

# **VIRGINIA NATIONAL BANK**

## **CHARTER OF THE AUDIT AND COMPLIANCE COMMITTEE**

### **PURPOSE**

The Audit and Compliance Committee (“Committee”) is authorized by the Board of Directors of Virginia National Bank (referred to in this charter as the "Bank") to provide independent oversight with respect to the independent audit, to monitor the Bank’s accounting practices, procedures and policies, financial reporting processes, and compliance of the Bank’s financial statements and internal controls with Federal and State banking and securities regulatory requirements, and to evaluate the Bank’s system of internal controls, internal audit function (whether outsourced or conducted in-house), and other related areas. The Committee is also charged with the oversight of the Bank’s Compliance Officer to ensure that the officer has sufficient authority to institute, review, and monitor the compliance program of the Bank in accordance with applicable Office of the Comptroller of the Currency (OCC) requirements and banking laws.

The Committee's practices and procedures are intended to comply with the recommendations and good practice guidelines specified in the Report of the National Commission on Fraudulent Financial Reporting-October 1987 ("Treadway Commission Report"), the applicable provisions of the FDIC Improvement Act of 1991 (“FDICIA”), and the requirements of the Office of the Comptroller’s (OCC) Handbook for National Banks relating to compliance.

### **GENERAL**

1. The Committee will provide reasonable assurance to the Board of Directors that the financial and regulatory affairs of the Bank are properly conducted, supervised and reported.
2. The Committee will maintain free and open communications with the Board of Directors, independent auditor, legal counsel, Bank management, internal auditor, internal compliance officer and, as necessary, banking examiners and other regulatory authorities.

### **MEMBERSHIP**

1. The Committee will be appointed by the Board of Directors and will be comprised solely of qualified outside directors. The Chairman of the Committee and a majority of the other members of the Committee shall be independent of the management of the Bank as determined by the Board using the independence definitions and tests set forth in the corporate governance and listing standards of the New York Stock Exchange, including the standards applicable to audit committee member independence. An outside director is an individual that was neither an officer nor employee of the Bank or any affiliate within the preceding year.
2. Directors who owned or controlled, within the preceding year, assets representing 10% or more of any outstanding class of voting securities of the Bank shall be considered non-independent for purposes of Committee membership.

## **DUTIES, RESPONSIBILITIES AND AUTHORITY**

1. Recommend to the Board of Directors the independent public accounting firm to perform the annual audit of the Bank's financial statements and to issue any management letters regarding the Bank's internal controls or that may otherwise be required by FDICIA or other applicable law.
2. Obtain an appropriate written representation annually from the independent public accounting firm assuring the Bank of its independence.
3. Consult with the independent public accounting firm and Bank management prior to commencement of the annual audit to review the audit scope; the audit procedures to be used; the audit report anticipated to be issued; the audit timing; and the proposed audit fee.
4. Hold regular meetings of the Audit and Compliance Committee at least semi-annually, and more frequently if determined necessary by the Chairman of the Committee, in order to review and discuss those specific matters regarding the Bank's financial reporting, regulatory compliance, internal controls and other related practices, procedures and policies with respect to which the Committee has oversight responsibility.
5. Maintain minutes of all Committee meetings regarding the results of discussions concerning the topics set forth in the agenda and other business items addressed. Submit the minutes signed by all Committee members to the Bank's Board of Directors.
6. Ensure that the Board of Directors has committed sufficient financial resources to the Committee to enable it to satisfy its responsibilities, including the engagement of special counsel if ever deemed necessary.
7. Review, consider and monitor practices, procedures and policies related to the Bank's financial and regulatory reporting responsibilities including, but not limited to, the following:
  - A. Compliance with GAAP and bank regulatory reporting requirements, including representations and disclosures made in annual and quarterly reports, proxy statements and all other required filings.
  - B. Review management's corrective action responses to resolve practices identified by internal or external auditors, internal or external compliance vendors or examiners relating to compliance with bank regulatory requirements.
  - C. Review with management and, separately, with the independent public accounting firm their assessments of the adequacy of the Bank's financial management and internal control systems and procedures, and the resolution of any identified material weaknesses and reportable conditions in internal controls.
  - D. Evaluation of the performance and professional relationship with the independent public accounting firm.
  - E. Review of the audit opinion and audited financial statements with the independent public accounting firm before the report is finalized; obtain the independent public accounting firm's evaluation of the competence of financial and accounting personnel; discuss and resolve any disagreements between the independent public accounting firm and Bank management; and

evaluate and monitor recommendations for improvement of internal control deficiencies and compliance weaknesses identified by the independent public accounting firm.

- F. Review with Bank management and the independent public accounting firm major accounting policies and reporting disclosures affecting annual and/or quarterly financial statements.
  - G. Review with management and the independent public accounting firm the basis for management's report on internal controls and compliance, and the accountant's report on management's assessments and the Bank's financial statements.
  - H. Periodically review and assess management's analysis of the adequacy of the Bank's allowance for loan and lease losses
8. Ensure that a reporting system exists to promptly notify the Committee of any violations of applicable laws, rules or regulations; investigate such matters within the purview of the Committee's oversight responsibilities; retain outside counsel for assistance if necessary; and confirm that such violations and corrective actions are reported to the appropriate regulatory agencies to the full extent appropriate.
  9. Discuss the scope and the results of each audit, investigation, internal or external compliance review and special project performed by either internal audit staff, internal compliance staff or any outside firm engaged by the Bank for this purpose; review and evaluate management's responses addressing corrective action; and monitor and evaluate the performance of the internal audit staff, internal compliance staff or any outside firm engaged by the Bank for this purpose.
  10. Review periodically with Bank management the internal audit processes and the independent audit of the Bank's Information Technology procedures, internal controls and security programs related to safeguarding the Bank's assets against theft, loss or other possible fraud.
  11. Ensure that the Compliance Officer has the independence and authority to cross department lines, has access to all areas of the Bank's operations to ensure compliance, performs reviews and assists in implementing corrective actions when necessary to comply with the applicable laws and regulatory requirements.
  12. Review, on a regular basis, the Committee Charter and the Bank's internal audit and compliance processes for propriety.
  13. The Chairman of the Committee shall serve as a director of VNBTrust, N.A. and shall serve as a member and/or attend meetings of the VNBTrust's Audit Committee. The Chairman shall provide reports to the Committee and to the VNB Board regarding internal controls, fiduciary controls, or other management practices by management or the Board of VNBTrust, N.A.