

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

OKLAHOMA BANKING DEPARTMENT
OKLAHOMA CITY, OKLAHOMA

Written Agreement by and among

SNB BANCSHARES, INC.
Eufaula, Oklahoma

BANK OF EUFAULA
Eufaula, Oklahoma

OKLAHOMA BANKING DEPARTMENT
Oklahoma City, Oklahoma

and

FEDERAL RESERVE BANK OF
KANSAS CITY
Kansas City, Missouri

Docket Nos. 24-019-WA/RB-HC
24-019-WA/RB-SM
OSBD 24-C&D-3

WHEREAS, SNB Bancshares, Inc. (“Bancshares”), Eufaula, Oklahoma, a registered bank holding company, owns and controls Bank of Eufaula (the “Bank”), Eufaula, Oklahoma, a state-chartered bank that is a member of the Federal Reserve System;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor of Bancshares and the Bank;

WHEREAS, the Oklahoma Banking Department (the “Department”) is the appropriate state supervisor for the Bank;

WHEREAS, the most recent examination of the Bank, dated February 1, 2024 (the “Report of Examination”), conducted by the Federal Reserve Bank of Kansas City (the “Reserve Bank,” together with the Department, the “Supervisors”) identified certain deficiencies at the Bank;

WHEREAS, it is the common goal of Bancshares and the Bank to maintain the financial soundness of the Bank and to have Bancshares serve as a source of strength to the Bank;

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

WHEREAS, the undersigned are authorized to enter into this Agreement on behalf of Bancshares and the Bank, respectively, and consent to compliance with each and every provision of this Agreement by Bancshares and the Bank.

NOW, THEREFORE, Bancshares, the Bank, the Department, 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 (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 this Agreement and any other supervisory action taken by the Bank’s federal or state regulators.

Board Oversight

2. Within 90 days of the effective date of this Agreement, the board of directors of the Bank shall submit a written plan to the Supervisors to strengthen board oversight of the management and operations of the Bank. The plan shall include the following seven items:

(a) actions the Bank's board of directors will take to improve the Bank's condition and maintain effective control over, and oversight of, the Bank's major operations and activities, including but not limited to, capital, earnings, liquidity and funds management, lending, and credit risk management;

(b) steps to ensure the Bank's management and staff have requisite qualifications, skills, independence, and training to competently perform present and anticipated duties;

(c) measures for the Bank's board of directors to establish appropriate risk tolerance guidelines and risk limits, and monitor management's adherence thereto, including any exceptions;

(d) measures to ensure the Bank's board of directors monitors management's adherence to approved policies and procedures, applicable laws and regulations, and any exceptions to approved policies and procedures;

(e) measures to ensure oversight of senior management's filing of accurate and complete regulatory reports and notices with the Supervisors, including procedures for amending any such filings;

(f) steps to ensure exception tracking reports of audit and examination findings are provided to the Bank's board of directors to ensure timely resolution; and

(g) steps to improve the quality, comprehensiveness, and granularity of the information and reports provided to the board of directors, including with respect to the Bank's capital, earnings, liquidity, lending, and credit risk management.

Corporate Governance and Management Review

3. (a) Within 30 days of the effective date of this Agreement, the Bank's board of directors shall retain an independent third party acceptable to the Supervisors to conduct a review of the effectiveness of the Bank's corporate governance (the "Review") and to prepare a written report of findings and recommendations (the "Report"). The Review shall include the following two items:

(i) an assessment of the qualifications and skills for all current executives, managers, and loan officers, and a determination as to whether additional resources are needed to adequately conduct the affairs of the Bank; and

(ii) an assessment of the current structure, qualifications, and composition of the board of directors and its committees to ensure they have the appropriate independence, and a determination of the structure and composition needed to adequately supervise the affairs of the Bank.

(b) Within 10 days of the Supervisors' approval of the independent third party, the Bank shall submit an engagement letter to the Supervisors for approval. The engagement letter shall require the independent third party to submit the Report within 90 days of regulatory approval of the engagement letter and a commitment that the Report and any drafts thereof will be provided to the Supervisors at the same time it is provided to the Bank's board of directors, and that any information supporting the conclusions in the Report will be made available to the Supervisors upon request.

4. Within 30 days of receipt of the Report, the Bank's board of directors shall submit a written plan to the Supervisors that fully addresses the findings and recommendations in the Report and describes the specific actions the board of directors will take to strengthen the Bank's corporate governance and management.

