The FDIC Quarterly Banking Profile

Ricki Helfer, Chairman

Fourth Quarter 1996

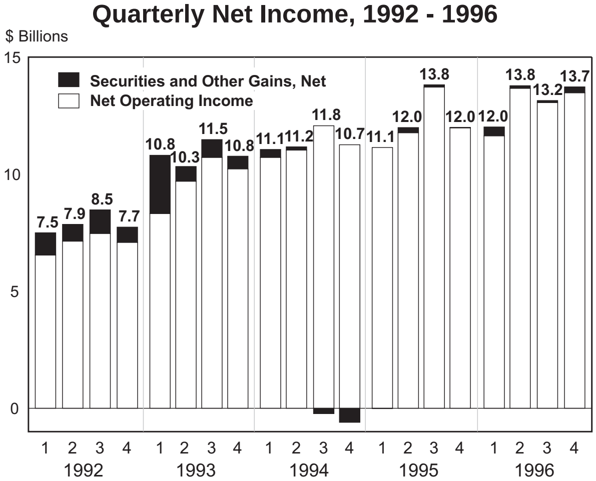
COMMERCIAL BANKING PERFORMANCE — FOURTH QUARTER 1996

- ***Banks Earn $13.7 Billion In Fourth Quarter***
- ***Full-year Earnings Of $52.4 Billion Set A New Record***
- ***Growth In Net Interest Income And Fee Income Boosts Profits***
- ***Asset Quality Continues To Improve, Except In Consumer Lending***

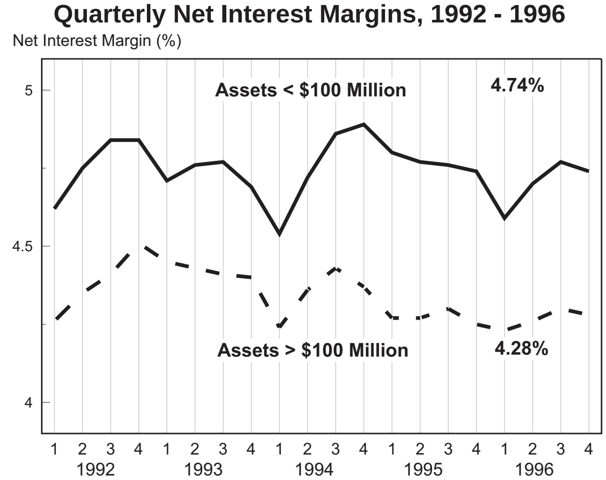
Insured commercial banks reported net income of $13.7 billion in the fourth quarter of 1996. This was the third-highest quarterly earnings total ever reported, $42 million less than banks earned in the second quarter of 1996, and only $91 million below the all-time quarterly high of $13.8 billion, which was set in the third quarter of 1995. Industry earnings were $584 million higher than in the third quarter of 1996, and were $1.7 billion (14.5 percent) above the level of a year ago. Higher net interest income and increased fee income were the main sources of improvement, while rising loan-loss provisions limited the increase in earnings. For the full year, banks earned $52.4 billion, an increase of $3.6 billion (7.5 percent) over 1995. The return on average assets (ROA) in the fourth quarter was 1.21 percent, up from 1.19 percent in the third quarter and 1.12 percent a year earlier. Commercial banks' full-year ROA rose to 1.19 percent, from 1.17 percent in 1995. This is the second-highest annual ROA ever reported by the industry, after the 1.20 percent registered in 1993. Almost 60 percent of all banks reported higher quarterly earnings than a year ago, and almost three-quarters (71.2 percent) reported higher full-year earnings. More than two-thirds of all banks (69.0 percent) reported full-year ROAs of one percent or higher.

The largest contribution to the record level of earnings in the fourth quarter came from noninterest income, which was $2.9 billion (13.3 percent) higher than in the fourth quarter of 1995. Net interest income was up by $2.4 billion (6.0 percent), due to wider net interest margins and a 5.7-percent increase in interest-earning assets. These improvements outweighed a $637-million increase in loan-loss provisions, and a $2.3-billion increase in noninterest expenses. Most of the improvement in net interest margins occurred at larger banks, as their average funding costs

Quarterly Net Income, 1992 - 1996



Quarterly Net Interest Margins, 1992 - 1996



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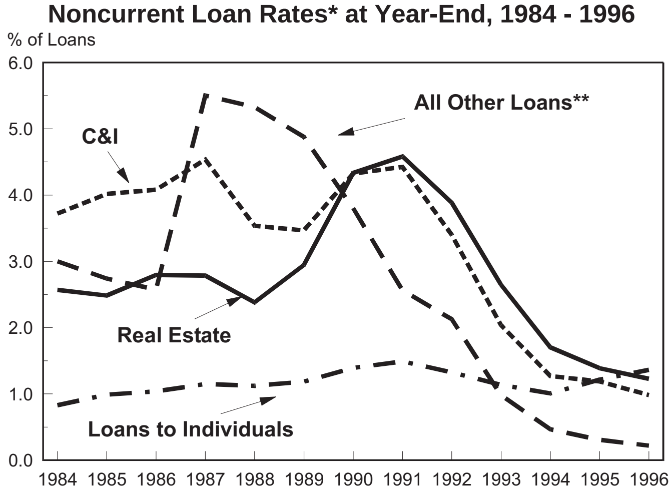
*Also available on the Internet at **www.fdic.gov**. Comparable financial data for individual institutions can now be obtained from the FDIC's Institution Directory (I.D.) System on this Web site.*

declined more rapidly than their average asset yields. The increase in the industry's net interest margin in the fourth quarter compared to a year ago marked the first time since the first quarter of 1995 that margins have widened over year-earlier levels. For the full year, the industry's net interest margin averaged 4.27 percent, down slightly from 4.29 percent in 1995. Margins have narrowed in each of the past three years, from a peak of 4.40 percent in 1993.

