The FDIC Quarterly Banking Profile

Andrew C. Hove, Jr., Chairman

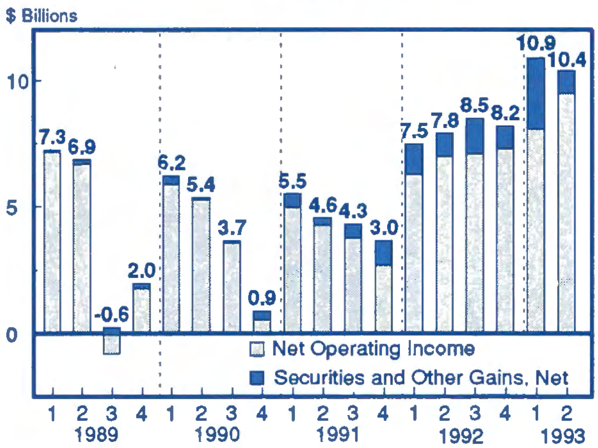
Second Quarter, 1993

COMMERCIAL BANKING PERFORMANCE - SECOND QUARTER, 1993

- ***Commercial Banks Earn $10.4 Billion In Second Quarter***
- ***Core Earnings Set Quarterly Record***
- ***Strong Margins And Improved Asset Quality Boost Profits***
- ***Total Loans Grow By $44.2 Billion***

Insured commercial banks earned $10.4 billion in the second quarter of 1993, the second-highest quarterly total ever reported, after the $10.9 billion earned in the previous quarter. Industry profits were almost a third higher than the $7.8 billion reported a year earlier. Net operating income was a record $9.8 billion, up $1.4 billion from the first quarter of 1993, and $2.6 billion more than a year earlier. Unlike the first quarter, when one-time accounting adjustments and other nonrecurring gains contributed 23 percent of banks' profits, extraordinary gains and gains from sales of investment securities comprised only 6.2 percent of second-quarter earnings. The annualized return on average assets in the second quarter was 1.18 percent, lower than the 1.24 percent of the first quarter, but well above the 0.93 percent average of a year ago. Net income for the first six months of 1993 was $21.2 billion, almost $5.6 billion more than in the first half of 1992. Average ROA for the first half of 1993 was 1.21 percent.

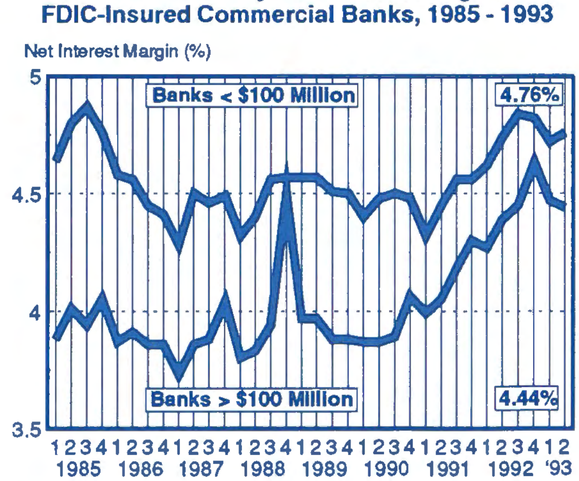
Chart A - Quarterly Net Income of FDIC-Insured Commercial Banks, 1989 - 1993



Lower loan-loss provisions were an important factor in the earnings improvement. Banks set aside $4.2 billion in the second quarter for future loan losses, $2.1 billion less than a year ago, and $521 million less than in the first quarter of 1993. This was the lowest quarterly loss provision since the $3.6 billion set aside in the first quarter of 1989. For the first six months of 1993, loan-loss provisions were $4 billion less than in the same period of 1992.

Higher net interest income was another major contributor to increased core earnings. Although commercial banks' average net interest margin narrowed slightly for the second consecutive quarter -- from 4.50 percent to 4.47 percent -- it remained wider than the 4.42 percent average of a year ago. Second-quarter net interest income of $34.8 billion represented an increase of $1.8 billion (5.5 percent) over the second quarter of 1992, and was $211 million higher than in the first quarter of this year. Average funding costs fell for the tenth consecutive quarter, as interest rates remained low and banks continued to shift toward shorter-term, lower-cost sources of funds. Time deposits at commercial banks have declined during the past ten quarters by almost one-fourth ($273 billion), and their proportion of total bank liabilities has fallen from 34.5 percent at the end of 1990 to 25 percent at midyear. During the same time, lower-cost demand and savings deposits have risen by $283 billion, from 39.8 percent of all liabilities to 47 percent.

Chart B - Quarterly Net Interest Margins of FDIC-Insured Commercial Banks, 1985 - 1993



Led by reduced levels of troubled real estate assets, total troubled assets declined by $7.3 billion in the second quarter. This was the fifth consecutive quarter

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that they have fallen. At the end of June, troubled assets represented 2.15 percent of total commercial bank assets, down from 2.40 percent at the end of the first quarter and 2.90 percent a year ago. This is the lowest proportion since the 2.14 percent registered at the end of 1988. Noncurrent loans and leases declined by $4.7 billion in the second quarter, and other real estate owned fell by $2.6 billion. Noncurrent real estate loans decreased by $2.2 billion, while noncurrent commercial and industrial loans shrank by $1.6 billion.

Net loan charge-offs in the second quarter totaled $4.5 billion, a slight increase from the first quarter, when banks charged-off $4.3 billion in bad loans, but otherwise the lowest quarterly total since banks charged-off $3.6 billion in the first quarter of 1989. Through the first six months of 1993, net charge-offs are below year-earlier levels for all major loan categories.

