



PRESS RELEASE

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

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FDIC-Insured Institutions Reported Net Income of \$69.5 Billion in Third Quarter 2021

- Net Income Continued to Increase Year Over Year
- Net Interest Margin Rose Modestly from Last Quarter's Record Low
- Quarterly Loan Growth Continued
- Asset Quality Continued to Improve
- Community Banks Reported an Increase in Quarterly Net Income from a Year Ago

“With strong capital and liquidity levels to support lending and protect against potential losses, the banking industry continued to support the country's needs for financial services while navigating the challenges presented by the pandemic.”

— FDIC Chairman Jelena McWilliams

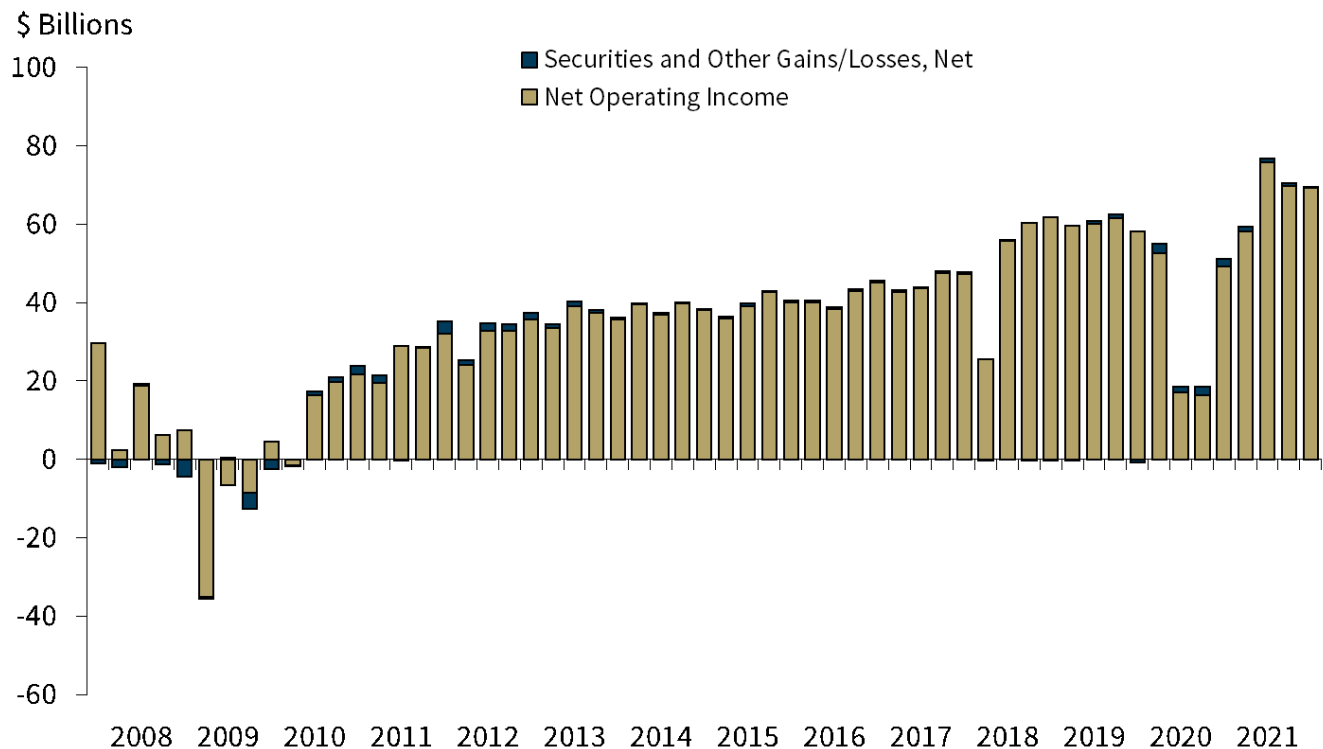
WASHINGTON— Reports from the 4,914 commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reflect aggregate net income of \$69.5 billion in third quarter 2021, an increase of \$18.4 billion (35.9 percent) from a year ago.¹ This increase was driven by further economic growth and improved credit conditions, which led to a third consecutive quarter of aggregate negative provision expense. These and other financial results for third quarter 2021 are included in the FDIC's latest *Quarterly Banking Profile* released today.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-98-2021

Quarterly Net Income



Source: FDIC.

Note: Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

“The banking industry reported strong earnings in third quarter 2021, supported by continued economic growth and further improvements in credit quality,” McWilliams said.

