Financial Statements and Key Ratios for Committees - 2026

TIM Transform Inspire Motivate

Presented by Timothy Harrington, CPA

Tim Harrington is a Certified Public Accountant who has consulted with financial institutions since 1992. Since 1996, Tim has been President of TEAM Resources, a firm that provides consulting, strategic planning and training to financial institutions from coast-to-coast. He is the author of the popular the books

Eisenhower on Enlightened Leadership and

Living a Life that Matters and co-author of

A Credit Union Guide to Strategic Governance.

Tim is a faculty member of two national credit union schools on governance and management, and has spoken to hundreds of thousands of directors, executive management and staff throughout the Northern Hemisphere.

Financially Literacy Policy
NCUA Reg. 701.4

- Risks within our credit union
- Level of financial literacy Directors need
- Individual analysis and plan for each Director in order to achieve financial literacy
  - Can consider past education or experience
    - CPA, Financial background, etc.
  - Should include supplemental education where deficiencies are identified

What do the Regulators look at and why?

They look at a set of sensible business financial measurements.

If you were looking to invest in stock of a bank, you would look at the same things.

These are KEY indicators of health.

CAMELS

Just Good Ole' Financial Ratios

Capital Adequacy

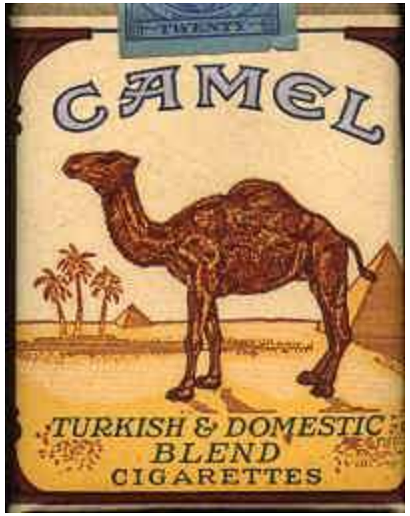
Asset Quality

Management (includes volunteers)

Earnings

Liquidity – Cash Flow and Sources

Sensitivity – Interest Rate Risk



CAMELS

like a Golf Score, lower is better

Measured on a Scale of 1 to 5

1 - Indicates strong performance

2 - Indicates satisfactory performance

3 - Some degree of supervisory concern in one or more of the component areas.

4 - Exhibit unsafe and unsound practices or conditions

5 - Exhibit extremely unsafe and unsound practices and conditions

Basic Financial Statements

- **Balance Sheet** or
  - Statement of Financial Condition
  - Statement of Condition
  - Statement of Financial Position
  - Statement of Position
- **Income Statement**
  - Profit and Loss
  - Revenues over Expenses
- Statement of Cash Flows
- Statement of Changes in Equity

Balance Sheet

ASSETS

EARNING ASSETS

Cash
Loans

Less Allowance for Loan and
Lease Losses

Investments
Held -to-Maturity
Available-for-Sale
Trading

NON-EARNING ASSETS

Building, Equipment, etc.
NCUSIF Deposit

Other Assets

LIABILITIES & CAPITAL

MISCELLANEOUS LIABILITIES

SHARES

CAPITAL
Undivided Earnings
Other Sub Accounts

Income Statement

REVENUE

Loan Interest Income

Investment Interest Income

Fees and Other Non-Interest
Income

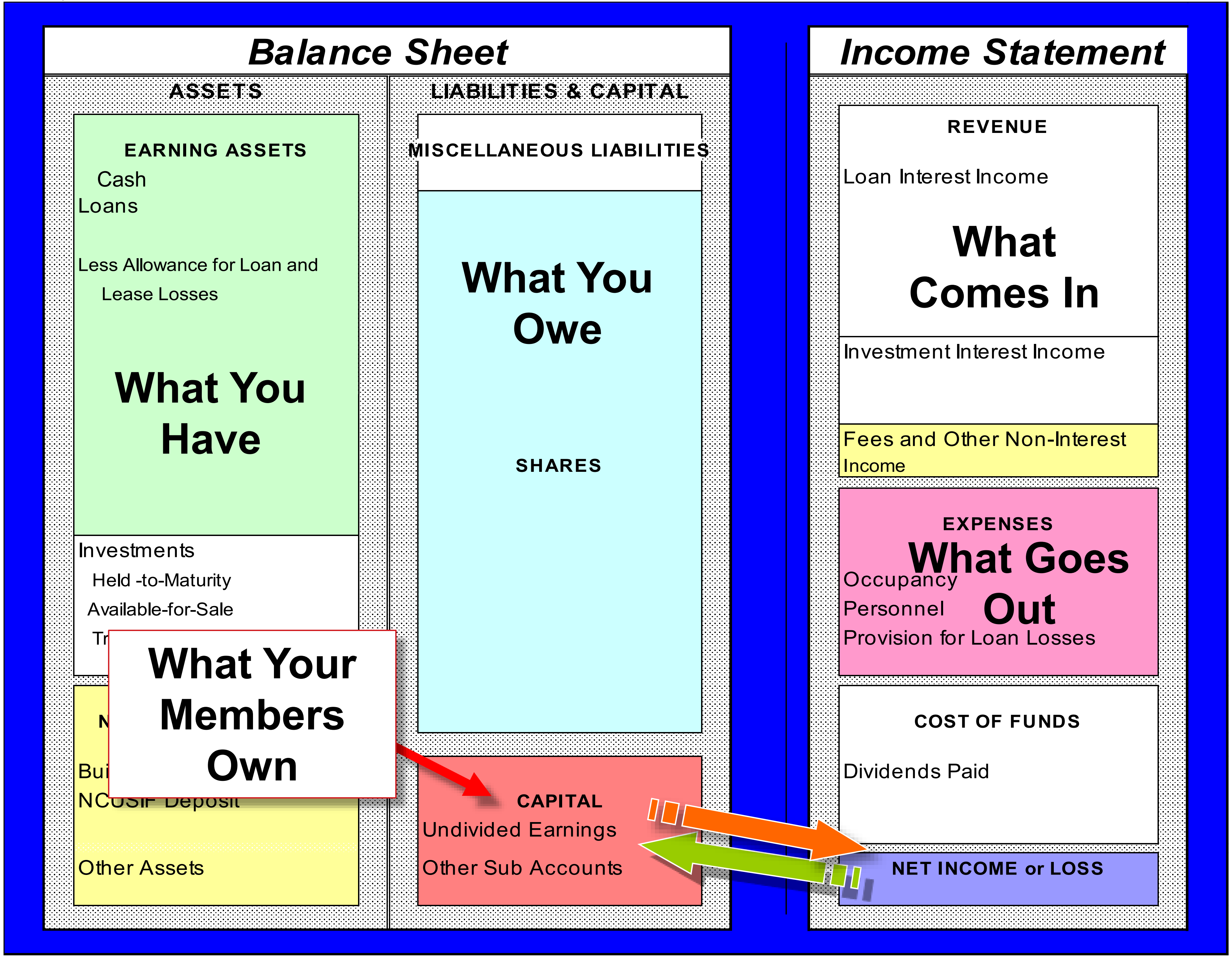
EXPENSES

Occupancy
Personnel
Provision for Loan Losses

COST OF FUNDS

Dividends Paid

NET INCOME or LOSS


Balance Sheet
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LIABILITIES & CAPITAL
EARNING ASSETS
Cash
Loans
Less Allowance for Loan and
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What You Have
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Held -to-Maturity
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What Your Members Own
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Occupancy
Personnel
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COST OF FUNDS
Dividends Paid
NET INCOME or LOSS

Balance Sheet

ASSETS	
EARNING ASSETS	
Cash	$ 16,000
LOANS	
Unsecured	13,500
Vehicle	110,000
Real estate	30,000
Total loans	153,500
Less Allowance for Loan Loss.	(1,100)
Net Loans	152,400
INVESTMENTS	
Held to maturity	5,000
Avail for sale	50,000
Allow Inv Loss	
TOTAL	55,000
NON-EARNING ASSETS	
Property and equip	1,500
NCUSIF	2,000
Other N. E. assets	
Other assets	100
TOTAL ASSETS	$ 227,000

LIABILITIES & CAPITAL	
MISCELLANEOUS LIABS	
Miscellaneous Liabs	$ 15,100
SHARES	
Share savings	68,000
Share drafts	35,000
Money market	45,000
IRAs	41,000
Other	4,000
Total Shares	193,000
CAPITAL	
Undivided earnings	18,900
Unrealized Investment losses	
Other reserves	
Total Capital	18,900
TOTAL LIABS & CAP	$ 227,000

Income Statement

REVENUE	
INTEREST INCOME	
Loans	$ 14,000
Investments	3,000
Non-Interest Income	
Fees/Serv Revs	1,900
TOTAL	18,900
EXPENSES	
Occupancy, Personnel	7,800
Provission for Loan Losses	1,000
TOTAL	8,800
COST OF FUNDS	
Dividends Paid	8,700
NET INCOME	
NET INCOME	$ 1,400

Does Your Business Model Work?

- Do you have enough Profit?
- Does your profit build enough Capital?
- Are you Growing?
    - Assets
    - Loans
    - Members

What Should We Be Watching?

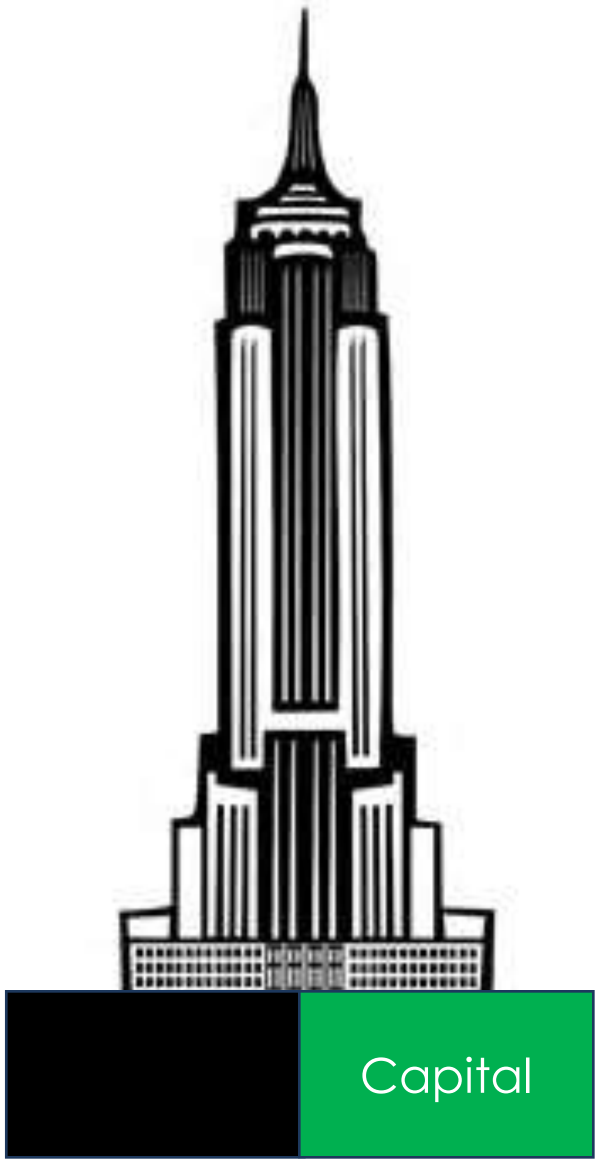
- **Enough Capital?** *Capital to Assets Ratio*
- **Enough Profit?** *Spread Analysis and ROA*
  - Yield on Assets (interest income ratio)
  - Cost of Funds (interest expense ratio)
  - Net Interest Margin
  - Operating expense ratio
  - Provision for Loan Loss ratio
  - Non-Interest Income ratio
  - Return on Assets (profit ratio)
- **Appropriate Risk?** *Delinquency & Charge-off Ratios*
- **Efficient use of Deposits?** *Loan to Share Ratio*

Why is Capital Important?

Capital to Assets

Capital is your 'Stability' account

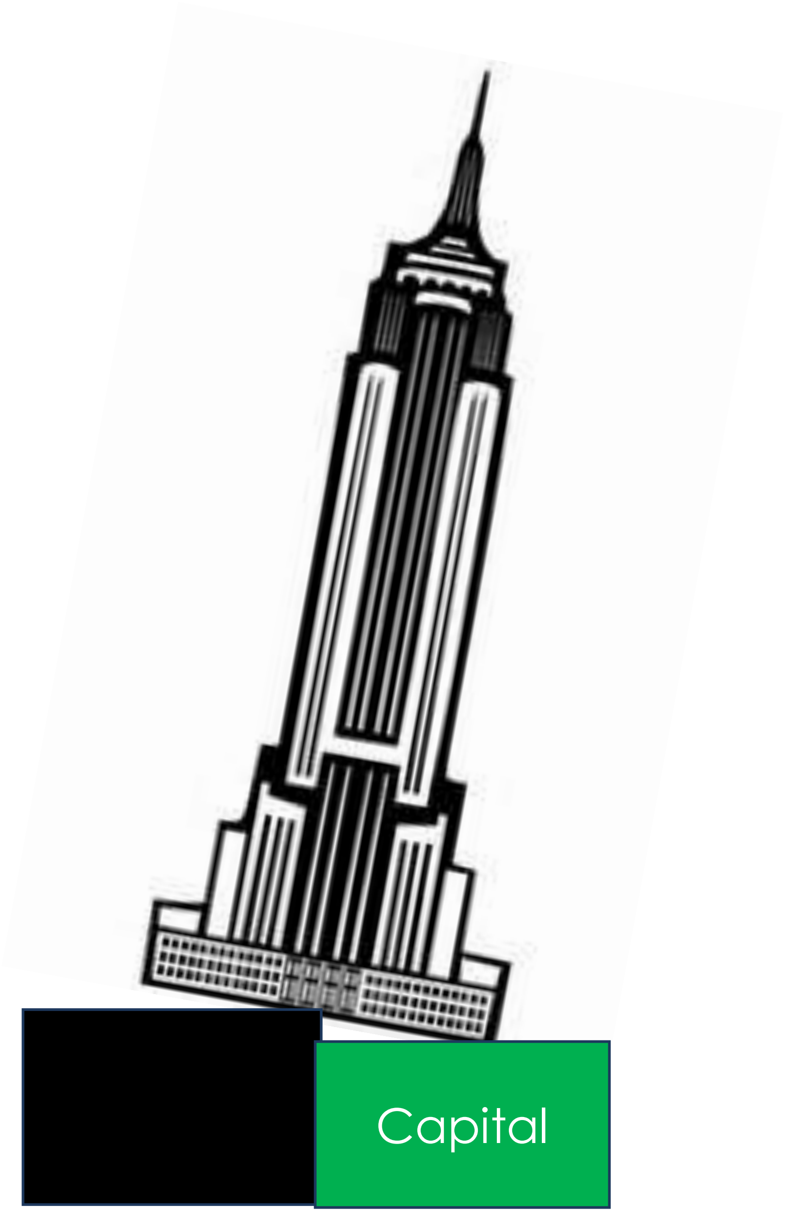
- Grows with profit.
- Shrinks with losses.
- Cushion for the unknowns
- Measured as a percentage of Asset Size



