

# The FDIC Quarterly Banking Profile

Donald E. Powell, Chairman

Third Quarter 2002

## COMMERCIAL BANKING PERFORMANCE – THIRD QUARTER, 2002

- *Gains On Securities Sales Help Keep Earnings Near Record Level*
- *Weakness In Overseas Operations Limits Industry Profits*
- *Margins Improve At Community Banks, Decline At Larger Institutions*
- *Strong Mortgage Demand Fuels Growth In Loans*
- *Asset-Quality Problems Continue To Grow At Large Banks*

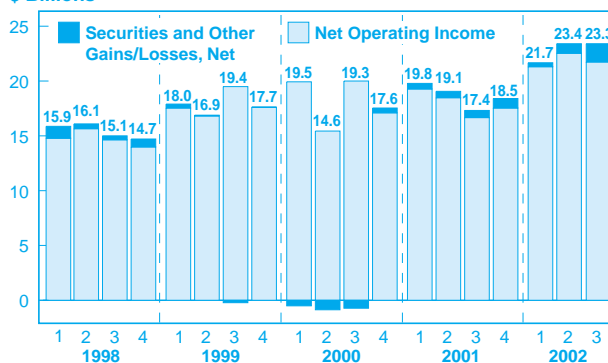
### *Profitability of Banks' Domestic Operations Remains Strong*

Weaknesses in commercial and overseas business lines were mitigated by beneficial effects from low interest rates and strength in consumer loan demand in the third quarter of 2002, as commercial bank earnings almost set a new record. Insured commercial banks earned \$23.3 billion in the quarter, falling just \$25 million short of the quarterly earnings record, set in the second quarter of 2002. The slight decline in net income was caused primarily by sharply lower income from banks' international operations, which fell by \$1.2 billion (58.6 percent). Earnings were also held down by higher expenses for loan losses, reduced income from market-sensitive sources, such as trading and investment banking activities, fiduciary income, and venture capital investments, and by lower servicing fees caused by declining values of mortgage servicing assets. The industry's net income from domestic operations was \$1.2 billion (5.5 percent) higher than in the second quarter, but much of the improvement was in nonrecurring items, rather than in revenues from ongoing operations. The greatest revenue increase occurred in gains on sales of securities, which were \$1.5 billion (145.8 percent) higher than in the second quarter. Income from securitization activities and from sales of loans and other assets was higher than in the previous quarter, contributing to a \$1.1 billion (2.5 percent) increase in the industry's total noninterest income. Net interest income also improved, increasing by \$947 million (1.6 percent). Although 5 of the 10 largest commercial banks had lower earnings than in the second quarter, more than 60 percent of all banks reported earnings increases. The average ROA in the third

quarter was 1.37 percent, down from the record 1.41 percent in the second quarter, even though a majority of banks (55.6 percent) saw their ROAs improve. Almost two-thirds of all banks (65.7 percent) had an ROA of 1 percent or better in the third quarter. Quarterly earnings were \$6.0 billion (34.4 percent) higher than a year ago, when sharply higher loan-loss provisions at many large banks depressed industry results.

### NET OPERATING INCOME IS DOWN SLIGHTLY FROM PREVIOUS QUARTER'S RECORD LEVEL

\$ Billions



### *Performance Continues To Outstrip 2001 Results*

Through the first nine months of 2002, commercial banks earned \$68.5 billion, up \$12.8 billion (23.0 percent) from the same period in 2001. The industry's ROA so far this year is 1.37 percent, compared to 1.17 percent for the first three quarters of 2001. Almost three out of every four banks (72.6 percent) reported improved year-to-date earnings. The main source of the earnings improvement has been higher net interest income (up \$19.3 billion,



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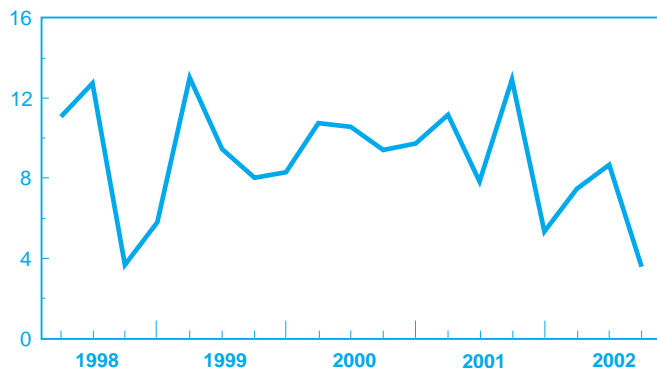
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or 12.2 percent). Net interest margins are above the levels of a year ago, and interest-earning assets have grown by 6.2 percent during the past 12 months. These improvements, along with a \$10.7 billion (9.2 percent) increase in noninterest income, have outweighed a \$7.2 billion (25.7 percent) rise in provisions for loan losses. Almost half of the increase in loss provisions this year (46.5 percent) has come from higher provisions for loan losses in banks' international operations.

### BANKS' FOREIGN OPERATIONS ARE PROVIDING LESS SUPPORT TO EARNINGS

Earnings from International Operations, % of Net Income

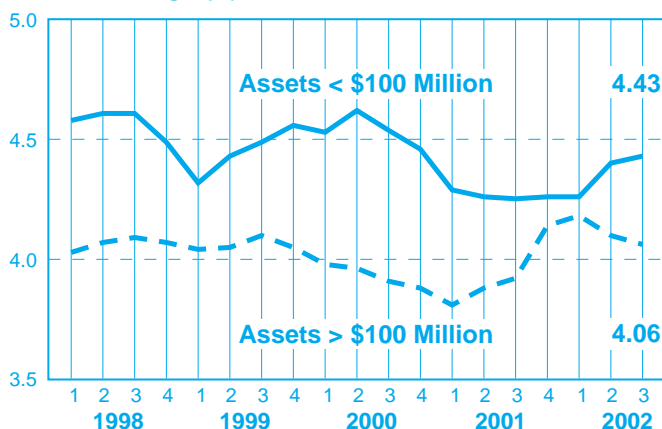


### Interest-Rate Environment Helps Community Banks' Net Interest Margins

The industry's net interest margin fell for the second consecutive quarter, but a \$149.5 billion (2.6 percent) increase in interest-earning assets during the quarter helped lift net interest income above the level of the second quarter. The average margin declined from 4.11 percent to 4.08 percent, although a majority of commercial banks reported margin increases. Smaller institutions rely more on retail (core) deposits to fund their assets, and with interest rates at historic lows, many community banks have difficulty lowering the

### COMMUNITY BANKS' MARGINS IMPROVE FOR SECOND CONSECUTIVE QUARTER

Net Interest Margin (%)



interest rates they pay to retail depositors when short-term interest rates decline. As a result, margins at community banks have tended to not improve until after rates stabilize. Larger banks rely more on interest-sensitive liabilities, which reprice quickly when short-term interest rates change; their margins have tended to improve when rates are falling, but tend to narrow when interest rates are stable.

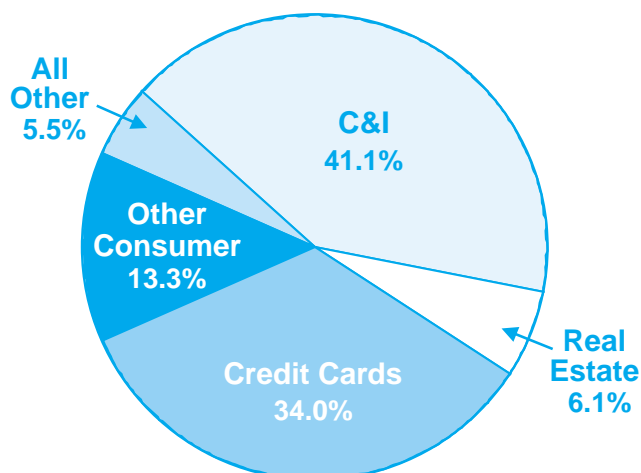
### C&I Loans At Large Banks Remain A Source Of Asset-Quality Woes

Credit-quality problems continued to grow in commercial and industrial (C&I) loan portfolios at large banks. The industry's noncurrent rate on C&I loans increased from 2.87 to 3.01 percent during the quarter, the first time since the first quarter of 1993 that it has been above 3 percent. Unlike the second quarter, when rising levels of noncurrent C&I loans were caused by non-U.S. customers, most of the \$845 million (3.1 percent) increase in the third quarter occurred in loans to domestic borrowers. Noncurrent loans to non-U.S. borrowers were up by only \$59 million (1.0 percent). As has been the case throughout most of the period that troubled C&I loans have been rising, fewer than one out of three commercial banks had an increase in noncurrent C&I loans during the third quarter. Banks charged-off \$4.7 billion in C&I loans during the quarter, \$1.4 billion (43.5 percent) more than in the third quarter of 2001. Almost a quarter (23.7 percent) of these charge-offs consisted of loans to non-U.S. C&I borrowers. C&I charge-offs accounted for 41.1 percent of all loans charged-off by commercial banks in the quarter.

### Loss Rate On Credit Cards Remains High

Charge-offs of credit card loans totaled \$3.9 billion in the third quarter, an increase of \$1.0 billion (35.5 percent) compared to a year ago, and \$128 million (3.4 percent) more than banks charged-off in the second quarter. The annualized net charge-off rate on credit card loans in the quarter was 6.04 percent, slightly below the 6.08 percent rate in the second quarter, but above the 5.20 percent rate of a year earlier. This is the fourth consecutive quarter that the loss rate on banks' credit card loans has been above 6 percent, a level never previously reached in any quarter during the 19 years that banks have reported credit card charge-offs. Despite the high level of charge-offs, the amount of credit-card loans that were noncurrent increased by \$685 million (13.6 percent) during the quarter. Also, the amount of credit cards that were 30-89 days delinquent on scheduled payments increased by \$1.0 billion (15.8 percent). Over the last 12 months, noncurrent credit-card loans have increased by \$972 million (20.4 percent), and 30-89 day delinquencies are up by \$1.4 billion (22.5 percent). Despite the historically high loss levels, the profitability of credit-card lending continued to improve, as net interest margins

## C&I LOANS AND CREDIT CARDS ACCOUNT FOR MOST OF THE INDUSTRY'S CREDIT LOSSES

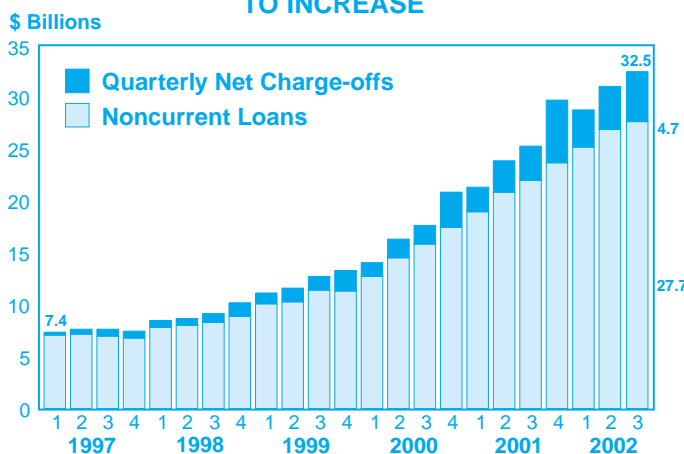


remained high, and income from fees and securitization activities increased.

## Growth In Equity Capital And Reserves Lags Growth In Assets, Loans

Equity capital increased by \$18.5 billion (3.0 percent) during the quarter, keeping pace with the growth in banking assets, as the industry's equity-to-assets ratio remained at 9.22 percent. This level is only five basis points below the 60-year high of 9.27 percent reached at the end of the first quarter. Retained earnings contributed \$8.0 billion, compared to just \$3.8 billion in the third quarter of 2001. Reserves increased by \$1.3 billion (1.7 percent), as loss provisions of \$12.7 billion exceeded net charge-offs of \$11.5 billion. However, strong loan growth caused the ratio of reserves to total loans to decline from 1.87 percent to 1.85 percent. Also, the increase in noncurrent loans caused the

## TROUBLED COMMERCIAL LOANS CONTINUE TO INCREASE



industry's "coverage ratio" to decline from \$1.28 in reserves for every \$1.00 of noncurrent loans, to \$1.24, the eleventh consecutive quarter that this ratio has declined. At its peak, in mid-1998, the coverage ratio stood at \$1.94.

## Mortgage Activity Accounts For Largest Share Of Industry Asset Growth

Commercial bank assets increased by \$201 billion (3.0 percent) during the quarter, as mortgage lending activity contributed to growth in banks' loans and securities portfolios. Residential mortgage loans increased by \$58.1 billion (7.1 percent), while home equity loans grew by \$13.3 billion (7.1 percent). Bank holdings of mortgage-backed securities increased by \$33.7 billion (5.1 percent). Together, these assets accounted for 52.3 percent of the increase in commercial bank assets during the quarter. Strong growth was also reported in credit card loans (up \$17.3 billion, or 6.9 percent), loans to depository institutions (up \$10.3 billion, or 8.1 percent), and real estate construction and development loans (up \$7.2 billion, or 3.6 percent). The industry's C&I loans declined for the seventh consecutive quarter, falling by \$15.0 billion (1.6 percent), even though a majority of banks (50.8 percent) reported increases in their C&I loans during the quarter. Overall, C&I loans have declined by \$130.6 billion (12.4 percent) since the end of 2000.

