



Audit Committee Charter

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. AUDIT COMMITTEE PURPOSE

The Audit Committee (the “Committee”)¹ is established by and among the Board of Directors (the “Board”) for the primary purpose of assisting the Board in overseeing:

- The integrity of PFF Bancorp and its subsidiaries’ (collectively, “PFF Bancorp”) financial statements,
- PFF Bancorp’s compliance with legal and regulatory requirements,
- The registered public accounting firm’s qualifications and independence,
- The performance of PFF Bancorp’s internal audit function and registered public accounting firm, and
- PFF Bancorp’s system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance, ethics and other areas of PFF Bancorp’s operations that management and the Board have established.²

Consistent with this purpose, the Committee encourages adherence to and continuous improvement of PFF Bancorp’s policies, procedures and practices at all levels. The Committee provides an avenue of communication among the auditors, financial and senior management, the internal audit function, and the Board of Directors.

The Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities.³

PFF Bancorp shall provide appropriate funding, as determined by the Committee, for compensation to the registered public accounting firm and any advisers that the Committee chooses to engage.⁴

The Committee will fulfill its responsibilities primarily by carrying out the activities enumerated in Section III of this Charter, and by preparing the report that Securities and Exchange Commission (“SEC”) rules require be included in PFF Bancorp’s annual proxy statement. The Committee will report regularly to the Board regarding the execution of its duties and responsibilities.⁵

¹ Section 3(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

² New York Stock Exchange (“NYSE”) Listed Company Manual Section 303A.07(c)(i)(A).

³ Exchange Act Rule 10A-3(b)(4).

⁴ Exchange Act Rule 10A-3(b)(6).

⁵ NYSE Listed Company Manual Section 303A.07(c)(iii)(H).

II. COMPOSITION AND MEETINGS

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors (as defined by all applicable rules and regulations), and free from any relationship (including disallowed compensatory arrangements) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.⁶ All members of the Committee shall have a working familiarity with basic finance and accounting practices. At least one member of the Committee shall qualify as an “audit committee financial expert” in compliance with the criteria established by the SEC and other relevant regulations.⁷ The existence of such member, including his or her name and whether or not he or she is independent, shall be disclosed in PFF Bancorp’s annual report on Form 10-K as required by the SEC.⁸ The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Committee and Board in the absence of such designation or identification.⁹ Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by PFF Bancorp, an outside consultant or at seminars.¹⁰

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified. 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 Committee shall meet at least four times annually, or more frequently as circumstances dictate. Each regularly scheduled meeting shall conclude with an executive session of the Committee, absent members of management, and on such terms and conditions as the Committee may elect. The Committee will meet periodically with the CEO, CFO, General Counsel and the Chief Internal Auditor in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed privately.¹¹ In addition, the Committee will meet with the registered public accounting firm and management to discuss the annual audited financial statements and

⁶ Exchange Act Rule 10A-3(b)(1); NYSE Listed Company Manual Sections 303A.07(a)-(b).

⁷ Regulation S-K Item 401(h).

⁸ Regulation S-K Item 401(h). If a company has more than one audit committee financial expert, it may determine whether or not to disclose the existence and name of the other individual(s) who qualify.

⁹ A person who is determined to be an audit committee financial expert will also not be deemed an “expert” for any purpose, including without limitation for purposes of Section 11 of the Securities Act of 1933, as amended, as a result of being designated or identified as an audit committee financial expert, nor does it impose on such person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Committee or the Board. Regulation S-K Item 401(h)(4).

¹⁰ An additional consideration related to composition of the Committee is the amount of time members have to devote to the role. Although there are no limits on the number of public company audit committees on which an individual may serve, “...if an audit committee member simultaneously serves on the audit committee of more than three public companies, ...the board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company’s audit committee and disclose such determination in the listed company’s annual proxy statement.” Commentary to NYSE Listed Company Manual Section 303A.07(a).

¹¹ NYSE Listed Company Manual Section 303A.07(c)(iii)(E).

quarterly financial statements, including PFF Bancorp's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".¹²

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

Documents/Reports/Accounting Information Review

1. Review this Charter periodically, at least annually, and recommend to the Board any necessary amendments as conditions dictate.
2. Review and discuss with management and the registered public accounting firm PFF Bancorp's annual financial statements,¹³ PFF Bancorp's disclosures under the "Management's Discussion and Analysis of Financial Condition and Results of Operations", and all internal controls reports (or summaries thereof). Review other relevant reports or financial information submitted by PFF Bancorp to any governmental body, or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 (Sections 302 and 906) and relevant reports rendered by the registered public accounting firm (or summaries thereof).
3. The Committee or Committee member designee will review with management and the registered public accounting firm the quarterly financial statements and PFF Bancorp's disclosures under the "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to filing of the Form 10-Q
4. Recommend to the Board whether the audited financial statements should be included in the Annual Report on Form 10-K.¹⁴
5. Committee or Committee member designee reviews PFF Bancorp's earnings press releases with management prior to official dissemination, including a review of any "pro-forma" or "adjusted" non-GAAP information.¹⁵
6. Discuss with management financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be on general terms (e.g., discussion of the types of information to be disclosed and the type of presentation to be made).¹⁶
7. Review the regular internal audit reports (or summaries thereof) to management and management's response.

