

**PACIFIC MERCANTILE BANCORP**  
**CODE OF BUSINESS AND ETHICAL CONDUCT**

Our reputation for honesty, integrity and fair dealing that we have earned among our customers and others with whom we do business, and our employees and the communities we serve, is one of our most important assets. Accordingly, we require each of our employees (including our officers) to act in a manner consistent not only with the letter and intent, but also with the spirit, of this Code of Business and Ethical Conduct (the “Code”), which contains our corporate policies governing:

- The conduct of our business; and
- The ethical standards to which each of our officers and employees are expected to adhere while acting on behalf or in the name of the Company or its subsidiaries, which includes Pacific Mercantile Bank (the “Bank”).<sup>1</sup>

Conduct which is not in strict compliance with these policies will be viewed as conduct outside the scope of your responsibilities with the Company and will be subject to disciplinary action that could possibly include demotion or dismissal, regardless of the position you may hold with the Company. Failure to comply with any of the legal requirements discussed in this Code also could subject you and the Company to civil and monetary damages and possibly also regulatory sanctions and even criminal penalties.

Accordingly, each employee of the Company, including each of its officers, is expected to become familiar with these policies and to comply fully with both the letter and “spirit” of this Code. Also, if you hold a supervisory position at the Company or the Bank, you will be expected to oversee compliance with this Code by other employees under your supervision.

In addition to the standards in this Code that are applicable generally to all employees of the Company and the Bank, this Code also sets forth certain standards of conduct that are specifically applicable to the Company’s Chief Executive Officer, Chief Financial Officer and its other senior financial officers. Those standards are set forth in Article V of this Code, entitled “Additional Policies for Chief Executive Officer and Senior Financial Officers.”

This Code of Conduct is in addition to other policies and procedures adopted by the Company or the Bank that govern various activities of our employees, including:

- An *Insider Trading Policy* which, among other things, prohibits the use of material non-public (or “inside”) information about the Company, to which an officer, employee or director may have access, from trading in any securities of the Company until such time as the information has been publicly disseminated by the Company and absorbed by the market;
- An *Employee Complaint Procedures for Accounting and Auditing Matters* (the “Employee Complaint Procedure” located in the Employee Handbook), which establishes procedures by which employees may and are encouraged to report (on an anonymous basis if they so desire) to the Audit Committee, any concerns they may have regarding the accuracy or completeness of the Company’s financial statements or other financial disclosures or reports filed with the SEC, any other accounting matter, or internal control violations or weakness that they may discover.

<sup>1</sup> For purposes of this Code, we will use the term “Company” to refer to the Company as a whole, including the Bank. Therefore, phrases such as “officers and employees” of the Company, also mean officers and employees of

the Bank. Additionally, the term “employees” is also intended to refer to officers of the Company or the Bank, as they are full time employees.

- A *Privacy Policy* which establishes policies and procedures designed to protect the privacy of financial information entrusted to us by our customers.

## **I. INTRODUCTION**

### **A. Purpose and Objectives of the Code**

The policies and standards of conduct contained in this Code were developed and are intended to be applied in good faith with reasonable business judgment and good common sense for the purposes of deterring wrongdoing by promoting:

- Compliance with governmental laws, rules and regulations applicable to the Company and its business;
- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (“SEC”) and in other public communications made by the Company;
- Prompt internal reporting of violations of the Code to Audit Committee of the Board of Directors or the Company’s Chief Risk Officer.

### **B. Administration of the Code**

The Audit Committee of the Company’s Board of Directors (the “Audit Committee”) is responsible for setting the standards contained in this Code and updating these standards as it deems appropriate to reflect changes either in the legal and regulatory framework applicable to the Company or in prevailing ethical standards of the communities in which the Company operates.

The Company also has appointed the EVP, Administration as the Company’s Ethics Compliance Officer. That individual is initially responsible for providing interpretive guidance in applying the policies contained in this Code to specific situations and for generally overseeing implementation and enforcement of the policies set forth in this Code. As to all matters relating to this Code, the Chief Risk Officer will report to the Audit Committee, which is comprised solely of non-employee directors of the Company.

In addition, the Company’s Chief Executive Officer and Chief Financial Officer and other members of senior management will lend their full support to the efforts of the Audit Committee and the Chief Risk Officer in implementing and overseeing compliance with this Code and by leading by example.

