The FDIC Quarterly Banking Profile

Andrew C. Hove, Jr., Acting Chairman

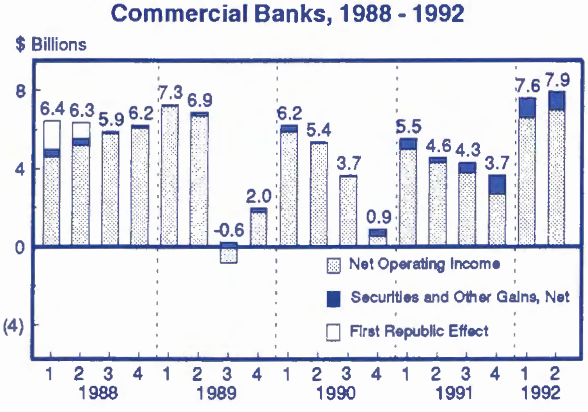
Second Quarter, 1992

COMMERCIAL BANKING PERFORMANCE - SECOND QUARTER, 1992

- ***Bank Earnings Set Second Consecutive Quarterly Record***
- ***Capital Growth Accelerates In Second Quarter***
- ***Troubled Assets Show Slight Decline***
- ***Loan Portfolios Continue To Shrink As Banks Increase Their Investment Securities Holdings***

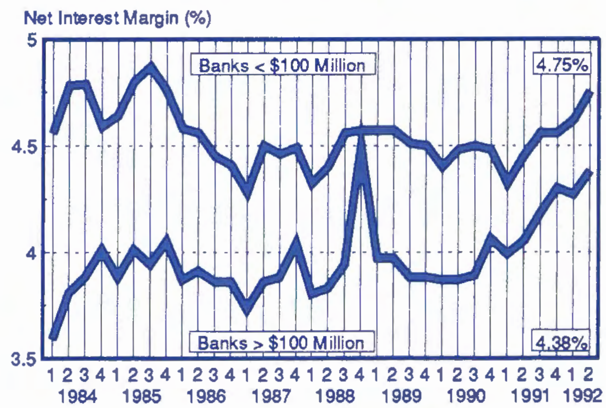
Insured commercial banks earned $7.9 billion in the second quarter of 1992, surpassing the previous quarterly record of $7.6 billion, set in the first quarter of 1992. Second-quarter earnings were $3.3 billion above the $4.6 billion earned a year ago. For the first six months of 1992, commercial banks' net income totaled $15.7 billion, compared to $10.2 billion in the same period of 1991. Favorable interest-rate conditions produced wider net interest margins for the fifth consecutive quarter, while loan-loss provisions continued to shrink. These were the two primary factors in the strong earnings results. Profits also were helped by gains from sales of investment securities, although these gains were lower than in the first quarter. The average return on assets in the second quarter was 0.94 percent, the highest level since banks began reporting quarterly income in 1983.

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



Total interest income for the second quarter was $64.5 billion, a decrease of $8.1 billion from the second quarter of 1991. Total interest expense of $31.6 billion was $10.8 billion lower than a year earlier, so that net interest income was $2.7 billion higher. The increase in net interest income was attributable to the large spread between long- and short-term interest rates. Banks limited the decline in interest income by increasing their holdings of residential mortgages and longer-term (over 1 year) fixed-rate securities while reducing short-term investments such as federal funds sold. Banks' interest expense was reduced directly by the sharp decline in short-term rates over the prior twelve months, by increased reliance on equity funding, and by a greater willingness of depositors to hold balances in noninterest-bearing accounts.

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



The amount of troubled assets - noncurrent loans and other real estate owned - at commercial banks fell below $100 billion for the first time since the end of 1990. Troubled assets declined by $3.3 billion during the quarter, to $99.7 billion at midyear. The improvement was modest, but broad-based. Banks of all sizes and in all regions showed improvement in their average ratio of troubled assets to total assets. Except for the seasonal reductions that typically occur in the fourth quarter, this was the first quarter that the industry's percentage of troubled assets has declined since the second quarter of 1988. Asset-quality improvements were strongest at banks in the Northeast and Southwest Regions. Banks in the West Region registered the smallest decline in troubled assets.

Banks charged-off $6 billion (net) in loans and leases in the second quarter, one-third less than in the same period of 1991. Reserves against future losses shrank by $516 million, but, due to a $3.4-billion decline in noncurrent loans, banks held 77 cents in reserves for

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every dollar of noncurrent loans at midyear, up from 74 cents at the end of the first quarter. Loan-loss provisions totaled $6.3 billion in the quarter, down from $8.3 billion in the second quarter of 1991. This was the industry's lowest quarterly loss provision since the first quarter of 1990.

Total assets increased by only $2.7 billion in the second quarter, after increasing by $5.2 billion in the first quarter. Banks' short-term investments shrank by $11.6 billion, due to an $11.3-billion decrease in federal funds sold. Loans outstanding at commercial banks fell by $3.8 billion, the sixth consecutive quarterly decline. Much of the loan shrinkage was in commercial and industrial loans, which fell by $5.4 billion. Lending categories that showed the most growth during the quarter included adjustable-rate home mortgage loans (up $4.9 billion), agricultural production loans (up $2.6 billion) and non-construction commercial real estate loans (up $2.4 billion). As has been the case in recent quarters, the strongest-growing asset category was investment securities, which increased by $18.6 billion. Most of the growth was in U.S. Treasury securities and collateralized mortgage obligations, while banks' holdings of state/county/municipal securities (SCMs) declined.

