

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 1st day of June, 2011 (Effective Date), by and through the Board of Directors (Board) of Mutual FSB, a FSSB, Sidney, Ohio, OTS Docket No. 04519 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director);

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Association is subject to examination, regulation and supervision by the OTS; and

WHEREAS, based on its examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound practices; and

WHEREAS, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the October 18, 2010 Report of Examination (2010 ROE), the Association and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on May 19, 2011, the Association's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Business and Capital Plan.

1. By June 30, 2011, the Association shall submit to the Regional Director an updated business and capital plan for the period beginning July 1, 2011 through December 31, 2013 (Business and Capital Plan). At a minimum, the Business and Capital Plan shall conform to applicable laws, regulations, and regulatory guidance and include:

- (a) establishment of a minimum Tier 1 (Core) Capital Ratio and Total Risk-Based Capital Ratio commensurate with the Association's risk profile;
- (b) specific strategies for maintaining the capital ratios of the Association to Board established targets;
- (c) monthly cash flow projections for the Association for the period covered by the Business and Capital Plan that identify both the sources of funds and the expected uses of funds;
- (d) quarterly pro forma financial projections (balance sheet and income statement), including Tier 1 (Core) and Total Risk Based Capital Ratios, for the period covered by the Business and Capital Plan;
- (e) strategies to stress-test and adjust earnings forecasts based on continuing operating results, economic conditions, and credit quality of the loan portfolio; and
- (f) identification of all relevant assumptions made in formulating the Business and Capital Plan and a requirement that documentation supporting such assumptions be retained by the Association.

2. Upon receipt of written notification from the Regional Director that the Business and Capital Plan is acceptable, the Association shall implement and adhere to the Business and Capital Plan. A copy of the Business and Capital Plan shall be provided to the Regional Director

within five (5) days after Board approval.

3. Any material modifications¹ to the Business and Capital Plan shall receive the prior, written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

4. By March 31, 2012, and each March 31st thereafter, the Business and Capital Plan shall be updated and submitted to the Regional Director pursuant to Paragraphs 1 and 2 above incorporating the Association's budget plan and profit projections for the next two (2) fiscal years taking into account any revisions to the Association's loan, investment and operating policies.

Business and Capital Plan Variance Reports.

5. Within sixty (60) days after the close of each quarter, after implementation of the Business and Capital Plan, the Board shall review written quarterly variance reports on the Association's compliance with the Business and Capital Plan (Variance Reports). The Variance Reports shall:

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business and Capital Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken by the Association to address identified variances.

¹ A modification shall be considered material under this Paragraph if the Association: (a) plans to engage in any activity that is inconsistent with the Business and Capital Plan; or (b) exceeds the level of any activity contemplated in the Business and Capital Plan by more than ten percent (10%).

6. A copy of each Variance Report shall be provided to the Regional Director within five (5) days after review by the Board.

Concentrations of Credit.

7. Within sixty (60) days, the Association shall revise its written program for identifying, monitoring, and controlling risks associated with concentrations of credit (Credit Concentration Program) to ensure that it addresses all corrective actions set forth in the 2010 ROE relating to concentrations of credit. The Credit Concentration Program shall comply with all applicable laws, regulations and regulatory guidance and shall:

- (a) contain specific review procedures and reporting requirements, including written reports to the Board, designed to identify, monitor, and control the risks associated with concentrations of credit and periodic market analysis for the various property types and geographic markets represented in its portfolio; and
- (b) contain a written action plan, including specific time frames, for bringing the Association into compliance with its concentration of credit limits.

8. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending September 30, 2011, the Board shall review the appropriateness of the Association's concentration limits given current conditions and the Association's compliance with its Credit Concentration Program, including the written action plan to revise the current level of concentrations. The Board's review of the Association's Credit Concentration Program shall be documented in the Board meeting minutes.

Problem Assets.

