

FDIC Quarterly

*Quarterly Banking Profile:
First Quarter 2014*

*Community Banks Remain Resilient
Amid Industry Consolidation*

*Long-Term Trends in Rural
Depopulation and Their
Implications for Community Banks*



2014, Volume 8, Number 2

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Quarterly Banking Profile: First Quarter 2014

FDIC-insured institutions 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. *See page 1.*

Community Bank Performance

Community banks—which represent 93 percent of insured institutions—reported \$4.4 billion in earnings with net interest income up five percent over first quarter 2013. While overall earnings declined, the 1.5 percent decline was less than the 7.6 percent decline for the industry. Lower noninterest income and higher noninterest expense reduced earnings for community banks. Community banks hold 45 percent of small loans to businesses and saw annual total loan growth of almost 7 percent. *See page 14.*

Insurance Fund Indicators

Estimated insured deposits increased by 1.9 percent in the first quarter of 2014. The DIF reserve ratio was 0.80 percent at March 31, 2014, up from 0.79 percent at December 31, 2013, and 0.60 percent at March 31, 2013. Five FDIC-insured institutions failed during the quarter. *See page 20.*

Featured Articles:

Community Banks Remain Resilient Amid Industry Consolidation

There has been a great deal of focus recently on banking industry consolidation and its effects on community banks. New analysis based on the FDIC's functional definition of the community bank shows that these institutions have been highly resilient amid long-term industry consolidation. The rate of attrition among community banks over the past decade has been less than half that of noncommunity banks. When community banks have been acquired, almost two-thirds of the time the acquirer has been another community bank. After more than 30 years of consolidation, the evidence strongly suggests that community banks will continue to carry out their important financial role for the foreseeable future. *See page 33.*

Long-Term Trends in Rural Depopulation and Their Implications for Community Banks

This article discusses rural depopulation, a long-term trend that not only encompasses half of the nation's rural counties, but also intensified in many areas in the 2000s. Technological advances that continue to make farms larger are the main driver of the trends, and as such the Great Plains and the Corn Belt are the areas with the most counties experiencing population outflows. Community banks in depopulating areas tend to specialize in agricultural lending, which is far less common in metropolitan and micropolitan areas. The unusual strength in the agricultural sector in the 2000s, even through the U.S. recession, helped community banks in depopulating rural areas avoid many of the asset quality and earnings issues that affected banks located elsewhere. The strong agricultural sector also enabled these institutions to grow assets and deposits at relatively high rates, when such growth had been challenging in these areas before the agricultural boom. *See page 44.*

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INSURED INSTITUTION PERFORMANCE

- **Net Income of \$37.2 Billion Is \$3.1 Billion Below Year-Ago Level**
- **Reduced Mortgage Activity Contributes to Decline in Revenue**
- **54 Percent of Banks Report Year-Over-Year Improvement in Earnings**
- **Balances at Federal Reserve Banks Account for Almost Half of Asset Growth**

Effects of Last Year's Rate Increase Are Evident in First Quarter Results

The increase in medium- and long-term interest rates that occurred in second quarter 2013 continued to affect year-over-year earnings comparisons. Lower noninterest income, reflecting diminished mortgage revenue, declining trading income, and a one-time gain that inflated year-ago results, was the principal cause of the \$3.1 billion (7.6 percent) year-over-year decline in industry earnings. This is only the second time in the last 19 quarters that the industry has reported a year-over-year decline in quarterly earnings. Both declines have occurred in the last three quarters. Last year's rise in interest rates resulted in a drying-up of demand for mortgage refinancings. Without this demand, mortgage originations have fallen sharply, and mortgage revenue has declined by almost one-half. The increase in interest rates also resulted in a steeper yield curve that has been beneficial for the net interest margins of banks that invest in longer-term assets and fund the investments with short-term liabilities. For the industry in aggregate, the declines in mortgage revenue and realized gains on securities caused by higher interest rates outweighed the gains in net interest income that stemmed from a steeper yield curve. For a majority of banks, however,

the opposite was true. Even as total industry net income fell, more than half of all banks—54 percent—reported increased earnings compared with the year-ago period. The average return on assets for the quarter was 1.01 percent, down from 1.12 percent in first quarter 2013.

Lower Noninterest Income Outweighs Growth in Net Interest Income

Net operating revenue—the sum of net interest income and total noninterest income—totaled \$163.7 billion in the first quarter. This was \$6.7 billion (4 percent) lower than the first-quarter 2013 total. Net interest income was \$361 million (0.3 percent) higher than the year before, but noninterest income was down by \$7.1 billion (10.7 percent). More than two-thirds of all banks reported year-over-year increases in net interest income, but only seven of the 20 largest banks reported increases. The average net interest margin fell to 3.17 percent, from 3.27 percent in first quarter 2013, although 54 percent of banks reported higher margins compared with first quarter 2013. Larger institutions are less invested in longer-maturity, higher-yield assets, and a sizable share of their recent asset growth has consisted of low-yield, high-liquidity balances at Federal Reserve banks. They experienced the greatest margin erosion.

Chart 1

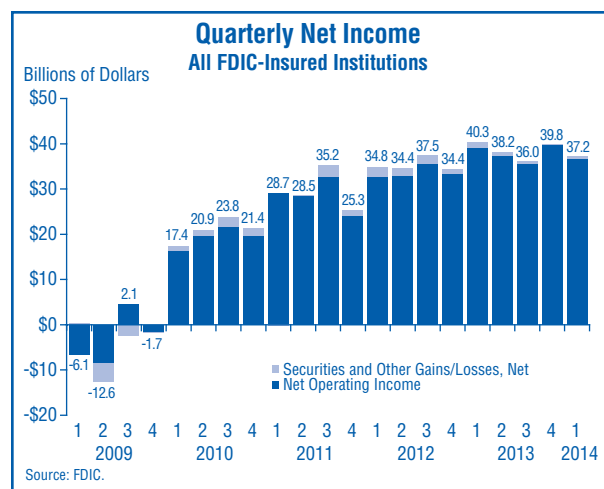
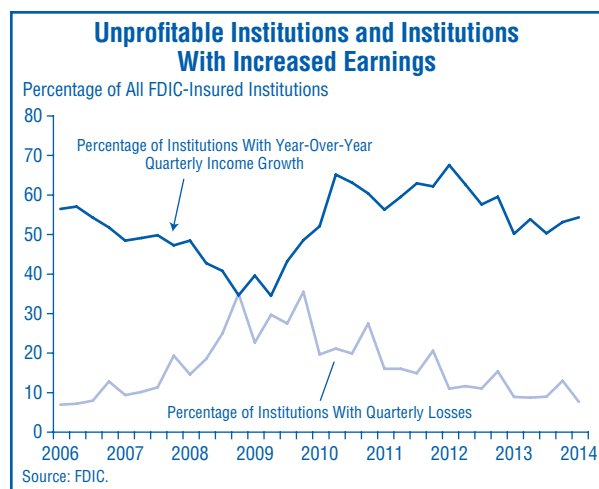


Chart 2



Reduced Income From Mortgage Lending Contributes to Revenue Decline

The year-over-year decline in noninterest income was led by a \$4 billion (53.6 percent) drop in income from mortgage sales, securitization, and servicing. Trading revenue was \$1.4 billion (18.3 percent) lower than the comparable period in 2013. In addition, first quarter 2013 noninterest income received a \$2.5 billion boost from a litigation settlement, while there was no similar boost to first quarter 2014 income. A majority of banks, 55.6 percent, reported lower noninterest income than in first quarter 2013. Noninterest expense was essentially unchanged from 2013 (down \$18 million, or 0.02 percent). Payroll expenses were \$579 million (1.2 percent) lower, as the number of full-time equivalent employees was 43,890 fewer than a year ago. First-quarter expenses were elevated by a \$959 million litigation expense.

Gains From Lower Provisioning Are Diminishing

The largest positive contribution to the year-over-year change in earnings came from reduced loan-loss provisions. The \$7.6 billion that banks set aside for their loan-loss reserves was \$3.3 billion (30.3 percent) lower than the year before. This is the 18th consecutive quarter that loan-loss provisions have declined year over year, and it is the second-smallest decline during this period. Forty-two percent of all banks reduced their loss provisions.

Charge-Offs Fall to Pre-Crisis Level

Loan losses continued to decline. Net charge-offs (NCOs) fell year over year for a 15th consecutive quarter, to \$10.4 billion, \$5.5 billion (34.8 percent) less than in first quarter 2013. This is the lowest quarterly NCO total since second quarter 2007. Charge-offs were lower across all major loan categories, with the largest declines occurring in residential mortgage loans (down \$2 billion, 63.1 percent), home equity lines (down \$1 billion, 53.3 percent), real estate loans secured by nonfarm nonresidential properties (down \$734 million, 71.9 percent), and credit cards (down \$709 million, 11.4 percent). The annualized NCO rate fell to 0.52 percent from 0.83 percent in first quarter 2013.

Noncurrent Balances Fall Below \$200 Billion

The amount of loan and lease balances that were noncurrent (90 days or more past due or in nonaccrual status) declined for a 16th quarter in a row, as noncurrent levels improved in all major loan categories. Noncurrent balances totaled \$195.1 billion at the end of the first quarter, down \$12.1 billion (5.8 percent) from the total at year-end 2013. This is the first time since the end of third quarter 2008 that noncurrent balances have been below \$200 billion. The improvement was led by residential mortgage loans, where noncurrent balances fell by \$8.7 billion (6.5 percent), real estate loans secured by nonfarm nonresidential properties (down \$1.2 billion, 5.7 percent) and real estate construction and development loans (down \$1.1 billion, 12.7 percent).

Chart 3

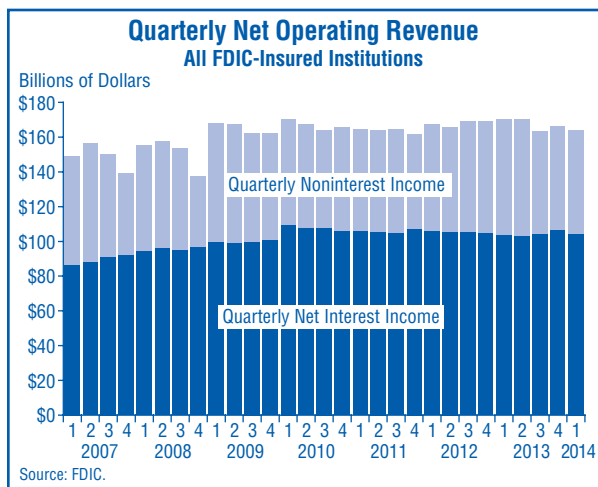
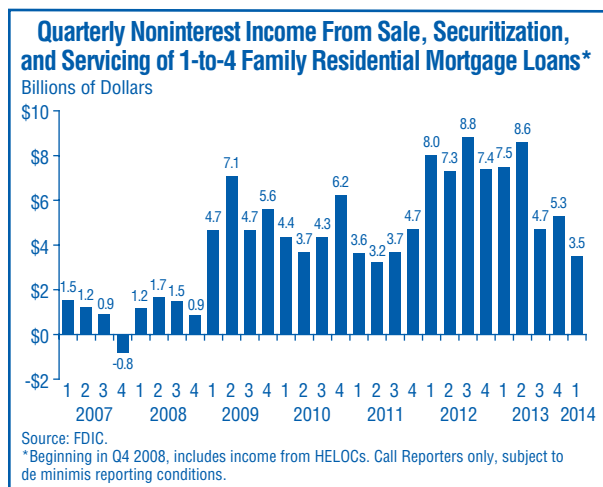


Chart 4



Reserve Coverage Improves for Sixth Consecutive Quarter

Banks continued to release reserves in the first quarter, adding \$7.6 billion in loss provisions while net charge-offs subtracted \$10.4 billion. Total loan-loss reserves declined from \$135.9 billion at year-end 2013 to \$132.3 billion. This is the 16th consecutive quarter that reserve balances have fallen; reserves are now at a six-year low. The industry's coverage ratio of reserves to noncurrent loans increased from 65.6 percent to 67.8 percent during the quarter, however, owing to the decline in noncurrent loan balances. The coverage ratio has increased in each of the last six quarters. A year ago, the ratio was 59.5 percent.

Capital Measures Exhibit Strength

Equity capital increased by \$29.8 billion (1.8 percent) in the quarter. Retained earnings contributed \$17.3 billion, down from \$25.9 billion in the same period of 2013, as declared dividends were up by \$5.5 billion (38.3 percent). Higher market values for available-for-sale securities added \$6.7 billion to equity during the quarter. Both the core capital (leverage) ratio and the Tier 1 risk-based capital ratio (as defined for Prompt Corrective Action purposes) rose to record levels for the industry. At the end of the first quarter, 98.2 percent of all insured institutions, representing 99.8 percent of industry assets, met or exceeded the requirements of the highest regulatory capital category.

Pace of Loan Growth Picks Up

Total assets increased by \$178.3 billion (1.2 percent) in the first three months of 2014. Balances with Federal Reserve banks rose by \$82.5 billion (7.1 percent), accounting for 46 percent of total asset growth. Investment securities portfolios rose by \$52.7 billion (1.8 percent), as banks increased their holdings of U.S. Treasury securities by \$44.6 billion (23.1 percent). Total loans and leases increased by \$37.8 billion (0.5 percent) during the quarter. Credit card balances and agricultural production loans posted seasonal declines of \$33 billion (4.8 percent) and \$5.7 billion (8 percent), respectively. Home equity lines of credit declined for a 20th consecutive quarter, falling by \$7.2 billion (1.4 percent). Residential mortgage balances declined by \$6.3 billion (0.3 percent), as banks reduced their inventories of mortgages held for sale. All other major loan categories increased during the quarter. Loans to commercial and industrial borrowers increased by \$15.3 billion (1.0 percent), while real estate loans secured by multifamily residential properties rose by \$9 billion (3.4 percent), real estate loans secured by nonfarm nonresidential properties increased by \$8.1 billion (0.7 percent), and auto loans rose by \$6.2 billion (1.8 percent). Assets in trading accounts declined by \$18.6 billion (3.1 percent).

Chart 5

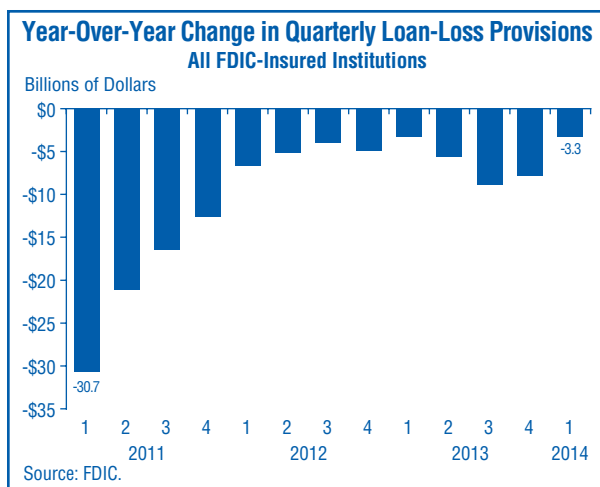
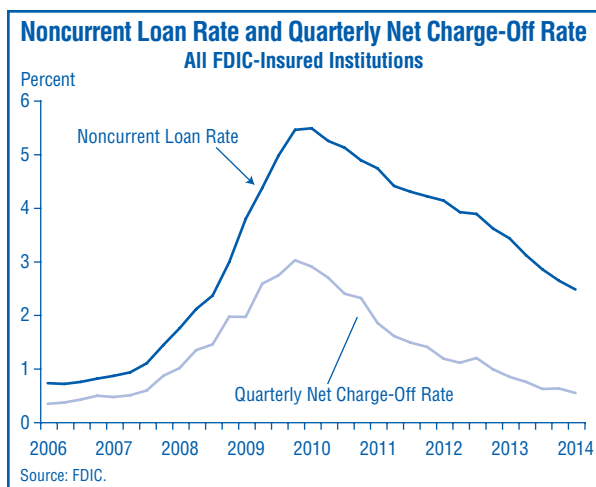


Chart 6



Retail Deposits Lead Growth in Funding

Deposit balances were up by \$125.8 billion (1.1 percent) in the quarter, as deposits in foreign offices fell by \$5.4 billion (0.4 percent) and domestic office deposits increased by \$131.1 billion (1.3 percent). Much of the increase in domestic deposits consisted of balances in smaller-denomination accounts. Deposits in accounts of less than \$250,000 rose by \$85.9 billion (1.7 percent). Nondeposit liabilities increased by \$25.4 billion (1.4 percent), as unsecured borrowings increased by \$28.1 billion (13.9 percent), and securities sold under repo agreements rose by \$22 billion (7.2 percent). Liabilities in trading accounts declined by \$22 billion (9.1 percent).

Problem List Falls to Less Than Half of Recent Peak

The number of insured commercial banks and savings institutions reporting financial results declined to 6,730 in the first quarter, down from 6,812 reporters at the end of fourth quarter 2013. No new reporters were added in the first quarter. Mergers absorbed 74 institutions during the quarter, and five insured institutions failed. The number of institutions on the FDIC's "Problem List" declined from 467 to 411 during the quarter. Assets of "problem" banks fell from \$152.7 billion to \$126.1 billion. The number of full-time equivalent employees declined to 2,058,927, from 2,102,817 in first quarter 2013. This is the fourth consecutive quarter that the number of employees has declined year over year.

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Chart 7

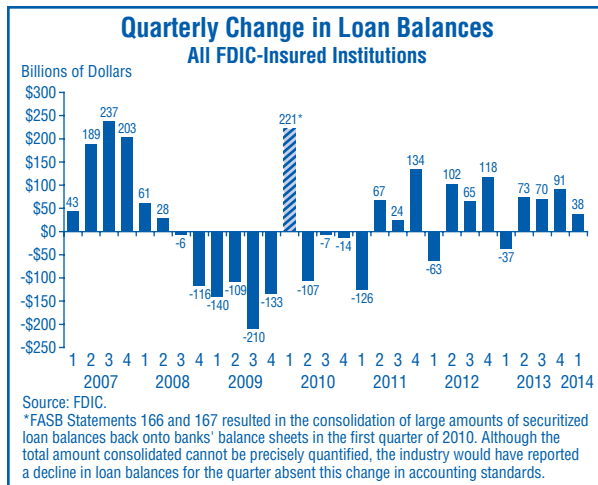


Chart 8

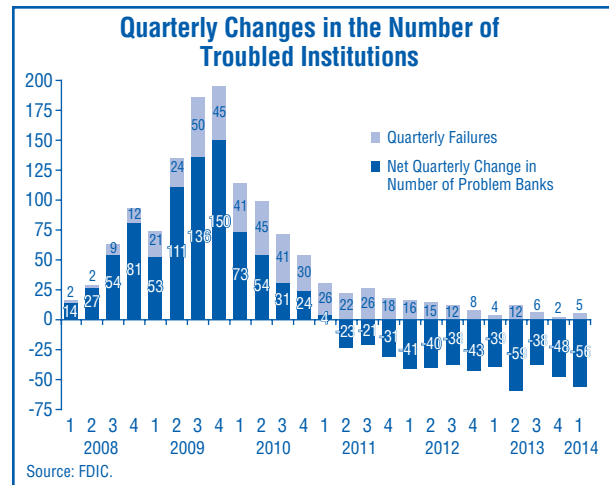


TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2014**	2013**	2013	2012	2011	2010	2009
Return on assets (%).....	1.01	1.12	1.07	1.00	0.88	0.65	-0.08
Return on equity (%).....	8.99	9.96	9.53	8.91	7.79	5.85	-0.73
Core capital (leverage) ratio (%).....	9.54	9.26	9.40	9.15	9.07	8.89	8.60
Noncurrent assets plus other real estate owned to assets (%).....	1.52	2.08	1.63	2.20	2.61	3.11	3.37
Net charge-offs to loans (%).....	0.52	0.83	0.69	1.10	1.55	2.55	2.52
Asset growth rate (%).....	3.30	3.58	1.88	4.02	4.30	1.77	-5.45
Net interest margin (%).....	3.17	3.27	3.26	3.42	3.60	3.76	3.49
Net operating income growth (%).....	-5.85	19.61	12.75	17.75	43.55	1594.66	-155.98
Number of institutions reporting.....	6,730	7,019	6,812	7,083	7,357	7,658	8,012
Commercial banks.....	5,809	6,048	5,876	6,096	6,291	6,530	6,840
Savings institutions.....	921	971	936	987	1,066	1,128	1,172
Percentage of unprofitable institutions (%).....	7.28	8.55	8.12	10.98	16.22	22.15	30.84
Number of problem institutions.....	411	612	467	651	813	884	702
Assets of problem institutions (in billions).....	\$126	\$213	\$153	\$233	\$319	\$390	\$403
Number of failed institutions.....	5	4	24	51	92	157	140
Number of assisted institutions.....	0	0	0	0	0	0	8

* Excludes insured branches of foreign banks (IBAs).

** Through March 31, ratios annualized where appropriate. Asset growth rates are for 12 months ending March 31.

TABLE II-A. Aggregate Condition and Income Data, All FDIC-Insured Institutions

(dollar figures in millions)	1st Quarter 2014	4th Quarter 2013	1st Quarter 2013	%Change 13Q1-14Q1		
Number of institutions reporting.....	6,730	6,812	7,019	-4.1		
Total employees (full-time equivalent).....	2,058,927	2,068,754	2,102,817	-2.1		
CONDITION DATA						
Total assets.....	\$14,901,002	\$14,722,664	\$14,424,434	3.3		
Loans secured by real estate.....	4,075,508	4,065,663	4,059,427	0.4		
1-4 Family residential mortgages.....	1,822,313	1,828,625	1,877,838	-3.0		
Nonfarm nonresidential.....	1,117,684	1,109,585	1,072,938	4.2		
Construction and development.....	214,319	209,935	201,534	6.3		
Home equity lines.....	503,539	510,756	538,912	-6.6		
Commercial & industrial loans.....	1,614,329	1,599,063	1,519,577	6.2		
Loans to individuals.....	1,326,961	1,353,508	1,288,060	3.0		
Credit cards.....	658,387	691,397	660,224	-0.3		
Farm loans.....	64,972	70,642	59,810	8.6		
Other loans & leases.....	851,019	806,149	733,951	16.0		
Less: Unearned income.....	1,902	1,896	1,926	-1.3		
Total loans & leases.....	7,930,910	7,893,129	7,658,899	3.6		
Less: Reserve for losses.....	132,323	135,927	155,488	-14.9		
Net loans and leases.....	7,798,587	7,757,202	7,503,411	3.9		
Securities.....	3,054,501	3,001,760	2,998,531	1.9		
Other real estate owned.....	29,367	30,209	35,892	-18.2		
Goodwill and other intangibles.....	365,486	368,316	367,041	-0.4		
All other assets.....	3,653,062	3,565,177	3,519,559	3.8		
Total liabilities and capital.....	14,901,002	14,722,664	14,424,434	3.3		
Deposits.....	11,317,837	11,192,053	10,819,197	4.6		
Domestic office deposits.....	9,922,088	9,790,951	9,426,565	5.3		
Foreign office deposits.....	1,395,749	1,401,102	1,392,632	0.2		
Other borrowed funds.....	1,343,002	1,307,630	1,300,306	3.3		
Subordinated debt.....	95,451	99,618	116,075	-17.8		
All other liabilities.....	463,007	468,773	547,377	-15.4		
Total equity capital (includes minority interests).....	1,681,705	1,654,590	1,641,479	2.5		
Bank equity capital.....	1,672,967	1,643,211	1,626,316	2.9		
Loans and leases 30-89 days past due.....	69,570	75,883	80,037	-13.1		
Noncurrent loans and leases.....	195,054	207,136	261,170	-25.3		
Restructured loans and leases.....	97,167	99,419	105,772	-8.1		
Mortgage-backed securities.....	1,690,537	1,673,883	1,698,409	-0.5		
Earning assets.....	13,269,584	13,067,384	12,753,050	4.1		
FHLB Advances.....	391,990	406,163	330,183	18.7		
Unused loan commitments.....	6,214,801	6,098,254	5,908,378	5.2		
Trust assets.....	20,193,283	19,691,995	18,271,244	10.5		
Assets securitized and sold.....	722,091	742,448	809,168	-10.8		
Notional amount of derivatives.....	233,457,475	238,755,603	232,583,465	0.4		
INCOME DATA						
	Full Year 2013	Full Year 2012	%Change	1st Quarter 2014	1st Quarter 2013	%Change 13Q1-14Q1
Total interest income.....	\$470,760	\$486,730	-3.3	\$116,125	\$118,110	-1.7
Total interest expense.....	53,610	65,902	-18.7	11,937	14,284	-16.4
Net interest income.....	417,150	420,828	-0.9	104,187	103,826	0.4
Provision for loan and lease losses.....	32,426	57,807	-43.9	7,601	10,911	-30.3
Total noninterest income.....	251,844	248,629	1.3	59,513	66,621	-10.7
Total noninterest expense.....	416,751	421,221	-1.1	102,266	102,283	0.0
Securities gains (losses).....	4,474	9,680	-53.8	827	2,071	-60.1
Applicable income taxes.....	69,530	58,303	19.3	17,304	18,758	-7.8
Extraordinary gains, net.....	243	-146	N/M	76	-59	N/M
Total net income (includes minority interests).....	155,004	141,660	9.4	37,432	40,506	-7.6
Bank net income.....	154,219	141,050	9.3	37,239	40,308	-7.6
Net charge-offs.....	53,529	82,222	-34.9	10,374	15,900	-34.8
Cash dividends.....	87,161	96,409	-9.6	19,939	14,413	38.3
Retained earnings.....	67,059	44,640	50.2	17,300	25,895	-33.2
Net operating income.....	151,632	134,484	12.8	36,765	39,051	-5.9

N/M - Not Meaningful

TABLE III-A. First Quarter 2014, All FDIC-Insured Institutions

FIRST QUARTER (The way it is...)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion
Number of institutions reporting.....	6,730	16	4	1,481	3,323	563	54	444	783	62
Commercial banks.....	5,809	13	4	1,463	2,986	168	40	405	677	53
Savings institutions.....	921	3	0	18	337	395	14	39	106	9
Total assets (in billions).....	\$14,901.0	\$592.3	\$3,715.4	\$245.2	\$4,977.1	\$575.5	\$164.1	\$70.2	\$141.3	\$4,419.9
Commercial banks.....	13,854.7	511.8	3,715.4	240.2	4,587.5	256.2	79.9	65.2	116.2	4,282.2
Savings institutions.....	1,046.3	80.5	0.0	5.0	389.6	319.3	84.1	5.0	25.1	137.7
Total deposits (in billions).....	11,317.8	342.3	2,641.7	206.6	3,895.6	432.1	139.2	57.9	119.1	3,483.2
Commercial banks.....	10,516.0	285.8	2,641.7	203.4	3,608.7	198.3	67.6	54.2	98.8	3,357.5
Savings institutions.....	801.8	56.6	0.0	3.2	286.9	233.8	71.6	3.7	20.3	125.7
Bank net income (in millions).....	37,239	5,143	7,172	682	11,724	1,201	415	320	288	10,294
Commercial banks.....	34,363	4,173	7,172	657	10,993	742	222	201	257	9,945
Savings institutions.....	2,876	970	0	25	731	458	193	119	31	349
Performance Ratios (annualized, %)										
Yield on earning assets.....	3.53	10.10	2.76	4.05	3.85	3.57	3.78	3.10	3.96	2.82
Cost of funding earning assets.....	0.36	0.65	0.39	0.50	0.41	0.58	0.48	0.38	0.49	0.20
Net interest margin.....	3.17	9.45	2.37	3.55	3.44	2.99	3.31	2.71	3.47	2.62
Noninterest income to assets.....	1.61	4.43	1.67	0.59	1.20	0.81	1.21	4.58	0.90	1.79
Noninterest expense to assets.....	2.76	5.55	2.44	2.48	2.82	2.28	2.32	4.59	3.02	2.66
Loan and lease loss provision to assets.....	0.21	2.11	0.15	0.09	0.14	0.13	0.49	0.05	0.08	0.08
Net operating income to assets.....	0.99	3.47	0.78	1.11	0.94	0.81	1.02	1.82	0.80	0.91
Pretax return on assets.....	1.47	5.48	1.14	1.30	1.34	1.25	1.61	2.46	1.02	1.40
Return on assets.....	1.01	3.48	0.77	1.12	0.95	0.84	1.02	1.85	0.82	0.94
Return on equity.....	8.99	23.59	8.29	10.21	8.01	7.22	10.64	13.73	7.16	8.17
Net charge-offs to loans and leases.....	0.52	3.03	0.72	0.06	0.27	0.23	0.72	0.11	0.17	0.34
Loan and lease loss provision to net charge-offs.....	73.27	89.37	60.89	229.97	74.41	94.42	100.08	152.17	88.65	48.81
Efficiency ratio.....	61.48	40.77	64.37	63.70	65.02	62.56	51.61	64.67	73.52	63.74
% of unprofitable institutions.....	7.28	0.00	0.00	3.78	7.61	11.19	5.56	10.36	8.56	3.23
% of institutions with earnings gains.....	54.01	43.75	50.00	56.11	56.30	45.83	40.74	51.58	49.04	50.00
Condition Ratios (%)										
Earning assets to total assets.....	89.05	92.35	87.34	92.48	89.59	93.53	97.51	91.45	91.95	88.22
Loss allowance to:										
Loans and leases.....	1.67	3.52	2.18	1.51	1.48	1.26	1.21	1.91	1.55	1.37
Noncurrent loans and leases.....	67.84	309.27	83.31	131.75	81.67	48.51	77.47	103.76	77.50	35.78
Noncurrent assets plus other real estate owned to assets.....	1.52	0.87	1.03	0.95	1.57	1.78	1.15	0.87	1.57	1.99
Equity capital ratio.....	11.23	14.74	9.38	11.06	11.92	11.68	9.64	13.54	11.55	11.48
Core capital (leverage) ratio.....	9.54	12.80	8.22	10.45	10.20	10.74	9.43	13.18	11.41	9.13
Tier 1 risk-based capital ratio.....	13.34	15.17	13.00	15.02	12.84	20.83	14.10	29.62	19.95	12.75
Total risk-based capital ratio.....	15.07	17.97	14.75	16.15	14.45	21.90	14.93	30.65	21.13	14.59
Net loans and leases to deposits.....	68.91	127.58	48.13	71.31	85.05	77.63	78.95	33.96	63.14	59.99
Net loans to total assets.....	52.34	73.73	34.22	60.08	66.57	58.29	66.99	28.01	53.23	47.28
Domestic deposits to total assets.....	66.59	55.25	43.65	84.25	77.26	74.93	84.84	81.74	84.31	71.82
Structural Changes										
New reporters.....	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers.....	74	0	0	13	47	3	0	2	4	5
Failed institutions.....	5	0	0	0	4	1	0	0	0	0
PRIOR FIRST QUARTERS (The way it was...)										
Number of institutions.....2013	7,019	16	5	1,491	3,483	619	49	450	827	79
.....2011	7,574	21	4	1,531	3,983	699	72	354	844	66
.....2009	8,247	25	5	1,524	4,680	838	80	305	745	45
Total assets (in billions).....2013	\$14,424.4	\$594.3	\$3,838.6	\$231.1	\$4,223.7	\$566.2	\$106.3	\$69.4	\$148.9	\$4,645.8
.....2011	13,414.3	676.3	3,164.6	200.3	4,084.5	795.8	118.4	51.8	137.1	4,185.5
.....2009	13,526.2	464.0	3,203.0	165.4	6,002.0	1,100.9	73.2	36.2	103.5	2,377.9
Return on assets (%).....2013	1.12	3.10	0.95	1.14	0.89	0.94	1.48	1.52	0.93	1.22
.....2011	0.86	3.68	0.60	1.04	0.59	0.48	1.33	1.34	0.80	0.90
.....2009	-0.18	-11.26	0.61	0.73	-0.19	0.54	0.08	0.30	0.92	0.55
Net charge-offs to loans & leases (%).....2013	0.83	3.41	1.17	0.10	0.51	0.42	1.18	0.34	0.29	0.63
.....2011	1.83	6.67	1.96	0.31	1.34	0.98	1.77	0.76	0.39	1.40
.....2009	1.94	8.57	2.42	0.52	1.45	1.05	2.56	0.43	0.30	1.87
Noncurrent assets plus OREO to assets (%).....2013	2.08	1.04	1.30	1.07	2.12	2.57	0.92	1.05	1.68	2.85
.....2011	2.96	1.72	2.01	1.64	3.59	2.93	1.22	0.93	1.78	3.43
.....2009	2.40	2.63	2.00	1.48	2.82	3.04	0.99	0.62	1.11	1.71
Equity capital ratio (%).....2013	11.27	14.94	8.97	11.27	11.94	11.44	9.50	14.56	11.49	12.07
.....2011	11.25	16.03	8.72	10.95	11.60	10.30	10.81	15.07	11.16	12.22
.....2009	10.05	21.57	8.44	11.05	10.26	8.92	9.25	16.24	11.34	9.77

* See Table V-A (page 10) for explanations.

Note: Blue font identifies data that are also presented in the prior quarters' data at bottom of table.

