

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

and

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

	)	
In the Matter of	)	
	)	
LUANA SAVINGS BANK	)	CONSENT ORDER
LUANA, IOWA	)	
	)	
(Insured State Nonmember Bank)	)	FDIC-21-0022b
	)	IDOB-21-02

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for Luana Savings Bank, Luana, Iowa (Bank), under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q)(2). 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 examination of Bank as contained in the December 7, 2020, Report of Examination (Report of Examination), 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 May 9, 2022. 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. Board of Directors.

(a) Within 180 days from the effective date of this ORDER, the Bank must expand the Board so that a majority of the Board is comprised of independent, outside directors. Outside directors are defined as individuals that are neither employed by the Bank nor are family members of the Bank's insiders, including the chairman, president, chief executive officer, and principal shareholder. Family members of the insiders include individuals related by blood or marriage such as parents, siblings, children, grandchildren, nieces, and nephews.

(b) The Board must also:

- (i) Be composed of equal outside representation from the Bank's primary markets of Luana, Iowa and Des Moines, Iowa, with at least two outside directors that have direct experience and expertise within the Des Moines, Iowa market; and
- (ii) Receive training provided by a third party to obtain sufficient knowledge of banking practices and associated risks. Areas covered by the training must include, at a minimum, liquidity, interest rate risk, corporate governance, and fiduciary responsibility.

(c) Within 30 days from the effective date of this ORDER, the Board must provide a plan to the Supervisory Authorities to address this provision.

2. Board Oversight.

Within 60 days from the effective date of this Order, the Board must submit a written plan (Oversight Plan) to the Supervisory Authorities for review and comment to strengthen Board oversight of the management and operations of the Bank. Within 30 days of receipt of all

comments from the Supervisory Authorities, the Board must address those comments in the Oversight Plan or document the reasons for not addressing the comments, approve the Oversight Plan, and record the approval in its minutes. The Oversight Plan must include the following:

- (i) Actions the Board will take to address supervisory recommendations contained within the December 7, 2020, Report of Examination;
- (ii) Processes to update the plan to address supervisory recommendations contained in any future Reports of Examination;
- (iii) Actions the Board will take to improve the Bank's condition and maintain effective control over, and supervision of, liquidity management, interest rate risk, lending, growth, and legal matters;
- (iv) Steps to improve the information and reports that will be regularly assessed by the Board in its oversight of the operations and management of the Bank, including information on the Bank's liquidity management, interest rate risk, lending, growth, and legal matters; and
- (v) Enhanced succession planning for key executive positions, specifically for the chief executive officer, president, chief financial officer, and executive vice president positions.

3. Assessment of Management.

(a) Within 30 days from the effective date of this ORDER, the Board must engage an independent third-party consultant (Consultant) considered acceptable to the Supervisory Authorities and provide documented due diligence analysis to the Supervisory Authorities to support that the selected Consultant possesses the appropriate expertise and qualifications to analyze and assess the Board's corporate governance, including its ability to effectively manage and assess risk, and perform its fiduciary responsibilities without reliance on any one dominant bank official. The Consultant must assess the Board and management's ability to: (i) comply

with the requirements of this ORDER; (ii) comply with applicable laws and regulations; (iii) restore all aspects of the Bank to a safe and sound condition; and (iv) operate the Bank in a safe and sound manner. Prior to engagement with the Consultant, a copy of the Consultant's proposed engagement letter and a description of the Consultant's expertise and qualifications must be provided to, and deemed acceptable by, the Supervisory Authorities. The contract or engagement letter, at a minimum, must include:

- (i) A description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and a maximum aggregate fee;
- (ii) The responsibilities of the Consultant;
- (iii) Identification of the specific procedures to be used when carrying out the work to be performed;
- (iv) The qualifications of the Consultant's employee(s) who are to perform the work;
- (v) A provision for unrestricted access by the Supervisory Authorities to the Consultant's workpapers;
- (vi) A statement that the Consultant is not affiliated in any manner with the Bank; and
- (vii) A requirement that the Consultant's analysis and assessment (Consultant's Study) be summarized in a written report to the Board within 90 days from the date the engagement letter is deemed acceptable by the Supervisory Authorities.

(b) Within 30 days of receipt of the Consultant's Study, the Board must prepare, and submit to the Supervisory Authorities, an acceptable written management plan (Management Plan) that: (i) addresses the findings of the Consultant's Study; (ii) presents a plan of action in

response to each recommendation from the Consultant's Study, and a time frame for completing each action; and (iii) establishes procedures to review and update the Management Plan at least annually from the effective date of this ORDER.

