

A Wolters Kluwer Financial Services study produced in association with

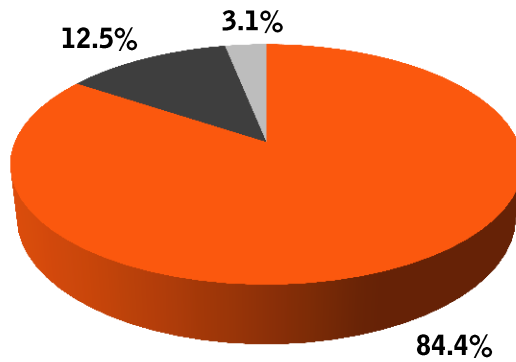
BankDirector

2013 RISK PRACTICES SURVEY: Directors Summary Report

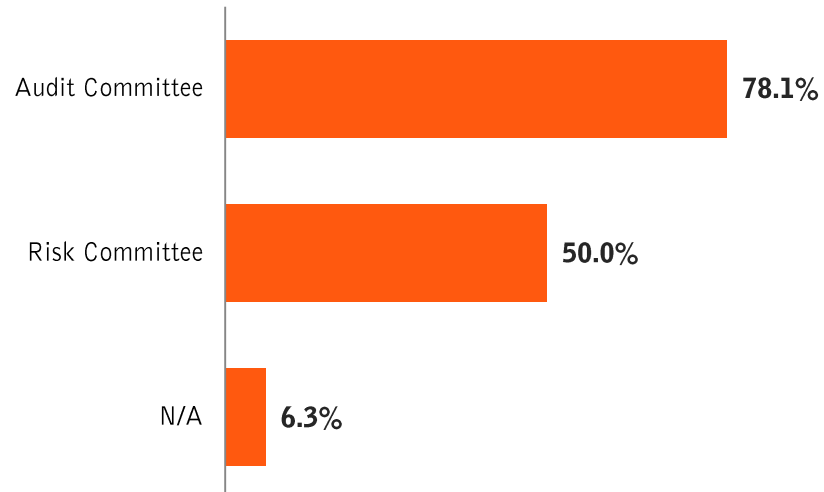
February 2013 | RESEARCH



Wolters Kluwer
Financial Services

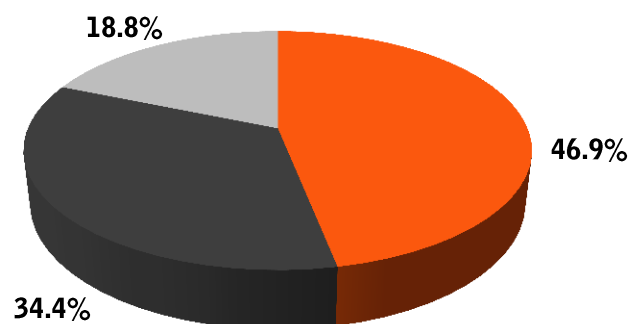
1. My current title is:

	Count	Percent
Director	27	84.4%
Lead Director	4	12.5%
Non-Executive Chairman	1	3.1%
Total Responses	32	

2. I serve on the following committees:

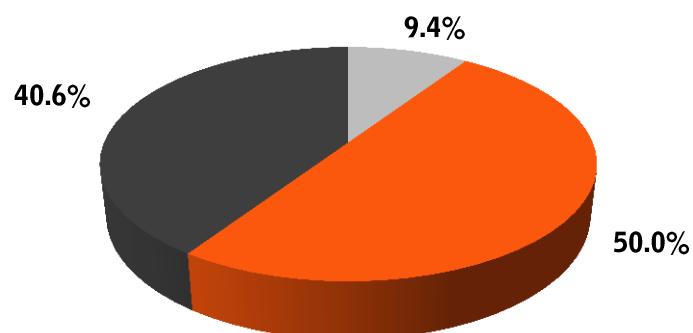
	Count	Percent
Audit Committee	25	78.1%
Risk Committee	16	50.0%
N/A	2	6.3%
Total Responses	32	

