



# 2014 Risk Practices Survey Summary Report

MAR 2014 | RESEARCH

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### About Bank Director

Since its inception in 1991, Bank Director has been a leading information resource for senior officers and directors of financial institutions. Chairmen, CEOs, CFOs, presidents and directors of banks and financial institutions turn to Bank Director to keep pace with the ever-changing landscape of the financial services industry. For more information about Bank Director, visit [www.bankdirector.com](http://www.bankdirector.com).

## Executive Summary

**T**he banking industry has made great strides over the last few years in the management of risk, and a number of important best practices have begun to emerge, according to Bank Director's 2014 Risk Practices Survey, sponsored by FIS. While the Dodd-Frank Act requires publicly traded bank holding companies with more than \$10 billion in assets to establish separate risk committees of the board, and banks over \$50 billion to additionally hire chief risk officers, smaller banks are proactively following suit. By taking a more comprehensive approach to risk management, these institutions are reaping the benefits with improved financial performance.

The 2014 Risk Practices Survey reveals how these banks govern risk, and that a best-practice approach can positively impact financial performance. Many banks still have some fine-tuning to do when it comes to risk management. Creating and properly using a comprehensive risk appetite statement challenges many boards. Many see room for improvement in the quality and comprehensiveness of the bank's enterprise risk management program. Tying risk management to the strategic plan and measuring its impact on the organization is difficult for many institutions, although those that have tried to measure the risk management program's impact report a positive effect on financial performance.

Conducted in January, the survey is based on 107 online responses from independent directors and senior bank executives, primarily chief risk officers, of banks with more than \$1 billion in assets.

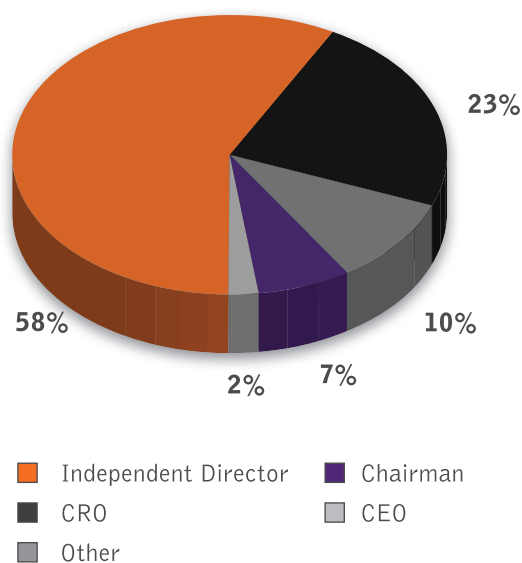
### Key Findings include:

- Ninety-seven percent of respondents report that the bank has a chief risk officer or equivalent on staff, and 63 percent oversee risk within a separate risk committee of the board. Moreover, respondents whose banks have a separate board-level risk committee report a higher median return on assets (ROA), at 1.00, and higher median return on equity (ROE), at 9.50, compared to banks that govern risk within a combined audit/risk committee or within the audit committee.
- Of those that oversee risk with a separate risk committee, 64 percent of respondents review the bank's strategic plan and risk mitigation strategies, while the remaining 36 percent do not yet do so.
- Tools like the risk appetite statement, the enterprise risk assessment and risk dashboard aren't yet fully used. Only one-third of respondents feel that the bank's risk appetite statement covers all the risks faced by the institution, and less than half use it to provide limits to board and management. Just 13 percent analyze the risk appetite statement's impact on financial performance.
- Just 17 percent of respondents review the bank's risk profile and related metrics at the board and executive level monthly. Almost half review these metrics quarterly, while 23 percent review twice a year or annually.
- Fifty-seven percent of directors feel that the board could benefit from more training in understanding how new regulations impact and pose risk to the bank, and 53 percent want a deeper understanding of emerging risks, such as risks associated with cyber security or Unfair, Deceptive or Abusive Acts or Practices (UDAAP). Conversely, senior executives feel that the board needs more training in overseeing the bank's risk appetite, and understanding risk oversight best practices and how other banks govern risk.
- The regulatory environment continues to challenge bank boards. Fifty-five percent cite the volume and pace of regulatory change as the environmental factor most likely to cause risk evaluation failures at the bank.
- More than half of bank officers, and 40 percent of respondents overall, say that maintaining the technology and data infrastructure to support risk decision-making is a top risk management challenge.

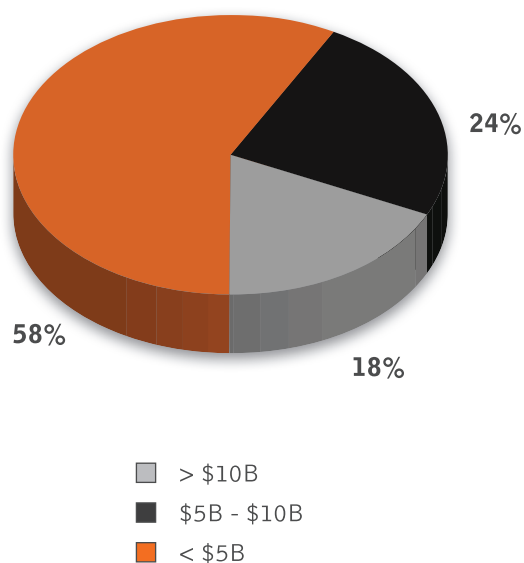
## ABOUT THE SURVEY

The Bank Director 2014 Risk Practices Survey, sponsored by FIS, surveyed 107 independent directors and senior executives of banks with more than \$1 billion in assets to discover how these banks govern risk as well as the connection between risk management best practices and financial performance. The survey was conducted online in January 2014. Independent directors and chairmen accounted for 65 percent of respondents, and of these, 57 percent serve on their institution's board-level risk committee. Twenty-three percent of participants serve as the chief risk officer of the bank. Most respondents, at 58 percent, represent a bank with less than \$5 billion in assets, 24 percent a bank with between \$5 billion and \$10 billion in assets and 18 percent a bank with more than \$10 billion in assets.

### Title Breakdown



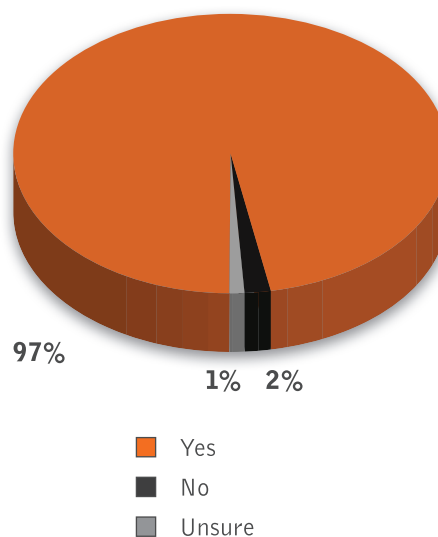
### Size of Bank



### Committee Membership



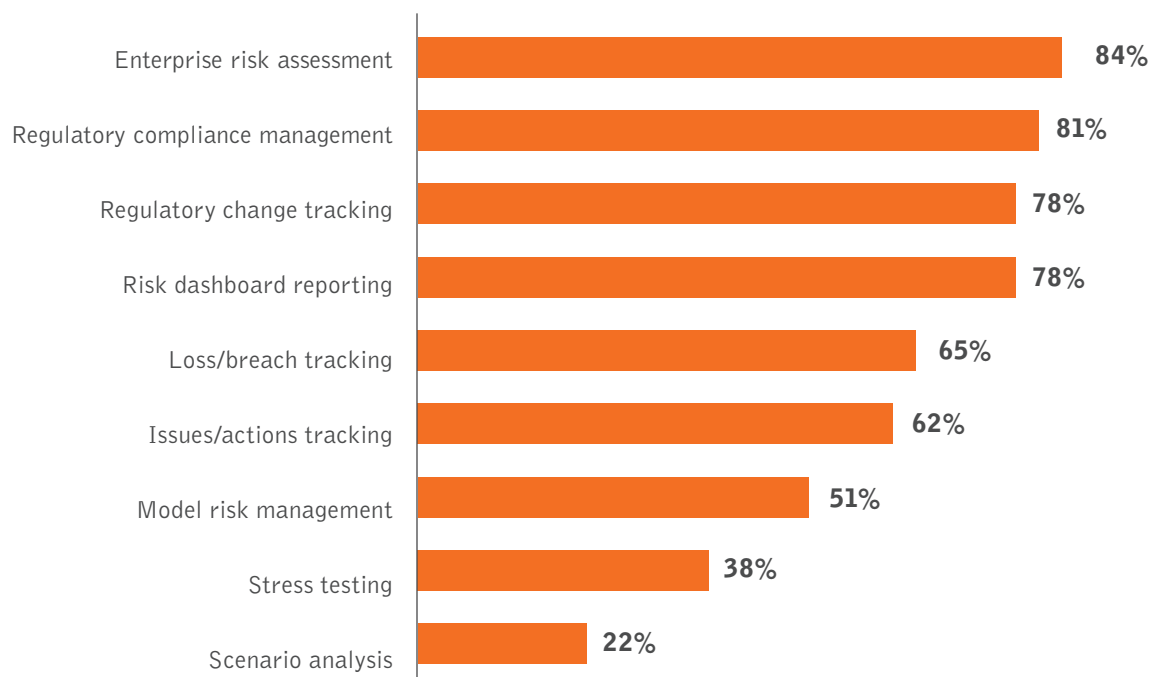
### Does the bank have a CRO?



