PRESS RELEASE

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

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May 28, 2014

FDIC-Insured Institutions Earned $37.2 Billion in the First Quarter of 2014
Reporting Expanded to Include New Coverage of Community Banks

FOR IMMEDIATE RELEASE

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $37.2 billion in the first quarter of 2014, down $3.1 billion (7.6 percent) from earnings of $40.3 billion the industry reported a year earlier. The decline in earnings was mainly attributable to a $7.1 billion (10.7 percent) decline in noninterest income. Lower income from reduced mortgage activity and a drop in trading revenue contributed to a year-over-year decline in noninterest income. Additionally, noninterest income was higher one year ago due to a one-time gain at one institution. Despite the decline in earnings, more than half of the 6,730 insured institutions reporting (54 percent) had year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable during the first quarter fell to 7.3 percent from 8.5 percent a year earlier.

"We saw further improvement in the condition of the banking industry in the first quarter," said FDIC Chairman Martin J. Gruenberg. "Asset quality continues to improve, loan balances are trending up, fewer institutions are unprofitable, and the number of problem banks continues to decline. However, industry revenue has been affected by narrow margins, modest loan growth, and a decline in noninterest income as higher interest rates have reduced mortgage-related activity and trading income fell."

Asset quality indicators continued to show improvement as insured banks and thrifts charged off $10.4 billion in uncollectible loans during the quarter, down $5.5 billion (34.8 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 $12.1 billion (5.8 percent) during the

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.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-38-2014

quarter. The percentage of loans and leases that were noncurrent declined to 2.46 percent, the lowest level since the 2.35 percent posted at the end of third quarter 2008.

Total loan and lease balances rose by $37.8 billion (0.5 percent) in the first quarter to $7.9 trillion. Credit card balances posted a seasonal decline and banks continued to reduce their inventories of mortgage loans held for sale, but most other loan categories registered modest growth. Over the last 12 months, loan and lease balances increased by 3.6 percent, the highest 12-month growth rate since before the recent financial crisis.

Despite the overall growth in loan and lease balances, income from mortgage-related activity remained well below the level of a year earlier. Noninterest income from the sale, securitization and servicing of mortgages was $4.0 billion (53.6 percent) lower than a year ago. One- to four-family residential real estate loans originated and intended for sale were $323.6 billion (70.6 percent) lower than in the first quarter of 2013, as rising interest rates in the second quarter of 2013 reduced the demand for mortgage refinancings. Realized gains on available-for-sale securities also were lower than a year ago, as higher medium- and long-term interest rates reduced the market values of fixed-rate securities. Banks reported $827 million in pretax income from realized gains in the first quarter, a decline of $1.2 billion (60.1 percent) from the first quarter of 2013.

First quarter net operating revenue (the sum of net interest income and total noninterest income) of $163.7 billion was $6.7 billion (4.0 percent) lower than a year earlier, as a $361 million (0.3 percent) increase in net interest income was outweighed by the drop in noninterest income. The average net interest margin (the difference between the average yield banks earn on loans and other investments and the average cost of funding those investments) was 3.17 percent, the lowest since the third quarter of 1989 as declining asset yields at larger institutions outpaced the decline in the cost of funds.

Total noninterest expense was $18 million (0.02 percent) lower than in the first quarter of 2013, as payroll expenses fell by $579 million (1.2 percent). Banks set aside $7.6 billion in provisions for loan losses, a reduction of $3.3 billion (30.3 percent) compared to a year earlier. This is the 18th consecutive quarter that the industry has reported a year-over-year decline in quarterly loss provisions.

The average return on assets (ROA) fell to 1.01 percent in the first quarter from 1.12 percent a year earlier and the average return on equity (ROE) fell to 8.99 percent from 9.96 percent.

Financial results for the first quarter of 2014 are contained in the FDIC's latest Quarterly Banking Profile, which was released today. Also among the findings:

Community banks earned $4.4 billion during the quarter. The FDIC has added a new section to the Quarterly Banking Profile that reports on the performance of community banks – those institutions that provide traditional, relationship-based banking services in their local communities. Based on criteria developed for the FDIC Community Banking Study published in December 2012, there were 6,234 community banks (93 percent of

all FDIC-insured institutions) in the first quarter of 2014 with assets of $2.0 trillion (14 percent of industry assets). Although net income at community banks of $4.4 billion was down $67 million (1.5 percent) from a year earlier, the percentage decline was far less than the 7.6 percent decline in earnings reported by the industry. The report also finds that loan balances at community banks grew at a faster pace than the industry, asset quality indicators continued to show improvement, and community banks accounted for 45 percent of small loans to businesses.

The number of "problem banks" fell for the 12th consecutive quarter. The number of banks on the FDIC's "Problem List" declined from 467 to 411 during the quarter. The number of "problem" banks now is less than half the post-crisis high of 888 at the end of the first quarter of 2011. Five FDIC-insured institutions failed in the first quarter.

The Deposit Insurance Fund (DIF) balance continued to increase. The DIF balance (the net worth of the Fund) rose to $48.9 billion as of March 31 from $47.2 billion at year-end 2013. Assessment income was the primary contributor to the growth in the Fund balance. Estimated insured deposits increased 1.9 percent, and the DIF reserve ratio (the Fund balance as a percentage of estimated insured deposits) rose to 0.80 percent as of March 31 from 0.79 percent at the end of 2013. A year ago, the DIF reserve ratio was 0.60 percent. By law, the DIF must achieve a minimum reserve ratio of 1.35 percent by 2020.

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

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