PRESS RELEASE

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

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FDIC-Insured Institutions Earned $40.3 Billion in The First Quarter of 2013

FOR IMMEDIATE RELEASE

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $40.3 billion in the first quarter of 2013, a $5.5 billion (15.8 percent) increase from the $34.8 billion in profits that the industry reported in the first quarter of 2012. This is the 15th consecutive quarter that earnings have registered a year-over-year increase. Increased noninterest income, lower noninterest expenses, and reduced provisions for loan losses accounted for the increase in earnings from a year ago. Half of the 7,019 insured institutions reporting financial results had year-over-year increases in their earnings. The proportion of banks that were unprofitable fell to 8.4 percent, from 10.6 percent a year earlier.

FDIC Chairman Martin J. Gruenberg said: "Today's report shows further progress in the recovery that has been underway in the banking industry for more than three years. We saw improvement in asset quality indicators over the quarter, a continued increase in the number of profitable institutions, and further declines in the number of problem banks and bank failures. However, tighter net interest margins and slow loan growth create an incentive for institutions to reach for yield, which is a matter of ongoing supervisory attention."

The average return on assets (ROA), a basic yardstick of profitability, rose to 1.12 percent from 1.00 percent a year ago. This is the highest quarterly ROA for the industry since the 1.22 percent posted in the second quarter of 2007.

First quarter net operating revenue (net interest income plus total noninterest income) totaled $170.6 billion, an increase of $2.7 billion (1.6 percent) from a year earlier, as

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.

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noninterest income increased by $5.1 billion (8.3 percent) and net interest income declined by $2.4 billion (2.2 percent). The average net interest margin fell to its lowest level since 2006. Total noninterest expenses were $5.3 billion (3.9 percent) below the level of the first quarter of 2012. Banks set aside $11 billion in provisions for loan losses, a reduction of $3.3 billion (23.2 percent) compared to a year earlier.

Asset quality indicators continued to improve as insured banks and thrifts charged off $16.0 billion in uncollectible loans during the quarter, down $5.8 billion (26.7 percent) from a year earlier. The amount of noncurrent loans and leases (those 90 days or more past due or in nonaccrual status) fell by $15.7 billion (5.7 percent) during the quarter, and the percentage of loans and leases that were noncurrent declined to the lowest level since 2008.

Financial results for the first quarter of 2013 are contained in the FDIC's latest Quarterly Banking Profile, which was released today. Also among the findings:

Total loan balances posted a seasonal decline. Loan balances fell by $36.8 billion (0.5 percent) in the first quarter, as credit card balances declined by $35.9 billion (5.2 percent). Balances also fell in home equity lines (down $16.0 billion, or 2.9 percent), other 1-4 family residential real estate loans (down $18.3 billion, or 1 percent), and agricultural production loans (down $7.2 billion, or 10.7 percent). The declines in credit card balances and agricultural loans reflect seasonal factors. Loans to commercial and industrial borrowers increased by $24.8 billion (1.6 percent), while loans to depository institutions rose by $17.5 billion (17.2 percent). For the 12 months through March 31, total loan and lease balances were up by $247.7 billion (3.3 percent).

The end of temporary unlimited deposit insurance for noninterest-bearing transaction accounts at year-end 2012 did not lead to large deposit outflows. Total deposits increased by $1.8 billion (0.02 percent), as deposits in domestic offices fell by $20.5 billion (0.2 percent) and foreign office deposits rose by $22.3 billion (1.6 percent). Noninterest-bearing transaction deposits with balances greater than $250,000 fell by $74.9 billion (4.3 percent) during the quarter. Balances in these accounts that were over the $250,000 basic FDIC coverage limit declined by $70.3 billion (4.6 percent).

The number of problem banks continued to decline. The number of banks on the FDIC's "Problem List" declined from 651 to 612 during the quarter. The number of "problem" banks reached a recent high of 888 institutions at the end of the first quarter of 2011. Four FDIC-insured institutions failed in the first quarter, the smallest number since the second quarter of 2008 when two institutions were closed. Thus far in 2013, there have been 13 failures, compared to 24 during the same period in 2012.

The Deposit Insurance Fund (DIF) balance continued to increase. The DIF balance — the net worth of the fund — rose to $35.7 billion as of March 31 from $33.0 billion at the end of 2012. Assessment income was the primary contributor to growth in the fund balance. While the end of unlimited coverage for noninterest-bearing transaction accounts resulted in an 18.7 percent decline in estimated insured deposits in the first quarter, the estimated balances covered by the $250,000 insurance limit rose 2.6 percent during the quarter.

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