Allowance: $1.7M calculated, $1.4M on the ledger

Current expected credit losses as of September 30, 2026 · 8 pools, 9,147 loans, $210.8M

WHAT THIS PAGE SAYS

The calculation supports an allowance of $1.7M, 0.80% of loans. The ledger carries $1.4M, 0.68%: $253K less. Used vehicle loans are $946K of the calculated figure, on a net loss rate of 0.85% a year and a remaining life of 1.6 years. No qualitative adjustment is in the figure: none of the four factors the files can score moved past its rule.

THE CALCULATION, BY POOL · BALANCE × (ANNUAL NET LOSS RATE + QUALITATIVE ADJUSTMENT) × REMAINING LIFE

POOL	BALANCE	LOANS	OWN RATE	EVENTS	PEER RATE	WEIGHT	RATE USED	QUAL.	LIFE, YRS	RESERVE	OF POOL
First mortgage	$65,553,860	594	0.11%	1	0.00%	4%	<0.01%	0	7.2	$20,093	0.03%
Home equity	$26,090,317	887	0.21%	2	0.00%	8%	0.02%	0	2.7	$13,196	0.05%
New vehicle	$19,933,568	578	0.19%	3	0.39%	12%	0.37%	0	1.7	$127,624	0.64%
Used vehicle	$68,267,360	2,994	0.84%	23	0.92%	92%	0.85%	0	1.6	$946,233	1.39%
Credit card	$5,161,172	2,513	0.71%	17	2.69%	68%	1.35%	0	1.5	$104,201	2.02%
Other unsecured	$4,903,013	684	0.88%	5	3.24%	20%	2.77%	0	1.3	$179,513	3.66%
Member business	$4,582,063	22	0.00%	0	0.28%	0%	0.28%	0	4.4	$56,376	1.23%
Other secured	$16,286,014	875	0.66%	8	0.42%	32%	0.50%	0	2.8	$230,188	1.41%
Total	**$210,777,367**	**9,147**	**0.40%**	**59**			**0.45%**		**3.7**	**$1,677,424**	**0.80%**

Own rate: the pool's net charge-offs over the last 12 months of loan files, annualized. Events: loans charged off. Weight: the share of the rate taken from the credit union's own history, events ÷ 25 capped at 100%; the rest is the peer rate.

CALCULATED AGAINST THE LEDGER

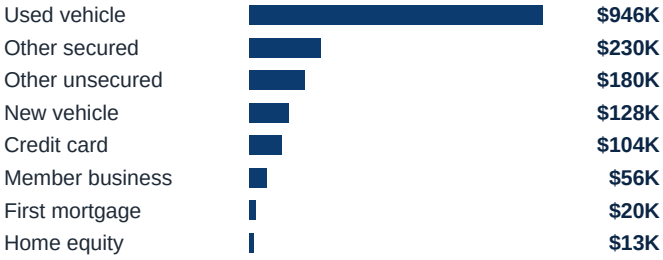
	AMOUNT	OF LOANS
Loss history × remaining life	$1,677,424	0.80%
Qualitative adjustments	$0	0.00%
Calculated allowance	**$1,677,424**	**0.80%**
On the ledger, account 1290	$1,424,252	0.68%
Ledger over (under) calculated	**($253,172)**	**–0.12%**

ROLL-FORWARD, YEAR TO DATE

Allowance, December 31, 2025	$1,382,121
Credit loss expense	$505,215
Charge-offs	($697,555)
Recoveries	$234,471
Allowance, September 30, 2026	**$1,424,252**

Ledger account 1290: $1,424,252 **Tied**

CALCULATED RESERVE BY POOL



IF THE INPUTS WERE DIFFERENT

CASE	ALLOWANCE	CHANGE
As calculated	**$1,677,424**	**–**
Loss rates 25% higher	$2,096,780	+$419K
Loss rates 25% lower	$1,258,068	–$419K
Remaining life six months longer	$2,156,602	+$479K
Own loss history only	$2,076,638	+$399K
Peer loss rates only	$1,833,548	+$156K

What closing the difference would take. Recording the calculated allowance would take $253K of credit loss expense: 15% of net income for the year to date. Net worth would move from 10.90% of assets to 10.82%.

