

The Integrated Risk Management Framework (IRM Framework)

1. The Scope of the IRM Framework

In order to ensure the soundness of the Bank, we have established a robust and pervasive business enabling risk acceptance and management culture. The Integrated Risk Management Framework documented in this Manual consists of a set of principles that will reinforce and protect this culture. It covers the various existing and potential risk categories, possible sources of such risks, the mechanisms whereby management information is aggregated and reported to identify and monitor all such risks, effective measures to control and mitigate risks at prudent levels and identifies governance structures, committees and officers responsible for such control and mitigation.

The Bank's Framework empowers Management at all levels to develop our business subject to compliance with the principles, responsibilities and detailed policies for managing risks. The Manual describes only the framework and the principles supporting the high-level policies. It seeks to be sufficiently comprehensive to capture all risks to which the bank is or may be exposed and sufficiently flexible to accommodate foreseeable changes in business activities.

2. Objectives

The IRM Framework of Seylan Bank PLC is defined as "The process of identifying, measuring, monitoring and controlling risk with the aim of increasing the value of the bank". It is a core discipline of the bank and encompasses all the activities that affect the bank's risk profile. Risk Management ensures that:

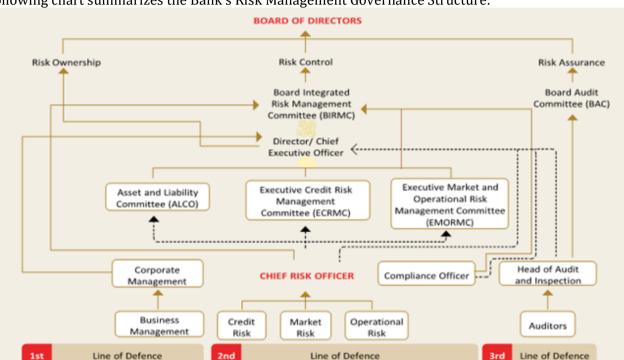
- The officers who take or manage risks clearly understand those risks
- The Bank's exposure is within the limits established by the Board of Directors
- Risk taking decisions are in line with the business strategy and objectives set by the Board
- The expected fully costed returns compensate for the risks taken
- Risk taking decisions are explicit and clear
- Sufficient capital is available to support the risk

Bank's IRMC Framework Defines:

- ➤ Outline the Scope and Responsibilities of the Board Interrelated Risk Management Committee (BIRMC), The Risk Management Committees (EMORMC, ECRMC and ALCO), and the Risk Management off the Bank
- ➤ Defines Measurement and Management of Credit, Operational, Market and Liquidity Risk of the Bank
- ➤ Defines, Measurement and Evaluation of various other Risks faced by the Bank
- Establish guidelines to meet various applicable regulatory rules and statutes,
- > Form a consistent co-policy with other policies of the Bank (investments, lending, Operational, Market and Liquidity Risk etc.)

3. Responsibilities

The Risk Management of the Bank falls under the authority of the Board of Directors through the Board Integrated Risk Management Committee, who in turn assigns authority for its formulation, revision and administration to the Executive Market and Operational Risk Management Committee (EMORMC) and the Executive Credit Risk Management Committee (ECRMC). The Chief Risk Officer (CRO) who is authorised to manage the risk of the Bank is designated by the Board and Management to function as the second line of defence on material concentrations and emerging risks as they develop, material market imbalances, and assess the potential impact on the Bank's risk appetite and strategy. Hence, CRO's reporting is directly align to BIRMC.



The following chart summarizes the Bank's Risk Management Governance Structure:

4. Compliance with Banking Laws and Regulations

Current laws and regulations, as well as prudent and generally accepted banking practices, will be the foundation for and will act as the guiding hand in the development of policies, procedures, strategies and methods relating to the management of the Bank's Risk Mitigation and management

5. Monitoring, Policy Review, and Updates

The Risk Unit of the Bank (RMU) rigorously monitors, reviews and updates to stay current with evolving regulatory and industry standards. In turn the IRM Framework undergoes an annual review to integrate the latest guidelines and directions from relevant authorities.

6. Contents of the IRM Framework

The Integrated Risk Management Framework outlines and is not limited to the following areas in managing the Risk of Seylan Bank PLC:

INTEGRATED RISK MANAGEMENT FRAMEWORK FOR SEYLAN BANK

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