For the second consecutive year, the industry's growth rate slowed. Total assets of commercial banks increased by 6.2 percent ($266 billion) in 1996, a lower rate of growth than in 1995 or 1994, when asset growth rates were 7.5 percent and 8.2 percent, respectively. Banks continued to increase the share of loans in their asset portfolios. At the end of 1996, net loans and leases accounted for 60.2 percent of all commercial bank assets, up from 59.1 percent at the end of 1995. This is the highest level since the end of the first quarter of 1991. The largest increases were in commercial and industrial loans, which increased by $48.5 billion, in loans secured by 1-4 family residential properties, which increased by $30.4 billion, and loans to depository institutions, which rose by $27.2 billion. Large percentage increases also were registered in loans for real estate construction (up 11.2 percent) and leases (up 36.3 percent). As banks increased their loans, they reduced their holdings of U.S. Treasury securities by $28.9 billion (14.6 percent) in 1996.

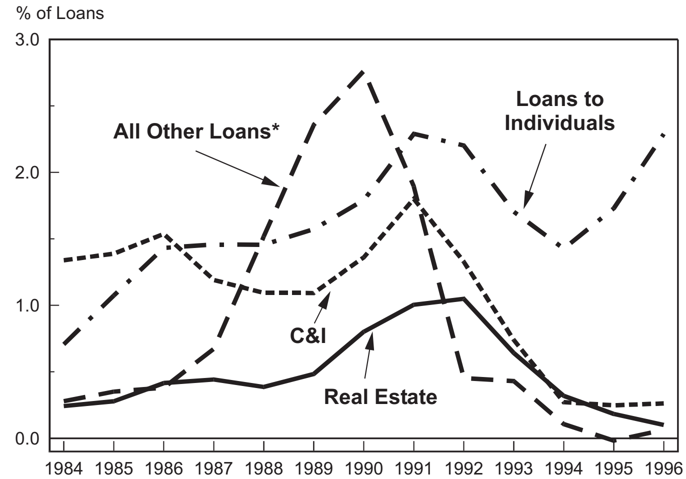
Noncurrent Loan Rates* at Year-End, 1984 - 1996



* Noncurrent loan rates represent the percentage of loans that are past due 90 days or more or in nonaccrual status.
** Includes loans to foreign governments, depository institutions and lease receivables.

Asset quality indicators were mixed, as noncurrent loans declined during 1996, while delinquent loans — those with scheduled interest payments 30 to 89 days past due — increased by 15.1 percent. Net loan charge-offs were $3.3 billion higher than in 1995, due to higher charge-offs on consumer loans. Net charge-offs of credit-card loans totaled $9.5 billion in 1996, accounting for 61.1 percent of all loan charge-offs. This was an increase of $2.7 billion from the $6.8 billion in credit-card loans that banks charged off in 1995. Charge-offs on other loans to individuals rose to $2.9 billion, an increase of $871 million over 1995.

Annual Net Loan Charge-Off Rates, 1984 - 1996



* Includes loans to foreign governments, depository institutions and lease receivables.

The increase in net charge-offs helped produce an $874-million net decline in noncurrent loans (loans 90 days or more past due and loans in nonaccrual status) in 1996. Noncurrent commercial and industrial loans declined by $877 million, while noncurrent real estate loans fell by $1.0 billion. In contrast to the improvement in most loan categories, noncurrent consumer loans increased by $1.1 billion, and noncurrent agricultural loans increased by $78 million. While total noncurrent loans declined in 1996, the amount of loans with scheduled payments 30-89 days past due rose by $5.1 billion 15.1 percent. The increase in these delinquent loans was greatest in consumer loans, although increases occurred in all of the major loan categories. Credit-card loans 30-89 days past due rose by $1.2 billion (24.0 percent) in 1996, while the amount of other loans to individuals that was past due increased by $1.0 billion (15.0 percent). Past due commercial and industrial loans grew by $1.1 billion (20.0 percent), and past due real estate loans increased by $1.4 billion (9.4 percent).

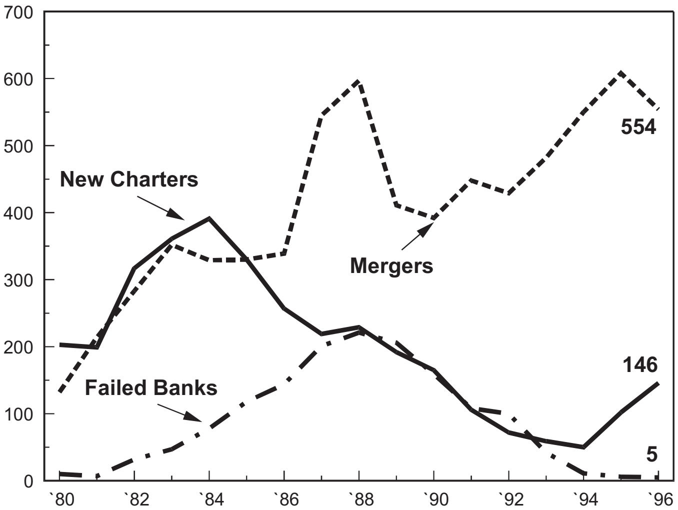
The industry's reserve coverage ratio rose to a new record level of $1.82 in reserves for each dollar of noncurrent loans, due primarily to the decline in noncurrent loans. Total reserves at commercial banks declined by $61 million in the fourth quarter, and increased by only $781 million (1.5 percent) during 1996. The industry's ratio of reserves to total loans fell for the fifteenth consecutive quarter, to 1.91 percent. This is the lowest level for this ratio since the first quarter of 1987.

