

Purpose of Planning a Risk-Focused, Forward-Looking Safety and Soundness Examination.....2

 Three Phases of Examination Planning.....2

 Phase 1: Initial Contact2

 Phase 2: Initial Examination Planning3

 Phase 3: Final Examination Planning and Conducting Off-Site Work5

 Joint/Concurrent Examination Considerations.....6

 State-Led Joint/Concurrent Examinations.....6

APPENDIX A -EXAMINATION PROFILE SCRIPT (EPS) ..8

 EPS SECTION 19

 EPS SECTION 2 – Safety & Soundness..... 10

 EPS SECTION 3 – Anti-Money Laundering/Countering the Financing of Terrorism..... 12

 EPS SECTION 4 – Trust..... 13

APPENDIX B -INSTRUCTIONS FOR COMPLETING THE EXAMINATION PLANNING MEMORANDUM 15

APPENDIX C - EXAMINATION PLANNING MEMORANDUM SAMPLE.....22

BUSINESS MODEL.....23

RISK PROFILE23

COMPLEXITY23

ASSET QUALITY (including loan scope)24

MANAGEMENT25

EARNINGS25

CAPITAL.....25

LIQUIDITY25

SENSITIVITY TO MARKET RISK25

ANTI-MONEY LAUNDERING/ COUNTERING THE FINANCING OF TERRORISM (Including Complexity Level)25

INFORMATION TECHNOLOGY (Including Complexity Level)25

TRUST (if applicable) (Including Complexity Level).....26

OTHER (if applicable, including any specialized business lines or characteristics)26

PURPOSE OF PLANNING A RISK-FOCUSED, FORWARD-LOOKING SAFETY AND SOUNDNESS EXAMINATION

As described in Section 20.1 of the Risk Management Manual of Examination Policies - Risk-Focused, Forward-Looking Safety and Soundness Supervision, the objective of a risk-focused examination is to evaluate the safety and soundness of the financial institution by assessing its risk management systems, financial condition, and compliance with applicable laws and regulations, while focusing on the institution's highest risks. The risk-focused examination process seeks to strike an appropriate balance between evaluating the condition of an institution at a certain point in time and evaluating the soundness of the institution's processes for managing risk in all phases of the economic cycle. By evaluating an institution's risk management practices, examiners look beyond the financial condition of an institution at a point in time, to how well it can respond to changing market conditions given its particular risk profile.

Risk-focused supervision involves employing a tailored approach to each examination. The risk-focused supervision approach to examinations is not comprised of a fixed set of routine procedures. Rather, the procedures that constitute a full-scope examination depend on the nature and complexity of the institution's business activities and risk profile. At a minimum, full-scope examinations must include sufficient procedures to reach an informed judgment on the financial, managerial, operational, and compliance factors rated under the CAMELS rating system.¹ An examination meeting those requirements would meet the FDIC's definition of a full-scope examination.

The purpose of the examination planning process is to ensure that the institution's operations and activities are understood prior to the start of an examination, so that examination procedures can be appropriately tailored to the institution. By understanding the unique nature of each institution, examiners can evaluate fundamental risks of the institution's activities and the strength of management practices in mitigating those risks, and focus examination activities and procedures on risks that are not as well-

¹ This could include, as appropriate, risk management for Information Technology, Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), Sanctions Compliance, Trust, Registered Transfer Agent, Municipal Securities Dealer, and Government Securities Dealer examination programs. These specialty examination areas are incorporated into CAMELS through the Management component rating, as outlined in the Uniform Financial Institutions Rating System. See *62 Fed. Reg. 752, January 6, 1997, effective January 1, 1997.*

mitigated or that have not been previously assessed because they are new.

Three Phases of Examination Planning

The examination planning process can be broken into three phases: initial contact, initial examination planning, and final examination planning and conducting off-site work.² Each of these phases is discussed below.

Phase 1: Initial Contact

The field supervisor (FS)/supervisory examiners (SE)³ must develop a timeline of examination activities for the upcoming examination at least 90 days ahead of the projected start date of the examination. At this time, the FS/SE must contact institution management to inform them of the upcoming examination date. During this contact, the FS/SE will provide notice that profile scripts for general safety and soundness, which includes Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), and Trust (when applicable), and Information Technology will be sent to the financial institution. The FS/SE will explain that these scripts will help plan examination procedures based on the financial institution's business model, risk profile, and complexity and help to tailor a document request list for the institution. In addition, the FS/SE needs to ask institution management for the names and contact information (phone/email) of the institution's points of contact for AML/CFT, IT, and Trust (if applicable) in order to facilitate the completion of required complexity tools. The FS/SE will then ensure that the start date is entered into the FDIC's database, which will initialize the request list and examination workpaper systems.

Immediately after contacting management, the FS/SE will generate an Examination Profile Script (EPS), an Information Technology Profile (ITP), an IT Products and Services Template, and Areas of Responsibility (bank contacts) forms. These items will be transmitted under the same cover letter to avoid creating burden and confusion for financial institution management via the FDIC's secure system of information exchange between institution management and the FDIC. Institution management will

² The principles discussed herein apply to both point-in-time and continuous examination approaches, although some specific activities discussed may differ.

³ The FS/SE are responsible for scheduling, approvals, and the ordering of a digital circuit and thus responsible for the initial 90-day call. Other FS/SE duties can be delegated to other appropriate RMS staff, such as setting up the secure exchange of information with the institution.

have approximately two weeks to complete the EPS⁴ and ITP. Providing management with the EPS and ITP well before developing the actual request list facilitates a more tailored request list.

Section 1 of the EPS is designed to collect information necessary to help the examiner understand material changes to the business model, risk profile, and complexity of the institution since the previous Safety and Soundness examination. Section 2 of the EPS is tied to scoping questions in the request list tool and helps examiners understand which products and services are applicable to the financial institution. Subsequent sections of the EPS for AML/CFT and Trust (if applicable) relate to the specialty examination scoping questions and help examiners understand the complexity of these activities. Similarly, the ITP identifies applicable IT activities, while also gathering information about the complexity of the institution's IT operations.

Additional sections of the EPS relate to (1) ascertaining options for potential off-site loan review and (2) evaluating connectivity available for examiners at the institution's physical location(s). The FS/SE has the option of verbally asking these questions of institution management and completing these sections prior to sending the EPS to the institution. This option could provide additional lead time in determining where loan review will be conducted as well as arranging for appropriate examiner connectivity while on-site at the institution, such as ordering a temporary digital circuit if needed.

Sections of the EPS can be adjusted based on scoping questions within the request list tool. If examiners are already aware that an institution does, or does not, have a particular product or service, the examiner should answer the scoping question by selecting yes or no, and the item will not be added to the EPS. This is particularly important for the AML/CFT and Trust sections of the EPS, as community institutions typically do not have complex AML/CFT or Trust operations.

The information gathered from the completed EPS will then help examiners develop an examination plan and request list tailored specifically to the activities of the institution.

An example of a cover letter and EPS is available as Appendix A of this section.

The FS/SE will also evaluate options at the institution regarding remote connectivity. If it appears the connectivity options available will not be sufficient for a particular examination's needs, FDIC field management should request a digital circuit from FDIC technical staff.