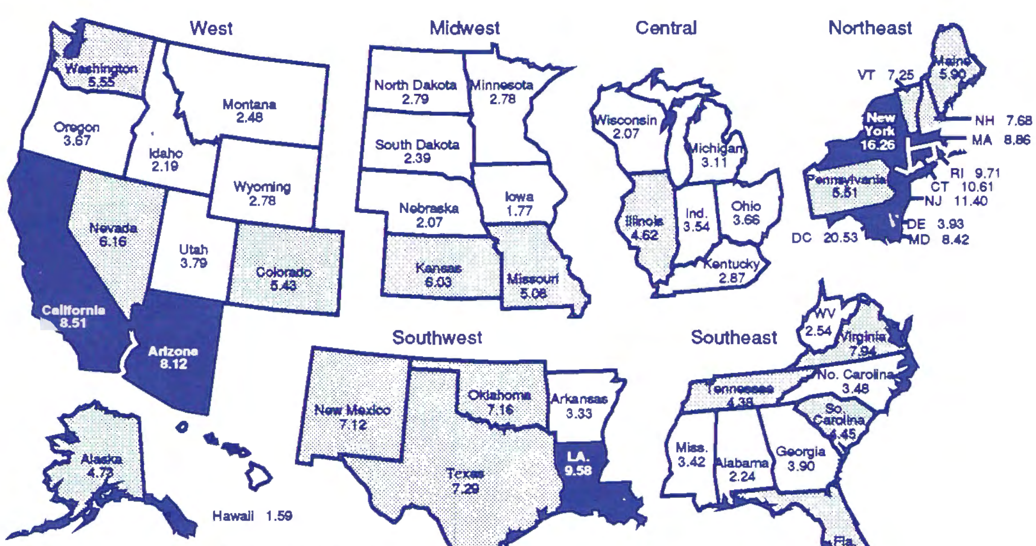
Equity capital increased by $9.3 billion during the quarter, the largest one-quarter increase ever. Retained earnings contributed $4.8 billion of the increase, as banks paid $3.1 billion in dividends. The banking industry's average equity capital-to-assets ratio now stands at 7.23 percent, the highest level since 1966, when it was 7.44 percent. In the first six months of 1992, total equity capital of the commercial banking industry has increased by $16.7 billion.

Banks in the West Region reported improved earnings. Their average return on assets in the second quarter was 0.77 percent, up from 0.61 percent in the first quarter, and 0.54 percent in the second quarter of last year. Troubled assets fell slightly, as shrinkage in noncurrent loans exceeded growth in banks' holdings of foreclosed real estate properties. Noncurrent real estate loans increased by $229 million, but noncurrent commercial and industrial loans fell by $577 million, and noncurrent consumer loans declined by $84 million. Much of the improvement in performance indicators for West Region banks may be attributable to the accounting treatment of several large bank mergers that occurred during the quarter.

At midyear, there were 11,685 commercial banks reporting financial results, a net decrease of 120 institutions from the 11,805 banks that filed Call reports for the first quarter. Twenty-six banks failed in the second quarter, while 10 new banks were chartered and 104 banks merged with other institutions. The number of commercial banks on the FDIC's "Problem List" shrank by 25 institutions to 956, while the combined assets of "Problem" commercial banks fell by $41 billion, to $494 billion.

Commercial banks appear likely to eclipse the previous full-year earnings record of $24.9 billion set in 1988, even if they are unable to maintain the level of profitability they have enjoyed in the first six months of 1992. Assuming that interest rates remain relatively stable, asset quality will be the crucial determinant of industry performance. Especially important will be the continued recovery of banks in the Northeast, and the direction of asset quality trends at banks in the West. Banks still hold $393 billion in commercial real estate loans and remain vulnerable to the persistent weakness in that sector. The six consecutive quarters of shrinking loan portfolios do not bode well for net interest margins if interest rates rise. By purchasing longer-maturity investment securities rather than making new loans, banks may be increasing their interest-rate risk exposure rather than taking on new credit risk.

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



Troubled Real Estate Asset Rate:

- Less Than 4%
- Between 4% and 8%
- 8% or Higher

* Noncurrent real estate loans plus other real estate owned as a percent of total real estate loans plus OREO.

