Fourth Quarter, 1991

The FDIC Quarterly Banking Profile

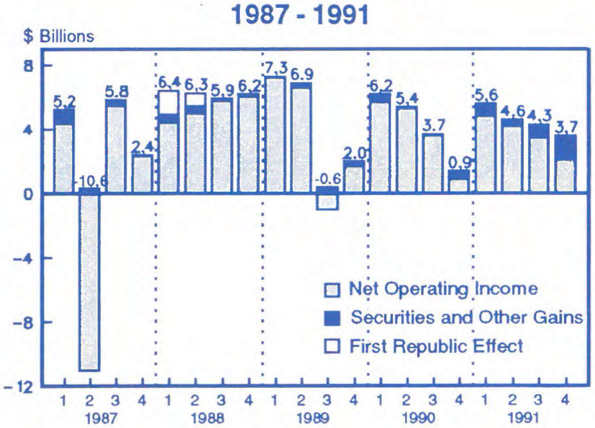
William Taylor, Chairman

COMMERCIAL BANKING PERFORMANCE - FOURTH QUARTER, 1991

- *Commercial Banks Earn $18.6 Billion in 1991*
- *Fourth-Quarter Earnings Total $3.68 Billion*
- *Loan Portfolios Shrink for Fourth Consecutive Quarter*
- *Banks Charge-Off a Record $9.4 Billion in Fourth Quarter*
- *Asset-Quality Problems Recede in Northeast*

Insured commercial banks earned $18.6 billion in 1991, up from $16.1 billion in 1990. The improvement in net income was a result of higher net interest income and increased gains from sales of investment securities. Net income before securities and extraordinary gains was actually $184 million lower in 1991 than in the previous year. The average return on assets for the full year was 0.56 percent, and the average return on equity was 8.32 percent. Over 46 percent of the banks, representing 37 percent of banking industry assets, reported returns on assets greater than one percent in 1991. In contrast, 10.8 percent of the banks, representing 21 percent of industry assets, reported net losses for the year. In recent years, the high-profitability segment of the industry has grown, both in the share of banks and of banking industry assets. The number of unprofitable banks has fallen; however, the share of industry assets held by these institutions has grown.

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



In the fourth quarter, banks earned $3.68 billion, an increase of $2.8 billion from the fourth quarter of 1990. The average return on assets was 0.43 percent, while the average return on equity was 6.39 percent. All asset-size groups of banks posted improved returns on assets and equity compared to the fourth quarter of 1990. Higher gains from sales of investment securities, lower provisions for future loan losses and increased net interest income all contributed to the year-to-year improvement in quarterly earnings. Net income totals for both the fourth quarter and full year were the highest since the record amounts earned by commercial banks in 1988.

Banks realized $2.96 billion in gains from sales of investment securities in 1991, accounting for almost 16 percent of commercial bank earnings. These gains totaled $1.4 billion in the fourth quarter alone, almost 40 percent of banks' quarterly net income. Provisions for future loan losses in the fourth quarter were $1.6 billion below the amount set aside a year earlier, while net charge-offs were $596 million higher than in the fourth quarter of 1990. The largest reductions in loss provisions occurred in the Northeast Region, where provisions were $2 billion lower than in the fourth quarter of 1990. The improvements in the Northeast and elsewhere offset an $875-million increase in loan-loss provisioning by banks in the West Region. For the full year, loan-loss provisions totaled $33.9 billion. This amount was second only to the $37.5 billion in loan-loss provisions taken in 1987, when large banks added $20.7 billion to their reserves for future losses on loans to developing countries.

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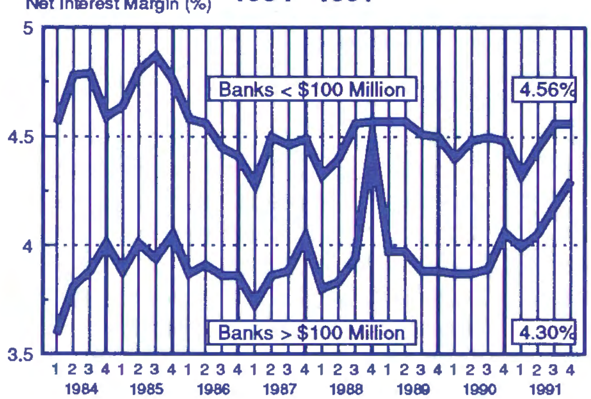
Banks' funding costs continued to decline more rapidly than their asset yields in the fourth quarter, as net interest margins improved to their highest levels since the fourth quarter of 1988. Net interest income was $2.1 billion higher than in the fourth quarter of 1990. Noninterest revenues were $1.1 billion above the level of a year ago, but noninterest expenses were $2.5 billion higher. About one-quarter of the increase in noninterest expenses represented costs associated with higher deposit insurance premiums.

Chart B - Quarterly Net Interest Margins of FDIC-Insured Banks 1984 - 1991

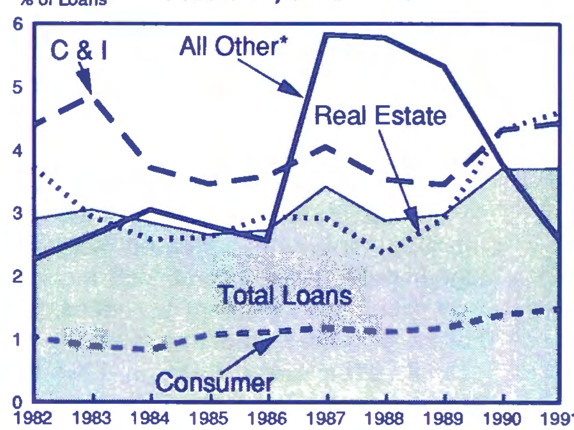


Loans and leases outstanding at commercial banks shrank throughout the year, while overall asset growth averaged only 1.2 percent. This was the lowest asset growth rate since 1948, when banking industry assets declined by 0.4 percent. The banking industry's loan portfolio fell by $58.8 billion, or 2.8 percent, during 1991. Total loans and leases declined for the fourth consecutive quarter, falling by $9.7 billion in the final quarter of the year. Most of the shrinkage was in commercial and industrial loans, which declined by $56.1 billion in 1991. Ten years ago, these loans accounted for 40 percent of all loans at commercial banks; they now represent only 27 percent of all loans. Total assets of commercial banks declined by $3 billion in the fourth quarter. U.S. Treasury securities and mortgage-backed securities, which increased by $26.8 billion in the quarter, were the only asset categories that grew significantly.