¹² NYSE Listed Company Manual Section 303A.07(c)(iii)(B).

¹³ Regulation S-K Item 306

¹⁴ Regulation S-K Item 306.

¹⁵ NYSE Listed Company Manual Section 303A.07(c)(iii)(C) and commentary thereto.

¹⁶ NYSE Listed Company Manual Section 303A.07(c)(iii)(C).

Registered public accounting firm

8. Evaluate the Committee's need to request proposals from registered public accounting firms at least annually. To select a registered public accounting firm, the Committee may solicit a "Request for Proposal" from at least three registered public accounting firms, to independently review and evaluate the quality of service and comparability of available alternatives.
9. Appoint, compensate, retain and oversee the work performed by the registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for PFF Bancorp. Review the performance of the registered public accounting firm and remove the registered public accounting firm if circumstances warrant. The registered public accounting firm shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between management and the registered public accounting firm regarding financial reporting in the event that any disagreements arise.¹⁷ Consider whether the registered public accounting firm's performance of permissible nonaudit services is compatible with the registered public accounting firm's independence.¹⁸
10. Review with the registered public accounting firm any audit problems or difficulties encountered during the course of the audit work and management's response, including any restrictions on the scope of the registered public accounting firm's activities or on access to requested information, and any significant disagreements with management. The review may also include any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise), any communications between the audit team and the audit firm's national office regarding auditing or accounting issues presented by the engagement, and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to PFF Bancorp. The review should also include discussion of the responsibilities, budget and staffing of PFF Bancorp's internal audit function.¹⁹
11. Review the registered public accounting firm's attestation and report on management's internal control report;²⁰ and hold timely discussions with the registered public accounting firm regarding the following:
 - all critical accounting policies and practices;²¹
 - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm;²²

¹⁷ Exchange Act Rule 10A-3(b)(2). Though not expressly required to be included in the audit committee charter by rule or regulation, the audit committee may consider including a responsibility to evaluate the qualifications of key members of the registered public accounting firm's team, as well as to ensure compliance with the partner rotation requirements (though the ultimate responsibility for executing rotation requirement rests with the registered public accounting firm).

¹⁸ Item 9 of Proxy Statement pursuant to Section 14(a) (Schedule 14A) of the Exchange Act.

¹⁹ NYSE Listed Company Manual Section 303A.07(c)(iii)(F).

²⁰ Sarbanes-Oxley Act Section 404(b).

²¹ Exchange Act Section 10A(k)(i).

²² Exchange Act Section 10A(k)(ii).

- other material written communications between the registered public accounting firm and management, including, but not limited to, the management letter and schedule of unadjusted differences;²³ and
 - an analysis of the auditor’s judgment as to the quality of PFF Bancorp’s accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.²⁴
12. At least annually, obtain and review a report by the registered public accounting firm describing:
- the firm’s internal quality control procedures;
 - any material issues raised by the most recent internal quality-control review, peer review, 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, and any steps taken to deal with any such issues; and
 - all relationships between the registered public accounting firm and PFF Bancorp (to assess the registered public accounting firm’s independence).²⁵
13. Evaluate the qualifications, performance and independence of the registered public accounting firm, which will include considering whether the auditor’s quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor’s independence, and taking into account the opinions of management and the internal auditor. The Committee will present its conclusions to the Board and, if so determined by the Committee, recommend that the Board take additional action to satisfy the qualification, performance and independence of the auditor.
14. Review and preapprove both audit engagement fees and terms, and nonaudit services to be provided by the registered public accounting firm (other than with respect to *de minimis*²⁶ exceptions). This duty may be delegated to one or more designated members of the Committee who are independent members of the Board, with any such preapproval reported to the Committee at its next regularly scheduled meeting.²⁷ Approval of nonaudit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Exchange Act.²⁸
15. Consider whether, in order to assure continuing independence, it is appropriate to adopt a policy of rotating the lead audit partner or even the registered public accounting firm itself on a regular basis.

²³ Exchange Act Section 10A(k)(iii).

²⁴ Regulation S-K Item 306, promulgated under the Exchange Act.

²⁵ NYSE Listed Company Manual Section 303A.07(c)(iii)(A).

