The FDIC Quarterly Banking Profile

Andrew C. Hove, Jr., Chairman

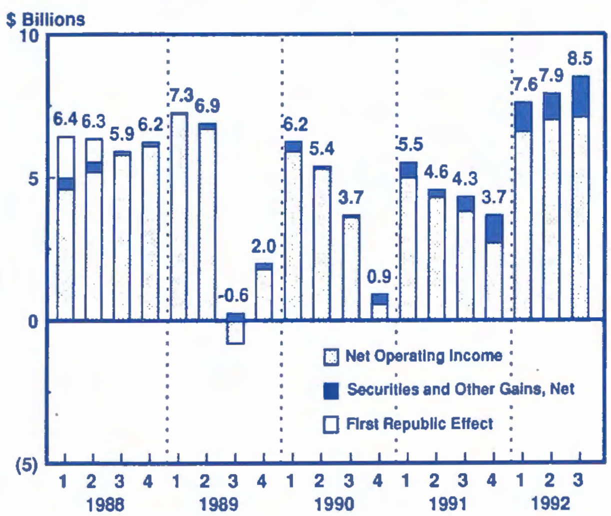
Third Quarter, 1992

COMMERCIAL BANKING PERFORMANCE - THIRD QUARTER, 1992

- ***Commercial Banks Report Third Consecutive Quarterly Earnings Record***
- ***Net Income Of $8.5 Billion Is Twice The Amount Earned A Year Ago***
- ***Loans Register First Increase In Six Quarters***
- ***Troubled Loans Continue Gradual Shrinkage***

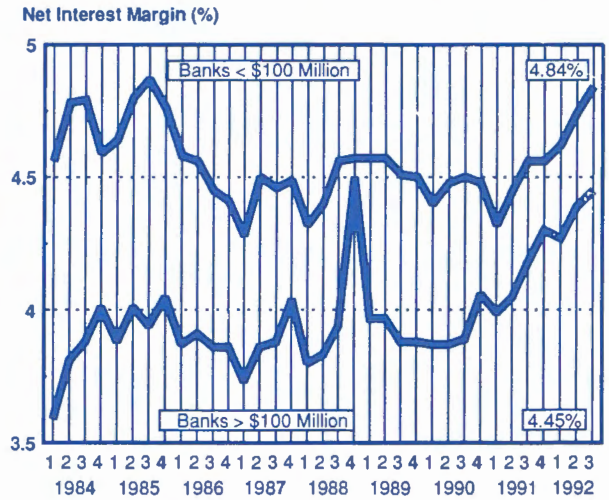
Aided by favorable interest rate conditions and moderating asset-quality problems, commercial banks reported earnings of $8.5 billion in the third quarter of 1992. This marked the third consecutive quarter that bank profits have set a new record. Third quarter net income was almost twice the $4.3 billion earned a year earlier, bringing total earnings for the first nine months of 1992 to $24.1 billion. The year-to-year improvement in earnings is attributable to the continued decline in interest rates and further modest improvements in asset quality. Falling interest rates produced wider net interest margins in the quarter, with net interest income up by $3 billion compared to the third quarter of 1991. Lower interest rates also resulted in higher market values for banks' investment securities portfolios, and banks realized $1.3 billion in gains from sales of securities, an increase of $600 million from a year earlier. Provisions for future loan losses, at $6.8 billion, were down by $2.2 billion. The average return on assets for the quarter was 0.99 percent, surpassing the quarterly record of 0.94 percent set in the previous quarter, and up from 0.50 percent in the third quarter of 1991.

Chart A - Quarterly Net Income of FDIC-Insured Commercial Banks, 1988 - 1992



Lower interest rates in the third quarter reduced the interest income that banks earned and the interest expense they paid. The persistent wide yield differential between long- and short-term interest rates and the increased proportion of equity funding meant that interest expense fell more sharply than interest income, producing increased net interest income. Total interest income of $63.7 billion was $8.4 billion less than in the third quarter of 1991, while total interest expense of $29.6 billion was $11.4 billion below the year-earlier level. As a result, net interest income of $34.1 billion was $3 billion higher. The average net interest margin for commercial banks was 4.49 percent, up from 4.22 percent a year earlier. This was the widest quarterly net interest margin reported by commercial banks since quarterly income reporting began in 1983, and marked the sixth consecutive quarter that net interest margins have widened.

Chart B - Quarterly Net Interest Margins of FDIC-Insured Commercial Banks, 1984 - 1992



Troubled assets held by commercial banks fell for the second consecutive quarter, as a $2.5-billion decline in noncurrent loans outweighed a $237-million increase in other real estate owned. Noncurrent loans have fallen in each of the last six quarters, from $83.3

FDIC
Division of Research & Statistics

Don Inscoe
(202) 898-3940

Ross Waldrop
(202) 898-3951

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.

billion at the end of the first quarter of 1991 to $69.4 billion at the end of September. The largest reduction in noncurrent loans in the third quarter occurred in commercial and industrial loans, which fell by $1.3 billion, as banks took net charge-offs of $1.9 billion. Noncurrent real estate loans fell by only $824 million, despite net charge-offs of real estate loans in the third quarter totalling $2.6 billion, indicating that real estate loan portfolios continue to experience new problems. Banks' reserves for future loan losses increased slightly during the quarter. At the end of September, commercial banks held 79.7 cents of reserves for every dollar of noncurrent loans, the highest proportion since the first quarter of 1990.

High levels of retained earnings and a favorable environment for new debt and equity issues continued to boost commercial banks' net worth in the third quarter. Total equity capital increased by $8.8 billion, to $257.3 billion at the end of September. Retained earnings contributed $5.6 billion of the capital increase. The industry's average equity-capital-to-assets ratio rose to 7.39 percent, its highest level since 1966.