## RISK GOVERNANCE

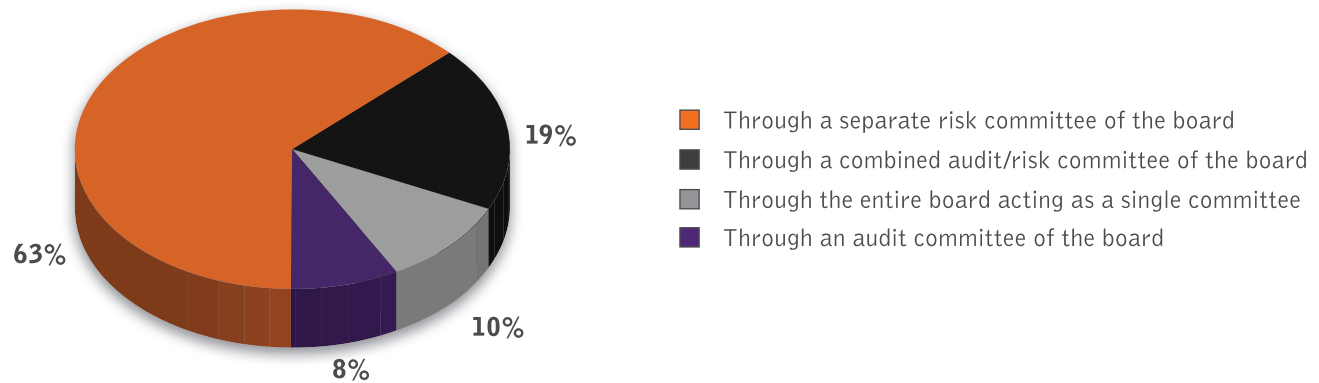
### 1. Does the risk management function at your bank have primary responsibility for any of the following?

Respondents were asked to select all that apply. Only officers were asked to respond.



| Bank Asset Size                  | > \$10B | \$5B - \$10B | < \$5B | Total |
|----------------------------------|---------|--------------|--------|-------|
| Risk dashboard reporting         | 100%    | 88%          | 65%    | 78%   |
| Stress testing                   | 22%     | 38%          | 45%    | 38%   |
| Regulatory compliance management | 67%     | 88%          | 85%    | 81%   |
| Model risk management            | 67%     | 75%          | 35%    | 51%   |
| Loss/breach tracking             | 44%     | 100%         | 60%    | 65%   |
| Scenario analysis                | 22%     | 25%          | 20%    | 22%   |
| Regulatory change tracking       | 67%     | 75%          | 85%    | 78%   |
| Issues/actions tracking          | 56%     | 100%         | 50%    | 62%   |
| Enterprise risk assessment       | 67%     | 88%          | 90%    | 84%   |

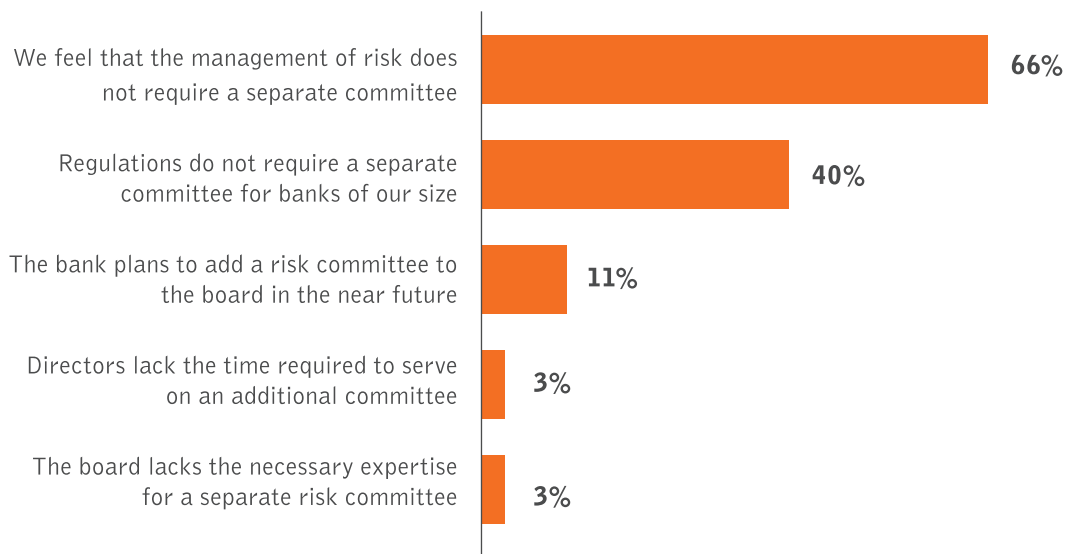
## 2. How does the board at your bank primarily handle risk governance?



| Bank Asset Size                                       | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Through a separate risk committee of the board        | 78%     | 76%          | 54%    | 63%   |
| Through a combined audit/risk committee of the board  | 22%     | 20%          | 18%    | 19%   |
| Through the entire board acting as a single committee | 0%      | 0%           | 16%    | 10%   |
| Through an audit committee of the board               | 0%      | 4%           | 11%    | 8%    |

## 3. Why has the bank chosen not to establish a separate risk committee?

Respondents were asked to select all that apply. Only participants who indicated the bank has no separate risk committee were asked to respond.



| Title   | Officer | Director | Total |
|---|---------|----------|-------|
| We feel that the management of risk does not require a separate committee | 55%     | 79%      | 66%   |
| Regulations do not require a separate committee for banks of our size     | 64%     | 32%      | 40%   |
| The bank plans to add a risk committee to the board in the near future    | 9%      | 5%       | 11%   |
| Directors lack the time required to serve on an additional committee      | 9%      | 0%       | 3%    |
| The board lacks the necessary expertise for a separate risk committee     | 0%      | 5%       | 3%    |

**4. If your board has separate risk and audit committees, what is the audit committee's responsibility for risk governance?**

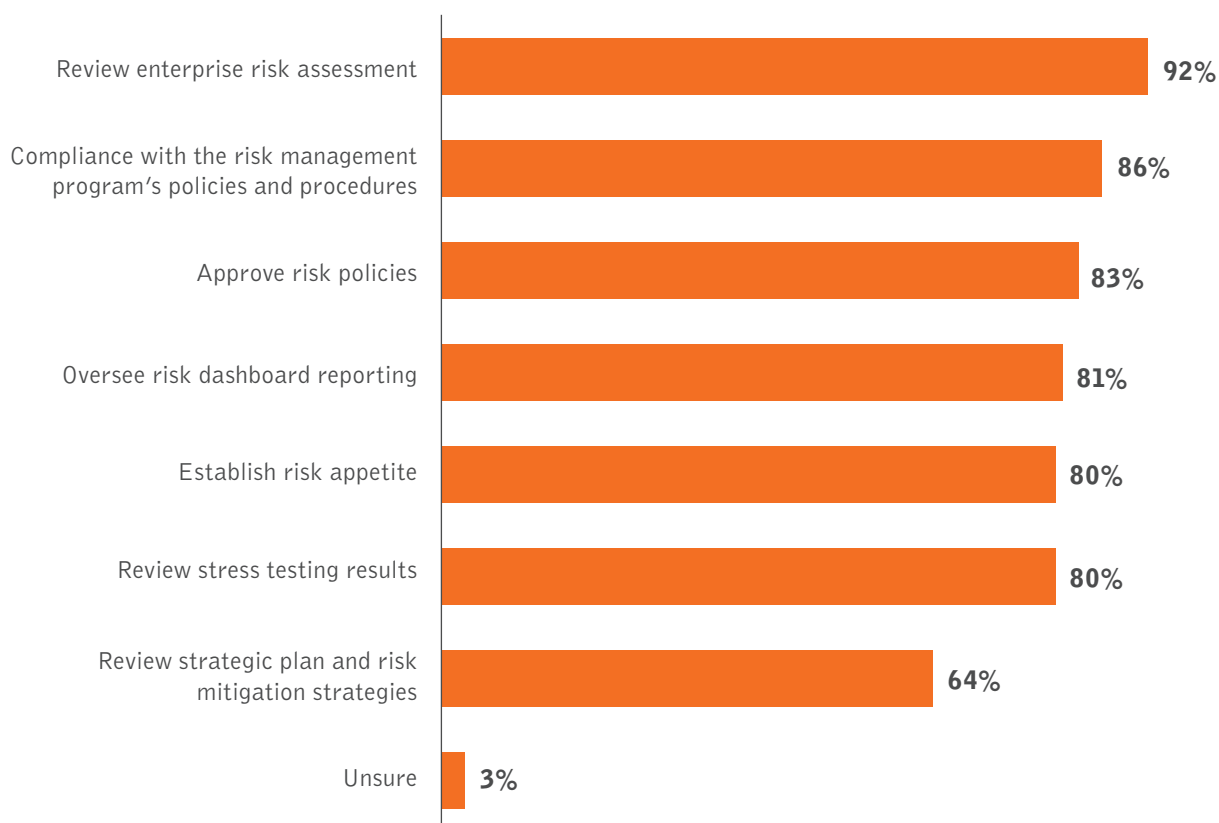
*Respondents were asked to select all that apply. Only participants who indicated the bank has a separate risk committee were asked to respond.*



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Financial reporting risk  | 71%     | 89%          | 71%    | 77%   |
| Compliance with the risk management program's policies and procedures | 64%     | 53%          | 35%    | 47%   |
| Regulatory compliance   | 14%     | 32%          | 35%    | 30%   |
| Unsure  | 14%     | 5%           | 10%    | 9%    |
| Other   | 14%     | 11%          | 6%     | 9%    |
| The audit committee has no risk management responsibilities           | 0%      | 5%           | 6%     | 5%    |

**5. If your board has separate risk and audit committees, what is the risk committee's responsibility for risk governance?**

Respondents were asked to select all that apply. Only participants who indicated the bank has a separate risk committee were asked to respond.



