

AGREEMENT BY AND BETWEEN
Hiawatha National Bank
Hager City, Wisconsin
and
The Office of the Comptroller of the Currency

AA-CE-2024-32

Hiawatha National Bank, Hager City, Wisconsin (“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 liquidity oversight, annual credit review process, loan risk rating, independent loan review, and allowance for credit losses.

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) By November 30, 2024, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the Assistant Deputy Comptroller within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

(2) By February 28, 2025, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

- (a) a description of the corrective actions needed to achieve compliance with each Article of this Agreement;
- (b) the specific corrective actions undertaken to comply with each Article of this Agreement; and
- (c) the results and status of the corrective actions.

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of the first Board meeting following the Board's receipt of such report.

ARTICLE III
STRATEGIC PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable revised written strategic plan for the Bank, covering at least a three year period (“Strategic Plan”). The Strategic Plan shall establish objectives for the Bank’s overall risk profile, earnings performance, growth, 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 strategies to achieve those objectives, and shall, at a minimum, include:

- (a) a risk profile that evaluates credit, interest rate, liquidity, price, operational, compliance, strategic, and reputation risks in relationship to capital;
- (b) the strategic goals and objectives to be accomplished, including key financial indicators, risk tolerances, and realistic strategies to improve the overall condition of the Bank;
- (c) identification and monitoring of the Bank’s known and potential concentrations of credit;
- (d) appropriate loan underwriting, including implementation of procedures that require any extensions of credit to be granted only after obtaining the required credit information and adequately analyzing and documenting the borrower’s and guarantor’s cash flow, debt service requirements, contingent liabilities, global liquidity condition, and sensitivity analysis in

support of the credit decision;

- (e) an action plan to accomplish identified strategic goals and objectives, including an assessment of associated staffing, technology, and risk/audit coverage resource needs;
- (f) an assessment of how strategies will impact credit, liquidity, compliance, reputation, operational, market, and reputation risks;
- (g) a description of how each of these risks will be controlled and monitored by defining risk tolerances and risk limits; and
- (h) a description of systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives, including but not limited to financial performance, capital position, concentration exposures, and liquidity metrics.

(2) If the Strategic Plan under paragraph (1) of this Article includes a proposed sale or merger of the Bank, including a transaction pursuant to 12 U.S.C. § 215a-3, the Strategic Plan shall, at a minimum, address the steps that shall be taken and the associated timeline to effect the implementation of that alternative.

(3) Within thirty (30) days following the Board's receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the revised Strategic Plan or to any subsequent update or amendment to the Strategic Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Strategic Plan. The Board shall review the effectiveness of the Strategic Plan and update the Strategic Plan to cover the next three year period at least annually, and more frequently if necessary or if required by the OCC in writing. The Board shall amend

the Strategic Plan as needed or directed by the OCC. Any update or amendment to the Strategic Plan must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(4) Until the Strategic Plan required under this Article has been submitted by the Bank for the Assistant Deputy Comptroller's review, has received a written determination of no supervisory objection from the Assistant Deputy Comptroller, and has been adopted by the Board, 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 immediately before the effective date of this Formal Agreement without first obtaining the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such significant deviation.

(5) The Bank may not initiate any action that significantly deviates from a Strategic Plan (that has received written determination of no supervisory objection from the Assistant Deputy Comptroller and has been adopted by the Board) without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(6) Any request by the Bank for prior written determination of no supervisory objection to a significant deviation described in paragraphs (4) or (5) of this Article shall be submitted in writing to the Assistant Deputy Comptroller at least sixty (60) days in advance of the proposed significant deviation. Such written request by the Bank shall include an assessment of the effects of such proposed change on the Bank's condition and risk profile, 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 proposed change.

(7) For the purposes of this Article, changes that may constitute a significant deviation include, but are not limited to, a change in the Bank's markets, marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, asset composition and size, or funding strategy, any of which, alone or in the aggregate, may have a material effect on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material effect on the Bank's operations or financial performance.

ARTICLE IV

SUCCESSION PLANNING

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Succession Plan.

