

**CANADIAN WESTERN BANK**  
**MANDATE OF THE AUDIT COMMITTEE**

**1.0 Purpose of the Audit Committee**

The purpose of the Audit Committee is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities with respect to the:

- 1.1 integrity of the financial statements, other financial information and certain disclosure documents provided by Canadian Western Bank to its shareholders, the public and others;
- 1.2 qualifications and independence of the external auditors;
- 1.3 performance of the Bank’s internal and external auditors; and
- 1.4 adequacy of CWB Financial Group's internal controls.

For the purposes of this mandate, “Bank” means Canadian Western Bank and “CWB Financial Group” means the Bank, its federally regulated subsidiaries and such other subsidiaries designated from time to time by the Board.

Although the Audit Committee has the powers and responsibilities set forth in this mandate, the role of the Audit Committee is oversight. It is not the duty of the Audit Committee to conduct audits or to determine that CWB Financial Group's financial statements are complete, accurate and in accordance with International Financial Reporting Standards (“IFRS”). The external auditor is responsible for planning and carrying out, in accordance with professional standards, an audit of CWB Financial Group's annual financial statements and reviewing the Bank’s quarterly financial information. Management of CWB Financial Group is responsible for the preparation, presentation and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles, policies, and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

**2.0 Organization of the Audit Committee**

The Audit Committee shall be comprised of not less than three directors, one of whom shall serve as the Chair of the Audit Committee, as determined and appointed by the Board. Each Audit Committee member shall satisfy the independence, financial literacy and experience requirements of all applicable regulatory requirements (including Multilateral Instrument 52-110 *Audit Committees*) and one Audit Committee member shall be considered a financial expert, as such qualifications are interpreted by the Board in the exercise of its sound business judgment.

### **3.0 Meetings of the Audit Committee**

In order for the Audit Committee to transact business, three members of the Audit Committee must be present and a majority of those present must be resident Canadians. The Audit Committee shall meet on a regular basis and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate, which shall occur at least once each quarter. Any member of the Audit Committee or the external auditors may call a meeting. At least quarterly, the Audit Committee shall have separate private meetings with each of the external auditors, Chief Internal Auditor, Chief Financial Officer and management to consider any relevant matters. The Chair, or in his or her absence another member of the Audit Committee, will preside at each meeting of the Audit Committee.

### **4.0 Reporting to the Board**

The Audit Committee shall present a verbal report at each regularly scheduled Board meeting with respect to its activities with such recommendations as are deemed desirable in the circumstances.

### **5.0 Outside Advisors**

The Audit Committee shall have the authority to retain, at the Bank's expense, independent advisors and consultants to advise the Audit Committee as it determines necessary to carry out its duties and to fix the remuneration of such advisors and consultants. The Audit Committee may request any officer or employee of the Bank, or the Bank's internal or external auditors or legal counsel to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

### **6.0 Duties and Responsibilities of the Audit Committee**

The Audit Committee shall have the following specific duties and responsibilities:

- 6.1 prior to approval by the Board, review the Bank's annual filings, including annual audited financial statements, annual Management's Discussion and Analysis ("MD&A"), the Annual Information Form ("AIF") and any other documents and information that are incorporated by reference in the AIF of the Bank, and report and make a recommendation thereon to the Board;
- 6.2 prior to approval by the Board, review the interim reports to shareholders, including the interim quarterly financial statements and the interim MD&A, and report and make a recommendation thereon to the Board;
- 6.3 periodically review and assess the adequacy of management's procedures for the review of financial information extracted or derived from the financial statements that is to be publicly disclosed and has not otherwise been reviewed by the Audit Committee;

