

**Rules of Procedure for the Financial Affairs (Audit) Committee
of the General and Supervisory Board of Novo Banco, S.A.**

(date of last approval: 12 December 2018)

§ 1

Composition and Chairman

- (1) The Financial Affairs (Audit) Committee (the "**Committee**") consists of at least three members each of whom (including election as chairman of the Committee) is elected by the General and Supervisory Board from among its members.
- (2) The Committee should include a majority of members who are independent and be chaired by an independent member (the "**Chairman**"), as defined in the articles of association of Novo Banco, S.A. (the "**Bank**").
- (3) A sufficient number of the members of the Committee, including the Chairman, shall have expertise and experience in accounting and auditing.

§ 2

Tasks

- (1) Notwithstanding any assignment by law or administrative order, the Committee has the tasks which are set out in these Rules of Procedure.
- (2) The Committee advises and supports the General and Supervisory Board in monitoring the effectiveness of the internal control, the risk management and the internal audit systems of Novo Banco, which will comprise the Bank and also any other financial entity within its scope of prudential consolidation. Therefore, the matters and competences foreseen herein shall be exercised considering the Bank and the above mentioned entities, without prejudice to the responsibilities and competences of the relevant corporate bodies and committees of such entities.
- (3) It supports the General and Supervisory Board, in particular, in monitoring:
 - a) the financial reporting process and in submitting recommendations or suggestions to the General and Supervisory Board on ensuring the integrity of the financial reporting process;
 - b) the effectiveness of the risk management, internal control and internal

- audit systems;
 - c) the auditing of the financial statements, especially with regard to the auditor's independence and the additional services provided by the auditor; and
 - d) the Executive Board of Directors' swift remediation – through appropriate measures – of the deficiencies determined by the auditor and internal control functions based on internal and external audits, in particular relating to weaknesses in risk controls, non-compliance with policies, laws and regulatory requirements.
- (4) The Committee shall have the tasks and responsibilities as set out in applicable mandatory law, and shall in particular:
- a) review the financial reports and the minutes of Executive Board of Directors meetings;
 - b) ensure the Executive Board of Directors establishes and maintains suitable, independent and effective internal control, especially as regards the reporting of financial and operational risks, compliance with the law, regulations and internal policies, operational efficiency and asset safety;
 - c) control and ensure the effectiveness of risk management, compliance and internal auditing, the respective action plan and budget, as well as their reports and relationships with external auditors and the supervisory authorities;
 - d) monitor compliance with accounting and valuation policies, review such policies at least annually and provide recommendations in relation to such activities to the Executive Board of Directors;
 - e) review and prior consent any proposals of the Executive Board of Directors in relation to the approval of or any material changes to accounting policies as foreseen in § 7 (1) (a) of the Rules of Procedure for the General and Supervisory Board;
 - f) review and make recommendations to the General and Supervisory Board regarding any proposals of the Executive Board of Directors in relation to the approval of the Bank's annual budget which are subject to the General and Supervisory Board prior consent as foreseen in § 7 (1) (b) of the Rules of Procedure for the General and Supervisory Board;
 - g) review and prior consent any proposals of the Executive Board of Directors in relation to the incurrence of or agreeing to incur in new

- indebtedness in the amount foreseen in § 7 (1) (e) of the Rules of Procedure for the General and Supervisory Board, other than through the issuance of bonds or securities qualified as regulatory capital;
- h) review and prior consent any proposals of the Executive Board of Directors in relation to the approval on the incurrence of new capital expenditure exceeding EUR 10,000,000 as foreseen in § 7 (1) (d) of the Rules of Procedure for the General and Supervisory Board;
 - i) provide its opinion and make recommendations to the General and Supervisory Board in respect of the annual, semi-annual and quarterly financial statements and the consolidated financial statements with the management report and the group management report, and the proposals for appropriation of profits by the Executive Board of Directors (if applicable);
 - j) review and discuss external auditors' reports;
 - k) review the business performance of the Bank, in particular the key performance indicators of each segment of business, and make recommendations to the Executive Board of Directors following the analysis of such key performance indicators; and
 - l) oversee any other accounting or valuation matters the Committee deems relevant, or the General and Supervisory Board assigns to the Committee on an *ad hoc* basis, for the assessment and oversight of the accounting, valuation and financial situation of Novo Banco and making any recommendations to the Executive Board of Directors' that it deems appropriate on such matters.
- (5) In case the Executive Board of Directors decides, within its competence, not to follow or implement a recommendation made by the Committee, in the exercise of the Committee's monitoring and review functions, in relation to the matters referred above, it shall forthwith inform the Committee accordingly and provide the grounds for not following such recommendation.
- (6) The Committee is entitled to inspect all business documentation of the Bank, including the business information stored on data carriers.
- (7) The Committee, the Risk Committee and the Compliance Committee coordinate their activities and work together regularly and – if required – on an *ad hoc* basis to ensure the necessary exchange of information to capture and assess all relevant risks for the performance of their tasks. The

Committee oversees reputational risks within its scope of responsibility.