Equity capital increased by $1.8 billion in the fourth quarter to $232.2 billion, or 6.77 percent of total assets. For the full year, equity increased by $13.5 billion. Retained earnings contributed $4.3 billion to equity in 1991, as banks paid dividends of $14.3 billion out of $18.6 billion in earnings. Total loan-loss reserves declined by $561 million in 1991, but at year-end, commercial banks held 72 cents in reserves for every dollar of noncurrent loans, up from 71 cents at the end of 1990.

Commercial banks charged-off $9.4 billion in the fourth quarter, the highest quarterly amount ever charged-off. Noncurrent loans and leases fell by $4.36 billion in the fourth quarter, while other real estate owned rose by $1.5 billion. Troubled assets declined as a proportion of total assets for the second straight quarter, but remained higher than in any period prior to 1991.

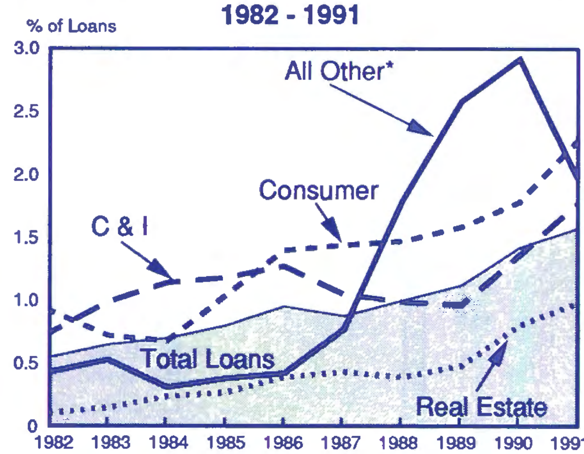
Chart C - Noncurrent Loan Rates at Year-end, 1982-1991



*Includes loans to foreign governments, depository institutions and lease receivables.

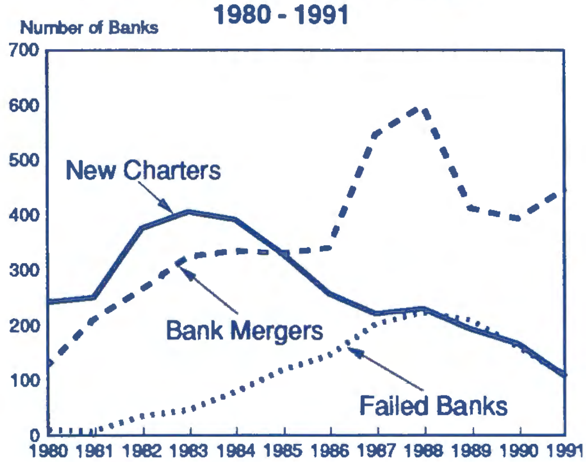
Banks in the West Region were the only group that had increases in their proportion of troubled assets and in their loan-loss provisioning in the fourth quarter. Noncurrent loans at West Region banks increased by $262 million during the quarter, and other real estate owned rose by $549 million. Net charge-offs of loans and leases were $1.68 billion in the fourth quarter, the highest quarterly amount ever for West Region banks.

Chart D -Annual Net Loan Charge-off Rates, 1982 - 1991



*Includes loans to foreign governments, depository institutions and lease receivables.

Chart E - Structural Changes Among FDIC-Insured Commercial Banks 1980 - 1991

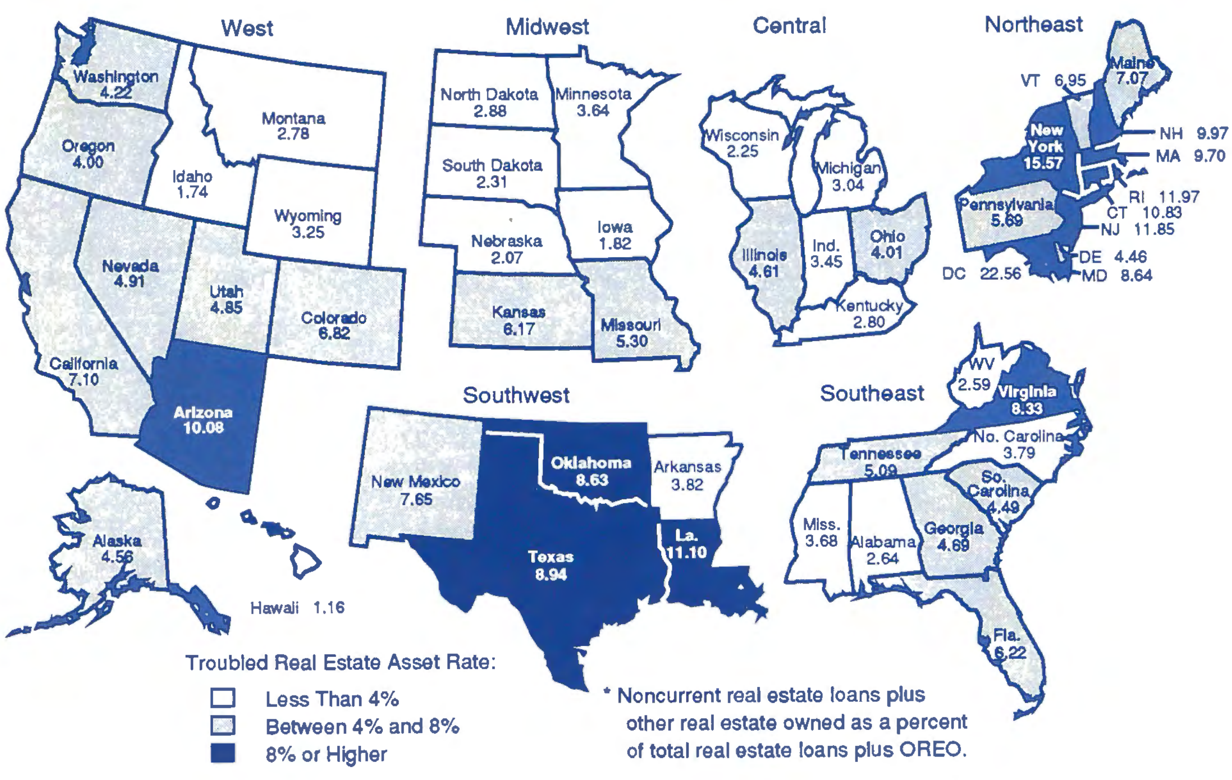


Many of the largest commercial banks continue to experience earnings problems. High loan-loss provisioning and increased overhead costs (possibly related to restructurings) combined to hold down large-bank earnings. Banks with more than $10 billion in assets enjoyed the greatest improvement in net interest margins in the fourth quarter, but they would have registered almost no net income absent gains from sales of investment securities. More than half of the 49 banks in this size group had lower earnings than a year ago, and one out of every four reported a net loss in the fourth quarter.

