Quarterly Banking Profile

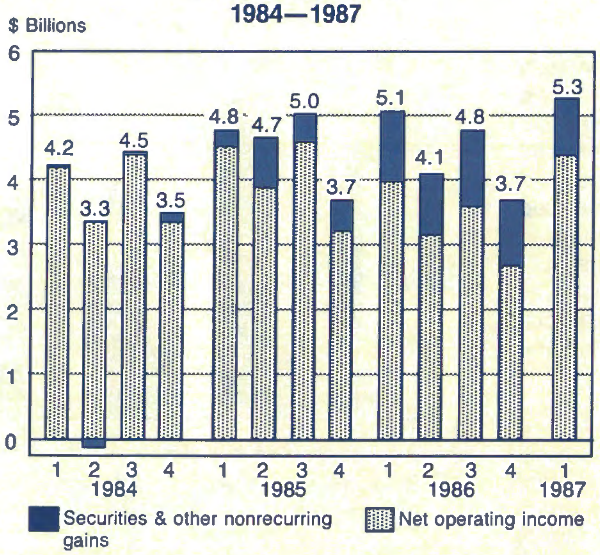
First Quarter 1987

FEDERAL DEPOSIT INSURANCE CORPORATION   L. William Seidman, Chairman

COMMERCIAL BANKING PERFORMANCE — FIRST QUARTER, 1987

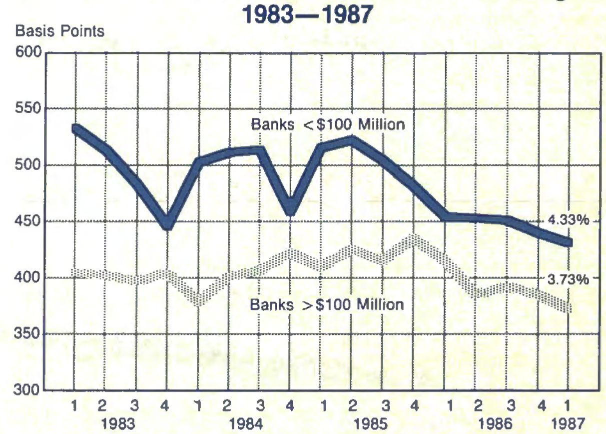
Commercial banks earned a record $5.3 billion in the first quarter of 1987, up 4.4 percent from first quarter 1986. Income before securities gains and nonrecurring items was $4.4 billion, nearly 10 percent higher than a year ago. A major reason for this improvement was a 12.7 percent decline in loan loss provisions, compared to year-earlier levels; a 70 percent reduction in loss provisioning by large Southwest banks accounted for much of this drop. First-quarter loss expense for the industry was down even more sharply from the last quarter of 1986—38 percent. It should be noted that loan loss provisions are typically highest during the fourth quarter, and that, due to changing tax laws, loss provisions during the fourth quarter of 1986 may have been even higher than usual.

Chart A — Quarterly Net Income of FDIC-Insured Commercial Banks 1984—1987



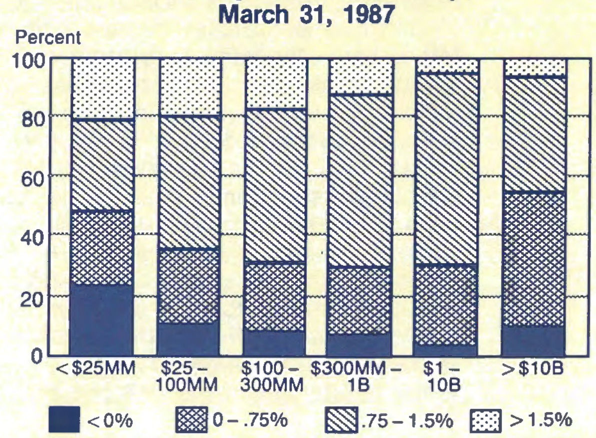
Net interest margins contracted slightly, from 3.93 percent in the year-ago quarter to 3.82 percent for the first quarter of 1987, as net interest income growth of 2.6 percent failed to keep pace with the 6.4 percent increase in earning assets. The inability to maintain interest margins reflected stagnant commercial loan growth and a sizable jump in the amount of loans placed on nonaccrual status, where interest income is not recorded until payment is actually received. These loans increased 60 percent compared to a year earlier and 45 percent compared to the end of 1986. Brazil's announcement, on February 20, of a moratorium on external debt payments led U.S. banks to place virtually all of their medium and long-term loans to Brazil on nonaccrual status. The largest banks, with the greatest exposure to Brazil, recorded the sharpest increase in nonperforming assets in the quarter — 86.7 percent over year-ago levels. The net effect of this development was flat net interest income growth compared to a year earlier, putting added pressure on the largest banks' net interest margins.

