

## **First Citizens Banc Corp**

### **AUDIT COMMITTEE CHARTER**

The Audit Committee Charter is intended as a component of a flexible framework within which the Board of Directors (the "Board") of First Citizens Banc Corp (the "Company"), assisted by its committees, directs the affairs of the Company. It should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and By Laws. It is not intended to establish by its own force any legally binding obligations.

#### **I. PURPOSE**

The Audit Committee (the "Committee") shall (a) engage, evaluate the qualifications and performance and determine the independence and compensation of the Company's independent auditor, evaluate their conduct of the annual audit and consider their engagement for any other services, (b) oversee the preparation of the Audit Committee Report required to be included in the Company's annual proxy statement by the rules of the Securities and Exchange Commission ("SEC"), (c) assist the Board in fulfilling its responsibility to oversee management regarding: (i) the conduct and integrity of the Company's financial reporting to governmental or regulatory bodies, its shareholders, the public and other users of financial reports of the Company; (ii) the Company's systems of internal accounting and financial and disclosure controls; (iii) the Company's legal and regulatory compliance; (iv) the Company's codes of ethics as established by senior management and the Board, and (d) engage, evaluate the qualifications and performance and determine the independence and compensation of the Internal Auditor. (As used in this Charter, the "Internal Auditor" shall refer to any person or organization regularly performing internal audit functions for the Company or its subsidiaries whether an employee or an independent contractor.).

In discharging its role, the Committee is authorized to investigate any matter the Committee deems appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company. The Committee, in order to carry out its activities, is authorized to retain, compensate, direct, oversee and terminate an independent auditor, independent counsel, other auditors or experts as deemed necessary all of whom shall be accountable to the Committee.

The Company shall provide adequate funding to support the Committee's activities.

#### **II. RESPONSIBILITIES**

The Committee's role is one of oversight. The Company's senior management is responsible for preparing the Company's financial statements and the independent auditor is responsible for auditing those financial statements. The Committee recognizes that Company management (including the Internal Auditor) and the Company's independent auditor have more time, knowledge and detailed information about the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work.

The following responsibilities are set forth as a guide with the understanding the Committee may diverge as appropriate given the circumstances. The Committee is authorized to carry out these and such other responsibilities assigned by the Board from time to time, and take any actions reasonably related to the mandate of this Charter.

The Committee may form, and delegate any of its responsibilities to, a subcommittee. The subcommittee must consist of at least one member who must be a member of the Committee. In lieu of a subcommittee, the Committee may also authorize the Chair, or other person of the Committee, to carry out those responsibilities as delegated by the Committee. Regardless, any action by a subcommittee or designated person shall be presented to the full Committee at its next meeting.

To fulfill its purpose, the Committee shall:

**Supervise the Independent Audit function:**

1. Pre-approve (pre-approvals to be disclosed as appropriate in the Company's periodic public filings) the employment (and if appropriate dismissal) and periodically review and evaluate (the evaluation should take into account the opinions of management and the Internal Auditor) the independent auditors. The process shall include a review of the terms and conditions as detailed in the engagement letter or contract (including fees), scope of the annual audit and permitted non-audit services. The Committee shall require the independent auditor to report directly to them;
2. On an annual basis, review a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard No. 1 (as modified or supplemented), actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or service that may impact the objectivity and independence of the independent auditor and take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence;
3. At least annually, review a report by the independent auditor describing: (a) the firm's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review of the firm, or by any review, inquiry or investigation by governmental or professional authorities (including the Public Company Accounting Oversight Board), within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (c) all relationships between the independent auditor and the Company (to be set out in the formal written statement described under this provision # 3.);
4. Review and discuss with senior management, the independent auditor and Internal Auditor: (a) any significant deficiencies or material weaknesses in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data, including the status of previous audit recommendations; (b) any audit problems or difficulties encountered in the course of audit work, including any restriction on the scope of activities or access to required information; (c) any changes required in the scope of the audit plan; (d) the audit budget and staffing; and (e) the coordination of audit efforts in order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;

5. Review and discuss with the independent auditor: (a) any accounting adjustments that were noted or proposed but were “passed” (as immaterial or otherwise), and (b) any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditor to the Company or any other material written communications between the accounting firm and senior management, such as any management letter or schedule of “unadjusted differences”;
6. Review and resolve any disagreements between senior management and the independent auditor regarding financial reporting, or relating to any audit report or other audit, review or attest services provided by the independent auditor;

### **Oversee Internal Audit and Internal Controls**

7. Review and discuss with senior management, the Internal Auditor; and the independent auditor: (a) the adequacy of the Company’s internal control over financial reporting disclosure controls and procedures (including computerized information system disclosure controls and procedures and security), including (i) senior management’s quarterly certification of the Company’s disclosure controls and procedures and any reports of significant deficiencies or material weaknesses in internal control over financial reporting and actions taken to remedy any such weaknesses, (ii) senior management’s annual assessment of the Company’s internal control over financial reporting, (iii) the independent auditor’s annual attestation report regarding senior management’s annual assessment of the Company’s internal control over financial reporting, and (iv) whether the Company’s internal control over financial reporting and disclosure controls and procedures are designed to provide reasonable assurance that transactions entered into by the Company are properly authorized, assets are safeguarded from unauthorized or improper use, and transactions by the Company are properly recorded and reported; (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal controls; and (c) related findings and recommendations of senior management together with the independent auditor’s attestation report;
8. Establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters (Whistleblower Policy);
9. Pre-approve the employment (and if appropriate dismissal) and periodically review and evaluate (the evaluation should take into account the opinions of management and the Company’s independent auditor) the Internal Auditor. During the period of any vacancy in the position of Internal Auditor, the Committee may name qualified employees or may temporarily retain an independent contractor to act in the position of Internal Auditor. The Committee shall require the Internal Auditor to report directly to them;
10. Receive, review and approve reports (inclusive of management’s responses) prepared by the Audit Department. Resolve any disagreements between management and the Audit Department regarding financial reporting, or relating to any audit report or other audit, review or attest services provided by the Audit Department;

