

Audit Committee Terms of Reference

(In accordance with the *Corporate Governance Code for Credit Institutions and Insurance Undertakings*¹ and the *Statutory Audits Regulations*²)

Adopted 8 March 2012

1 Constitution

The Audit Committee (“**AC**”) is a committee of the board of directors (the “**Board**”) of UniCredit Bank Ireland plc (the “**Company**”). The primary function of the AC is to assist the Board in fulfilling its oversight responsibilities in respect of the Company and its affairs. The AC does so by:

- (a) monitoring the financial reporting process, including the integrity of the financial information provided to the Board, the Company’s parent, the Central Bank of Ireland, the Companies Registration Office and others;
- (b) monitoring and reviewing the effectiveness of the entity’s systems of internal control and internal audit;
- (c) monitoring the statutory audit of the annual and consolidated accounts; and
- (d) reviewing and monitoring the independence of the statutory auditor or audit firm, and in particular the provision of additional services to the audited entity.

2 Membership

The AC will be appointed by the Board from amongst the suitably qualified non-executive directors of the Company and will consist of at least three members. At least one of the members of the AC must be an “independent non-executive director” within the meaning of the *Statutory Audits Regulations*³ and:

- where only one independent non-executive director serves on the AC, he or she must be a person who has competence in accounting or auditing; and
- where two or more of the members of the AC are independent non-executive directors, at least one of them must be a person who has competence in accounting or auditing.

¹ A statutory code of the Central Bank of Ireland.

² The European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (as amended by the European Communities (Statutory Audits) (Directive 2006/43/EC) (Amendment) Regulations 2011).

³ For these purposes, a director is “independent” where:

- (a) he or she is a non-executive director (*ie* a director who is not engaged in the daily management of the Company);
- (b) the director otherwise possess the requisite degree of independence (particularly with regard to satisfying condition (c) (following) so as to be able to contribute effectively to the functions of the AC); and
- (c) the director does not have, and at no time during the period of three years preceding his or her appointment to the AC did have:
 - (i) a material business relationship with the Company, either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company; or
 - (ii) a position of employment in the Company.

(European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010, regulation 91 (as amended)).

A non-executive director of the Company may serve on the AC even if he or she is employed by any other company in the UniCredit Group, so long as at least one other member of the AC satisfies the statutory requirements of being an independent non-executive director (and the independent non-executive director has competence in accounting or auditing, or, if there are two or more independent non-executive directors, at least one of them has that competence).

The quorum for meetings of the AC ("**Meetings**") is two members.

The Chairman of the AC (the "**Chairman**") will be the independent non-executive director or, if there is more than one independent non-executive director on the AC, will be one of them, and will be appointed by the Board. The AC may meet only if either the Chairman or, in the absence of the Chairman, another independent non-executive director on the AC, is in attendance and is willing to chair the meeting.

3 Meetings

The AC must meet at least four times a year. Normally, a Meeting will be attended by the Chairman of the AC and the members of the AC only.

The external auditors may request a Meeting if they consider that one is necessary. At least once per year a Meeting must be held separately with the internal auditors and external auditors with only AC members in attendance and, if requested by an AC member, a Meeting may be convened with only AC members in attendance. Other Meetings may be held jointly with some or all of the following:

- (a) management team of the Company (comprising, the Managing Director, Head of Tax, Financial Controller, Head of Credit and Structured Finance, Head of Treasury, Chief Risk Officer, IT Manager and Operations Manager);
- (b) a representative from UniCredit Audit ScpA (Dublin Branch) (to which the internal audit function is outsourced); and
- (c) the external auditor (currently KPMG).

The internal auditor will provide a report for each Meeting and will attend at least one Meeting a year, as nominated by the AC. Subject to the requirement that at least one Meeting per year must be with the external and internal auditors only and that any AC member may request that only AC members attend any particular Meeting, other Board members may be invited to attend any Meeting.

4 Authority

The AC is authorised by the Board to:

- (a) investigate any activity within its terms of reference;
- (b) seek any information that it requires from any employee of the Company and all employees are directed to co-operate with any request made by the AC;
- (c) obtain outside legal or independent professional advice, at the Company's expense, and secure the attendance of any person (whether or not an employee of the Company) with relevant experience and expertise if it considers this necessary.

