

HCSB FINANCIAL CORPORATION
HORRY COUNTY STATE BANK
CODE OF BUSINESS CONDUCT AND ETHICS

September 10, 2007

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CODE OF BUSINESS CONDUCT and ETHICS

Section 1 – Introduction

HCSB Financial Corporation and its subsidiary, Horry County State Bank (collectively, the “Company”), are committed to conducting all aspects of their business in accordance with the highest ethical and legal standards. To memorialize some of the core values and spirit with which the Company’s Board of Directors expects the Company’s business to be conducted, the Board has adopted the following Code of Business Conduct and Ethics (the “Code”). More specifically, this Code is being adopted to:

- Promote honest and ethical conduct, including fair dealing and the ethical handling of conflicts of interest.
- Promote full, fair, accurate, timely, and understandable disclosure under, and in compliance with, applicable securities and corporate laws, rules and regulations of the Securities and Exchange Commission (the “SEC”).
- Ensure the protection of the Company’s legitimate business interests, including corporate opportunities, assets, and confidential information and to deter wrongdoing.

The Board intends for this Code to serve as a guide for general decision-making in a variety of circumstances that directors, officers and employees might encounter in conducting the Company’s business. The Board expects all directors, officers and employees of the Company to be familiar with the Code and to adhere to the principles and procedures provided in the Code that apply to them. More code of conduct information can be found in the Personnel Policy Manual. The Board of Directors recognizes that no code can describe every circumstance that might confront directors, officers and employees. Therefore, the Board expects, in addition to complying with the Code and applicable laws, rules and regulations, all employees, officers and directors to observe the highest standards of business and personal ethics in the discharge of their assigned duties and responsibilities.

For the purposes of this Code, the “Code of Business Conduct Contact Person” will be the Chairman of the Audit Committee of the Board of Directors. **Please refer to Addendum I for the contact information.**

Section 2 – Fair Dealing

The Company has a history of succeeding and growing through honest business competition. The Company does not seek competitive advantages through illegal or unethical business practices. Each director, officer and employee should endeavor to deal fairly with the Company’s customers, strategic partners, service providers, suppliers, competitors, and employees. No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, or abuse of privileged information, misrepresentation of material facts or any unfair dealing practice.



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Section 3 – Honest and Candid Conduct

Each director, officer, and employee should always be mindful of the Company's prominence and reputation in the community. Since the success of any banking business depends on the public's trust, it is extremely important that you conduct your personal affairs in such a way as to avoid discredit or embarrassment to yourself and the Company. Your personal behavior and appearance should be governed by both common sense and good taste.

Each director, officer and employee owes a duty to the Company to act with integrity. Integrity requires, among other things, being honest and candid. Deceit and subordination of the principles of this Code are inconsistent with integrity.

Each Director, Officer and Employee must:

- Act with integrity, including being honest and candid while still maintaining the confidentiality of information where required or consistent with the Company's policies.
- Observe both the form and spirit of laws and governmental rules and regulations, accounting standards and Company policies.
- Adhere to a high standard of business ethics to help maintain a safe workplace, free of prohibited substances, unlawful discrimination and harassment.
- Avoid conduct which would or could create an unsafe and unsound condition for the Company.
- Cooperate fully with any inquiry or investigation undertaken at the Company's direction.
- Promote ethical behavior as a responsible partner among peers in the work environment.

Section 4 – Conflicts of Interest

A "conflict of interest" occurs when an individual's private interest interferes or appears to interfere with the interests of the Company. A conflict of interest can arise when a director, officer or employee takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. For example, a conflict of interest would arise if a director, officer or employee, or a member of his or her family receives improper personal benefits as a result of his or her position in the Company.

Some conflicts of interest situations involving directors, executive officers or other employees who occupy supervisory positions or who have discretionary authority in dealing with any third party includes, but is not limited to, the following:

- Any significant ownership interest in any service provider.



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- Any consulting or employment relationship with any service provider, supplier, or competitor.
- Any outside business activity that detracts from an individual's ability to devote appropriate time and attention to his or her responsibilities with the Company.
- The receipt of other than nominal gifts or excessive entertainment from any institution with which the Company has current or prospective business dealings.
- Being in a position of supervision, reviewing, or having any influence on the job evaluation, pay or benefit of any immediate family member.
- Selling anything to the Company or buying anything from the Company.

