

# Banking CONDITIONS

*Providing Tenth District insights on regional and national banks*

## First Quarter 2022 Banking Conditions

*By Mary Bongers*

*The Federal Reserve Bank of Kansas City dedicates staff to monitor banking trends nationally and across our seven-state region.*

Current banking conditions are heavily influenced by recent economic trends, most notably changes in the interest rate environment. The two recent rate hikes by the Federal Open Market Committee (FOMC), as well as the signaling of further increases, have impacted bank financials and will continue to play a large role in shaping banking conditions throughout the year. Bank net interest margins (NIMs) remain compressed (see Charts A10-A11), with yields on earning assets continuing to decline through the first quarter, as rate hikes have yet to fully flow through balance sheets. Recent increases in the federal funds rate have not been large enough to raise all variable rate loans above floors, and competition for loans is aggressive,<sup>1</sup> limiting loan yield increases. Additionally, balance sheets remain flush with liquid, yet low-yielding assets, placing continued pressure on margins. Although interest income remains depressed, interest expense across the Tenth District (District) is also low, totaling 0.17 percent of average assets, a record low. Most banks have not begun raising interest paid on deposits due to the abundance of funds, resulting in low deposit betas.<sup>2</sup>

Interest rate movements have also impacted unrealized positions in available-for-sale (AFS) securities portfolios. As a result of interest rate increases, unrealized losses at District banks totaled 10.5 percent of tier 1 capital in the first quarter, marking a record level (see Supplemental Chart 1, below). Balance sheet management during the pandemic contributed to current unrealized positions, as many banks extended securities portfolio duration (see Charts D3-D4) in pursuit of higher yields as a response to compressing NIMs from tepid loan demand and increasing liquid assets throughout the health crisis. However, banks have since begun shortening securities portfolios, and investments with maturities under 5 years now constitute more than 50 percent of total securities for the first time since the third quarter of 2020.

Unrealized losses impact bank liquidity positions, though balance sheets remain flush with liquid assets, totaling 25 percent of assets, (see Charts D8-D9) and the loan-to-deposit ratio remains low at 64 percent (see Charts D5-D6). Quarterly deposit growth has slowed to 1.3 percent, while total loan growth remains modest at 2 percent and has been funded in part by sizeable decreases in cash and due from balances (see Chart C3). Increases in loans during the quarter have been largely driven by growth in commercial real estate (CRE) and commercial and industrial (C&I) lending, offsetting the decrease in agricultural loans (see Chart C4).

Asset quality remains stable as past due, nonaccrual, and charge-off levels are low and decreasing (see Charts B4-B5). Loans modified under section 4013 of the CARES Act also declined further, totaling just

<sup>1</sup> [The Fed - The April 2022 Senior Loan Officer Opinion Survey on Bank Lending Practices \(federalreserve.gov\)](https://www.federalreserve.gov/press/prclips/2022/040122.htm)

<sup>2</sup> Deposit beta measures how responsive management's deposit repricing is to the change in market rates.

over 1 percent (see Supplemental Chart 2, below).<sup>3</sup> Allowance for Loan and Lease Loss (ALLL) levels are directionally consistent with problem assets and decreased to 1.3 percent of total loans, while the coverage ratio continues to increase (see Charts B12-B13). Despite the decline in ALLL to total loans, provisions have increased in support of aggregate allowance levels, following low or reverse provisioning throughout 2021. However, provisions remain historically low at 0.05 percent of average assets in the District (see Charts B1-B2).

Increased provision expenses, as well as depressed NIMs, have impacted earnings performance through the first quarter. Return on average assets (ROAA) decreased to 1.10 percent across District banks (see Charts A4-A6). Declines in noninterest income also hindered earnings, though are offset by continued cost efficiencies gained in overhead expenses (see Charts A14-A17).

Capital levels continue to be pressured by bloated balance sheets. The Leverage Ratio remained mostly balanced from the prior quarter, totaling 9.11 percent across District banks (see Charts A1-A2). While capital ratios are hindered by the increasing size of balance sheets, growth has slowed, and capital injections into District banks increased in the first quarter.

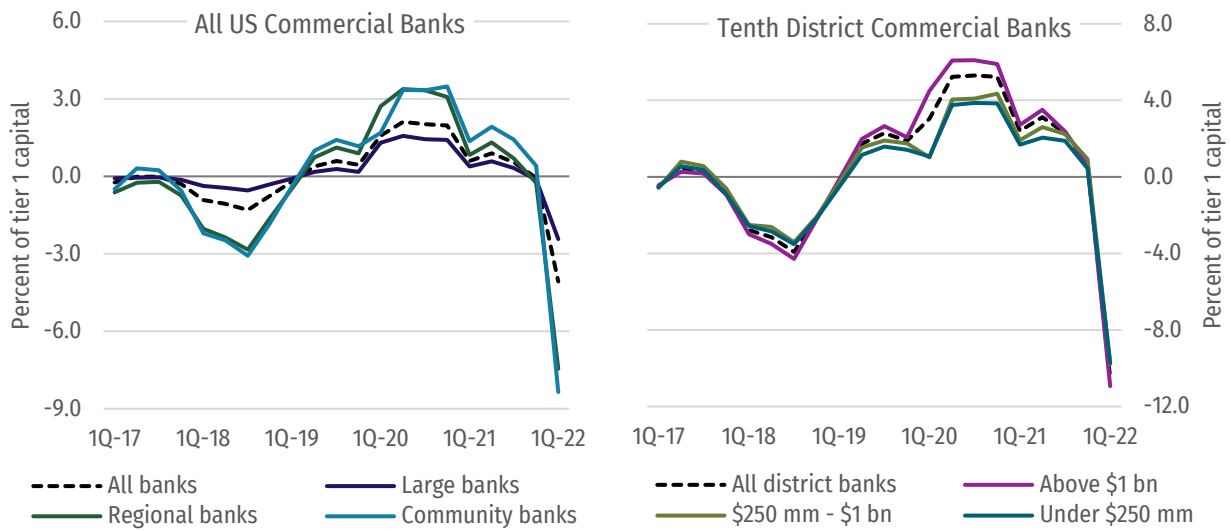
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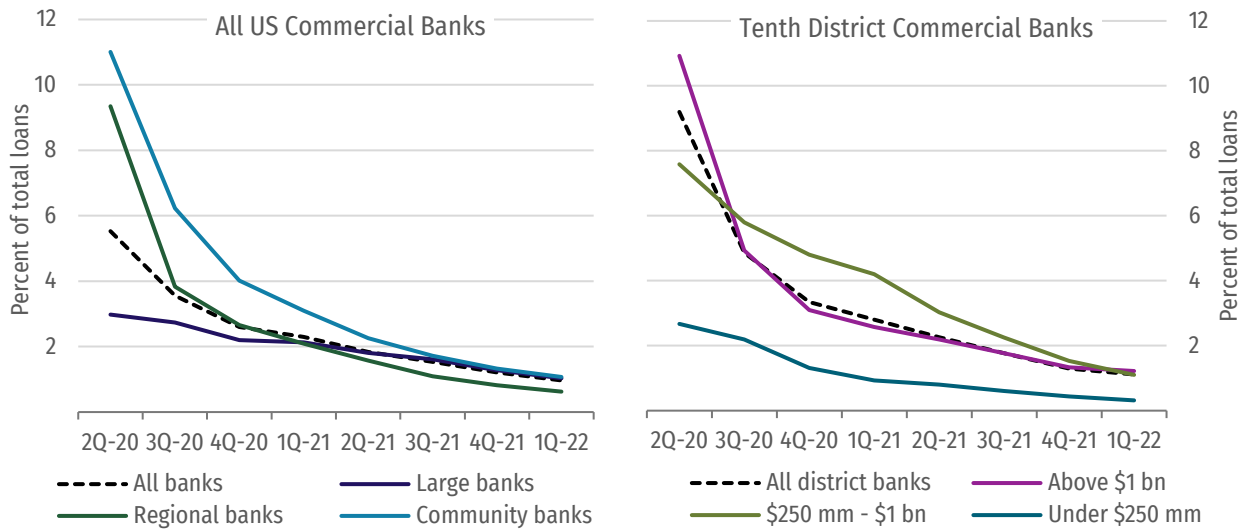
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<sup>3</sup> COVID loan modifications may be reported for loans with modifications occurring through January 1, 2022. Accordingly, any newly modified loan going forward can no longer qualify under Section 4013 of the CARES Act.

**Supplemental Chart 1. Unrealized Gains/Losses in Available-for-Sale Securities**



**Supplemental Chart 2. Loans Modified Under Section 4013 of the CARES Act**



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### Wholesale Funding Ratios

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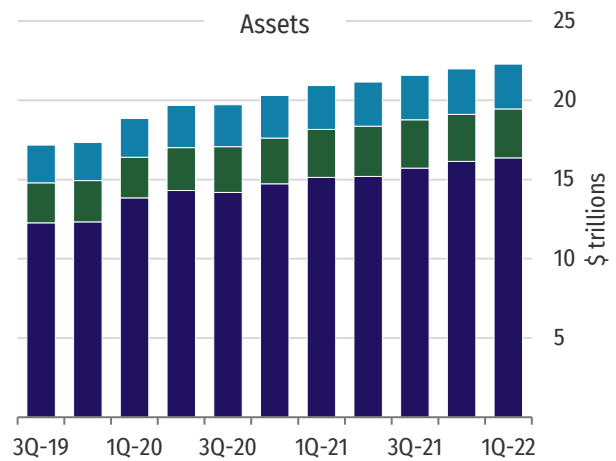
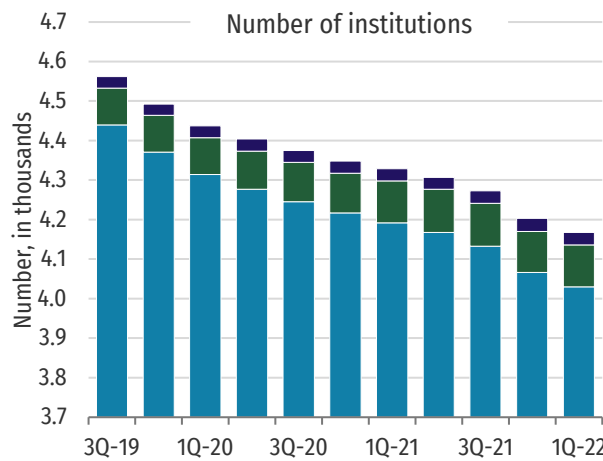
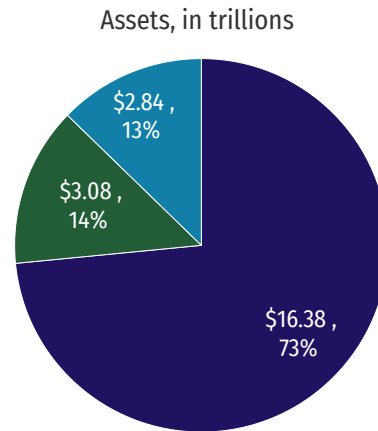
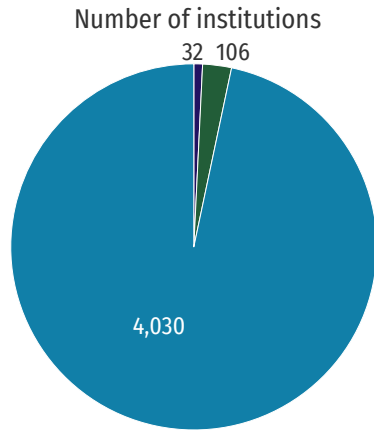
[Tenth District Commercial Banks](#)

## Select Ratios by Tenth District State

# Banking Institutions Overview

## All U.S. Commercial Banks

Large banks    Regional banks    Community banks

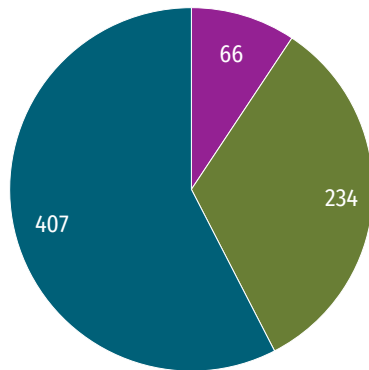


# Banking Institutions Overview

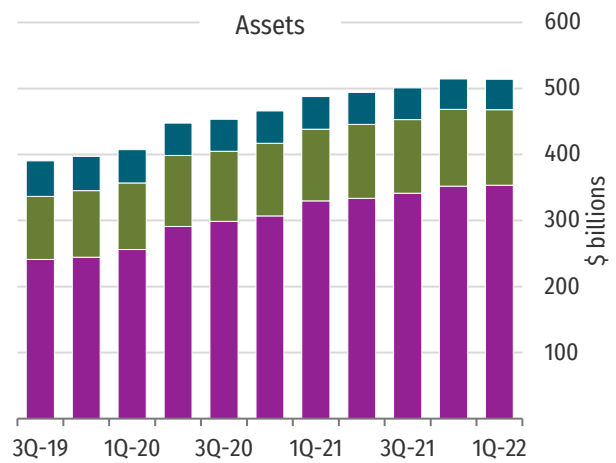
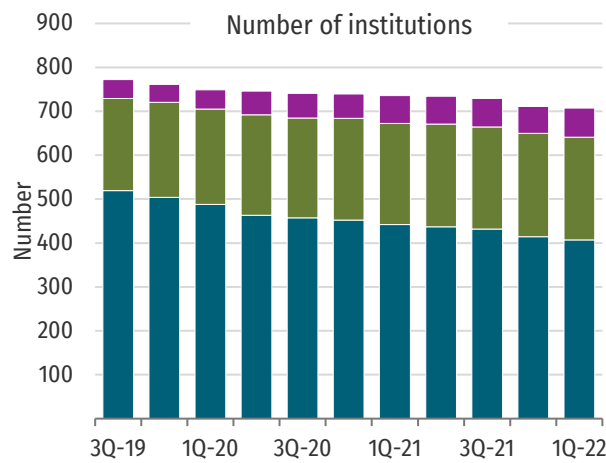
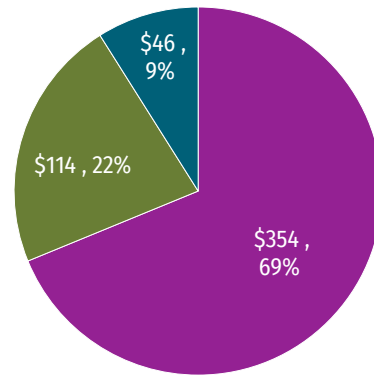
## Tenth District Commercial Banks

Above \$1 bn    \$250 mm - \$1 bn    Under \$250 mm

Number of institutions



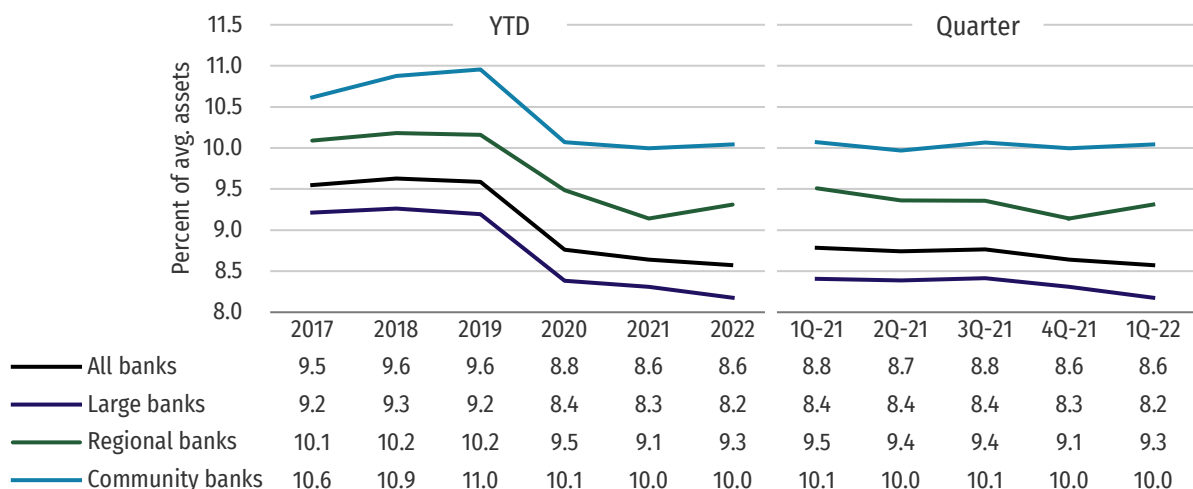
Assets, in billions



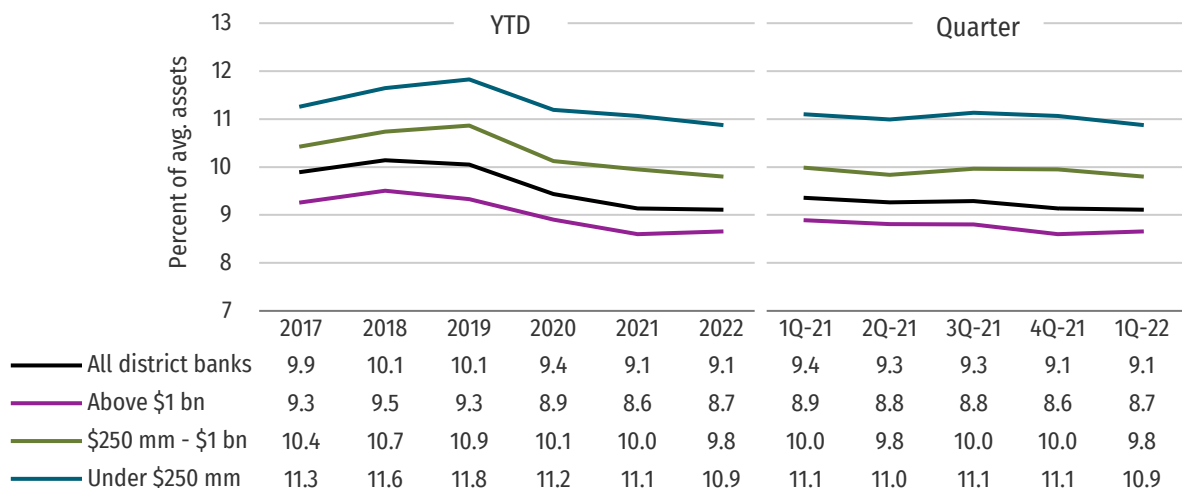
## A. Capital and Earnings

- Capital ratios remain pressured by bloated balance sheets though asset growth has slowed.
- Compression in the NIM and declining noninterest income have hindered earnings performance, despite cost efficiencies gained in overhead expenses and low funding costs.