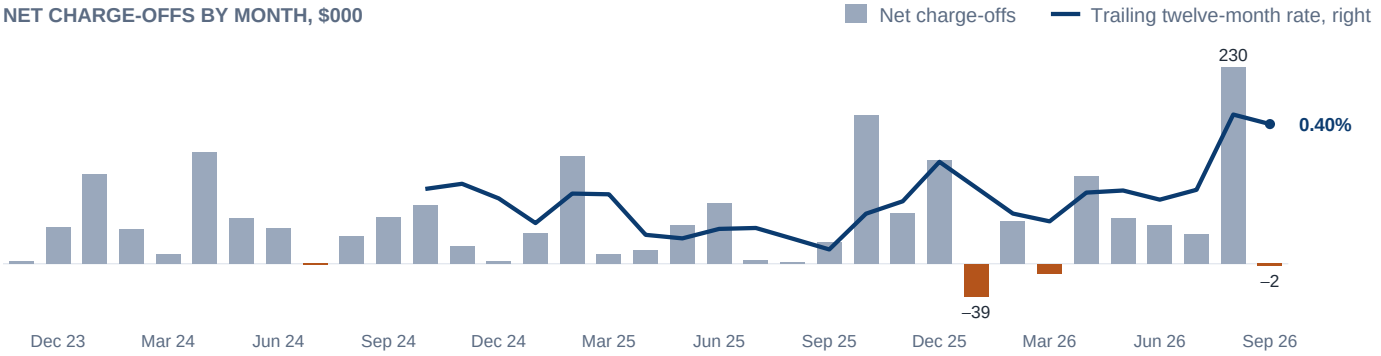
Loss history: 0.40% of loans in the last twelve months

Net charge-offs · 35 months from the general ledger, 12 months loan by loan

WHAT THIS PAGE SAYS

Net charge-offs were $817K in the last twelve months, 0.40% of average loans, against 0.34% in 2025 and 0.29% in 2024. Other unsecured loans lost the most by rate, 0.88%, on 5 loans. Only used vehicle loans came near the 25 loss events that give a pool's own history full weight (23); elsewhere the peer rate does much of the work.

NET CHARGE-OFFS BY MONTH, $000



BY POOL, THE LAST 12 MONTHS OF LOAN FILES

POOL	AVERAGE BALANCE	EVENTS	CHARGE-OFFS	RECOVERIES	NET	OWN RATE	PEER RATE
First mortgage	$63,290,746	1	$67,443	–	$67,443	0.11%	0.00%
Home equity	$25,387,278	2	$90,446	$36,186	$54,260	0.21%	0.00%
New vehicle	$20,544,247	3	$51,438	$13,331	$38,107	0.19%	0.39%
Used vehicle	$66,511,416	23	$698,200	$139,615	$558,585	0.84%	0.92%
Credit card	$4,968,534	17	$37,314	$1,847	$35,467	0.71%	2.69%
Other unsecured	$4,584,789	5	$42,803	$2,245	$40,558	0.88%	3.24%
Member business	$4,653,383	0	–	–	–	0.00%	0.28%
Other secured	$16,090,221	8	$147,183	$40,259	$106,924	0.66%	0.42%
Recoveries on loans charged off before the files begin				*$84,129*	*($84,129)*		
Total	**$206,030,615**	**59**	**$1,134,827**	**$317,613**	**$817,214**	**0.40%**	

Peer rate: net charge-offs over average balances for 22 credit unions in the Mountain West with $250M to $400M in assets, July 2025 to June 2026, from their public Call Reports. A peer group that recovered more than it charged off is shown as zero.

