

The FDIC Quarterly Banking Profile

Donna Tanoue, Chairman

Second Quarter 1998

COMMERCIAL BANK PERFORMANCE – SECOND QUARTER, 1998

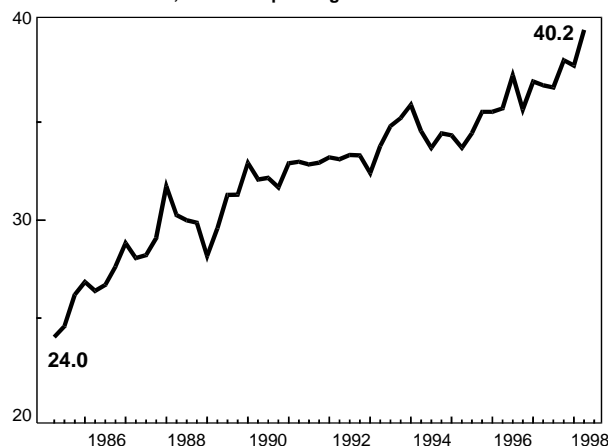
- **Industry Earnings Exceed \$16 Billion For First Time**
- **Higher Fee Income Helps Lift Profits**
- **Credit-Quality Indicators Remain Stable**
- **Asset Growth Slows, But Commercial Lending Remains Strong**

In the second quarter of 1998 commercial bank earnings exceeded \$16 billion for the first time. Bank earnings totaled \$16.1 billion, an increase of \$210 million over the previous record, set in the first quarter, and \$1.5 billion (10.2 percent) more than banks earned in the second quarter of 1997. Industry profitability remained both high and stable. The annualized return on assets (ROA) was 1.25 percent, slightly lower than the previous quarter's 1.26 percent and slightly higher than the 1.24 percent registered a year earlier. More than half of all banks – 59.5 percent – reported earnings higher than a year ago, and more than two-thirds – 69.6 percent – had ROAs of 1 percent or higher. In the first six months of 1998, commercial banks earned \$32.0 billion, an improvement of 9.9 percent (\$2.9 billion) over the first half of 1997. The industry's first-half ROA of 1.25 percent matched its performance in the first half of 1997.

Noninterest income remained the primary contributor to revenue growth. Spurred by rising fee income, noninterest income totaled \$30.7 billion in the second quarter, up \$5.4 billion (21.3 percent) from the second quarter of 1997 and \$1.5 billion (5.0 percent) from the first quarter of 1998. This is the first time that the industry's noninterest income has exceeded \$30 billion in a quarter. Noninterest income accounted for a record 40.2 percent of banks' net operating revenue. Growth in income from trust activities and other fee income was especially strong; trading income, however, was lower than in the first quarter, although it was higher than a year ago. Banks continue to register gains on sales of securities; although these gains declined for the second consecutive quarter, they still added \$575 million to pre-tax earnings in the second quarter, almost twice as much as a year earlier.

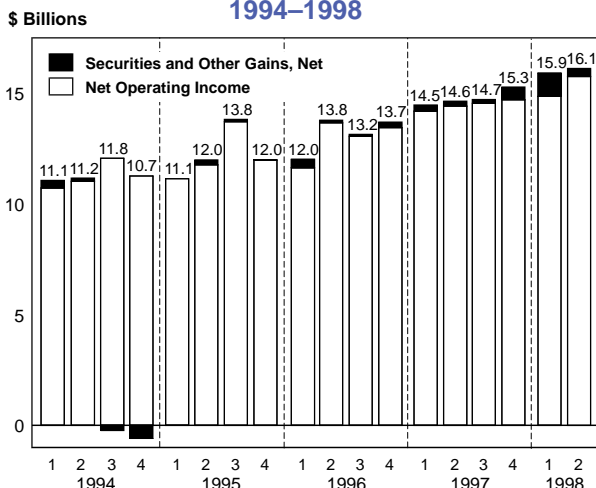
NONINTEREST INCOME PROVIDES A GROWING PROPORTION OF BANK REVENUE, 1985–1998

Noninterest Income, % of Net Operating Revenue*



*Net operating revenue equals net interest income plus noninterest income.

QUARTERLY NET INCOME, 1994–1998



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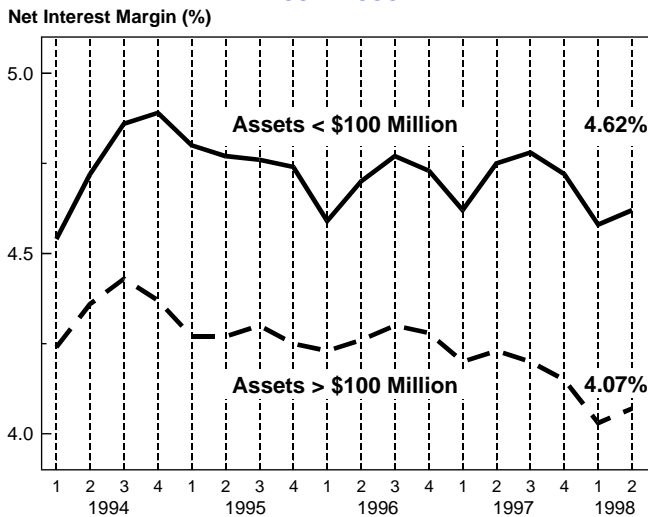
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Net interest income was \$2.0 billion (4.7 percent) higher than a year ago, as the negative effect of lower net interest margins was outweighed by growth in interest-bearing assets. The improvement in net interest income was the result of an 8.0 percent rise in earning assets during the past 12 months. The industry's net interest margin in the second quarter was 4.10 percent. This was slightly higher than the first quarter's average of 4.06 percent, but it was down from 4.26 percent a year earlier and is the second-lowest quarterly margin in the last seven years.

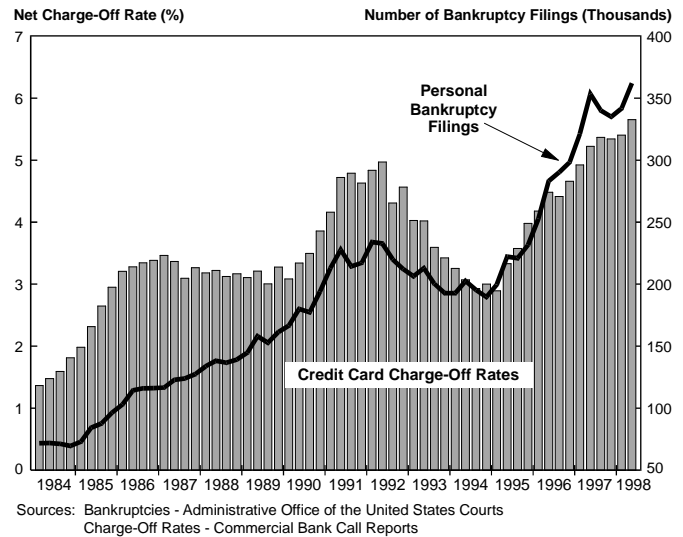
QUARTERLY NET INTEREST MARGINS, 1994–1998



Industry profits also benefited from slower growth in domestic credit-loss provisions, even though new reporting rules in 1998 expanded the coverage of this expense item.¹ Banks set aside \$5.3 billion in provisions during the second quarter, an increase of \$235 million (4.7 percent) over the second quarter of 1997. The increase was entirely the result of a \$235-million (98.3 percent) rise in provisions related to banks' international operations. Even though these provisions declined for a second consecutive quarter, they were still almost twice as high as a year ago. Net charge-offs totaled \$4.9 billion in the second quarter, an increase of \$507 million (11.5 percent) from the second quarter of 1997. Of the industry's net charge-offs, credit-card loans accounted for \$3.0 billion (61.8 percent) while international operations accounted for \$299 million. Charge-offs on international operations were \$247 million higher than a year earlier. The annualized net charge-off rate in the second quarter was 0.64 percent, unchanged from the first quarter and only 2 basis points higher than the 0.62 percent rate registered in the second quarter of 1997.

Noncurrent loans declined by \$413 million in the second quarter but remained \$505 million (1.8 percent)

CREDIT CARD LOSS RATES AND PERSONAL BANKRUPTCY FILINGS, 1984–1998



above the level of a year ago. Noncurrent loans to foreign borrowers increased by \$167 million during the quarter, and were \$1.1 billion higher than a year ago. At midyear, 0.94 percent of all commercial bank loans were noncurrent; this is the lowest level in the 17 years that banks have been reporting data on noncurrent loans.

Asset growth slowed in the second quarter, although loan growth remained robust. Total assets increased by \$71.8 billion, compared to a \$96.0-billion increase in the first quarter, and a \$129.9-billion increase in the second quarter of 1997. Loans increased by \$67.0 billion, intangible assets were up by \$10.0 billion, and other assets rose by \$15.0 billion. But banks' securities holdings declined by \$10.9 billion and assets in trading accounts fell by \$4.1 billion, as revaluation gains on off-balance-sheet contracts in foreign offices declined by \$12.6 billion (this was partially offset by an increase of \$10.1 billion in revaluation gains on off-balance-sheet contracts in domestic offices). Commercial and industrial loans continued to exhibit strong growth, increasing by \$30.3 billion, while leases grew by \$5.7 billion and real estate construction loans rose by \$4.9 billion. Credit-card loans increased by only \$5.1 billion, but the amount of credit-card receivables that have been securitized and sold off-balance-sheet increased by \$29.5 billion.² Banks now have securitized and sold more of their credit-card loans off-balance-sheet

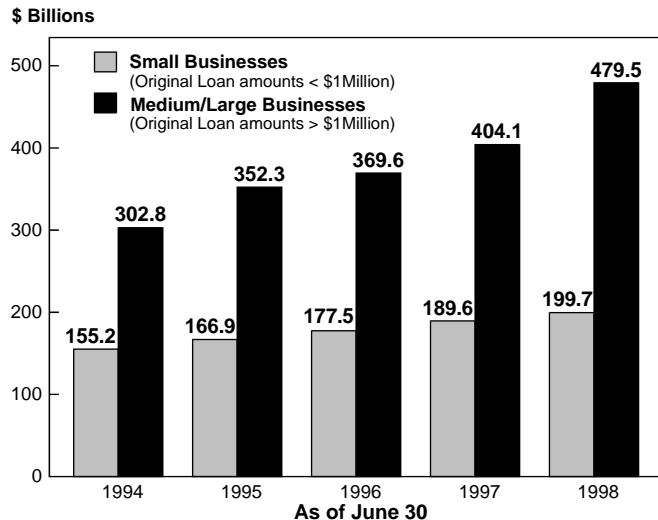
¹See *Accounting Changes*, p.21.

²The second-quarter increases in credit-card loans and securitized receivables were overstated as a result of a credit-card bank becoming a directly owned subsidiary of another bank. See the section on *Computation Methodology* in the *Notes to Users*, p. 21.

(\$238.7 billion) than they have retained on-balance-sheet (\$217.0 billion).

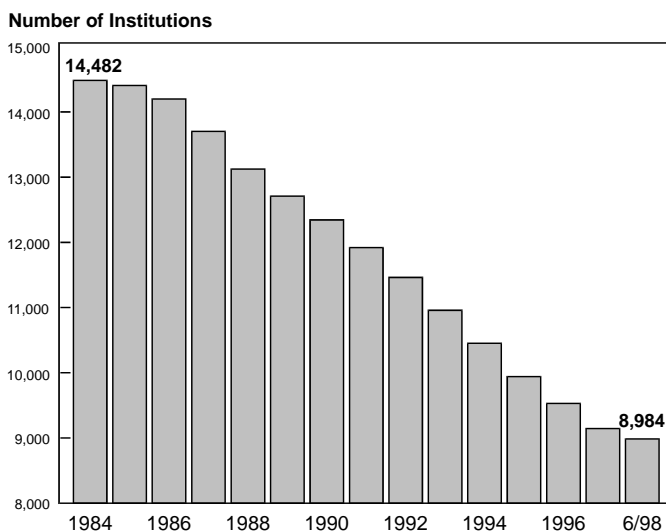
Over the past 12 months, total assets have increased by 8.6 percent, while commercial and industrial loans have grown by 12.6 percent. During this period, the strength in commercial and industrial lending has not extended to smaller borrowers. In the 12 months ended June 30, commercial and industrial loans in original amounts of \$1 million or less increased by only 5.3 percent.

COMMERCIAL AND INDUSTRIAL LOANS TO SMALL BUSINESSES, 1994–1998

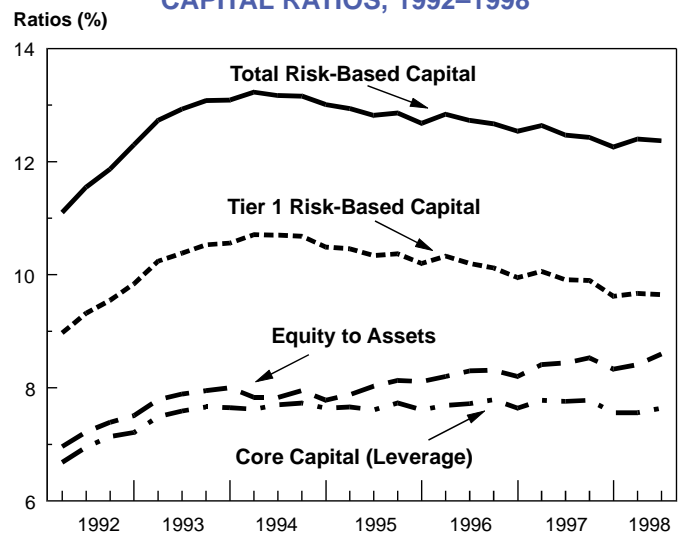


Deposits increased by \$38.9 billion in the quarter, with foreign-office deposits rising by \$20.5 billion. Demand notes were up by \$27.0 billion, while short-term (less than one year) borrowings increased by \$14.1 billion. Fed funds purchased declined by \$34.8 billion. Equity capital increased by \$16.1 billion, as retained earnings

NUMBER OF FDIC-INSURED COMMERCIAL BANKS, 1984–1998



CAPITAL RATIOS, 1992–1998



contributed \$8.4 billion, merger-related goodwill increased by \$4.0 billion, and other intangible assets increased by \$6.0 billion. Over the past 12 months, goodwill and other intangible assets have increased by more than one-third as a result of heightened merger and acquisition activity. A year ago, intangible assets comprised 14.1 percent of all commercial bank equity capital; at midyear, the proportion had risen to 17.1 percent.

The number of insured commercial banks fell below 9,000 for the first time since 1934, as 91 banks were absorbed by mergers, 49 new banks were chartered, and 1 bank failed. At midyear there were 8,984 commercial banks reporting financial results, 40 fewer than at the end of the first quarter. The number of commercial banks on the FDIC's "Problem List" declined from 67 to 64 during the quarter, while assets of "problem" banks remained at \$5 billion.

STRUCTURAL CHANGES AMONG FDIC-INSURED COMMERCIAL BANKS, 1994–1998

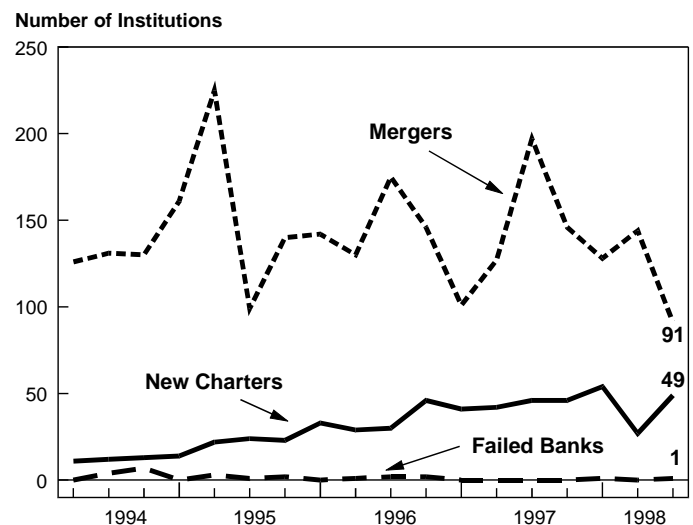


TABLE I-A. Selected Indicators, FDIC-Insured Commercial Banks

| | 1998* | 1997* | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|-------|-------|-------|-------|-------|--------|--------|
| Return on assets (%)..... | 1.25 | 1.25 | 1.23 | 1.19 | 1.17 | 1.15 | 1.20 |
| Return on equity (%)..... | 14.84 | 14.90 | 14.69 | 14.45 | 14.66 | 14.61 | 15.34 |
| Core capital (leverage) ratio (%)..... | 7.64 | 7.76 | 7.56 | 7.64 | 7.61 | 7.64 | 7.65 |
| Noncurrent assets plus | | | | | | | |
| other real estate owned to assets (%) | 0.65 | 0.69 | 0.66 | 0.75 | 0.85 | 1.01 | 1.61 |
| Net charge-offs to loans (%)..... | 0.64 | 0.60 | 0.64 | 0.58 | 0.49 | 0.50 | 0.85 |
| Asset growth rate (%)..... | 8.62 | 8.51 | 9.54 | 6.16 | 7.53 | 8.21 | 5.72 |
| Net interest margin..... | 4.09 | 4.23 | 4.21 | 4.27 | 4.29 | 4.36 | 4.40 |
| Net operating income growth (%)..... | 6.89 | 14.48 | 12.48 | 6.44 | 7.48 | 16.18 | 35.36 |
| Number of institutions reporting..... | 8,984 | 9,309 | 9,143 | 9,528 | 9,940 | 10,451 | 10,958 |
| Percentage of unprofitable institutions (%)..... | 4.44 | 3.96 | 4.80 | 4.28 | 3.55 | 3.98 | 4.89 |
| Number of problem institutions..... | 64 | 74 | 71 | 82 | 144 | 247 | 426 |
| Assets of problem institutions (in billions)..... | \$5 | \$5 | \$5 | \$5 | \$17 | \$33 | \$242 |
| Number of failed/assisted institutions..... | 1 | 0 | 1 | 5 | 6 | 11 | 42 |

* Through June 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending June 30.

