

CITIZENS BANCORP
CITIZENS BANK
BOARD AUDIT COMMITTEE CHARTER

SCOPE

It is the responsibility of the Board of Directors of Citizens Bancorp and its subsidiary, Citizens Bank (the “Company”) to ensure the protection of the Company’s assets, provide managerial oversight and to deter any practice that could be concluded to be unsafe and unsound. The Board Audit Committee (“Audit Committee”) is appointed by the Board of Directors to assist in fulfilling its oversight responsibilities by monitoring and reviewing: the integrity of any financial reports and other financial information provided by the Company to the public or any government body; the Company’s systems of internal controls regarding finance, accounting and applicable legal and regulatory compliance established by Management and the Board; and the Company’s auditing, accounting and financial reporting process, generally. The Audit Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to oversee the Company’s financial reporting process and system of internal controls.
 - a. Reviewing with Management and the independent public accountant the scope of services required by the audit, significant accounting policies, and audit conclusions regarding significant accounting estimates;
 - b. Reviewing with Management and the independent public accountant their assessments of the effectiveness of internal control over financial reporting, and the resolution of identified material weaknesses and significant deficiencies in internal control over financial reporting, including the prevention or detection of management override or compromise of the internal control system;
 - c. Reviewing with Management the Company's compliance with the Designated Laws and Regulations identified in guideline 7A (The Designated Laws and Regulations are the Federal laws and regulations concerning loans to insiders and the Federal and, if applicable, State laws and regulations concerning dividend restrictions.);
 - d. Discussing with Management and the independent public accountant any significant disagreements between Management and the independent public accountant; and
 - e. Overseeing the internal audit function.
- Review and appraise the audit efforts of the Company’s independent public accountants and internal audit practitioners. The Audit Committee will review and satisfy itself as to the independent public accountant’s compliance with the required qualifications for independent public accountants as set forth in Part 363 of the Code of Federal Regulations governing Annual Independent Audits and Reporting Requirements, section 363.3, paragraphs (f) regarding independence standards and (g) regarding peer reviews and inspection reports, and guidelines 13 through 16 regarding general qualifications and peer review guidelines, including Management’s role in adhering to the independence standards.
- Provide an open avenue of communication among the independent public accountants, financial and senior management, internal auditing practitioners, and the Board of Directors.

This Charter addresses the responsibilities for overseeing the financial reporting process and assuring the objectivity of independent audits. While the Audit Committee has the responsibilities

and powers set forth in the Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of Management and the independent financial auditor.

MEMBERS

The Board of Directors shall at all times maintain an independent Audit Committee whose membership will consist of at least three outside Directors and shall designate one member as Chairperson. An outside Director is a director who is not, and within the preceding fiscal year has not been, an officer or employee of the institution or any affiliate of the institution. This Committee shall maintain minutes of its meetings and shall provide those minutes to the full Board of Directors.

At least annually, the Board should determine whether each existing or potential Audit Committee member is an outside Director. In addition, at least annually, the Board should determine whether all existing and potential Audit Committee members are "independent of management of the institution". When assessing an outside Director's relationship with the Company, the Board should consider the issue not merely from the standpoint of the Director himself or herself, but also from the standpoint of persons or organizations with which the Director has an affiliation. These relationships can include, but are not limited to, commercial, banking, consulting, charitable, and family relationships. To assist the Board in fulfilling their responsibility as to whether existing and potential members of the Audit Committee are "independent of Management", Part 363.5(28) paragraphs (a) through (d) provide guidance for making this determination. The minutes of the Board of Directors should contain the results of and the basis for its determinations with respect to each existing and potential Audit Committee member.

AUTHORITY

The Audit Committee shall have all necessary and appropriate authority to perform its duties and fulfill its obligations as set forth in this Charter. As set forth under "DUTIES AND RESPONSIBILITIES", the Audit Committee will, among other things, be directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent financial auditors, including resolution of any disagreements between management and the independent financial auditors regarding financial reporting. The Company's independent financial auditors will report directly to the Audit Committee.

The Audit Committee will have the authority to retain legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Additionally, the Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist it in the conduct of any investigation.

The Audit Committee will determine, in its capacity as a committee of the Board, the appropriate funding necessary to compensate any accounting firm or other advisors to the Committee engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review, or attest services for the Company, and will work with the Board as a whole to ensure that such funds are provided and approved pursuant to the Company's responsibility to do so.

MEETINGS

The Audit Committee shall meet as often as may be necessary or appropriate in its judgment, generally four times each year, either in person or by remote methods. The Audit Committee shall meet in executive session with the external auditors at least annually. The Audit Committee shall also meet in executive session with the Bank's Compliance Officer and Audit & Risk Manager at least annually. The Audit Committee shall report to the full Board of Directors with respect to its meetings. A majority of the Audit Committee members in attendance shall constitute a quorum.

DUTIES AND RESPONSIBILITIES

To fulfill its duties and responsibilities the Audit Committee shall:

Documents/Reports Review

- Review the annual audited financial statements with the Company's Management including any issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company's financial statements.
- Review Management's FDICIA report and their conclusion as to whether the Company's internal control over financial reporting is effective as of the end of its fiscal year. Management must disclose all material weaknesses in internal control over financial reporting, if any, that it has identified that have not been remediated prior to the Company's fiscal year-end. Management is precluded from concluding that the Company's internal control over financial reporting is effective if there are one or more material weaknesses.
- Review any management letter issued by the independent financial auditor along with Management's response made in connection with the preparation of the Company's financial statements.
- Review the results of external audits, audit findings, and audit recommendations, as well as any regular reports prepared by internal audit. Consider Management's response to these reports.
- Review all supervisory examination reports, including Management's response to such reports.
- Review the CRA Community Reinvestment Activity.

