

# The FDIC Quarterly Banking Profile

L. William Seidman, Chairman

Fourth Quarter, 1990

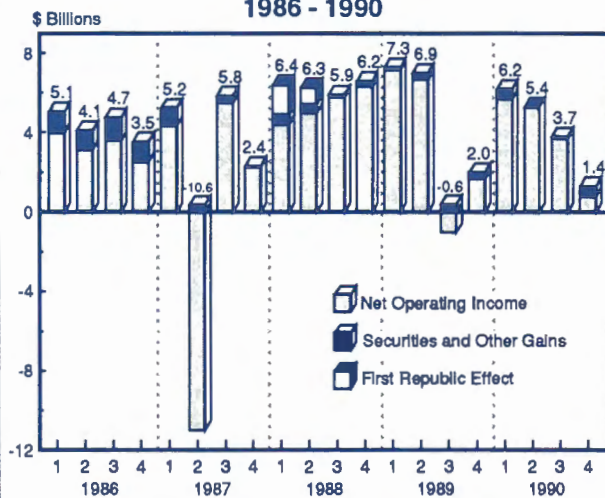
## COMMERCIAL BANKING PERFORMANCE – FOURTH QUARTER, 1990

- **Commercial Banks Earn \$1.4 Billion In Fourth Quarter; Full-Year Profits Total \$16.6 Billion**
- **Noncurrent Real Estate Loans Reach Record Levels**
- **Total Assets Grow By Only 2.7 Percent In 1990**
- **Banks Set Aside Record Amount For Domestic Credit Losses**
- **Troubled Assets Continue To Increase In Eastern Half of U.S.**

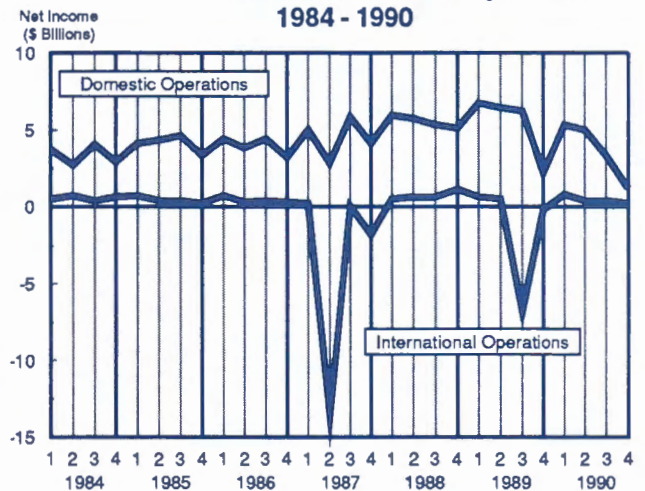
Commercial bank earnings fell for the third consecutive quarter, as banks earned \$1.4 billion in the fourth quarter of 1990. Industry net income was almost one-third less than in the last quarter of 1989, and almost two-thirds lower than in the third quarter of 1990, despite the widest net interest margins in two years. The average return on assets was 0.17 percent. The earnings decline stemmed from rising domestic asset-quality problems that limited interest income and increased noninterest expense. More than one in five banks registered a net loss in the quarter, the highest proportion since the fourth quarter of 1987. Thirty-eight percent of all banks in the Northeast Region lost money in the fourth quarter, and the Region's banks posted an aggregate net loss for the second quarter in a row. For the full year, commercial banks earned \$16.6 billion, \$1 billion more than in 1989. The average return on assets for 1990 was 0.50 percent, compared to 0.49 percent in 1989.

Domestic operations contributed \$1.1 billion of the \$1.4 billion in total net income, the lowest quarterly amount since the banking industry began reporting quarterly income in 1983, and half the amount earned in the previous worst quarter. Higher levels of troubled assets and increased provisions for future losses were the determining factors in banks' poor fourth-quarter results. The \$11 billion that banks set aside for future domestic credit losses was the highest quarterly amount ever; the previous record was \$7.8 billion in the third quarter of 1990. For the full year, total provisions for losses on domestic and foreign operations were \$31.7 billion, \$670 million more than in 1989.

**Chart A - Quarterly Net Income of FDIC-Insured Banks 1986 - 1990**



**Chart B - Quarterly Net Income from Domestic & International Operations 1984 - 1990**



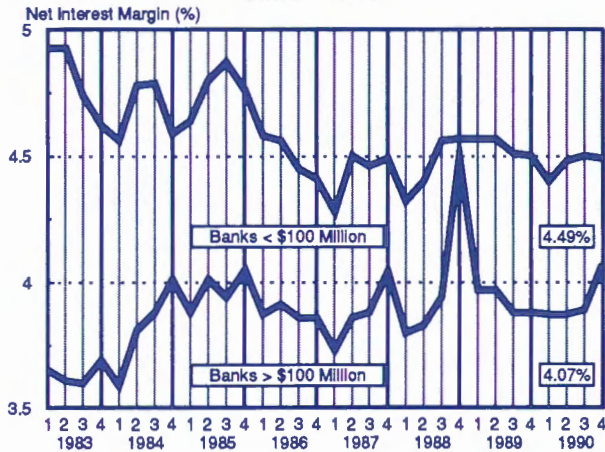
Troubled assets totalled 2.9 percent of all bank assets at the end of 1990. Total assets increased by \$5.7 billion in the fourth quarter, but interest-earning assets fell by \$14.7 billion. For the year, asset growth totalled \$89.9 billion, while

FDIC  
Division of Research  
& Statistics

Don Inscoc  
(202) 898-3940

Ross Waldrop  
(202) 898-3951

**Chart C - Quarterly Net Interest Margins of FDIC-Insured Banks 1983 - 1990**



earning assets increased by \$68.3 billion and noncurrent loans plus foreclosed properties grew by \$23 billion. The 2.7 percent growth rate for total banking assets in 1990 was the lowest since the 2.0 percent in 1987. For the second consecutive quarter, the proportion of total assets represented by noncurrent loans and foreclosed real estate set an all-time record.