The FS/SE should also inquire about loan imaging and various off-site loan review options. If institution management is willing and able to provide off-site access to loan files, the FS/SE should begin the coordination of logistical and technical arrangements between the institution and the FDIC well ahead of the examination start date in order to facilitate off-site loan review activities.

Lastly, the FS/SE will schedule examiners for Phases 2 and 3 of examination planning. In particular, the FS/SE will select the Examiner-in-Charge (EIC) and schedule the EIC for sufficient dedicated time in the field office to conduct all activities of Phase 2 (Initial Examination Planning) six to eight weeks prior to the start date of the examination. Further, the FS/SE has flexibility to initiate the start of Phase 3 (Final Examination Planning and Conducting Off-Site Work) more than one or two weeks before the examination start, should the complexity of the institution or other circumstances warrant.

Additionally, appropriate personnel should be scheduled and provided sufficient dedicated time to perform specialty area examination planning activities,⁵ including assessing specialty examination complexity, so that the results are finalized and ready for the EIC's review and consideration at the start of the Initial Examination Planning. The EIC is to use the information on the institution's complexity to assist with the completion of the Examination Planning Memorandum (EP Memo) and tailoring the specialty area request lists.⁶

Phase 2: Initial Examination Planning

The goal of completing the initial planning six to eight weeks ahead of the examination start date is to allow the EIC sufficient time to learn about the institution and prepare an examination plan tailored to the institution's areas of greatest risk.⁷ Attention to these activities at an early stage allows the examiner to make a more targeted information request to institution management, thereby reducing burden on the financial institution while ultimately providing for a more efficient and effective examination.

⁴ The FS/SE may provide institution management with the option of discussing the EPS items with the FS/SE, who then may complete the EPS on the institution's behalf.

⁵ Refer to examiner instructions on each of the specialty complexity tools. Optimally, the FS/SE should assign the complexity tool responsibilities to the same individuals reviewing the specialty areas at the upcoming examination.

⁶ FS/SEs are to schedule examination planning time for specialty area examiners.

⁷ For the purposes of this discussion, planning of targeted reviews conducted as part of a continuous examination approach focuses on the subject of the review, where the point-in-time examination would encompass all aspects of a full-scope examination.

Understanding the Institution

To conduct a risk-focused examination, examiners must understand the nature, scope, and risk of an institution's activities. The nature and scope of an institution's activities are commonly referred to as the institution's business model. The risk associated with an institution's business model is commonly referred to as the risk profile. A key component of both the business model and the risk profile is the complexity of the institution's operations.

In order to get an understanding of the business model, risk profile, and institution's complexity, the EIC will review the institution's responses to the EPS and ITP; read prior Reports of Examination (ROEs); review correspondence, FDIC databases, and economic data; and review specialty area information and complexity assessments. Further, the EIC should contact the case manager (CM), the FS/SE, and the external auditor to gain additional insight and perspective on the institution.

Based on the review of available information and discussions with others, the EIC will then develop (or update) preliminary written descriptions of the institution's business model, risk profile, and complexity following the considerations outlined in the Risk-Focused, Forward-Looking Safety and Soundness Supervision section of the manual.

Discussion with Institution Management

The EIC then contacts institution management to discuss the preliminary descriptions of the institution's business model, risk profile, and complexity, and to describe how those definitions are being used to determine the planned examination scope and request list content. The EIC should seek management's views regarding recent changes in operations, economic conditions, or competition, and answer any questions that institution management may have.

Drafting the Examination Planning (EP) Memorandum

During Phase 2, the EIC is responsible for drafting an EP Memo. The EP Memo template and instructions for its preparation are included in Appendix B. The EP Memo outlines the examination activities and procedures deemed necessary to fulfill the statutory requirement to complete an on-site, full-scope examination of the institution, given the institution's business model, risk profile, and complexity. Further, as described in the attached instructions, the EP Memo will also outline the EIC's plans for loan review.

Discussing the Draft Examination Plan with the FS/SE and CM

Once the draft EP Memo is written, the EIC will provide the draft to the FS/SE and CM for discussion of the initial assessments of risk, anticipated procedures, and initial information requests. The EIC will provide an estimate to the FS/SE regarding projected examination hours (inclusive of anticipated training hours), staffing needs (addressing the need for specialists or subject matter experts), and the plan for on-site/off-site activities. The FS/SE and CM are to provide feedback on the draft examination plan to assist the EIC with finalizing the examination plan.

Based on discussions and review of the draft examination plan, the FS/SE will assign appropriate staff to the examination, including specialty areas.

Tailoring and Sending the Information Request List

The EIC is expected to tailor the information request letter to include only those materials necessary to examine the institution based on its unique business model, risk profile, and complexity. The EIC sends the information request letter to institution management sufficiently in advance of an upcoming examination to allow ample time for management to compile and submit requested documents. The EIC establishes a due date for the materials sufficiently in advance of the anticipated start date of the examination to allow for off-site examination work prior to the on-site start date. Further, the EIC facilitates the secure exchange of information between institution management and the FDIC, by ensuring that the delivery method(s) used meet the security measures discussed in the FDIC's policies for the exchange, use, and storage of electronic information.

Best practices for requesting examination information include that:

- Information requests should be risk-focused and relevant to the examination.
- Supervised institutions should be given sufficient time to produce new or additional requested information.
- Examiners should coordinate information requests among the examination team to avoid duplicative and/or redundant requests.
- Unless otherwise agreed to with institution management, information requests should be made through the institution's designated regulatory examination point-of-contact, if applicable, to avoid placing burden on other institution staff.
- Information requests and supplemental information requests should be clearly articulated in writing.

Identifying Off-site/On-site Procedures

During the examination planning stage, the EIC is expected to identify examination activities that are appropriate for off-site review and those that are better suited for on-site review. The EIC discusses these activities with field management and incorporates them into the written examination plan. The determination of the extent of off-site or on-site for each examination activity will depend, in part, on the type and extent of electronic information available and whether the activity requires interaction with institution personnel. Examiners are expected to consider conducting examination procedures off-site, to the extent reasonably possible, in order to minimize disruptions to an institution's normal business activities and leverage remote work capabilities.

Examiners should consider the following factors in determining which examination activities to perform off-site and those to perform on-site:

- Institution risk profile, business model and complexity, including risk appetite and local economic conditions and trends;
- Prior examination findings and ratings;
- Preliminary risks identified during examination planning;
- Technological capabilities of the institution, including availability of imaged loan files and electronic access to other institution documents;
- On-site/off-site plans of the state (joint examinations) or the Division of Depositor and Consumer Protection (joint examination team);
- Access to key institution personnel;
- Size, experience, and training needs of the examination team;
- Experience with institution management, management turnover, and dominant officer influence;
- Financial reporting history and accuracy; and
- New developments (new products/services, IT system conversions, changes in control, de novo status, charter conversions, mergers/acquisitions, new entrant to Continuous Examination Program, etc.).

Examiners are encouraged to conduct the following portions of a financial institution examination off-site:

- Determine the scope of the examination and identify the loan review sample;
- Review historical financial and supervisory data and perform initial analysis of capital, asset quality (such as loan loss trends and methodology and investment portfolio composition), earnings, liquidity, and sensitivity to market risk;
- Review the institution's internal reports;

- Review the institution's written policies and procedures;
- Review risk assessments and independent audit reports or reviews;
- Review board and committee packages and minutes;
- Complete financial schedules and certain other pages of the ROE; and
- Finalize workpapers.

