The FDIC Quarterly Banking Profile

William Taylor, Chairman

Third Quarter, 1991

COMMERCIAL BANKING PERFORMANCE - THIRD QUARTER, 1991

- *Commercial Banks Earn $4.3 Billion in Third Quarter*
- *Loans Decline for Third Consecutive Quarter*
- *Loan Losses Continue at Record Pace*
- *Asset-Quality Indicators Worsen for West Region Banks*

Insured commercial banks earned $4.3 billion in the third quarter, less than the $4.6 billion earned in the second quarter, but 16.9 percent above the $3.6 billion in net income they reported in the third quarter of 1990. The year-to-year improvement in net income was due to higher gains on sales of investment securities and higher extraordinary gains. These items added $650 million more to third-quarter earnings than in the same period in 1990. Net operating income (income before securities and extraordinary gains) of $3.47 billion was slightly below the amount earned in the third quarter of 1990. Industry profitability, as measured by return on average assets, was 0.51 percent in the third quarter, a modest improvement from 0.45 percent a year earlier. For the first three quarters of 1991, the banking industry earned $14.9 billion, $344 million less than in the same period last year. Securities and extraordinary gains have accounted for over 15 percent of industry net income this year, more than three times the share of a year ago. Average profitability for the first nine months of the year was 0.60 percent, virtually unchanged from 0.61 percent for the same period in 1990.

Commercial banks' provisions for future loan losses continue to increase. Banks set aside $9 billion in loan-loss provisions in the third quarter, an increase of $629 million over the third quarter of last year. Through the first three quarters of 1991, loan-loss provisioning is $3.4 billion ahead of last year's pace.

Chart A - Quarterly Net Income of FDIC-Insured Commercial Banks 1987 - 1991

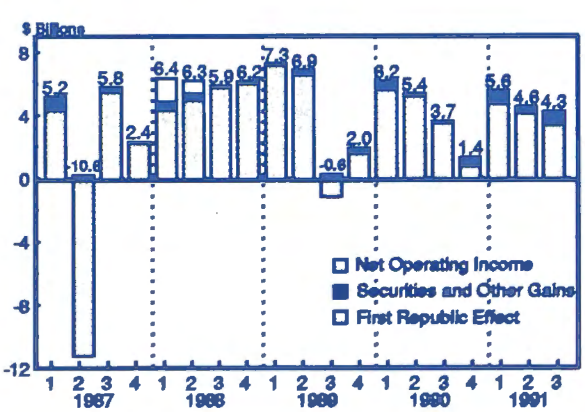
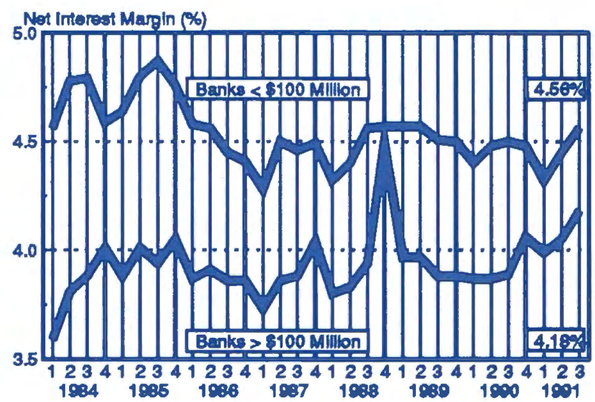


Chart B - Quarterly Net Interest Margins of FDIC-Insured Banks



Most of the increased provisioning has occurred at banks in the West Region, although banks in all regions except the Southwest have had higher provisions in 1991 than in 1990. Banks reported net loan charge-offs of $8.5 billion in the third quarter, bringing the total for the first three quarters of 1991 to $23.3 billion. This is $2.4 billion ahead of last year's pace, when net charge-offs taken by the industry set an all-time record.

As interest rates have declined, the cost of funds to commercial banks has fallen more rapidly than the yield on assets, producing increased net interest income. Net interest income totaled $31.3 billion in the third quarter, an increase of $2.1 billion over the amount earned in last year's third quarter. The industry's average net interest margin widened to 4.22 percent, the highest level since the fourth quarter of 1988. Noninterest income was also higher; at $15.3 billion, it was $1.7 billion more than in the third quarter of 1990. However, these gains were offset by the $629 million increase in loan-loss provisioning and a $3.2 billion increase in overhead expense. Higher deposit insurance premiums accounted for approximately 20 percent of the increase in overhead costs.

The deterioration in asset quality at commercial banks continued to slow in the third quarter. FDIC resolution of a large Northeast Region banking company - Bank of New England Corp. - that failed earlier in the year caused total noncurrent loans reported by commercial

FDIC
Division of Research & Statistics

Don Inscoe
(202) 898-3940

Ross Waldrop
(202) 898-3951

banks to show a $2.6-billion decline during the third quarter. The FDIC resolution also led to a quarterly drop in the amount of foreclosed real estate properties reported by commercial banks. However, absent the impact of the resolution, noncurrent loans at the remaining commercial banks increased by $778 million, and foreclosed properties increased by $900 million. Noncurrent loans remained above the levels of a year ago in all regions except the Southwest. Small banks continue to outperform the rest of the industry with respect to asset quality. Banks with less than $100 million in assets had the lowest net charge-off rate and the lowest level of troubled assets of any asset size group.

Total assets of commercial banks increased by $56 billion during the quarter, although total loans fell for the third consecutive quarter. The main areas of asset growth were U.S. Treasury and mortgage-backed securities, and trading account assets. Only banks in the Northeast and West Regions saw a decline in total loans during the quarter. The shrinkage in loan portfolios continues to be concentrated in commercial and industrial loans, although real estate loans at commercial banks declined during the quarter for the first time since the first quarter of 1978. Equity capital increased by $3.7 billion in the third quarter, and the industry's average equity-to-assets ratio remained unchanged from the previous quarter, at 6.71 percent. Banks in the West Region were the only group to experience equity shrinkage during the third quarter. Their average equity-to-assets ratio fell from 6.85 percent to 6.70 percent.