## Money Continues To Flow Into Savings Deposits

Domestic deposit growth remained very strong in the third quarter. Deposits in domestic offices of commercial banks grew by \$135.2 billion (3.6 percent), led by a \$101.6 billion (5.0 percent) increase in savings deposits. Deposits in banks' foreign offices declined by \$27.9 billion (4.4 percent). Commercial banks also increased their borrowings from Federal Home Loan Banks by \$22.8 billion (10.4 percent). Brokered deposits increased by \$12.0 billion (5.1 percent), their largest increase in over a year.

## Industry Consolidation Slows In Third Quarter

After declining by 113 institutions in the first six months of 2002, the number of insured commercial banks reporting financial results fell by 34 institutions during the third quarter, from 7,967 to 7,933. There were 23 new charters added, while mergers absorbed 58 banks, and one insured commercial bank failed. During the first six months of the year, mergers absorbed 152 commercial banks. The number of commercial banks on the FDIC's "Problem List" increased from 115 to 126 during the quarter, and total assets of "problem" banks increased from \$36 billion to \$38 billion.

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

	2002*	2001*	2001	2000	1999	1998	1997
Return on assets (%).....	1.37	1.17	1.15	1.19	1.31	1.19	1.23
Return on equity (%).....	14.88	13.40	13.12	14.01	15.30	13.92	14.68
Core capital (leverage) ratio (%).....	8.00	7.81	7.79	7.70	7.79	7.54	7.55
Noncurrent assets plus other real estate owned to assets (%).....	0.97	0.85	0.92	0.74	0.63	0.65	0.66
Net charge-offs to loans (%).....	1.12	0.83	0.95	0.67	0.61	0.67	0.64
Asset growth rate (%).....	5.75	8.05	4.92	8.88	5.38	8.53	9.53
Net interest margin (%).....	4.11	3.84	3.91	3.95	4.07	4.07	4.21
Net operating income growth (%).....	21.74	-2.71	-1.91	1.79	20.38	2.26	12.43
Number of institutions reporting.....	7,933	8,149	8,080	8,315	8,579	8,773	9,142
Percentage of unprofitable institutions (%).....	6.24	7.60	8.08	7.34	7.52	6.11	4.85
Number of problem institutions.....	126	74	95	76	66	69	71
Assets of problem institutions (in billions).....	\$38	\$14	\$36	\$17	\$4	\$5	\$5
Number of failed/assisted institutions.....	8	3	3	6	7	3	1

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

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

(dollar figures in millions)	3rd Quarter 2002	2nd Quarter 2002	3rd Quarter 2001	%Change 01:3-02:3		
Number of institutions reporting.....	7,933	7,967	8,149	-2.7		
Total employees (full-time equivalent).....	1,729,035	1,735,172	1,671,152	3.5		
CONDITION DATA						
Total assets.....	\$6,932,604	\$6,731,492	\$6,555,519	5.8		
Loans secured by real estate.....	1,970,709	1,884,853	1,747,875	12.7		
Commercial & industrial loans.....	921,365	936,346	1,011,433	-8.9		
Loans to individuals.....	688,201	660,038	607,562	13.3		
Farm loans.....	47,669	47,641	48,427	-1.6		
Other loans & leases.....	444,885	439,439	448,147	-0.7		
Less: Unearned income.....	3,634	3,830	2,665	36.4		
Total loans & leases.....	4,069,196	3,964,486	3,860,780	5.4		
Less: Reserve for losses.....	75,502	74,252	68,213	10.7		
Net loans and leases.....	3,993,694	3,890,235	3,792,567	5.3		
Securities.....	1,292,320	1,229,268	1,106,870	16.8		
Other real estate owned.....	3,954	3,876	3,459	14.3		
Goodwill and other intangibles.....	122,115	127,339	111,728	9.3		
All other assets.....	1,520,520	1,480,775	1,540,896	-1.3		
Total liabilities and capital.....	6,932,604	6,731,492	6,555,519	5.8		
Noninterest-bearing deposits.....	890,406	824,635	777,491	14.5		
Interest-bearing deposits.....	3,650,675	3,609,184	3,517,121	3.8		
Other borrowed funds.....	1,242,998	1,190,845	1,167,133	6.5		
Subordinated debt.....	92,748	93,712	92,439	0.3		
All other liabilities.....	416,461	392,345	415,615	0.2		
Equity capital.....	639,317	620,771	585,720	9.2		
Loans and leases 30-89 days past due.....	46,542	45,737	52,559	-11.4		
Noncurrent loans and leases.....	61,170	58,376	51,693	18.3		
Restructured loans and leases.....	1,784	1,649	1,061	68.2		
Direct and indirect investments in real estate.....	252	270	253	-0.6		
1-4 Family residential mortgages.....	1,082,785	1,011,391	931,415	16.3		
Mortgage-backed securities.....	695,045	653,672	560,263	24.1		
Earning assets.....	5,931,418	5,781,910	5,585,109	6.2		
Long-term assets (5+ years).....	1,446,252	1,390,185	1,264,493	14.4		
Volatile liabilities.....	2,168,183	2,127,400	2,182,809	-0.7		
Foreign office deposits.....	612,973	640,905	680,897	-10.0		
FHLB Advances.....	240,595	217,837	191,545	25.6		
Unused loan commitments.....	5,261,265	5,180,898	4,732,508	11.2		
Derivatives.....	53,694,588	50,577,563	51,348,981	4.6		
	First Three Qtrs 2002	First Three Qtrs 2001	%Change	3rd Quarter 2002	3rd Quarter 2001	%Change 01:3-02:3
INCOME DATA						
Total interest income.....	\$269,777	\$310,507	-13.1	\$90,710	\$100,111	-9.4
Total interest expense.....	92,998	152,994	-39.2	31,074	45,855	-32.2
Net interest income.....	176,779	157,513	12.2	59,636	54,256	9.9
Provision for loan and lease losses.....	35,192	28,004	25.7	12,699	11,583	9.6
Total noninterest income.....	127,642	116,909	9.2	43,624	38,838	12.3
Total noninterest expense.....	170,995	164,787	3.8	58,120	56,173	3.5
Securities gains (losses).....	4,173	2,921	42.9	2,465	1,007	144.8
Applicable income taxes.....	33,892	28,580	18.6	11,522	8,986	28.2
Extraordinary gains, net.....	-3	-265	N/M	-40	8	N/M
Net income.....	68,512	55,708	23.0	23,344	17,365	34.4
Net charge-offs.....	33,189	23,837	39.2	11,524	9,258	24.5
Cash dividends.....	49,295	39,207	25.7	15,388	13,572	13.4
Net operating income.....	65,688	53,957	21.7	21,713	16,667	30.3

N/M - Not meaningful

**TABLE III-A. First Three Quarters 2002, FDIC-Insured Commercial Banks**

FIRST THREE QUARTERS (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.....	7,933	4,285	3,249	319	80	628	1,378	1,690	2,063	1,310	864
Total assets (in billions).....	\$6,932.6	\$216.8	\$855.5	\$917.0	\$4,943.3	\$2,351.2	\$1,717.9	\$1,424.1	\$384.8	\$288.0	\$766.6
Total deposits (in billions).....	4,541.1	182.2	695.6	631.0	3,032.3	1,449.8	1,169.8	902.7	254.8	233.4	530.6
Net income (in millions).....	68,512	1,701	7,804	10,196	48,811	19,893	17,497	14,028	4,693	2,794	9,608
% of unprofitable institutions.....	6.2	9.5	2.4	2.8	3.8	9.6	9.4	4.7	3.2	5.0	10.8
% of institutions with earnings gains.....	72.6	67.3	79.0	77.4	76.3	73.4	77.3	76.5	70.3	68.5	68.5
<b>Performance ratios (annualized, %)</b>											
Yield on earning assets.....	6.28	6.79	6.80	6.43	6.12	6.13	6.20	6.05	7.29	6.45	6.69
Cost of funding earning assets.....	2.16	2.45	2.36	2.14	2.12	2.39	2.11	2.19	2.18	1.95	1.64
Net interest margin.....	4.11	4.34	4.44	4.29	4.00	3.74	4.09	3.86	5.11	4.49	5.05
Noninterest income to earning assets.....	2.97	1.12	1.56	2.90	3.34	3.84	2.64	2.21	3.14	1.65	3.00
Noninterest expense to earning assets.....	3.98	3.66	3.69	4.03	4.04	4.39	3.90	3.31	4.48	3.83	4.02
Loan and lease loss provision to assets.....	0.70	0.28	0.36	0.57	0.80	0.95	0.44	0.55	1.02	0.31	0.81
Net operating income to assets.....	1.31	1.05	1.26	1.50	1.30	1.11	1.35	1.28	1.64	1.28	1.75
Pretax return on assets.....	2.04	1.39	1.77	2.33	2.07	1.77	2.06	2.02	2.43	1.84	2.78
Return on assets.....	1.37	1.08	1.27	1.54	1.36	1.17	1.41	1.36	1.67	1.34	1.76
Return on equity.....	14.88	9.69	12.98	15.11	15.48	13.51	14.81	15.91	16.55	13.60	16.57
Net charge-offs to loans and leases.....	1.12	0.30	0.38	0.92	1.34	1.78	0.67	0.81	1.30	0.39	1.22
Loan and lease loss provision to net charge-offs.....	106.03	155.02	146.88	100.69	104.01	105.13	105.62	103.91	114.42	139.36	103.90
Efficiency ratio.....	54.93	66.89	61.10	55.10	53.52	56.74	56.42	53.00	52.75	61.81	49.06
<b>Condition Ratios (%)</b>											
Earning assets to total assets.....	85.56	91.42	91.46	89.99	83.46	82.39	84.65	88.21	90.38	89.74	88.39
Loss allowance to:											
Loans and leases.....	1.86	1.45	1.46	1.79	1.97	2.29	1.56	1.70	1.78	1.50	1.91
Noncurrent loans and leases.....	123.43	123.26	143.92	163.04	115.97	106.71	131.50	115.86	155.47	138.78	179.05
Noncurrent assets plus other real estate owned to assets.....	0.97	0.89	0.79	0.74	1.05	1.16	0.81	1.05	0.89	0.75	0.74
Equity capital ratio.....	9.22	11.28	9.93	10.33	8.80	8.69	9.52	8.54	10.51	10.06	10.50
Core capital (leverage) ratio.....	8.00	10.82	9.31	9.18	7.41	7.60	7.77	7.80	9.40	8.84	9.04
Tier 1 risk-based capital ratio.....	10.18	16.05	13.03	12.65	9.10	10.04	9.60	9.35	12.75	13.00	11.33
Total risk-based capital ratio.....	12.95	17.16	14.22	14.68	12.30	13.08	12.30	12.42	14.11	14.44	14.03
Net loans and leases to deposits.....	87.95	72.49	79.03	86.35	91.25	78.18	88.34	101.24	104.49	70.90	90.68
<b>Structural Changes (YTD)</b>											
New Charters.....	65	64	1	0	0	7	22	3	7	6	20
Banks absorbed by mergers.....	210	91	96	18	5	24	46	36	41	33	30
Failed banks.....	8	5	2	1	0	1	3	2	0	1	1
<b>PRIOR FIRST THREE QUARTERS (The way it was...)</b>											
Number of institutions.....2001	8,149	4,598	3,150	321	80	650	1,411	1,738	2,106	1,351	893
.....1999	8,621	5,240	2,989	315	77	682	1,442	1,878	2,219	1,467	933
.....1997	9,214	5,977	2,874	297	66	724	1,536	2,020	2,343	1,613	978
Total assets (in billions).....2001	\$6,555.5	\$225.8	\$803.2	\$898.2	\$4,628.4	\$2,343.0	\$1,647.8	\$1,251.0	\$335.6	\$269.9	\$708.2
.....1999	5,513.1	245.4	743.6	881.8	3,642.3	1,898.5	1,493.7	931.7	373.8	306.7	508.6
.....1997	4,869.3	272.3	711.1	899.7	2,986.2	1,839.9	898.5	793.4	329.2	341.4	666.9
Return on assets (%).....2001	1.17	0.96	1.22	1.31	1.14	1.15	1.03	1.04	1.42	1.18	1.68
.....1999	1.32	1.08	1.36	1.50	1.29	1.25	1.29	1.29	1.51	1.21	1.68
.....1997	1.24	1.25	1.38	1.30	1.18	1.13	1.29	1.27	1.40	1.24	1.31
Net charge-offs to loans & leases (%)											
.....2001	0.83	0.27	0.35	0.90	0.93	0.96	0.69	0.76	0.69	0.39	1.20
.....1999	0.58	0.35	0.32	0.64	0.64	0.76	0.40	0.35	0.74	0.42	0.94
.....1997	0.62	0.23	0.33	1.03	0.58	0.71	0.44	0.48	0.82	0.33	0.83
Noncurrent assets plus OREO to assets (%).....2001	0.85	0.82	0.73	0.77	0.89	0.82	0.85	0.96	0.73	0.74	0.84
.....1999	0.67	0.72	0.63	0.62	0.69	0.78	0.57	0.59	0.62	0.68	0.72
.....1997	0.68	0.77	0.71	0.82	0.62	0.72	0.61	0.62	0.67	0.55	0.77
Equity capital ratio (%).....2001	8.93	11.25	9.86	9.79	8.49	8.09	9.58	8.61	9.23	9.83	10.31
.....1999	8.51	10.92	9.40	9.27	7.97	7.91	8.59	8.21	8.89	8.73	10.62
.....1997	8.53	10.96	9.69	9.33	7.79	7.39	9.28	8.69	9.20	8.98	9.92

