Opening Statement of FDIC Chairman Martin Gruenberg:

First Quarter 2015 Quarterly Banking Profile

May 27, 2015

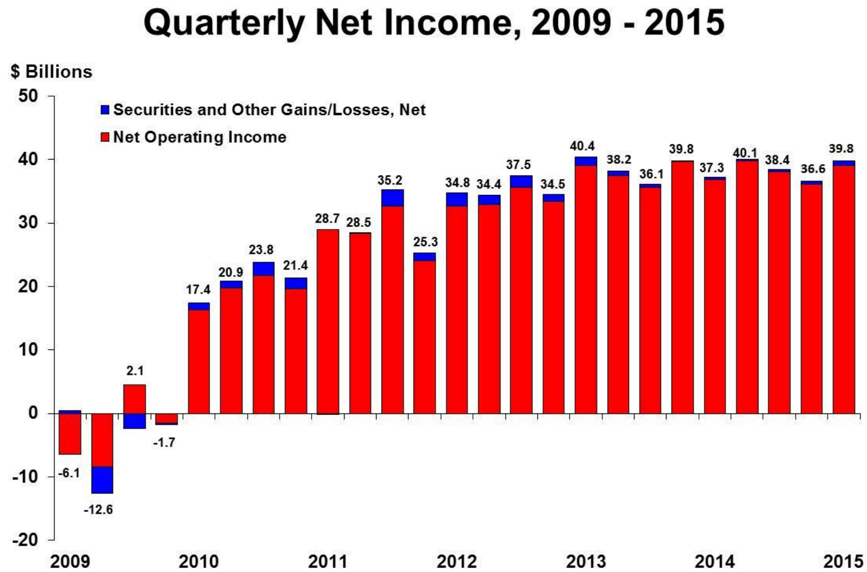
Good morning, and welcome to our release of first quarter 2015 results for FDIC-insured institutions.

The banking industry continued to show gradual but steady improvement during the quarter. Revenue, earnings, and loan balances were up, there was further improvement in asset quality, and the number of banks on the problem list declined to the lowest level in more than six years.

However, the interest-rate environment remains a challenge for banks. Net interest margins continued to decline during the quarter, even as banks reached-for-yield to offset the impact of low rates.

Community banks reported improved performance during the quarter that outpaced the overall industry. Their earnings were up significantly from a year ago, and their loan growth was appreciably higher than the rest of the industry.

