

BankDirector

Breakout 2:  
**Finance Data + Risk  
Quantification = One  
Version of the Truth**

**Chris Henkel**

*Finance. Risk. Unified.*

**Aaron Taylor**

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#BBTF23

# Bank Director.

**Finance Data +  
Risk Quantification =  
One Version of the Truth**

Presenters:

**Aaron Taylor**, Chief Executive Officer  
**Chris Henkel**, President

*Finance.Risk.Unified.*

September 11, 2023

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Risk.  
Unified.**

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# Leadership:

## Aaron Taylor, CPA, CFA

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- 23-Year Banking Executive
- Former Director of Capital Planning, PlainsCapital Bank
- CEO & Founder
- Industry Leader in Financial Modeling & Data Architect

## John Drew

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- 40 -Year Banking Executive
- Former Chief Credit & Risk Officer, Amegy Bank
- Recognized Industry Leader in Banking ERM

## Chris Henkel

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- 27-Year Banking, Finance, and Risk Analytics Executive
- Former Head of Risk and Finance Advisory Services, Moody's Analytics
- President
- Industry Leader in Risk and Finance Analytics and Strategy

# Today:

It's hard to keep up. But community and regional banks can't afford to wait until it's "convenient" to be forward-thinking and strategic.

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The regulators, interest rates, or CRE downturns, etc. are NOT your biggest problem.

- The environment is changing at an exponential rate and banks lack **strategic visibility** to see the road ahead
- The rest are stuck in **"react mode"**
- Banks with superior technology and leading methodologies are **thriving**

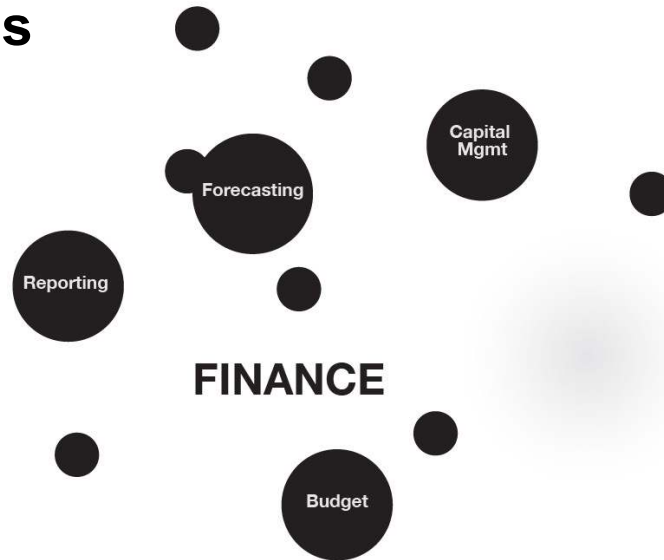
# At Most Banks:

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The challenge is a lack of **strategic visibility** to see ahead

# At Most Banks:

**Data** is isolated in silos



# At Most Banks:

**Risk indicators** are not quantified or forward-looking



# At Most Banks:

**Executives** are forced to rely on traditional backward-looking metrics

**Unsure** how the bank may perform in a downturn

**Lack of information** restricts the ability to act decisively and quickly





# Warning Signs:

**Directors**, is it a scramble for management to pull together data for board packages & filings?

Do you see reports with different versions of the truth?

Does the presented information mainly recap what has already happened?

Do you have a clear picture of where the bank is headed and the amount of risk it is taking to get there?



# Thriving Banks:

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Create **strategic visibility** with their finance and risk departments

