The FDIC Quarterly Banking Profile

Donald E. Powell, Chairman

Third Quarter 2001

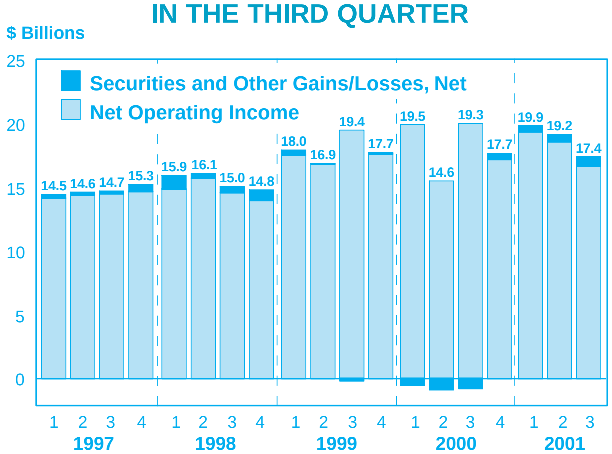
COMMERCIAL BANK PERFORMANCE — THIRD QUARTER 2001

- *Earnings Declines At Large Banks Cause Drop In Industry Profits*
- *A Majority Of Banks Report Higher Net Income*
- *Quarterly Loss Provisions Reach Highest Level In More Than 10 Years*
- *Loan Growth Continues To Slow While Deposit Growth Remains Strong*
- *Asset-Quality Indicators Show Further Deterioration*

Higher Loss Provisions Hold Down Industry Earnings

Insured commercial banks reported net income of $17.4 billion in the third quarter of 2001, a decline of $1.9 billion (9.9 percent) from the third quarter of 2000. The largest factor in the earnings decline was a $4.8-billion (71.7-percent) increase in provisions for loan losses. Banks set aside $11.6 billion during the quarter to cover expected loan losses, the largest quarterly addition to reserves since the fourth quarter of 1990. Adding to the downward pressure on earnings was a $459-million (1.2-percent) decline in noninterest income. The industry's noninterest revenues were $361 million lower than in the second quarter, marking the second quarter in a row that they have declined. A $2.9-billion (5.7-percent) increase in net interest income and a $1.7-billion improvement in proceeds from sales of securities from the third quarter of last year helped limit the drop in profits. Net operating income, which excludes results from securities sales and other nonrecurring items, was $3.3 billion (16.6 percent) lower than a year earlier. The industry's return on assets (ROA) fell to 1.08 percent in the quarter, compared to 1.28 percent a year earlier. Through the first three quarters of the year, commercial banks earned $55.8 billion, $2.5 billion (4.6 percent) more than in the same period of 2000, although net operating income was $1.3 billion (2.4 percent) lower. The ROA for the first nine months of this year was 1.17 percent, down from 1.20 percent a year earlier.

COMMERCIAL BANKS' EARNINGS DECLINED IN THE THIRD QUARTER



More Than Half of All Banks Report Higher Earnings

Most of the decline in industry profits occurred at large banks that had sizable expenses for asset-quality problems. More than half — 55.1 percent — of all commercial banks reported higher quarterly earnings than a year ago. However, only 44.9 percent reported higher quarterly ROAs than a year earlier, and the average ROAs for all four asset-size groups were down from a year ago. The largest decline was registered by banks with more than $10 billion in assets; their average ROA fell from 1.24 percent to 1.01 percent. Loss provisions absorbed 13.8 percent of this group's net operating revenues (net interest income plus total noninterest income), compared to 9.3 percent for commercial banks with less than $10 billion in assets.

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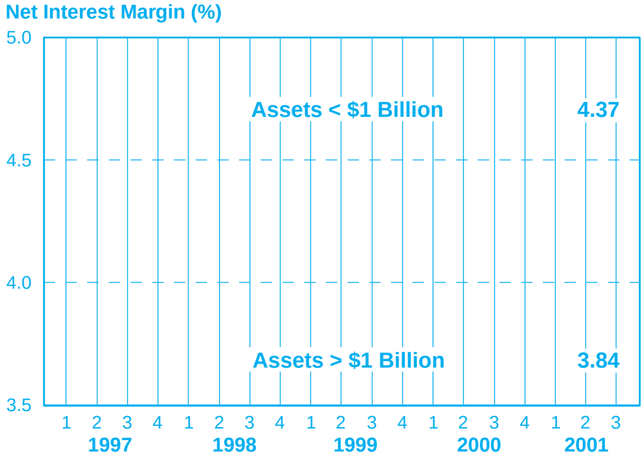
Also available on the Internet at www.fdic.gov. Comparable financial data for individual institutions can now be obtained from the FDIC's Institution Directory (I.D.) System on this Web site.

Net Interest Margins Improve at Larger Banks

As was the case in the second quarter, declining short-term interest rates helped improve net interest margins at larger banks. The industry's net interest margin improved from 3.90 percent in the second quarter to 3.93 percent in the third quarter, the same level as in the third quarter of last year. Many community banks did not see their margins improve, however. The average margin at banks with less than $100 million in assets remained unchanged from the second quarter, at 4.26 percent, after declining in each of the previous four quarters. This is well below the group's average of 4.59 percent in the third quarter of 2000. More than half of all banks – 54.2 percent – had higher net interest margins than in the second quarter, but only one-third (33.4 percent) had higher margins than a year ago.

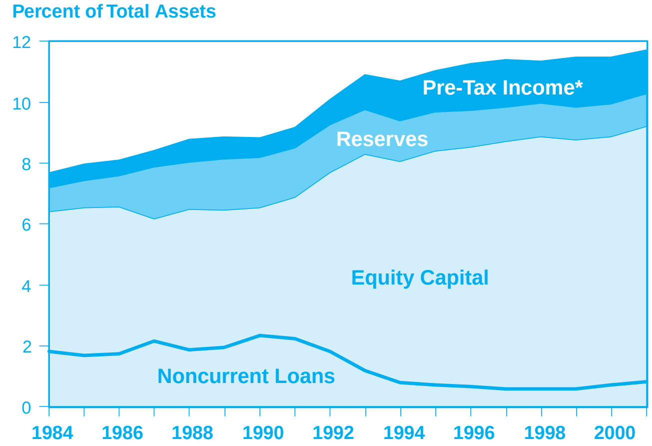
NET INTEREST MARGINS IMPROVED AT MANY BANKS DURING THE THIRD QUARTER



Loan Losses and Troubled Loans Continue to Climb

Banks charged-off $9.2 billion in loans during the quarter, an increase of $3.6 billion (63.3 percent) from last year's third quarter. While much of the increase occurred at large banks, slightly more than half (51.0 percent) of all commercial banks reported higher charge-offs compared to a year ago. As has been the case for almost two years, roughly one-third (35.7 percent) of banks' loan losses came from their commercial and industrial (C&I) loan portfolios. Net charge-offs of C&I loans totaled $3.3 billion, an increase of $1.5 billion (83.6 percent) from a year ago. The net charge-off rate on C&I loans was 1.30 percent, up from 0.69 percent in the third quarter of 2000. Loan losses were also higher in several other loan categories. Net charge-offs of residential mortgage loans rose sharply in the third quarter, as one bank sold a large portfolio of subprime mortgages[1]. Home mortgage charge-offs rose to $938 million in the quarter, compared to $203 million a year earlier. Net charge-offs on leases totaled $332 million, an increase of $211 million.

