

CODE OF ETHICS

QNB BANK

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I. INTRODUCTION - GENERAL POLICIES AND GUIDELINES ON LEGAL AND ETHICAL STANDARDS

The maintenance of extremely high standards of honesty, integrity, impartiality, and conduct is essential to assure the proper performance of QNB Bank's (hereinafter referred to as the Bank) business and the maintenance of the public trust. There will be times that employees may be called upon to provide information necessary to assure that public reports are complete, fair and understandable and all employees are expected to take this responsibility very seriously and to provide prompt and accurate answers to inquiries related to the organization's public disclosure requirements. The preservation of that trust and of the Bank's reputation requires close observance of these standards on the part of the Bank Directors, Officers, and Employees.

Also, Officers and Employees of the Bank should be alerted about the Federal Bank Bribery Law, 18 U.S.C., Section 215, which provides that whoever:

"(1) corruptly gives, offers or promises anything of value to any person, with intent to influence or reward an officer, director, employee, agent or attorney of a financial institution in connection with any business or transaction of such institution; or

(2) as an officer, director, employee, agent, or attorney of a financial institution, corruptly solicits or demands for the benefit of any person, or corruptly accepts or agrees to accept anything of value from any person, intending to be influenced or rewarded in connection with any business or transaction of such institution, shall be [guilty of an offense]."

The penalty provision under this statute states: the officer, director, employee, agent or attorney shall be fined not more than \$1,000,000 or three times the value of the thing given, offered, promised, solicited, demanded, accepted, or agreed to be accepted, whichever is greater, or imprisoned not more than 30 years, or both, but if the value of the thing given, offered, promised, solicited, demanded, accepted, or agreed to be accepted does not exceed \$1,000, shall be fined under this title or imprisoned not more than one year, or both.

There are certain exceptions to the above rule concerning the receipt of gifts. Please refer to Section IV of the CODE OF ETHICS.

VIOLATIONS OF THE PROVISIONS OF THIS CODE MAY RESULT IN TERMINATION OF EMPLOYMENT FROM THIS INSTITUTION.

QNB Bank requires its Directors, Officers, Employees, and other representatives to avoid possible misconduct and conflicts of interest through informed judgment and careful regard for the standards of conduct and responsibilities as set forth. If all legal principles or the law is unclear or in conflict, Bank Directors, Officers, and Employees are expected to conduct themselves in such a manner that can be supported by the Bank and to exercise good judgment in the discharge of their responsibilities.

Compliance with the CODE OF ETHICS (hereinafter referred to as the "Code") will be the responsibility of every representative of the Bank.

The needs of the community are to be given consideration in making business decisions.

II. CONFIDENTIAL INFORMATION

The use of confidential information obtained through or as a consequence of employment in the Bank must be limited to the proper conduct of the Bank's business. Neither the Bank nor any of its Directors, Officers or Employees may use or permit others to use such confidential information for the purpose of furthering a private interest or as a means of making a profit.

III. CONFLICT OF INTEREST

CORPORATE POLICY - It is the policy of the Bank that all Directors, Officers, Employees, and other representatives must avoid potential conflicts of interest. A potential conflict exists whenever a Director, Officer, Employee, or other representative has an outside interest -- direct or indirect -- which conflicts with the individual's duty to the Bank or adversely affects the individual's judgment in the discharge of his responsibilities at the Bank. The appearance of a conflict of interest may be just as damaging to the Bank's reputation as a real conflict.

Employees are prohibited from self-dealing or otherwise trading on their positions with the Bank or accepting from one doing or seeking to do business with the Bank a business opportunity not available to other persons or that is made available because of such official's position with the Bank.

The Bank's name is not to be used as leverage by Directors, Officers, or Employees to enhance their own opportunities when dealing with others in their political, investment, or retail purchasing activities.

All Officers and Employees must report any violations or suspected violation of Federal criminal law as soon as it is discovered to the Human Resources Administrator or President/Chief Operations Officer who in turn are required to investigate and report the matter through legal counsel to the Federal Bureau of Investigation, the U.S. Attorney, the Federal Deposit Insurance Corporation, the Pennsylvania Department of Banking and the bonding company.

In the event a potential conflict of interest does arise involving an Officer or Employee, its nature and extent should be fully disclosed immediately to the Human Resources Department of the Bank which after making a thorough review of the circumstances, will report to the Chief Executive Officer and Board of Directors who will determine appropriate action to be taken. Officers and Employees must disclose all potential and actual conflicts of interest, including those in which they have been placed inadvertently due to either business or personal relationships with customers, suppliers, business associates, or competitors of the financial institution.

In the event a potential conflict of interest does arise involving a member of the Board of Directors, its nature and extent should be fully disclosed immediately to Management and to the Bank's Board of Directors.

FIDUCIARY APPOINTMENT - Except for a member of an Officer's or Employee's immediate family, prior approval by the Human Resources Department is required before acceptance by an Officer or Employee of appointment as fiduciary or co-fiduciary (executor, administrator, guardian, or trustee) of customers of the Bank, either with the Bank or with another person, firm, or corporation. Immediate family is defined as spouses, parents, children and/or siblings.