²⁶ The pre-approval requirement is waived with respect to non-audit services if: (1) The aggregate amount of all such non-audit services provided constitutes no more than five percent of the total amount of revenues paid by PFF Bancorp to its auditor during the fiscal year in which the non-audit services are provided; (2) Such services were not recognized by PFF Bancorp at the time of the engagement to be non-audit services; and (3) Such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee. Exchange Act Section 10A(i)(1)(B).

²⁷ Exchange Act Section 10A(i)(3).

²⁸ Exchange Act Section 10A(i)(2). In its policy regarding preapproval on audit and nonaudit services, the Committee may choose to address which classes of services (e.g., tax compliance services) can be preapproved in advance.

16. Set clear hiring policies for employees or former employees of the registered public accounting firm.²⁹

Financial Reporting Processes and Accounting Policies

17. In consultation with the registered public accounting firm and the internal auditors, review the integrity of the organization's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls). Meet with representatives of management's disclosure committee on a periodic basis to discuss any matters of concern arising from the Disclosure Committee's quarterly process to assist the CEO and CFO in their certifications per Section 302 of the Sarbanes-Oxley Act.
18. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in PFF Bancorp's selection or application of accounting principles, and major issues as to the adequacy of PFF Bancorp's internal controls and any special audit steps adopted in light of material control deficiencies.³⁰
19. Review analyses prepared by management and/or the registered public accounting firm 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.³¹
20. Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of PFF Bancorp.³²
21. Maintain procedures for the receipt, retention, and treatment of complaints regarding financial, accounting, internal accounting controls or auditing matters.³³
22. Maintain procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.³⁴

Internal Audit^{35, 36}

23. Review and advise on the selection and removal of the Chief Internal Auditor.
24. Review activities, organizational structure, and qualifications of the internal audit function.

²⁹ NYSE Listed Company Manual Section 303A.07(c)(iii)(G). The Committee should set policies that take into account the pressures that may exist for auditors consciously or subconsciously seeking a job with PFF Bancorp. Such policy should take into consideration the one-year "cooling off period" for individuals in the role of CEO, CFO, controller, CAO or the equivalent as outlined by Section 206 of the Sarbanes-Oxley Act.

³⁰ General commentary to NYSE Listed Company Manual Section 303A.07(c).

³¹ General commentary to NYSE Listed Company Manual Section 303A.07(c).

³² General commentary to NYSE Listed Company Manual Section 303A.07(c).

³³ Exchange Act Rule 10A-3(b)(3)(i).

³⁴ Exchange Act Rule 10A-3(b)(3)(ii).

³⁵ Though not a requirement by rule or regulation, many companies have a process in place by which the internal and external auditor evaluate each other on an annual basis.

³⁶ Section 303A.07(d) of the NYSE Listed Company Manual requires that listed companies have an internal audit function.

25. Annually review and recommend changes (if any) to the Internal Audit Department's Charter.
26. Periodically, and as circumstances warrant, review with the Chief Internal Auditor any significant difficulties, disagreements with management, or scope restrictions encountered in the course of audit work.
27. Periodically review, with the registered public accounting firm, the budget, staffing, and responsibilities of the internal audit function.³⁷

Ethical Compliance, Legal Compliance, and Risk Management

28. Establish, review and periodically update the Company's Code of Ethical Conduct (the "Code") and ensure that management has established a system to enforce this Code. Ensure that the Code is in compliance with all applicable rules and regulations.
29. Ensure that management has the proper review system in place to ensure that PFF Bancorp's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
30. Review, with PFF Bancorp's counsel, legal compliance matters including corporate securities trading policies.
31. Review with PFF Bancorp's counsel, any legal matter that could have a significant impact on PFF Bancorp's financial statements.
32. Discuss policies with respect to risk assessment and risk management. Such discussions should include PFF Bancorp's major financial and accounting risk exposures and the steps management has undertaken to control them.³⁸

Other Responsibilities

33. Review with the registered public accounting firm, the Internal Audit Department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)
34. Prepare the report that the SEC requires be included in the PFF Bancorp Annual Proxy Statement.³⁹
35. Annually, perform a self-assessment relative to the Committee's purpose, duties and responsibilities outlined herein.⁴⁰
36. Perform any other activities consistent with this Charter, PFF Bancorp's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

³⁷ Commentary to NYSE Listed Company Manual Section 303A.07(b)(ii)(H).

³⁸ NYSE Listed Company Manual Section 303A.07(c)(iii)(D).

³⁹ NYSE Listed Company Manual Section 303A.07(c)(i)(B).

⁴⁰ NYSE Listed Company Manual Section 303A.07(c)(ii).

Limitation of Audit Committee's Role

37. 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 PFF Bancorp'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 accounting firm.