Chart B — Commercial Bank Net Interest Margins 1983—1987



The number of banks with earnings losses (net income less than zero) in the first quarter was 2,019, up from 1,973 in the same period of 1986. The FDIC's "problem" list increased by 52 commercial banks during the quarter, to 1,509 as of March 31. Through the first three months of 1987, 54 insured commercial banks failed or received assistance to avert failure, the most in a single quarter since 1933. The smallest commercial banks continue to exhibit the most severe earnings erosion of any segment of the industry, reflecting pressures from credit problems in energy, agriculture and real estate loans.

Chart C — Distribution of Return on Asset Ratios by Asset Size Groups March 31, 1987



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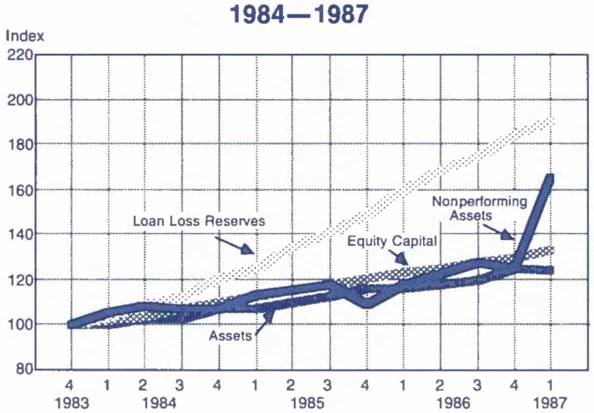
Even with the decline in loan loss provisioning, reserves for loan and lease losses were 19 percent higher on March 31 than they were a year earlier. Many larger banks, particularly those with strong earnings, have continued to fortify their balance sheets in the face of high nonperforming asset growth. Banks in the largest asset-size group maintained the highest ratio of loss reserves to loans outstanding of any size group—1.93 percent. Equity capital and assets have grown at roughly comparable rates for the banking sector as a whole, while reserve growth has been much more rapid. The smallest banks—those with less than $25 million in assets—actually saw their equity capital shrink slightly in the quarter, under pressure from persistent high levels of loan losses.

Chart D — Selected Growth Indices 1984—1987

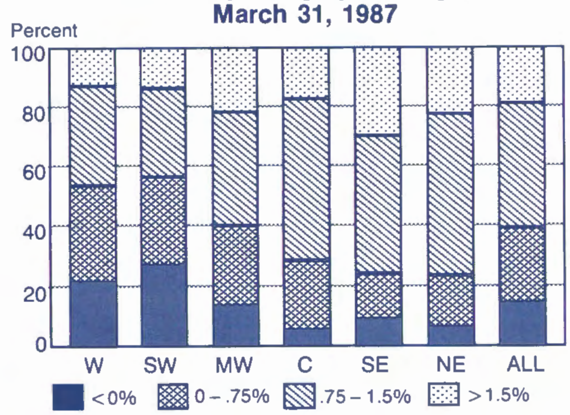


Note: Year-end 1983 = 100

Net loan losses increased more rapidly than loss reserves at commercial banks in the first quarter, especially among medium-sized banks in the Southwest. Banks in the Midwest and Southwest still show the highest regional levels of loan charge-offs, while Southwest and Northeast banks experienced the sharpest growth in charge-offs during the quarter. Banks in the Northeast region had the sharpest run-up in their proportion of nonperforming assets, as foreign loans on nonaccrual status at commercial banks stood at approximately $25.1 billion at the end of the first quarter.

