First Quarter 1989

The FDIC Quarterly Banking Profile

L. William Seidman, Chairman

COMMERCIAL BANKING PERFORMANCE — FIRST QUARTER, 1989

- ***Earnings of $7.3 Billion Mark Third Consecutive Record Quarter***
- ***Profits Improve Across Size Groups***
- ***Gains Most Evident Among Banks West of the Mississippi***
- ***Equity Capital Surpasses $200 Billion Level***
- ***Numbers of Unprofitable and Problem Banks Continue to Decline***

Commercial banks earned a record $7.3 billion during the first quarter of 1989, up from $4.9 billion in the first quarter of 1988, and $6.7 billion in the fourth quarter of 1988, the previous high. This was the third straight quarter that the U.S. commercial banking industry established a new earnings mark. Aggregate return on assets was 0.94 percent, compared to 0.66 percent in the first quarter a year ago. The record profits consisted almost entirely of earnings from regular operations. Gains from the sale of investment securities and other nonrecurring items were at their lowest level since fourth quarter 1987. Net operating income was $7.2 billion, also a quarterly record, compared to $4.2 billion in the first quarter a year ago and $6.3 billion in the final quarter of 1988. The improvement in profitability was broadly based, with all asset size groups reporting higher returns on assets than a year ago.

Chart A—Quarterly Net Income of FDIC-Insured Commercial Banks, 1985—1989

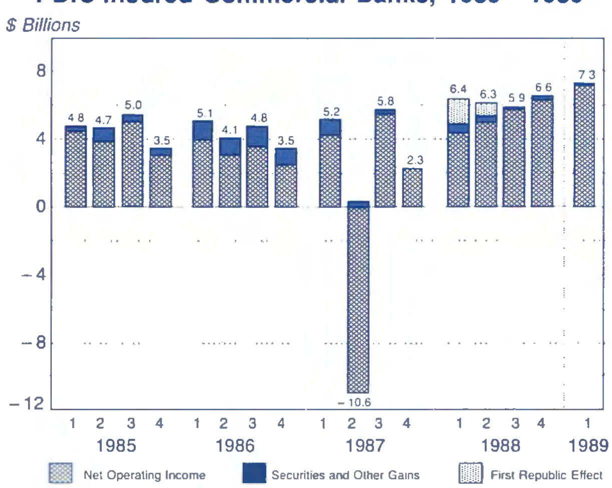
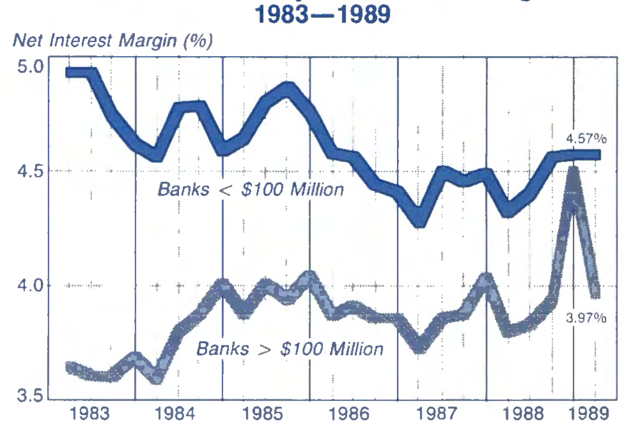


Chart B—Quarterly Net Interest Margins 1983—1989



Wider net interest margins, stronger cost controls, and lower loan-loss expenses all contributed to the first quarter's record results. Interest rate levels were markedly higher in the first quarter than a year earlier. Interest expense growth of 23.0 percent was offset by a 17.8 percent increase in interest income, so that net interest income was 9.9 percent higher than in the first quarter of 1988. The industry's net interest margin widened to 4.08 percent, compared to 3.86 percent in the first quarter of 1988. Small banks in particular benefited in the rising rate environment, as their aggregate net interest margin widened by 25 basis points over first quarter 1988 to 4.57 percent. Larger banks also reported strong margins, although they were narrower than in the fourth quarter of 1988, when nearly $3 billion of accumulated interest was received on Brazilian debt.

