



## Enterprise Risk Management Policy

### Summary

#### 1. Purpose

The purpose of the Enterprise Risk Management Policy ("ERM Policy") is to define the Bank's Risk Management System and key policy requirements to ensure robust implementation of the system.

##### 1.1 Risk Definition

Yoma Bank defines a risk as an uncertain event that occurred due to the internal and external factors, which could obstruct the company to accomplish its mission, business objectives and commitment to the company policy.

At Yoma Bank, our objective is to ensure our Risk Management System not only meets local requirements and but delivers "best practice" in the country. Ultimately, risk management is core to all banking activities, and we aspire for the Bank's risk management to be a competitive advantage in our mission to Build a Better Myanmar for its people.

Furthermore, the Bank's license to operate is strictly governed by the Central Bank of Myanmar ("CBM") which requires effective risk management to protect to stability of the Country's financial system and consumer protection of the people of Myanmar.

#### 2. Scope of the Policy

The scope of the ERM Policy is to define the Bank's Risk Management System and key policy requirements to ensure robust implementation of the system.

The ERM Policy covers all key risks as assessed by Management and endorsed by the Board (or Board of Risk Oversight Committee). Given the complexity and materiality of credit and AML/CTF, additional policies are required to be approved by Board to manage these key risks.

#### 3. Key Policy Chapters

##### 3.1. Key Risks

**Capital Risk** - the risk that Yoma Bank failing to maintain the level of capital required by regulators or other key stakeholders (shareholders, investors, depositors, etc.) to support the banks operations and risk appetite.

**Credit Risk** - the risk of financial loss resulting from a borrower or counterparty failing to fulfil its credit obligations or decrease in portfolio credit quality resulting in a loss in value

**Human Capital Risk** - the risk that our people's capability falls short of our strategic and operational requirements. This risk can be driven by poor culture, losing key personnel, having insufficient succession planning for business continuity, having inadequate investment in



developing staff, having inadequate performance management processes and weak employee engagement or value proposition.

**Legal and Compliance Risk** - the risk of failure to act in accordance with laws, regulations, industry standards and codes (including all banking regulations and AML/CFT requirements)

**Liquidity and Funding Risk** - the risk that Yoma Bank is unable to meet its payment obligations as they fall due, including repaying depositors or other maturing debt or that the Bank has insufficient capacity to fund increases in assets.

**Market Risk** - the risk of financial loss resulting from the Bank's treasury and balance sheet management activities due to changes in market rates (interest rate, FX Rate, etc.)

**Operational Risk** - Operational Risk covers many types of risk, including but not limited to, compliance, legal, technology, vendor, business continuity, reputation, financial crime, conduct, miss-selling, responsible lending, fraud and process failures.

**Reputational Risk** - the risk arising from negative perceptions from stakeholders that can adversely affect Yoma Bank's ability to maintain existing, or establish new, business relationships and continue to access sources of funding.

**Related parties risk** - the risk of financial loss or reputational harm to the Bank arising from its participation in a group of companies/individuals/other legal entities or its transactions and associations with related parties.

**Strategic Risk** - Strategic risk is defined as the potential for adverse effects on the Bank's financial condition, performance, or long-term objectives.

**Technology and Project Risk** - the risk resulting from inadequate or failed information technology assets (including compromise of confidentiality, integrity and availability). This risk also includes capability to manage key projects and change management required to deliver our strategic objective.

### 3.1.1. Other Major Terms

**Asset and Liability Management** - a practice used by banks to mitigate financial risks resulting from a mismatch of assets and liabilities.

**Business Continuity Management** - an organization-wide discipline and a complete set of processes that identifies potential impacts which threaten an organization.

**Business Continuity Plan** - a document that outlines how a business will continue operating during an unplanned disruption in service.

**Critical Banking Services** - Any services that are essential for the Bank to deliver its products or services.

**Key Risk Indicator** - a metric for measuring the likelihood that the combined probability of an event and its consequences will exceed the Bank's risk appetite and have a profoundly negative impact on an organization's ability to be successful.



**Risk Appetite** - types and amount of risk, on a broad level, an organization is willing to accept in pursuit of value.

