The FDIC Quarterly Banking Profile

L. William Seidman, Chairman

Second Quarter, 1991

COMMERCIAL BANKING PERFORMANCE - SECOND QUARTER, 1991

- ***Commercial Banks Earn $4.6 Billion In Second Quarter***
- ***Growth In Troubled Assets Slows***
- ***Loan Portfolios Shrink For Second Consecutive Quarter***
- ***Banks In West See Sharp Earnings Decline***

Insured commercial banks earned $4.6 billion in the second quarter of 1991, their lowest second-quarter result since the banking industry reported an aggregate net loss in the second quarter of 1987. Earnings for the quarter were 12 percent below the level registered a year ago, and 7.8 percent below the $5.6 billion earned in the first quarter of this year. Higher loan-loss provisioning was the primary reason for the decline in bank profits. Banks set aside $8.2 billion for future losses in the second quarter. This was $1.7 billion more than the loss provision taken in the second quarter of 1990, and $1.1 billion more than the first-quarter 1991 provision. The largest increases in loss provisions occurred at banks in the West and Northeast Regions. Banks in these areas also experienced the largest declines in net income. Banks in the Southwest Region were the only regional group with lower second-quarter loan-loss provisions than a year ago.

Gains from sales of investment securities and other nonrecurring gains continued to boost 1991 earnings. These gains contributed $417 million (nine percent) of commercial banks' net income in the second quarter, an increase of $390 million from last year's second quarter. For the first six months of 1991, securities and other gains accounted for $1.2 billion of the $10.3 billion earned by commercial banks. Net income was $1.2 billion below the $11.5 billion earned in the first half of 1990. The earnings drop was due to a $3 billion increase in loan-loss provisioning this year from the amount set aside in the first six months of 1990.

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

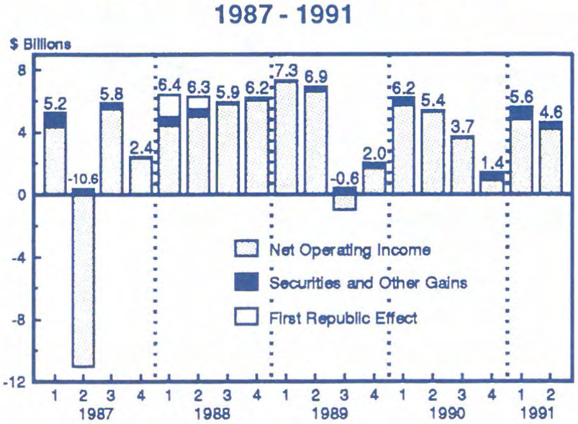
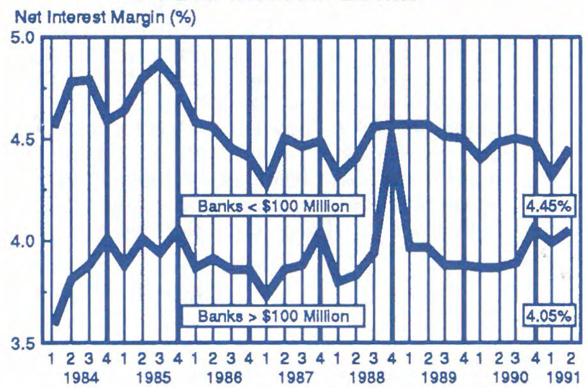


Chart B - Quarterly Net Interest Margins of FDIC-Insured Banks



Interest expense continued to decline more rapidly than interest income as interest rates fell in the second quarter, and net interest margins widened for all groups of banks. Net interest income in the second quarter was $1.6 billion higher than in the second quarter of 1990. For the first six months of 1991, net interest income was almost $3 billion higher than a year ago. Noninterest income was $1.3 billion above the amount earned in the second quarter of 1990, but this improvement was offset by a $2 billion increase in noninterest expense. The increase in noninterest expense has been caused in part by growth in overhead expenses associated with larger inventories of troubled assets. Higher deposit insurance premiums accounted for roughly $400 million of the increase in noninterest expense in the second quarter.

Asset growth remained very weak in the second quarter. Total banking assets increased by $26 billion (0.79 percent) during the quarter. For the twelve months prior to June 30, assets increased by only $16 billion, or one-half of one percent. Loans outstanding at commercial banks shrank by $14 billion during the quarter, the second consecutive quarterly decline. Over the past twelve months, total loans at commercial banks have decreased by $7 billion. This is the only time since 1973, when quarterly data is first available, that the banking industry has reported two

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consecutive quarterly declines in loans outstanding. It is the first 12-month drop since 1975. The shrinkage can be attributed to the recent difficulties in many real estate markets, continuing soft loan demand stemming from a weak economy, and the longer-term defection of many large commercial borrowers to nonbank competitors. Banks' equity capital increased by $3.6 billion during the quarter, to 6.7 percent of total assets, the highest level since 1975. Retained earnings contributed only $1.2 billion of the increase in equity, as banks paid out 73 percent of their second-quarter earnings in dividends.

Asset-quality problems showed signs of moderating as noncurrent loans fell by $232 million in the second quarter. This was the first quarterly decline for the industry since the fourth quarter of 1989, but noncurrent loans remained 25 percent above the level of a year ago, and are 6.3 percent higher than at the beginning of this year. Net charge-offs have stayed roughly even with last year's record pace. Commercial banks' inventories of foreclosed property continue to accumulate. They have increased by 24 percent in the first six months of this year, to a level two-thirds higher than a year ago, although the rate of increase has slowed.

