

**CITIZENS BANCSHARES CORPORATION**  
**CHARTER OF THE AUDIT & COMPLIANCE**  
**COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

I. **Title**

The title of this Committee shall be the Audit and Compliance Committee of the Board of Directors of Citizens Bancshares Corporation (the “Company”) and Citizens Trust Bank (the “Bank”).

II. **Purpose**

The Audit and Compliance Committee shall assist the Board of Directors of the Company and the Bank (the “Board”) in fulfilling its oversight responsibilities for:

- A) the integrity of the Company’s financial statements,
- B) the integrity of the information included in the Company’s annual proxy statement,
- C) reports filed with regulatory agencies;
- D) the Company’s and the Bank’s compliance with legal and regulatory requirements,
- E) the independent auditor’s qualifications and independence,
- F) the qualification and independence of the external CPA firm used to perform internal audits, and
- G) the performance of the external CPA firm used for internal audits, other outside auditors or
- H) advisors used from time to time and the external independent auditors.

III. **Authority**

The Audit and Compliance Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- 1. appoint, compensate, and oversee the work of the public accounting firm employed by the Company to conduct the annual audit. This firm will report directly to the Audit Committee.
- 2. appoint, compensate, and oversee the work of the CPA firm employed to conduct internal audits of the Bank and Company. This firm will report directly to the Audit Committee.
- 3. resolve any disagreements between Management and the auditor regarding financial reporting.
- 4. pre-approve all auditing and permitted non-audit services performed by the Company’s external audit firm.
- 5. retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- 6. seek any information it requires from employees—all of whom are directed to cooperate with the Committee’s requests—or external parties.
- 7. meet with Company officers, external auditors, or outside counsel, as necessary.

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The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full Board at its next scheduled meeting.

IV. **Composition**

The Board shall elect annually an Audit and Compliance Committee comprised of not fewer than three Directors independent of Corporate Management (“Management”). The members of the Audit Committee are to be free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a committee member. Each member must be financially literate. At least one member shall be designated as the “financial expert,” as defined by applicable legislation and regulation. The Audit and Compliance Committee must be headed by a Chairperson, elected by the Board. The Audit and Compliance Committee Chairperson shall also be a member of the Executive Committee of the Board.

V. **Staff Support**

The Board and Management of the Bank shall elect an Internal Audit Coordinator who will coordinate audit activities with the above accounting firms, and assist them in providing information to be used in audit activities, along with other operational duties assigned by Management. The Chief Financial Officer, the Internal Audit Coordinator, or the external accounting firm shall present the results of such audits to the Committee as they are prepared, and annually for the Opinion Audit reports with a management letter.

The Internal Audit Coordinator should be knowledgeable of bank operations, procedures, and policies, understand the bank's accounting mechanism, and have knowledge of the audit program of the bank, to adequately coordinate with the outside CPA firm and to present and communicate the audit report findings to the Committee, if required. If the Internal Audit Coordinator serves in a dual role as an Officer of the bank; functionally accountable to the audit committee on issues discovered by the internal audit function and administratively to the President and Chief Executive Officer on administrative matters. Under the dual reporting relationship, the board of directors should consider on an annual basis, the potential for diminished objectivity on the part of the Internal Audit Coordinator concerning certain audits for which there is any managerial responsibility. Other staff support may be required by the Committee as deemed necessary.

VI. **Meetings**

The Committee will conduct seven scheduled meetings with the authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via teleconference. The Committee will invite members of management, external auditors, or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management and with external auditors. It will also meet periodically in executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

VII. **Responsibilities**

The Committee will carry out the following responsibilities:

- A) With Respect to Financial Statements:
  - 1) Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
    - a) complex or unusual transactions and highly judgmental areas
    - b) major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles

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VII. **Responsibilities** continued

A) With Respect to Financial Statements (continued):

- c) the effect of regulatory and accounting initiatives. As well as off-balance sheet structures, on the financial statements of the Company
- 2) Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statement, including analyses of the effects of alternative GAAP methods on the financial statements.
- 3) Review with Management and the external auditors the results of the audit, including any difficulties encountered and all material written communications between the independent accounting firm and Management, such as any management letter or schedule of unadjusted differences. This review will include any restrictions on the scope of the independent auditor's activities or access to requested information and any significant disagreements with Management.
- 4) Review disclosures made by the CEO and CFO about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls.
- 5) Discuss earnings press releases (particularly the use of "proforma," or "adjusted" non- GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made). The Committee does not need to discuss each release in advance.

