GLOSSARY OF TERMS

Bond	A certificate of indebtedness issued by a government or corporation.
Call Report	A report of a bank's financial condition that is filed quarterly with the FDIC and known officially as the Report of Condition and Income.
Capital	The net worth or value that remains if an institution paid off all of its liabilities. At its core, bank capital is equity. Bank capital or equity can be expressed by the basic accounting formula: Assets – Liabilities = Equity.
Central Bank	An institution that oversees and regulates the banking system and quantity of money in the economy. The Federal Reserve System is the central bank of the United States.
Collateral	Property required by a lender and offered by a borrower as a guarantee of payment on a loan. Also, a borrower's savings, investments, or the value of the asset purchased that can be seized if the borrower fails to repay a debt.
Collateralized Loan Obligations (CLOs)	Securitization vehicles backed predominantly by commercial loans.
Community Bank	FDIC-insured institutions meeting the criteria for community banks as defined in the FDIC's 2012 Community Banking Study. Noncommunity banks are banks that do not meet these criteria.
Crypto-Assets	Private sector digital assets that depend primarily on the use of cryptography and distributed ledger or similar technologies. The term encompasses many assets commonly referred to as "coins" or "tokens" by market participants.
Default	Failure to promptly pay interest or principal when due.
Farm Bank	A bank with agricultural production loans plus real estate loans secured by farmland equal to or exceeding 25 percent of total loans and leases.
Federal Funds Rate	The interest rate at which a depository institution lends funds that are immediately available to another depository institution overnight.
High Yield	A term that is generally synonymous with noninvestment grade, which refers to the lowest-rated bonds subjected to third-party credit risk assessments by nationally recognized statistical ratings organizations. In the United States, noninvestment grade bonds are typically rated Ba1 or below by Moody's or BB+ or below by Standard & Poor's or Fitch.

Inflation .... The rate of increase in prices over a given period of time.

Investment Grade .... Generally, the highest-rated bonds subjected to third-party credit risk assessments by nationally recognized statistical rating organizations. In the United States, investment-grade bonds are typically rated Baa3 or above by Moody's or BBB- or above by Standard & Poor's or Fitch.

Leveraged Loans .... Numerous definitions of leveraged lending exist throughout the financial services industry and commonly contain some combination of the following:

- Proceeds used for buyouts, acquisitions, or capital distributions.
- Transactions in which the borrower's total debt divided by EBITDA (earnings before interest, taxes, depreciation, and amortization) or senior debt divided by EBITDA exceeds 4.0X EBITDA or 3.0X EBITDA, respectively, or other defined levels appropriate to the industry or sector.
- A borrower recognized in the debt markets as a highly leveraged firm, which is characterized by a high debt-to-net-worth ratio.
- Transaction in which the borrower's post-financial leverage, as measured by its leverage ratios (for example, debt-to-assets, debt-to-net-worth, debt-to-cash flow, or other similar standards common to particular industries or sectors), significantly exceeds industry norms or historical levels.

Liquid Assets .... Interest-bearing and noninterest-bearing deposits, fed funds sold, reverse repurchase agreements, and the fair value of available-for-sale and held-to-maturity securities less the value of pledged securities.

Long-Term Assets.......................... Loans and debt securities with remaining maturities or repricing intervals of more than three years.

Negative Equity............................ A situation in which a borrower's mortgage principal is greater than the value of the underlying collateral, often real estate.

Net Interest Margin .... The difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments are made for interest income that is tax exempt.

Nonaccrual Loans and Leases ..... Loans and leases 90 or more days past due and for which payment in full of principal or interest is not expected.

Nonbank .... Firms that are not part of or affiliated with FDIC-insured depository institutions.

Noncurrent Loans and Leases..... The sum of loans and leases 90 days or more past due, and loans and leases in nonaccrual status.

OPEC+.. An alliance formed in December 2016 of top oil-producing countries including members of the Organization of the Petroleum Exporting Countries (OPEC) and ten non-OPEC partner countries.

Past-Due Loans and Leases .... Loans and leases 30 days or more past due and still accruing interest.

Problem Banks............................. Institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Federal regulators assign a composite rating to each financial institution 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. Depending upon the degree of risk and supervisory concern, problem banks are rated either "4" or "5."

Real Gross Domestic Product...... The total market value of all final goods and services produced in an economy in a given year calculated by using a base year's price for goods and services; nominal GDP adjusted for inflation.

Recession...................................... A period of declining real income and rising unemployment; significant decline in general economic activity over a period.

Short-Term Liquid Assets .... Cash and due from accounts, federal funds sold, securities purchased under resale agreements, and securities maturing in less than one year.

Treasury Yield .... The effective interest rate paid by the U.S. government to borrow money for different lengths of time. It is the return on investment on the government's debt obligations.

Wholesale Funding....................... Federal funds purchased and securities sold under agreement to repurchase; borrowings from the Federal Home Loan Bank; brokered and listing service, municipal and state, and foreign deposits; and other borrowings (such as from the Federal Reserve's Payment Protection Program Liquidity Facility). Providers of wholesale funding closely track institutions' financial condition and may cease or curtail funding, increase interest rates, or increase collateral requirements if they determine an institution's financial condition is deteriorating.

Yield Curve.................................... The relationship between maturities and interest rates on government bonds. The yield curve captures the cost of borrowing money to finance consumption, investment, or government spending and thus is of central importance to the entire economy. Yield curves generally exhibit three different shapes—normal, flat, and inverted—which are characterized by long-term interest rates being above, similar to, or below short-term interest rates. The shape of the yield curve often is viewed as an indicator of future economic activity.