

**FAIRMOUNT BANCORP, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors of Fairmount Bancorp, Inc. (the "Company") represents the stockholders' interests in achieving a successful business and increasing stockholder value. The Board is the ultimate decision-making body of the Company, except for those matters reserved to the stockholders. The Board has a responsibility to the Company's stockholders, employees, and customers, and to the communities in which the Company operates, to ensure that the Company operates with the highest professional, ethical, legal and socially responsible standards.

**BOARD COMPOSITION**

1. It is the policy of the Company that all major decisions be considered by the Board as a whole. To further a director's ability to make the best decisions as a Board member, the Company will conduct an orientation process for new Board members that includes presentation of corporate materials and meetings with senior management.
2. The Board will be comprised of individuals with diverse backgrounds and experience to effectively contribute to the success of the Company. A director will be free of interests or affiliations that could give rise to a biased approach to directorship responsibilities and/or a conflict of interest.
3. The Board will be comprised of a majority of "independent" directors as defined by law and NASDAQ Global Market listing standards. The (1) Audit Committee, (2) Compensation Committee and (3) Nominating and Corporate Governance Committee will be comprised entirely of independent directors.
4. The number of directors will not exceed a number that can function efficiently as a body.
5. The Board will plan for succession to the position of Chairman of the Board and Chief Executive Officer as well as certain other senior management positions. The Board will be free to decide whether the same person or two separate officers should hold these positions.

**FUNCTIONS OF THE BOARD**

1. Information that is important to the Board's or a Committee's understanding of the business to be conducted at a meeting is to be distributed to the members in advance of each meeting to allow sufficient time for review to prepare for discussion of the items at the meeting. Management will attempt to make this material concise, while still providing necessary information.
2. The Chairman of the Board will establish the agenda for each Board meeting. Directors may suggest additional agenda items and may raise, at any meeting, subjects that are not on the agenda.
3. Directors are expected to attend and participate, either in person or by telephone, in all Board and Committee meetings.
4. The Chief Executive Officer is encouraged to invite key members of management to attend Board meetings and present portions of the meetings. The Board expects that management will use this process to give exposure to executive officers with significant operational duties.

5. Board members will have free access to all other employees of the Company and, as appropriate, to independent advisors.
6. Independent directors will meet in executive session at frequent intervals, but not less often than twice each year.
7. The Nominating and Corporate Governance Committee will review each director's continuation on the Board at least every three years.
8. The Chief Executive Officer will report periodically to the Board of Directors on succession planning.

### **COMMITTEES OF THE BOARD**

1. The Board will have the following standing committees: (a) Executive, (b) Compensation, (c) Audit, and (d) Nominating and Corporate Governance. The Board may at any time create a new committee or disband an existing committee. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee will each have a charter and will publish its charter as required by applicable rules and regulations.
2. The Executive Committee, in general, will be authorized to exercise the powers of the Board of Directors in the management of all of the affairs of the Company during the intervals between Board of Directors meetings and may, if so authorized by the full Board and by law, make specified decisions in the name of the full Board.
3. The Compensation Committee will be responsible for (a) approving the compensation of the Chief Executive Officer and other executive officers, (a) incentive compensation awards for executive officers, (c) establishing and approving compensation policies, (d) administration of management incentive compensation plans and other material benefit plans, and (e) reviewing director compensation.
4. Management will report to the Compensation Committee the status of the Company's Board compensation in relation to peer companies. Changes in Board compensation will be reviewed from time to time by the Compensation Committee, and are subject to discussion and concurrence by the Board.
5. The Audit Committee will be responsible for (a) the engagement or discharge of independent auditors, (b) reviewing with independent auditors the scope, plan for and results of the audit engagement, (c) reviewing the scope and results of the Company's internal audit department, and (d) reviewing the adequacy of the Company's system of internal accounting controls.
6. The Nominating and Corporate Governance Committee will be responsible for (a) identifying corporate governance issues, (b) creating corporate governance policies, and (c) identifying and recommending potential candidates for election to the Board.
7. The Nominating and Corporate Governance Committee will recommend to the Board, and the Board will designate the members and the chairmen of the committees, taking into account the experience of individual directors and after consultation with the Chairman. The Board will review committee membership annually and will consider whether membership of any committee should be changed. There are no fixed terms for committee membership.

8. The Nominating and Corporate Governance Committee will perform an annual assessment of the performance of the Board as a whole, and will report thereon to the Board. The assessment is to be based on criteria that the Committee considers relevant and shall relate it to the Board's overall performance as well as specific areas in which an enhanced contribution could be made.
9. The Nominating and Corporate Governance Committee will consider and recommend candidates to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.
10. The Nominating and Corporate Governance Committee and the Board will perform an annual evaluation of the Chief Executive Officer. The evaluation is to be based on broad, objective criteria such as the Company's overall performance, accomplishment of long-term strategic objectives, leadership development, etc. The results of the evaluation will be communicated to the Chief Executive Officer. The evaluation is used by the Compensation Committee in its annual review of the compensation of the Chief Executive Officer.
11. Committee meetings are generally scheduled to coincide with regular Board meetings. The chairman of any committee may call additional meetings, as necessary. Each committee chair determine the frequency and length of the meetings of each committee.

#### **CORPORATE GUIDELINES**

1. The Board of Directors will maintain a Code of Ethics for directors, officers and other employees and will publish this document as required by applicable rules and regulations.
2. These Corporate Governance Guidelines will be reviewed and may be amended by the Board from time to time and will be published as required by applicable rules and regulations.