

FDIC

Quarterly

*Quarterly Banking Profile:
Third Quarter 2016*

*Core Profitability of Community
Banks, 1985–2015*

*Mutual Institutions:
Owned by the Communities
They Serve*

2016
Volume 10, Number 4

Federal Deposit
Insurance Corporation

The *FDIC Quarterly* is published by the Division of Insurance and Research of the Federal Deposit Insurance Corporation and contains a comprehensive summary of the most current financial results for the banking industry. Feature articles appearing in the *FDIC Quarterly* range from timely analysis of economic and banking trends at the national and regional level that may affect the risk exposure of FDIC-insured institutions to research on issues affecting the banking system and the development of regulatory policy.

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Quarterly Banking Profile: Third Quarter 2016

FDIC-insured institutions 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. 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. *See page 1.*

Community Bank Performance

Community banks—which represent 92 percent of insured institutions—reported net income of \$5.6 billion in the third quarter, up \$592.6 million (11.8 percent) from one year earlier. The increase was driven by higher net interest income and noninterest income, which was partly offset by higher loan-loss provisions and noninterest expense. The 12-month growth rate in loan balances at community banks was 9.4 percent, while growth at noncommunity banks was 6.5 percent. The noncurrent rate continued to improve, and community banks accounted for 43 percent of small loans to businesses. *See page 15.*

Insurance Fund Indicators

Insured deposits increased by 2.1 percent in the third quarter of 2016. The DIF reserve ratio rose to 1.18 percent on September 30, 2016, up from 1.17 percent at June 30, 2016, and 1.09 percent at September 30, 2015. Two FDIC-insured institutions failed during the quarter. *See page 23.*

Featured Articles:

Core Profitability of Community Banks, 1985–2015

The relatively low profitability reported by community banks since the 2008 financial crisis has sparked concerns about the core profitability of the community banking model. This paper constructs an econometric model using 31 years of data to estimate the impact of macroeconomic shocks on industry average pretax return on assets (ROA). After accounting for macroeconomic factors, the remaining unexplained variation is considered to be the core component of profitability. Core ROA is found to have been relatively stable between 1985 and 2015. It trended downward over the 1990s, but the effect of the financial crisis on industry composition has led to a reversal and a modest increase in core profitability. More than 80 percent of the post-crisis decline in profitability can be explained by negative macroeconomic shocks. *See page 37.*

Mutual Institutions: Owned by the Communities They Serve

Mutual institutions—savings banks and savings and loans owned by their depositors—are a unique type of community bank. This paper provides an overview of mutual institutions and their place in the U.S. financial system. They generally earn lower returns on assets than stock community banks, but have higher-quality assets. Mutuals also failed less often between 2008 and 2014 than did stock community banks. From their 19th-century origins as providers of small-denomination savings accounts and the means of pooling funds to finance homeownership, to their dominance of U.S. mortgage finance for much of the 20th century, and to their strong performance during the recent financial crisis, mutuals remain an important segment of the community banking sector. *See page 47.*

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INSURED INSTITUTION PERFORMANCE

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

Net Income Registers Strong Increase

Increased net interest income helped boost operating revenues at FDIC-insured institutions in the third quarter. The industry reported net income of \$45.6 billion for the quarter, an increase of \$5.2 billion (12.9 percent) compared with the year before. More than 60 percent of all banks reported year-over-year increases in quarterly earnings. Only 4.6 percent of banks were unprofitable for the quarter, down from 5.2 percent the previous year. The average return on assets (ROA) rose to 1.10 percent, from 1.03 percent in third quarter 2015.

Net Interest Margins Decline at a Majority of Banks

Net operating revenue—the sum of net interest income and total noninterest income—totaled \$183.3 billion, up \$11.2 billion (6.5 percent). Net interest income was \$10 billion (9.2 percent) higher, while noninterest income rose by \$1.2 billion (1.9 percent). The increase was attributable to growth in interest-bearing assets (up 6.7 percent over the past 12 months) and improvement in the industry’s aggregate net interest margin (NIM), which rose to 3.18 percent, from 3.08 percent in third quarter 2015. The NIM improvement was not broad-based. A majority of banks—53.5 percent—reported lower NIMs than the year earlier. In addition, an accounting change at one large bank resulted in a sizable increase in its interest income for the quarter that contributed to the size of the improvement in the industry’s quarterly NIM. The rise in noninterest income was driven by a \$1.1 billion increase in trading revenue and a \$1.6 billion rise in servicing income.

Expense Growth Is Modest

Total noninterest expenses were \$1.1 billion (1 percent) higher than the year before. Expenses for goodwill impairment were \$678 million (97.8 percent) lower, while itemized litigation expenses were \$248 million less. Salary and employee benefit expenses were up \$2.4 billion (5 percent). The average efficiency ratio—noninterest expense as a percentage of net operating revenue—improved to 57.5 percent in the third quarter, from 60.2 percent a year earlier. This is the lowest level for the ratio since second quarter 2010.

Chart 1

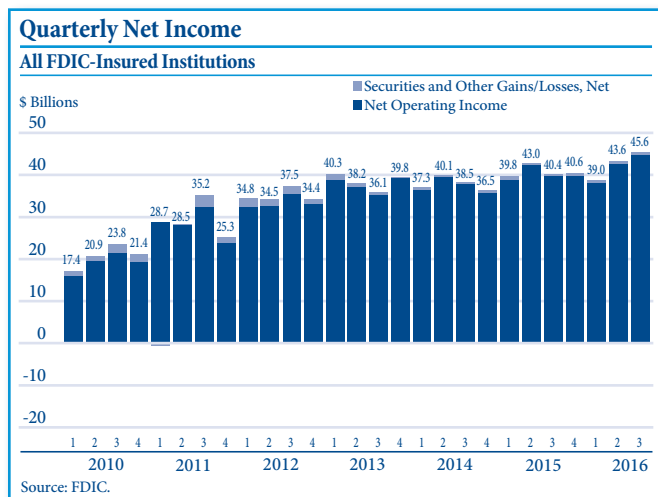
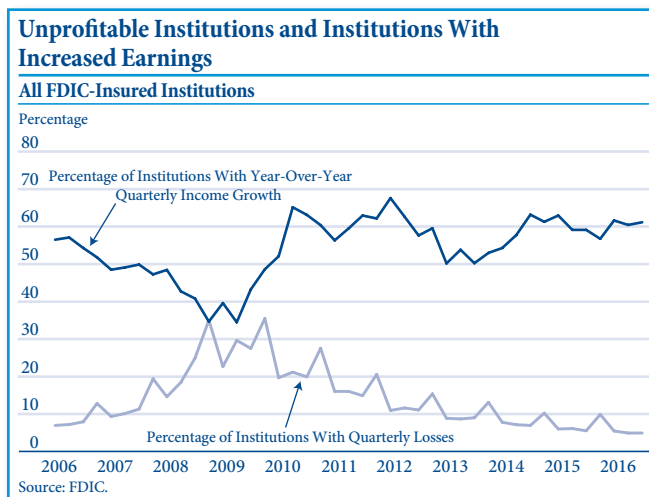


Chart 2



Loss Provisions Absorb a Rising Share of Revenues

Loan-loss provisions rose year over year for a ninth consecutive quarter to \$11.4 billion, a \$2.9 billion (34 percent) increase over third quarter 2015. Only 39 percent of banks reported increases in their provisions, while 30 percent reported reduced provision expenses. For the industry, quarterly provisions represented 6.2 percent of the quarter’s net operating revenue, up from 4.9 percent the previous year.

Charge-Offs Rise for a Fourth Consecutive Quarter

Net loan losses totaled \$10.1 billion, up \$1.5 billion (16.9 percent) from a year earlier. This is the fourth quarter in a row that net charge-offs have posted a year-over-year increase. Net charge-offs of loans to commercial and industrial (C&I) borrowers rose \$946 million (82.7 percent), while credit card charge-offs were \$658 million (13.4 percent) higher. Charge-offs of residential and commercial real estate loans were \$371 million (39.1 percent) below year-earlier levels. The average net charge-off rate rose to 0.44 percent, from 0.40 percent the year before.

Improvement in Real Estate Loans Helps Reduce Total Noncurrent Loan Balances

Noncurrent loans and leases—those 90 days or more past-due or in nonaccrual status—declined for the 25th time in the last 26 quarters, falling by \$2.5 billion (1.8 percent) during the three months ended September 30. During the quarter, noncurrent residential mortgage loan balances fell by \$2.7 billion (3.8 percent), while noncurrent home equity loans declined by \$386 million, and noncurrent nonfarm nonresidential real estate loans fell by \$367 million (3.7 percent). These improvements exceeded the \$1 billion increase in noncurrent credit cards. Noncurrent C&I loans increased for a seventh consecutive quarter, rising by \$154 million. This is the smallest of the seven quarterly increases in noncurrent C&I loans. The average noncurrent loan rate fell from 1.50 percent to 1.45 percent, the lowest level since year-end 2007.

Loan-Loss Reserves Post a Small Increase

Banks increased their reserves for loan and lease losses for a fourth consecutive quarter, as loan-loss provisions exceeded net charge-offs. Loss reserves rose by \$372 million (0.3 percent). At banks that itemize their reserves, representing 90 percent of total industry reserves, the increase was driven by higher reserves for credit card losses, which rose by \$1.7 billion (6.1 percent). In contrast with the previous seven quarters, itemized reserves for losses on commercial loans declined, falling by \$774 million (2.1 percent). The increase in industry reserves, combined with the reduction in noncurrent loan balances, caused the coverage ratio of reserves to noncurrent loans to rise from 89.2 percent to 91.1 percent during the quarter, the highest level since year-end 2007.

Chart 3

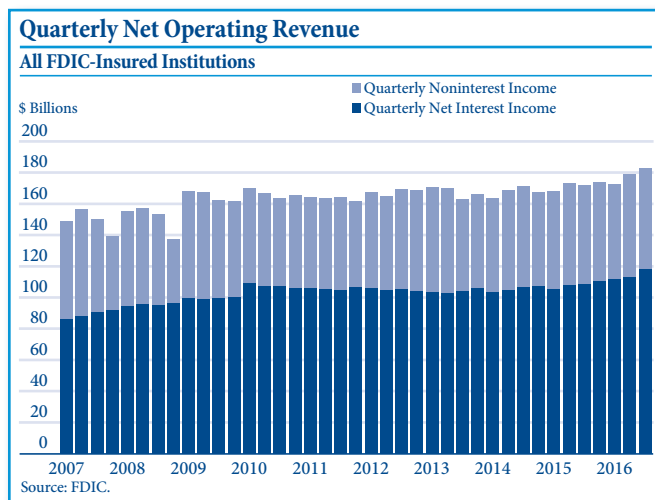
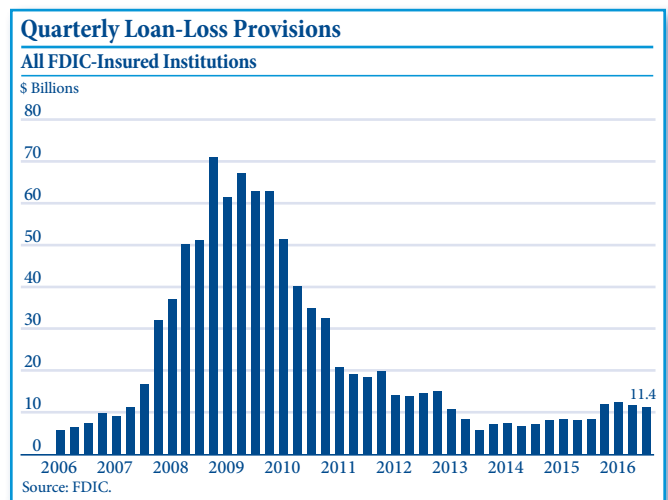


Chart 4



Retained Earnings Account for Most of Equity Growth

Total equity capital increased by \$16.3 billion (0.9 percent) in third quarter 2016. Retained earnings contributed \$15.1 billion to equity growth in the third quarter, \$458 million (0.3 percent) more than a year earlier. Banks declared \$30.5 billion in quarterly dividends, a \$4.8 billion (18.5 percent) increase over third quarter 2015. A \$3.7 billion decline in accumulated other comprehensive income limited the growth in equity. The average equity-to-assets ratio for the industry declined from 11.28 percent to 11.22 percent. At the end of the quarter, more than 99 percent of all banks, representing 99.9 percent of industry assets, met or exceeded the requirements for the highest regulatory capital category as defined for Prompt Corrective Action purposes.

Loan Growth Remains Steady

Total assets rose by \$232.6 billion (1.4 percent) during the third quarter. Total loan and lease balances increased by \$112 billion (1.2 percent), while investment securities portfolios rose by \$86.8 billion (2.5 percent), and balances at Federal Reserve banks grew by \$41.5 billion (3.5 percent). Assets in trading accounts declined by \$27 billion (4.4 percent). Growth in loans was led by residential mortgage loans (up \$28.6 billion, 1.5 percent), loans secured by nonfarm nonresidential real estate properties (up \$22.4 billion, 1.8 percent), and credit card balances (up \$15.7 billion, 2.1 percent). For the 12 months ended September 30, total loan and lease balances were up \$590.8 billion (6.8 percent). The growth in securities was attributable to a \$55.3 billion (2.9 percent) rise in mortgage-backed securities, and a \$37 billion (8.5 percent) increase in U.S. Treasury securities. Unrealized gains on banks' available-for-sale securities fell by \$5 billion (11.4 percent), while unrealized gains on securities in held-to-maturity accounts declined by \$2.8 billion (11.7 percent).

Deposits Rise by \$271 Billion

Deposit growth was strong in the third quarter. Total deposits rose by \$270.7 billion (2.2 percent) in the third quarter. Deposits in domestic offices increased by \$259.6 billion (2.3 percent), with balances in interest-bearing accounts rising by \$140 billion (1.7 percent), and balances in noninterest-bearing accounts up by \$119.5 billion (4 percent). Balances in consumer-oriented accounts increased by \$103.8 billion (2.6 percent), while all other domestic office deposits rose by \$156.8 billion (2.2 percent). Deposits in foreign offices increased by \$11.2 billion (0.8 percent). Banks reduced their nondeposit liabilities by \$54.3 billion (2.5 percent), as trading account liabilities fell by \$44.4 billion (14.7 percent).

Chart 5

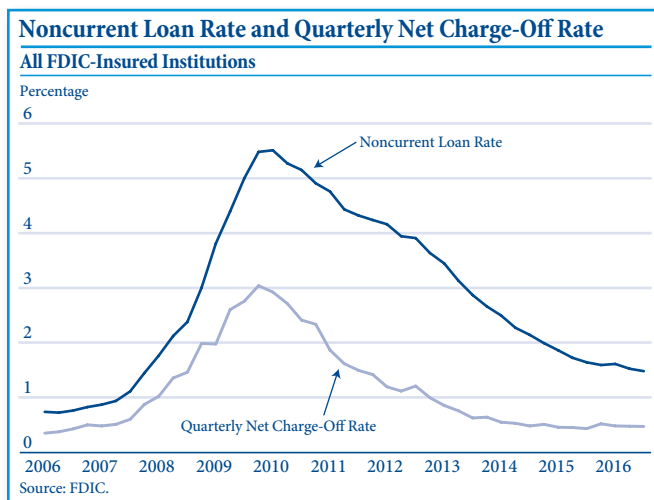
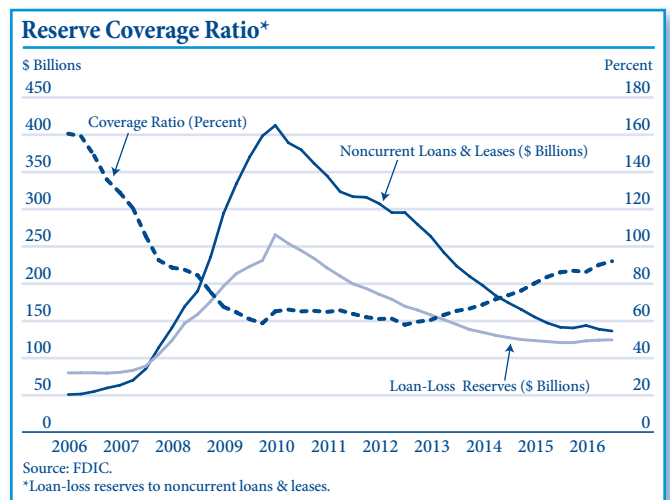


Chart 6



Number of FDIC-Insured Institutions Is 5,980

The number of FDIC-insured commercial banks and savings institutions reporting quarterly financial results fell to 5,980 in the third quarter, from 6,058 in the second quarter of 2016. There were 71 mergers of insured institutions, while two insured banks failed. No new charters were added during the quarter. Banks reported 2,043,480 full-time equivalent employees, an increase of 4,990 from third quarter 2015. The number of insured institutions on the FDIC’s “Problem List” declined from 147 to 132, as total assets of problem banks fell from \$29 billion to \$24.9 billion.

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Chart 7

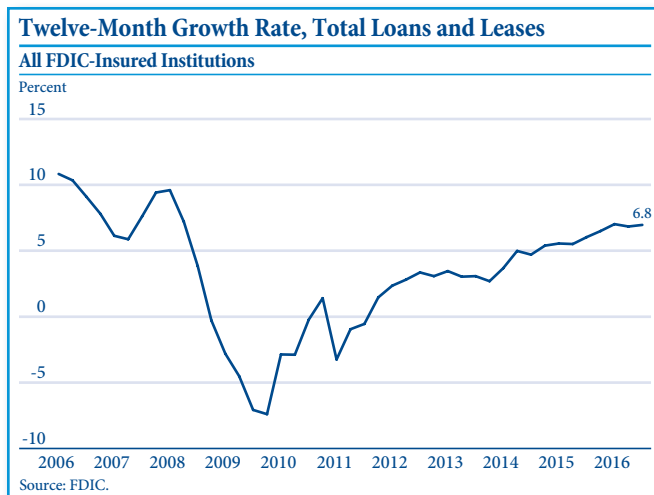


Chart 8

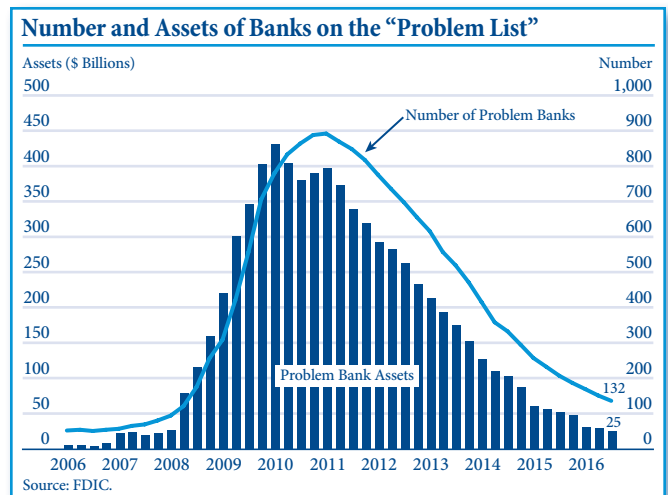


TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2016**	2015**	2015	2014	2013	2012	2011
Return on assets (%)	1.04	1.05	1.04	1.01	1.07	1.00	0.88
Return on equity (%)	9.29	9.33	9.29	9.01	9.54	8.90	7.79
Core capital (leverage) ratio (%)	9.55	9.61	9.59	9.44	9.40	9.15	9.07
Noncurrent assets plus other real estate owned to assets (%)	0.88	0.99	0.97	1.20	1.63	2.20	2.61
Net charge-offs to loans (%)	0.45	0.42	0.44	0.49	0.69	1.10	1.55
Asset growth rate (%)	6.12	2.94	2.66	5.59	1.94	4.02	4.30
Net interest margin (%)	3.11	3.05	3.07	3.14	3.26	3.42	3.60
Net operating income growth (%)	3.96	5.88	7.09	-0.73	12.82	17.76	43.60
Number of institutions reporting	5,980	6,270	6,182	6,509	6,812	7,083	7,357
Commercial banks	5,170	5,410	5,338	5,607	5,847	6,072	6,275
Savings institutions	810	860	844	902	965	1,011	1,082
Percentage of unprofitable institutions (%)	3.98	4.90	4.76	6.27	8.16	11.00	16.23
Number of problem institutions	132	203	183	291	467	651	813
Assets of problem institutions (in billions)	\$25	\$51	\$47	\$87	\$153	\$233	\$319
Number of failed institutions	5	6	8	18	24	51	92
Number of assisted institutions	0	0	0	0	0	0	0

* Excludes insured branches of foreign banks (IBAs).

