Mr. Chairman, Representative Ridge, and members of the Subcommittee, NCNB Corporation is grateful for the opportunity to file written testimony on the subjects of interstate branching and interstate banking. These dual issues are extremely important to the continued strength of our nation's banking industry.

NCNB has full-service banks in seven states, from Maryland to Florida to Texas. Within those states, the company has more than 900 locations, representing the banking industry's fifth-largest branch network. Through a credit card bank in Delaware, NCNB's customer base extends across the United States.

NCNB supports the Administration's blueprint for industry reform that Treasury Secretary Brady announced in February. Our industry is hobbled by rules and philosophies set in place more than 50 years ago. These regulations have remained in force despite new forms of competition, despite vast changes in technology, and despite alterations in the makeup of American society that have drastically transformed the environment in which banks deliver products and services.

The geographic and product barriers erected three generations ago to protect the industry have turned into walls that threaten the safety and soundness of the U.S. banking system. These same barriers greatly restrict banks' ability to serve the public effectively. The path finally chosen by this Congress will affect the future of financial institutions such as NCNB. It will also profoundly influence the financial future of America's consumers, small businesses and corporations -- and therefore the nation's economic well-being.

The banking industry today faces a serious capital shortage. The best safeguard for the U.S. taxpayer against a repeat of the problems of the S&L industry is a strong, profitable banking system. The Administration's proposals for interstate consolidation will help our nation's banking industry build stronger capital levels.

Since those proposals include recommendations for immediate interstate branching -- with a later transition to full interstate banking -- the company's remarks in this written testimony will concentrate on the beneficial aspects of branching across state lines.
Interstate branching will strengthen the banking system by allowing banks with multi-state operations to achieve meaningful operating efficiencies. It will let companies such as NCNB eliminate many redundancies in multi-state organizations.

Under current law, NCNB must maintain separate capital levels for eight banks. It has eight separate boards of directors, eight separate examinations by the OCC and eight separate audits. It also has the considerable expense of eight separate management reporting staffs and financial control procedures.

In addition, maintaining separate banks requires NCNB to keep separate credit files on shared credits, to have duplicate credit committees and to set up costly procedures for tracking a large number of interbank transactions.

Management projects that NCNB could save at least $20 million each year through interstate branching consolidation. Other multi-state bank holding companies have estimated even higher annual cost savings. Lowell Bryan, the noted consultant at McKinsey & Company, has estimated that consolidation could save the banking industry over $10 billion annually. That's against 1990 pre-tax income for the banking industry of just over $23 billion.

NCNB's annualized cost-savings projections are included as Schedule A to the written testimony filed with the Committee. These significant savings will go directly to the bottom lines of our nation's banks.

Higher retained earnings will strengthen capital ratios. Stronger capital ratios will rebuild confidence in the banking system. And, most important, a well-capitalized banking system will give our nation's bankers the assurance they need to make even more loans to creditworthy borrowers.

In addition to building capital and making distribution systems more efficient, interstate branching will permit banking companies to benefit from multiple markets and products. It will also better equip them to weather economic cycles.

NCNB has proved the value of geographic and product diversity. When the company entered Texas two and one-half years ago, the strength of NCNB's Southeast banks bolstered its Texas operation. In 1990, NCNB experienced temporary real estate problems in the Southeast. The rebounding strength of its Texas bank, however, allowed the company to continue building strong capital levels and report one of the industry's top 10 profits in terms of dollars. The Congress should grant all U.S. banks the opportunity to expand across markets and thus diversify their risks.

NCNB recognizes the uneasiness of community bankers over this issue. They are concerned that the relaxation of interstate restrictions will result in a substantial reduction in their numbers. Those fears are not justified. NCNB maintains that interstate branching will not pose a threat to our nation's community bank system.
The company respects and appreciate the unique contributions that community banks make to the American economic structure. They are the financial bedrock of their communities. Community banks perform important functions that larger banking companies cannot duplicate.

Community banks and statewide branching systems have competed and thrived in the state of North Carolina for many years. The efficiencies inherent in branching there gave rise to three of the nation's strongest regional banks. But these banks continue to have strong and healthy competition in North Carolina from 75 other middle-sized and community banks.

California is home to four of our nation's 11 largest banking companies. Yet the community banking system in California continues to thrive, with some 430 other banks chartered in that state.

Florida's community bankers were convinced in the early 1980s that statewide branching would sound their death knell. Yet the number of banks in Florida has stayed virtually the same over the last decade. And the number of branches in Florida grew by 43% during that period.

