

COMMUNITY BANKS, INC.
CODE OF CONDUCT AND CONFLICT OF INTEREST

PURPOSE/SCOPE

The directors, officers and employees of Community Banks, Inc. and all its subsidiaries and affiliates (the “Company”) hold an important role in corporate governance. They are vested with both the responsibility and authority to protect and preserve the interests of all the Company’s constituents, including shareholders, customers and citizens of the communities in which Community Banks, Inc. conduct business.

Traditionally, the Company has held itself to the highest standards of ethical and moral conduct in which conflicts of interest and the appearance of such conflicts are avoided. The maintenance of high standards of honest, ethical and impartial conduct is essential to assure the proper performance of the Company’s business of maintaining public trust.

This Code of Conduct and Conflict of Interest policy (“Code”) complies with the required listing standards of the NASDAQ Stock Market, Inc. The Code applies to each director, officer and employee of Community Banks, Inc. and all its subsidiaries and affiliates, (“Covered Persons”). This Code prescribes the policies, procedures and guidelines to be employed and enforced during day-to-day actions and business operations. It is the responsibility of Covered Persons to promote the following:

- Compliance with all applicable laws, rules and regulations and the need to behave in an ethical manner. This responsibility cannot be delegated to or assumed by the Company.
- Responsibility to promptly report any suspected violations of this Code as discussed in the enforcement section.
- Full, fair, accurate, complete, timely and understandable disclosure in reports and documents filed or submitted to the Securities and Exchange Commission (SEC) and in other public communications made by the Company.
- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest as discussed below.

Each Covered Person shall act with honesty and integrity, in good faith, responsibly and with due care and diligence to avoid the perception of anything less. All shall pro-actively promote ethical behavior among subordinates and peers in his or her work environment and community.

CONFLICT OF INTEREST

A conflict of interest exists any time one faces a choice between what is in his or her personal interest (financial or otherwise) and the interest of the Company. These situations are not always easy to avoid. When a conflict of interest arises, it is important that all Covered Persons act with great care to avoid even the appearance that their

actions were not in the best interest of the Company. If you find yourself in a position where your objectivity may be questioned because of individual interest or family or personal relationships, notify Executive Management immediately.

If any Covered Person wishes to obtain approval of any particular action, or a waiver of any of the requirements of the Code, he or she may apply for such an approval or waiver. Applications shall be made by disclosing all the relevant facts and the circumstances to the approving authority as follows:

- For Directors and Executive Officers, only the Company's Board of Directors may grant application approval. All waivers, including the reasons for the waiver, of provisions of this Code for such individuals, must be promptly reported on Form 8-K within 5 business days.
- For all other Covered Persons, the Company's President and Chief Executive Officer may grant application approval.

GIFTS, MEALS, SERVICES AND ENTERTAINMENT

All Covered Persons should not request or accept anything that might be used as a means to influence, or even appear to influence, you against the Company's best interests. Personal gifts should not be accepted other than those considered common business courtesies and for which one would reasonably expect to give something similar in return in the normal course of business. Cash gifts of any amount are prohibited. Exceptions to this rule are made if there is no reasonable likelihood of improper influence in the performance of duties on behalf of the Company, as noted below:

- Normal non-repetitive business courtesies, such as a meal or golf game.
- Non-cash gifts of nominal value, such as received during a holiday season.
- Gifts received because of marriage or social relationships entirely beyond and apart from any business relationship.

SAFEGUARDING COMPANY ASSETS/ACCOUNTING PRACTICES

The Company maintains internal controls to provide direction on protecting Company assets and financial accountability. All Covered Persons are expected to observe and comply with accounting principles generally accepted in the United States, the system of internal controls and procedures established by the Company, and provisions of the Foreign Corrupt Practices Act requiring that corporate books and records accurately reflect, in reasonable detail, the financial condition and results of operations of the Company and its subsidiaries and affiliated companies. All Covered Persons must practice the following:

- All corporate assets and resources employed or entrusted to him or her must be used and controlled in a reasonable manner.

- No false, misleading or artificial entry shall be made on corporate books, records and reports for any reason.
- No undisclosed or unreported corporate funds or assets shall be established for any purpose.
- No payments from corporate funds or other assets shall be approved or be made with the intention or understanding that any part of such payment will be used for any purpose other than the purpose described by the documents supporting the payment. All payments must be supported with the appropriately approved purchase order, invoice or receipt, expense report or other customary supporting documents, all in compliance with established Company policy.

GOVERNMENT AND REGULATORY AFFAIRS/INSIDER TRADING

Each Covered Person shall comply with all governmental laws, rules and regulations applicable to the Company and its subsidiaries. Compliance with the rules and regulations of private and public regulatory agencies having jurisdiction over the Company and/or any other Company entity is critical. While these legal requirements define a minimal standard of conduct, this Code requires conduct that often exceeds the legal standard.

