PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC REPORTS STRONG EARNINGS FOR COMMERCIAL BANKS IN FIRST QUARTER

FOR IMMEDIATE RELEASE

Commercial banks continued to post strong earnings through the first three months of 1995, according to preliminary data released today by the FDIC. Bank profits totaled $11.13 billion in the first quarter, almost identical to the $11.06 billion earned in the first quarter of 1994. This marks the ninth consecutive quarter that commercial bank earnings have exceeded $10 billion.

Loan growth was primarily responsible for the industry's favorable earnings performance. Total loans held by commercial banks increased by $65.1 billion in the first quarter. Commercial loans accounted for approximately half of that increase -- a record $32.7 billion. The previous quarterly record for commercial loan growth had been a $28.6 billion increase, in the fourth quarter of 1986. Real estate loans at commercial banks grew by $22.3 billion, surpassing the $1 trillion mark for the first time.

"Clearly, bank lending is fueling the economy, which is good news," FDIC Chairman Ricki Helfer said today. "At the same time, the FDIC takes a close look wherever dramatic growth in any area of banking occurs. I want to stress that we have no specific concerns at this point -- but we do want to stay on top of the trend."

Two other factors that figured prominently in recent record levels of bank earnings -- higher net interest margins and rapid reductions in provisions for loan losses -- did not make major contributions to earnings results in the first quarter. Net interest margins declined for the second consecutive quarter. Provisions for loan losses were only 1.2 percent less than in the first quarter of 1994.

Commercial banks' noncurrent loans -- those 90 days or more past due or not accruing interest -- increased by $1.6 billion during the quarter. That is the first increase in these troubled loans in four years. However, the level of noncurrent loans was $8.1 billion (20 percent) below that of a year earlier, and $50.9 billion below the peak of $83.2 billion at the end of the first quarter of 1991.

"One quarter does not make a trend," Chairman Helfer said of the increase in noncurrent loans, "but it has broken one of 15 consecutive quarters of improvement." She stressed that "despite this slight increase in noncurrent loans, the financial condition of commercial banks as a whole remains strong."

The first-quarter performance results for 10,241 insured commercial banks and 2,152 insured savings institutions are contained in the agency's latest Quarterly Banking Profile, which is based on quarterly reports of condition and income filed by all insured depository institutions. The latest Profile analyzes bank and thrift performance in the first quarter of 1995. Other highlights follow.

Commercial banks: Their aggregate return on assets (ROA) -- a basic yardstick of bank profitability -- was 1.10 percent in the first quarter, down from 1.17 percent a year earlier but still above the one percent ROA benchmark that traditionally signifies solid profitability. "The industry has exceeded this benchmark in each of the last nine quarters," Chairman Helfer noted.

Almost 97 percent of all banks were profitable. Three commercial banks failed during the quarter.

Savings institutions: FDIC-insured savings banks and savings and loan associations reported aggregate earnings of $1.7 billion in the first quarter, which is one-third more than the $1.3 billion earned a year earlier. Thrifts' aggregate ROA was 0.69 percent, up from 0.52 percent in the first quarter of 1994. Reduced noninterest expenses helped offset a decline in net interest income, as savings institutions' net interest margins continued to shrink.

More than 94 percent of all insured savings institutions were profitable in the quarter. No insured thrifts failed during the first quarter. # # #

The Quarterly Banking Profile (QBP) 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. 214.

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