NCNB believes that its approach to branching is typical of its peers. It simply isn't economical to buy market share by acquiring individual community banks at 1.5 times book value. That's a very expensive way to enter new markets. Typically, NCNB can only justify risking its shareholders' capital when it can acquire multi-branch operations that already have a strong market presence. This permits the company to spend its advertising dollars more productively. It also allows NCNB to realize other efficiencies not possible with piecemeal acquisitions.

The same principle will hold true when full interstate banking is allowed by the Congress. For example, NCNB couldn't justify going into Arizona by purchasing three, four or five community banks. The company couldn't achieve the necessary economies of scale by entering markets through such individual community bank acquisitions. That is in addition to the prohibitive capital costs alluded to earlier.

From the perspective of the bank customer, few other developments in banking will go as far to make banking more convenient or price-competitive as interstate branching and banking. In addition to strengthening the industry's capital position, cost-savings efficiencies will allow multi-state banking companies to price their products more aggressively. In markets where several such companies compete, the rivalry will be all the more intense.

In terms of convenience, interstate branching will allow a Houston-based company doing business with NCNB to issue paychecks to employees in other states that can be deposited and given immediate credit at an NCNB branch in Columbia, South Carolina or Orlando, Florida. Customers who live in North Carolina can make a deposit while on vacation in Florida or Texas. Current laws make that impossible.
That inconvenience is heightened for the millions of residents in the 30-plus Metropolitan Statistical Areas which cross state boundaries. They can’t make a deposit, or cash a check, at work because their neighborhood bank is prohibited from having an office where they work. Residents of Rock Hill, South Carolina, who work next door in Charlotte, North Carolina, are denied banking convenience as much as people who work in the District of Columbia but who live in Gaithersburg, Maryland, or Vienna, Virginia.

Another important issue in any discussion of interstate branching is the fear of lost tax revenue by individual states. NCNB’s message on this issue is simple: We expect to continue paying our fair share of state taxes in those states where we operate branches.

Interstate branching should not become a vehicle for any significant change in NCNB’s overall state tax burden. It actually should result in a more stable state tax base -- since earnings and capital of the combined bank will be apportioned to the states where NCNB has branches. Therefore, the geographic diversity resulting from interstate branching should reduce the tax impact of regional economic fluctuations in the states where we do business.

Mr. Chairman, three other issues will not be characteristic of interstate branching:

- First, interstate branching will not mean the siphoning of deposits from communities in one state to make loans in another state. In fact, access to world capital markets gives large banks the strength to be net importers of funds into all domestic markets simultaneously when there is strong loan demand.

  NCNB always prefers to lend to creditworthy customers in the communities where it does business. That certainly has been NCNB’s experience in Texas. During the past two years, NCNB has generated over $6 billion in new and renewed loans. Its lending record is far superior to any other bank in the state.

  NCNB would much rather put its deposits to work making loans in Tyler, Texas, Abbeville, South Carolina, or Winter Haven, Florida, where it can develop long-standing customer relationships. That’s because banks prosper as their communities prosper. And the yield on an automobile loan -- or an expansion loan to a small business -- is far more attractive than purchasing a Treasury bill.

- Second, interstate branching will not allow banks to diminish their focus on community investment. In fact, just the opposite will occur. When it comes to CRA issues, NCNB is already being viewed as a national unit by the regulators. The statutory language requires examiners to consider all of a bank’s branch operations in its exam.
Community groups still can protest an acquisition -- or even an application to build a branch -- in one state based on a bank’s CRA record in another state. CRA challenges actually have more clout in an interstate environment.

For example, NCNB recently received permission from the Federal Reserve to acquire two small branches in Hernando County, Florida. Regulators granted approval following review of a challenge filed by a Charlotte-based community action group. They challenged the company’s CRA record in North Carolina and Texas, not in Florida. We are pleased that the regulators affirmed NCNB’s quality community investment record. And we pledge to continue investing in our communities.

There’s an interesting CRA impact for large companies, Mr. Chairman. In NCNB’s case, we almost always define the markets we serve as the whole county -- the total population -- wherever we are. Smaller banks generally define their markets much more narrowly, usually the neighborhoods right around the branch. And that almost always means only the more affluent segments of the population. NCNB is confident that a study of CRA target areas would show that the nation’s largest branch systems are carrying the heaviest commitment to community investment.