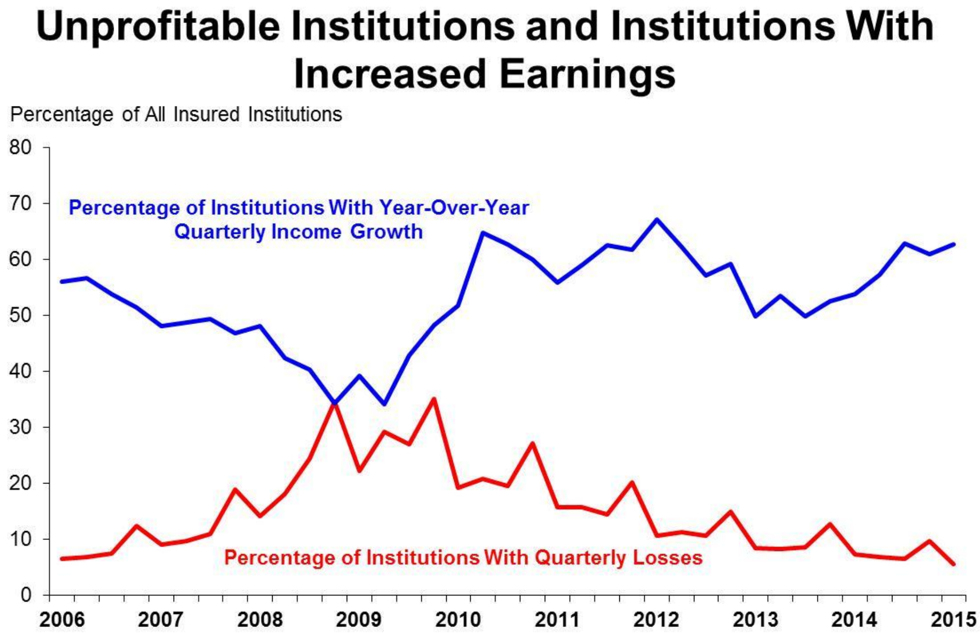
Chart 1



The first chart shows that net income was 39.8 billion dollars during the first quarter. Net income was up almost 7 percent from a year ago, primarily due to an improvement in net operating revenues. A majority of banks reported higher operating revenues and earnings during the quarter compared to a year ago.

Community banks—as defined in the FDIC Community Banking Study—reported net income of 4.9 billion dollars in the first quarter, up 16 percent from a year ago. Community banks benefited from strong growth in both net interest income and noninterest income.

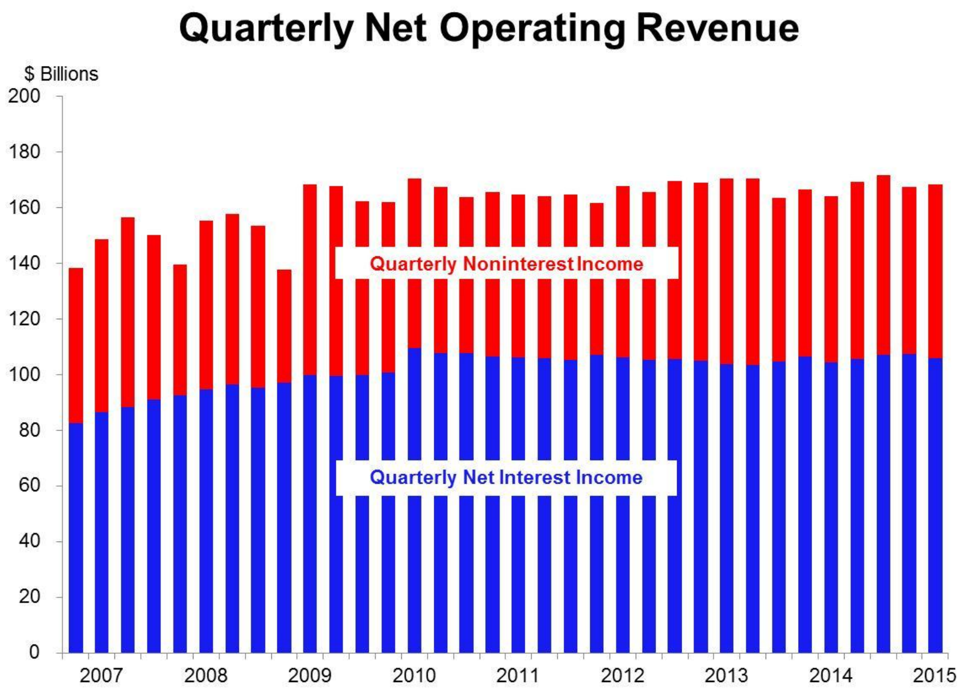
Chart 2



The next chart shows that nearly two-thirds of banks reported higher earnings than a year ago, and the percentage of banks reporting higher earnings continued to grow.

The chart also shows that the share of unprofitable banks continued to trend down on a year-over-year basis, and the percentage of unprofitable banks during the first quarter was the lowest in 10 years.

Chart 3



Net operating revenue was up 2.6 percent from a year ago. Net interest income rose modestly due to stronger loan growth. And noninterest income was up due to higher trading revenue and increased income from mortgage-related activities.