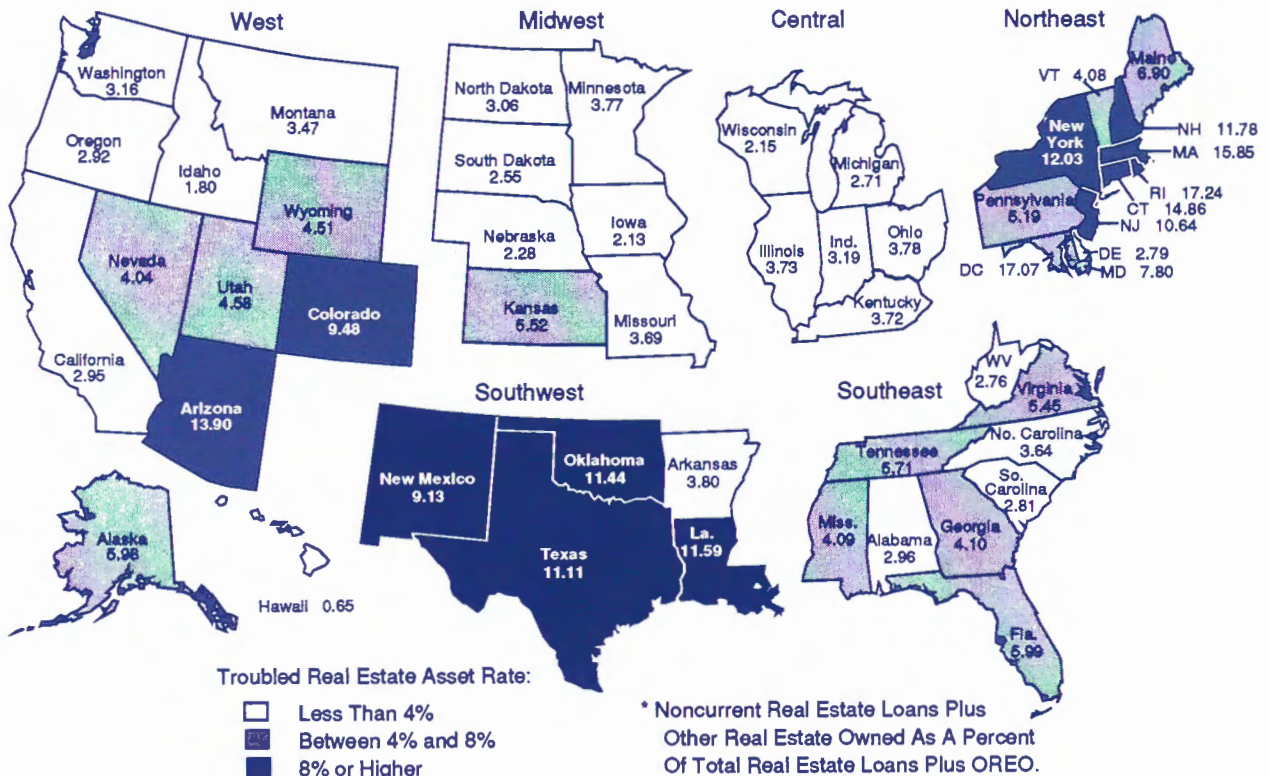
Slow asset growth and the increased burden of troubled assets held down interest income in 1990. Fourth-quarter interest income was 2.3 percent below the amount earned in the fourth quarter of

1989, and full-year interest revenues were only one percent above 1989's total. At the same time, banks were able to substitute deposits for more expensive nondeposit borrowings, so that interest expense was lower in the fourth quarter and for the full year. Consequently, net interest income growth modestly outpaced total asset growth, and net interest margins widened in each of the last three quarters of 1990.

Real estate lending remained one of the strongest areas of asset growth throughout 1990. Growth in real estate loans accounted for \$67 billion of the \$90 billion increase in commercial bank assets during the year. Home equity loans, residential mortgages and longer-term commercial real estate financing grew most rapidly, while construction and development loans fell. Commercial and industrial loans outstanding also declined, both in the fourth quarter and for the full year. Credit cards were the fastest-growing loan category in the fourth quarter, registering a seasonal increase of \$5.5 billion.

The proportion of noncurrent real estate loans at the end of 1990 was the highest since banks began reporting troubled loan data in 1982. A worsening trend in credit quality was evidenced by increases in noncurrent and net charge-off rates in most loan categories. Deterioration was greatest in real estate loans, where larger banks in the Northeast Region were hardest hit. Noncurrent real estate loans increased by almost \$11 billion at Northeast Region banks in 1990. At year-end they totalled \$21.3

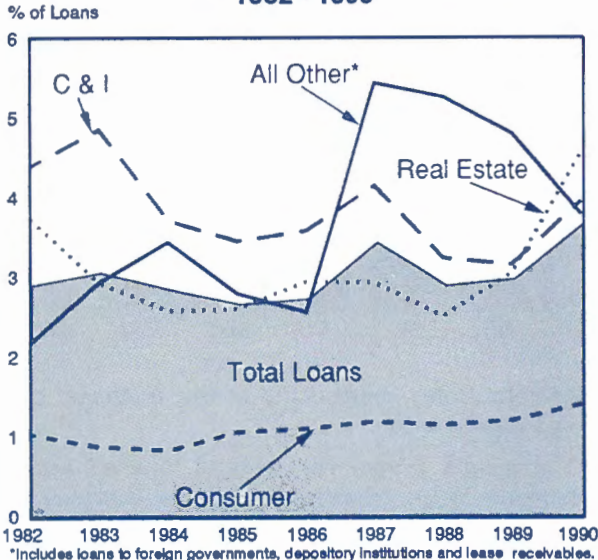
**Chart D - Troubled Real Estate Asset Rates\* By State December 31, 1990**





