

# Premier Financial Bancorp, Inc.

## **EXCESSIVE OR LUXURY EXPENDITURES POLICY**

Approved by PFBI's Board of Directors: December 16, 2009

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### **OVERVIEW**

On October 2, 2009, Premier Financial Bancorp, Inc. (the "Company") received financial assistance from the U.S. Department of the Treasury (the "Treasury") pursuant to the Troubled Assets Relief Program ("TARP") established pursuant to the Emergency Economic Stabilization Act of 2008 ("EESA"), as amended by the American Recovery and Reinvestment Act of 2009 ("ARRA").

Section 111(d) of EESA and regulations promulgated thereunder require that the Board of Directors (the "Board") of the Company adopt a company-wide policy regarding certain Excessive or Luxury Expenditures (as defined below) and provide a copy of this policy to the Treasury and the Company's primary regulatory agency.

The Company hereby adopts this Excessive or Luxury Expenditures Policy (the "Policy") to satisfy the requirements of EESA as they relate to Excessive or Luxury Expenditures. This Policy applies not only to Excessive or Luxury Expenditures incurred by the Company, but also on behalf of the Company by an entity that, along with the Company, would be treated as a "TARP recipient" (as defined by 31 C.F.R. §30.1, each an "Affiliate"). The Company shall cause each Affiliate to adopt this Policy to the extent necessary to comply with EESA.

## **EXCESSIVE OR LUXURY EXPENDITURES DEFINED**

For purposes of this Policy, an "Excessive or Luxury Expenditure" is an excessive expenditure on any of the following, to the extent that such expenditure is not a reasonable expenditure for staff development, reasonable performance incentives, or other similar reasonable measure conducted in the normal course of the Company's or an Affiliate's business operations: (1) entertainment or events; (2) office and facility renovations; (3) aviation or other transportation services; and (4) other similar items, activities or events for which the Company or an Affiliate may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses. In addition to the foregoing, the Company hereby designates the following specific expenditures as excessive: first-class travel and non-business travel.

Notwithstanding the foregoing, the following expenditures shall not be considered excessive, provided that the amount of the expenditure does not exceed the applicable dollar threshold set forth below:

<b>Category of Expenditure</b>	<b>Dollar Threshold</b>
Entertainment/Events	The higher of \$5,000 per event or \$250 per person in attendance
Office/Facility Renovations	\$10,000 per project
Aviation/Other Transportation Services	Commercial aviation – coach class fare plus reasonable ground transportation  Private aviation – for flights within a 3 hour commercial flight radius of Huntington, West Virginia, with at least 3 passengers, an amount up to 200% of coach class fare plus estimated lodging and other reasonable expenses attendant to an overnight stay.
Other similar items, activities, events	No threshold – Any expenditure that would reasonably be considered beyond normal limits or lacking restraint in the normal course of the Company's business would be considered excessive and would be prohibited.

## **POLICY**

It is the policy of the Company that the use of any Company or Affiliate asset to incur an expense which constitutes, or reimburse any person for, an Excessive or Luxury Expenditure is hereby prohibited. Notwithstanding the foregoing, the use of a Company or Affiliate asset to incur an expense which constitutes, or reimburses a person for, an expenditure that would otherwise be prohibited as an Excessive or Luxury Expenditure shall be permitted to the extent that:

- (a) The person seeking to incur or be reimbursed for the expenditure provides the Board (or the President and Chief Executive Officer (“PEO”), the Chief Financial Officer (the “PFO”, or other person designated by the Board) with a description of the expenditure, the business purpose for the expenditure, an estimated cost of the expenditure, and such other information as the Board, the PEO, PFO or the Board’s designee may request prior to the date the expense is anticipated to be incurred or reimbursement made (although the Board, the PEO, PFO or the Board's designee may waive or modify the notice period in its or his sole discretion); and
- (b) If the person is seeking reimbursement, the person provides the Company or Affiliate with documentation substantiating the amount of the expenditure for which reimbursement is being sought and promptly returns to the Company or Affiliate any reimbursement in excess of the amount substantiated; and
- (c) The Board, the PEO, PFO or the Board's designee approves the expenditure in writing before the expense is incurred or reimbursement made.

Nothing in the foregoing shall be construed as limiting the use of any Company or Affiliate asset to incur, or reimburse a person for, an expenditure that constitutes a reasonable expenditure for staff development, a reasonable performance incentive, or other similar reasonable measure conducted in the normal course of the Company's or Affiliate's business operations, including, without limitation: customary and annual trade association meetings, conferences, conventions and similar events, off-site business meetings, reasonable automobile allowances, reasonable reimbursements for cellular telephones and personal electronic devices or employee training programs. Any expenditure that would reasonably be considered beyond normal limits or lacking restraint in the normal course of the Company’s business would be considered excessive and would be prohibited. As such no pre-approval process will be developed for purposes of this Policy. Instead, the Company will perform its standard review of significant expenditures for reasonableness, with any expenses that appear excessive to be forwarded to the PEO or PFO for monthly review.

## **COMPLIANCE**

Compliance with this Policy shall be monitored by the Company's internal audit staff. Any violations of the Policy shall be promptly reported to the Company's PEO or PFO and the Chairman of the Compensation Committee. The Company's Director of Human Resources shall be responsible for ensuring compliance with this Policy and any violations of this Policy shall be treated in the same manner as a violation of any other Company or Affiliate policy, in accordance with the Company's or Affiliate's employee handbook, Code of Conduct or similar document.

Any unapproved expenditure in the above categories that is in excess of the relevant threshold shall be considered excessive. Any employee who engages in excessive spending shall be subject to corrective action up to and including termination of employment. It is the responsibility of all employees to raise concerns promptly about behavior that may violate this

Policy, the Company's Code of Conduct, company policy or applicable laws, rules or regulations. No retaliation may be taken against an employee for providing information in good faith about possible violations by other of this policy or the Code of Conduct. It also is the responsibility of members of the Board to raise concerns or report actions that may violate this policy by contacting the Chairman of the Compensation Committee.

## **CERTIFICATION OF COMPLIANCE**

At such time or times and in such manner as may be required to comply with Section 111(d) of EESA, the Company's PEO and PFO (each as defined in 31 C.F.R. §30.1) shall certify that the approval of any expenditure requiring approval pursuant to Section III of this Policy was properly obtained with respect to each such expenditure.

## **AMENDMENT**

This Policy may be amended only by action of the Board. Any material amendment to this Policy shall be provided to the Treasury and the Company's primary regulatory agency within 90 days following the adoption of such amendment.

## **EFFECTIVE DATE AND DURATION**

In accordance with the requirements of TARP, the Board had adopted this Policy on the date first set forth above and this Policy shall remain in effect through the remainder of the "TARP period" (as defined by 31 C.F.R. §30.1).