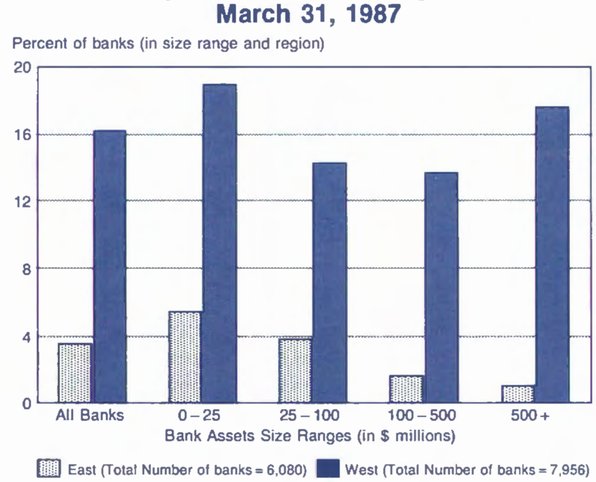
The Southwest region had the highest proportion of unprofitable banks in the first quarter, 27 percent. Losses in the region's larger-bank segment were lower, as loan loss expenses were reduced much below year earlier levels. The modest profitability reported by smaller banks in the first quarter of 1986 eroded to almost zero last quarter. In the West region, larger banks boosted loss reserves; the region's smaller banks had less robust reserve expansion, which, combined with a shrinkage in their equity ratio, produced a decline in the level of primary capital. Banks in the Midwest region showed significant improvement in profitability, as lower loss provisioning offset narrower interest margins; although nonperforming assets grew slightly, there was no evidence of further significant deterioration in asset quality. Total assets at Midwestern banks grew 6.2 percent in the twelve months ending March 31, but loans and leases increased by only 2.6 percent; farm loans outstanding were 18.6 percent lower than a year earlier.

Chart E — Distribution of Bank Return on Asset Ratios by Geographic Region March 31, 1987



The Northeast, Southeast and Central regions had the fewest troubled institutions, and showed continued improvement in this area. Banks in the eastern half of the U.S. have had fewer credit-quality problems and stronger asset growth than their western counterparts. Asset-quality problems at the larger banks in the Northeast pulled down that region's aggregate profitability, while the Southeast and Central regions showed the strongest asset quality and earnings. As commercial banks have continued to fail at a record pace, western banks have accounted for an increasing proportion of the failures, and probably will continue to do so through the remainder of 1987.

Chart F — Distribution of Problem Banks by Asset Size and Region March 31, 1987



Includes commercial banks on the FDIC "Problem List". East/West separated by Mississippi River.

For the banking industry overall, the outlook for reported earnings in 1987 is far from impressive. The increase in nonperforming assets will mean higher loan loss provisions during the rest of 1987. Already, a number of major banks have announced unprecedented additions to their loan loss reserves for the second quarter, and more banks are expected to follow. At the same time, higher interest rates in the second quarter will further compress margins, given the industry's increasing liability sensitivity. Aggregate second quarter earnings are expected to show a record decline. However, performance will continue to vary markedly among different regional and size groups. Once loan loss adjustments are behind them, banks likely will show significant earnings improvement toward the end of the year.

