

## **CODE OF CONDUCT**

**June 15, 2015**

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### **I. GENERAL POLICY STATEMENT**

It is the policy of the Bank to conduct its business in a manner that merits and maintains the complete confidence and trust of its customers and employees, and of the public in general. Employees must conduct their personal affairs and manage their business transactions in a manner that does not result in adverse comment or criticism from the public or in any way damage the Bank's reputation or image as a responsible financial services organization. This policy sets forth a code of conduct to guide employees and address both business and social relationships as well as on-line communications that may present legal and ethical concerns. This code provides standards and a framework, but cannot cover every situation. Any question should be directed to your manager, any member of the Executive Committee, or to Human Resources.

A. Definitions. The term "employee" refers to all employees, directors, officers and non-officers of the Bank. It also includes temporary employees, interns, contract employees, and those in a similar position. The term "family member" includes an employee's spouse, registered domestic partner, parent, child, sibling, mother- and father-

in-law, sons- and daughters-in-law, and anyone who shares the employee's home. The terms "Vendors" and "Business Partners" refer to all individuals or organizations that are contracted to perform work or services with or for the Bank, as well as those seeking to do so.

B. Compliance. It is expected that employees of the Bank will fully comply with the letter and spirit of all applicable laws, regulations, policies, guidelines and rules in conducting Bank business. The Bank expects its employees to ensure fair treatment of customers, to use good judgment, and to refrain from any form of illegal, dishonest, or unethical conduct. Any employee who has a concern that a Bank product, service, or policy is unfair to customers or potential customers should raise the issue with his or her manager, any member of the Executive Committee, or with Human Resources.

C. Upholding the Bank's Brand Image. Employees are expected to demonstrate behavior that supports the Bank's brand image. Employees should not engage in behavior that will harm or tarnish the image, reputation, or goodwill of the Bank.

## **II. CONFLICTS OF INTEREST**

A. Policy. A conflict of interest is defined as an employee's involvement in an outside interest that might either conflict with the employee's duty to the Bank or adversely affect the employee's judgment in the performance of his or her responsibilities. It is the Bank's policy that employees may not engage in personal conduct that will conflict with the business of the Bank.

B. Disclosure and Approval of Potential Conflicts of Interest. All employees are required to disclose any potential conflict of interest, including one in which they have been inadvertently placed as a result of a business or personal relationship with a customer, vendor, business partner or associate, or competitor of the Bank. A disclosure form — Disclosure of Potential Conflict of Interest — is available on the Intranet or from your manager. This form must be submitted to the employee's manager, as soon as the

employee becomes aware of the potential conflict of interest. The employee's manager will review the situation with the appropriate executive and instruct the employee as to the appropriate action.

C. Acceptance of Gifts. Employees and their family members shall not solicit, accept or retain a benefit for themselves or for any third party from any customer of the Bank, from any individual or organization doing or seeking to do business with the Bank, or from any other individual or organization based on a banking relationship other than normal authorized compensation, with the intent or effect of being influenced or rewarded in connection with any business or transaction of the Bank. In this context, a benefit is regarded as any type of gift, gratuity, favor, service, loan, legacy (except from a family member), fee or compensation, or anything of monetary value. No cash gift is to be accepted at any time.

Specific exceptions to this prohibition are made if there is no, and there appears to be no, reasonable likelihood of improper influence in the employee's performance of duties on behalf of the Bank. The personal benefit, however, must be one of the following:

- Normal business courtesies, such as a meal, refreshment or entertainment of reasonable value, involving no more than ordinary amenities, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions.
- Non-cash gifts of reasonable value (under \$250) such as received at holiday time or special occasions, such as a new job, promotion, wedding, or retirement that represent an expression of friendship.
- Gift cards of a nominal value (\$25 or less) are the only form of cash or cash-equivalent gift that a Bank employee may accept from a client. An employee who is given or offered a cash gift in any amount or a gift card in excess of \$25 must report the incident to his or her manager immediately. Such an event does not reflect wrong-doing by the employee, but must be handled appropriately by management.

- Gifts based upon obvious family or personal relationships when the circumstances make it clear that it is those relationships, rather than the business of the Bank that are the motivating factors.
- Unsolicited advertising and promotional material of nominal value, such as pens, pencils, note pads, key chains, and calendars.
- Awards given by charitable, educational, civic, or religious organizations for meritorious contributions or service.
- Loans from other banks or financial institutions on customary terms to finance proper and usual activities, such as home mortgage loans, except where prohibited by law.
- Discounts or rebates on merchandise or services that do not exceed those available to other customers.

