

AUBURN NATIONAL BANCORPORATION, INC.

**CHARTER OF THE AUDIT COMMITTEE
OF THE
BOARD OF DIRECTORS**

Title

The title of this Committee shall be the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Auburn National Bancorporation, Inc. (the “Company”).

Composition

The Committee shall be composed of a minimum of three directors, all of whom shall be independent. The independence and other qualifications of the members of the Committee shall at all times satisfy the requirements of: (i) the National Association of Securities Dealers, Inc. and the Nasdaq Stock Market, Inc. (together, the “NASD”), except as otherwise properly permitted by the cure periods provided under NASD Rule 4350(d)(4), subject to the Company’s delivering the appropriate notice to the NASD, or such other automated quotation system or securities market or exchange on which the Company’s common stock is listed, quoted or traded; (ii) the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations of the Securities and Exchange Commission (the “Commission”) thereunder; (iii) the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and the rules and regulations of the Commission thereunder; and (iv) the Federal Deposit Insurance Act (the “FDIA”), as amended, and the rules, regulations and guidelines of the Federal Deposit Insurance Corporation (the “FDIC”) thereunder.

All members of the Committee must have an understanding of generally accepted accounting principles (“GAAP”) and the ability to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. All members of the Committee shall participate in and satisfy any continuing education or other requirements or programs that may be required by the Commission, the NASD or the FDIC. At least one member of the Committee shall be an “audit committee financial expert,” as defined by the Commission in Item 401(h) of Regulation S-K (a “Financial Expert”), and shall otherwise meet the related NASD requirements.

No member of the Committee shall simultaneously serve on the audit committees of more than two other public reporting companies, unless the Board determines that such simultaneous service on such other audit committees does not impair the ability of such member to effectively serve on the Committee.

Reporting Structure

The independent auditors shall report directly to the Committee and shall be ultimately accountable to the Committee. As used herein, the term “independent auditors” shall mean “registered public accounting firm” upon and after the establishment of the Public Company Accounting Oversight Board and the implementing rules of such Board and the Commission. Such firm shall meet all

requirements of 12 C.F.R. Part 363, Rule 2-01 of the Commission's Regulation S-X, and other applicable law and any listing standards that may be applicable to the Company.

The Committee shall, in turn, regularly report to the Board, as frequently as may be required or prudent under the Duties and Responsibilities set forth below.

Purpose

The primary purposes of the Committee are to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices of the Company and to monitor (i) the accounting and financial reporting processes of the Company and its Subsidiaries and the audits of the financial statements of the Company and its Subsidiaries; (ii) the integrity of the Company's financial statements; (iii) the Company's compliance with legal and regulatory requirements; (iv) the independence and qualifications of the Company's independent auditors; and (v) the performance of the Company's internal audit function and its independent auditors.

The Committee shall perform the functions of an audit committee for AuburnBank and any other of the Company's direct and indirect subsidiaries ("Subsidiaries") (in the case of Subsidiaries that are banks, pursuant to Section 36 of the FDIA).

Duties and Responsibilities

The Committee shall observe and perform the following duties and responsibilities:

1. Directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purposes of preparing or issuing an audit report or related work.
2. At least annually, obtain and review a report by the independent auditor describing: (i) the auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditor, and any steps taken to deal with any such issues; and to (iii) assess the auditor's independence, and all relationships between the independent auditor and the company.
3. Not approve the engagement of the independent auditor for the following services while such auditor is engaged to perform audit services: (i) bookkeeping or other services related to the accounting records or financial statements of the audit client; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser, or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

4. Approve, in advance, all auditing services and permitted non-audit services, as set forth in Section 10A(i) of the Exchange Act, (including the fees and terms of such services) to be performed for the Company by its independent auditor. The pre-approval requirement may be waived for certain non-audit services set forth in Section 10A(i)(1)(B) of the Exchange Act.
5. At least annually, review and evaluate the qualifications, independence and performance of the independent auditors and present its conclusions to the Board in advance of the annual meeting of shareholders.
6. Ensure the proper disclosure in the Company's periodic reports of (i) the approval of any non-audit services by the Committee pursuant to Section 10A(i)(2) of the Exchange Act and (ii) the payment of fees to the independent auditor and pre-approval of services as required by Item 9 of Schedule 14A.
7. Meet with the independent auditors at least annually to review the scope of the audit for the current year and the audit procedures to be utilized. This review is to include the potential effects of business and financial statement risks on the company's control systems and quality of financial reporting, and a discussion of the extent to which the financial statements contain all disclosures that could reasonably be deemed "material" within the meaning of applicable requirements. At the conclusion of this meeting, the Committee shall review any comments or recommendations made by the independent auditors.
8. Review and discuss with management and the independent auditor the Company's annual audited financial statements prior to the filing with the Commission of the Form 10-K and/or the distribution of the Company's Annual Report to Shareholders and the Company's quarterly reports on Form 10-Q prior to filing with the Commission, including, without limitation, the disclosures made in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".
9. Review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls or any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any special steps adopted in light of any such material control deficiencies.
10. Review and discuss reports from the independent auditors, including: (i) all critical accounting policies and practices to be used; (ii) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

11. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be general (addressing the types of information to be disclosed and the types of presentations to be made).
12. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives, any off-balance sheet structures on the Company's financial statements, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements, accounting policies or compliance by the Company with laws and regulations.
13. Work with management, the Board and/or the Disclosure Committee, as appropriate, to ensure that any off-balance sheet transactions or non-GAAP financial information, if any, and the financial statements generally, are accompanied by disclosure that provides investors with a meaningful understanding of the Company's financial position and the effects of such transactions, as required by Item 303 of the Commission's Regulation S-K and Regulation G, respectively.
14. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
15. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties or problems encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management, as well as management's responses to such situations.
16. Ensure the rotation of each audit engagement team partner, principal or shareholder at least once every five years, or as otherwise required by law or self-regulatory authority. The Committee shall consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm itself on a regular basis.
17. Establish and recommend to the Board, policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in any audit of the Company and their respective family members and affiliates. Such policies shall include a prohibition on hiring any such employee of the independent auditors to serve as the Company's Chief Executive Officer, controller, Chief Financial Officer, Chief Accounting Officer or any person serving in an equivalent position with the Company.
18. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act, concerning the occurrence of illegal acts (whether or not perceived to have a material effect on the Company's financial statements), has not been implicated.
19. Review and approve all related-party transactions and review the Company's compliance with applicable banking laws, including, without limitation, those banking laws and

regulations concerning loans to insiders and the federal and state laws and regulations concerning dividend restrictions.

20. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, (iii) and the protection of any such employee from retaliatory action.
21. Ensure receipt of the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*), as may be modified or supplemented, and engage in a dialogue with the independent auditors concerning whether the Company's relationship with the independent auditors, including, without limitation, the provision of permitted non-audit services, is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors.
22. Review and approve the Report of the Committee and other disclosures required by Item 7(d)(3) of Schedule 14A for inclusion in the Company's annual proxy statement.
23. The Committee shall engage in such review and discussion as it deems appropriate with regard to activities of the Company's Internal Audit Department and the Compliance Department, or such persons responsible for internal auditing and compliance, bank regulatory examination reports and/or other regulatory reports and filings, the Company's Code of Business Conduct and Ethics, and other legal, regulatory or other matters. The Committee shall assist in the development, approval and monitoring of the internal audit functions of the Company and its Subsidiaries.
24. Make regular reports to the Board or as requested by the Board, the Chairman or the Presiding Independent Director.

Grant of Authority; Limitation of Audit Committee's Role

The Committee shall have the sole authority to: (1) appoint, retain, compensate, evaluate and terminate the Company's independent auditors; and (2) pre-approve, to the extent required by applicable law, all audit and non-audit services with the independent auditors and the related fees and terms, subject to the exceptions for certain minor non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee shall have the authority to investigate any financial matter brought to its attention with full access to all books, records, facilities and personnel of the Company, and shall have the authority to retain, at the Company's expense, outside legal, accounting or other professional advisors to advise the Committee. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the audit report, to pay the ordinary administrative expenses of the Committee in carrying out its duties and to retain and compensate any outside legal, accounting or other professional advisors employed by the Committee.

However, the Committee's function is one of oversight and review, and it is not required to prepare or audit the financial statements, define the scope of the audit, control the Company's and its Subsidiaries' accounting policies and practices, or define the standards used in preparing the financial statements, except as required under in connection with the duties and responsibilities set forth under this Charter. This Charter is not intended to, and shall not, alter the standards of conduct set forth in the Delaware General Corporation Law, as amended (the "DCGL"), the Alabama Business Corporation (the "ABCA"), and the Alabama Banking Code (the "ABC") for directors, including those directors who serve as Committee members. Members of the Committee shall have the duties and the benefits of all limitations and protections from liabilities provided by the DCGL, the ABCA and the ABC and other applicable laws and regulations with respect to their service on the Committee. Further, nothing herein is intended to or shall limit the responsibilities, duties and liabilities of the independent auditors to the Company, the Board or the Committee.

Meetings, Structure and Processes

The Committee shall meet on an as needed basis, but not less frequently than quarterly. Meetings shall be called as needed to discuss any significant issues, including those related to the review of any Form 10-Q or Form 10-K by the Company's independent auditors, the necessity of filing any 8-K and the disclosure of information in proxy statements. In addition, the Committee shall periodically meet separately with management, with internal auditors (or other personnel responsible for the internal audit function) and with the independent auditors. The Committee shall hold a private session at least quarterly with internal auditors without management present.

The Board shall appoint a member of the Committee with appropriate accounting or financial management experience to serve as the Committee's Chairperson. If a Committee Chairperson is not designated or present at a meeting, the members of the Committee may designate a Chairperson by majority vote of the Committee membership, provided that in all cases, the person serving as Chairperson must have significant accounting or financial management experience. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

The Committee Chairperson may request any officer or employee of the Company or the independent auditor or outside counsel to attend a Committee meeting or to meet with any members of or consultants to the Committee. It is intended that any management representative present at a meeting of the Committee withdraw for a period at the end of such meeting so as to permit discussion in private with the independent auditors and among Committee members generally.

Management shall prepare annually, for review and approval by the Committee, detailed procedures and processes for carrying out the Committee's duties and responsibilities. The Committee shall discuss such procedures and processes with management to provide, to the extent appropriate, that management and the Committee have a clear understanding thereof.

The Committee shall maintain, as part of the Company's permanent records, written minutes of the proceedings and actions of the Committee and shall make such reports to the Board as may be requested by the Board or the Chairperson thereof.

Review and Approval of Charter

The Committee shall, at least annually, review and reassess the adequacy of this Charter. This Charter shall be approved by the Board on an annual basis.

Last approved February 13, 2007