

**ACNB BANK
BOARD OF DIRECTORS
LOAN COMMITTEE CHARTER**

ARTICLE 1

PURPOSES

Section 1.1 **General Purpose.** The Loan Committee (the “Committee”) of the Board of Directors of ACNB Bank (the “Bank”) shall have oversight responsibility for the Bank’s credit administration and lending practices. In the performance of this oversight role, the Committee shall work with Management in seeking to ensure the Bank maintains the following:

- (a) Credit policies that conform with applicable laws and regulations;
- (b) Credit procedures that effectively implement the credit policies and that ensure compliance with the credit policies; and,
- (c) Procedures to monitor compliance with the credit policies and credit procedures, including, without limitation, compliance with legal lending limits and the Bank’s in-house lending restrictions.

Section 1.2 **Reporting to Board: Board Responsibility.** The Committee shall receive reports from Management and, as appropriate, report to the Board of Directors of the Bank (the “Board”) regarding the Bank’s credit administration and lending practices. In addition, the Committee shall report to the Board any significant actions or approvals of the Committee. The Board and Management of the Bank shall ensure the Committee has adequate resources and authority to discharge its responsibilities.

ARTICLE 2

ORGANIZATION

Section 2.1 **Membership.** The Committee shall consist of not less than five non-Management Board members, as well as the Chairman of the Board and President & CEO.

Section 2.2 **Appointment and Term.**

- (a) Chair. The Board shall appoint the Chair of the Committee for a term of one year.
- (b) Other Members. The Board shall appoint the members of the Committee for a term of one year.

Section 2.3 **Duties of Chair.** The Chair shall preside at all meetings of the Committee, provide input to the Committee meeting agendas, and perform such other duties as may be assigned by the Board from time to time.

Section 2.4 **Regular Meetings.** Meetings of the Committee shall be held at such time and place as the Committee shall determine.

Section 2.5 **Voting.** A majority of the Committee members shall constitute a quorum for the transaction of business. Every action consented to by a majority of the Committee members present at a meeting (at

which a quorum is present) shall be regarded as an act of the Committee, unless other consent is required or permitted pursuant to this Charter, the Bank's Articles of Incorporation or Bylaws, the Bank's Commercial Loan Policy, or applicable law.

Section 2.6 **Minutes.** The Committee shall maintain minutes and other relevant records of the meetings and activities of the Committee. The minutes shall be made available for review and approval by the Board.

Section 2.7 **Amendment.** The Charter of the Committee may be amended only by action of the Board.

ARTICLE 3

DUTIES AND RESPONSIBILITIES

In accomplishing the purposes of the Committee (as set forth in Article 1 above), the Committee has the following authority and responsibilities:

Section 3.1 **Approval of Loans.** The Committee is delegated to act on behalf of the Board for the review and approval of loans and aggregate loan relationships for (1) any customer that exceeds internal lending approval limits as established by the Bank's credit policies and (2) any insider subject to compliance with Regulation O and the Bank's Insider Credit Policy Statement. In this regard, Regulation O and the Bank's Insider Credit Policy Statement require approval of certain insider loan transactions by a majority of the Board of Directors; thus, the Committee meets this requirement given sufficient attendance for the necessary vote, after excusing any interested party or the borrower.

Section 3.2 **Loan Information.** The Committee shall be provided, by the Executive Vice President/Chief Credit Officer, all relevant information on specific loans to be considered for approval.

Section 3.3 **Review Credit Policies.** The Committee shall be responsible for reviewing the written credit policies for the Bank, to be prepared and periodically updated by Management. The objective of the credit policies shall be to ensure the credit quality of the Bank's loan portfolio and to maintain appropriate risk and profitability levels for the Bank. The Committee shall review the credit policies on an annual basis to confirm that the policies conform with all then applicable laws and regulations. The credit policies shall include, without limitation, lending policies for all the applicable functional areas of the Bank. The Committee shall review changes to the credit policies proposed by Management or initiated by members of the Committee from time to time, taking into account changes in applicable laws or regulations or as warranted by changing economic and/or banking conditions.

Section 3.4 **Lending Limits.**

- (a) Compliance with Lending Limits. The Committee shall work with Management in seeking to ensure that procedures are in place to monitor compliance with the Bank's legal and in-house lending limit restrictions.
- (b) Establish Bank In-House Lending Limit. The Committee shall have responsibility for establishing the Bank in-house lending limit.

Section 3.5 **Identification of Problem Credits.** The Committee shall work with Management in seeking to ensure that problem credits are identified on a timely basis. Further, the Committee shall work with Management in seeking to ensure that the problem credits are managed appropriately and in particular

that:

- (a) Watch list credits and special mention credits are managed to avoid non-performing assets and possible charge-offs; and,
- (b) Special assets (classified and/or non-performing assets) are managed to minimize losses and recover as much principal and interest as quickly as possible.

Section 3.6 **Review Management Reports.** In order to fulfill the Committee's responsibilities, Management shall provide the Committee with periodic reports of loans, loan activity, and loan portfolio information. Such reports shall include, without limitation, the following:

- (a) Independent loan review reports;
- (b) Watch List Committee meeting minutes;
- (c) Special Assets Committee meeting minutes;
- (d) Commercial loan participation reports;
- (e) Policy exception reports;
- (f) Concentration reports;
- (g) Commercial loan, residential mortgage, and consumer loan portfolio reports; and,
- (h) Board and Board Loan Committee approval modifications, as necessary.