Table I. Aggregate Condition and Income Data, FDIC-Insured Commercial Banks
(dollar figures in millions)

	Preliminary 1st Qtr 1987	4th Qtr 1986	1st Qtr 1986	% Change 86:1-87:1
Number of banks reporting	14,061	14,198	14,376	-2.2
Total employees (full-time equivalent)	1,555,400	1,562,710	1,562,965	-0.5
CONDITION DATA				
Total Assets	$2,902,079	$2,940,940	$2,729,941	6.3
Real estate loans	532,498	515,214	451,587	17.9
Commercial & industrial loans	585,531	600,860	580,111	0.9
Loans to individuals	328,776	335,741	308,846	6.5
Farm loans	29,250	31,694	34,366	-14.9
Other loans and leases	263,725	272,972	266,461	-1.0
Total loans and leases	1,739,780	1,756,481	1,641,371	6.0
LESS: Reserve for losses	29,654	28,786	24,881	19.2
Net loans and leases	1,710,126	1,727,695	1,616,490	5.8
Temporary investments	450,521	463,510	457,697	-1.6
Securities over 1 year	366,915	357,618	300,915	21.9
All other assets	374,517	392,117	354,838	5.5
Total liabilities and capital	$2,902,079	$2,940,940	$2,729,941	6.3
Noninterest-bearing deposits	462,871	532,291	437,975	5.7
Interest-bearing deposits	1,779,531	1,750,948	1,675,830	6.2
Other borrowed funds	348,645	358,893	319,612	9.1
Subordinated debt	17,171	16,891	15,468	11.0
All other liabilities	107,110	99,472	107,878	-0.7
Equity capital	186,751	182,445	173,178	7.8
Nonperforming assets	76,422	57,591	54,375	40.5
Loan commitments and letters of credit	752,554	751,464	725,585	3.7
Domestic office assets	2,474,144	2,532,782	2,310,939	7.1
Foreign office assets	427,935	408,158	419,002	2.1
Domestic office deposits	1,910.082	1,969,444	1,780,620	7.3
Foreign office deposits	332,320	313,795	333,185	-0.3

INCOME DATA	Full Year 1986	Full Year 1985	% Change	Preliminary 1st Qtr 1987	1st Qtr 1986	% Change
Total interest income	$237,797	$248,210	-4.2	$58,452	$62,340	-6.2
Total interest expense	142,808	157,300	-9.2	34,329	38,838	-11.6
Net interest income	94,989	90,910	4.9	24,123	23,502	2.6
Provisions for loan losses	21,910	17,717	23.7	4,083	4,675	-12.7
Total noninterest income	35,896	31,037	15.7	9,405	8,417	11.7
Total noninterest expense	90,182	82,320	9.6	23,146	21,656	6.9
Applicable income taxes	5,315	5,644	-5.8	1,898	1,581	20.1
Net operating income	13,478	16,266	-17.1	4,401	4,007	9.8
Securities gains, net	3,925	1,567	150.5	800	961	-16.8
Extraordinary gains, net	270	224	20.5	89	101	-11.9
Net Income	17,673	18,057	-2.1	5,290	5,069	4.4
Net charge-offs	16,489	13,245	24.5	3,268	3,021	8.2
Net additions to capital stock	3,231	2,395	34.9	273	151	80.8
Cash dividends on capital stock	9,226	8,529	8.2	2,322	2,004	15.9

Table II. Selected Indicators, FDIC-Insured Commercial Banks

	1981	1982	1983	1984	1985	1986	1987*
Return on assets	0.78%	0.71%	0.66%	0.65%	0.70%	0.64%	0.72%
Return on equity	13.08	12.11	10.70	10.73	11.31	10.10	11.46
Equity capital to assets	5.83	5.87	6.00	6.15	6.20	6.20	6.44
Primary capital to assets	6.39	6.47	6.59	6.98	6.94	7.03	7.34
Nonperforming assets to assets	N/A	1.85	1.97	1.97	1.87	1.95	2.62
Net charge-offs to loans	0.37	0.56	0.67	0.76	0.84	0.98	0.75
Asset growth rate	9.36	8.12	6.75	7.11	8.86	7.62	6.31
Net operating income growth	7.60	-0.62	-3.69	3.40	6.30	-17.10	9.83
Number of unprofitable banks	741	1,206	1,599	2,035	2,451	2,824	2,019
Number of problem banks	196	326	603	800	1,098	1,457	1,509
Number of failed banks	7	34	45	78	118	144	54

*For 1987, return on assets, return on equity and net charge-off ratios are annualized.