Total equity capital of commercial banks increased by $25.7 billion (7.4 percent) in 1996, to 8.20 percent of total assets at year-end. Retained earnings contributed

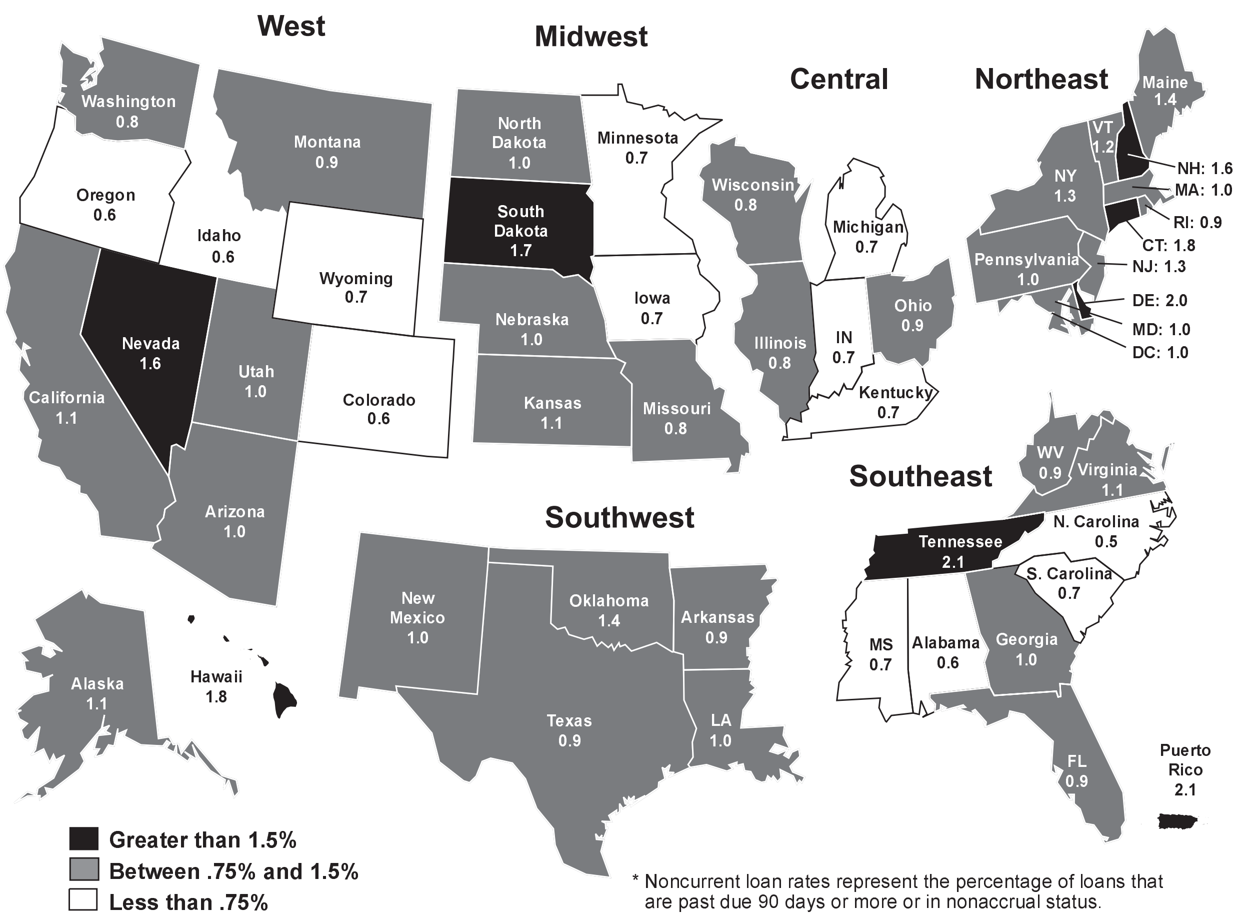
$13.6 billion, as banks paid out almost three-quarters (74.0 percent) of their earnings in dividends to stockholders. A total of 919 banks paid out $5.6 billion more in dividends than they earned in 1996. In 1995, 943 banks paid $3.7 billion more in dividends than they earned; in 1994, 923 banks converted $3.2 billion of equity into dividends. A large part of the proceeds from the conversion of equity into dividends in 1996 was earmarked for stock repurchases by parent holding companies.

