

The FDIC Quarterly Banking Profile

Andrew C. Hove, Jr., Chairman

Fourth Quarter 1997

COMMERCIAL BANKING PERFORMANCE — FOURTH QUARTER 1997

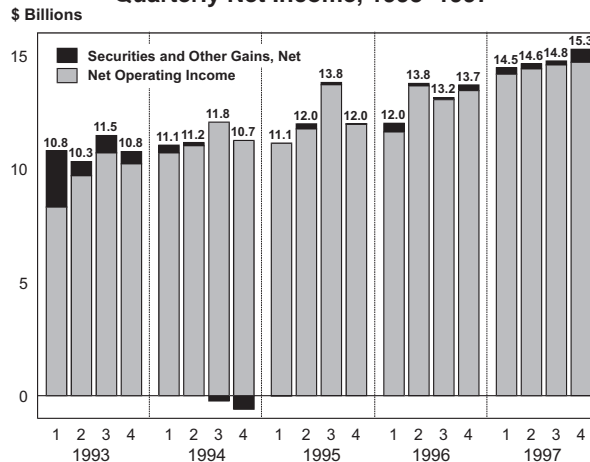
- **Bank Earnings Set New Quarterly, Full-Year Records**
- **Quarterly Earnings Surpass \$15 Billion For First Time**
- **Quarterly Growth In Assets Is An All-Time High**
- **Industry Assets Now Exceed \$5 Trillion**
- **First Bank Failure In Fifteen Months**

Insured commercial banks reported record net income of \$15.3 billion in the fourth quarter of 1997, an increase of \$511 million (3.5 percent) over the previous quarterly record, set in the third quarter of 1997. The positive contributions of higher gains from sales of securities, increased net interest income and reduced tax expenses outweighed the negative effect on industry earnings of lower trading income during the quarter. Full-year industry earnings totaled \$59.2 billion, up \$6.9 billion (13.1 percent) from 1996 results. Commercial banks' return on average assets (ROA) rose to a record 1.23 percent in 1997, from 1.19 percent in 1996. The previous record for full-year industry ROA had been 1.20 percent, set in 1993. Higher noninterest revenue and net interest income were chiefly responsible for the improved annual profits.

Trading revenues in the fourth quarter were \$1.3 billion below third-quarter levels, producing a \$221-million drop in noninterest income. On the plus side, tax expenses declined by \$802 million, because of restructuring charges and trading losses at a few large institutions, securities sales netted \$611 million more in gains than in the third quarter, and net interest income was \$422 million higher. The average ROA for the quarter was 1.24 percent, up from 1.22 percent in the third quarter and 1.21 percent in the fourth quarter of 1996. More than half of all banks — 58.5 percent — had quarterly ROAs of 1.00 percent or better, and 60.7 percent had higher earnings than in the same quarter of 1996. Compared to a year ago, quarterly earnings were \$1.6 billion (11.5 percent) higher. Much of the improvement came from

higher net interest income (up \$2.5 billion, or 6.0 percent) and higher noninterest income (up \$2.3 billion, or 9.4 percent). The improvement was limited by increased noninterest expenses (up \$2.7 billion, or 6.5 percent) and higher loan-loss provisions (up \$945 million, or 20.9 percent).

Quarterly Net Income, 1993–1997



Full-year earnings were boosted by rising net interest income and strong growth in noninterest income. Net interest income totaled \$174.5 billion in 1997, up \$11.7 billion (7.2 percent) from 1996, while noninterest income passed the \$100-billion mark for the first time. Banks reported \$104.5 billion in noninterest revenues in 1997, up \$10.9 billion (11.7 percent) from a year ago. The increase in net interest income was driven by growth in earning assets, which increased 9.2 percent in 1997. The industry's net interest margin declined for the fifth consecutive year, to 4.21 percent from 4.27 percent in 1996. It is now 20

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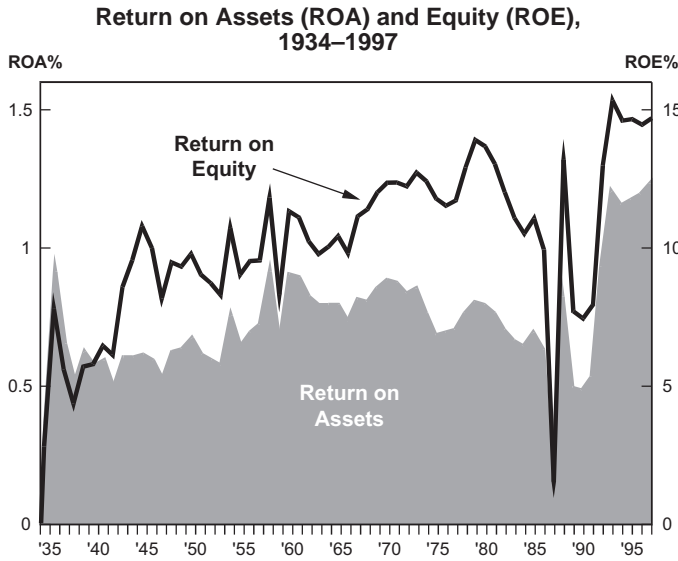
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basis points below the peak level of 4.41 percent, reached in 1992. Noninterest income growth was largely attributable to higher income from trust activities (up \$2.4 billion, or 17.8 percent), and growth in other fees (up \$5.2 billion, or 14.0 percent). More than two-thirds of all commercial banks – 68.8 percent – reported higher earnings in 1997, and a similar proportion (68.7 percent) had full-year ROAs of 1.00 percent or higher. The industry's return on equity (ROE) rose to 14.70 percent in 1997 from 14.46 percent in 1996. This is the second-highest annual industry ROE since the inception of the FDIC. The record high was 15.34 percent, set in 1993.

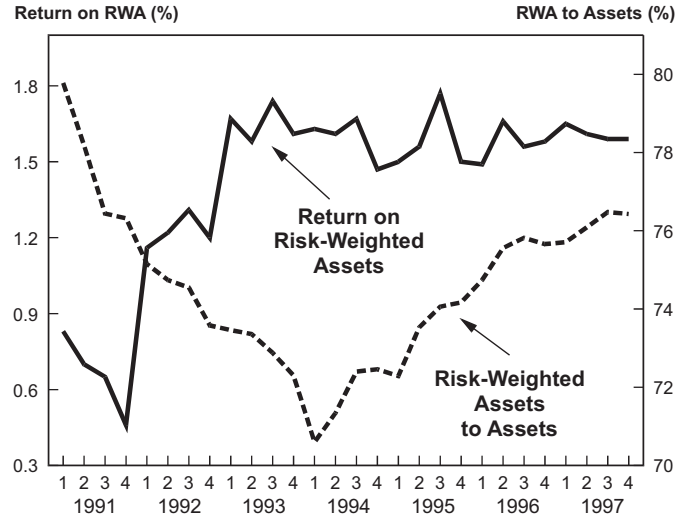


Total assets of commercial banks registered their largest quarterly increase ever, rising by \$145.4 billion in the fourth quarter, to \$5.01 trillion. This marks the first time that industry assets have exceeded \$5 trillion. At the same time, unused loan commitments extended by banks exceeded \$3 trillion for the first time at year-end. Loans and leases increased by \$67.9 billion, with commercial and industrial loans growing by \$30.7 billion. On-balance-sheet credit card loans increased by \$10.8 billion, while credit-card loans securitized and sold off-balance-sheet grew by \$10.4 billion during the quarter. Banks increased their securities holdings by \$36.3 billion, as mortgage-backed securities increased by \$23.9 billion. Balances due from depository institutions had a seasonal increase of \$25.1 billion in the quarter.

If the risk weights that are assigned to different asset categories to compute regulatory capital ratios are applied to the assets of commercial banks, it is evident that the relative credit risk of asset portfolios has been rising. Higher-risk loans have replaced lower-risk securities, and the composition of loan portfolios has shifted toward higher-risk loan categories. Also, risk-weighted assets take into account banks' exposures to off-balance-sheet assets, which have experienced rapid

growth in recent years. When commercial bank profitability is adjusted to reflect the changing risk in asset portfolios, the data indicate that banks have been able to maintain a fairly stable rate of return, allowing for the increase in portfolio risk.

