

FIRST DEFIANCE FINANCIAL CORP.

RISK COMMITTEE CHARTER

Purpose

The Risk Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of First Defiance Financial Corp. (“FDEF”). The purpose of the Risk Committee is to assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of FDEF and its subsidiaries (collectively, the “Company”) and the enterprise risk management and compliance framework and governance structure that support it. Risk appetite is defined as the level and type of risk a firm is able and willing to assume in its exposures and material business activities, given its strategic and business objectives and responsibilities to shareholders. The Committee’s role includes assisting the Board in the oversight of the guidelines, policies and processes for monitoring and mitigating risks. Generally, these risks can be categorized in the following classifications – credit risk, operational risk, liquidity risk, market risk, price risk, compliance risk, reputation risk, strategic risk, including emerging risks. The Committee shall perform duties and responsibilities enumerated in and consistent with this Charter and shall consider risk in relation to the potential for growth and increase in shareholder value in compliance with safe and sound banking practices.

Risk assessment and risk management are the responsibility of the Company’s management. The Committee has responsibility for approval of the risk governance framework and oversight and review.

Committee Membership

1. The Committee shall consist of at least three (3) “independent directors” as defined by NASDAQ rules.
2. Members of the Committee shall be appointed by the Board and shall serve at the discretion of the Board, and may include non-independent directors. Any vacancy may be filled by the Board.
3. The Board shall designate a Chairperson for the Committee. In the absence of the Chairperson at any meeting of the Committee, the members of the Committee may designate a Chairperson by majority vote.

Committee Meetings and Structure

1. The Committee shall meet at least quarterly or more frequently if the Committee deems necessary. The Committee Chairperson will approve the agenda for the Committee’s meeting. The Committee shall have direct access to, and complete and open communication with, management and may obtain advice and assistance from internal and/or external, legal, accounting or other advisors to assist it in the performance of its duties.

2. The Committee may form and delegate to one or more subcommittees all or a portion of the Committee's authority, duties and responsibilities. The Committee also may establish such rules as it determines necessary or appropriate for its business.

3. In its discretion the Committee may meet in executive session at any meeting of the Committee. In executive session the Committee may meet without representatives of management present or with such representatives of management as the Committee may deem appropriate. The Committee may request any officer or employee of the Company to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee will meet with the Chief Risk Officer in executive session at least four times a year, or more frequently if the Committee deems necessary.

Committee Authority and Responsibilities

In furtherance of its purposes set forth above, the Committee shall have the following authority and responsibilities relating to the Company, as applicable:

1. The Committee shall review and approve the level and nature of risks that the Company is willing to assume for its material activities and communicate in the form of a measurable Risk Appetite Statement. The Committee will monitor the Company's performance to ensure alignment with the tolerance levels articulated in the Risk Appetite Statement through the use of risk assessments, risk indicators, and stress testing results.

2. The Committee shall receive information from the Officers Risk Management Committee (ORMC) and others, and recommend actions or other steps to be taken, as it deems appropriate, on items relating to liquidity, market and price risks, including asset and liability management; funding activities; and compliance with liquidity and asset/liability policies, limits, activities, and procedures.

3. The Committee shall receive information from the ORMC and others, and recommend actions or other steps to be taken, as it deems appropriate, on items relating to operational risk, including information technology activities and risks associated with the Company's technology infrastructure – including information security, vendor management, and cyber security; business continuity planning and non-credit losses.

4. The Committee shall receive information from the ORMC and others, and recommend actions or other steps to be taken, as it deems appropriate, on items relating to credit risk, including any changes in underwriting standards or changes in concentration levels.

5. The Committee shall receive information from the ORMC and others, and recommend actions or other steps to be taken, as it deems appropriate, on items relating to regulatory, compliance – including BSA, CRA and fair lending, reputation, emerging, and legal risks.

6. Procedural matters, including:

- Review and reassess the adequacy of this Charter on an annual basis and make any changes deemed appropriate.

- Coordinate with other Board-level and management-level committees as appropriate concerning risk management issues within the other committees' respective areas of responsibility.
- Make periodic reports to the Board summarizing the matters reviewed and actions taken at each Committee meeting.
- Ensure that communications are periodically made with appropriate federal and state regulators.
- Perform any other activities consistent with this Charter, the Company's governing documents, and governing law as the Committee or the Board deems appropriate.
- Discuss with the Chief Risk Officer and management the Risk Management Department's responsibilities, budget and staffing.
- The Committee shall have direct access to, and complete and open communication with, management and may obtain advice and assistance from internal legal, accounting or other advisors to assist it. In the course of performing its duties and responsibilities, the Committee also is authorized to select, retain, terminate, and approve the fees and other retention terms of independent legal, accounting or other advisors as it deems appropriate, without seeking approval of management or the Board. The Company shall be responsible for all costs or expenses so incurred.