

WELLINGTON
AUCKLAND
SYDNEY
MELBOURNE
SHANGHAI

猪年

07

China Australia Governance Program

Dr Leonie Lethbridge

Risk Management Asia Pacific, ANZ

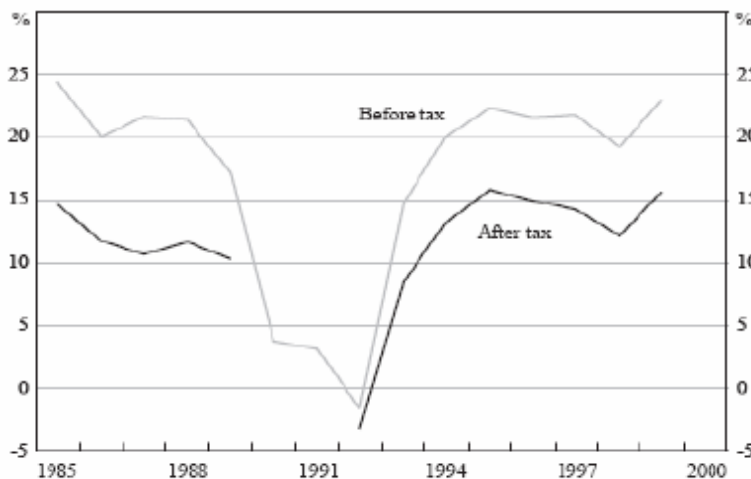
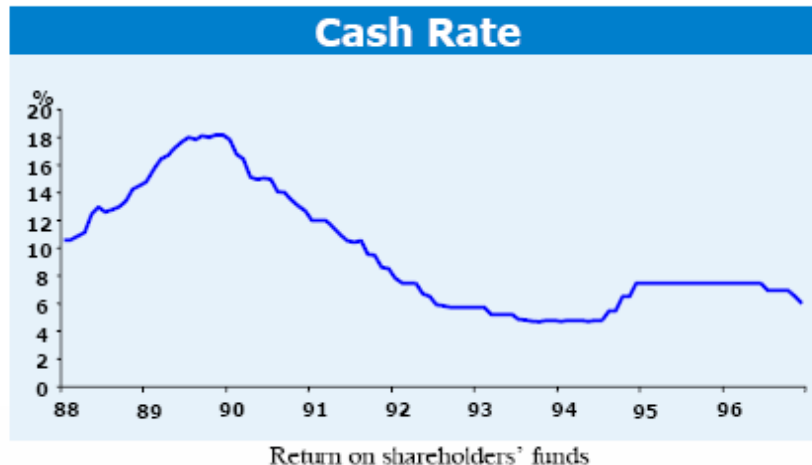
July 2007

