

A Wolters Kluwer Financial Services study produced in association with

**Bank**Director

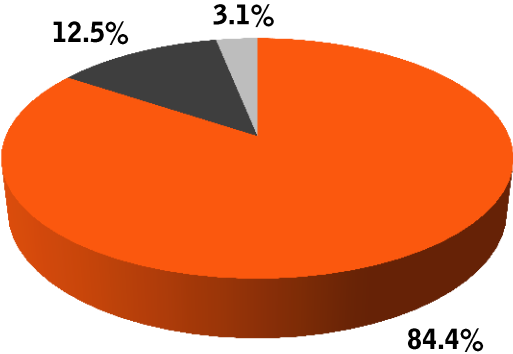
**2013 RISK PRACTICES SURVEY:**  
Directors  
Summary Report

February 2013 | RESEARCH



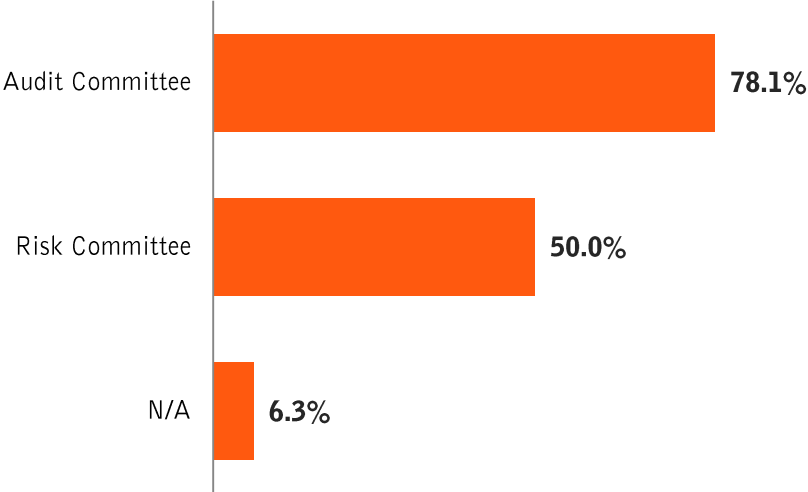
Wolters Kluwer  
Financial Services

**1. My current title is:**



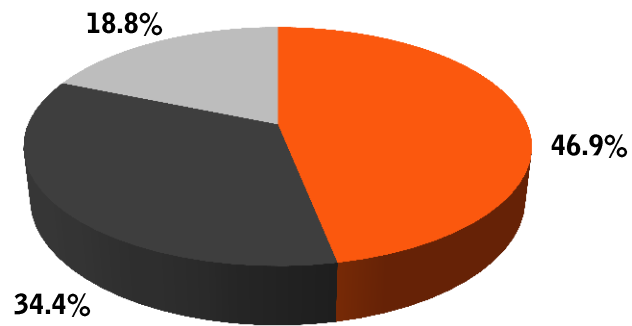
	Count	Percent
Director	27	84.4%
Lead Director	4	12.5%
Non-Executive Chairman	1	3.1%
Total Responses	32	

**2. I serve on the following committees:**



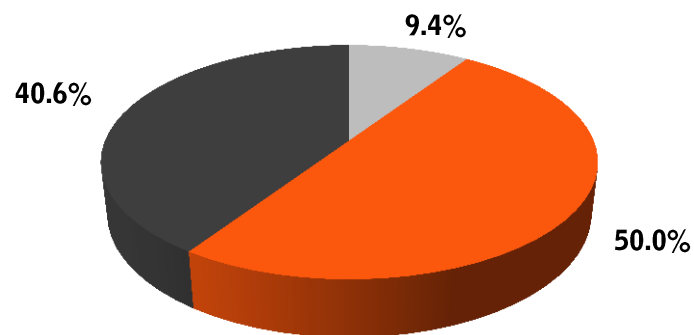
	Count	Percent
Audit Committee	25	78.1%
Risk Committee	16	50.0%
N/A	2	6.3%
Total Responses	32	

