PRESS RELEASE

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

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FDIC-Insured Institutions Earn $48.3 Billion in Second Quarter 2017

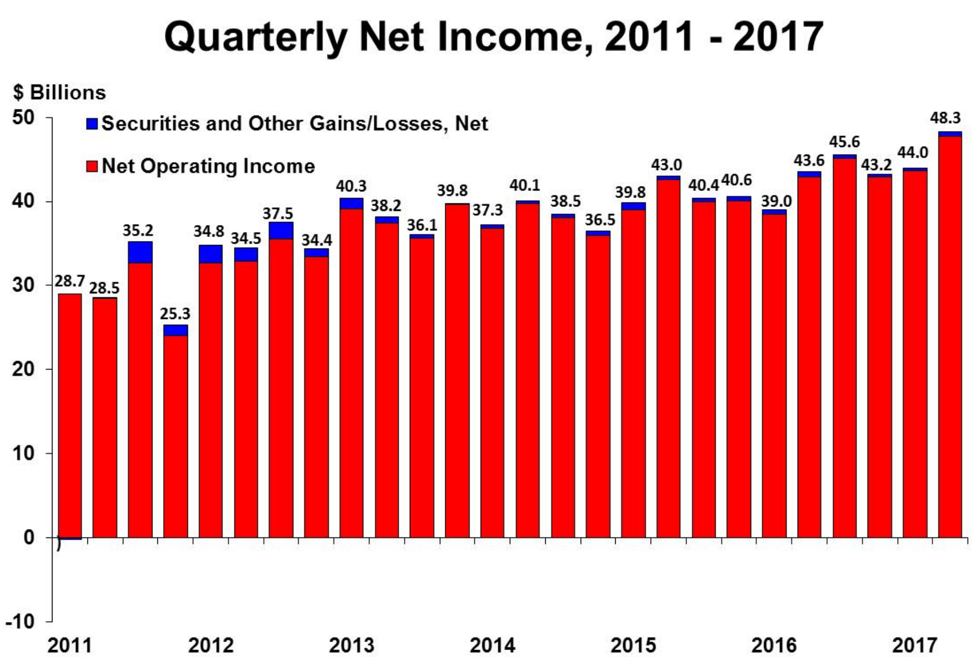
Community Bank Net Income Rises to $5.7 Billion

- **Quarterly Net Income Is 10.7 Percent Higher Than a Year Earlier**
- **Community Bank Net Income Rises 8.5 Percent From a Year Ago**
- **Average Return On Assets of 1.14 Percent Is Highest In 10 Years**
- **Total Loans and Leases Increase 3.7 Percent From Year Earlier**

"This was another positive quarter for the banking industry. Revenue and net income growth were both strong, profitability reached a post-crisis high, and net interest margins improved. While the quarterly results were largely positive, the operating environment for banks remains challenging."
— FDIC Chairman Martin J. Gruenberg

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $48.3 billion in the second quarter of 2017, up $4.7 billion (10.7 percent) from a year earlier. The increase in earnings was mainly attributable to a $10.3 billion (9.1 percent) increase in net interest income and a $654 million (1 percent) increase in noninterest income. Financial results for the second quarter of 2017 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 5,787 insured institutions reporting second quarter financial results, 63.4 percent reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable in the first quarter fell to 4.1 percent from 4.6 percent a year earlier.



"Community banks also reported another solid quarter of revenue, net income, and loan growth," Gruenberg said. "However, as the economy enters the ninth year of an expansion characterized by modest growth, the annual rate of loan growth continued to slow for a third consecutive quarter. The industry must manage interest-rate risk, liquidity risk, and credit risk carefully to remain on a long-run, sustainable growth path."