Third, interstate branching will not adversely affect the ability of states to apply consumer laws to national banks. The company currently comply with the state consumer laws that are applicable to its activities in the various states. Of course, federal law preempts certain state consumer laws, and NCNB believes that will continue to be the case under interstate branching. However, the consumer will not be provided with any fewer benefits or protections as a result of interstate branching.

In summary, interstate banking legislation will enhance the profitability and capital of the banking industry. Second, it does not pose a threat to the community banking system. And third, banks will continue to serve local customers and invest in their local communities. They just will be able to do it better.
The following documents are incorporated herein by reference as attachments to the written testimony of NCNB Corporation filed with the Subcommittee on Economic Stabilization of the Committee on Banking Finance and Urban Affairs Committee of the United States House of Representatives on May 15, 1991:

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>NCNB Corporation Duplicate Services Due to Requirements to Maintain Separate Legal Entities</td>
</tr>
<tr>
<td>B</td>
<td>NCNB Corporation Reports Prepared for Each Bank</td>
</tr>
<tr>
<td>C</td>
<td>Approaches to Reform: NCNB Proposals for Recapitalizing the Bank Insurance Fund, Deposit Insurance Reform and Other Regulatory Changes</td>
</tr>
</tbody>
</table>
**NCNE CORPORATION**

**DUPPLICATE SERVICES DUE TO REQUIREMENTS TO MAINTAIN SEparate LEGAL ENTITIES**

Dollars in Millions

<table>
<thead>
<tr>
<th>Description</th>
<th>Savings</th>
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<tbody>
<tr>
<td>Maintenance and reconciliation of duplicate systems or autonomous files</td>
<td>$11.0</td>
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<tr>
<td>Legal entity reporting and record-keeping</td>
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<tr>
<td>State control divisions</td>
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<tr>
<td>Maintenance of local records</td>
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<tr>
<td>Allocation of costs to legal entities</td>
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<tr>
<td>250 positions</td>
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<tr>
<td>Consolidation of boards of directors</td>
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<tr>
<td>Regulatory reporting</td>
<td>.4</td>
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<tr>
<td>10 positions</td>
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</tr>
<tr>
<td>Audit fees</td>
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<tr>
<td>Auditing of state financials</td>
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<tr>
<td>Equal to 15% of audit fee</td>
<td></td>
</tr>
<tr>
<td>Multiple tax returns required for separate bank entities</td>
<td>.2</td>
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<tr>
<td><strong>Total quantifiable savings</strong></td>
<td><strong>$20.0</strong></td>
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**Note:** In addition to the above quantifiable savings, NCNB will be able to save additional costs through: [1] eliminating requirements for capitalization of legal entities in each state; and [2] managing assets from a line-of-business, rather than a geographic, focus.
NCNB CORPORATION
Reports Prepared for Each Bank

The attached document summarizes reports prepared to support the legal entity structure of a bank. NCNB prepares each of these reports several times. NCNB is currently preparing more than 12,000 reports annually that would not be prepared if there was only one bank instead of seven. These reports can be summarized into three major groups:

I. Regulatory Reports - 91 Reports
II. Directors' Reports - 92 Reports
III. Internal Reports - 92 Reports

The table below summarizes the number of times each of these reports must be prepared by a single bank compared to the effort involved in preparing the reports for seven banks.

<table>
<thead>
<tr>
<th>Filings Per Year</th>
<th>Filings Per Bank</th>
<th>State Banks</th>
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<td>Quarterly</td>
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<td>Semi-Annually</td>
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<td>1</td>
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<td>275</td>
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<td>14,465</td>
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</table>
NCNB CORPORATION
Reports Prepared for Each Bank

I. REGULATORY REPORTS - (Total - 91 Reports)

A. Bank Reporting
   1. FFIEC 031 - Call Report - Quarterly
   2. FFIEC 032 - Call Report - Quarterly
   4. 12 CRF 18 - Annual & Quarterly Reports to Shareholders - Quarterly
   5. FR 2416 - Weekly Report of Assets and Liabilities for Large Banks - Weekly
   7. FR 2571 - Commercial Bank Report of Consumer Credit - Monthly
   8. FR 2042 - Monthly Survey of Selected Deposits and Other Accounts - Monthly
   9. OMB 2502 (HUD) - Survey of Mortgage Lending Activity - Mortgage Loan Commitments - Monthly
   10. OMB 9312 (HUD) - Survey of Mortgage Lending Activity - Gross Flow of Mortgage Loans - Monthly
   11. FR 2591 - Ownership Demand Deposits Accounts - Quarterly
   12. FR Y-9C - Consolidated Financial Statements for Bank Holding Companies - Quarterly
   15. OMB 3604-0057 - FDIC Insurance Assessment (Based on Deposits) - Semi-annually
   17. OMB 3604-0061 - Summary of Deposits by Branch - Annually
   18. FR 2042A - Annual Supplement and Monthly Survey of Selected Deposits - Annually
   20. Summary of Deposits - Quarterly

