PRESS RELEASE

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

November 29, 2016

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

Net Income Rises to $45.6 Billion at FDIC-Insured Institutions In Third Quarter 2016

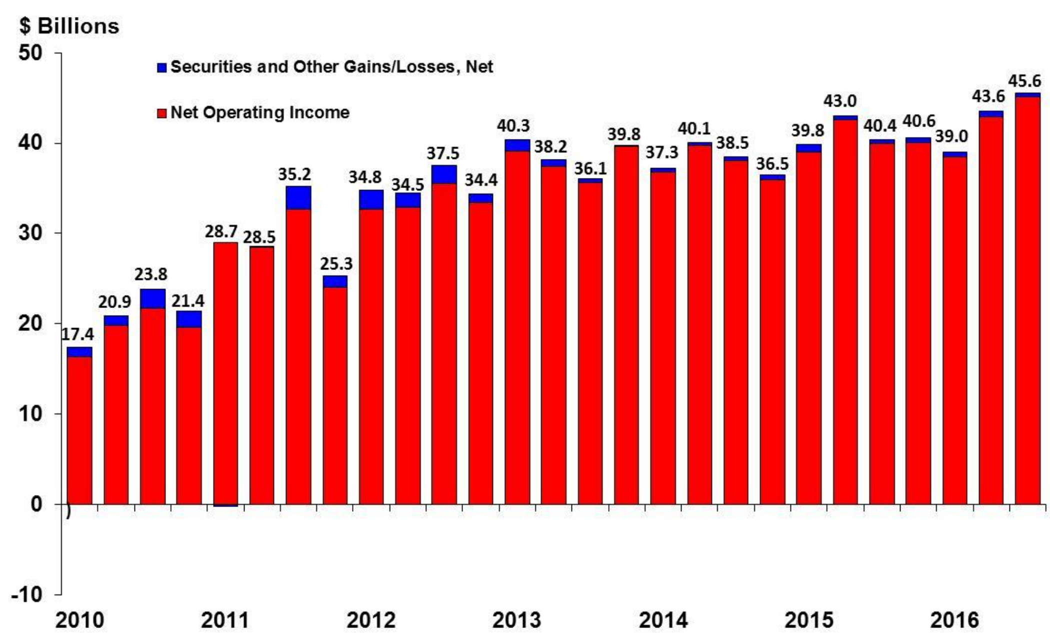
Community Bank Net Income Rises to $5.6 Billion

- **Banking Industry Net Income is $5.2 Billion Higher Than a Year Earlier**
- **Community Bank Revenue and Loan Growth Outpace Industry**
- **Total Loan Balances Rise 6.8 Percent During the Past Year**

"The banking industry reported another positive quarter, but faces continued challenges."
— FDIC Chairman Martin J. Gruenberg

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $45.6 billion in the third quarter of 2016, up $5.2 billion (12.9 percent) from a year earlier. The increase in earnings was mainly attributable to a $10 billion (9.2 percent) increase in net interest income and a $1.2 billion (1.9 percent) rise in noninterest income. One-time accounting and expense items at three institutions had an impact on the growth in income. Banks increased their loan-loss provisions by $2.9 billion (34 percent) from a year earlier. Financial results for the third quarter of 2016 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Quarterly Net Income, 2010 - 2016



Of the 5,980 insured institutions reporting third quarter financial results, 60.8 percent reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable in the third quarter fell to 4.6 percent from 5.2 percent a year earlier. That was the lowest percentage since the third quarter of 1997.

"Revenue and net income rose from a year ago, loan balances increased, asset quality improved, and the number of unprofitable banks and 'problem banks' continued to fall," Gruenberg said. "Community banks also reported solid results for the quarter with strong income, revenue, and loan growth.

