

#2015-036

AGREEMENT BY AND BETWEEN
Warsaw Federal Savings and Loan Association
Cincinnati, Ohio
and
The Comptroller of the Currency

Warsaw Federal Savings and Loan Association, Cincinnati, Ohio (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to management, credit administration, interest rate risk, funds management practices and compliance with consumer protection laws at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller, and the following restrictions apply:

(a) The Bank is required to notify the OCC of the proposed addition of any individual to the board of directors or the employment of any individual as a senior executive officer at least thirty (30) days before such addition or employment becomes effective, as required by the 12 C.F.R. § 163.560 and 12 U.S.C. § 1831i.

(b) The Bank is restricted from making any “golden parachute payment” (including severance payments and agreements relating thereto), within the meaning and subject to the restrictions of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359, except as may be permitted under the above-mentioned statute and regulation.

(c) The Bank will not qualify for expedited treatment for applications and notices filed with the OCC. See 12 C.F.R. § 116.5.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Central Ohio Field Office
Comptroller of the Currency
4555 Lake Forest Drive, Suite 520
Cincinnati, OH 45242

Article II

COMPLIANCE COMMITTEE

(1) The Board shall maintain a Compliance Committee of at least three (3) outside directors. In the event of a change of the Compliance Committee membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least quarterly.

(3) Beginning on June 30, 2015, and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and,
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures, and programs required by this Agreement.

Article III

BOARD OVERSIGHT, MANAGEMENT AND STAFFING

(1) The Board must ensure that the Bank has competent and capable management in place in all executive officer positions to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within ninety (90) days, the Board shall review the organizational structure and composition of the Bank's management in light of the Bank's present condition and make changes where appropriate to ensure compliance with Paragraph (1) of this Article, including additions to or deletions from current managerial positions or personnel if necessary. At a minimum, as part of, or based upon its review, the Board shall:

- (a) produce detailed written job descriptions, including responsibilities, for all executive officers;
- (b) delineate and assign specific senior executive officer positions to qualified individuals with defined duties and lines of authority sufficient to cover the scope of duties traditionally assigned to a Chief Executive Officer, Senior Lending Officer, Chief Financial Officer, and Chief Compliance Officer;
- (c) assess each of the Bank's current executive officers' experience, other qualifications and performance compared to the position's duties and lines of authority and make changes if appropriate;

- (d) evaluate Board member roles and responsibilities; and
- (e) assess the reasonableness of compensation and compensation plans with consideration given to the overall condition of the Bank at any given time.

(3) The Board's review conducted pursuant to Paragraph (2), and any managerial changes made or planned as a result, shall be documented and promptly submitted to the Assistant Deputy Comptroller for review upon completion.

(4) If the Board determines that an officer will continue in his/her position but that the officer's depth of skills needs improvement, the Board shall, within sixty (60) days following the review completed pursuant to Paragraph (2) of this Article, develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Bank. At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

(5) Upon completion, a copy of the written program developed pursuant to Paragraph (4) shall be submitted to the Assistant Deputy Comptroller for review.

(6) If a senior executive officer position is or at any time becomes vacant, the Board shall, within ninety (90) days of such vacancy, after complying with the prior notice requirements of 12 C.F.R. § 163, Subpart H, appoint a capable person to the vacant position who

shall be vested with sufficient executive authority to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility. If the Board is unable to locate an acceptable person to fill the vacancy within ninety (90) days, despite its best efforts, the Board may request an extension of time in writing from the Assistant Deputy Comptroller.

(7) Prior to entering into any contract with any person for any senior executive officer position, the Board shall submit the name and qualifications of the individual(s), the proposed terms of employment, and a copy of the contract to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Prior to submission of such contract to the Assistant Deputy Comptroller, the Board shall ensure that the contract fully complies with the requirements of all applicable laws, regulations, and regulatory guidance, including, but not limited to:

- (a) 12 C.F.R. Part 359 (Golden Parachute and Indemnification Payments);
- (b) 12 C.F.R. §§ 163.39 (Employment Contracts) and 163.161(b) (Management and Financial Policies);
- (c) 12 C.F.R. Part 30 – Appendix A, Sections II.I (Compensation, Fees and Benefits) and III (Prohibition on Compensation that Constitutes an Unsafe and Unsound Practice);
- (d) OCC Bulletin 2010-24 (Interagency Guidance on Sound Incentive Compensation Policies), dated June 21, 2010;
- (e) OTS' Examination Handbook, Section 310, "Management;" and
- (f) any applicable successor regulation or guidance as specified by the Comptroller.