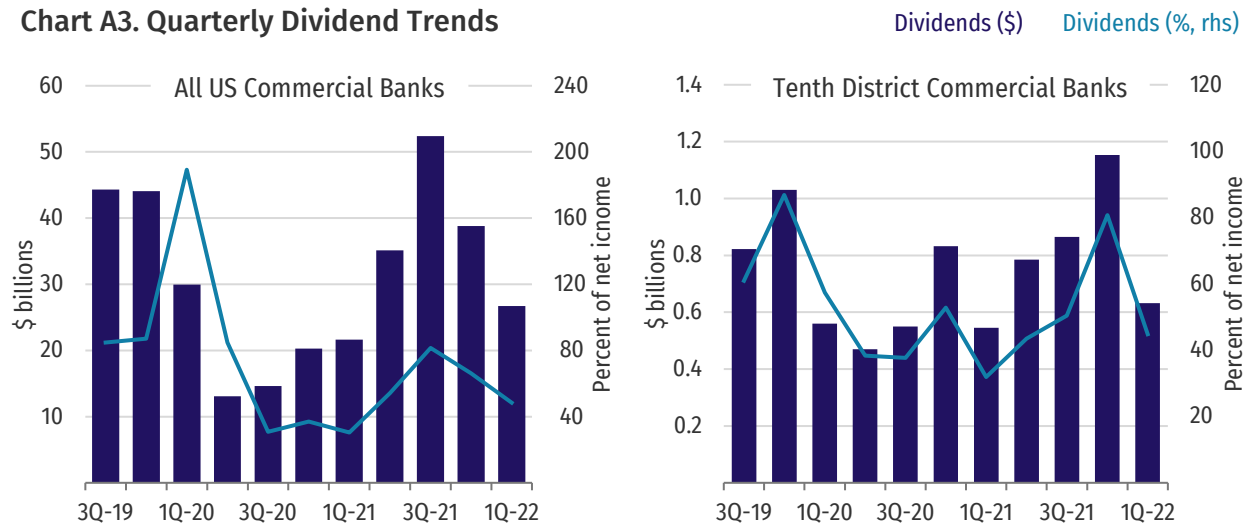
**Chart A1. Leverage Ratio, All U.S. Commercial Banks**



**Chart A2. Leverage Ratio, Tenth District Commercial Banks**



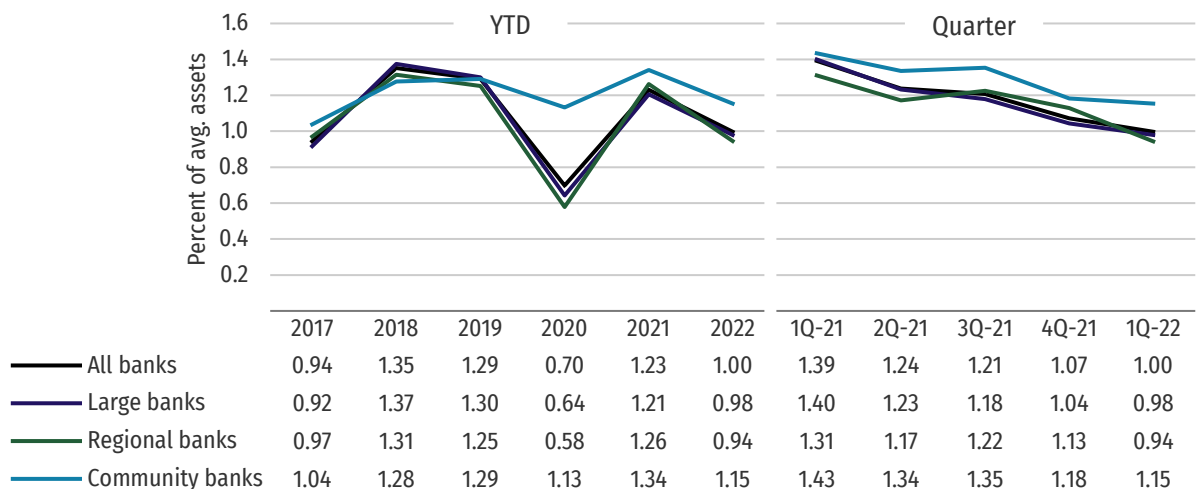
**Chart A3. Quarterly Dividend Trends**



**Chart A4. Return on Average Assets Summary**

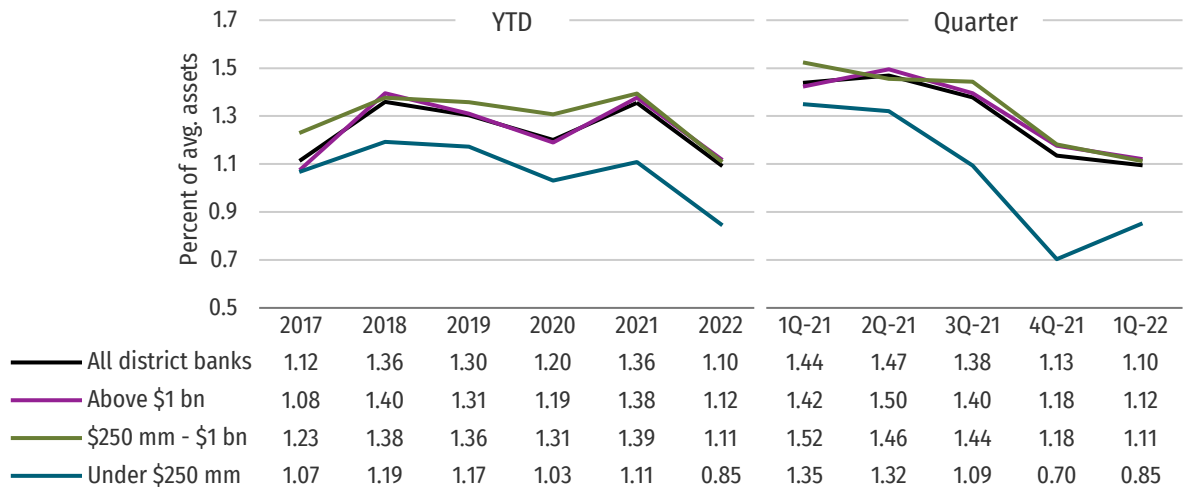
	All US Commercial Banks				y/y change	q/q change	Tenth District Commercial Banks				y/y change	q/q change
	4Q-19	4Q-20	4Q-21	1Q-22			4Q-19	4Q-20	4Q-21	1Q-22		
Net interest income	3.00	2.53	2.29	2.28	▼ (0.04)	▼ (0.03)	3.54	3.22	3.00	2.81	▼ (0.26)	▼ (0.07)
Noninterest income	1.51	1.38	1.34	1.31	▼ (0.09)	▲ 0.06	1.21	1.30	1.16	0.95	▼ (0.29)	▼ (0.11)
Total revenue	4.51	3.91	3.64	3.59	▼ (0.13)	▲ 0.03	4.75	4.52	4.16	3.77	▼ (0.55)	▼ (0.18)
Provisions	0.29	0.64	(0.14)	0.07	▲ 0.34	▲ 0.08	0.24	0.40	0.02	0.05	▼ (0.01)	▲ 0.01
Noninterest expense	2.61	2.43	2.25	2.25	▼ (0.01)	▼ (0.03)	2.96	2.77	2.53	2.40	▼ (0.13)	▼ (0.14)
Total expenses	2.90	3.07	2.11	2.32	▲ 0.33	▲ 0.05	3.20	3.17	2.55	2.45	▼ (0.14)	▼ (0.13)
Pre-tax operating income	1.61	0.83	1.53	1.26	▼ (0.46)	▼ (0.02)	1.54	1.35	1.61	1.31	▼ (0.41)	▼ (0.04)
Net Income	1.29	0.70	1.23	1.00	▼ (0.39)	▼ (0.08)	1.30	1.20	1.36	1.10	▼ (0.34)	▼ (0.04)

**Chart A5. Return on Average Assets, All U.S. Commercial Banks**

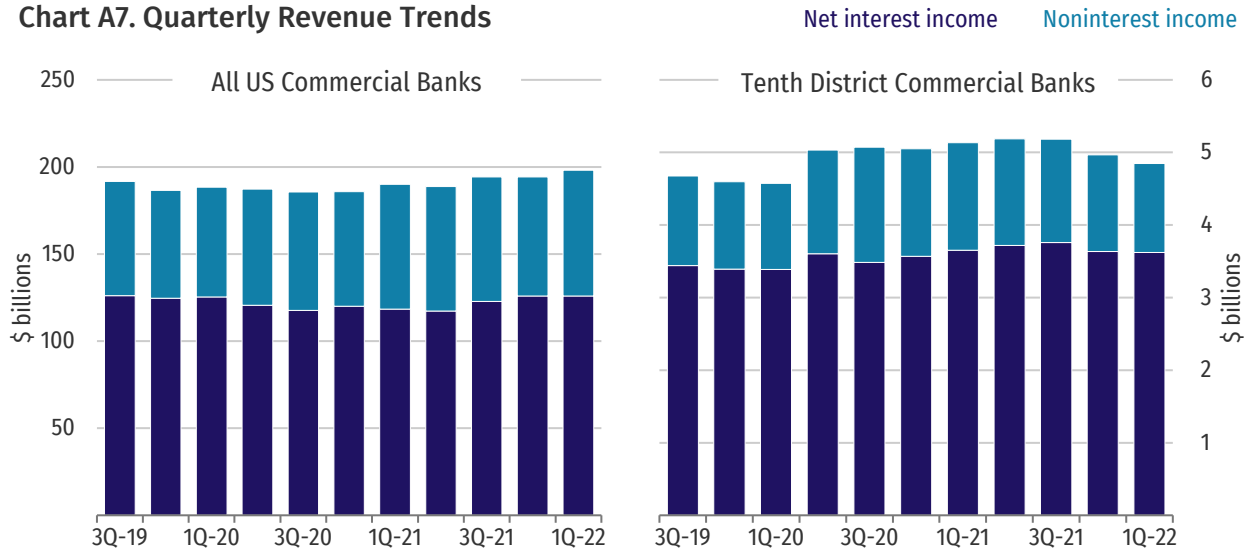




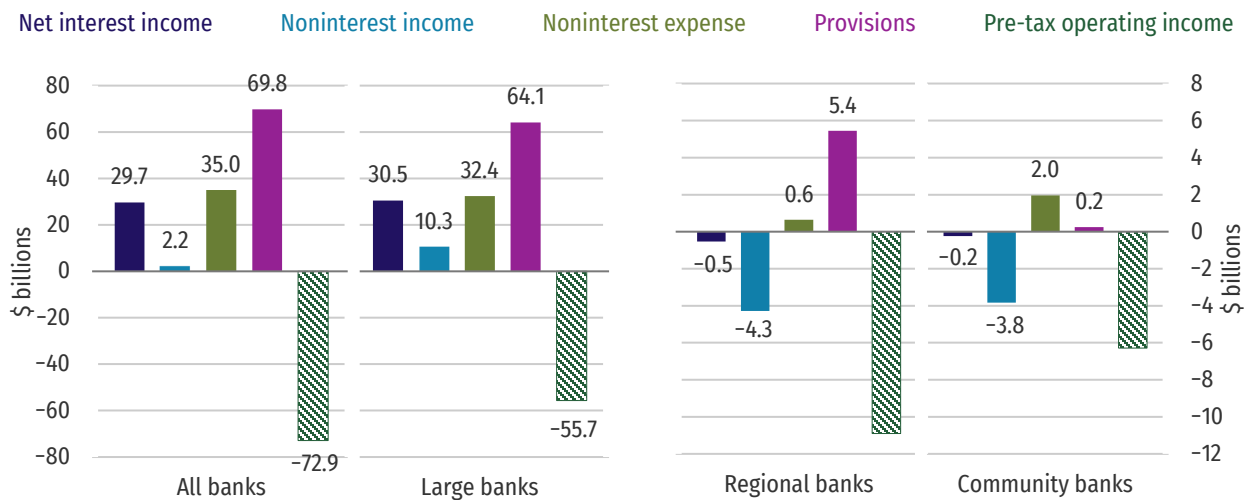
**Chart A6. Return on Average Assets, Tenth District Commercial Banks**



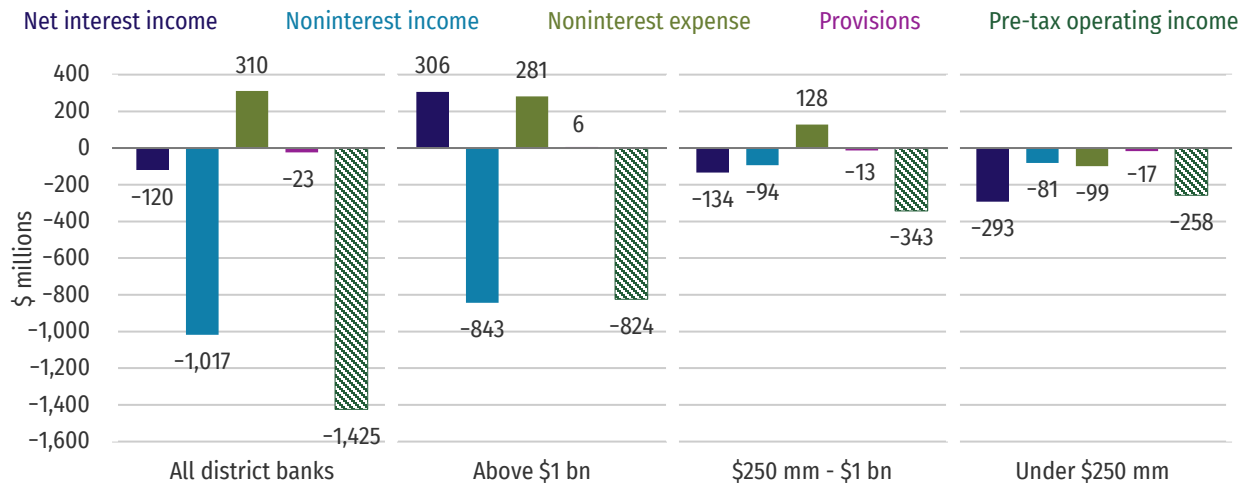
**Chart A7. Quarterly Revenue Trends**



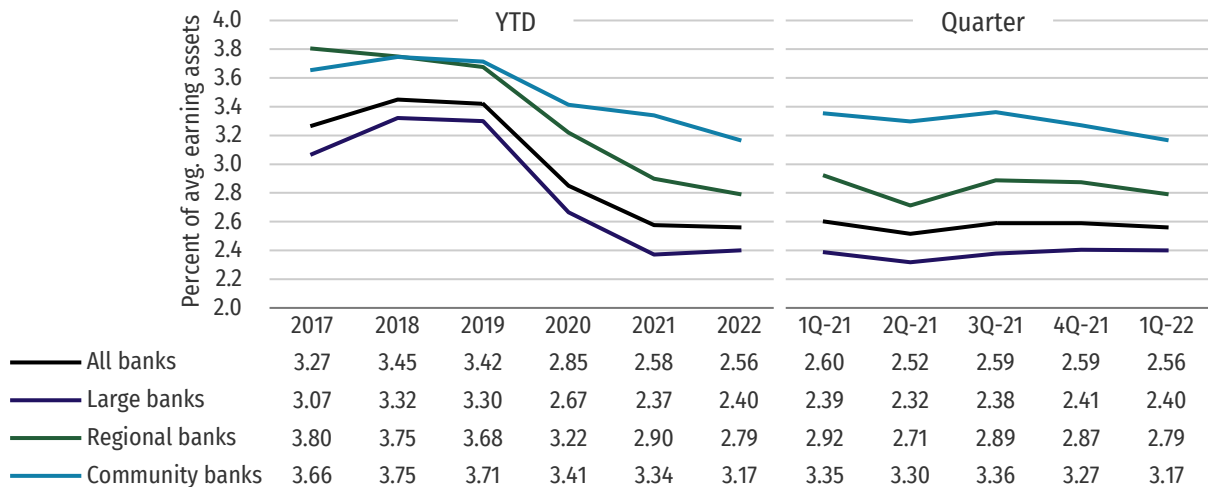
**Chart A8. Year-Over-Year Change in Income & Expense Items, All U.S. Commercial Banks**



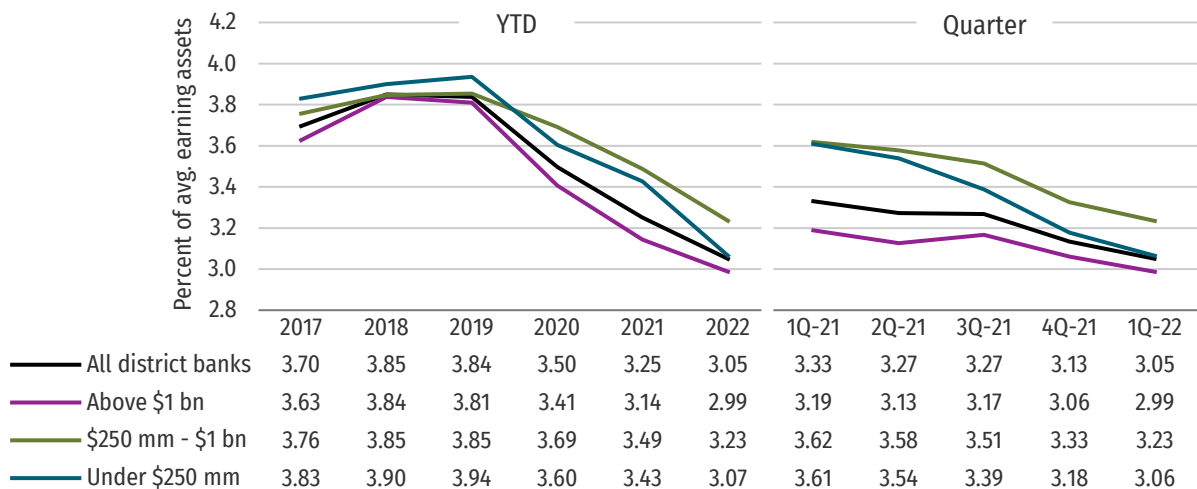
**Chart A9. Year-Over-Year Change in Income & Expense Items, Tenth District Commercial Banks**