THE INDUSTRY'S ABILITY TO ABSORB CREDIT LOSSES REMAINS STRONG



*Excludes earnings retained in equity capital.

The amount of loans that were noncurrent (90 days or more past due or in nonaccrual status) also continued to increase, but not as rapidly as charge-offs. Total noncurrent loans and leases rose by $3.1 billion during the third quarter, to $51.8 billion, or 1.34 percent of all loans and leases, a seven-year high. Over the twelve months ending September 30, noncurrent loans increased by $12.9 billion (33.3 percent). C&I loans accounted for $1.1 billion (36.1 percent) of the quarterly increase, and $6.1 billion (47.1 percent) of the 12-month increase. The percentage of C&I loans that were noncurrent rose from 2.03 percent to 2.17 percent during the quarter. This is the highest noncurrent rate since the third quarter of 1993. Other loan categories that registered sizable increases during the quarter include loans secured by commercial real estate properties, where noncurrent loans grew by $523 million (12.5 percent), and real estate construction and development loans, where noncurrent loans were up by $375 million (22.7 percent).

Banks Make Largest Quarterly Addition to Loss Reserves Since 1990

The $11.6 billion in quarterly loss provisions set aside by commercial banks exceeded the $9.2 billion in loans that were charged-off by $2.3 billion, as the industry's reserves for loan losses increased by more than $2.4 billion. This is the largest quarterly increase

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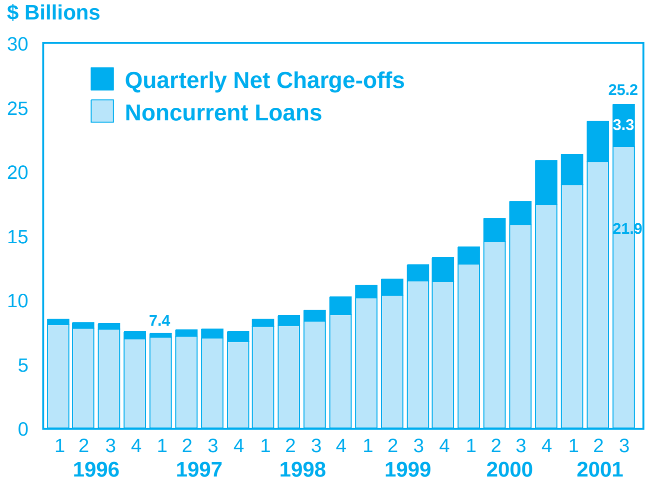
[1] Bank of America NA charged-off $674 million in home mortgage loans in the quarter as it sold off a large portfolio of subprime mortgages. This accounted for 86.7 percent of the industry's increase in mortgage charge-offs.

TROUBLED C&I LOANS CONTINUE TO GROW



in industry reserves since the fourth quarter of 1990. The growth in reserves, combined with the lack of loan growth, lifted the industry's ratio of reserves to total loans to 1.77 percent, its highest level since the first quarter of 1999. However, the sharp increase in noncurrent loans during the quarter meant that the industry's "coverage ratio" fell from $1.35 in reserves for every $1.00 in noncurrent loans to $1.32, its lowest level since the first quarter of 1994.

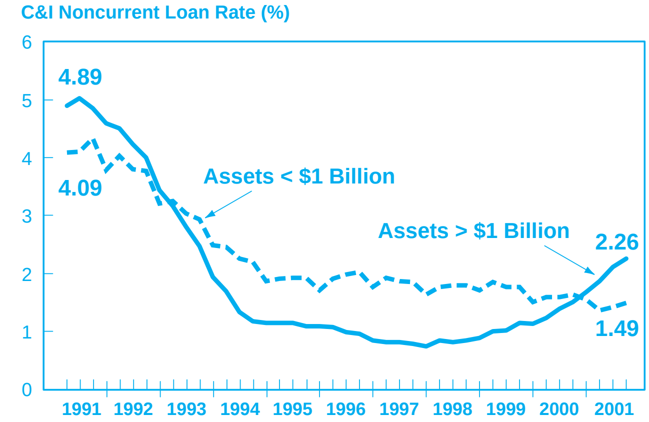
Intangible Assets, Revaluation Gains Provide Record Boost to Equity Capital

Commercial banks' total equity capital increased by $28.6 billion (5.1 percent) during the quarter, the largest quarterly increase ever. The industry's equity capital ratio rose from 8.76 percent to 8.94 percent during the quarter, its highest level since 1940. Retained earnings added $3.8 billion, while increases in goodwill (up $8.6 billion) and revaluation gains on banks' available-for-sale securities (up $14.3 billion before taxes) accounted for much of the rest of the increase. Neither goodwill nor revaluation gains are included in regulatory capital; consequently, the industry's core capital "leverage" ratio rose from 7.73 percent to only 7.81 percent during the quarter, and it remained slightly below the 7.84-percent level of a year ago.

Net Loans & Leases Post First Quarterly Decline In More Than Four Years

A $15.1-billion decline in C&I loans and a $22.7-billion decline in residential mortgage loans caused banks' net loans and leases to fall by $688 million in the third quarter. These declines were partially offset by a $14.3-billion increase in loans secured by commercial real estate properties, and a $10.6-billion increase in home equity loans. This is the first time since the first quarter of 1997 that the industry has had a decline in its net loans. Unused loan commitments continued to

DETERIORATION IN C&I LOANS HAS BEEN GREATER AT LARGE BANKS



grow, increasing by $88.3 billion (1.9 percent), and the utilization rate on banks' loan commitments fell for the fifth consecutive quarter. Banks added $41.9 billion in mortgage-backed securities during the quarter, while assets in trading accounts grew by $38.2 billion. On the liabilities side, savings deposits continued to experience strong growth, rising by $68.0 billion (4.0 percent), while overnight borrowings increased by $37.3 billion (7.3 percent). The industry's ratio of net loans to deposits declined for the second quarter in a row, to its lowest level since mid-year 1999.

Industry Consolidation Slows

The number of insured commercial banks reporting financial results fell to 8,149 banks, from 8,178 at mid-year. The net reduction of 29 banks was the smallest shrinkage in a quarter since the fourth quarter of 1986. There were 30 new banks, while 58 banks were absorbed into other institutions through mergers, and one commercial bank failed. The number of commercial banks on the FDIC's "Problem List" declined from 80 to 74 during the quarter, while total assets of "problem" banks fell from $16.5 billion to $14.4 billion.

