

***1st FINANCIAL BANK
CIP POLICY***

2007

CIP POLICY

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Purpose

The Customer Identification Program is to comply with Section 326 of the USA Patriot Act that requires financial institutions to:

- Verifying the identify of any person seeking to open an account to the extent reasonable and practicable;
- Maintaining records of the information used to very the person's identify, including name, address, and other identifying information; and
- Determining whether the person appears on any lists of known or suspected terrorists of terrorist organizations provided to the financial institution by any government agency.

General

Our policy is written with consideration for our bank's particular characteristics. We took into consideration our bank's size, location and type of business.

- ❑ Size-under 100 million in assets
- ❑ Location-Midwest
- ❑ Type of business- Commercial bank

Our policy has five key elements:

- ❑ **Definitions**
- ❑ **Identity Verification**
- ❑ **Recordkeeping**
- ❑ **Comparison with Government Lists**
- ❑ **Customer Notice**

SECTION ONE: DEFINITIONS

Definitions:

Account means a formal banking relationship established to provide or engage in services, dealings, or other financial transactions including a deposit account, a transaction or asset account, a credit account, or other extension of credit. Account also includes a relationship established to provide a safety deposit box or other safekeeping services, or cash management, custodian, and trust services.

Account does not include:

- a) A product or service where **a formal banking relationship is not** established with a person, such as check-cashing, wire transfer, or sale of a check or money order;
- b) An account that the bank acquires through an acquisition, **merger**, purchase of assets, or assumption of liabilities; or
- c) An account opened for the purpose of participating in an employee benefit plan established under the Employee Retirement Income Security Act of 1974.

Bank means

- a) A bank, as that term is defined in Section 103.11(c), that is subject to regulation by a Federal functional regulator; and
- b) A credit union, private bank, and trust company, as set forth in Section 103.11(c), that does not have a Federal functional regulator.

Customer means:

- a) A person that opens a new account; and
- b) An individual who opens a new account for:
 - i) An individual who lacks legal capacity, such as a minor; or
 - ii) An entity that is not a legal person, such as a civic club.

Customer does not include:

- a) A financial institution regulated by a Federal functional regulator or a bank regulated by a state bank regulator;
- b) A person described in Section 103.22 (d)(2)(ii)-(iv); or
- c) A person that has an existing account with the bank, provided that the bank has a reasonable belief that it knows the true identity of the person.

Federal Functional regulator “is defined at Section 103.120 (a) (2).”

Financial institution “is defined at 31 U.S.C. 531(a)(2) and (c)(1).”

Taxpayer identification number

Defined by section 6109 of the Internal Revenue code of 1986 (26 U.S. C. 6109) and the Internal Revenue Service regulations implementing that section (e.g., social security or employer identification number).

U.S. Person means:

- a) A U.S. citizen; or
- b) A person other than an individual (such as a corporation, partnership, or trust), that is established or organized under the laws of a State or the United States.

A Non-U.S. person means a person that is not a U.S. person.

SECTION TWO: IDENTITY VERIFICATION PROCEDURES

Required information

The bank must obtain, at a minimum, the following information from the customer prior to opening an account:

- 1.** Name;
- 2.** Date of birth, for an individual;
- 3.** Address, which shall be:
 - a.** For an individual, a residential or business street address;
 - b.** For an individual who does not have a residential or business street address, an Army Post Office (APO) or Fleet Post Office (FPO) box number, or the residential or business street address of next of kin or of another contact individual; or
 - c.** For a person other than an individual (such as a corporation, partnership, or trust), a principal place of business, local office, or other physical location; and
- 4.** Identification number, which shall be:
 - a.** For a U.S. person, a taxpayer identification number (See Exhibit A for when to use a SSN and when to use an EIN); or
 - b.** For a non-U.S. person, one or more of the following: a taxpayer identification number; passport number and country of issuance; alien identification card number; or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

When opening an account for a foreign business or enterprise that does not have an identification number, the bank must request alternative government-issued documentation certifying the existence of the business or enterprise.

If the customer has applied for but has not received a taxpayer identification number, we request a copy of the application for that tax number. We require the tax identification number to be in place in six weeks.

If the customer has applied for a credit card the bank shall obtain the information on the customer from the third party before credit is extended.

