

The purpose of this policy is to prohibit expenditures that are of a luxurious, excessive, lavish, exorbitant, extravagant or similar nature (collectively referred to as "Excessive Expenditures").

Expenditures that are deemed to be excessive by this policy must be preapproved.

This policy shall apply to the Company and all of its subsidiaries (collectively referred to herein as the "Company"), and each and every one of the Company's respective employees, officers and directors.

### **Policy Statement**

What is considered an Excessive Expenditure versus reasonable expenditure often depends upon the specific situation and circumstances, and therefore an attempt to impose strict dollar thresholds in all instances would be problematic and potentially result in unintended adverse consequences. Thus, two key underlying principles to this policy is that it relies on the good judgment and commonsense of each employee to (1) first, justify every expenditure as having a valid business reason and (2) second, spend no more than what a reasonable prudent person would spend in any given situation, taking into account the amount spent in relation to the benefit to the Company, and other factors and considerations appropriate to the situation. This policy statement will be the overarching guidance for all business expenses, including the following categories:

- **Entertainment and Events**

Business development with prospective customers and relationship building with current customers and others is critical to the success of the Company. Accordingly, the Company and its employees are permitted to engage in social activities with prospective and current customers provided such participation and involvement is reasonable in relation to the value of the business or other relationship to the Company. Attracting and maintaining a high quality and motivated workforce is also essential to the success of the Company. Accordingly, the Company provides activities which recognize employee achievement and performance, promote employee morale, and/or further other legitimate objectives of the Company, subject, however, to being reasonable in cost and scope. While acknowledging the value of entertainment and various customer and employee events, the Company will balance that value with the overall benefit to the Company's success and ensure money is spent prudently.

- **Office and Facility Renovations**

Renovations and improvements of Company facilities and office spaces, leased or owned, are done to ensure a reasonably comfortable, safe and conducive environment for the Company's customers and a reasonably effective, productive,

and safe work environment for the Company's employees, while balancing the overall expense and benefit to the Company. Situations which create a safety/health hazard for the Company's customers, employees, and/or the public will be remedied as promptly as possible to prevent any accidents or harm to individuals, with expense being a secondary consideration. In addition, if local, state, or federal regulations or directive, or any other third party with legitimate authority, should unexpectedly require facility renovations, improvements or movements, compliance will be paramount, with cost being a secondary consideration.

- **Conferences**

The Company encourages continuous learning and development of its employees to maintain a competitive advantage in the market. Attendance by Company personnel at conferences should be primarily for educational purposes and selective other business purposes. Conference provided accommodations and discounts should be utilized and availed of to the fullest extent possible, and if alternative accommodations and arrangements are available at a lower expense, without a loss of value from not being at the conference site and/or does not create an undue burden, they should be considered.

- **Travel/Transportation Services**

The Company encourages coach travel whenever possible and generally does not allow for spouse travel to be paid for by the Company. When executives are attending conferences for educational and business purposes and spouses typically attend the conferences, the Company will pay for travel and meals for the spouse. The Company may from time-to-time pay for first class travel when required for legitimate reasons such as seat availability, to accommodate a disability or special need, or to enable certain employees to remain productive during travel. Accommodations, meals, ground transportation and other expenses should be reasonable given such considerations as location, cost, availability, business conducted, and other appropriate factors.

The Company does not lease or own an aircraft and does not use private air transportation services. Any exception to the use of private air transportation would require appropriate pre-approval and would be only for business purposes in order to provide certain employees with the ability to travel quickly and securely, with short notice, and to areas that have limited access to commercial flights.

- **Other Expenditures**

Any other Excessive Expenditure not explicitly referenced in this policy is

prohibited. Every employee, officer, and director of the Company has a responsibility to ensure money is spent prudently, as though it was his or her own, and in the best interest of our shareholders.

### **Approvals**

Routine expenses incurred during the ordinary course of business do not require explicit pre-approval. Expenditures that are extraordinary or unusual must be pre-approved. In determining if pre-approval is required, the Company expects employees to act conservatively and use good judgment and commonsense in such decisions.

Whenever in this policy a pre-approval is required, employee requests should be transmitted in writing for approval to a Senior Company Executive Officer. In the case of a Bank President or other Senior Executive Officer, requests should be submitted in writing for approval to the Company's CEO and Chairman of the Board. Requests by the Company's CEO and Chairman should be submitted in writing to the Chairman of the Company's Compensation Committee. Failure to obtain pre-approval for an expense when required under this policy may result in the expense being the responsibility and liability of the subject individual and not the Company; and, if the Company has already paid the expense, the individual may be required to immediately reimburse the Company for the amount of the expense.

### **Compliance**

Failure to comply with this Policy may result in disciplinary action up to and including termination.

### **Guidance**

It is understandable that given the nature of this policy, questions may arise. If there are questions regarding this policy or the appropriateness of any expenditure, a member of executive management should be consulted.

### **Reporting Violations**

Each and every employee shall be required to report any violations of this policy either directly to his or her supervisor or to a member of executive management. There shall be no retaliation against any employee for reporting a suspected violation of this policy if brought in good faith and without improper purpose or intent.

### **Review**

This policy shall be reviewed by the Company's Board of Directors on an annual basis.

### **Amendments**

The Company's Board of Directors must approve any amendments to this policy.

**CEO and CFO Certification**

The Company's CEO and CFO shall certify that any expenditure requiring pre-approval under this policy during the period the Company was required to do so pursuant to TARP, was properly attained.

**References**

This policy is intended to comply with the Emergency Economic Stabilization Act of 2008 (Section 111(d)) and the American Recovery and Reinvestment Act of 2009, and their respective implementing regulations, which require the adoption by the Board of Directors of an "excessive or luxury expenditures policy".

**Disclosure**

This policy (and any material amendments thereto) shall be posted on the Company's internet website. A copy of this policy (and any material amendments thereto) shall be provided to the United States Department of the Treasury and to the Company's primary regulatory agency.

Adopted by the Board of Directors September 24, 2010.