N/A — Not available

Table IV. Full Year 1986 Bank Data *(Dollar figures in billions, ratios in %)*

		Asset Size Distribution						Geographic Distribution					
								EAST			WEST		
	All Banks	Less than $25 Million	$25-100 Million	$100-300 Million	$300-1,000 Million	$1-10 Billion	Greater than $10 Billion	Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
Number of banks reporting	14,198	4,823	6,583	1,902	550	307	33	1,080	1,957	3,124	3,318	3,139	1,580
Total assets	$2,941.0	$71.1	$333.6	$305.0	$276.7	$899.2	$1,055.4	$1,133.4	$381.8	$463.7	$206.4	$301.7	$454.0
Total deposits	2,283.1	63.1	299.0	269.2	232.7	682.0	737.1	826.2	305.1	371.0	161.3	246.3	373.2
% total banks	100.0%	33.9%	46.4%	13.4%	3.9%	2.2%	0.2%	7.6%	13.8%	22.0%	23.4%	22.1%	11.1%
Asset share (%)	100.0	2.4	11.3	10.4	9.4	30.6	35.9	38.5	13.0	15.8	7.0	10.3	15.4
Deposit share (%)	100.0	2.8	13.1	11.8	10.2	29.8	32.3	36.2	13.4	16.2	7.1	10.8	16.3
Number of unprofitable banks	2,824	1,439	1,074	227	64	19	1	71	220	238	711	1,123	461
Number of failed banks	144	79	54	8	2	1	0	0	7	5	48	54	30
Performance ratios													
Yield on earning assets	9.96%	10.61%	10.33%	10.11%	10.26%	9.65%	9.77%	9.65%	10.02%	9.61%	10.30%	9.47%	10.09%
Cost of funding earning assets	5.98	5.92	5.88	5.72	5.77	5.59	6.38	6.08	5.63	5.79	6.00	5.95	5.56
Net interest margin	3.98	4.69	4.45	4.39	4.49	4.05	3.39	3.57	4.39	3.82	4.30	3.52	4.53
Net noninterest to expense to earning assets	2.27	3.30	2.84	2.70	2.73	2.31	1.69	1.89	2.61	2.17	2.08	2.39	2.77
Net operating income to assets	0.49	−0.03	0.41	0.60	0.50	0.64	0.16	0.64	0.88	0.77	0.40	−0.53	0.24
Return on assets	0.64	0.15	0.59	0.76	0.65	0.76	0.23	0.78	1.02	0.88	0.73	−0.32	0.34
Return on equity	10.10	1.54	7.07	10.19	9.45	12.48	11.22	13.44	15.18	12.63	9.87	−4.73	6.13
Net charge-offs to loans and leases	0.98	2.05	1.48	1.07	1.08	0.80	0.93	0.62	0.62	0.69	2.09	2.08	1.20
Condition Ratios													
Loss allowance to loans and leases	1.63%	1.75%	1.53%	1.46%	1.59%	1.46%	1.83%	1.48%	1.29%	1.44%	1.93%	2.30%	1.86%
Nonperforming assets to assets	1.95	2.60	2.17	1.88	1.91	1.46	2.29	1.54	1.02	1.30	2.01	4.08	2.99
Equity capital ratio	6.20	9.59	8.13	7.27	6.73	5.94	5.14	5.81	6.57	6.79	7.14	6.45	5.68
Primary capital ratio	7.03	10.42	8.88	7.97	7.51	6.60	6.19	6.58	7.07	7.51	8.10	7.68	6.73
Net loans and leases to assets	58.74	48.21	50.47	54.43	59.24	60.49	61.69	59.62	57.57	56.16	52.09	55.01	65.69
Net assets repriceable in one year or less to assets	−4.83	−5.30	−7.29	−6.65	−6.57	−3.84	−3.87	−3.16	−9.37	−3.56	−10.94	−6.35	−2.67
Growth Rates *(year to year)*													
Assets	7.7%	6.0%	7.9%	10.8%	12.4%	16.2%	6.7%	11.0%	13.9%	7.5%	7.0%	−0.9%	1.9%
Earning assets	7.9	6.2	7.7	10.5	12.0	16.3	7.4	11.9	14.3	7.0	7.3	−0.8	0.8
Loans and leases	7.7	3.5	4.9	9.1	13.6	18.3	7.3	12.6	14.6	8.2	4.0	−4.6	1.5
Loss reserve	23.5	15.1	18.6	23.6	33.1	31.0	29.0	23.2	17.4	13.8	23.4	39.1	24.8
Net charge-offs	24.2	4.0	9.7	24.0	44.9	23.2	29.1	40.8	21.0	7.4	26.9	42.3	4.8
Nonperforming assets	12.7	14.0	15.7	18.3	33.5	17.8	16.4	10.8	9.2	−6.1	−2.9	47.3	8.0
Deposits	7.8	7.0	8.5	11.5	13.4	15.9	6.9	11.8	14.1	7.4	5.5	−1.5	2.9
Equity capital	7.9	0.3	4.8	8.2	10.3	15.9	10.2	13.7	13.6	7.3	4.1	−6.8	4.7
Interest income	−4.2	−16.4	−8.9	−5.3	−1.6	−4.5	−2.1	−2.6	3.0	−4.4	−3.9	−11.1	−8.1
Interest expense	−9.2	−18.8	−12.1	−9.4	−6.4	−9.2	−8.9	−8.5	−0.9	−9.3	−7.5	−12.5	−15.1
Net interest income	4.5	−13.3	−4.4	0.7	5.2	2.7	13.8	9.5	8.4	4.2	1.6	−8.7	2.2
Loan loss expense	23.0	−3.9	4.3	21.3	41.6	27.9	25.8	33.5	10.4	0.2	19.9	60.9	5.3
Noninterest income	15.6	−2.8	−0.2	8.9	9.4	4.7	32.2	21.3	12.9	15.1	27.5	−2.7	10.9
Noninterest expense	9.5	−8.6	0.7	4.7	6.6	5.0	21.5	15.5	11.3	6.8	9.5	2.7	3.8
Net operating income	−16.2	−117.1	−35.4	−19.7	−25.6	−16.6	4.8	−0.3	3.7	6.7	−29.9	−267.1	−6.7
Net income	−1.3	−52.0	−18.4	−7.5	−12.0	−6.0	24.8	10.8	14.6	13.9	13.3	−175.8	6.8

