

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

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION
TALLAHASSEE, FLORIDA

Written Agreement by and among

BANKERS' BANCORPORATION
OF FLORIDA, INC.
Lake Mary, Florida

INDEPENDENT BANKERS'
BANK OF FLORIDA
Lake Mary, Florida

FEDERAL RESERVE BANK
OF ATLANTA
Atlanta, Georgia

and

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION
Tallahassee, Florida

Docket Nos. 09-154-WA/RB-HC
09-154-WA/RB-SM

OFR Administrative File No.
0673-FI-09/09

WHEREAS, Bankers' Bancorporation of Florida, Inc. ("Bancorp"), Lake Mary, Florida, a registered bank holding company, owns and controls, Independent Bankers' Bank of Florida, Lake Mary, Florida (the "Bank"), a state chartered bank that is a member of the Federal Reserve System, and various nonbank subsidiaries;

WHEREAS, in recognition of their common goal to maintain the financial soundness of Bancorp and the Bank, Bancorp, the Bank, the Federal Reserve Bank of Atlanta (the "Reserve

Bank”), and the State of Florida, Office of Financial Regulation, Tallahassee, Florida (the “OFR”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, the Bank provides correspondent and certain other banking services to other banks, many of which own shares of Bancorp; originates loans secured by bank or bank holding company stock, loans to bank directors, officers, shareholders, employees, and their related interests, and other loans to affiliates of banks; and purchases loan participations from banks who own shares of Bancorp or otherwise are customers of the Bank; and

WHEREAS, on October 16, 2009, the boards of directors of Bancorp and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing James H. McKillop, III, President and Chief Executive Officer, to enter into this Agreement on behalf of Bancorp and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by Bancorp, 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)) and Section 655.005(1)(i), Florida Statutes.

NOW, THEREFORE, Bancorp, the Bank, the Reserve Bank, and the OFR 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 OFR 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, portfolio management, credit risk management, concentration of credit, capital, liquidity, and earnings;

(b) the responsibility of the board of directors to establish, monitor, and enforce adherence to policies and procedures that reflect appropriate risk tolerance guidelines, risk limits, and that ensure compliance with applicable laws and regulations; and

(c) an evaluation of staffing needs and qualifications in the area of credit risk management.

2. Within 60 days of this Agreement, the boards of directors of Bancshares and the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan to increase the number of outside directors and shall report quarterly to the Reserve Bank and OFR on efforts to secure new outside directors.

(a) For purposes of this provision, the term “outside director” is defined as an individual who: (i) is not an executive officer, as defined in section 215.2(e)(1) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(e)(1)), or other employee of the Bank or its affiliates; (ii) is not an executive officer, other employee, or director of a shareholder of Bancshares or a bank that has deposit accounts or otherwise uses the Bank’s services; (iii) is not a related interest, as defined in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)), of any of the above executive officers, other employees, directors, or shareholders; or (iv) is not an immediate family member, as defined in section 225.41(b)(3) of Regulation Y of the Board of Governors (12 C.F.R. § 225.41(b)(3)), of any of the above executive officers, other employees, directors, or shareholders.

Portfolio Management

3. (a) As of the date of this Agreement, the Bank shall not, without the prior written approval of the Reserve Bank and the OFR, take any action that would result in an increase in the aggregate dollar value of the Bank's loan portfolio above the aggregate dollar value balance as of September 30, 2009 plus any legally binding commitments as of September 30, 2009.

(b) The restrictions of paragraph 3(a) of this Agreement shall continue in force and effect until the Bank:

(i) submits to the Reserve Bank and the OFR a plan to reduce concentrations, the credit risk management plan, asset improvement plans, a revised allowance for loan and lease losses ("ALLL") program, and liquidity and funds management plan, policies, and procedures as described in paragraphs 4, 5, 7, 8, 12, 13 and 14 of this Agreement;

(ii) is notified in writing by the Reserve Bank and the OFR that the aforesaid policies, procedures, plans, and program are acceptable;

(iii) adopts and takes acceptable steps to implement the aforesaid policies, procedures, plans, and program; and

(iv) is notified in writing by the Reserve Bank and the OFR that the above described conditions have been met.

