

**Alliance Bank and Trust**  
**CHARTER OF THE AUDIT COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**Last Revised: December 14, 2012**  
**Board Approved: February 25, 2014**

**I. PURPOSE**

The purpose of the Audit Committee of the Board of Directors of Alliance Bank and Trust is to provide independent and objective oversight of the accounting functions and internal controls of Alliance Bank and Trust, its subsidiaries and affiliates (as applicable), and to ensure the objectivity of their financial statements. In addition, it provides oversight for the Bank's full compliance with all laws and regulations to which it may be subject. The Committee shall also review and advise the Board with respect to the Bank's risk management policies and tax policies.

**II. FUNCTIONS**

The Audit Committee shall perform the following functions:

- 1. Independent Accountants.** Appoint, compensate and oversee the firm to be employed by the Bank as its independent accountants, which firm being ultimately accountable to the Committee as representatives of shareholders.
- 2. Plan of Audit.** Consult with the independent accountants regarding the plan of audit. The Committee also shall review with the independent accountants their report on the audit and review with management the independent accountant's suggested changes or improvements in the Bank's accounting practices or controls.
- 3. Accounting Principles and Disclosure.** Review significant developments in accounting rules. The Committee shall review with management recommended changes in the Bank's methods of accounting or financial statements. The Committee also shall review with the independent accountants any significant proposed changes in accounting principles and financial statements.
- 4. Internal Accounting Controls.** Consult with the independent accountants regarding the adequacy of internal accounting controls. Where appropriate, consultation with the independent accountants regarding internal controls shall be conducted out of management's presence. In connection with this function, the Committee may require the Bank's counsel to circulate a questionnaire to evaluate the Bank's compliance with banking, financial disclosure and accounting laws.

**5. Financial Disclosure Documents.** Review with management and the independent accountants the Bank's financial disclosure documents, including all financial statements and reports filed with the State of North Carolina Commissioner of Banks and FDIC or sent to stockholders and following the satisfactory completion of each year-end-review recommended to the Board the inclusion of the audited financial statements. The review shall include any significant problems and material disputes between management and the independent accountants and a discussion with the independent accountants out of management's presence of the quality of the Bank's accounting principles as applied in its financial reporting, the clarity of the Bank's financial disclosures and degree of aggressiveness or conservatism of the Bank's accounting principles and underlying estimates, and a frank and open discussion of other significant decisions made by management in preparing the financial disclosure.

**6. Internal Control Systems.** Review with management and internal auditors, the Bank's internal control systems intended to ensure the reliability of financial reporting and compliance with applicable codes of conduct, laws, and regulations. The review shall include any significant problems and regulatory concerns. The Committee also shall review internal audit plans in significant compliance areas.

**7. Audit Reviews.** Receive all reports from the Bank's external auditors, internal auditors and compliance audit consultants; and will report significant findings and events to the full Board of Directors. The Committee shall also review in detail the FDIC and North Carolina Commissioner of Banks examination reports and Management's response on corrective action to be taken.

**8. Ethical Environment.** Consult with management on the establishment and maintenance of an environment that promotes ethical behavior, including the establishment, communication, and enforcement of codes of conduct to guard against dishonest, unethical, or illegal activities.

**9. Oversight of Executive Officers and Directors and Conflicts of Interest.**

Review conflicts of interest involving directors or executive officers. The Committee shall review compliance with Bank policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor, or the independent accountant. The Committee shall review executive officers' and directors' loan and deposit relationships and consider the results of any review of these areas by the internal auditor or the independent accountant. The Committee also shall review questionable or illegal payments.

