

**CANADIAN WESTERN BANK**  
**MANDATE OF THE RISK COMMITTEE**

**1.0 Purpose of the Risk Committee**

The purpose of the Risk Committee is to assist the Board of Directors (the “Board”) in fulfilling its responsibilities with respect to the oversight of risk management at CWB Financial Group, balancing risks and rewards while ensuring that management has policies, processes and procedures in place to identify and effectively manage the significant risks to which CWB Financial Group is exposed, and, in particular, ensuring the:

- 1.1 establishment and management of the Risk Management Framework (codified in the Risk Management Framework Policy), the Risk Appetite Statements (codified in the Risk Appetite Framework Policy), and specific risk metrics;
- 1.2 development of risk management policies which are aligned with the risk appetite established by the Board;
- 1.3 development of risk management strategies; and
- 1.4 monitoring and reporting of emerging risks.

For the purposes of this mandate, “Bank” means Canadian Western Bank and “CWB Financial Group” means the Bank and its subsidiaries.

**2.0 Organization of the Risk Committee**

The Risk Committee shall be comprised of not less than four directors, one of whom shall serve as the Chair of the Risk Committee, as determined and appointed by the Board. Each Risk Committee member shall be independent and a majority of members shall have knowledge of one or more of the risks identified in the Risk Management Framework.

**3.0 Meetings of the Risk Committee**

In order for the Risk Committee to transact business, three members of the Risk Committee must be present and a majority of those present must be resident Canadians. The Risk Committee shall meet on a regular basis and shall schedule a sufficient number of meetings (whether in person or by teleconference) to carry out its mandate, which shall occur at least once each quarter. Any member of the Risk Committee may call a meeting. At each meeting the Risk Committee shall meet with the Chief Risk Officer and the Chief Compliance Risk Officer without management present. The Chair, or in his or her absence another member of the Risk Committee, will preside at each meeting of the Risk Committee.

#### **4.0 Reporting to the Board**

The Risk Committee shall present a verbal report at each regularly scheduled Board meeting with respect to its activities with such recommendations as are deemed desirable in the circumstances.

#### **5.0 Outside Advisors**

The Risk Committee shall have the authority to retain, at the Bank's expense, independent advisors and consultants to advise the Risk Committee as it determines necessary to carry out its duties and to fix the remuneration of such advisors and consultants. The Risk Committee may request any officer or employee of the Bank to attend a meeting of the Risk Committee or to meet with any members of, or consultants to, the Risk Committee.

#### **6.0 Duties and Responsibilities of the Risk Committee**

The Risk Committee shall have the following specific duties and responsibilities:

##### **6.1 Risk Framework**

- 6.1.1 review and recommend to the Board, at least annually, the approval of the Risk Management Framework Policy for CWB Financial Group, and the Risk Appetite Framework Policy;
- 6.1.2 review and approve, at least annually, the risk frameworks and policies – which include risk appetite metrics and corresponding risk limits – to manage the major risk exposures identified in the Risk Management Framework Policy including credit risk, market and investment risk, liquidity risk, operational risk, capital risk, regulatory compliance risk and business, strategic and reputational risk;
- 6.1.3 review risk monitoring programs and receive regular reports on risk monitoring activities, including compliance with risk policies, risk metrics and risk appetite; and
- 6.1.4 review the results of material management stress testing exercises and discuss with management any identified material risks and emerging risks and trends.

##### **6.2 Credit Risk**

- 6.2.1 review the credit risk exposures against the quantitative and qualitative risk appetite and review the appropriateness of the proposed remediation plans, should the risk appetite be breached;

- 6.2.2 review the provisioning methodology and the allowances for credit losses;
  - 6.2.3 review, as necessary, the watch and impaired loans;
  - 6.2.4 review and recommend to the Board, at least annually, lending limits for the Bank, Canadian Western Trust Company, a Loan Adjudication Panel, the CWB Financial Group Credit Risk Committee, and the President and CEO of the Bank.
- 6.3 Structural Market and Investment Risk
- 6.3.1 review the structural market and investment risk exposures against the quantitative and qualitative risk appetite with respect to regulatory requirements and the Board's oversight responsibilities, and review the appropriateness of the proposed remediation plans should the risk appetite be breached.
- 6.4 Liquidity Risk
- 6.4.1 review CWB Financial Group's liquidity position against the quantitative and qualitative risk appetite with respect to regulatory requirements and the Board's oversight responsibilities, and review the appropriateness of the proposed remediation plans should the risk appetite be breached; and
  - 6.4.2 review and approve the Contingency Funding Plan for CWB Financial Group.
- 6.5 Operational Risk
- 6.5.1 review CWB Financial Group's operational position against the quantitative and qualitative risk appetite with respect to regulatory requirements and the Board's oversight responsibilities, and review the appropriateness of proposed remediation plans should the risk appetite be breached.
- 6.6 Capital Risk
- 6.6.1 as needed, recommend to the Board the approval of the internal capital adequacy assessment process (ICAAP);
  - 6.6.2 at least annually, recommend to the Board the approval of the target internal capital ratios and the capital plan;
  - 6.6.3 review reports on performance against the target internal capital ratios and the capital plan;

