

STEWARDSHIP FINANCIAL CORPORATION ADOPTED

AUDIT COMMITTEE CHARTER (ratified as of December 19, 2017)

I. PURPOSE OF THE COMMITTEE

The Audit Committee (the “Committee”) of Stewardship Financial Corporation (the “Corporation”) is responsible for assisting the Board of Directors (the “Board”) of the Corporation in fulfilling its responsibilities to the Corporation’s shareholders and the investment community through oversight of (i) the Corporation’s accounting and financial reporting processes and the integrity of its financial statements, (ii) the effectiveness of the Corporation’s systems of internal controls and policies and procedures for assessing and managing risk, and (iii) the compliance by the Corporation with legal and regulatory requirements. The Committee shall also provide direct oversight of the corporate audit function and the independent registered public accounting firm (including oversight of such accountant’s appointment, compensation, qualifications and independence). In addition, the Committee is responsible for preparing the Audit Committee Report that the Securities and Exchange Commission (“SEC”) rules require to be included in the Corporation’s annual proxy statement.

The Committee’s function is one of oversight only and does not relieve management of its responsibilities for preparing financial statements that accurately and fairly present the Corporation’s financial results and condition, nor the independent auditors of their responsibilities relating to the audit or review of the financial statements.

II. COMPOSITION OF THE COMMITTEE

The Committee shall consist of three or more directors, as determined from time to time by the Board on recommendation of the Nominating and Governance Committee. Each member of the Committee must meet the independence criteria of Rule 10A-3 of the Securities Exchange Act of 1934, amended (the “Act”), and shall be qualified to serve on the Committee pursuant to the requirements of The Nasdaq Stock Market, Inc. (“Nasdaq”), and any additional requirements that the Board deems appropriate. The Board shall determine, at least annually, the eligibility of the members of the Audit Committee. Members of the Committee shall be appointed annually for a one-year term (or, if a successor has not been duly appointed, until a successor is appointed).

The chairperson of the Committee shall be designated by the Board, provided that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson. Any vacancy on the Committee shall be filled by the Board. No member of the Committee shall be removed except by the Board.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Corporation’s balance sheet, income statement and cash flow statement. In addition, at least one member of the Committee shall have the level of accounting

or related financial management expertise which is required under applicable law and rules and regulations promulgated by the SEC and Nasdaq.

III. MEETINGS OF THE COMMITTEE

The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but no less frequently than once every fiscal quarter. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Committee should meet separately on a periodic basis (but at least annually) with (i) management, (ii) the Corporation's internal auditors and (iii) the Corporation's independent auditors, in each case to discuss any matters that the Committee or any of the above persons or firms believe warrant Committee attention.

The Committee shall maintain minutes of its meetings and records relating to those meetings and periodically report to the Board on significant results of the activities of the Committee. The Committee chairperson shall prepare and/or approve an agenda in advance of each meeting.

IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

In carrying out its duties and responsibilities, the Committee's policies and procedures should remain flexible so that it may be in a position to best address, react or respond to changing circumstances or conditions. The following duties and responsibilities are within the authority of the Committee and the Committee shall, consistent with and subject to applicable law and rules and regulations promulgated by the SEC, Nasdaq, or any other applicable regulatory authority, carry out such duties.

Selection, Evaluation, and Oversight of the Auditors

(a) Be directly responsible for the appointment, compensation, retention and oversight of the work of 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 Corporation, and each such registered public accounting firm must report directly to the Committee (the registered public accounting firm engaged for the purpose of preparing or issuing an audit report for inclusion in the Corporation's Annual Report on Form 10-K is referred to herein as the "independent auditors").

(b) Review and, in its sole discretion, approve in advance the Corporation's independent auditors' annual engagement letter, including the proposed fees contained therein, as well as all audit and, as provided in the Sarbanes-Oxley Act of 2002 (the "Act") and the SEC rules and regulations promulgated thereunder, all permitted non-audit engagements and relationships between the Corporation and such independent auditors (which approval will be made after receiving input from the Corporation's management, if desired). Approval of audit and permitted non-audit services will be made by the Committee.

(c) Review the performance of the Corporation's independent auditors, including the lead partner of the independent auditors, and, in its sole discretion, make decisions regarding the replacement or termination of the independent auditors when circumstances warrant.

(d) Evaluate the independence of the Corporation's independent auditors by, among other things:

- (i) obtaining and reviewing from the Corporation's independent auditors a formal written statement delineating all relationships between the independent auditors and the Corporation, consistent with the Public Company Accounting Oversight Board Ethics and Independence Rule 3526;
- (ii) actively engaging in a dialogue with the Corporation's independent auditors with respect to any disclosed relationships, compensation or services that may impact the objectivity and independence of the auditors;
- (iii) taking, or recommending that the Board take, appropriate action to oversee the independence of the Corporation's independent auditors;
- (iv) monitoring compliance by the Corporation's independent auditors with the audit partner rotation requirements contained in the Act and the rules and regulations promulgated by the SEC thereunder; and
- (v) monitoring compliance by the Corporation of the employee conflict of interest requirements contained in the Act and the rules and regulations promulgated by the SEC thereunder.