### **3.1.2. Related Documents**

Yoma Bank maintains certain supporting Bank's management processes and guidelines in place to ensure risk management is integrated into the business operations in a consistent manner in line with Board expectations.

The Head of Enterprise Risk Management ("ERM") will be accountable for second line oversight of all of the Bank's Policies and will ensure that all policies have been developed by the respective owner of the policy, have been subject to annual review and breaches, if any, have been reviewed with suitable treatment plans in line with the Bank's Operational Risk Incident Management policy requirements and the Bank's Code of Conduct.

### **3.1.3. Policy Expectations**

Any exception to this Policy should be escalated to the Chief Risk Officer ("CRO") immediately upon identification. Chief Risk Officer will opine on the nature of the exception and recommended treatment plan provided by First Line Risk Owner. The treatment plan must be noted by the Risk Oversight Committee, and this may be immediately or at next scheduled Risk Oversight Committee depending on the materiality of the breach.

Any permanent exception must be approved by the Risk Oversight Committee and registered by ERM in permanent policy exception including the date of approval, any expiry of the approval and rational to support Risk Oversight Committee's final decision.

### **3.1.4. Policy Breach Management**

The CRO, in consultation with People Division, will opine on the nature of the breach and the Bank's Code of Conduct. As general guidance, intentional breaches will result in immediate Red Flag and unintentional breaches may be assigned Amber Flag depending on the materiality of the breach, frequency of breaches and an assessment of whether staff were operating with a reasonable level of duty of care.

CRO in consultation with Division Chief accountable for the breach will ensure that adequate lessons learnt, process improvement and training will be provided to prevent future breaches.

## **3.2. Culture at Yoma Bank**

Our culture at Yoma Bank is an enabler of our mission and our strategy (Plan-on-a-Page). A component of our overall culture, Risk Culture, refers to the values, behaviors and beliefs of Yoma Bank staff that drive risk decisions we make in the context of the external environment and our ability to manage risk.

For all risk decisions Yoma Bank will perform rigorous assessment, be diligent in understanding key risks and consider potential downsides to optimize risk-reward. Our risk decisions and risk acceptances will consider our risk appetite and balance the interest of customers, shareholders



and the community. At Yoma Bank we adopt a principle where “risk is everyone’s responsibility” and all leaders are accountable for managing risk.

### **3.2.1 Staff Values and Code of Conduct**

Business and risk management is to be executed in line with our core values: Customers, Innovation, Integrity, Respect and Teamwork. In line with our Code of Conduct and Business Integrity Policy we require all staff to align with the following principles:

- we are ethical and professional,
- we act with integrity,
- we manage conflict of interests,
- we protect privacy and confidentiality,
- we comply with laws, regulations and Yoma Bank policies, Guidelines and procedures,
- we call out unacceptable behavior and stand up for what is right.

On commencement with Yoma Bank, and on annual basis, all Yoma Bank’s employees are required to make declaration that they have read and complied with the Code of Conduct. To reinforce risk culture and capability we require mandatory learning for all staff for risk management and compliance.

### **3.2.2. Communication And Consultation**

All Business Units Heads and managers are required to escalate risks that could materially affect business operations through to their Divisional Chiefs and the bank in line with reporting processes in ERM Policy. Communication of the Bank’s risk management framework is promoted to internal and external stakeholders the risk culture, and ensures all potential risks are identified and reported as part of the risk management process.

## **3.3. Risk Governance Framework**

Effective risk management starts with effective governance. The Bank defines corporate governance as a set of structures and processes that provide strategic direction and maintain sufficient oversight control of the Bank. It includes the relationship between the Bank’s shareholders, Board of Directors (the “Board”) and executive bodies for the purpose of creating long-term sustainable values through ethical and responsible business practices for its shareholders and wider community. The Corporate Governance Framework of the Bank is broadly based on the Organization for Economic Cooperation and Development (OECD) principles of Accountability, Effectiveness, Fairness, Transparency and Responsibility.

