UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

OHIO DIVISION OF FINANCIAL INSTITUTIONS
COLUMBUS, OHIO

Written Agreement by and among	
METAMORA BANCORP, INC. Metamora, Ohio	
THE METAMORA STATE BANK Metamora, Ohio	
FEDERAL RESERVE BANK OF CLEVELAND Cleveland, Ohio	Docket Nos. 02-25-WA/RB-HC 02-25-WA/RB-SM
and	
OHIO DIVISION OF FINANCIAL INSTITUTIONS Columbus, Ohio	

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of Metamora Bancorp, Inc., Metamora, Ohio ("Metamora"), a registered bank holding company, and its subsidiary bank, The Metamora State Bank (the "Bank"), Metamora, Ohio, a state chartered bank that is a member of the Federal Reserve System, Metamora, the Bank, the Federal Reserve Bank of Cleveland (the "Reserve Bank"), and the Ohio Division of Financial Institutions (the "Division") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on December 10, 2002, the boards of directors of Metamora and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Fred G. Mossing, president and chief executive officer, to enter into this Agreement on behalf of Metamora and the Bank, and consenting to compliance by Metamora and the Bank, their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u) and 1818(b)(3)), and the Bank's regulated persons, as defined in Ohio Revised Code section 1121.01(A), with each and every applicable provision of this Agreement.

NOW, THEREFORE, Metamora, the Bank, the Reserve Bank, and the Division agree as follows:

Management Review

1. (a) Within 10 days of this Agreement, the boards of directors of Metamora and the Bank shall jointly retain an independent consultant acceptable to the Reserve Bank and the Division to conduct a review of the composition and structure of the Bank's management and board of directors (the "Review"), and to prepare a written report of findings and recommendations (the "Consultant's Report"). The primary purpose of the Review shall be to aid in the development of a board and management structure suitable to the needs of the Bank that is adequately staffed by qualified and trained personnel. The terms of the contract with the consultant shall require that the Review be completed and the Consultant's Report submitted to the boards of directors of Metamora and the Bank within 60 days of retention of the independent consultant. The Review shall, at a minimum, address, consider, and include:

(i) The identification of the type and number of officer positions needed to manage and properly supervise the Bank's affairs;

(ii) the identification and establishment of board of directors committees that are needed to provide guidance and oversight to Bank management;

(iii) an evaluation of each Bank officer to determine whether the individual possesses the ability, experience, and other qualifications required to competently perform present and anticipated duties, including the ability to provide appropriate oversight of the lending, audit, and interest rate risk management functions, to adhere to established policies and procedures, to restore and maintain the Bank to a safe and sound condition, and to comply with the requirements of this Agreement; and

(iv) a plan to recruit, hire, or appoint additional or replacement personnel with the requisite ability, experience, and other qualifications required to competently perform their assigned duties.

(b) Within 30 days of receipt of the Consultant's Report, Metamora and the Bank shall jointly submit to the Reserve Bank and the Division a written management plan (the "Management Plan") that fully addresses the findings and recommendations of the Consultant's Report and describes the specific actions that the boards of directors of Metamora and the Bank propose to take in order to strengthen the Bank's management and improve its board of directors' supervision over the Bank's officers.

(c) The Management Plan shall also provide for orderly management succession and, at a minimum, shall identify the individual(s) at the Bank who are considered to have the potential for advancement or promotion, the area(s) in which such individual(s) may assume new duties or responsibilities or the position(s) to which they may be promoted, and the training to be provided such individual(s) to ensure adequate successor management.

(d) In appointing any new officers or directors, Metamora and the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. 1831i) and Subpart H of Regulation Y of the Board of Governors.

(e) Metamora and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. 1828) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Loan Policy

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division acceptable written loan policies and procedures that address the deficiencies noted in the combined report of bank holding company inspection and bank examination conducted by the Reserve Bank in August 2002 (the "Report of Examination"). The policies and procedures shall, at a minimum, address, consider, and include:

(a) Underwriting standards that require loan officers to assess the financial condition of the borrower, the value of supporting collateral, the financial strength of the guarantor, and the relevance of and compliance with financial covenants;

(b) a complete description of the required loan documentation and collateral for each specific type of loan, and a requirement for the maintenance of such documentation in the loan files;

(c) procedures for renewing, extending, consolidating, or modifying existing loans, including documentation of the basis for each renewal, extension, consolidation or modification, and limits on capitalizing interest;

(d) annual approval by the Bank's board of directors of all officer lending authority, including specified limits for secured and unsecured lending;

(e) procedures for the pre-approval by the Bank's board of directors of all loans in excess of individual officer lending authority;

(f) guidelines for approval by the loan committee of policy exception loans;

(g) a description of the detailed information to be provided to the Bank's loan committee and board of directors to assist the directors in making informed decisions on proposed credits; and

(h) a requirement that the Bank obtain a fair value evaluation or appraisal from a board-approved and certified appraiser for all "other real estate owned" property prior to foreclosure.