B. Trust Activity Reporting
   1. FFIEC 001 - Annual Report of Trust Assets - Annually
   2. FFIEC 006 - Annual Report of International Fiduciary Activities - Annually
   3. Form TA-1 - Form for Registration as a Transfer
NCNB CORPORATION
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Agent and for Amendment to Registration as a Transfer Agent - Annually
4. Form X-17F-1A - Report for Missing, Lost, Stolen, or Counterfeit Securities - Other
5. SIC Registration Form - Annually
6. Special Report Fiduciary Activity - Annually
8. SEC 13(G) - 10% Change in Ownership Report - Quarterly
9. SEC 13(F) - 5% Change in Ownership Report - Quarterly

C. International Activity Reporting
1. Form FFIEC 030 - Foreign Branch Report of Condition - Quarterly
2. Form FFIEC 009 - Country Exposure Report - Quarterly
3. Form FFIEC 019 - Country Exposure Report for Federal Branches - Quarterly
5. FR 2950 - Report of Certain Eurocurrency Transactions - Weekly
6. FR 2050 - Selected Deposits - Weekly
7. FC-2 - Foreign Currency - Weekly
8. FR 2915 - Foreign Currency Deposits - Monthly
9. OMB-3064 - Call Report - Quarterly
10. BQ-1 - Banks Claims and Collections - Quarterly
11. BE-577 - Foreign Transactions - Quarterly
12. FR 2886(B) - Edge Report of Condition - Quarterly
13. FR 3214A, >100mm - Sub Report of Condition - Annually
14. FR 3214B, 25-100mm - Sub Report of Condition - Annually
15. FR 3214C, <25mm - Sub Report of Condition - Annually
16. OMB-7100 - Other
17. OMB 1557 Cayman, London (FFIEC 1557) - Quarterly
18. FR 2900b - Transaction Accounts - Weekly
19. BL-1 - Bank Liabilities - Semi-annually
20. FR 2006 - Eligible BA's - Monthly
21. BC Banks Claims - Monthly
22. FR 2930 - Allocation Reserve - Annually
23. FR 2058 - Foreign Branch Status - Other
24. FR 2064 - Change in Foreign Investments - Other

D. Securities and Corporate Practices
1. Form F-1 - Form for Registration of
NCNB CORPORATION
Reports Prepared for Each Bank

Securities of a Bank - Other
2. Form F-2 - Form for Annual Report of Bank - Annually
3. Form F-3 - Form for Current Report of a Bank - Monthly
4. Form F-4 - Form for Quarterly Report of a Bank - Quarterly
5. Form F-10 - Form for Registration of Additional Class Securities of a Bank - Other
6. Form F-12 - Solicitation/Recommendation Statement - Other
7. Form F-20 - Form for Amendment to Registration Statement or Periodic Report of Bank - Other
8. Form F-7 - Initial Statement of Beneficial Ownership of Equity Securities - Other
9. Form F-8 - Statement of Changes in Beneficial Ownership of Equity Securities - Other
10. Financial Statements - Other
11. Notice of Nonpublic Sales and Exchange - Other
12. Form & Content of an Offering Circular of an Existing Bank - Other
13. Form & Content of an Offering Circular of Bank in Organization - Other
14. Advertisement Statement - Other

E. Corporate Activities
1. Letter of Intent to Exercise Fiduciary Powers - Other
2. Application to Establish Branch or Seasonal Agency - Other
3. Application to Merge, Consolidate or Purchase Assume/Application to Charter an Interim National Bank - Other
4. Secretary's Cert. Shareholders' Resolution of Amendment - Other
5. Application for a Change in Location of Head Office or Branch - Other
6. Letter of Notification of Head Office Relocation to Existing Site and Letter Notifying OCC of Effective Date - Other
7. Letter of Notification of Change of Corporate Title - Other
8. Operating Subsidiary - Letter of Notification - Other
9. Investment in a Bank Service Corp. - Other
10. Notice of a Change in Bank Control - Other
11. Letter of Intent to Change Equity Capital - Other
12. Notification of Change in Capital - Other
13. Notification of Completion of Reduction in Capital
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- Other
14. Letter of Intent to Issue Subordinate Debt - Other
15. Notification of Issuance of Subordinate Debt - Other
16. Certs. of Completed Reduction in Outstanding Subordinated Notes or Debentures and Conversion of Subordinated Notes or Debentures - Other
17. Letter of Intent to Change Equity Capital - Other

