



Luther Burbank[®]
Corporation

Audit & Risk Committee Charter

Purpose

The Committee is responsible for assisting the Board of Directors (“Board”) in its oversight responsibilities relating to (i) the integrity of the Company’s financial statements, accounting and financial reporting process, and related systems of internal controls; (ii) internal and external auditing, including the qualifications, independence and performance of audit services function and the audits of the Company’s financial statements; and (iii) the Company’s enterprise risk management framework established to measure, mitigate, monitor and report on major risks to the Company. This oversight encompasses all enterprise risk categories including credit, market and liquidity, operational (including information security and information technology), compliance/regulatory, legal, strategic, reputational, and any other material risk exposures faced by the Company.

Organization

The Committee shall be comprised of at least three directors who shall be appointed by the Board and who shall meet independence, experience and expertise requirements of the applicable listing rules of Nasdaq Market LLC (“Nasdaq Rules”), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and other applicable laws and regulations. At least one member of the Committee shall be an “audit committee financial expert” as defined by the Securities and Exchange Commission. In addition, no member of the Committee shall simultaneously serve on the audit committees of more than two other public companies.

The members of the Committee and its Chair shall be appointed by the Board, and may be removed by the Board at any time, with or without cause. The Committee may, in its discretion, delegate all or a portion of its responsibilities to a subcommittee of the Committee.

The Committee shall meet at least once every fiscal quarter, and shall make regular reports to the Board on the Committee’s activities. The Committee has the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s bylaws that are applicable to the Committee.

The Committee shall meet periodically with management, the Company's Director of Internal Audit, the Company's independent registered public accounting firm and the Company's Chief Risk Officer in separate executive sessions, and have such other direct and independent interaction with such persons from time to time as members of the Committee deem appropriate. Each of the Director of Internal Audit, the General Counsel, and the Chief Risk Officer has express authority to communicate directly at any time with the Chair of the Committee about any significant matter involving the Company.

The Chair shall preside at all meetings of the Committee. The Chair or the Company Secretary has the authority to call meetings of the Committee. A majority of the members of the Committee present at a meeting shall constitute a quorum. The Company Secretary shall record and retain minutes of the Committee meetings.

The Committee shall conduct an annual performance evaluation of the Committee and shall review its charter annually and recommend any proposed changes to the Board. The Company will provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the registered public accounting firm engaged by the Audit Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, and the ordinary administrative expenses of the Audit Committee that are necessary or appropriate to carrying out its duties.

In addition to the duties and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out other responsibilities consistent with this Charter, the purpose of the Committee, the Company's bylaws and applicable Nasdaq Rules.

Responsibilities

External Auditors

- Has sole authority to appoint and replace the independent registered public accounting firm, who shall report directly to the Committee.
- Is directly responsible for the compensation, retention and oversight of the work of the independent registered public accounting firm.



- Pre-approves all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by the independent registered public accounting firm, including the approval of appropriate policies and procedures that govern the pre-approval of any such services, and considers whether the provision of permitted non-audit services by the independent registered public accounting firm is compatible with maintaining such firm's independence.
- Pre-approves the retention and fees of other accounting firms for additional audit-related services, including statutory and benefit plan audits.
- Discusses with the Company's independent registered public accounting firm the overall scope and plans for their audits, including the adequacy of staffing and other factors that may influence the effectiveness and timelines of such audits.
- Approves guidelines for the Company's hiring of employees and former employees of the independent registered public accounting firm.
- Ensures the independent registered public accounting firm provides a formal written statement delineating all relationships between the independent registered public accounting firm and the Company, actively engages in a dialogue with the independent registered public accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of the registered public accounting firm, and takes, or recommends that the Board take appropriate action to oversee the independence of the registered public accounting firm.
- Consults with management and the Company's Director of Internal Audit with respect to, and reviews and evaluates, at least annually, the qualifications, performance and independence of the Company's independent registered public accounting firm in accordance with applicable regulatory requirements and guidelines.
- Reviews annually a report from the independent registered public accounting firm describing (i) such firm's internal quality-control procedures; (ii) any material issues raised by its most recent internal quality-control review, or peer review (if applicable), or by any inquiry or investigation by governmental or professional authorities for the preceding five years; and (iii) the response of the firm in dealing with any such issues.
- Obtains from the independent registered public accounting firm assurance that the firm is not aware of any matters required to be reported under Section 10A-(b) of the Exchange Act.



