

RISK COMMITTEE TERMS OF REFERENCE (FROM THE CHARTER OF THE COMMITTEE)

1. GENERAL PROVISIONS AND PURPOSE

- 1.1. The Risk Committee (hereinafter: the Committee) shall be a standing Committee established by the Supervisory Board of the Bank.
- 1.2. The competence of the Bank's Committee shall apply also to the Bank's subsidiaries without prejudice to the prerogatives of the Subsidiaries' Corporate Bodies. The term "Bank" used hereinafter automatically refers also to its Subsidiaries, if applicable.
- 1.3. The Committee has respectively recommending, advisory and supporting functions towards the Supervisory Board of the Bank with particular reference to the effective risks monitoring and overall risk management framework of the Bank.
- 1.4. The Committee shall perform its functions according to the principles of independence and autonomy.

2. AUTHORITY

- 2.1. The Committee has authority to:
 - request information, explanations and support from the Risk Management function, management and other employees of the Bank;
 - request the Bank's competent body for the authorization to engage external consulting;
 - request the presence of the Bank's managers at its meeting(s), as well as the presence of the external advisors;
 - invite occasional attendees.
- 2.2. The Committee, in performing its duties, is assisted by the Bank's Risk Management function, which must be technically and adequately skilled in order to support the Committee in carrying out its activities, analysis and other duties undertaken on an ongoing basis.

3. RESPONSIBILITIES

- 3.1 The Committee supports the Supervisory Board of the Bank in the exercise of its strategic supervisory duties in relation to the risk management framework. The Committee pays special attention to those activities which are conducive in helping the Board properly define an effective Risk Appetite Framework (RAF) and risk management policies and make other risk-related decisions which by law fall within its remit.
- 3.2 Without prejudice to prerogatives and responsibilities of the Supervisory Board, the Committee assists the Board in conducting analytical review of the submitted documentation, formulating expert opinions and recommendations in the area of its competence.

4. SPECIFIC TASK AND DUTIES

The Committee has the following responsibilities:

- 4.1. to support the Supervisory Board of the Bank in examining and defining the business model, the strategic direction and the risk appetite, so as to enable the Board to be aware of the risks to which this model exposes the Bank and understand the methods through which risks are recognised and assessed.
- 4.2. to ensure the effective implementation of the RAF and institution's risk strategy supporting the Supervisory Board of the Bank in:

- overseeing the coherence of the organizational structure of the Risk Management function and its functioning rules with the activities and the business model, ensuring that there is a clear separation between business and control functions in order to prevent conflicts of interest;
 - overseeing the Risk Management function's activities according to the Risk Management Activity Plan;
 - examining Regulations to be adopted;
 - examining proposals associated with the delegation of powers in respect of loans granted.
- 4.3. to support the Supervisory Board of the Bank in the decision of outsourcing of internal activities in coherence with the outsourcing policy of the Bank.
- 4.4. to support the Supervisory Board of the Bank in defining the risk management policies and the RAF and in ensuring the consistency between the strategic plan, the RAF, the ICAAP/ILAAP and the budget, also with regard to the evolution of the internal and external conditions in which the Bank operates.
- 4.5. to oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of an institution, such as market, credit, operational (including legal and IT risks) and reputational risks, in order to assess their adequacy against the approved risk appetite and strategy.
- 4.6. to support the Supervisory Board of the Bank in examining the change of the business model, the start-up of new business activities, the entry into new markets and the offer of financial products and services, thus ensuring the effective monitoring of risks and the effective implementation of the RAF,
- 4.7. to support the Supervisory Board of the Bank in examining the report prepared by the Risk Management function with regard to the effects of the stress tests and scenarios adopted on the Bank risk profile including ICAAP and ILAAP.
- 4.8. to support the Supervisory Board of the Bank in approving/examining proposals associated with:
- the contingency plan to be implemented in the event of market crises or specific bank situations (Contingency Funding Plan - CFP);
 - the Recovery Plan.
- 4.9. to support the Supervisory Board of the Bank in the authorization requests process for internal models required by Regulator Authority. The Committee is supported by specific analysis of the Risk Management function in the evaluation of the models performance and evolution.
- 4.10. to support the Supervisory Board of the Bank in the evaluation of the internal behavioural models development and their evolution.
- 4.11. to contribute to defining the set of Risk Management documentation to be produced and submitted to the Committee and the Supervisory Board of the Bank, with reference to the nature, the amount, the format, the frequency of the information as well as modalities of submission in order to ensure its accuracy, completeness and timeliness.
- 4.12. to examine:
- the evolution of the risk profile of the Bank, in particular quarterly via reports on the individual risk exposures and semi-annual risk profile report;
 - the periodic reporting about credit controls outcome;
 - the periodic reporting of criticalities (Tableau del Board of Problems of the Risk Management function);
 - the semi-annual activity report and the annual activity plan prepared by the Risk Management Dept and the Internal validation.
- 4.13. to examine and monitor the progress of the remediation plan prepared by the Risk Management function on the corrective actions in the face of critical situations / areas for

improvement highlighted by the Internal Validation and the Internal Auditing functions and/or the Supervisory Authorities in Risk Management Area.

- 4.14. to support the Supervisory Board of the Bank in analysing its Remuneration and Incentive Policies in order to verify their link with current and prospective risks, the capital strength and levels of liquidity of the Bank, with specific regard to the incentive systems to the Management Board of the Bank.

5. INTERACTION BETWEEN AUDIT AND RISK COMMITTEE

- 5.1. The Audit and Risk Committee shall interact on matters of mutual interest and in order to ensure the full and balanced coverage of the continuous internal control system monitoring and assessment on the one hand and overseeing sound risk management and respect of the risk strategy on the other hand.
- 5.2. The interaction between the two Committees shall be ensured through the following:
 - periodical meetings, at least twice a year, between the Committees' Chairmen with the goal of defining a high-level focus of the respective Committees for the upcoming period and the areas of possible common interest;
 - ensuring cross-attendance of the Committees' Chairmen, in quality of ad hoc invitees, at the meetings dealing with potentially significant matters for the other Committee's mission and/or defined focus;
 - submitting to the relevant Committee, or request the Bank's competent function to do so, any issues emerged within the Committee activities that can have potentially significant impact on the other Committee's mission and/or defined focus.
- 5.3. The provisions 5.1 and 5.2 can be applied analogously to the interaction between the Committee and other committees supporting the Supervisory Board of the Bank in its supervisory function.

6. REPORTING RESPONSIBILITIES

- 6.1. The Chairman of the Committee shall report to the Supervisory Board of the Bank possibly at each meeting and at least every six months, and informs about the overall activities performed, issues analysed and conclusions adopted, recommending the necessary actions for the strengthening of the Risk Management framework and in general highlighting significant issues to be brought to the Board's attention.