Anything that would present a conflict for a director, officer or employee would likely also present a conflict if it were related to a member of his or her family. Any conflict of interest situation, including those described above, should be discussed with the Code of Business Conduct Contact Person.

You must not approve your own loans, act as officer on any account on which you are a signator, process your own transactions, or authorize refunds on any account on which you are a signator. This prohibition applies also to loans and accounts of relatives, close personal friends and entities owned or controlled by any of them.

You must not accept business opportunities from persons doing business or seeking to do business with the Company if such opportunities are made available to you because of your position with the Company. You must never use your position with the Company to influence public officials or others for your personal benefit. Likewise, your employment with the Company must not be used as leverage to gain favors from customers or suppliers.

Service to the Company should never be subordinated to personal gain and advantage. Conflicts of interest should, wherever possible, be avoided. The Company recognizes that it is not practicable or desirable to avoid all relationships that could give rise to conflicts of interests.

Accordingly, conflicts of interest, potential conflicts of interest or relationships that are identified as giving rise to potential conflicts of interest that are approved as described in the following paragraph, including those that have been previously disclosed in the Company's Annual Reports on Form 10-K or proxy statements, are permitted. Furthermore, consistent with past practice, the Company will continue to disclose potential conflicts of interest in its Annual Report on Form 10-K or proxy statement when appropriate. Any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest should be discussed with the Code of Business Conduct Contact Person if not previously approved as described in the following paragraph.

The Board of Directors has adopted and has long followed a policy that all transactions between the Company and our shareholders, affiliates, officers and directors are subject to the approval of a majority of the independent and disinterested outside directors and are conducted on terms no less favorable than could be obtained from unaffiliated third parties on an arm's length basis.



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In addition, the Company is required to conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis, and all such transactions must be approved by the Audit Committee (or another independent body of the Board). Any transaction or relationship that is approved as required under this paragraph complies with this Code, and such approval shall not be regarded as a waiver of the Code.

Section 5 – Loans and Extensions of Credit - Overdrafts

Loans made by the Company to directors, executive officers, principal shareholders, and other affiliated persons will be made on the same terms and conditions as loans and extensions of credit made to members of the general public of comparable creditworthiness. Certain loans and extensions of credit by the Company or its subsidiaries must be approved by the Company's Board of Directors according to applicable banking regulations.

The Company must identify all directors, executive officers, principal shareholders and other affiliated persons and their related interests when making loans or extensions of credit to these persons and to their related interests.

No director, officer or other employee of the Company should knowingly overdraw his or her account with the Company, and any inadvertent overdraft must be promptly repaid.

Section 6 – Personal Investments

Employees of the Company, by the nature of their positions, must be particularly circumspect regarding investments that may appear improper to customers, regulatory authorities or the public. You should consult with our Chief Executive Officer if you have or are considering any investments that might have even an appearance of impropriety.

You should avoid entering into transactions in which it may appear that you are improperly benefiting from your relationship with the Company. This applies also to investment by members of your immediate family.

While a complete list of such matters cannot be given, you must refrain from directly or indirectly owning or purchasing any of the following, unless specifically approved in writing by an unrelated executive officer of the Company.

- Real or personal property in which the Company has or intends to obtain an ownership interest (i.e., through purchase, foreclosure or repossession or in a fiduciary capacity)
- Stocks, bonds or other securities about which you have or could be expected to have confidential information (i.e., a proposed merger involving a customer)
- Trust deeds, mortgages or chattel mortgages that create a security interest in property in which the Company has a security interest
- An interest in a company for which you are the account officer



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- An interest in any business entity that is a customer or supplier of the Company. This limitation does not apply to directors who are not officers of the Company or to ownership of the stock of any public company by an employee who does not possess confidential information about such company.

Section 7 – Disclosure

Each director, officer or employee involved in the Company's disclosure process, including the Chief Executive Officer, Chief Financial Officer and President (or other persons serving in comparable positions or those persons that might be so designated from time-to-time by the Company's Chief Executive Officer, Chief Financial Officer or President), is required to be familiar with and comply with the Company's disclosure controls and procedures.

Additionally, employees, officers and directors are required to be familiar with the internal control over financial reporting, to the extent relevant to his or her area of responsibility and position, so that the Company's public reports and documents filed with the SEC comply in all material respects with the applicable Federal securities laws and SEC rules.

