

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

Written Agreement by and among

ROCK BANCSHARES, INC.
Little Rock, Arkansas

HEARTLAND BANK
Little Rock, Arkansas

and

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

Docket Nos. 16-026-WA/RB-HC
16-026-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Rock Bancshares, Inc. (“Bancshares”), a registered bank holding company, and its subsidiary bank, Heartland Bank (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, both of Little Rock, Arkansas, Bancshares, the Bank, and the Federal Reserve Bank of St. Louis (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on December 13, 2016, the boards of directors of Bancshares and the Bank, respectively, at duly constituted meetings, adopted resolutions authorizing and directing Judy R. Lawton to enter into this Agreement on behalf of Bancshares and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by Bancshares and the Bank.

NOW, THEREFORE, Bancshares, the Bank and the Reserve Bank agree as follows:

Source of Strength

1. (a) Bancshares' board of directors shall take appropriate steps to fully utilize Bancshares' 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 this Agreement, and any other supervisory action taken by the Bank's federal or state regulator.

(b) Within 30 days of this Agreement, Bancshares shall submit to the Reserve Bank a written plan to manage holding company debt so that Bancshares can serve as a source of financial strength to the Bank.

Board Oversight

2. Within 60 days of this Agreement, the board of directors of the Bank shall submit a written plan to the Reserve Bank to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

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

(b) the responsibility of the board of directors to monitor management's adherence to approved policies and procedures, and applicable laws and regulations and to monitor exceptions to approved policies and procedures.

Credit Risk Management

3. Within 60 days of this Agreement, the Bank shall submit a written plan to strengthen credit risk management practices acceptable to the Reserve Bank. The plan shall, at a minimum, address, consider, and include:

- (a) the actions that the Bank's board of directors will take to improve internal controls and oversight of the Bank's lending function;
- (b) the establishment and implementation of underwriting standards and loan policies for specialized lending practices;
- (c) timely and accurate identification and quantification of credit risk within the loan portfolio;
- (d) strategies to limit concentrations of credit;
- (e) monitoring and controlling higher risk loan products; and
- (f) strategies to minimize credit losses and reduce the level of problem assets.

Asset Improvement

4. 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 criticized in the Report of Examination dated April 11, 2016 (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 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 that 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 that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and that 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 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)).

5. (a) Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank 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 \$500,000, including other real estate owned ("OREO"), that are past due as to principal or interest more than 90 days as of the date of this Agreement, are on the Bank's problem loan list, or were 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 \$500,000, including OREO, 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 Reserve Bank 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 Reserve Bank 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 Reserve Bank and shall document the review in the minutes of the board of directors' meetings.

Allowance for Loan and Lease Losses

6. (a) The Bank shall, within 30 days from the receipt of any report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, 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 60 days of this Agreement, the Bank shall submit a written program for the maintenance of an adequate ALLL acceptable to the Reserve Bank. The program shall include policies and procedures to ensure adherence to the ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. 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 ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

7. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to maintain sufficient capital. The plan shall, at a minimum, address, consider, and include:

(a) its current and future capital needs, 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 its capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ALLL, current and projected asset growth, and projected earnings; and

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

8. (a) The Bank shall notify the Reserve Bank, 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 Reserve Bank.

(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 ALLL needs, and the identification of the sources of funds for any proposed purchase or sale.

Earnings Plan and Budget

9. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank a written business plan and a budget for 2017 to improve the Bank's earnings and overall

condition. The plan shall, at a minimum, include, provide for, or describe:

(i) an assessment of the Bank's current financial condition, product lines, and market area, and a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components;

(ii) a realistic and comprehensive budget for 2017, including income statement and balance sheet projections; and

(iii) 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 2017 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

Dividends and Distributions

10. (a) Bancshares and the Bank shall not declare or pay any dividends or any other form of payment representing a reduction in capital 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) Bancshares and its nonbank subsidiaries shall not make any distribution 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.

(c) For the purposes of this Agreement, "other sums" shall include, but not be limited to, a distribution made through the issuance of shares, warrants, or exchange of property and any similar transaction that the Federal Reserve determines to be in substance a distribution.

(d) Any request to declare or pay dividends must be 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). All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date and shall contain, at a minimum, current and projected information, as appropriate, on the Bancshares's capital, earnings, and cash flow; the Bank's capital, asset quality, and loan loss reserve needs of the Bank, as well as, the source of funding for the proposed dividend.

Funds Management

11. Within 60 days of this Agreement, the Bank shall submit a written contingency funding plan acceptable to the Reserve Bank that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

Compensation Review

12. (a) Within 45 days of this Agreement, the outside directors of Bancshares and the Bank shall conduct a review of all of Bancshares' and the Bank's personnel costs to ensure that all salaries, bonuses, fees, other payments, benefits, or goods and services paid by, on behalf of, or provided to Bancshares' and the Bank's executive officers, directors, principal shareholders, their immediate family members, or their related interests are: (i) consistent with safe and sound banking practices and applicable law, regulations, and guidelines; (ii) related to the services actually rendered to Bancshares or the Bank, as applicable; (iii) justified based on the performance, financial condition, and future prospects of Bancshares and the Bank; (iv) paid in accordance with the duties, responsibilities, and obligations of Bancshares' and the Bank's executive officers, directors, and principal shareholders; (v) preapproved by the appropriate

board of directors on a regular basis; and (vi) that all compensation policies and agreements have the prior approval of Bancshares' or the Bank's board of directors, as applicable.