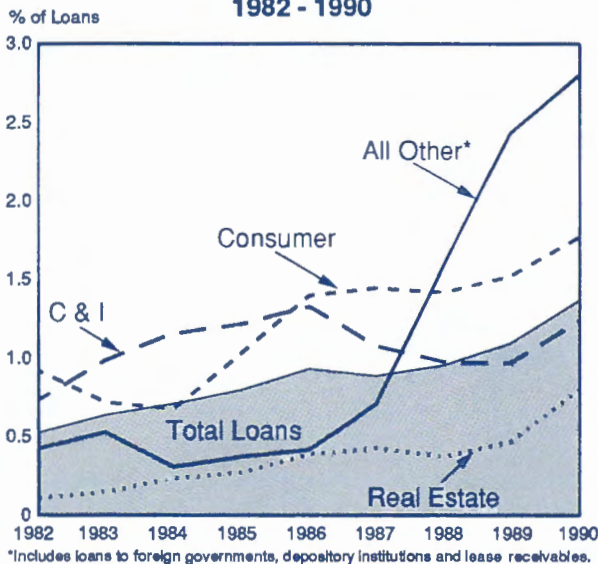
billion, more than twice the \$10.2 billion at the end of 1989. Noncurrent real estate loans were up 85 percent at Southeast Region banks, 56 percent at banks in the Central Region, and 30 percent at banks in the West Region.

**Chart E - Noncurrent Loan Rates at Year-end 1982 - 1990**



Net loan losses on real estate loans at banks in the Northeast Region in 1990 were almost three times the level of a year ago. Real estate loan losses more than doubled at banks in the Southeast and Central Regions, and increased by almost 50 percent at Midwest Region banks. In contrast, real estate loan losses fell at banks in the Southwest and West Regions. This improvement reflected the slow recovery in depressed real estate portfolios of Texas, Oklahoma and Arizona banks. Real estate loan losses for the banking industry totalled \$6.3 billion in 1990, an 84 percent increase over the \$3.4 billion charged off in 1989. Net loan losses on

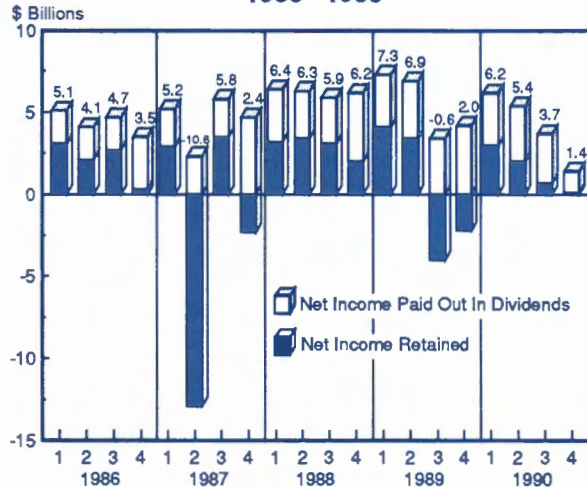
**Chart F - Annual Net Loan Charge-off Rates 1982 - 1990**



commercial and industrial loans, at \$8.3 billion, and consumer loans, at \$7 billion, exceeded those on real estate loans, but did not represent comparable increases from 1989 levels. Net charge-offs on loans to foreign borrowers were approximately \$8.5 billion in 1990, an 11 percent increase over 1989.

Growth in equity capital and reserves barely kept pace with the increase in noncurrent loans in 1990. The \$31.7 billion in loan-loss provisions that banks added to reserves in 1990 exceeded the \$29 billion taken out for net loan charge-offs by only \$2.7 billion. Banks' reserve coverage of noncurrent loans and other real estate fell to its lowest level since the end of 1987. At the end of 1990, the industry held 57 cents in reserves for every dollar of troubled assets, compared with 72 cents at year-end 1989. Retained earnings contributed only \$2.8 billion to equity capital in 1990, as banks paid out more than 80 percent of their earnings in dividends for the second consecutive year.

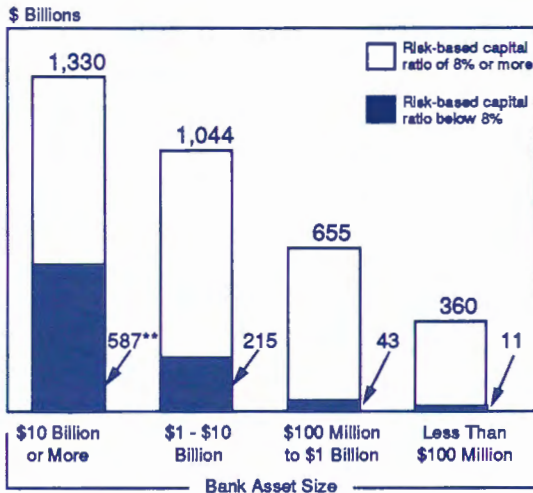
**Chart G - Quarterly Dividends and Net Income 1986 - 1990**



At the end of 1990, an estimated 501 banks with \$856 billion in assets (one quarter of banking industry assets) fell short of the minimum 8 percent ratio of total capital to risk-adjusted assets scheduled to take effect at the end of 1992. These institutions are disproportionately larger banks. Total loans outstanding declined by 1.4 percent in 1990 at banks with risk-adjusted capital ratios below 8 percent, while loans at those banks that met or exceeded the 8 percent threshold increased by 3.6 percent during the year. As risk-based capital standards are implemented, institutions that do not meet minimum requirements can be expected to make further adjustments to their asset portfolios.

The number of insured commercial banks fell by 369 in 1990, as consolidation within the banking industry continued. New bank charters, at 165, remained well below the peak levels of the early 1980s. There were 390 mergers during the year, continuing a recent declining trend, but merger

**Chart H - Assets of Banks According to Their Risk-Based Capital Ratio\* Year-end 1990**



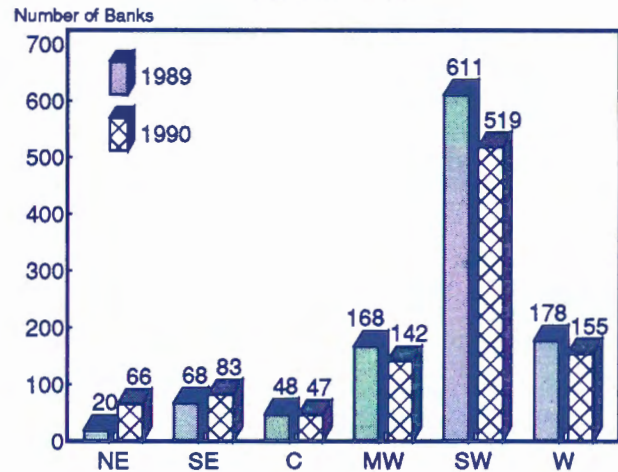
\*The ratio of total capital to risk-weighted assets, using standards that will take effect at year-end 1992.

