

CODE OF ETHICS AND CONDITIONS OF EMPLOYMENT

The following are the Code of Ethics and Conditions of Employment of Virginia National Bank (the "Bank" or "VNB").

The Board of Directors of the Bank recognizes that director oversight is an essential component of sound and effective corporate governance practices. "Corporate governance for banking institutions has always been a critical issue because the industry is one that is built on trust. [A]n effective corporate governance process results in improved investor and depositor confidence [and provides the framework] by which directors and senior management oversee the operations of an institution."¹ Consistent with its responsibilities, the Board of Directors of the Bank has adopted the following Code of Ethics and Conditions of Employment.

All new employees are required to read these statements at the start of their employment at the Bank and to sign an acknowledgement that they have done so. In addition, periodically supervisors may require officers and employees of the Bank to acknowledge that they have read and agree to abide by these statements as a condition to their continued employment by the Bank.

CODE OF ETHICS

Directors, officers and employees of the Bank are professionals and are expected to conduct themselves in a professional manner, consistent with the highest standards of professional, business and personal ethics. Our conduct determines the image and reputation of the Bank. The image and reputation of a bank can be its most valuable asset. This Code of Ethics is provided to assist us in determining what is appropriate personal and professional conduct. We are expected to use good judgment, maintain high ethical standards and to adhere to the letter and spirit of this Code of Ethics.

CONFIDENTIAL INFORMATION

Confidential information concerning the Bank, its past and present directors, officers and employees, shareholders, customers and suppliers is to be used solely for Bank purposes. It may not be used to further personal interests or as a means to make a personal profit. A Virginia National Banker may not disclose confidential information to a customer or any other outside party. Disclosure of confidential information to other Virginia National Bankers should be limited to a "need to know" basis.

Financial information about the Bank may not be disclosed or released to anyone unless the information is included in a published report or otherwise made generally available to the public. Any use or sharing of "insider information," including trading in the securities of the Bank based on such information, is unlawful.

¹ Memorandum to chief executive officers, dated August 27, 2004, transmitting a research report entitled *An Assessment of the Corporate Governance Practices of Fifth Federal Reserve District Banking Institutions*, published by the Federal Reserve Bank of Richmond, June 30, 2004.

We recognize that confidentiality is a cardinal customer expectation. Any questions concerning the disclosure of confidential information should be directed to the Chief Executive Officer (CEO), Senior Counsel, or Senior Operations Officer of the Bank.

CONFLICTS OF INTEREST AND OUTSIDE ACTIVITIES

A "conflict of interest" occurs in any situation in which one is not able to remain impartial or maintain objectivity in choosing between the interest of the Bank and the interest of oneself or others. A conflict of interest also exists when one or one's family member can benefit from a relationship made through the Bank. Virginia National Bankers are expected to manage personal and business affairs to avoid conflicts of interest or the appearance of a conflict of interest. Consider, for example, the prohibition against investing in a customer's business set forth in "Personal Behavior-Personal Financial Matters" below.

A Virginia National Banker should not handle, oversee or be involved in any transaction that is or could be viewed as a conflict of interest because of a material connection with the individual or company involved. This includes, but is not limited to, approval of overdrafts, waiving of any Bank fees or charges, making loans, granting exceptions to Bank policies, or approval of checks for cash or immediate credit.

Any Virginia National Banker accepting an invitation to serve as director, representative or other position for an outside company, civic board or other entity should notify the Chief Executive Officer (CEO) of the Bank. All Virginia National Bankers are encouraged to participate in civic, religious and political activities of their choice. The activities should not interfere with the employee's job or give the impression that the specific actions or views of the employee are those of the Bank. Employees may be required annually to update the list of their outside positions.

Soliciting contributions or the sale of goods and services by or for for-profit businesses or organizations on Bank property is prohibited unless prior consent is received from an officer of the Bank.

GIFTS, FEES, LEGACIES AND LOANS

A Virginia National Banker may not accept a loan from any Bank customer or supplier. This does not apply to loans from other financial institutions obtained under the normal process.

