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BANK INSURANCE FUND GREW TO $13.1 BILLION AT YEAR-END, PRELIMINARY DATA SHOW

FOR IMMEDIATE RELEASE

The FDIC today announced preliminary financial results showing that the Bank Insurance Fund (BIF) ended 1993 with a balance of $13.1 billion, a significant improvement over recent years.

At this level, the BIF had 69 cents in reserve for every $100 of insured deposits, which is already more than half way toward the goal that was mandated in 1991 by Congress to be achieved by the year 2006. By law, the FDIC must reach a reserve ratio of $1.25 for every $100 of insured deposits.

The BIF is rebounding from a negative balance of $101 million at the close of 1992 and a $7 billion deficit at year-end 1991. These previous deficits -- the first since the FDIC began operations in 1934 -- were triggered by record levels of bank failures in the late 1980s.

FDIC Chairman Andrew C. Hove, Jr., cited improved industry conditions and the agency's cost-control efforts as the main reasons for the fund's strong performance in 1993. "The recapitalization of the Bank Insurance Fund is a success story for the banking industry, the American taxpayer and the FDIC," he said. "We can all take pride and comfort in knowing that the FDIC has not used a penny of taxpayer money to cover the costs of bank failures -- costs that have run into many billions of dollars."

Chairman Hove also noted that in 1993 the FDIC fully repaid, with interest, the BIF's borrowings from the Federal Financing Bank. Those borrowings, first authorized by Congress in 1990 to-2- address the unprecedented rise in bank failures, reached a high of $15.1 billion in June 1992.

The FDIC's preliminary report released today said the following factors contributed to the improved BIF balance in 1993:

1) The lowest level of bank failures in 12 years: A total of 41 banks with combined assets of $3.5 billion were closed in 1993, at an estimated cost of $566 million. This is in contrast to the 120 banks with $44.2 billion in assets that were closed the previous year, at an estimated cost of $4.7 billion. The last time the FDIC handled such a low number of bank closings was in 1981, when 10 banks failed at a cost of $588 million.

2) Reduced reserves for future bank failures: Many banks that once had been considered likely to fail have improved dramatically. As a result, the BIF's provision for insurance losses -- typically the fund's largest expenses -- was reduced enough to add $7.7 billion to earnings in 1993.

3) Insurance premiums outpacing insurance losses and expenses: The BIF's "net underwriting income" (assessment revenues minus insurance losses and expenses) totaled $5 billion in 1993, the second year in a row of net inflows after 10 years of net outflows.

4) Lower administrative expenses: FDIC spending and staffing levels were kept below amounts under an ambitious cost-cutting effort. By year-end, the agency was $640.7 million (22 percent) under its annual budget of nearly $3 billion, and staff was reduced by 825 (5.5 percent) to 14,219.

The FDIC also administers the Savings Association Insurance Fund (SAIF), which primarily protects depositors at thrift institutions. The SAIF continues to build strength, with the preliminary balance at year-end 1993 increasing to $1.2 billion from $279 million the year before.

Until the U.S. General Accounting Office (GAO) completes its review of the FDIC's financial statements in the coming months, the 1993 financial data are considered preliminary.