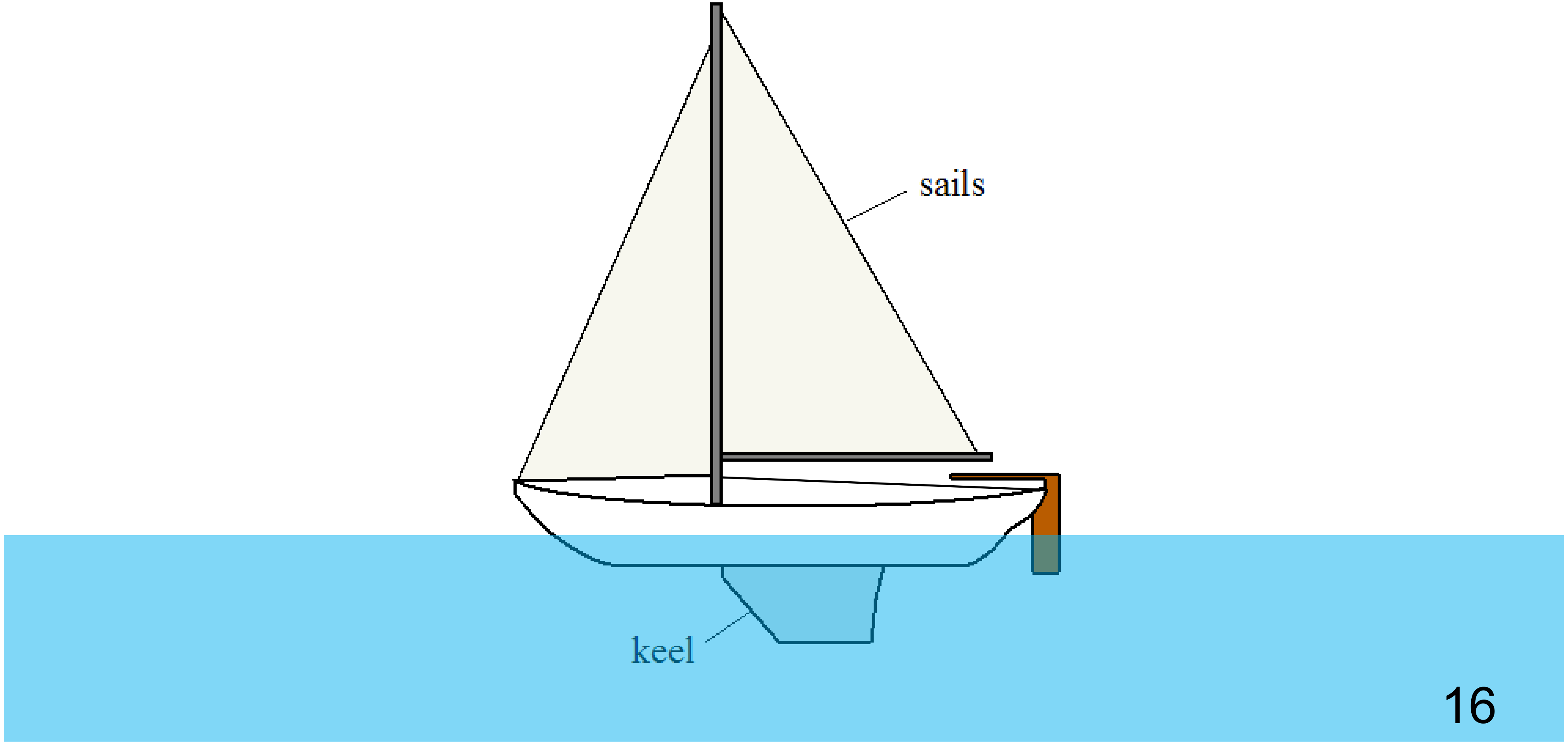
Capital to Assets

HOWEVER…

If Asset size grows,
and Capital size doesn't keep up,
your structure becomes unstable.



If Assets grow and Capital doesn't keep up, the credit union becomes unstable



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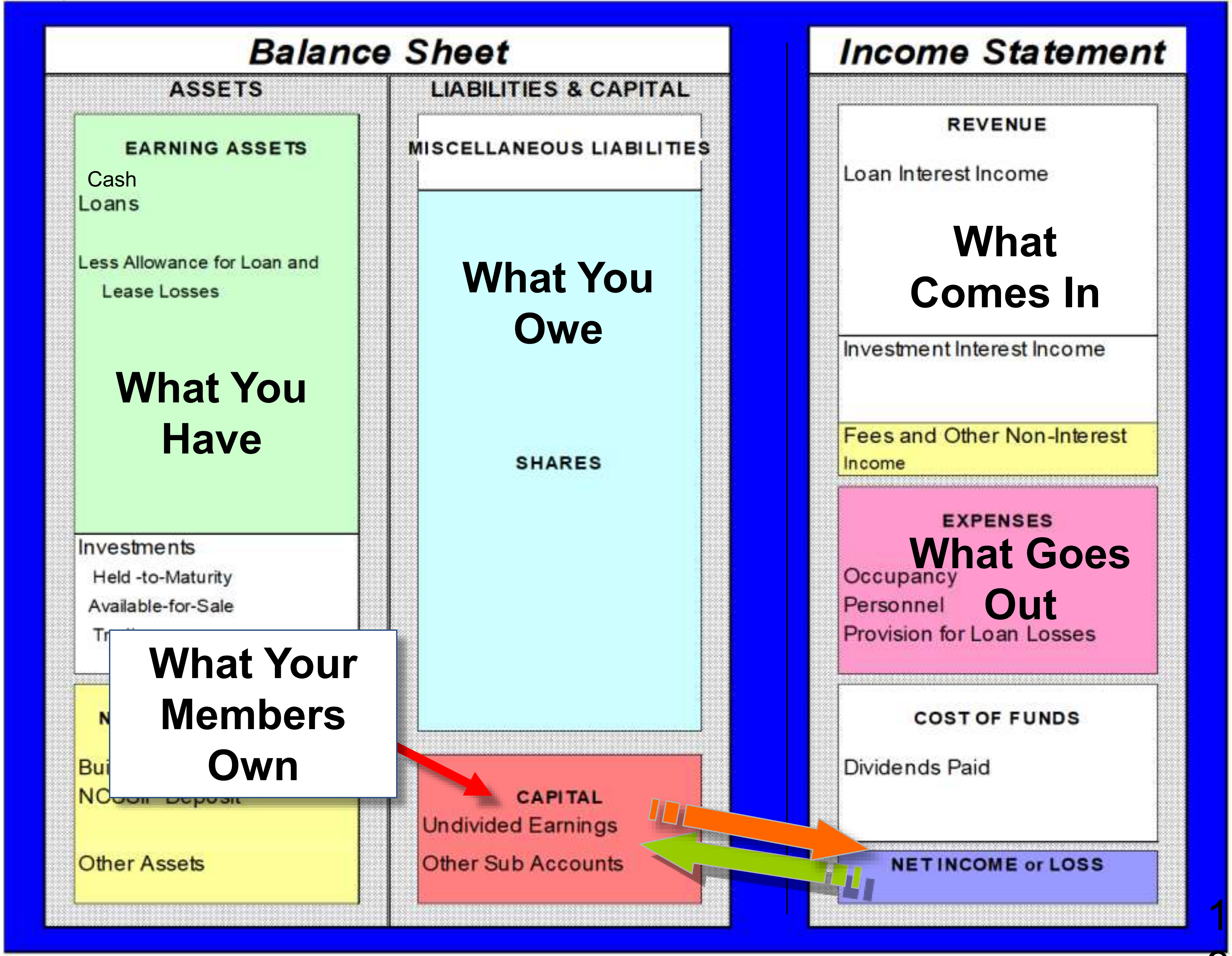
What is Capital (Net Worth)

Capital is not cash

- It is the accumulated earnings and losses since you started the credit union.
- Tells you what portion of the assets belong to your members (collectively) and what part is dedicated to your depositors and other creditors
- It is your ‘rainy day’ fund
- It is your ‘hibernation’ fat
- You try to build enough to last 3 bad years and 2 recessions in a row



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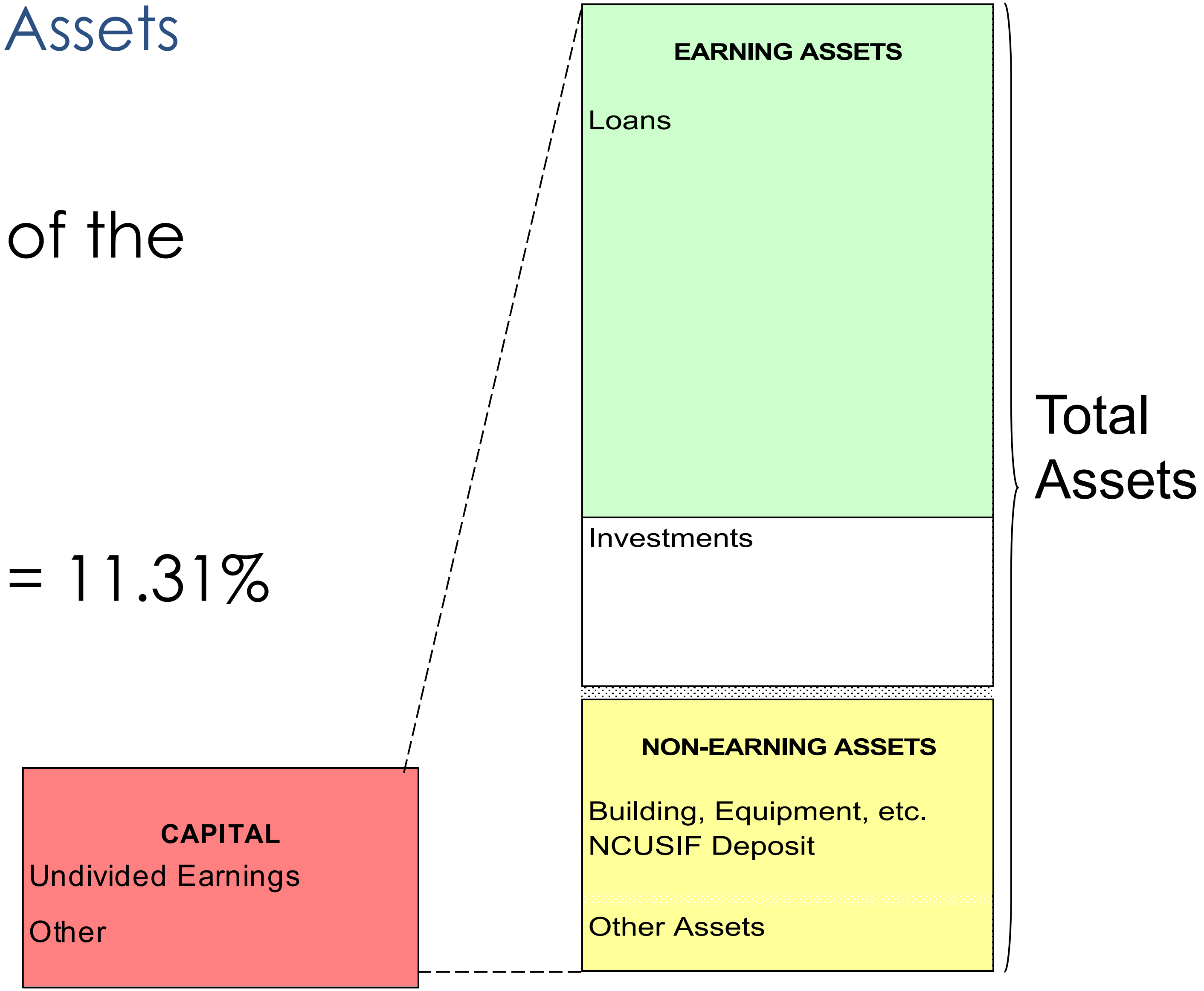
Capital To Assets Ratio