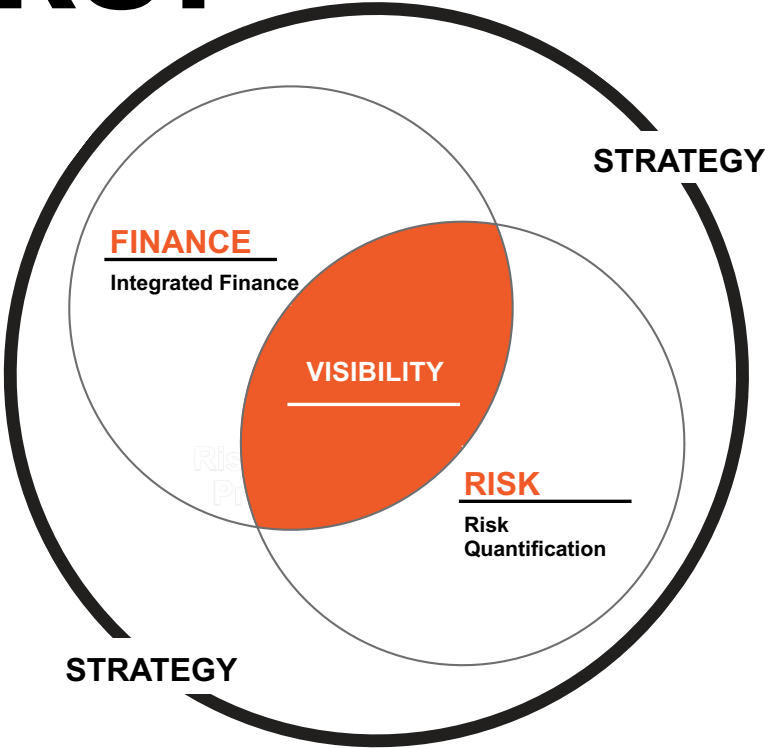
# Thriving Banks:

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Create **strategic visibility** with their finance and risk departments achieved through modern software and methodologies **that focus on the road ahead**

# Thriving Banks:

What does **strategic visibility** look like in the Finance Department?



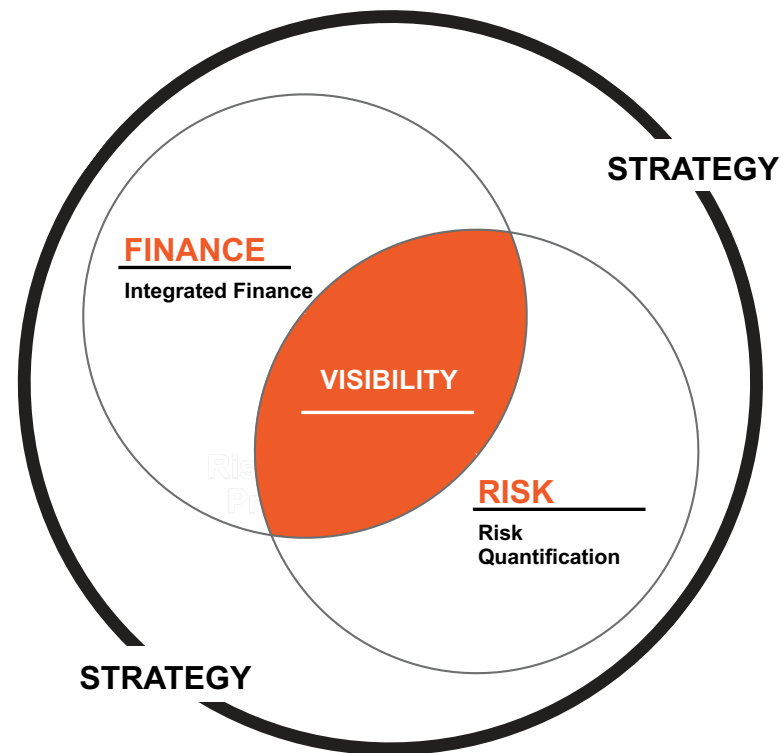
# Finance:

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**Access** to data – no longer rely on antiquated core systems and manual spreadsheets

