

## GLOSSARY OF BANK FINANCIAL TERMS

### *A Roadmap to Understanding Bank Financial Measures*

*Top Line Advisors is a consulting firm serving bankers and vendors to the banking industry that specializes in assisting clients develop and implement sales growth strategies. The Bank Data Tools Group is part of Top Line Advisors that evolved from ongoing work with clients to help their sales and marketing professionals better understand the financials of banks, thrifts, and bank holding companies. The tools developed to assist clients with the analysis of banking financials have been "productized" and offered to bankers, bank consultants, and vendors to banks. The tool discussed below is one of those products*

The Glossary of Bank Financial Terms is one of the Bank Data Tools from Top Line Advisors. This glossary is a layman's description of over one hundred financial measures and ratios banks look at. It is a valuable tool for new and non-financial bank staff, bank consultants, and sales professionals who sell to banks . . . and anyone else who needs to be conversant in bank financials.

To order the glossary, go to [www.BankDataTools.com](http://www.BankDataTools.com) to download the latest version.

## CONTENTS OF THE GLOSSARY

There are three main sections:

1. Bank Financials
2. Metrics & Ratios
3. Sources of Industry and Institution Data

### 1. The Bank Financials Section

This section contains the financial summary for the banking industry, and a detailed description of every main balance sheet and income statement item reported by banks and thrifts. The key measures for each financial line item are shown for the latest quarter for reference.

	All Banks (12/31/07)		All Thrifts (12/31/07)	
	Amount (\$000)	% of Category	Amount (\$000)	% of Category
<b>Assets</b>				
Cash and Due Froms	\$482,163,314	4.31%	\$42,004,933	2.26%
Securities	1,590,691,603	14.23%	363,394,514	19.51%
Fed Funds Sold	646,120,868	5.78%	45,585,319	2.45%
Net Loans and Leases	6,537,635,658	58.50%	1,267,006,858	68.02%
Trading Account Assets	867,577,866	7.76%	8,480,935	0.46%
Bank Premises & Fixed Assets	104,999,516	0.94%	15,050,804	0.81%
Other Real Estate Owned	9,800,056	0.09%	3,442,441	0.18%
Goodwill and Other Intangibles	423,850,044	3.79%	41,830,159	2.25%
All Other Assets	513,257,299	4.59%	75,873,272	4.07%
<b>Total Assets</b>	<b>\$11,176,096,224</b>	<b>100.00%</b>	<b>\$1,862,662,238</b>	<b>100.00%</b>
<b>Liabilities</b>				
Total Deposits	\$7,308,855,799	72.86%	\$1,105,499,930	66.81%
Fed Funds Purchased	765,476,770	7.63%	69,256,694	4.19%
Trading Liabilities	342,727,867	3.42%	58,586	0.00%
Other Borrowed Funds	1,114,910,836	11.11%	429,766,639	25.97%
Subordinated Debt	174,921,350	1.74%	10,487,979	0.63%
All Other Liabilities	324,995,330	3.24%	39,548,567	2.39%
<b>Total Liabilities</b>	<b>\$10,031,887,952</b>	<b>100.00%</b>	<b>\$1,654,618,385</b>	<b>100.00%</b>
<b>Equity</b>				
Perpetual Preferred Stock	\$5,010,697	0.02%	\$3,004,996	0.41%
Common Stock	36,021,121	0.32%	985,639	0.05%
Surplus	738,193,610	6.62%	172,912,906	8.75%
Undivided Profits	364,982,854	3.27%	31,147,288	1.67%
<b>Total Equity</b>	<b>\$1,144,208,272</b>	<b>10.00%</b>	<b>\$208,050,828</b>	<b>10.00%</b>

This is a sample of the industry data table in section 1.

This is a sample of the detailed description of each line item, along with a metric to give a sense of how significant the line item is in the over financials of banks.

INCOME CATEGORY	DESCRIPTION OF CATEGORY	% OF AVG ASSETS*
<b>2. Noninterest Income</b>	<i>Income from service charges on deposit accounts in domestic offices, plus fiduciary activities, plus trading gains (losses) and fees from foreign exchange transactions, plus other foreign transaction gains (losses), plus other gains (losses) and fees from trading assets/ liabilities.</i>	<b>1.90%</b>
<i>Includes these items:</i>	<i>Description</i>	<i>% of Noninterest Income</i>
Service Charges on Deposit Accounts	Fees from deposit accounts in domestic offices.	16.80%
Fiduciary Activities	Income from services rendered by the institution's trust department or by any of its consolidated subsidiaries acting in any fiduciary capacity.	12.10%
Trading Account Gains & Fees	Net gains and losses from trading cash instruments and off-balance sheet derivative contracts that have been recognized during the accounting period.	1.76%
Additional Noninterest Income	Includes investment banking, advisory, brokerage, and underwriting; venture capital revenue; net servicing fees; net securitization income; insurance commission fees and income; net gains (losses) on sales of loans, real estate owned, and sale of other assets (excluding securities); and all other noninterest income.	69.34%

\* These are the percentage of average total assets for all US banks and thrifts for 2007. These ratios are shown to give an idea of banks' income relative to asset size. There may be some error due to rounding.

