

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

WEST VIRGINIA DIVISION OF FINANCIAL INSTITUTIONS  
CHARLESTON, WEST VIRGINIA

Written Agreement by and among

FIRST BANKSHARES, INC.  
Barboursville, West Virginia

FEDERAL RESERVE BANK OF  
RICHMOND  
Richmond, Virginia

and

WEST VIRGINIA DIVISION OF  
FINANCIAL INSTITUTIONS  
Charleston, West Virginia

Docket No. 16-017-WA/RB-HC

WHEREAS, First Bankshares, Inc., Barboursville, West Virginia (“Bankshares”), a registered bank holding company, owns and controls The First State Bank, Barboursville, West Virginia (the “Bank”), a state-chartered nonmember bank, and two nonbank subsidiaries;

WHEREAS, it is the common goal of Bankshares, the Federal Reserve Bank of Richmond (the “Reserve Bank”), and the West Virginia Division of Financial Institutions (the “WVDFI”) to maintain the financial soundness of Bankshares so that Bankshares may serve as a source of strength to the Bank;

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

WHEREAS, on July 21, 2016, the board of directors of Bankshares, at a duly constituted meeting, adopted a resolution authorizing and directing Philip J. Vallandingham to enter into this Agreement on behalf of Bankshares, and consenting to compliance with each and every provision of this Agreement by Bankshares.

NOW, THEREFORE, Bankshares, the Reserve Bank, and the WVDFI agree as follows:

**Source of Strength**

1. The board of directors of Bankshares shall take appropriate steps to fully utilize Bankshares's financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act (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 issued jointly by the Federal Deposit Insurance Corporation ("FDIC") and the WVDFI dated November 10, 2015, and any other supervisory action taken by the Bank's federal or state regulators.

**Dividends and Distributions**

2. (a) Bankshares shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director"), and the WVDFI.

(b) Bankshares 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 WVDFI.

(c) Bankshares 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, the Director, and the WVDFI.

(d) All requests for prior approval shall be received by the Reserve Bank and the WVDFI 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 Bankshares's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Bankshares 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).

### **Debt and Stock Redemption**

3. (a) Bankshares and its nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the WVDFI. 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) Bankshares shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the WVDFI.

### **Cash Flow Projections**

4. Within 60 days of this Agreement, Bankshares shall submit to the Reserve Bank and the WVDFI a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes (“Cash Flow Projection”) for 2016. Bankshares shall submit to the Reserve Bank and the WVDFI a Cash Flow Projection for each calendar year subsequent to 2016 within one month after the beginning of that calendar year.

### **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, Bankshares 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.*) and shall obtain the WVDFI’s approval.

(b) Bankshares 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, the board of directors shall submit to the Reserve Bank and the WVDFI 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) Mr. Jason C. Schemmel  
Assistant Vice President  
Federal Reserve Bank of Richmond  
P.O. Box 27622  
Richmond, Virginia 23261
  - (b) Ms. Dawn E. Holstein  
Acting Commissioner of Financial Institutions  
West Virginia Division of Financial Institutions  
900 Pennsylvania Avenue  
Suite 306  
Charleston, West Virginia 25302
  - (c) Mr. Andrew Vallandingham  
Chief Executive Officer/President  
First Bankshares, Inc.  
999 Fourth Avenue  
Huntington, West Virginia 25701

## **Miscellaneous**

8. Notwithstanding any provision of this Agreement, the Reserve Bank and the WVDFI may, in their sole discretion, grant written extensions of time to Bankshares to comply with any provision of this Agreement.
9. The provisions of this Agreement shall be binding on Bankshares and each of 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 and the WVDFI.

11. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the WVDFI, or any other federal or state agency from taking any other action affecting Bankshares, the Bank, any nonbank subsidiary of Bankshares, 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 8<sup>th</sup> of August, 2016.

FIRST BANKSHARES, INC.

FEDERAL RESERVE BANK OF  
RICHMOND

By: /s/ Philip J. Vallandingham  
Philip J. Vallandingham  
Chairman of the Board

By: /s/ Jason C. Schemmel  
Jason C. Schemmel  
Assistant Vice President

WEST VIRGINIA DIVISION OF  
FINANCIAL INSTITUTIONS

By: /s/ Dawn E. Holstein  
Dawn E. Holstein  
Acting Commissioner of  
Financial Institutions