3. My bank's asset size is:



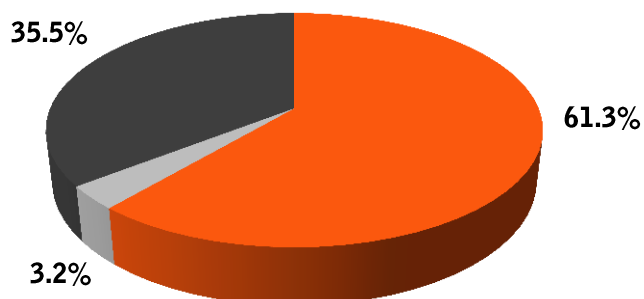
	Count	Percent
\$5 billion up to \$10 billion	15	46.9%
\$10 billion up to \$50 billion	11	34.4%
\$50 billion and above	6	18.8%
Total Responses	32	

4. How confident are you of your bank's ability to manage risk across all lines of business?



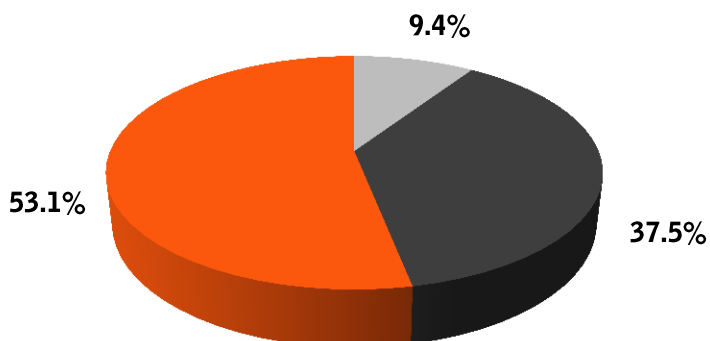
	Count	Percent
Very Confident	13	40.6%
Confident	16	50.0%
Neutral	3	9.4%
Not Completely Confident	0	0.0%
Not Confident	0	0.0%
Total Responses	32	

5. Is your bank's risk appetite statement developed from your bank's strategic plan?



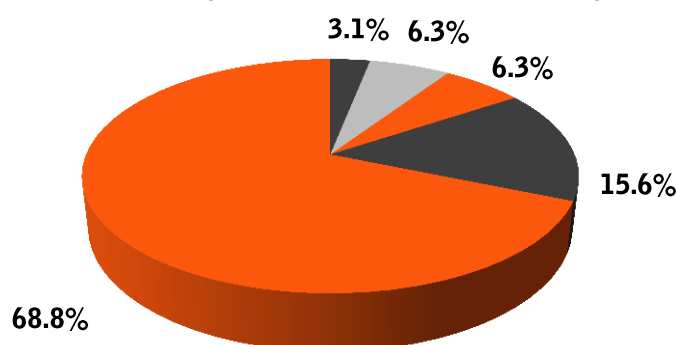
	Count	Percent
Yes. Each year when the strategic plan is updated, the bank's risk appetite statement is reviewed and updated if necessary	19	61.3%
No. The bank has a strategic plan, but it isn't connected directly to the risk appetite statement	11	35.5%
Yes, but the risk appetite statement and/or strategic plan are not reviewed and updated annually	1	3.2%
Total Responses	31	

6. How confident are you that your bank's management team ensures that the bank operates within the risk appetite parameters established by the board?



