The FDIC Quarterly Banking Profile

Donna Tanoue, Chairman

Second Quarter 1998

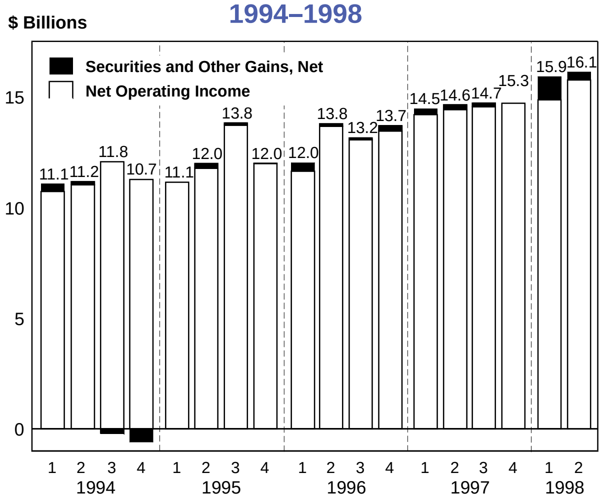
COMMERCIAL BANK PERFORMANCE – SECOND QUARTER, 1998

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

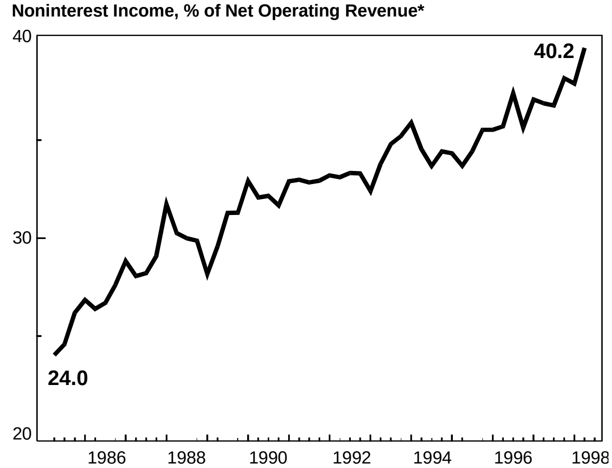
In the second quarter of 1998 commercial bank earnings exceeded $16 billion for the first time. Bank earnings totaled $16.1 billion, an increase of $210 million over the previous record, set in the first quarter, and $1.5 billion (10.2 percent) more than banks earned in the second quarter of 1997. Industry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

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

QUARTERLY NET INCOME, 1994–1998



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



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

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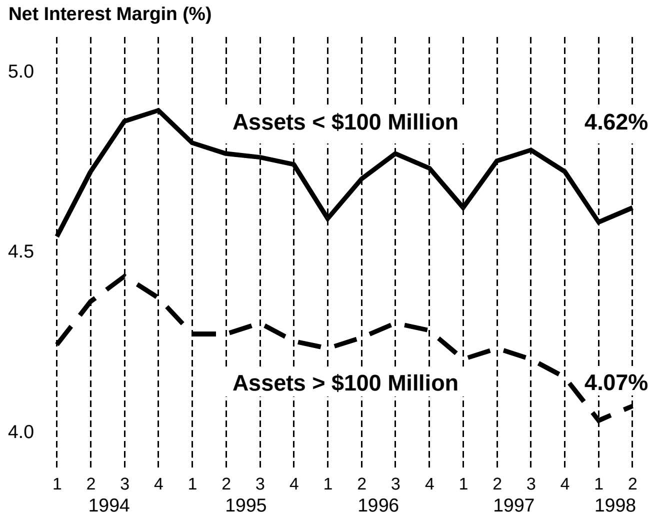
Net interest income was $2.0 billion (4.7 percent) higher than a year ago, as the negative effect of lower net interest margins was outweighed by growth in interest-bearing assets. The improvement in net interest income was the result of an 8.0 percent rise in earning assets during the past 12 months.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

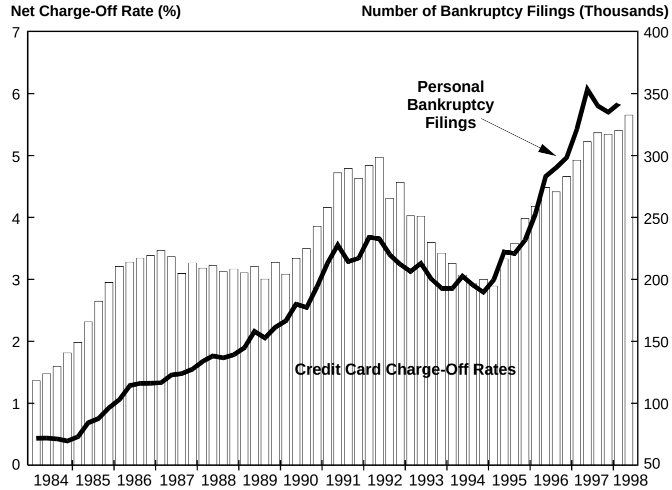
QUARTERLY NET INTEREST MARGINS, 1994–1998



