

CODE OF ETHICS

Carter Bank & Trust and Subsidiaries

The honesty, integrity and sound judgment of our directors, officers and employees is essential to the reputation and success of Carter Bank & Trust (CB&T). Our Code of Ethics requires high standards of conduct to provide current and potential customers, shareholders, fellow employees, suppliers and anyone else with whom CB&T has contact with complete confidence in the bank and our employees.

All Directors, officers and employees will receive a copy of our Code of Ethics and will be required to sign an acknowledgement they have read and will adhere to it. Newly appointed directors and newly hired officers and employees will receive a copy of the Code of Ethics upon appointment or employment, and their signed acknowledgements will be retained by the Personnel Department. Directors will review and approve any changes to the policy.

This Code of Ethics governs the actions and working relationships of directors, officers and employees of CB&T with current and potential customers, shareholders, fellow employees, suppliers and anyone else with whom the bank has contact. The trust required in these relationships is essential to the success of CB&T.

Conflicts of Interest

A “conflict of interest” occurs when a director, officer or employee’s private interest interferes or appears to interfere in any way with the interest of CB&T. A director, officer or employee must not represent CB&T in any transaction where he or she has a material connection or a financial interest. Specifically, a material connection includes the involvement of a family member. Directors, officers and employees are expected to avoid all situations that might lead to a real or apparent conflict between their self-interests and their duties and responsibilities as directors, officers or employees of CB&T.

Acceptance of outside employment by officers and employees must be approved by the officer in charge of personnel. Requests for approval of outside employment must be made in writing. Approval for such employment will normally be granted unless it is not consistent with the best interest of CB&T or will interfere with the officer or employee’s job responsibilities.

Confidential Information

Nonpublic information regarding CB&T, its directors, officers, employees, customers, and suppliers is confidential. Bank directors, officers and employees, are entrusted with confidential information that must be safeguarded at all times. Directors, officers and employees are not to share confidential information with anyone outside of CB&T, including family and friends, or with other employees who do not need the information to carry out their duties. Officers and employees will be required to sign a confidentiality agreement (exhibit A) upon their initial employment at CB&T. Officers and employees remain under an obligation to keep all information confidential even if their employment with the CB&T ends.

Gifts, Fees, and Loans

The Comprehensive Crime Control Act of 1984 makes it a felony for a bank director, officer or employee to accept anything of value in exchange for favorable treatment in any type of bank transaction. The Act expands upon banking transactions to include any day-to-day banking functions as well as loans to customers or potential customers. No director, officer or employee shall solicit or accept anything of value from anyone in return for any business, service or information from CB&T. Directors, officers and

employees are prohibited from personally benefiting from opportunities that are discovered through the use of CB&T property, contacts, information or position or acting on behalf of CB&T in any transaction in which they or their immediate family has a significant direct or financial interest.

There are certain situations in which it may be permissible to accept a personal benefit from someone with whom you transact business such as:

- Accepting a gift in recognition of a commonly recognized event or occasion (such as a promotion, new job, wedding, retirement or holiday). An award in recognition of service and accomplishment may also be accepted without violating these guidelines.
- Accepting something of value if the benefit is available to the general public under the same conditions on which it is available to you.
- Accepting meals, refreshments, travel arrangements, accommodations and entertainment of reasonable value in the course of a meeting or other occasion to conduct business or foster business relations if the expense would be reimbursed by CB&T as a business expense if the other party did not pay for it.

Insider Trading

It is both unethical and illegal to buy, sell, trade or otherwise participate in transactions involving CB&T's common stock while in possession of material information concerning CB&T that has not been released to the general public, but which when released may have an impact on the market price of CB&T's common stock. It is also unethical and illegal to buy, sell, trade or otherwise participate in transactions involving the common stock or other security of any other company while in possession of similar non-public material information concerning such company.

Extensions of Credit

CB&T may extend credit to any director, principal shareholder or executive officer only on substantially the same terms as those prevailing for comparable transactions with other persons or that may be available to bank employees generally as permitted by and in accordance with Regulation O of the Board of Governors of the Federal Reserve System.

Personal Finances

All directors, officers and employees are expected to demonstrate the ability to properly manage their personal finances, particularly the prudent use of credit. No director, officer or employee should knowingly overdraw his/her personal checking account. CB&T recognizes that its customers must have faith and confidence in the honesty and character of its directors, officers and employees.

Proper Handling of Bank Transactions

To avoid non-compliance or any appearance of non-compliance with the Code of Ethics, banking transactions for employees and their immediate family must be handled properly.

- Tellers may not cash checks, receive deposits or handle any other type of banking transactions on their own accounts or for a member of their immediate family.
- All employees' personal banking transactions must be processed thru a teller's window and be properly validated. The corporate offices do not have a teller window. Employees processing personal transactions at these offices must have the transactions approved and initialed by an officer.
- Employees may not approve or make loans to themselves or members of their immediate family.
- Employees may not approve overdrafts for themselves or members of their immediate family.

- Employees may not rent a safe deposit box to either themselves or members of their immediate family. In addition, access to a box must be controlled by another staff member.

For the purpose of this policy, immediate family is defined as husband, wife, child, mother, father, brother, or sister.

Compliance with Laws, Rulings & Regulations

This Code of Ethics is based on CB&T's policy that all directors, officers and employees comply with the law. While the law prescribes a minimum standard of conduct, this Code of Ethics requires conduct that often exceeds the legal standard.

Reporting of Violations of the Code of Ethic Policy

In addition to the importance of maintaining customer confidence, there are specific laws that outline the actions CB&T must take regarding any known or suspected crime involving the affairs of the Bank. Fraud is an element of business that significantly affects the reputation and success of CB&T. Therefore, CB&T requires its directors, officers and employees to report and discuss any known or suspected criminal activity involving its employees. If, during the course of employment, an officer or employee becomes aware of any suspicious activity or behavior including concerns regarding questionable accounting or auditing matters, he/she must report violations of laws, rules, regulations of this Code of Ethics to the Audit Committee in accordance with the requirements of CB&T's Financial Complaint and Whistleblower Protection Policy. Reporting the activity will not subject the employee to discipline absent a knowingly false report. Known or suspected violations of this Code of Ethics will be investigated and may result in disciplinary action up to and including immediate termination of employment.