

AGREEMENT BY AND BETWEEN
The First National Bank of Dennison
Dennison, Ohio
and
The Office of the Comptroller of the Currency

AA-CE-2024-49

First National Bank of Dennison, Dennison, Ohio (“Bank”) and the Office of the Comptroller of the Currency (“OCC”) wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency (“Comptroller”) has found unsafe or unsound practice(s), including those relating to board and management oversight, credit underwriting, and credit administration.

Therefore, the OCC, through the duly authorized representative of the Comptroller, and the Bank, through its duly elected and acting Board of Directors (“Board”), hereby agree that the Bank shall operate at all times in compliance with the following:

ARTICLE I

JURISDICTION

(1) The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. *See* 12 U.S.C. § 1 *et seq.*

(3) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within forty-five (45) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller (“ADC”) the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the ADC within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank’s compliance with the provisions of this Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

(2) Within ninety (90) days of the date of this Agreement, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

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

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the ADC within ten (10) days of the first Board meeting following the Board’s receipt of such report.

ARTICLE III

ENTERPRISE GOVERNANCE

(1) Bank management, subject to Board review and ongoing monitoring, shall continue to implement and ensure adherence to the Bank's written Enterprise Governance Action Plan.

(2) The Board shall review the effectiveness of the Enterprise Governance Action Plan at least annually, and more frequently if necessary or if required by the OCC in writing. Any update or amendment to the Enterprise Governance Plan must be submitted to the ADC for review and prior written determination of no supervisory objection. Any amendment to the Enterprise Governance Plan shall establish clear, actionable, and measurable objectives for the Board and Bank management to:

- (a) develop and implement the corrective actions outlined in the strategic action plan report to improve the Bank's credit and compliance risk management systems. The Board must monitor adherence to the strategic action plan and update the strategic action plan as needed. The strategic action plan must define consequences for failure to meet the actions and timelines in the strategic action plan;
- (b) develop and implement an effective strategic action plan to address shortfalls identified in the root cause analysis. The strategic action plan must include a timeline of when actions will be taken, assign responsible parties, and outline steps Bank management will take to validate the effectiveness and sustainability of corrective actions. The Board must monitor adherence to the strategic action plan and update the strategic plan periodically as needed. The strategic action plan

must define consequences for failure to meet the actions and timelines in the strategic action plan; and

- (c) appropriately address staffing shortfalls in credit administration, lending, and loan processing.

(3) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to any subsequent amendment to the Enterprise Governance Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Enterprise Governance Plan.

ARTICLE IV

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Within ninety (90) days of the date of this Agreement, the Bank shall revise and submit to the ADC for review and prior written determination of no supervisory objection an acceptable written credit underwriting and administration program ("Credit Underwriting and Administration Program") designed to ensure the Bank obtains and analyzes credit and collateral information sufficient to identify, monitor, and report the Bank's credit risk, properly account for loans, and assign accurate risk ratings in a timely manner. The Credit Underwriting and Administration Program shall be consistent with safe and sound banking practices.

(2) The Credit Underwriting and Administration Program shall, at a minimum, include:

- (a) a process to hold loan officers accountable for the timely collection of financial statements and ensure that the statements are reviewed upon receipt to provide adequate monitoring of borrowers;

- (b) procedures for Bank management to ensure annual reviews are completed timely, accurately, and consistently with sufficient narrative concerning financial analysis and collateral analysis, and to ensure management reports the status of annual reviews to the Board;
- (c) procedures to ensure credit administration, lending, and loan processing staff receive and demonstrate proficiency in job-specific training that includes, but is not limited to, credit analysis and loan file documentation requirements per Bank policy;
- (d) procedures to ensure loan presentations and credit analyses contain sufficient financial and collateral analysis;
- (e) procedures to ensure policies are adhered to with any exceptions noted, mitigated, tracked, and reported to the Board;
- (f) procedures to ensure loan presentations include all sources of repayment, borrower and guarantor financial trends, current economic conditions and trends, competitive pressures, and industry outlooks;
- (g) procedures to ensure adequate processes to identify and report all policy, underwriting, collateral, and financial exceptions to the Board;
- (h) procedures to identify breaches of covenants by borrowers and document waivers to exceptions and/or steps taken to enforce compliance;
- (i) policies that address acceptable loan types, terms, covenants, concentration limits, and collateral requirements and exceptions;
- (j) a description of the types of credit information required from borrowers and guarantors prior to making a loan determination, including, annual

audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;