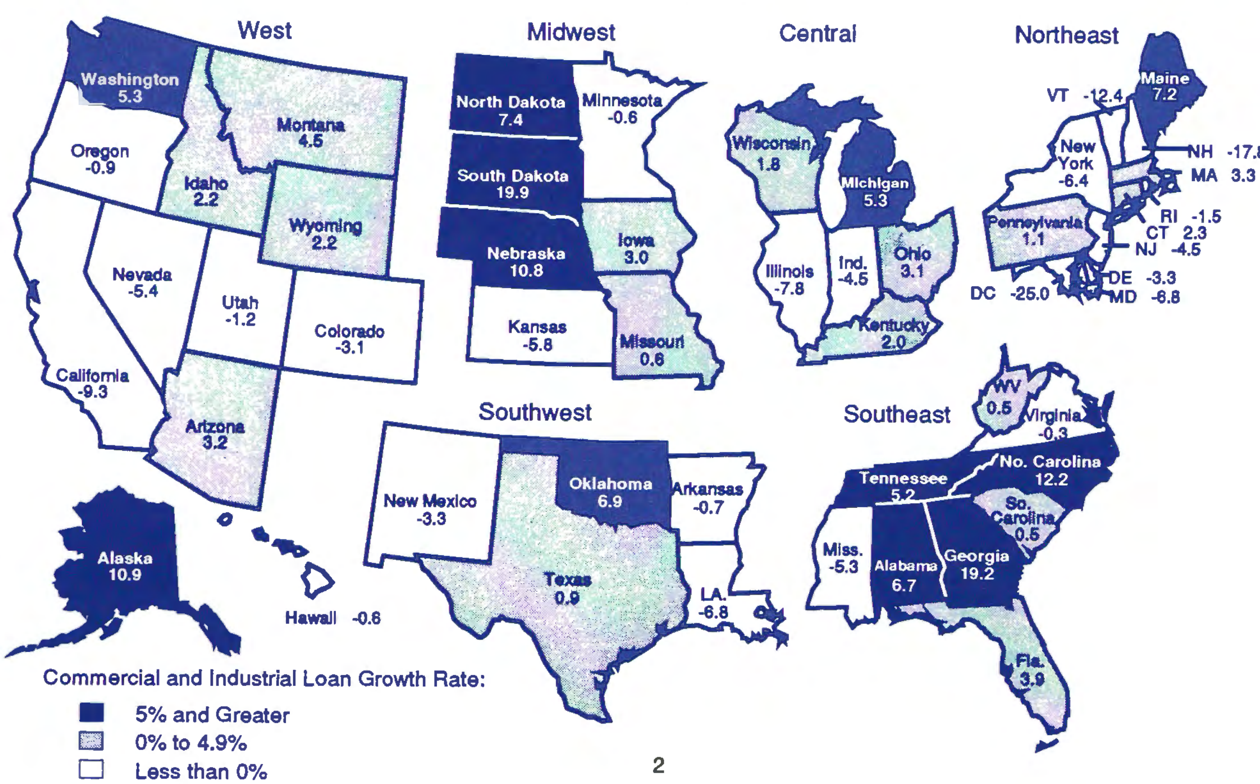
Troubled assets have decreased in seven of the last eight quarters since peaking at $107.8 billion (3.19 percent of total assets) at midyear 1991. During that time, they have declined by $31 billion, almost 29 percent. Most of the reduction has been in noncurrent loans, which are $28.8 billion lower than two years ago. Banks' holdings of foreclosed properties, which began to decrease only in the fourth quarter of last year, are only $2.2 billion below the midyear 1991 level. Banks in the West Region had the highest proportion of troubled assets at the end of the second quarter -- 2.97 percent -- ending the string of twelve consecutive quarters in which Northeast Region banks held this dubious distinction.

Banks' reserves for loan losses shrank by $518 million in the second quarter, to $54.1 billion. However, the $4.7-billion reduction in noncurrent loans meant that their reserve coverage rose during the quarter to 99.8 cents in reserves for every dollar of noncurrent loans. This is the highest level since noncurrent loan data first became available in 1982. Equity capital growth remained strong in the second quarter. Aided by $6 billion in retained earnings, total equity capital of commercial banks increased by $8 billion, to $281.6 billion, or 7.89 percent of total assets at midyear.

Total assets of commercial banks grew by $55.9 billion in the second quarter, the largest quarterly increase since the third quarter of 1991, when assets rose by $56.5 billion. A striking difference between the two periods is that the most recent increase was driven by loan growth of $44.2 billion, whereas loans shrank by $13.9 billion in the third quarter of 1991. Increased holdings of home mortgage loans accounted for $19.5 billion of the increase in lending. All of the main loan categories increased during the quarter; however, the $1.35-billion increase in commercial and industrial loans was due to increased lending to non-U.S. commercial borrowers. Total commercial and industrial loans are now $10.5 billion lower than a year ago. Bank holdings of U.S. Treasury securities declined in the second quarter by $2.4 billion, while mortgage-backed securities increased by $11.6 billion.

A total of 11,198 commercial banks reported financial results at the end of June, a net decrease of 132 banks from the 11,330 that filed Call reports at the end of the first quarter, and 488 fewer than a year earlier. There were 15 failures of insured commercial banks in the second quarter, bringing the total for the first six months of 1993 to 22 failed banks. Nineteen new banks were chartered in the second quarter, while mergers absorbed 124 institutions. The number and assets of commercial banks on the FDIC's "Problem List" continued to shrink. At midyear, there were 580 "problem" banks with combined assets of $325.9 billion, a net reduction of 91 banks and $50.5 billion in total assets during the second quarter.

Chart C - Commercial and Industrial Loan Growth Rates By State
June 30, 1992 - June 30, 1993



