

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

THE STATE OF ALABAMA
ALABAMA STATE BANKING DEPARTMENT
MONTGOMERY, ALABAMA

Written Agreement by and between

COVENANT BANCGROUP, INC.
Leeds, Alabama

FEDERAL RESERVE BANK OF
ATLANTA
Atlanta, Georgia

and

ALABAMA STATE BANKING
DEPARTMENT
Montgomery, Alabama

Docket No. 15-040-WA/RB-HC

WHEREAS, Covenant Bancgroup, Inc., Leeds, Alabama (“Covenant”), a registered bank holding company, owns and controls Covenant Bank, Leeds, Alabama (the “Bank”), a state-chartered nonmember bank, and a nonbank subsidiary;

WHEREAS, it is the common goal of Covenant, the Federal Reserve Bank of Atlanta (the “Reserve Bank”), and the Alabama State Banking Department (the “Department”) to maintain the financial soundness of Covenant so that Covenant may serve as a source of strength to the Bank;

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

WHEREAS, on November 19, 2015, the board of directors of Covenant, at a duly constituted meeting, adopted a resolution authorizing and directing Hayes Parnell III, to enter into this Agreement on behalf of Covenant, and consenting to compliance with each and every provision of this Agreement by Covenant.

NOW, THEREFORE, Covenant, the Reserve Bank, and the Department agree as follows:

Source of Strength

1. The board of directors of Covenant shall take appropriate steps to fully utilize Covenant'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 Department dated March 25, 2015, and any other supervisory action taken by the Bank's federal or state regulators.

Dividends and Distributions

2. (a) Covenant 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 Superintendent of the Department (the "Superintendent").

(b) Covenant 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 Department.

(c) Covenant and its nonbank subsidiary 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 Superintendent.

(d) All requests for prior approval shall be received by the Reserve Bank and the Department 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 Covenant'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, Covenant 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) Covenant and its nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the Department. 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) Covenant shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the Department.

Compliance with Laws and Regulations

4. (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, Covenant 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 Department's approval.

(b) Covenant 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

5. 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 and the Department 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

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

(a) Mr. Allen Stanley
Assistant Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, Northeast
Atlanta, Georgia 30309

(b) Mr. John D. Harrison
Superintendent
Alabama State Banking Department
401 Adams Avenue, Suite 680
Montgomery, Alabama 36104

- (c) Mr. Hayes Parnell, III
Chief Executive Officer
Covenant Bancgroup, Inc.
7924 Parkway Drive
Leeds, Alabama 35094

Miscellaneous

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

8. The provisions of this Agreement shall be binding on Covenant 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.

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

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

11. 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 28 of December, 2015.

COVENANT BANCGROUP, INC.

FEDERAL RESERVE BANK OF
ATLANTA

By: _____ /S/
Hayes Parnell, III
Chief Executive Officer

By: _____ /S/
Allen Stanley
Assistant Vice President

ALABAMA STATE BANKING
DEPARTMENT

By: _____ /S/
John D. Harrison
Superintendent