

# CODE OF BUSINESS CONDUCT AND ETHICS

Revised November 30, 2011

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## POLICY STATEMENT

It is the policy of the BankGuam Holding Company and Bank of Guam (hereafter “Bank”) to conduct our business in accordance with the highest ethical standards, in order to merit and maintain the complete confidence and trust of our customers, shareholders, staff members, and vendors. Staff members must conduct their personal affairs and manage their business transactions in a manner that 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. This policy addresses both business and social relationships, which may present legal and ethical concerns, and also sets forth a Code of Conduct to guide staff members. The term “staff members” refers to all officers and employees of the Bank.

### **Compliance with Laws and Regulations**

It is the policy of the Bank to fully comply with the spirit and intent of all applicable laws and regulations. We expect our staff members to comply with all applicable laws, rules and regulations in accomplishing their assigned duties, while using good judgment and ethical standards.

### **Administration of the Code of Conduct**

It is the responsibility of each director and staff member to be familiar with the Bank’s Code of Business Conduct and Ethics (the “Code”). Supervising officers are expected to make every reasonable effort to ensure that their subordinate staffs continue to comply with the provisions of the Code.

On behalf of the Board of Directors, the Nominating/Corporate Governance Committee will periodically review the Code, advising the Board in matters of administration and updates.

Senior management shall implement the Code, and determine matters of interpretation. Monitoring of adherence to the Code shall be accomplished by audit, examination, and human resource procedures.

Staff members 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.

All staff and Directors shall sign a written acknowledgement of receipt of a copy of the Bank’s Code of Business Conduct and Ethics and any subsequent changes thereto.

Staff members who violate the provisions of the Code may be subject to dismissal.

### **Waivers of the Code**

IMPORTANT. In certain circumstances, it may be appropriate to grant a waiver of a provision of

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the Code, including waivers to the Bank's Chief Executive Officer, Chief Operating Officer, and Senior Officers, or directors. Any such waiver of the Code must be made in writing, and receive the prior consent of the independent members of the Board of Directors. Any waiver must be promptly disclosed to shareholders via the Bank's website, filing of the appropriate form, or other expeditious and efficient method that is in accordance with legal and regulatory requirements.

## **Enforcement Responsibilities and Procedures**

The Board proactively promotes the highest level of ethical behavior and personal performance, including meeting the requirements of this Code. All staff members and directors should ensure prompt and consistent reporting of violations of the Code, as well as any actual or potential violation of applicable laws, regulations or Bank policies. Because it may be unclear whether a violation has occurred, staff members are encouraged to talk to managers about behavior that may violate the Code, and may raise any questions relating to the Code.

## **Complaint Procedure; Whistleblower; Communicating with Managers**

The Sarbanes-Oxley Act requires that audit committees establish and maintain procedures to receive, retain and treat complaints received relating to accounting, internal control, or auditing matters. For further details refer to the Whistle Blowing Policy.

## **Retaliation Prohibition**

**The Board of Directors will not permit retaliation, harassment, or any type of discrimination or adverse action against an employee who makes a good faith complaint about suspected Bank violations of law or breaches of this Code.** Complaints of alleged retaliation will be promptly addressed and, to the extent permitted by law and consistent with an effective investigation, be kept confidential. Contact the Audit Committee of the Board of Directors, in the same manner prescribed above, to report alleged retaliation.

## CONFLICTS OF INTEREST

### **Policy**

A conflict of interest is defined as a staff member's involvement in outside interests that might either conflict with the staff member's duty to the Bank or adversely affects the staff member's judgment in the performance of their responsibilities.

It is the Bank's policy that staff members do not engage in personal conduct that will conflict with the interests of the Bank. All staff members 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 Bank customer, supplier, business associate or competitor.

Disclosure of potential conflicts of interest should be made, in writing, with a full account of the

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circumstances, to the staff member's supervisor who will review the situation and instruct the staff member as to the appropriate action. Contemporaneous written records of all such disclosures are retained.

## **Acceptance of Gifts**

Staff members and their immediate families shall not solicit, accept or retain a benefit for themselves or for any third party from any customer of the Bank, any individual or organization doing or seeking to do business with the Bank, or from any other individual or organization based on a banking relationship other than normal authorized compensation, with the intent to be 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 relative), fee or compensation, or anything of monetary value.