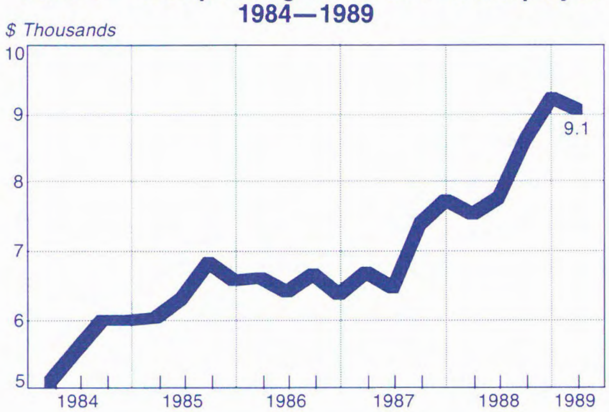
Efforts to streamline operations continue to be evident in the aggregate data, as noninterest

FDIC
Of[illegible] of Research
[illegible]ics
J[illegible]uinn
(202) 898-3940

Ross Waldrop
(202) 898-3951

expense grew only 3.6 percent, while assets grew 4.4 percent. Both the numbers of banks and bank employees continued to decline during the first quarter, while the number of banking offices increased. The number of insured commercial banks operating at the end of the first quarter was the fewest in FDIC history, and the number of employees reached its lowest level since 1984. Efficiency gains in commercial bank operations have been significant over the past two years, and the average net operating cash flow per employee has nearly doubled over the past five years.

Chart C—Net Operating Cash Flow Per Employee 1984—1989



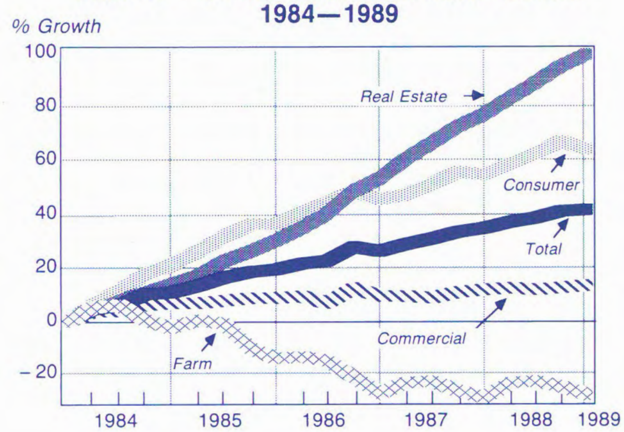
Provisions for loan and lease losses were $1.1 billion lower in the first quarter than in the year-earlier period, a 23.9 percent reduction. This improvement was mainly attributable to the Southwest region, where the decline was so great that it more than compensated for increases in four of the other five regions, and to the largest banks, which continued to cover loan charge-offs from the large reserves established in 1987. The drop in the Southwest region's loss provision was mostly the result of the number of troubled banks that were closed or assisted during the previous twelve months. Nationwide, equity capital growth outweighed the shrinkage in the reserve for loan and lease losses, and the industry's primary capital ratio rose to 7.99 percent.

Equity capital ratios improved in every size group and region in the first quarter. The FDIC's activity dealing with troubled and failing bank cases in the Southwest has strengthened that region's equity capital base. As of March 31, the Southwest's equity capital ratio stood at 5.87 percent of assets, up from 5.40 percent on March 31, 1988. Nationally, the banking sector's capital base grew $5.2 billion in the first three months of 1989, reaching $202 billion, and the aggregate equity capital ratio climbed to 6.41 percent, the highest level of the decade. The portion of earnings paid out in cash dividends was considerably lower than in 1988, except at the largest banks. Retained earnings were more than twice the amount of a year ago, significantly boosting banks' internally generated equity capital.