### **3.3.1. Board and Board Committees**

In line with “setting from the tone from the top”, the Board has the ultimate responsibility for the Bank’s risk oversight, and primarily responsible for overseeing the establishment by management of a sound risk management culture with an operational structure, necessary resources to facilitate effective risk management system, and internal control system as well as



reviewing its adequacy and effectiveness risk management governance throughout the Bank. The roles and responsibilities of the Board can be referred to in the Corporate Governance Policy of the Bank.

The Board has delegated responsibilities to specific Board sub-committees to conduct its risk and control oversight functions as is defined in the Bank's Corporate Governance Policy. These subcommittees are:

- Board Audit Committee
- Board Risk & Compliance Oversight Committee
- Board People, Remuneration and Nomination Committee

### **3.3.2. Executive Management Committees**

The Executive Committees are responsible for co-ordination of risk matters for each area of risk management based on delegations approved by the Board. The Bank risk management governance shall ensure effective risk management system that risks are managed within the different hierarchical levels established by the Bank's various Chief-level management committees. The risk strategy should be aligned with the Bank's strategy and business plan to ensure consistent convergence by all divisions of the Bank to its ultimate strategic objectives. The executive management committees are responsible for implementing the Bank's policies and procedures to manage risks in accordance with the risk appetite set that approved by the Board. The committees should establish the following mechanism to ensure that the risks are managed across the bank.

### **3.3.3. Three Lines Model**

The Bank has well-defined and appropriate risk management organizational structure with input from the stakeholders that is coherent with the bank's business operations and applicable regulatory requirements. The risk management governance structure was approved by the Board. To implement a robust risk management system, Bank defined the risk management governance structure based on the three lines model with clear segregation of roles and responsibilities for the Board, the internal audit, compliance and risk management functions, and the business units. Bank's three lines model contribute to the creation and protection of value by implementing the structure around risk management and internal controls across the bank. Three lines are effectively managing the risk and strengthening internal controls.

## **3.4. Risk Appetite Management**

### **3.4.1. Risk Appetite Statement (RAS)**

The RAS is a document which top-down sets out the Board's willing to accept the degree of risk that in pursuit of bank strategic objectives and business plans. Bank is clearly articulated risk appetite and risk tolerances in the RAS. The scope of this risk appetite statement shall be aligned with the Bank's strategy, regulatory requirement, Shareholders' requirements, bank internal setting including control and risk management maturity, risk-rewards trade-offs,



capital adequacy and the changes in external environment (including macro-economy, competition and regulatory requirement) in order to manage new risk and risk appetite as approved by the Board and ongoing review.

### **3.4.2. Risk Appetite Setting Requirement**

The Bank's risk appetite is set a bank-wide 'top-down', being defined by respective bank policies and approved by the Board. At the minimum, risk appetite should cover the full spectrum of risks including credit, market, liquidity, conduct risks and operational risks, including compliance. As a responsible bank, the degree of risk the Bank accepts is constrained by Bank's capital and liquidity; weak financial literacy of the general public; present immaturity of the financial system; limitations of the legal system; level of development of the economy; lack of transparent corporate accounting and financial reporting; weak publicly available credit data; international legal sanctions against some individual; recognition that risk management skills are still in the development stages in Yoma Bank itself.

### **3.4.3. Risk Appetite Limit**

For each business units of the Risk Appetite Limits are identified, an overall bank-wide macro-tolerance is set, which should then be broken down into limits as a Key Risk Indicators ("KRIs") for individual business unit lines. The Bank is set a traffic light zone of tolerance, with the "Green" zone indicating business-as-usual status. Red-Amber-Green limit zones shall allow for greater flexibility when implementing risk treatment actions during times of stress situation, and time for actions to take effect. This traffic light zone of tolerance should align the reporting format for Key Risk Indicators ("KRIs") and Early Warning Indicators ("EWIs") to the risk appetites statement report format. This allows instant confirmation by all levels of stakeholders that the bank is in which zone.