5 Duties

In performing its functions under clause 1 of these Terms of Reference, the duties of the AC are:

(A) Financial Reporting

- (a) to review, and challenge where necessary, the Company's accounts and the actions and judgements of management, in relation to the annual group accounts and related formal statements, including the Directors' Report, before presentation to, and approval by, the Board;

In this regard particular attention is to be paid to:

- (i) critical accounting policies and practices, and any changes to them;
 - [(ii) decisions requiring a significant element of judgement;
 - (iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - (iv) significant adjustments resulting from the audit;
 - (v) ensuring that the Company's financial and related statements give a true and fair view of the state of affairs of the Company and of its profit or loss;
 - (vi) compliance with accounting standards;
 - (vii) compliance with legal requirements (including the Companies Acts);
- (b) to determine annually, at least, whether, the company has kept proper books of account in accordance with its requirements under Section 202 of the Companies Act 1990;
 - (c) to report, as part of the report presented to the shareholders at the annual general meeting (the "**AGM**") under section 158 of the Companies Act 1963, on the activities of the AC for the year, including, but not limited to, the discharge of all of its responsibilities in monitoring the performance and quality of the work of the external auditors and their independence from the company; and
 - (d) to recommend to the Board whether or not to approve the Company's accounts.

(B) Internal Control

- (a) to review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management, which reports shall be provided by management and/or the internal auditor to both the Risk Committee and the AC simultaneously;
- (b) to monitor the integrity of the Company's internal financial controls;
- (c) to receive and review the minutes of the Company's Asset and Liability Committee.

(C) Internal Audit

- (a) to approve annually the internal audit program and any amendments to the program during the year;
- (b) to ensure that the internal auditor has direct access to the Chairman and to the AC and

is accountable to the AC;

- (c) to receive and review a report on the findings of the internal auditors' work on a quarterly basis;
- (d) to review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- (e) to ensure that the resources available to the internal auditors are adequate;
- (f) to review the co-ordination and scope of the work programs between the external auditor, the internal audit functions and the group internal audit department.

6 External Audit

The AC shall, within the confines of UCI Parent Group regulations, oversee the relationship with the external auditors. The AC shall consider, ratify and make recommendations to the Board to be put to the shareholders at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors.

In discharging this oversight function the AC shall:

- (a) consider and make recommendations to the Board on the approval of the audit fee;
- (b) consider and make recommendations to the Board on the approval of the nature and scope of the external audit, before it commences;
- (c) assess the effectiveness and independence of the external auditors annually and, for this purpose, the AC shall ensure that it has from the external auditor up-to-date information to enable the AC to monitor the Company's relationship with the external auditor (including, but not limited to, information relating to the external auditor's affiliates);
- (d) ensure that the resources available to the external auditors are adequate;
- (e) review the terms of engagement, including the engagement letter, and make recommendations to the Board on the approval and signing of the engagement letter;
- (f) meet the external auditors and management to discuss the audit findings as detailed in the management letter and consider any major issues which arose during the audit, any accounting and audit judgments and the levels of error identified during the audit;
- (g) review the terms of any representation letters requested by the external auditor before they are signed;
- (h) consider and make recommendations on whether to award contracts to the external auditor (or an affiliate of the external auditor) for non-audit work, bearing in mind the strong recommendation of the parent company to abstain from awarding non-audit work to the external auditors;
- (i) receive from the statutory auditor or audit firm, and review, the statutory auditor's or audit firm's report on key matters arising from the statutory audit of the Company, and, in particular, on material weaknesses in internal control in relation to the financial reporting process.

7 Additional Functions

The AC must:

- (a) perform any additional functions prescribed by law (including the Central Bank Acts and the Companies Acts) or regulation (such as the Central Bank's *Corporate Governance Code for Credit Institutions and Insurance Undertakings*); and
- (b) perform any other function relating to the Company's audit and financial management that is delegated to it by the Board.

8 Reporting

The approved minutes of Meetings shall be circulated to all members of the Board.

9 Approval and Ongoing Review of the AC Terms of Reference

These Terms of Reference:

- (a) have been adopted by resolution of the Board on 8 March 2012;
- (b) must be submitted for the information of shareholders at the Company's AGM; and
- (c) must be reviewed annually by the AC and by the Board.

Any change to these terms of reference must be approved by the Board.