

**Chong Hing Bank Limited**  
**(the “Bank”)**  
**Terms of Reference of the Risk Committee**

**1. Constitution**

The Risk Committee (the “Committee”) was established by resolutions of the Board of Directors of the Bank (the “Board”) on 14 February 2014.

**2. Role**

- 2.1 The Committee is responsible for advising the Board on the overall risk appetite / tolerance and risk management strategies of the Bank and its subsidiaries (the “Bank Group”), and overseeing senior management’s implementation of those strategies established and approved by the Board and aligned with the Bank’s overall business objectives.
- 2.2 In performing its role, the Committee is assisted by the Bank’s Risk Management Committee (“RMC”) and other specialised risk committees.

**3. Membership**

Chairman and members of the Committee shall be appointed by the Board from time to time and shall consist of not less than three members, a majority of whom should be non-executive directors.

**4. Secretary**

The Chief Risk Officer of the Bank, shall be the secretary to the Committee. The Company Secretary or his / her deputy shall be the deputy secretary to the Committee.

**5. Attendance at Meetings**

The Committee may invite other persons (including directors, senior management and external advisers) to attend all or part of the Committee meetings from time to time upon such conditions as the Committee members consider desirable. However, only the Committee members shall be entitled to vote at the Committee meetings.

**6. Frequency of Meetings and Quorum**

- 6.1 The Committee shall meet at least four times a year and at such other times as the Chairman of the Committee may determine.
- 6.2 Committee meetings shall be convened by (or at the request of) the Chairman of the Committee. Committee meetings may also be called at the request of the Chairman of the Board.

- 6.3 The quorum for meetings of the Committee shall be three members, one of whom should be the Chairman of the Committee, unless he or she is unable to attend due to exceptional circumstances, and at least two of whom should be non-executive directors (including independent non-executive directors).

## **7. Proceedings of Meetings**

- 7.1 Meetings and proceedings of the Committee shall be governed by the provisions for regulating the meetings and proceedings of the Board as stipulated in the Bank's Articles of Association for the time being in force so far as the same are applicable thereto and are not replaced by any regulations imposed by the Board.
- 7.2 Questions arising at any meetings of the Committee shall be decided by a majority of votes, and in case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.
- 7.3 A written resolution signed by a majority of the Committee members shall be as valid and effectual as a resolution passed at a meeting of the Committee duly convened and held.

## **8. Authority**

- 8.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to any information it requires from any employee and all such employees are directed to co-operate with any reasonable request by the Committee.
- 8.2 Subject to prior discussion as to likely costs, the Committee shall be provided with sufficient resources to perform its duties. It is also authorised by the Board to seek independent professional advice at the Bank's expense to perform its responsibilities as it shall deem appropriate and shall be responsible for selection and appointment of consultants to advise it on risk management matters.

## **9. Duties and Responsibilities**

The Committee shall have the following duties, responsibilities and discretion:

- 9.1 to discharge its duties within these Terms of Reference including the creation, and necessary approval of any terms of reference, of risk management committees as the Committee deems fit;
- 9.2 to review and recommend for the Board's approval on the overall risk management strategies and risk appetite / tolerance statement(s) of the Bank Group which should be commensurate with its operations and strategic goals, taking into account all relevant risk-related matters encountered by the Bank Group;
- 9.3 to review and assess regularly the adequacy and effectiveness of the Bank Group's risk management framework, internal control systems (other than internal financial control systems) and risk management policies and procedures in identifying, measuring, monitoring and controlling risk, and oversee their effective operation, implementation and maintenance;

- 9.4 to ensure that the staff members responsible for implementing risk management systems and controls perform those duties independently of the Bank Group's risk taking activities;
- 9.5 to regularly communicate with the risk management function and Chief Risk Officer of the Bank (at least once every year) without the Executive Directors of the Bank to ensure that there are no unresolved issues or concerns;
- 9.6 to advise the Board and / or the Remuneration Committee on alignment of remuneration to risk appetite;
- 9.7 to review and endorse the contents of the statements made in relation to internal controls (other than internal financial controls) in the annual report and accounts of the Bank Group for submission to the Board;
- 9.8 to report significant risk management issues to the Board as set out in these Terms of Reference;
- 9.9 to review and update regularly these Terms of Reference and recommend to the Board any necessary changes to the Board for approval; and
- 9.10 to consider other topics, as defined by the Board from time to time.

## **10. Reporting Procedures**

- 10.1 The Committee should report to the Board on a regular basis;
- 10.2 Minutes of the Committee meetings shall be circulated to all members of the Board at regular meetings of the Board. Minutes of the Committee meetings should be kept by the Company Secretary. Within a reasonable time after the Committee meetings, draft and final versions of the minutes of such meetings should be sent to all Committee members for their comment and records respectively; and
- 10.3 The Committee shall make regular reports to the Board on significant risk management issues for adoption and formal ratification (where appropriate), including without limitation the following:
  - (a) the Bank Group's risk appetite / risk tolerance statement(s);
  - (b) policy review, regulatory compliance and updates;
  - (c) material amendment to the terms of reference of the Committee; and
  - (d) any significant risk-related issues.

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