PRESS RELEASE

Federal Deposit Insurance Corporation

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COMMERCIAL BANK EARNINGS SOAR TO RECORD $13.8 BILLION IN THIRD QUARTER

FOR IMMEDIATE RELEASE

Commercial banks posted record earnings of $13.8 billion in the third quarter of 1995, according to preliminary data released today by the FDIC. This surpasses the previous all-time high of $12.0 billion earned in the second quarter of this year, and it marks the 11th straight quarter that bank profits exceeded $10 billion. Profits for the first nine months of 1995 totaled $36.9 billion, also a record for any three consecutive quarters. The FDIC cited the following as major contributing factors in banks' third-quarter earnings performance:

1. Strong loan growth. Banks continued to stress loan growth over other types of assets, with particular emphasis on home mortgage loans and other loans to consumers.

2. Stable net interest margins. The increased proportion of loans in banks' asset portfolios helped lift average yields and maintain net interest margins, even as funding costs were rising.

3. Reduced deposit insurance premiums. The recapitalization of the Bank Insurance Fund at the end of May led to a sharp reduction in the premiums banks pay to insure their deposits. The lower premiums reduced banks' third-quarter operating costs by $1.5 billion.

The FDIC also noted that the picture for the industry remains positive going forward. For example, noncurrent loans (those more than 90 days past due or not accruing interest) declined for the 17th time in the last 18 quarters, to $31.5 billion, which is 1.23 percent of total loans. This is the lowest noncurrent loan rate in the 14 years that banks have reported their noncurrent loans.

One spot -- consumer lending -- may cloud the picture, however. Although noncurrent loans declined during the third quarter, short-term delinquencies and net loan losses increased. These delinquencies and loan losses were concentrated in banks' consumer loan portfolios. In general, delinquent loans (30-89 days past due) increased by 8.3 percent and net loan losses were 17 percent higher than in the second quarter of 1995.

Retained earnings (net income minus cash dividends paid) totaled $6.8 billion for the period, also a quarterly record. The previous quarterly high for retained earnings was $6.5 billion in the first quarter of 1993. The record retained earnings helped lift commercial banks' equity capital to 8.14 percent of total assets, the highest industry average since 1941.

FDIC-insured savings institutions earned $2.2 billion in the third quarter. This is second only to the $2.4 billion thrifts earned in the first quarter of 1993, when earnings were bolstered by one-time accounting changes.

Third-quarter results for the nation's 10,054 insured commercial banks and 2,058 insured savings institutions are presented in the latest Quarterly Banking Profile (QBP). The latest QBP analyzes bank and thrift results for the third quarter and first nine months of 1995.

The Quarterly Banking Profile is available on the Internet (via the World Wide Web at www.fdic.gov or through Gopher at gopher.fdic.gov), by fax (use the phone attached to your fax machine, dial 1-804-642-0003 and follow the voice prompts to request Document No. 219), or by mail or messenger (contact the FDIC's Office of Corporate Communications at 202-898-6996).