Regarding credit review, typically the most labor intensive part of a financial institution examination, the examiner may conduct the following off-site:

- Review loan policies;
- Review performance report ratio data and management reports;
- Preliminarily review the methodology used for estimating loan losses;
- Determine the areas to be emphasized in the on-site review;
- Determine the loan sample to be reviewed, and select and assign individual credits;
- Group loans to related obligors; and
- Review credit and investment files for quality, documentation, and compliance with institution policy and laws and regulations, if information is available in a format for off-site review.

Examiners are expected to conduct the following examination activities on-site:

- Conduct in-depth discussions with management;
- Verify financial information;
- Observe and assess institution operations and internal controls;
- Collect follow-up documentation to complete the financial analysis;
- Review credit and investment files for quality, documentation, and compliance with institution policy and laws and regulations, if information is not available in a format for off-site review;
- Review documents that would be inappropriate or impractical to provide off-site; and
- Conduct exit meetings with management.

Phase 3: Final Examination Planning and Conducting Off-Site Work

Supervisors are required to allocate appropriate time for the examination team to complete all examination planning activities, including the downloading, electronic filing, and

reviewing of materials provided by the institution.⁸ These other examination activities should begin at least one to two weeks prior to the on-site examination start date. In particular, the EIC must be scheduled sufficient time prior to the start date of the examination to review the request list response and finalize the Examination Plan and EP Memo. The finalization of the EP Memo includes determining staff assignments, as well as identifying any benchmark training needs of pre-commissioned team members. The EIC will submit the final EP Memo to the FS/SE during Phase 3 with sufficient time for the FS/SE to review and approve. The FS/SE must approve the EP Memo prior to the start date of the examination. Once approved, the EIC distributes the EP memo to the CM and the examination team. The CM will place a copy of the finalized EP memo in the institution's correspondence file system of record.

In addition to examination planning, off-site work prior to the on-site start date will include the activities discussed previously in Phase 2. The FS/SE will provide additional staff, as available, prior to the start date to conduct off-site examination procedures. This additional staff, which can include both key roles such as Operations Manager and/or Asset Manager, as well as other staff, allows the examination team to become knowledgeable of the institution and begin their analysis prior to arriving on-site.

The FS/SE is expected to be mindful of an institution's space and personnel limitations when scheduling the number of examiners working on institution premises.

Contacting the Institution

After the EIC has reviewed the requested materials provided by the institution, the EIC contacts institution management again to discuss examination logistics, including the size of the examination team. The EIC also shares plans for work to be completed off-site and on-site. For example, the EIC could advise management that four examiners will review electronic loan files off-site for the first week and then come to the financial institution for loan discussions during week two of the examination.

The EIC should also discuss the plan for communicating during the examination with institution management and document that plan in the Examination Planning Memo. The plan should address the timing and frequency of on-site and off-site discussions and meetings, and the manner and protocol for requesting additional information in order to avoid duplicative requests.

⁸ The Phase 3 principles discussed herein also apply to specialty area EICs/examiners, including need for sufficient examination planning time and availability of performing some work off-site.

Primary Point(s) of Contact

Typically, a regulatory liaison or compliance officer serves as the institutional point of contact for examinations. In some cases, reliance on a sole individual may not be sufficient to ensure timely exchange of documentation and requests. For these instances, the EIC may request that a limited number of individuals serve as institutional points of contact to ensure timely and efficient receipt of information. Similarly, the EIC may establish a primary and secondary examination FDIC point of contact to help facilitate communication and information requests between the examination team and institutional management. The EIC and institution points of contact should work together to establish the frequency and expectations of communication, including how meetings will be handled, how information requests should be submitted, and how findings will be conveyed.

Joint/Concurrent Examination Considerations

When examinations are conducted in a joint or concurrent capacity with the State authority, examiners are expected to coordinate and collaborate with the State EIC to ensure open and consistent communication throughout the examination planning process. The lead agency will guide the examination planning activities and process. The lead agency is determined through agreements between the State authority and FDIC managers. The FDIC EIC will work with the State EIC in accordance with their defined processes to ensure the planning and resource needs of each agency are being met, while being mindful that the non-lead agency may assist in the process, but may not provide the same level of resources as the lead agency.

State-Led Joint/Concurrent Examinations

For joint or concurrent examinations where the State is the lead agency, if the State has adopted Examination Planning as outlined in this chapter, then the FDIC and State should collaborate to accomplish the various tasks.

If the State is in the lead, but has not adopted Examination Planning (in whole or in part), the state agency will guide the examination planning activities and process. In such cases, the FDIC would still be responsible for collaborating with the State to ensure that certain Examination Planning activities are conducted, as follows:

Phase 1 (done in conjunction with, or soon after, the initial contact with the institution)

- Entering the start date into the FDIC's database;
- Ensuring a secure method is established for transmission of institution-requested materials;
- Scheduling appropriate personnel and providing sufficient dedicated time to perform examination planning activities;
- Obtaining the names and contact information (phone/email) of the institution's points of contact for AML/CFT, IT, and Trust (if applicable) in order to facilitate the completion of required complexity tools; and
- Ensuring the ITP is sent to the institution.

Specialty Exam complexity tools

- Ensuring that the complexity tools for AML/CFT, IT and Trust (if applicable) are completed, with the results considered within the risk scoping process.

Phase 2:

- Reviewing available information;
- Discussing the upcoming examination with the case manager and field supervisor/supervisory examiner;
- Developing descriptions of the institution's business model, risk profile, and complexity;
- Ensuring the request list is tailored to the institution; and
- Identifying activities available for on-site and off-site work.

Phase 3:

- Reviewing institution-provided materials;
- Conducting off-site examination work prior to the start date;
- Participating in discussions with institution management;
- Finalizing an examination planning memorandum; and
- Providing finalized business model, risk profile, and complexity descriptions to the case manager (either via the examination planning memorandum or other means).

Other Exam Planning tasks not included above should still be conducted if these activities align and can be coordinated with the State-led examination planning process.

APPENDIX A -EXAMINATION PROFILE SCRIPT (EPS)



Federal Deposit Insurance Corporation
Division of Risk Management Supervision
Address

xxxxxxx Field Office
Phone xxx-xxx-xxxx

DATE

CEO xxxxxxxx
Institution Name
Street Address
City, State Zip

Dear CEO xxxxxxxxxx:

A Safety and Soundness Examination of your institution, including an Anti-Money Laundering/Countering the Financing of Terrorism review and Sanctions review, is scheduled for DATE 20xx. A concurrent Information Technology (IT) Risk Examination [and Trust Examination] will also be conducted.

The attached Examination Profile Script (EPS) has been developed to help examiners tailor their examination procedures to your institution’s operations. Comment boxes are available for items marked "yes" if you wish to provide additional information. Please be sure to label each comment box statement with the corresponding, descriptive item number. Examiners will tailor the request list to exclude materials specific to items marked "no." Also attached is an Areas of Responsibility form, which will help us contact the appropriate designated institution personnel during the examination.

For the IT examination, an Information Technology Profile (ITP), an IT Products and Services form, and an IT Areas of Responsibility are attached to help examiners with their planning activities.