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

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

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



Sources: Bankruptcies - Administrative Office of the United States Courts
Charge-Off Rates - Commercial Bank Call Reports

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

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

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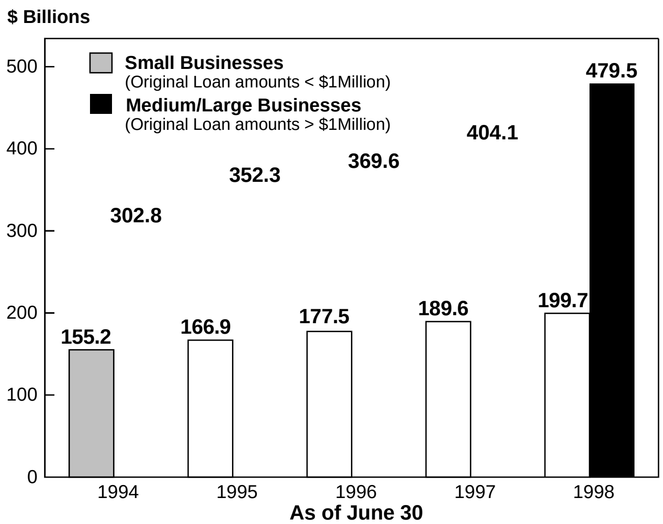
[1]See *Accounting Changes*, p.21.

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

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

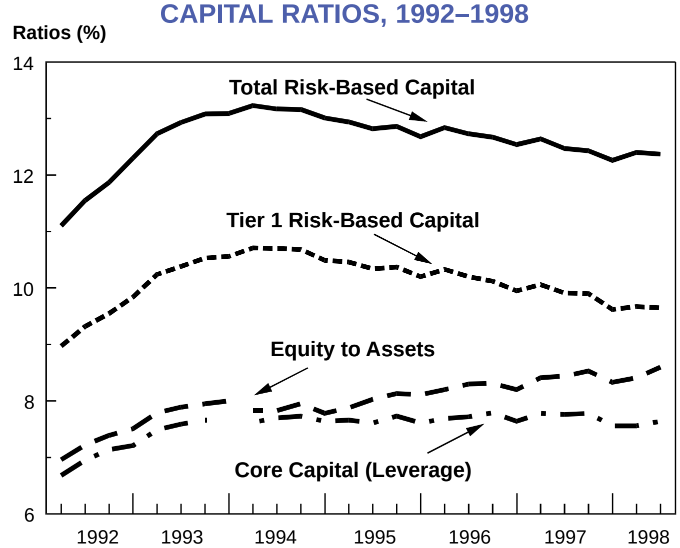
Over the past 12 months, total assets have increased by 8.6 percent, while commercial and industrial loans have grown by 12.6 percent. During this period, the strength in commercial and industrial lending has not extended to smaller borrowers. In the 12 months ended June 30, commercial and industrial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