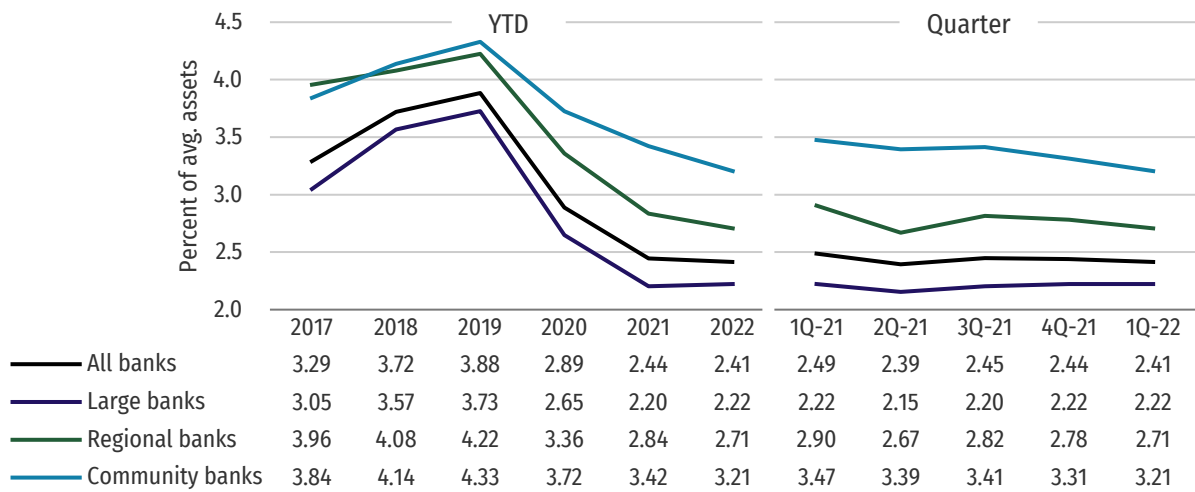
**Chart A10. Net Interest Margin, All U.S. Commercial Banks**



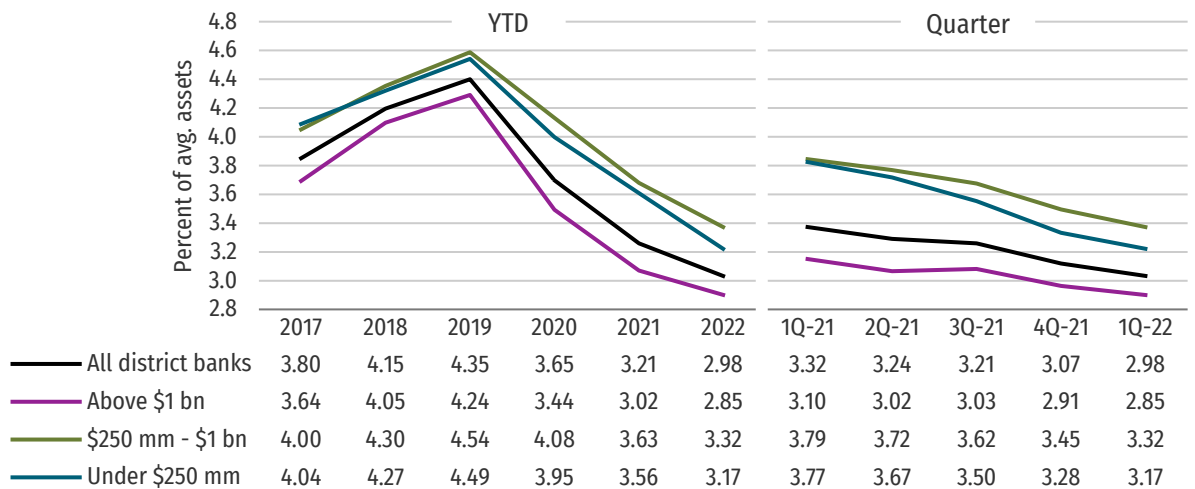
**Chart A11. Net Interest Margin, Tenth District Commercial Banks**



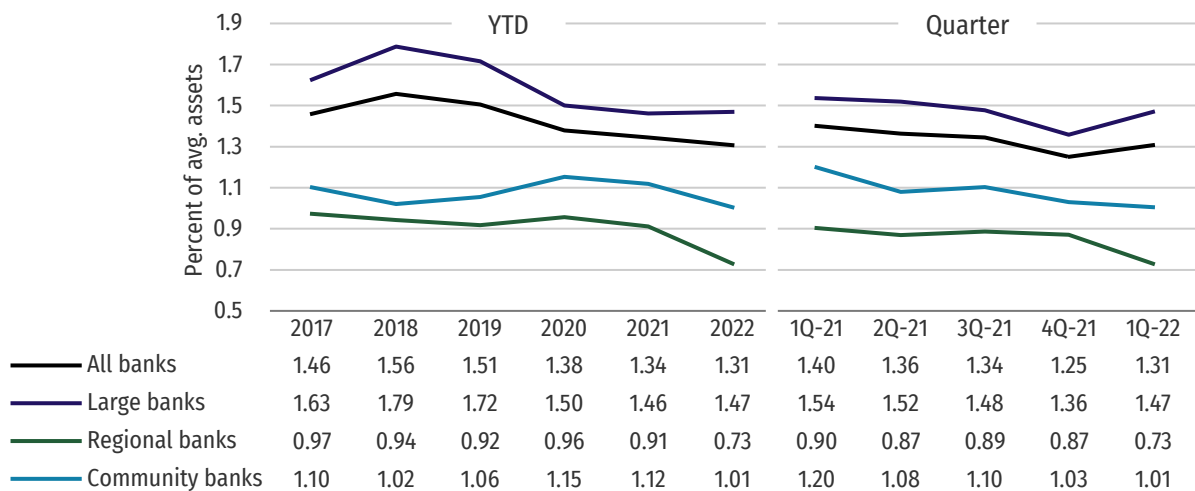
**Chart A12. Interest Income, All U.S. Commercial Banks**



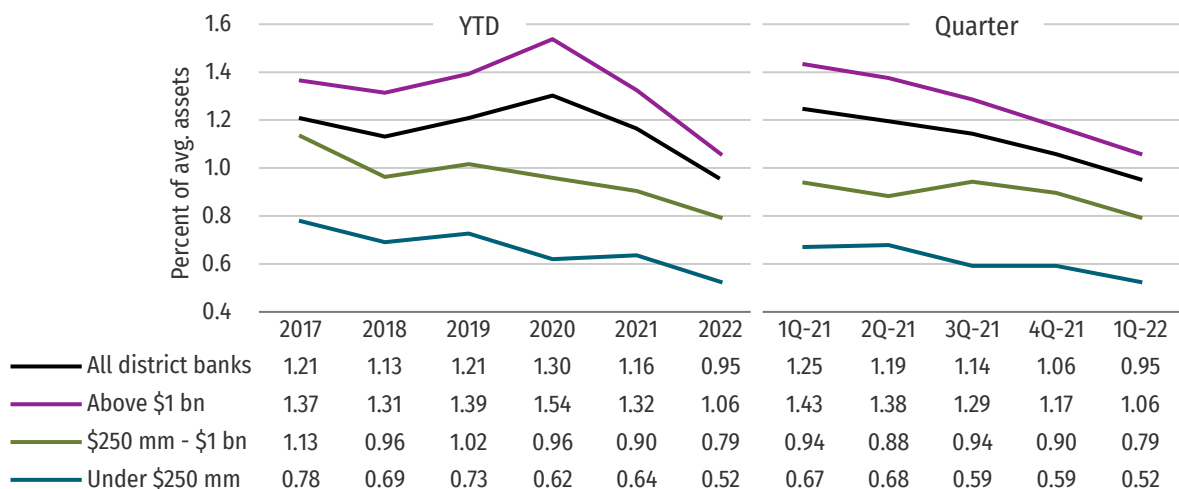
**Chart A13. Interest Income, Tenth District Commercial Banks**



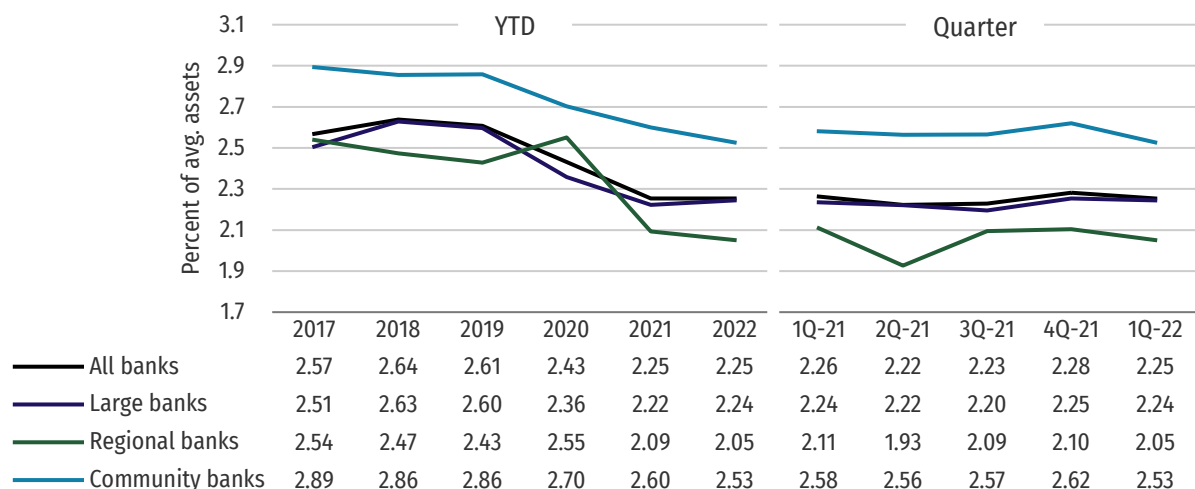
**Chart A14. Noninterest Income, All U.S. Commercial Banks**



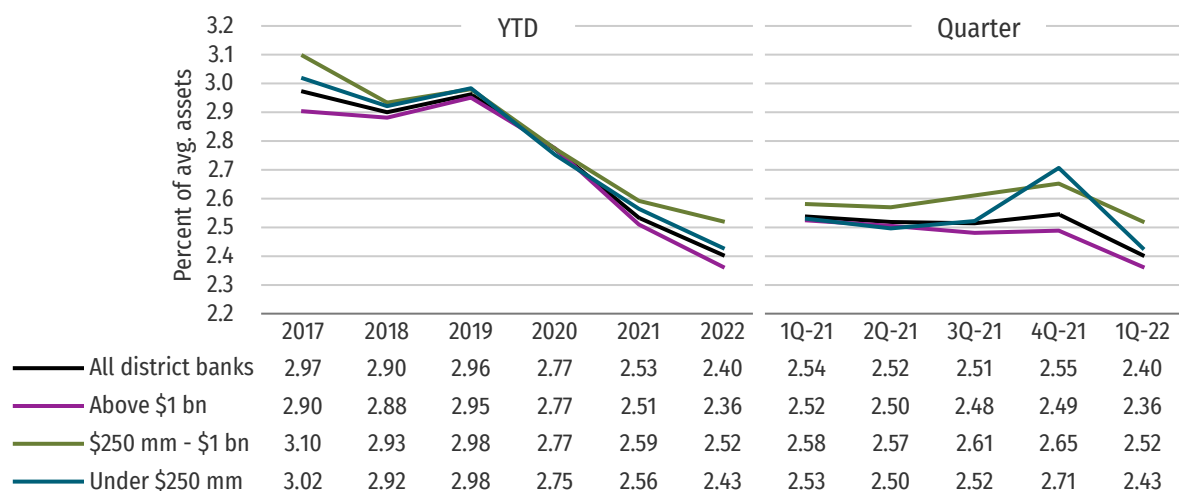
**Chart A15. Noninterest Income, Tenth District Commercial Banks**



**Chart A16. Noninterest Expense, All U.S. Commercial Banks**



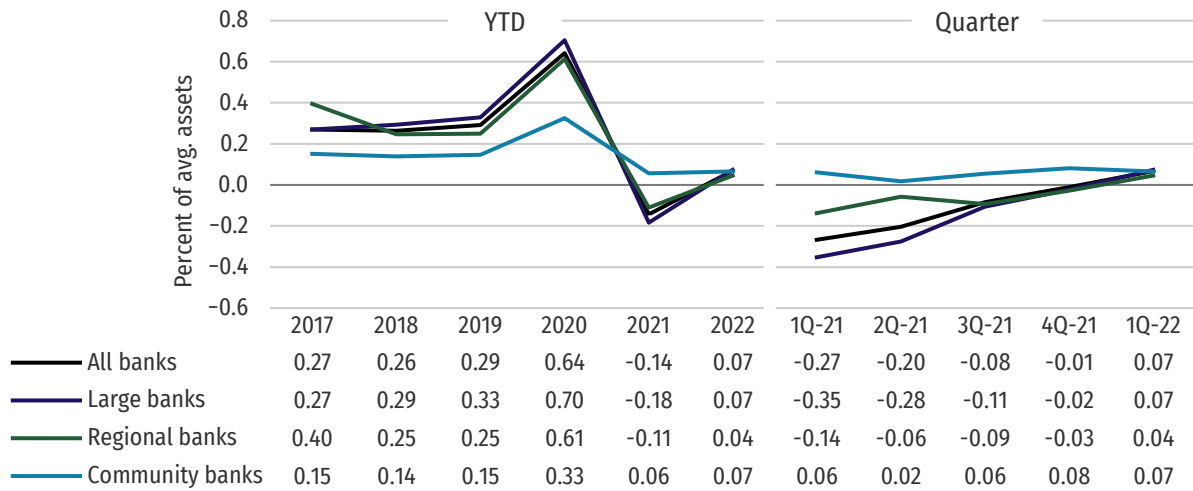
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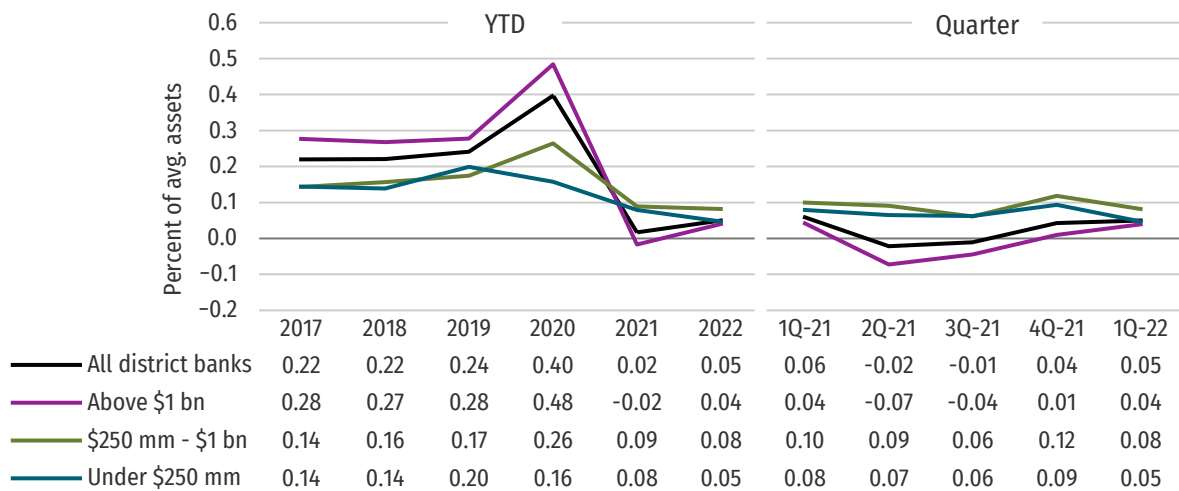
## B. Loan Loss Reserves and Credit Conditions

- Provision expenses have increased from 2021 levels but remain low. Allowance levels have declined as a percent of loans, in line with the decreasing trend in past due and nonaccrual loans.