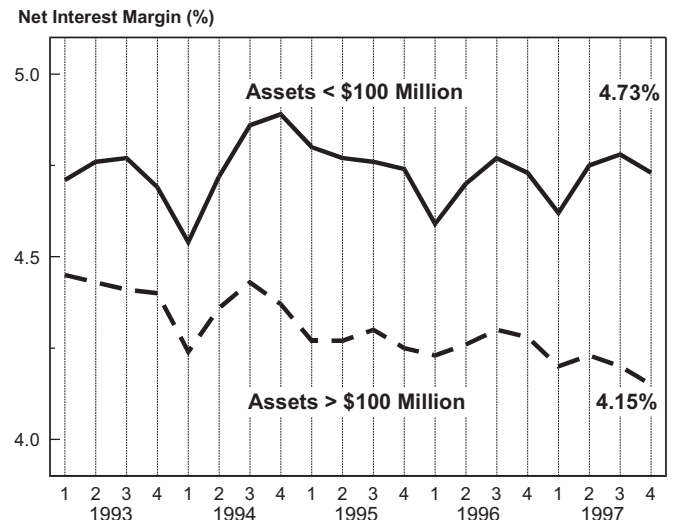
Quarterly Return on Risk-Weighted Assets (RWA),* and RWA to Total Assets, 1991-1997



* Assets weighted according to risk categories used in regulatory capital computations.

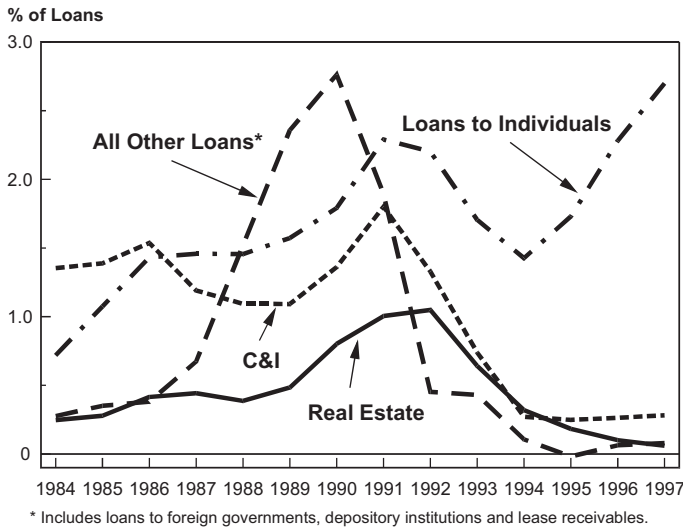
Deposits also increased strongly at commercial banks in the fourth quarter. Total deposits increased \$116.8 billion, the largest quarterly increase since the fourth quarter of 1986. Much of the growth occurred in domestic savings and demand deposits, which increased by \$46.2 billion and \$37.0 billion, respectively. Despite the growth in lending and in core deposits, in the fourth quarter the industry's net interest margin declined to its lowest level in six years, as funding costs rose more rapidly than asset yields. The average margin was 4.18 percent, down from 4.23 percent in the third quarter; this is the lowest quarterly average since the third quarter of 1991, when it was 4.17 percent.

Quarterly Net Interest Margins, 1993-1997



Asset quality indicators continued to present a mixed picture. Net charge-off rates were lower for most loan categories, including credit-card loans, but higher charge-offs on other consumer loans and on commercial real estate loans pushed the quarterly net charge-off rate to an annualized 0.69 percent, the highest quarterly loss rate in four years (since the fourth quarter of 1993, when the rate was 0.93 percent). The net charge-off rate on credit-card loans declined slightly, to 5.34 percent from a record 5.37 percent in the third quarter. Credit cards still accounted for 60.1 percent of all loans charged-off by commercial banks in the fourth quarter. For the full year, the industry's net charge-off rate was 0.63 percent, up from 0.58 percent in 1996. Credit-card loans accounted for \$11.7 billion (64.0 percent) of the \$18.3 billion in net loan charge-offs taken in 1997.

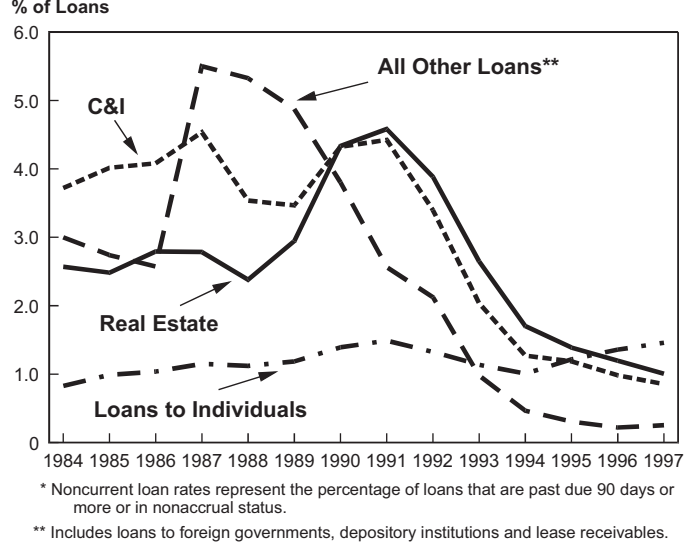
Annual Net Charge-Off Rates on Loans, 1984-1997



The percent of commercial bank loans that were non-current (past due 90 days or more or in nonaccrual status) declined to the lowest level in the 16 years that noncurrent loan data have been reported. At the end of 1997, only 0.96 percent of loans were noncurrent, down from 0.99 percent at the beginning of the fourth quarter, and 1.04 percent a year earlier. The noncurrent rate on credit-card loans rose from 2.00 percent to 2.14 percent during the quarter, but other loan categories showed either improvement or nominal increases in noncurrent levels. The amount of noncurrent loans held by commercial banks declined by \$216 million in the fourth quarter. For the full year, noncurrent loans fell by \$659 million.

Although commercial banks' reserves declined by \$201 million during the fourth quarter, the industry's "coverage ratio" improved slightly to \$1.92 in reserves for every \$1.00 in noncurrent loans, due to the decline in noncurrent loans. The ratio of reserves to total loans declined for the eighteenth time in the last nineteen quarters, to 1.84 percent. This is the lowest level for the

Noncurrent Loan Rates at Year-End,* 1984-1997



industry's reserve ratio since the first quarter of 1987. Equity capital increased by \$2.5 billion in the fourth quarter, but because of the strong growth in assets, the industry's equity-to-assets ratio declined to 8.33 percent, from 8.53 percent at the end of the third quarter.

The number of commercial banks reporting financial results declined by 72 institutions in the fourth quarter, from 9,215 to 9,143. There were 54 new charters during the quarter, and 129 banks were absorbed by mergers. Of these, 15 represented interstate mergers (absorption by an out-of-state institution). For the full year, 599 commercial banks were absorbed by mergers (190 were interstate mergers), and 188 new bank charters were issued. This is the largest number of new commercial bank charters since 1989, when 193 were issued. One insured commercial bank failed in the fourth quarter, ending a period of 15 months without any commercial bank failures. The last time there was a comparable interval with no commercial bank failures was in 1962-63, when 15 months elapsed between bank failures.

Structural Changes Among FDIC-Insured Commercial Banks, 1980 - 1997

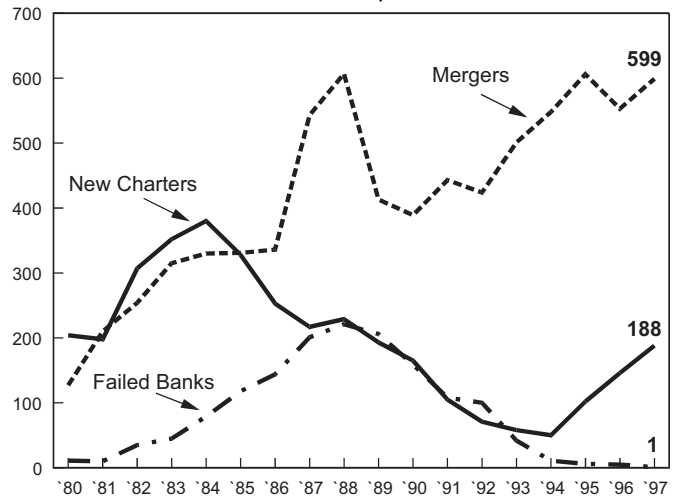


TABLE I-A. Selected Indicators, FDIC-Insured Commercial Banks

	1997	1996	1995	1994	1993	1992	1991
Return on assets (%).....	1.23	1.19	1.17	1.15	1.20	0.93	0.53
Return on equity (%).....	14.70	14.46	14.66	14.61	15.34	12.98	7.94
Core capital (leverage) ratio (%).....	7.56	7.64	7.61	7.64	7.65	7.21	6.48
Noncurrent assets plus other real estate owned to assets (%).....	0.66	0.75	0.85	1.01	1.61	2.54	3.02
Net charge-offs to loans (%).....	0.63	0.58	0.49	0.50	0.85	1.27	1.59
Asset growth rate (%).....	9.54	6.16	7.53	8.21	5.72	2.19	1.22
Net interest margin (%).....	4.21	4.27	4.29	4.36	4.40	4.41	4.11
Net operating income growth (%).....	12.60	6.45	7.48	16.18	35.36	92.41	-0.63
Number of institutions reporting.....	9,143	9,528	9,940	10,451	10,958	11,462	11,921
Percentage of unprofitable institutions.....	4.51	4.24	3.55	3.98	4.89	6.85	11.60
Number of problem institutions.....	71	82	144	247	426	787	1,016
Assets of problem institutions (in billions).....	\$5	\$5	\$17	\$33	\$242	\$408	\$528
Number of failed/assisted institutions.....	1	5	6	11	42	100	108

