

Calculating the Composite Score

Lines

	31-11-(4+10)-(8+M9)+27+(M15 +M17+M19+		0.1102
*Primary Reserve Ratio = Adjusted Equity	M20+M23+M24+M25)	650,000	
/ Total Expenses and Losses	40 +42 +44 +45	5,900,000	
*Equity Ratio = Modified Equity	31 -(4+10) -11	1,425,000	0.1239
/ Modified assets	13 -(4+10) -11	11,500,000	
Net Income Ratio = Income Before Taxes	48	1,070,000	0.1535
/Total Revenues and Gains	35 +43 +46	6,970,000	

***All pre-implementation right-of-use assets and liabilities are removed from total assets and total liabilities**

M# - Modified for right-of-use liabilities pre-implementation and post-implementation debt not directly related to purchase of assets.

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 20 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Net Income strength factor score = 1 + (33.3 x net income ratio result)

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for that ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores

Primary Reserve weighted score = 30% x the primary reserve strength factor score

Equity weighted score = 40% x the equity strength factor score

Net Income weighted score = 30% x the net income strength factor score

Composite Score = the sum of all weighted scores

Round the composite score to one digit after the decimal point to determine the final score

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.1102	2.2034	30%	0.6610
Equity Ratio	0.1239	0.7435	40%	0.2974
Net Income Ratio	0.1535	3.0000	30%	0.9000
				1.8584
TOTAL Composite Score - Rounded				1.9