Total Capital/Total Assets

Measure's stability of the credit union

National Average = 11.31%

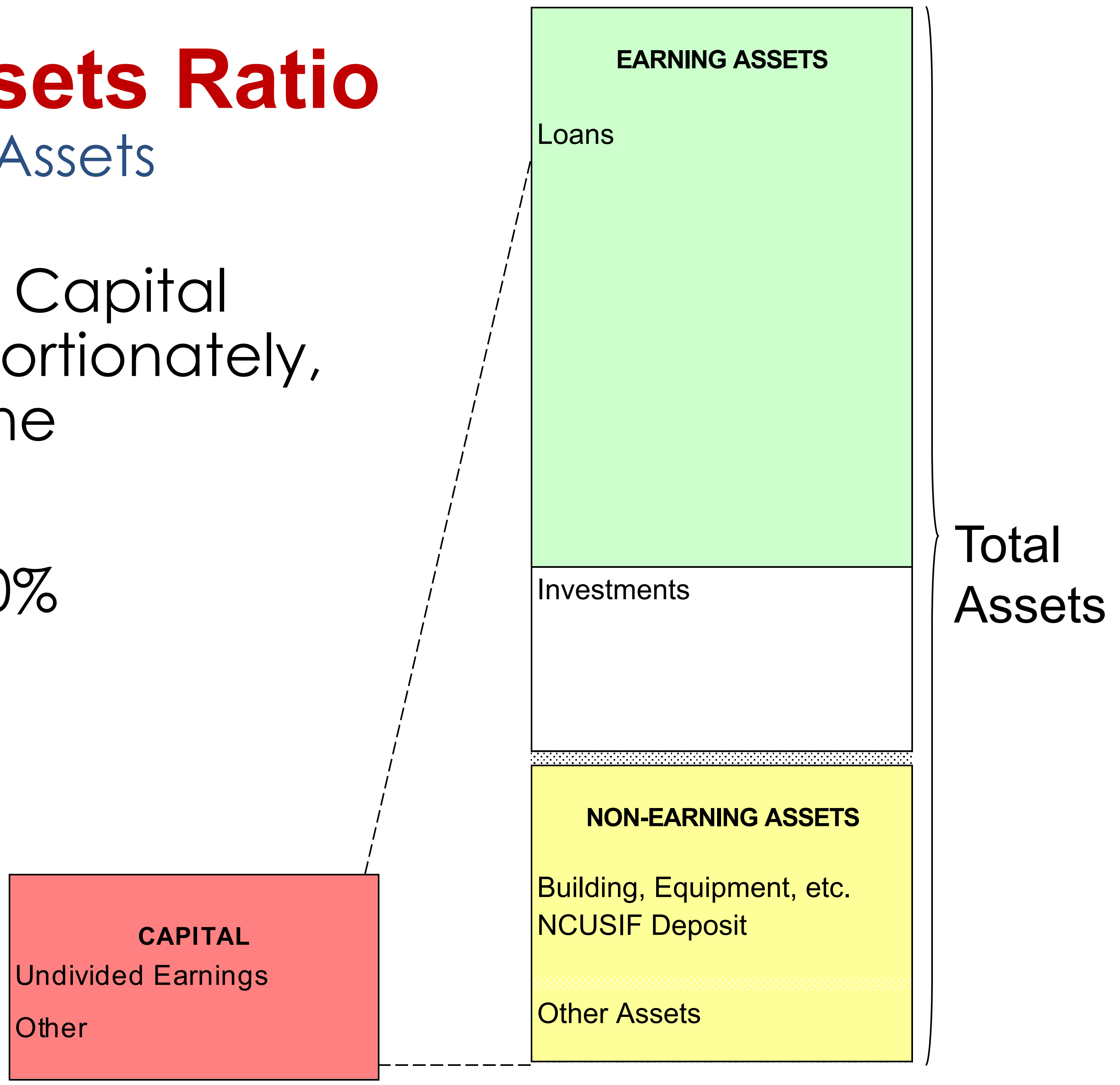


Capital To Assets Ratio

Total Capital/Total Assets

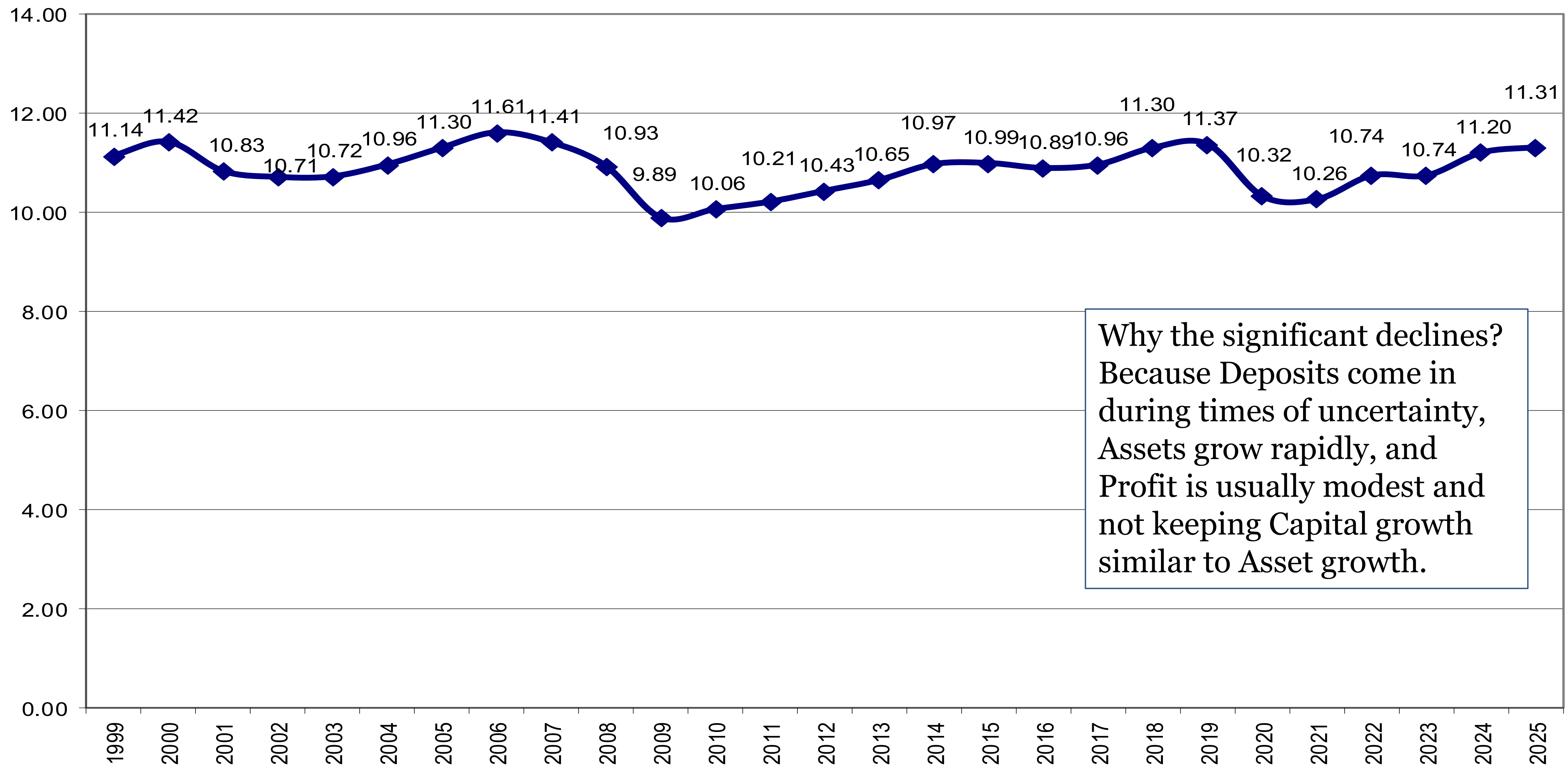
If Assets grow, and Capital doesn't grow proportionately, the Ratio will decline

Woops! Now = 9.90%



Range: 9.89% to 11.61%

History of Capital to Assets Ratio
National Average



NCUA Calculation a bit different

NET WORTH / TOTAL ASSETS

(Regular Reserve + Appropriation for Non-Conforming Investments [*SCU Only*] +Other Reserves + Undivided Earnings + Uninsured Secondary Capital [*Low-Income Designated CU Only*] + Net Income or (Loss)) / Total Assets *

*Total assets means a credit union's total assets as measured by either the:

(i) average quarterly balance of the four most recent calendar quarters; or

(ii) average monthly balance over the three calendar months of the calendar quarter; or

(iii) average daily balance over the calendar quarter; or (iv) quarter-end call report balance for the calendar quarter.

How much Capital is enough?

Suggestion: Project worst 3 years possible (combination of Asset Growth and Net Losses)

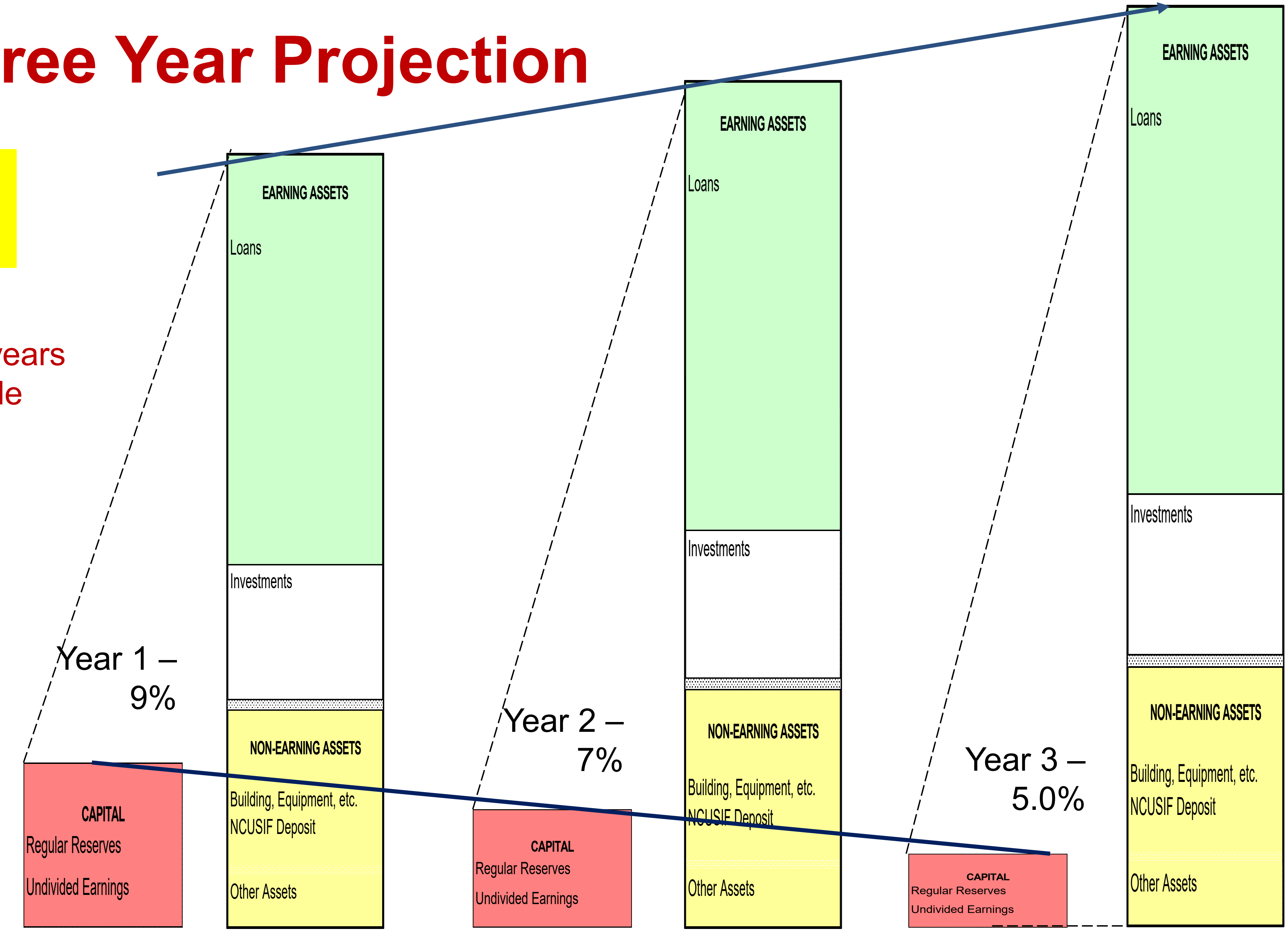
If at end, the ratio is greater than 4%, you may have enough

Prompt Corrective Action Rules
Depends on how much risk your assets and liabilities represent
Depends on level of growth
Depends on profitability of CU
Depends on future plans

Three Year Projection

Today
10.5%

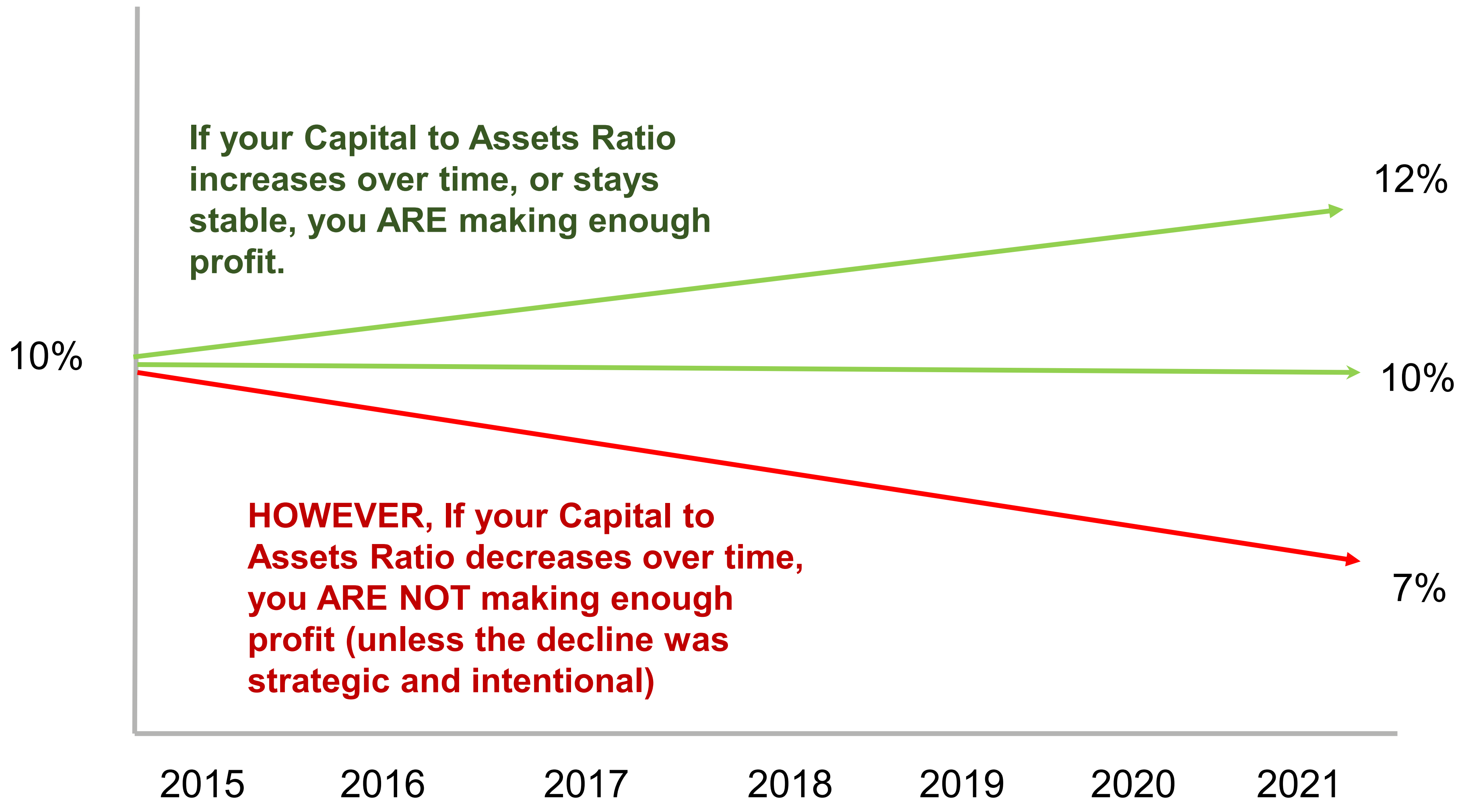
Worst 3 years imaginable

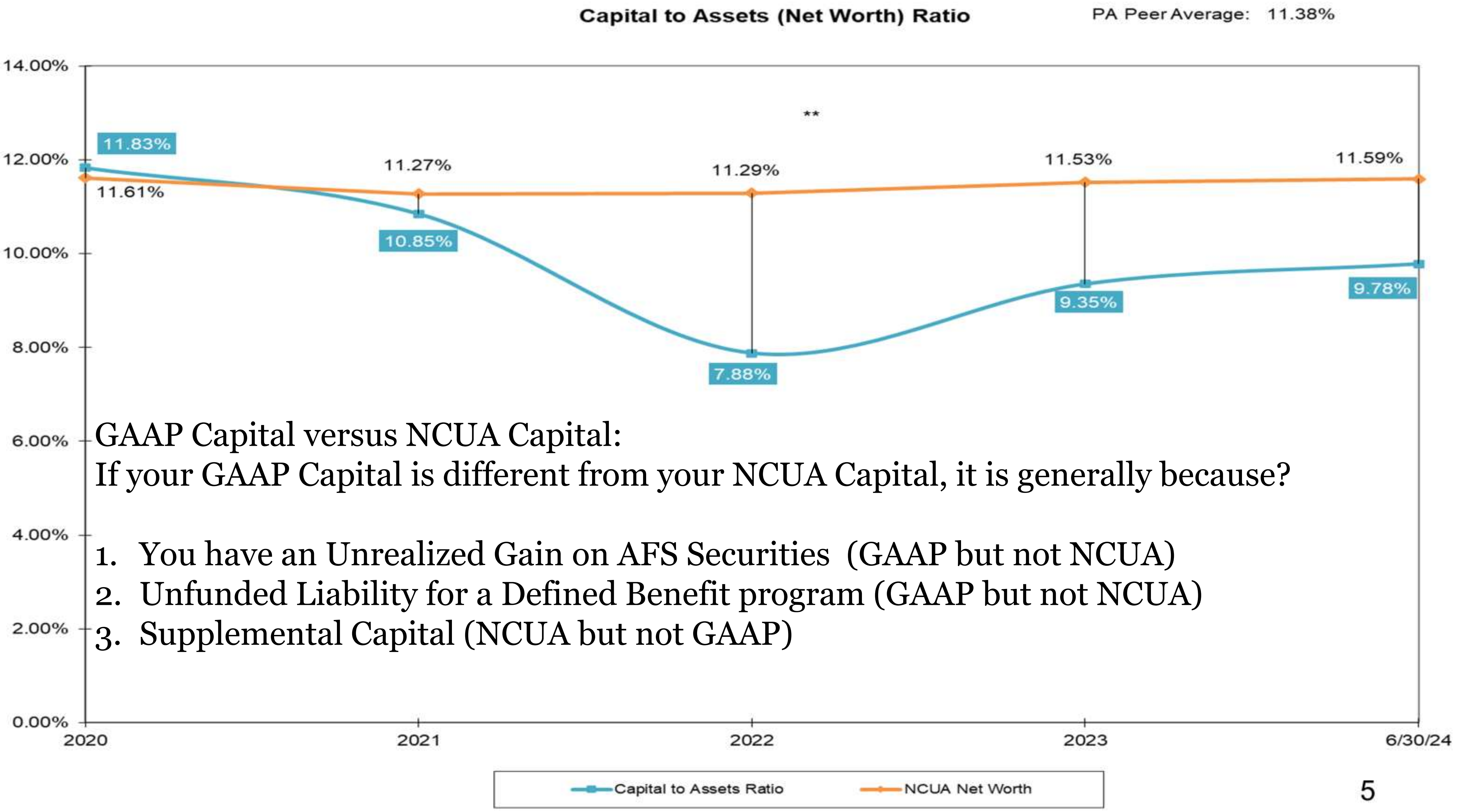


Projecting Capital:
If you grow rapidly, how much profit is needed?