COMMERCIAL AND INDUSTRIAL LOANS TO SMALL BUSINESSES, 1994–1998



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

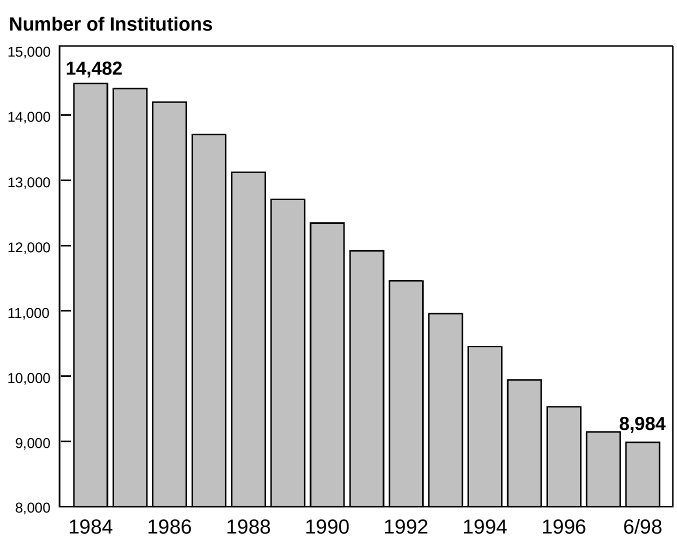
CAPITAL RATIOS, 1992–1998



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

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

NUMBER OF FDIC-INSURED COMMERCIAL BANKS, 1984–1998



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

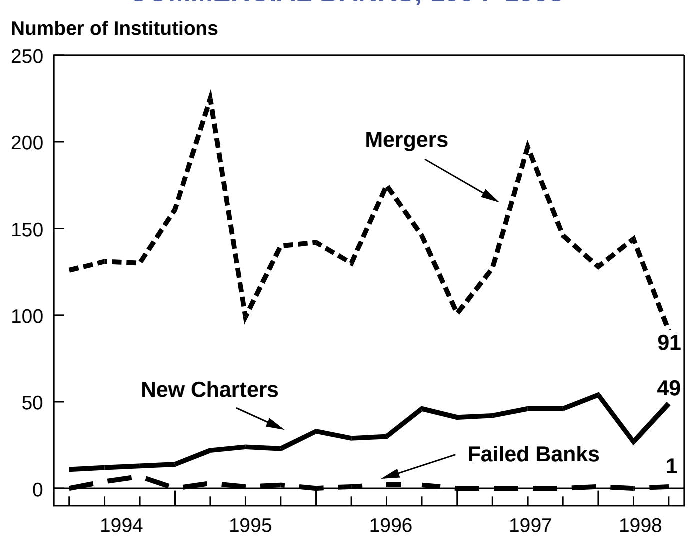


TABLE I-A. Selected Indicators, FDIC-Insured Commercial Banks

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

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

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

(dollar figures in millions)	Preliminary 2nd Quarter 1998	1st Quarter 1998	2nd Quarter 1997	%Change 97:2-98:2
Number of institutions reporting	8,984	9,024	9,309	-3.5
Total employees (full-time equivalent)	1,593,873	1,557,256	1,513,911	5.3
CONDITION DATA				
Total assets	$5,182,759	$5,111,008	$4,771,367	8.6
Loans secured by real estate	1,284,564	1,272,777	1,194,707	7.5
Commercial & industrial loans	850,388	820,043	755,170	12.6
Loans to individuals	547,880	542,245	557,628	-1.7
Farm loans	47,082	43,062	43,662	7.8
Other loans & leases	366,077	349,707	319,727	14.5
Less: Unearned income	4,326	4,377	5,145	-15.9
Total loans & leases	3,091,664	3,023,457	2,865,748	7.9
Less: Reserve for losses	56,379	55,201	54,522	3.4
Net loans and leases	3,035,285	2,968,255	2,811,226	8.0
Securities	894,496	905,412	820,458	9.0
Other real estate owned	3,530	3,734	4,377	-19.3
Goodwill and other intangibles	76,195	66,208	56,772	34.2
All other assets	1,173,252	1,167,398	1,078,534	8.8
Total liabilities and capital	5,182,759	5,111,008	4,771,367	8.6
Noninterest-bearing deposits	687,030	665,698	668,062	2.8
Interest-bearing deposits	2,819,544	2,801,945	2,611,791	8.0
Other borrowed funds	873,052	856,606	788,465	10.7
Subordinated debt	67,283	66,177	54,285	23.9
All other liabilities	289,875	290,658	245,904	17.9
Equity capital	445,974	429,924	402,860	10.7
Loans and leases 30-89 days past due	35,711	38,877	35,155	1.6
Noncurrent loans and leases	29,084	29,497	28,579	1.8
Restructured loans and leases	1,961	2,104	3,396	-42.3
Direct and indirect investments in real estate	535	549	651	-17.9
1-4 family residential mortgages	741,051	736,905	690,460	7.3
Mortgage-backed securities	392,983	402,403	345,737	13.7
Earning assets	4,458,963	4,415,084	4,129,430	8.0
Long-term assets (5+ years)	873,380	837,721	698,493	25.0
Volatile liabilities	1,671,329	1,648,332	1,520,316	9.9
Foreign office deposits	549,037	528,573	504,198	8.9
Unused loan commitments	3,478,088	3,280,839	2,834,696	22.7
Off-balance-sheet derivatives	28,837,695	26,726,750	23,831,385	21.0