TABLE III-A. First Quarter 2014, All FDIC-Insured Institutions

	All Insured Institutions	Asset Size Distribution				Geographic Regions*					
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater Than \$10 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
FIRST QUARTER (The way it is...)											
Number of institutions reporting.....	6,730	2,005	4,053	565	107	831	852	1,457	1,641	1,414	535
Commercial banks.....	5,809	1,770	3,496	452	91	458	767	1,209	1,571	1,319	485
Savings institutions.....	921	235	557	113	16	373	85	248	70	95	50
Total assets (in billions).....	\$14,901.0	\$118.1	\$1,245.8	\$1,494.9	\$12,042.3	\$2,963.4	\$3,032.9	\$3,417.0	\$3,238.4	\$883.0	\$1,366.4
Commercial banks.....	13,854.7	104.6	1,051.2	1,207.5	11,491.5	2,500.0	2,947.1	3,307.6	3,177.4	777.1	1,145.4
Savings institutions.....	1,046.3	13.5	194.6	287.4	550.8	463.4	85.7	109.4	61.0	105.9	221.0
Total deposits (in billions).....	11,317.8	100.6	1,045.5	1,174.2	8,997.6	2,213.0	2,333.5	2,479.4	2,490.7	739.0	1,062.4
Commercial banks.....	10,516.0	89.9	890.1	957.9	8,578.2	1,878.7	2,268.6	2,396.2	2,441.7	650.7	880.1
Savings institutions.....	801.8	10.7	155.5	216.2	419.4	334.3	64.8	83.2	48.9	88.3	182.3
Bank net income (in millions).....	37,239	240	2,804	3,760	30,435	7,505	6,631	6,801	9,185	2,371	4,746
Commercial banks.....	34,363	217	2,426	3,209	28,511	6,749	6,458	6,634	9,023	2,048	3,451
Savings institutions.....	2,876	23	379	550	1,924	755	174	168	162	323	1,295
Performance Ratios (annualized, %)											
Yield on earning assets.....	3.53	4.11	4.15	4.21	3.37	3.83	3.47	2.80	3.74	3.89	4.05
Cost of funding earning assets.....	0.36	0.49	0.51	0.45	0.33	0.41	0.29	0.30	0.41	0.34	0.44
Net interest margin.....	3.17	3.62	3.64	3.76	3.03	3.42	3.18	2.49	3.33	3.55	3.61
Noninterest income to assets.....	1.61	1.21	1.01	1.16	1.73	1.52	1.66	1.72	1.51	1.27	1.87
Noninterest expense to assets.....	2.76	3.47	3.12	3.03	2.68	2.73	3.03	2.64	2.60	3.02	2.75
Loan and lease loss provision to assets.....	0.21	0.09	0.12	0.17	0.22	0.35	0.17	0.14	0.16	0.10	0.31
Net operating income to assets.....	0.99	0.81	0.89	0.99	1.01	1.00	0.84	0.80	1.14	1.07	1.40
Pretax return on assets.....	1.47	0.96	1.15	1.42	1.52	1.51	1.28	1.14	1.71	1.41	2.17
Return on assets.....	1.01	0.82	0.91	1.01	1.02	1.02	0.88	0.80	1.14	1.08	1.41
Return on equity.....	8.99	6.94	8.36	8.55	9.13	8.47	7.18	8.24	10.88	9.92	11.15
Net charge-offs to loans and leases.....	0.52	0.18	0.18	0.26	0.62	0.75	0.47	0.38	0.61	0.21	0.50
Loan and lease loss provision to net charge-offs.....	73.27	87.48	100.35	99.45	70.47	87.44	63.31	80.95	48.72	76.40	102.01
Efficiency ratio.....	61.48	76.59	71.35	65.39	59.82	58.36	67.72	66.87	56.77	66.46	52.30
% of unprofitable institutions.....	7.28	12.92	5.33	2.65	0.00	7.94	11.27	8.24	5.12	5.02	9.91
% of institutions with earnings gains.....	54.01	52.47	54.48	56.46	52.34	51.26	58.69	48.73	55.51	56.36	54.39
Condition Ratios (%)											
Earning assets to total assets.....	89.05	91.42	92.15	91.12	88.45	89.34	87.45	88.45	88.68	91.56	92.75
Loss allowance to:											
Loans and leases.....	1.67	1.67	1.58	1.53	1.70	1.68	1.52	1.80	1.85	1.48	1.48
Noncurrent loans and leases.....	67.84	92.50	92.54	74.41	64.77	94.10	48.26	69.62	59.46	84.47	123.46
Noncurrent assets plus other real estate owned to assets.....	1.52	1.71	1.71	1.77	1.47	1.08	2.04	1.39	1.86	1.46	0.85
Equity capital ratio.....	11.23	11.86	10.91	11.90	11.17	12.04	12.32	9.79	10.47	10.96	12.60
Core capital (leverage) ratio.....	9.54	11.76	10.70	10.67	9.25	9.93	9.49	8.62	9.20	10.04	11.57
Tier 1 risk-based capital ratio.....	13.34	19.45	15.87	14.92	12.84	14.36	12.77	12.44	12.58	14.45	15.80
Total risk-based capital ratio.....	15.07	20.56	17.04	16.09	14.70	16.15	14.51	14.08	14.63	15.78	17.09
Net loans and leases to deposits.....	68.91	64.07	74.03	81.87	66.67	70.62	73.70	61.10	66.96	70.77	76.28
Net loans to total assets.....	52.34	54.57	62.13	64.31	49.82	52.74	56.71	44.34	51.50	59.23	59.31
Domestic deposits to total assets.....	66.59	85.18	83.87	78.14	63.18	65.93	73.69	60.78	57.89	83.30	76.57
Structural Changes											
New reporters.....	0	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers.....	74	32	37	4	1	6	15	14	17	15	7
Failed institutions.....	5	2	3	0	0	1	1	1	0	1	1
PRIOR FIRST QUARTERS (The way it was...)											
Number of institutions.....	2013 7,019	2,161	4,196	553	109	867	894	1,500	1,701	1,480	577
.....	2011 7,574	2,573	4,331	563	107	942	1,010	1,581	1,811	1,580	650
.....	2009 8,247	3,052	4,504	576	115	1,005	1,172	1,692	1,924	1,690	764
Total assets (in billions).....	2013 \$14,424.4	\$126.0	\$1,270.8	\$1,423.9	\$11,603.8	\$2,862.6	\$3,017.0	\$3,345.9	\$3,068.2	\$870.9	\$1,259.8
.....	2011 13,414.3	147.1	1,284.8	1,428.4	10,554.0	2,709.1	2,913.4	3,047.9	1,680.2	788.2	2,275.5
.....	2009 13,526.2	167.2	1,359.5	1,512.5	10,486.9	2,505.7	3,520.2	3,176.6	1,064.7	908.9	2,350.2
Return on assets (%).....	2013 1.12	0.72	0.87	1.10	1.15	0.86	1.11	1.09	1.25	1.09	1.47
.....	2011 0.86	0.57	0.52	0.69	0.93	1.04	0.60	0.68	1.19	0.92	0.96
.....	2009 -0.18	0.25	0.27	-0.24	-0.23	-1.82	0.20	0.12	0.56	-0.37	0.37
Net charge-offs to loans & leases (%).....	2013 0.83	0.26	0.33	0.43	0.96	1.10	0.83	0.55	1.05	0.37	0.65
.....	2011 1.83	0.43	0.77	1.37	2.09	2.29	1.82	1.43	2.02	0.83	1.98
.....	2009 1.94	0.57	0.76	1.43	2.26	2.23	1.76	1.63	2.15	0.91	2.67
Noncurrent assets plus OREO to assets (%).....	2013 2.08	2.04	2.30	2.17	2.04	1.41	3.03	1.87	2.34	2.01	1.28
.....	2011 2.96	2.39	3.39	3.47	2.84	2.05	3.97	2.75	4.05	3.02	2.18
.....	2009 2.40	1.87	2.53	2.98	2.31	1.53	2.56	2.43	2.72	2.60	2.81
Equity capital ratio (%).....	2013 11.27	11.97	11.00	11.84	11.23	12.26	12.22	9.12	11.03	10.82	13.41
.....	2011 11.25	11.57	10.28	11.43	11.34	12.74	11.84	8.52	11.58	10.73	12.33
.....	2009 10.05	12.66	9.96	10.56	9.95	11.71	10.19	8.37	9.90	9.87	10.49

* See Table V-A (page 11) for explanations.

Note: Blue font identifies data that are also presented in the prior quarters' data at bottom of table.

TABLE IV-A. Full Year 2013, All FDIC-Insured Institutions

FULL YEAR (The way it is...)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion
Number of institutions reporting	6,812	16	4	1,532	3,377	588	55	406	772	62
Commercial banks.....	5,876	13	4	1,511	3,040	169	42	369	675	53
Savings institutions.....	936	3	0	21	337	419	13	37	97	9
Total assets (in billions)	\$14,722.7	\$590.9	\$3,691.5	\$261.6	\$4,921.9	\$486.9	\$162.5	\$63.0	\$137.6	\$4,406.8
Commercial banks.....	13,670.2	514.3	3,691.5	255.3	4,508.3	194.8	80.8	58.4	116.0	4,250.7
Savings institutions.....	1,052.5	76.6	0.0	6.3	413.6	292.1	81.7	4.7	21.6	156.0
Total deposits (in billions)	11,192.1	340.6	2,645.5	218.0	3,849.5	362.9	137.4	51.6	116.0	3,470.7
Commercial banks.....	10,389.3	287.0	2,645.5	213.7	3,546.0	147.8	68.3	48.2	98.3	3,334.6
Savings institutions.....	802.8	53.6	0.0	4.3	303.5	215.1	69.1	3.4	17.6	136.1
Bank net income (in millions)	154,219	19,490	31,399	2,955	43,622	4,794	1,837	1,221	1,175	47,726
Commercial banks.....	143,052	15,960	31,399	2,833	41,063	2,579	1,037	714	1,067	46,399
Savings institutions.....	11,167	3,530	0	121	2,558	2,215	800	507	108	1,327
Performance Ratios (%)										
Yield on earning assets.....	3.68	10.19	2.88	4.16	3.98	3.59	3.84	3.08	4.06	3.06
Cost of funding earning assets.....	0.42	0.72	0.45	0.55	0.46	0.72	0.53	0.43	0.56	0.26
Net interest margin.....	3.26	9.47	2.43	3.61	3.52	2.87	3.31	2.65	3.49	2.81
Noninterest income to assets.....	1.74	4.49	1.77	0.65	1.33	1.06	1.54	5.10	0.96	1.93
Noninterest expense to assets.....	2.88	5.91	2.54	2.52	3.03	2.35	2.50	4.81	3.01	2.65
Loan and lease loss provision to assets.....	0.22	2.03	0.10	0.10	0.20	0.10	0.47	0.08	0.16	0.14
Net operating income to assets.....	1.05	3.37	0.83	1.14	0.90	0.95	1.10	1.90	0.83	1.08
Pretax return on assets.....	1.55	5.22	1.27	1.36	1.26	1.34	1.82	2.66	1.04	1.62
Return on assets	1.07	3.35	0.86	1.15	0.91	0.98	1.15	1.92	0.86	1.10
Return on equity.....	9.53	22.96	9.57	10.30	7.65	8.59	12.23	13.98	7.46	9.34
Net charge-offs to loans and leases	0.69	3.20	0.97	0.14	0.42	0.37	0.80	0.49	0.33	0.49
Loan and lease loss provision to net charge-offs.....	60.58	81.69	27.99	120.51	69.24	41.72	88.77	60.13	86.30	56.82
Efficiency ratio.....	60.51	43.26	64.84	62.75	64.75	62.23	52.18	63.62	71.86	59.09
% of unprofitable institutions.....	8.12	0.00	0.00	2.87	9.89	12.76	3.64	10.34	7.12	1.61
% of institutions with earnings gains.....	54.05	81.25	75.00	48.63	60.73	43.37	49.09	47.04	46.24	64.52
Condition Ratios (%)										
Earning assets to total assets.....	88.76	92.23	86.82	92.01	89.49	93.71	97.39	91.62	92.03	87.90
Loss allowance to:										
Loans and leases.....	1.72	3.48	2.26	1.44	1.52	1.29	1.26	1.86	1.51	1.43
Noncurrent loans and leases.....	65.62	296.22	82.57	132.84	80.06	42.96	75.78	97.02	82.58	34.56
Noncurrent assets plus other real estate owned to assets	1.63	0.93	1.07	0.95	1.64	2.14	1.23	0.87	1.44	2.17
Equity capital ratio	11.16	14.73	9.30	10.97	11.79	11.62	9.51	13.50	11.34	11.52
Core capital (leverage) ratio.....	9.40	13.01	7.89	10.33	10.13	10.91	9.45	13.10	11.26	9.03
Tier 1 risk-based capital ratio.....	13.13	14.71	12.68	14.52	12.75	21.40	13.82	29.71	19.36	12.58
Total risk-based capital ratio.....	14.93	16.96	14.77	15.64	14.37	22.52	14.65	30.73	20.53	14.46
Net loans and leases to deposits.....	69.31	132.84	47.99	74.07	84.89	80.79	80.08	34.19	63.99	60.82
Net loans to total assets.....	52.69	76.57	34.39	61.72	66.39	60.22	67.72	27.97	53.92	47.90
Domestic deposits to total assets.....	66.50	54.61	43.93	83.33	77.13	74.38	84.55	81.07	84.26	71.84
Structural Changes										
New reporters.....	2	0	0	1	0	1	0	0	0	0
Institutions absorbed by mergers.....	232	0	0	36	161	8	0	2	15	10
Failed institutions.....	24	0	0	0	21	0	0	0	3	0
PRIOR FULL YEARS (The way it was...)										
Number of institutions.....2012	7,083	19	5	1,537	3,499	659	51	414	826	73
.....2010	7,658	22	4	1,559	4,085	718	72	314	815	69
.....2008	8,305	26	5	1,559	4,753	839	91	279	709	44
Total assets (in billions)2012	\$14,450.7	\$600.7	\$3,808.4	\$239.8	\$4,339.4	\$628.3	\$101.6	\$64.9	\$145.8	\$4,521.8
.....2010	13,318.9	705.4	3,038.1	199.8	4,094.6	789.0	114.3	42.9	132.3	4,202.6
.....2008	13,841.2	513.0	3,410.1	168.8	5,461.2	997.1	122.2	34.4	94.8	3,039.6
Return on assets (%)2012	1.00	3.13	0.80	1.27	0.89	0.87	1.46	1.23	0.86	1.00
.....2010	0.65	1.82	0.72	0.98	0.20	0.68	1.28	1.48	0.70	0.80
.....2008	0.03	1.70	0.25	1.00	-0.13	-0.48	-0.01	1.43	0.82	-0.09
Net charge-offs to loans & leases (%)2012	1.10	3.69	1.41	0.24	0.75	0.82	1.31	0.45	0.45	0.94
.....2010	2.55	10.83	2.29	0.59	1.90	1.14	2.37	0.64	0.56	1.87
.....2008	1.29	5.94	1.44	0.41	1.14	0.86	1.74	0.35	0.35	0.74
Noncurrent assets plus OREO to assets (%)2012	2.20	1.11	1.39	1.11	2.21	2.70	0.88	1.04	1.67	3.05
.....2010	3.11	1.90	2.38	1.62	3.71	2.88	1.22	0.81	1.67	3.49
.....2008	1.91	2.08	1.59	1.17	2.34	2.55	1.31	0.35	1.05	1.35
Equity capital ratio (%)2012	11.17	14.67	8.93	11.14	11.93	11.09	9.57	14.27	11.47	11.84
.....2010	11.15	14.96	8.93	10.86	11.40	10.05	11.00	16.31	11.01	12.04
.....2008	9.33	20.47	7.01	10.99	10.04	7.45	9.85	18.63	11.28	9.11

* See Table V-A (page 10) for explanations.

Note: Blue font identifies data that are also presented in the prior years' data at bottom of table.

TABLE IV-A. Full Year 2013, All FDIC-Insured Institutions

FULL YEAR (The way it is...)	All Insured Institutions	Asset Size Distribution				Geographic Regions*					
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to to \$10 Billion	Greater Than \$10 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting.....	6,812	2,056	4,090	559	107	840	869	1,470	1,659	1,431	543
Commercial banks.....	5,876	1,814	3,522	450	90	461	784	1,219	1,586	1,334	492
Savings institutions.....	936	242	568	109	17	379	85	251	73	97	51
Total assets (in billions).....	\$14,722.7	\$119.7	\$1,246.1	\$1,468.7	\$11,888.2	\$2,927.4	\$2,998.8	\$3,377.7	\$3,214.1	\$870.0	\$1,334.6
Commercial banks.....	13,670.2	106.0	1,046.4	1,188.3	11,329.5	2,470.6	2,913.6	3,267.1	3,153.8	766.9	1,098.2
Savings institutions.....	1,052.5	13.7	199.7	280.4	558.6	456.8	85.3	110.6	60.3	103.1	236.4
Total deposits (in billions).....	11,192.1	101.7	1,042.7	1,147.6	8,900.0	2,179.6	2,308.7	2,464.2	2,482.0	726.2	1,031.3
Commercial banks.....	10,389.3	90.8	883.1	937.5	8,477.9	1,849.5	2,244.5	2,379.8	2,433.6	641.1	840.9
Savings institutions.....	802.8	10.9	159.6	210.1	422.1	330.1	64.3	84.4	48.5	85.1	190.4
Bank net income (in millions).....	154,219	853	11,218	16,792	125,356	25,112	29,637	31,923	38,681	9,299	19,567
Commercial banks.....	143,052	797	9,511	14,116	118,629	22,705	29,061	30,544	38,183	7,969	14,590
Savings institutions.....	11,167	56	1,707	2,676	6,727	2,407	576	1,378	499	1,330	4,977
Performance Ratios (%)											
Yield on earning assets.....	3.68	4.17	4.23	4.33	3.53	3.97	3.66	2.91	3.95	3.97	4.22
Cost of funding earning assets.....	0.42	0.56	0.58	0.52	0.39	0.46	0.36	0.36	0.48	0.39	0.50
Net interest margin.....	3.26	3.62	3.66	3.81	3.14	3.51	3.30	2.54	3.47	3.57	3.72
Noninterest income to assets.....	1.74	1.11	1.13	1.31	1.86	1.58	1.77	1.92	1.62	1.42	2.05
Noninterest expense to assets.....	2.88	3.47	3.19	3.15	2.81	2.98	3.02	2.77	2.68	3.12	2.91
Loan and lease loss provision to assets.....	0.22	0.14	0.18	0.19	0.23	0.38	0.20	0.06	0.25	0.14	0.35
Net operating income to assets.....	1.05	0.69	0.89	1.15	1.05	0.86	0.96	0.93	1.23	1.09	1.50
Pretax return on assets.....	1.55	0.81	1.15	1.46	1.60	1.37	1.45	1.34	1.76	1.42	2.28
Return on assets.....	1.07	0.71	0.91	1.17	1.07	0.88	0.98	0.95	1.24	1.08	1.53
Return on equity.....	9.53	5.99	8.40	9.82	9.65	7.23	8.07	10.32	11.54	10.03	11.75
Net charge-offs to loans and leases.....	0.69	0.34	0.36	0.40	0.78	0.93	0.66	0.48	0.87	0.32	0.57
Loan and lease loss provision to net charge-offs.....	60.58	75.78	79.98	72.34	58.39	76.30	53.52	27.62	53.57	72.90	101.04
Efficiency ratio.....	60.51	78.56	70.73	64.81	58.75	58.65	64.07	66.15	55.78	66.19	52.48
% of unprofitable institutions.....	8.12	13.08	6.53	2.50	2.80	10.71	14.15	9.18	4.40	5.31	10.31
% of institutions with earnings gains.....	54.05	48.49	55.53	62.08	62.62	50.12	62.26	50.88	51.66	54.58	61.51
Condition Ratios (%)											
Earning assets to total assets.....	88.76	91.40	92.10	91.13	88.09	89.25	87.09	87.72	88.60	91.44	92.68
Loss allowance to:											
Loans and leases.....	1.72	1.67	1.60	1.56	1.76	1.71	1.59	1.83	1.94	1.51	1.52
Noncurrent loans and leases.....	65.62	91.21	88.44	70.93	62.85	92.92	46.87	67.31	57.88	79.99	117.79
Noncurrent assets plus other real estate owned to assets.....	1.63	1.75	1.81	1.89	1.57	1.12	2.23	1.47	1.99	1.58	0.92
Equity capital ratio.....	11.16	11.69	10.78	11.80	11.12	12.02	12.19	9.66	10.46	10.87	12.64
Core capital (leverage) ratio.....	9.40	11.59	10.63	10.61	9.10	9.83	9.48	8.36	8.97	9.97	11.62
Tier 1 risk-based capital ratio.....	13.13	19.06	15.73	14.88	12.60	14.07	12.67	12.25	12.20	14.36	15.79
Total risk-based capital ratio.....	14.93	20.16	16.90	16.07	14.54	15.74	14.41	14.20	14.35	15.67	17.10
Net loans and leases to deposits.....	69.31	65.66	74.89	82.42	67.01	71.14	74.55	61.24	67.00	71.50	77.02
Net loans to total assets.....	52.69	55.78	62.67	64.40	50.16	52.97	57.39	44.68	51.74	59.68	59.52
Domestic deposits to total assets.....	66.50	84.95	83.62	77.74	63.13	65.70	73.62	61.09	57.80	83.09	76.13
Structural Changes											
New reporters.....	2	1	0	1	0	2	0	0	0	0	0
Institutions absorbed by mergers.....	232	80	130	20	2	29	20	42	50	56	35
Failed institutions.....	24	13	10	1	0	1	9	4	1	4	5
PRIOR FULL YEARS (The way it was...)											
Number of institutions.....2012	7,083	2,204	4,217	555	107	873	904	1,515	1,716	1,490	585
.....2010	7,658	2,625	4,367	559	107	949	1,022	1,602	1,825	1,601	659
.....2008	8,305	3,132	4,498	561	114	1,015	1,180	1,705	1,935	1,700	770
Total assets (in billions).....2012	\$14,450.7	\$128.1	\$1,275.0	\$1,454.8	\$11,592.7	\$2,896.0	\$3,056.1	\$3,298.5	\$3,068.7	\$870.4	\$1,260.9
.....2010	13,318.9	148.6	1,291.7	1,429.6	10,449.0	2,694.8	2,929.8	2,950.1	1,686.5	789.0	2,268.7
.....2008	13,841.2	170.9	1,354.7	1,489.8	10,825.8	2,594.2	3,745.9	3,264.3	1,057.2	780.9	2,398.7
Return on assets (%).....2012	1.00	0.68	0.80	1.13	1.01	0.96	0.77	0.90	1.10	1.01	1.72
.....2010	0.65	0.27	0.26	0.19	0.76	0.76	0.34	0.60	0.84	0.68	0.81
.....2008	0.03	0.25	0.24	-0.30	0.05	0.25	-0.14	0.29	0.56	0.51	-0.63
Net charge-offs to loans & leases (%).....2012	1.10	0.43	0.64	0.73	1.22	1.24	1.19	0.85	1.37	0.55	0.84
.....2010	2.55	0.80	1.12	1.80	2.93	3.57	2.43	2.03	2.88	1.27	2.29
.....2008	1.29	0.46	0.67	1.10	1.45	1.44	1.01	1.24	1.60	0.68	1.74
Noncurrent assets plus OREO to assets (%).....2012	2.20	2.10	2.37	2.46	2.15	1.46	3.23	2.00	2.45	2.06	1.38
.....2010	3.11	2.38	3.44	3.57	3.01	2.14	3.93	2.98	4.24	3.17	2.51
.....2008	1.91	1.66	2.16	2.46	1.80	1.20	2.02	1.93	2.28	1.80	2.33
Equity capital ratio (%).....2012	11.17	12.00	10.90	11.77	11.11	12.18	12.03	9.09	10.86	10.70	13.23
.....2010	11.15	11.70	10.15	11.18	11.26	12.58	11.59	8.71	11.33	10.54	12.11
.....2008	9.33	12.87	10.00	10.65	9.01	11.14	9.56	8.07	9.49	9.95	8.45

* See Table V-A (page 11) for explanations.

Note: Blue font identifies data that are also presented in the prior years' data at bottom of table.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

March 31, 2014	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	1.10	0.15	1.45	0.87	0.78	0.95	0.73	1.51	1.50	1.63
Construction and development	0.70	0.00	0.80	0.88	0.65	0.72	1.14	1.11	1.32	0.79
Nonfarm nonresidential	0.50	0.00	0.38	0.81	0.50	0.52	1.46	1.08	1.29	0.40
Multifamily residential real estate	0.28	0.00	0.14	0.28	0.28	0.31	0.02	0.73	0.70	0.41
Home equity loans	0.71	0.62	0.94	0.62	0.59	0.70	0.47	1.03	0.66	0.74
Other 1-4 family residential	1.80	0.14	2.33	1.37	1.32	1.06	0.75	2.06	1.79	2.47
Commercial and industrial loans	0.34	0.95	0.34	1.03	0.28	0.53	0.32	1.63	1.12	0.35
Loans to individuals	1.26	1.11	1.36	1.43	1.13	1.36	0.76	1.52	1.85	1.64
Credit card loans	1.15	1.10	1.27	1.14	1.19	1.82	0.56	1.15	1.32	1.28
Other loans to individuals	1.37	1.22	1.52	1.45	1.12	1.00	0.82	1.55	1.86	1.70
All other loans and leases (including farm)	0.26	0.28	0.18	0.94	0.25	0.15	0.10	0.58	0.42	0.28
Total loans and leases	0.88	1.09	0.90	0.93	0.65	0.91	0.71	1.47	1.42	1.15
Percent of Loans Noncurrent**										
All real estate loans	4.16	0.60	6.04	1.37	2.52	2.91	4.14	2.21	2.25	7.23
Construction and development	3.43	0.00	1.29	2.78	3.65	2.55	30.60	4.75	5.00	2.64
Nonfarm nonresidential	1.78	4.11	1.20	1.99	1.74	1.51	11.89	2.38	2.47	1.88
Multifamily residential real estate	0.74	0.00	0.47	0.69	0.81	0.67	3.19	1.03	2.18	0.67
Home equity loans	2.70	0.00	3.64	1.07	1.55	1.96	2.84	0.93	0.76	3.68
Other 1-4 family residential	6.85	0.50	10.21	1.30	3.92	3.28	3.26	1.88	2.13	10.92
Commercial and industrial loans	0.60	0.90	0.54	1.51	0.68	0.80	0.81	1.58	1.72	0.39
Loans to individuals	1.01	1.17	1.12	0.58	0.91	1.19	0.81	0.54	0.91	0.83
Credit card loans	1.21	1.18	1.22	0.29	1.38	1.75	1.18	0.70	0.71	1.26
Other loans to individuals	0.81	0.86	0.93	0.61	0.84	0.76	0.69	0.53	0.91	0.75
All other loans and leases (including farm)	0.28	0.17	0.33	0.43	0.38	0.14	0.09	0.65	0.49	0.15
Total loans and leases	2.46	1.14	2.62	1.14	1.81	2.60	1.56	1.84	1.99	3.82
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.24	0.07	0.35	0.05	0.21	0.22	0.43	0.05	0.15	0.27
Construction and development	0.06	0.00	-0.21	-0.30	0.20	0.30	0.15	0.33	0.05	-0.49
Nonfarm nonresidential	0.10	0.00	-0.03	0.09	0.14	0.05	-0.21	0.08	0.21	-0.01
Multifamily residential real estate	0.01	0.00	0.01	0.16	0.02	0.02	-0.21	-1.97	0.09	-0.03
Home equity loans	0.72	0.00	0.83	-0.12	0.47	0.56	1.24	0.11	0.21	0.96
Other 1-4 family residential	0.25	0.06	0.35	0.10	0.28	0.22	0.19	0.09	0.15	0.22
Commercial and industrial loans	0.23	2.42	0.19	0.10	0.23	0.04	0.08	0.02	0.22	0.09
Loans to individuals	2.05	3.11	2.73	0.39	0.98	0.92	0.87	0.35	0.25	1.36
Credit card loans	3.26	3.18	3.48	1.11	3.63	1.25	2.16	1.72	1.52	3.64
Other loans to individuals	0.83	1.56	1.42	0.33	0.58	0.63	0.47	0.24	0.23	0.92
All other loans and leases (including farm)	0.08	0.00	0.07	0.00	0.15	0.10	0.18	0.57	0.00	0.04
Total loans and leases	0.52	3.03	0.72	0.06	0.27	0.23	0.72	0.11	0.17	0.34
Loans Outstanding (in billions)										
All real estate loans	\$4,075.5	\$0.2	\$476.6	\$90.9	\$2,060.7	\$293.5	\$25.5	\$13.9	\$59.2	\$1,055.0
Construction and development	214.3	0.0	6.3	4.5	155.8	6.9	0.3	0.9	3.1	36.4
Nonfarm nonresidential	1,117.7	0.0	37.1	24.8	802.5	28.2	1.8	5.1	14.4	203.8
Multifamily residential real estate	271.7	0.0	49.5	2.6	175.5	9.6	0.2	0.4	1.6	32.4
Home equity loans	503.5	0.0	88.2	1.7	204.9	20.1	6.7	0.5	2.5	179.0
Other 1-4 family residential	1,822.3	0.2	237.3	23.4	688.1	227.3	16.4	6.2	33.4	590.0
Commercial and industrial loans	1,614.3	35.9	274.3	18.8	793.2	16.4	6.2	2.6	6.5	460.3
Loans to individuals	1,327.0	412.9	249.3	6.0	274.2	13.7	77.6	2.4	5.8	285.2
Credit card loans	658.4	396.6	157.1	0.4	35.4	5.9	18.3	0.2	0.1	44.3
Other loans to individuals	668.6	16.3	92.2	5.5	238.7	7.7	59.2	2.2	5.7	240.9
All other loans and leases (including farm)	916.0	3.6	300.0	33.9	235.8	16.3	2.0	1.2	4.9	318.2
Total loans and leases (plus unearned income)	7,932.8	452.7	1,300.3	149.6	3,363.9	339.8	111.3	20.1	76.4	2,118.7
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	29,366.6	1.2	3,076.8	612.5	16,733.6	1,345.9	148.2	232.0	670.4	6,545.9
Construction and development	7,934.9	0.0	2.1	216.8	6,252.3	251.6	23.1	98.4	206.8	883.8
Nonfarm nonresidential	6,695.0	0.0	61.4	229.3	5,029.4	137.0	42.2	81.0	204.7	910.1
Multifamily residential real estate	696.3	0.0	6.0	21.7	522.7	18.2	0.4	5.1	17.3	104.9
1-4 family residential	6,573.3	0.2	739.3	101.5	3,611.3	489.2	72.7	45.5	229.7	1,283.8
Farmland	283.1	0.0	0.0	42.7	212.4	2.3	0.9	2.0	12.0	10.8
GNMA properties	7,126.1	0.0	2,213.0	0.4	1,105.7	447.5	8.9	0.0	0.0	3,350.6

* Asset Concentration Group Definitions (Groups are hierarchical and mutually exclusive):

Credit-card Lenders - Institutions whose credit-card loans plus securitized receivables exceed 50 percent of total assets plus securitized receivables.

International Banks - Banks with assets greater than \$10 billion and more than 25 percent of total assets in foreign offices.

Agricultural Banks - Banks whose agricultural production loans plus real estate loans secured by farmland exceed 25 percent of the total loans and leases.

Commercial Lenders - Institutions whose commercial and industrial loans, plus real estate construction and development loans, plus loans secured by commercial real estate properties exceed 25 percent of total assets.

Mortgage Lenders - Institutions whose residential mortgage loans, plus mortgage-backed securities, exceed 50 percent of total assets.

Consumer Lenders - Institutions whose residential mortgage loans, plus credit-card loans, plus other loans to individuals, exceed 50 percent of total assets.

Other Specialized < \$1 Billion - Institutions with assets less than \$1 billion, whose loans and leases are less than 40 percent of total assets.

All Other < \$1 billion - Institutions with assets less than \$1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.