\*\*Includes Bank of New England, N.A. with \$13.4 billion in assets.

activity remained above historical levels. One hundred fifty-nine banks either failed or received assistance to avert failure in 1990, down from 206 failures in 1989.

There were 1,012 banks on the FDIC's "Problem List" at the end of 1990, fewer than at the beginning of the year, but up slightly from 1,006 at the end of the third quarter. The largest numbers of "problem" institutions continue to be found in the western half of the country, but growth in troubled institutions during the past year has been most rapid in the

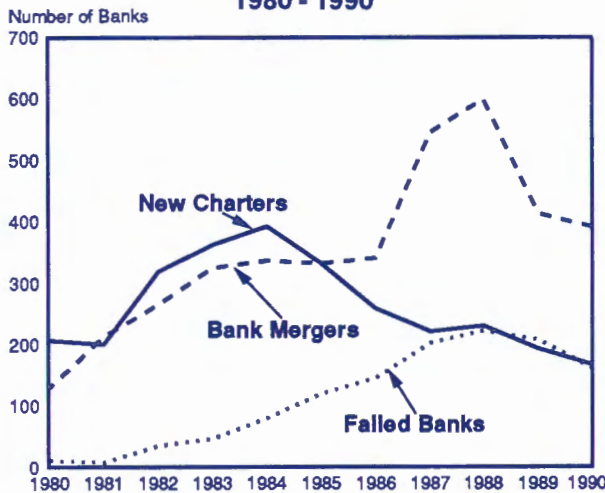
**Chart J - Number of "Problem" Banks By Region At Year-end 1989 and 1990**



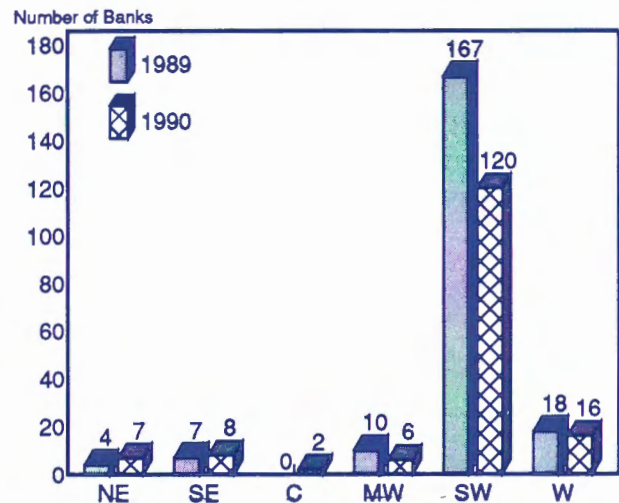
eastern states, particularly in the northeast and mid-Atlantic areas.

The growth in relative levels of troubled assets points to higher credit losses in 1991. Banks in the eastern states in particular will continue to confront weakness in real estate and commercial loan portfolios. It remains to be seen whether the problems in domestic real estate and commercial loans that have beset banks in the eastern U.S. will spread to banks in those western states that have experienced rapid lending growth. Asset growth is likely to remain sluggish, with continued emphasis on high-yield revolving consumer lending.

**Chart I - Structural Changes Among FDIC-Insured Commercial Banks 1980 - 1990**



**Chart K - Number of Failed Banks By Region, 1989 and 1990**





**Table I. Selected Indicators, FDIC-Insured Commercial Banks**

	1990	1989	1988	1987	1986	1985	1984
Return on assets .....	0.50%	0.49%	0.82%	0.12%	0.63%	0.70%	0.65%
Return on equity .....	7.84	7.78	13.30	2.00	9.94	11.31	10.73
Equity capital to assets .....	6.47	6.21	6.28	6.04	6.20	6.20	6.15
Primary capital ratio .....	7.98	7.92	7.84	7.70	7.22	6.91	6.91
Noncurrent loans and leases plus other real estate owned to assets .....	2.92	2.28	2.14	2.46	1.94	1.87	1.97
Net charge-offs to loans .....	1.40	1.16	1.00	0.92	0.98	0.84	0.76
Asset growth rate .....	2.72	5.37	4.36	2.01	7.71	8.86	7.11
Net operating income growth .....	6.88	-38.30	1905.16	-91.04	-20.65	6.30	3.40
Percentage of unprofitable banks .....	12.60	12.45	14.65	17.66	19.79	17.09	13.06
Number of problem banks .....	1,012	1,092	1,394	1,559	1,457	1,098	800
Number of failed/assisted banks .....	159	206	221	201	144	118	78

