

Highlands Community Bank

Ethics Policy

1. Overview

Highlands Community Bank purpose for this ethics policy is to maintain a culture of openness, trust and integrity in business practices. Effective ethics is a team effort involving the participation and support of every HCB Director and employee. All Directors and employees should familiarize themselves with the ethics guidelines that follow this introduction.

HCB is committed to protecting Directors, employees, partners, vendors and the company from illegal or damaging actions by individuals, either knowingly or unknowingly.

HCB will not tolerate any wrongdoing or impropriety at anytime. HCB will take appropriate measures and act quickly in correcting the issue if the ethical code is broken. Any infractions of this code of ethics will not be tolerated and subject to disciplinary actions set forth in Article 5.2.

2. Purpose

Our purpose for authoring a publication on ethics is to emphasize the Directors, Employees, partners, vendors and consumer's expectation to be treated to fair business practices. This policy will serve to guide business behavior to ensure ethical conduct by all Directors and employees and acknowledge their primary, fiduciary responsibility to shareholders.

3. Scope

This policy applies to Directors, employees, vendors, contractors, consultants, temporaries, and other workers at HCB, including all personnel affiliated with third parties as well as management's compliance with law, regulation, and internal policies.

4. Policy

4.1 Executive Commitment to Ethics

- 4.1.1. Directors and executives within HCB must set a prime example. In any business practice, honesty and integrity must be top priority for executives.

- 4.1.2. Executives must have an open door policy and welcome suggestions and concerns from employees. This will allow employees to feel comfortable discussing any issues and will alert executives to concerns within the work force.
- 4.1.3. Executives must disclose any potential conflict of interest regarding their position within HCB to the Chairman of the Board. All insider transactions require full disclosure to the Board of Directors and have Board approval.

4.2 Employee Commitment to Ethics

- 4.2.1. HCB Directors and employees will treat everyone fairly, have mutual respect, promote a team environment and avoid the intent and appearance of unethical or compromising practices.
- 4.2.2. Every employee needs to apply effort and intelligence in maintaining ethics value.
- 4.2.3. Directors and employees must disclose any potential conflict of interest regarding their position within HCB to the Chairman of the Board.
- 4.2.4. Directors and employees will help HCB to increase customer and vendor satisfaction by providing quality products and timely response to inquiries.
- 4.2.5. Directors, officers and employees will present all significant contracts, leases and purchases, etc to the Board for approval before commitment.

4.3 Company Awareness

- 4.3.1. HCB will promote a trustworthy and honest atmosphere to reinforce the vision of ethics within the company.

4.4 Maintaining Ethical Practices

- 4.4.1. HCB will reinforce the importance of the integrity message and the tone will start at the highest level. Every Director, employee and officer needs to consistently maintain an ethical stance and support ethical behavior.
- 4.4.2. HCB officers, directors, and employees must keep HCB's Information, and our customers' information, confidential (except

where disclosure is legally mandated, such as in a court proceeding). Your legal obligation to maintain the confidentiality of such information will continue even upon the termination of your employment from HCB. “Confidential” information includes all non-public information that might be of use to competitors or harmful to the company or its customers, if disclosed. We cannot trade HCB stock or the stock of customers or others based on inside information. We cannot profit from confidential information received from our customers. We cannot assist others in insider trading and will not disclose information in a manner that results in violation of applicable insider trading restrictions. Our customers’ financial information may and must be used in Accordance with HCB’s Privacy Policy.

- 4.4.3. Employees at HCB should encourage open dialogue, get honest feedback and treat everyone fairly, with honesty and objectivity.
- 4.4.4. HCB has established a committee to make sure the ethical code is delivered to all employees and that concerns regarding the code can be addressed.
- 4.4.5. Any Director or employee of HCB may report any potential violation of the ethics code to the chairman of the audit committee in confidence to:

Chairman Audit Committee
Highlands Community Bank
P.O. Box 1059
Covington, Va. 24426

By telephone to:
Mr. H.C.Rhodes
Chairman Audit Committee
Phone (540)962-5490

- 4.4.6. Any person reporting any violation of the ethics code will be provided the full protection of the Whistle-Blowing provisions of the 2002 Sarbanes-Oxley Act.

4.5. Unethical Behavior

- 4.5.1. HCB will avoid the intent and appearance of unethical or compromising practice in relationships, actions and communications.
- 4.5.2. HCB will not tolerate harassment or discrimination.

- 4.5.3. Unauthorized use of company trade secrets, marketing, email, internet, operational, personnel, financial, source code, and technical information integral to the success of our company will not be tolerated.
- 4.5.4. HCB will not permit impropriety at any time and we will act ethically and responsibly in accordance with laws.
- 4.5.5. HCB Directors and employees will not use corporate assets or business relationships for personal use or gain.

5. Enforcement

- 5.1. Any infractions of this code of ethics will not be tolerated and HCB will act quickly in correcting the issue if the ethical code is broken.
- 5.2. Any Director or employee found to have violated this policy may be subject to disciplinary action, up to and including removal from the Board of Directors or termination of employment.