

# **THE CONNECTICUT BANK AND TRUST COMPANY**

## **CODE OF ETHICS AND CONFLICTS OF INTEREST POLICY**

APPROVED 2011-05-19

## **THE CONNECTICUT BANK AND TRUST COMPANY**

### **CODE OF ETHICS AND CONFLICTS OF INTEREST POLICY for Directors, Officers, and Employees**

The Connecticut Bank and Trust Company ("CBT") is an institution of public trust that are dependent upon public confidence. Inherent in that trust is CBT's responsibility not only to preserve and safeguard public confidence but also to strengthen and renew such confidence. The reputation and soundness of CBT is dependent on its commitment to avoid conflicts of interest. It is imperative that each member of the Board of Directors, Officer and Employee of CBT act with integrity at all times, conduct themselves in a professional manner, and comply with all rules, regulations and policies of CBT. In addition, all Directors, Officers and Employees have an obligation to CBT to ensure that their outside activities, interests and personal affairs are not in conflict with CBT's interests or reflect negatively upon CBT's reputation in the community. It is to this end that this Conflict of Interest & Code of Ethics Policy ("Policy") was adopted. This Policy also serves as the Bank's "Code of Ethics" for purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the regulations of the Securities and Exchange Commission promulgated pursuant thereto.

#### **STATEMENT OF BOARD POLICY**

No one associated with CBT, whether as a director, officer or employee, should use their position, directly or indirectly, for private gain, to advance personal interests or to obtain favors or benefits for themselves, their families or related interests, or any other entity. Each such person must manage their personal and business affairs so as to avoid situations that might lead to conflict of interest or the appearance of a conflict of interest involving CBT. Compliance with this policy is required of all such persons.

The purpose of this *Conflict of Interest Policy and Code of Ethics* is to ensure that business dealings and transactions between the Bank and its officers, directors, principal shareholders and employees are conducted in an arm's-length fashion.

The nature of the banking industry requires that each employee and officer of CBT meet high standards of integrity and ethical conduct. These rules are based upon laws and fiduciary duties which are derived from common sense principles. However, they are extremely important and should be reviewed regularly. Please remember that the following should be considered to be guidelines and as such, cannot address every potential issue. If you should have a question concerning a specific proposed transaction, discuss it first with the Chief Executive Officer or a member of Senior Management.

The policy is applicable to officers, directors and employees of CBT, respectively.

#### **CONFLICTS OF INTEREST**

All officers, directors and employees ("insiders") are responsible for dealing fairly with CBT in business transactions and ensuring that their personal interests do not bias CBT's decisions. Insiders must ensure that their own business and personal relationships with CBT, as well as their relationships with fellow insiders, are always at arm's-length. Insiders must also ensure that they do not take any business opportunity that properly belongs to CBT. Even the appearance of abuse in insider dealings can adversely affect both CBT and the individual. The law does not prohibit an insider from doing business with CBT; in fact, many insiders are very important customers. Insiders must ensure, however, that neither they nor others abuse their position to benefit personally at CBT's expense, and they should take

appropriate precautions in structuring their business and personal ties to CBT to avoid even the appearance of a conflict of interest.

Insiders must not put their personal or business interests or those of others above the interests of CBT . Thus, insiders must be fair in their dealings with CBT , and personal interests must not be allowed to bias decisions. Insiders must not take advantage of potential “corporate opportunities,” such as business enterprises, properties, or new products that they learn of as a result of their position or that are in CBT ’s “line of business.”

Insiders must disclose fully to the Board at the next regularly scheduled meeting any personal interest they may have in matters affecting CBT and ensure that any transactions involving these interests are determined by disinterested Directors to be fair to CBT Disclosure should be made at the next regularly scheduled Board meeting.

### **PERSONAL CONDUCT**

Each officer, director and employee is expected to maintain the highest ethical standards in their personal and professional dealings.

Employees, officers and directors of CBT are expected to accept certain responsibilities, adhere to acceptable business principles in matters of personal conduct, and exhibit a high degree of personal integrity at all times. This not only involves sincere respect for the rights and feelings of others, but also demands that with respect to business and personal matters, such persons refrain from any behavior that might be harmful to CBT, or that might be viewed unfavorably by current or potential customers or with respect to the public.

### **PERSONAL FINANCES**

Each officer, director, and employee should maintain his or her personal finances in a prudent, businesslike manner. All accounts for officers, directors, principal shareholders and employees are to be handled in a professional manner. Deposits may not bear a greater rate of interest than that paid to the general public. In accordance with 12 CFR 215.4(e) of Regulation O, the Bank may not pay an overdraft of an executive officer or director of the Bank or of an affiliate of the Bank, on an account at the Bank, unless either:

- The payment of funds is made in accordance with a written, preauthorized, interest-bearing extension of credit plan that specifies a method of repayment, or a written, preauthorized transfer of funds from another account of the account holder at the Bank.
- The payment is of an inadvertent overdraft on an account in an aggregate amount of \$1,000 or less, provided the account is not overdrawn for more than five business days, and the Bank charges the executive officer or director the same fee charged to any other customer of the Bank in similar circumstances.

