The FDIC
Quarterly Banking Profile

Donna Tanoue, Chairman

First Quarter 2001

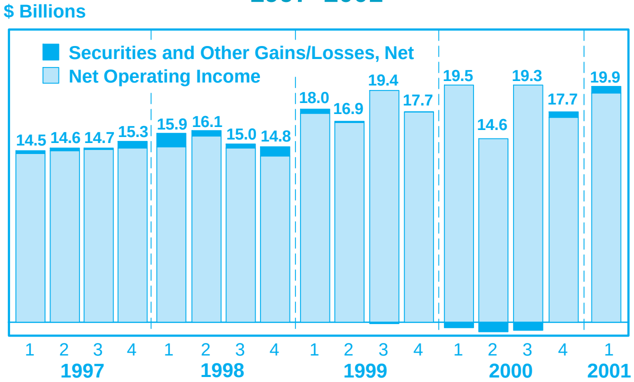
COMMERCIAL BANK PERFORMANCE — FIRST QUARTER, 2001

- ***Gains On Securities Sales Lift Industry Profits To New Record, Despite Decline In Operating Earnings***
- ***Troubled Commercial & Industrial Loans Continue To Grow***
- ***Narrower Net Interest Margins Hurt Small-Bank Profits***
- ***Loans Register Smallest Quarterly Increase In Four Years***

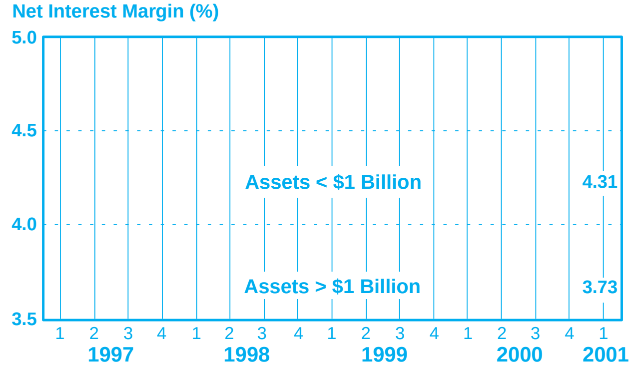
Insured commercial banks earned a record $19.9 billion in the first quarter, surpassing the previous record of $19.5 billion, set a year earlier. The higher profits were made possible by a $1.9-billion improvement in banks' proceeds from securities sales. Sales of securities in the quarter yielded gains of $1.2 billion, whereas a year ago, when interest rates were higher, securities sales produced net losses totaling $730 million. The average return on assets for the quarter was 1.27 percent, down from 1.35 percent in the first quarter of 2000. A majority of commercial banks—53.6 percent—reported lower ROAs in the first quarter, compared to a year ago. More than half (55.8 percent) of all commercial banks reported an ROA of 1 percent or higher for the first quarter.

Excluding nonrecurring items such as the gains on securities sales, banks' net operating income was $586 million (2.9 percent) lower than a year ago.

QUARTERLY NET INCOME, 1997–2001



QUARTERLY NET INTEREST MARGINS, 1997–2001



Narrower net interest margins have meant slower growth in net interest income, while a less-robust economy and lackluster stock market have contributed to a slowdown in growth in noninterest revenues. Provisions for loan losses continue to rise, particularly at large banks, in response to increasing levels of troubled loans to commercial borrowers. Net interest income was up by only 3.5 percent ($1.7 billion), even though interest-earning assets were 7.9 percent higher. Noninterest income was 4.5 percent ($1.7 billion) above the level of a year ago, down from the 6.2-percent growth rate registered in 2000. Banks set aside $7.9 billion in loan-loss provisions during the quarter, a $2.1-billion (36.4-percent) increase over the first quarter of 2000. Loss provisions absorbed 8.6 percent of commercial banks' net operating revenue (net interest income plus total noninterest income) in the first quarter, up from 6.6 percent a year earlier.

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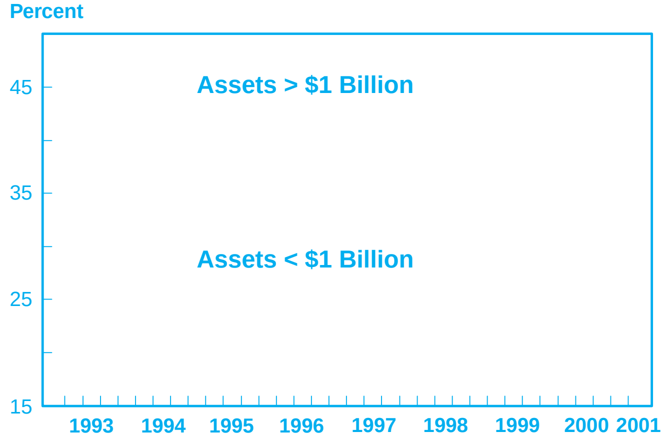
NONINTEREST INCOME AS A PERCENTAGE OF NET OPERATING REVENUE*, 1993–2001

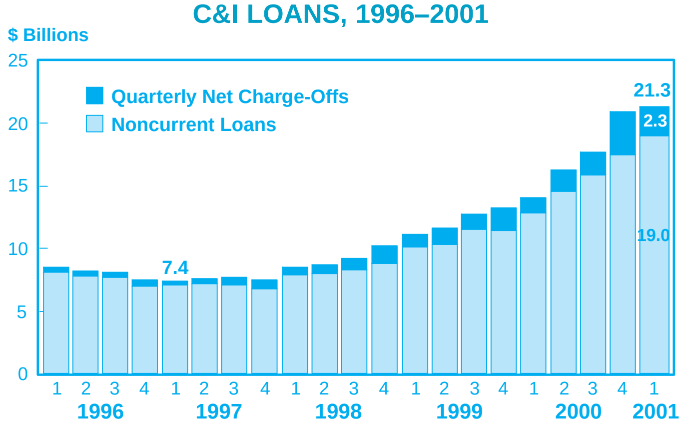


* Net operating revenue equals net interest income plus noninterest income.

In an environment of falling short-term interest rates, the industry's net interest margin declined for the sixth consecutive quarter, to 3.83 percent. This is its lowest level since the first quarter of 1987. The average cost of funding interest-earning assets declined by 28 basis points, but the average yield on interest-earning assets fell by 35 basis points. Margin erosion was greatest at small banks. While the industry's margin declined by 7 basis points, the average margin for banks with less than $100 million fell by 18 basis points, and the margin for banks with assets between $100 million and $1 billion declined by 13 basis points.

Loan losses continued to rise in the first quarter. Banks charged-off $7.0 billion in bad loans during the quarter, an increase of $1.9 billion (38.1 percent) from the same quarter in 2000. Commercial and industrial loans accounted for more than half (54.8 percent) of the increase in net charge-offs. The annualized net charge-off rate on banks' commercial and industrial loans rose to 0.90 percent, from 0.52 percent a year earlier. The deterioration was concentrated among larger banks. Only one out of every three banks (33.6 percent) reported a higher net charge-off rate on their C&I loans in the first quarter, but these banks held 67.4 percent of the industry's C&I loans.

