FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE PR-38-92 (3-11-92)

FDIC REPORTS THAT COMMERCIAL BANKS EARNED $18.6 BILLION IN 1991

Preliminary data from the FDIC today show that insured commercial banks earned $18.6 billion in 1991, an increase of about 15 percent from the $16.1 billion they earned in 1990. Net income for the fourth quarter of 1991 totaled nearly $3.7 billion, or four times the $907 million of net income earned in the fourth quarter of 1990. The results also showed that troubled loans and leases at commercial banks declined by $2 billion in 1991, the first full-year reduction since 1988. Even so, the need to cover historically high levels of loan losses remained the primary factor limiting commercial bank earnings in 1991.

The fourth-quarter and full-year performance results for 11,920 commercial banks and 441 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 Income and Condition filed by FDIC-insured banks. The latest Profile analyzes trends in banking performance between the end of September and the end of December, and for the full year.

More than 89 percent of commercial banks reported full-year profits in 1991, up from about 86 percent in 1990 and the highest proportion since nearly 92 percent showed a profit in 1982. More than 63 percent of the commercial banks reported higher earnings in 1991 than in the previous year.

Higher net interest income (the difference between what banks earn on their interest-bearing assets and the cost of their deposits and other liabilities) accounted for most of the year-to-year improvement in profits. Increased income from noninterest sources (such as service fees, trust

-more-

department income and loan sales) and sharply higher gains from sales of investment securities also contributed to the earnings increase.

Loans and leases removed from balance sheets because of uncollectibility totaled a record $32.6 billion in 1991, almost 10 percent higher than the previous high of $29.7 billion in these "net charge-offs" in 1990. Commercial banks also set aside $33.9 billion in provisions for future loan losses in 1991, an increase of $2.9 billion from the previous year and the second highest total ever. Most of the increase in loan loss provisions came at banks in the western U.S., while loss provisions were lower at banks in the Northeast.

The banking industry's ratio of equity capital to assets increased to 6.77 percent during the fourth quarter. This is the highest year-end level for the equity-to-assets ratio since the 6.93 percent in 1971. This key net worth ratio measures the stake that bank stockholders have in their institutions.

As for the 441 savings banks insured by the Bank Insurance Fund, these institutions posted an aggregate net loss of $1.2 billion in 1991, an improvement from the $2.6 billion net loss in 1990. BIF-insured savings banks lost $423 million in the fourth quarter, which also represented an improvement from the $1.2 billion net loss reported in the fourth quarter of 1990. Most BIF-insured savings banks are located in the Northeast, and their performance reflects the depressed real estate markets in that region.

Copies of the fourth quarter Quarterly Banking Profile are available at the reception desk in the FDIC's Main Building at 550 17th Street, N.W., Washington, D.C., or by calling (202) 898-6996.

# # #