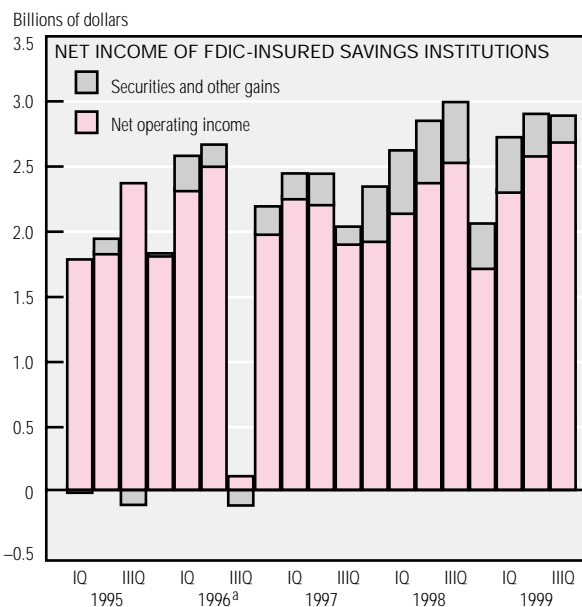
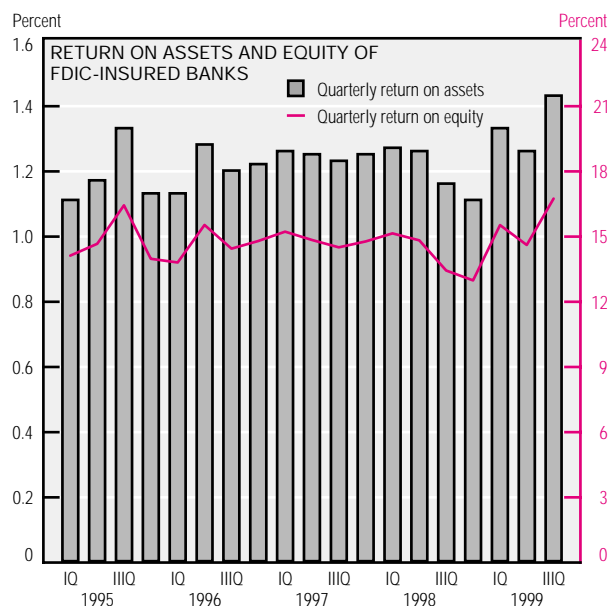
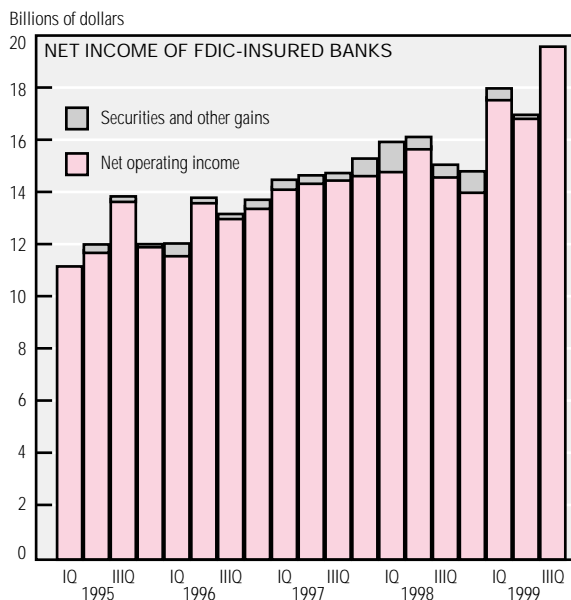


Earnings of Banks and Savings Institutions



a. The sharp decline in 1996 was driven in part by a special insurance assessment on the deposits of savings institutions.

SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*.

Third-quarter earnings for FDIC-insured commercial banks reached record levels. For 1999:IIIQ, commercial banks' net income rose to \$19.4 billion, surpassing the previous quarterly record of \$18.0 billion, set in 1999:IQ. Third-quarter profits were \$4.4 billion stronger than the previous quarter. The FDIC attributes the rise in profits to strong revenues in noninterest income and to containment of overhead expenses,

resulting in the best efficiency ratio on record for banks.

For the third quarter of 1999, both the average return on assets (ROA) and the rate of return on equity reached record levels (1.42% and 16.62%, respectively). The largest banks experienced the most dramatic improvements in profitability. However, nearly two-thirds of all banks reported ROAs exceeding 1% for the quarter.

FDIC-insured savings institutions reported slightly lower earnings in 1999:IIIQ; the decrease is attributed to reduced gains from securities sales. Savings institutions recorded a third-quarter ROA of 1%, down from the record 1.14% reported a year ago. Nonetheless, approximately 60% of savings institutions experienced increases in earnings over a year ago, and nearly one-third reported ROAs of more than 1%.