TABLE II-A. Aggregate Condition and Income Data, FDIC-Insured Commercial Banks
(dollar figures in millions)

	Preliminary				%Change 96:4-97:4	
	4th Quarter 1997	3rd Quarter 1997	4th Quarter 1996			
Number of institutions reporting.....	9,143	9,215	9,528		-4.0	
Total employees (full-time equivalent).....	1,537,431	1,524,129	1,489,193		3.2	
CONDITION DATA						
Total assets.....	\$5,014,884	\$4,869,454	\$4,578,291		9.5	
Loans secured by real estate.....	1,243,874	1,226,870	1,139,020		9.2	
Commercial & industrial loans.....	795,932	765,219	709,597		12.2	
Loans to individuals.....	561,424	554,539	562,292		-0.2	
Farm loans.....	44,886	45,021	41,324		8.6	
Other loans & leases.....	329,074	316,036	364,355		-9.7	
Less: Unearned income.....	4,525	4,750	5,308		-14.7	
Total loans & leases.....	2,970,667	2,902,936	2,811,280		5.7	
Less: Reserve for losses.....	54,718	54,919	53,654		2.0	
Net loans & leases.....	2,915,949	2,848,017	2,757,626		5.7	
Securities.....	871,870	835,530	800,652		8.9	
Other real estate owned.....	3,794	4,136	4,783		-20.7	
Goodwill and other intangibles.....	61,673	58,882	44,691		38.0	
All other assets.....	1,161,599	1,122,889	970,539		19.7	
Total liabilities and capital.....	5,014,884	4,869,454	4,578,291		9.5	
Noninterest-bearing deposits.....	676,399	629,464	664,259		1.8	
Interest-bearing deposits.....	2,745,297	2,675,460	2,532,888		8.4	
Other borrowed funds.....	822,994	822,245	716,012		14.9	
Subordinated debt.....	61,989	55,096	51,167		21.1	
All other liabilities.....	290,310	271,760	238,709		21.6	
Equity capital.....	417,896	415,430	375,256		11.4	
Loans and leases 30-89 days past due.....	38,939	35,429	38,417		1.4	
Noncurrent loans and leases.....	28,471	28,687	29,130		-2.3	
Restructured loans and leases.....	2,460	2,726	3,651		-32.6	
Direct and indirect investments in real estate.....	660	655	668		-1.2	
1-4 Family residential mortgages.....	718,907	708,214	655,424		9.7	
Mortgage-backed securities.....	384,147	360,245	335,853		14.4	
Earning assets.....	4,311,329	4,214,492	3,949,143		9.2	
Long-term assets (5+ years).....	777,175	738,556	652,259		19.2	
Volatile liabilities.....	1,600,736	1,580,448	1,405,957		13.9	
Foreign office deposits.....	526,195	507,048	473,580		11.1	
Unused loan commitments.....	3,084,388	2,967,947	2,579,910		19.6	
Off-balance-sheet derivatives.....	25,380,345	25,679,216	20,297,423		25.0	
INCOME DATA						
	Preliminary Full Year 1997	Full Year 1996	%Change	Preliminary 4th Quarter 1997	4th Quarter 1996	%Change 96:4-97:4
Total interest income.....	\$339,554	\$312,769	8.6	\$88,483	\$80,761	9.6
Total interest expense.....	165,039	150,001	10.0	43,854	38,664	13.4
Net interest income.....	174,515	162,768	7.2	44,629	42,097	6.0
Provision for loan losses.....	19,785	16,285	21.5	5,460	4,515	20.9
Total noninterest income.....	104,500	93,580	11.7	27,134	24,801	9.4
Total noninterest expense.....	169,958	160,714	5.8	44,384	41,677	6.5
Securities gains (losses).....	1,843	1,114	65.4	867	387	123.8
Applicable income taxes.....	31,898	28,192	13.1	7,506	7,387	1.6
Extraordinary gains, net.....	19	88	-78.3	4	(1)	N/A
Net income.....	59,236	52,359	13.1	15,284	13,706	11.5
Net charge-offs.....	18,294	15,501	18.0	5,051	4,439	13.8
Cash dividends.....	42,604	38,789	9.8	16,107	12,975	24.1
Net operating income.....	58,007	51,518	12.6	14,711	13,458	9.3

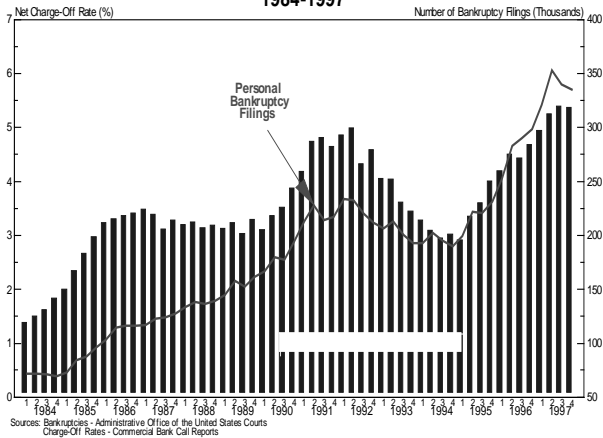
TABLE III-A. Full Year 1997, FDIC-Insured Commercial Banks