All Other > \$1 billion - Institutions with assets greater than \$1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

March 31, 2014	All Insured Institutions	Asset Size Distribution				Geographic Regions*					
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater Than \$10 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate.....	1.10	1.41	0.93	0.75	1.23	0.81	1.25	1.07	1.59	0.99	0.55
Construction and development.....	0.70	0.91	0.82	0.66	0.66	0.88	0.86	0.59	0.61	0.60	0.50
Nonfarm nonresidential.....	0.50	1.19	0.73	0.49	0.39	0.59	0.48	0.60	0.37	0.58	0.34
Multifamily residential real estate.....	0.28	0.65	0.49	0.23	0.25	0.20	0.47	0.32	0.25	0.37	0.22
Home equity loans.....	0.71	0.93	0.62	0.54	0.73	0.49	0.82	0.80	0.72	0.50	0.51
Other 1-4 family residential.....	1.80	1.88	1.32	1.29	1.96	1.23	1.86	1.67	2.75	1.76	0.83
Commercial and industrial loans.....	0.34	1.38	0.79	0.43	0.29	0.40	0.37	0.39	0.24	0.43	0.26
Loans to individuals.....	1.26	1.85	1.51	1.32	1.25	1.09	1.81	1.14	1.36	0.83	0.99
Credit card loans.....	1.15	1.81	1.35	1.60	1.13	0.97	1.61	0.98	1.31	0.54	1.25
Other loans to individuals.....	1.37	1.85	1.52	1.19	1.37	1.42	1.91	1.20	1.42	0.98	0.78
All other loans and leases (including farm).....	0.26	0.95	0.66	0.37	0.23	0.37	0.17	0.34	0.16	0.41	0.44
Total loans and leases.....	0.88	1.38	0.92	0.72	0.89	0.77	1.00	0.83	1.06	0.82	0.57
Percent of Loans Noncurrent**											
All real estate loans.....	4.16	2.07	1.85	2.51	5.13	2.69	5.46	4.52	5.77	2.40	1.74
Construction and development.....	3.43	4.16	4.02	3.76	2.97	4.79	3.92	3.45	2.87	2.13	2.99
Nonfarm nonresidential.....	1.78	2.46	1.83	1.94	1.66	2.05	1.70	2.01	1.73	1.55	1.41
Multifamily residential real estate.....	0.74	2.33	1.17	0.86	0.60	0.52	0.82	0.91	0.96	1.29	0.52
Home equity loans.....	2.70	1.20	0.98	1.16	2.98	2.04	3.48	2.82	2.75	1.90	1.04
Other 1-4 family residential.....	6.85	1.98	1.74	3.70	8.28	3.71	8.45	7.52	9.95	3.77	2.23
Commercial and industrial loans.....	0.60	1.83	1.52	1.05	0.46	0.77	0.47	0.65	0.54	0.73	0.53
Loans to individuals.....	1.01	0.83	1.23	0.77	1.01	1.00	1.07	0.85	1.21	0.68	0.86
Credit card loans.....	1.21	0.93	1.12	1.57	1.20	1.05	1.55	1.16	1.28	1.16	1.32
Other loans to individuals.....	0.81	0.83	1.24	0.42	0.81	0.87	0.84	0.75	1.13	0.44	0.49
All other loans and leases (including farm).....	0.28	0.65	0.50	0.48	0.25	0.37	0.20	0.15	0.36	0.33	0.49
Total loans and leases.....	2.46	1.80	1.71	2.05	2.63	1.78	3.14	2.58	3.11	1.75	1.20
Percent of Loans Charged-Off (net, YTD)											
All real estate loans.....	0.24	0.16	0.14	0.15	0.28	0.21	0.33	0.28	0.26	0.10	0.06
Construction and development.....	0.06	0.45	0.16	0.10	-0.02	0.48	0.16	0.03	-0.35	-0.01	-0.20
Nonfarm nonresidential.....	0.10	0.21	0.13	0.14	0.07	0.14	0.15	0.15	0.00	0.04	0.06
Multifamily residential real estate.....	0.01	-0.06	0.10	-0.01	0.00	-0.02	0.01	0.05	-0.09	0.10	0.01
Home equity loans.....	0.72	0.28	0.17	0.28	0.80	0.43	1.00	0.69	0.82	0.61	0.15
Other 1-4 family residential.....	0.25	0.16	0.16	0.21	0.28	0.25	0.27	0.28	0.32	0.13	0.09
Commercial and industrial loans.....	0.23	0.22	0.29	0.18	0.23	0.37	0.14	0.27	0.14	0.13	0.35
Loans to individuals.....	2.05	0.46	0.68	1.57	2.12	2.40	1.87	1.25	2.63	1.09	1.76
Credit card loans.....	3.26	2.76	3.96	3.74	3.24	2.92	3.98	3.10	3.63	2.04	3.32
Other loans to individuals.....	0.83	0.44	0.46	0.58	0.87	0.95	0.81	0.63	1.32	0.60	0.47
All other loans and leases (including farm).....	0.08	0.00	0.11	0.11	0.08	0.08	0.04	0.15	0.04	0.12	0.09
Total loans and leases.....	0.52	0.18	0.18	0.26	0.62	0.75	0.47	0.38	0.61	0.21	0.50
Loans Outstanding (in billions)											
All real estate loans.....	\$4,075.5	\$45.9	\$605.8	\$699.6	\$2,724.2	\$820.7	\$918.3	\$788.7	\$807.9	\$332.6	\$407.3
Construction and development.....	214.3	2.7	49.8	53.7	108.1	40.3	48.2	34.0	32.0	41.5	18.4
Nonfarm nonresidential.....	1,117.7	12.7	241.3	289.3	574.3	256.0	231.1	184.8	166.4	130.9	148.4
Multifamily residential real estate.....	271.7	1.4	31.6	60.6	178.1	94.9	33.3	74.2	22.9	11.4	34.9
Home equity loans.....	503.5	1.2	27.6	44.8	429.9	90.3	131.8	127.1	107.3	18.9	28.2
Other 1-4 family residential.....	1,822.3	20.5	214.7	234.8	1,352.3	335.2	463.4	348.6	390.6	116.6	167.9
Commercial and industrial loans.....	1,614.3	8.0	103.8	161.2	1,341.3	248.4	388.2	333.9	342.3	113.7	187.8
Loans to individuals.....	1,327.0	4.1	34.6	67.4	1,220.9	376.2	235.8	196.7	288.2	51.9	178.1
Credit card loans.....	658.4	0.0	2.2	20.7	635.5	274.4	76.6	48.0	161.6	17.5	80.2
Other loans to individuals.....	668.6	4.0	32.4	46.7	585.4	101.8	159.2	148.7	126.6	34.4	97.9
All other loans and leases (including farm).....	916.0	7.6	42.6	48.4	817.4	144.7	204.1	223.4	261.3	32.8	49.7
Total loans and leases (plus unearned income).....	7,932.8	65.6	786.8	976.6	6,103.8	1,589.9	1,746.4	1,542.8	1,699.6	531.0	823.0
Memo: Other Real Estate Owned (in millions)											
All other real estate owned.....	29,366.6	835.5	7,699.5	6,216.4	14,615.2	3,470.7	6,785.7	7,357.9	6,575.6	3,467.4	1,709.3
Construction and development.....	7,934.9	280.4	3,455.0	2,429.4	1,770.1	723.7	2,266.3	1,098.5	1,636.9	1,514.8	694.6
Nonfarm nonresidential.....	6,695.0	287.7	2,539.3	1,938.3	1,929.7	969.0	1,374.4	1,408.0	1,305.4	1,094.2	544.0
Multifamily residential real estate.....	696.3	32.5	213.9	176.5	273.5	200.8	98.4	144.9	139.7	77.9	34.6
1-4 family residential.....	6,573.3	220.2	1,339.3	1,263.7	3,750.1	1,279.8	1,666.0	1,668.5	946.6	617.1	395.2
Farmland.....	283.1	14.8	140.5	97.0	30.9	20.0	72.8	48.3	46.3	78.0	17.7
GNMA properties.....	7,126.1	0.0	11.6	311.5	6,803.0	276.4	1,307.8	2,989.8	2,443.7	85.4	23.0

* Regions:

New York - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands

Atlanta - Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia

Chicago - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin

Kansas City - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Dallas - Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas

San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

Table VI-A. Derivatives, All FDIC-Insured Call Report Filers

	1st Quarter 2014	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013	1st Quarter 2013	% Change 13Q1- 14Q1	Asset Size Distribution			
							Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater Than \$10 Billion
(dollar figures in millions; notional amounts unless otherwise indicated)										
ALL DERIVATIVE HOLDERS										
Number of institutions reporting derivatives.....	1,398	1,390	1,424	1,412	1,400	-0.1	72	855	372	99
Total assets of institutions reporting derivatives.....	\$13,233,953	\$13,068,354	\$12,906,608	\$12,690,786	\$12,689,035	4.3	\$5,355	\$357,844	\$1,086,216	\$11,784,538
Total deposits of institutions reporting derivatives.....	9,974,698	9,858,640	9,682,692	9,410,509	9,427,713	5.8	4,583	297,053	867,615	8,805,447
Total derivatives.....	233,457,475	238,755,603	243,290,586	236,542,159	232,583,465	0.4	190	20,638	91,148	233,345,500
Derivative Contracts by Underlying Risk Exposure										
Interest rate.....	185,830,083	194,555,379	195,710,388	188,190,450	184,797,423	0.6	189	18,787	83,240	185,727,867
Foreign exchange*.....	32,994,577	29,668,744	31,200,455	31,471,711	30,374,632	8.6	0	1,680	6,852	32,986,044
Equity.....	2,151,169	2,077,309	2,191,416	2,130,468	2,064,904	4.2	0	73	415	2,150,681
Commodity & other (excluding credit derivatives).....	1,263,060	1,208,874	1,339,676	1,367,298	1,445,238	-12.6	0	5	220	1,262,835
Credit.....	11,218,586	11,245,297	12,848,651	13,382,231	13,901,267	-19.3	0	93	420	11,218,072
Total.....	233,457,475	238,755,603	243,290,586	236,542,159	232,583,465	0.4	190	20,638	91,148	233,345,500
Derivative Contracts by Transaction Type										
Swaps.....	139,451,119	150,608,677	150,075,780	141,036,599	137,818,904	1.2	47	7,389	49,558	139,394,125
Futures & forwards.....	44,424,266	42,022,121	42,067,188	43,970,239	46,024,148	-3.5	44	6,926	22,456	44,394,840
Purchased options.....	17,909,006	16,870,263	17,637,787	17,680,639	16,644,988	7.6	14	815	4,785	17,903,392
Written options.....	17,629,569	16,929,743	17,784,103	17,800,582	17,161,532	2.7	85	5,399	12,705	17,611,380
Total.....	219,413,960	226,430,803	227,564,857	220,488,059	217,649,573	0.8	190	20,528	89,504	219,303,737
Fair Value of Derivative Contracts										
Interest rate contracts.....	72,730	71,270	64,832	60,694	67,678	7.5	1	40	56	72,633
Foreign exchange contracts.....	5,563	5,991	-10,390	-4,673	-6,685	N/M	0	0	-6	5,569
Equity contracts.....	1,553	32	-1,928	1,396	-2,588	N/M	0	9	8	1,537
Commodity & other (excluding credit derivatives).....	-893	1,350	1,181	1,298	-2,544	N/M	0	1	-4	-890
Credit derivatives as guarantor.....	80,758	74,870	27,246	-8,729	-20,833	N/M	0	0	0	80,758
Credit derivatives as beneficiary.....	-77,327	-71,252	-22,672	13,888	25,373	N/M	0	0	-24	-77,303
Derivative Contracts by Maturity**										
Interest rate contracts.....										
< 1 year.....	77,936,405	77,933,066	91,852,227	88,198,011	86,869,690	-10.3	41	5,237	17,252	77,913,874
1-5 years.....	37,667,856	44,472,870	32,988,175	30,694,796	29,322,277	28.5	25	3,423	23,953	37,640,454
> 5 years.....	24,282,231	24,885,723	21,753,468	20,836,812	20,275,485	19.8	38	4,104	23,790	24,254,299
Foreign exchange contracts.....										
< 1 year.....	20,099,306	18,349,410	18,975,694	19,247,580	18,646,641	7.8	0	1,249	4,232	20,093,826
1-5 years.....	2,299,021	2,325,624	2,870,026	2,737,466	2,758,223	-16.6	0	0	93	2,298,928
> 5 years.....	974,381	1,029,302	1,503,977	1,456,229	1,427,702	-31.8	0	0	0	974,381
Equity contracts.....										
< 1 year.....	673,720	661,448	706,604	660,945	648,510	3.9	0	3	37	673,679
1-5 years.....	305,141	292,486	311,790	271,219	255,625	19.4	0	12	112	305,017
> 5 years.....	89,804	135,907	88,294	80,891	74,515	20.5	0	23	18	89,673
Commodity & other contracts.....										
< 1 year.....	379,469	338,091	375,292	424,508	479,201	-20.8	0	1	137	379,331
1-5 years.....	140,984	163,812	175,069	163,093	179,141	-21.3	0	0	8	140,976
> 5 years.....	18,960	5,903	16,142	15,300	21,505	-11.8	0	0	0	18,960
Risk-Based Capital: Credit Equivalent Amount										
Total current exposure to tier 1 capital (%).....	23.5	26.1	27.1	30.5	32.6		0.1	0.3	0.6	26.7
Total potential future exposure to tier 1 capital (%).....	56.7	58.7	62.4	62.8	62.3		0.1	0.3	0.5	64.5
Total exposure (credit equivalent amount) to tier 1 capital (%).....	80.3	84.8	89.5	93.3	94.9		0.2	0.6	1.1	91.3
Credit losses on derivatives***	12.9	264.2	180.7	145.0	84.3	-84.7	0.0	0.3	0.1	12.5
HELD FOR TRADING										
Number of institutions reporting derivatives.....	245	253	242	242	239	2.5	8	92	81	64
Total assets of institutions reporting derivatives.....	10,658,787	10,573,821	10,414,762	10,169,674	10,137,664	5.1	641	45,186	282,175	10,330,786
Total deposits of institutions reporting derivatives.....	8,023,514	7,985,223	7,805,731	7,533,192	7,537,825	6.4	545	37,451	223,522	7,761,996
Derivative Contracts by Underlying Risk Exposure										
Interest rate.....	182,694,013	190,617,697	191,932,848	184,197,615	180,965,139	1.0	25	2,320	21,682	182,669,985
Foreign exchange.....	29,320,112	27,745,453	27,518,482	28,043,313	28,471,504	3.0	0	0	2,700	29,317,411
Equity.....	2,135,205	2,060,585	2,175,912	2,116,168	2,051,707	4.1	0	0	1	2,135,204
Commodity & other.....	1,256,235	1,200,547	1,330,681	1,356,542	1,428,759	-12.1	0	3	123	1,256,108
Total.....	215,405,564	221,624,282	222,957,923	215,713,638	212,917,110	1.2	26	2,323	24,507	215,378,708
Trading Revenues: Cash & Derivative Instruments										
Interest rate.....	1,775	475	3,085	2,762	2,216	-19.9	0	0	27	1,748
Foreign exchange.....	2,201	1,532	499	3,139	3,190	-31.0	0	0	2	2,199
Equity.....	607	470	230	922	830	-26.9	0	0	4	603
Commodity & other (including credit derivatives).....	1,531	483	656	452	1,253	22.2	0	0	0	1,532
Total trading revenues.....	6,114	2,960	4,469	7,275	7,489	-18.4	0	0	32	6,082
Share of Revenue										
Trading revenues to gross revenues (%).....	5.4	2.6	3.9	6.0	6.2		0.0	0.0	1.0	5.5
Trading revenues to net operating revenues (%).....	26.5	11.5	20.8	31.2	29.0		0.0	0.3	7.9	27.0
HELD FOR PURPOSES OTHER THAN TRADING										
Number of institutions reporting derivatives.....	1,280	1,254	1,287	1,272	1,264	1.3	64	785	340	91
Total assets of institutions reporting derivatives.....	12,928,122	12,757,901	12,611,978	12,299,488	12,355,856	4.6	4,715	328,413	993,839	11,601,154
Total deposits of institutions reporting derivatives.....	9,732,773	9,614,299	9,449,509	9,103,518	9,168,313	6.2	4,038	272,530	793,395	8,662,811
Derivative Contracts by Underlying Risk Exposure										
Interest rate.....	3,136,071	3,937,682	3,777,540	3,992,835	3,832,284	-18.2	164	16,467	61,558	3,057,882
Foreign exchange.....	849,536	843,789	804,895	756,530	870,503	-2.4	0	1,664	2,929	844,944
Equity.....	15,964	16,724	15,504	14,300	13,197	21.0	0	73	414	15,477
Commodity & other.....	6,825	8,327	8,995	10,756	16,479	-58.6	0	2	97	6,727
Total notional amount.....	4,008,396	4,806,521	4,606,934	4,774,421	4,732,462	-15.3	164	18,205	64,997	3,925,029

All line items are reported on a quarterly basis.

N/M - Not Meaningful

* Include spot foreign exchange contracts. All other references to foreign exchange contracts in which notional values or fair values are reported exclude spot foreign exchange contracts.

** Derivative contracts subject to the risk-based capital requirements for derivatives.

*** The reporting of credit losses on derivatives is applicable to all banks filing the FFIEC 031 report form and to those banks filing the FFIEC 041 report form that have \$300 million or more in total assets.

TABLE VII-A. Servicing, Securitization, and Asset Sales Activities (All FDIC-Insured Call Report Filers)

	1st Quarter 2014	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013	1st Quarter 2013	% Change 13Q1- 14Q1	Asset Size Distribution			
							Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater Than \$10 Billion
(dollar figures in millions)										
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements										
Number of institutions reporting securitization activities	79	83	82	88	96	-17.7	1	30	17	31
Outstanding Principal Balance by Asset Type										
1-4 family residential loans.....	\$598,531	\$610,275	\$625,642	\$634,877	\$636,296	-5.9	\$0	\$2,824	\$13,689	\$582,018
Home equity loans.....	41	42	44	46	47	-12.8	0	0	0	40
Credit card receivables.....	16,349	19,405	17,115	17,945	18,832	-13.2	0	161	0	16,189
Auto loans.....	4,735	4,676	4,708	3,860	4,505	5.1	0	711	0	4,024
Other consumer loans.....	4,462	4,607	4,790	4,938	5,155	-13.4	0	2	0	4,460
Commercial and industrial loans.....	1,881	1,987	3,945	4,472	4,025	-53.3	0	12	0	1,869
All other loans, leases, and other assets.....	96,092	101,456	104,890	99,226	140,309	-31.5	0	3,507	5,040	87,545
Total securitized and sold.....	722,091	742,448	761,133	765,366	809,168	-10.8	0	7,218	18,730	696,144
Maximum Credit Exposure by Asset Type										
1-4 family residential loans.....	2,895	2,794	2,927	3,086	3,254	-11.0	0	6	38	2,851
Home equity loans.....	0	0	0	0	0	0.0	0	0	0	0
Credit card receivables.....	1,455	603	554	557	588	147.4	0	76	0	1,379
Auto loans.....	5	0	0	0	0	0.0	0	0	0	5
Other consumer loans.....	174	164	168	168	185	-5.9	0	0	0	174
Commercial and industrial loans.....	38	27	20	33	41	-7.3	0	0	0	38
All other loans, leases, and other assets.....	1,308	1,633	1,729	1,861	2,438	-46.3	0	1	0	1,307
Total credit exposure.....	5,876	5,221	5,397	5,705	6,506	-9.7	0	83	38	5,755
Total unused liquidity commitments provided to institution's own securitizations.....	120	121	121	121	121	-0.8	0	0	0	120
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)										
1-4 family residential loans.....	3.3	4.3	4.1	4.3	4.0		0.0	1.2	4.4	3.3
Home equity loans.....	8.8	10.4	10.7	9.5	11.5		0.0	0.0	0.0	8.9
Credit card receivables.....	0.9	0.8	1.0	0.8	0.8		0.0	1.4	0.0	0.9
Auto loans.....	0.6	1.0	0.6	0.4	0.3		0.0	0.0	0.0	0.7
Other consumer loans.....	5.2	5.6	5.4	6.0	4.9		0.0	0.0	0.0	5.2
Commercial and industrial loans.....	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
All other loans, leases, and other assets.....	0.3	0.8	1.1	1.2	1.2		0.0	1.0	0.2	0.3
Total loans, leases, and other assets.....	2.9	3.7	3.6	3.8	3.4		0.0	1.0	3.2	2.9
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)										
1-4 family residential loans.....	3.3	3.4	3.7	4.2	4.7		0.0	1.4	6.5	3.2
Home equity loans.....	37.8	36.5	34.4	32.3	31.7		0.0	0.0	0.0	38.3
Credit card receivables.....	0.7	0.6	0.6	0.4	0.4		0.0	1.7	0.0	0.7
Auto loans.....	0.1	0.1	0.0	0.0	0.0		0.0	0.0	0.0	0.1
Other consumer loans.....	6.7	7.3	7.1	6.3	6.9		0.0	0.0	0.0	6.7
Commercial and industrial loans.....	0.0	0.0	0.0	0.0	0.0		0.0	4.2	0.0	0.0
All other loans, leases, and other assets.....	8.7	9.2	8.9	10.2	8.8		0.0	0.6	1.7	9.4
Total loans, leases, and other assets.....	3.9	4.1	4.3	4.9	5.3		0.0	0.9	5.2	3.9
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)										
1-4 family residential loans.....	0.2	0.9	0.7	0.5	0.3		0.0	0.0	0.0	0.2
Home equity loans.....	-0.1	0.2	0.3	0.2	0.3		0.0	0.0	0.0	-0.1
Credit card receivables.....	0.6	2.2	2.0	1.3	0.6		0.0	1.4	0.0	0.6
Auto loans.....	0.0	0.3	0.1	0.1	0.1		0.0	0.0	0.0	0.0
Other consumer loans.....	0.2	0.9	0.7	0.4	0.2		0.0	0.0	0.0	0.2
Commercial and industrial loans.....	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
All other loans, leases, and other assets.....	0.7	0.9	0.6	0.5	0.1		0.0	0.0	0.0	0.8
Total loans, leases, and other assets.....	0.2	0.9	0.7	0.5	0.3		0.0	0.1	0.0	0.2
Seller's Interests in Institution's Own Securitizations - Carried as Loans										
Home equity loans.....	0	0	0	0	0	0.0	0	0	0	0
Credit card receivables.....	13,116	12,850	13,451	13,076	11,868	10.5	0	257	0	12,859
Commercial and industrial loans.....	2	3	3	3	0	0.0	0	2	0	0
Seller's Interests in Institution's Own Securitizations - Carried as Securities										
Home equity loans.....	0	0	0	0	0	0.0	0	0	0	0
Credit card receivables.....	0	0	0	0	0	0.0	0	0	0	0
Commercial and industrial loans.....	48	52	0	0	0	0.0	0	0	0	48
Assets Sold with Recourse and Not Securitized										
Number of institutions reporting asset sales.....	1,086	1,083	1,066	1,065	1,059	2.5	149	718	171	48
Outstanding Principal Balance by Asset Type										
1-4 family residential loans.....	43,650	46,443	48,349	48,783	50,644	-13.8	1,712	13,540	7,842	20,556
Home equity, credit card receivables, auto, and other consumer loans.....	755	776	802	829	852	-11.4	0	14	6	734
Commercial and industrial loans.....	69	62	64	71	74	-6.8	0	23	40	6
All other loans, leases, and other assets.....	65,974	67,794	62,143	63,988	64,769	1.9	2	61	199	65,713
Total sold and not securitized.....	110,448	115,074	111,358	113,671	116,339	-5.1	1,713	13,639	8,087	87,008
Maximum Credit Exposure by Asset Type										
1-4 family residential loans.....	9,529	10,727	11,607	12,225	13,152	-27.5	110	1,981	2,669	4,768
Home equity, credit card receivables, auto, and other consumer loans.....	155	160	156	151	167	-7.2	0	14	3	138
Commercial and industrial loans.....	33	27	29	34	36	-8.3	0	23	10	1
All other loans, leases, and other assets.....	16,970	17,058	15,316	15,360	15,216	11.5	2	18	55	16,896
Total credit exposure.....	26,687	27,973	27,109	27,769	28,571	-6.6	112	2,035	2,738	21,802
Support for Securitization Facilities Sponsored by Other Institutions										
Number of institutions reporting securitization facilities sponsored by others.....	139	148	154	157	167	-16.8	14	78	28	19
Total credit exposure.....	42,058	44,707	44,848	45,095	48,946	-14.1	12	194	347	41,506
Total unused liquidity commitments.....	1,017	981	923	828	673	51.1	0	0	0	1,016
Other										
Assets serviced for others*.....	4,557,964	4,712,508	4,773,340	4,885,219	5,186,035	-12.1	5,373	158,848	287,074	4,106,670
Asset-backed commercial paper conduits										
Credit exposure to conduits sponsored by institutions and others.....	12,110	12,317	13,049	11,316	10,925	10.8	5	0	3	12,102
Unused liquidity commitments to conduits sponsored by institutions and others.....	30,515	31,113	40,363	51,893	63,355	-51.8	0	0	798	29,716
Net servicing income (for the quarter).....	2,141	4,627	3,182	5,827	4,218	-49.2	8	184	155	1,795
Net securitization income (for the quarter).....	283	395	352	273	394	-28.2	0	8	8	266
Total credit exposure to Tier 1 capital (**)*.....	5.4	5.8	5.9	6.0	6.5		0.9	1.8	2.0	6.5

* The amount of financial assets serviced for others, other than closed-end 1-4 family residential mortgages, is reported when these assets are greater than \$10 million.

** Total credit exposure includes the sum of the three line items titled "Total credit exposure" reported above.

COMMUNITY BANK PERFORMANCE

- **Community Banks Earn \$4.4 Billion in First Quarter 2014**
- **Net Interest Income Up 5 Percent From a Year Ago, Boosted by Loan Growth**
- **Loan Balances Rise During the Quarter, Outpacing Industry Growth**
- **Asset Quality Indicators Show Continuing Improvement**
- **Community Banks Account for 45 Percent of Small Loans to Businesses**

Community Banks Represent 93 Percent of Insured Institutions

In December 2012, the FDIC released the *Community Banking Study* which examined institutions that provide traditional, relationship-based banking services in their communities. Based on criteria developed for the study, 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). This new section of the *Quarterly Banking Profile* will provide insight into the condition and performance of this important part of the banking industry.

Earnings Down 1.5 Percent From a Year Ago, Far Less Than the Industry Decline

Community banks reported net income of \$4.4 billion, down \$67 million (1.5 percent) from first quarter 2013.¹ Despite the decline, more than half (54 percent) of all community banks reported higher earnings from a year ago and the percentage reporting a quarterly loss fell to

¹ Prior period dollar amounts used for comparisons are merger-adjusted, meaning the same institutions identified as community banks in the current quarter are used to determine dollar amounts in prior quarters, after taking into account acquisitions. Performance ratios are not merger-adjusted.

7.5 percent from 8.7 percent. The percentage decline in earnings at community banks was far less than the 7.6 percent decline for the industry.

Net Interest Income Increases at a Faster Pace Than the Industry

Net interest income—which accounts for about 80 percent of net operating revenue at community banks—was \$16.6 billion during the quarter, up \$790 million (5 percent) from a year ago. Two-thirds (67 percent) of community banks reported a year-over-year increase. The average net interest margin at community banks of 3.57 percent was 4 basis points higher than a year ago and 40 basis points above the industry average. Nearly 76 percent of community banks reported net interest margins above the industry average of 3.17 percent.

Lower Noninterest Income and Higher Noninterest Expense Reduce Earnings

Noninterest income—which accounts for about 20 percent of net operating revenue at community banks—was \$4.1 billion in the first quarter, down \$562 million (12 percent) from first quarter 2013 as revenue from loan sales—including mortgage sales—declined by \$657 million (52 percent) from a year ago. Like community

Chart 1

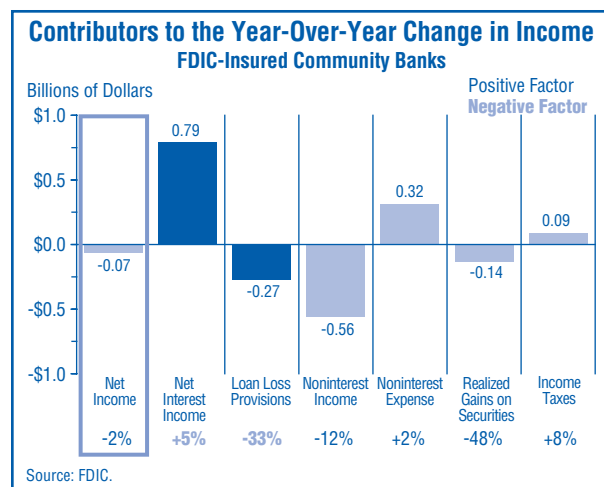
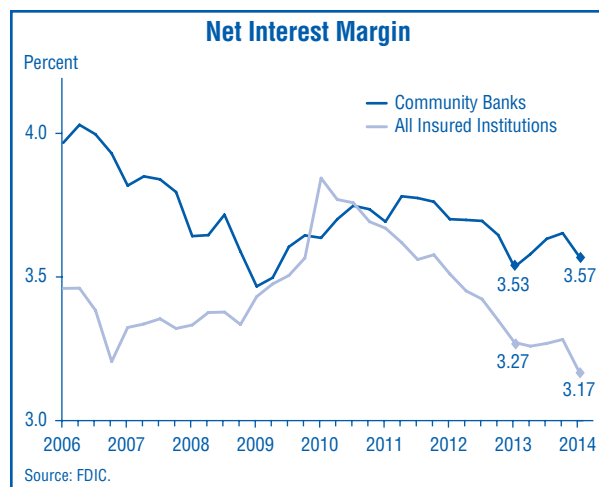


Chart 2



banks, the industry experienced an 11 percent year-over-year decline in noninterest income, driven by a 44 percent decline in income from loan sales. Noninterest expense at community banks was \$315 million (2.2 percent) higher than a year earlier. Relative to total assets at community banks, noninterest expense declined to 0.72 percent from 0.73 percent a year ago, as assets grew at a faster pace than noninterest expense.

Loan Growth at Community Banks Higher Than the Industry

Total assets at community banks increased by \$28 billion (1.4 percent) from the previous quarter, as loan balances grew by \$12.3 billion (0.9 percent). Community banks reported higher loan growth than the industry, which experienced 0.5 percent growth. Over 75 percent of the increase in loan balances at community banks during the quarter was due to nonfarm nonresidential real estate loans (up \$5.8 billion or 1.5 percent) and commercial and industrial loans (up \$3.6 billion or 2.0 percent). Year-over-year loan growth at community banks of 6.6 percent also outpaced the industry at 3.6 percent. Total unused loan commitments at community banks increased by \$12.1 billion (5.2 percent) during the quarter to \$245 billion, indicating the potential for additional on-balance sheet loan growth in future quarters.

Community Banks Hold 45 Percent of Small Loans to Businesses

Small loans to businesses—loans to commercial borrowers up to \$1 million, and farm loans up to \$500,000—at community banks totaled \$296.1 billion in the first quarter, down by \$920 million (0.3 percent) from the

prior quarter but up by \$8.2 billion (2.9 percent) from a year ago. Commercial and industrial loans increased by \$1.4 billion (1.6 percent) from last quarter, while agricultural production loans fell by \$2.8 billion (10.5 percent). Over two-thirds (68 percent) of the year-over-year increase in small loans to businesses was driven by improvement in commercial and industrial loans, and nonfarm nonresidential real estate loans.

Noncurrent Loan Rate at Community Banks Declines for 16 Consecutive Quarters

Loan performance at community banks continued to improve, as the noncurrent loan rate and the net-charge off rate both declined from the previous quarter and a year ago. Noncurrent loans (those 90+ days past due or in nonaccrual status) totaled \$22 billion, down \$6.2 billion (22 percent) from a year ago. Over 60 percent of community banks reported a decline in noncurrent loans relative to a year ago. The noncurrent rate was 1.68 percent in the first quarter, its lowest level since the first quarter of 2008. The noncurrent rate fell 11 basis points from the previous quarter and 65 basis points from a year ago, and it is 78 basis points below the industry rate of 2.46 percent. The coverage ratio (loan loss reserves relative to noncurrent loans) for community banks improved for a 10th consecutive quarter, rising from 87.4 percent to 91.2 percent despite a small (\$55 million or 0.3 percent) decline in reserves during the quarter. The coverage ratio at community banks is well above the industry average of 67.8 percent.

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Chart 3

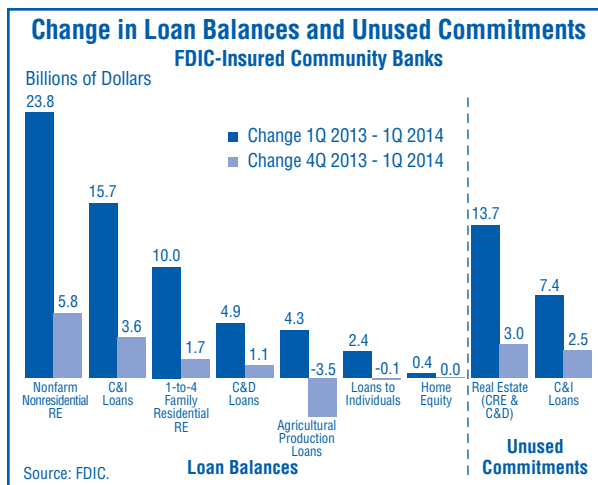


Chart 4

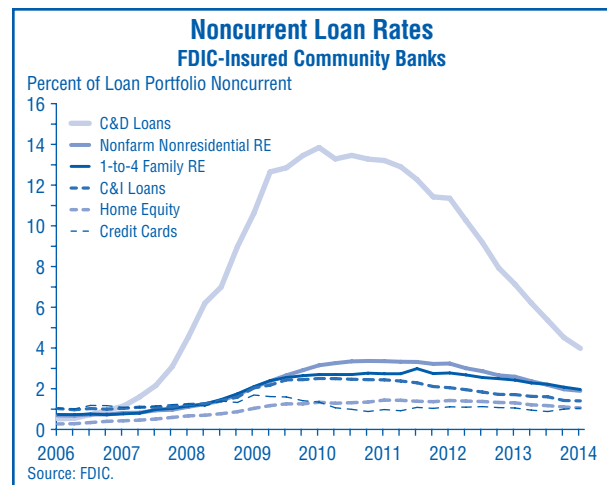


TABLE I-B. Selected Indicators, FDIC-Insured Community Banks

	2014*	2013*	2013	2012	2011	2010	2009
Return on assets (%)	0.87	0.89	0.90	0.83	0.55	0.21	-0.15
Return on equity (%)	8.03	8.15	8.30	7.66	5.17	2.08	-1.48
Core capital (leverage) ratio (%)	10.50	10.29	10.44	10.18	9.98	9.56	9.30
Noncurrent assets plus other real estate owned to assets (%)	1.62	2.17	1.72	2.27	2.84	3.25	3.27
Net charge-offs to loans (%)	0.17	0.29	0.31	0.59	0.87	1.11	1.26
Asset growth rate (%)	1.20	0.78	0.25	2.24	1.47	-2.30	3.54
Net interest margin (%)	3.57	3.53	3.59	3.67	3.74	3.71	3.56
Net operating income growth (%)	0.65	13.69	14.99	56.45	204.41	204.92	-162.26
Number of institutions reporting	6,234	6,489	6,307	6,543	6,800	7,017	7,254
Percentage of unprofitable institutions (%)	7.49	8.66	8.37	11.17	16.35	22.15	29.74

* Through March 31, ratios annualized where appropriate. Asset growth rates are for 12 months ending March 31.