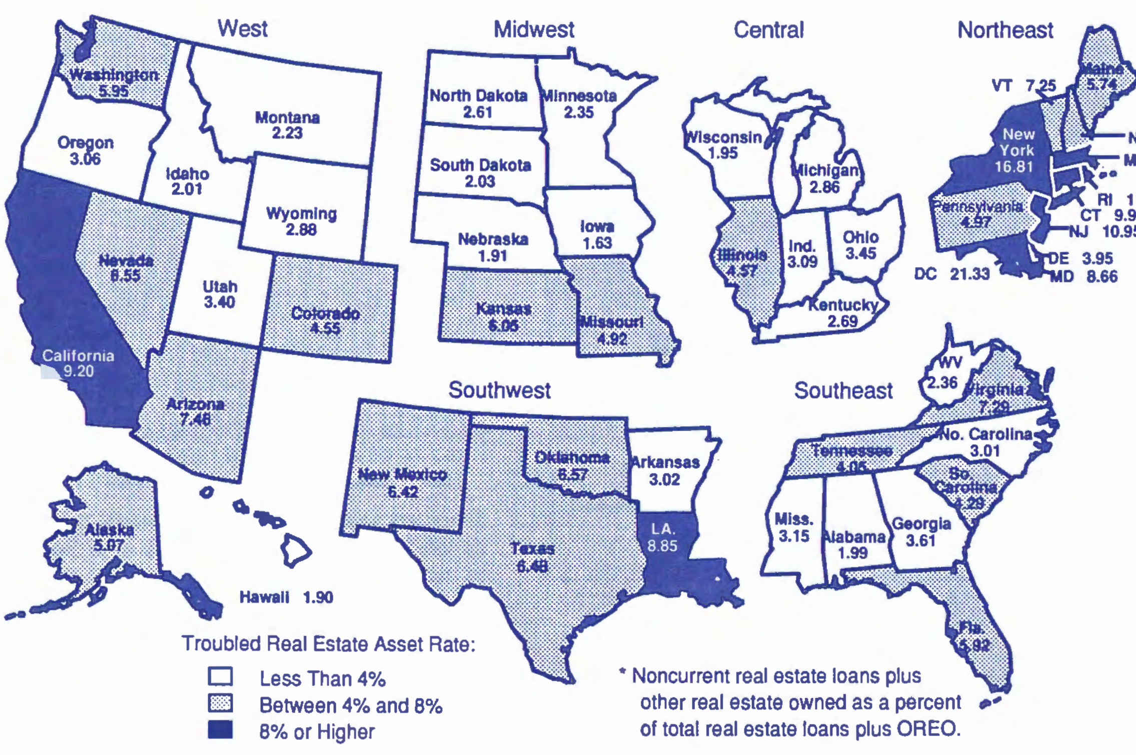
Commercial bank assets grew by $43 billion in the third quarter, led by expanded securities holdings. Mortgage-backed securities grew by $12.1 billion and U.S. Treasury securities increased by $10 billion. Loans and leases registered a $3.7 billion increase during the quarter, ending six consecutive quarters of loan shrinkage. Residential mortgages, consumer installment loans and home equity lines of credit were the main areas of lending strength, offsetting a $6.6-billion decline in commercial and industrial loans.

Banks in the West Region were the only regional group to show an increase in their proportion of troubled assets in the third quarter. Other real estate owned grew by $582 million, overshadowing a $134-million drop in noncurrent loans. West Region banks were also the only group that did not experience an improvement in their average net interest margin during the quarter, as average asset yields fell sharply. Despite some evidence of continuing asset-quality problems, banks in the West Region reported higher earnings than a year ago due largely to lower provisioning for future loan losses. Banks in the Northeast Region continue to have the highest average proportion of troubled assets, as well as the highest level of loan losses, but both indicators show improving trends.

The number of insured commercial banks reporting financial results fell to 11,590 at the end of September, a net decrease of 96 institutions during the quarter. Ten new commercial banks were chartered and 98 banks merged with other institutions. Only nine commercial banks failed in the third quarter, the lowest quarterly total since seven banks failed in the fourth quarter of 1983. The number of commercial banks on the FDIC's "Problem List" fell by 47, to 909 at the end of the quarter. Combined assets of "Problem" banks, at $487.9 billion, remained well above the level of a year earlier, but were below the $528 billion reported at the end of 1991.

For calendar year 1992, commercial banks should easily surpass the previous full-year earnings record of $24.9 billion, set in 1988. Prospects for 1993 depend on the strength of the economy and the level of interest rates, but commercial banks as a whole appear poised for continued strong earnings. Net interest margins will probably be narrower, but loan demand should continue to strengthen. As economic conditions improve, more substantial reductions in troubled assets may be realized. Strong capital growth has increased banks' lending capacity, and the proportion of highly liquid securities in their asset portfolios has risen, so that they should be able to accommodate a strong increase in loan demand if it materializes.