TABLE II-A. Aggregate Condition and Income Data, FDIC-Insured Commercial Banks

| (dollar figures in millions) | Preliminary | | | | %Change 97:2-98:2 |
|---|---------------------|---------------------|---------------------|-------------|----------------------|
| | 2nd Quarter 1998 | 1st Quarter 1998 | 2nd Quarter 1997 | | |
| Number of institutions reporting..... | 8,984 | 9,024 | 9,309 | -3.5 | |
| Total employees (full-time equivalent)..... | 1,593,873 | 1,557,256 | 1,513,911 | 5.3 | |
| CONDITION DATA | | | | | |
| Total assets..... | \$5,182,759 | \$5,111,008 | \$4,771,367 | 8.6 | |
| Loans secured by real estate..... | 1,284,564 | 1,272,777 | 1,194,707 | 7.5 | |
| Commercial & industrial loans..... | 850,388 | 820,043 | 755,170 | 12.6 | |
| Loans to individuals..... | 547,880 | 542,245 | 557,628 | -1.7 | |
| Farm loans..... | 47,082 | 43,062 | 43,662 | 7.8 | |
| Other loans & leases..... | 366,077 | 349,707 | 319,727 | 14.5 | |
| Less: Unearned income..... | 4,326 | 4,377 | 5,145 | -15.9 | |
| Total loans & leases..... | 3,091,664 | 3,023,457 | 2,865,748 | 7.9 | |
| Less: Reserve for losses..... | 56,379 | 55,201 | 54,522 | 3.4 | |
| Net loans and leases..... | 3,035,285 | 2,968,255 | 2,811,226 | 8.0 | |
| Securities..... | 894,496 | 905,412 | 820,458 | 9.0 | |
| Other real estate owned..... | 3,530 | 3,734 | 4,377 | -19.3 | |
| Goodwill and other intangibles..... | 76,195 | 66,208 | 56,772 | 34.2 | |
| All other assets..... | 1,173,252 | 1,167,398 | 1,078,534 | 8.8 | |
| Total liabilities and capital..... | 5,182,759 | 5,111,008 | 4,771,367 | 8.6 | |
| Noninterest-bearing deposits..... | 687,030 | 665,698 | 668,062 | 2.8 | |
| Interest-bearing deposits..... | 2,819,544 | 2,801,945 | 2,611,791 | 8.0 | |
| Other borrowed funds..... | 873,052 | 856,606 | 788,465 | 10.7 | |
| Subordinated debt..... | 67,283 | 66,177 | 54,285 | 23.9 | |
| All other liabilities..... | 289,875 | 290,658 | 245,904 | 17.9 | |
| Equity capital..... | 445,974 | 429,924 | 402,860 | 10.7 | |
| Loans and leases 30-89 days past due..... | 35,711 | 38,877 | 35,155 | 1.6 | |
| Noncurrent loans and leases..... | 29,084 | 29,497 | 28,579 | 1.8 | |
| Restructured loans and leases..... | 1,961 | 2,104 | 3,396 | -42.3 | |
| Direct and indirect investments in real estate..... | 535 | 549 | 651 | -17.9 | |
| 1-4 family residential mortgages..... | 741,051 | 736,905 | 690,460 | 7.3 | |
| Mortgage-backed securities..... | 392,983 | 402,403 | 345,737 | 13.7 | |
| Earning assets..... | 4,458,963 | 4,415,084 | 4,129,430 | 8.0 | |
| Long-term assets (5+ years)..... | 873,380 | 837,721 | 698,493 | 25.0 | |
| Volatile liabilities..... | 1,671,329 | 1,648,332 | 1,520,316 | 9.9 | |
| Foreign office deposits..... | 549,037 | 528,573 | 504,198 | 8.9 | |
| Unused loan commitments..... | 3,478,088 | 3,280,839 | 2,834,696 | 22.7 | |
| Off-balance-sheet derivatives..... | 28,837,695 | 26,726,750 | 23,831,385 | 21.0 | |
| | | | | | |
| | Preliminary | | Preliminary | | |
| | First Half | First Half | 2nd Quarter | 2nd Quarter | %Change |
| | 1998 | 1997 | 1998 | 1997 | 97:2-98:2 |
| INCOME DATA | | | | | |
| Total interest income..... | \$178,610 | \$164,947 | \$89,980 | \$83,933 | 7.2 |
| Total interest expense..... | 88,771 | 79,259 | 44,477 | 40,454 | 9.9 |
| Net interest income..... | 89,839 | 85,689 | 45,504 | 43,479 | 4.7 |
| Provision for loan losses..... | 10,236 | 9,322 | 5,265 | 5,030 | 4.7 |
| Total noninterest income..... | 59,810 | 49,923 | 30,651 | 25,276 | 21.3 |
| Total noninterest expense..... | 92,107 | 81,871 | 46,392 | 41,422 | 12.0 |
| Securities gains (losses)..... | 1,372 | 713 | 575 | 298 | 92.8 |
| Applicable income taxes..... | 17,167 | 16,026 | 8,932 | 7,991 | 11.8 |
| Extraordinary gains, net..... | 524 | 35 | -13 | 28 | N/M |
| Net income..... | 32,036 | 29,140 | 16,128 | 14,638 | 10.2 |
| Net charge-offs..... | 9,696 | 8,437 | 4,900 | 4,393 | 11.5 |
| Cash dividends..... | 18,600 | 17,982 | 7,764 | 9,475 | -18.1 |
| Net operating income..... | 30,615 | 28,642 | 15,763 | 14,419 | 9.3 |

N/M - Not Meaningful

TABLE III-A. First Half 1998, FDIC-Insured Commercial Banks

| FIRST HALF Preliminary (The way it is...) | All Institutions | Asset Size Distribution | | | | Geographic Distribution by Region | | | | | | | | | | | | | | | | |
|--|---------------------|-------------------------------|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|----------------|---------|--------------|----------------|---------|------|-------|------|------|------|------|------|------|------|------|------|
| | | Less than \$100 Million | \$100 Million to \$1 Billion | \$1 Billion to \$10 Billion | Greater than \$10 Billion | East | | | West | | | | | | | | | | | | | |
| | | | | | | North- east | South- east | Central | Mid- west | South- west | West | | | | | | | | | | | |
| Number of institutions reporting..... | 8,984 | 5,647 | 2,963 | 310 | 64 | 704 | 1,473 | 1,962 | 2,307 | 1,570 | 968 | | | | | | | | | | | |
| Total assets(in billions)..... | \$5,182.8 | \$259.1 | \$734.0 | \$929.0 | \$3,260.7 | \$1,908.5 | \$1,102.7 | \$845.3 | \$339.0 | \$302.6 | \$684.8 | | | | | | | | | | | |
| Total deposits(in billions)..... | 3,506.6 | 221.7 | 606.0 | 627.3 | 2,051.7 | 1,151.4 | 748.8 | 593.1 | 256.6 | 249.4 | 507.1 | | | | | | | | | | | |
| Net income(in millions)..... | 32,036 | 1,585 | 4,929 | 7,084 | 18,437 | 10,831 | 6,689 | 5,387 | 2,493 | 1,755 | 4,882 | | | | | | | | | | | |
| % of unprofitable institutions..... | 4.4 | 6.1 | 1.5 | 2.9 | NA | 5.0 | 5.6 | 3.6 | 2.7 | 4.1 | 8.8 | | | | | | | | | | | |
| % of institutions with earnings gains..... | 63.4 | 58.6 | 71.5 | 70.0 | 81.3 | 67.2 | 62.9 | 63.6 | 61.8 | 61.0 | 68.8 | | | | | | | | | | | |
| Performance ratios (annualized, %) | | | | | | | | | | | | | | | | | | | | | | |
| Yield on earning assets..... | 8.12 | 8.30 | 8.34 | 8.57 | 7.92 | 8.08 | 7.87 | 8.05 | 8.52 | 7.96 | 8.62 | | | | | | | | | | | |
| Cost of funding earning assets..... | 4.04 | 3.73 | 3.72 | 3.89 | 4.18 | 4.56 | 3.75 | 4.00 | 3.86 | 3.45 | 3.53 | | | | | | | | | | | |
| Net interest margin..... | 4.09 | 4.57 | 4.61 | 4.68 | 3.73 | 3.52 | 4.11 | 4.05 | 4.66 | 4.51 | 5.09 | | | | | | | | | | | |
| Noninterest income to earning assets..... | 2.72 | 1.48 | 1.70 | 3.05 | 2.98 | 3.41 | 2.28 | 2.00 | 2.61 | 1.59 | 3.12 | | | | | | | | | | | |
| Noninterest expense to earning assets..... | 4.19 | 3.97 | 3.84 | 4.45 | 4.21 | 4.43 | 4.00 | 3.56 | 4.17 | 3.98 | 4.75 | | | | | | | | | | | |
| Loan loss provision to assets..... | 0.40 | 0.20 | 0.27 | 0.73 | 0.35 | 0.41 | 0.29 | 0.32 | 0.52 | 0.23 | 0.67 | | | | | | | | | | | |
| Net operating income to assets..... | 1.20 | 1.23 | 1.35 | 1.42 | 1.10 | 1.06 | 1.17 | 1.29 | 1.48 | 1.15 | 1.40 | | | | | | | | | | | |
| Return on assets..... | 1.25 | 1.24 | 1.37 | 1.56 | 1.14 | 1.16 | 1.21 | 1.31 | 1.48 | 1.18 | 1.43 | | | | | | | | | | | |
| Return on equity..... | 14.84 | 11.31 | 14.18 | 16.44 | 14.87 | 15.69 | 13.63 | 15.37 | 16.21 | 12.85 | 14.50 | | | | | | | | | | | |
| Net charge-offs to loans and leases..... | 0.64 | 0.20 | 0.33 | 1.11 | 0.60 | 0.86 | 0.40 | 0.39 | 0.72 | 0.39 | 0.90 | | | | | | | | | | | |
| Loan loss provision to net change-offs..... | 104.31 | 171.18 | 134.88 | 99.99 | 101.12 | 91.59 | 114.12 | 121.35 | 107.51 | 107.42 | 112.83 | | | | | | | | | | | |
| Efficiency ratio..... | 59.57 | 65.02 | 60.01 | 55.23 | 60.55 | 62.18 | 60.25 | 57.42 | 56.15 | 63.32 | 55.14 | | | | | | | | | | | |
| Condition Ratios (%) | | | | | | | | | | | | | | | | | | | | | | |
| Earning assets to total assets..... | 86.03 | 91.92 | 91.55 | 89.02 | 83.48 | 82.70 | 87.87 | 89.03 | 90.34 | 89.11 | 85.20 | | | | | | | | | | | |
| Loss allowance to: | | | | | | | | | | | | | | | | | | | | | | |
| Loans and leases..... | 1.82 | 1.45 | 1.50 | 2.14 | 1.83 | 2.14 | 1.50 | 1.55 | 1.78 | 1.41 | 2.18 | | | | | | | | | | | |
| Noncurrent loans and leases..... | 193.85 | 134.15 | 170.98 | 208.84 | 199.43 | 175.36 | 198.48 | 195.30 | 206.91 | 155.06 | 248.07 | | | | | | | | | | | |
| Noncurrent assets plus other real estate owned to assets..... | 0.65 | 0.77 | 0.65 | 0.73 | 0.62 | 0.74 | 0.57 | 0.56 | 0.64 | 0.59 | 0.69 | | | | | | | | | | | |
| Equity capital ratio..... | 8.60 | 10.99 | 9.71 | 9.75 | 7.84 | 7.50 | 9.42 | 8.58 | 9.20 | 9.16 | 9.87 | | | | | | | | | | | |
| Core capital (leverage) ratio..... | 7.64 | 10.79 | 9.28 | 8.62 | 6.73 | 6.92 | 7.77 | 7.97 | 8.65 | 8.29 | 8.24 | | | | | | | | | | | |
| Net loans and leases to deposits..... | 86.56 | 68.37 | 72.99 | 94.47 | 90.12 | 81.55 | 95.07 | 91.69 | 88.39 | 66.77 | 88.19 | | | | | | | | | | | |
| Structural Changes (YTD) | | | | | | | | | | | | | | | | | | | | | | |
| New Charters..... | 76 | 72 | 4 | 0 | 0 | 7 | 22 | 9 | 8 | 10 | 20 | | | | | | | | | | | |
| Banks absorbed by mergers..... | 235 | 114 | 104 | 13 | 4 | 10 | 96 | 44 | 26 | 34 | 25 | | | | | | | | | | | |
| Failed banks..... | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | | | | | | | | | | | |
| PRIOR FIRST HALVES (The way it was...) | | | | | | | | | | | | | | | | | | | | | | |
| Number of institutions.....1997 | 9,309 | 6,048 | 2,888 | 306 | 67 | 738 | 1,543 | 2,049 | 2,357 | 1,648 | 974 | | | | | | | | | | | |
|1995 | 10,169 | 6,987 | 2,783 | 331 | 68 | 815 | 1,685 | 2,220 | 2,560 | 1,815 | 1,074 | | | | | | | | | | | |
|1993 | 11,199 | 8,089 | 2,737 | 319 | 54 | 895 | 1,870 | 2,454 | 2,744 | 1,988 | 1,248 | | | | | | | | | | | |
| Total assets (in billions).....1997 | \$4,771.4 | \$273.5 | \$711.3 | \$916.0 | \$2,870.6 | \$1,810.7 | \$855.1 | \$795.9 | \$289.3 | \$342.1 | \$678.4 | | | | | | | | | | | |
|1995 | 4,170.8 | 306.6 | 680.7 | 1,057.3 | 2,126.2 | 1,590.1 | 701.6 | 681.5 | 268.6 | 313.0 | 616.0 | | | | | | | | | | | |
|1993 | 3,569.4 | 340.7 | 667.1 | 1,010.7 | 1,550.8 | 1,348.4 | 568.5 | 587.0 | 239.1 | 286.3 | 540.1 | | | | | | | | | | | |
| Return on assets (%).....1997 | 1.25 | 1.24 | 1.36 | 1.26 | 1.21 | 1.16 | 1.29 | 1.26 | 1.45 | 1.24 | 1.31 | | | | | | | | | | | |
|1995 | 1.13 | 1.18 | 1.22 | 1.27 | 1.02 | 0.99 | 1.15 | 1.17 | 1.41 | 1.17 | 1.27 | | | | | | | | | | | |
|1993 | 1.20 | 1.25 | 1.22 | 1.28 | 1.12 | 1.08 | 1.22 | 1.29 | 1.43 | 1.58 | 1.05 | | | | | | | | | | | |
| Net charge-offs to loans and leases (%) | | | | | | | | | | | | | | | | | | | | | | |
|1997 | 0.60 | 0.21 | 0.35 | 0.99 | 0.55 | 0.69 | 0.43 | 0.44 | 0.79 | 0.30 | 0.83 | | | | | | | | | | | |
|1995 | 0.41 | 0.17 | 0.33 | 0.60 | 0.37 | 0.54 | 0.26 | 0.25 | 0.45 | 0.17 | 0.57 | | | | | | | | | | | |
|1993 | 0.87 | 0.30 | 0.50 | 0.93 | 1.10 | 1.35 | 0.42 | 0.50 | 0.56 | 0.25 | 0.96 | | | | | | | | | | | |
| Noncurrent assets plus OREO to assets (%).....1997 | | | | | | | | | | | | 0.69 | 0.79 | 0.72 | 0.82 | 0.64 | 0.75 | 0.61 | 0.62 | 0.69 | 0.60 | 0.79 |
|1995 | 0.94 | 0.86 | 0.88 | 0.86 | 1.01 | 1.18 | 0.69 | 0.64 | 0.65 | 0.65 | 1.22 | | | | | | | | | | | |
|1993 | 2.18 | 1.28 | 1.58 | 1.91 | 2.81 | 2.95 | 1.45 | 1.21 | 1.21 | 1.23 | 2.98 | | | | | | | | | | | |
| Equity capital ratio (%).....1997 | | | | | | | | | | | | 8.44 | 10.84 | 9.69 | 9.14 | 7.68 | 7.38 | 8.93 | 8.56 | 9.21 | 9.54 | 9.66 |
|1995 | 8.03 | 10.39 | 9.35 | 8.49 | 7.03 | 7.50 | 8.07 | 8.22 | 8.83 | 8.59 | 8.48 | | | | | | | | | | | |
|1993 | 7.89 | 9.80 | 8.63 | 8.20 | 6.94 | 7.14 | 7.94 | 8.14 | 8.94 | 8.24 | 8.76 | | | | | | | | | | | |

REGIONS: *Northeast* - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico,

Rhode Island, Vermont, U.S. Virgin Islands

Southeast - Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia

Central - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin

Midwest - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Southwest - Arkansas, Louisiana, New Mexico, Oklahoma, Texas

West - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

TABLE IV-A. Second Quarter 1998, FDIC-Insured Commercial Banks

| SECOND QUARTER Preliminary (The way it is...) | All Institutions | Asset Size Distribution | | | | Geographic Distribution by Region | | | | | |
|--|---------------------|-------------------------------|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|----------------|---------|--------------|---------------|---------|
| | | Less than \$100 Million | \$100 Million to \$1 Billion | \$1 Billion to \$10 Billion | Greater than \$10 Billion | East | | | West | | |
| | | | | | | North- east | South- east | Central | Mid- west | South west | West |
| Number of institutions reporting..... | 8,984 | 5,647 | 2,963 | 310 | 64 | 704 | 1,473 | 1,962 | 2,307 | 1,570 | 968 |
| Total assets (in billions)..... | \$5,182.8 | \$259.1 | \$734.0 | \$929.0 | \$3,260.7 | \$1,908.5 | \$1,102.7 | \$845.3 | \$339.0 | \$302.6 | \$684.8 |
| Total deposits (in billions)..... | 3,506.6 | 221.7 | 606.0 | 627.3 | 2,051.7 | 1,151.4 | 748.8 | 593.1 | 256.6 | 249.4 | 507.1 |
| Net income (in millions)..... | 16,128 | 795 | 2,505 | 3,245 | 9,583 | 5,391 | 3,448 | 2,707 | 1,255 | 843 | 2,484 |
| % of unprofitable institutions..... | 4.9 | 6.6 | 1.9 | 4.5 | | 5.7 | 6.2 | 3.6 | 2.9 | 5.3 | 9.0 |
| % of institutions with earnings gains..... | 59.5 | 54.5 | 67.4 | 69.0 | 81.3 | 62.9 | 58.9 | 59.7 | 59.1 | 56.8 | 62.6 |
| Performance Ratios (annualized, %) | | | | | | | | | | | |
| Yield on earning assets..... | 8.11 | 8.37 | 8.37 | 8.63 | 7.86 | 8.12 | 7.75 | 8.04 | 8.52 | 7.97 | 8.62 |
| Cost of funding earning assets..... | 4.01 | 3.75 | 3.74 | 3.92 | 4.12 | 4.57 | 3.61 | 4.02 | 3.85 | 3.46 | 3.51 |
| Net interest margin..... | 4.10 | 4.62 | 4.63 | 4.72 | 3.74 | 3.55 | 4.14 | 4.03 | 4.67 | 4.52 | 5.12 |
| Noninterest income to earning assets..... | 2.76 | 1.48 | 1.72 | 3.17 | 3.00 | 3.47 | 2.23 | 2.06 | 2.71 | 1.58 | 3.25 |
| Noninterest expense to earning assets..... | 4.18 | 4.02 | 3.87 | 4.60 | 4.14 | 4.41 | 3.87 | 3.60 | 4.25 | 4.07 | 4.85 |
| Credit loss provision to assets..... | 0.41 | 0.21 | 0.26 | 0.75 | 0.36 | 0.42 | 0.31 | 0.32 | 0.53 | 0.24 | 0.67 |
| Net operating income to assets..... | 1.22 | 1.23 | 1.36 | 1.40 | 1.14 | 1.11 | 1.20 | 1.28 | 1.49 | 1.09 | 1.44 |
| Return on assets..... | 1.25 | 1.24 | 1.38 | 1.41 | 1.18 | 1.15 | 1.24 | 1.30 | 1.48 | 1.12 | 1.45 |
| Return on equity..... | 14.72 | 11.27 | 14.23 | 14.70 | 15.25 | 15.36 | 13.77 | 15.15 | 16.21 | 12.23 | 14.68 |
| Net charge-offs to loans and leases..... | 0.64 | 0.23 | 0.35 | 1.12 | 0.59 | 0.83 | 0.43 | 0.41 | 0.72 | 0.42 | 0.90 |
| Loan loss provision to net charge-offs..... | 105.31 | 153.63 | 124.42 | 102.27 | 103.01 | 95.08 | 113.29 | 118.01 | 108.24 | 101.38 | 112.34 |
| Efficiency ratio..... | 58.89 | 65.37 | 60.11 | 55.85 | 59.17 | 60.88 | 58.38 | 57.78 | 56.40 | 64.95 | 55.22 |
| Structural Changes (QTR) | | | | | | | | | | | |
| New charters..... | 49 | 46 | 3 | 0 | 0 | 4 | 19 | 5 | 6 | 7 | 8 |
| Banks absorbed by mergers..... | 91 | 55 | 32 | 2 | 2 | 3 | 37 | 17 | 8 | 12 | 14 |
| Failed banks..... | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| PRIOR SECOND QUARTERS (The way it was...) | | | | | | | | | | | |
| Return on assets (%).....1997 | 1.24 | 1.27 | 1.37 | 1.24 | 1.21 | 1.14 | 1.28 | 1.25 | 1.50 | 1.27 | 1.32 |
|1995 | 1.16 | 1.19 | 1.23 | 1.27 | 1.07 | 1.04 | 1.18 | 1.19 | 1.42 | 1.25 | 1.23 |
|1993 | 1.17 | 1.21 | 1.19 | 1.33 | 1.04 | 1.03 | 1.29 | 1.31 | 1.49 | 1.26 | 1.04 |
| Net charge-offs to loans and leases(%).....1997 | 0.62 | 0.25 | 0.38 | 1.01 | 0.58 | 0.72 | 0.44 | 0.47 | 0.84 | 0.29 | 0.87 |
|1995 | 0.45 | 0.20 | 0.37 | 0.72 | 0.36 | 0.50 | 0.29 | 0.28 | 0.49 | 0.18 | 0.77 |
|1993 | 0.90 | 0.34 | 0.56 | 0.96 | 1.12 | 1.38 | 0.45 | 0.49 | 0.56 | 0.30 | 1.07 |

**BANKS' LENDING EXPOSURE TO FOREIGN BORROWERS,
1994-1998**

Loans to Non-U.S. Borrowers,* % of Total Loans and Leases



**INTERNATIONAL OPERATIONS' CONTRIBUTION TO BANK
EARNINGS, 1994-1998**

Earnings from International Operations, % of Net Income



* Includes leases and commercial and industrial loans to non-U.S. addressees loans to foreign governments, real estate loans in foreign offices, and loans to banks in foreign countries.

TABLE V-A. Loan Performance, FDIC-Insured Commercial Banks

| June 30, 1998 | Asset Size Distribution | | | | | Geographical Distribution by Region | | | | | |
|--|-------------------------|-------------------------------|------------------------------------|-----------------------------------|---------------------------------|-------------------------------------|----------------|----------------|---------|--------------|----------------|
| | All Institutions | Less than \$100 Million | \$100 Million to \$1 Billion | \$1 Billion to \$10 Billion | Greater than \$10 Billion | East | | | West | | |
| | | | | | | | North- east | South- east | Central | Mid- west | South- west |
| Percent of Loans 30-89 Days Past Due | | | | | | | | | | | |
| All loans secured by real estate..... | 1.11 | 1.34 | 1.05 | 1.07 | 1.13 | 1.15 | 1.10 | 1.24 | 0.97 | 1.23 | 0.94 |
| Construction and development..... | 1.31 | 1.20 | 1.20 | 1.44 | 1.32 | 0.94 | 1.19 | 2.04 | 1.18 | 1.39 | 0.97 |
| Commercial real estate..... | 0.84 | 1.04 | 0.81 | 0.98 | 0.75 | 0.86 | 0.80 | 1.07 | 0.75 | 0.95 | 0.61 |
| Multifamily residential real estate..... | 0.80 | 0.69 | 0.66 | 0.85 | 0.84 | 0.66 | 0.82 | 1.09 | 0.56 | 0.55 | 0.81 |
| Home equity loans..... | 0.82 | 1.07 | 0.91 | 0.87 | 0.77 | 0.99 | 0.61 | 0.92 | 0.87 | 0.92 | 0.79 |
| Other 1-4 Family residential..... | 1.30 | 1.67 | 1.26 | 1.12 | 1.35 | 1.32 | 1.31 | 1.30 | 1.10 | 1.48 | 1.31 |
| Commercial and industrial loans*..... | 0.82 | 1.60 | 1.43 | 1.31 | 0.51 | 0.50 | 0.72 | 1.20 | 1.86 | 1.31 | 0.69 |
| Loans to individuals..... | 2.24 | 2.33 | 1.95 | 2.32 | 2.26 | 2.59 | 2.08 | 2.12 | 2.22 | 1.74 | 1.98 |
| Credit card loans..... | 2.51 | 3.56 | 2.87 | 2.47 | 2.51 | 2.59 | 2.77 | 2.18 | 2.57 | 2.18 | 2.22 |
| Other loans to individuals..... | 2.07 | 2.27 | 1.79 | 2.15 | 2.10 | 2.58 | 1.81 | 2.11 | 1.92 | 1.69 | 1.72 |
| All other loans and leases (including farm)..... | 0.52 | NA | NA | 1.15 | 0.48 | 0.54 | 0.34 | 1.01 | 0.57 | 0.37 | 0.24 |
| Memo: Commercial RE loans not secured by RE..... | 0.49 | 1.27 | 0.38 | 0.85 | 0.46 | 0.32 | 0.37 | 1.51 | 0.35 | 0.87 | 0.28 |
| Percent of Loans Noncurrent** | | | | | | | | | | | |
| All real estate loans..... | 0.96 | 0.91 | 0.75 | 0.89 | 1.07 | 1.30 | 0.85 | 0.79 | 0.67 | 0.95 | 0.98 |
| Construction and development..... | 1.00 | 0.79 | 0.79 | 0.91 | 1.20 | 2.00 | 0.86 | 0.84 | 0.96 | 0.83 | 0.92 |
| Commercial real estate..... | 1.10 | 0.96 | 0.83 | 1.16 | 1.26 | 1.66 | 0.90 | 0.98 | 0.64 | 1.12 | 1.13 |
| Multifamily residential real estate..... | 0.84 | 0.62 | 0.74 | 0.81 | 0.93 | 1.00 | 0.77 | 0.82 | 0.65 | 0.43 | 0.92 |
| Home equity loans..... | 0.42 | 0.57 | 0.36 | 0.49 | 0.41 | 0.61 | 0.35 | 0.38 | 0.26 | 0.23 | 0.43 |
| Other 1-4 Family residential..... | 0.88 | 0.80 | 0.70 | 0.77 | 0.99 | 1.02 | 0.88 | 0.73 | 0.56 | 0.83 | 0.98 |
| Commercial and industrial loans*..... | 0.94 | 1.46 | 1.28 | 0.90 | 0.80 | 0.99 | 0.69 | 0.92 | 1.37 | 1.27 | 0.94 |
| Loans to individuals..... | 1.39 | 0.90 | 0.76 | 1.45 | 1.55 | 2.19 | 0.93 | 0.86 | 1.11 | 0.65 | 1.16 |
| Credit card loans..... | 2.02 | 2.15 | 1.84 | 1.90 | 2.12 | 2.32 | 1.68 | 1.63 | 1.73 | 1.75 | 1.82 |
| Other loans to individuals..... | 0.99 | 0.84 | 0.57 | 0.93 | 1.16 | 2.04 | 0.63 | 0.67 | 0.56 | 0.55 | 0.46 |
| All other loans and leases (including farm)..... | 0.28 | NA | NA | 0.49 | 0.25 | 0.30 | 0.19 | 0.38 | 0.32 | 0.25 | 0.23 |
| Memo: Commercial RE loans not secured by RE..... | 0.40 | 1.56 | 0.62 | 0.73 | 0.35 | 0.29 | 0.39 | 0.46 | 0.22 | 0.72 | 0.47 |
| Percent of Loans Charged-off (net, YTD) | | | | | | | | | | | |
| All real estate loans..... | 0.04 | 0.03 | 0.04 | 0.05 | 0.03 | 0.04 | 0.04 | 0.04 | 0.02 | 0.03 | 0.04 |
| Construction and development..... | 0.00 | 0.06 | 0.03 | 0.02 | -0.04 | -0.08 | 0.02 | -0.02 | 0.08 | 0.01 | -0.01 |
| Commercial real estate..... | -0.02 | 0.03 | 0.03 | 0.03 | -0.09 | -0.13 | 0.01 | 0.02 | -0.06 | 0.00 | -0.02 |
| Multifamily residential real estate..... | 0.02 | 0.04 | 0.06 | -0.03 | 0.02 | 0.02 | 0.04 | -0.05 | 0.08 | -0.01 | 0.04 |
| Home equity loans..... | 0.15 | 0.07 | 0.07 | 0.16 | 0.17 | 0.19 | 0.13 | 0.15 | 0.09 | 0.58 | 0.15 |
| Other 1-4 Family residential..... | 0.06 | 0.04 | 0.04 | 0.07 | 0.07 | 0.08 | 0.05 | 0.05 | 0.04 | 0.04 | 0.06 |
| Commercial and industrial loans*..... | 0.32 | 0.28 | 0.36 | 0.20 | 0.32 | 0.35 | 0.19 | 0.27 | 0.37 | 0.34 | 0.44 |
| Loans to individuals..... | 2.79 | 0.69 | 1.46 | 3.68 | 2.75 | 3.41 | 1.99 | 1.62 | 2.94 | 1.32 | 4.28 |
| Credit card loans..... | 5.47 | 3.63 | 5.49 | 6.10 | 5.02 | 5.26 | 5.08 | 4.67 | 5.26 | 4.75 | 6.81 |
| Other loans to individuals..... | 1.01 | 0.52 | 0.63 | 0.96 | 1.21 | 1.24 | 0.84 | 0.84 | 0.75 | 1.00 | 1.36 |
| All other loans and leases (including farm)..... | 0.24 | NA | NA | 0.28 | 0.26 | 0.27 | 0.17 | 0.35 | 0.17 | 0.09 | 0.21 |
| Memo: Commercial RE loans not secured by RE..... | 0.04 | 0.79 | 0.33 | 0.23 | 0.01 | -0.06 | 0.04 | 0.05 | 0.03 | 0.02 | 0.17 |
| Loans Outstanding (in billions) | | | | | | | | | | | |
| All real estate loans..... | \$1,284.6 | \$85.5 | \$277.5 | \$272.8 | \$648.8 | \$308.8 | \$361.8 | \$253.2 | \$102.2 | \$75.2 | \$183.4 |
| Construction and development..... | 95.7 | 6.0 | 25.1 | 23.6 | 41.1 | 10.4 | 32.6 | 18.7 | 8.3 | 9.3 | 16.4 |
| Commercial real estate..... | 348.1 | 23.0 | 95.5 | 81.0 | 148.5 | 66.7 | 91.6 | 71.9 | 27.8 | 26.4 | 63.8 |
| Multifamily residential real estate..... | 42.2 | 1.8 | 9.2 | 11.6 | 19.6 | 11.3 | 9.5 | 8.6 | 3.3 | 2.2 | 7.3 |
| Home equity loans..... | 97.2 | 2.0 | 12.9 | 19.7 | 62.6 | 21.1 | 28.3 | 24.0 | 4.5 | 0.9 | 18.4 |
| Other 1-4 Family residential..... | 643.9 | 41.8 | 124.0 | 133.1 | 345.0 | 172.7 | 194.5 | 122.9 | 48.9 | 33.4 | 71.5 |
| Commercial and industrial loans..... | 850.4 | 25.7 | 81.4 | 126.0 | 617.3 | 299.0 | 176.2 | 153.0 | 49.4 | 43.6 | 129.2 |
| Loans to individuals..... | 547.9 | 22.5 | 65.7 | 166.9 | 292.9 | 194.8 | 112.1 | 87.0 | 46.3 | 35.0 | 72.6 |
| Credit card loans..... | 217.0 | 1.1 | 9.5 | 88.7 | 117.7 | 105.7 | 31.8 | 17.7 | 21.7 | 2.9 | 37.2 |
| Other loans to individuals..... | 330.9 | 21.4 | 56.2 | 78.1 | 175.2 | 89.1 | 80.4 | 69.3 | 24.6 | 32.1 | 35.4 |
| All other loans and leases (including farm)..... | 413.2 | 20.7 | 25.7 | 40.6 | 326.2 | 158.8 | 73.4 | 59.7 | 33.1 | 15.7 | 72.6 |
| Memo: Commercial RE loans not secured by RE..... | 32.8 | 0.2 | 1.0 | 2.7 | 29.0 | 9.8 | 7.4 | 3.9 | 1.8 | 1.6 | 8.3 |
| Memo: Other Real Estate Owned (in millions) | | | | | | | | | | | |
| All other real estate owned..... | \$3,530.4 | \$321.1 | \$789.0 | \$588.1 | \$1,832.2 | \$1,175.2 | \$846.3 | \$388.2 | \$190.6 | \$240.9 | \$689.1 |
| Construction and development..... | 346.0 | 38.6 | 143.6 | 70.0 | 93.8 | 65.2 | 127.6 | 30.4 | 31.8 | 17.0 | 74.0 |
| Commercial real estate..... | 1,620.9 | 135.6 | 351.0 | 278.6 | 855.7 | 535.9 | 307.9 | 175.3 | 74.6 | 130.2 | 397.2 |
| Multifamily residential real estate..... | 138.4 | 8.9 | 28.1 | 26.4 | 75.0 | 84.7 | 20.3 | 10.2 | 5.6 | 3.0 | 14.5 |
| 1-4 Family residential..... | 1,117.7 | 109.0 | 237.8 | 205.9 | 565.1 | 269.6 | 381.6 | 164.6 | 55.0 | 68.2 | 178.7 |
| Farmland..... | 91.2 | 29.2 | 28.5 | 7.0 | 26.5 | 4.8 | 8.9 | 7.7 | 23.7 | 22.5 | 23.6 |
| Other real estate owned in foreign offices..... | 216.3 | 0.0 | 0.0 | 0.2 | 216.1 | 215.1 | 0.1 | 0.0 | 0.0 | 0.0 | 1.1 |

* Includes "All other loans" for institutions under \$1 billion in asset size.

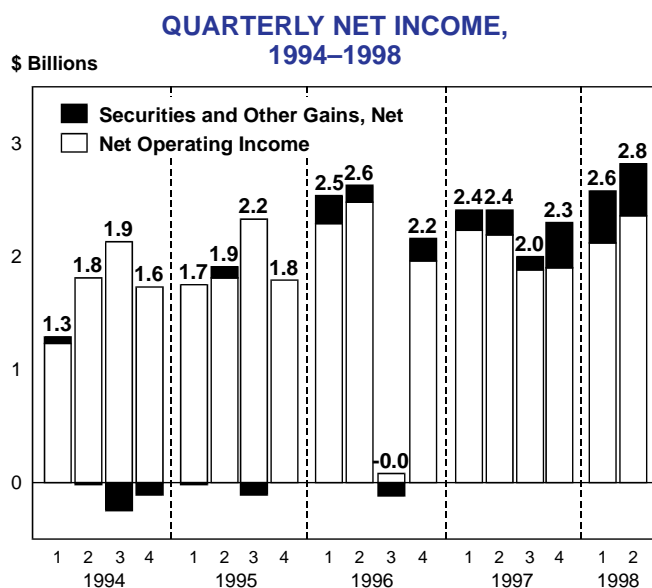
N/A - Not Available

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

SAVINGS INSTITUTION PERFORMANCE – SECOND QUARTER, 1998

- **Savings Institutions Earn A Record \$2.8 Billion In The Second Quarter**
- **Thrifts Register A Record Quarterly Return On Assets Of 1.09 Percent**
- **Tax Expenses Decline Because Of A Large Tax Benefit At One Institution**
- **Equity Capital Ratio Reaches 8.94 Percent, Its Highest Level Ever**

The thrift industry reported \$2.8 billion in income for the second quarter of 1998, resulting in an average annualized return on assets (ROA) of 1.09 percent. These are the highest quarterly income and ROA ever reported. Over 94 percent of savings institutions were profitable, and 35 percent had an ROA of 1 percent or better. Second-quarter earnings were \$234 million higher than in the first quarter of 1998, primarily because of a tax benefit that one large institution recognized in the second quarter.¹ Income tax expenses of \$1.2 billion were \$218 million lower than in the first quarter. Noninterest income increased \$253 million, primarily because of higher fee income, while noninterest expenses rose by \$199 million, mostly because of increases in expenses for salaries and premises.



