

Affiliate Transactions Policy

Purpose

The Board of Directors (the “Board”) of Centennial Bank (the “Bank”) is formulating this Affiliate Transactions Policy (the “Policy”) to provide a statement regarding the identification of Affiliates, as defined below, the recognition of common Affiliate transactions which qualify as Covered Transactions, as defined below, and the proper handling and documentation of acceptable Affiliate activities. A breakdown in procedures may lead to violations of certain statutes such as Sections 23A and 23B of the Federal Reserve Act and Regulation W (12 CFR 223) issued thereunder (together with Sections 23A and 23B of the Federal Reserve Act, the “Regulation”), and also to the misrepresentation of financial reports, thus incurring a violation of 12 USC 161 and of securities laws, as well as Internal Revenue Service tax laws. Failure to maintain adequate documentation and/or controls also may result in a cease and desist order under 12 USC 1818, civil money penalties or suspension, or removal of responsible directors. The general purpose of this Policy is to provide senior management with a systematic approach to identify an Affiliate, for approved types of Affiliate transactions, and for proper documentation of such transactions.

Authority

The Board of Directors delegates the duties of analyzing and reviewing Affiliate transactions to the Chief Financial Officer or designee.

Definitions

“Affiliate” shall have the same meaning as defined in Section 23A of the Federal Reserve Act and under 12 CFR 223.2(a).

“Covered Transaction” with respect to an Affiliate means:

- (1) An extension of credit to the Affiliate;
- (2) A purchase of, or an investment in, a security issued by the Affiliate;
- (3) A purchase of an asset from the Affiliate, including an asset subject to recourse or an agreement to repurchase, except such purchases of real and personal property as may be specifically exempted by the Board of Governors of the Federal Reserve System by order or regulation;
- (4) The acceptance of a security issued by the Affiliate as collateral for an extension of credit to any person or company;
- (5) The issuance of a guarantee, acceptance, or letter of credit, including an endorsement or standby letter of credit, on behalf of the Affiliate, a confirmation of a letter of credit issued by the Affiliate, and a cross-Affiliate netting arrangement;
- (6) A transaction with an Affiliate that involves the borrowing or lending of securities, to the extent that the transaction causes the Bank or any subsidiary of the Bank to have credit exposure to the Affiliate; and
- (7) A Derivative transaction with an Affiliate, to the extent that the transaction causes the Bank or any subsidiary of the Bank to have credit exposure to the Affiliate.

“Derivative Transaction” means any transaction that is a contract, agreement, swap, warrant, note, or option that is based, in whole or in part, on the value of, any interest in, or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices, or other assets.

GENERAL AND SPECIFIC GOALS

The goals of the Policy are in accordance with the Bank’s overall business plans and objectives. The following summarize the general and specific goals that pertain to Affiliate transactions:

A. General Goals

1. To ensure that all transactions with, or for the benefit of, any Affiliate are on terms and conditions that are acceptable and within safe and sound banking practices.
2. To approve guidelines used in defining types of Affiliate transactions, adequacy of documentation, and to decide on appropriate levels of approval authority.
3. To provide, document, and monitor training objectives related to the Regulation in order to confirm that priorities are being achieved.

In general, it is the intent of the Board **not** to engage in a Covered Transaction. In the event that the Board opts to conduct a Covered Transaction in the future, any Covered Transactions are to be conducted in accordance with the Regulation and the Board shall fully consider any and all safety and soundness concerns, applicable transaction standards, required transaction and aggregate limits, and appropriate processes to measure, monitor, and control risks associated with such transactions.

B. Specific Goals

1. Require specific documentation or detailed agreements covering recurring and nonrecurring Affiliate transactions.
2. Require that all Affiliate transactions be handled at fair market value, be properly collateralized if required, represent a bookable asset and comply with any quantitative limitations in the Regulation.
3. Require that all Affiliate transactions involving the purchase of assets subject to repurchase agreements be recategorized as extensions of credit that are subject to collateral requisites.
4. Require the ongoing monitoring of collateral pledged between Affiliates and call for additional collateral if its value deteriorates below threshold levels.
5. Management fees, if any, charged to Affiliates by the holding company or between Affiliates will be paid on a timely basis and will be calculated in a consistent and uniform manner, and will be based on:
 - Reimbursement of cost;
 - Cost plus a reasonable profit (limited to certain types of transactions); or
 - Fair market value

All charges will be calculated in a consistent and uniform manner.

6. Timing and amount of tax payments between Affiliates will be such that neither the Bank nor any subsidiary thereof overpays its share of taxes to the Bank's parent company, Home BancShares, Inc. (the "Holding Company") and does not pay any taxes so as to create an extension of credit by the Bank or any Affiliate of the Bank to the Holding Company or any of its subsidiaries, other than as may be permitted under the Regulation.