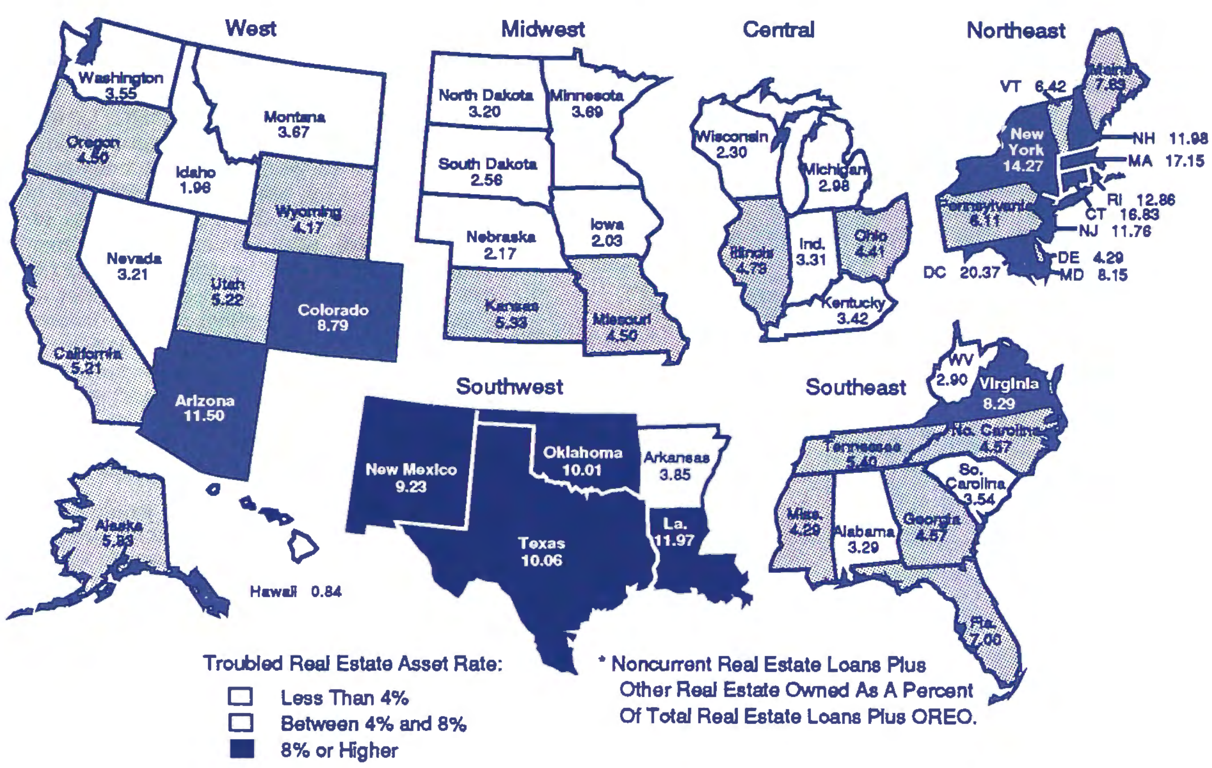
Banks in the Northeast Region continued to confront the most severe asset-quality difficulties. More than one out of every four banks reported a net loss for the second quarter. The Region's banks charged-off $5.5 billion (net) in the second quarter, the highest proportion of loans charged-off by that Region's banks in any one quarter since quarterly income reporting began in 1983. They accounted for 62 percent of all commercial bank net loan charge-offs in the second quarter, and $1.1 billion of the banking industry's $1.7 billion increase in foreclosed property. Despite the high level of charge-offs, Northeast Region banks' noncurrent loan rate shrank only slightly, and remained the highest of any region.

Banks in the West Region had the largest rise in noncurrent loans in the second quarter, an increase of $1.3 billion from the level at the end of the first quarter. Loan-loss provisioning also was higher, up 69 percent from a year ago, and 82 percent above the level of the first quarter. Net charge-offs were slightly lower than in the first quarter, and were lower than in the second quarter of 1990.

The number of banks continues to shrink. Sixty-one commercial banks were established in the first six months of 1991, the lowest annual rate since 115 charters were issued in 1965. There have been 190 unassisted mergers in the first half of 1991, compared to 199 during the same period last year. Twenty-nine banks failed in the second quarter, bringing the total for the first six months of the year to 57 failures. This is well below the 99 banks that failed during the first half of 1990, but the average asset size of failed banks in 1991 has been considerably larger than last year. The average asset size of the 159 commercial banks that failed in 1990 was $65 million; the average asset size of failed banks in the first half of this year was $475 million. Similarly, the number of "problem" commercial banks continues to fall - at mid-year there were 975, the lowest number since 1985 - but the aggregate assets of banks on the FDIC's "Problem List" has increased above previous quarterly levels.

For the rest of the year, commercial bank performance will continue to be burdened by the industry's large inventory of nonperforming assets. The pause in the growth of commercial banks' noncurrent loans is unlikely to yield any immediate relief in loan-loss rates. Slack loan demand will mean slower recovery for the industry, but the positive signs in asset-quality trends offer hope for the banking industry in 1992.