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Review enterprise risk assessment                                     | 86%     | 89%          | 97%    | 92%   |
| Compliance with the risk management program's policies and procedures | 71%     | 95%          | 87%    | 86%   |
| Approve risk policies   | 86%     | 89%          | 77%    | 83%   |
| Oversee risk dashboard reporting                                      | 71%     | 84%          | 84%    | 81%   |
| Establish risk appetite   | 79%     | 89%          | 74%    | 80%   |
| Review stress testing results   | 79%     | 79%          | 81%    | 80%   |
| Review strategic plan and risk mitigation strategies                  | 64%     | 68%          | 61%    | 64%   |
| Unsure  | 7%      | 0%           | 3%     | 3%    |



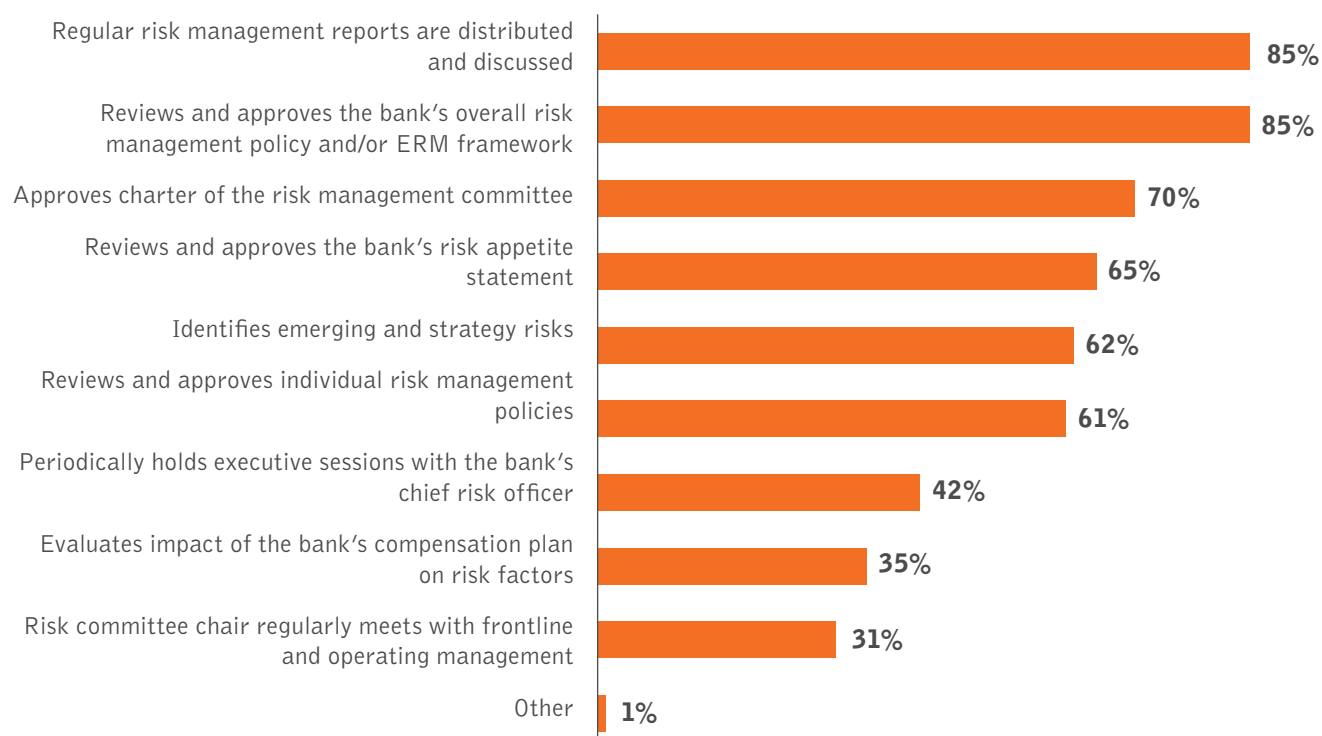
## 6. If your board has one committee that handles both audit and risk, what is this committee's responsibility for risk governance?

Respondents were asked to select all that apply. Only participants who indicated the bank handles risk within a combined audit/risk committee were asked to respond.



## 7. What does the board at your bank do to “set the tone from the top” or establish a risk management culture within the bank?

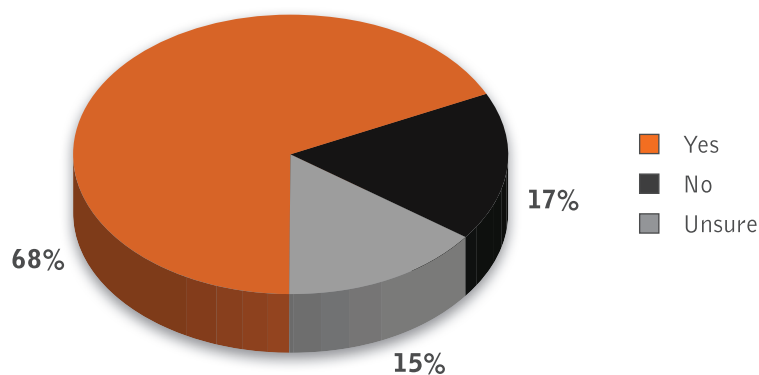
Respondents were asked to select all that apply.



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Regular risk management reports are distributed and discussed                       | 88%     | 79%          | 87%    | 85%   |
| Reviews and approves the bank's overall risk management policy and/or ERM framework | 69%     | 79%          | 92%    | 85%   |
| Approves charter of the risk management committee                                   | 75%     | 88%          | 60%    | 70%   |
| Reviews and approves the bank's risk appetite statement                             | 56%     | 71%          | 64%    | 65%   |
| Identifies emerging and strategy risks  | 31%     | 71%          | 68%    | 62%   |
| Reviews and approves individual risk management policies                            | 38%     | 67%          | 66%    | 61%   |
| Periodically holds executive sessions with the bank's chief risk officer            | 38%     | 50%          | 40%    | 42%   |
| Evaluates impact of the bank's compensation plan on risk factors                    | 12%     | 54%          | 34%    | 35%   |
| Risk committee chair regularly meets with frontline and operating management        | 50%     | 54%          | 15%    | 31%   |
| Other   | 0%      | 4%           | 0%     | 1%    |

| Title   | Officer | Director | Total |
|---|---------|----------|-------|
| Regular risk management reports are distributed and discussed                       | 83%     | 85%      | 85%   |
| Reviews and approves the bank's overall risk management policy and/or ERM framework | 79%     | 88%      | 85%   |
| Approves charter of the risk management committee                                   | 71%     | 72%      | 70%   |
| Reviews and approves the bank's risk appetite statement                             | 54%     | 68%      | 65%   |
| Identifies emerging and strategy risks  | 58%     | 67%      | 62%   |
| Reviews and approves individual risk management policies                            | 71%     | 57%      | 61%   |
| Periodically holds executive sessions with the bank's chief risk officer            | 29%     | 43%      | 42%   |
| Evaluates impact of the bank's compensation plan on risk factors                    | 25%     | 38%      | 35%   |
| Risk committee chair regularly meets with frontline and operating management        | 21%     | 37%      | 31%   |
| Other   | 0%      | 2%       | 1%    |

**8. Does your board have at least one member that you would consider to be an expert on risk as relates to financial institutions?**

