

<b>PREFERRED BANK</b>		<b>Code of Personal and Business Conduct</b>					
		<b>Approval Date:</b> July 1, 2023					
<b>Approval Authority:</b> Board of Directors		<b>Review Frequency:</b> Annual					
<b>Applicable Areas:</b> All							
<b>Business Owners:</b> Human Resources (HR)							
<b>Code of Personal and Business Conduct</b>							
<b>1. Purpose</b>	<p>It is the policy of Preferred Bank (the "Bank") to conduct its business in accordance with the highest ethical standards in order to maintain the complete confidence and trust of its customers and the public in general. All employees must conduct their personal affairs and manage their business transactions in a manner, which does not result in adverse comments or criticism from the public or in any way damage, the Bank's reputation as a responsible financial services organization. The Code of Personal and Business Conduct ("Code") policy discusses both business and social relationships, which may present legal and ethical concerns and also sets forth a Code of Conduct as a guide to all employees.</p>						
<b>2. Procedures &amp; Responsibilities</b>	<p><b>2.1. Compliance Laws and Regulations</b></p> <p>It is the policy of the Bank to fully comply with the spirit and intent of all applicable laws and regulations, including all bank secrecy act and anti-money laundering laws and regulations. The Bank expects its employees to use good judgment and high ethical standards and to refrain from any form of illegal, dishonest or unethical conduct.</p> <p><b>2.2. The Bank's Code of Conduct</b></p> <p>It is the responsibility of each employee to be familiar with the Bank's Code of Personal and Business Conduct ("Code"). Supervising officers are expected to make every reasonable effort to ensure that their subordinate staff complies with the provisions of the Code.</p> <p>Senior Management shall administer the Code, determine matters of interpretation, coordinate periodic changes to the 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.</p> <p>Employees are encouraged to seek the advice of the appropriate supervisor regarding questions of interpretation and of the applicability of the provisions of the Code to a particular situation.</p> <p>Failure to comply with certain provisions of the Code may violate applicable laws and subject the employee to criminal or civil liability or both.</p> <p>All officers and employees are expected to be cooperative in their dealings with the Bank's independent and internal auditors, regulators, and legal counsel, and to answer their questions honestly and with candor.</p> <p>Employees who violate the provisions of the Code may be subject to termination.</p>						

<p><b>3. Conflict of Interest</b></p>	<p>A conflict of interest is defined as an employee, officer, or director's involvement in outside interests, which might either conflict with the fiduciary duty to the Bank or adversely affect the employee, officer, or director's judgment in the performance of their responsibilities.</p> <p>It is the Bank's policy that employees do not engage in personal conduct, which will conflict with the interest 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.</p> <p><b>3.1. Acceptance of Gifts</b></p> <p>Federal law, including all anti-bribery and anti-corruption laws, and the Bank's policy prohibit any employee from soliciting or receiving anything of value for, or in connection with, any transaction or business of the Bank. Accordingly, all gifts and other benefits offered by, or received from, customers, suppliers, contractors or others which may be construed as a "quid pro quo" or a gratuity in connection with a particular transaction, or which are given because of the employee's decisions or activities on behalf of the Bank, must not be accepted under any circumstances. The foregoing applies to both direct and indirect benefits (i.e. gifts to family members).</p> <p>Specific exceptions to this policy 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:</p> <ul style="list-style-type: none"> <li>○ Normal business courtesies, such as a meal or entertainment, involving no more than ordinary amenities;</li> <li>○ Non-cash gifts of nominal value (under \$100.00) such as received at holiday time or special occasion(s), which represent expression of friendship;</li> <li>○ Gifts based upon kinship, marriage or social relationships entirely beyond and apart from any business relationship;</li> <li>○ Unsolicited advertising and promotional material of nominal value;</li> <li>○ Awards given by charitable, educational, civic or religious organizations for meritorious contributions or service;</li> <li>○ Loans from other banks or financial institutions on customary terms to finance proper and usual activities such as home mortgage loans; or</li> <li>○ Discounts or rebates on merchandise or services that do not exceed those available to other customers.</li> </ul> <p>Any personal benefit received, other than the exceptions noted above, is to be reported by the employee to the manager who will review and document the situation. The manager will submit written record of all such disclosures directly to Human Resources. Once reviewed, the Human Resources Manager will instruct the manager as to the appropriate action.</p> <p><b>3.2. Giving of Gifts</b></p> <p>Employees may not give gifts to customers under any circumstances where</p>