7. Overall expense control of inter-affiliate services, transactions, etc.

8. Compliance with regulatory requirements, including laws and regulations.

Management Fees

Management fees paid between Affiliates for services performed generally include management advice, personnel services, loan quality review, data processing, marketing, supply administration, investment advice, accounting and financial services, trust services, and audit services. If fees are to be assessed, an Affiliate must be providing a specific, identifiable service.

A management fee is intended to offset the actual or proportionate expense incurred by the Affiliate performing, or paying for, the service. Fees charged should be reasonable and justifiable and should be

based on the fair market value of services provided. Where there is no market established for a particular service, management fees are based on the actual cost plus a reasonable profit.

Fees for services should be billed and paid as they are received, just as they would be with an unaffiliated service provider. Prepayments should not be made significantly in advance of services rendered. In general, payments are made when the service is rendered by the Affiliate. However, for those services provided on a continually recurring basis, quarterly installments of management fees are payable by Affiliates based on each entity's actual expenses for the previous quarter.

Where an Affiliate (such as the Holding Company) is providing specific services to another Affiliate on an ongoing basis, an agreement between the entities should be entered detailing the services provided, fees charged and how they were calculated, and the timing of payments. Management of each entity is responsible for ensuring that basic business principles common to an "arm's length" transaction are applied and that the actual practice between Affiliates and the management fee agreement are consistent.

A management fee agreement required under this Policy should be signed by an authorized representative of each participating Affiliate and, at a minimum, should include:

- A description of the specific services to be performed;
- The method of calculating the management fee for each service;
- The method and timing of payment for the services performed;
- Provisions for any instances of reimbursement between Affiliates.

Other Transactions

In addition to the transaction types specifically noted above, all other transactions between Affiliates are to be conducted in accordance with this Policy and the requirements of the Regulation. Additional transactions include, but are not limited to the following:

Nonrecurring transactions such as:

- Sales of equipment between Affiliates;
- Loan participations;
- Leases of equipment or real estate between Affiliates;
- Sale of real estate between Affiliates;
- Execution of contracted services over a period of time to an Affiliate;
- Providing of services by one Affiliate to another, without contract.

Recurring transactions include contracts or leases between Affiliates for goods and services such as:

- Data processing services;
- Accounting services;
- Supplies, e.g., office or maintenance supplies;
- Audit or compliance department files;
- Management fees.

In addition, the payment of fees or moneys to the holding company in the form of tax payments, dividends, special assessment fees, compensating balances, and the like are covered by this Policy and should be properly documented.

Special Cost Allocation Considerations

In certain instances, costs or expenses for a series of transactions are not readily identifiable for each participating Affiliate. Allocation methods should be based on a best estimate of cost per transaction, or on volume or asset size, etc., which represent a reasonable allocation of expense. Costs cannot be assessed on an unreasonable assignment such as the ability to pay.

Documentation

All Affiliate-covered transactions should be documented where appropriate to provide the following:

- Date of transaction;

- Description of transaction;
- Detail of method(s) used to calculate value of transaction;
- Frequency of charges, if recurring;
- Date of approvals;
- Information regarding cost justifications, appraisals, etc., used in arriving at the value of the transaction.

Tax Allocation

The Holding Company shall enter into a tax sharing arrangement which meets the requirements of the Regulation with the Bank and any other bank subsidiaries it may acquire regarding the filing of consolidated tax returns.

The Holding Company is an agent for the Bank and its subsidiaries (collectively, the "Institution") with respect to all matters related to consolidated tax returns and refund claims. If the Holding Company receives a tax refund from a taxing authority, these funds are obtained as agent for the Institution. Any tax refund attributable to income earned, taxes paid and losses incurred by the Institution, is the property of and owned by the Institution, and shall be held in trust by the Holding Company for the benefit of the Institution. The Holding Company shall forward promptly the amounts held in trust to the Institution.

Audit/Compliance Reviews

The audit department/compliance division will be responsible for conducting periodic reviews of Affiliate transactions.

Policy Review and Approval

In an effort to promote a consistent and enterprise-wide approach to key policy development and revision, this Policy will require review and approval by the Executive Risk Committee ("ERC") prior to its submission to the Board at least annually. The ERC shall conduct its annual review in the first quarter of each year. If revisions/changes are warranted periodically over the course of the year, such changes may be taken to the ERC at its regularly scheduled meetings or if time does not permit, such changes may be approved by the Board at its regular monthly meeting.