

VIRGINIA COMPANY BANK
EXCESSIVE OR LUXURY EXPENDITURE POLICY
DATE APPROVED BY BOARD: September 23, 2009

INTRODUCTION

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.

Virginia Company Bank (Bank) prohibits 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 the Bank.

Renovations:

All facilities renovations are approved through the budgeting process and are annually planned and approved expenditures by the Board of Directors. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operation for customer use.

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 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.

Our 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 trips, playing golf, eating dinner, taking them to other events the customer/ prospect would find pleasurable is a necessary part of the Company's marketing efforts and is not deemed as "entertainment" or a violation of the Luxury Policy. These expenses should be documented and detailed as to the benefit derived by the Bank.

Conferences:

We encourage our staff to attend conferences that are appropriate educational opportunities. These conferences should be related to the financial services industry and have a direct correlation to their job. At times it may be appropriate that a spouse would travel to these conferences with Company attendees. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities.

Employee Functions:

We feel that occasional employee functions are important in terms of employee appreciation and employee morale. Accordingly, this Policy does not prohibit expenditures in conjunction with such events. Venues for employee functions should be local, and the costs associated with these events should be reasonable by any appropriate standard.

Board Retreats should be used for educational purposes, and should be kept in consideration, and 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 the 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.

Aviation Services:

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 accounting department will maintain, when appropriate, an analysis of trips to determine which mode of transportation is the most appropriate for the Company and its Shareholders. Modes of transportation to be used for the analysis, for example may consist of vehicle, commercial air service or rail service. A determination of transportation analysis will factor in cost, efficiency and timeliness of travel.

Administration and Certification:

The CFO is responsible for the day-to-day administration of this Policy, and the CEO is accountable for overall adherence to this Policy and must approve any exceptions. Strict adherence to this Policy is mandated for all Company and Bank employees.

The CEO and CFO of the Company shall certify that the Company and its employees have complied with this Policy during the fiscal year or since the date of enactment of this Policy.

Anyone who becomes aware of a suspected or actual violation of this Policy, whether intentional or inadvertent, shall report such violation in writing to the Chairperson of the Bank's Audit Committee, who will investigate the suspected or actual violation of this Policy in accordance with its procedures established for investigating complaints regarding improprieties in the Bank's accounting, internal accounting controls, or auditing matters.

Term:

This Policy shall expire at the time the U.S. Treasury preferred shares are redeemed by Virginia Company Bank.