Australia and New Zealand Banking Group Limited

Building Risk Management for more than a decade

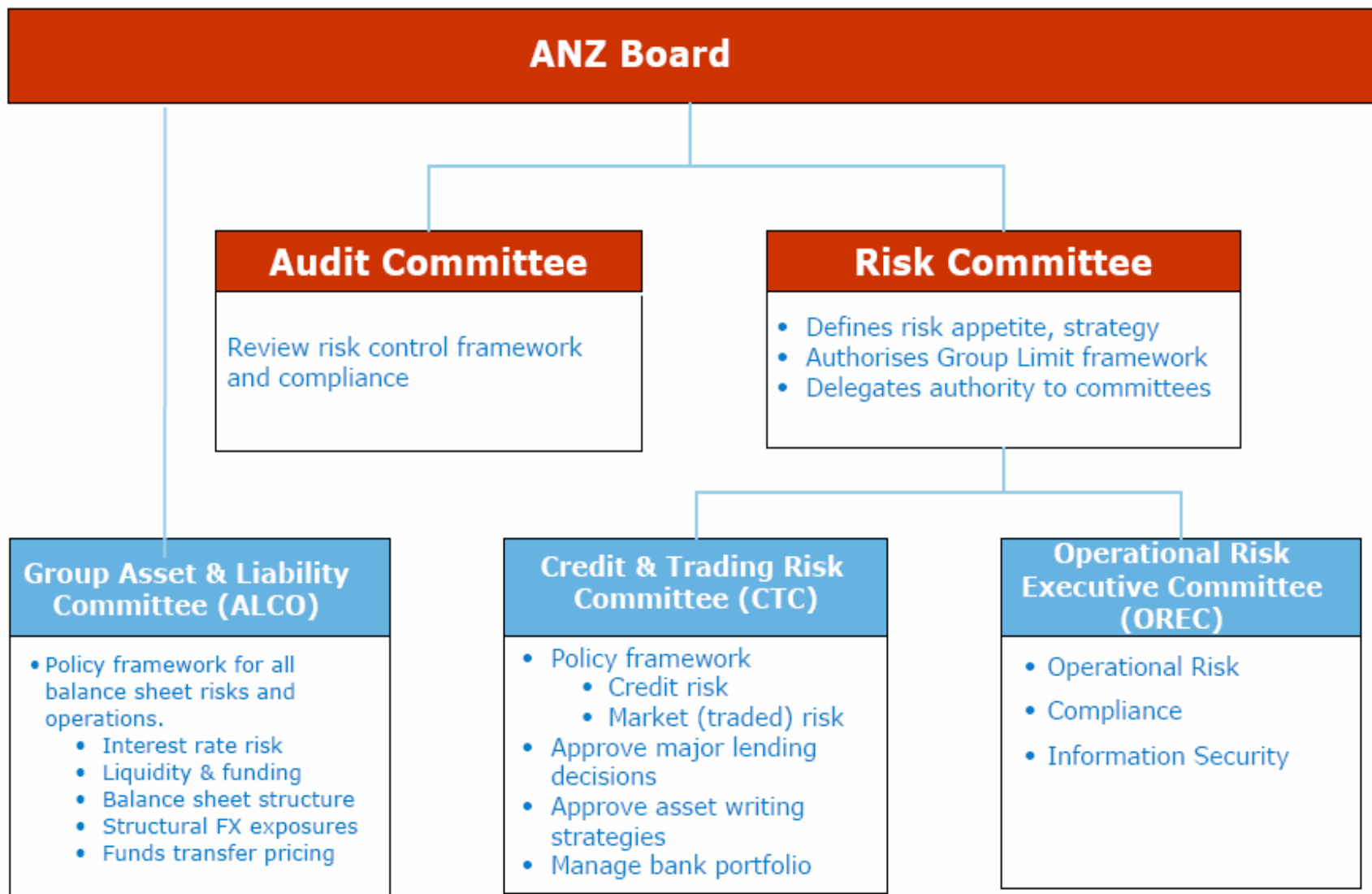
Prior to 1994	No formal "Risk Management" function, but ANZ had a credit "workout" area and an operational risk function; Rudimentary risk grading and pricing processes; no risk-based capital allocation
1995	Credit risk unit formed, with a particular emphasis on handling our actual and prospective property portfolio
1996–97	Board Risk Management Committee established; Regulatory Compliance framework implemented; Credit risk grading models built – Probability of Default, Loss Given Default; Portfolio granularity enhanced; economic capital for credit risk; EVA
1999	Market and Operational Risk capability strengthened
2000	Operational Risk economic capital model implemented; Creation of dedicated Retail Risk function
2001	Basel II project commenced
2002	Substantial Risk Management capability embedded in consumer businesses;
2003	Increased focus on the management of project risks; Formal Group Risk Management involvement in Strategy
2004	Specialised Technology Risk function created Group Compliance framework enhanced
2005	Risk Management restructure and alignment with the business
2006/7	Asia risk functions strengthened and knowledge transfer function developed

Crisis in late 80's/early 90's catalysed development of risk capital approach...



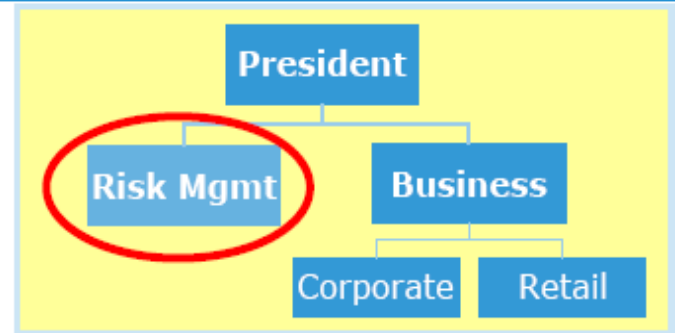
- Property market softened
- Economy went into recession, decline in property prices accelerated
- Material impacts across the entire Australian banking sector
- Recognition of limitations of Basel I
- Impetus for centralised governance – a pre-requisite for subsequent regional expansion

.... centralised governance mechanisms...



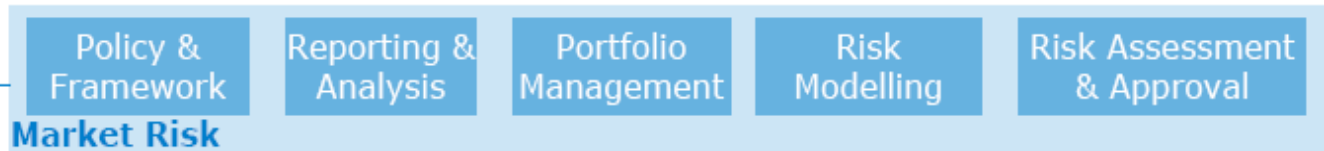
... and specific Risk Management capabilities

RISK MANAGEMENT



- Set and assure policies and frameworks
- Set the Credit Approval Discretion framework
- Provide risk reporting and analysis
- Propose and manage risk measurement tools (eg. statistical risk grade models)

- Operate within framework set by Centralised Credit Risk



Key issue in leveraging the experience of others

“History does not repeat, but it does rhyme.”

The journey is protracted. Prioritisation and application are situational.