

## Risk Management

As an inherent part of the Bank's activities, risk is managed through a process of ongoing identification, measurement, monitoring and reporting in line with the risk appetite of the Bank, which is set and guided by the Board of Directors. This process of risk management is critical to the continued profitability of BisB, and all individuals within the institution are personally accountable for the risk exposures relating to their responsibilities.

The Bank is exposed primarily to credit risk, liquidity risk, market risk (including profit rate, equity price and currency risks), operational risk, reputational risk and Sharia'a-compliance risk.

### Risk management philosophy

The risk management philosophy of BisB is to identify, capture, monitor and manage the various dimensions of risk. The objective is to protect asset values and income streams so that the interests of the Bank's stakeholders are safeguarded; while optimising shareholders' returns, and maintaining risk exposure within the parameters set by the Board.

The Bank has defined its risk appetite within the broad framework of its Risk Management Framework. BisB reviews and aligns its risk appetite in line with its evolving business plan, and changing economic and market scenarios. The Bank also assesses its tolerance for specific risk categories and its strategy to manage these risks.

### Risk management framework

BisB has in place a comprehensive enterprise-wide integrated Risk Management Framework. This embraces all levels of authorities, organisational structure, people and systems required for the smooth functioning of risk management policies within the Bank.

The Board of Directors retains ultimate responsibility and authority for all risk matters, including establishing overall policies and procedures. The Board is assisted in fulfilling its responsibilities by the Chief Executive, and various Board-level and Management committees.

The Credit & Risk Management (C&RM) division – headed by the Chief Risk Officer reporting to the Chief Executive on a day-to-day administrative basis, has day-to-day responsibility for managing the risks involved across all areas of the Bank. C&RM provides independent identification, measurement, monitoring and control of all risk parameters, while liaising with the business divisions that ultimately own the risks. C&RM comprises a number of specialist units, including Risk Management, Credit Review & Analysis, Credit Administration.

Taking into consideration the current global and regional market conditions, the Bank continued to place the highest priority on further strengthening its risk management infrastructure during 2017 and as a result the Bank has an improved risk management mechanism in place.

Key developments and initiatives achieved include:

- Amending the Credit Risk Management Policy and Risk Management Framework
- Enhancement in the MIS and the risk reporting to the Board and the Management
- Strengthening of the Liquidity Risk Management of the Bank
- Ensuring the ongoing compliance with the policies of the Bank, and monitoring the enterprise-wide risk through various systems and processes

Note: Additional information on the Bank's risk management framework, policies, processes and procedures is included in the Notes to the Consolidated Financial Statements and the Basel III Pillar 3 Public Disclosure sections of this annual report.