** Through September 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending September 30.

TABLE II-A. Aggregate Condition and Income Data, All FDIC-Insured Institutions

(dollar figures in millions)	3rd Quarter 2016	2nd Quarter 2016	3rd Quarter 2015	%Change 15Q3-16Q3		
Number of institutions reporting	5,980	6,058	6,270	-4.6		
Total employees (full-time equivalent)	2,043,480	2,045,253	2,038,490	0.2		
CONDITION DATA						
Total assets	\$16,766,607	\$16,533,969	\$15,800,126	6.1		
Loans secured by real estate	4,567,120	4,505,544	4,307,104	6.0		
1-4 Family residential mortgages	1,989,162	1,960,600	1,887,016	5.4		
Nonfarm nonresidential	1,300,821	1,278,423	1,199,663	8.4		
Construction and development	303,059	294,182	266,508	13.7		
Home equity lines	444,314	452,284	471,539	-5.8		
Commercial & industrial loans	1,943,253	1,931,328	1,802,669	7.8		
Loans to individuals	1,544,468	1,515,158	1,453,203	6.3		
Credit cards	761,645	745,935	714,790	6.6		
Farm loans	80,626	79,098	79,322	1.6		
Other loans & leases	1,099,689	1,092,061	1,001,937	9.8		
Less: Unearned income	2,074	2,106	1,942	6.8		
Total loans & leases	9,233,082	9,121,083	8,642,293	6.8		
Less: Reserve for losses	122,060	121,688	118,555	3.0		
Net loans and leases	9,111,022	8,999,395	8,523,738	6.9		
Securities	3,507,440	3,420,654	3,303,909	6.2		
Other real estate owned	11,780	13,154	16,116	-26.9		
Goodwill and other intangibles	363,524	359,616	356,957	1.8		
All other assets	3,772,840	3,741,149	3,599,405	4.8		
Total liabilities and capital	16,766,607	16,533,969	15,800,126	6.1		
Deposits	12,798,778	12,528,029	11,990,433	6.7		
Domestic office deposits	11,460,771	11,201,186	10,649,101	7.6		
Foreign office deposits	1,338,006	1,326,842	1,341,332	-0.3		
Other borrowed funds	1,445,272	1,457,654	1,382,905	4.5		
Subordinated debt	87,037	88,573	92,163	-5.6		
All other liabilities	548,753	589,165	537,540	2.1		
Total equity capital (includes minority interests)	1,886,768	1,870,549	1,797,085	5.0		
Bank equity capital	1,880,557	1,864,212	1,790,365	5.0		
Loans and leases 30-89 days past due	60,077	58,088	61,158	-1.8		
Noncurrent loans and leases	134,004	136,377	139,166	-3.7		
Restructured loans and leases	67,837	69,620	74,260	-8.7		
Mortgage-backed securities	1,979,611	1,924,271	1,818,702	8.9		
Earning assets	15,113,755	14,833,251	14,169,622	6.7		
FHLB Advances	541,841	545,673	455,479	19.0		
Unused loan commitments	7,187,893	7,072,007	6,857,469	4.8		
Trust assets	17,873,054	17,381,042	16,865,181	6.0		
Assets securitized and sold	763,246	785,857	846,005	-9.8		
Notional amount of derivatives	179,902,250	192,350,486	195,399,913	-7.9		
INCOME DATA						
	First Three Quarters 2016	First Three Quarters 2015	%Change	3rd Quarter 2016	3rd Quarter 2015	%Change 15Q3-16Q3
Total interest income	\$382,654	\$356,355	7.4	\$132,537	\$120,285	10.2
Total interest expense	39,785	34,683	14.7	13,771	11,545	19.3
Net interest income	342,869	321,672	6.6	118,766	108,740	9.2
Provision for loan and lease losses	35,638	24,958	42.8	11,400	8,505	34.0
Total noninterest income	190,287	190,570	-0.2	64,498	63,289	1.9
Total noninterest expense	314,742	312,522	0.7	106,656	105,560	1.0
Securities gains (losses)	3,165	2,895	9.3	870	838	3.9
Applicable income taxes	57,647	54,356	6.1	20,344	18,282	11.3
Extraordinary gains, net*	-281	48	N/M	-75	-28	N/M
Total net income (includes minority interests)	128,013	123,348	3.8	45,659	40,492	12.8
Bank net income	127,772	122,941	3.9	45,593	40,382	12.9
Net charge-offs	30,321	26,560	14.2	10,145	8,678	16.9
Cash dividends	74,179	77,304	-4.0	30,542	25,783	18.5
Retained earnings	53,593	45,637	17.5	15,051	14,600	3.1
Net operating income	126,069	121,283	4.0	45,117	39,951	13.0

* See Notes to Users (page 30) for explanation.

N/M - Not Meaningful

TABLE III-A. Third Quarter 2016, All FDIC-Insured Institutions

THIRD QUARTER (The way it is...)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion
Number of institutions reporting	5,980	13	5	1,461	3,013	478	62	304	584	60
Commercial banks	5,170	12	5	1,444	2,708	116	47	278	506	54
Savings institutions	810	1	0	17	305	362	15	26	78	6
Total assets (in billions)	\$16,766.6	\$500.8	\$4,145.8	\$273.5	\$5,678.8	\$386.8	\$205.5	\$54.6	\$103.3	\$5,417.7
Commercial banks	15,637.2	431.2	4,145.8	267.4	5,186.5	145.7	100.1	49.7	86.8	5,223.9
Savings institutions	1,129.4	69.5	0.0	6.1	492.3	241.1	105.3	4.9	16.4	193.8
Total deposits (in billions)	12,798.8	261.7	2,992.1	224.1	4,465.5	310.2	171.8	43.8	86.8	4,242.9
Commercial banks	11,907.5	208.3	2,992.1	220.8	4,096.3	123.6	83.6	40.5	73.4	4,069.0
Savings institutions	891.3	53.4	0.0	3.3	369.2	186.7	88.2	3.3	13.4	173.9
Bank net income (in millions)	45,593	2,833	9,274	880	14,147	994	519	362	244	16,341
Commercial banks	42,234	2,336	9,274	845	12,741	459	297	177	218	15,888
Savings institutions	3,359	498	0	35	1,406	535	222	185	26	453
Performance Ratios (annualized, %)										
Yield on earning assets	3.55	11.77	2.70	4.22	3.69	3.19	4.13	2.95	3.98	3.20
Cost of funding earning assets	0.37	1.22	0.36	0.49	0.40	0.43	0.46	0.32	0.41	0.25
Net interest margin	3.18	10.54	2.35	3.73	3.29	2.76	3.66	2.63	3.58	2.95
Noninterest income to assets	1.55	2.61	1.76	0.71	1.34	1.12	1.55	6.69	1.00	1.55
Noninterest expense to assets	2.57	5.46	2.37	2.57	2.74	2.28	2.93	5.52	3.09	2.23
Loan and lease loss provision to assets	0.27	3.30	0.17	0.13	0.17	-0.04	0.54	0.05	0.10	0.21
Net operating income to assets	1.09	2.26	0.89	1.26	1.00	1.01	1.02	2.58	0.91	1.21
Pretax return on assets	1.59	3.55	1.29	1.53	1.43	1.55	1.61	3.64	1.18	1.79
Return on assets	1.10	2.26	0.90	1.29	1.01	1.04	1.02	2.66	0.95	1.22
Return on equity	9.76	15.08	9.17	11.14	8.40	9.12	10.11	17.21	7.90	10.90
Net charge-offs to loans and leases	0.44	3.11	0.48	0.09	0.23	0.04	0.66	0.16	0.19	0.41
Loan and lease loss provision to net charge-offs	112.37	137.38	98.89	210.80	107.76	-165.92	116.37	104.23	94.59	98.68
Efficiency ratio	57.45	43.63	61.66	60.98	62.85	60.53	56.70	60.59	71.23	51.86
% of unprofitable institutions	4.58	0.00	0.00	1.85	5.04	7.11	0.00	5.92	7.19	1.67
% of institutions with earnings gains	60.80	53.85	80.00	55.65	65.78	56.07	66.13	54.61	53.25	73.33
Structural Changes										
New reporters	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers	71	0	0	12	48	4	0	1	6	0
Failed institutions	2	0	0	0	1	0	0	0	1	0
PRIOR THIRD QUARTERS (The way it was...)										
Return on assets (%)	2015	1.03	2.83	0.84	0.37	1.00	0.57	1.08	2.55	0.76
	2013	0.99	3.38	0.52	1.24	0.99	0.92	1.04	1.98	0.85
	2011	1.03	3.04	1.07	1.28	0.77	0.76	2.08	2.12	1.06
Net charge-offs to loans & leases (%)	2015	0.40	2.61	0.49	0.08	0.20	0.12	0.58	0.19	0.37
	2013	0.60	2.91	0.86	0.09	0.35	0.30	0.68	0.46	0.31
	2011	1.46	5.07	1.68	0.41	1.14	0.77	1.56	0.27	0.54

* See Table V-A (page 10) for explanations.

TABLE III-A. Third Quarter 2016, All FDIC-Insured Institutions

THIRD QUARTER (The way it is...)	All Insured Institutions	Asset Size Distribution					Geographic Regions*					
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	5,980	1,589	3,656	621	104	10	731	731	1,287	1,500	1,280	451
Commercial banks	5,170	1,397	3,169	506	88	10	379	661	1,075	1,444	1,198	413
Savings institutions	810	192	487	115	16	0	352	70	212	56	82	38
Total assets (in billions)	\$16,766.6	\$94.1	\$1,171.8	\$1,741.0	\$4,983.0	\$8,776.7	\$3,158.5	\$3,478.0	\$3,785.5	\$3,644.3	\$1,001.6	\$1,698.8
Commercial banks	15,637.2	83.1	993.1	1,427.6	4,356.6	8,776.7	2,725.0	3,393.5	3,672.9	3,585.3	878.8	1,381.7
Savings institutions	1,129.4	10.9	178.7	313.4	626.4	0.0	433.5	84.5	112.6	59.0	122.8	317.1
Total deposits (in billions)	12,798.8	78.4	972.2	1,379.9	3,798.8	6,569.5	2,377.3	2,722.8	2,797.1	2,711.7	820.5	1,369.4
Commercial banks	11,907.5	69.9	830.5	1,141.5	3,296.0	6,569.5	2,051.4	2,655.5	2,715.8	2,665.6	718.7	1,100.4
Savings institutions	891.3	8.5	141.6	238.4	502.8	0.0	325.9	67.4	81.3	46.1	101.8	268.9
Bank net income (in millions)	45,593	226	3,282	4,755	13,475	23,854	6,793	10,833	9,274	9,944	2,867	5,883
Commercial banks	42,234	199	2,789	4,078	11,315	23,854	5,983	10,634	8,912	9,812	2,491	4,402
Savings institutions	3,359	28	494	677	2,160	0	810	199	361	132	376	1,481
Performance Ratios (annualized, %)												
Yield on earning assets	3.55	4.16	4.16	4.04	3.99	3.09	3.52	3.88	2.78	3.64	3.99	4.10
Cost of funding earning assets	0.37	0.44	0.46	0.43	0.45	0.29	0.44	0.31	0.30	0.42	0.33	0.40
Net interest margin	3.18	3.71	3.69	3.61	3.54	2.80	3.08	3.57	2.48	3.22	3.66	3.70
Noninterest income to assets	1.55	1.23	1.26	1.26	1.51	1.68	1.34	1.49	1.91	1.33	1.46	1.81
Noninterest expense to assets	2.57	3.46	3.18	2.82	2.65	2.38	2.52	2.54	2.59	2.40	3.10	2.70
Loan and lease loss provision to assets	0.27	0.11	0.12	0.21	0.47	0.20	0.32	0.34	0.11	0.27	0.22	0.45
Net operating income to assets	1.09	0.93	1.10	1.09	1.08	1.09	0.86	1.25	0.99	1.07	1.15	1.38
Pretax return on assets	1.59	1.13	1.42	1.57	1.64	1.59	1.25	1.82	1.42	1.58	1.53	2.14
Return on assets	1.10	0.97	1.13	1.11	1.09	1.10	0.86	1.25	1.00	1.10	1.16	1.40
Return on equity	9.76	7.37	9.84	9.39	8.95	10.38	7.19	10.09	9.73	10.85	10.36	11.55
Net charge-offs to loans and leases	0.44	0.15	0.12	0.23	0.62	0.43	0.50	0.51	0.27	0.47	0.28	0.58
Loan and lease loss provision to net charge-offs	112.37	126.25	152.17	130.95	120.91	97.95	117.02	111.95	86.49	110.81	118.17	128.21
Efficiency ratio	57.45	74.23	67.64	60.96	55.13	56.46	60.73	53.45	62.53	55.74	63.66	50.87
% of unprofitable institutions	4.58	9.31	3.17	1.45	0.96	0.00	5.34	7.52	5.75	2.73	3.36	4.88
% of institutions with earnings gains	60.80	51.98	61.82	75.20	73.08	70.00	63.47	64.02	61.77	58.60	57.42	65.41
Structural Changes												
New reporters	0	0	0	0	0	0	0	0	0	0	0	0
Institutions absorbed by mergers	71	29	33	8	1	0	9	10	13	18	14	7
Failed institutions	2	2	0	0	0	0	0	1	0	0	1	0
PRIOR THIRD QUARTERS (The way it was...)												
Return on assets (%)	2015	1.03	0.95	1.05	1.10	1.00	1.02	0.89	1.02	0.92	1.16	1.15
	2013	0.99	0.73	0.92	1.16	1.11	0.90	1.06	0.94	0.53	1.25	1.06
	2011	1.03	0.61	0.65	0.91	1.11	1.09	0.97	0.76	0.96	1.26	1.06
Net charge-offs to loans & leases (%)	2015	0.40	0.16	0.15	0.22	0.52	0.42	0.43	0.44	0.27	0.46	0.24
	2013	0.60	0.28	0.34	0.31	0.80	0.59	0.81	0.55	0.46	0.75	0.28
	2011	1.46	0.63	0.92	1.00	1.89	1.42	1.79	1.70	1.02	1.66	0.88

* See Table V-A (page 11) for explanations.

TABLE IV-A. First Three Quarters 2016, All FDIC-Insured Institutions

FIRST THREE QUARTERS (The way it is...)	All Insured Institutions	Asset Concentration Groups*									
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion	
Number of institutions reporting	5,980	13	5	1,461	3,013	478	62	304	584	60	
Commercial banks	5,170	12	5	1,444	2,708	116	47	278	506	54	
Savings institutions	810	1	0	17	305	362	15	26	78	6	
Total assets (in billions)	\$16,766.6	\$500.8	\$4,145.8	\$273.5	\$5,678.8	\$386.8	\$205.5	\$54.6	\$103.3	\$5,417.7	
Commercial banks	15,637.2	431.2	4,145.8	267.4	5,186.5	145.7	100.1	49.7	86.8	5,223.9	
Savings institutions	1,129.4	69.5	0.0	6.1	492.3	241.1	105.3	4.9	16.4	193.8	
Total deposits (in billions)	12,798.8	261.7	2,992.1	224.1	4,465.5	310.2	171.8	43.8	86.8	4,242.9	
Commercial banks	11,907.5	208.3	2,992.1	220.8	4,096.3	123.6	83.6	40.5	73.4	4,069.0	
Savings institutions	891.3	53.4	0.0	3.3	369.2	186.7	88.2	3.3	13.4	173.9	
Bank net income (in millions)	127,772	8,604	27,208	2,521	40,744	2,767	1,513	1,041	729	42,645	
Commercial banks	117,345	7,343	27,208	2,446	35,615	1,360	883	490	654	41,346	
Savings institutions	10,426	1,261	0	75	5,129	1,407	629	550	75	1,299	
Performance Ratios (annualized, %)											
Yield on earning assets	3.48	11.38	2.70	4.16	3.68	3.20	4.08	2.97	3.99	3.04	
Cost of funding earning assets	0.36	1.15	0.35	0.47	0.40	0.43	0.45	0.33	0.40	0.24	
Net interest margin	3.11	10.24	2.34	3.69	3.28	2.77	3.63	2.65	3.58	2.80	
Noninterest income to assets	1.55	2.71	1.80	0.67	1.33	1.01	1.49	6.51	0.95	1.54	
Noninterest expense to assets	2.57	5.47	2.36	2.54	2.73	2.26	2.86	5.48	3.03	2.27	
Loan and lease loss provision to assets	0.29	3.07	0.20	0.14	0.18	-0.06	0.55	0.04	0.10	0.24	
Net operating income to assets	1.03	2.31	0.89	1.21	0.98	0.96	1.00	2.50	0.92	1.05	
Pretax return on assets	1.51	3.58	1.30	1.46	1.41	1.48	1.58	3.49	1.19	1.59	
Return on assets	1.04	2.31	0.90	1.24	0.99	0.99	1.01	2.56	0.96	1.08	
Return on equity	9.29	15.56	9.09	10.86	8.26	8.67	10.01	16.82	8.04	9.64	
Net charge-offs to loans and leases	0.45	3.21	0.53	0.11	0.20	0.05	0.65	0.16	0.18	0.42	
Loan and lease loss provision to net charge-offs	117.54	124.75	105.93	186.70	128.74	-187.63	118.29	89.64	100.62	112.14	
Efficiency ratio	58.29	44.39	60.72	61.45	62.89	61.95	56.53	61.32	70.66	54.71	
% of unprofitable institutions	3.98	0.00	0.00	1.78	4.08	7.74	1.61	4.93	5.99	1.67	
% of institutions with earnings gains	63.46	38.46	60.00	60.30	67.91	57.11	58.06	54.28	58.05	78.33	
Condition Ratios (%)											
Earning assets to total assets	90.14	91.75	87.50	93.24	90.84	95.11	97.10	91.58	92.76	90.44	
Loss allowance to:											
Loans and leases	1.32	3.92	1.50	1.41	1.11	0.79	1.17	1.57	1.33	1.21	
Noncurrent loans and leases	91.09	304.34	93.49	144.47	104.44	29.24	99.94	109.89	106.46	63.86	
Noncurrent assets plus other real estate owned to assets	0.88	1.01	0.62	0.79	0.88	1.78	0.87	0.59	1.00	1.01	
Equity capital ratio	11.22	15.17	9.79	11.61	11.98	11.33	10.00	15.46	12.01	11.10	
Core capital (leverage) ratio	9.55	12.68	8.72	10.98	10.12	11.14	9.93	14.35	11.64	9.01	
Common equity tier 1 capital ratio	12.86	12.15	13.22	14.58	12.29	22.65	16.39	31.74	19.67	12.46	
Tier 1 risk-based capital ratio	12.95	12.28	13.25	14.59	12.42	22.70	16.62	31.75	19.71	12.53	
Total risk-based capital ratio	14.31	14.53	14.17	15.71	13.81	23.56	17.59	32.65	20.95	14.09	
Net loans and leases to deposits	71.19	144.57	49.07	81.40	87.38	77.25	83.08	34.33	66.56	64.22	
Net loans to total assets	54.34	75.55	35.41	66.72	68.71	61.96	69.45	27.49	55.97	50.30	
Domestic deposits to total assets	68.35	50.80	47.56	81.96	78.34	80.20	83.59	80.09	84.10	72.90	
Structural Changes											
New reporters	0	0	0	0	0	0	0	0	0	0	
Institutions absorbed by mergers	186	0	0	26	137	8	1	3	10	1	
Failed institutions	5	0	0	0	4	0	0	0	1	0	
PRIOR FIRST THREE QUARTERS (The way it was...)											
Number of institutions	2015	6,270	14	4	1,494	3,125	515	56	337	663	62
	2013	6,891	17	4	1,536	3,433	597	47	400	791	66
	2011	7,437	18	5	1,552	3,854	714	71	363	801	59
Total assets (in billions)	2015	\$15,800.1	\$519.5	\$3,836.6	\$274.8	\$5,508.9	\$416.3	\$184.3	\$54.9	\$118.3	\$4,886.7
	2013	14,603.6	596.3	3,729.4	243.9	4,773.6	554.0	149.3	63.9	137.9	4,355.3
	2011	13,811.9	532.0	3,665.3	208.5	4,170.5	798.3	98.9	54.0	136.4	4,148.1
Return on assets (%)	2015	1.05	2.91	0.88	0.91	0.99	0.74	1.12	2.59	0.50	1.08
	2013	1.06	3.26	0.83	1.19	0.91	0.98	1.28	1.74	0.87	1.10
	2011	0.92	3.62	0.81	1.14	0.71	0.60	1.75	1.80	0.92	0.89
Net charge-offs to loans & leases (%)	2015	0.42	2.72	0.56	0.08	0.19	0.13	0.58	0.18	0.17	0.38
	2013	0.72	3.21	1.03	0.11	0.44	0.37	0.77	0.61	0.32	0.51
	2011	1.61	5.58	2.07	0.36	1.21	0.90	1.78	0.48	0.50	1.30
Noncurrent assets plus OREO to assets (%)	2015	0.99	0.83	0.72	0.75	0.96	1.95	1.00	0.70	1.16	1.19
	2013	1.75	0.90	1.13	0.98	1.81	2.16	0.66	0.95	1.56	2.37
	2011	2.66	1.41	1.59	1.59	3.19	2.68	1.13	0.99	1.87	3.36
Equity capital ratio (%)	2015	11.33	14.83	9.98	11.49	11.81	11.63	10.22	15.50	12.10	11.42
	2013	11.11	14.89	8.80	11.01	11.81	11.40	9.64	13.71	11.34	11.77
	2011	11.30	15.79	8.81	11.50	11.93	10.61	9.86	15.50	11.68	12.37

* See Table V-A (page 10) for explanations.

