PRESS RELEASE

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

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Net Income Rises to $43.6 Billion At FDIC-Insured Institutions In Second Quarter 2016

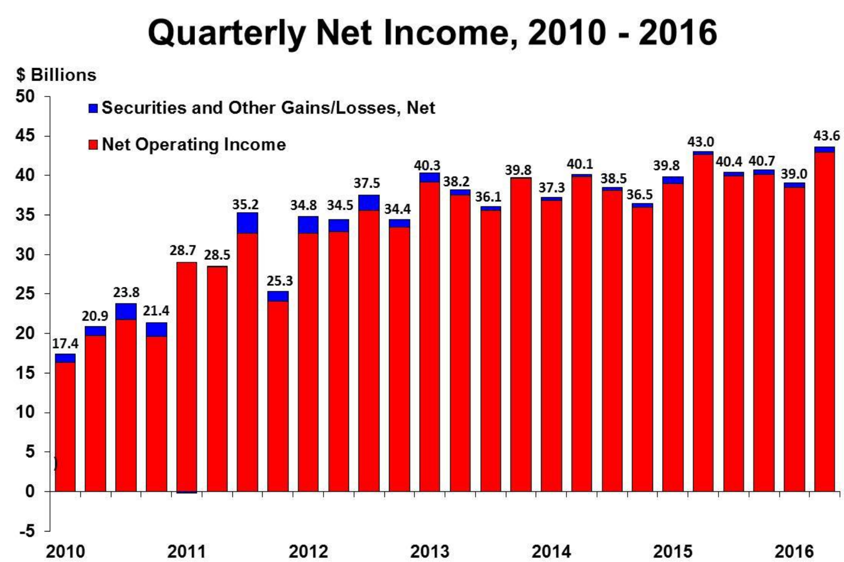
Community Bank Net Income Rises to $5.5 Billion

- **Loan Balances Increase $182 Billion During the Quarter**
- **Net Operating Revenue of $179 Billion Is 3.3 Percent Higher Than a Year Ago**
- **Community Banks Post Strong Growth in Lending and Revenues**
- **Deposit Insurance Fund's Reserve Ratio Surpasses 1.15 Percent Benchmark**

"The banking industry reported largely positive results in the second quarter. However, the low interest rate environment continues to pose challenges for the industry."
— FDIC Chairman Martin J. Gruenberg

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $43.6 billion in the second quarter of 2016, up $584 million (1.4 percent) from a year earlier. The increase in earnings was mainly attributable to a $5.2 billion (4.8 percent) increase in net interest income and a $981 million decline in expenses for litigation reserves at a few large banks. Banks increased their loan-loss provisions by $3.6 billion (44.2 percent) compared to a year ago, partly in response to rising levels of troubled loans to commercial and industrial borrowers, particularly in the energy sector. Financial results for the second quarter of 2016 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 6,058 insured institutions reporting second quarter financial results, 60.1 percent reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable in the second quarter fell to 4.5 percent from 5.8 percent a year earlier. This is the lowest percentage since the first quarter of 1998.



“Income and revenue both increased from a year ago, loan growth remained strong, the number of unprofitable banks was at an 18-year low, and there were fewer banks on the problem list. Community banks reported strong net income, revenue, and loan growth,” Chairman Gruenberg said.

“However, challenges continue,” he said. “Revenue growth remains sluggish as a prolonged period of low interest rates has put downward pressure on net interest margins. This has led some institutions to reach for yield, increasing their exposure to interest-rate risk.

“More recently, persistent stress in the energy sector has resulted in asset quality deterioration at banks that lend to oil and gas producers. We likely have not yet seen the full impact of low energy prices on the banking industry, particularly for consumer and commercial and industrial loans in energy-producing regions of the country.

“We will continue to closely monitor the environment in which banks operate, and we will remain vigilant as we conduct our supervision of the industry.”

Highlights from the Second Quarter 2016 *Quarterly Banking Profile*

Community Banks Post Strong Growth in Lending and Revenues: The 5,602 insured institutions identified as community banks reported a $41.2 billion increase in total loans and leases during the second quarter. During the past 12 months, loans and leases at community banks were up $122.8 billion (9.1 percent). Net operating revenue of $22.8 billion at community banks was $1.5 billion (7.1 percent) higher than a year earlier.

Net Operating Revenue of $179.3 Billion Is 3.3 Percent Higher Than a Year Ago: Loan growth helped lift revenue at most banks, as net interest income rose $5.2 billion (4.8 percent) compared to the second quarter of 2015. Noninterest income was $600 million (0.9 percent) higher, as trading income increased $1.4 billion (24.9 percent).

Loan Balances Increased by $182 Billion During the Quarter: Total loan and lease balances increased $181.9 billion during the second quarter. For the 12 months ended June 30, loans and leases increased $574.1 billion (6.7 percent). Residential mortgages increased $42.4 billion (2.2 percent) during the quarter, while real estate loans secured by nonfarm nonresidential real estate properties rose $26.9 billion (2.1 percent), and credit card balances increased $22.3 billion (3.1 percent).

Noncurrent Commercial and Industrial Loans Rose Again, While Total Noncurrent Loan Balances Declined During the Quarter: The amount of loans and leases that were noncurrent – 90 days or more past due or in nonaccrual status – fell $4.8 billion (3.4 percent) during the three months ended June 30. Noncurrent loans to commercial and industrial borrowers increased $2.1 billion (8.9 percent) during the quarter, largely as a result of weakness in loans to the energy sector. Net charge-offs of loans to commercial and industrial borrowers were $1.1 billion (100.3 percent) higher than a year ago, as total net charge-offs of all loans were $1.2 billion (13.1 percent) higher than in second quarter 2015.

“Problem List” Continues to Shrink: The number of banks on the FDIC’s Problem List fell from 165 to 147 during the second 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 $30.9 billion to $29.0 billion during the second quarter. Two banks failed during the quarter.

Deposit Insurance Fund’s Reserve Ratio Surpasses 1.15 Percent Benchmark: The DIF increased $2.8 billion during the second quarter, from $75.1 billion at the end of March to $77.9 billion at the end of June, largely driven by $2.3 billion in assessment income. The DIF reserve ratio rose from 1.13 percent to 1.17 percent during the quarter. Under previously approved FDIC regulations, once the reserve ratio exceeds 1.15 percent, lower regular assessment rates will go into effect. As a result of lower rates, the FDIC estimates that regular assessments paid by banks to the FDIC will decline by about one-third.

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

Insured Institution Performance, Second Quarter 2016

Community Bank Performance, Second Quarter 2016

Deposit Insurance Fund Trends, Second Quarter 2016

Chairman Gruenberg's Press Statement

DIF Press Release