



NEWS RELEASE

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FDIC REPORTS COMMERCIAL BANKS EARNED RECORD \$11.45 BILLION IN THIRD QUARTER

Preliminary data released today by the FDIC show that insured commercial banks earned \$11.45 billion in the third quarter of 1993, the highest quarterly profits in the industry's history. Earnings surpassed the previous quarterly record of \$10.8 billion in the first quarter of 1993, even without the one-time accounting gains that added more than \$1.5 billion to first-quarter results.

For the first nine months of 1993, commercial banks earned \$32.6 billion, an increase of \$8.5 billion over the same period a year ago. Profits during the first nine months of 1993 already exceed the full-year record of \$32.1 billion earned in 1992.

Improving asset quality in the third quarter remained the main source of earnings improvement for the industry, as banks set aside the smallest provisions for future loan losses since the first quarter of 1989. The spreads between banks' cost of funds and the rates they earn on their assets remained wide by historic standards, although they were narrower than in the second quarter of 1993. Noninterest income also showed healthy growth during the third quarter. Also, more than 95 percent of all commercial banks reported positive earnings, the highest proportion in the 10 years banks have reported quarterly earnings.

The third-quarter and year-to-date performance results for 11,081 FDIC-insured commercial banks are contained in the agency's latest Quarterly Banking Profile, which is based on quarterly Reports of Condition and Income filed by FDIC-insured banks. Also noteworthy is that, for the first time,

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the latest Profile analyzes the performance of all savings institutions that are insured by the FDIC, not just savings banks insured by the Bank Insurance Fund on which the agency reported in the past. In addition, for the first time the FDIC is presenting combined financial data for all commercial banks and savings institutions insured by the agency.

The 2,297 FDIC-insured savings institutions (savings and loan associations and savings banks) recorded third-quarter earnings of \$1.2 billion. This marks the industry's eighth consecutive profitable quarter. Earnings for the first nine months of 1993 totaled \$5.3 billion, an increase of six percent over the \$5 billion that insured savings institutions earned in the same period of 1992. While the assets of FDIC-insured savings institutions have declined steadily in recent years, this downturn has leveled off, with total assets during the third quarter increasing for the first time since the first quarter of 1988. As a further sign of the industry's recovery, only two savings institutions failed in the third quarter, and the number and assets of institutions on regulators' "problem" lists at the end of September were almost half the level of a year earlier.

Total assets of all 13,378 FDIC-insured commercial banks and savings institutions grew by \$107 billion (2.4 percent) in the 12 month-period ended September 30. Total deposits declined by \$18 billion (0.5 percent) during the same interval, due primarily to the general shrinkage of the savings institution industry. The decline in deposits meant that the asset growth was funded by higher levels of equity capital and nondeposit borrowings.

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