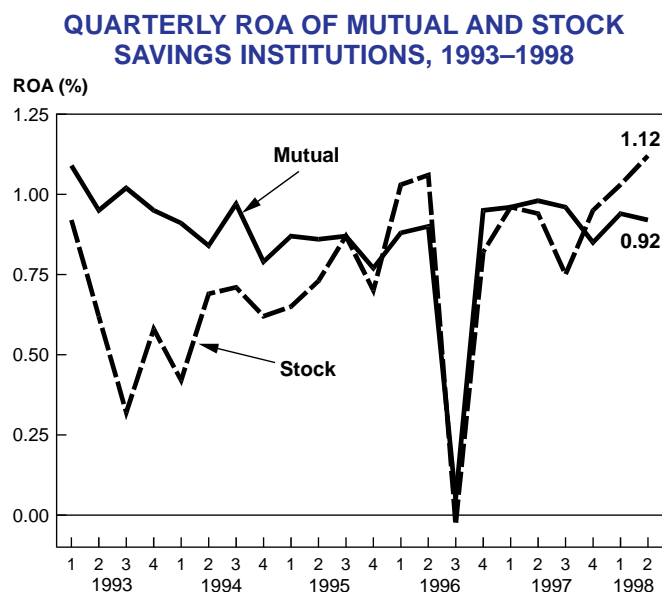
Earnings continued to benefit from gains on sales of securities, which totaled \$656 million this quarter, up slightly from \$646 million in the first quarter. For institutions that file a Thrift Financial Report (TFR), these gains also included gains from the sale of assets held

¹California Federal Bank, a FSB in San Francisco, California, reported a deferred-tax benefit of \$250 million resulting from a reduction in the valuation allowance related to its deferred-tax assets.

for sale, such as mortgages originated and sold during the quarter. For several large thrifts, gains on mortgage sales were substantial. In the first half of this year gains on sales of securities and other assets, at \$1.3 billion, were \$766 million higher (144 percent) than in the first half of 1997. These gains helped propel earnings to \$5.4 billion for the six months ending in June, or 14 percent higher than in the same period of 1997.

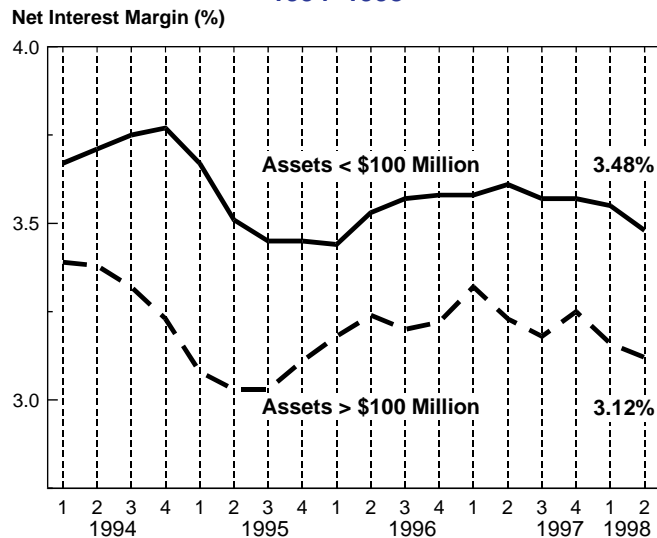
Although large thrifts enjoyed record profitability, smaller institutions (those with assets of \$100 million or less) have not kept pace. The 726 small thrifts had an average annualized ROA of 0.74 percent for the second quarter and 0.77 percent for the first half of 1998. This group includes 418 thrifts (58 percent) that are mutually owned, representing over half of all mutual savings institutions. Profitability of mutual thrifts, which had an average ROA of 0.92 percent, has also failed to keep pace with the larger stock-owned institutions, which reported a record ROA of 1.12 percent this quarter. Stock institutions hold over five times the assets of mutually owned thrifts.

Interest expenses rose more than interest income during the second quarter; as a result, net interest income declined \$19 million, and average net interest



margins dropped 4 basis points. Interest income was \$125 million higher than in the first quarter, while interest expense was \$145 million higher. The increase in interest income did not keep pace with the rise in earning assets; therefore, average yields were down 3 basis points to 7.65 percent. The average cost of funding earning assets rose slightly (1 basis point) to 4.51 percent.

QUARTERLY NET INTEREST MARGINS, 1994–1998

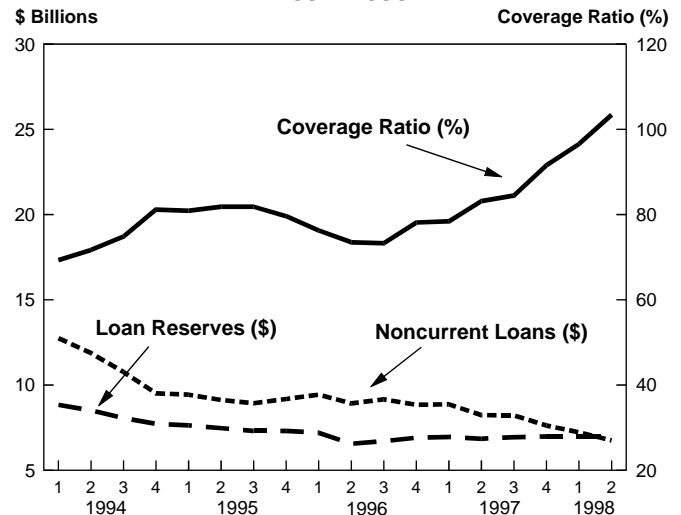


Asset-quality improvements were widespread during the second quarter, producing the most favorable asset-quality ratios that the industry has ever reported. The coverage ratio – loan-loss reserves to noncurrent loans – improved in all size groups and regions during the quarter. Loan-loss reserves increased slightly during the quarter, by \$9.3 million, while noncurrent loans declined by \$469 million to \$6.8 billion. Thrifts now hold \$1.03 in reserves for each dollar of noncurrent loans – the first time that reserves have exceeded noncurrent loans since 1990, when all thrifts began to report consistent measures of noncurrent loans. Also for the first time since these data have been reported, noncurrent loans as a percentage of total loans fell below 1 percent (to 0.96 percent).

Provisions for loan losses exceeded net charge-offs by one-third during the quarter. Provisions increased \$37 million to \$461 million, while net charge-offs declined by \$18 million to \$345 million. The annualized net charge-off rate declined to 0.20 percent of total loans during the quarter, reaching a record low for the second consecutive quarter.

Total assets were up by \$4.5 billion during the quarter, while transfers between affiliated thrifts in one

COVERAGE RATIO AND RESERVE LEVELS,* 1994–1998



*Loan-Loss reserves to Noncurrent Loans and Leases.

large holding company caused shifts in several asset categories.² Home mortgages declined by \$5.1 billion during the quarter, while mortgage-backed securities (MBS) rose by \$5.2 billion. Total investment securities rose by only \$2.9 billion because nonmortgage securities backed by the U.S. government declined by \$2 billion. Other assets grew by \$4.1 billion because of a \$2.4-billion increase in fed funds sold and repurchase agreements.

On the other side of the balance sheet, deposits declined by \$5.4 billion, while other borrowings increased by \$9.3 billion and capital rose to record levels. Equity capital as a percentage of assets, at 8.94 percent, was the highest ever recorded by the industry. Core capital, as measured by the leverage ratio, also hit its highest point – 8.11 percent – since its creation in 1990. Just one thrift remains undercapitalized by regulatory capital standards.

Even though the thrift industry showed an increase in assets, the number of charters declined by 27 during the quarter, to 1,728. There were 9 new entrants to the industry, although one did not file a financial

²World Savings and Loan Association, FSL of Oakland, California, showed a \$3.6-billion decline in 1-4 family mortgages while World Savings Bank, FSB in Oakland, California, reported a decline of \$1.4 billion in 1-4 family mortgages and a \$5.0-billion increase in mortgage-backed securities. World Savings Bank, SSB in Austin, Texas, reported a large increase of \$2.1 billion in fed funds sold and repurchase agreements during the quarter. Golden West Financial owns all of these institutions and orchestrated the securitization of 1-4 family mortgages into mortgage-backed securities, which these institutions kept in their portfolios.

report: 5 de novo institutions started operations during the quarter; 3 credit unions, with \$221 million in assets, and 1 commercial bank, with \$151 million in assets, converted to savings institution charters. The industry lost 35 institutions during the quarter: 6 institutions, with \$1.9 billion in assets, converted to commercial bank charters; another 19 savings institutions, with \$10.6 billion, were merged into commercial banks; and within the industry, 10 institutions merged with other savings institutions. The loss of assets to commercial banks through mergers and charter transfers totaled \$12.5 billion, while new entrants contributed less than half a billion dollars in assets to industry growth. Savings institutions purchased 7 commercial banks, with \$1.2 billion in assets, and folded these banks into their existing

operations. Excluding the purchase of these banks, the thrift industry grew internally by almost \$16 billion. Without the internal growth the industry would have shown a decline in assets, attributable to the transfer of assets to the commercial bank industry.

Other charter changes included 15 mutual-to-stock conversions of institutions, with \$3.9 billion in assets. Two of the 3 credit unions that converted to thrift charters remained mutually owned. At midyear, the industry had 815 mutually owned institutions.

As of September of 1998, no savings institutions had failed for over two years, which is the longest period without a failure since the late 1950s. The number of "problem" thrifts increased by 2 to 18 at midyear and assets of "problem" thrifts rose to \$2.9 billion from \$2.3 billion.

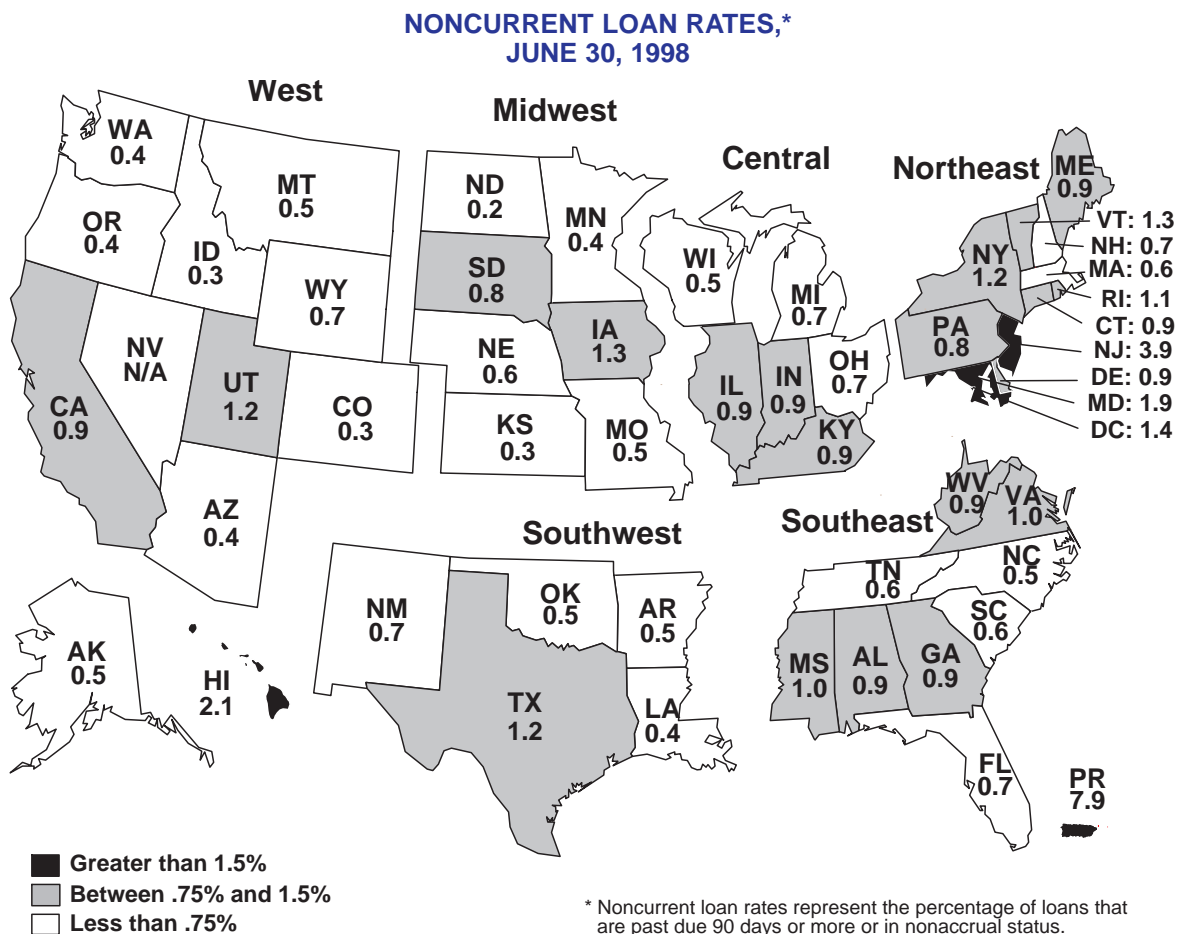


TABLE I-B. Selected Indicators, FDIC-Insured Savings Institutions*

| | 1998** | 1997** | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|--------|--------|-------|--------|-------|-------|-------|
| Return on assets (%)..... | 1.06 | 0.94 | 0.93 | 0.70 | 0.77 | 0.66 | 0.71 |
| Return on equity (%)..... | 11.96 | 11.21 | 10.84 | 8.40 | 9.40 | 8.28 | 9.32 |
| Core capital (leverage) ratio (%)..... | 8.11 | 7.86 | 7.95 | 7.76 | 7.80 | 7.65 | 7.45 |
| Noncurrent assets plus | | | | | | | |
| other real estate owned to assets (%) | 0.82 | 1.02 | 0.95 | 1.09 | 1.20 | 1.38 | 2.10 |
| Net charge-offs to loans (%)..... | 0.20 | 0.28 | 0.25 | 0.32 | 0.34 | 0.51 | 0.65 |
| Asset growth rate (%)..... | 1.58 | 0.54 | -0.21 | 0.25 | 1.70 | 0.77 | -2.85 |
| Net interest margin..... | 3.16 | 3.26 | 3.23 | 3.22 | 3.09 | 3.34 | 3.51 |
| Net operating income growth (%)..... | 3.14 | -8.18 | 20.07 | -13.99 | 13.81 | 22.24 | 21.16 |
| Number of institutions reporting..... | 1,728 | 1,851 | 1,779 | 1,924 | 2,030 | 2,152 | 2,262 |
| Percentage of unprofitable institutions (%)..... | 4.80 | 3.51 | 4.10 | 12.01 | 5.86 | 6.97 | 5.88 |
| Number of problem institutions..... | 18 | 29 | 21 | 35 | 49 | 71 | 146 |
| Assets of problem institutions (in billions)..... | \$3 | \$3 | \$2 | \$7 | \$14 | \$39 | \$92 |
| Number of failed/assisted institutions..... | 0 | 0 | 0 | 1 | 2 | 4 | 8 |

** Through June 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending June 30.

TABLE II-B. Aggregate Condition and Income Data, FDIC-Insured Savings Institutions

(dollar figures in millions)

| <i>(dollar figures in millions)</i> | Preliminary 2nd Quarter 1998 | 1st Quarter 1998 | 2nd Quarter 1997 | %Change 97:2-98:2 | | |
|---|------------------------------------|---------------------|---------------------|------------------------------------|---------------------|----------------------|
| Number of institutions reporting..... | 1,728 | 1,755 | 1,851 | -6.6 | | |
| Total employees (full-time equivalent)..... | 247,412 | 243,501 | 247,902 | -0.2 | | |
| CONDITION DATA | | | | | | |
| Total assets..... | \$1,044,797 | \$1,040,275 | \$1,028,589 | 1.6 | | |
| Loans secured by real estate..... | 632,256 | 637,116 | 629,297 | 0.5 | | |
| 1-4 Family Residential..... | 508,038 | 513,134 | 503,096 | 1.0 | | |
| Multifamily residential property..... | 56,709 | 57,055 | 58,236 | -2.6 | | |
| Commercial real estate..... | 46,699 | 46,657 | 48,887 | -4.5 | | |
| Construction, Development, and land..... | 20,810 | 20,269 | 19,079 | 9.1 | | |
| Commercial & industrial loans..... | 17,768 | 17,399 | 15,297 | 16.2 | | |
| Loans to individuals..... | 48,851 | 47,591 | 46,779 | 4.4 | | |
| Other loans & leases..... | 3,063 | 2,997 | 2,417 | 26.7 | | |
| Less: Unearned income & contra accounts***..... | 182 | 206 | 238 | -23.7 | | |
| Total loans & leases..... | 701,756 | 704,897 | 693,553 | 1.2 | | |
| Less: Reserve for losses..... | 6,984 | 6,975 | 6,849 | 2.0 | | |
| Net loans and leases..... | 694,772 | 697,922 | 686,704 | 1.2 | | |
| Securities..... | 252,042 | 249,118 | 258,108 | -2.4 | | |
| Other real estate owned..... | 1,765 | 1,992 | 2,241 | -21.2 | | |
| Goodwill and other intangibles..... | 12,688 | 11,858 | 10,432 | 21.6 | | |
| All other assets..... | 83,530 | 79,385 | 71,104 | 17.5 | | |
| Total liabilities and capital..... | 1,044,797 | 1,040,275 | 1,028,589 | 1.6 | | |
| Deposits..... | 702,607 | 707,980 | 718,631 | -2.2 | | |
| Other borrowed funds..... | 230,674 | 221,360 | 207,381 | 11.2 | | |
| Subordinated debt..... | 2,930 | 2,735 | 2,474 | 18.4 | | |
| All other liabilities..... | 15,196 | 16,718 | 12,329 | 23.3 | | |
| Equity capital..... | 93,391 | 91,481 | 87,773 | 6.4 | | |
| Loans and leases 30-89 days past due..... | 7,120 | 7,661 | 7,919 | -10.1 | | |
| Noncurrent loans and leases..... | 6,754 | 7,223 | 8,235 | -18.0 | | |
| Restructured loans and leases..... | 2,888 | 3,218 | 3,999 | -27.8 | | |
| Direct and indirect investments in real estate..... | 619 | 638 | 578 | 7.2 | | |
| Mortgage-backed securities..... | 187,722 | 182,554 | 190,631 | -1.5 | | |
| Earning assets..... | 973,672 | 971,690 | 964,299 | 1.0 | | |
| FHLB Advances (TFR Filers only)..... | 118,544 | 116,703 | 105,665 | 12.2 | | |
| Unused loan commitments..... | 147,686 | 172,891 | 108,325 | 36.3 | | |
| | Preliminary First Half 1998 | First Half 1997 | %Change | Preliminary 2nd Quarter 1998 | 2nd Quarter 1997 | %Change 97:2-98:2 |
| INCOME DATA | | | | | | |
| Total interest income..... | \$36,434 | \$36,207 | 0.6 | \$18,452 | \$18,510 | -0.3 |
| Total interest expense..... | 21,432 | 20,944 | 2.3 | 10,886 | 10,778 | 1.0 |
| Net interest income..... | 15,002 | 15,263 | -1.7 | 7,566 | 7,732 | -2.1 |
| Provision for loan losses***..... | 864 | 1,181 | -26.8 | 461 | 604 | -23.6 |
| Total noninterest income..... | 4,086 | 3,580 | 14.1 | 2,185 | 1,853 | 17.9 |
| Total noninterest expense..... | 11,629 | 10,891 | 6.8 | 5,968 | 5,551 | 7.5 |
| Securities gains (losses)..... | 1,299 | 533 | 143.6 | 656 | 296 | 121.5 |
| Applicable income taxes..... | 2,514 | 2,599 | -3.3 | 1,159 | 1,321 | -12.3 |
| Extraordinary gains, net..... | -8 | 0 | N/M | 0 | 0 | N/M |
| Net income..... | 5,371 | 4,704 | 14.2 | 2,818 | 2,405 | 17.2 |
| Net charge-offs..... | 697 | 946 | -26.3 | 345 | 507 | -31.9 |
| Cash dividends..... | 2,633 | 2,310 | 14.0 | 1,236 | 1,079 | 14.6 |
| Net operating income..... | 4,452 | 4,317 | 3.1 | 2,361 | 2,186 | 8.0 |

* Data between 1993 and 1995 do not include Resolution Trust Corporation conservatorships. Excludes on self-liquidating institution.

