

Execution Risk Management at Wachovia



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WACHOVIA

Agenda



- **Why We Care About Execution Risk**
- **Our Approach**
- **Accomplishments**
- **Alignment with AMA and Operational Risk**

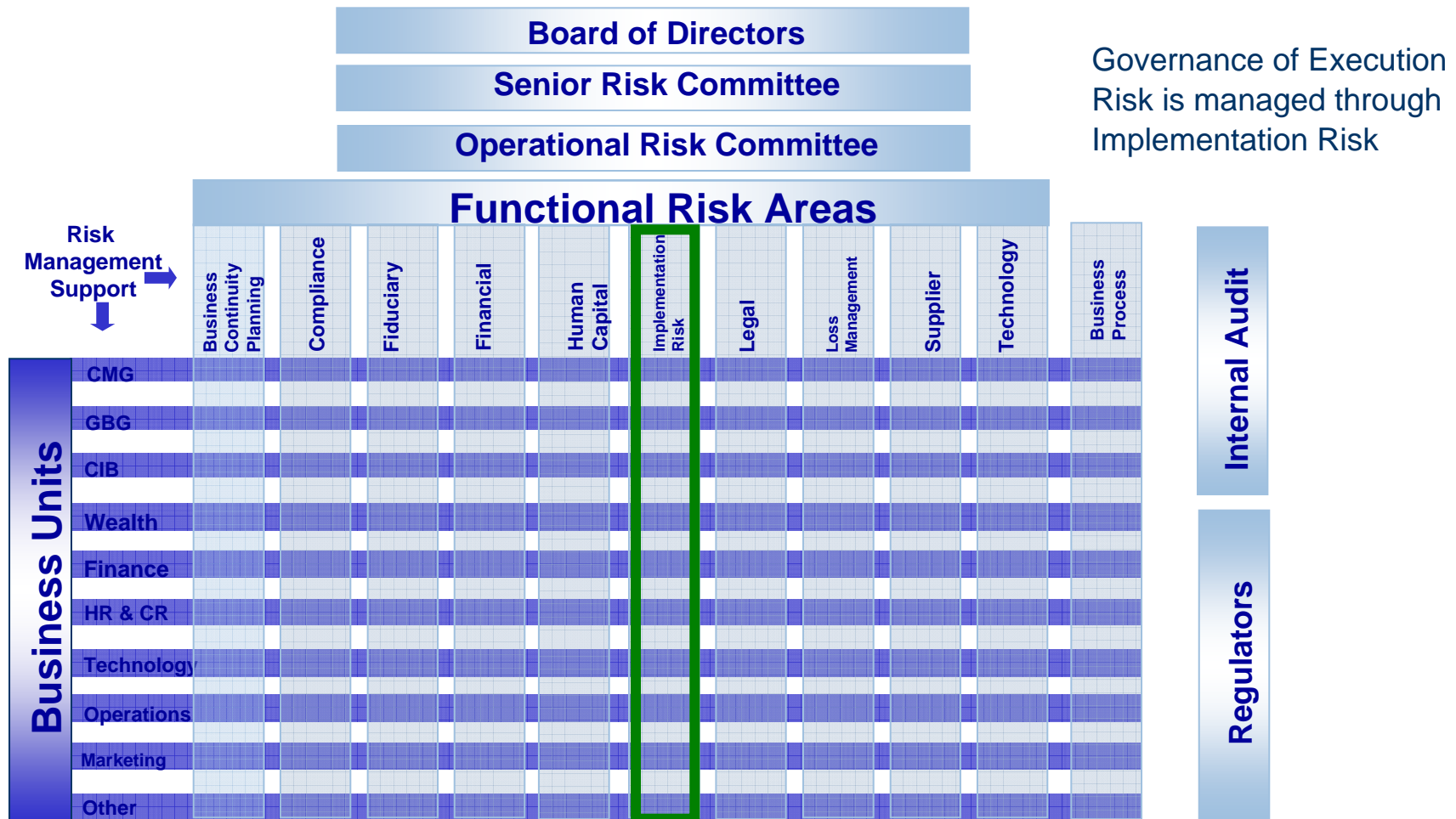
Why We Care About Execution Risk

- **We have many large initiatives going on at one time across the company. We generally average between 60 to 80 in-flight high risk initiatives during the year.**
- **On average, we spend between \$1.5B to \$2.5B on projects over the course of a year. We must be sure to spend this money wisely.**
- **Connect projects with organizational strategy**
- **When we do not focus on Execution Risk the impact can be significant:**
 - **Customer Impact**
 - **Demoralized Employees**
 - **Process Breakdowns**
 - **Project Delays**

Our Approach



We established a distinct risk discipline around Implementation Risk as a part of our risk governance structure.



Our Approach



- **Established a distinct risk discipline around Implementation Risk as a part of our risk governance structure.**
 - **Implementation risk governance**
 - **Portfolio management**
 - **Execution oversight**
 - **Lessons learned**
 - **Investment rationale**
- **Collaborated with our Finance group to create an enterprise-wide investment governance structure**
 - **Established Investment Review Board (IRB) at both the enterprise and line of business level**
 - **Supported by uniform policies, processes and procedures**