11. Receive, review and approve reports (inclusive of management's responses) prepared by the Compliance Officer;
12. Encourage continuous improvement of, and foster adherence to, the Company's policies, procedures and practices at all levels;

### **Oversee Financial Reporting**

13. Review and discuss with senior management and the independent auditor (a) all critical accounting policies and practices used by the Company; (b) any significant changes in accounting policies; (c) any material accounting treatments within GAAP that have been discussed with senior management, including the ramifications of the use of the alternative treatments and the treatment preferred by the accounting firm; and (d) any accounting and financial reporting proposals that may have a significant impact on the financial reports;
14. Review and discuss with the independent auditor the matters required to be discussed with the independent auditor by (a) Statement of Auditing Standards No. 61 including the Auditor's responsibility under generally accepted auditing standards, the significant accounting policies used by the Company, accounting estimates used by the Company and the process used by senior management in formulating them, any consultation with other accountants and any major issues discussed with management prior to its retention, (b) Statement of Auditing Standards No. 90 including its judgment about the quality of the Company's accounting principles; and (c) Statement of Auditing Standards No. 100 including the review of the interim financial information of the Company and any material modifications that need to be made to the interim financial information for it to conform with GAAP;
15. Review the Company's financial statements, including: (a) prior to public release, reviewing and discussing with senior management and the independent auditor the Company's annual and quarterly financial statement to be filed with the SEC, including (i) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and (ii) any certifications regarding the financial controls and procedures and disclosure controls or procedure filed with SEC by the Company's senior executive and financial officers and (b) with respect to the independent auditor's annual audit report and certification before release of the annual audited financial statements, meeting separately with the independent auditor without any management member present and discussing the adequacy of the company's system of internal accounting and financial controls and the appropriateness of the accounting principles used in and the judgments made in the preparation of the Company's audited financial reports; (c) meeting separately, on a periodic basis, with senior management, the Internal Auditor and the auditor; (d) making a recommendation to the Board regarding the inclusion of the audited annual financial statements in the Company's Annual Report on Form 10-K to be filed with the SEC; and (e) prior to submission to any governmental authority of any financial statements of the Company that differ from the financial statement filed by the Company with the SEC, reviewing such financial statements and any report, certification or opinion thereon provided by the independent auditor;

## **Report**

16. Prepare a report to be included in the Company's annual proxy statement stating whether or not the Committee: (a) has reviewed and discussed the audited financial statements with senior management; (b) has discussed with the independent auditor the matters required to be discussed by SAS Nos. 61 and 90; (c) has received the written disclosure and letter from the independent auditors (delineating all relationships they have with the Company) and has discussed with them their independence; and (d) based on the review and discussions referred to above, the members of the Committee recommended to the Board that the audited financial be included in the Company's Annual Report on Form 10-K for filing with the SEC; and
17. Review and reassess the adequacy of this Charter annually, and amend as the Committee deems appropriate; and report regularly to the Board on Committee findings and recommendations (including on any 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 independent auditor or the performance of the internal audit and compliance functions) and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.

### **III. COMMITTEE MEMBERSHIP**

The Committee shall consist of three or more members of the Board. The members shall be appointed by the Board and, each shall have been determined, by the Board, to be "independent" based upon the listing standards of the National Association of Securities Dealers ("NASD").

All members of the Committee shall meet the financial literacy requirements of NASD and at least one member shall be an "audit committee financial expert" as determined by the Board in accordance with applicable SEC rules.

Committee members shall be elected by the Board at its annual organizational meeting, but members may be added, removed or changed at any other meeting of the Board. Committee members shall continue to be members until their successors as committee members are elected and qualified or until their earlier death, incapacity, resignation or removal. Any member may be removed, with or without cause, by the Board at any time.

The Board may appoint a Chair to convene and preside over all sessions of the Committee, set agendas for Committee meetings, and determine the information needs of the Committee. If the Board fails to appoint a Chair, the members of the Committee shall elect a Chair by majority vote to serve at the pleasure of the majority. In the absence of the Chair at a duly convened meeting, the Committee shall select a temporary substitute from among its members to serve as Chair of the meeting.

Committee members should maintain and improve their level of financial literacy through appropriate efforts, including attendance at educational programs provided by the Company or outside consultants.

#### **IV. COMMITTEE MEETINGS**

The Committee shall establish its own schedule of meetings, which shall be at least quarterly or more frequently as circumstances dictate. Committee meetings may be held telephonically or Committee members may attend a meeting telephonically; provided, however, that the Company's regulations may affect payment of members for telephonic attendance. A majority of the members of the Committee shall constitute a quorum for a meeting and the affirmative vote of a majority of members present at a meeting at which a quorum is present shall constitute the action of the Committee. The Committee shall otherwise establish its own rules of procedure.

The Committee shall be provided, at each meeting, the opportunity to hold an executive session.