

A photograph of two men in a barbershop. The man on the left has a long, dark beard and a topknot hairstyle, wearing a light blue shirt and dark denim overalls. The man on the right is wearing a dark cap, a dark shirt, and a dark vest, with visible tattoos on his arms. They are both smiling and looking at each other. The background shows a brick wall and a barbershop counter with various items.

Risk & Compliance Committee Charter

As at December 2023

Risk & Compliance Committee Charter

Purpose of Charter

This Charter governs the operations of the Risk & Compliance Committee (the Committee). It sets out the Committee's roles and responsibilities, composition, structure and membership requirements. The Committee has been established to assist the board of directors (the Board) of BNK Banking Corporation Limited (the Company) and its controlled entities (the Group) as the Board oversees the risk profile, approved the Risk Management Strategy of the Group within the context of the risk appetite determined by the Board, and makes its annual declaration to APRA on risk management.

To fulfill its responsibilities the Committee has power delegated by the Board to set risk appetite, review and recommend the Risk Management Strategy to the Board for approval; approve frameworks; approve policies and processes for managing risk (consistent with the Risk Management Strategy and risk appetite); and accept risks beyond the approval discretion provided to management.

The Committee has free and unfettered access to senior management, risk and financial control personnel in carrying out its duties.

Membership

The Committee shall be members of, and appointed by, the Board. It shall be of sufficient size, independence and technical expertise to discharge its mandate effectively. The Committee shall consist of:

- only non-executive directors;
- at least three (3) members;
- a majority of independent directors; and
- a chairperson, who shall be an independent director as nominated by the Board from time to time but who shall not be the chairperson of the Board.

All Committee members will be appointed for a term of three (3) years, after which they will be eligible for re-appointment for so long as they remain directors of the Board and, if they are independent, they do not become non-independent. The effect of ceasing to be a director of the Board is the automatic termination of appointment as a member of the Committee. Members may resign upon reasonable notice in writing to the Committee chairperson. A member may from time to time be immediately removed by notice in writing under the hand of the Committee

chairperson.

The secretary of the Committee shall be the Company Secretary from time to time or such other person as nominated by the Board.

Meetings

The Committee shall meet often enough to undertake its role effectively, being at least four times each year.

The Committee shall meet in private session at least annually to assess management's effectiveness.

A quorum for any meeting will be 2 members.

The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The Secretary will circulate minutes of meetings to members of the Committee and the Board.

Special meetings may be convened as required. The chairperson of the Committee will call a meeting of the Committee if requested to do so by any member of the Committee or by the chairperson of the Board.

The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each Committee meeting. Other Directors of the Board are entitled to attend the Committee meetings.

The Committee may request any officer or employee of the Company, external legal counsel, the external auditor or any person or Group with relevant experience or expertise to attend meetings of the Committee or to meet with any members of, or consultants to, the Committee.

Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- investigate any matter brought to its attention with full access to all books, records and facilities;
- seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties;
- obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
- ensure the attendance of Group officers at meetings as it thinks appropriate.

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Duties and responsibilities

The Committee will monitor and provide recommendations to the Board on the Group's risk management strategy, monitor the alignment of the Group's risk profile and controls with risk appetite (as defined in the Risk Appetite Statement), and will oversee the identification, management and reporting of risks inherent in the Group's operations, including that sufficient resources are dedicated to risk management. Such oversight will include, but is not restricted to, the elements in the Duties and Responsibilities section.

Risk appetite

The Committee will:

- Establish a view of the Group's current and future risk position relative to its risk appetite and capital strength.
- Approve the Risk Appetite Statement and review and monitor the risk profile of the Group for consistency with this risk appetite.

Overall risk governance

The Committee will do all things necessary on its part along with management to establish and maintain a sound risk management culture across the Group. It will also review and oversee senior management's implementation of the Group's Risk Management Strategy and measuring, monitoring and reporting on aggregate risk exposures associated with risk types within the Group monitored by the Committee.

The Committee will oversee the Group's progress in addressing and completing the findings of the 3 yearly CPS220 Risk Management Framework Review.

