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FDIC-Insured Institutions Earn \$43 Billion in Second Quarter 2015

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Community Bank Earnings Rise 12 Percent to \$5.3 Billion

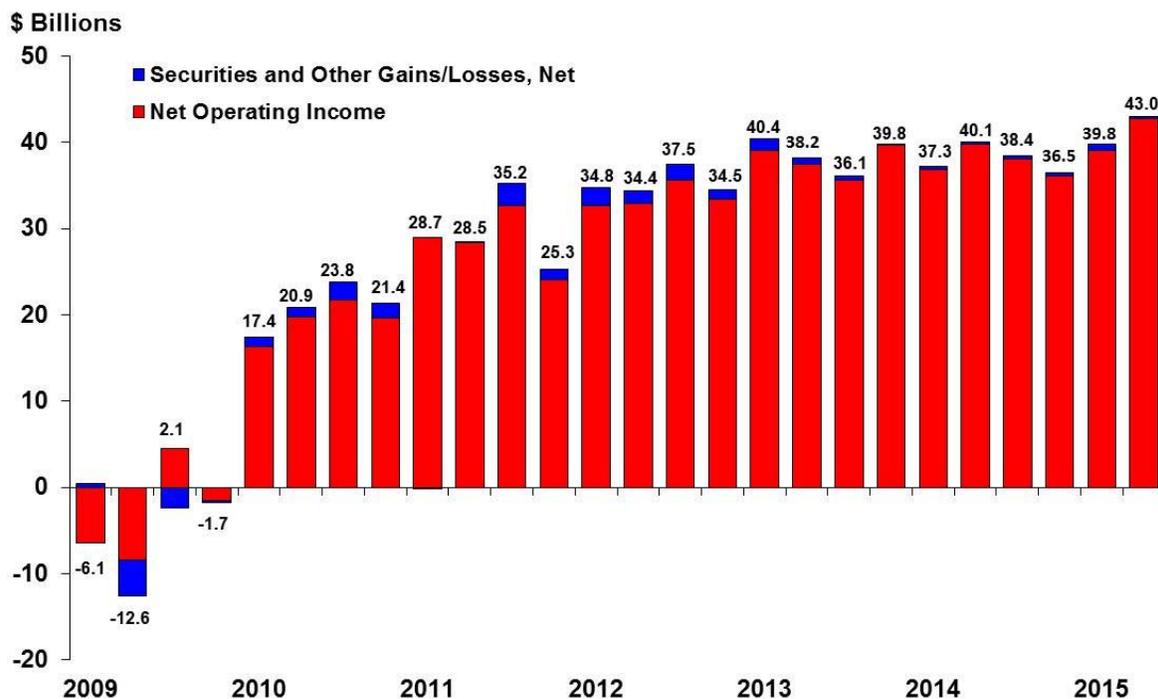
- Net Operating Revenue of \$172.9 Billion is 2.1 Percent Higher Than a Year Ago
- Asset Quality Indicators Show Further Improvement
- Net Interest Margins Remain Under Pressure

*"The banking industry — and community banks in particular — had another positive quarter, but challenges remain."
-- FDIC Chairman Martin J. Gruenberg*

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of \$43.0 billion in the second quarter of 2015, up \$2.9 billion (7.3 percent) from a year earlier and the highest quarterly income on record. The increase in earnings was mainly attributable to a \$3.6 billion rise in net operating revenue (net interest income plus total noninterest income). Financial results for the second quarter of 2015 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 6,348 insured institutions in the second quarter of 2015, more than half (58.7 percent) reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable during the second quarter fell from 6.8 percent a year earlier to 5.6 percent, the lowest since the first quarter of 2005.

Quarterly Net Income, 2009 - 2015



"Bankers generally reported another quarter of higher earnings, improved asset quality, and increased lending," Gruenberg said. "There were fewer problem banks, and only one bank failed during the second quarter.

"However," he continued, "the low interest-rate environment remains a challenge. Many institutions have responded by acquiring higher-yielding, longer-term assets, but this has left banks more vulnerable to rising interest rates and that is a matter of ongoing supervisory attention."

Highlights from the Second Quarter 2015 Quarterly Banking Profile

Net Operating Revenue of \$172.9 Billion is 2.1 Percent Higher Than a Year Ago: Loan growth helped lift revenue at most banks, as net interest income rose \$2.4 billion (2.3 percent) compared to the second quarter of 2014. Noninterest income was \$1.2 billion (1.9 percent) higher as servicing income increased \$1.8 billion (63.9 percent) and trading income fell \$904 million (14.1 percent).

Community Bank Earnings Rise 12 Percent: The 5,881 insured institutions identified as community banks reported \$5.3 billion in net income in the second quarter, an increase of 12 percent from the second quarter of 2014. Net operating revenue of \$22.3 billion at community banks was \$1.6 billion (8.0 percent) higher than a year earlier.

Asset Quality Indicators Show Further Improvement: Net loan losses declined year-over-year for the 20th consecutive quarter, while noncurrent loan balances declined for a 21st consecutive quarter. Quarterly net charge-offs were \$1.1 billion (11.2 percent) lower than a year earlier. The annualized net charge-off rate fell to 0.42 percent from 0.50 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 \$8.3 billion (5.4 percent) in the second 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) rose to 3.06 percent in the second quarter from 3.02 percent in the first quarter, but remained below the 3.15 percent average in second quarter 2014. Average margins at community banks of 3.57 percent in the second quarter were up from 3.54 percent in the first quarter, but down from 3.61 percent in second quarter 2014.

Loan Growth Remains Steady: Total loan and lease balances increased \$185 billion (2.2 percent) during the second quarter. For the 12 months ended June 30, loans and leases increased \$437.8 billion (5.4 percent). At community banks, loan balances rose 2.7 percent during the second quarter of 2015 and increased 8.8 percent during the past 12 months.

"Problem List" Continues to Shrink: The number of banks on the FDIC's Problem List fell from 253 to 228 during the second 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 \$60.3 billion to \$56.5 billion during the second quarter.

Deposit Insurance Fund (DIF) Rises \$2.3 Billion to \$67.6 Billion: The DIF increased from \$65.3 billion in the first quarter to \$67.6 billion in the second quarter, largely driven by \$2.3 billion in assessment income. The DIF reserve ratio rose from 1.03 percent to 1.06 percent during the quarter.

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

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

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

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

[Chairman Gruenberg's Press Statement](#)

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's banks and savings associations, 6,348 as of June 30, 2015. 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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