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



DELINQUENCY, NONACCRUAL AND NET CHARGE-OFF RATES FOR NEW LOAN CATEGORIES*
JUNE 30, 1991

	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	2.25	1.96	2.00	2.31	2.48	2.77	1.98	1.69	1.87	2.06	2.27
Construction & development	4.30	2.34	3.30	4.74	4.58	5.18	3.21	2.83	3.28	2.99	4.80
Commercial real estate	2.34	1.86	2.10	2.12	3.09	2.77	1.91	1.68	2.67	1.90	2.75
Multifamily residential	2.49	1.96	2.05	3.05	2.49	3.23	2.44	2.06	2.55	1.43	2.14
1-4 family residential	1.79	2.15	1.81	1.74	1.66	2.22	1.84	1.61	1.40	2.06	1.38
Home equity lines of credit	0.99	1.43	1.18	0.92	0.90	1.43	0.83	0.81	0.99	1.97	0.48
Commercial R/E loans not secured by real estate	3.11	5.51	5.21	2.67	2.24	3.19	1.94	3.10	4.34	1.91	3.69
Highly leveraged transactions (HLTs)	0.52	N/M	1.16	0.52	0.51	0.65	0.13	0.29	1.03	0.07	0.53
Loans to foreign governments and institutions	0.22	N/M	0.00	0.19	0.22	0.25	0.00	0.05	N/M	0.01	0.16
PERCENT OF LOANS NONCURRENT**											
All real estate loans	4.89	1.98	2.55	5.02	7.59	8.62	3.64	2.20	1.79	3.83	3.54
Construction & development	14.07	3.35	6.41	13.77	18.99	23.32	9.32	6.78	4.30	6.81	10.28
Commercial real estate	6.16	2.73	3.34	5.70	11.20	10.87	5.01	2.95	2.68	5.29	4.14
Multifamily residential	7.65	2.73	3.45	6.45	14.20	17.36	4.80	3.66	2.43	4.92	1.96
1-4 family residential	1.57	1.42	1.40	1.57	1.81	2.62	1.37	0.94	0.95	1.96	0.98
Home equity lines of credit	0.73	1.23	0.83	0.61	0.73	1.21	0.55	0.34	0.56	1.25	0.33
Commercial R/E loans not secured by real estate	8.03	8.42	8.96	6.23	8.86	13.82	4.46	5.44	5.14	4.25	3.34
Highly leveraged transactions (HLTs)	11.07	N/M	5.59	10.14	11.38	12.26	5.71	9.54	13.59	5.60	12.25
Loans to foreign governments and institutions	16.01	N/M	22.69	13.57	16.11	17.02	2.45	23.88	N/M	7.56	10.15
PERCENT OF LOANS CHARGED OFF (NET, ANNUALIZED)											
All real estate loans	0.82	0.23	0.38	1.03	1.15	1.43	0.70	0.33	0.38	1.10	0.40
Construction & development	2.71	0.53	1.08	3.06	3.36	4.68	2.36	1.39	1.27	2.63	1.06
Commercial real estate	0.89	0.34	0.52	1.08	1.25	1.32	0.73	0.49	0.66	1.65	0.53
Multifamily residential	1.63	0.51	0.59	1.33	3.23	2.77	2.75	0.24	1.52	1.42	0.46
1-4 family residential	0.17	0.16	0.16	0.27	0.10	0.26	0.17	0.07	0.10	0.45	0.08
Home equity lines of credit	0.11	0.27	0.10	0.10	0.11	0.17	0.12	0.04	0.14	0.17	0.06
Commercial R/E loans not secured by real estate	3.05	2.90	4.44	2.73	2.77	3.74	4.44	2.75	3.31	2.92	1.26
Highly leveraged transactions (HLTs)	2.16	N/M	1.56	1.63	2.31	2.14	1.01	1.91	1.05	1.78	3.29
Loans to foreign governments and institutions	17.08	N/M	8.89	5.11	17.90	17.96	0.23	4.14	N/M	4.69	19.63
TOTAL LOANS OUTSTANDING *($ BILLIONS)*											
All real estate loans	847.8	97.4	211.1	265.3	274.1	272.2	158.1	135.9	50.2	50.2	181.3
Construction & development	116.9	6.3	19.9	43.4	47.4	42.3	20.9	13.9	3.9	4.5	31.4
Commercial real estate	246.3	25.6	68.6	88.1	64.0	74.7	50.7	40.7	14.1	18.0	48.1
Multifamily residential	22.6	1.9	6.5	7.2	7.0	6.9	3.7	3.8	1.5	1.4	5.3
1-4 family residential	353.1	50.7	96.6	98.0	107.8	99.8	68.9	62.5	23.2	23.5	75.3
Home equity lines of credit	66.0	3.1	14.2	25.8	23.0	25.8	10.8	10.0	2.2	0.6	16.6
Commercial R/E loans not secured by real estate	28.3	2.1	4.7	8.7	12.7	11.1	4.0	4.3	1.0	1.1	6.7
Highly leveraged transactions (HLTs)	68.2	0.0	0.6	14.3	53.3	38.8	5.8	8.8	1.1	3.1	10.7
Loans to foreign governments and institutions	24.9	0.0	0.2	1.5	23.3	19.1	0.3	1.3	0.0	0.4	3.9

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

** Noncurrent loan rates represent the percentage of loans in each category that are past-due 90 days or more or that are in nonaccrual status.

N/M - Not meaningful

Table I. Selected Indicators, FDIC-Insured Commercial Banks

	*1991**	*1990**	*1990*	*1989*	*1988*	*1987*	*1986*
Return on assets	0.61%	0.70%	0.49%	0.49%	0.82%	0.12%	0.63%
Return on equity	9.24	10.95	7.66	7.76	13.30	2.00	9.94
Equity capital to assets	6.72	6.43	6.46	6.21	6.28	6.04	6.20
Noncurrent loans and leases plus other real estate owned to assets	3.19	2.42	2.90	2.26	2.14	2.46	1.94
Net charge-offs to loans	1.45	1.46	1.41	1.16	1.00	0.92	0.98
Asset growth rate	0.48	4.82	2.73	5.37	4.36	2.01	7.71
Net operating income growth	−17.38	−20.82	4.49	−35.84	1905.16	−91.04	−20.65
Percentage of unprofitable banks	11.17	10.81	13.23	12.51	14.65	17.66	19.79
Number of institutions	12,150	12,502	12,340	12,707	13,139	13,696	14,200
Number of problem banks	975	1,014	1,012	1,092	1,394	1,559	1,457
Number of failed/assisted banks	57	99	159	206	221	201	144

* 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 1991	1st Qtr 1991	2nd Qtr 1990	%Change 90:2-91:2
Number of banks reporting	12,150	12,246	12,502	−2.8
Total employees (full-time equivalent)	1,503,391	1,501,561	1,532,777	−1.9
CONDITION DATA				
Total assets	$3,377,219	$3,350,747	$3,360,962	0.5
Real estate loans	847,842	836,413	804,425	5.4
Commercial & industrial loans	588,837	606,355	621,156	−5.2
Loans to individuals	386,979	389,462	391,893	−1.3
Farm loans	34,880	32,362	32,308	8.0
Other loans and leases	215,866	224,165	231,862	−6.9
Total loans and leases	2,074,404	2,088,757	2,081,645	−0.3
LESS: Reserve for losses	54,179	55,031	50,208	7.9
Net loans and leases	2,020,224	2,033,726	2,031,437	−0.5
Temporary investments	485,381	467,656	486,090	−0.1
Securities over 1 year	472,585	466,380	434,234	8.8
All other assets	399,030	382,986	409,201	−2.5
Total liabilities and capital	3,377,219	3,350,747	3,360,962	0.5
Noninterest-bearing deposits	443,353	418,530	450,425	−1.6
Interest-bearing deposits	2,185,549	2,189,849	2,138,187	2.2
Other borrowed funds	385,654	378,759	420,658	−8.3
Subordinated debt	24,199	23,999	19,735	22.6
All other liabilities	111,623	116,390	115,777	−3.6
Equity capital	226,840	223,220	216,180	4.9
Goodwill	4,340	4,210	3,612	20.1
Loans and leases 30-89 days past-due	40,164	47,712	36,372	10.4
Noncurrent loans and leases	83,070	83,302	66,269	25.3
Restructured loans and leases	9,198	8,488	4,896	87.9
Other real estate owned	24,797	23,052	14,914	66.3
Loan commitments and letters of credit	1,332,758	1,306,242	1,298,382	2.6
Foreign office assets	393,256	395,669	419,856	−6.3
Domestic office deposits	2,327,592	2,303,208	2,258,551	3.1
Foreign office deposits	301,310	305,172	330,061	−8.7
Earning assets	2,978,188	2,967,762	2,951,761	0.9
Volatile liabilities	1,027,271	1,046,128	1,140,647	−9.9