N/M - Not Meaningful

*** For TFR filers, includes only loan and lease loss provisions.

TABLE III-B. First Half 1998, FDIC-Insured Savings Institutions

| FIRST HALF Preliminary (The way it is...) | All Institutions | Asset Size Distribution | | | | Geographic Distribution by Region | | | | | |
|--|---------------------|-------------------------------|------------------------------------|----------------------------------|--------------------------------|-----------------------------------|----------------|---------|--------------|----------------|---------|
| | | Less than \$100 Million | \$100 Million to \$1 Billion | \$1 Billion to \$5 Billion | Greater than \$5 Billion | East | | | West | | |
| | | | | | | North- east | South- east | Central | Mid- west | South- west | West |
| Number of institutions reporting..... | 1,728 | 726 | 848 | 119 | 35 | 673 | 239 | 448 | 127 | 120 | 121 |
| Total assets(in billions)..... | \$1,044.8 | \$37.8 | \$247.8 | \$231.0 | \$528.1 | \$348.0 | \$66.0 | \$171.1 | \$33.7 | \$64.2 | \$361.8 |
| Total deposits(in billions)..... | 702.6 | 30.9 | 192.8 | 156.8 | 322.2 | 256.0 | 47.7 | 123.0 | 24.4 | 40.6 | 210.9 |
| Net income(in millions)..... | 5,370.6 | 142.4 | 1,215.6 | 1,095.3 | 2,917.2 | 1,702.0 | 268.0 | 826.2 | 155.1 | 392.7 | 2,026.5 |
| % of unprofitable institutions..... | 4.8 | 8.1 | 1.9 | 5.9 | 2.9 | 4.0 | 6.3 | 2.9 | 6.3 | 9.2 | 7.4 |
| % of institutions with earnings gains..... | 55.2 | 44.1 | 60.6 | 73.1 | 91.4 | 54.8 | 58.6 | 50.7 | 48.8 | 54.2 | 74.4 |
| Performance ratios (%) | | | | | | | | | | | |
| Yield on earning assets..... | 7.67 | 7.76 | 7.70 | 7.76 | 7.61 | 7.57 | 7.95 | 7.70 | 7.68 | 7.88 | 7.66 |
| Cost of funding earning assets..... | 4.51 | 4.25 | 4.27 | 4.46 | 4.67 | 4.17 | 4.54 | 4.65 | 4.70 | 4.68 | 4.72 |
| Net interest margin..... | 3.16 | 3.51 | 3.43 | 3.29 | 2.94 | 3.40 | 3.41 | 3.05 | 2.98 | 3.20 | 2.94 |
| Noninterest income to earning assets..... | 0.86 | 1.18 | 0.67 | 1.03 | 0.85 | 0.67 | 1.36 | 1.05 | 0.82 | 1.32 | 0.79 |
| Noninterest expense to earning assets..... | 2.45 | 3.43 | 2.63 | 2.75 | 2.16 | 2.50 | 3.41 | 2.60 | 2.29 | 2.92 | 2.08 |
| Loan loss provision to assets*..... | 0.17 | 0.10 | 0.12 | 0.32 | 0.14 | 0.13 | 0.28 | 0.26 | 0.17 | 0.33 | 0.12 |
| Net operating income to assets..... | 0.87 | 0.66 | 0.82 | 0.75 | 0.97 | 0.85 | 0.62 | 0.70 | 0.81 | 0.88 | 1.03 |
| Return on assets..... | 1.06 | 0.77 | 1.00 | 0.98 | 1.13 | 1.01 | 0.84 | 0.97 | 0.93 | 1.24 | 1.16 |
| Return on equity..... | 11.96 | 6.36 | 9.45 | 10.81 | 14.82 | 10.29 | 8.40 | 10.50 | 9.77 | 14.44 | 15.57 |
| Net charge-offs to loans and leases..... | 0.20 | 0.09 | 0.10 | 0.31 | 0.22 | 0.17 | 0.39 | 0.20 | 0.17 | 0.42 | 0.17 |
| Credit loss provision to net charge-offs..... | 123.99 | 159.84 | 175.60 | 162.58 | 90.40 | 120.75 | 107.17 | 183.77 | 142.86 | 118.71 | 99.95 |
| Efficiency ratio..... | 58.94 | 72.25 | 63.36 | 61.95 | 53.95 | 59.54 | 70.26 | 60.35 | 59.11 | 63.70 | 53.91 |
| Condition Ratios (%) | | | | | | | | | | | |
| Earning assets to total assets..... | 93.19 | 94.37 | 94.57 | 92.82 | 92.62 | 93.61 | 92.39 | 93.01 | 94.54 | 92.08 | 93.10 |
| Loss allowance to: | | | | | | | | | | | |
| Loans and leases..... | 1.00 | 0.76 | 0.88 | 1.22 | 0.97 | 1.08 | 1.03 | 0.82 | 0.67 | 0.94 | 1.04 |
| Noncurrent loans and leases..... | 103.41 | 78.39 | 110.73 | 86.27 | 113.82 | 84.58 | 138.69 | 109.65 | 107.55 | 90.28 | 121.20 |
| Noncurrent assets plus other real estate owned to assets..... | 0.82 | 0.79 | 0.70 | 1.13 | 0.73 | 0.93 | 0.73 | 0.65 | 0.57 | 1.02 | 0.79 |
| Noncurrent RE loans to RE loans..... | 0.97 | 0.95 | 0.78 | 1.44 | 0.87 | 1.31 | 0.66 | 0.72 | 0.54 | 1.04 | 0.88 |
| Equity capital ratio..... | 8.94 | 12.05 | 10.65 | 9.17 | 7.81 | 9.88 | 10.13 | 9.35 | 9.51 | 8.74 | 7.61 |
| Core capital (leverage) ratio..... | 8.11 | 11.68 | 10.14 | 8.50 | 6.72 | 8.95 | 9.59 | 8.36 | 9.08 | 8.53 | 6.74 |
| Gross real estate assets to gross assets..... | 78.17 | 69.49 | 72.63 | 73.65 | 83.38 | 73.05 | 72.15 | 76.78 | 75.89 | 67.49 | 86.96 |
| Gross 1-4 family mortgages to gross assets..... | 48.29 | 50.82 | 47.74 | 39.89 | 52.05 | 43.05 | 45.97 | 53.75 | 54.02 | 36.18 | 52.80 |
| Net loans and leases to deposits..... | 98.88 | 81.69 | 85.33 | 92.70 | 111.65 | 82.02 | 92.17 | 99.19 | 98.85 | 104.43 | 119.64 |
| Structural Changes (YTD) | | | | | | | | | | | |
| New Charters..... | 8 | 8 | 0 | 0 | 0 | 1 | 0 | 1 | 2 | 3 | 1 |
| Thriffs absorbed by mergers..... | 55 | 18 | 25 | 11 | 1 | 16 | 10 | 13 | 8 | 3 | 5 |
| Failed Thriffs..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRIOR FIRST HALVES** (The way it was...) | | | | | | | | | | | |
| Number of institutions.....1997 | 1,851 | 807 | 887 | 121 | 36 | 704 | 271 | 477 | 139 | 126 | 134 |
|1995 | 2,082 | 946 | 975 | 126 | 35 | 767 | 319 | 534 | 157 | 138 | 167 |
|1993 | 2,314 | 1,073 | 1,068 | 146 | 27 | 838 | 387 | 573 | 171 | 150 | 195 |
| Total assets (in billions).....1997 | \$1,028.6 | \$42.1 | \$263.4 | \$246.3 | \$476.8 | \$341.5 | \$65.8 | \$175.9 | \$41.8 | \$64.7 | \$338.9 |
|1995 | 1,017.2 | 48.3 | 282.0 | 267.0 | 419.9 | 334.6 | 77.4 | 167.6 | 52.8 | 74.1 | 310.7 |
|1993 | 1,003.9 | 54.3 | 309.0 | 307.5 | 333.1 | 330.7 | 92.0 | 150.0 | 50.6 | 57.8 | 322.8 |
| Return on assets (%).....1997 | 0.94 | 0.80 | 0.96 | 1.12 | 0.85 | 0.99 | 0.91 | 1.00 | 0.84 | 1.11 | 0.85 |
|1995 | 0.72 | 0.64 | 0.68 | 0.77 | 0.73 | 0.87 | 0.81 | 0.89 | 0.95 | 0.81 | 0.39 |
|1993 | 0.84 | 1.08 | 1.00 | 0.97 | 0.53 | 0.91 | 0.81 | 1.08 | 1.03 | 1.91 | 0.43 |
| Net charge-offs to loans and leases(%) | | | | | | | | | | | |
|1997 | 0.28 | 0.10 | 0.13 | 0.36 | 0.35 | 0.31 | 0.46 | 0.22 | 0.05 | 0.40 | 0.26 |
|1995 | 0.33 | 0.18 | 0.16 | 0.36 | 0.46 | 0.38 | 0.13 | 0.09 | 0.18 | 0.18 | 0.52 |
|1993 | 0.67 | 0.16 | 0.28 | 0.58 | 1.19 | 0.71 | 0.30 | 0.13 | 0.14 | 0.34 | 1.07 |
| Noncurrent assets plus*** | | | | | | | | | | | |
| OREO to assets (%).....1997 | 1.02 | 0.89 | 0.90 | 1.35 | 0.92 | 1.20 | 0.93 | 0.64 | 0.66 | 1.01 | 1.09 |
|1995 | 1.26 | 1.02 | 1.11 | 1.45 | 1.27 | 1.66 | 0.99 | 0.50 | 0.59 | 1.07 | 1.46 |
|1993 | 2.63 | 1.73 | 2.13 | 2.84 | 3.05 | 3.32 | 2.10 | 0.82 | 1.02 | 3.37 | 3.05 |
| Equity capital ratio (%).....1997 | 8.53 | 11.65 | 10.08 | 8.52 | 7.41 | 9.29 | 9.64 | 9.27 | 8.73 | 8.30 | 7.19 |
|1995 | 8.18 | 10.40 | 9.43 | 8.23 | 7.05 | 8.84 | 8.76 | 8.93 | 8.15 | 7.13 | 7.18 |
|1993 | 7.56 | 8.99 | 8.27 | 7.46 | 6.75 | 7.76 | 7.93 | 8.26 | 7.55 | 6.81 | 7.05 |

* For TFR filers, includes only loan and lease loss provisions.

** Data between 1993 and 1995 do not include Resolution Trust Corporation conservatorships. Excludes one self-liquidating institution.

*** Beginning with June 1996, TFR filers report noncurrent loans net of specific reserves. Accordingly, specific reserves have been subtracted from loan-loss reserves, beginning with June 1996, to make the ratios more closely comparable to prior periods.

TABLE IV-B. Second Quarter 1998, FDIC-Insured Savings Institutions

| SECOND QUARTER Preliminary (The way it is...) | All Institutions | Asset Size Distribution | | | | Geographic Distribution by Region | | | | | |
|--|---------------------|-------------------------------|------------------------------------|----------------------------------|--------------------------------|-----------------------------------|----------------|---------|--------------|---------------|---------|
| | | Less than \$100 Million | \$100 Million to \$1 Billion | \$1 Billion to \$5 Billion | Greater than \$5 Billion | East | | | West | | |
| | | | | | | North- east | South- east | Central | Mid- west | South west | West |
| Number of institutions reporting..... | 1,728 | 726 | 848 | 119 | 35 | 673 | 239 | 448 | 127 | 120 | 121 |
| Total assets (in billions)..... | \$1,044.8 | \$37.8 | \$247.8 | \$231.0 | \$528.1 | \$348.0 | \$66.0 | \$171.1 | \$33.7 | \$64.2 | \$361.8 |
| Total deposits (in billions)..... | 702.6 | 30.9 | 192.8 | 156.8 | 322.2 | 256.0 | 47.7 | 123.0 | 24.4 | 40.6 | 210.9 |
| Net income (in millions)..... | 2,817.6 | 69.1 | 597.3 | 530.3 | 1,620.9 | 860.7 | 128.7 | 414.8 | 72.4 | 177.5 | 1,163.4 |
| % of unprofitable institutions..... | 5.7 | 9.2 | 2.8 | 5.9 | 2.9 | 5.2 | 7.5 | 3.6 | 7.9 | 9.2 | 7.4 |
| % of institutions with earnings gains..... | 50.9 | 42.6 | 54.7 | 65.5 | 82.9 | 52.0 | 53.1 | 48.0 | 38.6 | 47.5 | 67.8 |
| Performance Ratios (annualized, %) | | | | | | | | | | | |
| Yield on earning assets..... | 7.65 | 7.74 | 7.69 | 7.74 | 7.58 | 7.54 | 7.91 | 7.68 | 7.67 | 7.99 | 7.63 |
| Cost of funding earning assets..... | 4.51 | 4.26 | 4.28 | 4.45 | 4.67 | 4.17 | 4.56 | 4.63 | 4.70 | 4.73 | 4.73 |
| Net interest margin..... | 3.14 | 3.48 | 3.41 | 3.29 | 2.91 | 3.37 | 3.35 | 3.05 | 2.97 | 3.25 | 2.91 |
| Noninterest income to earning assets..... | 0.91 | 1.25 | 0.64 | 1.15 | 0.90 | 0.70 | 1.35 | 1.16 | 0.75 | 1.33 | 0.84 |
| Noninterest expense to earning assets..... | 2.47 | 3.52 | 2.60 | 2.85 | 2.18 | 2.52 | 3.41 | 2.71 | 2.27 | 2.79 | 2.11 |
| Credit loss provision to assets*..... | 0.18 | 0.09 | 0.12 | 0.34 | 0.14 | 0.12 | 0.30 | 0.30 | 0.18 | 0.29 | 0.13 |
| Net operating income to assets..... | 0.91 | 0.63 | 0.81 | 0.76 | 1.05 | 0.86 | 0.57 | 0.68 | 0.73 | 0.97 | 1.15 |
| Return on assets..... | 1.09 | 0.74 | 0.97 | 0.93 | 1.24 | 1.00 | 0.79 | 0.97 | 0.86 | 1.13 | 1.30 |
| Return on equity..... | 12.29 | 6.11 | 9.17 | 10.23 | 16.05 | 10.20 | 7.86 | 10.47 | 9.06 | 12.87 | 17.33 |
| Net charge-offs to loans and leases..... | 0.20 | 0.07 | 0.11 | 0.30 | 0.21 | 0.19 | 0.40 | 0.21 | 0.16 | 0.41 | 0.13 |
| Loan loss provision to net charge-offs..... | 133.74 | 194.35 | 168.05 | 177.64 | 98.31 | 107.24 | 110.91 | 198.25 | 157.79 | 104.40 | 139.68 |
| Efficiency ratio..... | 59.24 | 73.48 | 63.50 | 62.40 | 54.20 | 59.97 | 71.44 | 61.48 | 59.87 | 59.57 | 54.41 |
| Structural Changes (QTR) | | | | | | | | | | | |
| New charters..... | 5 | 5 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 2 | 1 |
| Thriffs absorbed by mergers..... | 29 | 10 | 13 | 6 | 0 | 8 | 6 | 9 | 3 | 1 | 2 |
| Failed Thriffs..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRIOR SECOND QUARTERS** (The way it was...) | | | | | | | | | | | |
| Return on assets (%).....1997 | 0.95 | 0.83 | 0.97 | 1.15 | 0.84 | 1.00 | 0.92 | 1.09 | 0.68 | 1.16 | 0.82 |
|1995 | 0.76 | 0.56 | 0.76 | 0.81 | 0.74 | 0.87 | 0.79 | 0.96 | 0.90 | 0.86 | 0.47 |
|1993 | 0.70 | 1.13 | 0.96 | 0.85 | 0.26 | 0.78 | 0.89 | 1.14 | 0.97 | 1.44 | 0.19 |
| Net charge-offs to loans and leases(%) | | | | | | | | | | | |
|1997 | 0.30 | 0.12 | 0.16 | 0.33 | 0.37 | 0.35 | 0.46 | 0.19 | 0.17 | 0.37 | 0.28 |
|1995 | 0.36 | 0.27 | 0.18 | 0.39 | 0.48 | 0.40 | 0.19 | 0.09 | 0.11 | 0.19 | 0.59 |
|1993 | 0.77 | 0.16 | 0.31 | 0.50 | 1.47 | 0.74 | 0.19 | 0.12 | 0.15 | 0.21 | 1.32 |

* For TFR filers, includes only loan and lease loss provisions.

** Data between 1993 and 1995 does not include Resolution Trust Corporation conservatorships. Excludes one self-liquidating institution.

