

FEDERAL RESERVE SYSTEM

First Citizens Banc Corp  
Sandusky, Ohio

The Citizens Banking Company  
Urbana, Ohio

Order Approving Merger of Bank Holding Companies,  
Merger of Banks, and Establishment of Branches

First Citizens Banc Corp (“First Citizens”), a financial holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act<sup>1</sup> to merge with Futura Banc Corporation (“Futura”) and acquire its subsidiary bank, Champaign National Bank (“Champaign Bank”), both of Urbana, Ohio.<sup>2</sup> In addition, First Citizens’ subsidiary state member bank, The Citizens Banking Company (“Citizens Bank”), also of Sandusky, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act<sup>3</sup> (“Bank Merger Act”) to merge with Champaign Bank, with Citizens Bank as the surviving entity. Citizens Bank also has applied under section 9 of the Federal Reserve Act (“FRA”) to establish and operate branches at the main office and branches of Champaign Bank.<sup>4</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the relevant statutes

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> First Citizens proposes to acquire the shares of the nonbanking subsidiaries of Futura in accordance with section 4(k) of the BHC Act and the post-transaction notice procedures in section 225.87 of Regulation Y. 12 U.S.C. § 1843(k); 12 CFR 225.87.

<sup>3</sup> 12 U.S.C. § 1828(c).

<sup>4</sup> 12 U.S.C. § 321. These branches are listed in the appendix.

and the Board's Rules of Procedure (72 Federal Register 60,019 (2007)).<sup>5</sup> As required by the Bank Merger Act, a report on the competitive effects of the merger was requested from the United States Attorney General and a copy of the request was provided to the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the FRA.

First Citizens has total consolidated assets of approximately \$776.5 million and is the 27<sup>th</sup> largest depository organization in Ohio, controlling deposits of approximately \$678.4 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state ("state deposits").<sup>6</sup> First Citizens operates one subsidiary depository institution, Citizens Bank, with branches only in Ohio.

Futura, a small bank holding company with banking assets of approximately \$274.2 million, operates one insured depository institution, Champaign Bank, in Ohio. Futura is the 67<sup>th</sup> largest depository organization in Ohio, controlling deposits of approximately \$232.8 million.

On consummation of this proposal, First Citizens would become the 23<sup>rd</sup> largest depository organization in Ohio, with total consolidated assets of approximately \$1.1 billion. First Citizens would control deposits of approximately \$911.2 million, which represent less than 1 percent of the total amount of state deposits.

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<sup>5</sup> 12 CFR 262.3(b).

<sup>6</sup> Asset data are as of September 30, 2007. Statewide deposit and ranking data are as of June 30, 2007, and reflect merger activity through November 20, 2007. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

### Competitive Considerations

The BHC Act and the Bank Merger Act prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. Both acts also prohibit the Board from approving a bank acquisition that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by its probable effect in meeting the convenience and needs of the community to be served.<sup>7</sup>

First Citizens and Futura have subsidiary depository institutions that compete directly in the Logan County, Ohio banking market.<sup>8</sup> The Board has reviewed carefully the competitive effects of the proposal in this banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the market, the relative shares of total deposits in depository institutions (“market deposits”) controlled by First Citizens and Futura in the market,<sup>9</sup> the concentration levels of market deposits and the increases in these levels as measured by the Herfindahl-Hirschman Index (“HHI”)

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<sup>7</sup> 12 U.S.C. § 1842(c)(1); 12 U.S.C. § 1828(c)(5).

<sup>8</sup> The Logan County banking market is defined as Logan County, Ohio.

<sup>9</sup> Deposit and market-share data are based on data reported by insured depository institutions in the summary of deposits (SOD) data as of June 30, 2007, adjusted to reflect mergers and acquisitions through November 20, 2007, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market-share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

under the Department of Justice Merger Guidelines (“DOJ Guidelines”),<sup>10</sup> and other characteristics of the market.

In the Logan County banking market, Citizens Bank is the second largest depository institution, controlling deposits of approximately \$119.6 million, which represent approximately 21.6 percent of market deposits. Champaign Bank is the fifth largest depository institution in the market, controlling deposits of approximately \$42 million, which represent approximately 7.6 percent of market deposits. Based on deposit data as of June 30, 2007, Citizens Bank would become the largest depository institution in the market, controlling deposits of approximately \$161.6 million, which would represent 29.1 percent of market deposits. The HHI would increase 326 points to 1963.