REAL ESTATE LOAN PERFORMANCE AND OTHER REAL ESTATE OWNED, JUNE 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	1.93%	1.66%	1.60%	2.05%	2.16%	2.38%	1.47%	1.57%	1.32%	1.57%	2.27%
Construction and development	3.40	1.75	2.43	4.22	3.42	3.83	2.06	3.50	2.00	1.27	4.27
Commercial real estate	2.15	1.56	1.55	2.25	2.93	2.83	1.37	1.56	1.78	1.45	2.89
Multifamily residential real estate	2.15	1.63	1.61	1.89	3.01	2.32	1.17	1.37	1.38	2.07	3.60
1-4 Family residential	1.61	1.85	1.62	1.55	1.56	1.96	1.57	1.42	1.14	1.66	1.50
Home equity lines of credit	0.93	1.45	1.00	0.94	0.83	1.26	0.74	0.87	0.66	1.37	0.65
Commercial R/E loans not secured by real estate	2.31	1.62	1.84	1.95	2.54	3.06	1.08	1.32	0.76	1.52	2.47
PERCENT OF LOANS NONCURRENT*											
All real estate loans	4.43%	1.77%	2.28%	4.39%	7.12%	7.32%	2.72%	2.08%	1.71%	2.76%	4.99%
Construction and development	14.17	3.00	5.65	13.56	20.46	23.15	7.14	5.95	2.93	3.87	15.33
Commercial real estate	5.81	2.23	3.13	5.48	10.70	9.82	4.07	3.16	3.26	4.08	5.56
Multifamily residential real estate	5.34	2.08	2.61	4.41	9.45	9.33	3.26	2.78	2.12	2.78	4.98
1-4 Family residential	1.62	1.31	1.30	1.63	2.02	2.71	1.17	0.91	0.72	1.49	1.55
Home equity lines of credit	0.77	0.96	0.91	0.67	0.78	1.19	0.47	0.36	0.42	1.25	0.64
Commercial R/E loans not secured by real estate	8.30	2.73	4.47	4.37	11.82	14.12	5.39	4.73	4.30	1.27	7.57
PERCENT OF LOANS CHARGED OFF *(NET, ANNUALIZED)*											
All real estate loans	0.84%	0.18%	0.26%	0.84%	1.54%	1.71%	0.53%	0.31%	0.37%	0.44%	0.54%
Construction and development	2.70	0.29	0.62	2.84	3.91	5.20	1.66	1.09	0.66	1.01	1.74
Commercial real estate	1.12	0.27	0.39	1.07	2.34	2.17	0.80	0.53	0.89	0.67	0.69
Multifamily residential real estate	1.34	0.46	0.37	0.85	2.89	3.03	0.58	0.46	1.01	0.41	0.54
1-4 Family residential	0.17	0.13	0.13	0.21	0.20	0.31	0.18	0.07	0.09	0.21	0.09
Home equity lines of credit	0.14	0.20	0.14	0.16	0.12	0.23	0.10	0.06	0.09	0.23	0.11
Commercial R/E loans not secured by real estate	4.88	3.43	1.98	1.95	6.39	9.37	1.15	2.50	1.70	0.19	2.35
TOTAL LOANS OUTSTANDING *($ BILLIONS)*											
All real estate loans	$858.0	$98.1	$218.1	$266.2	$275.5	$263.8	$164.5	$144.9	$54.7	$53.4	$176.8
Construction and development	90.9	5.9	16.8	31.7	36.5	29.3	16.5	11.7	3.4	4.2	25.9
Commercial real estate	253.9	26.2	72.0	91.0	64.7	72.9	52.2	44.8	15.1	18.4	50.4
Multifamily residential real estate	26.0	2.1	6.9	8.9	8.2	8.2	4.4	4.7	1.7	1.5	5.6
1-4 Family residential	372.0	50.6	101.9	103.4	116.0	103.5	76.1	67.0	26.2	26.3	72.8
Home equity lines of credit	71.8	3.0	14.6	28.5	25.7	26.4	11.9	11.4	2.4	0.7	19.0
Commercial R/E loans not secured by real estate	22.2	0.6	2.1	5.2	14.3	8.5	2.4	3.0	0.7	0.8	7.0
OTHER REAL ESTATE OWNED *($ BILLIONS)*											
All real estate owned	$27.7	$2.0	$4.9	$8.6	$12.3	$13.3	$3.8	$2.3	$1.2	$2.5	$4.7
Construction and development	6.9	0.3	1.1	3.1	2.3	3.3	1.2	0.5	0.2	0.5	1.2
Commercial real estate	14.0	0.9	2.4	4.1	6.7	6.3	2.0	1.4	0.6	1.4	2.3
Multifamily residential real estate	2.1	0.1	0.3	0.5	1.2	1.4	0.1	0.1	0.1	0.1	0.3
1-4 Family residential	3.0	0.6	1.0	0.7	0.8	1.0	0.5	0.2	0.1	0.4	0.7
Farmland	0.5	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.1
Other real estate owned in foreign offices	1.3	0.0	0.0	0.1	1.3	1.3	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	0.94%	0.61%	0.54%	0.49%	0.49%	0.82%	0.09%
Return on equity	13.37	9.18	8.09	7.61	7.78	13.30	1.55
Equity capital to assets	7.23	6.71	6.76	6.45	6.21	6.28	6.04
Noncurrent loans and leases plus other real estate owned to assets	2.90	3.19	2.99	2.90	2.26	2.14	2.46
Net charge-offs to loans	1.20	1.45	1.60	1.44	1.16	1.00	0.92
Asset growth rate	1.81	0.47	1.21	2.73	5.37	4.36	2.01
Net operating income growth	57.17	−18.73	−0.74	3.20	−38.53	1554.74	−89.65
Percentage of unprofitable banks	6.37	11.51	11.19	13.41	12.50	14.65	17.66
Number of institutions	11,685	12,153	11,920	12,340	12,707	13,139	13,696
Number of problem banks	956	975	997	1,012	1,092	1,394	1,559
Assets of problem banks *(billions)*	$494.4	$348.8	$528.0	$341.6	$187.9	$304.8	$329.2
Number of failed/assisted banks	55	57	108	159	206	221	201

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

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

(dollar figures in millions)

	Preliminary 2nd Qtr 1992	1st Qtr 1992	2nd Qtr 1991	%Change 91:2-92:2
Number of banks reporting	11,685	11,805	12,153	−3.8
Total employees (full-time equivalent)	1,479,522	1,477,600	1,503,012	−1.6
CONDITION DATA				
Total assets	$3,437,992	$3,435,329	$3,376,777	1.8
Real estate loans	857,964	854,572	848,744	1.1
Commercial & industrial loans	546,201	551,626	588,753	−7.2
Loans to individuals	377,372	377,575	386,746	−2.4
Farm loans	36,003	33,377	34,886	3.2
Other loans and leases	214,415	218,650	215,778	−0.6
Total loans and leases	2,031,955	2,035,801	2,074,907	−2.1
LESS: Reserve for losses	55,285	55,801	54,256	1.9
Net loans and leases	1,976,670	1,980,001	2,020,651	−2.2
Temporary investments	507,428	519,067	484,629	4.7
Securities over 1 year	553,724	536,188	472,538	17.2
All other assets	400,169	400,074	398,959	0.3
Total liabilities and capital	3,437,992	3,435,329	3,376,777	1.8
Noninterest-bearing deposits	487,043	470,617	443,269	9.9
Interest-bearing deposits	2,169,721	2,205,640	2,185,609	−0.7
Other borrowed funds	394,848	386,441	385,864	2.3
Subordinated debt	27,477	24,944	24,202	13.5
All other liabilities	110,411	108,504	111,213	−0.7
Equity capital	248,493	239,183	226,620	9.6
Goodwill	5,651	4,520	4,330	30.5
Loans and leases 30-89 days past-due	34,088	40,083	40,142	−15.1
Noncurrent loans and leases	71,929	75,311	83,019	−13.4
Restructured loans and leases	10,812	9,499	9,222	17.3
Other real estate owned	27,735	27,618	24,808	11.8
Loan commitments and letters of credit	1,397,201	1,383,696	1,332,049	4.9
Domestic office assets	3,030,136	3,038,302	2,988,023	1.4
Foreign office assets	407,856	397,027	388,754	4.9
Domestic office deposits	2,353,196	2,366,732	2,327,567	1.1
Foreign office deposits	303,567	309,526	301,310	0.8
Earning assets	3,037,823	3,035,255	2,977,818	2.0
Volatile liabilities	958,946	978,881	1,027,550	−6.7