**3. My bank's asset size is:**



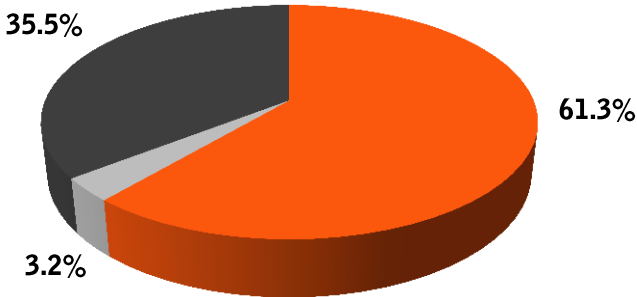
	Count	Percent
\$5 billion up to \$10 billion	15	46.9%
\$10 billion up to \$50 billion	11	34.4%
\$50 billion and above	6	18.8%
Total Responses	32	

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



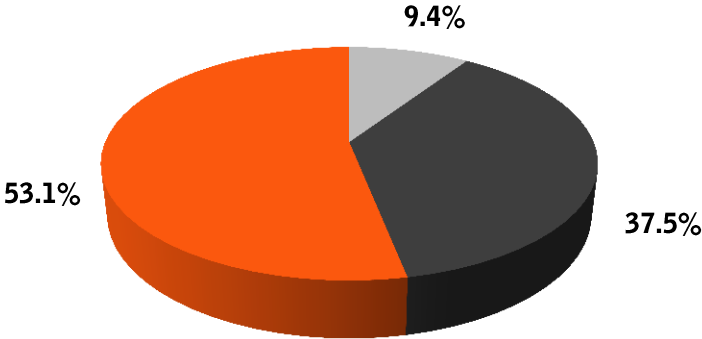
	Count	Percent
Very Confident	13	40.6%
Confident	16	50.0%
Neutral	3	9.4%
Not Completely Confident	0	0.0%
Not Confident	0	0.0%
Total Responses	32	

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



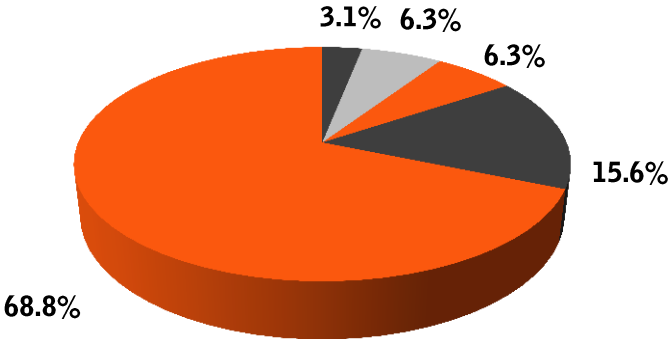
	Count	Percent
Yes. Each year when the strategic plan is updated, the bank's risk appetite statement is reviewed and updated if necessary	19	61.3%
No. The bank has a strategic plan, but it isn't connected directly to the risk appetite statement	11	35.5%
Yes, but the risk appetite statement and/or strategic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