In addition, each such person having direct or supervisory authority regarding these SEC filings or the Company's other public communications concerning its general business, results, financial condition, and prospects, should consult with other Company officers and employees and take other appropriate steps regarding these disclosures with the goal of making full, fair, accurate, timely and understandable disclosure.

Section 8 – Compliance

The Company's policy is to comply with all applicable laws, rules and regulations. Each director, officer or employee is personally responsible to adhere to the standards and restrictions imposed by those laws, rules and regulations.

It is against Company policy and in many circumstances illegal for a director, officer or employee to profit from undisclosed information relating to the Company or any other institution.

Any employee, officer or director may not purchase or sell any of the Company's securities while in possession of material nonpublic information relating to the Company in violation of Federal securities laws. Information is "material" if a reasonable investor would deem it to be important in deciding whether to buy, sell or refrain from any activity regarding the Company's common stock. Information also is material if it is likely to have a significant impact on the market price of the Company's common stock.

In addition, the directors, executive officers and financial reporting personnel of the Company must "pre-clear" any proposed transaction in the Company's stock with the Company Chief Executive Officer, who will consult with the Company's outside securities counsel to the extent necessary and appropriate.



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Section 9 – Computer Networks, E-Mail and Internet

Many Company employees and officers depend on access to computer networks, voice mail, E-mail and/or the Internet to do their jobs. These tools come with risks and responsibilities that all employees and officers must understand and accept.

Employees, Officers and Directors should refrain from:

- Sending or posting discriminatory, harassing or threatening messages or images.
- Stealing, disclosing or using someone else's password without authorization.
- Copying, pirating or downloading software and electronic files without permission.
- Sending or posting confidential material, trade secrets or proprietary information outside of the organization as outlined in the Security Policy.
- Violating copyright law or failing to observe licensing agreements.
- Participating in the viewing or exchange of pornography or obscene materials.
- Sending or posting messages that defame or slander other individuals.
- Attempting to break into the computer system of another organization or person.
- Sending or posting chain letters, solicitations or advertisements not related to business purposes or activities.
- Using the Internet for political causes or activities, religious activities or any sort of gambling.
- Jeopardizing the security of the Company's electronic communications system.
- Sending or posting messages that disparage another institution's products or services.
- Refusing to cooperate with a security investigation.
- Sending anonymous e-mail messages.

The Company has a separate policy on Information Security. All employees, officers and directors are responsible for completely reading and understanding this policy and complying with the policies and provisions contained therein.



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Section 10 – Reporting and Accountability

The Audit Committee is ultimately responsible for applying this Code to specific situations in which questions are presented to it and has the authority to interpret this Code in any particular situation.

As stated in section one of this Code, the Audit Committee Chairman is the Code of Business Conduct Contact Person and the contact information is stated in Addendum I. **Any director, officer or employee who becomes aware of any existing or potential violation of this Code is required to notify the Audit Committee Chairman promptly.** Failure to do so is itself a violation of the Code. Violations may be reported anonymously.

Each director, officer or employee must:

- Comply with this Code, which prohibits violation of local, state, federal or foreign laws and regulations applicable to our Company and comply with all Company policies.
- Be familiar with laws and Company policies applicable to his or her position. Management must communicate laws and Company policies effectively.
- Ask questions if a policy or the action to take in a specific situation is unclear and be alert to indications and/or evidence of possible wrongdoing.
- Notify the Audit Committee Chairman promptly of any existing or potential violation of this Code.

Reports of suspected violations will be kept confidential to the fullest extent possible and consistent with the conduct of an appropriate investigation. The reporting procedures should be used for purposes of furthering the purpose of this Code and not to report matters unrelated to this purpose.

The Audit Committee shall take all action it considers appropriate to investigate any violations reported, including but not limited to the involvement of the Internal Audit Department, Human Resources, Compliance Department, Outside Consultants, Securities Counsel, Attorneys, etc. Generally, a preliminary investigation, utilizing all resources available, will be completed within 30 days of receipt of reported information.

A case number will be assigned to the complaint to allow investigation assistance (from independent parties not involved in the complaint) without releasing the identity of the person reporting the financial misconduct/wrongdoing.

All records relating to the business of the Company shall be retained as required by the Company's record retention guidelines.

Retaliation in any form against an employee, officer or director who has, in good faith, reported a violation of this Code will not be tolerated.



