

I. PURPOSE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- the financial reports and other financial information provided by the Corporation to any governmental body or the public;
- the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and
- the Corporation's auditing, accounting and financial reporting processes generally.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels.

II. PRIMARY RESPONSIBILITIES

The Audit Committee's primary responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control systems.
- Review and appraise the audit efforts of the Corporation's independent accountants and internal auditing function (or the efforts of the out-sourced internal audit service provider, if applicable).
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing function, and the Board of Directors.

III. COMPOSITION

The Audit Committee shall be comprised of three or more independent directors, free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise. The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a chair is elected by the full Board, the members of the committee may designate a Chair by majority vote of the full Committee membership.

III. MEETINGS

The committee shall meet at least four times annually, or more frequently as circumstances dictate. A majority of the whole authorized number of members of the Committee shall be necessary to constitute a quorum for a meeting. The Committee should meet with management, the director of the internal auditing function and the independent accountants in separate executive sessions at least annually to discuss any matters that the Committee or each of these groups believe should be discussed privately.

IV. DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports Review

1. Review and update as applicable the Audit Committee Charter and the Internal Audit Policy at least annually and submit to the Board of Directors for their approval.
2. Review the organization's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent accountants.
3. Review the regular internal reports prepared by the internal auditing function and management's response.
4. Review the 10-Q with the independent accountants prior to its filing. Review the Corporation's earnings release with financial management prior to release. The Chair of the Committee may represent the entire Committee for purposes of these reviews.
5. Review annually the Audit department budget and the Internal Auditor's compensation.
6. Review annually the scope of the audit plan and risk assessment to be used for both the internal and external audits, including out-sourcing and/or co-sourcing arrangements, as applicable.
7. Review audit activity at least quarterly, including adherence to the internal audit plan and management's resolution of audit findings.
8. Review material transactions originating from director, director-related enterprises, and officer loans, as appropriate.

9. Report on a timely basis to the full Board concerning any matters, which require the Board's attention, including policy, the effectiveness of the Bank's overall control system and the audit program.

Independent Accountants

10. Upon consideration of independence and effectiveness, recommend to the Board of Directors the selection of the independent accountants, who are accountable to the Board and to the Audit Committee as representatives of the shareholders.
11. Approve the fees and other compensation to be paid to the independent accountants.
12. On an annual basis, review and discuss with the accountants all significant relationships the accountants have with the Corporation to determine the accountants' independence.
13. Ensure the rotation of the independent accountants' lead partner in accordance with guidelines issued by public accounting oversight authorities.
14. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.
15. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.
16. Adhere to the following procedures for the approval of services by the independent accountants:
 - a. Annually approve the scope of, and fees payable for, the year-end audit to be performed for the next fiscal year.
 - b. Management may not engage the independent accountants for any services unless they are approved by the Audit Committee in advance of the engagement.
 - c. If Management wishes to engage the independent accountants for any services, Management will define and present to the Audit Committee specific projects and categories of service, and fee estimates, for which the advance approval of the Audit Committee is required. The Audit Committee will review these requests and determine whether to pre-

approve the engagement of the independent accountants for the specific projects and categories of service.

- d. Management will report to the Audit Committee regarding the actual spending for these projects and services, compared to the approved amounts on a quarterly basis.
- e. The Audit Committee Chairperson will report to the Committee at each regularly scheduled meeting the nature and amount of any non-audit services that he has approved.

Financial Reporting Processes

- 17. In consultation with the independent accountants and the internal auditors, review the integrity of the organization's financial reporting processes, both internal and external.
- 18. Consider the independent accountants' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
- 19. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal auditing function.

Process Improvement

- 20. Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent accountants and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- 21. Following the completion of the annual audit, review separately with each of management, the independent accountants and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- 22. Review any significant disagreement among the management and the independent accountants or the internal auditing function in connection with the preparation of the financial statements.

23. Review with the independent accountants, internal auditing and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.

Ethical and Legal Compliance

24. Review management's monitoring of the Corporation's compliance with the Code of Ethics.
25. Ensure that management has the proper review system in place to ensure the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
26. Review at least annually the structure, management, staffing, qualifications and audit quality of the internal audit function.
27. Review, with the organization's counsel, legal compliance matters including corporate securities trading policies, and any legal matter that could have a significant impact on the organization's financial statements.
28. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.
29. The Audit Committee shall have the power to conduct and authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.

Proxy Statement Report

30. Include a Committee report in the Corporation's proxy statement, including
 - a. whether the Committee has reviewed and discussed the Corporation's audited financial statements with management;
 - b. whether the Committee has discussed with the outside auditors the matters required to be discussed by SAS 61;

Audit Committee Charter

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- c. whether the Committee has received the written disclosures and letter from the Corporation's outside auditors relating to their independence, as required, and has discussed with the outside auditors their independence; and
- d. whether the Committee has recommended to the Board of Directors, based upon the reviews and discussions referenced to in (a), (b) and (c), that the Corporation's audited financial statements be included in the Corporation's Annual Report on Form 10-K.

Other

- 31. Maintain minutes and other relevant records of the Audit Committee's meetings and decisions.
- 32. The Audit Committee shall maintain a Contingency Plan; reviewed and approved on a yearly basis, to ensure continuity of the Internal Audit function & completion of the Audit Plan/Schedule due to any extended interruption/vacancy in the Internal Audit staff.