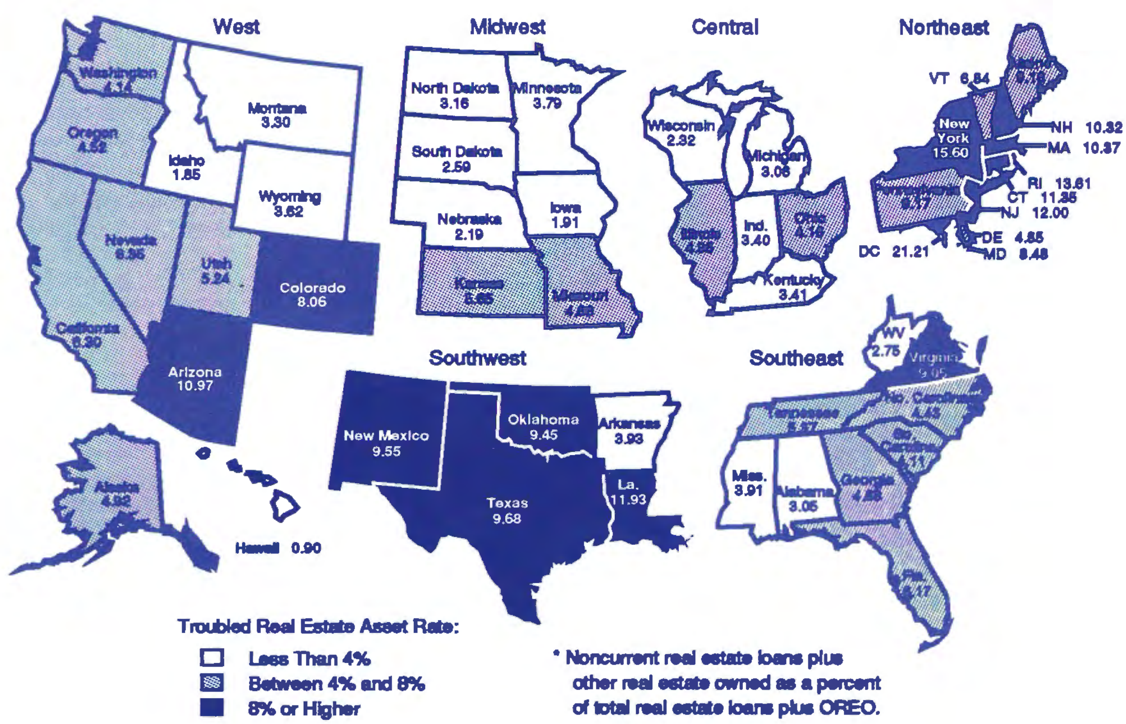
Northeast Region banks reported a net profit of $833 million for the third quarter, slightly better than the $814 million they earned in the previous quarter, and a considerable improvement over their $385 million net loss in the third quarter of 1990. Their noncurrent loans declined for the second consecutive quarter, mainly due to the FDIC resolution mentioned above. Nevertheless, for the fourth consecutive quarter, they had the highest level of net loan losses of any region in the U.S., and for the sixth consecutive quarter, they had the highest level of troubled assets.

Banks in the West Region earned $334 million in the third quarter, less than half the $699 million they earned in the previous quarter, and a little more than one-fourth as much as the $1.28 billion they earned a year ago. Their average return on assets of 0.24 percent was the lowest for West Region banks since the second quarter of 1987. Loan-loss provisions of $2.3 billion were more than double the amount set aside a year earlier. Noncurrent loans increased to $14.3 billion, almost $4.8 billion above the level at the end of last year's third quarter.

Twenty-nine new commercial banks were chartered during the third quarter, while 93 banks merged or were absorbed. Twenty-five banks failed during the quarter. At the end of the third quarter, there were 1,005 commercial banks on the FDIC's "Problem List", thirty more than at the beginning of the quarter, and one less than at the same point in 1990.

Fourth-quarter earnings may be higher than the $1.4 billion earned in the last quarter of 1990. The absence of growth in noncurrent loans in the third quarter could result in lower provisioning for loan losses, although commercial banks now have 67 cents in reserves for every dollar of noncurrent loans, compared to 73 cents a year ago. Gains from sales of investment securities can be expected to remain high. Any improvement in aggregate industry performance will be gradual and will not be evenly distributed across the country.

Chart C - Troubled Real Estate Asset Rates* By State
September 30, 1991



DELINQUENCY, NONCURRENT AND NET CHARGE-OFF RATES FOR NEW LOAN CATEGORIES*
SEPTEMBER 30, 1991

		ASSET SIZE				GEOGRAPHIC DISTRIBUTION					
	ALL BANKS	LESS THAN $100MM	$100MM TO TO $1B	$1B TO $10B	$10B OR MORE	NORTH-EAST REGION	SOUTH-EAST REGION	CENTRAL REGION	MID-WEST REGION	SOUTH-WEST REGION	WEST REGION
PERCENT OF LOANS 30-89 DAYS PAST DUE											
All real estate loans	2.20	1.91	1.93	2.31	2.41	2.63	1.77	1.77	1.51	2.01	2.52
Construction & development	3.77	2.29	3.41	4.64	3.39	3.64	2.45	3.25	2.85	1.79	5.40
Commercial real estate	2.45	1.69	1.89	2.40	3.42	3.21	1.69	1.86	1.70	2.01	2.98
Multifamily real estate	3.07	1.76	1.65	2.54	5.58	4.03	2.23	1.85	2.76	1.46	4.03
1-4 Family residential	1.81	2.15	1.86	1.70	1.70	2.22	1.78	1.63	1.36	2.14	1.48
Home equity lines of credit	0.94	1.70	1.07	0.90	0.83	1.40	0.81	0.75	0.82	1.57	0.44
Commercial R/E loans not secured by real estate	2.97	2.17	3.27	2.80	3.04	3.38	1.76	1.71	2.41	0.76	3.90
Highly leveraged transactions (HLTs)	0.54	N/M	0.24	0.28	0.61	0.60	0.01	0.22	4.68	0.00	0.61
Loans to foreign governments and institutions	0.50	N/M	0.00	0.28	0.52	0.61	0.00	0.41	0.00	0.00	0.08
PERCENT OF LOANS NONCURRENT**											
All real estate loans	4.86	1.98	2.61	4.60	7.86	8.39	3.34	2.27	1.90	3.69	4.12
Construction & development	14.04	3.33	6.76	12.14	20.17	22.80	7.76	6.96	4.09	6.46	12.49
Commercial real estate	6.24	2.66	3.35	5.56	11.66	11.02	4.91	2.92	3.13	5.10	4.61
Multifamily real estate	6.07	2.62	3.44	5.55	10.52	12.23	4.17	3.74	3.28	5.04	3.09
1-4 Family residential	1.67	1.46	1.48	1.71	1.91	2.73	1.40	1.10	0.90	1.86	1.18
Home equity lines of credit	0.71	1.23	0.72	0.59	0.76	1.25	0.44	0.32	0.43	1.20	0.31
Commercial R/E loans not secured by real estate	8.09	4.03	5.95	5.96	10.11	14.46	5.37	3.73	3.07	0.89	4.19
Highly leveraged transactions (HLTs)	10.89	N/M	6.13	9.58	11.27	12.10	4.87	8.45	11.52	6.63	12.78
Loans to foreign governments and institutions	12.65	N/M	20.17	6.04	12.89	13.20	2.11	21.73	0.00	8.47	7.63
PERCENT OF LOANS CHARGED-OFF (NET, ANNUALIZED)											
All real estate loans	0.86	0.23	0.38	0.97	1.33	1.44	0.76	0.39	0.40	0.98	0.52
Construction & development	2.87	0.51	1.14	2.92	3.87	4.71	2.73	1.50	1.26	2.14	1.51
Commercial real estate	0.97	0.35	0.53	1.07	1.55	1.46	0.83	0.63	0.73	1.50	0.56
Multifamily real estate	1.97	0.49	0.61	1.50	4.34	4.05	2.51	0.50	1.45	1.18	0.58
1-4 Family residential	0.18	0.16	0.16	0.28	0.13	0.28	0.19	0.08	0.11	0.40	0.09
Home equity lines of credit	0.11	0.23	0.09	0.12	0.10	0.17	0.10	0.04	0.12	0.46	0.06
Commercial R/E loans not secured by real estate	3.62	3.30	5.87	2.91	3.39	4.40	4.95	2.97	3.24	2.99	2.47
Highly leveraged transactions (HLTs)	2.71	N/M	0.80	2.31	2.84	2.73	1.52	2.75	1.81	2.35	3.43
Loans to foreign governments and institutions	14.29	N/M	7.91	5.94	14.70	15.70	−0.28	2.39	−46.85	3.59	12.76
TOTAL LOANS OUTSTANDING *($ BILLIONS)*											
All real estate loans	846.7	97.7	212.9	259.5	276.2	268.0	158.8	139.2	51.0	49.9	179.8
Construction & development	109.7	6.2	19.4	38.3	45.8	38.3	19.4	13.3	3.9	4.5	30.3
Commercial real estate	248.8	25.7	69.9	88.0	65.1	73.9	51.2	42.3	14.2	17.9	49.2
Multifamily real estate	22.2	2.0	6.8	7.0	6.4	6.2	3.8	4.1	1.5	1.4	5.3
1-4 Family residential	353.3	50.9	97.0	96.3	108.8	99.3	70.3	63.8	23.7	23.3	72.8
Home equity lines of credit	68.8	3.1	14.3	27.0	24.4	26.8	11.0	10.5	2.3	0.6	17.6
Commercial R/E loans not secured by real estate	25.4	1.4	3.6	6.8	13.6	9.9	2.8	3.9	0.8	0.9	7.1
Highly leveraged transactions (HLTs)	62.4	0.0	0.6	12.5	49.3	35.6	5.1	8.1	1.0	2.7	9.8
Loans to foreign governments and institutions	25.7	0.0	0.2	1.1	24.4	19.8	0.3	1.4	0.0	0.3	3.9