- (k) procedures that require any extensions of credit are granted, by renewal or otherwise, only after obtaining the required credit information and adequately analyzing and documenting the borrower's and guarantor's cash flow, debt service requirements, contingent liabilities, global liquidity condition, and sensitivity analysis in support of the credit decision;
- (l) procedures to identify and track all exceptions and efforts to mitigate or cure exceptions, including but not limited to financial exceptions, collateral exceptions, policy exceptions, and underwriting exceptions. The number of loans with exceptions, and their aggregate dollar value, shall be reported to the Board on a quarterly basis. The Board shall establish aggregate exception level limits. The Bank shall consider each loan officer's exceptions in conducting periodic performance reviews and compensation decisions;
- (m) established criteria to limit the number and/or frequency of, and procedures to identify, track, and approve covenant waivers in accordance with the applicable loan agreements. The number of loans with covenant waivers, and their aggregate dollar value, shall be reported to the Board on a monthly basis;
- (n) established criteria to limit the number or frequency of, and procedures to identify, track, and approve extensions, renewals, or rewrites of existing extensions of credit. The number of loans that have been extended,

- renewed, or rewritten, and their aggregate dollar value, shall be reported to the Board on a monthly basis and documented in the Board minutes;
- (o) policies regarding the appropriateness of the capitalization of interest, which shall be prohibited unless doing so is conducted in a safe and sound manner. Refer to OCC Examining Circular 229 – Guidelines for Capitalization of Interest on Loans, and OCC Bank Accounting Advisory Series for related safe and sound principles;
 - (p) procedures for the identification of, and accounting treatment for, nonaccrual loans that are consistent with the accounting requirements contained in the appropriate FFIEC’s Instructions for Preparation of Consolidated Reports of Condition and Income;
 - (q) specific assignment of responsibility and accountability over the credit administration process to ensure the Credit Underwriting and Administration Program developed pursuant to this Article is effectively implemented;
 - (r) the Bank must review the experience level of credit administration, lending, and loan processing staff, on an annual basis, to ensure employees have the requisite knowledge to perform their duties, and must implement a plan to hire additional staff and/or provide periodic training where staffing or knowledge gaps exist;
 - (s) risk-based reviews of commercial lending relationships to support or revise current risk ratings on at least an annual basis; and
 - (t) an independent loan review process reporting directly to the Board.

(3) Effective as of the date of this Agreement, the Bank may not grant, extend, renew, alter, or restructure any loan or other extension of credit without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;
- (e) determining and documenting whether the loan complies with the Bank's loan policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
- (f) determining and documenting the customer's ability to repay the credit on the proposed repayment terms;
- (g) providing an accurate risk assessment grade and proper accrual status for each credit;
- (h) documenting, with adequate supporting material, the value of collateral; and properly perfecting the Bank's lien on it where applicable; and
- (i) obtaining the written approval of the Bank's loan committee or Board for any extension of credit greater than \$250,000.

(4) Within one hundred and twenty (120) days of the date of this Agreement, the Board shall ensure that management takes the necessary steps to ensure that all commercial

credit relationships equaling two hundred fifty thousand (\$250,000) or above are reviewed and accurately risk rated.

(5) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the revised Credit Underwriting and Administration Program or to any subsequent amendment to the Credit Underwriting and Administration Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Credit Underwriting and Administration Program. The Board shall review the effectiveness of the Credit Underwriting and Administration Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Underwriting and Administration Program as needed or directed by the OCC. Any amendment to the Credit Underwriting and Administration Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE V

INDEPENDENT LOAN REVIEW

(1) Bank management, subject to Board review and ongoing monitoring, shall continue to implement and ensure adherence to the Bank's written External Loan Review Policy.

