

**TF FINANCIAL CORPORATION
THIRD FEDERAL BANK**

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committees of the Boards of Directors of TF Financial Corporation (the “Company”) and of Third Federal Bank (the “Bank”) shall be standing committees and are responsible for oversight of the Company’s and the Bank’s financial reporting and internal controls. The Audit Committee (the “Committee”) of each of the Company and of the Bank shall report to the respective Boards of Directors (the “Board” or “Boards”) and their primary function is to assist the Boards in fulfilling their responsibility to shareholders related to financial accounting and reporting, the system of internal controls established by management and the adequacy of auditing relative to these activities. The Committees are granted the authority to investigate any activity of the Company and the Bank and are empowered to retain persons or firms having special competence as necessary to assist the Committees in fulfilling their responsibilities, including independent counsel and such other advisors as the Committees may deem to be necessary.

The Committees are empowered to determine appropriate funding for payment of:

- compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- compensation to any advisers or counsel retained by the Committees; and
- ordinary administrative expenses of the Committees that are necessary or appropriate in carrying out the duties of the Committees.

While the Committees have the responsibilities and powers set forth in this Charter, it is not the duty of the Committees to plan or conduct audits or to determine that the Company’s and the Bank’s financial statements are complete and accurate or are in accordance with generally accepted accounting principles. The responsibility to plan and conduct audits is that of the Company’s and the Bank’s independent accountants. The Company’s and the Bank’s management have the responsibility to determine that the Company’s and the Bank’s financial statements are complete, accurate and in accordance with generally accepted accounting principles. Nor is it the duty of the Committees to assure the Company’s and the Bank’s compliance with laws and regulations. The primary responsibility for these matters also rests with the Company’s and the Bank’s management.

Committee Responsibilities

The following responsibilities are set forth as a guide with the understanding that the Committees may diverge from this guide, as appropriate, given the circumstances.

A. Provide for an open avenue of communications between the internal audit staff, independent accountants, and the Boards and, at least once annually, meet with the internal audit staff and the independent accountants in private session.

B. Review the qualifications and evaluate the performance of the independent accountants and be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the 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. The independent accountants shall report directly to the Committees.

C. Receive on an annual basis a written statement from the independent accountants detailing all relationships between the independent accountants and the Company and the Bank consistent with requirements of the Independence Standards Board Standard 1, as may be modified or supplemented. The Committees shall actively engage in a dialogue with the independent accountants with respect to any disclosed relationships or services that may impact objectivity and independence of the independent accountants, and take, or recommend that the full Boards take, appropriate action to oversee the independence of the independent accountants.

D. Review and discuss with management the audited financial statements.

E. Review and discuss the annual internal audit plan and any changes, and any special projects to be undertaken by the internal audit staff.

F. Oversee the activities, organizational structure and qualifications of the internal audit staff.

G. Review and discuss with the independent accountants (1) the proposed scope of their examination with emphasis on accounting and financial areas where the Committees, the independent accountants or management believe special attention should be directed, (2) results of their audit, (3) their evaluation of the adequacy of the system of internal controls, (4) significant disputes, if any, with management and (5) cooperation received from management in the conduct of the audit.

H. As a whole, or through the Committee Chair, review interim results with the Company's financial officer and the independent accountants prior to the public announcement of financial results and the filing of the Form 10-Q.

I. Discuss with management, internal audit staff, and the independent accountants, any issues regarding significant risks or exposures and assess the steps management has taken to minimize such risk.

J. Discuss with the independent accountants SAS 114 matters, as may be, modified or supplemented.

K. Make a recommendation to the Board if the financial statements should be included in the Company's Annual Report on Form 10-K.

L. Establish and maintain 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 concerns regarding questionable accounting or auditing matters. The Committees shall furnish a letter annually to all employees of the Company and the Bank providing instructions for employees on making confidential, anonymous

submission.

M. Review and, at the Committees' discretion, approve all "related party transactions" between directors, director nominees, executive officers, 5% or greater security holders, and immediate family members of such persons, on the one hand, and the Company or the Bank, on the other hand, for potential conflicts of interest.

N. Perform such other functions as assigned by law, the Company's or the Bank's bylaws or as the Boards deem necessary and appropriate.

The Committees shall pre-approve all audit services and permissible non-audit services to be rendered by the independent auditors in accordance with Section 10A(i) of the Securities Exchange Act of 1934. The Committees may establish written policies and procedures for the pre-approval of audit and non-audit services to be performed by the outside auditor provided that these policies and procedures are detailed as to the particular service and do not result in the delegation of the Committees' responsibilities to management. The Committees may, in their discretion, delegate to one or more committee members the authority to pre-approve audit or non-audit services to be performed by the outside auditor provided that any such approvals are presented to the full Committees at the next scheduled committee meeting.

Committee Membership

- The membership of each Committee shall be appointed by the Boards and shall be comprised of at least three directors each of whom meets the definition of "independence" as defined by Rule 4200 of the Rules of the Nasdaq Stock Market, as may be modified or supplemented, as well as the more stringent independence requirements set forth under Rule 4350(d) of the Rules of the Nasdaq Stock Market, as may be modified or supplemented.
- All members of the Committees shall be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. At least one member of each Committee 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.

Committee Meetings

Meetings shall be held as required, but no less than once a year. Minutes shall be recorded and reports of committee meetings shall be presented at the next Board meeting.

Charter Review and Approval

This Charter shall be reviewed and reassessed by the Committees annually and shall be included in the proxy at least every three years.