

AGREEMENT BY AND BETWEEN  
Anna-Jonesboro National Bank  
Anna, Illinois  
and  
The Office of the Comptroller of the Currency

AA-CE-2021-26

Anna-Jonesboro National Bank, Anna, 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 board and management supervision, credit underwriting and administration, accounting practices, and enterprise governance.

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 August 31, 2021, 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 September 30, 2021, 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**

### **BOARD AND MANAGEMENT OVERSIGHT**

(1) The Board shall ensure that it receives and reviews sufficient information from management (including scope, frequency, timing, and content) regarding the operation of the Bank and the Bank's compliance with this Agreement, to enable the Board to provide effective oversight and Board members to fulfill their fiduciary duties and other responsibilities under law. Refer to (i) the OCC's "The Director's Book: The Role of Directors for National Banks and Federal Savings Associations" and (ii) the "Corporate and Risk Governance" booklet of the Comptroller's Handbook (July 2019).

(2) The Board shall ensure that the Bank has competent management and staff in place on a full-time basis to carry out the Bank's policies, ensure compliance with this Agreement, applicable laws, rules, and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(3) Within ninety (90) days of the date of this Agreement, the Board shall establish, implement, and maintain a comprehensive governance framework which provides for the establishment of appropriate segregation of duties and internal controls. At a minimum, this framework must include the following, to be performed by a committee of the Board comprised of outside directors or an independent third party:

- (a) A written assessment of the individual director's, and the overall Board's, strengths and weaknesses, including whether each director has the knowledge and skill to oversee the Bank's compliance with this Agreement, and the creation of a director education program designed to strengthen identified weaknesses.

- (b) A written assessment of the quality and accuracy of information that management provides to the Board to ensure that the Board receives adequate information from management on the operations of the Bank to enable the Board to effectively supervise the Bank and Board members to fulfill their fiduciary duties. The comprehensive framework shall also require the Bank to conduct this assessment on an annual basis thereafter.
- (c) An independent staffing assessment that:
  - (i) identifies the skills and expertise needed to execute and sustain a safe and sound system of internal controls and risk management for key functions of the Bank including President/Chief Executive Officer, Chief Financial Officer, Senior Vice President of Operations, Vice President of Information Technology, and Senior Loan Officer vested with sufficient authority to fulfill the duties and responsibilities of the position, carry out the Board's policies, ensure the Bank's adherence to corporate governance and decision-making processes, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in safe and sound manner within the scope of that position's responsibilities;
  - (ii) identifies any gaps in those skills or expertise for the individuals in the identified roles in Subparagraph (3)(c)(i) of this Article;
  - (iii) evaluates current lines of authority, reporting responsibilities and delegation of duties, including identification of any overlapping

- duties or responsibilities;
  - (iv) provides for the development of a written strategy which would outline plans for how the Bank could address any gaps or deficiencies identified pursuant to Subparagraphs (3)(c)(i) or (3)(c)(ii) of this Article, including but not limited to the creation of management education program; and
  - (v) includes detailed written job descriptions for all officers, and objectives by which management's effectiveness will be measured.
- (d) The management education program established pursuant to Subparagraph (3)(c)(iv) of this Article shall include, at a minimum:
- (i) a training program to ensure management has the requisite skills and abilities to supervise staff and perform their duties, as determined pursuant to Subparagraph (3)(c)(i) of this Article, including training to remedy any deficiencies found in the independent staffing assessment performed pursuant to Subparagraph (3)(c)(i) of this Article and ensuring the Bank's compliance with the terms of this Agreement applicable to each position; and
  - (ii) procedures to evaluate each manager's performance, measured against their position description, as determined pursuant to Subparagraph (3)(c)(v) of this Article, and the bank's overall performance.
- (4) Within ninety (90) days of the date of this Agreement, the Board shall develop a

formal, written management employment and succession plan designed to promote adequate staffing and continuity of capable management.

(5) Upon completion, the Board shall submit a copy of the assessments required by Subparagraphs (3)(a), (b) and (c), the education program required by Subparagraph 3(d), and the management succession plan required by Paragraph (4) of this Article, to the Assistant Deputy Comptroller for a 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 ensure adherence to the assessments, programs, plan and changes listed in this paragraph, and any amendments or revisions thereto.

