PRESS RELEASE

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

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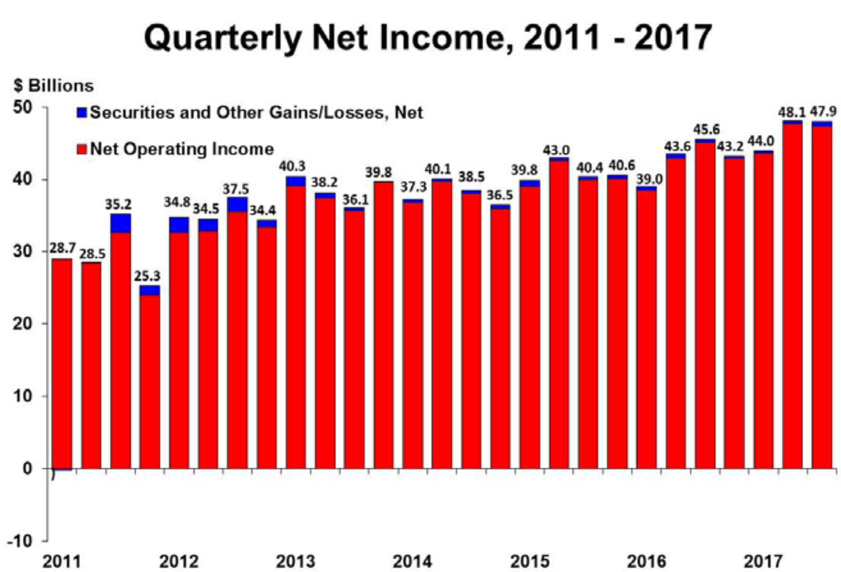
FDIC-Insured Institutions Earn $47.9 Billion in Third Quarter 2017
Community Bank Net Income Rises to $6 Billion

- **Industry Net Income Is 5.2 Percent Higher Than a Year Earlier**
- **Annual Loan And Lease Growth Slows to 3.5 Percent**
- **Net Interest Income Rises 7.4 Percent from Third Quarter 2016**
- **Community Bank Earnings Increase 9.4 Percent from a Year Earlier**

"This was another positive quarter for the banking industry. But while overall performance improved, the interest-rate environment and competitive lending conditions continue to pose challenges." — ***FDIC Chairman Martin J. Gruenberg***

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $47.9 billion in the third quarter of 2017, up $2.4 billion (5.2 percent) from a year earlier. The increase in earnings was mainly attributable to an $8.8 billion (7.4 percent) increase in net interest income. Financial results for the third quarter of 2017 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 5,737 insured institutions reporting third quarter financial results, 67.3 percent reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable in the third quarter fell to 3.9 percent from 4.6 percent a year earlier. The results do not include one insured community bank that was delayed in reporting third quarter results. The omission does not have a material impact on the overall or community bank results.



“Third quarter results for the banking industry were largely positive,” Gruenberg said. “Revenue and net income were higher at most banks, net interest margin improvement was widespread, and the number of unprofitable banks and ‘problem banks’ continued to fall. Community banks also reported another solid quarter of revenue, net income, and loan growth.

“While the quarterly results were largely favorable, the industry continued to see a gradual slowdown in the annual rate of loan growth. In addition, the operating environment for banks remains challenging. 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. These risks must be managed prudently for the industry to continue to grow on a long-run, sustainable path.”

Highlights from the Third Quarter 2017 *Quarterly Banking Profile*

Quarterly Industry Net Income is 5.2 Percent Higher than a Year Earlier: Quarterly earnings were $2.4 billion (5.2 percent) higher than in the third quarter of 2016 due to relatively strong growth in net interest income and limited growth in operating expenses. The average return on assets rose to 1.12 percent, from 1.10 percent in the third quarter of 2016. More than two-thirds of all banks — 67.3 percent — reported higher quarterly earnings than a year earlier. The percentage of banks reporting net losses for the quarter fell to 3.9 percent, from 4.6 percent in the third quarter of 2016.

Net Interest Income Rises 7.4 Percent from Third Quarter 2016: Net interest income totaled $127.5 billion, an increase of $8.8 billion (7.4 percent) from a year earlier. More than 80 percent of all banks reported higher net interest income than in the prior year. The average net interest margin rose to 3.30 percent, from 3.18 percent a year earlier. This is the highest average net interest margin for the industry since the fourth quarter of 2012. Total noninterest income was $639 million (1 percent) lower than a year earlier.

Community Bank Earnings Increase 9.4 Percent: The 5,294 insured institutions identified as community banks reported $6 billion in net income in the third quarter, up $513 million from the prior year. Net operating revenue was $1.5 billion (6.7 percent) higher, as net interest income was up $1.7 billion (9.7 percent). Noninterest income declined $174.2 million (3.4 percent). Loan-loss provisions increased $39.8 million (5.5 percent), while noninterest expenses were $631.7 million (4.3 percent) higher.

Total Loans and Leases Increase $96.2 Billion During Third Quarter: Loan and lease balances increased 1 percent during the three months ended September 30. All major loan categories registered growth during the third quarter. Residential mortgage loans increased $20.5 billion (1 percent) from the prior quarter, credit card balances rose $15.7 billion (2 percent), and loans to finance nonfarm nonresidential real estate grew $12.1 billion (0.8 percent). For the 12 months ended September 30, loan and lease balances rose $321.6 billion (3.5 percent).

Noncurrent Loan Balances Decline While Net Charge-Offs Increase: The amount of loans that were noncurrent — 90 days or more past due or in nonaccrual status — declined $2.1 billion (1.8 percent) during the third quarter. Noncurrent balances fell in residential mortgages and in commercial and industrial loans, but increased in credit cards and other consumer loan categories. The average noncurrent loan rate fell from 1.23 percent to 1.20 percent during the quarter. This is the lowest noncurrent rate since the third quarter of 2007. Net charge-offs were $813 million (8 percent) higher than a year ago, as the average net charge-off rate rose from 0.44 percent to 0.46 percent.

Two New Charters Are Added During Third Quarter: Two new commercial bank charters were added in the third quarter, bringing the total for the first nine months of 2017 to four new institutions. The FDIC’s Problem Bank List fell from 105 to 104 during the third quarter. This is the smallest number of problem banks since the first quarter of 2008, and is almost 90 percent less than the post-crisis peak of 888 in the first quarter of 2011. Total assets of problem banks fell from $17.2 billion to $16.0 billion during the quarter.

Deposit Insurance Fund’s Reserve Ratio Rises to 1.28 Percent: The Deposit Insurance Fund (DIF) balance increased $2.9 billion during the third quarter, to $90.5 billion on September 30, driven by assessment income, including surcharges on large banks. The DIF reserve ratio rose to 1.28 percent from 1.24 percent at the end of June. Estimated insured deposits rose 0.7 percent in the third quarter.

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

Insured Institution Performance, Third Quarter 2017

Community Bank Performance, Third Quarter 2017

Deposit Insurance Fund Trends, Third Quarter 2017

Chairman Gruenberg's Press Statement