

CODE OF BUSINESS CONDUCT AND ETHICS

POLICY STATEMENT

It is the policy of the Board of Directors of United Security Bancshares and United Security Bank (hereafter "Board" or "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 Audit 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 the Code, including waivers to the Bank's Chief Executive Officer, Chief Financial Officer, other executive 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.**

CODE OF BUSINESS CONDUCT AND ETHICS

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 Directors

The Sarbanes-Oxley Act, along with Nasdaq Rules, requires that audit committees establish and maintain procedures to receive, retain and treat complaints received relating to accounting, internal control, or auditing matters. Moreover, these procedures must allow for confidential and anonymous submission of their concerns, by employees. Such procedures are currently in place. Our Board of Directors Audit Committee may be contacted by mail or Fax. A report form, with instructions for confidential mailing is available to all staff members. Additionally, Human Resource posters are located within each branch and/or department identifying the individual and contact number of the Audit Committee Chairman to report incidents that may arise.

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 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.

CODE OF BUSINESS CONDUCT AND ETHICS

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.

CODE OF BUSINESS CONDUCT AND ETHICS

Acceptance of Gifts (Cont.)

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, 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

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

Under federal law, a national bank is prohibited from making a contribution or expenditure in connection with any federal or state election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for political office. Other corporations are prohibited from making any contribution or expenditure in connection with any federal election or campaign.

In accordance with federal 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 federal office. For these purposes, use of the corporate facilities and equipment for political activities is deemed to be a contribution. Loans to a candidate for political office or to a political committee are not prohibited so long as the loan is made in the ordinary course of business and meets the Bank's usual credit criteria and approval procedures for the particular type of loan.

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

Outside Activities

The Bank discourages staff members from holding outside employment. In those instances where it is justified, written approval from the Personnel 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.

CODE OF BUSINESS CONDUCT AND ETHICS

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.
- 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.

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 Company 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 corporate property, information or position;
- Using corporate property, information or position for personal gain; and
- Competing with the Company, without the prior consent of the Board of Directors.

CODE OF BUSINESS CONDUCT AND ETHICS 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 and CEO. 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".

Material Inside Information

The disclosure of "material inside information" subjects staff members, the Bank and third parties to whom the information is communicated to severe penalties under federal and state securities laws. Information is "material" when there is a significant likelihood possessing such material inside information must not trade in or recommend the purchase or sale of the securities involved until the information is actually disseminated to the public. See INSIDER TRADING below.

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

INSIDER TRADING

Employees and directors of the Bank are frequently entrusted with possession of confidential and highly sensitive information concerning the Bank, its clients or other businesses with which the Bank has material contractual relationships or with which the Bank may be in the process of negotiating material transactions ("Confidential Parties"). As long as an employee or director of the Bank is aware of material non-public information relating to the Bank, any of its clients or any Confidential Party, it is the Bank's policy that such employee or director may not buy or sell the securities of the Bank, the client or the Confidential Party, as applicable, regardless of how that information was obtained.

CODE OF BUSINESS CONDUCT AND ETHICS

Equally important, the employee or director must maintain such information in the strictest confidences.

An employee or director of the Bank must also not permit any member of his or her immediate family or anyone acting on his or her behalf, or anyone to whom he or she has disclosed such information, to purchase or sell such securities.

After the information has been publicly disclosed through appropriate channels, employees and directors of the Bank should nevertheless allow a reasonable time to elapse (usually three business days) before trading in the security, to allow for broad public dissemination and evaluation of the information.

In view of the foregoing, it is the policy of the Bank that employees and directors of the Bank must not purchase or sell securities of the Bank, any client of the Bank or any Confidential Party, if the employee or director has, or believes he or she may have, material non-public information relating to the Bank, such client or such Confidential Party, as applicable. All inquiries in this regard, including, without limitation, inquiries as to whether information is material non-public information or whether a company or person is a client of the Bank or a Confidential Party, should be directed to the Chief Financial Officer.

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.

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.

CODE OF BUSINESS CONDUCT AND ETHICS

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.

* * * *