#### **ARTILE IV**

##### **CREDIT UNDERWRITING AND ADMINISTRATION**

(1) Within thirty (30) 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 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 that address acceptable loan types, terms, covenants, concentration limits, and collateral requirements and exceptions;
- (b) a description of the types of credit information required from borrowers and guarantors prior to making a loan determination, including annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;
- (c) procedures that require any extensions of credit are granted, by renewal or otherwise, 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;
- (d) procedures to ensure the Bank's adherence to safe and sound real estate lending practices, including the establishment and adherence to loan-to-value limits and the establishment of an aggregate limit for loan-to-value policy exceptions as a percentage of capital. See 12 C.F.R. Part 34, Subpart D, Appendix A – Interagency Guidelines for Real Estate Lending, for guidance.
- (e) procedures to identify and track all exceptions and efforts to mitigate or cure exceptions, including but not limited to financial exceptions, collateral exceptions, policy exceptions, loan-to-value exceptions for real estate loans, and underwriting exceptions. The number of loans with exceptions, and their aggregate dollar value, shall be reported to the Board on a quarterly basis. The Board shall establish aggregate exception level

- limits. The Bank shall consider each loan officer's exceptions in conducting periodic performance reviews and compensation decisions;
- (f) specific underwriting criteria for unsecured lending and single-pay loans;
  - (g) established criteria to limit the number or frequency of, and procedures to identify, track, and approve, extensions, renewals, or rewrites of existing extensions of credit. The number of loans that have been extended, renewed, or rewritten, and their aggregate dollar value, shall be reported to the Board on a quarterly basis and documented in the Board minutes;
  - (h) policies regarding the appropriateness of the capitalization of interest, which shall be prohibited 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;
  - (i) the Bank must review the experience level of lending staff, on an annual basis, to ensure employees have the requisite knowledge to perform their duties, and must implement a plan to hire additional staff and/or provide periodic training where staffing or knowledge gaps exist; and
  - (j) a system to hold management and lending staff accountable for implementing and adhering to loan policy requirements including but not limited to risk rating accuracy, identification and administration of problem loans, collateral valuations, evaluating customer financial information, and using appropriate transaction codes.
- (3) Effective as of the date of this Agreement, the Bank may not grant, extend, renew,



alter, or restructure any loan or other extension of credit without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;
- (e) determining and documenting whether the loan complies with the Bank's loan policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
- (f) determining and documenting the customer's ability to repay the credit on the proposed repayment terms;
- (g) providing an accurate risk assessment grade and proper accrual status for each credit;
- (h) documenting, with adequate supporting material, the value of collateral, and properly perfecting the Bank's lien on it where applicable; and
- (i) obtaining the written approval of the Bank's loan committee or Board for any extension of credit greater than \$100,000.

(4) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Credit Underwriting and Administration Program or to any subsequent amendment to 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. The Board shall review the effectiveness of the Credit Underwriting and Administration Program at least annually, no later than May 1<sup>st</sup> of each year, 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. Any amendment to the Credit Underwriting and Administration Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE V**

### **PROBLEM LOAN MANAGEMENT**

(1) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those classified and special mention assets identified by OCC examiners, external loan review, or the Bank (hereafter, the “problem assets”).

(2) Within ninety (90) days of the date of this Agreement, the Board shall develop written procedures with assigned responsibility for the quarterly submission and review of reports of all problem assets totaling one hundred thousand dollars (\$100,000) or above (“PAR”). Each PAR shall require, at a minimum, analysis and documentation of the following:

- (a) current expected sources of repayment;
- (b) detailed collateral information, including, as applicable, the current value of supporting collateral, the condition of the collateral, and the Bank’s lien position;
- (c) concessions made to the terms of the credit, if any, and how doing so will improve the problem credit;

- (d) trigger dates for borrower actions or for loan officer reassessment of strategy and enactment of collection plans;
- (e) the root causes of the credit weakness;
- (f) current and satisfactory credit information;
- (g) a determination of whether the loan is impaired and the impairment amount, consistent with generally accepted accounting principles (“GAAP”);
- (h) analysis and reasoning to support the current risk rating along with specific action plans and trigger dates for risk rating changes; and
- (i) a review, at least quarterly, by the Board or a designated committee thereof to:
  - (i) measure progress and reevaluate the suitability of the action plans; and
  - (ii) document the effectiveness of the responsible officer’s efforts to eliminate the weakness in each problem asset relationship.