DEPOSIT GROWTH OUT-STRIPS LOAN GROWTH FOR FOURTH CONSECUTIVE QUARTER

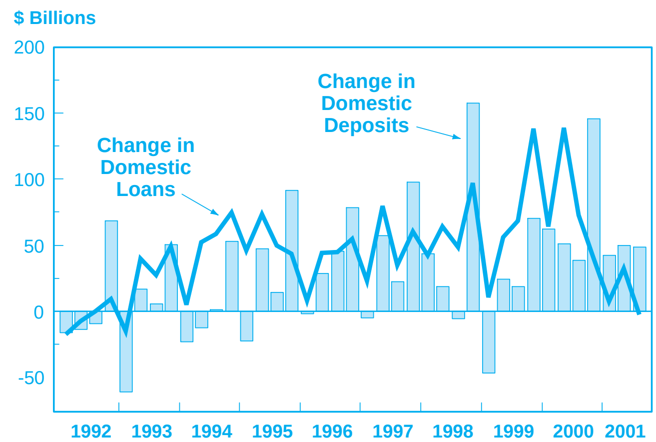


TABLE I-A. Selected Indicators, FDIC-Insured Commercial Banks

	2001*	2000*	2000	1999	1998	1997	1996
Return on assets (%)	1.17	1.20	1.19	1.31	1.19	1.23	1.19
Return on equity (%)	13.42	14.23	14.02	15.31	13.93	14.68	14.45
Core capital (leverage) ratio (%)	7.81	7.84	7.70	7.79	7.54	7.56	7.64
Noncurrent assets plus other real estate owned to assets (%)	0.85	0.70	0.74	0.63	0.65	0.66	0.75
Net charge-offs to loans (%)	0.83	0.59	0.67	0.61	0.67	0.64	0.58
Asset growth rate (%)	8.05	10.05	8.88	5.38	8.53	9.54	6.16
Net interest margin (%)	3.84	3.97	3.95	4.07	4.07	4.21	4.27
Net operating income growth (%)	-2.42	2.71	1.80	20.41	2.24	12.46	6.43
Number of institutions reporting	8,149	8,375	8,315	8,579	8,773	9,142	9,527
Percentage of unprofitable institutions (%)	7.53	6.65	7.34	7.50	6.11	4.85	4.28
Number of problem institutions	74	75	76	66	69	71	82
Assets of problem institutions (in billions)	$14	$12	$17	$4	$5	$5	$5
Number of failed/assisted institutions	3	4	6	7	3	1	5

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

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

(dollar figures in millions)	Preliminary 3rd Quarter 2001	2nd Quarter 2001	3rd Quarter 2000	%Change 00:3-01:3
Number of institutions reporting	8,149	8,178	8,375	-2.7
Total employees (full-time equivalent)	1,671,162	1,690,443	1,655,790	0.9
CONDITION DATA				
Total assets	$6,555,668	$6,360,187	$6,067,230	8.1
Loans secured by real estate	1,749,170	1,738,020	1,661,080	5.3
Commercial & industrial loans	1,010,441	1,025,588	1,041,624	-3.0
Loans to individuals	607,555	610,645	584,341	4.0
Farm loans	48,284	48,924	47,356	2.0
Other loans & leases	448,032	438,645	447,819	0.0
Less: Unearned income	2,664	2,767	3,053	-12.7
Total loans & leases	3,860,819	3,859,054	3,779,167	2.2
Less: Reserve for losses	68,211	65,758	62,558	9.0
Net loans and leases	3,792,608	3,793,296	3,716,610	2.0
Securities	1,106,816	1,056,233	1,062,196	4.2
Other real estate owned	3,457	3,203	2,825	22.4
Goodwill and other intangibles	111,689	103,409	104,508	6.9
All other assets	1,541,097	1,404,046	1,181,091	30.5
Total liabilities and capital	6,555,668	6,360,187	6,067,230	8.1
Noninterest-bearing deposits	777,457	753,559	705,287	10.2
Interest-bearing deposits	3,517,220	3,491,170	3,316,305	6.1
Other borrowed funds	1,167,113	1,135,910	1,128,375	3.4
Subordinated debt	92,442	89,580	84,510	9.4
All other liabilities	415,432	332,560	311,440	33.4
Equity capital	586,004	557,409	521,313	12.4
Loans and leases 30-89 days past due	52,605	46,777	43,217	21.7
Noncurrent loans and leases	51,800	48,673	38,869	33.3
Restructured loans and leases	1,073	1,005	1,747	-38.6
Direct and indirect investments in real estate	252	267	318	-20.9
1-4 Family residential mortgages	931,461	943,565	921,403	1.1
Mortgage-backed securities	560,274	518,345	449,592	24.6
Earning assets	5,584,898	5,478,159	5,257,678	6.2
Long-term assets (5+ years)	1,264,539	1,241,863	1,178,645	7.3
Volatile liabilities	2,180,190	2,155,300	2,167,254	0.6
Foreign office deposits	680,900	679,732	694,207	-1.9
FHLB Advances (Source: FHFB, Call Reports)	191,545	184,041	176,282	8.6
Unused loan commitments	4,763,688	4,675,385	4,331,221	10.0
Derivatives	51,671,161	48,213,007	38,752,074	33.3

INCOME DATA	Preliminary First Three Qtrs 2001	First Three Qtrs 2000	%Change	Preliminary 3rd Quarter 2001	3rd Quarter 2000	%Change 00:3-01:3
Total interest income	$310,535	$316,380	-1.9	$100,141	$110,174	-9.1
Total interest expense	153,021	164,029	-6.7	45,881	58,847	-22.0
Net interest income	157,514	152,351	3.4	54,261	51,327	5.7
Provision for loan and lease losses	28,001	19,778	41.6	11,578	6,742	71.7
Total noninterest income	117,059	113,275	3.3	38,798	39,257	-1.2
Total noninterest expense	164,768	160,786	2.5	56,168	53,684	4.6
Securities gains (losses)	2,921	-2,490	N/M	1,007	-713	N/M
Applicable income taxes	28,622	29,208	-2.0	8,973	10,190	-11.9
Extraordinary gains, net	-267	14	N/M	6	1	658.9
Net income	55,836	53,377	4.6	17,353	19,257	-9.9
Net charge-offs	23,829	15,985	49.1	9,248	5,663	63.3
Cash dividends	39,184	35,238	11.2	13,556	12,475	8.7
Net operating income	54,086	55,428	-2.4	16,657	19,981	-16.6