**Reliability** of data – one version of the truth

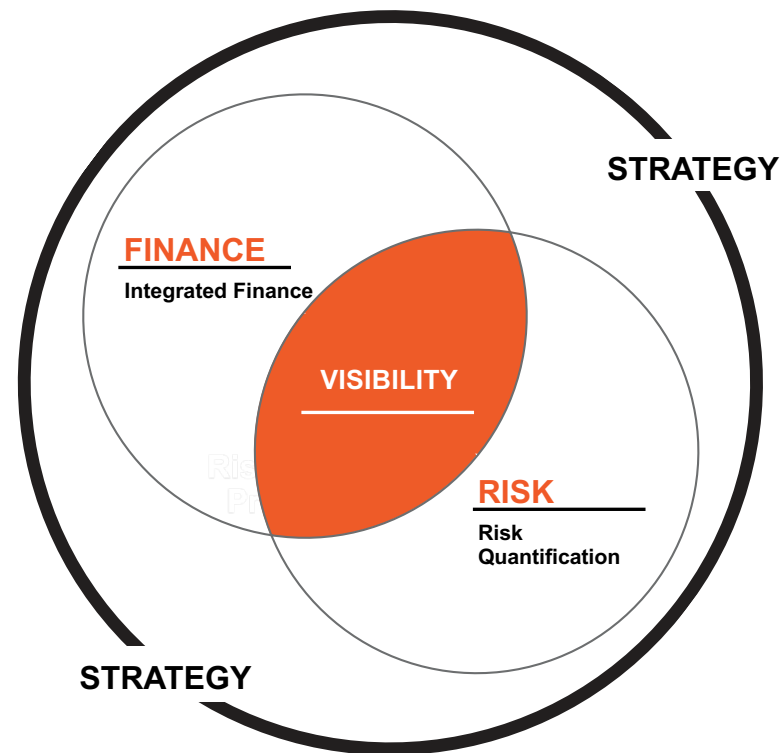
**Automated** generation of reports



# Finance:

Executives have the **freedom** to:

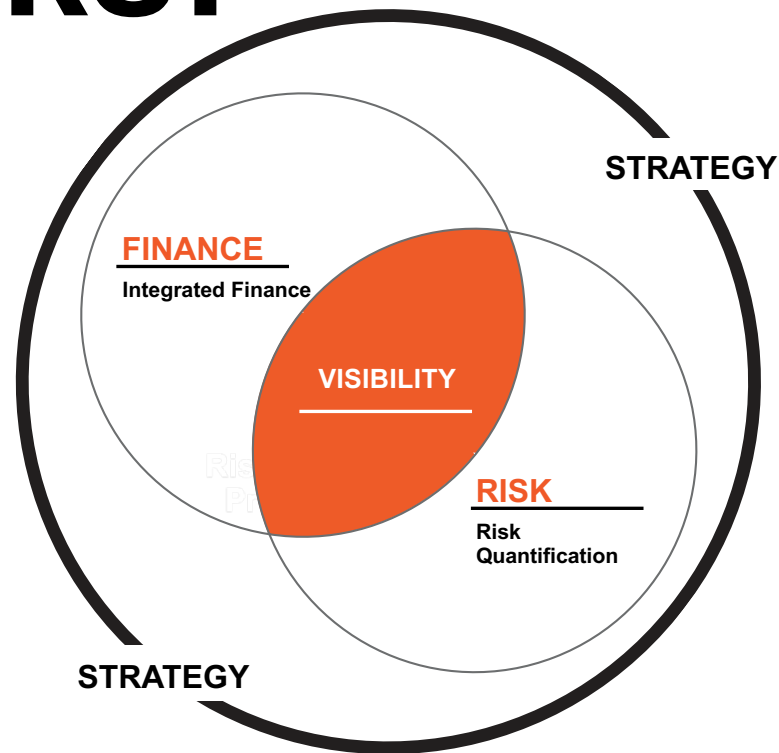
- **Analyze** results
- **Forecast** the future
- **Manage** risk
- **Identify** strategic opportunities



# Thriving Banks:

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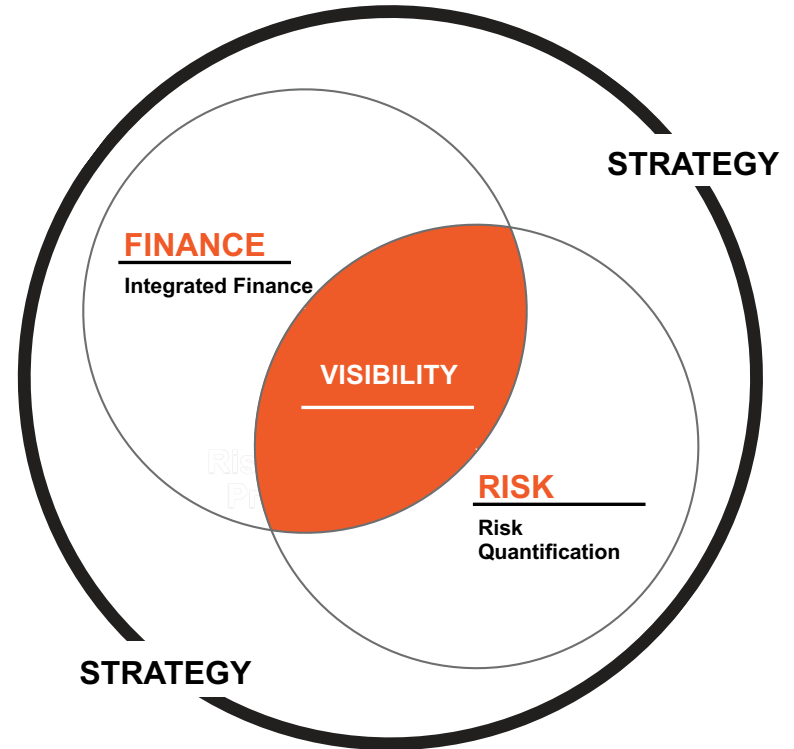
What does **strategic visibility** look like in the Risk Department?