(3) A copy of each PAR prepared pursuant to Paragraph (2) of this Article, along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each problem asset, shall be submitted to the Assistant Deputy Comptroller within forty-five (45) days of each calendar quarter end.

(4) Effective as of the date of this Agreement, the Bank may not extend credit, directly or indirectly, including overdrafts, renewals, extensions of the payment or principal due date, or capitalization of accrued interest, but excluding advances on previously approved lines of credit, to a borrower whose loans or other extensions of credit are considered problem assets

by the OCC examiners, external loan review, or the Bank, and whose aggregate loans or other extensions of credit, exceed two hundred fifty thousand dollars (\$250,000) unless each of the following conditions is met:

- (a) a majority of the full Board approves the credit extension;
- (b) the Board explains in writing how the credit extension is necessary to promote the best interests of the Bank;
- (c) the Board explains in writing how the credit extension will not compromise the Board's formal plan to collect or strengthen the problem asset; and
- (d) the Board's written determinations required by this Article are maintained in the borrower's credit file.

## **ARTICLE VI**

### **CREDIT RISK RATING AND NONACCRUAL RECOGNITION**

(1) Within forty-five (45) 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 ratings 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. 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, including policies and procedures specific to retail credits, 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, or, in the case of retail credit, payment performance;
- (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) policies and procedures designed to ensure the Bank's loans and other assets are timely placed on nonaccrual by lending officers in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income ("Call Report");
- (d) policies and procedures governing the identification, analysis, accounting, monitoring, and reporting of troubled debt restructurings (TDRs); refer to OCC Bulletin 2012-10, "Troubled Debt Restructurings: Supervisory Guidance on Accounting and Reporting Requirements" for related safe and sound principles;
- (e) annual training for loan officers, management, and the board on risk rating definitions and the importance of accurate and timely risk ratings;

- (f) policies and procedures for holding loan officers and management accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual;
- (g) 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; and
- (h) the development and implementation of management information systems that provide timely and relevant reporting to the Board about the effectiveness of the program's components.

(3) Within ninety (90) days of this Agreement the Board shall engage a qualified, independent third party to review all credits equaling one hundred thousand dollars (\$100,000) or above to assess whether the credits have had unidentified payment extensions, unidentified deferrals or the use of inappropriate transaction codes, whether any credits should be identified as a TDR, and whether, as a result of these findings, the credits are appropriately risk rated. If appropriate based upon the findings of the review, management shall amend and refile the Bank's December 31, 2020 and March 31, 2021 Call Reports.

(4) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Credit Risk Rating and Nonaccrual Recognition Program 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, no later than May

1<sup>st</sup> each year, 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 Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE VII**

### **MATTERS REQUIRING ATTENTION**

Within one hundred twenty (120) days of the date of this Agreement, the Bank shall take corrective action to address the concerns outlined in the Matters Requiring Attention (MRAs) relating to the Other Real Estate Owned, Allowance for Loan and Lease Losses, Operations, Internal Audit Program, and Overdraft Management, as cited in the Report of Examination dated as of December 31, 2020. The Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the programs, policies, and other corrective measures required by these MRAs.

## **ARTICLE VIII**

### **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 IX**

### **OTHER PROVISIONS**

(1) As a result of this Agreement, pursuant to 12 C.F.R. § 5.51(c)(7)(ii), the Bank is in “troubled condition,” and is not an “eligible bank” for purposes of 12 C.F.R. § 5.3 or 12 C.F.R. § 24.2(e), unless 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 X**

### **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 via email to the following:

MaryBeth.Farrell@occ.treas.gov *with a copy to:* Richard.Asadorian@occ.treas.gov

(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//

8/24/21

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Mary Beth Farrell  
Assistant Deputy Comptroller  
St. Louis Field Office

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

/s/

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John Phillip Hileman

08/24/2021

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Date

/s/

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Steven Beatty

8/24/2021

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Date

/s/

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Russell C. Flamm

8-24-21

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Date

/s/

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Gregory S. Wood

8-24-21

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Date

/s/

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Larry Carter

8-24-2021

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Date

/s/

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Scott Wilson

Aug. 24, 2021

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Date

/s/

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Mark Chamness

8-24-21

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Date