

# HANMI FINANCIAL CORPORATION & HANMI BANK CORPORATE GOVERNANCE GUIDELINES

(Last Approved by the Board on December 20, 2017)

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## **I. Introduction**

The Board of Directors (the “Board”) of Hanmi Financial Corporation (the “Company”), acting on the recommendation of its Nominating and Corporate Governance Committee (the “NCGC”), has developed and adopted a set of corporate governance principles (the “Guidelines”) to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. The Guidelines, as applicable, shall be followed by the Company’s subsidiaries, including Hanmi Bank (the “Bank”).

## **II. Board Composition**

### *Board Size*

The Bylaws of the Company currently provide for a range of the number of directors from seven (7) to fifteen (15), with the exact number to be fixed by resolution of the Board of Directors. The NCGC will periodically review the size of the Board and balance necessary experience, expertise and independence with a membership that is not too large or small to function efficiently.

### *Director Independence*

A majority of the Board shall be independent directors as required by the listing standards of The NASDAQ Stock Market LLC (“NASDAQ”). The NCGC will annually review information provided by the directors and the Company with regard to each director’s business and personal activities as they may relate to the Company and the Company’s management, and make recommendations to the Board based on its findings. In addition, the NCGC will annually assess the Board’s overall composition regarding diversity, age, skills and experience in the context of the needs of the Board and the completion and oversight of the Company’s Strategic Plan goals.

### *Director Qualifications*

The NCGC is responsible for reviewing and assessing with the Board the appropriate skills, experience, and background sought of Board members in the context of our business and the then-current membership on the Board. This assessment of Board skills, experience, and background includes numerous diverse factors. The Board must be comprised of members possessing high personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. Directors must also have an inquisitive and objective perspective, practical wisdom,

mature judgment and good business sense. Directors should also possess a broad range of skills, expertise, industry knowledge and contacts useful to the Company's business. Inasmuch as the Company was formed to be the parent company of the Bank, a community bank, good community relations, positive reputation and business contacts and an ability to bring business to the Bank are factors that are also considered, but not required in determining eligibility for nomination to the Board. Board members must also possess the skills and judgment to fulfill their duties to the Company and its shareholders, including: the ability to understand board reports, an understanding of applicable laws and regulations, and an understanding of financial accounting and related issues. Finally, directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively.

The priorities and emphasis of the NCGC and of the Board with regard to these factors change from time to time to take into account changes in the Company's business and other trends, as well as the portfolio of skills and experience of current and prospective Board members. The NCGC and the Board review and assess the continued relevance of and emphasis on these factors as part of the Board's annual self-assessment process and in connection with candidate searches to determine if they are effective in helping to satisfy the Board's goal of creating and sustaining a Board that can appropriately support and oversee the Company's and Bank's activities effectively.

#### ***Selection of New Director Candidates***

The Board shall recommend a slate of directors for election by the stockholders at its annual meeting. The Board delegates the screening process of potential new director candidates to the NCGC, with the expectation that other members of the Board, and of management, will be requested to take part in the process as appropriate. The NCGC shall solicit and receive recommendations, and review qualifications of, potential candidates to serve on the Board.

The NCGC shall recommend to the full Board a slate of candidates for election to the Board. Board members should possess certain core competencies, some of which may include broad experience in business, finance, accounting, marketing or administration, familiarity with national and international business matters, and familiarity with the Company's industry. In addition to having one or more of these core competencies, Board member nominees are identified and considered on the basis of knowledge, experience, integrity, diversity, leadership, community prominence and reputation, and ability to understand the Company's business. Nominees should be screened to ensure each candidate has qualifications which complement the overall core competencies of the Board.

Candidates recommended by stockholders will be considered if such nominations are communicated to the Board through the proper procedures as set forth in the Company's Bylaws.

### ***Term and Age Limits***

The Board does not believe it should establish term limits. While term limits could help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole. Nevertheless, as part of its responsibilities, the will consider each director's continuation on the Board at the expiration of his term and before the director is considered for re-nomination and re-election.

All directors, regardless of tenure or age, should be physically and mentally able and continue to meet the qualifications of a director as described above

### ***Stock Ownership***

Each director is encouraged to own shares of common stock of the Company at a level that demonstrates a meaningful commitment to the Company and the Bank, and to better align the director's interests with the Company's stockholders. A director's stock ownership will be one of the factors considered in deciding whether to nominate or appoint a director to the Board of Directors of the Bank.