(c) A copy of the Consultant's Study and Management Plan and any subsequent modifications thereto must be submitted to the Supervisory Authorities for review and comment. Within 30 days from receipt of all comments from the Supervisory Authorities, the Board must address those comments in the Management Plan or document the reasons for not addressing the comments, approve the Management Plan, and record the approval in its minutes. Thereafter, the Board must ensure that the Management Plan is fully implemented within the specified time frames and provide documentation of management's progress towards implementing the Management Plan in all Progress Reports required under this ORDER. In the event the Management Plan, or any portion thereof, is not implemented, the Board must immediately advise the Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan.

4. Liquidity Funds Management/Contingency Funding Plan.

(a) While this ORDER is in effect, the Bank must not exceed a maximum Net Non-Core Funding Dependence Ratio (funding ratio), as defined by the most current version of the Uniform Bank Performance Report User's Guide, of 40 percent.

(b) Within 30 days from the effective date of this ORDER, the Board must revise written liquidity and contingency funding policies and plans (Liquidity Policies) to address the supervisory recommendations regarding liquidity in the Report of Examination. The Liquidity Policies must require the Bank to conform to the funding ratio established by paragraph (a) of this provision.

(c) The Board must develop a plan (Liquidity Plan) for achieving the threshold established by paragraph (a) of this provision. The Board must submit the Liquidity Plan to the

Supervisory Authorities for review and comment within 90 days of the effective date of this ORDER. Within 30 days of receipt of all comments from the Supervisory Authorities, the Board must address those comments in the Liquidity Plan or document the reasons for not addressing comments, approve the Liquidity Plan, and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the Liquidity Plan.

(d) The Bank must prepare a written liquidity analysis and projections for the sources and uses of funds, including but not limited to the following:

(i) *Sources:*

- i. Listing of loans and investment securities available for participation or sale and a list of committed purchasers;
- ii. Listing of projected pay offs or pay downs of loans;
- iii. Listing of all funding sources and borrowings and level of commitments/availability; and
- iv. Projection and breakdown of deposit growth from non-brokered deposits and sources.

(ii) *Uses:*

- i. Listing and timing of contractually binding loan commitments that are expected to be funded;
- ii. Projections for known maturities of anticipated brokered deposit withdrawals; and
- iii. Projections, including best- and worst-case scenarios, of large public/private deposit withdrawals.

(iii) *Projections and Contingency Plans:*

- i. Projections for curtailing loan growth and reducing the total asset size of the Bank; and

- ii. Specific contingency plans in the event that anticipated events do not materialize, or in case of some other liquidity emergency.

(e) The written liquidity analysis and projections required by paragraph (d) of this provision must be assessed by Bank management, updated as necessary, and reported to the Board on a monthly basis with discussion documented in the Board's minutes.

5. Brokered Deposits and Deposit Interest Rate Pricing.

(a) While this ORDER is in effect, the Board must ensure compliance with brokered deposit restrictions and deposit interest rate pricing restrictions, as detailed in Section 337 of the FDIC Rules and Regulations, that apply to less than well capitalized insured depository institutions.

(b) Within 30 days from the effective date of this ORDER, the Board must develop a written plan (Brokered Deposit and Deposit Pricing Plan) for compliance with this ORDER and Section 337. The Brokered Deposit and Deposit Pricing Plan must detail the composition of the Bank's brokered deposits by maturity and outline the means and timeline by which compliance with Section 337 will be accomplished.

(c) The Board must submit the Brokered Deposit and Deposit Pricing Plan to the Supervisory Authorities for review and comment upon its completion. Within 30 days of receipt of all comments from the Supervisory Authorities, the Board must address those comments in the Brokered Deposit and Deposit Pricing Plan or document the reasons for not addressing the comments, approve the Brokered Deposit and Deposit Pricing Plan, and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the Brokered Deposit and Deposit Pricing Plan.

6. Sensitivity to Market Risk.

(a) Within 30 days of the effective date of this ORDER, the Board must revise its Funds Management Policy to address the supervisory recommendations for Sensitivity to

Market Risk in the Report of Examination, including interest rate risk limits for earnings at risk and economic value of equity (EVE), as well as change management processes for interest rate risk model assumptions. The Funds Management Policy must require the Bank to run rate shock scenarios for +/- 300 and +/- 400 basis point changes and must establish appropriate risk limits, with documented support, for all required rate change scenarios. The established risk limits for EVE must not exceed 30, 40, and 50 percent for rate change scenarios of +/- 200, +/- 300, and +/- 400 basis points, respectively.