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<b>3. Conflict of Interest (cont)</b>	<p>the gift could potentially be seen by others as consideration for any type of business favor. Any entertainment or other gifts to be offered to customers may be done only with the prior authorization of the CEO or President, and must be in accordance with the Bank policy on business expense reimbursement requirements.</p> <p>Employees who wish to give personal gifts to other employees must follow the general guideline that the gift be made in accordance with the accepted business practices and is of sufficiently limited value that the gift could not influence the giver or the receiver in the performance of their duties for the Bank, nor create actual or perceived pressure to reciprocate.</p> <p><b>3.3. Lending Practices</b></p> <p>It is the policy of the Bank to maintain prudent lending services to adequately supply the credit needs of its customers. Any rate concessions shall be based solely upon a borrower's creditworthiness and overall business relationship with the Bank, as well as competitive bank pressures.</p> <p>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:</p> <ul style="list-style-type: none"> <li>○ Immediate family members of the employee;</li> <li>○ Any individual or organization to which the employee's immediate family is indebted; or</li> <li>○ Any organization, which the employee or his or her immediate family, are associated or in which a material financial interest is held.</li> </ul> <p>All directors and executive officers are required to comply with federal and state insider lending laws and regulations, including Regulation O. Federal law prohibits any director, officer 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. Any staff member with a question regarding the propriety of a loan involving an employee, executive officer or director should contact the Chief Credit Officer.</p> <p>Employees shall fully disclose to the Board of Directors (the "Board") or its designee any conflict of interest presented by any loan or other business transaction arising from any business or personal relationship with a borrower and shall abstain from any involvement with transactions so identified unless specifically approved by the Bank's Board or its designee.</p> <p>It is illegal for any issuer to extend or maintain credit in the form of a personal loan to directors or executive officers of that issuer. In addition, it becomes unlawful for those officers to even solicit, directly or indirectly, these types of loans. This is extended to solicitation and credit acquired at subsidiary companies as well.</p> <p><b>3.4. Political Activities</b></p> <p>a. Federal Campaigns</p>
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<p><b>3. Conflict of Interest (cont)</b></p>	<p>Under no circumstances shall any funds or property of the Bank be used to assist the candidacy of any person seeking federal elective office. Since the donation of the time of an employee during working hours or the use of the Bank's facilities could be construed to be an indirect contribution to a candidate, no employee during working hours shall knowingly campaign for, solicit, accept, or receive a political contribution from any person or otherwise work on behalf of, any candidate for federal elected office, or utilize any facilities of the Bank for such purposes.</p> <p>b. State and Local Campaigns</p> <p>Since it may be permissible under state law for corporations to support or assist candidates for state or local elected office or to expend funds in connection with ballot measures, the Bank may, from time to time, contribute funds or property on behalf of such candidacies or measures. Any such contributions shall only be made in accordance with corporate policies. No employee shall, during working hours, knowingly campaign for, solicit, accept, or receive a political contribution from any person or otherwise work on behalf of, or at any time utilize any facilities of the Bank for, any candidate for state, federal or local office or any ballot measure.</p> <p>c. Personal Involvement</p> <p>The Bank encourages its employees, as responsible citizens, to support candidates and ballot measures of their choice at all levels of government. The Bank's policy with respect to political activities is not meant to discourage individual political activities during an employee's off-duty time. Preferred Bank does not permit the Bank's name to be used in any political activity without the Bank's consent and the Bank expects employees to ensure that their participation in political activities does not reflect unfavorably on the Bank.</p> <p>In the case that an employee elects to run for public office, employee should ensure that time requirements not interfere with the employee's job and there is no conflict of interest. Prospective candidates must inform Human Resources of their plans in order to resolve any possible conflicts in advance.</p> <p>d. Lobbying Activities</p> <p>No Bank employee shall undertake activities designed to influence the decisions or actions of government officials in a manner that would require the employee or the Bank to register as a lobbyist or employer of a lobbyist.</p> <p><b>3.5. Outside Activities</b></p> <p>a. Outside Employment</p>
