



Audit Committee - Terms of Reference

The following Terms of Reference govern the operation of the Audit Committee and have been approved by the Board of Directors. References within these Terms of Reference to the “Committee” mean the Audit Committee.

1. Membership

1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Succession Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least 3 members.

1.2 All members of the Committee shall be independent Non-Executive directors with an appropriate mix of skills and experience including one who will have recent and relevant financial experience to the satisfaction of the Board. The Chairman of the Board shall not be a member of the Committee.

1.3 The Group Finance Director, Chief Financial Officer, Head of Group Compliance and Head of Group Internal Audit, while not members of the Committee will normally be invited to attend meetings. The Group Chief Executive, representatives from the Finance function, External Auditors or other persons may also be invited to attend all or part of any meeting as and when appropriate.

1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for no more than two further three-year periods, provided the director remains independent. Membership of the Committee will be reviewed each year by the Nomination and Succession Committee in consultation with the Audit Committee Chairman to ensure that an appropriate balance is maintained between continuity and fresh perspectives. Changes as required will be recommended to the Board at that time.

1.5 The Committee Chairman will be appointed by the Board on the recommendation of the Nomination and Succession Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

2.1 The Group Company Secretary or his/her nominee, as agreed with the Chairman shall act as the secretary of the Committee.

3. Quorum

3.1 The quorum for meetings shall be 2 members.

4. Meetings

4.1 The Committee shall meet on at least 4 occasions a year at appropriate times in the reporting and audit cycle and otherwise as required.

4.2 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members or at the request of the External Auditors or the Head of Group Internal Audit if they consider it necessary.

5. Annual General Meeting

5.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee’s activities.

6. Duties

The Committee should carry out the duties below for the Group as a whole.

Financial reporting

6.1 To monitor the integrity of the financial statements of the Company and the Group, reviewing significant financial reporting issues and judgements which they contain.

6.2 To review and make recommendations to the Board concerning the approval of the financial statements of the Group, the Interim Statement, Preliminary Announcement of Results and related formal announcements, all material information presented with the financial statements, such as the Corporate Governance Statement; ensuring that they comply with the law, the requirements of the Stock Exchanges, relevant accounting standards; and to express, in the Committee's opinion whether the financial statements give a true and fair view of the state of affairs of the Company, the Group and the profit and loss of the Group, considering:

6.2.1 critical accounting policies and practices, significant changes therein and the level of conformity with accounting policies and practices generally followed in the banking industry;

6.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

6.2.3 whether management has made appropriate estimates and judgements;

6.2.4 the clarity of disclosure in the company's financial reports and the context in which statements are made;

6.2.5 significant adjustments having a material impact on the financial statements;

6.2.6 and whether the Company and the Group has, in accordance with the relevant provisions of the Companies Acts, kept proper books of accounts.

Internal controls

The Committee shall:

6.3 monitor the integrity of the Group's internal financial control system;

6.4 review relevant management reports and Group Internal Audit reports on the effectiveness of the systems and controls for internal financial control and financial reporting;

6.5 review the procedures for detecting and preventing fraud;

6.6 in consultation with the Risk & Compliance Committee, at least annually, review the effectiveness of the Group's system of internal controls;

6.7 review and approve the statement to be included in the Annual Report and Accounts concerning the internal controls and risk management framework.

Whistleblowing

6.8 To review the arrangements established by the Group through which its employees can raise concerns, in confidence, about possible wrongdoing in matters of financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of any concerns and appropriate follow-up action.

Internal Audit

The Committee shall:

- 6.9 monitor and review the scope, nature and effectiveness, of the Group's Internal Audit function in the context of the Group's overall internal control system and ensure that it is adequately resourced and is free from management or other restrictions;
- 6.10 approve the appointment and removal of the Head of the Group Internal Audit function;
- 6.11 review, assess and approve the annual internal audit plan;
- 6.12 review Group Internal Audit's activities, findings, conclusions and recommendations and monitor management's responsiveness to the findings and recommendations;
- 6.13 meet the Head of Group Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Head of Group Internal Audit shall be given the right of direct access to the Chairman of the Board and to the Committee;
- 6.14 review the annual report from the Group Internal Auditor dealing with emerging risk trends, his opinion of the overall control environment and the responsiveness of management.

External Audit

- 6.15 To review and make recommendations to the Board, to be put to shareholders for approval at the AGM, on the External Auditor's appointment, re-appointment and removal. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 6.16 To oversee the relationship with the External Auditor including (but not limited to)
- 6.17 the approval of their remuneration and terms of engagement in respect of the provision of audit services; subject to appropriate stockholder approval;
- 6.18 assessing annually their qualifications, independence, expertise, objectivity and resources taking into consideration all relationships between the Group and the External Auditor; including the provision of non audit services;
- 6.19 reviewing any issues arising out of the potential employment by the Group of any employee or former employee of the External Auditor to ensure that the External Auditor's independence from the Group is not impaired;
- 6.20 monitoring the External Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements;
- 6.21 meeting the External Auditor at least once a year, without management being present, to discuss their remit and any issues or recommendations arising from the audit;
- 6.22 review with the External Auditor the nature and scope of the audit;
- 6.23 review the findings, conclusions and recommendations of the audit with the External Auditor.

6.24 develop and implement a policy on engagement of the External Auditor to supply non-audit services, taking into account any relevant legal requirements and ethical guidance on the matter; and

6.25 monitor the performance of and relationship with the External Auditor including the consideration of the External Auditor's report on their own internal controls and quality procedures.

Additional Functions

The Committee shall:

6.26 perform any additional functions prescribed by regulation under section 48(1)(m) of the Act of 2003 (Power of Minister to make Regulations) when implemented.

Reporting responsibilities

6.27 The Chairman will report formally to the Board on the key aspects of its proceedings after each meeting and the minutes of the Committee, when approved by the Committee should be circulated to the Board, for noting or discussion at its next meeting.

6.28 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report and Accounts.

7 Other matters

The Committee shall:

7.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;

7.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

7.3 at least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8. Authority

The Committee is authorised:

8.1 to ask any Director, Executive or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objectives;

8.2 to seek any information it requires from any employee of the company in order to perform its duties; and

8.3 to oversee and/or investigate any matter falling within its Terms of Reference, calling on whatever resources (including outside legal or other professional advice at the Company's expense) it considers necessary.

28th September 2007