Capital

Specific risk areas and responsibilities of the Committee are as follows:

- Review and monitor capital levels for consistency with the Company's risk appetite.
- set the target capital ranges for regulatory capital

Credit risk

- Review and approve the Group's Credit Risk Management Framework.
- Review and approve key policies and associated risk concentration limits supporting the Group's Credit Risk Management Framework, including policies for the credit risk rating system,

managing large exposures and concentration risk.

- Review and approve the limits and conditions that apply to credit risk approval authority delegated to the Chief Executive Officer/ Managing Director, the Risk & Compliance Manager, the Chief Financial Officer, and any other officers of the Group to whom the Board has delegated credit approval authority.
- Review the credit risk profile, performance and management of the Group's credit portfolio, including portfolio asset quality, portfolio concentrations, provisioning levels, bad debt performance, risk rating system and associated risk estimates.

Market risk

- Review and approve the Group's Market Risk Management Framework.
- Review and approve key policies and limits supporting the Market Risk Management Framework, including but not limited to Value at Risk Limits and Present Value Basis Point Sensitivity.
- Review the monitoring of the Group's market risk performance and exposure against limits.

Liquidity risk

- Review and approve the Group's Liquidity Risk Management Framework.
- Review and approve key policies and limits supporting the Liquidity Risk Management Framework.
- Review and approve the annual funding strategy for the Group and oversee management's monitoring of that plan.
- Oversee stress testing results, including approving liquidity targets and limits.

Operational risk

- Review and approve the Group's Operational Risk Management Framework.
- Review the monitoring of the performance of operational risk management and controls.
- Review and approve key policies supporting the Operational Risk Management Framework.
- Review and approve key risk management policies for outsourcing, **cyber security, and technology**.

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- Regularly review compliance with key outsourcing, **cyber security, and technology policies**.
 - Approve all Outsourcing agreements for Material Business Activities; and
 - Ensure that the internal audit function covers all **material** outsourcing agreements, and **regularly reviews cyber security governance**.
- consideration of emerging trends and other factors considered relevant to the Group's risk profile and risk appetite.
 - Receive and review reports as required by regulation.
 - Provide prior endorsement to the Board for the appointment and removal of the Chief Risk Officer.
 - Discuss the reasons for removal of the Chief Risk Officer with APRA no more than 10 business days after the Committee's endorsement is agreed upon.
 - Review the performance of, and set objectives for, the Chief Risk Officer. The Chief Risk Officer will have unfettered access to the Group and the Committee.
 - Review and provide constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from the institution's activities.
 - Review and update the Charter at least every two years and recommend changes to the Board for approval.
 - Review its own performance as part of the annual Board evaluation process and report such findings to the Board.
 - Members of the Committee will be available to meet with APRA on request.

Compliance Management

- Review and approve the Group's Compliance Management Framework.
- Review the compliance processes that are in place to anticipate and effectively manage the impact of regulatory change on the Group's operations.
- Review compliance by the Group with applicable laws, regulations and regulatory requirements that may impact the Group's risk profile.
- Discuss with management and the external auditor any correspondence with regulators or government agencies and any published reports that raise issues material to the Group.
- Review the policies and procedures for the receipt, retention and treatment of complaints received by the Group about accounting, internal control, audit, compliance or other matters about which an employee has concerns.
- Consider and review other risks (including environmental, reputation risk, strategic risk, conduct risk, social and governance risk, equity risk, related entity risk, insurance risk, anti-money laundering, counter terrorism financing, bribery and corruption, and others as identified by the Committee)
- Review and approve other risk management frameworks not specifically referred to in this Charter, and/or review the monitoring of performance under those frameworks (as appropriate).
- Review of the adequacy of risk and compliance resourcing across the Group

Other Responsibilities

- Monitor changes anticipated for the economic and business environment, including

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Policy Governance

Policy Owner:	Senior Compliance Manager/Chief Risk Officer
Policy Reviewer/Approver:	Chief Risk Officer
Policy Approval Committee:	Board
Policy Review Frequency:	Every 2 years
Next Review Due:	December 2025
Policy Exemption Authority	None

Material Revisions

Version No.	Approval Date	Effective Date	Nature/Purpose of Review/Details of Amendment	Reviewer(s)
001	November 2023	November 2023	Policy Review due	CRO
002	December 2023	December 2023	Policy Review due	CRO