

ONLINE BANKING AGREEMENT

USER AGREEMENT AND DISCLOSURES

Service

This Online Banking Agreement (the “Agreement”) governs the use of the PSB Internet Banking Service (the “Service”) to be provided by Peoples State Bank, Shepherd, Texas, (“BANK” “we” “us” “our”), as described from time to time in information distributed by the BANK to its customers. In this Agreement, “Customer” refers to the person(s) subscribing to or using the Service (“Customer” “you” “your”). By using, or authorizing another to use, the Service in any way, you and any authorized users, agree to be bound to the following terms and conditions of this agreement.

Account Confidentiality

It is our general policy to treat your account information as confidential. However, we will disclose information to third parties about your account or transfers you make in the following situations:

- Where it is necessary for completing transactions, or
- In order to verify the existence and condition of your account for a third party, such as a credit bureau or merchant, or
- In order to comply with government agency or court orders, or
- If you give us written permission.

For additional information regarding Account Confidentiality please refer to our [Privacy Policy](#).

Access ID and Password

To access PSB Online Banking through the Internet, you must log in for the first time using your Login number and password assigned to you. After logging in for the first time, you must immediately change your Password. This is for your own protection. In addition, we recommend you change your Password regularly to protect the security and privacy of your financial information. We recommend you change your Password immediately if it is compromised.

To ensure that your Password is unique, your Password must be between 6 and 15 characters in length containing three of the following: upper case, lower case, number or symbol. Passwords can not contain any part of the log-in nor can it be similar to the previous two passwords used. Challenge questions are also used as an additional layer of control. Once customers are logged on, they must answer a random question (from three (3) previous selected questions).

Access IDs and Passwords should be unique to each user accessing services. Each signer is responsible for the confidentiality of his or her individual Access ID and Password. Access IDs and Passwords must never be compromised or shared with any other person. Anyone to whom you give the Access ID and Password will have full access to your accounts even if you attempt to limit the person’s authority.

Security

Peoples State Bank takes many steps to keep your accounts and personal information secure, but you also play a role in maintaining security of your information. After three invalid PIN attempts, an Online Customer is locked out. This is an added security feature to prevent an unauthorized person from accessing your account information. If you are locked out, please contact your local banking center. Your PIN can be reset for you. In addition, PSB Online Banking service has a “time out” feature for additional protection. When you log into PSB Online Banking and there is no activity on your computer for twenty (20) minutes, you will be automatically logged off the system.

If you are not at your own computer when you input information on a secure form or application from Peoples State Bank’s web site, it is important to exit your browser when you are finished. Additionally, check to make sure your browser is set to empty the “Temporary Internet Files” folder when the browser is closed.

It is recommended that you use built in security features that Web browsers provide. Choosing certain security settings and options will help protect the privacy of your personal information. Security settings on your browser vary depending on whether you are using a Netscape or Microsoft product and which version of these browsers you use. For more information, consult the Help files on your browser software.

Finally, customers are encouraged to install and periodically update anti-spyware, virus protection and firewall software. Customers should also carefully read all End User Licensing Agreements and avoid downloading software when licensing agreements are difficult to understand and do not open e-mails from unknown sources.

Send and Receive E-mail messages

Messages to the Bank will automatically be routed to a Bank e-mail box. The Bank is not responsible for any delay in messages being retrieved. Urgent messages should be verified by a telephone call to the Bank. Users and you are responsible to periodically check for messages sent by the Bank. You agree not to send critical data (that is account numbers, Social Security numbers, or other sensitive data) via e-mail messages.

Transfers

Transfers can be completed as follows: Checking to Checking, Checking to Savings, Savings to Checking, Savings to Savings, Checking to Loans, Savings to Loans.

Your ability to make transfers from your savings accounts and money market deposit accounts is restricted by Federal regulations. For each of your savings and money market accounts, you are prohibited from making more that six pre-authorized transactions per month; no more than three of which can be check, draft or debit card.

Pre-authorized withdrawals include transfers made through the Internet Banking. The following transfers do not count towards your limit: transfers made by mail, messenger, ATM, or in person

or withdrawals authorized by you by telephone or online, if the funds are mailed to you by check.

You understand that Account Transfers to a loan account will be considered a scheduled payment and will affect the payment schedule of the loan account unless you designate the appropriate type of payment with the transfer. You can make unscheduled payments at any time.

