

Board Risk Committee Charter

1 Purpose of Committee

The purpose of the Risk Committee is to assist the Board of Directors (Board) in fulfilling its responsibilities to oversee Bank First's risk management framework.

The framework includes the strategies, policies, processes, and systems, established by management to; identify, assess, measure, monitor and manage the material risks facing Bank First. The material risks are categorised as: credit risk; capital risk; liquidity risk; market risk; operational risk (such as information security/cyber-security risk, technology risk, people risk and compliance risk), governance risk (includes conduct risk), and strategic risk.

The Committee also assists the Board by enhancing the Board's understanding of Bank First's overall risk appetite and enterprise-wide risk management activities and their effectiveness; and assists the Board and other Board committees that undertake governance related activities by maintaining risk oversight across these activities.

While the Committee has the authority and responsibilities outlined in this Charter, management is responsible for implementing and maintaining an effective risk management framework.

2 Role & Authority

2.1 The Committee's authority for making and / or approving policy decisions where there is a specific regulatory requirement for policy to be approved by the Board is limited. However, it will make considered policy recommendations to the Board, and under the Board Delegation of Authority Policy relating to Approval – Non Material Amendments to Board Policies, the Committee can approve non-material amendments to policies that come before it. Material amendments to policies must be submitted to the Board for approval.

In fulfilling its role, the Committee has the authority of the Board to determine, approve and oversee the systems and processes used to identify, evaluate and manage risk.

2.2 The Board further delegates authorities and responsibilities as set out in this Charter to the Committee, this delegation does not relieve the Board of its duties and responsibilities, rather the Committee is to assist the Board in the discharge of its obligations with significant decisions advised to the Board.

2.3 The Committee's role is to:

- a) Establish an enterprise wide view of the current and future risk position of Bank First relative to its risk appetite and capital strength;
- b) Provide advice and recommendations to the Board concerning Bank First's risk appetite and risk management strategies;

- c) Review particular risks or risk management practices, and the management plans for mitigation of material risks faced by Bank First;
- d) Oversee the implementation by management of risk management strategies;
- e) Provide constructive challenge of Management proposals and decisions on all aspects of risk management arising from Bank First's activities; and
- f) Understand, promote and influence the shaping of a sound risk culture including the achievement of an appropriate balance between risk and reward for risks accepted.

2.4 Subject to consultation with the Board, the Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at Bank First's expense, advisers, consultants or experts as it sees fit.

3 Composition

3.1 The Committee is appointed by the Board and is comprised of at least three directors one of whom will be the Chair of the Board Audit Committee. If required, appropriately qualified external members may be appointed. Other directors may attend the Risk Committee meetings at the discretion of the Board or the Committee.

The Chair of the Committee is a director other than the Chair of the Board or the Chair of the Board Audit Committee.

3.2 All Committee members, including the Chair, shall be Non-executive independent Directors and free from any conflicts of interest that, in the opinion of the Board, would materially interfere with the exercise of their independent judgment as a member of the Committee.

3.3 To enable the effective discharge of its responsibilities in this Charter, and having regard to the material risks of Bank First, the Committee must be comprised of members with an appropriate range of technical skills and professional qualifications and experience.

Committee members must understand the financial services regulatory and operating environment, Bank First's business model and customer profile in order to adequately identify and assess the material risks faced by Bank First. At least one member of the Committee shall have relevant financial services industry risk management expertise, and one member shall hold relevant financial management experience.

4 Meetings

- 4.1 The Committee meets at least four times per year with additional meetings held as the work of the Committee demands.
- 4.2 A quorum will be a majority of members. Should the Committee Chair be absent for all or part of the meeting a designated member of the committee will deputise for the Chair. Meetings may be held face to face or through any technological means, which allows members to participate.
- 4.3 The Chief Executive Officer and Chief Risk Officer are expected to attend each meeting of the Committee.
- 4.4 Meeting materials will include relevant supporting papers as appropriate.
- 4.5 The Committee Chair will call a meeting of the Committee when requested to do so by any member of the Committee, the Chief Executive Officer, Chief Risk Officer, the External auditor, or the Chair of the Board.
- 4.6 The Committee Chair may invite other directors, members of Management, representatives of the External auditors or other external advisors to meetings of the Committee. The Committee may meet with the Chief Executive Officer, the Chief Risk Officer, and the External auditors in camera.
- 4.7 Proceedings of all Committee meetings are minuted and signed by the Committee Chair. Minutes of Committee meetings are tabled at a following Board Meeting for receipt, and at the following Committee meeting for adoption.

5 Direct Access

- 5.1 Outside of Committee meetings, the Committee will have unfettered access to the Chief Risk Officer. The Committee Chair will normally keep the Chief Executive Officer and Chair of the Board fully informed of any such dialogue.

