PRESS RELEASE

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

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FDIC-Insured Institutions Reported $60.2 Billion in Net Income in the Second Quarter 2018

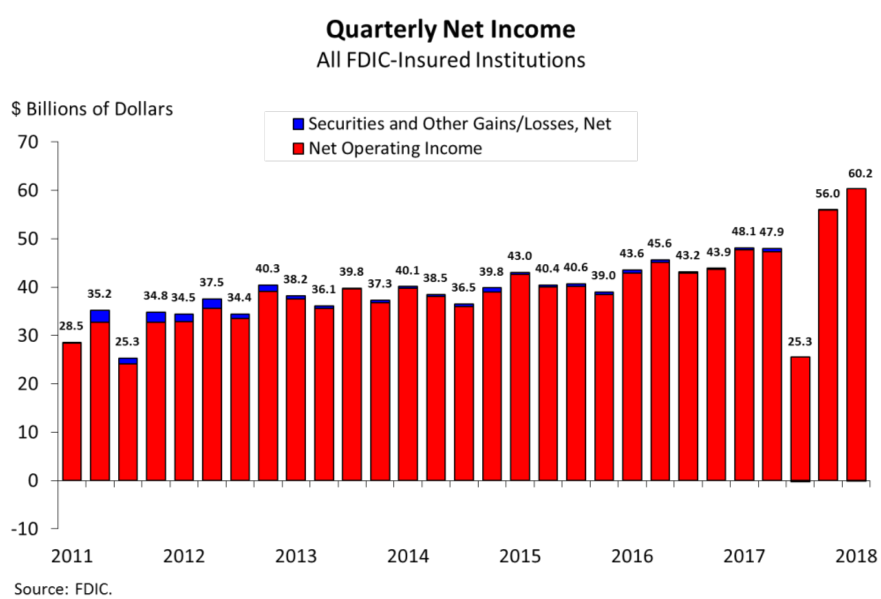
Community Bank Net Income Increases to $6.5 Billion

- **Quarterly Net Income Rose 25.1 Percent Over Second Quarter 2017 Income, Led by Higher Net Operating Revenue and a Lower Effective Tax Rate**
- **Community Bank Net Income Increased 21.1 Percent from the Second Quarter of 2017**
- **Margins Increased as Average Yields Outpaced Growth in Funding Costs**
- **Loan Balances Expanded 4.2 Percent from Second Quarter 2017**
- **Noncurrent Loan Rate Declined, While Net Charge-Off Rate Remained Stable**

"The banking industry experienced continued improvement in net interest income, noninterest income and loan performance this quarter. However, the interest-rate environment coupled with competitive lending conditions have led to heightened exposure to interest-rate, liquidity, and credit risks. The industry must continue to position itself to be resilient through economic cycles."
— FDIC Chairman Jelena McWilliams

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $60.2 billion in the second quarter of 2018, up $12.1 billion (25.1 percent) from a year ago. The improvement in earnings was attributable to higher net interest income and a lower effective tax rate. Financial results for the second quarter of 2018 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 5,542 insured institutions reporting second quarter financial results, more than 70 percent reported year-over-year growth in quarterly earnings. The percent of unprofitable banks in the second quarter declined to 3.8 percent from 4.3 percent a year ago.



“The banking industry once again reported positive results for the quarter,” McWilliams said. “Net income rose through higher net interest income as well as noninterest income. Loan growth was experienced in all major loan portfolios, while loan performance continues to improve. Lastly the number of ‘problem banks’ continued to fall. Community banks also reported a solid quarter with loan growth and a net interest margin that exceed the overall industry.”

“It is worth noting that the current economic expansion is the second longest on record, and the nation’s banks are stronger as a result. The competition to attract loan customers will be intense, and it will remain important for banks to maintain their underwriting discipline and credit standards.”

