

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

AND

STATE OF OHIO  
DEPARTMENT OF COMMERCE  
DIVISION OF FINANCIAL INSTITUTIONS

_____ )	
In the Matter of )	CONSENT ORDER
)	
THE WILMINGTON SAVINGS BANK )	FDIC-11-376b
WILMINGTON, OHIO )	
)	
(STATE CHARTERED )	
INSURED NONMEMBER BANK) )	
_____ )	

The Wilmington Savings Bank, Wilmington, Ohio ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices 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 section 1163.03 of the Ohio Revised Code, Ohio Rev. Code Ann. §1163.03, regarding the right to a notice of charges before the Ohio Division of Financial Institutions ("ODFI"), and having waived those rights, entered into a STIPULATION TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with counsel for the Federal Deposit Insurance Corporation ("FDIC") and the ODFI, dated

September 23, 2011, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices relating to asset quality and management effectiveness, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the ODFI.

The FDIC and the ODFI have considered the matter, thereby determining that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and by the ODFI under Chapter 1163 of the Ohio Revised Code have been satisfied, and accept the STIPULATION.

Therefore, the FDIC and the ODFI 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:

LENDING

1. (a) The Bank shall immediately cease and desist making loans (other than owner-occupied 1-4 family residential mortgage loans) or extending, or renewing credit in any manner unless the Bank first obtains complete and current financial information from the borrower, analyzes the borrower's financial condition, and performs a global cash flow analysis that demonstrates the borrower has the financial capacity to repay the loan in accordance with the contract. The Bank shall

maintain complete documentation in the loan file supporting the borrower's financial capacity to repay the loan. The loan file must also contain documentation that the loan has been approved by the appropriate approval authority and that the approving authority certifies that the borrower's financial capacity meets the minimum standards established in the Board-approved Loan Policy.

(b) The Bank shall immediately establish policies, procedures, and processes to ensure that current financial information is obtained, at least annually, for all borrowers whose aggregate credit exposure with the bank exceeds \$250,000 (other than owner-occupied 1-4 family residential mortgage loans). The Bank will promptly analyze the financial information and document any changes in the financial condition and repayment capacity of the borrower. The Loan Committee shall monthly review a list of borrowers failing to timely submit current financial information to the Bank, and determine what actions may be taken to procure such information. In any event, the Bank shall not extend new credit, nor renew or modify existing credits without current and complete financial information on the borrower.

MANAGEMENT STUDY

2. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall retain an independent third party acceptable to the Regional Director of the FDIC's Chicago Region ("Regional Director") and the Superintendent of the ODFI ("Superintendent") who will develop a written analysis and assessment of the Bank's management needs ("Management Study") for the purpose of providing qualified management for the Bank.

(b) The Management Study shall be developed within ninety (90) days from the effective date of this ORDER. The Management Study shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification and establishment, consistent with comments contained within the Report of Examination dated April 18, 2011 ("ROE"), of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Evaluation of senior Bank officers and senior staff members to determine whether these individuals possess the ability, experience and

other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;

- (iv) Evaluation of all Bank officer compensation, including salaries and other benefits; and
- (v) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

(c) Within thirty (30) days after receipt of the Management Study, the Bank shall formulate a plan ("Management Plan") to implement the recommendations of the Management Study.

(d) Upon its formulation, the Management Plan required by this paragraph, along with a copy of the Management Study, shall be submitted to the Regional Director and Superintendent.

### MANAGEMENT

3. (a) As of the effective date of this ORDER, the Bank shall have and maintain qualified 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, asset quality, management effectiveness, earnings, liquidity and sensitivity to market risk.

(b) During the life of this ORDER, prior to the employment of any individual as a senior executive officer, the Bank shall request and obtain the FDIC's and the ODFI's written approval. 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).

#### BOARD PARTICIPATION

4. (a) As of the effective date of this ORDER, the board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; deposit account overdrafts; new, past due, renewal, insider, charged off, concentrations of credit, and recovered loans; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews, including management's responses (to the extent not already part of committee reports); and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) 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.

(c) Within thirty (30) days from the effective date of this ORDER, the Board's Loan Committee membership shall be revised to require that the majority of the Loan Committee members be independent from the Bank's lending function.