TABLE IV-A. First Three Quarters 2016, All FDIC-Insured Institutions

FIRST THREE QUARTERS (The way it is...)	All Insured Institutions	Asset Size Distribution					Geographic Regions*						
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco	
Number of institutions reporting	5,980	1,589	3,656	621	104	10	731	731	1,287	1,500	1,280	451	
Commercial banks	5,170	1,397	3,169	506	88	10	379	661	1,075	1,444	1,198	413	
Savings institutions	810	192	487	115	16	0	352	70	212	56	82	38	
Total assets (in billions)	\$16,766.6	\$94.1	\$1,171.8	\$1,741.0	\$4,983.0	\$8,776.7	\$3,158.5	\$3,478.0	\$3,785.5	\$3,644.3	\$1,001.6	\$1,698.8	
Commercial banks	15,637.2	83.1	993.1	1,427.6	4,356.6	8,776.7	2,725.0	3,393.5	3,672.9	3,585.3	878.8	1,381.7	
Savings institutions	1,129.4	10.9	178.7	313.4	626.4	0.0	433.5	84.5	112.6	59.0	122.8	317.1	
Total deposits (in billions)	12,798.8	78.4	972.2	1,379.9	3,798.8	6,569.5	2,377.3	2,722.8	2,797.1	2,711.7	820.5	1,369.4	
Commercial banks	11,907.5	69.9	830.5	1,141.5	3,296.0	6,569.5	2,051.4	2,655.5	2,715.8	2,665.6	718.7	1,100.4	
Savings institutions	891.3	8.5	141.6	238.4	502.8	0.0	325.9	67.4	81.3	46.1	101.8	268.9	
Bank net income (in millions)	127,772	669	9,359	13,389	39,376	64,978	19,829	26,517	26,582	29,125	8,016	17,702	
Commercial banks	117,345	585	8,000	11,518	32,265	64,978	17,537	25,982	25,589	28,761	6,970	12,507	
Savings institutions	10,426	85	1,360	1,871	7,111	0	2,292	535	993	365	1,046	5,195	
Performance Ratios (annualized, %)													
Yield on earning assets	3.48	4.12	4.13	4.01	3.97	2.98	3.47	3.61	2.78	3.62	3.96	4.07	
Cost of funding earning assets	0.36	0.44	0.46	0.42	0.44	0.29	0.43	0.31	0.30	0.41	0.32	0.39	
Net interest margin	3.11	3.68	3.67	3.58	3.53	2.69	3.03	3.31	2.48	3.22	3.64	3.68	
Noninterest income to assets	1.55	1.17	1.20	1.21	1.53	1.69	1.34	1.46	1.89	1.35	1.41	1.93	
Noninterest expense to assets	2.57	3.39	3.16	2.83	2.65	2.39	2.53	2.58	2.56	2.41	3.08	2.73	
Loan and lease loss provision to assets	0.29	0.11	0.12	0.20	0.48	0.23	0.31	0.36	0.15	0.29	0.25	0.44	
Net operating income to assets	1.03	0.92	1.06	1.05	1.07	1.00	0.85	1.01	0.97	1.07	1.08	1.43	
Pretax return on assets	1.51	1.10	1.37	1.51	1.64	1.47	1.23	1.51	1.40	1.57	1.44	2.21	
Return on assets	1.04	0.95	1.09	1.07	1.08	1.01	0.85	1.03	0.98	1.09	1.10	1.43	
Return on equity	9.29	7.39	9.56	9.08	8.91	9.56	7.13	8.37	9.48	10.77	9.89	11.87	
Net charge-offs to loans and leases	0.45	0.15	0.11	0.21	0.62	0.46	0.48	0.53	0.27	0.51	0.30	0.55	
Loan and lease loss provision to net charge-offs	117.54	118.44	158.99	137.77	123.39	106.94	117.11	117.79	116.46	107.01	131.86	132.10	
Efficiency ratio	58.29	74.19	68.25	61.98	55.18	57.83	61.40	57.53	61.87	55.74	64.29	50.34	
% of unprofitable institutions	3.98	8.68	2.57	0.81	0.96	0.00	5.34	6.29	4.97	2.47	2.66	3.99	
% of institutions with earnings gains	63.46	54.31	65.56	73.91	67.31	60.00	63.20	66.07	63.17	61.00	63.36	68.96	
Condition Ratios (%)													
Earning assets to total assets	90.14	92.19	92.89	92.16	91.46	88.60	89.37	89.67	89.38	89.92	91.95	93.67	
Loss allowance to:													
Loans and leases	1.32	1.42	1.31	1.15	1.38	1.33	1.24	1.37	1.30	1.37	1.25	1.35	
Noncurrent loans and leases	91.09	105.90	127.57	117.99	111.11	72.41	107.84	81.98	85.41	75.09	94.67	172.52	
Noncurrent assets plus other real estate owned to assets	0.88	1.19	1.02	0.84	0.82	0.89	0.70	1.07	0.81	1.04	1.04	0.53	
Equity capital ratio	11.22	13.15	11.47	11.80	12.18	10.50	12.03	12.39	10.18	10.08	11.22	12.05	
Core capital (leverage) ratio	9.55	12.72	11.02	10.46	10.34	8.69	9.93	9.64	9.10	8.85	10.02	10.93	
Common equity tier 1 capital ratio	12.86	20.19	15.39	13.49	12.87	12.29	12.97	12.76	12.69	11.98	13.12	15.03	
Tier 1 risk-based capital ratio	12.95	20.23	15.44	13.51	13.05	12.34	13.12	12.86	12.75	11.99	13.22	15.20	
Total risk-based capital ratio	14.31	21.30	16.56	14.54	14.66	13.64	14.58	14.35	13.90	13.47	14.35	16.38	
Net loans and leases to deposits	71.19	70.73	80.11	87.11	80.40	61.20	72.24	74.05	65.23	69.69	77.90	74.78	
Net loans to total assets	54.34	58.96	66.46	69.04	61.29	45.81	54.37	57.97	48.20	51.86	63.82	60.28	
Domestic deposits to total assets	68.35	83.36	82.95	78.97	74.32	60.75	67.95	75.33	64.75	56.78	81.80	79.76	
Structural Changes													
New reporters	0	0	0	0	0	0	0	0	0	0	0	0	
Institutions absorbed by mergers	186	65	102	18	1	0	27	27	44	40	31	17	
Failed institutions	5	4	1	0	0	0	1	1	1	0	2	0	
PRIOR FIRST THREE QUARTERS (The way it was...)													
Number of institutions	2015	6,270	1,752	3,812	596	102	8	780	778	1,351	1,559	1,319	483
	2013	6,891	2,116	4,107	561	100	7	854	875	1,480	1,675	1,454	553
	2011	7,437	2,491	4,279	561	99	7	924	974	1,563	1,792	1,555	629
Total assets (in billions)	2015	\$15,800.1	\$102.7	\$1,194.8	\$1,642.8	\$5,053.2	\$7,806.6	\$3,018.8	\$3,324.0	\$3,531.9	\$3,436.7	\$940.8	\$1,548.0
	2013	14,603.6	123.5	1,245.5	1,453.0	4,726.0	7,055.7	2,876.9	2,981.8	3,398.6	3,166.6	864.0	1,315.8
	2011	13,811.9	142.9	1,273.4	1,425.1	4,398.0	6,572.7	2,842.2	2,954.3	3,169.9	2,901.9	801.8	1,141.7
Return on assets (%)	2015	1.05	0.89	1.01	1.15	1.01	1.06	0.90	1.03	0.94	1.18	1.12	1.28
	2013	1.06	0.76	0.92	1.18	1.03	1.08	0.82	1.03	0.91	1.26	1.12	1.54
	2011	0.92	0.54	0.59	0.85	1.13	0.87	1.07	0.61	0.81	0.98	0.97	1.47
Net charge-offs to loans & leases (%)	2015	0.42	0.15	0.13	0.21	0.53	0.46	0.46	0.48	0.26	0.50	0.20	0.49
	2013	0.72	0.30	0.34	0.38	0.94	0.73	0.97	0.69	0.50	0.91	0.33	0.58
	2011	1.61	0.58	0.85	1.17	2.04	1.63	1.97	1.73	1.19	1.94	0.87	1.18
Noncurrent assets plus OREO to assets (%)	2015	0.99	1.30	1.20	0.99	0.74	1.12	0.76	1.19	0.96	1.22	1.07	0.53
	2013	1.75	1.83	1.98	1.96	1.10	2.09	1.20	2.48	1.54	2.08	1.72	1.03
	2011	2.66	2.39	3.18	3.26	1.96	2.90	1.79	3.81	2.40	2.77	2.75	2.17
Equity capital ratio (%)	2015	11.33	12.83	11.35	11.92	12.19	10.63	11.99	12.44	10.35	10.28	11.26	12.28
	2013	11.11	11.82	10.83	11.76	12.44	10.12	12.00	12.30	9.13	10.64	10.87	12.85
	2011	11.30	11.98	10.80	11.85	12.97	10.14	12.55	12.18	8.62	11.18	11.15	13.71

* See Table V-A (page 11) for explanations.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

September 30, 2016	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	0.71	0.19	1.00	0.59	0.46	0.87	0.50	1.30	1.11	1.06
Construction and development	0.32	0.00	0.49	0.65	0.32	0.61	0.31	1.13	0.76	0.19
Nonfarm nonresidential	0.26	0.00	0.47	0.52	0.24	0.26	0.92	0.90	0.70	0.21
Multifamily residential real estate	0.12	0.00	0.01	0.26	0.14	0.10	0.12	0.70	0.59	0.16
Home equity loans	0.64	0.00	1.09	0.42	0.46	0.63	0.36	0.55	0.55	0.71
Other 1-4 family residential	1.23	0.21	1.40	1.06	0.86	0.98	0.50	1.73	1.45	1.66
Commercial and industrial loans	0.24	0.93	0.26	0.86	0.26	0.33	0.12	1.16	0.94	0.16
Loans to individuals	1.31	1.48	1.21	1.31	1.11	0.49	0.76	1.91	1.54	1.48
Credit card loans	1.28	1.48	1.14	1.00	0.91	1.57	0.80	2.24	1.27	1.11
Other loans to individuals	1.34	1.32	1.33	1.34	1.14	0.44	0.74	1.87	1.55	1.70
All other loans and leases (including farm)	0.22	0.25	0.33	0.51	0.19	0.16	0.30	0.43	0.44	0.13
Total loans and leases	0.65	1.45	0.72	0.63	0.44	0.80	0.65	1.30	1.08	0.77
Percent of Loans Noncurrent**										
All real estate loans	2.02	0.63	2.93	0.97	1.09	3.01	2.59	1.62	1.40	3.44
Construction and development	0.80	0.00	0.42	0.79	0.84	0.94	5.62	2.32	1.14	0.63
Nonfarm nonresidential	0.74	0.00	0.70	1.07	0.71	1.55	6.06	1.51	1.73	0.66
Multifamily residential real estate	0.19	0.00	0.11	0.44	0.20	0.52	0.70	2.84	1.07	0.15
Home equity loans	2.40	0.00	3.64	0.50	1.32	2.02	2.23	0.68	0.60	3.42
Other 1-4 family residential	3.39	0.70	4.22	0.96	1.81	3.36	2.29	1.62	1.42	5.12
Commercial and industrial loans	1.34	0.78	1.45	1.48	1.35	0.91	0.25	1.32	1.18	1.28
Loans to individuals	0.85	1.31	0.98	0.58	0.71	0.24	0.60	0.92	0.76	0.58
Credit card loans	1.18	1.34	1.07	0.24	0.88	0.46	1.22	1.21	0.61	1.00
Other loans to individuals	0.54	0.60	0.81	0.61	0.69	0.23	0.44	0.88	0.77	0.33
All other loans and leases (including farm)	0.22	0.05	0.15	0.81	0.30	0.13	6.93	0.33	0.34	0.11
Total loans and leases	1.45	1.29	1.60	0.98	1.06	2.69	1.17	1.43	1.25	1.89
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.06	0.05	0.08	0.03	0.04	0.04	0.14	0.07	0.08	0.08
Construction and development	-0.05	0.00	0.12	-0.03	-0.05	-0.19	1.56	0.17	-0.01	-0.11
Nonfarm nonresidential	0.01	0.00	0.01	0.02	0.02	0.02	0.33	0.00	0.11	-0.05
Multifamily residential real estate	0.00	0.00	0.00	0.10	0.00	0.01	0.00	1.54	0.05	-0.01
Home equity loans	0.28	-1.48	0.35	-0.05	0.17	0.03	0.40	0.10	0.07	0.41
Other 1-4 family residential	0.07	0.08	0.06	0.05	0.07	0.05	0.04	0.04	0.09	0.08
Commercial and industrial loans	0.43	2.38	0.39	0.25	0.42	0.08	0.04	0.15	0.41	0.42
Loans to individuals	1.88	3.24	2.27	0.44	0.82	0.32	0.91	0.49	0.55	1.54
Credit card loans	3.05	3.33	3.06	1.32	2.20	1.28	2.48	1.00	1.80	2.76
Other loans to individuals	0.73	1.60	0.92	0.37	0.62	0.28	0.49	0.42	0.52	0.79
All other loans and leases (including farm)	0.12	0.14	0.07	0.21	0.19	0.12	0.05	0.54	0.52	0.10
Total loans and leases	0.45	3.21	0.53	0.11	0.20	0.05	0.65	0.16	0.18	0.42
Loans Outstanding (in billions)										
All real estate loans	\$4,567.1	\$0.2	\$551.7	\$112.1	\$2,417.6	\$213.0	\$34.2	\$10.8	\$44.6	\$1,183.0
Construction and development	303.1	0.0	12.0	6.7	221.1	4.9	0.4	0.8	2.8	54.4
Nonfarm nonresidential	1,300.8	0.0	46.0	29.7	928.6	17.6	2.5	3.6	10.3	262.5
Multifamily residential real estate	374.2	0.0	69.6	3.5	248.2	5.8	0.4	0.3	1.3	45.1
Home equity loans	444.3	0.0	60.5	2.2	207.0	10.1	5.6	0.4	1.9	156.6
Other 1-4 family residential	1,989.2	0.2	316.1	28.2	771.7	174.0	25.0	5.1	24.8	644.0
Commercial and industrial loans	1,943.3	14.7	318.6	21.3	924.5	6.6	7.5	1.8	4.9	643.3
Loans to individuals	1,544.5	378.6	263.5	6.7	299.5	6.5	100.0	1.7	4.6	483.4
Credit card loans	761.6	360.5	167.9	0.5	31.9	0.3	20.5	0.2	0.1	179.8
Other loans to individuals	782.8	18.2	95.6	6.2	267.6	6.2	79.6	1.5	4.5	303.5
All other loans and leases (including farm)	1,180.3	0.2	357.2	45.0	305.2	15.5	2.8	0.9	4.5	448.9
Total loans and leases (plus unearned income)	9,235.2	393.8	1,491.1	185.1	3,946.8	241.6	144.5	15.3	58.6	2,758.4
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	11,780.0	0.1	607.7	339.2	7,866.7	330.5	90.4	103.0	295.5	2,146.8
Construction and development	3,703.4	0.0	0.2	114.9	3,032.4	80.0	9.5	46.4	101.7	318.2
Nonfarm nonresidential	3,101.4	0.0	52.3	119.6	2,470.1	39.3	13.6	27.9	86.9	291.7
Multifamily residential real estate	190.0	0.0	1.0	14.5	160.0	3.2	0.1	3.1	3.9	4.2
1-4 family residential	3,977.4	0.1	380.2	64.0	1,992.5	184.7	55.3	24.6	95.3	1,180.8
Farmland	143.5	0.0	0.0	26.0	103.8	1.4	0.1	0.8	7.5	3.8
GNMA properties	651.3	0.0	163.0	0.2	107.9	22.0	11.8	0.2	0.1	346.0

* Asset Concentration Group Definitions (Groups are hierarchical and mutually exclusive):

Credit-card Lenders - Institutions whose credit-card loans plus securitized receivables exceed 50 percent of total assets plus securitized receivables.

International Banks - Banks with assets greater than \$10 billion and more than 25 percent of total assets in foreign offices.

Agricultural Banks - Banks whose agricultural production loans plus real estate loans secured by farmland exceed 25 percent of the total loans and leases.

Commercial Lenders - Institutions whose commercial and industrial loans, plus real estate construction and development loans, plus loans secured by commercial real estate properties exceed 25 percent of total assets.

Mortgage Lenders - Institutions whose residential mortgage loans, plus mortgage-backed securities, exceed 50 percent of total assets.

Consumer Lenders - Institutions whose residential mortgage loans, plus credit-card loans, plus other loans to individuals, exceed 50 percent of total assets.

Other Specialized <\$1 Billion - Institutions with assets less than \$1 billion, whose loans and leases are less than 40 percent of total assets.

All Other <\$1 billion - Institutions with assets less than \$1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.