BY YEAR OF ORIGINATION

OPENED	LOANS	BALANCE	60+ DAYS	EVENTS	LOSS RATE
2021 and earlier	2,276	$47,938,024	0.49%	13	0.26%
2022	927	$16,281,388	0.22%	10	0.77%
2023	1,169	$22,208,026	0.58%	10	0.48%
2024	1,440	$32,333,274	1.09%	10	0.45%
2025	1,726	$46,176,364	0.88%	13	0.99%
2026	1,609	$45,840,292	0.31%	3	0.31%

PORTFOLIO, FROM THE LEDGER

PERIOD	NET CHARGE-OFFS	RATE
2024	$558,668	0.29%
2025	$689,087	0.34%
Last 12 months	**$817,214**	**0.40%**

Remaining life: 3.7 years on average, measured loan by loan

Scheduled payments on each loan's own rate and term, thinned by the pool's payoff speed over the last 12 months

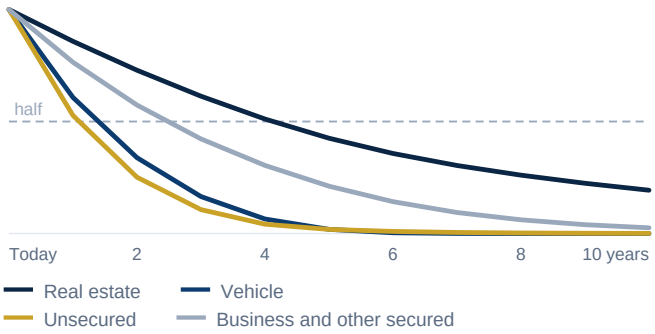
WHAT THIS PAGE SAYS

A loss rate is a rate per year, so the reserve depends on how long the money stays out. Other unsecured balances last 1.3 years and first mortgage 7.2. Used vehicle loans pay off early fastest: 18% of balances a year. Of every dollar that turns 30 days late, 3.4 cents ends in charge-off.

REMAINING LIFE BY POOL

POOL	BALANCE	TERM LEFT, YEARS	LIFE ON SCHEDULE	PAID OFF EARLY, A YEAR	LIFE USED
First mortgage	$65,553,860	22.4	13.3	8.0%	7.2
Home equity	$26,090,317	14.9	3.3	8.1%	2.7
New vehicle	$19,933,568	4.5	2.4	17.7%	1.7
Used vehicle	$68,267,360	4.1	2.2	17.8%	1.6
Credit card	$5,161,172	none	set in policy	n/a	1.5
Other unsecured	$4,903,013	3.0	1.6	15.3%	1.3
Member business	$4,582,063	15.2	8.8	13.8%	4.4
Other secured	$16,286,014	7.6	4.2	13.9%	2.8
Total	**$210,777,367**				**3.7**

SHARE OF TODAY'S BALANCE STILL OUTSTANDING



WHERE A BALANCE IS ONE MONTH LATER

DAYS LATE	$000	CURRENT	LATER	LOST	PAID
Current	201,610	97.4%	1.4%	0.0%	1.2%
30 to 59	2,886	72.6%	26.1%	0.0%	1.3%
60 to 89	727	59.7%	39.4%	0.0%	1.0%
90 to 119	306	48.4%	38.1%	12.3%	1.2%
120 or more	106	44.8%	0.0%	55.1%	0.1%

Averages over 12 month-to-month moves, by balance. Later: a later stage. Lost: charged off. Paid: paid off or closed.

FROM 30 DAYS LATE TO CHARGE-OFF · 3.4% OF A BALANCE THAT TURNS 30 DAYS LATE IS LOST

30 to 59 days — 73% cure
→ 26% roll later
60 to 89 days — 60% cure
→ 39% roll later
90 to 119 days — 48% cure, 12% charged off
→ 38% roll later
120 or more days — 45% cure
→ 55% charged off
Charged off — 3.4% of what turned 30 days late

LOANS PAST DUE TODAY, AND WHAT THESE ROLL RATES SAY THEY WILL COST

STAGE	LOANS	BALANCE	SHARE LOST	EXPECTED LOSS
30 to 59 days	155	$2,497,516	3.4%	$85,315
60 to 89 days	52	$872,737	13.1%	$114,443
90 to 119 days	24	$249,397	33.3%	$83,087
120 or more days	10	$180,183	55.1%	$99,359
Total past due	**241**	**$3,799,833**		**$382,203**

Loans already past due carry about $382K of expected charge-offs, 27% of the allowance on the ledger. The rest of the allowance covers loans that are current today.

