

AUDIT COMMITTEE CHARTER

I. PURPOSE

The purpose of the Committee is to:

- Oversee the quality and integrity of the company's financial statements and related internal controls;
- Oversee internal and external audit independence, qualifications, and performance; and
- Oversee the process for monitoring compliance with laws and regulations.

Although organized under the Board, it shall also serve as the audit committee of all of the Company's subsidiary bank Boards if or when necessary.

While the Committee has the responsibilities set forth in this Charter, it is an oversight function. It is not the duty of the Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles, or to assure compliance with the Company's policies or laws and regulations. These are the responsibility of management and the auditors. The Committee shall be able to rely on information and advice provided by management, auditors and other advisors. Whenever the Committee takes an action, it shall exercise its independent judgment on an informed basis that the action is in the best interests of the Company and its stockholders.

II. MEMBERSHIP AND STRUCTURE

- a. Minimum Number:** The size of the Committee is set from time to time by the Board of Directors, but shall always consist of at least three directors of the corporation.
- b. Independence & Qualifications:** Committee members shall meet the independence requirements of the Company's Corporate Governance Guidelines, the relevant stock exchange requirements, and applicable laws and regulations. At least one member shall be designated by the Board as an audit committee "financial expert" as defined by applicable law. Additionally, Committee eligibility requires the member to have the ability to read and understand financial statements and sufficient experience and capacity to perform their responsibilities. Such determinations are not intended to impose on any individual, the Committee, or the Board, greater duties than would otherwise exist.

c. Designation of Committee Chair: The Committee Chair shall be appointed by the Chair of the Board of Directors in consultation with the Chair of the Governance and Nominations Committee and the Lead Independent Director. The Committee Chair may serve successive terms without limitation.

d. Selection and Removal of Members: Members of the Committee shall be members of the Board of Directors and shall be appointed by the Board of Directors, based on recommendations by the Chair of the Board and Chair of the Governance and Nominations Committee.

III. **AUTHORITY & RESPONSIBILITIES**

The Committee's primary responsibilities include:

- **Financial Statements and Reporting**
 - Monitor in general, earnings press releases and related financial information provided to shareholders, investors and analysts and submitted on Form 8-K.
 - Prior to filing with the SEC, review and discuss the annual and quarterly financial statements, including related disclosures and accompanying information with management, internal audit and the external auditor. As applicable, such discussions shall include:
 - considerations about and implementation of changes to accounting or reporting;
 - the accounting treatment of significant unusual or non-recurring transactions;
 - loss contingencies and off-balance sheet exposures;
 - accounting policies, practices and estimates which require significant judgment or discretion; subsequent events;
 - required communications with the external auditor (e.g. difficulties encountered, scope or access restrictions, significant disagreements with management); and
 - the potential impact of any identified weaknesses in internal controls.
 - Annually, the Committee shall also prepare a committee report summarizing its primary activities for inclusion in the Company's proxy statement. Review and thereafter recommend to the Board whether the annual financial statements should be included in the Form 10-K.
- **Internal Controls over Financial Reporting**
 - Review and discuss with management, internal audit and the external auditor whether the Company has established and appropriately

maintained processes to assure the reliability and integrity of accounting and financial reporting policies and disclosure practices;

- Review and discuss with management, internal audit and the external auditor any significant deficiencies or material weaknesses in the design or operation of internal controls and any fraud involving management or other employees who have a significant role in the Company's internal controls;
 - Review and discuss the significant internal audit examination findings impacting internal controls and the status of management's response;
 - Review and discuss with management (quarterly) and the external auditor (annually) their respective assessments and attestations on internal controls included in the SEC filings; and
 - Review the disclosure of all related-party transactions which have been identified and approved in accordance with the Company's policies and procedures with respect to such transactions.
- **Compliance with Laws, Regulations and Conduct Policies**
 - Review and discuss with management and internal audit any internal audit examination findings regarding compliance with laws and regulations and the timeliness of management's response to regulatory reports;
 - Review and discuss significant loss contingencies including any potential accruals and/or disclosure;
 - Review and discuss processes in place to promote and monitor compliance with the Code of Conduct established by the Board;
 - Establish procedures for the receipt, retention and treatment of complaints and protection of the confidentiality and anonymity of any individual submitting concerns regarding questionable accounting, reporting, and internal control or auditing matters;
 - Review and approve all management and external auditor reports as required by FDICIA.
- **Internal Audit**
 - Review and concur with the appointment, compensation, and reassignment or dismissal of the Chief Audit Executive (the "CAE"). The CAE shall have a direct reporting line to the Committee;
 - Annually review and approve any changes to the internal audit charter;
 - Assess the independence of the internal audit function annually for effectiveness;