	Preliminary First Half 1992	First Half 1991	%Change	Preliminary 2nd Qtr 1992	2nd Qtr 1991	%Change 91:2-92:2
INCOME DATA						
Total interest income	$129,985	$148,107	−12.2	$64,550	$72,677	−11.2
Total interest expense	65,185	88,170	−26.1	31,579	42,366	−25.5
Net interest income	64,800	59,936	8.1	32,972	30,311	8.8
Provision for loan losses	12,942	15,425	−16.1	6,321	8,269	−23.5
Total noninterest income	32,270	29,401	9.8	16,583	14,836	11.8
Total noninterest expense	63,659	60,419	5.4	32,645	30,571	6.8
Securities gains (losses)	1,934	803	140.9	800	374	114.1
Applicable income taxes	6,934	4,754	45.9	3,577	2,342	52.7
Extraordinary gains, net	230	658	−65.0	101	305	−67.0
Net income	15,700	10,200	53.9	7,912	4,645	70.3
Net charge-offs	11,948	15,173	−21.3	5,982	8,926	−33.0
Cash dividends on capital stock	5,886	7,386	−20.3	3,112	3,207	−3.0
Net operating income	14,023	8,922	57.2	7,204	4,054	77.7

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

		ASSET SIZE DISTRIBUTION				GEOGRAPHIC DISTRIBUTION					
						EAST			WEST		
FIRST HALF *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	11,685	8,554	2,757	328	46	954	1,904	2,579	2,831	2,077	1,340
Total assets	$3,438.0	$348.0	$669.2	$1,062.4	$1,358.4	$1,304.0	$521.7	$564.7	$232.8	$271.9	$542.8
Total deposits	2,656.8	307.9	578.7	813.5	956.7	925.0	418.4	446.7	190.5	236.7	439.5
Net income *(in millions)*	15,700	1,935	3,475	5,401	4,888	4,846	2,723	3,066	1,510	1,502	2,052
Percentage of banks losing money	6.4%	6.7%	5.1%	7.6%	4.3%	14.9%	7.7%	3.7%	2.7%	4.9%	13.7%
Percentage of banks with earnings gains	76.0	75.2	78.2	79.3	71.7	75.5	81.3	76.7	72.7	80.3	68.0
Performance Ratios *(annualized)*											
Yield on earning assets	8.82%	8.82%	8.68%	8.53%	9.13%	9.31%	8.53%	8.46%	8.56%	8.03%	8.82%
Cost of funding earning assets	4.42	4.13	3.99	3.86	5.22	5.30	4.00	4.07	4.12	3.70	3.62
Net interest margin	4.39	4.69	4.69	4.67	3.91	4.01	4.54	4.39	4.44	4.33	5.20
Noninterest income to earning assets	2.19	1.07	1.30	2.47	2.76	2.72	1.70	1.58	2.30	1.76	2.24
Noninterest expense to earning assets	4.32	3.81	3.90	4.56	4.48	4.47	4.06	3.78	4.18	4.22	4.94
Net operating income to assets	0.84	1.04	0.99	0.92	0.64	0.62	0.97	1.03	1.23	0.96	0.78
Return on assets	0.94	1.12	1.05	1.02	0.77	0.77	1.05	1.10	1.30	1.11	0.81
Return on equity	13.37	12.13	13.09	14.19	13.26	12.31	14.18	14.51	15.68	15.65	11.08
Net charge-offs to loans and leases	1.20	0.44	0.62	1.37	1.53	1.83	0.78	0.74	0.74	0.73	1.04
Loan loss provision to net charge-offs	108.32	127.77	128.21	107.45	103.56	98.78	116.55	118.17	124.11	107.16	127.64
Condition Ratios											
Loss allowance to:											
Loans and leases	2.72%	1.78%	1.87%	2.85%	3.24%	3.38%	2.07%	1.91%	2.05%	2.43%	3.01%
Noncurrent loans and leases	76.86	94.21	85.67	90.73	66.28	66.80	94.31	95.76	118.28	97.00	75.54
Noncurrent loans and leases plus other real estate owned to assets	2.90	1.56	2.00	2.73	3.82	3.96	2.05	1.60	1.48	2.08	3.54
Equity capital ratio	7.23	9.39	8.18	7.49	6.00	6.43	7.67	7.75	8.55	7.36	7.54
Core capital (leverage) ratio	6.97	9.29	8.01	7.13	5.71	6.30	7.29	7.56	8.27	7.10	6.99
Net loans and leases to deposits	74.40	58.18	66.15	77.63	81.87	79.11	73.08	74.53	67.26	51.81	80.87
Growth Rates *(year-to-year)*											
Assets	1.8%	5.5%	6.1%	7.3%	15.0%	2.1%	2.4%	2.2%	2.7%	2.3%	−0.6%
Equity capital	9.6	7.7	10.3	16.0	25.4	10.7	9.2	7.8	8.7	11.3	9.7
Net interest income	8.1	12.9	13.2	13.2	20.9	10.3	10.6	10.8	4.5	16.4	−1.6
Net income	53.9	44.2	33.0	93.5	35.3	144.0	70.8	21.7	17.5	76.5	4.5
Noncurrent loans and leases plus other real estate owned	−7.6	−3.7	6.6	−6.5	19.8	−12.8	−12.9	−7.5	−1.8	−17.4	18.5
Net charge-offs	−21.3	−14.2	−15.0	−10.2	−13.8	−22.3	−24.3	−0.3	−25.6	−43.9	−17.1
Loan loss provision	−16.1	−11.6	−9.0	−21.6	14.5	−15.1	−34.2	−1.9	−11.3	−26.5	−10.8
PRIOR FIRST HALVES *(The way it was . . .)*											
Return on assets 1991	0.61%	0.97%	0.80%	0.54%	0.47%	0.31%	0.63%	0.92%	1.13%	0.64%	0.72%
1989	0.91	0.89	0.96	0.86	0.93	0.87	0.98	1.08	1.15	0.05	1.10
1987	−0.37	0.66	0.70	0.45	−2.00	−1.06	0.96	0.19	0.49	−0.51	−0.63
Equity capital ratio 1991	6.71	9.10	7.85	6.74	5.45	5.94	7.19	7.35	8.08	6.77	6.83
1989	6.44	9.06	7.54	6.36	5.17	6.05	7.02	6.87	7.84	5.84	6.16
1987	6.02	8.65	7.38	6.09	4.22	5.29	6.92	6.68	7.45	6.39	5.47
Noncurrent loans and leases plus other real estate owned to assets 1991	3.19	1.76	2.09	3.17	4.17	4.64	2.41	1.77	1.55	2.58	2.97
1989	2.28	1.93	1.82	1.64	3.16	2.52	1.23	1.29	1.59	4.77	2.64
1987	2.59	2.31	1.96	1.84	3.64	2.58	1.12	1.48	2.16	4.97	3.63
Net charge-offs to loans and leases 1991	1.45	0.56	0.81	1.64	1.81	2.18	1.01	0.75	1.00	1.29	1.11
1989	0.86	0.64	0.63	0.87	1.09	0.90	0.46	0.67	0.91	1.77	1.05
1987	0.79	0.99	0.81	0.71	0.80	0.57	0.51	0.49	1.43	1.80	1.04