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<p><b>3. Conflict of Interest (cont)</b></p>	<p>It is almost always a conflict of interest to work simultaneously for a competitor, client or supplier, including work as a consultant or board member. While employed by the Bank, the employees are prohibited from working for competitors or other entities where a conflict of interest may arise with Bank business. The best policy is to avoid any direct or indirect business connection with our clients, suppliers or competitors, except on the Bank's behalf.</p> <p>A management official of the Bank generally may not be a management official of an unaffiliated depository institution or depository holding company if it would violate the management official interlocks prohibits as defined by the Bank's regulators.</p> <p>The Bank discourages employees from holding a second job that interferes with their responsibilities at the Bank. Each employee is required to notify their supervisor in advance of accepting any other employment to ensure there is no conflict of interest. Employees who already have second jobs should inform their supervisor. Outside employment by an officer must be approved by the CEO. Should the employee desire to seek and pursue outside employment, the employee may do so, provided that:</p> <ul style="list-style-type: none"> <li>○ The employee fully discloses their involvement in any project or business activity to their supervisor to avoid any conflict of interest with their fiduciary duties of care and loyalty to the Bank;</li> <li>○ It does not give unfavorable publicity to the Bank, its customers or employees;</li> <li>○ It does not interfere directly with the employee's Bank hours, or necessitate such long hours as to affect the employee's performance, attendance, or productivity;</li> <li>○ It does not involve working with direct competitors of the Bank or a direct customer who sells products or services to the Bank; or</li> <li>○ It does not violate State or Federal Regulations.</li> </ul> <p>Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your supervisor or higher levels of management. Any employee who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel.</p> <p>b. Outside Organization</p> <p>Employees are encouraged to take an active part in civic and professional organizations, which enhance the customer base or contribute to personal development. When such activities are necessary during Bank hours, the Department Manager should be consulted in advance.</p> <p>Employees should make certain that organizations or associations, in</p>
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<b>3. Conflict of Interest (cont)</b>	<p>which, they take part do not practice discrimination in membership or activities.</p> <p><b>3.6. Personal Finances</b></p> <p>An employee may not borrow from or lend personal funds to a client, supplier, or to another employee of the Bank. Additional restrictions are set forth in the Bank's Employee Handbook.</p> <p>Personal finances should be managed in a manner consistent with employment in a financial institution. An employee should keep their account in good standing and conduct their financial affairs in such a manner to avoid regulatory or auditing criticisms or concerns.</p> <p>Employee accounts are expected to comply with the standards set forth in the Bank's Employee Handbook, Bank disclosures, and any/all state and federal laws and regulations governing such.</p> <p>Employees may not sign on customer accounts, hold power of attorney, act as deputy or co-renter of customers' safe deposit boxes, or otherwise represent customers. Exception to this policy requires prior written approval by a senior officer.</p> <p><b>3.7. Personal Investment Activity</b></p> <p>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 which would create, or give the appearance of creating, a conflict of interest between the employee and the Bank or between the Bank or 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:</p> <ul style="list-style-type: none"> <li>○ Investment in securities of a customer, supplier, borrower or competitor, since it may be construed as affecting the employee's judgment exercised on behalf of the Bank;</li> <li>○ Investments in a company involving the possible use of non-public information concerning that company which may be found to be a violation of law;</li> <li>○ Employees should not allow a customer to arrange investments for the account of the employee or their immediate family, nor should the employee become involved in investments sponsored by a customer under circumstances which might create either a conflict of interest or the appearance of such a conflict; and</li> <li>○ Investment activity paralleling or anticipating investment action by the Bank must be avoided.</li> </ul> <p><b>3.8. Giving Advice to Customers</b></p> <p>Employees may occasionally be asked by customers to comment upon the legality of a particular transaction. Since the Bank cannot practice law or give</p>
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<b>3. Conflict of Interest (cont)</b>	<p>legal or tax advice, employees must exercise care in discussing transactions with customers and nothing should be said that might be interpreted as the giving of legal or tax advice.</p> <p><b>3.9. Insider Transactions</b></p> <p>Compliance with all applicable laws and regulations pertaining to insider accounts and transactions will be strictly adhered to.</p> <p>a. All business transactions or affiliations between the Bank and any of its directors and/or their related interests shall be entered into only under the following conditions:</p> <ul style="list-style-type: none"> <li>○ The terms, conditions and means of compensation shall be reasonably similar to other similar business transactions previously entered into by the Bank, or which may be entered into, with persons who are not directors of the Bank or their related interests.</li> <li>○ All material business transactions between the Bank's directors and/or their related interests and the Bank shall require full disclosure of the director's interest in the transaction to the Board, and the prior approval of a majority of the entire Board with the interested director abstaining from participating either, directly or indirectly, in the voting and discussion on the proposed business transaction.