N/M - Not meaningful

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

		Asset Size Distribution				Geographic Distribution by Region					
						East			West		
FIRST THREE QUARTERS 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	8,149	4,598	3,150	321	80	650	1,411	1,738	2,106	1,351	893
Total assets (in billions)	$6,555.7	$225.8	$803.2	$898.2	$4,628.5	$2,343.2	$1,647.8	$1,251.0	$335.6	$269.9	$708.2
Total deposits (in billions)	4,294.7	190.4	655.3	611.0	2,838.0	1,445.5	1,086.7	817.4	239.4	219.7	485.9
Net income (in millions)	55,836	1,562	7,128	8,651	38,494	19,382	12,446	9,520	3,525	2,337	8,625
% of unprofitable institutions	7.5	11.2	2.7	3.4	1.3	10.3	12.0	6.2	4.5	5.4	11.5
% of institutions with earnings gains	53.3	46.6	61.1	69.5	60.0	63.4	51.3	56.8	50.1	48.2	57.1
Performance ratios (annualized, %)											
Yield on earning assets	7.58	8.05	8.10	8.09	7.34	7.34	7.33	7.58	8.09	7.86	8.52
Cost of funding earning assets	3.73	3.80	3.75	3.75	3.72	3.93	3.53	3.84	3.79	3.46	3.48
Net interest margin	3.84	4.24	4.35	4.34	3.62	3.41	3.79	3.74	4.30	4.40	5.04
Noninterest income to earning assets	2.86	1.11	1.66	2.61	3.22	3.69	2.36	2.02	2.85	1.56	3.47
Noninterest expense to earning assets	4.02	3.71	3.81	4.04	4.07	4.39	3.76	3.35	4.33	3.86	4.62
Loan and lease loss provision to assets	0.59	0.27	0.33	0.67	0.63	0.54	0.50	0.69	0.54	0.30	0.89
Net operating income to assets	1.13	0.94	1.19	1.27	1.11	1.12	1.01	0.99	1.39	1.15	1.62
Pretax return on assets	1.77	1.26	1.74	2.00	1.76	1.77	1.58	1.52	2.07	1.64	2.59
Return on assets	1.17	0.96	1.23	1.31	1.14	1.15	1.03	1.04	1.42	1.18	1.68
Return on equity	13.42	8.49	12.59	13.96	13.80	14.29	11.28	12.36	15.75	12.29	16.69
Net charge-offs to loans and leases	0.83	0.27	0.35	0.90	0.93	0.96	0.69	0.76	0.69	0.39	1.20
Loan and lease loss provision to net charge-offs	117.51	163.46	144.62	118.04	114.79	111.99	111.51	133.90	116.79	133.58	115.87
Efficiency ratio	58.07	68.82	62.41	55.85	57.37	59.92	58.86	56.02	59.58	63.01	52.44
Condition Ratios (%)											
Earning assets to total assets	85.19	91.82	91.60	89.68	82.89	81.79	84.74	88.42	90.82	89.82	87.35
Loss allowance to:											
Loans and leases	1.77	1.40	1.42	1.91	1.82	1.90	1.58	1.69	1.64	1.43	2.18
Noncurrent loans and leases	131.68	125.11	147.57	171.00	123.47	119.05	128.58	125.24	170.06	132.72	179.52
Noncurrent assets plus other real estate owned to assets	0.85	0.82	0.74	0.77	0.89	0.82	0.85	0.97	0.73	0.74	0.84
Equity capital ratio	8.94	11.25	9.86	9.79	8.50	8.10	9.58	8.61	9.23	9.83	10.31
Core capital (leverage) ratio	7.81	10.85	9.26	8.66	7.22	7.41	7.81	7.56	8.53	8.67	8.84
Tier 1 risk-based capital ratio	9.68	16.01	12.93	11.62	8.59	9.55	9.26	8.82	11.80	12.65	10.84
Total risk-based capital ratio	12.45	17.10	14.09	13.59	11.82	12.38	12.12	11.91	13.33	14.19	13.58
Net loans and leases to deposits	88.31	72.32	78.87	90.94	91.00	77.86	94.50	100.88	93.58	71.04	89.61
Structural Changes (YTD)											
New Charters	92	89	3	0	0	10	24	17	11	6	24
Banks absorbed by mergers	250	110	115	19	6	28	42	78	42	31	29
Failed banks	3	3	0	0	0	1	0	1	0	1	0
PRIOR FIRST THREE QUARTERS (The way it was…)											
Number of institutions……2000	8,375	4,922	3,069	302	82	668	1,429	1,809	2,151	1,405	913
……1998	8,909	5,579	2,947	319	64	697	1,467	1,940	2,295	1,549	961
……1996	9,586	6,334	2,854	330	68	752	1,587	2,122	2,425	1,687	1,013
Total assets (in billions)……2000	$6,067.2	$233.2	$770.8	$871.0	$4,192.2	$2,092.4	$1,611.1	$1,042.3	$406.5	$294.1	$620.8
……1998	5,267.8	257.4	730.9	955.3	3,324.2	1,916.5	1,148.6	835.2	363.0	301.5	703.0
……1996	4,458.5	285.1	694.2	1,035.0	2,444.2	1,687.5	776.3	704.8	289.4	327.9	672.6
Return on assets (%)……2000	1.20	1.14	1.30	1.36	1.16	1.30	1.05	1.06	1.44	1.07	1.44
……1998	1.22	1.24	1.35	1.58	1.08	1.08	1.29	1.32	1.49	1.20	1.22
……1996	1.19	1.23	1.29	1.31	1.10	1.08	1.21	1.19	1.44	1.23	1.28
Net charge-offs to loans & leases (%)											
……2000	0.59	0.24	0.34	0.62	0.64	0.74	0.43	0.35	0.79	0.35	0.95
……1998	0.65	0.25	0.33	1.02	0.64	0.90	0.40	0.39	0.72	0.38	0.89
……1996	0.56	0.21	0.37	0.99	0.44	0.62	0.43	0.42	0.65	0.31	0.79
Noncurrent assets plus											
OREO to assets (%)……2000	0.70	0.70	0.61	0.61	0.73	0.73	0.70	0.67	0.60	0.66	0.70
……1998	0.65	0.76	0.65	0.74	0.61	0.74	0.55	0.59	0.65	0.59	0.65
……1996	0.80	0.82	0.81	0.89	0.76	0.92	0.67	0.63	0.68	0.65	0.95
Equity capital ratio (%)……2000	8.59	11.07	9.44	8.98	8.22	8.20	8.46	8.14	9.51	9.07	10.19
……1998	8.68	11.17	9.80	9.83	7.91	7.64	9.36	8.81	9.11	9.36	9.73
……1996	8.31	10.57	9.45	8.96	7.44	7.39	8.52	8.62	8.86	8.89	9.53

REGIONS: **Northeast -** Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands
Southeast - Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia
Central - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
Midwest - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
Southwest - Arkansas, Louisiana, New Mexico, Oklahoma, Texas
West - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

