

Rules of Procedure for the Board Risk 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 Risk Officer attend meetings of the Board Risk Committee.

1. Committee Members and Requirements

The Board Risk Committee (BRIC) must consist of at least three members; at least two of whom must be Board Directors. Majority of the Committee shall be independent of the Bank. The chair shall be independent of the Bank and should neither be the chair of the Board of Directors nor the chair of any other Board committee. The CEO, Managing Directors or other employees of the Bank cannot be members of the Committee.

The Committee members should have, individually and collectively, the qualifications and experience necessary to be able to discharge their duties.

2. Main Role

The BRIC shall provide guidance on the alignment of the Bank's risk policy and high-level strategy, and risk-appetite and risk management structure. The Committee shall be familiar with risk measurements and risk management techniques used at the Bank and the different scenarios and stress testing used. The BRIC shall furthermore play a supervisory role, on behalf of the Board, as regards the forming of the risk policy and risk appetite of the Bank.

The BRIC's role is also to assist the Board and the Board Audit Committee 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 BRIC shall assess whether incentives which may be contained in the Bank's remuneration system, including variable remuneration, are consistent with the Bank's risk policy and examine whether the terms on assets and liabilities, including deposits and loans, which are offered to the customers of the Bank take into full consideration the Bank's business model and risk policy. If the terms do not reflect risk according to the Bank's business model and risk policy, the BRIC shall submit to the Board a plan for corrective action.

In respect of a proposed strategic transaction involving acquisition or disposal, the BRIC should, as a matter of good practice when advising the Board, ensure that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Bank before the Board takes a decision whether to proceed.

3. Meetings

Meetings of the BRIC 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 BRIC 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 BRIC by the Board or the Chairman of the Board, the main responsibilities of the BRIC are as follows.

4.1. RISK

The BRIC shall:

- a) Help the Board formulate its risk policy and risk appetite in connection with all material risks addressed in the Chapter IX of Act on Financial Undertakings, at least annually.
- b) Review and challenge the Bank's stress testing.
- c) Annually review the Bank's ICAAP/ILAAP process, and as part of this process, review capital issues of the Bank and ensure consistence with the risk appetite determined by the Board.
- d) Annually, or as often as required, review the Bank's Recovery Plan.
- e) Recommend high-level liquidity/- and funding policy, at least annually.
- f) Maintain a dialogue with the CRO and other relevant members of management with the objective of having a view on the health of the Bank's risk culture, and to report any significant issues or concerns to the Board.
- g) Review significant correspondence with the Bank's regulators, such as regarding the SREP process, and receive reports from management on the Bank's regulatory relations and report any significant issues to the Board. Typical of significant correspondence are signed letters from a regulator.
- h) Review management's and the Chief Internal Auditor's reports on the effectiveness of systems for internal controls, financial reporting and risk management.
- i) Review the statement in the annual financial statements on the Bank's internal controls and risk management framework.
- j) Review the scope and effectiveness of the internal control systems established by management to identify, assess, manage and monitor financial and non-financial risks and demonstrate performance thereof on an annual basis.
- k) Review the Bank's procedures for detecting fraud, including 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.
- l) Assess annually whether incentives which may be contained in the Bank's remuneration system are consistent with the Bank's risk policy.

4.2. INTERNAL AND EXTERNAL AUDIT

The BRIC shall:

- a) Review any matter the Board refers to the BRIC 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.
- b) 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.
- c) Review any other matters referred to the BRIC from the Board or the Audit Committee.

4.3. COMPLIANCE

The BRIC shall:



- a) Review and make recommendations to the Board addressing the Bank's compliance practices generally.

4.4. INFORMATION TECHNOLOGY

The BRIC shall:

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