(b) Upon completion, the Bank's revised Funds Management Policy must be submitted to the Supervisory Authorities for review and comment. Within 30 days of receipt of any such comments from the Supervisory Authorities, the Board must address those comments in the revised Funds Management Policy or document the reasons for not addressing the comments, approve the Funds Management Policy, and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the Funds Management Policy.

(c) Within 30 days from the Board's approval of the revised Funds Management Policy, the Board must develop a written plan to reduce the Bank's interest rate risk (Interest Rate Risk Plan) in a manner that complies with the Bank's Funds Management Policy and in particular includes:

- (i) Specific goals for reducing interest rate risk and methods by which those goals will be achieved;
 - (ii) At least quarterly reporting to the Board of the results of the interest rate risk model; and
 - (iii) Implementation of a multi-year income simulation or alternate analysis that provides adequate information to the Board on the potential effects of rate changes in future years.
- (d) Upon completion, the Interest Rate Risk Plan must be submitted to the

Supervisory Authorities for review and comment. Within 30 days of receipt of any such comments from Supervisory Authorities, the Board must address any comments in the Interest Rate Risk Plan, approve the Interest Rate Risk Plan, and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the Interest Rate Risk Plan.

7. Minimum Capital Requirements.

(a) While this ORDER is in effect, the Bank must have and maintain a “Leverage Ratio” (as defined in Part 324 of the FDIC’s Rules and Regulations, 12 C.F.R. § 324) equal to at least 10 percent after establishing an appropriate Allowance for Loan and Lease Losses (ALLL).

(b) Should the Leverage Ratio drop below the minimum required by paragraph (a) of this provision, the Board must immediately notify the Supervisory Authorities and within 45 days:

- (i) Increase capital in an amount sufficient to comply with paragraph (a) of this provision; or
- (ii) Submit a written plan to the Supervisory Authorities, describing the primary means and timing by which the Bank will increase its Leverage Ratio to meet or exceed the minimum requirements of paragraph (a) of this provision, as well as a contingency plan, in the event the primary sources of capital are not available (Capital Plan). Within 30 days of receipt of all comments on the Capital Plan from the Supervisory Authorities, the Board must address those comments in the Capital Plan or document the reasons for not addressing the comments, approve the Capital Plan, and record the approval in its minutes.

Thereafter, the Bank must implement and fully comply with the Capital Plan.

(c) Any increase in Tier 1 Capital necessary to meet the requirements of paragraph (a) of this provision may not be accomplished through a deduction from the ALLL without the prior written approval from the Supervisory Authorities.

8. 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 for executive officers (as defined by Federal Reserve Regulation O, 12 C.F.R. § 215.2(e)(1)), without the prior written approval of the Supervisory Authorities. Prior written approval is not required if the Bank would remain in compliance with the requirements of provision 7(a) subsequent to recognizing such dividends, fees, or bonuses. The Supervisory Authorities must receive all requests for prior approval at least 30 days prior to the proposed action, and each request must contain an analysis and description of the impact such dividend, management fee, or bonus would have on the Bank's capital, income, and liquidity positions. Requests to incur or pay management fees, or declare or pay bonuses, must also describe the Bank's rationale for incurring and making such payments.

9. Disclosure of ORDER to Shareholders.

Following the ORDER's effective date, the Bank must provide a copy or otherwise furnish a description 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. Any description must fully describe the ORDER in all material respects. Such description and any accompanying communication, statement, or notice must be sent to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC must be made prior to dissemination of the description, communication, notice, or statement.

10. Progress Reports Detailing Compliance with ORDER.

(a) Within 30 days of the end of the first calendar quarter following the effective date of this ORDER, and within 30 days of the end of each calendar quarter thereafter, the Board must furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. The Board must document its full review and approval of these reports prior to submission. Such written progress reports must provide cumulative detail of the Bank's 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 Bank's status of compliance with each provision of the ORDER; and
- (vi) Appropriate supporting documentation.

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

11. Binding Effect.

This ORDER will be effective on the date of issuance. The provisions of this ORDER will be binding on the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER do not bar, estop, inhibit, or otherwise prevent the FDIC, the Superintendent, 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 26th day of May, 2022.

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