- 6.4 prior to approval by the Board, review the Bank's earnings press releases;
- 6.5 discuss significant issues regarding accounting principles and financial statement presentations, including significant changes in the selection or application of accounting principles, analyses prepared by management or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements of CWB Financial Group;
- 6.6 meet with the external auditors to discuss the annual and interim financial results and the returns referred to within this mandate and receive and review any reports of the external auditors thereon;
- 6.7 recommend to the Board the appointment and remuneration of the external auditors for CWB Financial Group, who shall report directly to the Committee. Review the terms of the external auditors' engagement, their level of remuneration, the qualifications of the engagement team, the audit plan, the materiality threshold for the audit, any proposed changes in accounting policies, their presentation and input concerning significant risks and key estimates and judgments of management;
- 6.8 oversee the resolution of disagreements between management and the external auditors regarding financial reporting;
- 6.9 review the independence of the external auditors, including obtaining from the auditors a statement describing all relationships between the auditors and CWB Financial Group and discussing such relationships with the auditors;
- 6.10 review the quality of the external audit and the engagement team, including conducting annual, and periodic comprehensive, reviews and the establishment and monitoring of audit quality indicators. Report to the Board on the effectiveness of the external audit, including any quality issues raised by the Canadian Public Accountability Board;
- 6.11 review and approve the policy for non-audit services to be completed by the external auditors, which includes an established definition of what constitutes non-audit services and a requirement for pre-approval for all but de minimus engagements;
- 6.12 review and approve all services, not already addressed, to be completed by the external auditors for any entity within CWB Financial Group, including non-federally regulated subsidiaries. The Audit Committee may delegate to one or more Audit Committee members the authority to grant approval of such services, provided the decision of such members is reported to the full Audit Committee at its next meeting;

- 6.13 review and approve hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of CWB Financial Group;
- 6.14 require the management of CWB Financial Group to establish and maintain disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”) to support the CEO/CFO certification on the design and effectiveness of the DC&P and ICFR, including procedures designed to identify, monitor and manage audit-related risks. Review, evaluate and approve those procedures;
- 6.15 oversee the finance and internal audit functions, and, in particular:

Finance function

- (a) recommend to the Board, jointly with the Human Resources Committee, the appointment or removal of the Chief Financial Officer of the Bank;
- (b) review the appointment of each Chief Financial Officer of an entity within CWB Financial Group;
- (c) review and approve on a regular basis the mandate and annual plan of the finance function;
- (d) review the effectiveness of the finance function;
- (e) annually review and approve the function’s budget and resources; and
- (f) periodically require an independent review of the finance function.

Internal Audit function

- (a) recommend to the Board the appointment or removal of the Chief Internal Auditor;
  - (b) annually review and approve the internal audit department charter and audit plan;
  - (c) review the effectiveness of the internal audit function;
  - (d) meet with the Chief Internal Auditor of the Bank and with management of the Bank to discuss reports on internal audit activities and findings and the effectiveness of the internal control procedures established for CWB Financial Group;
  - (e) annually review and approve the function’s budget and resources; and
  - (f) periodically require an independent review of the internal audit function.
- 6.16 review correspondence received from regulators and external auditors, together with management’s responses thereto, concerning the effectiveness of internal controls and other matters that fall within the responsibility of the Committee;

- 6.17 communicate directly with the internal and/or external auditors as the Committee deems necessary;
- 6.18 review such returns of CWB Financial Group as the Office of the Superintendent of Financial Institutions may specify;
- 6.19 review such investments and transactions that could adversely affect the well-being of CWB Financial Group as the external auditors or any officer of the Bank may bring to the attention of the Audit Committee;
- 6.20 receive quarterly reports on any litigation matters which could significantly affect the financial statements of CWB Financial Group;
- 6.21 receive a quarterly report from management on significant estimates or judgments, including the allowance for credit losses;
- 6.22 receive a quarterly report from the Bank's Disclosure Committee;
- 6.23 act as the audit committee for CWB Financial Group, including the review of the annual audited financial statements and report thereon to each respective board before approval is given;
- 6.24 establish procedures for the receipt, retention, and handling of complaints, including confidential, anonymous submissions regarding accounting, internal accounting controls, auditing matters or fraud and receive reports of all such complaints;
- 6.25 review and assess annually the adequacy of its mandate; and
- 6.26 prepare any report from the Audit Committee that may be required to be included in the Bank's management proxy circular or that the Board elects to include on a voluntary basis.

This mandate was last reviewed and approved by the Board on June 6, 2018.