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. Second Quarter 1992 Bank Data *(Dollar figures in billions, ratios in %)*

		ASSET SIZE DISTRIBUTION				GEOGRAPHIC DISTRIBUTION					
						EAST			WEST		
SECOND 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	11,685	8,554	2,757	328	46	954	1,904	2,579	2,831	2,077	1,340
Total assets	$3,438.0	$348.0	$669.2	$1,062.4	$1,358.4	$1,304.0	$521.7	$564.7	$232.8	$271.9	$542.8
Total deposits	2,656.8	307.9	578.7	813.5	956.7	925.0	418.4	446.7	190.5	236.7	439.5
Net income *(in millions)*	7,912	976	1,762	2,763	2,411	2,393	1,443	1,580	743	756	998
Percentage of banks losing money	6.8%	7.4%	5.1%	7.9%	4.3%	14.1%	7.4%	4.3%	3.4%	6.3%	13.9%
Percentage of banks with earnings gains	70.9	69.1	75.7	79.0	65.2	73.3	76.3	70.7	65.2	75.9	66.1
Performance Ratios *(annualized)*											
Yield on earning assets	8.66%	8.71%	8.57%	8.40%	8.91%	9.07%	8.35%	8.30%	8.44%	7.90%	8.87%
Cost of funding earning assets	4.24	3.97	3.83	3.68	4.99	5.07	3.79	3.88	3.96	3.53	3.52
Net interest margin	4.42	4.75	4.74	4.71	3.91	4.00	4.55	4.42	4.48	4.36	5.35
Noninterest income to earning assets	2.22	1.07	1.32	2.53	2.78	2.71	1.76	1.62	2.25	1.83	2.39
Noninterest expense to earning assets	4.38	3.81	3.93	4.63	4.58	4.49	4.05	3.81	4.15	4.26	5.24
Net operating income to assets	0.85	1.06	1.00	0.95	0.64	0.61	1.07	1.06	1.23	0.99	0.76
Return on assets	0.94	1.13	1.06	1.04	0.74	0.76	1.10	1.13	1.27	1.11	0.77
Return on equity	13.16	12.09	13.08	14.21	12.61	11.85	14.76	14.70	15.18	15.44	10.39
Net charge-offs to loans and leases	1.20	0.49	0.69	1.36	1.49	1.84	0.72	0.74	0.78	0.70	1.06
Loan loss provision to net charge-offs	105.68	120.95	120.00	107.75	99.61	93.74	111.75	117.79	119.34	109.47	133.12
Growth Rates *(year-to-year)*											
Net interest income	8.8%	12.5%	12.5%	13.6%	22.3%	10.6%	10.8%	10.3%	4.1%	16.7%	1.4%
Net income	70.3	46.4	38.9	144.5	36.0	224.6	72.1	25.5	14.4	76.3	36.2
Net charge-offs	−33.0	−18.3	−19.8	−15.8	−33.1	−38.6	−35.2	−8.8	−27.9	−48.8	−12.9
Loan loss provision	−23.5	−19.0	−18.9	−30.9	7.0	−21.6	−40.1	−9.1	−16.9	−24.3	−26.2
PRIOR SECOND QUARTERS *(The way it was . . .)*											
Return on assets 1991	0.55%	0.76%	0.76%	0.42%	0.50%	0.23%	0.66%	0.92%	1.15%	0.65%	0.54%
1989	0.87	0.84	0.96	0.80	0.94	0.87	0.98	1.08	1.10	−0.05	1.04
1987	−1.48	0.59	0.53	0.06	−4.57	−2.84	0.86	−0.56	0.11	−1.22	−1.80
Net charge-offs to loans and leases											
1991	1.72	0.68	0.93	1.73	2.32	2.81	1.10	0.82	1.09	1.37	1.09
1989	1.04	0.75	0.69	0.93	1.40	1.19	0.50	0.74	0.93	1.91	1.15
1987	0.86	1.17	0.91	0.81	0.78	0.60	0.58	0.54	1.44	2.13	1.08

SAVINGS BANK PERFORMANCE - SECOND QUARTER, 1992

- *BIF-Insured Savings Banks Earn $217 Million*
- *Five Institutions Fail During the Quarter*
- *Troubled Assets Held by the Remaining Savings Banks Decline $440 Million While Their Capital Ratios Improve*

The 430 savings banks insured by the Bank Insurance Fund earned $217 million in the second quarter of 1992. This is the second quarter in a row in which savings banks earned a profit, following 11 consecutive unprofitable quarters. A 23 percent increase in net income compared with the previous quarter was attributable to FDIC's resolution of five institutions with $4.2 billion in assets during the quarter.[1] Second quarter 1992 net income reported by the remaining 430 savings banks would have declined 2 percent if aggregate first quarter losses of $36 million reported by the failed institutions are excluded.

Troubled assets held by the 430 surviving savings banks declined by $440 million (down 3.6 percent). Noncurrent loans declined by $562 million during the quarter at the surviving savings banks while their other real estate owned increased $122 million. Net charge-offs of $439 million during the quarter contributed to the quarterly reduction in noncurrent loans at these institutions. As a result of these changes, troubled assets amounted to 5.15 percent of their total assets, down from 5.32 percent the previous quarter.