Capital Growth Calculator		**Fill in white cells, do not change gray cells**				
Calculate ROA Needed						
Five Year Projection						
	20X6	**20X7**	**20X8**	**20X9**	**20Y1**	**20Y2**
ANTICIPATED ASSET GROWTH		4.00%	5.00%	6.00%	7.00%	8.00%
TOTAL ASSETS	$ 268,888,180	$ 279,643,707	$ 293,625,893	$ 311,243,446	$ 333,030,487	$ 359,672,926
TOTAL CAPITAL	$ 40,020,889	$ 41,610,984	$ 43,691,533	$ 46,313,025	$ 49,554,937	$ 53,519,331
$ INCREASE IN CAPITAL		$ 1,590,095	$ 2,080,549	$ 2,621,492	$ 3,241,912	$ 3,964,395
(SAME AS NET PROFIT NEEDED)						
% INCREASe IN CAPITAL		3.97%	5.00%	6.00%	7.00%	8.00%
ACTUAL CAP/ASSETS %	14.88%					
DESIRED CAP/ASSETS %		14.88%	14.88%	14.88%	14.88%	14.88%
ROA NEEDED		**0.58%**	**0.73%**	**0.87%**	**1.01%**	**1.14%**

The Capital to Assets Gauge





GAAP Capital versus NCUA Capital:
If your GAAP Capital is different from your NCUA Capital, it is generally because?

1. You have an Unrealized Gain on AFS Securities (GAAP but not NCUA)
2. Unfunded Liability for a Defined Benefit program (GAAP but not NCUA)
3. Supplemental Capital (NCUA but not GAAP)

Prompt Corrective Action (PCA) Rules

• 7% or higher	Well capitalized
• 6%-6.99%	Adequately capitalized
• 4%-5.99%	Undercapitalized
• 2%-3.99%	Significantly undercapitalized
• Less than 2%	Critically undercapitalized

Prompt Corrective Action (PCA) Rules

- **Mandatory Supervisory Actions**
  - Below 7% - transfer 0.1% of Total Assets to Regular Reserve each month
  - Below 6%
    - Develop a Net Worth Restoration plan
    - Limit asset growth
    - No new member business loans
- **Discretionary Supervisory Actions**

The lower you go, the more authority the regulators take away from management and the Board

Capital for Complex CUs

Complex Credit Unions must calculate capital differently

“Complex” refers to CUs >$500 MM with complex instruments

Must calculate Capital using:

a. the **Risk Based Capital Rule, or**

b. The **Complex Credit Union Leverage Ratio – CCULR**

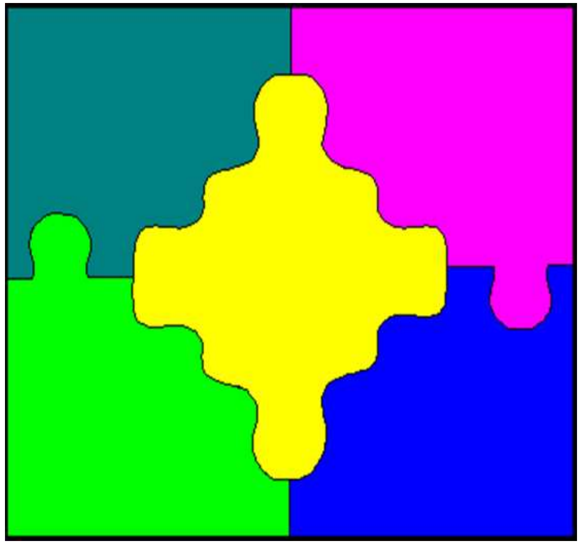
The CCULR is the regular NCUA Net Worth Ratio for credit unions that qualify.

Why is Profit important?

It gives us Capital.

Why is Capital important?

Understanding the Five Puzzle Pieces of Profitability



ROA

ROA stands for Return on Assets (or Return on Average Assets-ROAA)

- It is a standard measure of profitability in financial institutions
- It tells you your profit as a percent of your credit union's asset size
- It allows you to compare your profitability to other credit unions of any size (as it is based on Asset size)
- It tells you how effectively the credit union is using its Assets and Liabilities

Which CU is Doing Better?

Why we use Comparable ratios

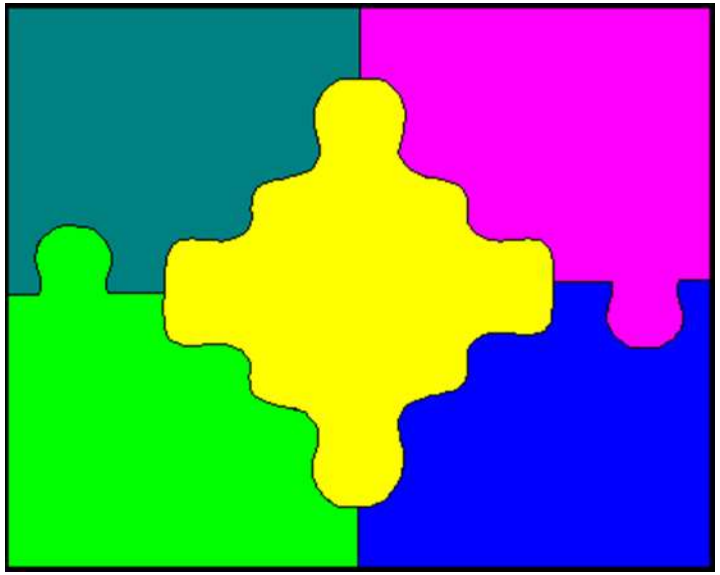
		$10 Bil CU		$100 Mil CU
Interest income		$ 496,000,000		5,630,000
Cost of funds		(175,000,000)		(1,6400,00)
Net Interest Margin		321,000,000		3,990,000
Operating costs		(329,000,000)		(3,3200,00)
Provision for loan losses		(111,000,000)		(440,000)
Net loss before other income		(120,000,000)		230,000
NII – Non-interest income (Fee income, Other)		136,000,000		780,000
Net Profit or Loss		**$ 16,000,000**		**1,020,000**
Total Capital		**$ 500,000,000**		**$10,000,000**

Which CU is Doing Better?

Why we use Comparable ratios

As a % of Average Assets		$10 Bil CU		$100 Mil CU
Yield: Interest income		4.96%		5.63%
Less: Cost of funds		(1.75%)		(1.64%)
Net Interest Margin (NIM-Spread)		3.21%		3.99%
Less: Operating costs		(3.29%)		(3.32%)
Less: Provision for loan losses		(1.11%)		(0.44%)
Net loss before other income		(1.20%)		0.23%
Plus: NII-Non-interest income (Fee income, Other)		1.36%		0.78%
Equals: Return on Assets (ROA)		**0.16%**		**1.02%**
Capital to Assets Ratio		**5.00%**		**10.00%**

5 Puzzle Pieces of Profitability…and We Need to Make a Profit



Credit unions make money 2 ways:

- Interest Income
- Non-Interest Income

Credit unions spend money 3 ways:

- Cost of Deposits (Cost of Funds)
- Operating Expenses (cost of people, buildings, and systems)
- Provision for Loan Losses (cost indirectly caused by bad loans)

Spread Analysis (ROA)
National Averages

As a % of Average Assets	12/31/25	12/31/97
Yield: Interest income	5.21%	7.63%
Less: Cost of funds	(1.82)	(3.64)
Net Interest Margin	3.39	3.99
Less: Operating costs	(3.12)	(3.32)
Less: Provision for loan losses	(0.61)	(0.44)
Net loss before other income	(0.34)	0.23
Plus: Non-interest income	1.13	0.78
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What is Net Interest Margin?

Net Interest Margin is the difference between interest earned and interest paid.

Also known as:

- **NIM**
- **Spread**
- You don’t control your Interest Income, the Market does
- You don’t control you Interest Expense, the Market does

You try to control the spread between the Yield and the Cost of Funds

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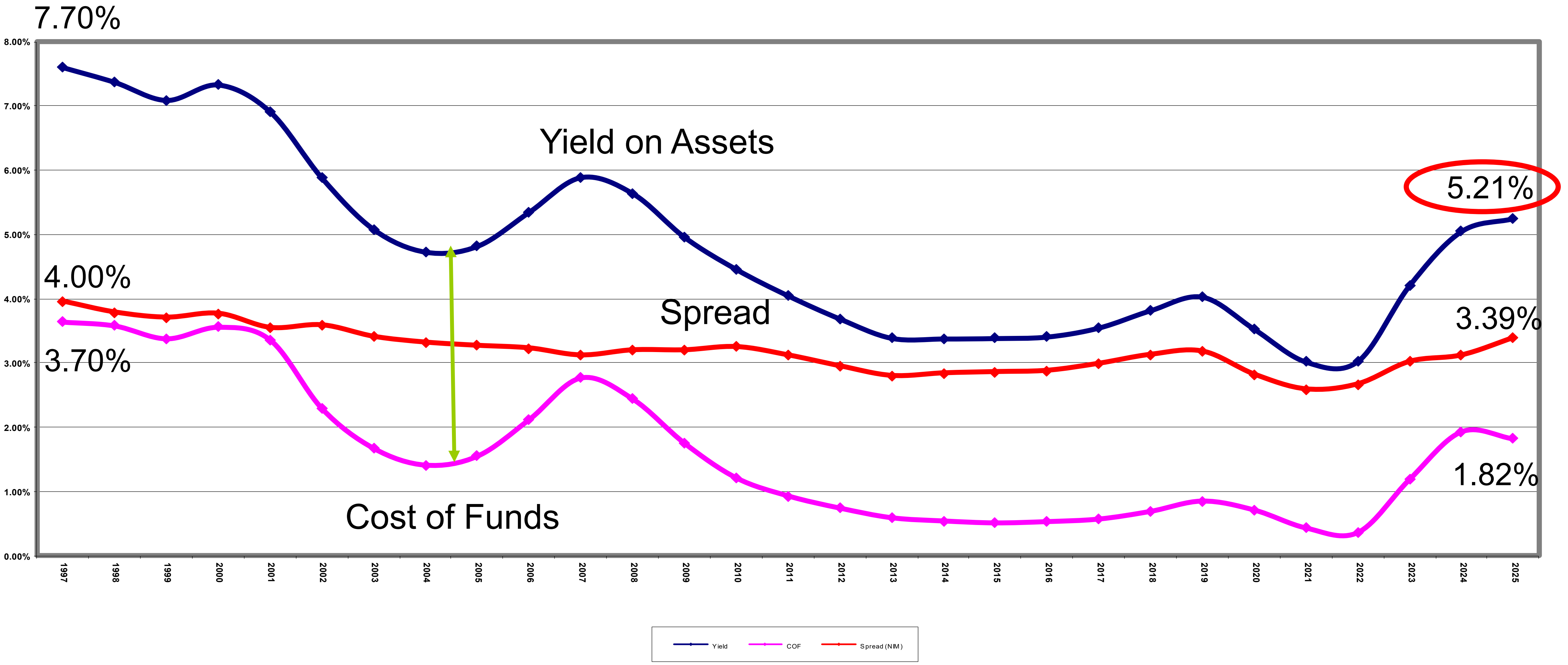
Spread or Net Interest Margin (NIM)

Goal: Can you keep it stable…or grow it?



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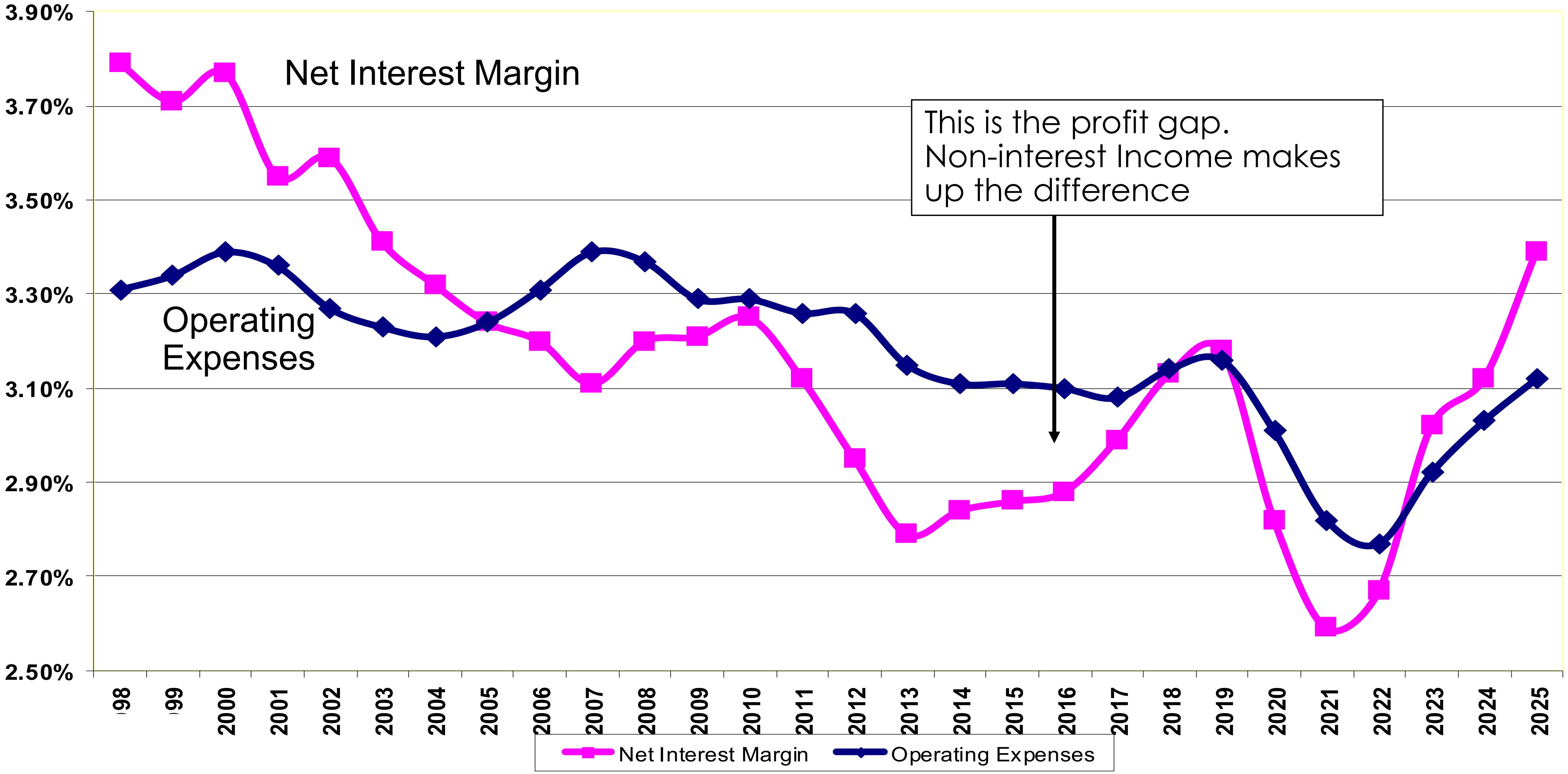
All Credit Unions

Net Interest Margin & Operating Expense Ratio



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Is Non-Interest Income (NII) Important?