Chart 4

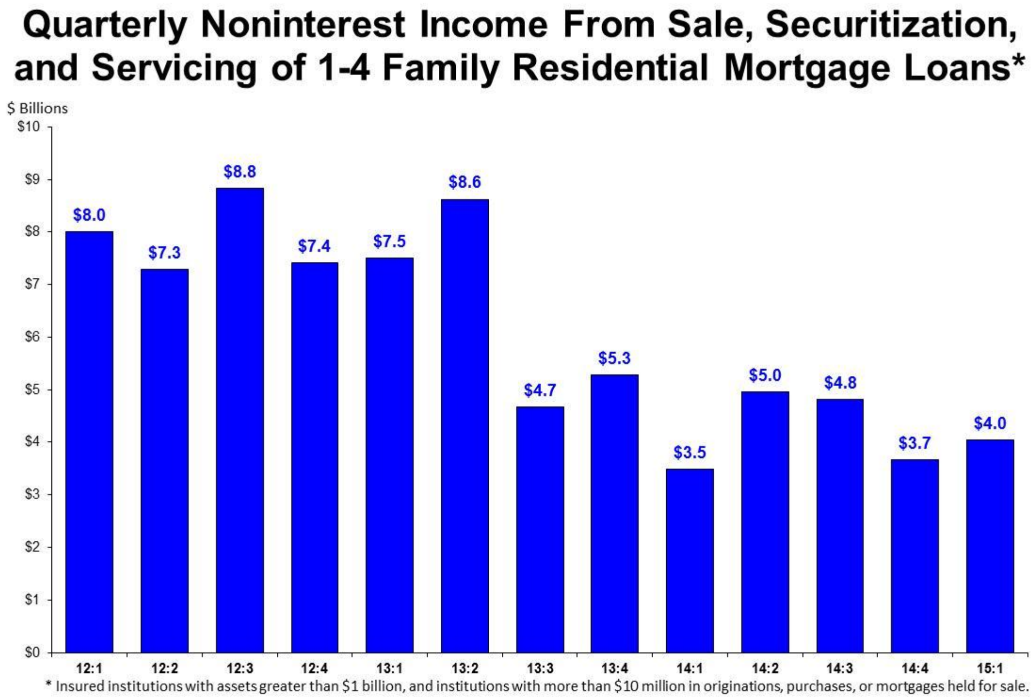


Chart 4 shows that noninterest income from the sale, securitization, and servicing of residential mortgage loans was over 500 million dollars higher than a year ago. However, the chart shows that mortgage-related noninterest income remains well below levels seen prior to mid-2013.

Chart 5

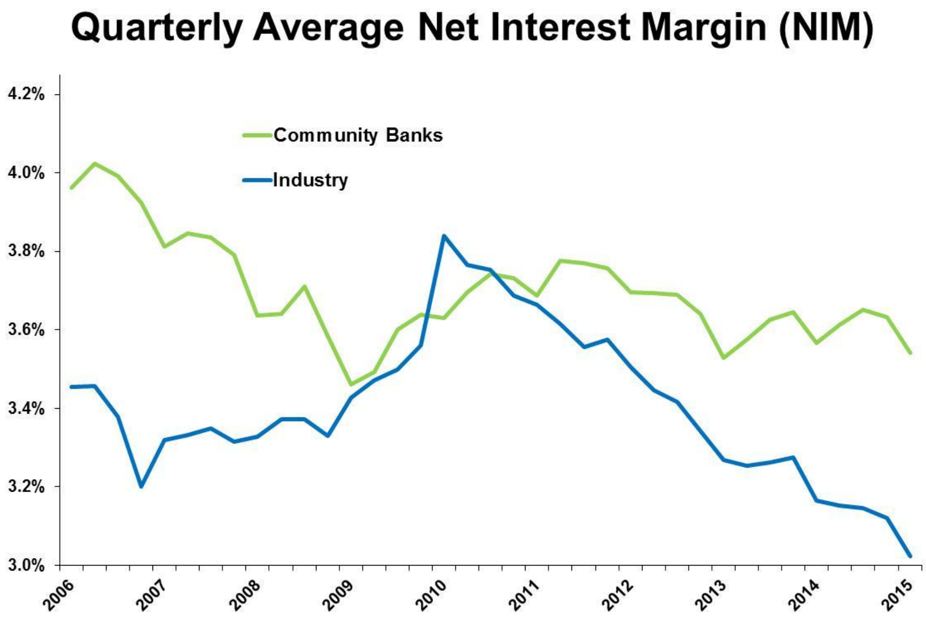


Chart 5 shows that net interest margins for the industry continued to decline in the first quarter, as low interest rates and a flat yield curve continue to challenge the industry.