BOARD MEMBER APPOINTMENT

5. Within sixty (60) days from the effective date of this ORDER the Bank shall increase its board of directors by the addition of two (2) independent directors with banking and/or credit experience. Thereafter, independent directors shall comprise sixty percent (60%) of the Bank's board of directors.

For purposes of this ORDER, an independent director shall be any individual who is not an officer or employee of the Bank, any subsidiary, or any of its affiliated organizations; and does not otherwise share a common financial interest with such officer or director; who is not indebted to the Bank directly or indirectly in an amount exceeding ten percent (10%) of the Bank's total Tier 1 capital and allowance for loan and lease losses (including the indebtedness of any entity in which the individual has a substantial financial interest); or who is deemed to be an independent director for purposes of this ORDER by the Regional Director and Superintendent.



## CAPITAL

6. (a) As of the effective date of this ORDER, the Bank shall maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of ten percent (10%) and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of sixteen percent (16%). 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) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop a written capital plan that identifies the risks to capital, establishes risk tolerances, and provides for contingency planning and stress testing.

## LOSS CHARGE OFF

7. As of the effective date of this ORDER the Bank shall charge off from its books and records any loan classified "Loss" in the ROE that has not been previously charged off or collected.

## PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

8. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit (including

any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the ROE or any subsequent visitations or examinations, so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful" or is listed as Special Mention in the ROE, and is uncollected, unless the Board has adopted, prior to such extension of credit, a detailed explanation of why the extension 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 meeting. A copy of the statement shall be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

9. (a) Within forty-five (45) days from the effective date of this ORDER, the Bank shall adopt, initiate, and adhere to, a written plan to reduce the Bank's risk position in each asset in excess of \$250,000, and each credit relationship aggregating more than \$250,000, which is more than ninety (90) days delinquent or classified "Substandard" or "Doubtful" in the

ROE. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest;
- (ii) Provide for thorough review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow, source(s) of repayment, current ability to repay, identification of alternative repayment sources, current value and accessibility of pledged or assigned assets, and the ability of the Bank to enhance its collateral position;
- (iii) Delineate areas of responsibility for loan officers;
- (iv) Establish aggregate 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 ODFI.

(c) A copy of the plan required by this paragraph shall be submitted to the Regional Director and Superintendent.

(d) While this ORDER remains in effect, the plan shall be revised to include assets (and credit relationships) greater than \$250,000 which become more than ninety (90) days delinquent after the effective date of this ORDER or are adversely classified at any subsequent visitations or examinations.

BOARD OF DIRECTOR APPROVAL FOR CERTAIN LOANS

10. As of the effective date of this ORDER, the Bank's board of directors or Board's Loan Committee shall approve prior to funding all secured consumer loans in excess of \$20,000, all real estate loans secured by one-to-four family owner-occupied residential homes above \$100,000, and all unsecured loans above \$10,000, initiated by the Bank.

REAPPRAISAL/REEVALUATION OF COLLATERAL SECURING ADVERSELY

CLASSIFIED LOANS

11. Within thirty (30) days from the effective date of this ORDER, the Bank shall develop, adopt, implement and adhere to a written reappraisal/reevaluation program ("Reappraisal Program")

requiring that a collateral valuation shall be performed for any secured loan listed on the Bank's internal watch list, criticized in any internal or outside audit report of the Bank, or criticized in any Report of Examination of the Bank by the FDIC or the ODFI, which has an outstanding principal balance in excess of \$200,000 and for which the existing appraisal is older than one year. Additionally, a collateral valuation shall be performed on each secured loan with an outstanding balance in excess of \$500,000 for which the existing appraisal is older than one year. Further, the Reappraisal Program will comply with collateral monitoring requirements of 12. C.F.R. Part 323, Appendix A to Part 365, Appendix A to Part 363, and the Interagency Appraisal and Evaluation Guidelines with respect to adversely classified loans.