Vital:

- Where a significant portion of CU profit is derived
- Has been important for decades
- NSF and Courtesy Pay income will likely be challenged by competitive pressure
  - Where will you make up the income?
- If you can't get enough revenue from Non-Interest Sources, where do you need to get it?
  - From Interest Income… or Reduce Costs

Sources of Non-Interest Income Not Just Fees!!!

- **Fee Income** – NSF and late loan fee
- **Service Revenues** – Courtesy Pay
- **Commission Income** – sales of something
- **Interchange Income** – Debit and Credit cards
- **Sales of Mortgage Loans**
- **Other Non-Interest Sources** – CUSO selling some product or service

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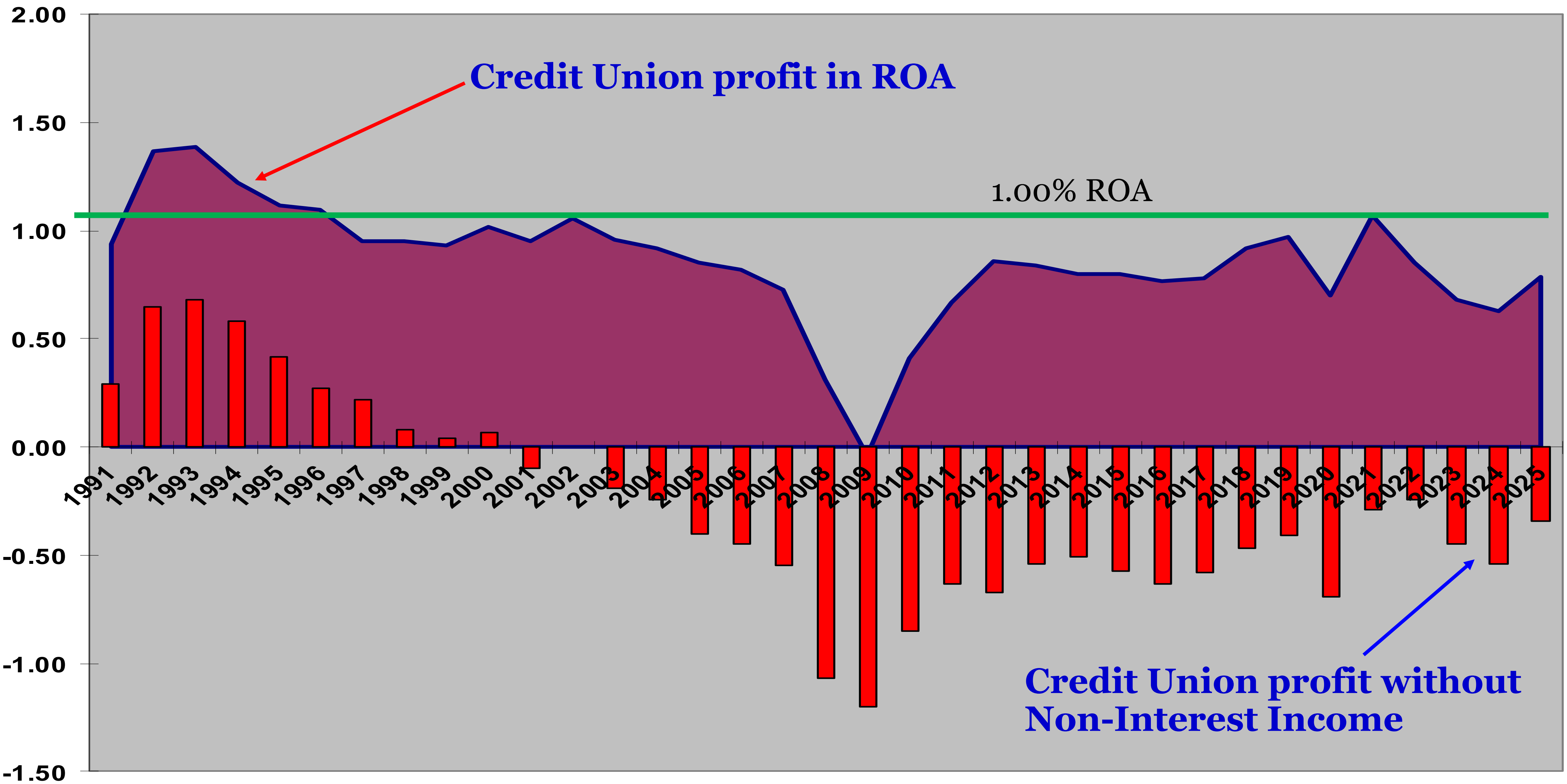
Non-Interest Income – We're NII Dependent



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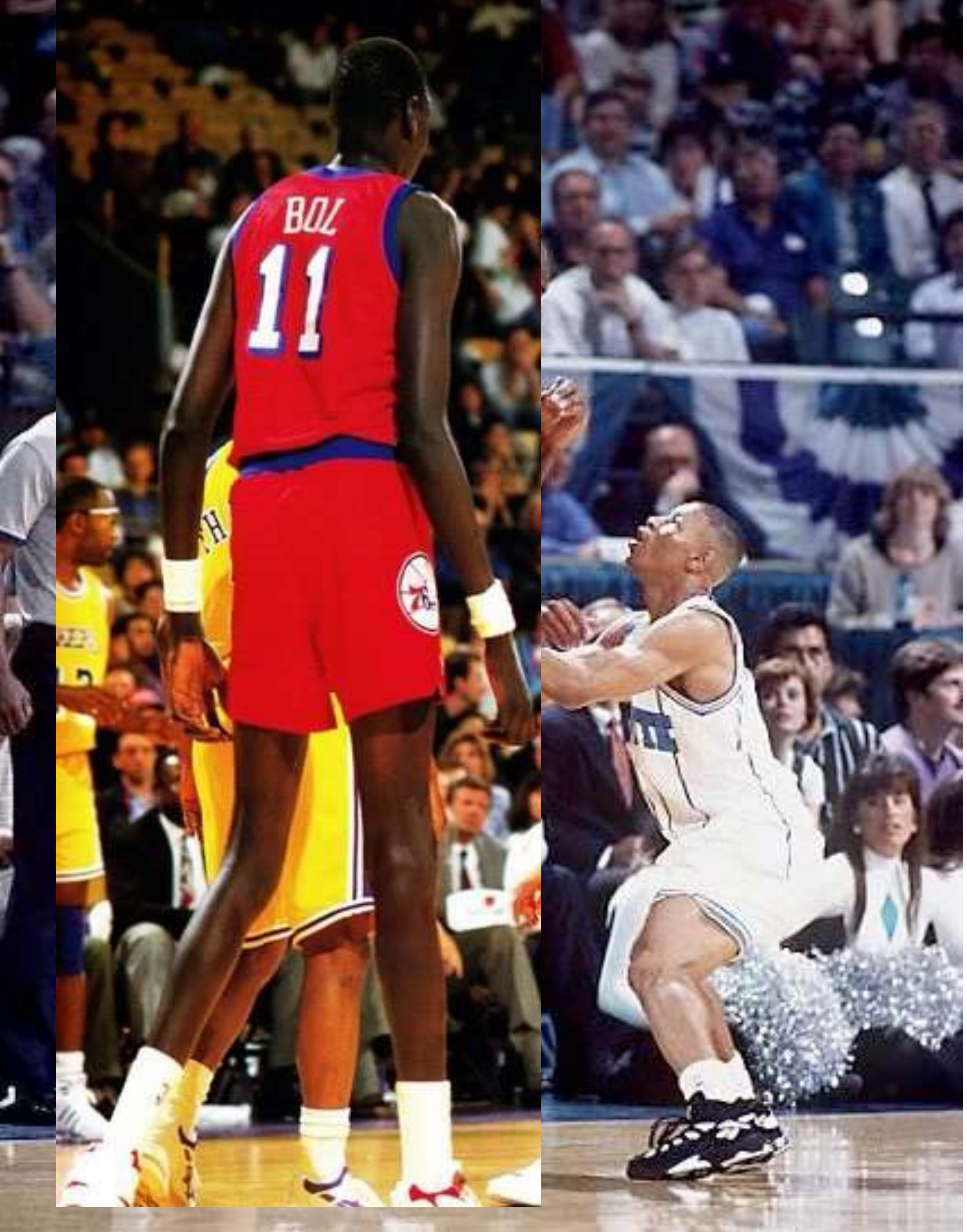


Why Peers don't really help

Manut Bol played at 7'7"
Muggsy Bogues played at 5'3"

On Average, they were 6'5"

Peer info is just a conglomeration of financial data from hundreds of credit unions.

Peer info does not:
- Reflect local market difference
- Strategic choices
- Business model differences

All Peer averages can show you is how different you are than the imaginary average

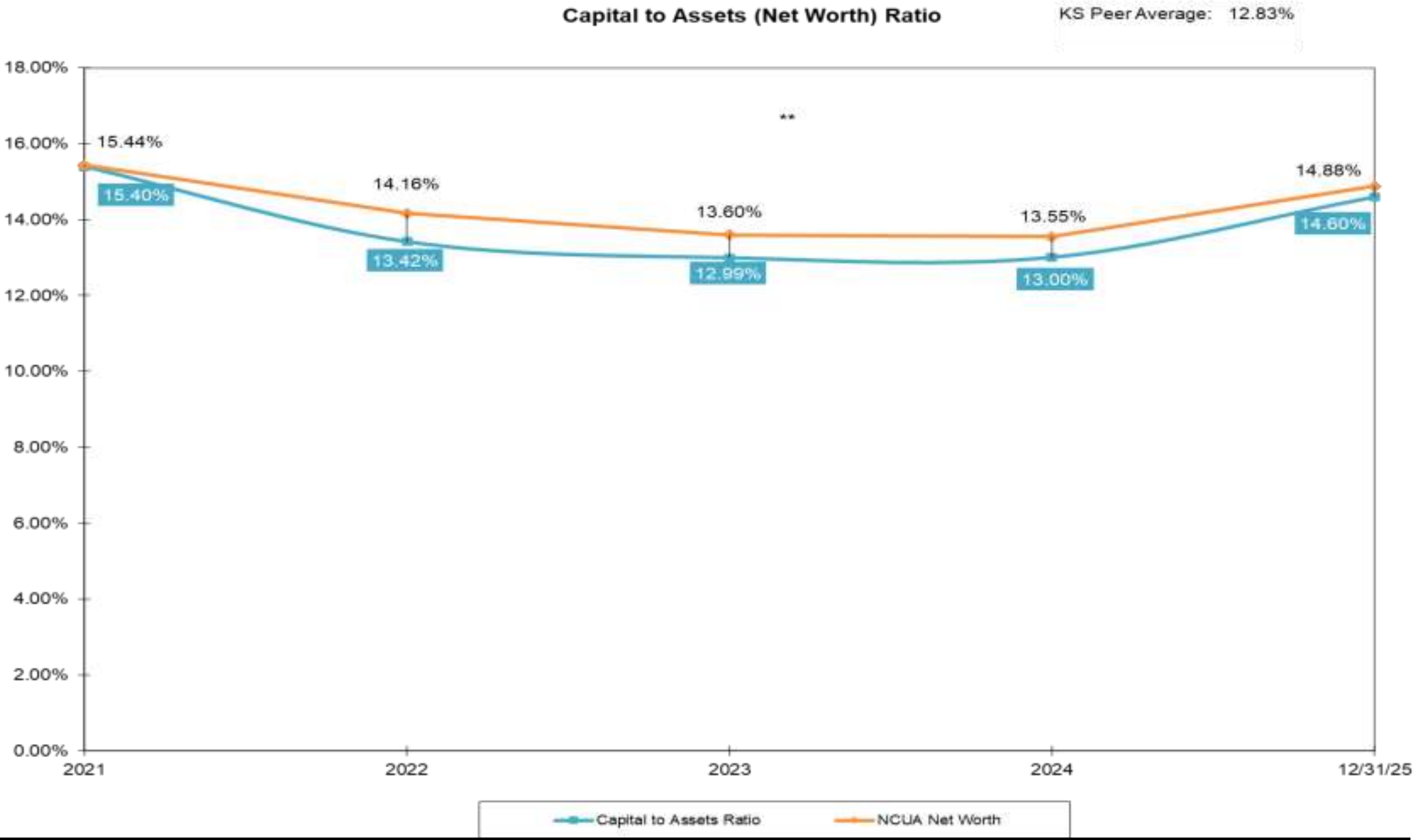
Different Business Models
Different Spread Results
Know Your Model

	Avg CU	MOMMs CU	Low Op CU
Yield	5.21	8.31	3.18
Cost of funds	(1.82)	(1.79)	(2.04)
NIM	3.39	6.52	1.14
Operating exp	(3.12)	(4.61)	(0.87)
PLL	(0.61)	(1.76)	(0.01)
Net before NII	(0.34)	0.15	0.26
Non-Interest Income	1.13	1.72	0.24
ROA	0.79	1.87	0.50
Capital/Assets	11.3%	14.0%	14.0%