Any personal benefit received, other than the exceptions noted above, is to be reported by the employee to his or her manager on the Bank's form, Disclosure of Gift Received as soon as the employee knows of the personal benefit, whether before or after it is received. The employee's manager will review the matter with the appropriate executive and instruct the employee as to the appropriate action, which may include, for instance, advising the donor that the gift was given to a local charity or shared with the whole office.

It is important to recognize that federal law (the Bank Bribery law) makes it a crime for any director or employee of a federally insured bank or bank holding company, directly or indirectly, to ask, solicit, accept, receive or agree to receive anything of value, for himself or for any other person or entity, 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 manager.

D. Political Contributions and Activities. It is the policy of the Bank to strictly comply with all applicable federal, state, and local political campaign laws. Under federal law, banks are prohibited from making a contribution or expenditure in connection with any federal election or campaign. In accordance with federal law, no employee shall make any direct or indirect contribution of funds or other property of the Bank in connection with any federal election or campaign. Because state and local political campaign laws are very complex, no employee shall make any direct or indirect contribution of funds or other property of the Bank in connection with any state or local election or campaign, without the Chief Executive Officer's (CEO) prior approval. For these purposes, use of the corporate facilities and equipment for political activities is deemed to be a contribution. Loans by the Bank to a candidate for political office or to a political committee are not prohibited so long as the loan is made in the ordinary course of business and meets the Bank's usual credit criteria and approval procedures for the particular type of loan.

The Bank's policy regarding corporate political contributions is not intended to discourage employees from making personal contributions to candidates, causes, or political parties of their choice or from being involved in campaigns, as long as those activities do not interfere with job responsibilities, are not conducted on Bank premises, and do not use Bank resources.

E. Outside Activities. The Bank discourages employees from holding outside employment. Employees who nonetheless wish to do so must obtain prior written approval must be obtained pursuant to the Disclosure of Potential Conflicts of Interest procedure set forth in this Code of Conduct. The Bank will not approve any outside employment or activity that creates a conflict of interest, might subject the Bank to criticism of unlawful or unethical conduct, or that will impact the employee's ability to perform his or her responsibilities for the Bank.

The Bank encourages individual participation in civic activities. Normally, volunteer efforts must take place outside of regular business hours, except as specified in the Bank's Community Partner Volunteer Program. If eligible volunteer efforts require business time,

the employee should obtain prior approval from the employee's manager and follow the guidelines established within the Community Partner Volunteer Program. With the prior approval of the employee's manager and either the Retail Branch Manager (for Retail offices) or the senior manager (for any other Bank facility), the Bank may make its premises available for meetings of community organizations and other non-profit groups in which an employee participates. Such approval will be subject to conditions, including that the organization has 501(c)(3) status, that it carries liability insurance, and that attendees waive any liability on the part of the Bank.

Employees are not to act, without prior written approval of management, as executor, administrator, trustee, guardian or conservator, or in any other fiduciary capacity, whether or not it is related to the business of the Bank. This prohibition shall not apply to the employee acting as fiduciary for the employee's family members; however, management approval is required if the employee will maintain the fiduciary accounts at the Bank.

F. Personal Finances. The public, in selecting a financial institution with which to do business, may consider the reputation of its employees in handling their own finances. Therefore, the Bank believes it is important for employees to responsibly handle their personal finances. Borrowing from the Bank by employees or their family members must carry the prevailing rate of interest and not involve favored treatment of any kind. Borrowing by an employee from the employee's family members is not subject to restriction. Employees are not permitted to borrow money from their co-workers. The Bank's Employee Assistance Program is available to employees who anticipate difficulty with their personal finances.

Approvals and transactions must be done in accordance with Bank policy and procedures, not based on a person being a known Bank employee.

Employees must not sign on customers' accounts, act as deputy or co-renter of customers' safe deposit boxes, or otherwise represent customers. This does not include customers who are the employee's family members.

G. Personal Investment Activity. While the Bank does not intend to unreasonably limit employees in their personal investment activities, it is Bank policy that no employee enter into investment transactions that would create, or give the appearance of creating, a conflict of interest between the employee and the Bank or between the Bank and any customer. In case of any question about the appropriateness of a transaction, an employee should consult division senior management or any member of the Executive Committee.

H. Lending Practices.

1. It is the policy of the Bank to maintain prudent lending services to adequately supply the legitimate credit needs of its customers. Any rate concessions shall be based solely upon a borrower's creditworthiness and overall business relationship with the Bank.

2. Employees are not in any way to represent or exercise authority on behalf of the Bank, grant direct or indirect accommodations or make credit recommendations with respect to: their family members; any individual or organization to which the employee or his or her family members are indebted; any organization to which the employee, or his or her family members, are associated or in which a material financial interest is held; or any individual or company that audits the Bank's financial statements or other business activities.

