

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 external auditor. A 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 significant shareholders. The CEO, Managing Directors, or other employees of the Bank cannot be members of the Committee.

The Committee members should have the required competence 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 Board of Directors has set up an Audit Committee in line with requirements found in Directive 2006/43/EC, as amended by Directive 2014/56/EU, on statutory audits of annual accounts and consolidated accounts, Act No 3/2006 on Annual Accounts and the EBA Guidelines on Internal Governance (EBA/GL/2017/11).

The BAC's main role is to contribute to the high-quality statutory auditing of the Bank and monitor the effectiveness of the Bank's internal quality control, risk management systems and internal audit function, with regard to the Bank's financial reporting.

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. Furthermore, review the interim financial reports and submit to the Board for approval.
- b) Oversee the establishment of the Bank's accounting policies



- c) Receive a formal written statement from the external auditor, delineating all relationships between the external auditor and the Bank consistent with the Independence Standards Board Standard No. 1.
- d) Receive an annual report from the external auditor 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) Be responsible for the procedure for the selection of an external auditor and make a recommendation to the Board who submits the proposal for approval to the Bank's shareholders' meeting.
- f) Review the audit scope and frequency of the statutory audit of annual or consolidated accounts.
- g) Consider and advise the Board on the scope of internal audit.
- h) 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.
- i) 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:
- j) Review of quarterly reports from the Chief Internal Auditor.
- k) Review any matter the Board refers to the BAC for closer review. The committee can also, at its own initiative, take up any such matter for closer review and, if required, submit to the Board for review.
- l) 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.