



OVERALL NET RISK RATING ASSESSMENT CRITERIA

DEFINITION OF OVERALL NET RISK

Overall Net Risk is the aggregate of the Net Risks for all Significant Activities within an institution. The aggregation to Overall Net Risk considers the relative materiality of each activity. This assessment recognizes that an activity with low materiality, but high net risk may not contribute sufficiently to Overall Net Risk to affect the rating.

Net Risk for each Significant Activity is a function of the level of Inherent Risks in the activity offset by the Quality of Risk Management for the activity as a whole.

Risk Management includes Operational Management as well as applicable oversight functions of the institution. These oversight functions would include Board of Directors, Senior Management, Risk Management, Internal Audit, Compliance and Financial Analysis as appropriate to the institution.

Low Overall Net Risk

The institution has risk management that substantially mitigates risks inherent in its significant activities down to levels that collectively have lower-than-average probability of a material adverse impact on its capital and earnings in the foreseeable future.

Normally, institutions in this category will have a predominance of significant activities rated as low net risk. Other combinations may be possible depending on the circumstances of the institution.

Moderate Overall Net Risk

The institution has risk management that sufficiently mitigates risks inherent in its significant activities down to levels that collectively have an average probability of a material adverse impact on its capital and earnings in the foreseeable future.

Normally, institutions in this category will have a significant number of their activities rated as moderate net risk, or a few of their significant activities rated as high net risk with others rated as low net risk. Other combinations may be possible depending on the circumstances of the institution.



Above Average Overall Net Risk

The institution has weaknesses in its risk management that, although not serious enough to present an immediate threat to solvency, give rise to high net risk in several of its significant activities. As a result, net risks in its significant activities collectively have an above average probability of a material adverse impact on its capital and earnings in the foreseeable future.

Normally, institutions in this category will have several of their significant activities rated as high net risk with others mainly rated as moderate net risk. Other combinations may be possible depending on the circumstances of the institution.

High Overall Net Risk

The institution has weaknesses in its risk management that may pose a serious threat to its financial viability or solvency and give rise to high net risk in several of its significant activities. As a result, net risks in its significant activities collectively have a high probability of a material adverse impact on its capital and earnings in the foreseeable future.

Normally, institutions in this category will have majority of their significant activities rated as high net risk or will have rated as high net risk one or more significant activities that have a pervasive impact on its operations. Other combinations may be possible depending on the circumstances of the institution. The weaknesses in risk management lead to considerable doubt about the institution's capability and/or willingness to apply prompt and effective corrective measures to sufficiently mitigate high net risks in its significant activities.