CREDIT QUALITY OF COMMERCIAL BANKS' C&I LOANS, 1996–2001



Even with the increase in charge-off activity, noncurrent loans—loans 90 days or more past due or in nonaccrual status—continued to increase as well. Total noncurrent loans increased by $3.2 billion (7.4 percent) during the quarter. Noncurrent commercial and industrial loans increased by $1.5 billion (8.7 percent), while noncurrent 1-4 family mortgage loans rose by $389 million (5.4 percent), and noncurrent real estate construction and development loans were up by $261 million (21.2 percent). Among the other loan categories, noncurrent loans were up by $997 million. Noncurrent levels were higher in home equity loans, leases, and "all other" loans, which include loans to finance securities purchases. At the end of the quarter, 1.2 percent of all loans held by commercial banks were noncurrent. This is the highest level since the third quarter of 1995. The noncurrent rate for commercial and industrial loans rose to 1.82 percent at the end of the quarter, a seven-year high.

Banks' reserves for losses increased by only $575 million (0.9 percent) during the quarter. This was enough growth to keep pace with sluggish loan growth, but it fell short of the increase in noncurrent loans. The industry's reserves represented 1.69 percent of total loans at the end of the quarter, up slightly from 1.68 percent at the beginning of the quarter. However, the industry's "coverage ratio" fell from $1.49 in reserves for every $1.00 of noncurrent loans to $1.40 during the quarter. It is now at its lowest level since the first quarter of 1994. A year ago, banks held $1.73 in reserves for every $1.00 in noncurrent loans.

Equity capital registered strong growth during the quarter, increasing by $16.8 billion (3.2 percent). An important part of the increase—$4.5 billion—came from the newly-reported item "Accumulated other comprehensive income," which includes both unrealized gains on available-for-sale securities and net gains and losses on cash flow hedges.[1] The industry's ratio of equity capital to assets rose from 8.49 percent to 8.66 percent during the quarter, but the core capital (leverage) ratio used by regulators dipped slightly, to 7.68 percent from 7.70 percent, because changes in other comprehensive income are not reflected in regulatory capital.

[1]Reporting of gains/losses on cash flow hedges is in accordance with FASB Statement No. 133.

Asset growth slowed for the second consecutive quarter, but remained strong by historical standards. For the twelve months ending March 31, total assets of commercial banks grew by 8.0 percent. Loan growth experienced a somewhat greater slowdown, as total loans registered their smallest quarterly increase (up $11.6 billion) in four years, and commercial and industrial loans declined for the first time since the third quarter of 1993. Home mortgage loans increased by $9.3 billion (1.0 percent) during the quarter. Overnight loans (federal funds) rose strongly for the second consecutive quarter, increasing by $47.3 billion (16.9 percent).

Deposits at commercial banks increased by only $6.8 billion during the quarter, the smallest quarterly rise in two years. The composition of banks' deposits underwent greater change, however. Deposits in foreign offices declined by $35.6 billion, while domestic office deposits grew by $42.4 billion. Domestic demand deposits registered a seasonal decline of $41.6 billion, while domestic savings deposits increased by $86.0 billion. This was the second consecutive quarter that savings deposits grew strongly. In the fourth quarter of last year, they were up by $69.6 billion. Brokered deposits continued to grow, with a significant boost from the sweeping of brokerage accounts into insured deposits at banks affiliated with brokerage firms. These sweep accounts increased by roughly $24 billion during the quarter, with $20 billion of the increase fully insured.

The number of insured commercial banks reporting financial results fell by 78 banks during the first quarter, from 8,315 to 8,237. There were 34 new charters, while 104 banks were absorbed by mergers, and one insured commercial bank failed. The number of commercial banks on the FDIC's "Problem List" increased from 76 to 78 during the quarter. Total assets of "problem" banks remained unchanged at $17 billion.

NUMBER OF SUBCHAPTER S CORPORATIONS, 1997–2001

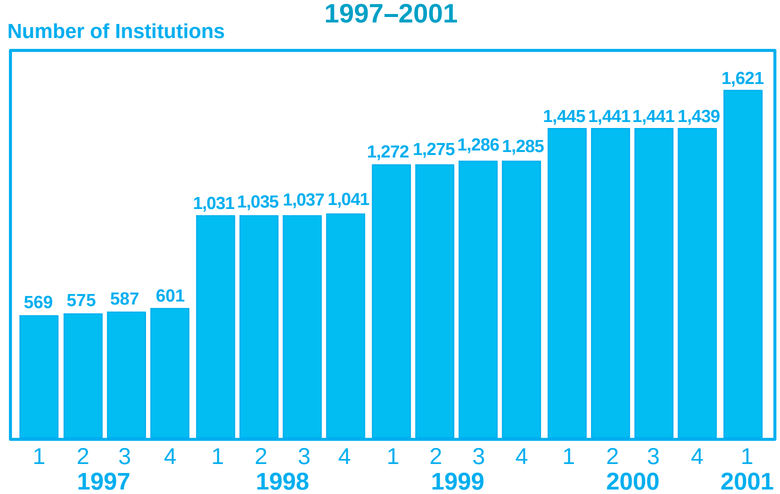


TABLE I-A. Selected Indicators, FDIC-Insured Commercial Banks

	2001*	2000*	2000	1999	1998	1997	1996
Return on assets (%)	1.27	1.35	1.19	1.31	1.19	1.23	1.19
Return on equity (%)	14.78	16.05	14.04	15.31	13.93	14.68	14.45
Core capital (leverage) ratio (%)	7.68	7.79	7.70	7.79	7.54	7.56	7.64
Noncurrent assets plus other real estate owned to assets (%)	0.79	0.65	0.74	0.63	0.65	0.66	0.75
Net charge-offs to loans (%)	0.73	0.57	0.67	0.61	0.67	0.64	0.58
Asset growth rate (%)	7.96	8.01	8.78	5.38	8.53	9.54	6.16
Net interest margin (%)	3.83	4.00	3.95	4.07	4.07	4.21	4.27
Net operating income growth (%)	-2.94	13.38	1.84	20.41	2.24	12.46	6.43
Number of institutions reporting	8,237	8,516	8,314	8,581	8,774	9,142	9,527
Percentage of unprofitable institutions (%)	6.86	6.49	7.23	7.48	6.11	4.85	4.28
Number of problem institutions	78	72	76	66	69	71	82
Assets of problem institutions (in billions)	$17	$5	$17	$4	$5	$5	$5
Number of failed/assisted institutions	1	1	6	7	3	1	5

* Through March 31, ratios annualized where appropriate. Asset growth rates are for 12 months ending March 31.