"Nevertheless, the banking industry continues to operate in a challenging environment," he said. "Low interest rates for an extended period have led some institutions to reach for yield, which has increased their exposure to interest-rate risk, liquidity risk, and credit risk. Current oil and gas prices continue to affect borrowers that depend on the energy sector and have had an adverse effect on asset quality. These challenges will only intensify as interest rates normalize.

"Banks must manage risks prudently to ensure that growth is on a long-run, sustainable path."

Highlights from the Third Quarter 2016 *Quarterly Banking Profile*

Banking Industry Net Income is $5.2 Billion Higher Than a Year Earlier: Quarterly earnings were 12.9 percent higher than in the third quarter of 2015, as the average return on assets rose to 1.10 percent from 1.03 percent a year earlier. Strong revenue growth helped propel quarterly earnings. Net operating revenue – the sum of net interest income and total noninterest income – was $183.3 billion, an increase of $11.2 billion (6.5 percent) from a year earlier.

Community Bank Revenue and Loan Growth Outpace Industry: The 5,521 insured institutions identified as community banks reported a $593 million (11.8 percent) increase in net income in the third quarter. Total loan and lease balances at community banks rose $31.1 billion during the third quarter. During the past 12 months, loans and leases at community banks rose $127.6 billion (9.4 percent). Net operating revenue of $23 billion at community banks was $1.8 billion (8.5 percent) higher than in the third quarter of 2015.

Total Loan Balances Rise 6.8 Percent During the Past Year: Total loan and lease balances increased $112 billion during the third quarter. For the 12 months ended September 30, loans and leases increased $590.8 billion (6.8 percent). Residential mortgages increased $28.6 billion (2.2 percent) during the quarter, while real estate loans secured by nonfarm nonresidential real estate properties rose $22.4 billion (1.5 percent), and credit card balances increased $15.7 billion (2.1 percent).

Net Charge-Offs Increased from a Year Earlier, While Noncurrent Loans Declined During the Quarter: Banks charged off $10.1 billion in the third quarter, an increase of $1.5 billion (16.9 percent) from a year earlier. This is the fourth consecutive quarter that net charge-offs (NCOs) have risen year-over-year. NCOs of loans to commercial and industrial (C&I) borrowers were up $946 million (82.7 percent), while credit card NCOs were up $658 million (13.4 percent) from the previous year. The average NCO rate in the third quarter was 0.44 percent, up from 0.40 percent a year earlier. The amount of loans and leases that were noncurrent – 90 days or more past due or in nonaccrual status – fell $2.5 billion (1.8 percent) during the three months ended September 30. Noncurrent credit card loans rose $1 billion (12.9 percent) and noncurrent C&I loans increased $154 million (0.6 percent), but noncurrent real estate loans fell $3.6 billion (3.8 percent). The overall noncurrent loan rate dropped to 1.45 percent from 1.50 percent at second quarter 2016.

"Problem List" Shows Further Improvement: The number of banks on the FDIC's Problem List fell from 147 to 132 during the third quarter. This is the smallest number of problem banks in more than seven years and is down significantly from the peak of 888 in the first quarter of 2011. Total assets of problem banks fell from $29.0 billion to $24.9 billion during the third quarter.

Deposit Insurance Fund's Reserve Ratio Rises to 1.18 Percent: The DIF increased $2.8 billion during the third quarter, from $77.9 billion at the end of June to $80.7 billion at the end of September, largely driven by $2.6 billion in assessment income. The DIF reserve ratio rose from 1.17 percent to 1.18 percent during the quarter. Because the reserve ratio surpassed 1.15 percent on June 30, lower regular FDIC assessment rates on all insured institutions went into effect in the third quarter. On average, regular quarterly assessments were about one-third lower than in the previous quarter, although temporary assessment surcharges on banks with assets greater than $10 billion led to an increase in total assessments at most large banks.

# # #

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

Insured Institution Performance, Third Quarter 2016

Community Bank Performance, Third Quarter 2016

Deposit Insurance Fund Trends, Third Quarter 2016

Chairman Gruenberg's Press Statement