To avoid the appearance of any impropriety, Directors should exercise reasonable caution in accepting appointment as a fiduciary or co-fiduciary, executor, administrator, guardian, or trustee.

BENEFICIARY (OR LEGATEE) UNDER A WILL OR TRUST - Officers and Employees must report any gift of a beneficial interest or legacy under wills or trusts of customers of the Bank, other than a relative, at such time as the Officer or Employee learns of the designation. The objective of such a notification requirement is to allow for consideration of all the facts in each case to make certain there are no real conflicts of interest and that a reasonable, disinterested third party could not allege a conflict of interest on the Officer or Employee in receipt of the benefit.

If this reporting requirement results in a decision that a real or apparent conflict exists or could exist, the Officer or Employee will be expected to make every effort to be relieved of the expectation of benefit and will probably be required to renounce the gift.

LENDING RELATIONSHIPS - It is the position of the Bank that lending services be available to serve the legitimate and deserving credit needs of all customers on an equal basis. Loan terms and conditions shall be based upon a borrower's creditworthiness.

PROHIBITED LENDING PRACTICES - Lending Officers are not permitted to process loan applications or to extend credit to members of their immediate family. Immediate family is defined as spouses, parents, children, and/or siblings. Any such loan application must be referred to another Lending Officer.

Extending credit to companies in which the Lending Officer has an interest as a director, officer, controlling person, or partner, or in which a member of the Lending Officer's immediate family has such an interest is not permitted.

No loans to Directors or Officers (as defined in Regulation O) will be made under terms and conditions different from those stated in the lending policy.

OUTSIDE EMPLOYMENT - Officers and Employees should carefully scrutinize outside employment, including the performance of any services for compensation, to avoid potential conflicts of interest and excessive demands on one's time. Outside employment may be undertaken unless objected to by the Human Resources Department or the Bank's Board of Directors on the grounds that such outside employment interferes with job performance or has the appearance of a conflict of interest with the Bank.

PARTICIPATION IN PUBLIC AFFAIRS - It is the philosophy of the Bank to encourage on the part of its Officers and Employees a full awareness and interest in civic and political responsibility. Each Officer and Employee shall have the opportunity to support community activities or the political process as the officer or employee desires.

Voluntary efforts for civic activities normally take place outside of regular business hours. If voluntary work requires bank time, prior approval should be obtained from the Human Resources Department or the Board of Directors in the case of an Executive Officer.

CORPORATE DIRECTORSHIPS, PUBLIC OFFICES, AND COMMISSIONS - Officers and

Employees must be constantly aware when considering election or appointment to corporate boards, public offices, or commissions, that serving in such capacity will not place them in a position where a potential conflict of interest may exist.

Unless specifically approved by the Human Resources Department and/or the Bank's Board of Directors, no Director, Officer, or Employee shall serve on the board of directors of any nonbank entity which is in direct competition with the Bank. If a conflict develops, the Bank reserves the right to request the Director or Officer involved to divest themselves of one of the conflicting interests.

In like manner, no Director, Officer, or Employee or substantial shareholder of another company shall serve as a director of any bank entity where such circumstances exist.

IV. IMPROPER USE OF CORPORATE POSITION OR PROPERTY

General Policy

Except as provided below, no representative of QNB may:

(1) solicit for themselves or for a third party (other than QNB) anything of value from anyone in return for any business, service or confidential information of QNB, or

(2) accept anything of value from anyone in connection with the business of QNB, either before or a reasonable time after a business transaction or proposal is discussed or consummated.

RECEIPT OF GIFTS - The Bank expects all Directors, Officers, and Employees to render efficient and courteous service to its customers and vendors at all times without expectation of reward for such service. To avoid even the implication of any impropriety, it is important that each staff member decline any cash or gifts, the acceptance of which would raise even the slightest doubt of improper influence. If an Officer or Employee is offered or receives something of value from a customer, vendor or potential vendor, the Officer or Employee must disclose that fact to the Human Resources Department. The Bank will keep contemporaneous written reports of such disclosures. Management will review the disclosures to determine whether or not what is offered or accepted is reasonable and not a threat to the integrity of the Bank.

It is recognized, however, that certain gift-giving may occur without an intent to influence or reward an Officer corruptly in connection with the business of the Bank. Exceptions to the general prohibition of accepting things of value in connection with the business of the Bank may include acceptance of:

- (a) Gifts, gratuities, amenities or favors based on obvious family or personal relationships (such as those between parents, children or spouse of a financial institution official) where the circumstances make it clear that it is those relationships rather than the business of the financial institution concerned which are the motivating factors;

- (b) Meals, refreshments, entertainment, accommodations or travel arrangement, all of reasonable value, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations, ***all of reasonable value not to exceed \$250 per day***, provided that the expense would be paid for by the Bank as a reasonable business expense if not paid for by another party;
- (c) Loans from other financial institutions on customary terms to finance proper and usual activities of financial institution officials, such as home mortgage loans, except where prohibited by law;
- (d) Advertising or promotional material of reasonable value, such as pens, pencils, note pads, key chains, calendars and similar items;
- (e) Discounts or rebates on merchandise or services that do not exceed those available to other customers;
- (f) Gifts of reasonable value that are related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement, holiday or birthday; or
- (g) Civic, charitable, educational, or religious organization awards for recognition of service and accomplishment.