As noted, the improvement in profits was widespread, with first quarter earnings up for every size group and all regions except the Northeast. Nearly two-thirds of commercial banks reported higher earnings in the first quarter of 1989 than in the first quarter of 1988. Only 8.78 percent of banks were unprofitable in the quarter, compared to 13.08 percent in the first quarter of 1988. Significant improvement was evident in virtually all states west of the Mississippi, as net income grew strongly and nonperforming asset levels declined compared to year earlier levels. These developments were in contrast to the lower income growth and slightly higher nonperforming asset levels in the east, where state performance trends were more varied. Despite some narrowing of the performance gap, banks in the east continue to outperform banks in the west.

Real estate loans outstanding rose by $18.4 billion during the first quarter, as banks continue to look to real estate lending to fuel asset growth. Increases in commercial loans offset declines in loans to individuals. Responding to the flatter yield curve, banks also increased their temporary investments by $18.5 billion in the first quarter. Nonperforming assets, although 6.5 percent lower than year-earlier levels, rose $2.9 billion during the first three months of the year. Banks reporting an increase in nonperforming assets during the quarter slightly outnumbered those reporting decreases.

Chart D—Commercial Bank Loan Growth 1984—1989



The number of commercial banks on the FDIC "Problem List" fell by 105 during the first three months of the year to 1,298, the lowest level in three years. Banks failed at a somewhat greater rate than anticipated during the first quarter, with 64 having failed or received assistance, 20 of them MCorp banks; 54 banks failed or were assisted in the first quarter of 1988. The balance of the year should see a moderation of this trend, however, and the 1989 full-year total should show the first year-to-year decline since 1981.

Table I. Selected Indicators, FDIC-Insured Commercial Banks

	*1989**	*1988**	*1988*	*1987*	*1986*	*1985*	*1984*
Return on assets	0.94%	0.66%	0.83%	0.10%	0.63%	0.70%	0.64%
Return on equity	14.70	10.92	13.43	1.54	9.99	11.15	10.48
Equity capital to assets	6.41	6.07	6.28	6.02	6.19	6.19	6.14
Primary capital ratio	7.99	7.83	7.85	7.76	7.55	7.42	7.20
Nonperforming assets to assets	2.22	2.48	2.14	2.46	1.95	1.46	1.60
Net charge-offs to loans	0.72	0.88	0.99	0.93	0.99	0.84	0.75
Asset growth rate	4.41	4.04	4.36	2.03	7.71	8.86	7.11
Net operating income growth	63.72	1.54	2018.29	-85.27	-20.65	6.30	3.40
Percentage of unprofitable banks	8.78	13.08	14.24	18.62	20.65	17.10	14.05
Number of problem banks	1,289	1,491	1,394	1,559	1,457	1,098	800
Number of failed/assisted banks	64	54	221	201	144	118	78

*Through March 31; ratios annualized where appropriate

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

	Preliminary 1st Qtr 1989	*4th Qtr 1988*	*1st Qtr 1988*	*%Change 88:1-89:1*
Number of banks reporting	13,001	13,121	13,541	-4.0
Total employees (full-time equivalent)	1,526,079	1,527,048	1,530,746	-0.3
CONDITION DATA				
Total assets	$3,150,670	$3,130,750	$3,017,506	4.4
Real estate loans	695,024	676,612	615,588	12.9
Commercial & industrial loans	604,297	598,755	595,872	1.4
Loans to individuals	371,483	377,828	350,831	6.2
Farm loans	28,729	30,222	28,607	1.2
Other loans and leases	247,434	248,891	257,854	-4.0
Total loans and leases	1,946,967	1,932,308	1,848,752	5.3
LESS: Reserve for losses	45,871	46,650	50,304	-8.8
Net loans and leases	1,901,096	1,885,658	1,798,448	5.7
Temporary investments	484,316	465,811	472,296	2.5
Securities over 1 year	386,516	382,777	392,794	-1.6
All other assets	378,761	396,504	353,969	7.0
Total liabilities and capital	$3,150,670	$3,130,750	$3,017,506	4.4
Noninterest-bearing deposits	440,208	479,429	438,900	0.3
Interest-bearing deposits	1,988,409	1,952,142	1,880,154	5.8
Other borrowed funds	399,327	380,684	394,079	1.3
Subordinated debt	17,349	17,309	17,505	-0.9
All other liabilities	103,404	104,464	103,834	-0.4
Equity capital	201,972	196,721	183,035	10.3
Primary capital	251,696	246,812	237,180	6.1
Nonperforming assets	69,991	67,065	74,872	-6.5
Loan commitments and letters of credit	835,284	839,393	802,356	4.1
Domestic office assets	2,735,437	2,726,123	2,584,376	5.8
Foreign office assets	415,233	404,627	433,130	-4.1
Domestic office deposits	2,103,765	2,116,492	1,985,327	6.0
Foreign office deposits	324,852	315,079	333,727	-2.7
Earning assets	2,771,909	2,734,246	2,663,537	4.1
Volatile liabilities	1,116,070	1,073,656	1,077,553	3.6