Documentary and nondocumentary verification:

In general, we require two forms of identification to open an account. The identification includes one primary and a secondary piece of identification (See Exhibit B). Our bank standard required identification, documents, and nondocumentary verification is listed in Exhibit D. This standard takes into account the various types of accounts opened at our bank and the standards to open each type of account in light of our customer identification program.

In general we require two forms of nondocumentary verification. (See Exhibit C for types of nondocumentary verification we find acceptable. On loans the required information, documentary verification and nondocumentary verification must be accomplished prior to the loan. On deposits, the required information must be obtained prior to opening the account and the documentary and nondocumentary verification we require in a reasonable time after the account is opened. A reasonable time for a new account at our bank is usually 30 days._

The required information, documentary and nondocumentary procedures are designed so that we may form a reasonable belief to the true identity of our customer.

If our customer is **unable to present unexpired government issued identification** as in the case of minors, elderly, religious or small organizations our financial institution shall use the following types of document and nondocumentary procedures.

Minors: On minors we require a social security card and if possible a student identification card. The minor should be accompanied by an adult who is a customer of our bank and if opening a multi party or UTMA account, the adult shall have proper identification as outlined under Exhibit B.

Elderly: On elderly who are unable to drive and do not have state identification cards, we shall require two forms of identification: Social Security Card, Voters Registration Card, Utility Bill, insurance card as recognized under our Currency Transaction Report.

Religious: We waive our identification for religious groups such as the Amish or Menonites who for religious purposes do not have primary identification.

Small Clubs: We shall not require documents such as charters and bylaws for small community organizations. We shall require identification on all signatories on the accounts.

On accounts that we open where we are not familiar with the documents:

❑ **Out of state driver's licenses**

When we open an account with an out of state driver's license, our procedure is to verify the identity of the driver's license through the ID Checking guide.

❑ **Out of state business documents**

When we open accounts for business located out of state, we require that they file documents with our State's Secretary of State's office if the business is doing business in our state. If not, then we will verify their information through the Secretary of State's Office in the state where the business is located and require identification on all the signatories on the account.

❑ **Out of the country businesses**

When we open accounts for business located out of the country, we require the business to file with our state if doing business in our state. If the business is just depositing funds, we require information on all signatories on the account and will require a previous bank reference.

Account is opened without document:

❑ **Customer has out of state joint owners**

We require out of state joint owners to sign the signature card and account agreement. These documents will be sent certified mail to the person for signature. We require a copy of their unexpired government issued identification. We will follow our other normal procedures on nondocumentary verification.

❑ **Credit Card customers**

We shall rely on outside companies to provide us with information. After obtaining the information we send a thank you letter to verify the customer's address.

❑ **Business accounts without documents**

When an account is opened where we are unable to obtain documents under our normal procedures, we shall require identification on all signatories on the account similar to our personal accounts. We will when appropriate verify that the business is filed at the Secretary of State's office and document whether that business is in good standing.

Customer does not appear in person:

- ❑ Opened through the mail
- ❑ Opened over the telephone
- ❑ Opened over the internet

The bank shall require photocopies of identification when we open an account by any of the above means. We will verify the documents through our nondocumentary verification process. We send the documents out certified mail and we require signatures to be notarized on an additional document.

Lack of Verification

When we cannot form a reasonable belief that it knows the true identity of a customer, we shall respond appropriately in the following situations:

- 1. When the bank should not open an account;**
We shall not open account unless our minimum account opening procedures are met.
- 2. The terms under which a customer may use an account while the bank attempts to verify the customer's identity;**
We shall as appropriate place holds on accounts in accordance with Regulation CC for accounts until we receive proper documentation.
- 3. When the bank should close an account, after attempts to verify a customer's identity have failed; and**
If we are unable through our documentary and nondocumentary procedures, obtain the information and documents under our standards we shall notify the customer and close the account.
- 4. When the bank should file a Suspicious Activity Report in accordance with applicable law and regulation.**
In the case where we believe it could be identity theft or any other risk, we shall file a Suspicious Activity Report according to regulation.

Reliance on another financial institution

If we rely on another financial institution to verify our customers, we shall require the institution to annually certify to us that they are in compliance with current regulations on CIP.

