PRESS RELEASE

Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

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FDIC-Insured Institutions Earned $35.3 Billion in The Third Quarter of 2011

Improving Asset Quality Remained the Key to Earnings Growth; "Problem List" Declined for Second Consecutive Quarter

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of $35.3 billion in the third quarter of 2011, an $11.5 billion improvement from the $23.8 billion in net income the industry reported in the third quarter of 2010. This is the ninth consecutive quarter that earnings registered a year-over-year increase.

"We continue to see income growth that reflects improving asset quality and lower loss provisions," said FDIC Acting Chairman Martin J. Gruenberg. "U.S. banks have come a long way from the depths of the financial crisis. Bank balance sheets are stronger in a number of ways, and the industry is generally profitable, but the recovery is by no means complete.

"Ongoing distress in real estate markets and slow growth in jobs and incomes continue to pose risks to credit quality," Acting Chairman Gruenberg added. "The U.S. economic outlook is also clouded by uncertainties in the global economy and by volatility in financial markets. So even as the banking industry recovers, the FDIC remains vigilant for new economic challenges that could lie ahead."

As was the case in each of the last eight quarters, lower provisions for loan losses were responsible for most of the year-over-year improvement in earnings. Third-quarter loss provisions totaled $18.6 billion, almost 50 percent less than the $35.1 billion that insured institutions set aside for losses in the third quarter of 2010.

A majority of all institutions (63 percent) reported improvements in quarterly net income from a year ago. Also, the share of institutions reporting net losses for the quarter fell to

14.3 percent, down from 19.5 percent a year earlier. The average return on assets (ROA), a basic yardstick of profitability, rose to 1.03 percent, from 0.72 percent a year ago.

Asset quality indicators continued to improve as noncurrent loans and leases (those 90 days or more past due or in nonaccrual status) fell for a sixth consecutive quarter. Insured banks and thrifts charged off $26.7 billion in uncollectible loans during the quarter, down $17.2 billion (39.2 percent) from a year earlier.

Financial results for the third quarter and the first nine months of 2011 are contained in the FDIC's latest Quarterly Banking Profile, which was released today. Also among the findings:

Loan portfolios grew slowly for a second consecutive quarter. Loan balances posted a quarterly increase for the second quarter in a row and for only the third time in the last 12 quarters. (The first increase, in the first quarter of 2010, reflected the rebooking of securitized loans onto banks' balance sheets as a result of new accounting rules, not an actual increase in lending.) Total loans and leases increased by $21.8 billion (0.3 percent), as loans to commercial and industrial borrowers increased by $44.8 billion and residential mortgage loan balances rose by $23.7 billion. Loans to other depository institutions declined by $37.1 billion (25.3 percent), reflecting the elimination of intra-company loans reported in the second quarter between two related institutions that merged in the third quarter.

Large institutions again experienced sizable deposit inflows. Deposits in domestic offices increased by $279.5 billion (3.4 percent) during the quarter. Almost two-thirds of this increase ($183.8 billion or 65.8 percent) consisted of balances in large noninterest-bearing transaction accounts that have temporary unlimited deposit insurance coverage. The 10 largest insured banks accounted for 75.7 percent ($139.1 billion) of the growth in these balances.

The number of institutions on the FDIC's "Problem List" fell for the second quarter in a row. The number of "problem" institutions declined from 865 to 844. This is the second time since the third quarter of 2006 that the number of "problem" banks has fallen. Total assets of "problem" institutions declined from $372 billion to $339 billion. Twenty-six insured institutions failed during the third quarter, four more than in the previous quarter, but 15 fewer than in the third quarter of 2010. Through the first nine months of 2011, there were 74 insured institution failures, compared to 127 failures in the same period of 2010.

The Deposit Insurance Fund (DIF) balance continued to increase. The DIF balance — the net worth of the fund — rose to $7.8 billion at September 30th from $3.9 billion at June 30th. Assessment revenue and fewer expected bank failures continued to drive growth in the fund balance. The contingent loss reserve, which covers the costs of expected failures, fell from $10.3 billion to $7.2 billion during the quarter. Estimated insured deposits grew 3.6 percent in the third quarter. Much of this increase is attributable to the growth in balances exceeding $250,000 in noninterest-bearing transaction accounts, for which the Dodd-Frank Act temporarily extended unlimited insurance coverage through the end of 2012.

The complete Quarterly Banking Profile is available at http://www2.fdic.gov/qbp on the FDIC Web site.