

## **CITIZENS BANKING CORPORATION** **AUDIT COMMITTEE CHARTER**

### Organization

This charter governs the operations of the audit committee (the “Committee”) of Citizens Banking Corporation (the “Company”). The Committee shall review and reassess the adequacy of this charter at least annually and obtain the approval of the Company’s board of directors for any proposed amendments to this charter. The Committee shall be appointed by the board of directors and shall be comprised of at least three directors, each of whom shall be determined to be an “independent director” pursuant to the applicable rules of The Nasdaq Stock Market and the U.S. Securities and Exchange Commission (the “SEC”). All committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee, and at least one member shall have accounting or related financial management expertise based on past employment experience, professional certification in accounting or any other comparable experience or background. No member may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

### Statement of Policy

The Committee shall provide assistance to the board of directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, regulatory agencies and others relating to the Company’s financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company’s financial statements, and the legal, compliance and ethics programs as established by management and the board of directors. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose.

### Responsibilities and Processes

The primary responsibility of the Committee is to oversee the Company’s financial reporting process on behalf of the board of directors and report the results of their activities to the board. Management is responsible for preparing the Company’s financial statements, and the independent auditors are responsible for auditing those financial statements. The Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in

order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate tone for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal responsibilities and the recurring processes of the Committee in carrying out its responsibilities. The responsibilities and processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the board of directors and the Committee, as representatives of the Company's shareholders. The Committee shall have the ultimate authority and responsibility to appoint, compensate, oversee, evaluate and, where appropriate, replace the independent auditors, and to approve in advance all audit services and permissible non-audit services (other than de minimus non-audit services as defined under SEC rules) provided by the independent auditors. Annually, the Committee shall review and recommend to the board the selection of the Company's independent auditors.
- The Committee shall ensure that the independent auditors prepare and deliver annually to the Committee a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independent Standards Board Standard No. 1; actively engage in dialogue with the independent auditors with respect to all relationships or services disclosed in the Statement that may impact the independent auditors' objectivity and independence; and take, or recommend that the board of directors take, appropriate action to satisfy itself of the independent auditors' independence.
- The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's process to monitor and manage business risk, and legal and ethical compliance programs. Further, the Committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations.
- The Committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

- The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
- The Committee has been designated by the board of directors as the Qualified Legal Compliance Committee of the Company. In this capacity, the Committee has the authority to: (i) receive reports of evidence of a material violation by the Company or any of its officers, directors, employees or agents, of an applicable U.S. federal or state securities law, a material breach of a fiduciary duty arising under U.S. federal or state law, or similar material violation of any U.S. federal or state law; (ii) inform the Company's chief legal officer and chief executive officer of any report of evidence of a material violation; (iii) determine whether an investigation is necessary, and if so, to notify the board of directors, initiate an investigation, and retain additional expert personnel as necessary; (iv) at the conclusion of any such investigation, recommend implementation of an "appropriate response" (as defined by rule or regulation of the SEC) and inform the chief legal officer and chief executive officer of the results of such investigation and the appropriate remedial measures to be adopted; and (v) take all other appropriate action, including notifying the SEC if the Company fails to implement an appropriate response recommended by the Committee
- The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company or the Committee regarding accounting, internal accounting controls, or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters.

The Committee shall also have the following general responsibilities:

- Review and approve any related-party transactions required to be disclosed in the Company's annual proxy statement pursuant to Item 404 of SEC Regulation S-K.
- Prepare, or assist in the preparation of, the report of the Committee required by the SEC for inclusion in the proxy statement.

- Oversee compliance with the requirements of the SEC for disclosure of auditors' services and Committee members, member qualifications and activities.
- Determine appropriate compensation for (i) any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attestation services for the Company, and (ii) any independent counsel or advisors employed by the Committee. The Company shall provide appropriate funding, as determined by the Committee, for payment of such compensation as well as for the ordinary expenses of the Committee that are necessary or appropriate in carrying out its duties.

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