

RISK MANAGEMENT COMMITTEE

1. General

The Risk Management Committee is appointed by the Board of Directors in order to provide support to the Board of Directors under the framework of its supervisory role concerning the Bank's risk management matters.

The Chairman of the Committee shall have significant experience in commercial banking, preferably in risk and capital management and/or non-performing loan management, and sufficient experience or knowledge of the regulatory framework.

The members of the Risk Management Committee as a whole shall have sufficient knowledge and previous experience in the financial services or commercial banking industry, and at least one (1) member shall have expertise in the areas of risk management and capital adequacy, and shall be familiar with the regulatory framework.

2. Term-Members

The Risk Management Committee consists of non-executive and independent non-executive members of the Board of Directors, with appropriate knowledge, skills and expertise to understand and monitor the Bank's risk-taking strategy.

The term of office of the members of the Committee may not exceed the term of office of the Board of Directors (three years), but the Board of Directors shall be entitled to remove or replace them at any given time.

3. Operation

The Committee shall meet regularly, at least once a month and extraordinarily whenever deemed necessary. Any persons invited by the Chairman (Officers, Employees, Counsels) may participate in the meetings. The meetings of the Committee may also take place via teleconference.

In order for the Committee to reach a decision, a quorum of more than 50% of its members is required. Decisions of the Committee shall be taken by a 2/3 majority of the members present, including members participating by videoconference or other technological means. In case of impediment, a member may authorise in writing another member to represent him/her at a particular meeting of the Committee and to vote on his/her behalf on the items of the Daily Agenda. No member may represent more than one member of the Committee.

No member of the Committee may be present, participate or vote during the discussion of a matter on which he or she has a conflict of interest. Decisions concerning the establishment of risk management policies, procedures, conditions or criteria or other matters of general application shall not be subject to the above prohibition.

The Chairman appoints the Secretary of the Committee with duties to provide support on the drawing up and distribution of the items of the Daily Agenda and the recording and electronic book-keeping of the minutes which are signed by the Chairman, the Members and its Secretary. The signature of the members may be replaced with the exchange of e-mails or any other electronic means.

The Chairman draws up the Daily Agenda, the items of which, as well as the respective supplementary documentation are brought to the attention of the Members at a reasonable time period before the meeting.

The Committee informs the Board of Directors monthly on the results of its audit.

4. Main Responsibilities

In order to fulfil its mission, the Committee shall undertake the following tasks and responsibilities:

- Developing the strategy for undertaking all types of risk and managing capital in a manner consistent with the Bank's business objectives and the adequacy of available resources in terms of technical resources and staff.
- Provide for the development of an internal risk management system and its integration into the business decision-making process (e.g. decisions regarding the introduction of new products and services, risk-adjusted pricing of products and services, as well as the calculation of profitability and risk-based capital allocation) across the entire spectrum of the Bank's activities and those of its Subsidiaries.
- Set out the principles that should govern the management of risk in terms of identifying, anticipating, measuring, monitoring, controlling and managing risk, consistent with the business strategy in place and the adequacy of available resources.
- Periodically monitor the indices and limits of the risk appetite for any overruns, following the submission of a report from the Head of the Senior Risk Management Division and subsequently informs the Board of Directors.
- Receive and evaluate the reports submitted by the Senior Risk Management Division, which are submitted at least once every quarter, informs the Board of Directors about the most significant risks undertaken by the credit institution and ensures that they are effectively addressed.
- Evaluate the Internal Capital Adequacy Assessment Processes (ICAC) and Internal Liquidity Adequacy Assessment Processes (ILAAP) following the recommendation of the Senior Risk Management Division and recommends accordingly to the Board of Directors for the adoption of relevant decisions, proposing any additional amendments if deemed necessary.
- Evaluate annually on the basis of the annual report of the Head of the Risk Management Division and the relevant extract from the internal audit report.
 - The adequacy and effectiveness of the Bank's risk management policy and in particular the compliance with the defined risk tolerance level.
 - The appropriateness of limits, the adequacy of provisions and the general adequacy of own funds in relation to the amount and form of the risks assumed.
- Approve the results of the Risk and Control Self-Assessment as submitted by the Head of the Senior Risk Management Division.
- Ensure that at least annual stress tests are carried out for market, credit, liquidity and similar techniques for operational risk.
- Approve the review and management of extreme scenarios at Bank level on the recommendation of the Head of Senior Risk Management.

- Express proposals and recommend corrective actions to the Board of Directors in case it identifies weaknesses in the implementation of the Bank's risk management strategy or deviations in its implementation.
- Establish an appropriate internal environment to ensure that each officer and employee of the Bank understands the nature of the risks associated with the activities in the performance of their duties, recognises the need to address them in an effective and timely manner and facilitates the implementation of internal control procedures established by the Bank's Management.
- Annually review the Credit Policy in force and approve amendments to it in cases where a change to the approved risk appetite is requested.
- Ensure appropriate supervisory and control mechanisms for the monitoring and effective management of distressed assets, defined to include:
 - ✓ non-performing loans (NPLs)
 - ✓ loans under restructuring or renegotiation
 - ✓ exposures that have been written off for accounting purposes but for which the bank is still seeking partial or full recovery.
- Focus on the development of appropriate early detection systems to identify debtors who are close to the limits of their capacity to meet their obligations.
- Ensure that the Bank develops, maintains and continually updates an appropriate set of solutions to reduce delinquencies and maintain the value of the Bank's loan portfolio.
- Monitor the pricing of services offered, taking into account the Bank's business model and risk-taking strategy. When the pricing does not accurately reflect the risks in accordance with the business model and risk-taking strategy, the Committee shall submit a corrective plan to the Board.
- In order to contribute to the formulation of sound remuneration policies and practices, and without prejudice to the Remuneration Committee's responsibilities, it shall examine whether the incentives provided for in the remuneration system take into account risk, capital, liquidity and projected earnings.
- The Committee is responsible for providing information to the external auditors on matters within its competence such as:
 - ✓ Rules of Procedure of the Committee – Amendments
 - ✓ Annual Risk Management Report
 - ✓ Reports to the Committee and Committee's Decisions

5. Presentations and updates

Within the framework of its responsibilities, the Committee shall present to the Board of Directors the results of its actions and activities:

- The Committee shall provide the Board with a written report on the results of its work at least once a year in a timely manner.
- At the same time, the Chairman of the Committee shall inform the Board of Directors in the meantime of the activities of the Committee in the context of the meetings of the Board of Directors.
- The Committee shall issue its proposals and recommendations in writing to the Board of Directors concerning corrective actions in case it detects any failure to implement the approved risk management strategy or any deviations in its implementation.

- The Committee shall give an opinion on the remuneration of the Risk Manager for approval by the Remuneration Committee.
- Shall submit a recommendation to the Board of Directors on the overall current and future risk strategy, assisting the Board of Directors, which has overall responsibility for risk, in overseeing the implementation of this strategy by senior management.

It is noted that the Rules of Operation of the Committee do not substitute the provisions of the respective legal, regulatory and supervisory framework which shall prevail in any event. Any reviews thereof are approved by the Board of Directors.