</li> <li>○ The minutes of any Board meeting at which a business transaction between the Bank and a director or his related interest is approved or denied shall include the nature and source of all information used to establish the reasonableness and comparable nature of the terms, conditions and means of compensation, with copies thereof attached as appropriate.</li> <li>○ A director shall abstain from the discussion or approval of any loan to a customer who has been referred to the Bank by said director as long as the loan customer is also a customer or client of said director.</li> </ul> <p>b. Overdrafts</p> <p>Directors and executive officers of the Bank are prohibited, by federal law, from having overdrafts with the Bank of which they are a director or an executive officer. The only exception to this strict rule applies if the director or executive officer has a written, prearranged automatic transfer established or has a written preauthorized interest-bearing extension of credit that specifies a method of repayment. Inadvertent overdrafts of \$1,000 or less are exempt from this ruling if they are paid within five (5) business days and the director or officer is charged the same fee as any other customer. The Bank may not waive overdraft fees for its directors and/or executive officers.</p>
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<b>4. Confidentiality</b>	<p><b>4.1. Customer Information</b></p> <p>Safeguarding the confidential financial information including physical, electronic and environmental controls concerning the Bank's customers (both consumer &amp; non-consumer) and suppliers is essential in maintaining the public trust. 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 only and not as a basis for personal gain by the employee. Aside from routine credit personnel inquiries, information regarding a customer may be released to private persons, organizations or governmental bodies that request it generally only with the consent of the customer involved or upon receipt of legal process, such as a subpoena or court order. 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.</p> <p>Supplier information will be considered to be confidential to avoid any real or perceived competitive advantage with respect to supplier. One of the Bank's most valuable assets is information. Employees should maintain the confidentiality of information (whether or not it is considered proprietary) entrusted to them not only by the Bank, but also by its suppliers. Confidential information includes all non-public information that, if disclosed, might be of use to our competitors or harmful to the Bank or its suppliers. Examples of confidential information include trade secrets, new product or marketing plans, customer lists, research and development ideas, manufacturing processes, or acquisition or divestiture prospects.</p> <p>Employees are expected to take steps to adequately safeguard confidential information by keeping such information secure, limiting access to such information to those employees who have a "need to know" in order to do their job, and avoiding discussion of confidential information in public areas such as in elevators, on planes and on mobile phones in full compliance with all associated Bank policies, operating guidelines, and privacy/confidentiality standards.</p> <p><b>4.2. Clean Desk Policy</b></p> <p>The Bank is strongly committed to maintaining the privacy of its customers' personal information. The Bank recognizes that customers have a right to expect their nonpublic personal information to remain private and secure. The Compliance Department's Privacy Policy addresses the Bank's practices with regard to communications with customers and the public. It provides guidance to Bank personnel as well as assurance to our customers.</p> <p>All employees are expected to take the appropriate actions to prevent unauthorized individuals from obtaining access to employee and/or customer information. Employees are also required to ensure their work environment is "clean" of all confidential information when they leave the area as a safety measure against any loss of confidential data or documents. To safeguard customer information, employees must lock all desk drawers</p>
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<b>4. Confidentiality (cont)</b>	<p>and cabinets in the department before leaving at the end of their work schedule. Managers should double-check that cabinets are locked in the department and common areas each evening.</p> <p>The Compliance department conducts an onsite walk-through at each location on an annual basis and additional visits as deemed necessary, to ensure all employees are adhering to the policy. While visiting, Examiners may perform onsite evaluations for adherence to the safeguard practices.</p> <p><b>4.3. Disclosure of Bank's Information</b></p> <p>Employees should be aware that all matters and information pertaining to the Bank are of a confidential nature and are the property of the Bank. Financial or other information regarding the Bank is not to be released 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.</p> <p>An employee may not disclose or use, directly or indirectly, any confidential information regarding the Bank or its customers. An employee may not remove any correspondence or documents from Bank premises.</p> <p>Upon termination, as stated within this Code of Conduct and in accordance to the California's Uniform Trade Secrets Act, Civil Code § 3426 et seq., you have the obligation to and must maintain and protect the confidentiality of Confidential Information following the termination of employment with the Bank. Under no circumstances and at no time may you, directly or indirectly, for your own benefit or the benefit of any other person disclose, divulge, use, render or offer any knowledge or information with respect to any Confidential Information, except as may be specifically requested by the Bank in writing. All Confidential Information received by you was and shall be the sole and exclusive property of the Bank and its successors and assigns.