• One-Time Acquisition Related Charges Depressed Third Quarter Earnings
• Recent ROAs are Historically Strong
• Core Income Remains Strong Excluding One-Time Charges
• Improved Earnings and Operating Efficiency Ratios Have Helped Strengthen Earnings
• Equity Capital Ratio is at a Record Level
• Problem Thrifts Reached Post-FIRREA Low
• Troubled Assets Increased Slightly in the Third Quarter, But Remain at Low Levels
• Noncurrent Loan Rates Remain Low
• Single-Family Mortgages Still Dominate Industry Assets, Although Growth Rates Were High for Small Business / Commercial Loans
• Sensitivity to Interest Rate Risk Has Declined Recently But Remains Higher Than in 1995
• Higher Capital Levels Reduce Exposure to Interest Rate “Shocks”
• Although Consolidation Has Reduced the Number of Thrifts, Industry Assets Have Remained Relatively Stable Since 1993
• Asset Growth By Remaining Thrifts and Assets of New Thrifts Have Largely Offset Asset Losses from Consolidation Since 1993
• 1997 Shows Divergent Trends with Increases in Both New Entrants and Conversions to Commercial Banks
ONE-TIME ACQUISITION RELATED CHARGES
DEPRESSED THIRD QUARTER EARNINGS

* Revised. Numbers may not add due to rounding.
** Year-to-date annualized.
Adjusted data exclude the net SAIF special assessment of $2.1 billion incurred in the third quarter of 1996.
Office of Thrift Supervision / December 1997
RECENT ROAs ARE HISTORICALLY STRONG

1996 data are adjusted to exclude the net SAIF special assessment of $2.1 billion incurred in the third quarter.
1997 data are year-to-date annualized.
Office of Thrift Supervision / December 1997
CORE INCOME REMAINS STRONG EXCLUDING ONE-TIME CHARGES

Return on Average Assets (Annualized)

Core Income as a Percent of Average Assets (Annualized)

* Adjusted data exclude the net SAIF special assessment of $2.1 billion.
** Adjusted data exclude large thrifts with one-time charges.

Core Income = Net interest income and fee income less general and administrative expense,
SAIF special assessment, and income taxes based on a 35% rate.

Office of Thrift Supervision / December 1997
IMPROVED EARNINGS AND OPERATING EFFICIENCY RATIOS HAVE HELPED STRENGTHEN EARNINGS

Earnings Efficiency Ratio

101.0% 103.6% 104.2% 105.5% 105.8% 107.0%

Operating Efficiency Ratio

64.0% 64.1% 65.8% 65.2% 62.8% 60.6%

* Year-to-date.
Earnings Efficiency Ratio = Interest Earning Assets / Interest Bearing Liabilities.
Operating Efficiency Ratio = General and Administrative Expense / Net Interest Margin plus Fee Income.
Office of Thrift Supervision / December 1997
EQUITY CAPITAL RATIO IS AT A RECORD LEVEL

Office of Thrift Supervision / December 1997
PROBLEM THRIFTS REACHED POST-FIRREA LOW
(Thrifts with CAMELS Ratings of 4 or 5)

Number of Problem Thrifts

Percent of Total Thrifts

Assets of Problem Thrifts ($ Billions)

Percent of Total Assets

Office of Thrift Supervision / December 1997
TROUBLED ASSETS INCREASED SLIGHTLY IN THE THIRD QUARTER, BUT REMAIN AT LOW LEVELS

* Estimated.
Troubled Assets include noncurrent loans and repossessed assets.
Data after 1995 are net of specific valuation allowances.
Office of Thrift Supervision / December 1997
NONCURRENT LOAN RATES REMAIN LOW

Data after 1995 are net of specific valuation allowances.
Office of Thrift Supervision / December 1997
SINGLE-FAMILY MORTGAGES STILL DOMINATE INDUSTRY ASSETS, ALTHOUGH GROWTH RATES WERE HIGH FOR SMALL BUSINESS / COMMERCIAL LOANS