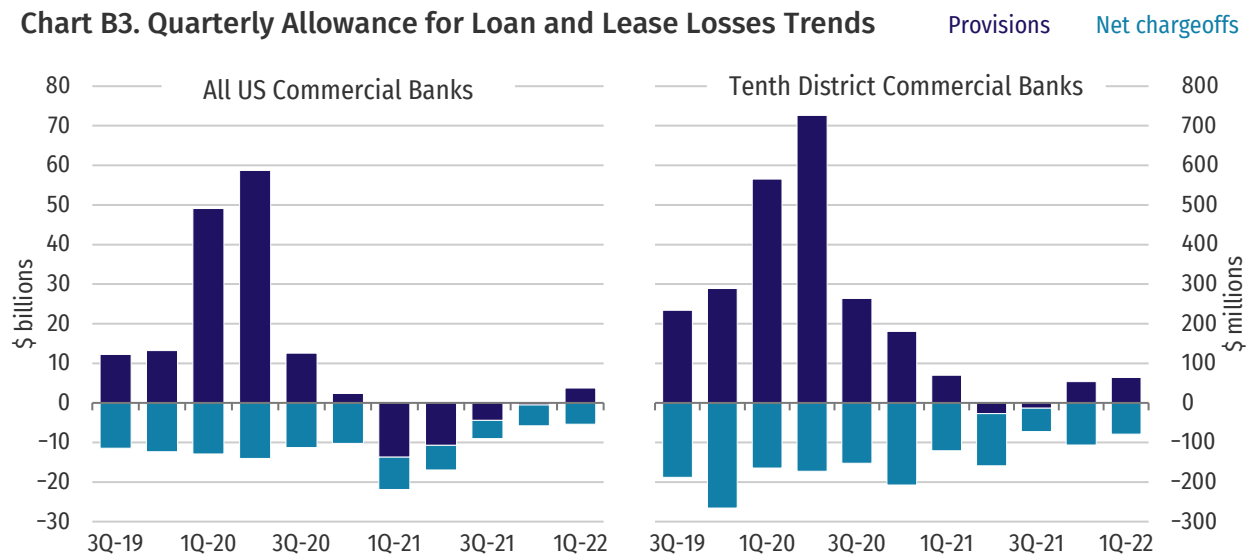
**Chart B1. Loan Loss Provisions, All U.S. Commercial Banks**



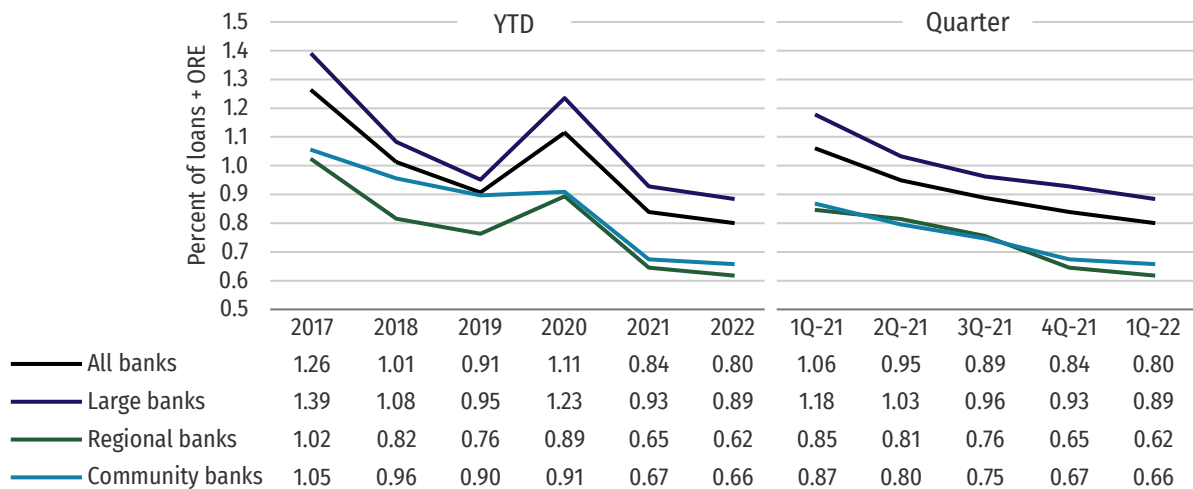
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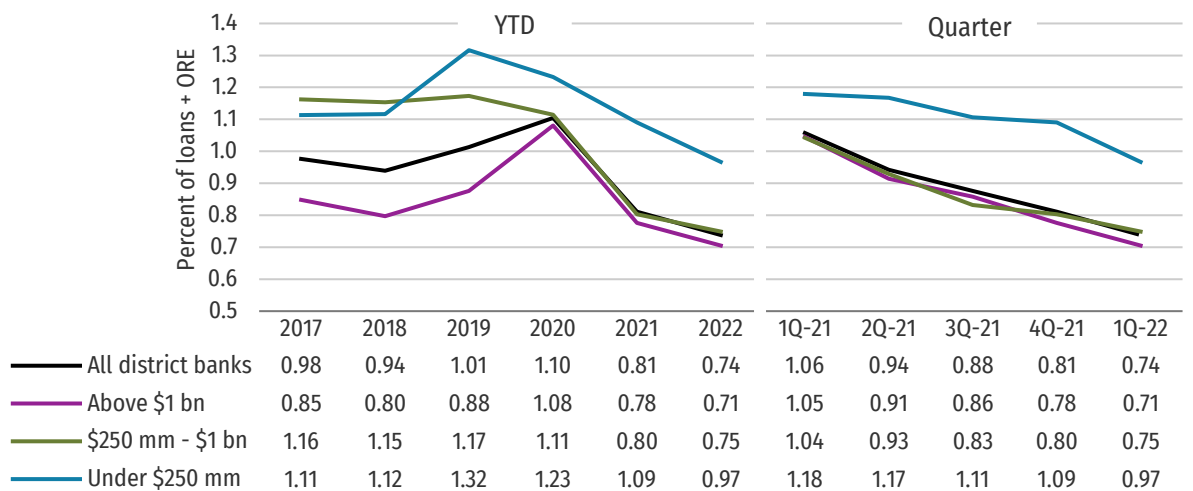
**Chart B3. Quarterly Allowance for Loan and Lease Losses Trends**



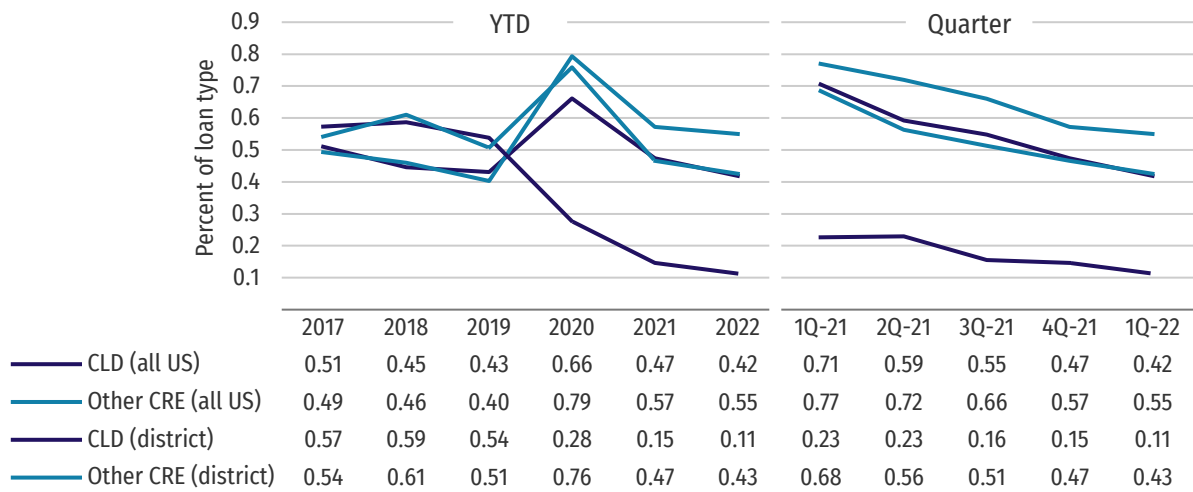
**Chart B4. Problem Assets, All U.S. Commercial Banks**



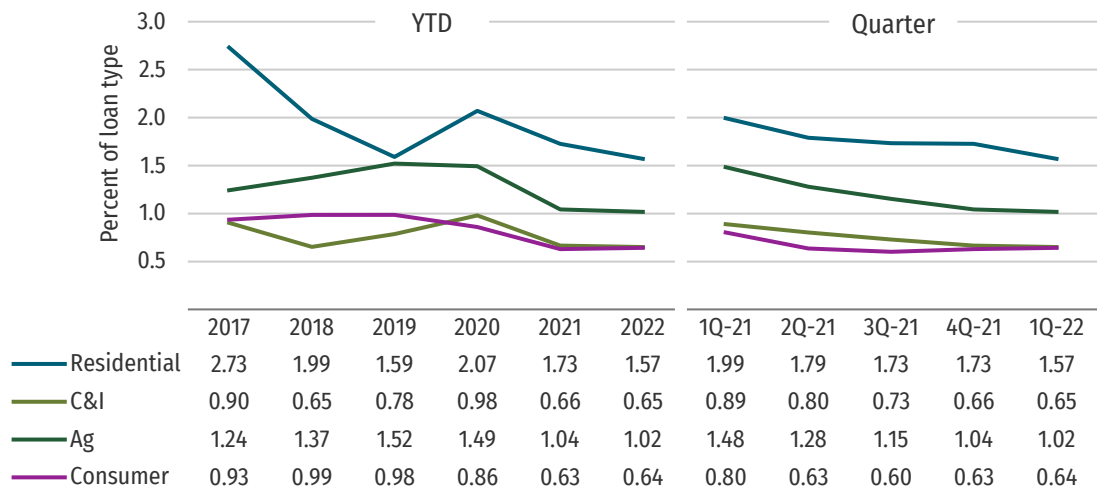
**Chart B5. Problem Assets, Tenth District Commercial Banks**



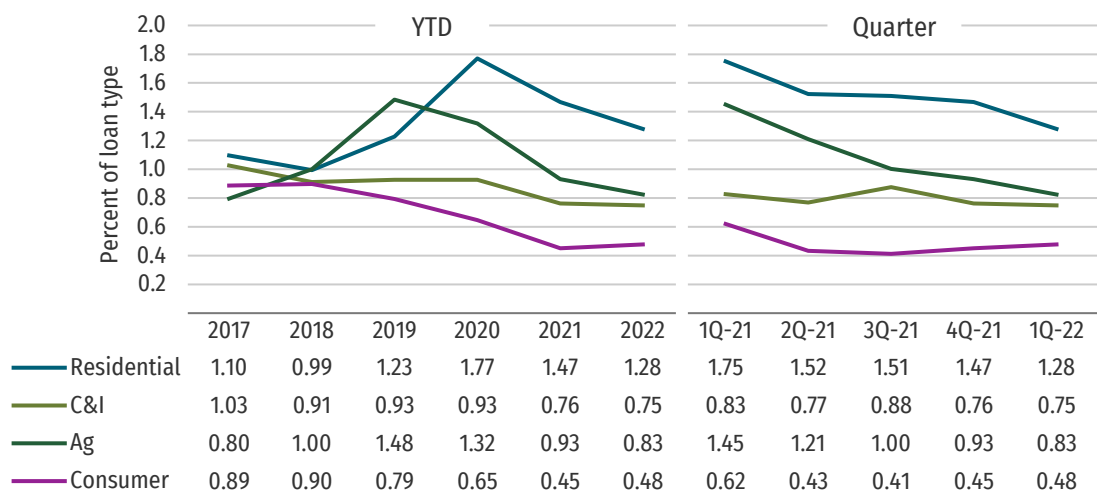
**Chart B6. Noncurrent CLD and CRE Loans**



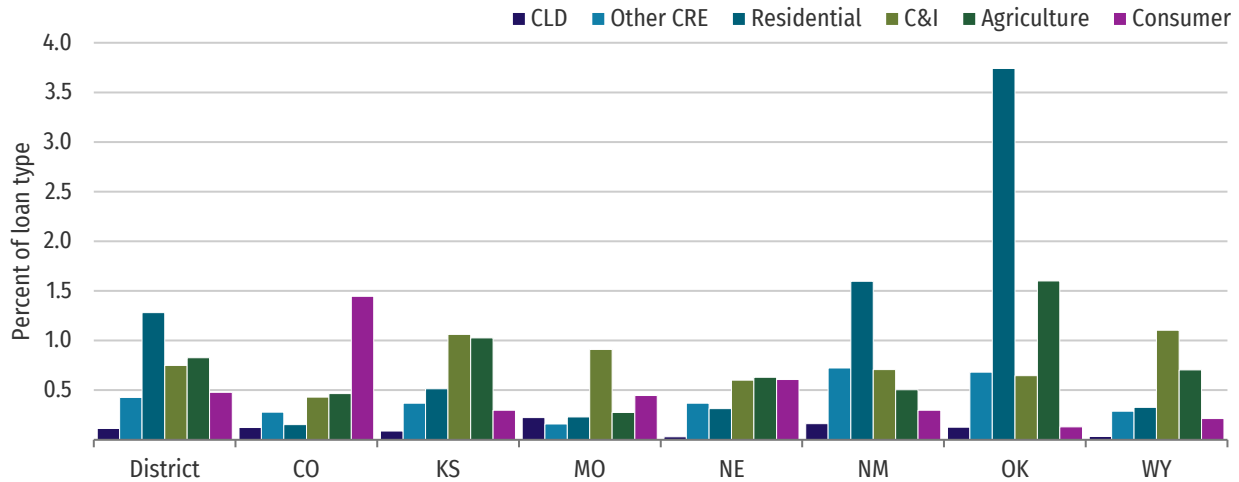
**Chart B7. Noncurrent Loans by Other Loan Types, All U.S. Commercial Banks**



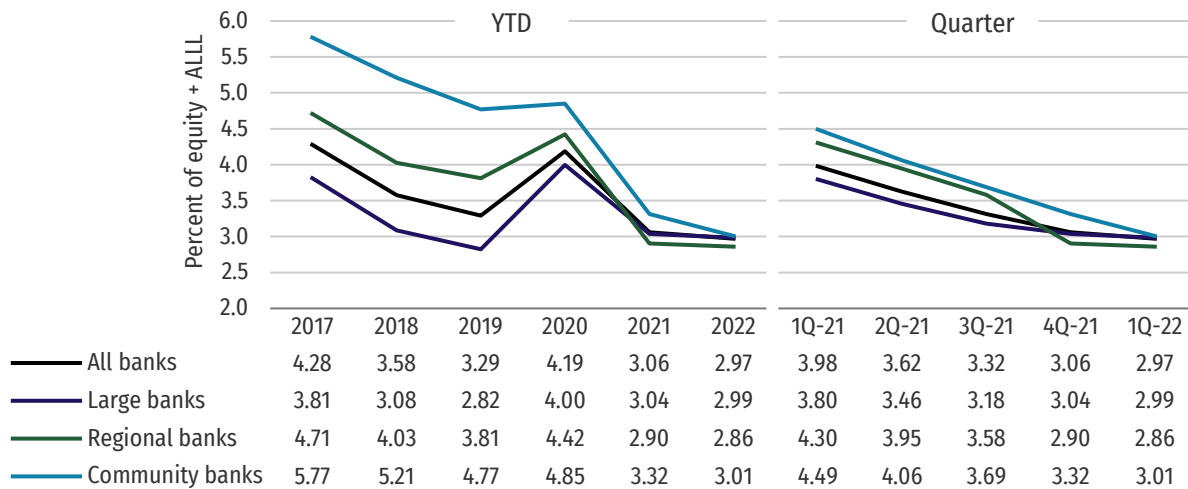
**Chart B8. Noncurrent Loans by Other Loan Types, Tenth District Commercial Banks**



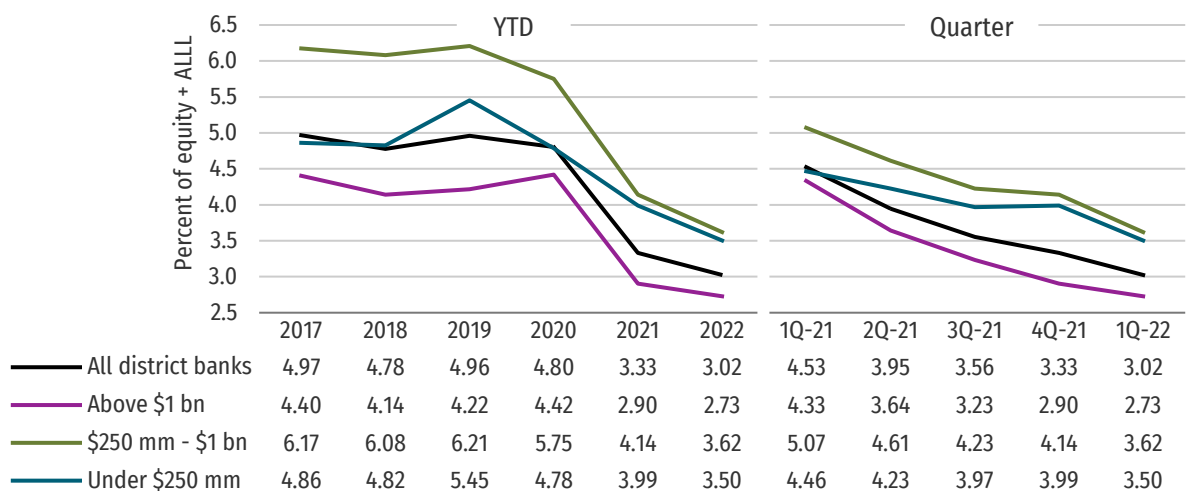
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**Chart B10. Texas Ratio, All U.S. Commercial Banks**