</p> <p>The unauthorized use or disclosure of any of the Bank's trade secrets described herein as Confidential Information, obtained by you during the course of your employment with the Bank constitutes unfair competition. The law prohibits you from engaging in any unfair competition with the Bank after separation from employment. Therefore, among other things, you shall not use the Bank's trade secrets or Confidential Information to directly or indirectly solicit the Bank's customers for any other person, firm, or corporation, and you shall not directly or indirectly solicit or encourage any other employee of the Bank to leave Bank during your term of employment and for two years thereafter.</p> <p><b>4.4. Material Inside Information</b></p> <p>The use or disclosure of "material inside information" subjects employees, the Bank and third parties to whom the information is communicated, to severe penalties under federal and state securities laws. Any employee possessing such material inside information must not trade in or</p>
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<b>4. Confidentiality (cont)</b>	<p>recommend the purchase or sale of the securities involved until the information is actually disseminated to the public. For further details regarding insider transactions, please see the Bank's Insider Trading Policy.</p> <p>Lending personnel must not disclose confidential information on existing or proposed loan customers to investment personnel.</p> <p><b>4.5. Antitrust</b></p> <p>Employees must take special care to avoid discussions with employees of competing financial institutions regarding rates of interest on accounts, or interest rates and other charges on loans, that the Bank is offering or is considering offering. This admonition extends to discussions concerning other discretionary activities or plans, but does not apply to information, which has been publicized by the Bank.</p> <p>The Bank discourages discussions about the Bank's business plans because such discussions could be construed in certain circumstances to be agreements or conspiracies to fix or establish prices or otherwise restrain completion in violation of state and federal antitrust laws. Such discussions may also contravene the Bank's policy against disclosure of confidential information and other policies.</p>
<b>5. Whistleblower – Reporting &amp; Responsibilities</b>	<p>It is the Policy of the Bank</p> <ul style="list-style-type: none"> <li>a. To encourage the reporting by its current or former employees, agents, consultants, vendors or service providers, outside counsel, customers, or shareholders of improper action taken by Bank officers or employees; and</li> <li>b. To protect Bank current or former employees, agents, consultants, vendors or service providers, outside counsel, customers, or shareholders - who have reported improper actions in accordance with this policy.</li> </ul> <p>The Bank and Audit Committee, as well as the Board of Directors, Executive and Senior Management, encourage employees of the Bank, who reasonably believe there is potential or actual violations of this Code, any internal Bank policy or law, rule or regulation related to our business, or any other dishonest or unethical act, including questionable accounting entries, internal accounting controls, auditing matters, and/or other serious internal control issues, to report such concerns. <b>Employees can convey such concerns confidentially and anonymously</b> to the Bank's hotline LIGHHOUSE, an independent third-party reporting service.</p> <p><b>Website:</b> <a href="http://www.lighthouse-services.com/preferredbank">http://www.lighthouse-services.com/preferredbank</a></p> <p><b>Phone Hotline:</b>      English: <b>(833) 400-0038</b>      Mandarin: <b>(844) 301-0005</b> (Press 4 for Chinese and then press 1 for Mandarin)</p>

<p><b>5. Whistleblower – Reporting &amp; Responsibilities (cont)</b></p>	<p><i>There are other people and resources you can contact regarding potential violations. You can also contact Richard Belliston directly or the Human Resources Department.</i></p> <p>Richard Belliston Chairman, Audit Committee Cellular: (949) 939-0253 Email: jrichbell@aol.com</p> <p><b>5.1. Definitions</b></p> <p>a. Abuse of Authority – means intentional misuse of power or position by a Bank officer or employee for an improper purpose.</p> <p>b. Emergency – means a circumstance that if not immediately changed may cause harm or injury to persons.</p> <p>c. Good Faith – means action taken after a reasonable investigation of facts available to the employee, after due consideration, and with an honestly held belief that there was improper conduct.</p> <p>d. Gross Waste – means a significant or recurring intentional misuse of Bank funds, and does not include unintentional errors.</p> <p>e. Improper Action – means any action by a Bank officer or employee:</p> <ol style="list-style-type: none"> <li>1. That is undertaken in the performance of an officer's or employee's official duties, whether or not the action is within the scope of an officer's or employee's employment; and</li> <li>2. That is: <ul style="list-style-type: none"> <li>• a violation of any federal, state or local law or rule;</li> <li>• a violation of this Code of Personal and Business Conduct or any other internal Company policy;</li> <li>• dishonest or unethical;</li> <li>• an abuse of authority with substantial adverse impact to the Bank, customer(s), or public interest;</li> <li>• a substantial and specific danger to the public health or safety; or</li> <li>• a gross waste of Bank funds or property.</li> </ul> </li> </ol> <p>f. Retaliatory Action – means any adverse change in a Bank employee's employment status or in the terms and conditions of an employee's employment based on the good faith reporting by that employee of improper action, including, but not limited to:</p> <ol style="list-style-type: none"> <li>1. The denial of adequate personnel to perform duties;</li> <li>2. Frequent replacement of members of the staff;</li> <li>3. Unnecessary and undesirable changes in the location of an office;</li> </ol>
