

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

_____	)	
In the Matter of	)	
	)	
THE FIRST BANK AND TRUST	)	CONSENT ORDER
COMPANY OF MURPHYSBORO	)	(CORRECTED)
MURPHYSBORO, ILLINOIS	)	
	)	FDIC-23-0136b
	)	2024-DB SUP-01
(STATE CHARTERED	)	
INSURED NONMEMBER BANK)	)	
_____	)	

The First Bank and Trust of Murphysboro, Murphysboro, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under 38 Ill. Admin. Code, Part 100, regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking ("Division"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Division, dated

April 1, 2024, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC and the Division.

The FDIC and the Division considered the matter and decided to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and section 48(6) of the Illinois Banking Act, have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

MANAGEMENT

1. (a) During the life of this ORDER, the Bank shall have and retain qualified management. Management shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws, rules, and regulations;
- (iv) Elect an outside director as Chairman of the Board, which position shall be an executive officer of the Bank subject to the provisions of Section 32 and;

- (v) Restore all aspects of the Bank to a safe and sound condition, including capital adequacy, asset quality, management effectiveness, earnings, liquidity, and sensitivity to interest rate risk.

(b) During the life of this ORDER, prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the FDIC's and Division's written approval. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

MANAGEMENT PLAN

2. (a) Within forty-five (45) days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Division who will develop a written analysis and assessment of the Bank's management needs ("Management Study") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and the Division with a copy of the proposed engagement letter or contract with the consultant.

(c) The Management Study shall be developed within ninety (90) days from the effective date of this ORDER. The Management Study shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Evaluation of all Bank officers and staff members, particularly those responsible for oversight and performance of lending activities and key operations, to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;
- (iv) Evaluation of all Bank officer's compensation, including salaries, director fees, and other benefits;
- (v) Recommendations to reduce or eliminate unnecessary or excessive salaries, fees, and other benefits; and
- (vi) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

(d) Within sixty (60) days after receipt of the Management Study the Bank shall formulate a plan to implement the recommendations of the Management Study.

(e) A copy of the plan required by this paragraph shall be submitted to, and deemed acceptable by, the Regional Director and the Division.

BOARD PARTICIPATION

3. (a) As of the effective date of this ORDER, the Bank's board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of Banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; reconciliation of general ledger accounts; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within sixty (60) days from the effective date of this ORDER, the Bank's board of directors shall develop, adopt, and implement a program that will provide for monitoring of the Bank's compliance with this ORDER.

INTEREST RATE RISK

4. Within sixty (60) days of the effective date of this ORDER, the Board shall develop an interest rate risk monitoring program commensurate with the Board's identified risk tolerance. The Board shall perform due diligence on selected model(s) to ensure that the models are appropriate for the Bank.

CAPITAL

5. (a) As of the effective date of this ORDER, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of nine

percent (9%) and its level of qualifying total capital as a percentage of risk-weighted assets (“total risk based capital ratio”) at a minimum of twelve (12%) percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be calculated in accordance with Part 324 of the FDIC Rules and Regulations (“Part 324”), 12 C.F.R. Part 324.

(b) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank’s existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to the Division, 320 W Washington Street, 3rd Floor, Springfield, Illinois 62786 for their review. Any changes requested to be made in the materials by the FDIC or the Division shall be made prior to their dissemination.

(c) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes, which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice

required by this paragraph shall be furnished within ten (10) calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(d) Should the Bank be unable to reach the required capital levels within the time frames specified in subparagraph (a) above, or be unable to maintain those levels, then within ninety (90) days of receipt of written direction from the Regional Director and the Division, the Bank shall develop, adopt, and implement a written plan to sell or merge itself into another federally insured financial institution or to otherwise immediately obtain a sufficient capital investment into the Bank to fully meet the capital requirements of this paragraph. A copy of the plan required by this paragraph shall be submitted to, and determined to be acceptable by, the Regional Director and the Division.

DIVIDEND RESTRICTION

6. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the Division.