**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. Third Quarter 2002, FDIC-Insured Commercial Banks

THIRD QUARTER (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.....	7,933	4,285	3,249	319	80	628	1,378	1,690	2,063	1,310	864
Total assets (in billions).....	\$6,932.6	\$216.8	\$855.5	\$917.0	\$4,943.3	\$2,351.2	\$1,717.9	\$1,424.1	\$384.8	\$288.0	\$766.6
Total deposits (in billions).....	4,541.1	182.2	695.6	631.0	3,032.3	1,449.8	1,169.8	902.7	254.8	233.4	530.6
Net income (in millions).....	23,344	610	2,783	3,765	16,186	6,240	6,061	4,751	1,627	976	3,690
% of unprofitable institutions.....	6.1	8.9	2.7	3.8	5.0	9.4	8.7	5.6	3.3	4.6	9.8
% of institutions with earnings gains.....	72.2	67.6	77.7	77.4	70.0	70.9	75.8	73.9	70.0	70.7	71.5
<b>Performance Ratios (annualized, %)</b>											
Yield on earning assets.....	6.20	6.77	6.73	6.24	6.06	6.02	6.17	5.95	7.34	6.39	6.58
Cost of funding earning assets.....	2.12	2.34	2.26	2.05	2.10	2.40	2.06	2.11	2.15	1.87	1.58
Net interest margin.....	4.08	4.43	4.47	4.19	3.96	3.63	4.11	3.84	5.19	4.52	5.00
Noninterest income to earning assets.....	2.98	1.16	1.59	3.13	3.30	3.76	2.60	2.21	3.31	1.66	3.33
Noninterest expense to earning assets.....	3.97	3.71	3.69	3.91	4.05	4.34	3.91	3.36	4.55	3.90	3.92
Loan and lease loss provision to assets.....	0.74	0.31	0.38	0.61	0.85	1.00	0.46	0.58	1.17	0.32	0.84
Net operating income to assets.....	1.27	1.09	1.29	1.60	1.22	0.98	1.35	1.22	1.67	1.26	1.93
Pretax return on assets.....	2.04	1.47	1.84	2.56	2.01	1.66	2.05	2.01	2.47	1.89	3.13
Return on assets.....	1.37	1.14	1.32	1.67	1.33	1.07	1.44	1.36	1.71	1.38	1.98
Return on equity.....	14.84	10.13	13.37	16.15	15.10	12.42	15.09	15.82	16.50	13.71	18.52
Net charge-offs to loans and leases.....	1.15	0.33	0.39	1.05	1.36	1.82	0.70	0.83	1.25	0.42	1.30
Loan and lease loss provision to net charge-offs.....	110.19	151.43	148.37	94.65	109.95	111.04	107.31	106.22	134.39	129.55	100.56
Efficiency ratio.....	54.86	66.07	60.55	52.45	54.03	57.62	56.77	52.92	52.03	62.63	46.27
<b>Structural Changes (QTR)</b>											
New charters.....	23	23	0	0	0	1	10	0	2	2	8
Banks absorbed by mergers.....	58	28	23	6	1	6	7	16	16	7	6
Failed banks.....	1	1	0	0	0	0	1	0	0	0	0
<b>PRIOR THIRD QUARTERS (The way it was...)</b>											
Return on assets (%).....2001	1.08	0.95	1.23	1.31	1.01	1.10	0.78	1.00	1.53	1.21	1.58
.....1999	1.41	1.11	1.32	1.57	1.41	1.46	1.37	1.25	1.40	1.26	1.74
.....1997	1.22	1.31	1.43	1.40	1.11	1.09	1.32	1.28	1.32	1.23	1.32
Net charge-offs to loans & leases (%).....2001	0.96	0.34	0.41	0.97	1.10	1.04	0.98	0.86	0.79	0.44	1.19
.....1999	0.58	0.23	0.35	0.70	0.63	0.78	0.41	0.33	0.80	0.44	0.85
.....1997	0.66	0.26	0.34	1.10	0.62	0.74	0.47	0.54	0.90	0.39	0.86

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

September 30, 2002	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	West
<b>Percent of Loans 30-89 Days Past Due</b>											
All loans secured by real estate.....	1.03	1.31	0.94	0.89	1.08	1.14	0.90	1.31	0.83	1.04	0.78
Construction and development.....	1.03	1.31	0.96	1.00	1.06	1.15	0.62	1.42	1.02	1.26	1.20
Commercial real estate.....	0.70	1.03	0.72	0.74	0.64	0.76	0.55	0.94	0.78	0.75	0.53
Multifamily residential real estate.....	0.40	0.65	0.56	0.40	0.34	0.31	0.27	0.67	0.30	0.54	0.25
Home equity loans.....	0.61	0.67	0.52	0.54	0.62	0.53	0.59	0.69	0.57	0.58	0.56
Other 1-4 Family residential.....	1.35	1.70	1.29	1.13	1.39	1.35	1.31	1.79	0.90	1.28	0.94
Commercial and industrial loans.....	0.91	1.77	1.32	1.39	0.75	0.81	0.62	1.10	1.43	1.31	1.09
Loans to individuals.....	2.19	2.46	2.30	2.02	2.20	2.35	2.20	1.84	2.55	1.91	1.89
Credit card loans.....	2.76	2.54	4.87	2.73	2.70	2.82	4.18	2.15	2.92	1.40	2.12
Other loans to individuals.....	1.83	2.46	1.94	1.68	1.81	1.89	1.87	1.79	1.79	1.92	1.54
All other loans and leases (including farm).....	0.56	0.83	0.75	0.76	0.51	0.49	0.28	0.79	0.86	0.89	0.52
Total loans and leases.....	1.14	1.47	1.13	1.17	1.12	1.24	0.94	1.25	1.36	1.20	1.01
Memo: Commercial RE loans not secured by RE.....	0.85	0.22	0.47	0.64	0.90	0.64	0.34	1.31	2.01	0.66	1.27
<b>Percent of Loans Noncurrent*</b>											
All real estate loans.....	0.93	1.03	0.88	0.87	0.96	1.04	0.74	1.34	0.69	0.92	0.62
Construction and development.....	1.09	1.08	1.10	1.13	1.07	1.12	0.91	1.40	0.85	0.83	1.18
Commercial real estate.....	0.96	1.14	0.95	0.89	0.97	0.86	0.81	1.32	0.96	1.04	0.76
Multifamily residential real estate.....	0.39	0.76	0.45	0.25	0.40	0.23	0.46	0.53	0.40	0.65	0.18
Home equity loans.....	0.30	0.31	0.26	0.31	0.31	0.23	0.25	0.42	0.29	0.47	0.25
Other 1-4 Family residential.....	0.97	0.90	0.78	0.90	1.03	1.04	0.77	1.69	0.48	0.80	0.40
Commercial and industrial loans.....	3.01	1.73	1.54	1.90	3.43	4.19	2.68	2.58	1.50	1.59	2.23
Loans to individuals.....	1.45	0.98	0.98	1.01	1.59	2.03	0.86	0.68	1.82	0.72	1.24
Credit card loans.....	2.14	1.36	3.56	1.84	2.14	2.26	2.43	1.41	2.30	0.98	1.79
Other loans to individuals.....	1.01	0.97	0.62	0.61	1.16	1.81	0.60	0.56	0.85	0.71	0.39
All other loans and leases (including farm).....	1.03	1.27	1.19	0.81	1.03	1.26	0.89	0.75	1.06	1.56	1.01
Total loans and leases.....	1.50	1.17	1.02	1.10	1.69	2.14	1.19	1.47	1.15	1.08	1.07
Memo: Commercial RE loans not secured by RE.....	0.84	0.76	0.26	0.51	0.89	0.56	1.20	0.97	1.52	0.71	0.34
<b>Percent of Loans Charged-off (net, YTD)</b>											
All real estate loans.....	0.15	0.09	0.08	0.15	0.17	0.10	0.12	0.29	0.07	0.10	0.07
Construction and development.....	0.16	0.13	0.11	0.23	0.15	0.15	0.11	0.26	0.13	0.06	0.15
Commercial real estate.....	0.13	0.12	0.09	0.14	0.15	0.04	0.09	0.30	0.10	0.11	0.09
Multifamily residential real estate.....	0.06	0.05	0.03	0.12	0.05	0.04	0.04	0.11	0.00	0.23	0.02
Home equity loans.....	0.19	0.04	0.04	0.13	0.22	0.05	0.16	0.35	0.11	0.16	0.06
Other 1-4 Family residential.....	0.14	0.08	0.07	0.13	0.16	0.08	0.14	0.30	0.05	0.09	0.04
Commercial and industrial loans.....	1.75	0.66	0.76	1.34	1.98	2.13	1.69	1.52	0.80	0.72	1.99
Loans to individuals.....	3.40	0.88	1.65	3.15	3.73	4.62	1.59	1.76	4.46	1.01	4.09
Credit card loans.....	6.68	3.89	7.67	6.95	6.61	7.60	4.73	4.78	6.55	3.08	5.73
Other loans to individuals.....	1.40	0.79	0.85	1.08	1.60	1.93	1.10	1.30	0.53	0.95	1.37
All other loans and leases (including farm).....	0.77	0.36	0.59	0.64	0.81	0.89	0.35	0.98	0.35	0.67	0.91
Total loans and leases.....	1.12	0.30	0.38	0.92	1.34	1.77	0.67	0.81	1.30	0.39	1.22
Memo: Commercial RE loans not secured by RE.....	0.11	0.44	0.31	0.20	0.09	0.02	0.17	0.18	-0.04	0.22	0.03
<b>Loans Outstanding (in billions)</b>											
All real estate loans.....	\$1,970.7	\$79.7	\$378.2	\$315.1	\$1,197.7	\$385.2	\$597.6	\$479.4	\$128.6	\$97.7	\$282.2
Construction and development.....	205.9	7.4	47.9	42.4	108.1	21.0	74.8	50.6	11.3	15.2	32.9
Commercial real estate.....	541.7	23.9	150.0	116.7	251.1	89.2	163.2	127.7	34.0	37.3	90.2
Multifamily residential real estate.....	68.8	1.8	13.2	13.6	40.2	15.9	16.5	19.6	3.5	3.0	10.4
Home equity loans.....	201.2	2.3	18.5	22.7	157.7	40.0	60.3	65.8	6.5	1.8	26.8
Other 1-4 Family residential.....	881.5	33.9	132.3	114.8	600.5	188.1	272.1	206.1	61.6	36.1	117.6
Commercial and industrial loans.....	921.4	22.4	94.9	110.4	693.6	303.7	224.7	216.6	42.7	38.1	95.5
Loans to individuals.....	688.2	15.8	55.8	91.1	525.4	281.7	126.3	106.8	68.7	22.0	82.7
Credit card loans.....	267.7	0.4	6.8	29.8	230.6	137.7	18.2	14.8	46.0	0.6	50.3
Other loans to individuals.....	420.5	15.4	49.0	61.3	294.8	144.0	108.1	92.1	22.7	21.3	32.4
All other loans and leases (including farm).....	492.6	16.2	29.6	38.6	408.2	191.8	101.8	127.0	31.1	10.4	30.6
Total loans and leases.....	4,072.8	134.2	558.4	555.3	2,825.0	1,162.3	1,050.3	929.9	271.1	168.1	491.0
Memo: Commercial RE loans not secured by RE.....	39.2	0.3	1.5	3.4	34.1	9.1	12.0	9.2	0.8	0.7	7.3
<b>Memo: Other Real Estate Owned (in millions)</b>											
All other real estate owned.....	\$3,954.1	\$324.5	\$1,067.5	\$587.3	\$1,974.8	\$556.3	\$1,343.2	\$964.5	\$323.7	\$330.1	\$436.4
Construction and development.....	366.6	32.7	177.1	73.0	83.7	44.1	125.9	62.6	33.0	42.6	58.2
Commercial real estate.....	1,755.8	141.2	503.5	319.9	791.3	250.2	681.7	267.4	159.5	164.8	232.2
Multifamily residential real estate.....	81.2	13.4	38.8	12.8	16.2	11.0	14.8	18.7	13.3	6.5	16.8
1-4 Family residential.....	1,560.7	110.8	307.2	170.9	971.9	146.2	506.6	606.8	94.9	96.5	109.8
Farmland.....	84.1	26.3	39.1	8.9	9.7	2.5	14.1	8.9	23.0	19.6	15.8
Other real estate owned in foreign offices.....	105.7	0.0	1.8	1.9	102.0	102.3	0.0	0.0	0.0	0.0	3.5

\*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.

N/A - Not Available



## SAVINGS INSTITUTION PERFORMANCE—THIRD QUARTER, 2002

- **Industry Has Second Consecutive Quarter Of Record Earnings**
- **Gains On Sales Of Securities Propel Earnings**
- **Margins And Profitability Improve At Community Thrifts**
- **Real Estate Loan Quality Remains Strong**
- **Deposits Increase Sharply**

### **Earnings in the Third Quarter Reached \$4.0 Billion for the First Time**

A favorable interest rate environment helped insured savings institutions realize \$1.9 billion in gains from sales of securities, lifting industry earnings to just under \$4.0 billion in the third quarter. This was the highest quarterly total ever for savings institutions. The previous record was set last quarter at \$3.9 billion. In the third quarter of 2001, thrifts earned \$3.5 billion. Loan loss provisions fell \$116 million (12 percent) from the second quarter, to \$822 million. This was the first decline in provisions in a year. In the third quarter of last year provisions were \$889 million. The \$1.9 billion in gains on securities sales was up \$563 million (43 percent) from last quarter and \$550 million (42 percent) from a year ago. Noninterest income fell \$382 million (13 percent) from last quarter primarily because of losses on servicing operations.