3. Federal law prohibits any director or employee of the Bank from granting any loan or gratuity to any public bank examiner or assistant bank examiner, who examines the Bank or has authority to examine the Bank. Examiners from an agency that examines Mechanics Bank can do their banking business with federally-chartered institutions.

I. Giving Advice to Customers. Employees may occasionally be asked by customers to comment upon the legality, tax implications, or wisdom of a particular transaction. Since the Bank cannot practice law or give legal or tax advice, employees must exercise care in discussing transactions with customers. Nothing should be said that might be interpreted as the giving of legal or tax advice. In addition, clients may ask about the advisability of a

transaction or course of action. No Bank employee, except for those whose job responsibilities involve providing such advice, should offer advice to clients.

J. Corporate Opportunities. Employees owe a duty to the Bank to advance its legitimate interest when the opportunity to do so arises. Employees are prohibited from (a) taking for themselves personal opportunities that are discovered through the use of corporate property, information or position; (b) using corporate property, information or position for personal gain; and (c) competing with the Bank without the prior consent of the Board of Directors.

### **III. CONFIDENTIALITY**

A. Customer Information. Safeguarding the confidential information of the Bank's customers is essential in maintaining the public trust. Clients entrust the Bank with what is called in financial law and regulation "Non-Public Personal Information" or "NPPI." It is the policy of the Bank that such confidential information acquired by an employee through his or her employment must be held in the strictest confidence. Such information is to be held for Bank purposes and not as a basis for personal gain by any employee. Confidential customer information should never be discussed with anyone outside the Bank, and only with those within the Bank who have a legitimate business need to know. Confidential customer information – or any confidential Bank business -- should never be discussed in public places (including on Internet websites), even within the Bank's branches or administrative offices. Please see the Bank's Privacy Policy and Information Security Policy for more detailed information regarding the safeguarding of customer information.

B. Information Regarding the Bank. Financial, proprietary, or other confidential information regarding the Bank is not to be released to anyone within the Bank who does not have a legitimate business need to know or to any outside person or organization unless it has been published in reports to shareholders, or otherwise made available to the public through authorized news releases. This includes information that gives the Bank a competitive advantage and is not generally known or available outside the Bank. All news



media inquiries must be referred to Marketing, the CEO, or the Bank's public relations representative. The Bank expects every employee to treat confidential information concerning the Bank and its personnel the same as information concerning customers of the Bank and to observe, with respect to the Bank, the same guidelines that apply to confidential customer information.

#### **IV. INSIDER TRADING**

A. General Statement of Policy. Because the Bank's stock is publicly traded, the Bank's employees must comply with the provisions of federal and state securities laws and with the Bank's insider trading policies set forth herein. During the course of their employment, employees may learn information about the Bank or its customers or vendors that is not publicly known. It is illegal for employees to buy or sell the Bank's stock or the stock of companies associated with the Bank on the basis of material, non-public information that employees have learned. It is also illegal for employees to pass such information on to others who may use it to buy or sell the Bank's stock or the stock of companies associated with the Bank. The Bank's policies prohibit not only illegal activities, but also other trading activities that may not be illegal. These additional restrictions are designed to protect both the Bank and its employees from even the appearance of improper activity. The Bank's insider trading policies are as follows:

1. Employees may not trade the Bank's stock while they possess information about the Bank that is both material and non-public. Material information is information that a reasonable person would consider important in deciding whether to buy or sell the Bank's stock. Material information may include but is not limited to financial results, merger or acquisition news, or executive management hires or departures. Non-public information is information that has not been announced publicly, such as by press release, conference call, public filing or similar means of public dissemination. Employees must wait until the third trading day after the Bank publicly announces such information before they can trade.

2. Employees may not discuss material, non-public information about the Bank with anyone outside of the Bank. This prohibition covers spouses, family members, friends, business associates, or persons with whom we do business (except to the extent that such persons are covered by a non-disclosure agreement and the discussion is necessary to accomplish a business purpose of the Bank).
3. Employees may not buy or sell Bank stock without approval of the CEO. Since it is often difficult to determine whether the standards specified above have been satisfied, it is the Bank's policy that Bank employees must not purchase or sell the securities of the Bank, whether or not the employee possesses specific material non-public information about the Bank, unless the employee first receives written permission from the Bank's CEO.
4. Employees may not post commentary in electronic discussions on the Internet concerning the non-public activities of the Bank or of other companies with which the Bank does business, whether the employee identifies him or herself or does so anonymously. See the Bank's Social Media Policy.
5. The stock-trading restrictions above also apply to transactions in the stock of customers or vendors, to the extent that the employee has learned material non-public information about these companies as a result of the employee's relationship with the Bank.

B. Further Assistance Available. Any person who has any question about the Bank's insider trading policies set forth herein, including any question about whether specific information is material non-public information or whether a company is a customer or vendor of the Bank, should contact any member of the Bank's Executive Committee.

