

**Independent Bank of Texas
Irving, Texas**

Excessive or Luxury Expenditures Policy

EXCESSIVE OR LUXURY EXPENDITURES POLICY

Summary and Regulatory Background

On June 15, 2009, the U.S. Department of Treasury (“Treasury”) announced an interim final rule (the “Interim Rule”) that includes standards for executive compensation and corporate governance practices for those entities receiving funding under the Treasury’s Troubled Asset Relief Program (“TARP”). The Interim Rule contains many new standards for TARP recipients, including that TARP recipients adopt an Excessive or Luxury Expenditures Policy. As TARP participants, IBT Bancorp, Inc. and its wholly owned subsidiary, Independent Bank of Texas (the “Bank,” and together with the Company, the “Company”) are subject to the requirements of the Interim Rule.

This Excessive or Luxury Expenditures Policy (the “Policy”) is designed to satisfy the requirements of the Interim Rule and will govern expenditures by the Company and its officers, directors and employees. This policy affirms the Company’s obligation that any excessive or luxury expenditures (as defined below) must comply with the requirements of the Emergency Economic Stabilization Act of 2008 (“EESA”) and the Interim Rule, and sets forth procedures to ensure compliance.

Identification of the Types and Categories of Expenses that are Prohibited or that Require Approval.

The requirements of this Policy are applicable to “excessive or luxury expenditures.” For the purposes of this Policy “excessive or luxury expenditures” means excessive expenditures on any of the following:

- (1) entertainment or events,
- (2) office and facility renovations,
- (3) aviation or other transportation services, or
- (4) all other activities or events that are not reasonable expenditures for staff development, reasonable performance incentives, or other similar measures conducted in the normal course of the TARP recipient’s business operations.

Determination of whether a proposed expense in any of the above-described categories constitutes an “excessive or luxury expenditure” will be made by the Board of Directors, or by Brad Durham, as its designee pursuant to the procedures set forth below. Reasonable expenses related to regular participation in trade organization (IBAT, TBA, etc.) conventions and conferences shall not be considered a luxury or excessive expenditure, for purposes of this policy.

Procedures for Expenses Requiring Prior Approval

Before incurring expenses in an amount exceeding \$1,500 that would fall into any of the categories described in Section 2 of this Policy, a written request for prior approval of such expenditure (the “Proposed Expense”), including documentation of the business purpose for the Proposed Expense, should be submitted to the President of the Company. For purposes of this policy, purchases of furniture and equipment shall fall under and be governed by the Fixed Asset Policy.

Upon submission of the Proposed Expense, the President will make a determination as to whether the Proposed Expense constitutes an “excessive or luxury expenditure.”

- If the Proposed Expense is determined to be an “excessive or luxury expenditure” that is without a justifying business purpose, then the request for approval will be denied and the expense will not be incurred.
- If the Proposed Expense is determined not to be an “excessive or luxury expenditure,” or has a justifying business purposes, then the expense will be approved (an “Approved Expense”).

The President, or his designee, will prepare a report of all Approved Expenses to be submitted to the Board of Directors on a regular basis. For each Approved Expense, the report will include the amount of such expense and a statement justifying this amount in light of the legitimate business purpose to be served. The report will be certified by the Company’s principal executive officer and its principal financial officer.

Compliance with Policy and Annual Board Review

Compliance with this Policy will be the primary responsibility of the Company’s President. Any violation of this policy should be reported directly to the President, or directly to the Board of Directors. A review of the Company’s compliance with this Policy will be incorporated into the Company’s regular compliance program, and a report regarding the findings of that compliance review will be made to the Board of Directors on at least an annual basis. The Company’s internal auditor will also review compliance with this Policy as a part of the Company’s regular internal audit program. In addition, at least annually, sufficient time will be allocated during one of the regular meetings of the Board of Directors for a general review of this Policy’s requirements in light of the requirements of EESA and the Interim Rule, as the same may be amended from time to time. If it is determined that this policy needs to be revised because of amendments to EESA or to the regulations of Treasury or other relevant regulatory agencies, or because of changes to the policies of Treasury or other regulatory agencies having jurisdiction over the Company, the Board of Directors, after consulting with counsel, will make the necessary changes to this Policy.

Publication of Policy

Upon approval by the Board of Directors, a copy of this Policy will be promptly submitted to Treasury and will be posted on the Company's website. If this Policy is amended, a copy of the revised Board-approved Policy will be promptly submitted to Treasury and the Company's website will be updated to reflect such amendments.

Termination

This Policy will remain outstanding so long as Treasury maintains an investment in the Company pursuant to the TARP. When the Company repays in full all funds received from Treasury under the TARP and is no longer subject to the TARP requirements, then this Policy will terminate and will no longer be in force, unless the Board of Directors determines, in its sole discretion to continue this Policy.