PRESS RELEASE
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FDIC-Insured Institutions Earn $40.4 Billion in Third Quarter 2015

FOR IMMEDIATE RELEASE

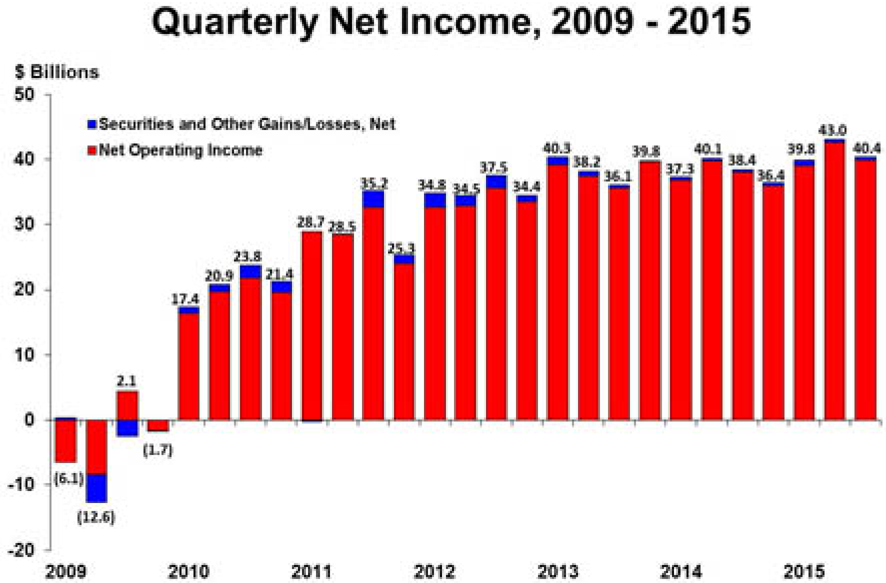
Community Bank Earnings Rise 7.5 Percent to $5.2 Billion

- **Net Operating Revenue of $172 Billion Is Nearly Unchanged From a Year Ago**
- **Noninterest Expenses Are 2.9 Percent Lower**
- **Banks Continue to Reach for Yield as Net Interest Margins Remain Low**

"While the banking industry had another positive quarter, there are signs of growing interest-rate risk and credit risk that warrant attention."
-- *FDIC Chairman Martin J. Gruenberg*

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $40.4 billion in the third quarter of 2015, up $1.9 billion (5.1 percent) from a year earlier. The increase in earnings was mainly attributable to a $3.2 billion decline in noninterest expenses, as itemized litigation expenses at large banks were $2.7 billion lower than a year ago. Financial results for the third quarter of 2015 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 6,270 insured institutions reporting third quarter financial results, more than half (58.9 percent) reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable during the third quarter fell to 5 percent, down from 6.6 percent a year earlier and the lowest since the first quarter of 2005.



"Most performance indicators continued to show improvement," Gruenberg said. "Earnings were up from a year ago, loan portfolios grew, asset quality improved, the number of problem banks declined, and only one insured institution failed.

"While the banking industry had another positive quarter, there are signs of growing interest-rate risk and credit risk that warrant attention," he continued. "History tells us that it is during this phase of the credit cycle when lending decisions are made that could lead to future losses. Timely attention by banks to address these growing risks will benefit banks and contribute to the sustainability of the current economic expansion."

Highlights from the Third Quarter 2015 *Quarterly Banking Profile*

Community Bank Earnings Rise 7.5 Percent: The 5,812 insured institutions identified as community banks reported $5.2 billion in net income in the third quarter, an increase of 7.5 percent from the third quarter of 2014. Net operating revenue of $22.4 billion at community banks was $1.6 billion (7.5 percent) higher than a year earlier.

Net Operating Revenue of $172 Billion Is Nearly Unchanged From a Year Ago: Loan growth helped lift revenue at most banks, as net interest income rose $1.8 billion (1.7 percent) compared to the third quarter of 2014. Noninterest income was $1.3 billion (2 percent) lower, as servicing income fell $1.8 billion (63.8 percent) and trading income declined by $284 million (5.1 percent). Total net operating revenue was only 0.3 percent higher than a year ago. While the median revenue growth rate was 3.6 percent, lower net operating revenue at three of the four largest banks contributed to the low overall growth rate for the industry.

Noninterest Expenses Are 2.9 Percent Lower: Total noninterest expenses of $105.6 billion in the third quarter were $3.2 billion (2.9 percent) less than in the third quarter of 2014. Itemized litigation expenses at a few large banks were $2.7 billion (67.3 percent) below the level of a year ago. Also, expenses for goodwill impairment were $578 million (45.4 percent) lower, and expenses for employee salaries and benefits declined $199 million (0.4 percent).

Banks Continue to Reach for Yield as Net Interest Margins Remain Low: The average net interest margin (the difference between the average yield on banks' interest-earning investments and the average interest expense of funding those investments) rose slightly to 3.08 percent in the third quarter from 3.07 percent in the second quarter, but remained below the 3.15 percent average reported in the third quarter of 2014.

To mitigate the impact of low rates on net interest margins, banks continue to lengthen asset maturities, contributing to a growing mismatch between longer maturity assets and shorter maturity sources of funding. This growing mismatch is important because when interest rates rise, the cost of funding liabilities tends to re-price more rapidly than the yield on assets, causing further compression to the net interest margin. The percentage of loans and securities with maturities of three or more years rose from 34.2 percent to 34.6 percent during the third quarter. This is the highest percentage in the 18 years for which these data have been available.

Loan Growth Rate Picks Up: Total loan and lease balances increased $95.3 billion (1.1 percent) during the third quarter. For the 12 months ended September 30, loans and leases increased $482.2 billion (5.9 percent). This is the largest 12-month growth rate since mid-2007 to mid-2008. At community banks, loan balances rose 1.9 percent during the third quarter of 2015 and increased 8.5 percent during the past 12 months.

"Problem List" Continues to Shrink: The number of banks on the FDIC's Problem List fell from 228 to 203 during the third quarter. This is the smallest number of problem banks in nearly seven years and is down dramatically from the peak of 888 in the first quarter of 2011. Total assets of problem banks fell from $56.5 billion to $51.1 billion during the third quarter.

Deposit Insurance Fund (DIF) Rises $2.5 Billion to $70.1 Billion: The DIF increased from $67.6 billion in the second quarter to $70.1 billion in the third quarter, largely driven by $2.2 billion in assessment income. The DIF reserve ratio rose from 1.06 percent to 1.09 percent during the quarter.

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Quarterly Banking Profile **Home Page (includes previous reports and press conference webcast videos)**
Insured Institution Performance, Third Quarter 2015
Community Bank Performance, Third Quarter 2015
Deposit Insurance Fund Trends, Third Quarter 2015
Chairman Gruenberg's Press Statement