Loan Review

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written loan review program. The program shall be designed to identify, categorize, and monitor problem credits, to assess the overall quality of the Bank's loan portfolio, and to address the loan review deficiencies described in the Report of Examination. The program shall, at a minimum, address, consider, and include the following:

(a) A description of the risk grades to be assigned to each loan;

(b) the designation of the individuals responsible for determining loan grades;

(c) identification of the scope and frequency in which grades will be assigned;

(d) the requirements outlined in Attachment I of the Interagency Policy Statement on the Allowance of Loans and Lease Losses, issued December 21, 1993, addressing the minimum requirements of loan review and credit grading systems;

(e) procedures to confirm the accuracy of all risk grades assigned by the Bank's loan officers; and

(f) periodic reporting to the Bank's board of directors of the status of the loan reviews and the action(s) taken by management to improve the Bank's position on each loan adversely graded.

Allowance for Loan and Lease Losses

4. (a) The Bank shall maintain, through charges to current operating income, an adequate valuation reserve for loan losses. The adequacy of the reserve shall be determined in light of the volume of criticized loans, the level of past due and nonperforming loans, past loan loss experience, evaluation of the probable losses in the Bank's loan portfolio (including the potential for the existence of unidentified losses in loans adversely classified), the imprecision of loss estimates, the requirements of the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated December 21, 1993 and July 2, 2001, and examiners' criticisms noted in the Report of Examination. Within 60 days of this Agreement, the Bank shall submit a description of the reserve methodology to the Reserve Bank and the Division. Thereafter, at a minimum on a calendar quarterly basis, the Bank shall conduct an assessment of its loan loss reserve and, within 30 days of the end of each calendar quarter, shall submit to the Reserve Bank and the Division the quarterly assessment, including the methodology used in determining the amount of the loan loss reserve for that quarter. The Bank shall maintain for subsequent supervisory review documentation to support the methodology used for each quarterly assessment.

Capital

5. Within 90 days of this Agreement, Metamora and the Bank shall jointly submit to the Reserve Bank and the Division an acceptable plan to achieve and, thereafter, to maintain sufficient capital at the Bank. The plan shall, at a minimum, address and consider:

(a) The current and future capital requirements of the Bank, particularly in view of:

(i) the volume of adversely classified assets at the Bank;
(ii) the adequacy of the Bank's loan loss reserve;
(iii) the adequacy of the Bank's loan review program;
(iv) the risk profile of the Bank's asset and liability structure; and
(v) Bank loans sold with recourse that contain provisions for default or nonperformance;

(b) the requirements of the Capital Adequacy Guidelines of the Board of Governors for State Member Banks: Risk Based Measures and Tier 1 Leverage Measure (12 C.F.R. Part 208, App. A and B);

(c) the source and timing of additional funds needed to fulfill all current and future capital needs of the Bank; and

(d) the requirements of section 225.4(a) of the Regulation Y of the Board of Governors that Metamora serve as a source of strength to the Bank.

Market Risk

6. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written program to effectively identify, measure, monitor, and manage the Bank's market risk exposure that satisfies the requirements of the Joint Interagency Policy Statement on Interest Rate Risk dated May 23, 1996.

Funds Transfer

7. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division acceptable written policies and procedures designed to strengthen the electronic funds transfer function.

Audit

8. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written internal audit program that is suitable for the Bank's risk profile. The program shall, at a minimum, address, consider, and include:

(i) Generally accepted auditing standards, including, without limitation, the scope and frequency of audits and periodic reporting to the Bank's board of directors;
(ii) direct lines of reporting between the auditors and the Bank's board of directors;
(iii) periodic review of the Bank's internal controls and information technology function; and
(iv) corrective steps that address the criticisms of the audit function set forth in the Report of Examination.

(b) With regard to the Bank's external audit function:

(i) Within 20 days of this Agreement, the Bank shall engage an independent public accounting firm, acceptable to the Reserve Bank and the Division, to conduct a full scope audit of the Bank that shall be completed no later than March 31, 2003 and issue an opinion on the quality of the Bank's financial statements, in accordance with generally accepted accounting principles, and the adequacy of the Bank's internal controls as of December 31, 2002;
(ii) within 15 days of engaging the independent firm, the Bank shall submit to the Reserve Bank and the Division an acceptable engagement letter governing the scope and terms of the audit.
(iii) within 10 days of receipt of the independent accounting firm's audit report and any management letter, the Bank shall provide the Reserve Bank and the Division with a copy of the audit report and management letter;
(iv) within 45 days of the receipt of the audit report and management letter, the Bank shall provide the Reserve Bank with an acceptable written plan to correct all deficiencies noted in the audit report or management letter; and
(v) during the term of this Agreement, or unless otherwise released in writing by the Reserve Bank and Division, an independent external audit of the Bank shall be conducted annually and the results submitted to the Reserve Bank and the Division within 90 days of the end of each calendar year.

Compliance with Laws and Regulations

9. The Bank shall immediately take all necessary steps consistent with sound banking practices to correct all violations of laws and regulations set forth in the Report of Examination. In addition, the Bank's board of directors shall take necessary steps to ensure future compliance with all applicable laws and regulations.

