

HATTON NATIONAL BANK PLC

POLICY ON RISK MANAGEMENT AND INTERNAL CONTROLS

1. OVERVIEW

The Board of Directors of the Bank has adopted the Policy on Risk Management and Internal Controls (the "**Policy**") in conformity with the Listing Rules to establish a framework to identify, assess, mitigate and monitor risks across all aspects of the Bank's operations. This document sets forth a summary of such Policy.

Any capitalized term not specifically defined in this Summary will have the meaning therefor set forth in the Policy.

2. PURPOSE

The purpose of the Policy is to ensure that risks are managed effectively with adequate internal controls to protect the interests of all stakeholders, maintain business continuity and enhance the Bank's resilience in the face of uncertainties.

3. SCOPE

The scope of the Policy is organization-wide and applies to all employees of the Bank including the MD/CEO and all Directors.

4. GOVERNANCE AND RESPONSIBILITY

4.1 The Board retains ultimate oversight of the Bank's risk management activities, delegating the implementation and monitoring of the risk management framework to the Board Integrated Risk Management Committee.

4.2 Employees will receive regular training on risk management principles and processes pertinent to their roles.

4.3 The Risk Management Framework Policy, comprising an internal policy issued by the Bank, will be subject to annual review and updates to incorporate changes in the business environment, emerging risks, and lessons learned from past experiences. Stakeholder feedback, including from employees, customers, and suppliers, may be solicited to identify areas for improvement.

5. RISK IDENTIFICATION AND ASSESSMENT

5.1 Risks will be identified through systematic risk assessments, employing methodologies such as workshops, surveys, and consultations with relevant stakeholders.

- 5.2 Identified risks will be classified according to their nature, severity, and likelihood of occurrence.
- 5.3 Risk assessments will consider both internal and external factors, including market conditions, regulatory changes, technological advancements, and the competitive landscape.
- 5.4 The provisions of the Risk Management Framework Policy, Operational Risk Management Policy, and Guidelines on Fraud Risk Management will govern the identification, assessment, and mitigation of all risks, whether operational or fraud related.

6. RISK MITIGATION AND INTERNAL CONTROL

- 6.1 Following identification and assessment, risks will be prioritized based on their potential impact and likelihood of occurrence.
- 6.2 The Bank may address high-priority risks through one or more of the following strategies:
 - (i) Risk Avoidance: Eliminating the risk by refraining from initiating or continuing the activity that presents the identified risk.
 - (ii) Risk Reduction: Implementing measures to diminish the severity of potential loss or to decrease the likelihood of such loss occurring.
 - (iii) Risk Transfer: Sharing the financial burden of loss or the benefit of gain associated with the identified risk with an external party.
 - (iv) Risk Acceptance: Acknowledging and accepting the consequences of the risk, including any resultant loss or benefit.
- 6.3 All risks not addressed through avoidance or transfer will be deemed retained by default.

7. REPORTING

- 7.1 Key risk indicators will be established to monitor fluctuations in risk exposure, assess the efficacy of internal controls, and identify emerging risks.
- 7.2 Regular risk reports will be prepared and submitted to the Board and Key Management Personnel, ensuring they are apprised of the Bank's risk profile, control environment, and compliance status.
- 7.3 Any substantial changes in risk exposure or unforeseen events will be promptly communicated to the MD/CEO who may escalate such matters to the Board Integrated Risk Management Committee, as deemed necessary.