PRESS RELEASE

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

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

FDIC-Insured Institutions Earn $44 Billion in First Quarter 2017

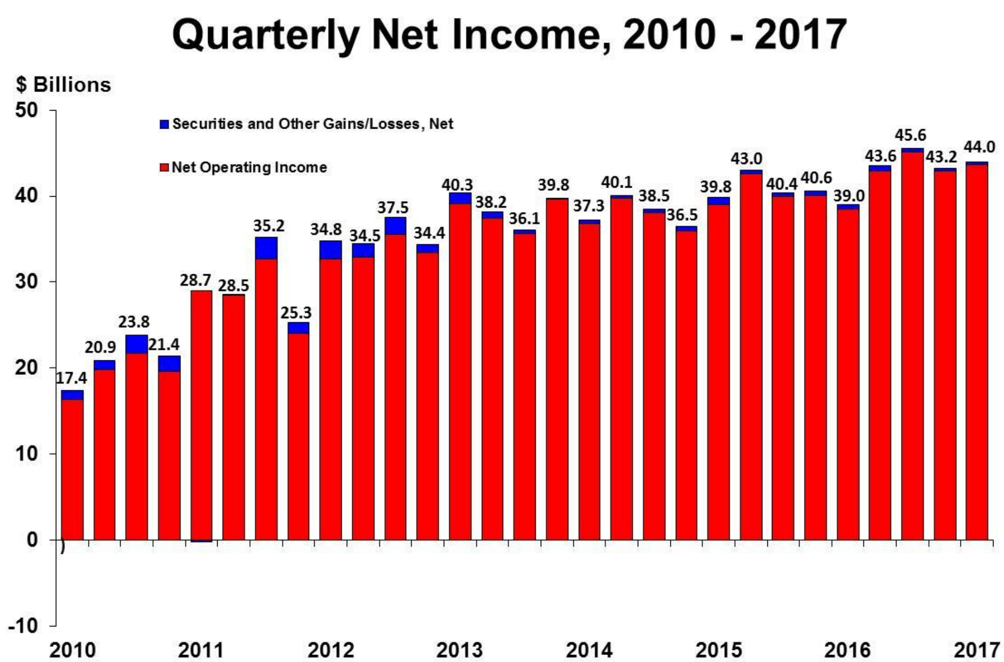
Community Bank Net Income Rises to $5.6 Billion

- **Quarterly Net Income Is 12.7 Percent Higher than a Year Earlier**
- **Community Bank Net Income Rises 10.4 Percent from a Year Ago**
- **Annual Loan Growth Rate Slows to 4 Percent, On Par With Nominal GDP Growth**
- **"Problem Bank List" Falls to 9-Year Low**

"The banking industry reported largely positive results for the first quarter, but the operating environment continues to pose challenges for banks." — *FDIC Chairman Martin J. Gruenberg*

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $44 billion in the first quarter of 2017, up $5 billion (12.7 percent) from a year earlier. The increase in earnings was mainly attributable to an $8.8 billion (7.8 percent) increase in net interest income and a $2.1 billion (3.4 percent) increase in noninterest income. Financial results for the first quarter of 2017 are included in the FDIC's latest *Quarterly Banking Profile* released today.

Of the 5,856 insured institutions reporting first quarter financial results, 57 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 5.1 percent a year earlier.



“Revenue and net income growth were strong, asset quality improved, and the number of unprofitable banks and ‘problem banks’ continued to fall,” Gruenberg said. “Community banks reported another quarter of solid revenue and net income growth.”

Gruenberg continued: “In the past two quarters, the industry has seen a slowdown in loan growth that is broad-based across major lending categories. This slowdown has occurred as the economy approaches the end of the eighth year of a relatively modest expansion. Still, loan growth has remained at or above nominal GDP growth.

“Low interest rates for an extended period and a 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. Banks must manage these risks prudently to maintain growth on a long-run, sustainable path.”

Highlights from the First Quarter 2017 *Quarterly Banking Profile*

Quarterly Industry Net Income is 12.7 Percent Higher than a Year Earlier: Quarterly earnings were 12.7 percent higher than in the first quarter of 2016 due to growth in net operating revenue. Net operating revenue – the sum of net interest income and total noninterest income – was $183.6 billion, an increase of $10.9 billion (6.3 percent) from a year earlier. Loan-loss provisions totaled $12 billion, a decline of $541 million (4.3 percent) compared to first quarter 2016. Noninterest expenses of $109.2 billion were $4.5 billion (4.3 percent) higher than a year earlier, as a 2 percent year-over-year increase in employment was reflected in higher payroll expenses. The improvement in revenue also caused the average return on assets to rise to 1.04 percent from 0.97 percent a year earlier.

Community Bank Net Income Rises 10.4 Percent from a Year Ago: The 5,401 insured institutions identified as community banks reported a $522.9 million (10.4 percent) increase in net income in the first quarter. Net operating revenue was $1.5 billion (7 percent) higher, as net interest income was up $1.2 billion (7.1 percent), and noninterest income rose by $304.4 million (6.8 percent). Loan-loss provisions increased by $32.7 million (5.2 percent), while noninterest expenses were $721.9 million (5 percent) higher.

Annual Loan Growth Rate Slows to 4 Percent: Total loan and lease balances increased $358.1 billion (4 percent) during the 12 months ended March 31, compared with a 5.3 percent growth rate over the 12 months ending in March 2016. The slowdown in loan growth occurred across all major loan categories. During the first three months of 2017, total loan balances declined by $8.1 billion (0.1 percent) from the fourth quarter, as borrowers reduced their credit card balances by $43.7 billion (5.5 percent). Community banks increased their loan balances by $16.7 billion (1.1 percent) during the quarter and by $109.9 billion (7.7 percent) over the past 12 months. Still, loan growth has remained at or above nominal GDP growth.

“Problem Bank List” Falls to 9-Year Low: The number of banks on the FDIC’s Problem Bank List fell from 123 to 112 during the first quarter. This is the smallest number of problem banks since March 31, 2008, and is down significantly from the post-crisis peak of 888 in the first quarter of 2011. Total assets of problem banks fell from $27.6 billion to $23.7 billion during the first quarter.

Deposit Insurance Fund’s Reserve Ratio Remains at 1.20 Percent: The Deposit Insurance Fund (DIF) balance increased $1.8 billion during the first quarter to $84.9 billion at March 31, largely driven by assessment income, including surcharges on large banks. Estimated insured deposits increased 2.3 percent in the first quarter. The DIF reserve ratio remained unchanged from year-end 2016 at 1.20 percent, due in part to strong insured deposit growth.

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

Insured Institution Performance, First Quarter 2017

Community Bank Performance, First Quarter 2017

Deposit Insurance Fund Trends, First Quarter 2017

Chairman Gruenberg's Press Statement