* Reported for the first time in the March 31, 1991 Call reports.

** 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/M - Not meaningful

Table I. Selected Indicators, FDIC-Insured Commercial Banks

	1991*	1990*	1990	1989	1988	1987	1986
Return on assets	0.60%	0.61%	0.49%	0.49%	0.82%	0.12%	0.63%
Return on equity	8.92	9.59	7.63	7.78	13.30	2.00	9.94
Equity capital to assets	6.71	6.45	6.46	6.21	6.28	6.04	6.20
Noncurrent loans and leases plus other real estate owned to assets	3.07	2.63	2.90	2.26	2.14	2.46	1.94
Net charge-offs to loans	1.51	1.35	1.41	1.16	1.00	0.92	0.98
Asset growth rate	1.48	5.06	2.73	5.37	4.36	2.01	7.71
Net operating income growth	−13.33	12.95	3.72	−35.84	1905.16	−91.04	−20.65
Percentage of unprofitable banks	11.25	11.46	13.35	12.50	14.65	17.66	19.79
Number of institutions	12,072	12,409	12,340	12,707	13,139	13,696	14,200
Number of problem banks	1,005	1,006	1,012	1,092	1,394	1,559	1,457
Number of failed/assisted banks	82	134	159	206	221	201	144

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

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

(dollar figures in millions)

	Preliminary 3rd Qtr 1991	2nd Qtr 1991	3rd Qtr 1990	%Change 90:3-91:3
Number of banks reporting	12,072	12,153	12,409	−2.7
Total employees (full-time equivalent)	1,491,193	1,503,364	1,517,776	−1.8
CONDITION DATA				
Total assets	$3,433,222	$3,376,995	$3,383,264	1.5
Real estate loans	846,655	847,915	820,327	3.2
Commercial & industrial loans	572,321	588,765	620,841	−7.8
Loans to individuals	386,145	386,920	399,970	−3.5
Farm loans	35,952	34,885	33,632	6.9
Other loans and leases	219,172	215,864	231,099	−5.2
Total loans and leases	2,060,245	2,074,348	2,105,869	−2.2
LESS: Reserve for losses	54,204	54,225	52,417	3.4
Net loans and leases	2,006,040	2,020,124	2,053,452	−2.3
Temporary investments	509,338	485,259	467,087	9.0
Securities over 1 year	490,846	472,599	449,932	9.1
All other assets	426,998	399,014	412,793	3.4
Total liabilities and capital	3,433,222	3,376,995	3,383,264	1.5
Noninterest-bearing deposits	464,869	443,263	441,290	5.3
Interest-bearing deposits	2,200,965	2,185,512	2,162,163	1.8
Other borrowed funds	397,778	385,688	421,337	−5.6
Subordinated debt	24,374	24,198	19,130	27.4
All other liabilities	114,730	111,570	121,087	−5.3
Equity capital	230,505	226,765	218,257	5.6
Goodwill	4,593	4,340	3,764	22.0
Loans and leases 30-89 days past-due	39,613	40,412	40,098	−1.2
Noncurrent loans and leases	80,474	83,049	71,702	12.2
Restructured loans and leases	9,471	9,196	6,614	43.2
Other real estate owned	24,809	24,808	17,286	43.5
Loan commitments and letters of credit	1,347,693	1,331,988	1,302,601	3.5
Foreign office assets	405,019	388,766	416,847	−2.8
Domestic office deposits	2,363,946	2,327,464	2,273,864	4.0
Foreign office deposits	301,889	301,310	329,589	−8.4
Earning assets	3,006,224	2,977,982	2,970,471	1.2
Volatile liabilities	1,025,613	1,027,490	1,136,461	−9.8

INCOME DATA	Preliminary First Three Qtrs 1991	First Three Qtrs 1990	% Change	Preliminary 3rd Qtr 1991	3rd Qtr 1990	% Change
Total interest income	$218,639	$240,207	−9.0	$72,743	$80,573	−9.7
Total interest expense	128,128	154,229	−16.9	41,412	51,317	−19.3
Net interest income	90,511	85,979	5.3	31,331	29,256	7.1
Provision for loan losses	23,918	20,494	16.7	8,991	8,362	7.5
Total noninterest income	44,017	40,536	8.6	15,259	13,601	12.2
Total noninterest expense	91,225	84,762	7.6	32,089	28,861	11.2
Applicable income taxes	6,773	6,707	1.0	2,037	2,128	−4.3
Net operating income	12,612	14,551	−13.3	3,472	3,507	−1.0
Securities gains, net	1,523	232	557.8	687	72	854.8
Extraordinary gains, net	762	459	66.1	105	68	54.0
Net income	14,897	15,241	−2.3	4,264	3,647	16.9
Net charge-offs	23,336	20,985	11.2	8,482	6,026	40.8
Net additions to capital stock	414	828	−50.0	−72	−22	N/M
Cash dividends on capital stock	10,184	9,634	5.7	2,864	3,018	−5.1