The number of commercial banks fell below 12,000 in 1991, as the industry shrank by 420 institutions. There were 448 mergers during the year, while 108 banks failed or received assistance to avert failure. One hundred and six new bank charters were issued in 1991, the lowest total since 1968. The number of full-time equivalent employees at commercial banks fell to 1.49 million in the fourth quarter, the lowest level since 1981. During 1991, the number of employees declined by 31,000.

The combination of lower levels of noncurrent loans, increased equity capital, and stable reserves could lead to lower loan-loss provisioning and improved earnings at commercial banks in 1992. Overhead expense control should improve, but net interest margins may narrow as average asset yields decline. It is unlikely that gains from sales of investment securities will contribute as much to earnings in 1992 as they did in 1991.

Chart F - Troubled Real Estate Asset Rates By State December 31, 1991



DELINQUENCY, NONCURRENT AND NET CHARGE-OFF RATES FOR SELECTED LOAN CATEGORIES DECEMBER 31, 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	2.45	2.12	2.04	2.50	2.82	3.13	1.97	1.99	1.73	2.10	2.53
Construction & development	4.54	2.35	3.15	4.91	5.12	5.56	2.69	3.94	1.80	2.49	5.45
Commercial real estate	2.71	1.91	2.01	2.57	4.00	3.83	2.01	2.11	2.20	1.82	2.81
Multifamily residential real estate	2.97	1.95	2.11	2.82	4.23	3.79	2.08	2.52	2.07	2.00	3.47
1-4 Family residential	2.00	2.37	2.03	1.98	1.84	2.44	1.94	1.76	1.60	2.27	1.72
Home equity lines of credit	0.95	1.72	1.09	1.04	0.68	1.36	0.88	0.75	1.18	1.72	0.46
Commercial R/E loans not secured by real estate	2.89	2.29	2.72	2.57	3.12	3.73	2.27	1.73	2.05	0.71	2.97
Highly leveraged transactions (HLTs)	0.42	N/M	0.25	0.24	0.47	0.39	0.14	0.52	5.11	0.03	0.16
Loans to foreign governments and institutions	0.12	N/M	0.00	0.00	0.13	0.13	0.00	0.00	N/M	0.00	0.11
PERCENT OF LOANS NONCURRENT*											
All real estate loans	4.60	1.85	2.45	4.46	7.35	7.80	3.03	2.15	1.94	3.28	4.31
Construction & development	13.90	3.16	5.93	12.10	20.34	22.63	7.66	6.46	4.08	5.40	13.12
Commercial real estate	5.81	2.40	3.29	5.40	10.54	9.91	4.27	3.06	3.49	4.59	5.01
Multifamily residential real estate	5.64	2.68	2.78	5.09	9.70	10.03	3.31	3.73	2.85	4.31	4.17
1-4 Family residential	1.65	1.39	1.45	1.74	1.87	2.75	1.33	0.93	0.86	1.76	1.33
Home equity lines of credit	0.75	1.17	0.81	0.72	0.70	1.27	0.60	0.36	0.45	1.32	0.33
Commercial R/E loans not secured by real estate	7.64	3.97	5.81	5.49	9.29	11.88	4.42	2.13	2.98	1.48	7.15
Highly leveraged transactions (HLTs)	10.65	N/M	7.11	9.37	11.03	11.31	7.61	7.99	9.77	7.97	13.41
Loans to foreign governments and institutions	12.33	N/M	18.76	11.73	12.31	12.78	1.76	20.39	N/M	5.04	8.27
PERCENT OF LOANS CHARGED OFF (NET)											
All real estate loans	0.98	0.26	0.45	1.02	1.54	1.58	0.92	0.47	0.52	0.94	0.66
Construction & development	3.02	0.45	1.43	3.12	4.38	4.52	3.03	1.43	1.27	1.97	2.13
Commercial real estate	1.24	0.40	0.62	1.18	2.21	1.89	1.07	0.88	1.05	1.41	0.75
Multifamily residential real estate	2.01	0.51	0.56	1.58	3.75	3.87	2.78	0.59	1.32	1.65	0.34
1-4 Family residential	0.20	0.18	0.18	0.28	0.14	0.28	0.22	0.09	0.13	0.39	0.10
Home equity lines of credit	0.14	0.27	0.11	0.15	0.10	0.22	0.11	0.05	0.07	0.52	0.07
Commercial R/E loans not secured by real estate	4.65	4.86	6.68	3.67	5.10	4.91	3.84	3.08	2.93	2.17	6.39
Highly leveraged transactions (HLTs)	2.66	N/M	0.54	2.69	3.12	2.83	1.42	2.98	1.96	3.03	2.38
Loans to foreign governments and institutions	13.38	N/M	7.40	8.01	11.70	14.95	−0.20	1.17	N/M	5.50	11.74
TOTAL LOANS OUTSTANDING *($ BILLIONS)*											
All real estate loans	850.7	96.7	216.1	259.8	278.1	266.6	160.4	141.4	51.3	50.8	179.0
Construction & development	102.7	6.0	18.4	35.6	42.7	35.1	18.2	12.6	3.8	4.2	28.4
Commercial real estate	249.6	25.7	70.7	89.0	64.2	72.3	51.8	43.3	14.4	18.1	49.4
Multifamily residential real estate	23.9	2.0	6.9	7.6	7.3	7.3	4.0	4.2	1.6	1.4	5.3
1-4 Family residential	359.8	50.2	99.9	97.7	111.9	100.9	71.7	65.6	23.9	24.4	73.0
Home equity lines of credit	70.2	3.1	14.6	27.2	25.4	26.8	11.4	10.7	2.3	0.6	18.4
Commercial R/E loans not secured by real estate	23.0	1.2	3.0	5.6	13.2	9.3	2.3	3.5	0.8	0.9	6.1
Highly leveraged transactions (HLTs)	55.5	0.0	0.6	11.5	43.4	33.7	4.4	7.4	0.9	2.5	6.6
Loans to foreign governments and institutions	26.3	0.0	0.2	1.2	24.9	20.6	0.3	1.4	0.0	0.3	3.7

