PRESS RELEASE

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

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Fdic-Insured Institutions Earned $28.8 Billion in The Second Quarter of 2011

Number of Banks on the "Problem List" Declined for the First Time Since 2006 Deposit Insurance Fund Balance Positive at Mid-Year

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of $28.8 billion in the second quarter of 2011, a $7.9 billion improvement from the $20.9 billion in net income the industry reported in the second quarter of 2010. This is the eighth consecutive quarter that earnings registered a year-over-year increase. As has been the case in each of the last seven quarters, lower provisions for loan losses were responsible for most of the year-over-year improvement in earnings.

"Banks have continued to make gradual but steady progress in recovering from the financial market turmoil and severe recession that unfolded from 2007 through 2009," said FDIC Acting Chairman Martin J. Gruenberg. He added that "this trend has expanded to include a growing proportion of insured institutions."

A majority of all institutions (60 percent) reported improvements in their quarterly net income from a year ago. Also, the share of institutions reporting net losses for the quarter fell to 15.2 percent, down from 20.8 percent a year earlier. The average return on assets (ROA), a basic yardstick of profitability, rose to 0.85 percent, from 0.63 percent a year ago.

Second-quarter loss provisions totaled $19 billion, less than half the $40.4 billion that insured institutions set aside for losses in the second quarter of 2010. However, net operating revenue (net interest income plus total noninterest income) was $3 billion (1.8 percent) lower than a year earlier, and realized gains on securities declined by $1.3 billion (61.1 percent).

Asset quality showed further improvement as noncurrent loans and leases (those 90 days or more past due or in nonaccrual status) fell for a fifth consecutive quarter. Insured banks and thrifts charged off $28.8 billion in uncollectible loans during the quarter, down $20.9 billion (42.1 percent) from a year earlier.

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

The number of institutions on the FDIC's "Problem List" fell for the first time in 19 quarters. The number of "problem" institutions declined from 888 to 865. This is the first time since the third quarter of 2006 that the number of "problem" banks fell. Total assets of "problem" institutions declined from $397 billion to $372 billion. Twenty-two insured institutions failed during the second quarter, four fewer than in the previous quarter, and the fewest since the first quarter of 2009. This is the fourth quarter in a row that the number of failures has declined. Through the first six months of 2011, there have been 48 insured institution failures, compared to 86 failures in the same period of 2010.

The Deposit Insurance Fund (DIF) balance was positive for the first time in two years. The DIF balance — the net worth of the fund — rose from a negative $1 billion to a positive $3.9 billion during the second quarter. The increase in the fund balance stemmed primarily from assessment revenues and fewer expected bank failures. The contingent loss reserve, which covers the costs of expected failures, fell from $13.8 billion to $10.3 billion during the quarter.

Loan portfolios grew for the first time in three years. Loan balances posted a quarterly increase for only the second time in the last 12 quarters. (The only other 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 $64.4 billion (0.9 percent), as loans to commercial and industrial borrowers increased by $34.3 billion, auto loans rose by $9.7 billion, and credit card balances grew by $5.2 billion. Loans to other depository institutions increased by $27 billion (22.6 percent), reflecting growth in intra-company loans between related institutions.

Large institutions experienced sizable deposit inflows. Deposits in domestic offices increased by $234.4 billion (2.9 percent) during the quarter. Deposits in accounts with balances greater than $250,000 rose by $279.6 billion (8.8 percent). More than half of this increase ($161.8 billion or 57.9 percent) consisted of balances in large noninterest-bearing transaction accounts that have temporary unlimited deposit insurance coverage. The 10 largest insured banks accounted for 82 percent ($229 billion) of the growth in large-denomination deposits.

"Recent events have reminded us that the U.S. economy and U.S. banks still face serious challenges ahead," Acting Chairman Gruenberg concluded. "The FDIC will remain alert to these challenges going forward."

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