



# Banking Account & Ratio Definitions

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## Table of Contents

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<b>Account &amp; Ratio Definitions</b>	<b>2</b>
Summary Factors.....	2
Liquidity, Funding (including subordinated debt) & Balance Sheet Composition.....	5
Profitability.....	5
Efficiency.....	5
Asset Quality .....	6
Capital Adequacy (Period End) .....	6

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## Account & Ratio Definitions

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### Summary Factors

#### LIQUID ASSETS

Liquid Assets consist of Cash and Balances with Central Bank, Due from Other Financial Institutions, Trading securities, Available-for-Sale Securities, Other Securities, and Unearned Income from Securities.

#### NON-LIQUID ASSETS

Non-Liquid Assets comprise Other Financial Assets Designated at Fair Value Through Profit and Loss (as opposed to Trading Securities), Investment Securities (held to maturity), Fair Value of Hedging Derivative Financial Instruments, Gross Loans, Loans Held for Sale and the Interest-Earning components of Other Assets.

#### GROSS LOANS & LEASES

Gross Loans and Leases comprise Gross Loans to Customers net of Unearned Income, Allowance for Loan Losses, and other deductions from Gross Loans.

#### LOAN LOSS RESERVES (ALLOWANCE FOR LOAN LOSSES)

Allowance for Loan Losses is calculated as the sum of any specific, generic and other types of Allowances for Loan Losses, which might also include those that have been temporarily created in addition to generic and specific.

#### INTEREST-EARNING ASSETS

Interest-Earning Assets consist of Liquid Assets (mainly Cash and Balances with Central Bank, Due from Banks, Trading and Available-for-Sale Securities), Non-Liquid Assets (mainly Other Financial Assets Designated at Fair Value, Held-to-Maturity Investments and Gross Loans) and the interest-earning components of Other Assets.

#### CORE DEPOSITS

Core Deposits are those deposits that are not sourced from Institutional Depositors. In the absence of more accurate information, Core Deposits is calculated as Due to Customers less Foreign Deposits and less large-ticket deposits (jumbo cities). In certain jurisdictions, Local Depository Insurance Schemes provide guidance on what is regarded as large-ticket deposits. For example, in the US, jumbo cities are those deposits exceeding US\$100,000.

#### MARKET FUNDS

Market Funds consist of Purchased Funds, Noncore Deposits and Long-Term Debt. Purchased Funds consist of Due to Other Financial Institutions, Trading Liabilities, and Short-Term Borrowings. Noncore Deposits consist of Foreign Deposits, and time deposits greater than US \$100,000. Long-Term Debt consists of Fair Value of Hedging Derivatives, Other Financial Liabilities at Fair Value through Profit and Loss (FVTPL), Senior Bonds, Notes, Long-Term Borrowings, Subordinated Debt, Other Capital-Qualifying Debt Instruments (Hybrids), Due to Related Parties, Revaluations/Derivative Liabilities, and Total Mezzanine Section.

#### SHAREHOLDERS' EQUITY

Shareholders' Equity as reported by the Bank. Comprises Common Stock and Treasury Stock, Capital Surplus, Retained Earnings, Revaluations, Minority Interest and other components of Shareholders' Equity.

#### TANGIBLE COMMON EQUITY (TCE)

Tangible Common Equity is calculated as Total Shareholders' Equity less the following: Preferred Stock, Minority Interest, Fair Value Reserves/Unrealized Gains or Losses on Available-for-Sale Securities, Asset (Re)Valuation Reserves, Hedging Reserves/Adjustment for Cash Flow Hedges, Goodwill and the other Intangible Assets net of related Deferred Tax Liabilities ; plus Moody's "equity credit" for hybrids and preferred stock as per Moody's New Instruments Committee's Tool Kit. For those banks that do not disclose Risk-Weighted Assets, the Risk-Weighted Assets is estimated using broad balance sheet and off-balance sheet categories and standard risk weightings.

#### NET INTEREST INCOME

Interest Income minus Interest Expense.

#### NET REVENUES

Net Revenues consist of Net Interest Income (Expense) and Non-Interest Income. Net Interest Income (Expense) consists of Interest Income minus Interest Expense. Non-Interest Income consists of Net Fees and Commissions, Foreign Exchange Income, Income from Trading Activities/Gains (Losses) on financial instruments through profit and loss, Gain/(Loss) arising from investment securities, Net Gains (Losses) on financial instruments designated at fair value through profit and loss and Gross Dividends from Investment Securities. Bank Holding Company: Equity in undistributed income (losses) of subsidiaries and associated companies, Insurance Revenue, Movments in excess of net market value over net assets of life insurance controlled entities, and Other Income.

#### OPERATING EXPENSE

Operating Expense or Other Operating (Non-Interest) Expense consists of Personnel Expense, Administrative and Other Operating Expense, and Depreciation and Amortization. Personnel Expense consists of Salaries and Employee Benefits, Pension Benefits, and Other Personnel Expenses. Administrative and Other Operating Expense consists of Net Occupancy and Equipment, Professional Fees, (Gain) Loss on Sale of Property, Plant And Equipment and Other Assets, Merger-Related and Restructuring Charges, Loss on Early Extinguishment of Debt, Taxes other than income taxes, and Other Operating Expense.