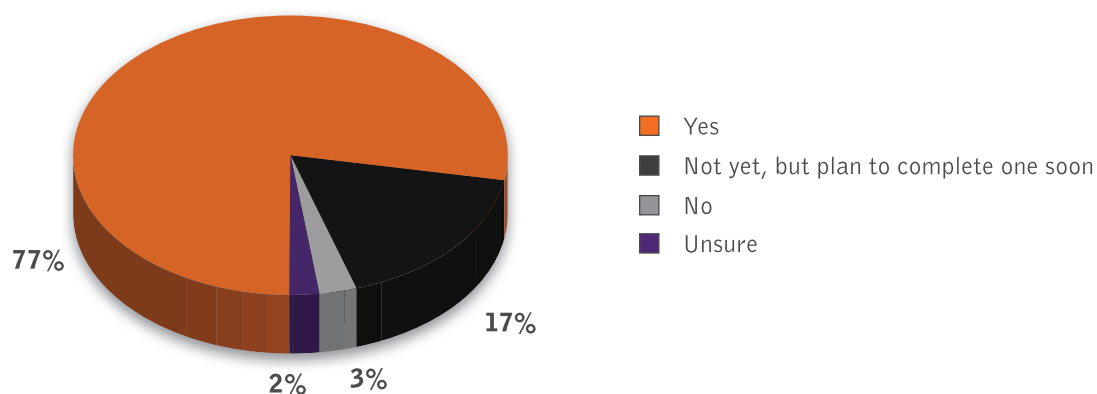


| Bank Asset Size | > \$10B | \$5B - \$10B | < \$5B | Total |
|-----------------|---------|--------------|--------|-------|
| Yes             | 88%     | 65%          | 63%    | 68%   |
| No              | 6%      | 26%          | 13%    | 15%   |
| Unsure          | 6%      | 9%           | 24%    | 17%   |

| Title  | Officer | Director | Total |
|--------|---------|----------|-------|
| Yes    | 79%     | 63%      | 68%   |
| No     | 12%     | 17%      | 15%   |
| Unsure | 8%      | 20%      | 17%   |

## MONITORING RISK

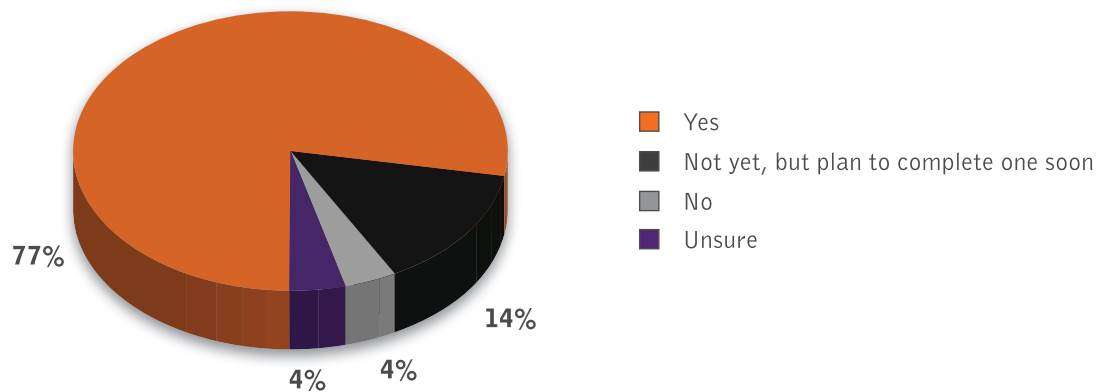
**9. Has the bank completed a formal enterprise risk assessment to identify all inherent and residual risks that it faces?**



| Bank Asset Size                        | > \$10B | \$5B - \$10B | < \$5B | Total |
|--|---------|--------------|--------|-------|
| Yes                                    | 73%     | 83%          | 76%    | 77%   |
| Not yet, but plan to complete one soon | 20%     | 13%          | 19%    | 17%   |
| No                                     | 0%      | 4%           | 4%     | 3%    |
| Unsure                                 | 7%      | 0%           | 2%     | 2%    |

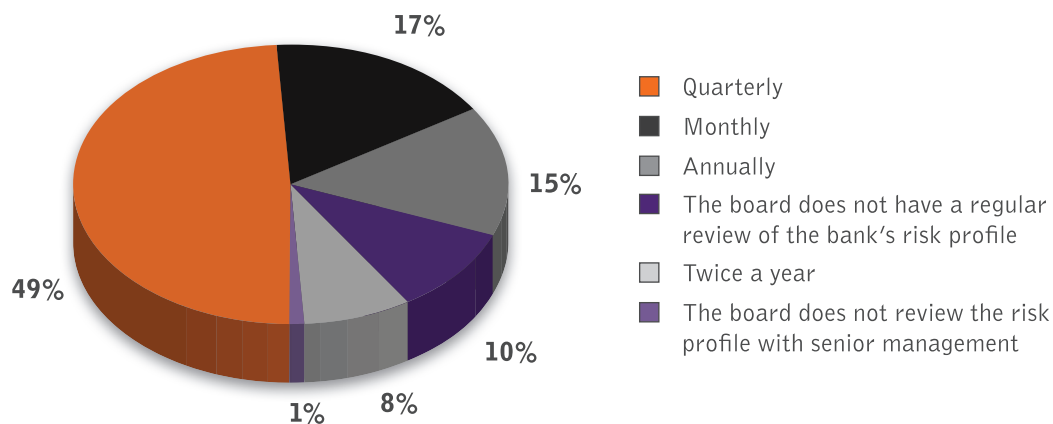
### 10. Has the bank incorporated the strategic plan and corporate objectives into the risk assessment?

Only participants who indicated their bank completed an enterprise risk assessment were asked to respond.



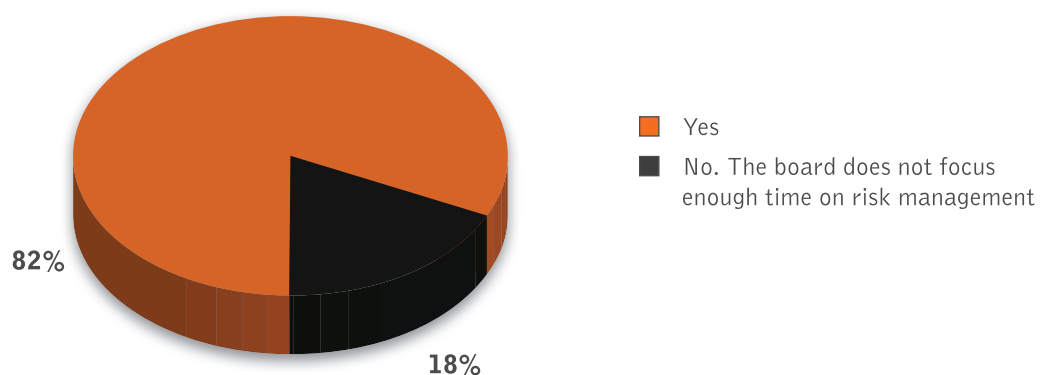
| Bank Asset Size                        | > \$10B | \$5B - \$10B | < \$5B | Total |
|--|---------|--------------|--------|-------|
| Yes                                    | 82%     | 79%          | 76%    | 77%   |
| Not yet, but plan to complete one soon | 18%     | 5%           | 17%    | 14%   |
| No                                     | 0%      | 5%           | 5%     | 4%    |
| Unsure                                 | 0%      | 11%          | 2%     | 4%    |

### 11. How often does the board review the bank's risk profile and related metrics with senior management?



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Quarterly   | 31%     | 55%          | 52%    | 49%   |
| Monthly   | 25%     | 14%          | 17%    | 17%   |
| Annually  | 31%     | 9%           | 13%    | 15%   |
| The board does not have a regular review of the bank's risk profile | 6%      | 9%           | 11%    | 10%   |
| Twice a year  | 6%      | 14%          | 6%     | 8%    |
| The board does not review the risk profile with senior management   | 0%      | 0%           | 2%     | 1%    |

**12. Do you believe that the board devotes enough time to the discussion of risk management issues?**

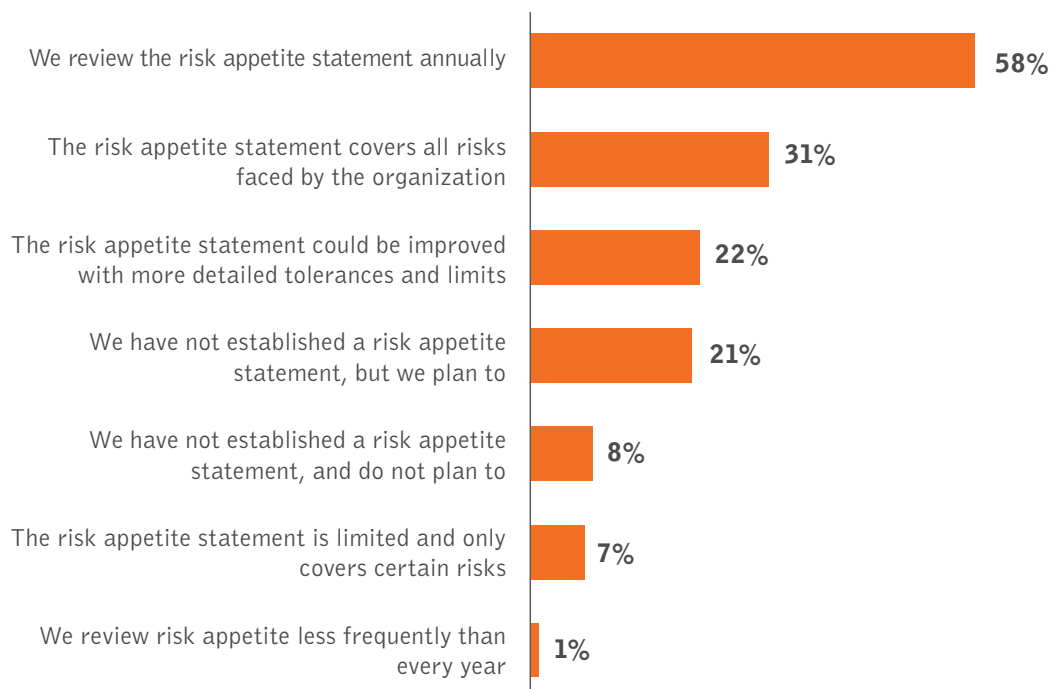


| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Yes   | 81%     | 86%          | 80%    | 82%   |
| No. The board does not focus enough time on risk management | 19%     | 14%          | 20%    | 18%   |

| Title   | Officer | Director | Total |
|---|---------|----------|-------|
| Yes   | 96%     | 75%      | 82%   |
| No. The board does not focus enough time on risk management | 4%      | 25%      | 18%   |