### **3.4.4. Risk Appetite Setting Process**

The Bank is conducting a robust risk appetite setting process which includes following elements:

- The top-down strategic business objectives are articulated by the Board and shared with the internal key stakeholders.
- Each Divisional Chiefs identify their proposed key strategic initiatives and capital requirement in light of the strategy, their business plan to deliver strategy, competitive outlooks and potential risk implications of the plan.
- Together with each Divisional Chief, Risk Division will establish qualitative and quantitative risk appetite metrics that reconcile with the Bank's key risks, the bottom-up key initiatives proposed by business units, the top-down Board's strategic business objectives, regulatory requirement, Shareholders' requirements, bank internal setting including control and risk management maturity, risk-rewards trade-offs, capital adequacy and the changes in external environment (including macro-economy, competition and regulatory requirement).



- The CRO reviews and proposes risk appetite to the Risk Oversight Committee and subsequently to the Board for approval of RAS.
- The Board approved top-down RAS is articulated all business units and operating the business within the risk appetite limits.

### **3.4.5. Risk Categories and Key Risks**

Risk categories are identified, and key risks are assessed based on their likelihood and impact. Key Risks are then categorized on Risk Heatmap as follows- Low, Medium, High and Extreme Risk. Depending on the risk category, the risk mitigation plans are prioritized. At minimum, Risk Heatmap is to be reviewed biennially under normal circumstances. However, in the volatile environment, the Risk Heatmap is to be reviewed quarterly to manage the risk profile of the Bank. The Risk Heatmap is proposed to the Board by CRO and approved by the Board alongside with risk mitigation plan for high and very high risk. Each risk type has been set a qualitative risk appetite in RAS supplemented by various principal risk metrics. Key Risks have been identified from risk appetite in RAS, intensive monitored and managed in risk appetite limits across the bank and proactively identify emerging risks as does keeping an eye on current risk trends.

### **3.4.6. Asset Writing Strategy**

In addition to RAS, the Asset Writing Strategy outlines the five asset writing scenarios in the market namely Aggressive Growth, Growth, Cautiously Optimistic, Minimize New Risks and Risk Adverse, depending on the external environment. Due to volatile external environment, asset writing strategy and risk appetite posturing across all scenarios will be reviewed regularly and management maintains the flexibility to revise specific underwriting criteria and keeps Risk Oversight Committee updated of any change.

### **3.4.7. Frequency of Review Approval**

The RAS is reviewed annually or more frequently if there is a major change to internal environment, external economic, business and regulatory environment. The CRO is accountable for RAS annual review and changes to the RAS must be approved by Board Risk Oversight Committee.

### **3.4.8. Monitoring and Control**

On monthly basis, Risk Appetite Limits are monitored and report the compliance of the limits to Board Risk Oversight Committee by ERM. Early Warning Indicators (“EWIs”) are set as per risk appetite limits in RAS, and these are the trigger for action for CRO to inform the Board with the recommendation such as control and mitigating actions at the early or accept to breach the appetite limit.

Respective Divisional Chiefs and Business Units Heads are responsible for formulating the remedial action plan to treat the breach or potential breach with the deadline for the completion of all the treatment. Risk Appetite Limit’s breaches and remediation action plan



need to be noted by the Board and the decision to mitigating actions at the early or accept to breach the appetite limits need to be approved by the Board.

### **3.5. Risk Management Framework**

Yoma Bank developed a risk management framework, governing the risk appetite set in accordance with the Board of Directors. The primary function of the framework is to mitigate and manage risk throughout Yoma Bank's business ventures on both a strategic and operational level. The Risk Management Framework encapsulates the following:

- Development of Yoma Bank's risk culture and Three Lines Model
- Setting risk appetite and alignment with the overall strategic objectives
- Maintaining governance and oversight through implementation of risk management
- Determining the key risk, clarifying accountability and the implementation of appropriate safeguard.

#### **3.5.1. Risk Management Team**

The Risk Management team, led by the Chief Risk Officer, is accountable for:

- Ensuring execution of bank strategy is in line with the Board's Risk Appetite Statement.
- Providing independent specialist risk advice to the Board.
- Driving implementation of bank-wide risk culture and Three Lines Model to protect bank's reputation and sustainability.
- Ensuring the bank implements policy, guidelines, and procedures commensurate with the strategy and complexity of business.
- Proactively identifying emerging risk trends.