All directors should acquire (and thereafter maintain ownership of) at least 5,000 shares of the Company's common stock. Directors in office as of January 2015 (the "Start Date") are expected to meet the ownership standards set forth herein by January 2018. All new directors appointed or elected after the Start Date are expected to meet the ownership standards within three years of their first day as a director. In addition to the stock ownership guidelines described above, each director who acquires shares of Company common stock through the exercise or vesting of a stock option, stock appreciation right or restricted stock will be required to retain 50% of the "net" shares acquired (net of tax impact that the exercise or vesting has on the individual) for at least 12 months following the date of exercise or vesting, or such earlier time if the individual ceases to be a member of the Board as a result of death, disability, illness, resignation, termination or other reason.

Directors and employees at the level of First Vice President and above are not allowed to enter into pledging transactions, including the use of margin accounts with Company common stock held individually or in a trust controlled by such individual.

### ***Other Commitments and Certain Interlocking Relationships***

The Board believes that directors must have sufficient time to carry out their duties and responsibilities effectively. Accordingly, all directors shall comply with the requirements of the Depository Institutions Management Interlocks Act (the "Act"). A Management Official of a depository organization may not serve at the same time as a Management Official of an unaffiliated depository organization if they, or their affiliates, have offices

in the same community. Additionally, a Management Official may not serve at the same time as a Management Official of an unaffiliated depository organization with total assets exceeding \$1.5 billion, regardless of the location of the two depository organizations.

Directors of the Company and the Bank are discouraged from serving on the boards of directors of other financial services companies without getting prior approval from the Board. An exception to this policy may be granted by the Board only after it determines that there is a compelling basis for permitting such an interlocking relationship that outweighs the potential risks of divided loyalty, conflicts of interest and confidentiality. Accordingly, any director proposing to join a board of directors that may result in an interlocking relationship must submit to the NCGC a written request in support of his or her basis for an exception to this policy.

### ***Change of Job Responsibility***

A director who resigns or is terminated from the primary position that such director held when elected to the Board shall tender his or her resignation as a director to the NCGC, effective upon the Board's acceptance of the resignation. The NCGC will review the desirability of the director's continued service on the Board under the circumstances and will make a recommendation to the Board as to whether or not the Board should accept the resignation.

## **III. Responsibilities of the Board of Directors**

### ***Primary Responsibilities***

The business and affairs of the Company and the Bank shall be managed by or under the direction of the Board in accordance with Delaware and California law, respectively, as well as applicable federal rules and regulations. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Company and its stockholders. The Board's detailed responsibilities include:

- Selecting and regularly evaluating the performance of the Chief Executive Officer;
- Planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other senior executives;
- Reviewing and, where appropriate, approving the Company's major financial objectives, strategic and operating plans and actions;
- Overseeing the conduct of the Company's business and assessing the Company's enterprise risk management process and results to evaluate the risk profile and make appropriate adjustments; and

- Overseeing the processes for maintaining the integrity of the Company with regards to its financial statements and other public disclosures, and compliance with law and ethics.

The Board of Directors has delegated to the Chief Executive Officer, working with the other executive officers of the Company, the authority and responsibility for managing the business of the Company in a manner consistent with the standards and practices of the Company, and in accordance with the approved strategic plan, instructions or directions of the Board. The Chief Executive Officer and management are responsible for seeking the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Company.

### ***Code of Conduct***

Members of the Board of Directors shall act at all times in accordance with the requirements of the Company's Code of Business Conduct and Ethics, which shall be applicable to each director in connection with his or her activities relating to the Company. This obligation shall at all times include, without limitation, adherence to the Company's policies with respect to conflicts of interest, confidentiality, protection of the Company's assets, ethical conduct in business dealings and respect for and compliance with applicable law. Even the appearance of a potential conflict of interest should be avoided whenever possible.

### ***Indemnification***

Each director shall be entitled to indemnification with respect to such director's service on the Board and any committee of the Board pursuant to reasonable director and officer liability insurance purchased by the Company on his or her behalf, the Company's certificate of incorporation and bylaws and any contractual arrangements between such director and the Company providing for director indemnification.

## **IV. Meetings of the Board**

Directors are expected to attend all annual shareholders meetings, Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Each Director pledges to attend at least 75% of the total board and committee meetings to which he or she is assigned.