Highlights from the Second Quarter 2017 *Quarterly Banking Profile*

Quarterly Net Income is 10.7 Percent Higher Than a Year Earlier: Quarterly earnings were 10.7 percent higher than in the second quarter of 2016 due to relatively strong growth in net interest income and relatively limited growth in operating expenses. Net interest income was $10.3 billion (9.1 percent) higher than a year ago. Loan-loss provisions totaled $12 billion, an increase of $273 million (2.3 percent) compared to second quarter 2016. Noninterest expenses of $108.6 billion were $3.5 billion (3.3 percent) higher than in second quarter 2016, as a 2.3 percent year-over-year increase in employment was reflected in higher payroll expenses.

Community Bank Net Income Rises 8.5 Percent From a Year Ago: The 5,338 insured institutions identified as community banks reported a $444.5 million (8.5 percent) increase in net income in the second quarter. Net operating revenue was $1.5 billion (6.9 percent) higher, as net interest income was up $1.5 billion (8.9 percent). Noninterest income registered a small ($2.3 million, 0.05 percent) decline from a year ago. Loan-loss provisions increased $185 million (26 percent), while noninterest expenses were $616.2 million (4.3 percent) higher. For the 12 months ended June 30, loan and lease balances were up 7.8 percent.

Net Operating Revenue Rises 6.1 Percent From Second Quarter 2016: Net operating revenue – the sum of net interest income and total noninterest income – was $190.5 billion, an increase of $11 billion (6.1 percent) from a year earlier. Three-quarters of all banks reported higher net operating revenue than a year ago. Net interest income accounted for most of the increase in revenue, but noninterest income was also $654 million (1 percent) higher than a year ago. The average net interest margin rose to 3.22 percent, from 3.08 percent a year earlier. This is the highest average net interest margin for the industry since fourth quarter 2013.

Average Return On Assets of 1.14 Percent Is Highest in 10 Years: The industry's return on assets (ROA) rose to 1.14 percent in the second quarter, from 1.08 percent a year earlier. This is the highest average ROA for the industry since second quarter 2007. More than half of all banks – 55.5 percent – reported year-over-year increases in their ROAs.

Total Loans And Leases Increase $161.2 Billion During Second Quarter: Loan and lease balances increased 1.7 percent during the three months ended June 30. All major loan categories registered growth during the second quarter. Residential mortgage loans increased $35.1 billion (1.8 percent), credit card balances rose $23.6 billion (3.1 percent), and loans to commercial and industrial borrowers grew $22.1 billion (1.1 percent). For the 12 months ended June 30, loan and lease balances were up $337.6 billion, a 3.7 percent increase.

Asset Quality Continues to Improve: The amount of loans and leases that were noncurrent – 90 days or more past due or in nonaccrual status – declined $8.4 billion (6.7 percent) during the second quarter. Noncurrent levels improved in all major loan categories. Banks charged off $11.3 billion in loans during the quarter, an increase of $1.1 billion from second quarter 2016. The increase in net charge-offs was concentrated in credit card portfolios, as most major loan categories had lower charge-offs than a year earlier.

The Number of "Problem Banks" Continues to Fall: The FDIC's Problem Bank List fell from 112 to 105 during the second quarter. This is the smallest number of problem banks since March 31, 2008, and is nearly 90 percent less than the post-crisis peak of 888 in the first quarter of 2011. Total assets of problem banks fell from $23.7 billion to $17.2 billion during the second quarter.

Deposit Insurance Fund's Reserve Ratio Rises to 1.24 Percent: The Deposit Insurance Fund (DIF) balance increased $2.7 billion during the second quarter to $87.6 billion on June 30, driven by assessment income, including surcharges on large banks. The DIF reserve ratio was 1.24 percent at the end of June, up from 1.20 percent at the end of March and the highest level since the fourth quarter of 2005. Estimated insured deposits declined 0.4 percent in the second quarter.

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

Insured Institution Performance, Second Quarter 2017

Community Bank Performance, Second Quarter 2017

Deposit Insurance Fund Trends, Second Quarter 2017

Chairman Gruenberg's Press Statement