Please complete the attached EPS, Area of Responsibility contact sheet, ITP, IT Products and Services form, and IT Area of Responsibility contact sheet and post the five Word files (not pdf files) to FDICconnect-EFX by XX/XX/XXXX.

Supporting documentation is not needed at this time but will be requested via a risk-focused information request list that will be sent to your institution approximately six to eight weeks before the on-site examination.

If you have any questions, please call me at the xxxxxxxx Field Office at xxxxxxxxxx or e-mail me at xxxxxxxxx.

Signature box containing: Sincerely, Name, Title, Federal Deposit Insurance Corporation

Enclosure

EPS SECTION 1

Please indicate ‘yes’ or ‘no’ if there have been material changes to the following items since the previous regulatory Safety and Soundness examination dated XX/XX/XXXX. Such material changes in any function related to safety and soundness, including, but not limited to, Anti-Money Laundering/Countering the Financing of Terrorism, Information Technology, and Trust (if applicable) should be addressed in the responses below. If ‘yes’ is selected, please provide an explanation in the Comments box along with the corresponding descriptive item number (e.g. #7 – New CFO hired since previous examination). The answers will help us tailor the list of items that we will request for the examination.

Organizational, Background, and Operating Environment	Yes	No
1. Organizational structure of the financial institution or holding company		
2. Strategic direction/plan or business model, including new or expanded products or services (e.g. loans, investments, deposits, funding)		
3. Ownership (shareholders owning 5% or more of controlling stock)		
4. Competitive factors impacting the financial institution		
5. Local economic factors (that impact or could impact financial institution performance)		
6. Local businesses or industries affecting a significant part of the financial institution’s deposit or loan customer base		
7. Board composition or key role managers in any department (such as, but not limited to, those responsible for lending, treasury functions, Information Technology, Anti-Money Laundering/Countering the Financing of Terrorism, and Trust).		
8. Governance structure and authority levels		
9. Major policies or procedures		
10. Auditors or audit programs		
11. Management information systems		
12. Asset and/or liability structure		
13. Loan review programs		

Section 1 Comments:

EPS SECTION 2 – Safety & Soundness⁹

Please indicate ‘yes’ or ‘no’ if the financial institution has the following items or is involved in the following activities. If ‘yes’ is selected, please provide an explanation in the Comments box along with the corresponding descriptive item number. The answers will help us tailor our list of items that we will request for the examination.

Lending Areas	Yes	No
1. Loans with delinquent real estate taxes or loans with negative balance escrow accounts		
2. Interest only or payment option residential mortgage loans		
3. Construction loans with cost overruns or insufficient funds to complete construction		
4. Floor plan lending		
5. Loan participations purchased and sold		
6. Loans made to facilitate the sale of bank owned other real estate		
7. Loans made to facilitate the purchase of the financial institution’s stock or the financial institution’s holding company stock		
8. Credit concentrations warranting portfolio level or portfolio segment stress tests or sensitivity analysis		
9. Government-guaranteed lending activities and government-insured mortgage loans (e.g. USDA/FSA, HUD/FHA, SBA, VA)		
10. Lease financing loans serviced or collected by the financial institution for other parties		
11. Please indicate whether the institution has engaged in loan modifications, extensions, or deferrals related to borrowers impacted by the COVID-19 pandemic (Y/N)		
Employee Incentives & Compensation	Yes	No
12. New employment contracts and/or deferred compensation agreements		
13. Incentive compensation programs		
14. Financial institution sponsored employee benefit plan		
Asset/Liability Management Items	Yes	No
15. Deposits accepted by the financial institution or its affiliate through third party (such as “affinity” groups) marketing arrangements		
16. Large depositors (greater than 2% of total deposits)		
Supplemental Activities	Yes	No
17. Third Party Payment Processing		
18. Related Organizations		
Emerging Technology or Fintech Initiatives	Yes	No
19. Digital lending solutions marketed by third parties		
20. Digital lending solutions with automated credit decisions		
21. Deposit products delivered digitally and marketed by third parties		
22. Fully automated deposit account opening		
23. Artificial intelligence/machine learning		
24. Use of alternative data/big data		
25. Distributed ledger technology		
26. Smart contracts		
27. Crypto-asset-related activity		
28. Other emerging technology or fintech initiatives		

⁹ Information Technology specific items will be covered in the separate Information Technology Profile script.

Section 2 Comments:

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EPS SECTION 3 –Anti-Money Laundering/Countering the Financing of Terrorism

Please indicate ‘yes’ or ‘no’ if the financial institution has the following items or is involved in the following activities for Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT). If ‘yes’ is selected, please provide an explanation in the Comments box along with the corresponding descriptive item number. The answers will help us tailor our list of items that we will request for the examination.

Most items will not be applicable for the typical AML/CFT operations at community financial institutions. All items checked “no” will be deleted from the tailored request list.

Refer to [FFIEC BSA/AML Glossary](#) for definitions and explanations of AML/CFT terms.

Bank Secrecy Act/Anti-Money Laundering (AML/CFT) Complex Areas	Yes	No
1. Correspondent Accounts – Domestic (Institution acts as correspondent)		
2. Sale of Insurance Products		
3. Concentration Accounts (Accounts established to facilitate the processing and settlement of multiple or individual customer transactions)		
4. Professional Service Providers (Acting as liaisons for clients)		
5. Non-Government Organizations and Charities (Accounts of private nonprofit organizations, like a charity, that pursues activities intended to serve the public good)		
6. Electronic Banking		
7. Automated Clearing House		
8. Third Party Payment Processor		
9. Independent ATM Owner/Operator Customer		
10. Nondeposit Investment Products		
11. Nonresident Aliens and Foreign Individuals		
12. Business Entities as Customers (Including limited liability companies, corporations, trusts, and other entities that may be used for many purposes, such as tax and estate planning)		
13. Prepaid Access Products (including prepaid access cards or acting in concert with another party to provide prepaid access, such as for travel or public transportation programs)		

Section 3 Comments:

EPS SECTION 4 – Trust

Please indicate ‘yes’ or ‘no’ if the financial institution has the following items or is involved in the following activities for AML/CFT and Trust. If ‘yes’ is selected, please provide an explanation in the Comments box. The answers will help us tailor our list of items that we will request for the examination.

Refer to [FDIC Trust Examination Manual Glossary](#) for definitions and explanations of Trust terms.

Trust	Yes	No
1. Bank Sponsored Employee Benefit Plans		
2. Irrevocable Life Insurance Trusts (ILITs)		

Comments:

EPS SECTION 5 – Off-site Loan Review Options

For institutions that have imaged loan files, and are interested in having FDIC examiners review these files remotely, the FDIC has several potential options for such off-site review. Such options include Imaging Service Provider’s Standardized Export of Image Data*, screen sharing/remote control capabilities, or an institution’s own internal solution.

Please indicate ‘yes’ or ‘no’ to the following questions, or leave blank if not applicable. The Comments box may be used to indicate which option(s), if any, are preferred by institution management.

**For more information on this option, please see [Financial Institution Letter \(FIL\)-22-2018: Advisory: FDIC Conducting Testing of the Standardized Export of Imaged Loan Documents](#), and [FIL-4-2019: Banker Webinar: Update on the Standardized Export of Imaged Loan Documents Initiative](#).*

Off-site Loan Review	Yes	No
1. Are the institution’s loan files imaged?		
2. If yes to #1, is management interested in having the FDIC conduct a portion of the loan review off-site?		