REAL ESTATE LOAN PERFORMANCE AND OTHER REAL ESTATE OWNED, JUNE 30, 1993

	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	1.59%	1.45%	1.41%	1.60%	1.75%	2.06%	1.27%	1.33%	1.12%	1.22%	1.73%
Construction and development	2.35	1.62	2.37	2.77	2.13	2.79	1.52	2.04	2.56	0.97	3.01
Commercial real estate	1.74	1.28	1.41	1.82	2.14	2.59	1.11	1.38	1.51	1.14	1.82
Multifamily residential real estate	1.51	1.05	1.38	1.78	1.45	1.29	1.15	1.69	1.73	0.81	2.07
1-4 Family residential	1.51	1.66	1.40	1.37	1.67	1.86	1.43	1.29	0.87	1.31	1.67
Home equity lines of credit	0.84	1.51	0.84	0.78	0.84	1.09	0.61	0.75	0.59	1.32	0.71
Commercial R/E loans not secured by real estate	1.75	1.16	1.13	1.68	1.87	2.29	0.63	1.70	0.63	0.50	2.01
PERCENT OF LOANS NONCURRENT*											
All real estate loans	3.41%	1.42%	1.88%	3.07%	5.46%	5.49%	2.02%	1.77%	1.50%	1.84%	4.40%
Construction and development	11.26	1.90	4.81	9.58	18.39	16.37	4.85	7.70	3.62	3.30	16.13
Commercial real estate	5.05	1.94	2.59	4.38	9.40	8.65	3.41	2.27	3.22	2.92	5.54
Multifamily residential real estate	4.81	1.71	2.08	4.21	8.48	8.86	2.06	2.45	2.32	1.95	5.88
1-4 Family residential	1.27	1.02	1.09	1.18	1.56	1.92	0.91	0.75	0.50	0.93	1.71
Home equity lines of credit	0.68	1.10	0.73	0.67	0.64	1.02	0.52	0.41	0.34	0.60	0.54
Commercial R/E loans not secured by real estate	6.12	3.26	1.58	3.96	7.44	11.58	2.61	2.16	4.12	0.76	4.09
PERCENT OF LOANS CHARGED-OFF *(NET, ANNUALIZED)*											
All real estate loans	0.67%	0.12%	0.25%	0.55%	1.26%	1.36%	0.27%	0.24%	0.31%	0.10%	0.75%
Construction and development	2.82	0.15	0.78	1.86	5.33	5.13	0.93	1.50	0.62	0.18	3.44
Commercial real estate	0.93	0.16	0.33	0.87	1.87	1.94	0.40	0.34	0.94	0.10	0.88
Multifamily residential real estate	0.96	0.31	0.29	0.40	2.24	2.71	0.38	0.10	0.41	0.12	0.43
1-4 Family residential	0.19	0.09	0.13	0.15	0.31	0.42	0.10	0.05	0.05	0.09	0.22
Home equity lines of credit	0.19	0.19	0.22	0.17	0.19	0.24	0.16	0.05	0.03	0.23	0.25
Commercial R/E loans not secured by real estate	1.88	1.05	1.04	1.50	2.13	3.70	0.15	3.42	−0.16	1.01	0.40
TOTAL LOANS OUTSTANDING *($ BILLIONS)*											
All real estate loans	$888.4	$100.2	$219.9	$263.8	$304.5	$261.7	$180.3	$153.5	$60.8	$61.5	$170.6
Construction and development	70.2	5.9	14.9	22.8	26.6	20.9	14.4	10.6	3.1	4.4	16.8
Commercial real estate	262.4	27.2	72.9	88.1	74.1	73.9	55.6	47.4	15.4	19.1	50.9
Multifamily residential real estate	28.3	2.3	7.5	9.4	9.1	7.7	5.3	5.5	1.9	1.8	6.0
1-4 Family residential	410.2	51.3	104.2	113.9	140.7	111.3	89.2	72.2	31.6	33.0	72.9
Home equity lines of credit	74.5	2.8	13.8	27.1	30.8	27.3	12.4	12.2	2.4	0.9	19.2
Commercial R/E loans not secured by real estate	18.7	0.4	1.4	4.2	12.7	6.5	3.0	2.1	0.5	0.8	5.7
OTHER REAL ESTATE OWNED *($ BILLIONS)*											
All real estate loans	$22.6	$1.6	$3.7	$5.5	$11.7	$11.2	$2.7	$1.7	$0.8	$1.5	$4.8
Construction and development	5.3	0.2	0.9	2.0	2.1	2.2	0.8	0.3	0.2	0.3	1.5
Commercial real estate	11.6	0.7	1.7	2.6	6.6	5.7	1.4	1.0	0.5	0.8	2.3
Multifamily residential real estate	1.5	0.1	0.2	0.3	1.0	1.0	0.1	0.1	0.1	0.1	0.2
1-4 Family residential	2.7	0.5	0.8	0.5	0.9	1.1	0.4	0.2	0.1	0.2	0.7
Home equity lines of credit	0.3	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.1
Other real estate owned in foreign offices	1.1	0.0	0.0	0.0	1.1	1.1	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

	1993*	1992*	1992	1991	1990	1989	1988
Return on assets	1.21%	0.93%	0.96%	0.54%	0.48%	0.49%	0.82%
Return on equity	15.64	13.29	13.27	8.05	7.55	7.78	13.30
Equity capital to assets	7.89	7.22	7.51	6.75	6.45	6.21	6.28
Noncurrent loans and leases plus other real estate owned to assets	2.15	2.90	2.54	3.02	2.94	2.26	2.14
Net charge-offs to loans	0.87	1.21	1.29	1.61	1.44	1.16	1.00
Asset growth rate	3.81	1.80	2.19	1.21	2.73	5.37	4.36
Net operating income growth	30.01	56.30	92.55	−0.62	2.56	−38.53	1554.74
Percentage of unprofitable banks	4.67	6.63	6.75	11.59	13.43	12.50	14.65
Number of institutions	11,198	11,686	11,462	11,921	12,343	12,707	13,139
Number of problem banks	580	956	787	997	1,012	1,092	1,394
Assets of problem banks *(billions)*	$325.9	$494.4	$408.2	$528.0	$341.6	$187.9	$304.8
Number of failed/assisted banks	22	55	100	108	159	206	221

* 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 1993	1st Qtr 1993	2nd Qtr 1992	%Change 92:2-93:2
Number of banks reporting	11,198	11,330	11,686	−4.2
Total employees (full-time equivalent)	1,463,578	1,467,838	1,479,392	−1.1
CONDITION DATA				
Total assets	$3,569,251	$3,513,409	$3,438,273	3.8
Real estate loans	888,355	868,423	858,450	3.5
Commercial & industrial loans	535,148	533,798	545,702	−1.9
Loans to individuals	390,018	381,820	378,086	3.2
Farm loans	35,716	33,162	35,938	−0.6
Other loans and leases	218,094	205,889	214,334	1.8
Total loans and leases	2,067,332	2,023,092	2,032,510	1.7
LESS: Reserve for losses	54,092	54,610	55,315	−2.2
Net loans and leases	2,013,239	1,968,483	1,977,194	1.8
Temporary investments	565,202	555,747	507,282	11.4
Securities over 1 year	578,566	580,316	553,785	4.5
All other assets	412,244	408,863	400,012	3.1
Total liabilities and capital	3,569,251	3,513,409	3,438,273	3.8
Noninterest-bearing deposits	526,210	490,540	486,535	8.2
Interest-bearing deposits	2,154,156	2,164,985	2,170,164	−0.7
Other borrowed funds	446,082	430,432	395,182	12.9
Subordinated debt	36,954	34,446	27,576	34.0
All other liabilities	124,263	119,379	110,463	12.5
Equity capital	281,586	273,628	248,353	13.4
Goodwill	7,734	7,196	5,597	38.2
Loans and leases 30-89 days past due	29,349	34,126	34,109	−14.0
Noncurrent loans and leases	54,182	58,878	71,900	−24.6
Restructured loans and leases	11,216	11,209	10,706	4.8
Other real estate owned	22,564	25,176	27,771	−18.8
Loan commitments and letters of credit	1,512,914	1,473,902	1,402,375	7.9
Domestic office assets	3,137,475	3,093,692	3,030,437	3.5
Foreign office assets	431,775	419,717	407,836	5.9
Domestic office deposits	2,368,005	2,351,086	2,353,131	0.6
Foreign office deposits	312,362	304,439	303,567	2.9
Earning assets	3,157,007	3,104,546	3,038,261	3.9
Volatile liabilities	969,445	955,208	959,207	1.1

