

Conflicts of Interest Risk Assessment as of XX/XX/XXXX

Process/Activity	Requirement	Risk Description	Risk Inherent	Mitigating Controls	Risk Residual	Risk Direction	Weaknesses/Comments
Purchase of securities in managed/non-managed accounts	<p>For discretionary accounts, if a security to be purchased has a director of XYZ Bank, or any affiliate also serving as an officer or director of the issuer, the security must be widely traded or in an ESOP.</p> <p>For non-discretionary accounts, there must be authorization by applicable law.</p>	<p>Compliance, Fiduciary, and Reputation risks.</p> <p>XYZ Bank or affiliate can be considered as self dealing and gaining inappropriate financial benefit.</p> <p>Investing in the stock or obligation of XYZ Bank, or affiliate, including director, officer, or employee. Non-compliance with 12 CFR 9.12(a)</p>	High	<p>XYZ Bank Publicly traded entities on the 23 A Affiliate list and the Master Insider Lists are hard coded as exclusions in the trading system. Outside Advisors are instructed not to purchase securities from entities listed on the 23A Affiliate list and the Master Insider List. Lists are recomunicated when changes occur.</p> <p>Compliance monthly affiliate scans of managed trust account assets.</p>	Moderate	Increasing	This list does not provide cusips or other security identifiers. Because of this, current monitoring is based on best efforts.
Purchase or sale of assets between fiduciary accounts	Trustee cannot buy or sell assets between trust accounts unless the transaction is fair and reasonable to both accounts and if transaction is not prohibited by the terms of the governing agreement or local law.	<p>Compliance, fiduciary, and reputation risks.</p> <p>Transaction is not fair to both parties, is prohibited by governing instrument or law, and not obtaining consent. Lack of documentation to support fairness and approval of such transaction</p>	High	<p>Committee approval on transaction before the bank sells specialty assets between its Fiduciary accounts.</p> <p>Required annual Conflicts of Interest training administered to all employees of the trust units.</p> <p>Trades via approved brokers and maintains cross trading procedures which govern all transactions between clients. Also, has certain reporting requirements. Documentation must show that the transaction was arms length, no commission charged, and there must be more than one broker quote obtained.</p> <p>Annual training on cross-portfolio transactions.</p> <p>Compliance monitoring</p>	Low	Increasing	Enhancements warranted to strengthen monitoring and oversight efforts.

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Loans between fiduciary accounts	When making loans to an account from funds belonging to another account, the bank must comply with the provisions of 12 CFR 9, local law and the governing instrument.	<p>Compliance, fiduciary, and reputation risks.</p> <p>Transaction is not fair to both parties, transaction is prohibited by governing instrument or law, and/or not obtaining proper consent. Lack of documentation to support fairness and approval of such transaction.</p>	High	<p>Committee approval prior to the Bank making a loan between its Fiduciary accounts. This should be evidenced in the committee meeting minutes (which include supporting documentation in an attached appendix indicating transaction is fair to both accounts).</p> <p>Annual specialty asset review (conducted as part of the Reg 9 review)</p> <p>Conflicts Of Interest annual required training</p> <p>Compliance monitoring</p>	Low	Stable	
XYZ Bank originated loan to fiduciary account	When making loans to fiduciary accounts from the bank or its affiliate, the bank must comply with provisions of 12 CFR 9. 12 (b). ERISA assets cannot be pledged as collateral. Prohibited transaction and violation of ERISA according to DOL	<p>Compliance, fiduciary, and reputation risks.</p> <p>Transaction is not fair to both parties, is prohibited by governing instrument or law, not obtaining consent, and ensuring collateral is allowable.</p>	High	<p>Committee approval required</p> <p>Credit officer may not participate in fiduciary administration. Standard bank forms used.</p> <p>Annual asset review</p> <p>Conflicts Of Interest annual required training</p> <p>Compliance monitoring</p>	Low	Stable	
XYZ Bank originated loan to fiduciary account	<p>When making loans to grantors of a trust and the loan is secure by trust assets, XYZ Bank must disclose the inherent conflict.</p> <p>12 CFR 9.18 prohibits pledging of collective fund units.</p>	<p>Compliance, fiduciary, and reputation risks.</p> <p>Inherent conflict - Not optimizing the investment performance of the fiduciary investment portfolio while XYZ Bank as the lender must conserve the loan collateral.</p> <p>Pledging collateral of a prohibited asset type</p>	High	<p>Committee Approval</p> <p>Disclosure and Consent</p> <p>Specialty Asset Compliance Review</p> <p>Annual asset review</p> <p>Compliance monitoring</p>	Low	Stable	SACR is a new monitoring program launched Q3 '13