Reporting Gifts that Violate the Policy

Whenever gifts are offered or received that violate this policy, they must be reported to the Executive Management Committee together with all relevant facts. The Executive Management Committee will review all such disclosures. Contemporaneous written records of all such disclosures will be kept.

Gifts offered or received by Executive Management Committee must be reported to QNB Bank's Board of Directors. The QNB Board will review all such disclosures. Contemporaneous written records of all such disclosures will be kept in Human Resources.

Disposition of Prohibited Gifts

If a gift prohibited under this policy statement is received, it should be returned to the donor with an explanation. If return is not possible, the recipient should consult the Executive Management Committee. Depending on the circumstances, any such gifts will be turned over to QNB or to a charitable institution. When possible, the donor will be informed of this disposition.

Apply Common Sense

The purpose of these policies is to avoid violations of Section 215 and to ensure that QNB business is safeguarded from the influence of bribery or personal favors. Whenever representatives of QNB have personal dealings with persons who have

business with QNB, the requirements of the law must be kept in mind. Necessarily, the application of the guidelines above will require good judgment and common sense. If representatives of QNB encounter situations in which they are not sure of their obligations or if they find the application of these guidelines to be unduly restrictive, they should consult the Executive Management Committee. Under no circumstances should they accept any personal gift or favor if it appears that by giving it the donor hopes to influence any business of QNB or to reward them for actions taken by them on behalf of QNB.

PREFERENTIAL TREATMENT - No Director, Officer, or Employee of the Bank shall acquire or appropriate to his own personal use any Bank property, service, or profits opportunity on the basis of or under situations not available to members of the public.

COMMUNITY INVOLVEMENT - It is illegal to use Bank funds for the purpose of making contributions or expenditures in connection with elections to any local, state, and federal office. However, the Federal Elections Commission does permit the use of Bank funds and assets for limited political purposes, such as: establishing political action committees and implementing nonpartisan voter registration or "get-out-the-vote" campaigns.

IMPROPER TRANSACTION AND PAYMENTS - It is commonly recognized that there is a direct correlation between illegal or improper payments and inaccurate records. To guarantee the accuracy of the Bank's books and records, the following principles should be observed:

1. All transactions or conduct of Bank business must be properly reflected in the Bank's books; and
2. No secret unrecorded fund, Bank money or other assets shall be established or maintained; and
3. Any payment is prohibited if no record of its disbursement is entered in the Bank's accounting records; and
4. Making false and fictitious entries in the books or records of the Bank or issuing false or misleading documents is prohibited and in most circumstances will constitute a criminal offense.
5. Employees, Officers, and Board members are not permitted to process transactions/payments for immediate family members (immediate family is defined as spouse, parents, children, and/or siblings).

V. ANTITRUST COMPLIANCE

RELATIONSHIPS WITH COMPETITORS - The antitrust laws are intended to preserve and foster the American economic system of free enterprise by assuring energetic but fair competition among business firms and to prevent business activity that results in undue restraint or competition, the formation of monopolies, and various undesirable business practices.

In providing its full range of financial services, the Bank engages in vigorous, yet fair and open competition. All of the Directors, Officers, and Employees are expected to observe the highest standards of ethical conduct in relationships with competitors. It is the Bank's policy to emphasize the quality and competence of services and staff rather than to criticize those of competitors.

Directors, Officers and Employees of the Bank are prohibited from entering into arrangements with competitors for the purpose of setting or controlling prices, rates, trade practices, marketing policies, or disclosing to competitors future plans of the Bank which have not been disclosed generally to the public.

TIE-INS AND EXECUTIVE DEALINGS - Antitrust laws require that the Bank may not extend credit, lease or sell property or furnish any of its services to any entity not available to all other qualifying applicants.

The Bank's personnel must be alert to recognize situations, transactions, and activities actually or potentially affected by antitrust laws.

Each Officer or Employee will be expected to monitor his personal conduct so as not to bring discredit to the Bank. As such, overdrafts of Officers or Employee checking accounts, and past due loan payments will not be tolerated. In addition, each Officer and Employee shall conduct himself while at or away from the Bank in such a manner so as not to bring discredit to himself or to the Bank.

Individuals should refer promptly any questionable matters for guidance and resolution to the Human Resources Department.

VI. ADMINISTRATION OF THE CODE OF ETHICS

The Board of Directors has adopted this CODE OF ETHICS and delegated to the CEO and the Bank's Board of Directors, through the Human Resources Department, the responsibility for its administration throughout the Bank.

It is their responsibility to be familiar with this code of business conduct and to abide by the letter and spirit of its provisions at all times. All new Employees are provided with a copy of the Code at the time of the orientation. Supervising Officers and Employees are expected to comply with the provisions of the Code.