



SBT Bancorp

**AUDIT & COMPLIANCE
COMMITTEE CHARTER**

Approved by Board 11/20/07; 11/19/08; 9/16/09; 11/17/10; 9/21/11; 9/19/12; 9/18/13, 09/17/14, 09/16/15, 09/20/16, 09/26/17, 12/20/17

AUDIT & COMPLIANCE COMMITTEE CHARTER

I. Purpose

The Audit and Compliance Committee (the “Committee”) is appointed by the Board of Directors of SBT Bancorp, Inc. (the “Company”) to assist the Company’s Board of Directors in the oversight of:

- The integrity of the Company’s financial statements.
- The independent auditor’s qualifications and independence.
- The performance of the Company’s internal audit function.
- The Company and the Bank’s compliance with legal and regulatory requirements.

II. Authority

The Committee will have authority to:

- Appoint, compensate, retain, terminate and oversee the Company’s independent auditor.
- Ensure the direct reporting of the independent auditor to the Committee.
- Determine the independence of the independent auditor and oversee the continuing independence of such independent auditor.
- Conduct or authorize any investigation appropriate to fulfill its responsibilities.
- Engage such independent counsel and other advisors as the Committee deems necessary to carry out its responsibilities.
- Access directly the independent auditor, the internal audit firm, and employees of the Company and the Bank, including the Company’s and the Bank’s outside legal counsel.
- Resolve disputes between management and the independent auditor or the internal audit firm concerning financial reporting or any other matter.

III. Specific Duties and Responsibilities

The Board of Directors sets forth the Committee’s duties in this Charter and by resolution. Accordingly, the Committee will have the following duties and responsibilities:

A. Financial Statements and Reporting

The Committee shall oversee compliance with the requirements of the FDIC regulations for Annual Independent Audits and Reporting Requirements set forth in 12 C.F.R. Part 363 (the “FDIC Regulations”) and follow the guidelines and interpretations in Appendix A to the FDIC Regulations. A copy of the current FDIC Regulations, including Appendix A, is provided as Schedule 1 to this charter.

The Committee will review and discuss with management and the independent auditor the accounting and financial reporting processes for the Bank and the auditing of the Company's financial statements.

The Committee will receive and review the audited financial statements from the Company's independent auditors, and will review and consider with the independent auditor the matters required to be discussed by SAS No. 61, as it may be modified or supplanted.

The Committee will receive and review the written disclosures and the letter from the independent auditor required by Independence Standards Board Standard No.1, as it may be modified or supplanted, and will discuss with the independent auditor their independence.

Upon completion of its review, the Committee will recommend to the Company's Board of Directors that the audited financial statements be included in the Company's annual report to its shareholders and will, to the extent necessary, review and discuss with management and the independent auditor the Company's interim financial statement information to be included in the Company's quarterly reports.

The Committee will prepare an annual Audit Committee Report and recommend that such report be included in the Company's annual proxy statement.

The Committee will review such other factors as it deems appropriate that affect the integrity of the Company's published financial reports, including the implementation of appropriate recommendations of the Company's independent auditor.

B. Relationship with Independent Auditors

The Committee will appoint, set compensation for, and oversee the independent auditor for the Company regarding the preparation and issuance of any audit report or related work. Such selection and appointment by the Committee will be subject to the ratification by the Company's shareholders at the Company's annual meeting. The independent auditor will report directly to the Committee.

The Committee will review with the independent auditor the proposed scope of audit services and plan for the annual audit. It will also review and pre-approve any non-audit services performed on behalf of the Company that are permitted under applicable law.

The Committee will ensure that audit engagement letters comply with the provisions of section 363.5(c) of the FDIC Regulations; be familiar and comply with the notice requirements of section 363.4(d) of the FDIC Regulations and guideline 20 of Appendix A regarding the selection, change, or termination of the independent auditor; and ensure that management sends a copy of any notice to the independent auditor when it is filed with the FDIC.

The Committee will periodically discuss with management and the independent auditor the quality and adequacy of the Company's internal procedures and controls, the effect of regulatory and accounting initiatives, the effect of off-balance-sheet structures, and the matters required to be discussed by SAS No. 61, as it may be modified or supplanted.