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Purchase or sale of assets or services from/to directors, officers, or related	Trustee cannot buy or sell assets or services from/to a director, officer or related interest unless specifically authorized.	Compliance, fiduciary, and reputation risks. Purchasing or selling an asset or service to/from a Bank affiliate (including directors and officers).	High	Required annual Conflicts Of Interest Training HighMark (HM) only uses registered broker dealers (no activity with individuals and, other than the isolated IPO, only registered securities traded. HM doesn't buy private placements or 3c2 commercial paper of affiliates. Separate controls in place over the maintenance of the approved broker list.) 23A list and pXYZ Banklicly traded cusips from Master Insider list are built into HM trading system. Outside Advisors provided list of CUSIPs of securities that should not be purchased. Compliance monitoring	Moderate	Stable	
Securities transaction initiated with/through bond dept	Securities transactions will not be initiated with/through an affiliated bond dept/entity of XYZ Bank unless specifically authorized by the agreement or grantor.	Compliance, fiduciary, and reputation risks. Inappropriate financial benefit.	High	HM and Outside Advisors are instructed not to buy securities from XYZ Bank or affiliates, including MS (non-affiliate) in bank managed accounts. Internal monitoring by HM of transactions initiated by affiliates, including Morgan Stanley (non-affiliate) in bank managed accounts.	Low	Stable	
Securities transactions initiated with/through broker dealer	Securities transactions will not be initiated with/through an affiliated broker-dealer of XYZ Bank unless specifically authorized by the agreement or grantor.	Compliance, fiduciary, and reputation risks. Self-dealing and Inappropriate financial benefit	High	PMS and Outside Advisors are instructed not to buy anything from XYZ Bank or affiliates in bank managed accounts. Internal monitoring of transactions initiated by affiliates	Low	Stable	

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Purchase of securities	<p><u>Purchase of securities underwritten by an affiliated underwriter</u></p> <p>Purchases for fiduciary accounts of securities underwritten by a syndicate in which a bank affiliate is a member while that syndicate exists is restricted (12 USC 371c-1(b)(1)).</p> <p>Additionally, Bank cannot purchase assets, including securities, from themselves or their affiliates from fiduciary accounts unless specifically permitted by applicable law.</p>	<p>Compliance, fiduciary, and reputation risks.</p> <p>Self-dealing and Inappropriate financial benefit</p>	High	<p>PMs & Outside Advisors uses 23 A list and pXYZ Banklicly traded cusips from Master Insider list in screening assets on the buy list or before approval of a non-listed security.</p>	Low	Stable	<p>This list does not provide cusips or other security identifiers. Because of this, current monitoring is based on best efforts.</p>
Front Running	<p>Monitor transaction activity for front running.</p>	<p>Compliance, fiduciary, and reputation risks.</p> <p>Inappropriate use of material non-public XYZ Bank information to conduct personal securities transactions. Employee self-dealing based on information gained as a bank employee that conflicts with the best interest of the beneficiaries</p>	High	<p>HM has a code of ethics with formal sanctions in place. Qtrly employee transaction reports are required. Employee's are not required to have accounts at a specific broker but must provide brokerage account statements to HM compliance. Automated system, Protegent, scans personal security trading against all HM trade activity.</p> <p>Portfolio managers certify, annually, that all brokerage accounts are reported to compliance.</p> <p>HM Compliance performs back end monitoring. Exceptions are reported to the HCM board, as appropriate.</p> <p>Form ADV reviewed annually for Outside Advisors</p> <p>General question regarding COI events included in Outside Advisor questionnaire</p>	Low	Stable	<p>2014 questionnaire expanded to include specific question about front running.</p>
View trust account activity	<p>Prohibit inappropriate use of information gained from non-pXYZ Banklic information</p>	<p>Compliance, fiduciary, and reputation risks.</p>	High	<p>Personal securities transaction monitoring program</p>	High	Decreasing	<p>New monitoring program. PTA launched 9/30/13</p>