* 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	1989	1988	1987	1986	1985
Return on assets	0.56%	0.49%	0.49%	0.82%	0.12%	0.63%	0.70%
Return on equity	8.32	7.61	7.78	13.30	2.00	9.94	11.31
Equity capital to assets	6.77	6.46	6.21	6.28	6.04	6.19	6.20
Noncurrent loans and leases plus other real estate owned to assets	2.99	2.90	2.26	2.14	2.46	1.95	1.87
Net charge-offs to loans	1.60	1.44	1.16	1.00	0.92	0.99	0.84
Asset growth rate	1.22	2.73	5.37	4.36	2.01	7.71	8.86
Net operating income growth	−1.22	3.72	−38.85	1905.16	−91.04	−20.65	6.30
Percentage of unprofitable banks	10.80	13.40	12.50	14.65	17.66	19.79	17.09
Number of institutions	11,920	12,340	12,707	13,139	13,696	14,200	14,404
Number of problem banks	997	1,012	1,092	1,394	1,559	1,457	1,098
Number of failed/assisted banks	108	159	206	221	201	144	118

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

(dollar figures in millions)

	Preliminary 4th Qtr 1991	3rd Qtr 1991	4th Qtr 1990	%Change 90:4-91:4
Number of banks reporting	11,920	12,072	12,340	−3.4
Total employees (full-time equivalent)	1,486,159	1,491,206	1,517,344	−2.1
CONDITION DATA				
Total assets	$3,430,145	$3,433,138	$3,388,943	1.2
Real estate loans	850,757	846,766	829,588	2.5
Commercial & industrial loans	558,957	572,212	615,091	−9.1
Loans to individuals	391,162	386,136	402,783	−2.9
Farm loans	34,983	35,952	33,324	5.0
Other loans and leases	214,632	219,140	228,519	−6.1
Total loans and leases	2,050,491	2,060,206	2,109,306	−2.8
LESS: Reserve for losses	54,953	54,221	55,514	−1.0
Net loans and leases	1,995,537	2,005,985	2,053,792	−2.8
Temporary investments	500,990	509,351	451,393	11.0
Securities over 1 year	514,421	490,802	450,299	14.2
All other assets	419,198	427,000	433,460	−3.3
Total liabilities and capital	3,430,145	3,433,138	3,388,943	1.2
Noninterest-bearing deposits	480,226	464,524	488,520	−1.7
Interest-bearing deposits	2,207,214	2,201,299	2,161,504	2.1
Other borrowed funds	379,073	397,825	384,879	−1.5
Subordinated debt	24,863	24,349	23,821	4.4
All other liabilities	106,532	114,680	111,454	−4.4
Equity capital	232,237	230,462	218,765	6.2
Goodwill	4,506	4,594	4,062	10.9
Loans and leases 30-89 days past-due	41,811	39,754	48,012	−12.9
Noncurrent loans and leases	76,131	80,489	78,133	−2.6
Restructured loans and leases	9,788	9,528	8,804	11.2
Other real estate owned	26,389	24,885	20,011	31.9
Loan commitments and letters of credit	1,370,847	1,345,546	1,306,358	4.9
Foreign office assets	397,419	404,993	389,627	2.0
Domestic office deposits	2,382,810	2,363,933	2,356,579	1.1
Foreign office deposits	304,630	301,889	293,445	3.8
Earning assets	3,010,947	3,006,138	2,955,483	1.9
Volatile liabilities	986,342	1,025,678	1,055,220	−6.5

INCOME DATA	Preliminary Full Year 1991	Full Year 1990	%Change	Preliminary 4th Qtr 1991	4th Qtr 1990	%Change
Total interest income	$289,218	$320,389	−9.7	$71,879	$81,268	−11.5
Total interest expense	167,284	204,914	−18.4	39,869	51,352	−22.4
Net interest income	121,933	115,475	5.6	32,010	29,916	7.0
Provision for loan losses	33,899	32,074	5.7	10,134	11,732	−13.6
Total noninterest income	59,676	55,063	8.4	15,816	14,710	7.5
Total noninterest expense	124,482	115,689	7.6	33,810	31,352	7.8
Applicable income taxes	8,404	7,767	8.2	1,663	1,079	54.1
Net operating income	14,823	15,007	−1.2	2,219	462	380.4
Securities gains, net	2,958	481	514.5	1,439	256	461.8
Extraordinary gains, net	787	647	21.5	25	189	−86.6
Net income	18,568	16,136	15.1	3,683	907	306.3
Net charge-offs	32,567	29,661	9.8	9,379	8,783	6.8
Net additions to capital stock	1,041	2,180	−52.2	17	231	−92.8
Cash dividends on capital stock	14,312	13,862	3.3	4,207	4,267	−1.4