Specific exceptions to this prohibition are made if there is, and appears to be, no reasonable likelihood of improper influence in the staff member'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 reasonably valued entertainment involving 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 \$50) such as received at holiday time or special occasions, such as a new job, promotion, wedding, or retirement, representing an expression of friendship.
- 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, which are the motivating factors.
- Unsolicited advertising and promotional material of nominal value, such as pens, pencils, note pads, and key chains.
- 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(s) received, other than the exceptions noted above, is to be reported by the staff member to their supervisor, in writing, with a full account of the circumstances. The supervisor will review the situation and instruct the staff member as to the appropriate action. The Bank retains contemporaneous written records of all such disclosures.

It is important to recognize that federal law makes it a crime for any officer, director or employee of a federally insured bank or bank holding company, directly or indirectly, to ask, solicit,

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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. Until recently, this federal law only applied to bribes to procure or attempt to procure a loan. However, the recent amendment to this federal bribery statute eliminates the necessity of showing that the staff member received the payment in exchange for making a loan. 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 staff member's supervisor.

## **Political Contributions and Activity**

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

Under local law, a bank is prohibited from making a loan, contribution or expenditure in connection with any local election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for political office.

In accordance with local law, no staff member shall make any direct or indirect contribution of funds or other property of the Bank in connection with the election of a candidate to any local or federal office. For these purposes, use of the corporate facilities and equipment for political activities is deemed to be a contribution.

The Bank's policy regarding corporate political contributions is not intended to discourage staff members from making personal contributions to candidates or political parties of their choice.

Officers and other employees who engage in political activities do so as individuals and not as representatives of the Bank. This must be made clear and every effort must be made to see that the Bank does not become involved.

- Under no circumstances, without written approval of management, may officers and other employees engage in any form of electioneering on Bank premises, nor should candidates for public office be authorized to distribute campaign material in the Bank.
- Before accepting an appointment to a public office, or filing for election, officers and other employees must first obtain clearance through management. When a subordinate officer or non-officer is involved, request for clearance should be accompanied by a letter giving the views and recommendations of the manager or department head.
- Officers and other employees should use extreme caution when asked to endorse a candidate for public office, either side of a controversial or political question, or an advertised commodity. Such endorsement, if given, should not include the Bank's name. It must be kept in mind that our customers have varying political beliefs and will be

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found on both sides of controversial public questions; therefore, a strongly expressed personal viewpoint could be harmful to the Bank's customer and public relations.

## **Outside Activities**

The Bank discourages staff members from holding outside employment. In those instances where it is justified, written approval from the Human Resources Department is required. No outside employment or activity will be approved which might subject the Bank to criticism or which will encroach upon regular working hours, interfere with regular duties, or necessitate such long hours that the staff member's productivity is affected.

The Bank encourages individual participation in civic activities. Normally, voluntary efforts must take place outside of regular business hours. If voluntary efforts require business time, the staff member should obtain prior approval.

Staff members 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. Approval, except in unusual cases, will normally be granted to act as fiduciary for a family member.

## **Personal Finances**

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

Staff members should 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 related to the staff member by blood or marriage.

## **Personal Investment Activity**

While the Bank does not intend to unreasonably limit staff members in their personal investment activities, it is Bank policy that no staff member enter into investment transactions which would create, or give the appearance of creating, a conflict of interest between the staff member and the Bank, or between the Bank and any customer.

## **Lending Practices**

1) 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.

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2) Staff members 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: members of their families; any individual or organization to which the staff member or his or her immediate family is indebted; or any organization to which the staff member, or his or her immediate family, is associated or in which a material financial interest is held.

3) 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.

## **Gambling**

All officers and other employees should refrain from all forms of gambling and not attend places where gambling exists, including gaming facilities. Frequent attendance at such places would be a possible cause for dismissal from the Bank's service.

## **Use of Bank's Name**

Without the Bank's express permission, do not use the Bank's name in any manner which may be interpreted to indicate any connection between the Bank and a staff member's outside activities. For example, a staff member's endorsement of an advertised article, if accompanied by his Bank address or a statement of his connection with the Bank, would be an improper activity.

When participation in a public activity involves writing letters to congressmen or political bodies, expressing an opinion on matters of national or local importance, the letters must indicate clearly that they are being written by an individual and do not reflect a position taken by our Bank.

## **Publications**

Encourage officers and other employees to prepare articles on banking subjects for publication in magazines, newspapers, and other periodicals whenever such articles will bring favorable publicity to the Bank. Prior to publication, submit such articles to management for approval.

## **Fiduciary Appointments**

Officers and other employees should avoid accepting fiduciary appointments, such as executor, administrator, guardian, testamentary trustee, etc., except those involving members of their immediate families.