Article IV

STRATEGIC, CAPITAL AND PROFIT PLAN

(1) Within ninety (90) days, the Board shall develop a written strategic plan for the Bank to include the information addressed in this Article for a period covering at least the next three-years. The strategic plan shall establish objectives and projections for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with specific strategies to achieve those objectives and, at a minimum, include:

- (a) a statement of strategic goals and objectives for the Bank;
- (b) detailed strategies designed to improve and sustain earnings based upon an assessment of the Bank's present and future operating environment, with express consideration for the Bank's non-interest expenses;
- (c) an assessment of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in Paragraph (1)(a) of this Article;
- (d) an evaluation of the Bank's staffing requirements and the policies and procedures developed pursuant to Article III ensuring adequate personnel to accomplish strategic objectives without compromising safety and soundness;
- (e) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over a three-year period. Key assumptions, including interest rate assumptions, should be documented and reviewed at least annually for reasonableness. The projections should include

stress or alternative scenarios that anticipate growth lower than targets, favorable interest rate scenarios, etc.;

- (f) benchmarks to measure progress in completing goals and objectives;
- (g) timeframes for completing each goal or objective; and
- (h) action to be taken if goals are not achieved within established timeframes.

(2) Within ninety (90) days, as part of the Strategic Plan, the Board shall develop a three year capital program that shall include:

- (a) specific plans for the maintenance of adequate capital;
- (b) an assessment of risks to capital;
- (c) establishment of appropriate minimum capital levels relative to the Bank's risk profile;
- (d) establishment of roles and responsibilities for measuring, monitoring, and reporting capital levels;
- (e) quarterly reporting to the Board detailing compliance with approved minimums;
- (f) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and balance sheet activities; and
- (g) the primary source(s) from which the bank will strengthen its capital structure to meet the Bank's needs;

(3) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and ensure Bank adherence to the capital program. The Board shall review and

update the Bank's capital program on an annual basis or more frequently if necessary. Copies of the reviews shall be submitted to the Assistant Deputy Comptroller.

(4) Within ninety (90) days, as part of the Strategic Plan, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) Identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (b) Realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (c) A budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (d) A description of the operating assumptions that form the basis for major projected income and expense components.

(5) The budgets and related documents required in paragraph (4) above for 2015 shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (4) above for each year this Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(6) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

(7) Upon adoption, a copy of the Strategic Plan and the Profit Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory

objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall promptly implement and thereafter adhere to the Strategic Plan.

(8) At least monthly, the Board shall review financial reports and earnings analyses prepared by the Bank that evaluate the Bank's performance against the goals and objectives established in the Strategic Plan, as well as the Bank's written explanation of significant differences between actual and projected balance sheets, income statements, and expense accounts, including descriptions of extraordinary and/or nonrecurring items.

(9) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan, based on the Bank's monthly reports, analyses, and written explanations of any differences between actual performance and the Bank's strategic goals and objectives, and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within ten (10) days of completing its evaluation, the Board shall submit a copy to the Assistant Deputy Comptroller.

(10) The Board shall review and update the Bank's Strategic Plan on an annual basis, or more frequently if warranted under the circumstances. Any revisions to the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall promptly implement and thereafter adhere to the revised Strategic Plan.

(11) The Bank may not initiate any action that deviates significantly from the Board-approved Strategic Plan without a written determination of no supervisory objection from the Assistant Deputy Comptroller. The Board must give the Assistant Deputy Comptroller advance,

written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(12) For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's marketing strategies, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the president, chief executive officer, chief operating officer, chief financial officer, chief credit officer, chief compliance officer, risk manager, auditor, member of the Bank's board of directors, or any other position subsequently identified in writing by the Assistant Deputy Comptroller.

(13) The Board shall ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to the policies, programs, and procedures developed pursuant to this Article.

