PRESS RELEASE

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

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FDIC-Insured Institutions Earned $34.7 Billion in The Fourth Quarter of 2012
Full-Year Net Income Rises to $141.3 Billion, the Highest Since 2006

FOR IMMEDIATE RELEASE

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $34.7 billion in the fourth quarter of 2012, a $9.3 billion (36.9 percent) improvement from the $25.3 billion in profits the industry reported in the fourth quarter of 2011. This is the 14th quarter in a row that earnings have registered a year-over-year increase. Increased noninterest income and lower provisions for loan losses continued to account for most of the year-over-year improvement in earnings. For the full year, industry earnings totaled $141.3 billion — a 19.3 percent improvement over 2011 and the second-highest ever reported by the industry after the $145.2 billion earned in 2006.

"The improving trend that began more than three years ago gained further ground in the fourth quarter," said FDIC Chairman Martin J. Gruenberg. "Balances of troubled loans declined, earnings rose from a year ago, and more institutions of all sizes showed improved performance."

Sixty percent of all institutions reported improvements in their quarterly net income from a year ago. Also, the share of institutions reporting net losses for the quarter fell to 14.0 percent from 20.2 percent a year earlier. The average return on assets (ROA), a basic yardstick of profitability, rose to 0.97 percent from 0.73 percent a year ago.

Fourth quarter net operating revenue (net interest income plus total noninterest income) totaled $169 billion, an increase of $7.3 billion (4.5 percent) from a year earlier, as gains from loan sales rose by $2.4 billion and trading income increased by $1.9 billion. Net interest income was $2.7 billion (2.5 percent) lower than in the fourth quarter of 2011, as the average net interest margin fell to a five-year low.

Asset quality indicators continued to improve as insured banks and thrifts charged off $18.6 billion in uncollectible loans during the quarter, down $7.0 billion (27.4 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 11th consecutive quarter, and the percentage of loans and leases that were noncurrent declined to the lowest level in four years.

Financial results for the fourth quarter of 2012 and the full year 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 sixth quarterly increase in the last seven quarters, rising by $118.2 billion (1.6 percent). Loans to commercial and industrial borrowers increased by $53.4 billion (3.7 percent), while credit card balances posted a seasonal increase of $28.2 billion (4.2 percent) and loans secured by nonfarm nonresidential real estate properties grew by $14.6 billion (1.4 percent). However, home equity lines of credit declined by $12.6 billion (2.2 percent), and real estate construction and development loans fell by $6.6 billion (3.1 percent).

"Growth in lending continues to be led by commercial and industrial loans," Chairman Gruenberg noted. "Insured institutions of all sizes increased their loan balances during the quarter."

The flow of money into deposit accounts increased sharply. Total deposits increased by a record $313.1 billion (3 percent) in the fourth quarter, surpassing the previous quarterly high of $308 billion set in the fourth quarter of 2008. Deposits in domestic offices increased by $386.8 billion(4.3 percent), while deposits in foreign offices fell by $73.7 billion (5.1 percent). The amount of domestic deposits in accounts with balances of more than $250,000 rose by $348.5 billion (8.2 percent).

The number of institutions on the FDIC's "Problem List" declined for a seventh consecutive quarter. The number of "problem" banks fell from 694 to 651 during the quarter. During the recent financial crisis, "problem" banks reached a high of 888 at the end of the first quarter of 2011. Eight FDIC-insured institutions failed in the fourth quarter. This was the smallest quarterly total since the second quarter of 2008, when two insured institutions were closed. For all of 2012, there were 51 failures, compared to 92 in 2011 and 157 in 2010.

Full-year net income improved for a third consecutive year. The increase in annual earnings over 2011 was attributable to lower expenses for loan-loss provisions and higher noninterest income. Banks set aside $58.2 billion in loss provisions in 2012, a reduction of $19.3 billion (24.9 percent) from 2011. Noninterest income was $18.4 billion (8 percent) higher in 2012, as gains from loan sales rose by $11.2 billion (174.4

percent). The average ROA rose to 1.0 percent, from 0.88 percent in 2011. This is the first time since 2006 that the industry's annual ROA has reached the 1 percent level.

The Deposit Insurance Fund (DIF) balance continued to increase. The audited DIF balance — the net worth of the fund — rose to $33.0 billion at December 31 from $25.2 billion at the end of September. Assessment income and a decrease in estimated losses associated with past bank failures made the biggest contributions to growth in the fund balance. The fund also received an additional $1.8 billion that had been previously set aside for debt guarantees under the FDIC's Temporary Liquidity Guarantee Program (TLGP). The program began in October 2008 and ended when the last debt guarantee expired on December 31, 2012. At its peak, the program guaranteed $346 billion of outstanding debt. TLGP contributed a total of $9.3 billion to the DIF over the life of the program. Estimated insured deposits grew 2.2 percent in the fourth quarter.

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

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