

BLUE RIVER BANCSHARES, INC.
AUDIT COMMITTEE CHARTER

A. Name

There shall be a committee of the Board of Directors of Blue River Bancshares, Inc. (the "Corporation") to be known as the Audit Committee.

B. Purpose

The Audit Committee, established by resolution of the Board of Directors, shall be directly responsible for the appointment, compensation and oversight over the work of the Corporation's public accountants.

The Audit Committee shall monitor (1) the integrity of the financial statements of the Corporation; (2) the Corporation's compliance with legal and regulatory requirements; (3) the public accountants' qualifications and independence; and (4) the performance of the Corporation's internal audit function and public accountants.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.

C. Composition and Meetings

The Audit Committee shall be comprised of at least three members. Each member of the Audit Committee shall satisfy the independence, experience and financial expertise requirements of the Nasdaq Stock Market and Section 10A of the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder. In that regard, all members of the Audit Committee shall be able to read and understand financial statements at the time of their appointment and at least one member of the Audit Committee shall be an "audit committee financial expert" as defined by applicable legislation, regulation and rules. In selecting the audit committee financial expert, the Board shall consider whether a person has:

- (1) an understanding of financial statements and generally accepted accounting principles;
- (2) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (4) an understanding of internal controls and procedures for financial reporting; and
- (5) an understanding of audit committee functions.

The Board shall appoint the members of the Audit Committee annually. The members of the Audit Committee shall serve until their successors are appointed and qualify, and shall designate the Chairman of the Audit Committee. The Board shall have the power at any time to change the membership of the Audit Committee and to fill vacancies in it, subject to such new member(s) satisfying the independence, experience and financial expertise requirements referred to above. Except as expressly provided in this Charter or the by-laws of the Corporation, or as otherwise provided by law or the rules of the Nasdaq Stock Market, the Audit Committee shall fix its own rules of procedure; provided, however, that a majority of the members of the Audit Committee shall be required to constitute a quorum. Further, the Audit Committee shall meet at least four times annually with authority to convene additional meetings as circumstances require.

D. Committee Authority and Responsibilities

In performing its functions, the Audit Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Audit Committee. The following functions are some of the common recurring activities of the Audit Committee in carrying out its oversight responsibility.

Corporate Governance and Internal Control

- The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Audit Committee and carry out its duties, and to conduct or authorize investigations into any matters within its scope of responsibilities.
- The Audit Committee shall meet periodically with management, the internal auditors and the registered public accountants in separate executive sessions in furtherance of its purposes.
- The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or public accountants to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.
- The Audit Committee shall make regular reports to the Board.
- The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- The Audit Committee shall annually review the Audit Committee's own performance.
- Recommend to the Board policies for the Corporation's hiring of employees or former employees of the public accountants who were engaged on the Corporation's account (recognizing that the Sarbanes-Oxley Act of 2002 does not permit the CEO, controller, CFO or chief accounting officer to have participated

in the Corporation's audit as an employee of the public accountants during the preceding one-year period.

- Establish procedures for (a) receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- Review with the Corporation's public accountants, the Corporation's financial and accounting personnel and the adequacy and effectiveness of the accounting and financial controls of the Corporation, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable or necessary.
- Review the internal audit function of the Corporation, including the independence, competence, staffing adequacy and authority of the internal auditor, the reporting relationships among the internal auditor, financial management and the Audit Committee, the internal audit reporting obligations, the proposed internal audit plans for the coming year, and the coordination of such plans with the registered public accountants.
- Discuss with management and the public accountants any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
- Review and approve the appointment, reassignment or dismissal of the director of internal audit.
- Review and approve the internal audit charter that explains the framework for providing services to management and to the audit committee, including the purpose, responsibility, authority and reporting relationships of the internal audit function.

Financial Reporting

- The Audit Committee shall have the sole authority to appoint or replace the public accountants, and shall approve all audit engagement fees and terms and all non-audit engagements with the public accountants. The Audit Committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of non-audit services may be delegated to a single member of the Audit Committee. In its capacity as a committee of the Board, the Audit Committee shall be directly responsible for the oversight of the work of the public accounting firm (including resolution of disagreements between management and the public accounting firm regarding financial reporting) for the purpose of

preparing or issuing an audit report or related work, and the public accounting firm shall report directly to the Audit Committee.

- Review and discuss with management and the public accountants the Corporation's annual audited financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, and recommend to the Board whether the audited financial statements should be included in the Corporation's Form 10-KSB.
- Review and discuss with management and the public accountants the Corporation's quarterly financial statements, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations," or similar disclosures, and the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, prior to the filing of its Form 10-QSB, including the results of the registered public accountants' reviews of the quarterly financial statements to the extent applicable.
- Review and discuss with management and the public accountants, as applicable, (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management or the public accountants setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (c) any management letter provided by the public accountants and the Corporation's response to that letter; (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the public accountants' activities or on access to requested information and management's response thereto; (e) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation; and (f) earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies.
- Discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.
- Obtain and review a report from the public accountants at least annually regarding (a) the registered public accountants' internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the 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 firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the public accountants and the Corporation. Evaluate the qualifications, performance and independence of the public accountants, including a review and evaluation of the lead partner of the registered public accountant and taking into account the opinions of management and the Corporation's internal auditors.

- Receive periodic reports from the public accountant regarding the accountant's independence consistent with Independence Standards Board Standard Number 1, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the public accountants.
- Ensure that the lead audit partner of the public accountants and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002, and further consider rotation of the public accountant firm itself.
- Discuss with the public accountants any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement.
- Discuss with management and the public accountants any accounting adjustments that were noted or proposed by the registered public accountants but were passed (as immaterial or otherwise).
- Discuss with the public accountants the internal audit department and its audit plan, responsibilities, budget and staffing.
- Review disclosures made by the Corporation's principal executive officer or officers and principal financial officer or officers regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including the Corporation's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof.
- Review any reports of the registered public accountants mandated by Section 10A of the Securities Exchange Act of 1934, as amended, and obtain from the registered public accountants any information with respect to illegal acts in accordance with Section 10A.
- Ensure that the Corporation maintains an internal audit function.
- Ensure that a going concern qualification in an audit opinion be disclosed to the public through the issuance in a press release no later than seven calendar days following the filing of such opinion in an SEC filing. Prior to such public

announcement, the Audit Committee shall ensure that the text of such announcement be provided to the StockWatch section of Nasdaq's MarketWatch Department.

- Review and approve all related-party transactions.
- Discuss with management any second opinions sought from an accounting firm other than the Corporation's public accountants, including the substance and reasons for seeking any such opinion.
- Discuss with the Corporation's general counsel legal or regulatory matters that may have a material impact on the Corporation's financial statements or its compliance and reporting policies.
- Review at least annually the exceptions noted in the reports to the Audit Committee by the internal auditors and the public accountants, and the progress made in responding to exceptions.

D. Limitations of Audit Committee's Roles

While the Audit Committee has the responsibilities and powers set forth in its Charter, it is not the duty of the Audit Committee to prepare financial statements, plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the registered public accountants.