**Table II. Aggregate Condition and Income Data, FDIC-Insured Commercial Banks**  
(dollar figures in millions)

	Preliminary 4th Qtr 1990	3rd Qtr 1990	4th Qtr 1989	% Change 89:4-90:4		
Number of banks reporting .....	12,338	12,408	12,707	-2.9		
Total employees (full-time equivalent) .....	1,517,470	1,517,774	1,531,355	-0.9		
<b>CONDITION DATA</b>						
Total assets .....	\$ 3,388,896	\$ 3,383,188	\$ 3,299,025	2.7		
Real estate loans .....	828,986	820,157	761,506	8.9		
Commercial & industrial loans .....	615,523	620,963	618,610	-0.5		
Loans to individuals .....	402,876	400,070	400,581	0.6		
Farm loans .....	33,323	33,638	31,115	7.1		
Other loans and leases .....	228,676	231,119	245,525	-6.9		
Total loans and leases .....	2,109,356	2,105,948	2,057,337	2.5		
LESS: Reserve for losses .....	55,333	52,384	53,732	3.0		
Net loans and leases .....	2,054,024	2,053,564	2,003,605	2.5		
Temporary investments .....	451,489	467,007	481,829	-6.3		
Securities over 1 year .....	450,363	449,978	402,166	12.0		
All other assets .....	433,025	412,639	411,424	5.3		
Total liabilities and capital .....	3,388,896	3,383,188	3,299,025	2.7		
Noninterest-bearing deposits .....	488,994	441,194	483,442	1.1		
Interest-bearing deposits .....	2,161,005	2,162,182	2,065,080	4.6		
Other borrowed funds .....	384,760	421,313	418,758	-8.1		
Subordinated debt .....	23,834	19,133	19,529	22.0		
All other liabilities .....	111,207	121,099	107,423	3.5		
Equity capital .....	219,098	218,266	204,793	7.0		
Primary capital .....	272,912	270,327	261,233	4.5		
Noncurrent loans and leases .....	78,083	71,732	62,101	25.7		
Other real estate owned .....	19,853	17,291	12,528	58.5		
Loan commitments and letters of credit .....	1,306,635	1,300,495	N/A	N/A		
Domestic office assets .....	3,081,328	2,966,341	2,896,888	6.4		
Foreign office assets .....	307,568	416,847	402,137	-23.5		
Domestic office deposits .....	2,356,552	2,273,787	2,236,755	5.4		
Foreign office deposits .....	293,448	329,589	311,766	-5.9		
Earning assets .....	2,955,871	2,970,549	2,887,601	2.4		
Volatile liabilities .....	1,055,103	1,136,422	1,128,530	-6.5		
<b>INCOME DATA</b>						
	Preliminary Full Year 1990	Full Year 1989	% Change	Preliminary 4th Qtr 1990	4th Qtr 1989	% Change
Total interest income .....	\$ 320,438	\$ 317,323	1.0	\$ 82,243	\$ 84,209	-2.3
Total interest expense .....	204,937	205,123	-0.1	51,928	55,113	-5.8
Net interest income .....	115,501	112,200	2.9	30,314	29,095	4.2
Provision for loan losses .....	31,695	31,025	2.2	11,526	10,673	8.0
Total noninterest income .....	55,111	51,075	7.9	14,850	14,325	3.7
Total noninterest expense .....	115,531	108,090	6.9	31,585	29,396	7.4
Applicable income taxes .....	7,885	9,654	-18.3	1,146	1,632	-29.7
Net operating income .....	15,503	14,505	6.9	908	1,719	-47.2
Securities gains, net .....	473	800	-40.8	250	278	-10.1
Extraordinary gains, net .....	650	306	112.4	234	16	1381.5
Net income .....	16,626	15,611	6.5	1,392	2,013	-30.8
Net charge-offs .....	29,032	22,868	26.9	8,262	9,716	-15.0
Net additions to capital stock .....	1,965	1,489	32.0	57	24	136.0
Cash dividends on capital stock .....	13,867	14,070	-1.4	4,330	4,157	4.2

