FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC ISSUES PRELIMINARY 1992 FINANCIAL RESULTS FOR THE BANK INSURANCE FUND

The Federal Deposit Insurance Corporation announced today that preliminary financial results for year-end 1992 show that the Bank Insurance Fund (BIF) had net income of $6.9 billion, resulting in a fund that still is in the negative but is substantially improved from a year ago.

The preliminary figures show the BIF balance at a deficit of $101 million at year-end 1992 compared to a deficit of $7 billion at the close of the previous year.

A favorable interest rate environment for banks and other economic conditions during 1992 were the primary reasons for the BIF's improved results. These conditions resulted in a lower projected loss from future bank failures and a reduction in the estimated loss from past bank failures.

The insurance fund's losses from banks that failed in 1992 totaled $4.7 billion and, as noted, reserves previously established for specific failures exceeded the losses the FDIC expects to incur. These and other factors resulted in a net reduction of $5.5 billion in the amount set aside at year-end 1992 to absorb the costs of banks that are expected to fail in the future, to $10.8 billion from the $16.3 billion set aside at year-end 1991.

The U. S. General Accounting Office (GAO) has not yet completed the agency's year-end financial statements but is expected to do so in the near future. Until the GAO opinion has been released, these financial data are considered preliminary.

FDIC officials noted that even though the net worth of the BIF remains in a small deficit position, insured depositors are fully protected. Among the

-morepotential sources of funds for the FDIC is $30 billion in borrowing authority from the U. S. Treasury, which would cover any future BIF operating deficits. This borrowing authority was provided by Congress in the FDIC Improvement Act of 1991. The BIF has not used this authority and does not anticipate using it during 1993.

Last year, 120 banks failed and two others were provided financial assistance to avert a failure. This total is slightly fewer than the 1991 level, when 124 banks failed and three three received assistance to remain open. However, the failed and assisted banks in 1992 were smaller, on average, than those in 1991. The assets of the 122 failed and assisted banks aggregated approximately $44 billion, about 70 percent of the assets of the 127 banks in 1991. Nevertheless, 1992 represented the third largest volume of failed bank assets in FDIC history.

FDIC Chairman Andrew C. Hove said: "We are cautiously optimistic that the positive operating performance of 1992 will continue in 1993. However, there still is significant exposure to the Bank Insurance Fund from banks that are vulnerable to increases in interest rates or other deteriorating economic conditions."

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