TABLE II-B. Aggregate Condition and Income Data, FDIC-Insured Community Banks

(dollar figures in millions)	1st Quarter 2014	4th Quarter 2013	1st Quarter 2013	%Change 13Q1-14Q1		
Number of institutions reporting	6,234	6,307	6,489	-3.9		
Total employees (full-time equivalent)	449,924	453,462	459,761	-2.1		
CONDITION DATA						
Total assets	\$2,035,169	\$2,019,280	\$2,010,959	1.2		
Loans secured by real estate	999,115	994,247	965,688	3.5		
1-4 Family residential mortgages	349,772	349,691	345,124	1.3		
Nonfarm nonresidential	394,568	392,763	382,382	3.2		
Construction and development	77,825	77,372	75,410	3.2		
Home equity lines	47,476	47,830	49,314	-3.7		
Commercial & industrial loans	182,169	179,673	171,298	6.3		
Loans to individuals	55,442	55,646	53,304	4.0		
Credit cards	1,766	1,850	1,938	-8.8		
Farm loans	39,716	43,290	35,677	11.3		
Other loans & leases	27,975	27,894	25,894	8.0		
Less: Unearned income	553	554	523	5.7		
Total loans & leases	1,303,885	1,300,196	1,251,338	4.2		
Less: Reserve for losses	20,020	20,285	21,586	-7.3		
Net loans and leases	1,283,865	1,279,911	1,229,752	4.4		
Securities	463,857	461,702	471,985	-1.7		
Other real estate owned	10,822	11,362	14,284	-24.2		
Goodwill and other intangibles	12,681	12,647	11,632	9.0		
All other assets	263,946	253,657	283,306	-6.8		
Total liabilities and capital	2,035,169	2,019,280	2,010,959	1.2		
Deposits	1,688,056	1,669,232	1,669,753	1.1		
Domestic office deposits	1,687,825	1,668,991	1,669,553	1.1		
Foreign office deposits	231	241	200	15.5		
Brokered deposits	56,078	53,578	51,924	8.0		
Estimated insured deposits	1,326,886	1,314,925	1,338,259	-0.8		
Other borrowed funds	111,543	118,397	103,972	7.3		
Subordinated debt	432	447	553	-21.9		
All other liabilities	14,223	14,296	16,144	-11.9		
Total equity capital (includes minority interests)	220,916	216,908	220,538	0.2		
Bank equity capital	220,770	216,765	220,373	0.2		
Loans and leases 30-89 days past due	10,850	10,763	12,007	-9.6		
Noncurrent loans and leases	21,954	23,219	29,121	-24.6		
Restructured loans and leases	11,499	12,503	12,914	-11.0		
Mortgage-backed securities	204,670	203,863	214,307	-4.5		
Earning assets	1,876,464	1,860,414	1,854,720	1.2		
FHLB Advances	80,224	83,896	70,571	13.7		
Unused loan commitments	244,787	234,091	241,981	1.2		
Trust assets	237,443	278,654	228,276	4.0		
Assets securitized and sold	15,169	14,862	16,173	-6.2		
Notional amount of derivatives	44,487	40,598	54,196	-17.9		
INCOME DATA						
	Full Year 2013	Full Year 2012	%Change	1st Quarter 2014	1st Quarter 2013	%Change 13Q1-14Q1
Total interest income	\$75,772	\$79,518	-4.7	\$18,927	\$19,120	-1.0
Total interest expense	10,346	13,457	-23.12	2,330	2,808	-17.0
Net interest income	65,425	66,061	-1.0	16,597	16,313	1.7
Provision for loan and lease losses	3,151	6,572	-52.1	549	863	-36.4
Total noninterest income	18,579	18,688	-0.6	4,148	4,879	-15.0
Total noninterest expense	59,137	59,082	0.1	14,698	14,958	-1.7
Securities gains (losses)	562	1,517	-63.0	145	290	-50.1
Applicable income taxes	4,522	4,284	5.5	1,267	1,194	6.1
Extraordinary gains, net	43	-10	-521.9	5	2	123.5
Total net income (includes minority interests)	17,800	16,318	9.1	4,382	4,469	-2.0
Bank net income	17,777	16,289	9.1	4,378	4,463	-1.9
Net charge-offs	3,947	7,195	-45.1	542	921	-41.1
Cash dividends	8,705	8,951	-2.8	2,092	1,765	18.5
Retained earnings	9,072	7,337	23.6	2,286	2,698	-15.2
Net operating income	17,320	15,062	15.0	4,267	4,239	0.6

N/M - Not Meaningful

TABLE III-B. Aggregate Condition and Income Data by Geographic Region, FDIC-Insured Community Banks

First Quarter 2014 (dollar figures in millions)	Geographic Regions*						
	All Community Banks	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting.....	6,234	730	783	1,392	1,576	1,328	425
Total employees (full-time equivalent)	449,924	87,366	59,299	97,735	72,162	97,461	35,901
CONDITION DATA							
Total assets.....	\$2,035,169	\$503,960	\$250,784	\$394,761	\$317,344	\$397,693	\$170,627
Loans secured by real estate.....	999,115	284,931	132,024	194,371	135,188	171,196	81,405
1-4 Family residential mortgages.....	349,772	118,093	41,271	71,443	44,147	56,568	18,251
Nonfarm nonresidential.....	394,568	101,466	59,032	73,023	46,478	71,982	42,586
Construction and development.....	77,825	13,871	14,263	11,450	9,850	12,163	6,226
Home equity lines.....	47,476	15,591	7,737	11,099	4,243	4,261	4,545
Commercial & industrial loans.....	182,169	40,249	18,849	35,710	29,848	40,861	16,654
Loans to individuals.....	55,442	10,338	7,162	11,278	9,234	13,388	4,041
Credit cards.....	1,766	202	134	444	395	317	275
Farm loans.....	39,716	451	936	6,233	22,464	7,386	2,246
Other loans & leases.....	27,975	7,504	1,877	5,173	4,837	5,766	2,818
Less: Unearned income.....	553	141	97	62	25	116	112
Total loans & leases.....	1,303,885	343,333	160,773	252,702	201,545	238,480	107,051
Less: Reserve for losses.....	20,020	4,302	2,727	4,345	3,120	3,569	1,956
Net loans and leases.....	1,283,865	339,031	158,046	248,357	198,425	234,911	105,095
Securities.....	463,857	107,568	51,543	91,349	75,870	100,763	36,763
Other real estate owned.....	10,822	1,249	2,839	2,262	1,728	1,997	748
Goodwill and other intangibles.....	12,681	4,101	1,266	2,458	1,686	2,288	882
All other assets.....	263,946	52,011	37,091	50,335	39,635	57,735	27,139
Total liabilities and capital.....	2,035,169	503,960	250,784	394,761	317,344	397,693	170,627
Deposits.....	1,688,056	400,967	210,792	330,825	264,454	338,556	142,461
Domestic office deposits.....	1,687,825	400,849	210,725	330,798	264,454	338,556	142,443
Foreign office deposits.....	231	119	67	27	0	0	18
Brokered deposits.....	56,078	15,968	6,635	11,929	8,119	9,096	4,332
Estimated insured deposits.....	1,326,886	310,130	166,308	272,848	215,373	255,482	106,744
Other borrowed funds.....	111,543	43,105	11,221	18,550	17,374	14,679	6,613
Subordinated debt.....	432	207	68	103	7	5	43
All other liabilities.....	14,223	4,552	1,549	2,701	1,722	2,290	1,409
Total equity capital (includes minority interests) ..	220,916	55,128	27,155	42,582	33,788	42,162	20,100
Bank equity capital.....	220,770	55,082	27,146	42,527	33,787	42,131	20,098
Loans and leases 30-89 days past due.....	10,850	2,802	1,709	2,242	1,529	2,069	500
Noncurrent loans and leases.....	21,954	6,012	3,954	5,167	2,198	3,003	1,619
Restructured loans and leases.....	11,499	2,375	2,163	3,107	1,364	1,478	1,012
Mortgage-backed securities.....	204,670	59,450	23,029	37,146	26,881	39,732	18,433
Earning assets.....	1,876,464	467,786	228,645	363,485	293,212	365,542	157,793
FHLB Advances.....	80,224	33,696	8,265	12,454	11,962	10,397	3,449
Unused loan commitments.....	244,787	59,555	28,487	46,749	42,137	43,994	23,865
Trust assets.....	237,443	53,530	8,614	66,692	60,863	37,605	10,138
Assets securitized and sold.....	15,169	3,063	516	6,140	4,183	531	736
Notional amount of derivatives.....	44,487	15,194	5,441	9,794	5,157	6,946	1,955
INCOME DATA							
Total interest income.....	\$18,927	\$4,542	\$2,439	\$3,612	\$2,952	\$3,794	\$1,588
Total interest expense.....	2,330	690	307	443	376	388	126
Net interest income.....	16,597	3,853	2,132	3,170	2,576	3,406	1,461
Provision for loan and lease losses.....	549	159	66	145	62	116	1
Total noninterest income.....	4,148	760	469	1,132	633	814	340
Total noninterest expense.....	14,698	3,278	1,973	3,027	2,171	2,969	1,279
Securities gains (losses).....	145	66	16	16	19	17	11
Applicable income taxes.....	1,267	385	148	282	163	152	137
Extraordinary gains, net.....	5	0	1	0	3	1	0
Total net income (includes minority interests).....	4,382	857	430	863	835	1,002	395
Bank net income.....	4,378	856	430	861	835	1,002	395
Net charge-offs.....	542	135	90	167	54	75	22
Cash dividends.....	2,092	169	157	435	491	533	307
Retained earnings.....	2,286	687	273	426	344	469	88
Net operating income.....	4,267	808	417	850	818	987	387

* See Table V-A (page 11) for explanations.

Table IV-B. First Quarter 2014, FDIC-Insured Community Banks

	All Community Banks		First Quarter 2014, Geographic Regions*					
	1st Quarter 2014	4th Quarter 2013	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Performance ratios (annualized, %)								
Yield on earning assets	4.07	4.18	3.92	4.31	4.00	4.05	4.20	4.06
Cost of funding earning assets	0.50	0.53	0.60	0.54	0.49	0.52	0.43	0.32
Net interest margin	3.57	3.65	3.32	3.76	3.51	3.53	3.77	3.74
Noninterest income to assets.....	0.82	0.84	0.61	0.75	1.15	0.80	0.83	0.80
Noninterest expense to assets.....	2.91	3.07	2.62	3.18	3.08	2.75	3.02	3.03
Loan and lease loss provision to assets.....	0.11	0.15	0.13	0.11	0.15	0.08	0.12	0.00
Net operating income to assets	0.85	0.80	0.65	0.67	0.87	1.04	1.00	0.92
Pretax return on assets	1.12	0.98	0.99	0.93	1.16	1.26	1.17	1.26
Return on assets.....	0.87	0.80	0.69	0.69	0.88	1.06	1.02	0.93
Return on equity	8.03	7.42	6.29	6.42	8.21	10.00	9.64	7.92
Net charge-offs to loans and leases.....	0.17	0.35	0.16	0.22	0.26	0.11	0.13	0.08
Loan and lease loss provision to net charge-offs.....	101.17	68.23	117.57	73.30	86.92	114.07	154.92	5.92
Efficiency ratio	70.52	71.90	70.70	75.44	70.05	67.30	70.07	70.84
Net interest income to operating revenue.....	80.00	79.96	83.52	81.98	73.69	80.26	80.70	81.12
% of unprofitable institutions.....	7.49	13.11	8.49	11.88	8.33	5.20	5.05	11.06
% of institutions with earnings gains.....	54.03	52.81	49.86	58.24	48.42	56.35	56.70	54.82

Table V-B. Full Year 2013, FDIC-Insured Community Banks

	All Community Banks		Full Year 2013, Geographic Regions*					
	Full Year 2013	Full Year 2012	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Performance ratios (%)								
Yield on earning assets	4.16	4.42	3.99	4.39	4.11	4.13	4.29	4.18
Cost of funding earning assets	0.57	0.75	0.66	0.62	0.57	0.59	0.49	0.37
Net interest margin	3.59	3.67	3.33	3.77	3.54	3.54	3.80	3.81
Noninterest income to assets.....	0.94	0.95	0.72	0.84	1.27	0.91	0.93	1.00
Noninterest expense to assets.....	2.99	3.01	2.70	3.30	3.14	2.81	3.06	3.17
Loan and lease loss provision to assets.....	0.16	0.34	0.18	0.17	0.20	0.12	0.16	0.06
Net operating income to assets	0.87	0.77	0.65	0.61	0.95	1.05	1.03	1.09
Pretax return on assets	1.13	1.05	0.99	0.83	1.22	1.27	1.22	1.31
Return on assets.....	0.90	0.83	0.69	0.63	0.97	1.07	1.04	1.11
Return on equity	8.30	7.66	6.29	5.86	9.16	10.00	9.79	9.30
Net charge-offs to loans and leases.....	0.31	0.59	0.25	0.47	0.48	0.20	0.28	0.18
Loan and lease loss provision to net charge-offs.....	79.84	91.35	109.94	55.71	66.68	93.50	95.54	53.01
Efficiency ratio	69.85	69.25	70.50	75.29	68.86	66.91	68.88	70.00
Net interest income to operating revenue.....	77.88	77.95	80.98	80.40	71.91	78.27	78.89	77.79
% of unprofitable institutions.....	8.37	11.17	10.72	14.86	9.54	4.47	5.36	12.30
% of institutions with earnings gains.....	53.72	67.31	49.39	62.17	50.11	51.76	54.36	62.41

* See Table V-A (page 11) for explanations.

Table VI-B. Loan Performance, FDIC-Insured Community Banks

March 31, 2014	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due							
All loans secured by real estate	0.83	0.77	1.08	0.96	0.73	0.87	0.43
Construction and development	0.78	0.96	0.94	0.77	0.73	0.63	0.57
Nonfarm nonresidential	0.64	0.60	0.80	0.83	0.55	0.59	0.36
Multifamily residential real estate	0.33	0.23	0.42	0.63	0.27	0.45	0.07
Home equity loans	0.58	0.60	0.73	0.56	0.55	0.52	0.37
Other 1-4 family residential	1.22	1.07	1.66	1.32	1.04	1.39	0.63
Commercial and industrial loans	0.68	0.73	0.74	0.62	0.76	0.66	0.55
Loans to individuals	1.60	2.79	1.83	1.03	1.09	1.70	0.59
Credit card loans	1.47	2.73	1.37	1.02	2.10	0.96	1.03
Other loans to individuals	1.61	2.79	1.84	1.03	1.04	1.72	0.55
All other loans and leases (including farm)	0.62	0.23	0.61	0.36	0.80	0.68	0.71
Total loans and leases	0.83	0.82	1.06	0.89	0.76	0.87	0.47
Percent of Loans Noncurrent**							
All loans secured by real estate	1.87	1.89	2.60	2.31	1.23	1.39	1.61
Construction and development	3.93	4.11	6.47	5.01	3.21	2.05	3.50
Nonfarm nonresidential	1.83	1.82	2.23	2.44	1.40	1.31	1.64
Multifamily residential real estate	0.86	0.44	1.73	1.75	0.77	0.83	0.53
Home equity loans	1.00	1.07	1.00	1.25	0.55	0.72	0.81
Other 1-4 family residential	1.90	2.20	2.21	2.25	1.13	1.38	1.40
Commercial and industrial loans	1.34	1.27	1.53	1.53	1.32	1.10	1.54
Loans to individuals	0.95	0.93	2.84	0.49	0.56	0.71	0.51
Credit card loans	0.99	2.09	2.06	0.70	1.01	0.50	0.68
Other loans to individuals	0.94	0.91	2.85	0.49	0.54	0.72	0.50
All other loans and leases (including farm)	0.46	0.25	1.00	0.60	0.35	0.53	0.54
Total loans and leases	1.68	1.75	2.46	2.04	1.09	1.26	1.51
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.14	0.12	0.20	0.25	0.08	0.07	0.04
Construction and development	0.18	0.37	0.45	0.31	-0.03	0.00	-0.10
Nonfarm nonresidential	0.14	0.10	0.20	0.29	0.10	0.05	0.06
Multifamily residential real estate	0.09	0.02	0.07	0.21	0.08	0.38	-0.01
Home equity loans	0.17	0.15	0.15	0.35	0.13	0.09	-0.05
Other 1-4 family residential	0.15	0.14	0.17	0.24	0.12	0.09	0.06
Commercial and industrial loans	0.22	0.28	0.22	0.32	0.14	0.17	0.15
Loans to individuals	0.65	0.72	0.71	0.51	0.65	0.74	0.44
Credit card loans	4.28	5.70	1.03	3.59	9.09	1.92	1.77
Other loans to individuals	0.53	0.61	0.70	0.38	0.26	0.71	0.34
All other loans and leases (including farm)	0.10	0.07	0.13	0.13	0.02	0.15	0.29
Total loans and leases	0.17	0.16	0.22	0.26	0.11	0.13	0.08
Loans Outstanding (in billions)							
All loans secured by real estate	\$999.1	\$284.9	\$132.0	\$194.4	\$135.2	\$171.2	\$81.4
Construction and development	77.8	13.9	14.3	11.5	9.8	22.2	6.2
Nonfarm nonresidential	394.6	101.5	59.0	73.0	46.5	72.0	42.6
Multifamily residential real estate	73.7	34.5	5.7	13.9	6.7	5.8	7.1
Home equity loans	47.5	15.6	7.7	11.1	4.2	4.3	4.5
Other 1-4 family residential	349.8	118.1	41.3	71.4	44.1	56.6	18.3
Commercial and industrial loans	182.2	40.2	18.8	35.7	29.8	40.9	16.7
Loans to individuals	55.4	10.3	7.2	11.3	9.2	13.4	4.0
Credit card loans	1.8	0.2	0.1	0.4	0.4	0.3	0.3
Other loans to individuals	53.7	10.1	7.0	10.8	8.8	13.1	3.8
All other loans and leases (including farm)	67.7	8.0	2.8	11.4	27.3	13.2	5.1
Total loans and leases	1,304.4	343.5	160.9	252.8	201.6	238.6	107.2
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	244,787	59,555	28,487	46,749	42,137	43,994	23,865
Construction and development: 1-4 family residential ..	17,461	3,594	3,417	1,854	2,050	5,060	1,487
Construction and development: CRE and other	39,709	12,312	5,428	5,974	4,719	8,282	2,994
Commercial and industrial	85,053	19,714	8,617	17,854	13,797	16,143	8,928

* See Table V-A (page 11) for explanations.

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

INSURANCE FUND INDICATORS

- **Insured Deposits Grow by 1.9 Percent**
- **DIF Reserve Ratio Rises 1 Basis Point to 0.80 Percent**
- **Five Institutions Fail During First Quarter**

Total assets of the 6,730 FDIC-insured institutions increased by 1.2 percent (\$178.3 billion) during the first quarter of 2014. Total deposits increased by 1.1 percent (\$125.8 billion), domestic office deposits increased by 1.3 percent (\$131.1 billion), and foreign office deposits decreased by 0.4 percent (\$5.4 billion). Domestic noninterest-bearing deposits increased by 1.8 percent (\$46.4 billion) and savings deposits and interest-bearing checking accounts increased by 1.9 percent (\$105.6 billion), while domestic time deposits decreased by 1.3 percent (\$20.8 billion). For the twelve months ending March 31, total domestic deposits grew by 5.3 percent (\$495.5 billion), with interest-bearing deposits increasing by 4 percent (\$279.1 billion) and noninterest-bearing deposits rising by 8.9 percent (\$216.4 billion).¹ Foreign deposits increased by 0.2 percent, other borrowed money increased by 9.5 percent, while securities sold under agreements to repurchase declined by 11.2 percent over the same twelve-month period.² At the end of the first quarter, domestic deposits funded 66.6 percent of industry assets, the largest share since the fourth quarter of 1993, when the share was 68 percent.

Total estimated insured deposits increased by 1.9 percent from the prior quarter and by 2.1 percent from one year earlier.³ For institutions existing at the start and the end of the first quarter, insured deposits increased during the quarter at 4,932 institutions (73 percent), decreased at 1,760 institutions (26 percent), and remained unchanged at 35 institutions.

The condition of the Deposit Insurance Fund (DIF) continues to improve. The DIF increased by \$1.7 billion during the first quarter to \$48.9 billion. Assessment income of \$2.4 billion was primarily responsible for the increase. Interest earned on investments of \$45 million, unrealized gains on available-for-sale securities of \$25 million, and other miscellaneous income of \$9 million also added to the fund. Operating expenses of \$422 million and provisions for insurance losses of \$348 million partially offset the fund balance increase. During the first quarter of 2014, five insured institutions with combined assets of \$718 million failed, at an estimated cost to the fund of \$92 million. The DIF's reserve ratio—the DIF fund balance as a percent of estimated insured deposits—was 0.80 percent as of the first quarter, up from 0.79 percent in the prior quarter and 0.60 percent one year earlier.

¹ Throughout the insurance fund discussion, FDIC-insured institutions include insured commercial banks and savings associations and, except where noted, exclude insured branches of foreign banks.

² Other borrowed money includes FHLB advances, term federal funds, mortgage indebtedness, and other borrowings.

³ Figures for estimated insured deposits in this discussion include insured branches of foreign banks, in addition to insured commercial banks and savings institutions.

Table 1

Distribution of the Assessment Base for FDIC-Insured Institutions* by Asset Size Data as of March 31, 2014				
Asset Size	Number of Institutions	Percent of Total Institutions	Assessment Base** (\$ Bil.)	Percent of Base
Less Than \$1 Billion	6,058	90.0	\$1,202.6	9.4
\$1 - \$10 Billion	565	8.4	1,321.4	10.4
\$10 - \$50 Billion	71	1.1	1,349.6	10.6
\$50 - \$100 Billion	14	0.2	939.7	7.4
Over \$100 Billion	22	0.3	7,937.8	62.3
Total	6,730	100.0	12,751.0	100.0

* Excludes insured U.S. branches of foreign banks.
 ** Average consolidated total assets minus average tangible equity, with adjustments for banker's banks and custodial banks.

Effective April 1, 2011, the deposit insurance assessment base changed to average consolidated total assets minus average tangible equity.⁴ Revisions to insurance assessment rates and risk-based pricing rules for large banks (banks with assets greater than \$10 billion) also became effective on that date.⁵ Table 1 shows the distribution of the assessment base by institution asset size category as of the first quarter of 2014.

Dodd-Frank requires that, for at least five years, the FDIC must make available to the public the reserve ratio and the Designated Reserve Ratio (DRR) using

both estimated insured deposits and the new assessment base. As of March 31, 2014, the FDIC reserve ratio would have been 0.38 percent using the new assessment base (compared to 0.80 percent using estimated insured deposits), and the 2 percent DRR using estimated insured deposits would have been 0.96 percent using the new assessment base.

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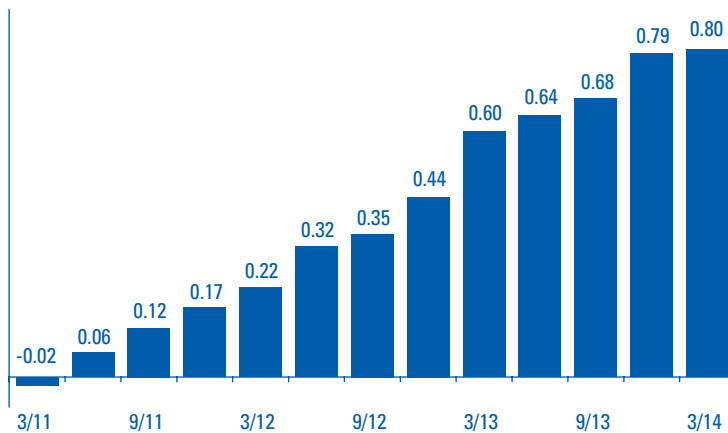
⁴ There is an additional adjustment to the assessment base for banker's banks and custodial banks, as permitted under Dodd-Frank.

⁵ The Fourth Quarter 2010 *Quarterly Banking Profile* includes a more detailed explanation of these changes.

Table I-C. Insurance Fund Balances and Selected Indicators

	Deposit Insurance Fund*												
	1st Quarter 2014	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011
<i>(dollar figures in millions)</i>													
Beginning Fund Balance ..	\$47,191	\$40,758	\$37,871	\$35,742	\$32,958	\$25,224	\$22,693	\$15,292	\$11,827	\$7,813	\$3,916	-\$1,023	-\$7,352
Changes in Fund Balance:													
Assessments earned.....	2,393	2,224	2,339	2,526	2,645	2,937	2,833	2,933	3,694	3,209	3,642	3,163	3,484
Interest earned on investment securities.....	45	23	34	54	-9	66	-8	81	20	33	30	37	28
Realized gain on sale of investments.....	0	302	156	0	0	0	0	0	0	0	0	0	0
Operating expenses	422	436	298	439	436	469	442	407	460	334	433	463	395
Provision for insurance losses	348	-4,588	-539	-33	-499	-3,344	-84	-807	12	1,533	-763	-2,095	-3,089
All other income, net of expenses.....	9	9	46	51	55	1,878	57	4,095	63	2,599	83	80	66
Unrealized gain/(loss) on available-for-sale securities	25	-277	71	-96	30	-22	7	-108	160	40	-188	27	57
Total fund balance change..	1,702	6,433	2,887	2,129	2,784	7,734	2,531	7,401	3,465	4,014	3,897	4,939	6,329
Ending Fund Balance.....	48,893	47,191	40,758	37,871	35,742	32,958	25,224	22,693	15,292	11,827	7,813	3,916	-1,023
Percent change from four quarters earlier.....	36.79	43.19	61.58	66.88	133.73	178.67	222.85	479.49	NM	NM	NM	NM	NM
Reserve Ratio (%).....	0.80	0.79	0.68	0.64	0.60	0.44	0.35	0.32	0.22	0.17	0.12	0.06	-0.02
Estimated Insured Deposits**.....	\$6,123,766	\$6,009,801	\$5,969,906	\$5,953,332	\$6,000,446	\$7,406,525	\$7,249,849	\$7,083,434	\$7,032,875	\$6,974,690	\$6,756,302	\$6,524,750	\$6,380,407
Percent change from four quarters earlier.....	2.06	-18.86	-17.65	-15.95	-14.68	6.19	7.30	8.56	10.23	10.67	24.62	20.00	16.59
Domestic Deposits.....	\$9,962,466	\$9,825,321	\$9,630,392	\$9,424,433	\$9,454,580	\$9,474,585	\$9,084,803	\$8,937,725	\$8,848,706	\$8,782,134	\$8,526,713	\$8,244,900	\$8,006,898
Percent change from four quarters earlier.....	5.37	3.70	6.01	5.45	6.85	7.88	6.55	8.40	10.51	11.34	9.97	7.34	3.95
Number of Institutions Reporting	6,739	6,821	6,900	6,949	7,028	7,092	7,190	7,254	7,317	7,366	7,446	7,522	7,583

DIF Reserve Ratios
Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits
(\$ Millions)

Quarter	DIF Balance	DIF-Insured Deposits
3/11	-\$1,023	\$6,380,407
6/11	3,916	6,524,750
9/11	7,813	6,756,302
12/11	11,827	6,974,690
3/12	15,292	7,032,875
6/12	22,693	7,083,434
9/12	25,224	7,249,849
12/12	32,958	7,406,525
3/13	35,742	6,000,446
6/13	37,871	5,953,332
9/13	40,758	5,969,906
12/13	47,191	6,009,801
3/14	48,893	6,123,766

Table II-C. Problem Institutions and Failed/Assisted Institutions

<i>(dollar figures in millions)</i>	2014***	2013***	2013	2012	2011	2010	2009
Problem Institutions							
Number of institutions	411	612	467	651	813	884	702
Total assets.....	\$126,106	\$213,339	\$152,687	\$232,701	\$319,432	\$390,017	\$402,782
Failed Institutions							
Number of institutions	5	4	24	51	92	157	140
Total assets****	\$718	\$459	\$6,044	\$11,617	\$34,923	\$92,085	\$169,709
Assisted Institutions*****							
Number of institutions	0	0	0	0	0	0	8
Total assets.....	\$0	\$0	\$0	\$0	\$0	\$0	\$1,917,482

* Quarterly financial statement results are unaudited. NM - Not meaningful
 ** Beginning in the third quarter of 2009, estimates of insured deposits are based on a \$250,000 general coverage limit. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) temporarily provided unlimited coverage for noninterest-bearing transaction accounts for two years beginning December 31, 2010, and ending December 31, 2012.
 *** Through March 31.
 **** Total assets are based on final Call Reports submitted by failed institutions.
 ***** Assisted institutions represent eight institutions under a single holding company that received assistance in 2009.

Table III-C. Estimated FDIC-Insured Deposits by Type of Institution

(dollar figures in millions)

March 31, 2014	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	5,809	\$13,854,733	\$9,120,424	\$5,417,543
FDIC-Supervised	3,817	2,190,907	1,717,051	1,284,587
OCC-Supervised.....	1,131	9,560,608	6,009,317	3,399,985
Federal Reserve-Supervised.....	861	2,103,219	1,394,056	732,972
FDIC-Insured Savings Institutions	921	1,046,269	801,665	676,804
OCC-Supervised Savings Institutions	489	690,467	537,353	455,439
FDIC-Supervised Savings Institutions.....	432	355,802	264,311	221,366
Total Commercial Banks and Savings Institutions	6,730	14,901,002	9,922,088	6,094,347
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	86,151	40,377	29,419
Total FDIC-Insured Institutions.....	6,739	14,987,152	9,962,466	6,123,766

* Excludes \$1.4 trillion in foreign office deposits, which are uninsured.

Table IV-C. Distribution of Institutions and Assessment Base by Assessment Rate Range

Quarter Ending December 31, 2013 (dollar figures in billions)

Annual Rate in Basis Points	Number of Institutions	Percent of Total Institutions	Amount of Assessment Base*	Percent of Total Assessment Base
2.50-5.00	1,369	20.07	\$1,035	8.13
5.01-7.50	2,895	42.44	9,215	72.37
7.51-10.00	1,408	20.64	1,704	13.38
10.01-15.00	653	9.57	443	3.48
15.01-20.00	31	0.45	147	1.15
20.01-25.00	382	5.60	142	1.12
25.01-30.00	8	0.12	18	0.14
30.01-35.00	70	1.03	16	0.12
greater than 35.00	5	0.07	12	0.10

* Beginning in the second quarter of 2011, the assessment base was changed to average consolidated total assets minus tangible equity, as required by the Dodd-Frank Act.

Notes to Users

This publication contains financial data and other information for depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). These notes are an integral part of this publication and provide information regarding the comparability of source data and reporting differences over time.

Tables I-A through VIII-A.

The information presented in Tables I-A through V-A of the *FDIC Quarterly Banking Profile* is aggregated for all FDIC-insured institutions, both commercial banks and savings institutions. Tables VI-A (Derivatives) and VII-A (Servicing, Securitization, and Asset Sales Activities) aggregate information only for insured commercial banks and state-chartered savings banks that file quarterly *Call Reports*. Table VIII-A (Trust Services) aggregates Trust asset and income information collected annually from all FDIC-insured institutions. Some tables are arrayed by groups of FDIC-insured institutions based on predominant types of asset concentration, while other tables aggregate institutions by asset size and geographic region. Quarterly and full-year data are provided for selected indicators, including aggregate condition and income data, performance ratios, condition ratios, and structural changes, as well as past due, noncurrent, and charge-off information for loans outstanding and other assets.

Tables I-B through VI-B.

The information presented in Tables I-B through VI-B is aggregated for all FDIC-insured commercial banks and savings institutions meeting the criteria for community banks that were developed for the FDIC's *Community Banking Study*, published in December, 2012: <http://fdic.gov/regulations/resources/cbi/report/cbi-full.pdf>.

The determination of which insured institutions are considered community banks is based on five steps.

The first step in defining a community bank is to aggregate all charter-level data reported under each holding company into a single banking organization. This aggregation applies both to balance-sheet measures and the number and location of banking offices. Under the FDIC definition, if the banking organization is designated as a community bank, every charter reporting under that organization is also considered a community bank when working with data at the charter level.

The second step is to exclude any banking organization where more than 50 percent of total assets are held in certain specialty banking charters, including: *credit card specialists*, *consumer nonbank banks*, *industrial loan companies*, *trust companies*, *bankers' banks*, and banks holding 10 percent or more of total assets in foreign offices.

Once the specialty organizations are removed, the third step involves including organizations that engage in basic banking activities as measured by the total loans-to-assets ratio (greater than 33 percent) and the ratio of core deposits to assets (greater than 50 percent). Core deposits are defined as non-brokered deposits in domestic offices. Analysis of the underlying data shows that these thresholds establish meaningful levels of basic lending and deposit gathering and still allow for a degree of diversity in how individual banks construct their balance sheets.

The fourth step includes organizations that operate within a limited geographic scope. This limitation of scope is used as a proxy measure for a bank's relationship approach to banking. Banks that operate within a limited market area have more ease in managing relationships at a personal level. Under this step, four criteria are applied to each banking organization. They include both a minimum and maximum number of total banking offices, a maximum level of deposits for any one office, and location-based criteria. The limits on the number of and deposits per office are gradually adjusted upward over time. For banking offices, banks must have more than one office, and the maximum number of offices starts at 40 in 1985 and reaches 75 in 2010. The maximum level of deposits for any one office is \$1.25 billion in deposits in 1985 and \$5 billion in deposits in 2010. The remaining geographic limitations are also based on maximums for the number of states (fixed at 3) and large metropolitan areas (fixed at 2) in which the organization maintains offices. Branch office data are based on the most recent data from the annual June 30 *Summary of Deposits Survey* that are available at the time of publication.

Finally, the definition establishes an *asset-size limit*, also adjusted upward over time from \$250 million in 1985 to \$1 billion in 2010, below which the limits on banking activities and geographic scope are waived. This final step acknowledges the fact that most of those small banks that are not excluded as specialty banks meet the requirements for banking activities and geographic limits in any event.

Summary of FDIC Research Definition of Community Banking Organizations

Community banks are designated at the level of the banking. (All charters under designated holding companies are considered community banking charters.)

Exclude: Any organization with:

- No loans or no core deposits
- Foreign Assets \geq 10% of total assets
- More than 50% of assets in certain specialty banks, including:
 - credit card specialists
 - consumer nonbank banks¹
 - industrial loan companies
 - trust companies
 - bankers' banks

Include: All remaining banking organizations with:

- Total assets < indexed size threshold²
- Total assets \geq indexed size threshold, where:
 - Loan to assets > 33%
 - Core deposits to assets > 50%
 - More than 1 office but no more than the indexed maximum number of offices.³

¹ Consumer nonbank banks are financial institutions with limited charters that can make commercial loans or take deposits, but not both.

² Asset size threshold indexed to equal \$250 million in 1985 and \$1 billion in 2010.

³ Maximum number of offices indexed to equal 40 in 1985 and 75 in 2010.

- Number of large MSAs with offices ≤ 2
- Number of states with offices ≤ 3
- No single office with deposits $>$ indexed maximum branch deposit size.⁴

Tables I-C through IV-C.

A separate set of tables (Tables I-C through IV-C) provides comparative quarterly data related to the Deposit Insurance Fund (DIF), problem institutions, failed/assisted institutions, estimated FDIC-insured deposits, as well as assessment rate information. Depository institutions that are not insured by the FDIC through the DIF are not included in the *FDIC Quarterly Banking Profile*. U.S. branches of institutions headquartered in foreign countries and non-deposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charters.

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *Consolidated Reports of Condition and Income (Call Reports)* and the OTS *Thrift Financial Reports* submitted by all FDIC-insured depository institutions. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.) This information is stored on and retrieved from the FDIC's Research Information System (RIS) database.