INCOME DATA	Preliminary First Half 1993	First Half 1992	%Change	Preliminary 2nd Qtr 1993	2nd Qtr 1992	%Change 92:2-93:2
Total interest income	$121,819	$130,033	−6.3	$60,845	$64,595	−5.8
Total interest expense	52,455	65,180	−19.5	26,000	31,575	−17.7
Net interest income	69,364	64,852	7.0	34,845	33,019	5.5
Provision for loan losses	8,959	12,990	−31.0	4,208	6,346	−33.7
Total noninterest income	36,237	32,192	12.6	18,620	16,510	12.8
Total noninterest expense	69,558	63,704	9.2	34,687	32,700	6.1
Securities gains (losses)	1,721	1,937	−11.2	745	817	−8.8
Applicable income taxes	9,502	6,921	37.3	5,022	3,563	41.0
Extraordinary gains, net	1,883	234	703.7	112	104	7.4
Net income	21,185	15,601	35.8	10,405	7,842	32.7
Net charge-offs	8,854	12,044	−26.5	4,530	6,054	−25.2
Cash dividends on capital stock	8,687	5,782	50.2	4,432	3,012	47.1
Net operating income	18,094	13,917	30.0	9,765	7,119	37.2

Table III. First Half 1993 Commercial 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	11,198	8,089	2,736	319	54	895	1,870	2,454	2,744	1,988	1,247
Total assets	$3,569.3	$340.8	$667.1	$1,010.6	$1,550.8	$1,348.4	$568.4	$587.0	$239.1	$286.3	$540.0
Total deposits	2,680.4	299.6	569.3	756.3	1,055.2	919.3	439.3	452.5	191.9	242.1	435.3
Net income *(in millions)*	21,185	2,127	4,064	6,433	8,560	7,192	3,418	3,760	1,701	2,224	2,890
Percentage of banks losing money	4.7%	4.9%	4.1%	5.0%	3.7%	8.8%	5.0%	2.7%	2.0%	3.4%	13.1%
Percentage of banks with earnings gains	65.8	62.5	73.7	77.7	85.2	76.9	71.1	67.8	59.6	62.1	65.3
Performance Ratios *(annualized)*											
Yield on earning assets	7.89%	7.78%	7.77%	7.75%	8.07%	8.44%	7.44%	7.61%	7.64%	7.09%	7.90%
Cost of funding earning assets	3.40	3.06	2.96	2.85	4.05	4.33	2.90	3.07	3.05	2.66	2.57
Net interest margin	4.49	4.71	4.82	4.90	4.02	4.11	4.54	4.54	4.59	4.44	5.34
Noninterest income to earning assets	2.35	1.11	1.40	2.61	2.91	2.92	1.68	1.81	2.46	1.80	2.48
Noninterest expense to earning assets	4.51	3.82	4.00	4.76	4.74	4.81	3.97	3.96	4.31	4.28	5.16
Net operating income to assets	1.04	1.13	1.12	1.20	0.87	0.81	1.16	1.23	1.38	1.17	1.02
Return on assets	1.21	1.25	1.23	1.31	1.13	1.09	1.23	1.31	1.44	1.59	1.08
Return on equity	15.64	12.93	14.52	16.27	16.64	15.57	15.77	16.28	16.47	19.96	12.56
Net charge-offs to loans and leases	0.87	0.29	0.48	0.94	1.11	1.36	0.42	0.51	0.57	0.24	0.96
Loan loss provision to net charge-offs	101.19	138.03	132.35	114.19	85.71	92.52	127.18	134.17	125.27	52.17	98.63
Condition Ratios											
Loss allowance to:											
Loans and leases	2.62%	1.78%	1.92%	2.72%	3.02%	3.24%	1.98%	1.94%	1.99%	2.05%	3.03%
Noncurrent loans and leases	99.83	117.17	108.92	121.71	86.59	87.57	121.95	126.72	132.67	134.53	94.25
Noncurrent loans and leases plus other real estate to assets	2.15	1.27	1.58	1.91	2.75	2.90	1.45	1.20	1.20	1.23	2.97
Equity capital ratio	7.89	9.80	8.64	8.21	6.94	7.14	7.94	8.14	8.94	8.24	8.77
Core capital (leverage) ratio											
Net loans and leases to deposits	75.11	58.92	66.23	79.11	81.63	79.45	75.58	75.87	70.39	54.67	78.14
Growth Rates *(year-to-year)*											
Assets	3.8%	3.9%	6.7%	9.3%	9.1%	3.4%	9.0%	3.8%	2.7%	5.3%	−0.5%
Equity capital	13.4	6.5	11.6	17.9	25.3	15.0	12.9	9.1	7.4	18.0	15.9
Net interest income	7.0	5.3	8.8	11.3	14.9	7.2	7.9	5.6	5.5	6.7	7.6
Net income	35.8	17.4	21.2	32.8	65.7	49.7	25.6	22.3	12.8	49.8	43.9
Noncurrent loans and leases plus other real estate owned	−23.0	−16.0	−10.0	−19.1	−21.7	−24.2	−23.1	−22.4	−16.8	−37.8	−16.8
Net charge-offs	−26.5	−43.3	−16.9	−28.8	−21.2	−25.5	−43.1	−31.4	−21.4	−66.1	−6.9
Loan loss provision	−31.0	−36.0	−17.1	−26.3	−35.5	−30.0	−37.9	−22.2	−20.8	−81.7	−28.6
PRIOR FIRST HALVES *(The way it was . . .)*											
Return on assets 1992	0.93%	1.11%	1.04%	1.01%	0.77%	0.77%	1.05%	1.10%	1.30%	1.10%	0.79%
1990	0.70	0.80	0.91	0.64	0.61	0.41	0.76	0.86	1.07	0.55	1.10
1988	0.69	0.72	0.78	0.69	0.64	0.96	0.99	1.09	1.06	−2.08	0.77
Equity capital ratio 1992	7.22	9.38	8.17	7.48	6.00	6.43	7.66	7.75	8.55	7.36	7.53
1990	6.43	9.08	7.75	6.52	4.99	5.66	7.16	7.04	7.95	6.61	6.35
1988	6.15	8.78	7.35	6.20	4.58	5.67	7.01	6.76	7.53	5.41	5.80
Noncurrent loans and leases plus other real estate owned to assets 1992	2.90	1.57	2.00	2.73	3.82	3.95	2.05	1.60	1.48	2.08	3.55
1990	2.46	1.73	1.84	2.18	3.18	3.34	1.58	1.38	1.45	3.02	2.31
1988	2.39	2.07	1.81	1.72	3.36	2.33	1.07	1.21	1.75	6.26	2.99
Net charge-offs to loans and leases 1992	1.21	0.45	0.64	1.39	1.53	1.85	0.78	0.75	0.74	0.73	1.05
1990	1.47	0.55	0.67	1.36	2.13	2.19	0.71	0.97	0.97	1.28	1.11
1988	1.00	0.75	0.74	1.16	1.06	0.65	0.62	0.75	1.40	3.40	1.09