## **Other Prohibited Transactions**

Officers and other employees and members of their immediate families must not enter into transactions where it may appear that they are improperly benefiting from their relationship with the Bank or from information acquired through relations with Bank customers or prospects. Particular care must be exercised to ensure that they do not enter into transactions which may violate laws governing fiduciary relationships. While a complete list of prohibited transactions

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cannot be given, those listed below are examples contrary to Bank policy. Avoid investments in, or purchase of:

- Real property which the Bank or any agent of the Bank has acquired by foreclosure, or which is being sold by the Bank, as beneficiary or trustee under a deed of trust, or in any other fiduciary capacity;
- Automobiles, household appliances, or other personal property acquired by the Bank, or any agent of the Bank, through foreclosure or repossession, or being sold by the Bank in a fiduciary capacity, unless such property is being offered to the general public at a dealer's place of business at the same price and term;
- Stocks, bonds, or other securities pledged to the Bank as collateral or being sold by the Bank in fiduciary capacity;
- Deeds of trust, mortgages, or security agreements which are a lien against property in which the Bank has a security interest; however, an officer or other employee may accept a junior deed of trust or mortgage to secure a portion of sales price where any property on which the Bank has a lien is sold by such employee;
- Property in which the Bank has a security interest unless permission is first obtained from management ordinarily, permission will be granted unless it appears that the loan held by the Bank, for which the property is security, is in default. This provision does not apply when an employee purchased from a dealer in the ordinary course of business even though the dealer may have granted the Bank a security interest in the merchandise being purchased.

## **Advice to Customers**

Staff members may occasionally be asked by customers to comment upon the legality of a particular transaction. Since the Bank cannot practice law or give legal or tax advice, staff members 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.

## **Corporate Opportunities**

Employees, officers and directors owe a duty to the Bank to advance its legitimate interest when the opportunity to do so arises. Employees, officers and directors are prohibited from:

- Taking for themselves personal opportunities that are discovered through the use of Bank property, information or position;
- Using Bank property, information or position for personal gain; and
- Competing with the Bank, without the prior consent of the Board of Directors.

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## CONFIDENTIALITY

### **Customer Information**

Safeguarding the confidential financial information concerning the Bank's customers is essential in maintaining the public trust. It is the policy of the Bank that such confidential information acquired by a staff member 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 staff member. Aside from routine credit inquiries, information regarding a customer may generally only be released to private persons, organizations or governmental bodies that request it 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. Confidential customer information should never be discussed in public places, even within the Bank's offices.

Staff members should be sensitive to the risk of inadvertent disclosure resulting from open doors, speakerphones, cellular phones, and when transmitting confidential information by fax or other electronic media.

### **Information Regarding 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. All news media inquiries must be referred to the President, CEO and Chair of the Board or the Executive Vice President and COO. The Bank expects every employee to treat information concerning the Bank and its personnel with the same confidentiality as information concerning customers of the Bank and to observe, with respect to the Bank, the same guidelines set forth under the Caption, "Customer Information".

See also the Insider Trading Policy for additional guidance.

Lending personnel must not disclose confidential information on existing or proposed loan customers to investment personnel.

## PRIVACY

In order to assure access at all times to Bank property, and because employees may not always be available to produce various documents, records, files or other items in their possession in the ordinary course of business, the Bank reserves the right to conduct a routine inspection or search of the Bank's premises at any time, without the consent of the employee.

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The Bank's premises include all locations owned or leased by the Bank or under the control of the Bank, including office space, parking lots, closets, storage areas and lockers. Bank property includes all tangible and intangible personal property of the Bank, including, without limitation, all furniture, equipment, file cabinets, computer hardware and software, licenses and copyrights. The foregoing includes all communications and transmissions of any kind, including all information stored on any hardware, software, electronic disk, voice mail, e-mail and all other electronic communication media.

Routine searches and inspections may include an employee's office, desk, file cabinets, closet, locker, computer files, whether contained on a hard drive or floppy disk, including past and present e-mail communications, and similar places where Bank property may be located, whether or not such places are locked.

All system pass codes must be available to the Bank at all times. Employees may not use pass codes that are unknown to the Bank. Employees are prohibited from the using the code of another employee to gain access to that individual's e-mail, voice mail or computer system.

Employees are prohibited from using the Bank's information systems in any way that might be considered disruptive or offensive to others, including customers and vendors. Personal or inappropriate use of the Bank's information systems may result in disciplinary action, up to and including termination. Inappropriate transmission includes, but is not limited to, sexually explicit messages, offensive language and ethnic, racial and gender-specific slurs.

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