Improved net interest income (up $128 million during the quarter at the surviving institutions) was largely offset by higher loan loss provisions (up $52 million over the prior quarter), and lower gains on the sale of investment securities (down $52 million over the same period). Aggregate second quarter return on assets was 0.37 percent. The 318 institutions headquartered in the New England states reported an aggregate return on assets of 0.21 percent, while the 97 savings banks in the other Northeastern states reported a significantly higher figure: 0.41 percent. Return on assets at the 15 savings banks located outside the Northeast averaged 1.51 percent.

Favorable interest rates continued to benefit the industry as funding costs dropped more sharply than asset yields. Net interest margins reported by the surviving 430 savings banks averaged 3.63 percent, up from 3.42 percent the previous quarter at these institutions. Institutions in the New England states reported wider interest margins (3.80 percent of earning assets) than those in the other Northeastern states (3.45 percent). Savings banks located outside of the Northeast reported the highest margins (3.87 percent) but their margins declined slightly compared with the first quarter.

Eighty-seven percent of all savings banks were profitable in the second quarter, up slightly from 85 percent in the previous quarter. Fifteen percent of the savings banks located in the New England states lost money compared to 9 percent in the other states in the Northeast. All of the savings banks located outside of the Northeast reported profits for the second quarter.

Reserve coverage of troubled loans improved during the quarter due to the decline in noncurrent loans. As of June 30, 1992, institutions in the New England states held nearly 50 cents in reserve for each dollar of troubled assets while those in the other Northeastern states held 33 cents. Reserve coverage levels remain strongest at the institutions located outside of New England and the Northeast. These institutions held 73 cents in reserves for each dollar of noncurrent loans.

Total assets of BIF-insured savings banks declined by $4.8 billion, due mainly to the failure of five savings banks with assets of $4.2 billion. Assets at the 430 surviving institutions declined $864 million during the quarter. Their net loans were $3.1 billion lower than the previous quarter, while their investment security holdings increased $2.6 billion. Home mortgage loans secured by 1-4 family properties declined $1.4 billion (down 1.5 percent) in the quarter, while commercial real estate and construction loans shrank $1.2 billion (down 2.8 percent). Equity capital ratios benefited from retained industry profits and shrinking assets. The 430 savings banks had an aggregate equity capital to assets ratio of 7.30 percent at the end of the second quarter, up from 7.20 percent at the end of the first quarter.

Favorable interest rates have helped savings banks to absorb their credit losses and improve their capital ratios. Increased interest earnings should slow capital depletion at troubled institutions. Nevertheless, with one of every five savings banks on FDIC's "Problem List", the industry is likely to continue to contract both in terms of the number of institutions and its total assets.

[1] Southstate Bank for Savings, Brockton, MA failed on April 24, 1992 but did not submit its final March 31, 1992 Call report.

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

	1992*	1991*	1991	1990	1989	1988	1987
Return on assets	0.38%	−0.56%	−0.50%	−0.98%	−0.27%	0.44%	0.84%
Equity capital to assets	7.30	6.69	6.74	6.62	7.06	7.44	7.69
Noncurrent loans and leases plus other real estate owned to assets**	5.15	6.04	5.86	5.13	2.64	1.51	0.95
Noncurrent RE loans to total RE loans**	4.88	5.79	5.65	5.32	3.14	1.67	1.01
Asset growth rate	−5.12	−8.29	−8.35	−7.46	−1.52	8.52	10.54
Deposit growth rate	−3.78	−4.97	−5.68	−4.98	1.36	7.90	5.81
Number of institutions	430	456	441	469	489	492	484
Number of problem savings banks	88	58	74	34	17	12	16
Assets of problem savings banks *(billions)*	$73.0	$65.4	$81.8	$67.2	$47.6	$47.4	$29.3
Number of failed savings banks	11	6	19	10	1	0	2

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

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

	Preliminary 2nd Qtr 1992	1st Qtr 1992	2nd Qtr 1991	% Change 91:2-92:2
Number of savings banks reporting	430	435	456	−5.7
Total employees (full-time equivalent)	67,819	67,798	70,782	−4.2
CONDITION DATA				
Total assets	$231,702	$236,466	$244,193	−5.1
Mortgage loans	134,462	139,324	149,069	−9.8
1-4 family residential	93,496	95,507	99,957	−6.5
Construction and land development	4,038	4,493	6,956	−42.0
Commercial and multi-family	36,928	39,324	42,157	−12.4
All other loans and leases	14,619	15,483	18,987	−23.0
LESS: Reserves for losses	2,974	3,121	2,976	−0.0
LESS: Other contra accounts	478	549	738	−35.3
Net loans and leases	145,629	151,136	164,343	−11.4
Mortgage-backed securities	20,422	20,568	22,418	−8.9
Other real estate owned	4,603	4,689	4,786	−3.8
Goodwill	803	935	1,183	−32.2
All other assets	60,246	59,137	51,463	17.1
Total liabilities and capital	231,702	236,466	244,193	−5.1
Interest-bearing deposits	188,820	192,987	197,348	−4.3
Noninterest-bearing deposits	7,227	6,955	6,406	12.8
Other borrowed funds	15,876	16,647	20,728	−23.4
Subordinated debt	256	317	654	−60.9
Other liabilities	2,601	2,778	2,730	−4.7
Equity capital	16,922	16,783	16,326	3.6
Loans and leases 30-89 days past-due	4,015	4,898	5,587	−28.1
Noncurrent loans and leases	7,326	8,285	9,973	−26.5
Other noncurrent assets	25	26	22	10.4
Direct and indirect investments in real estate	710	797	1,110	−36.1

INCOME DATA	Preliminary First Half 1992	First Half 1991	% Change	Preliminary 2nd Qtr 1992	2nd Qtr 1991	% Change 91:2-92:2
Total interest income	$9,030	$10,766	−16.1	$4,497	$5,314	−15.4
Total interest expense	5,284	7,631	−30.8	2,556	3,730	−31.5
Net interest income	3,747	3,136	19.5	1,941	1,585	22.5
Provisions for losses	743	1,185	−37.3	398	712	−44.1
Total noninterest income	686	622	10.2	378	334	13.1
Total noninterest expense	2,980	3,102	−3.9	1,521	1,633	−6.9
Securities gains, net	170	102	67.3	59	31	88.7
Applicable income taxes	463	262	76.7	243	133	83.0
Extraordinary gains, net	17	1	N/M	2	2	−15.5
Net income	435	(688)	N/M	217	(526)	N/M
Net charge-offs	847	1,151	−26.4	439	619	−29.1

