

**SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD
June 28, 2018**

A Special Meeting of the Arkansas State Banking Board was held in the conference room of the Arkansas State Bank Department, 400 Hardin Road, Suite 100, Little Rock, Arkansas, at 10:00 a.m. on June 28, 2018. The following Board Members were present: Randy Scott, Gary Hudson, Ronald Mobley, with Zach McClendon and David Leech (via phone). Board Member Lana Hampton was absent. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioner Susannah Marshall, Deputy Commissioner and Chief Counsel John Ahlen, Certified Examinations Manager John Ashby, Certified Bank Senior Examiner Kevin Mosley, Secretary to the Board Cynthia Nixon, Research Project Analyst Barbara Mahoney and Lynn LaSalle from Bushman Court Reporting was the recording reporter for the applicants. No representatives from the media were present.

Bank Commissioner, Candace A. Franks, called this Special Meeting of the State Banking Board. Notice of the Special Meeting was sent by regular mail to each member of the State Banking Board on May 22, 2018. The notice was also given to the news media in accordance with state law.

Commissioner Franks opened the meeting and declared a quorum was present. Commissioner Franks then asked the visitors and guests to stand and introduce themselves and state who they represent. Representing Armor Bank, N.A., Forrest City, Arkansas was Nathan Waldrip, Mark Waldrip, Chad May, CEO, Josh Dennis and Bob Fegtly with DD&F; Brad Chambless with Farmers and Merchants Bank, Stuttgart, Arkansas; Katie Branscum with Mitchell Williams, Little Rock, Arkansas. The Commissioner then turned the meeting over to Chairman McClendon. She then asked Chairman McClendon if it would be more efficient for Vice-Chairman Randy Scott to conduct the meeting since he

was physically at the meeting. Chairman McClendon agreed. Vice-Chairman Randy Scott conducted the meeting.

The first item on the agenda was consideration of the Minutes of the May 3, 2018 Special Board Meeting. A motion was made by Gary Hudson, seconded by Ron Mobley, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

VICE CHAIRMAN SCOTT: Next item on the agenda is for the application by Armor Bank, N.A., Forrest City, to convert to a state-chartered bank to be known as Armor Bank.

MR. DENNIS: Good morning, everybody. This morning it is my privilege to introduce Armor Bank to all as they are seeking to convert from a national bank to a state-chartered FDIC bank.

A brief history: On January 1, 2017, Big Creek Bancshares acquired Forrest City Financial Corporation and their subsidiary bank, Forrest City Bank, N.A. The bank changed their name immediately to Armor Bank, N.A., and Mr. Waldrip and his team committed from day one to strengthen the bank's balance sheet and income statement and to bolster capital levels. So from the last 15 months, assets at the bank have grown 25 percent, from \$45 million to \$66 million, and deposits have grown 20 percent. Loans have grown by 25 percent, from \$18 to \$22 million. They have cleaned up the bank's balance sheet, so nonperforming assets were at 2.1 when they acquired them. Now they are at 0.6. The leverage ratio of the bank has gone from 6.4 to 9.7. The Tier 1 risk based has gone from 12 to 22. One of the most impressive things they have managed to do was reverse the trend of negative earnings at Armor Bank. From 2009 to 2016, Forrest City lost money every single year. December 31, 2016, Forrest City's net income was a negative \$198,000. As of December 31, 2017, they have reversed that trend and showed earnings of a positive \$442,000, so a net switch of \$640,000. Now, what that does to the ROA is it took it from a negative 0.4 to a positive 0.65 in 15 months, and the ROE went from negative 4 to a

positive 6.6. So they have made great strides in improving that bank, increasing the earnings, bolstering the capital levels.

They have also made strategic hires over the last year. Actually, in April they brought Courtney Menefee from Regions to be the chief lending officer, and they brought in Chad May from Regions to be the CEO of the bank and the holding company. If I may say so, I think you are going to be very pleased with them as they join your fold. They have got a great bank and a great management team. So I will now turn it over to Chad May.

