

**Astoria Financial Corporation
and
Astoria Federal Savings and Loan Association
Audit Committee
Charter**

I. Purpose

The purpose of the Audit Committee (the “Committee”) of the Boards of Directors (the “Boards”) of Astoria Financial Corporation (the “Corporation”) and Astoria Federal Savings and Loan Association (the “Association”) is as follows:

- ! To assist Board oversight of:
 - (1) the integrity of the Corporation’s and Association’s financial statements,
 - (2) the Corporation’s and Association’s compliance with legal and regulatory requirements,
 - (3) the qualifications and independence of the independent auditors, and
 - (4) the performance of the Corporation’s and Association’s independent auditors and internal audit function.

- ! To prepare a Committee report as required by the Securities and Exchange Commission to be included in the Corporation’s annual proxy statement.

- ! To perform such other functions as shall be assigned to the Committee by the Boards.

II. Membership, Appointment and Removal

The Committee shall consist of no fewer than four directors, each of whom shall be independent as determined by the Boards in accordance with the criteria for independence contained in the New York Stock Exchange Listing Manual and in any other applicable laws, rules and regulations (the “Independent Director”). One of the Committee members shall be designated by the Boards to serve as Chairman of the Committee. The Chairman of the Committee shall preside at all meetings of the Committee. In the absence of the Chairman, and provided a quorum is present, the remaining members of the Committee present may designate from among the Committee’s membership a Chairman *pro tem* to preside at such meeting. Members of the Committee shall be appointed annually by the Boards, or more frequently in the case of vacancies, and shall serve at the pleasure of the Boards. The members shall serve until their resignation, retirement, or removal by the Boards or until their successors shall be appointed and qualified. No member of the Committee shall be removed except by majority vote of the Independent Directors of the Boards then in office.

All members of the Committee shall have a working familiarity with basic finance and accounting or related financial management expertise and at least two members shall 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, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. At least one Committee member will be a financial expert as defined by the Securities and Exchange Commission.

III. Committee Goals and Responsibilities

The goals and responsibilities of the Committee are set forth below. The Committee shall carry out these functions and such other responsibilities as may be assigned to it from time to time by the Boards. The

Committee is authorized to take all actions necessary or appropriate to carry out its goals and responsibilities. To fulfill its purposes, the Committee shall:

- ! Review the annual audited financial statements and the quarterly financial statements prior to filing or distribution. This review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments and the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations". The Committee shall review any significant reports or other financial information submitted to any government body, or the public, including any certification, report, opinion or review rendered by the independent auditors. The Committee shall also discuss the Corporation's earnings press release, as well as financial information and earnings guidance provided to analysts and rating agencies, if any.
- ! Consider the independent auditors' judgments about the quality and appropriateness of the Corporation's and Association's accounting principles as applied in their financial reporting including (i) major issues regarding accounting principles and financial statement preparation including any significant changes in the selection or application of such principles, any major issues as to the adequacy of the internal control structure and any special audit steps taken in light of any deficiency noted, (ii) analysis prepared by Management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including an analysis of the effect of alternative GAAP methods on the financial statements, (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements, and (iv) the type and presentation of information to be included in press releases or analyst, investor or rating agency presentations.
- ! Discuss with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on auditing standards, AU § 380), as may be modified or supplemented. Significant matters identified during the interim review shall be discussed with the independent auditors prior to the filing of the Quarterly Report on Form 10-Q or as soon thereafter as practical. The Chairman of the Committee may represent the entire Committee for purposes of this review.
- ! Consider, in consultation with management, the independent auditors and internal audit services the integrity of the Corporation's and Association's financial reporting process and controls.
- ! Recognizing that Management, subject to regular Board approved policy, is responsible for policy development and implementation and the design and maintenance of the operating system and internal controls, including amendments thereto, the Committee, in its oversight role, shall review with management, internal audit services and the independent auditors whether adequate controls exist and identified material weaknesses are effectively eliminated. The Committee, in connection with its oversight of the internal control structure shall, among other things, review internal control evaluations performed by management, internal audit services, independent auditors and regulatory examiners and the methods employed to make such evaluations. Among the Committee's determination in this regard shall be whether the controls are designed to assure that assets are safeguarded and transactions are authorized and properly recorded and will result in the preparation of sound financial reports.
- ! Have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Boards and the Committee. The Committee shall have direct responsibility for their appointment, compensation, retention as well as oversight of the independent auditor for the purpose of preparing or issuing audit reports or performing other audit, review or attest services and related work. The independent auditor shall report directly to the Committee.

