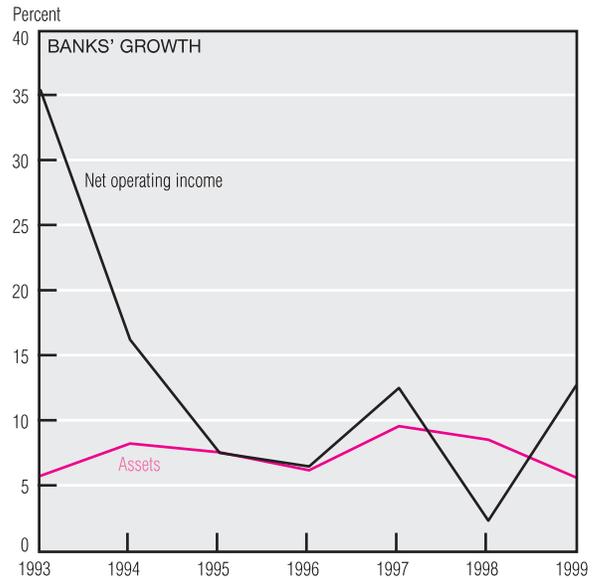
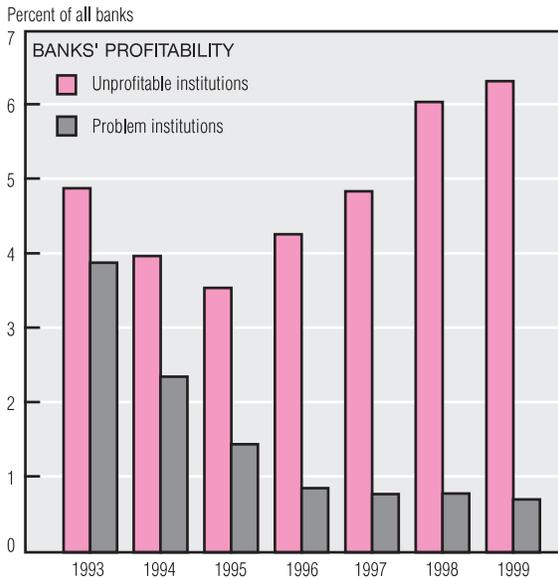
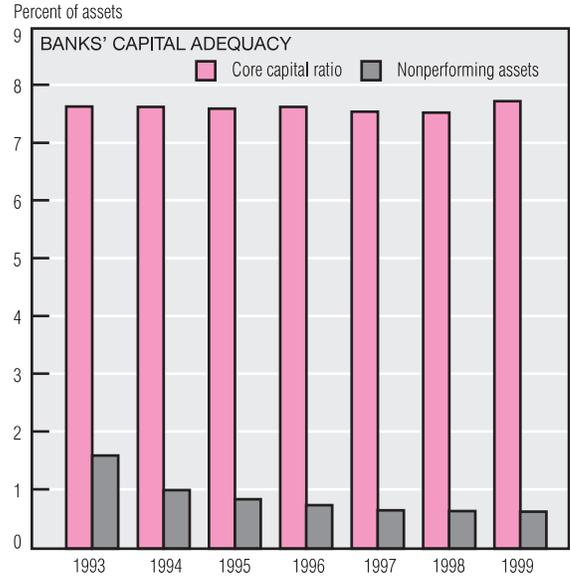
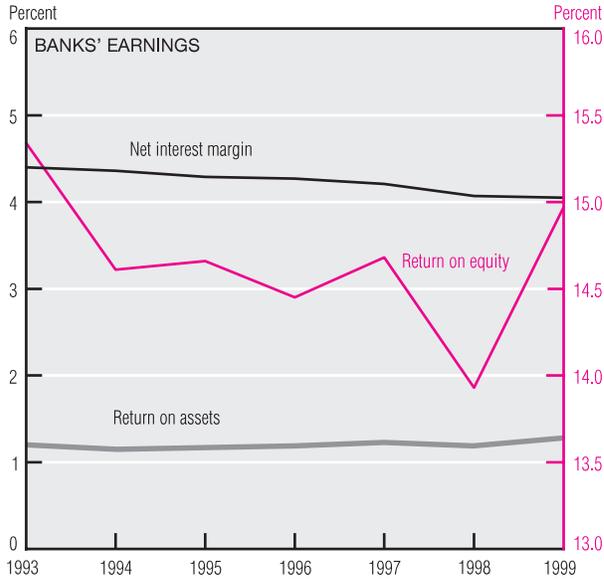


Bank Performance



NOTE: All data are for FDIC-insured commercial banks through 1999:IIQ.
 SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*, 1999:IIQ.

The balance sheets of U.S. commercial banks showed continued signs of health through 1999:IIQ. After a slowdown in 1998, profits picked up again, with a return on assets of 1.28%. Return on equity for the second quarter was 14.97%. Core earnings remained strong, and the net interest margin remained above 4%. Moreover, nearly 94% of all commercial banks posted positive profits.

Strong bank balance sheets were

reflected in core bank capital, which, at 7.74% of assets, was high by historical standards. In addition, asset quality problems were not evident. Nonperforming assets settled back to their 1998 level (only 0.64% of total assets).

Further evidence of strength in the U.S. banking sector was the continued downward trend in the percentage of banks rated as problem institutions—from 3.89% in 1993 to 0.71% in 1999:IIQ.

Finally, bank asset growth over the 12 months ending in June 1999 slowed to 5.52%. Nonetheless, net operating income grew 12.89% over the same period, sharply higher than the 2.39% growth rate for 1998. Overall, the banking sector has exhibited steady growth without compromising profitability or, more importantly, the apparent quality of its assets.