TABLE IV-A. Third Quarter 2001, FDIC-Insured Commercial Banks

		Asset Size Distribution				Geographic Distribution by Region					
						East			West		
THIRD 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	8,149	4,598	3,150	321	80	650	1,411	1,738	2,106	1,351	893
Total assets (in billions)	$6,555.7	$225.8	$803.2	$898.2	$4,628.5	$2,343.2	$1,647.8	$1,251.0	$335.6	$269.9	$708.2
Total deposits (in billions)	4,294.7	190.4	655.3	611.0	2,838.0	1,445.5	1,086.7	817.4	239.4	219.7	485.9
Net income (in millions)	17,353	530	2,436	2,916	11,470	6,216	3,162	3,116	1,258	810	2,791
% of unprofitable institutions	8.1	11.3	3.7	5.6	7.5	11.1	11.8	6.3	4.9	7.6	11.5
% of institutions with earnings gains	55.1	49.8	61.4	67.9	63.8	60.3	53.4	58.8	55.1	52.0	51.6
Performance Ratios (annualized, %)											
Yield on earning assets	7.25	7.84	7.86	7.75	7.00	6.92	7.14	7.23	7.92	7.56	8.12
Cost of funding earning assets	3.32	3.58	3.46	3.33	3.28	3.52	3.16	3.40	3.40	3.10	2.99
Net interest margin	3.93	4.26	4.40	4.42	3.72	3.40	3.97	3.83	4.52	4.46	5.13
Noninterest income to earning assets	2.81	1.11	1.73	2.60	3.15	3.61	2.33	2.05	2.90	1.58	3.23
Noninterest expense to earning assets	4.07	3.70	3.84	4.02	4.14	4.33	4.10	3.31	4.37	3.87	4.50
Credit loss provision to assets	0.72	0.31	0.38	0.74	0.79	0.61	0.74	0.89	0.62	0.34	0.90
Net operating income to assets	1.03	0.93	1.20	1.27	0.96	1.04	0.75	0.96	1.49	1.17	1.54
Pretax return on assets	1.63	1.25	1.76	2.02	1.55	1.68	1.19	1.45	2.20	1.66	2.54
Return on assets	1.08	0.95	1.23	1.32	1.01	1.09	0.78	1.00	1.53	1.21	1.59
Return on equity	12.16	8.48	12.54	13.63	11.99	13.41	8.31	11.83	16.52	12.44	15.62
Net charge-offs to loans and leases	0.96	0.34	0.40	0.96	1.10	1.04	0.97	0.86	0.79	0.43	1.18
Credit loss provision to net charge-offs	125.19	147.89	144.04	121.73	124.11	117.98	117.60	152.94	115.18	134.88	120.46
Efficiency ratio	58.48	68.46	61.71	55.34	58.17	59.83	62.58	54.67	57.86	62.42	51.91
Structural Changes (QTR)											
New charters	30	30	0	0	0	1	11	3	2	3	10
Banks absorbed by mergers	58	29	23	4	2	8	11	14	11	5	9
Failed banks	2	1	0	1	0	0	0	1	0	1	0
PRIOR THIRD QUARTERS (The way it was…)											
Return on assets (%) 2000	1.28	1.07	1.28	1.49	1.24	1.36	1.31	1.02	1.42	1.04	1.40
1998	1.15	1.27	1.33	1.62	0.97	0.90	1.47	1.38	1.49	1.26	0.82
1996	1.19	1.26	1.27	1.31	1.11	1.12	1.17	1.21	1.46	1.23	1.24
Net charge-offs to loans & leases (%)											
2000	0.61	0.24	0.37	0.67	0.66	0.74	0.46	0.38	0.72	0.37	1.05
1998	0.71	0.26	0.36	1.04	0.72	0.98	0.39	0.39	0.75	0.37	1.11
1996	0.56	0.25	0.39	1.03	0.42	0.59	0.44	0.45	0.68	0.34	0.77