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Section 11 – Waivers

You must request a waiver of a provision of this Code if there is a reasonable likelihood that your contemplated action will violate the Code.

If a waiver request involves directors, executive officers or other employees who occupy supervisory positions, the determination with respect to the waiver shall be made by the Audit Committee of the Board of Directors, in consultation with such external legal counsel as the Audit Committee deems appropriate. Any waivers granted by such committee shall be submitted to the Board for ratification.

If a waiver request relates to any other employee, the determination shall be made by the Chief Executive Officer, unless the matter is quantitatively or qualitatively material or outside the ordinary course of business, in which case such determination shall be made by the Audit Committee.

All waivers of this Code (other than those approved by the Audit Committee) shall be promptly reported to the Audit Committee.

Waivers will not be granted except under extraordinary or special circumstances.

Any waivers of this Code for any member of Executive Management or a Director of the Company must promptly be disclosed to Shareholders.

Section 12 – Corporate Opportunities

Directors, officers and employees owe a duty to the Company to advance the Company's business interests when the opportunity to do so arises. Directors, officers and employees are prohibited from taking (or directing to a third party) a business opportunity that is discovered through the use of corporate property, information, or position, unless the Company has already been offered the opportunity and turned it down.

Generally, directors, officers and employees are prohibited from using corporate property, information or position for personal gain and from competing with the Company. Business opportunities that are presented to directors, officers or employees of the Company either in their capacity as such or specifically for the use and benefit of the Company must be first presented to the Company before being directed elsewhere.

Section 13 – Confidentiality

In carrying out the Company's business, directors, officers and employees often learn confidential or proprietary information about the Company, its suppliers or customers. Therefore, confidentiality must be maintained on all information entrusted to them, except when disclosure is authorized or legally mandated.



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Information obtained in the course of evaluating a loan application or servicing a loan and other information about customers, suppliers, prospective customers, employees or applicants is strictly confidential and the property of the Company. Confidential or proprietary information of the Company and of other institutions include any non-public information that would be harmful to the relevant institution or useful or helpful to competitors if disclosed.

Financial information about the Company is not to be disclosed to anyone unless it has been included in a published report or otherwise made generally available to the public. Any questions concerning the disclosure of confidential information should be addressed to our Chief Executive Officer.

It is important that all communications with the public and the media about the Company be made only through an appropriately designated officer under carefully controlled circumstances. All media inquiries regarding the Company must be referred to the Chief Executive Officer. Business matters about the Company and information about any customer of the Company are never to be discussed with the media or in any other public forum.

Section 14 – Protection and Proper Use of Company Assets

All directors, officers and employees should protect the Company's assets and ensure their efficient use. All Company assets should be used only for legitimate business purposes.

Section 15 – General

The Board of Directors believes it to be in the best interest of the Company that the directors, officers and employees of the Company act in a manner consistent with this Code and not suffer harm for doing so. Accordingly, the Company will not take action against any director, officer or employee or the Company for any action taken or not taken in good faith compliance with the provisions of this Code or otherwise with the approval of the appropriate person or body as contemplated hereby. Each director, officer or employee of the Company will be entitled to rely upon the provisions of this Section. Nothing in this Code alters the employment relationship between the Company and any of its employees (whether contractual or at-will), and does not create a contractual relationship for any at-will employees.

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Addendum I to Code of Business Conduct

Financial Misconduct Reporting Contact Information

HCSB Financial Corporation and its subsidiary, Horry County State Bank, are committed to conducting all aspects of their business in accordance with the highest ethical and legal standards. For purposes of this Code, the contact person will be the Chairman of the Audit Committee of the Board of Directors.

Any Director, Officer or Employee may communicate with the Chairman of the Audit Committee either by e-mail or telephone.

Michael S. Addy is currently the Chairman of the Audit Committee and his e-mail address is maddy@addysharbordodge.com, or he can be contacted via telephone at 843-236-2277.

The reporting procedures should be used for purposes of reporting financial misconduct and not to report matters unrelated to this purpose. All communications will remain confidential.

The Audit Committee shall take all action it considers appropriate to investigate any violations reported, including but not limited to the involvement of the Internal Audit Department, Human Resources, Compliance Department, Outside Consultants, Securities Counsel, Attorneys, etc.

A case number will be assigned to the complaint to allow investigation assistance (from independent parties not involved in the complaint) without releasing the identity of the person reporting the financial misconduct.