

**ABIGAIL ADAMS NATIONAL BANCORP, INC.  
AUDIT CHARTER**

**Organization**

The Audit Committee is a committee of the Board of Directors. The Audit Committee members shall meet the requirements of the Securities and Exchange Commission (“SEC”) and Nasdaq’s independent director and audit committee listing standards. The Audit Committee shall be comprised of three or more directors as determined by the Board, the majority of whom shall be independent non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. Members of the Audit Committee shall be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from the Company or its subsidiary. All Audit Committee members shall be financially literate, and at least one member shall be an “audit committee financial expert” as defined by the Securities and Exchange Commission regulations.

**Meetings and Attendance**

The Committee shall meet at a minimum of four times per year or more frequently as circumstances dictate. At least a majority of the members of the Audit Committee are to be present at all meetings. If an Audit Committee Chair is not designated or present at a meeting, the members of the Committee may designate a Chair by majority vote of the Committee membership. The Audit Committee Chair shall approve an agenda in advance of each meeting. The Committee is to meet privately in executive session. The Committee may ask members of management, the independent auditors, or the internal auditors to attend the meetings and provide pertinent information as necessary.

**Statement of Policy**

The Audit Committee shall provide assistance to the Board of Directors in fulfilling their oversight responsibilities. The Committee will be responsible for monitoring the integrity of the Company's financial information provided to shareholders and others, the systems of key internal controls which management and the Board of Directors have established, and the audit process. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditors, the internal auditors, and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and to retain outside counsel or other experts for this purpose.

## **Responsibilities and Duties**

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board of Directors and report the results of their activities to the Board. While the Audit Committee has the responsibilities and powers set forth in its Charter, it is not the duty of the Audit Committee to plan or conduct audits or determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principals. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements. It is not the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent accountants or internal auditors, or to assure compliance with laws and regulations.

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible, in order to react to changing conditions and to ensure that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

In carrying out its responsibilities, the Audit Committee will:

- Review and reassess the adequacy of this Charter at least annually. The Committee shall submit the Charter to the Board of Directors for its approval and will have the document disclosed in accordance with SEC regulations.
- In consultation with management, the independent auditors, and the internal auditors, the Committee will consider the integrity of the Company's financial reporting processes and controls. The Committee will discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposure. In addition, it will review significant findings prepared by the independent auditors and the internal auditors together with management's responses.
- Annually prepare a report to the shareholders, as required by the Securities and Exchange Commission. The report shall be included in the Company's annual proxy statement.
- Advise the board with respect to the Company's policies and procedures regarding compliance with the Company's Code of Conduct and report any violations to the Code to the Board.

## **Independent Auditors**

- The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee will review the independence and performance of the independent auditors and annually be responsible for the appointment of the independent auditors or approve any discharge, when circumstances warrant.
- Review and approve the independent audit engagement letter and audit engagement fees. Pre-approve all audit and non-audit services provided by the independent auditors. It shall not engage the independent auditors to perform specific non-audit services proscribed by law and regulation.
- On at least an annual basis, the Committee will review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence.
- Review the independent auditor's audit plan, the audit scope, staffing, reliance upon management, reliance upon the internal audit, and the general audit approach to see that it is sufficiently detailed and covers any significant areas of concern that the Audit Committee may have.
- The Committee shall review with management and the independent auditors in accordance with the Statements on Auditing Standards ("SAS") No. 71, the financial statements and footnotes to be included in the Company's Annual Report and review the reports to the SEC prior to filing, i.e. the annual Form 10-K and the quarterly Form 10-Q. The Committee will discuss with the independent auditors certain matters required to be disclosed by SAS No. 61, relating to the conduct of the audit. The Chair of the Audit Committee may represent the entire Committee for the purpose of the review of SAS No. 61.
- Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the company's response to that letter. Such a review should include:
  - Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
  - Any changes required in the planned scope of the audit.
- Obtain from the independent auditor assurance that Section 10A of the Private Securities Litigation Reform Act of 1995, regarding required disclosures of corporate fraud to management, the Audit Committee and the Board of Directors, has not been implicated.

## **Internal Audits**

- The internal auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee will review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the internal auditors or approve any discharge of internal auditors when circumstances warrant.
- Review and approve the internal audit engagement letter and audit engagement fees.
- Review the proposed audit scope prior to the start of the internal audit, including the extent to which the planned audit scope relates to identifying weaknesses in internal controls and review of the Information Technology procedures and controls
- Evaluate the compliance with board established lending policies and underwriting standards for loans by review of an internal audit report generated at least annually, which reviews a sample of loans originated or purchased during a period, related party loans, and loans in excess of a certain dollar amount determined by the Audit Committee.
- Discuss with the internal auditors the effectiveness of the system for monitoring compliance with laws and regulations.
- Review significant reports prepared by the internal auditors together with management's response and follow-up to these reports.

## **Corporate Compliance**

- On an annual basis, review the Safety and Soundness and Compliance examination reports issued by Office of the Comptroller of Currency. Review the “Matters Requiring Board Attention” contained within the reports, and discuss the examination results with management.
- On at least an annual basis, review with the Company's counsel, any legal matters that could have a significant impact on the organization's financial statements.
- Review all reports concerning any significant fraud or regulatory noncompliance that occurred at the Company. This review should include consideration of the internal controls that should be strengthened to reduce the risk of a similar event in the future.

## **Other Audit Committee Responsibilities**

- Perform such other functions as assigned by law, the Company's charter or by-laws, or the Board of Directors.

- Develop an annual plan responsive to the "responsibilities and duties" detailed herein with input from management and their key committee advisors. The annual plan shall be reviewed and approved by the full Board of Directors.
- Maintain minutes of meetings and report to the Board of Directors, as needed.
- Discuss and address with either the independent auditors and/or the internal auditors any significant issues relative to overall Board responsibility that, in their judgement, have been communicated to management but have not been adequately resolved.
- Establish hiring policies for employees or former employees of the independent auditors that meet the SEC regulations and Nasdaq listing standards
- Periodically perform a self-assessment of Audit Committee performance. Review, discuss and assess its own performance, as well as, the Committee's roles and responsibilities, seeking input from senior management, the Board of Directors and others, if needed.