EXHIBIT II–A

[From the Wall Street Journal, Feb. 24, 1966]

BATTLE FOR SAVINGS—BANKS WIN CUSTOMERS FROM SAVINGS AND LOANS BY OFFERING CERTIFICATES OF DEPOSIT; THEY CUT CD DENOMINATIONS TO AS LITTLE AS $25, RAISE INTEREST RATES UP TO 5½ PERCENT

MR. YESINICK'S NEW ACCOUNT

(By Donald Moffitt, staff reporter of the Wall Street Journal)

At first glance the move may seem strange indeed. To get more interest on his savings, Joseph Yesinick, a retired shipping clerk in Pomona, Calif., recently transferred his money from a savings and loan association paying 4.85 percent annually to a commercial bank, forbidden by Federal Reserve Board rules from paying more than 4 percent on regular savings accounts.

However, Mr. Yesinick did not put his money into a regular savings account. Rather, he bought from the bank a "certificate of deposit," or CD as bankers call them, that gives him a 5-percent return. Such certificates are actually receipts from banks issued to those who deposit money for a set period, such as a year, and the Federal Reserve allows banks to pay up to 5½ percent on them.

Increasingly, smaller savers, whether individuals such as Mr. Yesinick or small organizations such as a church, are moving their money into commercial banks to buy CD's. Two recent developments underlie the trend: Commercial banks which once offered CD's in denominations of not less than $10,000, have cut the minimum to as low as $25, and the Federal Reserve, in early December, raised in interest limit for CD's to the current 5½-percent level from 4½ percent.

A note of instability?

These developments are clearly happy news for such savers as Mr. Yesinick. But not for many savings and loan executives, whose associations are striving to maintain high payment rates at a time when demand for mortgage loans—a prime reinvestment source for savings and loans—is lagging. The trend also is disturbing to observers who believe CD's introduce instability into bank finances; the reasoning that CD's carry relatively little assurance they will be renewed, or replaced, when they expire.

When the Federal Reserve decided to raise the limit on CD's to 5½ percent it certainly was not attempting to foster any sort of a rate war between commercial banks and savings and loans. It sought primarily to give traditional CD customers, such as large corporations, more incentive to save, and purposely left the 4-percent ceiling on banks' regular savings accounts. This, according to Federal Reserve Chairman William McChesney Martin, would "minimize the impact on competitive relationships" between commercial banks and savings and loans among others.

Instead, with some commercial banks offering as much as 5½ percent on CD's and with the denominations shaved to a size attractive to small savers, there's growing evidence of that very "impact" Mr. Martin hoped to avoid. This is especially true in California, where the competitive battle for savings has been intense for years and where the smaller banks, particularly, now see a way to recapture ground lost to the savings and loans, many of which have been paying well over 4 percent for years.

Almost without exception, banks offering small denomination CD's report a heavy inflow of deposits.

Inland Bank in Pomona, which sold Mr. Yesinick a $500 CD, reports its sales of CD's reached $1 million in the first 18 days of January. It cut its minimum CD size to $25 from $10,000 on January 1. Medical Center National Bank, Houston, began offering 5-percent certificates in minimum denominations of $1,000 in mid-December, just a week after the Federal Reserve boosted the permissible rate. In 6 weeks, the bank sold nearly $6 million of the certificates.

"Never heard of a CD"

"We're getting depositors who never heard of a CD," says Larry Frazer, a vice president of Medical Center National. "Quite a few of them are officeworkers and white-collar workers generally; a good 35 to 40 percent of them need an explanation of what a CD is."

Oscar L. Grossman, chairman of Surety National Bank, Encino, Calif., says that on January 1, his bank boosted the interest rate on CD's to 5½ percent.