

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

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In the Matter of	)	
	)	
NEW CENTURY BANK	)	CONSENT ORDER
CHICAGO, ILLINOIS	)	
	)	FDIC-09-348b
(ILLINOIS CHARTERED	)	2009-DB-61
INSURED NONMEMBER BANK)	)	

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New Century Bank, Chicago, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and 38 Ill. Adm. Code, section 392 et seq, regarding hearings before the Federal Deposit Insurance Corporation ("FDIC") and the Illinois Department of Financial and Professional Regulation ("Division"), respectively, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the FDIC

and the Division, dated February 17, 2010, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices relating to liquidity, capital, asset quality, management, earnings, and sensitivity to market risk, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the Division.

The FDIC and the Division considered the matter and determined to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6), have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

CAPITAL

1. (a) Within 90 days from the effective date of this ORDER, the Bank shall increase its level of Tier 1 capital as a percentage of its total assets ("capital ratio") to not less than 9.0 percent calculated as of the end of the preceding calendar quarter; and its level of Total Risk Based Capital as a percentage of its total risk based assets ("Total Risk Based Capital Ratio") to not less than 12.0 percent calculated as of

the end of the preceding calendar quarter. For purposes of this ORDER, Tier 1 capital, and total assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(a) The level of Tier 1 Capital to be maintained during the life of this ORDER pursuant to this paragraph shall be in addition to maintaining a fully funded allowance for loan and lease losses.

(b) Any increase in Tier 1 capital may be accomplished by the following:

- (i) The sale of common stock and noncumulative perpetual preferred stock constituting Tier 1 capital under Part 325; or
- (ii) The elimination of all or part of the assets classified "Loss" as of December 31, 2008, without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER;
- (iii) The collection in cash of assets previously charged off;

- (iv) The direct contribution of cash by the directors and/or the shareholders of the Bank or its holding company;
- (v) Any other means acceptable to the Regional Director or the Division; or
- (vi) Any combination of the above means.

(d) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of the Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17<sup>th</sup> Street, N.W.,

Washington, D.C. 20429 and to Scott Clarke, Assistant Director, Illinois Department of Financial and Professional Regulation, Division of Banking, 122 South Michigan Avenue, Suite 1900, Chicago, Illinois 60603, for their review. Any changes requested to be made in the materials by the FDIC or the Division shall be made prior to their dissemination.

(e) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(f) The capital ratio analysis required by this paragraph shall not negate the responsibility of the Bank and its board of directors for maintaining throughout the year an adequate level of capital protection for the kind, quality and degree of market depreciation of assets held by the Bank.

MANAGEMENT STUDY

2. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall retain an independent third party acceptable to the Regional Director of the Chicago Region of the FDIC ("Regional Director") and the Division who will develop a written analysis and assessment of the Bank's senior executive officers ("Management Study") for the purpose of providing qualified management for the bank.

(b) The Bank shall provide the Regional Director and the Division with a copy of the proposed engagement letter or contract with the independent third party for review before it is executed.

(c) The Management Study shall be developed within 90 days from the effective date of this ORDER. The Management Study shall include, at a minimum:

- (i) Identification of both the type and number of senior officer positions, if any, needed to properly manage and supervise the affairs of the bank;
- (ii) Identification and establishment of such Bank committees, if any, as are needed to provide guidance and oversight to active management;

- (iii) Evaluation of all senior executive officers to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition; and
- (iv) Evaluation of all senior executive officers' compensation, including salaries, director fees, and other benefits.
- (v) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those senior executive officer positions, if any, identified by this paragraph of this ORDER.

(d) Within 90 days from the effective date of the Order, the Bank shall formulate a plan to implement the recommendation of the Management Study.

(e) The plan required by this paragraph shall be submitted to the Regional Director and the Division, and thereafter the Bank shall adopt, implement, and adhere to the plan.

MANAGEMENT

3. (a) During the life of this ORDER , and consistent with the findings of the Management Study, the Bank shall have and thereafter retain qualified management. Each member of management shall have the qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualification of management shall be assessed on its abilities to:

- (i) Comply with the requirements of this ORDER;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws, rules, and regulations; and
- (iv) Restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.



(b) During the life of this ORDER, prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the Division's written approval. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. §1831(i), and section 202.101(b) of the FDIC Rules and Regulations, 12 C.F.R. §303.101(b).

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

4. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit including any portion thereof that has been charged off the books of the Bank or classified "Loss" provided to the Bank in its Report of Examination ("ROE") on December 31, 2008 so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard," on the list of assets classified provided to the Bank in its ROE and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the

reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be incorporated in the minutes of the applicable board of directors' meeting and shall be placed in the appropriate loan file.

(c) As of the effective date of this ORDER the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the ROE that have not been previously collected or charged off. Any such charged-off asset shall not be rebooked without the prior written consent of the Regional Director and the Division. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

ALLOWANCE FOR LOAN AND LEASE LOSSES

5. (a) Within 45 days from the effective date of this ORDER, the Bank shall replenish its allowance for loan and lease losses ("ALLL") to a minimum of \$5,774,000.

(b) Within 60 days from the effective date of this ORDER, Reports of Condition and Income required by the FDIC and the Division and filed by the Bank subsequent to March 31, 2009, shall be amended and re-filed if they do not reflect a provision for loan and lease losses and an ALLL which are adequate considering the condition of the Bank's loan portfolio, and

which, at a minimum, incorporate the adjustment required by the above subparagraph of this ORDER.

