



Internal Audit Charter & Policy

Approved by the Audit Committee

September 12, 2007

INTERNAL AUDIT CHARTER & POLICY

RESOLVED, that the Internal Audit Manager is to manage and oversee the Internal Audit Function for T Bancshares, Inc. and T Bank, NA. In this capacity, the Internal Audit Manager will be independent of normal Company operations and will report directly to the Audit Committee of the Board of Directors.

It is further resolved that:

- A. The Internal Audit Manager is responsible for developing an annual audit program for the Bank. The audit program will be reviewed and approved by the Audit Committee. The audit program will be subject to periodic review for updating. The program will cover all significant organizational activities over an appropriate time cycle. Significant changes made to the Audit Plan during the year will be presented to the Audit Committee for approval.
- B. The Internal Audit Manager is authorized to direct and manage outsourced internal audits and examinations of all of the books, records, properties, securities, collateral, and accounting procedures relating to T Bancshares, Inc. and T Bank, NA activities at anytime deemed appropriate.
- C. The Internal Audit Manager will make recommendations either based on internal reviews or outsourced Internal Auditor reviews to Management from time to time regarding:
 - 1) Internal controls and safeguards
 - 2) The Bank's accounting system
 - 3) Regulatory and legal compliance, and
 - 4) Changes to the Bank's policy and procedures manuals
- D. The Internal Audit Manager will distribute reports to the Board's Audit Committee members and will meet with this Committee periodically (or at least quarterly) to verbally review these reports and management's response.
- E. Management will provide sufficient resources to the Internal Audit Function to allow it to achieve the objectives set forth by the Board. In addition, the Internal Audit Manager shall be granted sufficient authority to cross departmental lines to exercise responsibilities set forth by the Board's Audit Committee.
- F. Outsourced Internal Audit is subject to evaluation of the Audit function's effectiveness and efficiency by the Internal Audit Manager and the Audit Committee of the Board of Directors.

G. It is the intention of the Board that the Internal Audit function is completely independent from management, including the preparation of regulatory financial reports. The Internal Audit Manager is responsible to the Board for overseeing the Audit function and ensuring outsourced Internal Auditors are conducting an effective audit program. With the context of this relationship between the Internal Audit Manager, outsourced Internal Auditors, and the Board, the Internal Audit Manager also supports Management. In this regard, the Board desires that:

- The Internal Audit Manager keeps fully apprised of management's objectives for the Bank. Audits are conducted, insofar as possible, consistent with management's objectives.
- The Internal Audit Manager is responsible for reporting the results of ongoing outsourced audit activities to the Audit Committee. Management and staff of T Bancshares, Inc. and T Bank, NA are responsible for designing, implementing, and maintaining the Bank's accounting systems, internal controls, and policy and procedures. The Internal Audit Manager is responsible for advising Management as to whether they are adequate, efficient, effective, and whether or not the staff is appropriately complying. The Internal Audit Manager also reviews these reports with other decision-makers at various levels within the Bank.
- Outsourced Internal Auditors are available to the Audit Committee and Management and staff for advice and recommendations concerning control procedures. In this regard, outsourced Internal Auditors cannot participate in the decision making process or in the implementing of decisions. Outsourced Internal Auditors will provide information in an advisory capacity only.

H. The Board requires the recipient of an audit to respond in writing within a given time frame upon receipt of the audit report. It is the responsibility of Internal Audit Manager to ensure appropriate and timely responses to the audit report are completed by the recipient. The reply will address corrective action taken or to be taken to all recommendations or, if not in agreement with a recommendation, the justification for the difference of opinion.

I. After the response has been received, the audit report and the response will be discussed with the Audit Committee. If Management is not in agreement with a recommendation, the justification for the difference of opinion will be appended to Internal Audit's report and both will be presented to the Audit Committee for resolution.