Oversight of Annual Audit and Quarterly Review Processes

(e) Review and discuss with the independent auditors their annual audit plan, including the timing and scope of audit activities, and monitor such plan's progress and results during the year.

(f) Review with management, the Corporation's independent auditors and the Corporation's internal auditors, the following information which is required to be reported by the independent auditor:

- (i) all critical accounting policies and practices to be used;
- (ii) all alternative treatments of financial information that have been discussed by the independent auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors;
- (iii) all other material written communications between the independent auditors and management, such as any management letter and any schedule of unadjusted differences; and

- (iv) any material financial arrangements of the Corporation which do not appear on the financial statements of the Corporation;

(g) Resolve all disagreements between the Corporation's independent auditors and management regarding financial reporting.

Oversight of Financial Reporting Process and Internal Controls

(h) Review:

- (i) the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures on a regular basis, including the responsibilities, budget, compensation and staffing of the Corporation's internal audit function, through inquiry and discussions with the Corporation's independent auditors, management and the Corporation's internal auditors;
- (ii) the annual report prepared by management, and attested to by the Corporation's independent auditors, assessing the effectiveness of the Corporation's internal control over financial reporting and stating management's responsibility for establishing and maintaining adequate internal control over financial reporting prior to its inclusion in the Corporation's Annual Report on Form 10-K; and
- (iii) the Committee's level of involvement and interaction with the Corporation's internal audit function, including the Committee's line of authority and role in appointing the internal auditors.

(i) Review with the chief executive officer, chief financial officer and independent auditors, periodically, the following:

- (i) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information; and
- (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting.

(j) Discuss guidelines and policies governing the process by which senior management of the Corporation, the relevant departments of the Corporation and the Corporation's internal auditors, assess and manage the Corporation's exposure to risk, as well as the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including developing and maintaining the Corporation's risk assessment and risk management policies.

(k) Review with management the progress and results of all internal audit projects, and, when deemed necessary or appropriate by the Committee, direct the Corporation's chief executive officer to assign additional internal audit projects to the Corporation's internal auditors.

(l) Receive periodic reports from the Corporation's independent auditors, management and the Corporation's internal auditors to assess the impact on the Corporation of significant accounting or financial reporting developments that may have a bearing on the Corporation.

(m) Review and discuss with the independent auditors the results of the year-end audit of the Corporation, including any comments or recommendations of the Corporation's independent auditors, and, review with management such financial results and discuss with management and the independent auditors the annual financial statements including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, based on such review and discussions and on such other considerations as it determines appropriate, recommend to the Board whether the Corporation's financial statements should be included in the Annual Report on Form 10-K and in the Corporation's proxy statement.

(n) Review and give final approval of the Corporation's Quarterly Reports on Form 10-Q prior to the filing of such quarterly reports.

(o) Review and give final approval for the Corporation's proxy statement prior to the printing of such proxy statement.

(p) Establish and maintain free and open means of communication between and among the Committee, the Corporation's independent auditors, the Corporation's internal auditors and management, including providing such parties with appropriate opportunities to meet separately and privately with the Committee on a periodic basis.

Miscellaneous

(q) Establish and implement policies and procedures for the Committee's review and approval or disapproval of proposed transactions or courses of dealing with respect to which executive officers or directors or members of their immediate families have an interest (including all transactions required to be disclosed by Item 404(a) of Regulation S-K).

(r) Meet periodically, but at least annually, with the general counsel, if any, and outside counsel when appropriate, to review legal and regulatory matters, including (i) any matters that may have a material impact on the financial statements of the Corporation, (ii) any inquiries received from regulators or governmental agencies and (iii) any matters involving potential or ongoing material violations of law or breaches of fiduciary duty by the Corporation or any of its directors, officers, employees, or agents or breaches of fiduciary duty to the Corporation.

(s) Prepare the report required by the rules of the SEC to be included in the Corporation's annual proxy statement.

(t) Review the Corporation's policies relating to the ethical handling of conflicts of interest and review past or proposed transactions between the Corporation and members of

management as well as policies and procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditors.

(u) Review and approve in advance any services provided by the Corporation's independent auditors to the Corporation's executive officers or members of their immediate family.

(v) Establish and oversee "whistle-blower" policies, including procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

(w) Secure independent expert advice to the extent the Committee determines it to be appropriate, including retaining, with or without Board approval, independent counsel, accountants, consultants or others, to assist the Committee in fulfilling its duties and responsibilities, the cost of such independent expert advisors to be borne by the Corporation.

(x) Review and assess the adequacy of this Charter on an annual basis.

(y) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

V. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS

The Committee may conduct or authorize investigations into, or studies of, matters within the Committee's scope of responsibilities, and may retain, at the Corporation's expense, such independent counselor or other consultants or advisers as it deems necessary.
