

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

In the Matter of

METROPOLITAN BANK GROUP, INC.
Chicago, Illinois

Docket No. 13-008-B-HC

Cease and Desist Order Issued
Upon Consent Pursuant to the
Federal Deposit Insurance Act,
as amended

WHEREAS, Metropolitan Bank Group, Inc., Chicago, Illinois (“MBG”), is a registered bank holding company that owns and controls North Community Bank, Chicago, Illinois; Archer Bank, Chicago, Illinois; Metrobank, Chicago, Illinois; Oswego Community Bank, Oswego, Illinois; and Plaza Bank, Norridge, Illinois (collectively, the “Banks”), all of which are state-chartered nonmember banks; and a nonbank subsidiary;

WHEREAS, on May 10, 2011, MBG entered into a Written Agreement with the Federal Reserve Bank of Chicago (the “Reserve Bank”) designed to correct certain deficiencies at MBG relating to safety and soundness (the “Written Agreement”);

WHEREAS, MBG has not fully complied with all of the provisions of the Written Agreement;

WHEREAS, following the execution of the Written Agreement, the Reserve Bank conducted an inspection of MBG that identified additional safety and soundness deficiencies at MBG;

WHEREAS, MBG provides services to the Banks, including, but not limited to, loan review, internal audit, and risk management, as well as, the development of policies for the entire organization;

WHEREAS, it is the common goal of MBG, the Board of Governors of the Federal Reserve System (the “Board of Governors”), and the Reserve Bank, to maintain the financial soundness of MBG so that MBG may serve as a source of strength to the Banks;

WHEREAS, MBG and the Board of Governors have mutually agreed to enter into this consent Cease and Desist Order (the “Order”); and

WHEREAS, on April 11, 2013, the board of directors of MBG, at a duly constituted meeting, adopted a resolution authorizing and directing Bradlee F. Stamper to enter into this Order on behalf of MBG and consenting to compliance with each and every provision of this Order by MBG and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)), and waiving any and all rights that MBG may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges on any and all matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; (iv) contest the issuance of this Order by the Board of Governors; and (v) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered that, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(3)), MBG, and its institution-affiliated parties shall cease and desist and take affirmative action as follows:

Source of Strength

1. The board of directors of MBG shall take appropriate steps to fully utilize MBG’s financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors

(12 C.F.R. § 225.4(a)), to serve as a source of strength to the Banks, including, but not limited to, taking steps to ensure that each of the Banks complies with the respective Consent Orders issued jointly by the Federal Deposit Insurance Corporation (“FDIC”) and the Illinois Department of Financial and Professional Regulation to each of the Banks on January 13, 2011, and any other supervisory action taken by the Banks’ federal or state regulator.

Dividends and Distributions

2. (a) MBG 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”).

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

(c) MBG and its nonbank subsidiary 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) MBG shall not disburse any assets, including, but not limited to, cash without the prior written approval of the Reserve Bank.

(e) 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 MBG’s capital, earnings, cash flow, and allowance for loan and lease losses (“ALLL”); the capital, asset quality, earnings, and ALLL for any of the Banks from which a payment is to be received; and identification of the sources of funds for the proposed payment or distribution. For request to declare or pay dividends, MBG

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

3. (a) MBG and the nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) MBG shall not, without the prior written approval of the Reserve Bank, directly or indirectly, purchase or redeem any shares of its own stock.

Capital Plan

4. Within 60 days of this Order, MBG shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at MBG on a consolidated basis and to provide financial support to the Banks. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and each of the Banks' current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D), and the applicable capital adequacy guidelines issued by the federal regulator for the Banks;

(b) the adequacy of each of the Banks' capital, taking into account the volume of classified credits, their risk profiles, the adequacy of their allowances for loan and lease losses, their current and projected asset growth, and their projected earnings;

(c) the adequacy of MBG's capital on a consolidated basis in light of the adequacy of each of the Banks' capital;

(d) the source and timing of additional funds necessary to fulfill the consolidated organization's and each of the Banks' future capital requirements;

(e) supervisory requests for additional capital at the Banks, or the requirements of any supervisory actions imposed on the Banks by their federal or state regulator; and

(f) the requirements of section 38A of the FDI Act and section 225.4(a) of Regulation Y of the Board of Governors that MBG serve as a source of strength to the Banks.

5. MBG shall notify the Reserve Bank, in writing, no more than 45 days after the end of any quarter in which any of MBG's capital ratios fall below the approved plan's minimum ratios. Together with the notification, MBG shall submit an acceptable written plan that details the steps that MBG will take to increase MBG's capital ratios to or above the approved plan's minimums.