SECTION THREE: RECORDKEEPING

We shall keep records of the information required and the type of documentary and -nondocumentary records that we obtained during the identification and verification process. As outlined in the law the following information we be required:

- All identifying information about a customer obtained under required information
- A description of any document that was relied on--including the type of document, any identification number contained in the document, the place of issuance and, if any, the date of issuance and expiration date;
- A description of the methods and the results of any measures undertaken to verify the identity of the customer under nondocumentary verification.
- A description of the resolution of any substantive discrepancy discovered when verifying the identifying information obtained.

The bank shall retain all the information of this section **for five years after the date the account** is closed or, in the case of credit card accounts, five years after the account is closed or becomes dormant. The bank must retain the information above for five years after the record is made.

SECTION FOUR: COMPARISON WITH GOVERNMENT LISTS

Comparison with government lists.

We shall in accordance with the requirements have procedures for determining whether the customer appears on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency and designated as such by Treasury in consultation with the Federal functional regulators.

The bank shall review lists in accordance to the guidelines and make such a determination within a reasonable period of time after the account is opened, or earlier, if required by another Federal law or regulation or Federal directive issued in connection with the applicable list.

We shall follow all Federal directives issued in connection with such lists.

SECTION FIVE: CUSTOMER NOTICE

Bank customers shall be provided with adequate notice that the bank is going to verify their identities.

Our notice is posted in the lobby to ensure that a customer is able to view the notice, or is otherwise given notice, before opening an account through our account agreement. We also post a notice on the web site, include the notice on its account applications, or use any other form of written or oral notice.

Sample notice. Our financial institution uses the following sample language to provide notice to its customers:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Exhibit A

TYPE OF US PERSON	SSN OR EIN
Individual or joint accounts	SSN
UTMA	SSN of child
Revocable living trusts	SSN of Grantor/trustee
Social Security Representative Accounts	SSN of Beneficiary/owner
Sole Proprietorships	SSN or EIN
Single member Limited Liability Companies	SSN or EIN
Partnerships	EIN
Corporation	EIN
Limited Liability Company	EIN
Nonprofit organization, club, political campaign, social organization	EIN
Irrevocable Trust Account	EIN
Estate	EIN
Individual Retirement Account	SSN
Public Funds	EIN of Public Municipality

Exhibit B

PRIMARY	SECONDARY
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SHOULD INCLUDE PICTURE, DESCRIPTION AND SIGNATURE	HAS SOME BUT NOT ALL OF THE COMPONENTS OF PRIMARY ID
<ul style="list-style-type: none"> ➤ Driver’s License/ non driver’s identification card ➤ Passport ➤ US Government ➤ US Military ➤ Alien registration card <p>Primary identification—include picture, description of person, and signature. Should be accompanied with a second piece of identification. Use “bar books” to verify primary identification. See http://www.idcheckingguide.com/</p>	<ul style="list-style-type: none"> ➤ Social Security card ➤ Voter’s registration ➤ Birth Certificate ➤ Credit cards ➤ Bank cards ➤ State government ➤ Local government ➤ Company identification ➤ Police identification <p>Secondary identification—has components of primary but not considered as primary. Acceptable as a second piece of identification. Never acceptable to open an account alone.</p>

Exhibit C

NONDOCUMENTARY VERIFICATION

Check systems, telecheck, credit reports
Customer telephone call
Letter of welcome
Site visit
Previous bank reference
Other third party verification
Check on internet
Check at Secretary of State's Office
Verification of Employment

Exhibit D

Type of Account	Account Styling & Ownership	CIP Required Information on Person or Entity Opening Account	Documentary Verification	Non-Documentary Verification Suggestions	Government Lists
Individual Account	1 Owner 1 Signer	Name Address Date of Birth Social Security Number – See special rules if foreign	Identification Signature Card Contract Disclosures	OFAC Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	OFAC Section 326 CIP List
Individual Account with Agent	1 Owner 2 Signers (use separate agreement for agent)	Name Address Date of Birth Social Security Number – See special rules if foreign	Identification Signature Card Contract Agent Disclosures	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
Multi-party WROS	2 or more owners May also have agent through POA At death passes to other Owners. Designation must be in writing, otherwise considered without rights of survivorship	Name Address Date of Birth Social Security Number – See special rules if foreign	Identification Signature Card Contract Disclosures *May also have an in-house POA or Agent	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List