Chart C - Troubled Real Estate Asset Rates* By State, September 30, 1992



REAL ESTATE LOAN PERFORMANCE AND OTHER REAL ESTATE OWNED, SEPTEMBER 30, 1992

	ASSET SIZE					GEOGRAPHIC DISTRIBUTION					
	ALL BANKS	LESS THAN $100MM	$100MM 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	1.88%	1.58%	1.62%	1.87%	2.20%	2.52%	1.46%	1.47%	1.19%	1.48%	2.03%
Construction and development	3.00	1.63	2.74	3.54	2.93	3.21	1.83	3.03	2.15	1.34	3.89
Commercial real estate	2.14	1.45	1.62	2.07	3.09	3.38	1.27	1.37	1.55	1.37	2.45
Multifamily residential real estate	2.21	1.49	1.33	2.00	3.32	3.24	1.39	1.66	1.54	1.26	2.32
1-4 Family residential	1.47	1.21	1.23	1.50	1.76	2.39	1.09	0.87	0.63	1.27	1.54
Home equity lines of credit	1.03	1.39	1.01	0.86	1.16	1.42	0.71	0.86	0.70	1.49	0.80
Commercial R/E loans not secured by real estate	2.23	1.13	3.00	2.09	2.22	2.78	1.24	1.00	1.11	0.56	2.80
PERCENT OF LOANS NONCURRENT*											
All real estate loans	4.30%	1.64%	2.18%	4.05%	7.07%	7.23%	2.48%	1.91%	1.53%	2.50%	5.12%
Construction and development	14.50	2.76	5.62	12.65	21.96	23.76	6.31	6.00	2.41	4.01	16.90
Commercial real estate	5.77	2.10	3.01	5.33	10.84	10.01	3.82	2.78	3.12	3.89	5.92
Multifamily residential real estate	5.02	1.96	2.54	4.48	8.40	8.85	3.12	2.21	2.08	2.34	5.14
1-4 Family residential	1.47	1.21	1.23	1.50	1.76	2.39	1.09	0.87	0.63	1.27	1.54
Home equity lines of credit	0.96	0.90	0.83	0.65	1.33	1.70	0.41	0.37	0.29	0.74	0.70
Commercial R/E loans not secured by real estate	7.84	3.09	4.64	3.79	9.89	13.65	4.03	2.98	3.52	1.02	5.78
PERCENT OF LOANS CHARGED-OFF *(NET, ANNUALIZED)*											
All real estate loans	0.95%	0.19%	0.30%	0.82%	1.83%	1.66%	0.51%	0.84%	0.45%	0.43%	0.73%
Construction and development	3.12	0.31	0.70	2.77	4.92	5.65	1.46	1.80	1.15	0.99	2.52
Commercial real estate	1.40	0.28	0.48	1.10	3.20	2.10	0.84	1.93	1.08	0.65	0.87
Multifamily residential real estate	1.53	0.47	0.47	0.90	3.20	3.06	0.55	0.99	1.31	0.44	0.77
1-4 Family residential	0.21	0.14	0.13	0.21	0.31	0.43	0.17	0.07	0.08	0.19	0.11
Home equity lines of credit	0.15	0.20	0.14	0.15	0.14	0.23	0.08	0.04	0.08	0.17	0.13
Commercial R/E loans not secured by real estate	4.67	3.35	1.92	1.78	6.07	8.11	0.94	6.99	1.41	0.39	1.78
TOTAL LOANS OUTSTANDING *($ BILLIONS)*											
All real estate loans	$865.2	$98.9	$221.8	$257.9	$286.5	$262.0	$166.8	$148.3	$57.0	$54.7	$176.3
Construction and development	87.7	6.1	16.7	28.4	36.5	27.7	15.9	11.9	3.4	4.1	24.7
Commercial real estate	252.4	26.4	72.6	87.1	66.4	71.8	52.5	44.8	15.1	18.6	49.5
Multifamily residential real estate	26.9	2.1	7.2	8.9	8.8	8.4	4.6	4.9	1.8	1.6	5.6
1-4 Family residential	381.7	50.9	104.6	102.9	123.3	104.5	78.2	69.5	28.4	27.4	73.7
Home equity lines of credit	73.3	3.0	14.8	27.9	27.6	27.0	12.1	11.8	2.4	0.8	19.3
Commercial R/E loans not secured by real estate	21.7	0.5	2.0	4.9	14.2	7.9	2.7	2.8	0.6	0.8	6.8
OTHER REAL ESTATE OWNED *($ BILLIONS)*											
All other real estate owned	$28.0	$2.0	$4.8	$7.6	$13.7	$13.3	$3.7	$2.3	$1.2	$2.3	$5.2
Construction and development	6.8	0.3	1.1	2.7	2.7	3.1	1.1	0.4	0.2	0.4	1.5
Commercial real estate	14.5	0.9	2.3	3.6	7.7	6.4	2.0	1.4	0.7	1.3	2.7
Multifamily residential real estate	2.1	0.1	0.3	0.4	1.3	1.4	0.1	0.1	0.1	0.1	0.3
1-4 Family residential	3.0	0.6	0.9	0.6	0.8	1.2	0.5	0.2	0.1	0.4	0.6
Home equity lines of credit	0.5	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.2	0.1
Other real estate owned in foreign offices	1.2	0.0	0.0	0.0	1.1	1.2	0.0	0.0	0.0	0.0	0.0

* 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.

Table I. Selected Indicators, FDIC-Insured Commercial Banks

	*1992**	*1991**	*1991*	*1990*	*1989*	*1988*	*1987*
Return on assets	0.96%	0.59%	0.54%	0.49%	0.49%	0.82%	0.09%
Return on equity	13.52	8.88	8.09	7.61	7.78	13.30	1.55
Equity capital to assets	7.39	6.71	6.76	6.45	6.21	6.28	6.04
Noncurrent loans and leases plus other real estate owned to assets	2.80	3.07	2.99	2.90	2.26	2.14	2.46
Net charge-offs to loans	1.26	1.51	1.60	1.44	1.16	1.00	0.92
Asset growth rate	1.40	1.47	1.21	2.73	5.37	4.36	2.01
Net operating income growth	67.01	−11.71	−0.74	3.20	−38.53	1554.74	−89.65
Percentage of unprofitable banks	6.48	11.43	11.19	13.41	12.50	14.65	17.66
Number of institutions	11,590	12,073	11,920	12,340	12,707	13,139	13,696
Number of problem banks	909	1,005	1,016	1,012	1,092	1,394	1,559
Assets of problem banks *(billions)*	$487.9	$401.0	$528.0	$341.6	$187.9	$304.8	$329.2
Number of failed/assisted banks	64	82	108	159	206	221	201

* 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 3nd Qtr 1992	2nd Qtr 1992	3rd Qtr 1991	%Change 91:3-92:3
Number of banks reporting	11,590	11,686	12,073	−4.0
Total employees (full-time equivalent)	1,474,058	1,479,375	1,492,227	−1.2
CONDITION DATA				
Total assets	$3,481,467	$3,438,536	$3,433,326	1.4
Real estate loans	864,638	858,094	847,442	2.0
Commercial & industrial loans	539,501	546,090	572,194	−5.7
Loans to individuals	381,277	378,140	386,240	−1.3
Farm loans	36,719	35,968	35,949	2.1
Other loans and leases	214,136	214,296	219,142	−2.3
Total loans and leases	2,036,270	2,032,588	2,060,967	−1.2
LESS: Reserve for losses	55,287	55,300	54,333	1.8
Net loans and leases	1,980,983	1,977,289	2,006,634	−1.3
Temporary investments	516,813	507,487	508,784	1.6
Securities over 1 year	575,140	553,657	490,867	17.2
All other assets	408,531	400,103	427,040	−4.3
Total liabilities and capital	3,481,467	3,438,536	3,433,326	1.4
Noninterest-bearing deposits	487,676	486,570	464,703	4.9
Interest-bearing deposits	2,157,792	2,170,142	2,201,378	−2.0
Other borrowed funds	422,721	395,298	398,275	6.1
Subordinated debt	30,233	27,576	24,448	23.7
All other liabilities	125,788	110,482	114,212	10.1
Equity capital	257,258	248,466	230,311	11.7
Goodwill	6,068	5,650	4,578	32.5
Loans and leases 30-89 days past-due	34,060	34,124	39,802	−14.4
Noncurrent loans and leases	69,391	71,879	80,537	−13.8
Restructured loans and leases	10,783	10,686	9,519	13.3
Other real estate owned	27,984	27,747	24,952	12.1
Loan commitments and letters of credit	1,428,171	1,402,459	1,350,648	5.7
Domestic office assets	3,063,449	3,030,702	3,028,340	1.2
Foreign office assets	418,018	407,834	404,986	3.2
Domestic office deposits	2,343,541	2,353,145	2,364,215	−0.9
Foreign office deposits	301,926	303,567	301,866	0.0
Earning assets	3,072,936	3,038,432	3,006,286	2.2
Volatile liabilities	971,515	959,472	1,026,201	−5.3

