PRESS RELEASE
Federal Deposit Insurance Corporation

June 15, 1994

FDIC REPORTS THAT COMMERCIAL BANKS EARNED $11.1 BILLION IN FIRST QUARTER OF 1994, WHILE SAVINGS INSTITUTIONS EARNED $1.3 BILLION

FOR IMMEDIATE RELEASE

Preliminary data released today by the FDIC show that insured commercial banks earned $11.1 billion in the first quarter of 1994. Industry profits were $254 million higher than a year earlier, but were below the record $11.5 billion set in the third quarter of last year.

The agency also announced that private-sector savings institutions, which include all FDIC-insured savings banks and savings and loans except for 48 institutions that were operated in conservatorship by the Resolution Trust Corporation on March 31, reported first quarter earnings of $1.3 billion.

Those earnings represent a decline of $365 million from the previous quarter and $1.1 billion less than a year ago.

The first quarter performance results are contained in the FDIC's latest Quarterly Banking Profile, which is based on quarterly income and condition reports filed by insured institutions. The latest Profile analyzes trends in banking performance during the first three months of this year.

COMMERCIAL BANKS

The annualized return on assets (ROA), a basic measurement of bank profitability, averaged 1.17 percent for the first quarter at the 10,840 commercial banks insured by the FDIC. This is the fifth consecutive quarter that banks' average ROA has been above one percent, although it is below the average ROA of 1.23 percent a year ago. The strong performance during the first quarter of 1994 was broad-based: banks in all six geographic regions and four size categories reported in the Profile averaged ROAs above one percent.

The main source of industry earnings strength was improved credit quality, evidenced by lower levels of loan-loss provisioning and reduced losses on sales of foreclosed property and other assets. On the down side, noninterest income was lower than in the previous quarter, due to smaller gains on foreign exchange trading at several large banks.

Loans to commercial borrowers registered a second consecutive quarter of strong growth, increasing by $10.4 billion. Total loans held by commercial banks increased by only $13.3 billion, as home mortgage portfolios shrank slightly for the first time since the first quarter of 1983. Most of the growth in commercial bank assets in the first quarter of 1994 came from new accounting changes regarding certain off-balance-sheet derivative contracts (Financial Accounting Standards Board Interpretation 39).

SAVINGS INSTITUTIONS

The 2,240 private-sector savings institutions reported an aggregate net profit of $1.3 billion in the first quarter, down from $1.7 billion in the previous quarter. Losses from balance-sheet restructurings at three large institutions were responsible for the earnings decline. For small- and medium-sized savings institutions, profits were virtually unchanged from the previous quarter.

Total assets of private-sector savings institutions fell below $1 trillion for the first time since 1983, due to savings institutions' merging with or converting to commercial banks.