

# Group Risk Management

AmBank Group embraces risk management as an integral part of our Group's business, operations and decision-making processes. Against the backdrop of a challenging economic environment where financial markets have become more volatile, it is critical for the Group to have a robust and effective risk management system to ensure that the Group continues to be profitable and achieve sustainable growth in shareholder value.

## Risk Strategy

Our overall strategy for Risk is driven by the initiatives formulated earlier under our Advanced Risk Recognition Programme. These initiatives include:

- Enhancing risk governance
- Upgrading risk infrastructure
- Developing more comprehensive risk appetite strategy, execution and monitoring framework
- Improving funding and liquidity risk management
- Improving underlying asset quality and enhancing portfolio diversification
- Materially lowering loan loss provisions
- Developing robust risk/reward pricing models
- Ensuring International Financial Reporting Standard (IFRS) readiness
- Positioning AmBank for IRB status under Basel II

## Risk Governance

Our risk governance and culture is driven across the Group through the "Three Lines of Defence" framework, in which "risk is everyone's responsibility" to manage. Supporting this framework are policies and procedures to enforce our core standards.

## Our Priorities In FY2017

Group Risk will continue to support the Group's business strategies while continuing to be vigilant:

- Enhancing the Group's risk management capabilities to identify and control new emerging risks
- Continue to drive risk and compliance culture across the Group
- Ensure the Group's capital position is strong and earnings growth is achieved in a sustainable manner

## Key Highlights In FY2016

The key highlights of progress made under our Advanced Risk Recognition Programme in FY2016 were as follows:

- Developed new Advanced Internal Ratings Based (AIRB) compliant retail and wholesale credit risk models
- Simplified credit memorandum templates to improve turnaround time
- Issued a new Group Collateral Policy designed to meet Basel IRB requirements for capital relief
- Introduced a new wholesale credit pricing tool
- Implemented standardised facility documentation for commercial and mid-corporate segments to streamline documentation practices
- Set up a new IT Risk Management Unit within Group Operational Risk to provide an independent view on risks relating to IT
- Set up a Shariah Risk Management Unit within Group Operational Risk to institutionalise Shariah compliance culture within AmBank Group
- Group Risk Appetite Framework (GRAF) expanded to include sales activities