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 First Quarter of 2012

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Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of $35.3 billion in the first quarter of 2012, a $6.6 billion improvement from the $28.8 billion in net income the industry reported in the first quarter of 2011. This is the 11th consecutive quarter that earnings have registered a year-over-year increase. However, loan balances declined by $56.3 billion (0.8 percent) after three consecutive quarterly increases.

FDIC Acting Chairman Martin J. Gruenberg said, "The condition of the industry continues to gradually improve. Insured institutions have made steady progress in shedding bad loans, bolstering net worth, and increasing profitability." He also noted, "The overall decline in loan balances is disappointing after we saw three quarters of growth last year. But we should be cautious in drawing conclusions from just one quarter."

More than two-thirds of all institutions (67.5 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 10.3 percent from 15.7 percent a year earlier. The average return on assets (ROA), a basic yardstick of profitability, rose to 1.02 percent from 0.86 percent a year ago.

Lower provisions for loan losses and higher noninterest income were responsible for most of the year-over-year improvement in earnings. First-quarter loss provisions totaled $14.3 billion, almost one-third less than the $20.9 billion that insured institutions set aside for losses in the first quarter of 2011. Net operating revenue (net interest income plus total noninterest income) totaled $169.6 billion, an increase of $5 billion (3.1 percent) from a year earlier, as gains from loan sales rose by $2.3 billion. Realized gains on investment securities and other assets were $2 billion higher than in the first quarter of 2011.

Asset quality indicators continued to improve as insured banks and thrifts charged off $21.8 billion in uncollectible loans during the quarter, down $11.7 billion (34.8 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 an eighth consecutive quarter, but the percentage of loans and leases that were noncurrent remained high by historical standards.

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

Total loan balances fell. Credit card loans had a seasonal decrease of $38.2 billion, closed-end 1-4 family residential real estate loans fell by $19.2 billion, and home equity lines of credit dropped by $13.1 billion. Balances in constructon and development loans declined by $11.7 billion. However, loans to commercial and industrial borrowers increased by $27.3 billion, and auto loans were up by $4.5 billion.

The flow of money into insured deposit accounts slowed. Deposits in domestic offices increased by $67.8 billion (0.8 percent) during the quarter, after rising by more than $200 billion in each of the previous three quarters. Balances in large noninterest-bearing transaction accounts, which have temporary unlimited deposit insurance coverage, fell by $77.3 billion. In contrast, in the previous three quarters the balances in these accounts increased by more than $532 billion. Most of the current quarter's decline occurred at a few of the largest banks that previously received a major share of the inflows. Balances in interest-bearing deposits at domestic offices rose by $100.1 billion.

The number of "problem" institutions fell for the fourth quarter in a row. The number of "problem" institutions declined from 813 to 772. This is the smallest number of "problem" banks since year-end 2009. Total assets of "problem" institutions declined from $319 billion to $292 billion. Sixteen insured institutions failed during the first quarter. This is the smallest number of failures in a quarter since the fourth quarter of 2008, when there were 12.

The Deposit Insurance Fund (DIF) balance continued to increase. The DIF balance — the net worth of the fund — rose to $15.3 billion at March 31 from $11.8 billion at the end of 2011. Assessment revenue and fewer bank failures continued to drive growth in the fund balance. The contingent loss reserve, which covers the costs of expected failures, fell from $6.5 billion to $5.3 billion during the quarter. Estimated insured deposits grew 0.7 percent in the first quarter.

"In summary, indicators of financial strength and asset quality continued to improve in the first quarter, but the process of recovery is clearly still ongoing," Acting Chairman Gruenberg said. He added, "The improved financial condition of the industry has not yet translated into sustained loan growth. We will continue to watch this indicator closely."

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