LOSS CHARGE-OFF

7. As of the effective date of this Order the Bank shall charge off from its books and records any loan classified "Loss" in the Report of Examination dated June 30, 2023 ("ROE"). Within 10 calendar days of the receipt of any Report of Examination or Visitation subsequently issued by the FDIC or the Division, the Bank shall charge off from its books and records any asset classified as "Loss."

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

8. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extension of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the ROE, so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard", "Doubtful", in the ROE, and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be signed by each Director, and incorporated in the minutes of the applicable board of directors' meeting. A copy of the statement shall be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

9. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to, a written plan to reduce the Bank's risk position in each asset in excess of \$75,000 which is, delinquent or classified "Substandard" or "Doubtful" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) As noted in Paragraph 8 (b), prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank and documents the debtors ability and willingness to pay;

- (ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;
- (iii) Delineate areas of responsibility for loan officers;
- (iv) Establish dollar levels to which the Bank shall reduce delinquencies and classified assets within six (6) and twelve (12) months from the effective date of this ORDER; and
- (v) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) As used in this paragraph, "reduce" means to: (1) collect, (2) charge off, (3) sell, or (4) improve the quality of such assets to warrant removal of any adverse classification by the FDIC and the Division.

(c) The plan required by this paragraph shall be acceptable to the Regional Director and the Division.

CONCENTRATIONS OF CREDIT

10. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a written plan to reduce and manage each of the concentrations of credit identified in the ROE in a safe and sound manner.

(b) The plan required by this paragraph shall be acceptable to the Regional Director and the Division.

LOAN REVIEW AND GRADING SYSTEM

11. Within ninety (90) days from the date of this ORDER, the Bank shall develop, adopt, implement, and adhere to comprehensive loan grading and review procedures. The procedures shall require that such loan grading and review will be performed by a qualified individual. The loan review shall at a minimum:

- (a) Require periodic confirmation of the accuracy and completeness of the watch list and all risk grades assigned by the Bank's loan officers;
- (b) Identify loans or relationships that warrant special attention of management;
- (c) Identify violations of law, rules, or regulations and credit and collateral documentation exceptions and track corrective measures;
- (d) Review the bank's application of Financial Accounting Standards Board Accounting Standards Codification FASB ASC Subtopic 310-10 (which now supersedes prior FAS 114 guidelines); and
- (e) Identify loans not in conformance with the Bank's loan policy.

LENDING AND COLLECTION POLICIES

12. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement and adhere to written lending and collection policies to provide effective guidance and control over the Bank's lending function. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio.

(b) The Bank's loan policy and practices required by this paragraph, at a minimum, shall incorporate the loan administration and loan underwriting items discussed in the ROE.

(c) Copies of the policies required by this paragraph shall be submitted to the Regional Director and the Division.

CAPITALIZATION OF INTEREST

13. From the effective date of this ORDER, the Bank shall not capitalize interest or loan-related expenses unless the Bank's board of directors has adopted a prior detailed written statement giving the reasons why such capitalization of interest or loan-related expense is in the best interest of the Bank. A copy of the statement shall be signed by each Director and incorporated in the minutes of the applicable board of directors' meeting. A copy of the statement shall be placed in the appropriate loan file.

ALLOWANCE FOR CREDIT LOSSES

14. (a) From the effective date of this ORDER, and prior to the submission of all Reports of Condition and Income required by the FDIC, the board of directors of the Bank shall review the adequacy of the Bank's ACL, provide for an adequate ACL, and thereafter maintain and accurately report the same. The minutes of the board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ACL recommended, if any, and the basis for determination of the amount of ACL provided. In making these determinations, the board of directors shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ACL provided by the FDIC or the Division.

(b) Within sixty (60) days of the entry of this ORDER, the Bank shall ensure that all required accounting adjustments noted in the 2023 ROE are completed and refile the December 2022, March 2023, and June 2023 Call Reports to reflect the actual financial condition of the institution at those times.

(c) All entries required by this paragraph shall be made prior to any capital determinations required by this ORDER.