All Other >\$1 billion - Institutions with assets greater than \$1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

TABLE V-A. Loan Performance, All FDIC-Insured Institutions

September 30, 2016	All Insured Institutions	Asset Size Distribution					Geographic Regions*					
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due												
All loans secured by real estate	0.71	1.11	0.56	0.36	0.57	1.06	0.48	0.88	0.76	0.98	0.67	0.30
Construction and development	0.32	1.03	0.46	0.31	0.31	0.22	0.36	0.28	0.23	0.33	0.41	0.32
Nonfarm nonresidential	0.26	0.84	0.38	0.25	0.22	0.21	0.30	0.25	0.27	0.26	0.30	0.12
Multifamily residential real estate	0.12	0.64	0.25	0.13	0.11	0.07	0.10	0.22	0.10	0.07	0.19	0.11
Home equity loans	0.64	0.62	0.47	0.40	0.49	0.80	0.41	0.77	0.75	0.69	0.51	0.30
Other 1-4 family residential	1.23	1.60	0.86	0.57	1.03	1.64	0.82	1.48	1.19	1.62	1.37	0.52
Commercial and industrial loans	0.24	1.19	0.61	0.37	0.21	0.19	0.22	0.16	0.26	0.23	0.45	0.32
Loans to individuals	1.31	1.77	1.37	1.29	1.21	1.41	1.09	1.77	1.07	1.27	1.02	1.24
Credit card loans	1.28	4.56	2.03	1.70	1.39	1.11	1.05	1.43	1.05	1.19	0.81	1.78
Other loans to individuals	1.34	1.72	1.33	1.15	0.96	1.67	1.15	2.12	1.07	1.36	1.12	0.79
All other loans and leases (including farm)	0.22	0.55	0.40	0.23	0.17	0.23	0.18	0.11	0.33	0.23	0.32	0.17
Total loans and leases	0.65	1.09	0.59	0.42	0.59	0.77	0.52	0.78	0.62	0.74	0.64	0.50
Percent of Loans Noncurrent**												
All real estate loans	2.02	1.39	1.03	0.92	1.50	3.41	1.49	2.57	2.28	2.89	1.26	0.61
Construction and development	0.80	1.48	1.37	0.91	0.47	0.62	0.86	1.31	0.61	0.55	0.65	0.64
Nonfarm nonresidential	0.74	1.52	0.97	0.71	0.69	0.64	0.93	0.67	0.82	0.72	0.72	0.47
Multifamily residential real estate	0.19	0.54	0.59	0.21	0.12	0.15	0.16	0.23	0.20	0.22	0.37	0.15
Home equity loans	2.40	0.66	0.61	0.68	1.45	3.58	2.34	3.05	2.43	2.36	1.35	0.63
Other 1-4 family residential	3.39	1.47	1.14	1.44	2.62	5.06	2.34	4.09	3.55	4.85	2.37	0.80
Commercial and industrial loans	1.34	1.88	1.32	1.44	1.43	1.25	0.99	1.36	1.11	1.59	2.13	1.29
Loans to individuals	0.85	0.84	0.78	0.76	0.98	0.74	0.90	0.94	0.71	0.80	0.90	0.85
Credit card loans	1.18	2.35	1.44	1.48	1.30	1.02	1.04	1.23	1.05	1.09	1.22	1.57
Other loans to individuals	0.54	0.81	0.74	0.52	0.56	0.50	0.66	0.63	0.59	0.42	0.76	0.25
All other loans and leases (including farm)	0.22	0.92	0.67	0.64	0.23	0.14	0.20	0.15	0.19	0.26	0.29	0.33
Total loans and leases	1.45	1.34	1.03	0.98	1.24	1.84	1.15	1.67	1.52	1.82	1.32	0.78
Percent of Loans Charged-Off (net, YTD)												
All real estate loans	0.06	0.05	0.05	0.03	0.05	0.08	0.06	0.10	0.07	0.06	0.02	-0.01
Construction and development	-0.05	-0.10	0.00	-0.06	-0.08	-0.05	-0.02	-0.01	-0.04	-0.10	-0.05	-0.16
Nonfarm nonresidential	0.01	0.04	0.05	0.03	0.01	-0.05	0.02	0.01	0.03	-0.04	0.03	-0.01
Multifamily residential real estate	0.00	0.03	0.05	-0.01	-0.01	-0.01	0.00	-0.01	-0.01	0.00	0.00	0.01
Home equity loans	0.28	0.10	0.05	0.10	0.21	0.39	0.19	0.42	0.23	0.37	0.16	0.00
Other 1-4 family residential	0.07	0.09	0.07	0.05	0.08	0.07	0.10	0.09	0.07	0.07	0.03	0.00
Commercial and industrial loans	0.43	0.44	0.27	0.42	0.48	0.41	0.32	0.38	0.36	0.48	0.65	0.58
Loans to individuals	1.88	0.71	0.73	1.47	2.08	1.79	2.01	2.02	1.15	2.24	1.35	1.84
Credit card loans	3.05	11.23	4.57	3.64	3.15	2.89	2.74	3.20	2.94	3.15	2.37	3.42
Other loans to individuals	0.73	0.55	0.46	0.73	0.61	0.84	0.77	0.77	0.53	1.07	0.88	0.47
All other loans and leases (including farm)	0.12	0.13	0.20	0.39	0.13	0.09	0.14	0.09	0.10	0.13	0.29	0.14
Total loans and leases	0.45	0.15	0.11	0.21	0.62	0.46	0.48	0.53	0.27	0.51	0.30	0.55
Loans Outstanding (in billions)												
All real estate loans	\$4,567.1	\$38.1	\$607.8	\$879.8	\$1,376.8	\$1,664.7	\$927.0	\$922.9	\$935.1	\$873.5	\$408.0	\$500.6
Construction and development	303.1	2.2	56.0	81.4	96.6	66.8	54.7	59.3	50.4	46.4	60.7	31.5
Nonfarm nonresidential	1,300.8	9.5	229.6	354.6	420.3	286.9	295.0	268.3	199.9	186.9	164.3	186.4
Multifamily residential real estate	374.2	1.1	32.5	89.0	137.7	114.0	136.6	44.2	97.0	32.1	16.7	47.5
Home equity loans	444.3	0.9	25.6	48.5	143.8	225.5	86.2	116.4	109.8	83.2	19.8	28.9
Other 1-4 family residential	1,989.2	17.2	216.2	286.2	563.2	906.3	350.6	421.9	455.0	436.5	130.2	194.9
Commercial and industrial loans	1,943.3	6.6	98.4	188.6	709.4	940.3	298.4	482.4	418.0	396.8	126.2	221.5
Loans to individuals	1,544.5	3.6	31.7	83.2	702.1	723.9	328.2	386.3	220.7	315.3	61.9	232.1
Credit card loans	761.6	0.1	2.1	21.1	401.4	337.0	204.9	196.7	56.1	179.6	19.4	104.8
Other loans to individuals	782.8	3.6	29.6	62.1	300.6	386.9	123.3	189.5	164.6	135.6	42.5	127.3
All other loans and leases (including farm)	1,180.3	8.0	51.7	65.0	309.3	746.3	185.8	252.9	274.9	331.1	51.4	84.2
Total loans and leases (plus unearned income)	9,235.2	56.3	789.5	1,216.6	3,097.6	4,075.2	1,739.4	2,044.4	1,848.7	1,916.7	647.5	1,038.5
Memo: Other Real Estate Owned (in millions)												
All other real estate owned	11,780.0	360.5	3,715.0	2,691.2	2,473.5	2,539.9	1,985.8	2,820.5	2,281.2	2,043.1	1,775.1	874.4
Construction and development	3,703.4	124.3	1,703.1	1,083.0	451.8	341.2	330.1	1,077.5	508.8	742.6	760.5	283.8
Nonfarm nonresidential	3,101.4	113.2	1,174.1	835.3	679.5	299.4	512.8	638.0	618.3	415.0	592.2	325.1
Multifamily residential real estate	190.0	15.2	78.8	62.4	15.7	17.9	44.1	32.5	25.9	49.5	20.4	17.6
1-4 family residential	3,977.4	101.1	675.5	648.3	1,162.3	1,390.2	1,024.1	961.8	901.7	524.2	345.6	220.0
Farmland	143.5	6.5	78.9	45.5	10.3	2.2	6.9	40.1	21.8	16.5	45.6	12.6
GNMA properties	651.3	0.2	4.5	16.7	153.7	476.0	67.7	70.5	204.6	282.2	10.8	15.3

*** Regions:**

New York - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands

Atlanta - Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia

Chicago - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin

Kansas City - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Dallas - Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas

San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

Table VI-A. Derivatives, All FDIC-Insured Call Report Filers

	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016	4th Quarter 2015	3rd Quarter 2015	% Change 15Q3-16Q3	Asset Size Distribution					
							Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion	
ALL DERIVATIVE HOLDERS												
Number of institutions reporting derivatives	1,440	1,446	1,429	1,414	1,418	1.6	64	849	420	97	10	
Total assets of institutions reporting derivatives	\$15,188,973	\$15,033,334	\$14,766,799	\$14,422,442	\$14,231,258	6.7	\$4,918	\$357,633	\$1,311,261	\$4,738,420	\$8,776,741	
Total deposits of institutions reporting derivatives	11,513,763	11,313,838	11,189,545	10,938,376	10,735,417	7.3	4,103	293,936	1,043,882	3,602,309	6,569,533	
Total derivatives	179,902,250	192,350,486	195,508,825	181,986,620	195,399,913	-7.9	272	26,500	130,616	45,723,148	134,021,715	
Derivative Contracts by Underlying Risk Exposure												
Interest rate	132,992,944	143,794,699	147,218,272	138,363,456	148,665,387	-10.5	272	26,482	124,748	39,714,914	93,126,528	
Foreign exchange*	36,299,774	37,701,788	37,129,026	33,133,791	34,638,122	4.8	0	1	4,744	5,412,955	30,882,074	
Equity	2,734,807	2,672,364	2,533,921	2,395,120	2,508,972	9.0	0	6	291	178,291	2,556,219	
Commodity & other (excluding credit derivatives)	1,312,260	1,328,302	1,209,774	1,107,759	1,389,755	-5.6	0	6	73	80,130	1,232,051	
Credit	6,562,465	6,853,333	7,417,833	6,986,493	8,197,677	-19.9	0	6	760	336,857	6,224,843	
Total	179,902,250	192,350,486	195,508,825	181,986,620	195,399,913	-7.9	272	26,500	130,616	45,723,148	134,021,715	
Derivative Contracts by Transaction Type												
Swaps	103,013,911	111,900,682	114,814,419	107,392,487	112,697,189	-8.6	50	7,642	75,587	28,363,516	74,567,116	
Futures & forwards	36,958,352	38,790,406	37,151,052	35,684,999	38,988,244	-5.2	70	9,562	28,147	7,144,237	29,776,336	
Purchased options	15,466,148	16,277,239	16,857,478	15,469,691	16,817,381	-8.0	6	654	5,012	4,797,222	10,663,254	
Written options	15,459,962	16,012,000	16,706,898	15,419,416	16,236,717	-4.8	146	8,636	20,809	4,975,225	10,455,147	
Total	170,898,372	182,980,326	185,529,847	173,966,592	184,739,531	-7.5	272	26,494	129,555	45,280,199	125,461,853	
Fair Value of Derivative Contracts												
Interest rate contracts	77,293	75,052	75,481	67,223	76,692	0.8	-4	31	-227	34,019	43,473	
Foreign exchange contracts	13,372	11,369	-11,530	-12,485	-15,284	N/M	0	0	-9	5,673	7,709	
Equity contracts	1,643	6,637	5,035	5,318	7,880	-79.1	0	0	0	486	1,157	
Commodity & other (excluding credit derivatives)	-2,185	-3,151	-4,310	-3,571	-6,952	N/M	0	0	1	158	-2,343	
Credit derivatives as guarantor	17,871	1,037	2,901	-2,697	1,890	845.6	0	-1	-2	-200	18,074	
Credit derivatives as beneficiary	-17,575	-167	-966	7,076	2,441	N/M	0	0	-28	686	-18,233	
Derivative Contracts by Maturity**												
Interest rate contracts	< 1 year	58,874,863	66,424,471	65,650,642	55,047,362	60,754,367	-3.1	67	8,763	27,174	13,111,643	45,727,215
	1-5 years	45,382,718	47,001,897	50,714,670	49,406,784	52,458,012	-13.5	20	2,020	28,795	12,648,454	32,703,429
	> 5 years	32,522,071	33,930,510	34,846,003	32,980,646	34,618,605	-6.1	32	5,724	42,124	10,464,334	22,009,857
Foreign exchange and gold contracts	< 1 year	25,797,765	26,622,784	26,231,748	24,129,842	25,206,603	2.3	0	0	2,482	3,022,185	22,773,097
	1-5 years	4,096,173	4,112,254	4,081,595	3,986,436	3,672,989	11.5	0	0	564	386,575	3,709,034
	> 5 years	1,901,381	2,150,431	1,819,360	1,647,804	1,500,445	26.7	0	0	163	197,934	1,703,285
Equity contracts	< 1 year	1,954,392	1,907,096	1,841,069	1,743,252	1,610,476	21.4	0	0	20	63,701	1,890,671
	1-5 years	821,844	709,947	674,710	627,875	671,362	22.4	0	0	105	46,141	775,597
	> 5 years	129,226	134,063	129,076	130,188	183,539	-29.6	0	0	4	15,548	113,674
Commodity & other contracts (including credit derivatives, excluding gold contracts)	< 1 year	2,826,215	3,032,137	2,813,615	2,651,133	2,566,099	10.1	0	5	33	83,820	2,742,356
	1-5 years	4,009,114	4,354,280	4,800,922	4,694,153	5,771,045	-30.5	0	5	91	155,739	3,853,278
	> 5 years	540,260	368,331	619,196	405,131	750,909	-28.1	0	0	149	31,858	508,253
Risk-Based Capital: Credit Equivalent Amount												
Total current exposure to tier 1 capital (%)	35.2	37.2	34.5	30.1	34.3		0.0	0.6	1.2	21.3	51.8	
Total potential future exposure to tier 1 capital (%)	41.0	43.5	47.5	48.3	50.3		0.1	0.3	0.7	15.7	66.3	
Total exposure (credit equivalent amount) to tier 1 capital (%)	76.2	80.7	82.0	78.4	84.6		0.2	0.9	1.8	37.0	118.1	
Credit losses on derivatives***	38.0	32.0	13.0	78.0	72.0	-47.2	0.0	0.0	0.0	14.0	24	
HELD FOR TRADING												
Number of institutions reporting derivatives	251	257	252	250	247	1.6	4	95	89	54	9	
Total assets of institutions reporting derivatives	12,138,728	11,985,165	11,719,847	11,460,982	11,384,424	6.6	291	40,229	329,528	3,256,467	8,512,214	
Total deposits of institutions reporting derivatives	9,188,820	8,976,508	8,831,049	8,660,644	8,553,870	7.4	257	33,390	259,585	2,549,515	6,346,072	
Derivative Contracts by Underlying Risk Exposure												
Interest rate	130,490,614	141,316,485	144,689,891	136,029,963	146,136,877	-10.7	8	1,655	31,272	39,177,815	91,279,865	
Foreign exchange	33,353,870	34,671,042	34,029,316	31,666,580	31,766,032	5.0	0	0	3,745	5,286,886	28,063,240	
Equity	2,718,187	2,656,373	2,510,439	2,370,468	2,486,427	9.3	0	0	0	164,846	2,553,341	
Commodity & other	1,310,469	1,326,621	1,208,052	1,105,989	1,387,414	-5.5	0	1	39	79,090	1,231,340	
Total	167,873,141	179,970,521	182,437,698	171,173,001	181,776,750	-7.6	8	1,656	35,056	44,708,637	123,127,785	
Trading Revenues: Cash & Derivative Instruments												
Interest rate	2,959	1,906	3,072	155	2,581	14.6	0	1	26	668	2,264	
Foreign exchange	2,294	3,736	1,407	3,401	1,931	18.8	0	0	4	172	2,118	
Equity	728	972	670	741	50	1,356.0	0	0	3	35	690	
Commodity & other (including credit derivatives)	440	420	455	-25	758	-42.0	0	0	2	-74	512	
Total trading revenues	6,421	7,034	5,604	4,271	5,319	20.7	0	1	35	801	5,584	
Share of Revenue												
Trading revenues to gross revenues (%)	4.9	5.5	4.6	3.5	4.4		0.0	0.2	1.0	2.4	5.9	
Trading revenues to net operating revenues (%)	20.7	24.7	22.6	15.7	19.9		0.0	0.9	4.8	11.4	24.1	
HELD FOR PURPOSES OTHER THAN TRADING												
Number of institutions reporting derivatives	1,319	1,325	1,302	1,299	1,305	1.1	61	772	384	92	10	
Total assets of institutions reporting derivatives	14,893,505	14,754,861	14,523,798	14,205,001	13,960,566	6.7	4,715	327,194	1,224,302	4,560,552	8,776,741	
Total deposits of institutions reporting derivatives	11,271,299	11,087,199	10,994,534	10,764,768	10,518,599	7.2	3,923	268,463	974,400	3,454,981	6,569,533	
Derivative Contracts by Underlying Risk Exposure												
Interest rate	2,502,330	2,478,214	2,528,380	2,333,492	2,528,510	-1.0	264	24,827	93,476	537,099	1,846,664	
Foreign exchange	504,491	513,919	538,565	433,677	409,385	23.2	0	0	698	19,978	483,815	
Equity	16,620	15,991	23,483	24,652	22,545	-26.3	0	6	291	13,445	2,878	
Commodity & other	1,791	1,681	1,722	1,770	2,342	-23.5	0	5	34	1,040	711	
Total notional amount	3,025,231	3,009,806	3,092,149	2,793,591	2,962,781	2.1	264	24,838	94,499	571,562	2,334,068	

All line items are reported on a quarterly basis. N/M - Not Meaningful
 * Include spot foreign exchange contracts. All other references to foreign exchange contracts in which notional values or fair values are reported exclude spot foreign exchange contracts.
 ** Derivative contracts subject to the risk-based capital requirements for derivatives.
 *** The reporting of credit losses on derivatives is applicable to all banks filing the FFIEC 031 report form and to those banks filing the FFIEC 041 report form that have \$300 million or more in total assets.

TABLE VII-A. Servicing, Securitization, and Asset Sales Activities (All FDIC-Insured Call Report Filers)

							Asset Size Distribution				
	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016	4th Quarter 2015	3rd Quarter 2015	% Change 15Q3- 16Q3	Less Than \$100 Million	\$100 to \$1 Billion	\$1 to \$10 Billion	\$10 to \$250 Billion	Greater Than \$250 Billion
(dollar figures in millions)											
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements											
Number of institutions reporting securitization activities	76	75	74	73	72	5.6	0	18	17	34	7
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	\$668,418	\$687,085	\$704,676	\$715,914	\$734,519	-9.0	\$0	\$2,117	\$11,549	\$85,785	\$568,966
Home equity loans	27	29	29	30	31	-12.9	0	0	0	27	0
Credit card receivables	13,491	13,485	13,400	13,502	14,187	-4.9	0	0	0	13,397	94
Auto loans	11,024	8,935	5,604	6,095	6,221	77.2	0	0	2,269	8,755	0
Other consumer loans	4,733	4,908	5,093	5,286	4,754	-0.4	0	1	0	2,445	2,287
Commercial and industrial loans	166	169	204	15	14	1085.7	0	6	0	0	160
All other loans, leases, and other assets	65,387	71,246	74,712	79,844	86,277	-24.2	0	94	8,187	515	56,591
Total securitized and sold	763,246	785,857	803,719	820,686	846,005	-9.8	0	2,218	22,005	110,925	628,098
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	2,114	2,514	2,617	2,840	2,933	-27.9	0	4	0	1,388	723
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	1,209	1,207	1,152	1,108	1,187	1.9	0	0	0	1,209	0
Auto loans	436	0	0	0	0	0.0	0	0	0	436	0
Other consumer loans	96	91	86	89	89	7.9	0	0	0	0	96
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
All other loans, leases, and other assets	841	971	902	990	1,319	-36.2	0	0	0	4	837
Total credit exposure	4,696	4,783	4,757	5,026	5,528	-15.1	0	4	0	3,037	1,656
Total unused liquidity commitments provided to institution's own securitizations	140	138	73	36	37	278.4	0	0	0	0	140
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)											
1-4 family residential loans	3.7	3.6	3.1	3.9	3.8		0.0	1.2	1.4	3.1	3.8
Home equity loans	5.5	8.6	6.2	5.4	5.9		0.0	0.0	0.0	5.5	0
Credit card receivables	0.4	0.3	0.4	0.4	0.4		0.0	0.0	0.0	0.4	1.1
Auto loans	1.5	1.3	1.2	1.5	1.1		0.0	0.0	2.5	1.2	0
Other consumer loans	4.4	3.8	3.8	3.9	4.3		0.0	0.0	0.0	1.9	7.2
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0
All other loans, leases, and other assets	0.4	0.4	0.5	0.5	0.3		0.0	3.2	0.4	0.9	0.4
Total loans, leases, and other assets	3.3	3.3	2.8	3.5	3.3		0.0	1.3	1.2	2.6	3.5
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)											
1-4 family residential loans	1.5	1.6	1.6	2.0	2.1		0.0	1.1	0.5	1.3	1.5
Home equity loans	47.4	45.5	47.3	47.8	47.4		0.0	0.0	0.0	47.4	0
Credit card receivables	0.3	0.3	0.3	0.3	0.3		0.0	0.0	0.0	0.3	1.1
Auto loans	0.3	0.2	0.2	0.2	0.2		0.0	0.0	0.5	0.2	0
Other consumer loans	3.8	3.6	3.9	3.9	4.4		0.0	0.0	0.0	0.9	6.8
Commercial and industrial loans	0.0	0.1	0.1	1.0	1.2		0.0	0.0	0.0	0.0	0
All other loans, leases, and other assets	1.5	1.3	1.4	1.2	1.2		0.0	9.2	0.3	1.5	1.6
Total loans, leases, and other assets	1.4	1.5	1.6	1.9	2.0		0.0	1.5	0.4	1.1	1.5
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)											
1-4 family residential loans	0.2	0.2	0.1	0.4	0.3		0.0	0.1	0.0	0.0	0.3
Home equity loans	3.6	2.2	1.0	5.2	3.2		0.0	0.0	0.0	3.6	0
Credit card receivables	3.7	3.4	3.0	1.8	1.4		0.0	0.0	0.0	3.7	3.2
Auto loans	0.5	0.3	0.3	0.4	0.2		0.0	0.0	1.1	0.4	0
Other consumer loans	0.7	0.5	0.2	0.8	0.6		0.0	0.0	0.0	0.6	0.8
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0
All other loans, leases, and other assets	0.3	0.4	0.1	0.6	0.5		0.0	0.0	0.0	0.1	0.4
Total loans, leases, and other assets	0.3	0.2	0.1	0.4	0.3		0.0	0.1	0.1	0.5	0.3
Seller's Interests in Institution's Own Securitizations – Carried as Loans											
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	11,355	11,954	12,811	15,059	13,248	-14.3	0	0	0	11,355	0
Commercial and industrial loans	216	219	268	0	0	N/M	0	0	0	0	216
Seller's Interests in Institution's Own Securitizations – Carried as Securities											
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
Assets Sold with Recourse and Not Securitized											
Number of institutions reporting asset sales	1,078	1,088	1,091	1,089	1,099	-1.9	112	726	184	48	8
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	37,751	36,579	36,826	38,602	39,013	-3.2	1,296	16,533	8,793	4,819	6,310
Home equity, credit card receivables, auto, and other consumer loans	626	634	684	712	714	-12.3	0	3	42	32	549
Commercial and industrial loans	339	340	271	215	217	56.2	0	18	136	160	24
All other loans, leases, and other assets	84,258	80,687	79,266	73,499	72,201	16.7	0	17	1,170	21,679	61,392
Total sold and not securitized	122,974	118,240	117,047	113,028	112,145	9.7	1,296	16,571	10,142	26,690	68,275
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	10,997	10,833	9,503	10,037	10,495	4.8	83	3,329	3,371	2,813	1,402
Home equity, credit card receivables, auto, and other consumer loans	148	134	161	163	134	10.4	0	3	19	2	124
Commercial and industrial loans	183	186	181	151	154	18.8	0	18	5	160	0
All other loans, leases, and other assets	23,286	22,193	21,684	20,138	19,655	18.5	0	14	59	6,614	16,598
Total credit exposure	34,615	33,346	31,529	30,489	30,438	13.7	83	3,364	3,454	9,589	18,124
Support for Securitization Facilities Sponsored by Other Institutions											
Number of institutions reporting securitization facilities sponsored by others	104	109	110	111	110	-5.5	7	56	22	13	6
Total credit exposure	40,187	42,341	41,078	41,500	42,211	-4.8	8	137	231	2,481	37,331
Total unused liquidity commitments	1,411	2,853	1,387	834	884	59.6	0	14	2	701	695
Other											
Assets serviced for others*	0	0	0	0	0	0.0	0	0	0	0	0
Asset-backed commercial paper conduits											
Credit exposure to conduits sponsored by institutions and others	23,084	21,665	18,378	13,980	12,020	92.0	0	0	0	0	23,084
Unused liquidity commitments to conduits sponsored by institutions and others	24,417	24,287	26,866	29,257	27,631	-11.6	0	0	6	2,586	21,825
Net servicing income (for the quarter)	2,673	1,166	864	3,328	1,040	157.0	7	266	159	842	1,401
Net securitization income (for the quarter)	287	181	203	250	348	-17.5	0	10	11	194	73
Total credit exposure to Tier 1 capital (%)**	5.1	5.3	5.1	5.2	5.3		0.8	2.8	2.1	3.0	7.8

