as appropriate, on the parent's capital, earnings,

and cash flow; the Bank's capital, asset quality, earnings and loan loss reserve needs; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, FBC and the Bank, as appropriate, 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

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

Compliance with Laws and Regulations

15. (a) Within 30 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable plan to ensure compliance with section 501(b) of the Gramm-Leach-Bliley Act ("GLBA") (15 U.S.C. § 6801), Appendix D-2 to Regulation H of the Board of Governors (12 C.F.R. Part 208, App. D-2), and Appendix F to Regulation Y of the Board of Governors (12 U.S.C. Part 225, App. F). The plan shall, at a minimum, address, consider, and include:

(i) Preparation of a comprehensive formal report regarding the Bank's adherence to section 501(b) of GLBA that is submitted to the board or directors, or an appropriate committee of the board, at least annually; and

(ii) revisions to the Bank's incident response procedures to comply with the Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice effective March 29, 2005 (SR Letter 05-23 dated December 1, 2005).

(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, FBC and the Bank 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) FBC and the Bank 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).

Compliance with the Agreement

16. Within 30 days after the end of each calendar quarter following the date of this Agreement, FBC's and the Bank's boards of directors 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 this Agreement and the results thereof.

Approval and Implementation of Plans and Programs

17. (a) The Bank and, as applicable, FBC shall submit written plans and programs that are acceptable to the Reserve Bank and the DFI within the applicable time periods set forth in paragraphs 3, 4, 6(a), 6(b), 7(c), 8, 9, 10, and 11 of this Agreement.

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

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

Communications

18. 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. Michael J. Mach
Administrator
Division of Banking
Wisconsin Department of Financial Institutions
P.O. Box 7876
Madison, Wisconsin 53507-7876
- (c) Mr. Brantly K. Chappel
Chief Executive Officer
First Banking Center, Inc.
400 Milwaukee Avenue
Burlington, Wisconsin 53105

Miscellaneous

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

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

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

22. 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 FBC, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

23. 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 October, 2009.

FIRST BANKING CENTER, INC.

FEDERAL RESERVE BANK
OF CHICAGO

By: /s/ Brantly K. Chappell
Brantly K. Chappell
Chief Executive Officer

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

FIRST BANKING CENTER

STATE OF WISCONSIN DEPARTMENT
OF FINANCIAL INSTITUTIONS

By: /s/ Brantly K. Chappell
Brantly K. Chappell
Chief Executive Officer

By: /s/ Michael J. Mach
Michael J. Mach
Administrator