This has been driven primarily by declining margins at the largest banks. Community banks have been able to avoid much of the erosion in net interest margins experienced by larger banks.

Community banks have had stronger growth in longer-term, higher-yielding loans, while larger institutions have increased their share of shorter-term, lower-yielding investments.

Chart 6

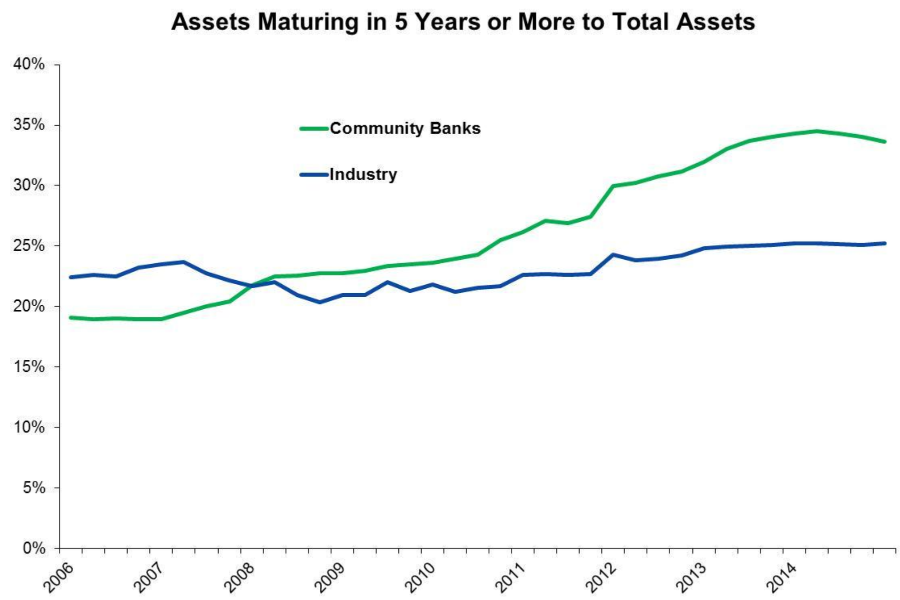


Chart 6 shows that the share of longer-term assets on balance sheet has been increasing since 2009, as banks reach-for-yield in this challenging interest-rate environment. Community banks, in particular, have been increasing their holdings of longer-term assets.

At the same time, growth in longer-term funding has not kept pace. This has left banks more vulnerable to interest rate risk, which is a matter of ongoing supervisory attention.