Article V

INTERNAL AUDIT

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program covering all areas of the Bank including but not limited to consumer compliance and mortgage banking, sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures; and
- (e) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall:

- (a) develop and implement an effective risk assessment system;
- (b) ensure that the written audit plan and audit frequency correlate to the risk assessment;
- (c) review and approve the audit schedule to ensure an appropriate risk-based scope for internal audit activities;
- (d) ensure that management responses address all deficiencies identified by the audit and include a commitment to measurable corrective action;
- (e) ensure that all significant deficiencies are corrected and that management is held accountable for failure to correct audit deficiencies;

- (f) ensure that all audit reports are provided directly to the Board;
- (g) ensure that all audits are completed as scheduled;
- (h) ensure that internal audits include an audit program that clearly documents the audit scope (controls to be tested and sampling methodology) and provides an audit trail of work completed including supporting workpapers; and
- (i) evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities.

(5) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and maintain a written record describing the deficiency, the projected corrective action, and the status of the corrective action. The audit staff shall evaluate in writing the effectiveness of the corrective action and recommend additional corrective actions, as necessary.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. The OCC shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(7) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall promptly implement and thereafter ensure Bank adherence to the internal audit program.

Article VI

SERVICE AGREEMENTS WITH OUTSIDE PARTIES

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a vendor management program that is consistent with OCC Bulletin 2013-29 Third-Party Relationships: Risk Management Guidance and any subsequent OCC guidance, that includes at a minimum:

- (a) delegation of oversight responsibility for proper implementation of the Bank's vendor management program to appropriate management personnel;
- (b) ongoing Board review and monitoring of the program;
- (c) a list of all activities, functions, or responsibilities that are currently, or will be, outsourced to third-parties, identifying the parties, noting any affiliations, and describing the terms and conditions of the third party agreements;
- (d) a process to ensure third party relationships are governed by written agreements that clearly outline and document the rights and responsibilities of the parties;
- (e) a risk assessment process to identify third party service providers that perform critical activities for the Bank;
- (f) a due diligence process for selecting third-party service providers and an on-going process for monitoring third parties that require reviews of third party financial information, service and other contracts governing the relationship, and reports/attestations on third party controls;

- (g) controls to ensure transactions with affiliated third parties or Bank insiders comply with affiliate laws and regulations and do not present conflicts of interest; and
- (h) a cost-benefit analysis of the Bank's third-party relationships, that includes ongoing monitoring of third party expenses, reports analyzing direct and indirect costs of each relationship, and consideration of the Bank's in-house expertise.

Article VII

CREDIT ADMINISTRATION

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the credit risk management at the Bank. The program shall include, but not be limited to:

- (a) procedures to ensure the accuracy of risk ratings and proper and timely problem loan identification;
- (b) procedures governing the supervision and control of nonaccrual loans that:
 - (i) are consistent with the accounting requirements contained in the Call Report Instructions;
 - (ii) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when a loan is renewed or restructured;
 - (iii) address circumstances under which restructured loan (TDRs) will be maintained on accruals status;

- (iv) require the monthly presentation to the Board of all loans meeting any of the nonaccrual criteria; and
- (v) require the immediate reversal or charge off of that portion of the remaining accrued interest on such loans that, when combined with principal, is not protected by sound collateral values;
- (c) procedures to ensure an independent appraisal review process is in place;
- (d) procedures to ensure risk ratings are appropriately reflected on internal management information systems (“MIS”);
- (e) policies and procedures designed to identify, measure, monitor, and control concentrations of credit consistent with the “Concentrations of Credit” booklet of the Comptroller’s Handbook, as revised December 2011 (OCC 2011-48). The policies and procedures shall include, but not necessarily be limited to, management information systems designed to ensure timely and accurate reporting of concentrations to the Board;
- (f) procedures to ensure current financial statements are obtained and reviewed, including a global analysis of the borrower, in a timely manner;
- (g) procedures to ensure appraisals and reappraisals are obtained in a timely manner;
- and
- (h) procedures to ensure that appraisal dates are appropriately reflected on internal MIS.