Comments:

EPS SECTION 6 – Examiner Connectivity to Internet

The FDIC relies significantly on Internet Connectivity to conduct examinations. The FDIC has several authorized potential options to support connectivity.

Please indicate ‘yes’ or ‘no’ regarding connectivity options, or leave blank if not applicable. The Comments box may be used for additional information.

Connectivity	Yes	No
1. Is strong cellular coverage available in the examination work room location(s)? (if yes, please indicate in the Comments section on what cellular provider(s) have strong coverage, if known)		
2. If no to #1 , does the institution have a guest WiFi connection that the institution would like to make available to the examination team for examination-related activities?		
3. If no to #1 and #2 , is the institution willing to allow the FDIC (at FDIC’s expense) to have a temporary digital circuit (Internet line) installed for examination team use? (if yes, please indicate, in the Comments below, a contact person from your institution)		

Comments:

APPENDIX B -INSTRUCTIONS FOR COMPLETING THE EXAMINATION PLANNING MEMORANDUM

Examination Planning Memorandum (EP Memo). Insert institution-specific data and examination information. Estimated hours should include specialty areas.

Examination Ratings and Data. Document the ratings and data for the most recent examinations.

Examination Planning Ratios. List the specified ratios from the Uniform Bank Performance Report for the most recent quarter and the previous two year-ends.

Other Risk Measures. Briefly comment on each listed risk flag.¹⁰ If elevated risk is identified in any of the below areas, these risks should be discussed in the Overview section. Additionally, comment on any other significant risk factors identified within internal FDIC outlier reports, tracking systems, and watch lists.

REST Score. Real Estate Stress Test (REST) is an estimate of the institution’s potential vulnerability to a downturn in the real estate market. Comment on the risk level and driving factors for the score. Consider the REST score when scoping the asset review.

IRRSA Red Flags. Interest Rate Risk Standard Analysis (IRRSA) produces a report that focuses on an institution’s interest rate risk exposure. IRRSA calculates financial analysis measures derived from Call Report data and historical market interest rate information. Comment on any red flags noted for institution ratios that are outside benchmarks set within IRRSA. Consider any IRRSA Red Flags when scoping the examination.

SCOR. The Statistical CAMELS Off-site Rating (SCOR) system is designed to identify institutions that have experienced noticeable financial deterioration. Comment on any rating that has a significant probability for downgrade.

Preliminary Risk Assessment

Overview of the institution’s business model, risk profile, and complexity. To conduct a risk-focused examination, examiners must understand the nature, scope and risk of an institution’s activities. The nature and scope of an institution’s activities are collectively commonly referred to as the institution’s “business model.” Develop a written description of the business model by identifying the activities in which a financial institution has chosen to engage.

The risk associated with an institution’s business model is commonly referred to as the “risk profile.” Develop a written description of the financial institution’s preliminary risk profile by determining the types and quantities of risks inherent in the financial institution’s business model and, based on past examinations and supervisory activities, the quality of the risk management practices used by financial institution management to control these risks.

A key component of both an institution’s business model and risk profile is the complexity of its operations. Develop a written description of the complexity of an institution’s operations through a review of its balance sheet structure and scope of operations.

Within the overview, briefly summarize significant discussions with institution management during Examination Planning. This summary should cover key topics such as: significant risk areas, management’s concerns regarding economic conditions, and any other information meaningful to the planning process. Include the name and title of the institution official and the date on which the discussion was held.

Also within the overview, briefly summarize discussions with the case manager (CM), field supervisor (FS)/supervisory examiner (SE), and the institution’s external auditor. The CM discussion should cover the areas of perceived risk, enforcement actions, application activity, and loan review scoping. Note that during this initial examination contact, the EIC and CM should establish a plan for discussing examination findings prior to the exit meeting. The FS/SE discussion should cover hours, staffing, and scheduling items including anticipated training, on-site/off-site activities, and any specialists/subject matter experts needed

¹⁰ REST scores and IRRSA Red Flags are available in FDIC’s confidential internal supervisory data systems.

for the examination. The external auditor contact should summarize information gained on the institution's operations and condition and any recommendations to management.¹¹

If the examination involves a Minority Depository Institution, a comment should be included noting that examiners will inform institution management of the availability of technical assistance.

Examination Areas and Planned Procedures. Comment on each CAMELS component, specialty examination area, and any other areas based on the preliminary review of available information (such as the UBPR, risk profile, and request list items) and discussions with the CM, FS/SE, and institution management. Provide direction to examiner(s) reviewing the area on the procedures to be performed to address identified risks. Note if additional procedures are being performed for training purposes.

Under the Asset Quality subheading, comment on the plan for loan review. Document the date of the asset review, the number of loans and credit relationships to be reviewed, and the use of the Loan Portfolio Audit Tool. The comment should describe the specific types of loans and/or risk characteristics planned for review based on the institution's business model, risk profile, complexity, and lending activities. Loan review should emphasize meaningful loan sampling for new or higher risk lending activities, notable concentrations, a review of the appraisal program, and follow-up on any previously identified underwriting deficiencies.

The Other subheading should include the examination plan for any specialized business lines or characteristics, as applicable. Such areas may include the following:

- Concentrations
- Dominant Management
- Mortgage Banking, particularly if coupled with rapid growth
- Subprime/Nontraditional Lending
- Securitization Activities
- International Banking
- Related Organizations
- Credit Card Related Merchant Activities
- Third Party Arrangements
- Government Assistance Programs (for example: TARP, SBLF, or loss share agreements)
- Commercial Real Estate (if workprogram being used)
- De novo Institution (Planned procedures should evaluate the institution's adherence to continuing conditions or requirements imposed through the order approving deposit insurance)
- Foreign Ownership (e.g. Foreign Banking Organization, Parallel Banking Organization)

Consider prior specialty examination or review findings (and ratings, when applicable), and complexity assessment scores during the Examination Planning process. In addition, include relevant comments for each type of specialty examinations or review being conducted concurrently. Refer to specialty examination or review instructions for required procedures to be performed. Also identify any specialty subject matter expertise needed to address notable risk areas listed in the business model/risk profile review. Include estimated hours planned for each specialty area.

Briefly discuss any outstanding supervisory action (formal or informal), including type, date, and provisions within the action. Also note any Matters Requiring Board Attention (MRBA) issued by the FDIC or the state banking authority. Describe management's progress to date in addressing the action/MRBAs.

Staffing and Assignments. List examiners, their assigned roles, and location of examination work (on-site, off-site, or both). Briefly describe activities identified for off-site work. Note whether other agencies or divisions are involved. Also note the communications plan between institution and examination staff, including the timing and frequency of on-site and off-site discussions and meetings, and the manner and protocol for requesting additional information.

¹¹ If the institution's management has not provided a copy of a management letter issued by the auditor in connection with the most recent financial statement audit and/or internal control attestation, confirm with the auditor whether a letter was issued. Regardless of the type of auditing work performed, if no management letter was issued, discuss any other type of verbal or written recommendations that the auditor may have provided to management.

Training. List pre-commissioned examiners, trainers, and the training benchmarks being addressed during the examination.

Logistical Information. Communicate key information to examination staff regarding location, work hours, dress code, connectivity, key management absences, and other examination logistics.

