

Board Financial Risk Committee Charter

1. Role

1.1 About the Board Financial Risk Committee

The Committee is a committee of the Bendigo and Adelaide Bank Board. Its purpose is to provide the Board with objective and active oversight of the Group's risk profile and the risk management framework in relation to financial risks.

1.2 Purpose of the Charter

This charter sets out the role, responsibilities, powers and terms of operation of the Committee.

1.3 Scope of responsibilities

The Committee's responsibilities apply in relation to Bendigo and Adelaide Bank Limited (**Bank**) and its subsidiaries (**Group**).

2. Purpose

The purpose of the Committee is to provide assistance to the Board in relation to:

- a) Advising on the Group's current and future risk appetite and risk management strategy for financial risks;
- b) Overseeing the current and future financial risk profile position and the management of material financial risks and exposures relative to the approved risk appetite and capital base;
- c) Overseeing the implementation and operation of the risk management strategy and risk management frameworks for financial risks. This includes constructively testing and challenging management analysis, proposals and decisions on all aspects of financial risk management;
- d) Monitoring new or emerging material financial risks and reviewing the treatment plans developed by management to mitigate these risks;
- e) Overseeing compliance with the financial risk management strategies, policies, tolerances, limits and management delegations; and
- f) Monitoring the risk culture of the Group as it relates to financial risk.

3. Responsibilities

3.1. Financial risk appetite and risk management frameworks

The Committee's responsibilities include:

- a) Making recommendations to the Board on changes to the Risk Appetite Statement and primary risk appetite settings for financial risks;
- b) Making recommendations to the Board on changes to the risk management frameworks for financial risks;
- c) Considering and deciding the secondary risk appetite settings for financial risks;
- d) Considering and deciding, as required, proposed changes to rating systems, models, limits and tolerances used to govern financial risks which are consistent with the risk management strategy and risk appetite. Where required, and if supported by the Committee, the matter will be recommended for decision by the Board;
- e) Monitoring material changes to financial risk policies approved by management committees under delegation;

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- f) Monitoring emerging trends and risks that may impact the financial risk profile along with relevant legislative, regulatory and industry developments and overseeing management's plans to manage these risks and developments;
- g) Monitoring the independence, performance and effectiveness of the risk management function for financial risks;
- h) Considering and deciding the Internal Capital Adequacy Assessment Process (ICAAP), with significant changes to the ICAAP to be recommended to the full Board.
- i) Setting the capital target ranges, overseeing capital management and monitoring levels for consistency with the risk appetite.
- j) Considering and recommending to the Board the results of enterprise-wide stress tests.

3.2. Credit Risk

The Committee shall:

- a) Monitor the risk profile and performance of the credit portfolios including portfolio composition, risk concentrations, portfolio analytics, arrears performance, provisioning, non-performing loans and loss performance;
- b) Monitor the performance of credit risk rating models and scorecards;
- c) Review the outcomes of portfolio stress testing undertaken to assess the financial impact and resilience to severely stressed conditions
- d) Monitor changes to, and continuing appropriateness of, the delegated lending authority framework for the business (approved by the MCC) under which day to day transactional credit decisions are made;
- e) Monitor the outcomes from credit risk reviews completed by Group Assurance;
- f) Oversee management actions to resolve material high risk non-performing exposures and review and decide the six-monthly collective provision assessments. This includes deciding any material changes to the provisioning methodology;
- g) Oversee the activities and decisions of the MCC and its sub-committees comprising the Management Credit Decisioning Committee, the Lending Standards Review Committee and the CPC; and
- h) Review and decide on changes to the role and responsibilities of the MCC as described in the MCC Charter.

3.3. Interest Rate Risk, Traded Market Risk and Liquidity Risk

The Committee shall:

- a) Monitor the operating environment including economic, industry, market and regulatory developments in the context of the risk appetite and risk management framework.
- b) Monitor compliance with capital, interest rate risk, traded-market risk and liquidity risk management policies, limits and tolerances.
- c) Monitor the funding strategy, funding mix and maturity profile.
- d) Monitor the activities and decisions of the Asset and Liability Management Committee (ALMAC).

3.4. Specific Management Committee Delegations

- (a) The MCC is delegated the authority to consider and decide on transactional credit submissions (exceeding business unit delegated lending authorities) that are within the credit risk appetite and limits.

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(b) The MCC is also delegated the authority to consider and decide on recommended changes to specific limits assigned to individual treasury counterparties.

3.5. Policy approval delegations

(a) The CPC is delegated the authority to assess, develop, amend and approve changes to existing credit policy.

(b) The MCC is delegated the authority to consider, and if thought appropriate, approve new or substantially amended credit policies based on recommendations from the CPC.

4. Other responsibilities

Prudential Assurances: Review management assurances provided to the Committee and Board to support annual prudential declarations on the risk management frameworks and ICAAP.

Prudential Reviews: Review reports from APRA on the outcomes of prudential risk reviews for financial risk and monitor the process of management to address recommendation from these reviews.

APRA: Members of the Committee must be available to meet with APRA, or any other regulator, on request and will deal with APRA and other regulators in an open, constructive and co-operative way.

Reviews: The Committee may initiate reviews as needed to fulfil its responsibilities under this charter and shall report to the Board on any new or significant financial risk developments.

Charters: Review and decide of changes to the MCC and ALMAC Charters.

General:

- a) Any other responsibilities delegated to the Committee by the Board from time to time relating to financial risk management.
- b) The Committee may refer matters to other board committees for specialist knowledge. Other board committees may also refer material risk related matters to the Committee.
- a) Ensure that the Chief Risk Officer has unfettered access to the Committee.

5. Reporting & Meeting Planner

Each year the Committee approves a meeting planner setting out the standing items of business and reports to be considered during the year. The planner includes items of business and reports applicable to the responsibilities under this charter.

6. Procedural Rules

The Bendigo and Adelaide Bank Board Committee Procedural Rules apply to the Board Financial Risk Committee.

This charter was adopted by the Board of Bendigo and Adelaide Bank Limited on 22 June 2021.