



NEWS RELEASE

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FDIC REPORTS OPERATING LOSS FOR 1988, THE FIRST IN ITS HISTORY

The Federal Deposit Insurance Corporation will report the first operating loss in its history, according to preliminary year-end 1988 financial data presented today to the FDIC Board of Directors. Certification of final results awaits completion of the General Accounting Office's audit, expected in the next few weeks.

At the end of 1988, the banking industry's insurance fund stood at \$14.1 billion, down approximately 23 percent from the year-end 1987 balance of \$18.3 billion. Preliminary data indicate that the ratio of insurance fund assets to insured deposits was .83 percent. During 1988 the Corporation handled 221 bank failures, including 200 closings and 21 assistance transactions, compared to 184 closings and 19 assistance transactions during 1987. The FDIC dealt with approximately \$80 billion of problem bank assets last year, more than the combined total of assets handled during the Corporation's first 53 years. New approaches to dealing with bank failures and aggressive management of assets under liquidation enabled the FDIC to maintain its investment portfolio of U.S. Treasuries at approximately \$16.2 billion, essentially unchanged from 1987.

Stanley J. Poling, Director of the FDIC's Division of Accounting and Corporate Services, told the Board of Directors that total revenues for the year were \$3.4 billion. Mr. Poling said administrative operating expenses amounted to \$224 million, while liquidation expenses and insurance losses totaled \$7.4 billion. The recorded losses include estimated assistance for several large Southwest bank holding companies in which discussions initiated

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during 1988 are continuing and resolutions are expected in 1989. Mr. Poling said every known problem bank holding company in the Southwest will have been addressed by the FDIC or the private sector before the year is over. Furthermore, with the rates of problem banks and bank failures on the decline, the FDIC expects the insurance fund to resume growing in 1989, although modestly.

Mr. Poling noted that the Division of Liquidation's portfolio of assets acquired from failed institutions was approximately 106,000 assets with a book value of \$9.3 billion as of December 31, 1988, down significantly from 178,000 assets with a book value of \$11 billion at year-end 1987.

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