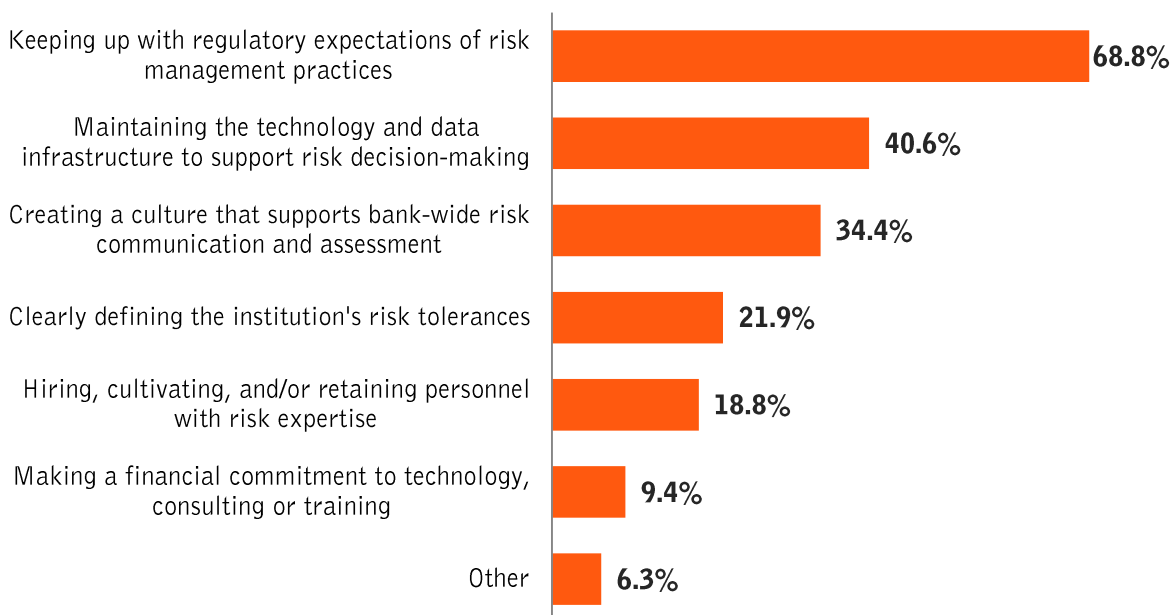
	Count	Percent
Very Confident	17	53.1%
Confident	12	37.5%
Neutral	3	9.4%
Not Completely Confident	0	0.0%
Not Confident	0	0.0%
Total Responses	32	

7. Which of the following best describes your bank's overall risk management capability?



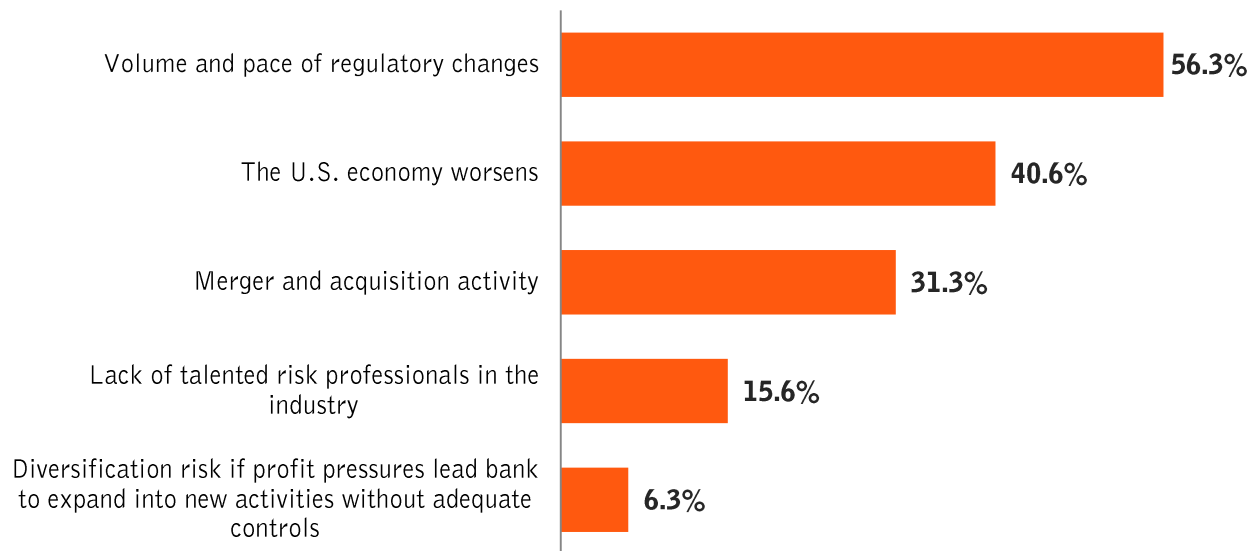
	Count	Percent
We have an ERM program in place that measures risk across the organization	22	68.8%
We have a formal risk management program in place, but risks tend to be managed in silos and processes vary across the organization	5	15.6%
We understand and manage our risks but don't have a formal process or program in place	2	6.3%
We are in the process of creating an ERM program that measures risk across the organization but have not completed the transition	2	6.3%
Not Sure	1	3.1%
Total Responses	32	