Highlights from the Third Quarter 2021 *Quarterly Banking Profile*

Net Income Continued to Increase Year Over Year: Quarterly net income totaled \$69.5 billion, an increase of \$18.4 billion (35.9 percent) from the same quarter a year ago, primarily due to a \$19.7 billion decline in provision expense. Two-thirds of all banks (66.5 percent) reported annual improvements in quarterly net income, and the share of profitable institutions increased slightly year over year to 95.9 percent. However, net income declined \$875.5 million (1.2 percent) from second quarter 2021, driven by an increase in provision expense from second quarter 2021 (up \$5.5 billion to negative \$5.2 billion).



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The banking industry reported an aggregate return on average assets ratio of 1.21 percent, up 24 basis points from a year ago but down 3 basis points from second quarter 2021.

Net Interest Margin Rose Modestly from Last Quarter's Record Low: The net interest margin (NIM) improved to 2.56 percent in the third quarter, up 6 basis points from the recent record low in the previous quarter but down 12 basis points from the previous year. Quarterly NIM expansion was accompanied by an increase in net interest income of \$5.2 billion (4 percent) from the prior quarter.

The yield on earning assets rose 5 points from the previous quarter's record low to 2.73 percent while average funding costs declined 1 basis point from the previous quarter to a new record low of 0.17 percent. Improvements in net interest income were widespread, as nearly three-quarters of banks (72.1 percent) reported higher net interest income compared with a year ago.

Community Banks Reported a 19.6 Percent Increase in Quarterly Net Income Year Over Year: Community banks reported annual net income growth of \$1.4 billion, supported by an increase in net interest income and a decline in provision expense. Provision expenses declined \$1.4 billion (83.5 percent) from a year ago and increased \$219.2 million (427.9 percent) from the previous quarter. Higher commercial and industrial (C&I) loan income, reflecting, in part, increased fee income from the payoff and forgiveness of Paycheck Protection Program (PPP) loans, helped lift net interest income \$2.2 billion (11.7 percent) from the same quarter a year ago.

The net interest margin for community banks expanded 3 basis points from the year-ago quarter to 3.31 percent, as the continued reduction in average funding costs outpaced the decline in earning asset yields. Nearly two-thirds (65.8 percent) of the 4,450 FDIC-insured community banks reported higher quarterly net income.

Loan Balances Increased From the Previous Quarter and a Year Ago: Total loan and lease balances increased \$62.7 billion (0.6 percent) from the previous quarter. Several portfolios contributed meaningfully to the industry's growth, including 1-4 family residential mortgages (up \$41.3 billion, or 1.9 percent), consumer loans (up \$39.6 billion, or 2.3 percent), nonfarm nonresidential commercial real estate loans (CRE) (up \$24.5 billion, or 1.5 percent), and loans to nondepository institutions (up \$24.2 billion, or 3.9 percent).

Annually, total loan and lease balances increased \$10 billion (0.1 percent) as growth in loans to nondepository institutions (up \$95.9 billion, or 17.5 percent), consumer loans (up \$87.1 billion, or 5.1 percent), and nonfarm nonresidential CRE loan balances (up \$63.2 billion or 4.1 percent) help offset declines in C&I loans (down \$301.8 billion, or 11.9 percent). The decline in C&I balances was driven by Paycheck Protection Program loan forgiveness and repayment.



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Community banks reported a 0.2 percent decline in loan balances from the previous quarter, and a 1.1 percent decline from the prior year. Declines in C&I loan balances resulting from payoffs and forgiveness of PPP loans drove the change.

Credit Quality Continued to Improve: Loans 90 days or more past due or in nonaccrual status (i.e., noncurrent loans) continued to decline (down \$6.9 billion or 6.3 percent) from second quarter 2021. The noncurrent rate for total loans declined 7 basis points from the previous quarter to 0.94 percent. Net charge-offs also continued to decline (down \$7.4 billion, or 58.4 percent) from a year ago. The total net charge-off rate dropped 27 basis points to 0.19 percent—the lowest level on record.

The Reserve Ratio for the Deposit Insurance Fund Remained Stable at 1.27 Percent: The Deposit Insurance Fund (DIF) balance was \$121.9 billion as of September 30, up \$1.4 billion from the end of the second quarter. The reserve ratio remained at 1.27 percent, due to modest growth in the DIF balance and insured deposits.

Three New Banks Opened During the Quarter: Three new banks opened, 39 institutions merged with other FDIC-insured institutions, one bank ceased operations, and no banks failed in third quarter 2021.

¹ The number of FDIC insured institutions excludes one institution that did not file a Call Report this quarter but continue to have an active charter.

Attachments:

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

[Charts and Data](#)

[Chairman McWilliams' Press Statement](#)



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