



# **The Growing Importance of Risk Management**

**Mick Leonard**

**Executive General Manager, Group Risk Management - CBA**

## Agenda

- **Role of Risk Management in a Bank**
- **Turning Measurement into Management -  
How to Make Risk Management a Reality**
- **Board Concerns -  
What Keeps Directors Awake at Night**

# Roles of Risk Management in a Bank

- **Management Focus:**
  - Capital Optimisation
  - Competitive Differentiation
  - Risk Based Pricing
- **Regulatory Focus:**
  - Basel II
  - SOX (Sarbanes-Oxley)
  - Anti-Money Laundering
- **Market Focus:**
  - Risk Management Performance

## Diversified Business Structure

- **The Commonwealth Bank Group's has four customer-facing business divisions:**

**Retail  
Banking  
Services**

**Premium  
Business  
Services**

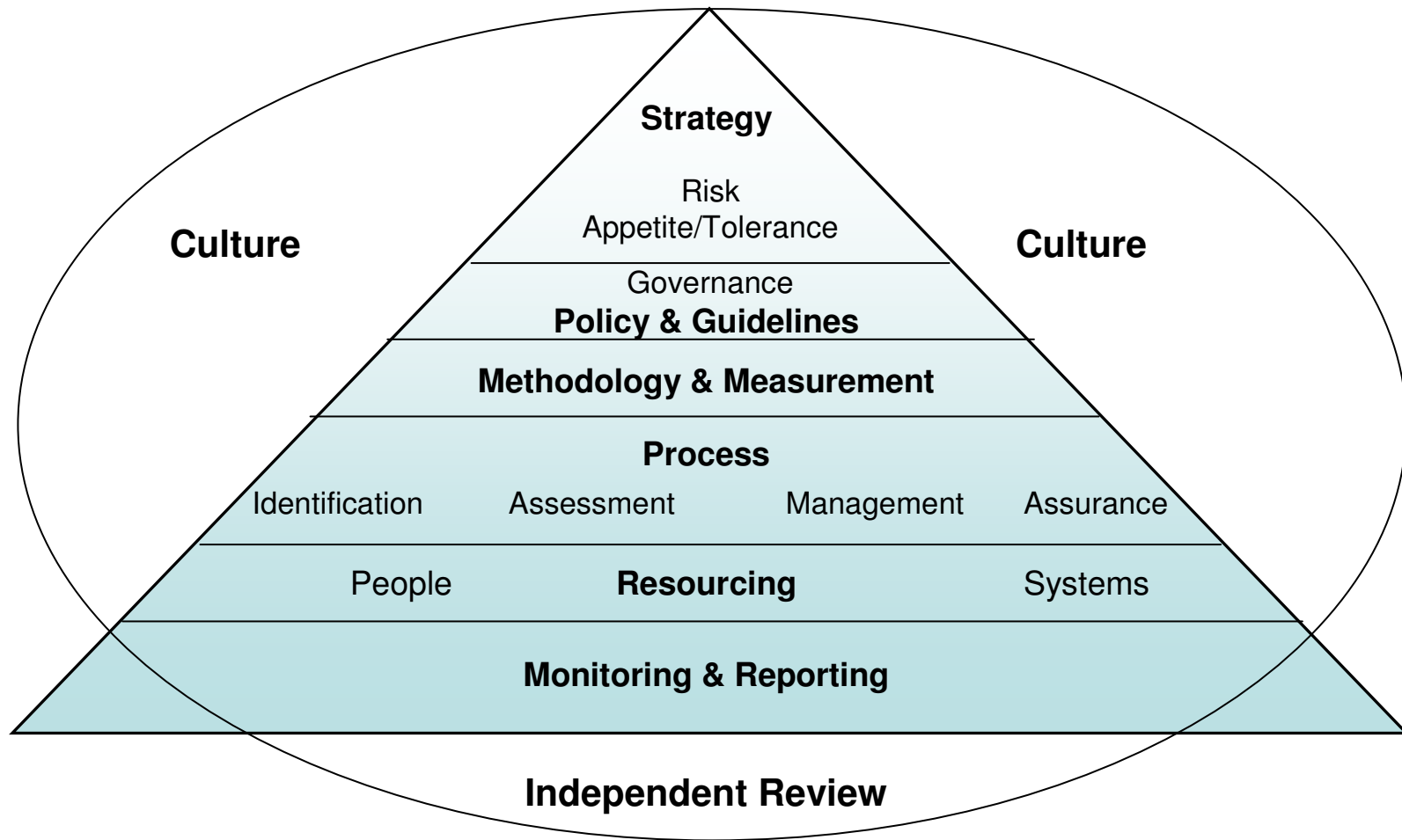
**Wealth  
Management**

**International  
Financial  
Services**

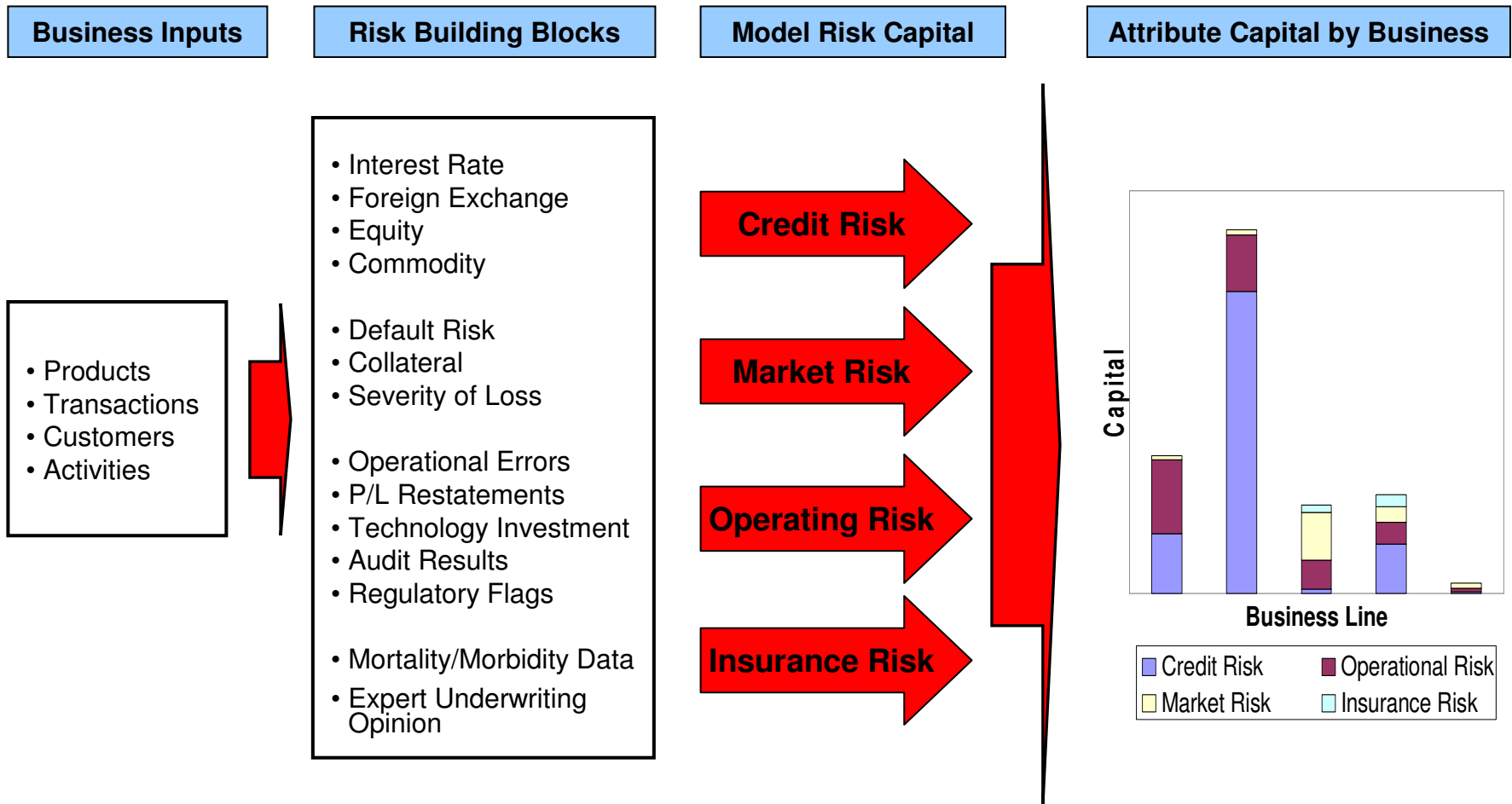
- **The Risk Management function in the CBA supports the businesses to deliver the Bank's vision to be Australia's finest financial services organisation through excelling in customer service, by achieving portfolio outcomes consistent with the Bank's risk objectives.**

# CBA Risk Framework

What you require to manage risk?



# Building Risk Based Capital



## **Board Concerns**

- **Early Warning System – No Surprises**
- **Want Risk Management to be Forward Looking**
- **Control Effectiveness / Efficiency**
- **To Support Profitable Growth**



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