



PRESS RELEASE

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

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FDIC-Insured Institutions Earn \$39.8 Billion in First Quarter 2015

FOR IMMEDIATE RELEASE

Community Bank Earnings Rise 16 Percent to \$4.9 Billion

- **Net Operating Revenue of \$168.4 Billion Is 2.6 Percent Higher Than a Year Ago**
- **Asset Quality Indicators Show Further Improvement**
- **Net Interest Margins Remain Under Pressure**

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

-- FDIC Chairman Martin J. Gruenberg

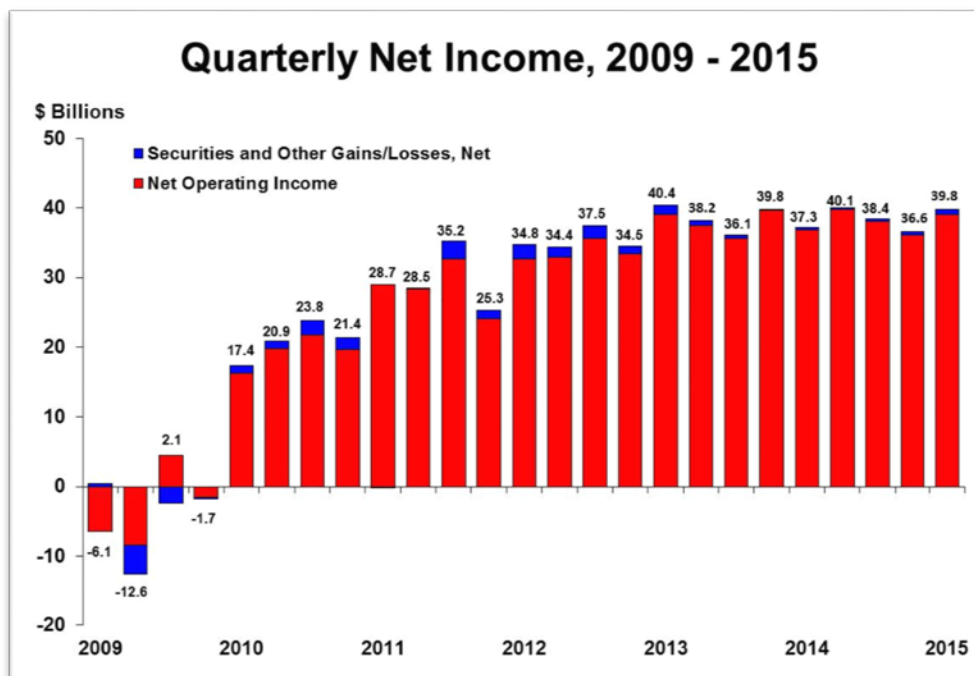
Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of \$39.8 billion in the first quarter of 2015, up \$2.6 billion (6.9 percent) from a year earlier. The increase in earnings was mainly attributable to a \$4.3 billion rise in net operating revenue (net interest income plus total noninterest income). Financial results for the first quarter of 2015 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 6,419 insured institutions in the first quarter of 2015, nearly two-thirds (62.7 percent) reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable during the first quarter fell to 5.6 percent from 7.4 percent a year earlier.



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.

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"The banking industry continued to show gradual but steady improvement during the quarter," FDIC Chairman Martin J. Gruenberg said. "Revenue, earnings, and loan balances were up; asset quality continued to improve; and the number of banks on the 'Problem List' declined to the lowest level in more than six years. Nearly two-thirds of banks reported higher earnings than a year ago.

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

Chairman Gruenberg concluded: "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 is a matter of ongoing supervisory attention."

Highlights from the First Quarter 2015 *Quarterly Banking Profile*

Net Operating Revenue of \$168.4 Billion Is 2.6 Percent Higher Than a Year Ago:

Stronger loan growth helped lift revenue at most banks, as net interest income rose \$1.5 billion (1.5 percent) compared to the first quarter of 2014. Noninterest income was \$2.8 billion (4.6 percent) higher as trading income increased \$1.5 billion (23.9 percent) and income from the sale, securitization, and servicing of 1-4 family residential real estate loans rose \$545 million (15.6 percent).

Quarterly Earnings at Community Banks Rise 16 Percent: The 5,946 insured institutions identified as community banks reported \$4.9 billion in net income in the first quarter, an increase of 16 percent from the first quarter of 2014. Net operating revenue

of \$21.5 billion at community banks was \$1.7 billion (8.7 percent) higher than a year earlier.

Asset Quality Indicators Show Further Improvement: Net loan losses declined year-over-year for the 19th consecutive quarter, while noncurrent loan balances declined for a 20th consecutive quarter. Quarterly net charge-offs were \$1.4 billion (13.2 percent) lower than a year earlier. The annualized net charge-off rate fell to 0.43 percent from 0.52 percent a year ago and was the lowest quarterly rate since the third quarter of 2006. The amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) declined \$9.7 billion (6 percent) in the first quarter of 2015.

Net Interest Margins Remain Under Pressure: 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) declined to 3.02 percent in the first quarter from 3.12 percent in the fourth quarter of 2014 and 3.16 percent in first quarter 2014. Asset yields fell more rapidly than funding costs as higher-yielding assets matured and were replaced by lower-yielding investments in an environment of low interest rates. Average margins at community banks of 3.55 percent in the first quarter were down from 3.63 percent in the fourth quarter of 2014 and 3.57 percent in first quarter 2014.

Loan Growth Edges Up: Total loan and lease balances increased \$52.5 billion (0.6 percent) during the first three months of 2015. For the 12 months ended March 31, loans and leases increased \$431.2 billion (5.4 percent), the biggest increase since mid-2008. At community banks, loan balances rose 1.3 percent during the first quarter of 2015 and increased 9.1 percent during the past 12 months.

"Problem List" Continues to Shrink: The number of banks on the FDIC's Problem List fell from 291 to 253 during the first quarter. This is the smallest number of banks on the Problem List in six years. The number of problem banks was down 72 percent from the peak of 888 in the first quarter of 2011. Total assets of problem banks fell from \$86.7 billion to \$60.3 billion during the first quarter.

Deposit Insurance Fund (DIF) Rises \$2.5 Billion to \$65.3 Billion: The DIF increased from \$62.8 billion to \$65.3 billion in the first quarter, largely driven by \$2.2 billion in assessment income. The DIF reserve ratio rose to 1.03 percent from 1.01 percent during the quarter.

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[Quarterly Banking Profile Home Page \(includes previous reports and press conference webcast videos\)](#)

[Insured Institution Performance, First Quarter 2015](#)

[Community Bank Performance, First Quarter 2015](#)

[Deposit Insurance Fund Trends, First Quarter 2015](#)

[Chairman Gruenberg's Press Statement](#)