

# THE CONNECTICUT BANK AND TRUST COMPANY

## Audit Committee Charter

### **PURPOSE**

The Audit Committee (the “Committee”) is appointed by the Board. The purpose of the Committee is to assist the Board of Directors with its oversight of (i) the integrity of the Bank’s financial statements, (ii) the Bank’s compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications and independence, and (iv) the performance of the Bank’s internal audit function and independent auditors.

### **COMPOSITION**

A minimum of three members of the Board shall be selected to serve on the Audit Committee. The Committee shall satisfy the independence and experience requirements established by the Securities and Exchange Commission (SEC) and the NASDAQ Stock Market. At least one member of the Committee shall qualify as a “financial expert” within the meaning of the definition set forth in rules of the SEC.

### **MEETINGS**

The Audit Committee shall meet as often as necessary to meet its responsibilities, but not less than four (4) times each year. The Chair of the Committee will report the Committee’s findings, conclusions and recommendations to the Board of Directors.

### **DUTIES AND RESPONSIBILITIES**

In carrying out its purposes, the Committee shall have the following duties, responsibilities and authority.

#### **Financial Reporting**

- Review and reassess the adequacy of the Audit Committee Charter annually and submit it for formal approval to the Board of Directors. In addition, publish the Charter in the annual meeting proxy statement in accordance with SEC regulations.
- Review with management and the independent auditor the Bank’s Form 10-K prior to filing with the appropriate regulatory authorities, including the annual financial statements and disclosures contained therein, as well as any certification, report, opinion or review rendered by management or the independent auditor in connection with the foregoing.
- Review with management and the independent auditor the Bank’s quarterly report on Form 10-Q or other form as appropriate, including the financial statements and disclosures contained therein, as well as any certification, report, opinion or review rendered by management or the independent auditor in connection with the preparation and certification of the foregoing.
- Review with management and the independent auditor financial statements and other reports of a financial nature, discuss with the independent auditor its views or judgments on the integrity of such statements and reports, and resolve any disputes between management and the independent auditor that may have arisen in connection with the preparation of such statements and reports.
- Periodically discuss earnings press releases as well as the nature of financial information and earnings guidance provided to analysts and rating agencies on a preissuance basis.
- Review certifications signed by the Chief Executive Officer and the Chief Financial Officer in connection with any periodic reports filed by the Bank with the appropriate regulatory authorities and discuss with such individuals significant deficiencies, if any, in the design or operation of the internal control system and any fraud or potential fraud, if any, involving management or employees in connection with any internal control function as required by the Sarbanes-Oxley Act of 2002.

#### **The Independent Auditor**

- Appoint, compensate and oversee the work of the independent auditor for the Bank in connection with the preparation and issuance of any audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Serve as the channel of communication between the independent auditor and the Board.
- Review any proposed replacement of the independent auditor, and terminate the engagement of any independent auditor as the Committee deems necessary or appropriate.
- Review the qualifications and independence of the independent auditor, and any potential conflicts of interest that may exist between management and the independent auditor by obtaining a written statement from the independent auditor and management of all relationships with, and services provided to, the Bank by the independent auditor and/or its affiliates (including discussing such relationships with the independent auditor and taking actions where needed).
- Review the independent auditor's compensation and the proposed terms of its engagement.
- Review with the independent auditor the proposed scope of services and plan for the annual audit.
- Evaluate the performance of the independent auditor and make inquiries to determine that no improper influence was exerted on the conduct of the audit by directors, management or employees of the Bank.
- Review any significant written communications between the management of the Bank and the independent auditor including, without limitation, the independent auditor's observations on internal control matters, management letters and schedule of unadjusted differences, if any, or any other audit problems or difficulties as well as management's response.
- Ensure appropriate audit partner rotations and any independent auditor rotations that may be required by law or as otherwise appropriate.
- At least annually, obtain and review reports from the independent auditor describing (i) the independent auditor's internal control procedures, (ii) any material issues concerning the independent auditor's internal control matters raised in the most recent independent peer review report, and (iii) issues concerning audits conducted by the independent auditor within the past five years raised by a governmental or professional authority.
- Pre-approve any non-audit services performed on behalf of the Bank by the independent auditor that are not prohibited by law or regulation and ensure that the retention of such services is properly disclosed by the Bank. (The Committee may delegate pre-approval authority for any non-audit services to one or more members of the Committee, provided that any pre-approval granted by such member or members is reviewed by the Committee at its next scheduled meeting.)
- Review any non-audit services performed on behalf of the Bank by the independent auditor that meet the de minimis exception under applicable law.
- Establish hiring policies for any employee or former employee of the independent auditor.

