



THE WORKING PRINCIPLES OF THE RISK MANAGEMENT COMMITTEE

Risk Management Committee

The Risk Management Committee consists of at least three members of the Board of Directors whereas the majority of them without executive duties.

The Risk Management Committee convenes at least quarterly or when necessary and reports to the Board of Directors.

The Risk Management Committee maintains the following duties and responsibilities :

- ✓ Advise the Board of Directors and assist in discharging its duties and responsibilities regarding existence of adequate risk management system, i.e. where risk areas seem to require particular attention, making recommendations to the Board of Directors;
- ✓ Setting up an efficient corporate risk management structure and encouraging development of a risk culture that would ensure its sustainability;
- ✓ Informing the Board of Directors about the methods to overcome and to manage the risks that the Bank encounters;
- ✓ To monitor the Bank's activities for their compliance with the risk rules and profile of the Board of Directors, and to oversee the Management's administration of the risks in accordance with the risk appetite set by the Board of Directors;
- ✓ Support the Board of Directors with regards to strategy formulation;
- ✓ Propose decision-making and authorization limits and recommend for approval by the Board of Directors;
- ✓ Review and approve outputs of risk identification, assessment and measurement processes;
- ✓ Review findings of Internal Audit Department of the Bank regarding risk management;
- ✓ Recommend nominees for the positions of managers/heads of the internal system units that will report to the Risk Management Committee, and to give opinion regarding their dismissals by the Board of Directors;
- ✓ Assess the general and risk specific management policies and strategies of the Bank including any changes thereto, the level of the risks that the Bank can afford to take, the implementation procedures regarding them, and thus to make recommendations to the Board of Directors in respect to their approval;

- ✓ Assess the assumptions and limitations regarding the methods and models used when quantifying the risks, the basic assumptions used to quantify the risks, the efficiency and appropriateness of the data resources and the implementation procedures;
- ✓ Oversee the design, implementation and review – at least once a year – of the Internal Capital Adequacy Assessment Process (“ICAAP”), by the Bank, in compliance with the pertinent legislation and the best practice guidelines;
- ✓ Assess the internal strategies developed within the scope of ICAAP, the ICAAP Report and its results, and to make recommendations to the Board of Directors in respect to their approval;
- ✓ Assess the risk calculation and risk monitoring results of the risk management department and the top management;
- ✓ Exchange views by ensuring the coordination between the risk management department and the other business units of the Bank;
- ✓ Review risk reports as well as other reports covering bank-wide risks at portfolio-level;
- ✓ Evaluate the effectiveness of mitigating strategies to address the risks of the Bank;
- ✓ Report to the Board of Directors on any changes to the risk profile of the Bank;
- ✓ Review Risk Appetite Statement and recommend for approval by the Board of Directors;
- ✓ Review and ratify risk tolerance levels and portfolio limits in risk appetite statement;
- ✓ Review and decide on countermeasures to be taken in case of a limit breach
- ✓ Review Business Contingency Plan with relevant documents and recommend for approval by the Board of Directors;
- ✓ Assess efficiency of remuneration system of the Bank at least once a year together with Remuneration Committee;
- ✓ Consider external and internal factors that may affect the level and management of risks, including legislation or strategic documents developed by the Bank's executive bodies, significant changes in the macroeconomic and microeconomic factors on behalf of the Board of Directors or upon the proposal of the person responsible for risk management in the Bank.
- ✓ Inform the Audit Committee about the issues of significant importance and which should be followed pursuant to the supervision and audit responsibilities of the Audit Committee as per Article 24 of the Banking Law with regards to risk management process.