

CMB Wing Lung Bank Limited

The Terms of Reference for the Risk Committee

1. Membership

The Risk Committee (the “Committee”) shall be chaired by an Independent non-executive director with a background in accounting, banking or other relevant financial industry or expertise in risk management. The chairman of the Committee shall not be the chairman of the board or of any other committee. The majority of the members of the Committee shall be Independent non-executive directors. The members of the Committee shall collectively possess relevant technical expertise and experience in risk disciplines that are adequate to enable them to discharge their responsibilities effectively. The Committee shall consist of not less than three members. A quorum shall be two members. If the Chairman is not present at the meeting, the members present will choose one of their members to be the Chairman of the meeting.

2. Frequency of meetings

Meetings shall be held not less than thrice a year, and proper minutes of the meetings shall be kept.

3. Minutes

Any minutes signed by the Chairman of the meeting at which the proceedings were held, or by the Chairman of the next succeeding meeting, shall be evidence of the proceedings.

4. Resolution

A resolution in writing signed by all the members shall be effective for all purposes as resolution passed at a meeting of the Committee duly convened.

5. Authority

The Committee is authorized by the Board to deal with any matter within its terms of reference and to obtain outside professional advice if it deems fit.

6. Term of office

The term of office for members shall be three years.

7. Duties

- To review and recommend for the Board’s approval the Bank’s risk management strategies, key risk policies and risk appetite, at least annually;

- To review and recommend for the Board approval specified types of risk management policies and procedures;
- To review and assess the adequacy of the Bank's risk management framework and policies in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- To monitor, review and conduct regular assessment of the internal control system of the Bank and to monitor the risk management of the Bank's exposures to credit risk, market risk, operational risk, interest rate risk, strategic risk, legal risk, reputation risk and liquidity risk by the Executives.
- To oversee the establishment and maintenance by senior management of appropriate infrastructure, resources and systems for risk management, particularly in relation to the Bank's adherence to the approved risk appetite and related policies;
- To oversee and discuss the strategies for capital and liquidity management, and those for all relevant risks (on both an aggregated basis and by type of risk) of the Bank, to ensure they are consistent with the stated risk appetite;
- To oversee and evaluate the design and execution of stress testing and scenario analyses;
- To review periodic reports provided by the senior management (including the Chief Risk Officer) on the state of the Bank's risk culture, risk exposure and risk management activities;
- To ensure that the staff members of the Bank responsible for implementing risk management systems and controls are sufficiently independent of the Bank's relevant risk-taking activities;
- To examine, without prejudice to the tasks of the Remuneration and Appraisal Committee, the incentives created by the remuneration system are aligned with the Bank's risk culture and risk appetite, and ensure remuneration awards appropriately reflect risk-taking and risk outcomes; and
- To execute other duties as may be delegated by the Board.

8. Reporting procedure

The Committee shall report to the Board on their decisions and recommendations after each meeting. The minutes of the meetings of the Committee shall be circulated to all members of the Board.

9. Review

The Terms of Reference for the Risk Committee should be reviewed annually.