



ERM Watchtower Enterprise Risk Management

SRA's ERM Practice

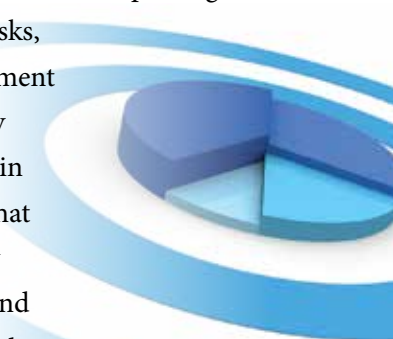
SRA's Risk Management and Governance Practice is designed to support Banks and the Financial Services Industry with needed expert resources, systems and tools in the areas of risk governance, risk profile, risk-based capital stress testing and reporting. SRA has built a team of leading veteran risk experts that understand the increasing risk focus of the OCC, FDIC and Federal Reserve. SRA has a strong ERM Practice which includes an easy-to-use ERM System called Watchtower, advice, reports, scorecards, policies and process. We leverage the tools we have pre-developed when you engage us for support. These tools include:

- ▶ Risk Governance Framework
- ▶ Watchtower ERM System
- ▶ Risk Appetite Statements and ERM Policies
- ▶ Committee Charters for Board and Management ERM Committees
- ▶ Enterprise RiskScore™ Models for eight risk categories: Credit, Operations, Compliance, Liquidity, IRR, Pricing, Strategic and Reputational
- ▶ Key Risk Indicators (KRI's) formats and design support
- ▶ Quarterly Board Reporting Dashboards

ERM (Enterprise Risk Management) enables an organization to understand, control and articulate the nature and level of risk taken in pursuit of the current year's financial goals and acceptable future returns.

Benefits of SRA's ERM Solution

- ▶ Provides Board and Management full "transparency" of risks at the Bank.
- ▶ Provides the ability to align the Bank's risk management process with regulatory guidance, expectations and examination procedures.
- ▶ Provides the Board and Management a process and platform to identify, quantify and aggregate risks across the Bank. This enables the Board to establish the Bank's risk appetite and related risk tolerances.
- ▶ Identifies weaknesses or gaps in risk management infrastructure and provides the bank the tools to prioritize efforts using the risk score in each model.
- ▶ Creates the opportunity to "simulate" various risk profiles for modeling of major initiatives, control improvement programs or strategic events such as acquisitions.
- ▶ Provides the Board, Management, Risk Management, and Internal Audit with risk reporting which is streamlined and impactful. The reporting includes trending of inherent risks, quality of risk management and residual risks. Key risks will be identified in each risk category so that they can be adequately managed, monitored and independently reviewed.
- ▶ Support the Capital Planning needs of the Bank.



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Who Is Strategic Risk Associates (SRA)?

SRA is an innovative consulting and advisory firm specializing in the banking industry. Our team has the credentials and experience to help solve your issues and build your franchise. We provide fast, efficient, and practical consulting and advisory services, and our analysis and recommendations will be direct, unequivocal and based on best practices in banking.

Strategic Risk Associates, LLC

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“Top Down” Approach to ERM

Stage I – Risk Governance

- ▶ Document the Board Responsibilities and Institute a Risk Governance Framework
- ▶ Align Board Committee and Management Committee Structure and Charters (As Required)
- ▶ Develop the Risk Appetite Statement and ERM Policy Enhance Board and Management Reporting

Stage II – Risk Profile

- ▶ Institute Enterprise, Business and Department-Level Risk Profile Models
- ▶ Eight Risk Profile Models by Category Housed by Watchtower ERM Online
- ▶ Credit, Strategic, IRR, Liquidity, Price, Operational, Compliance/Legal, Reputation
- ▶ ERM Review, Update and Monitoring Routines Scheduled
- ▶ Key Risk Identification and Reporting Including KRI's
- ▶ Identify Risk Improvement Programs (By Executive and Department)
- ▶ Update the Risk Profile Summary (By Risk Category & Bank-Wide)

Stage III – Capital Planning and Capital Stress Test

- ▶ Build “Baseline” and “Severely Adverse” Scenarios Assumptions Model Financial
- ▶ Impact of Scenarios and Strategic Imperatives
- ▶ Stress Test Loan Portfolio and Quantify Impact of Key Risks Develop Capital Stress Model and Capital Plan

Stage IV – Integrate into Internal Audit (3rd Line of Defense)

- ▶ Utilize ERM Process and Integrate Risk Assessment
- ▶ Align Auditable Entities Where Necessary Align Audit Programs to Risk Profile Models
- ▶ Enhance Audit Committee Reporting