N/M—Not meaningful

Table III. First Three Quarters 1991 Bank Data *(Dollar figures in billions, ratios in %)*

		ASSET SIZE DISTRIBUTION				GEOGRAPHIC DISTRIBUTION					
						EAST			WEST		
FIRST THREE QUARTERS *Preliminary* *(The way it is...)*	ALL BANKS	Less than $100 Million	$100 Million to $1 Billion	$1-10 Billion	Greater than $10 Billion	Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
Number of banks reporting	12,072	8,967	2,735	322	48	1,013	1,937	2,649	2,905	2,120	1,448
Total assets	$3,433.22	$356.47	$668.93	$1,043.60	$1,364.23	$1,293.07	$523.17	$560.19	$229.69	$271.89	$555.21
Total deposits	2,665.83	316.00	579.67	802.91	967.26	929.50	415.91	448.16	187.74	235.04	449.49
Net income *(in millions)*	14,897	2,473	3,814	4,808	3,802	3,051	2,675	3,619	1,939	1,333	2,279
Percentage of banks losing money	11.3%	11.8%	8.6%	16.8%	25.0%	25.5%	14.6%	5.6%	4.8%	11.6%	19.5%
Percentage of banks with earnings gains	58.0%	57.5%	59.1%	62.7%	58.3%	47.4%	54.2%	59.9%	61.6%	64.3%	50.8%
Performance Ratios *(annualized)*											
Yield on earning assets	9.95%	9.84%	9.85%	10.02%	9.98%	10.26%	9.66%	9.70%	9.89%	9.22%	10.17%
Cost of funding earning assets	5.83	5.40	5.39	5.48	6.47	6.54	5.46	5.57	5.48	5.31	5.24
Net interest margin	4.12	4.44	4.46	4.54	3.51	3.72	4.20	4.12	4.41	3.91	4.93
Noninterest income to earning assets	2.00	0.99	1.23	2.28	2.48	2.47	1.49	1.52	2.10	1.66	2.04
Noninterest expense to earning assets	4.15	3.78	3.84	4.40	4.23	4.32	3.84	3.65	4.05	4.13	4.63
Net operating income to assets	0.50	0.77	0.74	0.55	0.28	0.18	0.60	0.85	1.10	0.55	0.53
Return on assets	0.60	0.94	0.78	0.63	0.39	0.33	0.71	0.89	1.14	0.67	0.56
Return on equity	8.92	10.34	10.08	9.22	7.16	5.49	9.92	12.19	14.24	9.96	8.23
Net charge-offs to loans and leases	1.51	0.57	0.82	1.64	1.95	2.32	1.03	0.80	1.00	1.17	1.17
Loan loss provision to net charge-offs	102.49	123.39	123.26	121.72	84.17	86.19	125.35	122.70	108.72	87.92	141.62
Condition Ratios											
Loss allowance to:											
Loans and leases	2.63%	1.75%	1.81%	2.65%	3.21%	3.39%	1.96%	1.83%	1.96%	2.57%	2.60%
Noncurrent loans and leases	67.36	82.73	73.35	77.72	59.46	58.86	75.89	80.98	101.26	90.17	70.05
Noncurrent loans and leases plus other real estate owned to assets	3.07	1.73	2.12	2.92	3.99	4.27	2.27	1.76	1.58	2.45	3.24
Equity capital ratio	6.71	9.15	7.80	6.97	5.35	5.98	7.14	7.38	8.23	6.77	6.70
Core capital (leverage) ratio	6.58	9.15	7.67	6.72	5.23	5.88	7.14	7.30	8.11	6.74	6.25
Net loans and leases to deposits	75.25	58.26	67.02	79.33	82.34	80.11	74.09	73.70	67.46	51.35	83.56
Growth Rates *(year-to-year)*											
Assets	1.5%	5.7%	7.3%	6.5%	3.1%	−2.5%	4.5%	2.9%	6.2%	3.2%	4.2%
Equity capital	5.6	3.7	7.5	10.6	9.5	4.7	4.1	6.9	8.4	4.9	6.6
Net interest income	5.3	6.2	7.8	10.3	9.9	2.5	3.3	8.3	9.6	10.3	5.8
Net income	−2.3	16.6	−6.1	8.4	−23.0	31.8	4.2	4.9	13.5	28.2	−45.2
Noncurrent loans and leases plus other real estate owned	18.3	8.8	28.7	33.3	26.7	11.9	35.3	21.5	12.4	−12.0	51.2
Net charge-offs	11.2	7.8	39.4	30.6	7.4	12.5	31.3	−5.2	9.9	−11.2	14.6
Loan loss provision	16.7	2.8	30.6	10.0	43.1	6.1	9.4	22.2	7.9	−11.6	76.5
PRIOR FIRST THREE QUARTERS *(The way it was...)*											
Return on assets 1990	0.61%	0.83%	0.87%	0.53%	0.50%	0.24%	0.70%	0.87%	1.07%	0.54%	1.07%
1988	0.82	0.74	0.78	0.78	0.91	0.96	1.01	1.08	1.06	−0.80	0.84
1986	0.68	0.67	0.78	0.80	0.53	0.80	1.09	0.93	0.77	−0.13	0.33
Equity capital ratio 1990	6.45	9.18	7.79	6.54	5.01	5.57	7.17	7.11	8.06	6.66	6.55
1988	6.24	8.92	7.33	6.23	4.81	5.74	7.10	6.83	7.63	5.70	5.88
1986	6.40	8.70	7.25	6.21	5.15	5.95	6.86	7.09	7.67	6.84	5.61
Noncurrent loans and leases plus other real estate owned to assets. 1990	2.63	1.73	1.88	2.49	3.34	3.72	1.75	1.49	1.49	2.88	2.23
1988	2.45	2.06	1.84	1.59	3.64	2.38	1.08	1.24	1.68	7.05	2.92
1986	2.09	2.42	1.98	1.68	2.36	1.62	1.06	1.52	2.38	4.07	3.13
Net charge-offs to loans and leases 1990	1.35	0.55	0.70	1.36	1.82	1.94	0.79	0.86	0.95	1.32	1.08
1988	0.93	0.75	0.75	1.02	0.99	0.72	0.58	0.69	1.30	2.39	1.16
1986	0.90	1.25	0.88	0.85	0.81	0.58	0.52	0.60	2.03	1.72	1.20

Regions:
- Northeast – Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont
- 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. Third Quarter 1991 Bank Data *(Ratios in %)*