The ROA for the industry this quarter was 1.20 percent, the highest quarterly return ever reported, and slightly above the previous record level of 1.19 percent reported in the second quarter. Profitability was much higher than a year ago, when the industry's ROA was just 1.08 percent. More than three out of four thrifts (77 percent) reported higher earnings from year-ago levels. ROA

strength was fairly widespread, with 557 institutions (38 percent of the industry) reporting an ROA of 1.00 percent or better.

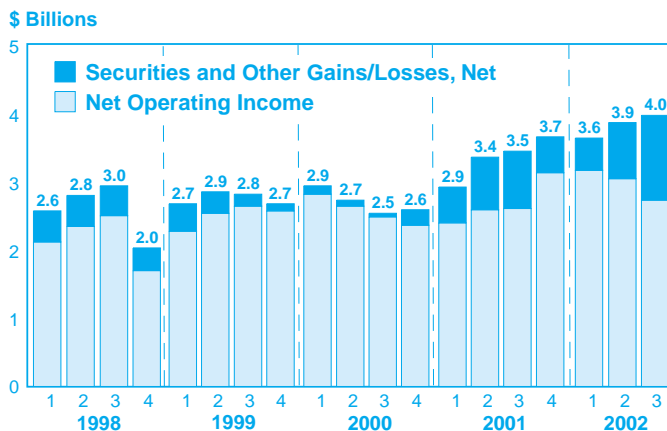
### **Losses Continue on Servicing Operations**

The decline in long-term interest rates has generated a large amount of refinancings of home mortgages and the resulting prepayments of older, higher-rate mortgages have hurt the value of thrifts' mortgage servicing rights (MSRs). Mortgage servicing rights represent the future cash flows expected from processing mortgage payments, and much of the fee income earned by savings institutions comes from servicing home mortgages. Servicing fee income normally is reduced by any loss in the value of mortgage servicing rights. In the second quarter, thrifts' servicing operations produced net losses of \$1.1 billion; in the third quarter these losses grew to \$2.2 billion. There were 373 savings institutions that reported lower servicing fee income or that had higher losses in the third quarter compared to the second quarter. These declines were the primary reason that noninterest income fell by \$382 million to \$2.5 billion. Other noninterest income, including some hedging gains, helped moderate the effect on total noninterest income in the third quarter.

### **Net Interest Margins Improved at Small Thrifts, Declined at Larger Institutions**

Another result of declining long-term interest rates was that the industry's net interest margin contracted for the second quarter in a row. The industry's net interest margin declined 9 basis points to 3.41 percent during the third quarter. The asset yield fell faster, down 18 basis points, than the cost of funding earning assets, down 8 basis points. While larger institutions reported declining margins, small savings institutions with assets of less than \$100 million reported a 4 basis point improvement in their net interest margin, which rose to 3.52 percent. These small institutions were able to reduce the cost of funding earning assets by 14 basis points, while their asset yields fell only 10 basis points.

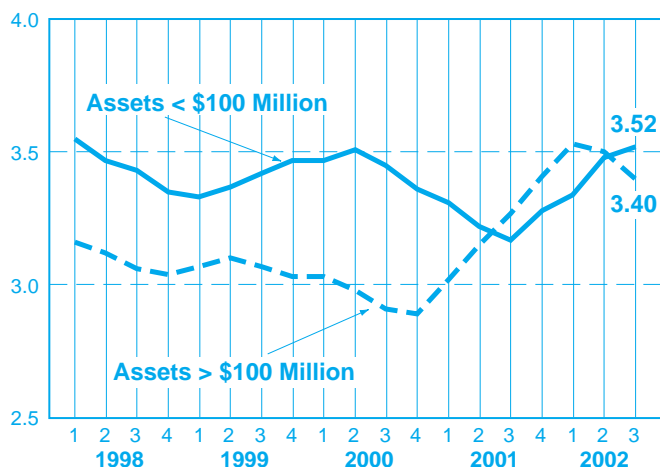
#### **EARNINGS REACH \$4.0 BILLION**





## SMALL INSTITUTIONS' NET INTEREST MARGINS IMPROVE

Net Interest Margin (%)

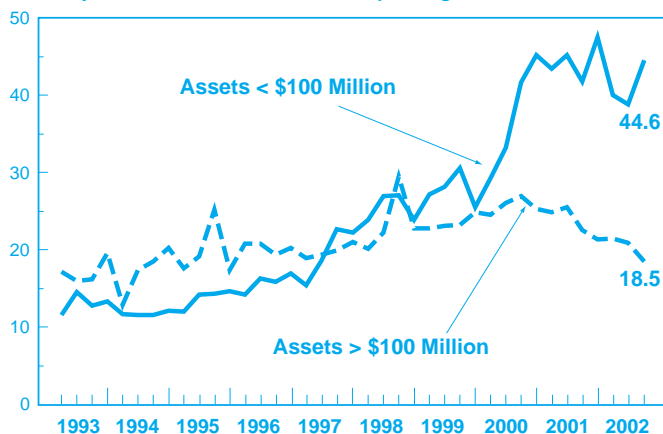


## Small Thrifts Reported a Significant Improvement in Profitability

There were 524 savings institutions with less than \$100 million in assets at the end of the third quarter and they reported an aggregate ROA of 0.99 percent, up from 0.85 percent last quarter and from 0.71 percent a year ago. In addition to improved net interest margins, a 43 percent decline in provisions for loan losses and a 20 percent increase in the gains on sales of securities helped lift community thrifts' earnings this quarter. Noninterest income, which provides 45 percent of operating revenue for this group, continued to expand, growing 63 basis points to 2.84 percent of earning assets. Noninterest expenses grew even faster, up 64 basis points to 4.93 percent of assets. One dozen specialty institutions with assets less than \$100 million generate over 90 percent of their operating revenue from noninterest income. Without these specialty institu-

## SMALL SPECIALTY INSTITUTIONS CONTINUE TO GROW NONINTEREST INCOME WHILE LARGE INSTITUTIONS REPORT LOWER SERVICING FEES

Quarterly Noninterest Income, % of Net Operating Revenue



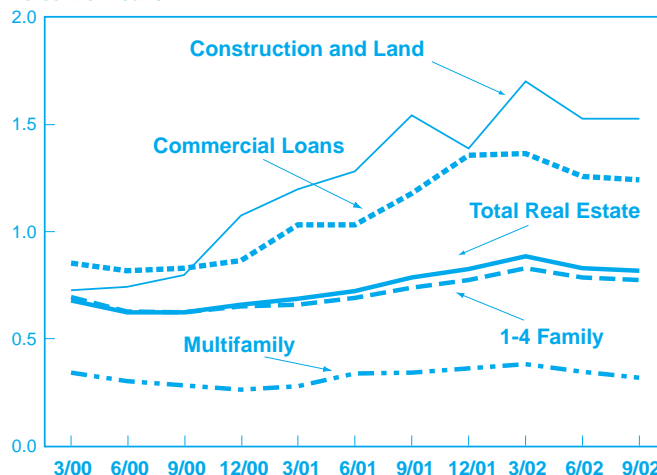
tions, the remaining 512 community savings institutions reported an aggregate ROA of 0.71 percent, up from 0.59 percent last quarter and from 0.37 percent a year ago. Almost 78 percent of these small institutions reported improved earnings over year-ago levels.

## Real Estate Loan Quality Held Steady

Noncurrent loans rose \$261 million during the quarter, but remained at 0.87 percent of loans. All residential and commercial real estate loan categories showed improvement or held steady, which led to a 1 basis point drop in the noncurrent rate on thrifts' real estate loans, to 0.82 percent. The noncurrent rate for commercial & industrial loans rose 6 basis points to 2.28 percent, but this category of loans represents only 5 percent of the industry's total loan portfolio. The percent of credit card loans that were noncurrent rose 43 basis points to 1.43 percent. Total credit card loans declined \$3.1 billion for the industry as one institution (Household Bank, FSB) sold nearly its entire portfolio of over \$4 billion in credit card loans. Now just 3 savings institutions hold 73 percent of all credit card plans in the industry.

## NONCURRENT REAL ESTATE RATES CONTINUE TO IMPROVE

Percent of Loans



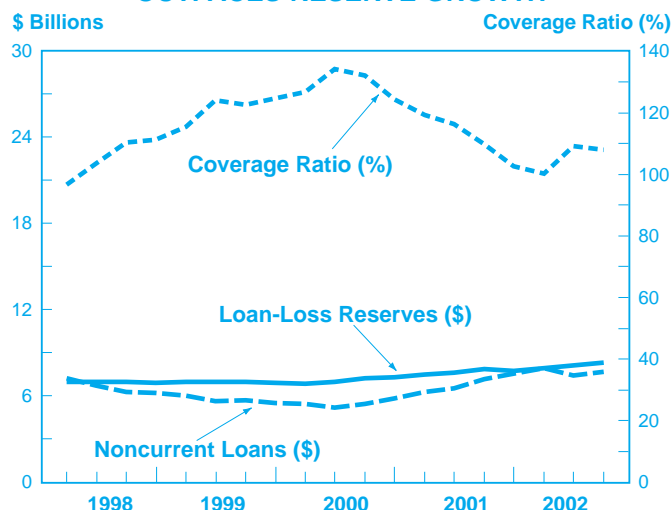
## Credit Cards Fuel Rise in Net Charge-offs

Net charge-offs increased \$125 million to \$612 million or 0.28 percent of total loans. Net charge-offs on credit card loans accounted for 60 percent of this increase, rising \$75 million to \$195 million, as the charge-off rate rose to 4.94 percent from 2.83 percent in the second quarter. A year ago the rate was 4.99 percent. The net charge-off rate on commercial & industrial loans rose 2 basis points to 1.34 percent during the third quarter, but this was 7 basis points lower than a year ago when charge-off rate was 1.41 percent. The net charge-off rate on real estate loans held steady at 5 basis points.

## Reserve Growth Closely Tracks Growth in Noncurrent Loans and Total Loans

Loan loss reserves rose \$192 million to \$8.3 billion, as loss provisions of \$822 million exceeded net charge-offs of \$612 million. At the end of September, reserves represented 0.94 percent of total loans, down slightly from 0.95 percent last quarter. Similarly, the industry's coverage ratio—loan loss reserves to noncurrent loans—fell slightly, to \$1.08 in reserves for every \$1 of noncurrent loans from \$1.09.

### GROWTH IN NONCURRENT LOANS SLIGHTLY OUTPACES RESERVE GROWTH



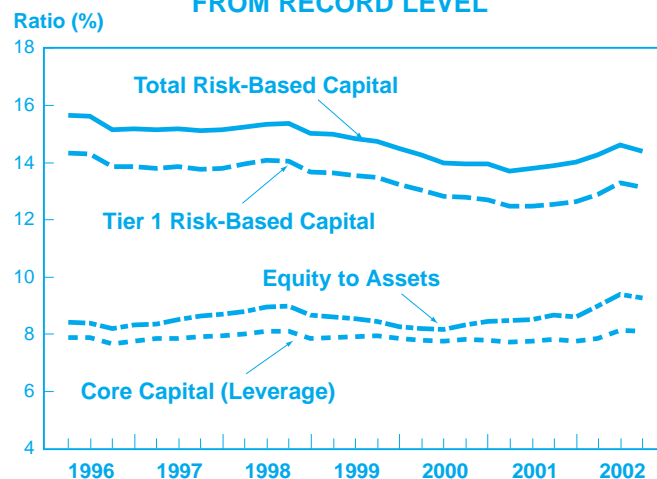
## Industry Assets Grew by \$50 Billion over Past 12 Months

Asset growth was 4 percent over the past year, with almost two-thirds (\$33 billion) occurring in the third quarter. Home equity loans have grown by \$10.2 billion or 36 percent over the past year, with \$3.2 billion of this increase occurring in the third quarter. At the current low level of interest rates, these loans have been popular as one way to reduce other types of higher cost debt. Declining interest rates continued to cause the value of savings institutions' portfolios of securities to rise; appreciation added \$1.6 billion to thrifts' securities holdings during the third quarter, in addition to the gains that were realized on sales during the quarter.

Asset growth was mainly funded by deposits in the third quarter. Deposits increased by \$30.7 billion, accounting for more than half of the increase of \$61 billion (8 percent) over the last 12 months. Other borrowed funds

declined by \$4.9 billion in the quarter and are down by \$26 billion from a year ago. This quarter's decline in other borrowed funds did not include Federal Home Loan Bank advances, which rose \$389 million. FHLB advances were \$31 billion higher a year ago, and the increase this quarter reverses a trend away from advances in favor of deposits.

### THE INDUSTRY'S CAPITAL RATIO SLIPS BACK FROM RECORD LEVEL



### The Increase in Capital Was Outstripped by Asset Growth

Equity capital rose by \$1.4 billion because of the increase in gains on available-for-sale securities, up by \$1.6 billion. However, the growth in industry assets led to a decline in the equity capital ratio from a record 9.40 percent to 9.27 percent. Core capital, which does not include gains on AFS securities, declined from a record 8.15 percent of average assets to 8.09 percent.