Insider trading is a crime that can carry severe penalties. If you know material, confidential information about the Company or any company with whom the Company has a business relationship and you trade Company securities, such as stock or bonds, while in possession of that information, or tell others about it before it is made public, you may have violated the insider trading laws. Material information is the type of news that would affect a reasonable investor's decision on whether or not to invest in the Company's stock. Examples include plans to issue securities, sharp changes in earning patterns, changes in dividend rates, changes in key management personnel, or mergers and acquisitions.

The Company and certain of the other Company entities have numerous specific policies and procedures governing topics covered by this code, including the Community Banks, Inc. Insider Trading Policy (Sarbanes-Oxley Act of 2002), all of which have been distributed separately from this code. The Company, its subsidiaries and all Covered Persons will cooperate with all authorities, agencies and law enforcement officials in the investigation and/or prosecution of any violation of this Code which is a violation of law.

CONFIDENTIAL INFORMATION

Our customers entrust us with important and personal information. As financial professionals, one of our primary responsibilities is to maintain and safeguard confidentiality. Confidential information should never be discussed with anyone who does not have a legitimate need to know and is never to be discussed outside the Company's jurisdiction.

Confidential information obtained as a result of employment with the Company may not be used for furthering any private interest or as a means for personal gain. Use or disclosure of such knowledge can result in civil or criminal penalties for the individual concerned and/or the Company. The unauthorized access to Covered Person's private financial data is prohibited.

POLITICAL CONTRIBUTIONS AND ACTIVITIES

Individual participation in political and civic activities is encouraged, including the making of personal contributions to political candidates or activities. Running for public office, however must be approved by the appropriate approving authority. No Covered Person acting on behalf of the Company may make an expenditure or contribution, either directly or indirectly, in connection with an election to political office unless through the official sanctioned political action committee. The Company's name and address should not be used in or associated with any political advertisements or literature to avoid any interpretation of sponsorship or endorsement.

OUTSIDE EMPLOYMENT/DIRECTORSHIP AND BUSINESS INTERESTS

Due to the potential for conflict of interest, Covered Persons should exercise caution in taking either a second job or becoming involved in outside business interests. In no instance shall a Covered person engage in any outside employment which may subject the Company to criticism or adverse publicity. For active employees, the following guidelines should be used to acquire approval:

- Non-Exempt Employees must notify his or her immediate supervisor prior to taking a second job. Human Resources will be the approval authority for this action, in concert with the immediate supervisor.
- Exempt Employees must have approval for any outside employment from Executive Management.

Serving as a director or officer of any organization requires the approval of Executive Management, except in the case of nonprofit, religious, community or civic organizations.

EXTENSION OF CREDIT TO RELATIVES AND BUSINESS ASSOCIATES

No Covered Person shall make or approve loans to any corporation, partnership, estate, trust association or other person in which they have an interest directly or indirectly or in which a member of their immediate family has such an interest or business relationship. All transactions must be "arm's-length" transactions.

ENFORCEMENT

To ensure prompt and consistent enforcement of the Code, the following measures are applicable to all Covered persons:

Any person having knowledge or reason to believe that a violation of this Code by a Director or Executive Officer of the Company may exist, shall immediately report the possible violation to the Chairman of the Board's Audit Committee or to the Chairman of the Board's Nominating Committee.

Any person having knowledge or reason to believe that a violation of this Code by any other Covered Person may exist, shall immediately report the possible violation to the Company's Chairman or President and to the Company's Chief Financial Officer.

In no event shall any person reporting a possible violation of this Code be subject to any sanction or other adverse action, if the reporting person acted reasonably and in good faith in making the report.

If any person appears to have violated any provision of this Code, the review process will commence, as follows:

- The Company's Board Audit Committee or the Board Nominating Committee will investigate any potential violations of this Code by a Director or Executive Officer, and will oversee an appropriate response, including corrective and preventive measures.
- Potential violations of any provision of this Code by a non-executive officer will be assigned to the Executive Officer responsible for the applicable department and, together with the Company's Human Resources Department, will investigate the allegation and oversee an appropriate response, including corrective and preventative measures.
- If any other Covered Person appears to violate any provision of this Code, the situation will be brought to the attention of the Company's Chairman or President for review, investigation and an appropriate response, including corrective action and preventative measures.

Any Covered Person who violates this Code will face any action deemed necessary to protect the Company's interest, to and including discharge in the case of employees.

ANNUAL ACKNOWLEDGEMENTS

Each Director and Executive Officer of the Company shall, at least annually, complete and sign the attached form of acknowledgement, and file it with the Company's Corporate Secretary's Office.

ACKNOWLEDGEMENT/RECEIPT

Re: Community Banks, Inc. Code of Conduct and Conflict of Interest

I acknowledge that I have received the foregoing Code of Conduct. I understand that it is my responsibility to read and understand the foregoing Code of Conduct and comply with the stated code now and in the future.

I understand that if I have questions related to this Code of Conduct I should discuss them with the appropriate party.

I understand that any violation of this Code of Conduct will subject me to appropriate disciplinary action, which may include demotion or discharge.

Signature:

Name (print):

Date: _____