

AGREEMENT BY AND BETWEEN
First National Bank of Muscatine
Muscatine, Iowa
and
The Comptroller of the Currency

AA-WE-2020-44

First National Bank of Muscatine, Muscatine, Iowa (“Bank”) and the Office of the Comptroller of the Currency (“OCC”) wish to assure the safety and soundness of the Bank and its compliance with laws and regulations

The Comptroller of the Currency (“Comptroller”) has found unsafe or unsound practices, including those relating to credit underwriting, credit administration, problem loan management, and real estate valuation practices.

Therefore, the OCC, through the duly authorized representative of the Comptroller, and the Bank, through its duly elected and acting Board of Directors (“Board”), hereby agree that the Bank shall operate at all times in compliance with the following:

ARTICLE I

JURISDICTION

(1) The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. See 12 U.S.C. § 1 et seq.

(3) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. The Board shall remain responsible for the Bank’s adherence to the provisions of this Agreement. In the event of a change in the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller (“ADC”).

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement and shall meet at least monthly. By no later than the end of every calendar quarter plus one month (i.e., April 30th, July 31st, October 31st, and January 31st), the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(3) The Board shall provide a summary report of the progress reached in attaining compliance with each Article of this Agreement to the ADC within thirty (30) days of the end of each calendar quarter.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures and programs required by this Agreement.

ARTICLE III

STRATEGIC PLAN

(1) By October 15, 2020, the Board shall review and revise its written strategic plan for the Bank covering at least the next three (3) years (hereafter the “Strategic Plan”), complete with specific time frames that incorporate the strategic and other requirements of this Article.

(2) The Bank’s Strategic Plan shall establish objectives and projections for the Bank’s overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, product line development and market segments that the Bank intends to promote or develop, together with specific strategies to achieve those objectives, that are specific, measurable, verifiable, and, at a minimum, address or include:

- (a) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;
- (b) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the Strategic Plan; and
- (c) a management employment and succession program to promote the retention and continuity of capable management (refer to 12 C.F.R. § 359 to ensure the program complies with applicable law).

(3) The Bank's Strategic Plan shall contain a dividend policy that only permits the declaration of a dividend:

- (a) when the provisions of 12 U.S.C. §§ 56 and 60 are met;
- (b) with the prior written determination of no supervisory objection from the ADC; and
- (c) when the Bank is in compliance with its Strategic Plan as required by this Article.

(4) Until the Strategic Plan, required under this Article, has been submitted by the Bank for the ADC's review, has received a written determination of no supervisory objection from the ADC, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Agreement without first obtaining the ADC's written determination of no supervisory objection to such a significant deviation.

(5) Upon adoption, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be forwarded to the ADC for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the ADC, the Board shall ensure that the Bank implements and thereafter adheres to the Strategic Plan, including all requirements and time frames.

(6) The Bank may not initiate any action which deviates significantly from the Board-approved Strategic Plan without a written determination of no supervisory objection from the ADC. The Board must give the ADC at least thirty (30) calendar days advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact

of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(7) For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include a change in the Bank's marketing strategies, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors. For purposes of this paragraph, personnel shall include the president, chief executive officer, chief operating officer, chief financial officer, chief credit officer, chief compliance officer, risk manager, auditor, member of the Bank's Board, or any other position subsequently identified in writing by the ADC. Refer to "Charters, Appendix F: Significant Deviations After Opening" of the Comptroller's Licensing Manual (October 2019) for guidance.

(8) The Board shall review and update the Bank's Strategic Plan at least annually or more frequently, if necessary, or if requested by the ADC. Annual updates shall be forwarded to the ADC within fifteen (15) calendar days of completion, for review and written determination of no supervisory objection.

(9) At least quarterly, the Board shall review financial reports and earnings analyses prepared by the Bank that evaluate the Bank's performance against the goals and objectives established in the Strategic Plan, as well as the Bank's written explanation of significant

differences between actual and projected balance sheets, income statements, and expense accounts.

ARTICLE IV

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Within ninety (90) days of the date of this Agreement, the Bank shall submit to the ADC for review and prior written determination of no supervisory objection a commercial and retail credit underwriting and administration program (“Credit Program”) designed to ensure the Bank obtains and analyzes credit and collateral information sufficient to identify, monitor, and report the Bank’s credit risk, properly account for loans, and assign accurate risk ratings in a timely manner. The Credit Program shall be consistent with safe and sound banking practices.