- Requires, at least every ten (10) years, a detailed review of the Company's independent registered public accounting firm, including a comparison of resources available in other firms.

Internal Audit

- Reviews and concurs in the appointment, replacement, performance and compensation of the Company's Director of Internal Audit, who shall report directly to the Committee for functional purposes, but will report to the Chief Risk Officer for administrative purposes.
- Periodically reviews the experience and qualifications of senior members of the Internal Audit Department.
- Reviews and approves the Internal Audit Department's charter, policies, budget and staffing levels, the internal audit plan and overall audit scope, and overall risk assessment methodology on an annual basis.
- Receives periodic communications from the Company's Director of Internal Audit on the completion status of the internal audit plan (including significant changes made to the plan), the adequacy of staffing and other factors that may influence the effectiveness and timelines of the audits under such plan, as well as the results of internal and external quality assurance reviews of the Internal Audit Department.
- Reviews the significant reports to management prepared by the Internal Audit Department, or summaries thereof, and management's responses and the status of any corrective actions, or summaries thereof.

Financial Statements and Disclosure

- Reviews and discusses with management and the independent registered public accounting firm the annual audited financial statements, and other financial information to be included in the Company's Annual Report on Form 10-K, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," management's and/or the independent registered public accounting firm's judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures on the financial statements.



- Discusses the results of the annual audit and any other matters required to be communicated to the Committee by the independent registered public accounting firm under generally accepted auditing standards, as well as applicable laws or listing standards.
- Reviews with the independent registered public accounting firm any problems or difficulties the independent registered public accounting firm may have encountered in connection with the annual audit or otherwise, including any significant disagreements with management regarding financial reporting.
- Recommends to the Board, based on reviews and discussions with management and the independent registered public accounting firm described above, whether the annual audited financial statements should be included in the Company's Form 10-K Annual Report.
- Reviews and discusses with management and the independent registered public accounting firm the Company's quarterly financial information to be included in the Company's Quarterly Reports on Form 10-Q, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- Reviews and discusses with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to investors, analysts and rating agencies.
- Discusses with management and the independent registered public accounting firm the adequacy and effectiveness of the Company's internal control over financial reporting, and management's report and the attestation of the independent registered public accounting firm on the effectiveness of the Company's internal control over financial reporting, including any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.
- Reviews with the CEO and the CFO the Company's disclosure controls and procedures and reviews periodically, but in no event less frequently than quarterly, management's conclusions about the efficacy of such disclosure controls and procedures.
- Reviews analyses prepared by management and/or the independent registered public accounting firm setting forth any significant financial reporting issues or judgments made in connection with the preparation of the financial statements and discusses such analyses with management and the independent registered public accounting firm.



- Periodically reviews and discusses with management and the independent registered public accounting firm accounting policies, critical accounting estimates, and valuation processes and methodologies used in the preparation of the Company's financial statements, as well as any off-balance sheet structures.
- Reviews at least quarterly reports from the independent registered public accounting firm on the following matters: all critical accounting policies and practices to be used; any significant change in the selection or application of accounting principles; all alternative treatments of financial information within generally accepted accounting principles (GAAP) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent registered public accounting firm; and, other material written communications between the independent registered public accounting firm and management, such as any management representation letter or schedule of unadjusted differences.
- Reviews with management and the independent registered public accounting firm (if appropriate) significant legal and regulatory exposures, including any regulatory inquiries or concerns regarding the Company's financial statements and accounting policies and potential impact of regulatory initiatives.