Scheduling Bill Payments

You may choose to use Bill Payment, along with your PC, to electronically schedule Payments with the service. All Payments made through the Bill Payment System must be set up 5-7 business days prior to the scheduled Payment date for such payments to be delivered to payees. Payments are posted against your balance available for withdrawal, as defined in the Bank's Fund Availability Policy.

Delivery of Payments and Transfers

You may schedule Payments and transfers to be initiated on the current business day, on a future date, or on the same date of each month, subject to the restrictions of this Agreement and any other agreements between you and the BANK. Although you can enter Payment and transfer information through the Service twenty-four (24) hours a day, seven (7) days a week, Payments and transfers can be initiated only on business days. Business days as used in this Agreement shall mean Monday through Friday of each week exclusive of Saturday, Sunday and bank holidays. Funds will be deducted from your Account on the business day on which a Payment or transfer is to be initiated ("Transaction Date"). If you direct the initiation of a Payment or transfer to occur on a day other than a business day, it will be initiated on the following business day. After funds are withdrawn from your Account, we may remit your Payments by mailing your Payee a check, by electronic funds transfer, including through the use of the Automated Clearing House or by other means. Because of the time required to send your payment to a given Payee, your Payees generally will not receive Payment on the Transaction Date. This is true regardless of whether the Payment is a next-day Payment, a future Payment, or a recurring Payment. Therefore, in order to provide sufficient time for Payments to be received by your payees, the Transaction Date should be prior to the date your Payment is due, excluding any applicable grace periods (the "Due Date"). It is advisable to allow additional time for a Payment to be completed the first time you send a Payment to a Payee through the Service, in order to allow the Payee to adjust to the new form of payment. Payments and transfers must be scheduled by the cut-off time of 2:00 p.m. (CST) on any business day in order for the Payment and/or transfer to be initiated for that business day.

Business Days/Hours of Operation

Our business hours are from 9:00 a.m. to 4:00 p.m. (CST), Monday through Thursday, 9:00 to 5:00 p.m. (CST) Friday, except bank holidays. Although Payments and transfers can be completed only on business days, the Service is available 24 hours a day, seven days a week, except during maintenance periods, for the scheduling of transfers.

Stop Payments

Stop payments can not be initiated on-line. Please call the financial institution during business hours for specific information on how to initiate a stop payment. However, you should be

prepared to identify the check number, date and exact amount of the item, and payee. If the Bank, prior to accepting the stop payment order has received the item, the Bank will not be held liable. The stop payment order will be invalid and Bank will refund the fee. The customer also agrees not to hold the Bank liable for payment contrary to this request if payment occurs through accident, inadvertence or oversight otherwise than through lack of good faith or failure to exercise due care on the Bank's part. A stop payment order will automatically expire six (6) months after receipt unless the customer renews it by completing a new stop payment order. Only an authorized signer on the account can cancel a stop payment order prior to the automatic expiration date.

If you call, we may require you to put your request in writing and get it to us within 14 days after you call. Stop payments for ACH items (items received electronically) require completion of an Affidavit of Unauthorized ACH Debit Activity. If this form is not completed within 14 days of the stop payment order, the stop payment will be deleted.

We may charge a fee for each stop payment order you give. The fee will be charged automatically to your account the same day the stop payment is placed on the system.

Notice of Your Rights and Responsibilities

You will notify the Bank immediately if you lose or forget your access code or believe that an unauthorized person knows your ID Code and password. Please call Customer Service at 936-628-3312, 8:00am to 4:30pm CST Monday through Friday. **WE CAN NOT ACCEPT NOTIFICATION OF LOST OR STOLEN ACCESS ID OR PASSWORDS OR UNAUTHORIZED TRANSFERS VIA E-MAIL.**

You agree to keep your Access ID and password secret and to notify us immediately if your Access ID or password is lost or stolen or if you believe someone else has discovered your Access ID or password. You agree that if you give your password to someone else, you are authorizing them to act on your behalf, and we may accept any instructions they give us to make transfers or otherwise use PSB Online Banking services. Do not discuss, compare, or share information about your account number(s) with anyone unless you are willing to give him or her full use of your account. If you furnish your password and grant actual authority to make transfers to another person (family member, co-worker or friend) who then exceeds that authority, you are liable for the transfers unless we have been notified that transfers by that person are no longer authorized. PSB Online banking enables you to change your password; we encourage you to do so regularly. We also encourage you to notify us any time that your email address changes. We may be liable for certain security breaches to the extent required by applicable law and regulation.

