

# Rules of Procedure for the Board Audit Committee

The Board committees are discussed in section IV of the Rules of Procedure for the Board of Directors. These provisions are set out with reference to those rules, which also apply to the Board committees as appropriate. Please refer to the Rules of Procedure for the Board of Directors on points which are not addressed below.

The CEO attends meetings of Board committees and has the right to debate and submit proposals, unless the committee decides otherwise on particular instances. Furthermore, the Internal Auditor and Chief Financial Officer attend meetings of the Board Audit Committee.

## 1. Committee Members and Requirements

The Board Audit Committee (BAC) must consist of at least three members; at least two of whom must be Board Directors. Committee members shall be independent of the Chief Internal Auditor and the external auditor and the majority of committee members shall also be independent of the Bank. Furthermore, one member, who is independent of the day-to-day management and the Bank, shall also be independent of major shareholders. The CEO, Managing Directors, or other employees of the Bank cannot be members of the Committee.

The Committee members should have the qualifications and experience necessary to be able to discharge their duties. At least one member must have sufficient expertise in the field of accounting or auditing.

## 2. Main Role

The BAC's role is to assist the Board in meeting its responsibilities in ensuring an effective system of internal controls and compliance and for meeting its external financial reporting obligations under applicable laws and regulations. The BAC shall supervise accounting procedures, the organization and function of the Bank's internal controls, and the auditing of the annual accounts and the Bank's consolidated accounts.

## 3. Meetings

Meetings of the BAC shall be held as often as considered necessary, although there shall be a minimum of five meetings a year. If a committee member, the CEO, the Internal Auditor, the Chief Risk Officer or the Compliance Officer requests that a meeting be held, this shall be done as quickly as possible.

The BAC shall have access to the information and material which the committee believes it requires in order to carry out its duties.

## 4. Main Responsibilities

In addition to other tasks entrusted to the BAC by the Board or the Chairman of the Board, the main responsibilities of the BAC are as follows.



#### 4.1. INTERNAL AND EXTERNAL AUDIT AND FINANCIAL REPORTING

The BAC shall:

- a) Annually review the financial statements of the Bank with the Chairman of the Board, CEO, CFO and the external auditor to determine if the external auditor is satisfied with the disclosure and content of the financial statements.
- b) Review the interim financial reports and submit to the Board for approval.
- c) Ensure the receipt from the external auditor of a formal written statement, delineating all relationships between the external auditor and the Bank consistent with the Independence Standards Board Standard No. 1.
- d) Actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor and be responsible for taking, or recommending that the Board takes appropriate action to oversee the independence of the external auditor. For the BAC to be able to carry out its duties the external auditor shall report annually to the BAC on its duties, declare his independence and submit a written report on important issues which have come up in the course of the audit. Special mention must be made in the report of deficiencies in internal controls in accounting procedures.
- e) Carry out a review of the external auditor and make a recommendation to the Board on the selection and dismissal of the external auditor after such a review, for the shareholders' meeting approval. The review shall be performed at the latest before each AGM and its main results shall be presented to the Board.
- f) Review with the external auditor and the Chief Financial Officer (CFO), the adequacy and effectiveness of the accounting and financial controls of the company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
- g) Consider, in consultation with the external auditor and management of the Bank, the audit scope and procedures.
- h) Consider and advise the Board on the scope of internal audit.
- i) Meet with the Chief Internal Auditor, the external auditor or the management privately to discuss any matters that the BAC, the Chief Internal Auditor, the external auditor or the management believe should be discussed privately with the BAC.
- j) Annually schedule a joint meeting of the Board, BAC and the external auditors, where the day-to-day management of the Bank is not present:
- k) Review of quarterly reports from the Chief Internal Auditor.
- l) Review any matter the Board refers to the BAC for closer review or follow up regarding the financial position of the Bank, internal financial control system, risk management or compliance with laws, rules and regulations. The committee can also, at its own initiative, take up any such matter for closer review or follow up.
- m) Make such other recommendations to the Board on such matters, within the scope of its functions, as may come to its attention and which in its discretion warrants consideration by the Board.
- n) Based on the Internal Control over Financial Reporting (ICFR) framework, the BAC shall at least annually, review and submit to the Board for approval:
  - a. The risk matrix on financial reporting and defined key processes (based on a risk assessment).
  - b. The ICFR control catalog.
  - c. The Financial Handbook.
  - d. The yearly plan of testing for ICFR from the Operational Risk.



- e. The annual self-assessment from Group reporting on the ICFR.
- f. The quarterly reporting from the Operational Risk on the ICFR.

#### 4.2. COMPLIANCE

The BAC shall:

- a) Review and make recommendations to the Board addressing the Bank's compliance practices generally.
- b) Review quarterly reports from the Compliance Officer.
- c) Review, in consultation with the Compliance Officer, the Bank's compliance plan at least annually and make recommendations to the Board with respect to changes.
- d) Meet regularly with the management of the Bank to assess the Bank's compliance plan, as well as any specific material compliance issues.
- e) Review the Bank's procedures for whistle blowing and ensure that arrangements are in place by which employees may raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters.

#### 4.3. INFORMATION TECHNOLOGY

The BAC shall:

- a. Review IT issues regularly, including information security, at least annually.

