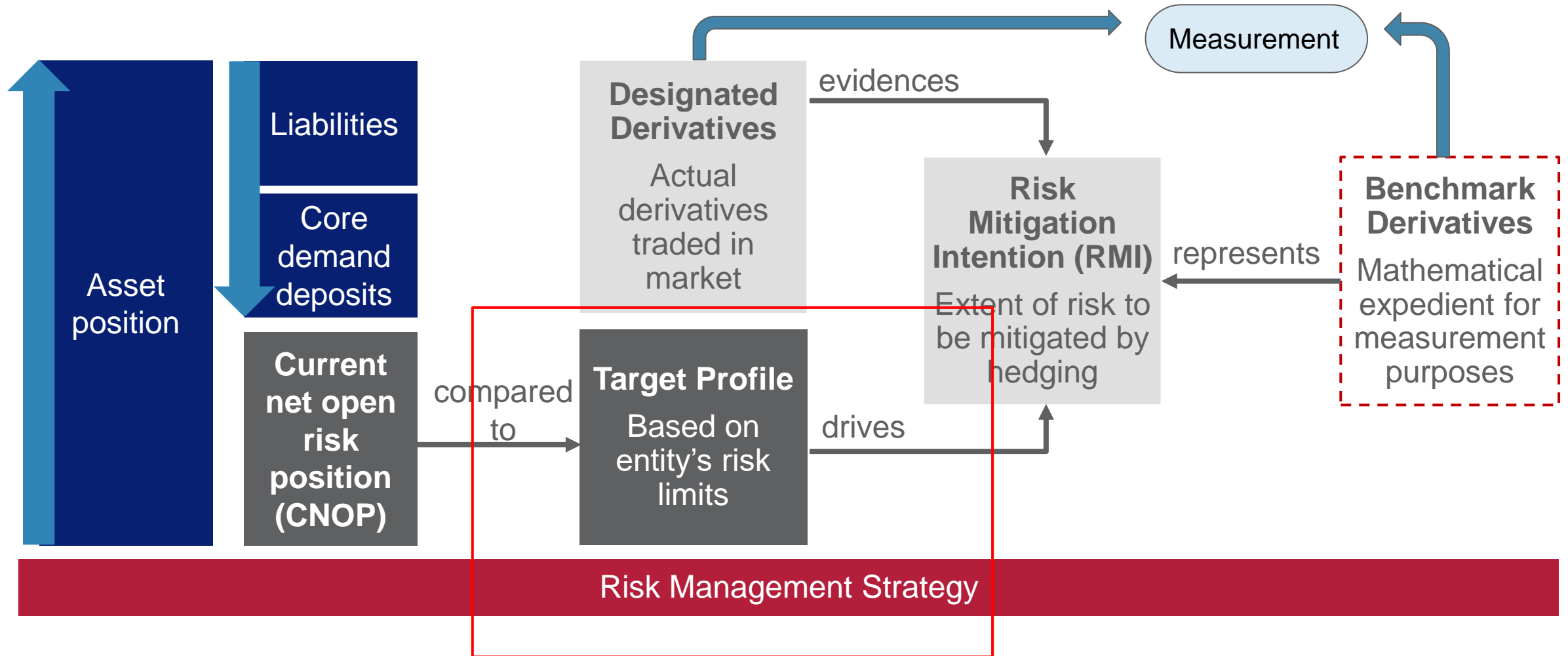

Dynamic Risk Management Webcast

Risk management strategy and target profile

Elements of the DRM model



Risk management strategy and target profile

Risk Management Strategy (RMS)

- Basis for the other elements in the DRM model
- Expected to be kept consistent throughout the life of the DRM model and determines:
 - a) Process to approve and amend RMS
 - b) Risk management levels and scope
 - c) Risk metrics used
 - d) Range of acceptable risk limits (ie the target profile)
 - e) Risk aggregation method and risk management time horizon
 - f) Methodologies to estimate expected cash flows or core demand deposits
- Changes to RMS lead to discontinuation of the DRM model

Target Profile

If CNOP is outside of target profile, risk mitigation actions are required

Target Profile
(range of risk limits)

If CNOP is outside of target profile, risk mitigation actions are required

Risk

0

Even if CNOP is already within the target profile, entity may still choose to mitigate risks further

Target profile needs to be determined for each time bucket



Target profile



Question

- Did the IASB discuss what risk limits would be eligible to be accounted in the DRM model?

Response

- Risk limits are set in line with an entity's risk management strategy
- Risk limits need to be applied consistently over time
- Aligning the target profile with actual risk limits the need for proxy hedging will be reduced

