PRESS RELEASE
Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
March 16, 2000

Media Contact:
Phil Battey (202) 898-6993

FDIC REPORTS THAT BANKS EARNED A RECORD $71.7 BILLION IN 1999, WHILE SAVINGS INSTITUTIONS EARNED A RECORD $10.9 BILLION

The FDIC today released preliminary data showing that commercial banks continued to demonstrate earnings strength in the fourth quarter of 1999, posting their third-best quarterly earnings ever ($17.8 billion) and raising full-year earnings to a record level ($71.7 billion) for the eighth consecutive year.

"These vital signs show an industry that, since the early 1990s, has performed not only well, but consistently well when compared to earlier periods, reflecting the long-running economic expansion we are all enjoying," said FDIC Chairman Donna Tanoue.

Fourth-quarter net income was below the record $19.4 billion banks earned in the third quarter of 1999 and the $18.0 billion they earned in the first quarter of the year, but it represented a 20.2 percent improvement from the fourth quarter of 1998.

The year-to-year improvement was driven by higher noninterest income and lower noninterest expenses. For the full year, bank earnings were 16 percent higher than in 1998. The industry's return on average assets (ROA), a basic yardstick of profitability, rose to an all-time high of 1.31 percent in 1999, surpassing the previous annual record of 1.23 percent set in 1997.

The FDIC also announced that insured savings institutions reported record earnings for the third consecutive year. The industry's full-year net income of $10.9 billion was 7.3 percent higher than in 1998. The average ROA for savings institutions was 1.00 percent, slightly below their 1.01 percent average in 1998.

Preliminary results for the fourth quarter and full-year 1999 for the 8,580 FDIC-insured commercial banks and 1,640 FDIC-insured savings institutions are presented in the FDIC's latest Quarterly Banking Profile. The Profile offers the earliest comprehensive look at industry performance, based upon quarterly reports of condition and income submitted by all FDIC-insured banks and thrifts. Highlights follow.

Commercial Banks

The industry's record profitability in 1999 was made possible by significant improvement in earnings at large banks, which benefited from continued strong growth in noninterest revenues and fewer expenses related to mergers and corporate restructurings. Earnings from international operations also were $1.5 billion (29.3 percent) higher than in 1999.

In contrast, the average profitability at banks with less than $100 million declined from an ROA of 1.13 percent in 1998 to 1.01 percent in 1999. Small banks' earnings were hurt by declining net interest margins and lower contributions from noninterest income, even as overall industry margins remained unchanged. The relative contribution of noninterest income to earnings at small banks also declined in 1999, even as it rose at larger institutions.

Broad indicators of asset quality improved in 1999, as the noncurrent rate (the percent of loans 90 days or more past due or in nonaccrual status) declined to the lowest level in the 18 years that banks have reported noncurrent loan data. The percentage of loans charged off also was lower than in 1998. Positive trends in asset quality primarily reflected improvement in banks' credit card portfolios. In particular, net loan losses on credit card loans were $2.3 billion (20.1 percent) lower in 1999 than in 1998. However, net losses on commercial and industrial loans were $1.8 billion (51.4 percent) higher.

Commercial bank assets registered their lowest annual growth rate since 1992, increasing by just 5.4 percent. Real estate loans were up by 12.2 percent, while commercial and industrial loans increased by 8.1 percent. The growth in bank assets was partially offset by an 18.7 percent decline in federal funds sold, and a 7.4 percent decline in credit card loans that was caused by a $33.8 billion increase in the amount of credit card loans securitized and sold.

The number of insured commercial banks declined by 194 institutions during 1999, marking the fourth straight year that the pace of industry consolidation has slowed. A year ago, the net decline in the number of insured commercial banks was 368. The 417 banks absorbed by mergers during 1999 was the fewest in any year since 1990, while the 231 new bank charters in 1999 was the most since 1986. At the end of 1999, there were 66 commercial banks on the FDIC's Problem List, down from 69 at the beginning of the year. Seven commercial banks failed during 1999, the most since 1994.

Savings Institutions

Insured savings institutions earned $10.9 billion in 1999, a 7.3 percent improvement over 1998. Industry profitability was slightly lower, with the average ROA in 1999 being 1.00 percent, compared to 1.01 percent in 1998. The decline in profitability was concentrated among smaller thrifts. The average ROA at institutions with less than $100 million in assets declined to 0.63 percent in 1999 from 0.77 percent in 1998, primarily because of lower net interest margins.

Assets of insured savings institutions increased by 5.6 percent in 1999, surpassing the growth rate of the commercial banking industry for the first time since 1988. Growth was especially strong in commercial real estate loans, loans to commercial borrowers, and consumer loans. On the funding side, thrifts continued to increase their reliance on Federal Home Loan Bank (FHLB) borrowings during 1999. At the end of the year, FHLB borrowings represented almost 24 percent of savings institutions' liabilities, up from 20 percent at the beginning of the year.

The number of insured savings institutions declined by 49 during 1999. Merger activity was down for the second consecutive year, while the number of new thrift charters reached its highest level since 1986. The number of "problem" thrifts totaled 13 at year-end, down from 15 at the end of 1998.

- - -

The Quarterly Banking Profile is available on the Internet (via World Wide Web at www.fdic.gov), by fax (dial 1-804-642-0003 on your fax machine and follow the voice prompts to request Document No. 267), or by mail or messenger (from the FDIC's Public Information Center, 801 17th Street, NW, Washington, DC 20434, telephone 800-276-6003 or (703) 562-2200, or e-mail publicinfo@fdic.gov).