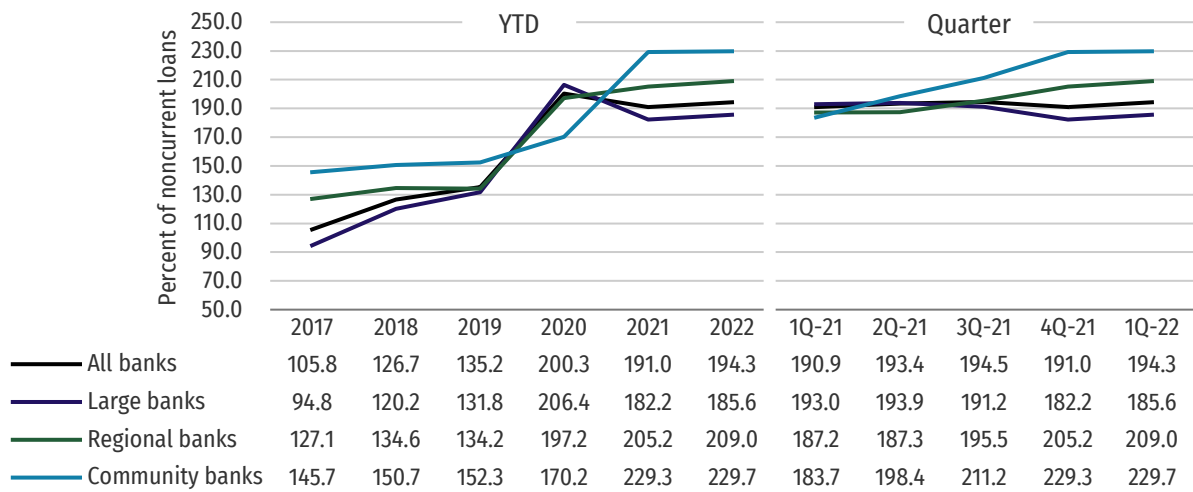


**Chart B11. Texas Ratio, Tenth District Commercial Banks**

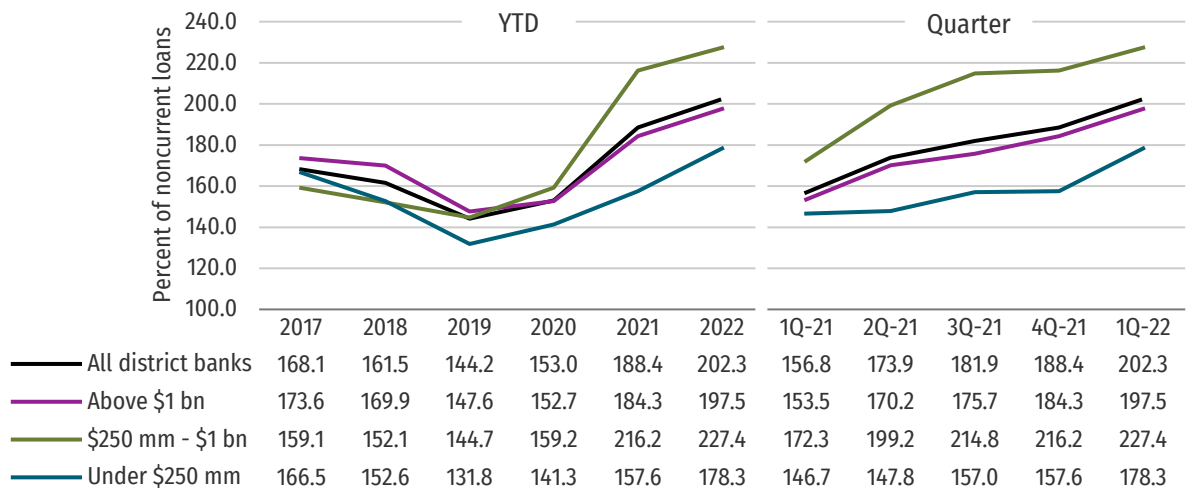




**Chart B12. Coverage Ratio, All U.S. Commercial Banks**



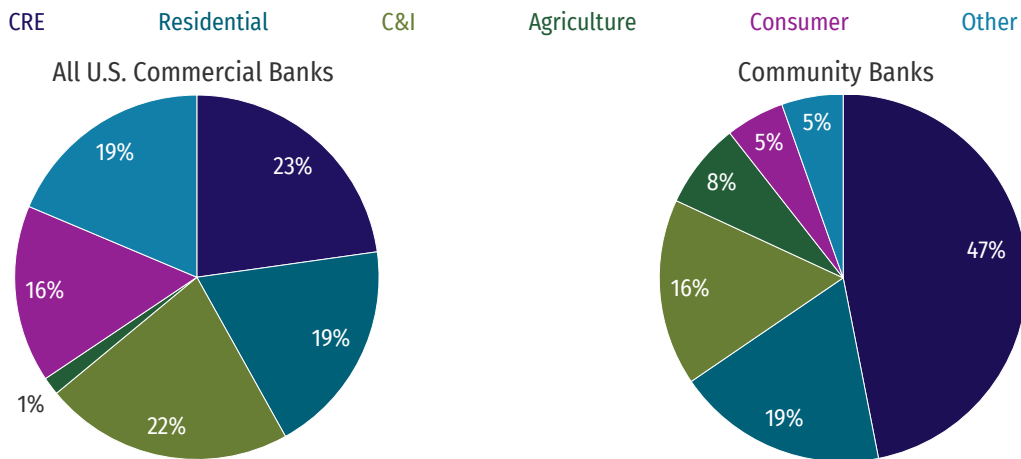
**Chart B13. Coverage Ratio, Tenth District Commercial Banks**



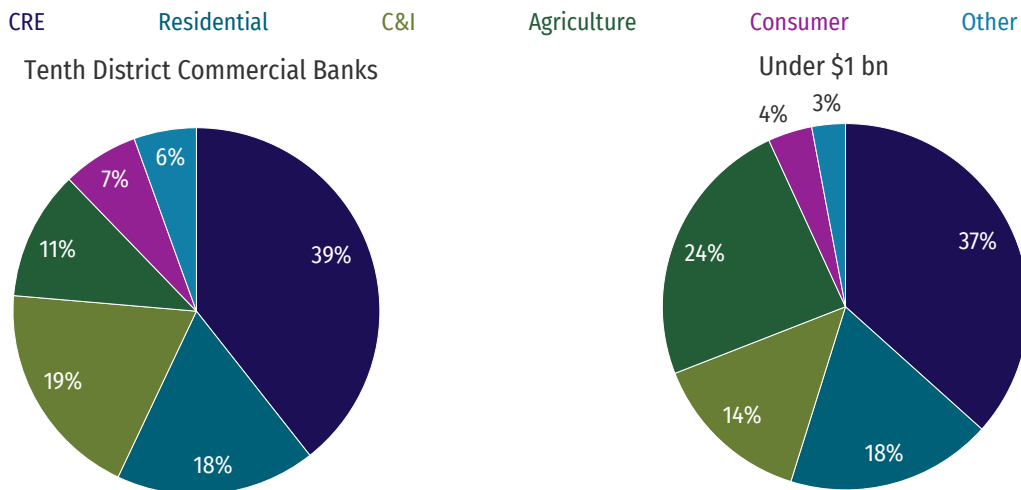
## C. Balance Sheet Composition

- Deposit growth slowed in the first quarter, following record highs throughout 2020 and 2021.
- Balance sheets are flush with liquid assets, and loan growth remains modest, though has been funded in part by cash and due from balances.
- Increases in lending portfolios are largely driven by growth in CRE and C&I loans.

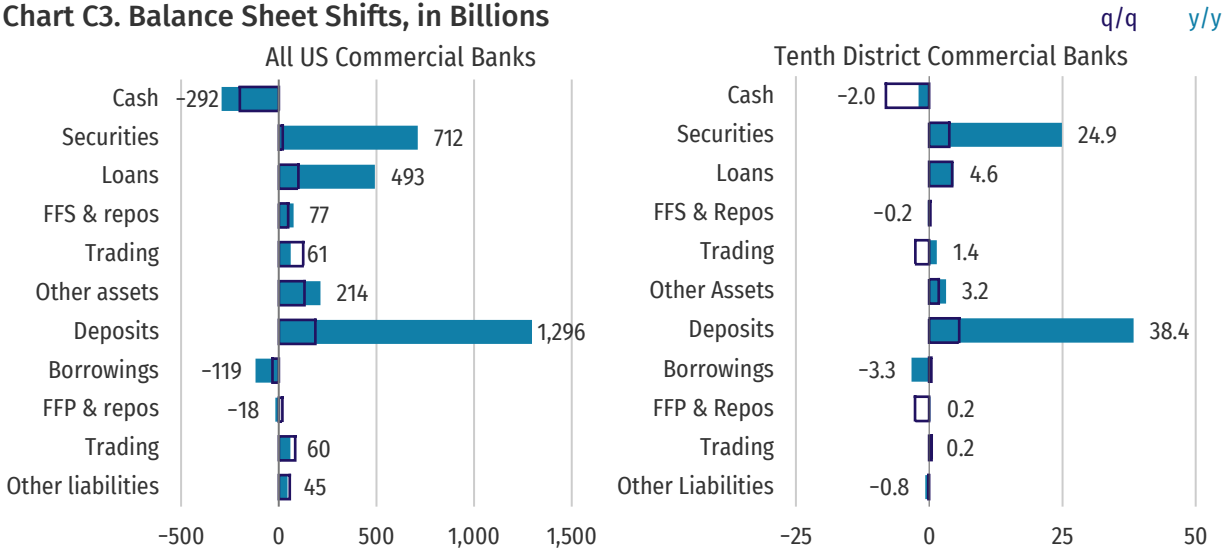
**Chart C1. Loan Portfolio Breakdown, All U.S. Commercial Banks**



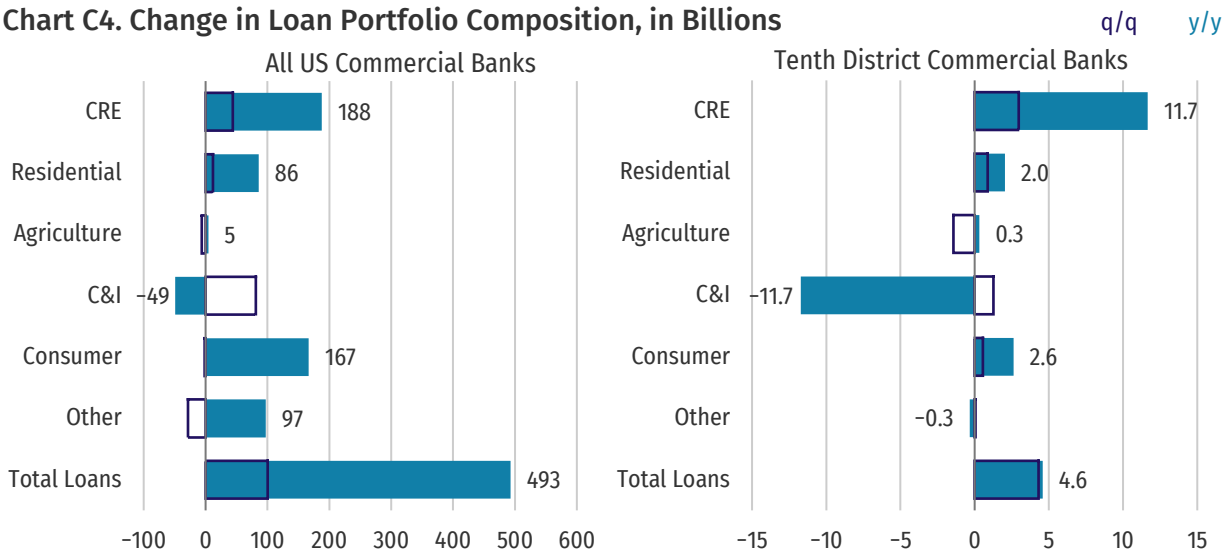
**Chart C2. Loan Portfolio Breakdown, Tenth District Commercial Banks**



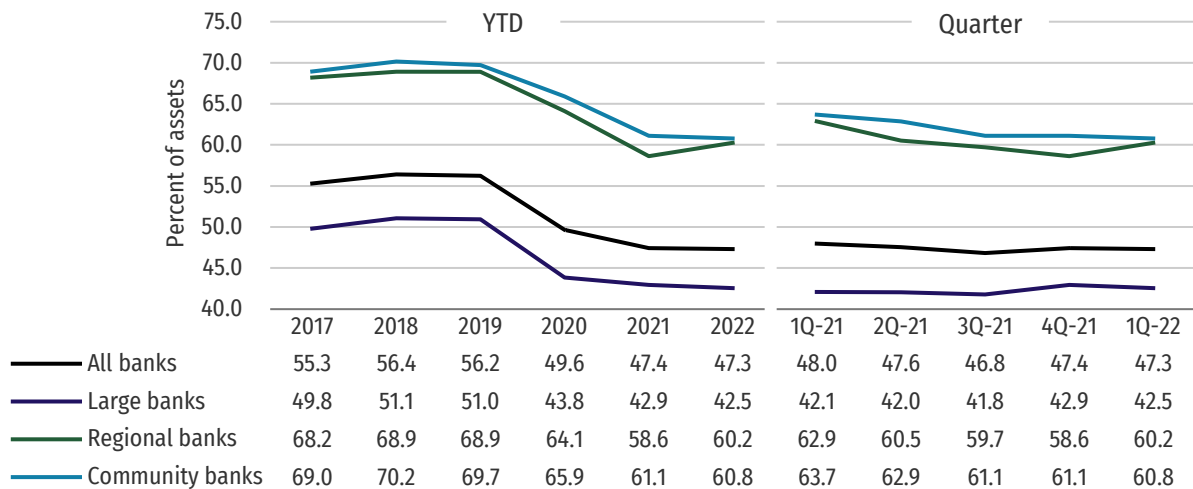
**Chart C3. Balance Sheet Shifts, in Billions**



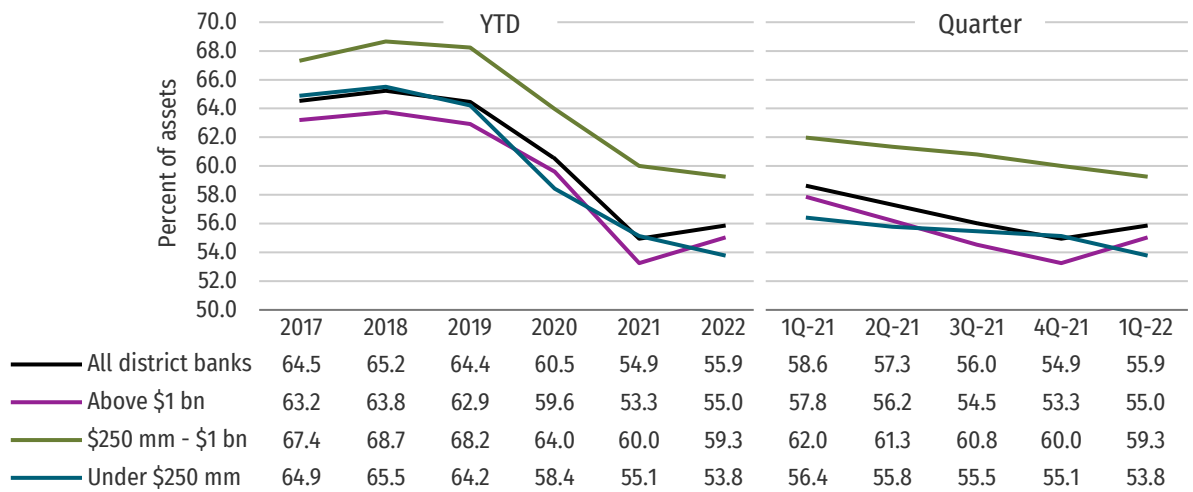
**Chart C4. Change in Loan Portfolio Composition, in Billions**



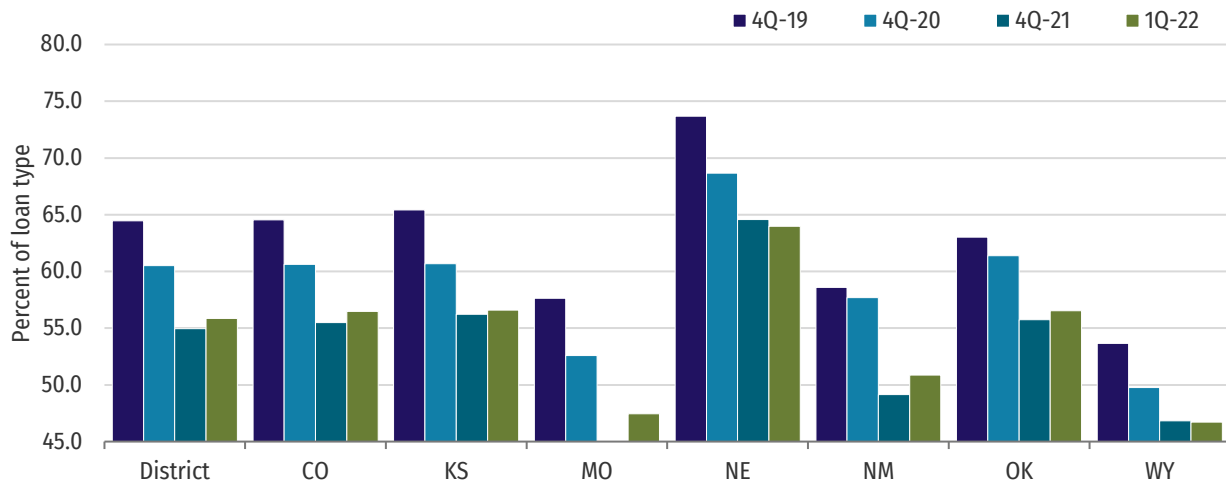
**Chart C5. Loans to Assets, All U.S. Commercial Banks**