INCOME DATA	Preliminary First Half 1991	First Half 1990	% Change	Preliminary 2nd Qtr 1991	2nd Qtr 1990	% Change
Total interest income	$148,135	$160,251	−7.6	$72,834	$79,407	−8.3
Total interest expense	88,199	103,287	−14.6	42,465	50,615	−16.1
Net interest income	59,936	56,964	5.2	30,369	28,792	5.5
Provision for loan losses	15,305	12,257	24.9	8,178	6,446	26.9
Total noninterest income	29,601	27,020	9.5	15,027	13,746	9.3
Total noninterest expense	60,394	56,142	7.6	30,617	28,592	7.1
Applicable income taxes	4,775	4,616	3.4	2,385	2,260	5.5
Net operating income	9,063	10,968	−17.4	4,216	5,240	−19.5
Securities gains, net	806	159	408.2	368	39	835.0
Extraordinary gains, net	404	390	3.4	49	−12	N/M
Net income	10,272	11,517	−10.8	4,633	5,267	−12.0
Net charge-offs	15,129	15,049	0.5	8,907	8,454	5.3
Net additions to capital stock	1,133	812	39.5	111	112	−1.5
Cash dividends on capital stock	7,549	6,657	13.4	3,384	3,470	−2.5

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

Table III. First Half 1991 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	12,150	9,071	2,712	321	46	1,038	1,933	2,679	2,921	2,128	1,451
Total assets	$3,377.22	$357.46	$663.59	$1,058.62	$1,297.55	$1,276.60	$509.32	$552.40	$227.04	$265.70	$546.15
Total deposits	2,628.90	317.01	572.98	807.69	931.22	928.09	406.08	440.00	185.94	228.19	440.60
Net income *(in millions)*	10,272	1,755	2,683	2,859	2,976	2,068	1,559	2,523	1,301	875	1,946
Percentage of banks losing money	11.2%	11.9%	7.8%	16.8%	19.6%	25.7%	13.4%	6.0%	4.9%	11.6%	19.2%
Percentage of banks with earnings gains	55.5%	54.9%	57.3%	57.9%	58.7%	43.9%	50.9%	57.5%	58.1%	61.7%	51.8%
Performance Ratios *(annualized)*											
Yield on earning assets	10.04%	9.88%	9.93%	10.05%	10.13%	10.31%	9.83%	9.76%	9.92%	9.35%	10.28%
Cost of funding earning assets	5.98	5.49	5.49	5.64	6.66	6.70	5.62	5.68	5.58	5.46	5.35
Net interest margin	4.06	4.38	4.44	4.42	3.46	3.61	4.21	4.08	4.33	3.89	4.93
Noninterest income to earning assets	2.01	0.99	1.21	2.24	2.53	2.49	1.48	1.48	2.10	1.68	2.04
Noninterest expense to earning assets	4.09	3.77	3.79	4.27	4.20	4.22	3.87	3.57	3.99	4.12	4.58
Net operating income to assets	0.54	0.76	0.78	0.48	0.41	0.23	0.53	0.89	1.12	0.55	0.69
Return on assets	0.61	0.99	0.82	0.54	0.46	0.33	0.62	0.92	1.15	0.66	0.72
Return on equity	9.24	10.91	10.52	8.20	8.58	5.56	8.66	12.78	14.44	9.91	10.58
Net charge-offs to loans and leases	1.45	0.55	0.80	1.63	1.81	2.17	1.01	0.75	1.00	1.27	1.12
Loan loss provision to net charge-offs	101.17	121.81	114.06	124.62	79.57	89.44	134.40	120.01	103.35	82.36	118.49
Condition Ratios											
Loss allowance to:											
Loans and leases	2.61%	1.73%	1.75%	2.65%	3.21%	3.48%	2.00%	1.78%	1.91%	2.57%	2.31%
Noncurrent loans and leases	65.22	80.66	73.55	72.01	58.30	57.17	72.03	79.07	101.22	88.06	69.06
Noncurrent loans and leases plus other real estate owned to assets	3.19	1.76	2.09	3.17	4.18	4.63	2.41	1.77	1.55	2.58	2.98
Equity capital ratio	6.72	9.11	7.86	6.75	5.44	5.94	7.18	7.35	8.10	6.77	6.85
Core capital (leverage) ratio	6.48	9.08	7.71	6.44	5.17	5.76	6.88	7.21	7.89	6.66	6.38
Net loans and leases to deposits	76.85	58.53	68.26	81.46	84.37	81.62	75.83	74.47	68.13	52.74	86.27
Growth Rates *(year-to-year)*											
Assets	0.5%	5.4%	7.1%	4.5%	−1.3%	−2.8%	2.4%	2.3%	6.1%	0.7%	2.5%
Equity capital	4.9	4.2	7.7	7.2	7.7	2.1	2.7	6.8	8.3	3.2	10.4
Net interest income	5.2	5.4	7.9	9.0	8.1	1.2	5.5	8.3	8.5	10.4	6.5
Net income	−10.8	22.9	−3.1	−12.0	−28.6	−21.7	−15.6	10.2	13.7	21.1	−32.3
Noncurrent loans and leases plus other real estate owned	32.9	11.3	33.2	51.8	31.9	35.5	57.5	31.7	13.6	−13.3	44.0
Net charge-offs	0.5	7.8	44.2	38.5	−15.8	−4.0	47.8	−18.9	9.2	−0.7	8.0
Loan loss provision	24.9	−0.4	27.3	19.0	55.1	22.4	27.9	24.3	5.0	−1.5	48.4
PRIOR FIRST HALVES *(The way it was...)*											
Return on assets ... 1990	0.70%	0.80%	0.91%	0.65%	0.61%	0.41%	0.76%	0.86%	1.08%	0.56%	1.11%
... 1988	0.69	0.72	0.78	0.69	0.64	0.96	0.99	1.09	1.06	−2.08	0.77
... 1986	0.68	0.75	0.85	0.75	0.49	0.80	1.10	0.93	0.77	−0.08	0.26
Equity capital ratio ... 1990	6.43	9.08	7.75	6.52	4.99	5.66	7.16	7.04	7.94	6.60	6.36
... 1988	6.15	8.78	7.35	6.20	4.58	5.67	7.01	6.76	7.53	5.41	5.80
... 1986	6.33	8.65	7.23	6.16	5.03	5.83	6.80	7.02	7.53	6.92	5.57
Noncurrent loans and leases plus other real estate owned to assets 1990	2.42	1.71	1.76	2.17	3.13	3.33	1.57	1.37	1.44	3.00	2.12
... 1988	2.39	2.07	1.81	1.72	3.36	2.33	1.07	1.21	1.75	6.26	2.99
... 1986	2.03	2.37	1.90	1.59	2.33	1.59	1.03	1.52	2.44	3.57	3.16
Net charge-offs to loans and leases ... 1990	1.46	0.55	0.66	1.36	2.13	2.19	0.71	0.96	0.96	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
... 1986	0.84	1.16	0.78	0.80	0.81	0.57	0.50	0.60	1.81	1.53	1.12

