

CODE OF ETHICAL CONDUCT FOR DIRECTORS AND FINANCIAL OFFICERS

The Directors of Downey Financial Corp., Downey Savings and Loan Association, F.A. and DSL Service Company (together with any other subsidiaries, collectively, “Downey”) along with the Chief Executive Officer, Chief Financial Officer, Controller, all other executive officers of Downey and all other officers in the Finance Group and Internal Audit departments of Downey (collectively, the “Financial Officers”) have an obligation to the public, Downey and themselves to maintain high standards of ethical and legal conduct in dealing with customers, vendors, stockholders and each other.

This Code applies to the Directors and Financial Officers of Downey. In addition, there is a separate Code of Conduct which applies to all Downey employees (“Employee Code”).

1. This Code is intended to promote:
 - a. Honest and ethical conduct, including the ethical handling of actual or potential conflicts of interest between personal and professional relationships;
 - b. Avoidance of conflicts of interest;
 - c. Full, fair, accurate, timely and understandable disclosure in reports and documents filed or submitted to the SEC and in other public communications made by Downey;
 - d. Compliance with applicable governmental laws, rules and regulations;
 - e. Prompt internal reporting of violations of this Code; and
 - f. Accountability for adherence to this Code.

2. The following guidelines should be considered in connection with compliance with this Code:
 - a. Conflicts of interest. A conflict of interest may occur when an individual's private interest knowingly interferes - or potentially interferes - with the interests of Downey as a whole. A conflict situation can arise when a Financial Officer or Director takes actions or has interests that may make it difficult to perform his or her Downey work objectively and effectively. Conflicts of interest also arise when a Financial Officer or Director, or a member of his or her immediate family, knowingly receives improper personal benefits as a result of his or her position with Downey. This Code as well as the Employee Code prohibit conflicts of interest.

- b. Corporate opportunities. Financial Officers and Directors are prohibited from taking for themselves personally opportunities that are discovered through the use of Downey's property, information or position; using Downey's property, information or position for personal gain; and competing with Downey. Financial Officers and Directors owe a duty to Downey to advance its legitimate interests when the opportunity to do so arises.
 - c. Confidentiality. Financial Officers and Directors should maintain the confidentiality of information entrusted to them by Downey or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to Downey or its customers, if disclosed.
 - d. Fair dealing. Financial Officers should endeavor to deal fairly with Downey's customers, suppliers, competitors and other employees. Financial Officers should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice.
 - e. Protection and proper use of assets. Financial Officers should protect Downey's assets and ensure their efficient use. All Downey assets should be used for legitimate business purposes.
 - f. Compliance with laws, rules and regulations (including insider trading laws). Downey requires compliance with laws, rules and regulations, including all applicable banking laws and insider trading laws. Insider trading is both unethical and illegal and will result in disciplinary action, up to and including possible termination of Financial Officers.
 - g. Encouraging the reporting of any illegal or unethical behavior. Downey expects the highest ethical behavior in its activities and for Financial Officers to talk with supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation. Financial Officers must report violations of laws, rules, regulations, this Code or the Employee Code to appropriate personnel. To encourage Financial Officers to report such violations, Downey prohibits retaliation for reports made in good faith.
3. If a Financial Officer or Director wishes to pursue a transaction that may appear to create a potential conflict of interest, he or she should discuss the proposed transaction with Downey's General Counsel, who will either inform the person that the proposed transaction is permissible or write a memo to the Audit Committee of the Board explaining why the proposed transaction may conflict with Downey's interests or otherwise harm Downey.

4. If no Audit Committee member objects after receiving General Counsel's memo, the transaction may proceed and that fact will be reported to the Board by the next regularly scheduled meeting. If any Audit Committee member objects, the transaction may not proceed until the Board approves any deviation or waiver from this Code. Any waiver shall be reported promptly to the SEC.
5. It also is a violation of this Code for any Financial Officer or Director, or any other person acting under their direction, to knowingly take any action to fraudulently influence, coerce, manipulate or mislead any independent public or certified accountant engaged in the performance of an audit of the financial statements of Downey for the purpose of rendering such financial statements materially misleading.
6. Any Financial Officer, Director or other person who believes there has been a violation of this Code shall report that fact to the General Counsel, and/or the Chair of the Audit Committee. Upon any such report, the Chair of the Audit Committee shall initiate a review pursuant to procedures adopted by the Audit Committee.
7. Any Financial Officer or Director who violates this Code shall be subject to disciplinary action, up to and including termination. The Board shall determine appropriate disciplinary action against a Director who violates this Code, which may include asking the disciplined Director to resign from the Board or pursuing other alternatives available under Downey's bylaws and/or applicable law.