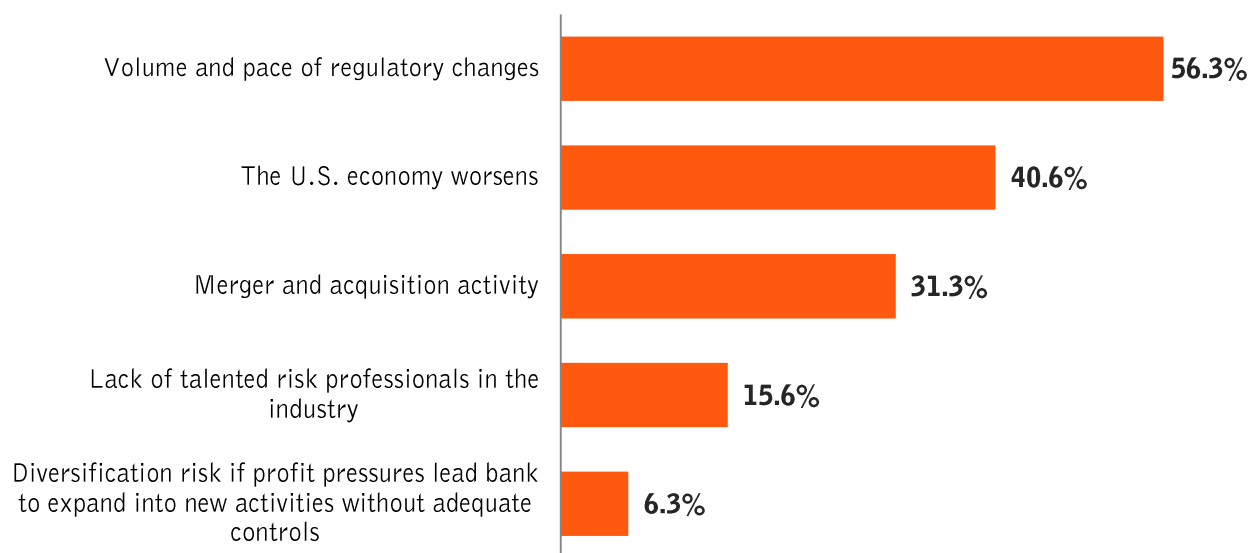
	Count	Percent
We have an ERM program in place that measures risk across the organization	22	68.8%
We have a formal risk management program in place, but risks tend to be managed in silos and processes vary across the organization	5	15.6%
We understand and manage our risks but don't have a formal process 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?**



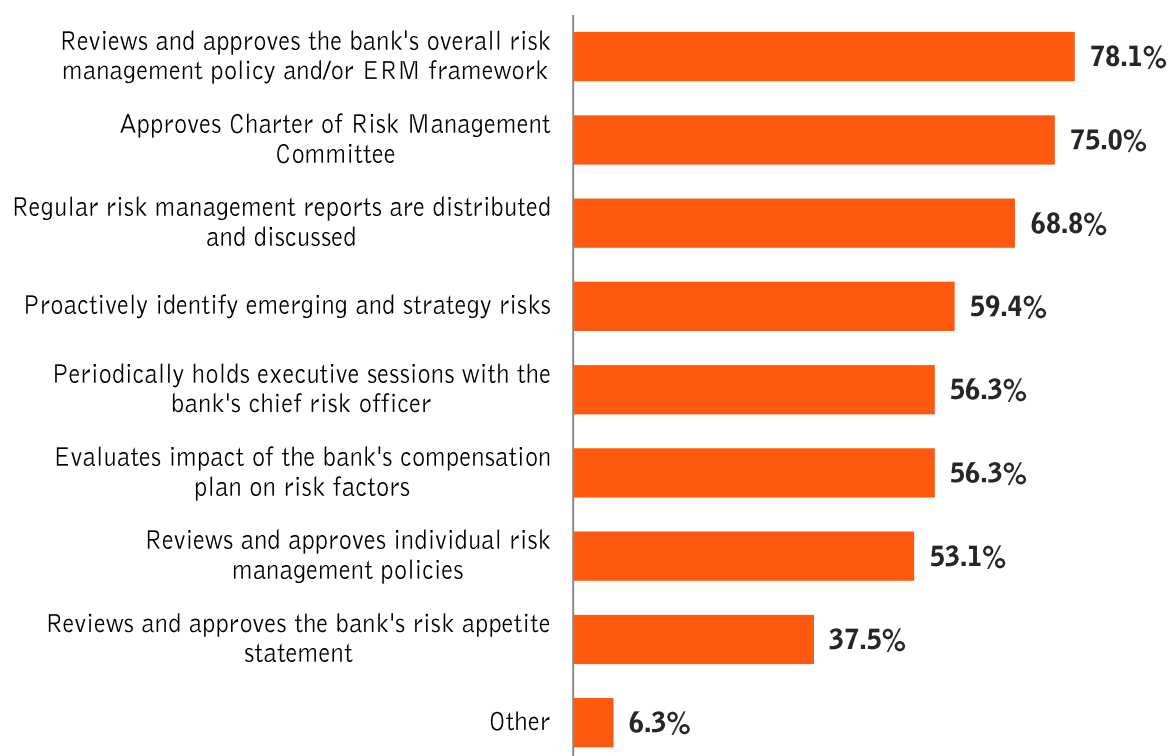
	Count	Percent
Keeping up with regulatory expectations of risk management practices	22	68.8%
Maintaining the technology and data infrastructure to support risk decision-making	13	40.6%
Creating a culture that supports bank-wide risk communication and assessment	11	34.4%
Clearly defining the institution's 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	