N/M—Not meaningful

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

FIRST HALF *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	430	124	250	56	318	97	15
Total assets	$231.7	$6.7	$79.4	$145.6	$104.4	$115.9	$11.3
Total deposits	196.1	6.0	69.5	120.5	90.1	98.8	7.1
Net income *(in millions)*	435	11	111	312	106	248	80
Percentage of savings banks losing money	14.7%	19.4%	11.2%	19.6%	17.6%	7.2%	0.0%
Percentage of savings banks with earnings gains	79.5	79.8	79.6	78.6	78.6	83.5	73.3
Performance Ratios *(annualized)*							
Yield on earning assets	8.51%	8.90%	8.57%	8.45%	8.62%	8.34%	9.10%
Cost of funding earning assets	4.98	4.91	4.87	5.04	4.94	4.98	5.34
Net interest margin	3.53	3.99	3.71	3.41	3.69	3.37	3.76
Noninterest income to earning assets	0.65	0.38	0.48	0.75	0.64	0.57	1.55
Noninterest expense to earning assets	2.81	3.21	2.96	2.70	3.24	2.42	2.71
Return on assets	0.38	0.34	0.28	0.43	0.21	0.43	1.40
Return on equity	5.20	4.17	3.62	6.22	2.90	6.00	14.26
Net charge-offs to loans and leases	1.13	0.72	0.90	1.28	1.27	1.09	0.24
Loan loss provision to net charge-offs	87.69	99.50	110.39	78.60	88.64	83.58	218.18
Condition Ratios							
Loss allowance to:							
Loans and leases	2.01%	1.28%	1.62%	2.27%	2.08%	2.03%	1.14%
Noncurrent loans and leases	40.60	49.39	46.49	38.47	49.91	33.44	72.91
Noncurrent loans and leases plus other real estate owned to assets	5.15	3.12	4.04	5.85	5.00	5.58	2.10
Noncurrent RE loans to total RE loans	4.88	2.59	3.43	5.81	4.04	6.04	1.58
Equity capital ratio	7.30	8.10	7.83	6.98	7.14	7.15	10.32
Core capital (leverage) ratio	7.11	8.07	7.78	6.65	6.93	6.95	10.07
Net loans and leases to deposits	74.28	73.35	72.96	75.09	75.55	70.82	106.40
Growth Rates *(year-to-year)*							
Assets	−5.1%	4.3%	5.2%	4.3%	−3.0%	−7.3%	−1.6%
Equity capital	3.7	2.5	2.1	1.1	8.0	−2.2	24.1
Net interest income	19.5	25.7	23.1	21.8	24.6	15.5	13.8
Net income	N/M	N/M	N/M	N/M	N/M	N/M	23.6
Net charge-offs	−26.4	−23.5	−7.4	−14.7	−43.8	14.4	−38.1
Loan loss provision	−37.3	−13.5	−14.3	−22.6	−45.3	−27.4	94.1

N/M – Not meaningful

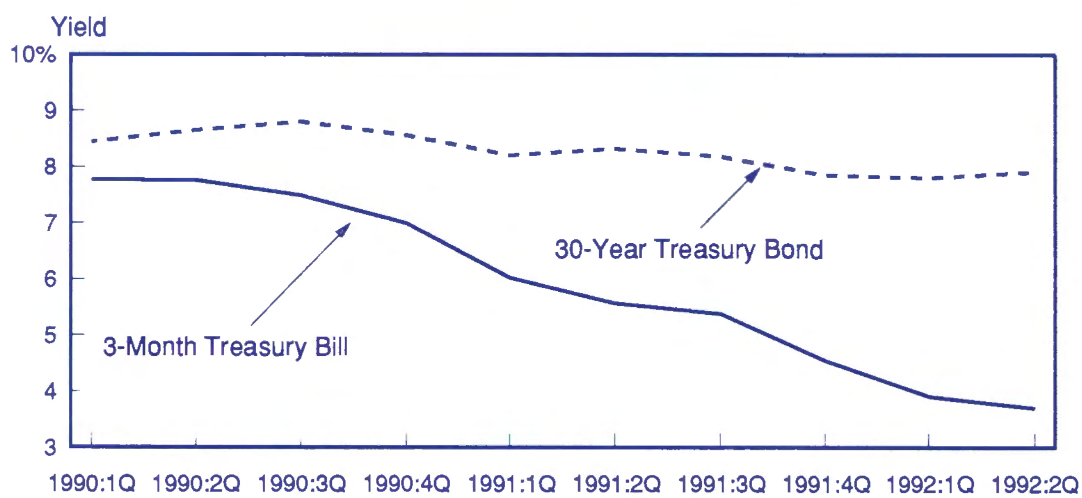
Geographic Distribution: New England – Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Other Northeast – Delaware, Maryland, New Jersey, New York, Pennsylvania
Rest of U.S. – Alaska, Florida, Indiana, Oregon, Washington

Table IV. Second Quarter 1992 Savings Bank Data *(Dollar figures in billions, ratios in %)*

