PRESS RELEASE
Federal Deposit Insurance Corporation

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FDIC REPORTS RECORD EARNINGS FOR COMMERCIAL BANKS IN 1994

FOR IMMEDIATE RELEASE

Commercial banks earned a record $44.7 billion in profits during 1994, eclipsing the previous year's record of $43.1 billion by 3.7 percent, according to preliminary data from the FDIC.

"This earnings record was achieved in a year of rising interest rates and a year when banks reported losses on their securities sales," FDIC Chairman Ricki Tigert Helfer said today. She noted that banks particularly posted solid growth in lending. "Dramatic asset growth always calls for a closer look to determine whether asset quality is declining," Chairman Helfer said. "For the banks the FDIC supervises, however, we have seen no weakening of asset quality to date."

For the fourth quarter of 1994 alone, industry earnings totaled $10.7 billion. Strong loan growth and improving asset quality -- the two main factors contributing to recent improvements in industry profitability -- continued during the fourth quarter. While net operating income was higher in the fourth quarter than a year ago, bottom-line net income was $55 million less. The FDIC attributed the reduced profits during the quarter to a loss of $914 million on sales of securities in bank portfolios. This loss compared to a gain of $392 million during the fourth quarter of 1993.

Fourth-quarter and full-year performance results for 10,450 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 trends in banking performance during 1994, with emphasis on the last quarter of the year. Other highlights follow.

Commercial banks

Loans grew by a record $77.6 billion in the fourth quarter, exceeding the previous record of $71.9 billion set in the fourth quarter of 1986. Loan growth for all of 1994 also set a full-year record, at $208.4 billion. The previous high for loan growth was $191.7 billion in 1984. All major loan categories except real estate construction and development loans showed growth throughout the year. Banks' net loan losses totaled $11.2 billion in 1994, the smallest full-year amount since the $10.8 billion in 1984. Provisions for future loan losses were only $10.9 billion in 1994, the lowest amount since the $10.8 billion in 1983.

Commercial banks' average return on assets (ROA) -- a basic yardstick of bank profitability -- declined to 1.15 percent in 1994 from a record 1.20 percent in 1993. It was still the second-highest full-year average ROA in the FDIC's 61-year history. More than 96 percent of all banks were profitable in 1994. The average ROA in the fourth quarter was 1.08 percent, down from 1.18 percent a year earlier and 1.21 percent in the third quarter of 1994. This was the eighth consecutive quarter that the industry's ROA exceeded one percent. Eleven commercial banks failed during 1994, the fewest since 10 failed in 1981.

Savings institutions

FDIC-insured savings banks and savings associations reported earnings of $6.4 billion in 1994, a 6.3 percent decline ($432 million) from 1993. Fourth-quarter earnings of $1.7 billion were $58 million more than a year earlier, but $207 million less than in the third quarter. Thrifts' average ROA was 0.67 percent for the quarter and 0.66 percent for the full year, compared to 0.65 percent and 0.70 percent in the respective periods in 1993.

Rising interest rates held down thrift earnings in 1994 by reducing their net interest margins -- essentially the difference between what they earned on loans and other interest-bearing assets and what they paid in interest to depositors and other creditors. Restructuring charges taken by several large institutions to strengthen their balance sheets also contributed to the 1994 decline in industry profits. While 93 percent of all savings institutions were profitable in 1994, one out of every four of the largest institutions (eight of the31 thrifts with assets of $5 billion or more) reported a net loss for the year.

Two insured savings institutions failed in the fourth quarter, bringing the total for 1994 to four. Two of the four institutions that failed were members of the Bank Insurance Fund, and the other two were members of the Savings Association Insurance Fund. There were eight failures of insured savings institutions in 1993.

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The Quarterly Banking Profile (QBP) is available for the first time through personal computer on the Internet. Or, it can be obtained by fax machine, mail or messenger.

On the Internet: The QBP can be accessed either through gopher at fdic.sura.net: 71 or via file transfer protocol (FTP) at ftp.sura.net (login as "anonymous" and then cd /pub/fdic). The QBP soon will be available on the World Wide Web (WWW) 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. 211. The only charge is for calling the 804-number. There is no charge for accessing the document.

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