

Exhibit 2

THE INTERNAL AUDIT ACTIVITY CHARTER

REVISED SEPTEMBER ____

INTRODUCTION

The purpose of an audit charter is to state the objective, authority, and responsibilities of the Chief Audit Executive (CAE), the Internal Audit Activity (IAA), audit staff, and the audit committee. Additional information is contained in the Code of Ethics and The Audit Committee Charter.

OBJECTIVE

Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

AUTHORITY

The authority for the internal audit function is derived directly from the board of directors. The board of directors governs internal audit activities. The internal audit activity operates as an extension of the audit committee of the board of directors. Its main purpose is to assist the committee in providing the board reasonable assurance the bank and its subsidiaries are being operated properly and in accordance with applicable laws, regulations, and generally accepted accounting principles.

The scope of internal auditing activities is subject to board review and approval, but shall not otherwise be restricted. The board's audit committee is responsible for the oversight of the internal audit activity and for reviewing all reports issued by both internal and external auditors.

The Chief Audit Executive (CAE) and the audit activity staff, in their capacity, will be independent of the normal bank operations. To provide independence and objectivity, internal auditors report functionally to the audit committee of the board of directors and administratively to the president or chief executive officer. For internal auditing to be effective, it is essential that there be mutual cooperation between the management, staff, and auditors.

Internal auditors, with stringent regard for safekeeping and confidentiality, will take the initiative and have the authorization for direct access to any records, files, or data, (including management information systems and board / committee minutes) needed to effectively examine any bank, bank holding company, and fiduciary activity or entity. This authorization includes access to and communication with any member of the bank's staff. Access must be granted to all records, property and personnel at reasonable times.

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INTERNAL AUDITOR RESPONSIBILITIES

Internal auditor responsibilities are:

- To examine accounting, financial and other operations at appropriate intervals to determine the existence of and adherence to appropriate internal controls. This assists the board in determining that financial and other information is reliable, assets are properly safeguarded and errors are identified and corrected in a timely manner.
- To determine whether bank operations comply with approved policy, applicable regulatory requirements, generally accepted accounting principles and sound business practices. Internal auditors should also assess and report conclusions regarding the effectiveness and efficiency of operations reviewed.
- To submit reports to appropriate levels of management on the results of audits performed. At a minimum, formal (written) reports should include scope, analysis of findings, recommendations for improvement and general assessment (opinion) of the activity reviewed. Informal (verbal) reports may be appropriate if immediate corrective action is needed or for less important concerns.

Follow-up audits should be performed to determine whether appropriate corrective action has been taken on previous items reported.

- To work with the audit committee and adopt the risk based audit methodology to be used by the auditor in the resource, planning, and implementation of the audit program. The audit committee expects the most appropriate coverage with the resources available.
- To maintain a comprehensive, effective audit program staffed by competent, qualified personnel. Limited audit resources must be efficiently and effectively directed toward highest risk exposures and achievement of bank objectives.
- To assure appropriate controls are included in new systems or modifications to existing systems.
- To coordinate audit work programs with the bank's external auditors to minimize cost and duplication. The internal auditor should also work with external auditors and regulators to assure work is done efficiently and with the least disruption to bank operations.
- To promote understanding and application of internal controls to operations through written and oral, formal and informal, communications with management.

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- To be represented on all major committees to assure awareness of developments that require audit input, especially when control considerations are involved.
- To make periodic (bi-monthly, quarterly, etc.) reports to the audit committee on the results of activities.

THE AUDITOR'S RELATIONSHIP WITH THE REST OF THE BANK

It is the intension of the board and the president that internal auditors operate in complete independence from the rest of the bank. The Chief Audit Executive is responsible to the board for conducting an effective audit program. Within the context of this relationship between the auditors and the board, the auditors also support bank management. In this regard, the following comments are appropriate:

- The Chief Audit Executive stays fully apprised of management's objectives for the bank. Audits are conducted, insofar as possible, consistent with bank objectives.
- The president and his staff are responsible for designing, implementing, and maintaining the bank's accounting systems, internal controls, policies and procedures. The CAE advises the president as to whether these are adequate, efficient, and effective, and whether or not the staff is following them.
- The Chief Audit Executive is available to the president and the bank staff for advice and opinions concerning bank control procedures. In this regard, the CAE and the audit activity staff cannot participate in the decision-making process or in the implementing of the decision. They are advisors only; any other responsibilities would compromise the independence of future audits. Specifically, the internal audit activity cannot control or have any authority over the personnel or departments being audited.
- The Chief Audit Executive must budget the activities of the auditing department so that costs are kept to a minimum consistent with the risks involved for the bank.
- The Chief Audit Executive is subject to measurement of the audit function's effectiveness and efficiency by the board's audit committee.

REPLIES TO AUDIT REPORTS

The board of directors requires the recipient of an audit to respond in writing within thirty days of receipt of the audit report. The reply will address corrective action taken to all recommendations, or if not in agreement with a recommendation, the justification for the difference of opinion.

After the response has been received, the audit report and the response will be discussed with the audit committee. If the response is not in agreement with a recommendation, the justification for

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the difference of opinion will be appended to the auditor's report, and both will be presented to the audit committee. The decision of the audit committee will be presented to the full board of directors.