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

(dollar figures in millions)	Preliminary 1st Quarter 2001	4th Quarter 2000	1st Quarter 2000	%Change 00:1-01:1
Number of institutions reporting	8,237	8,314	8,516	-3.3
Total employees (full-time equivalent)	1,681,725	1,669,625	1,648,826	2.0
CONDITION DATA				
Total assets	$6,310,814	$6,239,080	$5,845,520	8.0
Loans secured by real estate	1,699,384	1,670,663	1,561,389	8.8
Commercial & industrial loans	1,045,503	1,050,638	1,000,927	4.5
Loans to individuals	597,505	609,724	556,694	7.3
Farm loans	46,238	48,077	43,370	6.6
Other loans & leases	442,289	440,334	408,810	8.2
Less: Unearned income	2,774	2,915	3,252	-14.7
Total loans & leases	3,828,145	3,816,522	3,567,939	7.3
Less: Reserve for losses	64,665	64,090	59,861	8.0
Net loans and leases	3,763,480	3,752,432	3,508,078	7.3
Securities	1,047,974	1,077,765	1,056,607	-0.8
Other real estate owned	3,053	2,904	2,765	10.4
Goodwill and other intangibles	103,545	102,705	101,313	2.2
All other assets	1,392,762	1,303,274	1,176,759	18.4
Total liabilities and capital	6,310,814	6,239,080	5,845,520	8.0
Noninterest-bearing deposits	721,932	755,867	708,693	1.9
Interest-bearing deposits	3,461,791	3,421,076	3,168,636	9.3
Other borrowed funds	1,143,225	1,107,309	1,088,771	5.0
Subordinated debt	90,522	87,043	78,934	14.7
All other liabilities	347,103	338,306	308,940	12.4
Equity capital	546,240	529,478	491,546	11.1
Loans and leases 30-89 days past due	47,254	47,925	39,805	18.7
Noncurrent loans and leases	46,090	42,922	34,603	33.2
Restructured loans and leases	1,218	1,312	1,131	7.7
Direct and indirect investments in real estate	274	294	309	-11.3
1-4 Family residential mortgages	926,030	916,687	862,503	7.4
Mortgage-backed securities	493,838	470,477	461,316	7.0
Earning assets	5,442,740	5,376,078	5,045,706	7.9
Long-term assets (5+ years)	1,159,384	1,186,146	1,220,915	-5.0
Volatile liabilities	2,151,197	2,182,263	2,043,489	5.3
Foreign office deposits	671,096	706,666	639,489	4.9
FHLB Advances (Source: FHFB, Call Reports)	184,528	175,337	161,052	14.6
Unused loan commitments	4,550,840	4,464,705	4,066,086	11.9
Derivatives	44,331,767	40,760,447	37,397,352	18.5

INCOME DATA	Full Year 2000	Full Year 1999	%Change	Preliminary 1st Quarter 2001	1st Quarter 2000	%Change 00:1-01:1
Total interest income	$428,115	$367,358	16.5	$109,606	$100,384	9.2
Total interest expense	224,290	175,151	28.1	57,793	50,308	14.9
Net interest income	203,825	192,207	6.0	51,813	50,076	3.5
Provision for loan and lease losses	29,955	21,815	37.3	7,938	5,819	36.4
Total noninterest income	153,435	144,403	6.3	40,150	38,438	4.5
Total noninterest expense	215,963	204,216	5.8	54,991	51,993	5.8
Securities gains (losses)	-2,285	180	N/M	1,171	-730	N/M
Applicable income taxes	37,983	39,376	-3.5	9,990	10,488	-4.8
Extraordinary gains, net	-32	169	N/M	-335	17	N/M
Net income	71,042	71,551	-0.7	19,878	19,501	1.9
Net charge-offs	24,761	20,361	21.6	6,968	5,047	38.1
Cash dividends	53,816	51,937	3.6	13,450	11,535	16.6
Net operating income	72,631	71,317	1.8	19,379	19,965	-2.9

