

ONPOINT eBOOK:

7 KEY ELEMENTS NEEDED TO INTEGRATE YOUR FINANCIAL AND RISK STRATEGY AND WHY THEY'RE ESSENTIAL

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FINANCIAL REPORTING AND PERFORMANCE METRICS... ALL BANKS HAVE THIS DATA. BANKS DEPEND ON THIS DATA, BUT FOR TYPICAL COMMUNITY AND REGIONAL BANKS, THIS DATA IS SCATTERED AMONG MULTIPLE SYSTEMS AND SPREADSHEETS AND IT IS VERY RARELY VIEWED IN CONJUNCTION WITH RISK DATA. AS A RESULT, BANK EXECUTIVES DO NOT HAVE THE VISIBILITY THEY NEED, AND STRATEGIC OPPORTUNITIES SLIP BY.

When it comes to a bank's risk data, it is often uncoordinated and confusing. This can be the result of disjointed risk management processes and poor communication flow from the risk analysts to the executives and back again. Even the risk language itself may be disconnected. Many do not have a view of their risk profile or have an established appetite for risk. They view risk as something to react to, and not as a strategic discipline operating across the entire enterprise.

Banks can no longer simply rely on financial metrics alone, any more than they should view risk as simply a credit issue. Financial data being viewed through a risk lens is necessary if any bank is to have the most accurate profile to make the most effective strategic and forward-looking operational decisions possible.

THE VIEW FROM THE COCKPIT.

Large banks have comprehensive tools, reporting systems and dashboards. But like a large ship, there's also a large "bridge" room. Meaning, several key leaders are all piloting the enterprise in a coordinated effort. For the small-to-mid sized bank, however, whose communities need them to be agile and innovative, the technology to make this possible has always seemed unattainable – either too expensive or difficult to implement.

However, the unification of Finance and Risk on a unified platform is actually possible – not just for the big banks – but for all banks. The rapid conflux of technology and data is becoming exponentially efficient and expected. It's why this platform is possible and why the vision it provides is an advantage that every bank should implement.

Think of it as merging a heads-up display (financial data) onto a crystal-clear windshield (risk visibility).



HERE'S WHAT IT'S GOING TO TAKE TO SEE WHAT YOU NEED TO SEE:

1. Strategic & Financial Management

Generate detailed, driver-based rolling forecasts to project financial performance over the short and long-term. Streamline the budgeting and reporting process to incorporate branch, board, and external reporting — complete with allocations and consolidating entries. This will bring forecasting and strategic planning together. This is where it all starts.

2. Risk Appetite Definition

Specifically, the Risk Appetite Framework objectives are to define and manage the levels and types of risk the Board and management are willing to take in order to achieve the Bank's strategic objectives.

You'll want to represent the aggregate view of risk across all risk categories and lines of business and create a dynamic structure that allows for internal and external changes in risk profiles. Because every organization's risk appetite is different, you'll want to be sure to incorporate the Bank's core values, mission and objectives.

3. Top Risk & KRIs

This is where risk appetite merges with financial analytics. Key risk indicators (KRIs) measure and indicate changes in the impact or likelihood of a risk against a risk tolerance range or threshold. Develop an enhanced key risk indicator inventory (KRI) aligned to the risk process structure of the corporation. KRIs not only define your risk capacity – as all organization's tolerances are unique – but they also provide early indication of changes to your risk profile. Performance targets and goals are measured, and visibility is provided to the key risk profiles of the corporation.

4. Expected Loss Credit Risk Measurement

This is the heart of what banks do – make loans. Visibility here is key. You'll need to accurately assess credit risk with scorecards that rate both the borrower and collateral, and quantify expected loss for risk rating, pricing, and portfolio risk management. This lets you see the potential impact on charge-offs and the provision for loan losses while identifying higher risk profile segments of the loan portfolio. With good credit portfolio analytics, you see the trends before you're fully impacted by them so the bank can take action.

5. **Stress Testing**

A consolidated risk tool set that includes credit and non-credit stress testing based on prospective economic scenarios. Simulate prospective economic scenarios and see the potential impact on capital and financial performance while gaining visibility to the organization's risk profile. Obtain visibility to the potential impact on charge-offs and the provision for loan losses while identifying higher risk profile segments of the loan portfolio. If you grow too quickly, are you going to run out of liquidity and capital? What if earnings aren't what you had expected? What if the economy slows and interest rates increase? What ultimately happens to credit risk exposure?