N/A—Not available

**Table III. Full Year 1990 Bank Data** (*Dollar figures in billions, ratios in %*)

<b>FULL YEAR Preliminary</b> ( <i>The way it is . . .</i> )	All Banks	Asset Size Distribution				Geographic Distribution					
		Less than \$100 Million	\$100 Million to \$1 Billion	\$1-10 Billion	Greater than \$10 Billion	EAST			WEST		
						Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
Number of banks reporting . . . . .	12,338	9,249	2,715	325	49	1,068	1,956	2,716	2,954	2,179	1,465
Total assets . . . . .	\$ 3,388.90	\$ 359.52	\$ 655.19	\$ 1,044.44	\$ 1,329.75	\$ 1,290.65	\$ 507.82	\$ 551.07	\$ 231.26	\$ 267.63	\$ 540.45
Total deposits . . . . .	2,650.00	319.42	563.05	806.00	961.53	941.66	406.82	442.15	190.07	230.55	438.76
Net income ( <i>in millions</i> ) . . . . .	16,626	2,577	4,976	3,824	5,250	555	3,116	4,450	2,240	1,269	4,997
Percentage of banks losing money . . . . .	12.6%	13.3%	8.9%	20.6%	24.5%	27.1%	16.2%	5.4%	5.4%	17.3%	17.8%
Percentage of banks with earnings gains . . . . .	55.8%	55.4%	58.2%	46.8%	53.1%	41.2%	56.6%	59.3%	54.6%	58.5%	57.0%
<b>Performance Ratios</b>											
Yield on earning assets . . . . .	11.06%	10.38%	10.62%	10.63%	11.82%	11.78%	10.58%	10.45%	10.47%	10.13%	11.11%
Cost of funding earning assets . . . . .	7.08	5.92	6.09	6.44	8.39	8.27	6.38	6.51	6.20	6.30	6.15
Net interest margin . . . . .	3.99	4.45	4.52	4.19	3.43	3.51	4.20	3.95	4.26	3.83	4.96
Net noninterest expense to earning assets . . . . .	2.09	2.81	2.57	2.08	1.64	1.84	2.31	2.08	1.93	2.46	2.38
Net operating cash flow to assets . . . . .	1.67	1.50	1.76	1.86	1.52	1.46	1.68	1.67	2.09	1.17	2.25
Net operating income to assets . . . . .	0.47	0.72	0.79	0.36	0.33	0.00	0.60	0.83	1.02	0.45	0.92
Return on assets . . . . .	0.50	0.74	0.80	0.38	0.40	0.04	0.64	0.84	1.03	0.49	0.95
Return on equity . . . . .	7.84	8.11	10.26	5.91	7.83	0.77	8.93	11.94	13.21	7.50	14.70
Net charge-offs to loans and leases . . . . .	1.40	0.68	0.82	1.37	1.86	1.99	0.90	0.90	0.99	1.38	1.15
Loan loss provision to net charge-offs . . . . .	109.18	123.55	129.70	151.54	79.65	106.14	153.86	104.51	112.75	90.32	101.30
<b>Condition Ratios</b>											
Loss allowance to:											
Loans and leases . . . . .	2.62%	1.68%	1.69%	2.47%	3.39%	3.66%	1.80%	1.67%	1.88%	2.64%	2.19%
Noncurrent loans and leases . . . . .	70.86	82.86	77.22	73.84	66.98	62.99	76.44	81.29	103.55	84.81	82.96
Noncurrent loans and leases plus other real estate owned to assets . . . . .	2.92	1.69	1.92	2.81	3.82	4.35	2.03	1.57	1.43	2.69	2.43
Equity capital ratio . . . . .	6.47	9.02	7.71	6.34	5.26	5.67	7.04	7.05	7.70	6.52	6.68
Primary capital ratio . . . . .	7.98	9.93	8.62	7.70	7.38	7.72	8.02	7.94	8.98	7.67	8.39
Net loans and leases to deposits . . . . .	77.51	58.26	69.52	80.69	85.91	82.81	76.63	74.25	66.87	53.64	87.38
<b>Growth Rates (year-to-year)</b>											
Assets . . . . .	2.7%	7.0%	9.5%	6.6%	3.1%	-0.1%	4.9%	3.3%	8.0%	0.1%	6.5%
Equity capital . . . . .	7.0	5.2	10.4	6.5	11.5	1.9	6.5	6.2	9.3	17.8	13.6
Net interest income . . . . .	2.9	6.1	8.8	7.3	4.3	-0.6	7.3	2.8	0.6	10.9	4.2
Net income . . . . .	6.5	-0.7	-3.6	-43.2	256.9	N/M	-22.4	-13.4	8.3	N/M	3.6
Noncurrent loans and leases plus other real estate owned . . . . .	31.1	8.2	29.5	78.6	27.8	53.9	76.3	37.7	10.1	-38.9	10.2
Net charge-offs . . . . .	26.9	0.8	28.1	47.2	28.1	54.8	61.5	2.7	-15.0	-31.8	8.9
Loan loss provision . . . . .	2.2	2.7	34.4	62.9	-25.4	-4.8	84.1	30.0	-3.4	-49.8	11.7
<b>PRIOR FULL YEARS</b> ( <i>The way it was . . .</i> )											
Return on assets . . . . . 1989	0.49%	0.77%	0.90%	0.64%	0.10%	-0.02%	0.88%	1.00%	1.01%	-0.08%	0.99%
. . . . . 1987	0.12	0.57	0.74	0.53	-0.65	-0.13	0.93	0.44	0.67	-0.62	-0.01
. . . . . 1985	0.70	0.66	0.84	0.87	0.51	0.78	1.01	0.82	0.69	0.43	0.34
Equity capital ratio . . . . . 1989	6.21	8.92	7.47	6.12	4.86	5.55	6.93	6.86	7.61	5.54	6.26
. . . . . 1987	6.04	8.55	7.29	6.14	4.41	5.43	6.81	6.52	7.46	6.06	5.77
. . . . . 1985	6.20	8.50	7.20	5.84	4.91	5.67	6.60	6.81	7.34	6.86	5.53
Noncurrent loans and leases plus other real estate owned to assets . 1989	2.28	1.75	1.67	1.84	3.12	2.82	1.21	1.18	1.40	4.41	2.35
. . . . . 1987	2.46	2.10	1.80	1.81	3.47	2.44	1.04	1.27	1.87	5.82	3.28
. . . . . 1985	1.87	2.13	1.70	1.49	2.19	1.55	1.07	1.49	2.22	2.75	2.83
Net charge-offs to loans and leases . 1989	1.16	0.75	0.74	1.06	1.54	1.32	0.59	0.91	1.20	1.92	1.18
. . . . . 1987	0.92	1.15	0.88	0.94	0.89	0.67	0.69	0.68	1.57	1.99	1.07
. . . . . 1985	0.84	1.41	0.84	0.70	0.79	0.49	0.59	0.68	1.70	1.46	1.19

N/M—Not meaningful

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. Fourth Quarter 1990 Bank Data (Dollar figures in billions, ratios in %)**