INCOME DATA	Preliminary First Half 1998	First Half 1997	%Change	Preliminary 2nd Quarter 1998	2nd Quarter 1997	%Change 97:2-98:2
Total interest income	$178,610	$164,947	8.3	$89,980	$83,933	7.2
Total interest expense	88,771	79,259	12.0	44,477	40,454	9.9
Net interest income	89,839	85,689	4.8	45,504	43,479	4.7
Provision for loan losses	10,236	9,322	9.8	5,265	5,030	4.7
Total noninterest income	59,810	49,923	19.8	30,651	25,276	21.3
Total noninterest expense	92,107	81,871	12.5	46,392	41,422	12.0
Securities gains (losses)	1,372	713	92.4	575	298	92.8
Applicable income taxes	17,167	16,026	7.1	8,932	7,991	11.8
Extraordinary gains, net	524	35	N/M	-13	28	N/M
Net income	32,036	29,140	9.9	16,128	14,638	10.2
Net charge-offs	9,696	8,437	14.9	4,900	4,393	11.5
Cash dividends	18,600	17,982	3.4	7,764	9,475	-18.1
Net operating income	30,615	28,642	6.9	15,763	14,419	9.3

N/M - Not Meaningful

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

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

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

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

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

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

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

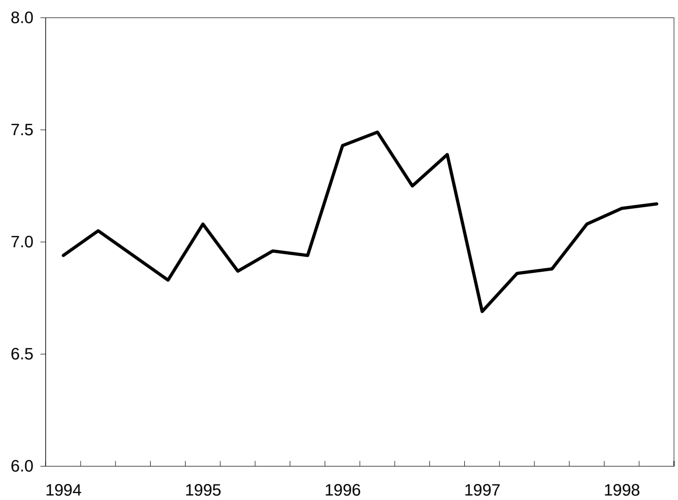
West - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

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

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

BANKS' LENDING EXPOSURE TO FOREIGN BORROWERS, 1994-1998

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



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

INTERNATIONAL OPERATIONS' CONTRIBUTION TO BANK EARNINGS, 1994-1998

Earnings from International Operations, % of Net Income

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

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

* Includes "All other loans" for institutions under $1 billion in asset size.   N/A - Not Available

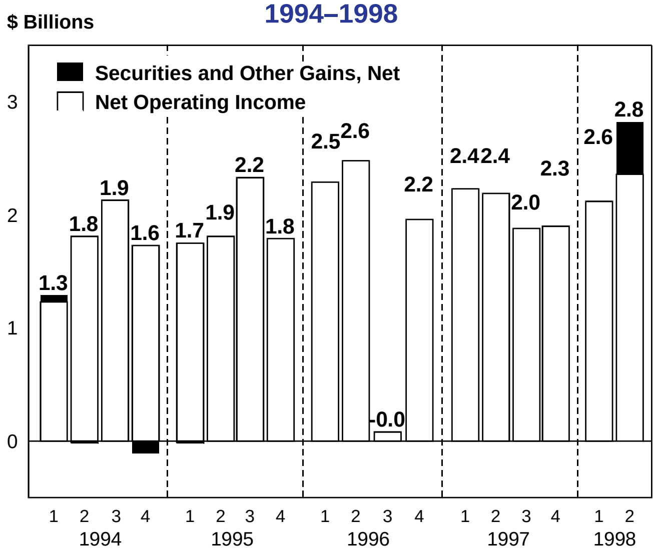
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

