



Group: Executive / Board of Directors
SubGroup: Board of Directors
Policy Name: Audit, Finance and Risk Committee Charter
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Purpose: The purpose of the Audit, Finance and Risk Committee (the “Committee”) of the Board of Directors of 1st Source Corporation and 1st Source Bank (the “Company”) is to assist the Board of Directors in fulfilling its responsibilities to the shareholders, the investment community, and others for oversight of the Company’s control environment for mitigating material operational and compliance risks embedded in the Bank’s daily business operations and financial reporting processes.

PURPOSE

The purpose of the Audit, Finance and Risk Committee (the “Committee”) of the Board of Directors of 1st Source Corporation and 1st Source Bank (the “Company”) is to assist the Board of Directors in fulfilling its responsibilities to the shareholders, the investment community, and others for oversight of the Company’s control environment for mitigating material operational and compliance risks (except for such risks and controls in the Information Technology Division and in the Office of the Chief Information Security Officer, which are overseen by the Digital & Technology Committee of the Board of Directors

COMMITTEE MEMBERSHIP, QUALIFICATIONS, TERM, AND MEETINGS

Membership: The Committee shall be comprised of three or more directors, each of whom shall be members of, and appointed by, the Board of Directors, after considering recommendations of the Governance & Nominating Committee, and provided that the Chairperson of the Digital & Technology Committee of the Board of Directors shall be a member of the Committee.

Qualifications: Each member of the Committee shall not have a material relationship with the Company that might impair his or her independent judgment and otherwise shall qualify as an “independent director” in accordance with the Nasdaq Listing Standards and rules of the Securities and Exchange Commission (SEC). A director cannot be considered independent if he or she accepts any consulting, advisory, or other compensatory fee from the Company or is an affiliated person of the Company or its subsidiaries. All Committee members shall be financially literate, and at least one member shall be an “audit committee financial expert,” as defined under NASDAQ Listing Standards and SEC rules. Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

Term: Members of the Committee are appointed annually and serve a one-year term with an expectation that members will serve at least three consecutive terms and preferably more. The Board shall appoint one member of the Committee as its chairperson who will serve for at least a two-year term.

Meetings: The Committee shall meet at least quarterly, or more frequently as circumstances dictate. The Committee will cause to be kept adequate minutes of its proceedings and will report its actions at the next meeting of the Board. In addition to the independent directors and in accordance with the Corporation’s “Corporate Governance Guidelines,” a “Standing Invitee” may be invited to attend Committee meetings. A “Standing Invitee” is defined as a director the Board has assigned to regularly attend meetings of a committee for educational or other purposes. A Standing Invitee will not be a member of such committee and will be subject to being excused from all or a portion of the committee meetings as may be required under applicable law or regulation, or as the committee chairman otherwise directs.

DUTIES AND RESPONSIBILITIES

The scope of the duties and responsibilities of the Committee include oversight of the risks and controls for the integrity of the Company's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of the Company's internal audit function; the selection and performance of the firm's independent auditors; and the independent auditor's qualifications and independence. In addition to financial reporting risks and controls, the Committee also assists the Board with oversight of controls for mitigating material operational and compliance risks embedded in the Bank's daily business operations (other than controls for mitigating technology and information security risks). Such operational and compliance risks and controls include sub-categories of risks and controls identified in the Company's Enterprise Risk Management Program ("ERM Program") and/or as management or members of the Board may identify from time-to-time.

The scope of the Committee's duties and responsibilities are limited to oversight of the Company's risk and control environment for financial reporting and other operational and compliance risks as noted above. It is management's responsibility to design, implement and maintain controls for managing financial reporting and such other operational and compliance risks.

In carrying out its responsibilities, the Committee should remain flexible to best respond to management reports of changing conditions and circumstances and ensure proper oversight of the risks it oversees. The Committee also should set expectations of management for the overall corporate "tone at the top" for quality financial reporting and sound business risk and control practices consistent with the Mission Statement, Moral and Ethics Standards Policy and the Code of Conduct, respectively, approved by the Board.

In discharging its oversight role, the Committee shall maintain free and open communications between and among the Committee, independent auditors, the internal auditors, and management of the Company. 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 the authority to engage independent counsel and other advisers as it determines necessary to carry out its responsibilities. The Company shall provide for appropriate funding for payment of compensation to any such independent counsel or other advisors employed by the Committee.

