9-21-1989

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On U.S. Banks' Quarterly Profits, Response To Brady Plan

by John Neagle

Category/Department: General
Published: Thursday, September 21, 1989

With US banks' second quarter profits at $7 billion, the total for the first half of 1989 was $14.3 billion. In a Sept. 14 statement, William Seidman, head of the Federal Deposit Insurance Corporation (FDIC), said banks' 1989 profits were 31% higher than for the same period last year. The 12,001 banks increased reserves in the second quarter by $4.6 billion, bringing total reserves to $206 billion. US banks located in the northeastern region registered profit increases. In other regions of the country, average bank profits showed no change or declines. Bank profits in the southwest were down 28%. On Sept. 20, a spokesperson for the Chase Manhattan Corp. said the bank expected a $1.12 billion loss in the third quarter, mainly because of plans to add $1.15 billion to capital reserves. On Sept. 18, the Manufacturers Hanover Corp. added $950 million to its reserves, and said it would lose $775 million this quarter. Since 1987, the big New York banks have set aside funds to cover around 30% of their loans to developing nations. Until Sept. 18, Manufacturers Hanover had the lowest reserves of the large banks at 22%. Its reserves are now at 36%. The Chase announcement of adding over a billion dollars to its reserves brings its coverage to 46%. (Basic data from Notimex, 09/14/89; New York Times, 09/21/89)

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