



Code of Business Ethics/Conflict of Interest Policy

General Statement:

The successful business operation and reputation of Bank of the Pacific and Pacific Financial Corporation (“Bank”) is built upon the principles of fair dealing and ethical conduct of our directors, our officers and our employees. Our reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity.

The continued success of the Bank is dependent upon our customers’ and shareholders’ trust and we are dedicated to preserving that trust. The Bank will comply with all applicable laws and regulations and expects its directors, officers, employees and agents to conduct business in accordance with the letter, spirit and intent of all relevant laws and to refrain from any and all illegal, dishonest, or unethical conduct.

Conflict of Interest:

Conflicts of interest between officers, employees, directors, attorneys, and agents of the Bank and customers of the Bank (or their related interests) shall be avoided at all times. In other words, any position, influence, confidential information, or company assets shall not be used for direct or indirect personal benefit. Conflicts of interest include, but are not limited to, compensation from, preferential treatment from, directorships with, or investments in or with Bank customers or their related interests or the use of privileged information. No lending officer or employee should loan, review a loan, or make any decision regarding a loan of any customer, syndicate, or corporation in which he or she has a present or prospective financial interest, without prior approval from the Audit Committee of the Board of Directors.

It is recognized that a number of Bank directors are business owners or may be involved in boards of directors of commercial enterprises. Such activity is viewed favorably in contributing to the economic vitality of the communities served by the Bank. From time to time, the Bank may have business dealings with a firm in which a Bank Director has a financial interest. All such dealings shall be conducted in conformity with the section entitled “General Statement” above. If there is reason to believe a possible conflict of interest exists, it is the duty of the Director to report this to the full Board of Directors. The terms and conditions of any such transaction must be not less favorable than those offered to others in the normal course of business. In addition, the Bank’s standard policy of obtaining competitive bids when evaluating service providers must be followed.

Any duality of interest or possible conflict of interest on the part of any member of the Board of Directors, officer or employee shall be disclosed to the Audit Committee of the Board of Directors and made a matter of record as outlined in the Conflict of Interest Statement.

Board members:

Any member of the Board of Directors having a duality of interest or possible conflict of interest on any matter shall not be counted in determining the quorum for the meeting, even when permitted by law. The minutes of the Board of Directors shall reflect such disclosures, the abstention from voting and the existence of a quorum following such abstention.

Any member of the Board of Directors, when informed that another member has duality or possible conflicts of interest in a transaction before the Board, shall not vote for such a transaction unless he or she has first determined that the Bank entered the transaction for its own benefit, the transaction is fair and reasonable to the Bank, the Bank could not, with reasonable effort and under the circumstance, obtain a more advantageous arrangement, and such determination is made with knowledge of the material facts concerning the transaction and the member's interest or possible interest in the transaction.

Where a transaction in which a member of the Board of Directors has a duality or possible conflict of interest is entered into on the approval of a committee of the full Board or person authorized by the Board, the Board shall ratify the transaction at its next meeting by a majority vote, after determining in good faith that the person or committee made the determinations required above.

Officers and Employees:

To avoid the appearance that a conflict of interest may influence a business decision, officers and employees should make business decisions solely in the best interest of the Bank without regard to personal gain. This means that they should use good judgment and avoid even the appearance of any conflict between their personal interests and those of the Bank, its customers or suppliers. Further they should obey the following guidelines:

- They must not solicit customers, suppliers or anyone else for gifts.
- They must not accept cash gifts.
- They should never use customer property for personal purposes.
- They should not accept discounts on services or products offered by a customer or supplier of the Bank unless the discounts are offered to the general public or to all employees.
- They should not borrow funds from customers or suppliers unless they are state or federally licensed lenders and the loans are made in the ordinary course of business and at arm's length.
- They may only accept non-cash gifts that are reasonably proportionate to your status and responsibility, and that are not otherwise prohibited by this policy. As a general rule you may accept non-cash gifts of nominal value (nominal is defined as up to \$50.00 in value) that recognize special occasions (e.g. wedding, graduation, retirement or promotion) or that reward service or accomplishments on behalf of civic, charitable or religious organizations.
- They may accept meals, refreshments, entertainment, accommodations or travel arrangements, all of reasonable value, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations, provided that the expense would be paid for by the bank as reasonable business expense if not paid for by another party.

- To avoid the appearance of conflicts of interest they should not personally pursue business opportunities or arrangements, including directorships, employment and fiduciary appointments, that might interfere with their duties at the Bank or give the appearance of a conflict with the interests of the Bank, its customers or suppliers.

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Conflict of Interest Statement:

In accordance with the Code of Business Ethics Policy adopted by the Board of Directors of Bank of the Pacific and Pacific Financial Corporation (“Bank”), during the period in which I am a director, officer or employee of Bank, I will:

1. Remain loyal to the Bank and act in the Bank’s best interests at such times when (a) I participate in or vote upon any matter involving the business activities of the Bank and (b) I represent the Bank among persons or entities doing or interested in doing business with the Bank.
2. Avoid selling or leasing goods or services to the bank without prior disclosure and approval by a majority of disinterested members of the Audit Committee of the Board of Directors, unless the amount is \$5,000 per year or less. In addition, the terms and conditions of such transactions must be not less favorable than those offered to others, subject to the bank’s standard policy of obtaining competitive bids when evaluating service providers.
3. Avoid investing or participating in businesses that compete with or are in the same business as the Bank. It shall not be deemed to be a conflict if a director, officer or employee owns common stock of a business that competes with or is in the same business as the Bank as long as the stock of the company is widely traded on a national exchange and is part of their overall investment portfolio.
4. Not accept or seek from any person or entity doing or interested in doing business with the Bank a gratuity, favor, benefit, loan or gift of greater than nominal value (as defined in the Code of Business Ethics Policy) beyond the common courtesies usually associated with accepted business practice, nor accept any commission or payment of any kind in connection with work performed, services rendered or supplies provided to the organization.
5. Not use my position, or any confidential information acquired through or from the Bank, for my personal profit or advantage.
6. Not enter into financial or loan transactions with the Bank except as allowed under the Bank’s Loan Policy and Regulation O.
7. Notify the Audit Committee of the Board if I acquire or maintain an ownership interest in or serve in a position of responsibility for an entity doing or interested in doing business with the Bank.
8. Notify the Audit Committee of the Board immediately of any circumstances that are or may appear to others to be a conflict of interest.

This policy is posted for future reference on the Bank’s intranet, The HUB.

EXECUTED ON _____ (date)

Signature _____

Print Name: _____