The number of insured commercial banks declined by only 58 institutions in the fourth quarter. This is the smallest quarterly decline in the number of banks since the third quarter of 1986, when there was a net decline of three institutions. A slowdown in merger activity, combined with a continuing rise in the number of new banks being chartered, accounted for the small net reduction in the number of banks. There were 102 banks absorbed by mergers during the fourth quarter, while 41 new banks were chartered. For the full year, the industry had a net decline of 412 institutions. There were 554 banks absorbed by mergers in 1996, and 146 new banks were chartered. In 1995, mergers absorbed 606 banks, and 103 new banks were chartered. Only five banks failed in 1996, with no failures occurring in the fourth quarter. The number of commercial banks on the FDIC's "Problem List" declined from 89 institutions with assets of $6.8 billion to 82 institutions with $5.1 billion in assets during the fourth quarter. For all of 1996, the commercial bank "Problem List" had a net decline of 62 institutions and $11.7 billion in assets.

Changes in the Number of FDIC-Insured Commercial Banks, 1980 - 1996



Noncurrent Loan Rates*
December 31, 1996



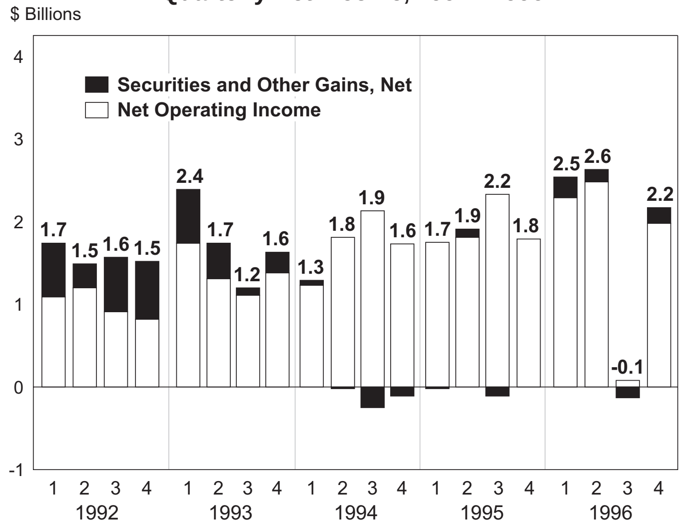
* Noncurrent loan rates represent the percentage of loans that are past due 90 days or more or in nonaccrual status.

SAVINGS INSTITUTION PERFORMANCE — FOURTH QUARTER, 1996

- ***Savings Institutions Earned $2.2 Billion In The Fourth Quarter***
- ***Net Interest Margins Held Steady***
- ***Mergers With Commercial Banks Remove Over $16 Billion In Assets From Industry***

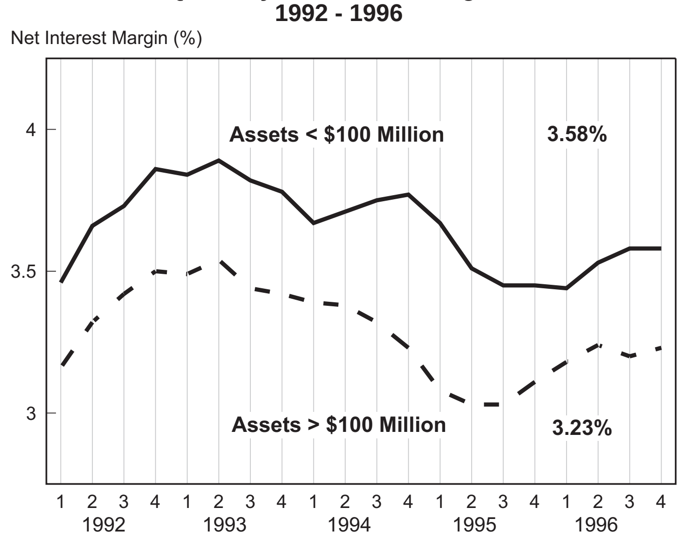
Savings institutions rebounded from a net loss in the third quarter, earning $2.2 billion in the fourth quarter for an average annualized return on assets (ROA) of 0.85 percent. A special assessment on SAIF deposits and extraordinary losses led to a loss of $56 million in the previous quarter. Apart from these one-time charges, earnings in the fourth quarter were approximately even with the third quarter and were $375 million (21 percent) higher than a year ago. Thrifts reported $1.8 billion in profits in the fourth quarter of 1995, for an average annualized ROA of 0.71 percent. Compared to a year ago, net interest income was $366 million higher in the fourth quarter. Noninterest income also showed strong improvement and was up by $422 million (27 percent) over the fourth quarter of 1995. Loan-loss provisions increased by $202 million over the fourth quarter of the previous year. More than seven percent of all savings institutions reported losses for the fourth quarter, down from over eight percent in the fourth quarter of 1995. More than two-thirds (68 percent) reported higher quarterly earnings than a year ago.

Quarterly Net Income, 1992 - 1996



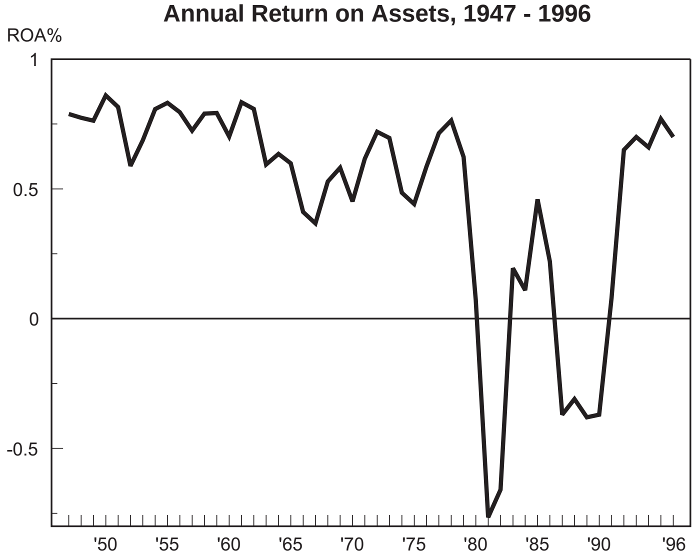
Net interest margins showed little change during the quarter, rising to 3.24 percent from 3.22 percent in the third quarter. The yield on earning assets rose slightly, up by two basis points. The cost of funding earning assets was unchanged at 4.52 percent. Net interest margins improved or held steady in all regions and in all size groups. For the full year, the industry's net interest margin was up 13 basis points to 3.22 percent, primarily because of an 11 basis-point drop in the cost of funding earning assets. Much of the thrift industry's health this year can be attributed to lower average funding costs.