(2) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank’s loan portfolio management. The program shall include, but not be limited to:

- (a) procedures that require any extension of credit (new, maturity extension, or renewal) are made only after obtaining current credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's global cash flow, debt service requirements, contingent liabilities, and global liquidity condition, including current credit reports, and only after the credit officer prepares a documented credit analysis;
- (b) procedures to ensure conformance with loan approval requirements, including obtaining updated financial information as dictated by the Bank's policy threshold;
- (c) procedures to ensure financial analyses are performed accurately and that calculations are signed and dated by the preparer and reviewer;
- (d) a description of the types of credit information required from borrowers and guarantors;
- (e) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and documenting the current valuation of any supporting collateral;
- (f) procedures to ensure exceptions to policy and credit and collateral exceptions are within levels consistent with prudential standards and internal limits (including supervisory loan to value limits);
- (g) procedures to ensure that all exceptions to the credit policy shall be clearly documented on the loan offering sheet, problem loan report, criticized asset report, and other MIS and approved by the Board or a committee thereof before the loan is funded or renewed;

(h) appropriate MIS to monitor and track financial, policy, and collateral exceptions;
and

(i) assignment of accountability for the updating and recording of exceptions and maintenance of MIS accuracy.

(3) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written policy to ensure that Other Real Estate Owned (“OREO”) is managed in accordance with 12 C.F.R. § 160.172 (Re-evaluation of real estate owned) and 12 C.F.R. Part 34 Subpart C (Appraisals). The policy shall address:

(a) responsibility and authority for OREO properties;

(b) proper accounting procedures for OREO properties from transfer to the Bank until and upon sale to a third party; and

(c) procedures to require timely appraisals pursuant to 12 C.F.R. § 160.172 and 12 C.F.R. Part 34 Subpart C;

(4) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written mortgage banking risk management program that shall include at a minimum:

(a) Board approved strategies outlining targeted growth for the mortgage banking operation, consistent with the Strategic Plan required to be developed pursuant to Article IV;

(b) detailed policies, procedures, and standards, that are reviewed periodically by management, and annually reviewed and approved by the Board, addressing loan production, loan servicing, and secondary marketing, including specific

parameters for selling loans, retaining loans, and retaining servicing rights, and specific parameters for introducing new mortgage banking products;

- (c) designated personnel, who are not involved with the loan production function, responsible for (i) the development of the policies, procedures, and standards required in paragraph (4)(b); (ii) oversight of the Bank's compliance with such policies, procedures, and standards; (iii) ongoing employee training; and (iv) providing exception tracking reports to the Board on at least a quarterly basis;
- (d) quality assurance and quality control operating policies and procedures that (i) identify the parties that will perform the review(s); (ii) specify the frequency of such review(s); (iii) specify how testing samples will be selected; (iv) specify a minimum percentage of all new mortgage originations to be tested on a monthly basis; and (v) require third party service agreements that accurately reflect the parameters of the reviews;
- (e) quarterly Board reports that enable the Board to determine whether the Bank is complying with the Board's approved risk parameters, and whether risk controls are effective, including the following:
 - (i) monthly loan quality and loan volume sold to each investor;
 - (ii) profitability analysis of the mortgage banking operation;
 - (iii) borrower debt-to-income and loan-to-value trends;
 - (iv) originations by loan purpose and product type;
 - (v) summary of denied loans;
 - (vi) investor scorecards;

- (vii) as applicable, an indemnification and repurchase report, including settlement amount and date, claim amount, and reasons/comments;
 - (viii) pre-funding Quality Assurance monthly review summary; and
 - (ix) post-funding Quality Control summary and responses.
- (f) a process by which the Board will hold management accountable for timely implementation of corrective action to address any reported deficiencies; and
- (g) appropriate accounting and reporting procedures for mortgage banking related activities, including but not limited to;
- (i) procedures to ensure the mortgage servicing asset is properly accounted for and reported pursuant to the Call Report Instructions;
 - (ii) procedures to ensure rate locks, mandatory single loan sale commitments, and loans in warehouse are correctly valued and reported pursuant to the guidance set forth in OCC Bulletin 2005-18, *Accounting and Reporting for Mortgage Loan Commitments*; and
 - (iii) procedures to ensure the second loss credit enhancement guarantee associated with the Federal Home Loan Bank's Mortgage Purchase Program is properly fair valued, reported on the Call Report, and captured in the Bank's risk-based capital calculation.

(5) Within ninety (90) days, the Board shall establish an effective, independent and on-going loan review program to review, at least semi-annually, the Bank's loan and lease portfolios to assure the timely and accurate risk rating of credits and the identification of credit information, collateral documentation, and policy exceptions. The Bank's program shall

provide for a written report to be filed with the Board after each review. Such reports shall include, at a minimum, conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the accrual status and amount of impairment reserves, if necessary;
- (c) credit information and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (f) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(6) Within thirty (30) days of receipt, the Board shall evaluate the internal loan and lease review reports and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report.