EXAMINATION PLANNING MEMORANDUM

	Examination Information
Name of Financial Institution:	
Location (City, State)	
Certificate Number	
EIC/Prepared By:	
As of:	
Start:	
Estimated End:	
Estimated Hours:	

EXAMINATION RATINGS and DATA

	Prior Examination (Date)	Prior Examination (Date)	Prior Examination (Date)
CAMELS Rating			
IT Rating			
Trust (if applicable)			
Compliance (rating/date)			
CRA (rating/date)			
Adversely Classified Items Coverage Ratio			

EXAMINATION PLANNING RATIOS

	Current Quarter Ratios (Date)	Year-end Ratios (Date)	Prior Year-end Ratios (Date)
Total Assets			
Tier 1 Leverage Ratio			
Asset Growth Rate			
Net Interest Margin			
Return on Avg. Assets			
Total PD*/Gross Loans			
Allowance for Credit Losses on Loans and Leases/Total Loans and Leases			
Net Loans/Total Assets			
Net Non Core Dependency (\$250M)			

*All past-due loans plus nonaccrual divided by gross loans

OTHER RISK MEASURES

Other Risk Flags	Comments
REST Score/Date:	
IRRSA Red Flags:	

	C	A	M	E	L	S	Comp
SCOR:							
Probability of Downgrade (%):							

PRELIMINARY RISK ASSESSMENT

- Provide a brief description of the institution's business model, risk profile, and complexity.
- Summarize discussions held with institution management and case manager.
- Briefly comment on risk for each examination area.
- Discuss planned procedures and workpaper documentation, commensurate with the risk presented for each examination area.

Overview of the institution's business model, risk profile, and complexity: Describe the institution's business model, including identification of the financial activities in which the institution has chosen to engage. Describe the risk profile through a determination of the types and quantities of risks to which the institution is exposed and the quality of the risk management practices used by institution management to control these risks. Describe the complexity of the institution's operations, including a review of its balance sheet structure and scope of the business lines, customer base, and product and service offerings.

BUSINESS MODEL**RISK PROFILE****COMPLEXITY**

Discussions: Include the date, names, and summary of discussions held with management. Also include the date, name, and summary of key risks discussed with the case manager, field supervisor(FS)/supervisory examiner(SE), and institution's external auditor.

Examination Areas and Planned Procedures: Comment on CAMELS, specialty examinations, and other areas based on the preliminary review of available information (such as the UBPR, risk profile, request list items, etc.) and discussions with the case manager, FS, and institution management. Evaluate risk for each examination area. Provide direction on planned examination procedures, and describe procedures being conducted for training purposes, if applicable.

CAPITAL**ASSET QUALITY (including loan scope)****MANAGEMENT****EARNINGS****LIQUIDITY****SENSITIVITY TO MARKET RISK****ANTI-MONEY LAUNDERING/COUNTERING THE FINANCING OF TERRORISM (Including complexity assessment)****INFORMATION TECHNOLOGY (Including complexity assessment)****TRUST (if applicable) (Including complexity assessment)****OTHER (if applicable, including any specialized business lines or characteristics)**

SUPERVISORY ACTIONS OR MRBAs (including dates, requirements, and progress in addressing those items, whether issued by the FDIC or State banking authority)

STAFFING AND ASSIGNMENTS

Examiner	Assignment	Location (On-site/Off-site)
1	EIC	
2	OM	
3	AM	
4	IT	
5	AML/CFT	
6		
7		
8		
9		
10		

Other Staffing Notes:

Communications Plan:

TRAINING

Pre-Commissioned Examiners	Trainer	Benchmarks
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

LOGISTICAL INFORMATION

	Information
Institution Address & Parking Info	
Working Hours	
Dress Code	
Connectivity Plan	
Key Institution Management Absences	
Other	

EXAMINATION NUMBERS

Safety and Soundness	AML/CFT	Information Technology	Trust (if applicable)

EIC	
FS/Designee Approval	Date

APPENDIX C - EXAMINATION PLANNING MEMORANDUM SAMPLE

	Examination Information
Name of Financial Institution:	Bank of Anytown
Location (City, State)	Anytown, Anystate
Certificate Number	99999
EIC/Prepared By:	Sandra E. Smart
As of:	June 30, 20x6
Start:	August 1, 20x6
Estimated End:	September 9, 20x6
Estimated Hours:	610

EXAMINATION RATINGS and DATA

	Prior Examination 11/13/20x5 (state)	Prior Examination 10/21/20x4	Prior Examination 4/16/20x3 (state)
CAMELS Rating	243422/3	233322/3	232322/2
IT Rating	1/2112	2/2212	2/2212
Trust (if applicable)	2	2	2
Compliance (rating/date)	2 (1/1/2016)		
CRA (rating/date)	S (1/1/2016)		
Adversely Classified Items Coverage Ratio	102.71	94.92	80.13

EXAMINATION PLANNING RATIOS

	Current Quarter Ratios (6/30/20x6)	Year-end Ratios (12/31/20x5)	Prior Year-end Ratios (12/31/20x4)
Total Assets	80,604	78,207	77,879
Tier 1 Leverage Ratio	7.44	7.53	7.64
Asset Growth Rate	2.66	0.42	0.20
Net Interest Margin	3.82	3.62	3.54
Return on Avg. Assets	0.27	(0.15)	(0.30)
Total PD*/Gross Loans	6.74	8.42	9.06
Allowance for Credit Losses on Loans and Leases/Total Loans and Leases	3.67	3.20	2.75
Net Loans/Total Assets	64.45	68.79	69.24
Net Non Core Dependency (\$250M)	14.71	8.69	6.66

*All past-due loans plus nonaccrual divided by gross loans

OTHER RISK MEASURES

Other Risk Flags	Comments
REST Score/Date: 2.8 - 6/30/20x6	The RE lending portfolio is 40.5 percent of total loans.
IRRSA Red Flags: 2	The Bank has red flags for earnings and capital.

	C	A	M	E	L	S	Comp
SCOR:	1.95	2.26	2.14	3.10	2.10	1.82	2.63
Probability of Downgrade (%):	9	4	11	2	3	5	9

PRELIMINARY RISK ASSESSMENT
<ul style="list-style-type: none"> • Provide a brief description of the institution's business model, risk profile, and complexity. • Summarize discussions held with institution management and case manager. • Briefly comment on risk for each examination area. • Discuss planned procedures and workpaper documentation, commensurate with the risk presented for each examination area.

Overview of the institution's business model, risk profile, and complexity: Describe the institution's business model, including identification of the financial activities in which the institution has chosen to engage. Describe the risk profile through a determination of the types and quantities of risks to which the institution is exposed and the quality of the risk management practices used by institution management to control these risks. Describe the complexity of the institution's operations, including a review of its balance sheet structure and scope of the business lines, customer base, and product and service offerings.

BUSINESS MODEL

This \$80 million community bank is a locally owned, full-service commercial Bank offering traditional deposit and credit products with a particular focus on customers directly and indirectly reliant upon maritime-related businesses. The trade area is centered in Anytown, Anystate, and is a regional economic area that is heavily dependent upon a depressed fishing industry.