INCOME DATA	*Full Year 1988*	*Full Year 1987*	*%Change*	*Preliminary 1st Qtr 1989*	*1st Qtr 1988*	*% Change*
Total interest income	$272,279	$244,837	11.2	$75,528	$64,103	17.8
Total interest expense	165,013	144,949	13.8	47,504	38,615	23.0
Net interest income	107,266	99,888	7.4	28,024	25,487	9.9
Provisions for loan losses	16,965	37,505	-54.8	3,592	4,715	-23.8
Total noninterest income	44,932	41,468	8.3	11,735	11,056	6.1
Total noninterest expense	101,280	97,303	4.1	25,929	25,035	3.6
Applicable income taxes	10,012	5,417	84.8	2,993	2,369	26.3
Net operating income	23,942	1,130	2018.3	7,245	4,426	63.7
Securities gains, net	286	1,427	-80.0	52	390	-86.7
Extraordinary gains, net	832	204	308.5	30	132	-77.7
Net income	25,060	2,761	807.5	7,327	4,948	48.1
Net charge-offs	18,468	16,430	12.4	3,489	4,045	-13.8
Net additions to capital stock	3,181	2,613	21.7	197	156	26.6
Cash dividends on capital stock	13,210	10,666	23.8	3,175	3,199	-0.7