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 1991 Bank Data *(Ratios in %)*

		ASSET SIZE DISTRIBUTION				GEOGRAPHIC DISTRIBUTION					
						EAST			WEST		
PRELIMINARY SECOND QUARTER *(The way it is...)*	ALL BANKS	Less than $100 Million	$100 Million to $1 Billion	$1-10 Billion	Greater than $10 Billion	Northeast Region	Southeast Region	Central Region	Midwest Region	Southwest Region	West Region
Number of banks reporting	12,150	9,071	2,712	321	46	1,038	1,933	2,679	2,921	2,128	1,451
Net income *(in millions)*	$4,633	$705	$1,295	$1,072	$1,561	$814	$801	$1,254	$641	$424	$699
Percentage of banks losing money	11.8%	12.4%	8.7%	19.6%	15.2%	26.6%	14.1%	7.0%	5.1%	12.9%	18.9%
Percentage of banks with earnings gains	54.3%	53.3%	57.4%	58.3%	58.7%	45.0%	51.6%	56.1%	56.1%	59.8%	49.8%
Performance Ratios *(annualized)*											
Yield on earning assets	9.82%	9.86%	9.86%	9.88%	9.74%	9.95%	9.68%	9.66%	9.89%	9.18%	10.10%
Cost of funding earning assets	5.73	5.41	5.36	5.44	6.26	6.32	5.44	5.53	5.48	5.26	5.16
Net interest margin	4.09	4.45	4.49	4.45	3.48	3.63	4.24	4.14	4.42	3.92	4.94
Noninterest income to earning assets	2.03	1.02	1.24	2.27	2.54	2.53	1.49	1.53	2.13	1.65	2.02
Noninterest expense to earning assets	4.13	3.80	3.84	4.34	4.20	4.26	3.90	3.62	4.07	4.14	4.58
Net operating cash flow to assets	1.75	1.53	1.73	2.09	1.55	1.65	1.64	1.82	2.24	1.24	2.07
Net operating income to assets	0.50	0.76	0.76	0.34	0.43	0.21	0.55	0.89	1.12	0.54	0.49
Return on assets	0.55	0.79	0.79	0.41	0.48	0.26	0.63	0.92	1.13	0.64	0.51
Return on equity	8.25	8.72	10.05	6.05	8.91	4.32	8.82	12.55	14.10	9.52	7.52
Net charge-offs to loans and leases	1.71	0.66	0.93	1.73	2.32	2.80	1.10	0.83	1.08	1.37	1.09
Loan loss provision to net charge-offs	91.82	116.84	112.77	129.39	63.00	72.10	121.89	117.40	101.90	74.21	156.60
Growth Rates *(year-to-year)*											
Net interest income	5.5%	5.5%	7.7%	9.3%	8.2%	1.9%	5.3%	9.0%	10.1%	8.2%	6.4%
Net income	−12.0	−1.0	−4.2	−35.1	−5.2	−20.7	−14.3	9.5	19.6	11.3	−43.8
Net charge-offs	5.3	9.2	38.6	36.9	−6.6	9.4	51.5	1.9	9.4	−7.2	−23.4
Loan loss provision	26.9	−1.2	22.9	30.8	45.9	19.3	19.8	44.3	2.5	−7.0	68.7
PRIOR SECOND QUARTERS *(The way it was...)*											
Return on assets 1990	0.63%	0.78%	0.89%	0.61%	0.49%	0.31%	0.76%	0.86%	1.01%	0.58%	0.95%
1988	0.71	0.67	0.75	0.67	0.74	0.97	0.96	1.06	1.08	−1.79	0.73
1986	0.60	0.63	0.80	0.80	0.32	0.77	1.09	0.90	0.77	−0.15	−0.04
Net charge-offs to loans and leases 1990	1.64	0.66	0.77	1.32	2.54	2.47	0.74	0.84	1.04	1.47	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
1986	0.97	1.45	0.94	0.86	0.92	0.64	0.56	0.66	2.06	1.93	1.28

SAVINGS BANK PERFORMANCE - SECOND QUARTER, 1991

- ***BIF-Insured Savings Banks Lose $506 million in Second Quarter***
- ***Loan Deterioration Slows in New England***
- ***Four Institutions Fail, Problem List Grows***
- ***Construction Loans Have Shrunk by One-third in Past Year***

Savings banks insured by the FDIC Bank Insurance Fund (BIF) lost $506 million during the second quarter of 1991, more than three times the $156 million net loss reported in the first quarter, and an 85 percent increase compared with second-quarter 1990 losses of $274 million. Nearly one of every three BIF-insured institutions lost money during the quarter. For the first six months of 1991, savings banks lost $662 million, 38 percent more than the $481 million lost in the first six months of the previous year. Deeper losses for both the quarter and first half resulted from declines in net interest income and noninterest income, while noninterest expenses have increased. Higher deposit insurance assessment rates have raised noninterest expense by an estimated $35 million in the quarter. Loan-loss provisions were higher in the second quarter but down slightly (1.1 percent) for the entire first half.