At the beginning of the year, the Chairman of the Board and each committee chairman will establish a schedule of subjects to be discussed during the year (to the degree this can be foreseen). Each Board member shall be free to suggest the inclusion of items on the schedule.

The Chairman of the Board, in consultation with the Chief Executive Officer, will also establish the agenda for each Board meeting. Information and data that are important to

the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors, in a timely manner, before the meeting, and directors should review these materials in advance of the meeting. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year, in addition, the Board, or an appointed committee thereof, shall review the Company's progress with its strategic goals on a periodic basis, no less than twice a year. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

The Company's independent directors will meet regularly in executive session without the presence of management. The director who presides at these meetings will be the Chairman of the Board, as long as he or she is an independent director, and if not independent, an individual director shall otherwise be chosen by the independent directors to preside over the executive session.

## **V. Committees of the Board**

### *Numbers and Composition of Committees*

The Company will have at all times standing Audit; Nominating and Corporate Governance; Compensation and Human Resources; and Risk, Compliance and Planning Committees. The responsibilities of each committee and any membership requirements are contained in the Company's Bylaws and a charter approved by the Board. The Company complies with all applicable NASDAQ listing standards and regulatory requirements concerning the membership of Board committees, including those with respect to the independence of the directors who serve on those committees. Employees of the Company do not serve on any of the committees other than the Planning Committee. The NCGC reviews the committee structure of the Board and the membership of the various committees at least annually and makes recommendations for any changes to the Board. Each committee will undertake an annual review of its charter, and will work with the NCGC and the Board to make such revisions as are considered appropriate.

Each committee has the authority to engage outside experts, advisers and counsel to the extent it considers appropriate to assist the committee in its work. Each committee will regularly report to the Board concerning the committee's activities.

The Audit Committee is responsible for the hiring, oversight and compensation of the independent registered public accounting firm that audit the Company's financial statements, and for monitoring the effectiveness of the Company's internal financial and accounting organization and controls and financial reporting.

The NCGC reviews and reports to the Board on matters of corporate governance (that is, the relationships of the Board, the stockholders and management in determining the

direction and performance of the Company) and reviews and addresses these Guidelines and recommends revisions as appropriate. The committee reviews all proposals submitted by stockholders for action at the Annual Stockholders' Meeting, and recommends action by the Board with regards to each such proposal. The committee makes recommendations to the Board regarding the size and composition of the Board, establishes procedures for the nomination process, recommends candidates for election to the Board.

The Compensation and Human Resources Committee reviews and determines salaries and other matters relating to compensation of the Chief Executive Officer of the Company, and administers the Company's equity incentive plans (including reviewing, recommending, and approving equity grants to Named Executive Officers, upon the recommendation of the CEO).

The Risk, Compliance and Planning Committee has the duty and responsibility to work in concert with senior management to develop the Company's long-term strategic plan and management's general philosophy and vision of the Company's future. The Risk, Compliance and Planning Committee reviews and recommends short-term business plans that translate long-term goals into specific measurable targets. In addition, the Risk, Compliance and Planning Committee is tasked with establishing planning, review and approval process for major new activities that management proposes to undertake. The Risk, Compliance and Planning Committee also monitors the planning activities and the Company's performance against its plans and budget.

### ***Committee Chairpersons and Membership***

The Board, upon recommendation of the NCGC, shall designate a chairman and a vice chairman of each committee. When appointing the chairman of each committee, the Board shall consider the knowledge and expertise of the candidate in the committee's main area of responsibility, leadership abilities, independence from management and areas of expertise.

Board Committee assignments and Board committee chair positions are reviewed each year by the NCGC and approved by the Board. The Board does not have a strict committee rotation policy, but may, upon recommendation of the NCGC, change committee assignments and chair positions periodically, with a view towards balancing director experience and interest, committee continuity and needs, and evolving legal and regulatory considerations.

The members of the Audit Committee, Compensation and Human Resources Committee and NCGC shall be independent in accordance with the provisions of the NASDAQ listing standards and regulatory requirements and any other standards established by the Board from time to time. If any conditions exist that may raise questions as to a director's independence, the disinterested members of the NCGC shall determine if a director's independence is jeopardized and shall recommend a course of action.