### The Number of Savings Institutions Falls to 1,482

A dozen mergers resulted in a decline in the number of savings institutions. There were 6 thrifts that were merged into other thrifts during the quarter and 6 thrifts were absorbed by commercial banks. An additional 2 thrifts converted their charters to a commercial bank charter during the quarter. There were 4 mutual-to-stock conversions of savings institutions with \$953 million assets during the third quarter. The number of "problem" thrifts declined by one to 20 and assets of these institutions rose slightly to \$3.9 billion from \$3.8 billion at the end of June.

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

	2002*	2001*	2001	2000	1999	1998	1997
Return on assets (%).....	1.20	1.05	1.07	0.92	1.00	1.01	0.93
Return on equity (%).....	13.19	12.36	12.33	11.14	11.73	11.35	10.84
Core capital (leverage) ratio (%).....	8.09	7.82	7.77	7.80	7.86	7.85	7.95
Noncurrent assets plus							
other real estate owned to assets (%).....	0.66	0.64	0.65	0.56	0.58	0.72	0.95
Net charge-offs to loans (%).....	0.25	0.25	0.28	0.20	0.17	0.22	0.25
Asset growth rate (%).....	3.87	7.36	8.17	5.99	5.52	6.06	-0.28
Net interest margin.....	3.48	3.16	3.20	2.96	3.10	3.10	3.23
Net operating income growth (%).....	18.99	-2.49	6.63	3.05	16.62	7.71	19.98
Number of institutions reporting.....	1,482	1,553	1,533	1,589	1,642	1,690	1,780
Percentage of unprofitable institutions (%).....	7.22	9.47	8.68	8.56	8.28	5.27	4.10
Number of problem institutions.....	22	20	19	18	13	15	12
Assets of problem institutions (in billions).....	\$4	\$4	\$4	\$7	\$6	\$6	\$2
Number of failed/assisted institutions.....	1	1	1	1	1	0	0

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

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

(dollar figures in millions)

(dollar figures in millions)	3rd Quarter 2002	2nd Quarter 2002	3rd Quarter 2001	%Change 01:3-02:3		
Number of institutions reporting.....	1,482	1,498	1,553	-4.6		
Total employees (full-time equivalent).....	268,031	266,696	263,310	1.8		
<b>CONDITION DATA</b>						
Total assets.....	\$1,339,293	\$1,306,190	\$1,289,416	3.9		
Loans secured by real estate.....	773,676	742,938	758,554	2.0		
1-4 Family Residential.....	602,901	577,377	597,874	0.8		
Multifamily residential property.....	63,072	60,470	58,971	7.0		
Commercial real estate.....	69,922	67,765	63,956	9.3		
Construction, development, and land.....	37,782	37,326	37,753	0.1		
Commercial & industrial loans.....	41,037	40,102	37,609	9.1		
Loans to individuals.....	65,464	68,722	68,832	-4.9		
Other loans & leases.....	4,850	4,858	6,547	-25.9		
Less: Unearned income & contra accounts.....	156	158	169	-7.8		
Total loans & leases.....	884,872	856,461	871,373	1.5		
Less: Reserve for losses.....	8,337	8,145	7,862	6.0		
Net loans & leases.....	876,534	848,316	863,511	1.5		
Securities.....	297,048	300,951	275,818	7.7		
Other real estate owned.....	1,084	1,035	1,049	3.4		
Goodwill and other intangibles.....	23,661	26,183	23,183	2.1		
All other assets.....	140,965	129,705	125,856	12.0		
Total liabilities and capital.....	1,339,293	1,306,190	1,289,416	3.9		
Deposits.....	850,733	820,027	789,752	7.7		
Other borrowed funds.....	333,031	337,882	359,115	-7.3		
Subordinated debt.....	3,244	3,304	3,946	-17.8		
All other liabilities.....	28,176	22,256	24,626	14.4		
Equity capital.....	124,108	122,721	111,978	10.8		
Loans and leases 30-89 days past due.....	8,526	7,764	9,568	-10.9		
Noncurrent loans and leases.....	7,713	7,451	7,158	7.8		
Restructured loans and leases.....	1,756	1,667	1,685	4.2		
Direct and indirect investments in real estate.....	444	434	662	-32.9		
Mortgage-backed securities.....	206,655	201,784	206,680	0.0		
Earning assets.....	1,222,840	1,192,392	1,181,659	3.5		
FHLB Advances.....	224,564	224,175	255,583	-12.1		
Unused loan commitments.....	322,281	334,101	299,445	7.6		
	First Three Qtrs 2002	First Three Qtrs 2001	%Change	3rd Quarter 2002	3rd Quarter 2001	%Change 01:3-02:3
<b>INCOME DATA</b>						
Total interest income.....	\$56,529	\$65,349	-13.5	\$18,667	\$21,439	-12.9
Total interest expense.....	25,540	38,255	-33.2	8,399	11,874	-29.3
Net interest income.....	30,989	27,093	14.4	10,268	9,565	7.3
Provision for loan and lease losses.....	2,499	2,226	12.3	822	889	-7.5
Total noninterest income.....	8,429	8,994	-6.3	2,463	2,889	-14.7
Total noninterest expense.....	22,861	21,768	5.0	7,691	7,531	2.1
Securities gains (losses).....	3,826	3,185	20.1	1,873	1,322	41.6
Applicable income taxes.....	6,179	5,477	12.8	2,118	1,959	8.1
Extraordinary gains, net.....	5	16	-67.3	-1	63	N/M
Net income.....	11,711	9,817	19.3	3,971	3,460	14.8
Net charge-offs.....	1,603	1,603	0.0	612	593	3.3
Cash dividends.....	6,105	4,098	49.0	2,649	1,230	115.3
Net operating income.....	9,150	7,690	19.0	2,730	2,605	4.8

N/M - Not Meaningful

**TABLE III-B. First Three Quarters 2002, FDIC-Insured Savings Institutions**

FIRST THREE QUARTERS (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.....	1,482	524	810	102	46	594	189	377	117	101	104
Total assets (in billions).....	\$1,339.3	\$27.1	\$257.8	\$200.3	\$854.1	\$474.9	\$100.3	\$136.4	\$45.0	\$79.9	\$502.7
Total deposits (in billions).....	850.7	21.6	195.9	143.7	489.6	318.2	70.6	101.1	27.2	43.6	290.1
Net income (in millions).....	11,711	176	1,663	1,367	8,505	3,956	458	988	302	896	5,111
% of unprofitable institutions.....	7.2	13.4	4.0	3.9	2.2	6.2	9.5	9.5	8.5	5.0	1.0
% of institutions with earnings gains.....	78.7	75.8	80.2	80.4	80.4	78.8	82.0	76.4	76.9	75.2	85.6
<b>Performance ratios (annualized, %)</b>											
Yield on earning assets.....	6.34	6.47	6.51	6.33	6.29	6.35	6.68	6.77	6.55	6.28	6.14
Cost of funding earning assets.....	2.87	3.02	2.97	2.90	2.82	2.82	3.39	3.43	3.26	2.57	2.66
Net interest margin.....	3.48	3.45	3.54	3.43	3.47	3.53	3.29	3.35	3.29	3.71	3.48
Noninterest income to earning assets.....	0.95	2.78	0.88	0.76	0.95	0.87	1.81	1.15	0.75	1.23	0.76
Noninterest expense to earning assets.....	2.57	4.85	2.95	2.72	2.34	2.43	3.39	3.26	2.63	2.73	2.30
Loan and lease loss provision to assets.....	0.26	0.13	0.15	0.18	0.31	0.15	1.16	0.32	0.18	0.34	0.16
Net operating income to assets.....	0.94	0.73	0.81	0.75	1.03	1.08	0.28	0.52	0.73	1.40	1.00
Pretax return on assets.....	1.84	1.37	1.35	1.46	2.08	1.79	0.96	1.51	1.41	1.94	2.15
Return on assets.....	1.20	0.89	0.90	0.95	1.36	1.17	0.63	0.99	0.93	1.59	1.36
Return on equity.....	13.19	7.07	8.55	10.35	15.86	11.62	7.26	9.76	10.42	19.02	16.67
Net charge-offs to loans and leases.....	0.25	0.13	0.15	0.17	0.30	0.19	0.76	0.35	0.18	0.32	0.17
Loan and lease loss provision to net charge-offs.....	155.87	154.97	146.33	167.47	155.84	133.39	218.31	123.81	151.04	172.51	135.59
Efficiency ratio.....	57.12	77.51	66.41	63.80	51.84	53.92	65.79	72.13	64.42	55.13	53.49
<b>Condition Ratios (%)</b>											
Earning assets to total assets.....	91.30	93.86	93.38	92.73	90.26	92.36	92.82	92.41	92.82	93.37	89.25
Loss allowance to:											
Loans and leases.....	0.94	0.78	0.88	1.09	0.93	0.96	1.53	0.79	0.78	1.13	0.84
Noncurrent loans and leases.....	108.10	82.47	115.18	133.03	102.00	130.97	166.29	71.54	113.15	77.85	99.86
Noncurrent assets plus											
other real estate owned to assets.....	0.66	0.76	0.59	0.64	0.68	0.48	0.76	0.93	0.63	0.98	0.68
Noncurrent RE loans to RE loans.....	0.82	0.91	0.71	0.69	0.88	0.67	0.65	1.04	0.65	1.66	0.82
Equity capital ratio.....	9.27	12.59	10.48	9.35	8.77	10.10	9.29	9.67	8.76	8.35	8.56
Core capital (leverage) ratio.....	8.09	12.19	9.94	8.42	7.31	8.62	8.84	9.25	8.31	8.23	7.08
Tier 1 risk-based capital ratio.....	13.15	22.18	16.62	13.49	11.78	14.56	13.60	15.00	14.22	13.44	11.18
Total risk-based capital ratio.....	14.41	23.23	17.66	14.55	13.17	15.77	15.09	15.90	15.28	14.46	12.60
Gross real estate assets to gross assets.....	72.85	67.94	69.82	72.78	73.94	70.95	64.18	73.36	75.29	62.54	77.66
Gross 1-4 family mortgages to gross assets.....	44.73	46.06	40.45	36.02	48.03	37.48	39.33	50.71	44.04	25.77	54.12
Net loans and leases to deposits.....	103.03	81.56	84.70	90.47	115.00	87.13	97.74	96.70	111.66	108.28	122.38
<b>Structural Changes (YTD)</b>											
New Charters.....	1	1	0	0	0	0	1	0	0	0	0
Thriffs absorbed by mergers.....	41	12	26	2	1	16	11	8	1	3	2
Failed Thriffs.....	1	1	0	0	0	0	0	1	0	0	0
<b>PRIOR FIRST THREE QUARTERS (The way it was...)</b>											
Number of institutions.....	2001 1,553	593	814	102	44	613	205	395	122	109	109
.....	1999 1,649	672	831	111	35	637	229	428	127	114	114
.....	1997 1,813	789	868	121	35	693	263	466	137	122	132
Total assets (in billions).....	2001 \$1,289.4	\$30.6	\$251.1	\$190.4	\$817.3	\$433.9	\$92.4	\$191.0	\$42.7	\$70.1	\$459.3
.....	1999 1,142.6	34.3	243.0	224.5	640.8	374.5	73.4	181.3	40.4	73.7	399.3
.....	1997 1,021.9	41.0	255.5	246.8	478.7	343.4	65.1	172.5	34.6	64.7	341.7
Return on assets (%).....	2001 1.05	0.72	0.77	0.87	1.20	1.00	0.58	0.91	0.82	1.28	1.24
.....	1999 1.01	0.70	0.90	1.04	1.05	1.02	0.85	1.05	0.82	1.16	1.00
.....	1997 0.89	0.80	0.97	1.02	0.80	1.00	0.92	0.97	1.01	0.88	0.74
Net charge-offs to loans & leases (%)											
.....	2001 0.25	0.11	0.11	0.20	0.32	0.18	0.42	0.53	0.19	0.35	0.16
.....	1999 0.16	0.07	0.09	0.28	0.15	0.10	0.23	0.24	0.15	0.21	0.16
.....	1997 0.29	0.10	0.14	0.42	0.32	0.28	0.46	0.23	0.06	0.38	0.30
Noncurrent assets plus											
OREO to assets (%).....	2001 0.64	0.72	0.58	0.77	0.62	0.53	0.63	0.82	0.74	0.97	0.60
.....	1999 0.61	0.70	0.56	0.91	0.52	0.65	0.54	0.67	0.52	0.91	0.51
.....	1997 1.02	0.88	0.88	1.44	0.89	1.24	0.91	0.65	0.61	1.03	1.04
Equity capital ratio (%).....	2001 8.68	12.80	10.63	8.90	7.88	9.95	8.75	8.39	9.01	8.60	7.58
.....	1999 8.45	12.37	10.50	8.68	7.38	9.50	9.85	8.91	10.02	8.37	6.84
.....	1997 8.63	11.93	10.31	8.69	7.43	9.47	9.92	9.29	9.26	8.41	7.19

\* 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 ratio more closely comparable to prior periods.