Chart 7

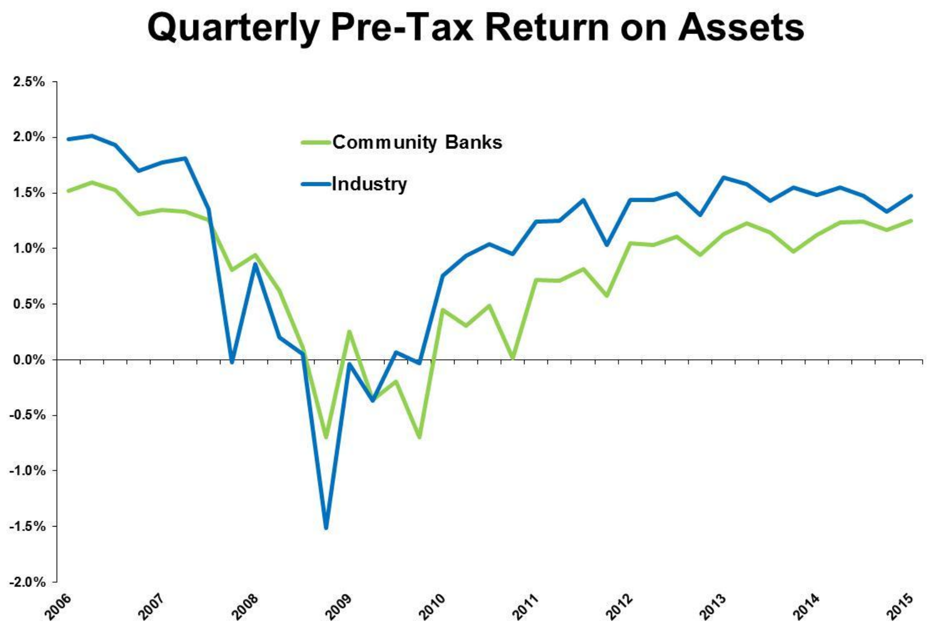
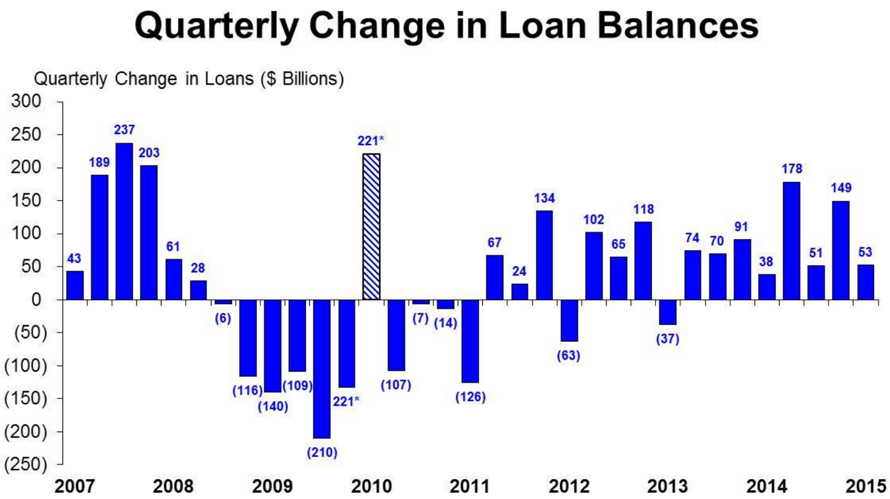


Chart 7 shows that profitability has been improving steadily at community banks and is trending closer to that of the overall industry.

Community banks have benefited from stronger revenue growth over the past year, as they have grown their loan balances at a faster pace than the industry and they have limited the decline in net interest margins.

Chart 8



* FASB Statements 166 and 167 resulted in the consolidation of large amounts of securitized loan balances back onto banks' balance sheets in the first quarter of 2010. Although the total amount consolidated cannot be precisely quantified, the industry would have reported a decline in loan balances for the quarter absent this change in accounting standards.

Total loan balances rose by 53 billion dollars during the first quarter. While this appears modest relative to recent quarters, loan growth tends to be weaker in first quarters due to seasonal factors. For example, consumers pay down credit card balances and farmers repay agricultural production loans at the beginning of the year.

From a year ago, loan balances grew by 5.4 percent, which is the highest 12-month growth rate since mid-2008.

Loan growth was even stronger among community banks, both during the quarter and from a year ago. Loan balances grew by 9.1 percent at community banks from a year ago, outpacing the industry's 12-month growth rate.

Balances were up at community banks in all major loan categories, led by growth of 7.4 percent in 1-4 family residential mortgages, 9.5 percent in commercial real estate loans, and 10.0 percent in commercial and industrial loans.