## **V. INTERNET / SOCIAL MEDIA POLICY**

A. Dealings with Social Media. It is the Bank's policy that each employee who uses social media not engage in behavior that harms the image, reputation, or goodwill of the Bank, its clients, or any of its employees or Board members. Unless specifically designated as a Social Media Leader by the Marketing Department, employees may not speak for the

Bank in Internet website communication (chat rooms, forums, social media websites, blogs and similar sites). Please consult the Bank's Social Media Policy for further details.

B. Use of Bank Computers. Bank computers and other equipment are not to be used for unauthorized social media purposes. Except for Social Media Leaders, employees are not authorized to access, post content or participate in discussions on social media sites, blogs, forums and similar sites while at work or using Bank equipment.

C. Speaking for the Bank. Employees may not speak for or on behalf of the Bank without specific authorization from Executive Management or without having been designated as a Social Media Leader by the Marketing Department. Generally, the Marketing Department, the General Counsel's office or the Bank's President will respond to media requests for comment, or designate individuals within the Bank who have been properly prepared to represent the Bank.

D. Personal Activities. Employees are free to make use of social media sites on their own time and their own computers. Employees should not post on social media sites or other web sites any comments about Mechanics Bank without stating clearly that they work for the Bank, but do not speak for the Bank.

## **VI. GENERAL GUIDELINES FOR CONDUCT**

A. Dealings with Competitors. The policy of the Bank is to require employees to observe fair and ethical conduct in dealing with the Bank's competitors. The making of disparaging remarks regarding the Bank's competitors is considered to be inappropriate and unethical. The Bank's strategy is to emphasize the quality and competence of its own employees and services. Employees are prohibited from involving the Bank in arrangements with its competitors that illegally provide for the setting or controlling of rates, prices, or marketing policies.

B. Exclusive Dealings and Tying Arrangements. It is the policy of the Bank that it does not illegally condition the sale of services to a customer upon the condition that the customer must purchase other services from the Bank or upon the condition that the customer is prohibited from dealing with other suppliers of such services.

C. Dealings with Auditors and Regulatory Agency Representatives. Employees are required to fully cooperate with audits conducted by the Bank's internal audit staff or external auditing firm, and examinations conducted by the Bank's regulatory agencies. Employees must respond honestly to questions raised by the auditors or examiners, and not conceal any adverse information.

D. Falsification of Books and Records. It is the policy of the Bank to maintain records and accounts that properly record and accurately reflect its assets and liabilities, and receipts, disbursements, and other transactions.

## **VII. CODE OF CONDUCT ADMINISTRATION AND EXCEPTIONS**

A. Administration. It is the responsibility of each employee to be familiar with the Bank's Code of Conduct. Managers are expected to make every reasonable effort to ensure that their subordinates comply with the provisions of the Code. Executive management shall administer the Code, determine matters of interpretation and coordinate periodic changes to the Code. The continued implementation of the Code shall be accomplished by audit, examination and personnel procedures. Employees are encouraged to seek the advice of the appropriate manager regarding questions of interpretation and of the applicability of the provisions of the Code to a particular situation. An employee should start with his or her manager and, if necessary, seek further guidance from a more senior manager or from the Director of Human Resources, or another member of the Executive Committee.

B. Exceptions. Any deviation from this Code of Conduct may be made only with the prior consent of the executive in charge of the employee's division of the Bank and the

Bank's CEO. The appropriate executive and the CEO will determine whether to report to the Board's Audit Committee any exception to this Code of Conduct.

C. Reporting Suspected Violations. The Bank proactively promotes both ethical behavior and compliance with this Code of Conduct, and does not tolerate violations. The Bank encourages employees to talk to appropriate personnel when in doubt about the best course of action in a particular situation. This may include the employee's manager, a more senior member of management, a member of the Executive Committee. Additionally, employees can anonymously report violations of laws, policies, guidelines, rules, regulations or this Code of Conduct to EthicsPoint ([www.ethicspoint.com](http://www.ethicspoint.com)). The Bank will not tolerate retaliation against any employee for reports of breaches of this Code of Conduct made in good faith. In addition, suspected accounting or auditing irregularities may be reported directly to the chair of the Audit Committee of the Board of Directors. Employees ask for the name of the Audit Committee chair by contacting Human Resources.

D. Disciplinary Action for Violations. The Bank will take appropriate disciplinary action against any person who is found to have violated this Code of Conduct, up to and including termination of employment.

E. Public Expression and Employment Rights. Nothing in this Code of Conduct is intended to, or should be interpreted to, restrict an employee's freedom of expression or right to discuss the terms and conditions of his or her employment with each other or third parties. These rights are protected under the Constitution and under federal and state labor laws.