Following are the duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Board of Directors may supplement them as appropriate.

A. Responsibilities for Relationship with Independent Auditor

The Committee shall be directly responsible for the appointment, compensation, retention, and termination of the independent auditors (subject, if applicable, to shareholder ratification), and the independent auditors must report directly to the Committee.

- The Committee shall be directly responsible for the oversight of the work of the independent auditors, including resolution of disagreements between management and the independent auditors regarding financial reporting.
- The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services prescribed by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.
- The Committee shall set clear hiring policies for employees or former employees of the independent auditors that meet the SEC regulations and stock exchange listing standards.
- At least annually, the Committee shall obtain and review a report by the independent auditors describing:
 - The independent audit firm's quality control procedures.
 - Any material issues raised by the most recent internal quality control review, or peer review, of the independent audit firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent audit firm, and any steps taken to deal with any such issues.
 - All relationships between the independent auditor and the Company (to assess the independence of the independent auditor).

B. Responsibilities with Respect to Independent Auditor, External Audit and Financial Statements

- The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing, professional fees, and in the case of the internal auditors, the nature, qualifications of professionals and fees associated with any internal audits to be outsourced to external firms.
- The Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls.
- The Committee shall meet separately periodically with management, the internal auditors, and the independent auditors to discuss issues and concerns warranting Committee attention.
- The Committee shall provide sufficient opportunity (at a minimum as may be required under applicable SEC rules) for the internal auditors and the independent auditors,

respectively, to meet with the Committee privately without members of management or any non-independent directors present.

- The Committee shall review with the independent auditor any audit problems or difficulties and management's response.
- The Committee shall receive a report from the independent auditor, prior to the filing of its audit report with the SEC, on all critical accounting policies and practices of the Company, all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor, and other material written communications between the independent auditor and management.
- The Committee shall review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on management's assertion.
- The Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. It shall approve the filing of earnings press releases.
- The Committee shall review the interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors and approve the filing of the Company's Quarterly Report on Form 10-Q once satisfied with the results of its prior review.
- The Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
- The Committee shall review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. The Committee shall approve the filing of the Form 10-K subject to the Committee's satisfaction with the results of such prior review.
- The Committee shall discuss with management and the independent auditors the effect of significant new or proposed accounting pronouncements.
- The Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

- The Committee shall prepare a report to be included in the Company's annual proxy statement, as required by SEC regulations.
- The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Committee shall review the disclosure of all "related party transactions," as such term is defined in Item 404 of SEC Regulation S-K.

C. Responsibilities with Respect to Operational and Compliance Risks

- The Committee shall review management's assessment of material operational and compliance risks for which the Committee has oversight responsibilities as noted above, and of the effectiveness of controls designed to mitigate such risks. In addition to financial reporting risks and controls, this includes review of management's assessments of the Company's policies, programs and procedures for assessing, monitoring, and managing operational and compliance risks that have the potential to cause material financial loss, consumer harm, regulatory criticism, and/or reputational damage.
- The Committee shall periodically review with the General Counsel or outside counsel as it determines any legal matters that may have a material impact on the financial statements and any other legal matters that may involve a material violation of securities laws, a breach of fiduciary duty, or that otherwise materially increase reputational or other non-financial risks to the Company.
- The Committee shall periodically review with the General Counsel, the Chief Compliance Officer, and the BSA Officer, and such other members of management the Committee deems necessary the material regulatory compliance programs, regulatory compliance issues, and any material reports or inquiries received from regulators or governmental agencies.

D. Other Periodic and Procedural Matters

- The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.
- The Chief Auditor will report functionally (independently) to the Committee and administratively to the Executive Chairman. The Committee delegates authority to the Committee Chairperson to oversee and facilitate the Committee's review and approval of the performance and compensation of the Chief Auditor.
- The Committee shall review and reassess the charter at least annually and recommend changes to the charter for consideration and approval by the Board of Directors.

LIMITATION

Nothing in this charter is intended to alter in any way the standard of conduct that applies to any of the directors under Ind. Code § 23-1-35 or § 28-13-11, as applicable, as amended, and this charter does not impose, nor shall it be interpreted to impose, any duty on any director greater than, or in addition to, the duties or standard established by such provisions.