

# CODE OF BUSINESS CONDUCT AND ETHICS

*This Code of Business Conduct and Ethics applies to Midwest Banc Holdings, Inc. and each of its subsidiaries and the term "Bank" as used in this document means Midwest Banc Holdings, Inc. including all of its subsidiaries.*

## INTRODUCTION

This Code of Business Conduct and Ethics (the "Code") is to be used as a guide to help all of our officers, directors and employees promote honest and ethical conduct and comply with applicable laws, rules and regulations. For purposes of this code, the term "employees" includes officers, and, when they are acting on behalf of the Corporation, directors. Each employee must comply with the provisions of the Code, and direct others to do the same. Employees found not in compliance with the Code will be subject to disciplinary action, including the possibility of termination.

## HONESTY AND FAIR DEALING

The Bank's ethical standards require honesty and fair dealing. We rely on these standards to gain the trust of customers and stockholders. The Bank's policy is to conduct its business in accordance with the highest ethical standards of the financial services industry and to comply with all laws regulating the conduct of the Bank and its employees.

All employees shall conduct their personal and business affairs in a manner that avoids both actual and even the appearance of ethical impropriety. Employees must conduct themselves in a manner that protects the Bank's reputation as a responsible and professional financial services organization.

Each employee should strive to act with integrity and honesty when dealing with the Bank's employees, competitors, suppliers or customers and shall be prohibited from engaging in any illegal, unfair, or unethical practice, including the following:

- Entering into arrangements with competitors for the purpose of setting or controlling prices, rates, trade practices or marketing policies or otherwise engaging in restraint of competition.
- No employee may take unfair advantage of anyone through manipulation, concealment, and abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice.
- Accepting or soliciting competitive information that such person believes to be confidential that may have been obtained through improper means.
- Withholding knowledge of illegal or unethical practices by an employee.
- Providing a bribe, kickback, or similar unlawful consideration to any individual, organization, government, political party or other entity or representative thereof.

## **COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

The Bank has adopted various policies, guidelines and procedures to facilitate compliance with applicable laws and regulations. Employees are expected to respect and comply with all applicable laws, rules, regulations, policies, guidelines and procedures. The Bank, of course, must comply with all applicable federal and state laws governing financial institutions and the regulators of its related businesses. For example, federal law provides that you may not:

- Structure or attempt to structure a financial transaction to evade the reporting or requirements of the Bank Secrecy Act or otherwise violate any anti-money laundering laws or laws safeguarding terrorist activity;
- Solicit or accept any gifts or items of value for purposes of influencing any business or transactions in violation of the Bank Bribery Act;
- Steal, embezzle, misapply the Bank's or a customer's funds or assets or commit any other dishonest or fraudulent act;
- Gain unauthorized access to customer records; or
- Make false statements or reports to regulatory authorities.

If employees have questions about laws, rules, regulations or policies that apply to the Bank or their duties and responsibilities, or how they apply to particular situations they should contact the Human Resources Department for guidance.

## **CONFLICTS OF INTEREST**

A "conflict of interest" exists when an individual's personal interests interfere or appear to interfere in any way with the duties of the Bank or the interests of the Bank. A conflict can arise when an employee takes action or has interests that may make it difficult to perform responsibilities and duties to the Bank objectively and effectively, or may improperly influence individual judgment when acting on behalf of the Bank. Conflict situations may also arise when an employee or members of his or her family, receives an improper personal benefit as a result of his or her position with the Bank.

While the Bank respects the privacy of its employees in the conduct of their personal affairs, it is expected that all employees will fully discharge their employment obligations to the Bank. Employees must avoid conflicts of interest, including even the appearance that their actions would create a conflict of interest. Whether certain circumstances is a conflict of interest, or may create a conflict of interest, may not always be clear. Any employee who is aware of or personally has a conflict of interests or a potential conflict is obligated to promptly seek assistance to resolve the conflict or potential conflict.

*Code of Business Conduct and Ethics (contd.)*

Approval of the Bank's chief executive officer (Chairman of the Board in case of Directors) is required before employees may:

- Serve as an officer, director, partner or manager of another company, including any not-for-profit organization, this applies to officers and directors of the Bank, or
- Enter into secondary employment relationships, or
- Engage, directly or indirectly, in certain transactions with the Bank or its customers, vendors or others who conduct business with the Bank, or owning any significant financial interest in a supplier, vendor or customer of the Bank, or
- Act as an officer, director, employee, consultant or advisor to a competitor of the Bank or hold a significant financial interest in a competitor of the Bank.

In addition the receipt of certain gifts or other items of value, including entertainment, lodging, transportation or other accommodations, in connection with the Bank's business may not be accepted unless permitted by applicable law and the Bank's policies and guidelines. Specifically, the law and the Bank's policies provide that you may not:

- Solicit for yourself or for a third party anything of value from anyone in return for any business, service or confidential information of the Bank,
- Accept anything of value from anyone in connection with the Bank's business, either before or after a transaction is discussed or completed.

Employees must avoid taking advantage of opportunities that could reasonably be available to the Bank. An employee is prohibited from directly or indirectly:

- Selling or otherwise using for personal gain, information to which a person has because of his/her position,
- Acquiring rights to any property that the employee knows the Bank may also be interested in acquiring,
- Receiving compensation, including any commission or fee, which would otherwise accrue to the Bank, and
- Diverting business or personnel from the Bank.

