

95134 8527

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 16th day of July, 1991, by and between NCB Savings Association, Hillsboro, Ohio ("hereinafter "NCBSA"), and the Office of Thrift Supervision ("OTS").

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of NCBSA. It is understood and agreed that this Agreement is a "written agreement" entered into with the Office of Thrift Supervision within the meaning of 12 U.S.C.A. § 1818(b)(1) and (i)(2) (West 1989).

NOW, THEREFORE, IT IS AGREED between the parties hereto as follows:

1. NCBSA shall strictly implement the provisions contained in its operating policies and procedures approved in accordance with Federal Home Loan Bank Resolution No. 88-659 (hereinafter "Resolution"), dated August 5, 1988. In addition, NCBSA shall not allow officers or directors to have negotiable order of withdrawal account overdrafts, payroll advances or loans of any kind other than owner-occupied residential home loans or fully secured deposit loans. Any other loan held by a senior officer or director shall be refinanced at another institution within 90 days of the date of this Agreement.

2. NCBSA shall, within 30 days of the date of this Agreement, establish and adopt policies and procedures in accordance with the Resolution and the applicable rules and regulations for investment activities, loan underwriting, appraisal review, and interest rate risk management. Such policies shall be submitted to the Deputy Regional Director or designee for approval.

3. NCBSA shall establish internal controls consistent with its approved loan underwriting guidelines for all loans, the Resolution, and the applicable rules and regulations, to ensure:

a. All loans are granted in accordance with the approved underwriting guidelines and the applicable rules and regulations, and any exceptions thereto, are approved by the Board of Directors or a committee thereof, and record of such approval is clearly indicated in the loan document files; and

b. All necessary and required documentation is obtained and properly maintained in the loan document files.

4. NCBSA shall underwrite loans purchased from its affiliate, National Consumer Cooperative Bank, Washington, D.C., (NCB), and any other entity consistent with its own origination guidelines and shall be acquired and maintained in accordance with the "Purchasing and Servicing Agreement," established in accordance with the Resolution, and § 563.170 of the OTS Regulations, 12 C.F.R. 563.170 (1970). Documentation of underwriting decisions shall be maintained in NCBSA files and records.

5. ~~NCBSA shall establish prudent general valuation allowances~~ in accordance with an approved policy and supported by sufficient documentation to justify the level thereof. Such allowances shall be reviewed quarterly by the board of directors.

6. NCBSA shall obtain proper approval from the Federal National Mortgage Association (FNMA) in order to continue servicing loans for FNMA.

7. All secondary market activities shall be accounted for in accordance with generally accepted accounting principles, including:

a. The proper identification of all loans held for sale, including those not ready for, but held for sale; and

b. The establishment of a valuation allowance on NCBSA's general ledger to ensure all losses are properly recognized and reported.

8. NCBSA shall prepare all Thrift Financial Reports in accordance with the prescribed instructions.

9. The loan application registers shall be completed in accordance with § 528.6 of the Bank Regulations, 12 C.F.R. 528.6, to ensure the accurate recordation of all required information.

10. Management and the Board of Directors shall perform an analysis to determine an appropriate delineated community and implement an effective program to assess and to help meet the credit needs of this delineated community in accordance with the Community Reinvestment Act.

11. NCBSA shall, within 30 days of the date of this Agreement, establish procedures, satisfactory to the Deputy Regional Director or designee to prevent the recurrence of the management abuses noted in the October 1990 OTS Report of Examination. Such procedures shall require immediate notification to the board if officers or directors of NCBSA write insufficient funds checks on accounts in the institution.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act, Federal Deposit Insurance Act or OTS Memoranda, and all such technical words or terms used in this Agreement, and undefined by said statutes, rules and regulations, shall have meanings that accord with the best custom and usage in the savings and loan industry. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

This Agreement shall remain in effect until terminated by the OTS, acting through its Deputy Regional Director. Any decision to amend or modify the Agreement is left to the discretion of the OTS Deputy Regional Director.

IN WITNESS WHEREOF, the OTS and NCBSA, by a majority of its Board of Directors, have executed this Agreement. A certified copy of the resolution of the Board of Directors of NCBSA authorizing the execution of this Agreement is attached hereto and made a part hereof.

OFFICE OF THRIFT SUPERVISION

By: 151
~~Deputy Regional Director~~
Cincinnati District Office

NCB SAVINGS ASSOCIATION
HILLSBORO, OHIO
by a majority of its directors

151
151
151
151
151
151
151
151
151

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of NCB Savings Association, Hillsboro, Ohio, hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting duly called and held on July 16, 1991, that at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of NCB Savings Association. The officers and employees of ~~NCB~~ are directed *NCBSA* and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of NCBSA this 16th day of July, 1991.

151
Secretary