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Loans and Overdrafts	Trustee cannot lend trust funds to itself, an affiliate, a director, an officer, an employee or any other related interest. Overdrafts may be charged the appropriate fees when the cause of the OD is client caused.	Compliance, fiduciary, and reputation risks. Lending trust assets to Bank or affiliate including employees is prohibited. Such acts can pose XYZ Bank to significant enforcement action, civil money penalties, and fines and/or imprisonment if loan made to XYZ Bank officer, director, or employee. Charging excessive fees to clients accounts with overdrafts.	High	PTAC approval of loans. Compliance monitoring of new loans in fiduciary accounts and excessive fees. Monitoring of ODs by account administrators. TSC monitoring of the overdrafts review process performed by TES & GTS Compliance monitoring of overdrafts in employee or director accounts.	Low	Stable	
Fee Acceptance	Officer or employee cannot accept fees to represent the trustee and the interests of the beneficiaries on the board of closely-held or pXYZ Banklicly traded companies.	Compliance, fiduciary, and reputation risks. Inappropriate financial benefit (doXYZ Bankle dipping of fees). Lack of independence or objectivity.	High	Code of Ethics Form approval Bankwide Code of Ethics Annual required Conflicts Of Interest affiliation survey Annual FRMC presentation of relationships identified through affiliation survey Compliance periodic monitoring based on affiliation survey results.	Low	Stable	
Purchase of securities	Trustee cannot purchase its own stock or that of affiliates or other obligations for an account unless specifically authorized by applicable law, court order or the governing instrument.	Compliance and fiduciary risks. Purchasing own, or affilaite, securities may be breach of fiduciary duty. Allows for bank or its affiliate to benefit, but might not necessarily benefit the trust grantor/beneficiaries	High	HM & Outside Advisors use of 23A Affiliates and Master lists Compliance monitoring of own bank, or affiliate, asset holdings.	Moderate	Stable	This list does not provide cusips or other security identifiers. Because of this, current monitoring is based on best efforts.

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Retaining Stock	A corporate trustee should not rely upon direction of a co-trustee to retain the trustee's stock (or affiliates) unless the co-trustee is the sole beneficiary.	Compliance and fiduciary risks. Retain stock based on co-trustee direction while trust has multiple beneficiaries	High	Governing document review prior to acceptance. If affiliate stock is retained, must have client letter on file to retain affiliate stock and evidence of sole beneficiary. Annual investment review Compliance monitoring of affiliate stock holdings in managed accounts.	Low	Stable	
Financial Benefits and Gifts	Prohibited from acceptance of financial benefits, gifts, bequests from customers or vendors	Compliance, fiduciary, and reputation risk. Interference with bank's ability to act solely in the best interest of all account beneficiaries.	High	Code of Ethics form/process and annual training Bankwide Code of Ethics Annual Affiliation survey Annual Conflicts Of Interest training	Low	Stable	
Ownership of any Bank Stock	Obtain FRB approval required if Bank on aggregate maintains in excess of 5% of outstanding voting shares of a non-XYZ Bank related bank/bank holding company (Regulation Y/Ownership of non-XYZ Bank related Banks Stock)	Compliance risk. Maintaining voting rights in excess of 5% of outstanding shares of a bank or bank holding company. Perceived risk that XYZ Bank will vote to benefit XYZ Bank instead of the account beneficiaries	High	Compliance Monitoring program	Moderate	Stable	
Fees	12b-1 Mutual Funds: Determine if such fees are allowed by applicable law and appropriate. Are the fees disclosed to beneficiaries, properly authorized, or equitably returned to account if required?	Compliance, fiduciary, and reputation risks. DoXYZ Bankle dipping of fees. Charging fees that are not allowable nor appropriate for fiduciary account. Lack of disclosure and consent.	High	XYZ Bank provides mutual fund disclosure document to all accounts when they invest in HM sXYZ Bank-advised mutual funds. Information on fees also included in form ADV. Applicable accounts must be coded with opti code 30, disclosures provided, and client consent on file. CAR and Admin Review. Compliance monitoring to review managed accounts with Opti Code 30 have client consent.	Low	Stable	

