

EXCESSIVE/LUXURY EXPENDITURES POLICY

Statement of Policy

This Excessive/Luxury Expenditures Policy (the “Policy”) fulfills the requirements outlined in Section 111 of the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”). The ARRA requires each recipient of funds under the Capital Purchase Program of the Troubled Assets Relief Program (“TARP”) to have in place a company-wide policy regarding excessive or luxury expenditures.

Providence Bank (the “Bank”) prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, transportation and lodging or other activities or events. For the purpose of this Policy, excessive expenditures are those that the Bank would reasonably consider as beyond normal limits or lacking restraint for the normal course of the Bank’s business, in light of the Bank purpose for which the expenditure was made.

This Policy applies to all employees, officers and directors of the Bank and any subsidiaries.

Implementation of Policy

Dissemination of Policy

Bank employees are required to read, understand, and adhere to this Policy. Failure to adhere to this Policy could result in the employee not being reimbursed and could further result in disciplinary action up to and including termination, as noted below.

Oversight

The higher the dollar amount of an expenditure, the higher the risk that such an expenditure may be excessive and unreasonable in light of Bank objectives. The Chief Executive Officer is responsible for compliance and oversight of Policy.

Annual Certification

On no less than an annual basis, all senior officers of the Bank must certify as to their understanding of and compliance with this Policy. A copy of the certification is attached hereto as Appendix A.

Categories of Expenditures

Office Construction, Furnishing and Renovations

Renovations of facilities and office spaces should be done in a reasonable and cost effective manner. At no time should renovations be done that would have the appearance of being extraordinary or excessive from a shareholder perspective.

Entertainment

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

Our expectation is that all expenses incurred to the Company would be for company purposes and used to drive business to the Company. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, or taking them to other events the customer/prospect would find pleasurable are a necessary part of the Company's marketing efforts and are not deemed as "entertainment" or violations of the Luxury Policy.

Conferences/Training Events

The Board encourages employees and directors to attend conferences, seminars and similar events that provide appropriate educational opportunities. These conferences should be related to the financial services industry and have a direct correlation to the employee's job. At times it may be acceptable that a spouse travels to these conferences with the Bank employee or director. The Chief Executive Officer must approve any conference or training expenditure not specified in a Board approved budget.

Hosted Events

Hosted events include holiday parties, employee/customer recognition events, seminars, and marketing events hosted by the Bank. Employee morale and Bank culture, as well as the establishment of strong customer and community relationships, are important aspects of the Bank's business. The Bank supports and will continue to invest in these aspects of its business. Expenditures on hosted events, however, should be in line with the spirit of this Policy. It is also encouraged that such Bank sponsored events be held locally in the communities in which the Bank operates. The Chief Executive Officer must approve any hosted event expenditure not specified in a Board approved budget.

Board Retreats

Board retreats may only be used for educational purposes with the corresponding expenses deemed reasonable by any standard. It is recognized that Board education is a vital part of attracting and maintaining a dynamic director base, and this Policy does not prohibit a retreat that is focused on strategic planning or board education. Expenditures on Board retreats, however, should be in line with the spirit of this Policy.

Transportation and Lodging

Transportation and lodging for Bank employees and directors on Bank business or for Bank purposes should be conducted in the most cost appropriate way for the Bank. The cost, efficiency and timeliness of travel and lodging shall be considered in making any determination under this Policy. The Chief Executive Officer must approve any hosted transportation and lodging expenditure not specified in a Board approved budget.

Other Expenses

Expenses not specifically covered in this Policy should be made in compliance with the Policy and, if not specified in a Board approved budget, must be approved in advance by the Chief Executive Officer.

Reporting of Violations

Any employee that suspects or becomes aware of a violation of this Policy shall immediately report such violation to his or her supervisor for reporting to the Chief Executive Officer. The Chief Executive Officer shall make the initial determination of whether a violation occurred and the proper remedial measure that should be taken. If the suspected violation involves the chief executive officer of the Bank, the suspected violation shall be reported to the Chairman of the Audit Committee. The Audit Committee shall make the initial determination of whether a violation occurred and the proper remedial measure that should be taken, which shall be reported to the non-management members of the Board of Directors. The non-management members of the Board of Directors shall have the final determination on whether an excessive expenditure has occurred and what the proper remedial measure shall be.

Any director that suspects or becomes aware of a violation of this Policy shall immediately report such violation to the Chairman of the Audit Committee. The Audit Committee shall make the initial determination of whether a violation occurred and the proper remedial measure that should be taken, which shall be reported to the full Board of Directors if the suspected violation does not involve an executive officer or to the non-management members of the Board of Directors if the suspected violation does involve an executive officer. The Board of Directors, as required by the preceding sentence, shall have the final determination on whether an excessive expenditure has occurred and what the proper remedial measure shall be.

A violator may be subject to various remedial measures, up to and including termination of employment or a request to resign from the Board.

Amendment and Interpretation

This Policy shall be interpreted and may be amended, as necessary, so as to be in compliance with the TARP Standards for Compensation and Corporate Governance outlined in Section 111 of EESA, as amended by the ARRA, and as interpreted from time to time by the U.S. Department of Treasury. Any amendment to this Policy must be made by the affirmative vote of the Board of Directors.

Adopted by the Board of Directors: December 17, 2009

Annual Senior Officer Certification

Policy: Excessive/Luxury Expenditures Policy

Date Originally Adopted: _____, 2009

This is to certify that I have read, understand and agree to comply with Providence Bank's Excessive/Luxury Expenditures Policy, adopted on _____, 2009.

Print Name

Signature

Date