Accomplishments

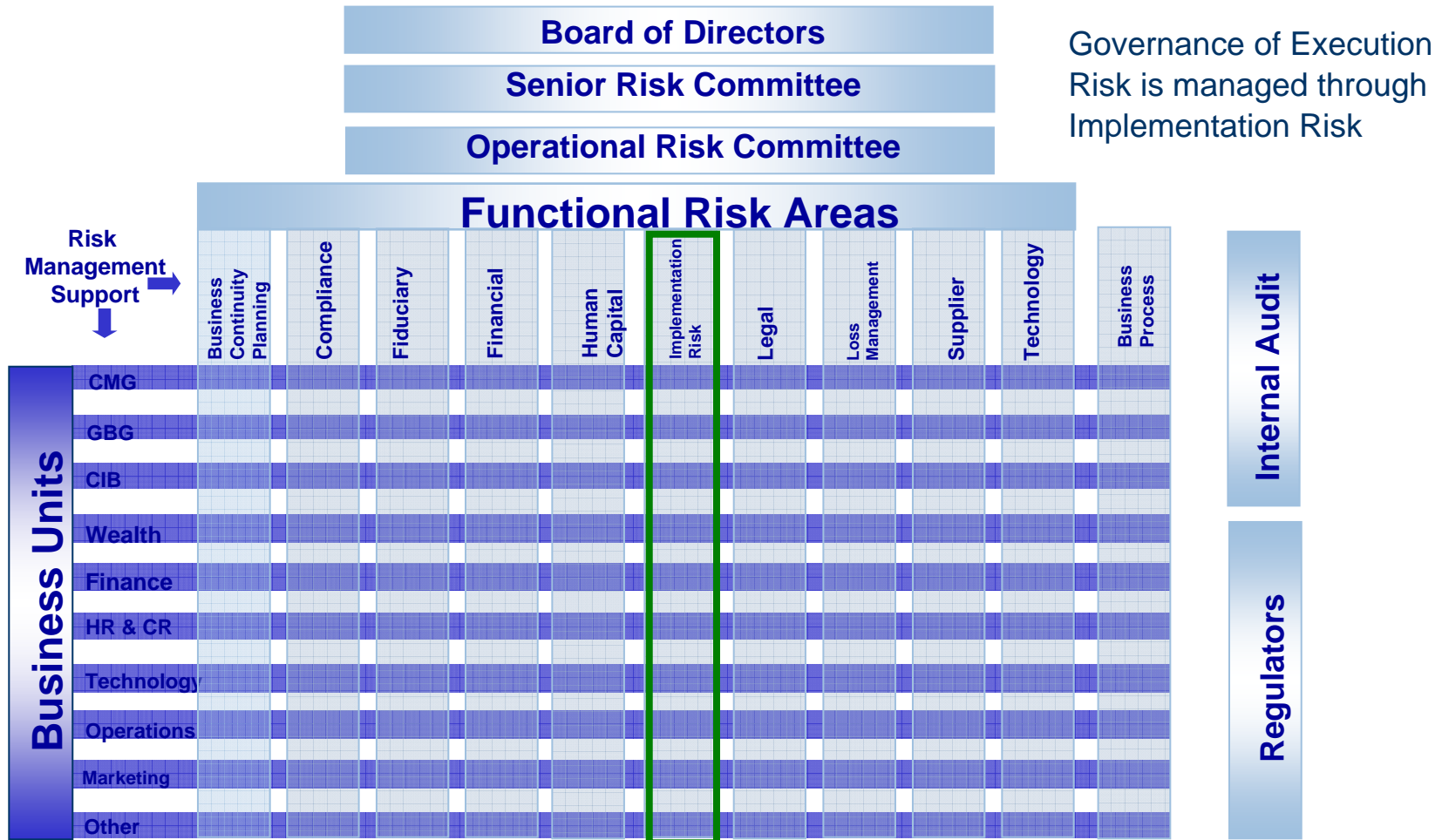


- **Created a high degree of transparency into all project-related investments across the enterprise over \$250,000**
- **Reduced project spend from \$2.8B in 2005 to \$1.4B in 2007**
- **Improved transparency and decision-making regarding delaying projects experiencing difficulty**
- **Improved capability to identify and manage project risks at the portfolio level**
- **Increased our understanding of resource allocation**
- **Introduced standardized governance procedures at the line of business level where the decisions are more likely to be responsive to customer needs**
- **Increased cross-organization collaboration and support, reflecting on our value of teamwork**