#### PRE-PROVISION INCOME

Income net of Operating Expense (or Non-Interest Expense, comprising Personnel, Administrative, Depreciation/Amortization and Insurance Expense, among others), before Loan Loss Provisions and Taxes.



#### LOAN LOSS PROVISIONS

Loan Loss Provisions are calculated by adding Provisions for Credit Losses, Releases of Provisions and Recoveries, Direct Write-Off of Loans and Advances and Other Loan Loss Provisions.

#### PROBLEM LOANS & LEASES

Our Problem Loan metric is dependent on the bank's reporting framework.

Problem loans consist of:

- » **IFRS:** Under IFRS, "impaired loans" are considered to be the best measure of problem loans. Per IFRS, a loan is deemed to be impaired if: there is objective evidence of impairment (i.e. a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows from the loan that can be reliably estimated. (Note: losses expected as a result of future events, no matter how likely, are not recognized.)
- » **US-GAAP:** Non-accrual loans plus accruing loans that are past due 90 days or more for banks reporting under US bank regulatory standards or a substantially similar framework.
- » **Local GAAP:** Moody's will estimate the level of problem loans using the regulatory classification of loans by banks. Such estimate of problem loans will cover the same universe of loans as reported by IFRS reports or by US banks. In some countries, for example, Doubtful Loans and Loss Loans as reported by banks to their regulators may be broadly equivalent to Problem Loans as defined above.

#### TIER 1 CAPITAL

Sum of permanent Shareholders' Equity (issued and fully paid ordinary shares/common stock and perpetual non-cumulative preference shares) and Disclosed Reserves (share premiums, retained profit, general reserves and legal reserves). In the case of consolidated accounts, this also includes minority interests in the equity of subsidiaries that are less than wholly owned. Excludes revaluation reserves and cumulative preference shares.

#### RISK-WEIGHTED ASSETS

Sum of all Risk-Weighted Assets as required for Regulatory Capital ratio measures.

#### TOTAL FUNDING

Total Funding consists of Core Deposits and Market Funds. For banks reporting Insurance and Funds Management Liabilities, those are included under earning assets.

#### TOTAL CAPITAL

Sum of Net Tier 1 Capital, Net Tier 2 Capital and Tier 3 Capital.

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## Liquidity, Funding (including subordinated debt) & Balance Sheet Composition

(MARKET FUNDS - LIQUID ASSETS) / TOTAL ASSETS

Market Funds minus Liquid Assets as a percentage of Total Assets.

LIQUID ASSETS / TOTAL ASSETS

Liquid Assets as a percentage of Total Assets.

CORE DEPOSITS / TOTAL FUNDING

Core Deposits as a percentage of Total Funding.

## Profitability

NET INCOME AFTER TAX BEFORE UNUSUAL ITEMS / AVERAGE TOTAL ASSETS

Net Income after Tax before Unusual Items as percentage of average Total Assets.

NET INCOME AFTER TAX BEFORE UNUSUAL ITEMS / AVERAGE SHAREHOLDERS' EQUITY

Net Income after Tax before Unusual Items as percentage as percentage of average Shareholders' Equity.

NET INTEREST INCOME / AVERAGE INTEREST-EARNING ASSETS (NET INTEREST MARGIN)

Net Interest Income for the year as percentage of average Interest-Earning assets.

NET INCOME / AVERAGE RWA

Net Income as percentage of average Risk-Weighted Assets.

RISK-WEIGHTED RECURRING EARNING POWER (PPI / AVERAGE RWA)

Recurring Pre-Provision Income as percentage of average Risk-Weighted Assets.

PRE-PROVISION INCOME / AVERAGE RWA

Pre-Provision Income as percentage of average Risk-Weighted Assets.

## Efficiency

COST / INCOME RATIO

Operating Expense as a percentage of Net Revenues.

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## Asset Quality

### LOAN LOSS PROVISIONS / GROSS LOANS

Loan Loss Provisions calculated as a percentage of Gross Loans.

### LOAN LOSS PROVISIONS / PRE-PROVISION INCOME

Loan Loss Provisions calculated as a percentage of Pre-Provision Income.

### ALLOWANCE FOR LOAN LOSSES / GROSS LOANS

Loan Loss Reserves calculated as a percentage of Gross Loans.

### PROBLEM LOANS & LEASES / GROSS LOANS

Problem Loans & Leases (sum of Doubtful and Non-Performing Loans) calculated as a percentage of Gross Loans.

### PROBLEM LOANS & LEASES / (SHAREHOLDERS' EQUITY + LOAN LOSS RESERVES)

Problem Loans & Leases as percentage of Shareholders' Equity and Loan Loss Reserves.

## Capital Adequacy (Period End)

### TIER 1 CAPITAL / RWA (TIER 1 RATIO)

Tier 1 Capital as a percentage of Risk-Weighted Assets.

### TOTAL CAPITAL / RWA (TOTAL CAPITAL RATIO)

Total Capital as a percentage of Risk-Weighted Assets.

### TANGIBLE COMMON EQUITY / RISK-WEIGHTED ASSETS

Tangible Common Equity as a percentage of Risk-Weighted Assets.

### SHAREHOLDERS' EQUITY / TOTAL ASSETS

Shareholders' Equity as percentage of Total Assets.