Type of Account	Account Styling & Ownership	CIP Required Information on Person or Entity Opening Account	Documentary Verification	Non-Documentary Verification Suggestions	Government Lists
Multi-party Account WOROS	2 or more owners May also name an agent through in-house POA At death does not create survivorship, although other owners will have access	Name Address Date of Birth Social Security Number – See special rules if foreign	Identification Signature card contract Disclosures *May also have an in-house POA or Agent	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
Individual or Multi-party account with a outside durable Power of Attorney	See ownership type above POA has access	Name Address Date of Birth Social Security Number – See special rules if foreign	Identification Created by outside document Should be approved by bank attorney or senior officer *may need SSN of POA	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List

Type of Account	Account Styling and Ownership	CIP Required Information on Person or Entity Opening Account	Documentary Verification	Non-Documentary Verification Suggestions	Government Lists
Sole Proprietorship	Jane d/b/a Smith Fabricators 1 owner May have signers	Name Address Date of Birth Social Security Number – See special rules if foreign	Identification County Document Resolution & Signature Card	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
Partnership	Smith & Smith Partners owners May have other signers	Name Address Date of Birth EIN on Entity	Identification Usually a County Document Partnership Agreement (if any) Resolution & Signature Card	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
Limited Partnership	Smith & Smith, LTD General Partners Limited Partners	Name Address Date of Birth EIN on Entity	Identification Document from Secretary of State SSN of all general partners Partnership Agreement Resolution & Signature Card	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List

Type of Account	Account Styling & Ownership	CIP Required Information on Person or Entity Opening Account	Documentary Verification	Non-Documentary Verification Suggestions	Government Lists
Corporation	Smith, Inc. Corporation owned	Name Address EIN of Corporation	Identification Document from Secretary of State Minutes Resolution & signature card	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
LLC/LLP	Smith & Smith, LLC Members are owners Usually have managing member who has authority to open accounts	Name Address EIN on Entity	Identification Document from Secretary of State EIN on business Operating Agreement Resolution & Signature Card	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List

Type of Account	Account Styling & Ownership	CIP Required Information on Person or Entity Opening Account	Documentary Verification	Non-Documentary Verification Suggestions	Government Lists
Nonprofit Organization	Boy Scout Troop #334 Organization owns By-laws tell who has authority to open accounts	Name Address EIN on Entity	Identification By-laws Minutes Resolution & Signature card	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
Revocable Formal Trust	Joe or Mary, Trustees Of the Smith Living Trust Trust owns Trustees have access	Name Address SSN on Trustees	Identification Trust Document Signature card contract	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List.

Type of Account	Account Styling & Ownership	CIP Required Information on Person or Entity Opening Account	Documentary Verification	Non-Documentary Verification Suggestions	Government Lists
Irrevocable Formal Trust	Smith Living Trust Trust owns Trustees have access	Name Address EIN of Trust	Identification of trustees Trust document Signature card contract	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
Informal Trust Accounts “In trust for” “As trustee for” “Pay on death”	Mary or Joe POD Child 1, Child 2 or Child 3 Mary or Joe owners POD beneficiary are owners at death	Name Address Date of Birth Social Security Number – See special rules if foreign	Identification List of beneficiaries Signature card contract	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List
UTMA	Little Johnnie, a minor by Mom, custodian AUTMA Little Johnnie is the owner Mom has access until child is 21	Name Address Date of Birth Social Security Number – See special rules if foreign of Little Johnnie and custodian	Identification on custodian Signature card contract	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List

Type of Account	Account Styling & Ownership	CIP Required Information on Person or Entity Opening Account	Documentary Verification	Non-Documentary Verification Suggestions	Government Lists
Estate accounts	The Estate of Mary Doe Estate—owner Personal representative-access	Name Address Date of Birth EIN of Estate	Identification Letters of Testamentary Signature card contract	Telecheck or Check Systems Credit Report Letter of Welcome Phone call verification Delivery of checks	Section 326 List OFAC List