The following activities are prohibited:

1. Borrowing from other staff members;
2. Borrowing from CBT customers other than those that are lending institutions;

3. Borrowing from the Bank or borrowing at preferential rates from the Bank because of your position. Remember that any Bank loans to executive officers, directors and principal shareholders must be on the same terms and conditions as those offered to the general public; and
4. Borrowing from CBT or any other institution, on terms or conditions (or through a process) which would violate any applicable law, rule or regulation, or which would be contrary to the policies of CBT.

The Policy of CBT and banking laws impose various restrictions on certain “insider” loan transactions. Please refer to the Bank’s *Insider Lending Policy & Procedures and Regulation O Compliance Policy*.

### **BUSINESS DEALINGS**

In addition to lending transactions, any dealings between CBT and directors, executive officers, principal shareholders and related interests of such persons, including transactions between CBT and the spouses, children, parents, or siblings of CBT insiders, must constitute arm’s-length transactions.

The following insider transactions are prohibited:

1. A transaction or business dealing which is not intended for the benefit of CBT but is merely an accommodation for the insider’s benefit;
2. A transaction which is not made on terms and under circumstances which are substantially the same or as favorable as those prevailing at the time for comparable business dealings with persons not covered by the policy; or
3. A transaction which is an investment in real estate, either directly or indirectly, whether in the form of an equity interest, partnership, joint venture, or any other form, if CBT, in substance, has virtually the same risks and potential rewards as an investor in the borrower’s investment in real estate.

With regard to use of CBT property and personnel, the Board has taken the position that all supplies, copy services, postage meter and support personnel are for CBT’s business and should not be used for personal needs. Any questions or areas of confusion regarding this policy should be addressed to the Chief Executive Officer.

Conflicts of interest between officers, employees, principal shareholders or directors of CBT and customers of CBT (or their related interests) shall be avoided at all times. Conflicts of interest include, but are not limited to compensation from or investments in customers of CBT or their related interests. Similarly, the authorized use of privileged information constitutes a conflict of interest. An officer, employee, principal shareholder or director contemplating a transaction that may involve a conflict of interest must obtain the proper approval of the Board of Directors of the Bank.

The following activities are prohibited:

1. A direct or indirect financial interest including joint ventures or directorship in or with a supplier, customer or appropriate prospective customer without prior disclosure to and prior approval from the Board of Directors.
2. Receiving preferential treatment from customers of CBT because of your position with CBT.

3. Selling or leasing goods or services to CBT without prior disclosure and approval by a majority of disinterested directors. In addition, the terms and conditions of transactions must be not less favorable than those offered to others.
4. Receiving discounts on personal purchases from suppliers or customers because of business relationships with CBT.
5. Giving preferential treatment to a customer, supplier or prospective customer because of any favor, gratuity or outside business relationship with such customer, supplier or prospective customer.

Actual conflicts of interest and any known potential conflicts of interest must be disclosed to the appropriate Board of Directors, including those arising due to business or personal relationships with customers, suppliers, business associates, or competitors of CBT.

### **CONFIDENTIALITY**

Please remember that information obtained in the course of evaluating a loan application, servicing a loan and other information including financial, personal and other information on customers, suppliers, prospective customers, employees or applicants is strictly confidential. Use of such information to further your own business interests should be scrupulously avoided. In addition, such information may not be shared or made available to individuals outside CBT.

Please remember that use of material inside information in your own investments can constitute a violation of federal securities laws. As long as this material inside information is not fully disclosed to the investing public, you must abstain from trading in, recommending, or discussing the securities concerned.

### **OUTSIDE EMPLOYMENT**

With respect to an employee of CBT, employment is a full-time career unless otherwise provided by the appropriate Board of Directors (or in the case of a non-officer employee as provided by executive management). The undivided interest and loyalty of employees is important to the continued success of CBT. Thus, employment with outside firms is permitted only if it:

1. Will not interfere with work assignment or performance;
2. Will not involve the possibility of adverse publicity to CBT;
3. Is not with a competitor, supplier or customer;
4. Does not imply sponsorship by CBT;
5. Does not involve serving as a director, officer, managers or consultant; and
6. Is approved in advance by the appropriate Board of Directors (or in the case of a non-officer employee, executive management).