9. Within thirty (30) days, the Association shall develop individual written specific workout plans for each adversely classified loan or group of loans to individual relationships greater than

two hundred and fifty thousand dollars (\$250,000) (Asset Workout Plans).

10. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending June 30, 2011, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

- (a) the current status of all Asset Workout Plans;
- (b) the ratio of classified assets to Tier 1 (Core) capital plus ALLL;
- (c) a comparison of classified assets at the current quarter end with the preceding quarter;
- (d) a discussion of the actions taken during the preceding quarter to reduce the Association's level of adversely classified loans; and
- (e) any recommended revisions or updates to individual Asset Workout Plans.

11. Within fifty (50) days after the end of each quarter, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

Allowance for Loan and Lease Losses.

12. Within thirty (30) days after the end of each quarter, beginning with the quarter ending June 30, 2011, the Association shall analyze the adequacy of its ALLL and the documentation supporting its ALLL for consistency with its ALLL Policy (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report, including but not limited to, all qualitative factors considered in determining the adequacy of the Association's ALLL, shall be fully documented in the Board meeting minutes. The Association shall maintain an adequate ALLL that is appropriate considering the Financial Account Standards Board, Accounting Standard

Codification (ASC) 450 (formerly known as FAS 5) and ASC 310 (formerly known as FAS 114), the results of the Association's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure on significant credits, concentrations of credit, and present and prospective economic conditions. Any deficiency in the ALLL shall be remedied by the Association in the quarter in which it is discovered and before the Association files its Thrift Financial Report (TFR) with the OTS.

Growth.

13. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written non-objection of the Regional Director.

Golden Parachute Payments.

14. Effective immediately, the Association shall not make any golden parachute payment² unless, with respect to such payment, the Association has complied with the requirements of 12 C.F.R. Part 359.

Directorate and Management Changes.

15. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

16. Effective immediately, the Association shall not enter into any new contractual arrangement or renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides

² The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such Senior Executive Officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Third Party Contracts.

17. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association³ or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in OTS Thrift Bulletin 82a; and (b) received written notice of non-objection from the Regional Director.

Dividends and Other Capital Distributions.

18. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the

³ A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

Transactions with Affiliates.

19. Effective immediately, the Association shall not engage in any new transaction with an affiliate unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

Effective Date.

20. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

21. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

22. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

Submissions and Notices.

23. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

24. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery

by messenger) addressed as follows:

(a) **To: the OTS**

Regional Director
Office of Thrift Supervision
One South Wacker Drive, Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5001

(b) **To: the Association**

Chairman of the Board
Mutual FSB, a FSSB
121 South Ohio Avenue
Sidney, Ohio 45365
Facsimile: (937) 492-8910

25. Following the Transfer Date,⁴ all submissions, requests, communications, consents or other documents relating to this Agreement shall be directed to the Comptroller of the Currency, or to the individual, division, or office designated by the Comptroller of the Currency.

No Violations Authorized.

26. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

27. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

28. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 27 above,

⁴ See Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, § 311, 124 Stat. 1520 – 21 (2010).

and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

29. The laws of the United States of America shall govern the construction and validity of this Agreement.

30. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

31. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

32. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

33. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

34. This Agreement is a "written agreement" entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

Signature of Directors/Board Resolution.

35. Each Director signing this Agreement attests that he or she voted in favor of a Board

Resolution authorizing the consent of the Association to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

MUTUAL FSB, a FSSB
Sidney, Ohio

OFFICE OF THRIFT SUPERVISION

_____/s/
Garry D. Kleer, Chairman

By:_____/s/
Daniel T. McKee
Regional Director, Central Region

_____/s/
Douglas L. Barhorst, Director

_____/s/
Nicholas L. Bensman, Director

_____/s/
John K. Freytag, Director

_____/s/
Randy A. Herron, Director

_____/s/
Lindley S. Mann, Director

_____/s/
Dean W. Weinert, Director