SAVINGS INSTITUTION PERFORMANCE – SECOND QUARTER, 1998

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

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

QUARTERLY NET INCOME, 1994–1998

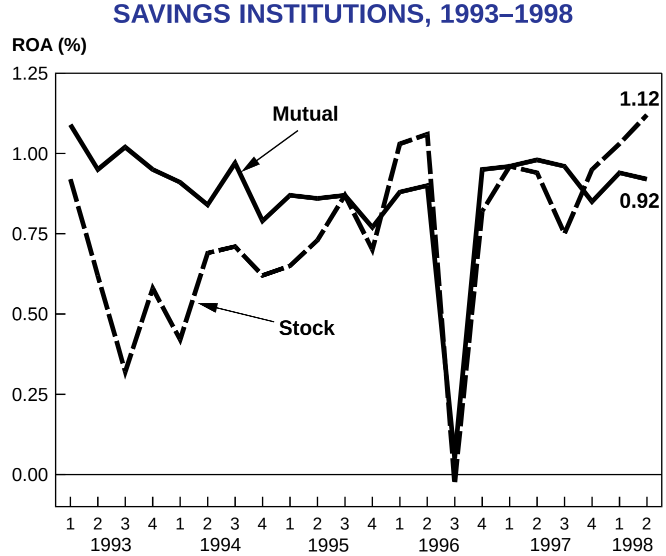


Earnings continued to benefit from gains on sales of securities, which totaled $656 million this quarter, up slightly from $646 million in the first quarter. For institutions that file a Thrift Financial Report (TFR), these gains also included gains from the sale of assets held for sale, such as mortgages originated and sold during the quarter. For several large thrifts, gains on mortgage sales were substantial. In the first half of this year gains on sales of securities and other assets, at $1.3 billion, were $766 million higher (144 percent) than in the first half of 1997. These gains helped propel earnings to $5.4 billion for the six months ending in June, or 14 percent higher than in the same period of 1997.

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

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

QUARTERLY ROA OF MUTUAL AND STOCK SAVINGS INSTITUTIONS, 1993–1998



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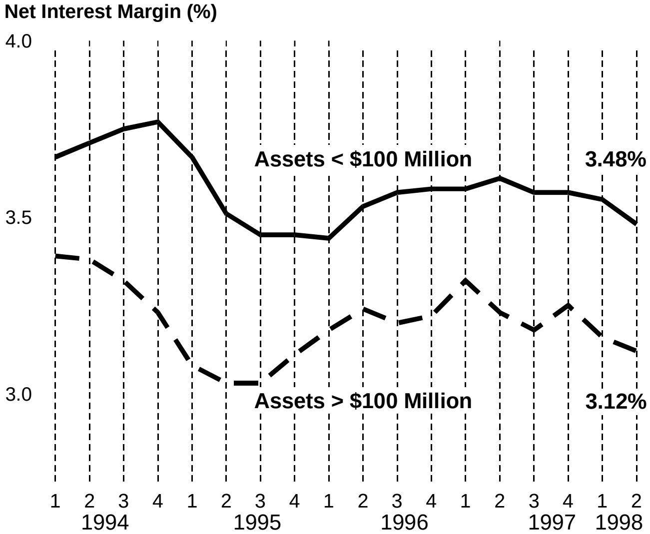
[1] California Federal Bank, a FSB in San Francisco, California, reported a deferred-tax benefit of $250 million resulting from a reduction in the valuation allowance related to its deferred-tax assets.

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

QUARTERLY NET INTEREST MARGINS, 1994–1998

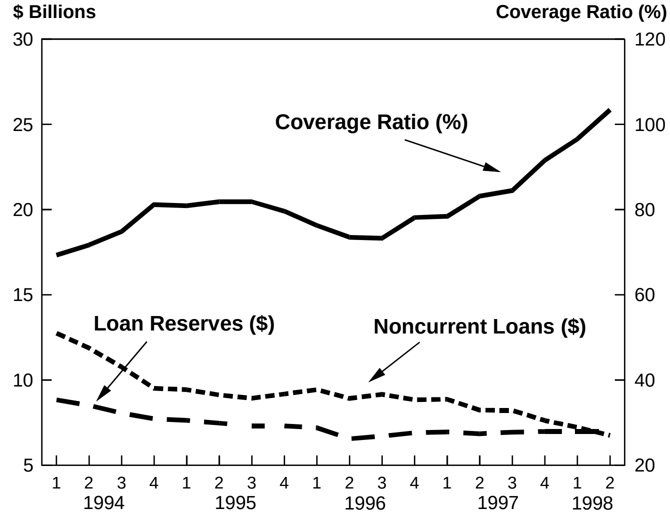


Asset-quality improvements were widespread during the second quarter, producing the most favorable asset-quality ratios that the industry has ever reported. The coverage ratio – loan-loss reserves to noncurrent loans – improved in all size groups and regions during the quarter. Loan-loss reserves increased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

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

Total assets were up by $4.5 billion during the quarter, while transfers between affiliated thrifts in one large holding company caused shifts in several asset categories.[2] Home mortgages declined by $5.1 billion during the quarter, while mortgage-backed securities (MBS) rose by $5.2 billion. Total investment securities rose by only $2.9 billion because nonmortgage securities backed by the U.S. government declined by $2 billion. Other assets grew by $4.1 billion because of a $2.4-billion increase in fed funds sold and repurchase agreements.

