



NEWS RELEASE

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FDIC REPORTS THAT COMMERCIAL BANKS EARNED \$10.4 BILLION IN THE SECOND QUARTER

Preliminary data released today by the FDIC show that insured commercial banks earned \$10.4 billion in the second quarter of 1993, the second-highest quarterly earnings total on record. Industry profits were \$455 million less than the record \$10.9 billion earned in the first quarter of this year, but were almost one-third higher than a year ago. For the first six months of 1993, commercial banks earned \$21.2 billion, an increase of \$5.6 billion over the same period in 1992.

Although net income for the second quarter fell short of the all-time record, the FDIC pointed out that in terms of "core earnings," banks reached a record \$9.8 billion during the period. Core earnings are the profits from traditional banking activities. They do not include "nonrecurring" gains, such as those from one-time accounting changes, which added \$1.8 billion to first-quarter 1993 earnings. Commercial banks' core profits for the second quarter were \$1.4 billion more than in the first quarter.

Improvement in asset quality was the main source of the increase in core earnings during the second quarter, as banks set aside lower provisions for future loan losses. Continued wide spreads between banks' cost of funds and the rates they earn on their investments also contributed to the higher core earnings.

The second-quarter performance results for 11,198 FDIC-insured commercial banks and 408 savings banks insured by the FDIC's Bank Insurance Fund (BIF) are contained in the agency's latest Quarterly Banking Profile, which is based on quarterly Reports of Condition and Income filed by

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FDIC-insured banks. The latest Profile also analyzes banking performance during the first six months of this year.

The average return on assets (ROA) — the basic measurement of bank profitability — was 1.18 percent for commercial banks during the second quarter, slightly below the record 1.24 percent average of the first quarter. In the ten years that commercial banks have reported quarterly earnings, these are the only two quarters in which ROA has averaged more than one percent.

Total loans and leases at commercial banks grew by \$44.2 billion in the second quarter, after declining in each of the previous two quarters and in eight of the previous nine quarters. This also represents the largest quarterly increase in total loans since the fourth quarter of 1986. Much of the second-quarter growth came from increased holdings of residential mortgage loans, although most major loan categories registered gains.

The 408 savings banks insured by the Bank Insurance Fund reported net income of \$414 million in the second quarter, compared to \$221 million the same quarter a year ago. BIF-insured savings banks earned \$940 million during the first half of the year, which is more than twice the \$437 million earned during the first six months of 1992.

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