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- 6.6.4 review and recommend to the Board the approval of the payment of dividends;
  - 6.6.5 review and recommend to the Board the approval of capital issuances and redemptions; and
  - 6.6.6 receive reports on meetings with rating agencies.
- 6.7 Regulatory Compliance Risk
- 6.7.1 review regular reports from the Chief Compliance Risk Officer on the design and operation of the compliance program, CWB Financial Group's exposure to regulatory risk as well as the remediation plans, as necessary;
  - 6.7.2 review regular reports from the Chief Anti-Money Laundering Officer on the design and operation of the program, CWB Financial Group's exposure to AML/ATF risk as well as the remediation plans, as necessary; and
  - 6.7.3 review at least annually the report on outsourcing arrangements.
- 6.8 Business, Strategic and Reputational Risks
- 6.8.1 review and discuss reports on business and strategic risks, emerging and emerged risks and reputational risks identified by management;
  - 6.8.2 review and approve at least annually the CWB Financial Group business continuity management program and receive reports on testing of the program;
  - 6.8.3 at least annually, review and approve the CWB Financial Group Recovery Plan;
  - 6.8.4 review and recommend to the Board at least annually the approval of the insurance program and the limits of insurance;
  - 6.8.5 review reports related to management's policies and procedures to address technology risk, including cyber security risk, associated with CWB Financial Group operations; and
  - 6.8.6 receive OSFI reports on the results of its examinations and management's responses thereto.

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- 6.9 Oversight of Risk Management Function
    - 6.9.1 recommend to the Board, jointly with the Human Resources Committee, the appointment or removal of the Chief Risk Officer of CWB Financial Group;
    - 6.9.2 review and approve annually the mandate of the Enterprise Risk Management function;
    - 6.9.3 review and approve annually the mandate of the Chief Risk Officer of CWB Financial Group;
    - 6.9.4 ensure the independence and effectiveness of the Enterprise Risk Management function;
    - 6.9.5 review and approve annually the Enterprise Risk Management function's budget and resources;
    - 6.9.6 periodically require an independent review of the Enterprise Risk Management function; and
    - 6.9.7 review and discuss regular reports prepared by the Chief Risk Officer together with management's response and follow-up on outstanding issues, as necessary, including proactive consideration of whether deficiencies in one area may be present in other areas.
  - 6.10 Oversight of Regulatory Compliance Function
    - 6.10.1 approve the appointment or removal of the Chief Compliance Risk Officer;
    - 6.10.2 review and approve annually the mandate of the Regulatory Compliance function;
    - 6.10.3 review and approve annually the mandate of the Chief Compliance Risk Officer of CWB Financial Group;
    - 6.10.4 ensure the independence and effectiveness of the Regulatory Compliance function;
    - 6.10.5 review and approve annually the Regulatory Compliance function's budget and resources; and
    - 6.10.6 periodically require an independent review of the Regulatory Compliance function.

6.11 General

- 6.11.1 receive such reports from the Chief Internal Auditor as the Committee may determine necessary to carry out its duties;
- 6.11.2 review and assess annually the adequacy of its mandate and recommend changes to the Board; and
- 6.11.3 perform such other functions and tasks as may be mandated by regulatory requirements relating to the risk management area.

**7.0 Delegation to Loan Adjudication Panel**

Any three members of the Board, as determined between the Panel Chair and the Senior Vice President, Credit Risk Management, may from time to time constitute a Loan Adjudication Panel, with the power to:

- 7.1 deal with credit applications which are in excess of the lending limit for the Group Credit Risk Committee but within the limits of a Loan Adjudication Panel;
- 7.2 deal with loans to a foreign country or which are guaranteed by a foreign country; and
- 7.3 make recommendations to the Board for credit applications in excess of the lending limits established by the Risk Committee for a Loan Adjudication Panel.

This mandate was last reviewed and approved by the Board on June 6, 2018.