6. **Monitoring and Visibility**

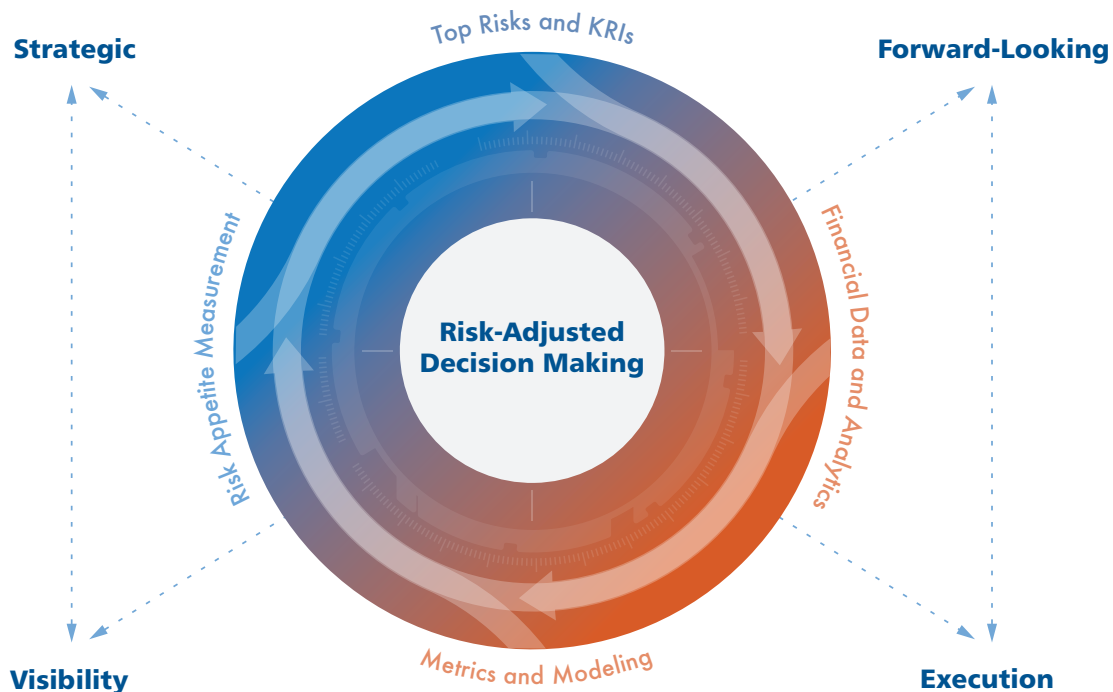
Compare your risk appetite to your risk profiles across the enterprise, in both in real-time and periodically, with your organization's strategic plan and movements. This would include loan and deposits performance reporting, analytics, and branch reporting. Capture instrument-level loan and deposit data to analyze profitability and activity by customer, product, loan officer, and more. This tells you your growth potential.

7. **Real Time Prospective Reporting**

Where it all comes together. Monitor and manage the business day-to-day using a highly-graphical and intuitive interface for operating, performance, and risk metrics. This is about making risk-adjusted decisions to optimize your organization's strategic plan.

OUR UNIFIED TECHNOLOGY PLATFORM.

The diagram below, represents how financial and risk analytics have been effectively merged to provide unprecedented strategic visibility.



This unified platform leverages recent advancements in technology and combines best practices in financial and risk management to provide strategic visibility to banks of all sizes.

BOTTOM LINE.

Most banks obviously know their market, their communities, and the economic trends within. But there is much more outside of those communities – external trends and even global factors that will impact the community’s economic outlook AND a bank’s potential risk. Factors that you need greater visibility to.

As history demonstrates – risk is inevitable. Most simply react to it to reduce losses. But growth-oriented banks need to develop a true understanding of their risks, so unacceptable risk can be avoided and that decisions are opportunistic and strategic.



A NEW KIND OF FREEDOM.

Imagine a true dashboard integrating real-time financial and risk metrics. This operational platform discussed above, provides that. And while this data is appropriately comprehensive, the real benefit is that it is true – one version of the truth – and consistent. Now imagine this data as it’s placed over your field of vision – your “windshield” to be exact. A windshield that is crystal-clear because your risk data is also comprehensive and true. You can see much further because your risk outlook and forecasting are driven by a common risk language and key risk indicators that are shared and goal-oriented.

It’s time for a new kind of freedom for the entire enterprise. Your enterprise. Freedom to finally focus on decision-making that is “risk-adjusted” and best yet, highly strategic. Allowing you to spend less time guessing, gathering, and reacting, and more time executing your strategy, optimizing your risk profile, and achieving your goals.

Sola Analytics and OnPoint Risk Advisors have come together and developed a comprehensive and groundbreaking Unified Technology Platform to provide unprecedented data and visibility for small-to-mid-sized community banks.

*If you would like to see a demo of how all of this easily becomes a reality,
we invite you to call us at 800-844-5512 or visit us online at www.financeriskunified.com*