INCOME DATA	Preliminary First Three Qtrs 1992	First Three Qtrs 1991	%Change	Preliminary 3rd Qtr 1992	3rd Qtr 1991	%Change 91:3-92:3
Total interest income	$193,565	$218,719	−11.5	$63,688	$72,066	−11.6
Total interest expense	94,728	128,156	−26.1	29,611	41,023	−27.8
Net interest income	98,836	90,563	9.1	34,077	31,044	9.8
Provision for loan losses	19,686	24,037	−18.1	6,763	8,939	−24.3
Total noninterest income	49,229	44,057	11.7	17,033	15,206	12.0
Total noninterest expense	96,928	91,267	6.2	33,301	31,817	4.7
Securities gains (losses)	3,221	1,515	112.6	1,287	687	87.5
Applicable income taxes	10,848	6,773	60.2	3,922	2,030	93.2
Extraordinary gains, net	326	761	−57.2	94	104	−10.2
Net income	24,150	14,820	62.9	8,505	4,254	99.9
Net charge-offs	18,686	23,389	−20.1	6,681	8,430	−20.8
Cash dividends on capital stock	8,642	10,155	−14.9	2,891	2,779	4.0
Net operating income	21,460	12,850	67.0	7,494	3,587	108.9

Table III. First Three Quarters 1992 Commercial 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	11,590	8,434	2,781	327	48	941	1,901	2,559	2,813	2,066	1,310
Total assets	$3,481.5	$345.1	$675.3	$1,036.2	$1,424.8	$1,326.6	$532.0	$571.3	$234.1	$275.1	$542.5
Total deposits	2,645.5	304.7	580.8	780.9	979.1	912.5	419.1	447.4	191.0	234.6	441.0
Net income *(in millions)*	24,150	2,882	5,239	8,025	8,003	7,920	4,105	4,314	2,245	2,272	3,294
Percentage of banks losing money	6.5%	6.5%	6.1%	8.3%	8.3%	15.0%	7.6%	3.9%	2.0%	5.1%	15.6%
Percentage of banks with earnings gains	78.2	77.1	81.2	82.0	89.6	78.2	83.2	79.0	74.5	82.7	70.6
Performance Ratios *(annualized)*											
Yield on earning assets	8.75%	8.72%	8.58%	8.46%	9.08%	9.15%	8.52%	8.58%	8.48%	7.87%	8.80%
Cost of funding earning assets	4.28	3.98	3.83	3.69	5.07	5.12	3.86	4.01	3.97	3.50	3.49
Net interest margin	4.47	4.74	4.75	4.77	4.01	4.02	4.66	4.57	4.51	4.36	5.31
Noninterest income to earning assets	2.23	1.08	1.32	2.51	2.79	2.75	1.72	1.66	2.33	1.73	2.29
Noninterest expense to earning assets	4.38	3.84	3.94	4.62	4.58	4.46	4.18	3.94	4.26	4.25	5.03
Net operating income to assets	0.86	1.03	0.98	0.96	0.67	0.67	0.99	0.99	1.21	0.97	0.80
Return on assets	0.96	1.13	1.05	1.05	0.81	0.83	1.07	1.05	1.29	1.12	0.86
Return on equity	13.52	12.09	13.04	14.31	13.66	13.09	14.17	13.72	15.40	15.53	11.54
Net charge-offs to loans and leases	1.26	0.46	0.68	1.36	1.64	1.77	0.76	1.05	0.83	0.74	1.14
Loan loss provision to net charge-offs	105.35	126.61	126.43	110.51	96.27	98.99	116.74	107.60	115.62	91.13	118.21
Condition Ratios											
Loss allowance to:											
Loans and leases	2.72%	1.78%	1.90%	2.80%	3.24%	3.38%	2.07%	1.89%	2.04%	2.38%	3.04%
Noncurrent loans and leases	79.67	100.42	89.76	95.79	68.34	68.57	102.74	102.59	127.78	105.60	75.95
Noncurrent loans and leases plus other real estate to assets	2.80	1.51	1.94	2.50	3.73	3.81	1.89	1.50	1.41	1.88	3.63
Equity capital ratio	7.39	9.56	8.29	7.68	6.23	6.57	7.75	7.87	8.69	7.48	7.91
Core capital (leverage) ratio	7.16	9.47	8.15	7.37	5.96	6.53	7.55	7.69	8.50	7.34	7.06
Net loans and leases to deposits	74.88	58.83	66.29	78.23	82.31	80.04	74.06	75.25	67.94	52.70	79.44
Growth Rates *(year-to-year)*											
Assets	1.4%	4.6%	5.2%	5.9%	14.5%	2.6%	1.7%	1.9%	2.1%	1.2%	−2.3%
Equity capital	11.7	8.1	10.5	16.6	31.3	12.9	10.4	8.6	8.4	11.7	15.5
Net interest income	9.1	12.6	13.0	14.7	23.5	10.6	13.5	11.2	4.8	16.3	0.4
Net income	62.9	42.4	37.4	86.1	75.5	164.9	54.3	18.5	20.6	70.7	40.9
Noncurrent loans and leases plus other real estate owned	−7.7	−7.6	−0.4	−11.5	13.8	−8.6	−15.6	−13.2	−10.3	−22.7	9.5
Net charge-offs	−20.1	−11.9	−11.8	−11.4	−12.9	−26.8	−26.4	28.7	−18.2	−36.8	−13.3
Loan loss provision	−18.1	−10.1	−11.1	−17.9	5.5	−16.2	−31.6	12.9	−13.9	−34.5	−27.7
PRIOR FIRST THREE QUARTERS *(The way it was . . .)*											
Return on assets 1991	0.59%	0.93%	0.76%	0.64%	0.39%	0.32%	0.71%	0.89%	1.10%	0.67%	0.57%
1989	0.57	0.86	0.93	0.83	0.08	0.10	0.95	1.03	1.10	0.06	1.00
1987	0.02	0.65	0.71	0.58	−1.03	−0.39	0.98	0.44	0.65	−0.47	−0.16
Equity capital ratio 1991	6.71	9.14	7.79	6.96	5.35	5.97	7.14	7.38	8.18	6.77	6.69
1989	6.34	9.15	7.60	6.39	4.80	5.70	7.07	6.94	7.76	5.90	6.25
1987	6.13	8.80	7.48	6.27	4.35	5.42	7.05	6.80	7.61	6.46	5.64
Noncurrent loans and leases plus other real estate owned to assets 1991	3.07	1.73	2.14	2.93	3.99	4.28	2.28	1.77	1.60	2.46	3.24
1989	2.36	1.92	1.82	1.82	3.25	2.76	1.34	1.33	1.47	4.76	2.54
1987	2.56	2.27	2.00	1.86	3.53	2.51	1.14	1.40	2.04	5.49	3.55
Net charge-offs to loans and leases 1991	1.51	0.57	0.84	1.64	1.95	2.32	1.04	0.81	1.02	1.17	1.17
1989	0.89	0.63	0.63	0.90	1.08	0.92	0.50	0.66	1.10	1.51	1.06
1987	0.80	1.00	0.81	0.75	0.78	0.57	0.52	0.53	1.42	1.86	1.00