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Investing in affiliate deposit products	Investment in Affiliated Bank Deposit Instruments	Inappropriate financial benefit to XYZ Bank or affiliate. Potentially steering trust assets into own or affialite products without assessing suitability, investment eligibility as authorized by trust agreement or applicable law,	High	HM and Outside Advisors prohibited from buying anything on 23A list or pXYZ Banklicly traded companies on Master Insider list unless explicitly speciifed in governing document. Compliance monitoring of use of own bank or affiliate deposit products for managed accounts.	Low	Stable	This list does not provide cusips or other security identifiers. Because of this, current monitoring is based on best efforts.
Proprietary MF investment	Proprietary Mutual Funds – When the bank invests discretionary fiduciary assets in a mutual fund that either is proprietary or pays the bank a fee, applicable law must authorize the transaction and the fund’s objectives suit the account’s needs.	Inappropriate financial benefit to XYZ Bank or affiliate. Potentially steering trust assets into own or affialite products without assessing suitability, investment eligibility as authorized by trust agreement or applicable law,	High	XYZ Bank/HCM does not sponsor proprietary mutual funds; however, HCM does provide sXYZ Bankadvisory investment management services to MF offered to managed account clients. Disclosures and authorization from client (in acct agreement or separate signed document). Credit back of mutual fund sXYZ Bank-advisory investment management fee, when trust account is assessed an overall assets under management fee. Annual Reg 9 and administrative reviews. ☐	Low	Stable	
Insider Fee Concessions	Are fee concessions for officers, directors, and other employees granted under a general policy that is uniformly applied and approved by the board?	Granting excessive, inconsistent fee discounts. Preferential treatment to directors, officers, and employees.	High	Fee discounts in excess of 20% must be approved by PTAC for approval. Compliance Monitoring	Moderate	Stable	
Use of Material Inside Information	Policy to ensure fiduciary officers and employees do not misuse material inside information	Compliance, fiduciary, and reputation risks. Use of material non-pXYZ Banklic information used to make decision or recommendation to buy or sell a security.	High	Code of Ethics and Information Security Training. Bank EE’s only get information when a trade has already been executed. HM monitoring of personal securities transactions.	Low	Stable	

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Proxy Voting	Prohibit a bank as sole trustee from voting bank stock, bank holding company stock and the stock of related interests or bank insiders in the election of directors. Where bank is co-fiduciary, voting of proxies shall be carried by the non-corporate co-trustee. In addition, for companies in which director, officers, employees, or related organizations have an interest that might interfere with the bank's exercise of its best judgment, determine whether the bank considers the best interests of beneficiaries when deciding how to vote proxies.	Voting own, affiliate, or related interest stock NOT in the best interest of the beneficiary	High	Committee annual review of proxy voting guidelines, policies and procedures, and delivery of guidelines to Bank's proxy voting vendor (ISS)	Low	Stable	
Serving as personal representative	Trust Unit employees may not serve as personal representatives, conservator, etc except for immediate family. Also may not accept a fee for acting as co-fiduciary.	Compliance and fiduciary risks. Inappropriate financial benefit, inability to act solely in the best interest of all account beneficiaries, and inability to provide preferential treatment.	High	Code of Ethics, Annual Affiliation Survey, Compliance Monitoring	Low	Stable	
Trading	Trading Conflicts – best execution, Broker Selection, Soft Dollar Arrangements, Allocation of securities among clients	TRADING: Initiating trading activities that are not fair and equitable to all accounts. SOFT DOLLARS: Participating in soft dollar arrangements that are not covered under the safe harbor provisions or not providing disclosure and obtaining consent.	High	Quarterly certification from HighMark to TSC. Committee annual due diligence on outside RIA's. HM Compliance performs independent testing on specified frequencies on each element listed (at least annually) and written policies for each item are in place and reviewed annually. Annual CCO Report to BOD includes status of controls. Broker selection reviewed by HM committees. Soft \$ arrangements are reported quarterly as well as a soft \$ allocation rept to the Board. Outside Advisors, including HCM, undergo annual certification and due diligence review. ADVs of Outside Advisors & HCM are reviewed on annual basis.	Low	Stable	
Trading	Fiduciary officers and employees are prohibited from using material non-pXYZ Banklic information for personal gain	Inappropriate use of material non-pXYZ Banklic information to conduct personal securities transactions.	High	Reporting of personal securities transactions	Moderate	Stable	PTA launch 9/30/13

