



CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. INTRODUCTION:

The Charter of Audit Committee (“Committee”) has been adopted and approved by the by the Board of Directors of Southern National Bancorp (“Board”). The Committee is appointed to oversee the accounting and financial reporting processes of Southern National Bancorp (“Company”), audits of the Company's financial statements, Risk Management and Internal Audit activities, and assessments of management internal controls. Its goal is to comply with all applicable laws, rules, and regulations as promulgated by the Securities and Exchange Commission (SEC), the NASDAQ Stock Market, Inc. (NASDAQ), and the Board of Governors of the Federal Reserve System (Federal Reserve). The Committee has committed to adopt, to the extent possible, those best practices that pertain to the audit committees of public companies and which are relevant to the Company.

II. PURPOSE:

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities of the Company and in so doing, the Committee’s primary duties and responsibilities are to:

- i. Serve as an independent and objective party to monitor the integrity of the Company’s financial statements, financial reporting processes and disclosure practices;
- ii. Ensure the soundness of the systems of internal accounting and financial controls;
- iii. Appointment, set compensation, ensure independence, and review the qualifications and performance of the Company’s independent accounting firm;
- iv. Establish, maintain, review the performance, and ensure the independence of the Internal Audit and Risk Management functions; and
- v. Monitor and work to ensure compliance with all applicable laws and regulations, oversee the compliance risk profile, policies and identification and oversight of key compliance risks; and
- vi. Monitor and oversee the operational risk profile, policies and the identification and oversight of key operational risks.

It is the responsibility of the Committee to provide an open avenue of communication between the Committee, the Board of Directors, Management, the Chief Audit Executive (CAE), the Chief Risk Officer (CRO)¹, and the independent accounting firm. The Committee may adopt such policies and procedures, as it may deem necessary or appropriate to carry out its responsibilities under this charter.

¹ Will also include functions performed by the Chief Credit Risk Officer

III. COMPOSITION:

The Committee shall be comprised of at least three directors of the Company, in good standing, as determined by the Board of Directors, each of whom must be “independent” as defined by NASDAQ Rule 5605(a)(2) and Rule 10A-3 under the Securities and Exchange Act of 1934. All members of the Committee shall be literate with respect to basic finance and accounting practices. In order to comply with Section 407 of the Sarbanes Oxley Act of 2002, at least one member of the Committee shall have significant and material accounting, auditing, or related financial management expertise and be designated as the “audit committee financial expert”.

The members of the Committee shall be appointed by the Board and serve for such term, a term usually being one year, or terms as the Board may determine and until their successors shall be duly qualified and appointed. The Board shall designate a chairperson for the Committee. Members serve at the will of the Board and may be removed at any time. It is the responsibility of the Committee Chairman, or designee to schedule and preside at all meetings of the Committee and to ensure the Committee has a written agenda for its meetings. In the absence of the Committee Chair, the Committee may simple majority vote name an acting Chairman to conduct the business of the Committee for that specific meeting.

All directors of the Company who are not members of the Committee may generally attend meetings of the Committee but may not vote on any matter coming before the Committee for a vote. Additionally, the Committee may invite to its meetings any director, member of management of the Company, and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate, including a director who is not a member of the Committee, in order to carry out its responsibilities.

No director may serve as a member of the Committee if such director serves on the audit committees of more than two other public companies unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee, and discloses this determination in the Company’s annual proxy statement.

IV. MEETING AND REPORTING:

The Committee shall meet at least four times annually or more frequently as deemed necessary or as circumstances dictate. The Committee shall meet in separate executive sessions with Management, the internal auditors, and the independent accounting firm, and have such other direct and independent interaction with such persons at least once each year and at other times when considered appropriate to fulfill its responsibilities as the Committee deems appropriate.

The Committee shall report on its activities to the Board and, where appropriate, its recommendations for action to the Board at the next meeting subsequent to Committee’s meeting. Certain actions by the Committee may be similarly reported to the Board for approval, ratification, and/or confirmation. Included in the Committee’s reporting to the Board, the Committee shall report any material issues that arise with respect to the quality or integrity of the Company’s financial statements, regulatory, compliance, and legal requirements, the performance and independence of the Company’s independent accounting firm, and the performance and independence of the Internal Audit and Risk Management functions.