PROFIT PLAN AND BUDGET

15. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2024, 2025 and 2026. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) During each monthly board meeting following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(c) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(d) Copies of the plans and budgets required by this paragraph shall be submitted to the Regional Director and the Division.

LIQUIDITY PLAN

16. (a) Within sixty (60) days of the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to an actionable plan to enhance the liquidity position. ("Liquidity Plan"). The Liquidity Plan shall identify sources of liquid assets to meet the Bank's

contingency funding needs over time horizons of one month, two months, and three months. At a minimum, the Liquidity Plan shall be prepared in conformance with the Liquidity Risk Management Guidance found at FIL-84-2008 and include provisions to fully address the liquidity issues identified in the ROE. In addition, the Liquidity Plan shall require the Bank to establish and/or maintain an account relationship with the Federal Reserve Bank of Saint Louis to exchange and settle payment transactions through a clearing account balance.

(b) Develop an actionable Liquidity Plan based on upon reasonable sources and use documents and identify a liquidity event plan. The Bank shall identify, evaluate and provide support for cash flow projections.

(c) While the Order is effective management shall maintain liquid assets above 10% of total assets.

SUCCESSION PLAN

17. Within one hundred fifty (150) days from the effective date of this ORDER, the Bank shall develop a feasible Succession Plan. The Plan shall identify necessary training for the Board and Bank employees, including a training schedule to address identified deficiencies as well as current education in all areas of the Bank, including BSA, Loan Department, Operations, IT, and Trust. The Plan shall also address short-term and long-term absences caused by illness, disability and permanent separations from the Bank.

STRATEGIC PLAN

18. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial

condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

- (b) The written strategic plan shall address, at a minimum:
 - (i) Strategies for pricing policies and asset/liability management;
 - (ii) Forecasts for maintaining a sound funds management position;
 - (iii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and
 - (iv) Reasonable and supportable assumptions over a three-year period that tangibly tie to the Capital Plan, Profit Plan, and provide for adequate Liquidity.

(c) The Board shall approve the plan, with the approval recorded in the minutes of a board of directors' meeting.

(d) Within thirty (30) days from the end of each quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(e) The strategic plan and any revisions thereto shall be acceptable to the Regional Director and the Division.

CORRECTION OF VIOLATIONS

19. Within ninety (90) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations listed in the ROE, and

implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

NEW LINES OF BUSINESS

20. (a) As of the effective date of this ORDER, the Bank shall not enter into any new lines of business, or form any new subsidiaries, without obtaining the prior written approval of the Regional Director and the Division. If at any time during the life of this ORDER the Bank proposes to enter into any new line of business, or form any new subsidiary, the Bank shall prepare a detailed, written request for approval of such activity that, at a minimum, addresses the following:

- (i) A cost-benefit analysis of the proposed activity;
- (ii) An explanation of how the proposed activity is consistent with the board-approved strategic plan;
- (iii) Assurance that adequate policies and procedures have been established;
- (iv) Assurance that appropriate staff are adequately trained; and
- (v) Assurance that adequate controls are in place to mitigate the risks associated with the Proposal.

- (b) The written requests required by this paragraph shall be submitted to the Regional Director and the Division no later than thirty (30) days prior to the anticipated start date of the new lines of business, as described in this paragraph.

INTERNAL ROUTINE AND CONTROLS

21. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a policy for the operation of the Bank in such a manner as to provide adequate internal routine and controls consistent with safe and sound banking practices.

(b) A copy of the policy required by this paragraph shall be submitted to the Regional Director and the Division.

NOTIFICATION TO SHAREHOLDERS

22. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy of this ORDER: (a) in conjunction with the Bank's next shareholder communication, or (b) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

23. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC and the Division.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall 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 FDIC and the Division.

Pursuant to delegated authority.

Issued as of: April 29, 2024.



Larisa M. Collado
Deputy Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation



Susana Soriano
Acting Director-
Division of Banking
Illinois Department of Financial and Professional
Regulation