Table III. Full Year 1991 Bank Data *(Dollar figures in billions, ratios in %)*

		ASSET SIZE DISTRIBUTION				GEOGRAPHIC DISTRIBUTION					
						EAST			WEST		
FULL YEAR *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	11,920	8,797	2,755	319	49	994	1,924	2,633	2,881	2,103	1,385
Total assets	$3,430.15	$353.76	$673.94	$1,050.23	$1,352.22	$1,285.51	$514.54	$567.75	$233.07	$270.14	$559.14
Total deposits	2,687.44	313.95	583.62	810.42	979.45	933.28	418.92	451.69	192.75	236.92	453.87
Net income *(in millions)*	18,568	2,716	5,090	5,886	4,877	3,729	3,195	4,939	2,482	1,753	2,471
Percentage of banks losing money	10.8%	11.3%	8.3%	17.2%	24.5%	26.1%	14.1%	6.1%	4.2%	10.5%	18.3%
Percentage of banks with earnings gains	63.2%	62.5%	65.1%	67.1%	57.1%	57.2%	60.5%	63.8%	65.1%	71.0%	54.1%
Performance Ratios											
Yield on earning assets	9.91%	9.75%	9.74%	9.87%	10.07%	10.33%	9.57%	9.59%	9.77%	9.10%	10.04%
Cost of funding earning assets	5.73	5.28	5.25	5.35	6.40	6.52	5.33	5.43	5.35	5.13	5.09
Net interest margin	4.18	4.47	4.49	4.52	3.66	3.81	4.24	4.16	4.43	3.97	4.95
Noninterest income to earning assets	2.04	1.02	1.28	2.30	2.52	2.52	1.52	1.53	2.12	1.67	2.13
Noninterest expense to earning assets	4.26	3.88	3.88	4.49	4.39	4.47	3.98	3.69	4.14	4.24	4.73
Net operating income to assets	0.45	0.72	0.71	0.47	0.23	0.15	0.48	0.85	1.05	0.49	0.41
Return on assets	0.56	0.79	0.78	0.58	0.37	0.30	0.64	0.90	1.10	0.66	0.45
Return on equity	8.32	8.62	10.05	8.52	6.79	5.04	8.83	12.39	13.66	9.75	6.69
Net charge-offs to loans and leases	1.60	0.66	0.93	1.70	2.03	2.36	1.22	0.88	1.05	1.25	1.31
Loan loss provision to net charge-offs	104.09	119.12	117.90	119.90	89.85	88.79	118.13	116.15	108.10	85.09	145.28
Condition Ratios											
Loss allowance to:											
Loans and leases	2.68%	1.74%	1.82%	2.73%	3.27%	3.40%	2.00%	1.83%	2.00%	2.48%	2.83%
Noncurrent loans and leases	72.18	89.43	78.73	83.10	63.80	63.17	83.14	87.03	109.30	87.52	75.11
Noncurrent loans and leases plus other real estate owned to assets	2.99	1.62	2.06	2.81	3.95	4.13	2.21	1.63	1.51	2.39	3.36
Equity capital ratio	6.77	9.12	7.81	6.97	5.48	6.07	7.25	7.34	8.15	6.88	6.74
Core capital (leverage) ratio	6.51	9.11	7.70	6.68	5.15	5.84	6.90	7.21	8.06	6.71	6.31
Net loans and leases to deposits	74.25	57.41	66.51	77.80	81.34	78.96	73.09	73.31	64.78	50.89	82.81
Growth Rates *(year-to-year)*											
Assets	1.2%	5.8%	6.0%	6.7%	3.6%	−0.4%	1.3%	3.0%	0.8%	0.9%	3.4%
Equity capital	6.2	5.5	8.6	12.8	7.1	6.9	4.6	7.3	6.6	6.6	4.5
Net interest income	5.6	7.5	8.1	11.5	10.0	4.0	3.7	9.0	8.4	8.6	4.9
Net income	15.1	16.3	3.5	36.0	−20.4	983.3	5.4	11.9	13.3	44.8	−50.0
Noncurrent loans and leases plus other real estate owned	4.5	5.1	19.5	14.0	14.6	−5.3	10.2	6.5	7.0	−11.1	50.8
Net charge-offs	9.8	1.6	30.9	25.0	12.6	7.6	35.1	−0.3	7.2	−9.6	17.3
Loan loss provision	5.7	−4.4	16.4	0.1	35.9	−8.1	3.3	10.1	2.7	−15.7	67.5
PRIOR FULL YEARS *(The way it was . . .)*											
Return on assets 1990	0.49%	0.70%	0.77%	0.37%	0.39%	0.03%	0.62%	0.83%	1.01%	0.47%	0.94%
1988	0.82	0.64	0.75	0.79	0.95	0.98	0.98	1.07	0.90	−0.73	0.83
1986	0.63	0.46	0.66	0.76	0.57	0.78	1.02	0.88	0.73	−0.39	0.34
Equity capital ratio 1990	6.46	8.98	7.68	6.34	5.26	5.65	7.02	7.05	7.70	6.51	6.67
1988	6.28	8.73	7.23	6.15	5.10	5.93	6.93	6.75	7.44	5.65	5.90
1986	6.19	8.35	6.97	5.95	5.14	5.81	6.57	6.79	7.12	6.39	5.67
Noncurrent loans and leases plus other real estate owned to assets 1990	2.90	1.69	1.92	2.80	3.77	4.35	2.03	1.58	1.42	2.71	2.30
1988	2.14	1.92	1.72	1.53	2.96	2.35	1.02	1.15	1.52	4.55	2.66
1986	1.95	2.24	1.89	1.44	2.30	1.55	0.96	1.30	2.01	4.10	2.98
Net charge-offs to loans and leases 1990	1.44	0.71	0.84	1.38	1.91	2.05	0.90	0.90	1.00	1.39	1.16
1988	1.00	0.88	0.78	1.06	1.08	0.82	0.63	0.73	1.33	2.39	1.27
1986	0.99	1.57	1.08	0.79	0.92	0.62	0.62	0.70	2.14	2.12	1.25

Regions:
- Northeast – Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont
- Southeast – Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia
- Central – Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
- Midwest – Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
- Southwest – Arkansas, Louisiana, New Mexico, Oklahoma, Texas
- West – Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

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

		ASSET SIZE DISTRIBUTION				GEOGRAPHIC DISTRIBUTION					
						EAST			WEST		
FOURTH 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	11,920	8,797	2,755	319	49	994	1,924	2,633	2,881	2,103	1,385
Net income *(in millions)*	3,683	593	1,244	1,300	546	666	521	1,343	548	419	186
Percentage of banks losing money	16.7%	17.9%	12.2%	20.1%	32.6%	28.2%	21.8%	10.1%	12.8%	16.1%	23.2%
Percentage of banks with earnings gains	59.3%	58.3%	62.3%	64.6%	49.0%	64.2%	61.6%	59.2%	57.0%	62.7%	52.6%
Performance Ratios *(annualized)*											
Yield on earning assets	9.61%	9.48%	9.39%	9.59%	9.76%	10.16%	9.17%	9.32%	9.16%	8.75%	9.65%
Cost of funding earning assets	5.33	4.92	4.84	4.92	6.02	6.21	4.88	5.03	4.79	4.60	4.65
Net interest margin	4.28	4.56	4.55	4.67	3.74	3.96	4.30	4.30	4.37	4.15	5.00
Noninterest income to earning assets	2.11	1.11	1.39	2.40	2.54	2.55	1.60	1.56	2.11	1.70	2.39
Noninterest expense to earning assets	4.52	4.13	4.00	4.83	4.65	4.73	4.33	3.79	4.30	4.57	5.04
Net operating income to assets	0.26	0.56	0.60	0.28	0.00	0.03	0.10	0.85	0.87	0.31	0.07
Return on assets	0.43	0.68	0.74	0.50	0.16	0.21	0.40	0.95	0.95	0.62	0.13
Return on equity	6.39	7.37	9.51	7.20	2.96	3.46	5.59	12.98	11.62	9.08	1.99
Net charge-offs to loans and leases	1.84	0.96	1.29	2.00	2.17	2.39	1.78	1.10	1.17	1.52	1.75
Loan loss provision to net charge-offs	108.04	107.90	107.74	114.36	103.60	97.10	105.13	101.71	106.43	78.63	151.93
Growth Rates *(year-to-year)*											
Net interest income	7.0	8.0	7.2	14.6	6.6	9.9	5.1	10.3	5.0	3.7	2.9
Net income	306.3	85.2	48.6	N/M	N/M	N/M	11.5	33.8	12.7	196.6	−76.0
Net charge-offs	6.8	−10.2	13.5	14.2	22.1	−4.1	42.1	12.3	0.7	−8.0	22.9
Loan loss provision	−13.6	−18.1	−10.8	−17.5	10.2	−31.7	−7.4	−12.2	−9.0	−28.2	51.9
PRIOR FOURTH QUARTERS *(The way it was . . .)*											
Return on assets 1990	0.11%	0.31%	0.45%	0.00%	−0.03%	−0.61%	0.37%	0.74%	0.87%	0.21%	0.58%
1988	0.79	0.30	0.54	0.78	1.08	1.04	0.87	1.04	0.42	−0.72	0.79
1986	0.48	−0.14	0.27	0.72	0.62	0.76	0.85	0.72	0.59	−1.31	0.37
Net charge-offs to loans and leases 1990	1.68	1.19	1.26	1.78	1.90	2.33	1.24	1.00	1.16	1.62	1.42
1988	1.23	1.33	1.00	1.16	1.36	1.11	0.77	0.85	1.42	2.52	1.61
1986	1.30	2.51	1.71	0.95	1.01	0.75	0.92	0.99	2.53	3.47	1.40

