

# 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 Chief Risk Officer attends 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 review a number of possible scenarios, including stressed scenarios, to assess how the Bank's risk profile would react to external and internal events. The BRIC shall furthermore play an advisory role to the Board as regards the forming of the Bank's risk policy and risk appetite.

The BRIC should collaborate with other Board committees and regularly communicate with the institution's internal control functions, in particular Risk Management. The BRIC shall, furthermore, receive regular reports, ad hoc information, and opinions from the CRO, the Compliance Officer and Chief Internal Auditor on any material breaches that may have occurred, with detailed information on and recommendations for corrective measures.

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.

## 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) Assess the risks associated with the material financial products and services offered and take into account the alignment between the prices assigned to and the profits gained from those products and services.
- e) Annually, or as often as required, review the Bank's Recovery Plan.
- f) Recommend high-level liquidity/- and funding policy, at least annually.
- g) 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.
- h) Review significant correspondence with the Bank's regulators, regarding the SREP process, and, as needed, correspondence with the Bank's regulators which materially involves the Banks risk profile
- i) Review management's and the Chief Internal Auditor's reports on the effectiveness of systems for internal controls, financial reporting and risk management.
- j) Review the Declaration and Risk Statement in the annual Pillar 3 Risk Disclosures.
- k) 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.
- l) 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.
- m) Provide advice on the appointment of external consultants that the CRO, the Chief Internal Auditor or the Compliance Officer may decide to engage for advice or support;
- n) 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, Compliance and Information Technology

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 other recommendations to the Board which the Committee believes warrants consideration.
- c) Review any other matters referred to the BRIC from the Board or the Audit Committee.
- d) Review and make recommendations to the Board addressing the Bank's compliance practices generally.
- e) Review IT issues regularly, including information security, at least annually.