Quarterly Net Interest Margins 1992 - 1996



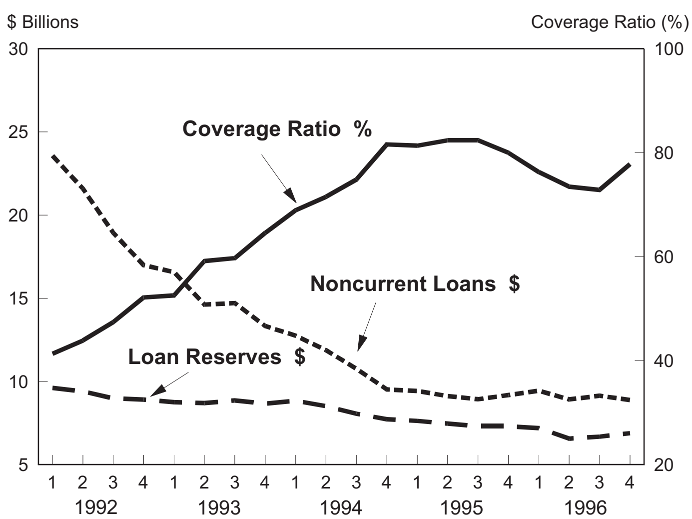
Thrifts reported just over $7 billion in earnings for all of 1996, for an annual ROA of 0.70 percent. This was $611 million less than the record earnings of $7.6 billion in 1995, when the industry's ROA was 0.77 percent. Due in large part to the special assessment on SAIF deposits, noninterest expenses rose by $3.9 billion in 1996. The special assessment on SAIF deposits accounted for $3.5 billion of the rise in noninterest expense, for an after-tax impact of roughly $2.2 billion. Provisions for loan losses were up by $385 million (18 percent) in 1996, while net charge-offs were approximately the same as in 1995. In 1996 the industry benefited from improved interest margins, rising noninterest income, and increased gains on the sales of securities. Net interest income rose by over $1.6 billion. The sale of securities in 1996 produced gains of $901 million, almost double the $463 million reported in 1995. Noninterest income rose by $388 million over levels in 1995. Without the special SAIF assessment, the thrift industry would have reported record earnings in 1996.

Annual Return on Assets, 1947 - 1996



Higher provisions during the fourth quarter helped boost reserves for loan losses. Industry reserves increased by $135 million during the fourth quarter, even as noncurrent loans declined by $264 million. As a result, the coverage ratio — loan-loss reserves to noncurrent loans — improved to 78 cents in reserves for each dollar of noncurrent loans, up from 73 cents last quarter. The coverage ratio now stands at virtually the same level registered at the beginning of the year. Provisions exceeded net charge-offs in every quarter of 1996. The fourth quarter rise in provisions, combined with slower loan growth, caused reserves as a percentage of loans to increase after declining for nine of the past ten quarters. Reserves rose to 1.09 percent of total loans from 1.07 percent at the end of the third quarter.

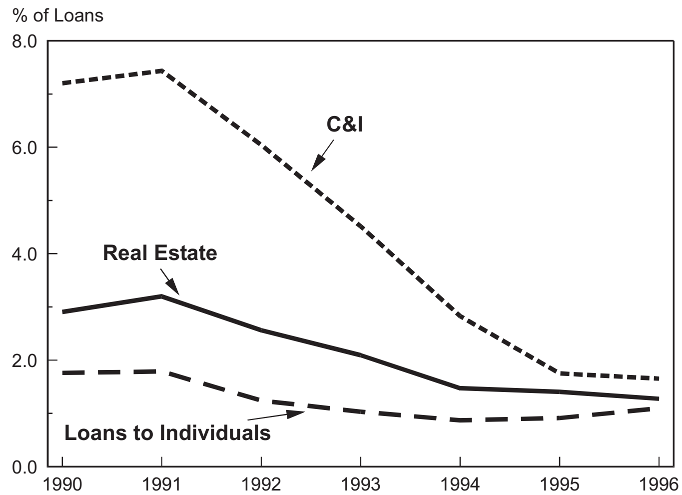
Coverage Ratio* and Reserve Levels, 1992 - 1996



*Loan-Loss reserves to Noncurrent Loans and Leases.