**13. How would you characterize your bank's risk appetite statement?**

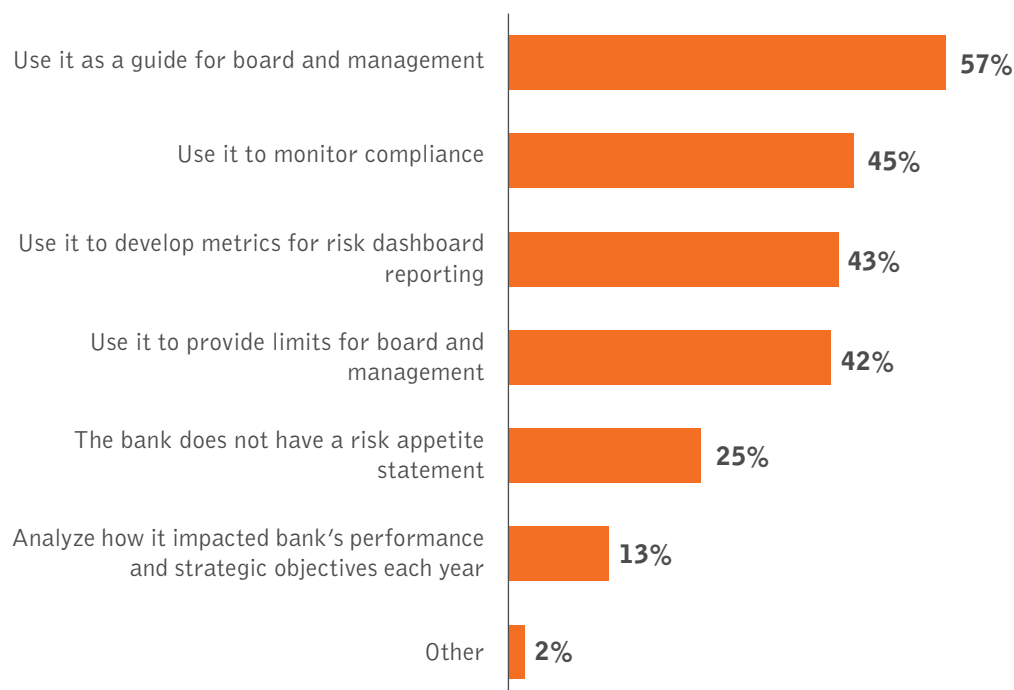
*Respondents were asked to select all that apply.*



| Bank Asset Size  | > \$10B | \$5B - \$10B | < \$5B | Total |
|--|---------|--------------|--------|-------|
| We review the risk appetite statement annually   | 79%     | 50%          | 56%    | 58%   |
| The risk appetite statement covers all risks faced by the organization                 | 29%     | 50%          | 24%    | 31%   |
| The risk appetite statement could be improved with more detailed tolerances and limits | 14%     | 32%          | 20%    | 22%   |
| We have not established a risk appetite statement, but we plan to                      | 21%     | 14%          | 24%    | 21%   |
| We have not established a risk appetite statement, and do not plan to                  | 0%      | 5%           | 12%    | 8%    |
| The risk appetite statement is limited and only covers certain risks                   | 0%      | 5%           | 10%    | 7%    |
| We review risk appetite less frequently than every year                                | 0%      | 5%           | 0%     | 1%    |

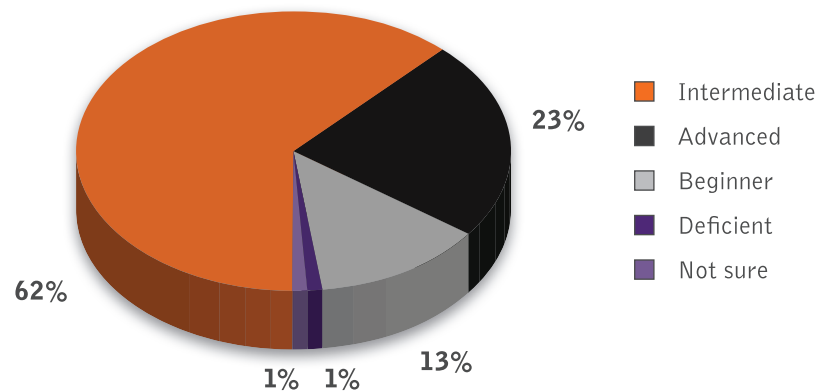
#### 14. How does your board use the bank's risk appetite statement?

Respondents were asked to select all that apply.



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Use it as a guide for board and management                                    | 64%     | 62%          | 53%    | 57%   |
| Use it to monitor compliance  | 29%     | 48%          | 49%    | 45%   |
| Use it to develop metrics for risk dashboard reporting                        | 43%     | 38%          | 45%    | 43%   |
| Use it to provide limits for board and management                             | 36%     | 33%          | 47%    | 42%   |
| The bank does not have a risk appetite statement                              | 21%     | 14%          | 31%    | 25%   |
| Analyze how it impacted bank's performance and strategic objectives each year | 7%      | 19%          | 12%    | 13%   |
| Other   | 0%      | 0%           | 4%     | 2%    |

**15. Which of the following best describe the maturity level of your bank's enterprise risk management (ERM) program?**



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Intermediate. There is room for improvement in or addition of more of the key components of the ERM program   | 50%     | 67%          | 63%    | 62%   |
| Advanced. Strategic plan is incorporated into enterprise risk assessment, risk appetite statement implemented, regular stress testing of all risks & risk dashboard reporting | 43%     | 24%          | 18%    | 23%   |
| Beginner. We have an ERM program, but it needs improvement and more sophistication in all key components  | 7%      | 10%          | 16%    | 13%   |
| Deficient. We don't really have an ERM program and need to implement one properly   | 0%      | 0%           | 2%     | 1%    |
| Not sure  | 0%      | 0%           | 2%     | 1%    |

| Title   | Officer | Director | Total |
|---|---------|----------|-------|
| Intermediate. There is room for improvement in or addition of more of the key components of the ERM program   | 64%     | 64%      | 62%   |
| Advanced. Strategic plan is incorporated into enterprise risk assessment, risk appetite statement implemented, regular stress testing of all risks & risk dashboard reporting | 14%     | 25%      | 23%   |
| Beginner. We have an ERM program, but it needs improvement and more sophistication in all key components  | 18%     | 9%       | 13%   |
| Deficient. We don't really have an ERM program and need to implement one properly   | 5%      | 0%       | 1%    |
| Not sure  | 0%      | 2%       | 1%    |



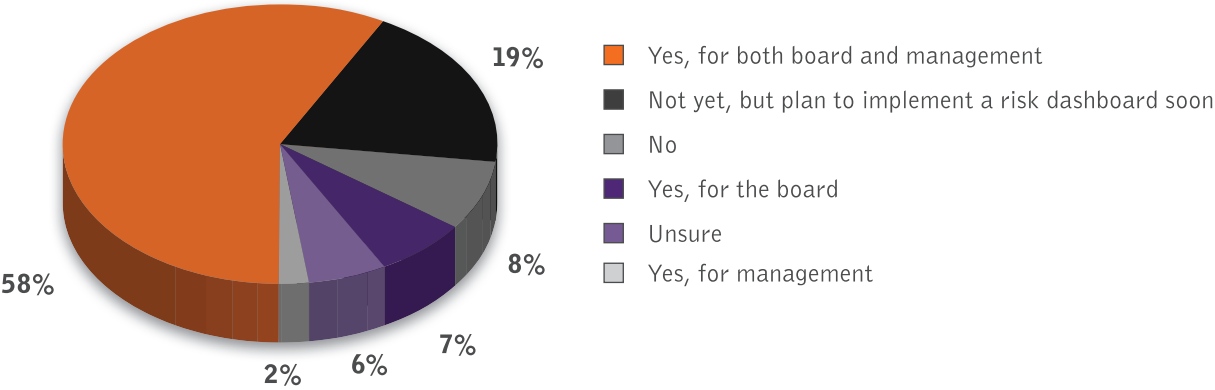
# 16. What are the biggest challenges in connection with supporting an enterprise risk management (ERM) program?

Respondents were asked to select no more than three.