The Bank's general approach is to have a second line where it is necessary to give additional confidence that the residual risk is acceptable. Reflecting this, the Bank's second-line activities are conducted through a mix of a centralized independent function, dedicated departmental functions, knowledge centers for key areas of risk and compliance, and centralized monitoring function

### **3.6. Material Risks**

Yoma Bank manages material risks, aside from that the concerning the main key risks: Credit risk, Market risk, Liquidity funding risk, and Operational risk. Material risks are categorized as non-standard risks such as reputational risk, legal risk, compliance risk, regulatory risk and human capital risk are implicitly covered in bank risk types in risk categories primarily within Operational risk. Based on the material key risks, the Bank has implemented controls (appropriate policies, guidelines and procedures, etc.) in place to manage the relevant risks.

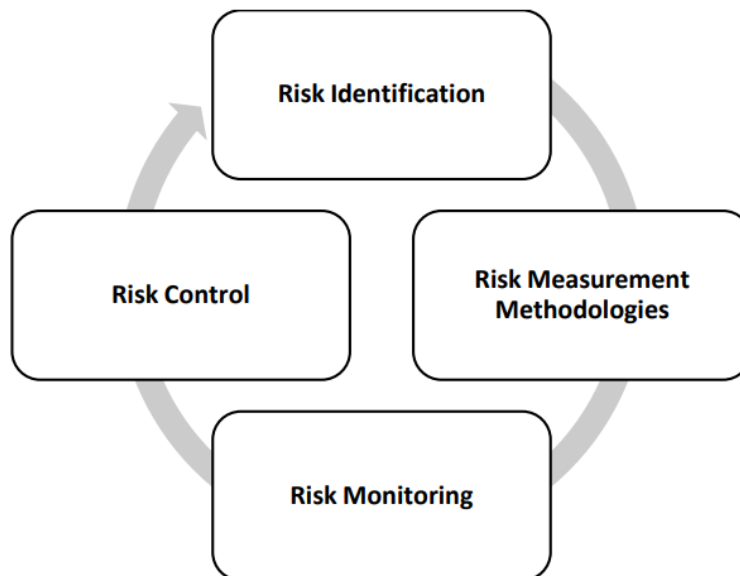


Based on review of the Yoma Bank's business strategy and operating environment, overall bank risks which include material risks are managed in line with accountabilities across the Bank.

### 3.7. Risk Management System

The risk management system is designed to provide a comprehensive, structured and proactive approach to identifying, measuring, evaluating, monitoring, reporting, controlling and mitigating risks.

The risk management process is structured around 4 key steps:



### 3.8. Material Risk Management

#### 3.8.1. Sources of Material Market Risks

**Interest Rate Risk:** Interest Rate Risk is the risk that changes in market interest rates will reduce current or future earnings and/or the economic value of the Bank. While accepting the interest rate risk is a normal part of the Bank and is a major source of profitability and shareholder value, excessive or inadequately understood and controlled interest rate risk, however, can pose a significant risk to the Bank's profitability and capital.

**Foreign Currency Risk:** The risk inherent in dealing with multiple currencies and may incur the bank directly or indirectly due to foreign exchange rate fluctuations. The direct effect derives from banks' holdings of assets (or liabilities) with net payment streams denominated in a foreign currency.

**Market Operational Risk and Conduct:** Market Operational Risk to Yoma Bank is to be identified the employee has unconcluded the trading execution due to his (or her) negligent or miss out or operational error, failure, incorrect execution of trade or settlement. Risk involved



with error in bank reporting and market risk measurement systems and breach of limits at a portfolio level. The Bank has set the limits on Net Open Position and monitored it on daily basis and treasury set the daily exchange rate.

The Bank shall maintain strict controls to prevent insider trading by monitoring the access and distribution of material non-public information. Employees or parties with access to such information must not exploit it for personal or third-party gain, particularly where it may result in unfair advantage relating to anticipated movements in the Bank's trading value.