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

September 30, 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	1.40	1.11	0.99	1.33	1.41	1.08	1.48	0.88	1.22	1.02
Construction and development	1.27	1.39	1.34	1.21	1.25	1.12	0.92	1.60	1.38	1.23	1.59
Commercial real estate	0.91	1.19	0.88	0.85	0.91	1.07	0.75	1.13	0.90	1.11	0.64
Multifamily residential real estate	0.73	0.77	0.51	0.65	0.83	0.95	0.46	0.78	0.58	1.03	0.77
Home equity loans	0.88	0.83	0.78	0.88	0.90	0.80	0.83	1.13	0.61	0.56	0.64
Other 1-4 Family residential	1.47	1.77	1.39	1.08	1.57	1.45	1.42	1.88	0.86	1.38	1.26
Commercial and industrial loans	1.10	1.89	1.54	1.54	0.96	0.80	0.69	1.67	1.87	1.21	1.47
Loans to individuals	2.37	2.59	2.40	2.43	2.35	2.62	2.15	2.34	2.38	1.91	2.18
Credit card loans	2.76	2.33	5.45	3.01	2.60	3.06	2.53	2.37	2.93	1.59	2.35
Other loans to individuals	2.15	2.60	1.99	2.08	2.17	2.26	2.04	2.34	2.00	1.92	1.88
All other loans and leases (including farm)	1.13	0.79	0.72	0.96	1.19	0.63	1.91	1.38	0.80	1.02	1.41
Memo: Commercial RE loans not secured by RE	1.19	0.65	0.44	1.32	1.21	1.52	0.54	1.55	3.56	0.92	2.18
Percent of Loans Noncurrent*											
All real estate loans	0.93	0.98	0.82	0.87	0.99	1.05	0.78	1.20	0.66	0.87	0.80
Construction and development	1.07	0.94	0.95	1.18	1.08	1.06	0.97	1.16	0.97	0.88	1.25
Commercial real estate	0.95	1.13	0.89	0.89	1.00	0.86	0.88	1.22	0.94	0.92	0.82
Multifamily residential real estate	0.39	0.53	0.52	0.39	0.35	0.25	0.46	0.51	0.32	0.47	0.32
Home equity loans	0.41	0.40	0.37	0.45	0.41	0.32	0.32	0.64	0.30	0.30	0.29
Other 1-4 Family residential	0.92	0.87	0.73	0.83	1.00	1.02	0.75	1.38	0.43	0.79	0.64
Commercial and industrial loans	2.17	1.72	1.43	1.76	2.34	2.45	2.17	2.05	1.31	1.79	2.00
Loans to individuals	1.42	0.98	1.00	1.31	1.52	2.10	0.83	0.81	1.32	0.64	1.43
Credit card loans	2.18	1.72	3.80	2.42	2.07	2.57	1.51	1.62	2.02	1.01	1.98
Other loans to individuals	0.99	0.96	0.63	0.65	1.16	1.71	0.64	0.69	0.84	0.63	0.45
All other loans and leases (including farm)	0.99	1.07	1.04	0.67	1.01	0.60	1.77	0.90	1.16	1.22	1.13
Memo: Commercial RE loans not secured by RE	0.97	0.35	0.16	0.36	1.05	0.36	1.62	0.70	0.92	0.24	0.24
Percent of Loans Charged-off (net, YTD)											
All real estate loans	0.18	0.05	0.06	0.13	0.24	0.10	0.29	0.22	0.05	0.05	0.08
Construction and development	0.10	0.06	0.06	0.19	0.08	0.10	0.09	0.12	0.09	0.06	0.07
Commercial real estate	0.10	0.06	0.05	0.08	0.14	0.07	0.09	0.20	0.05	0.03	0.05
Multifamily residential real estate	0.02	0.11	0.02	0.02	0.02	0.03	0.04	0.05	-0.02	0.02	-0.04
Home equity loans	0.23	0.02	0.08	0.16	0.26	0.06	0.31	0.29	0.17	0.23	0.13
Other 1-4 Family residential	0.24	0.05	0.06	0.15	0.33	0.10	0.46	0.24	0.05	0.06	0.09
Commercial and industrial loans	1.12	0.55	0.63	1.07	1.20	0.87	1.21	1.34	0.61	0.84	1.52
Loans to individuals	2.53	0.81	1.49	3.15	2.60	3.10	1.65	1.62	2.64	0.92	3.78
Credit card loans	4.79	2.63	6.36	6.20	4.41	5.05	3.40	4.23	5.24	2.45	5.08
Other loans to individuals	1.17	0.76	0.79	1.16	1.28	1.31	1.10	1.22	0.59	0.87	1.37
All other loans and leases (including farm)	0.39	0.33	0.40	0.52	0.38	0.21	0.26	0.68	0.43	0.34	0.90
Memo: Commercial RE loans not secured by RE	0.16	0.77	0.38	0.24	0.14	0.28	0.10	0.19	0.15	0.21	0.09
Loans Outstanding (in billions)											
All real estate loans	$1,749.2	$81.0	$343.5	$313.6	$1,011.1	$363.2	$551.9	$401.8	$115.5	$88.4	$228.3
Construction and development	190.5	7.8	42.1	41.4	99.2	19.4	68.4	46.0	10.4	14.1	32.2
Commercial real estate	493.7	23.2	130.6	108.1	231.7	82.4	152.0	115.9	30.0	32.6	80.8
Multifamily residential real estate	63.5	1.8	11.4	13.4	36.9	15.1	17.2	15.9	3.1	2.6	9.7
Home equity loans	145.7	2.2	14.8	19.2	109.5	29.1	47.9	44.7	5.4	1.5	17.1
Other 1-4 Family residential	785.7	35.8	130.2	127.3	492.5	184.8	256.5	170.3	55.9	33.9	84.4
Commercial and industrial loans	1,010.4	24.1	93.4	117.5	775.4	342.7	255.5	232.3	41.6	37.2	101.1
Loans to individuals	607.6	17.9	59.9	99.4	430.4	231.9	132.5	96.2	39.7	22.8	84.5
Credit card loans	218.4	0.5	7.0	37.3	173.6	105.9	29.5	12.1	16.1	0.7	54.2
Other loans to individuals	389.1	17.4	52.9	62.1	256.8	126.0	103.0	84.0	23.6	22.2	30.3
All other loans and leases (including farm)	496.3	16.8	28.1	36.6	414.8	210.6	104.2	108.8	31.0	10.1	31.7
Memo: Commercial RE loans not secured by RE	45.6	0.3	1.4	3.5	40.4	11.5	20.5	6.3	0.7	0.6	5.9
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	$3,457.1	$292.5	$852.5	$475.4	$1,836.7	$666.4	$1,262.6	$593.5	$254.3	$277.3	$403.0
Construction and development	289.0	32.5	135.5	60.6	60.4	34.5	107.3	38.0	38.7	34.2	36.3
Commercial real estate	1,593.4	127.7	367.9	209.2	888.7	316.2	651.0	182.7	95.7	134.1	213.7
Multifamily residential real estate	64.0	5.6	35.8	10.5	12.0	8.8	9.3	16.4	13.7	3.7	12.2
1-4 Family residential	1,276.6	100.1	274.1	186.6	715.7	166.5	482.0	327.3	86.2	84.8	129.8
Farmland	91.6	26.6	38.3	7.2	19.5	1.2	13.1	29.1	20.0	20.5	7.6
Other real estate owned in foreign offices	142.6	0.0	0.9	1.3	140.4	139.3	0.0	0.0	0.0	0.0	3.3

*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.

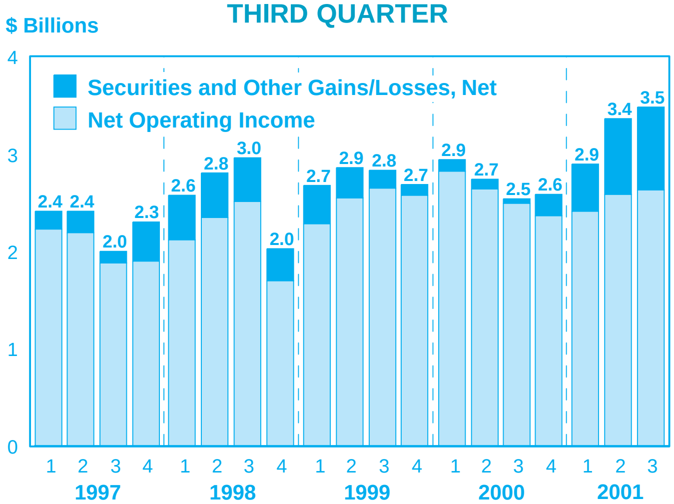
N/A - Not Available

- ***Earnings Of $3.5 Billion Set Second Consecutive Quarterly Record***
- ***Higher Margins And Gains on Sales Of Securities Propel Earnings***
- ***Noncurrent Loans, Loan Loss Provisions And Reserves Increase In The Quarter***
- ***One Savings Institution Failed***

Highest Earnings on Record Reported in Third Quarter

FDIC-insured savings institutions reported their second consecutive quarterly record with earnings of $3.5 billion for the third quarter. Third-quarter earnings beat the second quarter by $119 million as lower interest rates resulted in higher net interest income and large gains on sales of securities. Net interest income increased $430 million (5 percent) because of higher net interest margins. Gains on sales of securities were $258 million (25 percent) higher than in the second quarter. Higher provisions for loan losses and lower noninterest income limited the increase in earnings. Provisions for loan losses rose $167 million (23 percent) to $883 million, the largest amount since 1993. Noninterest income declined $372 million (11 percent) from second-quarter levels as servicing fees amounted to a loss for the quarter. With the high volume of mortgage refinancings this year, mortgage-servicing rights declined in value as the expected future stream of servicing fees was reduced. Most savings institutions report servicing fees that reflect any change in the value of mortgage servicing rights, and these fees amounted to a loss of $461 million for the quarter. This quarter's earnings produced an average return on assets (ROA) of 1.09 percent, the second best quarterly ROA since the industry record of 1.14 percent in the third quarter of 1998. One-fourth of the industry reported an ROA of 1.00 percent or better and 9 percent reported losses.