**10. Oversight of Independent Accountants.** Evaluate the independent accountants on an annual basis and where appropriate recommend a replacement for the independent accountants. In such evaluation, the Committee shall ensure that the independent accountants deliver to the Committee a formal written statement delineating all relationships between the accountants and the Bank. In addition, at least once every two years the independent auditor's "peer review" report shall be reviewed. All audit and permissible non-audit services, including tax services, must be pre-approved by the Committee. In any matter in which time is of the essence, the Committee Chairman is authorized to pre-approve the necessary service and will then decide whether a special call meeting of the full committee is required, or if the full committee will be informed at its next regularly scheduled meeting. Further, the Committee will receive directly from the independent accountants the Bank's audited financial statements and any other pertinent communication.

**11. Complaints.** Establish procedures for A) the receipt, retention, and treatment of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters; and B) the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters. See the Whistle Blower's Policy for specific details.

**12. Adequacy of Personnel.** Review periodically the adequacy of the Bank's accounting, financial, and auditing personnel resources.

**13. Risk Management.** Review and evaluate risk management policies in light of the Bank's business strategy, capital strength, and overall risk tolerance. The Committee also shall evaluate on a periodic basis the Bank's investment and derivatives risk management policies, including the internal system to review operational risks, credit risks, interest rate risks, procedures for derivatives investment and trading, and safeguards to ensure compliance with procedures.

**14. Tax Policies.** Review periodically the Bank's tax policies and any pending audits or assessments.

**15. Legal Requirements.** The Committee shall assist the Board in its oversight of the Bank's compliance with legal and regulatory requirements.

**16. Charter Amendments.** Review this Charter annually, assess its adequacy and propose appropriate amendments to the Board.

The Committee's function is one of oversight and review, and it is not expected to audit the Bank, to define the scope of the audit, to control the Bank's accounting practices or to define the standards to be used in preparation of the Bank's financial statements.

### **III. COMPOSITION & INDEPENDENCE**

The Committee shall consist of not less than three independent members, none of whom shall be employees of the Bank. The Board of Directors shall appoint such members. Members of the Committee shall be financially literate or become financially literate within a reasonable period of time after appointment to the Committee. No member of the Committee shall be employed or otherwise affiliated with the Bank's independent accountants. A member of the Committee may not, other than in his or her capacity as a member of the Committee, the Board of Directors, or any other Board committee, accept any consulting, advisory or other compensation fee from the Bank.

In the event that a Committee member faces a potential or actual conflict of interest with respect to a matter before the Committee, that Committee member shall be responsible for altering the committee Chairman, and in the case where the Committee chairman faces a potential or actual conflict of interest, the Committee Chairman shall advise the chairman of the Board of Directors. In the event that the Committee Chairman, or the Chairman of the Board of Directors, concurs that a potential or actual conflict of interest exists, the Committee member will excuse him or herself from discussion and voting with respect to that item.

#### **IV. QUORUM and MEETINGS**

A quorum of the committee shall be declared when a majority of the appointed members of the Committee are in attendance (in person or by telephone), except for receiving the quarterly review report of the interim financial statements included in the Bank's Call Report. This report may be received on behalf of the Committee by the Committee Chair and reported to the full Committee at its next scheduled meeting. The Committee shall meet on a quarterly basis. Meetings shall be scheduled at the direction of the Chairman. Except in emergency situations, notice of the meetings shall be provided at least five days in advance. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.

#### **V. REPORTS**

The Committee will report to the Board from time to time with respect to its activities and its recommendations. When presenting any recommendation or advice to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee will keep minutes of its meetings and will make such minutes available to the full Board for its review.

The Committee shall report to shareholders in the Bank's proxy statement for its annual meeting whether the Committee has satisfied its responsibilities under this Charter.

#### **VI. OTHER AUTHORITY**

The Committee is authorized to confer with Bank management and other employees to the extent it may deem necessary or appropriate to fulfill its duties. The Committee is authorized to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The committee also is authorized to seek outside legal, or other advice to the extent it deems necessary or appropriate, provided it shall keep the Board advised as to the nature and extent of such outside advice.

The Committee will perform such other functions as are authorized for this Committee by the Board of Directors.