We recognize that no set of policies or guidelines can or should be considered as the absolute last word under all circumstances because, among other things, rapid changes in business and the regulatory framework in which we operate constantly pose new ethical and legal considerations. Additionally, it is not always easy to determine whether a specific set of circumstances falls within or constitutes a violation of any of the policies or standards of conduct contained in this Code. Therefore, we encourage you to consult with your supervisor, the Chief Risk Officer, the CEO or CFO or the Audit

Committee if any of you find yourselves in a situation in which you are uncertain about the conduct expected of you by this Code.

*We are committed to an open and constructive environment in which compliance with this Code and the Company's best interests are paramount. A shared willingness to raise ethical concerns in good faith, coupled with our policy of forbidding retaliation against, and preserving (when permitted by applicable law) the anonymity of, any employee who comes forward to report conduct believed in good faith to violate this Code, are essential to such an environment.*

We are confident each of you shares our sense of determination and commitment to the highest ethical conduct in the business of the Company.

## **II. COMPLIANCE WITH LAWS**

We expect every employee to comply with all federal, state and local laws and regulations that are applicable to us and our business. Laws and regulations encountered most frequently in our business include those related to banking, privacy of customer financial data, trading in securities, and maintenance of financial records.

### **A. Banking Laws**

The banking business in which we are engaged is subject to numerous federal and state banking laws and extensive government regulation. Each employee is expected to become familiar with and to comply with the banking laws and regulations that are pertinent to his or her area of responsibility. If you are uncertain about the laws or regulations that are applicable to you, as a Company or Bank employee, or whether a particular law or regulation is applicable to a particular set of facts or circumstances which you are facing, you should talk to your immediate supervisor or the officer in charge of your Department for assistance. If he or she is unable to answer your questions, he or she will arrange to get you the help that you need from the Chief Risk Officer or the Audit Committee.

### **B. Privacy Policy and Laws**

1. *Privacy Policy.* Our customers entrust us with confidential information about their finances and financial transactions. It is our policy (subject to applicable laws) to maintain the confidentiality of that information and to use that information solely for the benefit of the customers that entrusted us with that information. Each employee should treat customer information with the same care as he or she would want his or her confidential financial information to be treated by others. Accordingly, without the prior written consent of the customer (and except as may be required to the contrary by law) no employee may remove any customer information from our offices or share any of that information with any one other than those of our employees who, in the performance of their duties, need to have access to such information. Please refer to our Customer Privacy Policy for further information.

2. *Privacy Laws.* Both the U.S. Government and the State of California have adopted consumer privacy laws which, among other things, place strict limits on the sharing of nonpublic personal information obtained by a financial institution from its customers. Our Customer Privacy Policy has been updated to take account of those laws. If, in the performance of your responsibilities, you have access to customer financial information, you should familiarize yourself with that in our Privacy Policy. Also, if you have any questions regarding those laws or our Privacy Policy may apply to a particular situation with which you are confronted, you should seek assistance from your immediate supervisor or the officer in charge of your Department.

### **C. Trading in Company Stock and Certain Other Securities**

1. *General.* Directors, officers, employees, and members of their immediate families, may not, directly or indirectly, take advantage of “inside” information to trade in the Company’s stock or in the securities of any customer or supplier or any other company that may be doing business with our Company. In addition, inside information may not be disclosed to persons outside of the Company, including members of your family.

2. *What is “Inside” Information?* “Inside” information is any information that is not publicly known and that, if known, might be of significance to an investor in deciding whether to purchase, sell, or hold the stock. Non-public information of this nature also is sometimes referred to as material non-public information. Examples include:

- internal information or estimates about trends in our operating results or about our earnings, including forecasts and estimates, prior to the dissemination of that information to the public;
- information regarding any discussions or plans for increasing cash dividends or changing our cash dividend policy or declaring any stock splits or stock dividends;
- any business strategies or expansion plans, including information about or the commencement of negotiations of potential any business acquisition or merger;
- significant changes in competitive position in our markets; and
- The initiation of major litigation or regulatory proceedings or information contained in any examination report issued by any federal or state banking regulatory agency.

The above list is intended for illustration purposes and is not intended to be exhaustive. There are other types of information that would constitute “inside” or material non-public information. If you have any questions regarding whether information that you have learned about as an officer or employee of the Company or the Bank, whether it relates to us, to any customer or supplier or any other company engaged in negotiations or a business transaction with us, you should (i) immediately contact and ask the Company’s Chief Financial Officer for guidance, and (ii) refrain from engaging in any transactions in our stock or the stock of another company about which the information relates, until you have been advised by the Chief Financial Officer that the information does not constitute or has ceased to be “inside” information.

You may learn about inside information from internal reports or memoranda (written information), or from internal meetings or discussions (oral information), that relate to developments in the Company’s business. Inside information may also be information that you receive from or about another company, such as a customer or a supplier or others that may be doing business with the Company.

3. *Stock Transactions Prohibited while you have Inside Information.* Inside information is a valuable asset of the Company that must be safeguarded and may be used only for proper business purposes and the sole benefit of the Company. Most often, inside information is provided to our officers or employees in connection with the work that we do, and is not intended to be disclosed outside of these legitimate business activities. In addition, because this information belongs to the Company (or to other companies we work with), you may not use the information for your own personal benefit or advantage or the personal benefit or gain of any family member or any other person or business. In particular, while you are in the possession of any inside information about the Company, the law prohibits you from trading in Company shares because to do so would be unfair to the person you are buying the shares from, or selling the shares to, in a particular stock transaction and also to other investors in the stock market who do not have access to that information. Such trading is sometimes referred to as illegal “insider

trading” and if you engage in insider trading, you will face dismissal from the Company and may face civil and possibly even criminal penalties.

An employee that possesses inside information may resume trading in Company stock only after that information is released by the Company to the public and is absorbed by the market, or if and when the information has been superseded by later events and is no longer considered “material” non-public information. Also, if you have access to material non-public information, you may not disclose that information just to be able to trade in our shares. Instead, you will have to wait and trade at a later date when you are advised that it is acceptable to do so.

4. *Maintaining the Confidentiality of Inside Information.* Under the law, a person who possesses inside information does not have the right to pass along or “tip” that information to others so that they can trade in Company shares or in the shares of any company about which the information relates. If you do so, not only the person who receives and trades in shares based on that information (the “tippee”), but also you, (as the “tipper”) will be in violation of the law, even if you as the tipper does not receive any economic benefit from the trading by the tippee. In particular, as a matter of caution, you should not allow members of your family or household to trade, when you are prohibited from trading, in Company stock, even if you have not disclosed any inside information to them. Otherwise it may appear that they were tipped about that information and the appearance of insider trading may lead to the initiation of a legal action against you by governmental authorities.

5. *Violations of Insider Trading Policies.* A violation of the laws prohibiting trading while in possession of inside information can result in civil and criminal penalties. Such trading is naturally also a violation of this Code of Conduct and will result in your dismissal. If you have any questions concerning the propriety of a transaction, you should seek advice from the Company’s Chief Financial Officer. There are times when it is difficult to determine whether or not particular information is material and, therefore, constitutes “inside information,” and the cautious and prudent course is to wait and postpone a trade until a later date when the relevant information has already been made public or is clearly no longer material. You should plan ahead in this regard, because the time when you prefer to trade in Company stock may also be the time when it would be best not to do so, because you have learned of inside information in the course of your employment.

#### **D. Maintaining the Integrity of Company Records and Public Company Reports**

1. *Standard of Conduct Generally.* Federal securities laws require public companies, such as our Company, to disclose complete and accurate financial and other business information regularly. To meet the requirements of these laws, it is necessary that the financial statements and the other business information that the Company discloses be complete and not misleading in any material respect. As a result, it is our policy that all Company records accurately reflect the transactions they record. In particular, this policy requires the following:

- No undisclosed or unrecorded fund or asset of the Company shall be established for any purpose.
- No false or misleading entries shall be made in the books or records of the Company for any reason and no employee shall assist in any arrangement that results in any false or misleading entry.
- No payment or expenditure by the Company shall be approved without adequate supporting documentation and compliance with internal policies that may require prior approval from a supervisor or officer before such payment or expenditure is made.

- No payment or expenditure shall be made with the intention or understanding that any part of the payment or expenditure is to be used, directly or indirectly, for any purpose other than that expressly described by the supporting documentation.

Any employee or other person who has any issues or concerns regarding any financial reporting, accounting or auditing matters, or is aware of any unrecorded fund or asset or any prohibited act in the financial area, shall promptly report such matter in accordance with the procedures set forth in our *Employee Complaint Procedure* or any of the methods set forth under the “Reporting Violations” section at the end of this Code.

2. *Corporate Records Management.* A banking organization such as ours maintains a very large number of records and documents for the operation of its business and also to meet various legal, audit and regulatory requirements. It is essential that every employee practice excellent record management techniques to be sure that we are keeping what is necessary and appropriate and routinely discarding what is no longer needed. Old and unnecessary records and documents are expensive to keep and make it more difficult to find what is useful for current work. All employees should be aware of our record retention guidelines and adhere to them in all aspects of their daily work. If you have questions regarding our record retention policy or procedures, you should consult your supervisor or the officer in charge of your Department.

Employees should also:

- Retain in the office only records that are needed for critical ongoing projects or for other *essential* business reasons.
- Remember that a record can consist of text, graphics or photographic images and is *media-independent*. As a result, employees should apply the same standards to electronic records, such as emails, as they do to those in hard-copy form.
- Generally, records regarding employment and personnel matters must be kept for a much longer time period than other types of documents. Accordingly, if you have any questions regarding the retention of such records, please direct them to the VP, Human Resources.
  - If you are informed of the initiation of any internal or governmental investigation or legal or regulatory proceeding involving the Company or any aspect of its business, you may not destroy or discard any documents or records that may be relevant to that investigation or proceeding, even if doing so would otherwise be in accordance with the Company’s routine record retention policies or procedures.

## **E. Cooperation with Government Agencies**

It is our policy to cooperate with any reasonable request of federal, state, and local government investigators or agencies seeking information concerning Company or its operations for investigative or enforcement purposes. At the same time, our employees are entitled to the safeguards provided by law, including representation by counsel. If any representative of any government agency requests an interview, or seeks data, copies of documents, or access to files, you should immediately contact, and you also should refer that individual to, the Company’s Chief Financial Officer or the Chief Executive Officer.

## **F. Anti-Discrimination and Anti-Harassment Policy**

It is our policy not to discriminate on the basis of race, color, national origin, religion, marital status, sex, age, disability, sexual orientation, citizenship, genetic information or veteran status, nor will we tolerate any discrimination or harassment of any employee. We also expect each of our employees at all times to treat their fellow employees fairly and with dignity and respect. If you have been subjected to or have information regarding unlawful discrimination or harassment, you should report this to your supervisor or, if this is not practical, to the Company's VP, Human Resources.

### **III. STANDARDS OF BUSINESS CONDUCT**

#### **A. Duties Owed to the Company**

1. *Honesty and Diligence.* As a general principle, all officers and other employees are expected to, and shall, exercise honesty, objectivity, and diligence and act ethically in the performance of their duties and responsibilities as employees of the Company.

2. *Duty to Uphold the Company's Reputation for Honesty and Integrity.* Employees shall not knowingly engage in acts or activities which discredit the Company's reputation or best interests or which could reasonably be expected to have such a consequence. In particular, no employee shall engage in any activity that compromises or undermines the Company's reputation for honesty, integrity and fairness.

3. *Duty of Loyalty.* Employees also shall be loyal to the Company in all matters pertaining to the Company and its business. This means that employees shall always place the Company's interests ahead of their own personal interests or those of any other person. However, at the same time, loyalty does not mean "blind loyalty" and employees shall not engage in, or knowingly be a party to, any fraud or other illegal or improper activity by any other employee, including any members of the Company's management, even if they are told or believe that the conduct is intended to benefit the Company. The term "fraud" for purposes of this Code includes, but is not limited to, embezzlement, criminal fraud, taking of property through deceit or artifice, misappropriation and other irregularities, including such things as any dishonest act, forgery or alteration of negotiable instruments such as Company checks and drafts; the misappropriation of Company or customer assets, including trade secrets and confidential information belonging to the Company or any of its customers or other companies with which it does business; conversion to personal use of cash, securities, supplies or any other Company asset; unauthorized handling or reporting of Company transactions, and falsification of Company records or financial statements for personal or other reasons. The above list is not all-inclusive, but is intended to be representative of situations involving fraud or illegal conduct.

4. *Fair Dealing.* Every employee of the Company should endeavor to deal fairly with customers, suppliers, competitors and one another at all times and in accordance with ethical business practices. No one should take unfair advantage of anyone through manipulation, concealment, abuse of confidential information, misrepresentation of material facts or any other unfair dealing practice. Our objective is to compete in the marketplace on the basis of our superior financial products and services and competitive pricing and our focus on exceeding our customers' expectations. A violation of this policy will subject the employee to disciplinary action.

#### **B. Conflicts of Interest**

1. *Conflicts of Interest Generally.* Our success depends on each officer and employee devoting his or her full and undivided dedication and efforts to our business. As a result, every employee must avoid conflicts of interest, and even the appearance of conflicts of interest, in the performance of his or her job. Generally, a conflict of interest arises when an employee's private interests, or those of his or

her family, interfere in any way -- or even appear to interfere -- with the interests of the Company. A conflict of interest may also arise when an employee, or a member of his or her family, receives or seeks any personal benefits, from customers or suppliers of the Company, as a result of the actual or perceived ability of the officer or employee to take actions that will benefit the customer or supplier due to his or her position with the Company or the Bank.

Examples of conflicts of interest include, but are not limited to, the following:

- Working, in any capacity, for or making or having any investment in a competitor, customer or supplier while still employed by the Company.
- Accepting gifts of more than nominal value from a competitor, customer or supplier, including, in particular, any one seeking a loan from the Bank.
- Competing with the Company for the purchase or sale of property, services or business opportunities, or offering services to any Bank customer that the Bank offers to its customers generally.
- Having a direct or indirect financial interest in a transaction involving the Company, or an ownership or other financial interest in a customer or supplier of the Company or the Bank (except for routine investments in publicly traded companies).
- Receiving a loan or a guarantee of an obligation as a result of the officer's or employee's position with the Company or the actual or perceived ability of the officer or employee to take actions that will benefit the lender or guarantor.

Conflicts of interest are prohibited as a matter of Company policy (except in any case in which the Audit Committee of the Board affirmatively waives the conflict or determines that no conflict, in fact, exists). Accordingly, if an employee's duties for the Company require his or her involvement, on behalf of the Company, in any activity or transaction in which he or she, or any family member has a direct or indirect personal or financial interest, or may appear to have such an interest, then, the employee must:

- immediately notify the Chief Risk Officer or the Company's Chief Financial Officer of that interest; and
- refrain from further involvement in that activity or transaction until he or she receives further guidance from the Chief Risk Officer or the Company's Chief Financial Officer.

## 2. *Specific Examples of Conflicts of Interest.*

(a) *Doing Business with or Assisting Family Members or Affiliates.* It is not reasonable to expect an employee to be objective or to place the interests of the Company ahead of his own personal financial interests or those of his or her family. Accordingly, without the prior written approval of the Chief Risk Officer, the Chief Financial Officer or the Audit Committee, no employee may conduct business on behalf of the Company or the Bank with a family member or a business or other organization in which that employee, or any family member, has a financial interest (an "Employee Affiliated Business").

(b) *Relationships with Company Suppliers or Customers.* Any officer or employee in a position to influence decisions by the Company or the Bank with respect to (i) their dealings with suppliers, or (ii) whether or on what terms loans may be made or other services may be provided to customers, must disclose to his or her supervisor any financial or other direct or

indirect relationship that the officer or employee may have with any such supplier or customer. For this purpose, such interests may include any ownership or other financial interest or any position that the employee or any member of his or her family may have with any such supplier or customer. Additionally, an employee will be deemed for this purpose to have such a financial interest if he or she, or any members of his or her family or any Employee Affiliated Business, is indebted to any Company supplier or customer or has loaned funds to any such supplier or customer. In such a circumstance, the employee may be required to take steps to avoid any actual or perceived conflict with the interests with the Company or the Bank, including withdrawing from involvement in any decisions on behalf of the Company or Bank with respect to transactions that may be entered into by the Company or Bank with any such customer or supplier.

(c) *Relationships with Competitors Prohibited.* It is almost always a conflict of interest for an officer or employee to work for or provide any services or assistance to a competitor. Therefore, no officer or employee may work for, or provide any assistance, financial, advisory or other, in any capacity, to any competitor, including as a consultant, board or advisory board member of, or holder of any direct or indirect ownership interest in, any competitor. The only exceptions to this policy is the ownership of shares of (i) stock of a competitor that are listed for trading on the New York Stock Exchange, American Stock Exchange or the NASDAQ National Market, so long as such ownership does not exceed 1% of the competitor's voting stock or (ii) shares of mutual funds that may own stock of competitors.

**C. Acceptance of Gifts or Loans, etc.** No employee of the Company or the Bank may:

- Accept a loan from a Bank customer or supplier (other than from other banks or other financial institutions on customary terms to finance proper credit needs of the employee).
- Accept a gift or anything of value from or on behalf of a customer for approving a loan within the employee's loan limits.
- Accept a gift or anything of value from a customer or from any other person seeking business from the Company or the Bank other than (i) meals or entertainment in connection with ordinary course marketing activities by suppliers and (ii) gifts of nominal value. For this purpose a gift shall be deemed to be of nominal value if the employee has the ability to reciprocate, either on a personal basis or because the employee would be entitled to obtain reimbursement for such reciprocal gift from the Company in accordance with its customary expense reimbursement policy.
- Accept a fee or other compensation for performing any service for a customer that the Bank ordinarily provides to its customers.
- Sell anything to a customer at a price in excess of its worth, or purchase anything from a supplier at a price that is less than its worth (other than for discounts or rebates on merchandise that the supplier makes available to its customers generally).
- Accept any legacy or bequest from any Bank customer or serve personally as executor, trustee, or guardian of a Bank customer's estate or trust unless the customer is a close relative.
- Permit any member of the employee's family to accept gifts or other financial inducements from (i) any customers seeking loans from the Bank or (ii) any suppliers seeking to establish or continue a business relationship with the Company or the Bank.

**D. Taking Company Business Opportunities or Using Company Assets**

1. *Corporate Opportunities.* In the course of its business, the Company will have opportunities to engage in various business transactions or to engage in or make investments in business

ventures, or to take advantage of other business opportunities. Such opportunities (which are commonly referred to as “corporate opportunities”) may be the result of projects or initiatives undertaken by the Company itself or may be offered to the Company by others outside of the Company. In either case, such opportunities are assets that belong to the Company, at least until such time as the Company makes a final decision to forego such opportunities. Additionally, in connection with the Company’s consideration or analysis of opportunities made available to it by others, the Company often signs agreements that prohibit it from disclosing information about the proposed transaction, venture or investment opportunity and from pursuing such an opportunity on an independent basis if it has decided not to pursue the transaction, venture or investment with the other party.

Therefore, without the prior approval of the Audit Committee, no officer or employee shall:

- take advantage of a corporate opportunity for himself or herself or for the direct or indirect benefit of any family member, any Employee Affiliated Business or any other person; or
- disclose any corporate opportunity to any other person.

*2. Taking Personal Advantage of Company Information.* An employee may learn of business or investment opportunities in the course of and as a result of the performance of his or her job for the Company or the Bank. For example, an officer or employee whose responsibilities involve the purchase of securities or other investments for the Company may, as a result, learn of and be able to take advantage of an attractive investment opportunity for his personal benefit or make that investment opportunity known to family members, an Employee Affiliated Business or a close personal friend or associate. The information about that investment opportunity and, therefore, that investment opportunity as well, would be an asset that belongs to the Company, because the employee did not learn of the investment opportunity because of his own personal efforts, but only because of his position with the Company or the Bank. It is the Company’s policy that, without the prior approval of the Audit Committee, no employee may use or exploit information obtained as a result of his employment for his or her personal benefit or financial gain, or for the personal benefit of any other person or business entity.

*3. Use and Protection of Other Corporate Assets.* It shall constitute a violation of this Code, and no employee may:

- Use Company property, including Company information, or his or her position with the Company for his or her own personal gain or benefit or for the benefit or gain of any person other than the Company;
- Take, use or divert Company property, equipment or services for any purpose other than to advance the business purposes and best interests of the Company, except as authorized by the Chief Financial Officer, Chief Executive Officer or Audit Committee of the Board; or
- Fail to maintain accurate and complete records regarding the disposition of Company cash or other property (with the exception of supplies used in connection with the performance of such employee’s duties).

**E. Outside Employment.** An employee may not directly or indirectly conduct outside business that:

- interferes with the proper performance of the employee's job at Company;
- is conducted during an employee's normal working hours;

- utilizes Company confidential information or specialized skills or knowledge gained as a Company employee; or puts the employee in a situation where Company confidential information may be used intentionally or unintentionally by the employee.

This restriction may preclude an employee from having some types of part-time jobs, even if conducted outside of working hours, becoming a competitor of Company, or becoming a contractor, consultant or supplier to Company while employed at Company or the Bank.

#### **F. Outside Director or Board Adviser Positions**

An employee seeking to accept a position on a board of directors or board of advisers of a for-profit or non-profit enterprise must first seek and obtain permission in accordance with procedures established by the Audit Committee for the purpose of avoiding conflicts of interest and minimizing potential liability to Company. This requirement does not apply to a board position for a local non-profit organization, where the likelihood of any such conflict of interest is low. Similarly, this requirement does not apply to a family or local business that is not a supplier or competitor of the Company.

### **IV. EXTERNAL COMMUNICATIONS POLICY**

#### **A. Communicating with Media and Others Regarding the Company.**

It is the Company's intention to maintain open and consistent communications with the media, investors, and governmental entities. To ensure the appropriateness and accuracy of all information provided:

- Only the Company's Chief Executive Officer, Chief Financial Officer and the EVP of Administration, and no other officers or employees, shall (i) communicate with the media, investors or government agencies or (ii) respond to inquiries from the media, investors or government agencies, about the Company's business, policies, employees or financial performance or any other matters relating to the Company or the Bank in any public forum, including the Internet, online services, at conferences and the media, even if the members of the press, investors or government officials are visiting our offices.

- Any such inquiries should be referred to the Chief Executive Officer, the Chief Financial Officer or the EVP of Administration, depending on the topic and forum in question.

In addition, employees should not engage in online communications, in chat rooms or on message boards (such as the Yahoo Finance Message Board), about matters concerning the Company or the Bank. While, as a general rule, online anonymous discussions about public available information would be permissible, the danger is that an employee engaging in such communications may inadvertently divulge non-public information about the Company. Also, it is often possible to determine the identity of persons communicating online, despite the use of a pseudonym. As a result, if others who are participating in such online communications suspect that the person with whom they are communicating is a Company employee, there is the risk that the employee will appear to be representing the Company.

#### **B. Use of Corporate Telephones, Computers and Email.**

1. *Use of Company Equipment.* The Company furnishes including computers, fax machines and telephones and mobile phones to its employees for use in the conduct of the Company's business. All such equipment shall remain the sole and exclusive property of the Company. Employees must:

- take care of that equipment, including protecting the equipment from theft or damage;

- use the equipment responsibly and primarily for Company business purposes in a legal, ethical and appropriate manner; and
- immediately return all such equipment to the Company upon cessation of employment.

2. *No Expectation of Privacy for Communications Transmitted Using Company Equipment.* Employees using Company equipment should not maintain any expectation of privacy with respect to information transmitted over, received by or stored in any electronic communications device owned, leased or operated in whole or in part by or on behalf of the Company. To the maximum extent permitted by applicable law, the Company retains the right to gain access to any such information, by and through its employees or other persons, at any time, either with or without the employee's or third party's knowledge, consent or approval, and all such information is and will remain the property of the Company.

## **V. ADDITIONAL POLICIES FOR THE CHIEF EXECUTIVE OFFICER, THE CHIEF FINANCIAL OFFICER AND OTHER SENIOR FINANCIAL OFFICERS**

In addition to the other provisions of this Code, the Company's Chief Executive Officer, Chief Financial Officer and other senior financial officers are expressly subject to the following additional specific policies regarding financial accounting, reporting, disclosures and internal controls.

The Chief Executive Officer, Chief Financial Officer and each of the other senior financial officers:

- are responsible for full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the Company with the SEC. Accordingly, it is the responsibility of those officers promptly to bring to the attention of the Audit Committee any material information of which any such officer may become aware that affects the disclosures made by the Company in the public filings or otherwise assist the Audit Committee in fulfilling its responsibilities.

- shall promptly bring to the attention of the Audit Committee any information that such officer may have concerning (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize or report financial data or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

- shall promptly bring to the attention of the Ethics Compliance Officer and the Audit Committee any information that any such officer may have concerning any violation of this Code, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

## **VI. REPORTING VIOLATIONS OF THE CODE AND PROTECTIONS AFFORDED EMPLOYEES**

### **A. General Rule.**

Each Company employee is expected to and shall (i) conform his or her conduct to the policies and standards of conduct contained in this Code, and (ii) assist the Chief Risk Officer and the Audit Committee in monitoring compliance with this Code by the Company and other Company employees, including members of management.

Whenever an officer or employee has information indicating that a possible violation of this Code has taken place, is taking place, or is anticipated to take place, the officer or employee shall report that information promptly in accordance with the procedures set forth below.

## **B. No Retaliation Policy**

The Company will not tolerate retaliation of any kind against any employee who has reported a suspected violation or concern about a possible violation of this Code by any Company officer or other employee, regardless of the position that such officer or other employee holds with the Company. We will protect the identity of those making reports to the extent permitted by applicable law and the need to conduct an adequate review as we investigate the subject matter of any reported violation.

## **C. Procedures for Reporting Suspected Code Violations**

1. *Reporting a Suspected Violation.* Whenever an officer or employee has information regarding a possible violation of, or of conduct that, if engaged in, would violate, this Code, the officer or employee should first consider bringing such information to his or her immediate supervisor or to the Chief Risk Officer, as that officer or employee deems to be appropriate. If, however, an officer or employee does not feel comfortable bringing such information to management, or if the possible violation of this Code involves activities of management, the officer or employee may report the information directly to the Audit Committee and may do so by following the procedures set forth in the Company's *Employee Complaint Procedure*, even if the Code violation does not involve accounting or auditing matters. No questions will be asked regarding the officer's or employee's choice of whichever of the employee's supervisor, the Chief Risk Officer or the Audit Committee he or she reports such information.

2. *Anonymity Policy.* The Audit Committee encourages officers and employees who report information to the Chief Risk Officer or the Audit Committee to identify themselves when making such a report in order to facilitate the investigation of the possible violation of this Code. The Chief Risk Officer and the Audit Committee will use every reasonable effort in order to protect the identity of the officer or employee reporting information from disclosure consistent with the need to perform an adequate investigation of any reported matter. However, an officer or employee may also report information directly and confidentially to the Chief Risk Officer or Audit Committee *on an anonymous basis, if desired*, by following the procedures set out in the Company's *Employee Complaint Procedure* for submitting information anonymously.

3. *Maintaining Confidentiality and Providing Assistance.* Any officer or employee who has information relevant to an investigation of a possible violation of this Code must not discuss that information with or disclose that information to any person not authorized by the Chief Risk Officer or the Audit Committee to have such information, except as may be required by law or for the purpose of obtaining legal advice. In addition, that officer or employee shall be expected to cooperate fully with the investigation of any possible violation of this Code that may be conducted by the Chief Risk Officer, or the Audit Committee.

## **C. Treatment of Reported Violations**

1. *Investigation of Reported Code Violations.* All reported possible violations of this Code will be forwarded to the Chief Risk Officer for recordation in the Report Log, as described below. Upon receipt of a reported possible violation the VP, Human Resources will, when possible, acknowledge receipt of the report to the sender, unless the sender has chosen to report the violation anonymously.

Possible violations of the Code will be investigated and reviewed under Audit Committee direction and with oversight by the Chief Risk Officer or by such other person as the Audit Committee determines to be appropriate. Confidentiality will be maintained to the fullest extent possible, consistent with applicable law and the need to conduct an adequate investigation.

2. *Maintenance of Report Log.* The Chief Risk Officer will maintain a log of all reported violations, tracking their receipt, any investigation that may be conducted and the ultimate resolution of such matter, and shall prepare a periodic summary report for the Audit Committee regarding each reported violation and any such investigation. Copies of reported violations and such log will be maintained in accordance with the Company's document retention policy. The Chairman of the Audit Committee will maintain a log of all complaints regarding accounting, internal accounting controls, or auditing matters, tracking their receipt, investigation and resolution and shall prepare periodic summary reports for the Audit Committee in accordance with the *Employee Complaint Procedure*.

3. *Taking of Corrective and Disciplinary Actions for Code Violations.* Violations of this Code of Conduct put the Company, its employees, officers and directors at risk. Accordingly, if the investigation establishes that a violation of the Code has occurred, prompt and appropriate corrective action will be taken as warranted in the judgment of the Audit Committee to ensure consistent enforcement of the Code. Such action shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code.

In addition, to assure that all Company and Bank personnel recognize the seriousness of violations and to establish consistent treatment of officers and employees that are found to have violated this Code, the Company will discipline such persons for violations of the Code in the manner deemed appropriate by the Audit Committee. Depending on the nature and seriousness of the violation and the prior conduct of the officer or employee who has violated the Code, and such other factors as the Chief Officer or Audit Committee deems appropriate, such disciplinary action may include a demotion or even dismissal of the offending officer or employee.

#### **D. Waivers of the Code of Ethics and Conduct**

1. *Waivers for Executive and Financial Officers or Directors.* No conduct requirements of this Code may be waived for the Company's Chief Executive Officer or Chief Financial Officer, or any of the principal accounting officers (if other than the Chief Financial Officer), or any persons performing similar functions, unless the waiver is approved in advance by majority vote of the independent members of the Board of Directors or by the Audit Committee. Additionally, any waiver of any of the conduct requirements of this Code for categories of persons specified in SEC rulemaking under Section 406 of the Sarbanes-Oxley Act of 2002 or applicable rules of NASDAQ will be publicly disclosed, on a prompt basis, to the Company's stockholders to the extent and in the manner required by such rules.

2. *Waivers for Other Company Employees.* The conduct requirements of this Code may be waived by the Chief Risk Officer or the Audit Committee for persons who are included in the categories of persons specified in SEC rulemaking under Section 406 of the Sarbanes-Oxley Act of 2002 or applicable rules of NASDAQ. Any waiver by the Chief Risk Officer shall be reported promptly to the Chairman of the Audit Committee and the Audit Committee shall have the authority to rescind any such waiver.

#### **E. Dissemination and Distribution**

1. *Posting and Public Disclosure of the Code.* This Code will be physically posted at each Company office and facility in appropriate locations, and will be made publicly available in a

manner consistent with the applicable rules of the SEC and NASDAQ. Additionally, this Code, and any amendments or waivers thereto, also will be disseminated by the Company as and to the extent required by the applicable rules of the SEC and NASDAQ.

*2. Furnishing of Code to Employees.* A copy of the Code will be furnished to each new employee on commencement of his or her employment and to all existing officers and employees.