Tell us AT ONCE if you believe your Access ID or password has been lost or stolen. You could lose all the money in your account (plus your maximum overdraft line of credit). If you tell us within two (2) business days, you can lose no more than \$50. If you do NOT tell us within two (2) business days after you learn of the loss or theft of your user code or password, and we can prove that we could have stopped someone from using your user code or password without your permission, if you had told us, you could lose as much as \$500.00.

Also, if your statement shows transfers and/or Payments that you did not make, tell us AT ONCE. If you do not tell us within sixty (60) days after the statement was mailed to you, you

may not get back any money you lost after the sixty (60)days if we can prove that we could have stopped someone from taking the money if you had told us in time. If a good reason (such as a long trip or hospital stay) kept you from telling us, we will extend the time periods.

If you believe your user code or password has been lost or stolen or that someone has transferred or may transfer money from your Account without your permission, call or write us at (936) 628-3312, or write to Peoples State Bank, ATTN: Bookkeeping, PO Box 1287, Shepherd, TX 77371-1287.

Errors Resolution

In case of errors or questions about your electronic transfers, you will call Bookkeeping at (936) 628-3312 or write Peoples State Bank, ATTN: Bookkeeping, PO Box 1287, Shepherd, TX 77371-1287, as soon as you can, if you think your statement or receipt is wrong or if you need more information about a transfer listed on the statement or receipt. Bank must hear from you no later than sixty (60) days after we sent the first statement on which the problem or error appeared. You must tell us:

- ◆ Your name and account number.
- ◆ Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
- ◆ The dollar amount of the suspected error.

If you tell us orally, we will require that you send us your complaint or question in writing within ten (10) business days. If we do not receive the written request within ten (10) business days, we may not re-credit your account. We will tell you the results of our investigation within ten (10) business days after we hear from you and we will correct any error promptly. If we need more time, however, we may take up to forty-five (45) days to investigate your complaint or question. If we decide to do this, we will re-credit your account within ten (10) business days for the amount you think is in error, so that you have the use of the money during the time it takes us to complete our investigation. For errors involving new accounts, point-of-sale, or foreign-initiated transactions, we may take up to twenty (20) business days to credit your account for the amount you think is in error. We will tell you the results within three (3) business days after completing our investigation. If we decide there was no error, we will send you a written explanation. You may request copies of the documents that the Bank used in its investigation.

You also agree that you have received and understand all signature card rules and regulations and all agreements and disclosures connected with opening of Accounts and acknowledge that this Agreement is in addition to any of these agreements and disclosures.

Fees and Discontinuance of Service

You acknowledge that fees for Bill Pay will be paid monthly as disclosed on the Bank's Internet Banking Service Fee Schedule and you will select an account to have such charges or other fees deducted. You also acknowledge that these fees are in addition to any fees and service charges currently being paid. Any pricing or policy changes adopted by the Bank in the future will constitute modifications or addends to the Agreement but will not nullify it.

This Agreement shall continue until Bank receives notification of your intent to terminate service. The Bank reserves the right to terminate your Internet Banking Services Application, in

whole or in part, at any time for any reason. The Bank also reserves the right to temporarily suspend this service in situations deemed appropriate by us, in our sole and absolute discretion, including when we believe a breach of the system security has occurred or is being attempted. The Bank may consider repeated incorrect attempts to enter your Access ID or password as an indication of an attempted security breach. Termination by either party does not relieve you of your liability for transactions or responsibilities for payment of all fees incurred prior to termination.

Our Liability of Failure to Complete Transactions

If we do not complete a transfer to or from our Account on time or in the correct amount according to this Agreement, we will be liable for your losses or damages. However, there are some exceptions. We will not be liable, for instance:

- If, through no fault of ours, you do not have enough money in your Account to make the transfer.
- If you have an overdraft line and the transfer would go over the credit limit.
- If the automated teller machine where you are making the transfer does not have enough cash.
- If the terminal or system was not working properly and you knew about the breakdown when you started the transfer.
- If circumstances beyond our control (such as fire or flood) prevent the transfer, despite reasonable precautions that we have taken.
- If the money in your account is subject to legal process or other encumbrances restricting transfer.
- If the money in your Account is subject to legal process or other encumbrances restricting transfer
- If the Payee mishandles or delays handling of Payments sent by us.
- If you have not properly followed the instructions for using PSB Online Banking
- There may be other exceptions not specifically mentioned herein.

