

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)	
)	CONSENT ORDER
FIRST SAVANA SAVINGS)	
SAVANNA, ILLINOIS)	FDIC-21-0017b
)	2021-DB Sup-09
(Insured State Nonmember Savings Bank))	
)	
_____)	

First Savanna Savings Bank, Savanna, 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 12 U.S.C. § 1818(b), and under Sections 9018, 9018.1, 9018.2, 9018.3 and 9018.4 of the Illinois Savings Bank Act (“ISBA”), 2015 ILCS 205/9018, 9018.1, 9018.2, 9018.3 and 9018.4 and 38 Ill. Adm. Code Part 1075, Subpart I, 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 Illinois Department of Financial and Professional Regulation, Division of Banking (“Division”), dated August 9, 2021, 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 relating to weaknesses in capital, asset quality, management, earnings, liquidity, and sensitivity to market risk, 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 the ISBA, 205 ILCS 205/1001 *et seq.*, have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u) and in Sections 1007.05 and 11005 of the ISBA, 205 ILCS 205/1007.05 and 11005, and its successors and assigns, take affirmative action as follows:

MANAGEMENT

1. (a) While this ORDER remains in effect, 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 written approval of the Division and the Regional Director of the Chicago Regional Office of the FDIC (“Regional Director”). For purposes of this ORDER, “senior executive officer” is defined as in section 32 of the Federal Deposit Insurance 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).

BOARD PARTICIPATION

2. While this ORDER remains in effect, 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 and risk profile. 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; comparisons of actual performance to the profit plan and budget; significant expenses; comparisons of actual performance to the strategic plan; pro forma capital projections; liquidity reports, including large depositor concentration reports; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; audit reports; and compliance with this ORDER. Board of directors meeting minutes shall document deliberations, reviews, approvals, and the names of any dissenting directors.

CAPITAL

3. (a) While this ORDER is in effect, the Bank shall have and maintain the following minimum capital ratios (as defined in Part 324 of the FDIC Rules and Regulations, 12 C.F.R. § 324), after establishing an appropriate Allowance for Loan and Lease Losses (“ALLL”):

- (i) Tier 1 Capital “Leverage Ratio” of at least equal to 5.5 percent;
- and
- (ii) “Total Capital Ratio” at least equal to 10 percent.

Any increase in Tier 1 Capital necessary to meet the requirements of this subparagraph may not be accomplished through a deduction from the ALLL without prior written approval from the FDIC and the Division.

(b) In the event any ratio is or becomes less than the minimum required by subparagraph (a) of this provision, the Bank shall immediately notify the Regional Director and the Division, and within 45 days shall: (1) submit a written plan to the FDIC and the Division

describing how the bank intends to preserve capital (a), as well as a contingency plan, including the possible sale, merger, or dissolution of the Bank, in the event the primary sources of capital are not available (“Capital Plan”). Additionally, the Capital Plan shall specify:

- (i) The levels of capital to be attained during each year in which the Capital Plan will be in effect;
- (ii) The types and levels of activities in which the institution will engage; and
- (iii) Quantitative metrics based on capital and other pertinent financial metrics to guide implementation of the contingency plans.

(c) Within 30 days of receipt of any comments on the Capital Plan from the Regional Director and the Division, and after consideration of all such comments, the board of directors shall approve the Capital Plan, and record its approval in the minutes. Thereafter, the Bank shall implement and fully comply with the Capital Plan.

(d) Upon the effective date of this ORDER, the Bank shall prepare a rolling 12-month projection of the Leverage Ratio. This projection shall be prepared and submitted to the board of directors on a monthly basis.

RESTRICTION ON CERTAIN PAYMENTS

4. While this ORDER is in effect, the Bank shall not declare or pay any dividends, nor shall it incur or pay management fees, bonuses, or depositor distributions beyond the normal interest earned on deposit account balances without the prior written approval of the Regional Director and the Division. All requests for prior approval shall be received by the Regional Director and the Division at least 45 days prior to the proposed action, and each request shall contain an analysis and description of the impact of the proposed action on the Bank’s capital,

income, and liquidity positions. The request shall also describe the Bank's rationale for incurring and making the payments.

STRATEGIC PLAN AND PROFIT PLAN

5. (a) Within 90 days from the effective date of this ORDER, the board of directors shall develop a written one-year strategic plan ("Strategic Plan") and one-year profit and budget plan ("Profit and Budget Plan") covering the overall operation of the Bank and its goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, and other actions required by this ORDER.

(b) The Strategic Plan shall provide specific objectives for the future direction of the Bank. The Strategic Plan shall also include specific objectives for asset growth, balance sheet composition, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position. The Profit and Budget Plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major income and expense components.

(c) The Strategic Plan and the Profit and Budget Plan, and any subsequent modifications thereto, shall be approved by the board of directors, who shall record the approval in its minutes. Thereafter, the Bank shall implement and fully comply with the plans. A copy of the Strategic Plan and Profit and Budget Plan, and any modifications thereto, shall be provided to the Regional Director and the Division with the next due progress report required by this ORDER.

(d) At each monthly meeting of the board of directors, the directorate shall evaluate the Bank's actual performance in relation to the plans required by this provision, and shall record the results of that evaluation and any responsive actions taken or to be taken by the Bank in the meeting minutes.

(e) The plans required by this provision shall be revised 30 days prior to the end of each calendar year for which this ORDER is in effect.

LIQUIDITY

6. (a) Within 30 days of the effective date of this ORDER, the board of directors shall improve monitoring of large depositors, rate sensitive depositors, and any other vulnerable depositors identified by bank management. At each monthly meeting, the board of directors shall review the level of exposure to these depositors; rate concessions made to retain the deposits; upcoming maturities; anticipated amount of deposit withdrawals; and uninsured balances. The directorate's review and discussion of this report shall be documented in the meeting minutes.

(b) At least quarterly, the board of directors shall review a report assessing the impact of the potential withdrawal of the deposits identified in subparagraph (a) of this provision on the Bank's liquidity position. The assessment shall include a review of available funding resources, including contingency funding sources, and computation of the Bank's internal liquidity ratio and contingency funding sources after funding the withdrawal.

(c) The reports required by this provision shall be submitted to the Regional Director and the Division with the next due progress report required by this ORDER.

NEW LINES OF BUSINESS

7. (a) While this ORDER remains in effect, the Bank shall not enter into any new lines of business, or offer services to any new high-risk customers, without conducting appropriate due diligence. The board of directors shall assure that appropriate documentation is maintained evidencing that the due diligence, at a minimum, addressed the following:

- (i) A cost-benefit analysis of the proposed activity;
- (ii) An explanation of how the proposed activity is consistent with the board of directors-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 proposed activity.

CORRECTION OF VIOLATIONS

8. Within 90 days from the effective date of this ORDER, and within 90 days after receipt of any future reports of examination by either the FDIC or the Division, the Bank shall eliminate or correct all violations of law, rule, and regulations listed in the Violations of Laws and Regulations page of the Report of Examination.

PROGRESS REPORTS

9. (a) Within 30 days from the end of each month following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division, the current month

income statement, balance sheet, rolling 12-month Leverage Ratio projection, and the board of directors meeting minutes.

(b) Within 30 days of 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 board of directors, detailing 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.

Dated: August 9, 2021.

/s/

Christopher J. Newbury
Deputy Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

/s/

Chasse Rehwinkel
Acting Director, Division of Banking
Illinois Department of Financial
and Professional Regulation