(7) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to address concerns pursuant to Paragraph (6) of this Article, shall be promptly forwarded to the Assistant Deputy Comptroller.

(8) Upon adoption, the Board shall submit a copy of all policies, procedures, and programs required by this Article, or any subsequent amendments or changes to the policies, procedures, and programs, to the Assistant Deputy Comptroller for determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure Bank adherence to the policies, procedures, and programs.

(9) The Board shall ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to the policies, programs, and procedures developed pursuant to this Article.

Article VIII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within forty-five (45) days, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance" or "ALLL") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of (i) the comments on maintaining a proper Allowance found in the "Allowance for Loan and Lease Losses" booklet of the Comptroller's Handbook; (ii) U.S. generally accepted accounting principles ("GAAP"); (iii) the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006 (OCC Bulletin 2006-47); and the instructions for reporting the Allowance on the Call Report. The program, and any revisions thereto, shall focus particular attention on the following:

- (a) an appropriate outline of the qualitative factors included in the ALLL methodology;
- (b) a requirement that the narrative accompanying the ALLL report to properly support the qualitative factors and explain why and how management uses each factor;
- (c) procedures for validating the ALLL methodology; and
- (d) procedures to ensure the ALLL methodology properly reflects losses and recoveries year-to-date and the balance remains sufficient.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is

discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) The Bank shall refile the December 31, 2014 Call Report to reflect correct losses and recoveries year-to-date.

(4) Upon adoption, the Board shall submit a copy of the policies and procedures required by this Article, or any subsequent amendments or changes to those policies and procedures, to the Assistant Deputy Comptroller for determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure Bank adherence to the policies and procedures.

(5) The Board shall ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to the policies, programs, and procedures developed pursuant to this Article.

Article IX

LIQUIDITY MANAGEMENT

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a comprehensive formal liquidity risk management policy that is consistent with the Interagency Policy Statement on Funding and Liquidity Risk Management, OCC Bulletin 2010-13, March 22, 2010. The Bank's program shall be written and shall address, at a minimum, the following requirements:

(a) a statement of the Board's overall funds management strategy;

- (b) consideration of the liquidity, maturity, and pledging status of the investment portfolio;
- (c) guidelines concerning the nature, extent and purpose of Bank borrowings, including guidelines concerning the Bank's use of brokered deposits that are consistent with the Bank's overall funds management strategies and in compliance with the brokered deposit restrictions set forth in 12 C.F.R. § 337.6;
- (d) limits on concentrations of funding sources;
- (e) procedures for Board approval of funding concentrations above the Board-established limits;
- (f) a contingency funding plan that, among other things, addresses ways to improve the Bank's liquidity position and maintain adequate sources of stable funding given the Bank's anticipated liquidity and funding needs under various crisis scenarios;
- (g) procedures for periodic testing of unused sources of liquidity and periodic review of the Bank's adherence to the policy adopted pursuant to this Article; and
- (h) adequate management reports that enable the Board and management to monitor the Bank's liquidity position on an ongoing basis and maintain liquidity at an adequate level. The reports shall include a statement of:
 - (i) cash flow gaps,
 - (ii) cash flow projections, including a statement of the critical assumptions used in the projections,
 - (iii) rollover risk,
 - (iv) asset and funding concentrations,

- (v) key early warning or risk indicators,
- (vi) funding availability,
- (vii) the status of contingent funding sources, and
- (viii) collateral usage;

(2) Upon adoption, a copy of the written policy adopted pursuant to this Article shall be forwarded to the Assistant Deputy Comptroller for determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall promptly implement and thereafter ensure Bank adherence to the policy.