EXCEPT AS OTHERWISE EXPRESSLY AGREED HEREIN, IN NO EVENT WILL WE, OUR AFFILIATES, SERVICE PROVIDERS, EMPLOYEES, AGENTS OR CONTRACTORS BE LIABLE TO YOU FOR ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES OR LOSSES RESULTING FROM OR CAUSED BY YOUR USE OF, OR INABILITY TO USE, THE SERVICE, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. ALL OF OUR LIABILITY, AND THE LIABILITY OF OUR AFFILIATES, SERVICE PROVIDERS, EMPLOYEES, AGENTS OR CONTRACTORS, INCLUDING WITHOUT LIMITATION ANY LIABILITY FOR DAMAGES CAUSED, OR ALLEGEDLY CAUSED, BY ANY FAILURE OF PERFORMANCE, ERROR, OMISSION, INTERRUPTION, DELETION, DEFECT, DELAY, VIRUS, COMMUNICATION, LINE FAILURE, OR THEFT, DESTRUCTION OR UNAUTHORIZED ACCESS TO, ALTERATION OF OR USE OF ANY FILE, WHETHER FOR BREACH OF CONTRACT, TORT, NEGLIGENCE OR ANY OTHER CAUSE OF ACTION. YOU AGREE THAT THIS INDEMNIFICATION SHALL SURVIVE THE TERMINATION OF THESE TERMS AND CONDITIONS.

You must have sufficient funds available in your Account to pay for each transaction conducted with the Service. It is your responsibility to ensure that you do not create a negative balance in

your Account by keeping track of your spending using the Service. If you attempt to use the Service when there are insufficient funds in your Account, the transaction will be denied. If for any reason a purchase occurs using the Service with insufficient in your Account, thereby creating a negative balance, you may be invoiced for the negative balance and agree to pay such amount promptly. In the alternative, you also agree that we may, out our discretion, offset such negative amount and any applicable fees against any funds that may thereafter be deposited into your Account. In addition, you are fully liable and responsible for all transactions authorized by you or otherwise accessed with your PIN.

You agree to settle all disputes regarding purchases you made using the Service with the merchant.

Assignment

You may not transfer or assign your rights or duties under this Agreement.

Entire Agreement

This Agreement, any agreements related to your Accounts any accompanying disclosures, if any, set forth the entire understanding and agreement between you and us, whether written or oral, with respect to the subject matter hereof and supersede any prior or contemporaneous understandings or agreements with respect to such subject matter, except to the extent that prior agreements are incorporated by reference herein.

Severability

In the event that any provision of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the other provisions of this Agreement and this Agreement shall be interpreted as if the invalid terms had not been included in this Agreement.

Governing Law and Disclaimer or Warranties

THE LAWS OF THE STATE OF TEXAS SHALL GOVERN THIS AGREEMENT AND ALL TRANSACTIONS HEREUNDER, WITHOUT GIVING EFFECT TO ANY CONFLICTS OF LAWS, RULES OR PRINCIPALS THAT MIGHT RESULT IN THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

YOU REPRESENT AND WARRANT THAT ALL OF THE PERSONALLY IDENTIFIABLE INFORMATION PROVIDED BY YOU IS TRUE, CORRECT AND COMPLETE. PLEASE READ THIS AGREEMENT CAREFULLY AND KEEP A COPY FOR YOUR RECORDS. WE RESERVE THE RIGHT TO REFUSE TO ALLOW YOU TO USE THE SERVICE IN OUR SOLE DISCRETION.

BY CLICKING ON THE "ACCEPT" BUTTON, YOU AGREE THAT YOU HAVE REVIEWED THIS AGREEMENT, UNDERSTAND THE TERMS AND CONDITIONS SET FORTH HEREIN, AND AGREE TO BE BOUND HEREBY. YOU AGREE TO NOTIFY US IMMEDIATELY OF ANY CHANGE IN YOUR E-MAIL ADDRESS. TO REVOKE THIS CONSENT, TO UPDATE YOUR CONTACT INFORMATION OR TO REQUEST A PAPER

COPY OF ANY ELECTRONIC RECORD, DISCLOSURE OR NOTICE PROVIDED PURSUANT TO THIS CONSENT, YOU MUST EITHER CALL OR WRITE THE BANK AT THE TELEPHONE NUMBER OR ADDRESS PROVIDED.