

Credit Risk Indicators

Factor	Low	Moderate	High
Board and Operational Management Understanding	Fully understands all aspects of credit risk and has a fully effective process in place to control that risk.	Reasonably understands key aspects of credit risk and has an adequate process in place to control that risk	Does not understand risks, has chosen to ignore, or does not have a satisfactory process in place for key aspects of credit risk.
Risk Management	Management anticipates and identifies issues before they become problems, including those resulting from changes in market conditions.	Management has an adequate system in place to identify problems and adequately respond to those signals, including those resulting from changes in market conditions.	Management does not anticipate problems or is ineffective in responding to problems once they occur.
Policies	Current, effective and followed.	Satisfactory.	Ineffective.
Diversification	Credit risk diversification is actively managed.	Adequate attention to credit risk diversification.	Unsatisfactory credit risk diversification.
Loans Granted, Loans or Investments Purchased	Conservative in structure, terms, growth, or settlement practices. Effective due diligence.	Prudent in structure, terms, growth, or settlement practices. Due diligence is adequate.	Aggressive in structure, terms, growth, or settlement practices. Due diligence is lacking, ineffective, or inadequate.
Underwriting Standards	Sound and few or no exceptions exist.	Sound with a limited volume of exceptions.	Not adequate or are not prudent and a large volume of exceptions exist.
Concentrations	Appropriate diversification	Adequate diversification.	Significant concentrations exist.
Collateral Values	Collateral values satisfactorily support credit exposure.	Values protect credit exposure.	Collateral is illiquid or values provide inadequate support.
Problem Assets	Low volume, resolution times are within normal course of business and process is controlled.	Moderate volume, reasonable resolution times, and adequate reporting.	High volume, extended resolution times, and inadequate reporting.
Reserves	Reserves adequately cover inherent losses. Exposure to loss of earnings or capital from credit risk is minimal.	Inherent losses should not seriously deplete current reserves or require more than normal provisions. Exposure to loss of earnings or capital is manageable.	Losses may seriously deplete current reserves or require abnormal provisions. Exposure to loss of earnings or capital is substantial.
Internal Audit and Review	Timely, comprehensive, and independent. Promotes early identification of emerging risks. Management responds to findings quickly.	Acceptable. Promotes reasonable identification of problems. Management responds to findings.	Serious weaknesses exist such as lack of independence, timeliness, or scope of review. Does not promote early identification of problems and risk. Management ignores findings.
ALL Methodology	Evaluation method is sound, well documented, and appropriate coverage of risks exists.	Method is generally acceptable and provides an acceptable coverage of risks.	Method is flawed and provides insufficient coverage of risks.