

FRONTIER FINANCIAL CORPORATION

AUDIT COMMITTEE CHARTER

I. PURPOSE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Corporation or any of its subsidiaries to any governmental body or the public; the Corporation's systems of internal controls that management and the Board have established; and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee will encourage continuous improvement of, and will foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process, system of disclosure controls, and internal control system;
- Review and appraise the efforts of the Corporation's independent auditors and internal auditing department;
- Monitor the compliance by the Corporation with legal and regulatory requirements and with the Corporation's Corporate Governance Guidelines and Code of Ethics;
- Provide an open avenue of communication between the Board of Directors, independent auditors, financial and senior management, and the internal auditing department;
- Prepare the Committee report required by the SEC rules to be included in the Corporation's annual proxy statement.

The Audit Committee will also perform the duties required by law to be performed by an audit committee for any subsidiary bank or company of the Corporation that does not have its own audit committee to the extent permitted, and in the manner required, by applicable laws and regulations.

With respect to joint sessions of the Audit Committee:

- A) The Audit Committee may meet simultaneously as a committee of the Corporation and any subsidiary of the Corporation that does not have its own Audit Committee, though it should hold separate sessions if necessary to address issues that are relevant to one entity but not the other(s) or to consider transactions between the entities or other matters where the Corporation and one or more subsidiaries may have different interest; and
- B) The Audit Committee should consult with internal or outside counsel if, in the opinion of the Committee, any matter under consideration by the Committee has the potential for any conflict between the interests of the Corporations and those of the Corporation's subsidiaries in order to ensure that appropriate procedures are established for addressing any such potential conflict and for ensuring compliance with the Corporation's policies regarding Sections 23A and 23B of the Federal Reserve Act.

The Audit Committee's job is one of oversight as set forth in this charter. It is not the duty of the Committee to: prepare the Corporation's financial statements, plan or conduct audits, determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles (GAAP) (the Corporation's management is responsible for preparing the Corporation's financial statements and for maintaining internal controls, and the independent auditors are responsible for auditing the financial statements), or conduct investigations or assure compliance with laws and regulations and the Corporation's Corporate Governance Guidelines and Code of Ethics.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section IV of this charter.

II. COMPOSITION

The Board of Directors shall determine the number of members of the committee, but the number will not be less than the minimum number as prescribed by applicable law, the Code of Regulations or by requirements applicable to NASDAQ National Market issuers or such other exchange or system upon which the Corporation's securities are listed, quoted and/or traded (NASDAQ). In no event will such number of members be less than three (3). Committee members must fully satisfy independence and experience requirements as prescribe by NASDAQ, Section 10A of the Securities Exchange Act of 1934 (the Exchange Act) and the rules and regulations of the Securities and Exchange Commission (SEC), and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) and applicable rules and regulations thereunder. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise or become financially literate within a reasonable period of time after joining the audit committee. The Board of Directors shall determine whether any members of the Audit Committee are audit committee financial experts as defined by the SEC Rules in accordance with the Sarbanes-Oxley Act of 2002. No member of the committee may be an "affiliated person" of the Corporation or any of its subsidiaries.

Director's fees are the only compensation that a Committee member may receive directly or indirectly from or on behalf of the Corporation.

Independent Directors of the Board shall appoint the members of the Committee annually. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Audit Committee has the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Corporation shall provide for appropriate funding, as determined solely by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report to any other advisors employed by the Committee. The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel, independent auditors or other advisors to attend a meeting of the Committee or to meet with any members of, or consultant to, the Committee.

The Audit Committee is directly and solely responsible for the appointment, compensation, and the oversight work of the independent auditor (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. All contracts entered into with the independent auditors will be subsequently reported to the full board of directors. The independent auditors shall report directly to the Committee.

III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with the manager of internal auditing department, credit review and the independent auditors in separate executive session to discuss any matters that the Committee or each of these groups believe should be discussed privately. The Committee shall report to the Board on the Committee's activities after each Audit Committee meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Charter Review

- Review and update this Charter periodically, at least annually, as conditions dictate.