Noncurrent loans improved in every category except loans to individuals. The noncurrent rate for loans to individuals rose from 1.02 percent at the end of the third quarter to 1.10 percent at year-end. Total loans to individuals declined by $186 million during the quarter, after rising steadily since the beginning of 1995. The reversal of this trend may be temporary, however, since recent changes in asset restrictions removed limits on the amount of credit-card loans that thrifts may hold and still be considered a "qualified thrift lender". Credit-card loans currently make up 23 percent of thrifts' loans to individuals. Commercial and industrial loans increased during the fourth quarter by $346 million. The noncurrent rate on these loans declined to 1.65 percent. Traditionally thrifts have specialized in real estate loans, which also increased this quarter, by $285 million. Noncurrent real estate loan rates declined to 1.28 percent from 1.32 percent at the end of the third quarter. All categories of real estate loans showed improvement.

Noncurrent Loan Rates* at Year-End, 1990 - 1996

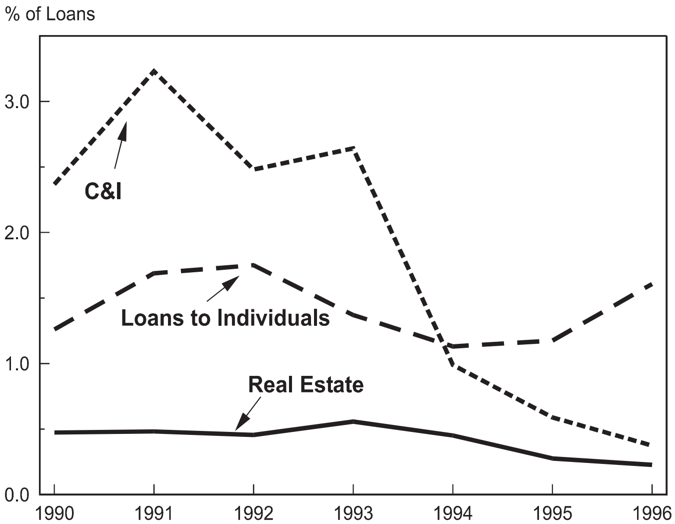


* Noncurrent loan rates represent the percentage of loans that are past due 90 days or more or in nonaccrual status.

Loan losses in 1996 were just two percent lower than in 1995. The net charge-off rate on total loans in 1995 and 1996 was approximately one-third of one percent. The industry has enjoyed a significant improvement in loan quality from 1993 when the annual loan-loss rate was twice the current level. Both real estate loans and commercial and industrial loans showed improvements, as their net charge-off rates fell to 0.23 percent and 0.37 percent, respectively. Loans to individuals did not fare as well. Net charge-offs on loans to individuals rose sharply, from 1.17 percent of total outstanding loans in 1995 to 1.61 percent in 1996. Improvements in other loan categories offset this deterioration.

Thrift industry assets declined by $7 billion during the fourth quarter. A drop of nearly $10 billion in securities occurred in the fourth quarter. Almost two-thirds of savings institutions reported declines in securities. Securities are down by $26 billion or nine percent from

Annual Net Charge-Off Rates on Loans, 1990 - 1996

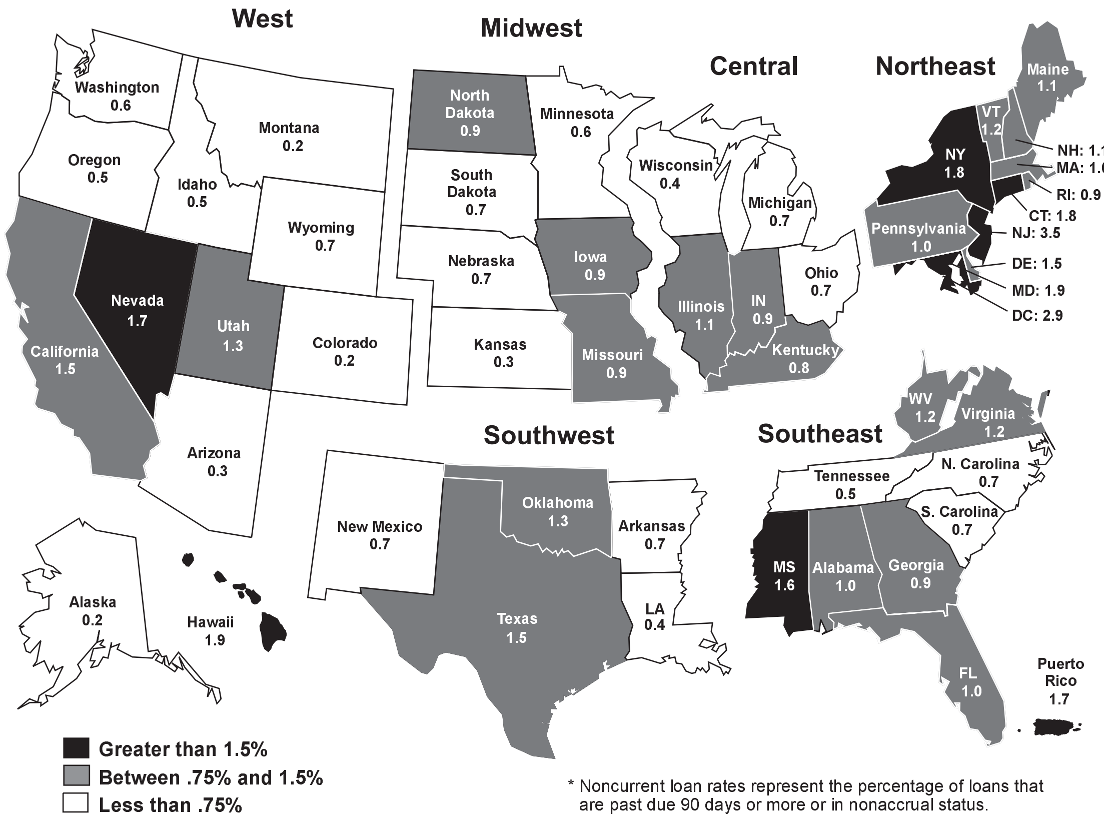


a year ago, while loans grew by five percent over the same period. Securities classified as available-for-sale accounted for $19 billion of the decline. This category of securities has declined 12 percent during the past year. The balance of securities classified as held-to-maturity remained fairly steady and now each category accounts for about half of all securities. Thrifts shed less in deposits than other borrowings during the fourth quarter. Deposits were down by $2.1 billion, while nondeposit borrowings declined by $2.8 billion.