FULL YEAR Preliminary (The way it is . . .)	All Institutions	Asset Size Distribution				Geographic Distribution by Region					
		Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion	East			West		
						North- east	South- east	Central	Mid- west	South- west	West
Number of institutions reporting.....	9,143	5,853	2,923	301	66	714	1,524	1,999	2,329	1,601	976
Total assets (in billions).....	\$5,014.9	\$267.8	\$727.8	\$902.6	\$3,116.7	\$1,893.9	\$946.8	\$804.8	\$335.0	\$356.0	\$678.3
Total deposits (in billions).....	3,421.7	230.4	602.1	624.6	1,964.6	1,149.4	654.6	579.1	255.0	291.1	492.4
Net income (in millions).....	59,236	3,053	9,231	11,891	35,061	20,522	11,083	9,994	4,644	4,039	8,954
% of unprofitable institutions.....	4.5	6.4	1.1	1.7	NA	3.6	6.1	3.9	2.6	3.7	9.7
% of institutions with earnings gains.....	68.8	64.5	76.6	74.4	81.8	75.5	70.7	71.1	65.4	64.0	72.4
Performance Ratios (%)											
Yield on earning assets.....	8.19	8.36	8.40	8.63	7.99	8.02	8.08	8.24	8.65	7.87	8.66
Cost of funding earning assets.....	3.98	3.70	3.70	3.88	4.11	4.38	3.78	3.97	3.84	3.46	3.54
Net interest margin.....	4.21	4.66	4.69	4.75	3.88	3.64	4.30	4.27	4.81	4.40	5.12
Noninterest income to earning assets.....	2.52	1.40	1.66	2.60	2.82	3.13	2.01	1.82	2.51	2.08	2.70
Noninterest expense to earning assets.....	4.10	3.98	3.89	4.12	4.16	4.27	3.80	3.55	4.25	4.20	4.61
Loan loss provision to assets.....	0.41	0.22	0.29	0.81	0.34	0.38	0.39	0.38	0.60	0.23	0.56
Net operating income to assets.....	1.21	1.19	1.33	1.35	1.14	1.09	1.22	1.28	1.42	1.21	1.34
Return on assets.....	1.23	1.19	1.34	1.36	1.18	1.14	1.23	1.29	1.44	1.22	1.35
Return on equity.....	14.70	10.91	13.98	14.92	15.30	15.40	13.69	15.32	15.90	13.78	13.79
Net charge-offs to loans and leases.....	0.63	0.27	0.36	1.08	0.58	0.73	0.46	0.50	0.82	0.37	0.83
Loan loss provision to net charge-offs.....	108.15	144.42	131.26	112.96	100.33	100.56	129.32	115.21	111.16	111.26	100.00
Efficiency ratio.....	59.15	65.18	60.39	54.13	60.07	61.75	58.10	56.96	56.93	62.24	56.19
Condition Ratios (%)											
Earning assets to total assets.....	85.97	91.73	91.37	89.39	83.23	82.82	88.28	89.09	90.06	87.89	84.81
Loss allowance to:											
Loans and leases.....	1.84	1.44	1.49	2.11	1.88	2.14	1.53	1.57	1.80	1.40	2.14
Noncurrent loans and leases.....	192.19	146.51	170.24	199.00	198.97	177.65	194.14	194.26	190.49	170.04	238.69
Noncurrent assets plus											
other real estate owned to assets.....	0.66	0.71	0.65	0.77	0.62	0.73	0.59	0.58	0.69	0.52	0.72
Equity capital ratio.....	8.33	10.82	9.62	9.16	7.58	7.33	8.88	8.35	9.07	8.65	9.82
Core capital (leverage) ratio.....	7.56	10.68	9.25	8.39	6.65	6.91	7.64	7.82	8.66	7.93	8.25
Net loans and leases to deposits.....	85.22	67.37	72.94	93.25	88.52	82.33	90.85	89.77	86.17	65.00	90.60
Structural Changes (YTD)											
New charters.....	188	178	7	3	0	16	44	32	27	27	42
Banks absorbed by mergers.....	599	227	284	71	17	44	163	152	88	79	73
Failed banks.....	1	1	0	0	0	0	0	0	0	1	0
PRIOR FULL YEARS (The way it was . . .)											
Number of institutions.....											
.....1996	9,528	6,204	2,926	325	73	743	1,577	2,110	2,401	1,683	1,014
.....1994	10,451	7,259	2,800	328	64	834	1,741	2,272	2,622	1,857	1,125
.....1992	11,462	8,292	2,790	329	51	922	1,892	2,521	2,791	2,047	1,289
Total assets (in billions).....											
.....1996	\$4,578.3	\$280.1	\$713.4	\$1,002.4	\$2,582.4	\$1,730.7	\$805.4	\$716.8	\$297.2	\$334.4	\$693.8
.....1994	4,010.5	315.9	682.9	1,072.3	1,939.4	1,545.0	646.1	659.6	262.3	304.6	593.0
.....1992	3,505.7	346.0	680.2	1,034.2	1,445.3	1,307.6	550.1	581.5	242.1	282.6	541.7
Return on assets (%).....											
.....1996	1.19	1.16	1.28	1.31	1.12	1.10	1.22	1.21	1.43	1.22	1.24
.....1994	1.15	1.12	1.19	1.31	1.06	1.07	1.18	1.13	1.46	1.12	1.24
.....1992	0.93	1.04	1.01	1.02	0.81	0.81	0.99	1.02	1.30	1.12	0.82
Net charge-offs to loans & leases (%)											
.....1996	0.58	0.27	0.42	0.89	0.52	0.63	0.45	0.44	0.70	0.35	0.79
.....1994	0.50	0.25	0.37	0.54	0.57	0.75	0.27	0.29	0.46	0.16	0.58
.....1992	1.27	0.57	0.76	1.38	1.57	1.77	0.83	0.96	0.78	0.67	1.30
Noncurrent assets plus											
OREO to assets (%).....											
.....1996	0.75	0.77	0.74	0.85	0.71	0.84	0.68	0.57	0.65	0.61	0.88
.....1994	1.01	0.86	0.92	0.90	1.13	1.28	0.72	0.66	0.68	0.67	1.33
.....1992	2.54	1.37	1.71	2.15	3.50	3.55	1.62	1.35	1.18	1.50	3.46
Equity capital ratio (%).....											
.....1996	8.20	10.55	9.44	8.77	7.38	7.36	8.48	8.43	8.74	8.74	9.22
.....1994	7.78	9.84	8.79	7.94	7.01	7.33	7.84	7.88	8.43	8.15	8.33
.....1992	7.51	9.38	8.20	7.68	6.62	6.93	7.60	7.86	8.43	7.31	8.17

TABLE IV-A. Fourth Quarter 1997, FDIC-Insured Commercial Banks

FOURTH QUARTER Preliminary (The way it is . . .)	All Institutions	Asset Size Distribution					Geographic Distribution by Region					
		Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion		East			West		
							North- east	South- east	Central	Mid- west	South- west	West
Number of institutions reporting.....	9143	5853	2923	301	66	714	1524	1999	2329	1601	976	
Total assets (in billions).....	5,014.9	267.8	727.8	902.6	3,116.7	1,893.9	946.8	804.8	335.0	356.0	678.3	
Total deposits (in billions).....	3,421.7	230.4	602.1	624.6	1,964.6	1,149.4	654.6	579.1	255.0	291.1	492.4	
Net income (in millions).....	15,284.0	685.1	2,235.1	3,462.6	8,901.2	5,322.5	2,422.0	2,733.4	1,295.8	1,028.3	2,482.1	
% of unprofitable institutions.....	9.6	13.1	3.5	4.3	1.5	7.3	10.4	6.6	11.7	10.0	10.9	
% of institutions with earnings gains.....	60.7	56.7	67.9	65.8	69.7	64.0	60.9	60.7	60.6	57.6	63.0	
Performance Ratios (annualized, %)												
Yield on earning assets.....	8.29	8.52	8.5	8.75	8.08	8.13	8.2	8.33	8.78	7.95	8.77	
Cost of funding earning assets.....	4.11	3.79	3.78	3.97	4.27	4.55	3.88	4.09	3.95	3.62	3.62	
Net interest margin.....	4.18	4.73	4.72	4.78	3.81	3.58	4.31	4.25	4.83	4.33	5.15	
Noninterest income to earning assets.....	2.54	1.55	1.69	2.94	2.73	3.03	2.11	1.9	2.77	2.1	2.75	
Noninterest expense to earning assets.....	4.16	4.38	4.05	4.24	4.15	4.19	4.16	3.58	4.33	4.22	4.67	
Loan loss provision to assets.....	0.44	0.28	0.35	0.78	0.38	0.42	0.49	0.32	0.61	0.28	0.59	
Net operating income to assets.....	1.19	1.02	1.23	1.53	1.09	1.07	1.03	1.35	1.55	1.16	1.39	
Return on assets.....	1.24	1.04	1.25	1.55	1.16	1.14	1.05	1.37	1.57	1.18	1.48	
Return on equity.....	14.66	9.5	12.93	16.76	15.06	15.42	11.53	16.11	17.15	13.45	14.96	
Net charge-offs to loans and leases.....	0.69	0.4	0.47	1.2	0.6	0.81	0.53	0.53	0.82	0.49	0.83	
Loan loss provision to net charge-offs.....	108.1	119.74	123.29	98.47	110.96	101.1	141.45	91.72	110.62	103.54	106.32	
Efficiency ratio.....	60	69.36	62.01	52.87	61.26	61.88	62.74	56.83	55.88	62.91	56.33	
Structural Changes (QTR)												
New charters.....	54	52	1	1	0	5	12	8	7	10	12	
Banks absorbed by mergers.....	129	63	50	13	3	17	27	29	21	22	13	
Failed banks.....	1	1	0	0	0	0	0	0	0	1	0	
PRIOR FOURTH QUARTERS (The way it was . . .)												
Return on assets (%).....1996	1.21	0.98	1.28	1.42	1.14	1.17	1.26	1.28	1.39	1.21	1.12	
.....1994	1.07	0.98	1.13	1.2	1	0.95	1.09	1.05	1.31	1	1.34	
.....1992	0.89	0.81	0.89	0.92	0.88	0.79	0.85	1.05	1.29	1.03	0.74	
Net charge-offs to loans & leases (%)												
.....1996	0.64	0.43	0.56	1.01	0.52	0.67	0.53	0.53	0.84	0.47	0.79	
.....1994	0.55	0.4	0.49	0.62	0.54	0.74	0.38	0.39	0.56	0.26	0.59	
.....1992	1.41	0.8	1.03	1.55	1.6	1.86	1.07	0.8	0.88	0.67	1.79	

