



# INSIDER TRADING POLICY

**Date: May 23, 2017**

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## INSIDER TRADING POLICY

### I. Introduction

This Policy attempts to establish standards that will avoid even the appearance of improper conduct on the part of insiders. We have established a reputation of integrity and ethical conduct and we do not want that reputation to be damaged.

The Company, or we, is defined as collectively Royal Business Bank (the "Bank"), RBB Asset Management Company (RAM) and RBB Bancorp (the "Bancorp").

"Insider trading" refers generally to buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material, nonpublic information about the security. Insider trading violations may also include "tipping" such information, securities trading by the person "tipped," and securities trading by those who misappropriate such information.

The scope of insider trading violations can be wide reaching. The Securities and Exchange Commission (the "SEC") has brought insider trading cases against corporate officers, directors, and employees who traded the corporation's securities after learning of significant, confidential corporate developments; friends, business associates, family members, and other "tippees" of such officers, directors, and employees who traded the securities after receiving such information; employees of law, banking, brokerage, and printing firms who were given such information in order to provide services to the corporation whose securities they traded; government employees who learned of such information because of their employment by the government; and other persons who misappropriated, and took advantage of, confidential information from their employers.

Consequently, an "insider" can include officers, directors, major stockholders and employees of an entity whose securities are publicly traded. In general, an insider must not trade for personal gain in the securities of that entity if that person possesses material, nonpublic information about the entity. In addition, an insider who is aware of material, nonpublic information must not disclose such information to family, friends, business or social acquaintances, employees or independent contractors of the entity (unless such employees or independent contractors have a position within the entity giving them a clear right and need to know), and other third parties. ***An insider is responsible for assuring that his or her family members comply with insider trading laws.*** An insider may make trades in the market or discuss material information only after the material information has been made public.

### II. Policy Elements

If a director, officer, employee or agent of the Company has material, non-public information relating to a public company, including the Company, it is the Company's policy that neither that person nor any related person (including family members) may buy or sell any securities (including common or preferred stock, options or warrants) of that company or engage in any other action to take advantage of, or to pass on to others, that information. Additionally, directors, officers and employees of the Company may buy or sell the Company's securities only if they have pre-cleared the transaction with the Company's Chief Financial Officer.

In connection with the obligation not to pass material non-public information on to others, directors may not, without a legitimate reason, discuss the information with other persons. In addition, directors shall

take steps reasonably necessary to reduce the chances of inadvertent tipping of the information. These steps should include the following: discussion on a need-to-know basis only; maintenance of documents in secure, preferably locked, environments; and destruction of documents prior to disposal.

This Policy apply to all material, non-public information, whether or not obtained in the course of serving as a director of the Company, relating to any public company, including the Company's customers and suppliers. Stock transactions that may be necessary for independent reasons, such as the need to raise money for an emergency expenditure, are not exempt from these Policies. To preserve the Company's goal of adhering to high ethical standards of conduct, even the appearance of an illegal or improper transaction must be avoided.

### **III. Material Insider Information Defined**

Material information is any information that a reasonable investor would consider important in making a decision to buy, hold or sell any security. In short, material information is any information which could affect the price of a security. Either positive or negative information may be deemed to be material. Nonpublic, or inside, information about the Company that is not known to the investing public such as the following are examples of information that may be regarded as material:

- Projections of future earnings or losses
- Financial results
- Negotiations or news of a pending or proposed merger, acquisition or disposition
- Acquisition or tender offer developments
- Changes in liquidity position, including changes caused by the loss of a line of credit or other financing
- News of a significant sale of assets or the disposition of a subsidiary, division or line of business
- Changes in dividend policies
- Declaration of a stock split or the offering of additional securities
- Changes in senior management or a change in control
- Significant new products or discoveries
- Impending bankruptcy or financial liquidity problems
- The gain or loss of substantial customer or supplier support
- A pending tender offer or exchange offer
- Calls, redemptions or purchases of own securities
- Business combinations of any type