4. Within 30 days of this Agreement, the Bank shall submit an acceptable plan to the Reserve Bank and the OFR for reducing the Bank's concentrations of credit. The plan shall include, but not be limited to, a schedule for reducing the levels of concentrations, including concentrations in commercial real estate loans and loans secured by bank or bank holding company stock and timeframes for achieving the reduced levels.

Credit Risk Management

5. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan to strengthen credit risk management practices at the Bank.

The plan shall, at a minimum, address, consider, and include:

(a) Procedures for timely and accurate identification of credit risk in the loan portfolio including implementation of portfolio-level stress testing for commercial real estate loans;

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

(c) procedures to improve the accuracy of management's internal credit risk rating system and timeliness of updates to the internal watch list, including but not limited to loans secured by bank or bank holding company stock;

(d) procedures to enhance management's monitoring and controlling of problem assets; and

(e) revised loan policies that establish concentration limits, including but not limited to, by loan type, geographic location, counterparty, and borrower.

Asset Improvement

6. (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 conducted by the Reserve Bank that commenced on May 11, 2009 (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 board of directors or a committee designated by the 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 (12 C.F.R. § 215.2(n)) and Section 658.48(4), Florida Statutes

7. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR 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 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 OFR 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, extension report, and past due/non-accrual report.

Allowance for Loan and Lease Losses

8. (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 relevant federal or state report of examination, charge off all assets classified “loss” unless otherwise approved in writing by the Reserve Bank and the OFR.

(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 OFR. 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 collectability.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR 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 OFR, 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

9. Within 60 days of this Agreement, Bancorp shall submit to the Reserve Bank and the OFR an acceptable written plan to maintain sufficient capital at Bancorp, on a consolidated basis, and Bancorp and the Bank shall jointly submit to the Reserve Bank and the OFR 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) Bancorp'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 assets, concentrations of credit, allowance for loan and lease losses, 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 Bancorp serve as a source of strength to the Bank.

10. The board of directors shall notify the Reserve Bank and the OFR in writing, no more than 30 days after the end of any quarter in which the Bank's capital ratios (total risk-

based, tier one risk-based, or leverage) fall below the plan's minimums ratios. Together with the notification, the Bank shall submit an acceptable capital plan that details the steps it will take to increase the Bank's capital ratios to or above the plan's minimums.

Earnings Plan and Budget

11. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR a written business plan to improve the Bank's earnings and overall condition.

The plan, at a minimum, shall provide for or describe:

- (i) a realistic and comprehensive budget for 2010, including income statement and balance sheet projections; and
- (ii) the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) The Bank shall submit a business plan and budget for each calendar year subsequent to 2010. The business plan shall be submitted to the Reserve Bank and the OFR at least 30 days prior to the beginning of that calendar year.

(c) Bancorp shall submit to the Reserve Bank and the OFR on an annual basis a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projections"). The Cash Flow Projections shall be submitted at least one month prior to the beginning of each calendar year.

Liquidity and Funds Management

12. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan that includes, at a minimum:

- (a) Measures to enhance the monitoring and measurement of the Bank's

liquidity, including cash flow projections to assess future liquidity needs;

- (b) measures and a time line to reduce asset/liability funding mismatches;
- (c) identification of contingent liquidity sources; and
- (d) measures to ensure timely reporting to the board of directors on the Bank's

liquidity position.

13. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR acceptable policies and procedures for the sale of federal funds, including but not limited to:

- (a) Assessment of the credit worthiness of purchasers; and
- (b) limits on the amount of federal funds sold to any one purchaser.

14. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable revised written contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

Dividends and Distributions

15. (a) Bancorp and the Bank 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 of the Board of Governors (the "Director"), and, as to the Bank, the OFR.

(b) Bancorp 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) Bancorp 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 Bancorp's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. Bancorp 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) and Section 658.37, Florida Statutes.

