

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.**

and

**IOWA SUPERINTENDENT OF BANKING
DES MOINES, IOWA**

In the Matter of)	
)	
CITIZENS BANK)	CONSENT ORDER
SAC CITY, IOWA)	
)	
(Insured State Nonmember Bank))	FDIC-23-0045b
)	IDOB-23-01
)	
)	

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for Citizens Bank, Sac City, Iowa (Bank), under 12 U.S.C. § 1813(q). The Iowa Superintendent of Banking (Superintendent) is the appropriate State banking authority for the Bank under Iowa Code § 524.213; the Superintendent regulates and supervises banks under Iowa Code chapter 524 via the Iowa Division of Banking. *See* Iowa Code § 546.3.

Based on the findings of the joint FDIC/State visitation of the Bank as contained in the May 1, 2023, Report of Visitation (Report of Visitation), the FDIC and the Superintendent (collectively, Supervisory Authorities) determined the requirements for an order under 12 U.S.C. § 1818(b) and Iowa Code § 524.223 have been satisfied.

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a Stipulation to the Issuance of a Consent Order (Stipulation), dated August 1, 2023. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or

regulations, to the issuance of this Consent Order (ORDER) by the Supervisory Authorities.

Based on the above, the Supervisory Authorities hereby order that:

1. Loan Consultant

(a) Within 30 days from the effective date of this ORDER, the Board must engage an independent third-party loan consultant (Consultant) who shall possess the requisite knowledge, skills, ability, and workout experience, including problem loan workout experience. The Consultant will have full authority and discretion to administer and service the Bank's commercial trucking loan portfolio, including the development of the Credit Risk Reduction Plan identified below.

(b) Prior to execution, the Board must provide a copy of the proposed engagement letter to the Supervisory Authorities for non-objection or comment. The contract or engagement letter must include, at a minimum:

(i) a description of the work to be performed under the contract or engagement letter;

(ii) the qualifications of the individual(s) who are to perform the work;
and

(iii) a certification that the consultant is not affiliated in any manner with the Bank or its directors and officers.

2. Restriction on Overdrafts

(a) Effective immediately, the Bank must cease its use of overdrafts as a means of financing its borrowers' operations on an ongoing basis.

(b) Within 30 days from the effective date of this ORDER, the Board must review

and revise the Bank's written overdraft policy (Overdraft Policy) to address deficiencies detailed in the July 18, 2022, Report of Examination and in the Report of Visitation.

(c) The Board must submit the Overdraft Policy to the Supervisory Authorities for non-objection or comment.

(d) Effective immediately, the Bank will not permit final payment of any demand item on any customer account that, when aggregated with all other overdrafts to that customer, exceeds or would exceed, directly or indirectly, \$2,000, without the Board's prior approval.

(e) The Board shall record the determination and approval in the board minutes.

3. Risk Reduction Plans

(a) Within 60 days of the effective date of this ORDER, the Board shall adopt plans to reduce the Bank's risk ("Risk Reduction Plans") in each asset or borrower with aggregate indebtedness equal to or exceeding \$250,000 classified Substandard or Doubtful in the July 18, 2022 Report of Examination, the May 1, 2023 Report of Visitation, or in future reports of examination. Progress toward meeting the Risk Reduction Plans shall be reported to the Board monthly. The Risk Reduction Plans shall, at a minimum, require the bank to:

- (i) include target dollar levels for each adversely classified asset within the next 6 and 12 months;
- (ii) review each borrower's current financial condition, alternative repayment sources, and ability to refinance;
- (iii) provide and document valuations on pledged collateral and establish repayment programs; and
- (iv) appraise and consider other action to improve the Bank's position.

As used in this paragraph, the term "reduce" means (1) to collect, (2) to charge off, or (3) to improve the quality of an asset to warrant removal of any adverse classification. A loan or extension of credit to the same borrower that is renewed is not considered collected.

- (b) Within 60 days of the effective date of this ORDER, the Board shall also adopt plans to reduce the aggregate volume of assets classified Substandard or Doubtful in the Report of Visitation ("Aggregate Volume Plan") to target dollar levels and target percentages of Tier 1 capital plus the allowance for credit losses within the next 6 and 12 months.
- (c) The Risk Reduction Plans and Aggregate Volume Plan, and any subsequent modifications thereto, shall be approved by the Board, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with these plans. A copy of these plans, and any modifications thereto, shall be provided to the Supervisory Authorities with the next due progress report required below under the terms of this ORDER.