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<p><b>5. Whistleblower – Reporting &amp; Responsibilities (cont)</b></p>	<p>4. The refusal to assign meaningful work;</p> <p>5. The issuance of letters of reprimand or evaluations of poor performance;</p> <p>6. A demotion;</p> <p>7. A reduction in pay;</p> <p>8. The denial of a promotion;</p> <p>9. A suspension without pay;</p> <p>10. A dismissal;</p> <p>11. A transfer;</p> <p>12. Purposeless changes in working hours or workdays; or</p> <p>13. Any type of unfair immigration-related practices.</p> <p>Additionally, an employer or "person acting on behalf of the employer" is prohibited from retaliating against an employee whose family member is a whistleblower or a perceived whistleblower, including complaints to the Labor Commissioner or for health and safety violations.</p> <p>g. Rule – means any order, directive, regulation, or law, the violation of which subjects a person to a penalty or administrative sanction.</p> <p><b>5.2. Improper Action Reporting Procedures</b></p> <p>Bank employees who obtain knowledge of facts demonstrating improper actions should report the issue to the Hotline either by phone or visiting their website. You can also <i>contact Richard Belliston directly or the Human Resources Department</i>.</p> <p>Bank employees who fail to make a good faith attempt to follow this policy in reporting improper action shall not receive the protections provided under this policy. Employees who intentionally and knowingly make false reports may be subject to disciplinary actions including, but not limited to, termination of employment.</p> <p><b>5.3. Investigation Procedures</b></p> <p>The Audit Committee, or its designee, will take prompt action in properly investigating any report of improper action. The Audit Committee shall have full authority to evaluate and determine the risk level to ensure the more serious allegations are escalated properly and will investigate concerns raised in accordance with this policy. The Audit Committee may retain outside legal counsel, accountants, private investigators, or any other resource that the Committee reasonably believes is necessary to conduct a full and complete investigation of the allegations.</p> <p>Reports of concerns, and investigations pertaining thereto, shall be kept confidential to the extent possible. However, consistent with the need to conduct an adequate investigation, the Audit Committee or Council cannot guarantee complete confidentiality.</p>
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<b>5. Whistleblower – Reporting &amp; Responsibilities (cont)</b>	<p>Although an employee can remain anonymous when calling the hotline or submitting a concern to the website, the Audit Committee will continue to keep the identity of the reporting employee confidential, except when the Committee unanimously determines that it is necessary to otherwise disclose such information either in the course of the investigation or afterwards. Nevertheless, the Audit Committee will normally keep the reporting employee's identity confidential and in accordance to the NLRB's guidance. All reports will be investigated as promptly as possible and, upon conclusion of such investigation, appropriate corrective action will be taken where warranted. Investigations may include referring information to an appropriate law enforcement agency.</p> <p>If warranted, appropriate agencies responsible for the enforcement of federal, state and local law may be contacted to assist with the investigation of improper action.</p> <p><b>5.4. No Retaliation or Interference</b></p> <p>It is the policy of the Bank that an employee disclosing information concerning improper action shall not suffer reprisal, retaliation or punitive action by the Bank or any of its officers or employees. Bank officers and employees are prohibited from taking retaliatory action against a Bank employee because he or she has in good faith reported an improper action in accordance with this policy. It is a violation of this policy to retaliate or take wrongful punitive action against any employee for the good faith reporting of any improper action. Additionally, an officer or employee shall not directly or indirectly use or attempt to use his or her official authority or influence to harass, intimidate, threaten, coerce, command, influence or attempt to intimidate, threaten, coerce, command or influence, another officer or employee, as applicable, in an effort to interfere or prevent the disclosure of information concerning improper action.</p> <p>For purposes of this section of the policy, use of "official authority or influence" includes taking, directing others to take, recommending, processing or approving any personnel action, such as an appointment, promotion, transfer, assignment, reassignment, reinstatement, reemployment, evaluation or disciplinary action.</p> <p>An employee, who believes he or she has been retaliated against for reporting a violation, can seek relief by contacting the Hotline, Richard Belliston, any member of the Bank's audit committee, Human Resources, or by filing a complaint with the Secretary of Labor. All allegations of retaliation will be fully investigated and will be taken and treated seriously. Anyone found responsible for retaliating against anyone who in good faith reported possible misconduct is subject to disciplinary action, up to and including termination of employment and possible legal action.</p> <p>This policy protects those making good faith reports. It shall be a violation of this policy for any employee to report or disclose information that the employee knows or reasonably should know to be untrue, unfounded, or for which there is no basis for the claim. Nothing in this policy prohibits the</p>