SECOND 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	430	124	250	56	318	97	15
Total assets	$231.7	$6.7	$79.4	$145.6	$104.4	$115.9	$11.3
Total deposits	196.0	6.0	69.5	120.5	90.1	98.8	7.1
Net income *(in millions)*	217	6	38	173	56	118	43
Percentage of savings banks losing money	13.0%	15.3%	11.2%	16.1%	14.8%	9.3%	0.0%
Percentage of savings banks with earnings gains	78.8	75.0	81.2	76.8	77.7	83.5	73.3
Performance Ratios *(annualized)*							
Yield on earning assets	8.41%	8.73%	8.48%	8.35%	8.54%	8.22%	9.10%
Cost of funding earning assets	4.78	4.66	4.65	4.85	4.74	4.77	5.22
Net interest margin	3.63	4.07	3.82	3.50	3.80	3.45	3.87
Noninterest income to earning assets	0.71	0.39	0.49	0.84	0.68	0.64	1.66
Noninterest expense to earning assets	2.84	3.18	2.98	2.75	3.33	2.41	2.84
Return on assets	0.37	0.38	0.19	0.47	0.21	0.41	1.51
Return on equity	5.16	4.64	2.46	6.85	3.01	5.71	15.13
Net charge-offs to loans and leases	1.17	0.87	1.11	1.23	1.26	1.20	0.26
Loan loss provision to net charge-offs	90.66	91.24	101.65	85.12	84.81	93.93	204.41
Growth Rates *(year-to-year)*							
Assets	−5.1%	4.3%	5.2%	4.3%	−3.0%	−7.3%	−1.6%
Equity capital	3.7	2.5	2.1	1.1	8.0	−2.2	24.1
Net interest income	22.5	26.9	25.7	23.9	27.5	19.0	12.8
Net income	N/M	N/M	N/M	N/M	N/M	N/M	25.4
Net charge-offs	−29.1	−27.5	3.5	−5.8	−49.2	22.5	−58.3
Loan loss provision	−44.1	−28.8	−16.7	−22.4	−55.4	−30.1	45.4

N/M – Not meaningful

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

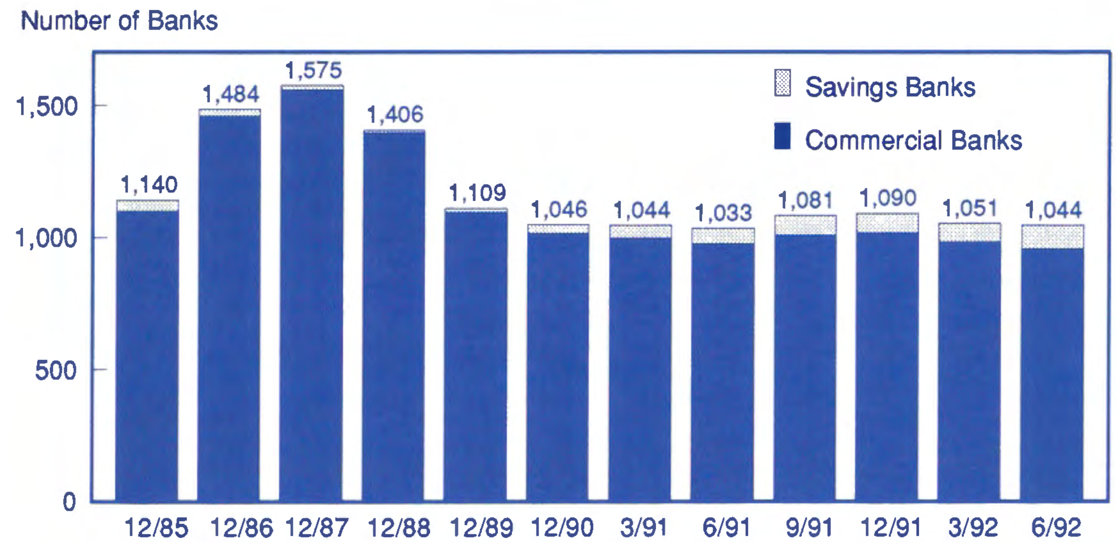


Quarterly Average Yield:

	1990:1Q	1990:2Q	1990:3Q	1990:4Q	1991:1Q	1991:2Q	1991:3Q	1991:4Q	1992:1Q	1992:2Q
30-Year Treasury Bond	8.44	8.65	8.80	8.55	8.20	8.32	8.18	7.85	7.80	7.90
3-Month Treasury Bill	7.76	7.75	7.48	6.99	6.02	5.56	5.38	4.54	3.90	3.70
Spread	0.68	0.90	1.32	1.56	2.18	2.76	2.80	3.31	3.90	4.10

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

1985-1992

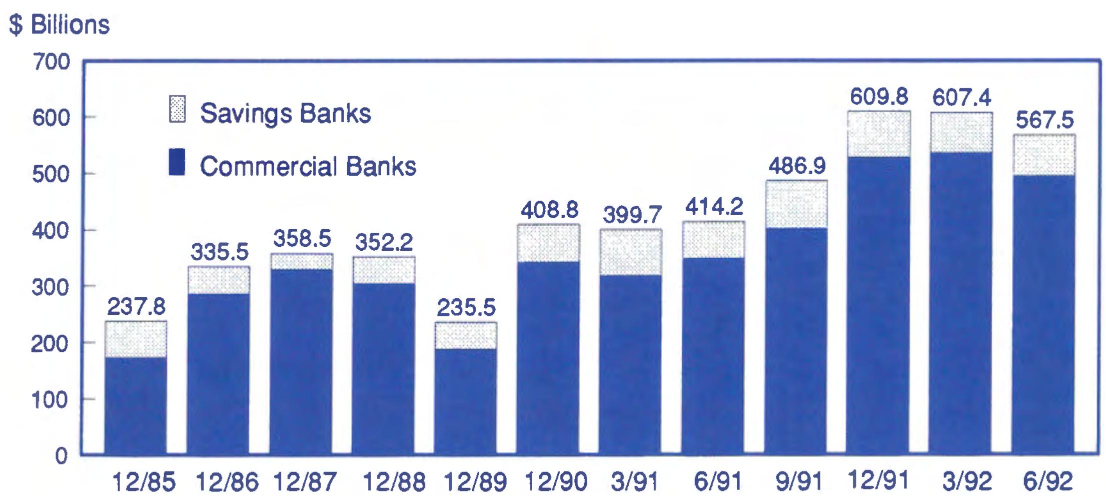


Number of Problem Institutions:

Savings Banks	42	27	16	12	17	34	48	58	76	74	70	88
Commercial Banks	1,098	1,457	1,559	1,394	1,092	1,012	996	975	1,005	1,016	981	956

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

1985-1992



Assets of Problem Institutions:

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
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

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 (15 institutions as of June 30, 1992) 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.

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