Losses increased throughout the Northeast during the quarter. In the six New England states, 38 percent of all savings banks were unprofitable and two-thirds of the 23 largest institutions with more than $1 billion in assets lost money. In aggregate, savings banks in the other Northeastern states were unprofitable, following break-even results the prior quarter. Fourteen of the 15 institutions outside of the Northeast were profitable, with an annualized second-quarter return on assets of 1.2 percent.

Noncurrent loans totaled almost $10 billion as of June 30, a $396 million improvement since the first quarter. Troubled loans in New England decreased $292 million, to $4.5 billion as of June 30. Nearly 25 percent of the reduction in noncurrent loans in New England is attributable to the failure of three Massachusetts savings banks during the second quarter. Noncurrent loans declined $75 million (1.4 percent) in the Northeast outside of New England. Asset quality benefited from the failure of one of the largest savings banks (Goldome, Buffalo, New York, $9.9 billion in assets.) Goldome reported $187 million in noncurrent loans before it was closed on May 31.

Other real estate owned (OREO) – primarily foreclosed properties – continued to increase but at a slower rate than the previous quarter. OREO was up by $246 million, well below the $1.2 billion increase in the first quarter. The four institutions that failed during the quarter reported $261 million in OREO before they were closed. At the end of the second quarter, savings banks held $4.8 billion of OREO.

Second-quarter net loan losses of $607 million were 16 percent higher than in the first quarter, and 19 percent above the $508 million charged-off in the second quarter one year ago. Loan losses increased 37 percent over the same quarter last year at savings banks in New England and decreased nine percent in the rest of the Northeast. Loan-loss reserves at BIF-insured savings banks were $120 million lower than at the end of the first quarter, and equity capital decreased $764 million over the same period.

Total assets, which have declined every quarter since the third quarter of 1989, decreased $13.5 billion. Construction and land development loans decreased by more than $800 million in the quarter and are one-third lower than 12 months ago. Commercial real estate and home mortgage loans also shrank, but at lower rates. The industry's capital ratio has remained steady at 6.7 percent of assets, despite the erosion of equity capital, due to asset shrinkage.

In aggregate, troubled asset ratios have declined in the New England Region while they have increased in the other Northeastern states. New York had the largest increase in troubled assets – an increase of $257 million in noncurrent loans plus OREO during the quarter. Overall, 5.8 percent of the industry's real estate loans are either delinquent at least 90 days or are in nonaccrual status. Nearly 27 percent of all construction loans are noncurrent, even higher than the 23 percent ratio reported by commercial banks operating in the Northeast. The residential noncurrent rate, at 3.1 percent, is almost twice as high as the 1.6 percent average for all commercial banks.

On average, reserve coverage of noncurrent loans has improved slightly. At the end of the second quarter, savings banks in New England held 36 cents in loan loss reserves against every dollar of troubled loans. Northeast savings banks outside of New England had lower coverage ratios – 24 cents for every dollar of noncurrent loans.

Four institutions with combined assets of $11.3 billion failed during the second quarter; six have failed during the entire first half. The number of problem savings banks increased to 58 at the end of the second quarter of 1991 from 48 as of March 31, 1991.

Slower growth of troubled assets and the benefits of lower interest rates should limit losses in New England. Insolvencies are likely in Northeastern states outside of New England where reserve cushions are lower. The viability of many savings banks depends on recovery values of distressed assets because these comprise 76 percent of the industry's equity and reserves.

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

	1991*	1990*	1990	1989	1988	1987	1986
Return on assets	−0.54%	−0.36%	−0.96%	−0.27%	0.44%	0.84%	1.08%
Equity capital to assets	6.70	7.26	6.64	7.06	7.44	7.69	7.41
Noncurrent loans and leases plus other real estate owned to assets**	6.05	3.87	5.11	2.64	1.51	0.95	0.83
Noncurrent RE loans to total RE loans	5.79	4.31	5.31	3.14	1.67	1.01	1.02
Asset growth rate	−8.29	−6.25	−7.46	−1.52	8.52	10.54	15.40
Deposit growth rate	−4.97	−3.98	−4.98	1.36	7.90	5.81	8.26
Number of institutions	456	478	469	489	492	484	472
Number of problem savings banks	58	31	34	17	12	16	27
Number of failed savings banks	6	4	10	1	0	2	1

* Through June 30; ratios 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 1991	1st Qtr 1991	2nd Qtr 1990	%Change 90:2-91:2
Number of savings banks reporting	456	463	478	−4.6
CONDITION DATA				
Total assets	$244,145	$257,666	$266,215	−8.3
Mortgage loans	149,000	156,717	163,070	−8.6
1-4 family residential	99,665	103,929	107,175	−7.0
Construction and land development	6,957	7,762	10,459	−33.5
Commercial and multi-family	42,377	45,025	45,436	−6.7
All other loans and leases	19,003	20,634	24,044	−21.0
LESS: Reserves for losses	2,966	3,086	2,362	25.6
LESS: Other contra accounts	738	835	1,019	−27.6
Net loans and leases	164,299	173,429	183,733	−10.6
Mortgage-backed securities	22,420	25,300	26,984	−16.9
Other real estate owned	4,791	4,545	2,171	120.7
Goodwill	1,183	1,584	1,727	−31.5
All other assets	51,452	52,808	51,600	−0.3
Total liabilities and capital	244,145	257,666	266,215	−8.3
Interest-bearing deposits	197,336	206,303	207,877	−5.1
Noninterest-bearing deposits	6,417	5,988	6,531	−1.7
Other borrowed funds	20,648	24,488	28,433	−27.4
Subordinated debt	654	675	691	−5.3
Other liabilities	2,730	3,089	3,355	−18.6
Equity capital	16,359	17,123	19,328	−15.4
Loans and leases 30-89 days past-due	5,596	6,511	5,050	10.8
Noncurrent loans and leases	9,967	10,363	8,129	22.6
Other noncurrent assets	22	N/A	N/A	N/A
Direct and indirect investments in real estate	1,102	1,167	1,591	−30.7