### **3.8.2. Market Risk Management Accountabilities (Segregation of Duties)**

**Market Sales:** The team has to be knowledgeable and understand the business financial products and services which have led to deepening the existing relationship or to cultivating new ones in their products' promotions. The team also needs to be understanding the FX products and ability to execute trades for customers under supervision. The team needs final approval from Treasury with trade details (rate, volumes etc.) for the execution of the trade.

**Treasury Front Office (Treasury):** Treasury Front Office (Treasury) team is to set out general principles to manage the structure of the balance sheet in a prudent and efficient manner for optimal liquidity, maturity profile and net interest income. Treasury team managed the market risk on day-to-day basis to ensure that the Bank operates within the risk appetite and tolerance.

**Treasury Operation:** Treasury Operation has to execute the trades that Treasury team has auctioned and make sure that right amounts and rates have been executed via respective platforms.

**Market Risk Management Team:** Market Risk includes monitoring bank counterparties, active contribution to the Asset and Liability Management ("ALM") risk perspective and monitoring the activities of the Bank's treasury function and foreign exchange dealing room. Market Risk management team assesses the Bank's market, liquidity funding risks and interest rate risks to ensure adequate cover of its risk exposure to banking risks in line with the Bank's risk appetite, regulatory obligation requirements and guidelines.

## **3.9. Liquidity Risk Management**

### **3.9.1. Sources of Material Liquidity Risks**

Risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk also includes the inability to manage unplanned changes in funding sources or demand for funding, or failure to recognize or address changes in market conditions that affect liquidating assets quickly and with minimum loss in value.

### **3.9.2. Liquidity Risk Management Accountability**

The Assets-Liability Committee ("ALCO") is accountable to manage the Bank's assets and liabilities to achieve performance consistent with the Bank's liquidity, capital adequacy, growth, and risk and profitability goals.



### **3.9.3. Liquidity Risk Management**

The Bank has established key metrics, defined the types of liquidity risk and assigned reporting accountabilities as part of its liquidity risk management framework. The ALCO will provide management oversight for these key metrics, while the Risk & Compliance Oversight Committee will provide board-level oversight.

Finance and Treasury Division is accountable for daily management of liquidity risk position, and the Bank must hold a liquidity portfolio to provide severe deterioration in market conditions and additional liquid assets must be held as a buffer and for a strategic growth initiative.

At Yoma Bank, liquidity risk is measured, managed, and monitored regularly to identify current trends and potential market development that may present significant unprecedented and complex challenges for managing liquidity risk.

### **3.9.4. Liquidity Crisis Management Plan**

The Bank has a Liquidity Crisis Management Plan being approved by the Board. The Plan set out the strategies for addressing the emergency situations and provide with a diversified set of viable and readily deployable potential contingency funding measures to preserve the liquidity and addressing liquidity shortfall. The Bank has defined the triggering events that will activate the plan as well as the mechanisms for identification, monitoring and reporting of such events at an early stage. Liquidity Crisis Management Plan identified 5 scenarios from BAU to Excessive with the specific roles and actions for various areas such as Leadership Team, Treasury, Cash Management, etc. as well as support from the Board and Shareholders. The ERM team is accountable to review and update the plan at least annually or more often as changing business or market circumstances require and submit it to Board for approval.

## **3.10. Capital Management**

The Bank is required to maintain adequate equity capital as a ratio to measures of risk-weighted assets. This is to ensure that there is sufficient buffer to absorb unexpected losses and to protect depositors' funds. To ensure this objective is met the Head of Enterprise Risk Management, partnering with the Head of Financial Planning and Analysis, will develop Capital Adequacy Plans at least every 3 years (or more frequently if requested by the Board or required by regulations).

## **3.11. Operational Risk Management**

### **3.11.1. Operational Risk Definition**

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes key risks such as legal risk, technology risk, process failures, people capital risk, fraud risk and reputational risk except strategic, market, liquidity and capital risk. Whilst compliance risk is managed



separately, the same risk management framework will be applied when managing compliance risk.

### **3.11.2. Operational Risk Assessment Framework (RCSA)**

Identifying and assessing risks structurally improves a forward-looking focus on uncertainty, leads to increased risk awareness and creates transparency in the ownership of risks (and controls). The risk identification and assessment process are exposed to detailed (regulatory) requirements.