(2) The Credit Program shall, at a minimum, include:

- (a) policies that address acceptable loan types, terms, covenants, concentration limits, and collateral requirements and exceptions;
- (b) a description of the types of credit information required from borrowers and guarantors prior to making a loan determination, including financial statements and tax returns with supporting schedules;
- (c) procedures that require any extensions of credit are granted, by renewal or otherwise, only after obtaining the appropriate credit information and adequately analyzing and documenting the borrower’s and guarantor’s ability to repay (including cash flow), debt service requirements, contingent liabilities, global liquidity condition, and sensitivity analysis in support of the credit decision;

- (d) procedures to identify and track all exceptions and efforts to mitigate or cure exceptions, including but not limited to financial, collateral, policy, and underwriting exceptions;
- (e) procedures for the identification of, and accounting treatment for, nonaccrual loans that are consistent with the accounting requirements contained in the appropriate Federal Financial Institutions Examination Council's ("FFIEC") Instructions for Preparation of Consolidated Reports of Condition and Income;
- (f) specific assignment of responsibility and accountability over the credit administration process to ensure the Credit Program developed pursuant to this Article is effectively implemented;
- (g) risk-based reviews of lending relationships to support or revise current risk ratings on at least an annual basis;
- (h) an independent loan review process reporting directly to the Board; and
- (i) requirements that the loan committee makes the final decision for loans requiring the committee's approval before funding the loan or providing a legal commitment to lend.

(3) Effective as of the date of this Agreement, the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;

- (d) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;
- (e) analyzing the borrower's operations, industry, risk impacting the borrower, and any mitigating factors;
- (f) concluding on the financial condition, trends, and reasons for change in the borrower's financial information (cash flow, liquidity, leverage, etc.);
- (g) summarizing compliance with financial or reporting covenants for credit actions related to existing credit relationships;
- (h) determining and documenting whether the loan complies with the Bank's loan policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
- (i) determining and documenting the customer's ability to repay the credit on the proposed repayment terms;
- (j) providing an accurate risk assessment grade and proper accrual status for each credit;
- (k) documenting, with adequate supporting material, the value of collateral; and properly perfecting the Bank's lien on it where applicable; and
- (l) obtaining the written approval of the Bank's loan committee or Board for any extension of credit as required by the Bank's Credit Program.

(4) Within fifteen (15) days following receipt of the ADC's written determination of no supervisory objection to the Credit Program, the Board shall adopt and Bank management,

subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Credit Program and any amendments or revisions thereto.

ARTICLE V

ANNUAL REVIEW OF LOANS

(1) Within ninety (90) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program providing for annual reviews of commercial loans (“Annual Review Program”).

(2) At minimum, the Annual Review Program must include:

- (a) thresholds for performing periodic reviews on non-problem credits;
- (b) policy guidance for the content and scope of annual reviews;
- (c) management information systems to track the completion of annual reviews;
- (d) a review function to ensure the quality of periodic reviews is appropriate;
and
- (e) requirements of what should be included in an effective annual review,
including, but not limited to:
 - (i) assessment of the ongoing capacity of the borrowers and guarantors, including a global cash flow analysis and discussion of contingent liabilities as well as any other updated financial information;
 - (ii) updates of material events or risks impacting the borrower and his or her respective industry;

- (iii) conclusions on financial condition, trends, and reasons for changes in the borrower's financial information (cash flow, liquidity, leverage, etc.);
- (iv) stress testing on individual loans to estimate the potential impact of changing economic conditions on the borrower's repayment ability;
- (v) analysis of the collateral securing the relationship;
- (vi) analysis of the strength of guarantors;
- (vii) a summary of compliance with financial maintenance or reporting covenants;
- (viii) identification of any policy exceptions;
- (ix) a summary of key risk and mitigating factors;
- (x) confirmation and the rationale for the assigned risk rating; and
- (xi) discussion of significant trends and the reasons behind the trends.

(3) The Board must ensure that all internal personnel required to complete annual reviews receive sufficient training on the Annual Review Program implemented pursuant to this Article.

ARTICLE VI

LOAN LEVEL STRESS TESTING

(1) Within ninety (90) days of the date of this Agreement, the Board shall develop procedures and adherence to significant individual loan stress testing and/or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital. Refer to OCC Bulletin 2012-33: "Community Bank Stress Testing" (October 2012) for guidance. Specifically, the Board shall develop:

- (a) requirements, including minimum loan amounts and frequency, for the periodic performance of loan stress testing and/or sensitivity analysis for loan relationships to quantify the impact of common stresses such as interest rates, capitalization rates, occupancy/vacancy rates, and lease rates; and
- (b) procedures to report stress testing findings to the loan committees and the Board for approval.

(2) Upon completion, a copy of the written procedures developed pursuant to this Article shall be promptly forwarded to the ADC and the Board shall immediately adopt, implement, and thereafter, ensure adherence to the policies and procedures required by this Article.

