

**MID-SOUTHERN BANCORP, INC.
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

PURPOSE

The primary function of the Audit Committee as an established standing committee of the Board of Directors of Mid-Southern Bancorp, Inc. (“Company”) is to assist the Board in fulfilling its oversight responsibilities by reviewing:

- The financial information which will be provided to shareholders, governmental or regulatory bodies, the public, and others;
- The Company’s auditing, accounting, and financial reporting processes; and
- The systems of internal controls and risk management processes related to finance, accounting, legal and regulatory compliance, loan portfolio and credit administration, and ethics that management and the Board have established.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and foster adherence to, the Company’s policies, procedures, and practices at all levels.

The Audit Committee’s primary role and responsibilities are to:

- Serve as an independent and objective party to oversee the Company’s accounting and financial reporting processes, internal control and risk management systems, and independent auditor;
- Review and appraise the audit and risk management efforts of the Company’s independent auditor and the internal audit, internal and external loan review, and regulatory compliance functions; and
- Provide an open avenue of communication among the independent auditor; internal audit, internal and external loan review, and regulatory compliance functions; senior management; and the Board of Directors.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in this Charter. However, the Committee’s function is one of oversight only and does not relieve management of its responsibilities to: (1) make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) devise and maintain an effective system of internal accounting controls; (3) devise and maintain effective disclosure controls and procedures and internal controls over financial reporting; and (4) prepare financial statements that are accurate and complete and fairly present the financial condition, results of operations and cash flows of the Company and further does not relieve the independent auditor of its responsibilities relating to the audit or review of financial statements.

COMPOSITION

The Audit Committee shall be comprised of at least three directors appointed by the Board of Directors. Each member will be independent, as defined by the Nasdaq Stock Market and the Securities Exchange

Act of 1934. Audit Committee members may not have participated in the preparation of the financial statements of the Company and its subsidiaries at any time during the past three years.

All members of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. Committee members may enhance their familiarity with such practices by participating in internal or external educational programs. At least one Audit Committee member must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board or until their successors shall be duly appointed and qualified. Unless a Chairperson is elected by the full Board, the members of the Committee may designate a Chairperson by majority vote of the full Committee membership.

MEETINGS

The Committee shall meet as often as deemed necessary in order to fulfill its responsibilities, but not less than quarterly. The Audit Committee Chairperson shall prepare and/or approve an agenda in advance of each meeting. The Committee may ask members of management or others to attend meetings and provide pertinent information as deemed necessary.

As part of its job to foster open communication, the Committee should meet periodically, but no less than annually, with Company senior management, the internal auditors, internal and external loan review and regulatory compliance staff and related consultants, and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed separately.

The Committee Chairperson shall preside at each meeting. If the Committee Chairperson is not present at a meeting, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting.

RESPONSIBILITIES AND DUTIES

In fulfilling its duties and responsibilities the Audit Committee will carry out the following activities:

Internal Controls & Risk Management Systems

- Ascertain that Company management has established a strong system of internal controls and risk management processes to ensure the overall safety and soundness of the Company.
- Identify at least annually the risks inherent in the Company's activities and determine the scope of internal and external auditing, loan portfolio and regulatory compliance reviews needed to address these risks.

Internal Audit Function

- Establish and maintain an effective internal audit function in accordance with the "Interagency Policy Statement on the Internal Audit Function and Its Outsourcing."

- Annually review and approve a written Internal Audit Plan (“Audit Plan”) and Internal Audit Examination Schedule (“Audit Schedule”). Review and approve any subsequent changes necessary to the Audit Plan and/or Audit Schedule during the audit cycle as necessary.
- For those audit areas within the Audit Plan where it has been determined to utilize an outsourced service provider, the Audit Committee will be responsible for the final selection and approval of the engagement of such providers. The Committee will ensure that an engagement letter detailing the specific scope of services to be provided, as well as the credentials and experience of the respective service provider, is obtained and properly executed.
- Designate one individual as the Internal Audit Coordinator to provide oversight of any internal audit outsourcing arrangement and establish the responsibilities of this individual in accordance with the “Interagency Policy Statement on the Internal Audit Function and Its Outsourcing.”
- Review the progress of the execution of the Audit Plan and Audit Schedule on a quarterly basis, at a minimum.
- Communicate the role and responsibilities of the Internal Audit Coordinator to senior management and ensure that this individual, as well as any other internal audit personnel or outsourced vendors of internal audit services, are given full, free and unrestricted access to all operations, records, property and personnel within the Company.
- Review and approve all internal audit reports.
- Monitor the progress by Company management in implementing corrective actions and related improvements in internal controls as recommended in all internal audit reports on a quarterly basis, at a minimum.
- Review with the other internal audit personnel or outsourced vendors of internal audit services and the Internal Audit Coordinator any difficulties encountered with Company management in the course of conducting internal audit examinations and/or overseeing those examinations outsourced to a service provider.

Regulatory Compliance Review Function

- Establish and maintain an effective Regulatory Compliance Program in accordance with applicable regulatory guidance and established Company policy and procedures related to this program.
- With respect to external regulatory compliance reviews to be conducted by an outsourced service provider, the Audit Committee will be responsible for the final selection and approval of the engagement of such providers. The Committee will ensure that an engagement letter detailing the specific scope of services to be provided, as well as the credentials and experience of the respective service provider, is obtained and properly executed.
- Designate at least one individual as the Company’s Regulatory Compliance Officer and establish the responsibilities of this individual or individuals, including providing oversight of any outsourcing arrangement(s).
- Review and approve all internal and external compliance review reports.