Credit Card Loss Rates and Personal Bankruptcy Filings
1984-1997



Bank Mergers: Acquisitions vs. Consolidations,*
1985-1997

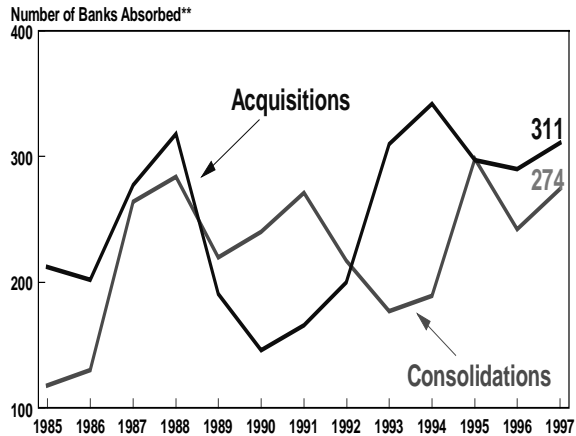


TABLE V-A. Loan Performance, FDIC-Insured Commercial Banks

December 31, 1997	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
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate.....	1.33	1.52	1.16	1.20	1.43	1.42	1.31	1.35	1.20	1.60	1.14
Construction and development.....	1.42	1.26	1.14	1.45	1.62	1.25	1.17	1.82	1.76	1.56	1.31
Commercial real estate.....	0.97	1.07	0.81	0.93	1.08	1.27	0.88	1.06	0.82	1.02	0.69
Multifamily residential real estate.....	1.12	0.72	0.80	0.97	1.39	1.02	0.93	1.32	1.08	1.34	1.23
Home equity loans.....	0.96	0.90	0.83	0.92	1.01	1.13	0.94	0.93	0.66	0.92	0.89
Other 1-4 Family residential.....	1.59	1.99	1.51	1.39	1.64	1.53	1.61	1.57	1.42	2.08	1.54
Commercial and industrial loans*.....	0.83	1.56	1.33	1.06	0.58	0.55	0.82	1.19	1.48	1.15	0.70
Loans to individuals.....	2.48	2.68	2.25	2.57	2.46	2.63	2.43	2.48	2.54	2.19	2.26
Credit card loans.....	2.68	3.05	2.76	2.76	2.63	2.61	3.12	3.06	2.66	2.67	2.42
Other loans to individuals.....	2.33	2.66	2.15	2.37	2.34	2.66	2.14	2.32	2.43	2.15	2.05
All other loans and leases (including farm).....	0.51	NA	NA	1.12	0.46	0.47	0.51	0.94	0.44	0.35	0.30
Memo: Commercial RE loans not secured by RE..	0.42	1.87	0.41	0.62	0.39	0.26	0.37	1.17	0.45	0.37	0.33
Percent of Loans Noncurrent**											
All real estate loans.....	1.01	0.87	0.77	0.97	1.15	1.46	0.85	0.76	0.63	0.99	1.05
Construction and development.....	0.98	0.86	0.77	0.90	1.18	2.19	0.59	0.90	0.73	0.94	1.07
Commercial real estate.....	1.21	0.95	0.88	1.13	1.51	2.22	0.80	0.88	0.70	1.08	1.22
Multifamily residential real estate.....	0.95	0.98	0.82	0.83	1.08	1.13	0.78	0.77	0.42	0.37	1.49
Home equity loans.....	0.44	0.50	0.41	0.44	0.44	0.61	0.36	0.36	0.18	0.29	0.50
Other 1-4 Family residential.....	0.94	0.79	0.72	0.97	1.03	1.12	0.97	0.74	0.58	0.94	1.00
Commercial and industrial loans*.....	0.86	1.26	1.19	0.84	0.71	0.87	0.64	0.96	1.24	0.94	0.75
Loans to individuals.....	1.46	0.86	0.78	1.53	1.62	2.06	1.06	1.00	1.68	0.66	1.26
Credit card loans.....	2.14	1.66	1.79	2.09	2.20	2.15	2.07	2.17	2.70	1.96	1.85
Other loans to individuals.....	0.98	0.81	0.59	0.93	1.17	1.95	0.64	0.69	0.64	0.55	0.50
All other loans and leases (including farm).....	0.25	NA	NA	0.42	0.24	0.23	0.24	0.31	0.30	0.19	0.27
Memo: Commercial RE loans not secured by RE..	0.40	1.03	0.34	0.45	0.39	0.36	0.49	0.39	0.09	0.35	0.49
Percent of Loans Charged-off (net, YTD)											
All real estate loans.....	0.06	0.05	0.06	0.06	0.06	0.10	0.05	0.05	0.02	-0.01	0.08
Construction and development.....	-0.02	0.03	0.06	0.00	-0.09	0.09	0.00	0.02	0.11	-0.27	-0.12
Commercial real estate.....	0.01	0.05	0.06	0.03	-0.03	0.02	0.01	0.03	-0.04	-0.03	0.03
Multifamily residential real estate.....	0.04	0.21	0.08	0.07	-0.01	0.02	0.01	0.07	0.02	-0.01	0.10
Home equity loans.....	0.16	0.11	0.08	0.18	0.17	0.15	0.10	0.14	0.06	0.74	0.24
Other 1-4 Family residential.....	0.08	0.05	0.06	0.07	0.09	0.11	0.06	0.05	0.04	0.04	0.11
Commercial and industrial loans*.....	0.28	0.41	0.42	0.26	0.23	0.20	0.19	0.31	0.64	0.31	0.40
Loans to individuals.....	2.70	0.78	1.38	3.39	2.75	3.15	2.11	2.02	2.89	1.36	3.65
Credit card loans.....	5.11	3.30	4.53	5.51	4.88	4.99	4.78	5.75	4.97	4.57	5.37
Other loans to individuals.....	1.04	0.64	0.79	0.92	1.22	1.12	0.96	0.90	0.79	1.06	1.43
All other loans and leases (including farm).....	0.08	NA	NA	0.23	0.06	-0.02	0.16	0.21	0.19	0.13	0.09
Memo: Commercial RE loans not secured by RE..	-0.03	2.03	0.26	0.05	-0.07	-0.08	-0.05	0.11	0.03	0.01	-0.04
Loans Outstanding (in billions)											
All real estate loans.....	\$1,243.9	\$88.4	\$275.0	\$263.4	\$617.1	\$316.5	\$321.1	\$241.0	\$97.7	\$79.3	\$188.3
Construction and development.....	88.2	6.2	23.9	22.0	36.1	10.6	28.3	17.2	7.7	9.1	15.1
Commercial real estate.....	340.4	23.4	93.9	78.0	145.1	72.8	82.6	69.2	27.2	26.6	61.9
Multifamily residential real estate.....	41.2	2.0	8.8	11.1	19.3	11.8	8.4	8.1	3.2	2.3	7.3
Home equity loans.....	98.1	2.1	13.6	20.4	62.0	24.5	24.9	23.7	4.7	0.8	19.5
Other 1-4 Family residential.....	620.8	44.2	124.5	128.3	323.9	170.8	172.0	116.0	46.0	37.4	78.7
Commercial and industrial loans.....	795.9	25.8	79.2	125.1	565.9	301.3	130.2	141.7	46.9	54.5	121.3
Loans to individuals.....	561.4	23.6	68.8	166.2	302.8	197.5	104.5	90.0	49.1	38.3	81.9
Credit card loans.....	231.2	1.2	11.2	85.2	133.6	107.0	31.0	19.3	24.8	3.2	45.9
Other loans to individuals.....	330.2	22.4	57.6	80.9	169.3	90.5	73.5	70.7	24.4	35.1	36.0
All other loans and leases (including farm).....	374.0	20.3	24.1	41.3	288.3	153.7	48.9	55.9	30.1	20.5	65.0
Memo: Commercial RE loans not secured by RE..	29.5	0.2	0.9	2.9	25.5	9.1	4.6	3.5	1.9	2.0	8.5
Memo: Other Real Estate Owned (in millions)											
All other real estate owned.....	\$3,794.0	\$350.4	\$865.9	\$606.5	\$1,971.2	\$1,349.0	\$785.2	\$407.2	\$214.0	\$263.6	\$775.0
Construction and development.....	433.7	42.8	152.0	88.8	150.1	108.2	152.8	36.5	35.5	20.2	80.5
Commercial real estate.....	1,737.7	150.7	386.9	285.2	914.9	576.9	311.9	198.7	83.3	133.4	433.5
Multifamily residential real estate.....	181.3	10.7	35.4	29.1	106.1	114.8	17.6	9.8	7.0	4.5	27.6
1-4 Family residential.....	1,107.1	113.4	262.0	194.3	537.4	301.9	294.7	156.4	65.5	79.9	208.8
Farmland.....	95.2	32.8	29.6	8.7	24.2	9.8	8.1	5.8	22.5	25.7	23.2
Other real estate owned in foreign offices.....	239.1	0.1	0.0	0.4	238.5	237.4	0.1	0.0	0.2	0.0	1.4

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

N/A - Not available

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

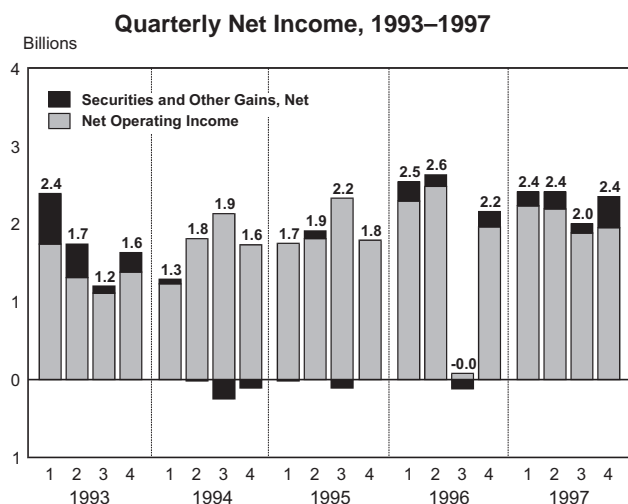
SAVINGS INSTITUTION PERFORMANCE — FOURTH QUARTER, 1997

- **Savings Institutions Earn \$2.4 Billion In The Fourth Quarter**
- **Annual Earnings Of \$8.8 Billion Are Highest Ever**
- **Equity Capital Reaches Highest Level Since 1943**
- **No Thrifts Failed In All Of 1997, The First Year Since 1959 With No Failures**