Dividends

10. (a) Metamora and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the Division. All requests for prior approval shall be received by the Reserve Bank and the Division at least 30 days prior to the proposed dividend declaration date and shall contain, but not be limited to, current and projected information on earnings, cash flow, capital, asset quality, and loan loss reserve needs of Metamora and the Bank.

(b) Metamora shall not take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the Division.

Debt and Stock Redemption

11. (a) Metamora shall not, directly or indirectly, increase any debt without the prior written approval of the Reserve Bank and the Division. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Metamora shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the Division.

Earnings

12. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division a written strategic business plan for 2003, which shall, at minimum, provide for or describe:

(i) The major areas in and means by which the Bank will seek to improve operating performance;
(ii) financial performance objectives, including plans for asset growth, earnings, liquidity, and capital supported by quarterly and annual pro forma financial statements and assumptions; and
(iii) improvements to the budgeting process that ensure the reporting of actual performance versus budget is timely, variances from budget are documented, and revisions to the budget are made when necessary.

(b) A business plan and budget for each calendar year subsequent to 2002 shall be submitted to the Reserve Bank and the Division at least one month prior to the beginning of that calendar year.

Approval of Plans, Policies, and Procedures

13. The written plans, policies, procedures, and programs, the identification and engagement of the independent consultant and independent accounting firm, and the engagement letter required by paragraphs 1(a), 2, 3, 5, 6, 7, and 8(a) and (b) of this Agreement, shall be submitted to the Reserve Bank and the Division for review and approval. Acceptable plans, policies, procedures, programs, and the engagement letter shall be submitted within the time periods set forth in the Agreement, and an acceptable independent consultant and independent accounting firm shall be retained within the time period set forth in paragraphs 1 and 8(b) of this Agreement. Where applicable, Metamora and the Bank shall adopt all applicable approved plans, policies, procedures, and programs within 10 days of approval by the Reserve Bank and the Division and then shall fully comply with them. During the term of this Agreement, the

approved plans, policies, procedures, programs, and engagement letter shall not be amended or rescinded and the acceptable independent consultant and independent accounting firm shall not be replaced without the prior written approval of the Reserve Bank and the Division.

Compliance with Agreement

14. (a) Within 15 days of this Agreement, the boards of directors of Metamora and the Bank shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate Metamora's and the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall be comprised of three or more outside directors who are not executive officers or principal shareholders of Metamora or the Bank, as defined in section 215.2(e)(1) of Regulation O of the Board of Governors (12 C.F.R. Section 215.2(3)) and Ohio Administrative Code section 1301:1-3-04(A)(6) and (13). At a minimum, the Compliance Committee shall keep detailed minutes of each meeting, and shall report its findings to the board of directors on a monthly basis.

(b) Within 30 days after the end of each calendar quarter (December 31, March 31, June 30, and September 30) following the date of this Agreement, the boards of directors of Metamora and the Bank shall furnish to the Reserve Bank and the Division written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports may be discontinued when the corrections required by this Agreement have been accomplished and the Reserve Bank and the Division have, in writing, released Metamora and the Bank from making further reports.

Communications

15. All communications regarding this Agreement shall be sent to:

(a) R. Chris Moore
Senior Vice President
Federal Reserve Bank of Cleveland
East 6th & Superior
Cleveland, Ohio 44101-1387

(b) F. Scott O'Donnell
Superintendent of Financial Institutions
Ohio Division of Financial Institutions
77 South High Street, 21st Floor
Columbus, Ohio 43266-0121

(c) Fred G. Mossing
President and Chief Executive Officer
Metamora Bancorp, Inc. and The Metamora State Bank
P.O. Box F
Metamora, Ohio 43540

16. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the Division may, in their sole discretion, grant written extensions of time to Metamora and the Bank to comply with any provision of this Agreement.

17. The provisions of this Agreement shall be binding upon Metamora, the Bank, and all of their institution-affiliated parties and regulated persons, in their capacities as such, and their successors and assigns.

18. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank and the Division.

19. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank, the Division, or any other federal or state agency from taking any other action affecting Metamora, the Bank or any of their current or former institution-affiliated parties or regulated persons and their successors and assigns.

20. (a) This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

(b) This Agreement is a "written agreement" under sections 1121.32(A)(2)(c), 1121.33(A)(1)(a)(iv), and 1121.35(A)(1)(d) of the Ohio Revised Code. Violation of a written agreement is grounds for the Division to pursue a cease and desist order, civil money penalties, and/or the removal of any regulated person.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 10 day of December, 2002.

Metamora Bancorp, Inc.

By: ________________
Fred G. Mossing
President and CEO

Federal Reserve Bank of Cleveland

By: ________________
R. Chris Moore
Senior Vice President

The Metamora State Bank

By: ________________
Fred G. Mossing
President and CEO

Ohio Division of Financial Institutions

By: ________________
F. Scott O'Donnell
Superintendent of Financial Institutions