

## **Synopsis – Risk Management Policy**

The Risk Management Policy provides broad policy guidelines with regards to MCB Islamic Bank’s overall approach towards risk and is the most important document of the Risk Policy Framework. The policy document is reviewed and updated periodically so as to incorporate changes required by the regulator as well as international best practices in risk management. Starting with the fundamentals of risk management including philosophy, principles and international best practices, the policy also covers Basel Accord requirements and delineates MCB Islamic Bank’s strategy to achieve compliance with the same.

The document also incorporates guidelines with regards to development of risk strategy and appetite of the Bank.

The section on ‘Pillar-I’ provides detailed features of our approach towards management of Financing (Credit), Market and Operational Risks. The comprehensive discussions of all the three risks provide the policy standards in our bank to manage these risks.

This policy document also captures Pillar-II and Internal Capital Adequacy Assessment Process (ICAAP). ICAAP requires the Bank to assess all material risks and allocate capital there against. The policy document provides guidelines for addressing the Pillar-II risks including Financing Concentration, Liquidity, Profit Rate in Banking Books and Reputational risks.

Risk Management Policy incorporates the current regulatory requirements and other changes in risk management practice. Additionally, as the risk is embedded in all activities of banks, the policy highlights these risks (i.e. Reputational Risk, Fraud Risk, Strategic Risk, Information Security Risk, Country Risk, Legal Risk, Shari’ah Non Compliance Risk etc.) and the also the roles and responsibilities of various risk owners in the bank.