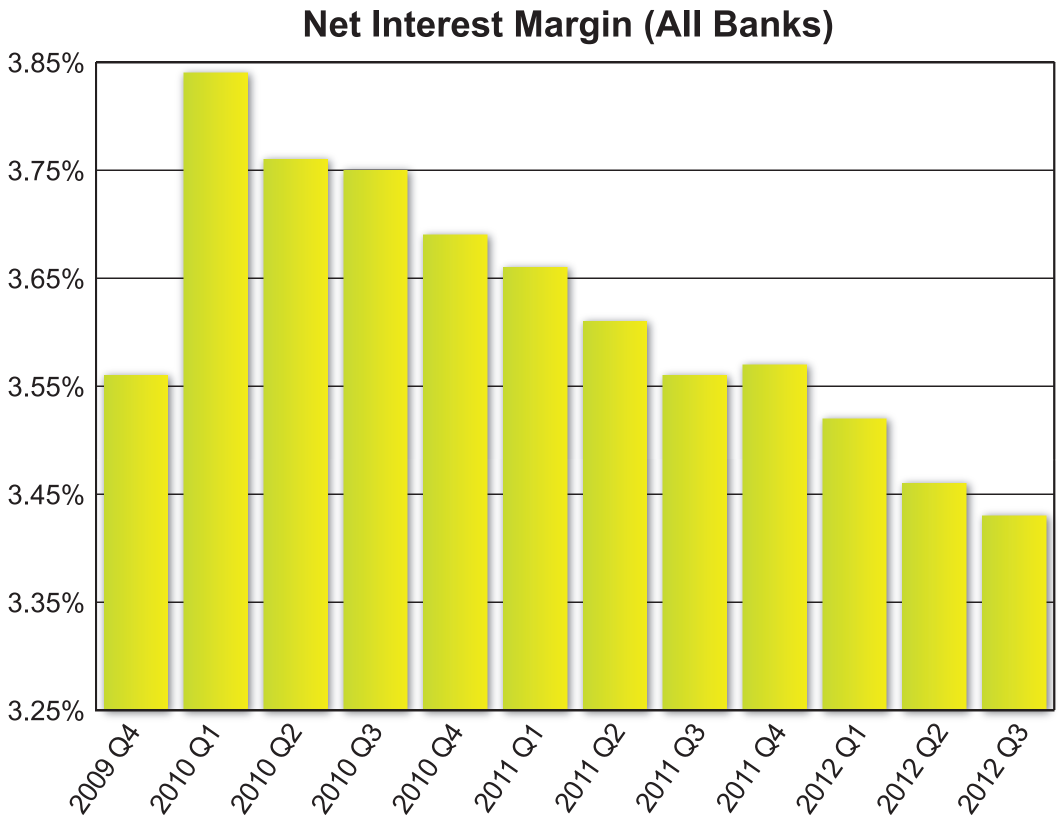
Bank Margins Getting Squeezed Despite More Lending



Source: BankRegData.com

View from the Observation Deck

1. For banking institutions, net interest margin (NIM) is essentially the spread between the interest earned from the bank's loan portfolio and the amount of interest the bank pays on its deposits.
2. Commercial & Industrial loans outstanding (made by all commercial banks) totaled $1.50 trillion in December 2012, up 12.78% from $1.33 trillion a year ago, according to the Federal Reserve.
3. While the increase in loan activity is encouraging, the $1.50 trillion is 6.25% below the peak of $1.60 trillion in October 2008.
4. Since 2008, total outstanding loans at U.S. banks and thrifts declined by 5.3% to $7.58 trillion, according to SNL Financial.
5. One of the main reasons why NIM is under pressure is because bank deposits are rising faster than loan volumes.
6. Deposits hit a record $10.6 trillion at the close of 2012, according to Market Rates Insight Inc.
7. Banks usually prefer to keep their loan-to-deposit ratio near 100%. Since 2007, the ratio has dropped from 95% to 72%, according to SNL Financial.