



Audit Committee Charter

Purpose:

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Citizens Community Bancorp, Inc. (the "Corporation") to represent and provide assistance to the Board in fulfilling its oversight responsibility relating to the integrity of the Corporation's financial statements and the financial reporting processes; the systems of internal accounting and financial controls; the Corporation's compliance with legal and regulatory requirements; the annual independent audit of the Corporation's financial statements; the independent auditors' qualifications and independence; the performance of independent auditors, review of risk management systems and any other areas specified by the Board. The Committee shall annually prepare a report to shareholders as required by the Securities and Exchange Commission (the "SEC") for inclusion in the Corporation's annual proxy statement. In discharging its duties and responsibilities, the Committee is empowered to investigate any matter brought to its attention, with full access to all necessary books, records, facilities and personnel of the Corporation, and has the authority to retain at the Corporation's expense special legal, accounting or other advisors, consultants or experts as it deems appropriate.

The function of the Audit Committee is to assist the Board in fulfilling its responsibilities to the shareholders and oversight of management of the external auditors. The Corporation's management is responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit and reviews, including auditing the Corporation's annual financial statements and reviewing the Corporation's quarterly financial statements prior to the filing of the Corporation's annual and quarterly reports on Forms 10-K and 10-Q with the SEC. In fulfilling its responsibilities, it is recognized that members of the Committee are not employees of the Corporation and are not, and do not necessarily represent themselves to be, accountants or auditors by profession. As a result, it is not the duty or responsibility of the Committee or its members to conduct auditing or accounting reviews or procedures or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP") and applicable rules and regulations. These are the responsibilities of management and the independent auditors. Each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Corporation from whom and from which he or she receives information and the accuracy of the financial and other information provided to the Committee by such persons or organizations, absent actual knowledge to the contrary (which shall be promptly reported to the Board).

The Audit Committee is directly responsible for the appointment and replacement of the independent auditors (or to nominate the independent auditors to be proposed for shareholder approval in the proxy statement), compensation and oversight of the work of the Corporation's independent auditors, including the resolution of disagreements between management and the auditor regarding financial reporting. The Corporation shall provide the Committee with appropriate funding for payment of compensation, fees and expenses to the independent auditors and to counsel or other advisors that the Audit Committee may deem appropriate to engage.

The Committee shall also serve as the Qualified Legal Compliance Committee (the "QLCC") of the Board with the authority to receive, review and take appropriate action with respect to any report made or referred to the Committee by an attorney of evidence of a material violation of applicable U.S. federal or state securities law, a material breach of fiduciary duty under U.S. federal or state law or a similar material violation of any U.S. federal or state law by the Corporation or any officer, director, employee or agent of the Corporation, and to otherwise fulfill the responsibilities of a QLCC pursuant to Section 307 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder.

Composition and Meetings:

The Committee shall be comprised of three or more directors who are "independent directors" within the meaning of the rules of the SEC and The Nasdaq Stock Market ("Nasdaq"), each of whom shall not be an officer or employee of the Corporation or its subsidiaries, shall be free from any relationship that would interfere with the exercise of his or her independent judgment and shall otherwise satisfy the applicable membership requirements under the rules of Nasdaq. Each member of the Committee shall be financially literate; as such qualification is interpreted by the Board in its business judgment. A "financially literate" director is one who is able to read and understand fundamental financial statements, including the Corporation's balance sheet, income statement and cash flow statement. At least one member of the Committee shall be designated annually by the Board as an "audit committee financial expert," as the SEC defines that term and as the Board interprets such qualification in its business judgment consistent with such definition.

The members of the Committee shall be elected by the Board to hold such office until their successors have been duly elected and qualified. Unless a chairperson is elected by the Board, the members of the Committee may designate a chairperson by majority vote of the full Committee membership.

The Committee shall meet at least quarterly. The Committee chairperson shall prepare and/or approve an agenda in advance of each meeting. If the chairperson is not available for a meeting, the other members of the Committee may appoint a temporary chairperson for such meeting. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. The Committee shall meet separately, periodically, with management, and the independent auditors, to discuss any matters that the Committee or any of these persons believes should be discussed. The Committee may also meet separately with regulatory examiners.

Authority and Responsibilities:

The following shall be the principal duties, responsibilities and recurring processes of the Committee in carrying out its oversight role. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate. The Committee will cause to be kept adequate minutes of all its proceedings, and will report its actions at the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Corporation, or (c) the laws of its jurisdiction of incorporation.

As part of its oversight responsibility, the Committee shall:

Review and Approval of Policies and Procedures

1. Review and discuss the form of presentation and type of information to be contained in earnings press releases. The Committee need not discuss in advance each earnings release or each instance in which the Corporation may provide earnings guidance.
2. Prior to the filing of quarterly and annual reports on Forms 10-Q and 10-K, review and discuss with management and the independent auditors: (i) the Corporation's quarterly and annual consolidated financial statements; (ii) matters that affect the Corporation's consolidated financial statements, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;" (iii) the results of the independent auditors' reviews of the quarterly financial statements, the audit of the annual financial statements and the independent auditors' report, and

any other matters required to be communicated to the Committee by the independent auditors, as well as discussions regarding qualitative judgments of the independent auditors about the appropriateness, not just the acceptability, of the Corporation's accounting principles, and the clarity of the financial statements; (iv) all critical accounting policies and practices to be used; (v) any matters required to be communicated to the Committee by the independent auditors in accordance with SAS Nos. 61 and 71 or any other SAS; and (vi) other material written communications between the independent auditors and management. Prior to the filing of the Corporation's Annual Report on Form 10-K, recommend to the Board whether the audited financial statements should be included in the Form 10-K and prepare any report, including any report of the Committee required by the rules of the SEC to be included in the proxy statement for the Corporation's annual meeting.