Additionally, the operational risk measurement and evaluation will be based on the impact and likelihood criteria provided in Yoma Bank Risk Assessment Guideline.

### **3.11.3. Incident Management Framework**

An operational risk incident is defined as “any incident resulting from inadequate or failed internal processes, human behavior, systems or external events” leading to a (potential) operational risk loss or reputational/regulatory impact.

The Bank has established a separate Incident Management Guideline, under which incidents are managed by the Incident Management Team, comprising representatives from People, Compliance, Risk, and IT functions. All incident management activities are carried out in accordance with this guideline, and any updates are communicated to the leadership team for their information.

## **3.12. Business Continuity Management and Crisis Management**

At Yoma Bank, business continuity management applies to policies, procedures and systems to ensure the availability of critical banking services. Critical Banking Services (Products, Services and System Infrastructure) will be determined based on the annual risk assessment and business impact assessment performed.

Leaders of the business units of Yoma Bank are responsible for developing the business continuity plan for their own Business Units based on the scenarios defined by Leadership Team, which are widely categorized as follows:

- Epidemic/pandemic
- Service downtime
- Natural disaster and security threat

### **3.12.1. Business Continuity Management Manual**

Yoma Bank has developed a Business Continuity Management (BCM) Manual, owned by the ERM team. This manual outlines the roles of the Crisis Management Team (CMT), defines the key crisis levels applicable to Yoma Bank, and specifies the critical artifacts required for effective BCM.



### **3.12.2. Crisis Management Team**

The Crisis Management Team ("CMT") is accountable for operational implementation of the BCM as per the CBM regulations. The Chief Executive Officer serves as the Chairperson of the CMT, while the Head of Enterprise Risk Management shall act as the CMT Secretary. Additionally, the participation of functional leads in the CMT may vary depending on the nature of the crisis event.

### **3.13. Related Parties Risk Management**

Related Parties (RPTs) Risk refers to the risk of financial loss, reputational harm, or regulatory non-compliance that may arise when a bank engages in transactions with connected individuals, entities, or groups of companies on terms that are not conducted at arm's length. Such transactions, if not appropriately governed and monitored, may lead to conflicts of interest, preferential treatment, and exposure to undue risk.

In order to effectively manage and mitigate risk arise from RPTs, all lending transactions to Statutory Related Party, regardless of the transaction amount or form, financing and borrowing, shall not be more favorable than those for transactions with non-related parties and must receive prior approval from the Board of Directors. Additionally, all the other non-lending related party transactions, including the utilization of services, transfer, purchase, or sale of goods, property, or other assets and the settlement or assumption of liabilities on behalf of a related part, must be in full compliance with the Corporate Governance Policy and must be formally reported to, and acknowledged by senior management and endorsed and approved by Audit Committee, Risk and Compliance Oversight Committee (where applicable) and the Board of Directors.

### **3.14. Strategic Risk Management**

Strategic risk is defined as the potential for adverse effects on the Bank's financial condition, performance, or long-term objectives. This risk arises from ineffective strategic decisions, a failure to adapt to the market or wider environmental changes, or a misalignment between the Bank's strategy and its execution. It encompasses risks originating from both internal and external sources that impact on the Bank's overall direction and long-term sustainability. Failure to effectively manage strategic risk may lead to significant financial loss, reputational damage, or business failure.

Strategic risk management shall be a proactive and ongoing process, fully integrated into Yoma Bank's strategic planning cycle. This process aims to:

- Identify emerging threats and assess vulnerabilities.
- Align opportunities with the Bank's defined risk appetite.
- Ensure the Bank's strategy remains robust and adaptable to dynamic challenges.

Effective strategic risk management relies on a clear governance structure with defined roles and responsibilities. Key committees involved in the oversight and monitoring of strategic risk



include Board of Directors, Risk & Compliance Oversight Committee and Executive Management Committees.

The Board and these committees collectively ensure that strategic risks are systematically identified, assessed, monitored, and controlled throughout the organization, thereby aligning the Bank's strategy with its risk appetite and regulatory requirements.