FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF WISCONSIN

DEPARTMENT OF FINANCIAL INSTITUTIONS

In the Matter of COLUMBIA SAVINGS AND LOAN ASSOCIATION MILWAUKEE, WISCONSIN (STATE CHARTERED INSURED SAVINGS ASSOCIATION)	CONSENT ORDER FDIC-18-0118b

Columbia Savings and Loan Association, Milwaukee, Wisconsin ("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 or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under 12 U.S.C. § 1818(b), and under Wis. Stat. § 220.04(9), regarding hearings before the Wisconsin Department of Financial Institutions ("WDFI"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the WDFI, dated October 24, 2018, 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 or regulation relating to weaknesses in capital, asset quality, management, earnings, liquidity, and sensitivity to market risk, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the WDFI.

The FDIC and the WDFI considered the matter and decided to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Wis. Stat. § 220.04(9), have been satisfied, the FDIC and the WDFI HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

MANAGEMENT

1. (a) While this ORDER is in effect, the Bank shall have and retain 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 adequacy, asset quality, management effectiveness, earnings, liquidity, and sensitivity to interest rate risk.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and adopt an acceptable management succession plan that will provide for the orderly transfer of duties and responsibilities of senior management of the Bank. This plan shall outline the continuous training of individuals with the qualifications and abilities to manage the Bank if members of current senior management are unable to fulfil the duties of their positions.

(c) Prior to the addition of any individual to the Bank's board of directors ("Board") or the employment of any individual as a senior executive officer, the Bank shall request and obtain the FDIC's and the WDFI's written approval. For purposes of this ORDER, "senior executive officer" is defined as in 12 U.S.C. § 1831(i), and 12 C.F.R. § 303.101(b).

BOARD PARTICIPATION

2. (a) While this ORDER is in effect, the Board 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; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; reconciliation of general ledger accounts; 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 Board shall develop, adopt, and implement a program that will provide for monitoring of the Bank's compliance with this ORDER.

BOARD SUCCESSION

3. (a) While this ORDER is in effect, the Board shall be comprised of individuals who provide tangible benefits to and enhance the ongoing operations of the Bank.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and adopt an acceptable board succession plan that will provide for the orderly appointment and retention of qualified board members. This plan shall outline the continuous recruitment and identification of individuals with the qualifications and abilities to join the board if current members are unable to fulfil the duties of their positions. At a minimum prospective board members shall have demonstrated abilities and expertise in banking and one or more of these financial areas – strategic planning, expense management, income generation, budgeting, and/or capital planning consistent with the role and expertise commonly expected for directors of banks of comparable size. These directors may not be current or former employees of the Bank.

(c) While this ORDER is in effect, the Board shall have the requisite number of members as outlined in the Bank's bylaws and under Wis. Stat. § 215.50(3).

CAPITAL

4. (a) As of the effective date of this ORDER, 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 nine (9%) percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of twelve (12%) percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be calculated in accordance with 12 C.F.R. Part 325.

(b) Should the Bank be unable to reach the required capital levels specified in subparagraph (a) above, or be unable to maintain those levels, then within sixty (60) days of receipt of written direction from the Regional Director and the WDFI, the Bank shall develop, adopt, and implement a written plan to sell or merge itself into another federally insured financial institution or to otherwise immediately obtain a sufficient capital investment into the Bank to fully meet the capital requirements of this paragraph. A copy of the plan required by this paragraph shall be submitted to, and determined to be acceptable by, the Regional Director and the WDFI.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

5. (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 extension of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the April 16, 2018 Report of Examination of the Bank ("ROE"), or in any future Reports of Examination and Visitations issued by the FDIC or WDFI, 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" in the ROE or in any future Reports of Examination and Visitations issued by the FDIC or the WDFI, and is uncollected unless the Board 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 meeting. A copy of the statement shall be placed in the appropriate loan file.

<u>REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS</u>

6. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, 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 delinquent or classified "Substandard" or "Doubtful" or "Special Mention" in the ROE and from any future Reports of Examination and Visitations issued by the FDIC or the WDFI. The plan shall include, but not be limited to, provisions which:

(v) Prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;

(vi) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;

(vii) Delineate areas of responsibility for loan officers; and

(viii) Provide for the submission of monthly written progress reports to the Board for review and notation in minutes of the meetings of the Board.

(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 WDFI.

(c) The plan required by this paragraph shall be acceptable to the Regional Director and the WDFI.

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

CONCENTRATIONS OF CREDIT

7. (a) While this Order remains in effect, the Bank will adhere to the current written plan to reduce and manage each of the concentrations of credit identified within the Report of Examination in a safe and sound manner.

CREDIT ADMINISTRATION AND LOAN UNDERWRITING

8. (a) Within ninety (90) days of the effective date of this ORDER, the Bank shall undertake steps to strengthen the credit administration and loan underwriting weaknesses identified in the ROE.

OTHER REAL ESTATE

9. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall list for sale all Other Real Estate parcels identified in the ROE.

(b) Within ninety days from the effective date of this ORDER, the Bank shall obtain updated valuations for the Other Real Estate parcels identified in the ROE and in any subsequent ROE as needing such.