COVERAGE RATIO AND RESERVE LEVELS,* 1994–1998



*Loan-Loss reserves to Noncurrent Loans and Leases.

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

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

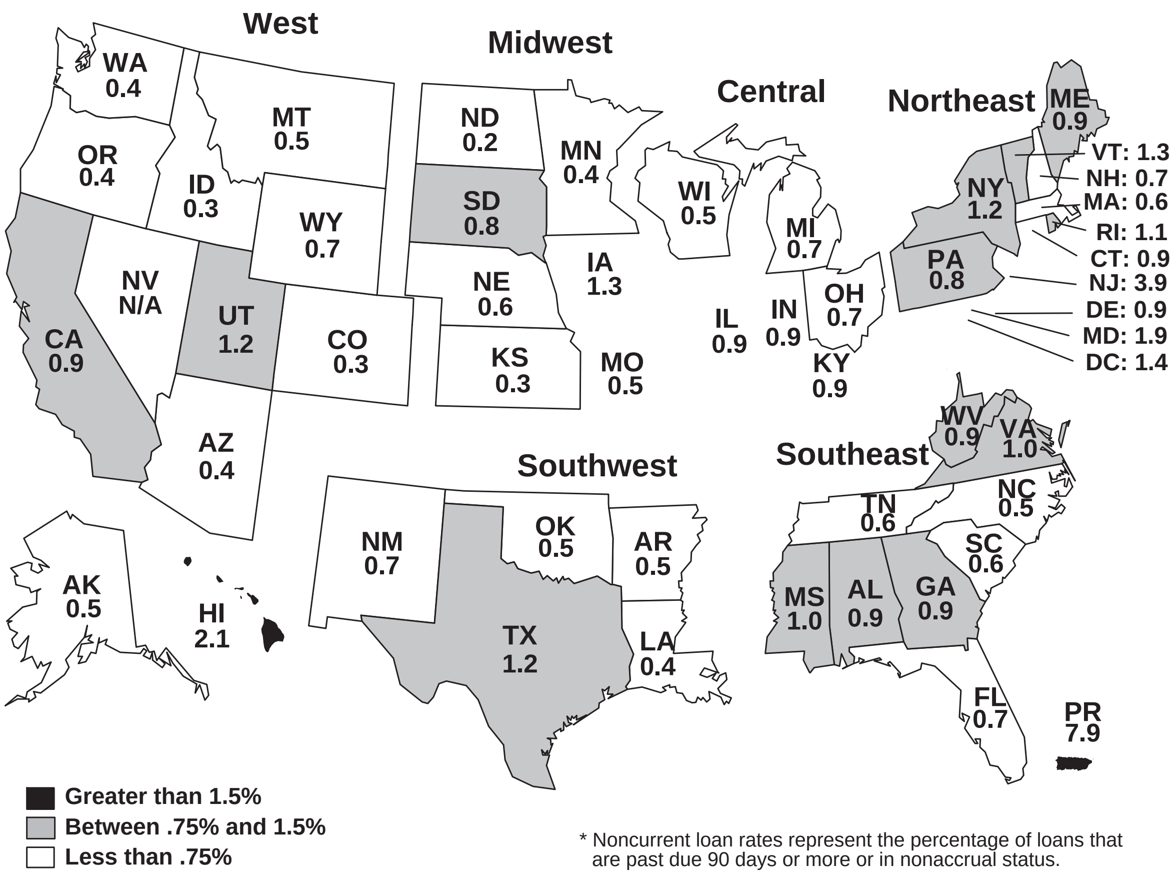
[2]World Savings and Loan Association, FSL of Oakland, California, showed a $3.6-billion decline in 1-4 family mortgages while World Savings Bank, FSB in Oakland, California, reported a decline of $1.4 billion in 1-4 family mortgages and a $5.0-billion increase in mortgage-backed securities. World Savings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

report: 5 de novo institutions started operations during the quarter; 3 credit unions, with $221 million in assets, and 1 commercial bank, with $151 million in assets, converted to savings institution charters. The industry lost 35 institutions during the quarter: 6 institutions, with $1.9 billion in assets, converted to commercial bank charters; another 19 savings institutions, with $10.6 billion, were merged into commercial banks; and within the industry, 10 institutions merged with other savings institutions. The loss of assets to commercial banks through mergers and charter transfers totaled $12.5 billion, while new entrants contributed less than half a billion dollars in assets to industry growth. Savings institutions purchased 7 commercial banks, with $1.2 billion in assets, and folded these banks into their existing operations. Excluding the purchase of these banks, the thrift industry grew internally by almost $16 billion. Without the internal growth the industry would have shown a decline in assets, attributable to the transfer of assets to the commercial bank industry.