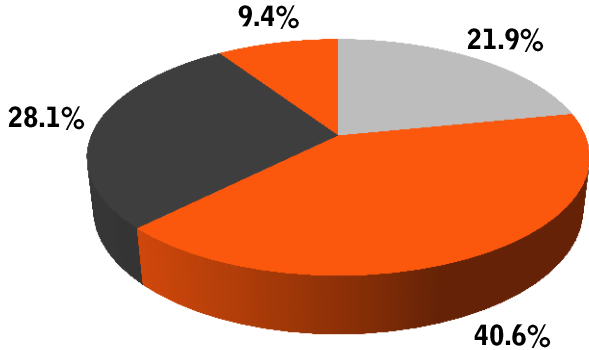
### 11. With respect to your bank, what risk categories are you the most concerned about?



	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	

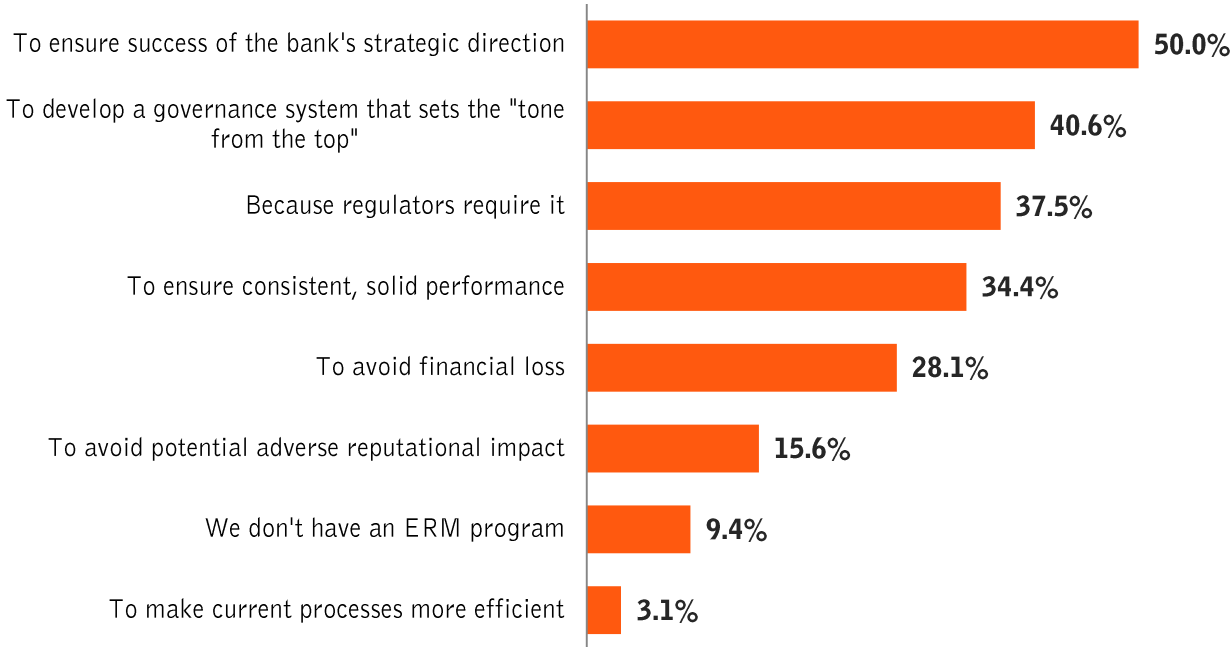


**12. Over the last three years, the amount of time you spend devoted to discussion of risk management issues at board meetings has:**



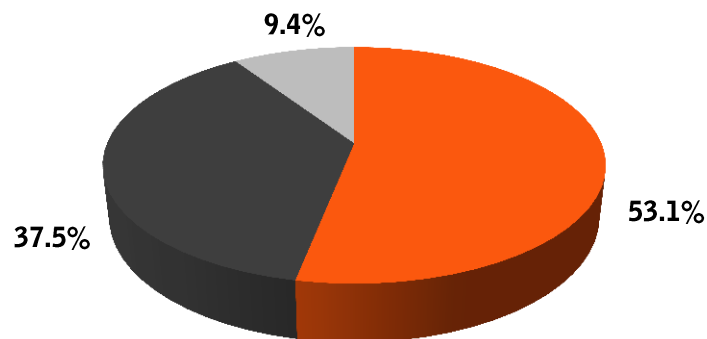
	Count	Percent
More than doubled	13	40.6%
Increased moderately	9	28.1%
More than tripled	7	21.9%
Stayed about the same	3	9.4%
Decreased	0	0.0%
Total Responses	32	