## **CORPORATE RECORDS, DISCLOSURES AND FINANCIAL REPORTING**

The Bank is committed to full, fair, accurate, timely and understandable disclosure in public reports and documents filed with, or submitted or provided to regulatory authorities, including the Securities and Exchange Commission, stockholders and the public. The Bank's financial statements must be prepared in conformity with generally accepted accounting principles and fairly present, in all material respects, the financial position, results of operations and cash flows of the Bank. No employee should ask or encourage another person to deviate from the Bank's commitment to provide truthful and accurate financial or other information. In addition, the law and the Bank's policies require that no employee attempt to improperly influence, coerce, manipulate or mislead any accountant engaged in the preparation of or audit of the Bank's financial statements. In particular, employees must act to:

- Ensure that all transactions are properly recorded and supported by adequate documentation to provide a complete, accurate and auditable record.
- Provide accurate and complete information to the Bank's officers, legal counsel, internal auditors, independent auditors, banking regulators and any other person authorized to receive the information.
- Report to the Bank's Audit Committee:
  - a. any information of which an employee may become aware that affects the disclosures made by the Bank in public disclosures, government filings or otherwise;
  - b. deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarize and report financial data; or
  - c. any fraud, whether or not material, that involves management or other employees who have a role in the Bank's financial reporting, disclosures or internal controls.

## **PROPER USE OF CORPORATE ASSETS**

All employees should protect the Bank's assets from theft, waste or loss and ensure efficient use. Any improper use of the Bank's assets, whether for personal or business purposes, including the misapplication or improper use of corporate or customer funds is prohibited and may be unlawful.

Employees also must comply with the Bank's policies regarding the use of its communication systems, including its computer network, telephones/faxes, e-mail and the Internet. The Bank's policies prohibit the use of the Bank's information systems and equipment to transmit illegal, inappropriate or offensive or potentially offensive material. As a general rule, employees should not send any communication, including through the use of e-mail, voice mail or internal memo, that one would be uncomfortable or embarrassed seeing publicly disclosed in the media.

### **CONFIDENTIAL INFORMATION**

The Bank protects the private, personal and proprietary information of customers, vendors and employees. Any information from or relating to a customer, vendor or another employee must be protected, and may only be disclosed within the Bank or to non-affiliated parties, in accordance with applicable law and the Bank's policies. Employees may receive confidential information relating to the Bank in the ordinary course of work at the Bank and are also obligated to protect that information from disclosure.

In accordance with state and federal regulations, the Bank has developed a Consumer Privacy Policy (the "Privacy Policy") which outlines the bank's policies regarding the use and sharing of customer information and which limits how employees may use or share customer information. All employees are expected to be familiar with the Privacy Policy and use and share customer information only in the manner permitted by that policy. If employees are unsure whether information may be disclosed, they should consult with the Bank's Compliance Officer.

### **SECURITIES LAWS AND INSIDER TRADING**

Federal securities laws prohibit the purchase or sale of shares or other securities of a company while an individual is aware of material nonpublic information (generally referred to as "inside information") concerning that company. Employees may not trade in the Bank's securities or the securities of other companies, including customers, suppliers and others, on the basis of inside information. Information is material if it may affect an investor's decision to buy, sell or hold securities of a company. The Bank has an Insider Trading Policy which addresses:

- Those aspects of the securities laws that relate to Insiders,
- The restrictions, including permanent and special trading quarantines, placed upon such Insiders in executing transactions involving securities of the Bank,
- The reporting requirements of Insiders, and
- The guidelines to be followed by insiders and other employees when they come into possession of material undisclosed information regarding the Bank and its business prospects.

## **REPORTING VIOLATIONS OF THE CODE**

All employees should ensure prompt and consistent reporting of violations of the Code. Because it may be unclear whether a violation has occurred, employees are encouraged to talk with branch managers, immediate supervisors, head of Human Resources, Chairman of the Bank's Audit Committee, or any executive vice-president or higher about behavior that may violate the Code.

If a situation requires that your identity remain secret, anonymity will be protected, subject to applicable law, regulation or legal proceedings. If you are uncomfortable reporting violations in traditional ways, reports of violations, complaints or other matters, including those regarding accounting, auditing or internal accounting control, may be made through the Bank's confidential telephone hotline. This telephone hotline is operated by an outside party, and is available to all employees, seven (7) days a week, twenty-four (24) hours a day. If desired you do not need to disclose your identity. All inquiries will be forwarded to an appropriate party for investigation, including the Audit Committee of the Board of Directors, if appropriate. The Bank does not permit retaliation of any kind for good faith reports of ethical violations or the misconduct of others.

## **WAIVERS**

From time to time, the Bank may waive some provisions of this Code. Any employee who believes that a waiver is inappropriate should contact the head of Human Resources. Under NASDAQ rules any waiver of the Code for executive officers or directors of the Bank may be made only by the affirmative vote of the Board of Directors of the Bank and must be disclosed promptly to stockholders, along with the reasons for the waiver. Such disclosure shall be made in the Bank's public filings on Form 8-K, within four business days of the granting of the waiver.

## **COMPLIANCE**

The Bank's values require that each of us undertake our roles and responsibilities seriously. Nothing can be more serious and important than ensuring that each of us lives up to the standards of the Code. The reputation of the Bank is its most valuable asset. Therefore, to reinforce our commitment to the Code, you will be asked from time to time to complete an acknowledgement regarding your understanding of and compliance with principles of the Code and related guidelines.