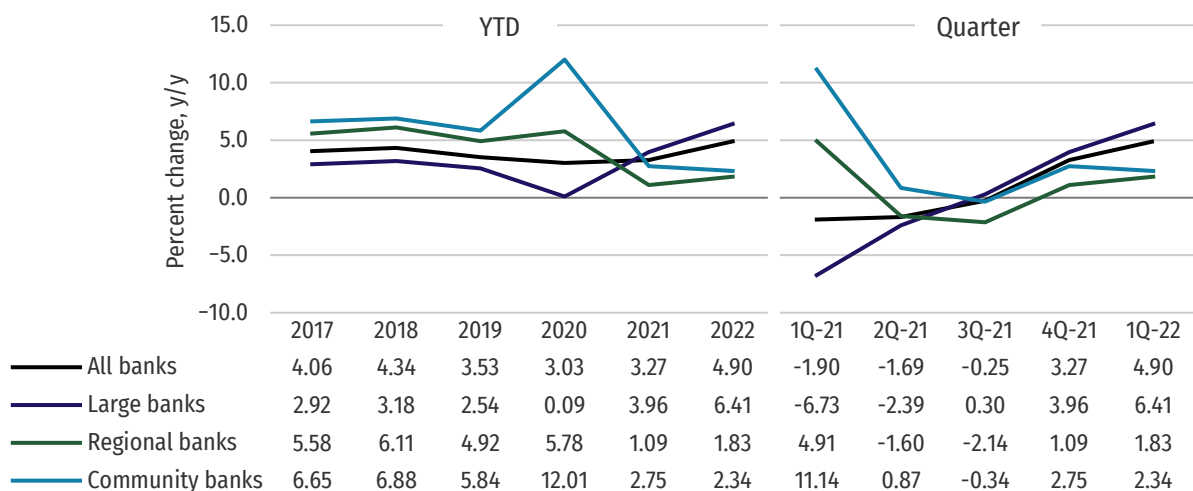
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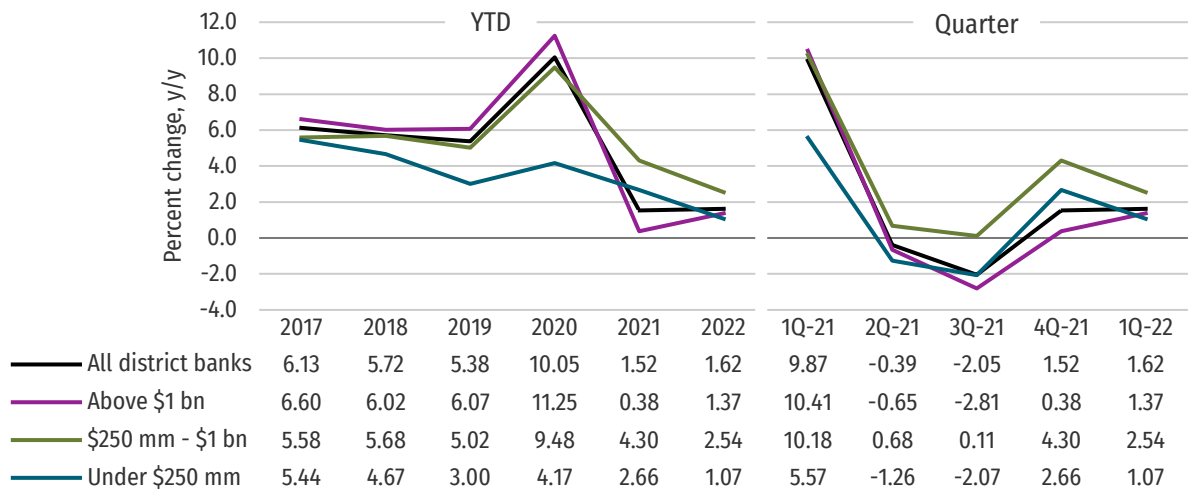
**Chart C7. Loans to Assets, Tenth District States**



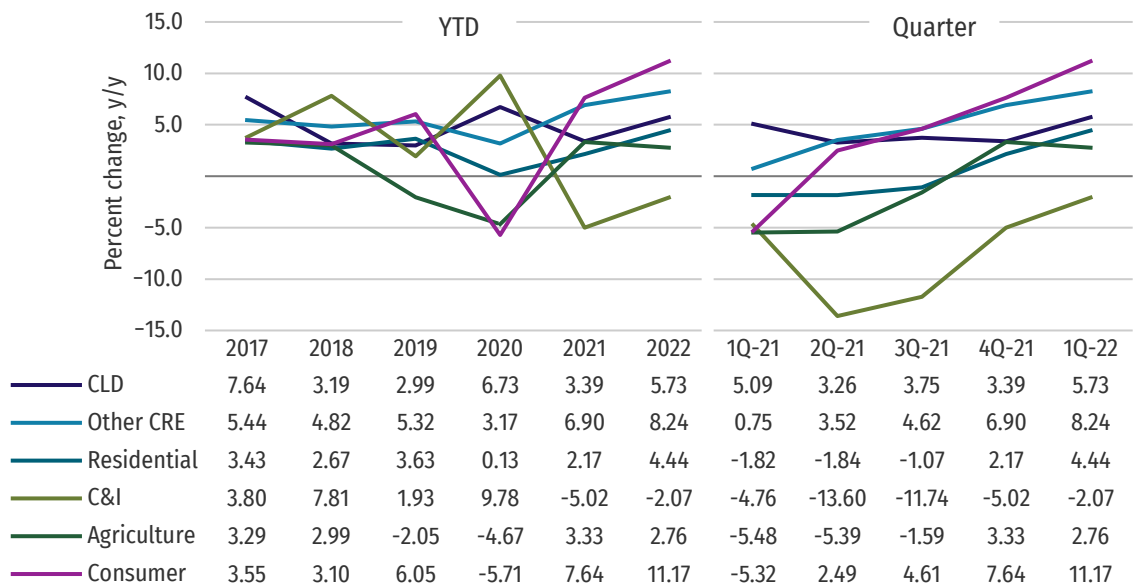
**Chart C8. Year-Over-Year Loan Growth, All U.S. Commercial Banks**



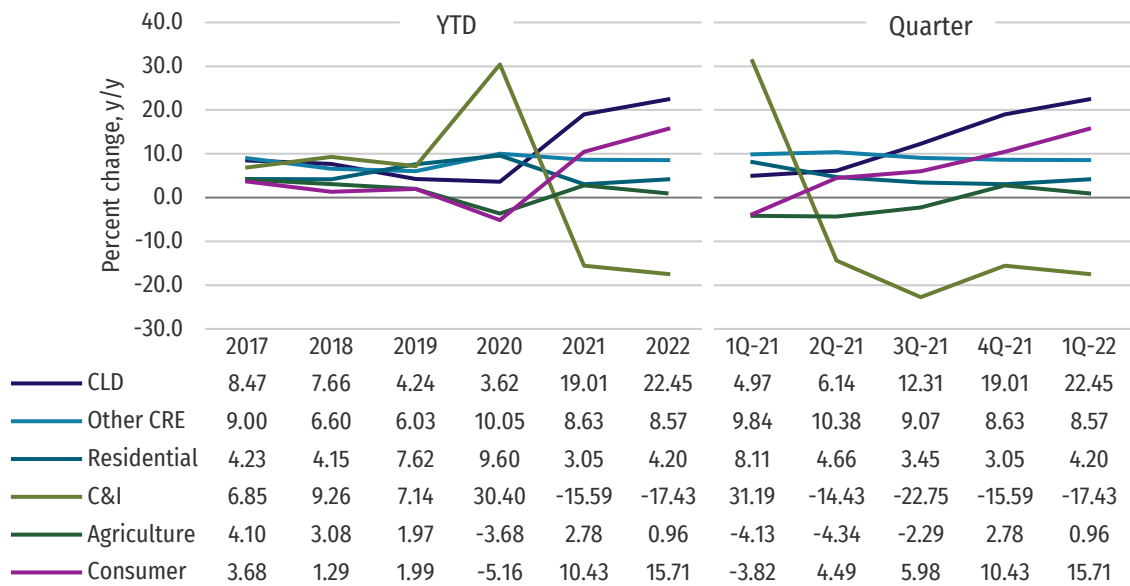
**Chart C9. Year-Over-Year Loan Growth, Tenth District Commercial Banks**



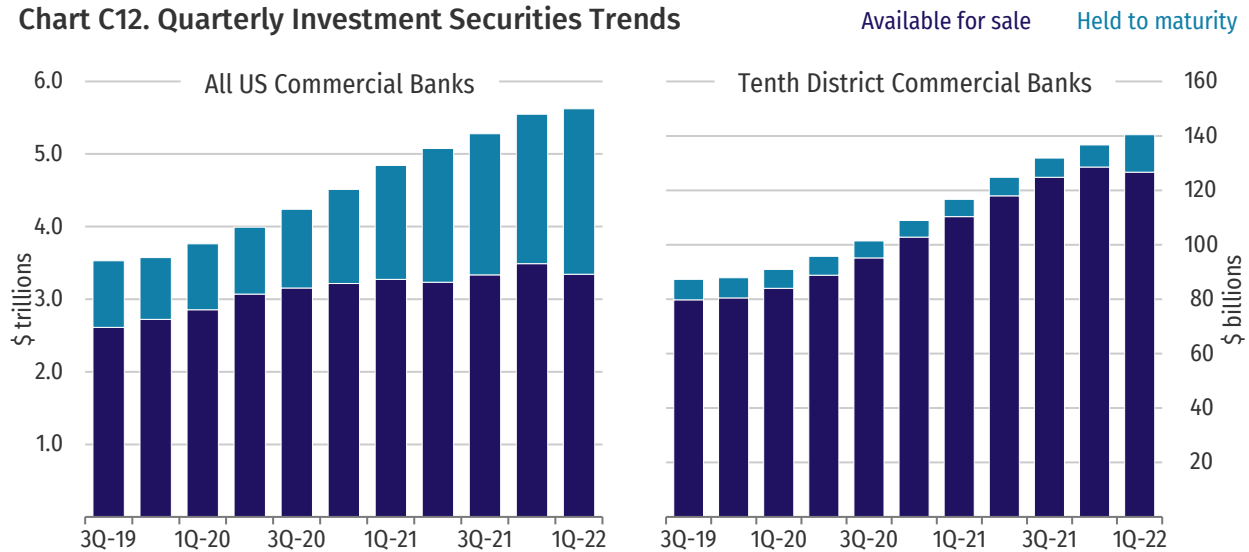
**Chart C10. Year-Over-Year Loan Growth by Loan Type, All U.S. Commercial Banks**



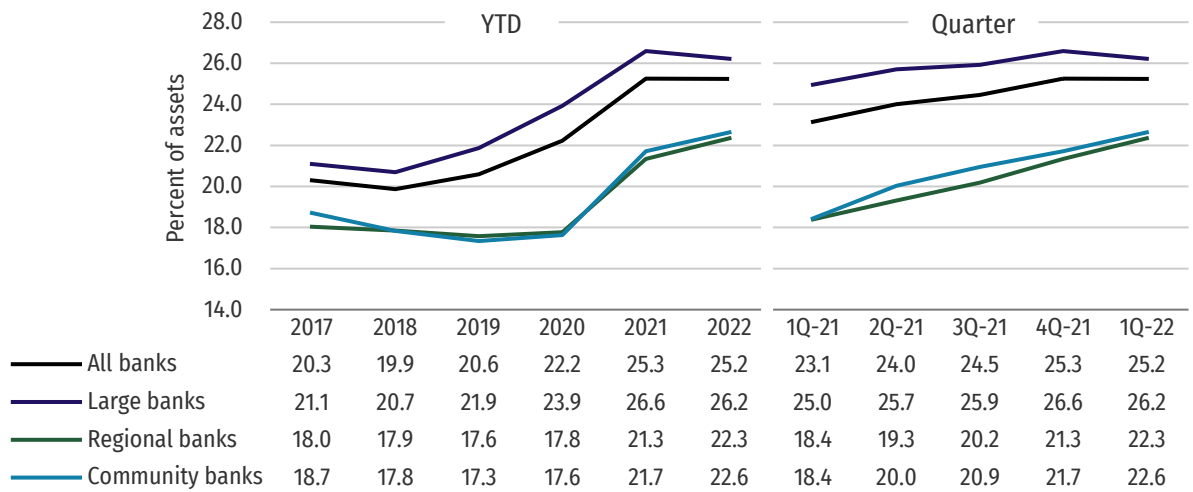
**Chart C11. Year-Over-Year Loan Growth by Loan Type, Tenth District Commercial Banks**



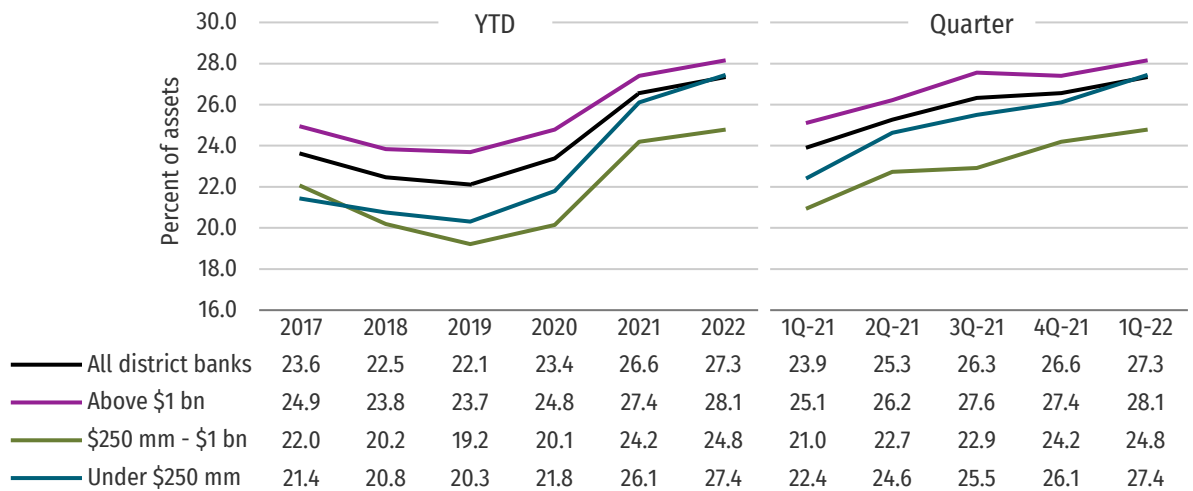
**Chart C12. Quarterly Investment Securities Trends**



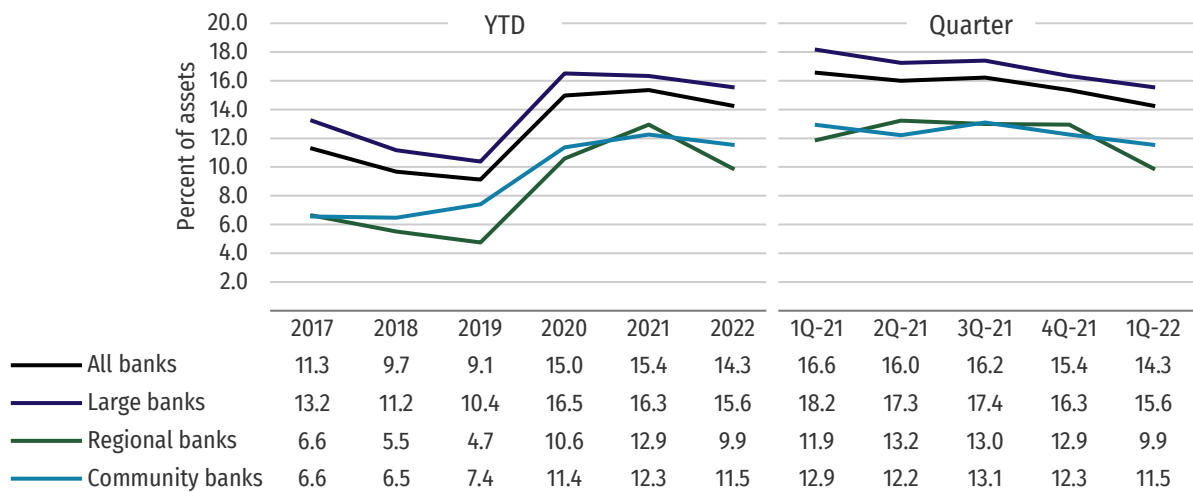
**Chart C13. Investment Securities, All U.S. Commercial Banks**



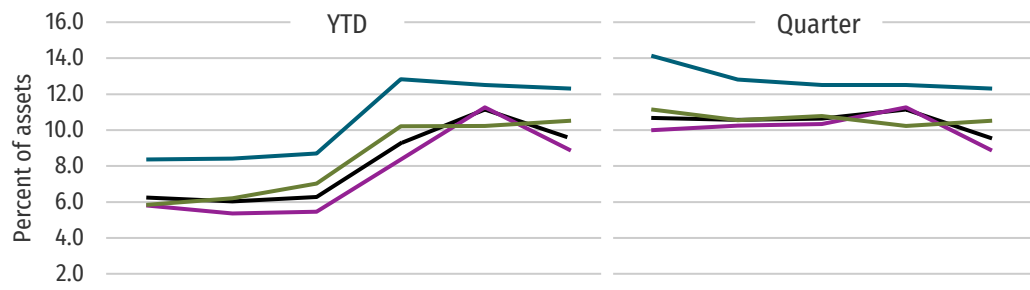
**Chart C14. Investment Securities, Tenth District Commercial Banks**



**Chart C15. Cash and Reserve Holdings, All U.S. Commercial Banks**



**Chart C16. Cash and Reserve Holdings, Tenth District Commercial Banks**



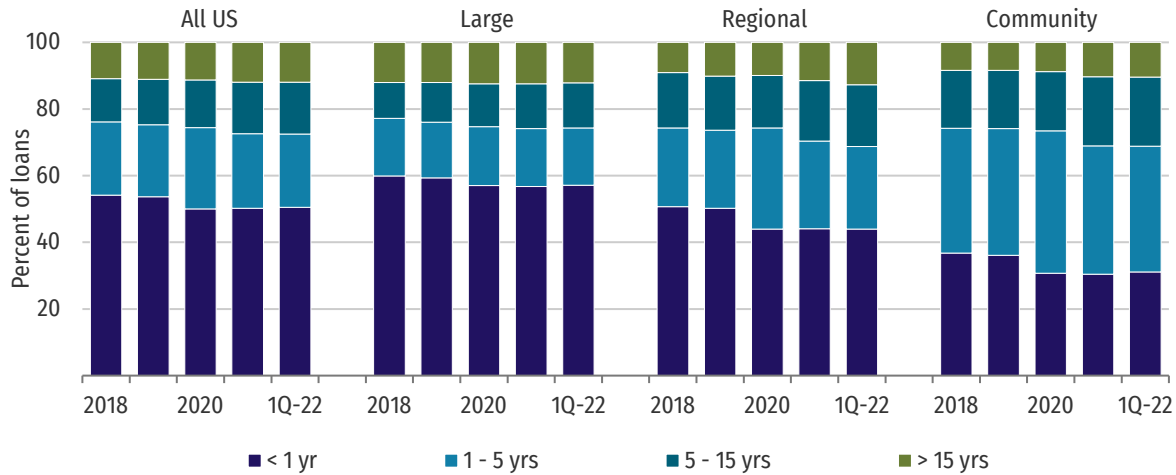
	2017	2018	2019	2020	2021	2022	1Q-21	2Q-21	3Q-21	4Q-21	1Q-22
— All district banks	6.2	6.0	6.3	9.3	11.1	9.6	10.7	10.6	10.6	11.1	9.6
— Above \$1 bn	5.8	5.4	5.5	8.4	11.3	8.9	10.0	10.2	10.3	11.3	8.9
— \$250 mm - \$1 bn	5.8	6.2	7.0	10.2	10.2	10.5	11.1	10.6	10.8	10.2	10.5
— Under \$250 mm	8.4	8.4	8.7	12.8	12.5	12.3	14.1	12.8	12.5	12.5	12.3



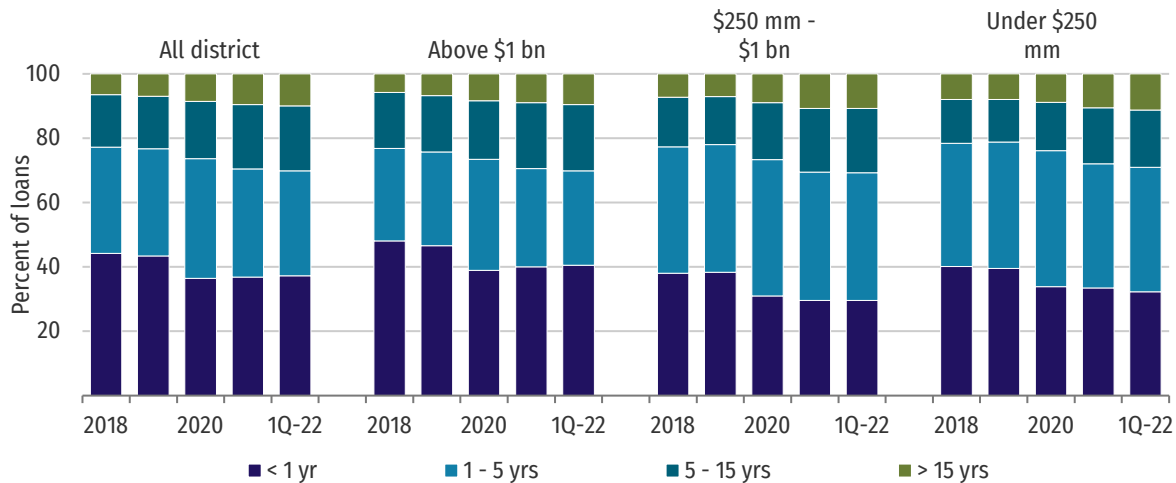
## D. Maturity and Funding

- Throughout most of 2020 and 2021, banks extended asset durations to protect margin. Banks have since begun shortening securities portfolios.
- The declining trend in the loan-to-deposit ratio is stabilizing while growth in liquid assets has slowed.

