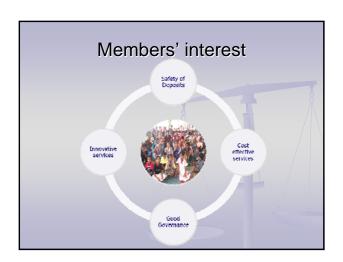




- Risk is the uncertainty that surrounds future events and outcomes. It is the expression of the probability and impact of an event with the potential to influence objectives
 Taking risk is an integral part of any
- Taking risk is an integral part of any successful business strategy



Members' Interest

 Serving members' interest requires understanding and managing risk to enhance value while preserving safety and soundness

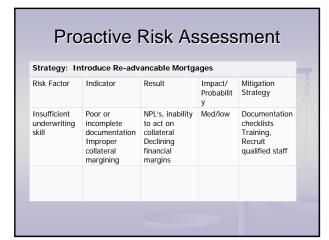


Ingrid Fischer 1

Types of Risk Financial Risk Credit Risk Operational Risk Business Risk Human Resource Risk

Proactive Risk Management

- Assesses risk before implementing a strategy or business opportunity
 - Avoidance
 - Mitigation
 - Share/transfer
 - accept



Reactive Risk Management

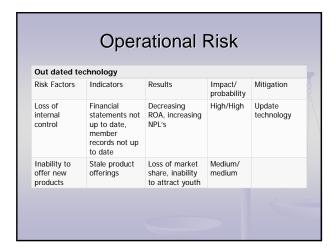
- Assesses existing risks and develops strategies to
 - Mitigate
 - Transfer or share
 - Accept

Reactive Risk Assessment

- Well established tools to measure risk focus on financial and credit risk
 - ACCESS
 - PEARLS
 - PEARLS Based Risk Assessment Tool
 - CAMEL
 - Regulatory Standards
 - Basel II

| | Human Resource Risk Aging Board of Directors | | | | | 1 |
|--|---|--|--|------------------------|---|---|
| | Risk Factors | Indicators | Results | Impact/ probability | Mitigation | |
| | Leadership vacum | Declining participation Loss of directors | Slow/poor decision making Loss of direction Declining membership, competitiveness | Medium/ High | Limited terms for directors | |
| | Failure to keep up with trends | Outdated technology, products & services | Declining membership, Reduced operational efficiency, ROA | Medium/ low | Director training, targeted directors recruitment | |
| | | | | | | |

Ingrid Fischer 2



Roles and Responsibilities

- The Board is ultimately responsible for approving a strategic business plan that takes into account an identification of business opportunities and business risks. It should oversee management's systems for managing business risks.
- The board should review and challenge the identified risks and the plans to mitigate those risks

Roles and Responsibilities

Directors should:

- ask management to identify principal risks...
- ensure that management establishes risk management practices...
- review financial reports with risk in mind...
- be sensitive to the impact of risks on specific groups of stakeholders...
- provide oversight to help ensure processes are in place to ensure compliance...

Roles and Responsibilities

Management

- Identify Risks
- Establish risk limits and tolerances
- Establish policies
- Implements, controls and reports

Risk Sensitivity

- Requires:
 - Awareness
 - Communication
 - Transparency
 - Reporting mechanisms

Risk Management

- There is no one right answer
- Failure to acknowledge is the biggest risk of all



Ingrid Fischer 3