



PRESS RELEASE

Federal Deposit Insurance Corporation

March 21, 1995

FDIC'S 1994 FINANCIAL REPORT SHOWS GROWTH IN INSURANCE FUNDS; SPENDING CUT DURING THE YEAR DUE TO REDUCED BANK FAILURE WORK

FOR IMMEDIATE RELEASE

The FDIC announced today that the Bank Insurance Fund (BIF) ended 1994 with a record balance of \$21.8 billion, a 66 percent increase from the year-end 1993 balance of \$13.1 billion. This exceeds the fund's previous year-end high of \$18.3 billion, set in 1987.

Reasons for the latest improvement include the lowest level of bank failures since 1981 -- only 13 banks with \$1.4 billion in assets and \$139 million in estimated losses to the BIF were closed during 1994 -- and reduced reserves for anticipated bank failures. Based on the year-end 1994 balance, BIF's reserves amount to an estimated \$1.15 for every \$100 of insured deposits, compared to 69 cents per \$100 just one year before. The FDIC projects that during mid-1995 the BIF will reach the congressionally mandated level of \$1.25 in reserve for every \$100 of insured deposits.

The Savings Association Insurance Fund (SAIF), which the FDIC administers primarily to protect depositors of thrift institutions, ended 1994 with a balance of \$1.9 billion. This is a 58 percent increase over the \$1.2 billion balance at year-end 1993. SAIF's reserves at year-end equaled 28 cents for every \$100 of insured deposits, which is up from the 17 cents per \$100 level the previous year, but still far below the \$1.25 level mandated by Congress for each fund. SAIF's growth has been slow since its inception in 1989 because large portions of the fund's assessment income have been used to pay for the federal cleanup of the thrift industry. From 1989 through 1992, nearly all assessment income was diverted to pay these various cleanup costs, including interest payments on Financing Corporation (FICO) bonds.

Since then, approximately 40 percent of SAIF's assessment income has continued to be used for the FICO bond payments.



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.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-23-95

FDIC Chairman Ricki Tigert Helfer said: "In the last three years, banks and thrifts have had their highest earnings ever, but to continue prospering they need strong deposit insurance funds. It is in everyone's interest to work together to arrive at a fair and reasonable solution to the problems facing the Savings Association Insurance Fund."

The BIF's financial statements already have received an unqualified opinion from the U.S. General Accounting Office (GAO), the official auditor of the FDIC. The financial statements for the SAIF and the FSLIC Resolution Fund (a third fund administered by the FDIC) are expected to receive unqualified audit opinions within the next few weeks.

In a related development, the FDIC released year-end information on its ongoing efforts to streamline, consolidate and reduce its operations in response to a declining workload from failed banks. The agency spent \$1.77 billion -- nine percent below its budget of \$1.95 billion for 1994 -- for salaries, facilities, travel and other expenses for such activities as examining banks and thrifts, enforcing banking laws and insuring deposits. Staff was reduced to 11,627 at year-end 1994 from a high of 15,585 in the second quarter of 1993 -- a 25 percent decline in 18 months. In addition, the book value of real estate, loans and other failed-bank assets being liquidated by the FDIC was reduced by 40 percent in 1994, to \$16.7 billion.

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More year-end financial highlights from the FDIC are available as follows.

On the Internet: Via the World Wide Web at www.fdic.gov.

By Fax: Use the phone attached to your fax machine, dial 804-642-0003 and follow the voice prompts to request Document No. 212.

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

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