The Committee may request any officer or employee of the Company or their outside counsel or independent registered public accounting firm to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Minutes, that provide an accurate record of the proceedings including all actions taken by the Committee, shall be prepared for all meetings of the Committee. The Committee shall approve the minutes of each meeting.

V. AUTHORITY:

The Committee shall have the sole authority to appoint, determine funding for, and oversee the independent registered public accounting firm. The Committee shall be directly responsible for the compensation and oversight of the work of the independent registered public accounting firm (including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent registered public accounting firm shall report directly to the Committee.

In discharging its oversight role, the Committee shall have the authority to investigate any matter or activity involving financial accounting and financial reporting, as well as internal controls of the Company, and any other matters within the scope of their duties and responsibilities. The Committee shall have unrestricted access to members of management and any relevant information. All employees will be directed to cooperate with requests made by members of the Committee. The Committee may retain independent counsel, independent accounting firms or other external advisors, and professional service providers as it determines necessary to carry out its duties.

The Committee shall pre-approve all auditing services, internal control related services, and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent registered public accounting firm, subject to the de minimis exception for non-audit services that are approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees, consisting of one or more members when appropriate the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of any such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

VI. DUTIES AND RESPONSIBILITIES:

The Committee shall review and assess annually the Committee's formal charter and recommend to the Board of Directors any needed revisions thereto. In performing its oversight responsibilities, the Committee shall:

A. Audit Committee Process and Procedures:

1. Review the Audit Committee Charter annually, consider changes that are necessary as a result of new laws or regulations, and recommend any proposed changes to the Board of Directors.
2. The Committee shall meet each time the Company proposes to release its quarterly or annual earnings information to review and discuss such information with the Company's Chief Financial Officer (CFO). These meetings may be combined with regularly scheduled meetings), or more frequently as circumstances may require. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
3. Ensure meeting minutes are prepared and reported to the Board, as well as, any other reports or information deemed necessary by the Committee, or as required by the Board, to facilitate communication and oversight responsibilities.
4. Conduct executive sessions with the independent accounting firm, CRO, CAE, and anyone else deemed necessary by the Committee.

5. Ensure there are periodic reviews conducted of officer expenses for legitimacy and conformance with policies.
6. Consider with Management, the rationale for employing audit firms or other special purpose audit related service providers and vendors other than the principal independent accounting firm, including outsourcing arrangements for critical or high-risk areas such as internal audit, independent reviews of significant internal controls, loan review, information security, or other compliance and risk related programs.
 - In the engagement of such third party auditors and vendors, the Committee and Management will seek to abide by such practices and procedures as contained in the *Interagency Policy Statement on the Internal Audit Function and Its Outsourcing* issued by the federal regulatory banking agencies.
 - Establish a process for the Committee to pre-approve engaging auditors or other special purpose audit related service providers and vendors, other than the principal independent accounting firm (i.e. use of RFPs for engaging auditors or other professionals for non-audit, or other services that Internal Audit cannot perform).
7. Review and ensure the proper development and implementation of a certification process over internal controls and compliance with related Sarbanes Oxley section 404 attestations.
8. Periodically review the Company's Code of Ethics to ensure that it is adequate and up-to-date.
9. Review with the CAE, CRO, and the Company's General Counsel the results of their review of the monitoring of compliance with the Company's Code of Ethics and Whistleblower programs.
 - Review the policy and procedures for the receipt, retention, and treatment of complaints received by the Company regarding illegal or unethical behavior, violations of law, regulation, rule or policy of the Company, accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. (Whistleblower Policy)
 - Review any complaints that might have been received, their current status, and their resolution if one has been reached.
10. Ensure compliance with legal and regulatory requirements for financial reporting and auditing of financial statements issued by the SEC, Financial Accounting Standards Board (FASB), Public Company Accounting Oversight Board (PCAOB), Stock Exchanges, and the Federal Reserve.
11. The Committee will review its effectiveness and fulfillment of its responsibilities under this charter and applicable laws and regulations by conducting an annual self-assessment.
12. The Committee will perform such other functions as assigned by law, the Company's charter or bylaws, or the Board of Directors.

B. Oversight of the Financial Reporting Process:

13. Appoint the independent accounting firm to be engaged by the Company, establish compensation and oversight of all work of the independent accounting firm, including pre-approval of any non-audit services provided by the independent accounting firm, including tax services, before the services are rendered.
14. Obtain from the independent registered public accounting firm a formal written statement delineating all relationships between the independent registered public accounting firm and the Company.