3. Approve internal audit policy and compliance policy. The internal audit and compliance policy shall at a minimum include written policies and procedures for loan and deposit audits and internal cash audit for third party review. Quarterly, management will summarize all audits performed in the previous quarter in all operational areas, including but not limited to accounting, financial reporting, indirect lending, and administrative controls and present to the Board for approval.
4. Regularly review with the independent auditors any problems or difficulties encountered in the course of the audit work and management's response, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management.
5. Review: (i) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and any major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of any material control deficiencies; (ii) 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 statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Corporation's financial statements. In consultation with management, the independent auditors monitor the integrity and effectiveness of the Corporation's financial reporting processes and systems of internal controls, including reviewing the adequacy of the Corporation's system of internal control over financial reporting and the Corporation's disclosure controls and procedures, reviewing and discussing major financial risk exposures and the steps management has taken to monitor, control and report such exposures, and reviewing significant findings relating to the foregoing prepared by the independent auditors, together with management's responses and follow-up to these reports.
6. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and for the confidential receipt, retention and consideration of any oral or written reports of a material violation of U.S. federal or state law received by the Committee in its capacity as the QLCC. Such procedures have been established by the Committee and are set forth in the Corporation's Code of Business Conduct and Ethics.
7. Review the policies and procedures established by senior management to assess and monitor implementation of the Bank's strategic business plan and the operating goals and objectives contained therein.

Independent Auditors and Other External Services

8. The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors, including resolution of disagreements between

management and the independent auditors regarding financial reporting. The independent auditors shall report directly to the Committee. The Committee shall approve the appointment of the independent auditors, subject, if applicable, to shareholder ratification.

9. Pre-approve the engagement letters and the fees to be paid to the independent auditors for all audit and permissible non-audit services to be provided by the independent auditors and consider the possible effect that any non-audit services could have on the independence of the auditors. The Committee may establish pre-approval policies and procedures, as permitted by applicable law and SEC regulations and consistent with this Charter, for the engagement of the independent auditors to render permissible non-audit services to the Corporation, including but not limited to policies that would allow the delegation of pre-approval authority to one or more members of the Committee, provided that any pre-approvals delegated to one or more members of the Committee are reported to the Committee at its next scheduled meeting.
10. Evaluate the qualifications, independence and performance of the independent auditors annually. This evaluation shall include a review and discussion of the annual communication as to independence delivered by the independent auditors required by applicable auditing standards adopted by the Public Company Accounting Oversight Board. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law and the rotation of any other audit partner whose rotation is required by the regulations of the SEC.
11. Review the audit plan of the independent auditors -- discuss scope, staffing, timing, estimated and actual fees (including approving the fee arrangements with the independent auditors), reliance upon management and general audit approach.
12. Set clear hiring policies for employees or former employees of the independent auditors.

Other Committee Responsibilities

13. Review and reassess the adequacy of this Charter at least annually, and recommend any proposed changes to the Board for its approval. Ensure the publication of this Charter in accordance with SEC regulations.
14. Review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, and the performance and independence of the independent auditors.
15. Conduct an appropriate review of and approve all related party transactions on an ongoing basis, as required by the NASDAQ listing standards. For these purposes, the term "related party transactions" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404, and any other such transaction defined by rules of NASDAQ.
16. Review with the Corporation's chief corporate counsel: (i) any significant legal matter that could have a material impact on the Corporation's financial statements; (ii) legal compliance matters, including compliance with the Corporation's Code of Business Ethics and Conduct and Insider Trading Compliance Program, corporate securities trading policies and material notices to or inquiries received from governmental agencies; and (iii) reports of evidence of a material violation of securities laws or breaches of fiduciary duty.

17. Review disclosures made to the Committee by the Corporation's CEO and CFO during their certification process for the Forms 10-K and 10-Q with respect to the financial statements and about any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and any fraud, whether or not material, involving management or other employees who have a significant role in the Corporation's internal control over financial reporting.
18. Ensure required certifications are made to NASDAQ: (i) that a formal written charter has been adopted for the Committee and that the Committee has reviewed and reassessed the adequacy of the charter on an annual basis; and (ii) as to the independence of the members of the Committee.
19. Obtain from the independent auditors assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated.
20. If necessary, whether acting its capacity as the QLCC or otherwise, institute special investigations and, if appropriate, hiring special counsel or experts to assist in any such investigation.
21. In its capacity as the QLCC, upon the receipt of a report of evidence of a material violation, (a) inform the Corporation's Chief Executive Officer and Chief Financial Officer of the receipt of such evidence; (b) determine whether an investigation is necessary regarding any such report, (c) if the Committee determines an investigation is necessary, inform the Board and initiate an investigation with the assistance of special counsel or other experts, (d) at the conclusion of the investigation, recommend that the Corporation implement an appropriate response and informing the Chief Executive Officer and the Board of the results of the investigation and the appropriate remedial measures that it recommends be adopted, and (e) take any other appropriate action, including notifying the SEC in the event that the Corporation fails in any material respect to implement an appropriate response that the Committee has recommended to the Corporation.
22. Perform any other activities consistent with this Charter, the Corporation's bylaws or governing law as the Committee or the Board deems necessary or appropriate.