		ASSET SIZE DISTRIBUTION				GEOGRAPHIC DISTRIBUTION					
						EAST			WEST		
THIRD QUARTER *Preliminary* *(The way it is...)*	ALL BANKS	Less than $100 Million	$100 Million to $1 Billion	$1-10 Billion	Greater than $10 Billion	Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
Number of banks reporting	12,072	8,967	2,735	322	48	1,013	1,937	2,649	2,905	2,120	1,448
Net income *(in millions)*	$4,264	$741	$1,214	$1,541	$769	$833	$867	$1,130	$647	$454	$334
Percentage of banks losing money	11.4%	11.7%	9.3%	18.3%	25.0%	24.3%	14.3%	6.5%	5.3%	11.6%	19.3%
Percentage of banks with earnings gains	57.7%	57.1%	59.2%	61.2%	64.6%	53.1%	57.9%	59.6%	59.1%	61.6%	48.7%
Performance Ratios *(annualized)*											
Yield on earning assets	9.81%	9.80%	9.75%	9.92%	9.75%	10.15%	9.42%	9.62%	9.85%	9.02%	9.95%
Cost of funding earning assets	5.58	5.24	5.20	5.29	6.12	6.25	5.19	5.37	5.30	5.05	5.01
Net interest margin	4.22	4.56	4.55	4.63	3.63	3.90	4.22	4.25	4.54	3.97	4.94
Noninterest income to earning assets	2.06	1.00	1.28	2.36	2.53	2.58	1.52	1.57	2.10	1.65	2.06
Noninterest expense to earning assets	4.33	3.85	3.95	4.63	4.41	4.62	3.89	3.81	4.17	4.19	4.72
Net operating income to assets	0.41	0.78	0.67	0.50	0.12	0.13	0.54	0.78	1.08	0.55	0.22
Return on assets	0.51	0.84	0.73	0.60	0.23	0.26	0.68	0.82	1.14	0.68	0.24
Return on equity	7.50	9.17	9.41	8.62	4.26	4.39	9.43	11.10	13.91	9.98	3.58
Net charge-offs to loans and leases	1.66	0.63	0.89	1.70	2.22	2.58	1.22	0.89	0.99	0.97	1.29
Loan loss provision to net charge-offs	106.01	124.26	132.73	121.67	90.12	80.96	117.23	127.00	117.44	103.36	181.88
Growth Rates *(year-to-year)*											
Net interest income	7.1%	7.1%	7.1%	11.8%	13.5%	8.3%	3.8%	9.1%	12.2%	8.3%	3.8%
Net income	16.9	3.4	−9.6	40.8	2.8	N/M	20.2	−5.2	13.6	68.7	−73.9
Net charge-offs	40.8	9.4	26.8	19.9	92.4	64.9	26.0	35.1	11.1	−36.8	27.7
Loan loss provision	7.5	9.2	26.4	−1.8	28.1	−14.7	3.2	19.6	11.1	−34.1	123.2
PRIOR THIRD QUARTERS *(The way it was...)*											
Return on assets 1990	0.43%	0.78%	0.81%	0.38%	0.20%	−0.12%	0.58%	0.88%	1.06%	0.41%	0.96%
1988	0.78	0.73	0.70	0.68	0.94	0.97	1.04	1.06	1.05	−1.53	0.96
1986	0.69	0.50	0.64	0.89	0.61	0.79	1.08	0.94	0.74	−0.25	0.46
Net charge-offs to loans and leases 1990	1.15	0.60	0.81	1.46	1.19	1.46	0.95	0.67	0.92	1.52	1.03
1988	0.97	0.83	0.86	0.90	1.12	0.87	0.52	0.58	1.11	2.32	1.28
1986	1.01	1.43	1.11	0.97	0.84	0.59	0.58	0.61	2.48	2.17	1.32

N/M – Not meaningful

SAVINGS BANK PERFORMANCE - THIRD QUARTER, 1991

- *BIF-Insured Savings Banks Lose $344 Million in the Third Quarter*
- *Troubled Loans Decline For Second Consecutive Quarter at New England Savings Banks*
- *Four Institutions Fail During Quarter, Problem List Grows*

Savings banks insured by the Bank Insurance Fund lost $344 million in the third quarter of 1991, an improvement compared with the $506 million net loss in the previous quarter of 1991 and well below the record $1.2 billion loss reported in the final quarter of 1990. Noncurrent loans declined for the second consecutive quarter. Noncurrent loans totaled $9.4 billion at the end of the quarter, a $603 million reduction compared with the second quarter. The industry's average equity capital ratio has improved. As of September 30, 1991, the equity capital-to-assets ratio stood at 6.9 percent, up from 6.7 percent as of June 30, 1991.

FDIC resolutions of failing institutions contributed significantly to the industry-wide statistics showing lower losses, shrinking troubled assets and higher capital levels. The $603 million quarterly reduction in troubled loans is attributable to the failure of nine New England savings banks, including five institutions that failed in early October[1]. Together, these nine institutions reported $613 million in loans past-due at least 90 days or in nonaccrual status on their last (June 30, 1991) Call report. Noncurrent loans held by the remaining institutions increased by $10 million during the quarter. Other real estate owned (OREO) declined $189 million in the quarter, following a diminishing rate of increase the prior quarter. The drop in OREO is attributable to the removal of $463 million in foreclosed property held by the failed New England institutions.

After adjusting for the failures, troubled assets on the books of surviving New England savings banks registered a slight decrease, the second consecutive quarter they have declined. In aggregate, the savings banks in the Northeast outside of New England reported increasing levels of troubled assets and loan charge-offs, while bottom-line net losses declined. OREO increased $180 million (10.3 percent) and noncurrent loans increased $131 million (2.5 percent) during the quarter. Institutions in the New England states held 38 cents in reserves for every dollar of noncurrent loans, up from 36 cents in June. Savings banks in the rest of the Northeast reported lower levels of reserve coverage; on average they held 24 cents in reserves for each dollar of troubled loans. The 15 savings banks located outside of the Northeast were profitable in aggregate for the fourth consecutive quarter, with a return on assets ratio of 1.18 percent. The number of savings banks on the FDIC's "Problem List" increased to 76 from 58 during the quarter.

Lower loan-loss provisions and higher extraordinary gains reduced earnings losses compared with the second quarter by $124 million. Funding costs declined at faster rates than asset yields, allowing the industry to maintain net interest income despite a shrinking asset base. Third-quarter net interest income amounted to 2.9 percent of earning assets, up from 2.6 percent in the third quarter of 1990. Higher BIF assessment rates increased third-quarter noninterest expense by approximately $50 million, or about 3 percent. Profitability ratios improved for all size groups. Third quarter return on assets was −0.58 percent, a lower level of losses compared with the −0.83 percent in the previous quarter. One third of all BIF-insured savings banks reported net losses during the third quarter.

Total assets, which have declined during every quarter since the third quarter of 1989, fell by $25.4 billion (nearly ten percent) in twelve-month period ended September 30. Mortgage loans were $18.4 billion (11.4 percent) below the previous year. Loans secured by 1-4 family residences dropped by $9.7 billion (9.2 percent). Construction loans contracted at the highest rate, down 39 percent since September 30, 1990.