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Asset Valuation Fees	Valuation of special assets and impact on to fees to XYZ Bank. In the absence of specific language in the fee schedule or when a trustee's fee is based on the market value of a closely held company or partnership, the trustee must ensure that its valuation is reasonable and poses no conflict with the account involved. Fees that are excessive because the bank overvalues an asset reflects a breach of the bank's fiduciary duty	Fiduciary risk and reputation risk. Not obtaining a reasonable valuation. Breach of fiduciary duty by overcharging fees as a result of overvalued assets	High	Annual special asset reviews PTAC approval of valuation policy exceptions. Specialty asset management fees - MOG incur a flat rate management fee while all other specialty assets incur a fee based on market value.	Low	Stable	
Interest on Float Funds	A bank trustee is prohibited from earning interest on the float when they make check payments to ERISA participants unless the conflict is fully disclosed, obtained authorization in the trust agreement, or by crediting the float earned to the appropriate ERISA account.	Bank benefiting from ERISA participant assets. Non-compliance with DOL's Advisory Opinion 93-24A.	High	Float disclosure provided to all applicable accounts, including TES one man plan accounts	Low	Decreasing	Limited exposure due to divestiture activities
Funds awaiting investing or distribution	Prohibits bank fiduciary with investment discretion or discretion over distributions from allowing fund awaiting investment or distribution to remain uninvested and undistributed any longer than is reasonable for the proper management of the account and consistent with applicable law	Not making fiduciary cash productive. Uninvested funds without proper support and documentation	High	TSC monitoring of cash balances, accounts without sweep vehicles. During account opening process of TES accounts, sweep vehicle set-up is required.	Low	Stable	
Funds awaiting investing or distribution	A trustee may deposit fiduciary funds awaiting investment or distribution in the commercial, savings or other department of the bank, unless prohibited by applicable law.	Use of proprietary deposit product which is not in the best interest of the trust account. Use of proprietary deposit product not allowable under governing trust agreement. Lack of documentation proving XYZ Bank satisfactorily resolved the inherent conflict of interest and fulfilled its fiduciary duty.	High	PTAC review of PTMMA rates	Moderate	Stable	Improvements required for rate setting process
Funds awaiting investing or distribution	A bank that has investment discretion must obtain a rate of return for funds awaiting investment or distribution that is consistent with applicable law.		High	Committee review of PTMMA rates.	Moderate	Stable	improvements required for rate setting process
Overnight depository of trust account assets	Rebates from Overnight Compensation – Nat'l bank fiduciaries are not entitled to the interest and dividends earned from an overnight depository investment of trust account assets. Bank should do one of three things with these rebates: distribute them to the customers whose assets generate rebates, advance to customers monies equivalent to the rebates, so that they receive interest and dividends on the payable date, or, fully disclose the rebates and obtain customer's approval for the bank's receipt of them.	Booking interest and dividends earned from overnight depository of trust assets without either rebating to trust accounts or providing full disclosure and receiving consent from client	High	During the account opening process, Personal trust managed accounts are required to be set-up with a sweep vehicle. Monitoring by TSC of uninvested cash held in all managed accounts.	Moderate	Stable	