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 1992 Commercial Bank Data *(Dollar figures in billions, 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	11,590	8,434	2,781	327	48	941	1,901	2,559	2,813	2,066	1,310
Total assets	$3,481.5	$345.1	$675.3	$1,036.2	$1,424.8	$1,326.6	$532.0	$571.3	$234.1	$275.1	$542.5
Total deposits	2,645.5	304.7	580.8	780.9	979.1	912.5	419.1	447.4	191.0	234.6	440.9
Net income *(in millions)*	8,505	1,004	1,740	2,814	2,947	3,102	1,381	1,238	735	784	1,264
Percentage of banks losing money	6.8%	6.9%	6.0%	9.2%	4.2%	12.1%	6.9%	4.8%	3.1%	6.1%	15.4%
Percentage of banks with earnings gains	71.4	69.3	77.0	78.3	81.3	73.3	76.5	70.6	69.1	73.7	65.6
Performance Ratios *(annualized)*											
Yield on earning assets	8.39%	8.53%	8.37%	8.16%	8.54%	8.74%	8.14%	8.20%	8.26%	7.56%	8.47%
Cost of funding earning assets	3.90	3.68	3.52	3.33	4.59	4.73	3.44	3.62	3.64	3.13	3.13
Net interest margin	4.49	4.84	4.85	4.84	3.95	4.01	4.71	4.58	4.62	4.43	5.34
Noninterest income to earning assets	2.24	1.10	1.36	2.57	2.75	2.76	1.70	1.68	2.36	1.78	2.31
Noninterest expense to earning assets	4.39	3.90	4.02	4.68	4.48	4.40	4.24	3.97	4.39	4.30	5.00
Net operating income to assets	0.87	1.05	0.94	1.00	0.70	0.78	1.00	0.84	1.15	1.01	0.82
Return on assets	0.99	1.17	1.04	1.10	0.84	0.94	1.06	0.89	1.26	1.15	0.94
Return on equity	13.54	12.34	12.61	14.43	13.77	14.52	13.71	11.34	14.66	15.47	12.16
Net charge-offs to loans and leases	1.32	0.50	0.78	1.31	1.77	1.62	0.71	1.59	0.99	0.76	1.29
Loan loss provision to net charge-offs	101.22	125.52	125.30	114.95	86.97	100.24	117.10	97.48	103.38	81.15	104.04
Growth Rates *(year-to-year)*											
Net interest income	9.8%	11.6%	11.9%	14.4%	22.1%	9.8%	14.1%	10.5%	5.4%	15.2%	5.1%
Net income	99.9	39.2	40.6	99.2	146.7	256.4	69.8	9.4	26.8	62.2	237.1
Net charge-offs	−20.8	−13.1	−8.0	−16.9	−13.3	−36.9	−41.3	78.5	−3.8	−19.5	−6.2
Loan loss provision	−24.3	−12.0	−14.0	−17.6	−2.9	−21.0	−42.0	36.6	−17.4	−37.7	−46.3
PRIOR THIRD QUARTERS *(The way it was . . .)*											
Return on assets 1991	0.50%	0.84%	0.70%	0.62%	0.23%	0.28%	0.64%	0.82%	1.02%	0.72%	0.27%
1989	−0.10	0.84	0.83	0.78	−1.61	−1.40	0.89	0.98	1.01	−0.29	0.82
1987	0.79	0.65	0.74	0.84	0.84	0.94	1.05	0.92	0.99	−0.46	0.76
Net charge-offs to loans and leases											
1991	1.65	0.64	0.93	1.69	2.19	2.54	1.22	0.89	1.05	0.96	1.29
1989	0.97	0.67	0.75	1.07	1.07	0.99	0.57	0.65	1.46	1.73	1.10
1987	0.84	1.04	0.89	0.83	0.76	0.57	0.58	0.61	1.43	2.18	0.96

SAVINGS BANK PERFORMANCE - THIRD QUARTER, 1992

- *BIF-Insured Savings Banks Earn $354 Million*
- *Five Institutions Fail During the Quarter*
- *Troubled Assets Held by the Remaining Savings Banks Continue to Drop, While Their Capital Ratios Climb*

The 421 savings banks insured by the FDIC Bank Insurance Fund ("BIF") earned $354 million in the third quarter of 1992. This is the third quarter in a row in which savings banks have earned a profit, following 11 consecutive quarters of net losses. Net income was $137 million higher than the amount earned in the previous quarter and represented a $713 million improvement over the $359 million net loss reported in the third quarter last year. Much of the improvement reflects FDIC's resolution of troubled institutions during the last 12 months.[1] If the effect of resolutions is excluded, earnings of the remaining 421 savings banks increased $44 million from the second quarter of 1992.

Aggregate third quarter return on assets was 0.63 percent, up from 0.37 percent the previous quarter and a negative 0.58 percent registered in the third quarter of 1991. The 311 institutions in the New England states reported an aggregate return on assets of 0.47 percent, while the 95 savings banks in the other Northeastern states reported a significantly higher figure: 0.67 percent. Return on assets at the 15 savings banks located outside the Northeast averaged 1.72 percent.

The higher net income reported by BIF-insured savings banks in the third quarter is attributable to today's low interest rates, the wide spread between short- and long-term rates, and lower loan loss provisions. Securities gains are up substantially from the previous periods. Net interest margins have increased seven quarters in a row as falling interest rates have reduced savings banks' interest paid to depositors and other creditors faster than their income earned on loans and other assets decreased. Lower loan loss provisions are mainly the result of the failure of insolvent institutions.

Ninety-three percent of all savings banks were profitable in the third quarter, up from 87 percent the previous quarter. In aggregate, institutions in the New England states have lower earnings than institutions headquartered elsewhere in the Northeast. Eight percent of the New England institutions lost money, compared with five percent of the institutions in the other Northeastern states. All fifteen institutions headquartered outside of the Northeast were profitable in the third quarter.