N/M - Not meaningful

TABLE III-A. First Quarter 2001, FDIC-Insured Commercial Banks

		Asset Size Distribution				Geographic Distribution by Region					
						East			West		
FIRST 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	8,237	4,759	3,088	311	79	656	1,420	1,767	2,133	1,365	896
Total assets (in billions)	$6,310.8	$229.5	$781.1	$884.1	$4,416.2	$2,237.5	$1,598.7	$1,126.4	$414.3	$262.5	$671.4
Total deposits (in billions)	4,183.7	193.9	639.0	612.4	2,738.3	1,392.4	1,079.9	745.2	288.0	214.4	463.8
Net income (in millions)	19,878	566	2,434	3,040	13,839	6,585	4,687	3,075	1,311	761	3,459
% of unprofitable institutions	6.9	10.3	2.2	2.6	1.3	9.6	10.2	6.0	4.1	5.1	10.4
% of institutions with earnings gains	52.9	48.2	59.0	64.0	60.8	59.3	51.4	54.0	48.6	51.9	60.5
Performance ratios (annualized, %)											
Yield on earning assets	8.11	8.34	8.39	8.50	7.96	7.88	7.96	8.02	8.50	8.20	9.03
Cost of funding earning assets	4.27	4.06	4.07	4.16	4.35	4.47	4.13	4.41	4.20	3.84	3.98
Net interest margin	3.83	4.29	4.32	4.34	3.61	3.41	3.83	3.61	4.30	4.37	5.04
Noninterest income to earning assets	2.97	1.10	1.74	2.55	3.40	3.86	2.41	1.87	2.77	1.55	4.12
Noninterest expense to earning assets	4.07	3.74	3.84	4.02	4.14	4.55	3.71	3.24	4.36	3.87	4.72
Loan and lease loss provision to assets	0.51	0.22	0.27	0.55	0.55	0.48	0.41	0.47	0.68	0.27	0.88
Net operating income to assets	1.24	0.97	1.23	1.33	1.23	1.17	1.15	1.04	1.20	1.13	2.05
Return on assets	1.27	1.00	1.26	1.38	1.26	1.19	1.17	1.10	1.26	1.17	2.09
Return on equity	14.78	8.94	12.96	15.10	15.51	14.88	13.26	13.88	12.99	12.34	21.00
Net charge-offs to loans and leases	0.73	0.20	0.28	0.73	0.84	0.86	0.57	0.58	0.86	0.33	1.11
Loan and lease loss provision to net charge-offs	113.92	178.94	148.58	117.03	110.25	108.72	108.45	119.04	116.44	139.01	123.00
Efficiency ratio	57.93	69.06	62.45	56.28	57.04	60.68	57.49	57.71	59.70	63.09	49.63
Condition Ratios (%)											
Earning assets to total assets	86.24	91.97	91.61	89.66	84.31	83.13	86.43	89.66	89.74	89.80	86.92
Loss allowance to:											
Loans and leases	1.69	1.40	1.42	1.84	1.72	1.85	1.52	1.53	1.62	1.41	2.13
Noncurrent loans and leases	140.30	139.00	164.53	178.75	130.75	129.65	128.79	139.55	170.55	141.46	190.42
Noncurrent assets plus other real estate owned to assets	0.79	0.73	0.65	0.72	0.83	0.77	0.85	0.80	0.70	0.68	0.78
Equity capital ratio	8.66	11.19	9.78	9.29	8.20	8.02	8.98	7.98	9.88	9.60	10.02
Core capital (leverage) ratio	7.68	10.96	9.37	8.33	7.07	7.22	7.66	7.57	8.31	8.64	8.67
Tier 1 risk-based capital ratio	9.53	16.35	13.14	11.05	8.43	9.46	9.10	8.85	10.76	12.62	10.30
Total risk-based capital ratio	12.28	17.44	14.29	12.86	11.65	12.37	11.89	11.83	12.95	14.04	12.79
Net loans and leases to deposits	89.96	71.14	78.05	90.98	93.84	80.16	96.67	101.21	96.07	70.65	90.77
Structural Changes (YTD)											
New Charters	34	33	1	0	0	5	7	7	6	1	8
Banks absorbed by mergers	104	41	49	11	3	11	18	33	16	14	12
Failed banks	1	1	0	0	0	1	0	0	0	0	0
PRIOR FIRST QUARTERS (The way it was…)											
Number of institutions 2000	8,516	5,091	3,047	299	79	674	1,429	1,848	2,195	1,442	928
1998	9,023	5,742	2,918	298	65	708	1,480	1,970	2,309	1,579	977
1996	9,838	6,582	2,835	349	72	785	1,640	2,158	2,471	1,743	1,041
Total assets (in billions) 2000	$5,845.5	$238.6	$761.8	$857.0	$3,988.2	$2,010.8	$1,556.1	$997.8	$396.9	$315.2	$568.8
1998	5,109.1	263.8	729.0	899.7	3,216.6	1,894.1	1,017.0	813.7	336.7	363.3	684.2
1996	4,308.4	295.7	692.1	1,081.2	2,239.4	1,620.2	750.5	689.4	284.5	327.5	636.2
Return on assets (%) 2000	1.35	1.14	1.33	1.55	1.32	1.40	1.36	1.21	1.42	1.12	1.44
1998	1.26	1.19	1.37	1.72	1.11	1.19	1.16	1.32	1.48	1.21	1.41
1996	1.12	1.21	1.30	1.28	0.97	0.90	1.18	1.17	1.37	1.28	1.35
Net charge-offs to loans & leases (%)											
2000	0.57	0.17	0.31	0.68	0.62	0.76	0.39	0.34	0.83	0.34	0.86
1998	0.62	0.17	0.28	1.04	0.61	0.89	0.37	0.37	0.72	0.33	0.77
1996	0.55	0.17	0.34	0.86	0.49	0.68	0.42	0.39	0.64	0.24	0.68
Noncurrent assets plus											
OREO to assets (%) 2000	0.65	0.69	0.59	0.60	0.67	0.73	0.61	0.57	0.59	0.59	0.66
1998	0.67	0.75	0.66	0.76	0.65	0.77	0.58	0.60	0.65	0.55	0.71
1996	0.86	0.85	0.82	0.88	0.87	1.02	0.67	0.67	0.70	0.64	1.07
Equity capital ratio (%) 2000	8.41	10.79	9.30	8.99	7.97	7.95	8.55	7.93	8.79	8.63	10.12
1998	8.41	10.88	9.61	9.58	7.61	7.44	8.71	8.60	9.12	8.71	9.92
1996	8.20	10.42	9.41	8.85	7.22	7.65	8.38	8.50	8.86	8.60	8.57

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. Full Year 2000, FDIC-Insured Commercial Banks