15. Meet with the independent registered public accounting firm prior to the commencement of audit fieldwork to discuss the planning and staffing of the audit.
16. Review and evaluate the performance of the independent accounting firm and review with the Board of Directors any proposed discharge of the independent accounting firm.
17. Review and evaluate the lead partner of the independent registered public accounting firm team. Ascertain that the lead (or concurring) audit partner from the independent accounting firm performing independent financial statement audit services, serves in that capacity for no more than five fiscal years of the Company. In addition, ascertain that any partner other than the lead or concurring partner serves no more than seven years at the partner level on the Company's financial statements audit.
18. Obtain and review at least annually a report by the independent accounting firm describing the independent accounting firm's internal quality-control procedures, and any material issues raised by the most recent internal quality-control review or peer review of the independent accounting firm.
19. Review with the independent accounting firm, the CAE, and CRO:
 - The adequacy of the Company's internal controls including computerized information system controls and security
 - Any related significant findings and recommendations of the independent accounting firm together with management's responses thereto including the timely remediation of any corrective action required.
20. Review with Management and the independent accounting firm the effect of any new regulatory and accounting initiatives.
21. Oversee the preparation of an annual report of the Committee as required by the rules of the SEC and the annual affirmation required by the appropriate listing exchange, if necessary. When required by SEC rules, include in the annual Proxy Statement for the Company a report of the Committee in accordance with the Proxy Rules promulgated by the SEC.
22. Review with Management, the independent accounting firm, and the CAE, the annual and interim annual financial reports (10-K and 10-Q) before they are filed with the SEC or other regulators.
23. Review with the independent accounting firm that performs the financial statements audit:
 - All critical accounting policies and practices used by the company.
 - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management of the Company, the ramifications of each alternative, and the treatment preferred by the Company.
24. Review all material written communications between the independent accounting firm and Management, such as any management letter or schedule of unadjusted differences.
25. Review with Management and the independent accounting firm:
 - The Company's annual financial statements and related footnotes
 - The independent accounting firm's audit of the financial statements and their report thereon
 - The independent accounting firm's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting
 - Any significant changes required in the independent accounting firm's audit plan

- Any serious difficulties or disputes with Management encountered during the audit
 - Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, *Communication With Audit Committees* (AICPA, *Professional Standards*, vol. 1, AU sec. 380), as amended, related to the conduct of the audit.
26. Review with the general counsel, the CRO and CAE any legal and regulatory matters that, in the opinion of Management, may have a material impact on the financial statements, related compliance policies, and programs and reports received from regulators.
27. Oversee the adequacy of the Company's system of internal controls and for compliance with Sarbanes Oxley section 404 attestations.

C. Oversight of the Internal Audit and Risk Management Functions:

28. Review and concur in the appointment, replacement, performance, reassignment, or dismissal of the CAE and CRO.
29. Ensure activities are conducted in accordance with professional standards, such as the Institute of Internal Auditors' (IIA) *Standards for the Professional Practice of Internal Auditing*.
30. Inquire of Management, the CRO, CAE, and the independent accounting firm about significant risks or exposures facing the Company; assess the steps Management has taken or proposes to take to minimize such risks to the Company; and periodically review compliance with such steps.
31. Review with the CAE, CRO, and Management, the audit scope and plan of the Internal Audit department. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
32. Review with Management, the CAE and CRO:
- Significant findings on internal audits or other outsourced audits or reviews, during the year and Management's responses thereto, including timing of any required corrective action and remediation.
 - Any difficulties the internal audit team or others encountered in the course of their review, including any restrictions on the scope of their work or access to required information
 - Any changes required in the scope of their internal audit or other work
 - The Internal Audit and Risk Management department budget and staffing requirements to ensure that these functions are appropriately staffed with qualified individuals and have the resources necessary to carry out their appointed responsibilities.
34. Oversee operational and compliance risk including:
- Review material changes and updates to the risk scoring models (risk score changes) and related risk profile;
 - Oversight and monitoring of key risk and key risk indicators; and
 - Monitoring of risk mitigation activities.

It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles, to conduct investigations, or to ensure compliance with laws and regulations of the Company's internal policies, procedures, and controls. This is the

responsibility of Management. The Committee relies on the expertise and knowledge of Management, the CFO, CAE, CRO, and the independent accounting firm, among others, in carrying out its oversight responsibilities.