PRESS RELEASE

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

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Net Income Declines 2 Percent to $39.1 Billion At FDIC-Insured Institutions In First Quarter 2016

Community Bank Net Income Rises 7.4 percent to $5.2 Billion

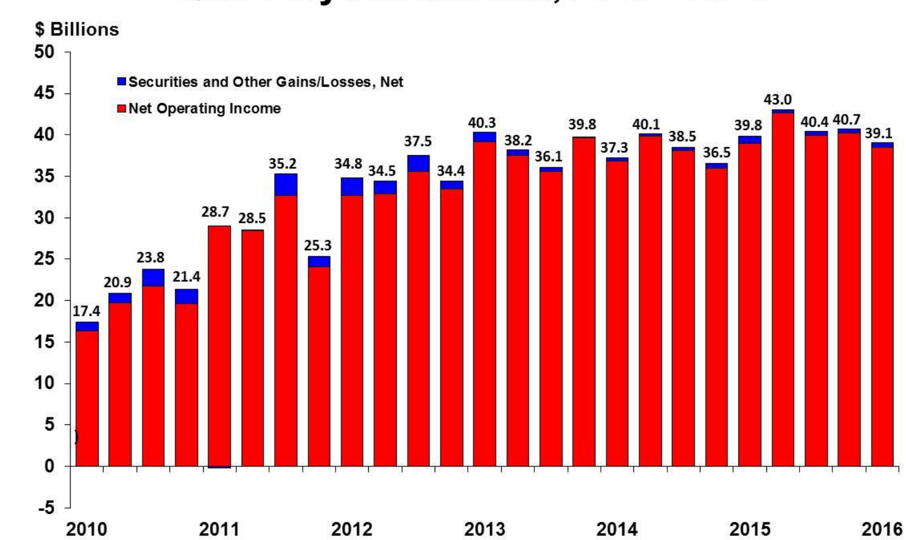
- **Net Operating Revenue of $173 Billion Is 2.7 Percent Higher Than a Year Ago**
- **Noncurrent Loans Post First Increase in Six Years Led By Energy Loans**
- **12-Month Growth Rate for Loan Balances is Highest Since Second Quarter 2008**

"The banking industry reported mixed results for the first quarter. By many measures, the industry had a positive quarter. However, noncurrent loans to the oil and gas industry rose sharply and net interest margins remained low by historical standards." — *FDIC Chairman Martin J. Gruenberg*

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $39.1 billion in the first quarter of 2016, down $765 million (1.9 percent) from a year earlier. The decline in earnings was mainly attributable to a $4.2 billion increase in provisions for loan losses set aside to recognize potential future loan losses and a $2.2 billion decline in noninterest income. The increase in loan-loss provisions is primarily attributable to rising levels of troubled loans to commercial and industrial borrowers, particularly in the energy sector. The decline in noninterest income reflects weakness in trading income at a few large banks, as well as lower income from asset servicing. Financial results for the first quarter of 2016 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 6,122 insured institutions reporting first quarter financial results, more than half (61.4 percent) reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable in the first quarter fell from 5.7 percent a year earlier to 5.0 percent, the lowest level since the first quarter of 1998.

Quarterly Net Income, 2010 - 2016



“The mixed first quarter results reflect an evolving economic environment,” Gruenberg said. “Revenue increased from a year earlier and loan balances expanded at the highest 12-month rate since 2008. However, a prolonged period of low interest rates has narrowed margins and caused some institutions to reach for yield. More recently, low energy prices have led to a sharp increase in noncurrent loans to oil and gas producers. We will continue to monitor closely the evolving environment in which the U.S. banking industry is operating. And we will remain vigilant in our supervisory activities.”

Highlights from the First Quarter 2016 *Quarterly Banking Profile*

Community Bank Earnings Rise: The 5,664 insured institutions identified as community banks reported $5.2 billion in net income in the first quarter, an increase of 7.4 percent from the first quarter of 2015. Net operating revenue of $22.2 billion at community banks was $1.4 billion (6.9 percent) higher than a year earlier.

Net Operating Revenue of $173 Billion is 2.7 Percent Higher Than a Year Ago: Loan growth helped lift revenue at most banks, as net interest income rose $6.7 billion (6.4 percent) compared to the first quarter of 2015. Noninterest income was $2.2 billion (3.4 percent) lower, as trading income fell $1.9 billion (24.9 percent) and servicing declined by $736 million (46 percent).

Loan-Loss Provisions are 50 Percent Higher: Total provisions for loan and lease losses were $12.5 billion in the first quarter, up $4.2 billion (49.7 percent) from the first quarter of 2015. Slightly more than one-third of all banks – 35.6 percent – reported year-over-year increases in loan-loss provisions.

Noncurrent Loans Post First Increase in Six Years Led by Energy Loans: The amount of loans and leases that were noncurrent – 90 days or more past due or in nonaccrual status – rose $3.3 billion (2.4 percent) during the first three months of 2016. Noncurrent loans to commercial and industrial borrowers increased $9.3 billion (65.1 percent) during the quarter, primarily as a result of weakness in loans to the energy sector. Net charge-offs of loans to commercial and industrial borrowers were $1.1 billion (144.7 percent) higher than a year ago, as total net charge-offs of all loans were $1.1 billion (12.3 percent) higher than in the first quarter 2015.

12-Month Growth Rate for Loan Balances is Highest Since Second Quarter 2008: Total loan and lease balances increased $99.7 billion (1.1 percent) during the first quarter. For the 12 months ended March 31, loans and leases increased $577.1 billion (6.9 percent). This is the largest 12-month growth rate since mid-2007 to mid-2008. At community banks, loan balances rose 1.5 percent during the first quarter and increased 8.9 percent during the past 12 months.

“Problem List” Continues to Shrink: The number of banks on the FDIC’s Problem List fell from 183 to 165 during the first quarter. This is the smallest number of problem banks in more than seven years and is down dramatically from the peak of 888 in the first quarter of 2011. Total assets of problem banks fell from $46.8 billion to $30.9 billion during the first quarter. One bank failed during the first quarter.

Deposit Insurance Fund (DIF) Rises $2.5 Billion to $75.1 Billion: The DIF increased from $72.6 billion at the end of 2015 to $75.1 billion at the end of the first quarter, largely driven by $2.3 billion in assessment income. The DIF reserve ratio rose from 1.11 percent to 1.13 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 2016

Community Bank Performance, First Quarter 2016

Deposit Insurance Fund Trends, First Quarter 2016

Chairman Gruenberg's Press Statement