

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

_____)	
In the Matter of)	
)	
CITIZENS SAVINGS BANK AND)	
TRUST COMPANY)	CONSENT ORDER
NASHVILLE, TENNESSEE)	
)	FDIC-22-0097b
)	
(INSURED STATE NONMEMBER BANK))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Citizens Savings Bank and Trust Company, Nashville, Tennessee (“Bank”), under Section 3(q)(2) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q)(2).

The Bank, by and through its duly elected and acting board of directors, has executed a “STIPULATION TO THE ISSUANCE OF A CONSENT ORDER” (“STIPULATION”), dated November 9, 2022, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to weaknesses in capital, asset quality, liquidity, and earnings, to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

MANAGEMENT – BOARD SUPERVISION

1. During the term of this ORDER, the Bank’s board of directors shall increase its participation in the affairs of the Bank by assuming full responsibility for the approval of the Bank’s policies and objectives and for the supervision of the Bank’s management, including all

the Bank's activities. The Board's participation in the Bank's affairs shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the board: new, overdue, renewed, insider, charged-off, delinquent, nonaccrual, and recovered loans; operating policies; and individual committee actions. The Bank's board of directors' minutes shall document the Board's reviews and approvals, including the names of any dissenting directors.

CONFLICTS OF INTEREST

2. (a) Within 90 days of the effective date of this ORDER, the Bank shall develop a Conflicts of Interest Policy. At a minimum, the Conflicts of Interest Policy shall require that all Bank employees and directors disclose potential conflicts of interest involving the Bank's affairs and abstain from decision making or voting on Bank proposals that involve a related business interest; family member; or other relationship that creates a conflict of interest.

(b) The Conflicts of Interest Policy shall be submitted to the Regional Director for review and comment. Within 30 days after receipt of any such comments from the Regional Director and after adoption of any recommended changes, the Bank shall approve and implement the written Conflicts of Interest Policy.

(c) The Board shall require mandatory conflicts of interest training for all Board members and staff (managers and employees) of the Bank once the Conflicts of Interest Policy is finalized.

MANAGEMENT

3. (a) During the term of this ORDER, the Bank shall have and retain qualified management. The Directorate should ensure each member of management possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The Directors should ensure management personnel are evaluated on their ability to:

- (1) Comply with the requirements of the ORDER;
- (2) Operate the Bank in a safe and sound manner;
- (3) Comply with applicable laws and regulations;
- (4) Restore all aspects of the Bank to a safe and sound condition; and
- (5) Ensure the respective executive officers have the ability to perform their entire roles and responsibilities, and have the educational and experience levels to do this.

At least annually, the Board shall document an evaluation of the Bank's management team in written form as related to the above items.

(b) Within 120 days of the effective date of this ORDER, the Bank shall hire or appoint an individual independent of the credit origination process to oversee all aspects of credit administration. This individual shall be an officer of the bank at the level of vice president or above and should have demonstrated ability to perform the following functions:

- (1) Maintaining accurate and supported Classified Asset Reduction Plans, Allowance for Loan and Lease Losses analysis, and Watch Lists;
- (2) Ensuring compliance with Board approved policies, identifying exceptions to those policies, and reporting such to the Board;
- (3) Implementing procedures to comply with governing laws and regulations;
- (4) Ensuring that regulatory enforcement actions related to lending are appropriately addressed;

- (5) Instituting financial analysis and global cash flow coverage calculations;
- (6) Identifying when loan grades should be changed and reporting those changes to the Board; and
- (7) Verifying that a system is in place to maintain required records of credit committee meetings and actions.

(c) Within 120 days after the effective date of this ORDER, the Directorate should ensure that the Bank's chief credit officer completes training in the credit administration area, including oversight of the Allowance for Loan and Lease Losses.

BUSINESS PLAN

4. While this ORDER is in effect, the Bank shall not enter into any new line of business without the prior written consent of the Regional Director.

APPARENT VIOLATIONS

5. Within 90 days after the effective date of this ORDER, the Bank shall address any apparent violations and non-conformance with appendices to regulations noted in the May 17, 2021 Report of Examination.

CAPITAL MAINTENANCE

6. (a) During the term of this ORDER, the Bank shall, after establishing an Allowance for Loan and Lease Losses consistent with accounting and regulatory guidelines, maintain a Tier 1 Leverage Capital ratio equal to or greater than 8.50 percent; and shall maintain a Total Capital ratio equal to or greater than 11.50 percent. Any increase in the Bank's Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The direct contribution of cash subsequent to May 17, 2021, by the directors or shareholder of the Bank; or
- (3) Receipt of an income tax refund or the capitalization subsequent to May 17, 2021, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (4) Any other method approved by the Regional Director.

(b) If the Bank fails to maintain such ratios during the term of this ORDER the Bank shall, within 30 days, present to the Regional Director a capital plan (“Capital Plan”) to increase the Bank’s Tier 1 Capital or to take other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director responds to the Capital Plan, the Bank’s board of directors shall adopt the Capital Plan, including any modifications or amendments requested by the Regional Director.