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 1993 Commercial 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	11,198	8,089	2,736	319	54	895	1,870	2,454	2,744	1,988	1,247
Total assets	$3,569.3	$340.8	$667.1	$1,010.6	$1,550.8	$1,348.4	$568.4	$587.0	$239.1	$286.3	$540.0
Total deposits	2,680.4	299.6	569.3	756.3	1,055.2	919.3	439.3	452.5	191.9	242.1	435.3
Net income *(in millions)*	10,405	1,038	1,991	3,342	4,033	3,431	1,819	1,907	886	902	1,459
Percentage of banks losing money	5.4%	5.7%	4.4%	5.6%	3.7%	8.7%	5.6%	2.9%	3.0%	4.8%	13.6%
Percentage of banks with earnings gains	60.1	56.5	68.6	75.9	85.2	68.4	64.8	63.1	55.1	55.0	60.7
Performance Ratios *(annualized)*											
Yield on earning assets	7.81%	7.79%	7.77%	7.67%	7.92%	8.31%	7.40%	7.54%	7.66%	7.03%	7.80%
Cost of funding earning assets	3.34	3.02	2.91	2.78	3.98	4.25	2.87	3.01	3.01	2.61	2.48
Net interest margin	4.47	4.76	4.85	4.89	3.95	4.06	4.53	4.53	4.65	4.42	5.32
Noninterest income to earning assets	2.39	1.14	1.44	2.65	2.95	3.00	1.69	1.86	2.51	1.87	2.43
Noninterest expense to earning assets	4.45	3.86	4.05	4.79	4.55	4.72	3.90	3.94	4.36	4.28	5.08
Net operating income to assets	1.11	1.15	1.13	1.26	0.99	0.92	1.23	1.29	1.46	1.23	1.04
Return on assets	1.18	1.22	1.20	1.35	1.05	1.03	1.29	1.32	1.51	1.27	1.09
Return on equity	15.05	12.49	14.01	16.54	15.27	14.54	16.43	16.24	16.93	15.54	12.48
Net charge-offs to loans and leases	0.89	0.34	0.54	0.93	1.13	1.39	0.45	0.50	0.56	0.29	0.98
Loan loss provision to net charge-offs	92.89	125.59	120.15	103.48	79.19	89.26	106.41	121.46	111.78	8.13	89.06
Growth Rates *(year-to-year)*											
Net interest income	5.5%	4.8%	7.9%	10.8%	7.8%	6.1%	7.6%	5.1%	5.2%	6.6%	2.7%
Net income	32.7	13.7	17.2	37.0	55.5	46.1	24.5	20.5	19.3	21.1	51.7
Net charge-offs	−25.2	−40.4	−13.6	−28.5	−23.6	−25.1	−34.1	−32.5	−25.3	−56.7	−7.5
Loan loss provision	−33.7	−38.2	−17.6	−32.5	−37.4	−28.4	−37.4	−30.9	−30.1	−95.9	−38.6
PRIOR SECOND QUARTERS *(The way it was . . .)*											
Return on assets 1992	0.93%	1.11%	1.05%	1.03%	0.74%	0.74%	1.12%	1.13%	1.27%	1.10%	0.74%
1990	0.62	0.77	0.89	0.58	0.49	0.31	0.75	0.86	0.96	0.58	0.92
1988	0.71	0.67	0.75	0.67	0.74	0.97	0.96	1.06	1.08	−1.79	0.73
Net charge-offs to loans and leases											
1992	1.22	0.50	0.70	1.39	1.49	1.87	0.72	0.75	0.77	0.71	1.07
1990	1.63	0.65	0.76	1.31	2.53	2.45	0.73	0.84	1.03	1.45	1.51
1988	1.14	0.89	0.93	1.38	1.10	0.63	0.57	0.73	1.41	4.75	1.40

SAVINGS BANK PERFORMANCE - SECOND QUARTER, 1993

- BIF-Insured Savings Banks Earn $414 Million
- Mortgage Loans and Mortgage-Backed Securities Increase
- Capital Protection Improves While Troubled Assets Decline
- One Institution Fails, Problem List Continues to Shrink

The 408 savings banks insured by the FDIC Bank Insurance Fund (BIF) earned $414 million in the second quarter of 1993.[1] The industry now has enjoyed 6 consecutive profitable quarters following 3 years of losses. Core earnings were unchanged compared with the previous quarter as gains in net interest income and falling loan-loss provisions were offset by higher noninterest expenses. Net income after extraordinary items was $103 million below the amount earned in the first quarter, when one-time accounting adjustments and other nonrecurring gains contributed $101 million to net income. As a result, the annualized return on assets for the quarter averaged 0.82 percent, compared to the 1.01 percent reported for the previous quarter. Average ROA for the first half of 1993 was 0.93 percent.

Favorable interest-rate conditions continued to sustain earnings throughout most of the industry. Net interest margins stood at just over 4 percent. This was the highest level since savings banks began reporting quarterly earnings in 1985. Interest margins increased moderately despite a narrowing of the wide spread between shorter-term and longer-term interest rates. The industry's funding costs are being reduced as interest-bearing deposits are replaced with noninterest-bearing deposits, low-cost borrowings and higher equity capital levels.