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



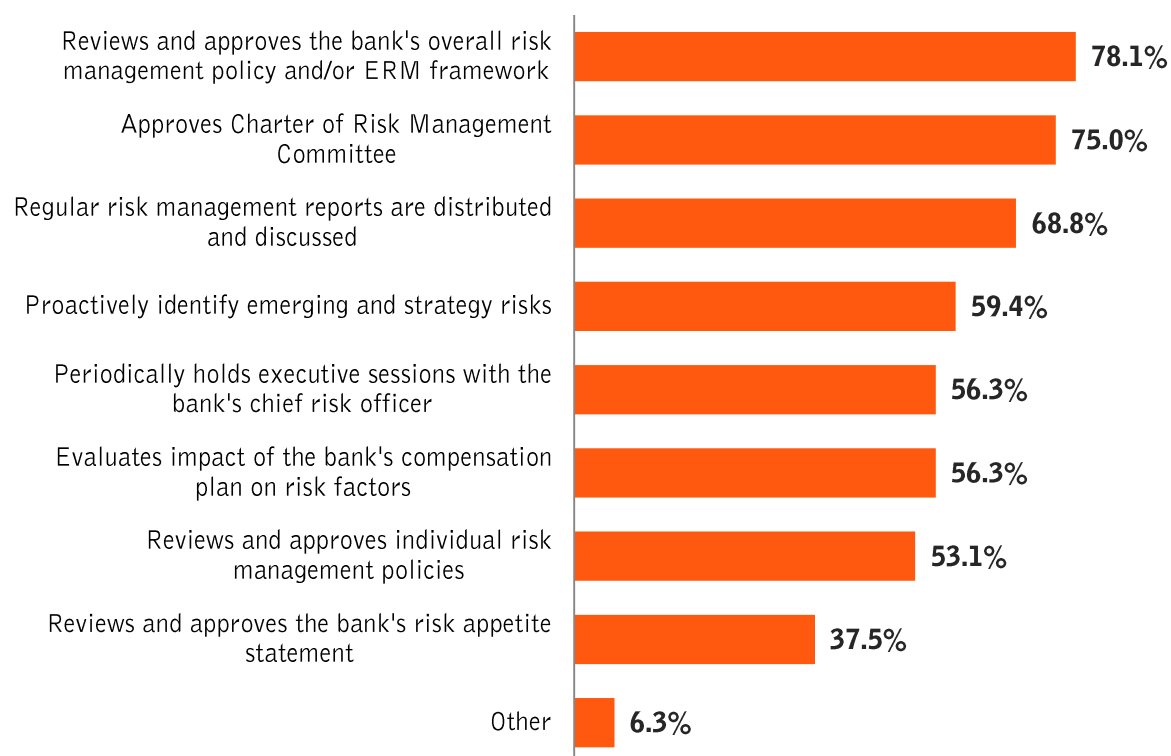
	Count	Percent
Keeping up with regulatory expectations of risk management practices	22	68.8%
Maintaining the technology and data infrastructure to support risk decision-making	13	40.6%
Creating a culture that supports bank-wide risk communication and assessment	11	34.4%
Clearly defining the institution's risk tolerances	7	21.9%
Hiring, cultivating, and/or retaining personnel with risk expertise	6	18.8%
Making a financial commitment to technology, consulting or training	3	9.4%
Other	2	6.3%
Total Responses	32	

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



	Count	Percent
Volume and pace of regulatory changes	18	56.3%
The U.S. economy worsens	13	40.6%
Merger and acquisition activity	10	31.3%
Lack of talented risk professionals in the industry	5	15.6%
Diversification risk if profit pressures lead bank to expand into new activities without adequate controls	2	6.3%
Total Responses	32	

10. What does the board at your bank do to "set the tone from the top" or establish a risk management culture within the bank?

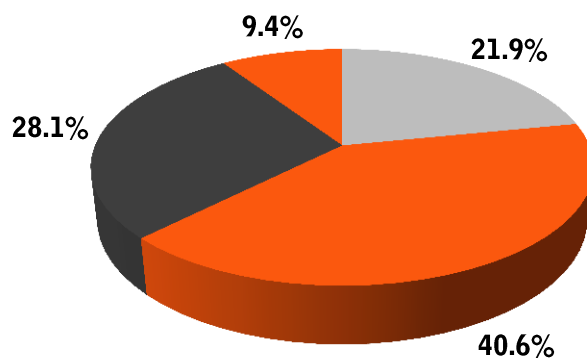


	Count	Percent
Reviews and approves the bank's overall risk management policy and/or ERM framework	25	78.1%
Approves Charter of Risk Management Committee	24	75.0%
Regular risk management reports are distributed and discussed	22	68.8%
Proactively identify emerging and strategy risks	19	59.4%
Periodically holds executive sessions with the bank's chief risk officer	18	56.3%
Evaluates impact of the bank's compensation plan on risk factors	18	56.3%
Reviews and approves individual risk management policies	17	53.1%
Reviews and approves the bank's risk appetite statement	12	37.5%
Other	2	6.3%
Total Responses	32	