REGIONS: Northeast — Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont

Southeast — Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia

Central — Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin

Midwest — Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Southwest — Arkansas, Louisiana, New Mexico, Oklahoma, Texas

West — Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

Table III. First Quarter 1987 Bank Data *(Dollar figures in billions, ratios in %)*

		Asset Size Distribution						Geographic Distribution					
								EAST			WEST		
	All Banks	Less than $25 Million	$25-100 Million	$100-300 Million	$300-1,000 Million	$1-10 Billion	Greater than $10 Billion	Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
Number of banks reporting	14,061	4,765	6,585	1,853	524	303	31	1,073	1,937	3,086	3,303	3,097	1,565
Total assets	$2,902.0	$70.4	$333.8	$298.0	$262.6	$900.4	$1,037.0	$1,131.4	$379.3	$455.2	$202.4	$293.5	$440.3
Total deposits	2,242.4	62.5	298.9	262.7	219.8	681.6	716.8	813.7	303.7	366.4	15 8.7	240.2	359.8
% total banks	100.0%	33.9%	46.8%	13.2%	3.7%	2.2%	0.2%	7.6%	13.8%	22.0%	23.5%	22.0%	11.1%
Asset share (%)	100.0	2.4	11.5	10.3	9.1	31.0	35.7	39.0	13.1	15.7	7.0	10.1	15.1
Deposit share (%)	100.0	2.8	13.3	11.7	9.8	30.4	32.0	36.3	13.5	16.3	7.1	10.7	16.1
Number of unprofitable banks	2,019	1,095	734	140	37	10	3	64	173	171	446	832	333
Number of failed banks	54	38	13	3	0	0	0	1	2	4	8	33	6
Income ratios *(annualized)*													
Yield on earning assets	9.25%	9.70%	9.46%	9.32%	9.41%	8.98%	9.33%	9.29%	9.31%	8.91%	9.48%	8.73%	9.46%
Cost of funding earning assets	5.43	5.17	5.17	5.05	5.03	4.99	6.16	5.84	5.00	5.19	5.36	5.41	4.92
Net interest margin	3.82	4.52	4.29	4.27	4.38	3.99	3.17	3.45	4.31	3.72	4.12	3.32	4.54
Net noninterest to expense to earning assets	2.17	3.15	2.70	2.59	2.55	2.24	1.63	1.81	2.46	2.07	1.96	2.28	2.93
Net operating income to assets	0.61	0.32	0.66	0.75	0.70	0.74	0.43	0.61	0.97	0.83	0.74	-0.08	0.44
Return on assets	0.73	0.44	0.80	0.89	0.84	0.84	0.56	0.73	1.08	0.94	0.85	0.12	0.53
Return on equity	11.36	4.63	9.68	11.91	11.73	14.03	10.61	12.36	16.05	13.63	11.70	1.82	9.06