A Virginia National Banker may not accept a fee for the performance of any act or service the Bank could have performed.

A Virginia National Banker may not receive anything of value for making a loan.

Any gift, monetary or material, offered to or received by a Virginia National Banker, which could give rise to any question or the appearance that the gift may influence the judgment of the Virginia National Banker, is to be reported to the CEO, Senior Counsel, or Senior Operations Officer of the Bank. Any gift having a value in excess of \$100.00 automatically

requires reporting. A Virginia National Banker should decline a proffered gift if there would be even the slightest implication of influence on future dealings.

A Virginia National Banker may not sell any goods or provide any services to a customer at a value in excess of its worth nor may any banker purchase any goods or obtain any services from a customer, supplier or competitor at a value below the value available to other buyers.

A Virginia National Banker may not do indirectly what he or she is prohibited from doing directly, such as have a family member accept a gift from a customer.

A Virginia National Banker shall decline any legacy or bequest from any customer of the Bank and shall not accept appointment to serve as executor, trustee, personal representative or guardian of any estate, trust or account of or for any customer unless the customer is a relative and the action is based on the family relationship.

PERSONAL BEHAVIOR

Personal Financial Matters: Each Virginia National Banker is expected to maintain high standards in conducting one's own financial matters and affairs, including but not limited to avoiding overdrafts in accounts at the Bank and other financial institutions and the timely payment of obligations to all creditors.

A Virginia National Banker and the immediate family members of the Banker may not invest in the business of a Bank customer, prospect or supplier unless shares of the business are publicly traded on an established stock exchange or the Banker received the prior approval of the CEO of the Bank.

Personal Conduct: All Virginia National Bankers are expected to conduct themselves in a professional, businesslike manner while at work. Because a Virginia National Banker's behavior forms the community's impression of the Bank, Bank employees are expected to behave in a courteous, kind manner towards customers and fellow Virginia National Bankers. Virginia National Bankers are expected to rely on their good judgment and common sense to guide them in their personal behavior as well.

CONDITIONS OF EMPLOYMENT

All Virginia National Bankers are expected to abide by all rules and policies of the Bank as a condition of their continued employment by the Bank.

The Bank provides equal employment opportunity without regard to race, color, religion, national origin, sex, pregnancy, childbirth or related medical conditions, age, marital status, disability, or veteran's status. This EEO policy governs all phases of employment including recruiting, hiring, and placement; merit-based upgrading, promotion or demotion, and transfer; layoff, recall and termination; rates of pay or other forms of compensation; employee benefits participation; selection for training; disciplinary procedures and filing of grievances; use of all facilities and participation in all Bank-sponsored employee activities; and any other phase of employment.

All Virginia National Bankers authorize the Bank to investigate their personal credit history at any time during employment.

All officers and employees of the Bank understand and agree that employment by the Bank is at will for no definite period and may be terminated at any time by either party with or without cause. Officers and employees of the Bank who elect to terminate their employment by the Bank are required to give a two-week advance notice.

Any of the following actions or behavior by an officer or employee of the Bank shall constitute grounds for adverse personnel action by the Bank, including termination of employment. They are illustrative only and are not intended to exclude other actions or behavior that may lead to or result in disciplinary actions, including termination of employment.

- Embezzlement or theft.
- Any misappropriation of money or supplies, equipment or other Bank property.
- Failure to comply with and respect privileged or confidential information concerning customer records and personal and personnel information concerning any officer or employee of the Bank.
- Any misrepresentation of facts concerning yourself, any officer or employee of the Bank, or a customer's financial status or credit history.
- Any declaration which is disloyal, degrading or defamatory of the Bank, or its directors, officers or employees.
- Failure to maintain agreeable and compatible relationships with the public or with directors or other officers or employees of the Bank.
- Failure to notify your supervisor and obtain authorization when you are not able to report to work.
- Failure to perform work duties satisfactorily.
- Failure to meet credit obligations or overdrawing one's account at VNB or at any other financial institution.

*Code of Ethics and Conditions of Employment (Revised February 1, 2005).
Approved by the Board of Directors of Virginia National Bank, January 24, 2005*