(c) The Capital Plan must include a contingency plan (“Contingency Plan”) that shall include a plan to sell or merge the Bank in the event that the Bank:

- (1) Fails to maintain the minimum capital ratios required by the ORDER,
- (2) Fails to submit an acceptable Capital Plan, or
- (3) Fails to implement or adhere to a Capital Plan to which no written objection was provided by the Regional Director. The Bank shall be required to implement the Contingency Plan only upon written notice from the Regional Director.

(d) For purposes of this ORDER, all terms relating to capital shall be calculated

according to the methodology set forth in Part 324 of the FDIC's Rules and Regulations, 12 C.F.R. Part 324.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

7. (a) During the term of this ORDER, the Bank shall maintain a written plan to reduce the remaining assets classified Doubtful and Substandard as of May 17, 2021, ("Classified Asset Plan"). The Classified Asset Plan shall address each asset so classified with a balance of \$200,000 or greater. The Classified Asset Plan shall include any classified assets identified subsequent to the May 17, 2021 examination by the Bank internally or by the FDIC in a subsequent visitation or examination. For each identified asset, the Classified Asset Plan should provide the following information:

- (1) The name under which the asset is carried on the books of the Bank;
- (2) Actions to be taken in order to reduce the classified asset; and
- (3) Time frames for accomplishing the proposed actions.

The Classified Asset Plan shall also include, at a minimum:

- (1) A review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
- (2) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Bank's Classified Asset Plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the Classified Asset Plan shall

contain a provision requiring the submission of monthly progress reports to the Bank's board of directors and a provision mandating a review by the Bank's board of directors.

(b) The Bank shall present the Classified Asset Plan to the Regional Director for review. Within 30 days after the Regional Director's response, the Classified Asset Plan, including any requested modifications or amendments shall be adopted by the Bank's board of directors which approval shall be recorded in the minutes of the meeting of the Bank's board of directors. The Bank shall then immediately initiate measures detailed in the Classified Asset Plan to the extent such measures have not been initiated.

(c) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future visitation or examination conducted by the FDIC. The Bank shall also update the Classified Asset Plan as needed to reflect any assets subsequently classified as Doubtful or Substandard by the Bank internally or by the FDIC.

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

8. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit has been classified Loss by the FDIC as the result of its examination of the Bank, either in whole or in part, and is uncollected, or to 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 and remains uncollected.

(b) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose extension of credit is classified Doubtful and/or Substandard by the FDIC as the result of its examination of the Bank, either in

whole or in part, and is uncollected, unless the Bank's board of directors has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable board of directors meeting.

(c) The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

LOAN COMMITTEE AND LOAN REVIEW REQUIREMENTS

9. (a) During the term of this ORDER, the Bank's board of directors shall maintain a loan review committee to periodically oversee the process of identifying, reviewing, and categorizing problem credits. The committee shall review and approve the Bank's internal problem loan report and ensure that loan grades are reflected consistently across all internal reports which include loan grading information. The loan review committee shall file a report with the board of directors at each board meeting. The loan review committee's report to the board shall include the following information:

- (1) The overall quality of the loan portfolio;
- (2) The identification, by type and amount, of each delinquent loan;
- (3) Any changes in loan grades since the prior report;
- (4) Any new loans or changes in loan terms for insider loans;
- (5) The identification of all loans not in conformance with the Bank's lending policy or formal credit standards; and
- (6) A copy of the Bank's internal watch list which has been reviewed by the loan review committee and updated as needed.

(b) At least three members of the loan review committee shall be directors not employed in any capacity by the Bank other than as a director.

LOAN POLICY

10. Within 90 days after the effective date of this Order, the Bank shall update the written Loan Policy. At a minimum, this update shall address the following:

(a) Underwriting criteria and measures for each loan product;

(b) Identification and Board approval of Loan Policy exceptions for loans subject to Board approval;

(c) For loans not requiring Board approval, monthly reporting and review of exceptions to the Loan Policy; and

(d) Requiring that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O, 12 C.F.R. Part 215 and Section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3.

CONCENTRATIONS

11. (a) Within 90 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director for review and comment a written plan ("Concentration Reduction Plan") to manage the Industry Asset Concentration detailed in the Report. The Concentration Reduction Plan shall include, but not be limited to:

(1) Strategies and procedures to accomplish the goals set forth in this provision;

- (2) Quarterly targets expressed in dollars and as a percent of Tier 1 Capital plus the Allowance for Loan and Lease Losses; and
- (3) Provisions 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 Bank's board of directors.

(b) After the Regional Director has responded to the Concentration Reduction Plan, the Bank's board of directors shall adopt the Concentration Reduction Plan as amended or modified by the Regional Director. The Concentration Reduction Plan shall be implemented immediately to the extent that the provisions of the Concentration Reduction Plan are not already in effect at the Bank.

PROGRESS REPORTS

12. Within 45 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director written progress reports detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has released, in writing, the Bank from making further reports.

NOTIFICATION TO SHAREHOLDERS

13. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Disclosure Section,

Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC, the Tennessee Department of Financial Institutions, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of 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.

Issued pursuant to delegated authority.

Dated this 9th day of November 2022.

_____/s_____
Kristie K. Elmquist
Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation