

Code of Conduct

Board Approved: May 2011

# **CODE OF CONDUCT POLICY**

**BOARD APPROVED: May 2011**

Code of Conduct

Board Approved: May 2011

**Policy Statement**

The Bank of Napa has a policy in place to help define appropriate conduct for its directors, officers, and employees since the bank's reputation for honesty and integrity is determined, in great part, by the personal reputations of its individual directors, officers and employees. To protect this reputation and to warrant the trust of customers, all directors, officers and employees must be continually vigilant and recognize situations that could damage the bank's reputation, breach a customer's trust, expose the bank to litigation, or violate state or federal laws. As a condition of continued employment, all directors, officers and employees must comply with the bank's Code of Conduct Policy.

**Risk Management**

In addressing insider activities, the board of directors and senior management must be aware of the potential risks that arise from insider abuse and subsequent market reaction. In establishing a Code of Conduct Policy, the board has evaluated various related risks; these risks and their related management techniques, include:

- Transaction risk. Ensuring that the transaction is properly documented, properly recorded, and appropriately expensed.
- Compliance risk. Maintaining legal compliance as well as compliance with the organization's Code of Conduct.
- Reputation risk. Developing and retaining market place confidence in handling customers' financial transactions in an appropriate manner as well as protecting the safety and soundness of the institution.

**Conflict of Interest**

A conflict of interest is defined as a director, officer or employee involvement in an outside interest which either conflicts with his or her duty to the bank or adversely affects the director's, officers or employee's judgment in the performance of his or her responsibilities to the bank.

It is the bank's policy that its directors, officers and employees do not engage in conduct, which will conflict with the interests of the bank. It is important to avoid even the appearance of a conflict of interest, since the appearance can be as damaging to the bank's reputation as an actual conflict.

With regard to the bank's directors, it is also the bank's policy that its directors must not put their personal or business interests or those of others above the corporate interests of the bank. They must be fair in their dealings with the bank and personal interests must not be allowed to bias decisions made by the Board of Directors (the "Board").

**Compliance**

Code of Conduct

Board Approved: May 2011

In order to ensure compliance with the Code of Conduct Policy (the "Policy"), the bank has established the following procedures:

1. This Policy, including any modification thereof, shall be kept and maintained at the bank's administrative offices;
2. All directors, officers and employees are required to review this Policy annually and to complete and sign a statement acknowledging this Policy and to provide all required disclosure information (see Affirmation Form, at the end of the Policy); and
3. Notwithstanding the disclosures required by the Affirmation Form, employees should report to their appropriate supervisors the existence or the possibility of any relationship or interest which might involve, appear to involve, or have the potential to involve a violation of this Policy (see Guidance Request Form at the end of the Policy).

Affirmation Forms will be completed by newly hired or appointed employees at the time of hire or appointment. The Human Resources Officer will coordinate notification and collection of Annual Affirmation Forms. Newly appointed directors will be asked to complete the Affirmation Form immediately after their nomination to the Board. All directors, coordinated through the CEO's office, will complete annual Affirmation Forms. Employee Affirmation Forms will be filed as confidential material and will be retained by the Human Resources Department. Director forms will be retained in the Administrative area.

## **Disclosure**

The bank's officers and employees will disclose all potential conflicts of interest in writing annually. All written disclosures will be retained in the bank's files. These potential conflicts of interest would include, but not be limited to, the following:

- Management position, such as directorships, held at outside organizations
- Related interest such as a company or political campaign controlled by that person, or the funds or services of which will benefit that person
- Any compensation (including salaries, wages, or gifts) received from outside organizations

It is the responsibility of each officer and employee to be aware of the appearance of any potential conflict of interest and to remove himself/herself from any compromising position regarding the bank's relationship with any organization with which he/she may be connected.

**Acceptance of Gifts**

Directors, officers, employees and their immediate families shall not solicit, accept or retain a personal benefit from any customer of the bank, any individual or organization doing or seeking to do business with the bank, or from any other individual or organization based on a relationship with the bank. In this context, a personal benefit is regarded as any type of gift, gratuity, favor, service, loan, legacy (except from a relative), fee or compensation, or anything of monetary value.

1. No director, officer or employee of the Bank of Napa, with certain exceptions, shall:
  - a. Solicit for themselves or for any third party (other than the bank) anything of value from anyone in return for any business, service or confidential information from the bank; or
  - b. Give or accept anything of value from anyone in connection with the business of the bank with the intent to influence or be influenced either before or after a transaction is discussed or consummated.
2. Special exceptions to this prohibition are made if there is no, and there appears to be no, reasonable likelihood of improper influence in the director's, officer's or employee's performance of duties on behalf of the bank. The personal benefits, however, must be one of the following:
  - a. Gifts, gratuities, amenities or favors based on obvious family or personal relationships (such as those between the parents, children or spouse of an official of the bank) where the circumstances make it clear it is those relationships rather than the business of the bank that is the motivating factor.
  - b. Meals, refreshments, travel arrangements, accommodations or entertainment of reasonable value (not to exceed \$50.00) in the course of a meeting or other occasion the purpose of which is to hold a bona fide business discussion.
  - c. Loans from other financial institutions on customary terms to finance proper and usual activities of the director, officer or employee (such as home mortgage loans, except as prohibited by law).

It is the responsibility of the insider accepting the loan to ensure that the loan is not contingent upon Bank of Napa accepting or offering any other service. The insider must also ensure that any loan from a correspondent bank of Bank of Napa is made on an arm's-length basis and does not include any preferential terms.

- d. Advertising or promotional material of nominal value such as pens, pencils, note pads, key chains, calendars or similar items.
- e. Discounts or rebates on merchandise or services that do not exceed those available to other customers.

Code of Conduct

Board Approved: May 2011

- f. Gifts of modest value (not to exceed \$50.00) that are related to commonly recognized events or occasions, such as a promotion, new job, birthday, wedding, retirement or Christmas.
  - g. Civic, charitable, educational, or religious organizational awards for recognition of service or accomplishment.
  - h. Anything of value which had been approved by the Board in writing after a full written disclosure of all relevant facts and which is consistent with the Bank Bribery Act.
3. If a director, officer or employee of the bank is offered, receives, or anticipates receiving something of value from a customer beyond what is expressly authorized by these guidelines, that person must disclose the matter in writing to the Board, which will keep contemporaneous written reports of such disclosures.

It is important to recognize that federal law makes it a crime for any director, officer or employee of a federally insured bank or bank holding company, directly or indirectly, with corrupt intent, to ask, solicit, accept, receive or agree to receive anything of value, for himself or herself or for any other person or entity, from any person, for, or in connection with, any transaction or business of the bank. The penalty for violating this law is a fine, imprisonment, or both. Any offer of such an improper payment should be immediately reported to the employee's supervisor.

### **Political Contributions**

It is the policy of the bank to strictly comply with all applicable federal and state political campaign laws.

Loans to a candidate for political office or to a political committee are not to be made by the bank.

The bank's policy regarding corporate political contributions is not intended to discourage directors, officers or employees from making personal contributions to candidates or political parties of their choice.

### **Outside Activities**

The bank discourages officers and employees from holding outside employment. In those instances where it is justified, written approval may be obtained from the employee's immediate supervisor and Human Resources. No outside employment or activity will be approved which might subject the bank to criticism or which will encroach upon regular working hours, interfere with regular duties, or necessitate such long hours as to affect the officer's or employee's productivity.

The bank encourages individual participation in civic activities. Normally, voluntary efforts must take place outside of regular business hours. If officer or employee's voluntary efforts require business time, prior written approval must be obtained from the employee's Manager.

Code of Conduct

Board Approved: May 2011

**Personal Finance**

Personal finances should be managed in a manner consistent with employment in a financial institution. Directors, officers, employees and their immediate families should borrow only from reputable organizations, which regularly lend money, and such borrowings must carry the prevailing rate of interest and not involve favored treatment of any kind. Borrowing from relatives is not subject to restriction. Officers and employees are not permitted to borrow money from their co-workers, but should discuss any financial emergency with their supervisor.

Directors, officers and employees should not sign on customers' accounts, (unless as elected officer of a nonprofit), act as deputy or co-renter of customers' safe deposit boxes, or otherwise represents customers of the Bank of Napa.

This does not include customers related to the director, officer or employee by blood or marriage.

**Personal Investment Activity**

While the bank does not intend to unreasonably limit its directors, officers or employees in their personal investment activities, it is the Bank's policy that no director, officer or employee should enter into an investment transaction that would create, or give the appearance of creating, a conflict of interest between the director, officer or employee and the bank or between the bank and any customer. While it is not possible to enumerate all of the possible conflicts, the following specific situations should be avoided when making investment decisions:

1. Investment in securities of a customer, supplier, borrower or competitor, since it may be construed as affecting the director's, officer's, or employee's judgment exercised on behalf of the bank.
2. Investments in a company as a result of access to nonpublic information concerning that company, in that such use of information may be found to be a violation of law.
3. A director, officer or employee should not allow a customer to arrange investments for his or her account or the account of his or her immediate family, nor should the director, officer or employee become involved in investments sponsored by a customer under the circumstances which might create either a conflict of interest or the appearance of a conflict of interest.
4. Investment activity paralleling or anticipating investment action by the bank must be avoided, since such activity may be construed as usurpation of the bank's investment opportunity. It is a breach of a director's, officer's or employee's duty of loyalty to the bank to profit at the bank's expense. A director, officer or employee may not divert investment opportunities to himself or herself for personal gain.
5. Any transactions that concern the bank's sale or purchase of property or services must be conducted at arms-length, particularly when the transaction involves a director, officer or employee.

Code of Conduct

Board Approved: May 2011

**Insider Abuses**

All transactions with insiders must be made on substantially the same terms as those afforded other bank customers to avoid the appearance of preferential treatment. The following types of transactions violate Bank of Napa's position with respect to insider transactions and will not be tolerated:

- Excessive salaries and/or bonuses
- Excessive directors' fees
- Fees paid without benefit to the bank
- Fees paid for services not yet received
- Fees established solely to meet an insider's need for funds
- Extensions of credit granted on more favorable terms than available to the general public
- Deposits accepted on more favorable terms than available to the general public

**Acceptable Insider Transactions**

Bank of Napa may engage in legitimate and objective transactions with its insiders. Such transactions include, but are not limited to:

- Extensions of credit in amounts which comply with Regulation O and offer at terms no more favorable than the terms offered to the public
- Deposits accepted at the same terms as those offered to the public
- Provision of fiduciary services
- Purchase or sale of real or personal property
- Purchase or sale of financial services
- Legitimate fees paid for actual services rendered

**Fees Paid to Insiders**

Fees paid to insiders must be commensurate with the type, level, quality, and value of goods and services provided to the bank by the insider. Fees must directly relate to, and be based solely upon, the fair value of goods and services received by the bank.

Insiders may receive reasonable fees from the bank for services rendered. Fees are considered reasonable if they are based on cost plus a reasonable profit or the current fair market value of the services. An insider may recover overhead expenses (such as salaries and wages, occupancy cost, utilities, payroll taxes, supplies, and advertising) integral to the services provided. Fees paid to an insider may not exceed the level of fees that would have been paid to an outsider for the same services.

Documentation of the fair value of all goods and services received from insiders must be recorded and maintained in the bank's file. This documentation will be readily available for inspection by the bank's auditors and regulators.

Code of Conduct

Board Approved: May 2011

Management fees paid to insiders must be commensurate with the value of the services received. All management fees paid to insiders will be subject to the prior approval of the Bank's Board of Directors.

### **Purchases and Leases from Directors, Officers or Employees**

The bank may contract for, or purchase or lease from any of its directors, officers or employees or from any firm of which any of its directors is a member, any security or property or equipment, when such purchase or lease is made in the regular course of business. The terms must not be less favorable to the bank than those offered to others. Before such purchase or lease is made, it must be authorized by a majority of the Board, not including those directors having an interest in the sale or lease. As a standard policy, competitive bids or independent appraisals should be secured to verify the fairness of the terms.

### **Sales to Directors, Officers or Employees**

The bank may sell securities or property, lease property or equipment to any of its directors, officers or employees or to a firm of which any of its directors is a member, on terms not more favorable to such director, officer or employee or firm of which any of its directors is a member, than those offered to others. Before such sale is made, it must be approved by a majority of managing committee members for sales to non-managing committee employees, and by a majority of directors for sales to directors or managing committee members, not including those directors having an interest in the purchase or appraisal. As a standard policy, competitive bids or independent appraisals should be secured to verify the fairness of the terms.

### **Purchase of Services**

The purchase of services by the bank from a firm in which a director of the Board is interested is a conflict of interest unless the purchase is made in the regular course of business on terms not less favorable to the bank than those offered to others. Before such agreement is made, it must be authorized by a majority of the Board, not including those directors having an interest in the sale. As a standard policy, competitive bids or independent appraisals should be secured to verify the fairness of the terms.

### **Insider Trading**

Directors, officers, and employees may not purchase or sell securities of the Bank of Napa, its customers or suppliers if they are in possession of material information, which has not been disclosed to the public. Doing so would not only violate this Code of Conduct, but would constitute a violation of law. While it is not possible to define all categories of "material information," information should be regarded as "material" if there is a likelihood that it would be considered important by an investor in making a decision regarding the purchase or sale of the securities. Some types of information are almost always regarded as "material", proposed mergers or acquisitions, changes in predicted earnings, proposed changes in dividends, planned stock splits, new equity or debt offerings and similar matters. If directors, officers, and employees have any questions as to the materiality of information in their possession, they should contact the appropriate executive officers of the bank before making any purchase or sale of securities.

## **Dividends**

The payment of dividends will be subject to Bank of Napa's Dividend Policy, as approved by the board of directors. No dividend will be paid for the purpose of meeting any shareholder's need for income.

## **Confidential Information**

During the course of directors', officers', and employees' work, they may hear confidential information about present and prospective customers, suppliers, shareholders and other staff members. That information must be held in the strictest of confidence. It is to be used solely for corporate purposes and never for personal gain. Under no circumstances should such information be transmitted to persons outside the bank, including family or associates, or to other employees of the bank (unless they have a need to know such information to discharge their duties). The only exceptions to this policy would be routine credit inquiries, information released in the normal course of business (e.g., for the negotiation of checks), disclosures required by legal process, and information authorized for release by customers.

If directors, officers, and employees find it necessary to carry sensitive information off premises, due care should be taken to protect its security. Care also should be taken *when* discussing any matter of a confidential nature on public conveyances, in restaurants or in other public places where the conversation might be overheard.

## **Disclosure of Corporate News and Information**

Financial information about the bank is not to be released to anyone unless it is included in a published report or otherwise made generally available to the public. Any questions concerning the disclosure of confidential information should be referred to the appropriate executive officers of the bank.

All media inquiries regarding the bank should be referred to shareholder relations. The following subjects are never to be discussed with the media or in any other public forum:

1. Confidential business matters, which could be of interest to competitors.
2. Information about a customer and the customer's dealings with the bank.

## **Information Regarding Past and Present Employees**

The policy of the bank is to safeguard the confidential aspects of its relationship with its employees; to satisfy all requirements of applicable labor laws; and to maintain uniformity in replies to inquiries concerning past and present employees. In order to assure that this policy is consistently maintained, any request for information regarding past or present employees must be referred to the Human Resources Department. This includes inquiries relating to employment, salary verification and performance evaluation.

Code of Conduct

Board Approved: May 2011

The above procedures apply to all requests, whether written or oral, regarding bank employment. They do not apply, however, to routine credit inquiries from legitimate businesses regarding deposit or loan information. The latter may be answered in the normal course of business by the banking office where the employee's accounts or loans are carried.

### **Fidelity Coverage**

The Bank of Napa's fidelity bond must cover every employee. The bank will not continue to employ anyone who ceases to be eligible for coverage.

Coverage under the terms of our fidelity bond ceases for anyone who has been found to commit a dishonest or fraudulent act. Obviously, this includes the misappropriation of money or other property. It also includes the misposting of accounts to favor oneself or another, the kiting of checks, the making of false entries, records or reports, and the deliberate misrouting of checks to delay payment.

### **Obeying Laws and Regulations**

Directors, officers, and employees must promptly notify their immediate supervisor or any employee they believe has committed a dishonest or fraudulent act. They must also notify Branch Administration of any evidence they discover which suggests that a crime has been committed. The bank is required by law to report violations of criminal laws to state and/or federal law enforcement agencies.

Dishonest and fraudulent acts by the Bank of Napa's directors, officers, and employees are crimes under federal and state law, and may be punishable by fines and/or imprisonment. Examples of activities prohibited by law include:

- A. Accepting anything of value (except an employee's salary or other compensation paid or sanctioned by the bank) in connection with the business of the bank (See "Gifts").
- B. Intentionally failing to make Currency Transaction Reports, as required by law.
- C. Stealing, embezzling or misapplying corporate funds or assets.
- D. Using threats, physical force or other unauthorized means to collect money.
- E. Issuing unauthorized obligations (such as certificates of deposit, notes or mortgages) or making false entries
- F. Certifying a check drawn on an account with insufficient funds.
- G. Unless specifically permitted by law, making a loan or giving a gift to a regulator who has the authority to examine the bank.

Code of Conduct

Board Approved: May 2011

- H. Using a computer to gain unauthorized access to the records of a customer.
- I. Concealing or misapplying any of the Bank of Napa's assets.
- J. Loaning funds to, or depositing funds with, third parties with the understanding, express or implied, that the party receiving such funds will make a loan or pay any consideration to the directors, officers, and employees.

### **Anti-Competitive Activities**

Federal Law prohibits any combination, conspiracy or agreement among competitors to restrict or prevent competition. A violation of the law can occur through a formal or informal agreement between the bank and a competitor to (1) fix prices, (2) allocate markets, (3) allocate customers or (4) refuse to deal with particular suppliers or customers.

If directors, officers, and employees are in contact with the bank's competitors, they must avoid any agreements with them (or even circumstances that might give the appearance of such agreements) relating to how the bank conducts or will conduct its business. Directors, officers, and employers should be especially careful at social or professional gatherings and at trade association meetings. Discussions or exchanges of information relating to competitive matters (e.g., cost, pricing or strategy) must be carefully avoided.

Questions concerning antitrust issues should be directed to the appropriate Managing Committee member.

### **Advice to Customers**

#### **Legal Advice**

Directors, officers and employees may occasionally be asked by customers to make statements, which relate to the legality of particular transactions. The bank cannot practice law or provide legal advice. As such, directors, officers, and employees must exercise care in their discussions with customers. Nothing must be said which might be interpreted as the giving of legal advice.

#### **Tax or Investment Advice**

Directors, officers, and employees must avoid giving customers advice on tax matters, the preparation of tax returns, or in investment decisions, except as may be appropriate in the performance of a fiduciary responsibility, or as otherwise required in the ordinary course of a director's, officer's and employee's duties.

#### **Recommending Other Firms to Customers**

During the course of a director's, officer's, and employee's contact with customers and the general public, they may occasionally be asked to recommend others who provide professional services. Typically, such requests involve attorneys, accountants, securities dealers, insurance agents, brokers, and real estate agents. Customers who receive recommendations must be given several qualified sources without indicating any preference or warranty by the bank.

Code of Conduct

Board Approved: May 2011

**Disclosure of Related Interests**

The bank recognizes that there is the possibility of a potential threat to its integrity due to a conflict of interest when a director, officer or employee becomes involved in an outside business interest or employment. In light of this fact, the bank prohibits a director, officer or employee from self-dealing or otherwise trading on their position with the bank or accepting from one doing or seeking to do business with the bank, a business opportunity not generally available to the public. Directors, officers and employees must disclose to the bank all potential conflicts of interest, including those in which they have been inadvertently placed due to either business, professional, or personal relationships with customers, suppliers, business associates or competitors of the bank.

**Consequences of Unethical Conduct or Breach of Fiduciary Responsibility**

Failure to comply with the terms of this policy may result in termination of employment. The board of directors will determine the specific action to be taken after considering the seriousness of the conduct and any breach of trust.

**BANK OF NAPA'S CONFLICTS OF INTEREST POLICY  
GUIDANCE REQUEST FORM**



Code of Conduct

Board Approved: May 2011

**BANK OF NAPA'S  
CODE OF CONDUCT POLICY  
ANNUAL AFFIRMATION FORM**

I acknowledge that I have read and received a copy of the Bank of Napa's Code of Conduct Policy and understand that I must adhere to this policy. I am in full compliance with the policy and I do not currently have a conflict of interest or potential conflict of interest except as disclosed below:

---

---

---

---

---

---

---

---

---

Date: \_\_\_\_\_

Employee Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_