		Asset Size Distribution				Geographic Distribution by Region					
						East			West		
	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	8,314	4,839	3,080	313	82	665	1,426	1,792	2,144	1,383	904
Total assets (in billions)	$6,239.1	$231.1	$773.5	$884.1	$4,350.3	$2,180.9	$1,610.9	$1,072.4	$419.0	$302.3	$653.6
Total deposits (in billions)	4,176.9	194.8	632.9	621.6	2,727.6	1,371.4	1,096.1	730.2	290.7	241.3	447.2
Net income (in millions)	71,042	2,203	9,391	10,852	48,596	27,126	16,630	10,649	5,643	2,832	8,161
% of unprofitable institutions	7.2	10.8	1.8	4.5	7.3	10.1	12.1	5.8	3.7	6.1	10.5
% of institutions with earnings gains	67.5	65.2	71.9	65.8	48.8	68.7	68.0	64.5	65.7	69.3	73.7
Performance Ratios (%)											
Yield on earning assets	8.29	8.41	8.52	8.48	8.20	8.08	8.17	8.22	8.70	8.31	9.16
Cost of funding earning assets	4.34	3.87	4.00	4.20	4.47	4.52	4.25	4.56	4.24	3.84	3.94
Net interest margin	3.95	4.54	4.52	4.28	3.73	3.56	3.92	3.66	4.46	4.47	5.22
Noninterest income to earning assets	2.97	1.22	1.75	2.56	3.39	3.99	2.50	1.89	2.79	1.43	3.64
Noninterest expense to earning assets	4.18	3.89	3.91	3.97	4.30	4.62	3.92	3.35	4.17	3.73	5.15
Credit loss provision to assets	0.50	0.35	0.33	0.56	0.53	0.44	0.45	0.44	0.63	0.49	0.90
Net operating income to assets	1.22	1.01	1.29	1.31	1.19	1.28	1.12	1.07	1.44	1.05	1.44
Return on assets	1.19	1.00	1.28	1.28	1.16	1.30	1.05	1.03	1.42	0.97	1.38
Return on equity	14.04	9.02	13.55	14.47	14.41	16.35	12.33	12.88	15.41	10.99	13.60
Net charge-offs to loans and leases	0.67	0.41	0.33	0.70	0.75	0.79	0.61	0.40	0.83	0.43	1.01
Credit loss provision to net charge-offs	120.97	142.85	152.85	126.51	116.57	104.91	111.56	163.37	112.45	189.52	133.32
Efficiency ratio	58.42	67.01	61.48	56.10	58.00	59.17	58.74	58.78	55.62	61.44	55.84
Condition Ratios (%)											
Earning assets to total assets	86.17	91.78	91.59	89.47	84.23	83.15	86.34	89.49	89.82	89.04	86.69
Loss allowance to:											
Loans and leases	1.68	1.39	1.41	1.76	1.73	1.84	1.51	1.48	1.59	1.54	2.13
Noncurrent loans and leases	149.32	154.09	176.70	190.58	139.13	139.49	130.72	146.06	195.13	171.87	208.53
Noncurrent assets plus											
other real estate owned to assets	0.74	0.67	0.61	0.64	0.79	0.73	0.82	0.74	0.61	0.62	0.73
Equity capital ratio	8.49	11.07	9.59	8.98	8.05	8.00	8.61	7.91	9.49	8.93	9.89
Core capital (leverage) ratio	7.70	11.00	9.28	8.35	7.11	7.48	7.49	7.57	8.25	8.21	8.65
Tier 1 risk-based capital ratio	9.41	16.33	12.91	11.00	8.30	9.53	8.89	8.81	10.45	11.42	10.00
Total risk-based capital ratio	12.13	17.43	14.07	12.80	11.49	12.47	11.64	11.65	12.60	13.27	12.39
Net loans and leases to deposits	89.84	71.84	78.64	88.63	93.99	81.51	95.07	98.24	96.83	74.41	92.58
Structural Changes											
New charters	192	189	2	1	0	18	67	35	23	13	36
Banks absorbed by mergers	453	193	207	47	6	35	108	104	99	59	48
Failed banks	6	5	1	0	0	0	1	1	2	0	2
PRIOR FULL YEARS											
(The way it was…)											
Number of institutions……1999	8,581	5,156	3,031	318	76	678	1,450	1,859	2,205	1,456	933
……1997	9,142	5,853	2,922	301	66	714	1,525	1,998	2,329	1,600	976
……1995	9,940	6,658	2,861	346	75	794	1,659	2,178	2,487	1,773	1,049
Total assets (in billions)……1999	$5,735.2	$242.4	$755.1	$915.2	$3,822.5	$2,009.6	$1,531.6	$952.5	$389.6	$314.3	$537.7
……1997	5,014.9	267.8	727.7	902.7	3,116.7	1,893.9	946.9	804.8	335.0	355.9	678.4
……1995	4,312.7	297.9	696.7	1,052.8	2,265.2	1,625.6	737.7	695.2	287.5	326.4	640.3
Return on assets (%)……1999	1.31	1.01	1.34	1.48	1.28	1.24	1.29	1.28	1.48	1.15	1.63
……1997	1.23	1.18	1.33	1.36	1.18	1.14	1.23	1.29	1.43	1.22	1.35
……1995	1.17	1.18	1.24	1.27	1.10	1.02	1.19	1.15	1.50	1.20	1.41
Net charge-offs to loans & leases (%)											
……1999	0.61	0.37	0.36	0.68	0.66	0.79	0.45	0.37	0.76	0.47	0.95
……1997	0.64	0.28	0.36	1.08	0.58	0.73	0.46	0.50	0.82	0.38	0.83
……1995	0.49	0.24	0.37	0.69	0.46	0.64	0.32	0.31	0.54	0.24	0.62
Noncurrent assets plus											
OREO to assets (%)……1999	0.63	0.66	0.58	0.58	0.66	0.72	0.58	0.55	0.60	0.61	0.67
……1997	0.66	0.71	0.65	0.77	0.63	0.73	0.59	0.58	0.69	0.52	0.72
……1995	0.85	0.78	0.80	0.82	0.89	1.03	0.64	0.63	0.64	0.62	1.09
Equity capital ratio (%)……1999	8.37	10.68	9.24	9.09	7.87	7.71	8.60	8.02	8.84	8.53	10.29
……1997	8.33	10.81	9.62	9.16	7.58	7.33	8.87	8.35	9.06	8.65	9.82
……1995	8.11	10.42	9.39	8.57	7.19	7.61	8.23	8.30	8.70	8.52	8.53

