

FRONTIER FINANCIAL CORPORATION
POLICY AND PROCEDURES WITH RESPECT
TO RELATED PERSON TRANSACTIONS

A. Policy Statement

The Board of Directors recognizes that related person transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore has adopted this policy which shall be followed in connection with all related person transactions involving the Corporation.

Under this policy, any “Related Person Transaction” shall be consummated or shall continue only if:

1. the disinterested members of the Audit Committee shall approve or ratify such transaction in accordance with the guidelines set forth in the policy and if the transaction is on terms comparable to those that could be obtained in arm’s length dealings with an unrelated third party;
2. the transaction is approved by the disinterested members of the Board of Directors; or
3. the transaction involves compensation approved by the Personnel and Compensation Committee.

This policy has been approved by the Audit Committee of our Board of Directors (the “Committee”). The Committee will review and recommend changes to the Board for this policy from time to time.

B. Related Person Transactions

For the purposes of this policy, a “Related Person Transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships in which the Corporation (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$120,000 annually, and in which any Related Person had, has or will have a direct or indirect interest that in the judgment of the Committee is material.

For purposes of this policy, a “Related Person” means:

1. any person who is, or at any time since the beginning of the Corporation’s last fiscal year was, a director or executive officer of the Corporation or a nominee to become a director of the Corporation;
2. any person who is known to be the beneficial owner of more than 5% of any class of the Corporation’s voting securities;

3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and
4. any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person and all other related persons has a 10% or greater beneficial ownership interest.

C. Corporate Opportunity

The Board of Directors recognizes that situations exist where a significant opportunity may be presented to management or a member of the Board of Directors that may equally be available to the Corporation, either directly or via referral. An example is a potential business acquisition or site which could become available to the Corporation. Before such opportunity may be consummated by a Related Person (other than an otherwise unaffiliated 5% shareholder), such opportunity shall be presented to the Audit Committee for consideration.

D. Identification of Related Persons

1. Directors, Executive Officers and Nominees. On an annual basis, each director and executive officer shall submit to the Chief Financial Officer or their designate, his or her Director & Officer Questionnaire the following information: (a) a list of his or her immediate family members (as defined above); (b) for each person listed and, in the case of a director, for the director, the person's employer and job title or brief job description; (c) for each person listed and the director or executive officer, each firm, corporation or other entity in which such person is a general partner or principal or in a similar position or in which such person and all other related persons has a 10% or greater beneficial ownership interest; and (d) for each person listed and the director or executive officer, each charitable or non-profit organization for which the person is actively involved in fundraising or otherwise serves as a director, trustee or in a similar capacity.

Any person nominated to stand for election as a director shall submit to the Nominating Committee the information described above no later than the date of his or her nomination.

Any person who is appointed as a director or an executive officer shall submit to the Nominating Committee the information described above prior to such person's appointment as a director or executive officer, except in the case of an executive officer where due to the circumstances it is not practicable to submit the information in advance, in which case the information shall be submitted as soon as reasonably practicable following the appointment.

Directors and executive officers are expected to notify the Chief Financial Officer or their designate, of any updates to the list of Related Persons, their employment and relationships with charitable organizations. Generally this would include notification of the marriage of a director or executive officer, or the marriage of his or her sibling or child.

2. Five Percent Owners. At the time the Corporation becomes aware of a person's status as a beneficial owner of more than 5% of any class of the Corporation's voting securities, and annually thereafter for so long as such ownership status is maintained, the Corporation will request (a) if the person is an individual, the same information as is requested of directors and executive officers under this policy and (b) if the person is a firm, corporation or other entity, a list of the principals or executive officers of the firm, corporation or entity.