Debt and Stock Redemption

16. (a) Bancorp and its nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the OFR. 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) Bancorp shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the OFR.

Conflicts of Interest Policy

17. Within 30 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written code of ethics and conflicts of interest policy applicable to the Bank's directors, officers, and employees ("Covered Persons") to set out the fiduciary duties of all Covered Persons and the avoidance of conflicts of interest. The code of ethics and conflicts

of interest policy shall be suitable for the activities and structure of bankers' banks. The policy, at a minimum, shall address, consider, and include:

- (a) The duty of care and loyalty owed by Covered Persons to the Bank;
- (b) the avoidance of conflicts of interest and the appearance of a conflict of interest;
- (c) a requirement that a Covered Person not participate in the approval or renewal of any loan to: (i) such Covered Person or related interest thereof; (ii) any respondent bank with which the Covered Person is affiliated; or (iii) any director, officer, or employee of any respondent bank with which the Covered Person is affiliated;
- (d) a requirement that a Covered Person not participate in the approval of the Bank's purchase of any loan participation from a respondent bank with which the Covered Person is affiliated;
- (e) internal controls that monitor compliance with the code of ethics and conflicts of interest policy and report any noncompliance or exceptions to the policy to the board of directors; and
- (f) training for all Covered Persons within 60 days of approval of the policy.

Compliance with Laws and Regulations

18. (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, Bancorp 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.*) and the notice provisions of Section 655.0385, Florida

Statutes, for directors and executive officers as defined in Section 655.005(1)(f), Florida Statutes, and Rule 69U-100.03582, Florida Administrative Code.

(b) Bancorp 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

19. (a) Within 10 days of this Agreement, the boards of directors of Bancorp and the Bank shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall include a majority of outside directors who are not executive officers of the Bank or executive officers or principal shareholders of Bancorp, as defined in Sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)) and Section 655.005(1)(f), Florida Statutes. The Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to the board of directors of the Bank.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, Bancorp and the Bank shall submit to the Reserve Bank and the OFR 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, Policies, Procedures, and Program

20. (a) The Bank and, as applicable, Bancorp shall submit written plans, policies, procedures, and a program that are acceptable to the Reserve Bank and the OFR within the

applicable time periods set forth in paragraphs 2, 3, 4, 5, 7, 8(c), 9, 12, 13, 14, and 17 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the OFR, Bancorp and the Bank, as applicable, shall adopt the approved plans, policies, procedures, and program. Upon adoption, Bancorp and the Bank shall promptly implement the approved plans, policies, procedures, and program and thereafter fully comply with them.

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

Communications

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

- (a) Mr. Robert D. Hawkins
Assistant Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470
- (b) Linda R. Townsend
Director, Division of Financial Institutions
State of Florida
200 E. Gaines Street
Tallahassee, Florida 32399-0371
- (c) James H. McKillop, III
President and Chief Executive Officer
Bankers' Bancorporation of Florida, Inc.
Independent Bankers' Bank of Florida
615 Crescent Executive Court, Suite 400
Lake Mary, Florida 32746

Miscellaneous

22. Notwithstanding any provision of this Agreement, the Reserve Bank and the OFR may, in its sole discretion, grant written extensions of time to Bancorp and the Bank, as applicable, to comply with any provision of this Agreement.

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

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

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

26. 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) and by the OFR pursuant to Sections 655.033 and 655.041, Florida Statutes, and Chapters 120.655 and 658, Florida Statutes.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 29th day of October, 2009.

BANKERS' BANCORPORATION
OF FLORIDA, INC.
INDEPENDENT BANKER'S BANK
OF FLORIDA

By: /s/ James H. McKillop, III
James H. McKillop, III
President and Chief Executive Officer

FEDERAL RESERVE BANK
OF ATLANTA

By: /s/ Robert D. Hawkins
Robert D. Hawkins
Assistant Vice President

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION

By: /s/ Linda B. Charity
Linda B. Charity
Director
Division of Financial Institutions