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

March 31, 2001	All Institutions	Asset Size Distribution: Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	Geographical Distribution by Region: East: North-east	South-east	Central	West: Mid-west	South-west	West
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate	1.23	1.53	1.19	1.04	1.29	1.15	1.31	1.35	1.10	1.29	1.03
Construction and development	1.24	1.42	1.46	1.24	1.14	1.16	1.08	1.43	1.26	1.46	1.33
Commercial real estate	0.87	1.23	0.92	0.88	0.80	0.89	0.76	1.02	0.98	1.07	0.71
Multifamily residential real estate	0.64	0.73	0.72	0.86	0.54	0.33	0.63	0.92	0.83	0.95	0.61
Home equity loans	0.85	1.00	0.85	0.95	0.83	0.66	0.73	1.16	0.76	0.70	0.88
Other 1-4 Family residential	1.51	1.77	1.39	1.11	1.62	1.28	1.79	1.61	1.07	1.40	1.23
Commercial and industrial loans	0.88	2.05	1.57	1.38	0.68	0.61	0.63	1.16	1.57	1.42	1.23
Loans to individuals	2.15	2.38	2.08	2.22	2.14	2.47	1.94	1.93	2.24	1.80	1.91
Credit card loans	2.54	2.16	4.21	2.65	2.45	2.85	2.62	1.56	2.54	1.44	2.05
Other loans to individuals	1.93	2.39	1.79	1.95	1.92	2.13	1.74	1.97	2.00	1.81	1.68
All other loans and leases (including farm)	0.87	1.87	1.40	1.20	0.77	0.67	0.43	1.29	1.95	1.63	0.96
Memo: Commercial RE loans not secured by RE	0.71	0.48	0.56	0.90	0.69	0.39	0.33	1.04	3.17	0.05	0.73
Percent of Loans Noncurrent*											
All real estate loans	0.87	0.87	0.71	0.78	0.95	0.93	0.91	0.98	0.62	0.80	0.67
Construction and development	0.86	0.77	0.83	0.89	0.86	1.21	0.78	0.92	1.01	0.73	0.73
Commercial real estate	0.79	0.98	0.73	0.80	0.80	0.79	0.75	0.96	0.64	0.85	0.68
Multifamily residential real estate	0.39	0.43	0.46	0.54	0.32	0.31	0.39	0.49	0.31	0.33	0.45
Home equity loans	0.44	0.31	0.38	0.41	0.46	0.31	0.24	0.86	0.33	0.40	0.32
Other 1-4 Family residential	0.95	0.78	0.65	0.78	1.08	0.86	1.15	1.05	0.50	0.76	0.64
Commercial and industrial loans	1.82	1.51	1.33	1.58	1.92	1.90	2.06	1.60	1.20	1.62	1.82
Loans to individuals	1.41	0.88	0.88	1.24	1.54	2.15	0.85	0.65	1.31	0.61	1.36
Credit card loans	2.18	2.00	3.32	2.22	2.12	2.59	1.79	0.95	1.97	1.01	1.88
Other loans to individuals	0.97	0.85	0.55	0.63	1.15	1.77	0.57	0.62	0.79	0.60	0.47
All other loans and leases (including farm)	0.80	1.04	1.02	0.70	0.78	0.68	0.75	0.76	1.19	1.17	1.17
Memo: Commercial RE loans not secured by RE	0.47	0.30	0.32	0.28	0.51	0.40	0.69	0.69	0.26	0.19	0.17
Percent of Loans Charged-off (net, annual)											
All real estate loans	0.12	0.04	0.04	0.10	0.15	0.09	0.11	0.17	0.19	0.04	0.06
Construction and development	0.11	0.08	0.02	0.12	0.14	0.04	0.15	0.19	0.12	0.03	-0.02
Commercial real estate	0.10	0.04	0.05	0.06	0.16	0.03	0.09	0.15	0.23	0.03	0.10
Multifamily residential real estate	0.03	0.11	0.02	-0.02	0.05	0.00	0.07	0.05	0.08	0.02	-0.03
Home equity loans	0.25	0.04	0.07	0.51	0.23	0.25	0.26	0.25	0.26	0.24	0.23
Other 1-4 Family residential	0.10	0.04	0.05	0.09	0.13	0.08	0.10	0.18	0.16	0.04	0.03
Commercial and industrial loans	0.90	0.35	0.43	0.67	1.00	0.71	0.97	0.90	1.07	0.66	1.30
Loans to individuals	2.43	0.72	1.38	2.78	2.57	2.94	1.90	1.39	2.70	0.86	3.24
Credit card loans	4.44	2.02	5.92	5.04	4.25	4.70	4.15	4.34	4.49	1.93	4.15
Other loans to individuals	1.17	0.67	0.68	1.22	1.30	1.27	1.18	1.05	1.00	0.82	1.47
All other loans and leases (including farm)	0.38	0.19	0.24	0.35	0.40	0.19	0.20	0.63	0.37	0.29	1.36
Memo: Commercial RE loans not secured by RE	0.32	2.48	1.23	0.23	0.28	0.73	0.18	0.08	0.23	0.48	0.02
Loans Outstanding (in billions)											
All real estate loans	$1,699.4	$81.0	$328.4	$308.7	$981.3	$362.4	$549.1	$364.3	$131.1	$84.1	$208.4
Construction and development	173.7	7.3	37.6	39.9	88.9	16.9	63.7	36.8	14.5	12.8	29.1
Commercial real estate	469.3	22.7	122.2	104.9	219.5	79.2	143.7	103.6	36.7	30.8	75.3
Multifamily residential real estate	61.0	1.8	10.9	12.5	35.8	15.3	16.8	13.5	4.0	2.4	8.9
Home equity loans	130.1	2.0	13.7	18.2	96.2	26.8	44.1	36.8	7.7	1.4	13.4
Other 1-4 Family residential	795.9	36.9	130.2	128.8	500.0	191.6	271.0	165.0	57.6	33.1	77.7
Commercial and industrial loans	1,045.5	24.5	92.3	123.5	805.2	348.8	273.6	220.4	64.0	37.1	101.7
Loans to individuals	597.5	18.4	59.8	101.8	417.6	223.8	130.9	87.6	49.0	23.1	83.3
Credit card loans	216.5	0.5	7.2	39.1	169.8	104.0	29.9	8.0	21.4	0.7	52.5
Other loans to individuals	381.0	17.9	52.6	62.7	247.8	119.8	101.0	79.5	27.5	22.4	30.8
All other loans and leases (including farm)	488.5	16.3	26.1	34.2	411.9	203.3	107.2	93.9	37.3	9.6	37.3
Memo: Commercial RE loans not secured by RE	37.1	0.3	1.3	4.2	31.2	11.5	10.5	5.6	2.5	0.6	6.4
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	$3,053.1	$268.5	$726.3	$409.5	$1,648.8	$746.3	$1,059.1	$464.8	$236.1	$240.8	$305.9
Construction and development	259.9	27.9	124.4	45.9	61.8	42.0	108.1	39.4	19.0	27.1	24.3
Commercial real estate	1,348.3	120.2	301.3	187.6	739.2	325.5	511.5	152.0	95.7	109.4	154.2
Multifamily residential real estate	67.3	6.5	26.0	9.8	25.0	14.9	12.0	11.3	4.7	4.1	20.3
1-4 Family residential	1,120.8	89.7	240.2	160.8	630.1	192.5	412.6	253.6	83.5	80.5	98.2
Farmland	85.2	24.2	34.2	4.6	22.1	1.5	14.9	8.5	33.2	19.7	7.3
Other real estate owned in foreign offices	171.5	0.0	0.2	0.7	170.6	169.9	0.0	0.0	0.0	0.0	1.6

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

N/A - Not Available

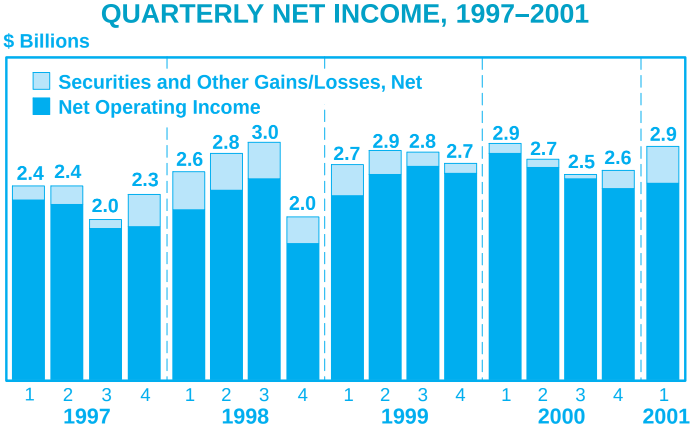
SAVINGS INSTITUTION PERFORMANCE—FIRST QUARTER, 2001

- ***Earnings Of $2.9 Billion Fell Just Below Year-Ago Level***
- ***Gains On Sales Of Mortgages And Securities Limit Earnings Decline***
- ***Deposit Growth Of $27 Billion Is Strongest Since 1988***
- ***Noncurrent Commercial Loan Rates Rise***

FDIC-insured savings institutions earned $2.9 billion in the first quarter, $35 million less than in the first quarter of 2000. The average return on assets (ROA) was 0.95 percent for the first quarter, down from 1.03 percent a year ago. A dramatic increase in gains on sales of assets gave a boost to first quarter earnings. These gains were $761 million in the first quarter, more than double fourth-quarter gains of $333 million and 4.5 times the gains of $170 million reported in the first quarter of last year. Gains on sales reported by savings associations usually are dominated by gains on securities sales. However, during periods of low or declining interest rates such as during the first quarter, asset sales are likely to include a higher than usual proportion of mortgage loans because of the larger volume of mortgage originations and refinancings.