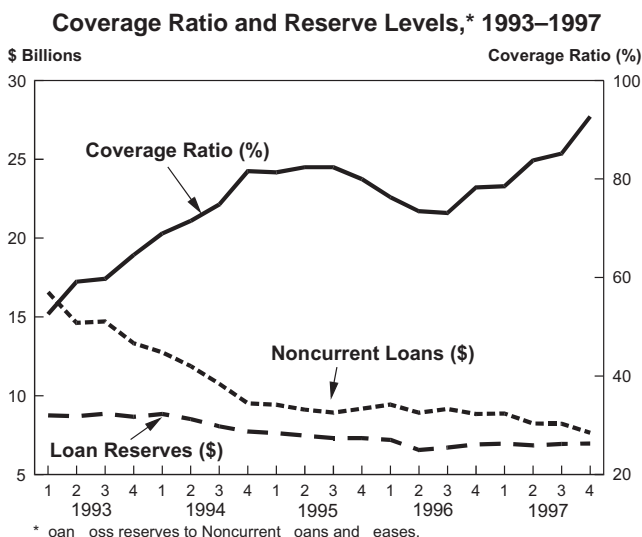
Savings institutions reported \$2.4 billion in earnings for the fourth quarter of 1997 for an average annual return on assets (ROA) of 0.95 percent. Earnings were \$352 million higher than in the third quarter, primarily because of gains on the sales of securities. Gains on securities sales, at \$559 million, were more than three times the \$154 million reported in the previous quarter. Strong noninterest income also contributed to the earnings improvement. Noninterest income was \$125 million (7 percent) higher than in the third quarter. The ratio of noninterest income to earning assets was 0.87 percent for the fourth quarter, the highest level in over two years. In the fourth quarter, 92 percent of all savings institutions were profitable and one-third had an ROA of 1.00 percent or better.

because the special assessment was deductible, which kept tax expenses unusually low in 1996. Several tax law changes enacted in 1996 increased the tax burden on thrifts in 1997. In particular, thrifts lost the ability to set aside a bad debt-reserve for tax purposes.

A decline in noncurrent loans pushed the coverage ratio to a record of 91 cents in reserves for every \$1 of noncurrent loans. This was the third consecutive quarter that this ratio set a new record. Noncurrent loans declined by \$565 million during the fourth quarter. One thrift specializing in bad-debt workouts accounted for \$239 million of the decline in noncurrent loans. Reserves rose by just \$27 million during the fourth quarter.



Full-year net income, at \$8.8 billion, was the highest ever reported by the thrift industry. The ROA for 1997, at 0.93 percent, was the highest since 1946. Full-year earnings were \$1.8 billion higher than in 1996. Noninterest expense was \$4.7 billion lower in 1997 than in 1996 largely because of the special assessment paid by SAIF-insured institutions in the third quarter of 1996. Thanks to the capitalization of their insurance fund, thrifts with SAIF-insured deposits had lower deposit premiums in 1997, resulting in pre-tax savings of approximately \$800 million. Taxes were \$1.8 billion higher in 1997

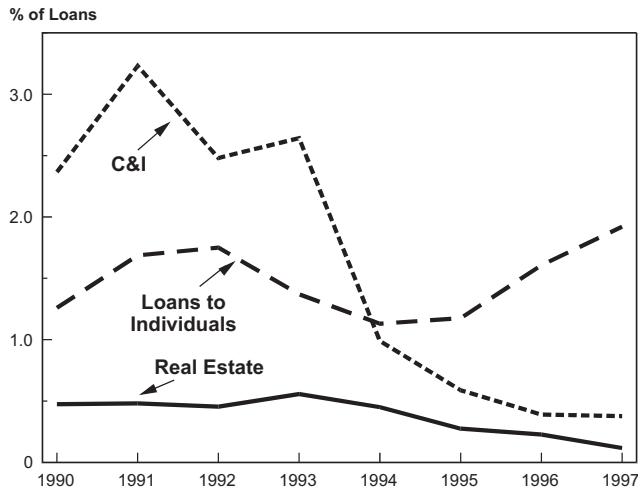


The industry's noncurrent assets and other real estate owned (OREO) accounted for less than one percent of total assets at year-end. This was the first time that less than one percent of assets were nonperforming since data became available for this calculation in 1990. This ratio has improved dramatically from its peak at 4.15 percent in early 1991.

Net charge-offs fell to 0.25 percent of loans in 1997 from 0.32 percent in 1996. This was the third consecutive year with a reduction in net charge-offs. The trend began in 1993 when the net-charge-off

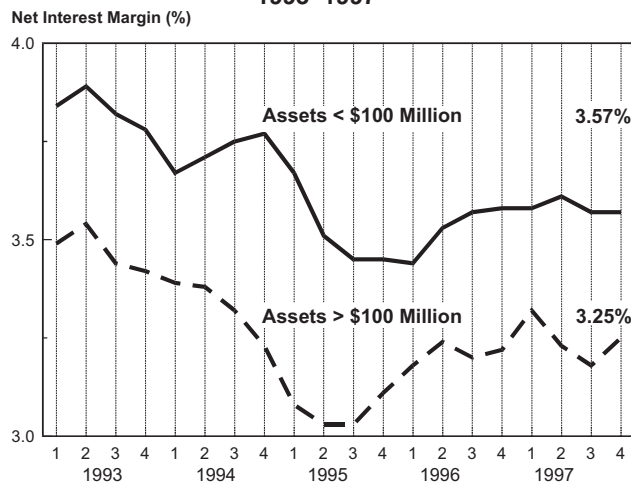
rate was 0.65 percent. Net charge-offs improved in all loan categories except home equity loans and credit-card loans. The net charge-off rate on home equity loans rose slightly, by 4 basis points, to 0.22 percent during 1997. The net charge-off rate on credit-card loans increased by nearly one-third, to 4.98 percent from 3.79 percent in 1996. Credit-card loans represent just one percent of thrift assets.

Annual Net Charge-Off Rates,* 1990-1997



Net interest margins improved to 3.27 percent from 3.20 percent in the third quarter, even as the yield curve flattened. The yield on earning assets grew by 22 basis points while the cost of funding earning assets rose only 15 basis points. Most of the improvement occurred at the largest thrifts, those with assets of over \$5 billion. These institutions reported a 46 basis-point improvement in the yield on earning assets and a 28 basis-point increase in the cost of funding earning assets. Their net interest margin increased by 18 basis points to 3.08 percent.

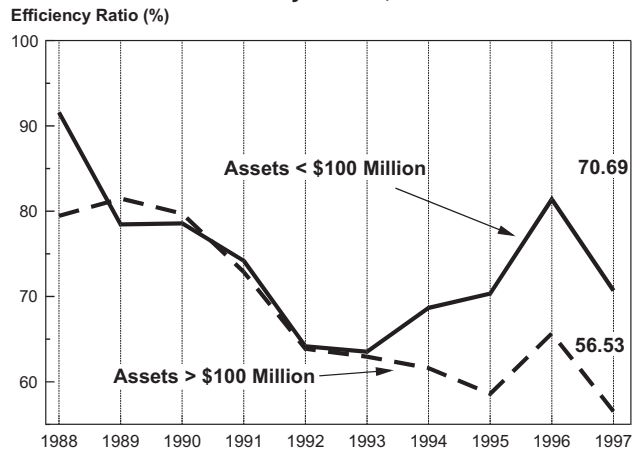
Quarterly Net Interest Margins, Annualized 1993-1997



The performance of large institutions continues to drive the industry's improvement in controlling

costs. The efficiency ratio — noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income — improved to 57 percent for 1997. This ratio was much higher in 1996 (at 66 percent) when the special assessment on SAIF-insured deposits impacted the thrift industry. In 1995, a more typical year, this ratio was 59 percent. Small thrifts, those with less than \$100 million in assets, have shown almost no change in this ratio since 1995. These thrifts showed a slight deterioration to almost 71 percent in 1997 from 70 percent in 1995. All of the improvement in 1997 occurred at larger institutions, which reported an efficiency ratio of 57 percent in 1997, down from just below 59 percent in 1995.