N/M – Not meaningful

SAVINGS BANK PERFORMANCE - FOURTH QUARTER 1991

- *BIF-Insured Savings Banks Lose $1.2 Billion in 1991*
- *FDIC Resolution of Failed Institutions Contributes To Lower Losses Compared With Previous Year*
- *Fourth-Quarter Losses Total $423 Million*
- *Nine Institutions Fail During Quarter, Nineteen Fail During Year*

Savings banks insured by the Bank Insurance Fund (BIF) lost $423 million in the fourth quarter of 1991, a substantial improvement over the $1.4 billion net loss reported in the final quarter of 1990. Full-year 1991 losses of $1.2 billion also represented an improvement from the $2.6 billion net loss in 1990. FDIC resolutions of failing institutions contributed significantly to these improvements by removing the worst performers.

Noncurrent loans – those either past due at least 90 days or in nonaccrual status – totaled $9.1 billion at the end of the fourth quarter, $806 million lower than one year ago. Other real estate owned – primarily repossessed properties – continued to climb, increasing $1.4 billion during the year.

The fourth-quarter reduction of $283 million in noncurrent loans was attributable to the failure of nine New England savings banks during the quarter.[1] Together, these institutions reported $453 million in noncurrent loans and $578 million in other real estate owned on their final Call report. After adjusting for the removal of failed institutions, noncurrent loans increased by $134 million at savings banks in the New England states in the fourth quarter and other real estate owned increased $541 million. Noncurrent loans held by savings banks in the Northeast outside of New England increased by $33 million (0.6 percent) during the quarter while other real estate owned in these institutions increased by $301 million (15.5 percent).

Reserve coverage of noncurrent loans has improved as the amount of such loans in the industry has fallen. At year-end 1991, BIF-insured savings banks held 33 cents in reserve against each dollar of noncurrent loans, up from 30 cents at the end of the third quarter. Year-end reserve coverage stood at 43 cents for BIF-insured savings banks in New England and 26 cents for institutions elsewhere in the Northeast. The industry's aggregate equity capital ratio stood at 6.74 percent of assets at year-end, down slightly from the 6.87 percent at the end of the previous quarter, but up from the 6.62 percent at year-end 1990.

Troubled assets, including other real estate owned, constituted 5.86 percent of total assets, marginally lower than the prior quarter but above the 5.13 percent reported at the end of 1990. Troubled-asset ratios improved during the quarter in the New England institutions while they deteriorated in savings banks headquartered elsewhere in the Northeast. On average, troubled assets comprised 5.65 percent of total assets held by the New England savings banks compared with 6.39 percent in the other Northeast institutions.

The industry's net interest margins continued to improve as lower interest rates reduced funding costs faster than asset yields. Aggregate net interest margins have improved in five consecutive quarters, increasing to 3.05 percent of average earning assets as of December 31, 1991. Noninterest expenses declined both during the quarter and for the full year, benefiting from the removal of distressed assets from the system. Higher BIF assessment rates added approximately $50 million to the industry's fourth quarter 1991 noninterest expense compared with the final quarter of 1990.

The percentage of unprofitable institutions has improved significantly: three of every ten institutions lost money in the most recent fourth quarter, compared with nearly 50 percent the previous fourth quarter. Thirty-four percent of the savings banks in New England are still losing money, compared to twenty percent of those elsewhere in the Northeast. Only one of the 15 savings banks headquartered outside the Northeast lost money in the fourth quarter. BIF-insured savings banks outside the Northeast were profitable as a group, with an average fourth quarter return-on-assets of 1.18 percent.

During 1991, nineteen BIF-insured institutions with $19.5 billion in assets failed. Deposits of nearly $16 billion (in 1.9 million deposit accounts) were transferred to other FDIC-insured institutions. FDIC receiverships retained assets with a book value of $6.7 billion[2] – about 34 percent of the assets in these institutions when they were closed. Losses absorbed by the Bank Insurance Fund were estimated at $3.4 billion, 17.4 percent of the assets reported by these institutions before they failed.

Eighteen of the nineteen failed savings banks were headquartered in the New England states - seven in Massachusetts, five each in Connecticut and New Hampshire, and one in Maine. The largest savings bank to fail during 1991 (Goldome, Buffalo, New York) held assets with a book value of $9.1 billion at closure.

Lower funding costs will continue to bolster interest margins and limit losses in the Northeast. The viability of many unprofitable savings banks depends on recovery values of distressed real estate assets. At year-end, noncurrent loans plus other real estate owned equaled 73 percent of the industry's combined capital and loan-loss reserves.

[1] Five of these institutions with $3.3 billion in total assets did not submit their September 30, 1991 Call report before they failed in the fourth quarter of 1991.

[2] In some resolution transactions, additional assets of failed institutions can be "put back" to the FDIC.

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

	1991	1990	1989	1988	1987	1986	1985
Return on assets	−0.50%	−0.98%	−0.27%	0.44%	0.84%	1.08%	0.77%
Equity capital to assets	6.74	6.62	7.06	7.44	7.69	7.41	5.67
Noncurrent loans and leases plus other real estate owned to assets*	5.86	5.13	2.64	1.51	0.95	0.83	N/A
Noncurrent RE loans to total RE loans*	5.65	5.31	3.14	1.67	1.01	1.02	N/A
Asset growth rate	−8.34	−7.47	−1.52	8.52	10.54	15.40	14.74
Deposit growth rate	−5.67	−4.98	1.36	7.90	5.81	8.26	11.70
Number of institutions	441	469	489	492	484	472	392
Number of problem savings banks	72	34	17	12	16	27	42
Number of failed savings banks	19	10	1	0	2	0	2

* Excludes Federally-chartered Savings Banks before 1990.