F. Deposit Accounts
1. Abandoned Property Report - Other
2. Brokered Deposits - Quarterly

G. Loan Portfolio Management
1. Report of Loans Secured by Stock of Other Insured Banks - Other

H. Duties and Responsibilities of Directors
1. Form CC-7029-06A - Joint Oath of Directors - Annually
2. Form CC-7029-06B - List of Directors - Annually
3. Form CC-7029-07 - Oath of Directors - Annually

II. Directors Reports - (Total - 92 Reports)

A. Quarterly Reports/Resolutions
1. Quarterly Review of Operating Results
   a. Statement of Income
   b. Financial Highlights
   c. Net Interest Income
   d. Average Balance Sheet Highlights
   e. Other Operating Income and Expense
   f. Asset Quality - Year to Year
   g. Asset Quality - Quarterly
2. Quarterly Dividend Recommendations
3. Quarterly Asset Quality Review Committee
   a. Historical Asset Quality Performance
   b. Credit Portfolio Levels
   c. Ten Largest Commercial Relationships
   d. Past Dues
   e. Non-Performing Assets
   f. Ten Largest Non-Performing Relationships
   g. Ten Largest OREO
   h. Ten Largest in Substance Foreclosures
   i. Charge-offs
   j. Classified Assets (Risk Rated 9-10)
   k. Ten Largest Risk Rated "10" Relationships
   l. Ten Largest Risk Rated "9" Relationships
NCNB CORPORATION
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m. Criticized Assets (Risk Rated 8-9-10)

n. New Risk Rated 8's $10MM and Greater

o. New Risk Rated 9's $5MM and Greater

p. New Risk Rated 10's $1MM and Greater

q. Ten Largest Risk Rated "8" Relationships

r. Watch Loans (Risk Rated 7)

s. Directors Relationship Risk Rated 7 or Worse

t. Criticized Credit Portfolio

u. Lending Limit

v. New Loan Approvals $25MM or More

w. Allowance for Loan and Lease Losses

x. Standby Letters of Credit Maturity Schedule

y. Criticized Borrowers with Standby Letters of Credit $1MM or More

z. Outstanding Standby Letters of Credit

aa. Real Estate Bank

ab. Consumer Reports

ac. Investment Portfolio

4. Quarterly CRA Committee

a. CRA Performance

b. Outstanding Initiatives

c. Basic Banking Services

d. Needs Assessment

e. Community Involvement

f. Grant/Contributions

g. Personal Community Service

h. Marketing

i. Hiring/Training

j. Purchasing/Procurement

k. Housing

l. NCNB Community Development Corporation

m. Delineated Community

5. Quarterly Examining Committee

a. Minutes

b. Audit Opinion

c. Audit Statistics

d. Audit Plan

e. Staff Plan

f. Fraud Report

g. Loan Review

h. Annual Compliance Summary

i. Contingency Plans

j. Independent Accountant's Report

k. Response to Regulatory Reports

l. Guidelines and Charter

m. Regulatory Reports

n. Bank Subsidiaries' Minutes

o. Chairmen Reports

p. Securities Compliance Report
NCNB CORPORATION
Reports prepared for Each Bank

6. Quarterly Executive Committee Actions
7. Quarterly Finance Committee
   a. Interest Rate Forecast
   b. Net Interest Income Forecast
   c. Risk Position
   d. Security Holdings
   e. Discussion of current strategy
8. Quarterly Trust Committee

B. Annual Reports/Resolutions
   1. Bank Secrecy Act Compliance
   2. Committee Description of Duties
   3. Committee Appointments
   4. CRA Undertakings and Statements
   5. Director Attendance
   6. Elections of Directors and Officers
   7. Examination Disclosure Resolution
   8. Indebtedness of Executive Officers to Correspondent Banks
   9. Insurance - Review Coverage, Deductible Amounts, Expiration
   10. Management Succession
   11. Meeting and Fee Schedules
   12. Profit Plan

C. As Needed
   1. Capital Contributions
   2. Charter Amendments
   3. Corporate Actions, Such As Approving Mergers, Reorganizations Involving the Bank or its Subs
   4. Reports of Examinations
   5. Federal Reserve Definition of Executive Officer
   6. Signing Authority (e.g., for Debt Transactions, Trust Account Authorization, Wire Transfers)