### ***Committee Meeting Procedures***

Each committee chairman, in consultation with the committee members, determines the frequency of committee meetings. Directors are expected to attend meetings of the committees on which they sit and to spend the time needed to discharge their responsibilities as members of those committees. The agenda and any background materials for committee meetings may be developed in consultation with committee members, management, or the executive officer responsible for supporting the Committee and are circulated in advance of a meeting whenever practical. Committee members are expected to review these materials in advance of the meeting. The committee chairmen report to the Board after each meeting, and minutes of the Committees are circulated to the Board.

### ***Chairman of the Bank Board***

The Board of Directors of the Company, upon the recommendation of the NCGC, shall designate a Chairman of the Bank Board. The Chairman of the Bank Board shall set the meeting agendas and shall preside over each Bank Board meeting. If the chairman is not present at a meeting of the Bank Board, the Chief Executive Officer of the Bank shall preside. In appointing the position of chairman, the Bank Board shall consider the knowledge and expertise of the candidate in the business of the Bank and complementary business experience, leadership abilities, independence from management and areas of expertise

## **VI. Director Access to Officers, Employees and Independent Advisors**

Directors shall have full and free access to officers and employees of the Company and the Bank. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and the Bank and will, to the extent appropriate, copy the Chief Executive Officer on any written communications between a director and an officer or employee of the Company and the Bank.

The Board may invite members of senior management or other key personnel of the Company and the Bank to Board and committee meetings to make presentations and provide additional insight on items being discussed.

The Board, its committees and the non-employee directors shall have the right at any time to retain independent outside financial, legal or other advisors as they may deem necessary, without the necessity of consulting or obtaining the approval of any officer of the Company in advance.

## **VII. Communications to the Board, Independent Directors or the Audit Committee**

The Company's stockholders and interested parties may send communications to the Board at Hanmi Financial Corporation, 3660 Wilshire Blvd., PH-A, Los Angeles,



California 90010, Attention: Legal Department. All communications by a stockholder must state the number of shares owned by such stockholder making the communication.

Any interested party wishing to communicate directly with the Company's independent directors regarding any matter may send such communication in writing to the Company's independent directors at Hanmi Financial Corporation, 3660 Wilshire Blvd., PH-A, Los Angeles, California 90010, Attention: Chairman of the Board.

Any interested party wishing to communicate directly with the Audit Committee regarding any matter, including any accounting, internal accounting or auditing matter, may submit such communication in writing to Hanmi Financial Corporation, 3660 Wilshire Blvd., PH-A, Los Angeles, California 90010, Attention: Chairman of the Audit Committee. Any submissions to the Chairman of the Board or Audit Committee may be anonymous and/or confidential.

The status of all outstanding concerns addressed to the Board, the independent directors or the Audit Committee will be reported to the Chairman of the Board and the Chairman of Audit Committee, respectively, on at least a quarterly basis. The Chairman of the Board or the Chair of the Audit Committee may direct that certain matters be presented to the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company is prohibited from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

The legal department will exercise its discretion in reporting communications which are deemed inconsequential.

### **VIII. Chief Executive Officer Evaluation and Management Succession**

The Chief Executive Officer of the Company shall report directly to the full Board. The Compensation and Human Resources Committee shall conduct an annual review of the Chief Executive Officer's performance, using the evaluation guidelines set forth in the Compensation and Human Resources Committee charter. The Board shall review the Compensation and Human Resources Committee's evaluation report in order to ensure that the Chief Executive Officer is providing the best leadership for the Company in the long- and short-term.

The Board will periodically review with the Compensation and Human Resources Committee and the Chief Executive Officer a succession plan for the Chief Executive Officer and other senior executives of the Company, including (a) profiles of ideal candidates for senior executives in accordance with the Company's business strategy and leadership needs and plans for interim management of the Company in the event that the Chief Executive Officer or any other senior executive retires, becomes disabled or is otherwise unable to fulfill his or her duties. The Board will consider the recommendations and evaluations of potential successors from the Chief Executive

Officer and the Compensation and Human Resources Committee, along with a review of any development plans recommended for such individuals.

In the event of the death, resignation, retirement or incapacity of the Chief Executive Officer, the Board shall trigger the emergency planning protocol included in the management succession plan and then turn its attention to a permanent replacement.

## **IX. Compensation of Directors**

The CHRC shall evaluate annually the appropriate level of compensation for Board and committee service by non-employee directors and, based upon such evaluation, recommend to the Board the level of compensation that the CHRC deems appropriate. The Company management or outside consultant, if appropriate, shall report to the CHRC regarding how the Company's director compensation practices compare with those of other public and peer group corporations. Any change in Board compensation shall be made upon the recommendation of the CHRC, and following discussion and approval by the full Board.