Demonstration edition: Kestrel Ridge Credit Union is fictional and its data is generated. Life on schedule: every payment made, nothing paid off early. Life used applies the measured payoff speed. Lines of credit run off with no new draws.

Qualitative factors, and the record behind the number

NCUA's ten factor categories · what the files show beside each, and the rule that scores it

WHAT THIS PAGE SAYS

Four of the ten factors can be read from the loan files and the ledger; each is scored by a written rule, at 2 basis points of annual loss rate a point. This quarter they score zero, so no adjustment is made. The other six are management's judgment: the worksheet holds them at zero until management sets them, with its reasons.

FACTOR	WHAT THE FILES SHOW, AND THE RULE	POINTS	SOURCE
Trends in nature and volume of financial assets	Loans grew 2.1% in twelve months; no category's share of the book moved more than 0.7 points. *One point if loans grew over 10% or a category's share moved over 3 points.*	**0**	From the files
Existence and effect of any concentrations of credit	Closest to its limit: first mortgage at 194% of net worth against a policy limit of 350%. *One point within a tenth of a limit, two points over it.*	**0**	From the files
Volume and severity of past due financial assets	60 days or more: 0.62% against a twelve-month average of 0.55%. 30 to 59 days: 1.18% against 1.40%. *One point if 60+ is over its average by 10 bps or 30 to 59 by 20 bps; one off if 60+ is under by 10 bps.*	**0**	From the files
Changes in value of underlying collateral	Not in the files. Set from used-vehicle and local home price indices.	0	Management
Changes in lending strategies, policies, and procedures	Indirect lending was 31% of the last twelve months' originations against 33% the year before; the average new used-vehicle loan runs 66 months against 66. *One point if the indirect share rose over 5 points or the average term over 6 months.*	**0**	From the files
Quality of credit review function	No change in the scope or findings of loan review reported.	0	Management
Experience, ability, and depth of lending staff	No change in lending or collections staff reported.	0	Management
External factors: competition, technology, natural disasters	No event reported.	0	Management
Changes to the general market conditions of local area	Set from local unemployment and income data.	0	Management
Changes to local business conditions	Set from local business conditions.	0	Management
Total	0 bps on every pool's annual loss rate: $0 of allowance	**0**	

THE RECORD · WHAT TIES AND WHAT IS COMPLETE

Loan population equals the ledger, pool by pool 8 of 8 pools · largest gap $0.20	Tied
Charge-offs in the loan files equal the ledger's $1,134,827 · $1,134,827	Tied
Allowance roll-forward closes to account 1290 $1,424,253 · $1,424,252	Tied
Every loan carries a rate, open date and payment 0 missing · of 9,147 loans	Complete
Every term loan carries a maturity 0 missing · credit cards excepted	Complete
Segmentation unchanged since last quarter 0 loans changed pool · 8 pools	Complete

IN THE DOCUMENTATION PACKAGE

Data. The loan population, month by month from Sep 25, retained and reconciled to the ledger.

Pools. The eight Call Report loan categories, with a log of any loan that changes pool.

Method. Remaining life: own loss history weighted by events ÷ 25, the peer group and its source, each loan's schedule and the measured payoff speeds.

Factors. This worksheet, with management's reasons where it sets a factor.

Checks. The roll-forward, the tie-outs at the left and the cases on page 1.

Demonstration edition: Kestrel Ridge Credit Union is fictional and its data is generated. Weighted average remaining maturity method. The allowance is management's estimate; this workpaper is the calculation and its record. Factor categories: NCUA Simplified CECL Tool, Appendix C.