MR. MAY: Josh Dennis covered a lot of it, but I just want to give you the perspective. So I have been at Regions for 19 years, and the opportunity is all about the family that is invested in the bank. And so that was really phase one, and then phase two was a lot of hard work really from Nathan and Mr. Waldrip in going in and working on the efficiency side of the bank. And so the last year they have significantly enhanced profitability, and so what we are looking at now is an expansion into the Little Rock market with commercial banking contacts that we have in market and prudently growing and building a team eventually over the state. And so when we talked about this opportunity and this potential switch, we just thought it made sense for our organization to be with the State Bank Department, because we are going to try to grow in the state and feel like it would align better with our strategic objectives. So I am appreciative of everybody taking the time to host this and happy to answer any questions that anybody might have.

VICE CHAIRMAN SCOTT: Any questions?

MR. HUDSON: I just have a comment. I am very pleased of the situation that has evolved in St. Francis County. It traditionally had been a bank that had been a loss leader in that market, and it had out-of-state ownership to a great extent. And to have a local group owning that bank will give it much more of a flavor of being an Arkansas bank, which fits much more with the Arkansas State Bank Department system. And I agree

wholeheartedly that we will be very, very pleased to watch the growth and the stability of the bank as that grows. And, so I wholeheartedly endorse it.

VICE CHAIRMAN SCOTT: I have a question in the reports, it talked about an MOU, there were three items there. Have those been rectified, or where are you at on those items?

MR. MAY: We feel like they have been rectified. You know, the primary challenge of the MOU that was in place was really with regards to profitability. And it was called "seasoning," which is a generic term that could have no end. And so the efficiency play that went on significantly enhanced both the capital position of the bank and enhanced, you know, the profitability by, you know, decreasing substantially troubled bank-type expenses and insurance and all those things that were in place. So our run rate of the profitability on a monthly basis is at the highest that it is been in over the last ten years. And we are going to be strategic, and "prudent" is a good word to use, because we have opportunities to grow with the network that we build and the relationships we have built over time, but we want to do it in a manner that we are able to both grow prudently and sustain our profitability. And that was the primary challenge with the MOU, was around profitability.

VICE CHAIRMAN SCOTT: Commissioner, this is the first time since I have been on the Board where a national-chartered bank goes to a state-chartered bank with an MOU on it. Does that transfer over? Does it go away? Does the State Bank Board determine if there is an MOU?

COMMISSIONER FRANKS: Yes. The memorandum will go away once it is converted to a state charter. It will no longer be a national bank, and their order will be terminated.

VICE CHAIRMAN SCOTT: Good. Any other questions?

MR. HUDSON: I make a motion that we approve the application of Armor Bank to be admitted to the State Banking system.

VICE CHAIRMAN SCOTT: We have a motion. Second?

MR. MOBLEY: I'd second that.

VICE CHAIRMAN SCOTT: Okay. Any further discussion? All those in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

VICE CHAIRMAN SCOTT: Anyone opposed?

BOARD MEMBERS: (No response.)

COMMISSIONER FRANKS: And the Commissioner concurs.

VICE CHAIRMAN SCOTT: All right. Well, congratulations.

COMMISSIONER FRANKS: Congratulations.


VICE CHAIRMAN SCOTT: I think you will be very pleased to be part of the State Bank Department.

COMMISSIONER FRANKS: Yes. We appreciate it.

Being no further business, a motion was made by Gary Hudson, seconded by Ronald Mobley, to adjourn the meeting. Motion carried. Commissioner concurred.



RANDY SCOTT, VICE-CHAIRMAN
State Banking Board



Date

ATTEST:

Cynthia Nixon

CYNTHIA NIXON, Secretary
State Banking Board

Candace A. Franks

CANDACE A. FRANKS
Bank Commissioner

Board Members in Attendance:

ZACH McCLENDON, Chairman
State Banking Board
(Via Phone)

Date

Resigned from Board 9-12-18

Randy Scott

RANDY SCOTT, Member
State Banking Board, Vice-Chairman

10-18-18

Date

Gary Hudson

GARY HUDSON, Member
State Banking Board

10-18-18

Date

David Leech

DAVID LEECH, Member
State Banking Board
(Via Phone)

10-18-18

Date

Ronald F. Mobley

RONALD F. MOBLEY, Member
State Banking Board

10-18-18

Date

Board Members not in Attendance

LANA HAMPTON
State Banking Board

Date

