

**SPECIAL MEETING
OF THE
ARKANSAS STATE BANKING BOARD
August 22, 2019**

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 August 22, 2019. The following Board Members were present: Randy Scott, David Leech, D. Scott Miller, Todd Smith, Ronald Mobley and Lana Hampton. Representing the State Bank Department were Commissioner Candace A. Franks, Deputy Commissioner Susannah Marshall, Deputy Commissioner and Chief Counsel John Ahlen, Certified Bank Senior Examiner Gregg Qualls, Secretary to the Board Cynthia Nixon, Administrative Analyst Lisa Smith and Lynn LaSalle from Bushman Court Reporting was the recording reporter for the applicants. No media representatives 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 July 16, 2019. 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. House Bill 1928 of 2019 requires the audio recording of all board meetings. To comply with this Act we will be recording all State Banking Board Meetings. As of July 1, 2019, the State Banking Board and the State Bank Department became a part of the Arkansas Department of Commerce. We have been working with Secretary Mike Preston's staff in order to make a smooth transition throughout this process. We have been notified that we will be moving the State Bank Department to the Verizon Building in the Riverfront area. Plans are to have the Department of Commerce departments moved by February 2020. We will keep everyone informed of our impending move.

The application by Farmers Bank and Trust Company, Magnolia, Arkansas, to merge Bank of Prescott, Prescott, Arkansas with and into Farmers Bank and Trust Company, Magnolia, Arkansas, has been delayed and we are planning to hear the application at our next Regular Board Meeting scheduled for October 17, 2019.

Commissioner Franks asked the visitors and guests to stand and introduce themselves and state who they represent. Representing Armor Bank, Forrest City, Arkansas were: Joshua Dennis and Bob Fegtly with DD&F Consulting, President and CEO Chad May. Representing Chambers Bank, Danville, Arkansas were Joshua Dennis and Bob Fegtly with DD&F Consulting, President Mike Donnell, Joe Riedel, Alisa Kelly, Landi Mkhize. Justin Bell with Farmers Bank

And Trust Company, Blytheville. President and CEO of Arkansas Bankers Association Lorrie Trogden.

CHAIRMAN SCOTT: Consideration of the Minutes of the June 27, 2019 Special Board Meeting. A motion was made by David Leech, seconded by Todd Smith, to approve the Minutes as presented. Motion carried and the Commissioner concurred.

CHAIRMAN SCOTT: We have an application by Armor Bank, Forrest City, Arkansas to merge First Delta Bank, Marked Tree, Arkansas, with and into Armor Bank, Forrest City, Arkansas.

MR. DENNIS: Good morning. This is the first time, I think, in well over a year I have presented before everybody. On July 15, 2019, we submitted a merger application for the merger of First Delta Bank with and into Armor Bank. As per Arkansas Banking Code §23-48-503, the application must show five things in order for the Board and the Commissioner to approve. The first item that must be shown is that the proposed merger does provide an adequate capital structure. This transaction does. In the application, we provided pro forma projections which show post acquisition Armor Bank will have a leverage ratio of 9.84 and a common equity Tier 1 of 19.62. The second item that must be shown is that the merger agreement was fair. The boards of both First Delta Bank and Armor Bank have looked at the agreement and determined it to be fair and reasonable. The third item is the merger must not be contrary to the public interest. This transaction we believe will benefit the communities of both First Delta Bank and Forrest City. Chad May is here, and he will provide a little more color on the transaction and also answer any questions. The fourth item that must be addressed is dissenters' rights must have been adequately provided for. Big Creek Bancshares is the sole shareholder of both First Delta Bank and Armor Bank, so there were no dissenting shareholders. And lastly, all applicable state and federal banking laws have to be complied with. In addition to this application, we filed an interagency bank merger application on July 15, 2019. We have not received approval from that yet. There was a little bit of a mess-up on the notice of publications that happened at the newspaper, so that approval will come a few weeks from now, but we are fully expecting it, as per the FDIC. So at this point, I will give the floor to Chad.

MR. MAY: Thanks for having us and hearing this proposal. We are well on our way to working on the integration of the two companies, and there is just a ton of synergy there in eastern Arkansas with the roots of Armor Bank and the ownership group. And fortunately for us, there is a really good group of employees that exist in the First Delta Bank franchise, and we are going to retain all employees, and several of their people will ascend to leadership roles in the Armor Bank corporate function from an operational standpoint. Last Friday we had a kickoff meeting with DD&F and Foxtrot, our partners who are going to help us with the merger. It is our intent, subject to all the proper approvals, that we are going to try to merge the two in November,

prior to all of the holiday seasons. The whole purpose in the two-step process and the delay was trying to be conservative and responsible with regard to having a really clean client impact as far as converting accounts and all the things that go along with it. So, we are tickled with the synergy it is going to provide our organization. We are excited to get a new infusion of talent from their organization, and I think it is going to be a win for all parties involved. I am happy to answer any questions.