6 Reporting and Assessment

- 6.1 The Committee Chair will regularly update the Board about Committee activities and make appropriate recommendations.
- 6.2 As the Board Audit Committee has primary responsibility for oversight of any matters relating to taxation and financial reporting, internal control assurance reports and audit or compliance issues the Committee will refer any relevant information on those matters that have come to its attention to the Board Audit Committee.
- 6.3 At the discretion of the Committee Chair and members of the Committee, matters considered to be of major importance will be referred to the Board for its attention.
- 6.4 The Committee will annually review its Charter as fit for purpose and recommend changes to the GCRA and Board for approval
- 6.5 The Committee will review its performance as a self-assessment against this Charter on an annual basis and will be coordinated by the Chair of the Committee. In addition the Committee may be asked to complete an annual Board Committee performance review survey developed by the GCRA Committee. The assessment may seek input from the Board, CEO and Chief Risk Officer.
- 6.6 The on-going Professional Development needs of Committee members will be reviewed by the Committee Chair in consultation with the Chair of the Board.

- 6.7 The Committee Chair will arrange for an annual plan to be prepared outlining meeting agenda items to be considered over the calendar year. The plan will be used as a means to ensure the Committee fulfils its responsibilities. The plan will outline regular standing items and include any risk review processes and assessment procedures as recommended by APRA or other relevant regulatory sources from time to time.

7 Duties and Responsibilities

7.1 Primary Responsibilities

In performing its risk management oversight role, the Committee will:

- a) Consider and approve as required the strategies, frameworks, plans, policies, models, limits and APRA requirements in place to govern the understanding, identification, measurement, reporting and mitigation of material risks and exposure to such risk;
- b) Receive reports from management concerning Bank First's material risks;
- c) If requested, review reports from the Board or management concerning certain transactional credit approval submissions beyond the delegated authority of the Chief Executive Officer, in order to consider and, if thought fit, approve them;
- d) Evaluate risk exposures and set appropriate limits;
- e) Consider the processes in place to allocate capital to Bank First's material risks;
- f) Consider relevant correspondence from Bank First's regulators;
- g) Monitor the ongoing effectiveness and independence of the risk function;
- h) Make recommendations to the Board regarding acceptance of:
 - i. The Bank's Risk Appetite Statement and associated risk metrics.
 - ii. Risk related limits, policies and regulatory certifications deemed by the Committee as requiring Board approval.
- i) Review and monitor the risk profile of Bank First for consistency with the risk appetite;
- j) Oversee and approve the Internal Capital Adequacy Assessment Process (ICAAP) and in doing so:
 - i. Review the assumptions and scenarios to be used in stress tests and the outcomes of stress tests undertaken; and
 - ii. Recommend to the Board internal minimum and target capital ratios having regard to the ICAAP capital assessment.
- k) Review and monitor capital levels for consistency with the Bank's risk appetite;
- l) Take into account Bank First's strategic plan to achieve a balance between risk minimisation and reward for risks accepted. This includes, but is not limited to, providing a forum whereby the Committee and management can discuss:

- i. The identification of emerging risks;
 - ii. Risks and appetite and tolerances for those risks; and
 - iii. Any other risk related matters.
- m) The Board retains responsibility for oversight of Bank First's strategic plan, and the Committee is responsible for escalating any newly identified material risks to the Board, and for assisting the Board with an appropriate framework to manage these as requested; and
- n) As Bank First is highly regulated and is reliant on maintaining its financial services and credit licences from ASIC, and its authority to operate as a banking institution from APRA, the Committee will also perform the following compliance risk management oversight role:
- i. Review the Compliance Management Framework and annual Compliance Review Plan;
 - ii. Review and approve key policies supporting the Compliance Management Framework and APRA standards;
 - iii. Review changes to or new laws, regulations and regulatory requirements that may impact the Bank's risk profile;
 - iv. Receive reports concerning material actual and suspected breaches of law, including suspicious matters, or fraud; and
 - v. Review any litigation, claim or other contingency, which could have a material effect upon the financial position or operating results of Bank First.
- f) Reviewing Bank First's corporate insurance program; and
- g) Discussing with management and the external auditor any correspondence with regulators or government agencies and any published reports that raise issues material to the management of risk in Bank First.

7.3 Updating this Charter

The Charter is to be reviewed annually by the Committee to ensure it remains consistent with relevant corporate governance standards and practice. Changes to the Charter are recommended to the GCRA Committee and approved by the Board.

The Charter will be made available to Members on the website or upon request.

Adopted: the Board of Directors adopted this Charter on 22 February 2022

7.2 Other Responsibilities

The other responsibilities of the Committee include:

- a) Monitoring of changes anticipated in the economic and business environment, including consideration of emerging trends and other factors considered relevant to Bank First's risk profile and risk appetite;
- b) Recommending, in consultation with the Chief Executive Officer, to Board the appointment and, if relevant, dismissal of the Chief Risk Officer. The Committee is required to provide prior endorsement for the appointment or removal of the Chief Risk Officer. If the Chief Risk Officer is removed from his or her position, the reasons for removal must be discussed with APRA as soon as practicable and no more than 10 business days after the Committee's endorsement is agreed upon;
- c) Reviewing the performance and setting the objectives of the Chief Risk Officer, and ensuring the Chief Risk Officer has unfettered access to the Board and the Committee;
- d) Reviewing issues raised by the Head of Internal Audit, External Auditors, and from external independent reviews undertaken that impact the risk management framework;
- e) Monitoring the relationship Bank First maintains with its regulators;