RISK PROFILE

Credit risk is elevated at Bank of Anytown; weak underwriting and poor loan administration practices have led to a large volume of classified credits. Credit risk problems have been exacerbated by significant and increasing weaknesses in the local economy. Additionally, management has struggled with operational and governance issues, such as problems with filing accurate call reports and failure to monitor President Lincoln's lending authority limits. Primarily as a result of asset quality issues, revenues and earnings have been weak and have not been sufficient to build capital. Loan growth has subsided as management has worked on problem asset resolution, and compliance with the outstanding Memorandum of Understanding (MOU)¹ has been progressing, although several provisions have not been met.

COMPLEXITY

Assets consist primarily of commercial and real estate loans to small, local businesses. The bank has attempted to diversify away from the maritime-related businesses that dominate the local economy by buying commercial loan participations, primarily from Other Bank, Othertown, Other State. Bank of Anytown's level of other real estate (ORE) has been increasing, as the bank has been working its way through loan problems. The securities portfolio is invested in mortgage-backed securities issued by government sponsored entities (GSEs) with various maturities. Deposits are gathered from business loan customers and local retail depositors, and the bank has one branch on the west end of Anytown. The trust department manages approximately \$3.3 million in assets, most of which is in non-discretionary accounts. Information technology services are provided by Existing Service Company, and President Allie Lincoln indicated that no changes in the agreement or services have occurred since the previous examination.

Discussions: Include the date, names, and summary of discussions held with management. Also include the date, name, and summary of key risk discussions with the case manager, field supervisor(FS)/supervisory examiner(SE), and institution's external auditor.

Bank Management: A discussion with President Lincoln was held on July 5, 20x6 to discuss the FDIC's views regarding the Bank's business model, current risk profile and any changes to the complexity of the organization. President Lincoln also indicated the following:

- Significant progress had been made in addressing previous examination findings and the outstanding MOU.
- Bank management remains concerned about the level of classified assets, and its ability to manage problem assets has been challenged by the increased level of ORE, which requires different skill sets.

¹ The Bank was placed under an MOU on January 21, 20x6 based on findings from the October 21, 20x5 examination. This MOU replaced a January 20x4 MOU that was issued to address problems noted at the October 20x4 examination.

- Challenges continue in the local economy, and a moderately large employer, Blue Boat Building, Inc., recently filed for bankruptcy. While Blue Boat is not a Bank customer, many of its customers and suppliers are bank customers.
- A desire for examiners to keep Chairman of the Board (COB) Roger White informed of examination findings and include him in meeting invites during the examination.

Case Manager: A discussion with Case Manager Melinda Gary was held on June 24, 20x6. She indicated the following:

- President Lincoln and COB White continued to dominate the management team of the Bank and she was concerned that the Board may not be effectively challenging the decisions made by those two individuals.
- President Lincoln had been very communicative since the prior examination and had been keeping the regional office updated on progress in complying with the MOU.
- Progress reports provided to the regional office are in RADD and should be reviewed off-site to identify the steps that management has taken to address outstanding issues.
- EIC Smart provides her updates on a weekly basis, given the risk profile of the institution. She also asked that she be provided ample notice about any exit meetings, as she would like to attend them telephonically.

External Auditor: On July 14, 20x6, EIC Smart held a phone conversation with CPA Michael Jones of Michael P. Jones and Associates, LLP. Mr. Jones indicated that although the Bank has had problems in the past with financial reporting, he believed that all of those issues had been corrected.

Field Supervisor: On June 20, 20x6, EIC Smart discussed the risk profile, examination plan, and staffing needs with FS Paul Roberts, Jr. FS Roberts and EIC Smart agreed that an allocation of 610 hours, inclusive of specialty areas, should be sufficient to examine the Bank given the risk profile. FS Roberts noted that pre-commissioned examiner George Woods had recently completed loan school and would need additional loan review and ACL training. He also stated that the loan review scope should target new credits, as well as problem credits, given the history of poor credit underwriting and administration. He indicated that an examiner from another office would be requested to perform the trust examination due to limited trust experience in the office. FS Roberts confirmed that the State would not be joining the examination, but will participate in either the exit meeting or Board meeting at the conclusion of the examination.

Examination Areas and Planned Procedures: *Comment on CAMELS, specialty, and other areas based on the preliminary review of the UBPR, risk profile, request items, etc., and discussions with case manager, FS, and institution management. Evaluate risk for each examination area. Provide direction on planned documentation procedures, and describe procedures being conducted for training purposes, if applicable.*

ASSET QUALITY (INCLUDING LOAN SCOPE)

Asset review date: June 30, 20x6

Relationships reviewed / number of loans: 57 / 100

Number of loans included in review scope due to Loan Portfolio Audit Tool (LPAT) query: 9

Asset Quality will be the primary review area, due to negative portfolio performance metrics noted in the UBPR and adverse findings at the previous two examinations. During the previous FDIC examination, the loan scope was expanded during the examination due to significant administration and control problems that became evident during the loan review. At the current examination, the focus will be on newer originations, outstanding credits that could be impacted by the bankruptcy of Blue Boat Company, Inc., a sampling of larger loans and participations, and a review of all loans to insiders. Additionally, due to previous examination concerns with the credit rating system, internally classified loans of various sizes and grades will be sampled. LPAT queries were run, and a selection of potential irregular and outlier credits are included in the review scope. Further, a sampling of loans originated by President Lincoln will be reviewed due to previous issues related to her lending authority. Additionally, the proceeds will be traced for those loans in President Lincoln's portfolio that recently paid off. Larger ORE properties and newly acquired parcels will be sampled. The Bank does not have loan file imaging, so all loan and ORE files will be reviewed on-site.

President Lincoln indicated that the loan policy has been updated, so a thorough review of each change will be completed. Although President Lincoln indicated a level of comfort with the level of the ACL (3.67% of TL), the ACL methodology and calculation will be subjected to in-depth review, due to problems consistently being noted in this area. The concentration in loans to borrowers in the shell fishing industry will be reviewed to assess risk management, monitoring, and control processes.

Since the securities portfolio is entirely comprised of investments in GSE securities, investment policies have not changed, and adequate monitoring is evident in reports reviewed, no additional examination work will be performed in this area.

MANAGEMENT

The history of poor administration, controls, and governance at this institution warrants significant review of policies, procedures, and overall risk management practices for each of the CAMELS component areas, as well as transaction testing of internal controls. In particular, examiners will test the accuracy of several Call Report schedules. Since President Lincoln and Chairman White tend to dominate the affairs of the bank, all Board minutes since the previous examination will be reviewed off-site to determine the involvement and level of Board oversight. Examiners will review the strategic plan and all internal audits completed since the previous examination off-site. Additionally, an assessment of efforts to address the provisions of the MOU will be a priority of the examination.

EARNINGS

Poor asset quality has caused earnings performance to be less than satisfactory, though there are some improving trends. The ROAA has returned to a positive, albeit low level, and the NIM is also trending upward. Overhead expense has increased due to ORE holding costs and new loan workout staff hired to address problem credits. President Lincoln does not expect overhead expense to decline in the near term due to continued asset quality challenges, and the bank is considering closure of the west-end branch to reduce overhead. The budget and profit plan will be reviewed off-site. Additionally, given past call report errors regarding income and expense items, Call Report Schedule RI will be reconciled off-site. On-site follow-up of specific accounts will be performed if necessary.