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

	Preliminary 4th Qtr 1991	3rd Qtr 1991	4th Qtr 1990	%Change 90:4-91:4
Number of savings banks reporting	441	445	469	−6.0
Total employees (full-time equivalent)	68,210	67,653	76,148	−10.4
CONDITION DATA				
Total assets	$237,387	$237,273	$258,991	−8.3
Mortgage loans	141,898	142,640	158,920	−10.7
1-4 family residential	96,744	96,101	105,041	−7.9
Construction and land development	5,207	5,956	8,771	−40.6
Commercial and multi-family	39,947	40,583	45,107	−11.4
All other loans and leases	17,167	17,812	21,502	−20.2
LESS: Reserves for losses	3,007	2,827	3,188	−5.7
LESS: Other contra accounts	603	630	900	−33.0
Net loans and leases	155,455	156,994	176,333	−11.8
Mortgage-backed securities	20,698	21,588	26,311	−21.3
Other real estate owned	4,853	4,601	3,412	42.3
Goodwill	1,155	1,159	1,626	−29.0
All other assets	55,225	52,931	51,309	7.6
Total liabilities and capital	237,387	237,273	258,991	−8.3
Interest-bearing deposits	193,734	192,130	206,241	−6.1
Noninterest-bearing deposits	6,832	6,015	6,389	6.9
Other borrowed funds	17,644	19,511	25,348	−30.4
Subordinated debt	517	523	683	−24.4
Other liabilities	2,670	2,788	3,192	−16.4
Equity capital	15,990	16,306	17,139	−6.7
Loans and leases 30-89 days past-due	5,203	5,144	5,986	−13.1
Noncurrent loans and leases	9,065	9,348	9,871	−8.2
Other noncurrent assets	28	22	N/A	N/A
Direct investments in real estate	932	1,028	1,707	−45.4

INCOME DATA	Preliminary Full Year 1991	Full Year 1990	%Change	Preliminary 4th Qtr 1991	4th Qtr 1990	%Change
Total interest income	$20,205	$24,520	−17.6	$4,899	$6,032	−18.8
Total interest expense	13,890	18,085	−23.2	3,240	4,466	−27.5
Net interest income	6,315	6,436	−1.9	1,659	1,566	6.0
Provisions for losses	2,482	3,563	−30.3	783	1,369	−42.9
Total noninterest income	1,246	1,255	−0.8	380	282	34.8
Total noninterest expense	6,165	6,511	−5.3	1,751	1,883	−7.0
Securities gains, net	291	−26	N/M	151	−50	N/M
Applicable income taxes	456	191	139.2	84	−71	N/M
Extraordinary gains, net	80	11	619.1	4	−10	N/M
Net income	−1,172	−2,589	N/M	−423	−1,392	N/M
Net charge-offs	2,094	2,204	−5.0	621	949	−34.5

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

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

FULL YEAR *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	441	130	253	58	326	100	15
Total assets	$237.39	$6.99	$79.19	$151.20	$105.02	$121.01	$11.36
Total deposits	$200.57	$6.27	$69.15	$125.14	$90.93	$102.35	$7.29
Net income *(in millions)*	−1,172	−22	−202	−948	−664	−640	132
Percentage of savings banks losing money	33.33	36.15	30.04	41.38	38.96	20.00	0.00
Percentage of savings banks with earnings gains	64.17	63.08	65.22	62.07	63.80	63.00	80.00
Performance Ratios							
Yield on earning assets	9.34%	9.65%	9.50%	9.24%	9.42%	9.20%	10.12%
Cost of funding earning assets	6.42	6.23	6.26	6.51	6.31	6.49	6.73
Net interest margin	2.92	3.42	3.24	2.73	3.11	2.71	3.40
Noninterest income to earning assets	1.15	0.74	0.98	1.26	1.22	0.92	2.96
Noninterest expense to earning assets	5.70	6.43	5.95	5.53	6.35	5.18	5.43
Return on assets	−0.50	−0.32	−0.26	−0.63	−0.65	−0.53	1.16
Return on equity	−7.09	−3.90	−3.29	−9.64	−9.01	−7.83	13.50
Net charge-offs to loans and leases	1.31	1.02	1.15	1.41	1.65	1.11	0.26
Loan loss provision to net charge-offs	118.57	105.54	116.56	119.87	105.92	134.88	159.16
Condition Ratios							
Loss allowance to:							
Loans and leases	1.90%	1.24%	1.58%	2.11%	2.07%	1.85%	0.96%
Noncurrent loans and leases	33.17	34.96	39.41	31.17	43.41	26.03	68.21
Noncurrent loans and leases plus other real estate owned to assets	5.86	3.84	4.71	6.56	5.65	6.39	2.22
Noncurrent RE loans to total RE loans	5.65	3.59	4.01	6.62	4.65	7.01	1.41
Equity capital ratio	6.74	7.92	7.66	6.20	6.85	6.37	9.56
Core capital (leverage) ratio	6.04	7.88	7.53	5.18	6.69	5.17	9.46
Net loans and leases to deposits	77.51	74.82	75.29	78.87	78.17	74.83	106.88
Growth Rates *(year-to-year)*							
Assets	−8.34%	5.91%	5.23%	−1.86%	−5.19%	−11.60%	0.26%
Equity capital	−6.70	−0.29	−2.36	−10.15	−1.05	−14.10	21.65
Net interest income	−1.89	10.26	6.65	3.96	1.15	−6.42	17.13
Net income	N/M	N/M	N/M	N/M	N/M	N/M	119.77
Net charge-offs	−5.00	8.99	5.19	−1.23	−20.15	27.50	15.18
Loan loss provision	−30.33	−19.88	−13.91	−12.88	−43.32	−7.79	−27.22