Annual Efficiency Ratios,* 1988-1997

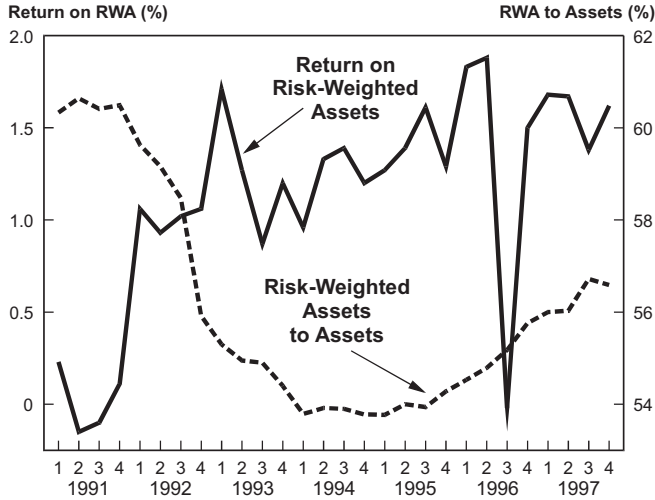


* Noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income.

The thrift industry showed very little increase in the risk profile of its asset portfolio in 1997. Total assets increased during the fourth quarter by \$4.4 billion. Thrifts increased real estate loans on 1-4 family properties by \$1.2 billion, while loans secured by multifamily properties declined by \$874 million. The risk weighting of assets, as defined for regulatory capital computations, has increased somewhat over the past few years, but declined slightly in the fourth quarter. Risk-weighted assets (RWA) as a percent of total assets rose from a recent low in early 1995 of 53.8 percent to 56.7 percent at the end of the third quarter of 1997, before declining slightly to 56.6 percent at year-end. The return on RWA for thrifts was 1.62 during the fourth quarter, up from 1.38 percent in the third quarter. Thrifts tend to keep a larger percentage of their portfolio in lower-risk assets than commercial banks.

Savings institutions increased their use of non-deposit borrowings in the fourth quarter. All non-deposit borrowings grew by \$5.8 billion during the fourth quarter, while deposits declined by \$2.3

Quarterly Return on Risk-Weighted Assets (RWA),* and RWA to Total Assets, 1991-1997



* Assets weighted according to risk categories used in regulatory capital computations.

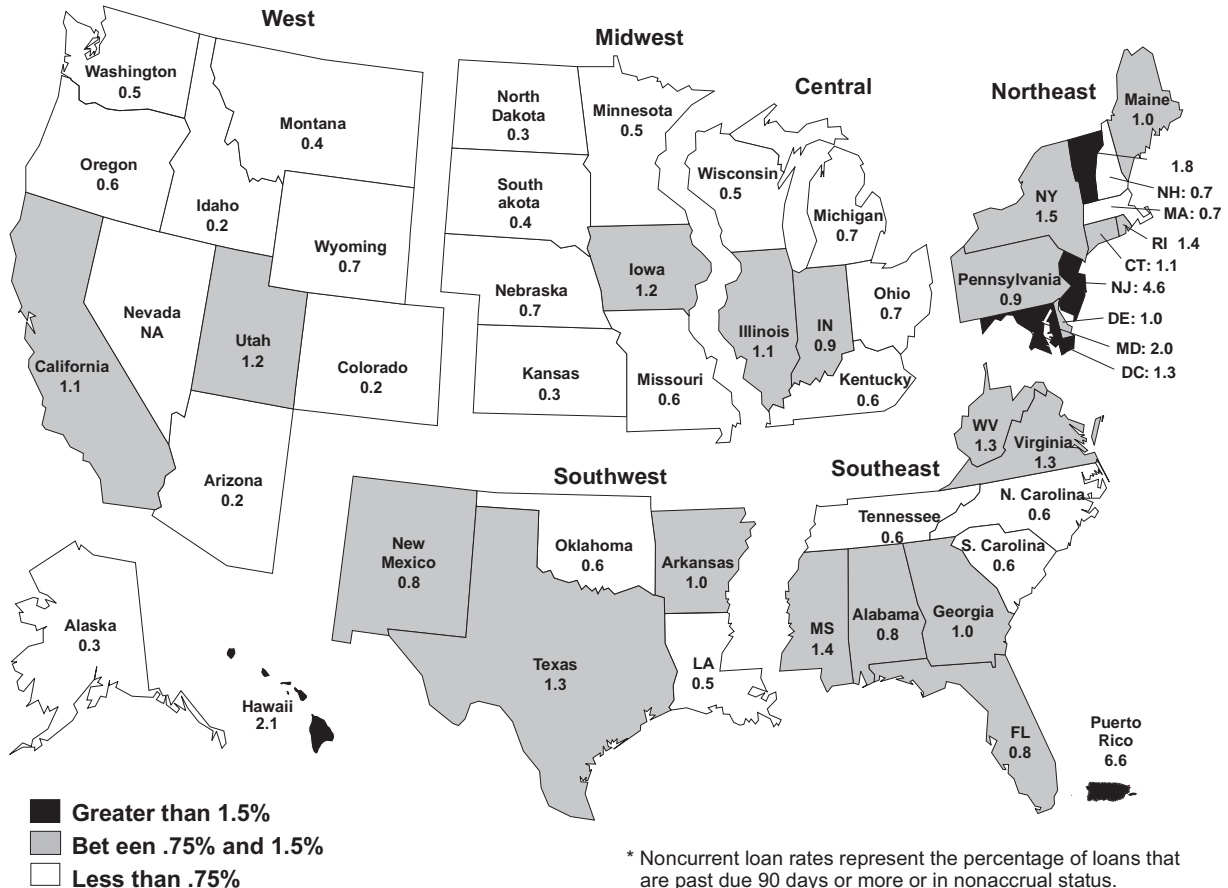
billion. For institutions that file a Thrift Financial Report, Federal Home Loan Bank advances rose by \$11.9 billion during the quarter.

Equity capital rose by \$1.2 billion during the quarter to 8.71 percent of assets. This was the highest capital ratio since 1943. The return on equity (ROE) reached 10.90 percent for all of 1997. This was the highest annual ROE reported by thrifts since 1985

when equity capital was just 3.52 percent of industry assets. The ROE for that year was 13.91 percent.

The number of savings institutions declined by 33 during the fourth quarter to 1,779 institutions. Commercial banks absorbed 28 savings institutions with \$15.8 billion in assets. In 1997, the commercial banking industry absorbed 116 savings institutions with \$75 billion in assets. Tax law changes in late 1996 made acquiring thrifts much less costly. Savings institutions absorbed five commercial banks with \$795 million in assets, and three commercial banks, with \$562 million in assets, converted to thrift charters. Just 11 thrifts were acquired by other thrifts during the fourth quarter. Three new savings institutions opened during the fourth quarter for a total of 12 new thrifts during the year. There were 21 mutual-to-stock conversions during the fourth quarter involving \$4.6 billion in assets. No thrifts failed in 1997, the first calendar year since 1959 with no thrift failures. Only one thrift failed in 1996 and by the end of 1997, the industry had 16 consecutive months without a thrift failure. The number of 'problem' savings institutions declined during the fourth quarter to 21 from 27 at the end of the third quarter. Assets of 'problem' thrifts fell to \$1.7 billion from \$2.0 billion at the end of September.

Noncurrent Loan Rates by State,* December 31, 1997



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

TABLE I-D. Selected Indicators, BIF-Member Depository Institutions*

<i>(dollar figures in millions)</i>	1997	1996	1995	1994	1993	1992	1991
Number of institutions reporting.....	9,403	9,822	10,242	10,759	11,291	11,813	12,305
Total assets.....	5,283,063	4,855,810	4,576,263	4,246,786	3,949,695	3,711,612	3,660,497
Total deposits.....	3,609,481	3,402,648	3,224,307	3,061,457	2,951,979	2,873,169	2,881,811
Number of problem institutions.....	73	86	151	264	472	856	1,089
Assets of problem institutions (in billions).....	\$5	\$7	\$20	\$42	\$269	\$464	\$610
Number of failed/assisted institutions.....	1	5	6	13	41	122	127
Assets of failed/assisted institutions (in billions).....	\$0.03	\$0.19	\$0.76	\$1.43	\$3.54	\$44	\$63

TABLE II-D. Selected Aggregate Condition and Income Data, BIF-Member Depository Institutions*