Highlights from the Second Quarter 2018 *Quarterly Banking Profile*

Industry Net Income Rose 25.1 Percent over the Past 12 Months, Led by Higher Net Operating Revenue and a Lower Effective Tax Rate: Quarterly net income totaled $60.2 billion for the second quarter, up $12.1 billion (25.1 percent) from a year ago. Higher net interest income and noninterest income, coupled with a lower effective tax rate, contributed to the increase in industry’s net income. The average return on assets increased to 1.37 percent, up from 1.13 percent in the second quarter of 2017.

Community Bank Net Income Increased 21.1 Percent from Second Quarter 2017: In the second quarter, 5,111 insured institutions identified as community banks reported $6.5 billion in net income, an increase of $1.1 billion (21.1 percent) from a year earlier. Higher net operating revenue and a lower effective tax rate boosted second-quarter net income. Net operating revenue rose by $1.8 billion (8 percent) from the second quarter of 2017, led by higher net interest income (up $1.6 billion, or 9 percent) and noninterest income (up $201.9 million, or 4.5 percent). Loan-loss provisions declined by $193.5 million (22.5 percent), while noninterest expenses were $934.2 million (6.6 percent) higher.

Margins Increased as Average Yields Outpaced Growth in Funding Costs: Net interest income was $134.1 billion in the second quarter, up $10.7 billion (8.7 percent) from a year ago, the largest annual dollar increase ever reported by the industry. More than four out of five banks (85.1 percent) reported an improvement in net interest income from a year earlier. The average net interest margin increased to 3.38 percent from 3.22 percent in the second quarter of 2017, as average asset yields increased more rapidly than average funding costs.

Noninterest Income Increased 2 Percent from a Year Ago: Noninterest income of $68.1 billion, increased by $1.3 billion (2 percent) from the second quarter of 2017. The annual increase was led by higher servicing fees, fiduciary activities, and net gains on the sale of other assets.

Loan Balances Expanded 4.2 Percent from the Second Quarter of 2017: Loan and lease balances increased by $104.3 billion (1.1 percent) from the first quarter of 2018, as all major loan categories registered growth. Over the past 12 months, loan and lease balances grew by 4.2 percent, a slight decline from the 4.9 percent annual growth reported last quarter.

The Noncurrent Loan Rate Declined, While Net Charge-Off Rate Remained Stable: The amount of loans that were noncurrent — 90 days or more past due or in nonaccrual status — declined by $7.7 billion (6.8 percent) during the first quarter. The largest declines in noncurrent balances were for residential mortgages (down $5.2 billion, or 9.7 percent) and commercial and industrial loans (down $1.2 billion, or 6.8 percent). The average noncurrent loan rate declined to 1.06 percent from 1.15 percent in the first quarter of 2018. Net charge-offs increased by $446.4 million (4 percent) from a year earlier, led by a $918.9 million (12.8 percent) increase in net charge-offs for credit cards. The average net charge-off rate (0.48 percent) remained stable from a year ago.

The “Problem Bank List” Continued to Decline: The FDIC’s Problem Bank List shows a decline from 92 to 82 banks during the quarter, the lowest number since the fourth quarter of 2007. Total assets of problem banks declined from $56.4 billion in the first quarter to $54.4 billion. Other notable bank activity during the quarter included merger transactions that absorbed 64 institutions, two new charters were opened, and no banks failed.

The Deposit Insurance Fund’s Reserve Ratio Increased to 1.33 Percent: The Deposit Insurance Fund (DIF) balance rose by $2.5 billion during the second quarter, to $97.6 billion on June 30, driven by assessment income. The DIF reserve ratio of 1.33 percent rose from 1.30 percent at the end of the last quarter. Estimated insured deposits increased by 0.3 percent from the previous quarter and 4.5 percent from a year ago.

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Quarterly Banking Profile Home Page (includes previous reports and press conference webcast videos)

Insured Institution Performance, Second Quarter 2018

Community Bank Performance, Second Quarter 2018

Deposit Insurance Fund Trends, Second Quarter 2018

Chairman McWilliams' Press Statement