Cash Flow Projections

6. Within 30 days of this Order, MBG shall submit to the Reserve Bank a written statement of MBG's planned sources and uses of cash for operating expenses and other purposes for 2013. MBG shall submit to the Reserve Bank a cash flow projection for each calendar year subsequent to 2013 at least one month prior to the beginning of that calendar year.

Expense Review

7. Within 30 days of this Order, the board of directors of MBG shall engage an independent consultant acceptable to the Reserve Bank to conduct a review, from the period of January 1, 2011 to the date of this Order, of MBG's expenses, including the payment, reimbursement, and allocation of expenses, and determine whether the expenditures and allocations are appropriate (the "Expense Review"). The consultant shall prepare a written report of the findings and recommendations (the "Report"). The purpose of the Expense Review shall be to aid in the development of policies and procedures for the appropriate payment, reimbursement, and allocation of expenses. Within 10 days of the engagement of the independent consultant, but prior to the commencement of the Expense Review, MBG shall submit an engagement letter to the Reserve Bank for approval. The engagement letter shall require the independent consultant to submit its Report within 45 days of the approval of the engagement letter and to provide a copy of the Report to the Reserve Bank at the same time that it is provided to MBG's board of directors. The Expense Review shall, at a minimum, address, consider, and include:

(a) The identification of all expenses, including, but not limited to, payments made directly to or for the benefit of, and reimbursement to officers, directors, shareholders, employees, their immediate family members, or related interest to determine whether: (i) MBG has derived a benefit or value commensurate with the amount of payment or reimbursement; and (ii) the payments or reimbursements comply with MBG written policies;

(b) determine whether MBG's board received documentation to support the appropriateness of all payments or reimbursements paid by MBG or allocated to MBG's Banks

for the benefit of MBG officers, directors, employees, shareholders, immediate family members or their related interest;

(c) the review of MBG expenses allocated to the Banks to determine whether the allocations are commensurate with services performed by MBG for the Banks and documented by agreements between MBG and the Banks; and

(d) determine whether appropriate policies and procedures are in place for the payment, reimbursement, and allocation of expenses; and

(e) for purposes of this Order, the terms (i) immediate family members shall be defined as set forth in section 225.41(b)(3) of Regulation Y, and (ii) “related interest” as defined in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

8. Based on the findings of the Expense Review, within 30 days of receipt of the Expense Review, MBG shall submit to the Reserve Bank an acceptable plan to ensure that all operating and non-operating expenses and the allocation of those expenses are appropriate, documented, and have the requisite approvals.

Compensation Review

9. (a) Within 45 days of this Order, the outside directors shall conduct a review of all MBG personnel costs to ensure that all salaries, bonuses, fees, and other payments or goods and services paid by or provided to MBG’s officers, directors, shareholders, their immediate family members, or their related interest are: (i) consistent with safe and sound banking practices and applicable law, regulations, and guidelines; (ii) related to the services actually rendered to MBG; (iii) justified based on the performance, financial condition, and future prospects of MBG and the Banks; (iv) paid in accordance with the duties, responsibilities, and obligations of MBG’s officers and directors; (v) preapproved by the board of directors on a

regular basis; and (vi) that all compensation agreements and policies are approved by MBG's board.

(b) Within 60 days of this Order, the board of directors shall submit to the Reserve Bank and the full board written findings and conclusions of the review required by this paragraph.

(c) Within 90 days the board of directors shall submit to the Reserve Bank any proposed written compensation policies and procedures based on the results of the review.

(d) For the purposes of this Order, the term: (i) "outside director" is defined as an individual, not an employee or executive officer of MBG or the Banks, who owns less than 10 percent of the outstanding voting stock of MBG or the Banks and who is not related in any manner to any shareholder who owns 10 percent or more of the outstanding voting stock of MBG or the Banks or any related interest of such a shareholder.

Restrictions on Compensation

10. (a) MBG shall not, directly or indirectly, increase the salaries or bonuses of, or make any other payments, including, but not limited to, the payment of fees, indebtedness, or discretionary expenses or reimbursements, to or on behalf of any of its institution-affiliated parties, their immediate family members or their related interest, without the prior written approval of the Reserve Bank.

(b) All requests for prior approval shall contain, but not be limited to, the proposed amount of increase or payment, the source of funding for the proposed increase or payment, the benefits to be derived by MBG, and other pertinent materials in order to assist in the review of the proposal.