COMPUTATION METHODOLOGY

Parent institutions are required to file consolidated reports, while their subsidiary financial institutions are still required to file separate reports. Data from subsidiary institution reports are included in the *Quarterly Banking Profile* tables, which can lead to double-counting. No adjustments are made for any double-counting of subsidiary data. Additionally, certain adjustments are made to the OTS *Thrift Financial Reports* to provide closer conformance with the reporting and accounting requirements of the FFIEC *Call Reports*. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any interim periods, divided by the total number of periods). For "pooling-of-interest" mergers, the assets of the acquired institution(s) are included in average assets since the year-to-date income includes the results of all merged institutions. No adjustments are made for "purchase accounting" mergers. Growth rates represent the percentage change over a 12-month period in totals for institutions in the base period to totals for institutions in the current period. For the community bank subgroup, growth rates will reflect changes over time in the number and identities of institutions designated as community banks, as well as changes in the assets and liabilities, and income and expenses of group members. Unless indicated otherwise, growth rates are not adjusted for mergers or other changes in the composition of the community bank subgroup.

⁴ Maximum branch deposit size indexed to equal \$1.25 billion in 1985 and \$5 billion in 2010.

All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state. In addition, institutions may relocate across state lines or change their charters, resulting in an inter-regional or inter-industry migration, e.g., institutions can move their home offices between regions, and savings institutions can convert to commercial banks or commercial banks may convert to savings institutions.

ACCOUNTING CHANGES

Indemnification Assets and Accounting Standards Update No. 2012-06 – In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-06, "Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution," to address the subsequent measurement of an indemnification asset recognized in an acquisition of a financial institution that includes an FDIC loss-sharing agreement. This ASU amends ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"), which includes guidance applicable to FDIC-assisted acquisitions of failed institutions.

Under the ASU, when an institution experiences a change in the cash flows expected to be collected on an FDIC loss-sharing indemnification asset because of a change in the cash flows expected to be collected on the assets covered by the loss-sharing agreement, the institution should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in the value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets.

The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2012. For institutions with a calendar year fiscal year, the ASU takes effect January 1, 2013. Early adoption of the ASU is permitted. The ASU's provisions should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from an FDIC-assisted acquisition of a financial institution. Institutions with indemnification assets arising from FDIC loss-sharing agreements are expected to adopt ASU 2012-06 for Call Report purposes in accordance with the effective date of this standard. For additional information, refer to ASU 2012-06, available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Goodwill Impairment Testing – In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, "Testing Goodwill for Impairment," to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"). The ASU's amendments to ASC Topic 350 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (i.e., for annual or interim tests performed on or after January 1, 2012, for institutions with a calendar year fiscal year). Early adoption of the ASU was permitted. Under ASU 2011-08, an institution has the option of first assessing qualitative factors to determine whether it is neces-

sary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. If, after considering all relevant events and circumstances, an institution determines it is unlikely (that is, a likelihood of 50 percent or less) that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step goodwill impairment test. If the institution instead concludes that the opposite is true (that is, it is likely that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the first step and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, an institution may choose to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test.

Extended Net Operating Loss Carryback Period – The Worker, Homeownership, and Business Assistance Act of 2009, which was enacted on November 6, 2009, permits banks and other businesses, excluding those banking organizations that received capital from the U.S. Treasury under the Troubled Asset Relief Program, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any one tax year ending after December 31, 2007, and beginning before January 1, 2010. For calendar-year banks, this extended carryback period applies to either the 2008 or 2009 tax year. The amount of the net operating loss that can be carried back to the fifth carryback year is limited to 50 percent of the available taxable income for that fifth year, but this limit does not apply to other carryback years.

Under generally accepted accounting principles, banks may not record the effects of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the fourth quarter of 2009. Therefore, banks should recognize the effects of this fourth quarter 2009 tax law change on their current and deferred tax assets and liabilities, including valuation allowances for deferred tax assets, in their *Call Reports* for December 31, 2009. Banks should not amend their *Call Reports* for prior quarters for the effects of the extended net operating loss carryback period.

The American Recovery and Reinvestment Act of 2009, which was enacted on February 17, 2009, permits qualifying small businesses, including FDIC-insured institutions, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any tax year ending in 2008 or, at the small business's election, any tax year beginning in 2008. Under generally accepted accounting principles, institutions may not record the effect of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the first quarter of 2009.

Troubled Debt Restructurings and Current Market Interest Rates – Many institutions are restructuring or modifying the terms of loans to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate.

Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, *Receivables – Troubled Debt Restructurings by Creditors* (formerly FASB Statement No. 15, “Accounting by Debtors and Creditors for Troubled Debt Restructurings,” as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor’s financial difficulties grants a concession to the debtor that it would not otherwise consider.

In the Call Report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, it must be reported in the appropriate loan category, as well as identified as a performing TDR loan, if it is in compliance with its modified terms. If a TDR is not in compliance with its modified terms, it is reported as a past-due and nonaccrual loan in the appropriate loan category, as well as distinguished from other past due and nonaccrual loans. To be considered in compliance with its modified terms, a loan that is a TDR must not be in nonaccrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms. A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, *Receivables – Overall* (formerly FASB Statement No. 114, “Accounting by Creditors for Impairment of a Loan,” as amended), and the Call Report Glossary entry for “Loan Impairment.” Consistent with ASC Subtopic 310-10, TDRs may be aggregated and measured for impairment with other impaired loans that share common risk characteristics by using historical statistics, such as average recovery period and average amount recovered, along with a composite effective interest rate. The outcome of such an aggregation approach must be consistent with the impairment measurement methods prescribed in ASC Subtopic 310-10 and Call Report instructions for loans that are “individually” considered impaired instead of the measurement method prescribed in ASC Subtopic 450-20, *Contingencies – Loss Contingencies* (formerly FASB Statement No. 5, “Accounting for Contingencies”) for loans not individually considered impaired that are collectively evaluated for impairment. When a loan not previously considered individually impaired is restructured and determined to be a TDR, absent a partial charge-off, it generally is not appropriate for the impairment estimate on the loan to decline as a result of the change from the impairment measurement method prescribed in ASC Subtopic 450-20 to the methods prescribed in ASC Subtopic 310-10.

Troubled Debt Restructurings and Accounting Standards Update No. 2011-02 – In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, “A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring,” to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also intended to reduce diversity in practice in identifying and reporting TDRs. This ASU was effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should have been applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting

from retrospective application should have been applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public institutions, the ASU takes effect July 1, 2011, but retrospective application begins as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic institutions, the ASU took effect January 1, 2012.) Early adoption of the ASU was permitted for both public and nonpublic entities. Nonpublic entities that adopt early are subject to a retrospective identification requirement. For additional information, refer to ASU 2011-02, available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Accounting for Loan Participations – Amended ASC Topic 860 (formerly FAS 166) modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of amended ASC Topic 860 (January 1, 2010, for banks with calendar year fiscal year), including advances under lines of credit that are transferred on or after the effective date of amended ASC Topic 860 even if the line of credit agreements were entered into before this effective date. Therefore, banks with a calendar-year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 are not affected by this new accounting standard.

Under amended ASC Topic 860, if a transfer of a portion of an entire financial asset meets the definition of a “participating interest,” then the transferor (normally the lead lender) must evaluate whether the transfer meets all of the conditions in this accounting standard to qualify for sale accounting.

Other-Than-Temporary Impairment – When the fair value of an investment in an individual available-for-sale or held-to-maturity security is less than its cost basis, the impairment is either temporary or other-than-temporary. The amount of the total other-than-temporary impairment related to credit loss must be recognized in earnings, but the amount of total impairment related to other factors must be recognized in other comprehensive income, net of applicable taxes. To determine whether the impairment is other-than-temporary, an institution must apply the applicable accounting guidance – refer to previously published *Quarterly Banking Profile* notes: <http://www2.fdic.gov/qbp/2011mar/qbpnot.html>.

ASC Topics 860 & 810 (formerly FASB Statements 166 & 167) – In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets (FAS 166), and Statement No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167), which change the way entities account for securitizations and special purpose entities. FAS 166 revised FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, by eliminating the concept of a “qualifying special-purpose entity,” creating the concept of a “participating interest,” changing the requirements for derecognizing financial assets, and requiring additional disclosures. FAS 167 revised FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, by changing how a bank or other company determines when an entity that is insufficiently capitalized or

is not controlled through voting or similar rights, i.e., a “variable interest entity” (VIE), should be consolidated. Under FAS 167, a bank must perform a qualitative assessment to determine whether its variable interest or interests give it a controlling financial interest in a VIE. If a bank’s variable interest or interests provide it with the power to direct the most significant activities of the VIE, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the bank is the primary beneficiary of, and therefore must consolidate, the VIE.

Both FAS 166 and FAS 167 take effect as of the beginning of each bank’s first annual reporting period that begins after November 15, 2009, for interim periods therein, and for interim and annual reporting periods thereafter (i.e., as of January 1, 2010, for banks with a calendar year fiscal year). Earlier application is prohibited. Banks are expected to adopt FAS 166 and FAS 167 for Call Report purposes in accordance with the effective date of these two standards. Also, FAS 166 has modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of FAS 166. Therefore, banks with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with FAS 166. In general, loan participations transferred before the effective date of FAS 166 (January 1, 2010, for calendar year banks) are not affected by this new accounting standard and pre-FAS 166 participations that were properly accounted for as sales under FASB Statement No. 140 will continue to be reported as having been sold.

Accounting Standards Codification – refer to previously published *Quarterly Banking Profile* notes: <http://www2.fdic.gov/qbp/2011sep/qbpnot.html>.

DEFINITIONS (in alphabetical order)

All other assets – total cash, balances due from depository institutions, premises, fixed assets, direct investments in real estate, investment in unconsolidated subsidiaries, customers’ liability on acceptances outstanding, assets held in trading accounts, federal funds sold, securities purchased with agreements to resell, fair market value of derivatives, prepaid deposit insurance assessments, and other assets.

All other liabilities – bank’s liability on acceptances, limited-life preferred stock, allowance for estimated off-balance-sheet credit losses, fair market value of derivatives, and other liabilities.

Assessment base – effective April 1, 2011, the deposit insurance assessment base has changed to “average consolidated total assets minus average tangible equity” with an additional adjustment to the assessment base for banker’s banks and custodial banks, as permitted under Dodd-Frank. Previously the assessment base was “assessable deposits” and consisted of DIF deposits (deposits insured by the FDIC Deposit Insurance Fund) in banks’ domestic offices with certain adjustments.

Assets securitized and sold – total outstanding principal balance of assets securitized and sold with servicing retained or other seller- provided credit enhancements.

Capital Purchase Program (CPP) – as announced in October 2008 under the TARP, the Treasury Department purchase of noncumulative perpetual preferred stock and related warrants that is treated as Tier 1 capital for regulatory capital purposes

is included in “Total equity capital.” Such warrants to purchase common stock or noncumulative preferred stock issued by publicly-traded banks are reflected as well in “Surplus.” Warrants to purchase common stock or noncumulative preferred stock of not-publicly-traded bank stock are classified in a bank’s balance sheet as “Other liabilities.”

Construction and development loans – includes loans for all property types under construction, as well as loans for land acquisition and development.

Core capital – common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries, less goodwill and other ineligible intangible assets. The amount of eligible intangibles (including servicing rights) included in core capital is limited in accordance with supervisory capital regulations.

Cost of funding earning assets – total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Credit enhancements – techniques whereby a company attempts to reduce the credit risk of its obligations. Credit enhancement may be provided by a third party (external credit enhancement) or by the originator (internal credit enhancement), and more than one type of enhancement may be associated with a given issuance.

Deposit Insurance Fund (DIF) – the Bank (BIF) and Savings Association (SAIF) Insurance Funds were merged in 2006 by the Federal Deposit Insurance Reform Act to form the DIF.

Derivatives notional amount – the notional, or contractual, amounts of derivatives represent the level of involvement in the types of derivatives transactions and are not a quantification of market risk or credit risk. Notional amounts represent the amounts used to calculate contractual cash flows to be exchanged.

Derivatives credit equivalent amount – the fair value of the derivative plus an additional amount for potential future credit exposure based on the notional amount, the remaining maturity and type of the contract.

Derivatives transaction types:

Futures and forward contracts – contracts in which the buyer agrees to purchase and the seller agrees to sell, at a specified future date, a specific quantity of an underlying variable or index at a specified price or yield. These contracts exist for a variety of variables or indices, (traditional agricultural or physical commodities, as well as currencies and interest rates). Futures contracts are standardized and are traded on organized exchanges which set limits on counterparty credit exposure. Forward contracts do not have standardized terms and are traded over the counter.

Option contracts – contracts in which the buyer acquires the right to buy from or sell to another party some specified amount of an underlying variable or index at a stated price (strike price) during a period or on a specified future date, in return for compensation (such as a fee or premium). The seller is obligated to purchase or sell the variable or index at the discretion of the buyer of the contract.

Swaps – obligations between two parties to exchange a series of cash flows at periodic intervals (settlement dates), for a specified period. The cash flows of a swap are either fixed, or determined for each settlement date by multiply-

ing the quantity (notional principal) of the underlying variable or index by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

Derivatives underlying risk exposure – the potential exposure characterized by the level of banks’ concentration in particular underlying instruments, in general. Exposure can result from market risk, credit risk, and operational risk, as well as, interest rate risk.

Domestic deposits to total assets – total domestic office deposits as a percent of total assets on a consolidated basis.

Earning assets – all loans and other investments that earn interest or dividend income.

Efficiency ratio – Noninterest expense less amortization of intangible assets as a percent of net interest income plus non-interest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Estimated insured deposits – in general, insured deposits are total domestic deposits minus estimated uninsured deposits. Beginning March 31, 2008, for institutions that file Call Reports, insured deposits are total assessable deposits minus estimated uninsured deposits. Beginning September 30, 2009, insured deposits include deposits in accounts of \$100,000 to \$250,000 that are covered by a temporary increase in the FDIC’s standard maximum deposit insurance amount (SMDIA). The Dodd-Frank Wall Street Reform and Consumer Protection Act enacted on July 21, 2010, made permanent the standard maximum deposit insurance amount (SMDIA) of \$250,000. Also, the Dodd-Frank Act amended the Federal Deposit Insurance Act to include noninterest-bearing transaction accounts as a new temporary deposit insurance account category. All funds held in noninterest-bearing transaction accounts were fully insured, without limit, from December 31, 2010, through December 31, 2012.

Failed/assisted institutions – an institution fails when regulators take control of the institution, placing the assets and liabilities into a bridge bank, conservatorship, receivership, or another healthy institution. This action may require the FDIC to provide funds to cover losses. An institution is defined as “assisted” when the institution remains open and receives assistance in order to continue operating.

Fair Value – the valuation of various assets and liabilities on the balance sheet—including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option, and foreclosed assets—involves the use of fair values. During periods of market stress, the fair values of some financial instruments and nonfinancial assets may decline.

FHLB advances – all borrowings by FDIC insured institutions from the Federal Home Loan Bank System (FHLB), as reported by Call Report filers, and by TFR filers prior to March 31, 2012.

Goodwill and other intangibles – intangible assets include servicing rights, purchased credit card relationships, and other identifiable intangible assets. Goodwill is the excess of the purchase price over the fair market value of the net assets acquired, less subsequent impairment adjustments. Other intangible assets are recorded at fair value, less subsequent quarterly amortization and impairment adjustments.

Loans secured by real estate – includes home equity loans, junior liens secured by 1-4 family residential properties, and all other loans secured by real estate.

Loans to individuals – includes outstanding credit card balances and other secured and unsecured consumer loans.

Long-term assets (5+ years) – loans and debt securities with remaining maturities or repricing intervals of over five years.

Maximum credit exposure – the maximum contractual credit exposure remaining under recourse arrangements and other seller-provided credit enhancements provided by the reporting bank to securitizations.

Mortgage-backed securities – certificates of participation in pools of residential mortgages and collateralized mortgage obligations issued or guaranteed by government-sponsored or private enterprises. Also, see “Securities,” below.

Net charge-offs – total loans and leases charged off (removed from balance sheet because of uncollectibility), less amounts recovered on loans and leases previously charged off.

Net interest margin – the difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments are made for interest income that is tax exempt.

Net loans to total assets – loans and lease financing receivables, net of unearned income, allowance and reserves, as a percent of total assets on a consolidated basis.

Net operating income – income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

Noncurrent assets – the sum of loans, leases, debt securities, and other assets that are 90 days or more past due, or in non-accrual status.

Noncurrent loans & leases – the sum of loans and leases 90 days or more past due, and loans and leases in nonaccrual status.

Number of institutions reporting – the number of institutions that actually filed a financial report.

New reporters – insured institutions filing quarterly financial reports for the first time.

Other borrowed funds – federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, FHLB advances, other borrowed money, mortgage indebtedness, obligations under capitalized leases and trading liabilities, less revaluation losses on assets held in trading accounts.

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that file a *Thrift Financial Report* (TFR), the valuation allowance subtracted also includes allowances for other repossessed assets. Also, for TFR filers the components of other real estate owned are reported gross of valuation allowances. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Percent of institutions with earnings gains – the percent of institutions that increased their net income (or decreased their losses) compared to the same period a year earlier.

“Problem” institutions – federal regulators assign a composite rating to each financial institution, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern.

“Problem” institutions are those institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either a “4” or “5.” The number and assets of “problem” institutions are based on FDIC composite ratings. Prior to March 31, 2008, for institutions whose primary federal regulator was the OTS, the OTS composite rating was used.

Recourse – an arrangement in which a bank retains, in form or in substance, any credit risk directly or indirectly associated with an asset it has sold (in accordance with generally accepted accounting principles) that exceeds a pro rata share of the bank’s claim on the asset. If a bank has no claim on an asset it has sold, then the retention of any credit risk is recourse.

Reserves for losses – the allowance for loan and lease losses on a consolidated basis.

Restructured loans and leases – loan and lease financing receivables with terms restructured from the original contract. Excludes restructured loans and leases that are not in compliance with the modified terms.

Retained earnings – net income less cash dividends on common and preferred stock for the reporting period.

Return on assets – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total (consolidated) assets. The basic yardstick of bank profitability.

Return on equity – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total equity capital.

Risk-based capital groups – definition:

(Percent)	Total Risk-Based Capital*		Tier 1 Risk-Based Capital*		Tier 1 Leverage	Tangible Equity
Well-capitalized	≥10	and	≥6	and	≥5	–
Adequately capitalized	≥8	and	≥4	and	≥4	–
Undercapitalized	≥6	and	≥3	and	≥3	–
Significantly undercapitalized	<6	or	<3	or	<3	and >2
Critically undercapitalized	–	–	–	–	–	≤2

* As a percentage of risk-weighted assets.

Risk Categories and Assessment Rate Schedule – The current risk categories became effective January 1, 2007. Capital ratios and supervisory ratings distinguish one risk category from another. Effective April 1, 2011, risk categories for large institutions (generally those with at least \$10 billion in assets) were eliminated. [Note: Effective January 1, 2014, a small number of “advanced approach institutions” began reporting Tier 1 capital based on regulatory capital standards approved by the banking agencies in July 2013. For all other FDIC-insured institutions, prior existing reporting will continue until January 2015 when mandatory compliance for all institutions is scheduled to begin. <http://www.fdic.gov/regulations/capital/>.] The following table shows the relationship of risk categories (I, II, III, IV) for small institutions to capital and

supervisory groups as well as the initial base assessment rates (in basis points) for each risk category. Supervisory Group A generally includes institutions with CAMELS composite ratings of 1 or 2; Supervisory Group B generally includes institutions with a CAMELS composite rating of 3; and Supervisory Group C generally includes institutions with CAMELS composite ratings of 4 or 5. For purposes of risk-based assessment capital groups, undercapitalized includes institutions that are significantly or critically undercapitalized.

Capital Category	Supervisory Group		
	A	B	C
1. Well Capitalized	I 5–9 bps	II 14 bps	III 23 bps
2. Adequately Capitalized	II 14 bps		
3. Undercapitalized	III 23 bps		IV 35 bps

Effective April 1, 2011, the initial base assessment rates are 5 to 35 basis points. An institution's total assessment rate may be less than or greater than its initial base assessment rate as a result of additional risk adjustments.

The base assessment rates for small institutions in Risk Category I are based on a combination of financial ratios and CAMELS component ratings (the financial ratios method).

As required by Dodd-Frank, the calculation of risk-based assessment rates for large institutions no longer relies on long-term debt issuer ratings. Rates for large institutions are based on CAMELS ratings and certain forward-looking financial measures combined into two scorecards—one for most large institutions and another for the remaining very large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions). In general, a highly complex institution is an institution (other than a credit card bank) with more than \$500 billion in total assets that is controlled by a parent or intermediate parent company with more than \$500 billion in total assets or a processing bank or trust company with total fiduciary assets of \$500 billion or more. The FDIC retains its ability to take additional information into account to make a limited adjustment to an institution's total score (the large bank adjustment), which will be used to determine an institution's initial base assessment rate.

Effective April 1, 2011, the three possible adjustments to an institution's initial base assessment rate are as follows: (1) **Unsecured Debt Adjustment:** An institution's rate may decrease by up to 5 basis points for unsecured debt. The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an institution's initial base assessment rate (IBAR). Thus, for example, an institution with an IBAR of 5 basis points would have a maximum unsecured debt adjustment of 2.5 basis points and could not have a total base assessment rate lower than 2.5 basis points. (2) **Depository Institution Debt Adjustment:** For institutions that hold long-term unsecured debt issued by another insured depository institution, a 50 basis point charge is applied to the amount of such debt held in excess of 3 percent of an institution's Tier 1 capital. (3) **Brokered Deposit Adjustment:** Rates for small institutions that are not in Risk Category I and for large

institutions that are not well capitalized or do not have a composite CAMELS rating of 1 or 2 may increase (not to exceed 10 basis points) if their brokered deposits exceed 10 percent of domestic deposits. After applying all possible adjustments (excluding the Depository Institution Debt Adjustment), minimum and maximum total base assessment rates for each risk category are as follows:

Total Base Assessment Rates*					Large and Highly Complex Institutions
	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	
Initial base assessment rate	5–9	14	23	35	5–35
Unsecured debt adjustment	-4.5–0	-5–0	-5–0	-5–0	-5–0
Brokered deposit adjustment	—	0–10	0–10	0–10	0–10
Total Base Assessment rate	2.5–9	9–24	18–33	30–45	2.5–45

* All amounts for all categories are in basis points annually. Total base rates that are not the minimum or maximum rate will vary between these rates. Total base assessment rates do not include the depository institution debt adjustment.

Beginning in 2007, each institution is assigned a risk-based rate for a quarterly assessment period near the end of the quarter following the assessment period. Payment is generally due on the 30th day of the last month of the quarter following the assessment period. Supervisory rating changes are effective for assessment purposes as of the examination transmittal date.

Special Assessment – On May 22, 2009, the FDIC board approved a final rule that imposed a 5 basis point special assessment as of June 30, 2009. The special assessment was levied on each insured depository institution's assets minus its Tier 1 capital as reported in its report of condition as of June 30, 2009. The special assessment was collected September 30, 2009, at the same time that the risk-based assessment for the second quarter of 2009 was collected. The special assessment for any institution was capped at 10 basis points of the institution's assessment base for the second quarter of 2009 risk-based assessment.

Prepaid Deposit Insurance Assessments – In November 2009, the FDIC Board of Directors adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. For regulatory capital purposes, an institution may assign a zero-percent risk weight to the amount of its prepaid deposit assessment asset. As required by the FDIC's regulation establishing the prepaid deposit insurance assessment program, this program ended with the final application of prepaid assessments to the quarterly deposit insurance assessments payable March 29, 2013. The FDIC issued refunds of any unused prepaid deposit insurance assessments on June 28, 2013.

Risk-weighted assets – assets adjusted for risk-based capital definitions which include on-balance-sheet as well as off-balance-sheet items multiplied by risk-weights that range from zero to 200 percent. A conversion factor is used to assign

a balance sheet equivalent amount for selected off-balance-sheet accounts.

Securities – excludes securities held in trading accounts. Banks' securities portfolios consist of securities designated as "held-to-maturity," which are reported at amortized cost (book value), and securities designated as "available-for-sale," reported at fair (market) value.

Securities gains (losses) – realized gains (losses) on held-to-maturity and available-for-sale securities, before adjustments for income taxes. *Thrift Financial Report* (TFR) filers also include gains (losses) on the sales of assets held for sale. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Seller's interest in institution's own securitizations – the reporting bank's ownership interest in loans and other assets that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Small Business Lending Fund – The Small Business Lending Fund (SBLF) was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing capital to qualified community institutions with assets of less than \$10 billion. The SBLF Program is administered by the U.S. Treasury Department (<http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx>).

Under the SBLF Program, the Treasury Department purchased noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock has been issued by a depository institution, it is reported as "Perpetual preferred stock and related surplus." For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of Tier 1 capital. Qualifying Subchapter S corporations and mutual institutions

issue unsecured subordinated debentures to the Treasury Department through the SBLF. Depository institutions that issued these debentures report them as "Subordinated notes and debentures." For regulatory capital purposes, the debentures are eligible for inclusion in an institution's Tier 2 capital in accordance with their primary federal regulator's capital standards. To participate in the SBLF Program, an institution with outstanding securities issued to the Treasury Department under the Capital Purchase Program (CPP) was required to refinance or repay in full the CPP securities at the time of the SBLF funding. Any outstanding warrants that an institution issued to the Treasury Department under the CPP remain outstanding after the refinancing of the CPP stock through the SBLF Program unless the institution chooses to repurchase them.

Subchapter S corporation – a Subchapter S corporation is treated as a pass-through entity, similar to a partnership, for federal income tax purposes. It is generally not subject to any federal income taxes at the corporate level. This can have the effect of reducing institutions' reported taxes and increasing their after-tax earnings.

Trust assets – market value, or other reasonably available value of fiduciary and related assets, to include marketable securities, and other financial and physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods. Such fiduciary assets are not included in the assets of the financial institution.

Unearned income & contra accounts – unearned income for *Call Report* filers only.

Unused loan commitments – includes credit card lines, home equity lines, commitments to make loans for construction, loans secured by commercial real estate, and unused commitments to originate or purchase loans. (Excluded are commitments after June 2003 for originated mortgage loans held for sale, which are accounted for as derivatives on the balance sheet.)

Yield on earning assets – total interest, dividend, and fee income earned on loans and investments as a percentage of average earning assets.

Community Banks Remain Resilient Amid Industry Consolidation

Analysts agree that consolidation is a long-term trend that has significantly reshaped the banking industry over the past 30 years.¹ There has recently been renewed debate as to the future pace of industry consolidation and what implications this trend holds for community banks. This paper presents an analysis of long-term consolidation and its effects on community banks. We conclude that the recent uptick in the rate of consolidation is attributable to factors that are likely to subside once the effects of the crisis are fully behind us. We also find that consolidation has had much less impact on the community banking sector than is commonly believed.

The key finding of this study is that institutions with assets between \$100 million and \$10 billion—most of which can be considered community banks—have increased in both number and in total assets since 1985. The number of banks with assets between \$100 million and \$1 billion increased by 7 percent between 1985 and 2013, while the number of banks with assets between \$1 billion and \$10 billion increased by 5 percent. These groups of institutions also experienced growth in terms of total assets. The assets of banks between \$100 million and \$1 billion increased by 27 percent between 1985 and 2013, while the assets of banks between \$1 billion and \$10 billion grew by 4 percent.

Consolidation has had its biggest net effect on the very smallest and the largest banks. The number of institutions with assets less than \$100 million declined by 85 percent between 1985 and 2013. Meanwhile, institutions with assets greater than \$10 billion have seen their number almost triple, while their total assets have increased more than ten-fold.

Because of the limitations of applying fixed asset-size thresholds over such a long period of time, we also analyze the effects of consolidation using the functional definition of community banks that was introduced in the 2012 *FDIC Community Banking Study*.² Seen

through this lens, consolidation has had a much less pronounced effect on the community banking sector. More than 90 percent of FDIC-insured institutions operate as community banks, a share that has steadily increased since the mid-1980s. Moreover, the rate of total attrition through failure or merger has been far lower among community banks than among noncommunity banks since 1985—a disparity that has become even more pronounced over the past decade. When community banks do fail or close voluntarily, almost two-thirds of the time the acquirer is another community bank. So while today's community banks may be somewhat larger, on average, than those of 30 years ago, they continue to meet the definition of institutions providing traditional banking services to their local markets.

These conclusions are somewhat at odds with the often expressed view that the post-crisis period will be characterized by heightened consolidation, which will increasingly marginalize the community banking sector. Our analysis shows that the projected decline of the community banking sector has been significantly overstated. Community banks have, in fact, remained highly resilient amid the long-term trend of banking industry consolidation. While their share of industry assets has declined over time, they are disproportionately important providers of credit to small businesses and serve hundreds of counties and thousands of communities that are overlooked by larger noncommunity institutions. While the overall trend of consolidation may well continue, it appears unlikely to diminish the importance of community banks or the role they play in our financial system.

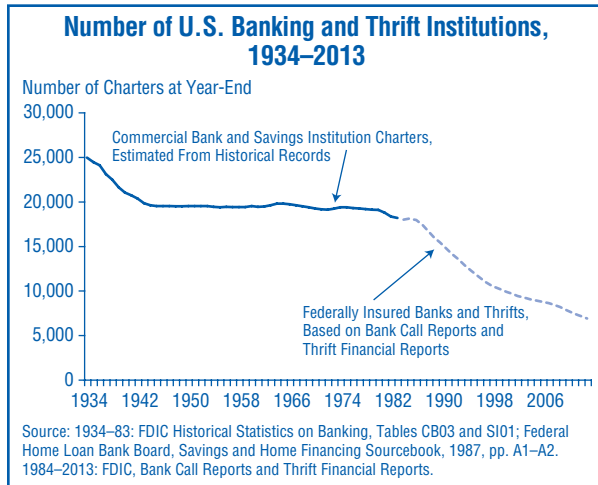
A Closer Look at the Process of Consolidation

Before specifically evaluating the effects of consolidation on community banks, it may be useful to examine the process of consolidation itself. Consolidation is by no means a new development; in fact, it has been a defining trend in the U.S. banking industry since around 1980. After remaining fairly steady for more than three decades, the total number of banking and thrift charters declined from around 20,000 in 1980 to 6,812 at the end of 2013 (Chart 1). While the top-line figures in Chart 1 appear to depict a disappearance of banking charters over time, it is more useful to consider this trend in terms of the three main components of structural change in banking.

¹ For a previous FDIC study of long-term consolidation in banking, see Jones and Critchfield (2004).

² The 2012 *FDIC Study* defined “community banks” in terms of balance-sheet characteristics that reflected a focus on lending and deposit-gathering activities, and on a limited geographic scope of operations. For more details, see: <http://www.fdic.gov/regulations/resources/cbi/report/CBSI-1.pdf>.

Chart 1

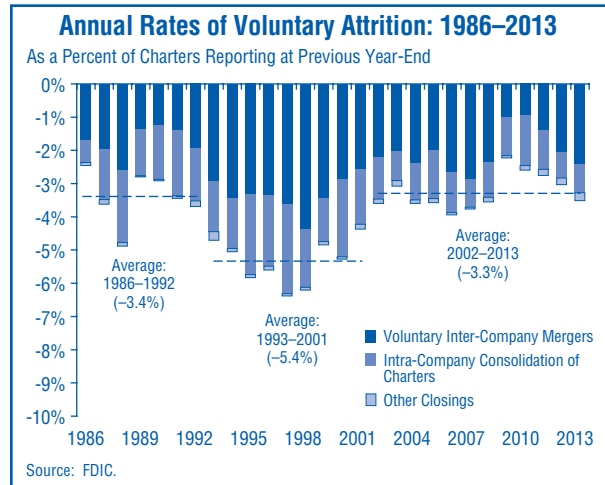


Voluntary closures have slowed since 2001. The most important component of long-term consolidation in banking is the voluntary closure of bank charters, which has accounted for around 80 percent of the total attrition in charters that has taken place since 1985. Voluntary closures of charters occur through *intra-company consolidation* of commonly owned charters, *inter-company mergers*, and, occasionally, through *self-liquidation*. It is useful to think about intra-company consolidation as a means by which an existing bank holding company can rationalize its internal structure by combining charters. These consolidations reduce the number of charters, but have no effect on the total number of banking organizations. In contrast, inter-company mergers are a means by which banking organizations can expand their size and geographic reach by merging with or acquiring charters operating under separate ownership.

Chart 2 depicts the annual rate of voluntary attrition, and divides the period since 1985 into three distinct periods. These include two periods of relatively slow voluntary attrition—the first between 1986 and 1992 when the annual voluntary attrition averaged 3.4 percent, and the second between 2002 and 2013 when the annual rate averaged 3.3 percent. During these 19 years of relatively slow voluntary attrition, the annual rate exceeded 4.5 percent in only one year. These periods were divided by a period of more rapid voluntary attrition between 1993 and 2001 when voluntary closings exceeded 4.5 percent of existing charters in *every* year.

The period of highest rates of voluntary attrition immediately followed a period of changes in federal and state law, during which geographic barriers to banking activities were significantly relaxed. Before the

Chart 2



1980s, depository institutions were subject to a range of geographic restrictions, interest rate ceilings, and other limitations that had been introduced in response to the banking crisis that accompanied the Great Depression. Around 1980, however, increasing disintermediation from traditional banks, and especially thrifts, prompted a series of legislative measures to enable depository institutions to more effectively compete with nonbank providers.³

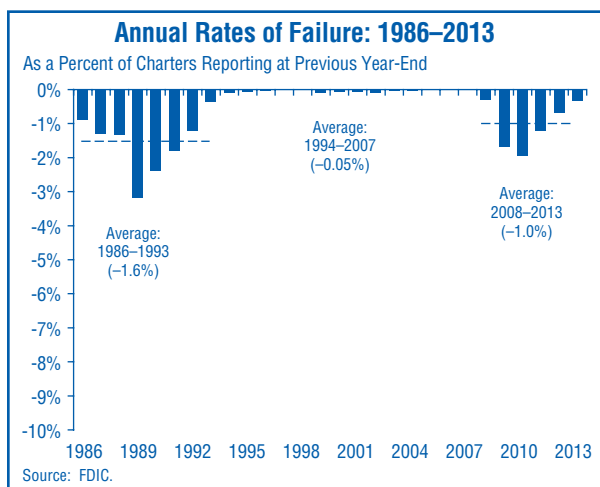
These regulatory changes at the state and federal levels virtually eliminated the geographic restrictions on banking activities that applied to many states prior to 1980. While only 16 states permitted unrestricted intra-state branching in 1984, by 1994 the number had risen to 40.⁴ Similarly, while 42 states restricted interstate combinations of banking charters in 1984, by 1994 only Hawaii retained this restriction.⁵ The Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal) introduced full interstate branching, which further facilitated the consolidation of charters within banking companies. It was in the immediate aftermath of this liberalization of geographic restrictions that the industry

³ The Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA) and the Garn-St. Germain Depository Institutions Act of 1982 (Garn-St. Germain) lowered net worth requirements and expanded investment powers for savings institutions, eliminated the Regulation Q interest-rate ceilings on bank and thrift deposits, and increased federal deposit insurance coverage from \$40,000 to \$100,000. Also around this time, state usury laws that placed interest-rate ceilings on consumer loans were being superseded by a 1978 U.S. Supreme Court ruling that permitted banks to follow the usury ceiling in place in their home state.

