

AGREEMENT BY AND BETWEEN
The Fairfield National Bank
Fairfield, Illinois
and
The Office of the Comptroller of the Currency

AA-CE-2024-90

The Fairfield National Bank, Fairfield, Illinois (“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 staffing and training, credit risk rating, credit underwriting, credit administration, loan review, allowance for credit losses, and a violation of law related to failure to file true and correct Reports of Condition and Income (“Call Reports”).

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) 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 (“ADC”) 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 ADC 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) Within thirty (30) days after the first quarter end following the date of this Agreement, 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, paragraph, and subparagraph of this Agreement;
- (b) the specific corrective actions undertaken to comply with each Article, paragraph, and subparagraph of this Agreement; and
- (c) the results and status of the corrective actions for each Article, paragraph, and subparagraph of this Agreement.

(3) Within forty-five (45) days after the first quarter end following the date of this Agreement, and thereafter within forty-five (45) days after the end of each quarter, the Board shall review the written evaluation and determine the corrective actions the Board will require

management to take to address any identified shortcomings. The Board's review of the evaluation and discuss of any required corrective actions to address any identified shortcomings shall be documented in the Board's meeting minutes.

(4) Within sixty (60) days after the first quarter end following the date of this Agreement, and thereafter within sixty (60) days after the end of each quarter, the Board shall submit to the ADC a copy of the evaluation, as well as a detailed description of the corrective actions the Board will require management to take to address any identified shortcomings.

ARTICLE III

STAFFING AND TRAINING

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the ADC for review and prior written determination of no supervisory objection, an acceptable written staffing and training program ("Staffing and Training Program") designed to ensure the Bank has qualified executive leadership and that the credit department has sufficient expertise and sufficient staff to effectively underwrite loans and oversee the Bank's credit administration function.

(2) The Staffing and Training Program shall include, at a minimum:

- (a) the engagement of a qualified and independent third party to conduct a formal, written assessment of the capabilities, expertise, and performance of key members of Bank management and credit-related functions and their ability to provide credible challenge;
- (b) requirements for the ongoing retention of a Chief Credit Officer who has the knowledge, skills, ability, and authority to effectively manage the Bank's loan portfolio and credit function;

- (c) a requirement to maintain qualified executive leadership to manage the Bank and sufficient staff and expertise in the Bank's credit department to effectively underwrite loans prudently, and oversee the loan portfolio and credit function, including ensuring effective plans to address any gaps in staffing noted in the formal, written independent third-party assessment required under subparagraph (2)(a) of this Article;
- (d) requirements for periodic training of all credit department personnel, to include at a minimum: cash flow and credit analysis, credit risk rating and nonaccrual determinations, loan policy requirements, collateral perfection, real estate appraisal review and evaluations, applicable lending-related laws and regulations, and any credit underwriting and administration weaknesses and deficiencies identified through the formal, written independent third-party assessment required under subparagraph (2)(a) of this Article;
- (e) a performance appraisal process, including appropriate job descriptions and periodic performance appraisals (at least annually), and consideration of performance relative to loan policy compliance, documentation standards, accuracy in risk rating and nonaccrual determinations, and other applicable credit risk management matters for total compensation and any incentive programs applicable to loan officers.

(3) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the Staffing and Training Program, including the engagement of a qualified and independent third party to conduct the formal, written assessment required under

subparagraph (2)(a) of this Article, or to any subsequent amendment to the Staffing and Training Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Staffing and Training Program. The Board shall review the effectiveness of the Staffing and Training Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Staffing and Training Program as needed or directed by the OCC. Any amendment to the Staffing and Training Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE IV

CREDIT RISK RATING, NONACCRUAL RECOGNITION, AND LOAN REVIEW

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the ADC for review and prior written determination of no supervisory objection an acceptable written credit risk rating and nonaccrual recognition program (“Credit Risk Rating and Nonaccrual Recognition 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 and that interest income is recognized appropriately. Refer to the “Rating Credit Risk” booklet of the *Comptroller's Handbook* for related safe and sound principles.

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

- (a) policies and procedures designed to ensure the Bank’s commercial and retail loans are appropriately and timely risk rated, charged off, and placed on nonaccrual in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, as applicable, using a safe

and sound loan grading system that focuses on the primary source of repayment, and is based upon current facts, prudent repayment terms, and current collateral valuations;

- (b) policies and procedures designed to ensure proper loan review scope and work paper reviews;
- (c) the maintenance of appropriate analysis and documentation in the credit files to support the current and previous risk rating and accrual determination for each credit relationship;
- (d) annual training for management, loan officers, and loan support personnel, as applicable, on commercial and retail risk ratings, the importance of accurate and timely risk ratings, accrual designation, and revisions to the Bank's loan policies; and
- (e) the engagement of a qualified, independent third party to review the Bank's loan portfolio to achieve at least a sixty percent (60%) commercial loan coverage and a reasonable, Board-approved sample of retail loans. The independent third party must report directly to the Board, and, at a minimum, the loan review scope must include:
 - (i) adequate, ongoing Board-approved coverage of the Bank's commercial and retail loan portfolios;
 - (ii) assessing loan risk grading and accrual designation;
 - (iii) reviewing underwriting and credit administration practices;
 - (iv) determining quality of, and adherence to, internal credit policies and procedures;

- (v) assessing compliance with relevant laws and regulations; and
- (vi) identifying trends that may impact the collectability of the loan portfolio.

