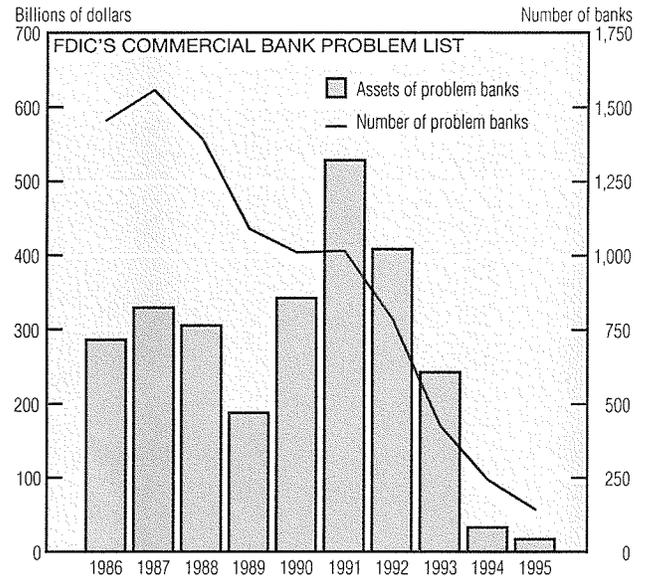
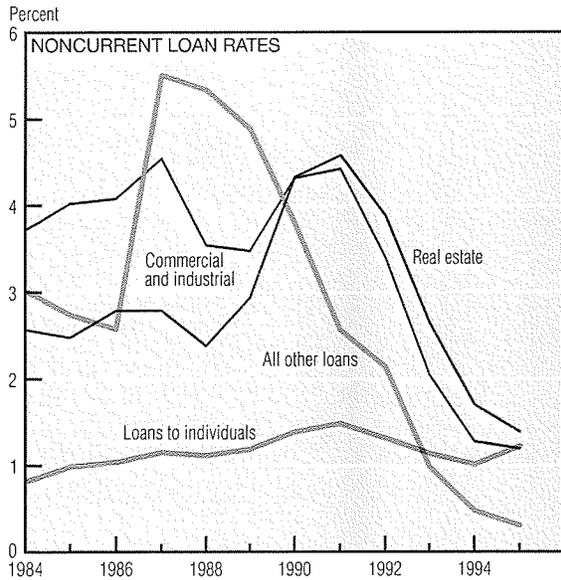
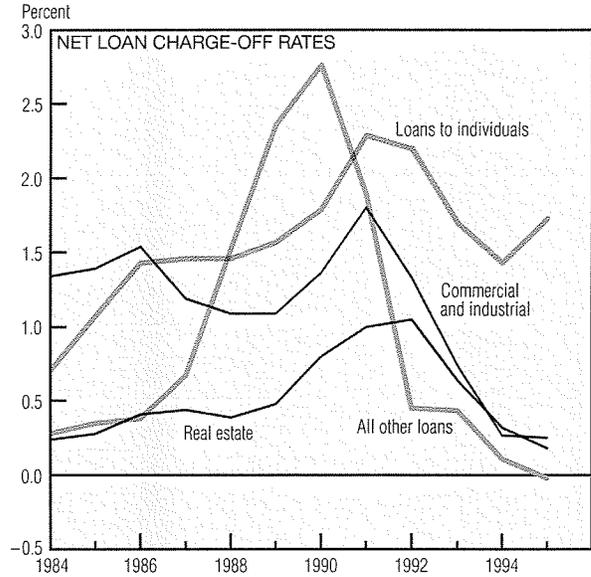
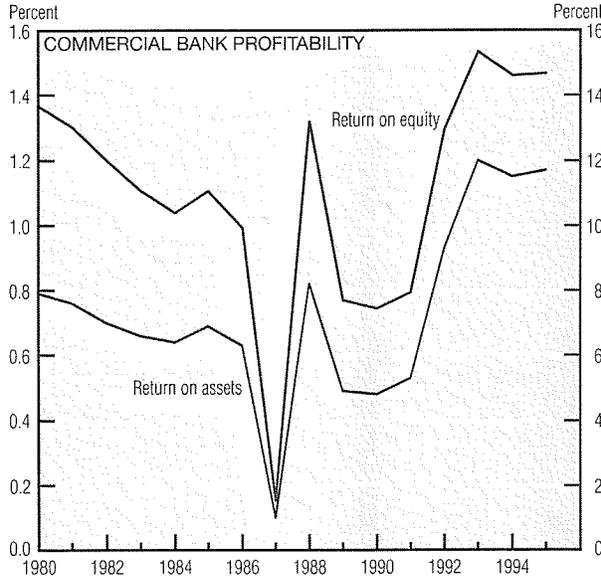


Banking Conditions



NOTE: All data are for FDIC-insured commercial banks.
 SOURCE: Federal Deposit Insurance Corporation.

The latest statistical information on insured commercial banks confirms the strength of the banking industry. In 1995, about 97 percent of commercial banks reported profits, and 68 percent of them posted higher profits than in 1994. Commercial bank profits reached \$48.8 billion in 1995, topping 1994's record level by \$4.2 billion. Banks' improved financial performance last year is explained by year-over-year increases

of \$7.7 billion in net interest income, \$6.2 billion in non-interest revenues, and \$1.1 billion in securities sales.

Masked behind these improvements, banks' net charge-offs were \$920 million larger in 1995 than in 1994, despite lower net charge-offs in real estate loans, commercial and industrial loans, and "other" loans. The increase in this category resulted solely from higher consumer loan losses, particularly those on

credit card loans, where net charge-offs rose \$1.8 billion (or 36.1 percent) over their 1994 value.

Nevertheless, 1995 continued the recent downward trend in the number of problem banks as well as their assets, taking both of these variables to their lowest levels since 1986. Following the same trend, only six FDIC-insured commercial banks failed in 1995, all of them during the first three quarters of the year.