

CRITICAL ACTIONS CHIEF RISK OFFICERS MUST TAKE IN A CRISIS



Executive + Board Risk Intelligence

SRA

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Capital One Risk Executive

- Managing VP of Corporate Audit & Credit Review
- Oversight of over 100 Audit and Risk Professionals
- Supported Implementation of Enterprise Risk Management
- Lead Independent Assessments of Bank Acquisitions & Integration Activities

SVP & Strategic Financial Officer for Crestar & SunTrust Banks

- Strategic Financial Officer (SFO)
- Head of Strategic Cost Management

Bank Director Training

- American Association of Bank Directors (AABD)
 - Risk-Reward Committee, Co-Chairman
 - Faculty Member, Institute of Bank Director Education
- State Banking & Association Training
- Individual Bank Board of Directors

Education

- BBA Degree in Business – University of Wisconsin
- MBA – University of Richmond
- Executive Development Program, Wharton School, University of Pennsylvania
- CRP – Certified Risk Professional

SRA WAS BORN IN A CRISIS

2008



A group of veteran banking executives, all accomplished in the field of risk management and performance, understood that there was a profound need for a new risk management and performance solution following the Great Recession.

2013



They understood and embraced how technology could help banks aggregate data to provide critical insights and continuous monitoring to help manage risk and performance in a fast-paced market. With this mission, SRA Watchtower was born.

TODAY



Today, SRA is enabling financial institutions to remain consistently safe, sound and high-performing, so they can drive the growth and vitality of their communities and our nation.

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AGENDA

1. Establishing a Pandemic Governance Structure
2. Proactively Determine the Risk Information Needs Across the Organization
3. Relook at Risk Staff Roles and Responsibilities – Staffing Implication
4. Develop Enhanced Performance and Risk Reporting
5. Update Risk Appetite Statement and Changes to the Company's Risk Profile
6. Update Strategic and Capital Plans

FIRST: SETTING THE STAGE

For the foreseeable future, all risks at the bank will be seen through the lense of this pandemic

This Pandemic may be the largest risk event that your bank will face in a long time. How you and your risk staff react to it will define your long-term value to the organization.

- Set-Up? Maintain? Shrink? Time to show enterprise-wide leadership in your domain

Do you have crisis experience that you can utilize as key learning for your staff or the bank?

- For me? Hurricane Katrina in 2005 was the biggest crisis that I faced
- Capital One's first banking acquisition was \$20 billion in Asset Hibernia Bank, headquartered in New Orleans, during the aftermath of Hurricane Katrina in 2005

Recognize there may be many stages of this crisis:

- Pre-Crisis (How good of job did we do with Business Continuity Planning?)
- The Storm (February 2020 to August 2020?)
- The Aftermath (Damage assessment, plans for recovery, new strategy)
- The Storm Part Two? (This fall when it returns along with the normal flu)
- The Recovery (The next 2-4 years or remediation, continuous monitoring and reporting)
 - Does this push the U.S. and the World into a full-blown global recession?

ESTABLISH A PANDEMIC RISK GOVERNANCE STRUCTURE

Document Pandemic Governance Structure

Leadership Team Structure

- Pandemic Program Office
- Meeting Routines
- Roles and Responsibilities
- Reporting Content and Frequency
- Escalation Principles

Board of Directors

- Committee Responsibility or Full Board
- Change in Meeting Frequency
- Clarify Oversight Responsibilities
- Escalation Agreement

Have a conversation with the CEO about your new role and how you will support the bank – Lay out your plan

UNDERSTAND RISK INFORMATION NEEDED ACROSS THE COMPANY CAN YOU IMPROVE THE RISK CULTURE DURING A PANDEMIC?

Stage 1	Stage 2		Stage 3	Stage 4	Stage 5
Risk Governance	Functional Impact	Enterprise Level	ERM Feedback Loop Independent + External Validation	Strategic + Capital Linkage	Advanced Decision Making
Risk Appetite Statement	<i>Department Impact</i>	<i>Enterprise and Board Level</i>	Internal and External Audit	Strategic Imperative Monitoring	Risk/Return Analysis
Risk Committee Routines + Annual Planner	Vendor Impacts	Risk Appetite and KRI Monitoring	Loan Review	Capital and Credit Stress Testing	Economic Capital
ERM Policy	Personnel & Staffing Impacts	Pandemic Risk	Regulatory Feedback	Economic Trends and Forecast	Collections & Special Assets
Risk Governance Framework	Customer Service Impact	Mgmt Leadership Risk Reporting	External Risk Events Monitoring	M&A Risk Analysis	Executive Compensation & Risk Performance
Board Training	Product and Process Impacts	Board and Investor Reporting	Credit Reporting Agencies	Peer Benchmarking	Risk Attribution + Profitability Analysis

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Less mature



Improved Performance

RELOOK AT RISK GROUP ROLES, RESPONSIBILITIES AND RESOURCES

Redefine Pandemic Risk Activities and the Role of the CRO

- Is your focus Enterprise Wide?
- New Monthly (Weekly?) Pandemic Reporting

Put All Activities on Hold That are Not Critical

Identify and Ask for Resources Where Needed

- Most critical event in the bank's history
- Recognize new focus on expense reduction

Put Your Plan in Writing – Nice PowerPoint Presentation

DEVELOP ENHANCED RISK AND PERFORMANCE REPORTING

START BY TRACKING CRITICAL INDICATORS BY MONTH
DEVELOP A COMPREHENSIVE MONTHLY PANDEMIC RISK REPORT

Strategic

Key Strategic Indicators

Relative to Strategic Plan

Relative to 2019

Relative to Peers

Relative to New Targets

(EPS, ROA, ROE, NIM, Loan Losses, Cost of Funds, ETC.)