Notwithstanding the favorable earnings picture, 38 institutions – 9 percent of the industry – lost money in the second quarter, up from only 17 unprofitable savings banks during the first quarter. Most of the unprofitable savings banks are headquartered in the six New England states, where one of every ten institutions lost money. Nearly 7 percent of the institutions elsewhere in the Northeast were unprofitable, while all of the 14 institutions outside the Northeast made money in the quarter.

Total assets held by BIF-member thrifts increased $1.2 billion in the quarter, following 4 years of industry shrinkage.[2] Mortgage-backed securities increased $1.6 billion, outstripping growth in home mortgage loans, which increased $524 million. Most of the asset growth was achieved by institutions headquartered in the New England states, where savings bank assets increased $762 million.

Savings banks continued to improve their asset quality. The industry's troubled assets shrank $936 million in the quarter. The sharpest decrease occurred in the six New England states, where troubled assets fell by $540 million (14.4 percent).[3] Elsewhere in the Northeast, troubled assets contracted $371 million (7.7 percent). Nationwide, troubled-asset levels have declined 8 consecutive quarters. At the end of the second quarter, troubled assets comprised 3.8 percent of total assets, down from 4.3 percent the previous quarter and 5.2 percent one year ago.

Net charge-off rates were below one percent of loans for the second consecutive quarter and reserve coverage of noncurrent loans continued to improve. The industry held 50 cents in reserves for each dollar of troubled loans at the end of the second quarter – the ninth consecutive quarter in which coverage ratios have improved. The 14 institutions outside of the Northeast continued to have the highest coverage ratios – $1.10 in reserves for each dollar of troubled loans. Institutions in the New England states have coverage levels twice as high as the average elsewhere in the Northeast (70 cents versus 36 cents).

Retained earnings, minimal asset growth and new capital issues have all combined to bolster capital ratios. Equity capital was up by $541 million in the quarter. Savings banks' average equity capital ratio was 8.5 percent at quarter's end, the highest level since 1962. The strongest improvement in capital ratios occurred in the institutions in the Northeast outside of the New England states, aided in part by new capital issues.

The first savings bank failure in 1993 took place in the second quarter, a substantial turnaround following 22 failures during 1992. The number and total assets of institutions on the FDIC's "Problem List" continued to plummet from the record levels reported one year ago. As of June 30, 1993, there were 60 "problem" savings banks holding $37.1 billion in assets. Problem savings banks accounted for 18 percent of the industry's assets, a significant contrast to June 30, 1992, when 88 "problem" savings banks held almost one-third of the assets in the industry. The FDIC's resolution of the most-troubled institutions, the benefits of favorable interest rates, and stabilizing real estate markets in the Northeast have all contributed to the industry's continuing recovery.

[1] BIF-insured savings banks account for less than 10 percent of all deposits insured by the FDIC Bank Insurance Fund. This analysis does not include institutions insured primarily by the FDIC Savings Association Insurance Fund (SAIF).

[2] The acquisition of Montclair Savings Bank, Montclair, NJ by Collective Federal Savings Bank of Egg Harbor, NJ on April 1, 1993, reduced BIF-insured savings bank assets, mortgage loans and deposits by $584 million, $428 million and $524 million, respectively.

[3] The decrease in troubled assets was aided in part by FDIC's resolution of New England Savings Bank, New London, Connecticut, which closed on May 21, 1993. New England Savings Bank reported $195 million in troubled assets on its final March 31, 1993 Call report.

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

	1993*	1992*	1992	1991	1990	1989	1988
Return on assets	0.93%	0.38%	0.65%	−0.56%	−0.98%	−0.28%	0.45%
Equity capital to assets	8.48	7.29	7.95	6.66	6.61	7.06	7.44
Noncurrent loans and leases plus other real estate owned to assets**	3.84	5.24	4.25	5.48	5.60	2.64	1.51
Noncurrent RE loans to total RE loans**	3.01	4.89	3.95	5.64	5.32	3.14	1.67
Asset growth rate	−12.01	−5.12	−9.48	−8.42	−7.46	−1.52	8.54
Deposit growth rate	−12.46	−3.78	−9.14	−5.69	−4.97	1.34	7.88
Number of institutions	408	430	414	441	469	489	492
Number of problem savings banks	60	88	76	74	34	17	12
Assets of problem savings banks *(billions)*	$37.1	$73.0	$56.3	$81.8	$67.2	$47.6	$47.4
Number of failed savings banks	1	11	22	19	10	1	0

* 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 1993	1st Qtr 1993	2nd Qtr 1992	% Change 92:2-93:2
Number of savings banks reporting	408	410	430	−5.1
Total employees (full-time equivalent)	61,505	61,084	67,914	−9.4
CONDITION DATA				
Total assets	$203,845	$202,674	$231,671	−12.0
Mortgage loans	115,586	115,062	134,501	−14.1
1-4 family residential	82,893	82,188	93,526	−11.4
Construction and land development	2,679	2,762	4,038	−33.6
Commercial and multi-family	30,014	30,112	36,938	−18.7
All other loans and leases	12,523	12,791	14,613	−14.3
LESS: Reserves for losses	2,326	2,292	2,972	−21.7
LESS: Other contra accounts	376	360	478	−21.4
Net loans and leases	125,407	125,200	145,663	−13.9
Mortgage-backed securities	19,206	17,610	20,462	−6.1
Other real estate owned	3,243	3,752	4,817	−32.7
Goodwill	343	352	803	−57.3
All other assets	55,646	55,759	59,925	−7.1
Total liabilities and capital	203,845	202,674	231,671	−12.0
Interest-bearing deposits	163,969	165,589	189,002	−13.2
Noninterest-bearing deposits	7,769	6,604	7,181	8.2
Other borrowed funds	12,945	11,887	15,877	−18.5
Subordinated debt	76	77	256	−70.3
Other liabilities	1,792	1,765	2,470	−27.5
Equity capital	17,294	16,753	16,886	2.4
Loans and leases 30-89 days past due	2,623	3,147	4,019	−34.7
Noncurrent loans and leases	4,606	5,033	7,330	−37.2
Other noncurrent assets	12	13	25	−50.2
Direct and indirect investments in real estate	427	460	709	−39.7

