

**AUBURN NATIONAL BANCORPORATION, INC.**  
**Including subsidiaries**  
**CHARTER OF THE**  
**COMPENSATION COMMITTEE**  
**OF THE**  
**BOARD OF DIRECTORS**

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**Title**

The title of this Committee shall be the Compensation 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”); (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; and (iii) any other laws, rules or regulations applicable to the Company or its subsidiaries.

The members of the Committee shall be elected and may be removed by the Board. Each member shall serve until a successor shall have been duly elected and qualified or until such member’s earlier death, resignation or removal. 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.

**Purpose**

The primary purpose of the Committee is to assist the Board in discharging its duties relating to compensation issues, personnel policies, personnel evaluation issues, and top management selection, evaluation and compensation, as well as to produce an annual report on executive compensation for inclusion in the Company’s proxy statement for the annual meeting of shareholders, in accordance with applicable Commission rules and regulations.

**Duties and Responsibilities**

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

1. **CEO Compensation:** The committee should review and approve on an annual basis the corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of the goals and objectives, and recommend to the Board the CEO’s compensation levels based on this evaluation. The CEO should not be present at the Board meeting at the time of the recommendation and during the approval/denial vote.
2. **Officer Compensation:** Review and oversee all compensation plans, policies and

programs for the Company's officers, including, as applicable: base salaries, incentive pay, bonus pay, health and life insurance, stock option plans and retirement plans. Review and approve, on an annual basis, the compensation of all officers, including incentive compensation.

3. **Director Compensation:** Annually evaluate director compensation, recommend to the full Board the appropriate level of director compensation, including compensation for service as a member or chair of a Board committee, and ensure that payments, if any, to directors other than in their capacity as directors are proper, and are fully and properly disclosed.
4. **Compensation Plans:** Evaluate the Company's incentive compensation plans, including any equity compensation plans, to allow the Company to attract and retain talented personnel necessary to continue the success of the Company. Recommend such plans to the Board for approval and take actions necessary or advisable to implement and administer the Company's incentive compensation plans.

Consider and recommend actions with respect to adoption, amendment, administration or termination of compensation, welfare, benefit, pension and other plans related to compensation of current and former Company officers and employees, in each case taking into account appropriate industry benchmarks and the compensation policies followed by similarly situated companies.

5. **Officer Selection and Evaluation:** The Committee is responsible for the selection, interviewing, and hiring recommendation to the Board for the CEO position, for reviewing and approving/denying the recommendations of the CEO with respect to other Company officers, and presenting the Committee's decision to the full Board. The Committee shall ensure that an effective system is in place to appraise officer and employee performance. The CEO shall present the results of the officer performance evaluations to the Committee on an annual basis.
6. **Officer Termination:** The Board of Directors has the final authority for the termination of any officer.
7. **Personnel Policies:** Approve changes to any Company personnel policy manuals or policies.
8. **Annual Report:** Make an annual report on executive compensation for inclusion in the Company's annual proxy statement as required by the Commission's rules or regulations.

### **Meetings**

The Committee shall meet as often as it determines necessary to fulfill its responsibilities, but no less than once per year. The Committee Chairperson may request any officer or employee of the Company or outside counsel or others to attend such meetings.

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. 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 above.

### **Grant of Authority; Limitation of Compensation Committee's Role**

The Committee shall have the sole authority to: (1) appoint, retain, compensate, evaluate and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or officer compensation; and (2) appoint, retain, compensate, evaluate and terminate other outside consultants and/or attorneys to assist with or review any matter under its responsibility on such terms and at such expense as the Committee shall deem appropriate.

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. In addition to the indemnification, exculpation, and similar provisions contained in the Company's certificate of incorporation and bylaws or in statutory and common law and in addition to applicable insurance, each member of the Committee shall, in the performance of such member's duties, be fully protected in relying on information, opinions, reports or statements prepared or presented by any of the Company's officers or employees, or committees of the Board or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence, all to the extent permitted by Section 141 of the DCGL.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate.

### **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 March 13, 2007*