

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.
AND

STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS FOR THE STATE OF INDIANA

INDIANAPOLIS, INDIANA

_____)	
In the Matter of)	
GRIFFITH SAVINGS BANK)	CONSENT ORDER
GRIFFITH, INDIANA)	FDIC-09-550b
(STATE CHARTERED)	
INSURED NONMEMBER BANK))	
_____)	

Griffith Savings Bank, Griffith, Indiana ("**Bank**"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("**Act**"), 12 U.S.C. § 1818(b), and under Indiana Code §§ 28-11-4-1 through 28-11-4-12, regarding hearings before the Department of Financial Institutions for the State of Indiana ("**DFI**"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("**CONSENT AGREEMENT**") with representatives of the Federal Deposit Insurance Corporation ("**FDIC**") and the DFI dated

December 3_, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law relating to Asset Quality, Management, and Earnings, the Bank consented to the issuance of a CONSENT ORDER ("**ORDER**") by the FDIC and the DFI.

The FDIC and the DFI considered the matter and determined to accept the CONSENT AGREEMENT.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Indiana Code §§ 28-11-4-1 through 28-11-4-12 have been satisfied, the FDIC and DFI **HEREBY ORDER** that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns take affirmative action as follows:

MANAGEMENT

1. (a) Within sixty (60) days from the effective date of this ORDER, the Bank's board of directors shall ensure that the Bank shall have and retain qualified management. At a minimum, such management shall include: a chief executive officer with proven ability in managing a bank of comparable size and experience in upgrading a low quality loan portfolio; a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and

quality of the Bank's loan portfolio; and a chief financial officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate risk management.

Management shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

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

(b) During the life of this ORDER, prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the

Regional Director of the FDIC Chicago Regional Office ("**Regional Director**") and the Director of the Indiana Department of Financial Institutions ("**Director**"). For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

CAPITAL

2. (a) By April 30, 2010, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("**capital ratio**") at a minimum of 8.00 percent and its level of qualifying total capital as a percentage of risk-weighted assets ("**total risk based capital ratio**") at a minimum of 12.5 percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("**Part 325**"), 12 C.F.R. Part 325.

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

LOSS CHARGE-OFF

3. As of the effective date of this Order the Bank shall

charge off from its books and records any asset classified "Loss" in the Report of Examination dated August 10, 2009 ("ROE").

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

4. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to, a written plan to reduce the Bank's risk position in each asset in excess of \$100,000 which is more than 90 days delinquent or classified "Substandard" or "Doubtful" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit any new direct or indirect extensions of credit for, or for the benefit of, borrowers classified Substandard or Doubtful, including extensions for the payment of interest, unless the Bank's Board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be signed by each Director, and incorporated in the minutes of the applicable board of directors' meeting. A copy of the

statement shall be placed in the appropriate file;

- (ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;
- (iii) Delineate areas of responsibility for loan officers;
- (iv) Establish dollar levels to which the Bank shall reduce delinquencies and classified assets within 6 and 12 months from the effective date of this ORDER; and
- (v) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the DFI.

(c) The plan required by this paragraph shall be submitted to the Regional Director and Director. Within thirty

(30) days of receipt of any comments from the Regional Director and Director the Bank shall incorporate the suggested changes and thereafter adopt, implement, and adhere to the plan.

(d) While this ORDER remains in effect, the plan shall be revised to include assets which become more than 90 days delinquent after the effective date of this ORDER or are adversely classified at any subsequent examinations.

LENDING AND COLLECTION POLICIES

5. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function, which policies shall include specific guidelines for loan renewals, extensions, and deferrals. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio.

(b) The revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall incorporate the items discussed in the ROE.

(c) The policies and revisions thereto required by this paragraph shall be submitted to the Regional Director and Director for review and comment. Within thirty (30) days of receipt of any comments from the Regional Director or Director the Bank shall incorporate any changes required by the Regional

Director or Director and thereafter adopt, implement, and adhere to the policies.

LOAN UNDERWRITING AND CREDIT ADMINISTRATION

6. (a) As of the effective date of this ORDER, the Bank will cease the practice of loan renewals, extensions, and deferrals to borrowers that do not warrant such an accommodation. In addition, the Bank will obtain credit scores on all borrowers other than borrowers with first mortgage owner-occupied loans that are current under original terms.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank will implement a system to ensure that loan underwriting and credit administration deficiencies detailed in the ROE are corrected. In addition, the Bank will obtain re-appraisals or re-evaluations of real estate collateral securing adversely classified and delinquent loans, consistent with the collateral monitoring requirements of Appendix A to Part 365, Appendix A to Part 364, and the Interagency Policy Statement on Appraisal and Evaluation Guidelines.

ALLOWANCE FOR LOANS AND LEASE LOSSES

7. Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. The minutes of the board

meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or DFI.

PROFIT PLAN AND BUDGET

8. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2010 and 2011. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The bank shall prepare, implement, and adhere to a written profit plan and budget for each calendar year for which this ORDER is in effect.

(c) Within thirty (30) days from the end of each calendar quarter following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors shall

evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(d) The plan required by this paragraph shall be submitted to the Regional Director and Director for review. Within thirty (30) days of receipt of any comments from the Regional Director or Director the Bank shall incorporate any changes required by the Regional Director or Director and thereafter adopt, implement, and adhere to the plan.

CORRECTION OF VIOLATIONS

9. Within sixty (60) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law listed on page 18 of the ROE.

PROGRESS REPORTS

10. (a) Within thirty (30) days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

(b) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Director written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with

the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Director have, in writing, released the Bank from making further reports.

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

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the DFI.

Pursuant to delegated authority.

Dated: December 14, 2009.

/s/ _____
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

/s/ _____
David H. Mills
Director
Department of Financial
Institutions for the State of
Indiana