



NEWS RELEASE

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FDIC ISSUES PRELIMINARY 1991 FINANCIAL RESULTS FOR BANK INSURANCE FUND

The Federal Deposit Insurance Corporation announced today that preliminary financial results for year-end 1991 show that the Bank Insurance Fund (BIF) had a deficit of \$7.0 billion. The negative balance was due largely to the setting aside of an additional \$15.4 billion for estimated losses from troubled banks that had not failed during 1991 but were likely to close in the future. The total BIF reserve for future losses at year-end (including the \$15.4 billion) was \$16.3 billion.

The U.S. General Accounting Office (GAO) has completed its review of the agency's year-end financial statements and is expected to release its unqualified opinion later this month. Until this opinion has been released, these financial data are considered preliminary.

FDIC officials noted that even with a deficit in the BIF, insured depositors remain fully protected. Among the sources of funds for the FDIC is \$30 billion in borrowing authority from the U.S. Treasury to cover BIF operating deficits. This borrowing authority was provided by Congress in the FDIC Improvement Act of 1991. The FDIC does not anticipate having to begin using this borrowing authority until later in 1992.

The preliminary findings released today show the BIF had revenues of about \$5.8 billion in 1991, an increase from \$3.9 billion the previous year. However, insurance losses and operating expenses (including the \$15.4 billion for unresolved bank failures) totaled \$16.9 billion in 1991. This resulted in an \$11.1 billion net operating loss that reduced the BIF balance from

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\$4.0 billion at year-end 1990 to a deficit of \$7.0 billion at year-end 1991. The preliminary BIF balance would translate to a deficit of 36 cents for every \$100 of insured deposits, down from a year-end 1990 reserve ratio of 21 cents for every \$100 of insured deposits.

Although the FDIC handled fewer bank failures in 1991 than in the previous year, the average asset size of the banks that failed was more than five times the average size of those resolved in 1990. The FDIC handled 124 BIF-insured bank failures in 1991 with record high assets of \$63.1 billion (an average of \$508.9 million). In contrast, the 168 banks that failed in 1990 had total assets of \$15.7 billion (an average of \$93.5 million). The FDIC in 1991 also provided financial assistance to three small banks in danger of failing (total assets of \$83.8 million). The FDIC assisted one \$15.9 million-asset bank in 1990.

The FDIC is taking several steps to ensure that the BIF has adequate funds available to repay FDIC borrowings from the Treasury and to recapitalize the BIF within 15 years as required by the FDIC Improvement Act. These include a proposal announced May 12, 1992, that would raise the premiums banks pay for FDIC insurance from 23 cents per \$100 of domestic deposits to 28 cents per \$100 starting January 1, 1993. The agency also issued a separate proposal for a system that would, for the first time, charge higher premiums to institutions that pose greater risks to the funds.

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