

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of	)	CONSENT ORDER
	)	
THE CITIZENS BANK OF LOGAN	)	FDIC-11-233b
LOGAN, OHIO	)	
	)	
(STATE CHARTERED	)	
INSURED NONMEMBER BANK)	)	
_____	)	

The Citizens Bank of Logan, Logan, Ohio ("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 section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), 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") dated July 5, 2011, 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 capital, asset quality, management effectiveness, earnings, liquidity and sensitivity to market

risk, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC.

The FDIC 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) have been satisfied, the FDIC HEREBY ORDERS 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. As of the effective date of this ORDER, the Bank shall have and maintain qualified management. Management shall provide 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.

MANAGEMENT STUDY

2. (a) Within thirty (30) 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") 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 January 3, 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's 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 for review and comment. Within thirty (30) days of receipt of any comments from the Regional Director relating to the Management Plan, the Bank shall incorporate any changes required by the Regional Director and thereafter adopt, implement, and adhere to the Management Plan.

#### BOARD PARTICIPATION

3. (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 Committee that will provide for monitoring of the Bank's compliance with this ORDER.

#### CAPITAL

4. (a) Within ninety (90) days from 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 8.0 percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of 11.5 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) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall increase and thereafter maintain its capital ratio at a minimum of 8.5 percent and its total risk based capital ratio at a minimum of 11.5 percent.

(c) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the

circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, for their review. Any changes requested to be made in the materials by the FDIC shall be made prior to their dissemination.

(d) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

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 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" in the ROE or within any subsequent visitations or examinations conducted by the FDIC or the Ohio Division of Financial Institutions, so long as such loan or extension of credit remains classified, unless the extension of credit does not, in aggregate, exceed \$50,000 and the board of directors provides to the Regional Director, in writing, a detailed explanation of why the extension is in the best interest of the Bank.

(c) 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 listed for Special Mention in the ROE or within any subsequent visitations or examinations conducted by the FDIC or the Ohio Division of Financial Institutions, so long as such loan or extension of credit remains listed for Special Mention,

unless the board of directors provides to the Regional Director, in writing, a detailed explanation of why the extension is in the best interest of the Bank

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

6. (a) As of the effective date of this ORDER, the Bank shall charge off from its books and records any asset classified as "Loss" in the ROE, and in any subsequent visitations or examinations.

(b) Within sixty (60) 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 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, unless the board of directors provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;
- (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 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.

(c) 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.

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

(e) While this ORDER remains in effect, the plan shall be revised to include assets 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.

LENDING AND COLLECTION POLICIES

7. (a) Within ninety (90) 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, as well as procedures for placing loans on a nonaccrual basis consistent with regulations and regulatory guidance.

(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 loan grading, loan review, and loan modification.

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

ALLOWANCE FOR LOAN AND LEASE LOSSES

8. (a) Within thirty(30)days from the effective date of this ORDER the Bank shall, to the extent it has not already done so, increase its Allowance for Loan and Lease Losses

("ALLL") by \$3,022,000, and make any necessary restatements to previously filed Reports of Condition and Income.

(b) 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.

CONCENTRATIONS OF CREDIT

9. (a) Within sixty (60) days from the effective date of this ORDER, the Bank will develop, adopt and implement a written plan to reduce the loan concentration of credit identified in the ROE. In addition, such plan shall also provide for the development of procedures to restrict the creation of new concentrations and shall ensure that commercial unsecured lending does not exceed eighty percent (80.0%) of Tier 1 capital and that total unsecured lending does not exceed one hundred-twenty five percent (125.0%) of Tier 1 capital. The written plan shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce the concentration; and
- (ii) Provision for the submission of monthly written progress reports to the Bank's board of directors for review and notation in the minutes of the board of directors' meetings.

(b) A copy of the plan required by this paragraph shall be submitted to the Regional Director upon its adoption.

DIVIDEND RESTRICTION

10. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director.

PROFIT PLAN AND BUDGET

11. (a) Within ninety (90) 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 upon adoption.

#### CORRECTION OF VIOLATIONS

12. Within sixty (60) 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.

## LIQUIDITY PLAN

13. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and submit to the Regional Director for review and comment, 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) Within thirty (30) days from receipt of any comments from the Regional Director, and after revising the Liquidity Plan as necessary, the Bank shall adopt the Liquidity Plan, which adoption shall be recorded in the minutes of the board of directors' meeting at which such plan is adopted. Thereafter, the Bank shall implement and adhere to the Liquidity Plan.

(c) A copy of the Liquidity Plan required by this paragraph shall be submitted to the Regional Director upon its adoption.

INTEREST RATE RISK

14. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and submit to the Regional Director for review and comment, 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-2-1020, issued January 6, 2010) and the Joint Agency Policy Statement on Interest Rate Risk (FIL-52-96, issued July 12, 1996).

(b) Within thirty (30) days from receipt of any comments from the Regional Director, and after revising the IRR Policy as necessary, the Bank shall adopt the IRR Policy, which adoption shall be recorded in the minutes of the board of directors' meeting at which such plan is adopted. Thereafter, the Bank shall implement and adhere to the IRR Policy.

NOTIFICATION TO SHAREHOLDERS

15. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

QUARTERLY PROGRESS REPORTS

16. 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 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.

This ORDER shall be effective on the date of its issuance by the FDIC.

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.

Pursuant to delegated authority.

Dated: July 6, 2011.

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