(c) As of the effective date of this ORDER, the Bank shall obtain updated valuations on all Other Real Estate at least biannually and account for any apparent write down immediately.

(d) As of the effective date of this ORDER, the Board shall document in its minutes the reasons for any decisions to not accept any offer of purchase on any Other Real Estate Parcel.

PROFIT PLAN AND BUDGET

10. (a) As of the effective date of this ORDER, the Bank shall maintain a current profit plan and budget for all categories of income and expense for the calendar years 2019 and 2020 and subsequent years. 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 written profit plan 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 Board 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 meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared and submitted for each calendar year for which this ORDER is in effect.

(e) Copies of the plans and budgets required by this paragraph shall be acceptable to the Regional Director and the WDFI.

(f) Any material modifications to the written profit plans and/or budgets required under this paragraph shall be submitted to the Regional Director and the WDFI for prior written approval at least thirty (30) days before implementation.

LIQUIDITY PLAN AND FUNDS MANAGEMENT PRACTICES

11. (a) As of the effective date of this ORDER, the Bank shall have and thereafter retain a minimum liquidity position of not less than eight (8%) percent of Total Assets. For purposes of this ORDER, liquidity position is defined as cash due from accounts, federal funds sold, and securities purchased under agreements to resell, marketable available-for-sale securities, and marketable held-to-maturity securities less pledged securities and normal Bank or branch cash reserves to total assets. In addition, within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written contingency funding plan ("Liquidity Plan"). The Liquidity Plan, at a minimum, shall include provisions that:

(i) Identify personnel responsible for the funds management functions within the Bank;

(ii) Establish procedures for monitoring the sources and uses of funds and identify any timeframes with potential shortfalls;

(iii) Establish a contingency funding plan that identifies available sources to increase liquid assets to meet the Bank's short-term and long-term funding needs;

(iv) Establish a target dependency ratio to limit the extent to which the Bank is funding long-term assets with non-core funding;

(v) Include provisions to fully address the liquidity issues identified in the Bank's ROE and future Reports of Examination and Visitations issued by the FDIC or the WDFI.

ALLOWANCE FOR LOAN AND LEASE LOSSES

12. From the effective date of this ORDER, and prior to the submission of all Reports of Condition and Income required by the FDIC, the Board shall review the adequacy of the Bank's allowance for loan and lease losses ("ALLL"), provide for an adequate ALLL, and thereafter maintain 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 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 WDFI.

INFORMATION TECHNOLOGY OVERSIGHT

13. (a) As of the effective date of this ORDER, the Board shall review all information technology audit reports performed by independent third parties. The review shall be performed within ninety (90) days from the date of the audit report, and notation of the review shall be documented in the minutes of the applicable Board meeting.

(b) As of the effective date of this ORDER, the Bank shall adopt a tracking report to monitor the status of findings contained in IT audit reports and IT-related findings in the ROE and subsequent ROEs. The tracking report shall be reviewed by the Board quarterly, and notation of the review shall be documented in the minutes of the applicable Board meeting.

GROWTH RESTRICTION

14. During the life of this ORDER, the Bank shall not increase its total assets by more than four (4%) percent during any calendar quarter without providing, at least thirty (30) days prior to its implementation, a growth plan to the Regional Director and the WDFI. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written approval of the Regional Director and the WDFI. In no event shall the Bank increase its total assets by more than six (6.0%) percent annually. For the purpose of this paragraph, "total assets" shall be defined as in the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income.

CORRECTION OF VIOLATIONS

15. Within ninety (90) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations listed in the ROE, and implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

INTERNAL ROUTINE AND CONTROLS

16. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a policy for the operation of the Bank in such a manner as to provide adequate internal routine and controls consistent with safe and sound banking practices.

OVERSIGHT COMMITTEE

17. (a) Within fifteen (15) days from the effective date of this ORDER, the Board shall establish a subcommittee of the board ("Oversight Committee"), a majority of the members of which are not now, and have never been, involved in the daily operations of the Bank, with the responsibility of ensuring compliance with the provisions of this ORDER. .

(b) The Oversight Committee shall monitor compliance with this ORDER, and submit a written report monthly to the entire Board. A copy of the written report, and any discussion related to the written report or this ORDER, shall be part of the minutes of the Board meeting. Copies of the monthly written report shall be submitted to the Regional Director and WDFI as part of the Progress Reports required by this ORDER. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

SENSITIVITY TO MARKET RISK

18. Within ninety (90) days from the effective date of this Order, the Bank shall formulate, adopt, and implement a revised Interest Rate Risk plan which shall fully address the comments set forth in the ROE and shall provide for the regular preparation of interest rate sensitivity reports. The reports shall document all significant assumptions made, which should be tailored to the Bank's risk characteristics.

PROGRESS REPORTS

19. 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 the WDFI written progress reports signed by each member of the Board, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

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

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 WDFI.

Pursuant to delegated authority.

Dated: October 26, 2018.

/s/
Christopher J. Newbury
Deputy Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

/s/
Cheryll A. Olson-Collins
Administrator
Division of Banking
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