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<b>5. Whistleblower – Reporting &amp; Responsibilities (cont)</b>	<p>Bank from initiating proper disciplinary procedures against an officer or employee, as applicable, who is untruthful or who does not act in good faith when disclosing information concerning improper action.</p> <p><b>5.5. Conflicts of Interest</b></p> <p>If the complaint involves a member of an investigating committee, Executive Committee, the president and CEO, the involved individual(s) will not be permitted to participate in the consideration of the compliant or the determination of what, if any, action needs to occur with regard to the complaint. If such involvement excludes the majority of a committee from participating in the process, the investigation will be assigned to another individual and/or outside counsel by the Audit Committee.</p>
<b>6. Bank Records &amp; Requirements</b>	<p>It is imperative that all records (including time cards), data and information used and managed by the Bank be kept current, accurate and complete. Each employee is personally responsible for the integrity of the information, reports and records under this or their control. Records must be maintained with a sufficient level of detail to accurately reflect the Bank's operations and transactions.</p> <p>In continuing with the legal and ethical obligations, all employees who are involved in any manner with the preparation and/or filing of any reports or documents that the Bank is required to file or submit to any governmental or regulatory agency are expected to make full, fair, accurate, timely and understandable disclosures in all such reports. Additionally, employees must maintain accurate Bank records and retain them in accordance with applicable law and Bank policy.</p> <p>Employees shall follow all specified Bank guidelines and procedures with respect to the retention of records. General records should be maintained for specified time periods in accordance with Bank policy and as required by law. An employee must never, regardless of the time period, destroy any records which could potentially be relevant to any violation of law, any pending or threatened litigation or any pending, threatened or foreseeable government investigation or proceeding.</p> <p><b>6.1. Bookkeeping and Record keeping</b></p> <p>The Bank and its senior financial officers are committed to providing investors with full, fair, accurate, timely and understandable disclosure in the periodic reports that it is required to file. To this end, the Bank shall:</p> <ol style="list-style-type: none"> <li>Comply with generally accepted accounting principles;</li> <li>Maintain a system of internal accounting controls that will provide reasonable assurances to management that all transactions are properly recorded;</li> <li>Maintain books and records that accurately and fairly reflect the Bank's transactions;</li> <li>Prohibit the establishment of any financial changes undisclosed or unrecorded funds or assets;</li> <li>Maintain a system of internal controls that will provide reasonable assurances to management that material information about the</li> </ol>

<b>6. Bank Records &amp; Requirements (cont)</b>	<p>Bank is made known to management, particularly during the periods in which the Bank's periodic reports are being prepared; and</p> <ul style="list-style-type: none"> <li>f. Present information in a clear and orderly manner and avoid the use of legal and financial verbiage in the Bank's periodic reports.</li> <li>g. Any material change in financial condition or operations must be quickly and urgently disclosed by the issuer in easy to understand terms, as they are necessary to public interest and investor protection.</li> <li>h. The CFO and financial officers certify that they have reviewed the findings of annual or quarterly reports, and find the statements within to be accurate and free of any material errors. Those officers (CEO, CFO and President), must also certify that they understand their responsibility for creating and monitoring internal controls within their organization.</li> </ul> <p><b>6.2. Competitors</b></p> <p>Employees are required 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 employees and services. Employees are prohibited from involving the Bank in arrangements with its competitors, which provide for the setting or controlling of rates, prices or marketing policies.</p> <p><b>6.3. Corporate Opportunity</b></p> <p>No employee shall acquire, or derive personal gain or profit from any business opportunity or investment, which comes to their attention as a result of their employment with the Bank.</p> <p><b>6.4. Personal Use of Bank's or Customer's Property</b></p> <p>No employee shall appropriate or permit any other employee to appropriate for their personal use any funds or property belonging to the Bank except as specifically authorized by other Bank policies. Misappropriation of customer's funds or property is theft and, in addition to subjecting an employee to possible criminal penalties, will result in the employee's dismissal.</p> <p>All Bank assets including facilities, furnishings, equipment, technology, and supplies may not be removed from the facilities, unless there is proper authorization to do so. Furthermore, assets shall not be used for personal gain.</p> <p>Any assets created or developed, whether directly or indirectly, while employed by Preferred Bank are the sole property of the Bank and may not be used for any purpose other than the Bank's business. These assets will remain the property of the Bank even if the employee who created or developed them leaves the employment of the Bank.</p>