⁴ Strahan (2002). The District of Columbia is not included in these state counts.

⁵ Strahan (2002).

Chart 3



experienced its highest annual rates of voluntary consolidation. This relaxation of these geographic restrictions was conducive to both the consolidation of charters within existing organizations and the acquisition of charters operated under different ownership.⁶ However, in some sense this represents a one-time historical factor that by now, some 20 years or more after the fact, has diminished in importance as a driver of industry consolidation.

Failures rose during the recent crisis, but are now abating. The second most important factor contributing to consolidation since 1985 has been *bank and thrift failures*. Between 1985 and 2013, a total of 2,580 federally insured banks and thrifts failed. Failures have accounted for slightly less than 17 percent of all charter attrition since 1985. The vast majority of those failures have taken place within two concentrated waves: one during the 1980s and early 1990s, and the other beginning in 2008.

Chart 3 depicts annual percentage rates of failure for federally insured banks and thrifts. The chart divides the period since 1985 into distinct eras that coincide with two crisis periods. The annual rate of failure ranged between 0.3 percent and 3.2 percent in every year between 1986 and 1993, as the banking and thrift industries were experiencing credit losses associated with commercial real estate and construction lending and a series of regional economic downturns.⁷ After 1993, the

⁶ See Berger, Demsetz and Strahan (1999), p. 150.

⁷ For a detailed analysis of the complex combination of causes that led to the extraordinary number of bank failures in the 1980s and early 1990s, see FDIC (1997).

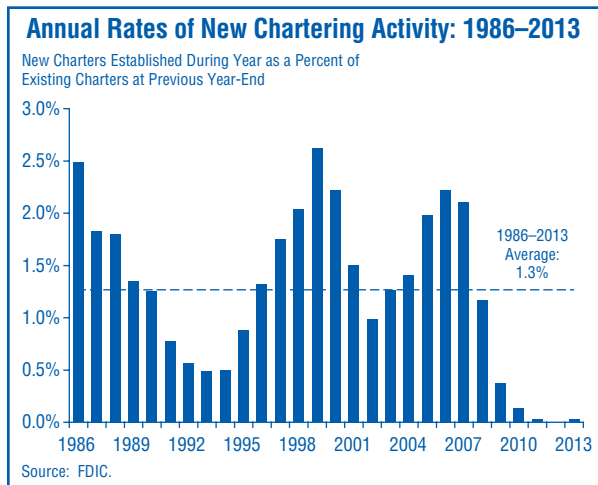
annual rate of failure never exceeded 0.1 percent in any year until 2008, when the industry experienced a second wave of failures associated with the recent financial crisis. The annual rate of failure once again equaled or exceeded 0.3 percent in every year between 2008 and 2013, peaking in 2010 at 2 percent. In all, 97 percent of the failures that have taken place since 1985 have occurred during these two crisis periods.

While failures have been an important factor contributing to the banking industry consolidation since 1985, it is by no means assured that they will continue to contribute to consolidation to the same degree in the years ahead. Substantial reforms put in place since the recent crisis, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) and the Basel III capital standards, are designed to contribute to a more stable banking environment in the years ahead. To the extent that bank risk managers and bank supervisors are successful in creating a more stable banking environment in the years ahead, failures may contribute much less to consolidation than they have since 1985.

New charters represent a highly cyclical component of consolidation. The other main component of consolidation is *new banking charters*. The rate at which new charters have been added to the industry has proven to be highly cyclical. Since year-end 1985, the industry has established new federally insured institutions at an average annual rate of 1.3 percent (Chart 4). The establishment of new institutions has been strongest during periods of economic expansion and strong financial performance on the part of the banking industry. The pace of chartering activity has undergone three distinct lulls that have occurred during and immediately after the recessions of 1990-91, 2001, and 2008-09. The most recent crisis period has taken a particularly severe toll on the pace of chartering activity. Only 15 new charters were established between the end of 2009 and the end of 2013. The highly cyclical nature of chartering activity suggests that, in the wake of the worst financial crisis since the Great Depression, a significant drop-off in chartering activity should not have been wholly unexpected.

If the experience of the last banking crisis is any guide, chartering activity can be expected to recover over the next few years as the effects of the crisis recede. As depicted in Chart 4, the lowest levels of industry-wide chartering activity before 2008 were registered in 1993 and 1994, when new charters amounted to fewer than

Chart 4



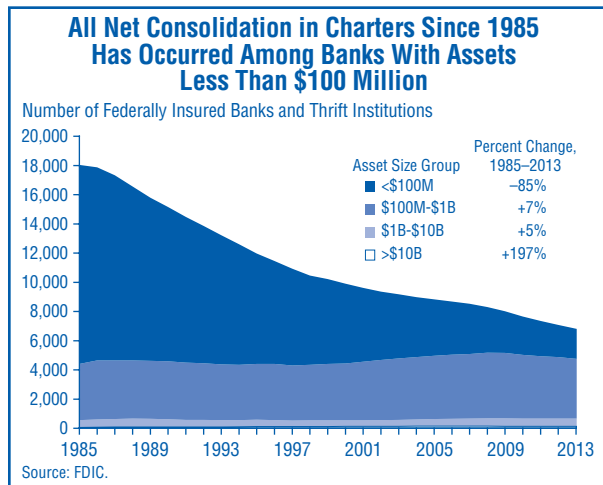
0.5 percent of existing institutions. By 1999, however, the pace of chartering activity had risen to 2.6 percent—the fastest of any year since 1985 and twice the annual average for the past 28 years. There are certainly reasons to think that chartering activity in this cycle might not recover as quickly or to the same degree in this recovery. However, to the extent that the pace of chartering activity does increase, we can expect the rate of net consolidation to slow in coming years.

Effects of Consolidation on the Size Distribution of Banks

Consolidation has mainly affected the smallest and the largest institutions. Consolidation since 1985 has had two main effects on the size distribution of the banking industry. It has dramatically reduced the number of institutions with assets less than \$100 million, while greatly increasing the size and share of assets held by the largest institutions. Notably however, consolidation has had much less effect on institutions operating in the size categories between \$100 million and \$10 billion, which currently encompass most community banks.

All of the net reduction in the number of bank and thrift charters between 1985 and 2013 can be accounted for by the decline in the number of institutions with assets less than \$100 million, which fell by 85 percent over this period (Chart 5). The number of institutions with assets less than \$25 million declined by 96 percent during this period, from 5,717 to just 205. While the number of institutions with assets between \$25 million and \$100 million also declined by 77 percent during this period, some 1,851 institutions continued to operate in this size category in 2013.

Chart 5



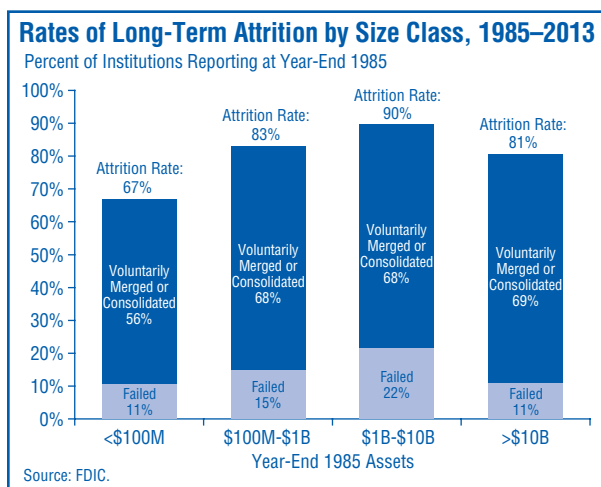
It is important not to misread the net decline in the number of small charters as an indicator of their relative success or longevity. Among charters operating at the end of 1985, the rates of failure, voluntary closure, and overall attrition through year-end 2013 were lower for institutions that started out with assets less than \$100 million than for those in any other size group (Chart 6). Equivalently, the proportion of institutions starting out with less than \$100 million in assets in 1985 that were still operating in 2013 was greater than that of any other size group.⁸

The second way that consolidation has reshaped the size distribution of the banking industry is by generating tremendous growth in the size and share of industry assets held by the largest banking companies. The share of industry assets held by the top 10 banking organizations rose from 19 percent as late as 1990 to 56 percent at the end of 2013. In all, the total assets of institutions with assets greater than \$10 billion grew from \$1.1 trillion (28 percent of industry assets) in 1985 to \$11.9 trillion (81 percent of industry assets) in 2013 (Chart 7).

Institutions with assets between \$100 million and \$10 billion have increased in number and total assets. Somewhat overlooked amid these large changes at either end of the size distribution is the relative stability

⁸ The reason institutions in this smallest size group could experience the lowest rate of attrition and yet see their numbers decline the most in percentage terms was that so many of them managed to grow into one of the larger size categories. In all, some 2,777 of the institutions that started out in 1985 with assets less than \$100 million were still reporting at year-end 2013 in one of the larger size categories. In fact, 12 of them reported total assets of more than \$10 billion in 2013.

Chart 6



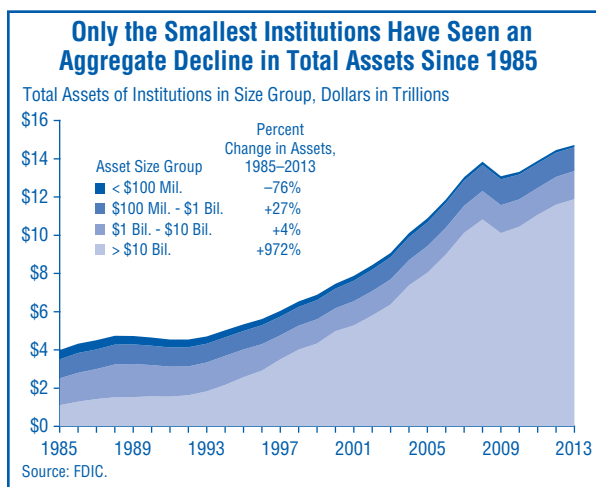
that has been observed among banks between \$100 million and \$10 billion in assets. As depicted in Chart 5, the number of banks with assets between \$100 million and \$1 billion increased by 7 percent between 1985 and 2013, while the number of banks with assets between \$1 billion and \$10 billion increased by 5 percent. These groups of institutions also experienced growth in terms of total assets. The assets of banks between \$100 million and \$1 billion increased by 27 percent between 1985 and 2013, while banks with assets between \$1 billion and \$10 billion grew by 4 percent (Chart 7).

One reason why this stability in the \$100 million to \$10 billion size category is so important for this study is that it is in these size groups where most community banks currently operate. At year-end 2013, some 68 percent of community bank charters held assets between \$100 million and \$10 billion.⁹ Another reason not to overlook the relative stability of these institutions is the research that has recently been done on economies of scale in banking.¹⁰ A recent FDIC study explored the issue of economies of scale in community

⁹ The term "community bank" here refers to institutions meeting the definition established in the 2012 *FDIC Community Banking Study*.

¹⁰ The term economies of scale refers to the relationship between the cost of producing a unit of output and the level of output. To the extent that average costs fall with the level of output, then a firm can be said to experience economies of scale. The existence of economies of scale is important to understanding consolidation in banking. To the extent that they exist, economies of scale can render smaller institutions uncompetitive, making them more likely to exit the industry over time. Improved operational efficiency has been posited as one of three main motivations behind bank mergers, with the other two being increased market power and increased access to the regulatory safety net. See Berger, Demsetz and Strahan (1999).

Chart 7



banking and the extent to which the presence of economies of scale may have induced mergers and acquisitions that contributed to banking industry consolidation over time.¹¹ While the magnitude of economies of scale among community banks was found to vary according to lending specialization, most of the cost benefits from scale appear to be achieved for community banks with as little as \$100 million in assets (Charts 8 and 9). What this implies is that while economies of scale may help to explain the large declines that have occurred over time in the number of banks with assets less than \$100 million, they do not appear to have had nearly the same effect on banks bigger than \$100 million. As such, economies of scale do not appear to be working against the majority of community banks.

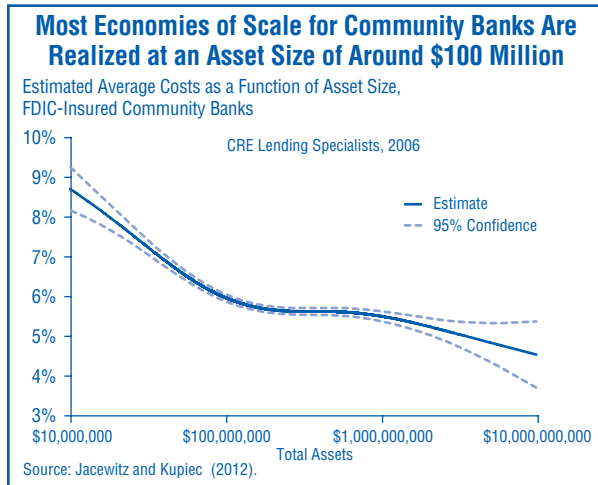
Community Banks Have Been Highly Resilient Amid Consolidation

By focusing strictly on size group definitions, the previous discussion provides only a limited account of the effect of consolidation on community banks. In part, these shifts in the asset size distribution reflect the limitations of relying on fixed asset-size categories, as any yardstick measured in nominal dollars is likely to shrink over such a long period of time.¹² A more robust analysis of how consolidation affects community banks requires a functional definition of the community bank that is not strictly based on asset size. This is precisely

¹¹ Jacewitz and Kupiec (2012).

¹² Between 1985 and 2013 the consumer price index increased by 2.2 times, the total assets held by federally insured banks and thrifts rose by 2.7 times, and the nominal size of U.S. Gross Domestic Product (GDP) rose by 3.9 times.

Chart 8



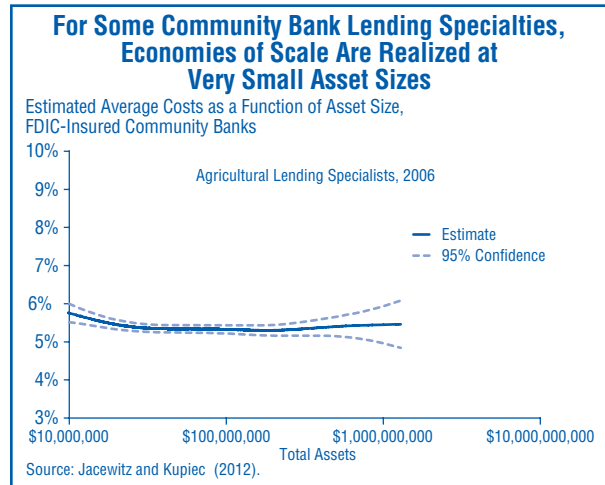
the type of definition that was introduced in the 2012 *FDIC Community Banking Study*.

While they are frequently thought of strictly in terms of asset size, community banks are more accurately described in terms of how and where they conduct business. Community banks tend to focus on providing essential banking services in their local communities. They obtain most of their core deposits locally and make many of their loans to local businesses. For this reason, they are often considered to be “relationship” bankers as opposed to “transactional” bankers. This means that they have specialized knowledge of their local community and their customers. Because of this expertise, community banks tend to base credit decisions on local knowledge and nonstandard data obtained through long-term relationships and are less likely to rely on the models-based underwriting used by larger banks.

The 2012 *FDIC Study* incorporated a number of these considerations into a new research definition of the community bank based on publicly available data that describe banking activities and the institution’s geographic scope of operations.¹³ Because this definition is not strictly based on a fixed asset-size threshold, it does not automatically “define away” community banks as smaller institutions grow, merge, or acquire other banks. An implementation of this definition

¹³ Appendix A of the 2012 *FDIC Study* details the implantation of this definition using publicly available data. See: <http://www.fdic.gov/regulations/resources/cbi/report/CBSI-A.pdf>. Listings of FDIC-insured institutions according to whether they meet this definition are provided on the FDIC website at: <http://www.fdic.gov/regulations/resources/cbi/data.html>

Chart 9



using year-end 2012 data resulted in the identification of 6,544 community banking charters operating within 6,141 community banking organizations.¹⁴ Based on this more robust definition, we are better able to analyze the effects of consolidation on institutions engaged in community banking, as opposed to institutions operating within arbitrary, fixed asset-size thresholds.

The vast majority of FDIC-insured institutions operate as community banks. The most obvious indicator of the resilience of community banks in the face of industry consolidation is the fact that some 93 percent of FDIC-insured banking charters met the community bank definition at year-end 2013, up from 87 percent at the end of 1985 (Chart 10). While the total number of federally insured institutions declined by 62 percent over this period, the decline among noncommunity banks (78 percent) was actually greater than that among community banks (60 percent).

Notwithstanding the relative stability in the community bank share of banking charters, the community bank shares of offices and assets have steadily declined since 1985. As a share of total banking offices, community banks have experienced a gradually declining share over time, from 53 percent in 1985 to 35 percent in 2013 (Chart 11). In large part, this trend reflects the large increases in geographic scope seen among

¹⁴ The community bank analysis conducted in this paper generally follows the convention established in FDIC (2012) and Backup (2013) of defining community banks as of the end of each calendar year. The exception in this paper is our analysis of calendar-year 2013, which is based on community bank definitions as of year-end 2012.

Chart 10

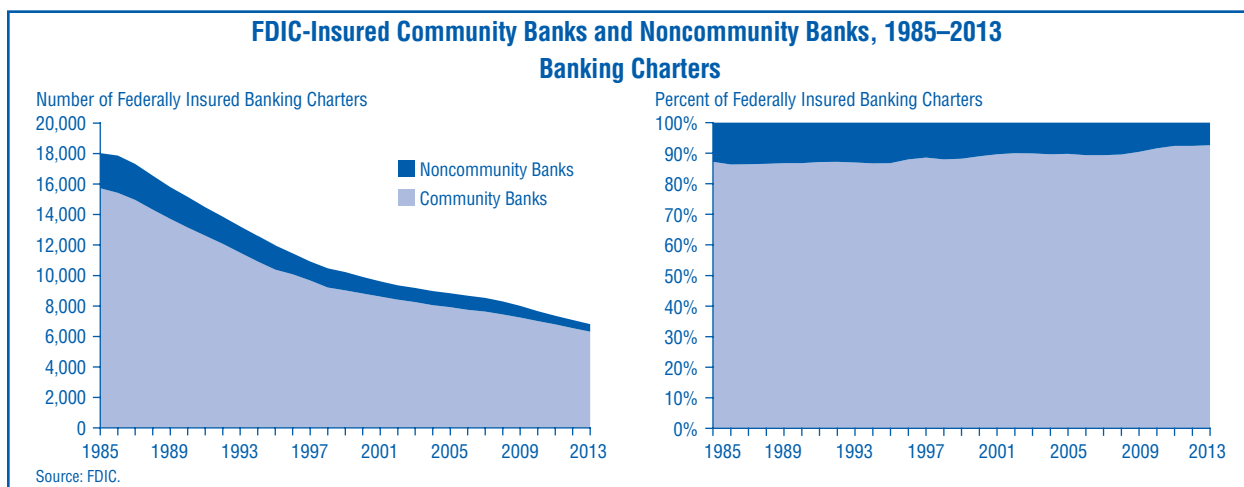
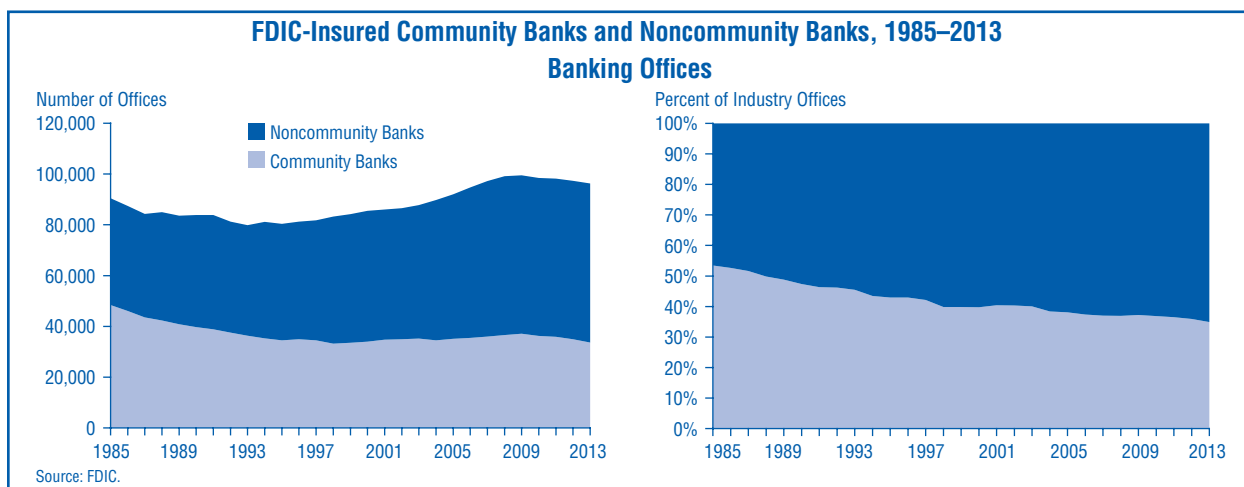


Chart 11



noncommunity banks over this period. The average number of offices operated by noncommunity banking organizations grew from 83 offices in 1985 to 154 offices in 2013, while the average number of offices operated by community banking organizations grew from 3 to 6.

The community bank share of banking industry assets also underwent a secular decline over this period (Chart 12). While community banks held 37 percent of industry assets in 1985, their share declined to just 14 percent by 2013. However, most of the gain in the share of industry assets held by noncommunity banks was concentrated in just a handful of institutions. Excluding the ten largest banking organizations, the community bank share of industry assets would have been 45 percent in 1985 and 31 percent in 2013.

The rate of long-term charter attrition has been far lower for community banks than for noncommunity banks—particularly over the past decade. As described earlier in the case of banks with assets under \$100 million, simply tracking the net number of institutions in a group over time does not necessarily provide the clearest picture of their relative success or longevity. It is also instructive to look to their rate of total attrition over time as a measure of their long-term staying power. Among institutions operating at year-end 1985, some 68 percent of the community banks had failed, merged or otherwise consolidated by 2013, compared to 94 percent of noncommunity banks (Chart 13). This disparity in rates of total attrition is even more startling when measured during the period of relatively slow voluntary attrition since 2003. Between year-end 2003 and year-end 2013, the total

Chart 12

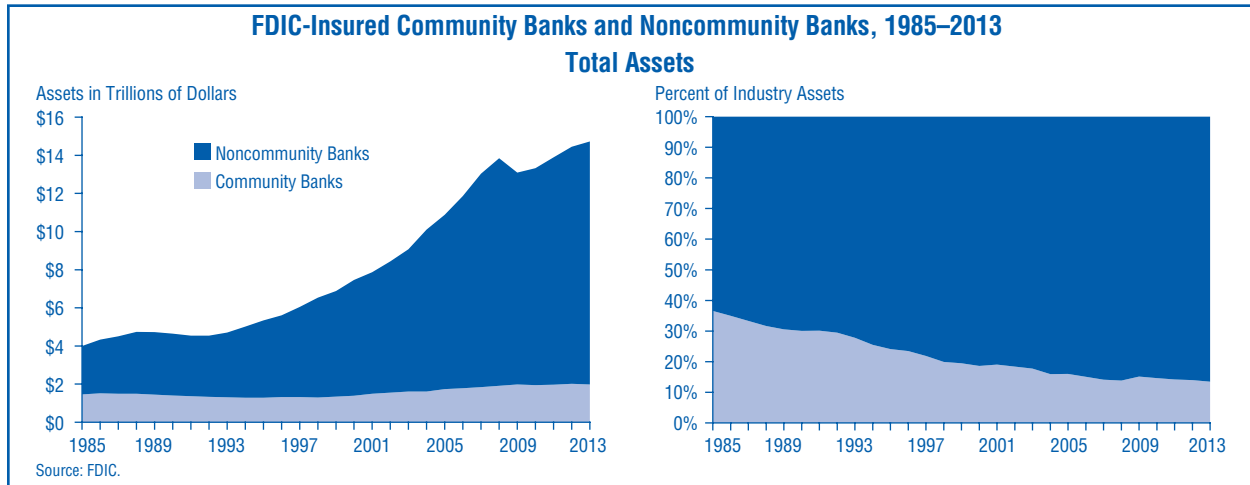
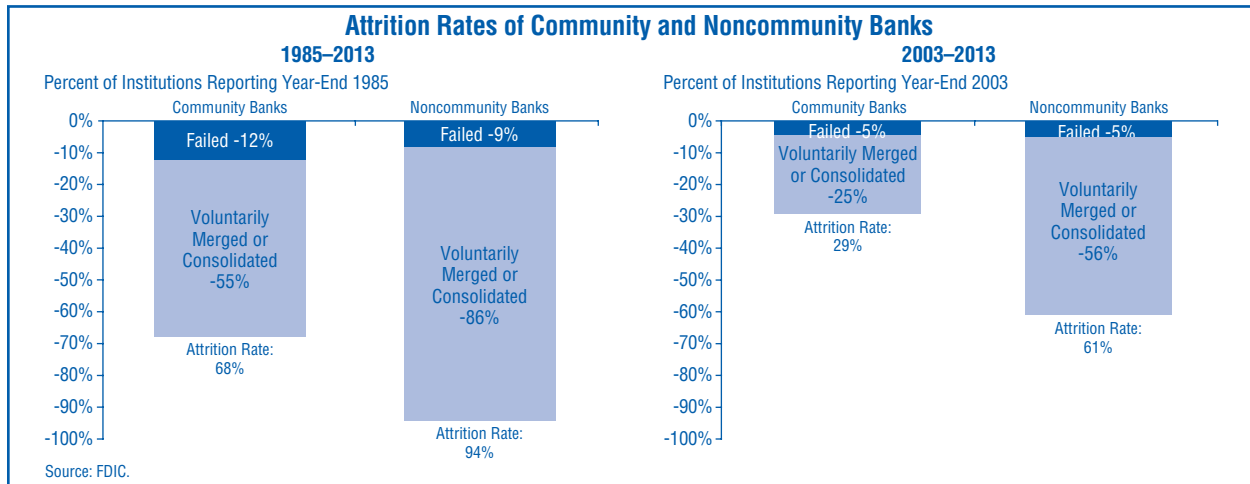


Chart 13



attrition rate for community banks was 29 percent, compared to 61 percent for noncommunity banks. The failure rate was identical for the two groups, rounding to 5 percent.

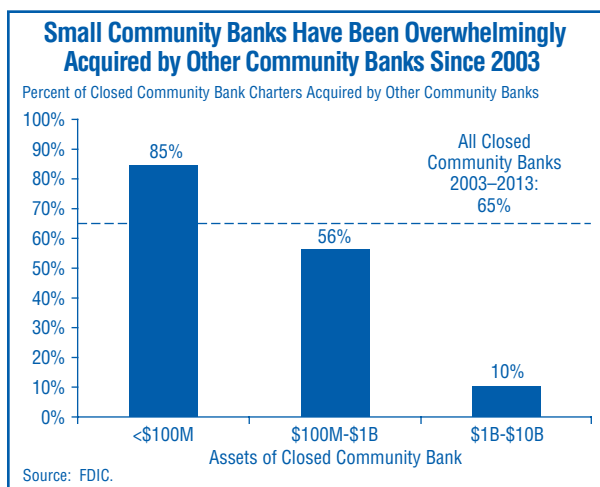
Despite the perception that community banks are losing their place in the banking industry as a result of consolidation, the data show that over the past decade they have failed just as often as noncommunity banks, while their rate of total attrition was less than half that of noncommunity banks.

When community banks are closed through failure or voluntary merger, nearly two-thirds of the time the acquirer is another community bank. The attrition of charters over the past decade, depicted on the right hand side of Chart 13, resulted in the acquisition of over 2,500 community bank charters by other

institutions. While this could be interpreted as a net loss to the community banking sector, this would not necessarily be the case if the acquirer were also a community bank. In that event, the resulting institution would likely continue to carry out traditional lending and deposit gathering activities within a fairly limited geographic area, with relatively little impact on the nature of banking services provided to the customers of the bank or the communities it serves.

Analysis of the 2,579 community bank charters that were acquired between year-end 2003 and year-end 2013 shows that 65 percent were acquired by other community banks (Chart 14). Among community banks with assets less than \$100 million, the share acquired by other community banks was 85 percent, and among those with assets between \$100 million and

Chart 14



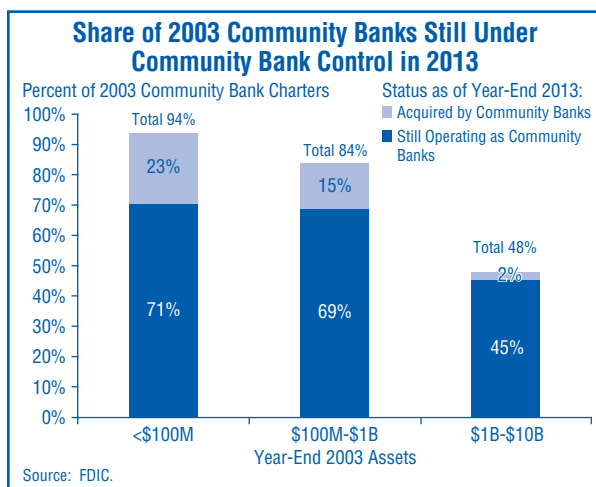
\$1 billion, the share acquired by community banks was 56 percent.¹⁵

There may be two reasons why the percentage of community banks acquired by other community banks declines as asset size increases. One is that in most mergers the substantially larger institution acquires the smaller institution. Of the 1,668 community bank charters acquired as part of voluntary inter-company mergers between year-end 2003 and year-end 2013, the acquiring banking organization was larger than the target organization in 83 percent of the cases. This means that the ranks of potential community bank acquirers diminish rather quickly as the size of a potential merger target increases. While 62 percent of institutions with assets between \$1 billion and \$10 billion met the community bank definition at year-end 2013, only 2 percent of banks over \$10 billion did so.

In addition, small community banks have proven to be far more likely than larger institutions to be acquired through voluntary transactions. Of community banks acquired between 2003 and 2013, only 9 percent of those with assets less than \$100 million were failed institutions, compared to 21 percent of banks with assets between \$100 million and \$1 billion and 23 percent of those with assets between \$1 billion and \$10 billion. A higher share of “forced sales” among these larger acquisition targets may reduce the odds of finding a suitable community bank acquirer at the time of failure.

¹⁵ Only 158 (6 percent) of the 2,579 community banks that were acquired between 2003 and 2013 held total assets of more than \$1 billion at the time of acquisition.

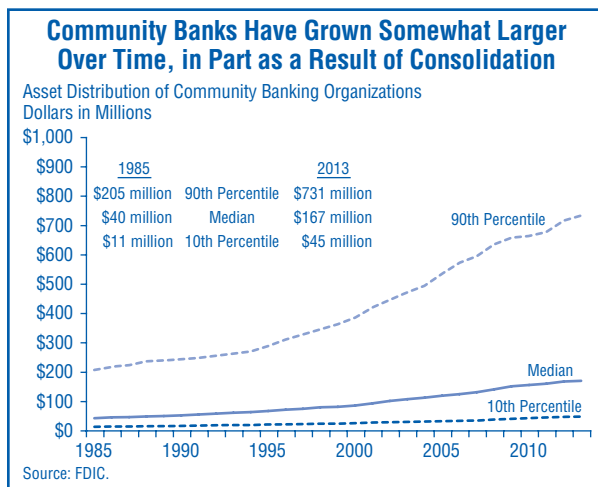
Chart 15



The net result of community bank attrition and acquisitions over the past decade is depicted in Chart 15. The chart compares the percent of 2003 community banks, in three size classes, that either continued to report as community banks in 2013 or that had been acquired by another community bank sometime during the decade. Ninety-four percent of the community banks that started out in 2003 with assets less than \$100 million either continued to report as a community bank in 2013 or had been acquired by another community bank sometime during the decade. For community banks that started out with assets between \$100 million and \$1 billion, the share was 84 percent. By contrast, fewer than 50 percent of community banks that started out with assets between \$1 billion and \$10 billion continued to operate as community banks at the end of the decade.

These results suggest a significant degree of underlying stability in the structure of the community banking sector overall, and especially among the smaller size classes of community banks. While attrition has led to consolidation among these institutions over the past decade, the vast majority have remained part of the community banking sector. It is in the largest size class of community banks—those with assets over \$1 billion—that we see more institutions leaving the community banking sector either by changing their business model (and thereby no longer meeting the community bank definition) or by being acquired by a noncommunity bank. For perspective, it is useful to note that fewer than 5 percent of community banks held assets greater than \$1 billion at year-end 2013.

Chart 16



Compared to the mid-1980s, today’s community banking sector is composed of somewhat larger institutions that continue to provide essential banking services to a limited geographic market. We have shown that community banks have experienced relatively low rates of attrition and, when they do exit the industry, are usually acquired by other community banks. After nearly 30 years of industry consolidation, the median community bank in 2013 had grown to \$167 million, more than four times the median size in 1985 (Chart 16).

This increase in the median size of community banks is consistent with both the large declines that have been observed in the number of very small charters (especially those with assets less than \$25 million) and the existence of economies of scale at these very small asset sizes. It does not comport with claims that only community banks with assets of \$1 billion or more could be considered viable.¹⁶ In fact, almost 90 percent of community banks operating at the end of 2013 held total assets of less than \$730 million.