Internal Controls

5. Within 90 days of the effective date of this Agreement, the Bank shall submit written policies and procedures acceptable to the Supervisors to strengthen the Bank's internal controls. The policies and procedures shall include the following three items:

(a) measures to ensure segregation of duties and dual controls related to the administration and oversight of the Bank's lending and credit risk management functions;

(b) steps to enhance policies and procedures to identify, limit, and manage overdrafts that are consistent with the Interagency Guidance on Overdraft Protection Programs, dated February 23, 2005 (SR 05-3), including controls to ensure adequate monitoring and reporting of accounts that are overdrawn or drawing on uncollected funds, including, but not limited to: (i) management information systems that identify accounts that are overdrawn or drawing on uncollected funds; (ii) the designation of management authorized to approve payments against accounts that are overdrawn or drawing against uncollected funds; (iii) monthly reporting to the Bank's board of directors of accounts that are overdrawn or drawing on uncollected funds; and (iv) procedures for closing accounts with a level of overdraft or uncollected funds activity that is inconsistent with Bank policy or that poses a risk of loss; and

(c) reporting of internal controls reviews to the board of directors.

Conflicts of Interest

6. Within 30 days of the effective date of this Agreement, the Bank shall develop a written conflicts of interests policy that shall, at a minimum, apply to all directors, officers, employees, agents, and contractors of the Bank (“Covered Persons”) and address: (i) the responsibilities for conduct, (ii) the avoidance of conflicts of interest, and the appearance thereof, in transactions involving affiliates or related interest, as defined in section 215.2(n) of Regulation O (12 C.F.R. § 225.2(n)) thereof, and (iii) a requirement that a Covered Person not participate in the underwriting, approval, or renewal of any loan, the proceeds of which are transferred to or used for the tangible economic benefit of such Covered Person, affiliates, or related interest.

Credit Risk Management

7. Within 90 days of the effective date of this Agreement, the Bank shall submit a written plan acceptable to the Supervisors to strengthen credit risk management practices. The plan shall include the following two items:

- (a) policies, procedures, and strategies to identify, limit, and manage concentrations of credit of borrowers, relationships, and industries; and
- (b) improvements to the Bank’s management information systems to ensure the board of directors and senior management obtain timely and accurate credit-related information, including identification of nonaccruals, charge-offs, and decisions related to extensions or deferrals.

Lending and Credit Risk Administration

8. Within 90 days of the effective date of this Agreement, the Bank shall submit policies and procedures acceptable to the Supervisors to improve its credit risk management. The policies and procedures shall include the following seven items:

(a) measures to ensure employees who conduct the lending and underwriting functions have the necessary experience, training, and independence to perform their duties;

(b) underwriting standards that require documented analyses of:

(i) the borrower's repayment sources, financial statements, global cash flow, and overall debt service ability; and

(ii) the value of any collateral;

(c) steps for management and administration of collateral, including:

(i) proper collateral perfection documentation; and

(ii) procedures to ensure appraisals conform to accepted appraisal standards, as defined in the Uniform Standards of Professional Appraisal Practice, and comply with the requirements of Subpart G of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50), and the Interagency Appraisal and Evaluation Guidelines, dated December 2, 2010 (SR 10-16);

(d) procedures to ensure compliance with loan documentation and collateral requirements to minimize exceptions, including establishment of an exception tracking system;

(e) standards to require periodic updating of borrowers' financial information and credit analysis, and collateral evaluations;

(f) policies, procedures, and standards for the timely movement of loans to non-accrual status, and the monitoring and reporting of loans on non-accrual status that are consistent with applicable regulatory and accounting guidance; and

(g) enhanced procedures, reporting, and monitoring systems to ensure deteriorating credits are promptly identified, properly risk rated, and accurately and timely placed on the watch list.

Loan Grading and Loan Review

9. Within 30 days of the effective date of this Agreement, the Bank shall submit a written program for the effective, ongoing grading of the Bank's loan portfolio by a qualified independent third party or by qualified staff that is independent of the Bank's lending function and is acceptable to the Supervisors. The program shall provide for policies, procedures, and processes for the timely and ongoing grading of loans. The program shall include the following five items:

(a) standards and criteria for assessing the credit quality of loans, including a discussion of the factors used to assign appropriate risk grades to loans;

(b) procedures to re-evaluate the grading of loans in the event of material changes in the borrower's performance or the value of the collateral;

(c) procedures to evaluate the grading of all loans that are adversely classified at least quarterly;

(d) controls to ensure staff's consistent application and adherence to the loan grading system; and

(e) enhanced procedures and monitoring systems to ensure that deteriorating credits are promptly identified, properly risk rated, and accurately and timely placed on the watch list.

