



PRESS RELEASE

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

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Media Contact:
Andrew Gray (202) 898-7192
angray@fdic.gov

FDIC-Insured Institutions Earned \$29 Billion in The First Quarter of 2011

*Profits Up 66.5 Percent, Driven by Reduced Loss Provisions
Deposit Insurance Fund Balance Nears Positive Territory*

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of \$29 billion in the first quarter of 2011, an \$11.6 billion improvement (66.5 percent) from the \$17.4 billion in net income the industry reported in the first quarter of 2010. This is the seventh consecutive quarter that earnings registered a year-over-year increase. For the sixth consecutive quarter, reduced provisions for loan losses drove the improvement in earnings.

"The industry shows continuing signs of improvement," said FDIC Chairman Sheila C. Bair. She added, "though there is a limit to how far reductions in loan-loss provisions can boost industry earnings."

More than half of all institutions (56 percent) reported better quarterly net income from a year ago, and only 15 percent had a net loss for the quarter. The average return on assets (ROA), a basic yardstick of profitability, rose to 0.87 percent from 0.53 percent a year ago.

First-quarter loss provisions totaled \$20.7 billion, less than half the \$51.6 billion that insured institutions set aside a year ago. However, some of the benefits from lower provisions were offset by reduced revenues. Net operating revenue (net interest income plus total noninterest income) was \$5.5 billion (3.2 percent) lower than a year earlier, and realized gains on securities fell by \$1.7 billion.

Asset quality continued to improve as noncurrent loans and leases (those 90 days or more past due or in nonaccrual status) fell for a fourth consecutive quarter. Insured banks and thrifts charged off \$33.3 billion in uncollectible loans during the quarter, down \$19.9 billion (37.5 percent) from a year earlier.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-91-2011

"The process of repairing bank balance sheets is well along, but is not yet complete," Chairman Bair said. "In addition, housing markets remain weak, in part because of continued questions about mortgage servicing problems. The economic recovery, along with borrower demand, remain sluggish. Longer term, banks may be exposed to interest rate risk when we emerge from this prolonged stretch of unusually low rates."

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

Quarterly net income rose to a three-year high. Net income was the best for the industry since the \$36.8 billion earned in the second quarter of 2007. More than half of all institutions (56 percent) reported higher net income than a year earlier. Fifteen percent reported negative net income, down from 19 percent in the first quarter of 2010.

Loan balances continued to decline. Total loans and leases fell for the tenth time in the past eleven quarters (the one exception in first quarter of 2010 resulted from changes in reporting rules, not from actual loan growth). More than 70 percent of all insured institutions reported declines in loan balances in the first quarter. The net decline in balances in the first quarter totaled \$126.6 billion (1.7 percent). The largest reductions in loan portfolios occurred in one-to-four family residential mortgages (down \$63.8 billion, or 3.4 percent), credit card balances (down \$38.9 billion, or 5.5 percent), and real estate construction and development loans (down \$25.9 billion, or 8.1 percent). Balances in loans to commercial and industrial (C&I) borrowers increased for a third consecutive quarter, rising by \$18.1 billion (1.5 percent), but nearly half of this growth represented loans to foreign borrowers. Small loans to businesses and farms declined by 2.8 percent.

The number of institutions on the "Problem List" flattened. The net increase of four, to 888, is the smallest in three-and-a-half years. The number of "problem" institutions is the highest since March 31, 1993, when there were 928. Total assets of "problem" institutions increased from \$390 billion to \$397 billion. Twenty-six insured institutions failed during the first quarter, the smallest number in the last seven quarters.

The Deposit Insurance Fund (DIF) balance neared positive territory. The DIF balance — the net worth of the fund — rose from negative \$7.4 billion to negative \$1.0 billion during the first quarter. Assessment income and continued improvement in the outlook for anticipated bank failures were primarily responsible for the growth in the fund balance. The contingent loss reserve, which covers the cost of expected failures, fell from \$17.7 billion at year-end 2010 to \$13.8 billion at March 31, the lowest reserve since the third quarter of 2008. The DIF's liquid resources — cash and marketable securities — remained strong at \$45.5 billion at the end of the first quarter, about the same as the year-end 2010 level.

"Barring unforeseen circumstances, the reported DIF balance at June 30 should turn positive, after seven quarters in the red," said Chairman Bair.

Total estimated insured deposits increased by 1.4 percent in the first quarter. Over the past four quarters, insured deposits increased by 16.7 percent, reflecting the inclusion of temporarily insured deposits in large noninterest-bearing transaction accounts.

Chairman Bair concluded, "I am proud of all that the FDIC has accomplished during the past five years. We have maintained the FDIC's 78-year record of no losses to any insured depositor, and we did it without borrowing a penny from taxpayers."

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