* The amount of financial assets serviced for others, other than closed-end 1-4 family residential mortgages, is reported when these assets are greater than \$10 million.

** Total credit exposure includes the sum of the three line items titled "Total credit exposure" reported above.

COMMUNITY BANK PERFORMANCE

Community banks are identified based on criteria defined in the FDIC’s *Community Banking Study*. When comparing community bank performance across quarters, prior-quarter dollar amounts are based on community banks designated in the current quarter, adjusted for mergers. In contrast, prior-quarter performance ratios are based on community banks designated during the previous quarter.

Quarterly Net Income Increases 11.8 Percent to \$5.6 Billion From the Previous Year

Net Interest Income Rises \$1.2 Billion From 2015, Led by Strong Loan Growth

Net Interest Margin of 3.58 Percent Declines From Third Quarter 2015

Loan-Loss Provisions Rise \$188 Million From 2015 to \$718.2 Million

Noncurrent and Net Charge-Off Rates Increase for Commercial and Industrial Loans

Close to 60 Percent of Community Banks Increase Their Quarterly Net Income

Quarterly net income for the 5,521 community banks totaled \$5.6 billion in third quarter 2016, an increase of \$592.6 million (11.8 percent) compared with the 2015 quarter. Higher net operating revenue (the sum of net interest income and total noninterest income) helped lift quarterly net income, which was partly offset by higher loan-loss provisions and noninterest expense. Noncommunity banks increased their quarterly net income by \$4.9 billion (13.8 percent) from third quarter 2015, led by a few large noncommunity banks. Pretax return on assets for community banks was 1.38 percent, up 4 basis points from second quarter 2016 and 8 basis points from a year earlier. The number of FDIC-insured community banks declined from 5,602 in the second quarter to 5,521 (down 81), with two community bank failures.

Net Operating Revenue Increases 8.5 Percent From Last Year

Improvement in net interest income (up \$1.2 billion, or 7.2 percent) and noninterest income (up \$613.5 million, or 13.1 percent) helped lift third-quarter net operating revenue to \$23 billion, a \$1.8 billion (8.5 percent) increase from the previous year. The benefit of higher interest income from non 1-to-4 family real estate loans (up \$751.8 million, or 10.1 percent) drove the increase in net interest income from the 2015 quarter.¹ Close to 67 percent of the year-over-year increase in noninterest income was led by net gains on loan sales (up \$410.1 million, or 38.6 percent).

¹ Non 1-to-4 family real estate loan income includes construction and development, farmland, multifamily, and nonfarm nonresidential.

Chart 1

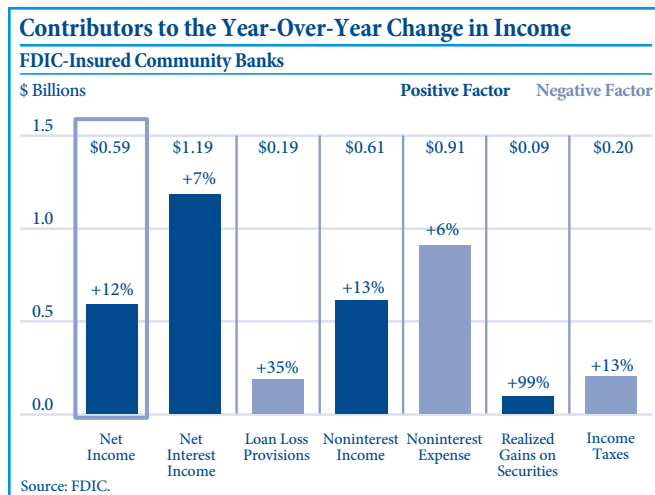
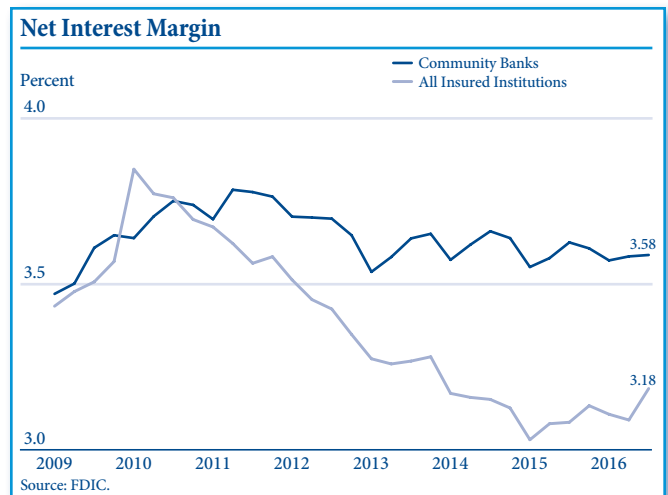


Chart 2



Net Interest Margin Declines Modestly From a Year Ago

The average net interest margin (NIM) declined from 3.62 percent in third quarter 2015 to 3.58 percent, as asset yields decreased (down 3 basis points) and funding costs increased (up 1 basis point). NIM at community banks was 46 basis points higher than that of noncommunity banks. The difference narrowed from third quarter 2015, as NIM for community banks declined and NIM for noncommunity banks improved (up 13 basis points).

Noninterest Expense Increases for Community Banks

Over the past 12 months, noninterest expense grew by \$909.5 million (6.4 percent) to \$15.1 billion. Close to 70 percent of community banks increased their noninterest expense from the year before. The annual increase in noninterest expense was led by higher salary and employee benefits, which rose by \$676 million (8.5 percent). Full-time employees at community banks were 12,585 (3 percent) higher than third quarter 2015. The average asset per employee totaled \$5 million for the third quarter, up from \$4.8 million a year earlier. Noninterest expense as a percent of net operating revenue declined to 65.8 percent—the lowest level since third quarter 2007.

Loan and Lease Balances Increase 9.4 Percent From Third Quarter 2015

Total assets of \$2.2 trillion rose by \$37.5 billion (1.8 percent) from second quarter 2016, as loan and lease balances grew by \$31.1 billion (2.1 percent). Close to 71 percent of community banks grew their loan and lease balances from the previous quarter. The largest quarterly increase was among nonfarm nonresidential loans (up \$9.7 billion, or 2.3 percent), 1-to-4 family residential mortgages (up \$6.3 billion, or 1.6 percent), construction and development loans (up \$3.4 billion, or 3.6 percent), multifamily residential loans (up \$3.4 billion, or 3.4 percent), and commercial and industrial loans (up \$2.4 billion, or 1.2 percent). Loan and lease balances rose by \$127.6 billion (9.4 percent) over the previous 12 months, exceeding 6.5 percent growth at noncommunity banks. Close to 62 percent of the annual increase in loan and lease balances was led by nonfarm nonresidential loans (up \$40 billion, or 10.2 percent), 1-to-4 family residential mortgages (up \$22.4 billion, or 6.2 percent), and multifamily residential loans (up \$16.5 billion, or 19.1 percent). Unused loan commitments were \$6.2 billion (2.3 percent) higher than in third quarter 2015, with commercial real estate, including construction and development, rising by \$11.9 billion (16.6 percent).

Chart 3

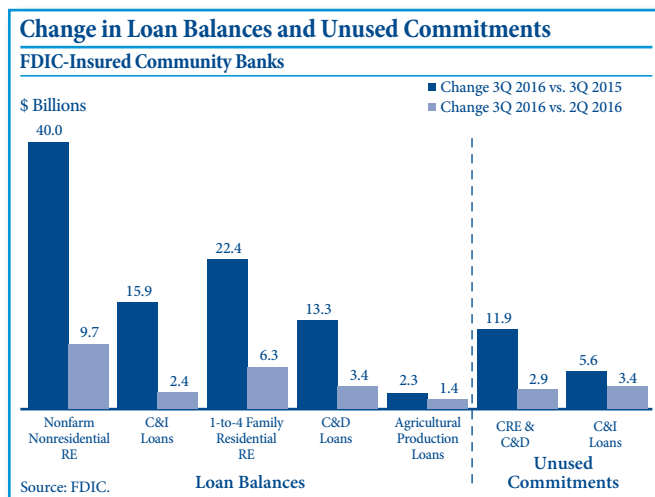
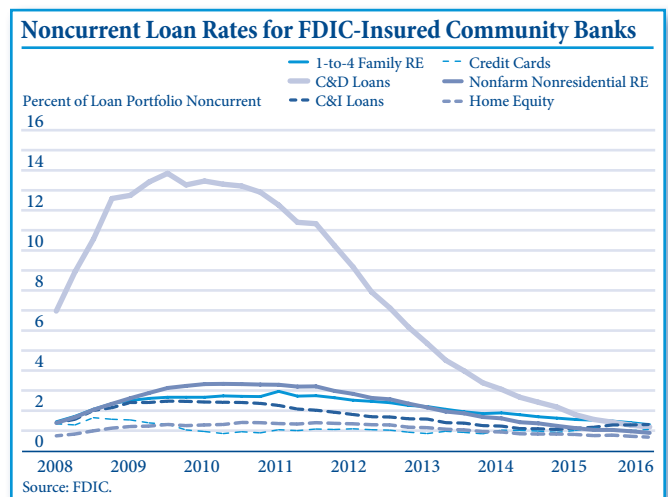


Chart 4



Small Loans to Businesses Increase Almost 3 Percent From the Year Before

In third quarter 2016, small loans to businesses of \$298.3 billion rose by \$1.6 billion (0.5 percent) from the previous quarter while declining by \$1.7 billion (0.4 percent) for noncommunity banks.² The increase at community banks was led by agricultural production loans (up \$1.2 billion, or 4.3 percent), while commercial and industrial loans declined (down \$472.1 million, or 0.5 percent). The 12-month increase in small loans to businesses at community banks (up \$8.3 billion, or 2.9 percent) was led by nonfarm nonresidential loans (up \$3.4 billion, or 2.4 percent) and commercial and industrial loans (up \$3.2 billion, or 3.5 percent). Community banks held 43 percent of small loans to businesses.

Noncurrent Rate Continues to Improve

Slightly more than half (50.4 percent) of community banks reduced their noncurrent loan and lease balances from second quarter 2016, resulting in a decline of \$87.6 million (0.6 percent). The noncurrent rate was 0.99 percent, down 7 basis points from the previous quarter and 55 basis points below the 1.54 percent for noncommunity banks. All major loan categories at community banks had lower noncurrent rates compared with the previous quarter except for commercial and industrial loans (up 1 basis point). For the past five consecutive quarters, the noncurrent rate for commercial and industrial loans was 18 basis points above the third quarter 2015 rate. The largest quarterly improvement in the noncurrent rate was among construction and development loans and 1-to-4 family residential mortgages, with both declining by 10 basis points.

Net Charge-Off Rate Remains Relatively Stable From the Year Before

For community banks, the net charge-off rate rose by 1 basis point from the previous year to 0.15 percent; for noncommunity banks, the rate increased by 4 basis points to 0.5 percent. The net charge-off rate for all major loan categories at community banks improved from third quarter 2015, except for commercial and industrial loans, which rose by 17 basis points to 0.45 percent.

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² Small loans to businesses consist of loans to commercial borrowers up to \$1 million and farm loans up to \$500,000.

TABLE I-B. Selected Indicators, FDIC-Insured Community Banks

	2016*	2015*	2015	2014	2013	2012	2011
Return on assets (%)	1.02	0.99	0.99	0.93	0.90	0.83	0.55
Return on equity (%)	9.13	8.87	8.85	8.45	8.27	7.68	5.19
Core capital (leverage) ratio (%)	10.72	10.72	10.67	10.57	10.43	10.18	9.98
Noncurrent assets plus other real estate owned to assets (%)	0.94	1.14	1.07	1.34	1.73	2.26	2.84
Net charge-offs to loans (%)	0.12	0.13	0.15	0.21	0.32	0.58	0.87
Asset growth rate (%)	2.67	3.15	2.71	2.21	0.43	2.25	1.60
Net interest margin (%)	3.56	3.58	3.57	3.61	3.59	3.67	3.74
Net operating income growth (%)	4.97	10.16	9.53	4.82	14.63	56.21	207.82
Number of institutions reporting	5,521	5,812	5,735	6,037	6,307	6,541	6,798
Percentage of unprofitable institutions (%)	4.13	5.16	4.97	6.44	8.40	11.15	16.34

* Through September 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending September 30.

TABLE II-B. Aggregate Condition and Income Data, FDIC-Insured Community Banks

(dollar figures in millions)	3rd Quarter 2016	2nd Quarter 2016	3rd Quarter 2015	%Change 15Q3-16Q3		
Number of institutions reporting	5,521	5,602	5,812	-5.0		
Total employees (full-time equivalent)	428,552	436,809	439,199	-2.4		
CONDITION DATA						
Total assets	\$2,151,502	\$2,146,404	\$2,095,630	2.7		
Loans secured by real estate	1,137,164	1,125,963	1,076,089	5.7		
1-4 Family residential mortgages	386,432	382,052	373,802	3.4		
Nonfarm nonresidential	432,201	430,740	412,074	4.9		
Construction and development	98,887	97,571	90,293	9.5		
Home equity lines	50,518	50,658	50,093	0.8		
Commercial & industrial loans	199,419	201,650	192,896	3.4		
Loans to individuals	58,846	60,814	59,917	-1.8		
Credit cards	1,859	2,119	2,191	-15.2		
Farm loans	52,470	51,271	50,563	3.8		
Other loans & leases	40,068	39,392	35,493	12.9		
Less: Unearned income	641	633	588	9.0		
Total loans & leases	1,487,326	1,478,457	1,414,369	5.2		
Less: Reserve for losses	18,238	18,587	18,658	-2.2		
Net loans and leases	1,469,088	1,459,871	1,395,711	5.3		
Securities	417,992	427,800	438,108	-4.6		
Other real estate owned	5,326	5,843	7,235	-26.4		
Goodwill and other intangibles	14,206	14,277	13,741	3.4		
All other assets	244,890	238,613	240,836	1.7		
Total liabilities and capital	2,151,502	2,146,404	2,095,630	2.7		
Deposits	1,762,652	1,752,764	1,717,380	2.6		
Domestic office deposits	1,762,431	1,752,355	1,716,994	2.6		
Foreign office deposits	221	409	385	-42.7		
Brokered deposits	76,553	75,307	69,913	9.5		
Estimated insured deposits	1,316,400	1,318,279	1,305,972	0.8		
Other borrowed funds	127,685	132,254	125,040	2.1		
Subordinated debt	802	831	455	76.1		
All other liabilities	17,543	17,260	16,805	4.4		
Total equity capital (includes minority interests)	242,820	243,295	235,950	2.9		
Bank equity capital	242,708	243,193	235,831	2.9		
Loans and leases 30-89 days past due	7,547	7,886	8,204	-8.0		
Noncurrent loans and leases	14,755	15,672	16,530	-10.7		
Restructured loans and leases	8,311	8,803	9,685	-14.2		
Mortgage-backed securities	178,728	183,316	184,594	-3.2		
Earning assets	2,001,297	1,995,831	1,945,723	2.9		
FHLB Advances	100,344	103,873	93,863	6.9		
Unused loan commitments	279,899	281,156	286,517	-2.3		
Trust assets	254,155	261,048	241,989	5.0		
Assets securitized and sold	13,056	16,616	15,357	-15.0		
Notional amount of derivatives	74,052	70,957	53,239	39.1		
INCOME DATA						
	First Three Quarters 2016	First Three Quarters 2015	%Change	3rd Quarter 2016	3rd Quarter 2015	%Change 15Q3-16Q3
Total interest income	\$58,733	\$57,453	2.2	\$20,045	\$19,658	2.0
Total interest expense	6,734	6,528	3.2	2,314	2,208	4.8
Net interest income	52,000	50,925	2.1	17,731	17,450	1.6
Provision for loan and lease losses	2,031	1,684	20.6	718	560	28.2
Total noninterest income	14,885	14,621	1.8	5,303	4,953	7.1
Total noninterest expense	44,437	44,623	-0.4	15,150	15,157	0.0
Securities gains (losses)	601	453	32.6	189	100	89.6
Applicable income taxes	4,937	4,473	10.4	1,721	1,592	8.1
Extraordinary gains, net*	0	24	-98.5	-2	1	N/M
Total net income (includes minority interests)	16,081	15,243	5.5	5,632	5,195	8.4
Bank net income	16,063	15,219	5.5	5,625	5,188	8.4
Net charge-offs	1,328	1,301	2.0	564	478	18.0
Cash dividends	7,151	6,888	3.8	2,151	2,209	-2.6
Retained earnings	8,912	8,331	7.0	3,473	2,979	16.6
Net operating income	15,605	14,867	5.0	5,483	5,119	7.1

* See Notes to Users (page 30) for explanation.

