



PRESS RELEASE

Federal Deposit Insurance Corporation

September 12, 1995

COMMERCIAL BANKS EARNED RECORD \$12 BILLION IN THE SECOND QUARTER

FOR IMMEDIATE RELEASE

Commercial banks posted record earnings of \$12 billion in the second quarter of 1995, according to preliminary data released today by the FDIC. This tops the \$11.1 billion earned in the first quarter of the year and the previous all-time high of \$11.8 billion in the third quarter of 1994. Profits for the first six months of 1995 totaled \$23.2 billion, also a record.

FDIC Chairman Ricki Helfer said "the banking industry's recent performance has been extraordinary" and that "the industry has recapitalized the Bank Insurance Fund far faster than anyone could have anticipated just a few years ago." Given that the industry "has never been stronger financially," she said, the opportunity exists to protect the deposit insurance funds by addressing the problem of the seriously undercapitalized Savings Association Insurance Fund and to eliminate unnecessary restrictions on banks.

The FDIC cited near-record loan growth and higher noninterest income as key factors in commercial banks' strong earnings performance during the second quarter. Banks continued to shift investments to loans from securities, resulting in higher yields. Loan growth was broad-based and at the same rapid pace set in the first quarter.

Chairman Helfer noted: "The lending mix has continued to shift toward loans that traditionally reflect relatively more diversified credit risk, primarily mortgage loans, credit cards and other loans to individuals, and away from types of loans that reflect more concentrated credit risk, such as commercial real estate loans."

Total loans increased 12.5 percent (\$75 billion) during the second quarter, led by gains in residential real estate loans (up \$24 billion), commercial and industrial loans (up \$18 billion) and consumer loans (up \$13 billion). The growth in commercial loans slowed



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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from the \$33 billion increase recorded in the first quarter of the year. Loans to small businesses and small farms, which are reported annually each June, showed a gain of seven percent during the year.

Other factors contributing to second-quarter profits included higher noninterest income (up nearly \$1 billion over the first quarter) and gains of \$350 million on sales of securities.

As for improved asset quality, noncurrent loans and leases declined after a brief uptick in the first quarter, and foreclosed assets declined for the 11th consecutive quarter. In the aggregate, troubled assets were 0.94 percent of total assets, compared to 1.27 percent a year ago and 3.24 percent four years ago.

Second-quarter results for the nation's 10,168 insured commercial banks and 2,081 insured savings institutions are presented in the latest Quarterly Banking Profile (QBP). The latest QBP analyzes bank and thrift results for the second quarter and first half of 1995.

FDIC-insured savings institutions earned \$1.9 billion in the second quarter, which trails only the \$2.4 billion the industry earned in the first quarter of 1993 when one-time accounting gains boosted profits. Thrifts' aggregate return on assets (ROA) was 0.76 percent for the second quarter, compared to 0.69 percent in the first quarter and 0.72 percent in the second quarter of 1994.

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The Quarterly Banking Profile is available as follows:

On the Internet: Via the World Wide Web at www.fdic.gov. Or, it can be accessed through Gopher at <gopher.fdic.gov>.

By Fax: Use the phone attached to your fax machine, dial 1-804- 862-0003 and follow the voice prompts to request Document No. 216.

Mail or Messenger: Contact the FDIC's Office of Corporate Communications at 202-898-6996.

Last Updated 07/14/1999

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