10. Within 30 days of the effective date of this Agreement, the Bank shall submit a written program acceptable to the Supervisors for the effective, ongoing review of the Bank's

loan portfolio by a qualified independent third party or by qualified staff that is independent of the Bank's lending function. The program shall provide for policies and procedures for the timely identification and categorization of problem loans, and processes to detect weaknesses in the Bank's loan approval, monitoring, and grading process. The program shall include the following four items:

- (a) the scope, depth, and frequency of the independent loan review;
- (b) clearly defined responsibilities for the loan review function;
- (c) an objective and timely assessment of the overall quality of the loan portfolio and the accuracy of assigned loan grades; and
- (d) regular written reports documenting the findings of the loan review.

11. The board of directors, or a committee thereof, shall evaluate the loan review report(s) and take appropriate steps to ensure management takes prompt action to address findings noted in the report(s).

Asset Improvement

12. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are adversely classified in the Report of Examination, or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its designated committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank's risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and protect the Bank's interest in the ultimate collection of the credit already granted and maximize its

potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its designated committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

13. (a) Within 120 days of the effective date of this Agreement, the Bank shall submit a written plan acceptable to the Supervisors designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan, relationship, or other asset in excess of \$150,000, including other real estate owned ("OREO"), that is past due as to principal or interest more than 90 days as of the effective date of this Agreement, is on the Bank's problem loan list, or was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan, relationship, or other asset in excess of \$150,000, becomes past due as to principal or interest for more than 90 days, is

on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Supervisors an acceptable written plan to improve the Bank's position on such loan, relationship, or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Supervisors to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Supervisors and shall document the review in the minutes of the board of directors' meetings.

Allowance for Credit Losses

14. (a) Within 30 days from the receipt of any report of examination, the Bank shall charge off all assets classified as "loss" unless otherwise approved in writing by the Supervisors.

(b) Within 120 days of the effective date of this Agreement, the Bank shall review and revise its allowance for credit losses ("ACL") methodology consistent with relevant supervisory guidance, including the Interagency Policy Statement on Allowances for Credit Losses, dated May 8, 2020 (SR 20-12) and the findings and recommendations regarding the ACL, and submit a description of the revised methodology to the Reserve Bank. The revised ACL methodology shall be designed to maintain an adequate ACL and shall, at a minimum, include the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss

experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 120 days of the effective date of this Agreement, the Bank shall submit to the Supervisors a written program for the maintenance of an adequate ACL. The program shall, at a minimum, include policies and procedures to ensure adherence to the ACL methodology and provide for periodic reviews and updates to the ACL methodology. The program also shall provide for a review of the ACL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ACL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Report of Condition and Income. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ACL. During the term of this Agreement, the Bank shall submit to the Supervisors, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ACL and a description of any changes to the methodology used in determining the amount of the ACL for that quarter.

Capital Plan

15. Within 60 days of the effective date of this Agreement, the Bank shall submit a written plan acceptable to the Supervisors to maintain sufficient capital. The plan shall include the following three items:

(a) the Bank's current and future capital requirements, including compliance with the applicable requirements of Regulation Q of the Board of Governors, Capital Adequacy of Board-Regulated Entities (12 C.F.R. Part 217);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ACL, current and projected asset growth, projected earnings, and anticipated and contingency funding needs; and

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements.

16. (a) The Bank shall notify the Supervisors, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, common equity Tier 1, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit a written plan acceptable to the Reserve Bank that details the steps it will take to increase its capital ratios to or above the approved capital plan's minimums.

(b) During the term of this Agreement, the Bank shall not enter into any agreement to sell or purchase any loan or other asset that, in the aggregate, would exceed 5 percent of the Bank's total assets at the end of the prior quarter without the prior written approval of the Supervisors.

(c) All requests for prior written approval shall be received at least 30 days prior to the proposed sale or purchase. All requests shall contain, at a minimum, a description of the terms of the proposed sale or purchase, the identity of the proposed purchaser or seller; current and projected information on the Bank's capital, asset quality, earnings, and ACL needs, and the identification of the sources of funds for any proposed purchase or sale.

Liquidity and Funds Management

17. Within 60 days of the effective date of this Agreement, the Bank shall submit an enhanced liquidity risk management program acceptable to the Supervisors that, at a minimum,

includes steps to diversify sources of contingency funding, enhanced liquidity stress test scenarios, and periodic independent review and evaluation of all components of the Bank's liquidity risk management process.