N/M - Not Meaningful

**TABLE II-B. Aggregate Condition and Income Data, FDIC-Insured Community Banks
Prior Periods Adjusted for Mergers**

(dollar figures in millions)	3rd Quarter 2016	2nd Quarter 2016	3rd Quarter 2015	%Change 15Q3-16Q3		
Number of institutions reporting	5,521	5,521	5,521	0.0		
Total employees (full-time equivalent)	428,552	427,671	415,967	3.0		
CONDITION DATA						
Total assets	\$2,151,502	\$2,114,039	\$2,017,745	6.6		
Loans secured by real estate	1,137,164	1,112,496	1,036,927	9.7		
1-4 Family residential mortgages	386,432	380,179	364,014	6.2		
Nonfarm nonresidential	432,201	422,489	392,217	10.2		
Construction and development	98,887	95,443	85,630	15.5		
Home equity lines	50,518	49,756	47,702	5.9		
Commercial & industrial loans	199,419	196,970	183,509	8.7		
Loans to individuals	58,846	57,636	55,824	5.4		
Credit cards	1,859	1,822	1,871	-0.6		
Farm loans	52,470	51,042	50,179	4.6		
Other loans & leases	40,068	38,707	33,866	18.3		
Less: Unearned income	641	631	594	8.0		
Total loans & leases	1,487,326	1,456,220	1,359,712	9.4		
Less: Reserve for losses	18,238	18,162	17,829	2.3		
Net loans and leases	1,469,088	1,438,058	1,341,883	9.5		
Securities	417,992	422,415	424,970	-1.6		
Other real estate owned	5,326	5,659	6,842	-22.2		
Goodwill and other intangibles	14,206	13,873	13,126	8.2		
All other assets	244,890	234,034	230,925	6.0		
Total liabilities and capital	2,151,502	2,114,039	2,017,745	6.6		
Deposits	1,762,652	1,726,676	1,653,632	6.6		
Domestic office deposits	1,762,431	1,726,458	1,653,433	6.6		
Foreign office deposits	221	217	198	11.3		
Brokered deposits	76,553	72,922	65,109	17.6		
Estimated insured deposits	1,316,400	1,297,992	1,256,923	4.7		
Other borrowed funds	127,685	130,651	120,650	5.8		
Subordinated debt	802	782	430	86.5		
All other liabilities	17,543	16,968	16,095	9.0		
Total equity capital (includes minority interests)	242,820	238,963	226,938	7.0		
Bank equity capital	242,708	238,850	226,815	7.0		
Loans and leases 30-89 days past due	7,547	7,611	7,761	-2.8		
Noncurrent loans and leases	14,755	14,843	15,389	-4.1		
Restructured loans and leases	8,311	8,311	8,952	-7.2		
Mortgage-backed securities	178,728	180,075	176,812	1.1		
Earning assets	2,001,297	1,966,804	1,874,230	6.8		
FHLB Advances	100,344	103,185	91,054	10.2		
Unused loan commitments	279,899	274,875	273,655	2.3		
Trust assets	254,155	249,092	231,366	9.8		
Assets securitized and sold	13,056	12,707	11,662	11.9		
Notional amount of derivatives	74,052	69,347	49,787	48.7		
INCOME DATA						
	First Three Quarters 2016	First Three Quarters 2015	%Change	3rd Quarter 2016	3rd Quarter 2015	%Change 15Q3-16Q3
Total interest income	\$58,733	\$54,481	7.8	\$20,045	\$18,640	7.5
Total interest expense	6,734	6,195	8.7	2,314	2,094	10.5
Net interest income	52,000	48,287	7.7	17,731	16,545	7.2
Provision for loan and lease losses	2,031	1,510	34.5	718	530	35.5
Total noninterest income	14,885	13,852	7.5	5,303	4,690	13.1
Total noninterest expense	44,437	41,986	5.8	15,150	14,240	6.4
Securities gains (losses)	601	449	33.7	189	95	99.2
Applicable income taxes	4,937	4,388	12.5	1,721	1,522	13.1
Extraordinary gains, net*	0	2	N/M	-2	1	N/M
Total net income (includes minority interests)	16,081	14,706	9.4	5,632	5,039	11.8
Bank net income	16,063	14,684	9.4	5,625	5,032	11.8
Net charge-offs	1,328	1,104	20.3	564	421	34.1
Cash dividends	7,151	6,704	6.7	2,151	2,149	0.1
Retained earnings	8,912	7,980	11.7	3,473	2,883	20.5
Net operating income	15,605	14,354	8.7	5,483	4,963	10.5

* See Notes to Users (page 30) for explanation.

N/M - Not Meaningful

TABLE III-B. Aggregate Condition and Income Data by Geographic Region, FDIC-Insured Community Banks

Third Quarter 2016 (dollar figures in millions)	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	5,521	637	670	1,215	1,443	1,198	358
Total employees (full-time equivalent)	428,552	83,305	52,955	90,740	70,732	93,653	37,167
CONDITION DATA							
Total assets	\$2,151,502	\$559,692	\$244,899	\$393,094	\$334,189	\$414,892	\$204,737
Loans secured by real estate	1,137,164	340,299	136,502	200,463	156,147	197,064	106,689
1-4 Family residential mortgages	386,432	127,164	44,696	71,703	50,077	64,223	28,570
Nonfarm nonresidential	432,201	119,691	58,302	72,699	51,186	80,108	50,215
Construction and development	98,887	19,741	15,503	13,462	13,073	28,393	8,713
Home equity lines	50,518	16,976	7,659	11,414	4,870	4,528	5,072
Commercial & industrial loans	199,419	49,182	18,929	37,224	33,120	41,839	19,126
Loans to individuals	58,846	11,692	6,053	12,126	10,161	13,664	5,150
Credit cards	1,859	172	129	422	538	298	300
Farm loans	52,470	549	1,418	8,364	28,764	10,357	3,018
Other loans & leases	40,068	12,068	3,157	7,072	5,724	8,383	3,663
Less: Unearned income	641	160	120	59	55	125	122
Total loans & leases	1,487,326	413,630	165,940	265,190	233,860	271,182	137,524
Less: Reserve for losses	18,238	4,232	2,061	3,400	3,163	3,539	1,843
Net loans and leases	1,469,088	409,398	163,879	261,790	230,697	267,643	135,681
Securities	417,992	92,925	46,133	82,544	65,640	91,679	39,071
Other real estate owned	5,326	707	1,378	1,015	828	1,075	322
Goodwill and other intangibles	14,206	4,657	1,188	2,392	1,824	2,677	1,467
All other assets	244,890	52,004	32,320	45,352	35,200	51,818	28,196
Total liabilities and capital	2,151,502	559,692	244,899	393,094	334,189	414,892	204,737
Deposits	1,762,652	446,704	202,453	324,081	272,528	345,980	170,905
Domestic office deposits	1,762,431	446,533	202,448	324,064	272,528	345,980	170,878
Foreign office deposits	221	171	5	17	0	0	28
Brokered deposits	76,553	24,217	7,116	13,495	12,054	11,477	8,194
Estimated insured deposits	1,316,400	320,315	152,442	258,083	215,013	252,720	117,828
Other borrowed funds	127,685	43,948	12,851	21,196	21,584	19,461	8,646
Subordinated debt	802	693	20	52	17	6	15
All other liabilities	17,543	5,798	1,867	3,144	2,158	2,783	1,793
Total equity capital (includes minority interests)	242,208	62,548	27,708	44,622	37,902	46,662	23,378
Bank equity capital	242,708	62,498	27,695	44,594	37,901	46,644	23,377
Loans and leases 30-89 days past due	7,547	1,767	932	1,457	1,152	1,838	400
Noncurrent loans and leases	14,755	4,416	1,773	2,806	1,872	3,008	881
Restructured loans and leases	8,311	2,172	1,217	2,090	1,032	1,154	646
Mortgage-backed securities	178,728	51,765	20,126	32,202	21,515	34,215	18,906
Earning assets	2,001,297	523,790	225,971	364,960	311,441	383,812	191,324
FHLB Advances	100,344	37,553	10,337	15,497	15,859	15,436	5,663
Unused loan commitments	279,899	71,717	30,345	51,656	46,292	50,327	29,563
Trust assets	254,155	46,854	10,311	68,007	76,262	42,451	10,271
Assets securitized and sold	13,056	2,106	75	5,937	828	633	3,477
Notional amount of derivatives	74,052	26,690	8,848	13,118	9,716	9,007	6,673
INCOME DATA							
Total interest income	\$20,045	\$4,954	\$2,337	\$3,563	\$3,203	\$4,045	\$1,943
Total interest expense	2,314	732	262	398	376	387	159
Net interest income	17,731	4,222	2,076	3,165	2,827	3,658	1,784
Provision for loan and lease losses	718	233	62	103	109	179	33
Total noninterest income	5,303	979	609	1,340	808	994	573
Total noninterest expense	15,150	3,451	1,882	2,994	2,322	3,052	1,450
Securities gains (losses)	189	52	21	25	38	39	13
Applicable income taxes	1,721	494	189	341	212	231	254
Extraordinary gains, net**	-2	0	0	0	0	-2	0
Total net income (includes minority interests)	5,632	1,075	572	1,092	1,031	1,227	634
Bank net income	5,625	1,074	570	1,090	1,031	1,226	634
Net charge-offs	564	244	53	85	57	123	2
Cash dividends	2,151	295	145	579	480	467	186
Retained earnings	3,473	779	426	511	551	758	448
Net operating income	5,483	1,036	556	1,071	999	1,196	625

* See Table V-A (page 11) for explanations.

** See Notes to Users (page 30) for explanation.

Table IV-B. Third Quarter 2016, FDIC-Insured Community Banks

Performance ratios (annualized, %)	All Community Banks		Third Quarter 2016, Geographic Regions*					
	3rd Quarter 2016	2nd Quarter 2016	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	4.05	4.04	3.83	4.17	3.94	4.14	4.26	4.14
Cost of funding earning assets	0.47	0.46	0.57	0.47	0.44	0.49	0.41	0.34
Net interest margin	3.58	3.58	3.26	3.71	3.50	3.65	3.85	3.80
Noninterest income to assets	1.00	0.97	0.71	1.00	1.38	0.97	0.97	1.14
Noninterest expense to assets	2.85	2.86	2.49	3.10	3.08	2.80	2.97	2.88
Loan and lease loss provision to assets	0.13	0.14	0.17	0.10	0.11	0.13	0.17	0.06
Net operating income to assets	1.03	0.99	0.75	0.92	1.10	1.20	1.16	1.24
Pretax return on assets	1.38	1.34	1.13	1.25	1.47	1.50	1.42	1.77
Return on assets	1.06	1.02	0.78	0.94	1.12	1.24	1.19	1.26
Return on equity	9.36	9.06	6.96	8.30	9.84	10.96	10.63	10.97
Net charge-offs to loans and leases	0.15	0.13	0.24	0.13	0.13	0.10	0.18	0.01
Loan and lease loss provision to net charge-offs	127.28	157.28	95.36	117.96	121.30	190.30	145.07	1538.04
Efficiency ratio	65.38	66.26	66.01	69.73	65.84	63.44	65.37	61.21
Net interest income to operating revenue	76.98	77.50	81.18	77.32	70.26	77.77	78.63	75.67
% of unprofitable institutions	4.75	4.80	5.49	8.21	5.93	2.77	3.42	5.31
% of institutions with earnings gains	60.15	59.98	63.11	63.43	61.40	58.42	56.43	63.97

Table V-B. First Three Quarters 2016, FDIC-Insured Community Banks

Performance ratios (%)	All Community Banks		First Three Quarters 2016, Geographic Regions*					
	First Three Quarters 2016	First Three Quarters 2015	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	4.03	4.03	3.82	4.16	3.92	4.10	4.23	4.10
Cost of funding earning assets	0.46	0.46	0.56	0.46	0.44	0.48	0.40	0.33
Net interest margin	3.56	3.58	3.25	3.69	3.49	3.62	3.83	3.77
Noninterest income to assets	0.95	0.95	0.69	0.94	1.30	0.91	0.94	1.07
Noninterest expense to assets	2.83	2.91	2.50	3.08	3.05	2.76	2.96	2.88
Loan and lease loss provision to assets	0.13	0.11	0.14	0.11	0.10	0.13	0.18	0.08
Net operating income to assets	0.99	0.97	0.74	0.87	1.06	1.16	1.14	1.14
Pretax return on assets	1.34	1.28	1.13	1.20	1.42	1.43	1.38	1.68
Return on assets	1.02	0.99	0.77	0.90	1.09	1.19	1.17	1.16
Return on equity	9.13	8.87	6.96	7.96	9.62	10.61	10.55	10.15
Net charge-offs to loans and leases	0.12	0.13	0.14	0.12	0.12	0.09	0.17	0.03
Loan and lease loss provision to net charge-offs	152.95	129.43	138.25	130.16	122.93	204.80	158.67	358.11
Efficiency ratio	66.10	67.72	66.58	70.40	66.77	64.07	65.87	62.42
Net interest income to operating revenue	77.75	77.69	81.54	78.30	71.37	78.73	79.06	76.71
% of unprofitable institutions	4.13	5.16	5.65	6.87	5.10	2.43	2.75	4.47
% of institutions with earnings gains	63.29	62.97	63.74	65.82	62.72	60.98	63.52	68.16

* See Table V-A (page 11) for explanations.

Table VI-B. Loan Performance, FDIC-Insured Community Banks

September 30, 2016	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due							
All loans secured by real estate	0.47	0.39	0.54	0.57	0.45	0.59	0.24
Construction and development	0.40	0.26	0.39	0.40	0.60	0.43	0.33
Nonfarm nonresidential	0.32	0.30	0.33	0.42	0.34	0.35	0.14
Multifamily residential real estate	0.17	0.16	0.29	0.22	0.18	0.19	0.03
Home equity loans	0.42	0.41	0.41	0.46	0.33	0.53	0.36
Other 1-4 family residential	0.76	0.60	0.90	0.89	0.66	1.03	0.46
Commercial and industrial loans	0.49	0.39	0.48	0.39	0.57	0.70	0.40
Loans to individuals	1.47	1.74	1.64	0.93	1.03	2.22	0.82
Credit card loans	2.12	3.49	1.51	1.22	3.67	1.19	1.02
Other loans to individuals	1.45	1.72	1.64	0.92	0.89	2.24	0.80
All other loans and leases (including farm)	0.36	0.23	0.21	0.32	0.44	0.40	0.33
Total loans and leases	0.51	0.43	0.56	0.55	0.49	0.68	0.29
Percent of Loans Noncurrent**							
All loans secured by real estate	0.97	1.03	1.13	1.14	0.79	0.94	0.60
Construction and development	1.15	1.06	1.95	1.12	1.10	0.88	0.92
Nonfarm nonresidential	0.86	0.89	0.90	1.08	0.88	0.82	0.45
Multifamily residential real estate	0.30	0.17	0.78	0.61	0.34	0.41	0.14
Home equity loans	0.65	0.75	0.52	0.71	0.28	0.67	0.67
Other 1-4 family residential	1.26	1.54	1.24	1.39	0.71	1.19	0.86
Commercial and industrial loans	1.27	1.29	0.85	1.05	1.01	2.00	0.95
Loans to individuals	0.77	0.69	0.85	0.39	0.49	1.52	0.33
Credit card loans	1.02	1.22	0.59	0.94	1.51	0.67	0.70
Other loans to individuals	0.76	0.68	0.86	0.37	0.43	1.54	0.30
All other loans and leases (including farm)	0.78	1.67	0.50	0.55	0.74	0.57	0.64
Total loans and leases	0.99	1.07	1.07	1.06	0.80	1.11	0.64
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.04	0.05	0.07	0.07	0.02	0.03	-0.02
Construction and development	0.00	0.03	0.09	0.00	-0.03	-0.04	-0.10
Nonfarm nonresidential	0.04	0.04	0.04	0.08	0.02	0.05	-0.01
Multifamily residential real estate	0.01	0.01	0.10	0.00	0.04	-0.01	-0.01
Home equity loans	0.06	0.07	0.07	0.09	0.00	0.03	0.00
Other 1-4 family residential	0.06	0.06	0.09	0.10	0.03	0.05	-0.01
Commercial and industrial loans	0.33	0.53	0.25	0.22	0.18	0.47	0.07
Loans to individuals	0.76	0.65	0.84	0.57	0.91	0.92	0.65
Credit card loans	5.25	4.50	1.29	3.56	12.10	1.37	2.05
Other loans to individuals	0.62	0.60	0.83	0.46	0.30	0.91	0.56
All other loans and leases (including farm)	0.28	0.81	0.28	0.16	0.08	0.44	0.22
Total loans and leases	0.12	0.14	0.12	0.12	0.09	0.17	0.03
Loans Outstanding (in billions)							
All loans secured by real estate	\$1,137.2	\$340.3	\$136.5	\$200.5	\$156.1	\$197.1	\$106.7
Construction and development	98.9	19.7	15.5	13.5	13.1	28.4	8.7
Nonfarm nonresidential	432.2	119.7	58.3	72.7	51.2	80.1	50.2
Multifamily residential real estate	102.5	54.9	6.2	15.2	8.1	7.4	10.7
Home equity loans	50.5	17.0	7.7	11.4	4.9	4.5	5.1
Other 1-4 family residential	386.4	127.2	44.7	71.7	50.1	64.2	28.6
Commercial and industrial loans	199.4	49.2	18.9	37.2	33.1	41.8	19.1
Loans to individuals	58.8	11.7	6.1	12.1	10.2	13.7	5.2
Credit card loans	1.9	0.2	0.1	0.4	0.5	0.3	0.3
Other loans to individuals	57.0	11.5	5.9	11.7	9.6	13.4	4.9
All other loans and leases (including farm)	92.5	12.6	4.6	15.4	34.5	18.7	6.7
Total loans and leases	1,488.0	413.8	166.1	265.2	233.9	271.3	137.6
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	279,899	71,717	30,345	51,656	46,292	50,327	29,563
Construction and development: 1-4 family residential	24,199	4,894	4,310	2,734	3,008	6,598	2,654
Construction and development: CRE and other	57,459	17,372	6,994	8,852	6,892	12,623	4,726
Commercial and industrial	90,196	22,303	8,500	18,072	14,923	16,357	10,040

* See Table V-A (page 11) for explanations.

** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

Insurance Fund Indicators

Insured Deposits Grow by 2.1 Percent

DIF Reserve Ratio Rises 1 Basis Point to 1.18 Percent

Several Changes to Assessments Began in Third Quarter 2016

Total assets of the 5,980 FDIC-insured institutions increased by 1.4 percent (\$232.6 billion) during the third quarter of 2016.¹ Total deposits increased by 2.2 percent (\$270.7 billion), domestic office deposits increased by 2.3 percent (\$259.6 billion), and foreign office deposits increased by 0.8 percent (\$11.2 billion). Domestic interest-bearing deposits increased by 1.7 percent (\$140.1 billion), while noninterest-bearing deposits increased by 4 percent (\$119.5 billion). For the twelve months ending September 30, total domestic deposits grew by 7.6 percent (\$811.7 billion), with interest-bearing deposits increasing by 8.2 percent (\$627.3 billion) and noninterest-bearing deposits increasing by 6.2 percent (\$184.4 billion). Other borrowed money increased by 7.8 percent, securities sold under agreements to repurchase declined by 12.5 percent, and foreign office deposits declined by 0.2 percent over the same twelve-month period.²

Total estimated insured deposits increased by 2.1 percent in the third quarter of 2016.³ For institutions existing at the start and the end of the most recent quarter, insured deposits increased during the quarter at 3,588 institutions (60 percent), decreased at 2,371 institutions (40 percent), and remained unchanged at 30 institutions. Estimated insured deposits increased by 6.4 percent over the 12 months ending September 30, 2016.

The Deposit Insurance Fund (DIF) increased by \$2.8 billion during the third quarter of 2016 to \$80.7 billion (unaudited). Assessment income of \$2.6 billion and a negative provision for insurance losses of \$566 million were the main drivers of the fund balance increase. Interest on investments and other miscellaneous income added another \$174 million to the fund. Third quarter operating expenses and unrealized losses on available-for-sale securities reduced the fund balance by \$589 million. Two insured institutions, with combined assets of \$88 million, failed during the third quarter. The DIF's reserve ratio (the fund balance as a percent of estimated insured deposits) was 1.18 percent on September 30, up from 1.17 percent at June 30, 2016, and 1.09 percent four quarters ago.

Effective April 1, 2011, the deposit insurance assessment base changed to average consolidated total assets minus average tangible equity.⁴ Table 1 shows the distribution of the assessment base as of September 30, 2016, by institution asset size category.

Changes in Assessments

FDIC regulations provide that several changes to the assessment system are to take effect beginning the quarter after the DIF reserve ratio first reaches or exceeds 1.15 percent. The reserve ratio surpassed 1.15 percent and stood at 1.17 percent on June 30, 2016. Therefore, significant changes to deposit insurance assessments went into effect in the third quarter of 2016.

¹ Throughout the insurance fund discussion, FDIC-insured institutions include insured commercial banks and savings associations and, except where noted, exclude insured branches of foreign banks.

² Other borrowed money includes FHLB advances, term federal funds, mortgage indebtedness, and other borrowings.

³ Figures for estimated insured deposits in this discussion include insured branches of foreign banks, in addition to insured commercial banks and savings institutions.