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

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

NONCURRENT LOAN RATES,*
JUNE 30, 1998



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

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

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

** As of June 30.

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

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

INCOME DATA	Preliminary First Half 1998	First Half 1997	%Change	Preliminary 2nd Quarter 1998	2nd Quarter 1997	%Change 97:2-98:2
Total interest income	$215,044	$201,154	6.9	$108,432	$102,442	5.8
Total interest expense	110,203	100,202	10.0	55,363	51,232	8.1
Net interest income	104,841	100,951	3.9	53,069	51,210	3.6
Provision for credit losses	11,100	10,503	5.7	5,727	5,634	1.6
Total noninterest income	63,896	53,502	19.4	32,836	27,129	21.0
Total noninterest expense	103,735	92,762	11.8	52,360	46,972	11.5
Securities gains (losses)	2,670	1,246	114.3	1,231	594	107.1
Applicable income taxes	19,681	18,625	5.7	10,091	9,312	8.4
Extraordinary gains, net	516	35	N/M	-13	28	N/M
Net income	37,407	33,844	10.5	18,945	17,043	11.2

* Excludes insured branches of foreign banks (IBAs) and institutions in RTC conservatorship (the last of which ended in 1995). N/M - Not meaningful

TABLE III-C. Selected Insurance Fund Indicators

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

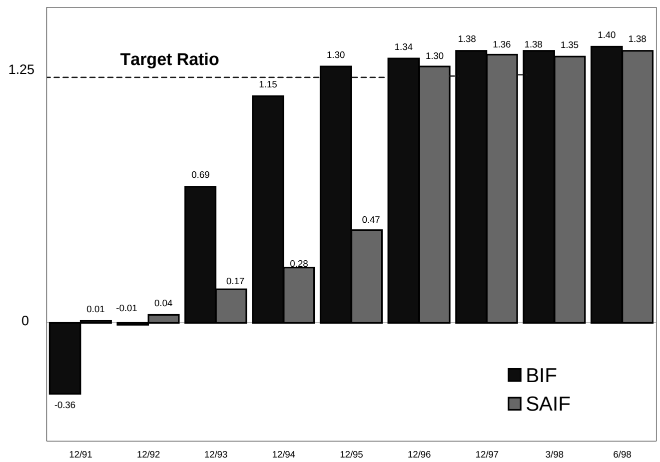
* Figures have been amended from the March 1998 report. Refer to page 15.

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

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

Insurance Fund Reserve Ratios*

Percent of Insured Deposits



Fund Balance and Insured Deposits

($ Millions)

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

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

TABLE IV-C. Closed/Assisted Institutions

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

* Through June 30.

TABLE V-C. Selected Indicators, By Fund Membership*

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

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

** Through June 30, ratios annualized where appropriate.

TABLE VI-C. Estimated FDIC-Insured Deposits by Fund Membership and Type of Institution

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

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

TABLE VII-C. Assessment Base Distribution and Rate Schedules

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

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

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

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

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

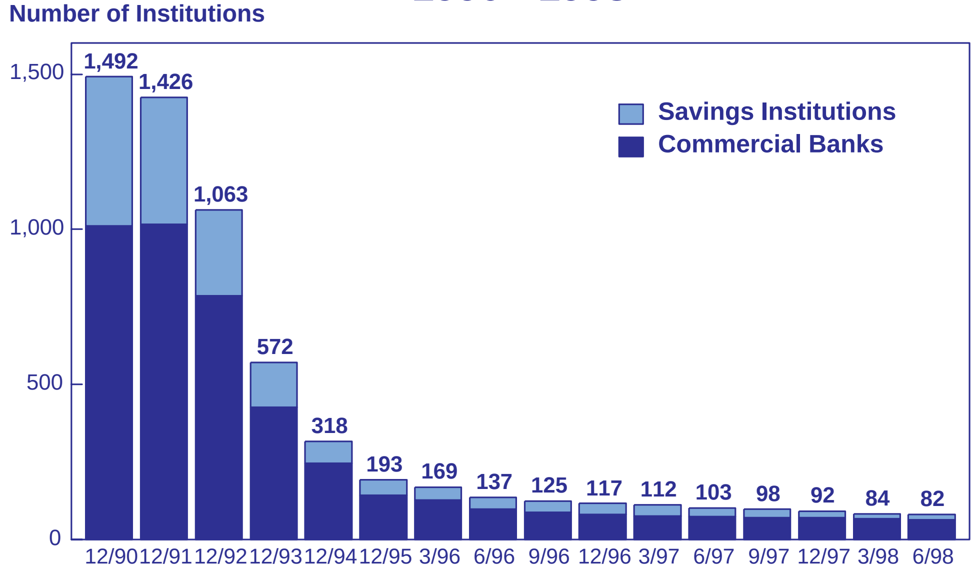
Note: "Number" reflects the number of SAIF members; "Base" reflects the SAIF-assessable deposits held by both BIF and SAIF members. Institutions are categorized based on capitalization and a supervisory subgroup rating, which is generally determined by on-site examinations.