RECORD EARNINGS REPORTED IN THIRD QUARTER



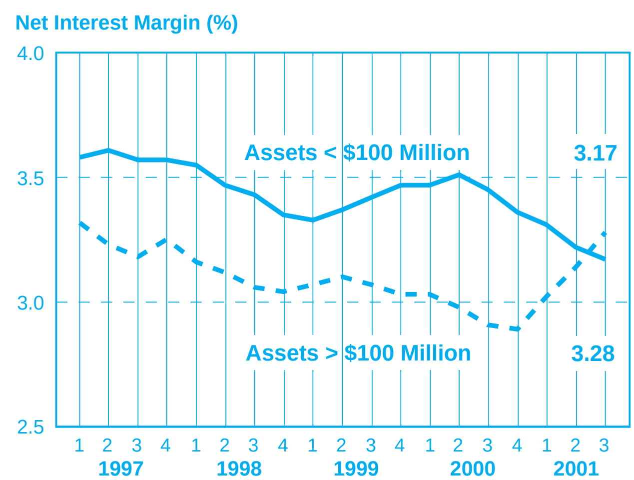
Larger Savings Institutions Showed Improved Net Interest Margins

As short-term interest rates continued to decline, net interest margins improved for the third quarter in a row. The industry's net interest margin was 3.27 percent, up 12 basis points from 3.15 percent in the second quarter. The cost of funding earning assets declined by 41 basis points, while the yield on earning assets was down by only 28 basis points. For small savings institutions—those with less than $100 million in assets—margins continued to decline, falling 5 basis points to 3.17 percent. For these institutions the yield on earning assets declined by 26 basis points, faster than the cost of funding earning assets, which fell by 21 basis points. For the remainder of the industry—those institutions with $100 million or more in assets—margins rose 14 basis points to 3.28 percent. This was the first quarterly report ever that small savings institutions reported a lower net interest margin than the rest of the industry.

Small Specialty Thrifts Lift Average Profitability of Small Thrift Group

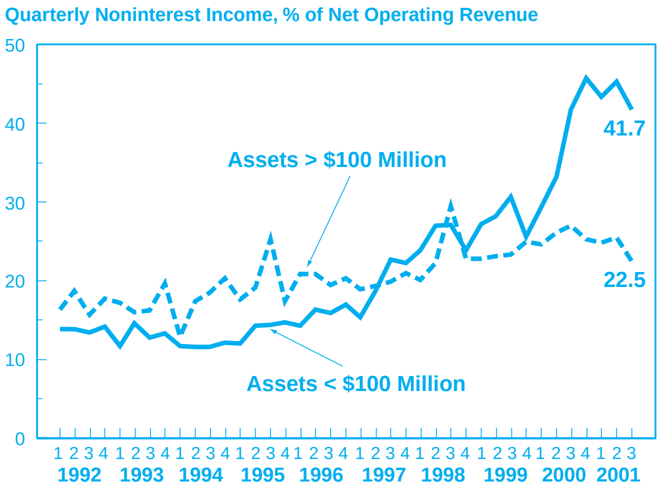
The decline in margins continues to hurt most small thrifts, but a few specialty thrifts lifted the profitability of the group. For the entire group, noninterest income sources contribute 41.7 percent of net operating revenue (net interest income plus noninterest income). There were 14 specialty thrifts that generate more than 90 percent of their net operating revenue from noninter-

SMALL INSTITUTION ADVANTAGE IN NET INTEREST MARGIN LOST FOR FIRST TIME



est income. Because these institutions manage more assets than are on their balance sheets, their profitability appears quite high. These institutions collectively reported an ROA of 29.90 percent, up from 24.04 percent in the second quarter.

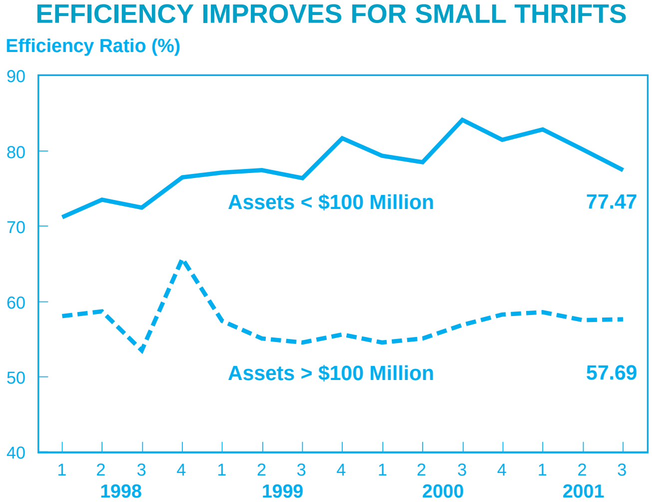
A FEW SPECIALTY THRIFTS LIFT NONINTEREST INCOME



Better Efficiency Leads To Slightly Improved Earnings at Remaining Small Thrifts

Improvements in efficiency led to higher profitability for the 579 remaining small thrifts. The remaining small thrifts—those with assets less than $100 million and whose noninterest income was less than 90 percent of net operating revenue—reported a slight increase in ROA, up 2 basis points to 0.40 percent. The decline in margins continued for these institutions (down 5 basis points), but they were able to reduce noninterest expenses to compensate for lower margins. Noninterest expenses were 3.32 percent of earning assets, down 10 basis points from 3.43 percent in the second quarter. This led to a slight improvement in operating efficiency. The efficiency ratio—noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income—improved slightly from 84.84 percent to 83.65 percent. The small specialty thrifts reported a more dramatic improvement in efficiency, down from 70.65 percent to 61.86 percent. The entire group of small thrifts showed improved efficiency (down from 80.20 percent to 77.47 percent), while larger thrifts held steady at around 57 percent.