III. Internal Reports - (Total - 92 Reports)

A. Monthly Corporate Analysis Package
   1. Monthly State Detail in Corporate Level Reports
      a. Earnings Trends
      b. Comparative Financial Highlights
      c. Contribution by Subsidiary
      d. Capital Ratios
      e. Comparative Risk Based Capital Ratios
      f. Nonperforming Assets
      g. Allowance for Loan Loss Summary
      h. Statement of Changes in

7
NCNB CORPORATION
Reports Prepared for Each Bank

Shareholders' Equity/Legal Limitations
i. Consolidating as of Balance Sheet
j. Consolidating Average Balance Sheet MTD
k. Consolidating Average Balance Sheet YTD
l. Consolidating Income Statement MTD
m. Consolidating Income Statement YTD

2. Monthly State Packages
   a. Loans and Deposits Trends
   b. Financial Highlights
   c. Performance Narrative
d. Noninterest Income Narrative
e. Noninterest Income Comparisons
f. Noninterest Expense Narrative
g. Noninterest Expense Comparisons
h. Monthly Net Interest Income Narrative
i. Supertable MTD
j. Supertable YTD
k. Balance Sheet Comparisons - Assets
l. Balance Sheet Comparisons - Liabilities
m. Income Statement Comparisons

3. Monthly Texas Gray Book

B. Earnings Forecast
   1. Monthly - Preliminary
   2. Monthly - Final
   3. Quarterly
   4. Annual-Preliminary
   5. Annual-Final

C. Monthly Credit Quality Reports - State Level Detail in Consolidated Reports
   1. Credit Portfolio Levels
   2. Past Due Performing Loans 30 days or more
   3. Past Due Performing Loans 90 days or more
   4. Nonperforming Assets
   5. Net Charge-offs
   6. Classified Assets
   7. Criticized Assets
   8. Watch Loans

D. Management Accounting Reports
   1. Forecast Intercompany Charges - Monthly
   2. Forecast Intercompany Charges - Quarterly
   3. Intercompany Expense Posting Report - Monthly
   4. Intercompany Expense Preliminary Report - Monthly
   5. Intercompany Charge Analysis Reports - Monthly
   6. Parent Company Analysis of Intercompany Charges -
NCNB CORPORATION
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Monthly
7. Intercompany Plan Reports - Monthly
8. Services Purchased - Monthly
9. Services Sold - Monthly
10. Services Purchased/Sold Volume Input Report - Monthly
11. Major Banking Group Summary Level Reports - Services Purchased/Sold - Monthly
12. Volume/Rate/Charge Analysis Report - Services Purchased/Sold - Monthly
13. Inter/Intra Bank Rent Expense Posting Report - Monthly
14. Volume/Rate/Charge Maintenance Report - Services Purchased/Sold - Monthly
15. Inter/Intra Bank Rent Analysis Report - Monthly
16. DDA Inter Bank Service Charge Analysis Report - Monthly
17. DDA Statistical Report - Monthly
18. Product Profitability Reports - Monthly
20. Teller Scheduling Statistical Report - Monthly
21. Cash Management Profit/Loss Statements - Quarterly
22. Miscellaneous Fee Income Report - Monthly
23. Cost of Funds Variance Report - Branch Level - Monthly
24. Cost of Funds Variance Report - Ledger Level - Monthly
25. Cost of Funds Variance Report - Summary Level - Monthly
26. Composite Rate Report - Monthly
27. Rate Report - Monthly
28. Money and Capital Center Analysis - Monthly
29. Supplementary Report - Branch Level - Monthly
30. Supplementary Report - Ledger Level - Monthly
31. Supplementary Report - Summary Level - Monthly
32. Branch Statement of Condition - Monthly
33. Branch Statement of Condition - Quarterly
34. Branch Statement of Condition - Legal Entity - Monthly
35. Branch Statement of Condition - Legal Entity - Quarterly
37. Account Update - Monthly
38. Float Allocation - Monthly
39. Summary Analysis - Monthly
40. Indirect Charge Model - Monthly
41. Rates and Yields - Legal Entity Banking Group - Monthly
NCNB CORPORATION
Reports Prepared for Each Bank

42. Rates and Yields - Legal Entity Banking Group
    - Quarterly
43. Rates and Yields - Summary - Monthly
44. Rates and Yields - Summary - Quarterly
45. Key Item Report - Legal Entity - Monthly
46. Key Item Report - Legal Entity - Quarterly
47. Key Item Report - Summary - Monthly
48. Key Item Report - Summary - Quarterly
49. Profit Center Report - Legal Entity - Monthly
50. Profit Center Report - Legal Entity - Quarterly
51. Profit Center Report - Summary - Monthly
52. Profit Center Report - Summary - Quarterly
NCNB Corporation supports efforts by the Administration, industry regulators and members of Congress to enact meaningful legislation during the 102nd Congress that will ensure the continuing vitality of the financial services industry and its role in stimulating economic growth in the United States.

