

## Risk Management Assessment

as of: May 2014

A Risk Management Assessment by **NOMORISK** provides certainty within a few days about how well the risk management set up of your institution is in compliance with internal and external standards or market practices.

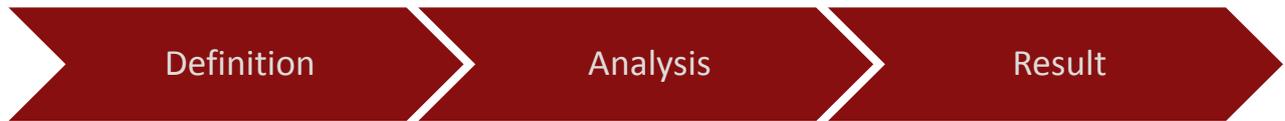
Besides the institution's own interest in related results, such assessment can also be undertaken on behalf of 3rd parties as a component of a due diligence review.

As an example, risk assessments are done for the following purposes:

- For **Microfinance Institutions** and **SME Banks** in order to find out how well current risk management capabilities are developed and where they need to improve further. An assessment report will allow comparing current systems with relevant best market practice and regulatory requirements and will ensure the risk management system is developed in line with relevant business risks;
- For **Insurance Companies**, which want to assess the quality of protective measures taken by the insured himself to protect against the perils defined within the insurance policy. As an example, many insurers, which protect banks against fraud and related risks want to understand the level of implementation and execution of protection standards to prevent fraud, which have been established in the insured bank in all relevant areas (geographically and within business processes);
- For **Investors**, who are interested in a professional assessment of the risk management standards established in a target enterprise before investment. It is important in such cases to adequately ensure that, for example, a potential investment into an institution situated in a country with low regulatory standards has nevertheless established adequate processes to protect against typical risks (credit risk, market risks, operational risks like fraud or money laundering). A risk assessment can thereby help to protect the investing firm against financial losses or reputational damage;
- For **Groups of Companies**, which want to generate an ex ante overview of business areas subject to an upcoming audit review, or which need to generate an enterprise wide comprehensive analysis of a business area as a first step to respond to issues identified in an external or regulatory audit. If there are plans, for example, to review the implementation status of newly established regulatory requirements, a preliminary review may also be useful to identify weaknesses in order to start closing gaps before identified by external auditors, so that the number and quality of audit findings can be reduced significantly;
- For **Managers** with central or regional responsibilities, who want to achieve an overview of local implementation and application of systems and processes in their area of responsibility. In lean organisations it can make much sense to use the expert help of **NOMORISK** to find out to which extent centrally established standards are put in practice, for example those related to ensuring information security, without the need to use own resources or those available at the audit department.



A Risk Assessment done by **NOMORISK** is composed of three phases:



- The **definition phase** is used by the client and **NOMORISK** to define the areas to be assessed – in both the functional (e. g. Risk Management, Information Security, Fraud Prevention, Anti Money Laundering, Contingency Planning, ...) and the geographical aspect (e. g. all branches in Eastern Europe). In addition to this, all relevant internal models and standards (like statutes, policies, ...) and external regulations (laws, circulars, ...) are selected for inclusion into the assessment.
- The **analysis** done by **NOMORISK** includes the necessary research and analyses to be done on site, the duration of which depends on the level of detail required. This phase will mostly also include explanations to affected staff about the reasons behind the assessments done. For every area analysed, **NOMORISK** uses special tools developed over the past years to efficiently perform the assessment and to devise practical recommendations. A pre-closing discussion with the responsible managers of the entity assessed closes the analysis phase.
- Finally, a report will be devised by **NOMORISK**, which constitutes the main **result** of the risk assessment. The report holds the project definitions, assessment results and related recommendations. It is discussed and agreed with the responsible managers before its final presentation and hand over to the client.

A sample review result with random figures is given below.

Average Gap	3,1	2,4	1,6	3,3	3,1	1,5	2,9	1,6	3,9	2,7	3,0	0,2	2,7	2,8	3,1	3,1	1,8	2,8	2,0	2,4
Current coverage	1,7	2,5	3,6	1,5	1,7	3,5	1,7	3,4	1,1	2,3	2,3	4,8	2,0	1,9	1,8	2,0	1,5	1,9	1,0	2,2
Gross risk rating	4,0	4,1	4,8	4,0	4,0	4,5	3,7	4,6	4,5	4,1	4,7	3,9	3,9	3,9	4,1	4,3	2,4	3,8	2,3	3,8
Risk Category	RM Organisation and Governance	Client Credit Risk - General	Client Credit Risk - Analysis	Client Credit Risk - Classification	Client Credit Risk - Guarantees, Collateral	Client Credit Risk - Decision	Client Credit Risk - Portfolio Management	Client Credit Risk - Arrears	OpRisk General	People Risk	Process Risk	Legal Risk	Compliance Risk	Fraud Risk	Information Security Risk	External Risk	Counterparty Risk	FX Risk	Interest Rate Risk	Liquidity Risk

A full risk assessment to assess the quality of a risk management system at a medium sized bank can be completed within 3 weeks with a net effort of about 10 working days.

The advantages of a risk assessment done by **NOMORISK** can be summarised as follows:

- An unbiased analysis of the institution's risk management system by experienced and independent experts;
- Minimised requirement for client staff to invest time and effort to develop and execute such assessment;
- Quick and detailed provision of assessment results within only a few business days;
- Comprehensive and audit proof documentation of the areas assessed.

You have further questions on our Risk Assessment offer or would like to have such assessment executed at or for your institution? Please don't hesitate to contact us. We are looking forward to speaking to you over the phone on +49 (0)69-17554020-0 or receiving your e-mail at [info@nomorisk.com](mailto:info@nomorisk.com).