ARTICLE VII

PARTICIPATIONS PURCHASED

(1) Within ninety (90) days of the date of this Agreement, the Board shall review, revise, and hereafter ensure adherence to its loan policy (the “Bank’s Loan Policy”) to include, at a minimum, revisions relating to guidelines for participations purchased. Refer to Banking Circular 181 (Revised): “Purchases of Loans in Whole or in Part-Participations” (August 1984) for guidance and the requirements of 12 C.F.R. Part 34. The Bank’s Loan Policy shall include, at a minimum:

- (a) a prohibition against purchasing any participation for which the Bank does not have the knowledge, skills, or ability to properly underwrite on its own;

- (b) standards, procedures, and limits for the purchase of loans and participations;
- (c) preparation and documentation of complete, independent analysis of the credit quality of the obligations to be purchased, as well as an independent analysis of the value and lien status of the collateral pledged;
- (d) maintenance of current, complete financial information and analysis on the borrower during the term of the loan;
- (e) the identification, waiver (if appropriate), and mitigation (if appropriate) of any exceptions to the Bank's Loan Policy; and
- (f) the establishment of officer and managerial responsibility and accountability for compliance with the revised policy.

(2) Upon completion, the Board shall submit a copy of the revisions to the Bank's Loan Policy required by Paragraph (1) of this Article to the ADC.

ARTICLE VIII

PROBLEM LOAN MANAGEMENT

(1) Within ninety (90) days of the date of this Agreement, the Board shall prepare and submit to the ADC for review and prior written determination of no supervisory objection, a written program designed to identify and manage the Bank's problem assets to maintain safe and sound levels (the "Problem Assets Program"). The Problem Assets Program shall include policies and procedures for developing action plans for each problem credit that would contain the following information:

- (a) an identification and explanation of the problems and causes that led to the asset's criticized status;

- (b) a decision of whether to rehabilitate or to exit the credit relationship;
- (c) an identification of the expected sources of repayment and an analysis of their adequacy;
- (d) the current value of supporting collateral, as determined by an appraisal or an evaluation, and the position of the Bank's lien on such collateral where applicable, as well as other necessary documentation to support the collateral valuation;
- (e) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (f) the accrual designation and justification for the designation;
- (g) the proposed action, by the Bank or the borrower, to eliminate the basis of criticism and the time frame for its accomplishment; and
- (h) trigger dates for upgrading or downgrading the credit relationship.

(2) The Problem Assets Program shall also include policies and procedures to address criticized asset levels including:

- (a) a threshold level of classified assets based on capital level under which to implement the plan;
- (b) specific plans for the reduction of problem assets by asset type with target reductions by month; and
- (c) a documented quarterly review by the Board, or designated committee thereof, of the efforts to execute the specific plans to reduce problem asset levels.

(3) Upon receiving a written determination of no supervisory objection from the ADC, the Board shall immediately implement and thereafter ensure adherence to the Problem Assets Program required by this Article.

(4) The Bank shall not extend credit, directly or indirectly, including, but not limited to, renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized by the OCC in a Report of Examination or otherwise, or in any internal or external loan review, and whose aggregate loans or other extensions of credit, are one hundred thousand dollars (\$100,000) or more, unless the Board or a designated committee thereof certifies in writing within the credit presentation that:

- (a) the Board's formal plan to collect or strengthen the criticized asset will not be compromised; and
- (b) the extension or renewal is necessary to promote the best interests of the Bank, with documentation for the reasons thereof and that include consideration of subparagraphs (a) through (h) under Paragraph (1) of this Article.

ARTICLE IX

EXCEPTION TRACKING AND REPORTING

(1) Within ninety (90) days of the date of this Agreement, the Board shall develop, implement, and thereafter, ensure adherence to an exception tracking and monitoring system that establishes that financial, collateral, underwriting, documentation, credit administration, and policy exceptions are tracked and reported to the Board in a timely manner. The exceptions tracking and monitoring system, at a minimum, shall include:

- (a) Board established limits for financial, collateral, and policy exceptions;

- (b) a requirement that the Bank maintains, on an ongoing basis, a detailed listing of all loans not in conformance with the Bank's lending policies, with a notation as to whether the exceptions were properly granted in accordance with the Bank's policy;
- (c) identification of the loan officer who originated each loan or other extension of credit reported in accordance with subparagraphs (a) and (b) of Paragraph (1) of this Article;
- (d) a requirement for quarterly reports to the Board that, at a minimum, include:
 - (i) the current listings described in subparagraph (b) of Paragraph (1) of this Article;
 - (ii) the number of exceptions compared to total loans; and
 - (iii) the aggregate exception levels compared to Board established limits; and
- (e) a structure for measuring exceptions against the Board approved limits, quarterly Board monitoring of exception reports, and accountability by the lending staff for such exceptions.

(2) Upon any subsequent amendments or changes, a copy of the exception tracking and monitoring system shall be immediately submitted to the ADC.