CHAIRMAN SCOTT: Does the board have any questions for Mr. May?

MR. SMITH: Can you give some color on the allowance for loan and lease loss? Because the combined institution, it appears to be a little low, and the end of your one-year pro forma, it seems to be low. And while First Delta Bank has a more adequate allowance for loan and lease losses, there may be some unidentified exposures in the portfolio from the report?

MR. MAY: One of the things with the acquisition accounting of when they acquired First Delta Bank is that you eliminate the ALLL and establish a discount portfolio. So it may appear that the ALLL may be a little bit low. The addition of the ALLL with the discount, which acts much like an ALLL that you guys are used to, is that we are adequately reserved.

MR. SMITH: Thank you.

CHAIRMAN SCOTT: Any other questions?

MR. MILLER: There is reference to your presence in Little Rock, and it may be me reading between the lines a little bit, but that has been challenging. I was wondering if the tide may be turning on that and it may become complimentary to your organization.

MR. MAY: The Little Rock franchise?

MR. MILLER: Yes.

MR. MAY: I am not sure where the "challenging" came from. Now, certainly, everybody knows in this room that it is challenging to build brand awareness, and it is challenging to go out and gather liquidity and deposits at this point in time in the cycle. The last I checked, we were north of \$13 million in deposits in central Arkansas after opening a branch in February, so we feel like, from a projection standpoint and from our peer standpoint, we are ahead of schedule. Most of our loan growth has come in central Arkansas. As part of this transaction, we have now opened a loan production office in Jonesboro and hired two commercial producers that I have connectivity to and we have been pretty measured in our growth with opportunities to be maybe a little more aggressive, but that is all part of the strategy. We are actively trying to grow our

deposit base here in central Arkansas, and soon we will be trying to do that in northeast Arkansas, as well.

MR. MILLER: Thank you.

MR. MAY: You are welcome.

CHAIRMAN SCOTT: Any other questions or comments?

VICE-CHAIRMAN LEECH: Could I ask, Candace, are you on board on this?

COMMISSIONER FRANKS: Yes.

CHAIRMAN SCOTT: Any other questions or comments? If not, I will entertain a motion to approve this application.

VICE-CHAIRMAN LEECH: So moved.

CHAIRMAN SCOTT: Motion and second?

MR. MOBLEY: I second.

CHAIRMAN SCOTT: All those in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

CHAIRMAN SCOTT: Anyone opposed?

COMMISSIONER FRANKS: The Commissioner concurs.

MR. MAY: Thank you.

COMMISSIONER FRANKS: Congratulations.

CHAIRMAN SCOTT: Next we have an application by Chambers Bank, Danville, Arkansas, to merge River Town Bank, Dardanelle, Arkansas, with and into Chambers Bank, Danville, Arkansas.

MR. DENNIS: All right. You all get to listen to my spiel one more time. On July 15, 2019 we filed a merger app with your office for the merger of River Town Bank, Dardanelle, Arkansas

with and into Chambers Bank, Danville, Arkansas. The same five things must be shown in that application before you, the Board, and the Commissioner can approve. Number one, the merger must provide an adequate capital structure. The financial projections in the application show a post-acquisition leverage ratio of 9.86 and a common equity Tier 1 of 11.22, so it will be adequately capitalized. Item number two is the terms of the merger agreement must be fair. The boards of both institutions have reviewed it and deemed it to be fair and reasonable. Item number three, the merger must not be contrary to the public interest. We believe this is not at all contrary to the public interest, as Mr. Donnell can share when he talks about the transaction and answers any questions you may have. Item number four, dissenters' rights must be adequately provided for. Chambers Bancshares is the sole shareholder of both Chambers Bank and River Town Bank, and there were no dissenting shareholders. And lastly, all applicable state and federal laws have been complied with. We filed an interagency bank merger application on July 15, 2019, and we have not received approval yet, but, as per the FDIC, they expect that to be coming any day now. I will now yield the floor to Mr. Donnell.