(c) Prior to submission or publication of all Reports of Condition and Income required by the FDIC and the Division after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. The minutes of the board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the reserve recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall consider the Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income as well as any analysis of the Bank's ALLL provided by the FDIC and the Division.

(d) While this ORDER is in effect, the Bank shall submit to the Regional Director and the Division the analysis supporting the determination of the adequacy of its ALLL. These submissions may be made at such times as the Bank files the progress reports otherwise required by the ORDER.

(e) ALLL entries required by this Paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

RISK REDUCTION PLAN

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Division for review and comment, a written plan to reduce the Bank's risk position in each asset in excess of \$1,000,000 which is classified "Substandard" in the ROE. A copy of the written plan shall be submitted to the Regional Director and the Division upon its completion. In developing such plan, the Bank shall, at a minimum:

- (i) Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and
- (ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(b) Such plan shall include, but not be limited to, the following:

- (i) Specific strategies to reduce each asset within 12, 24, and 36 months from the effective date of this ORDER; and
- (iii) Provisions for the submission of monthly written progress reports to the

Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(c) As used in this paragraph, "reduce" means to (1) collect; (2) charge off; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the Division and FDIC.

(d) Within 30 days from the receipt of any comment from the Regional Director and the Division, and after the adoption of any recommended changes, the Bank shall approve the written plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the approved written plan.

#### LIQUIDITY PLAN

7. (a) Within 90 days from the effective date of this ORDER, management shall formulate and adopt a plan for enhancing the management of liquidity risk as per FDIC's FIL 84-2008 and improve liquidity so as to reduce the Bank's dependency on interest sensitive liabilities (brokered deposits) to fund operations. As such, management shall implement the following recommendations:

- (i) Enhance the Bank's Liquidity Policies to provide for:

(ii) The development of appropriate static and forward looking liquidity metrics that capture the Bank's existing and anticipated balance sheet structures, strategies and perceived risks. This will be done by taking into consideration the recent changes in the associated internal and external environment within which the Bank operates.

(iii) The establishment of appropriate liquidity MIS reporting that gives a historical perspective of the liquidity measures and also provides management with a view of how different proposed asset/liability strategies may affect the Bank's liquidity position going forward; and

(iv) The establishment of appropriate funding concentration limits to mitigate such risks.

(b) Complement the recently developed funding plan by providing a clear strategy for acquiring and maintaining liquid assets (as this term will be defined by the board) that are necessary to enhance the Bank's asset liquidity to, at least, be

adequate to cover the short-term risks associated with the liquidity needs.

(c) Formalize and communicate to the appropriate Bank departments, the Bank's asset and liability product pricing philosophy that is necessary to achieve the established financial goals of the organization.

(d) In addition to the above provisions, as of the effective date of this ORDER, Bank shall establish and maintain an account relationship with the Federal Reserve Bank of Chicago to exchange and settle payment transactions through a clearing account balance.

#### INTEREST RATE RISK MODEL ASSUMPTION VALIDATION

8. Within 90 days from the date of this ORDER, management shall have the model assumptions such as non-maturity deposit decay factors, yield curve construction, re-investment rates etc. validated as identified in the Joint Agency Policy Statement on Interest Rate Risk.

#### STRATEGIC PLAN

9. (a) Within 90 days from the effective date of this ORDER, management shall develop a written strategic plan, submit it to the Regional Director and the Division for review and implement the plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions

that form the basis for major projected income and expense components. The written strategic plan shall address, at a minimum:

- (i) Strategies for reducing existing risk exposures and reliance on brokered and high cost funding, increasing the level of liquid assets, and improving credit underwriting, loan portfolio management, and credit administration practices; and
- (ii) Financial goals, including pro-forma statements for asset growth, capital adequacy, and earnings.

(b) The Bank will submit the strategic plan to the Regional Director and the Division for review. If the Regional Director or the Division comments, the Bank shall consider such comments and adopt the strategic, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

#### PROFIT PLAN

10. (a) Within 90 days from the effective date of this ORDER, the Bank shall revise, adopt and implement a written profit plan and a realistic, comprehensive budget for all categories of income and expense for the calendar years 2010 and 2011. The plan required by this paragraph shall contain formal



goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) During each monthly board meeting following submission of the profit plan and budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken. A written summary of the evaluation of performance shall be submitted to the Regional Director and the Division within ten days of the meeting of the Bank's board of directors.

#### SHAREHOLDER NOTIFICATION

11. Following the effective date of this ORDER, the Bank shall send a copy of this order to its shareholder: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

#### BOARD OF DIRECTORS

12. Within 30 days from the effective date of this ORDER, the Bank's board of directors shall develop, adopt, and

implement a program that will provide for monitoring of the Bank's compliance with this ORDER. Following the required date of compliance the Bank's board of directors shall review the Bank's compliance with this ORDER and record its review in the minutes of each regularly scheduled monthly board of directors' meeting.

#### DIVIDEND RESTRICTION

13. As of the effective date of the ORDER, the Bank shall not declare or pay any dividend with out the prior written consent of the Regional Director and the Division.

#### PROGRESS REPORTS

14. Within 30 days of the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Division have, in writing, released the Bank from making further reports.

The effective date of this ORDER shall be the date of issuance by the FDIC and the Division.