(2) The Board shall review the effectiveness of the External Loan Review Policy at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the External Loan Review Policy as needed or directed by the OCC. Any material amendment to the External Loan Review Policy must be submitted to the ADC for review and prior written determination of no supervisory objection. Any amendment to the External Loan Review policy shall at a minimum, include:

- (a) appropriate review requirements to ensure the review is representative of the portfolio, reasonably assures that credit deterioration or other adverse trends are identified, and credit risk identification systems are effectively tested;
- (b) ensure the loan review scope is representative of the loan portfolio. The scope of loan review must be commensurate with the Bank's credit risk profile and based on, but not limited to, loans over a predetermined size, new loans and products, loans with higher risk indicators, concentrations of credit, growth, and adversely rated credits;
- (c) ensure testing of credit administration and risk identification systems includes Bank management's adherence to Board-approved policies and procedures, the accuracy of risk rating practices, compliance with applicable laws and regulations, and adherence to loan agreement covenants; and
- (d) ensure external loan review follows agreed upon procedures as outlined in the engagement letter.

(3) Within thirty (30) days of receipt, the Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action is taken upon the findings noted in the reports.

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be maintained in the books and records of the Bank.

(5) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to any subsequent amendment to the External Loan Review Policy, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall

immediately implement and thereafter ensure adherence to the Credit Underwriting and Administration Program.

ARTICLE VI

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Agreement, and shall verify that the Bank adheres to the corrective actions and they are effective in addressing the Bank's deficiencies that resulted in this Agreement.

(2) In each instance in which this Agreement imposes responsibilities upon the Board, it is intended to mean that the Board shall:

- (a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Agreement;
- (b) ensure that the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Agreement;
- (c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Agreement;
- (d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Agreement;

- (e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under the terms of this Agreement; and
- (f) address any noncompliance with corrective actions in a timely and appropriate manner.

ARTICLE VII

OTHER PROVISIONS

(1) As a result of this Agreement, pursuant to 12 C.F.R. § 5.51(c)(7)(ii), the Bank is in “troubled condition,” and is not an “eligible bank” for purposes of 12 C.F.R. § 5.3 or 12 C.F.R. § 24.2(e), unless otherwise informed in writing by the OCC.

(2) This Agreement supersedes all prior OCC communications issued pursuant to 12 C.F.R. §§ 5.3, 5.51(c)(7)(ii), and 24.2(e)(4).

ARTICLE VIII

CLOSING

(1) This Agreement is intended to be, and shall be construed to be, a “written agreement” within the meaning of 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its 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 OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

(2) This Agreement is effective upon its issuance by the OCC, through the Comptroller's duly authorized representative. Except as otherwise expressly provided herein, all references to "days" in this Agreement shall mean calendar days and the computation of any period of time imposed by this Agreement shall not include the date of the act or event that commences the period of time.

(3) The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Agreement, the Board or a Board-designee shall submit a written request to the ADC asking for the desired relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that warrant the desired relief or prevent the Bank from complying with the relevant provision(s) of the Agreement, and shall be accompanied by relevant supporting documentation. The OCC's decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(4) The Bank will not be deemed to be in compliance with this Agreement until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of

this Agreement; the corrective actions are effective in addressing the Bank's deficiencies; and the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the corrective actions requires sufficient passage of time to demonstrate the sustained effectiveness of the corrective actions.

(5) Each citation, issuance, or guidance referenced in this Agreement includes any subsequent citation, issuance, or guidance that replaces, supersedes, amends, or revises the referenced cited citation, issuance, or guidance.

(6) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to enter into this Agreement.

(7) All reports, plans, or programs submitted to the OCC pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the ADC.

(8) 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 as his duly authorized representative, has hereunto set his signature on behalf of the Comptroller.

//s// Digitally Signed, Dated: 2024.09.16

Le Vell P. Hall
Assistant Deputy Comptroller
Cleveland Office

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of The First National Bank of Dennison, Dennison, Ohio have hereunto set their signatures on behalf of the Bank.

<u>/s/</u> Greg DiDonato	<u>9-17-24</u> Date
<u>/s/</u> William Ferris	<u>9-20-24</u> Date
<u>/s/</u> Blair Hillyer	<u>9-17-24</u> Date
<u>/s/</u> Bradley Hillyer	<u>9/17/24</u> Date
<u>/s/</u> Joseph Martinelli	<u>9/20/24</u> Date
<u>/s/</u> Larry Mosher	<u>9-20-24</u> Date
<u>/s/</u> Douglas Peterman	<u>9-20-24</u> Date
<u>/s/</u> Jay Tolloti	<u>9-17-2024</u> Date
<u>/s/</u> Keith Willoughby	<u>9/17/24</u> Date
<u>/s/</u> Nichole Zesiger	<u>9-17-24</u> Date