#### ENHANCEMENT TO MANAGEMENT INFORMATION SYSTEMS

12. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement and adhere to a Management Information Systems plan ("MIS Plan") to address the MIS deficiencies identified in the ROE. At a minimum, the MIS Plan shall specifically address the following functions:

- Proper nonaccrual accounting
- Tracking of interest only loans
- Tracking of loans made to facilitate the sale of ORE

- Tracking of borrowers with delinquent real estate taxes
- Tracking of subprime borrowers
- Tracking of loans with capitalized interest
- Tracking of concentrations of credit

The MIS Plan required by this paragraph shall be submitted to the Regional Director and Superintendent.

#### LENDING AND COLLECTION POLICIES

13. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall develop, adopt and implement written lending and collection policies to provide for effective guidance and controls over the Bank's lending function, which shall include, at a minimum, policies for obtaining and maintaining adequate and current documentation for all loans in the Bank's loan portfolio, realistic payment terms, and current financial information adequate to support the debt of each borrower. Procedures for placing loans on a nonaccrual status consistent with regulations and regulatory guidance shall be developed and implemented.

(b) The revisions to the Bank's loan policies and procedures required by this paragraph, at a minimum, shall incorporate the items of concern identified and discussed within the ROE, including:

- obtaining complete loan documentation;
- quarterly loan review and asset classification process;

- strengthened collection practices;
- prohibition of capitalized interest;
- prudent limits on the renewal of interest-only loans;
- enhanced underwriting standards for unsecured loans; and
- tracking of loans to facilitate the sale of real estate owned.

(c) Copies of the policies and procedures required by this paragraph shall be submitted to the Regional Director and Superintendent upon adoption.

BOARD OF DIRECTOR REVIEW OF LOAN POLICY EXCEPTIONS

14. All loan policy exceptions must be documented, and the loan policy exceptions and the reasons for such policy exceptions must be presented to the board of directors at each board of director meeting.

ALLOWANCE FOR LOAN AND LEASE LOSSES

15. (a) 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 Federal Financial Institutions Examination Council ("FFIEC") Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC.

PROFIT PLAN AND BUDGET

16. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2011 and 2012. The plans and budgets required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, 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 written profit plans shall address, at a minimum:

- (i) Realistic and comprehensive budgets;
- (ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;



(iii) Identification of major areas in, and means by which, earnings will be improved; and

(iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) During each monthly Board meeting 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) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(e) Copies of the profit plans and budgets required by this paragraph shall be submitted to the Regional Director and Superintendent upon adoption.

PROHIBITION AGAINST THE CAPITALIZATION OF INTEREST

17. As of the effective date of this ORDER, the Bank will not capitalize interest.

RESTATEMENT OF MARCH 31, 2011 CALL REPORT AND ACCURACY OF  
FUTURE CALL REPORTS

18. Within thirty (30) days from the effective date of this ORDER, the March 31, 2011 Call Report will be restated to

reflect accurate levels of nonaccrual loans, interest income, losses, and provision expenses identified and discussed within the ROE and to properly identify and report non-accrual loans. Additionally, the bank will ensure that all future Call Reports are accurate.

#### LIQUIDITY PLAN

19. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and adopt a written contingency funding plan ("Liquidity Plan"). The Liquidity Plan shall identify sources of liquid assets to meet the Bank's contingency funding needs over time horizons of one (1) month, two (2) months, and three (3) months. At a minimum, the Liquidity Plan shall be prepared in conformance with the Liquidity Risk Management Guidance found at FIL-84-2008, the Interagency Policy Statement on Funding and Liquidity Risk Management found at FIL-13-2010 and address the items of concern identified and discussed within the ROE.

(b) A copy of the Liquidity Plan shall be submitted to the Regional Director and Superintendent upon adoption.

#### INTEREST RATE RISK

20. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and adopt a policy and

procedures for managing the Bank's sensitivity to interest rate risk ("IRR Policy"), which shall, at a minimum, address the items of concern identified and discussed within the ROE and comply with FFIEC's Advisory on Interest Rate Risk Management (FIL-2-2010, issued January 6, 2010) and the Joint Agency Policy Statement on Interest Rate Risk (FIL-52-96, issued July 12, 1996).

(b) Copies of the IRR policy and procedures shall be submitted to the Regional Director and Superintendent upon adoption.

#### CORRECTION OF VIOLATIONS

21. Within thirty (30) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations identified within the ROE.

#### QUARTERLY PROGRESS REPORTS

22. 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 Superintendent 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.