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

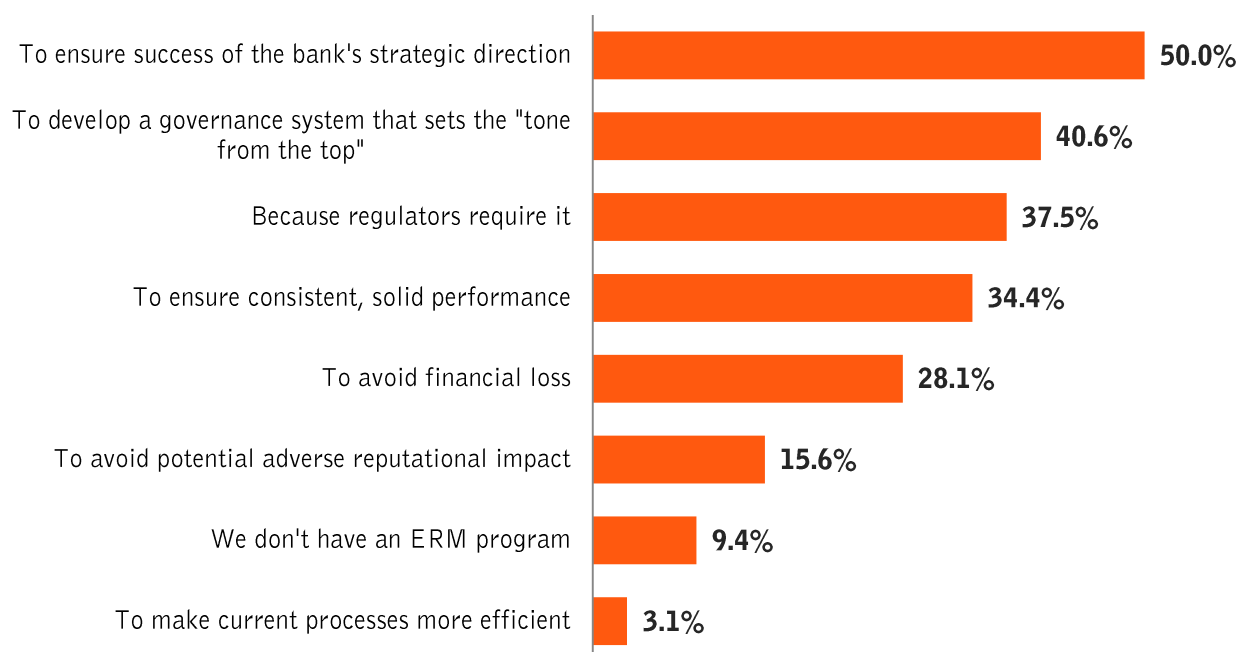
	Count	Percent
Operational	18	56.3%
Compliance	17	53.1%
Credit	16	50.0%
Strategic	8	25.0%
Reputational	6	18.8%
Financial (Market and Liquidity)	5	15.6%
Other (Technology Risk)	5	15.6%
Legal	1	3.1%
Consumer Risk	1	3.1%
Total Responses	32	

12. Over the last three years, the amount of time you spend devoted to discussion of risk management issues at board meetings has:



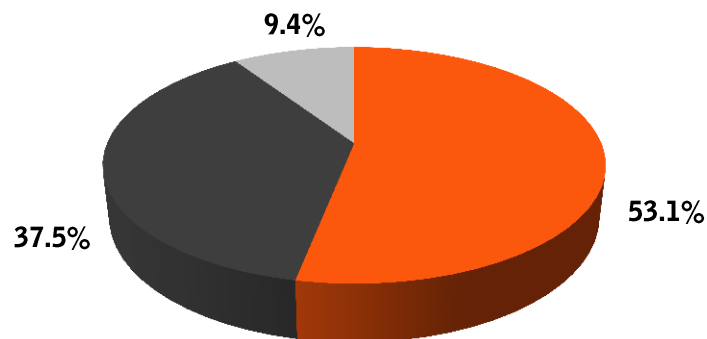
	Count	Percent
More than doubled	13	40.6%
Increased moderately	9	28.1%
More than tripled	7	21.9%
Stayed about the same	3	9.4%
Decreased	0	0.0%
Total Responses	32	

13. What is your bank's primary motivation for investing its resources into an enterprise risk management (ERM) program?



	Count	Percent
To ensure success of the bank's strategic direction	16	50.0%
To develop a governance system that sets the "tone from the top"	13	40.6%
Because regulators require it	12	37.5%
To ensure consistent, solid performance	11	34.4%
To avoid financial loss	9	28.1%
To avoid potential adverse reputational impact	5	15.6%
We don't have an ERM program	3	9.4%
To make current processes more efficient	1	3.1%
Total Responses	32	

14. How would you rate the bank management team's ability to identify, manage and control potential risks to the bank?

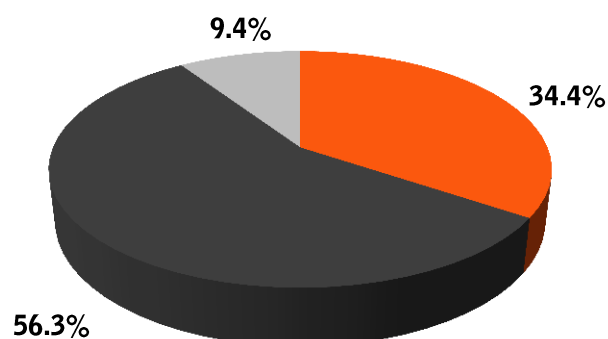


	Count	Percent
Excellent	17	53.1%
Good	12	37.5%
Fair	3	9.4%
Poor	0	0.0%
Total Responses	32	

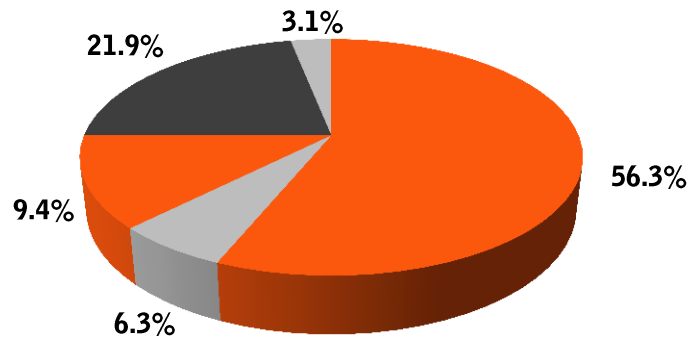
15. How would you describe the reports and materials you receive? They:

Each factor ranked on a scale of 1-5, with 5 indicating the highest confidence.

	1		2		3		4		5		Resps
	%	#	%	#	%	#	%	#	%	#	#
Effectively inform the board's decisions	0.0%	0	0.0%	0	17.9%	5	46.4%	13	31.3%	10	28
Convey meaningful information to the board	0.0%	0	6.5%	2	12.9%	4	45.2%	14	35.5%	11	31
Provide the right level of detail	0.0%	0	6.7%	2	20.0%	6	26.7%	8	46.7%	14	30
Focus on the highest risk areas	0.0%	0	3.3%	1	16.7%	5	36.7%	11	43.3%	13	30
Contain timely information	0.0%	0	3.3%	1	20.0%	6	43.3%	13	33.3%	10	30

16. As a director, how would rate your knowledge of the principles of enterprise risk management?

	Count	Percent
Excellent	11	34.4%
Good	18	56.3%
Fair	3	9.4%
Poor	0	0.0%
Total Responses	32	

17. How does the board at your bank handle risk governance?

	Count	Percent
Through a risk committee of the board	18	56.3%
Through a combine audit/risk committee of the board	7	21.9%
Through an audit committee of the board	4	12.5%
Through the entire board acting as a single committee	2	6.3%
Through the governance committee of the board	1	3.1%
Total Responses	32	