

Section: Corporate Board of Directors
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**1ST SOURCE CORPORATION AND 1ST SOURCE BANK
AUDIT COMMITTEE
CHARTER**

PURPOSE

The purpose of the Audit 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, potential shareholders, the investment community, and others for oversight of the Company’s major operational risks. The scope of the Committee’s assistance includes oversight of 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 and independent auditors; and the independent auditor’s qualifications and independence. In addition to financial reporting risks, the Committee also assists the Board with oversight of other operational risks that have the potential to cause significant financial loss or reputational damage.

In discharging its oversight role, it is the responsibility of the Committee to maintain free and open communication between 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 duties. The Company shall provide for appropriate funding for payment of compensation to any such independent counsel or other advisers employed by the Committee.

**COMMITTEE MEMBERSHIP, QUALIFICATIONS
AND MEETING SCHEDULE**

The Committee shall be members of, and appointed by, the Board of Directors, on the recommendation of the Governance & Nominating Committee. It shall be comprised of at least three directors, each of whom the Board shall have determined does not have a material relationship with the Company that might impair his or her independent judgment and who otherwise is “independent” 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 by

SEC regulations. Members are appointed annually and serve a one-year term with an expectation that members will serve at least two consecutive terms and preferably three. The Board shall appoint one member of the Committee as its chairperson who will serve for a two-year term. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies. 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 to 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 Audit 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 primary responsibility of the Audit Committee is to oversee the Company's financial reporting and other major operational risks on behalf of the Board and report the results of its activities to the Board. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements. It also is not the duty of the Audit Committee to ensure that the Company is in compliance with all applicable laws and regulations. Management is responsible for ensuring that the Company complies with all applicable laws and regulations.

The Committee, in carrying out its responsibilities, should remain flexible in order to best react to changing conditions and circumstances and to insure proper oversight and management of the major risk areas. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal duties and responsibilities of the Audit Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

A. RESPONSIBILITIES FOR RELATIONSHIP WITH INDEPENDENT AUDITOR

- The Committee shall be directly responsible for the appointment, 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 auditor 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 proscribed 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 audit firm's quality control procedures.
 - Any material issues raised by the most recent internal quality control review, or peer review, of the 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 audit firm, and any steps taken to deal with any such issues.
 - All relationships between the independent auditor and the Company (to assess the auditor's independence).

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.
- 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.
- 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 prior to the filing of the Company's Quarterly Report on Form 10-Q.
- 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 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 RISKS

- The Committee shall review the Company's assessment of operational risks and the effectiveness of controls for mitigating those risks. This includes review of the Company's policies and procedures for assessing, monitoring, and managing operational risks including legal, compliance and ethics risks, risks associated with the Company's information technology, business interruption risks and operational resiliency, security risks to people, facilities and data, risks associated with outsourcing and other relationships with third-party vendors, insurable risks and any other matters that pose a risk of material financial loss or reputational damage resulting from inadequate or failed internal processes, people and/or systems or from external events.
- 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, the BSA Officer, the Chief Information Security Officer and such other members of management as deemed necessary the material regulatory compliance programs, regulatory compliance issues, and any material reports or inquiries received from regulators or governmental agencies.

D. OTHER PERIODIC & PROCEDURAL MATTERS

- The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.
- The Committee shall review and reassess the charter at least annually and obtain approval from the Board of Directors of any recommended changes to the charter.

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.