⁴ There is an additional adjustment to the assessment base for banker's banks and custodial banks, as permitted under Dodd-Frank Wall Street Reform and Consumer Protection Act.

Table 1

Distribution of the Assessment Base for FDIC-Insured Institutions* by Asset Size Data as of September 30, 2016				
Asset Size	Number of Institutions	Percent of Total Institutions	Assessment Base** (\$ Bil.)	Percent of Base
Less Than \$1 Billion	5,245	87.7	\$1,111.7	7.8
\$1 - \$10 Billion	621	10.4	1,536.9	10.7
\$10 - \$50 Billion	74	1.2	1,482.5	10.4
\$50 - \$100 Billion	12	0.2	741.2	5.2
Over \$100 Billion	28	0.5	9,449.7	66.0
Total	5,980	100.0	14,322.0	100.0

* Excludes insured U.S. branches of foreign banks.
** Average consolidated total assets minus average tangible equity, with adjustments for banker's banks and custodial banks.

Decrease in Overall Assessment Rates

Overall initial assessment rates declined from a range of 5 basis points to 35 basis points to a range of 3 basis points to 30 basis points beginning in the third quarter, pursuant to regulations approved by the FDIC Board of Directors (Board) in February 2011 and April 2016. As a result of this change, FDIC estimates that regular assessments declined by about one third.

New Pricing Method for Established Small Banks

The April 2016 final rule adopted by the Board amends the way insurance assessment rates are calculated for established small banks.^{5,6} The rule updates the data and methodology that the FDIC uses to determine risk-based assessment rates for these institutions to better reflect risks and to help ensure that banks that take on greater risks pay more for deposit insurance than their less-risky counterparts.

The rule revises the financial ratios method used to determine assessment rates for these banks so that it is based on a statistical model that estimates the probability of failure over three years. The rule eliminates risk categories for established small banks and uses the financial ratios method for all such banks (subject to minimum or maximum assessment rates based on a bank's CAMELS composite rating).

Changes to assessments approved in the April final rule are revenue neutral; that is, they leave aggregate assessment revenue collected from small banks approximately the same as it would have been absent the final rule.

Table 2 shows the schedule of initial and total assessment rates that apply beginning in the third quarter of 2016. The rate schedule incorporates both the reduction in initial assessment rates from a range of 5 basis points to 35 basis points to a range of 3 basis points to 30 basis points and the new pricing method for established small banks. FDIC estimates that assessment rates for approximately 93 percent of small banks have declined with the adoption of the new rate schedule.

⁵ Generally, banks that have less than \$10 billion in assets that have been federally insured for at least five years.

⁶ <https://www.gpo.gov/fdsys/pkg/FR-2016-05-20/pdf/2016-11181.pdf>.

Table 2

Initial and Total Base Assessment Rates* (in basis points per annum) After the Reserve Ratio Reaches 1.15 Percent**				
	Established Small Banks			Large & Highly Complex Institutions
	CAMELS Composite			
	1 or 2	3	4 or 5	
Initial Base Assessment Rate	3 to 16	6 to 30	16 to 30	3 to 30
Unsecured Debt Adjustment***	-5 to 0	-5 to 0	-5 to 0	-5 to 0
Brokered Deposit Adjustment	N/A	N/A	N/A	0 to 10
Total Base Assessment Rate	1.5 to 16	3 to 30	11 to 30	1.5 to 40

* Total base assessment rates in the table do not include the Depository Institution Debt Adjustment (DIDA).

** The reserve ratio for the immediately prior assessment period must also be less than 2 percent.

*** The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an insured depository institution's initial base assessment rate; thus, for example, an insured depository institution with an initial base assessment rate of 3 basis points will have a maximum unsecured debt adjustment of 1.5 basis points and cannot have a total base assessment rate lower than 1.5 basis points.

Large Bank Surcharges and Small Bank Assessment Credits

In March 2016, the FDIC Board approved a final rule to increase the DIF to the statutorily required minimum of 1.35 percent of estimated insured deposits.⁷ Congress, in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), increased the minimum DIF reserve ratio from 1.15 percent to 1.35 percent and required that the ratio reach that level by September 30, 2020. Further, the Dodd-Frank Act required that, in setting assessments, the FDIC offset the effect of the increase in the minimum reserve ratio from 1.15 to 1.35 percent on banks with less than \$10 billion in assets.

To satisfy these requirements, the final rule imposes on large banks a surcharge of 4.5 basis points of their assessment base, after making certain adjustments.^{8,9} The rule prescribes that surcharges begin the quarter after the reserve ratio first reaches or surpasses 1.15 percent. Therefore, large banks were subject to quarterly surcharges in addition to lower regular risk-based assessments beginning in the third quarter of 2016. The surcharges amounted to \$1.2 billion for the quarter.

The FDIC expects that surcharges will last eight quarters. In any event, surcharges will continue through the quarter in which the reserve ratio first meets or exceeds 1.35 percent, but not past the fourth quarter of 2018. If the reserve ratio has not reached 1.35 percent by the end of 2018, a shortfall assessment will be imposed on large banks to close the gap.

Small banks will receive credits to offset the portion of their assessments that help to raise the reserve ratio from 1.15 percent to 1.35 percent. When the reserve ratio is at or above 1.38 percent, the FDIC will automatically apply a small bank's credits to reduce its regular assessment up to the entire amount of the assessment.

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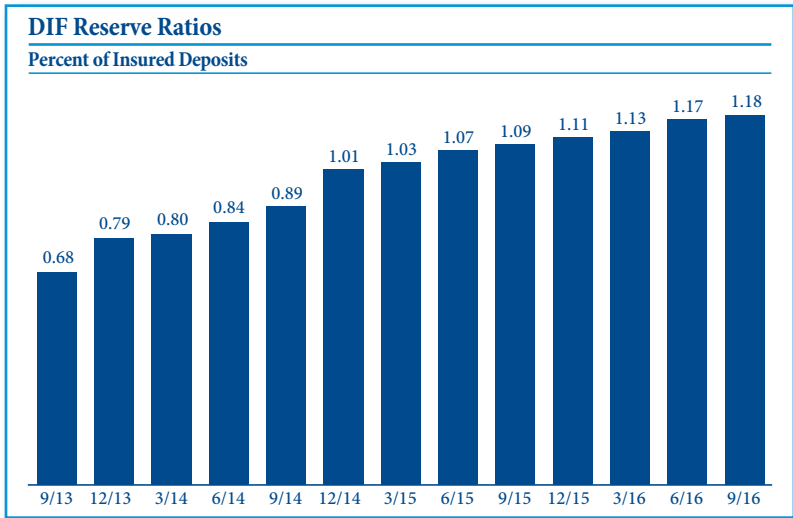
⁷ <https://www.federalregister.gov/articles/2016/03/25/2016-06770/assessments>.

⁸ Large banks are, generally, banks with assets of \$10 billion or more.

⁹ The assessment base for the surcharge is a large bank's regular assessment base reduced by \$10 billion (and subject to adjustment for affiliated banks).

Table I-C. Insurance Fund Balances and Selected Indicators

	Deposit Insurance Fund*												
	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015	4th Quarter 2014	3rd Quarter 2014	2nd Quarter 2014	1st Quarter 2014	4th Quarter 2013	3rd Quarter 2013
<i>(dollar figures in millions)</i>													
Beginning Fund Balance	\$77,910	\$75,120	\$72,600	\$70,115	\$67,589	\$65,296	\$62,780	\$54,320	\$51,059	\$48,893	\$47,191	\$40,758	\$37,871
Changes in Fund Balance:													
Assessments earned	2,643	2,328	2,328	2,160	2,170	2,328	2,189	2,030	2,009	2,224	2,393	2,224	2,339
Interest earned on investment securities	171	164	147	128	122	113	60	70	80	87	45	23	34
Realized gain on sale of investments	0	0	0	0	0	0	0	0	0	0	0	302	156
Operating expenses	422	441	415	447	410	434	396	408	406	428	422	436	298
Provision for insurance losses	-566	-627	-43	-930	-578	-317	-426	-6,787	-1,663	-204	348	-4,588	-539
All other income, net of expenses	3	2	5	12	2	3	6	-43	6	6	9	9	46
Unrealized gain/(loss) on available-for-sale securities	-167	110	412	-298	64	-34	231	24	-91	73	25	-277	71
Total fund balance change	2,794	2,790	2,520	2,485	2,526	2,293	2,516	8,460	3,261	2,166	1,702	6,433	2,887
Ending Fund Balance	80,704	77,910	75,120	72,600	70,115	67,589	65,296	62,780	54,320	51,059	48,893	47,191	40,758
Percent change from four quarters earlier	15.10	15.27	15.05	15.64	29.08	32.37	33.55	33.03	33.27	34.82	36.79	43.19	61.58
Reserve Ratio (%)	1.18	1.17	1.13	1.11	1.09	1.07	1.03	1.01	0.89	0.84	0.80	0.79	0.68
Estimated Insured Deposits	6,822,885	6,680,805	6,669,911	6,528,125	6,414,381	6,341,745	6,341,501	6,201,915	6,133,019	6,101,961	6,111,983	5,999,191	5,962,294
Percent change from four quarters earlier	6.37	5.35	5.18	5.26	4.59	3.93	3.76	3.38	2.86	2.60	1.95	-18.95	-17.75
Domestic Deposits	11,505,053	11,240,134	11,154,696	10,950,090	10,695,507	10,629,337	10,616,459	10,408,187	10,213,199	10,099,415	9,962,543	9,825,479	9,631,664
Percent change from four quarters earlier	7.57	5.75	5.07	5.21	4.72	5.25	6.56	5.93	6.04	7.16	5.37	3.70	6.02
Assessment Base**	14,378,065	14,229,011	14,027,462	13,859,782	13,687,917	13,620,485	13,545,792	13,360,179	13,127,549	12,921,396	12,809,910	12,757,617	12,538,903
Percent change from four quarters earlier	5.04	4.47	3.56	3.74	4.27	5.41	5.74	4.72	4.69	3.35	2.97	2.54	2.14
Number of Institutions Reporting	5,989	6,067	6,131	6,191	6,279	6,357	6,428	6,518	6,598	6,665	6,739	6,821	6,900



	DIF Balance	DIF-Insured Deposits
9/13	\$40,758	\$5,962,294
12/13	47,191	5,999,191
3/14	48,893	6,111,983
6/14	51,059	6,101,961
9/14	54,320	6,133,019
12/14	62,780	6,201,915
3/15	65,296	6,341,501
6/15	67,589	6,341,745
9/15	70,115	6,414,381
12/15	72,600	6,528,125
3/16	75,120	6,669,911
6/16	77,910	6,680,805
9/16	80,704	6,822,885

Table II-C. Problem Institutions and Failed Institutions

<i>(dollar figures in millions)</i>	2016***	2015***	2015	2014	2013	2012	2011
Problem Institutions							
Number of institutions	132	203	183	291	467	651	813
Total assets	\$24,917	\$51,068	\$46,780	\$86,712	\$152,687	\$232,701	\$319,432
Failed Institutions							
Number of institutions	5	6	8	18	24	51	92
Total assets****	\$277	\$6,416	\$6,706	\$2,914	\$6,044	\$11,617	\$34,923

* Quarterly financial statement results are unaudited.
 ** Average consolidated total assets minus tangible equity, with adjustments for banker's banks and custodial banks.
 *** Through September 30.
 **** Total assets are based on final Call Reports submitted by failed institutions.

Table III-C. Estimated FDIC-Insured Deposits by Type of Institution

<i>(dollar figures in millions)</i> September 30, 2016	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	5,170	\$15,637,171	\$10,569,531	\$6,074,935
FDIC-Supervised	3,437	2,421,085	1,909,493	1,338,324
OCC-Supervised	948	10,678,615	6,913,612	3,817,396
Federal Reserve-Supervised	785	2,537,472	1,746,426	919,215
FDIC-Insured Savings Institutions	810	1,129,436	891,240	715,715
OCC-Supervised Savings Institutions	384	724,942	584,791	475,850
FDIC-Supervised Savings Institutions	390	379,534	286,755	224,069
Federal Reserve-Supervised	36	24,960	19,694	15,796
Total Commercial Banks and Savings Institutions	5,980	16,766,607	11,460,771	6,790,650
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	93,651	44,281	32,235
Total FDIC-Insured Institutions	5,989	16,860,258	11,505,053	6,822,885

* Excludes \$1.3 trillion in foreign office deposits, which are not FDIC insured.

Table IV-C. Distribution of Institutions and Assessment Base by Assessment Rate Range

Quarter Ending June 30, 2016 *(dollar figures in billions)*

Annual Rate in Basis Points	Number of Institutions	Percent of Total Institutions	Amount of Assessment Base*	Percent of Total Assessment Base
2.50-5.00	1,616	26.64	\$2,035.4	14.30
5.01-7.50	3,104	51.16	10,487.0	73.70
7.51-10.00	856	14.11	1,225.2	8.61
10.01-15.00	322	5.31	386.0	2.71
15.01-20.00	16	0.26	53.1	0.37
20.01-25.00	127	2.09	36.5	0.26
25.01-30.00	0	0.00	0.0	0.00
30.01-35.00	25	0.41	5.7	0.04
greater than 35.00	1	0.02	0.0	0.00

* Beginning in the second quarter of 2011, the assessment base was changed to average consolidated total assets minus tangible equity, as required by the Dodd-Frank Act.

Notes to Users

This publication contains financial data and other information for depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). These notes are an integral part of this publication and provide information regarding the comparability of source data and reporting differences over time.

Tables I-A through VIII-A.

The information presented in Tables I-A through VIII-A of the *FDIC Quarterly Banking Profile* is aggregated for all FDIC-insured Call report filers, both commercial banks and savings institutions. Some tables are arrayed by groups of FDIC-insured institutions based on predominant types of asset concentration, while other tables aggregate institutions by asset size and geographic region. Quarterly and full-year data are provided for selected indicators, including aggregate condition and income data, performance ratios, condition ratios, and structural changes, as well as past due, noncurrent, and charge-off information for loans outstanding and other assets.

Tables I-B through VI-B.

The information presented in Tables I-B through VI-B is aggregated for all FDIC-insured commercial banks and savings institutions meeting the criteria for community banks that were developed for the FDIC's *Community Banking Study*, published in December, 2012: <http://fdic.gov/regulations/resources/cbi/report/cbi-full.pdf>.

The determination of which insured institutions are considered community banks is based on five steps.

The first step in defining a community bank is to aggregate all charter-level data reported under each holding company into a single banking organization. This aggregation applies both to balance-sheet measures and the number and location of banking offices. Under the FDIC definition, if the banking organization is designated as a community bank, every charter reporting under that organization is also considered a community bank when working with data at the charter level.

The second step is to exclude any banking organization where more than 50 percent of total assets are held in certain specialty banking charters, including: *credit card specialists*, *consumer nonbank banks*, *industrial loan companies*, *trust companies*, *bankers' banks*, and banks holding 10 percent or more of total assets in foreign offices.

Once the specialty organizations are removed, the third step involves including organizations that engage in basic banking activities as measured by the total loans-to-assets ratio (greater than 33 percent) and the ratio of core deposits to assets (greater than 50 percent). Core deposits are defined as non-brokered deposits in domestic offices. Analysis of the underlying data shows that these thresholds establish meaningful levels of basic lending and deposit gathering and still allow for a degree of diversity in how individual banks construct their balance sheets.

The fourth step includes organizations that operate within a limited geographic scope. This limitation of scope is used as a proxy measure for a bank's relationship approach to banking. Banks that operate within a limited market area have more ease in managing relationships at a personal level. Under this step, four criteria are applied to each banking organization. They include both a minimum and maximum number of total banking offices, a maximum level of deposits for any one office, and location-based criteria. The limits on the number of and deposits per office are gradually adjusted upward over time. For example, for banking offices, banks must have more

than one office, and the maximum number of offices starts at 40 in 1985 and reaches 75 in 2010. The maximum level of deposits for any one office is \$1.25 billion in deposits in 1985 and \$5 billion in deposits in 2010. The remaining geographic limitations are also based on maximums for the number of states (fixed at 3) and large metropolitan areas (fixed at 2) in which the organization maintains offices. Branch office data are based on the most recent data from the annual June 30 *Summary of Deposits Survey* that are available at the time of publication.

Finally, the definition establishes an *asset-size limit*, also adjusted upward over time, for example, from \$250 million in 1985 to \$1 billion in 2010, below which the limits on banking activities and geographic scope are waived. This final step acknowledges the fact that most of those small banks that are not excluded as specialty banks meet the requirements for banking activities and geographic limits in any event.

Summary of FDIC Research Definition of Community Banking Organizations

Community banks are designated at the level of the banking organization.

(All charters under designated holding companies are considered community banking charters.)

Exclude: Any organization with:

- No loans or no core deposits
- Foreign Assets \geq 10% of total assets
- More than 50% of assets in certain specialty banks, including:
 - credit card specialists
 - consumer nonbank banks¹
 - industrial loan companies
 - trust companies
 - bankers' banks

Include: All remaining banking organizations with:

- Total assets < indexed size threshold²
- Total assets \geq indexed size threshold, where:
 - Loan to assets > 33%
 - Core deposits to assets > 50%
 - More than 1 office but no more than the indexed maximum number of offices.³
 - Number of large MSAs with offices \leq 2
 - Number of states with offices \leq 3
 - No single office with deposits > indexed maximum branch deposit size.⁴

¹ Consumer nonbank banks are financial institutions with limited charters that can make commercial loans or take deposits, but not both.

² Asset size threshold indexed to equal \$250 million in 1985 and \$1 billion in 2010.

³ Maximum number of offices indexed to equal 40 in 1985 and 75 in 2010.

⁴ Maximum branch deposit size indexed to equal \$1.25 billion in 1985 and \$5 billion in 2010.

Tables I-C through IV-C.

A separate set of tables (Tables I-C through IV-C) provides comparative quarterly data related to the Deposit Insurance Fund (DIF), problem institutions, failed/assisted institutions, estimated FDIC-insured deposits, as well as assessment rate information. Depository institutions that are not insured by the FDIC through the DIF are not included in the *FDIC Quarterly Banking Profile*. U.S. branches of institutions headquartered in foreign countries and non-deposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charters.

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *Consolidated Reports of Condition and Income (Call Reports)* and the OTS *Thrift Financial Reports* submitted by all FDIC-insured depository institutions. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.) This information is stored on and retrieved from the FDIC's Research Information System (RIS) database.

COMPUTATION METHODOLOGY

Parent institutions are required to file consolidated reports, while their subsidiary financial institutions are still required to file separate reports. Data from subsidiary institution reports are included in the *Quarterly Banking Profile* tables, which can lead to double-counting. No adjustments are made for any double-counting of subsidiary data. Additionally, certain adjustments are made to the OTS *Thrift Financial Reports* to provide closer conformance with the reporting and accounting requirements of the FFIEC *Call Reports*. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

All condition and performance ratios represent weighted averages, i.e., the sum of the individual numerator values divided by the sum of individual denominator values. All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any interim periods, divided by the total number of periods). For "pooling-of-interest" mergers, the assets of the acquired institution(s) are included in average assets since the year-to-date income includes the results of all merged institutions. No adjustments are made for "purchase accounting" mergers. Growth rates represent the percentage change over a 12-month period in totals for institutions in the base period to totals for institutions in the current period. For the community bank subgroup, growth rates will reflect changes over time in the number and identities of institutions designated as community banks, as well as changes in the assets and liabilities, and income and expenses of group members. Unless indicated otherwise, growth rates are not adjusted for mergers or other changes in the composition of the community bank subgroup.

All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state. In addition, institutions may relocate across state lines or change their charters, resulting in an inter-regional or inter-industry migration, e.g., institutions can move their home offices between regions, savings institutions can convert to commercial banks, or commercial banks may convert to savings institutions.

ACCOUNTING CHANGES

Accounting for Measurement-Period Adjustments Related to a Business Combination

In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." Under Accounting Standards Codification Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations"), if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer reports provisional amounts in its financial statements for the items for which the accounting is incomplete. During the measurement period, the acquirer is required to adjust the provisional amounts recognized at the acquisition date, with a corresponding adjustment to goodwill, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. At present under Topic 805, an acquirer is required to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect the new information. To simplify the accounting for the adjustments made to provisional amounts, ASU 2015-16 eliminates the requirement to retrospectively account for the adjustments. Accordingly, the ASU amends Topic 805 to require an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which adjustment amounts are determined. Under the ASU, the acquirer also must recognize in the financial statements for the same reporting period the effect on earnings, if any, resulting from the adjustments to the provisional amounts as if the accounting for the business combination had been completed as of the acquisition date.