Self Assessment

- Conduct an annual performance evaluation of the Audit Committee.

Independent Auditors

- Hire, terminate, approve compensation, review and oversee the work of the independent auditors, including resolution of disagreements between management and the auditors regarding financial reporting;
- Review the experience, rotations and qualifications of the senior members of the independent auditor's team; and
- Consider whether, in order to assure continuing auditor independence, it is appropriate to rotate the auditing firm itself from time to time;
- Monitor the independence, qualifications and performance of the independent auditors including but not limited to the following:
 - 1) Obtaining and reviewing all reports from the independent auditors, upon completion, regarding (a) the independent auditors' internal quality-control procedures, (b) any material issued raised by the most recent quality-control review, or peer review, of the independent auditors, 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 same, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditors and the Corporation;
 - 2) Evaluating the qualifications, performance and independence of the independent auditors, including considering whether the auditors' quality controls are adequate and whether the provision of any nonaudit service is in compliance with maintaining the auditors independence, including taking into account the opinions of management and the Internal Auditor;
 - 3) Establishing and overseeing restrictions on the actions of directors, officers, or employees of the Corporation in illegally influencing, coercing, manipulating or misleading the Corporations independent auditors including violations of Rule 13b2-2 promulgated under the Exchange Act; and
 - 4) If so determined by the Committee, taking additional action to satisfy itself of the qualifications, performance and independence of the auditors.

- Meet with the independent auditors prior to each annual audit to discuss the planning and staffing of the audit;
- Pre-approve all auditing services and permitted nonaudit services to be performed for the Corporation by the independent auditors or any other auditing firm, except as provided in this paragraph. In no event shall the independent auditors perform any nonaudit services for the Corporation, which are prohibited by Section 10A(g) of the Exchange Act or of the SEC rules or the Public Corporation Accounting Oversight Board. The Committee shall establish general guidelines for the permissible scope and nature of any permitted nonaudit services in connection with its annual review of the audit plan and shall review such guidelines with the full Board. Pre-approval may be granted by action of the full Committee or, in the absence of such Committee action, by the Committee Chair whose action shall be considered to be that of the entire Committee, subject to confirmation. Pre-approval shall not be required for the provision of nonaudit services if (i) the aggregate amount of all such nonaudit services constitutes no more than 5% of the total amount of revenues paid by the Corporation to the auditors during the fiscal year in which the nonaudit services are provided, and (ii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit. Approvals of nonaudit service to be performed by the auditors and, if applicable, the guidelines pursuant to which such services were approved, shall be disclosed when required as promptly as practicable in the Corporation's quarterly or annual reports required by Section 13(a) of the Exchange Act. Ensure that financial statement audit engagement letters do not contain unsafe and unsound limitation of liability provisions,
- Oversee the rotation of the lead audit partner having primary responsibility of the audit and the audit partner responsible for reviewing the audit at least once every five years;
- Recommend to the Board policies for the Corporation's hiring of employees or former employees of the independent auditors who participated in any capacity in an audit of the Corporations, during the preceding one-year period, including in particular the prohibition on employment under Section 10A(1) of the Exchange Act as Chief Executive Officer, Controller, Chief Financial Officer, chief account officer, or any person serving in an equivalent position for the Corporation (i.e. who prepares or reviews financial statements);
- Ensure that the independent auditors have access to all necessary Corporation personnel, records or other resources.