TABLE IV-B. THIRD Quarter 2002, FDIC-Insured Savings Institutions

THIRD QUARTER (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.....	1,482	524	810	102	46	594	189	377	117	101	104
Total assets (in billions).....	\$1,339.3	\$27.1	\$257.8	\$200.3	\$854.1	\$474.9	\$100.3	\$136.4	\$45.0	\$79.9	\$502.7
Total deposits (in billions).....	850.7	21.6	195.9	143.7	489.6	318.2	70.6	101.1	27.2	43.6	290.1
Net income (in millions).....	3,971	66	584	468	2,852	1,418	182	247	111	293	1,719
% of unprofitable institutions.....	6.7	10.9	4.4	5.9	2.2	6.1	5.8	9.3	6.8	6.9	2.9
% of institutions with earnings gains.....	76.8	76.3	77.4	72.5	80.4	77.1	79.9	72.7	82.1	76.2	78.8
<b>Performance Ratios (annualized, %)</b>											
Yield on earning assets.....	6.19	6.39	6.41	6.20	6.12	6.22	6.59	6.42	6.44	6.11	6.00
Cost of funding earning assets.....	2.79	2.87	2.84	2.75	2.77	2.72	3.20	3.28	3.14	2.49	2.64
Net interest margin.....	3.41	3.52	3.56	3.45	3.34	3.51	3.39	3.14	3.30	3.62	3.36
Noninterest income to earning assets.....	0.82	2.84	0.86	0.67	0.77	0.86	1.84	0.76	0.59	1.24	0.53
Noninterest expense to earning assets.....	2.55	4.93	2.96	2.71	2.31	2.37	3.38	3.05	2.48	2.71	2.39
Loan and lease loss provision to assets.....	0.25	0.10	0.14	0.18	0.30	0.15	1.25	0.24	0.22	0.32	0.14
Net operating income to assets.....	0.83	0.80	0.81	0.66	0.87	1.11	0.31	0.33	0.70	1.25	0.74
Pretax return on assets.....	1.84	1.49	1.39	1.54	2.06	1.86	1.08	1.10	1.52	1.95	2.19
Return on assets.....	1.20	0.99	0.92	0.95	1.35	1.22	0.73	0.73	1.01	1.50	1.38
Return on equity.....	12.89	7.87	8.77	10.25	15.22	12.01	8.03	7.18	11.36	17.95	16.08
Net charge-offs to loans and leases.....	0.28	0.10	0.16	0.20	0.34	0.21	0.85	0.49	0.17	0.30	0.17
Loan and lease loss provision to net charge-offs.....	134.39	155.08	131.20	138.32	134.13	120.93	212.30	65.46	186.78	181.13	111.82
Efficiency ratio.....	59.52	77.14	66.59	64.75	55.00	52.88	64.17	77.66	63.22	55.63	60.75
<b>Structural Changes (QTR)</b>											
New charters.....	0	0	0	0	0	0	0	0	0	0	0
Thriffs absorbed by mergers.....	12	3	8	1	0	6	3	1	0	2	0
Failed Thriffs.....	0	0	0	0	0	0	0	0	0	0	0
<b>PRIOR THIRD QUARTERS (The way it was...)</b>											
Return on assets (%).....2001	1.08	0.71	0.86	0.82	1.23	1.00	0.65	1.03	0.85	1.39	1.25
.....1999	1.01	0.70	0.87	1.04	1.06	1.08	0.71	1.00	0.81	1.19	0.98
.....1997	0.79	0.83	0.95	0.86	0.66	1.01	0.93	0.90	1.04	0.41	0.53
Net charge-offs to loans & leases (%)											
.....2001	0.27	0.12	0.11	0.23	0.34	0.19	0.49	0.59	0.22	0.37	0.16
.....1999	0.15	0.05	0.09	0.25	0.14	0.09	0.25	0.21	0.14	0.23	0.14
.....1997	0.29	0.10	0.17	0.32	0.36	0.21	0.42	0.26	0.09	0.35	0.37

**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**

September 30, 2002	All Institutions	Asset Size Distribution				Geographical 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
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate.....	0.88	1.63	0.95	0.59	0.91	0.80	0.77	1.24	0.99	1.32	0.81
Construction, development, and land.....	0.92	1.35	1.19	0.76	0.81	0.53	0.75	1.62	0.93	1.38	0.62
Commercial real estate.....	0.66	1.13	0.73	0.45	0.72	0.54	0.82	0.81	0.96	2.07	0.29
Multifamily residential real estate.....	0.14	0.69	0.29	0.18	0.08	0.12	0.81	0.39	0.24	0.28	0.08
Home equity loans.....	0.18	0.43	0.34	0.21	0.12	0.31	0.24	0.19	0.27	0.03	0.06
Other 1-4 Family residential.....	1.04	1.82	1.08	0.71	1.06	0.97	0.82	1.43	1.09	1.26	1.00
Commercial and industrial loans.....	1.15	1.93	1.69	0.92	1.03	0.90	2.16	1.88	1.62	0.64	1.01
Loans to individuals.....	1.84	2.39	1.85	1.29	1.94	1.32	2.48	1.97	1.68	0.80	2.69
Credit card loans.....	2.16	0.97	2.75	1.07	2.13	1.48	4.61	2.81	3.92	0.68	1.79
Other loans to individuals.....	1.77	2.50	1.72	1.31	1.89	1.31	1.65	1.77	1.54	0.92	2.78
Total loans and leases.....	0.96	1.69	1.03	0.66	0.99	0.84	1.18	1.31	1.06	1.15	0.89
Percent of Loans Noncurrent*											
All real estate loans.....	0.82	0.91	0.71	0.69	0.88	0.67	0.65	1.04	0.65	1.66	0.82
Construction, development, and land.....	1.53	1.03	1.22	1.22	1.91	1.19	0.53	2.47	1.28	0.95	2.48
Commercial real estate.....	1.24	0.98	0.84	0.98	1.80	0.86	0.86	1.13	0.67	4.27	1.43
Multifamily residential real estate.....	0.32	0.35	0.36	0.28	0.32	0.21	0.30	0.84	1.10	8.10	0.06
Home equity loans.....	0.09	0.23	0.13	0.11	0.08	0.12	0.16	0.13	0.08	0.01	0.05
Other 1-4 Family residential.....	0.82	0.93	0.70	0.67	0.87	0.69	0.70	1.01	0.58	1.05	0.88
Commercial and industrial loans.....	2.28	1.61	1.90	2.97	2.20	1.76	3.34	2.87	1.99	2.45	2.59
Loans to individuals.....	0.63	1.10	0.66	0.57	0.63	0.50	1.07	0.93	0.54	0.42	0.42
Credit card loans.....	1.43	0.63	0.81	0.44	1.54	1.26	2.85	1.37	1.49	0.61	1.08
Other loans to individuals.....	0.42	1.15	0.64	0.58	0.28	0.36	0.37	0.83	0.49	0.22	0.38
Total loans and leases.....	0.87	0.95	0.77	0.82	0.91	0.73	0.92	1.10	0.69	1.45	0.85
Percent of Loans Charged-off (net, YTD)											
All real estate loans.....	0.05	0.04	0.05	0.07	0.04	0.04	0.08	0.10	0.05	0.06	0.04
Construction, development, and land.....	0.11	0.10	0.14	0.15	0.06	0.04	0.09	0.24	0.10	0.06	0.14
Commercial real estate.....	0.06	0.02	0.09	0.03	0.07	0.04	0.21	0.12	0.15	0.16	-0.01
Multifamily residential real estate.....	0.00	-0.02	0.01	0.05	-0.02	-0.01	0.12	0.12	-0.05	0.01	-0.02
Home equity loans.....	0.11	0.03	0.04	0.37	0.07	0.19	0.28	0.06	0.13	0.06	0.03
Other 1-4 Family residential.....	0.04	0.04	0.04	0.05	0.05	0.03	0.05	0.09	0.03	0.03	0.04
Commercial and industrial loans.....	1.34	0.98	0.89	0.77	1.66	0.96	2.86	1.13	0.98	1.13	1.60
Loans to individuals.....	1.86	0.73	1.10	0.84	2.27	1.24	2.74	2.22	1.27	0.88	2.48
Credit card loans.....	3.69	1.20	3.21	2.05	3.79	4.01	7.48	3.15	8.94	1.31	3.93
Other loans to individuals.....	1.26	0.69	0.78	0.78	1.56	0.80	1.01	1.47	0.73	0.44	2.38
Total loans and leases.....	0.25	0.13	0.15	0.17	0.30	0.19	0.76	0.35	0.18	0.32	0.17
Loans Outstanding (in billions)											
All real estate loans.....	\$773.7	\$15.7	\$148.7	\$113.0	\$496.2	\$238.0	\$51.8	\$87.8	\$27.1	\$33.7	\$335.3
Construction, development, and land.....	37.8	1.1	11.1	8.6	16.9	8.6	5.9	5.5	2.1	7.1	8.6
Commercial real estate.....	69.6	1.7	23.4	18.3	26.3	32.3	4.9	7.8	3.8	4.7	16.1
Multifamily residential real estate.....	63.1	0.4	9.2	13.3	40.2	18.1	1.1	4.8	1.2	1.0	36.8
Home equity loans.....	38.3	0.6	7.8	5.5	24.4	11.6	3.5	6.1	1.1	1.3	14.8
Other 1-4 Family residential.....	564.6	12.0	97.1	67.2	388.4	167.5	36.4	63.5	18.8	19.5	259.0
Commercial and industrial loans.....	41.0	0.8	7.8	7.6	24.9	19.7	5.1	3.1	1.3	3.7	8.1
Loans to individuals.....	65.5	1.2	10.3	9.7	44.3	19.4	12.7	7.5	2.1	10.0	13.7
Credit card loans.....	14.2	0.1	1.5	0.5	12.3	3.1	3.6	1.5	0.1	5.1	0.8
Other loans to individuals.....	50.7	1.1	8.8	9.2	31.7	15.9	9.1	6.0	2.0	4.9	12.7
Total loans and leases.....	885.0	17.7	167.5	131.5	568.3	280.0	70.1	98.6	30.6	47.7	358.0
Memo: Other Real Estate Owned (in millions)**											
All other real estate owned.....	\$1,084.4	\$34.1	\$229.6	\$209.4	\$611.3	\$231.1	\$112.5	\$180.9	\$72.4	\$89.9	\$397.6
Construction, development, and land.....	193.4	2.5	34.7	34.6	121.6	21.2	48.7	13.9	31.3	15.4	62.8
Commercial real estate.....	227.0	8.2	55.0	106.9	57.0	105.2	14.4	29.2	8.1	28.4	41.8
Multifamily residential real estate.....	32.4	1.3	5.8	5.0	20.3	2.6	1.6	4.8	1.7	19.3	2.4
1-4 Family residential.....	648.9	22.6	135.9	76.5	413.9	114.4	48.7	133.6	32.5	27.4	292.4
Troubled Real Estate Asset Rates*** (% of total RE assets)											
All real estate loans.....	0.96	1.12	0.86	0.88	1.00	0.76	0.87	1.25	0.91	1.92	0.94
Construction, development, and land.....	2.03	1.26	1.53	1.61	2.61	1.44	1.34	2.71	2.73	1.17	3.18
Commercial real estate.....	1.57	1.51	1.07	1.56	2.02	1.18	1.15	1.51	0.88	4.79	1.69
Multifamily residential real estate.....	0.37	0.66	0.43	0.32	0.37	0.22	0.44	0.94	1.24	9.78	0.07
1-4 family residential.....	0.88	1.07	0.79	0.74	0.93	0.72	0.78	1.12	0.71	1.11	0.94

\* 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.

\*\* 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

- ***BIF Reserve Ratio Remains Unchanged At 1.25 Percent***
- ***Unrealized Gains on Securities Prevent BIF from Shrinking***
- ***SAIF Reserve Ratio Increases to 1.39 Percent***
- ***One Small BIF-Member Institution Fails During Quarter***

Total assets of the nation's 9,433 FDIC-insured depository institutions increased by \$235.7 billion from June 30 to September 30, 2002. Deposits, which increased by \$138.6 billion during the period, funded about 58.8 percent of this growth. Deposits in domestic offices grew by \$166.4 billion (3.6 percent) while deposits in foreign offices shrank by \$27.9 billion (4.4 percent). Domestic deposits in accounts greater than \$100 thousand grew by \$158.2 billion while domestic deposits in accounts less than \$100 thousand grew by \$8.3 billion. Quarterly growth was strongest for money market deposit accounts which increased by \$60.2 billion, other savings deposits which increased by \$45.2 billion, and large time deposits, which grew by \$43.3 billion.

Insured deposits increased by 1.1 percent during the third quarter of 2002, faster than the 0.9 percent growth in the third quarter of 2001, and faster than the 0.3 percent growth of the previous quarter. Insured deposits increased at 5,807 institutions, remained unchanged at 65 institutions, and declined at 3,520 institutions. Deposits insured by the Bank Insurance Fund (BIF) increased by 0.8 percent for the three months ending on September 30, 2002, reaching \$2.510 trillion. During the first nine months of 2002 deposits insured by the BIF increased by 4.2 percent. During the third quarter of 2002 deposits insured by the Savings Association Insurance Fund (SAIF) increased by 2.2 percent, to \$836.3 billion. SAIF-insured deposits grew by 4.2 percent during the first three quarters of 2002.

The Bank Insurance Fund (BIF) grew by 0.6 percent (\$196 million) during the third quarter, ending the quarter with a balance of \$31.38 billion (unaudited). The BIF's third quarter growth was almost entirely due to a \$433 million rise in unrealized gains on investment securities. Without these unrealized gains in the third quarter, the BIF would have shrunk enough to cause the BIF reserve ratio to decline by more than 1.7 basis points. For the first nine months of 2002, unrealized gains on securities were more than three times as much as were recorded during the same period a year earlier. During the third quarter, the provision for insurance losses to the BIF increased by \$466 million, and interest income on securities declined by \$80 million. The reserve ratio for the Bank Insurance Fund was 1.25 percent at the end of third quarter 2002, unchanged from three months earlier.