- Earnings announcements
- The filing of a lawsuit or significant developments in a litigation matter
- Labor disputes, strikes and lockouts
- Important license, patent or franchise developments
- The commencement or potential commencement of a governmental investigation
- Significant compensation plans or programs
- The adoption of a poison pill or other anti-takeover defense
- Significant borrowings, defaults or write-offs
- Significant diminishment of the value of assets
- Strategic plans
- Significant capital investment plans
- Major new contracts or the loss of a major contract
- Favorable or unfavorable business or financial developments, projections or prospects

The foregoing list is illustrative only. There may be many other examples of material information which may arise in the course of a company's business.

#### **IV. When Information Is Public**

Generally, information should be considered non-public if it has not been disseminated in a company's annual or periodic reports, has not been the subject of a press release intended for and made available to the public or has not been widely reported to the media, statistical services, market letters or the like. Further, the investing public must be afforded time to receive the information and act upon it following the release of the information.

#### **V. Handling of Information**

The Company's records must always be treated as confidential. Items such as interim and annual financial statements, managed assets information and similar information are proprietary (that is, information pertaining to and used exclusively by the Company), and proprietary information must not be disclosed or used for any purpose other than for Company business. All Company policies and procedures designed to preserve and protect confidential information must be strictly followed at all times.

No director, officer or employee of the Company shall at any time make any recommendation or express any opinion as to trading in the Company's securities.

Information learned about other entities in a special relationship with the Company, such as acquisition negotiations, is confidential and must not be given to outside persons without proper authorization.

All confidential information in the possession of a director, officer or employee is to be returned to the Company at the termination his or her relationship with the Company.

## **VI. 20/20 Hindsight**

It is important to remember that when any securities transaction becomes the subject of legal scrutiny, it will undoubtedly be viewed after the fact with the benefit of “20/20 hindsight.” As a result, before engaging in any securities transaction, directors should carefully consider how regulators and others might view the transaction.

## **VII. Transactions By Family Members**

The foregoing restrictions on trading are also applicable to family members’ accounts, accounts subject to the control of personnel subject to this Insider Trading Policy or any family member, and accounts in which personnel subject to this Insider Trading Policy or any family member has any beneficial interest, except that the restrictions on trading do not apply to accounts where investment decisions are made by an independent investment manager in a fully discretionary account. *Personnel subject to this Insider Trading Policy are responsible for assuring that their family members comply with the foregoing restrictions on trading.* For purposes of this Policy, "Family Members" include one’s spouse and all members of the family who reside in one's home.

## **VIII. Rule 10b5-1 Trading**

Notwithstanding the restrictions stated in this Policy, such restrictions shall not apply to purchases or sales of securities of the Company made by the persons covered hereby who have entered into a written trading plan that complies with Rule 10b5-1 of the Exchange Act and has been approved by the Chief Financial Officer.

## **IX. Tipping Information to Others**

Directors may not pass along material, non-public information to others so that it may be taken advantage of. The securities law penalties for violations of this standard will apply regardless of whether a director derives any personal profit from the actions of the person to whom the information was passed.

Directors who are in possession of material, non-public information concerning a company or municipality should take particular care to avoid discussions of confidential information in public places such as gatherings, hallways, office areas that are generally open to employees, elevators, restaurants and airplanes.

## **X. Consequences for Failure to Adhere to Insider Trading Policies**

General. Violation of the prohibition on insider trading can result in a prison sentence and civil and criminal fines for the individuals who commit the violation, and civil and criminal fines for the entities that commit the violation.

The Company can be subject to a civil monetary penalty even if the directors, officers or employees who committed the violation concealed their activities from the Company.

Criminal Penalties. The maximum prison sentence for an insider trading violation is now 20 years. The maximum criminal fine for individuals is now \$5,000,000, and the maximum fine for non-natural persons (such as an entity whose securities are publicly traded) is now \$25,000,000.