ARTICLE X

APPRAISAL AND EVALUATION PROGRAM

(1) Within thirty (30) days of the date of this Agreement, the Board shall fully implement and ensure adherence to a real estate valuation policy ensuring that the Bank obtains

appropriate real estate appraisals and evaluations and completes adequate appraisal and evaluation reviews. Please refer to the Uniform Standards of Professional Appraisal Practice ('USPAP'), 12 C.F.R. Part 34, OCC Bulletin 2010-42: "the Interagency Appraisal and Evaluation Guidelines" (December 2010), and OCC Bulletin 2018-39: "Appraisals and Evaluations of Real Estate: Frequently Asked Questions" (October 2018) for guidance. The policy shall include, at a minimum:

- (a) criteria for obtaining updated appraisals, new appraisals, and evaluations;
- (b) procedures to ensure that appraisals, updates and evaluations are the appropriate type and ordered in a timely manner;
- (c) procedures to ensure evaluations contain sufficient information to support the credit decision and meet the requirements of an evaluation;
- (d) procedures to implement an appraisal and evaluation review process that validates the appraisal or evaluation as appropriate and complies with applicable regulations and internal bank policies; and
- (e) provision of both immediate and ongoing training to any individuals designated with ensuring compliance with appraisal and evaluation regulations and guidelines including taking all necessary steps to ensure that Bank management corrects any violation of 12 C.F.R. Part 34 cited in the ROE, and any subsequent Report of Examination.

ARTICLE XI

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Agreement, and shall verify that the Bank adheres to the

corrective actions and they are effective in addressing the Bank's deficiencies that resulted in this Agreement.

(2) In each instance in which this Agreement imposes responsibilities upon the Board, it is intended to mean that the Board shall:

- (a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Agreement;
- (b) ensure that the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Agreement;
- (c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Agreement;
- (d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Agreement;
- (e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under the terms of this Agreement; and
- (f) address any noncompliance with corrective actions in a timely and appropriate manner.

ARTICLE XII

OTHER PROVISIONS

(1) As a result of this Agreement, the Bank is in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(7)(ii), unless otherwise informed in writing by the OCC. In addition, as a result of this Agreement, the Bank is not an “eligible bank” for purposes of 12 C.F.R. § 5.3(g) and 12 C.F.R. § 24.2(e), unless otherwise informed in writing by the OCC.

(2) This Agreement supersedes all prior OCC communications issued pursuant to 12 C.F.R. §§ 5.3(g)(5), 5.51(c)(7)(ii), and 24.2(e)(4).

ARTICLE XIII

CLOSING

(1) This Agreement is intended to be, and shall be construed to be, a “written agreement” within the meaning of 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of any of those entities to a contract affecting the OCC’s exercise of its supervisory responsibilities.

(2) This Agreement is effective upon its issuance by the OCC, through the Comptroller's duly authorized representative. Except as otherwise expressly provided herein, all references to "days" in this Agreement shall mean calendar days and the computation of any period of time imposed by this Agreement shall not include the date of the act or event that commences the period of time. The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Agreement, or within any plan or program submitted pursuant to this Agreement, the Board or a Board-designee shall submit a written request to the ADC asking for relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with the relevant provision(s) of the Agreement or plan or program submitted pursuant to this Agreement, and shall be accompanied by relevant supporting documentation. The OCC's decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(3) The Bank will not be deemed to be in compliance with this Agreement until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Agreement; the corrective actions are effective in addressing the Bank's deficiencies; and the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the corrective actions requires sufficient passage of time to demonstrate the sustained effectiveness of the corrective actions.

(4) Each citation, guidance, or issuance referenced in this Agreement includes any subsequent citation, guidance, or issuance that replaces, supersedes, amends, or revises the referenced cited citation, guidance, or issuance.

(5) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to enter into this Agreement.

(6) All reports, plans, or programs submitted to the OCC pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the following:

Assistant Deputy Comptroller
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154

(7) The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his duly authorized representative, has hereunto set her signature on behalf of the Comptroller.

//s// Digitally Signed, Date: 2020.06.16

6/16/2020

Jolene M. Schack
Assistant Deputy Comptroller
Omaha Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of First National Bank of Muscatine have hereunto set their signatures on behalf of the Bank.

/s/

6/18/20

David R. Housley

Date

/s/

June 18, 2020

D. Scott Ingstad

Date

/s/

6/19/2020

John "Jay" S. McKee

Date

/s/

6/18/2020

Brett L. Nelson

Date

/s/

6/18/2020

Richard L. Shepley

Date

/s/

6/18/2020

Katherine K. Vandygriff

Date

See Signature Above

Brett L. Nelson

Date

/s/

06.18.2020

James C. Wester

Date