

GLOSSARY

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| Adversely Classified Loans | <p>Loans that are subject to criticism or comment in the exam report. These loans are allocated on the basis of risk (lowest to highest) to three categories:</p> <ul style="list-style-type: none"> • Substandard, • Doubtful, and • Loss |
| Affiliate | <p>Any individual or organization that can exercise “corporate control” over a bank through stock ownership or positions on the Board of Directors as defined by section 23A of the Federal Reserve Act.</p> |
| Board Resolutions | <p>Actions taken by a corporation’s board of directors at a regular or special director’s meeting. With regard to bank regulation, Board Resolutions are unilateral actions taken by a bank to address regulatory concerns.</p> |
| CAMEL(S) Rating | <p>The FDIC and other financial institution regulators use the Uniform Financial Institutions Rating System (UFIRS) to evaluate a bank’s performance. Areas of financial and operational concern are evaluated and given a numerical rating of “1” through “5,” with “1” having the least concern and “5” having the greatest concern. The performance areas, identified by the acronym CAMEL(S), are: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity. A sixth component, Sensitivity to Market Risk, was added in December 1996.</p> |
| Call Report | <p>An institution’s quarterly Consolidated Report of Condition and Income which contains a balance sheet and income statement as well as other detailed information about the institution.</p> |
| Cease and Desist Order (C & D) | <p>A formal enforcement action issued by the regulator’s Board of Directors to a bank or affiliated party to stop an unsafe or unsound practice or violation. A C&D is terminated when the bank’s condition has significantly improved and the bank has substantially complied with its terms.</p> |

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| Composite Rating | An overall rating given to a bank based on the six components of the CAMELS rating. A rating of “1” through “5” is given, with “1” having the least regulatory concern and “5” having the greatest concern. A description on the graduations utilized in conjunction with the performance ratings is as follows: | |
| | Rating “1” | Indicates strong performance, significantly higher than average. |
| | Rating “2” | Reflects satisfactory performance, performance which is average or above: this includes performance that adequately provides for the safe and sound operation of the bank. |
| | Rating “3” | Represents performance that is flawed to some degree and as such is considered fair. It is neither satisfactory nor unsatisfactory but is characterized by performance that is below-average quality. |
| | Rating “4” | Refers to marginal performance, significantly below average. If left unchecked, such performance might evolve into weaknesses or conditions that could threaten the viability of the institution. |
| | Rating “5” | Considered unsatisfactory; performance that is critically deficient and in need of immediate remedial attention. Such performance, by itself or in combination with other weaknesses, threatens the viability of the institution. |
| Division of Compliance and Consumer Affairs (DCA) | The FDIC division whose mission is to promote compliance with fair lending and other consumer protection laws and regulations, and to increase public understanding of and confidence in the deposit insurance system. | |
| Division of Resolutions and Receiverships (DRR) | The division of the FDIC which exists to plan and efficiently handle the resolution of failing FDIC-insured institutions and to provide prompt, responsive, and efficient administration of failed financial institutions. | |
| Leverage Capital | A capital standard under Part 325 of the FDIC Rules and Regulations. The minimum leverage requirement consists only of Tier 1 Capital (also defined in Glossary). | |
| Merchant Processing | Merchant credit card activities basically involve the acceptance of credit card sales drafts for clearing by a financial institution (the “clearing institution”). For the clearing institution, these activities are generally characterized by thin profit margins amidst high transactional and sales volumes. Typically, a merchant’s customer will charge an item on a credit card, and the clearing institution will give credit to the merchant’s account. Should the customer dispute a charge transaction, the clearing institution is obligated to honor the customer’s legitimate request to reverse the transaction. The clearing institution must then seek reimbursement from the merchant. | |

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| Memorandum of Understanding (MOU) | An informal, voluntary agreement between a bank’s Board of Directors and the regulators to take certain corrective actions on specific regulatory concerns. An MOU is terminated when the bank’s condition has significantly improved and the bank has substantially complied with its terms. |
| Off-Site Review | Regulators' use of sources outside the bank to monitor areas of concern. These sources include the Call Reports, UBPRs, and periodic financial Statements. |
| Prompt Corrective Action (PCA) | A framework of supervisory actions for insured depository institutions Which are not adequately capitalized. These actions become increasingly Severe as an institution falls within lower capital categories. The Following codes are used to describe capital adequacy: W - Well Capitalized A - Adequately Capitalized U - Undercapitalized S - Significantly Undercapitalized C - Critically Undercapitalized |
| Risk-Based Capital | A “supplemental” capital standard under part 325 of the FDIC Rules and Regulations. Under the risk-based framework, a bank’s qualifying total capital base consists of two types of capital elements, core capital (Tier 1) and supplemental capital (Tier 2). |
| Section 10(c) Investigation | Section 10(c) of the FDI Act authorizes the appropriate Federal banking agency to administer oaths and affirmations, and to examine and to take and preserve testimony under oath as to any matter in respect to the affairs or ownership of any such bank, institution or affiliate. |
| Special Mention Assets | Assets that have potential weaknesses and deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects in the future. |
| Subprime borrower | A borrower whose credit is below good credit standards. A subprime loan is usually referred to as marginal, nonprime or below “A” quality. Subprime borrowers pose a greater risk and are characterized by paying debts late, filing for personal bankruptcy and/or having an insufficient credit history. |

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| Temporary Cease and Desist Order | When a Federal banking agency determines that a violation, or unsafe practice is likely to cause insolvency or significant dissipation of assets or earnings of the bank or is likely to weaken the condition of the bank, it may issue a Temporary Cease-and-Desist Order requiring the bank to take immediate affirmative action to correct the situation. |
| Tier 1 (Core) Capital | <p>Defined in Part 325 of the FDIC Rules and Regulations and means the sum of :</p> <ul style="list-style-type: none"> • Common stockholder’s equity (common stock plus undivided profits): • Non-cumulative preferred stock and • Minority interest in consolidated subsidiaries; <li style="padding-left: 40px;">minus • Intangible assets and • Identified losses. |
| Tier 2 (Supplemental) Capital | <p>Tier 2 Capital is defined in Part 325 of the FDIC Rules and Regulations and generally consists of:</p> <ul style="list-style-type: none"> • Allowances for loan and lease losses, up to a maximum of 1.25% of risk-weighted assets, • Preferred stock and related surplus, • Hybrid capital instruments, and • Term subordinated debt. |
| Uniform Bank Performance Report (UBPR) | A report prepared by FDIC comparing an individual bank with its peer group banks. |