

Banks Report Fatter Earnings

Geffner, Marcie. "Banks report fatter earnings." Banking Blog, 3 Oct 2013. 10 October 2013. <http://www.bankrate.com/financing/banking/banks-report-fatter-earnings>.

Commercial banks and financial institutions insured by the Federal Deposit Insurance Corp. reported their 16th consecutive year-over-year quarter of rising income in the second quarter of 2013, according to an FDIC report.

Collectively, FDIC-insured financial institutions reported a net income of \$42.2 billion in the second quarter, an increase of \$7.8 billion, or 22 percent, compared with \$34.4 billion reported in the second quarter of 2012.

The increase was attributed to higher noninterest income, lower noninterest expense and reduced set-asides for bad loans, compared with the same quarter in the previous year.

Slightly more than half of the 6,940 FDIC-insured institutions posted an increase in year-over-year earnings. Only 8.2 percent of the banks were unprofitable, compared with 11.3 percent a year earlier, the FDIC said.

In a statement, FDIC Chairman Martin J. Gruenberg said the recent trends continued in the second quarter.

"Asset quality continues to recover, loan balances are trending up, fewer institutions are unprofitable, the number of problem banks is down, and the number of failures is significantly below levels of a year ago," Gruenberg said.

One weak spot was bank revenue growth.

"Industry revenue growth remains weak, reflecting narrow margins and modest loan growth. The current interest rate environment creates an incentive for institutions to reach for yield, which is a matter of ongoing supervisory attention. Nonetheless, overall, these results show a continuation of the recovery in the banking industry," Gruenberg said.

Consumers shopping for homes, autos or other goods might be cheered by second quarter increases in bank lending. Residential real estate loans, credit cards and auto loans expanded, though home equity loans shrank slightly.

Meanwhile, the number of so-called problem banks tagged by the FDIC as troubled declined from 612 to 553 during the second quarter. The number of problem banks is down nearly 40 percent from the recent high of 888 institutions at the end of first quarter 2011, the FDIC said. Thus far in 2013, only 20 banks have failed, compared with 40 during the same period last year.