B) With Respect to Internal Control:

- 1) Consider the effectiveness of the Company's internal control system, including information technology security and control.
- 2) Understand the scope of outside the CPA firm and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.

C) With Respect to the Internal Audit Function:

- 1) Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the CPA firm used to provide the Internal Audit services.
- 2) Review the scope and effectiveness of the annual risk assessment and internal audit plan with the CPA firm.
- 3) Regularly, meet separately with the CPA firm's Audit Partner or Manager to discuss any matters that the Committee believes should be discussed privately.

D) With Respect to the External Auditors:

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- 1) Review the external auditors' proposed audit scope and approach, including coordination of the audit effort with the Internal Audit Coordinator.
  - 2) Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
  - 3) Ensure the rotation of the lead audit partner every five years and other audit partners every seven years and consider whether there should be regular rotation of the audit firm itself.
  - 4) Regularly, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- E) With Respect to Compliance:
- 1) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of any Management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
  - 2) Establish procedures for:
    - a) the receipt, retention, and treatment of complaints received by the Company or the Bank regarding accounting, internal accounting controls, or auditing matters; and
    - b) the confidential, anonymous submission by employees of the Company or the Bank on concerns regarding questionable accounting or auditing matters.
  - 3) Review the findings of any examinations by regulatory agencies, and any auditor observations.
  - 4) Review the process for communicating the code of conduct to Company personnel, and for monitoring compliance therewith.
  - 5) Obtain regular updates from Management and Corporate legal counsel regarding compliance matters.
- F) With Respect to the Reporting Function:
- 1) Regularly report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Company's and/or the Bank's financial statements, the compliance with legal or regulatory requirements, the performance, and independence of the independent auditors, and the performance of the internal audit function.
  - 2) Provide an open avenue of communication between CPA firm performing internal audits, the external auditors, and the Board.
  - 3) Report annually to the shareholders, describing the Committee's composition, responsibilities, and how they were discharged, and any other information required by rule, including approval of non-audit services.

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- 4) Review any other reports the Company or Bank issued that relate to Committee responsibilities.
- G) With Respect to Other Responsibilities:
- 1) Discuss with Management the Company's major policies with respect to risk assessment and risk management.
  - 2) Perform other activities related to this charter as requested by the Board. These include, but are not limited to, the review of:
    - a) periodic summary reports of credit reviews performed by external loan reviewers,
    - b) Periodically review the Company's Code of Ethics to ensure that it is adequate and up-to-date.
    - c) Review any whistle-blowing complaints that might have been received, their current status, and their resolution if one has been reached.
    - d) legal cases outstanding against the Company that pose a significant risk of material loss,
    - e) periodic reports on Management's program for monitoring matters regarding security, including reports of defalcations or other illegal acts involving any employee of the Company and reports of robberies, defalcations, or other acts of fraud against the Company,
  - 3) Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
  - 4) Confirm annually that all responsibilities outlined in this Charter have been carried out.
- H) Other:
- 1) It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles, to conduct investigations, or to ensure compliance with laws and regulations of the Company's internal policies, procedures, and controls. This is the responsibility of Management. The Committee relies on the expertise and knowledge of Management and the independent accounting firm, among others, in carrying out its oversight responsibilities.

Attest:

Adopted \_\_\_\_\_  
Date

/s/ Stephen A. Elmore, Sr.  
Stephen A. Elmore, Sr., Chairperson Audit  
and Compliance Committee