Alignment with AMA and Operational Risk

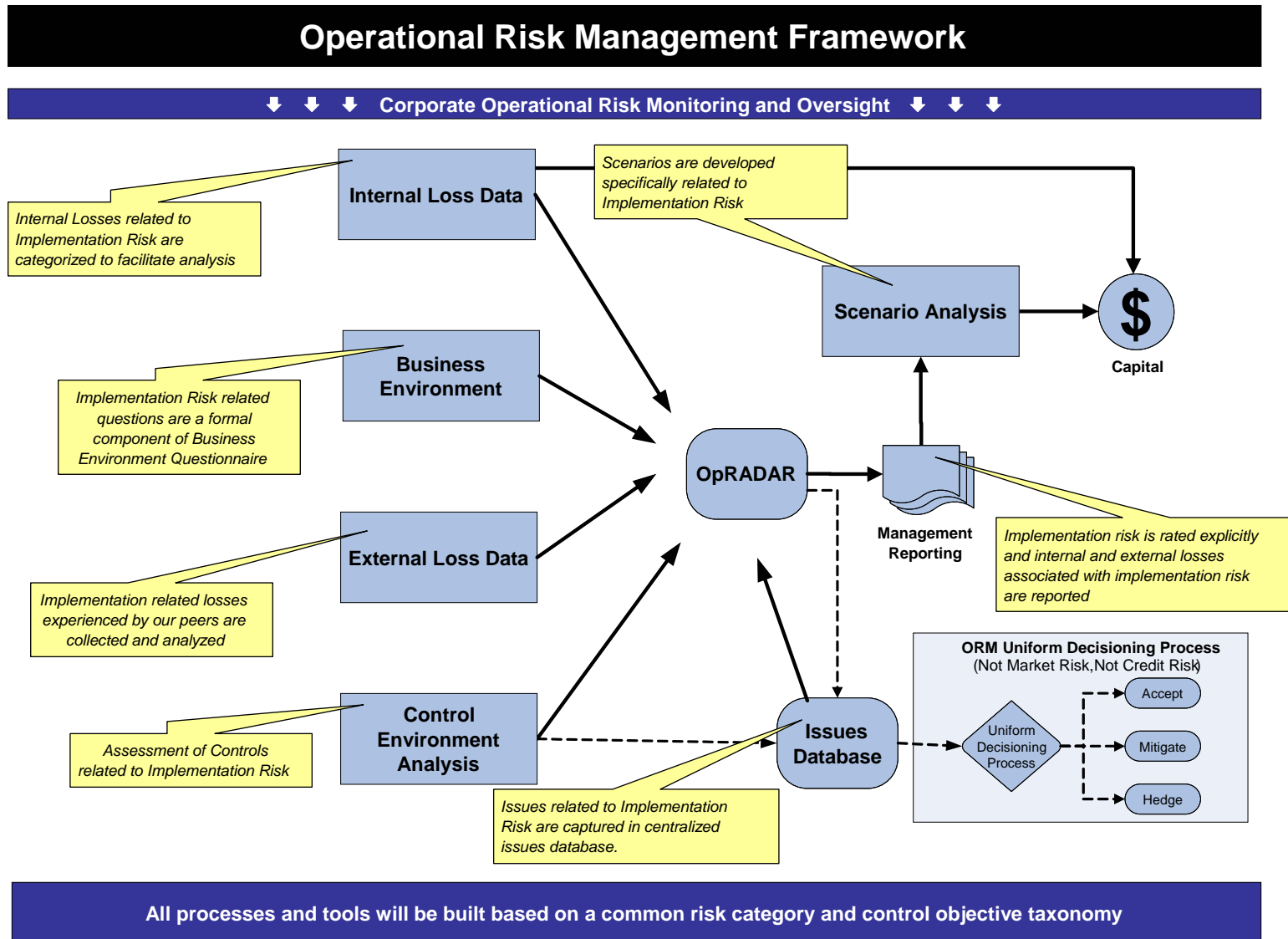


Wachovia's Operational Risk Management Framework leverages and aligns partners across all of our functional risk areas and major lines of business.



Alignment with AMA and Operational Risk

Execution risk is built into all components of our Operational Risk Framework

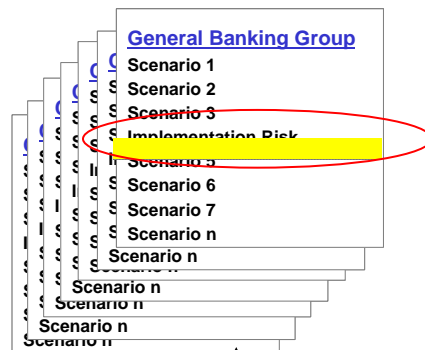


Alignment with AMA and Operational Risk

Scenario Analysis and Capital Quantification

- Scenario Analysis Workshops are conducted at the division level
- Implementation risk is a standard scenario
- The Implementation Risk Functional Risk Area (FRA) leader will support the division level workshops and is a required participant in the cross-division review of scenario results

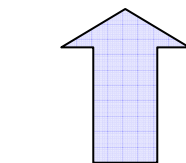
Scenario Analysis Workshops performed at each division



Cross-Division Review



Capital Model



Loss Data



Functional Risk Area Leader

Scenario Analysis

Implementation risk has a dedicated scenario included in the annual scenario analysis process.

General Banking Group
Scenario 1
Scenario 2
Scenario 3
Implementation Risk
Scenario 5
Scenario 6
Scenario 7
Scenario n

4 Implementation Risk

Risk Description

The risks associated with converting and integrating people, systems, and processes in change events including Wachovia mergers/acquisitions/divestitures, conversions, new projects, new products/services, process changes, or outsourcing activities. The risks associated with implementing off shoring activities are included however the risk associated with on-going off shoring activities is not included. This risk does not include Wachovia's role in advising or supporting client merger activities.

Applicable

Impact

	\$1MM - \$10MM	\$10MM - \$50MM	\$50MM - \$100MM	\$100MM - \$250MM	\$250MM - \$500MM	> \$500MM
Frequency						
No. of Events	8	2	0.5			
Time Frame	10	10	10	10	10	10

The numbers are for illustrative purposes only