Chart 9

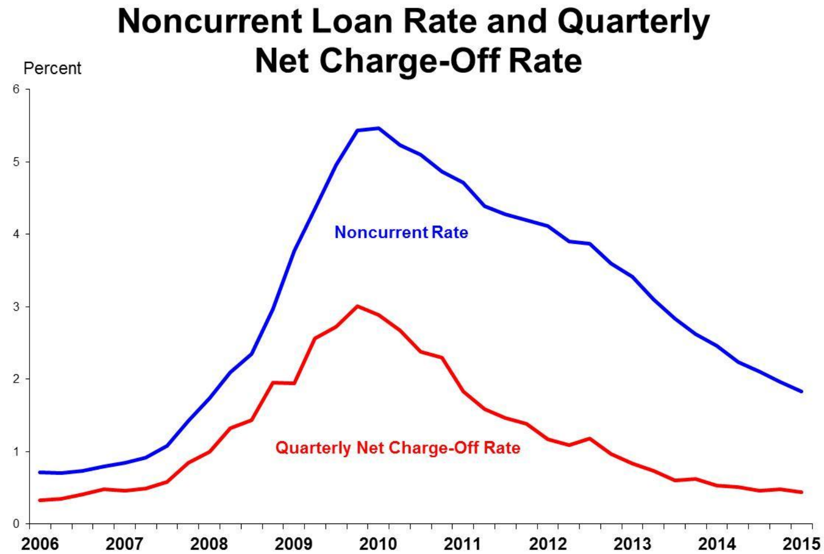
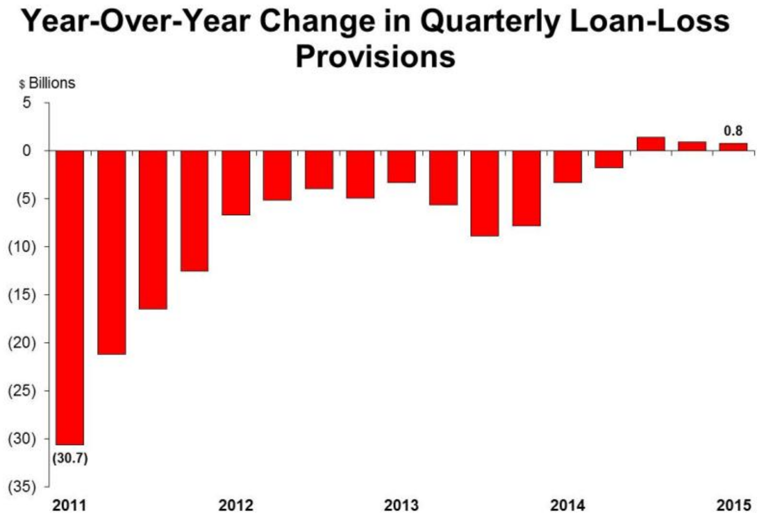


Chart 9 shows that asset-quality continued to improve. The percentage of noncurrent loans is at a seven-year low, and the charge-off rate is the lowest since the third quarter of 2006.

Chart 10



For the third quarter in a row, quarterly loan-loss provisions were higher than they were a year ago. This reflects the increase in lending experienced by the industry, as well as the improvement in asset quality.