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	<p><b>6.5. "Questionable" Payments to Others</b></p> <p>No funds or property of the Bank shall be used for any unlawful or unethical purpose, nor shall any employee attempt to purchase or obtain any privileges or special benefits through the payment of bribes, kickbacks or any other form of payoffs.</p>
<b>7. Reporting a Violation</b>	<ol style="list-style-type: none"> <li>1. Directors and officers shall report, in person or in writing when mandated by law, any known or suspected violations of laws, governmental regulations or this Code to the Bank's legal counsel.</li> <li>2. Employees who are not directors or officers shall report such violations to the Bank's Compliance Officer, or shall follow the procedures in the Bank's Whistleblower Policy.</li> <li>3. The Bank will not allow any retaliation against a director, officer or employee who acts in good faith in reporting any such violation.</li> <li>4. The Bank's legal counsel will investigate any reported violations and will oversee an appropriate response, including, but not limited to, corrective action and preventative measures.</li> <li>5. Directors, officers and employees that violate any laws, governmental regulations or this Code will face appropriate, case specific disciplinary action, which may include demotion or discharge.</li> </ol>
<b>8. Waivers &amp; Disclaimer</b>	<ol style="list-style-type: none"> <li>1. Directors and Executive Officers <ul style="list-style-type: none"> <li>Any waivers of this Code for directors or executive officers may be made only by a resolution of the Bank's Nominating and Corporate Governance Committee.</li> </ul> </li> <li>2. Other Employees <ul style="list-style-type: none"> <li>The provisions of this Code may be waived in writing for employees who are not directors or executive officers by the Bank's Chief Executive Officer and/or the President.</li> </ul> </li> <li>3. Compliance with Law <ul style="list-style-type: none"> <li>a. Any waiver of this Code granted to a director or executive officer will be publicly disclosed as required by the securities exchange or association on which the Bank's securities are listed for trading.</li> </ul> </li> </ol> <p>Any change in or waiver of this Code for senior financial officers will be publicly disclosed as required by the Securities Exchange Commission or the Federal Deposit Insurance Corporation.</p>
<b>9. Monitoring &amp; Training</b>	<p>The Bank will include the Code of Personal and Business Conduct as part of the Bank's periodic audit process to identify weakness and to recommend corrective actions to ensure compliance with the Bank's policy. Reports of any findings shall be provided to the Compliance Officer and Compliance Committee. The updated policy shall be reviewed and approved by the Board of Directors.</p>

<b>9. Monitoring &amp; Training (cont)</b>	<p>All employees (including part-time and temporary employees) will receive training at the time of employment by the Human Resources Department and will sign a statement certifying they have read, understood and are in full compliance with the Bank's Code of Personal and Business Conduct. In addition, employees will be asked to review the Bank's Code of Personal and Business Conduct on a periodic basis to assure understanding and full compliance, including any updates to the policy.</p> <p>Violations of the policy will be reviewed on a case-by-case basis. Penalties for violating the Code of Personal and Business Conduct will be commensurate with the violation, up to and including termination of employment.</p> <p><b>COMPLIANCE AUDIT &amp; TRAINING (CAT)</b></p> <p>All Bank employees are to adhere to the Bank's Compliance and BSA policies and procedures and follow federal, state and local laws, regulations and standards that apply to their responsibilities. In addition to daily duties, employees are evaluated on their performance in the area of Compliance &amp; BSA issues, timeliness of responses to Compliance &amp; BSA Department requests, and Compliance &amp; BSA training. Employees are to report potential integrity or compliance concerns through the reporting mechanism described in the Bank's Compliance Guidelines or to the Head of Human Resources and/or the Head of Compliance and/or BSA Officer as appropriate or applicable. The Performance Measurements in conjunction with the CAT measurements will be considered in determining discretionary merit increases and incentives in accordance's to the Bank's performance review rating system.</p>
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## PREFERRED BANK

### CODE OF PERSONAL AND BUSINESS CONDUCT

#### Acknowledgement

I have received and read the Preferred Bank Code of Personal and Business Conduct policy and agree to abide by its provisions at all times. I am aware that I need to report any circumstance and/or activity of a business, personal or family nature, which would conflict with the interest of the Bank.

**Employee Name:**

**Employee Signature:**

**Date:**