

**IBW Financial Corporation and Subsidiaries
Excessive and Luxury Expenditures Policy**

This policy applies to IBW Financial Corporation and to all of its subsidiaries. It has been established in order to comply with the federal American Recovery and Reinvestment Act of 2009 and related regulations of the Department of the Treasury.

1. IBW Financial Corporation prohibits excessive or luxury expenditures.

2. Following are discussions regarding certain categories of expenditures. However, IBW Financial Corporation recognizes that no list of approved or prohibited expenditures can take the place of good judgment and strong internal controls.
 - a. Use of Aircraft. IBW Financial Corporation does not own or regularly lease private aircraft. However, expenditures for private air travel are not prohibited when use of commercial flights is impractical or inefficient in the circumstances, as determined and approved by the Board of Directors, the President and CEO, the Executive Vice Presidents.

 - b. Office Facilities and Renovations. The design and appearance of banking offices and other facilities used by IBW Financial Holding Company customers should be attractive, fulfill their intended business use, and be consistent with the relevant markets. Other facilities should be attractive, well maintained, and facilitate an efficient and pleasant working environment. All facilities should be safe and well maintained.
 - i. All renovations, other than emergency or urgent renovations not anticipated at the time the capital budget is approved, generally should be included in the capital budget in connection with the annual budget process. However, renovations that are not luxury expenditures may be approved by the Board of Directors at any time, or by officers subject to the following table:

Estimated Amount of Expenditure	Approval Authority
Less than \$15,000	Any Executive Officer
\$15,000 to \$100,000	Jointly the Executive VP's or an Executive VP and the CFO.
\$100,000 to \$200,000	President and Chief Executive Officer
\$200,000 or more	Board of Directors of IBW Financial Holding Company or the affected subsidiary.

- ii. Emergency or urgent renovations expected to cost \$500,000 or less may be approved by the President and CEO or any two of the following executive officers: Either Executive Vice President and Chief Financial Officer / Chief Operations Officer and will be presented for review and ratification by the Board of Directors at its next meeting. Other than as

stated below, an emergency or urgent renovation expected to cost more than \$500,000 will be approved as stated above, provided that, if practical, a special board meeting will be called to consider such expenditure prior to entry of binding contract(s) to effect them.

- iii. Emergency or urgent repairs that involve the safety or health of employees or customers or as required by law may be authorized by the President and CEO or either Executive Vice President and Chief Financial Officer / Chief Operations Officer, and will be presented for review and ratification by the Board of Directors at its next meeting.

c. Entertainment or Events.

- i. All entertainment or events must be business related, which may include expenses for entertainment or events in connection with customer development, charitable and community development, investor relations, and staff development and awards. Authorized entertainment or events, other than those prohibited under reasonableness and business related tests in paragraph 1, include, but are not limited to: Board of Directors or board committee meetings; management or employee meetings called by appropriate officers for legitimate business purposes; business related conferences; investor relations trips, conferences, and meetings; shareholders' meetings; employee recognition programs to motivate or reward employees; costs of attendance of sports events in IBW Financial Corporation's market areas at which customers or prospective customers are entertained, expenses and fees of club memberships used for customer development purposes; IBW Financial Corporation / Industrial Bank sponsored or co-sponsored events that advance charitable or civic purposes; and entertainment, events, and club memberships provided as part of reasonable compensation packages for officers or employees. IBW Corporation is not prohibited from buying season tickets or block tickets for sports events in advance, or from distributing tickets not used for clients or client development to officers or employees determined on a game by game basis or in connection with employee recognition programs. Expenditures for entertainment or events that are not luxury expenditures may be approved by the Board of Directors at any time, or by officers subject to the following table:

Estimated Amount of Expenditure	Approval Authority
Less than \$15,000	Any Executive Officer
\$15,000 to \$100,000	Executive VP's jointly
100,000 to \$200,000	President and Chief Executive Officer
\$200,000 or more	Board of Directors

- ii. IBW Financial Corporation encourages officers, staff, and directors to attend conferences that are related to our business and the attendee's business duties.
 - iii. Board retreats are held from time to time for strategic planning, education, and other purposes. Board retreats generally will be held in connection with the regular board meetings and at locations that are reasonable in the circumstances.
- 3. Taxation. Whether an expenditure is tax deductible or not will be considered in determining whether its cost is reasonable in relationship to the benefit conferred to IBW Financial Corporation and its shareholders. Lack of deductibility for tax purposes does not, by itself, cause an expenditure to be categorized as a luxury expenditure.
- 4. General Authority of the Board. If the Board of Directors approves an expenditure not otherwise prohibited by this policy, the approval of officers is not required.
- 5. Corporate Accounts Payable Policy. Detailed procedures for expense approvals, documentation requirements, and reimbursement are included in Industrial Bank's separate Corporate Accounts Payable Policy.
- 6. Conflict with other Policies. In the case of any conflict between the terms of this policy and the Corporate Accounts Payable Policy or any other policy or procedure, the terms of this policy will prevail.
- 7. Compliance. The Chief Executive Officer and the Chief Financial Officer shall certify each year as to whether the approval of expenditures requiring prior approval by any Executive Officer or by the Board of Directors under this policy was properly obtained.

The Executive Officers are responsible for promptly reporting any violations of this policy to the Chief Executive Officer and Chief Financial Officer, who is responsible for reporting any such violation to the Board of Directors.