(3) Within thirty (30) days following receipt of the ADC's written determination of no supervisory objection to the Credit Risk Rating and Nonaccrual Recognition Program, including the engagement of a qualified, independent third party to review the Bank's loan portfolio, or to any subsequent amendment to the Credit Risk Rating and Nonaccrual Recognition 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 and Nonaccrual Recognition Program. The Board shall review the effectiveness of the Credit Risk Rating and Nonaccrual Recognition Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Risk Rating and Nonaccrual Recognition Program as needed or directed by the OCC. Any amendment to the Credit Risk Rating and Nonaccrual Recognition Program must be submitted to the ADC for review and prior written determination of no supervisory objection.

ARTICLE V

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Within one hundred twenty (120) days of the date of this Agreement, the Board shall adopt an acceptable written credit underwriting and administration program ("Credit Underwriting and Administration 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 Underwriting and Administration Program shall be consistent with safe and sound banking

practices.

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

- (a) policies and procedures that require any extensions of credit are granted, by renewal or otherwise, only after loan officers and credit administration staff, as applicable, provide accurate and sufficient information for approvers to make informed lending decisions, including:
 - (i) addressing acceptable loan types, terms, covenants, concentration limits, and collateral requirements and exceptions;
 - (ii) describing the borrower, guarantors, and business activities in detail;
 - (iii) obtaining the required and up-to-date credit information, as applicable (e.g., annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules);
 - (iv) adequately and accurately analyzing and documenting the borrower's and guarantor's cash flow, debt service requirements, primary and secondary sources of repayment, contingent liabilities, liquidity, interest rate sensitivity analysis, and collateral value and support, as applicable; and
 - (v) ensuring credits with potential or well-defined weaknesses at underwriting are appropriately risk rated based on accurate information.

- (b) policy and procedures that establish Board-approved guidance regarding:
 - (i) proper cash flow analysis for different credit types,
 - (ii) reasonable advance rates for loans secured by inventory and accounts receivable,
 - (iii) sound approval authorities over extensions, criteria for when extensions are appropriate, and documentation requirements to support extension rationale,
 - (iv) reasonable annual review thresholds for credit analysts and loan officers, including requirements for reviews of term credits and loan participations purchased,
 - (v) appropriate standards for lending personnel to obtain insurance documents for applicable borrowers and that borrowers maintain insurance throughout the life of the loan, as applicable, and
 - (vi) prohibition of capitalization of interest unless doing so is conducted in a safe and sound manner. Refer to OCC Examining Circular 229 – Guidelines for Capitalization of Interest on Loans, and OCC Bank Accounting Advisory Series for related safe and sound principles.
- (c) enhanced reporting to the Board, no less than quarterly, and documented in the Board minutes, to identify, track, and document:
 - (i) loan extension volume and trends by loan officer, dollar volume, and individual borrower,

- (ii) status of the annual review schedule, and
- (iii) status of credit-related insurance documentation.

(3) Upon adoption of the Credit Underwriting and Administration 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 Underwriting and Administration Program and any amendments thereto. The Board shall review the effectiveness of the Credit Underwriting and Administration Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Underwriting and Administration Program as needed or directed by the OCC.

ARTICLE VI

ALLOWANCE FOR CREDIT LOSSES

(1) Within thirty (30) days of the date of this Agreement, the Board shall adopt 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, that at least quarterly, include criteria and procedures for:

- (a) further segmenting the loan portfolio to better stratify and recognize unique risk characteristics within the portfolio;

- (b) thoroughly reviewing qualitative factor assessments and ensure adjustments are reasonably supported and consistent with the level of risk and changes to the loan portfolio;
- (c) ensuring necessary provisions to the ACL to bring the balance to an appropriate level commensurate with the bank's credit risk;
- (d) improved reporting the board that details trends in the ACL and coverage of credit risk in the portfolio;
- (e) ongoing independent assessments of the ACL balance and support and validation of the ACL methodology; and
- (f) ensuring costs to sell are factored into assessing collateral support on collateral dependent loans (i.e., fair market value less cost to sell).

(2) Upon adoption of 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 and any amendments thereto. 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.

(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 VII

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 VIII

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 ADC 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:

Assistant Deputy Comptroller Victor Osorio

(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 his signature on behalf of the Comptroller.

/s/ 11/12/2024

Victor A. Osorio
Assistant Deputy Comptroller
Louisville Office

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

/s/ _____
Joey Hungerford

11/12/24

Date

/s/ _____
Sheila Kinney

11/12/24

Date

/s/ _____
Neal Laws, Jr.

11/12/2024

Date

/s/ _____
Diane Robinson

11/12/24

Date

/s/ _____
Matthew Rush

11/12/24

Date

/s/ _____
Josh Vaughan

11-12-24

Date

/s/

Jarod Weaver

/s/

Terry Wilkerson

/s/

L. Bryan Williams

11/12/24

Date

10/22/24

Date

11/12/2024

Date