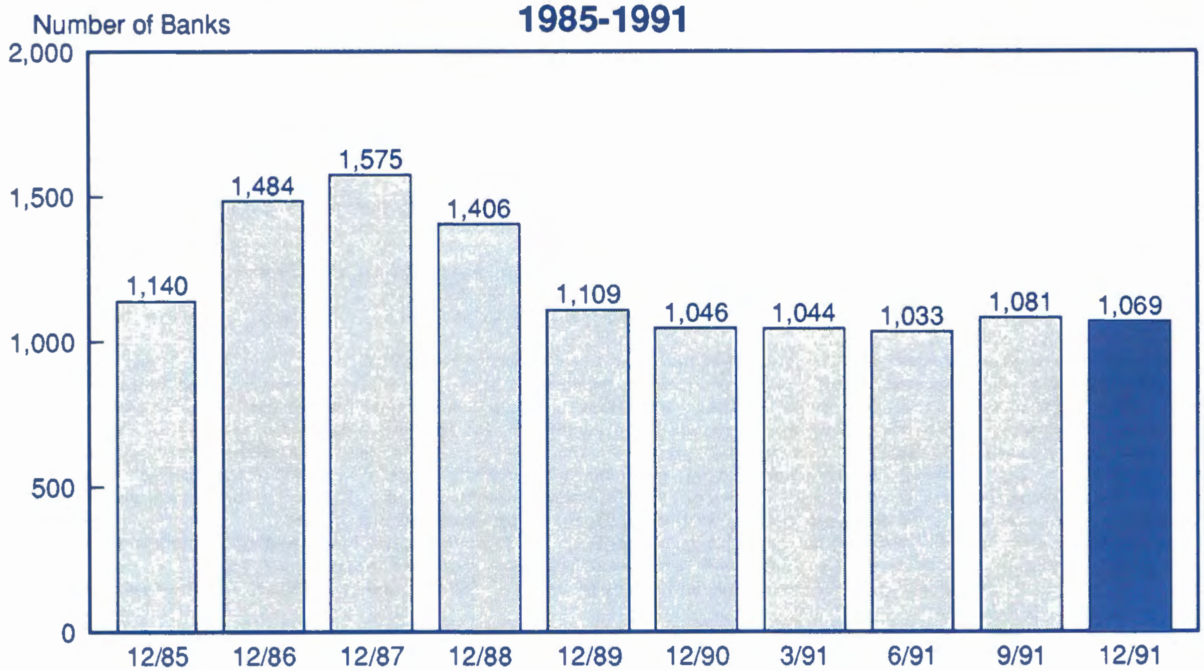
Table IV. Fourth Quarter 1991 Savings Bank Data *(Ratios in %)*

FOURTH 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	441	130	253	58	326	100	15
Net income *(in millions)*	−423	−5	9	−428	−134	−323	34
Percentage of savings banks losing money	30.16	30.77	27.67	39.66	34.36	20.00	6.67
Percentage of savings banks with earnings gains	68.71	63.85	72.33	63.79	68.41	70.00	66.67
Performance Ratios (annualized)							
Yield on earning assets	9.01%	9.42%	9.19%	8.89%	9.06%	8.88%	9.88%
Cost of funding earning assets	5.96	5.78	5.82	6.04	5.81	6.05	6.30
Net interest margin	3.05	3.64	3.37	2.85	3.25	2.83	3.58
Noninterest income to earning assets	0.70	0.36	0.58	0.79	0.79	0.55	1.47
Noninterest expense to earning assets	3.24	3.29	3.12	3.30	3.56	3.01	2.74
Return on assets	−0.72	−0.27	0.05	−1.14	−0.52	−1.06	1.18
Return on equity	−10.49	−3.38	0.61	−17.95	−7.44	−16.41	12.61
Net charge-offs to loans and leases	1.59	0.99	1.30	1.77	1.82	1.51	0.22
Loan loss provision to net charge-offs	125.93	141.41	105.74	133.48	105.57	147.78	144.52
Growth Rates (year-to-year)							
Net interest income	5.95%	19.27%	14.60%	11.47%	11.43%	−0.21%	19.15%
Net income	N/M	N/M	N/M	N/M	N/M	N/M	10.12
Net charge-offs	−34.54	−43.70	−32.25	−6.44	−51.86	7.66	−38.62
Loan loss provision	−42.85	−48.75	−48.05	−7.87	−64.53	5.79	N/M

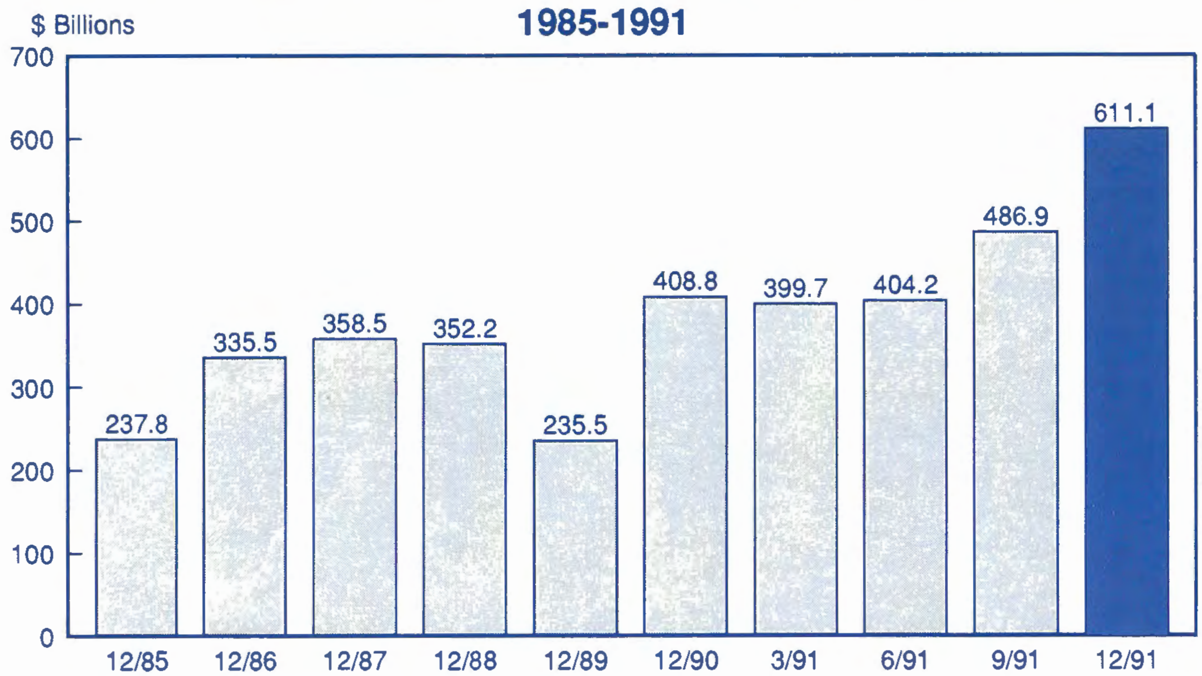
Geographic Distribution: New England – Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Other Northeast – Delaware, Maryland, New Jersey, New York, Pennsylvania
Rest of U.S. – Alaska, Florida, Indiana, Oregon, Washington

N/M – not meaningful

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



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 December 31, 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. Current quarter and year-ago quarter income and expense amounts and performance ratios are adjusted to account for "pooling of interest" mergers 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.

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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