The Savings Association Insurance Fund (SAIF) increased during the third quarter of 2002 by 2.3 percent

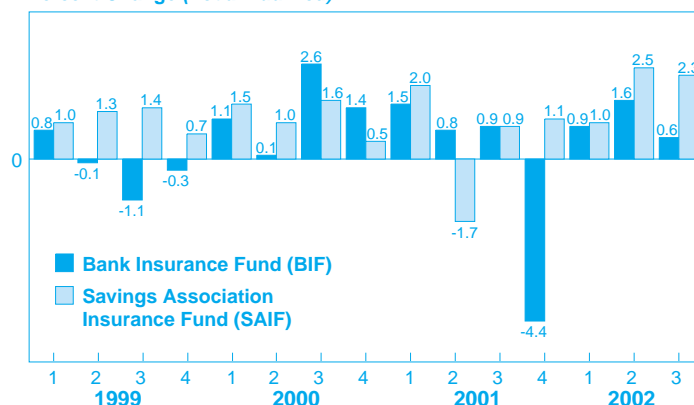
to \$11.69 billion (unaudited). Increased unrealized gains on securities and a negative provision for insurance losses made the third quarter increase for the SAIF the second largest since it was recapitalized in the third quarter of 1996. The growth of SAIF more than offset the quarterly increase in SAIF-insured deposits, and allowed the SAIF reserve ratio rise from 1.38 on June 30 to 1.39 percent on September 30. This was the second time the SAIF reserve ratio has increased since the beginning of 2002.

Sweeps of brokerage-originated cash management funds to FDIC-insured accounts of affiliate banks increased by 3 percent (\$2.5 billion) during the third quarter of 2002. Among insured institutions whose brokerage affiliates sweep cash management accounts into FDIC-insured accounts, BIF-insured brokered deposits rose by \$2.4 billion and SAIF-insured brokered deposits increased by \$102 million. During the same period, fully insured brokered deposits increased by 1.2 percent at all other BIF-insured institutions and increased at all other SAIF-insured institutions by 4.5 percent.

One FDIC insured institution, a BIF-member commercial bank failed during the third quarter of 2002. At the time of failure this institution had \$9.6 million in assets. Its estimated cost to the BIF was \$5.7 million. For the first nine months of 2002, eight BIF member institutions with combined assets of \$2,413 million have failed at an estimated cost of \$623 million. During the same period one SAIF-member institution with assets of \$50 million failed with an estimated cost of \$1.4 million.

### QUARTERLY PERCENTAGE CHANGE IN INSURANCE FUND BALANCES, 1999–2002

Percent Change (not annualized)



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

<i>(dollar figures in millions)</i>	2002**	2001**	2001	2000	1999	1998	1997
Number of institutions reporting.....	9,415	9,702	9,613	9,904	10,221	10,463	10,922
Total assets.....	\$ 8,271,896	7,844,936	7,868,407	7,461,814	6,883,603	6,530,837	6,041,026
Total deposits.....	5,391,814	5,084,365	5,189,370	4,914,764	4,538,042	4,386,260	4,125,796
Number of problem institutions.....	148	94	114	94	79	84	92
Assets of problem institutions (in billions).....	\$42	\$18	\$40	\$24	\$10	\$11	\$6
Number of failed/assisted institutions.....	9	4	4	7	8	3	1
Assets of failed/assisted institutions (in billions).....	\$2.46	\$2.36	\$2.25	\$0.41	\$1.56	\$0.37	\$0.03

\*\* As of September 30.

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

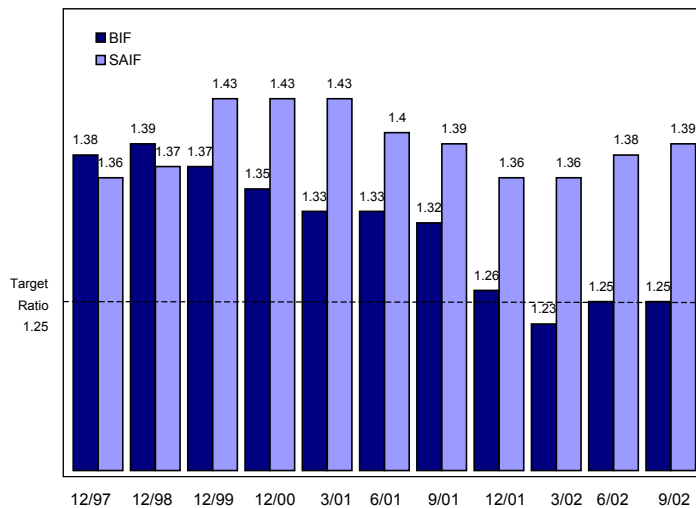
<i>(dollar figures in millions)</i>	3rd Quarter 2002	2nd Quarter 2002	3rd Quarter 2001	%Change 01:3-02:3		
Number of institutions reporting.....	9,415	9,465	9,702	-3.0		
Total employees (full-time equivalent).....	1,997,066	2,001,868	1,934,462	3.2		
<b>CONDITION DATA</b>						
Total assets.....	\$8,271,896	\$8,037,682	\$7,844,936	5.4		
Loans secured by real estate.....	2,744,385	2,627,790	2,506,430	9.5		
1-4 Family residential.....	1,685,686	1,588,767	1,529,288	10.2		
Home equity loans.....	239,583	223,066	173,852	37.8		
Multifamily residential property.....	131,876	129,840	122,471	7.7		
Commercial real estate.....	611,313	599,558	556,121	9.9		
Construction, development, and land.....	243,635	235,944	228,265	6.7		
Other real estate loans.....	71,875	73,680	70,285	2.3		
Commercial & industrial loans.....	962,402	976,448	1,049,042	-8.3		
Loans to individuals.....	753,665	728,760	676,394	11.4		
Credit cards & related plans.....	281,883	267,745	234,938	20.0		
Other loans & leases.....	497,405	491,938	503,121	-1.1		
Less: Unearned income & contra accounts.....	3,789	3,988	2,833	33.7		
Total loans & leases.....	4,954,068	4,820,948	4,732,153	4.7		
Less: Reserve for losses.....	83,839	82,397	76,075	10.2		
Net loans and leases.....	4,870,228	4,738,550	4,656,078	4.6		
Securities.....	1,589,368	1,530,218	1,382,688	14.9		
Other real estate owned.....	5,039	4,911	4,507	11.8		
Goodwill and other intangibles.....	145,776	153,522	134,911	8.1		
All other assets.....	1,661,485	1,610,480	1,666,752	-0.3		
Total liabilities and capital.....	8,271,896	8,037,682	7,844,936	5.4		
Deposits.....	5,391,814	5,253,845	5,084,365	6.0		
Other borrowed funds.....	1,576,028	1,528,728	1,526,247	3.3		
Subordinated debt.....	95,992	97,016	96,385	-0.4		
All other liabilities.....	444,638	414,601	440,241	1.0		
Equity capital.....	763,425	743,492	697,698	9.4		
Loans and leases 30-89 days past due.....	55,068	53,501	62,127	-11.4		
Noncurrent loans and leases.....	68,883	65,827	58,851	17.0		
Restructured loans and leases.....	3,541	3,317	2,746	28.9		
Direct and indirect investments in real estate.....	696	704	915	-24.0		
Mortgage-backed securities.....	901,700	855,455	766,943	17.6		
Earning assets.....	7,154,258	6,974,302	6,766,768	5.7		
FHLB Advances.....	465,154	441,929	447,128	4.0		
Unused loan commitments.....	5,583,546	5,514,999	5,031,952	11.0		
	First Three Qtrs 2002	First Three Qtrs 2001	%Change	3rd Quarter 2002	3rd Quarter 2001	%Change 01:3-02:3
<b>INCOME DATA</b>						
Total interest income.....	\$326,306	\$375,856	-13.2	\$109,377	\$121,550	-10.0
Total interest expense.....	118,538	191,250	-38.0	39,473	57,729	-31.6
Net interest income.....	207,768	184,606	12.5	69,904	63,821	9.5
Provision for loan and lease losses.....	37,691	30,230	24.7	13,521	12,472	8.4
Total noninterest income.....	136,071	125,903	8.1	46,087	41,727	10.5
Total noninterest expense.....	193,855	186,555	3.9	65,811	63,704	3.3
Securities gains (losses).....	7,999	6,106	31.0	4,338	2,329	86.2
Applicable income taxes.....	40,071	34,057	17.7	13,640	10,945	24.6
Extraordinary gains, net.....	3	-249	N/M	-41	70	N/M
Net income.....	80,223	65,525	22.4	27,315	20,826	31.2

\* Excludes insured branches of foreign banks (IBAs).

N/M - Not meaningful

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

	3rd Quarter 2002	2nd Quarter 2002	3rd Quarter 2001	%Change 01:3-02:3
<b>Bank Insurance Fund</b>				
Reserve ratio (%).....	1.25	1.25	1.32	-5.5
Fund balance (unaudited).....	\$31,383	\$31,187	\$31,834	-1.4
Estimated insured deposits.....	2,509,640	2,490,341	2,405,596	4.3
SAIF-member Oakars.....	90,108	87,712	66,811	34.9
BIF-members.....	2,419,532	2,402,629	2,338,785	3.5
Assessment base.....	3,760,672	3,632,658	3,477,163	8.2
SAIF-member Oakars.....	91,791	89,195	68,059	34.9
BIF-members.....	3,668,882	3,543,463	3,409,104	7.6
<b>Savings Association Insurance Fund</b>				
Reserve ratio (%).....	1.39	1.38	1.39	-0.4
Fund balance (unaudited).....	\$11,586	\$11,323	\$10,815	7.1
Estimated insured deposits.....	836,319	818,397	777,246	7.6
BIF-member Oakars.....	358,244	347,691	323,358	10.8
SAIF-member Sassadors.....	92,976	92,257	68,829	35.1
Other SAIF members.....	385,099	378,448	385,059	0.0
Assessment base.....	957,665	923,455	873,239	9.7
BIF-member Oakars.....	362,951	350,179	324,565	11.8
SAIF-member Sassadors.....	113,766	111,012	86,758	31.1
Other SAIF members.....	480,948	462,264	461,916	4.1

**Insurance Fund Reserve Ratios\***  
Percent of Insured Deposits**Fund Balances and Insured Deposits\***  
(\$Millions)

	BIF Balance	BIF-Insured Deposits	SAIF Balance	SAIF-Insured Deposits
12/97	28,293	2,056,558	9,368	689,915
12/98	29,612	2,134,425	9,840	716,029
12/99	29,414	2,151,454	10,281	717,591
12/00	30,975	2,299,932	10,759	755,156
3/01	31,426	2,371,197	10,973	768,580
6/01	31,681	2,381,111	10,792	772,428
9/01	31,834	2,405,596	10,815	777,246
12/01	30,439	2,408,350	10,935	802,358
3/02	30,697	2,485,809	11,049	812,769
6/02	31,187	2,490,341	11,323	818,397
9/02	31,383	2,509,640	11,586	836,319

\* A reserve ratio is the fund balance as a percentage of estimated insured deposits. As with other Call Report items, prior periods may reflect adjustments. As a result, prior period reserve ratios may differ from previously reported values. Only year end fund balances are audited by GAO. BIF-insured deposit totals include U.S. branches of foreign banks.

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

	2002*	2001*	2001	2000	1999	1998	1997
<b>BIF Members</b>							
Number of institutions.....	8	3	3	6	7	3	1
Total assets.....	\$2,413	\$59	\$54	\$378	\$1,490	\$371	\$27
<b>SAIF Members</b>							
Number of institutions.....	1	1	1	1	1	0	0
Total assets.....	\$50	\$2,300	\$2,200	\$30	\$71	\$0	\$0

\* Through September 30.

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

	2002**	2001**	2001	2000	1999	1998	1997
<b>BIF Members</b>							
Number of institutions reporting.....	8,171	8,398	8,326	8,571	8,834	9,031	9,404
BIF-member Oakars.....	788	762	763	743	744	745	778
Other BIF-members.....	7,383	7,636	7,563	7,828	8,090	8,286	8,626
Total assets.....	\$ 7,185,642	\$6,839,516	\$6,856,670	\$6,509,653	\$5,980,071	\$5,702,659	\$5,285,302
Total deposits.....	4,699,960	4,466,763	4,567,547	4,337,665	3,987,339	3,843,778	3,611,387
Net income.....	70,525	58,148	76,636	73,580	73,916	64,303	61,417
Return on assets (%).....	1.36	1.17	1.14	1.18	1.29	1.18	1.22
Return on equity (%).....	14.70	13.36	12.93	13.89	15.10	13.80	14.43
Noncurrent assets plus OREO to assets (%).....	0.95	0.83	0.90	0.72	0.62	0.64	0.67
Number of problem institutions.....	124	70	90	74	66	68	73
Assets of problem institutions.....	\$34,140	\$10,047	\$31,881	\$10,787	\$4,450	\$5,326	\$4,598
Number of failed/assisted institutions.....	8	3	3	6	7	3	1
Assets of failed/assisted institutions.....	\$2,413	\$59	\$54	\$378	\$1,490	\$371	\$27
<b>SAIF Members</b>							
Number of institutions reporting.....	1,244	1,304	1,287	1,333	1,387	1,432	1,518
SAIF-member Oakars.....	132	128	130	123	123	116	112
Other SAIF-members.....	1,112	1,176	1,157	1,210	1,264	1,316	1,406
Total assets.....	\$ 1,086,254	\$1,005,420	\$1,011,737	\$952,161	\$903,532	\$828,177	\$755,724
Total deposits.....	691,854	617,602	621,823	577,100	550,703	542,481	514,409
Net income.....	9,697	7,377	10,622	8,070	8,450	7,598	6,486
Return on assets (%).....	1.22	1.01	1.11	0.89	0.99	0.98	0.94
Return on equity (%).....	13.93	12.27	13.46	11.12	11.97	11.34	11.13
Noncurrent assets plus OREO to assets (%).....	0.74	0.73	0.75	0.65	0.64	0.80	0.98
Number of problem institutions.....	24	24	24	20	13	16	19
Assets of problem institutions.....	\$8,132	\$8,275	\$7,923	\$13,053	\$5,524	\$5,992	\$1,662
Number of failed/assisted institutions.....	1	1	1	1	1	0	0
Assets of failed/assisted institutions.....	\$50	\$2,300	\$2,200	\$30	\$71	\$0	\$0

\* Excludes insured branches of foreign banks (IBAs).