CAPITAL

Capital levels have been declining, although they currently comply with the provisions of the MOU; the decline has been the result of the slight increase in assets and losses in 20x5. President Lincoln indicated that since issuance of the MOU, the Bank has focused on reducing loan levels and was taking a more conservative approach to growth. A thorough assessment of capital will be conducted to determine whether capital is sufficient to support the level of asset quality issues at the Bank. Policies regarding capital maintenance and strategies for capital augmentation will be reviewed along with the Board's monitoring of capital. Examination procedures related to capital will primarily be conducted off-site.

LIQUIDITY

On-balance sheet levels of liquidity total approximately 15 percent of total assets. A review of how management calculates and reports on-balance sheet liquidity will be completed along with a review of sources and uses of funds. While the bulk of the funding comes from local commercial and retail depositors, the bank also relies on borrowings from the Federal Home Loan Bank of Anyregion and draws on a commitment from Other Bank, Otherstate. Usage of these borrowings will be reviewed, along with policies, procedures, and risk management around liquidity and funds management, including contingency funding plans. Most of the review of this area can be conducted off-site.

SENSITIVITY TO MARKET RISK

The bank's balance sheet is fairly well matched. Examination procedures will focus on a review of the minutes of the Asset Liability Management Committee minutes, a review of the economic value of equity model used by the bank, as well as the reasonableness of the assumptions used in the model. This review will be conducted off-site.

ANTI-MONEY LAUNDERING/COUNTERING THE FINANCING OF TERRORISM (INCLUDING COMPLEXITY LEVEL)

The BCAT completed on June 15, 20x6 indicated a score of 60 or Low Complexity. As such, the lack of complexity in bank operations, coupled with satisfactory AML/CFT program performance noted at the prior examination and lack of new initiatives or products, indicate a lower risk profile for money laundering, terrorist financing, and other illicit financial activities. Examiners will work off-site and focus on determining the adequacy of the five components or pillars of the program. Examiners will utilize the FFIEC BSA/AML Examination Manual and the related electronic workprograms to document the review. The AML/CFT review will be allotted 40 hours.

INFORMATION TECHNOLOGY (INCLUDING COMPLEXITY LEVEL)

The IT Profile completed on June 3, 20x6, resulted in a Technology Profile Score of 60, indicating a "Level C – Low Complexity". The Bank is serviced and primarily relies on third parties for its IT infrastructure and oversight. As discussed with FS Roberts, the IT examination will be allotted 60 hours and commence on-site on the same date as the Safety and Soundness examination. The IT examiner is expected to be at the Bank for the first week and then finish off-site.

In the prior examinations, the overall IT program was rated satisfactory. The review will review actions to address prior recommendations and assess the overall IT posture, based on the Information Technology Risk Examination (InTReX) program. Conformance with Appendix B of Part 364, Interagency Guidelines Establishing Information Security Standards, will also be evaluated, as well as cybersecurity preparedness. Findings of the IT examination will be embedded in the Safety and Soundness ROE.

TRUST (IF APPLICABLE) (INCLUDING COMPLEXITY LEVEL)

The Bank has a small trust department and scored a 40 on the Trust Profile Scoring Matrix. Trust Department assets total \$3.3 million, held in 8 personal trust accounts, 44 burial trust accounts, and 1 farm management agency account. The review will include a review of policies, practices, and procedures, trust-related comments in Board minutes, and the last external audit to be performed off-site, and selected accounts, compliance with applicable laws, follow-up on matters criticized at previous examinations, and management discussions to be conducted on-site. The Trust examination will be allotted 50 hours.

OTHER (IF APPLICABLE, INCLUDING ANY SPECIALIZED BUSINESS LINES OR CHARACTERISTICS)

Not applicable.

SUPERVISORY ACTIONS OR MRBAs (including dates, requirements, and progress in addressing those items whether issued by the FDIC or State banking supervisor)

January 21, 20X5 MOU – The institution has 6 ongoing provisions in its MOU:

1. The Bank shall maintain an Allowance for Credit Losses at an appropriate level.
2. The Bank shall maintain a Leverage Capital ratio equal to or greater than 7 percent.
3. The Bank shall maintain a Total Capital ratio equal to or greater than 10 percent.
4. The Bank shall file accurate Call Reports
5. The Bank shall not extend or renew, directly or indirectly, credit to, or for the benefit of, any borrower who has a loan or other extension of credit with the Bank that has been charged off or classified, in whole or in part, Loss, Doubtful, or Substandard, unless rationale for the extension is noted in the official Board minutes and the appropriate credit file.
6. The Bank shall not declare or pay any dividends without the written consent of the FDIC.

A review of each of the provisions will be completed within each of the respective component reviews.

STAFFING AND ASSIGNMENTS

Examiner	Assignment	Location (On-site/Off-site)
1. Sandra Smart	EIC, Capital, Management	Will be on-site for two weeks beginning on August 1. One week off-site prior and after.
2. Melissa Johnson	OM, (all operations items not assigned to others)	Review policies off-site. On-site beginning on August 3.
3. Bill Wilson	AM, Loan Policy, Concentrations	Will be on-site for two weeks beginning on August 1.
4. Bob Franks	IT	On-site the week of August 1st and off-site 2 nd week.
5. Todd Marks	AML/CFT	On-site for kick-off meeting on August 1, then off-site. Will return for transaction testing and exit meeting second week.
6. George Woods	Loan Review/ACL	On-site beginning August 1 until loan review is finished, will review ACL off-site.
7. Pauline Justice	Loan Review/ACL	On-site beginning August 1 until loan review is finished, will review ACL off-site.
8. Mark Jacobs	Trust Review	Week of August 1 off-site. On-site August 8 and 9.

Other Staffing Notes: All Request List items have been provided electronically and placed in appropriate electronic workpaper files.

Communications Plan: Examiners should check previously submitted information from the bank prior to making additional information requests. Requests for additional documents should be coordinated through EVP Guterrez (S&S) or the appropriate specialty area bank officer. Loan reviewers may request loan-specific documents from the appropriate loan officer. Information requests from off-site examiners should be in writing via secure email to the appropriate bank individual. Bank staff will provide requested materials via EFX.

Meetings will be held on-site or via MS Teams. President Lincoln stated that the CFO and CLO should be involved in all major meetings involving operations and loans, respectively. A status update meeting will be held each Friday at 11 a.m. with President Lincoln. The president wants to be involved in all exit meetings, including specialty examinations.

TRAINING

Pre-Commissioned Examiners	Trainer	Benchmarks
George Woods	Pauline Justice	Review ACL and complete loan review

LOGISTICAL INFORMATION

	Information
Institution Address & Parking Info	557 Madison Parkway, Anytown, Anystate There are ample parking spaces around the Bank’s building and some parking in front of the Bank. Closest spots should be left for customers.
Working Hours	7:30 A.M. to 5:30 P.M.
Dress Code	Business Casual Attire
Connectivity Plan	FS Roberts ordered a high-speed digital circuit for examiner use.
Key Institution Management Absences	President Lincoln will be out of the office on Thursday, August 4.
Other	

EXAMINATION NUMBERS

Safety and Soundness	AML/CFT	Information Technology	Trust (if applicable)
999995	999996	999997	999998

EIC Sandra Smart	
FS/Designee Approval: Paul Roberts, Jr.	Date July 31, 20x6