

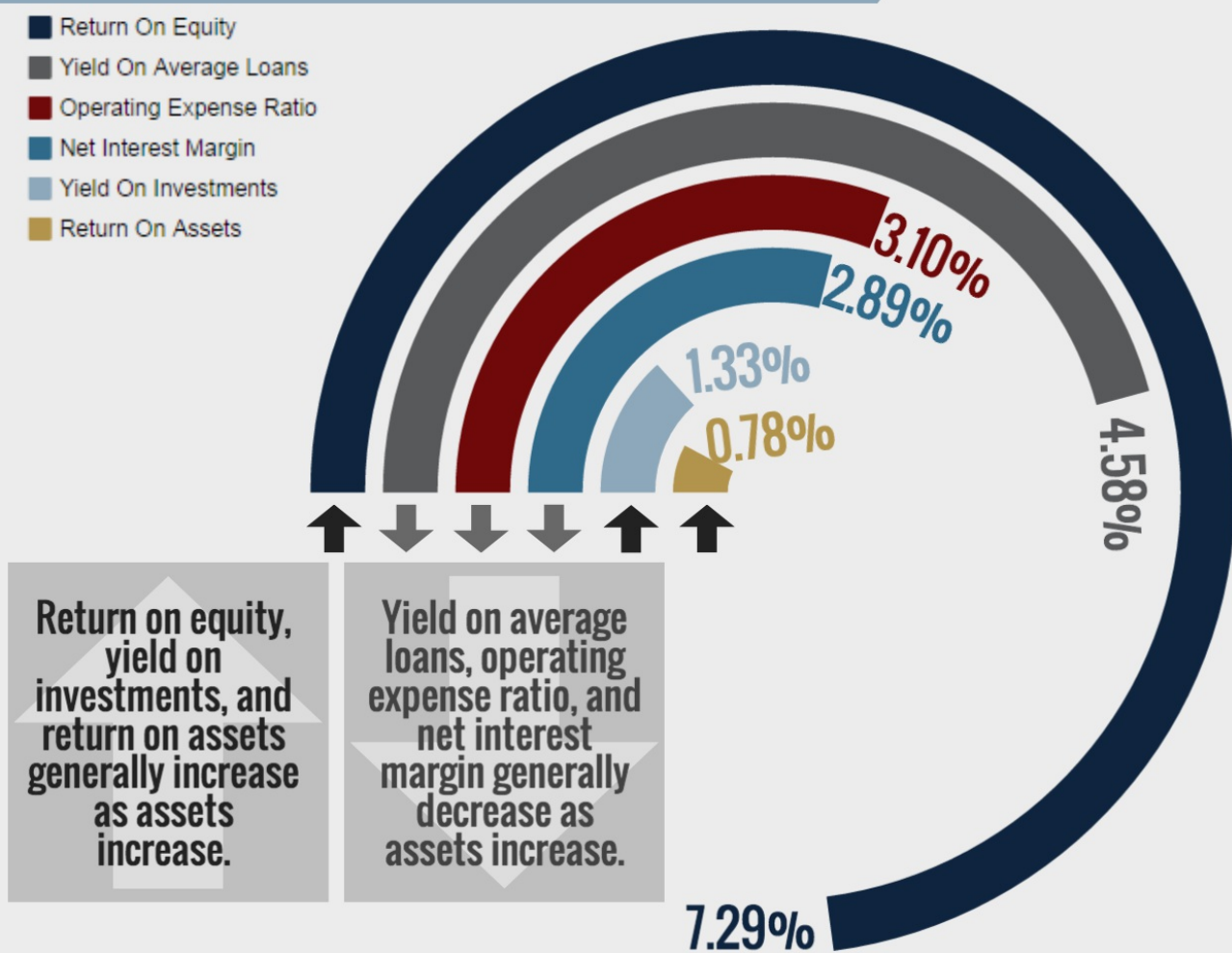
# 6

## Small Earnings Ratios With A Large Impact On Credit Unions

The national average for each of these six mighty metrics is less than 10 percentage points, but even a change of a few basis points can make a big difference to a credit union.

### EARNINGS RATIOS

FOR U.S. CREDIT UNIONS | DATA AS OF 09.30.16  
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#### RETURN ON EQUITY

Return on equity, which divides net income by capital, is one indicator of credit union health. Credit unions scrutinize return on equity considerably less than their bank counterparts because as equity grows, credit unions give back to their member-owners.

#### YIELD ON AVERAGE LOANS

This ratio measures loan income, usually the largest source of gross income at a credit union, and is highly dependent on loan product mix.

#### OPERATING EXPENSE RATIO

Credit unions strive to lower their non-interest expenses, when divided by average assets it demonstrates how effectively and efficiently credit unions manage expenses.