## 2. Metrics & Ratios Section

This section of the glossary contains 60 measures of bank performance, asset quality, assets mix, liability mix, capital structure. Included is the formula for the calculation, what the ratio means, and the ratio for all banks and all thrifts for the latest calendar quarter.

This is a sample of the one part of the ratios section, showing income ratios.

INCOME METRICS & RATIOS				
Ratio/Metric	Calculation	Description & Comments	Banks*	Thrifts*
Yield on Earning Assets	Total Interest Income divided by Average Earning Assets	<ul style="list-style-type: none"> <li>Measures how well the bank does in using funds (mainly deposits) to create assets that earn interest (loans and investments)</li> <li>Impacted by the mix of loans and investments (loans generally are higher interest earners) and degree of risk (riskier assets generally earn higher interest rates).</li> <li>A higher yield is generally better, but could mean excessive risk if too high.</li> </ul>	6.76%	6.77%
Cost of Funding Earning Assets	Total Interest Expense divided by Average Earning Assets	<ul style="list-style-type: none"> <li>Measures how much the bank has to pay for funds (generally deposits, but also includes borrowed money).</li> <li>Impacted by the mix of funding sources. Deposits vary in interest cost (e.g., checking accounts pay less interest than CDs), and borrowed money is generally more expensive than deposits.</li> <li>Lower funding cost is generally better and usually means a stronger reliance on core deposits of customers rather than "brokered" funds.</li> </ul>	3.40%	3.82%
Net Interest Margin	Yield on Earning Assets minus Cost of Funding Earning Assets	<ul style="list-style-type: none"> <li>Same as Net Interest Income divided by Average Earning Assets</li> <li>A critical measure in gauging profitability, as Net Interest Margin is the source of most income of a bank.</li> <li>Higher margin is better unless it is a result of taking excessive loan and investment risks.</li> </ul>	3.35%	2.95%
Total Income (also called Total Revenue)	Net Interest Income plus Noninterest Income	<ul style="list-style-type: none"> <li>An "unofficial" but useful measure. It is the sum total of Net Interest Income and Noninterest Income. The measure is useful in computing other ratios.</li> </ul>	Dollar values No ratio	Dollar values No ratio
Noninterest Income Efficiency	Noninterest Income divided by Total Income	<ul style="list-style-type: none"> <li>Another "unofficial" measure.</li> <li>Assesses how much of the bank's income is generated from fees and other charges.</li> <li>This is an important gauge of profit potential as traditional interest income is becoming more difficult to achieve and banks are seeking new income sources.</li> </ul>	41.07%	30.81%

### 3. Sources of Industry and Institution Data Section

This section contains 30 web site links for industry data and information. An example of these links is shown below.

FINANCIAL INDUSTRY NEWS, TRENDS, ISSUES	
Web Address	Comments
<a href="http://www.ababi.com">www.ababi.com</a>	Online version of monthly ABA Banking Journal Lots of good info on trends, regulation, news, statistics Most content is free
<a href="http://www.americanbanker.com">www.americanbanker.com</a>	American Banker daily magazine online version Most content requires a subscription
<a href="http://www.bai.org/bankingstrategies">www.bai.org/bankingstrategies</a>	BAI is a banker educational organization Banking Strategies is their magazine, this URL takes you to the latest edition of the magazine More business idea oriented Most content is free
<a href="http://www.banksonline.com">www.banksonline.com</a>	Good portal for information about the financial industry Sections on marketing, technology, operations, compliance, lending, and security Most content is free
<a href="http://www.banktech.com">www.banktech.com</a>	Bank Systems and Technology online magazine More tech oriented, but very readable Most content is free
<a href="http://www.banktechnews.com">www.banktechnews.com</a>	Bank Technology News Most content is free
<a href="http://www.finextra.com">www.finextra.com</a>	Devoted to financial industry technology issues, substantial information on international issues Content is free, but premium subscription is available.