In addition, certain affiliations by directors, officers and employees are specifically prohibited by law. Examples of such prohibitions include serving as a director, officer, or employee of:

1. A public utility holding company or its affiliates (15 U.S.C. §79q(c));
2. An interstate power company (16 U.S.C. §825d(b) or having certain specified affiliations with a registered investment company (15 U.S.C. §80a-10(c));
3. In addition, the Depository Institutions Management Interlocks Act prohibits a “management official” (officer, director, advisory director or the nominee of such persons) of CBT from serving as a “management official” of another depository institution in the same community or one that is contiguous or adjacent within ten miles (12 U.S.C. §3201 et seq.).

### **CONTRIBUTIONS – POLITICAL ACTIVITIES**

CBT, as a responsible citizen, encourages contributions to worthy charitable, social and educational causes. However, due to the requirements of the working environment, employee contributions to political or charitable organizations may not be solicited on CBT premises or during working hours without prior management approval. Officers and employees shall not contribute directly or indirectly on behalf of CBT, time, money, service or favors to political parties, candidates or workers. CBT is prohibited from engaging in politics or making political contributions including the use of its facilities and/or supplies.

Any officer or employee who wishes to take an active role as a political candidate for any elective public office or is considered being appointed to any governmental or civic position, must discuss the details and receive prior approval from the Chief Executive Officer and Board of Directors.

### **CREDIT PRACTICES**

It is important that all loans be made in a prudent manner. In addition, all loans should be made in an arm’s-length transaction or in such a manner as will not reflect adversely on the integrity of our institution. Thus, you may not extend credit or participate in any credit extension to a customer in the following circumstances:

1. The proceeds of a loan are to be given to you or benefit you, your family, or an entity in which you have a financial or other interest;
2. The borrower, in turn, loans the proceeds of his loan to you, your family, or an entity in which you have an interest;
3. The borrower uses the proceeds of the loan to pay your debts or those of your family or an entity in which you have an interest;
4. The borrower uses the proceeds to purchase assets from you, your family or an entity in which you have an interest;
5. The loan is made on a preferential rate which has not been authorized by the Loan Committee or other appropriate authority within the Bank; or
6. The loan is made to an employee of a bank regulatory agency, which has supervision over the Bank.
7. The borrower obtains a loan from another bank on a preferential basis as part of a reciprocal arrangement pursuant to which the Bank extends credit to such other bank on a preferential basis.

Additional rules apply to loans to executive officers, directors, and principal shareholder. Please review CBT's *Policy Regarding Insider Lending and Compliance with Regulation O*.

### **RECEIPT OF GRATUITIES**

There are certain circumstances in which a CBT officer, director or employee may be offered or wish to give a gratuity or some other thing of value to a person who happens to be a customer or supplier of CBT or is in some other way related to CBT. Typical examples include situations in which the other individual is a family member or the proposed gift or service properly furthers the interest of CBT by facilitating business discussions in a normal and usual fashion, such as a business luncheon. However, as a general rule, neither you nor your family may solicit or accept gifts, fees, services or entertainment from customers, suppliers, or prospective customers. In order to guide your conduct, make sure that you are familiar with the Bank Bribery Act, 18 U.S.C. §215, of the Comprehensive Crime Control Act of 1984. This statute is intended to prevent payment or receipt of anything of value in support of a transaction with CBT or another financial institution. As a general rule, you should be mindful that in instances in which a benefit is given or received relating to a banking transaction, there is a possibility of violating the law and CBT policy.

The following are intended to guide your conduct:

1. Benefits of a nominal value (\$50.00 or less), which are clearly unconnected with any transaction with CBT may be accepted from customers, suppliers, or prospective customers by CBT officers, employees or directors.
2. Tangible gifts or services or anything of value from customers, suppliers, or prospective customers shall not be solicited or accepted by any CBT officer, employee or director, for himself or a third party, as a gift or condition in connection with any CBT transaction.
3. You may receive the normal amenities which facilitate the discussion of CBT business, such as a business luncheon, from a customer, supplier or prospective customer, provided the expense would be paid for by CBT as a reasonable business expense if not paid for by another party. However, even those should be of a nominal value.
4. You may receive a gift, service, or other thing of value from a CBT customer, supplier, or prospective customer when that individual is a close family relative such as parent, child, spouse, grandparent, or grandchild, and the gift is based on that relationship.
5. You may not be named as the recipient of a bequest or legacy under a customer's will or as a personal representative of a customer's estate unless the customer is a family member or the transaction has been disclosed to and approved by appropriate senior management or the Board of Directors.
6. You may accept advertising or promotional material of nominal value, such as pens, pencils, notepads, key chains, calendar and similar items.
7. You may accept normal and reasonable discounts, rebates, merchandise or services which do not exceed those available to other customers.
8. You may accept civic, charitable, educational, or religious organization award of recognition of service and accomplishments not in excess of \$100.00.

