

Risk Oversight Committee Write Up

The Risk Oversight Committee (ROC) has remained at the forefront of the Bank's risk management initiatives and activities. The ROC has assisted the Board of Directors in fulfilling its statutory responsibilities of ensuring the adequacy of the Bank's risk management systems, operating policies, and in setting the risk culture and appetite. They also played an active role in overseeing the conduct and documentation of the Internal Capital Adequacy Assessment Process (ICAAP). As part of the ICAAP, the Board of Directors, through the ROC, defined the Bank's internal capital targets and oversaw the level and quality of capital commensurate with the Bank's risk profile, operating environment, and business plans in 2019 onwards. The Committee, amongst others, has discharged its oversight responsibilities in some of the major risk management initiatives of the Bank in 2019, as follows:

- Enhancement and Implementation of the Loan Loss Methodology Policy. The ROC has carried out the review of this policy which provided guidance to concerned business units on provisions for Expected Credit Losses. Likewise, the Committee ensured that such are in accordance with PFRS9 and for the statistically-derived credit parameters, which are used in determining the amount of provisions needed for a particular account in the event of its defaults, are aligned with the Bank's Internal Risk Rating System.
- Revisit and Review of Information Security Risk Management Policies. These were aimed at ensuring currency and strengthening of cybersecurity controls. Risk assessments conducted were focused on identifying emerging information security and information technology risks, thereby allowing appropriate and prioritized risk responses.
- Revision of Various Market and Liquidity Risk Models and Updating of Various Limits for Treasury Activities. To further strengthen the Bank's risk framework, the ROC has realigned the liquidity and interest rate risk models with the changes in the Bank's business requirements and risk appetite. Aside from enhancements to the Core Deposit methodology, Maximum Cumulative Outflow assumptions, and liquidity risk limits, new stress test scenarios were introduced to assess the impact of such scenarios to the Bank's Dollar liquidity position. The Committee also oversees the implementation of the Economic Value of Equity Model which is a new risk management tool to quantify the capital impact of the banking book's interest rate exposures for short, medium, and long-term horizons.
- Implementation of the Automated Operational Risk Information System (ORIS). Through the ORIS, business units can accomplish the Risk and Control Self-Assessment, the Business Impact Analysis, and the Information Security Risk Assessment in one platform.