Net charge-offs to loans and leases	0.75	1.20	0.78	0.66	0.85	0.63	0.83	0.55	0.45	0.45	1.42	1.52	1.00
Condition Ratios													
Loss allowance to loans and leases	1.70%	1.82%	1.61%	1.51%	1.61%	1.53%	1.93%	1.57%	1.32%	1.50%	2.01%	2.41%	1.93%
Nonperforming assets to assets	2.62	2.72	2.30	2.01	1.99	1.84	3.73	2.60	1.15	1.56	2.25	4.62	3.95
Equity capital ratio	6.40	9.67	8.34	7.57	7.21	6.15	5.31	6.01	6.85	7.05	7.40	6.58	5.96
Primary capital ratio	7.34	10.53	9.13	8.35	8.02	6.87	6.40	6.83	7.40	7.81	8.41	7.87	7.07
Net loans and leases to assets	58.93	47.96	50.78	54.64	60.87	62.09	59.99	59.26	58.99	56.84	52.10	54.95	65.94
Net assets repriceable in one year or less to assets	-6.55	-6.76	-8.83	-7.80	-7.43	-6.22	-5.48	-5.26	-10.64	-5.19	-13.28	-8.03	-3.59
Growth Rates *(from year-ago quarter)*													
Assets	6.3%	5.7%	6.6%	8.8%	10.4%	14.3%	6.0%	9.6%	11.8%	6.6%	6.2%	-1.6%	-0.6%
Earning assets	6.4	6.1	7.1	9.4	10.5	14.9	5.5	10.3	11.9	5.9	6.1	-1.6	-0.6
Loans and leases	6.0	3.3	4.6	9.1	13.3	16.2	4.6	10.6	14.5	7.0	2.6	-6.6	-1.2
Loss reserve	19.2	17.3	18.5	22.9	30.0	20.3	27.0	23.0	16.4	13.2	12.4	17.6	21.9
Net charge-offs	8.2	3.9	-2.3	17.4	58.8	6.6	14.4	19.7	13.6	-13.2	-3.7	19.8	2.0
Nonperforming assets	40.5	1.9	6.2	17.7	23.0	29.6	86.7	84.6	18.2	3.5	-5.0	43.1	27.9
Deposits	6.1	6.8	7.2	9.4	10.9	13.5	6.4	10.2	12.1	6.1	4.7	-2.4	-0.4
Equity capital	7.8	-0.3	4.3	8.2	8.4	15.4	11.7	13.7	12.9	6.8	4.5	-6.6	4.2
Interest income	-6.2	-6.5	-5.8	-3.2	-0.8.	1.0	-7.0	-2.1	-0.4	-6.6	-8.3	-15.8	-12.4
Interest expense	-11.6	-11.8	-11.0	-9.1	-8.8	-7.1	-10.4	-7.0	-7.5	-12.3	-12.1	-17.6	-21.3
Net interest income	2.6	-0.5	-1.3	4.9	10.4	13.4	0.5	7.6	9.2	2.8	-2.9	-12.7	-0.2
Loan loss expense	-12.7	-2.8	-9.2	5.4	10.9	-28.4	3.7	18.1	-4.2	-13.1	-30.2	38.7	-10.6
Noninterest income	11.7	-7.8	9.9	9.5	16.8	13.5	16.7	11.9	14.6	14.7	39.4	5.1	.6
Noninterest expense	6.9	4.0	5.4	7.2	11.4	11.6	12.5	10.7	9.7	5.5	7.0	-1.3	3.5
Net operating income	9.8	-14.31	-6.0	-5.1	- 2.8	-56.3	-11.4	-2.8	8.6	8.8	68.6	72.4	-4.2
Net income	4.4	-22.6	-13.0	-4.6	3.8	43.4	-12.8	-4.3	8.8	5.0	20.0	293.7	-6.7

