

FIRST FINANCIAL SERVICE CORPORATION
EXCESSIVE OR LUXURY EXPENDITURES POLICY

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 Excessive or Luxury Expenditures Policy (Policy), as identified by the Secretary of the Department of the U.S. Treasury.

First Financial Service Corporation (Company) 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 First Financial Service Corporation.

The standards of this Policy apply to each and every Company employee. Each employee is expected to read, understand and comply with all aspects of the Policy. Each employee shall report any instance of non-compliance with the Policy to the employee's immediate supervisor. Failure to reports actual or perceived breaches of this Policy will result in disciplinary action if an employee knew of, should of known of, and/or participated in the breach of this Policy.

Responsibility for the oversight of this Policy has been grated to the Executive Committee of the Board of Directors (Board). The Executive Committee may delegate implementation of certain administrative, per-approval and monitoring activities to the Chief Executive Officer (CEO) and/or the Chief Financial Officer (CFO).

Renovations:

Renovations of facilities and office spaces should be relative to the approved current five year strategic plan, and tracked within the capital expenditure policy of the Company. 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 operational 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. Expenditures in excess of \$10,000 must be approved by at least two members of the Executive Committee.

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.

This Policy would EXCLUDE reward conferences whether paid for by the Company or other vendors as a violation of this policy if the purpose is meant to be a reward, or would have no value of education to the employee or executive.

Holiday Parties:

We feel that holiday parties are part of an employee appreciation process. Holiday parties should be local in geographic nature, and should not cost the Company more than an average day's payroll per employee, on average. (If the payroll is \$12.3M annually divided by 260 days, equals \$47,300 in expense available for an appropriate holiday party).

Board Retreats should only 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 and private air service. A determination of transportation analysis will factor in cost, efficiency and timeliness of travel.

Reporting Requirements:

The Board has formally adopted this Policy. Any amendments to this Policy will first be approved by the Executive Committee and then submitted to and adopted by the Board.

Within 90 days of the completion of each fiscal year, the CEO and CFO shall certify that this Policy is being followed and that the approval of any expenditure requiring pre-approval in accordance with this Policy was properly obtained with respect to each such expenditure.

Documentation:

All Company expenditures, including the expenditures covered by this Policy, will be documented and supported by written invoices and receipts in accordance with standard Company policies and procedures.

Effective Dates:

This Policy shall be effective July 15, 2009 and shall remain in effect through the last day on which the Company has an outstanding obligation under CPP to the U.S. Treasury (not including warrants to purchase the common stock of the Company).