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Financial Institutions Management Formulas

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List of 11 Financial Institutions Management Formulas

Financial Institutions Management

1) Capital Adequacy Ratio

$$\text{fx } \text{CAR} = \frac{\text{T1C} + \text{T2C}}{\text{RWA}}$$

[Open Calculator !\[\]\(a870788d6ed9b8fd294b7654a8c8526b_img.jpg\)](#)

$$\text{ex } 8 = \frac{2000 + 1600}{450}$$

2) Cash Reserve Ratio

$$\text{fx } \text{CRR} = \left(\frac{\text{CR}}{\text{NDTL}} \right) \cdot 100$$

[Open Calculator !\[\]\(c50c8b7b2cc2cf9ff925edec0ee94c0d_img.jpg\)](#)

$$\text{ex } 4 = \left(\frac{400000}{10000000} \right) \cdot 100$$

3) Credit Deposit Ratio

$$\text{fx } \text{CDR} = \left(\frac{\text{TAdv}}{\text{TD}} \right) \cdot 100$$

[Open Calculator !\[\]\(f60b7a900783ac3fd531bfd9c111be6d_img.jpg\)](#)

$$\text{ex } 60 = \left(\frac{450000}{750000} \right) \cdot 100$$



4) Debt Yield

$$fx \quad D_Y = \frac{NOI}{\text{Loan Amt}}$$

[Open Calculator !\[\]\(cbe80b694ebd74fcfe136a095b608235_img.jpg\)](#)

$$ex \quad 50 = \frac{50000}{1000}$$

5) Loan Default Rate

$$fx \quad LDR = \text{modulus} \frac{NLD}{TNLI}$$

[Open Calculator !\[\]\(3e2231b1ad3ca8da8658228c00dd08e0_img.jpg\)](#)

$$ex \quad 1.5 = \text{modulus} \frac{15}{10}$$

6) Loan Loss Provision Coverage Ratio

$$fx \quad LLPCR = \frac{EBT + LLP}{NCO}$$

[Open Calculator !\[\]\(0d5ec72f61334709c3fc9450209b754f_img.jpg\)](#)

$$ex \quad 40.5 = \frac{1500 + 120000}{3000}$$

7) Net Interest Margin

$$fx \quad NIM = \frac{NII}{AIEA}$$

[Open Calculator !\[\]\(b64b40baaee5acddc1eab8538ba84754_img.jpg\)](#)

$$ex \quad 3.25 = \frac{1300}{400}$$



8) Net Worth

$$fx \quad NW = TA - TL$$

[Open Calculator !\[\]\(e78f798d4ea5c530c9db49e7d26e6b95_img.jpg\)](#)

$$ex \quad 54990 = 100000 - 45010$$

9) Operational Efficiency Ratio

$$fx \quad OER = \frac{OPEX + COGS}{NS}$$

[Open Calculator !\[\]\(05be7c7a8995decd503647c99211f7c2_img.jpg\)](#)

$$ex \quad 0.458389 = \frac{1255 + 40000}{90000}$$

10) Return on Operating Assets

$$fx \quad ROA = \text{modulus} \frac{NI}{OpA}$$

[Open Calculator !\[\]\(fe3aebe81acea8d45108cd2768939da7_img.jpg\)](#)

$$ex \quad 0.344828 = \text{modulus} \frac{200000}{580000}$$

11) Tier 1 Capital Ratio

$$fx \quad T1CR = \frac{T1C}{RWA}$$

[Open Calculator !\[\]\(899d8b7697d64725bf017d3296cfcf1b_img.jpg\)](#)

$$ex \quad 4.444444 = \frac{2000}{450}$$



Variables Used

- **AIEA** Average Interest Earning Assets
- **CAR** Capital Adequacy Ratio
- **CDR** Credit Deposit Ratio
- **COGS** Cost of Goods Sold
- **CR** Cash Reserves
- **CRR** Cash Reserve Ratio
- **D_Y** Debt Yield
- **EBT** Pre-Tax Income
- **LDR** Loan Default Rate
- **LLP** Loan Loss Provision
- **LLPCR** Loan Loss Provision Coverage Ratio
- **Loan Amt** Loan Amount
- **NCO** Net Charge Offs
- **NDTL** Net Demand & Time Liabilities
- **NI** Net Income
- **NII** Net Interest Income
- **NIM** Net Interest Margin
- **NLD** Number of Loans Defaulted
- **NOI** Net Operating Income
- **NS** Net Sales
- **NW** Net Worth
- **OER** Operational Efficiency Ratio
- **OpA** Operating Assets
- **OPEX** Operating Expense



- **ROA** Return on Operating Assets
- **RWA** Risk Weighted Asset
- **T1C** Tier One Capital
- **T1CR** Tier One Capital Ratio
- **T2C** Tier Two Capital
- **TA** Total Assets
- **TAdv** Total Advances
- **TD** Total Deposits
- **TL** Total Liabilities
- **TNLI** Total Number of Loans Issued



Constants, Functions, Measurements used

- **Function: modulus**, modulus

Modulus of a number is the remainder when that number is divided by another number.



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