#### **Internal Audit**

- Oversee the selection of the Internal Auditor or if this function is outsourced, the firm engaged to perform these duties, and review his/her performance and compensation annually. The Internal Auditor shall report functionally to the Committee and administratively to the Treasurer of the Bank. • Serve as the channel of communication between the Internal Auditor and the Board.
- Oversee the internal audit department's staffing, training and budget.

- Annually review and approve the internal audit plan and any material changes to audit methodology.
- Review significant findings of the internal auditing department, management's responses to those findings including the risk attributed to unresolved issues.

#### **Financial Reporting Principles and Policies**

- Review with the independent auditor and management critical accounting and financial reporting policies, practices and procedures used by the Bank.
- Review with the independent auditor alternative treatments of financial information as permitted by GAAP that have been discussed with the management of the Bank including the ramifications of such alternative treatments and the proper disclosure thereof, as well as any treatment of such financial information that may have been preferred by the independent auditors.
- Review major changes and other major questions of choice respecting the appropriate auditing and accounting principles, policies and practices used in the preparation of the Bank's financial statements when presented by the independent auditor, management, or otherwise.

#### **Internal Controls and Procedures**

- Annually review with management and the independent auditor (i) the basis for disclosures made in the annual report to stockholders regarding the control environment of the Bank, and (ii) the reports required under the Federal Deposit Insurance Bank Improvement Act of 1991.
- At least annually consider, in consultation with management, the independent auditor, and the Internal Auditor, the adequacy of the Bank's internal controls including the resolution of identified material weaknesses and reportable conditions, if any.
- Review deficiencies, if any, identified by management in the design and operation of internal controls which may be contained in the CEO/CFO certifications required by the Sarbanes-Oxley Act of 2002.
- Review policies and procedures with respect to risk assessment and risk management.

#### **Compliance with Laws and Regulations**

- Review periodic reports prepared by the Chief Compliance Officer and such other sources of information as the Committee deems appropriate regarding the Bank's program for complying with laws and regulations.
- Review summaries of examination reports, supervisory letters and other regulatory communications addressed to the Board and monitor any needed corrective action; be primarily responsible for Board level communication with regulatory agencies.
- Annually review and report to the Board (within 15 months of the previous report) on the Bank's fiduciary activities and the effectiveness of its policies, practices and controls. The report shall include a specific statement of the Committee's conclusion as to whether fiduciary activities are being administered in accordance with law, 12 CFR 9 and sound fiduciary principles and be accompanied by reports prepared by internal and/or external auditors.
- Periodically review programs for compliance with the Bank Secrecy Act and designate an individual responsible for coordinating and monitoring day-to-day compliance with the program.
- Receive periodic summaries regarding the filing of Suspicious Activity Reports regarding known or suspected crimes.

**Other Duties**

- The Committee shall establish and ensure that procedures are in place for (i) the receipt, retention and treatment of complaints received by the Bank from any source, either internally or externally, in connection with any accounting, internal accounting controls, or auditing matters, and (ii) the submission by employees of the Bank, on a confidential and anonymous basis, of communications involving any employee concerns regarding questionable accounting or auditing matters.
- At least annually, review with the Bank's General Counsel significant pending litigation that may have a material impact on the Bank's financial statements. Notwithstanding, the Committee shall be informed of any significant litigation on a timely basis.
- Annually, review and approve management's assessment of the Bank's vulnerability to interruption in providing information, the impact of such disruption on the Bank's operations, and the methods employed to reduce or eliminate such risk and/or impact.
- Approve a security program and, at least annually, receive a report from the Security Officer on the implementation, administration and effectiveness of the security program.
- Review the internal or external audit of the expenses of the Corporate officers and members of the Board of Directors

**Administrative**

- Maintain minutes of its meetings and report its activities to the Board on a regular basis, making any recommendations that the Committee deems appropriate.
- Meet separately, at least quarterly, with management, internal auditors, and external auditors.
- Annually evaluate the performance of the Committee.
- Perform any other activities consistent with this charter, the Bank's bylaws, and governing law, as the Committee or the Board deems necessary or appropriate