

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 members of the Committee shall be independent of the Bank. The Chairman of the Committee 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 appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Bank.

2. Main Role

The Board of Directors has set up a Risk Committee in line with requirements found in Directive 2013/36/EU, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, Act No 161/2002, on Financial Undertakings, and the EBA Guidelines on Internal Governance (EBA/GL/2017/11).

The BRIC advise and support the Board of Directors regarding the monitoring of the Bank's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Bank. The BRIC shall, furthermore, assist the Board of Directors in overseeing the implementation of the Bank's risk strategy and the corresponding limits set.

The BRIC should collaborate with other Board committees and regularly communicate with the institution's internal control functions, in particular Risk Management.

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 Management

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 a number of possible scenarios, including stressed scenarios, to assess how the Bank's risk profile would react to external and internal events.



- 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 to clients and take into account the alignment between the prices assigned to and the profits gained from those products and services, and alignment with the business model and risk strategy of the Bank. 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.
- e) Annually, or as often as required, review the Bank's Recovery Plan.
- f) Annually, or as often as required, review the Bank's Business Continuity Plan.
- g) Recommend high-level liquidity/- and funding policy, at least annually.
- h) 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.
- i) 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.
- j) Review management's, the Chief Internal Auditor's, and the external auditor's reports on the effectiveness of systems for internal controls, financial reporting and risk management and follow up on the appropriate implementation of measures taken.
- k) Review the Declaration and Risk Statement in the annual Pillar 3 Risk Disclosures.
- 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 Board may decide to engage for advice or support, upon request.;
- 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. Compliance

The BRIC 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) 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. Internal and External Audit 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, and, at the Committee's discretion, make recommendations to the Board.
- b) 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.
- c) Review any other matters referred to the BRIC from the Board or the Audit Committee.



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