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NOTES TO USERS

Computation Methodology for Performance and Condition Ratios

All income figures used in calculating performance ratios represent amounts for that quarter, annualized.

All asset and liability figures used in calculating performance ratios represent *average* amounts (beginning-of-period amount plus end-of-period amount, divided by two).

All asset and liability figures used in calculating the condition ratios represent amounts as of the end of the period.

Definitions

"Problem" Banks — Federal regulators assign to each financial institution a uniform composite rating, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. "Problem" banks are those institutions with financial, operational or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either "4" or "5".

Earning Assets — all loans and other investments that earn interest, dividend or fee income.

Yield on Earning Assets — total interest, dividend and fee income earned on loans and investments as a percentage of average earning assets.

Cost of Funding Earning Assets — total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Net Interest Margin — the difference between the yield on earning assets and the cost of funding them, i.e., the profit margin a bank earns on its loans and investments.

Net Noninterest Expense — total noninterest expense, excluding the expense of providing for loan losses, less total noninterest income. A measure of banks' overhead costs.

Net Operating Income — income after taxes but before gains (or losses) from securities transactions and nonrecurring items. The profit earned on banks' regular banking business.

Return on Assets — net income (including securities transactions and nonrecurring items) as a percentage of average total assets. A basic yardstick of bank profitability.

Return on Equity — net income as a percentage of average total equity capital.

Net Charge-offs — total loans and leases charged off due to uncollectibility, less amounts recovered on previous charge-offs.

Nonperforming Assets — the sum of loans past-due 90 days or more, loans in nonaccrual status and real estate owned other than bank premises.

Primary Capital — total equity capital plus the allowance for loan and lease losses plus minority interests in consolidated subsidiaries plus qualifying mandatory convertible debt, less intangible assets except purchased mortgage servicing rights.

Net Loans and Leases — total loans and leases less unearned income and the allowance for loan and lease losses.

Net Assets Repriceable in One Year or Less — short-term and variable rate interest-earning assets, minus interest-bearing liabilities maturing or repriceable within the same one-year interval. A measure of banks' sensitivity to interest rate changes, where a positive value indicates that banks' income from assets is more sensitive to movements in interest rates than is the expense of their liabilities, and vice-versa for a negative value.

Temporary Investments — the sum of interest-bearing balances due from depository institutions, federal funds sold and resold, trading-account assets and investment securities with remaining maturities of one year or less. These are banks' more liquid investments.

Loan Loss Expense — the addition to the allowance for loan and lease losses, the reserve maintained to absorb expected loan losses.

Additional information regarding bank performance, bank failures and economic issues affecting the banking industry is available in the *Banking and Economic Review,* published by the Division of Research and Strategic Planning, FDIC. Information on legislative issues and changes in state and federal laws and regulations governing banks is contained in the *Regulatory Review,* also published by the Division of Research and Strategic Planning. Single-copy subscriptions are available to the public free of charge. Requests should be mailed to:

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