

The overlapping arrows represent the ranges of measurement that an institution may find useful in assessing itself. There is little discernible difference between the financial position of an institution with a 3.3 or one with a 3.4 CFI. In this case, the nonfinancial indicators will be a stronger differentiator. However, there are readily discernible financial differences between a score of 3.4 and 5.5 on the CFI. An institution with a significantly low or declining CFI will be disadvantaged when competing with institutions with a higher or improving CFI, and has more financial risk.

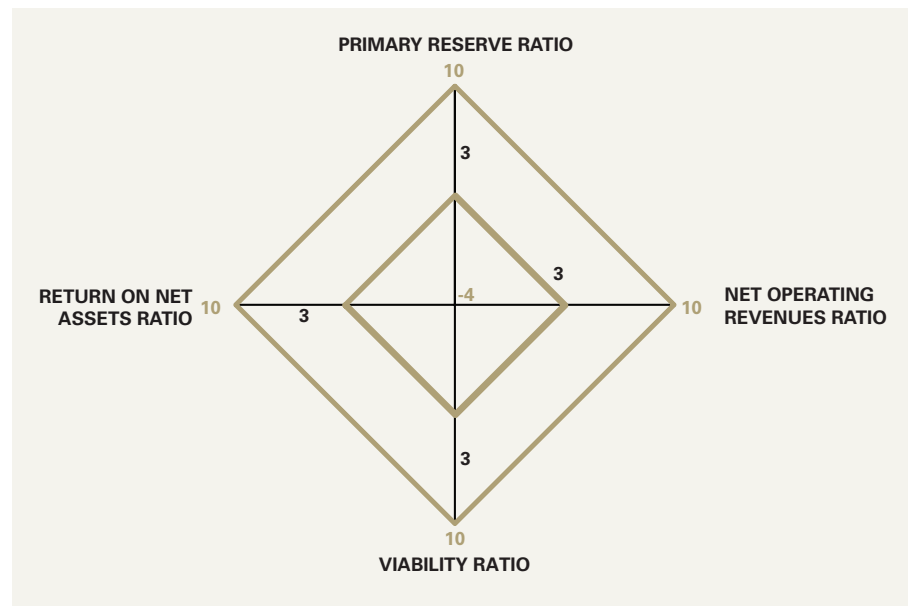
Due to questions raised by users of the CFI to address significant negative financial events, we have modified the low end of the scale from -1 to -4. As indicated in Section 3, a score of 3.0 represents the threshold value. We have modified the calculations so that the maximum score cannot exceed 7 factors from the 3.0 threshold value, or 10.0. Likewise, the minimum score cannot be less than 7 factors from the 3.0 threshold value, or -4.0. Having this symmetry and limits in the calculation will also help offset any significant positive or negative results in any one year.

Graphic Financial Profile – An Application of the Ratios

Figure 10.2 illustrates the ratios comprising the CFI. This presentation maps each ratio’s value on a diamond to show the “shape” of an institution’s financial health. This graphic financial profile (GFP) offers further assistance in identifying whether a weakness that may exist in one ratio is offset by a strength in another ratio.

The values placed along the individual ratio axes are weighted evenly. The scale imitates the scale for the CFI strength factors, with 3 being the inner box and 10 being the outer box. For purposes of this graphic financial profile, the center-point is minus four (-4). Any values below -4 would default to the center of the graph. Absent unusual circumstances, an institution would want at least the entire inside box to be shaded when its ratios are plotted.

FIGURE 10.2: GRAPHIC FINANCIAL PROFILE



Because there is correlation between the Primary Reserve Ratio and the Viability Ratio, and correlation between the Return on Net Assets Ratio and the Net Operating Revenues Ratio, these ratios have been placed opposite each other on the axes. The share of the shaded area for the institution may be instructive in assessing high-level financial position. A short (vertical axis), elongated (horizontal axis) shape would indicate relatively stronger operating results but a relatively undercapitalized institution. A relatively tall and narrow shape would demonstrate relatively stronger capitalization with weaker returns. Over time, the expectation would be that the relative capitalization would diminish because the returns obtained would not be keeping pace with growth.