Article X

INTEREST RATE RISK MANAGEMENT

(1) Within ninety (90) days, the Board shall revise, implement, and thereafter ensure Bank adherence to an interest rate risk policy that is consistent with OCC Bulletin 2010-1 Advisory on Interest Rate Risk Management and OCC Bulletin 2011-12 Supervisory Guidance on Model Risk Management. At a minimum, the interest rate risk policy shall provide for a coordinated interest rate risk strategy and shall include:

- (a) procedures to ensure the development of appropriate assumptions given the Bank's balance sheet composition and strategies;
- (b) procedures to validate the model, including independent assessments of the reasonableness of model assumptions (the first validation of the model must include back-testing to the prior model);
- (c) procedures to evaluate the appropriateness of internal controls regarding model processing;

- (d) procedures to test the Bank's interest rate risk model to compare and reconcile actual performance to simulated results including both earnings at risk and economic value of equity simulations; and
 - (e) procedures that require the Board to review and discuss, on at least a quarterly basis, the model test results developed pursuant to Paragraph (1)(d) of this Article.
- (2) Upon completion, the Board shall promptly submit a copy of the interest rate risk policy to the Assistant Deputy Comptroller.

Article XI

CONSUMER COMPLIANCE PROGRAM

(1) Within ninety (90) days of this Agreement, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written, risk-based consumer compliance program designed to ensure that the Bank is operating in compliance with all applicable consumer protection laws, rules, and regulations. This program shall include, at a minimum:

- (a) an assessment of compliance staffing and resources;
- (b) a written description of the duties and responsibilities of the Compliance Officer;
- (c) the provision of sufficient support and training for the Compliance Officer;
- (d) the provision of sufficient time to the Compliance Officer to ensure the compliance program is effective;
- (e) a review of policies and procedures to ensure they are tailored to the Bank's operation and adequately documented and shall include sufficient detail to provide guidance for employees to:

- (i) complete and document routine transactions in compliance with applicable laws and regulations; and,
 - (ii) route, review, retain, and determine specific retention periods for transaction documents;
- (f) ensure that the compliance audit program is risk based and includes sufficient testing to identify violations and areas of weakness;
- (g) audit reports that provide conclusions on:
- (i) the overall compliance program;
 - (i) compliance controls, policies, and procedures; and
 - (iii) compliance with each applicable law and regulation.
- (h) procedures for holding the Compliance Officer and Bank staff accountable for adhering to the policies and procedures relating to consumer compliance; and
- (i) comprehensive and timely training for employees responsible for consumer compliance.
- (2) Upon receiving a prior written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure Bank adherence to the program required by this Article.
- (3) The Board shall ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

Article XII

BSA INTERNAL CONTROLS

(1) Within ninety (90) days of the date of this Agreement, the Board shall revise, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to provide for compliance with the Bank Secrecy Act (“BSA”), as amended (31 U.S.C. §§ 5311 et seq.), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. §§ 21.21 and 163.180, and the rules and regulation of the Office of Foreign Assets Control (“OFAC”)(collectively referred to as the Bank Secrecy Act or BSA) and for the appropriate identification, analysis, and monitoring of transactions that pose greater than normal risk for compliance with the BSA. This program shall include but not be limited to the following:

- (a) conformance of Bank practices to the revised policies;
- (b) incorporation of BSA compliance into applicable job descriptions, performance ratings, or reviews;
- (c) a formal Suspicious Activity Reports (“SAR”) process, including verification;
- (d) segregation of duties in day-to-day monitoring of BSA compliance operations;
- (e) periodic reviews of the BSA Compliance Officer’s daily activities pertaining to BSA;
- (f) verified OFAC checks on applicable transactions and new customer identifications in addition to implementation of more specific OFAC training, which must be conducted no less than semi-annually; and
- (g) a trained back-up individual to perform daily BSA/AML monitoring in the event that the BSA Compliance Officer is absent.

(2) Upon completion, a copy of this program shall be submitted to the Assistant Deputy Comptroller for review. In the event the Assistant Deputy Comptroller recommends changes to the program, the Board shall immediately incorporate those changes into the program.

(3) The Board shall ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

Article XIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) Reference in this Agreement to provisions of statutes, regulations and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the date hereof and references to successor provisions as they become applicable.

(6) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(7) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither

the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

W. Paul Groot
Assistant Deputy Comptroller
Central Ohio Field Office

4/1/2015

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>/s/</u> Frank A. Brown	<u>4/1/2015</u> Date
<u>/s/</u> Richard Flynn	<u>4/1/15</u> Date
<u>/s/</u> Donald F. Huber	<u>4/1/15</u> Date
<u>/s/</u> Joseph R. Huber	<u>4/6/15</u> Date
<u>/s/</u> William R. O'Connor	<u>4/1/15</u> Date
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