- ! Consider whether, in order to assure continuing auditor independence, there should be regular rotation of the independent audit firm.
- ! Pre-approve all auditing services and permitted non-audit services to be performed for the Corporation and Association by its independent auditor, subject to the requirements of Title II, Sections 201 and 202 of the Sarbanes-Oxley Act of 2002. In the absence of contrary action by the Committee, the Chairman of the Committee may pre-approve services of the independent auditor on behalf and in the name of the Committee. Pre-approval decisions by the Chairman shall be presented to the full Committee at its next scheduled meeting.
- ! Review, on an annual basis, the formal written statement from the independent auditors delineating all relationships between the independent auditor and the Corporation and Association, consistent with Independent Standards Board Statement No. 1 ensuring the independence of the independent auditors. This statement together with others, if necessary, shall describe the independent auditors' internal quality-control procedures, any issues raised by the most recent internal quality- control review or peer review of the firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues.
- ! Review the independent auditors' audit plan. This review shall include the scope, staffing, reliance upon management and internal audit services and general audit approach. The Committee shall review with the independent auditor any audit problems or difficulties and Management's response.
- ! Review examination reports received from various banking supervisory authorities and management's replies, if any.
- ! Review, on at least an annual basis, with the Corporation's and Association's counsel, any legal matters that could have a significant impact on the financial statements, the Corporation's and Association's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.
- ! Oversee the internal audit services function, including reviewing responsibilities, budget and staffing of the internal audit function, approving audit plans and scope, ascertaining the quality and independence of the internal audit services staff and reviewing significant findings and recommendations.
- ! Review disclosures made to the Audit Committee by the Corporation's chief executive officer and chief financial officer during their certification process for the Form 10-K and Form 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.
- ! Review and discuss policies with respect to risk assessment and risk management, including the Corporation's and Association's major financial risk exposures, the steps taken by management to monitor and control such risks, including the processes the Corporation and Association have in place.
- ! Establish procedures for the receipt, retention, and treatment of complaints received by the Corporation and Association regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of Corporation or Association of concerns regarding questionable accounting or auditing matters.
- ! Establish clear hiring policies for employees or former employees of the independent auditor.

- ! Review and update the Audit Committee Charter periodically, at least annually, as conditions dictate. The Charter shall be submitted to the Boards for approval and published at least every three years in accordance with SEC regulations.
- ! Perform such other or additional duties and responsibilities as may be assigned to the Committee by the Boards.

IV. Committee Operations

The Committee shall establish its own rules of procedure, which shall be consistent with the Bylaws of the Corporation and this Charter. Meetings of the Committee shall occur from time to time as called by Chairman of the Committee or as requested by the Boards or the Boards' Chairman, but not less frequently than four times annually. The Committee shall meet separately, periodically, with management, with the Director of Internal Audit Services and / or his staff and with the independent auditors. Except as otherwise provided in the Bylaws of the Corporation, three members of the Committee shall constitute a quorum and all matters shall be determined by a majority vote of the members present. The Committee may at any time adjourn to an Executive Session at which only members of the Committee and invited guests may be present.

The Committee shall utilize such resources, in its capacity as a committee of the Boards, as the Committee shall determine to be necessary and proper (i) to compensate the independent auditors engaged for the purpose of preparing or issuing any audit report or performing such other audit, review or attest services for the Corporation or the Association, (ii) to compensate any other advisor employed by the Committee including, but not limited to, independent counsel if determined by the Committee to be necessary to carry out its duties and responsibilities (iii) to pay such administrative expenses as are necessary and appropriate to carry out its duties and responsibilities and (iv) to investigate any issues they deem important. The Committee shall have an open and unrestricted communication channel with all entity personnel, including internal and external auditors or accountants, advisors and independent counsel.

V. Reports to the Board

The Committee shall keep written minutes and other relevant records of each meeting, which subject to the approval by the members of the Committee and, once approved, shall be provided to the Boards for its review and/or ratification and maintained with the books and records of the Corporation. Said documentation will be compiled by the Director of Internal Audit Services who shall act as Secretary to the Committee. Following each of its meetings, the Chairman of the Committee shall report to the Board regarding the activities of the Committee.

VI. Annual Performance Evaluation

The Committee shall annually undertake a self evaluation of the Committee, including its effectiveness and compliance with this Charter and the Corporation's Corporate Governance Guidelines. The Committee shall deliver to the Boards a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Corporation's, Association's or the Boards' policies and procedures, which shall then be discussed with the full Boards and acted on as appropriate.