

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

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In the Matter of	)	
	)	CONSENT ORDER
NOKOMIS SAVINGS BANK	)	
NOKOMIS, ILLINOIS	)	FDIC-23-0007b
	)	2023-DB Sup-01
	)	
(INSURED STATE NONMEMBER	)	
SAVINGS BANK)	)	
	)	
	)	
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_____	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Nokomis Savings Bank ("Bank"), under section 3(q) of the Federal Deposit Insurance Act, 12 U.S.C. § 1813(q). The Illinois Department of Financial and Professional Regulation, Division of Banking ("Division") is the appropriate State banking agency for the Bank under Section 9002 of the Illinois Savings Bank Act ("ISBA"), 205 ILCS 205/9002.

Having been advised of its rights to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and of its rights to a hearing on the charges under 12 U.S.C. § 1818(b), and under Sections 9018, 9018.1, 9018.2, 9018.3, 9018.4 of the ISBA, 205 ILCS 205/9018, 9018.1, 9018.2, 9018.3 and

9018.4, and 38 Ill. Adm. 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 TO THE ISSUANCE OF A CONSENT ORDER (“STIPULATION”) with representatives of the Federal Deposit Insurance Corporation (“FDIC”) and the Division, dated March 9, 2023, whereby, solely for the purpose of this proceeding and without admitting or denying any charges of unsafe or unsound banking practices, the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC and the Division.

The FDIC and the Division have determined 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, have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank; it’s institution affiliated parties, as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u) and in Section 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. Within 30 days of the effective date of this ORDER, the Board must ensure that the Bank has and continues to retain qualified management for all key functions of the Bank. Each member of management must have the qualifications and experience commensurate with assigned duties and responsibilities at the Bank and must be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management must be assessed on their respective abilities to:

- (a) Comply with the requirements of this ORDER;

- (b) Operate the Bank in a safe and sound manner;
- (c) Comply with applicable laws, rules, and regulations;
- (d) Restore all aspects of the Bank to a safe and sound condition, including risk management, interest rate risk, liquidity, and earnings;

(e) During the life of this ORDER, prior to the addition of any individual to the bank's Board or the employment of any individual as a senior executive officer, the Bank must request and obtain the FDIC's written approval in accordance with 12 U.S.C. Section 1831i and 12 C.F.R. Part 303, subpart F. The Board must also provide written notification to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Division of the resignation of any Board member or Senior Executive Officer within 10 days of their resignation or termination.

#### BOARD SUPERVISION

2. The Board must assume responsibility for the approval of the Bank's policies and objectives and for the oversight of Bank management, including the establishment and approval of a process to monitor all the Bank's activities and compliance with the Board-approved policies (Board Process). The Board Process must include, at a minimum:

(a) Monthly meetings to monitor the overall condition and risk profile of the Bank and compliance with Board-approved policies. The Board must, at a minimum, promptly review and approve the following as available:

(i) CONSENT ORDER Compliance Report (CO Compliance Report) detailing the form, content, and manner of any action taken to ensure compliance with this ORDER and the results thereof, and any recommendations with respect to such compliance;

(ii) Committee reports and minutes;

- (iii) Statement of condition reports, including the balance sheet and income statement;
- (iv) Budget variance reports;
- (v) Liquidity monitoring reports;
- (vi) Investment activities;
- (vii) Interest rate risk measurement reports;
- (viii) New, overdue, renewal, insider, charged off, and recovered loans;
- (ix) Exceptions to Board-approved policies;
- (x) Audit reports and audit finding tracking report;
- (xi) Operating policies and procedures;
- (xii) Anti-Money Laundering/Countering the Financing of Terrorism reports; and
- (xiii) Information technology and information security reports.

(b) Annual written performance evaluations of the Bank's Senior Executive Officers, as defined in 12 C.F.R. 303.101(b), documented in the Board's minutes.

(c) The Board must ensure that complete and accurate minutes of the Board and committee meetings are maintained; that these minutes, at a minimum, adequately document the reviews and/or approvals required by paragraph (a), above, including deliberations and the names of any dissenting directors; and that the minutes address the areas covered by this ORDER and the CO Compliance Report. Nothing in this provision precludes the Board from considering matters other than the items listed in this provision during its monthly meetings.

(d) During the life of this ORDER, the Board must ensure the bank is able to reasonably meet daily customer needs, has materially accurate books and records, and operates

within applicable laws and regulations. The Board must provide for appropriate staffing resources and succession planning that support continuity of operations.

