

**Opening Statement
of
Donna Tanoue
Chairman
Federal Deposit Insurance Corporation
at a
Press Conference
announcing the results
of the
Quarterly Banking Profile
for the Second Quarter
1998
September 22, 1998**

This morning we release our Quarterly Banking Profile for the second quarter of this year. As the profile shows, commercial banks broke more records than professional baseball players have recently. There are early indications, however, that this streak may be coming to an end.

In particular, several of the largest banking companies have disclosed that losses from their trading and other international activities will affect their third quarter earnings. But that is a story for another day. We should be able to discuss it in December -- with the release of the next QBP.

Let's look at the second quarter -- which was a quarter of firsts.

For the first time, earnings for the banking industry surpassed 16 billion dollars. For the first time, noninterest income exceeded 30 billion dollars. For the first time, noninterest income accounted for more than 40 percent of net operating income.

And although it is isn't a record, I want to point out a shift: For the first time, commercial banks have securitized and sold more of their credit-card loans off-balance-sheet than they have retained on-balance-sheet.

In addition, it is worth mentioning that commercial banks in the second quarter reported the lowest ratio of noncurrent loans to loans in the 17 years that banks have reported noncurrent loan data.

And I also want to point out that the number of insured commercial banks fell below 9,000. In fact, at 8,984, the number of banks is the lowest we have had in this country since the FDIC began business back in 1934.

There are two additional points about credit quality that warrant your attention: First, credit loss provisions were \$235 million higher than they were in the second quarter of last year. That increase was entirely the result of a \$235 million rise in provisions related

to international operations. Second, net charge-offs increased 11.5 percent from the second quarter of 1997. Charge-offs on credit card loans accounted for more than 60 percent of all charge offs. Credit card charge-offs rose to a record high of 5.65 percent during the quarter.

Again, I want to underscore that the numbers in the Quarterly Banking Profile are historical. The report is like a rear-view mirror: It shows us where banking has been -- not where it is now, and not where it is going.

Since June 30, much has happened.

Let's take a moment to see where the industry as a whole has been in regard to international lending. Since 1994, the lending exposure of U.S. banks to foreign borrowers has averaged about 7 percent of all commercial bank loans, even though it has varied from about 6.9 percent to 7.1 percent during the period. And the contribution of international operations to bank earnings has averaged about 12 percent during the period, although with a great deal of volatility.

With me today are the team of FDIC analysts who put together the Quarterly Banking Profile: Don Inscoe, who heads the FDIC Statistics Branch, Ross Waldrop, Tim Critchfield, and Jim McFadyen.

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