INCOME DATA	Preliminary First Half 1991	First Half 1990	% Change	Preliminary 2nd Qtr 1991	2nd Qtr 1990	% Change
Total interest income	$10,764	$12,504	−13.9	$5,312	$6,219	−14.6
Total interest expense	7,630	9,224	−17.3	3,729	4,593	−18.8
Net interest income	3,135	3,281	−4.4	1,584	1,626	−2.6
Provisions for loan losses	1,158	1,171	−1.1	697	616	13.1
Total noninterest income	616	698	−11.7	330	394	−16.2
Total noninterest expense	3,092	3,085	0.2	1,627	1,587	2.5
Securities gains, net	102	−5	N/M	31	−11	N/M
Applicable income taxes	265	222	19.4	130	84	55.3
Extraordinary gains, net	0	24	−98.2	2	3	−42.8
Net income	−662	−481	N/M	−506	−274	N/M
Net charge-offs	1,131	N/A	N/A	607	508	19.4

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

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

PRELIMINARY FIRST HALF	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	456	132	262	62	338	103	15
Total assets	$244.14	$6.97	$83.06	$154.11	$107.64	$124.98	$11.52
Total deposits	203.75	6.24	72.31	125.20	92.08	104.22	7.45
Net income *(in millions)*	−662	−14	−276	−372	−571	−156	65
Percentage of savings banks losing money	32.02%	34.85%	29.01%	38.71%	37.57%	17.48%	6.67%
Percentage of savings banks with earnings gains	46.05	46.21	45.04	50.00	45.56	43.69	73.33
Performance Ratios *(annualized)*							
Yield on earning assets	9.60%	9.76%	9.69%	9.55%	9.75%	9.41%	10.25%
Cost of funding earning assets	6.80	6.51	6.65	6.90	6.88	6.72	6.97
Net interest margin	2.80	3.26	3.03	2.65	2.87	2.69	3.28
Noninterest income to earning assets	0.55	0.37	0.49	0.59	0.57	0.46	1.34
Noninterest expense to earning assets	2.76	3.20	3.07	2.57	3.23	2.37	2.63
Return on assets	−0.54	−0.40	−0.67	−0.48	−1.06	−0.25	1.13
Return on equity	−7.88	−4.88	−8.81	−7.47	−15.84	−3.60	14.08
Net charge-offs to loans and leases	1.35	0.87	1.34	1.37	1.98	0.84	0.37
Loan loss provision to net charge-offs	102.36	108.15	104.35	101.12	89.96	131.67	70.39
Condition Ratios							
Loss allowance to:							
Loans and leases	1.78%	1.07%	1.58%	1.92%	2.11%	1.56%	0.76%
Noncurrent loans and leases	29.75	26.82	34.19	28.18	35.96	23.97	52.53
Noncurrent loans and leases plus other real estate owned to assets	6.05	3.93	5.36	6.51	6.89	5.66	2.37
Noncurrent RE loans to total RE loans	5.79	4.07	4.48	6.60	5.62	6.40	1.49
Equity capital ratio	6.70	8.06	7.37	6.28	6.45	6.78	8.18
Core capital (leverage) ratio	6.03	8.06	7.29	5.27	6.32	5.59	8.05
Net loans and leases to deposits	80.64	76.64	78.54	82.05	82.13	77.48	106.36
Growth Rates *(year-to-year)*							
Assets	−8.29%	5.34%	2.27%	−5.45%	−5.36%	−10.97%	−4.77%
Equity capital	−15.36	−4.10	−10.07	−15.93	−20.38	−12.74	5.09
Net interest income	−4.45	5.46	−0.21	−1.17	−5.30	−5.47	14.81
Net income	N/M	N/M	N/M	N/M	N/M	N/M	38.64
Net charge-offs	50.07	106.48	64.28	9.22	64.31	25.00	71.12
Loan loss provision	−1.12	43.75	14.04	−1.64	−9.66	16.07	−11.34

BACKGROUND

The preceding tables present information on savings banks insured by the FDIC Bank Insurance Fund (BIF). In aggregate, the 456 thrift institutions hold approximately 10 percent of all BIF-insured deposits. Information on thrift institutions insured by the FDIC Savings Association Insurance Fund (SAIF) is available from the Office of Thrift Supervision. SAIF-insured institutions are primarily savings and loans.

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

1. In general, savings banks hold a higher portion of home mortgages and other real estate loans. For example, while commercial banks have invested about a quarter of their assets in real estate loans, savings banks average over 60 percent in these types of loans.
2. There are relatively few BIF-insured savings banks. While there are over 12,000 commercial banks, there are fewer than 500 savings banks.
3. The average savings bank's asset size is $535 million, compared with $278 million for commercial banks. The largest BIF-insured savings bank has about $10 billion in assets; the largest commercial bank has over $150 billion.
4. As the preceding tables show, most savings banks are located in the Northeast, especially in New England. In 3 of the 6 New England states (Connecticut, Massachusetts, New Hampshire), savings banks have a higher market share in real estate lending than commercial banks. 15 institutions with $11.5 billion in assets – less than 5 percent of the industry's assets – are located in states outside the region (Washington, Indiana, Alaska, Florida, Oregon).

