

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 (“Company”).

II. **Purpose**

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

- A) the integrity of the Company’s financial statements,
- B) the Company’s compliance with legal and regulatory requirements,
- C) the independent auditor’s qualifications and independence, and
- D) the performance of the Company’s internal audit function and independent auditors.

The Audit and Compliance Committee (“Audit Committee” or “Committee”) will also prepare the report that SEC rules require be included in the Company’s annual proxy statement.

III. **Authority**

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

- A) 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.
- B) resolve any disagreements between Management and the auditor regarding financial reporting.
- C) pre-approve all auditing and permitted non-audit services performed by the Company’s external audit firm.
- D) retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- E) seek any information it requires from employees—all of whom are directed to cooperate with the Committee’s requests—or external parties.
- F) meet with Company officers, external auditors, or outside counsel, as necessary.

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III. **Authority** continued

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 Committee at its next scheduled meeting.

IV. **Composition**

The Board shall elect annually an Audit Committee comprised of not fewer than four 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 Committee must be headed by a Chairperson, elected by the Board. The Audit Committee Chairperson shall also be a member of the Executive Committee of the Board.

V. **Staff Support**

The Internal Audit Manager will report functionally to the Audit Committee, although accountable administratively to the Chief Executive Officer of Citizens Trust Bank (“Bank”). Other staff support may be required by the Audit Committee as deemed necessary.

VI. **Meetings**

The Committee will conduct seven scheduled meetings with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via tele-conference. 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, with internal auditors, and with external auditors. It will also meet periodically in executive session. 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):
 - 1) (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. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with Management.
 - 4) Discuss the annual audited financial statements and quarterly financial statements with Management and the external auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
 - 5) Review disclosures made by the CEO and CFO during the Forms 10-K and 10-Q certification process 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.
 - 6) Discuss earnings press releases (particularly 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 internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.

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VII. **Responsibilities** continued

C) With Respect to the Internal Audit Function:

- 1) Review with Management and the Internal Audit Manager the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- 2) Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Audit Manager.
- 3) Review the effectiveness of the internal audit function.
- 4) On a regular basis, meet separately with the Internal Audit Manager to discuss any matters that the Committee or Internal Audit believes should be discussed privately.

D) With Respect to the External Auditors:

- 1) Review the external auditors' proposed audit scope and approach, including coordination of the audit effort with Internal Audit.
- 2) Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.

In performing this review, the Committee will:

- a) At least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
 - b) Take into account the opinions of Management and Internal Audit.
 - c) Review and evaluate the lead partner of the independent auditor.
 - d) Present its conclusions with respect to the external auditor to the Board.
- 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) Set clear hiring policies for employees or former employees of the independent auditors.

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VII. **Responsibilities** continued

D) With Respect to the External Auditors (continued):

- 5) On a regular basis, 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 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 listed issuer regarding accounting, internal accounting controls, or auditing matters; and
 - b) the confidential, anonymous submission by employees of the listed issuer 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 financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, and the performance of the internal audit function.
- 2) Provide an open avenue of communication between Internal Audit, 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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VII. **Responsibilities** continued

F) With Respect to the Reporting Function (continued):

- 4) Review any other reports the Company 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) legal cases outstanding against the Company that pose significant risk of material loss,
 - c) 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,
 - d) annual reports on the adequacy of the Company's fidelity bond.
 - 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.
 - 5) Evaluate the Committee's and individual members' performance at least annually.

Attest:

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

Adopted: December 17, 2008
Date

/s/ Joseph M. Hopkins
Joseph M. Hopkins, Secretary
Audit and Compliance Committee