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Identifying and managing all of the institution's risks in a proactive manner | 47%     | 46%          | 56%    | 52%   |
| Integrating all of the risk silos into a single ERM program                   | 21%     | 46%          | 44%    | 40%   |
| Collecting, analyzing and reporting risk data in a timely fashion             | 37%     | 27%          | 37%    | 35%   |
| Creating a culture in which employees are motivated to own and manage risk    | 16%     | 42%          | 34%    | 33%   |
| Connecting the ERM program to the strategic plan                              | 21%     | 31%          | 34%    | 31%   |
| Developing and maintaining risk libraries                                     | 16%     | 12%          | 8%     | 11%   |

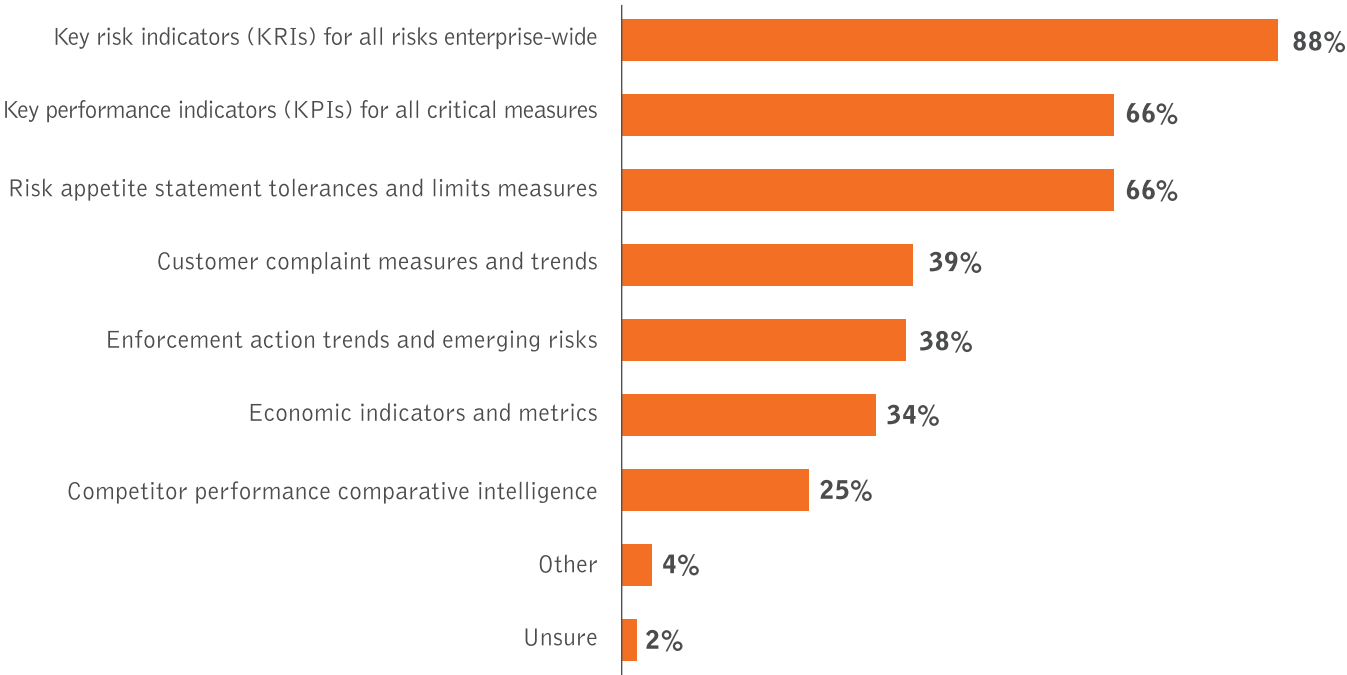
**17. Have you implemented a comprehensive risk dashboard for both board and management to monitor all risks faced by the bank?**



| Bank Asset Size                                      | > \$10B | \$5B - \$10B | < \$5B | Total |
|--|---------|--------------|--------|-------|
| Yes, for both board and management                   | 64%     | 55%          | 58%    | 58%   |
| Not yet, but plan to implement a risk dashboard soon | 14%     | 23%          | 18%    | 19%   |
| No   | 7%      | 0%           | 12%    | 8%    |
| Yes, for the board                                   | 7%      | 18%          | 2%     | 7%    |
| Unsure   | 7%      | 0%           | 8%     | 6%    |
| Yes, for management                                  | 0%      | 5%           | 2%     | 2%    |

**18. If you have implemented a risk dashboard, what data does it provide?**

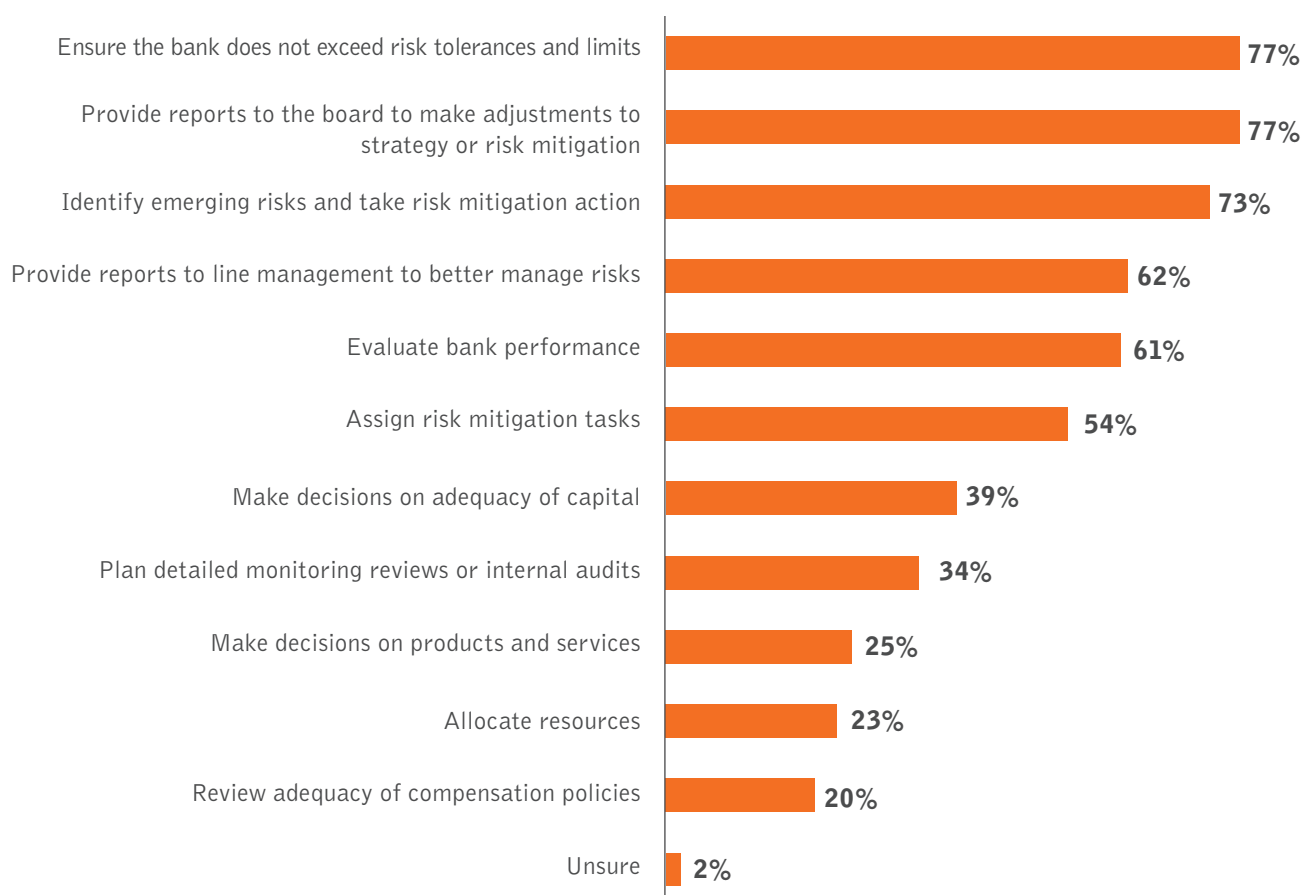
Respondents were asked to select all that apply. Only participants who indicate they use a risk dashboard were asked to respond.



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Key risk indicators (KRIs) for all risks enterprise-wide    | 90%     | 88%          | 87%    | 88%   |
| Key performance indicators (KPIs) for all critical measures | 50%     | 62%          | 73%    | 66%   |
| Risk appetite statement tolerances and limits measures      | 60%     | 81%          | 60%    | 66%   |
| Customer complaint measures and trends                      | 50%     | 25%          | 43%    | 39%   |
| Enforcement action trends and emerging risks                | 20%     | 31%          | 47%    | 38%   |
| Economic indicators and metrics                             | 30%     | 50%          | 27%    | 34%   |
| Competitor performance comparative intelligence             | 10%     | 31%          | 27%    | 25%   |
| Other   | 0%      | 0%           | 7%     | 4%    |
| Unsure  | 0%      | 0%           | 3%     | 2%    |

### 19. How does the bank use the information provided in the risk dashboard?

Respondents were asked to select all that apply. Only participants who indicate they use a risk dashboard were asked to respond.