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

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

N/M – not meaningful

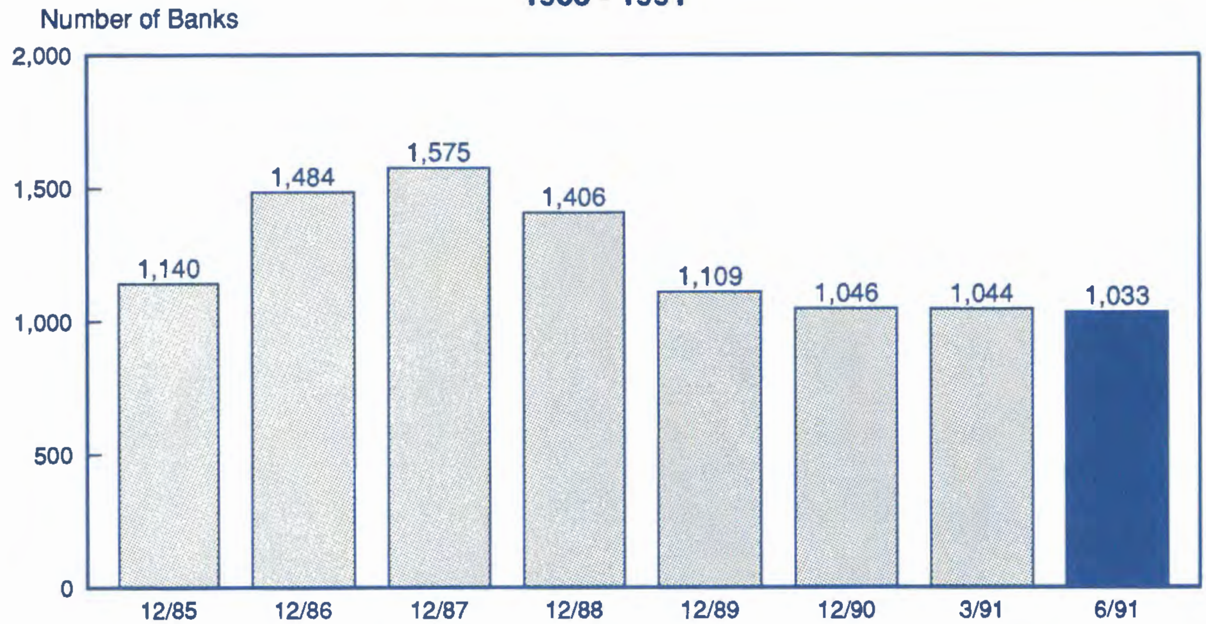
Table IV. Second Quarter 1991 Savings Bank Data *(Ratios in %)*

PRELIMINARY SECOND QUARTER	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	456	132	262	62	338	103	15
Net income *(in millions)*	−$506	−$10	−$220	−$277	−$365	−$175	$35
Percentage of savings banks losing money	32.02%	34.09%	29.39%	38.71%	37.57%	17.48%	6.67%
Percentage of saving banks with earnings gains	45.83	50.76	43.13	46.77	44.38	49.52	53.33
Performance Ratios *(annualized)*							
Yield on earning assets	9.47%	9.68%	9.58%	9.41%	9.60%	9.29%	10.24%
Cost of funding earning assets	6.65	6.38	6.52	6.73	6.70	6.59	6.85
Net interest margin	2.82	3.30	3.06	2.67	2.90	2.70	3.39
Noninterest income to earning assets	0.59	0.39	0.50	0.65	0.64	0.46	1.52
Noninterest expense to earning assets	2.90	3.30	3.24	2.70	3.45	2.44	2.82
Return on assets	−0.83	−0.55	−1.06	−0.72	−1.36	−0.56	1.20
Return on equity	−12.15	−6.78	−14.08	−11.24	−20.55	−8.14	14.77
Net charge-offs to loans and leases	1.45	1.00	1.67	1.35	2.12	0.90	0.62
Loan loss provision to net charge-offs	114.77	114.70	109.31	118.50	94.63	163.75	58.60
Growth Rates *(year-to-year)*							
Net interest income	−2.63%	7.12%	0.53%	0.85%	−1.62%	−5.25%	15.18%
Net income	N/M	N/M	N/M	N/M	N/M	N/M	36.02
Net charge-offs	19.39	105.45	51.39	6.40	36.67	−9.02	106.45
Loan loss provision	13.12	62.61	13.28	22.43	−10.20	71.56	−2.47

N/M – not meaningful

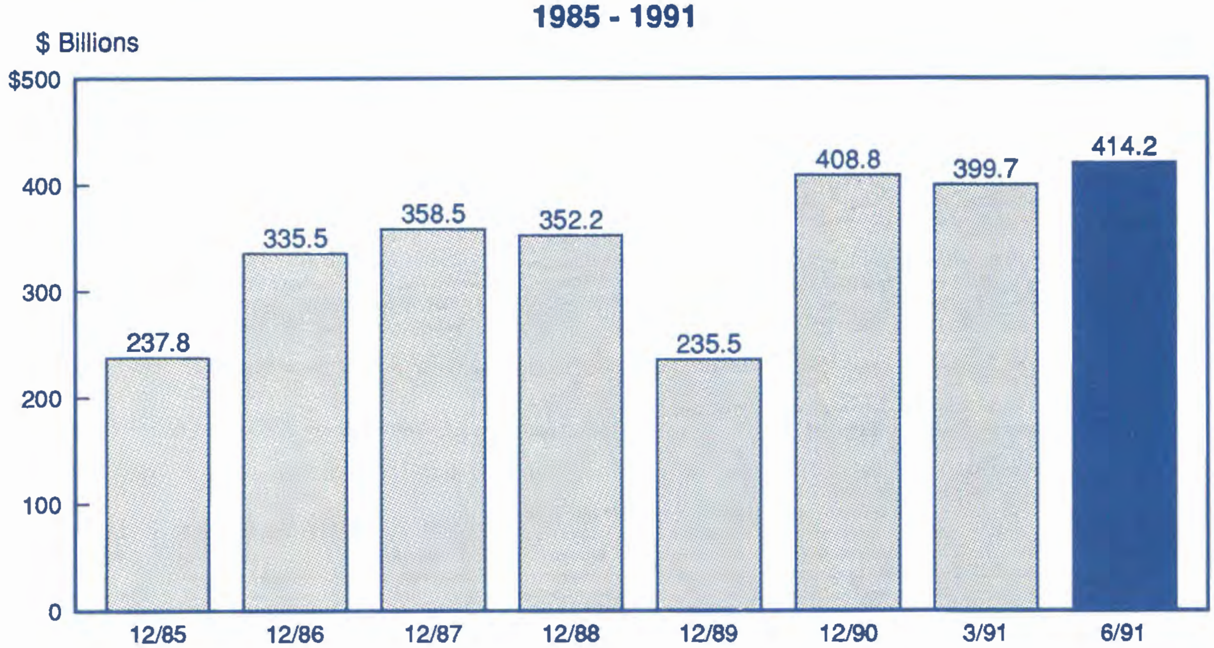
Number of Commercial and Savings Banks on FDIC's "Problem List"

1985 - 1991



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

1985 - 1991



FDIC
Federal Deposit Insurance Corporation
Washington, DC 20429

Attn: Chief Executive Officer

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 (17 institutions as of June 30, 1991) were obtained from Thrift Financial Reports filed with the Office of Thrift Supervision. Certain adjustments are made to the Thrift Financial Reports to provide closer conformance with Call report disclosure requirements.

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

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

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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