



ENTERPRISE RISK MANAGEMENT

Are you surprised when one event ripples through your organization uncontrollably?

Are you dealing with the fallout from the unintended consequences of a prior decision?

Are you using an ERM solution that isn't looking at the entire organization?

Community Banks have always been in the business of understanding and managing risk. Now, they can use Enterprise Risk Management to systematically assess, control, exploit, and monitor risks in order to increase short and long term value to stakeholders.

The recent financial crisis devastated balance sheets and forced consolidation across the industry. Enterprise Risk Management (ERM) is being adopted by proactive bank managers in response to the new requirements dictated by Sarbanes-Oxley and Dodd-Frank. By making enterprise-wide risk management a core element of strategic thinking, bank boards and executives can use ERM to make better-informed decisions and more quickly adapt their organization to the changing banking environment.

The Advantages of ERM

Risk Management is a shift in business vision. Risk can now be managed proactively to empower management and enable leaders to make informed, profitable decisions.

By integrating risk management across an enterprise – that is, moving away from a “silo-ed” approach – ERM can allow banks to accomplish the following goals:

- › Align Risk Appetite and Strategy
- › Enhance Risk Response Decisions
- › Reduce Operational Surprises and Losses
- › Identify and Manage Cross-Enterprise Risks
- › Seize Opportunities
- › Improve Deployment of Capital

These *Six Pillars of Risk Evaluation and Management* allow Community Banks to develop the optimal balance between growth, return and risk. They enable organizations to determine whether to avoid, reduce, share or accept the risks presented in an integrated fashion.

ERM Process Steps

Enterprise Risk is a dynamic interplay of events and actions within an organization; the framework should be universal and imbedded in the way management runs the business.

RMPI's approach is to tailor ERM to each Community Bank's unique strategy and objectives. We deploy a seven-step process in which each component can influence another:

- › Establish Context
- › Identify Risks
- › Analyze, Quantify and Benchmark Risks
- › Integrate Risks
- › Assess and Prioritize Risks
- › Avoid, Reduce, Share or Accept Risk
- › Monitor and Review

This approach to identifying, managing and monitoring risks allows a Community Bank to communicate its appetite and solutions clearly and effectively to directors, investors, employees and other stakeholders.

Enterprise Risk Categories

Community Banks are primarily exposed to risks in the following four categories:

- › **Strategic Risks:** High-level goals aligned with, and supporting, your Community Bank's mission.
- › *Reputation, competition, demographic trends, technological innovation, capital availability and regulatory trends.*
- › **Financial Risks:** Managing the balance sheet and income statement of your bank to ensure your organization's profile is understood and managed by your board.
- › *Risk Appetite, Concentration of Credit, Cost of Funds, Liquidity, Inflation Hedging, Asset-Liability Management (IRR).*
- › **Credit Risks:** Making good loans in known markets that are appropriately risk priced.
- › *Knowing your customers, underwriting, loan review, closing processes, legal, documentation, Concentration of Credit, ALLL.*
- › **Operational Risks:** The direct or indirect loss from inadequate or failed processes, people and systems.
- › *Human resources, new product development, IT availability, disaster recovery, business reporting and metrics, compliance, fraud, BSA/AML, hazards.*

RMPI's approach to Enterprise Risk Management begins with your Bank's Board and senior management, incorporating these four core risk management elements into a successful ERM Program.

Experience the RMPI Difference

Our extensive knowledge and community bank experience make RMPI the right partner to help you implement a successful Enterprise Risk Management program.

RMPI Consulting provides process improvement, as well as regulatory, enterprise risk and credit management services to Community Banks across the credit life cycle. We also help clients with interim, outsourced staffing, and our thought leadership has defined industry "best practices" on a broad range of risk management services.

Recognizing there is no "one size fits all" solution for all Community Banks, we work with each client to develop an appropriate, custom solution to solve their specific problem at a reasonable cost in an efficient manner within a scheduled deadline.

For more information, please call us or visit rmpiconsulting.com



Call us today and learn how our experienced team can assist your organization by enhancing the risk management process and creating innovative solutions to all your regulatory challenges.



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