A Quick Look at Key Metrics

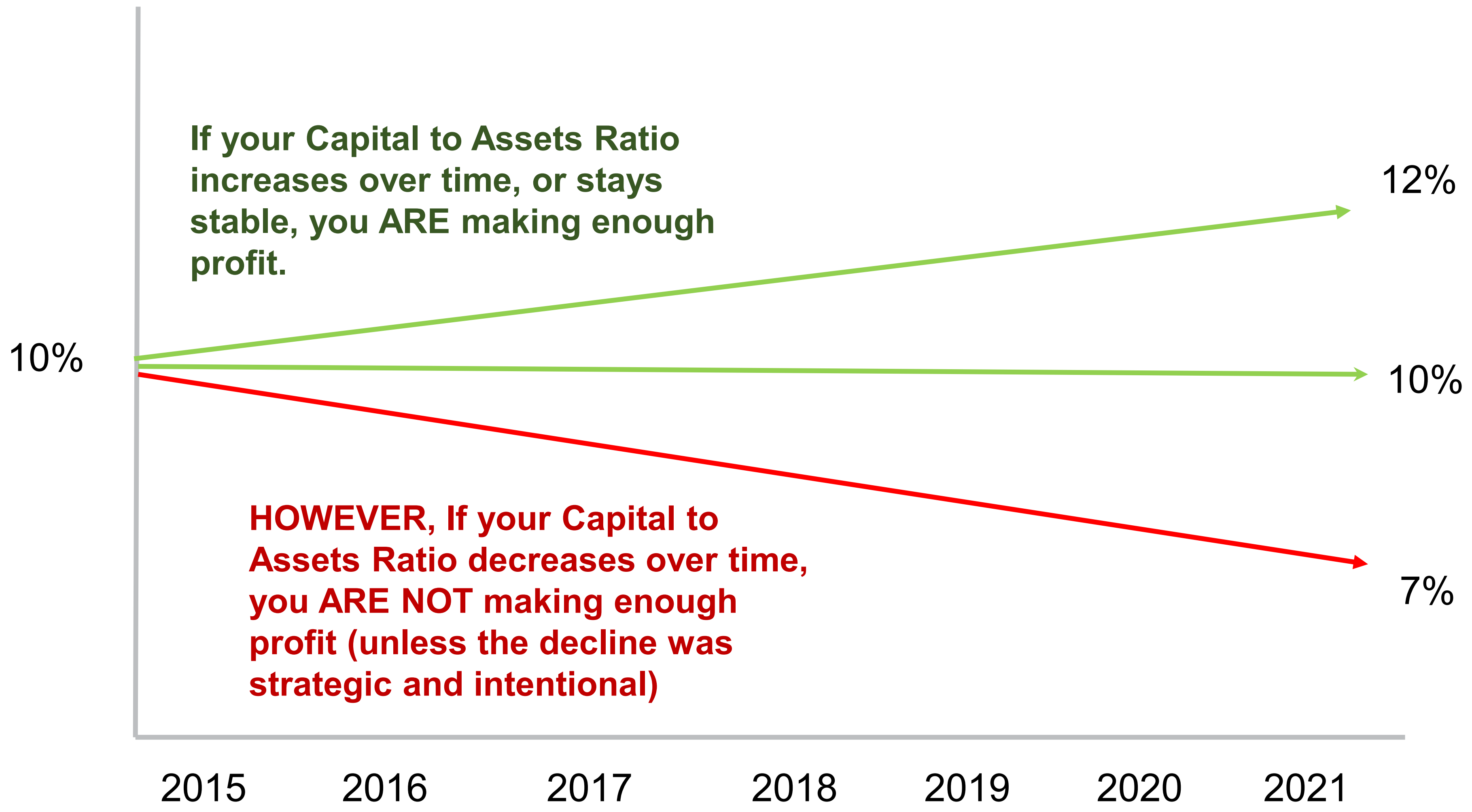
Monitor a Graph of your Capital to Assets Ratio. Is the trend 'stable' or 'improving'? Or is it declining?

And why?



Spread Analysis	2020	2021	2022	2023	2024	12/31/2025
Interest Income/Avg Assets	5.26%	5.30%	5.27%	6.30%	7.34%	7.90%
Interest Expense/Avg Assets	0.86%	0.55%	0.65%	1.79%	2.62%	2.20%
Net Interest Margin	4.40%	4.75%	4.62%	4.52%	4.73%	5.70%
PLL /Average Assets	0.83%	0.52%	0.23%	0.76%	1.26%	1.85%
Operating Expenses	4.33%	4.61%	4.67%	4.61%	4.56%	4.36%
Other Revenues	2.17%	2.20%	1.82%	1.72%	1.77%	1.89%
Return on Average Assets	1.41%	1.82%	1.54%	0.87%	0.68%	1.38%

The Capital to Assets Gauge



Projecting Capital:
If you grow rapidly, how much profit is needed?

Capital Growth Calculator	Fill in white cells, do not change gray cells					
Calculate ROA Needed						
Five Year Projection						
	20X6	20X7	20X8	20X9	20Y1	20Y2
ANTICIPATED ASSET GROWTH		4.00%	5.00%	6.00%	7.00%	8.00%
TOTAL ASSETS	$ 268,888,180	$ 279,643,707	$ 293,625,893	$ 311,243,446	$ 333,030,487	$ 359,672,926
TOTAL CAPITAL	$ 40,020,889	$ 41,610,984	$ 43,691,533	$ 46,313,025	$ 49,554,937	$ 53,519,331
$ INCREASE IN CAPITAL		$ 1,590,095	$ 2,080,549	$ 2,621,492	$ 3,241,912	$ 3,964,395
(SAME AS NET PROFIT NEEDED)						
% INCREASe IN CAPITAL		3.97%	5.00%	6.00%	7.00%	8.00%
ACTUAL CAP/ASSETS %	14.88%					
DESIRED CAP/ASSETS %		14.88%	14.88%	14.88%	14.88%	14.88%
ROA NEEDED		**0.58%**	**0.73%**	**0.87%**	**1.01%**	**1.14%**

Allowance for Loan & Lease Losses

ALLL or ALL or ACL

CECL – Current Estimated Credit Losses:

Amount based on management's best estimate of losses over the life of the loan (or life of the portfolio)

A.L.L.L. is a **Contra-Asset**, that means it takes away from the assets

Balance Sheet

ASSETS

EARNING ASSETS

Cash	$ 16,000
LOANS	
Unsecured	13,500
Vehicle	110,000
Real estate	30,000
Total loans	153,500
Less Allowance for Loan Loss.	(1,100)
Net Loans	152,400
INVESTMENTS	
Held to maturity	50,000
Avail for sale	5,000
Allow Inv Loss	
TOTAL	55,000

NON-EARNING ASSETS

Property and equip	1,500
NCUSIF	2,000
Other N. E. assets	
Other assets	100
TOTAL ASSETS	$ 227,000

LIABILITIES & CAPITAL

MISCELLANEOUS LIABS

Miscellaneous Liabs	$ 15,100

SHARES

Share savings	68,000
Share drafts	35,000
Money market	45,000
IRAs	41,000
Other	4,000
Total Shares	193,000

CAPITAL

Undivided earn	18,900
Gains (Losses) on Investments	
Other	
Total Capital	1[illegible]00
TOTAL LIABS & CAP	$ 227,000

Income Statement

REVENUE

INTEREST INCOME	
Loans	$ 14,000
Investments	3,000
Non-Interest Income	
Fees/Serv Revs	1,900
TOTAL	18,900

EXPENSES

Occupancy, Personnel	7,800
Provision for Loan Losses	1,000
TOTAL	8,800

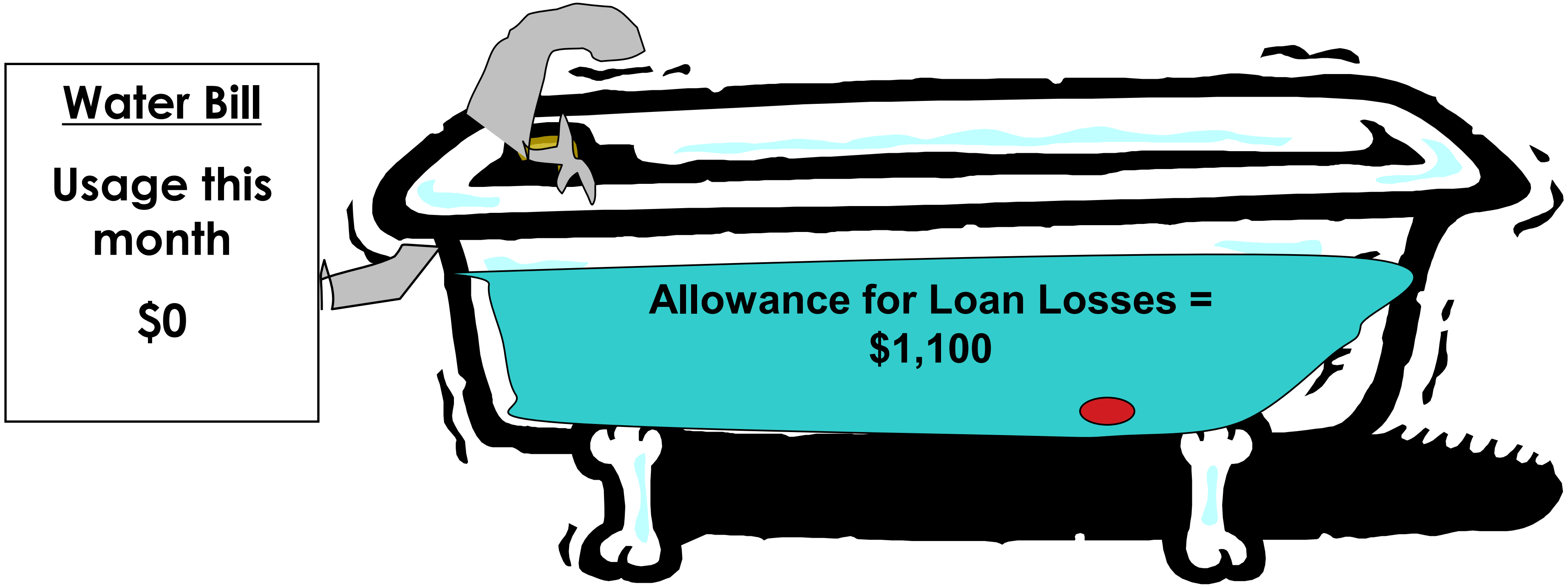
COST OF FUNDS

Dividends Paid	8,700

NET INCOME

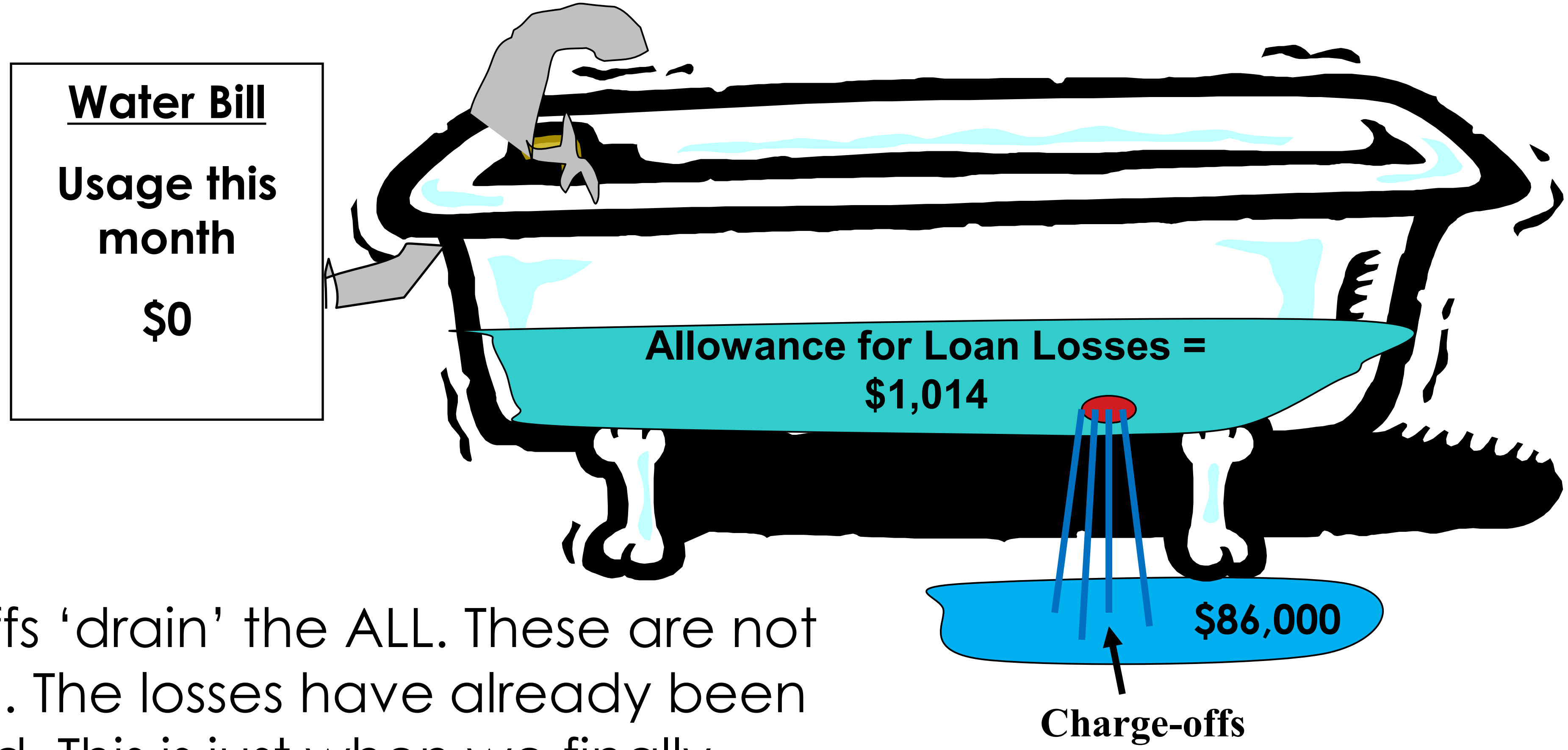
NET INCOME	$ 1,400

ALL Before Charge-offs



The ALL is like a reservoir of loan losses ready to be used. The loss has already been incurred at the time the loan became impaired. We are just waiting for the loan to finally wither and drop

Loans Charged-off



Charge-offs 'drain' the ALL. These are not new losses. The losses have already been recognized. This is just when we finally remove the loan from the books.

ALLOWANCE FOR LOAN & LEASE LOSSES

LOAN TYPE	Portfolio Balance this Month	Allowance Req. Previous Month	Allowance Req. this Month
Used Auto	$ 65,000,000	$ 507,000	$ 593,000
New Auto	$ 35,000,000	191000	$ 215,000
Credit Card	$ 10,000,000	$ 320,000	$ 350,000
Other Unsecured	$ 3,500,000	$ 45,000	$ 74,000
First Mortgage	$ 30,000,000	$ 23,000	$ 40,000
Home Equity Mortgage	$ 10,000,000	$ 14,000	$ 19,000
	$ 153,500,000	$ 1,100,000	$ 1,291,000
Less Charge-offs at month end		$ 86,000	
Net Allowance		$ 1,014,000	$ 1,291,000
ADJUSTMENT REQUIRED			$ 277,000

The ALLL increases to this amount

The Provision for Loan Loss Expense would be this amount for the month

Refilling the ALL through the Income Statement – Provision for Loan Losses

Water Bill

Usage this month

$277

Total for year

$1,277

The Provision for Loan and Lease Losses is the current monthly charge-to restore the ALL. It represents matching the expense to the period the loss actually occurred.