Financial Reporting Processes

- Review and discuss with the Internal Auditor, credit review and the independent auditors their respective annual audit plans, reports and the results of their respective audits;
- Review all regulatory examination results and management's response;
- Review and discuss with management and the independent auditors the Corporation's quarterly financial statements and its Form 10-Q or 10-K, prior to its filing, including disclosures made in the section regarding management's discussion and analysis, the results of the independent auditors' reviews of the quarterly financial statements, and determine whether the quarterly financial statements should be included in the Corporation's Form 10-Q or 10-K;
- Review and discuss with the Corporation's Chief Executive Office and Chief Financial Officer all matters such officers are required to certify in connection with the Corporation's Form 10Q and 10K or other filings and reports;
- Discuss with management and the independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, the development, selection and disclosure of critical accounting estimates and principles and the use thereof, and analyses of the effect of alternative assumptions, estimates, principles or (GAAP) methods on the Corporation's financial statements;

- Review with the independent auditors, the Internal Auditor and management, the adequacy and effectiveness of Corporation's internal controls to ensure completeness and accuracy of the Corporation's financial statements and compliance with Section 404 of the Act.
- Review with the Chief Executive Officer, Chief Financial Officer and independent auditors, periodically, the following:
 - (i) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.
- Discuss with management and the independent auditors the effect of regulatory and accounting initiatives and off-balance sheet transactions on the Corporation's financial statements, conditions or results and any necessary disclosures related thereto;
- Discuss with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61;
- Ensure that the Corporation's independent auditors report to the Committee all of the Corporation's critical accounting policies and procedures and alternative accounting treatments of financial information with GAAP 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 auditors;
- Ensure that the Corporation's independent auditors share with the Committee all significant or material written communication between the auditors and management;
- Discuss with the Corporation's independent auditors, Internal Auditor, and management each of their assessments of the adequacy of the Corporation's internal controls and disclosure controls and procedures;
- Discuss with the Corporation's independent auditors, Internal Auditor, and management as appropriate the Corporation's FDICIA internal controls report and the attestation of the Corporation's independent auditors to the same;
- Discuss with the Corporation's independent auditors, Internal Auditor, and management as appropriate any weaknesses or deficiencies that any of foregoing have identified relating to financial reporting, internal controls or other related matters and their proposals for rectifying such weaknesses or deficiencies;
- Monitor the Corporation's progress in promptly addressing and correcting any and all identified weaknesses or deficiencies in financial reporting, internal controls or related matters;
- Receive periodic reports from the independent auditors and Chief Financial Officer (CFO) of the Corporation on significant accounting or reporting developments proposed by the Financial Accounting Standards Board or the SEC that may impact the Corporation; and
- Receive periodic reports from independent auditors, Internal Auditor and appropriate officers of the Corporation on significant financial reporting, internal controls or other related matters of the Corporation's subsidiaries.

Internal Audit Function

- Review appointment, performance and replacement of the senior internal audit and senior credit review personnel;
- Review the internal audit and credit review plan and assess whether it is consistent with the Corporation's needs;
- Review the significant reports to management prepared by the internal auditing and credit review departments and management's responses;
- Review and discuss with the Internal Auditor and credit review the results of their work, including their audit report as well as their control risk assessment;

- Approve the internal audit and credit review responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit and credit review work;
- Ensure that the internal audit and credit review staff have access to all necessary Corporation resources; and
- Ensure that the internal audit and credit review staff have adequate training or continued education to keep their knowledge current.

Ethical and Legal Compliance

- The Committee shall review with management actions taken to ensure compliance with the Code of Ethics and ensure that management has established a system to enforce this Code.
- The Committee shall, in accordance with SEC standards, establish procedures and maintenance of records for:
 - a) the receipt, retention and treatments of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters; and
 - b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- Perform any other activities consistent with this Charter, the Corporations by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

In performing their duties and responsibilities, Committee members are entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- The CFO or one or more officers or employees of the Corporation whom the Committee members reasonably believes to be reliable and competent in the matters presented;
- Counsel, independent auditors, or other persons as to matters which the Committee members reasonably believe to be within the professional or expert competence of such person.

This charter was updated and approved at a regular board meeting of the Board of Directors of Frontier Financial Corporation on May 20, 2009.


Mike Clementz, CEO