INCOME DATA	Preliminary First Half 1993	First Half 1992	% Change	Preliminary 2nd Qtr 1993	2nd Qtr 1992	% Change 92:2-93:2
Total interest income	$7,164	$9,026	−20.6	$3,563	$4,495	−20.7
Total interest expense	3,398	5,283	−35.7	1,670	2,556	−34.7
Net interest income	3,766	3,743	0.6	1,893	1,939	−2.4
Provisions for losses	475	725	−34.5	222	385	−42.3
Total noninterest income	713	686	4.0	352	376	−6.2
Total noninterest expense	2,824	2,990	−5.6	1,441	1,525	−5.5
Securities gains (losses)	129	170	−23.9	56	59	−4.1
Applicable income taxes	492	464	5.9	243	245	−0.7
Extraordinary gains, net	123	18	598.9	19	2	876.7
Net income	940	437	115.1	414	221	87.6
Net charge-offs	532	843	−36.9	267	439	−39.2

Table III. First Half 1993 Savings Bank Data *(Dollar figures in billions, ratios in %)*

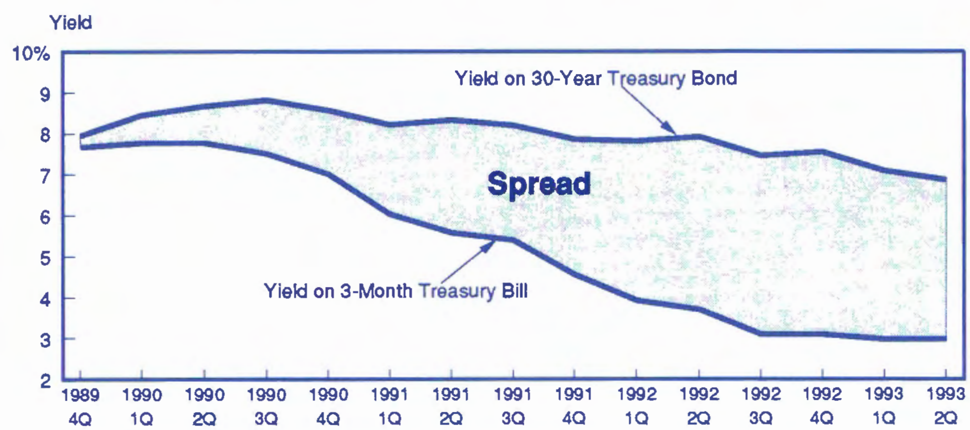
FIRST HALF *Preliminary*	All BIF-Insured Savings Banks	ASSET SIZE DISTRIBUTION: Less than $100 Million	$100 Million to $1 Billion	Greater than $1 Billion	GEOGRAPHIC DISTRIBUTION: New England	Other Northeast	Rest of U.S.
Number of savings banks reporting	408	120	241	47	307	87	14
Total assets	$203.8	$6.5	$75.6	$121.7	$99.5	$91.8	$12.6
Total deposits	171.7	5.8	65.2	100.8	85.3	78.5	8.0
Net income *(in millions)*	940	39	324	577	410	392	139
Percentage of savings banks losing money	6.9%	5.8%	6.6%	10.6%	7.5%	5.7%	0.0%
Percentage of savings banks with earnings gains	83.8	85.0	84.6	76.6	85.0	80.5	78.6
Performance Ratios *(annualized)*							
Yield on earning assets	7.63%	7.92%	7.52%	7.68%	7.60%	7.51%	8.85%
Cost of funding earning assets	3.62	3.57	3.53	3.68	3.55	3.62	4.22
Net interest margin	4.01	4.35	3.99	4.01	4.05	3.89	4.62
Noninterest income to earning assets	0.76	0.77	0.59	0.87	0.73	0.63	2.02
Noninterest expense to earning assets	3.01	3.16	3.01	2.99	3.31	2.65	3.26
Return on assets	0.93	1.18	0.86	0.96	0.83	0.85	2.33
Return on equity	11.24	13.30	10.06	11.89	10.47	10.58	18.50
Net charge-offs to loans and leases	0.84	0.43	0.46	1.10	0.72	1.07	0.16
Loan loss provision to net charge-offs	89.33	91.78	124.27	80.15	90.86	83.01	346.26
Condition Ratios							
Loss allowance to:							
Loans and leases	1.83%	1.42%	1.61%	1.99%	1.88%	1.84%	1.29%
Noncurrent loans and leases	50.50	51.53	63.30	45.78	69.81	36.46	110.21
Noncurrent loans and leases plus other real estate owned to assets	3.84	3.05	3.04	4.46	3.28	5.02	1.35
Noncurrent RE loans to total RE loans	3.01	2.75	2.50	3.40	2.61	3.89	1.18
Equity capital ratio	8.48	9.46	8.68	8.31	8.09	8.33	12.68
Core capital (leverage) ratio	8.27	9.04	8.59	8.02	7.92	8.07	12.46
Net loans and leases to deposits	73.02	74.77	71.64	73.81	74.11	69.43	96.78
Growth Rates *(year-to-year)*							
Assets	−12.0%	2.6%	2.9%	−0.6%	−4.7%	−20.8%	10.7%
Equity capital	2.4	12.7	11.6	16.2	7.9	−7.3	36.0
Net interest income	0.6	11.5	11.6	10.2	5.0	−6.4	23.3
Net income	115.1	173.4	91.9	31.5	260.7	60.8	73.4
Net charge-offs	−36.9	−58.8	−40.2	−39.6	−48.9	−22.9	−35.3
Loan loss provision	−34.5	−45.6	−28.6	−1.5	−45.6	−23.4	2.6

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 1993 Savings Bank Data *(Dollar figures in billions, ratios in %)*