Balance Sheet

ASSETS

EARNING ASSETS	
Cash	$ 16,000
...NS	
...secured	13,500
...hicle	110,000
...al estate	30,000
...loans	153,500
Less Allowance for Loan Loss.	(1,291)
Net Loans	152,400
INVESTMENTS	
Held to maturity	50,000
Avail for sale	5,000
Allow Inv Loss	
TOTAL	55,000

NON-EARNING ASSETS	
Property and equip	1,500
NCUSIF	2,000
Other N. E. assets	
Other assets	100
TOTAL ASSETS	$ 227,000

Add $191,000 to the contra-asset here

LIABILITIES & CAPITAL

MISCELLANEOUS LIABS	
Miscellaneous Liabs	$ 15,100

SHARES	
Share savings	68,000
Share drafts	35,000
Money market	45,000
IRAs	41,000
Other	4,000
Total Shares	193,000

CAPITAL	
Undivided earn	18,900
Gains (Losses) on Investments	
Other	
Total Capital	1[illegible]00
TOTAL LIABS & CAP	$ 227,000

Income Statement

REVENUE		
INTEREST INCOME		
Loans	$	14,000
Investments		3,000
Non-Interest Income		
Fees/Serv Re...		
TOTAL		

Add $277,000 to the expense here

EXPENSES	
Occupancy } Personnel	7,800
Provision for Loan Losses	(1,277)
TOTAL	8,800

COST OF FUNDS	
Dividends Paid	8,700

NET INCOME		
NET INCOME	$	1,400

Spread Analysis (ROA)
National Averages

As a % of Average Assets	12/31/25	12/31/97
Yield: Interest income	5.21%	7.63%
Less: Cost of funds	(1.82)	(3.64)
Net Interest Margin	3.39	3.99
Less: Operating costs	(3.12)	(3.32)
Less: Provision for loan losses	(0.61)	(0.44)
Net loss before other income	(0.34)	0.23
Plus: Non-interest income	1.13	0.78
Equals: Net Profit or Loss (ROA)	0.79%	1.02%

Balance Sheet

ASSETS

EARNING ASSETS	
Cash	$ 16,000
LOANS	
Unsecured	13,500
Vehicle	110,000
Real estate	30,000
Total loans	153,500
Less Allowance	
for Loan Loss.	(1,100)
Net Loans	152,400

INVESTMENTS	
Held to maturity	50,000
Avail for sale	5,000
Allow Inv Loss	
TOTAL	55,000

NON-EARNING ASSETS	
Property and equip	1,500
NCUSIF	2,000
Other N. E. assets	
Other assets	100

TOTAL ASSETS	$ 227,000

LIABILITIES & CAPITAL

MISCELLANEOUS LIABS	
Miscellaneous Liabs	$ 15,100

SHARES	
Share savings	68,000
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Total Shares	193,000

CAPITAL	
Undivided earn	18,900
Gains (Losses)	
on Investments	
Other	
Total Capital	1[illegible]00

TOTAL LIABS & CAP	$ 227,000

Income Statement

REVENUE	
INTEREST INCOME	
Loans	$ 14,000
Investments	3,000
Non-Interest Income	
Fees/Serv Revs	1,900
TOTAL	18,900

EXPENSES	
Occupancy	
Personnel	7,800
Provision for	
Loan Losses	1,000
TOTAL	8,800

COST OF FUNDS	
Dividends Paid	8,700

NET INCOME	
NET INCOME	$ 1,400

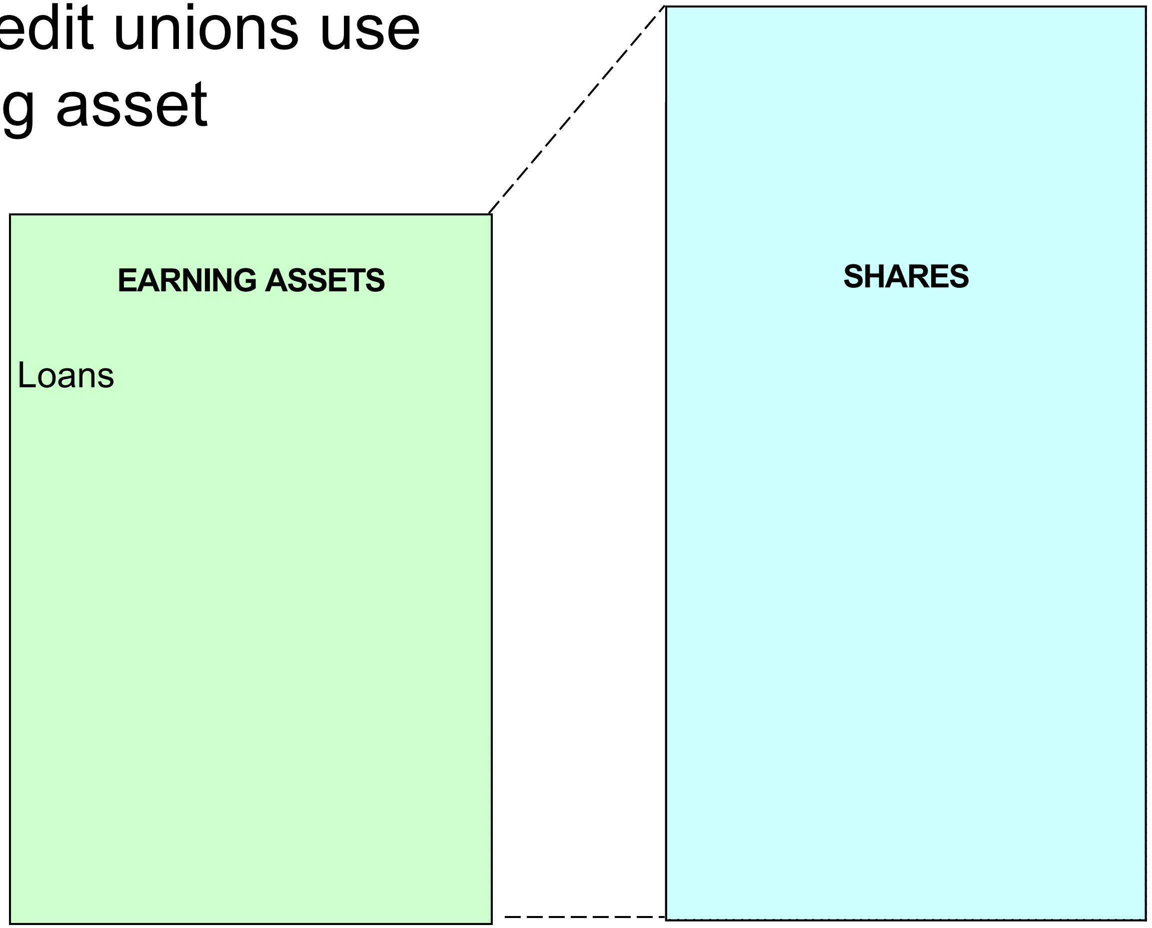
Loan to Share Ratio

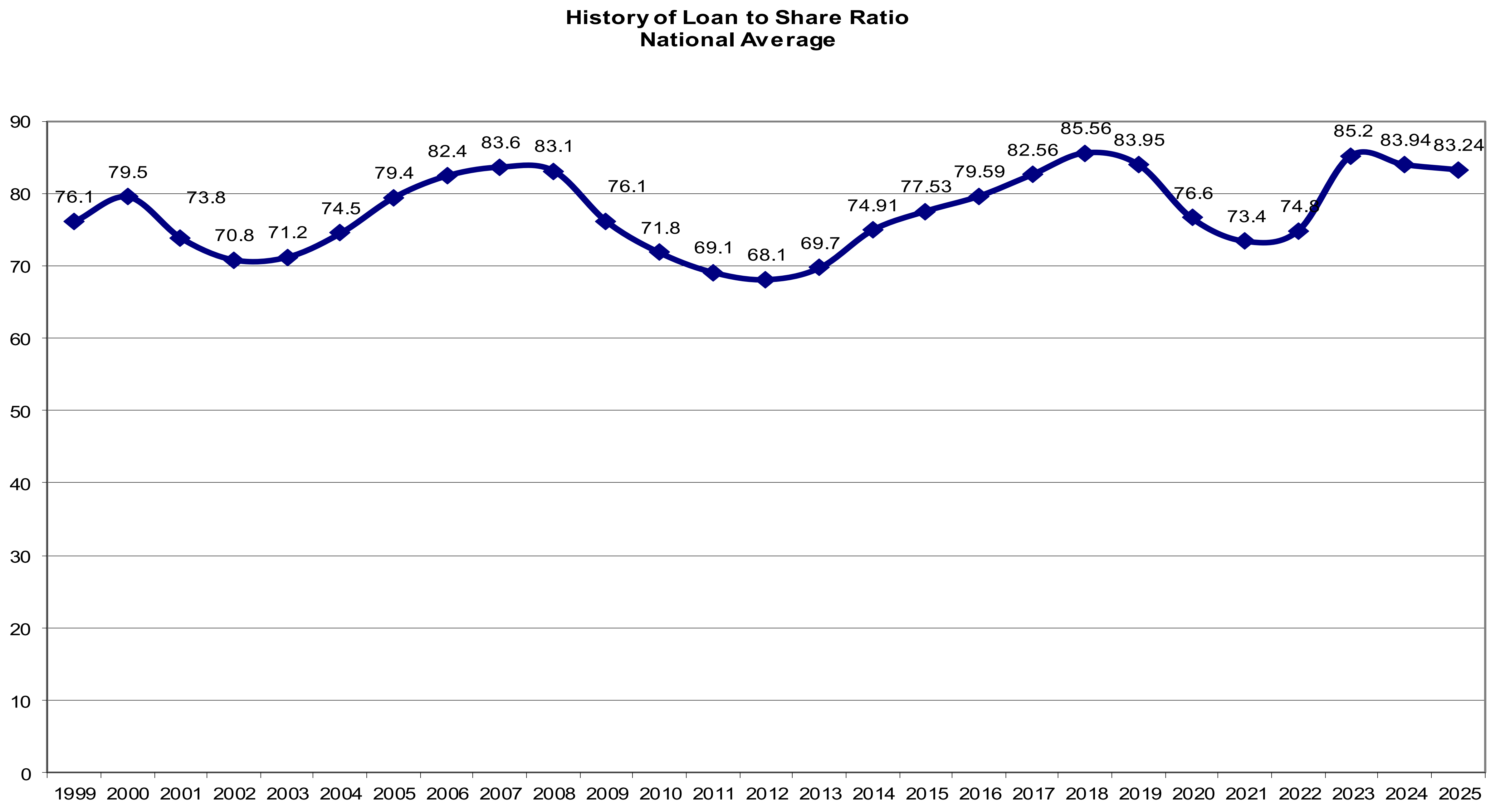
Total Loans / Total Shares and Deposits

Measures the credit unions use of its best earning asset

National Average = 83.24%

What % of our Deposits is currently loaned out to members?




History of Loan to Share Ratio
National Average
90
80
70
60
50
40
30
20
10
0
76.1
79.5
73.8
70.8
71.2
74.5
79.4
82.4
83.6
83.1
76.1
71.8
69.1
68.1
69.7
74.91
77.53
79.59
82.56
85.56
83.95
76.6
73.4
74.8
85.2
83.94
83.24
1999
2000
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2016
2017
2018
2019
2020
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2022
2023
2024
2025

Which is better, low loan to share or high loan to share ratio?

It Depends

The Loan to Share Ratio tells you only how well you turn deposits into loans

If the loans are poorly underwritten, loan losses could undermine a high Loan to Share Ratio

If the loans are underpriced, the weak Yield could undermine the high Loan to Share Ratio

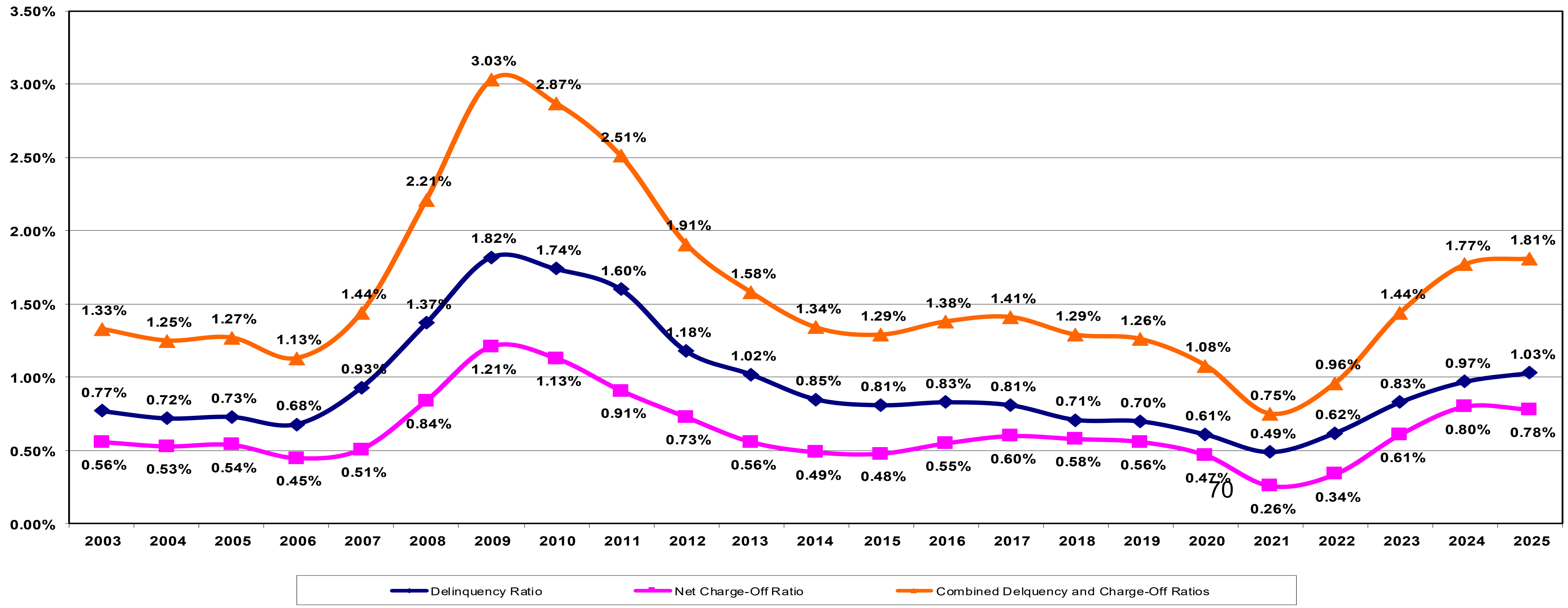
Delinquency and Charge-offs

	Normal	Average 12/31/25	Modest Means	
Delinquency	0.75%	1.03%	2.50%	
Net Charge-offs	0.50%	0.78%	1.00%	
Combined	1.25%	1.81%	3.50%	

*But what is considered a healthy ratio depends on the credit union's **Business Model and Strategy***

Delinquency and Charge-offs

History of Delinquency and Charge-Offs
National Averages



What Should You Focus On?