NCNB believes that a piecemeal approach to resolving the major issues confronting the industry will be counter-productive to the achievement of these objectives. Therefore, it offers the following comprehensive set of proposals that will:

- Ensure the continuing vitality of the FDIC insurance fund without a taxpayer bailout through recapitalization by the banking industry;
- Reform the deposit insurance system in a manner that fairly protects depositors and eliminates current inequities, while safeguarding the stability of the payments system; and
- Take into account the vast changes that have occurred since comprehensive reform measures were enacted nearly 60 years ago; and provide a framework within which the industry can compete effectively in the national and global marketplace.

A. Recapitalizing the Bank Insurance Fund

NCNB believes that responsibility for recapitalization of the Bank Insurance Fund (BIF) lies with the nation's banks. However, it must be handled in a manner that does not cripple the industry. Recapitalization must also occur in a manner that does not require the use of taxpayer funds.

A profitable and growing banking industry is BIF’s first line of defense against insolvency. A healthy industry is necessary to attract needed new capital and to pay the higher insurance premiums needed by the fund. If the deposit insurance reform recommendations, transition rules and other regulatory proposals contained in this document are adopted, the industry and the fund will recover.

NCNB proposes the following measures:

1. The FDIC’s ability to borrow from the Treasury should be formalized as a line of credit for BIF equal to 60% of projected assessments over the next five years. This will provide the fund with immediate access to the cash required to resolve any contingency.
A. Recapitalizing the Bank Insurance Fund (Continued)

2. The insurance rate should be capped at 0.23% of deposits for a period of five years. Rebates can be allowed only when:
   a. The fund is rebuilt to an amount equal to 1% of all insured deposits; and
   b. No Treasury loans are outstanding.

   If further funding is required, it should be raised through a one-time assessment on all deposits, both domestic and foreign.

3. Banks (other than community banks, as defined in C.2 below) will be required to set aside 1% of their total deposits, both domestic and foreign, regardless of whether they are insured. These funds will be subject to a call to be invested in a mutual fund administered by the FDIC to recapitalize marginal, but not insolvent, banks. Any special assessment made under A.2 above, would directly reduce the 1% set-aside described here.
   a. The shares of this fund will be freely traded among all classes of investors.
   b. The shares will be carried at original cost on the insured banks' books. However, periodic studies will be undertaken to determine whether the value of such shares has been impaired.
   c. Proceeds can be invested by the FDIC only in Treasury securities or preferred stock of banks. Any cash or Treasury investment in excess of 15% of the fund must be used for redemption of shares.
   d. To ensure that investments made by the fund are economically sound, they will be limited to banks that simultaneously raise new common equity. All investments will be in the form of redeemable, convertible preferred stock that pays a reasonable dividend. Guidelines for terms should be set by an independent board appointed by the President. A majority of the members of the board should come from the private business community, and its only mandate should be to ensure the economic viability of the fund's investments.

B. Deposit Insurance Reform

NCNB proposes the following measures relating to reform of the deposit insurance system:

1. Limit coverage within any one affiliated group of banks to $100,000 per tax ID number—and eventually to $100,000 per tax ID number for the whole banking system. Retirement account deposits will continue to be separately insured up to $100,000 per taxpayer account.

2. Limit the rate paid on any insured account to no more than 105% of the comparable Treasury rate. Rates paid on transaction accounts or savings accounts cannot exceed the 90-day Treasury Bill rate. The cost of any brokerage fee, premium or gift provided to the depositor or his agent must be counted as part of the rate paid. Packaged accounts, including multiple bank services with reduced service fees, will be allowed. Early withdrawal penalties, as set by regulation, will be enforced.

3. Limit the investment powers of banks (but not their uninsured affiliates) to federal, state and local government securities, consumer loans, one- to four-family residential mortgage loans, commercial and industrial loans, and securities backed by eligible loans rated AA or better.
B. Deposit Insurance Reform (Continued)

4. Loans to one borrower will cover the lending of all affiliated banks as a group and will be limited to 8% of capital, except for community banks, as proposed in C.2 below.

