

## **AUDIT COMMITTEE CHARTER BANK LEUMI USA**

### **Establishment of the Audit Committee**

The Audit Committee ("Committee") shall be appointed annually by the Board of Directors at its annual meeting. The Board of Directors also shall designate a chairman of the Audit Committee.

The members of the Committee shall be at least three in number and all shall be independent within the meaning of Section 36 of the Federal Deposit Insurance Act ("FDIA") and the Regulations of the FDIC thereunder. At least two members of the Committee shall have banking or financial management expertise within the meaning of Section 36. At least one member of the Committee, in the judgment of the Board of Directors, shall be an "audit committee financial expert" as defined below.

The term "audit committee financial expert" means a person who has all of the following attributes:

- an understanding of generally accepted accounting principles and financial statements;
- an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements, or experience actively supervising one or more persons engaged in such activities;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of audit committee functions.

The audit committee financial expert should have acquired such attributes through any one or more of the following means:

- education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience.

Members of the Committee and the Chairman shall serve until the next annual meeting of the Board of Directors and until their successors have been appointed. Between annual meetings the Board may not remove members except for cause.

### **Meetings of the Committee**

The Committee shall hold regular quarterly meetings and shall meet at other times on the call of the Chairman. Notice of meetings, quorum requirements, and other rules regarding meetings shall be as set forth in the By-Laws for meetings of committees of the Board of Directors.

### **Areas of Committee Responsibility**

The Committee shall have the following areas of responsibility:

1. Conduct of the annual directors' examination pursuant to the New York State Banking Law.
2. Review of regulatory reports of examination and management's formal responses thereto. If management's responses include undertakings to effect specified actions or changes, the Committee shall establish a schedule for review of performance of those undertakings and shall conduct such reviews.
3. Review of management's process of monitoring compliance with:
  - a. the Bank's Code of Ethics;
  - b. applicable laws and regulations.
4. Review of reports of identified violations of laws and regulations and management's corrective plans or actions.
5. Review of reports of identified violations of the Bank's Insider Trading Policy.
6. Establish procedures for (a) the receipt, retention and treatment of any complaints received by the Bank regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Bank of any concerns regarding questionable accounting or auditing matters.
7. Review of management's process of identifying risks and evaluating related controls in the major business, operating, finance and accounting areas.
8. External audit relationship:
  - a. Annually select, appoint (subject to ratification of the appointment by the board of directors and the shareholders), and, if appropriate, dismiss the external auditor, who shall be independent as required by FDIA Section 36, to conduct the annual audit of the Bank.

- b. Review and approve the external auditor's proposed scope and fee for their annual audit.
  - c. Review and pre-approve all non-audit services to be performed for the Bank by the external auditor, giving primary consideration to any independence issues that may be presented by such services, recognizing that non-audit services are otherwise not a responsibility of the Committee.
  - d. Review the external auditor's management letter on internal controls and management's responses thereto, and establishing means for monitoring accomplishment of any actions set forth in management's responses.
  - e. Review the results of the annual audit with the external auditor and management, including any material adjustments or disagreements between management and the external auditors.
  - f. Meet with the external auditor at least quarterly without management present.
  - g. Assist the board of directors in evaluating the performance of the external auditor which is ultimately accountable to the board of directors and the Committee.
9. Internal Audit:
- a. Review and approve:
    - (1) The mission, oversight responsibilities and organizational reporting lines of the Internal Audit Department;
    - (2) The Internal Audit Department annual audit plan;
    - (3) Staffing and co-sourcing requirements, including any agreements and fees relating to the co-sourcing relationship;
    - (4) Scope of audits and agreed-upon procedures;
    - (5) Review the Chief Auditor's Quarterly Report, audit reports and management's responses thereto, establishing further monitoring and further examination as may be required in the opinion of the Committee and consult with management with respect to any material weaknesses;
    - (6) Meet with the Chief Auditor at least quarterly without management present;
    - (7) Review and approve the appointment or removal of the Chief Auditor.

10. Loan Review:
  - a. Review periodic summary reports of the Loan Review Department.
11. Review the annual report of management rendered pursuant to Section 36 of FDIA.
12. Participate with management in reviewing such risk and control issues as management or the Committee may determine warrant special oversight.
13. Undertake such duties that are suggested in the Regulations of the FDIC pursuant to Section 36 of FDIA as the Committee may deem appropriate.

#### **Reports to the Board of Directors**

The Committee shall render reports concerning its activities to the Board of Directors at least quarterly.

#### **Access to Personnel**

The Bank's Chief Auditor, Chief Loan Review Officer, Risk Manager, General Counsel, Chief Compliance Officer, External Auditor, and the Committee's Independent Counsel, if any, shall have full access to meet/speak privately with Members of the Committee to discuss any matters they or the Committee deem to be appropriate.

In discharging its responsibilities, the Committee has the authority to obtain all necessary information, utilize the services of internal and external auditors, Loan Review, and its own independent counsel, accounting experts, and other consultants to assist and advise the Committee in connection with its responsibilities and conduct its own investigations.