The Committee will review and satisfy itself as to the independent auditor's qualifications, performance, and independence as set forth in section 363.3(f) of the FDIC Regulations and guidelines 13 through 16 of Appendix A. This includes ensuring that the independent auditor submits annually a formal written statement delineating all relationships between the independent auditor and the Company.

The Committee will review with management and the independent auditor the basis for their respective reports issued under sections 363.2(a) and (b) and 363.3(a) and (b) of the FDIC Regulations.

The Committee will ensure appropriate audit partner rotations and any independent auditor rotations that may be required by law.

C. Internal Audit

The Committee will establish objective criteria to oversee the internal audit function and evaluate its performance. Responsibility for the internal audit function will be assigned to the Audit Manager, a member of management who understands the function and has no responsibility for operating the system of internal control. The Audit Manager will report to the Audit Committee on issues relating to the internal audit function and report to the CEO on administrative matters.

The Committee will approve the Company's Internal Audit Policy on an annual basis. This Policy addresses the internal audit function and related applicable regulations and guidelines.

The Committee will make the final decision as to the internal audit firm selected. This internal audit firm will be a different firm than the independent auditor.

The Committee will recommend to the full Board approval of the internal audit firm's audit plan for the Company.

The Committee will review and discuss with management and the internal audit firm any material issues as to the adequacy of the Company's internal controls, the adequacy of the disclosures about changes in internal control over financial reporting, and related risks.

The internal audit firm will report directly to the Committee.

The Committee will meet as often as it determines necessary with the internal audit firm but no less often than four times annually.

The Committee will review the performance of the internal audit firm on an annual basis.

D. Compliance with Laws and Regulations

The Committee will review periodic reports prepared by the Company's and the Bank's Compliance Officer and other materials deemed appropriate to evaluate the Company's and the Bank's program for complying with laws and regulations. These reports will include those prepared by the Company's independent auditor, the Company's internal audit firm, and the Company's and the Bank's regulatory examiners.

E. Administrative and Other

The Committee will maintain minutes of Committee meetings, report activities to the Board on a regular basis, and make recommendations as the Committee deems appropriate.

The Committee will review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

The Committee will perform any other activities consistent with this Charter and the Company's bylaws and governing laws, as the Committee or the Board deems necessary.

IV. Committee Membership and Composition

The Committee will have a minimum of 3 members who are appointed by the Board of Directors and may be replaced by the Board of Directors at any time. Vacancies on the Committee may be filled by the Board of Directors.

Each member of the Committee shall be an outside director and meet the independence requirements of section 363.5 of the FDIC Regulations and guidelines 27 and 28 of Appendix A. Each member of the Committee also shall meet the independence requirements and the applicable rules of any securities exchange on which the Company's securities are listed.

Each member of the Committee will be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement.

If the Board of Directors determines that a Committee member is no longer independent, such Committee member may continue his or her membership on the Committee until the earlier of the Company's next annual shareholders' meeting or one year from the discovery of the event which caused the Committee member to cease to be independent.

V. Meetings

The Committee will meet as often as it determines is necessary but no less often than four times annually. The Committee may call additional meetings as necessary to perform their duties.

The Committee may meet, at its discretion, in executive sessions with management, the Company's internal auditors, or the Company's independent auditor or any combination of them.

The Committee may request that any officer or employee of the Company or the Bank, the Company's or the Bank's outside legal counsel, independent auditor, or internal audit firm attend the meetings of the Committee or meet with any members of or consultants to the Committee as necessary to perform the duties of the Committee.

VI. Disclosure of Charter

The Charter will be appended to the Company's Proxy Statement in accordance with Schedule 14A of the Exchange Act or more often if so required by the applicable rules of any securities exchange on which the Company's securities are listed.

VII. Limitation of Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of this Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These duties are the responsibility of management and the independent auditor.

Schedule 1

FDIC regulations for Annual Independent Audits and Reporting Requirements, 12 C.F.R. Part 363, including Appendix A.