(b) Within 60 days of this Agreement, the outside directors shall submit to the Reserve Bank and the Bancshares' and the Bank's full boards of directors written findings and conclusions of the review required by this paragraph.

(c) Within 90 days the Bancshares' and the Bank's boards of directors shall submit to the Reserve Bank any proposed written compensation policies and procedures based on the results of the review.

(d) For the purposes of this Agreement, the terms: (i) "outside director" is defined as an individual, not an employee or executive officer of Bancshares or the Bank, who owns less than 10 percent of the outstanding voting stock of Bancshares or the Bank and who is not related in any manner to any shareholder who owns 10 percent or more of the outstanding voting stock of Bancshares or the Bank or any related interest of such a shareholder; (ii) "executive officer" is defined as set forth in section 215.2(e) of Regulation O of the Board of Governors (12 C.F.R. 215.2(e)); (iii) "principal shareholder" is defined as set forth in section 215.2(m) of Regulation O of the Board of Governors (12 C.F.R. 215.2(m)); and (iv) "immediate family" is defined as set forth in section 225.41(b)(3) of Regulation Y of the Board of Governors (12 C.F.R. 225.41(b)(3)).

Compensation

13. (a) Neither Bancshares nor the Bank shall, directly or indirectly, increase the salaries or bonuses of, or make any other payments, including, but not limited to, the payment of fees, indebtedness, or discretionary expenses or reimbursements, to or on behalf of any of its

executive officers, directors, principal shareholders, their immediate family members, or their related interest, without the prior written approval of the Reserve Bank.

(b) All requests for prior approval shall contain, but not be limited to, the proposed amount of increase or payment, the source of funding for the proposed increase or payment, the benefits to be derived by Bancshares or the Bank, as applicable, and other pertinent materials in order to assist in the review of the proposal.

(c) Notwithstanding the provisions of this paragraph, Bancshares and the Bank do not need to obtain the prior written approval of the Reserve Bank for the reimbursement of reasonable expenses that aggregate no more than \$3,000 per month for each of its executive officers, provided that such reasonable expenses are incurred in performing routine duties, which have been adequately documented and reported on Bancshares' or the Bank's, as applicable, books and records. For the purpose of calculating the \$3,000 per month total, reasonable expenses incurred by executive officer's related interest will be attributed to the executive officer.

Affiliate Transactions

14. (a) Bancshares and the Bank shall take all necessary actions to ensure that the Bank complies with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Bank and its affiliates, including but not limited to, Bancshares.

(b) Within 30 days of this Agreement, Bancshares shall submit a written policy acceptable to the Reserve Bank regarding transactions between Bancshares and the Bank, including, but not limited to, the allocation, documentation, and approval of expenses to ensure compliance with sections 23A and 23B and Regulation W.

(c) Bancshares shall not increase any service or management fees of any nature assessed to the Bank by Bancshares without the prior written approval of the Reserve Bank. Any request for prior approval pursuant to this paragraph shall be accompanied by documentation adequate to provide the Reserve Bank with the details of each fee proposed to be paid by the Bank and a description of the benefits to be derived by the Bank by the payment of the fee, the type of services to be rendered, and the identity of the person or persons who will supply the services covered by the fee.

Compliance with Laws and Regulations

15. (a) The Bank shall take all necessary steps to correct all 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 Federal Deposit Insurance Act, as amended (12 U.S.C. § 1831i) (the “FDI Act”) 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

16. Within 45 days after the end of each calendar quarter following the date of this Agreement, the boards of directors of Bancshares and the Bank shall submit to the Reserve Bank

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, Program, and Policy

17. (a) Bancshares or the Bank, as applicable, shall submit written plans, a program, and a policy that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 3, 5, 6(c), 7, 8(a), 11, and 14(b) of this Agreement. Each plan, program, or policy 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, or policy.

(b) Within 10 days of approval by the Reserve Bank, Bancshares or the Bank, as applicable, shall adopt the approved plans, program, or policy. Upon adoption, Bancshares or the Bank, as applicable, shall promptly implement the approved plans, program, or policy and thereafter fully comply with them.

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

Communications

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

- (a) Mr. Timothy Bosch
Vice President
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166
- (b) Ms. Judy Lawton
President
Rock Bancshares, Inc.
One Information Way, Suite 300
Little Rock, Arkansas 72202

- (c) Ms. Judy Lawton
President and Chief Operating Officer
Heartland Bank
One Information Way, Suite 300
Little Rock, Arkansas 72202

Miscellaneous

20. Notwithstanding any provision of this Agreement, the Reserve Bank may in its sole discretion, grant written extensions of time to Bancshares or the Bank to comply with any provision of this Agreement.

21. 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.

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

23. 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 Bancshares or the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

24. 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 13th of December, 2016.

ROCK BANCSHARES, INC.

FEDERAL RESERVE BANK
OF ST. LOUIS

By: /s/ Judy R. Lawton
Judy R. Lawton
President

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

HEARTLAND BANK

By: /s/ Judy R. Lawton
Judy R. Lawton
President and Chief Operating Officer