- Monitor your Capital to Assets Ratio (Net Worth Ratio)
- Monitor your Spread Analysis and ROA
- If the Capital to Assets Ratio is falling, determine what it would take to improve Profit (ROA) and return your Capital to Assets Ratio back to 'stable'
- Monitor other Key Ratios in Graphic Form or a Dash Board

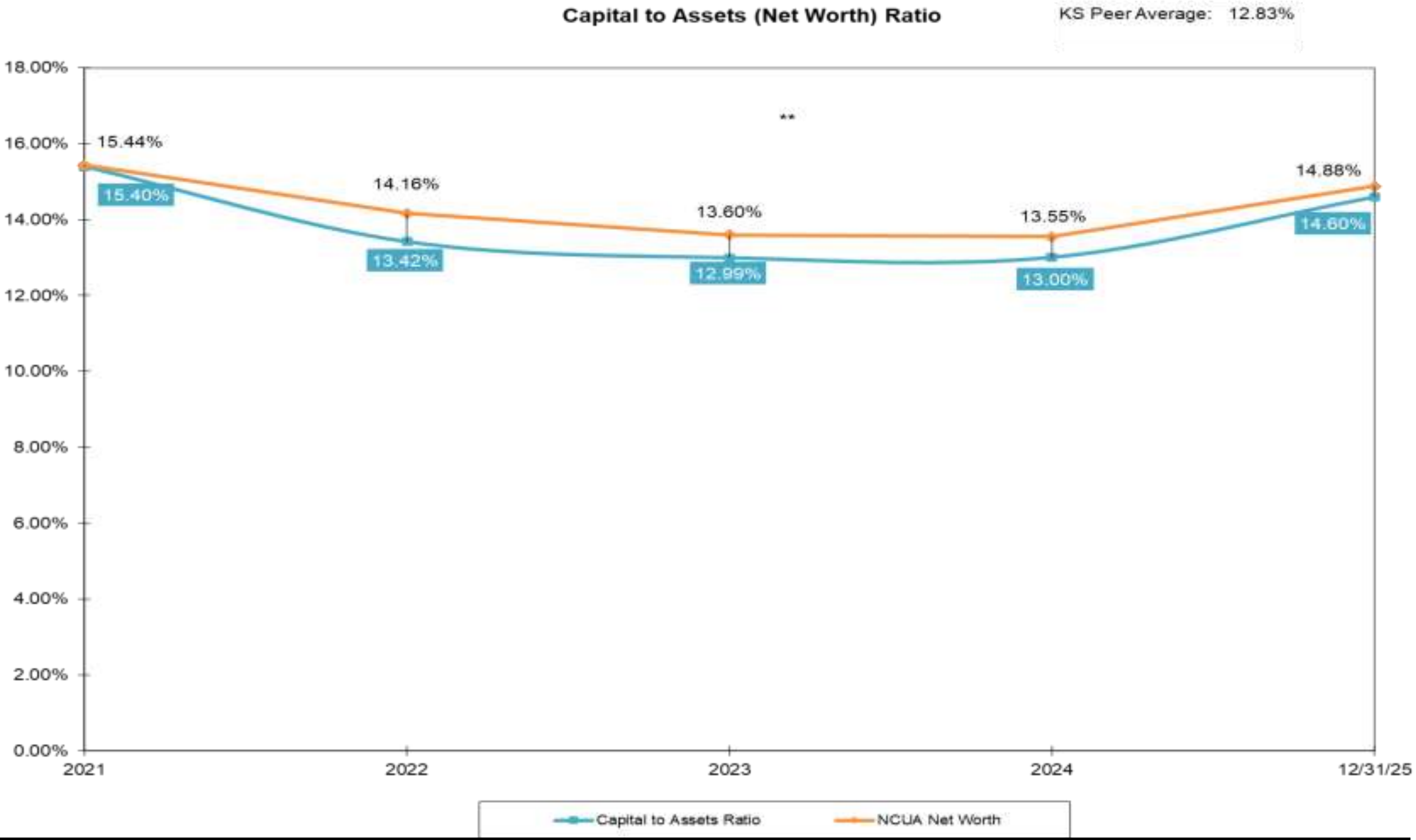
What Should We Be Watching?

- **Enough Capital?** *Capital to Assets Ratio*
- **Enough Profit?** *Spread Analysis and ROA*
  - Yield on Assets (interest income ratio)
  - Cost of Funds (interest expense ratio)
  - Net Interest Margin
  - Operating expense ratio
  - Provision for Loan Loss ratio
  - Non-Interest Income ratio
  - **Return on Assets (profit ratio)**
- **Appropriate Risk?** *Delinquency & Charge-off Ratios*
- **Efficient use of Deposits?** *Loan to Share Ratio*

A Quick Look at Key Metrics

Monitor a Graph of your Capital to Assets Ratio. Is the trend ‘stable’ or ‘improving’? Or is it declining?

And why?



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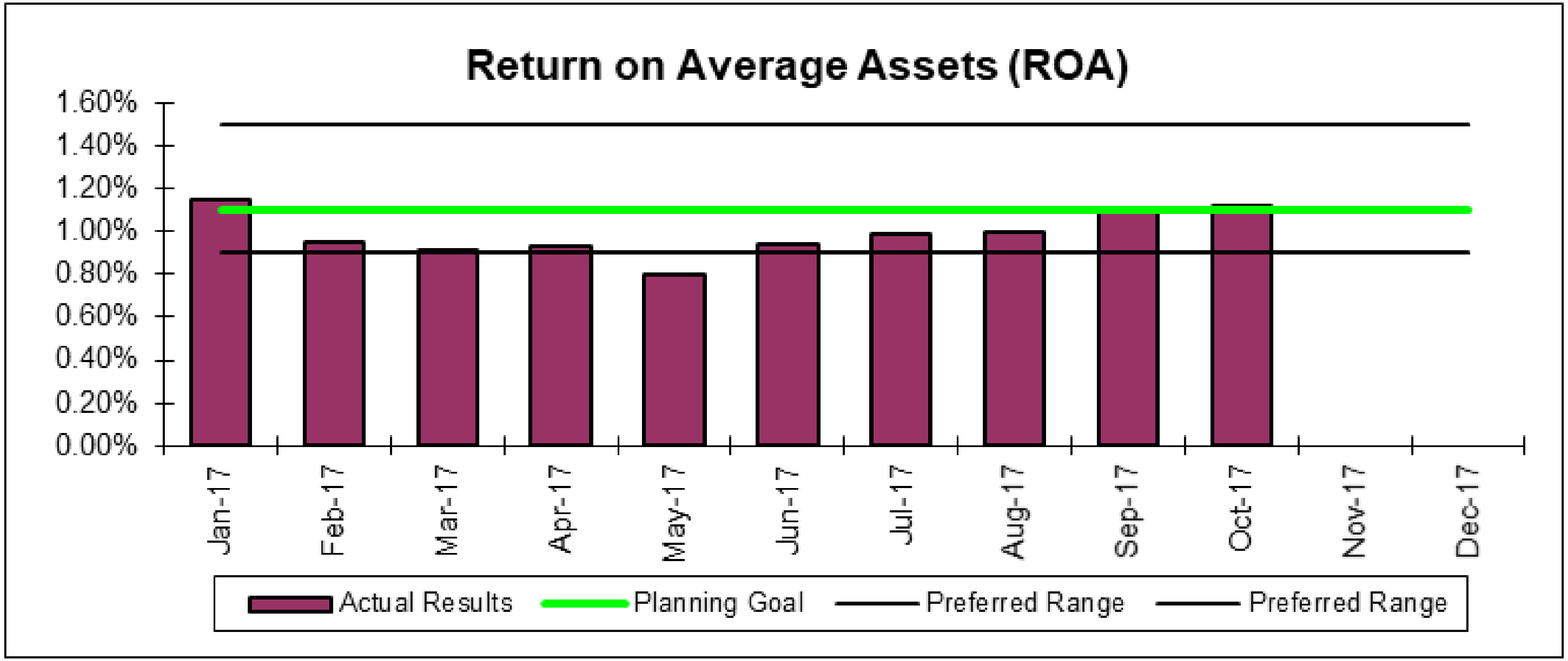
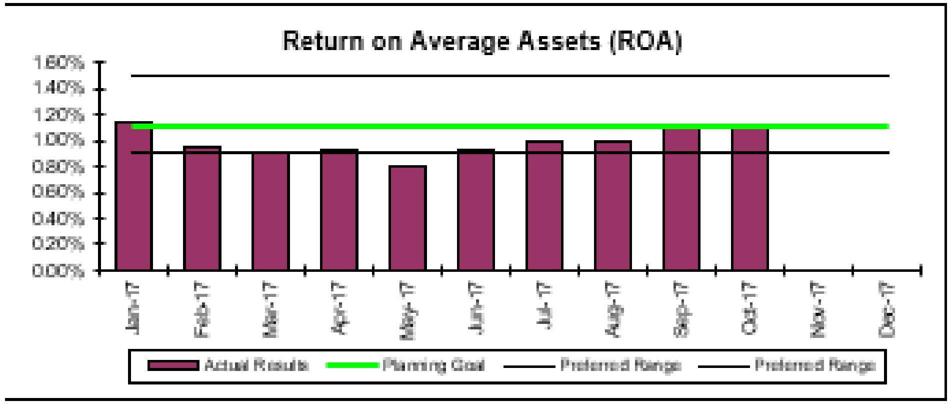
Using an Instrument Panel

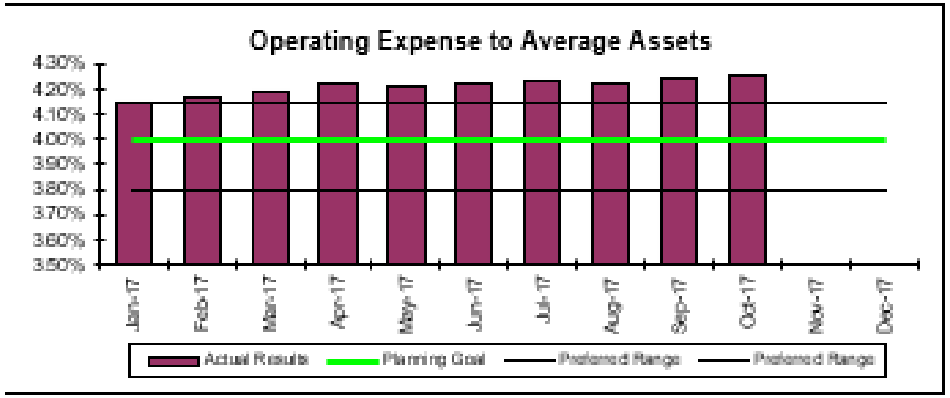


Free Download to Monitor your Key Ratios

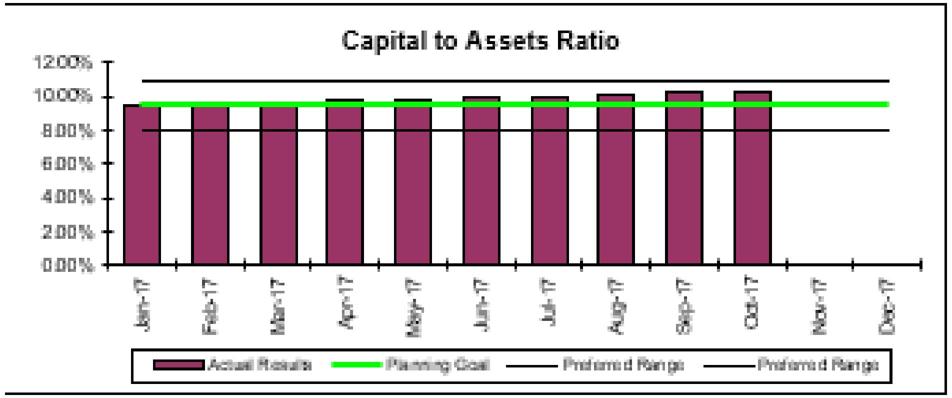
Dashboard



Key Area 1
Notes:

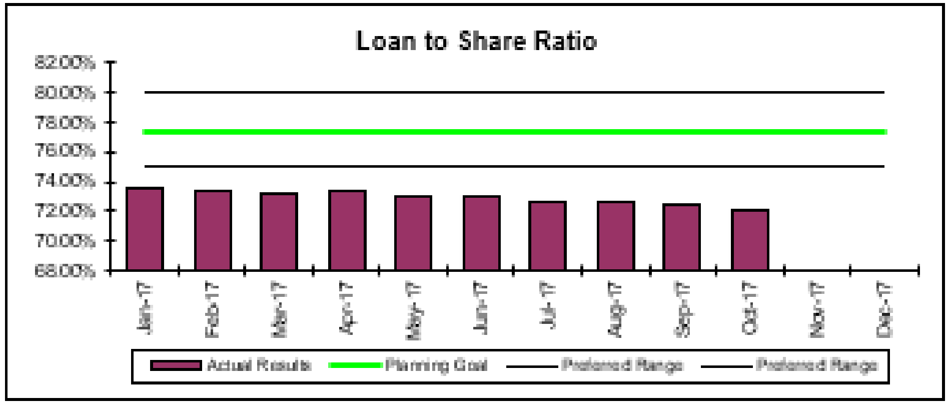


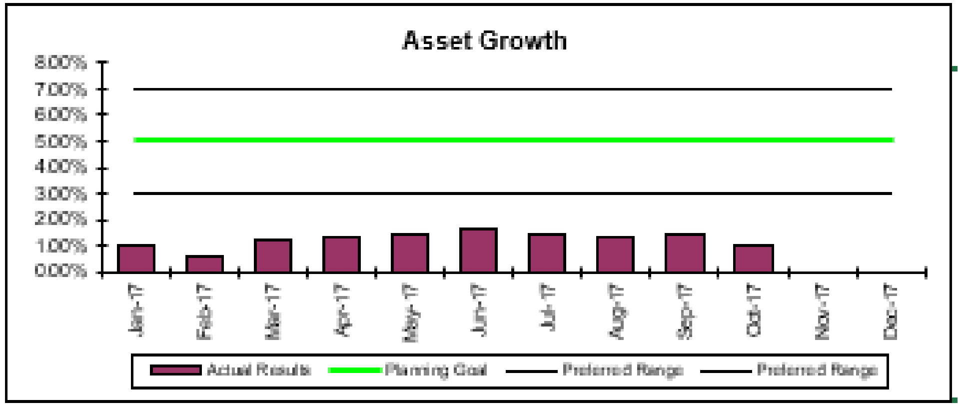
Key Area 2
Notes:

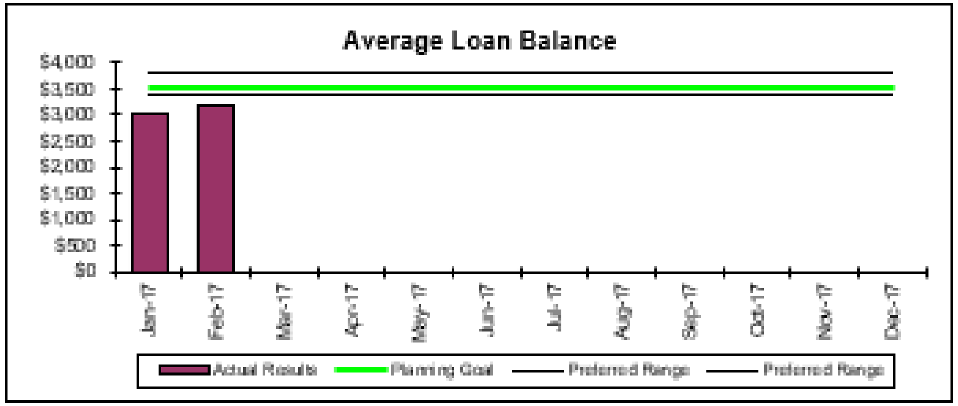


Key Area 3
Notes:

Dashboard







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