Several factors indicate that the increase in concentration in this banking market, as measured by the HHI, overstates the potential competitive effects of the proposal. The Board notes that First Citizens did not enter the Logan County banking market until October 4, 2007, when Citizens Bank assumed the insured deposits of a failed bank.<sup>11</sup> The record shows that the offices of the

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<sup>10</sup> Under the DOJ Guidelines, a market is considered unconcentrated if the post-merger HHI is less than 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI is more than 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher-than-normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

<sup>11</sup> See Press Release, Federal Deposit Insurance Corporation, FDIC Approves the Assumption of the Insured Deposits of Miami Valley Bank, Lakeview, Ohio (October 4, 2007).

acquired bank incurred a significant run-off of deposits in the market between June 30, 2007, and the October 4 acquisition date, which other competitors in the market did not experience. This decline in the deposits assumed by Citizens Bank indicates that using June 30, 2007, deposit data to calculate the effects of this proposal on market concentration would overstate to some degree the actual market presence of First Citizens. In addition, nine other insured depository institutions would continue to compete in the market after consummation.

Moreover, the Board notes that one community credit union also exerts a competitive influence in the Logan County banking market.<sup>12</sup> This institution offers a wide range of consumer products, operates street-level branches, and has membership open to almost all the residents in the market.

The DOJ also conducted a detailed review of the potential competitive effects of the proposal and advised the Board that consummation of the transaction would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the Logan County banking market, where First Citizens and Futura compete directly, or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

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<sup>12</sup> The Board previously has considered the competitiveness of certain active credit unions as a mitigating factor. See, e.g., Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006); F.N.B. Corporation, 90 Federal Reserve Bulletin 481 (2004); Gateway Bank & Trust Co., 90 Federal Reserve Bulletin 547 (2004).

### Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act and the Bank Merger Act require the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including confidential supervisory and examination information from the primary federal and state banking supervisors of the organizations involved in the proposal, publicly reported and other financial information, and information provided by First Citizens and Futura.

In evaluating financial resources in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has carefully considered the financial factors of the proposal. First Citizens, Futura, and their subsidiary depository institutions are well capitalized and would remain so on consummation of the proposal. Based on its review of the record, the Board also finds that First Citizens has sufficient financial resources to effect the proposal. The proposed acquisition is structured as a partial share exchange and a partial cash purchase of shares. First Citizens

will use a combination of existing resources and debt to fund the cash purchase of shares.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of First Citizens, Futura, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking laws and with anti-money laundering laws. First Citizens, Futura, and their subsidiary depository institutions are considered to be well managed. The Board also has considered First Citizens' plans for implementing the proposal, including the proposed management after consummation.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors the Board must consider under the BHC Act and the Bank Merger Act.

#### Convenience and Needs and CRA Performance Consideration

In acting on a proposal under section 3 of the BHC Act and the Bank Merger Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").<sup>13</sup> Citizens Bank received a "satisfactory" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of

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<sup>13</sup> 12 U.S.C. § 2901 et seq.; 12 U.S.C. § 1842(c)(2).

Cleveland (“Reserve Bank”), as of September 25, 2006. Champaign Bank received a “satisfactory” rating at its most recent CRA performance evaluation by the Office of the Comptroller of the Currency, as of July 22, 2003. After consummation of the proposal, Citizens Bank plans to implement its CRA policies at Champaign Bank. First Citizens has represented that the proposal would provide greater convenience to customers through a larger network of branches and ATMs and a broader range of financial products and services over an expanded geographic area. Based on all the facts of record, the Board concludes that considerations relating to the convenience and needs of the communities to be served and the CRA performance records of the relevant depository institutions are consistent with approval.

#### Establishment of Branches

As previously noted, Citizens Bank has also applied under section 9 of the FRA to establish branches at the locations of Champaign Bank’s existing main office and branches. The Board has assessed the factors it is required to consider when reviewing an application under section 9 of the FRA and the Board’s Regulation H and finds those factors to be consistent with approval.<sup>14</sup>

#### Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. In reaching its decision, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, and the FRA. The Board’s approval is specifically conditioned on compliance by First Citizens and Citizens Bank with the conditions imposed in this order and the commitments made to the Board in connection with the applications. For

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<sup>14</sup> 12 U.S.C. § 322; 12 CFR 208.6(b).



purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposed transactions may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>15</sup> effective November 30, 2007.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>15</sup> Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.

## Appendix

### Branches in Ohio to be Established by Citizens Bank

*Urbana*

601 Scioto Street

504 North Main Street

*Russells Point*

330 South Orchard Island Road

*West Liberty*

205 South Detroit Street

*Troy*

115 South Market

*Dublin*

6400 Perimeter Drive

*Hilliard*

4501 Cemetery Road

*Plain City*

320 South Jefferson Avenue

*Akron*

529 North Cleveland Massillon Road