# Risk:

## Advanced Credit Risk Measurement:

- **Early identification** of future problem loans
- **Granular and objective risk ratings** that don't lump a large percentage of loans into one bucket
- **Precise** credit risk measurements that are **predictive** of future performance
- **Stress tests/scenario analysis** to identify other vulnerable credits
- **Portfolio attributes** assessed for impact on risk: products, markets, CRE property types, etc.

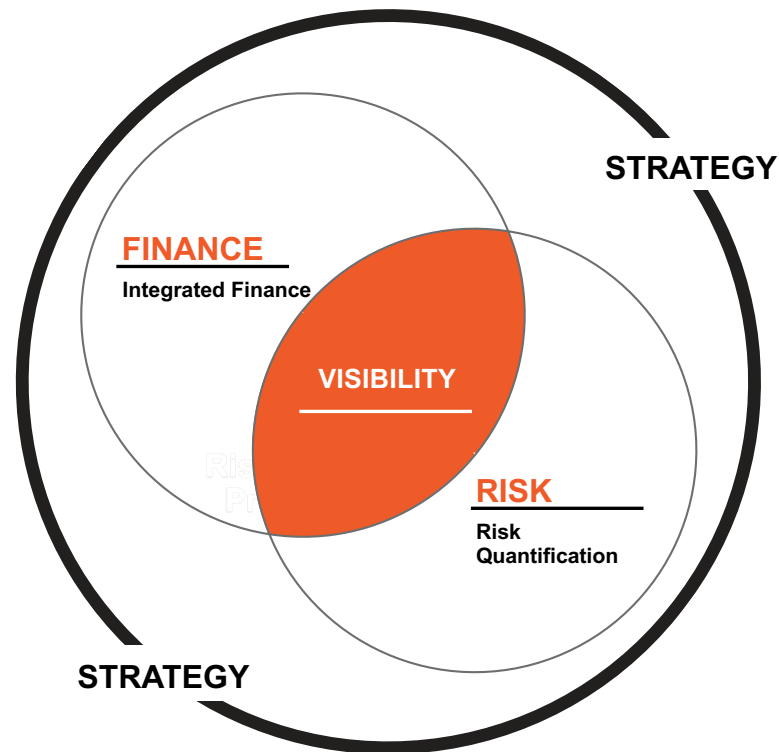




# Risk:

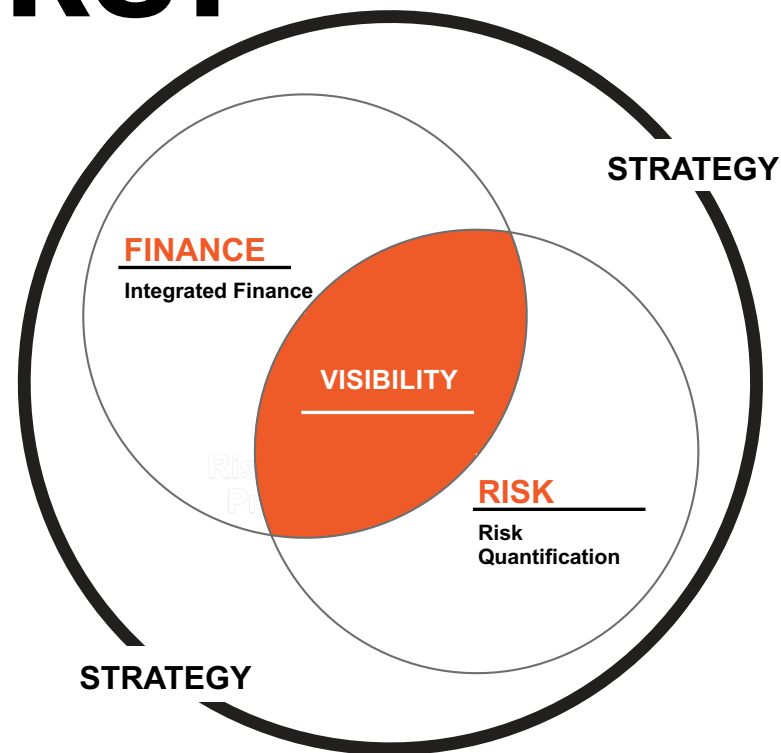
## Enterprise Risk Management Program:

- Alignment of key stakeholders on the bank's **strategy and risk appetite**
- Clear **definitions** and **ownership** of risks
- Comprehensive picture of the **risk profile** provided to stakeholders
- **Key risk indicators** and **risk assessments** to track and monitor
- **Resources prioritized** to address risks



# Thriving Banks:

What does **integration** of Finance and Risk look like?

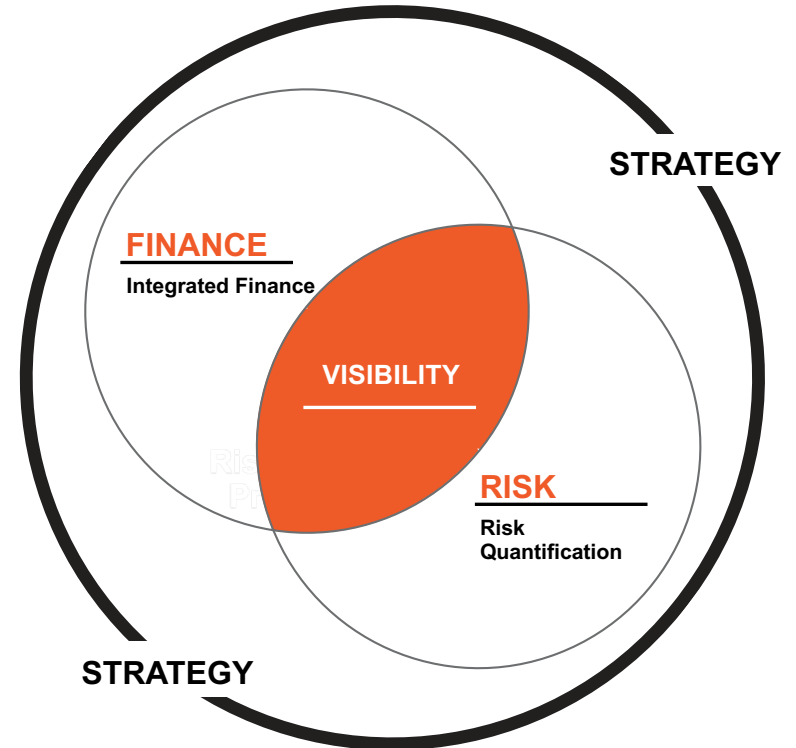


# Unified:

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## Integrated View of Finance and Risk:

- Data silos eliminated by **aggregating** all key data in one location
- Finance and risk data **not viewed in isolation**
- Clear and transparent links for how **risks and returns** are measured and managed across the organization

