PRESS RELEASE

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

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FDIC-Insured Institutions Earned $37.6 Billion in the Third Quarter of 2012

Number of "Problem" Institutions Fell Below 700 for the First Time in Three Years

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $37.6 billion in the third quarter of 2012, a $2.3 billion (6.6 percent) improvement from the $35.2 billion in profits the industry reported in the third quarter of 2011. This is the 13th consecutive quarter that earnings have registered a year-over-year increase. Increased noninterest income and lower provisions for loan losses accounted for most of the year-over-year improvement in earnings. Also noteworthy was a decline in the number of banks on the FDIC's "Problem List" from 732 to 694. This marked the sixth consecutive quarter that the number of "problem" banks has fallen, and the first time in three years that there have been fewer than 700 banks on the list. Total assets of "problem" institutions declined from $282 billion to $262 billion.

"This was another quarter of gradual but steady recovery for FDIC-insured institutions," said FDIC Chairman Martin J. Gruenberg. "Signs of further progress were evident in a number of indicators, such as loan growth, asset quality and profitability."

More than half of all institutions (57.5 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 10.5 percent from 14.6 percent a year earlier. The average return on assets (ROA), a basic yardstick of profitability, rose to 1.06 percent from 1.03 percent a year ago.

Third-quarter loan loss provisions totaled $14.8 billion, which was 20.6 percent less than the $18.6 billion that insured institutions set aside for losses in the third quarter of 2011. Net operating revenue (net interest income plus total noninterest income) totaled $169.6 billion, an increase of $4.9 billion (3.0 percent) from a year earlier, as gains from loan sales rose by $3.9 billion. Net interest income was $746 million (0.7 percent) higher than in the third quarter of 2011.

Asset quality indicators continued to improve as insured banks and thrifts charged off $22.3 billion in uncollectible loans during the quarter, down $4.4 billion (16.5 percent) from a year earlier. The amount of noncurrent loans and leases (those 90 days or more past due or in nonaccrual status) fell for the 10th consecutive quarter, and the percentage of loans and leases that were noncurrent declined to the lowest level in more than three years (since the first quarter of 2009).

Financial results for the third quarter of 2012 are contained in the FDIC's latest *Quarterly Banking Profile*, which was released today. Also among the findings:

Total loan balances increased. Loan balances posted their fifth quarterly increase in the last six quarters, rising by $64.8 billion (0.9 percent). Loans to commercial and industrial borrowers increased by $31.8 billion (2.2 percent), while residential mortgages rose by $14.5 billion (0.8 percent) and auto loans grew by $7.4 billion (2.4 percent). However, home equity lines of credit declined by $12.9 billion (2.2 percent), and real estate construction and development loans fell by $6.9 billion (3.2 percent).

"More than 55 percent of all banks reported loan growth," Chairman Gruenberg noted. "Small banks are also increasing their lending, including their loans to small businesses."

The flow of money into deposit accounts increased. Total deposits increased by $181.7 billion (1.8 percent) in the third quarter, after rising by only $61.5 billion in the second quarter and $74.7 billion in the first quarter. Deposits in domestic offices increased by $146.5 billion (1.6 percent), while deposits in foreign offices increased by $35.2 billion (2.5 percent). The amount of deposits exceeding $250,000 in noninterest-bearing transaction accounts, which have temporary unlimited coverage under the Dodd-Frank Act, increased by $110.9 billion (8.0 percent) in the third quarter after rising by $65.5 billion the previous quarter.

The number of bank failures fell for the eighth time in the last nine quarters. Twelve insured institutions failed during the third quarter. This is the smallest number of failures in a quarter since the fourth quarter of 2008, when there were also 12. An additional seven banks have failed so far in the fourth quarter, bringing the year-to-date total to 50. Through December 4, 2011, there had been 90 failures year-to-date.

The Deposit Insurance Fund (DIF) balance continued to increase. The unaudited DIF balance — the net worth of the fund — rose to $25.2 billion at September 30 from $22.7 billion at the end of June. 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 $4.0 billion to $3.6 billion during the quarter. Estimated insured deposits grew 2.3 percent in the third quarter.

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