
APPENDIX B TO SUBPART A OF PART 327—CONVERSION OF SCORECARD MEASURES INTO SCORE

1. Weighted Average CAMELS Rating

Weighted average CAMELS ratings between 1 and 3.5 are assigned a score between 25 and 100 according to the following equation:

\[ S = 25 + \left[ \frac{20}{3} \times (C^2 - 1) \right], \]

where:
- \( S \) is the weighted average CAMELS score;
- \( C \) is the weighted average CAMELS rating.

2. Other Scorecard Measures

For certain scorecard measures, a lower ratio implies lower risk and a higher ratio implies higher risk. These measures include:
- Concentration measure;
- Credit quality measure;
- Market risk measure;
- Average short-term funding to average total assets ratio; and
- Potential losses to total domestic deposits ratio (loss severity measure).

For those measures, a value between the minimum and maximum cutoff values is converted linearly to a score between 0 and 100, according to the following formula:

\[ S = \left( \frac{V - \text{Min}}{\text{Max} - \text{Min}} \right) \times 100, \]

where:
- \( S \) is score (rounded to three decimal points);
- \( V \) is the value of the measure;
- \( \text{Min} \) is the minimum cutoff value and
- \( \text{Max} \) is the maximum cutoff value.

For other scorecard measures, a lower value represents higher risk and a higher value represents lower risk. These measures include:
- Tier 1 leverage ratio;
- Core earnings to average quarter-end total assets ratio;
- Core deposits to total liabilities ratio; and
- Balance sheet liquidity ratio.

For those measures, a value between the minimum and maximum cutoff values is converted linearly to a score between 0 and 100, according to the following formula:

\[ S = \left( \frac{\text{Max} - V}{\text{Max} - \text{Min}} \right) \times 100, \]

where:
- \( S \) is score (rounded to three decimal points);
- \( V \) is the value of the measure;
- \( \text{Max} \) is the maximum cutoff value and
- \( \text{Min} \) is the minimum cutoff value.

[76 FR 10720, Feb. 25, 2011]

APPENDIX C TO SUBPART A TO PART 327—CONCENTRATION MEASURES

The concentration score is the higher of the higher-risk assets to Tier 1 capital and reserves score or the growth-adjusted portfolio concentrations score. The concentration score for highly complex institutions is the highest of the higher-risk assets to Tier 1 capital and reserves score, the Top 20 counterparty exposure to Tier 1 capital and reserves score, or the largest counterparty to Tier 1 capital and reserves score. The higher-risk assets to Tier 1 capital and reserves score is calculated as:

\[ H_i = \left( \sum_{k=1}^{4} \frac{\text{Amount of Exposure}_{i,k}}{\text{Tier 1 Capital + Reserves}_i} \right), \]

where:
- \( H_i \) is institution \( i \)'s higher-risk concentration measure and
- \( k \) is a risk area. The four risk areas \( (k) \) are defined as:
  - Construction and land development loans (funded and unfunded);
  - Leveraged loans (funded and unfunded); \(^2\)
  - Nontraditional mortgage loans; and
  - Subprime consumer loans.\(^3\)

The risk areas are defined according to the interagency guidance for a given product with specific modifications made to minimize reporting discrepancies. The definitions for each risk area are as follows:

1. Construction and Land Development Loans: Construction and development loans include construction and land development

\(^2\)Each loan concentration category should include purchased credit impaired loans and should exclude the amount recoverable from the U.S. government, its agencies, or government-sponsored agencies, under guarantee or insurance provisions.

\(^3\)The high-risk concentration ratio is rounded to two decimal points.

Unfunded amounts include irrevocable and revocable commitments.