- (8) In performing its tasks, the Committee may draw on all resources which it deems appropriate and may also enlist the services of external advisors.

§ 3

Meetings and voting

- (1) Meetings of the Committee are convened by its Chairman or – if he is unavailable – by the chairman of the General and Supervisory Board with an advance notice period of at least 14 days.
- (2) Unless otherwise expressly stipulated herein or in applicable law, the provisions in the Articles of Association and the Rules of Procedure pertaining to the General and Supervisory Board shall apply accordingly to the Committee.
- (3) The Committee is quorate if at least three of its members participate in the meetings.
- (4) In case of a tie vote, the Chairman has a casting vote.

§ 4

Participation in meetings

- (1) The Chief Financial Officer, the Head of Internal Audit / Group Audit and the auditor of the Bank shall attend the meetings of the Committee unless the Chairman specifies otherwise from case to case.
- (2) The Chairman may allow other persons to attend the meetings of the Committee.
- (3) The Committee shall hold a closed session with the Head of Internal Audit / Group Audit at least once per year.

§ 5

Right to information

The Committee is entitled to obtain, through its Chairman, information directly from the auditor of the Bank, the Executive Board of Directors and from senior managers of the Bank reporting directly to the Executive Board of Directors, in particular the Head of Risk and the Head of Internal Audit / Group Audit.

§ 6

Declarations

The Chairman or, if he is unavailable, the chairman of the General and Supervisory Board, acts on behalf of the Committee if declarations have to be issued or received to implement the resolutions of the Committee.

§ 7

Reporting to the General and Supervisory Board

The Chairman reports regularly to the General and Supervisory Board on the work and decisions of the Committee and provide it with any appropriate information requested by such board.

§ 8

Financial Statements

- (1) The Committee assists in preparing the audit of the annual financial statements and the consolidated financial statements with the management report and the group management report, the proposals for application of results by the Executive Board of Directors, and the dependent company report, and discusses the audit reports with the auditor.
- (2) The Committee discusses the half-year and quarterly financial reports with the Executive Board of Directors and the auditor and further assists in preparing the report on the limited review of the half-year and quarterly financial statements.
- (3) The Committee prepares the decisions of the General and Supervisory Board on the establishment of the annual financial statements and on the approval of the consolidated financial statements.
- (4) The Committee discusses important changes to the audit and accounting methods.

§ 9

Auditor (“Revisor Oficial de Contas”)

- (1) In accordance with Article 16 of Regulation (EU) No. 537/2014, the Committee submits proposals to the General and Supervisory Board for the appointment of the auditor, which shall include at least two candidates when tendering the auditor mandate, and prepares the proposal of the General and Supervisory Board to the General Meeting for the election of the auditor.
- (2) The Committee advises the General and Supervisory Board on issuing the audit mandate to the auditor, continuing or terminating the audit mandate, and submits proposals to the General and Supervisory Board for the auditor's remuneration. The Committee may specify focal points for the audit.
- (3) The Committee supports the General and Supervisory Board in monitoring the independence, qualification and efficiency of the auditor as well as the rotation of the members of the audit team. To ensure the auditor's independence, the Committee, before submitting the proposal to the General and Supervisory Board pursuant to paragraph (1), obtains a declaration by the intended auditor on whether there are professional, financial or other relations between the audit firm, its management bodies and chief auditors, on the one hand, and the Bank and the members of its management bodies, on the other, that could give reason to doubt the independence of the auditor, and if so, which. The declaration should also state the scale on which other services were rendered to the Bank, especially in the consulting field, in the financial year ended and/or have been contractually agreed for the following year. The declaration should also include details of the cost of the audit and of the non-audit-related services for the financial year ended.
- (4) Mandates for non-audit-related services given to the auditor or to companies to which the auditor is related in legal, economic or personnel terms need the prior consent of the Committee.
- (5) The Committee reviews and, if appropriate, submits to the General and Supervisory Board amendment proposals to the Bank's policy for selection and evaluation of the auditor.

§ 10

Internal / Group Audit, bank regulation

- (1) The Committee arranges to be informed regularly about the work done by the Head of Internal Audit / Group Audit, the effectiveness of the internal audit system and in particular about the focal areas of its auditing activity and on the results of its audits.
- (2) The Executive Board of Directors informs the Committee about special audits, substantial complaints and other exceptional measures on the part of any supervisory authorities.

§ 11

Complaint reports

The Committee regularly obtains reports prepared by the Head of Compliance in relation to complaints from employees relating to alleged breaches of regulatory or internal requirements or governance arrangements ("whistleblowing"), and in relation to complaints from shareholders of the Bank and from third parties related to any alleged non-compliance, in each case as further set out in the Bank's relevant policies. In particular complaints concerning accounting, internal accounting controls, auditing and other financial reporting matters must be submitted to the Committee without undue delay.

§ 12

Final provision

The matters that are not regulated in the current Rules of Procedure are governed by the general provisions foreseen in the General and Supervisory Board's Rules of Procedure, as applicable.