E. Approval Procedures

Related Person Transactions that are identified as such prior to the consummation thereof or amendment thereto shall be consummated or amended only if the following steps are taken:

1. Prior to entering into the Related Person Transaction (a) the Related Person, (b) the director, executive officer, nominee or beneficial owner who is an immediate family member of the Related Person, or (c) the business unit or department leader responsible for the potential Related Person Transaction shall provide notice to the Chief Financial Officer of the facts and circumstances of the proposed Related Person Transaction, including: (i) the Related Person's relationship to the Corporation and interest in the transaction; (ii) the material facts of the proposed Related Person Transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; (iii) the benefits to the Corporation of the proposed Related Person Transaction; (iv) if applicable, the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed Related Person Transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally. The Corporation's legal counsel maybe used to assess and advise the Committee whether the proposed transaction is a Related Person Transaction for purposes of this policy.
2. If the CFO or Corporation's legal counsel determines that the proposed transaction is a Related Person Transaction, the proposed Related Person Transaction shall be submitted to the Committee for consideration at the next Committee meeting or, in those instances in which the Chief Executive Officer or the Chief Financial Officer, determines that it is not practicable or desirable for the Corporation to wait until the next Committee meeting, to the Chair of the Committee (who will possess delegated authority to act between Committee meetings).
3. The Audit Committee, or where submitted to the Chair, the Chair, shall consider all of the relevant facts and circumstances available to the Committee or the Chair, including (if applicable) but not limited to: the benefits of the Corporation; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. No member of the Committee shall participate in any review, consideration or approval of any Related Person Transaction with respect to which such member or any of his or her immediate family members is the Related Person. The Committee (or the Chair) shall approve only those Related Person Transactions that are in, or are not inconsistent with,

the best interests of the Corporation and its stockholders, as the Committee (or the Chair) determines in good faith, including but not limited to situations where the Corporation may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Corporation provides products or services to Related Persons on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. The Committee or Chair, as applicable, shall convey the decision to the CFO, who shall convey the decision to the appropriate persons within the Corporation.

4. The Chair of the Committee shall report to the Committee at the next Committee meeting any approval under this policy pursuant to delegated authority.

F. Ratification Procedures

The accounts payable and accounts receivable employees, under the supervision of the Chief Financial Officer or Cashier, shall produce quarterly reports of any amounts paid or payable to, or received or receivable from, any Related Person, and those reports shall be reviewed to determine if there are any Related Person Transactions that were not previously approved or previously ratified under this policy.

In the event the Corporation's Chief Executive Officer or Chief Financial Officer becomes aware, as a result of the accounts payable/accounts receivable reports described above or otherwise, of a Related Person Transaction that has not been previously approved or previously ratified under this policy:

1. If the transaction is pending or ongoing, it will be submitted to the Committee or Chair of the Committee promptly, and the Committee or Chair shall consider all of the relevant facts and circumstances available to the Committee or Chair, including (if applicable) but not limited to: the benefits to the Corporation; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. Based on the conclusions reached, the Committee or Chair shall evaluate all options, including but not limited to ratification, amendment or termination of the Related Person Transaction; and
2. If the transaction is completed, the Committee or Chair of the Committee shall evaluate the transaction, taking into account the same factors described above, to determine if rescission of the transaction is appropriate, and may request that the Corporation's legal counsel evaluate the Corporation's controls and procedures to ascertain the reason the transaction was not submitted to the Committee or Chair for prior approval and whether any changes to these procedures are recommended.

G. Review of Ongoing Transactions.

At the Committee's first meeting of each fiscal year, the Committee shall review any previously approved or ratified Related Person Transactions that remain ongoing and have a remaining term of more than six months or remaining amounts payable to or receivable from the Corporation of more than \$10,000. Based on all relevant facts and circumstances, taking into consideration the Corporation's contractual obligations, the Committee shall determine if it is in the best interests of the Corporation and its stockholders to continue, modify or terminate the Related Person Transaction.

H. Disclosure

All Related Person Transactions that are required to be disclosed in the Corporation's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

The material features of this policy shall be disclosed in the Corporation's annual report on Form 10-K or in the Corporation's proxy statement, as required by applicable laws, rules and regulations.