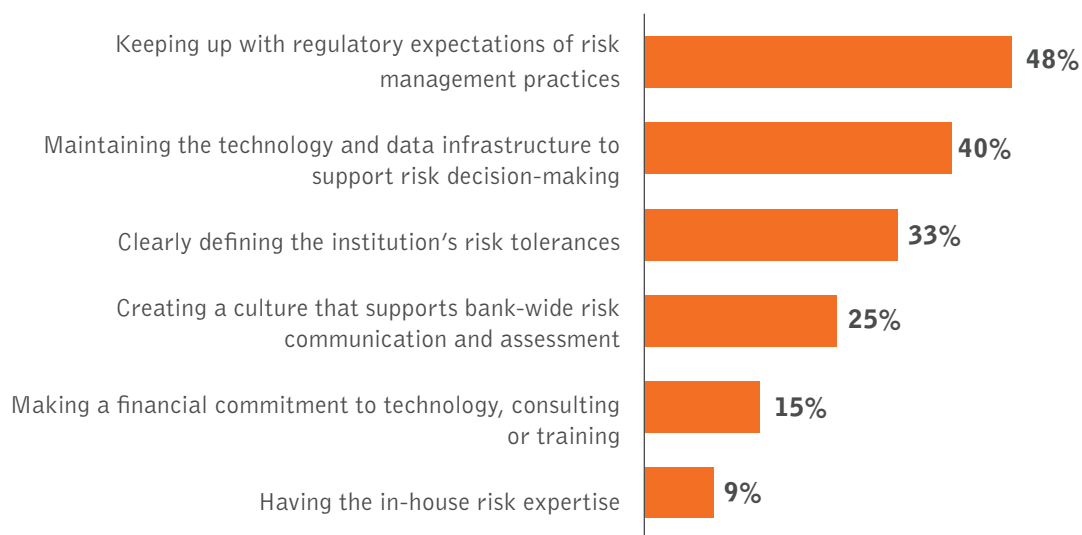


| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Ensure the bank does not exceed risk tolerances and limits                      | 60%     | 81%          | 80%    | 77%   |
| Provide reports to the board to make adjustments to strategy or risk mitigation | 70%     | 75%          | 80%    | 77%   |
| Identify emerging risks and take risk mitigation action                         | 70%     | 75%          | 73%    | 73%   |
| Provide reports to line management to better manage risks                       | 60%     | 50%          | 70%    | 62%   |
| Evaluate bank performance   | 30%     | 69%          | 67%    | 61%   |
| Assign risk mitigation tasks  | 60%     | 44%          | 57%    | 54%   |
| Make decisions on adequacy of capital   | 20%     | 31%          | 50%    | 39%   |
| Plan detailed monitoring reviews or internal audits                             | 10%     | 38%          | 40%    | 34%   |
| Make decisions on products and services   | 20%     | 12%          | 33%    | 25%   |
| Allocate resources  | 10%     | 19%          | 30%    | 23%   |
| Review adequacy of compensation policies  | 10%     | 19%          | 23%    | 20%   |
| Unsure  | 0%      | 6%           | 0%     | 2%    |

## CHALLENGES

### 20. What are your bank's biggest risk management challenges?

Respondents were asked to select no more than three.

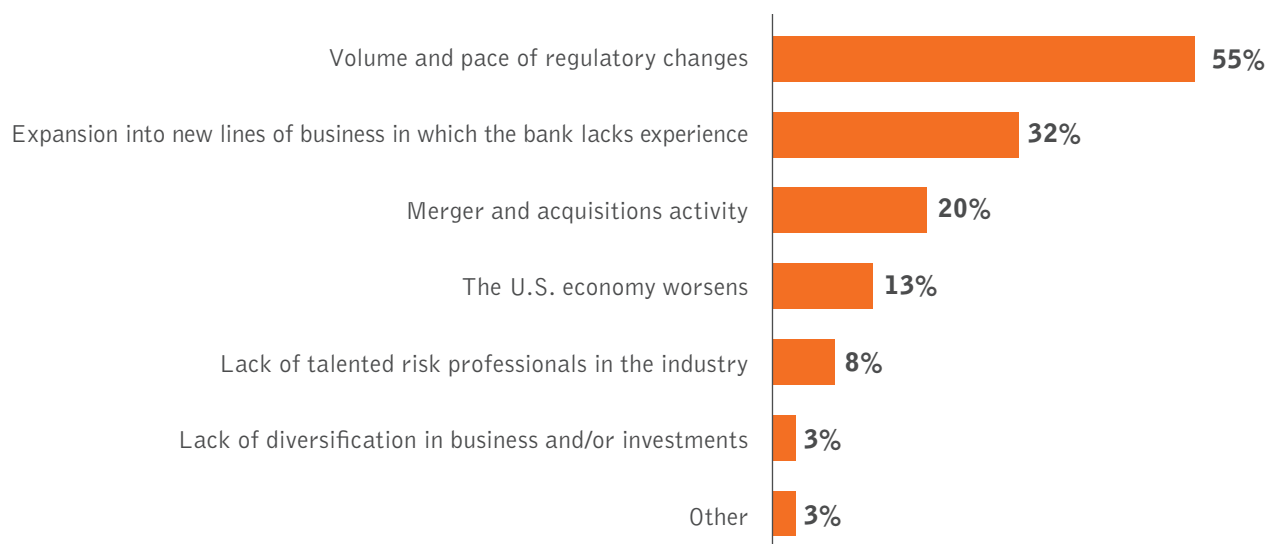


| Bank Asset Size  | > \$10B | \$5B - \$10B | < \$5B | Total |
|--|---------|--------------|--------|-------|
| Keeping up with regulatory expectations of risk management practices               | 53%     | 35%          | 52%    | 48%   |
| Maintaining the technology and data infrastructure to support risk decision-making | 37%     | 50%          | 36%    | 40%   |
| Clearly defining the institution's risk tolerances                                 | 16%     | 27%          | 41%    | 33%   |
| Creating a culture that supports bank-wide risk communication and assessment       | 16%     | 38%          | 22%    | 25%   |
| Making a financial commitment to technology, consulting or training                | 16%     | 15%          | 14%    | 15%   |
| Having the in-house risk expertise   | 5%      | 0%           | 14%    | 9%    |

| Title  | Officer | Director | Total |
|--|---------|----------|-------|
| Keeping up with regulatory expectations of risk management practices               | 33%     | 51%      | 48%   |
| Maintaining the technology and data infrastructure to support risk decision-making | 52%     | 34%      | 40%   |
| Clearly defining the institution's risk tolerances                                 | 41%     | 28%      | 33%   |
| Creating a culture that supports bank-wide risk communication and assessment       | 33%     | 24%      | 25%   |
| Making a financial commitment to technology, consulting or training                | 22%     | 10%      | 15%   |
| Having the in-house risk expertise   | 0%      | 13%      | 9%    |

**21. Which of the following business and/or banking environmental factors are most likely to cause risk evaluation failures in your bank's processes and systems?**

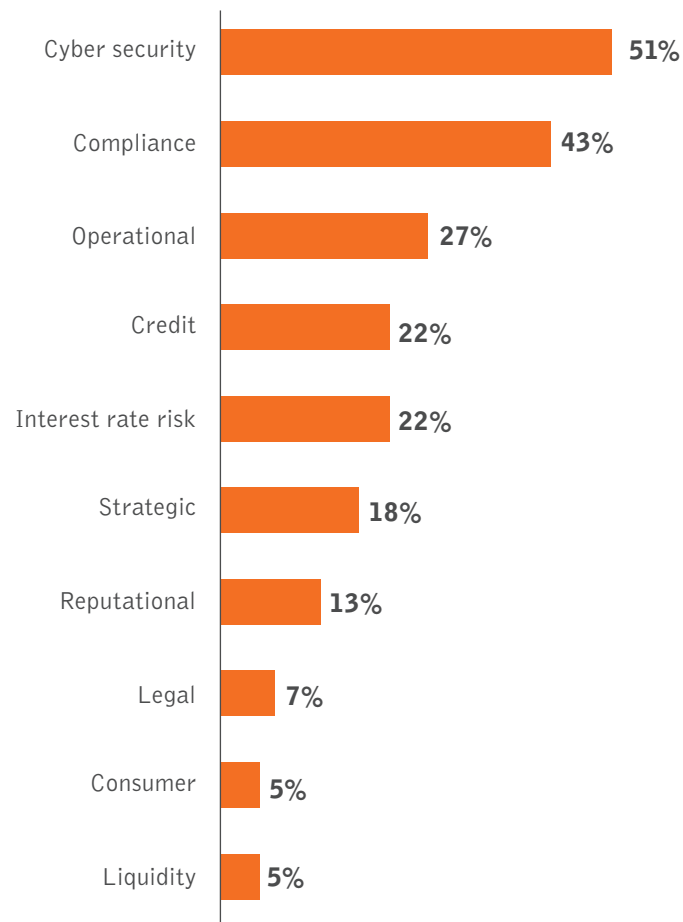
*Respondents were asked to select no more than two.*



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| Volume and pace of regulatory changes                                   | 47%     | 62%          | 55%    | 55%   |
| Expansion into new lines of business in which the bank lacks experience | 21%     | 19%          | 41%    | 32%   |
| Merger and acquisitions activity  | 11%     | 35%          | 17%    | 20%   |
| The U.S. economy worsens  | 11%     | 4%           | 17%    | 13%   |
| Lack of talented risk professionals in the industry                     | 11%     | 4%           | 9%     | 8%    |
| Lack of diversification in business and/or investments                  | 0%      | 4%           | 3%     | 3%    |
| Other   | 11%     | 4%           | 0%     | 3%    |