Enterprise Risk Management

- Oversees management's establishment and operation of the Company's Enterprise Risk Management (ERM) framework and the processes for identifying, aggregating, evaluating and managing significant risks to which the Company is exposed, as well as processes for monitoring emerging risks.
- Reviews and approves the Company's Enterprise Risk Management and Governance Program, and other significant risk management policies, programs and frameworks on an annual basis.
- Requires management to take reasonable steps to ensure that the Company's ERM framework satisfies all regulatory requirements, and is appropriate for the Company in light of its capital structure, risk appetite, risk profile, complexity, activities, size and other appropriate risk-related factors.
- Receives from management communications and presentations on significant control issues in internal audit reports, management letters, and regulatory reports of examination, and such other significant control matters that are identified by the relevant function and the resolution status thereof.

- Reviews and approves the independent loan review plan annually, including the scope and sampling criteria, the use of outside consultants, and costs associated with the work they perform.
- Reviews the Company's methodology for determining the quarterly allowance for loan losses in coordination with the Board.
- Reviews periodic reports on the Company's Sarbanes-Oxley (SOX) activities, including completion of the annual financial risk assessment and fraud risk assessment.
- Reviews periodic reports on the Company's information technology architecture, infrastructure and operations, including strategy, security, and resilience activities, as well as performance metrics for evaluating progress toward achieving strategic goals and business objectives.
- Reviews periodic reports related to information security, cyber, and physical security risks, as well as the steps taken by management to control for such risks.
- Reviews periodic reports related to the management of model risk, including model governance; model development, implementation and use; and model validation activities.
- Approves the appointment and removal of the Chief Risk Officer, annually reviews the Chief Risk Officer's performance and independence. The CRO shall report to the CEO and the Committee.

Legal and Regulatory Compliance

- Reviews and approves, at least annually, the following Company programs: Compliance Management, Bank Secrecy Act / Anti-Money Laundering / Office of Foreign Assets ("BSA/AML"), Fair and Responsible Banking, and Third Party Risk Management.
- Reviews periodic reports from management regarding ongoing enhancement to, and overall effectiveness of, the above-mentioned programs and related policies within the Committee's purview.
- Receives reporting on consumer complaints and the effectiveness of the Company's complaint management system.
- Reviews and approves the Company's Compliance Monitoring Plan and Compliance Training Plan on an annual basis.

- Reviews management actions on significant compliance matters (e.g., actions taken to remediate significant compliance issues, compliance with open regulatory actions) and the Company's compliance with applicable law and regulation.
- Reviews and approves all related person transactions as defined by Item 404 of Regulation S-K.

Asset and Liability Management

- Reviews management's activities with respect to liquidity and interest rate risk management and enterprise-wide stress testing to support these activities.
- Reviews the acceptable level of liquidity and interest rate risk that the Company may assume in connection with its operating strategies and in alignment with the Company's risk appetite.
- Approves the Company's contingency funding plan at least annually and any material revisions to the plan.
- Approves the liquidity and interest rate risk management policies, on an annual basis, and periodically reviews related strategies and procedures established by management.

Other Duties

- Establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company regarding questionable accounting or auditing matters.
- Receives and discusses reports from management regarding significant reported ethics violations or actual or potential conflicts of interest under the Company's Code of Conduct and other corporate governance policies, excluding such violations or conflicts, which may involve directors or the CEO.
- Reviews, at least annually, the policy and procedure for handling whistleblower complaints.
- Considers such other matters, as the Board deems appropriate.



Access to Records and Advisors

The Committee shall have full access to any relevant records of the Company and have the power and authority to obtain, at its discretion, advice and assistance from internal or external financial, legal, accounting or other advisors, and to hire and compensate external advisors at the Company's expense. The Committee may request that any officer or other employee of the Company, or the Company's outside counsel or any other person, meet with any members of, or consultants to, the Committee. The Committee is empowered to conduct its own investigations into issues related to its responsibilities.