PRESS RELEASE

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

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Media contact:
Julianne Fisher Breitbeil
(202) 898-6895
jbreitbeil@fdic.gov

FDIC-Insured Institutions Report $56 Billion in Net Income in First Quarter 2018

Community Bank Net Income Increases to $6.1 Billion

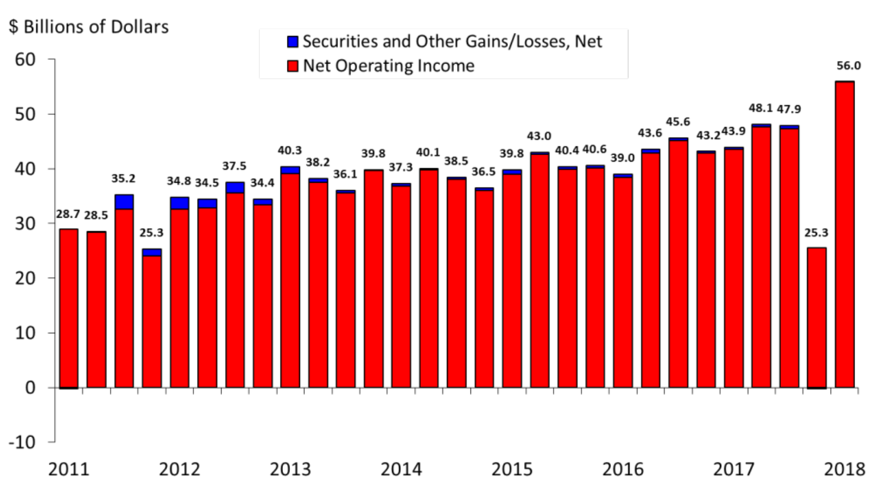
- **Industry Net Income Increases 27.5 Percent from a Year Earlier Due to Higher Net Operating Revenue and a Lower Effective Tax Rate**
- **Community Bank Net Income Increases 17.7 Percent from First Quarter 2017**
- **Net Interest Income Rises 8.5 Percent from a Year Ago**
- **Noninterest Income Increases 7.9 Percent from a Year Earlier**
- **Loan Balances Rise 4.9 Percent over 12 Months**

"The banking industry reported another positive quarter. However, the interest-rate environment and competitive lending conditions continue to pose challenges for many institutions. The industry must manage risks carefully to continue to grow on a long-run, sustainable path."
— FDIC Chairman Martin J. Gruenberg

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $56 billion in the first quarter of 2018, up $12.1 billion (27.5 percent) from a year ago. The improvement in earnings was attributable to higher net operating revenue and a lower effective tax rate. Financial results for the first quarter of 2018 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 5,606 insured institutions reporting first quarter financial results, more than 70 percent reported year-over-year growth in quarterly earnings. The percent of unprofitable banks in the first quarter declined to 3.9 percent from 4.3 percent a year ago.

Quarterly Net Income
All FDIC-Insured Institutions



Source: FDIC.

“The banking industry once again reported positive results for the quarter,” Gruenberg said. “Higher net operating revenue and a lower effective tax rate boosted net income. Loan balances grew, net interest margins improved, and the number of ‘problem banks’ continued to fall. Community banks also reported a solid quarter with loan growth that exceeded the overall industry.”

“While results this quarter were positive, banks face a challenging operating environment in the latter stage of this economic expansion. An extended period of low interest rates and an increasingly competitive lending environment have led some institutions to reach for yield. This has led to heightened exposure to interest-rate risk, liquidity risk, and credit risk. In addition, with the current expansion in its latter stage, the industry needs to be prepared to manage the inevitable downturn in order to avoid financial system disruption and sustain lending through the economic cycle.”

Highlights from the First Quarter 2018 *Quarterly Banking Profile*

Industry Net Income Increases 27.5 Percent from a Year Earlier Due to Higher Net Operating Revenue and a Lower Effective Tax Rate: Quarterly earnings totaled $56 billion for the first quarter, up $12.1 billion (27.5 percent) from 12 months ago. Increases in net interest income and noninterest income both contributed to the higher net operating revenue. The average return on assets increased to 1.28 percent, up from 1.04 percent in first quarter 2017.

Community Bank Net Income Increases 17.7 Percent from First Quarter 2017: In the first quarter, 5,168 insured institutions identified as community banks reported $6.1 billion in net income, an increase of $913.1 million (17.7 percent) from a year earlier. Higher net operating revenue and a lower effective tax rate boosted first quarter net income. Net operating revenue rose by $1.8 billion (8.3 percent) from first quarter 2017, led by higher net interest income (up $1.6 billion, or 9.7 percent) and noninterest income (up $127.6 million, or 2.9 percent). Loan-loss provisions increased by $154.1 million (23.7 percent), while noninterest expenses were $963.9 million (6.9 percent) higher.

Net Interest Income Rises 8.5 Percent from a Year Ago: Net interest income was $131.3 billion in the first quarter, up $10.3 billion (8.5 percent) from a year earlier. More than four out of five banks (85.9 percent) reported an improvement in net interest income from a year earlier. The average net interest margin increased to 3.32 percent from 3.19 percent in first quarter 2017.

Noninterest Income Increases 7.9 Percent from a Year Earlier: Noninterest income was $67.4 billion in the first quarter, up $4.9 billion (7.9 percent) from first quarter 2017. The annual increase was led by higher trading revenue (up $1.1 billion, or 14.9 percent) and other noninterest income (up $2.4 billion, or 8.8 percent).

Loan Balances Rise 4.9 Percent over 12 Months: Loan and lease balances increased by $31.3 billion (0.3 percent) from fourth quarter 2017. All major loan categories registered growth except for credit card balances (down $44.6 billion, or 5.2 percent), which showed a seasonal decline in the first quarter. Commercial and industrial loans grew by $38.6 billion (1.9 percent), nonfarm nonresidential loans rose by $11.5 billion (0.8 percent), and residential mortgage loans increased by $8.8 billion (0.4 percent).

Noncurrent Loan Rate Declines Modestly, While Net Charge-Off Rate Remains Stable: The amount of loans that were noncurrent — 90 days or more past due or in nonaccrual status — declined by $3.9 billion (3.4 percent) during the first quarter. Noncurrent balances declined for residential mortgages (down $2.8 billion, or 4.9 percent), and commercial and industrial loans (down $617.2 million, or 3.4 percent). The average noncurrent loan rate declined to 1.15 percent from 1.20 percent in fourth quarter 2017. Net charge-offs increased by $540.6 million (4.7 percent) from a year ago, led by a $1.1 billion (16.3 percent) increase in net charge-offs for credit cards. The average net charge-off rate (0.50 percent) remained stable from a year ago.

“Problem Bank List” Continues to Fall: The FDIC’s Problem Bank List declined from 95 to 92 during the quarter, the lowest number of problem banks since first quarter 2008. Total assets of problem banks increased from $13.9 billion in the fourth quarter to $56.4 billion. During the quarter, merger transactions absorbed 65 institutions, three new charters were added, and there were no failures.

Deposit Insurance Fund’s Reserve Ratio Remains at 1.30 Percent: The Deposit Insurance Fund (DIF) balance rose by $2.3 billion during the first quarter to $95.1 billion on March 31, driven by assessment income. The DIF reserve ratio remained unchanged (1.30 percent) from the previous quarter. Estimated insured deposits increased by 2.6 percent from the previous quarter and 3.7 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, First Quarter 2018

Community Bank Performance, First Quarter 2018

Deposit Insurance Fund Trends, First Quarter 2018

Chairman Gruenberg's Press Statement