

CODE OF CONDUCT & CONFLICT OF INTEREST POLICY

Board approved:
Last Revision Date:

May 29, 2019
May 24, 2019

Department/Individuals Responsible for
Maintaining/Updating Policy:

President/Chief
Financial Officer

REGULATORY RISK ISSUE

Receiving or soliciting gifts to influence a financial transaction is strictly prohibited and may result in stiff penalties. The Bank Bribery Amendments Act of 1985 required the regulators to publish guidelines to assist financial institutions in complying with the law, and to educate all of their employees, officers, Directors, agents, and attorneys in this regard. Federal Bank Bribery Law is codified in the Bank Bribery Act of 1984. Additional laws and regulations including Regulation O, FIRA, as well as the Sarbanes Oxley Act, underscore the need for sufficient policy regarding proper employee, officer, Director, vendor, attorney, agent, or customer relationships. Stiff fines and penalties, as well a loss of reputation, may result if the law is violated.

STATEMENT OF NEED AND DEFINITION

The Board of Directors acknowledges the risks of conflicts of interest that may potentially arise in engaging persons involved in the business and civic community to act as Directors, officers, employees, attorneys, and agents of the bank. The Board feels it is prudent to adopt a Code of Conduct and Conflict of Interest Policy in order to clarify proper behavior that is in compliance with the law.

THE PURPOSE

The bank has developed this policy to promote appropriate and trustworthy conduct that adheres to federal bribery law and regulations.

STATEMENT OF PROHIBITION

Consistent with the intent of the statute to proscribe corrupt activity within financial institutions, **the bank's Code of Conduct hereby prohibits** any employee, officer, Director, agent, or attorney from the following:

- 1) Soliciting for themselves or for a third party (other than the bank itself) anything of value from anyone in return for any business, service, or confidential information of the bank, and
- 2) Accepting anything of greater than Nominal value from anyone in connection with the business of the bank, either before or after a transaction is discussed or consummated (please note that bona fide salary, wages, and fees referred to in 18 U.S.C. 215 (c) are excluded).

This Code of Conduct specifically incorporates all components of the Statement of Policy, "Guidelines for compliance with the Federal Bank Bribery Law"; such statement dated November 10, 1987, by reference.

Adherence to this policy should prevent the development of improper relationships and improper behavior.

DEFINITIONS

For the purposes of this policy, the following definitions apply:

Officer or Employee: A part time or full time salaried or hourly officer or employee of First Community Bank of East Tennessee.

Director: A person serving on the Board of Directors of either First Community Corporation, or First Community Bank of East Tennessee.

Agent: a person who does business for another person: a person who acts on behalf of another.

Attorney: one who is legally appointed to transact business on another's behalf; lawyer.

Gift: something voluntarily transferred by one person to another without compensation. Specifically in this policy, such reference may include cash or property, special discounts, price concessions, special personal items, special personal entertainment (other than of a normal social nature), special personal services, gratuitous personal services, personal favors, or special dispensations of any kind that could be attributed to the recipient's position or responsibilities with First Community Bank of East Tennessee or First Community Corporation.

Immediate Family: Spouse, father, mother, minor child, and/or other dependent, brother, or sister, of the officer, employee, or Director.

POLICY ELEMENTS

Due to the increased number of financial institution failures resulting from self-dealing, fraud, and misconduct of Directors, management, and employees, the Board of Directors of First Community Bank intends to hold its employees and Directors to a strict code of conduct and to require reporting of conflicts of interest. Individuals associated with this bank and bank holding company have a primary responsibility to uphold the standards of this bank and bank holding company.

Failure to comply with all policies herein described may result in the termination of employment or removal from the Board of Directors.

All employees, Directors, and representatives of First Community Bank are required to act in a responsible and respectable manner and to remain free of influences that may result in the loss of objectivity regarding business conducted with First Community customers or with First Community Bank itself. Each employee and Director must disclose and avoid any interest or activities involving another organization or individual that may result in a conflict of interest between First Community Bank or First Community Corporation and that organization or individual.

While this policy does not intend to interfere with the personal lives of employees and representatives, it requires those persons to recognize situations where conflicts of interest may arise and to avoid them where possible. If these situations cannot be avoided, they must be reported immediately to a direct superior, or in the case of a Director, to the corporation's general counsel. Subsequently, the employee, Director, or representative should remove himself or herself from any compromising situations, especially when it involves advising the other person or entity regarding extensions of credit, or of approving of or voting on extensions of credit.

Safeguarding Confidential Information

All employees and Directors must acknowledge that all information concerning bank, customer, depositor, shareholder and Director information is considered confidential and is to be used for bank purposes only. The use of such information for personal, familial, or other gain is unethical and illegal under securities ruling and the National Bank Act. Information regarding any business conducted cannot be disclosed to outside individuals (unless authorized by the bank or its customer, etc.) and may not be used for personal gain. Use of confidential information for other than First Community's business purposes may result in disclosure of insider information. Insider information is defined as information of a material nature to affect the price of stock involved. Insider

information may not be used to purchase, trade, or solicit securities until such time that information is available to the general public.

First Community Bank has safeguards in place to protect sensitive customer information collected by the institution from improper disclosure and misuse that could result in identity theft. All employees, officers, and Directors are expected to follow the Privacy and Customer Information Security Policy, and related procedures, to protect sensitive customer information.

In addition, all published information (both for internal and external use), developed programs, equipment, etc., are the property of First Community Bank and are reserved for use by employees of First Community Bank. Use of these materials for any other purpose may constitute copyright infringement and theft.