\*\* Through September 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
September 30, 2002						
Commercial Banks and Savings Institutions						
FDIC-Insured Commercial Banks.....	7,933	6,932,604	3,928,107	2,264,761	377,971	2,642,732
BIF-member.....	7,824	6,775,702	3,823,135	2,234,407	323,265	2,557,672
SAIF-member.....	109	156,901	104,972	30,354	54,706	85,060
FDIC-Supervised.....	4,894	1,268,382	936,183	617,757	79,407	697,164
OCC-Supervised.....	2,092	3,846,111	2,114,022	1,211,949	216,782	1,428,731
Federal Reserve-Supervised.....	947	1,818,111	877,903	435,055	81,782	516,837
FDIC-Insured Savings Institutions.....	1,482	1,339,293	850,733	243,654	458,348	702,003
OTS-Supervised Savings Institutions.....	983	995,137	606,789	103,583	395,522	499,105
BIF-member.....	38	129,586	65,513	46,311	10,423	56,734
SAIF-member.....	945	865,550	541,276	57,272	385,099	442,371
FDIC-Supervised State Savings Banks.....	499	344,156	243,944	140,071	62,827	202,898
BIF-member.....	309	280,354	198,471	137,590	24,556	162,146
SAIF-member.....	190	63,802	45,473	2,482	38,270	40,752
Total Commercial Banks and Savings Institutions.....						
Savings Institutions.....	9,415	8,271,896	4,778,840	2,508,416	836,319	3,344,735
BIF-member.....	8,171	7,185,642	4,087,120	2,418,307	358,244	2,776,552
SAIF-member.....	1,244	1,086,254	691,721	90,108	478,075	568,183
Other FDIC-Insured Institutions						
U.S. Branches of Foreign Banks.....	18	11,346	5,763	1,225	0	1,225
Total FDIC-Insured Institutions.....	9,433	8,283,242	4,784,603	2,509,640	836,319	3,345,959

\* Excludes \$613 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 September 30, 2002**  
**Supervisory and Capital Ratings for First Semiannual Assessment Period, 2003**

Capital Group	Supervisory Risk Subgroup					
	A		B		C	
1. Well-capitalized						
Number of institutions.....	7,489	91.5	445	5.4	102	1.2
Assessable deposit base.....	\$3,592,687	95.5	\$123,391	3.3	\$24,414	1.0
2. Adequately capitalized						
Number of institutions.....	119	1.5	13	0.0	12	0.0
Assessable deposit base.....	\$15,360	0.0	\$1,854	0.0	\$1,100	0.0
3. Undercapitalized						
Number of institutions.....	2	0.0	0	0.0	7	0.0
Assessable deposit base.....	\$207	0.0	\$0	0.0	\$1,660	0.0

Note: "Number" reflects the number of BIF members; "Base" reflects the BIF-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.

**SAIF Assessment Base Distribution**  
**Assessable Deposits in Millions as of September 30, 2002**  
**Supervisory and Capital Ratings for First Semiannual Assessment Period, 2003**

Capital Group	Supervisory Risk Subgroup					
	A		B		C	
1. Well-capitalized						
Number of institutions.....	1,121	90.1	84	6.8	19	1.5
Assessable deposit base.....	\$912,236	95.3	\$35,273	3.7	\$5,846	1.0
2. Adequately capitalized						
Number of institutions.....	9	1.0	4	0.0	6	0.1
Assessable deposit base.....	\$3,767	0.0	\$252	0.0	\$254	0.0
3. Undercapitalized						
Number of institutions.....	0	0.0	0	0.0	1	0.0
Assessable deposit base.....	\$0	0.0	\$0	0.0	\$38	0.0

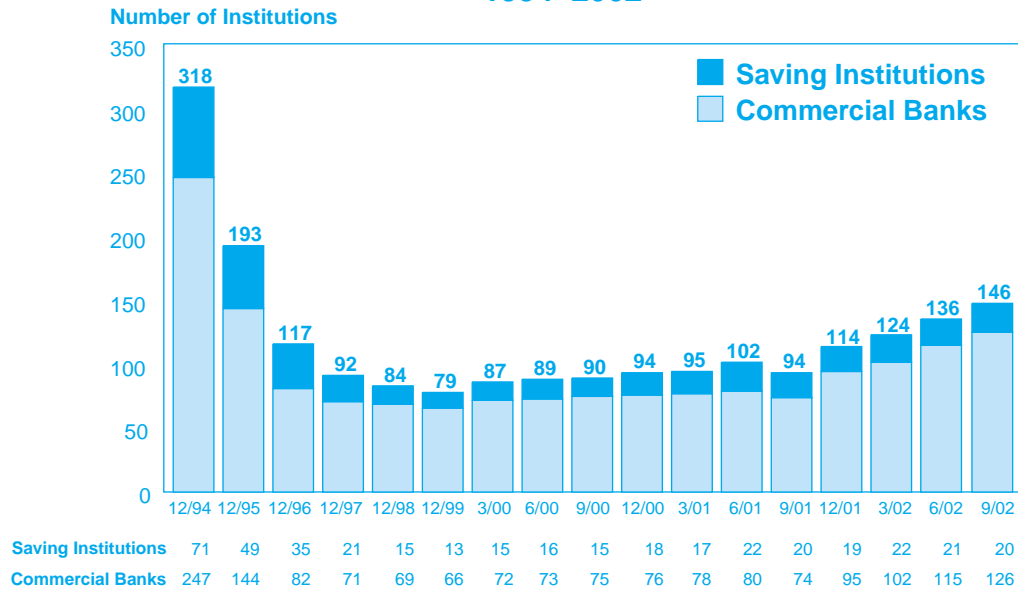
Note: "Number" reflects the number of SAIF members; "Base" reflects the SAIF-assessable deposits held by both BIF and SAIF members. Institutions are categorized based on capitalization and a supervisory subgroup rating, which is generally determined by on-site examinations.

**Assessment Rate Schedules**  
**First Semiannual 2003 Assessment Period**  
**Cents Per \$100 of Assessable Deposits**

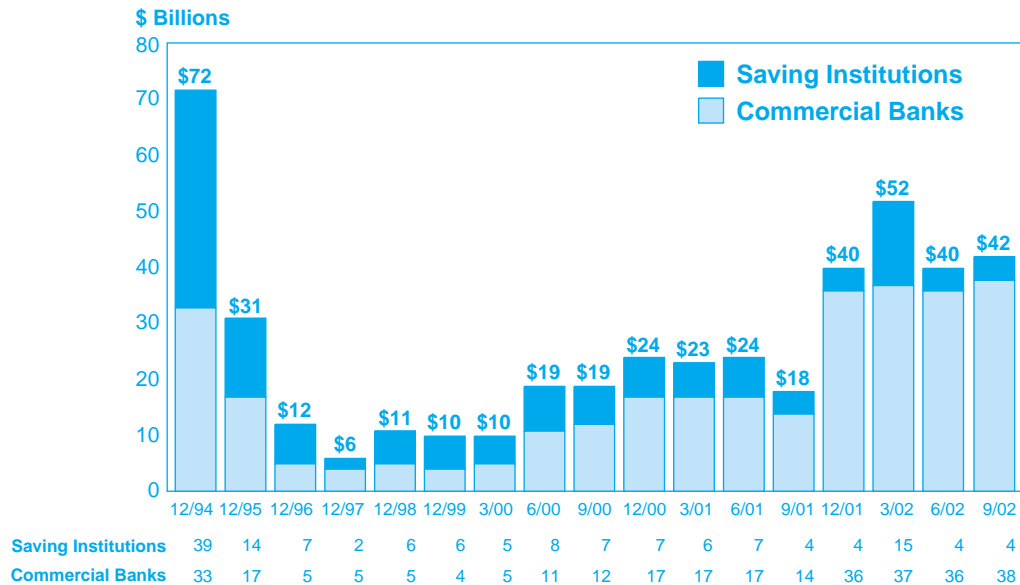
Capital Group	Supervisory Risk Subgroup		
	A	B	C
1. Well Capitalized.....	0	3	17
2. Adequately Capitalized.....	3	10	24
3. Undercapitalized.....	10	24	27

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, 1994–2002



## ASSETS OF FDIC-INSURED “PROBLEM” INSTITUTIONS, 1994–2002





## 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. Savings institutions in conservatorships are 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*. 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**

**Goodwill and intangible assets** — FAS 141 terminates the use of pooling-of-interest accounting for business combinations after 2001 and requires purchase accounting. Under FAS 142 amortization of goodwill is eliminated. Only intangible assets other than goodwill are amortized each quarter. In addition companies are required to test for impairment of both goodwill and other intangibles once each fiscal year. The year 2002, the first fiscal year affected by this accounting change, has been designated a transitional year and the amount of initial impairments are to be recorded as extraordinary losses on a "net of tax" basis (and not as noninterest expense). Subsequent annual review of intangibles and goodwill impairment may require additional noninterest expense recognition.

**FASB Statement No. 133 Accounting for Derivative Instruments and Hedging Activities** — establishes new accounting and reporting standards. Derivatives were previously off-balance sheet items, but beginning in 2001 all banks must recognize derivatives as either assets or liabilities on the balance sheet, measured at fair value. A derivative may be specifically designated as a "fair value hedge," a "cash flow hedge," or a hedge of a foreign currency exposure. The accounting for changes in the value of a derivative (gains and losses) depends on the intended use of the derivative, its resulting designation, and the effectiveness of the hedge. Derivatives held for purposes other than trading are reported as "other assets" (positive fair values) or "other liabilities" (negative fair values). For a fair value hedge, the gain or loss is recognized in earnings and "effectively" offsets loss or gain on the hedged item attributable to the risk being hedged. Any ineffectiveness of the hedge could result in a net gain or loss on the income statement. Accumulated net gains (losses) on cash flow hedges are recorded on the balance sheet as "accumulated other comprehensive income" and the periodic change in the accumulated net gains (losses) for cash flow hedges is reflected directly in equity as the value of the derivative changes.

Initial transition adjustments upon adoption of FAS 133 are reported as adjustments to net income in the income statement as extraordinary items. Upon implementing FAS 133, a bank may transfer any debt security categorized as held-to-maturity into the available-for-sale category or the trading category. Unrealized gains (losses) on transferred held-to-maturity debt securities on the date of initial application must

be reflected as an adjustment to net income if transferred to the trading category or an adjustment to equity if transferred to the available-for-sale category.

**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)

**Accumulated other comprehensive income** — includes net unrealized gains/losses on available-for-sale securities, accumulated net gains/losses on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

**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, fair market value of derivatives, and other assets.

**All other liabilities** — bank's liability on acceptances, limited-life preferred stock, allowance for estimated off-balance sheet credit losses, fair market value of derivatives, and other liabilities.

**Assessment base distribution** — assessable deposits consist of BIF and SAIF deposits in banks' domestic offices with certain adjustments. Each institution's assessment depends on its assigned risk-based capital category and supervisory risk subgroup:

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

\*As a percentage of risk-weighted assets.

For purpose of BIF and SAIF assessments, risk-based assessment rules combine the three lowest capital rating categories into a single "undercapitalized" group. Supervisory risk subgroup assignments are based on supervisory ratings. Generally, 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.

**Derivatives (notional amount)** — 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 an underlying variable or index at a specified price or yield. These contracts exist for a variety of variables or indices, (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 an underlying variable or index 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 variable or index 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 (notional principal) of the underlying variable or index by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

**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** — in general, insured deposits are total domestic deposits minus estimated uninsured deposits. While the uninsured estimate is calculated as the sum of the excess amounts in accounts over \$100,000, beginning June 30, 2000 the amount of estimated uninsured deposits was adjusted to consider a financial institution's better estimate. Since March 31, 2002, all institutions provide a reasonable estimate of uninsured deposits from their systems and records.

**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** — all borrowings by FDIC insured institutions from the Federal Home Loan Bank System (FHLB), as reported by Call Report filers and by TFR filers.

**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.

**Other borrowed funds** — federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, FHLB advances, 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 eval-

uation 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 on a consolidated basis. Prior to March 31, 2001 reserves for losses included the allocated transfer risk reserve, which is no longer included as part of the loss reserve, but netted from loans and leases.

**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 for Call Report filers only.

**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.