Civil Sanctions. Persons who violate insider trading laws may become subject to an injunction and may be forced to disgorge any profits gained or losses avoided. The civil penalty for a violator may be an amount up to three times the profit gained or loss avoided as a result of the insider trading violation.

The Company (as well as other natural or non-natural persons who are deemed to be controlling persons of the violator) faces a civil penalty not to exceed the greater of \$1,000,000 or three times the profit gained or loss avoided as a result of the violation if the Company knew or recklessly disregarded the fact that the controlled person was likely to engage in the acts constituting the insider trading violation and failed to take appropriate steps to prevent the acts before they occurred.

In addition, persons who traded contemporaneously with, and on the other side of, the insider trading violator may sue the violator and the controlling persons of the violator to recover the profit gained or loss avoided by the violator.

Bounties. The SEC is offering bounties to persons who provide information leading to the imposition of the civil penalty.

## **XI. Additional Prohibited Transactions**

Because it is improper and inappropriate for the Company's personnel to engage in short-term or speculative transactions involving the Company's stock, it is the Company's policy that directors should not engage in any of the following activities with respect to securities of the Company:

### **1. Trading in Securities on a Short-Term Basis**

Any Company stock purchased by a director or executive officer in the open market must be held for a minimum of six months. (Note: this requirement parallels the SEC's short-swing profit rule, which prevents executive officers, directors and 10 percent shareholders from selling or purchasing any Company stock within six months of a purchase or sale.)

### **2. Purchases of Company Stock on Margin**

Purchases of Company stock on margin, other than in conjunction with the exercise of stock options in accordance with any Stock Option Plan adopted by the Company, are prohibited.

### **3. Short Sales**

Short selling of Company stock is prohibited.

### **4. Buying or Selling Puts or Calls**

Buying or selling Puts or Calls on Company stock is prohibited

## **XII. Forms 3, 4 and 5**

Corporate insiders – meaning a company's officers and directors, and any beneficial owners of more than ten percent of a class of the company's equity securities registered under Section 12 of the Securities Exchange Act of 1934 – must file with the SEC a statement of ownership regarding those securities. On August 27, 2002, the SEC adopted rules and amendments to Section 16 of the Exchange Act, implementing the provisions of the Sarbanes-Oxley Act of 2002 that accelerated the deadline for filing most insider ownership reports.

The initial filing is on Form 3. An insider of an issuer that is registering equity securities for the first time under Section 12 of the Exchange Act must file this Form no later than the effective date of the registration statement. If the issuer is already registered under Section 12, the insider must file a Form 3 within ten days of becoming an officer, director, or beneficial owner.

Changes in ownership are reported on Form 4 and must be reported to the SEC within two business days. You can find the limited categories of transactions not subject to the two-day reporting requirement in the new rule.

Insiders must file a Form 5 to report any transactions that should have been reported earlier on a Form 4 or were eligible for deferred reporting. If a Form must be filed, it is due 45 days after the end of the company's fiscal year.

Since June 30, 2003, the SEC has required insiders to submit forms electronically through the SEC's EDGAR system. (Prior to that date, insiders could choose, but were not required, to file electronically). The SEC also requires companies that maintain websites to now post the forms by the end of the next business day after filing them with the SEC.

### **XIII. Questions or Assistance**

If any employee or director has questions about these Policies, or specific transactions which may be affected by these Policies, they should obtain guidance from the Company's Chief Financial Officer or legal counsel. Responsibility for adhering to these Policies and avoiding illegal and improper transactions rests with each Company employee, officer, director and agent.