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

		Asset Size Distribution				Geographic Distribution					
						EAST			WEST		
	All Banks	Less than $100 Million	$100 Million to $1 Billion	$1-10 Billion	Greater than $10 Billion	Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	[illegible] R[illegible]
CURRENT QUARTER *Preliminary* *(The way it is . . .)*											
Number of banks reporting	13,001	10,182	2,448	329	42	1,091	1,941	2,905	3,078	2,491	1,495
Total assets	$3,150.67	$375.14	$578.97	$987.22	$1,209.34	$1,261.69	$448.30	$506.00	$202.73	$258.54	$473.41
Total deposits	2,428.62	333.74	496.62	741.92	856.33	903.52	358.64	407.99	163.13	219.10	376.23
Net income *(in millions)*	7,327	887	1,427	2,314	2,699	2,733	1,097	1,393	624	119	1,362
Percentage of banks losing money	8.8%	9.9%	4.4%	5.2%	4.8%	7.6%	8.0%	3.3%	5.2%	18.6%	12.4%
Performance ratios *(annualized)*											
Yield on earning assets	11.00%	10.32%	10.60%	10.84%	11.57%	11.58%	10.63%	10.41%	10.65%	9.80%	11.23%
Cost of funding earning assets	6.92	5.75	5.96	6.51	8.14	7.96	6.33	6.40	6.19	6.22	5.95
Net interest margin	4.08	4.57	4.63	4.32	3.42	3.63	4.30	4.01	4.46	3.58	5.27
Net noninterest expense to earning assets	2.07	2.75	2.63	2.23	1.41	1.66	2.40	2.11	1.92	2.34	2.70
Net operating cash flow to assets	1.77	1.66	1.81	1.85	1.71	1.72	1.68	1.69	2.27	1.05	2.21
Net operating income to assets	0.92	0.93	0.97	0.91	0.91	0.90	0.98	1.09	1.16	0.17	1.05
Return on assets	0.94	0.95	0.99	0.94	0.90	0.87	0.99	1.10	1.21	0.18	1.16
Return on equity	14.70	10.67	13.28	14.89	17.73	14.65	14.19	16.15	15.81	3.14	19.20
Net charge-offs to loans and leases	0.72	0.53	0.59	0.81	0.76	0.61	0.43	0.61	0.95	1.66	0.88
Loan loss provision to net charge-offs	102.95	127.66	126.33	109.48	83.52	103.68	145.98	91.32	116.29	88.02	97.54
Condition Ratios											
Loss allowance to:											
Loans and leases	2.36%	1.68%	1.58%	1.70%	3.48%	2.80%	1.31%	1.94%	1.98%	2.54%	2.63%
Noncurrent loans and leases	78.19	71.68	78.23	90.88	74.60	74.32	105.24	108.91	93.55	43.96	85.81
Nonperforming assets to assets	2.22	1.92	1.71	1.51	3.14	2.46	1.12	1.21	1.61	4.74	2.59
Equity capital ratio	6.41	8.94	7.52	6.40	5.10	5.99	6.98	6.91	7.88	5.87	6.12
Primary capital ratio	7.99	9.81	8.47	7.49	7.59	7.97	7.85	8.13	8.89	7.08	8.12
Net loans and leases to deposits	78.28	58.14	70.97	85.83	83.83	84.58	77.43	73.47	71.63	58.92	83.3[illegible]
Growth Rates *(year-to-year)*											
Assets	4.4%	6.7%	10.3%	12.2%	2.5%	4.8%	9.4%	6.0%	–0.6%	–5.9%	5.[illegible]
Equity capital	10.3	5.1	9.2	14.8	15.8	13.5	9.9	8.5	5.3	2.4	12.3
Net interest income	9.9	12.2	18.7	16.2	7.7	9.2	10.9	10.4	5.6	–1.9	17.4
Net income	48.1	20.1	18.3	17.5	0.5	–2.4	6.6	4.6	18.0	107.2	48.9
Nonperforming assets	–6.5	0.6	9.6	11.1	–2.8	7.7	15.1	2.1	–14.4	–29.0	–15.9
Net charge-offs	–13.8	–0.8	41.6	2.7	–14.6	–5.7	–31.5	–16.5	–25.5	–32.3	17.5
Loan loss provision	–23.8	–1.0	25.2	28.4	1.1	7.0	18.9	0.0	6.0	–73.8	13.3
PRIOR FIRST QUARTERS *(The way it was . . .)*											
Return on assets . . . 1988	0.66%	0.75%	0.69%	0.74%	0.55%	0.94%	1.01%	1.12%	1.05%	–2.43%	0.82%
. . . 1986	0.75	0.88	0.91	0.70	0.65	0.85	1.14	0.98	0.77	–0.09	0.58
. . . 1984	0.73	0.99	0.93	0.78	0.46	0.70	1.01	0.77	0.94	0.85	0.41
Equity capital ratio . . . 1988	6.07	8.71	7.30	6.19	4.42	5.53	6.95	6.75	7.43	5.40	5.75
. . . 1986	6.34	8.67	7.25	6.14	5.01	5.80	6.79	7.04	7.52	6.94	5.69
. . . 1984	6.10	8.65	7.17	5.80	4.49	5.43	6.79	6.66	7.59	6.94	5.31
Nonperforming assets to assets . . . 1988	2.48	2.16	1.92	1.81	3.43	2.39	1.06	1.26	1.87	6.29	3.26
. . . 1986	1.99	2.39	1.83	1.59	2.26	1.54	1.09	1.61	2.52	3.18	3.07
. . . 1984	2.07	1.73	1.57	1.78	2.73	1.65	1.10	2.20	1.83	2.25	3.47
Net charge-offs to loans and leases . 1988	0.88	0.65	0.61	0.96	1.02	0.69	0.69	0.78	1.38	2.16	0.79
. . . 1986	0.74	0.91	0.65	0.75	0.73	0.52	0.46	0.56	1.53	1.20	0.98
. . . 1984	0.49	0.56	0.39	0.46	0.53	0.27	0.31	0.58	0.55	0.96	0.66

