

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

STATE OF IOWA  
IOWA DIVISION OF BANKING  
SUPERINTENDENT OF BANKING  
DES MOINES, IOWA

Written Agreement by and among

PREMIER FINANCIAL CORP.  
Dubuque, Iowa

PREMIER BANK  
Dubuque, Iowa

FEDERAL RESERVE BANK OF CHICAGO  
Chicago, Illinois

and

IOWA DIVISION OF BANKING  
SUPERINTENDENT OF BANKING  
Des Moines, Iowa

Docket Nos. 10-113-WA/RB-HC  
10-113-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Premier Financial Corp., Dubuque, Iowa (“Premier”), a registered bank holding company, and its subsidiary bank, Premier Bank, Dubuque, Iowa (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, Premier, the Bank, the Federal Reserve Bank of Chicago (the “Reserve Bank”), and the Iowa Division of Banking, Superintendent of Banking (the “Superintendent”) have mutually agreed to enter into this Written Agreement (the “Agreement”);

and

WHEREAS, on July 19, 2010, the boards of directors of Premier and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Jeffrey P. Mozena, to enter into this Agreement on behalf of Premier and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by Premier, 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, Premier, the Bank, the Reserve Bank, and the Superintendent agree as follows:

**Source of Strength**

1. The board of directors of Premier shall take appropriate steps to fully utilize Premier’s financial and managerial resources, pursuant to 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 this Agreement and any other supervisory action taken by the Reserve Bank or the Superintendent.

**Investment Portfolio Management**

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written plan to improve the management of the Bank’s investment portfolio including but not limited to:

(a) Continued reduction in risk exposure to the investment securities that were classified in the report of examination of the Bank conducted by the Reserve Bank that commenced on September 14, 2009 (the “Report of Examination”), or in any subsequent report

of examination, or any internal or external review that identifies criticized or classified investments;

(b) procedures to ensure the ongoing assessment of the Other Than Temporarily Impaired (“OTTI”) calculation of the investment portfolio;

(c) procedures to project and quantify any future deterioration in the investment portfolio; and

(d) contingency planning for the supervision and administration of the investment portfolio.

3. The Bank shall continue to submit monthly written progress reports to the board of directors detailing the progress made in improving the composition and management of the investment portfolio. The board of directors shall ensure that documentation of their review is contained in the minutes of the board of directors’ meeting.

### **Investment Policy**

4. The Bank shall maintain a written investment policy that shall, at a minimum, address, consider, and include:

(a) A description of acceptable investments within the categories of acceptable investments;

(b) procedures for ongoing credit monitoring of the Bank’s investment portfolio;

(c) standards for portfolio diversification;

(d) procedures to mitigate risk and control loss exposure;

(e) procedures to properly account for securities that may be OTTI; and

(f) reporting, review, and approval procedures to and by the board of directors.

### **Valuation and Impairment Analysis of Investment Securities**

5. The Bank shall continue to retain an independent consultant acceptable to the Reserve Bank and the Superintendent to conduct, on a quarterly basis, a review of the Bank's investment portfolio to assess for further impairments and to ensure that the Bank's valuation processes and impairment analyses, including recognition of OTTI, are in accordance with generally accepted accounting principles, including FASB Staff Position (FSP) FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other Than Temporary Impairments*, and regulatory reporting instructions (the "Review").

### **Asset Improvement**

6. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the Report of Examination or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that:

(i) the Bank's risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and protect the Bank's interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that

the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and 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 meetings of the board of directors or its committee, as appropriate, 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)).

7. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent 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 \$250,000, 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. In developing the plan for each loan, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) Within 30 days of the date that the Bank acquires OREO or that any additional loan, relationship, or other asset in excess of \$250,000 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 Superintendent an acceptable written plan to improve the Bank's position on such loan, relationship, 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 Superintendent 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**

8. (a) 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 Superintendent.

(b) The Bank shall maintain a sound process for determining, documenting, and recording an adequate allowance for loan and lease losses ("ALLL") in accordance with regulatory reporting instructions and 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).

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent 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 Superintendent, 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, Premier and the Bank shall jointly submit to the Reserve Bank and the Superintendent an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include:

(a) 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);

(b) 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; and

(c) the source and timing of additional funds to fulfill the consolidated organization's and the Bank's future capital requirements.

10. Premier and the Bank shall notify the Reserve Bank and the Superintendent, in writing, no more than 30 days after the end of any quarter in which any of 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, Premier and the Bank shall submit an acceptable written plan that details the steps Premier and the Bank will take to increase the Bank's capital ratios to or above the approved capital plan's minimums.

### **Liquidity and Funds Management**

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

(a) Measures to enhance the monitoring, measurement, and reporting of the Bank's liquidity to the board of directors; and

(b) measures to diversify funding sources and reduce reliance on wholesale funding sources.

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

### **Strategic Plan and Budget**

13. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent a strategic plan to improve the Bank's earnings and overall condition and a budget for the remainder of 2010 and 2011 that, at a minimum, provides for or describes:

(i) goals and strategies for improving the Bank's earnings;

- (ii) 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
- (iii) a realistic and comprehensive budget 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 2011 shall be submitted to the Reserve Bank and the Superintendent at least 30 days prior to the beginning of that calendar year.

#### **Dividends and Distributions**

14. (a) Premier 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 Superintendent.

(b) Premier 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) Premier 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, Premier 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**

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

### **Cash Flow**

16. Within 60 days of this Agreement, the Premier 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 2010. Premier shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2010 at least one month prior to the beginning of that calendar year.

## **Compliance with Laws and Regulations**

17. The board of directors of the Bank shall take the necessary steps to ensure the Bank's future compliance with all applicable laws and regulations, including but not limited to, Regulation O, 12 C.F.R. Part 215.

18. 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, Premier 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.*).

19. Premier 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**

20. (a) Within 10 days of this Agreement, the board of directors of the Bank shall appoint a 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 or principal shareholders of the Bank, 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)). At a minimum, 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, Premier's and the Bank's boards of directors shall submit to the Reserve Bank

and the Superintendent 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, Policy, and Program**

21. (a) The Bank and, as applicable, Premier, shall submit written plans, and a program that are acceptable to the Reserve Bank and the Superintendent within the applicable time periods set forth in paragraphs 2, 7(a), 7(b), 8(c), 9, 10, 11, and 12 of this Agreement.

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

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

### **Communications**

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

(a) Mr. Jeffrey A. Jensen  
Assistant Vice President  
Federal Reserve Bank of Chicago  
Des Moines Office  
7601 Office Plaza Drive, North  
Suite 150  
Des Moines, Iowa 50266

(b) Mr. Thomas B. Gronstal  
Superintendent  
Iowa Division of Banking  
200 East Grand Avenue  
Suite 300  
Des Moines, Iowa 50309

- (c) Mr. Jeffrey P. Mozena  
President and CEO  
Premier Financial Corp.  
Premier Bank  
2625 NW Arterial Road  
P.O. Box 420  
Dubuque, Iowa 52004-0420

**Miscellaneous**

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

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

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

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

27. 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 Superintendent pursuant to Iowa Code Sections 524.223 and 524.228.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 28<sup>th</sup> of July, 2010.

PREMIER FINANCIAL CORP.  
PREMIER BANK

By: /s/ Jeffrey P. Mozena  
Jeffrey P. Mozena  
President and CEO

FEDERAL RESERVE BANK  
OF CHICAGO

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

STATE OF IOWA  
DIVISION OF BANKING

By: /s/ Thomas B. Gronstal  
Thomas B. Gronstal  
Superintendent