Equity capital rose by $823 million during the fourth quarter, ending the year at 8.35 percent of assets. At the end of 1995, the equity capital ratio was 8.39 percent of assets. Dividends were $1.7 billion higher (42 percent) in 1996 than in the previous year. With lower profits in 1996, the $1.2 billion in earnings retained by the industry was about one-third of the amount retained in 1995. Just two thrifts failed to meet minimum capital standards while all remaining institutions qualify as either adequately capitalized or well-capitalized.

The number of savings institutions declined by 38 during the fourth quarter to 1,924 institutions. The commercial banking industry absorbed 27 savings institutions with $16.4 billion in assets during the quarter and four thrifts, with $723 million in assets, converted to commercial bank charters. A recent change in tax laws made conversions to commercial bank charters much less expensive for thrifts that carry bad-debt reserves for tax purposes. Industry consolidation absorbed 12 thrifts with $12.3 billion in assets. There were 17 mutual-to-stock conversions during the fourth quarter involving $2.9 billion in assets. The number of "problem" institutions declined by one to 35 at the end of the fourth quarter. Assets of "problem" institutions fell from $8.3 billion to just over $7 billion.

Noncurrent Loan Rates By State*
December 31, 1996



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

ALL FDIC-INSURED INSTITUTIONS

- ***No Insured Institutions Fail In The Fourth Quarter***
- ***BIF-Insured Deposits Exceed $2 Trillion For The First Time***
- ***Reserve Ratios For Both Funds Edge Upward***

Total deposits of the 11,452 FDIC-insured depository institutions rose $99 billion from September 30 to December 31. This included increases of $76.5 billion at domestic offices and $22.5 billion at foreign offices. Deposit growth at domestic offices primarily was in large, uninsured deposits, as insured deposits increased just $21 billion. Domestic deposits increased at a somewhat slower rate during the fourth quarter of 1996 — 2.3 percent —than during the fourth quarter of 1995 — 2.8 percent. The growth in deposits occurred primarily in Bank Insurance Fund (BIF) members: the BIF assessment base grew by $76.7 billion to $2.642 trillion, and the Savings Association Insurance Fund (SAIF) assessment base declined $3.3 billion to $708.7 billion.[1]

Deposits comprised 77.9 percent of BIF members' domestic liabilities on December 31, which is unchanged from year-end 1995. For SAIF members, this ratio declined from 78.0 percent to 75.8 percent during 1996, although an increase from 75.1 percent during the fourth quarter of 1996 may reflect the lowering of SAIF premiums that was phased in beginning October 1. As a result of the Deposit Insurance Funds Act of 1996 (Funds Act), average SAIF premiums fell from 23.4 cents per $100 of assessable deposits in the third quarter of 1996 to 11.3 cents in the fourth quarter, and to 0.6 cents for the first quarter of 1997. Average BIF premiums during these periods were approximately 0.2 cents per $100 of assessable deposits.

No insured institution failed during the fourth quarter. For the full year 1996, there were six failures, including five BIF members, with total assets of $186 million, and one SAIF member, with assets of $34 million. This is the lowest number of bank and savings institution failures since 1972, when five institutions failed (two insured by FDIC and three by FSLIC).

BIF-insured deposits surpassed the $2 trillion mark for the first time, having first reached $1 trillion in 1982. SAIF-insured deposits fell by nearly $5 billion from September 30, to $683 billion on December 31. The currently favorable operating environment for banks and thrifts has resulted in a period of low insurance losses. Despite reduced premium revenue, the funds' investment earnings drove fund growth that outstripped insured-deposit growth for both the BIF and the SAIF. As a result — and based on as yet unaudited fund balances — the BIF reserve ratio increased from 1.32 percent of insured deposits on September 30 to 1.34 percent on December 31, and the SAIF reserve ratio rose from 1.27 percent to 1.30 percent. The target reserve ratio remains 1.25 percent, but the Funds Act substantially restricts the refunding of “excess” fund balances.

“Oakar” deposits. A member of one insurance fund can acquire deposits insured by the other fund, but this portion of the buyer's deposits remains insured by — and assessable by — the other fund. At year-end 1996, BIF members held $217.3 billion in SAIF-assessable deposits, down slightly from September 30; and SAIF members held $22.6 billion in BIF-assessable deposits, up from $21.3 billion. The significance of the Oakar distinction was diminished by the Funds Act, which enabled the FDIC to set equivalent risk-based premium schedules for BIF and SAIF members. A relatively small rate differential between BIF- and SAIF-assessable deposits still exists for the FICO assessment (see below).