Chart 11

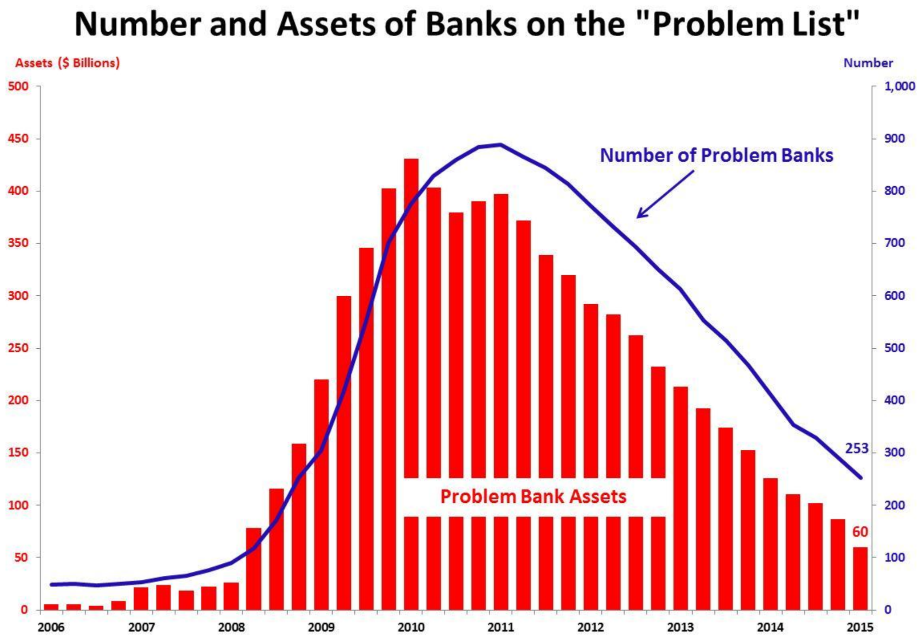
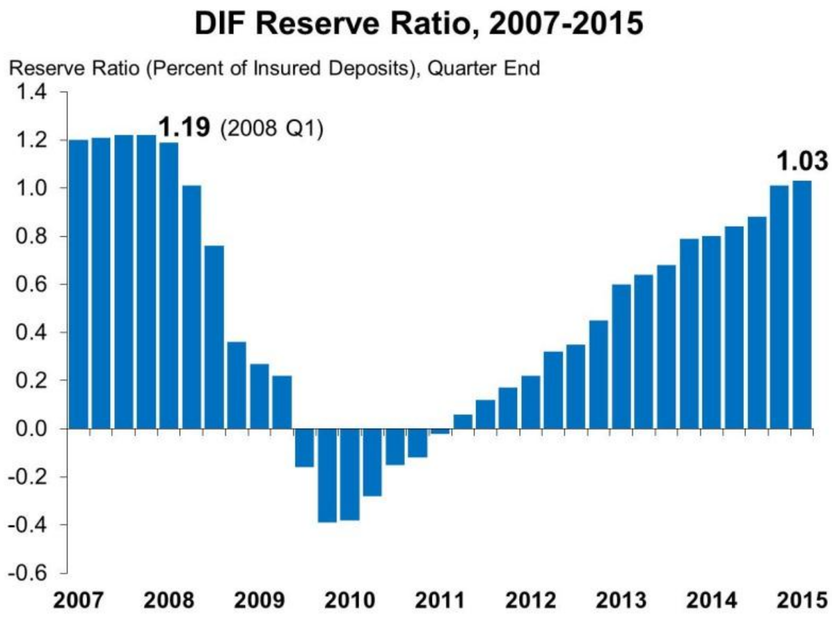


Chart 11 shows the number of banks on the problem list fell again this quarter and is now at its lowest level in six years.

There were 253 problem banks at the end of March, which is down more than 70 percent from the 888 problem banks at the peak in March 2011.

Total assets of banks on the problem list fell to 60 billion dollars, which is the lowest level in seven years.

Chart 12



The Deposit Insurance Fund balance grew by 2.5 billion dollars in the first quarter to 65.3 billion dollars as of March 31. Most of the increase came from assessment income.

Estimated insured deposits were 6.3 trillion dollars, up 2.3 percent from December 31.

The reserve ratio, which is the Fund balance as a percentage of estimated insured deposits, increased to 1.03 percent on March 31 from 1.01 percent on December 31. This is the highest level of the reserve ratio since March 2008.

As required by law, the Deposit Insurance Fund must achieve a minimum reserve ratio of 1.35 percent by September 30, 2020. We are well on track to achieving that goal.

In summary, the industry saw a continuation of positive trends during the first quarter. Performance indicators were favorable, notwithstanding the continued downward pressure on net interest margins.

Revenue and income were up from a year ago at a majority of banks, asset quality continued to improve, loan balances increased, and there were fewer banks on the problem list.

Community banks performed well during the quarter. Their earnings were up 16 percent from the previous year, and loan growth and margins at community banks were higher than the rest of the industry.

Still, the current interest-rate environment remains challenging for banks.

Revenue growth remains subdued and net interest margins have continued to decline. Many institutions have responded by reaching for yield, which, as we noted earlier, is a matter of ongoing supervisory attention.

Nevertheless, on balance, results from the first quarter reflect an improving banking industry with stronger community banks.

Thank you.