	All Banks	Asset Size Distribution				Geographic Distribution					
		Less than \$100 Million	\$100 Million to \$1 Billion	\$1-10 Billion	Greater than \$10 Billion	EAST			WEST		
						Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
<b>PRELIMINARY FOURTH QUARTER</b> <i>(The way it is . . . )</i>											
Number of banks reporting . . . . .	12,338	9,249	2,715	325	49	1,068	1,956	2,716	2,954	2,179	1,465
Net income (in millions) . . . . .	1,392	408	915	15	54	-1,670	518	1,061	535	134	815
Percentage of banks losing money . . . . .	21.0%	22.1%	15.9%	29.5%	30.6%	38.0%	26.4%	11.4%	16.5%	24.2%	23.3%
Percentage of banks with earnings gains . . . . .	53.6%	54.0%	53.1%	44.3%	55.1%	39.2%	50.5%	55.1%	54.7%	59.6%	54.2%
<b>Performance Ratios (annualized)</b>											
Yield on earning assets . . . . .	11.15%	10.41%	10.64%	10.69%	12.00%	11.88%	10.61%	10.66%	10.38%	10.31%	11.15%
Cost of funding earning assets . . . . .	7.04	5.92	6.08	6.45	8.33	8.26	6.35	6.55	6.10	6.11	6.12
Net interest margin . . . . .	4.11	4.49	4.56	4.24	3.67	3.62	4.26	4.11	4.28	4.20	5.03
Net noninterest expense to earning assets . . . . .	2.27	3.04	2.62	2.23	1.90	2.11	2.32	2.13	1.99	2.90	2.57
Net operating cash flow to assets . . . . .	1.61	1.32	1.75	1.77	1.51	1.33	1.72	1.75	2.04	1.11	2.15
Net operating income to assets . . . . .	0.11	0.43	0.57	-0.05	-0.08	-0.61	0.33	0.76	0.93	0.14	0.60
Return on assets . . . . .	0.17	0.46	0.57	0.01	0.02	-0.51	0.41	0.78	0.96	0.20	0.61
Return on equity . . . . .	2.56	5.03	7.28	0.09	0.31	-9.16	5.79	11.00	12.15	3.06	9.19
Net charge-offs to loans and leases . . . . .	1.58	1.06	1.20	1.78	1.70	2.07	1.22	0.99	1.13	1.77	1.40
Loan loss provision to net charge-offs . . . . .	139.51	109.97	130.15	158.94	130.84	148.48	163.77	128.31	116.94	102.37	122.43
<b>Growth Rates (year-to-year)</b>											
Net interest income . . . . .	4.2%	7.2%	9.4%	7.3%	6.9%	-1.6%	8.0%	5.9%	1.0%	23.7%	5.1%
Net income . . . . .	-30.8	-3.4	-14.0	-97.9	-60.9	N/M	-33.4	-10.6	46.3	N/M	-31.9
Net charge-offs . . . . .	-15.0	0.7	26.7	41.7	-38.3	-14.5	47.7	-36.6	-20.5	-47.9	2.0
Loan loss provision . . . . .	8.0	1.1	46.2	54.3	-12.1	-2.6	78.7	72.0	-8.4	-54.1	55.5
<b>PRIOR FOURTH QUARTERS</b> <i>(The way it was . . . )</i>											
Return on assets . . . . . 1989	0.25%	0.36%	0.70%	0.09%	0.12%	-0.35%	0.66%	0.90%	0.69%	-0.62%	0.96%
1987	0.42	0.21	0.58	0.39	0.40	0.61	0.79	0.43	0.74	-1.13	0.42
1985	0.51	-0.00	0.59	0.84	0.47	0.74	0.78	0.73	0.27	-0.12	0.13
Net charge-offs to loans and leases . 1989	1.92	1.19	1.10	1.43	2.91	2.43	0.87	1.63	1.47	3.28	1.52
1987	1.25	1.57	1.18	1.40	1.23	0.16	1.14	1.11	2.01	2.46	1.29
1985	1.22	2.45	1.37	0.90	1.02	0.66	0.91	0.97	2.70	2.40	1.55

N/M - not meaningful

**NOTES TO USERS**

**COMPUTATION METHODOLOGY FOR PERFORMANCE AND CONDITION RATIOS**

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 uniform 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 "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.

**Net Noninterest Expense**—total noninterest expense, excluding the expense of providing for loan losses, less total noninterest income. A measure of banks' overhead costs.

**Net Operating Income**—income after taxes and before gains (or losses) from securities transactions and from nonrecurring items. The profit earned on banks' regular banking business.

**Net Operating Cash Flow**—pre-tax net operating income before the provision for loan and lease losses; a measurement of banks' cash flow, net of interest and overhead expenses, from regular operations. Previously referred to as "adjusted net operating income".

**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.

**Primary Capital**—total equity capital plus the allowance for loan and lease losses plus minority interests in consolidated subsidiaries plus qualifying mandatory convertible debt (cannot exceed 20 percent of total primary capital), less intangible assets except purchased mortgage servicing rights.

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

**Temporary Investments**—the sum of interest-bearing balances due from depository institutions, federal funds sold and resold, 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, 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.**

**Table III. Full Year 1990 Savings Bank Data (Dollar figures in billions, ratios in %)**

	All BIF-Insured Savings Banks	Asset Size Distribution			Geographic Distribution		
		Less than \$100 Million	\$100 Million to \$1 Billion	Greater than \$1 billion	New England	Other Northeast	Rest of U.S.
<b>FULL YEAR Preliminary</b>							
Number of savings banks reporting .....	473	135	277	61	346	109	18
Total assets .....	\$ 260.73	\$ 6.99	\$ 89.36	\$ 164.38	\$ 110.92	\$ 137.01	\$ 12.80
Total deposits .....	213.86	6.22	76.77	130.86	93.43	111.75	8.68
Net income (in millions) .....	-2,372	-31	-697	-1,645	-1,739	-712	79
Percentage of banks losing money .....	40.38%	37.04%	38.63%	55.74%	45.67%	29.36%	5.56%
Percentage of banks with earnings gains .....	25.16	29.63	22.74	26.23	18.79	40.37	55.56
<b>Performance Ratios</b>							
Yield on earning assets .....	10.05%	10.16%	10.24%	9.95%	10.22%	9.88%	10.46%
Cost of funding earning assets .....	7.41	6.97	7.15	7.56	7.43	7.38	7.53
Net interest margin .....	2.64	3.19	3.09	2.38	2.79	2.50	2.93
Net noninterest expense to earning assets .....	2.11	2.62	2.38	1.95	2.52	1.86	1.29
Return on assets .....	-0.89	-0.45	-0.79	-0.97	-1.56	-0.51	0.61
Return on equity .....	-12.53	-5.17	-9.25	-15.22	-20.46	-7.56	7.84
Net charge-offs to loans and leases .....	1.20	0.89	1.26	1.18	1.75	0.77	0.48
Loan loss provision to net charge-offs .....	157.03	139.14	143.18	166.03	145.29	180.09	177.76
<b>Condition Ratios</b>							
Loss allowance to:							
Loans and leases .....	1.74%	0.92%	1.51%	1.90%	2.16%	1.42%	0.98%
Noncurrent loans and leases .....	31.36	23.48	33.13	30.82	36.72	25.32	66.55
Noncurrent loans and leases plus other real estate to assets .....	5.03	3.81	4.66	5.29	6.22	4.32	2.18
Noncurrent RE loans to total RE loans .....	5.35	3.91	4.48	5.93	5.63	5.52	1.44
Equity capital ratio .....	6.70	8.34	7.87	6.00	6.70	6.58	8.06
Net loans and leases to deposits .....	83.10	79.80	83.19	83.19	85.71	79.49	101.41
<b>Growth Rates (year-to-year)</b>							
Net interest income .....	-3.14%	0.62%	0.51%	-3.50%	-9.60%	0.24%	33.14%
Net income .....	N/M	N/M	N/M	N/M	N/M	N/M	52.43
Net charge-offs* .....	68.50	231.17	148.19	78.05	70.65	58.41	139.71
Loan loss provision .....	56.09	186.50	92.75	78.24	36.95	96.18	205.50