Many of today’s community banks have survived two episodes of bank failures and a long-term process of consolidation that has reduced their total number by around one-half. What they do have in common with community banks from previous eras is a focus on providing essential banking services in their local communities. Amid the changes associated with consolidation, community banks continue to serve this core function in our economy much as they always have.

¹⁶ See “Small Banks Look to Sell as Rules Bite,” *Wall Street Journal*, April 3, 2014, p. C-1.

As defined in the 2012 FDIC *Study*, community banks are vitally important sources of small loans to U.S. farms and businesses and as providers of mainstream banking services to rural communities, small towns, and urban neighborhoods that are frequently overlooked by larger banks. At year-end 2012, community banks held just 14 percent of banking industry assets, but held 46 percent of the industry’s small loans to farms and businesses.¹⁷ While they held just 18 percent of banking industry deposits in 2012, they held the majority of deposits in banking offices located in both rural counties and micropolitan counties. In addition, there are more than 600 U.S. counties (almost one fifth of all U.S. counties) that would not have had any physical banking offices operated by FDIC-insured institutions if not for those operated by community banks.

Conclusion

The post-crisis period has brought renewed debate as to the future pace of banking industry consolidation and the possible implications for community banks. Despite the concerns of some that a period of heightened consolidation could diminish the prospects of community banks, there are several reasons to think that these concerns may be significantly overstated.

Consolidation is by no means a recent development. Instead, it is a long-term trend that has been reshaping the banking industry since around 1980. About 80 percent of the charter attrition that has been observed since 1985 has taken the form of voluntary closings, mainly consolidations within holding companies or voluntary mergers between banking organizations. The period when the pace of voluntary consolidation was most rapid was between 1993 and 2001, shortly after geographic restrictions on banking activities were virtually eliminated. To the extent that these one-time regulatory changes took place 20 years or more in the past, their impact on future consolidation is likely to be limited.

Another 20 percent of charter attrition since 1985 has taken place through bank failures, mainly during the crisis periods of the late 1980s and early 1990s and since 2007. To the extent that regulatory reforms, prudential supervision and bank risk management can ward off a repeat of these episodes, failures also figure to contribute less to charter attrition going forward.

¹⁷ These year-end 2012 calculations for community banks are found in Backup (2013).

New chartering activity has brought new resources into the banking sector over time, replenishing the number of charters amid ongoing attrition. Chartering has proven to be highly cyclical over time, and never more so than during and after the recent crisis. If the experience of the last banking crisis is any guide, chartering activity can be expected to recover over the next few years as the effects of the crisis recede. To the extent that this turns out to be the case, we can expect the rate of net consolidation to slow in coming years.

Much attention has been focused on the effects that consolidation has had on the smallest and the largest institutions. While all of the net reduction in the number of banking charters can be explained by the decline in the number of banks with assets less than \$100 million, the largest institutions have seen tremendous increases in their size and share of industry assets. Too often overlooked is the relative stability among institutions with assets between \$100 million and \$10 billion, which have seen their number and their total assets grow amid industry consolidation since 1985. The disparity between the decline in very small charters and growth among charters between \$100 million and \$10 billion suggests that economies of scale offer only a limited explanation for consolidation, and that community banks have been much less affected by consolidation than is commonly thought to be the case.

Conducting analysis using the FDIC's functional definition of the community bank further demonstrates the resilience of community banks in the face of long-term consolidation. After more than 30 years of industry consolidation, well more than 90 percent of banking charters met the FDIC's community bank definition at the end of 2013. Second, the rate of long-term charter attrition has been far lower for community banks than for noncommunity banks, particularly over the past decade. In addition, when community banks are closed through failure or voluntary merger, almost two-thirds of the time the acquirer has been another community bank. In these cases, the nature of banking services provided to the customers and communities served by these institutions can be expected to remain relatively unaffected by consolidation.

The net result is a community banking sector made up of institutions that tend to be somewhat larger than was the case in 1985, but that otherwise continue, as before, to make loans and take deposits within a fairly limited geographic area. After more than 30 years of industry consolidation, community banks still serve as vital sources of credit for small businesses and providers of banking services to communities that might not be served by noncommunity banks. The available evidence strongly suggests that they will continue to carry out these important functions for the foreseeable future.

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Long-Term Trends in Rural Depopulation and Their Implications for Community Banks

Introduction

This article explores trends in rural depopulation in the United States and the implications of these trends for rural community banks. Although rural depopulation continues to pose significant challenges for rural areas, community banks appear to be coping fairly well—much better, in fact, than one would have expected. Nevertheless, the underlying negative effects of depopulating rural areas have been neither eliminated nor reduced, and to the extent that depopulation accelerates over time, its effects will increasingly create problems for community banks that operate in affected areas.

Depopulation in rural counties can be seen throughout the United States. Between 1980 and 2010, the total number of U.S. residents increased by more than 36 percent to nearly 309 million.¹ During that same 30-year period, more than half of all U.S. rural counties lost population. In fact, the rural counties that experienced outflows lost 14.8 percent of their population on average.

The onset of rural depopulation in the United States antedates 1980, with more than one-third of U.S. rural counties having reached their maximum population before 1930, and the trend appears to be accelerating. Between 1980 and 2010, some 692 rural counties lost population, compared with 529 that lost population between 1970 and 2000.

The United States is not the only country experiencing the gradual depopulation of its rural areas. Several studies have documented similar trends in Canada and Mexico; countries in South America; China, Japan, and other Asian countries; as well as some European countries.² Factors cited by these studies to explain rural depopulation include productivity gains that led to agricultural consolidation and a reduction in the number of farm workers required; a lack of opportunities for nonfarm employment in the affected areas; and prospects for higher standards of living in urban centers.

¹ All population figures cited in this article are from the U.S. Census.

² See, for example, James P. Robson and Prateep K. Nayak, "Rural Out-Migration and Resource-Dependent Communities in Mexico and India," *Population and Environment* 32.2–3 (Dec. 2010): 263–284; Shim Jae Hoon, Robert Delfs, and Julian Baum, "Rural Exodus: Seeds of Despair," *Far Eastern Economic Review* 156.9 (Mar. 4, 1993): 20; Thomas Feldhoff, "Shrinking Communities in Japan: Community Ownership of Assets as a Development Potential for Rural Japan?" *Urban Design International, suppl. Special Issue: Shrinking Cities* 18.1 (Spring 2013): 99–109; Vladimir Drgona and David Turnock, "Policies for Rural Eastern Europe in Transition: The Case of Slovakia," *GeoJournal* 50.2–3 (2000): 235–247.

This is not the first time FDIC analysts have addressed the subject of rural depopulation. A 2004 issue of the *FDIC Banking Review* contained an article titled "Rural Depopulation: What Does It Mean for the Future Economic Health of Rural Areas and the Community Banks That Support Them?"³ That article explored the relationship among agriculture, population density, and depopulation for the period 1970 to 2000, describing the demographic components of the rural depopulation trend as well as the roles played by technological change and organizational innovation. Focusing on the Great Plains region, the article noted the pressures that depopulation can place on both sides of the banking balance sheet and the difficulties it can pose in the recruitment and retention of bank management and staff.

Part I of this article builds on the earlier article by incorporating county-level population data from the 2010 Census to compare the depopulation trends of 1970 to 2000 with those of 1980 to 2010. We highlight the particular affinity between depopulation and the Great Plains, and elaborate on the connection between rural depopulation and age distribution within the depopulating counties. In Part II, we focus on community banks in rural depopulating regions: the particular characteristics of these banks, their striking financial performance between 2000 and 2012, and the degree to which they have been affected by consolidation. Part III describes recent developments that may positively affect depopulation trends in some areas. Our conclusion, in this article as in the earlier one, is that despite the adverse effects of depopulation, rural community banks as a group have tended to perform well, but achieving growth remains a challenge.

Part I

Depopulation Trends

The trends discussed in Part I are: the depopulation trends in rural areas for the period 1980 to 2010 compared with the period 1970 to 2000; depopulation and population density in the Great Plains, the region that has long been affected most strongly by rural depopulation and that has the lowest population density of any of the four regions with high rates of depopulation; and the relationship between rural depopulation

³ John Anderlik and Jeffrey Walsler, "Rural Depopulation: What Does It Mean for the Future Economic Health of Rural Areas and the Community Banks That Support Them?" *FDIC Banking Review* 16.3 (2004), <http://fdic.gov/bank/analytical/banking/2005jan/article2.html>.

Changes to Definitions of County Types Between the 2000 and 2010 Census Periods

The U.S. Office of Management and Budget (OMB) designates clusters of counties as metropolitan statistical areas or micropolitan statistical areas (the latter category was first defined in 2003) to provide nationally consistent definitions for collecting, tabulating, and publishing federal statistics. The OMB bases the designations on the population size of the urban cores and on socioeconomic integration. Under these definitions, metropolitan areas have an urban core of at least 50,000 people. Micropolitan areas, though otherwise similar to metropolitan areas, have an urban core of between 10,000 and 50,000 people. The OMB periodically reviews and revises its designations of metropolitan and micropolitan, adding new metropolitan and micropolitan clusters as well as adding or deleting individual counties from existing clusters of designated metro and micro areas.

The 2004 FDIC study based its system for classifying counties as rural on the OMB 2000 core statistical area

definition file, which did not yet include micropolitan statistical area definitions. The 2004 study labeled counties shown to be part of metropolitan statistical areas as metro counties and all other counties as rural counties. The present update uses the OMB 2009 core statistical area definitions, which include micropolitan statistical areas. Thus, this update labels counties belonging to metropolitan areas as “metro counties,” counties belonging to micropolitan areas as “micro counties,” and all other counties as “rural counties.”

In full, in its 2009 definitions the OMB reclassified 401 counties from rural to micropolitan in the four FDIC-defined depopulating areas (see footnote 6): Corn Belt (166), Delta-South (104), Great Plains (84), and Appalachia-East (47). Much like their larger (metro) counterparts, micro counties tend to have growing populations. In the 2004 FDIC study, most of these counties had been classified as “growing” rural counties, and between 1980 and 2010, 70 percent of them added population.

and age distribution (age distribution is an indicator of the vitality that characterizes local communities).

Depopulation Trends in Rural Areas, 1970–2000 and 1980–2010

The 2004 FDIC study focused on population trends at the county level during the 30 years from 1970 to 2000, categorizing all U.S. counties according to the population trends they experienced during this period.⁴ Counties that gained population were designated “growing counties,” while those that lost population were designated “depopulating counties.” Depopulating counties were segmented according to whether their rate of population loss did or did not accelerate during the 1990s (the last of the three decades in the period under study): Depopulating counties whose rates of outflow during the 1990s did not increase were designated “declining counties,” while depopulating counties whose rates of outflow during the 1990s did increase were designated “accelerated declining counties.”

Using these definitions, the study found that in 2000, one-quarter of all U.S. counties were depopulating

⁴ In this paper we use the term “county” to refer to counties and other geographies (for example, parishes, municipios, districts, and islands) that are treated as county equivalents by the U.S. Census Bureau.

counties (either declining or accelerated declining). The study also found that depopulation appeared to be occurring primarily in rural areas. From 1970 to 2000, some 32 percent of rural counties had lost population, compared with just 11 percent of metro counties (for the definitions of rural, metro, and micro counties, see inset box above).⁵ Furthermore, the vast majority of depopulating rural counties were identified in 2004 as belonging to one or another of four distinct geographic areas: the Great Plains, the Corn Belt, the Delta-South, and Appalachia-East.⁶

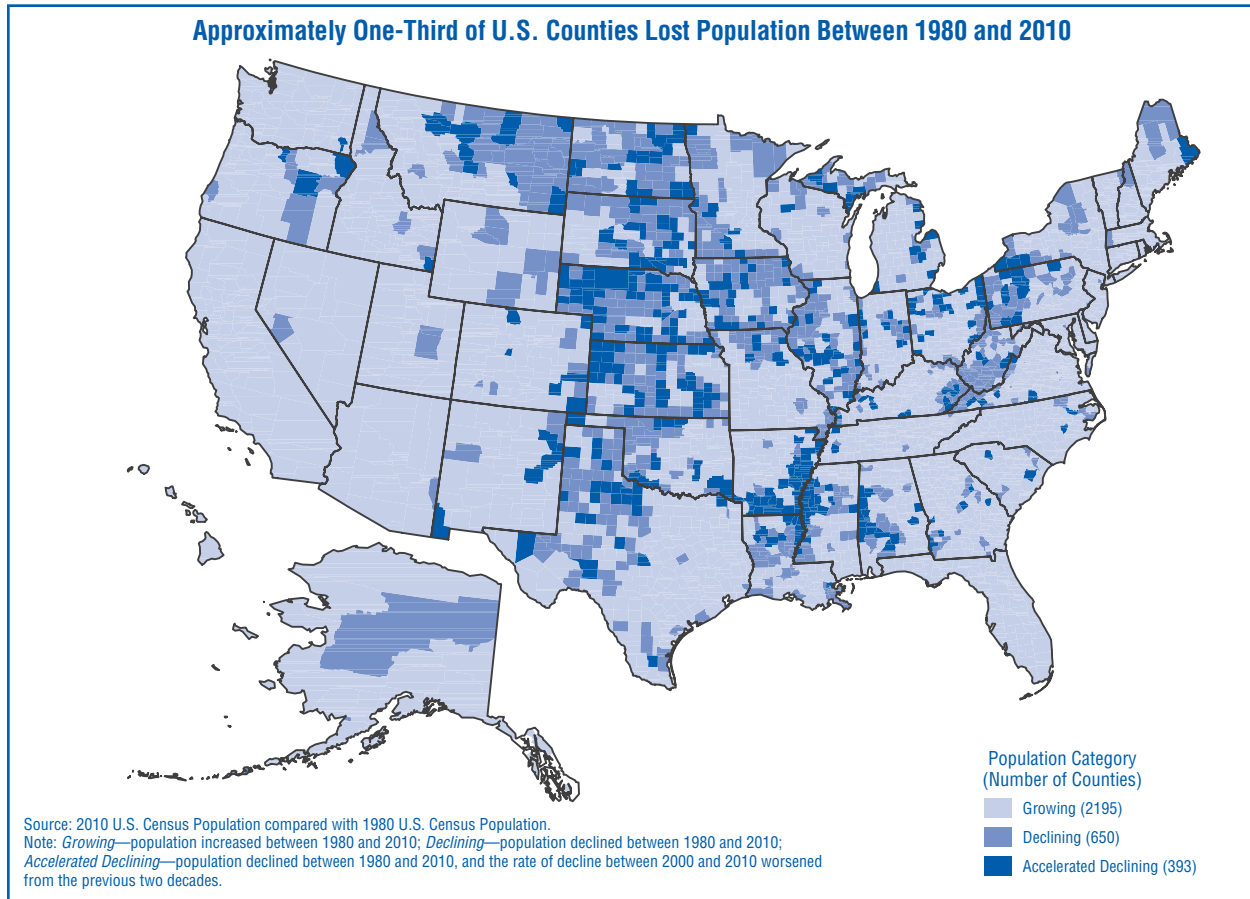
Although the 2004 study focused on the Great Plains, the factors leading to long-term depopulation were basically similar across the four regions. In all four, fewer workers were needed in the dominant economic sector (agriculture in the center of the country, coal mining in Appalachia-East), but jobs in other sectors were scarce.⁷ Hence these regions saw an out-migration to urban

⁵ We use the shorthand “metro” to refer to counties belonging to a metropolitan statistical area, and “micro” to refer to counties belonging to a micropolitan statistical area, as defined in the inset box.

⁶ These areas are defined in the 2004 FDIC article and are shown on Map 2 of this update.

⁷ As noted in the introduction, ongoing consolidation in the agricultural sector was largely the product of technological change and organizational innovation.

Map 1



areas or rural counties that offered employment in manufacturing or retail. This out-migration in turn led to a slow disintegration of rural towns, which led to further population outflows. The result has been a long-term cycle of population decline in many rural counties.

More-current data allow us to compare depopulation trends and locations for our two 30-year periods.⁸ Map 1 shows the population category of all U.S. counties

⁸ In this update, we applied the current county border definitions (2010) and the Office of Management and Budget statistical area definitions (2009) back to 2000 to make valid comparisons with the previous FDIC study. In addition, we expanded the current analysis to include geographic coverage beyond the 50 states and Washington, D.C., that were used in the 2004 study. These areas include American Samoa, Federated States of Micronesia, Guam, Commonwealth of the Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands, although these additions are not shown on Maps 1 and 2. Together, these 6 territories encompass 95 counties, of which 85 are growing, 5 are declining, and 5 are accelerated declining. With the broader geographic scope of this study and with the changes made to county definitions between 2000 and 2010, this update covers 3,238 counties, compared with 3,141 in the 2004 study.

between 1980 and 2010 without reference to the designation of rural or urban, and we see that the long-term trend of depopulation is accelerating. Between 1980 and 2010, 1,043 U.S. counties (32 percent) lost population, compared with 779 counties (25 percent) between 1970 and 2000. Moreover, the number of counties meeting the definition of “accelerated declining” rose from 188 at the 2000 Census to 393 as of 2010.

Map 1 shows that most depopulation continues to occur in the center of the country, with additional concentrations of depopulating counties among states of the mid-South region and the noncoastal states of the East. Because these geographic concentrations have remained relatively unchanged since our previous study, we continue to group depopulating counties within the four geographic areas of the Great Plains, the Corn Belt, the Delta-South, and Appalachia-East.

Map 2, which uses the same data as Map 1, shows that the four depopulating regions comprise the vast majority of the nation’s depopulating rural counties. In 2010,

the four depopulating regions contained 530 of the nation's 650 declining counties and 343 of its 393 accelerated declining counties (see Table 1). More than 46 percent of all counties in these regions lost population between 1980 and 2010. Although depopulating counties were also found outside the four depopulating regions—170 of them in 2010—such counties constituted only 13 percent of all the depopulating counties.

Table 1, which breaks down the population trend in number of counties for each of the four regions, shows that depopulation continues to be most prevalent in the Great Plains region, with Corn Belt counties experiencing the second-highest rate of depopulation. Some 71 percent of Great Plains counties (340 of 478), and 41 percent of Corn Belt counties (310 of 749) lost population between 1980 and 2010.

Map 2

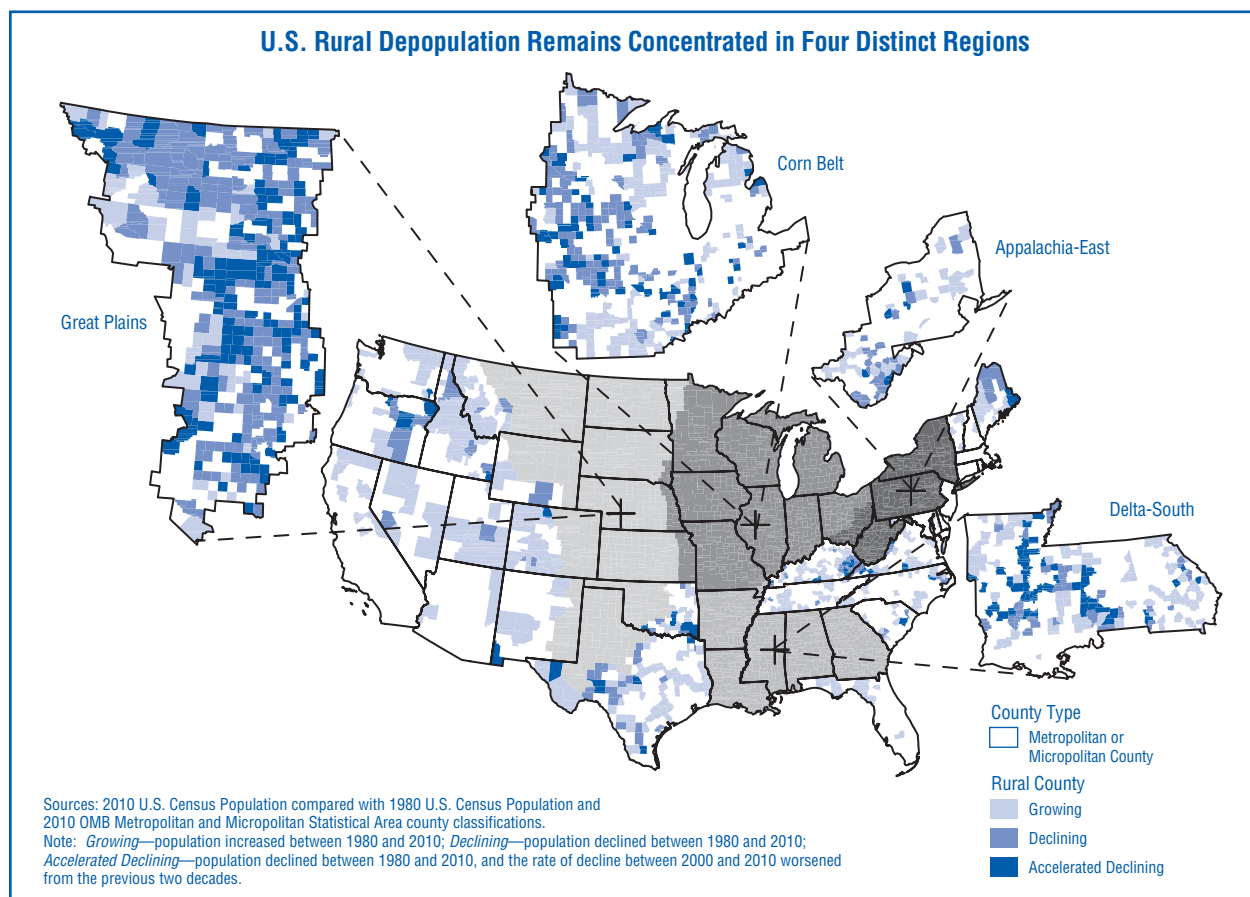


Table 1

Four Broad Geographic Regions Have Most of the Nation's Depopulating Counties				
Region	Number of Counties			Region Total
	Growing	Declining	Accelerated Declining	
Great Plains	138	199	141	478
Corn Belt	439	198	112	749
Delta-South	316	65	70	451
Appalachia-East	125	68	20	213
Other	1,177	120	50	1,347
U.S. Total	2,195	650	393	3,238

Source: 2010 U.S. Census Population compared with 1980 U.S. Census Population.
 Note: 'Other' category includes American Samoa, Federated States of Micronesia, Guam, Commonwealth of the Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands.

Table 2 takes the depopulating counties only, and breaks them down in percentages by type of county for each of the four regions, thus helping to illustrate the extent to which long-term U.S. depopulation is most pronounced in rural counties generally and in rural counties in the Great Plains region specifically. Half of all rural counties in the United States lost population between 1980 and 2010, compared with 30 percent of micro counties and just 12 percent of metro counties. Among rural and micro counties, the greatest concentration of depopulating counties was found in the Great Plains, where 86 percent of rural counties and 51 percent of micro counties lost population. The trends are similar, if less pronounced, in the other three depopulating regions.

Although the Great Plains region has the highest overall share of depopulating counties, the trend toward greater depopulation is accelerating in all four regions. Between 1980 and 2010, 52 percent of Great Plains counties lost population faster than they had between 1970 and 2000, followed by the other three depopulating regions, where 28 to 36 percent of counties lost population faster. In only a few counties in the four regions did the population decline either slow down or reverse itself.

Depopulation and Population Density in the Great Plains

As noted several times above, of the four major regions undergoing rural depopulation, the Great Plains region stands out. It is noteworthy for the intensity and duration of its depopulation trend and for its low population density. Low population density is important because of

Table 2

Half of All U.S. Rural Counties and 86 Percent of Great Plains Rural Counties Lost Population Between 1980 and 2010			
Region	Percent of Counties That Lost Population Between 1980 and 2010		
	Rural	Micropolitan	Metropolitan
Great Plains	86	51	11
Corn Belt	59	43	20
Delta-South	44	34	13
Appalachia-East	43	48	36
Other	23	11	4
U.S. Total	50	30	12

Sources: 2010 U.S. Census Population compared with 1980 U.S. Census Population and 2010 OMB Metropolitan and Micropolitan Statistical Area county classifications.
 Note: 'Other' category includes American Samoa, Federated States of Micronesia, Guam, Commonwealth of the Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands

the difficulties it poses to local governments in maintaining critical infrastructure such as transportation systems and public schools.

The majority of Great Plains counties—rural, micro, and metro—lost population during the 1930s, when Dust Bowl conditions across the region created overwhelming adversity for agricultural producers and local communities. Although no decade since then has been nearly as challenging to the region, a majority of Great Plains counties have experienced depopulation in *every decade* since 1930 (see Chart 1). Between 1930 and 2010, rural counties in the Great Plains region cumulatively shed more than 40 percent of their population; the rural counties of the Delta-South followed, but there the cumulative loss was just 5 percent.

Chart 1

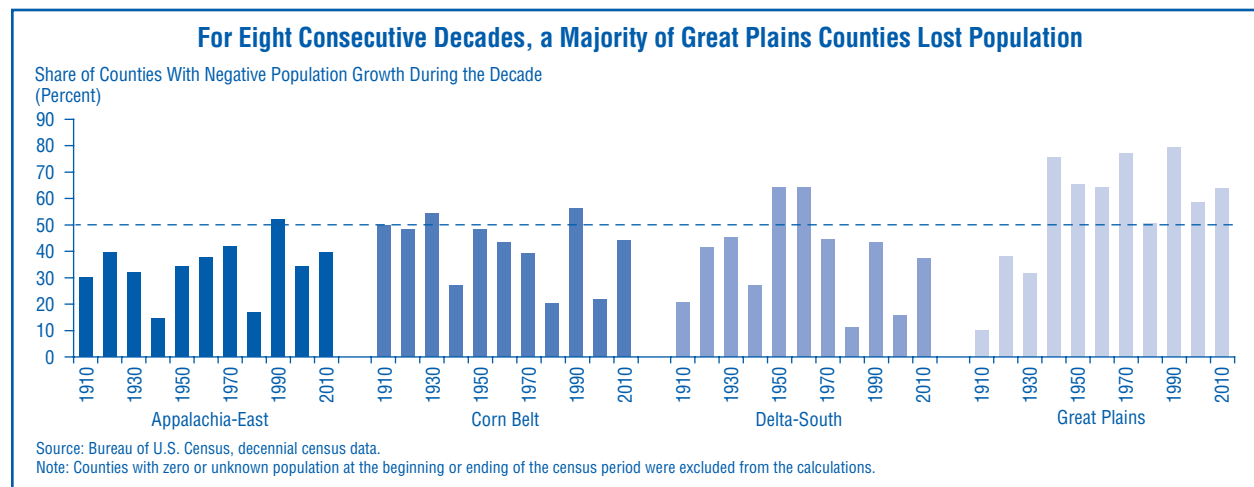


Table 3 shows that population densities tend to be lower in the Great Plains counties (rural, micro, and metro) than in the other depopulating regions. Rural counties in the Great Plains average only 4.2 people per square mile, whereas rural counties in the Corn Belt, Delta-South, and Appalachia-East have an average population density six to ten times greater. Micro and metro counties in the Great Plains also have much lower population densities than micro and metro counties in the other depopulating regions.

Rural Depopulation and Age Distribution

One very important aspect of the overall depopulation trend is its close connection to the age distribution in rural areas. Many rural areas have experienced out-migration of young adults beginning after the high school years, as these people move for better employment or educational opportunities.⁹ The result is a dearth of residents in their 20s, 30s, and early 40s—age cohorts that represent a substantial portion of child-rearing, working-age adults.

Chart 2 illustrates the effects of these trends in terms of “age pyramids,” or population distributions, broken down by five-year age cohorts. The top age pyramid on the left shows the distribution for all metropolitan counties in the United States. Notwithstanding the bulge among the baby boom cohorts now aged between 45 and 59, the age distribution in metropolitan U.S. counties is fairly uniform across age cohorts through age 55, after which the relative share of population gradually declines.

The next pyramid, for the nation’s micropolitan counties, starts to show a different shape, with fewer people in the 20 to 45 range than metro counties. In the micropolitan counties, the shape of the pyramid demonstrates what some demographers refer to as a “pinched waist,” which indicates that the populations aged 20 to 45 are smaller than the populations younger or older than the 20 to 45 group.

In rural areas the pinched waist becomes more pronounced. The relative absence of people in the 20 to 45 age group reflects the effects of out-migration by young adults. The convex shape of these age pyramids

⁹ Although out-migration of young adults is the most significant demographic trend in depopulating rural counties, weak or negative “natural increase” (or births minus deaths) is also a factor affecting population growth in these areas. The role of natural increase in depopulating rural counties is discussed in more depth in the 2004 study.

Table 3

Population Densities Are Low in Rural Counties, Especially Those in the Great Plains			
Region	Population Density (people/square mile)		
	Rural	Micropolitan	Metropolitan
Great Plains	4.2	18.8	110.7
Corn Belt	25.9	67.6	336.0
Delta-South	30.1	62.5	205.6
Appalachia-East	41.5	96.3	573.3
Other	7.7	33.6	281.7
U.S. Total	10.6	42.2	285.9

Sources: 2010 U.S. Census Population compared with 1980 U.S. Census Population and 2010 OMB Metropolitan and Micropolitan Statistical Area county classifications.
 Note: “Other” category includes American Samoa, Federated States of Micronesia, Guam, Commonwealth of the Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands.

becomes most pronounced in accelerated declining counties, from which many people aged 20 to 45 have departed in search of better opportunities in faster-growing areas.

The age pyramids also indicate a relatively high proportion of elderly people in depopulating rural counties. In 2010, some 13.2 percent of the residents of accelerated declining rural counties were aged 70 or older, compared with 10.6 percent in micro counties and only 8.6 percent in metro counties.

The demographic trends shown in the age pyramids do not represent a new phenomenon for depopulating rural areas. A similar shape, showing a pinched waist for young adults and a relatively high proportion of elderly persons, was shown in age pyramids in the 2004 study.

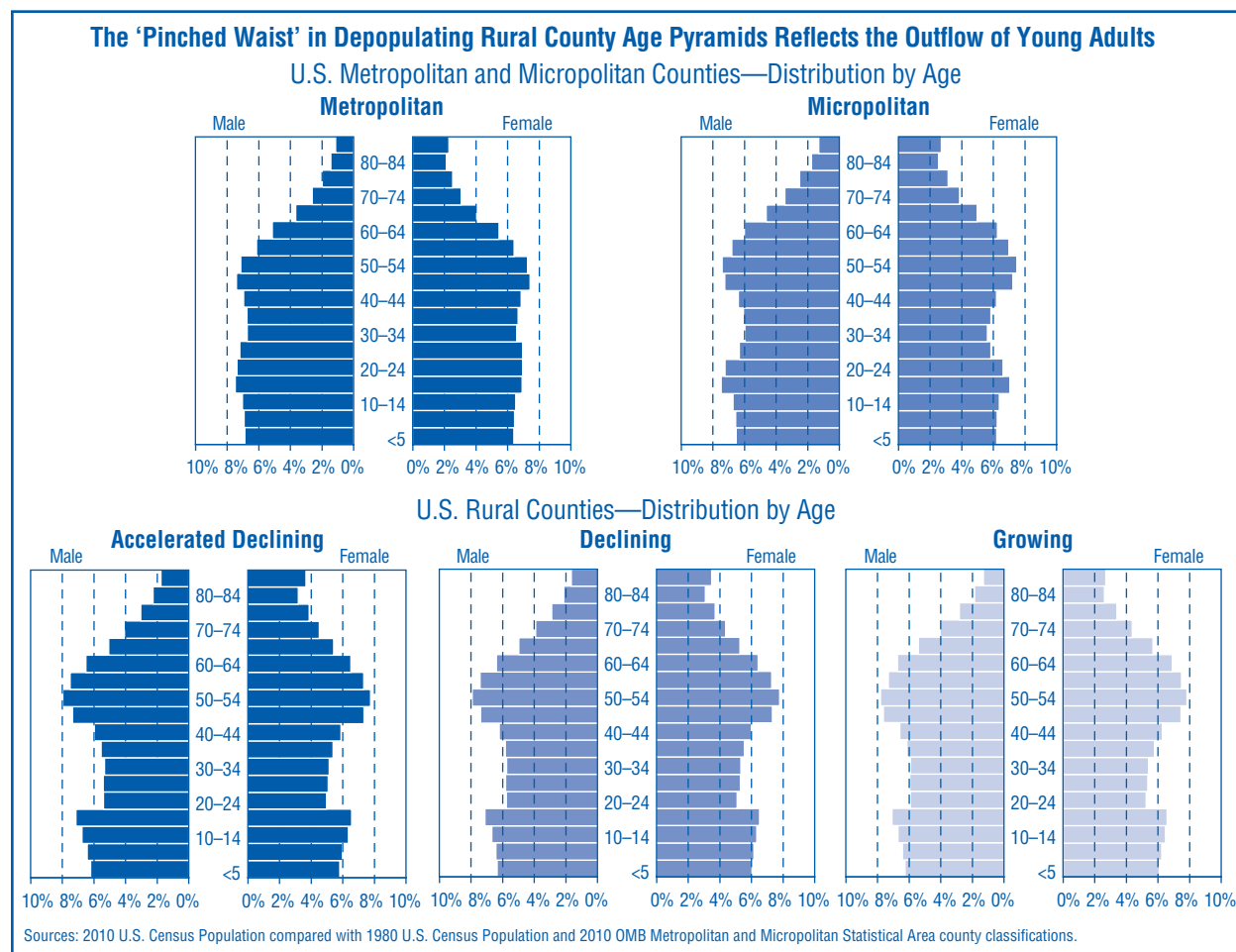
Part II

Depopulation and Rural Community Banks

Outflows of young adults have clear implications for rural community banks, but many of the effects have been mitigated by other factors in recent years.¹⁰ This part of the paper compares the characteristics of rural

¹⁰ Population outflows also have clear implications for local governments. The combination of relatively few working young adults and college graduates plus a relatively high proportion of elderly residents can put significant fiscal strains on depopulating rural counties. Local governments subsidize the primary education of young citizens, but if, after graduating from college, these citizens live elsewhere, the governments do not reap the rewards that flow from adding college-educated people to the local labor force and tax base. In addition, the more-elderly populations that are left behind tend to require certain specialized governmental services that add costs to local government budgets.