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 IV. Full-Year 1988 Bank Data *(Dollar figures in billions, ratios in %)*

		Asset Size Distribution				Geographic Distribution					
						EAST			WEST		
	All Banks	Less than $100 Million	$100 Million to $1 Billion	$1-10 Billion	Greater than $10 Billion	Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
Number of banks reporting	13,121	10,290	2,467	324	40	1,081	1,943	2,926	3,109	2,557	1,505
Total assets	3,131	379	592	998	1,162	1,244	440	506	210	262	469
Total deposits	2,432	337	508	753	833	903	352	408	166	222	379
Net income *(in millions)*	25,060	2,402	4,206	7,381	11,072	11,930	4,093	5,209	1,820	−1,778	3,786
Percentage of banks losing money	14.2%	15.9%	8.5%	7.4%	5.0%	9.8%	13.9%	4.5%	8.0%	30.9%	21.3%
Performance ratios *(annualized)*											
Yield on earning assets	10.30%	9.84%	10.00%	10.15%	10.74%	10.82%	10.00%	9.70%	10.25%	9.31%	10.42%
Cost of funding earning assets	6.24	5.39	5.54	5.85	7.22	7.10	5.68	5.77	5.85	5.76	5.40
Net interest margin	4.06	4.45	4.46	4.31	3.51	3.72	4.31	3.93	4.40	3.55	5.02
Net noninterest expense to earning assets	2.13	2.85	2.66	2.26	1.51	1.71	2.45	2.04	2.12	2.72	2.77
Net operating cash flow to assets	1.68	1.45	1.62	1.80	1.69	1.76	1.65	1.68	2.04	0.71	1.92
Net operating income to assets	0.81	0.64	0.75	0.79	0.92	0.97	1.00	1.06	0.81	−0.72	0.79
Return on assets	0.83	0.66	0.75	0.79	0.96	0.98	0.98	1.07	0.90	−0.71	0.85
Return on equity	13.43	7.37	10.16	12.73	20.25	17.35	14.00	15.96	11.95	−11.84	14.70
Net charge-offs to loans and leases	0.99	0.87	0.78	1.06	1.07	0.82	0.63	0.72	1.33	2.37	1.23
Loan loss provision to net charge-offs	91.86	117.10	121.12	102.48	67.39	90.74	107.35	82.23	92.04	103.93	81.57
Condition Ratios											
Loss allowance to:											
Loans and leases	2.41%	1.67%	1.58%	1.75%	3.63%	2.83%	1.29%	1.97%	1.92%	3.02%	2.71%
Noncurrent loans and leases	82.75	71.75	78.10	92.08	81.80	78.60	104.97	117.81	95.82	55.47	86.17
Nonperforming assets to assets	2.14	1.91	1.73	1.52	2.96	2.35	1.01	1.14	1.51	4.55	2.66
Equity capital ratio	6.28	8.74	7.24	6.16	5.10	5.93	6.94	6.76	7.45	5.68	5.91
Primary capital ratio	7.85	9.65	8.20	7.37	7.51	7.79	7.80	8.03	8.55	7.16	7.96
Net loans and leases to deposits	77.55	57.87	70.01	84.66	83.69	83.46	77.20	72.67	71.89	59.68	82.01
Growth Rates *(year-to-year)*											
sets	4.4%	6.8%	11.2%	13.8%	2.1%	5.4%	8.2%	5.4%	0.8%	−6.5%	5.5%
ity capital	9.0	4.7	8.7	13.5	16.8	15.1	10.3	9.2	0.8	−8.9	8.4
Net interest income	7.4	6.8	12.2	15.4	9.4	12.6	6.9	7.2	4.7	−8.5	6.4
Net income	807.5	21.3	10.2	58.3	N/M	855.2	14.7	161.5	35.0	N/M	3730.9
Nonperforming assets	−9.2	1.8	11.0	9.5	−6.1	1.5	5.7	−5.8	−18.1	−26.4	−14.5
Net charge-offs	12.4	−13.4	11.4	39.9	25.8	31.3	1.4	13.0	−12.5	0.8	15.1
Loan loss provision	−54.8	−13.3	4.4	−12.8	−77.6	−67.6	−17.3	−60.5	−34.9	−25.8	−55.9
PRIOR YEARS *(The way it was . . .)*											
Return on assets . . . 1987	0.10%	0.52%	0.69%	0.48%	−0.65%	−0.14%	0.94%	0.43%	0.68%	−0.90%	−0.02%
. . . 1985	0.70	0.64	0.83	0.87	0.51	0.78	1.04	0.82	0.70	0.43	0.34
. . . 1983	0.66	1.23	1.12	0.86	0.63	0.67	0.96	0.69	0.94	0.64	0.34
Equity capital ratio . . . 1987	6.02	8.57	7.23	6.09	4.42	5.43	6.81	6.52	7.44	5.83	5.75
. . . 1985	6.19	8.53	7.20	5.85	4.91	5.67	6.60	6.81	7.34	6.86	5.53
. . . 1983	6.00	8.50	7.00	5.70	4.43	5.36	6.76	6.51	7.48	6.72	5.22
Nonperforming assets to assets . . . 1987	2.46	2.10	1.81	1.81	3.47	2.44	1.04	1.27	1.86	5.79	3.28
. . . 1985	1.46	0.87	0.94	1.27	2.19	1.43	0.63	1.12	1.31	1.85	2.28
. . . 1983	1.97	1.58	1.53	1.70	2.59	1.55	1.11	2.07	1.61	2.04	3.38
Net charge-offs to loans and leases . 1987	0.93	1.15	0.88	0.93	0.89	0.67	0.69	0.68	1.63	2.10	1.09
. . . 1985	0.84	1.38	0.83	0.69	0.78	0.48	0.59	0.68	1.71	1.44	1.19
. . . 1983	0.67	1.16	0.90	0.97	0.77	0.39	0.55	0.73	0.77	1.40	0.79