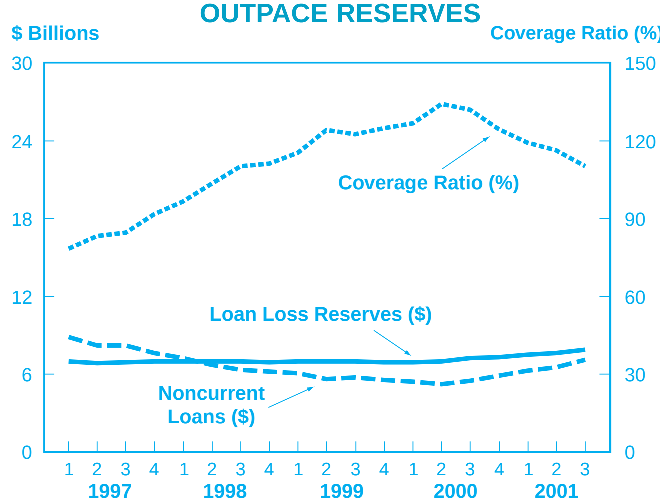
EFFICIENCY IMPROVES FOR SMALL THRIFTS



Loans Past Due Increase

During the third quarter there was an increase in borrowers that have missed a monthly loan payment. Loans that were 30 to 89 days past due increased during the third quarter by $1.4 billion to $9.5 billion or 1.10 percent of total loans, the highest rate since the end of 1997. Noncurrent loans, those loans that were 90 days past due or in nonaccrual status, increased by $580 million to $7.1 billion or 0.82 percent of total loans, the highest level since early 1999. Reserves for loan losses increased $230 million to $7.9 billion or 0.90 percent of total loans. The coverage ratio of loan-loss reserves to noncurrent loans fell from 116 percent to 110 percent, its lowest level since the middle of 1998.

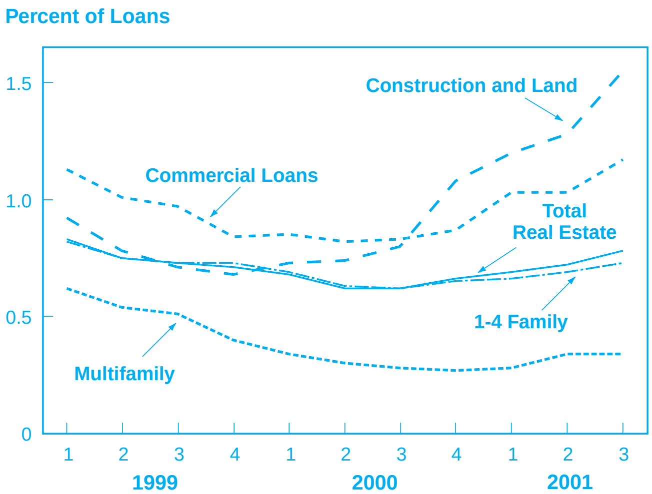
INCREASES IN NONCURRENT LOANS OUTPACE RESERVES



Home Mortgage Problems Lead to Higher Noncurrent Rates

Home mortgages account for 69 percent of total loans, and rising problems in this loan category drove the 6 basis point increase in the industry's noncurrent loan rate to 0.82 percent. While home equity loans showed improvement as loan volume increased, other loans secured by 1-4 family residential property showed signs of weakness. These home mortgages had a 5 basis point increase in their noncurrent rate to 0.76 percent during the quarter. This was 12 basis points higher than the year-ago level of 0.64 percent. The noncurrent rate on construction, development, and land loans jumped

NONCURRENT LOANS INCREASE FOR ALL REAL ESTATE CATEGORIES



27 basis point this quarter to 1.55 percent, up 75 basis points from the year-ago level of 0.80 percent. The noncurrent rate on commercial real estate loans increased 14 basis points to 1.19 percent, which was 35 basis points higher than the year-ago level of 0.84 percent.

Real Estate Loan Net Charge-offs Increase

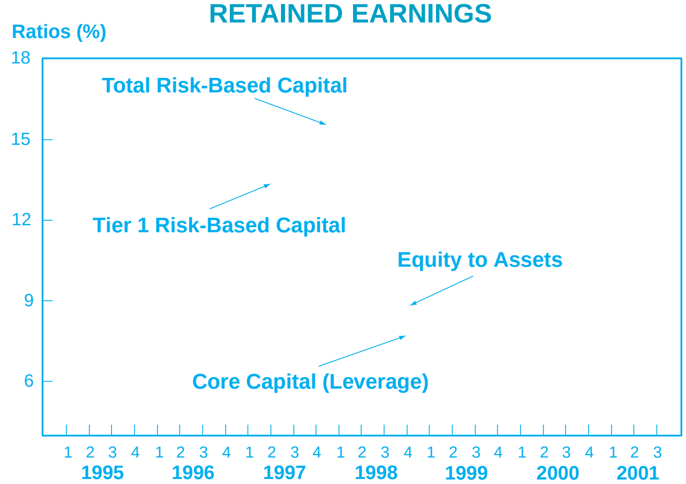
Net charge-offs were $45 million higher than last quarter and $212 million higher than a year ago. The net charge-off rate, net charge-offs as a percent of loans, was 2 basis point higher than in the second quarter and 9 basis points higher than a year ago, when the rate was 0.19 percent. Net charge-offs on construction, development, and land loans were 0.16 percent this quarter, double the 0.08 percent reported a year ago. Net charge-offs on commercial real estate were nearly 5 times higher this quarter, at 0.19 percent, from the year-ago level of 0.04 percent.

The Industry Showed Growth in Assets, Deposits and Capital

Assets of insured savings institutions, at $1.3 trillion, grew by $12.3 billion during the quarter, and were $86 billion higher (7 percent) than a year ago. During the quarter thrifts added $2.6 billion in home equity loans and $1.1 billion in other loans secured by 1-4 family properties. Loans to individuals increased $3.8 billion this quarter.

Deposit growth was $12.9 billion this quarter and $61 billion (8 percent) since the third quarter of last year. This was the eighth consecutive quarter with growth in deposits for the industry. In the third quarter, other borrowed funds declined by $6.7 billion while Federal Home Loan Bank Advances increased by $1.5 billion. Equity capital improved by $3.3 billion with a boost from higher values for available-for-sale (AFS) securities, up $1.9 billion. Earnings retained by the industry—net income less cash dividends—totaled $2.2 billion, which is the highest quarterly amount since 1986 for the industry. Equity capital reached 8.68 percent of assets and the core capital (leverage) ratio, which excludes the gains on AFS securities, rose to 7.86 percent of average assets.

CAPITAL LEVELS LIFTED BY HIGHER RETAINED EARNINGS



One Institution Failed and Was Placed in Conservatorship in the Quarter

There were 1,552 savings institutions included in the tables of this report. This excludes the conservatorship created from Superior Bank FSB, which failed on July 27th. There were 3 savings institutions that converted their charters to a commercial bank charter this quarter and 9 that were absorbed by commercial banks. There were another 9 mergers within the industry that reduced the count of charters. Additions to the industry included 3 de novo charters and 2 credit unions that converted to savings institutions. Within the industry, 4 mutually owned institutions converted to stock ownership. The number of “problem” thrifts declined from 22 to 20 and assets fell from $7.2 billion to $3.9 billion during the quarter.