In evaluating compensation, the CHRC will be guided by three goals:

- Compensation should fairly pay directors for work required in a company of comparable size and industry;
- Compensation should align directors' interests with the long-term interests of stockholders; and
- Structure of the compensation should be simple, transparent and easy for stockholders to understand.

Directors may receive in addition to or as part of their compensation in company equity including but not limited to, stock options, restricted stock, and stock appreciation rights.

## **X. Annual Performance Evaluation**

The Board will conduct an annual evaluation to determine whether the Board and its committees are functioning effectively. The NCGC will oversee the evaluation method and criteria for the Board's annual evaluation of the composition, competence and performance of the Board and its committees. The NCGC may retain consultants or advisors to assess the performance and effectiveness of the Board as a whole, its committees and each individual director.

The results of any self-evaluations, peer evaluations, or evaluations by any consultant or advisor shall be submitted to the Board. The Board shall then take appropriate action based on the Board's findings regarding the assessment and performance evaluation. The Board and director evaluation process should consider the best interests of the Bank, its Board, its employees, its customers and the stockholders of the Company. The assessment will also include director succession planning expected future needs of the Board and the Company, so as to ensure that Board effectiveness is not diminished during periods of transition.

## **XI. Director Orientation and Continuing Education**

All directors are expected to be knowledgeable about the Company and the Bank and the industry and market in which it operates. This knowledge is gained from attendance at Board meetings, periodic director training sessions, regular meeting with management of the Company and the Bank, reading of appropriate industry, corporate governance and directorship literature (including the Company and the Bank's policies and procedures, Corporate Governance Guidelines and the Code of Business Conduct and Ethics), and attendance at educational seminars.

Each director is responsible for keeping up to date on industry trends and changing rules and regulations so as to properly fulfill their duties and responsibilities as director of the Company and the Bank. Therefore, each director is required to complete a minimum of 16 hours of continuing education annually. The requirement may be met through attendance at director training seminars, industry conferences, regulatory agency sponsored workshops, webinars, telephone briefings, and in-house training by management. A portion of the required training should be focused on education programs that specifically address matters related to the business of the committees on which they sit.

Expenses for the required director continuing education courses will be covered by the Company/Bank, with prior approval from the Chairman of the Board. The Board is encouraged to take advantage of free or low cost local trainings when available.

## **XII. Recommendations of Directors**

All applications or recommendations for Board membership received by the Company will be referred to the NCGC for consideration. The NCGC will also consider recommendations by stockholders for directors to be nominated, *provided* that any such recommendation complies with Bylaws of the Company and the procedures set forth below.

Recommendations by any stockholder of a candidate for election as a director of the Company must be submitted in writing to the Chairman of the NCGC at the Company's principal executive offices no later than the last business day of January of the year the Company's next Annual Meeting of Stockholders will be held, for consideration at such Annual Meeting. Stockholders shall include in such recommendation: (a) the name, age and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of voting stock of the Company owned by each proposed nominee; (d) the name and residence address of the notifying stockholder; (e) the number of shares of voting stock of the Company owned by the notifying stockholder; and (f) a letter from the proposed nominee indicating that such proposed nominee wishes to be considered as a nominee for the Board and will serve as a member of the Board if elected. In addition, each recommendation must set forth in detail the reasons why the notifying stockholder believes the proposed nominee meets the criteria set forth in this Corporate Governance Guidelines for serving on the Board. The NCGC

will consider candidates recommended by stockholders utilizing the same criteria as candidates identified by the NCGC.

### **XIII. Board and Committee Minutes and Confidentiality Policy**

#### ***Board and Committee Minutes***

The Board shall ensure that the minutes of Board and committee meetings document all meaningful discussions and decisions on Company and committee matters, such as management and financial reports, and identification and mitigation of risk. All Board and committee minutes, while not a transcript of the meeting, shall be both accurate and complete, and should provide an appropriate level of detail so as to give insight into the Company's activities. Board and committee minutes shall record, at a minimum, a summary of the following information:

- Staff presentations on matters before the Board or committee for its consideration;
- Reasons expressed by Board or committee members for favoring or opposing a particular decision or recommendation;
- Where the vote is not unanimous, the vote count for and against items that have come before the Board or committee, as well as any dissent expressed by Board or committee members relative to a decision or recommendation; and
- The attendance and participation of individual Board, committee members, and guests, including those who joined or left at meeting at various times.