#### NET INTEREST MARGIN

Net interest margin goes a step beyond yield on average loans. Collectively, it shows a complete picture of an institution's interest income and expense profile, as it divides interest income and investments less interest expenses all over average assets. It is inversely related to the size of a credit union, but the variation is much less because of the interest expense element.

#### YIELD ON INVESTMENTS

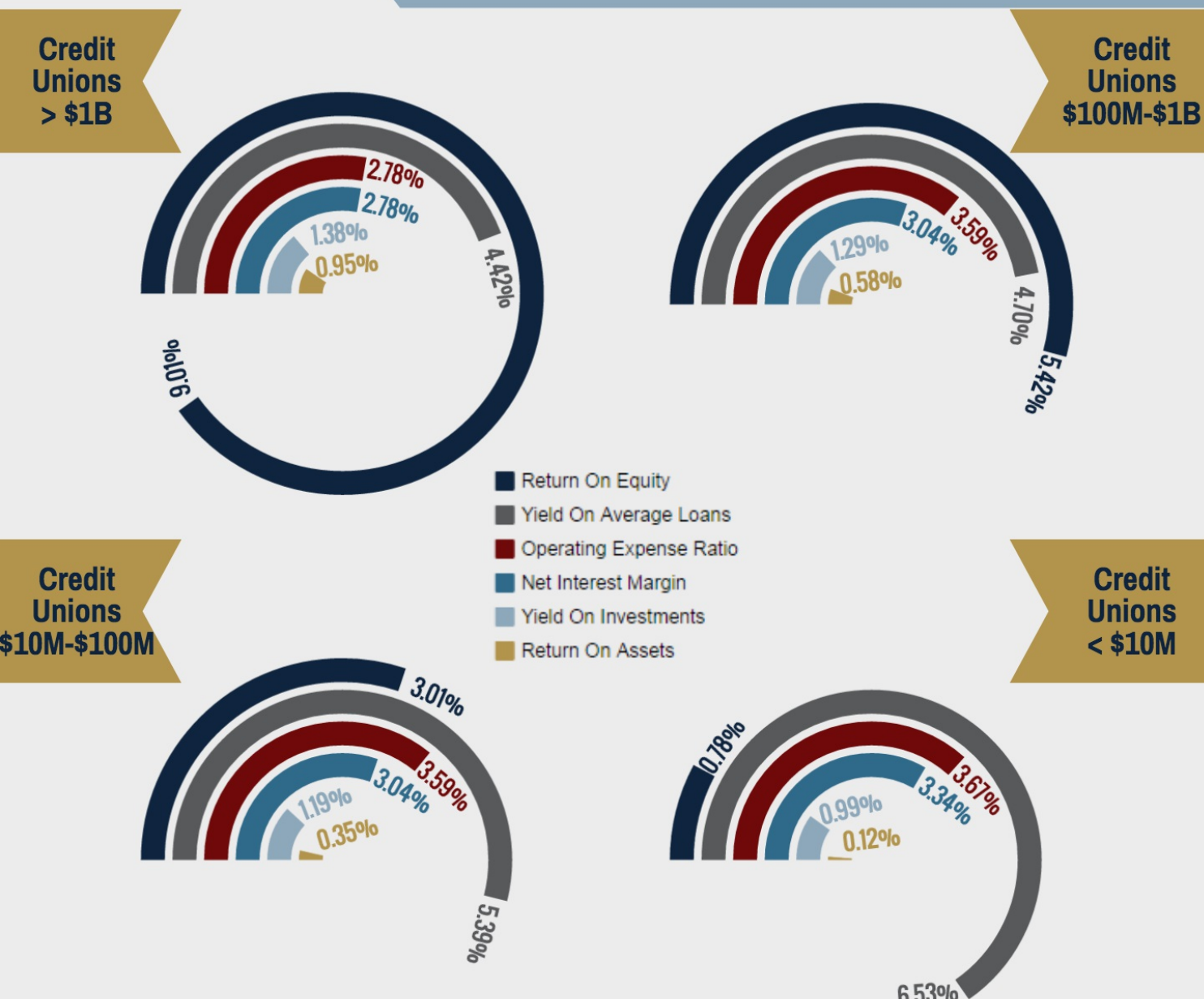
Calculated by dividing income from investments and trading profits by average investments. Yield on investments is a reflection of a credit union's risk tolerance and investment management strategy.

#### RETURN ON ASSETS

Return on assets looks at net income as a percentage of average assets. It has decreased in recent years as asset growth has outpaced net income growth. Although it is the smallest of these ratios, its importance in indicating the financial health of a credit union is quite large.

### EARNINGS RATIOS

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Smaller credit unions generally capture a higher net interest margin and loan yield percentages because they are making smaller loans. However, larger loans lead to higher returns and greater efficiency, as they generally incur fewer expenses per loan.