**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?**



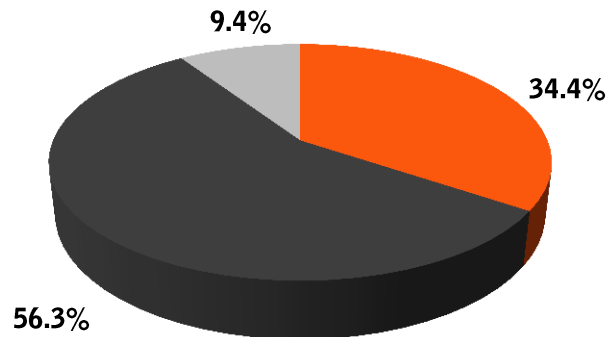
	Count	Percent
Excellent	17	53.1%
Good	12	37.5%
Fair	3	9.4%
Poor	0	0.0%
Total Responses	32	

**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.*

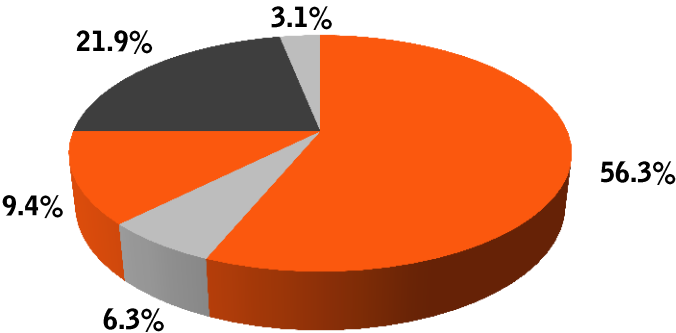
	1		2		3		4		5		Resps
	%	#	%	#	%	#	%	#	%	#	#
Effectively inform the board's decisions	0.0%	0	0.0%	0	17.9%	5	46.4%	13	31.3%	10	28
Convey meaningful information to the board	0.0%	0	6.5%	2	12.9%	4	45.2%	14	35.5%	11	31
Provide the right level of detail	0.0%	0	6.7%	2	20.0%	6	26.7%	8	46.7%	14	30
Focus on the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