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Bank fees	Limits bank fiduciary compensation unless set or governed by applicable law. A trustee's fee schedule should address the treatment of closely held companies; securities and partnership assets. The schedule should provide reasonable compensation for the services performed.	Compliance, fiduciary, and reputation risks. Assessing unreasonable fees or fees that are not in compliance with applicable law nor properly disclosed.	High	Signed fee schedule, CAR reviews, standard fee schedules, mgmt approval for fee exceptions or waivers	Low	Stable	
Fees	Is proper authorization obtained for charging cash sweep or termination fees. Fees for preparing taxes or performing other fiduciary services should be disclosed in the fee schedule. If there are no provisions in the trust agreement or the fee schedule for the trustee to charge for other services, the trustee should look to applicable law or obtain court order to receive proper remuneration for the additional services performed. Written authorizations from grantors of revocable trusts or beneficiaries are also acceptable, provided the bank makes full and complete disclosure of the circumstances pertaining to the conflict of interest.	Lack of fee disclosure to clients. Charging excessive/unreasonable fees.	High	Fee unit independently validates the presence of sign fee schedules detailing charges for various services. For irrevocable accounts, the pXYZ Banklished fee schedule is used by the fee unit.	Low	Stable	
Fees	Are revisions or changes in fees charged to accounts with set or fixed fee schedules appropriate and properly authorized?	Lack of fee disclosure to clients. Charging excessive/unreasonable fees.	High	Revisions and changes to the pXYZ Banklished fee schedule is reviewed and approved by Senior Management . Changes to pXYZ Banklished fee schedule is disclosed to affected client within 60 or 90 days of new fee effective date, dependent upon State	Low	Stable	
Fees	Do management income and fee reports disclose unusual or improper fees?	XYZ Bank unaware of charging excessive/unreasonable fees.	High	Compliance Monitoring program	Moderate	Stable	
Placement of directed trades	Policies and procedures regarding brokerage placement practices, including assigning supervision of officers and employees who: 1.) transmit or place orders with registered brokers/dealer 2.) direct transactions in securities for customers 3.) process orders or perform other related back-office functions.	Compliance risk and inappropriate financial benefit	High	Centralized trading desk used to initiate limited trading activity. Procedures in place, as required, regarding placement practices.	Moderate	Stable	
Corporate Bond Trustee	Trust Indenture act of 1939 and Part 9. Determine that the bank, when acting as a corporate bond trustee, performs an adequate check for conflicts of interest as required by the Trust Indenture act of 1939 and Part 9.	Compliance, fiduciary, and reputation risks. Not performing an adequate check for conflicts of interests.	High	Initial review of conflicts of interests, among other items, prior to account acceptance. Annual review of trustee eligibility evidenced on Form CT502 (Trust Indenture Act Annual Checklist). Monthly review of "dual capacity" clients, especially focusing on degradation of credit Monthly review of CT defaults	Moderate	Stable	

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Sponsoring limited partnership syndication	If the bank sponsors limited real estate partnership syndication for its accounts, evaluate; policies and practices related to account participation on the syndications; disclosure and authorization of fees; the role the bank or a related interest, in the syndicate	Compliance, fiduciary, and reputation risks. Potential self-dealing and financial benefit for a XYZ Bank affiliate or interested party	High	Currently do not offer this service	Low	Stable	
Services provided by bank affiliates	What controls in place to be sure appraisers, tax preparers, property managers, etc. are not affiliated with XYZ Bank and, if so, proper disclosure and consent obtained?	What controls in place to be sure appraisers, tax preparers, property managers, etc. are not affiliated with XYZ Bank and, if so, proper disclosure and consent obtained?	High	Verification by Speciality Asset Group that vendor used to perform services is not an affiliate by checking the most current Reg W/23A Affiliates List	Moderate	Stable	
Fees	12b-1 Mutual fund fees paid to employee benefit plans third-party service providers to offset the cost of shareholder servicing and administrative services	Engaging in a transaction that is prohibited by DOL/ERISA.	High	Account coding and Compliance monitoring	Low	Decreasing	