

CENTRAL BANCORP, INC.

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

I. AUDIT COMMITTEE PURPOSE

The Audit Committee is appointed by the Board of Directors of the Company to assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements.
- Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and compliance.
- Monitor the independence and performance of the Company's independent auditors and internal auditing function.
- Provide an avenue of communication among the independent auditors, management, the internal auditors and the Board of Directors.
- Report to the Board of Directors

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

II. AUDIT COMMITTEE COMPOSITION AND MEETINGS

Audit Committee members shall meet the qualifications of the NASDAQ National Market and such qualifications as may be required by the Securities and Exchange Commission ("SEC"). The Audit Committee shall be comprised of at least three and no more than six directors as determined by the Board, each of whom shall be independent nonexecutive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed by the Board. If an Audit Committee Chairman is not designated or present, the members of the Committee may designate a Chairman by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee should meet privately, at least annually, with the individual responsible for the internal auditing function and the independent auditors to discuss any matters that the Committee, or either of these groups, believe should be discussed.

III. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

Review Procedures

1. Review and reassess the adequacy of this Charter at least annually. Submit the charter to the Board of Directors for approval and have the document published at least every three years in accordance with Securities and Exchange Commission (SEC) regulations.
2. Review the Company's annual audited financial statements prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgments. Review and discuss with the independent auditor all necessary accounting policies and practices to be used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management and the risks of using such alternative treatments, and other material written communications between the independent auditor and management.
3. In consultation with the management, the independent auditors and the internal auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditors and the internal auditing function together with management's responses, including the status of previous recommendations.
4. Review with financial management and/or the independent auditors the Company's quarterly financial results prior to the release of earnings and the Company's quarterly financial statements prior to filing of its Form 10-Q. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors in accordance with Statement of Auditing Standards No. 61 (SAS 61). The Chairman of the Committee may represent the entire Audit Committee for purposes of this review.

Independent Auditors

5. The independent auditors are ultimately accountable to the Audit Committee. The Audit Committee shall review the independence and performance of the auditors and annually appoint the independent auditors or approve any discharge of the auditors when circumstances warrant.
6. Approve the fees and other significant compensation to be paid to the independent auditors.
7. On an annual basis, the Committee should review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence.
8. Review the independent auditors' audit plan, including scope and general audit approach.
9. Prior to releasing the year-end earnings and filing of the Annual Report on Form 10-K, discuss the results of the audit with the independent auditors.
10. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
11. Review, evaluate and approve any permissible non-audit services the independent auditor may perform for the Company and disclose such approved non-auditor services in periodic reports to stockholders.
12. As required by law, the Audit Committee shall assure the regular rotation of the lead and concurring audit partner, and consider whether there should be a regular rotation of the auditor itself.

13. Review and discuss the form and content of the certification documents for the quarterly reports on Form 10-Q and the annual report on Form 10-K with the independent auditor, the chief financial officer and the chief executive officer.
14. Discuss any difficulties encountered by the independent auditor during the course of the audit, any restrictions on their activities, any restrictions on their access to information, and any significant disagreements with management.

Internal Audit Function and Legal Compliance

15. Review the budget, plan, changes in plan, activities, organizational structure, and qualifications of the internal audit function, as needed. The internal audit function shall have a direct reporting responsibility to the Board of Directors through the Audit Committee.
16. Review the appointment, performance and replacement of the internal audit function.
17. Review significant reports prepared by the internal auditors together with management's response and follow-up to these reports.
18. On at least an annual basis, review with the Company's management and, if deemed necessary, with counsel, any legal matters that could have a significant impact on the Company's financial statements, compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.

Other Audit Committee Responsibilities

19. Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report may be included in the Company's annual proxy statement.
20. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.
21. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.
22. Supervise implementation of the Company's Code of Ethics for Directors, Officers and Employees and review and decide whether to approve any proposed waivers of the provisions of such Code.
23. Establish 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 regarding questionable accounting or auditing matters.
24. Review all related party transactions (i.e., transactions required to be disclosed under SEC Regulation S-K, Item 404) for potential conflict of interest situations on an ongoing basis and determine whether to approve such transaction.