In the twelve-month period ended September 30, 1991, thirteen BIF-insured institutions with $14.8 billion in assets were resolved by the FDIC. Losses absorbed by the Bank Insurance Fund were estimated at $2.3 billion, or about 15.5 percent of assets held by the institutions when they failed. Deposits of $10.5 billion (about 1.4 million accounts) were transferred to other institutions. Most of these deposits ($8.5 billion), along with unimpaired assets from the resolved savings banks, were acquired by commercial banks.

These resolution activities have had the effect of removing about $14 billion in assets, net losses of $150 million not carried forward, and $188 million in equity capital deficits from industry totals. The thirteen institutions that failed during the 12-month period reported $789 million in noncurrent loans and $584 million in other real estate owned before they failed.

Lower interest rates will continue to help surviving institutions absorb losses from distressed assets. Additional insolvencies will occur in the Northeast where one of every three institutions is losing money and one of every six is on FDIC's "Problem List."

[1] These five institutions failed after September 30 and did not file a complete third quarter Call report. Three institutions in New Hampshire failed on 10-10-91: New Hampshire Savings Bank, Concord, NH; Amoskeag Bank, Manchester, NH; Dartmouth Bank, Manchester, NH. Iona Savings Bank, Tilton, NH, failed on 10-11-91 and Central Bank, Meriden, Connecticut, failed on 10-18-91.

Table I. Selected Indicators, Savings Banks Insured by the FDIC Bank Insurance Fund (BIF)

	1991*	1990*	1990	1989	1988	1987	1986
Return on assets	−0.43%	−0.62%	−0.96%	−0.27%	0.44%	0.84%	1.08%
Equity capital to assets	6.88	7.01	6.64	7.06	7.44	7.69	7.41
Noncurrent loans and leases plus other real estate owned to assets**	5.88	4.41	5.11	2.64	1.51	0.95	0.83
Noncurrent RE loans to total RE loans**	5.78	4.79	5.31	3.14	1.67	1.01	1.02
Asset growth rate	−9.68	−7.08	−7.46	−1.52	8.52	10.54	15.40
Deposit growth rate	−7.10	−4.97	−4.98	1.36	7.90	5.81	8.26
Number of institutions	445	475	469	489	492	484	472
Number of problem savings banks	76	31	34	17	12	16	27
Number of failed savings banks	10	7	10	1	0	2	0

* Through September 30; ratios annualized where appropriate. Asset and deposit growth rates are for 12 months ending September 30.
** Excludes Federally-chartered Savings Banks before 1990.

Table II. Aggregate Condition and Income Data, BIF-Insured Savings Banks
(dollar figures in millions)

	Preliminary 3rd Qtr 1991	2nd Qtr 1991	3rd Qtr 1990	%Change 90:3-91:3
Number of savings banks reporting	445	456	475	−6.3
CONDITION DATA				
Total assets	$237,296	$244,145	$262,727	−9.7
Mortgage loans	142,649	149,010	161,069	−11.4
1-4 family residential	96,106	99,694	105,842	−9.2
Construction and land development	5,957	6,954	9,696	−38.6
Commercial and multi-family	40,586	42,362	45,531	−10.9
All other loans and leases	17,825	18,997	22,726	−21.6
LESS: Reserves for losses	2,825	2,972	2,834	−0.3
LESS: Other contra accounts	630	738	989	−36.3
Net loans and leases	157,019	164,297	179,972	−12.8
Mortgage-backed securities	21,585	22,417	26,406	−18.3
Other real estate owned	4,597	4,786	2,526	82.0
Goodwill	1,159	1,185	1,682	−31.1
All other assets	52,936	51,459	52,141	1.5
Total liabilities and capital	237,296	244,145	262,727	−9.7
Interest-bearing deposits	191,996	197,348	207,118	−7.3
Noninterest-bearing deposits	6,149	6,405	6,179	−0.5
Other borrowed funds	19,511	20,667	27,273	−28.5
Subordinated debt	523	654	690	−24.2
Other liabilities	2,788	2,731	3,061	−8.9
Equity capital	16,329	16,340	18,405	−11.3
Loans and leases 30-89 days past-due	5,136	5,598	5,456	−5.9
Noncurrent loans and leases	9,360	9,963	9,054	3.4
Other noncurrent assets	22	22	N/A	N/A
Direct and indirect investments in real estate	1,029	1,109	1,756	−41.4

INCOME DATA	Preliminary First Three Qtrs 1991	First Three Qtrs 1990	% Change	Preliminary 3rd Qtr 1991	3rd Qtr 1990	% Change
Total interest income	$15,510	$18,582	−16.5	$5,055	$6,120	−17.4
Total interest expense	10,812	13,699	−21.1	3,452	4,513	−23.5
Net interest income	4,699	4,884	−3.8	1,603	1,608	−0.3
Provisions for loan losses	1,701	2,221	−23.4	649	1,058	−38.7
Total noninterest income	876	981	−10.7	293	285	2.9
Total noninterest expense	4,498	4,669	−3.7	1,611	1,597	0.9
Securities gains, net	147	24	507.3	48	29	66.8
Applicable income taxes	369	262	40.9	107	40	167.5
Extraordinary gains, net	79	21	275.6	78	−3	N/M
Net income	−767	−1,243	N/M	−344	−776	N/M
Net charge-offs	1,476	1,279	15.4	553	528	4.6

N/A – Not available
N/M – Not meaningful

Table III. First Three Quarters 1991 Savings Bank Data *(Dollar figures in billions, ratios in %)*

FIRST THREE QUARTERS *Preliminary*	All BIF-Insured Savings Banks	ASSET SIZE DISTRIBUTION: Less than $100 Million	$100 Million to $1 Billion	Greater than $1 Billion	GEOGRAPHIC DISTRIBUTION: New England	Other Northeast	Rest of U.S.
Number of savings banks reporting	445	130	255	60	329	101	15
Total assets	$237.30	$6.95	$78.76	$151.59	$102.46	$123.41	$11.43
Total deposits	$198.15	$6.21	$68.73	$123.21	$87.73	$103.01	$7.40
Net income *(in millions)*	−767	−16	−228	−523	−554	−312	99
Percentage of savings banks losing money	33.93	34.62	32.55	38.33	39.21	21.78	0.00
Percentage of savings banks with earnings gains	51.24	56.15	48.24	53.33	51.06	48.52	73.33
Performance Ratios *(annualized)*							
Yield on earning assets	9.50	9.69	9.59	9.44	9.67	9.30	10.20
Cost of funding earning assets	6.62	6.37	6.43	6.74	6.61	6.61	6.87
Net interest margin	2.88	3.33	3.17	2.71	3.06	2.69	3.33
Noninterest income to earning assets	0.80	0.57	0.69	0.88	0.84	0.64	2.22
Noninterest expense to earning assets	4.13	4.77	4.44	3.94	4.69	3.67	4.06
Return on assets	−0.43	−0.31	−0.39	−0.46	−0.73	−0.34	1.15
Return on equity	−6.12	−3.74	−4.95	−6.97	−10.04	−4.94	13.78
Net charge-offs to loans and leases	1.22	0.90	1.09	1.30	1.61	0.96	0.27
Loan loss provision to net charge-offs	115.26	104.05	120.87	113.17	105.07	129.40	163.02
Condition Ratios							
Loss allowance to:							
Loans and leases	1.77	1.07	1.53	1.93	2.00	1.65	0.94
Noncurrent loans and leases	30.18	28.05	35.83	28.37	37.71	24.16	70.07
Noncurrent loans and leases plus other real estate owned to assets	5.88	3.91	4.85	6.51	6.16	5.99	2.27
Noncurrent RE loans to total RE loans	5.78	3.89	4.26	6.69	5.23	6.74	1.36
Equity capital ratio	6.88	8.02	7.66	6.43	6.95	6.61	9.22
Core capital (leverage) ratio	6.23	8.01	7.68	5.40	6.93	5.39	9.12
Net loans and leases to deposits	79.24	75.99	76.59	80.89	79.97	76.67	106.46
Growth Rates *(year-to-year)*							
Assets	−9.68	5.42	3.84	−3.84	−8.86	−10.97	−2.31
Equity capital	−11.28	−2.25	−6.68	−11.82	−12.62	−13.09	20.73
Net interest income	−3.78	7.19	3.55	0.15	−2.30	−6.89	14.81
Net income	N/M	N/M	N/M	N/M	N/M	N/M	253.75
Net charge-offs	15.37	52.70	23.27	8.47	2.86	40.44	47.03
Loan loss provision	−23.43	12.13	2.93	−19.84	−29.19	−13.68	−43.62