The Chairman of the Board and the Chair of each committee shall be responsible for assigning a competent person, usually the Board or committee secretary, to record minutes. The person who performs this function should understand the Board and committee's responsibilities. Minutes should be prepared timely, promptly circulated for review and approved at the next Board or committee meeting, to the extent practicable. Relevant documents, such as reports or resolutions, should be attached to the minutes of the meeting.

#### ***Confidentiality Policy***

It is the policy of the Company and the Bank to comply with all federal and state laws pertaining to the privacy and confidentiality of customer information. Each director of the Bank shall abide by the confidentiality policy of the Company and the Bank. This confidentiality policy shall apply to all confidential Company/Bank information however obtained, including but not limited to discussions at Board meetings. In addition, each director of the Company and the Bank shall have executed a Confidentiality Agreement.

1. General Policy. Nonpublic information concerning the Company/Bank, its suppliers, customers, depositors and employees is considered confidential and is to be used for Company/Bank purposes only. Confidential information about customers cannot be used to further personal, familial or other interests or the interests of another customer. Information regarding any business conducted cannot be disclosed to outside individuals (unless properly authorized by the Company, the Bank, its customer, etc.) and may not be used for personal gain.

2. Safeguarding Confidential Information. Safeguarding the confidential information concerning the Company/Bank's customers is essential in maintaining the public's trust and is required by law. Information is to be used for Company/Bank purposes and not as a basis for personal gain. Information shall not be disclosed to persons outside the Company/Bank, including family or associates, or to Company/Bank employees who do not have a business reason for knowing the information. Exceptions are routine credit inquiries, legally required disclosures and authorized release of information by the customer.

3. Public Disclosure. Financial or other information regarding the Company and the Bank is not to be released to any outside person or organization unless it has been published in reports to stockholders or otherwise made public. All news media inquiries must be referred to the Chief Executive Officer of the Company and the Bank.

4. Material Inside Information. As described in the Company's Code of Business Conduct and Ethics and its Insider Trading Policy, the unauthorized use or disclosure of "material inside information" subjects a director, the Company, the Bank, and third parties to whom the information is communicated to penalties under federal and state securities laws. If a director possesses such material inside information, the director must not disclose such information and must not trade in or recommend the purchase or sale of the securities involved until after the information is actually disseminated to the public.

5. Board Communication with the Public or Media. The Board believes that the management speaks for the Company and the Bank and has delegated authority to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. All inquiries and interaction with members of the media, press, stock analysts, significant stockholders or other outside parties should be referred to the CEO, CFO or COO. The Chief Executive Officer has delegated authority to the Investor Relations Officer and the Chief Financial Officer to response to inquiries from the investment community.

Individual directors may, from time to time, be called to meet or otherwise communicate with various constituents involved with the Company/Bank. However, it is expected that the directors will do this (i) only with the knowledge of management, (ii) in compliance with Company and Bank policy, compulsory legal process and disclosure requirements, and (iii) absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

6. Enforcement. As provided in the Company’s Code of Business Conduct and Ethics (“Code”), any complaints or observations of violations of the Code, including but not limited to breaches of the confidentiality policy or other misconduct, must be promptly reported. The Company’s General Counsel or the Audit Committee, as applicable, will promptly investigate all reported potential Code violations. Whether a director is identified or remains anonymous, a director’s contact reporting of Code violations will be kept strictly confidential to the extent legally and reasonably possible within the objectives of this Code. A director’s cooperation in the investigation will be expected.

If the investigation indicates that a violation of the Code has probably occurred, the Audit Committee of the Board will take such action as it believes to be appropriate under the circumstances. If the Audit Committee of the Board determines that a director is responsible for a Code violation, he or she will be subject to disciplinary action up to and including termination of service and, in appropriate cases, civil action or referral for criminal prosecution. Appropriate action also may be taken to deter any future Code violations. All disclosures or reports received by the Audit Committee or the Company’s General Counsel regarding a potential conflict of interest or Code violations involving a director will be disclosed to and reviewed by the Audit Committee and reported to the BSA Department for disposition as to whether a Suspicious Activity Report (SAR) should be filed.

#### **XIV. Review of and Changes to the Corporate Governance Guidelines**

The NCGC shall be responsible for reviewing these Corporate Governance Guidelines not less than every two years and recommending any proposed changes to the full Board for approval.