

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

Written Agreement by and between

FIRST FINANCIAL SERVICE CORPORATION  
Elizabethtown, Kentucky

and

FEDERAL RESERVE BANK OF  
ST. LOUIS  
St. Louis, Missouri

Docket No. 11- 038 -WA/RB-HC

WHEREAS, First Financial Service Corporation, Elizabethtown, Kentucky (“First Financial”), a registered bank holding company, owns and controls First Federal Savings Bank of Elizabethtown, Inc., Elizabethtown, Kentucky (“Bank”), a state-chartered nonmember bank, and various nonbank subsidiaries;

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

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

WHEREAS, on April 20, 2011, the board of directors of First Financial, at a duly constituted meeting, adopted a resolution authorizing and directing B. Keith Johnson to enter into this Agreement on behalf of First Financial, and consenting to compliance with each and every provision of this Agreement by First Financial and its institution-affiliated parties, as

defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, First Financial and the Reserve Bank agree as follows:

**Source of Strength**

1. The board of directors of First Financial shall take appropriate steps to fully utilize First Financial’s financial and managerial resources, pursuant to 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 issued jointly by the Federal Deposit Insurance Corporation (“FDIC”) and the Commonwealth of Kentucky Department of Financial Institutions on January 24, 2011, and any other supervisory action taken by the Bank’s federal or state regulator.

**Dividends and Distributions**

2. (a) First Financial shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the “Director”).

(b) First Financial 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.

(c) First Financial and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on First Financial's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses (the "ALLL"); and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, First Financial must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Capital Plan**

3. Within 60 days of this Agreement, First Financial shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at First Financial on a consolidated basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Bank issued by the Bank's federal regulator;

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, its risk profile, the adequacy of the allowance for loan and lease losses, current and projected asset growth, and projected earnings;

(c) the source and timing of additional funds necessary to fulfill the consolidated organization's and the Bank's future capital requirements;

(d) supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by its federal or state regulator; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that First Financial serve as a source of strength to the Bank.

4. First Financial shall notify the Reserve Bank, in writing, no more than 45 days after the end of any quarter in which any of First Financial's capital ratios fall below the approved plan's minimum ratios. Together with the notification, First Financial shall submit an acceptable written plan that details the steps that First Financial will take to increase First Financial's capital ratios to or above the approved plan's minimums.

#### **Cash Flow Projections**

5. Within 60 days of this Agreement, First Financial shall submit to the Reserve Bank a written statement of First Financial's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2011. First Financial shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2011 at least one month prior to the beginning of that calendar year.

#### **Debt and Stock Redemption**

6. (a) First Financial and its nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall 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.

(b) First Financial shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Compliance with Laws and Regulations**

7. (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, First Financial 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) First Financial 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).

### **Approval and Implementation of Plans**

8. (a) First Financial shall submit written plans that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 3 and 4.

(b) Within 10 days of approval by the Reserve Bank, First Financial shall adopt the approved plans. Upon adoption, First Financial shall promptly implement the approved plans, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans shall not be amended or rescinded without the prior written approval of the Reserve Bank.

### **Progress Reports**

9. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors 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**

10. All communications regarding this Agreement shall be sent to:
  - (a) Mr. Timothy A. Bosch  
Vice President  
Federal Reserve Bank of St. Louis  
P.O. Box 442  
St. Louis, Mo. 63166-0442
  - (b) Mr. B. Keith Johnson  
Chief Executive Officer  
First Financial Services Corporation  
2323 Ring Road  
Elizabethtown, Kentucky 42702-5006

### **Miscellaneous**

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

11. The provisions of this Agreement shall be binding upon First Financial and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

13. 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 First Financial, the Bank, the nonbank subsidiaries of First Financial, or any of their current or former institution-affiliated parties and their successors and assigns.

14. 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 20<sup>th</sup> day of April, 2011.

FIRST FINANCIAL SERVICE  
CORPORATION

FEDERAL RESERVE BANK OF  
ST. LOUIS

By: /s/ B. Keith Johnson  
B. Keith Johnson  
Chief Executive Officer

By: /s/ Timothy A. Bosch  
Timothy A. Bosch  
Vice President