FDIC
Federal Deposit Insurance Corporation
Washington, DC 20429

OFFICIAL BUSINESS
Penalty for Private Use, $300

FIRST CLASS
MAIL
Postage &
Fees Paid
FDIC
Permit No. G36

NOTES TO USERS

COMPUTATION METHODOLOGY FOR PERFORMANCE AND CONDITION RATIOS

All income figures used in calculating performance ratios represent amounts for that period, annualized (multiplied by the number of periods in a year).

All asset and liability figures used in calculating performance ratios represent **average** amounts for the period (beginning-of-period amount plus end-of-period amount plus any periods in between, divided by the total number of periods).

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

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 and before gains (or losses) from securities transactions and from nonrecurring items. The profit earned on banks' regular banking business.

Net Operating Cash Flow—pre-tax net operating income before the provision for loan and lease losses; a measurement of banks' cash flow, net of interest and overhead expenses, from regular operations. Previously referred to as "adjusted net operating income".

Return on Assets—net income (including securities transactions and nonrecurring items) as a percentage of average total assets. The 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 (removed from balance sheet because of uncollectibility) during the quarter, less amounts recovered on loans and leases previously charged off.

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

Noncurrent Loans & Leases—the sum of loans past-due 90 days or more and loans in nonaccrual status.

Primary Capital—total equity capital plus the allowance for loan and lease losses plus minority interests in consolidated subsidiaries plus qualifying mandatory convertible debt (cannot exceed 20 percent of total primary capital), 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.

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.

Volatile Liabilities—the sum of large denomination time deposits, foreign office deposits, federal funds purchased, and other borrowed money.

Requests for copies of and subscriptions to the FDIC Quarterly Banking Profile should be made through the FDIC's Offic Corporate Communications, 550 17th Street N.W., Washington, D.C. 20429; telephone (202) 898-6996.