

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between
FIRST & PEOPLES BANCSHARES, INC.
Russell, Kentucky
and
FEDERAL RESERVE BANK OF
CLEVELAND
Cleveland, Ohio

Docket No. 24-006-WA/RB-HC

WHEREAS, First & Peoples Bancshares, Inc., Russell, Kentucky (“Bancshares”), a registered bank holding company, owns and controls First & Peoples Bank & Trust Company, Russell, Kentucky (the “Bank”), a state-chartered nonmember bank regulated by the Federal Deposit Insurance Corporation (“FDIC”) and the Kentucky Department of Financial Institutions (“KDFI”);

WHEREAS, it is the common goal of Bancshares and the Federal Reserve Bank of Cleveland (the “Reserve Bank”) to maintain the financial soundness of Bancshares so that Bancshares may serve as a source of strength to the Bank;

WHEREAS, Bancshares and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, the undersigned is authorized to enter into this Agreement on behalf of Bancshares, and consenting to compliance with each and every provision of this Agreement by Bancshares.

NOW, THEREFORE, Bancshares and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of Bancshares shall take appropriate steps to fully utilize Bancshares' financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act, as amended ("the FDI Act") (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the FDIC and the KDFI on December 28, 2023, and any other supervisory action taken by the Bank's federal or state regulator.

Cash Flow Projections

2. Within 60 days of this Agreement, Bancshares shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2024. Bancshares shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2024 at least one month prior to the beginning of that calendar year.

Capital Plan

3. Within 60 days of this Agreement, Bancshares shall submit a written plan that is acceptable to the Reserve Bank to maintain sufficient capital (the "Capital Plan"). The Capital Plan shall include the following three items:

(a) an assessment of the adequacy of the Bank's capital, considering the current and anticipated sources of capital;

- (b) an action plan to raise additional capital or take other steps to improve the financial condition of the Bank; and
- (c) an enhanced capital contingency plan that fully addresses both the Bank's short-term and long-term capital needs.

Capital Conservation

4. (a) Effective immediately, Bancshares shall not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors (the "Director"). Bancshares also shall not, directly or indirectly, take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the Director. All requests for prior approval shall be received in writing at least 30 days prior to the earlier of the proposed declaration, payment, or distribution date, or required notice of deferral, and shall contain, at a minimum, current and projected information, as appropriate, on Bancorp's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for credit losses; and identification of the source(s) of funding for the proposed payment or distribution.

(b) Effectively immediately, Bancorp shall not, directly or indirectly, incur, increase, prepay, or guarantee any debt without the prior written approval of the Reserve Bank and the Director. All requests for prior approval shall be received at least 30 days prior to the proposed transaction date and contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

Compliance with Laws and Regulations

5. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Bancshares shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).
- (b) Bancshares shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

Progress Reports

6. Within 45 days after the end of each calendar quarter following the date of this Agreement, Bancshares shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

7. All communications regarding this Agreement shall be sent to:
 - (a) Ryan Schilling
Banking Supervisor
Federal Reserve Bank of Cleveland
1455 E. 6th Street
Cleveland, Ohio 44114
 - (b) William Buffin Clarke
President and CEO
First & Peoples Bancshares, Inc.
1001 Diederich Boulevard
Russell, Kentucky 41169

Miscellaneous

8. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to Bancshares to comply with any provision of this Agreement.

9. The provisions of this Agreement shall be binding upon Bancshares and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

10. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

11. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Bancshares, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

12. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 13th day of March, 2024.

FIRST & PEOPLES BANCSHARES, INC.

By: /s/ William Buffin Clarke
William Buffin Clarke
President and CEO

FEDERAL RESERVE BANK
OF CLEVELAND

By: /s/ Nadine Wallman
Nadine Wallman
Vice President