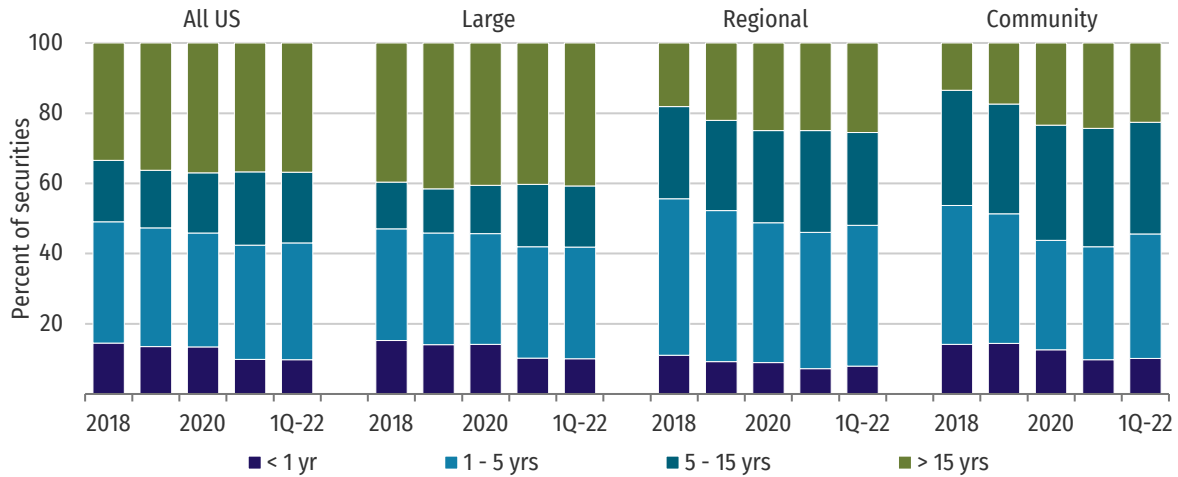
**Chart D1. Loan Portfolio Maturity & Repricing Distribution, All U.S. Commercial Banks**



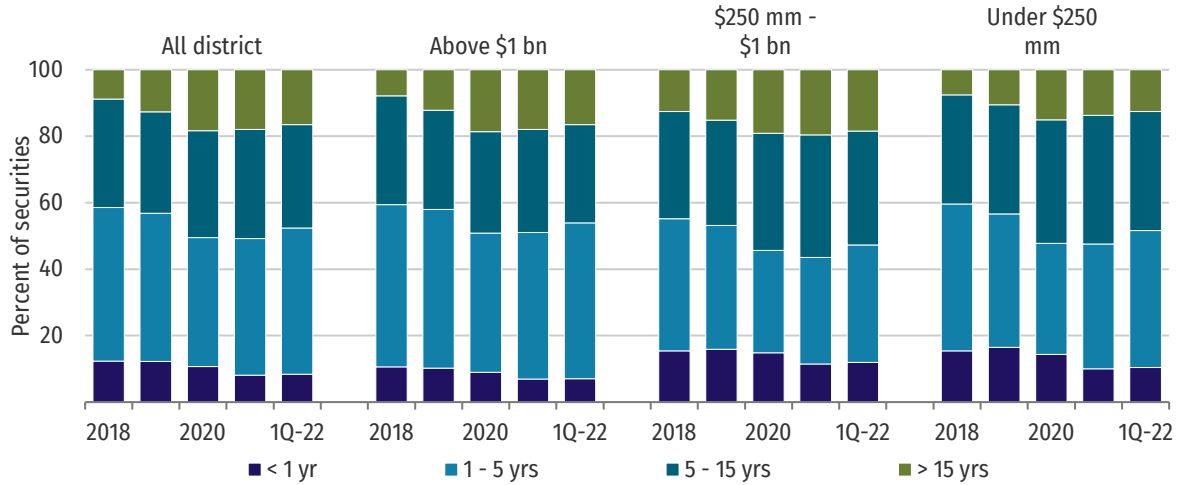
**Chart D2. Loan Portfolio Maturity & Repricing Distribution, Tenth District Commercial Banks**



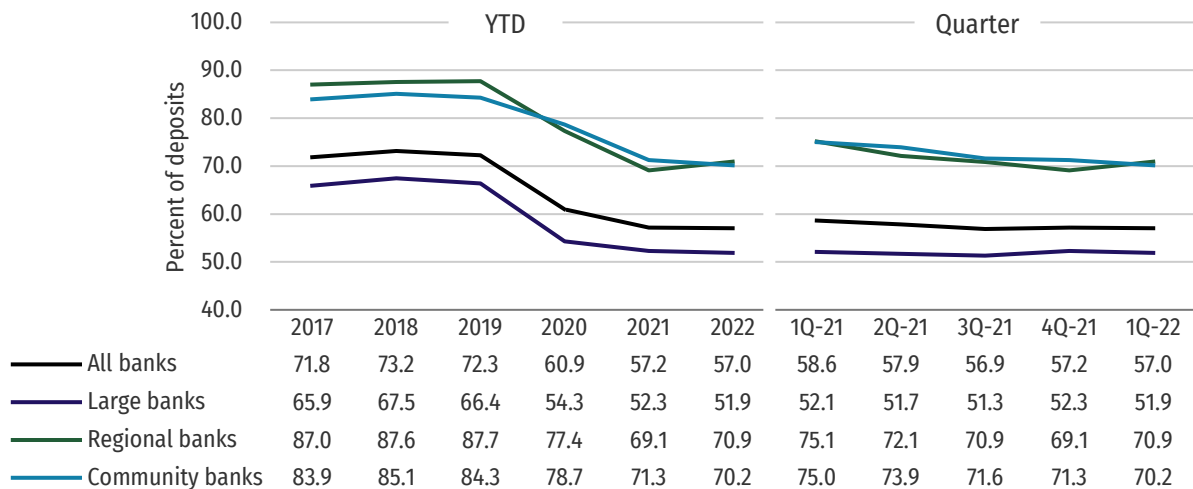
**Chart D3. Securities Maturity & Repricing Distribution, All U.S. Commercial Banks**



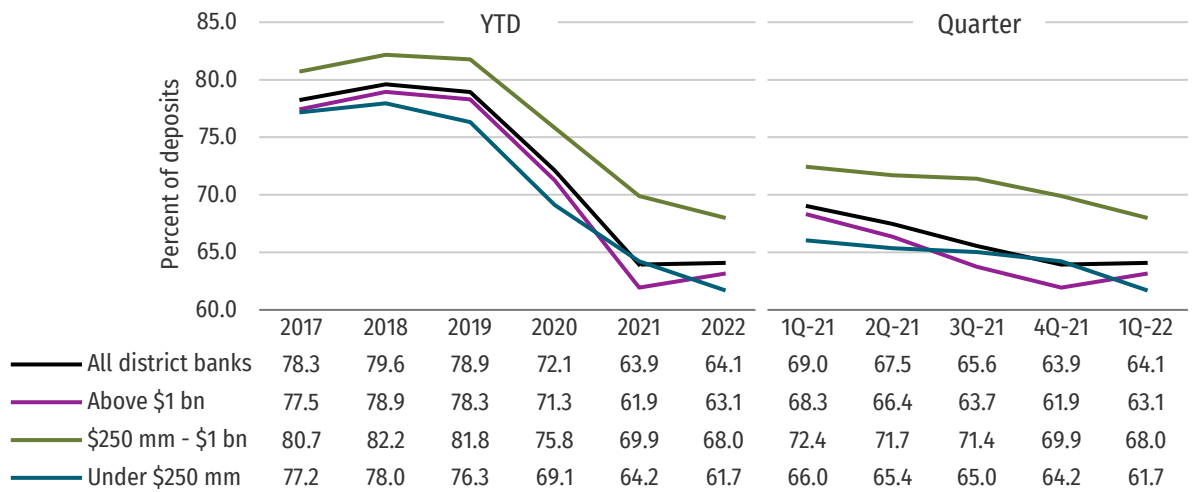
**Chart D4. Securities Maturity & Repricing Distribution, Tenth District Commercial Banks**



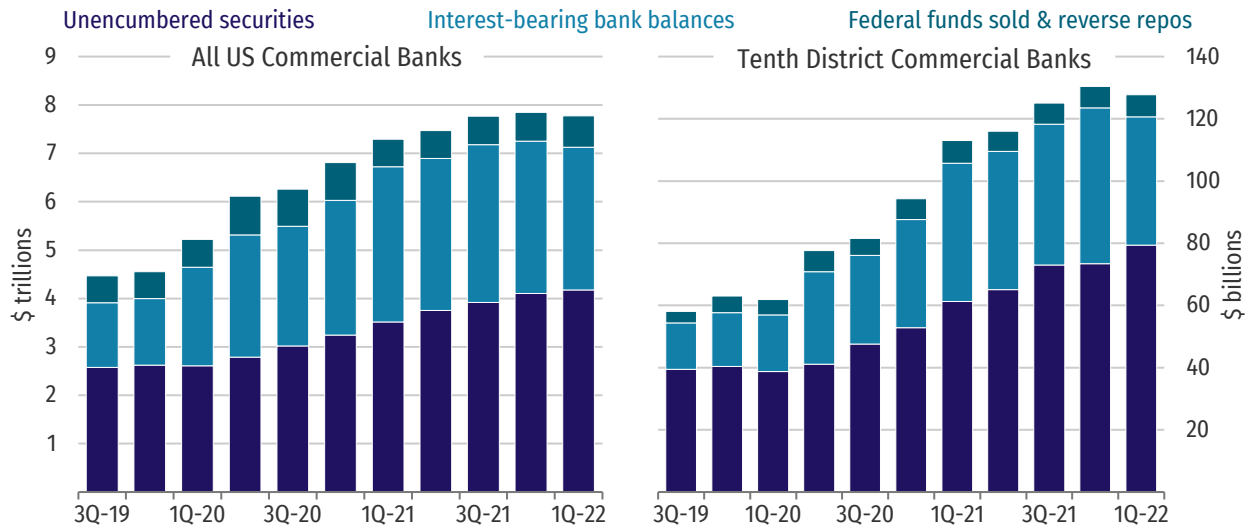
**Chart D5. Loan-to-Deposit Ratios, All U.S. Commercial Banks**



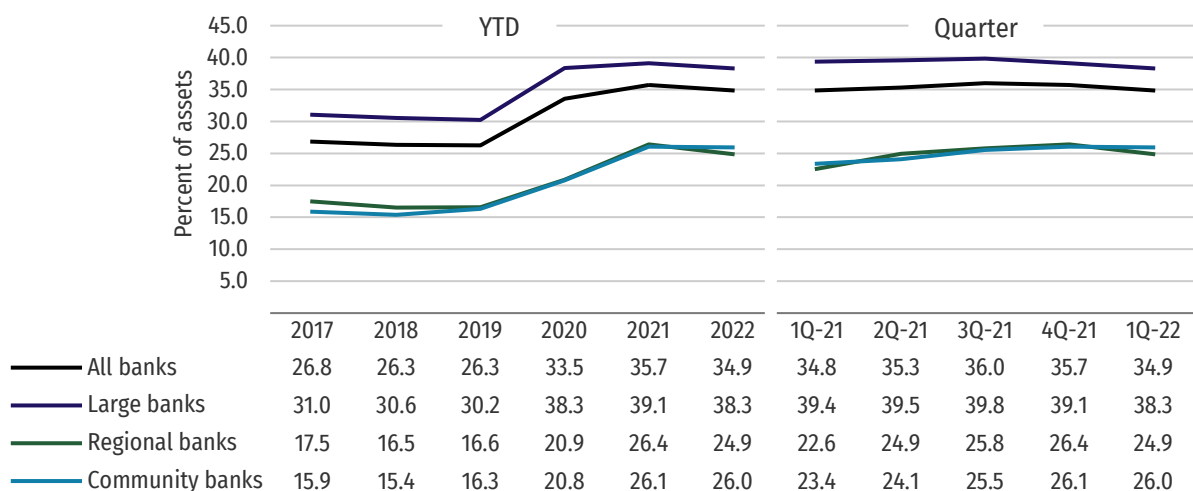
**Chart D6. Loan-to-Deposit Ratios, Tenth District Commercial Banks**



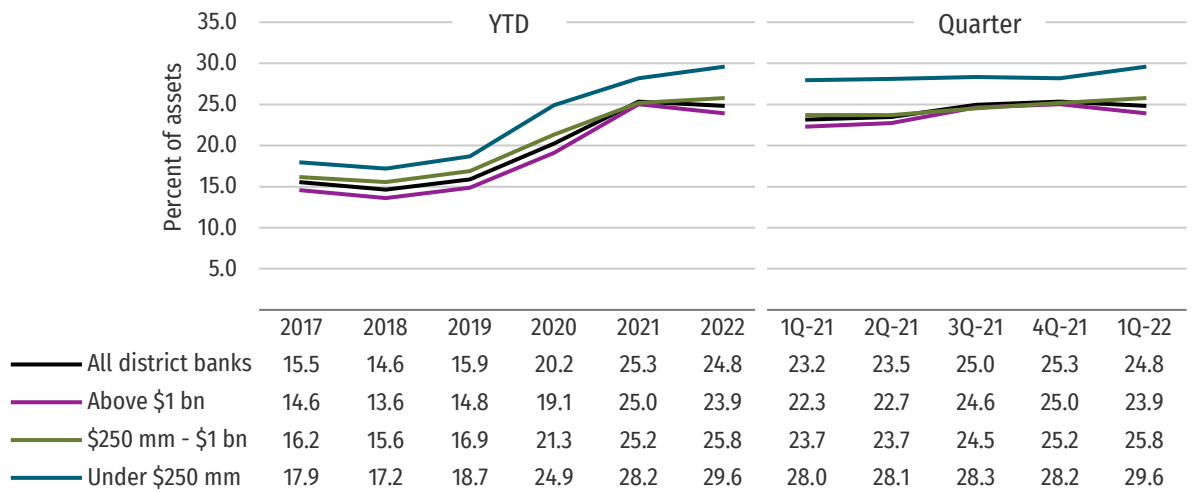
**Chart D7. Quarterly Liquid Asset Trends**



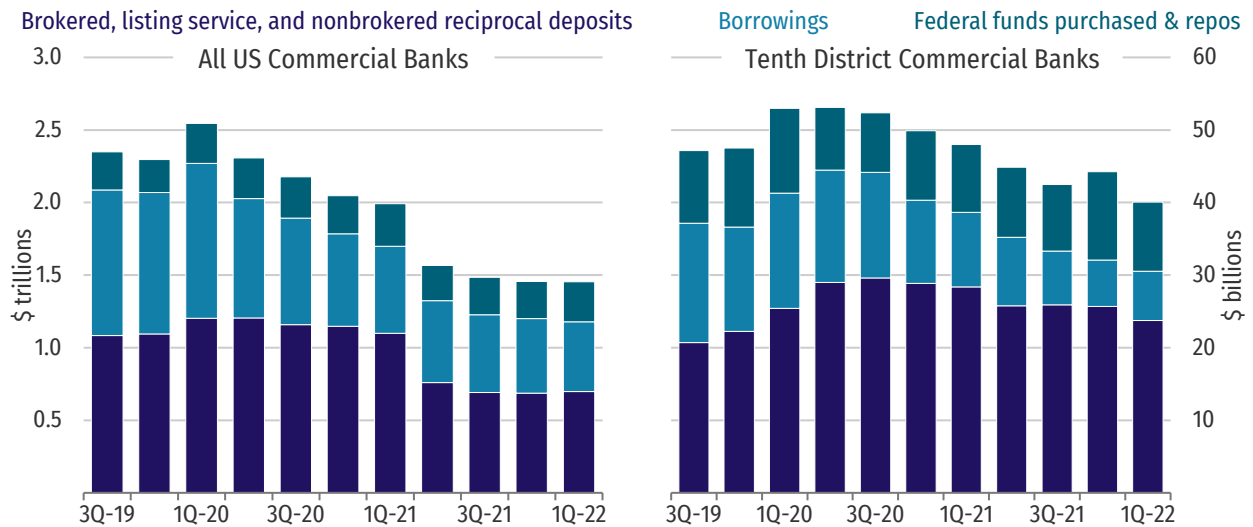
**Chart D8. Liquid Asset Ratios, All U.S. Commercial Banks**