(2) The Succession Plan shall include, at a minimum:

- (a) identification of key management roles and a description of each role's responsibilities;
- (b) strategies to fill positions, either internally or externally, both in the short term and long term, should the need arise; and
- (c) a process for preparing internal candidates to fill key positions.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Succession Plan or to any subsequent amendment to the plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the

plan. The Board shall review the effectiveness of the plan at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the plan as needed or directed by the OCC. Any amendment to the plan must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

ARTICLE V

LIQUIDITY OVERSIGHT

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Liquidity Risk Management Program (“Liquidity Program”) for the Bank. The Liquidity Program shall provide for the identification, measurement, monitoring, and control of the Bank’s liquidity risk exposure, and shall emphasize a cushion of highly liquid assets, robust liquidity stress testing scenario analyses, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. Refer to the “Interagency Policy Statement on Funding and Liquidity Risk Management,” dated March 22, 2010, (OCC Bulletin 2010-13); the “Addendum to the Interagency Policy Statement on Funding and Liquidity Risk Management: Importance of Contingency Funding Plans,” dated July 28, 2023, and the “Liquidity” booklet of the *Comptroller’s Handbook*, for guidance.

(2) In addition to the general requirements set forth above, the Bank’s Liquidity Program shall, at a minimum:

- (a) identify appropriate funding strategies and provide limits to manage and control liquidity risk that are commensurate with the Bank’s complexity and business activities that considers internal and external factors that could affect the Bank’s liquidity, that include at a minimum:

- i. minimum levels of highly liquid assets;
- ii. a formal action plan to mitigate risk and bring liquidity risk exposures back within Board-approved policy limits; and
- iii. periodic and recurring ALCO and Board reporting to monitor the ongoing effectiveness of the action plan.

(b) include a Contingency Funding Plan that incorporates, at a minimum:

- i. the identification of plausible stress events relating to internal and external events or circumstances, including systemic or market events, that could lead to a Bank liquidity crisis;
- ii. determinations of how each identified stress event will affect the Bank's ability to obtain funding needs under different levels of severity, earnings performance, and capital levels;
- iii. a quantitative projection and evaluation of expected funding needs and funding capacity based on realistic assessments of the behaviors of funding providers during stress events; and
- iv. provision for management processes, reporting, and internal as well as external communication throughout the stress event.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Liquidity Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and adhere to the Liquidity Program and any amendments or revisions thereto.

(4) The Board shall review the effectiveness of the Liquidity Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Liquidity Program as needed or directed by the Assistant Deputy Comptroller in writing. The Bank shall submit the revised Liquidity Program to Assistant Deputy Comptroller for prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and adhere to the revised Liquidity Program and any amendments or revisions thereto.

ARTICLE VI

CREDIT RISK RATING

(1) Within ninety (90) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written credit risk rating program ("Credit Risk Rating Program") designed to ensure that the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records. Refer to the "Rating Credit Risk" booklet of the *Comptroller's Handbook* for related safe and sound principles.

(2) The Credit Risk Rating Program shall address, at a minimum:

- (a) policies and procedures designed to ensure the Bank's loans and other assets are appropriately and timely risk rated and charged off by management using a safe and sound loan grading system that is based upon current facts, existing repayment terms, considers the loan purpose, and focuses on the primary source of repayment;

- (b) policies and procedures designed to ensure credit risk ratings are reviewed and updated whenever relevant new information is received, but no less than annually, and include procedures for timely risk rating downgrades when conditions warrant without compromise or delay based on unfounded reliance on guarantors, payment history, borrower character or potential future events;
- (c) annual training for loan officers, chief credit officer, and directors' loan committee members on risk rating definitions and the importance of accurate and timely risk ratings;
- (d) policies and procedures for holding loan officers and management accountable for failing to appropriately and timely risk rate;
- (e) the maintenance of appropriate analysis and documentation in the credit files to support the current and previous risk rating for each credit relationship; and
- (f) a risk rating system that aligns with the OCC definitions.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Credit Risk Rating Program or to any subsequent amendment to the Credit Risk Rating 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 Risk Rating Program. The Board shall review the effectiveness of the Credit Risk Rating Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Risk Rating Program as needed or directed by the OCC. Any amendment to the Credit Risk Rating Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

ARTICLE VII

ANNUAL CREDIT REVIEW

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Annual Credit Review Program.