### STRATEGIC/PROFIT PLAN

3. (a) Within 60 days from the effective date of this ORDER, the Board must develop and submit to the Regional Director and the Division for review and non-objection, a written strategic and profit plan (Strategic/Profit Plan) that:

- (i) Establishes the future direction of the bank;
- (ii) Sets objectives to meet the Board-approved future direction;
- (iii) Is designed to improve sustainable earnings; and
- (iv) Is supported by a comprehensive operating budget addressing all categories of income and expense with formal goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or actions as required by this ORDER.

(b) Within 45 days following the end of each calendar quarter, the Board must evaluate the Bank's actual performance in relation to the Strategic/Profit Plan required by this provision, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken.

(c) The plan identified in paragraph (a) must be submitted to the Regional Director and the Division for review and non-objection each calendar year no later than September 15, beginning 2023.

### LIQUIDITY AND FUNDS MANAGEMENT

4. (a) Within 60 days from the effective date of this ORDER, the Board must revise and implement a liquidity and funds management policy (Liquidity and Funds Management

Policy) that improves the Bank's funds management procedures and maintains provisions necessary to meet the Bank's liquidity. The revised Liquidity and Funds Management Policy must, at a minimum:

(i) Establish a cushion of highly liquid assets calculated relative to total assets, with cash, due from bank balances, interest-bearing bank balances, and Federal funds sold being considered highly liquid assets;

(ii) Identify established contingency funding sources and the limitations associated with each source; and

(iii) Identify criteria for using for each contingency funding source.

(b) Within 15 days of the effective date of this ORDER and weekly thereafter, the Bank shall submit to the Regional Director and the Division the Liquidity Monitoring Spreadsheet provided by the FDIC.

#### INTEREST RATE RISK

5. (a) Within 90 days from the effective date of this ORDER, the Board must develop a plan to reduce interest rate risk exposure to a level within Board-approved policy limits. The plan must consider the potential effect on earnings, capital, and liquidity.

(b) Within 90 days of the effective date of this ORDER, the Board must review the reasonableness of the loan, investment, and deposit inputs and assumptions utilized in the interest rate risk measurement system. At a minimum, reinvestment rate assumptions for 1-4 family residential real estate adjustable rate mortgages should be added to the measurement system.

## CAPITAL

6. During the life of this ORDER, the Bank shall maintain a Leverage Ratio of no less than 10%. For purposes of this ORDER, the Leverage Ratio shall be calculated in accordance with Part 324 of the FDIC Rules and Regulations, 12 C.F.R. Part 324.

## NEW BUSINESS LINES, PRODUCTS, OR SERVICES

7. (a) While this ORDER remains in effect, the Bank shall not enter into any new lines of business, or offer any new products or services without first having prepared a detailed, written proposal that at a minimum, documents the conduct of appropriate due diligence. Due diligence, at a minimum, shall include 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/Profit Plan;
- (iii) A presentation of adequate policies and procedures to be established;
- (iv) An explanation as to how appropriate staff will be adequately trained;
- (v) An assessment of the risks associated with the proposed activity;  
and
- (vi) Assurance that adequate controls are in place to mitigate the risks associated with the proposed activity.

(b) A written copy of the Proposal shall be submitted to the Board for review, discussion and approval. Once approved by the Board, it shall be submitted to the Regional Director and Division for review and approval.

(c) The Board shall assure that appropriate documentation is prepared and maintained as described in Paragraph 2(c), Board Supervision.

### CORRECTION OF EXAMINATION RECOMMENDATIONS

8. (a) Within 45 days of the effective date of this CONSENT ORDER, the Board shall establish a mechanism for tracking the correction of examination recommendations, including correctable exceptions identified on the *Violations of Laws and Regulations* page of the examination report. The tracking mechanism shall be sufficiently detailed to identify the party responsible for corrective action, the Board's expected time-frame for remediation, and the nature of the corrective action, and the date the Board determined the corrective action sufficiently addressed the recommendation.

(b) The Board shall review the tracking mechanism identified in paragraph (a) no less than quarterly.

### PROGRESS REPORTS

9. Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Board must furnish to the Regional Director and the Division written progress reports, including Board minutes and supporting documents, detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Progress reports may be discontinued only when the corrections required by this ORDER have been accomplished and the Regional Director and the Division have released the Bank in writing from making further reports.

### CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of 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 this 21<sup>st</sup> day of March, 2023.

Digitally signed by  
[Redacted Signature]

Gregory P. Bottone  
Regional Director  
Chicago Regional Office  
Federal Deposit Insurance

[Redacted Signature]

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