BACKGROUND

Savings Bank Tables I through IV present information on thrifts insured by the FDIC Bank Insurance Fund (BIF). In aggregate, the 445 institutions hold approximately 9 percent of all BIF-insured deposits. Information on thrift institutions insured by the FDIC Savings Association Insurance Fund (SAIF) is available from the Office of Thrift Supervision. SAIF-insured institutions are primarily savings and loans.

The BIF-insured savings banks analyzed here differ from commercial banks in several ways:

1. In general, savings banks hold a higher portion of home mortgages and other real estate loans. For example, while commercial banks have invested about a quarter of their assets in real estate loans, savings banks average over 60 percent in these types of loans.
2. There are relatively few BIF-insured savings banks. While there are over 12,000 commercial banks, there are fewer than 500 savings banks.
3. The average savings bank's asset size is about $500 million, compared with just under $300 million for commercial banks. The largest BIF-insured savings bank has about $10 billion in assets; the largest commercial bank has over $150 billion.
4. As the preceding tables show, most savings banks are located in the Northeast, especially in New England. In 3 of the 6 New England states (Connecticut, Massachusetts, New Hampshire), savings banks have a higher market share in real estate lending than commercial banks. 15 institutions with $11.4 billion in assets – less than 5 percent of the industry's assets – are located in states outside the region (Alaska, Florida, Indiana, Oregon, Washington).

Regardless of the differences described above, depositors in all BIF-insured institutions – both savings banks and commercial banks – have the same benefits and restrictions governing their FDIC deposit insurance protection.

Geographic Distribution: New England – Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Other Northeast – Delaware, Maryland, New Jersey, New York, Pennsylvania
Rest of U.S. – Alaska, Florida, Indiana, Oregon, Washington

N/M – not meaningful

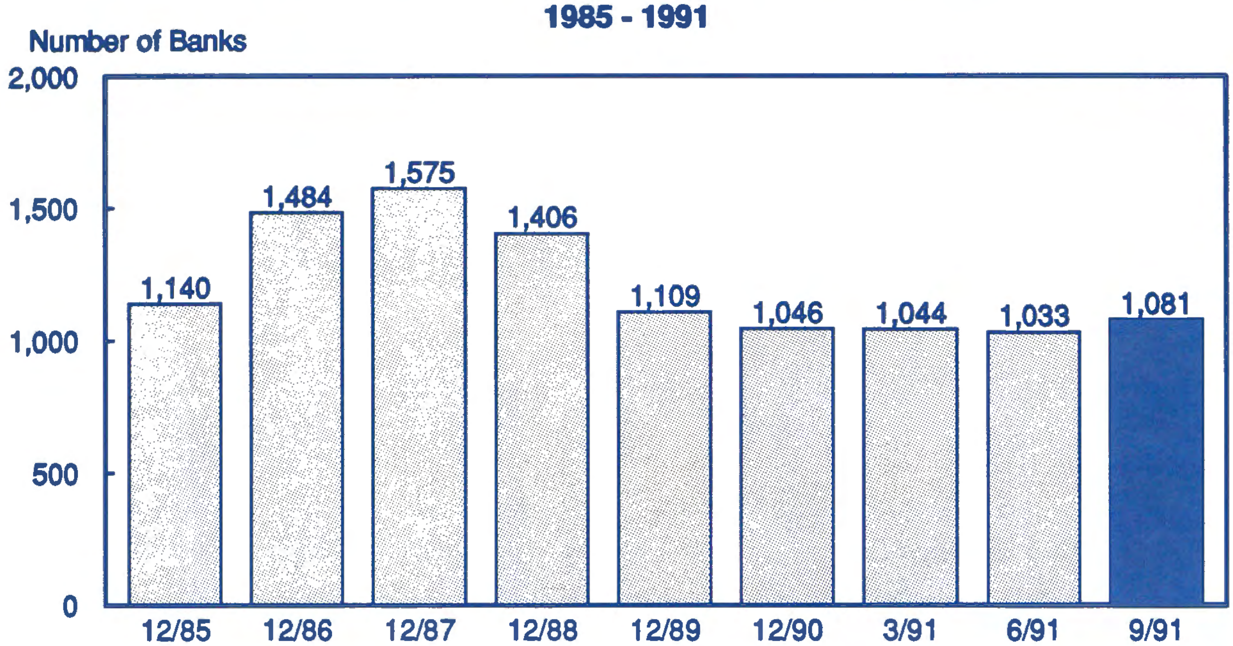
Table IV. Third Quarter 1991 Savings Bank Data *(Ratios in %)*