4. Extensions of Credit to Adversely Classified Borrowers

- (a) Without prior Board approval, the Bank shall not extend, directly or indirectly, any additional credit to any borrower who has:
 - (i) Nonledger debt;
 - (ii) Any loan classified Substandard, Doubtful, or Loss which is uncollected; or
 - (iii) Any loan where the borrower has not provided current financial statements and/or adequate information concerning collateral protection so that

the borrower's primary and/or secondary repayment ability can be properly assessed.

- (b) This paragraph does not prohibit the Bank from renewing, (after collecting in cash all interest and fees due from a borrower), any credit already extended to the borrower.
- (c) Any extension or renewal must conform to Iowa's lending law set forth in Iowa Code section 524.904.
- (d) The Board first must determine that the extension or renewal is in the best interest of the Bank. The Board shall record the determination and approval in the borrower's credit file and in the Board minutes.

5. Liquidity

Within 30 days from the effective date of this ORDER, the Bank must improve its funds management procedures and maintain provisions necessary to meet the Bank's liquidity needs, including:

- (a) establish a cushion of highly liquid assets of at least 10 percent of total assets, with cash, due from bank balances, interest-bearing bank balances, and Federal funds sold being considered highly liquid assets; and
- (b) identify established contingency funding sources.

6. Minimum Capital Requirements

(a) While this ORDER is in effect, the Bank must have and maintain the following minimum capital ratios (as defined in 12 C.F.R. §324), after establishing an appropriate allowance for credit losses:

- (i) "Leverage Ratio" at least equal to 10.0 percent; and

(ii) “Total Capital Ratio” at least equal to 13.0 percent.

(b) Should any capital ratio drop below the minimum required by subparagraph (a), the Bank must immediately notify the Supervisory Authorities and within 30 days:

(i) increase capital in an amount sufficient to comply with subparagraph (a); or

(ii) submit a written plan to the Supervisory Authorities, describing the primary means and timing by which the Bank will increase its capital ratios up to or in excess of the minimum requirements of subparagraph (a), as well as a contingency plan, including the possible sale or merger of the Bank, in the event the primary sources of capital are not available (Capital Plan).

7. Restriction on Certain Payments

While this ORDER is in effect, the Bank is not permitted to declare or pay dividends, nor is it allowed to incur or pay management fees and bonuses, without the prior written approval of the Supervisory Authorities.

8. Elimination and/or Correction of Violations of Laws, Rules and Regulations

(a) Within 30 days from the effective date of this ORDER, the Bank must eliminate and/or correct all violations of laws and rules and regulations cited in the Report of Visitation.

(b) For any violation that cannot be corrected, the Bank must document the reason for such inability for review by the Board at its next monthly meeting. The Board’s review, discussion, and any action upon the uncorrected violation(s) must be

recorded in its minutes. A copy of the minutes must be provided to the Supervisory Authorities with the next due Progress Report required below by this ORDER.

9. Disclosure of ORDER to Shareholders

Following the ORDER's effective date, the Bank must provide a copy of this ORDER to its shareholders, (i) in conjunction with the Bank's next shareholder communication if sent within 90 days of the ORDER's effective date or by special mailing if no other shareholder communication is sent within 90 days after the ORDER's effective date, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

10. Progress Reports Detailing Compliance with Order

(a) Within 30 days of the end of the first calendar quarter following the date of this ORDER, and within 30 days of the end of each calendar quarter thereafter, the Bank must furnish written progress reports (Progress Reports) to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. The Progress Reports must provide cumulative detail of the progress toward achieving compliance with each provision of the ORDER, including at a minimum:

- (i) descriptions of the identified weaknesses and deficiencies;
- (ii) provision(s) of the ORDER pertaining to each weakness or deficiency;
- (iii) actions taken or in-process for addressing each deficiency;
- (iv) results of the corrective actions taken;

(v) the Board or Bank's status of compliance with each provision of the ORDER; and

(vi) appropriate supporting documentation.

(b) The Progress Reports may be discontinued when the Supervisory Authorities have, in writing, released the Board or Bank from making additional reports.

11. Miscellaneous

This ORDER will be effective on the date of issuance. The provisions of this ORDER will be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof, unless the bank has been acquired by another insured depository institution or bank holding company, after proper regulatory approval, and is merged out of existence.

The provisions of this ORDER will not bar, estop, or otherwise prevent the FDIC, the Iowa Department of Banking, 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.

The provisions of this ORDER will 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 Supervisory Authorities.

This ORDER is issued and thus effective this 2nd day of August, 2023.

FEDERAL DEPOSIT INSURANCE CORPORATION
Issued Pursuant to Delegated Authority

By: /s/
John R. Jilovec
Deputy Regional Director
Federal Deposit Insurance Corporation
Kansas City Regional Office

IOWA DIVISION OF BANKING

By: /s/
Jeff Plagge
Superintendent of Banking
Iowa Division of Banking