Performance

Key Performance Indicators

Relative to Budget

Credit Line Utilization

Number of Forbearance Agreement

Branch Closures

Risk

Key Risk Indicators - By Function

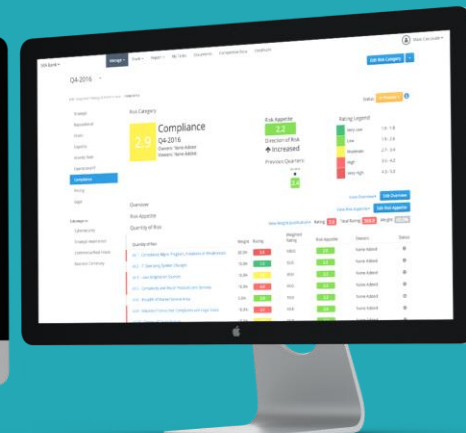
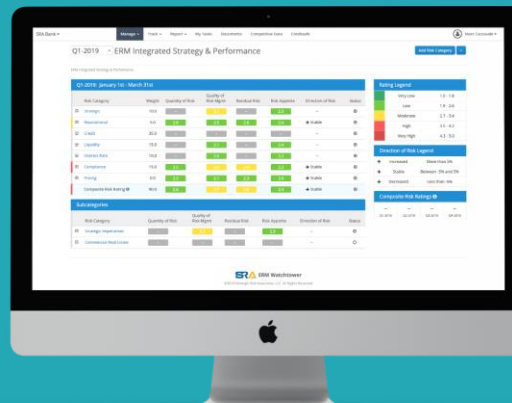
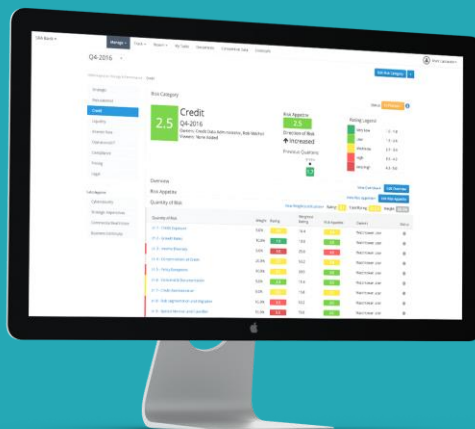
Credit 30+ Days Past Due

Customer Complaints

Employee COVID Cases

Economic Forecast

Employee Turnover



UPDATE STRATEGIC AND CAPITAL PLANS

Strategic Plan

- Update during the Recovery Phase
- Identify New Strategic Goals (ROA, ROE, Growth Rates, Credit Loss Estimates)
- Initiate New Strategic Imperative and Change/Cancel Strategic Imperatives that do not work today
- Integrate the new Risk Appetite Statement
- Identify the Key Risks

Redo the Capital Plan After the Strategic Plan Has Been Updated

- Perform A Credit Stress Test by Asset Class and Industry Segment
- Monetize Impact of Changes in Operational Risk, IRR, Liquidity and Strategic Risk
- Perform a Capital Stress Test: Base Case, Severe Case, Worst Case
- Update Capital Policy: Capital Targets, Capital Triggers,
- Update Liquidity Contingency Plan (CFP)
- Track Capital and Liquidity Triggers Monthly

UPDATE RISK APPETITE STATEMENT AND THE COMPANY'S RISK PROFILE

Risk Appetite Statement

- Update during the Recovery Phase
- Set New Risk Expectations for the Bank

Risk Profile

- Your Risk Profile today is much different than last quarter
- Determine overall impact on your risk profile
- Determine where risk exceeds current risk appetite
- Show before and after affects

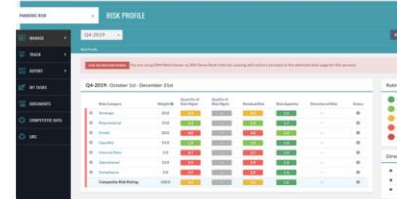
Show Applied Example

OPPORTUNITIES FOR SRA TO ASSIST

PANDEMIC RISK DASHBOARD

The foundation of this Service is a Pandemic Risk Management Platform to organize the bank's key risk information, changing risk profile and response. This information is vital to the bank's resiliency and is critical for the Board, Shareholders and Regulators to evaluate bank health.

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PANDEMIC RISK VIRTUAL RETREAT

This important function complements our Pandemic Risk Management Platform by providing multiple meetings with SRA experts to help optimize SRA's Benchmark KRIs in our Platform.

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PANDEMIC RISK MANAGEMENT SERVICES

Performed by SRA's Banking Experts. These services help clients address the myriad pandemic risk management issues facing various job functions across the enterprise such as:

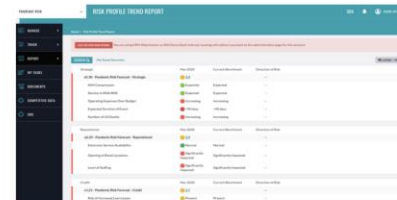
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PANDEMIC RISK MANAGEMENT BOARD & INVESTOR REPORT DEVELOPMENT

Many of our clients have developed Pandemic Operating Committees to aggregate cross functional workflows from multiple business lines across the enterprise.

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EXCLUSIVE OFFER FOR WEBINAR ATTENDEES

Complimentary Pandemic Risk Management Virtual Diagnostic

SRA will evaluate Enterprise Risk Management effectiveness at your organization across four important ERM Categories:

- Credit
- Liquidity/IRR
- Strategic/Reputational
- Operational/Compliance

SRA will provide Pandemic ERM Recommendations in each Category

Recommendations can be tracked & presented in SRA's Pandemic Risk Management Service (Optional)