<i>(dollar figures in millions)</i>	Preliminary 4th Quarter 1997	3rd Quarter 1997	4th Quarter 1996	% Change 96:4-97:4		
Number of institutions reporting.....	9,403	9,481	9,822	-4.3		
Commercial banks.....	9,037	9,115	9,441	-4.3		
Savings institutions.....	366	366	381	-3.9		
Total employees (full-time equivalent).....	1,590,766	1,577,801	1,548,517	2.7		
CONDITION DATA						
Total assets.....	\$5,283,063	\$5,138,006	\$4,855,810	8.8		
Loans secured by real estate, total.....	1,415,313	1,394,933	1,307,099	8.3		
1-4 Family residential.....	851,977	838,393	785,126	8.5		
Multifamily residential property.....	64,466	62,303	59,580	8.2		
Commercial real estate.....	353,270	349,543	330,832	6.8		
Construction, development and land.....	90,458	88,275	78,574	15.1		
Commercial & industrial loans.....	798,241	768,098	712,727	12.0		
Reserve for losses.....	56,673	56,947	55,840	1.5		
Total deposits.....	3,609,481	3,498,508	3,402,648	6.1		
Domestic deposits.....	3,083,286	2,991,459	2,929,150	5.3		
Estimated insured deposits.....	2,267,942	2,235,431	2,200,537	1		
BIF-insured deposits (estimated).....	2,023,116	2,000,819	1,983,448	1		
SAIF-insured deposits (estimated).....	244,825	234,612	217,089	4		
Noncurrent loans and leases.....	30,339	30,742	31,710	-4.3		
Other real estate owned.....	4,174	4,581	5,395	-22.6		
Equity capital.....	442,137	439,510	399,441	10.7		
CAPITAL CATEGORY DISTRIBUTION						
Number of institutions:						
Well capitalized.....	9,203	9,287	9,664	-4.8		
Adequately capitalized.....	183	181	136	34.6		
Undercapitalized.....	9	7	13	-30.8		
Significantly undercapitalized.....	4	3	7	-42.9		
Critically undercapitalized.....	4	3	2	100.0		
Total assets:						
Well capitalized.....	\$5,203,826	\$5,103,814	\$4,827,860	7.8		
Adequately capitalized.....	74,783	33,119	23,026	224.8		
Undercapitalized.....	1,486	837	3,830	-61.2		
Significantly undercapitalized.....	2,725	151	1,036	162.9		
Critically undercapitalized.....	243	84	57	322.8		
INCOME DATA						
	Preliminary Full Year 1997	Full Year 1996	%Change	Preliminary 4th Quarter 1997	4th Quarter 1996	%Change 96:4-97:4
Net interest income.....	\$182,258	\$170,938	6.6	\$46,637	\$44,266	5.4
Provision for loan losses.....	20,300	16,883	20.2	5,560	4,708	18.1
Net income.....	61,516	54,479	12.9	15,897	14,299	11.2
Net charge-offs.....	18,591	16,093	15.5	5,125	4,611	11.1
Number of institutions reporting net losses.....	419	407	2.9	899	885	1.6

*Excludes insured branches of foreign banks.

TABLE I-E. Selected Indicators, SAIF-Member Depository Institutions*

<i>(dollar figures in millions)</i>	1997	1996	1995	1994	1993	1992	1991
Number of institutions reporting.....	1,519	1,630	1,728	1,844	1,929	2,039	2,177
Total assets.....	758,039	750,770	762,157	772,299	757,362	824,266	883,187
Total deposits.....	516,331	522,419	545,174	550,162	576,507	653,865	712,533
Number of problem institutions.....	19	31	42	54	100	207	337
Assets of problem institutions (in billions).....	\$2	\$6	\$11	\$31	\$65	\$128	\$209
Number of failed/assisted institutions.....	0	1	2	2	9	59	144
Assets of failed/assisted institutions (in billions).....	\$0.00	\$0.03	\$0.46	\$0.14	\$6.00	\$44	\$79

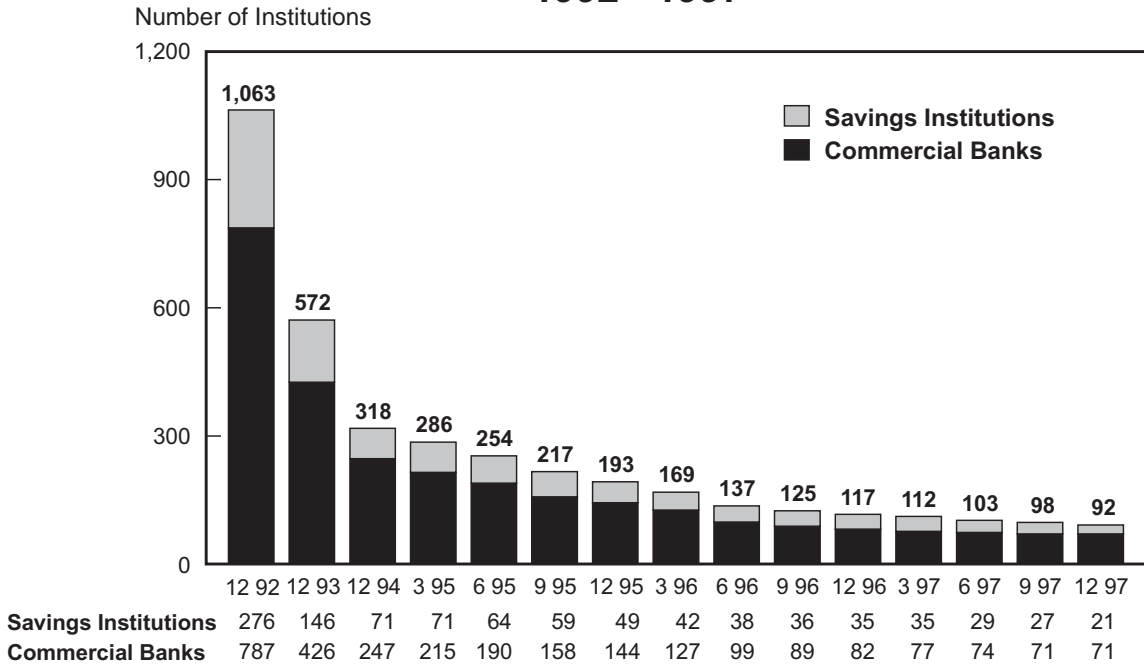
TABLE II-E. Selected Aggregate Condition and Income Data, SAIF-Member Depository Institutions*

<i>(dollar figures in millions)</i>	Preliminary 4th Quarter 1997	3rd Quarter 1997	4th Quarter 1996	% Change 96:4-97:4		
Number of institutions reporting.....	1,519	1,546	1,630	-6.8		
Commercial banks.....	106	100	87	21.8		
Savings institutions.....	1,413	1,446	1,543	-8.4		
Total employees (full-time equivalent).....	191,495	191,368	193,435	-1.0		
CONDITION DATA						
Total assets.....	\$758,039	\$753,307	\$750,770	1.0		
Loans secured by real estate, total.....	460,420	463,388	469,104	-1.9		
1-4 Family residential.....	373,910	375,572	372,371	0.4		
Multifamily residential property.....	34,336	36,095	38,071	-9.8		
Commercial real estate.....	34,438	34,080	35,224	-2.2		
Construction, development and land.....	17,502	17,406	23,252	-24.7		
Commercial & industrial loans.....	13,900	13,213	11,723	18.6		
Reserve for losses.....	5,013	4,912	5,297	-5.4		
Total deposits.....	516,331	512,846	522,419	-1.2		
Domestic deposits.....	516,331	512,846	522,336	-1.1		
Estimated insured deposits.....	476,753	474,902	488,337	0		
BIF-insured deposits (estimated).....	31,446	25,588	22,024	23		
SAIF-insured deposits (estimated).....	445,306	449,313	466,313	(1)		
Noncurrent loans and leases.....	5,785	6,163	6,260	-7.6		
Other real estate owned.....	1,704	1,760	1,801	-5.4		
Equity capital.....	65,154	64,113	61,605	5.8		
CAPITAL CATEGORY DISTRIBUTION						
Number of institutions:						
Well capitalized.....	1,485	1,517	1,577	-5.8		
Adequately capitalized.....	33	26	50	-34.0		
Undercapitalized.....	1	3	2	-50.0		
Significantly undercapitalized.....	0	0	1	0.0		
Critically undercapitalized.....	0	0	0	0.0		
Total assets:						
Well capitalized.....	\$749,169	\$747,141	\$732,832	2.2		
Adequately capitalized.....	8,861	6,076	17,677	-49.9		
Undercapitalized.....	9	90	247	-96.2		
Significantly undercapitalized.....	0	0	14	0.0		
Critically undercapitalized.....	0	0	0	0.0		
INCOME DATA						
	Preliminary Full Year 1997	Full Year 1996	%Change	Preliminary 4th Quarter 1997	4th Quarter 1996	%Change 96:4-97:4
Net interest income.....	\$20,873	\$21,930	-4.8	\$5,578	\$5,588	-0.2
Provision for loan losses.....	1,644	1,936	-15.1	484	675	-28.2
Net income.....	6,556	4,897	33.9	1,739	1,562	11.3
Net charge-offs.....	1,272	1,521	-16.4	325	434	-25.1
Number of institutions reporting net losses.....	62	227	-72.7	125	141	-11.3

*Data between 1991 and 1995 do not include Resolution Trust Corporation conservatorships. Excludes one self-liquidating institution.

N/M - Not meaningful

Number of FDIC-Insured "Problem" Institutions, 1992 - 1997



Assets of FDIC-Insured "Problem" Institutions, 1992 - 1997