REGIONS: *Northeast* - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands

Southeast - Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia

Central - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin

Midwest - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Southwest - Arkansas, Louisiana, New Mexico, Oklahoma, Texas

West - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

TABLE V-B. Loan Performance, FDIC-Insured Savings Institutions

| June 30, 1998 | Asset Size Distribution | | | | | Geographical Distribution by Region | | | | | |
|---|-------------------------|-------------------------------|------------------------------------|----------------------------------|--------------------------------|-------------------------------------|----------------|---------|--------------|----------------|---------|
| | All Institutions | Less than \$100 Million | \$100 Million to \$1 Billion | \$1 Billion to \$5 Billion | Greater than \$5 Billion | East | | | West | | |
| | | | | | | North- east | South- east | Central | Mid- west | South- west | West |
| Percent of Loans 30-89 Days Past Due | | | | | | | | | | | |
| All loans secured by real estate..... | 0.94 | 1.69 | 1.07 | 0.90 | 0.85 | 0.93 | 0.98 | 0.95 | 1.31 | 1.16 | 0.88 |
| Construction, development, and land..... | 1.34 | 1.61 | 1.68 | 1.29 | 0.98 | 1.04 | 1.32 | 2.19 | 1.87 | 0.83 | 1.27 |
| Commercial real estate..... | 0.88 | 1.24 | 1.03 | 1.08 | 0.49 | 0.96 | 0.97 | 1.15 | 1.80 | 1.00 | 0.44 |
| Multifamily residential real estate..... | 0.41 | 1.25 | 0.61 | 0.38 | 0.35 | 0.32 | 1.16 | 0.59 | 0.97 | 0.46 | 0.37 |
| Home equity loans..... | 1.00 | 1.79 | 1.08 | 0.96 | 0.93 | 0.98 | 0.97 | 0.92 | 1.27 | 1.32 | 1.00 |
| Other 1-4 Family residential..... | 0.65 | 0.64 | 0.84 | 0.62 | 0.53 | 0.93 | 0.44 | 0.54 | 0.56 | 0.00 | 0.40 |
| Commercial and industrial loans..... | 1.30 | 2.16 | 1.84 | 1.46 | 0.60 | 1.33 | 1.68 | 1.89 | 1.32 | 0.99 | 0.82 |
| Loans to individuals..... | 1.90 | 2.05 | 1.64 | 2.33 | 1.77 | 2.00 | 2.70 | 1.76 | 1.92 | 1.30 | 2.05 |
| Credit card loans..... | 1.92 | 1.16 | 3.33 | 2.50 | 1.52 | 1.31 | 3.66 | 2.52 | 4.31 | 0.66 | 3.44 |
| Other loans to individuals..... | 1.90 | 2.08 | 1.51 | 2.28 | 1.87 | 2.14 | 2.26 | 1.56 | 1.82 | 1.85 | 1.83 |
| Percent of Loans Noncurrent* | | | | | | | | | | | |
| All real estate loans..... | 0.97 | 0.95 | 0.78 | 1.44 | 0.87 | 1.31 | 0.66 | 0.72 | 0.54 | 1.04 | 0.88 |
| Construction, development, and land..... | 1.05 | 1.11 | 1.17 | 1.29 | 0.75 | 1.40 | 0.96 | 1.52 | 0.98 | 0.35 | 1.06 |
| Commercial real estate..... | 1.49 | 1.22 | 1.13 | 2.03 | 1.41 | 1.93 | 0.84 | 0.96 | 0.79 | 1.64 | 1.20 |
| Multifamily residential real estate..... | 0.79 | 0.84 | 0.79 | 1.33 | 0.52 | 1.22 | 0.86 | 0.96 | 0.24 | 3.44 | 0.42 |
| Home equity loans..... | 0.36 | 0.29 | 0.49 | 0.32 | 0.31 | 0.49 | 0.15 | 0.35 | 0.23 | 0.01 | 0.29 |
| Other 1-4 Family residential..... | 0.95 | 0.93 | 0.72 | 1.42 | 0.90 | 1.27 | 0.63 | 0.67 | 0.52 | 0.88 | 0.94 |
| Commercial and industrial loans..... | 1.30 | 1.65 | 1.39 | 1.42 | 1.03 | 1.31 | 0.95 | 1.76 | 1.89 | 1.86 | 0.71 |
| Loans to individuals..... | 0.83 | 0.99 | 0.72 | 1.35 | 0.59 | 0.78 | 1.34 | 0.86 | 0.98 | 0.88 | 0.55 |
| Credit card loans..... | 1.32 | 0.81 | 1.68 | 1.76 | 1.09 | 1.24 | 2.27 | 1.92 | 1.10 | 0.55 | 1.52 |
| Other loans to individuals..... | 0.69 | 0.99 | 0.64 | 1.23 | 0.38 | 0.68 | 0.92 | 0.59 | 0.98 | 1.17 | 0.40 |
| Percent of Loans Charged-off (net, YTD) | | | | | | | | | | | |
| All real estate loans..... | 0.08 | 0.04 | 0.05 | 0.09 | 0.09 | 0.10 | 0.02 | 0.04 | 0.04 | 0.03 | 0.10 |
| Construction, development, and land..... | 0.07 | 0.16 | 0.07 | 0.09 | 0.06 | 0.15 | 0.03 | 0.10 | -0.21 | 0.00 | 0.14 |
| Commercial real estate..... | 0.05 | 0.10 | 0.10 | 0.11 | -0.06 | 0.06 | 0.06 | 0.06 | 0.25 | 0.04 | 0.02 |
| Multifamily residential real estate..... | 0.06 | 0.18 | -0.01 | 0.07 | 0.08 | 0.04 | -0.03 | 0.00 | -0.03 | 0.02 | 0.09 |
| Home equity loans..... | 0.22 | 0.01 | 0.13 | 0.22 | 0.28 | 0.15 | 0.05 | 0.19 | 0.50 | 0.27 | 0.39 |
| Other 1-4 Family residential..... | 0.08 | 0.03 | 0.04 | 0.08 | 0.10 | 0.11 | 0.02 | 0.03 | 0.03 | 0.04 | 0.10 |
| Commercial and industrial loans..... | 0.30 | 0.37 | 0.33 | 0.37 | 0.20 | 0.10 | 0.44 | 0.17 | 1.82 | 0.66 | 0.34 |
| Loans to individuals..... | 1.81 | 0.59 | 0.77 | 2.54 | 1.95 | 1.20 | 3.31 | 1.80 | 0.90 | 2.02 | 2.01 |
| Credit card loans..... | 4.07 | 3.08 | 3.50 | 4.87 | 3.83 | 2.71 | 7.70 | 6.47 | 4.53 | 1.79 | 4.55 |
| Other loans to individuals..... | 1.13 | 0.51 | 0.53 | 1.85 | 1.10 | 0.88 | 1.10 | 0.58 | 0.76 | 2.24 | 1.63 |
| Loans Outstanding (in billions) | | | | | | | | | | | |
| All real estate loans..... | \$632.3 | \$23.0 | \$151.1 | \$127.3 | \$330.8 | \$189.7 | \$38.3 | \$108.3 | \$21.4 | \$32.8 | \$241.7 |
| Construction, development, and land..... | 20.8 | 1.1 | 7.3 | 5.4 | 7.0 | 4.4 | 3.4 | 3.9 | 1.0 | 4.2 | 4.0 |
| Commercial real estate..... | 46.5 | 1.9 | 15.8 | 13.6 | 15.1 | 20.8 | 3.6 | 5.6 | 1.4 | 3.1 | 12.0 |
| Multifamily residential real estate..... | 56.7 | 0.6 | 8.8 | 15.4 | 31.8 | 13.7 | 0.9 | 6.3 | 0.7 | 2.0 | 33.1 |
| Home equity loans..... | 17.2 | 0.5 | 5.2 | 4.0 | 7.4 | 6.8 | 1.5 | 4.5 | 0.5 | 0.3 | 3.6 |
| Other 1-4 Family residential..... | 490.9 | 18.8 | 113.8 | 88.9 | 269.4 | 144.1 | 29.0 | 88.0 | 17.8 | 23.0 | 188.9 |
| Commercial and industrial loans..... | 17.8 | 0.7 | 4.5 | 5.7 | 6.9 | 7.8 | 1.4 | 2.5 | 0.7 | 1.8 | 3.6 |
| Loans to individuals..... | 48.9 | 1.7 | 9.9 | 12.9 | 24.3 | 13.7 | 4.6 | 11.4 | 2.2 | 7.9 | 9.1 |
| Credit card loans..... | 11.0 | 0.1 | 0.7 | 3.1 | 7.1 | 2.3 | 1.4 | 2.3 | 0.1 | 3.7 | 1.3 |
| Other loans to individuals..... | 37.8 | 1.7 | 9.2 | 9.8 | 17.1 | 11.3 | 3.1 | 9.1 | 2.1 | 4.3 | 7.9 |
| Memo: Other Real Estate Owned (in millions)** | | | | | | | | | | | |
| All other real estate owned..... | \$1,765.0 | \$53.7 | \$426.1 | \$511.4 | \$773.8 | \$508.9 | \$151.2 | \$192.2 | \$41.8 | \$208.6 | \$662.3 |
| Construction, development, and land..... | 207.6 | 6.5 | 43.0 | 47.9 | 110.2 | 45.7 | 102.8 | 14.4 | 12.0 | 4.7 | 28.1 |
| Commercial real estate..... | 319.2 | 8.2 | 111.9 | 124.6 | 74.5 | 121.5 | 21.7 | 46.6 | 10.5 | 43.1 | 75.9 |
| Multifamily residential real estate..... | 267.1 | 2.4 | 90.9 | 101.2 | 72.6 | 62.8 | 1.4 | 6.6 | 2.4 | 106.1 | 87.7 |
| 1-4 Family residential..... | 1,024.0 | 37.5 | 191.6 | 254.3 | 540.6 | 294.4 | 45.3 | 127.8 | 20.6 | 56.2 | 479.7 |
| Troubled Real Estate Asset Rates*** (% of total RE assets) | | | | | | | | | | | |
| All real estate loans..... | 1.24 | 1.18 | 1.06 | 1.83 | 1.10 | 1.58 | 1.05 | 0.90 | 0.74 | 1.66 | 1.15 |
| Construction, development, and land..... | 2.03 | 1.70 | 1.74 | 2.16 | 2.29 | 2.42 | 3.90 | 1.88 | 2.19 | 0.47 | 1.75 |
| Commercial real estate..... | 2.16 | 1.63 | 1.82 | 2.95 | 1.89 | 2.51 | 1.44 | 1.78 | 1.52 | 3.00 | 1.81 |
| Multifamily residential real estate..... | 1.25 | 1.22 | 1.80 | 1.98 | 0.74 | 1.67 | 1.02 | 1.06 | 0.59 | 8.26 | 0.69 |
| 1-4 family residential..... | 1.13 | 1.10 | 0.86 | 1.64 | 1.08 | 1.43 | 0.75 | 0.80 | 0.63 | 1.10 | 1.18 |

* Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in accrual status.

** TFR filers report "All other real estate owned" net of valuation allowances, while individual categories of OREO are reported gross.

*** Noncurrent real estate loans plus other real estate owned as a percent of total real estate loans plus OREO.

ALL FDIC-INSURED INSTITUTIONS

- **Despite Rise In Total Deposits, Insured Deposits Fall Slightly**
- **Reserve Ratios Stand At 1.40 Percent For The BIF And 1.38 Percent For The SAIF**
- **One Insured Institution Fails In The Second Quarter**

For the nation's 10,712 FDIC-insured commercial banks and savings institutions, asset growth slowed somewhat in the second quarter. Total assets increased by 1.2 percent from March 31 to June 30, the lowest growth rate in five quarters. Assets grew by an average of 2.1 percent in the preceding four quarters. A significant portion of the one-quarter \$76-billion gain in total assets was funded by growth in equity capital, which increased by \$18 billion. Reliance on deposits in general – and insured deposits in particular – declined from the first quarter of 1998 to the second quarter. Compared to growth of 1.2 percent in total assets, total deposits increased only 0.8 percent, as gains in foreign-office deposits (up \$20 billion) and large, uninsured domestic deposits (up \$21 billion) offset an \$8.2-billion decline in insured deposits. Deposits insured by the Bank Insurance Fund (BIF) fell by \$4.4 billion, and those insured by the Savings Association Insurance Fund (SAIF) fell by \$3.8 billion.¹

One BIF-member commercial bank, with total assets of \$38 million, failed during the second quarter, resulting in an estimated insurance loss of \$3 million. This was the only insured-institution failure in the first half of 1998, and the second quarter was the seventh consecutive quarter without a failure of a SAIF member.

With low insurance losses and minimal receivership activity, both insurance funds continued to grow during

the second quarter. Based on unaudited financial results, second-quarter investment earnings totaled \$419 million for the BIF and \$140 million for the SAIF, compared to assessment revenues of just \$3 million and \$7 million, respectively. The BIF ended the second quarter with a balance of \$28.9 billion, up from \$28.6 billion on March 31. This growth, when combined with the decline in BIF-insured deposits described above, resulted in an increase in the ratio of the fund to estimated insured deposits. The BIF reserve ratio was 1.40 percent on June 30, compared to 1.38 percent (amended) on March 31.

The balance of the SAIF rose from \$9.5 billion on March 31 to \$9.6 billion on June 30. This increase, and the decline in SAIF-insured deposits, caused the fund's reserve ratio to rise from 1.35 percent (amended) to 1.38 percent. Current law requires that on January 1, 1999, the amount in the SAIF in excess of 1.25 percent is to be placed in a special reserve. This amount, which currently is \$893 million, is to be excluded from the reserve ratio calculation and available for insurance purposes only under limited conditions.

¹Figures for March 31, 1998, reflect the correction of an amount previously disputed by an insured institution. As a result, about \$3 billion was shifted from BIF insurance to SAIF insurance. This also affected the BIF and SAIF reserve ratios previously reported for March 31. See Table III-C.

INTERSTATE BRANCHES AS A PERCENT OF TOTAL OFFICES, JUNE 30, 1998

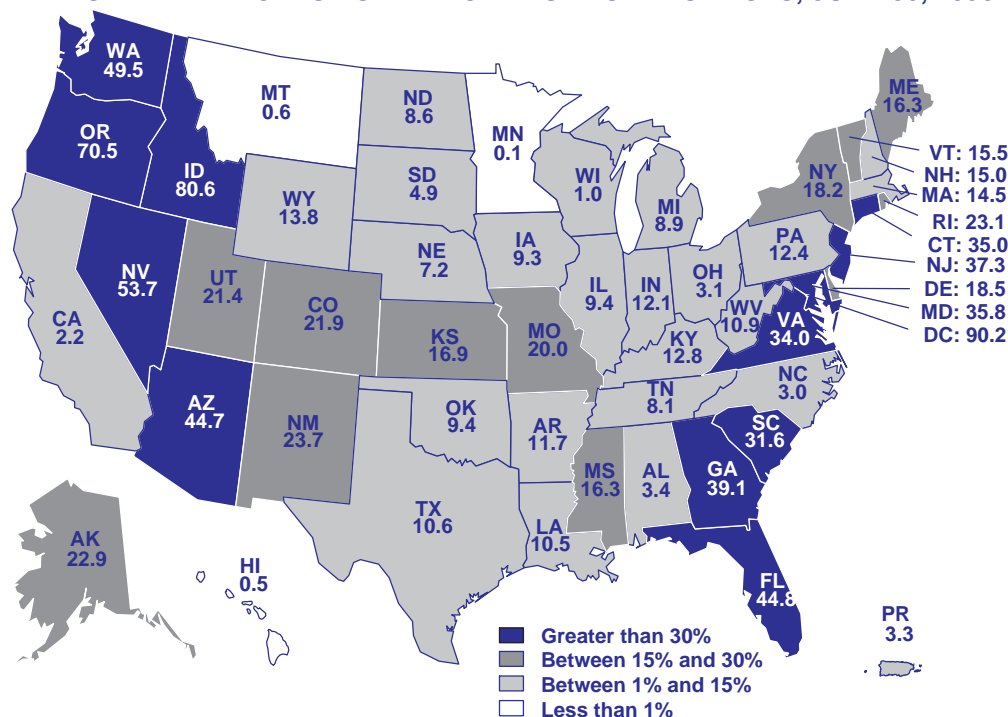


TABLE I-C. Selected Indicators, FDIC-Insured Institutions*

| | 1998** | 1997** | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of Institutions reporting..... | 10,712 | 11,160 | 10,922 | 11,452 | 11,970 | 12,603 | 13,220 |
| Total assets..... | \$ 6,227,556 | \$5,799,956 | \$6,041,127 | \$5,606,610 | \$5,338,419 | \$5,019,085 | \$4,707,056 |
| Total deposits..... | 4,209,181 | 3,998,484 | 4,125,867 | 3,925,059 | 3,769,481 | 3,611,619 | 3,528,486 |
| Number of problem institutions..... | 82 | 103 | 92 | 117 | 193 | 318 | 572 |
| Assets of problem institutions (in billions)..... | \$8 | \$8 | \$6 | \$12 | \$31 | \$73 | \$334 |
| Number of failed/assisted institutions..... | 1 | 0 | 1 | 6 | 8 | 15 | 50 |
| Assets of failed/assisted institutions (in billions)..... | \$0.04 | \$0.00 | \$0.03 | \$0.22 | \$1.21 | \$1.57 | \$9.67 |

