

**FIRST DEFIANCE FINANCIAL CORP.
EXCESSIVE OR LUXURY EXPENDITURE POLICY**

**Adopted by the Board of Directors on
September 8th, 2009**

I. Overview

First Defiance Financial Corp. (the “Company”) received financial assistance from the U.S. Department of the Treasury (the “Treasury”) pursuant to the Troubled Assets Relief Program (“TARP”) established pursuant to the Emergency Economic Stabilization Act of 2008 (“EESA”).

Section 111(d) of EESA requires that the Board of Directors (the “Board”) of the Company adopt a company-wide policy regarding certain Excessive or Luxury Expenditures (as defined below), post this policy on the Company’s Internet website and provide a copy of this policy to the Treasury and the Company’s primary regulatory agency.

The Company hereby adopts this Excessive or Luxury Expenditure Policy (this “Policy”) to satisfy the requirements of EESA as they relate to Excessive or Luxury Expenditures. This Policy applies not only to Excessive or Luxury Expenditures incurred by the Company, but also on behalf of the Company by an entity that, along with the Company, would be treated as a “TARP recipient” (as defined by 31 C.F.R. §30.1, each an “Affiliate”). The Company shall cause each Affiliate to adopt this Policy to the extent necessary to comply with EESA.

II. Excessive or Luxury Expenditures Defined

For purposes of this Policy, an “Excessive or Luxury Expenditure” is an excessive expenditure on any of the following: (1) entertainment or events; (2) office and facility renovations; and (3) aviation or other transportation services. The following expenditures shall not be considered excessive, provided that the amount of the expenditure does not exceed the applicable dollar threshold set forth below:

Category of Expenditure	Dollar Threshold
Entertainment/Events	\$25,000 per event
Office/Facility Renovations	\$50,000 per office
Aviation/Other Transportation Services	\$25,000 per event
Club Memberships	\$25,000 per person

III. Policy

It is the policy of the Company that the use of any Company or Affiliate asset to incur an expense which constitutes, or reimburse any person for, an Excessive or Luxury Expenditure is prohibited.

However, the use of a Company or Affiliate asset to incur an expense which constitutes, or reimburse a person for, an expenditure that would otherwise be prohibited as an Excessive or Luxury Expenditure shall be permitted if:

- (a) The person seeking to incur or be reimbursed for the expenditure provides the Board (or a person designated by the Board) with a description of the expenditure, the business purpose for the expenditure, an estimated or actual cost of the expenditure, and such other information as the Board or the Board's designee may request at least 45 days prior to the date the expense is anticipated to be incurred or reimbursement made (although the Board or the Board's designee may waive or modify the notice period in its sole discretion); and
- (b) The Board or the Board's designee approves the expenditure before the expense is incurred or reimbursement made.

Nothing in this Policy shall be construed as limiting the use of any Company or Affiliate asset to incur, or reimburse a person for, an expenditure that constitutes a reasonable expenditure for staff development, a reasonable performance incentive, or other similar reasonable measure conducted in the normal course of the Company's or Affiliate's business operations, including, without limitation: customary and annual trade association meetings, conferences, conventions and similar events, off-site business meetings, renovations of new or newly-acquired property, reasonable automobile allowances, reasonable reimbursements for cellular telephones, or employee training programs.

IV. Compliance

Compliance with this Policy shall be monitored by the Company's Chief Risk Officer and any violations of the Policy shall be promptly reported to the Company's Chief Risk Officer. The Company's Chief Risk Officer shall be responsible for ensuring compliance with this Policy and any violations of this Policy shall be treated in the same manner as a violation of any other Company or Affiliate policy, in accordance with the Company's or Affiliate's employee handbook or similar document.

V. Certification of Compliance

At such time or times and in such manner as may be required to comply with Section 111(d) of EESA, the Company's "principal executive officer" and "principal financial officer" (each as defined in 31 C.F.R. §30.1) shall certify that the approval of any expenditure requiring approval pursuant to Section III of this Policy was properly obtained with respect to each such expenditure.

VI. Amendment

This Policy may be amended only by action of the Board. Any material amendment to this Policy shall be provided to the Treasury and the Company's primary regulatory agency and posted on the Company's Internet website within 90 days following the adoption of such amendment.

VII. Effective Date and Duration

In accordance with the requirements of TARP, the Board had adopted this Policy on the date first set forth above and this Policy shall remain in effect through the remainder of the “TARP period” (as defined by 31 C.F.R. §30.1).