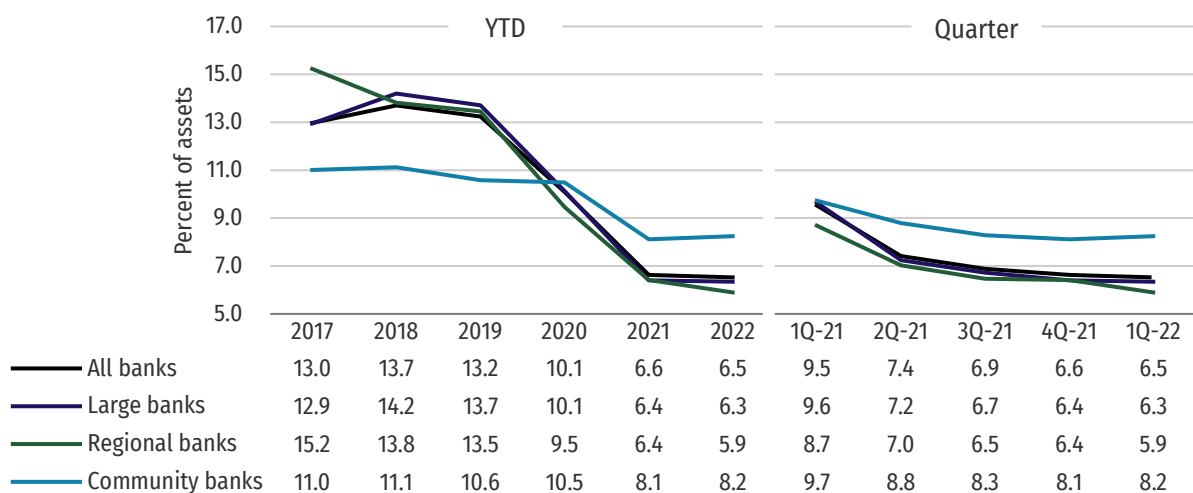
**Chart D9. Liquid Asset Ratios, Tenth District Commercial Banks**



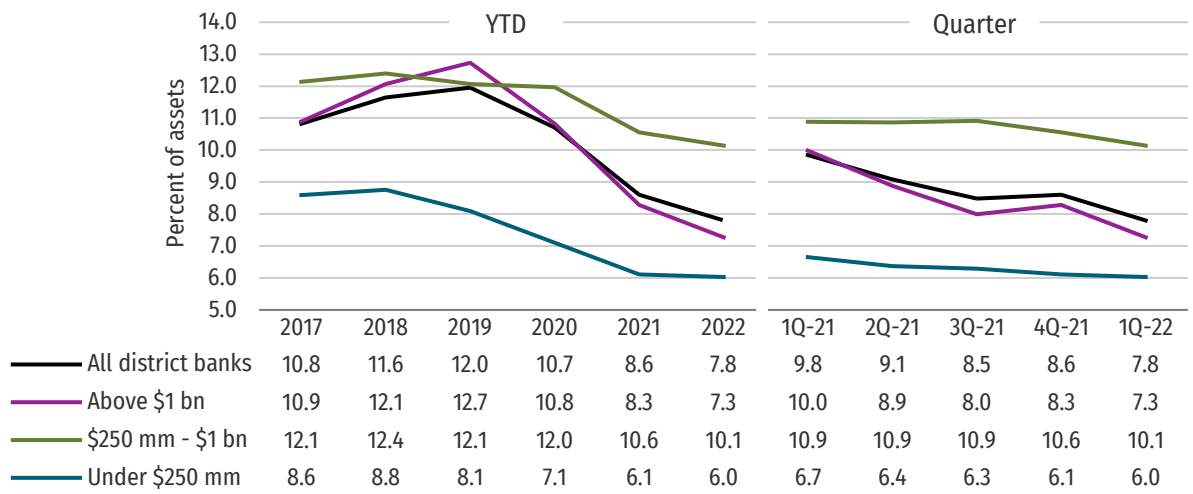
**Chart D10. Quarterly Wholesale Funding Trends**



**Chart D11. Wholesale Funding Ratios, All U.S. Commercial Banks**



**Chart D12. Wholesale Funding Ratios, Tenth District Commercial Banks**



## Select Ratios by Tenth District State

	Colorado		Kansas		Missouri		Nebraska		New Mexico		Oklahoma		Wyoming	
	1Q-22	1Q-21	1Q-22	1Q-21	1Q-22	1Q-21	1Q-22	1Q-21	1Q-22	1Q-21	1Q-22	1Q-21	1Q-22	1Q-21
<b>Overview<sup>1</sup></b>														
Number of Commercial Banks <sup>2</sup>	66	67	205	211	212	231	148	154	31	31	179	188	26	28
Total Assets	\$81,164	\$74,546	\$79,742	\$77,469	\$233,371	\$211,619	\$93,539	\$86,248	\$15,728	\$14,499	\$142,186	\$136,816	\$10,854	\$10,954
Total Loans	\$45,835	\$43,528	\$45,130	\$46,002	\$134,396	\$126,051	\$59,856	\$57,075	\$7,613	\$7,679	\$80,383	\$80,964	\$5,072	\$5,546
Total Deposits	\$73,528	\$65,670	\$68,690	\$65,830	\$202,237	\$178,749	\$81,126	\$73,338	\$14,060	\$12,588	\$122,691	\$114,067	\$9,887	\$9,764
Equity Capital	\$6,177	\$6,574	\$7,604	\$8,217	\$19,662	\$19,846	\$9,044	\$8,961	\$1,247	\$1,399	\$13,407	\$14,202	\$841	\$1,041
Problem Assets	\$150	\$210	\$321	\$528	\$541	\$721	\$304	\$390	\$61	\$73	\$1,062	\$1,553	\$25	\$30
<b>Earnings<sup>3</sup></b>														
Banks With Losses	12.12%	7.46%	5.85%	2.37%	2.83%	1.73%	6.76%	1.95%	0.00%	0.00%	4.47%	3.72%	11.54%	3.57%
Return on Average Assets	1.12%	1.33%	1.07%	1.34%	1.17%	1.34%	1.25%	1.67%	1.34%	1.57%	0.98%	1.48%	1.04%	1.52%
Net Interest Income to Average Assets	2.75%	3.00%	2.84%	3.01%	2.64%	2.85%	3.35%	3.69%	3.00%	3.36%	2.76%	3.00%	2.66%	3.03%
Provisions to Average Assets	0.00%	0.03%	0.01%	0.08%	-0.01%	0.03%	0.24%	0.24%	-0.03%	0.09%	0.05%	0.02%	0.03%	0.05%
Loan Losses to Average Loans	0.02%	0.01%	0.03%	0.14%	0.07%	0.09%	0.26%	0.41%	0.02%	0.02%	0.09%	0.14%	0.01%	0.07%
<b>Asset Quality<sup>4</sup></b>														
Problem Assets to Total Loans + OREO	0.33%	0.48%	0.71%	1.15%	0.40%	0.57%	0.51%	0.68%	0.80%	0.95%	1.32%	1.91%	0.50%	0.53%
Noncurrent CLD	0.12%	0.22%	0.09%	0.09%	0.38%	0.61%	0.03%	0.05%	0.10%	0.56%	0.13%	0.30%	0.03%	0.05%
Noncurrent Other CRE	0.28%	0.35%	0.37%	0.77%	0.24%	0.45%	0.37%	0.55%	0.56%	0.94%	0.68%	0.94%	0.29%	0.34%
Noncurrent Residential	0.15%	0.29%	0.52%	0.77%	0.26%	0.42%	0.31%	0.36%	1.04%	0.60%	3.74%	5.03%	0.33%	0.18%
Noncurrent C&I	0.43%	0.52%	1.06%	1.33%	0.54%	0.52%	0.60%	0.38%	0.81%	0.63%	0.65%	1.12%	1.10%	0.53%
Noncurrent Farm	0.26%	0.40%	0.81%	1.19%	0.31%	0.34%	0.48%	1.11%	0.00%	0.07%	1.34%	2.33%	0.84%	0.82%
Noncurrent RE Farm	0.59%	1.40%	1.18%	2.05%	0.46%	0.60%	0.78%	1.21%	0.39%	0.70%	1.78%	3.09%	0.61%	1.74%
<b>Other Financial Ratios</b>														
Coverage Ratio	436.98%	309.92%	244.70%	158.25%	335.94%	280.09%	328.60%	292.88%	247.64%	205.44%	107.76%	80.18%	365.85%	364.13%
Leverage Ratio	8.34%	8.61%	10.22%	10.20%	8.70%	8.98%	10.11%	10.17%	9.09%	9.60%	8.99%	9.28%	9.39%	9.61%
Tangible Equity Capital to Total Assets	6.73%	8.21%	8.72%	10.08%	7.63%	8.80%	9.00%	9.81%	7.54%	9.34%	8.30%	9.36%	7.49%	9.34%
Noncore Funding to Total Assets	3.19%	4.60%	8.43%	9.68%	6.89%	8.79%	7.02%	8.84%	5.40%	6.53%	7.68%	11.30%	7.73%	7.91%

<sup>1</sup> Balance sheet items shown in millions.

<sup>2</sup> Includes all commercial banks located within each state.

<sup>3</sup> Income statement items shown as year-to-date. Average assets are calculated by using the average of YTD average assets.

<sup>4</sup> Problem assets consist of loans 90+ days past due, in nonaccrual status, and other real estate owned (OREO). Noncurrent loans consist of loans 90+ days past due or in nonaccrual status.

## Appendix

- The appendix provides technical notes and definitions of the financial ratios presented in this report. Questions or comments relating to this report may be directed to [KC.SRM.SRA.DistrictBankingConditions@kc.frb.org](mailto:KC.SRM.SRA.DistrictBankingConditions@kc.frb.org).

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### Technical Notes:

The population of banks included in this report is limited to commercially chartered state member, nonmember, and national banks. The Tenth District encompasses organizations headquartered in western Missouri, Kansas, Nebraska, Oklahoma, Colorado, Wyoming, and northern New Mexico.

All financial metrics presented in this report are weighted averages. Banks are grouped into asset categories based on total assets reported as of each financial date. For purposes of this report, large banks include banks with total assets greater than \$100 billion, regional banks include banks with assets between \$10 billion and \$100 billion, and community banks include banks with assets of less than \$10 billion. Assets are measured as of each financial date. Charts that present growth rates and changes in balance sheet levels are merger-adjusted consistent with the process that FDIC analysts use to account for mergers.<sup>1</sup>

Items from the Reports of Income are reported on a calendar year-to-date (YTD) basis by financial institutions. Ratios utilizing these items are calculated differently when presented as YTD versus quarterly. For YTD calculations, items are annualized based on values reported calendar YTD and divided by an average of the balance sheet item(s) reported for each quarter YTD. For quarterly calculations, items are annualized based on values reported for the quarter and divided by the balance sheet item(s) for that quarter.

<sup>1</sup> Merger-adjusted calculations add the assets and liabilities of acquired institutions to the acquiring institutions in previous periods. The analysis treats acquired and acquiring institutions as if the merger had already occurred by the beginning of the period being analyzed (Breitenstein and Thieme 2019).

### References

Breitenstein, Eric C., and Derek K. Thieme. 2019. "Merger-Adjusting Bank Data: A Primer." *FDIC Quarterly*, vol. 13, no. 1, pp. 31–49.

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### Glossary of Terms:

#### Agriculture Loans

The sum of loans secured by farmland (including farm residential and other improvements) and loans to finance agricultural production and other loans to farmers.

#### Allowance for Loan & Lease Losses (ALLL)

The purpose of the ALLL is to reflect estimated credit losses within a bank's portfolio of loans and leases. Estimated credit losses are estimates of the current amount of loans that are probable that the bank will be unable to collect given the facts and circumstances

since the evaluation date (generally the balance sheet date).

#### Assets

The sum of cash and balances due from depository institutions, securities, federal funds sold and securities purchased under agreements to resell, loans and leases (net of unearned income and the allowance for loan and lease losses), trading assets, premises and fixed assets (including capitalized leases), other real estate owned, investments in unconsolidated subsidiaries and associated

companies, direct and indirect investments in real estate ventures, intangible assets, and other assets.

### **Cash and Reserve Holdings**

The sum of interest-bearing balances (including time certificates of deposit not held for trading) and noninterest-bearing balances, currency and coin (includes cash items in process of collection and unposted debits).

### **Commercial and Industrial (C&I) Loans**

Loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, which are secured (other than by real estate) or unsecured, single-payment or installment.

### **Commercial Real Estate (CRE)**

The sum of CLD and other CRE.<sup>2</sup>

### **Construction and Land Development Loans (CLD)**

Construction, land development, and other land loans. Includes 1–4 family residential construction loans and other construction loans and all land development and other land loans.

### **Consumer Loans**

Loans to individuals for household, family, and other personal expenditures. Includes credit cards, other revolving credit plans, automobile loans, and other consumer loans (includes single payment and installment loans other than automobile loans, and all student loans).

### **Coverage Ratio**

The ALLL divided by noncurrent loans.

### **Earning Assets**

The sum of interest-bearing balances due from depository institutions, investment securities, federal funds sold and securities purchased under agreements to resell, loans and leases (net of unearned income and the allowance for loan and lease losses), and trading assets.

### **Equity Capital**

The sum of perpetual preferred stock (including surplus), common stock and surplus, retained earnings, accumulated other comprehensive income,

and other equity capital components, less treasury stock.

### **Interest Income**

The sum of interest and fee income on loans, income from lease financing receivables, interest income on balances due from depository institutions (including interest income on time certificates of deposit not held for trading), interest and dividend income on securities, interest income from trading assets, federal funds sold and securities purchased under agreements to resell, and other interest income.

### **Investment Securities**

The sum of the amortized cost of held-to-maturity securities and fair value of available-for-sale debt securities.

### **Leverage Ratio**

Tier 1 capital divided by total assets for the leverage ratio. Total assets for the leverage ratio include quarterly average assets less deductions from common equity tier 1 capital and other deductions to total assets for leverage capital purposes.

### **Liquid Asset Ratio**

The sum of interest-bearing balances, federal funds sold, securities purchased under agreements to resell, and unencumbered securities divided by total assets. Unencumbered securities include total securities net of pledged securities.

### **Loan Loss Provisions**

Adjustments (charges or credits) to the ALLL level to reflect management's current estimate of expected credit losses.

### **Loans to Assets**

Total loans and leases held for investment and held for sale (less unearned income) divided by total assets.

### **Loan-to-Deposit Ratio**

Total loans and leases held for investment and held for sale (less unearned income) divided by total interest-bearing and noninterest-bearing deposits.

### **Net Interest Margin (NIM)**

Interest income net of interest expense divided by average earning assets.



**Nonaccrual Loans**

Loans and lease financing receivables that are required to be reported on a nonaccrual basis because (a) they are maintained on a cash basis due to a deterioration in the financial position of the borrower, (b) payment in full of interest or principal is not expected, or (c) principal or interest has been in default for 90 days or longer, unless the obligation is both well secured and in the process of collection.

**Noncurrent Loans**

Loans past due 90 days or more and still accruing and nonaccrual loans.

**Noninterest Expense**

Salaries and employee benefits, expenses of premises and fixed assets (net of rental income), goodwill impairment losses, amortization expense and impairment losses for other intangible assets, and other noninterest expense.

**Noninterest Income**

The sum of income from fiduciary activities, service charges on deposit accounts, trading revenue, income from securities-related and insurance activities, venture capital revenue, net servicing fees, net securitization income, net gains (losses) on sales of loans and leases, other real estate owned, and sales of other assets, and other noninterest income.

**Other Commercial Real Estate (CRE)**

Loans secured by multifamily (5 or more) residential properties, owner-occupied nonfarm nonresidential properties, and other nonfarm nonresidential properties, and loans to finance commercial real estate, construction, and land development activities (not secured by real estate).

**Other Loans**

The sum of loans to foreign governments and official institutions (including foreign central banks), obligations (other than securities and leases) of states and political subdivisions in the U.S., loans to nondepository financial institutions,

loans for purchasing or carrying securities (secured and unsecured), all other loans and lease financing receivables.

**Other Real Estate Owned (OREO)**

Other real estate owned.

**Problem Assets**

Loans past due 90 days or more and still accruing, nonaccrual loans, and OREO divided by total loans plus OREO.

**Residential Loans**

Loans secured by 1–4 family residential properties. Includes revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit, closed-end loans secured by 1–4 family residential properties secured by first or second liens.

**Restructured Loans**

Loans and lease financing receivables that have been restructured or renegotiated because of a deterioration in the financial position of the obligor but remain in compliance with the modified terms of the restructuring.

**Return on Average Assets (ROAA)**

Net income (loss) attributable to bank divided by average assets. See technical notes for year-to-date and quarter calculations.

**Revenue**

Net interest income and noninterest income.

**Texas Ratio**

Restructured loans, nonaccrual loans, and OREO divided by equity capital plus the ALLL.

**Wholesale Funding Ratio**

Federal funds purchased and securities sold under agreements to repurchase, brokered deposits, deposits obtained using deposit listing services that are not brokered deposits, nonbrokered reciprocal deposits, Federal Home Loan Bank advances, and other borrowings divided by total assets.

<sup>2</sup> Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) is a memorandum item on the call report and are reported C&I or other loans of Schedule RC-C, Part I. This item is excluded as part of Other CRE when presented on charts with the C&I or other loan categories to avoid double counting of this item in the loan type groupings.