Chart 2



community banks with those of community banks headquartered in metropolitan and micropolitan counties, and then compares community banks in the three types of counties in terms of their financial performance. The finding is that in recent years, the loan mix of banks in rural depopulating areas has helped to insulate them from the worst effects of the recent financial crisis and recession, and although these banks still find it challenging to grow their balance sheets, community banks in depopulating rural areas have actually fared better, on average, than banks in metro areas. Finally, the comparison is made with community banks in the different types of counties with respect to the consolidation of charters. Here, too, depopulation does not appear to have had the expected negative effect.

Characteristics of Community Banks Headquartered in Depopulating Rural Areas

As of year-end 2012, there were 1,064 community banks headquartered in depopulating rural areas, with

total assets of nearly \$150 billion (see Table 4).¹¹ Although the total assets of these institutions represent just 1 percent of the banking industry's total assets, the number of community banks in depopulating rural counties constitutes 15 percent of all insured institutions in the nation, and 16 percent of all community banks.

Like the areas they serve, community banks headquartered in depopulating rural areas tend to be clustered in the Great Plains and the Corn Belt. (The Great Plains contains so many depopulating areas that nearly half of all community banks in the region are located in depopulating rural counties.) Together, the Great

¹¹ The *FDIC Community Banking Study* (which defines community banks for purposes of the data in Table 4) was built around a custom definition that emphasizes traditional banking activities and a limited geographic scope of operations. This present study uses the same definition. For a complete description of the definition, see <http://www.fdic.gov/regulations/resources/cbi/report/CBSI-A.pdf>.

Table 4

More Than 1,000 Community Banks Are Headquartered in Depopulating Rural Counties						
Region	Number and Assets of Community Banks by County Type					
	Rural			Micropolitan	Metropolitan	Total
	Growing	Declining	Accelerated Declining			
Great Plains						
Number of Institutions	47	227	166	185	211	836
Total Assets (\$ billions)	6.4	30.8	17.7	41.2	78.5	174.6
Median Assets (\$ millions)	112.8	73.6	62.9	140.9	153.9	99.7
Corn Belt						
Number of Institutions	240	269	173	527	1,135	2,344
Total Assets (\$ billions)	38.3	34.2	21.7	112.5	349.9	556.7
Median Assets (\$ millions)	113.5	87.9	80.1	130.9	152.2	125.3
Delta-South						
Number of Institutions	122	41	65	175	296	699
Total Assets (\$ billions)	22.9	8.8	12.7	51.5	94.7	190.5
Median Assets (\$ millions)	139.5	135.6	113.8	186.8	172.4	160.0
Appalachia-East						
Number of Institutions	50	21	4	74	282	431
Total Assets (\$ billions)	19.4	4.1	0.8	28.3	186.5	239.1
Median Assets (\$ millions)	226.6	124.7	199.3	205.1	305.4	258.3
Other						
Number of Institutions	307	64	34	336	1,493	2,234
Total Assets (\$ billions)	58.2	9.8	7.5	101.6	681.1	858.2
Median Assets (\$ millions)	127.0	110.3	126.6	196.2	238.8	204.5
U.S. Total						
Number of Institutions	766	622	442	1,297	3,417	6,544
Total Assets (\$ billions)	145.3	87.6	60.4	335.2	1,390.5	2,019.1
Median Assets (\$ millions)	126.7	88.0	84.0	153.9	199.9	155.2

Sources: FDIC Call Reports (year-end 2012), 2010 U.S. Census Population compared with 1980 U.S. Census Population, and 2010 OMB Metropolitan and Micropolitan Statistical Area county classifications.

Notes: Table reflects only community banks as defined in the *FDIC Community Banking Study* (2012). 'Other' category includes American Samoa, Federated States of Micronesia, Guam, Commonwealth of the Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands.

Plains and the Corn Belt have 835 community banks headquartered in depopulating rural counties (both declining and accelerated declining), or 78 percent of all such community banks in the nation. In addition, the two regions account for 339 of the nation's 442 community banks that are headquartered in accelerated declining counties.

Table 4 also shows that the asset sizes of community banks headquartered in depopulating rural counties tend to be relatively small. Community banks headquartered in declining or accelerated declining rural counties have median asset sizes of \$88 million and \$84 million, respectively. Community banks headquartered

in growing rural counties have a median asset size of \$127 million, and the median metro-based community bank has assets of \$200 million.

In addition—and this has proved critical for reasons detailed below—community banks headquartered in depopulating rural counties tend to be focused much more on agriculture than community banks headquartered elsewhere, particularly those headquartered in metro areas. The reason for this agricultural focus is closely linked with depopulating trends. As the agricultural sector has consolidated over the past century, the loss of employment in that sector, together with the absence of other employment possibilities in any other

Table 5

Community Banks in Depopulating Rural Areas Tend To Be Agricultural Lending Specialists						
Lending Specialty	Number of Community Banks by County Type and Lending Specialty					
	Rural			Micropolitan	Metropolitan	Total
	Growing	Declining	Accelerated Declining			
Mortgage Lending	134	29	22	218	637	1,040
Other Consumer Lending	3	4	0	6	29	42
Commercial RE Lending	71	18	22	162	1,199	1,472
C&I Lending	10	7	4	24	96	141
Agricultural Lending	86	285	215	198	148	932
Multi Specialty Lending	80	33	28	157	435	733
No Lending Specialty	382	246	151	532	873	2,184
Total	766	622	442	1,297	3,417	6,544

Sources: FDIC Call Reports (year-end 2012), 2010 U.S. Census Population compared with 1980 U.S. Census Population, and 2010 OMB Metropolitan and Micropolitan Statistical Area county classifications.

Notes: Table reflects only community banks as defined in the *FDIC Community Banking Study* (2012). Lending specialty as defined in the *FDIC Community Banking Study* (2012).

sector, led to out-migration. In turn, the depopulation led to the erosion of main-street businesses and their commercial lending needs. For community banks in depopulating areas, the result has been a continuing shrinkage of lending options in their local markets apart from agricultural loans.

At year-end 2012, agricultural loans held by the median community bank in depopulating rural areas constituted 19.3 percent of total assets, while commercial real estate (CRE) loans constituted 6.6 percent, including 0.6 percent in construction and development (C&D) loans. Metro-based community banks had contrasting portfolios, with a median 0.4 percent in agricultural loans and 26.3 percent in CRE loans, including 3.1 percent in C&D loans. At year-end 2007 (when the recession started), the contrast between the holdings of community banks in the two types of areas had been even more pronounced, when metro-based community banks had medians of 29.8 and 7.6 percent of their assets in total CRE and C&D loans, respectively. At that time, the median community bank in depopulating rural areas had 7.8 percent of its total assets in CRE loans, including 0.9 percent in C&D loans.

Another way to look at the differences in lending between community banks headquartered in different types of areas is to look at the lending specialty of the institutions. Table 5 depicts the lending specialty groups of community banks as defined in the *FDIC*

Community Banking Study.¹² At year-end 2012, nearly half of all community banks headquartered in depopulating rural counties specialized in agriculture, followed closely by community banks that had no lending specialty. Less than 4 percent of community banks in depopulating rural areas specialized in CRE lending. Not surprisingly, few community banks in metro areas specialized in agriculture, but a much higher proportion specialized in CRE lending. Even growing rural areas had relatively few community banks that specialized in agricultural lending; instead, half of the community banks in these counties had no lending specialty.

Financial Performance of Community Banks in Depopulating Rural Areas

As has been the case for decades, community banks headquartered in depopulating rural areas face difficulties related to their local market areas. In effect, the eroding size of the local customer base makes it harder at the margin to raise deposits and attract loan customers. This study shows that challenges to balance-sheet growth have continued to exist in depopulating rural areas, and banks that searched for deposit and loan growth by branching into metro areas in the first decade of the 21st century were adversely affected by

¹² Page 5-3 of the *Study* defines the lending specialty groups. Banks are agricultural specialists if their combined agricultural production loans plus loans secured by farm real estate are greater than 20 percent of total assets. CRE specialists hold C&D loans greater than 10 percent of total assets OR total CRE loans (C&D, multifamily, and secured by other commercial properties) greater than 30 percent of total assets.

Unusual Strength in the Agricultural Sector

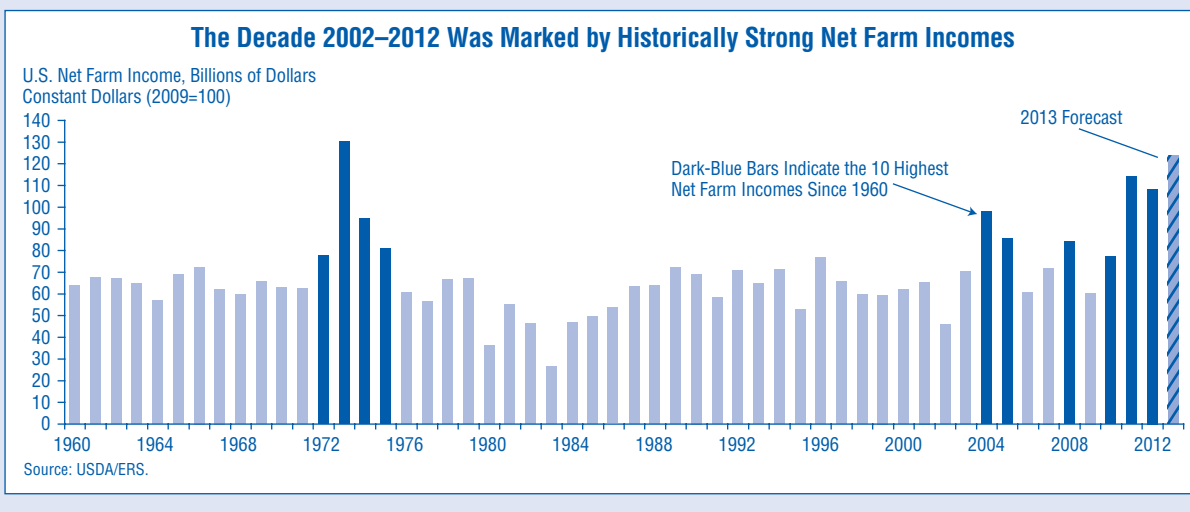
For many rural community banks, specialization in agricultural lending had unexpectedly beneficial results for the better part of the past decade. Historically the agricultural sector has been relatively volatile, with a downside risk that was clear in the 1980s, when the sector propelled hundreds of rural farm banks to failure. Currently, however, the agricultural sector is in the midst of a prolonged period of unusual strength. Annual U.S. net farm income, perhaps the best measure of the sector's strength, averaged \$63.7 billion from 1990 through 2003. From 2004 through 2012, annual U.S. net farm income averaged \$84.5 billion per year. This nine-year period includes six of the top ten annual net farm income figures since 1960 (see Chart I.B.1). The 2013 forecast of \$123 billion would also be among the top years in the past half century.

Much of the strength in net farm income is attributable to unusually high prices for corn, soybeans, and wheat—key crops in the Great Plains and Corn Belt. The average price of corn was 59 percent higher from 2007 through 2012 than it had been from 1990 through 2006. Comparable price increases for wheat and soybeans over the same two periods were 53 percent and 45 percent, respectively.

In addition, the U.S. recession in 2008 and 2009 (as noted above) appeared to have little adverse effect on the agricultural sector. In fact, 2008 was among the ten best years for U.S. net farm income since 1960. This success came at a time when many metro and micro areas were being hit hard by job losses, especially in the construction industry.

Source: USDA's Economic Research Service, inflation-adjusted figures using 2009 dollars.

Chart I.B.1



the recession, just as metro-based banks were. Financial performance as measured by earnings and asset quality was actually stronger in depopulating rural areas than in metro areas because the agricultural sector—on which so many rural community banks depended, as described earlier—was strong during and following the overall U.S. recession. For details on the strength in the agricultural sector, see inset box above.

The Challenge of Balance-Sheet Growth

In keeping with the gradual decline in their local customer base, community banks headquartered in depopulating rural areas have historically had challenges in growing their balance sheets. Between 1991

and 2005, community banks in depopulating rural areas generally had much lower rates of growth in total assets, loans, and deposits than their counterparts in metro, micro, or growing rural counties (see Table 6). Starting in 2006, however, asset growth rates increased in depopulating rural areas in keeping with the strength in the agricultural sector, while weakening in other areas. As a result, from 2006 through 2012 community banks in depopulating rural areas posted higher asset growth rates than community banks elsewhere. Asset growth was accompanied by strong deposit growth, since farmers looked to place their high earnings into their local institutions. The downside, though, was that these earnings led farmers to reduce their borrowing

Table 6

Balance-Sheet Growth in Depopulating Rural Counties Has Been Bolstered in Recent Years															
Median Annualized Total Asset, Total Loan, and Total Deposit Growth Rates of Community Banks by Type of County, 1991–2012 (Percent)															
County Type	Total Assets					Total Loans					Total Deposits*				
	1991–1995	1996–2000	2001–2005	2006–2010	2011–2012	1991–1995	1996–2000	2001–2005	2006–2010	2011–2012	1991–1995	1996–2000	2001–2005	2006–2010	2011–2012
Metropolitan	5.07	7.84	7.44	4.56	2.90	5.68	10.42	8.24	4.17	-0.10	4.38	6.76	7.12	4.94	3.20
Micropolitan	4.33	5.83	5.16	4.32	3.72	6.33	8.57	5.54	3.53	0.33	3.69	4.99	5.00	4.76	4.04
Rural:															
Growing	4.73	6.23	4.97	4.14	3.13	6.59	9.39	5.17	3.44	-0.79	4.27	5.49	4.85	4.47	3.36
Declining	2.60	3.91	3.42	4.61	5.76	6.15	6.75	4.39	4.22	1.86	2.12	3.30	3.24	5.02	6.06
Accelerated Declining	2.86	4.09	3.30	4.67	5.54	6.05	6.70	3.91	3.82	1.46	2.52	3.46	3.11	5.10	5.72

Sources: FDIC Call Reports, 2010 U.S. Census Population compared with 1980 U.S. Census Population, and 2010 OMB Metropolitan and Micropolitan Statistical area county classifications.
Notes: Table reflects only community banks as defined in the *FDIC Community Banking Study* (2012). Growth rates are merger-adjusted.
* Significant changes in FDIC deposit insurance coverage occurred during the 2006–2010 and 2011–2012 periods.

requirements, so that loan growth rates at community banks in depopulating rural areas dropped to under 2 percent in 2011 and 2012.¹³

It is unclear how long community banks in depopulating rural areas will continue to have a growth advantage over community banks elsewhere. It is probably not reasonable to assume that the agricultural sector will continue indefinitely to enjoy the exceptionally strong conditions of recent years. Should farm earnings return to their normal level, most likely the banks that operate in rural areas will see their growth rates revert to levels more in line with historical norms. At the same time, as the overall economy continues to recover from the recession, metro-based community banks should see their growth rates improve.

Branching Strategies

Before the recession, some community banks in depopulating rural areas adopted various strategies to offset the effects of local population declines and to achieve higher rates of balance-sheet growth. One such strategy was to branch into metro areas where population and economic activity were growing faster than in the banks' local areas. But with such a strategy came the associated risks of managing a branch not only in a new geography but also, in many cases, with a corresponding shift in lending focus.

¹³ There may be other factors that also contributed to lower loan demand at these institutions, but the unusually strong cash positions of farmers was the most common reason cited by bankers at meetings with FDIC regulators and during their examinations.

As of year-end 2000, 9.3 percent of community banks headquartered in depopulating rural areas operated branches in metro areas. By year-end 2007, the percentage had risen to 17.5. This branching strategy led to higher growth rates for these institutions. During the seven-year period from year-end 2000 through year-end 2007, community banks headquartered in depopulating rural areas that had at least one metro branch grew total assets by 6.6 percent per year and loans by 8.2 percent per year on a merger-adjusted basis. These growth rates were approximately twice the rates experienced by community banks headquartered in depopulating rural areas that did not have metro branches.

In achieving this growth, however, community banks with metro branches took on many of the lending characteristics of metro banks. From 2000 through 2007, while rural community banks without metro branches maintained high levels of agricultural loans and low levels of CRE and C&D loans, their counterparts with metro bank branches had significantly more exposure to CRE and C&D loans (see Table 7).

As a result, when the U.S. economy went into recession and the quality of many CRE and C&D loans was adversely affected, rural community banks with metro branches reported asset quality and earnings performance that was more in line with that of metro banks than with that of other rural banks (see Chart 3). Past-due loan rates, loan losses, and provision expenses rose sharply, following the trend observed for metro-based community banks. The number of rural community banks with metro branches reporting annual net

Table 7

Community Banks in Depopulating Rural Areas That Had Metro Branches Took on More CRE and C&D Loans Between 2000 and 2007			
Banks Headquartered in:	(Percent)		
	2000	2007	2012
Metropolitan Areas			
CRE Loans to Total Assets	16.82	22.30	24.65
C&D Loans to Total Assets	5.08	12.85	4.04
Ag Loans to Total Loans	1.88	2.01	2.02
Depopulating Rural With Branches in Metro Areas			
CRE Loans to Total Assets	11.44	17.25	17.00
C&D Loans to Total Assets	2.57	7.83	3.51
Ag Loans to Total Loans	12.43	14.50	15.99
Depopulating Rural Without Branches in Metro Areas			
CRE Loans to Total Assets	6.23	8.74	7.95
C&D Loans to Total Assets	0.94	2.21	1.03
Ag Loans to Total Loans	21.95	22.94	22.33

Source: FDIC Call Reports.
Notes: Table reflects only community banks as defined in the *FDIC Community Banking Study* (2012). CRE loans are exclusive of C&D loans (which are shown separately). Ag loans are loans for agricultural production and loans secured by farmland. All ratios are weighted averages for the time periods shown.

losses also increased, but not quite to the level seen at community banks in metro areas.

In addition, the operation of metro-area branches had a negative effect on the failure rates of community banks headquartered in depopulating rural areas. Between 2000 and year-end 2012, of all community banks headquartered in such areas, 3.65 percent of those with metro branches failed, compared with 0.98 percent of those without metro branches.

Earnings and Asset Quality

Despite the demographic challenges in their local areas, community banks headquartered in depopulating rural counties reported relatively strong earnings and asset quality between 2001 and 2012, even through the U.S. recession. By contrast, community banks located in areas with increasing populations, such as metro areas, reported substantial deterioration in earnings and asset quality during the recession and had still not recovered fully at year-end 2012. This finding that banking performance has diverged from depopulation trends may be striking, but the explanation is simple.

In the early 2000s, community banks in both growing and depopulating areas were solidly profitable and had strong asset quality (see Table 8). Pretax return on assets (ROA) of community banks across geographies

was in a tight range of 1.42 percent to 1.56 percent. These earnings were bolstered by low and stable loan loss provision expenses for all groups studied. Levels of noncurrent loans and net loan losses were low in all groups, particularly in community banks headquartered in metro areas.

From 2006 through 2010, the financial performance of community banks began to vary depending on the type of area in which the bank was headquartered. Most noticeable was the deterioration in earnings and asset quality reported by community banks located in metro areas. In the five years between 2006 and 2010, metro-based community banks earned, on average, a full percentage point less per year than they had in the prior five-year period. These institutions also reported large spikes in provision expenses and in levels of noncurrent loans and leases: Between 2006 and 2010, both of these measures were more than three times what they had been between 2001 and 2005.

During the same period, community banks based in micro areas and growing rural areas fared somewhat better than metro banks, but their earnings and asset quality were still weaker than they had been between 2001 and 2005. The institutions based in micro and in growing rural areas reported declines in annual pretax ROA of 62 and 57 basis points, respectively, compared with the 2001 through 2005 period. As in metro-based

Chart 3

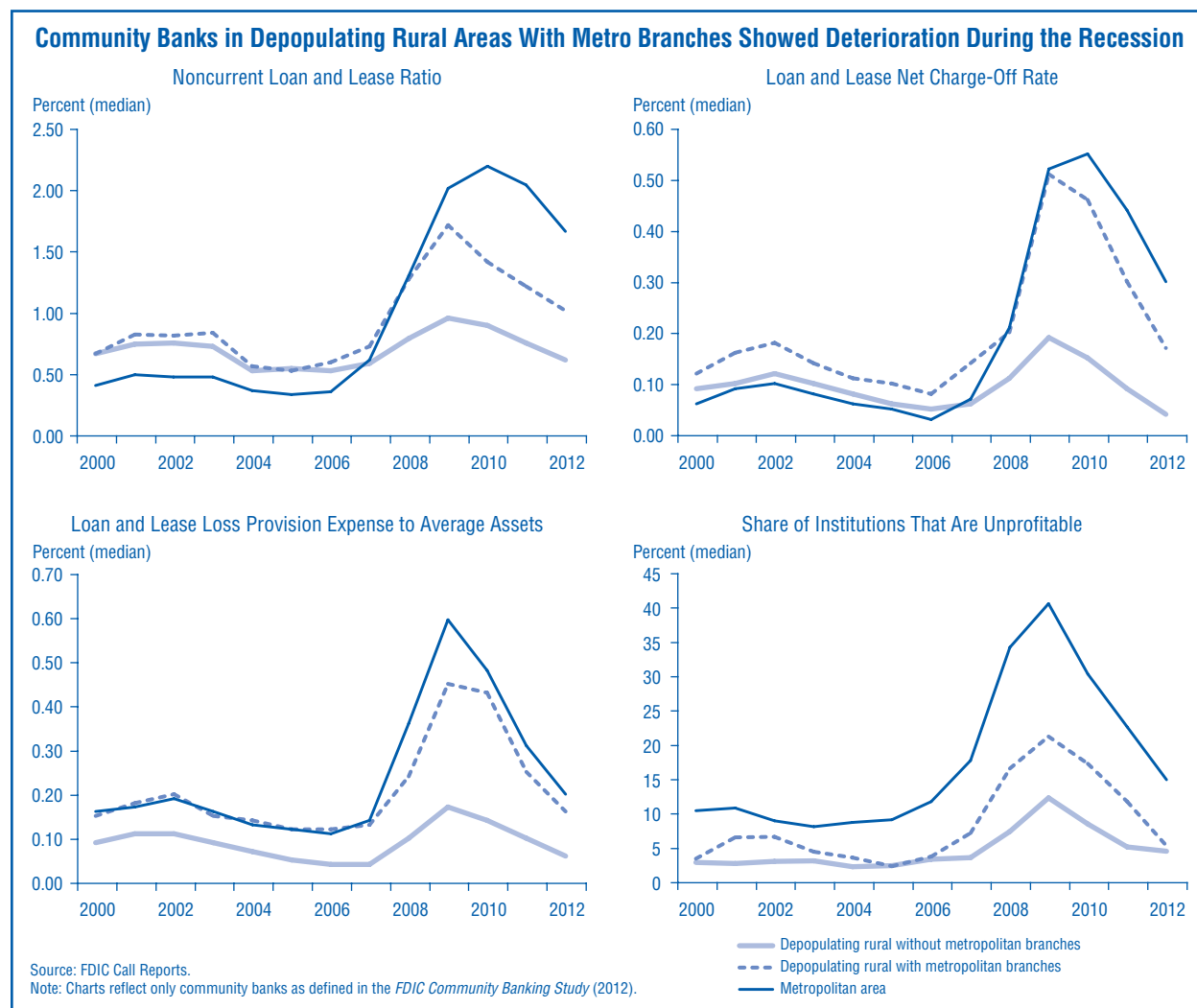


Table 8

The Financial Performance of Community Banks in Depopulating Rural Areas Remained Solid Through the U.S. Recession

County Type	Pretax Return on Assets (Percent)				Provision Expense to Average Assets (Percent)				Total Noncurrent Loans to Total Loans (Percent)			
	2001–2005	2006–2010	2011	2012	2001–2005	2006–2010	2011	2012	2001–2005	2006–2010	2011	2012
Metropolitan	1.49	0.46	0.65	1.01	0.22	0.73	0.61	0.35	0.74	2.55	3.33	2.62
Micropolitan	1.49	0.87	0.89	1.12	0.24	0.55	0.51	0.31	0.87	1.93	2.57	2.05
Rural:												
Growing	1.56	0.99	0.88	1.11	0.24	0.45	0.50	0.32	0.96	1.88	2.76	2.21
Declining	1.45	1.08	1.04	1.17	0.21	0.39	0.35	0.24	1.04	1.64	1.95	1.51
Accelerated Declining	1.42	1.13	1.23	1.41	0.25	0.40	0.32	0.22	1.13	1.45	1.59	1.35

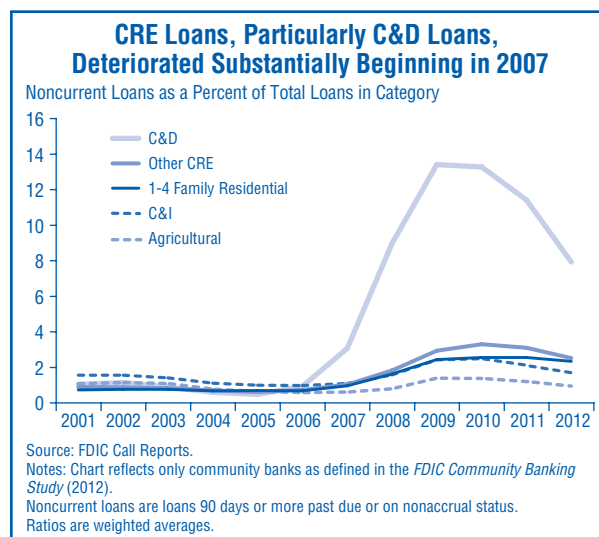
Source: FDIC Call Reports.
Notes: Table reflects only community banks as defined in the *FDIC Community Banking Study (2012)*. All ratios are weighted averages for the period shown.

community banks, higher provision expenses drove a large part of this earnings decline. In addition, between 2006 and 2010 noncurrent loan levels in the institutions based in micro and growing rural areas were approximately twice what they had been between 2001 and 2005.

In contrast, community banks headquartered in depopulating rural areas found the latter half of the 2000s to be much less difficult. These institutions reported only modest declines in average ROA—declines of between 29 and 37 basis points annually, when 2006 through 2010 is compared with 2001 through 2005. When the 2006–2010 performance of community banks headquartered in depopulating rural areas is compared not with these banks’ own previous performance but with the 2006–2010 performance of metro-based community banks, the comparison is starkly in favor of the banks in the depopulating areas: The average pretax ROA reported by community banks in depopulating rural areas was more than 60 basis points higher than that of their metro-based counterparts. In 2011 and 2012, this gap closed somewhat, though by no means completely, as community banks in depopulating rural areas still reported higher earnings than metro community banks. Of all community banks, between 2006 and 2010 those in depopulating rural areas also reported the lowest increases in provision expenses and in levels of noncurrent loans. This trend continued in 2011 and 2012.

Since 2006, much of the disparity in performance between community banks located in depopulating rural areas and those located in metro areas can be explained by the differences in the loan mix of the two groups (loan mix as of year-end 2012 was surveyed above, at the end of the “Characteristics” section). Community banks operating in depopulating rural counties relied substantially more on agricultural lending and had lower holdings of CRE loans, and this mix translated directly into lower loan losses during the recession. From 2001 through 2006, virtually every type of loan had performed well, but beginning in 2007 several loan types, particularly C&D loans, had begun to show significant deterioration (see Chart 4). The noncurrent rate for C&D loans at community banks overall peaked at 13.4 percent in 2009, and at year-end 2012 was still an elevated 7.9 percent. By 2009, CRE, residential, and commercial and industrial loans also showed substantial increases in noncurrent rates. The noncurrent rate of agricultural loans, however, remained low throughout the recession.

Chart 4



Number of Community Bank Charters in Rural Areas Compared With Metro Areas

Consolidation has been a long-term trend in the U.S. banking industry. The number of federally insured bank and thrift charters has declined steadily for almost three decades, from just under 18,000 in 1984 to fewer than 7,000 in 2012. In concert with this trend, the number of community bank charters in depopulating rural areas has declined steadily since 1984 (see Table 9). At year-end 1984, there were 2,477 total charters in depopulating rural areas, more than 96 percent of which were community banks. By the end of 2012, total charters in these areas had declined to 1,074, and 99 percent (all but 10) were community banks. During the 28 years between 1984 and 2012, the number of community banks in depopulating rural areas had declined by 55 percent.

Though depopulation is likely one of many factors that drove long-term consolidation of charters in rural areas, consolidation rates were even higher in metro and micro areas of the country.¹⁴ In metro areas, the number of community bank charters declined by 60 percent between 1984 and 2012, and in micro areas, it declined by 58 percent. Only growing rural areas showed less consolidation (slightly less) than depopulating rural areas, with a 54 percent reduction in charters between 1984 and 2012.

¹⁴ See page 2-2 of the *Study* for other factors that have influenced consolidation rates among community banks since the mid-1980s.

Table 9

Consolidation of Charters Has Occurred Since 1984, but Has Been Less Pronounced in Rural Counties										
County and Bank Type	Number of Charters by Period					Number by Period as Percent of 1984 Total				
	1984	1990	2000	2010	2012	1984	1990	2000	2010	2012
Metropolitan										
Community Banks	8,569	7,175	4,566	3,723	3,417	100%	84%	53%	43%	40%
Noncommunity Banks	1,758	1,580	916	543	453	100%	90%	52%	31%	26%
Total	10,327	8,755	5,482	4,266	3,870	100%	85%	53%	41%	37%
Micropolitan										
Community Banks	3,053	2,498	1,756	1,371	1,297	100%	82%	58%	45%	42%
Noncommunity Banks	271	261	116	63	51	100%	96%	43%	23%	19%
Total	3,324	2,759	1,872	1,434	1,348	100%	83%	56%	43%	41%
Rural										
<i>Growing</i>										
Community Banks	1,651	1,448	1,048	809	766	100%	88%	63%	49%	46%
Noncommunity Banks	122	106	41	22	25	100%	87%	34%	18%	20%
Total	1,773	1,554	1,089	831	791	100%	88%	61%	47%	45%
<i>Declining</i>										
Community Banks	1,423	1,194	856	654	622	100%	84%	60%	46%	44%
Noncommunity Banks	54	42	9	8	5	100%	78%	17%	15%	9%
Total	1,477	1,236	865	662	627	100%	84%	59%	45%	42%
<i>Accelerated Declining</i>										
Community Banks	967	836	590	459	442	100%	86%	61%	47%	46%
Noncommunity Banks	33	18	6	6	5	100%	55%	18%	18%	15%
Total	1,000	854	596	465	447	100%	85%	60%	47%	45%

Sources: FDIC Call Reports, 2010 U.S. Census Population compared with 1980 U.S. Census Population, and 2010 OMB Metropolitan and Micropolitan Statistical Area county classifications.
Note: Community banks as defined in the *FDIC Community Banking Study* (2012).

Continued depopulation raises the possibility that consolidation rates may increase in rural depopulating areas. Depopulation can make it more challenging to staff and manage bank branches and back-office facilities. Moreover, many small banks in rural areas are owned and operated by one or two key people, and the children of these executives, who perhaps would have been the successors to management, often move away to pursue opportunities in larger towns and cities. In such cases, if there are neither clear options within the institution for succession nor viable professional candidates within the community, successorship may become a concern.

The possible solution is to recruit talent from metro areas, but that can be hard to accomplish. At outreach meetings with FDIC staff, rural bankers have noted various challenges in bringing talented individuals into rural areas.

Part III

Looking Ahead: Some Positive Trends but Continued Challenges

When the FDIC conducted the prior study in 2004, continued depopulation of much of America's rural areas seemed to be inevitable, as many of these areas, particularly in the Great Plains, were caught in a slow, self-reinforcing circle of decline. Population trends have, in fact, worsened since 2000: Not only are depopulation trends now covering more of the country than they did in 2000, but also in many areas the depopulation is accelerating.

Despite these adverse trends, as of early 2014 there are a few favorable developments affecting population flows in pockets of rural America. Most significant is the advent of the energy extraction of shale oil and natural gas in parts of the rural depopulating Great Plains and Appalachia-East regions. This exploration activity

requires significant manpower, and some of these areas have seen large increases in population. An example is western North Dakota, a part of the Great Plains that is heavily rural and has long been sparsely populated and depopulating, yet has seen a great deal of energy extraction over the past decade. Exploration for additional suitable oil fields is under way across much of the rest of the western Great Plains, from Montana through Oklahoma. While it remains to be seen how many rural counties ultimately gain population because of these exploration activities, in some rural areas energy drilling represents perhaps the most promising economic development in decades.

On a much smaller scale, positive population trends may be developing in some areas. Two limited-scope studies indicate that a few rural areas may be seeing positive net in-migration of adults of child-rearing age together with their children.¹⁵ However, the inflows were very modest and the causes apparently idiosyncratic. And although positive, they are not sufficiently large or widespread to reverse the “pinched-waist” patterns observed in rural-county age pyramids overall.

The positive trends found in energy extraction and other developments do provide some optimism for rural areas, but the likelihood of a large-scale reversal in rural depopulation trends seems remote. The population outflows are well entrenched and in many areas date back a century or more.

Still, community banks in depopulating rural areas have been resilient in meeting the challenges posed by difficult demographic trends. In the years leading up to the financial crisis and recession, community banks in depopulating rural areas reported earnings and asset quality performance that was relatively similar to the performance of banks located in more economically vibrant areas. Through the recession and its aftermath, the community banks in depopulating rural areas outperformed their peers, thanks to the strong agricultural economy, which kept agricultural loan portfolios from feeling the adverse shocks received by C&D and CRE portfolios. Even the banking structure in depopulating rural areas has been more stable than in metro areas in terms of the number of charters.

The data brought to bear in this study indicate that community bankers in depopulating rural areas will most likely have to continue managing their institutions with the prospect of weak or negative growth from their local communities. Although searching for growth opportunities in other geographies is possible, it has its own set of challenges, as seen by the institutions that branched into metro areas before the recession. All in all, the conclusion of the 2004 FDIC study is equally applicable to this study: Although there may in fact be far fewer rural banks in the future, the rural banking system will most likely remain intact and strong.

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¹⁵ Ben Winchester, Tobias Spanier, and Art Nash, “The Glass Half-Full: A New View of Rural Minnesota,” *Rural Minnesota Journal* 6 (2011); and Cheryl Burkhart-Kriesel, Randolph Cantrell, Bruce Johnson, Charlotte Narjes, and Rebecca Vogt, *Newcomers to the Nebraska Panhandle: Who Are They?* (Center for Applied Rural Innovation: University of Nebraska-Lincoln, 2007).



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