5. Establish a minimum capital-to-assets ratio for banks of 4%, with a tangible equity-to-assets ratio of 3%. Current risk-based capital guidelines will also apply.

6. Institutions that accept any insured deposits will be required to pay premiums on all deposits, whether domestic or foreign, insured or uninsured. However, a bank holding company will be allowed to own both banks and “uninsured depositories.” Uninsured depositories will not be subject to regulation of rates paid or investments made, but they must be clearly distinguished from banks. They will be allowed to offer transaction accounts to businesses and belong to the Federal Reserve.

7. The FDIC will be required by law to resolve any closed bank by payoff or insured deposit transfer.

8. Legislate an Early Intervention System which requires regulatory intervention if a bank’s capital falls below 75% of the required level. If inadequate capital base is not corrected in one year (by returning to 100% of the required level), automatically remove management and suspend bond and dividend payments. The institution would immediately owe a special premium to BIF sufficient to render it insolvent.

   Such a law would replace the “Too Big To Fail” doctrine, which has been applied selectively during the 1980s. As a result of early intervention, the payments system and depositors would be protected, and customers would not be inconvenienced. However, management, bondholders and stockholders would not survive. All banks within a group will be required to cross-guarantee each other’s obligations to the FDIC, but neither holding companies nor uninsured affiliates will be required to do so.

9. A relatively short transition period will be provided as follows:

   a. Within six months of enactment of enabling legislation, any bank holding company that intends to create an uninsured depository using existing capital must do so. A special dividend from the existing bank(s) may be made to provide initial capital for the uninsured depository, provided the bank(s) remain adequately capitalized as provided in B.5 above. Such a dividend will be in the form of assets not permitted for banks, to the extent they are available.

   b. Loans and other assets existing on the books of the bank after enactment of the legislation may be held for five years or until maturity, whichever is less. One six-month extension of term will be allowed for assets maturing during the first six months after enactment.

   c. Existing time deposits will pay their contract rates until maturity.

10. Within two years from enactment of enabling legislation, any SAIF-insured institution that can meet the capital requirements will be covered by a single FDIC fund. SAIF and BIF will be merged, and the RTC will make up any deficit which may exist in SAIF. SAIF-insured institutions not meeting the capital requirements for continuing insurance coverage will be sold, merged or liquidated by the RTC.
C. Other Regulatory Changes

NCNB proposes the following additional measures relating to regulatory changes and industry restructuring:

1. Establish banks that will be governed by the deposit insurance changes described elsewhere in this proposal. Legislation will also:
   a. Provide for nationwide branching or incorporate the provisions contained in the Bank Efficiency Act which will result in economy-of-scale savings and a spread of risk over a broad geographic area. Establish a transition period followed by full interstate banking.
   b. Mandate a new regulatory structure that establishes one regulator for the examination of banks and a separate administrator for the operation of the insurance fund.
   c. Allow trust services and other traditional fee-generating bank services to remain in the bank.

2. Provide an alternative regulatory structure for community banks. Community banks are defined as those with insured deposits of less than $100 million (in 1990 dollars), no affiliates other than a parent bank holding company, and serving a single geographic market (as defined by regulation). Any community bank that ceases to meet the definition, or which chooses not to be regulated as a community bank, will be regulated by the system governing all other banks, as described above.

   Community banks will:
   a. Retain the same investment powers and legal lending limits (15% of capital) as under current regulations.
   b. Be subject to the same insurance premiums and restrictions on rates paid as all other banks. However, they will be exempt from any special assessment or requirement to contribute to the investment fund described in this proposal (see A.2 and A.3 above).
   c. Have their own regulator, who will be empowered to exempt such banks from any regulation not specifically required by the Community Bank Act. In no case may the community bank regulator impose regulation that is more burdensome than imposed on banks generally. Rather, it is anticipated that community bank regulation will be significantly less burdensome.

3. Allow a bank holding company to own banks, uninsured depositories, insurance companies, brokerages and other financial service companies, each regulated at the subsidiary level. Holding company regulation will be limited to restricting transactions between affiliates and between the holding company and its subsidiaries.

Other elements of this proposal include:
   a. Eliminating the barrier that prevents ownership of bank holding companies by non-banking entities.
   b. Establishing so-called "firewalls" between insured banks and uninsured subsidiaries that will restrict capital and insured deposit flows among operating subsidiaries.
   c. Continuing to prohibit direct or indirect control of banks by convicted felons or others currently barred from bank ownership.