<table>
<thead>
<tr>
<th></th>
<th>December 1993</th>
<th>September 1997</th>
<th>$ Change</th>
<th>Average Annualized Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>$774.8</td>
<td>$762.8</td>
<td>-12.0</td>
<td>-0.4%</td>
</tr>
<tr>
<td><strong>Total Loans</strong></td>
<td>503.7</td>
<td>533.9</td>
<td>30.2</td>
<td>1.6%</td>
</tr>
<tr>
<td>1-4 Family Mortgage Loans</td>
<td>354.7</td>
<td>387.8</td>
<td>33.1</td>
<td>2.4%</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>12.7</td>
<td>11.4</td>
<td>-1.3</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Other Mortgages</td>
<td>95.7</td>
<td>80.9</td>
<td>-14.8</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Sm. Business / Commercial Loans</td>
<td>5.2</td>
<td>10.6</td>
<td>5.4</td>
<td>20.8%</td>
</tr>
<tr>
<td>Consumer Loans</td>
<td>35.4</td>
<td>43.3</td>
<td>7.9</td>
<td>5.5%</td>
</tr>
<tr>
<td>Mortgage Pool Securities</td>
<td>119.5</td>
<td>103.8</td>
<td>-15.7</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Investment Securities</td>
<td>108.6</td>
<td>80.4</td>
<td>-28.2</td>
<td>-7.7%</td>
</tr>
</tbody>
</table>

Beginning in 1997, balances of individual loan and securities categories were reported net of loans-in-process, unamortized yield adjustments, and specific valuation allowances. Dollars in billions.
Office of Thrift Supervision / December 1997
SENSITIVITY TO INTEREST RATE RISK HAS DECLINED RECENTLY BUT REMAINS HIGHER THAN IN 1995

* Preliminary third quarter data.
Office of Thrift Supervision / December 1997
HIGHER CAPITAL LEVELS REDUCE EXPOSURE TO INTEREST RATE “SHOCKS”

Post-Shock Economic Value

* Preliminary third quarter data.
Office of Thrift Supervision / December 1997
ALTHOUGH CONSOLIDATION HAS REDUCED THE NUMBER OF THRIFTS, INDUSTRY ASSETS HAVE REMAINED RELATIVELY STABLE SINCE 1993

Office of Thrift Supervision / December 1997
ASSET GROWTH BY REMAINING THRIFTS AND ASSETS OF NEW THRIFTS HAVE LARGELY OFFSET ASSET LOSSES FROM CONSOLIDATION SINCE 1993

* Year-to-date.
Office of Thrift Supervision / December 1997
**1997 SHOWS DIVERGENT TRENDS WITH INCREASES IN BOTH NEW ENTRANTS AND CONVERSIONS TO COMMERCIAL BANKS**

<table>
<thead>
<tr>
<th></th>
<th>Average '93-'96</th>
<th>YTD 1997*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failures</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Conversions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Commercial Banks</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>To State-Chartered Savings Banks</td>
<td>46</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total Number of Conversions</strong></td>
<td><strong>60</strong></td>
<td><strong>44</strong></td>
</tr>
<tr>
<td>Acquisitions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>By Commercial Banks</td>
<td>45</td>
<td>52</td>
</tr>
<tr>
<td>By State-Chartered Savings Banks</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Number of Acquisitions</strong></td>
<td><strong>47</strong></td>
<td><strong>53</strong></td>
</tr>
<tr>
<td>by Non-OTS Reg. Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTS Thrift-to-Thrift Mergers</td>
<td>37</td>
<td>25</td>
</tr>
<tr>
<td>Voluntary Dissolutions</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL EXITS</strong></td>
<td><strong>153</strong></td>
<td><strong>124</strong></td>
</tr>
<tr>
<td>ENTRANTS</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>NET DECLINE</td>
<td>136</td>
<td>105</td>
</tr>
</tbody>
</table>

* Includes transactions consummated through November 25, 1997.

Office of Thrift Supervision / December 1997