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

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

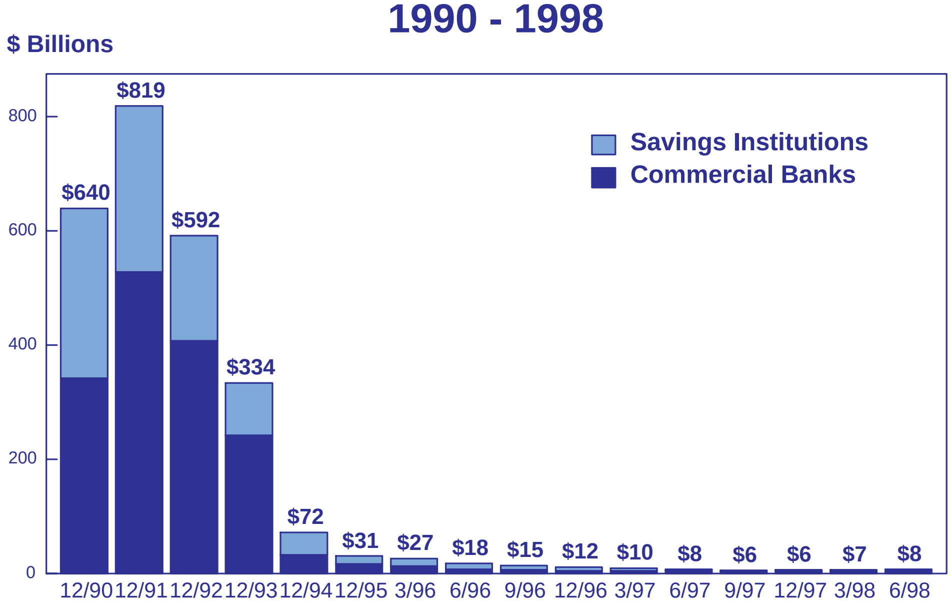
Note: Rates for the BIF and the SAIF are set separately by the FDIC.
Currently, the rate schedules are identical.

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



	12/90	12/91	12/92	12/93	12/94	12/95	3/96	6/96	9/96	12/96	3/97	6/97	9/97	12/97	3/98	6/98
Savings Institutions	480	410	276	146	71	49	42	38	36	35	35	29	27	21	16	18
Commercial Banks	1,012	1,016	787	426	247	144	127	99	89	82	77	74	71	71	68	64

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



	12/90	12/91	12/92	12/93	12/94	12/95	3/96	6/96	9/96	12/96	3/97	6/97	9/97	12/97	3/98	6/98
Savings Institutions	298	291	184	92	39	14	13	10	8	7	5	3	2	2	2	3
Commercial Banks	342	528	408	242	33	17	13	8	7	5	5	5	4	5	5	5

NOTES TO USERS

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

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

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

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

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

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

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

DATA SOURCES

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

COMPUTATION METHODOLOGY

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

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

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

ACCOUNTING CHANGES

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

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

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

DEFINITIONS (in alphabetical order)

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

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

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

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

*As a percentage of risk-weighted assets.

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

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

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

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

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

Derivative contracts, gross fair values (positive/negative) – are reported separately and represent the amount at which a contract could be exchanged in a transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for a contract, the fair value reported for that contract is calculated using this market price. If quoted market prices are not available, the reporting banks use the best estimate of fair value based on quoted market prices of similar contracts or on valuation techniques such as discounted cash flows. This information is reported only by banks with assets greater than $100 million.

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

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

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

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

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

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

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

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

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

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

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

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

Net interest margin – the difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments are made for interest income that is tax exempt.

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

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

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

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

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

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

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

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

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

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

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

"Problem" institutions – federal regulators assign a composite rating to each financial institution, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. "Problem" institutions are those institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either a "4" or "5". For all BIF-member institutions, and for all SAIF-member institutions for which the FDIC is the primary federal regulator, FDIC composite ratings are used. For all SAIF-member institutions whose primary federal regulator is the OTS, the OTS composite rating is used.

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

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

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

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

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

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

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

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

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

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

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

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

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