(c) Notwithstanding the provisions of this paragraph, MBG does not need to obtain the prior written approval of the Reserve Bank for the reimbursement of reasonable expenses that aggregate no more than \$1,000 per month for each of its institution-affiliated parties, provided that such reasonable expenses are incurred in performing routine duties, which have been adequately documented and reported on MBG's books and records. For the purpose of calculating the \$1,000 per month total, reasonable expenses incurred by an institution-affiliated party's related interest will be attributed to the institution-affiliated party.

Affiliate Transactions

11. (a) MBG shall take all necessary actions to ensure that the Banks comply with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Banks and their affiliates, including but not limited to, MBG.

(b) Within 30 days of this Order, MBG shall submit to the Reserve Bank an acceptable written policy regarding transactions between MBG and the Banks, including, but not limited to, the allocation, documentation, and approval of expenses to ensure compliance with sections 23A and 23B and Regulation W.

(c) Within 30 days of this Order, MBG shall submit to the Reserve Bank an acceptable written plan to reimburse the Banks for any payments made by the Banks in violation of sections 23A and 23B of the Federal Reserve Act or Regulation W that have been identified by the Banks' federal regulator. The plan shall specify the amount(s) to be reimbursed or paid to the Banks, the method used to calculate the amount including interest, and a schedule for when the reimbursement will be made;

(d) MBG shall not increase any service or management fees of any nature assessed to the Banks by MBG without the prior written approval of the Reserve Bank. Any request for prior approval pursuant to this paragraph shall be accompanied by documentation adequate to provide the Reserve Bank with the details of each fee proposed to be paid by the Banks and a description of the benefits to be derived by the Banks by the payment of the fee, the type of services to be rendered, and the identity of the person or persons who will supply the services covered by the fee.

Conflicts of Interest Policy

12. Within 30 days of this Order, MBG shall submit to the Reserve Bank an enhanced written code of ethics and conflicts of interest policy that applies to all directors, officers, and employees of MBG. The enhanced code of ethics and conflicts of interest policy shall address, at a minimum, the fiduciary duties of all directors, officers, and employees of MBG and the avoidance of conflicts of interest, in particular with respect to the payment and reimbursements of expenses for services or goods received by directors, officers, employees, their related interest, or their immediate families and any transaction from which any such individual may derive personal benefit.

13. Within 60 days of this Order, MBG shall submit to the Reserve Bank an acceptable written plan to improve compliance with the code of ethics and conflicts of interest policy by all directors, officers, and employees of MBG. The plan shall provide, at a minimum, for:

(a) Policies and procedures to require the written disclosure to the board of directors of MBG of any actual or potential conflict of interest of any MBG or Bank officer, director, employee, or principal shareholder;

(b) internal controls that monitor compliance with the code of ethics and conflicts of interest policy and report any noncompliance or exceptions to the approved policy to the board of directors of MBG; and

(c) training for all directors, officers, and employees of MBG provided on a regular basis regarding the enhanced code of ethics and conflicts of interest policy of MBG.

Compliance with Laws and Regulations

14. (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, MBG 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.*).

(b) MBG 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 Order

15. Within 45 days after the end of each calendar quarter following the date of this Order, the boards of directors of the MBG shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof.

Approval and Implementation of Plans and Policy

16. (a) MBG shall submit written plans and a policy that are acceptable to the Reserve Bank within the time periods set forth in paragraphs 4, 8, 11(b) and (c), and 13 of this Order. An independent consultant acceptable to the Reserve Bank shall be retained by MBG

within the time period set forth in paragraph 7 of this Order. An engagement letter acceptable to the Reserve Bank shall be submitted within the time period set forth in paragraph 7 of this Order.

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

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

Communications

17. All communications regarding this Order shall be sent to:

- (a) Mr. Charles F. Luse
Assistant Vice President
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, Illinois 60604
- (b) Mr. Bradlee Stamper
President and Chief Executive Officer
Metropolitan Bank Group, Inc.
1110 West 35th Street
Chicago, Illinois 60609

Miscellaneous

18. Notwithstanding any provision of this Order, the Reserve Bank may, in its sole discretion, grant written extensions of time to MBG to comply with any provision of this Order.

19. The provisions of this Order shall be binding upon MBG and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

21. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting MBG, the Banks, its nonbank subsidiary or any of their current or former institution-affiliated parties and their successors and assigns.

22. This Order supersedes the May 10, 2011 Written Agreement.

By order of the Board of Governors, effective this 12th day of April, 2013.

METROPOLITAN BANK GROUP, INC.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Bradlee Stamper
Bradlee Stamper
President and Chief Executive Officer

By: /s/ Robert deV. Frierson
Robert deV. Frierson
Secretary of the Board