## 22. With respect to your bank, what risk categories are you most concerned about?

*Respondents were asked to select no more than three.*



| Bank Asset Size    | > \$10B | \$5B - \$10B | < \$5B | Total |
|--------------------|---------|--------------|--------|-------|
| Cyber security     | 26%     | 58%          | 57%    | 51%   |
| Compliance         | 37%     | 42%          | 45%    | 43%   |
| Operational        | 26%     | 31%          | 26%    | 27%   |
| Credit             | 21%     | 23%          | 22%    | 22%   |
| Interest rate risk | 16%     | 19%          | 26%    | 22%   |
| Strategic          | 26%     | 31%          | 10%    | 18%   |
| Reputational       | 11%     | 12%          | 14%    | 13%   |
| Legal              | 11%     | 4%           | 7%     | 7%    |
| Consumer           | 5%      | 8%           | 3%     | 5%    |
| Liquidity          | 5%      | 0%           | 7%     | 5%    |

| Title              | Officer | Director | Total |
|--------------------|---------|----------|-------|
| Cyber security     | 44%     | 54%      | 51%   |
| Compliance         | 52%     | 37%      | 43%   |
| Operational        | 41%     | 21%      | 27%   |
| Credit             | 30%     | 21%      | 22%   |
| Interest rate risk | 15%     | 28%      | 22%   |
| Strategic          | 19%     | 18%      | 18%   |
| Reputational       | 7%      | 15%      | 13%   |
| Legal              | 7%      | 6%       | 7%    |
| Consumer           | 7%      | 4%       | 5%    |
| Liquidity          | 4%      | 3%       | 5%    |

**23. As relates to risk expertise, in what areas do you feel the board could most benefit from education and training?***Respondents were asked to select all that apply.*

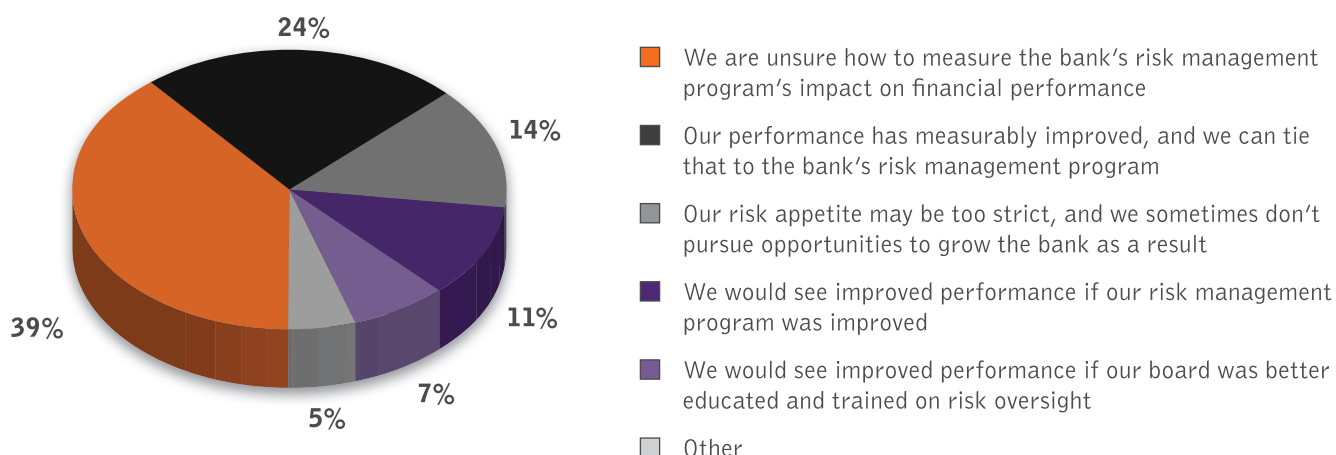
| Bank Asset Size  | > \$10B | \$5B - \$10B | < \$5B | Total |
|--|---------|--------------|--------|-------|
| Understanding emerging risks such as cyber security or Unfair, Deceptive and Abusive Acts or Practices (UDAAP) risks | 57%     | 62%          | 45%    | 52%   |
| Understanding new regulations that impact the bank and pose risk   | 29%     | 57%          | 55%    | 51%   |
| Overseeing the bank's risk appetite  | 71%     | 38%          | 48%    | 49%   |
| Incorporating the strategic plan into the enterprise risk assessment   | 57%     | 33%          | 45%    | 44%   |
| Understanding how other banks oversee risk and industry risk oversight best practices                                | 14%     | 48%          | 50%    | 43%   |
| Understanding key risk indicators (KRIs) and how to use the intelligence for risk oversight                          | 29%     | 43%          | 43%    | 41%   |
| Using the risk dashboard for strategy adjustments or risk mitigation decisions                                       | 29%     | 43%          | 36%    | 37%   |
| Using stress test results in risk oversight  | 29%     | 14%          | 27%    | 24%   |
| Understanding risk in different products   | 14%     | 10%          | 32%    | 23%   |
| Other  | 0%      | 0%           | 2%     | 1%    |



| Title  | Officer | Director | Total |
|--|---------|----------|-------|
| Understanding emerging risks such as cyber security or Unfair, Deceptive and Abusive Acts or Practices (UDAAP) risks | 45%     | 53%      | 52%   |
| Understanding new regulations that impact the bank and pose risk   | 41%     | 57%      | 51%   |
| Overseeing the bank's risk appetite  | 59%     | 45%      | 49%   |
| Incorporating the strategic plan into the enterprise risk assessment   | 41%     | 45%      | 44%   |
| Understanding how other banks oversee risk and industry risk oversight best practices                                | 50%     | 41%      | 43%   |
| Understanding key risk indicators (KRIs) and how to use the intelligence for risk oversight                          | 41%     | 37%      | 41%   |
| Using the risk dashboard for strategy adjustments or risk mitigation decisions                                       | 36%     | 37%      | 37%   |
| Using stress test results in risk oversight  | 18%     | 25%      | 24%   |
| Understanding risk in different products   | 27%     | 22%      | 23%   |
| Other  | 5%      | 0%       | 1%    |

## RISK & FINANCIAL PERFORMANCE

**24. Which statement best characterizes the impact of your bank's risk management program on its financial performance?**



| Bank Asset Size   | > \$10B | \$5B - \$10B | < \$5B | Total |
|---|---------|--------------|--------|-------|
| We are unsure how to measure the bank's risk management program's impact on financial performance             | 43%     | 43%          | 37%    | 39%   |
| Our performance has measurably improved, and we can tie that to the bank's risk management program            | 7%      | 29%          | 27%    | 24%   |
| Our risk appetite may be too strict, and we sometimes don't pursue opportunities to grow the bank as a result | 7%      | 19%          | 15%    | 14%   |
| We would see improved performance if our risk management program was improved                                 | 21%     | 10%          | 7%     | 11%   |
| We would see improved performance if our board was better educated and trained on risk oversight              | 7%      | 0%           | 10%    | 7%    |
| Other   | 14%     | 0%           | 5%     | 5%    |

| Title   | Officer | Director | Total |
|---|---------|----------|-------|
| We are unsure how to measure the bank's risk management program's impact on financial performance             | 55%     | 38%      | 39%   |
| Our performance has measurably improved, and we can tie that to the bank's risk management program            | 14%     | 25%      | 24%   |
| Our risk appetite may be too strict, and we sometimes don't pursue opportunities to grow the bank as a result | 9%      | 17%      | 14%   |
| We would see improved performance if our risk management program was improved                                 | 18%     | 8%       | 11%   |
| We would see improved performance if our board was better educated and trained on risk oversight              | 0%      | 8%       | 7%    |
| Other   | 5%      | 4%       | 5%    |

**25. Please provide the following information on your bank's financial performance.***Median values reported.*

| <b>Bank Asset Size</b>               | <b>&gt; \$10B</b> | <b>\$5B - \$10B</b> | <b>&lt; \$5B</b> | <b>Total</b> |
|--------------------------------------|-------------------|---------------------|------------------|--------------|
| What is your bank's most recent ROE? | 9.75              | 10.00               | 8.00             | 9.03         |
| What is your bank's most recent ROA? | 1.00              | 1.00                | 0.88             | 1.00         |

| <b>How is risk governed in committee?</b> | <b>Risk</b> | <b>Audit/Risk</b> | <b>Entire board</b> | <b>Audit*</b> | <b>Total</b> |
|---|-------------|-------------------|---------------------|---------------|--------------|
| What is your bank's most recent ROE?      | 9.50        | 9.03              | 11.28               | 7.10          | 9.03         |
| What is your bank's most recent ROA?      | 1.00        | 0.98              | 1.07                | 0.84          | 1.00         |

\*(Sample size &lt;10)

| <b>What is the maturity level of the bank's ERM program?</b> | <b>Advanced</b> | <b>Intermediate</b> | <b>Beginner</b> | <b>Deficient*</b> | <b>Total</b> |
|--|-----------------|---------------------|-----------------|-------------------|--------------|
| What is your bank's most recent ROE?                         | 10.94           | 8.72                | 9.10            | 6.71              | 9.03         |
| What is your bank's most recent ROA?                         | 1.00            | 1.00                | 0.88            | 0.64              | 1.00         |

\*(Sample size &lt;10)