** As of June 30.

TABLE II-C. Aggregate Condition and Income Data, All FDIC-Insured Institutions*

| <i>(dollar figures in millions)</i> | Preliminary 2nd Quarter 1998 | 1st Quarter 1998 | 2nd Quarter 1997 | %Change 97:2-98:2 | |
|---|------------------------------------|---------------------|------------------------------------|----------------------|----------------------|
| Number of institutions reporting..... | 10,712 | 10,779 | 11,160 | -4.0 | |
| Total employees (full-time equivalent)..... | 1,841,285 | 1,800,757 | 1,761,813 | 4.5 | |
| CONDITION DATA | | | | | |
| Total assets..... | \$6,227,556 | \$6,151,283 | \$5,799,956 | 7.4 | |
| Loans secured by real estate..... | 1,916,820 | 1,909,893 | 1,824,004 | 5.1 | |
| 1-4 Family residential..... | 1,249,089 | 1,250,038 | 1,193,556 | 4.7 | |
| Home equity loans..... | 114,352 | 114,009 | 109,518 | 4.4 | |
| Multifamily residential property..... | 98,888 | 99,275 | 97,939 | 1.0 | |
| Commercial real estate..... | 394,652 | 392,887 | 376,046 | 4.9 | |
| Construction, development, and land..... | 116,502 | 111,057 | 101,542 | 14.7 | |
| Other real estate loans..... | 57,688 | 56,634 | 54,921 | 5.0 | |
| Commercial & Industrial loans..... | 868,156 | 837,442 | 770,467 | 12.7 | |
| Loans to individuals..... | 596,731 | 589,835 | 604,406 | -1.3 | |
| Credit cards & related plans..... | 228,000 | 222,345 | 236,519 | -3.6 | |
| Other loans & leases..... | 416,221 | 395,766 | 365,806 | 13.8 | |
| Less: Unearned income & contra accounts..... | 4,508 | 4,583 | 5,383 | -16.3 | |
| Total loans & leases..... | 3,793,420 | 3,728,353 | 3,559,301 | 6.6 | |
| Less: Reserve for losses..... | 63,363 | 62,176 | 61,371 | 3.2 | |
| Net loans and leases..... | 3,730,058 | 3,666,177 | 3,497,930 | 6.6 | |
| Securities..... | 1,146,538 | 1,154,530 | 1,078,566 | 6.3 | |
| Other real estate owned..... | 5,295 | 5,726 | 6,618 | -20.0 | |
| Goodwill and other intangibles..... | 88,884 | 78,067 | 67,203 | 32.3 | |
| All other assets..... | 1,256,781 | 1,246,783 | 1,149,638 | 9.3 | |
| Total liabilities and capital..... | 6,227,556 | 6,151,283 | 5,799,956 | 7.4 | |
| Deposits..... | 4,209,181 | 4,175,623 | 3,998,484 | 5.3 | |
| Other borrowed funds..... | 1,103,726 | 1,077,966 | 995,847 | 10.8 | |
| Subordinated debt..... | 70,213 | 68,912 | 56,759 | 23.7 | |
| All other liabilities..... | 305,071 | 307,376 | 258,233 | 18.1 | |
| Equity capital..... | 539,365 | 521,404 | 490,633 | 9.9 | |
| Loans and leases 30-89 days past due..... | 42,831 | 46,538 | 43,074 | -0.6 | |
| Noncurrent loans and leases..... | 35,838 | 36,720 | 36,814 | -2.7 | |
| Restructured loans and leases..... | 4,848 | 5,322 | 7,395 | -34.4 | |
| Direct and indirect investments in real estate..... | 1,154 | 1,187 | 1,229 | -6.1 | |
| Mortgage-backed securities..... | 580,705 | 584,957 | 536,368 | 8.3 | |
| Earning assets..... | 5,432,635 | 5,386,773 | 5,093,729 | 6.7 | |
| Unused loan commitments..... | 3,625,774 | 3,453,730 | 2,943,021 | 23.2 | |
| | Preliminary First Half 1998 | First Half 1997 | Preliminary 2nd Quarter 1998 | 2nd Quarter 1997 | %Change 97:2-98:2 |
| INCOME DATA | | | | | |
| Total interest income..... | \$215,044 | \$201,154 | \$108,432 | \$102,442 | 5.8 |
| Total interest expense..... | 110,203 | 100,202 | 55,363 | 51,232 | 8.1 |
| Net interest income..... | 104,841 | 100,951 | 53,069 | 51,210 | 3.6 |
| Provision for credit losses..... | 11,100 | 10,503 | 5,727 | 5,634 | 1.6 |
| Total noninterest income..... | 63,896 | 53,502 | 32,836 | 27,129 | 21.0 |
| Total noninterest expense..... | 103,735 | 92,762 | 52,360 | 46,972 | 11.5 |
| Securities gains (losses)..... | 2,670 | 1,246 | 1,231 | 594 | 107.1 |
| Applicable income taxes..... | 19,681 | 18,625 | 10,091 | 9,312 | 8.4 |
| Extraordinary gains, net..... | 516 | 35 | -13 | 28 | N/M |
| Net income..... | 37,407 | 33,844 | 18,945 | 17,043 | 11.2 |

* Excludes insured branches of foreign banks (IBAs) and institutions in RTC conservatorship (the last of which ended in 1995).

N/M - Not meaningful

TABLE III-C. Selected Insurance Fund Indicators*(dollar figures in millions)*

| | Preliminary 2nd Quarter 1998 | 1st Quarter 1998* | 2nd Quarter 1997 | %Change 97:2-98:2 |
|---|------------------------------------|----------------------|---------------------|----------------------|
| Bank Insurance Fund** | | | | |
| Reserve ratio (%)*** | 1.40 | 1.38 | 1.35 | 3.2 |
| Fund balance (unaudited) | \$28,931 | \$28,559 | \$27,389 | 5.6 |
| Estimated insured deposits | 2,071,753 | 2,076,128 | 2,023,478 | 2.4 |
| SAIF-member Oakars | 32,386 | 31,823 | 25,202 | 28.5 |
| BIF-members | 2,039,367 | 2,044,305 | 1,998,276 | 2.1 |
| Assessment base | 2,839,278 | 2,824,185 | 2,680,245 | 5.9 |
| SAIF-member Oakars | 34,160 | 33,465 | 27,198 | 25.6 |
| BIF-members | 2,805,117 | 2,790,720 | 2,653,048 | 5.7 |
| Savings Association Insurance Fund | | | | |
| Reserve ratio (%)*** | 1.38 | 1.35 | 1.32 | 4.0 |
| Fund balance (unaudited) | \$9,610 | \$9,484 | \$9,134 | 5.2 |
| Estimated insured deposits | 697,386 | 701,212 | 689,487 | 1.1 |
| BIF-members Oakars | 268,571 | 267,796 | 232,061 | 15.7 |
| SAIF-member Sassadors | 60,730 | 60,743 | 57,150 | 6.3 |
| Other SAIF members | 368,085 | 372,673 | 400,277 | -8.0 |
| Assessment base | 732,182 | 734,589 | 716,548 | 2.2 |
| BIF-member Oakars | 269,078 | 268,372 | 232,548 | 15.7 |
| SAIF-member Sassadors | 66,508 | 66,048 | 62,211 | 6.9 |
| Other SAIF members | 396,597 | 400,169 | 421,790 | -6.0 |

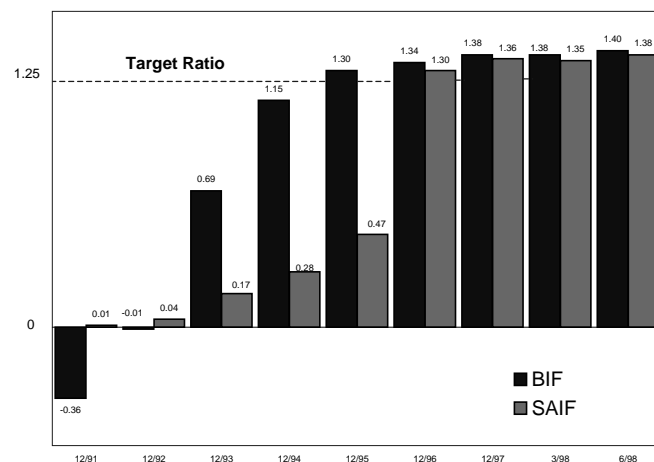
* Figures have been amended from the March 1998 report. Refer to page 15.

** Includes U.S. branches of foreign banks.

*** Fund balance as a percent of estimated insured deposits.

Insurance Fund Reserve Ratios*

Percent of Insured Deposits

**Fund Balance and Insured Deposits**

(\$ Millions)

| | BIF Fund Balance | BIF-Insured Deposits | SAIF Fund Balance | SAIF-Insured Deposits |
|-------|---------------------|-------------------------|----------------------|--------------------------|
| 12/91 | -7,028 | 1,957,722 | 101 | 776,351 |
| 12/92 | -101 | 1,945,550 | 279 | 732,159 |
| 12/93 | 13,122 | 1,905,245 | 1,157 | 697,885 |
| 12/94 | 21,848 | 1,895,258 | 1,937 | 693,610 |
| 12/95 | 25,454 | 1,951,963 | 3,358 | 711,897 |
| 12/96 | 26,854 | 2,007,042 | 8,888 | 683,403 |
| 12/97 | 28,293 | 2,056,172 | 9,368 | 689,802 |
| 3/98 | 28,559 | 2,076,128 | 9,484 | 701,212 |
| 6/98 | 28,931 | 2,071,753 | 9,610 | 697,386 |

* Insured deposit amounts are estimates. 6/98 fund balances are unaudited.

TABLE IV-C. Closed/Assisted Institutions*(dollar figures in millions)*

| | 1998* | 1997* | 1997 | 1996 | 1995 | 1994 | 1993 |
|------------------------|-------|-------|------|-------|-------|---------|---------|
| BIF Members | | | | | | | |
| Number of institutions | 1 | 0 | 1 | 5 | 6 | 13 | 41 |
| Total assets | \$42 | \$0 | \$27 | \$182 | \$753 | \$1,392 | \$3,539 |
| SAIF Members | | | | | | | |
| Number of institutions | 0 | 0 | 0 | 1 | 2 | 2 | 9 |
| Total assets | \$0 | \$0 | \$0 | \$35 | \$426 | \$129 | \$6,105 |

* Through June 30.

TABLE V-C. Selected Indicators, By Fund Membership**(dollar figures in millions)*

| | 1998** | 1997** | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| BIF Members | | | | | | | |
| Number of institutions reporting..... | 9,238 | 9,584 | 9,404 | 9,823 | 10,243 | 10,760 | 11,291 |
| BIF-member Oakars..... | 760 | 782 | 778 | 793 | 807 | 719 | 569 |
| Other BIF-members..... | 8,478 | 8,802 | 8,626 | 9,030 | 9,436 | 10,041 | 10,722 |
| Total assets..... | \$5,479,671 | \$5,047,547 | \$5,285,423 | \$4,857,762 | \$4,577,898 | \$4,248,300 | \$3,949,695 |
| Total deposits..... | 3,704,426 | 3,480,097 | 3,611,462 | 3,404,204 | 3,225,650 | 3,062,718 | 2,951,979 |
| Net income..... | 33,496 | 30,324 | 61,474 | 54,485 | 50,780 | 46,882 | 44,498 |
| Return on assets (%)..... | 1.24 | 1.23 | 1.22 | 1.17 | 1.15 | 1.14 | 1.17 |
| Return on equity (%)..... | 14.64 | 14.63 | 14.44 | 14.14 | 14.32 | 14.43 | 14.89 |
| Noncurrent assets plus OREO to assets (%)..... | 0.65 | 0.71 | 0.67 | 0.77 | 0.89 | 1.06 | 1.69 |
| Number of problem institutions..... | 63 | 75 | 73 | 86 | 151 | 264 | 472 |
| Assets of problem institutions (in billions)..... | \$4,962 | \$4,568 | \$4,598 | \$6,624 | \$20,166 | \$42,311 | \$269,159 |
| Number of failed/assisted institutions..... | 1 | 0 | 1 | 5 | 6 | 13 | 41 |
| Assets of failed/assisted institutions (in billions)..... | 42 | 0 | 27 | 182 | 753 | 1,392 | 3,539 |
| SAIF Members | | | | | | | |
| Number of institutions reporting..... | 1,474 | 1,576 | 1,518 | 1,629 | 1,727 | 1,843 | 1,929 |
| SAIF-member Oakars..... | 111 | 100 | 111 | 91 | 76 | 55 | 28 |
| Other SAIF-members..... | 1,363 | 1,476 | 1,407 | 1,538 | 1,651 | 1,788 | 1,901 |
| Total assets..... | \$747,885 | \$752,408 | \$755,724 | \$748,848 | \$760,521 | \$770,785 | \$757,362 |
| Total deposits..... | 504,755 | 518,386 | 514,409 | 520,855 | 543,831 | 548,901 | 576,507 |
| Net income..... | 3,910 | 3,520 | 6,487 | 4,883 | 5,584 | 4,102 | 5,381 |
| Return on assets (%)..... | 1.06 | 0.96 | 0.94 | 0.67 | 0.76 | 0.56 | 0.72 |
| Return on equity (%)..... | 12.22 | 11.63 | 11.13 | 8.07 | 9.47 | 7.16 | 9.74 |
| Noncurrent assets plus OREO to assets (%)..... | 0.87 | 1.03 | 0.98 | 1.07 | 1.12 | 1.23 | 1.85 |
| Number of problem institutions..... | 19 | 28 | 19 | 31 | 42 | 54 | 100 |
| Assets of problem institutions (in billions)..... | \$2,952 | \$3,016 | \$1,662 | \$5,548 | \$10,846 | \$30,336 | \$64,973 |
| Number of failed/assisted institutions..... | 0 | 0 | 0 | 1 | 2 | 2 | 9 |
| Assets of failed/assisted institutions (in billions)..... | \$0 | \$0 | \$0 | \$35 | \$426 | \$129 | \$6,105 |

* Excludes insured branches of foreign banks (IBAs) and institutions in RTC conservatorship (the last of which ended in 1995).

** Through June 30, ratios annualized where appropriate.

TABLE VI-C. Estimated FDIC-Insured Deposits by Fund Membership and Type of Institution*(dollar figures in millions)*

| (dollar figures in millions) | Number of Institutions | Total Assets | Domestic Deposits* | Estimated Insured Deposits | | |
|---|------------------------|------------------|--------------------|----------------------------|----------------|------------------|
| | | | | BIF | SAIF | Total |
| June 30, 1998 | | | | | | |
| Commercial Banks and Savings Institutions | | | | | | |
| FDIC-Insured Commercial Banks..... | 8,984 | \$5,182,759 | \$2,957,538 | \$1,885,663 | \$233,811 | \$2,119,474 |
| BIF-member..... | 8,879 | 5,124,896 | 2,915,000 | 1,873,664 | 210,336 | 2,084,000 |
| SAIF-member..... | 105 | 57,863 | 42,537 | 11,999 | 23,475 | 35,474 |
| FDIC-Supervised..... | 5,448 | 908,804 | 683,271 | 483,356 | 48,919 | 532,275 |
| OCC-Supervised..... | 2,547 | 2,978,686 | 1,708,403 | 1,094,282 | 142,613 | 1,236,895 |
| Federal Reserve-Supervised..... | 989 | 1,295,268 | 565,864 | 308,025 | 42,279 | 350,305 |
| FDIC-Insured Savings Institutions..... | 1,728 | 1,044,797 | 702,606 | 184,764 | 463,575 | 648,340 |
| OTS-Supervised Savings Institutions..... | 1,179 | 787,121 | 514,937 | 63,540 | 411,640 | 475,179 |
| BIF-member..... | 37 | 152,074 | 92,955 | 44,167 | 43,555 | 87,722 |
| SAIF-member..... | 1,142 | 635,046 | 421,982 | 19,372 | 368,085 | 387,457 |
| FDIC-Supervised State Savings Banks..... | 549 | 257,676 | 187,670 | 121,225 | 51,935 | 173,160 |
| BIF-member..... | 322 | 202,700 | 147,434 | 120,210 | 14,680 | 134,891 |
| SAIF-member..... | 227 | 54,976 | 40,235 | 1,014 | 37,255 | 38,270 |
| Total Commercial Banks and Savings Institutions..... | | | | | | |
| BIF-member..... | 10,712 | 6,227,556 | 3,660,144 | 2,070,428 | 697,386 | 2,767,814 |
| SAIF-member..... | 9,238 | 5,479,671 | 3,155,389 | 2,038,042 | 268,571 | 2,306,613 |
| | 1,474 | 747,885 | 504,755 | 32,386 | 428,815 | 461,201 |
| Other FDIC-Insured Institutions | | | | | | |
| U.S. Branches of Foreign Banks..... | 27 | 8,961 | 2,719 | 1,326 | 0 | 1,326 |
| Total FDIC-Insured Institutions..... | 10,739 | 6,236,517 | 3,662,864 | 2,071,753 | 697,386 | 2,769,140 |

* Excludes \$549 billion in foreign office deposits, which are uninsured.

TABLE VII-C. Assessment Base Distribution and Rate Schedules

BIF Assessment Base Distribution Assessable Deposits in Millions as of June 30, 1998 Supervisory and Capital Ratings for Second Semiannual Assessment Period, 1998

| Capital Group | Supervisory Risk Subgroup | | | | | |
|------------------------------|---------------------------|-------|----------|------|---------|------|
| | A | | B | | C | |
| 1. Well-capitalized | | | | | | |
| Number of institutions..... | 8,808 | 95.1% | 248 | 2.7% | 33 | 0.4% |
| Assessable deposit base..... | \$2,791,278 | 98.3% | \$17,540 | 0.6% | \$2,284 | 0.1% |
| 2. Adequately capitalized | | | | | | |
| Number of institutions..... | 132 | 1.4% | 18 | 0.2% | 15 | 0.2% |
| Assessable deposit base..... | \$25,109 | 0.9% | \$903 | 0.0% | \$1,269 | 0.0% |
| 3. Undercapitalized | | | | | | |
| Number of institutions..... | 4 | 0.0% | \$0 | 0.0% | 7 | 0.1% |
| Assessable deposit base..... | \$163 | 0.0% | 0 | 0.0% | \$732 | 0.0% |

Note: "Number" reflects the number of BIF members; "Base" reflects the SAIF-assessable deposits held by both BIF and SAIF members. Institutions are categorized based on capitalization and a supervisory subgroup rating, which is generally determined by on-site examinations. Includes U.S. branches of foreign banks.

SAIF Assessment Base Distribution Assessable Deposits in Millions as of June 30, 1998 Supervisory and Capital Ratings for Second Semiannual Assessment Period, 1998

| Capital Group | Supervisory Risk Subgroup | | | | | |
|------------------------------|---------------------------|-------|----------|------|-------|------|
| | A | | B | | C | |
| 1. Well-capitalized | | | | | | |
| Number of institutions..... | 1,354 | 91.9% | 83 | 5.6% | 9 | 0.6% |
| Assessable deposit base..... | \$700,334 | 95.7% | \$24,258 | 3.3% | \$855 | 0.1% |
| 2. Adequately capitalized | | | | | | |
| Number of institutions..... | 14 | 0.9% | 7 | 0.5% | 5 | 0.3% |
| Assessable deposit base..... | \$4,722 | 0.6% | \$1,283 | 0.2% | \$238 | 0.0% |
| 3. Undercapitalized | | | | | | |
| Number of institutions..... | 1 | 0.1% | 0 | 0.0% | 1 | 0.1% |
| Assessable deposit base..... | \$15 | 0.0% | \$0 | 0.0% | \$478 | 0.1% |

Note: "Number" reflects the number of SAIF members; "Base" reflects the SAIF-assessable deposits held by both BIF and SAIF members. Institutions are categorized based on capitalization and a supervisory subgroup rating, which is generally determined by on-site examinations.