- Monitor the progress by Company management in implementing corrective actions and related improvements in regulatory compliance procedures as recommended in all internal and external compliance review reports on a quarterly basis, at a minimum.
- Review with the Company's regulatory compliance personnel or outsourced vendors of compliance review services any difficulties encountered with Company management in the course of conducting internal and/or external compliance reviews.

Independent Audit

- Establish and maintain an effective external auditing program in accordance with the "Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations" to ensure that management and the Board of Directors are provided with an independent and objective view of the reliability of the Company's financial statements and the adequacy of its internal controls over financial reporting.
- Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm ("independent auditor") engaged (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such independent auditor must report directly to the Audit Committee.
- Ensure that the independent auditor selected is properly licensed to practice in the State of Indiana and is in good standing with the Indiana Board of Accountancy and the American Institute of Certified Public Accountants ("AICPA"), including full compliance with the AICPA "Code of Professional Conduct" and the independence requirements therein.
- Ensure that the independent auditor selected to conduct the annual independent audit, as well as the staff performing the audit work, possesses an appropriate level of experience with accounting and auditing specifically related to financial institutions and are knowledgeable about relevant laws and regulations.
- Ensure receipt from the independent auditor of a formal written statement delineating all relationships between the auditor and the Company, actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor.
- Obtain an engagement letter from the independent auditor that clearly addresses, at a minimum, the purpose and scope of the independent auditing work to be performed, the period of time to be covered by the auditing work, reports expected to be rendered and related audit fees.
- Conduct a planning meeting with the independent auditor to thoroughly review the overall audit approach and anticipated audit scope and program of procedures to be followed in examination of the identified high-risk areas of the Company's operations.
- Preapprove all audit, review, attest and permissible non-audit services (including any permissible internal control-related services) to be provided to the Company or its subsidiaries by the

independent auditor. The Committee may establish preapproval policies and procedures in compliance with applicable rules of the Securities and Exchange Commission (“SEC”).

- Review with the independent auditor at the completion of the annual audit any significant changes that were required in the original audit plan.
- Review and discuss the results of the independent audit including the audited financial statements and the opinion rendered thereon and related accounting and auditing principles and practices, as well as any written communications to the Committee as required by generally accepted auditing standards, with representatives of the independent auditor, appropriate members of management, and, if appropriate, the internal auditors.
- Request and receive from the independent auditor the report or update required pursuant to applicable SEC rules concerning all critical accounting policies and practices to be used, all alternative treatments within generally accepted accounting principles for policies and practices relating to material items that have been discussed with management, and other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 1301, or any successor statement.
- Review and discuss with appropriate members of management and the independent auditor the specific intended 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 and quarterly reports on Form 10-Q.
- Any important conclusions concerning the year-end independent audit work shall be discussed by the Committee and reported to the full Board well in advance of the public release of the annual financial statements.
- At least quarterly, meet to review and discuss the Company’s quarterly financial statements and the results of the independent auditor’s review of these financial statements with appropriate members of management and the independent auditor.
- Monitor the progress by Company management in implementing corrective actions and related improvements in internal controls as recommended by the independent auditor on a quarterly basis, at a minimum.
- If the independent auditor identifies significant issues relative to the overall Board responsibility that have been communicated to management but, in its judgment, have not been adequately addressed, it shall communicate these issues to the Committee, and the Committee shall inform the full Board, if, after its consideration, the Committee concurs with the judgment of the independent auditor.

Other Responsibilities

- Review the results of examinations by regulatory authorities and management’s response to such examinations.

- Periodically review the Company's code of conduct and/or conflict of interest reports to ensure that these documents are complete and up-to-date.
- Review and approve any related party transaction required to be disclosed under Item 404 of the SEC's Regulation S-K.
- Review with the internal audit, loan review or regulatory compliance personnel any instances of non-compliance with the Company's code of conduct/conflict of interest policies observed in the normal course of conducting internal audit examinations or loan review and regulatory compliance review procedures.
- Establish procedures, and review and monitor established procedures, for (1) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Perform such other functions as required by the Company's articles of incorporation or bylaws, or as assigned by the Board of Directors

COMMUNICATIONS & DISCLOSURES

The Committee will keep minutes and other relevant records for each meeting documenting the actions of the Committee. Copies of all meeting minutes shall be submitted to the Board of Directors for review and approval.

The Audit Committee shall annually provide a written summary report of the scope of its activities. This may be identical to the report that shall be included within the proxy statement for the annual meeting. The report shall appear over the names of the Audit Committee. Such report shall be furnished to and approved by the full Board of Directors prior to its inclusion in the proxy statement. The report will state whether the Committee: (i) has reviewed and discussed the audited financial statements with management; (ii) has discussed with the independent auditor those matters included in the Statements of Auditing Standards regarding communications with those charged with governance and internal control related matters; (iii) has discussed with the auditor its independence; and (iv) based on the review and discussion of the audited financial statements with management and the independent auditor, has recommended to the Board of Directors that the audited financial statements be included in the Company's 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.

EXTERNAL RESOURCES

The Committee shall be authorized to access internal and external resources, as the Committee requires, to carry out its responsibilities. The Committee may engage and shall have access to its own independent counsel and other advisors at the Committee's sole discretion.

The Company shall provide the Audit Committee with appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board of Directors, for payment of: (1) compensation of the independent auditor and to any advisors employed by the Audit Committee; and (2) ordinary

administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.