MR. DONNELL: Thank you. We, too, appreciate being here. You know, my name is Mike Donnell. I am the President of Chambers Bank. I have with me Landi Mkhize, Alisa Kelly, and John Riedel. Landi is the CFO, so he would be able to answer any questions that you all have regarding numbers. And what I would like to do is go back a few years ago. One of the things that we did during the recessionary period is that we tried to re-establish our organization and put in an organizational structure that we felt like that we could not only get through that period but also to grow the bank. And one of our goals in our strategic plan is to be a billion dollars. And, you know, as you all know, the larger you get, the more efficient you can run. This is one of our steps in reaching that. It will put us on the cusp of being a billion dollars and also allow us hopefully to grow even bigger with the teams that we have put in place. It is going to give us the opportunity to compete more in the markets not only that we are in but, also that we are going to. We have two of the locations that we are going to be -- that will be coming in with River Town Bank that will be in markets that we are currently in. It is also going to allow us to go into Pope County and Faulkner County. And, this is a very good opportunity for us. We feel like we can grow the areas. The bank has been probably losing assets over the last several years, so we feel like this is an opportunity for us to go out and add to the assets of the bank and grow the bank, you know, like Josh was saying there, that we have adequately capitalized. We were able to do the transaction with no debt involved, so we feel like it is still good for both banks. And it will be good for our growth, and we feel like that we have the team to push on to be a billion dollars plus. We have put a lot of money into this team and growing this team, and we feel like the organizational structure is there to continue to grow the bank. So I would be happy to answer any questions that you have.

CHAIRMAN SCOTT: Any questions? I noticed in the application one year after the merger, the loan-deposit ratio is supposed to be 100.91 percent. Do you have contingency sources of liquidity? Is liquidity a concern?

MR. DONNELL: Yes, and Landi can tell you about that. We have notoriously been high loan-to-deposit ever since I have worked at the bank, for 27 years, and that has been one thing that we have always been, is a higher loan-to-deposit type of bank. I do not see that coming down. We do have a strong liquidity plan, and there are things that we have done in our different markets that, if we needed to go out and raise deposits, we have been able to do that. We would continue to do that. We do have other sources where we feel like we could get deposits if need be. Our borrowings at the Federal Home Loan Bank are relatively low for a bank our size, as we bring River Town Bank in, that liability funding would increase. That is not something that we go out and try to do, but we feel like we have a line of banks that we could go out and put out participation for those other banks. The loan quality at the company is very good. Past due ratios are very low. And so we feel like we could go out and sell those loans and lower the loan-to-deposit ratio. At this time, it is not something that we are looking at, but we do have a significant amount of participations right now, if that answers your question.

CHAIRMAN SCOTT: Anyone else have any questions?

MR. SMITH: A significant amount of participations sold?

MR. DONNELL: We do have some sold.

MR. SMITH: Thank you.

CHAIRMAN SCOTT: No more questions? I entertain a motion to approve the application.

MR. MILLER: So moved.

CHAIRMAN SCOTT: Motion and second?

MR. SMITH: Second.

CHAIRMAN SCOTT: Motion and second. All those in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

CHAIRMAN SCOTT: Anyone opposed?

COMMISSIONER FRANKS: The Commissioner concurs.

MR. DONNELL: Thank you very much.

COMMISSIONER FRANKS: Congratulations.

Being no further business, a motion was made by Todd Smith, seconded by David Leech, to adjourn the meeting. Motion carried. Commissioner concurred.



RANDY SCOTT, Chairman
State Banking Board

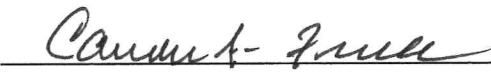
10.17.19

Date

ATTEST:



CYNTHIA NIXON, Secretary
State Banking Board



CANDACE A. FRANKS
Bank Commissioner

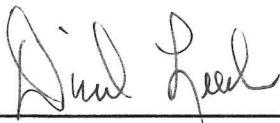
Board Members in Attendance:



RANDY SCOTT, Chairman
State Banking Board

10.17.19

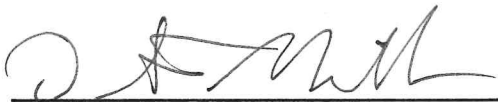
Date



DAVID LEECH, Vice-Chairman
State Banking Board

10.17.19

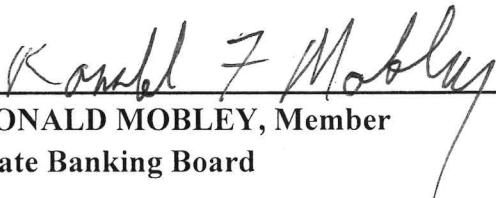
Date



D. SCOTT MILLER, Member
State Banking Board

10.17.19

Date



RONALD MOBLEY, Member
State Banking Board

10-17-19

Date



TODD SMITH, Member
State Banking Board

10/17/2019

Date

LANA HAMPTON, Member
State Banking Board

Date