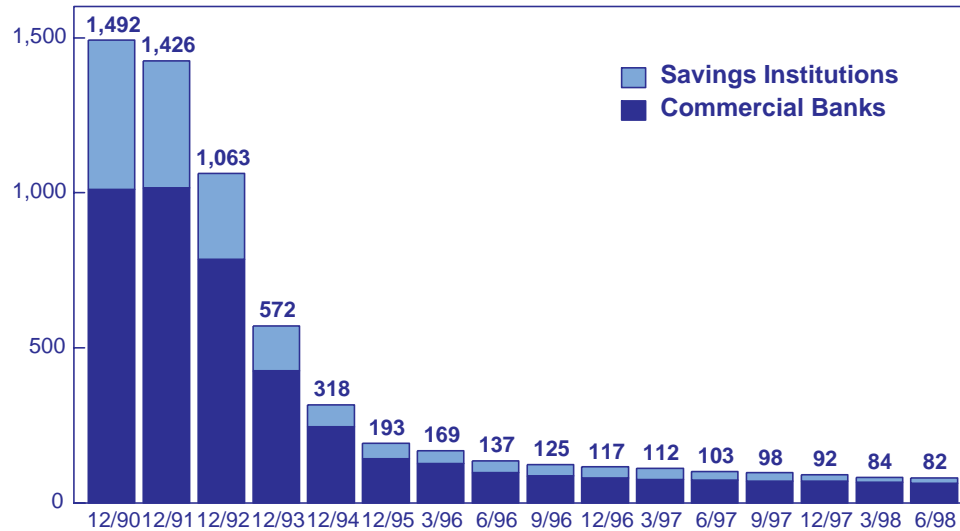
Assessment Rate Schedules Second Semiannual 1998 Assessment Period Cents Per \$100 of Assessable Deposits

| Capital Group | Supervisory Risk Subgroup | | |
|--------------------------------|---------------------------|----|----|
| | A | B | C |
| 1. Well Capitalized..... | 0 | 3 | 17 |
| 2. Adequately Capitalized..... | 3 | 10 | 24 |
| 3. Undercapitalized..... | 10 | 24 | 27 |

Note: Rates for the BIF and the SAIF are set separately by the FDIC. Currently, the rate schedules are identical.

Number of FDIC-Insured "Problem" Institutions, 1990 - 1998

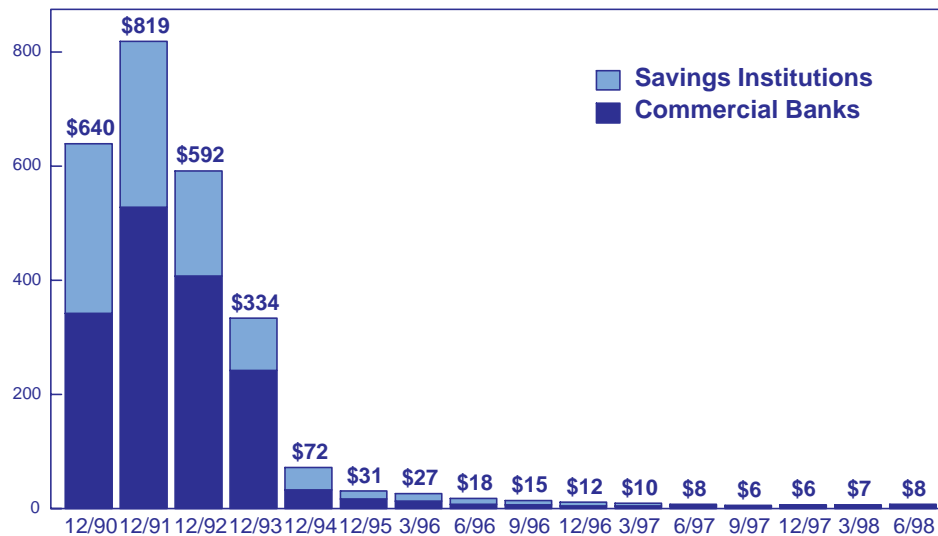
Number of Institutions



| | | | | | | | | | | | | | | | | |
|----------------------|-------|-------|-----|-----|-----|-----|-----|----|----|----|----|----|----|----|----|----|
| Savings Institutions | 480 | 410 | 276 | 146 | 71 | 49 | 42 | 38 | 36 | 35 | 35 | 29 | 27 | 21 | 16 | 18 |
| Commercial Banks | 1,012 | 1,016 | 787 | 426 | 247 | 144 | 127 | 99 | 89 | 82 | 77 | 74 | 71 | 71 | 68 | 64 |

Assets of FDIC-Insured "Problem" Institutions, 1990 - 1998

\$ Billions



| | | | | | | | | | | | | | | | | |
|----------------------|-----|-----|-----|-----|----|----|----|----|---|---|---|---|---|---|---|---|
| Savings Institutions | 298 | 291 | 184 | 92 | 39 | 14 | 13 | 10 | 8 | 7 | 5 | 3 | 2 | 2 | 2 | 3 |
| Commercial Banks | 342 | 528 | 408 | 242 | 33 | 17 | 13 | 8 | 7 | 5 | 5 | 5 | 4 | 5 | 5 | 5 |

NOTES TO USERS

This publication contains financial data and other information for depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). These notes are an integral part of this publication and provide information regarding the comparability of source data and reporting differences over time. The information presented in the *FDIC Quarterly Banking Profile* is divided into the following groups of institutions:

FDIC-Insured Commercial Banks (Tables I-A through V-A.)

This section covers commercial banks insured by the FDIC either through the Bank Insurance Fund (BIF) or through the Savings Association Insurance Fund (SAIF). These institutions are regulated by and submit financial reports to one of the three federal commercial bank regulators (the Board of Governors of the Federal Reserve System, the FDIC or the Office of the Comptroller of the Currency).

FDIC-Insured Savings Institutions (Tables I-B through V-B.)

This section covers savings institutions insured by either BIF or SAIF that operate under state or federal banking codes applicable to thrift institutions, except for one self-liquidating institution primarily funded by the FSLIC Resolution Fund (FRF). Savings institutions in Resolution Trust Corporation conservatorships are also excluded from these tables while in conservatorship, where applicable. The institutions covered in this section are regulated by and submit financial reports to one of two Federal regulators – the FDIC or the Office of Thrift Supervision (OTS).

FDIC-Insured Institutions by Insurance Fund (Tables I-C through VII-C.)

Summary balance-sheet and earnings data are provided for commercial banks and savings institutions according to insurance fund membership. BIF-member institutions may acquire SAIF-insured deposits, resulting in institutions with some deposits covered by both insurance funds. Also, SAIF members may acquire BIF-insured deposits. The insurance fund membership does not necessarily reflect which fund insures the largest percentage of an institution's deposits. Therefore, the BIF-member and the SAIF-member tables each include deposits from both insurance funds. Depository institutions that are not insured by the FDIC through either the BIF or SAIF are not included in the *FDIC Quarterly Banking Profile*. U.S. branches of institutions headquartered in foreign countries and non-deposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charter.

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *Call Reports* and the OTS *Thrift Financial Reports* submitted by all FDIC-insured depository institutions. This information is stored on and retrieved from the FDIC's Research Information System (RIS) data base.

COMPUTATION METHODOLOGY

Certain adjustments are made to the OTS *Thrift Financial Reports* to provide closer conformance with the reporting and accounting requirements of the FFIEC *Call Reports*. Begin-

ning in March 1997, both *Thrift Financial Reports* and *Call Reports* are completed on a fully consolidated basis. Previously, the consolidation of subsidiary depository institutions was prohibited. Now, parent institutions are required to file consolidated reports, while their subsidiary financial institutions are still required to file separate reports. Data from subsidiary institution reports are included in the *Quarterly Banking Profile* tables, which can lead to double-counting. No adjustments are made for any double-counting of subsidiary data.

All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any interim periods, divided by the total number of periods). For "pooling-of-interest" mergers, the assets of the acquired institution(s) are included in average assets since the year-to-date income includes the results of all merged institutions. No adjustments are made for "purchase accounting" mergers. Growth rates represent the percentage change over a 12-month period in totals for institutions in the base period to totals for institutions in the current period.

All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state. In addition, institutions may change their charters, resulting in an inter-industry migration, e.g., savings institutions can convert to commercial banks or commercial banks may convert to savings institutions. These situations can affect state and regional statistics.

ACCOUNTING CHANGES

Adoption of GAAP Reporting – Effective with the March 31, 1997 *Call Reports*, generally accepted accounting principles (GAAP) were adopted as the reporting basis for the balance sheet, income statement and supporting schedules. New reporting instructions for 1997 and 1998 changed the amounts reported for a number of items used in the *Quarterly Banking Profile*, so that comparability with prior periods may be affected. Among the items most significantly affected by the new reporting rules are: loans & leases, reserve for losses, loss provisions, goodwill and other intangibles, all other assets and equity capital (see definitions below). More information on changes to the *Call Report* in March 1997 and in March 1998 is contained in Financial Institution Letters (FIL-27-97 and FIL-28-98), which are available through the FDIC World Wide Web site at www.fdic.gov/banknews/fils/, or from the FDIC Public Information Center, 801 17th Street, NW, Washington, DC 20434; telephone (800) 276-6003. Information on changes to the March 31, 1997 *Thrift Financial Reports* is available from the Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552; telephone (202) 906-5900.

Subchapter S Corporations – The Small Business Job Protection Act of 1996 changed the Internal Revenue Code to allow financial institutions to elect Subchapter S corporation status, beginning in 1997. A Subchapter S corporation is treated as a pass-through entity, similar to a partnership, for federal income tax purposes. It is generally not subject to any federal income taxes at the corporate level. Its taxable income flows through to its shareholders in proportion to their stock ownership, and the shareholders generally pay federal income taxes on their share of this taxable income. This can

have the effect of reducing institutions' reported taxes and increasing their after-tax earnings.

The election of Subchapter S status may result in an increase in shareholders' personal tax liability. Therefore, some S corporations may increase the amount of earnings distributed as dividends to compensate for higher personal taxes.

DEFINITIONS (in alphabetical order)

All other assets – total cash, balances due from depository institutions, premises, fixed assets, direct investments in real estate, investment in unconsolidated subsidiaries, customers' liability on acceptances outstanding, assets held in trading accounts, federal funds sold, securities purchased with agreements to resell, and other assets. Beginning 3/31/97, Federal funds sold are reported on a consolidated basis (domestic and foreign offices combined). Previously, Federal funds sold through foreign offices were reported as loans.

All other liabilities – bank's liability on acceptances, limited-life preferred stock, allowance for estimated off-balance sheet credit losses, and other liabilities.

Assessment base distribution – each institution's capital category is calculated or estimated from its financial report and does not reflect supervisory upgrades or downgrades:

| (Percent) | Total Risk-Based Capital * | | Tier 1 Risk-Based Capital * | | Tier 1 Leverage | | Tangible Equity |
|-----------------------------------|----------------------------------|------------|-----------------------------------|------------|--------------------|------------|--------------------|
| Well-capitalized | ≥10 | <i>and</i> | ≥6 | <i>and</i> | ≥5 | | — |
| Adequately capitalized | ≥8 | <i>and</i> | ≥4 | <i>and</i> | ≥4 | | — |
| Undercapitalized | ≥6 | <i>and</i> | ≥3 | <i>and</i> | ≥3 | | — |
| Significantly undercapitalized | <6 | <i>or</i> | <3 | <i>or</i> | <3 | <i>and</i> | >2 |
| Critically undercapitalized | — | | — | | — | | ≤2 |

*As a percentage of risk-weighted assets.

For purpose of BIF and SAIF assessments, risk-based assessment rules combine the last three capital rating categories into a single "undercapitalized" group. Supervisory risk subgroup assignments are based on supervisory ratings. The strongest institutions (those rated 1 or 2) are in subgroup A, those rated 3 are in subgroup B, and those rated 4 or 5 are in subgroup C.

BIF-insured deposits (estimated) – the portion of estimated insured deposits that is insured by the BIF. For SAIF-member "Oakar" institutions, it represents the adjusted attributable amount acquired from BIF members.

Construction and development loans – includes loans for all property types under construction, as well as loans for land acquisition and development.

Core capital – common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries, less goodwill and other ineligible intangible assets. The amount of eligible intangibles (including servicing rights) included in core capital is limited in accordance with supervisory capital regulations.

Cost of funding earning assets – total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Derivative contracts, gross fair values (positive/negative) – are reported separately and represent the amount at which a contract could be exchanged in a transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for a contract, the fair value reported for that contract is calculated using this

market price. If quoted market prices are not available, the reporting banks use the best estimate of fair value based on quoted market prices of similar contracts or on valuation techniques such as discounted cash flows. This information is reported only by banks with assets greater than \$100 million.

Direct and indirect investments in real estate – excludes loans secured by real estate and property acquired through foreclosure.

Earning assets – all loans and other investments that earn interest or dividend income.

Efficiency Ratio – Noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Estimated insured deposits – estimated amount of insured deposits (account balances less than \$100,000). The sum of all deposit balances in accounts of less than \$100,000 plus the number of accounts with balances greater than \$100,000 multiplied by \$100,000.

Failed/assisted institutions – an institution fails when regulators take control of the institution, placing the assets and liabilities into a bridge bank, conservatorship, receivership, or another healthy institution. This action may require the FDIC to provide funds to cover losses. An institution is defined as "assisted" when the institution remains open and receives some insurance funds in order to continue operating.

FHLB advances – borrowings from the Federal Home Loan Bank (FHLB) reported by institutions that file a *Thrift Financial Report*. Institutions that file a *Call Report* do not report borrowings ("advances") from the FHLB separately.

Goodwill and other intangibles – intangible assets include servicing rights, purchased credit card relationships and other identifiable intangible assets.

Loans secured by real estate – includes home equity loans, junior liens secured by 1-4 family residential properties and all other loans secured by real estate.

Loans to individuals – includes outstanding credit card balances and other secured and unsecured consumer loans.

Long-term assets (5+ years) – loans and debt securities with remaining maturities or repricing intervals of over five years.

Mortgage-backed securities – certificates of participation in pools of residential mortgages and collateralized mortgage obligations issued or guaranteed by government-sponsored or private enterprises. Also, see "Securities", below.

Net charge-offs – total loans and leases charged off (removed from balance sheet because of uncollectibility), less amounts recovered on loans and leases previously charged off.

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.

Net operating income – income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

Noncurrent assets – the sum of loans, leases, debt securities and other assets that are 90 days or more past due, or in nonaccrual status.

Noncurrent loans & leases – the sum of loans and leases 90 days or more past due, and loans and leases in nonaccrual status.

Number of institutions reporting – the number of institutions that actually filed a financial report.

Off-balance-sheet derivatives – represents the sum of the following: interest-rate contracts (defined as the notional value of interest-rate swap, futures, forward and option contracts), foreign-exchange-rate contracts, commodity contracts and equity contracts (defined similarly to interest-rate contracts).

Futures and forward contracts – a contract in which the buyer agrees to purchase and the seller agrees to sell, at a specified future date, a specific quantity of underlying at a specified price or yield. These contracts exist for a variety of underlyings, including the traditional agricultural or physical commodities, as well as currencies and interest rates. Futures contracts are standardized and are traded on organized exchanges which set limits on counterparty credit exposure. Forward contracts do not have standardized terms and are traded over the counter.

Option contracts – a contract in which the buyer acquires the right to buy from or sell to another party some specified amount of underlying at a stated price (strike price) during a period or on a specified future date, in return for compensation (such as a fee or premium). The seller is obligated to purchase or sell the underlying at the discretion of the buyer of the contract.

Swaps – an obligation between two parties to exchange a series of cash flows at periodic intervals (settlement dates), for a specified period. The cash flows of a swap are either fixed, or determined for each settlement date by multiplying the quantity of the underlying (notional principal) by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

Other borrowed funds – federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, other borrowed money, mortgage indebtedness, obligations under capitalized leases and trading liabilities, less revaluation losses on assets held in trading accounts.

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that file a *Thrift Financial Report (TFR)*, the valuation allowance subtracted also includes allowances for other repossessed assets. Also, for *TFR* filers the components of other real estate owned are reported gross of valuation allowances.

Percent of institutions with earnings gains – the percent of institutions that increased their net income (or decreased their losses) compared to the same period a year earlier.

“Problem” institutions – 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. “Problem” institutions are those institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either a “4” or “5”. For all BIF-member institutions, and for all SAIF-member institutions for which the FDIC is the primary federal regulator, FDIC composite ratings are used. For all

SAIF-member institutions whose primary federal regulator is the OTS, the OTS composite rating is used.

Reserves for losses – the allowance for loan and lease losses and the allocated transfer risk reserve on a consolidated basis. Prior to March 31, 1997, institutions filing a *Thrift Financial Report (TFR)* included specific reserves, while *Call Report* filers included only general valuation allowances. Beginning March 31, 1997, *TFR* reporters net these specific reserves against each loan balance. Also beginning March 31, 1997, the allowance for off-balance-sheet credit exposures was moved to “Other liabilities”; previously, it had been included in the general valuation allowance.

Restructured loans and leases – loan and lease financing receivables with terms restructured from the original contract. Excludes restructured loans and leases that are not in compliance with the modified terms.

Return on assets – net income (including gains or losses on securities and extraordinary items) as a percentage of average total assets. The basic yardstick of bank profitability.

Return on equity – net income (including gains or losses on securities and extraordinary items) as a percentage of average total equity capital.

Risk-weighted assets – assets adjusted for risk-based capital definitions which include on-balance-sheet as well as off-balance-sheet items multiplied by risk-weights that range from zero to 100 percent. A conversion factor is used to assign a balance sheet equivalent amount for selected off-balance-sheet accounts.

SAIF-insured deposits (estimated) – the portion of estimated insured deposits that is insured by the SAIF. For BIF-member “Oakar” institutions, it represents the adjusted attributable amount acquired from SAIF members.

Securities – excludes securities held in trading accounts. Banks' securities portfolios consist of securities designated as “held-to-maturity”, which are reported at amortized cost (book value), and securities designated as “available-for-sale”, reported at fair (market) value.

Securities gains (losses) – realized gains (losses) on held-to-maturity and available-for-sale securities, before adjustments for income taxes. *Thrift Financial Report (TFR)* filers also include gains (losses) on the sales of assets held for sale.

Troubled real estate asset rate – noncurrent real estate loans plus other real estate owned as a percent of total real estate loans and other real estate owned.

Unearned income & contra accounts – unearned income and loans-in-process for *TFR* filers. Beginning March 31 1997, *TFR* filers net the unearned income and the loans-in-process against each loan balance, leaving just the unearned income on loans reported by *Call Report* filers.

Unused loan commitments – includes credit card lines, home equity lines, commitments to make loans for construction, loans secured by commercial real estate, and unused commitments to originate or purchase loans.

Volatile liabilities – the sum of large-denomination time deposits, foreign-office deposits, federal funds purchased, securities sold under agreements to repurchase, and other borrowings.

Yield on earning assets – total interest, dividend and fee income earned on loans and investments as a percentage of average earning assets.