Savings banks' troubled assets continue to decline. Troubled assets fell by $1.4 billion during the quarter (down 12 percent) and by $3.5 billion during the twelve month period. Much of the reduction in troubled assets is due to FDIC resolutions. Troubled assets held by the 421 surviving institutions fell by $289 million during the quarter. Their noncurrent loans declined by $431 million while their other real estate owned – primarily repossessed real estate – increased $142 million. Troubled assets held by the remaining institutions in the New England states decreased 4.1 percent (down by $198 million), while they decreased 1.3 percent (down $72 million) in the other Northeast states.

Reserve coverage of troubled loans improved at the surviving savings banks during the quarter due to the decline in noncurrent loans. As of September 30, 1992, institutions in the New England states held 53 cents in reserve for every dollar of troubled loans while those in the other Northeastern states held 34 cents. Reserve coverage levels remain strongest at the institutions located outside New England and the Northeast. These institutions held 88 cents in reserves for each dollar of noncurrent loans. Equity capital ratios continued to benefit from retained industry profits and shrinking assets. The 421 savings banks had an aggregate equity capital to assets ratio of 7.69 percent at the end of the third quarter, up from 7.30 percent at the end of the second quarter.

Total assets of BIF-insured savings banks declined by $9.2 billion (4 percent) during the quarter, mainly due to the failure of seven savings banks (including the two institutions which failed on October 2, 1992) with total assets of $6.8 billion. An unassisted merger resulted in a further asset shrinkage of $1.2 billion during the quarter.[2] Assets at the remaining 421 savings banks declined $1.2 billion. Their net loans were $965 million lower than the previous quarter and their mortgage-backed securities were $450 million lower. Home mortgage loans increased slightly – by $2 million while construction loans dropped $243 million and commercial real estate loans shrank $702 million.

Fourth quarter earnings are likely to fall below the amount earned in the third quarter, especially if the remaining savings banks increase their loan loss provisions. If short-term interest rates continue to rise, net interest margins at savings banks likely will narrow. The outlook for 1993 will depend on the economy in the Northeast and the level of interest rates. One of every five savings banks holding 32 percent of the industry's assets remain on FDIC's "problem list" despite removal of failed institutions and improvements at many survivors.

[1] Twenty-seven savings banks with $29.3 billion in assets failed since September 30, 1991, including two institutions – First Constitution Bank, New Haven, CT, and The Howard Savings Bank, Newark, NJ, – which failed on October 2, 1992 but did not file final September 30, 1992 Call reports.

[2] Shawmut Bank, NA, Boston, MA, an FDIC-insured commercial bank, absorbed The Provident Institution for Savings on September 26, 1992.

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

	1992*	1991*	1991	1990	1989	1988	1987
Return on assets	0.56%	−0.44%	−0.50%	−0.98%	−0.27%	0.44%	0.84%
Equity capital to assets	7.69	6.87	6.74	6.62	7.06	7.44	7.69
Noncurrent loans and leases plus other real estate owned to assets**	4.71	5.89	5.86	5.13	2.64	1.51	0.95
Noncurrent RE loans to total RE loans**	4.36	5.78	5.65	5.32	3.14	1.67	1.01
Asset growth rate	−6.24	−9.69	−8.35	−7.46	−1.52	8.52	10.54
Deposit growth rate	−5.32	−7.11	−5.68	−4.98	1.36	7.90	5.81
Number of institutions	421	445	441	469	489	492	484
Number of problem savings banks	84	76	74	34	17	12	16
Assets of problem savings banks *(billions)*	$70.4	$85.9	$81.8	$67.2	$47.6	$47.4	$29.3
Number of failed savings banks	16	10	19	10	1	0	2

* Through September 30; rates 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 1992	2nd Qtr 1992	3rd Qtr 1991	% Change 91:3-92:3
Number of savings banks reporting	421	430	445	−5.4
Total employees (full-time equivalent)	65,185	67,914	67,795	−3.9
CONDITION DATA				
Total assets	$222,519	$231,697	$237,319	−6.2
Mortgage loans	128,623	134,492	142,688	−9.9
1-4 family residential	90,372	93,514	96,195	−6.1
Construction and land development	3,488	4,037	5,954	−41.4
Commercial and multi-family	34,763	36,941	40,540	−14.2
All other loans and leases	13,942	14,617	17,812	−21.7
LESS: Reserves for losses	2,662	2,973	2,838	−6.2
LESS: Other contra accounts	415	478	630	−34.1
Net loans and leases	139,487	145,659	157,032	−11.2
Mortgage-backed securities	19,757	20,446	21,593	−8.5
Other real estate owned	4,274	4,602	4,620	−7.5
Goodwill	759	803	1,159	−34.5
All other assets	58,241	60,187	52,915	10.1
Total liabilities and capital	222,519	231,697	237,319	−6.2
Interest-bearing deposits	180,448	188,866	192,130	−6.1
Noninterest-bearing deposits	7,158	7,183	6,018	18.9
Other borrowed funds	15,480	15,876	19,569	−20.9
Subordinated debt	241	256	523	−53.9
Other liabilities	2,074	2,598	2,785	−25.5
Equity capital	17,118	16,918	16,294	5.1
Loans and leases 30-89 days past due	3,644	4,014	5,125	−28.9
Noncurrent loans and leases	6,209	7,326	9,357	−33.7
Other noncurrent assets	24	25	22	7.8
Direct and indirect investments in real estate	595	709	1,028	−42.2

INCOME DATA	Preliminary First Three Qtrs 1992	First Three Qtrs 1991	% Change	Preliminary 3rd Qtr 1992	3rd Qtr 1991	% Change 91:3-92:3
Total interest income	$12,966	$15,514	−16.4	$4,231	$5,057	−16.3
Total interest expense	7,318	10,813	−32.3	2,258	3,453	−34.6
Net interest income	5,648	4,701	20.1	1,973	1,604	23.0
Provisions for losses	965	1,734	−44.3	328	671	−51.1
Total noninterest income	1,016	879	15.6	361	295	22.2
Total noninterest expense	4,331	4,502	−3.8	1,499	1,613	−7.1
Securities gains (losses)	294	156	88.1	129	53	143.7
Applicable income taxes	742	365	103.3	279	105	165.0
Extraordinary gains, net	14	79	−82.2	(4)	78	N/M
Net income	933	(787)	N/M	354	(359)	N/M
Net charge-offs	1,080	1,500	−28.0	363	567	−36.0

N/M – Not meaningful

Table III. First Three Quarters 1992 Savings Bank Data *(Dollar figures in billions, ratios in %)*

