

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

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING
SPRINGFIELD, ILLINOIS

Written Agreement by and among

PERRY COUNTY BANCORP INC.
Du Quoin, Illinois

DU QUOIN STATE BANK
Du Quoin, Illinois

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

and

ILLINOIS DEPARTMENT OF FINANCIAL
AND PROFESSIONAL REGULATION
Springfield, Illinois

Docket Nos. 23-008-WA/RB-HC
23-008-WA/RB-SM

2023-DB-Sup 03

WHEREAS, Perry County Bancorp Inc., Du Quoin, Illinois (the “Company”), is a registered bank holding company, that owns and controls Du Quoin State Bank, Du Quoin, Illinois (the “Bank”), a state chartered bank that is a member of the Federal Reserve System;

WHEREAS, the Bank is a community banking organization that offers traditional loan and deposit products to consumers and businesses throughout southern Illinois;

WHEREAS, the Company and the Bank have begun taking corrective action to address deficiencies that were identified in recent examinations conducted by the Federal Reserve Bank of St. Louis (the “Reserve Bank”) and the Illinois Department of Financial and Professional

Regulation (the “IDFPR”);

WHEREAS, the Company and the Bank have adopted interim contingency funding measures;

WHEREAS, it is the common goal of the Company, the Bank, the Reserve Bank, and the IDFPR that the Company and the Bank comply with all applicable federal laws, rules, and regulations;

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

WHEREAS, the boards of directors of the Company and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing the undersigned to enter into this Agreement on behalf of the Company and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by the Company and the Bank.

NOW, THEREFORE, the Company, the Bank, the Reserve Bank, and the IDFPR agree as follows:

Source of Strength

1. The board of directors of the Company shall take appropriate steps to fully utilize the Company’s financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1830o-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.

Board Oversight

2. Within 60 days of this Agreement, the board of directors of the Bank shall submit a written plan acceptable to the Reserve Bank and the IDFPR to strengthen board oversight of the management and operations of the Bank. The plan shall include the following six items:

(a) 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 the Bank's capital, liquidity, interest rate risk management, and investment policy;

(b) measures to ensure that the board of directors provides adequate resources to ensure the Bank's compliance with this Agreement, including, but not limited to, sufficient staffing levels based on present and future staffing needs and succession planning;

(c) steps to ensure that officers and staff have the requisite qualifications, skills, and training to competently perform present and anticipated duties;

(d) the responsibility of the Bank's 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;

(e) steps to improve the quality, comprehensiveness, and granularity of the information and reports provided to the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's capital, liquidity, interest rate risk management, investment policy, and the status of measures taken to address supervisory findings; and

(f) the maintenance and retention of adequate and complete minutes of all board and committee meetings, and approval of such minutes.

Capital Plan

3. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank and the IDFPR to maintain sufficient capital. The plan shall include the following three items:

(a) the Bank's current and future capital requirements, including compliance with the applicable requirement of Regulation Q of the Board of Governors, Capital Adequacy of Board-Regulated Entities (12 C.F.R. Part 217);

(b) the adequacy of the Bank's capital, taking into account the volume of adversely classified assets, concentrations of credit, the adequacy of the allowance for loan and lease losses ("ALLL"), current and projected asset growth, projected earnings, and anticipated and contingency funding needs; and

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

4. (a) The Bank shall notify the Reserve Bank and the IDFPR, 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 and the IDFPR that details the steps the Bank will take to increase the Bank's 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 and the IDFPR.

(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.

Liquidity and Funds Management

5. Within 60 days of this Agreement, the Bank shall submit an enhanced liquidity risk management program acceptable to the Reserve Bank and the IDFPR that, at a minimum, includes analysis of sources and uses of funding, enhanced liquidity stress test scenarios, reporting of liquidity and dependency against board-approved limits, and measures to ensure timely reporting of the Bank's liquidity position to the board of directors.

6. Until such time as the enhancements to the Bank's liquidity risk management plan are fully implemented, the Bank shall ensure that a contingency funding plan acceptable to the Reserve Bank and the IDFPR remains in place and is fully capable of serving and protecting the Bank's depositors.