## **REPORTING AND DISCLOSURE**

Should you enter into a transaction with CBT, other than an extension of credit with the approval of the Board of the Bank, CBT will be required to maintain a record of same. Specifically, CBT must maintain, in a centralized location, forms, which set forth the following information:

1. The names of the parties to the transaction other than CBT;
2. The relationship of the parties to CBT, or if appropriate the relationship of the parties to CBT insider;
3. A brief description of the transaction and its terms; and
4. A notation of any dissenting votes cast at the time the appropriate Board approved the transaction along with the basis for the dissent.

As a specific transaction arises in which there is any reasonable doubt regarding the appropriateness of conduct, a full written report with disclosure of all pertinent facts shall be made to your immediate supervisor or senior management. Finally, If you are aware of situations among your fellow employees, officers, directors or principal shareholders which appear to violate your understanding of this *Code of Ethics and Conflicts of Interest Policy*, you should report those events to your supervisor, senior management or to the Audit Committee.

The Audit Committee of the Bank will review any violations of this Policy and any instance of misconduct, impropriety, or the appearance of either on the part of an employee, officer, principal shareholder or director.

## **LITIGATION**

No suits of any kind or for any reason are to be instituted in the name of CBT by any officer without first fully discussing the matter with the Chief Executive Officer. This rule would not apply to attachments where quick action is necessary to protect CBT's position.

## **EMBEZZLEMENT**

In an attempt to deter embezzlement, CBT may inform its employees by whatever means are acceptable, whenever a CBT employee is found guilty of embezzlement. Employees have a positive duty to report to management or the Audit Committee any facts relative to a suspected embezzlement or any other suspected illegal act committed by a fellow employee.

## **E-MAIL AND OTHER ELECTRONIC OR TELEPHONIC COMMUNICATIONS**

All electronic and telephonic communication systems and all communications and information transmitted by, received from, or stored in these systems are the property of CBT and as such are to be used for job-related purposes. The unauthorized use of any software and business equipment, including, but not limited to, facsimiles, telecopiers, computers and copy machines for private purposes is strictly prohibited.

Employees using this equipment for personal purposes do so at their own risk. Further, employees are not permitted to use a code, access a file, or retrieve any stored communication unless authorized to do so or unless they have received prior clearance from an authorized supervisor. All pass codes are the property of CBT. No employee may use a pass code or voice-mail access code that has not been issued to that employee or that is unknown to CBT. Moreover, improper use of the e-mail system or the Internet, i.e., spreading offensive jokes or remarks, will not be tolerated. Employees who violate this policy are subject to disciplinary action, up to and including discharge.

To ensure that the use of electronic and telephonic communications systems and business equipment is consistent with the Bank's legitimate business interests, authorized representatives of CBT may monitor the use of such equipment from time to time. This may include a review of electronic messages including e-mail and voice-mail messages.

**OTHER REQUIREMENTS**

This Policy is not intended to be an exhaustive statement of all potential conflict of interest and all of the ethical requirements of Directors, Officers and Employees of CBT under applicable state and federal law and regulations. If any questions arise regarding the application of the requirements of law and of this Policy to specific situations, such questions should be promptly addressed to your supervisor, the Chief Executive Officer, Chief Financial Officer or the Audit Committee.

The Chief Executive Officer and Chief Financial Officer shall be accountable to the Audit Committee and Board of Directors for assuring adherence to this Policy. The Audit Committee shall establish procedures for:

- A. the receipt, retention, and treatment of complaints received by CBT regarding accounting, internal accounting controls, or auditing matters; and
- B. the confidential, anonymous submission by employees of CBT of concerns regarding questionable accounting or auditing matters.

The Audit Committee shall engage independent counsel and other advisors, as it determines necessary to carry out its duties.

Compliance with the Policy is a condition of employment and failure to comply may be a basis for disciplinary action, termination or may result in other legal consequences.

\_\_\_\_\_  
Date

\_\_\_\_\_  
David A. Lentini  
President

I have read the above Policy. I am in full compliance with the Policy, except as may be specifically disclosed in the Disclosure Form submitted with this document.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Director's/Officer's/Employee's Signature

**ADOPTED BY THE BOARD OF DIRECTORS ON**

CBT

Name \_\_\_\_\_ Department \_\_\_\_\_

Job Title \_\_\_\_\_

My signature below indicates that I have, received, read and understand the *Code of Ethics and Conflicts of Interest Policy*. Furthermore, I understand that if there are any questions relating to the policy I may contact the Human Resources Department for an explanation.

\_\_\_\_\_  
Director's/Officer's/Employee's Signature

\_\_\_\_\_  
Date

