

SELECT BANCORP, INC.
AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

This charter outlines the purpose, authority, responsibility, and reporting requirements applicable to the Audit & Risk Management Committee (the “Committee”) of Select Bancorp, Inc.

PURPOSE

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, practices and processes relating to risk assessment and risk management, the audit process, and the company's process for monitoring compliance with laws and regulations.

ORGANIZATION

There shall be a committee of the Board of Directors of Select Bancorp, Inc. (the “Company”) to be known as the Audit & Risk Management Committee (the “Committee”). The Committee shall be composed solely of directors who are independent of the management of the Company, who are “independent directors” as defined in applicable NASDAQ listing standards and who are free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a committee member. The Committee will be composed of at least three members. Members of the Committee shall be financially literate, which includes being able to read and understand fundamental financial statements such as the income statement, balance sheet, and cash flow statement. At least one member of the Committee shall have past employment experience in accounting or finance, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication.

STATEMENT OF POLICY

The Committee shall provide assistance to the corporate directors in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices of the Company, and the quality and integrity of the financial reports and other operating controls of the Company. In so doing, it is the responsibility of the Committee to maintain free and open means of communication between the directors, the independent registered public accounting firm (the “external auditors”), the internal auditors, the financial management and other employees of the Company.

MEETINGS

The Committee shall meet at least once each quarter, at a time and location determined by the Chairman of the Committee, with adequate notice to Committee members. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, as needed, with internal auditors and/or external auditors. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of each Committee meeting will be prepared and circulated in draft form to all Committee members to ensure an accurate final record, shall be approved at a subsequent meeting of the Committee, and shall be distributed periodically to the full Board.

AUTHORITY

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees (all of whom are directed to cooperate with the committee's requests) or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- The Committee may delegate authority to subcommittees, including authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting.

RESPONSIBILITIES

In carrying out its responsibilities, the Committee believes its policies and procedures should be principles-based, in order to best react to changing conditions and to assure the directors and shareholders that the corporate accounting and reporting practices and other operating controls of the Company are of high quality and are in accordance with all requirements.

The Committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under Generally Accepted Auditing Standards (GAAS).
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.
- With respect to the external auditor's reviews of quarterly reports on Form 10-Q, communication from the external auditors may be received on behalf of the Audit Committee by the Committee Chair, who will report thereon to the full Audit Committee at its next meeting.

Internal Control and Risk Management

- Consider the effectiveness of the company's internal control system.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Discuss periodically with management the Company's policies and guidelines regarding risk assessment and risk management and inquire of management and the external auditors about significant risks or exposures facing the organization; assess the steps management has taken or proposes to take to minimize such risks to the organization; and periodically review compliance with such steps.
- Review and discuss disclosures made by CEO and CFO during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls.
- Provide oversight and review the effectiveness of management's antifraud programs and controls.

Internal Audit

- Review the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan, and monitor progress of the proposed internal audit plan, with explanations for any deviations from the original plan.
- Receive reports or summaries of findings from completed internal audits, together with management responses, and status of corrective actions.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.
- Review the quality and effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- On a regular basis, meet separately with the General Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

Internal Audit Outsource Arrangements

- Review and assess the appointment of outsourced audit firms and subsequently monitor the effectiveness of the arrangement.
- Provide active oversight of outsourced activities.
- Ensure that the outsourced internal audit function is competently managed.

External Audit

- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and by maintaining an active dialogue with the auditors about relationships or services that might affect auditor independence.
- Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.
- Review the external auditors' proposed audit scope and approach, including coordination with internal audit.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance and Regulatory Exams

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, and issues, that arise with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditors, and the performance of the internal audit function.
- Review and discuss with management and the external auditors the annual report of management affirming management's responsibility for establishing and maintaining internal controls over financial reporting and assessing the effectiveness of the internal control structure over financial reporting.
- Review and discuss with the external auditors, out of management's presence, the quality of the Company's accounting principles as applied in its financial reporting, the clarity of the Company's financial disclosures and degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates, and a frank and open discussion of other significant decisions made by management in, preparing the financial disclosure.
- Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each committee meeting with, the Board of Directors.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Provide the Company and the Board with the report of the Committee with respect to the audited financial statements for inclusion in the Company's annual proxy statement as required by SEC rules.
- Review and approve, or ratify, all transactions with "related person(s)" for potential conflict of interest situations on an ongoing basis. The term "related person" includes all transactions required to be disclosed pursuant to Item 404 of Regulation S-K (17 CFR § 229.404).
- Review any other reports the company issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Evaluate the Committee's and individual members' performance on a regular basis.
- Obtain regular updates and review procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, or violations of the Bank's Code of Ethics.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

LIMITATIONS OF ROLES

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 are 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.

Approved by Board of Directors on August 21, 2012

Last Approved by Audit & Risk Committee on August 19, 2015