“Sasser” institutions. Savings associations can convert their charter to that of a commercial or savings bank. Converted associations remain members of the SAIF, but they become subject to supervision by one of the three federal banking agencies. On December 31, there were 323 Sasser banks, with $57.4 billion in SAIF-assessable deposits. Legislation enacted in 1996 greatly reduced the tax liability for savings associations that become banks, and some increase in conversions is to be expected as thrifts seek to diversify their income sources. There were 13 conversions in the fourth quarter, nine of which became state-chartered savings banks and four of which became commercial banks. In addition, a SAIF-member national bank was opened.

FICO bonds. The Financing Corporation (FICO) was created in the 1980s to cover losses incurred by the former Federal Savings and Loan Insurance Corporation. FICO sold $8.2 billion in 30-year bonds, with annual coupon payments of $793 million. This interest had been paid only by SAIF-member savings associations, but the Funds Act made all FDIC-insured institutions responsible for a portion of the obligation. For the first quarter of 1997, the FICO rate for SAIF-assessable deposits was 6.5 cents per $100, and the rate for BIF-assessable deposits was 1.3 cents, or one-fifth the SAIF rate, as set by the statute. Beginning in 2000, or sooner if the two insurance funds have been merged, all institutions will pay a *pro rata* share, currently estimated to be 2.4 basis points. The FICO rate will vary as the assessment base grows or shrinks.

[1] The assessment base is composed of total domestic deposits, less a “float” adjustment for deposits in transaction accounts.

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 that have been placed in Resolution Trust Corporation conservatorship are also excluded from these tables while in conservatorship. 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 II-E.)

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. 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*. Beginning with June 1996, the *Thrift Financial Report* is completed on a fully consolidated basis, with the exception of subsidiary depository institutions being reported on the equity method of accounting. Prior to this time, this report reflected the consolidation of the parent thrift with finance subsidiaries. All other subsidiaries were reported on an equity or cost basis. Some accounting differences exist, such as asset sales with recourse, for which the data necessary to reconcile these differences are not reported.

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. Tables III and IV do not provide growth rates for the "Asset Size Distribution" since many institutions migrate between size groups.

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. Also, when a main office is relocated to another region, no adjustments are made to regional growth rates. 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.

RECENT ACCOUNTING CHANGES

FASB Statement 115, "Accounting for Certain Investments in Debt and Equity Securities" requires that securities that are not held in trading accounts be measured at either amortized cost or fair (market) value, depending on their classification category ("available-for-sale" or "held-to-maturity"). For additional details, see "Notes to Users," First Quarter, 1994, *Quarterly Banking Profile*.

On November 15, 1995 the FASB released a guide to the implementation of Statement 115 and provided a window (November 15, 1995 through December 31, 1995) during which banks could elect to sell or reclassify securities between categories without violating the provisions of the accounting rule. In most cases, Statement 115 requires an automatic marking-to-market of the entire held-to-maturity portfolio (previously valued at amortized cost) if any held-to-maturity security is sold or transferred. The one-time opportunity to avoid this requirement was designed to allow the sale or reclassification of securities from the held-to-maturity category to available-for-sale or the trading portfolio without tainting the entire held-to-maturity category.

The FASB announcement and guide also sought to provide further clarification of Statement 115, and correct misinterpretations of the original pronouncement.

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 3/31/94, FASB Interpretation 39 limited the netting of related trading assets and liabilities, which had the effect of increasing the amount of trading account assets reported.

All other liabilities – bank's liability on acceptances, limited-life preferred stock, and other liabilities. Effective 3/31/94, includes revaluation losses on assets held in trading accounts.

BIF-insured deposits (estimated) – the amount of deposits in accounts of less than $100,000 insured by the BIF. For SAIF-member “Oakar” institutions, it represents the adjusted attributable amount acquired from BIF members.

Capital category 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	***and***	≥6	***and***	≥5		—
Adequately capitalized	≥8	***and***	≥4	***and***	≥4		—
Under-capitalized	≥6	***and***	≥3	***and***	≥3		—
Significantly undercapitalized	<6	***or***	<3	***or***	<3	***and***	>2
Critically undercapitalized	—		—		—		≤2

*As a percentage of risk-weighted assets.

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 mortgage 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.

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 — or the RTC — 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 mortgage 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. Effective 3/31/94, the full implementation of FASB 115 meant that a portion of banks' mortgage-backed securities portfolio is now reported based upon fair (market) values; previously, all mortgage-backed securities not held in trading accounts were reported at either amortized cost or lower of cost or market.

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 debt securities and other assets were not included prior to March 1991.

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 and obligations under capitalized leases. Effective 3/31/94, includes newly-reported item “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.

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 amount of deposits in accounts of less than $100,000 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. Effective 3/31/94, the full implementation of FASB 115 meant that a portion of banks' securities portfolios is now reported based upon fair (market) values; previously, all securities not held in trading accounts were reported at either amortized cost or lower of cost or market.

Securities gains (losses) – Realized gains (losses) on held-to-maturity and available-for-sale securities, before adjustments for income taxes. Thrift Financial Reporters (TFR) also include gains (losses) on the sales of assets held for sale. In all publications prior to September 1995, gains (losses) on sales of available-for-sale securities and assets held for sale were excluded for savings institutions that file a TFR.

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.

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. Beginning 3/31/94, new reporting detail permits the exclusion of other borrowed money with original maturity of more than one year; previously, all other borrowed money was included. Also beginning 3/31/94, the newly-reported item “Trading liabilities”, less revaluation losses on assets held in trading accounts, is included.

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