**Table IV. Fourth Quarter 1990 Savings Bank Data (Dollar figures in billions, ratios in %)**

	All BIF-Insured Savings Banks	Asset Size Distribution			Geographic Distribution		
		Less than \$100 Million	\$100 Million to \$1 Billion	Greater than \$1 billion	New England	Other Northeast	Rest of U.S.
<b>FOURTH QUARTER Preliminary</b>							
Number of savings banks reporting .....	473	135	277	61	346	109	18
Net Income (in millions) .....	-1,202	-22	-438	-742	-920	-318	37
Percentage of banks losing money .....	47.78%	40.74%	49.82%	54.10%	55.78%	28.44%	11.11%
Percentage of banks with earnings gains .....	37.21	44.44	32.49	42.62	32.37	50.46	50.00
<b>Performance Ratios (annualized)</b>							
Yield on earning assets .....	10.08%	10.13%	10.44%	9.88%	10.32%	9.84%	10.55%
Cost of funding earning assets .....	7.46	6.97	7.38	7.52	7.60	7.34	7.46
Net interest margin .....	2.63	3.16	3.06	2.36	2.72	2.51	3.10
Net noninterest expense to earning assets .....	2.54	2.88	2.77	2.41	3.21	2.13	1.15
Return on assets .....	-1.84	-1.26	-1.97	-1.79	-3.31	-0.92	1.13
Return on equity .....	-26.67	-14.95	-24.28	-29.03	-47.14	-13.83	14.38
Net charge-offs to loans and leases .....	2.10	1.54	2.22	2.05	3.07	1.29	1.35
Loan loss provision to net charge-offs .....	132.38	135.18	134.04	131.23	135.17	136.98	30.07
<b>Growth Rates (year-to-year)</b>							
Assets .....	-6.85%	4.06%	2.67%	-6.78%	-3.78%	-10.45%	10.07%
Equity capital .....	-11.60	-2.36	-9.68	-14.01	-19.27	-7.01	18.44
Net interest income .....	-1.08	0.71	5.19	-5.09	-6.17	-0.42	51.56
Net income .....	N/M	N/M	N/M	N/M	N/M	N/M	82.65
Noncurrent loans and leases plus other real estate owned* .....	75.42	74.47	95.19	96.69	62.50	111.19	5.54
Net charge-offs* .....	27.71	201.72	87.21	56.52	20.28	37.97	469.42
Loan loss provision .....	6.25	117.37	50.82	6.96	6.95	4.91	1.94

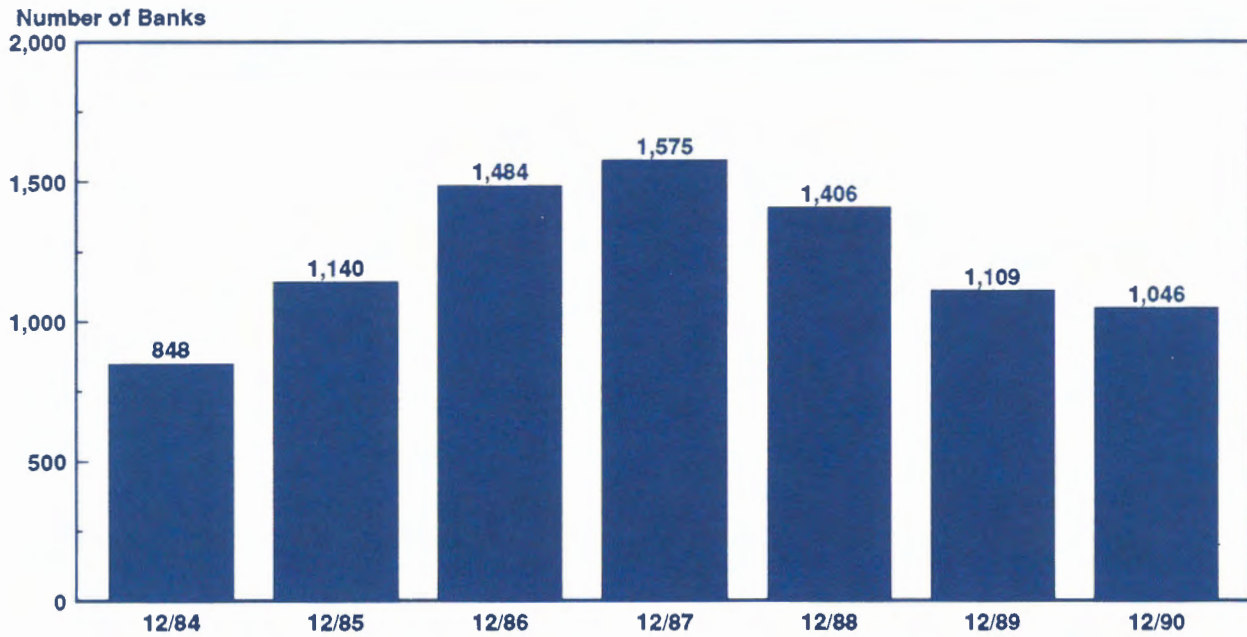
Geographic Distribution: New England – Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont  
Other Northeast – Delaware, Maryland, New Jersey, New York, Pennsylvania  
Rest of U.S. – Alaska, Florida, Indiana, Oregon, Washington

N/M – Not meaningful

\*These growth rates do not include Federally-chartered Savings Banks



## Number of Commercial and Savings Banks on FDIC's "Problem List" 1984 - 1990



## Assets of Commercial and Savings Banks on FDIC's "Problem List" 1984 - 1990