- Ensure internal audit has adequate resources to fulfill its duties, including annual review of the department's budget and resource plan;
 - Review and approve the internal audit plan annually, including any significant outsourcing arrangements;
 - Monitor and discuss periodic communication regarding the completion status of the audit plan and any significant changes thereto;
 - Review and discuss the results and findings of the audit plan;
 - Review results of the Quality Assurance and Improvement Program; and
 - Annually assess the effectiveness of the CAE and the internal audit function, including the results of any internal or external quality assessments.
- **External Auditor**
 - The Company's independent financial statement auditor (external auditor) shall report directly to the Audit Committee, which has the sole authority to select, engage, compensate, evaluate and replace the external auditor;
 - Annually, obtain confirmation and assurance as to the external auditors' independence, including a formal written statement delineating all relationships between the external auditor and the Company. The Committee shall evaluate any disclosed relationships or services that may impact the objectivity and independence of the external auditor and report to the Board as necessary;
 - Ensure the timely rotation of audit partners;
 - Annually review and discuss its (i) internal quality controls and reviews, (ii) any external quality control reviews (e.g. peer review); and (iii) any external reports, inspections or investigations. The external auditor shall provide such reviews on a timely basis and report on steps being taken to address any issues noted;
 - Pre-approve all audit and non-audit services with the external auditor. Approvals can be delegated to the Chair or any two other members of the Committee with ratification at the next Committee meeting;
 - Review and discuss the scope of the external audit to be performed, including the significant risks identified during their risk assessment procedures;
 - Discuss with the external auditor the accuracy, completeness, and overall quality of the Company's accounting principles and internal controls as applied in the annual financial reporting;
 - Upon completion of the audit and related required communications, assess the performance of the external auditor; and

- Annually, discuss whether periodic rotation of external audit firms is considered appropriate.
- **Risk Management**
 - Monitor the significant risks under the purview of the Committee (e.g. those relating to financial reporting, related internal controls and compliance objectives) and management's plans to manage these risks; and

IV. PROCEDURES & ADMINISTRATION

a. Meetings:

- i. Meeting Agenda:** The Committee Chair shall establish the agenda for each meeting. If the Committee Chair is unavailable, the Chair of the Board of Directors shall designate a member of the Committee to establish the agenda.
- ii. Meeting Minutes:** The Committee shall keep regular minutes of its meetings.
- iii. Meeting Quorum:** The majority of members of the Committee shall constitute a quorum.
- iv. Meeting Attendance:** The Committee shall meet at least quarterly, and otherwise as it deems necessary. Members of the Committee are required to attend each Committee meeting unless excused by the Committee Chair.

b. Executive Sessions: Only members of the Committee and those specifically invited by the Committee Chair may attend executive sessions of the Committee.

c. Subcommittees: The Committee Chair may appoint subcommittees from time to time as warranted.

d. Third Party Attendance at Meetings: Any member of the Board of Directors may attend Committee meetings as guests. Board Observers may attend Committee meetings if their attendance is approved by the Committee Chair. Board guests or observers may not attend executive sessions unless

invited to do so by the Committee Chair. Other third parties may attend Committee meetings at the invitation of the Committee Chair.

- e. Reporting to the Board:** The Committee Chair (or his or her designee) shall report to the Board regarding all Committee meetings held since the last meeting of the Board.

- f. Charter Review:** The Committee shall review this Charter annually.

- g. Independent Advisors:** The Committee Chair may retain independent advisors from time to time as appropriate.

- h. Performance Review:** The Committee shall review its performance annually. This performance review will include an evaluation of how well the Committee satisfied all of its responsibilities under this Charter.