FIRST THREE QUARTERS *Preliminary*	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.
Number of savings banks reporting	421	120	248	53	311	95	15
Total assets	$222.5	$6.4	$78.6	$137.6	$101.0	$109.8	$11.6
Total deposits	187.6	5.7	68.3	113.6	87.2	93.3	7.1
Net income *(in millions)*	933	24	322	588	269	535	129
Percentage of savings banks losing money	11.9%	11.7%	10.9%	16.9%	14.1%	6.3%	0.0%
Percentage of savings banks with earnings gains	88.1	91.7	87.1	84.9	88.4	89.5	73.3
Performance Ratios *(annualized)*							
Yield on earning assets	8.44%	8.79%	8.46%	8.42%	8.51%	8.32%	9.05%
Cost of funding earning assets	4.77	4.69	4.68	4.82	4.69	4.79	5.17
Net interest margin	3.68	4.09	3.78	3.60	3.82	3.53	3.88
Noninterest income to earning assets	0.66	0.39	0.51	0.76	0.65	0.58	1.59
Noninterest expense to earning assets	2.82	3.14	2.93	2.74	3.26	2.42	2.79
Return on assets	0.56	0.50	0.55	0.57	0.36	0.65	1.50
Return on equity	7.47	6.06	6.90	7.91	4.95	8.64	15.12
Net charge-offs to loans and leases	1.01	0.71	0.71	1.19	1.14	0.96	0.20
Loan loss provision to net charge-offs	89.39	94.35	104.90	83.97	91.49	83.48	234.07
Condition Ratios							
Loss allowance to:							
Loans and leases	1.88%	1.22%	1.56%	2.11%	1.97%	1.88%	1.18%
Noncurrent loans and leases	42.88	47.90	51.56	39.82	53.38	34.40	87.91
Noncurrent loans and leases plus other real estate owned to assets	4.71	2.88	3.69	5.38	4.56	5.15	1.88
Noncurrent RE loans to total RE loans	4.36	2.54	2.95	5.30	3.58	5.48	1.36
Equity capital ratio	7.69	8.29	8.19	7.38	7.40	7.68	10.31
Core capital (leverage) ratio	7.52	8.28	8.12	7.09	7.25	7.45	10.33
Net loans and leases to deposits	74.35	73.38	73.65	74.82	75.58	70.52	109.75
Growth Rates *(year-to-year)*							
Assets	−6.2%	3.9%	4.5%	3.9%	−1.4%	−11.0%	1.9%
Equity capital	5.1	6.0	6.8	2.6	5.6	3.5	13.9
Net interest income	20.1	25.8	24.3	24.8	22.9	18.0	16.0
Net income	N/M	N/M	N/M	N/M	N/M	N/M	31.3
Net charge-offs	−28.0	−21.5	−29.9	−22.5	−36.0	−15.6	−32.7
Loan loss provision	−44.3	−27.8	−40.3	−25.1	−44.9	−45.2	−1.0

N/M — Not meaningful

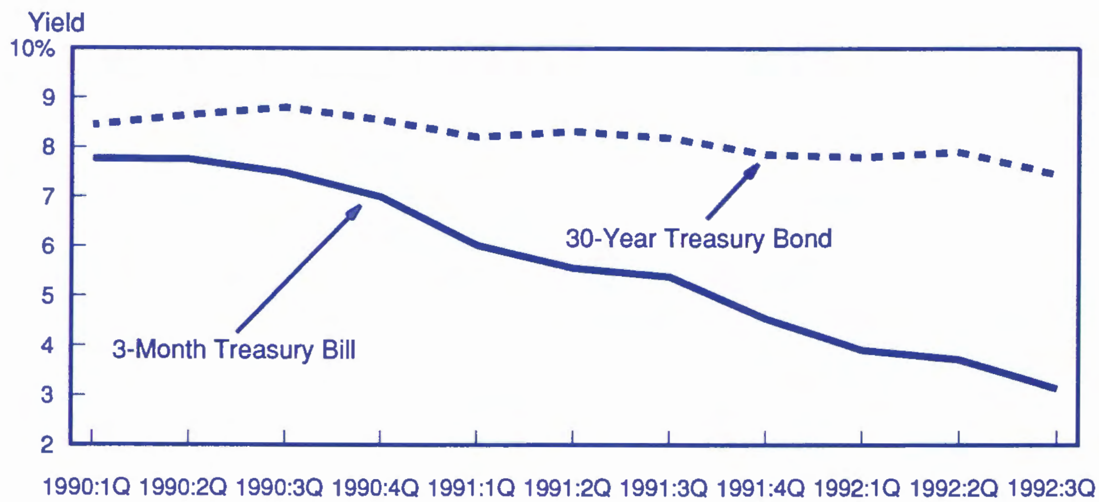
Geographic Distribution:
- New England — Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Other Northeast — Delaware, Maryland, New Jersey, New York, Pennsylvania
- Rest of U.S. — Alaska, Florida, Indiana, Oregon, Washington

Table IV. Third Quarter 1992 Savings Bank Data *(Dollar figures in billions, 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	421	120	248	53	311	95	15
Total assets	$222.5	$6.4	$78.6	$137.6	$101.0	$109.8	$11.6
Total deposits	187.6	$5.7	$68.3	$113.6	$87.2	$93.3	$7.1
Net income *(in millions)*	354	12	144	198	119	186	49
Percentage of savings banks losing money	7.1%	5.0%	6.1%	17.0%	8.0%	5.3%	0.0%
Percentage of savings banks with earnings gains	85.7	84.2	87.5	81.1	85.9	85.3	86.7
Performance Ratios *(annualized)*							
Yield on earning assets	8.22%	8.54%	8.26%	8.18%	8.25%	8.10%	9.05%
Cost of funding earning assets	4.39	4.29	4.32	4.43	4.29	4.42	4.90
Net interest margin	3.83	4.25	3.93	3.75	3.95	3.69	4.15
Noninterest income to earning assets	0.70	0.42	0.57	0.79	0.68	0.62	1.69
Noninterest expense to earning assets	2.91	3.12	2.95	2.88	3.33	2.52	2.99
Return on assets	0.63	0.73	0.74	0.57	0.47	0.67	1.72
Return on equity	8.35	8.90	9.09	7.86	6.42	8.89	16.68
Net charge-offs to loans and leases	1.02	0.59	0.71	1.23	1.05	1.10	0.13
Loan loss provision to net charge-offs	90.30	86.79	97.61	87.93	93.17	84.87	292.20
Growth Rates *(year-to-year)*							
Assets	−6.2%	3.9%	4.5%	3.9%	−1.4%	−11.0%	1.9%
Equity capital	5.1	6.0	6.8	2.6	5.6	3.5	13.9
Net interest income	23.0	25.7	26.2	27.7	24.5	21.8	20.2
Net income	N/M	N/M	N/M	438.6	N/M	N/M	46.1
Net charge-offs	−36.0	−34.2	−37.5	−14.1	−46.1	−22.9	20.1
Loan loss provision	−51.1	−57.3	−53.4	−27.7	−54.2	−47.2	−56.5

