PRESS RELEASE

Federal Deposit Insurance Corporation

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Bank and Thrift Earnings Set Fourth Consecutive Annual Record in 2004

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported net income of $123 billion in 2004, surpassing the previous record total of $120.5 billion in 2003 and representing the fourth consecutive year that industry earnings set a new record. Fourth-quarter earnings of $31.8 billion represented the industry's third-best quarter ever. Insured institutions experienced strong loan growth and lower loan losses during the fourth quarter although these improvements were offset by merger expenses at large banks and lower gains on sales of securities.

"Banks are meeting the challenges of today's competitive financial marketplace," said FDIC Chairman Don Powell. "The industry is in excellent financial condition and appears well positioned to continue its strong performance."

Preliminary results for the fourth quarter and full year are contained in the FDIC's *Quarterly Banking Profile*, which was released today. Among the major findings in the fourth-quarter report:

- **Strong loan demand continued to boost growth in net interest income.** Loans and leases increased by $138 billion in the fourth quarter and have grown by $685 billion (12.6 percent) over the past year. Growth in residential mortgage and home equity loans was especially strong, while commercial and industrial loan growth showed signs of continued recovery.

- **Asset quality indicators showed further improvement.** Net charge-offs declined from year-ago levels for the ninth quarter in a row, as the amount of loans that were noncurrent (90 days or more past due or in nonaccrual status) also declined for a ninth consecutive quarter. The percent of loans that were noncurrent at year-end represented the lowest level in the 21 years that banks and savings institutions have reported noncurrent loan amounts. The net charge-off rate for 2004 was the lowest since 1999.

- **The number of "problem" institutions fell to a historic low.** During the quarter, the number of institutions on the FDIC's "Problem List" fell from 95 to 74, the smallest number in the 35 years for which statistics are available. The previous low was 76 in the second quarter of 1999.

- **Margins and profitability continued to improve at smaller institutions.** Net interest margins improved for the third quarter in a row at banks and thrifts with less than $1 billion in assets. For the full year, both net interest margins and return on assets (ROA) improved over 2003 levels for these institutions.

The FDIC's Bank Insurance Fund (BIF) ended the year with a reserve ratio of 1.30 percent compared to 1.32 percent at the end of September. The reserve ratio of the Savings Association Insurance Fund (SAIF) increased from 1.33 percent to 1.34 percent during the fourth quarter.

The complete report is available on the FDIC Web site at http://www2.fdic.gov/qbp/index.asp.