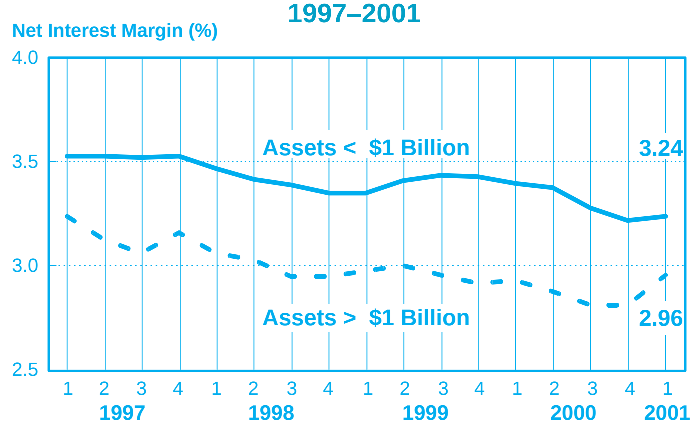
Net operating income, which excludes gains on asset sales and any other extraordinary gains was $378 million (13 percent) lower than a year ago. Net operating income as a percent of assets was 0.80 percent, down from 0.99 percent a year ago. Higher noninterest expenses, up $962 million (16 percent), and increased provisions for loan losses, which were $223 million (53 percent) higher, were the primary causes of the decline. Provisions for loan losses were 137 percent of net charge-offs in the first quarter, up from 123 percent a year ago. Over 10 percent of savings institutions reported losses for the first quarter, up from 8 percent a year ago.

QUARTERLY NET INCOME, 1997–2001



Thrifts' net interest margins benefited from falling short-term interest rates in the first quarter. Net interest margins rose by 13 basis points to 3.03 percent from the ten-year low of 2.90 percent in the fourth quarter of last year. The cost of funding earning assets fell faster (down 21 basis points) than the yield on earning assets (down 9 basis points). The West Region showed a sharp increase in margins, up 28 basis points, with a 6-basis-point improvement in asset yields while the cost of funding earning assets declined 22 basis points.

QUARTERLY NET INTEREST MARGINS, 1997–2001

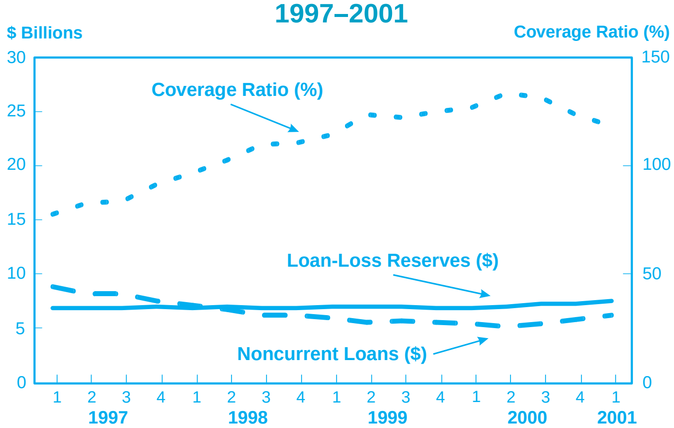


Almost all small savings institutions (99 percent) with assets of less than $100 million reported lower profitability in the first quarter than a year ago. Several specialized thrifts in this size group began operations over the past year and 8 have noninterest income that exceeds earning assets. Without these specialists, the remaining institutions with less than $100 million in assets reported an average annualized ROA of 0.39 percent, compared to 0.46 percent a year ago.

Most small thrifts rely heavily on net interest margins and the average margin for this group was 3.27 percent, 18 basis points lower compared to last year's first quarter and 7 basis points lower than in the fourth quarter. If the specialists are included, profitability was higher with an ROA of 0.62 percent this year compared to 0.56 percent last year. Profitability peaked in mid-1993 for this group when their average ROA was 1.13 percent and the average net interest margin was also at a peak of 3.89 percent. Small thrifts are heavily dependent on net interest income for profitability. Over 18 percent of small thrifts reported losses in the first quarter, up from 16 percent last year.

Deterioration in loans to commercial borrowers during the quarter raised the industry's overall noncurrent rate. Noncurrent loans were 0.74 percent of total loans at the end of the first quarter, up by 3 basis points from year-end. Noncurrent loans rose by $426 million during the first quarter, while reserves increased by only $174 million, resulting in a decline in the coverage ratio of loan loss reserves to noncurrent loans from $1.24 to $1.19 in reserves for each dollar of noncurrent loans. The noncurrent rate for commercial real estate loans rose 16 basis points to 1.03 percent, the rate for construction and land loans increased 12 basis points to 1.19 percent, and the rate for commercial & industrial loans increased 10 basis points to 1.67 percent. Together these three categories of loans account for only 16 percent of total loans, but their annual growth rates range from 12 to 22 percent, which is well above overall loan growth of 10 percent. In retail loans, the noncurrent rate for credit cards rose 17 basis points to 1.72 percent.

COVERAGE RATIO* AND RESERVE LEVELS, 1997–2001



* Loan-loss reserves to noncurrent loans.

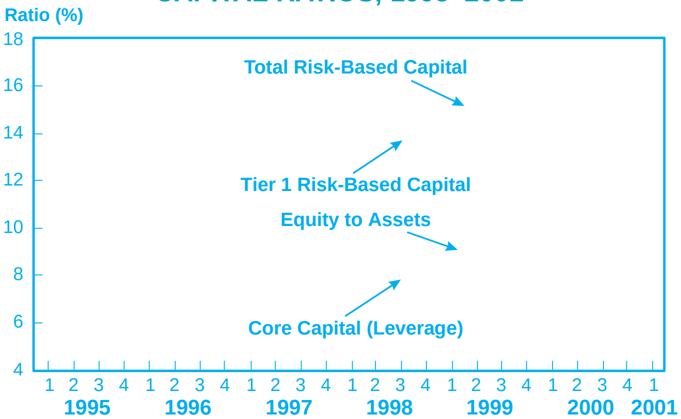
Net charge-offs on loans increased by 37 percent to $469 million from $343 million a year ago. Net charge-offs as a percentage of average loans was an annualized 0.23 percent in the first quarter, up from 0.18 percent a year ago. Two-thirds of the increase in net charge-offs was due to increases in commercial & industrial loan charge-offs at a few large thrifts. The commercial & industrial loan charge-off rate was an annualized 1.36 percent in the first quarter, up from 0.43 percent a year ago.

Asset growth was strong, up by $37.8 billion (3.1 percent) during the quarter, and home mortgages accounted for much of the increase, rising by $12.2 billion. Securities holdings declined by $2.6 billion led by mortgage-backed securities, which declined by $1.2 billion. In addition, some institutions transferred securities from held-to-maturity (HTM) to available-for-sale classification. FAS 133 allowed this transfer without tainting the remaining HTM securities. Securities classified as HTM declined by $22 billion, while AFS securities increased by $20 billion. Deposits were up by $27 billion (4 percent), funding much of the first quarter's asset growth. This was the largest quarterly increase in deposits since 1988. Deposits were up 7 percent ($51.9 billion) from a year ago. In contrast, borrowings from the Federal Home Loan Banks were down slightly, $1.7 billion in the first quarter, but up by $19 billion (8 percent[1]) from a year ago.