THIRD QUARTER *Preliminary*	All BIF-Insured Savings Banks	ASSET SIZE DISTRIBUTION: Less than $100 Million	ASSET SIZE DISTRIBUTION: $100 Million to $1 Billion	ASSET SIZE DISTRIBUTION: Greater than $1 Billion	GEOGRAPHIC DISTRIBUTION: New England	GEOGRAPHIC DISTRIBUTION: Other Northeast	GEOGRAPHIC DISTRIBUTION: Rest of U.S.
Number of savings banks reporting	445	130	255	60	329	101	15
Net income *(in millions)*	−344	−3	−135	−206	−229	−149	34
Percentage of savings banks losing money	32.58	30.00	34.12	31.67	36.78	22.77	6.67
Percentage of savings banks with earnings gains	54.38	56.92	52.94	55.00	55.62	50.50	53.33
Performance Ratios *(annualized)*							
Yield on earning assets	9.28	9.57	9.35	9.23	9.41	9.08	10.11
Cost of funding earning assets	6.34	6.12	6.13	6.46	6.26	6.36	6.67
Net interest margin	2.94	3.45	3.22	2.77	3.15	2.72	3.44
Noninterest income to earning assets	0.54	0.41	0.50	0.56	0.60	0.37	1.78
Noninterest expense to earning assets	2.96	3.23	3.22	2.81	3.36	2.63	2.86
Return on assets	−0.58	−0.18	−0.69	−0.54	−0.90	−0.49	1.18
Return on equity	−8.38	−2.28	−8.88	−8.41	−12.66	−7.27	13.53
Net charge-offs to loans and leases	1.38	0.98	1.22	1.48	1.73	1.20	0.07
Loan loss provision to net charge-offs	117.40	99.93	130.99	112.06	106.45	125.66	1103.49
Growth Rates *(year-to-year)*							
Net interest income	−0.33	11.08	7.66	2.56	4.32	−5.86	14.92
Net income	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Net charge-offs	4.60	7.05	−7.12	50.33	−19.52	73.03	−39.24
Loan loss provision	−38.67	−16.63	−10.74	−39.83	−38.82	−37.36	−54.10

N/M — not meaningful

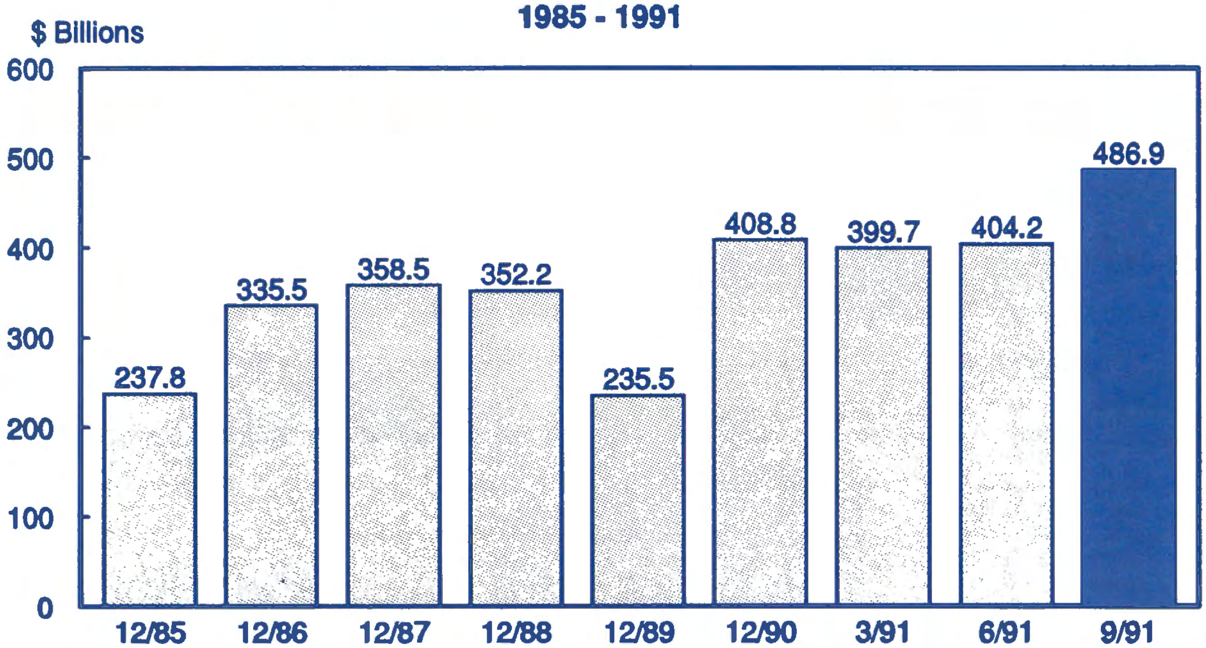
Number of Commercial and Savings Banks on FDIC's "Problem List"

1985 - 1991



Assets of Commercial and Savings Banks on FDIC's "Problem List"

1985 - 1991



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NOTES TO USERS:

COMPUTATION METHODOLOGY FOR PERFORMANCE AND CONDITION RATIOS

The data on commercial banks and state-chartered savings banks were obtained from Call reports filed with the FDIC and Federal Reserve Board. Data on Federally-chartered savings banks (16 institutions as of September 30, 1991) were obtained from Thrift Financial Reports filed with the Office of Thrift Supervision. Certain adjustments are made to the Thrift Financial Reports to provide closer conformance with Call report disclosure requirements.

All income figures used in calculating performance ratios represent amounts for that period, annualized (multiplied by the number of periods in a year).

All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any periods in between, divided by the total number of periods).

All asset and liability figures used in calculating the condition ratios represent amounts as of the end of the quarter.

DEFINITIONS

"Problem" Banks – Federal regulators assign to each financial institution a composite rating, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. "Problem" banks are those institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either a "4" or "5."

Earning Assets – all loans and other investments that earn interest, dividend or fee income.

Yield on Earning Assets – total interest, dividend and fee income earned on loans and investments as a percentage of average earning assets.

Cost of Funding Earning Assets – total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Net Interest Margin – the difference between the yield on earning assets and the cost of funding them, i.e., the profit margin a bank earns on its loans and investments.

Return on Assets – net income (including securities transactions and nonrecurring items) as a percentage of average total assets. The basic yardstick of bank profitability.

Return on Equity – net income as a percentage of average total equity capital.

Loan Commitments and Letters of Credit – includes unused credit card commitments and overdraft plans, reflecting Call report revisions effective March 31, 1990.

Net Charge-offs – total loans and leases charged off (removed from balance sheet because of uncollectibility) during the quarter, less amounts recovered on loans and leases previously charged off.

Noncurrent Loans & Leases – the sum of loans past-due 90 days or more and loans in nonaccrual status.

Other Real Estate Owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded where appropriate.

Other noncurrent assets – debt securities and other assets (excluding loans, leases and other real estate owned) that are either past-due at least 90 days or in nonaccrual status. Due to reporting differences, only defaulted debt securities are included for Federal Savings Banks.

Core capital – common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries, less goodwill and other ineligible intangible assets. Eligible intangibles (including mortgage servicing rights) are limited to 100 percent of core capital for savings banks, to 50 percent of core capital for state-chartered commercial banks that are not Federal Reserve members, and to 25 percent for National banks.

Net Loans and Leases – total loans and leases less unearned income and the allowance for loans and lease losses.

Temporary Investments – the sum of interest-bearing balances due from depository institutions, federal funds sold and securities purchased under agreements to resell, trading-account assets and investment securities with remaining maturities of one year or less.

Volatile Liabilities – the sum of large denomination time deposits, foreign office deposits, federal funds purchased, securities sold under agreements to repurchase, and other borrowed money.

Requests for copies of and subscriptions to the FDIC Quarterly Banking Profile should be made through the FDIC's Office of Corporate Communications, 550 17th Street N.W., Washington, D.C. 20429; telephone (202) 898-6996.