18. Within 60 days of the effective date of this Agreement, the Bank shall submit a revised written contingency funding plan acceptable to the Supervisors that, at a minimum, is consistent with the Interagency Policy Statement on Funding and Liquidity Risk Management, dated March 17, 2010 (SR 10-6), and includes adverse scenario planning.

Strategic Plan and Budget

19. (a) Within 120 days of the effective date of this Agreement, the Bank shall submit to the Supervisors a written strategic business plan and a budget for 2025 to improve the Bank's earnings and overall condition. The plan shall include the following four items:

(i) short- and long-term goals and strategies for improving the Bank's earnings, and a description of how the Bank's board of directors and senior management intend to achieve the stated goals;

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components;

(iii) a realistic and comprehensive budget for the remainder of 2024, including income statement and balance sheet projections; and

(iv) a budget review process that analyzes and reports budgeted versus actual income and expense performance.

(b) A business plan and budget for each calendar year subsequent to 2025 shall be submitted to the Supervisors at least 30 days prior to the beginning of that calendar year.

Capital Conservation

20. (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, trust preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. Effective immediately, the Bank 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, trust preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Supervisors and the Director of Supervision and Regulation of the Board of Governors. 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 Bancshares and the Bank's respective capital, earnings, and cash flow; the Bank's asset quality, earnings, and ACL; and identification of the source(s) of funding for the proposed payment or distribution.

(b) Effectively immediately, Bancshares shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. Effective immediately, the Bank shall not, directly or indirectly, incur, increase, prepay, or guarantee any debt without the prior written approval of the Supervisors. 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

21. (a) The Bank shall take all necessary steps to correct all apparent violations of law or regulation cited in the Report of Examination. In addition, the Bank shall take necessary steps to ensure future compliance with all applicable laws and regulations.

(b) 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 and the Bank shall comply with the notice provisions of section 32 of the FDI Act, as amended, (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(c) Bancshares and the Bank 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 Federal Deposit Insurance Corporation's regulations (12 C.F.R. § 359).

Progress Reports

22. Within 45 days after the end of each calendar quarter following the date of this Agreement, the board of directors of Bancshares shall submit to the Reserve Bank, and the board of directors of the Bank shall submit to the Supervisors, written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans and Programs

23. (a) The Bank shall submit the written plans, programs, policies, and procedures that are acceptable to the Supervisors within the applicable time periods set forth in

paragraphs 2, 4, 5,6, 7, 8, 9, 13(a), 14(c), 15, 17, 18, and 19 of this Agreement. Each plan, program, policy, and procedure shall contain a timeline for full implementation of the plan, program, or policy with specific deadlines for the completion of each component of the plan, program, policy, or procedure. An independent third party acceptable to the Supervisors shall be retained in accordance with the Supervisors' requirements by the Bank within the time periods set forth in paragraph 3(a) of this Agreement. Engagement letters shall be submitted to the Supervisors within the time periods set forth in paragraph 3(b) of this Agreement.

(b) Within 10 days of approval by the Supervisors, the Bank shall adopt the approved plans, programs, policies, and procedures. Upon adoption the Bank shall promptly implement the approved plans, program, policy, and procedure and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, program, policy, procedure, and engagement letters shall not be amended or rescinded without the prior written approval of the Supervisors.

Communications

24. All communications regarding this Agreement shall be sent to:

- (a) Mr. Ryan L. Harwell
Vice President
Mr. Bill Vandivort
Legal Counsel
Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198

- (b) Mr. Mick Thompson
Bank Commissioner
Oklahoma Banking Department
2900 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105

- (c) Ms. Courtney Eagan
Legal Counsel
SNB Bancshares, Inc.
Bank of Eufaula
150 Foley Avenue
Eufaula, Oklahoma 74432

Miscellaneous

25. Notwithstanding any provision of this Agreement, the Supervisors, as applicable, may in their sole discretion, grant written extensions of time to Bancshares or the Bank to comply with any provision of this Agreement.

26. The provisions of this Agreement shall be binding upon Bancshares, the Bank, and their 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.

27. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Supervisors, as applicable.

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

29. 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 7th day of August, 2024.

SNB BANCSHARES, INC.

FEDERAL RESERVE BANK
OF KANSAS CITY

By: /s/ R.L. Simpson III
R.L. Simpson III
Chairman

By: /s/ Ryan L. Harwell
Ryan L. Harwell
Vice President

BANK OF EUFAULA

OKLAHOMA BANKING DEPARTMENT

By: /s/ R.L. Simpson III
R.L. Simpson III
President and CEO

By: /s/ Mick Thompson
Mick Thompson
Bank Commissioner