Equity capital increases did not contribute to regulatory core capital. Equity capital rose by $3.4 billion in the first quarter to 8.47 percent of assets, up from 8.45 percent at the beginning of the quarter. Because of a few large merger transactions that used the purchase method of accounting, goodwill and other intangibles rose by $2.2 billion. The unrealized gain on all AFS securities rose by $1.2 billion partly due to the $20-

[1] FHLB advances are overstated beginning in the fourth quarter of 2000 by approximately $5 billion because one parent institution included a subsidiary thrift's advances in their own TFR. The percentage change from a year ago would be 8 percent instead of 10 percent without the double counting of the $5 billion.

CAPITAL RATIOS, 1995–2001



billion increase in AFS securities and partly due to lower interest rates. Since core capital excludes intangible assets and the change in the value of AFS securities, the core capital (leverage) ratio declined from 7.79 percent to 7.72 percent of average tangible assets.

Mergers continue to reduce the number of thrifts, but at a slower pace than last year. There were 1,584 thrifts in the industry at the end of the first quarter, a net decline of 6 institutions. Mergers reduced the count of institutions by 11 this quarter, which was fewer than were absorbed in any quarter in 2000. Commercial banks accounted for 7 of these transactions. Also, 3 thrifts converted their charter to a commercial bank charter, while 2 commercial banks converted to thrift charters. No thrifts failed in the first quarter. There were 6 new institutions that began operations in the quarter. Other changes include mutual to stock ownership conversions by 10 institutions with $7.4 billion in assets. The number of thrifts considered “problem” institutions fell during the quarter from 18 with assets of $7.1 billion at year-end to 17 with assets of $6.1 billion.

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

	2001*	2000*	2000	1999	1998	1997	1996
Return on assets (%)	0.95	1.03	0.92	1.00	1.01	0.93	0.70
Return on equity (%)	11.19	12.52	11.14	11.73	11.34	10.84	8.41
Core capital (leverage) ratio (%)	7.72	7.79	7.79	7.86	7.85	7.95	7.76
Noncurrent assets plus other real estate owned to assets (%)	0.58	0.57	0.56	0.58	0.72	0.95	1.09
Net charge-offs to loans (%)	0.23	0.18	0.20	0.17	0.22	0.25	0.32
Asset growth rate (%)	8.81	4.32	6.39	5.52	6.06	-0.28	0.32
Net interest margin	3.03	3.04	2.96	3.10	3.10	3.23	3.22
Net operating income growth (%)	-13.38	23.66	3.47	16.64	7.68	19.98	-13.92
Number of institutions reporting	1,584	1,635	1,590	1,640	1,689	1,780	1,926
Percentage of unprofitable institutions (%)	10.16	8.50	8.43	8.23	5.27	4.10	12.05
Number of problem institutions	17	15	18	13	15	12	35
Assets of problem institutions (in billions)	$6	$5	$7	$6	$6	$2	$7
Number of failed/assisted institutions	0	1	1	1	0	0	1

* Through March 31, ratios annualized where appropriate. Asset growth rates are for 12 months ending March 31.

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

(dollar figures in millions)	Preliminary 1st Quarter 2001	4th Quarter 2000	1st Quarter 2000	%Change 00:1-01:1
Number of institutions reporting	1,584	1,590	1,635	-3.1
Total employees (full-time equivalent)	251,635	244,991	244,992	2.7
CONDITION DATA				
Total assets	$1,259,704	$1,221,876	$1,157,728	8.8
Loans secured by real estate	743,038	725,384	680,302	9.2
1-4 Family Residential	586,215	574,033	540,120	8.5
Multifamily residential property	58,125	56,769	53,929	7.8
Commercial real estate	62,285	59,750	55,555	12.1
Construction, development, and land	36,413	34,832	30,699	18.6
Commercial & industrial loans	35,828	34,409	29,355	22.1
Loans to individuals	65,618	65,274	59,572	10.2
Other loans & leases	6,441	6,035	4,666	38.0
Less: Unearned income & contra accounts**	195	200	200	-2.7
Total loans & leases	850,730	830,902	773,695	10.0
Less: Reserve for losses	7,497	7,322	6,885	8.9
Net loans & leases	843,234	823,580	766,810	10.0
Securities	280,567	283,198	283,042	-0.9
Other real estate owned	1,010	1,005	1,152	-12.3
Goodwill and other intangibles	19,185	17,020	15,319	25.2
All other assets	115,707	97,074	91,405	26.6
Total liabilities and capital	1,259,704	1,221,876	1,157,728	8.8
Deposits	764,875	737,877	712,937	7.3
Other borrowed funds	363,760	359,652	331,797	9.6
Subordinated debt	3,166	3,123	3,018	4.9
All other liabilities	21,221	17,964	15,070	40.8
Equity capital	106,683	103,261	94,905	12.4
Loans and leases 30-89 days past due	8,375	8,612	6,282	33.3
Noncurrent loans and leases	6,309	5,883	5,432	16.2
Restructured loans and leases	1,389	1,393	1,638	-15.2
Direct and indirect investments in real estate	628	620	655	-4.2
Mortgage-backed securities	212,190	213,426	218,848	-3.0
Earning assets	1,161,856	1,131,101	1,075,445	8.0
FHLB Advances (Source: TFR, FHFB, Call Reports)	259,697	261,423	235,701	10.2
Unused loan commitments	274,459	247,580	203,649	34.8

INCOME DATA	Full Year 2000	Full Year 1999	%Change	Preliminary 1st Quarter 2001	1st Quarter 2000	%Change 00:1-01:1
Total interest income	$84,136	$74,203	13.4	$22,411	$20,030	11.9
Total interest expense	52,224	42,880	21.8	13,813	11,960	15.5
Net interest income	31,912	31,323	1.9	8,597	8,070	6.5
Provision for loan and lease losses	2,039	1,563	30.5	645	422	52.8
Total noninterest income	11,410	9,789	16.6	2,965	2,654	11.7
Total noninterest expense	25,589	23,993	6.7	7,104	6,142	15.7
Securities gains (losses)	793	1,437	-44.8	761	170	348.4
Applicable income taxes	5,742	6,125	-6.3	1,631	1,390	17.3
Extraordinary gains, net	-3	5	N/M	-34	6	N/M
Net income	10,742	10,875	-1.2	2,910	2,945	-1.2
Net charge-offs	1,553	1,195	30.0	469	343	36.8
Cash dividends	5,884	6,100	-3.5	1,186	1,473	-19.5
Net operating income	10,236	9,893	3.5	2,443	2,821	-13.4

N/M - Not Meaningful