The table below summarizes the risk profile of this institution. “Inherent Risk” assesses the nature, complexity, and volume of the activities giving rise to the risk in question; it is rated as low, limited, moderate, considerable, or high for each risk. The “Adequacy of Risk Management” assessment reflects the strength of risk management processes and controls for each risk, expressed as strong, satisfactory, fair, marginal, and unsatisfactory. “Composite Risk” balances the level of inherent risk with the strength of the appropriate risk management; it is rated as low, limited, moderate, considerable, or high. “Trend” indicates the likely change to the risk profile over the next twelve months, expressed as increasing, stable, or decreasing.

APPENDIX A
Risk Assessment Rating Definitions

Inherent Risk Rating Definitions	
High	Exists where the activity is significant or positions are large in relation to the institution's resources, where there are a substantial number of transactions, and/or where the nature of the activity is inherently more complex than normal. Thus, the activity potentially could result in a significant and harmful loss to the organization.
Considerable	Exists where the positions are above average in relation to the institution's resources, where the volume of transactions is above average, and/or where the activity is more complex than normal. Thus, the activity potentially could result in a significant loss to the organization; however, the resulting loss, while significant, would not threaten the long-term health or viability of the organization.
Moderate	Exists where positions are average in relation to the institution's resources, where the volume of transactions is average, and where the activity is more typical or traditional. Thus, the activity potentially could result in a significant loss to the organization; however, the resulting loss, while significant, would not threaten the long-term health or viability of the organization.
Limited	Exists where the volume, size, or nature of the activity is such that, even if the internal controls have weaknesses, the risk of loss is small, and, even if a loss were to occur, it would unlikely have a significant impact on the institution's overall financial condition.
Low	Exists where the volume, size, or nature of the activity is such that, even if the internal controls have weaknesses, the risk of loss is remote, or, if a loss were to occur, it would have little material negative impact on the institution's overall financial condition.

Risk Management Rating Definitions	
Strong	Management effectively identifies and controls all major types of risk posed by the BHC's activities. Management is fully prepared to address risks emanating from new products and changing market conditions. The board and management are forward-looking and active participants in managing risk. Management ensures that appropriate policies and limits exist and are understood, reviewed, and approved by the board. Policies and limits are supported by risk monitoring procedures, reports, and management information systems that provide management and the board with the information and analysis that is necessary to make timely and appropriate decisions in response to changing conditions. Risk management practices and the organization's infrastructure are flexible and highly responsive to changing industry practices and current regulatory guidance. Staff has sufficient experience, expertise, and depth to manage the risks assumed by the institution. Internal controls and audit procedures are sufficiently comprehensive and appropriate to the size and activities of the institution. There are few noted exceptions to the institution's established policies and procedures, and none is material. Management effectively and accurately monitors the condition of the institution consistent with the standards of safety and soundness, and in accordance with internal and supervisory policies and practices.
Satisfactory	The institution's management of risk is largely effective, but lacking in some modest degree. Management demonstrates a responsiveness and ability to cope successfully with existing and foreseeable risks that may arise in carrying out the institution's business plan. While the institution may have some minor risk management weaknesses, these problems have been recognized and are in the process of being resolved. Overall, board and senior management oversight, policies and limits, risk monitoring procedures, reports, and management information systems are considered satisfactory and effective in maintaining a safe and sound institution. Risks are controlled in a manner that does not require more than normal supervisory attention. The BHC's risk management practices and infrastructure are satisfactory and generally are adjusted appropriately in response to changing industry practices and current regulatory guidance. Staff experience, expertise and depth are generally appropriate to manage the risks assumed by the institution. Internal controls may display modest weaknesses or deficiencies, but they are correctable in the normal course of business. The examiner may have recommendations for improvement, but the weaknesses noted should not have significant effect on the safety and soundness of the institution.

Risk Management Rating Definitions	
Fair	Risk management practices are lacking in some important ways and, therefore, are a cause for more than normal supervisory attention. One or more of the four elements of sound risk management (active board and senior management oversight; adequate policies, procedures, and limits; adequate risk management monitoring and management information systems; comprehensive internal controls) is considered less than acceptable, and has precluded the institution from fully addressing one or more significant risks to its operations. Certain risk management practices are in need of improvement to ensure that management and the board are able to identify, monitor, and control all significant risks to the institution. Also, the risk management structure may need to be improved in areas of significant business activity, or staff expertise may be commensurate with the scope and complexity of business activities. In addition, management's response to changing industry practices and regulatory guidance may need to improve. The internal control system may be lacking in some important aspects, particularly as indicated by continued control exceptions or by a failure to adhere to written policies and procedures. The risk management weaknesses could have adverse effects on the safety and soundness of institution if corrective action is not taken by management.
Marginal	Deficit risk management practices that fail to identify, monitor, and control significant risk exposures in many material respects. Generally, such a situation reflects a lack of adequate guidance and supervision by management and the board. One or more of the four elements of sound risk management is deficient and requires immediate and concerted corrective action by the board and management. The institution may have serious identified weaknesses, such as an inadequate separation of duties, that require substantial improvement in internal controls or accounting procedures, or improved adherence to supervisory standards or requirements. The risk management deficiencies warrant a high degree of supervisory attention because, unless properly addressed, they could seriously affect the safety and soundness of the institution.
Unsatisfactory	Critical absence of effective risk management practices with respect to the identification, monitoring, or control over significant risk exposures. One or more of the four elements of sound risk management is considered wholly deficient, and management and the board have not demonstrated the capability to address these deficiencies. Internal controls are critically weak and, as such, could seriously jeopardize the continued viability of the institution. If not already evident, there is an immediate concern as to the reliability of accounting records and regulatory reports and the potential for losses if corrective measures are not taken immediately. Deficiencies in the institution's risk management procedures and internal controls require immediate and close supervisory attention.