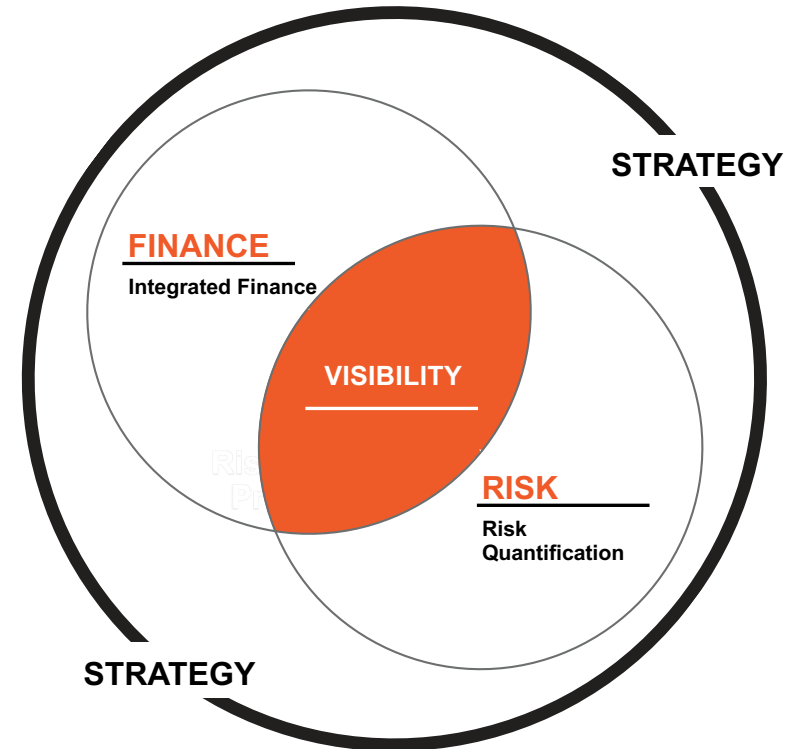


# Unified:

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## Profitability Reporting:

- The amount of risk you are taking to achieve returns is **quantified**
- **Risk-adjusted returns** analyzed by customer, officer, line of business, etc
- Resources and capital allocated to **optimize risk-adjusted returns**

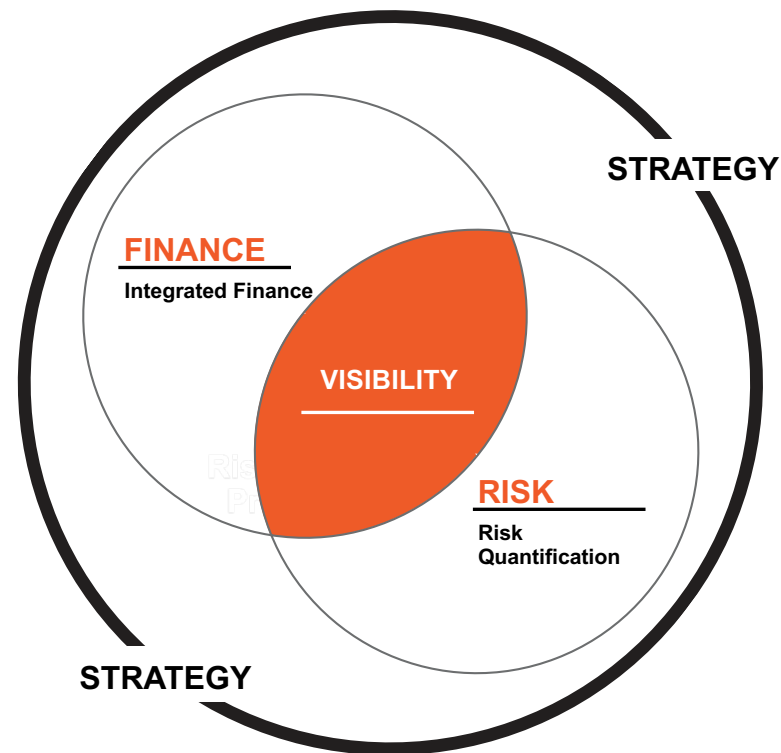


# Unified:

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## Forecasting & Stress testing:

- Financial performance analyzed by different **economic scenarios**
- **Risk mitigation** efforts identified in advance
- Optimization of **liquidity and capital** for risk profile



# Practical Steps:

**Directors**, engage independent third party to assess and benchmark the current state of finance and risk programs and governance

**Develop** strategic plan for enhancing finance and risk programs

**Make sure** the bank has the technology and other resources that they need to be successful

**Review** Finance & Risk enhancement plan annually

# Thank You!

Presenters:

**Aaron Taylor**, Chief Executive Officer  
**Chris Henkel**, President

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*September 11, 2023*



**Finance.  
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Unified.**

# Finance.Risk.Unified.

**A transformational technology for banks integrating leading finance and risk management processes for unprecedented strategic visibility.**

Services include advisory, content and methodology solutions that focus on assisting financial institutions with critical and often neglected optimization of their strategic plans.

The FRU team includes experienced banking professionals who take disciplined FRU practices to a strategic art form. Our advisors have strong expertise in Financial & Capital Management, ERM, Credit, Risk Analytics, Operations, Market, Internal Audit, Compliance, and Technology risk management that are enabled through a unified technology platform.

We fully understand the challenges that today's bankers face in the competitive marketplace, and we take a straight-forward approach to each client with comprehensive application to their business culture and objectives. We also understand demands on time, resources, and pressures bankers face to deliver results.

FRUs Digital Enterprise allows for the kind of local delivery that ensures a high-touch collaboration effort.

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