Ensuring the Integrity of Records

1. Records and accounting information must be accurate and maintained with reliability and integrity. Transactions must be reflected in an accurate and timely manner. To this end, the Board of Directors has adopted a CIF (Customer Information File) Policy. False entries, and activities that result in false entries, are strictly prohibited.

Investment in Stock

The employees of First Community Bank are encouraged to purchase and hold stock of First Community Corporation for long-term investment. While First Community Bank may not delve into the personal lives of its employees, employment in a bank requires prudent and proper conduct in investment and other situations. Speculation or trading in the stock of First Community Corporation is prohibited, as is the purchase or sale based on insider information, as discussed above.

Gifts and Entertainment

Employees of First Community Bank are not to solicit gifts from prospective or current customers, associates, vendors, or any other individual or business. Any gifts received shall be of Nominal value. Nominal value is considered to be anything below \$150.

Employees of First Community Bank are expected to participate in entertainment and amenities of reasonable cost in order to facilitate business. Payment by anyone other than the bank of excessive costs or travel not customary or within acceptable business practice must not be accepted. Any questionable circumstances must be reported to your immediate supervisor.

Tickets for sporting, cultural, or other events purchased by the bank are to be used in entertaining potential or actual customers, vendors, or others for business purposes only. If it is determined three or four days prior to the event that the tickets will not be used, an officer may offer them to someone else at his or her discretion.

External Involvement

While First Community Bank encourages its employees to be involved in outside activities, including charitable and political functions, federal law prohibits First Community Bank from making political contributions. At no time will employees solicit other employees for political contributions or coerce others into contributing to any organization. Conduct must not give the perception that benefit to First Community Bank or connections are sought or desired.

Additionally, offers of Directorships to any outside organization that has or desires a business relationship with First Community Bank, or to any institution within the financial industry, must be reported to in-house counsel prior to acceptance.

Capitalizing on opportunities for personal gain or compensation outside of that which is provided by First Community Bank for the performance of services for First Community Bank is strictly prohibited. Employment outside and in addition to employment at First Community Bank must be reported to your immediate supervisor.

Consultation

Refer any questions regarding proper code of conduct to an immediate supervisor or in-house counsel. Actions or acceptance of gifts that are not specifically mentioned above must be reviewed as to intent and purpose. Employees should ask themselves: "If a situation were to be made public, would my conduct be embarrassing or come into question?"

Conduct of Insiders

12 CFR 215, or Federal Regulation O, defines "insiders" as Directors, executive officers, and principal shareholders. These people must take care that their conduct does not violate rules relating to self-dealing and personal gains. At no time are members of this group allowed to take advantage of their position in the bank for personal profit or influence over credit and other decisions with regard to their business or personal interests.

Decisions regarding sale or purchases of bank assets and services must be made in the best interests of the bank with no influence on insiders resulting from

gifts, entertainment, or gratuities. All conduct of such business must be at “arm’s length.”

Candor

All employees, officers, and Directors are required to respond honestly and candidly when dealing with the bank’s independent external and internal auditors, regulators, and attorneys.

Disclosures

Employees and officers of First Community Bank and First Community Corporation must make annual disclosures of any relationships, receipt of gifts, compensation, or other situations leading to possible conflicts in the following manner:

Employees:	Report to immediate supervisor
Officers:	Report to Chief Executive Officer and President
Directors:	Report to General Counsel

Directors, principal shareholders, and executive officers must make annual disclosures to the entire Board of any actual and potential conflicts of their related interest.

Employee Accounts

All employees are encouraged to maintain their bank accounts at First Community Bank to allow First Community Bank to provide service and direct deposit of payroll checks. However, under no circumstances will First Community Bank pay a rate of interest in excess of the rate available to all customers.

Applicable fees and service charges, including overdraft charges, on the deposit accounts of Directors, principal shareholders, and executive officers, will be assessed, in accordance with all federal and state regulations.

Failure to Comply

Failure to comply with this policy may result in the termination of employment or removal from the Board of Directors. Action taken will be commensurate with the seriousness of conduct and an evaluation of the situation.

All violations of this policy will be brought to the attention of the Board of Directors. Termination of employment may be determined by an officer who is the direct or indirect supervisor of the employee concerned.

Policy for: **First Community Bank**

Addendum to: **Code of Conduct and Conflict of Interest Policy**
 Personal Banking

Board Approved: **May 29, 2019**

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All bank employees are prohibited from processing their own checks or processing any personal banking transaction including, but not limited to, uploading and funding deposit and/or loan accounts. Additionally, employees should never process any banking business for any relative or close personal friend. All such transactions must be processed by another bank employee in the appropriate department.

The following bank policy has been established:

- (1) Tellers may not cash checks, receive deposits or handle any other type of banking transaction on their own account, for any relative or close personal friend, or for any account on which the Teller may be an authorized signer.
- (2) All staff members' personal banking transactions must be processed through a Teller's window and be properly validated.
- (3) Staff members may not approve or make loans to themselves or for any relative or close personal friend.
- (4) Staff members may not approve overdrafts for themselves or any relative or close personal friend.
- (5) Staff members may not rent a safe deposit box to any relative or close personal friend. In addition, access to a box must be controlled by another authorized staff member.
- (6) Staff members may not upload and/or fund any new deposit or loan account for themselves, any relative or close personal friend.

A signed copy of this policy will be maintained in each employee's personnel file.