Interest Rate Risk Management

7. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank and the IDFPR to enhance interest rate risk management practices that are appropriate for the size and complexity of the Bank. The plan shall include the following three items:

(a) adequate guidelines and systems, including effective modeling, to measure, monitor, and control the Bank's interest rate risk;

(b) appropriate parameters governing the economic risk to the Bank's capital

due to changes in interest rates; and

(c) measures to ensure that interest rate risk management practices are consistent with the Interagency Advisory on Interest Rate Risk dated January 11, 2010 (SR 10-1).

Investment Policy

8. Within 60 days of this Agreement, the Bank shall submit a revised written investment policy, acceptable to the Reserve Bank and the IDFPR, that includes the following four items:

(a) a description of acceptable investments within the categories of acceptable investments;

(b) standards for portfolio diversification;

(c) procedures for ongoing credit monitoring of the Bank's investment portfolio, mitigation of risk, and proper accounting for securities that may be Other Than Temporary Impairment; and

(d) procedures for the reporting, review, and approval to and by the board of directors.

Dividends and Distributions

9. (a) The Company and the Bank shall not declare or pay any dividends or any other payment representing a reduction in capital without the prior written approval of the Reserve Bank, the Director of the Division of Supervision and Regulation of the Board of Governors (the "Director"), and the IDFPR.

(b) The Company and the Bank shall not directly or indirectly take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the Director.

(c) All requests for prior approval shall be received by the Reserve Bank, the Director, and the IDFPR at least 30 days prior to the proposed dividend declaration date. All requests shall contain, at a minimum, current and projected information, as appropriate, on the Company and the Bank's respective earnings, capital, asset quality, and loan loss reserve needs of the Bank, as well as the source of funding for the proposed payment or dividend.

Debt and Stock Redemption

10. (a) The Company shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank, the Director, and the IDFPR. All requests for prior written approval shall be received at least 30 days prior to the proposed transaction date and 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) The Company shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank, the Director, and the IDFPR. All requests for prior written approval shall be received at least 30 days prior to the proposed transaction date.

Compliance with Laws and Regulations

11. (a) The Bank shall take all necessary steps to correct all violations of law or regulation cited by the Reserve Bank or the IDFPR. In addition, the Company and 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 the officer would assume a different senior executive officer position, the Company and Bank shall comply with the notice provisions of

section 32 of the Federal Deposit Insurance Act, as amended (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.*).

(c) The Company and 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

12. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the IDPFR 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 and Programs

13. (a) The Bank shall submit the written plans, policies, procedures to the Reserve Bank and the IDPFR within the time periods set forth in paragraphs 2, 3, 4, 5, 6, 7, and 8 of this Agreement.

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

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

Communications

14. All communications regarding this Agreement shall be sent to:
- (a) Mr. Allen North
Vice President
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166
 - (b) Mr. Chasse Rehwinkel
Director, Division of Banking
Illinois Department of Financial and Professional Regulation
320 West Washington Street – 5th Floor
Springfield, Illinois 62786
 - (c) Mr. Daniel Fulk
President and Chief Executive Officer
Du Quoin State Bank
15 East Main Street
Du Quoin, Illinois 62832
 - (d) Mr. John Rednour, Jr.
Chairman of the Board
Perry County Bancorp, Inc.
P.O. Box 468
Du Quoin, Illinois 62832

Miscellaneous

15. Notwithstanding any provision of this Agreement, the Reserve Bank and the IDFPR may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

16. The provisions of this Agreement shall be binding upon the Bank and its institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. § 1813(u)), in their capacities as such, and their successors and assigns.

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

18. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the IDFPR, or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

19. 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), and by the IDFPR pursuant to section 48 of the Illinois Banking Act (205 ILCS 5/48).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 26th day of April, 2023.

PERRY COUNTY BANCORP INC.

FEDERAL RESERVE BANK
OF ST. LOUIS

By: /s/ John Rednour, Jr.
John Rednour, Jr.
Chairman of the Board

By: /s/ Allen North
Allen North
Vice President

DU QUOIN STATE BANK

ILLINOIS DEPARTMENT OF
FINANCIAL AND PROFESSIONAL
REGULATION, DIVISION OF BANKING

By: /s/ John Rednour, Jr.
John Rednour, Jr.
Chairman of the Board

By: /s/ Chasse Rehwinkel
Chasse Rehwinkel
Director, Division of Banking