

UNITED FINANCIAL BANKING COMPANIES, INC. AND SUBSIDIARIES

Excessive and Luxury Expenditure Policy

I. Statement of Need

The Board of Directors and Executive Management of United Financial Banking Companies, Inc. and subsidiaries (“UFBC”) including its main operating subsidiary, The Business Bank (the “Bank”) are committed to complying fully with the requirements of the Troubled Asset Relief Program (“TARP”) Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) pursuant to requirements set forth in the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”) during the period that UFBC participates in the TARP Capital Purchase Program.

II. Policy Objectives

The objective of this policy is to fulfill UFBC’s requirement pursuant to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) to have in place a company-wide policy regarding excessive or luxury expenditures as defined by the Department of the Treasury pursuant to EESA and ARRA.

III. Role of the Board of Directors

The Board of Directors of UFBC (the Board) is required by the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) to adopt a policy regarding excessive and luxury expenditures. The Board has oversight responsibility for UFBC’s compliance with the requirements of TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30). In support of its oversight responsibilities, the Board shall have the following roles:

1. The Corporate Governance Committee of the Board must review and recommend to the full Board approval of this policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.
2. The Board must review and approve this policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.

3. The Corporate Governance Committee shall review any violations of this policy at the next regularly scheduled meeting subsequent to the violation. Remedial recommendations will be promptly made to the Board. The Corporate Governance Committee shall approve in advance and in writing any exceptions to or amendments of this policy, as well as certain transactions contemplated in this policy.

IV. **Role of Executive Management**

Executive Management, defined as any or all Executive Vice President and above, is responsible for the effective implementation of this policy. To that end, Executive Management shall have the following roles:

1. Monitor expenditures addressed by this policy to ensure compliance with this policy.
2. Document and justify any exceptions to this policy and report exceptions to the Corporate Governance Committee.
3. Promptly recommend modifications of this policy to the Corporate Governance Committee to ensure it remains compliant with the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) as it may be amended.
4. Ensure that this policy is posted on the Company's website businessbankva.com

V. **Policy Statement**

It is the policy of UFBC that excessive or luxury expenditures on entertainment or events, office and facility renovations, aviation or other transportation services, and other similar items, activities or events for which UFBC may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses **are prohibited** to the extent that such expenditures are not reasonable expenditures for staff development, reasonable for performance incentives, or for other similar reasonable measures conducted in the normal course of business.

Excessive or luxury expenditures are those that are unreasonable in relationship to the benefit conferred by them to UFBC and its shareholders. All expenditures shall have a business purpose.

VI. **Definitions**

1. Entertainment is defined as activities for which an employee or manager would use corporate funds for business development purposes relating to current or prospective customers or to enhance the reputation of UFBC and the Bank in the market. It is required that all expenses incurred for these activities would be for corporate purposes with the objective of attracting business to UFBC. Examples of entertainment include taking customers or prospects to restaurants, theater, sporting events, concerts, sporting activities, and other endeavors that are enjoyable and provide an opportunity to enhance business relationships. Expenditures for

these purposes in the normal course of business are a necessary part of UFBC's marketing efforts and are not deemed as "luxury" or a violation of this Policy. Prior manager approval of expenditures for this purpose and less than \$200 is not required. These expenses will continue to be documented, detailed, and approved by the employee's manager in writing through the normal accounts payable process. Entertainment and event expenditures anticipated to be in excess of \$200 must be reviewed with and approved by a member of Executive Management prior to expenditure. Entertainment and event expenditures by a member of Executive Management anticipated to be in excess of \$500 must be reviewed with and approved by a member of the Corporate Governance Committee prior to expenditure.

2. Events are defined to include meetings, conferences, and employee recognition events that are intended to provide the Board, Executive Management and employees with opportunities for individual education, team education, development, recognition, business planning, market networking, industry networking, and related business purpose objectives. Events may include those that are internally organized as well as those organized by other banks, trade associations, vendors and similar organizations. UFBC, and Bank, organized Events may be held in non-bank facilities such as restaurants and hotels in order to accommodate a large group, facilitate better content delivery, or provide participants with a venue that is most conducive for the Event's purpose. Directors, Executive Management and employees may also participate in Events hosted by other business partners that have a clear business purpose. The costs associated with Events in excess of \$500 and less than \$10,000 must be approved by Executive Management prior to incurring expense for the event. Events in excess of \$10,000 must be approved by the Board prior to incurring expense for the event.

Conferences typically offer educational, skill development and industry networking opportunities that enhance participant performance. Conferences should be related to the financial services industry and have a direct correlation to an attendee's job. At times it may be appropriate that an employee's spouse would travel with the UFBC employee to these conferences. Conference participation and expense in excess of \$200 is subject to approval by Executive Management in advance and in writing. Conferences in excess of \$10,000 must be approved by the Board prior to incurring expense for the conference.

Employee recognition meetings, dinners and events are held occasionally to recognize the contribution of an individual, team or all employees. The cost of such meetings in excess of \$200 is subject to approval by Executive Management in advance and in writing. Such meetings in excess of \$10,000 must be approved by the Board prior to incurring such expense.

3. Office and facility renovations in excess of \$10,000 are permitted only for approved projects that are part of the Board's approved annual financial plan. An exception to this can be allowed if Executive Management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational. Renovations must be, in all regards, consistent with UFBC's historical standards of utility and finish.

Interim renovations less than \$10,000 and more than \$200 must be approved in advance and in writing by Executive Management:

4. Aviation and other transportation services for UFBC staff to outlying locations, including for conferences, business development purposes and other purposes should be conducted in the most appropriate and effective manner. Permitted modes of transportation include automobiles and commercial air, bus or rail service. The selection of transportation services should include assessment of cost, efficiency and timeliness of travel. The cost of such travel expense in excess of \$200 is subject to approval by Executive Management in advance and in writing. Such travel expense in excess of \$10,000 must be approved by the Board prior to incurring such expense. Private air services, of any cost, are not allowed without approval of the Board in advance and in writing.

VII. Compliance and Reporting

Rigorous compliance and prompt conscientious reporting is the responsibility of all employees.

All questions of interpretation of this policy are to be addressed in writing to the appropriate approval authority. If the expenditure is less than \$10,000, the policy infraction is to be addressed with Executive Management. If the expenditure is \$10,000 or more, the policy infraction is to be addressed with the Board.

Suspected violations of this policy are to be promptly reported in writing to the appropriate approval authority. If the expenditure is less than \$10,000, the policy violation or fraud is to be promptly reported to the Executive Management. If the expenditure is \$10,000 or more, the policy violation or fraud is to be promptly reported to the Board.

In the event a suspected violation to be reported was performed by Executive Management, the violation is to be promptly reported in writing to the Board. In the event a suspected violation to be reported was performed by a certain Board Member(s), it is to be promptly reported to any non-conspiring Member of the Board.

VIII. Consequences

Violations of this policy by any employee or Board Member can result in personal liability, disciplinary action, termination and/or legal prosecution in the sole judgment of Executive Management for violations less than \$10,000 and/or by the Board for violations in excess of \$10,000.