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

- (a) Processes to ensure the Bank obtains and reviews financial information in a timely manner to accurately risk-rate credit relationships, including appropriate tickler and financial spreading processes;
- (b) Completion of any past due annual reviews; and
- (c) An evaluation of the adequacy of credit staffing levels and an assessment of whether additional staff is needed.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Annual Credit Review Program or to any subsequent amendment to the program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the program. The Board shall review the effectiveness of the program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the program as needed or directed by the OCC. Any amendment to the program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

ARTICLE VIII

ALLOWANCE FOR CREDIT LOSSES

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection a revised, written program for maintaining and reporting an appropriate Allowance for Credit Losses (“ACL Program”) in accordance with generally accepted accounting principles (“GAAP”) and the instructions for reporting the ACL on the Consolidated Reports of Condition and Income (“Call Reports”). Refer to the “Allowance for Credit Losses” booklet of the *Comptroller's Handbook* and the “Interagency Policy Statement on Allowances for Credit Losses,” dated April 21, 2023 (OCC Bulletin 2023-11). The ACL Program shall, at a minimum, include criteria and procedures for:

- (a) identifying and documenting supporting qualitative factors for weaknesses in credit oversight, loan review, and changes in credit quality.
- (b) Ensure the allowance balance is appropriately funded given the supporting methodology.

(2) Within thirty (30) days following receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection to the ACL Program, or to any subsequent amendment to the ACL Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the ACL Program. The Board shall review the effectiveness of the ACL Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the ACL Program as needed or directed by the OCC. Any amendment to the ACL Program must be

submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(3) If at any time the Bank's actual ACL balance is determined to be inadequate in comparison to the ACL balance calculated pursuant to this Article, the Board shall remedy the inadequacy through additional provisions from earnings in the quarter the inadequacy is discovered, prior to the filing of the Bank's Call Report.

ARTICLE IX

INDEPENDENT LOAN REVIEW

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Independent Loan Review Program.

(2) The Independent Loan Review Program shall include, at a minimum:

- (a) An adequate scope that includes, at a minimum: risk rating accuracy, underwriting practices, and exceptions identification;
- (b) Inclusion of independent financial and cash flow analysis; and
- (c) Loan review processes that address, at a minimum: independence, qualifications, scope, sample size, frequency, and reporting lines.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Independent Loan Review Program or to any subsequent amendment to the program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the program. The Board shall review the effectiveness of the program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the

program as needed or directed by the OCC. Any amendment to the program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

ARTICLE X

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 XI

OTHER PROVISIONS

- (1) As a result of this Agreement, the Bank is not:
 - (a) precluded from being treated as an “eligible bank” for the purposes of 12 C.F.R. Part 5, unless the Bank fails to meet any of the requirements contained in subparagraphs (1) – (4) of 12 C.F.R. § 5.3, Definitions, *Eligible bank or eligible savings association*, or is otherwise informed in writing by the OCC;
 - (b) subject to the restrictions in 12 C.F.R. § 5.51 requiring prior notice to the OCC of changes in directors and senior executive officers or the limitations on golden parachute payments set forth in 12 C.F.R. Part 359, unless the Bank is otherwise subject to such requirements pursuant to 12 C.F.R. § 5.51(c)(7)(i) and (iii); and
 - (c) precluded from being treated as an “eligible bank” for the purposes of 12 C.F.R. Part 24, unless the Bank fails to meet any of the requirements contained in 12 C.F.R. § 24.2(e)(1)-(3) or is otherwise informed in writing by the OCC.
- (2) This Agreement supersedes all prior OCC communications issued pursuant to

12 C.F.R. §§ 5.3, 5.51(c)(7)(ii), and 24.2(e)(4).

ARTICLE XII

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.

(3) 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, the Board or a Board-designee shall submit a written request to the Assistant Deputy Comptroller asking for the desired relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that warrant the desired relief or prevent the Bank from complying with the relevant provision(s) of the 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.

(4) 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.

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

(6) 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.

(7) 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:

Sally Merrill
Assistant Deputy Comptroller
Minneapolis Office

(8) 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, Dated: 2024.10.22

Sally Merrill
Assistant Deputy Comptroller
Minneapolis Office

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

/s/
Kenneth M. Duncan

Oct/29/2024
Date

/s/
Michael R. Givens

Oct/23/2024
Date

/s/
James W. Lindholm

10/23/2024
Date

/s/
Jeanene V. Meisser

10/23/2024
Date

/s/
James W. Meisser

10/23/24
Date

/s/
David P. Pientok

10/23/24
Date

/s/
Mark D. Wilson

10/23/2024
Date

/s/
Brock T. Wise

10/23/2024
Date