

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

**ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING
SPRINGFIELD, ILLINOIS**

In the Matter of

BANKERS' BANCORP, INC.
Springfield, Illinois

and

INDEPENDENT BANKERS' BANK
Springfield, Illinois

Docket Nos. 09-136-B-HC
09-136-B-SM

2009-DB-85

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

WHEREAS, the Board of Governors of the Federal Reserve System (the "Board of Governors"), Bankers' Bancorp, Inc., Springfield, Illinois ("Bancorp"), a registered bank holding company, and its subsidiary bank, Independent Bankers' Bank, Springfield, Illinois (the "Bank"), a state chartered bank that is a member of the Federal Reserve System, and the Illinois Department of Financial and Professional Regulation, Division of Banking (the "Department") have the common goal to restore and maintain the financial soundness of the Bank;

WHEREAS, on June 30, 2009, Bancorp and the Bank entered into a Written Agreement with the Federal Reserve Bank of Chicago (the "Reserve Bank") and the Department designed to correct certain deficiencies at Bancorp and the Bank relating to safety and soundness (the "Written Agreement");

WHEREAS, at or about the time of the execution of the Written Agreement, the Bank engaged in certain allegedly questionable transactions, including the sale and subsequent repurchase of loans over a reporting period, questionable accounting practices, and incomplete recordkeeping;

WHEREAS, on ~~Sept. 23~~ 2009, the boards of directors of Bancorp and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Elliott Ray Duncan enter into this Order on behalf of Bancorp and the Bank, and consenting to compliance with each and every applicable provision of this Order by Bancorp, the Bank, and their respective 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 Bancorp and the Bank may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818) and Title 38 Ill. Adm. Code Part 392 to: (i) a hearing for the purpose of taking evidence on any matters set forth in this Order; (ii) judicial review of this Order; (iii) contest the issuance of this Order by the Board of Governors and the Department; and (iv) 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)) and section 48(6)(b) of the Illinois Banking Act (205 ILCS 5/48(6)(b)), Bancorp, the Bank, and their respective institution-affiliated parties shall cease and desist and take affirmative action as follows:

Independent Accounting Review

1. (a) Within 10 days of this Order, the Bank shall engage an independent public accounting firm acceptable to the Reserve Bank and the Department to review the Bank's

internal controls for the preparation and filing of its Reports of Condition and Income and review the Reports of Condition and Income for the periods ending December 31, 2008, March 31, 2009, and June 30, 2009 for conformance with applicable regulatory reporting instructions.

(b) The independent public accounting firm shall perform its review of the above referenced reports and internal controls and shall provide a written report detailing the findings of the review (the "Independent Report"). The Independent Report shall be provided simultaneously to the board of directors, the Reserve Bank, and the Department.

(c) Within 10 days of the engagement of the independent public accounting firm, but prior to the commencement of the review, the Bank shall submit to the Reserve Bank and the Department an acceptable engagement letter that details the scope of the review and includes a timetable for completion of the review and a commitment that any interim reports, draft reports, or workpapers associated with the review will be made available to the Reserve Bank and the Department upon request.

(d) Based on the Reserve Bank's and the Department's evaluation of Independent Report, the Reserve Bank and the Department, may in their sole discretion, direct the Bank to extend the review to include time periods prior to December 31, 2008, with the scope and methodology for such an extension to be determined in the same manner as described in paragraph 1(a) of this Order.

2. Within 30 days of receipt of the Independent Report, Bancorp and the Bank shall submit to the Reserve Bank, and the Bank shall submit to the Department, an acceptable written plan to address the findings and recommendations of the Independent Report and shall amend and refile, in a timely manner, any regulatory report, as necessary.

Staffing

3. Within 30 days of this Order, the Bank shall take such steps as are necessary to employ a qualified, full-time chief financial officer and/or controller with the ability, experience, training, and other necessary qualifications required to perform present and anticipated duties.

4 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.*). The Bank also shall provide written notice to the Department. Bancorp and the Bank shall not appoint any individual to its board of directors or employ or change the responsibilities of any individual as a senior executive officer if the Reserve Bank or the Department notifies Bancorp or the Bank, as applicable, of disapproval within the time limits prescribed by Subpart H of Regulation Y of the Board of Governors.

Bank Records

5. Within 30 days of this Order, Bancorp and the Bank shall submit to the Reserve Bank, and the Bank shall submit to the Department an acceptable written plan, to enhance internal controls designed to ensure the completeness and accuracy of Bancorp's and the Bank's books and records, including, but not limited to, improved documentation of discussions of the boards of directors and board committee meetings.

Compliance with Order

6. (a) Within 10 days of this Order, the boards of directors of Bancorp and the Bank shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate compliance with the provisions of this Order and the Written Agreement. The Compliance

Committee shall include a majority of outside directors who are not executive officers or principal shareholders of Bancorp or 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 periodically report its findings to the boards of directors of Bancorp and the Bank.

(b) Within 30 days after the end of each calendar quarter following the date of this Order, Bancorp and the Bank shall submit to the Reserve Bank and the Department written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the Written Agreement and the results thereof.

Approval and Implementation

7. (a) Bancorp and the Bank shall submit an engagement letter and written plans that are acceptable to the Reserve Bank and the Department, as applicable, within the applicable time period set forth in paragraphs 1(c), 2 and 5 of this Order. An independent consultant acceptable to the Reserve Bank and the Department shall be retained in the time period set forth in paragraph 1(c).

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

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

Communications

8. 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. Scott D. Clarke
Assistant Director
Department of Financial and Professional Regulation
Department of Banking
320 West Washington Street
Springfield, Illinois 62786
- (c) Mr. Gary N. Edwards
Chairman of the Board
Bankers' Bancorp, Inc.
Independent Bankers' Bank
3161 West White Oaks Drive, Suite 300
Springfield, Illinois 62704

Miscellaneous

9. Notwithstanding any provision of this Order, the Reserve Bank and the Department may, in their sole discretion, grant written extensions of time to Bancorp and the Bank, as applicable, to comply with any provision of this Order.

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

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

12. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department, or any other federal or state agency from taking

any other action affecting Bancorp or the Bank or any of their current or former institution-affiliated parties and their successors and assigns.

13. This Order does not supersede, stay, terminate, or suspend any provision of the Written Agreement.

By Order of the Board of Governors of the Federal Reserve System and the Department effective this 24th day of September 2009.

BANKERS' BANCORP. INC.
INDEPENDENT BANKERS' BANK

By: _____
Elliott Ray Duncan
Vice Chairman of the Board

BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM

By: _____
Jennifer J. Johnson
Secretary of the Board

ILLINOIS DEPARTMENT OF
FINANCIAL AND
PROFESSIONAL REGULATION
DIVISION OF BANKING

By: _____
Jorge ~~at-Salinas~~
Director