

# First Bancorp of Indiana, Inc.'s Audit Committee Charter

## ***Mission Statement***

The committee's role is to assist the board of directors in overseeing all material aspects of First Bancorp of Indiana, Inc.'s (the "Company") financial reporting, internal control, and audit functions, including a particular focus on the qualitative aspects of financial reporting to stockholders, on compliance with significant applicable legal, ethical, and regulatory requirements and to ensure the objectivity of the financial statements. The role also includes maintenance of strong, positive working relationships with management, external and internal auditors, counsel, and other committee advisors.

## ***Organization***

***Committee Composition.*** The committee shall consist of at least three board members, all of whom shall be independent of management and the Company and free of any relationship that, in the judgment of the board, would interfere with their exercise of independent judgment as audit committee members. Committee members shall have: (1) knowledge of the primary industries in which the Company operates; and (2) the ability to read and understand financial statements, including the balance sheet, income statement, statement of cash flows, and key performance indicators. At least one member of the committee, preferably the chairperson, must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Committee appointments, including selection of the committee chairperson, shall be approved annually by the full board.

Audit committee members will not have an interest in the company or engage in related-party transactions that would have a material adverse effect on their independence or ability to act in the best interest of the shareholders. Audit Committee members cannot vote on any matter in which they, directly or indirectly, have a material interest.

***Frequency of Meetings.*** The committee shall meet at least quarterly. Additional meetings shall be scheduled as considered necessary by the committee or chairperson. A quorum of the committee shall be declared when a majority of the appointed members of the committee are in attendance. The Committee shall maintain minutes or records of meetings and activities of the committee.

***External Resources.*** The committee shall be authorized to access internal and external resources, as the committee requires, to carry out its responsibilities.

## ***Roles and Responsibilities***

### **Communication with the Board of Directors and Management**

- The chairperson and others on the committee shall, to the extent appropriate, have contact throughout the year with senior management, the board of directors, external and internal auditors and legal counsel, as applicable, to strengthen the committee's knowledge of relevant current and prospective business issues, risks and exposures. This will include requests by the committee that members of management, counsel, the internal and external auditors, as applicable, participate in committee meetings, as necessary, to carry out the committee's responsibilities.
- The committee, with input from management and other key committee advisors, shall develop an annual plan, which shall include an agenda and procedures for the review of the Company's quarterly financial data, its year end audit, the procedures and results of the internal audit and the review of the independence of its accountants.
- The committee, through the committee chairperson, shall report periodically, as deemed necessary, but at least semi-annually, to the full board.
- The committee shall make recommendations to the full board regarding the compensation to be paid to the external auditors and its views regarding the retention of the auditors for the upcoming fiscal year.

### **Review of the Internal Audit Function**

- The internal audit function shall be responsible to the board of directors through the committee.
- The committee shall review and assess the Internal Audit Risk Assessment and annual internal audit plan, including the activities and organizational structure of the internal audit function.
- The committee shall meet with the internal auditors, at least quarterly, to review the status of the internal audit activities, any significant findings and recommendations by the internal auditors and management's response.
- If either the internal auditors identify significant issues relative to the overall board responsibility that have been communicated to management but, in their judgment, have not been adequately addressed, they should communicate these issues to the committee.

## **Review of the External Audit Function**

- The committee shall meet with the external auditors, at least annually, who shall report all relevant issues to the committee.
- The external auditors, in their capacity as independent public accountants, shall be responsible to the board of directors and the audit committee as representatives of the stockholders.
- The committee shall review the annual financial statements, including the overall scope and focus of the annual audit. This review should include a determination of whether the annual financial statements are complete and consistent with the information known to committee members. This review shall also include a review of key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditor views, and the basis for audit conclusions. Any important conclusions concerning the year-end audit work should be discussed well in advance of the release of the annual financial statements.
- The committee shall annually review the performance (effectiveness, objectivity, and independence) of the external auditors. The committee shall ensure receipt of a formal written statement from the external auditors consistent with standards set by the Independence Standards Board. Additionally, the committee shall discuss with the auditor any relationships or services that may affect auditor objectivity or independence. If the committee is not satisfied with the auditors' assurances of independence, it shall take or recommend to the full board appropriate action to ensure the independence of the external auditor.
- The committee shall review any important recommendations on financial reporting, controls, other matters, and management's response.
- If the external auditors identify significant issues relative to the overall board responsibility that have been communicated to management but, in their judgment, have not been adequately addressed, they should communicate these issues to the committee.

## **Reporting to Stockholders**

- The committee should be briefed on the processes used by management in producing its interim financial statements and review and discuss with management any questions or issues concerning the statements. Any important issues on interim financial statements should be discussed well in advance of the release of the interim financial statements.

- The committee shall review all major financial reports in advance of filings or distribution, including the annual report.
- The Company shall disclose that the committee is governed by a written charter, a copy of which has been approved by the full board of directors. The committee shall review the charter annually, assess its adequacy and propose appropriate amendments to the full board of directors.
- The Company shall also disclose the independence of the committee. To the extent that the board appoints a non-independent director to the committee, the Company will disclose the nature of the relationship of the non-independent director and the reasons for appointing the non-independent director to the committee.

### **Regulatory Examinations**

- The committee shall review the results of examinations by regulatory authorities and management's response to such examinations.

### **Committee Self-Assessment and Education**

- The committee shall review, discuss, and assess its performance as well as the committee role and responsibilities, seeking input from senior management, the full board, and others.
- The Committee shall review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the Company's business, results of operation and financial statements.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.