SECOND QUARTER *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	408	120	241	47	307	87	14
Total assets	$203.8	$6.5	$75.6	$121.7	$99.5	$91.8	$12.6
Total deposits	171.7	5.8	65.2	100.8	85.3	78.5	8.0
Net income *(in millions)*	414	22	121	271	156	186	72
Percentage of savings banks losing money	9.3%	10.8%	8.7%	8.5%	10.4%	6.9%	0.0%
Percentage of savings banks with earnings gains	73.5	72.5	74.7	70.2	73.9	73.6	64.3
Performance Ratios *(annualized)*							
Yield on earning assets	7.60%	7.88%	7.53%	7.63%	7.57%	7.51%	8.66%
Cost of funding earning assets	3.56	3.53	3.50	3.60	3.49	3.58	4.05
Net interest margin	4.04	4.35	4.03	4.03	4.08	3.93	4.61
Noninterest income to earning assets	0.75	1.10	0.61	0.82	0.74	0.56	2.31
Noninterest expense to earning assets	3.08	3.21	3.15	3.02	3.40	2.70	3.27
Return on assets	0.82	1.31	0.65	0.90	0.63	0.81	2.35
Return on equity	9.75	14.45	7.45	10.97	7.85	9.94	18.51
Net charge-offs to loans and leases	0.84	0.49	0.52	1.07	0.76	1.05	0.09
Loan loss provision to net charge-offs	83.23	71.59	125.72	70.56	93.11	70.52	475.52
Growth Rates *(year-to-year)*							
Net interest income	−2.4	8.3	7.6	6.9	2.5	−9.8	21.6
Net income	87.6	184.6	47.7	16.9	151.5	61.0	67.2
Net charge-offs	−39.2	−57.7	−33.8	−16.5	−45.9	−31.4	−68.2
Loan loss provision	−42.3	−56.1	−21.9	−19.7	−36.1	−48.6	−26.0

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

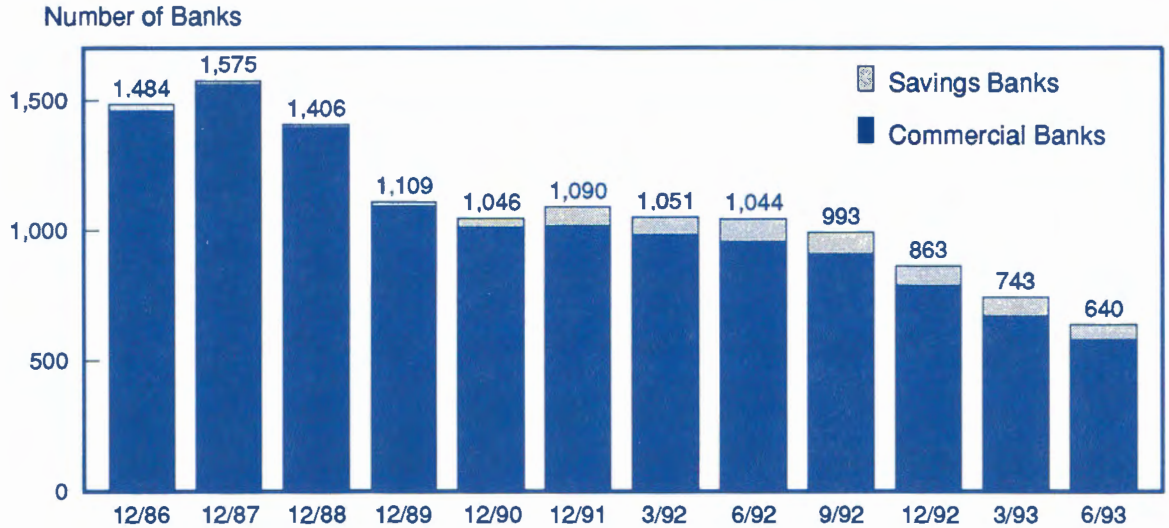


Quarterly Average Yield:

	1989 4Q	1990 4Q	1991 4Q	1992 1Q	1992 2Q	1992 3Q	1992 4Q	1993 1Q	1993 2Q
30-Year Treasury Bond	7.93	8.55	7.85	7.80	7.90	7.44	7.53	7.08	6.86
3-Month Treasury Bill	7.65	6.99	4.54	3.91	3.68	3.08	3.07	2.96	2.97
Spread	0.28	1.56	3.31	3.89	4.22	4.36	4.46	4.12	3.89

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

1986-1993

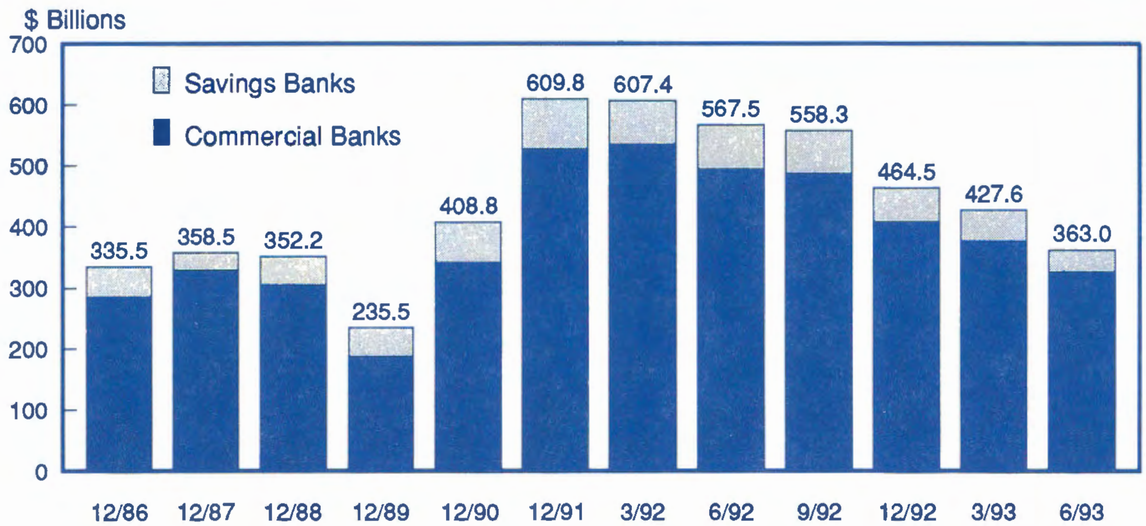


Number of Problem Institutions:

	12/86	12/87	12/88	12/89	12/90	12/91	3/92	6/92	9/92	12/92	3/93	6/93
Savings Banks	27	16	12	17	34	74	70	88	84	76	72	60
Commercial Banks	1,457	1,559	1,394	1,092	1,012	1,016	981	956	909	787	671	580

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

1986-1993



Assets of Problem Institutions:

	12/86	12/87	12/88	12/89	12/90	12/91	3/92	6/92	9/92	12/92	3/93	6/93
Savings Banks	49.7	29.3	47.4	47.6	67.2	81.8	72.0	73.0	70.4	56.3	50.2	37.1
Commercial Banks	285.8	329.2	304.8	187.9	341.6	528.0	535.4	494.5	487.9	408.2	377.4	325.9

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.

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