### **XIV. Pre-Clearance of Trades by Directors and Executive Officers**

To provide assistance in preventing inadvertent violations and avoiding even the appearance of an improper transaction, the Company has implemented the following procedure: All transactions in Company stock (including acquisitions, dispositions and transfers) by directors, executive officers or employee of the Company must be pre-cleared by the Company's Chief Financial Officer. This shall be done by submitting a completed Trading Approval Form, attached as Exhibit A, to the Chief Financial Officer. The Chief Financial Officer shall advise such director, officer or employee whether the proposed transaction is permissible under this Insider Trading Policy by making the appropriate indication and countersigning the Trading Approval Form. If a director or executive officer is contemplating a transaction in the Company's stock, they should contact the Chief Executive Officer before completing the transaction. This requirement does not apply to stock option exercises, but does cover market sales of option stock. This requirement excludes the use of Company stock as an investment alternative in the Company's 401(k) program.

### **XV. Trading Window Periods**

Investment by the Company's directors, officers or employees in Company securities is encouraged, so long as such persons do not purchase or sell such securities in violation of this Insider Trading Policy. In furtherance



of the goals underlying the Company's Insider Trading Policy, the Company's directors, officers (those required to make filings under Section 16 of the Securities Exchange Act of 1934) and all employees at the Vice President level and above, as well as all employees in the accounting group are prohibited from buying or selling Company securities at all times, except during the period extending from the third (3<sup>rd</sup>) business day through the last day of the second month of the quarter following the Company's earnings release to the public for the immediately preceding fiscal period (the "**Trading Window Period**"). The prohibition on trading in Company securities by such persons at all times other than the Trading Window Period is designed to prevent any inadvertent trading by such persons in the Company's securities during times when there may be material financial information about the Company that has not been publicly disclosed. The grant or exercise of stock options to purchase the Company's stock is permitted outside Trading Window Periods (although any sale of such stock outside Trading Window Periods is prohibited unless such sale is made pursuant to an approved Rule 10b5-1 Trading Plan, as discussed above). However, unless otherwise agreed the exercise of options or warrants in a cashless manner is permitted during the Trading Window Periods under Rule 144(D)(3)(x).

**XVI. Black-out Communications**

In addition to the foregoing restrictions, the Company reserves the right to issue "black-out notices" to specified persons when material, nonpublic information exists. Any person who receives such a notice shall treat the notice as confidential and shall not disclose its existence to anyone else.

**XVII. Trading in Securities of Other Entities**

In addition, no director, officer or employee of the Company shall effect any transaction in the securities of another entity, the value of which is likely to be affected by actions of the Company that have not yet been publicly disclosed. Please note that this provision is in addition to the restrictions on trading in securities of other entities set forth any Code of Ethics of the Company.

**XVIII. Certification**

Directors will be required to certify their understanding of and intent to comply with these Policies Statement, and may be required to re-certify compliance on an annual basis.

**CONFIRMATION**

**[To be signed by members of the Board of Directors and Company employees that are Vice President or above and accounting personnel]**

**I HEREBY ACKNOWLEDGE THAT I HAVE RECEIVED, HAVE READ AND UNDERSTAND THE INSIDER TRADING POLICY OF THE COMPANY.**

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

**EXHIBIT A**

**Submitted Pursuant to:**

**RBB BANCORP INSIDER TRADING POLICY**

**PRE-CLEARANCE TRADING APPROVAL FORM**

I, \_\_\_\_\_ (name), seek pre-clearance to engage in the transaction described below:

Acquisition or Disposition (circle one)

Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

Date of Request: \_\_\_\_\_

Amount or # of Shares: \_\_\_\_\_

Broker: \_\_\_\_\_

I hereby certify that, to the best of my knowledge, the transaction described herein is not prohibited by the Insider Trading Policy.

Signature: \_\_\_\_\_ Print Name: \_\_\_\_\_

Approved or Disapproved (circle one)

Date of Approval: \_\_\_\_\_

Signature: \_\_\_\_\_ Print Name: \_\_\_\_\_

Compliance Officer Approval: \_\_\_\_\_

If approval is granted, you are authorized to proceed with this transaction for immediate execution, but only within the current Trading Window Period for all directors, officers (those required to make filings under Section 16 of the Securities Exchange Act of 1934), employees that are Vice President or above, and accounting personnel.