N/M – Not meaningful

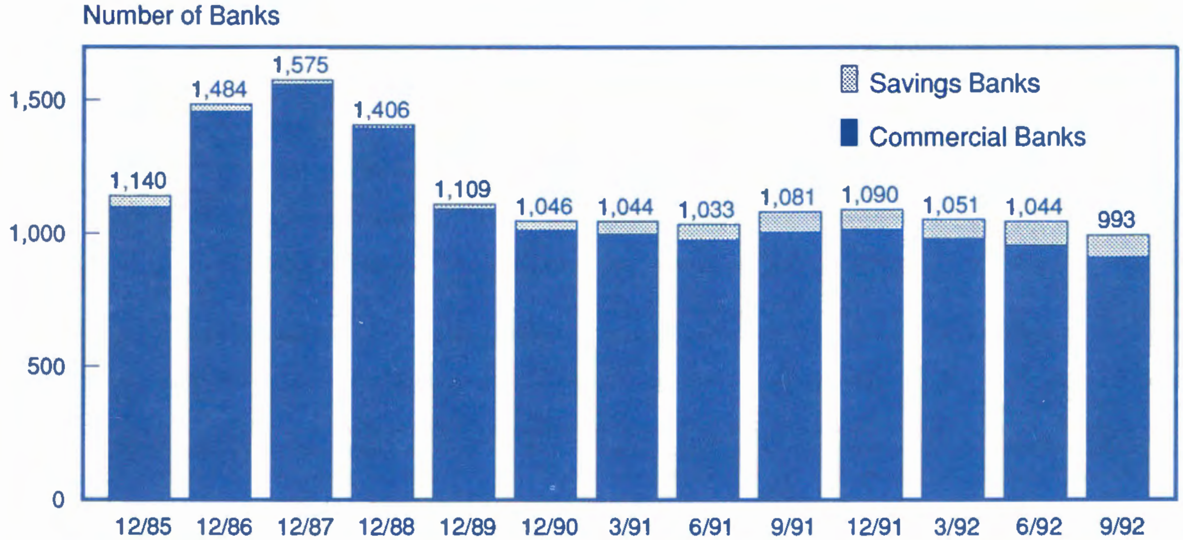
Spread Between Short-Term and Long-Term Yields
30-Year Treasury Bond Versus 3-Month Treasury Bill



Quarterly Average Yield:

30-Year Treasury Bond	8.44	8.65	8.80	8.55	8.20	8.32	8.18	7.85	7.80	7.90	7.44
3-Month Treasury Bill	7.76	7.75	7.48	6.99	6.02	5.56	5.38	4.54	3.91	3.68	3.08
Spread	0.68	0.90	1.32	1.56	2.18	2.76	2.80	3.31	3.89	4.22	4.36

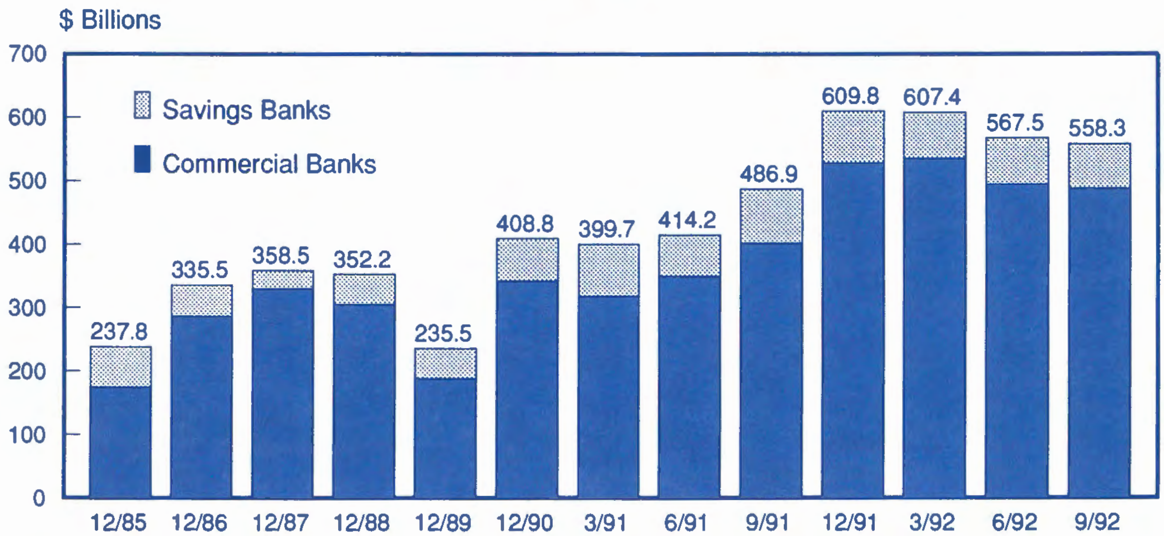
Number of Commercial and Savings Banks on FDIC's "Problem List"
1985-1992



Number of Problem Institutions:

	12/85	12/86	12/87	12/88	12/89	12/90	3/91	6/91	9/91	12/91	3/92	6/92	9/92
Savings Banks	42	27	16	12	17	34	48	58	76	74	70	88	84
Commercial Banks	1,098	1,457	1,559	1,394	1,092	1,012	996	975	1,005	1,016	981	956	909

Assets of Commercial and Savings Banks on FDIC's "Problem List"
1985-1992



Assets of Problem Institutions:

	12/85	12/86	12/87	12/88	12/89	12/90	3/91	6/91	9/91	12/91	3/92	6/92	9/92
Savings Banks	63.9	49.7	29.3	47.4	47.6	67.2	81.8	65.4	85.9	81.8	72.0	73.0	70.4
Commercial Banks	173.9	285.8	329.2	304.8	187.9	341.6	317.9	348.8	401.0	528.0	535.4	494.5	487.9

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 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. Current quarter and year-ago quarter income and expense amounts and performance ratios are adjusted to account for "poolings of interest" and "purchase acquisitions" beginning with the fourth quarter, 1991 publication.

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.

Net Operating Income – income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Beginning with the first quarter 1992 publication, income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

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.

FDIC
Federal Deposit Insurance Corporation
Washington, DC 20429-9990

OFFICIAL BUSINESS
Penalty for Private Use, $300

FIRST CLASS MAIL
Postage & Fees Paid
FDIC
Permit No. G36

Attn: Chief Executive Officer