

LUXURY EXPENDITURE POLICY

This policy fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009. ARRA requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

Banker' Bankers' Bank of the West Bancorp, Inc. (Company), and its subsidiary, Bankers' Bank of the West (Bank), prohibit excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar measure conducted in the normal course of business operations of Bankers' Bank of the West Bancorp, Inc. and Bankers' Bank of the West.

The following restrictions are in conjunction with the Bank's fixed asset approval requirement. Per the Bank's Internal Control Definitions and Procedures policy, all fixed asset purchases over \$25,000 require board approval.

Renovations:

Office and facility renovations will be designed to: enhance operational efficiency, comply with applicable fire codes and ADA requirements, maintain a safe, sanitary and clean working environment, enhance the public image of the organization, improve employee morale, or such other worthwhile purpose as may be identified by the organization. Quantitatively office and facility renovations may be deemed excessive if the all-inclusive cost of the renovation exceeds \$200 per square foot. By way of example, relocating or adding to movable worker stations, improving the air flow or temperature, altering the wall, ceiling or lighting configuration of a work or storage space, establishing a new branch office or sales office are not considered excessive by their very nature. As previously noted, fixed asset purchases over \$25,000 require board approval.

Entertainment:

Entertainment is defined as an activity that an employee or executive would use corporate funds for business development purposes relating to a current customer(s) or prospective customer(s) or to further enhance the Company's marketing efforts.

The Company's expectation is that all expenses incurred to the Bank would be for company purposes, and used to drive business to the bank. Occasional events such as taking customers or prospects on business trips, golf outings, dining, and other events is a

necessary part of the Company's marketing efforts and is not deemed as "entertainment" or a violation of the Luxury Expenditure Policy. These expenses should be documented and detailed as to the benefit derived by the Company or Bank. The HR Director will review all entertainment expenses and report any inappropriate expenditure to the Chief Executive Officer. For all employees, including the Chief Executive Officer, entertainment expenditures over \$2500 require Chairman of the Board approval.

Conferences and Sponsored Events:

We encourage our staff to attend conferences/conventions/seminars that provide appropriate educational and business development opportunities. These conferences should be related to the financial services industry and have a direct correlation to an employee's job. At times it may be appropriate that a spouse would travel to these conferences or sponsored events with Company attendees. The employee will be financially responsible for covering the expenses incurred by spouse travel to the conferences or sponsored events. Typically, vendors, or banking associations, or other related entities sponsor these events.

Sponsorships of individual events of no more than \$5000 at banking related conferences or conventions would not be considered a violation of this policy. Over \$5000 for an individual event sponsorship would require board approval.

This Policy would EXCLUDE reward conferences whether paid for by the Company or other vendors as a violation of this policy if the purpose is meant to be a reward, or would have no value of education to the employee or executive.

Staff Functions:

Holiday parties or other staff functions can be an important part of the employee appreciation process. Holiday parties, and employee appreciation events, should be local in geographic nature, and should not cost the Company more than an average day's payroll. For example, if the annual payroll budget is \$4MM, dividing by 260 days (5 business days per week multiplied by 52 weeks) would leave an event budget of \$15,385. Anything greater requires board approval.

Board retreats should only be used for educational purposes and should be looked at in the same view and discretion as all other expenses. Board education is a vital part of maintaining, and keeping, a dynamic director base, and this policy should not limit a retreat that is focused on strategic planning or education.

Events and parties focused on customers for the purpose of attracting their business would not fall under this policy.

Travel:

Transportation for Company staff to outlying locations, including bank locations, conferences, business development purposes, and merger and acquisition research, should

be conducted in the most cost appropriate way for the Company. The HR Director will review all transportation, meal, hotel accommodations, and entertainment expenses for employee business trips to determine if the mode of transportation and other travel expenditures were appropriate and consistent with the objectives of the Company and its shareholders. The travel analysis will factor in cost, efficiency and timeliness of travel, as well as the appropriateness of other travel expenditures. Any violation of this policy will be reported to the Chief Executive Officer and will be addressed with the appropriate employee, with disciplinary action taken if necessary. Any violation of this policy by the Chief Executive Officer will be reported by the HR Director to the Chairman of the Board of Directors of the Company, with disciplinary action taken if necessary. Any travel expenditure over \$3500 will require Chairman of the Board Approval.