Independent Accountants ("Auditors")

- Be directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent financial accountants (including resolution of disagreements between Management and the independent auditors regarding financial reporting). The Company's independent financial auditors will report directly to the Audit Committee.
- Authorize all auditing services and permissible non-audit services to be provided to the Company by the Company's independent auditors through the approval of an engagement letter. A description of non-audit services is set forth below.

Community Reinvestment Act (CRA)

The Citizens Bank Board of Directors has delegated the authority for oversight of the Bank's CRA compliance to the Board Audit Committee ("Audit Committee").

The Audit Committee will monitor:

- Compliance with CRA Policy
- Quarterly assessment of CRA measurables
- Designation of a qualified CRA Officer
- Third party examination reports, recommendations, and requirement for corrective action

NON-AUDIT SERVICES

PROHIBITED NON-AUDIT SERVICES

As a best practice the following non-audit services may not be performed for the Company by any accounting firm (or any affiliated person of such accounting firm) that performs any audit for the Company.

- Management functions or human resources;
- Financial information systems design and implementation;
- Internal auditing outsourcing services;
- Bookkeeping or other services related to the accounting records or financial statements of the Company;
- Actuarial services;
- Appraisal or valuation services, fairness opinions, or contributed-in-kind reports;
- Broker or dealer, investment advisor, or investment banking services;
- Legal services and expert services unrelated to the audit, and

These prohibitions shall apply unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the Company's financial statements.

Non-audit services, including tax services that are not described in the list above may be provided by the Company's independent auditors.

- On an annual basis, the Committee will review and discuss with the independent auditors all significant relationships the accountants have with the Company to ascertain the accountant's independence.

- Review and approve the fees to be paid to the Company's independent auditors.
- Periodically, without Management present, consult with the independent accountants regarding the Company's internal controls and preparation of the financial statements.

Internal Audit

- The Audit Committee will consider and approve the annual internal audit plan and revisions as developed by the Audit & Risk Manager.
- The Audit Committee will approve all third-party engagements necessary to complete the annual internal audit plan.
- To ensure third-party independence the Audit Committee shall be consulted and approve in advance any management engagement of a third-party that is currently or previously engaged to perform Audit Committee work. The Audit Committee, in its sole discretion, will determine if the engagement of non-audit committee work would jeopardize third-party independence. In making this determination the Audit Committee may require a statement from the third-party in advance of such non-audit committee assignment detailing those processes and procedures that ensure maintaining its independence on behalf of its work for the Audit Committee.

Financial Reporting Process

- In consultation with the independent accountants and internal auditing practitioners, review the integrity of the Company's internal and external financial reporting process.
- Consider the independent accountants' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent financial accountants, internal auditors, or management.
- Responsible for overseeing Internal Control Over Financial Reporting (ICFR), including consideration of Management's assessment of ICFR effectiveness and, when applicable, the auditor's attestation. The Audit Committee must have a detailed understanding of identified ICFR issues and engage proactively to aid in their resolution. If material weaknesses exist, it is important for the Audit Committee to understand and monitor Management's remediation plans and set an appropriate tone that prompt, effective remediation is a high priority. For example, the Audit Committee is provided with a quarterly and annual FDICIA update regarding testing status and any notable testing exceptions.. Additionally, the CEO and CFO sign a Management Report, asserting that Internal Controls Over Financial Reporting are in place and operating effectively as of the date of the audited financial statements.

Process Improvement

- Review any significant disagreement among Management and the independent accountants or the internal auditing practitioners in connection with the preparation of the financial statements, internal controls or examination process.

- Review with the independent accountants, the internal auditing practitioners and Management the extent to which changes or improvements in operating procedures or accounting practices, as approved by the Audit Committee, have been implemented.
- Following completion of the annual audit, review separately with each of Management, the independent accountants and the internal auditing department, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

Reporting Irregularities

- Maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding financial statement disclosures, accounting, internal controls, or auditing matters, and the confidential, anonymous submission by employees of the Company regarding the same. Such procedures are set forth below.

WHISTLEBLOWERS

The Company shall forward to the Audit Committee of the Board of Directors (the “Committee”) any complaints that it receives regarding Financial Disclosure Matters (financial statement disclosures, accounting, internal controls, or auditing matters) or regulatory matters (all applicable State and Federal laws and regulations).

All Company employees are expected to promptly report any concerns regarding Financial Disclosure Matters or regulatory matters to either their Operations Officer/Manager, any Operations Officer/Manager of the Company, the Human Resources Department, Compliance Manager, Audit & Risk Manager, or any of the Company’s designated Executive Officers. Any employee may also submit, on a confidential, anonymous basis (if the employee so desires), any concerns regarding Financial Disclosure Matters or regulatory matters by setting their concern(s) in writing and mailing the complaint to the Chair of the Audit Committee. If the employee wishes to discuss the matter with the Committee, they should indicate this in the complaint and provide contact information.

The Committee shall review and consider each complaint it receives and take appropriate action in response.