In general, the measurement period in a business combination is the period after the acquisition date during which the acquirer may adjust provisional amounts reported for identifiable assets acquired, liabilities assumed, and consideration transferred for the acquiree for which the initial accounting for the business combination is incomplete at the end of the reporting period in which the combination occurs. Topic 805 provides additional guidance on the measurement period, which shall not exceed one year from the acquisition date, and adjustments to provisional amounts during this period.

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2015-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The ASU's amendments to Topic 805 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of the ASU. Thus, institutions with a calendar year fiscal year that are public business entities must apply the ASU to any adjustments to provisional amounts that occur after January 1, 2016, beginning with their Call Reports for March 31, 2016. Institutions with a calendar year fiscal year that are private companies must apply the ASU to any adjustments to provisional amounts that occur after January 1, 2017, beginning with their Call Reports for December 31, 2017. Early application of ASU 2015-16 is permitted in Call Reports that have not been submitted.

For additional information, institutions should refer to ASU 2015-16, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” This ASU requires debt issuance costs associated with a recognized debt liability to be presented as a direct deduction from the face amount of the related debt liability, similar to debt discounts. The ASU is limited to the presentation of debt issuance costs; therefore, the recognition and measurement guidance for such costs is unaffected. At present, Accounting Standards Codification (ASC) Subtopic 835-30, Interest—Imputation of Interest, requires debt issuance costs to be reported on the balance sheet as an asset (i.e., a deferred charge). For Call Report purposes, the costs of issuing debt currently are reported, net of accumulated amortization, in “Other assets.”

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2016. For institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Thus, institutions with a calendar year fiscal year that are private companies must apply the ASU in their December 31, 2016, and subsequent quarterly Call Reports. Early adoption of the guidance in ASU 2015-03 is permitted.

Extraordinary Items

In January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.” This ASU eliminates from U.S. GAAP the concept of extraordinary items. At present, ASC Subtopic 225-20, Income Statement—Extraordinary and Unusual Items (formerly Accounting Principles Board Opinion No. 30, “Reporting the Results of Operations”), requires an entity to separately classify, present, and disclose extraordinary events and transactions. An event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. If an event or transaction currently meets the criteria for extraordinary classification, an institution must segregate the extraordinary item from the results of its ordinary operations and report the extraordinary item in its income statement as “Extraordinary items and other adjustments, net of income taxes.”

ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Thus, for example, institutions with a calendar year fiscal year must begin to apply the ASU in their Call Reports for March 31, 2016. Early adoption of ASU 2015-01 is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. For Call Report purposes, an institution with a calendar year fiscal year must apply the ASU prospectively, that is, in general, to events or transactions occurring after the date of adoption. However, an institution with a fiscal year other than a calendar year may elect to apply ASU 2015-01 prospectively or, alternatively, it may elect to apply the ASU retrospectively to all prior calendar quarters included in the institution’s year-to-date Call Report income statement that includes the beginning of the fiscal year of adoption.

After an institution adopts ASU 2015-01, any event or transaction that would have met the criteria for extraordinary classification before the adoption of the ASU should be reported in “Other noninterest income,” or “Other noninterest expense,” as appropriate, unless the event or transaction would otherwise be reportable in the income

statement. [As a result of the recent accounting change, year-to-date Third Quarter 2016 “Extraordinary gains, net” on the QBP includes only Discontinued operations expense. Accordingly, comparisons to periods prior to September 2016 are not meaningful, since prior periods included all Extraordinary gains and Discontinued operations expense.] For additional information, institutions should refer to ASU 2015-01, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Accounting by Private Companies for Identifiable Intangible Assets in a Business Combination

In December 2014, the FASB issued ASU No. 2014-18, “Accounting for Identifiable Intangible Assets in a Business Combination,” which is a consensus of the Private Company Council (PCC). This ASU provides an accounting alternative that permits a private company, as defined in U.S. GAAP (and discussed in a later section of these Supplemental Instructions), to simplify the accounting for certain intangible assets. The accounting alternative applies when a private company is required to recognize or otherwise consider the fair value of intangible assets as a result of certain transactions, including when applying the acquisition method to a business combination under ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), “Business Combinations”).

Under ASU 2014-18, a private company that elects the accounting alternative should no longer recognize separately from goodwill:

- Customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of a business, and
- Noncompetition agreements.

However, because mortgage servicing rights and core deposit intangibles are regarded as capable of being sold or licensed independently, a private company that elects this accounting alternative must recognize these intangible assets separately from goodwill, initially measure them at fair value, and subsequently measure them in accordance with ASC Topic 350, Intangibles—Goodwill and Other (formerly FASB Statement No. 142, “Goodwill and Other Intangible Assets”).

A private company that elects the accounting alternative in ASU 2014-18 also must adopt the private company goodwill accounting alternative described in ASU 2014-02, “Accounting for Goodwill.” However, a private company that elects the goodwill accounting alternative in ASU 2014-02 is not required to adopt the accounting alternative for identifiable intangible assets in ASU 2014-18.

A private company’s decision to adopt ASU 2014-18 must be made upon the occurrence of the first business combination (or other transaction within the scope of the ASU) in fiscal years beginning after December 15, 2015. The effective date of the private company’s decision to adopt the accounting alternative for identifiable intangible assets depends on the timing of that first transaction.

If the first transaction occurs in the private company’s first fiscal year beginning after December 15, 2015, the adoption will be effective for that fiscal year’s annual financial reporting period and all interim and annual periods thereafter. If the first transaction occurs in a fiscal year beginning after December 15, 2016, the adoption will be effective in the interim period that includes the date of the transaction and subsequent interim and annual periods thereafter.

Early application of the intangibles accounting alternative is permitted for any annual or interim period for which a private company’s financial statements have not yet been made available for issuance. Customer-related intangible assets and noncompetition agreements that exist as of the beginning of the period of adoption should

continue to be accounted for separately from goodwill, i.e., such existing intangible assets should not be combined with goodwill.

A bank or savings association that meets the private company definition in U.S. GAAP is permitted, but not required, to adopt ASU 2014-18 for Call Report purposes and may choose to early adopt the ASU, provided it also adopts the private company goodwill accounting alternative. If a private institution issues U.S. GAAP financial statements and adopts ASU 2014-18, it should apply the ASU's intangible asset accounting alternative in its Call Report in a manner consistent with its reporting of intangible assets in its financial statements.

For additional information on the private company accounting alternative for identifiable intangible assets, institutions should refer to ASU 2014-18, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Private Company Accounting Alternatives

In May 2012, the Financial Accounting Foundation, the independent private sector organization responsible for the oversight of the FASB, approved the establishment of the PCC to improve the process of setting accounting standards for private companies. The PCC is charged with working jointly with the FASB to determine whether and in what circumstances to provide alternative recognition, measurement, disclosure, display, effective date, and transition guidance for private companies reporting under U.S. GAAP. Alternative guidance for private companies may include modifications or exceptions to otherwise applicable existing U.S. GAAP standards.

The banking agencies have concluded that a bank or savings association that is a private company, as defined in U.S. GAAP (as discussed in a later section of these Supplemental Instructions), is permitted to use private company accounting alternatives issued by the FASB when preparing its Call Reports, except as provided in 12 U.S.C. 1831n(a) as described in the following sentence. If the agencies determine that a particular accounting principle within U.S. GAAP, including a private company accounting alternative, is inconsistent with the statutorily specified supervisory objectives, the agencies may prescribe an accounting principle for regulatory reporting purposes that is no less stringent than U.S. GAAP. In such a situation, an institution would not be permitted to use that particular private company accounting alternative or other accounting principle within U.S. GAAP for Call Report purposes. The agencies would provide appropriate notice if they were to disallow any accounting alternative under the statutory process.

Accounting by Private Companies for Goodwill

On January 16, 2014, the FASB issued ASU No. 2014-02, "Accounting for Goodwill," which is a consensus of the PCC. This ASU generally permits a private company to elect to amortize goodwill on a straight-line basis over a period of ten years (or less than ten years if more appropriate) and apply a simplified impairment model to goodwill. In addition, if a private company chooses to adopt the ASU's goodwill accounting alternative, the ASU requires the private company to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount. In contrast, U.S. GAAP does not otherwise permit goodwill to be amortized, instead requiring goodwill to be tested for impairment at the reporting unit level annually and between annual tests in certain circumstances. The ASU's goodwill accounting alternative, if elected by a private company, is effective prospectively for new goodwill recognized in annual periods beginning after December 15, 2014, and in interim periods within

annual periods beginning after December 15, 2015. Goodwill existing as of the beginning of the period of adoption is to be amortized prospectively over ten years (or less than ten years if more appropriate). The ASU states that early application of the goodwill accounting alternative is permitted for any annual or interim period for which a private company's financial statements have not yet been made available for issuance.

A bank or savings association that meets the private company definition in ASU 2014-02, as discussed in the following section of these Supplemental Instructions (i.e., a private institution), is permitted, but not required, to adopt this ASU for Call Report purposes and may choose to early adopt the ASU. If a private institution issues U.S. GAAP financial statements and adopts the ASU, it should apply the ASU's goodwill accounting alternative in its Call Report in a manner consistent with its reporting of goodwill in its financial statements. Thus, for example, a private institution with a calendar year fiscal year that chooses to adopt ASU 2014-02 must apply the ASU's provisions in its December 31, 2015, and subsequent quarterly Call Reports unless early application of the ASU was elected. This would require the private institution to report in its December 31, 2015, Call Report one year's amortization of goodwill existing as of January 1, 2015, and the amortization of any new goodwill recognized in 2015.

For additional information on the private company accounting alternative for goodwill, institutions should refer to ASU 2014-02, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Definitions of Private Company and Public Business Entity

According to ASU No. 2014-02, "Accounting for Goodwill," a private company is a business entity that is not a public business entity. ASU No. 2013-12, "Definition of a Public Business Entity," which was issued in December 2013, added this term to the Master Glossary in the Accounting Standards Codification. This ASU states that a business entity, such as a bank or savings association, that meets any one of five criteria set forth in the ASU is a public business entity for reporting purposes under U.S. GAAP, including for Call Report purposes. An institution that is a public business entity is not permitted to apply the private company goodwill accounting alternative discussed in the preceding section when preparing its Call Report.

For additional information on the definition of a public business entity, institutions should refer to ASU 2013-12, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Reporting Certain Government-Guaranteed Mortgage Loans Upon Foreclosure

In August 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure," to address diversity in practice for how government-guaranteed mortgage loans are recorded upon foreclosure. The ASU updates guidance contained in ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended), because U.S. GAAP previously did not provide specific guidance on how to categorize or measure foreclosed mortgage loans that are government guaranteed. The ASU clarifies the conditions under which a creditor must derecognize a government-guaranteed mortgage loan and recognize a separate "other receivable" upon foreclosure (that is, when a creditor receives physical possession of real estate property collateralizing a mortgage loan in accordance with the guidance in ASC Subtopic 310-40).

Under the ASU, institutions should derecognize a mortgage loan and record a separate other receivable upon foreclosure of the real estate collateral if the following conditions are met:

- The loan has a government guarantee that is not separable from the loan before foreclosure.
- At the time of foreclosure, the institution has the intent to convey the property to the guarantor and make a claim on the guarantee and it has the ability to recover under that claim.
- At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed (that is, the real estate property has been appraised for purposes of the claim and thus the institution is not exposed to changes in the fair value of the property).

This guidance is applicable to fully and partially government-guaranteed mortgage loans provided the three conditions identified above have been met. In such situations, upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor.

For institutions that are public business entities, as defined under U.S. GAAP (as discussed in an earlier section of these Supplemental Instructions), ASU 2014-14 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2015. However, institutions that are not public business entities (i.e., that are private companies) are not required to apply the guidance in ASU 2014-14 until annual periods ending after December 15, 2015, and interim periods beginning after December 15, 2015. Thus, institutions with a calendar year fiscal year that are private companies must apply the ASU in their December 31, 2015, and subsequent quarterly Call Reports. Earlier adoption of the guidance in ASU 2014-14 is permitted if the institution has already adopted the amendments in ASU No. 2014-04, “Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.”

For additional information, institutions should refer to ASU 2014-14, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-04, “Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure,” to address diversity in practice for when certain loan receivables should be derecognized and the real estate collateral recognized. The ASU updated guidance contained in Accounting Standards Codification Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, “Accounting by Debtors and Creditors for Troubled Debt Restructurings,” as amended).

Under prior accounting guidance, all loan receivables were reclassified to other real estate owned (OREO) when the institution, as creditor, obtained physical possession of the property, regardless of whether formal foreclosure proceedings had taken place. The new ASU clarifies when a creditor is considered to have received physical possession (resulting from an in-substance repossession or foreclosure) of residential real estate collateralizing a consumer mortgage loan. Under the new guidance, physical possession for these residential real estate properties is considered to have occurred and a loan receivable would be reclassified to OREO only upon:

- The institution obtaining legal title upon completion of a foreclosure even if the borrower has redemption rights that provide the borrower with a legal right for a period of time after foreclosure to reclaim the property by paying certain amounts specified by law, or
- The completion of a deed in lieu of foreclosure or similar legal agreement under which the borrower conveys all interest in the residential real estate property to the institution to satisfy the loan.

Loans secured by real estate other than consumer mortgage loans collateralized by residential real estate should continue to be reclassified to OREO when the institution has received physical possession of a borrower’s real estate, regardless of whether formal foreclosure proceedings take place.

For institutions that are public business entities, as defined under U.S. generally accepted accounting principles, ASU 2014-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. For example, institutions with a calendar year fiscal year that are public business entities must apply the ASU in their Call Reports beginning March 31, 2015. However, institutions that are not public business entities are not required to apply the guidance in ASU 2014-04 until annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Thus, institutions with a calendar year fiscal year that are not public business entities must apply the ASU in their December 31, 2015, and subsequent quarterly Call Reports. Earlier adoption of the guidance in ASU 2014-04 is permitted.

Entities can elect to apply the ASU on either a modified retrospective transition basis or a prospective transition basis. Applying the ASU on a prospective transition basis should be less complex for institutions than applying the ASU on a modified retrospective transition basis. Under the prospective transition method, an institution should apply the new guidance to all instances where it receives physical possession of residential real estate property collateralizing consumer mortgage loans that occur after the date of adoption of the ASU. Under the modified retrospective transition method, an institution should apply a cumulative-effect adjustment to residential consumer mortgage loans and OREO existing as of the beginning of the annual period for which the ASU is effective. As a result of adopting the ASU on a modified retrospective basis, assets reclassified from OREO to loans should be measured at the carrying value of the real estate at the date of adoption while assets reclassified from loans to OREO should be measured at the lower of the net amount of the loan receivable or the OREO property’s fair value less costs to sell at the time of adoption.

For additional information, institutions should refer to ASU 2014-04, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

True-Up Liability Under an FDIC Loss-Sharing Agreement

An insured depository institution that acquires a failed insured institution may enter into a loss-sharing agreement with the FDIC under which the FDIC agrees to absorb a portion of the losses on a specified pool of the failed institution’s assets during a specified time period. The acquiring institution typically records an indemnification asset representing its right to receive payments from the FDIC for losses during the specified time period on assets covered under the loss-sharing agreement.

Since 2009, most loss-sharing agreements have included a true-up provision that may require the acquiring institution to reimburse the FDIC if cumulative losses in the acquired loss-share portfolio are less than the amount of losses claimed by the institution throughout the loss-sharing period. Typically, a true-up liability may result because the recovery period on the loss-share assets (e.g., eight years) is

longer than the period during which the FDIC agrees to reimburse the acquiring institution for losses on the loss-share portfolio (e.g., five years).

Consistent with U.S. GAAP and bank guidance for “Offsetting,” institutions are permitted to offset assets and liabilities recognized in the Report of Condition when a “right of setoff” exists. Under ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts”), in general, a right of setoff exists when a reporting institution and another party each owes the other determinable amounts, the reporting institution has the right to set off the amounts each party owes and also intends to set off, and the right of setoff is enforceable at law. Because the conditions for the existence of a right of offset in ASC Subtopic 210-20 normally would not be met with respect to an indemnification asset and a true-up liability under a loss-sharing agreement with the FDIC, this asset and liability should not be netted for Call Report purposes. Therefore, institutions should report the indemnification asset gross (i.e., without regard to any true-up liability) in Other Assets, and any true-up liability in Other Liabilities.

In addition, an institution should not continue to report assets covered by loss-sharing agreements after the expiration of the loss-sharing period even if the terms of the loss-sharing agreement require reimbursements from the institution to the FDIC for certain amounts during the recovery period.

Indemnification Assets and Accounting Standards Update

No. 2012-06 – In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-06, “Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution,” to address the subsequent measurement of an indemnification asset recognized in an acquisition of a financial institution that includes an FDIC loss-sharing agreement. This ASU amends ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), “Business Combinations”), which includes guidance applicable to FDIC-assisted acquisitions of failed institutions.

Under the ASU, when an institution experiences a change in the cash flows expected to be collected on an FDIC loss-sharing indemnification asset because of a change in the cash flows expected to be collected on the assets covered by the loss-sharing agreement, the institution should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in the value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets.

The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2012. For institutions with a calendar year fiscal year, the ASU takes effect January 1, 2013. Early adoption of the ASU is permitted. The ASU’s provisions should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from an FDIC-assisted acquisition of a financial institution. Institutions with indemnification assets arising from FDIC loss-sharing agreements are expected to adopt ASU 2012-06 for Call Report purposes in accordance with the effective date of this standard. For additional information, refer to ASU 2012-06, available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Goodwill Impairment Testing – In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, “Testing Goodwill

for Impairment,” to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, “Goodwill and Other Intangible Assets”). The ASU’s amendments to ASC Topic 350 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (i.e., for annual or interim tests performed on or after January 1, 2012, for institutions with a calendar year fiscal year). Early adoption of the ASU was permitted. Under ASU 2011-08, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. If, after considering all relevant events and circumstances, an institution determines it is unlikely (that is, a likelihood of 50 percent or less) that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step goodwill impairment test. If the institution instead concludes that the opposite is true (that is, it is likely that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the first step and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, an institution may choose to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test.

Accounting for Loan Participations – Amended ASC Topic 860 (formerly FAS 166) modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting—refer to previously published *Quarterly Banking Profile* notes: <http://www5.fdic.gov/qbp/2011mar/qbpnot.html>.

Other-Than-Temporary Impairment – When the fair value of an investment in an individual available-for-sale or held-to-maturity security is less than its cost basis, the impairment is either temporary or other-than-temporary. The amount of the total other-than-temporary impairment related to credit loss must be recognized in earnings, but the amount of total impairment related to other factors must be recognized in other comprehensive income, net of applicable taxes. To determine whether the impairment is other-than-temporary, an institution must apply the applicable accounting guidance—refer to previously published *Quarterly Banking Profile* notes: <http://www5.fdic.gov/qbp/2011mar/qbpnot.html>.

Accounting Standards Codification – refer to previously published *Quarterly Banking Profile* notes: <http://www5.fdic.gov/qbp/2011sep/qbpnot.html>.

DEFINITIONS (in alphabetical order)

All other assets – total cash, balances due from depository institutions, premises, fixed assets, direct investments in real estate, investment in unconsolidated subsidiaries, customers’ liability on acceptances outstanding, assets held in trading accounts, federal funds sold, securities purchased with agreements to resell, fair market value of derivatives, prepaid deposit insurance assessments, and other assets.

All other liabilities – bank’s liability on acceptances, limited-life preferred stock, allowance for estimated off-balance-sheet credit losses, fair market value of derivatives, and other liabilities.

Assessment base – effective April 1, 2011, the deposit insurance assessment base changed to “average consolidated total assets minus average tangible equity” with an additional adjustment to the assessment base for banker’s banks and custodial banks, as permitted under

Dodd-Frank. Previously the assessment base was “assessable deposits” and consisted of DIF deposits (deposits insured by the FDIC Deposit Insurance Fund) in banks’ domestic offices with certain adjustments.

Assessment rate schedule – Initial base assessment rates for small institutions are based on a combination of financial ratios and CAMELS component ratings. Initial rates for large institutions—generally those with at least \$10 billion in assets—are also based on CAMELS component ratings and certain financial measures combined into two scorecards—one for most large institutions and another for the remaining very large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions). The FDIC may take additional information into account to make a limited adjustment to a large institution’s scorecard results, which are used to determine a large institution’s initial base assessment rate.

While risk categories for small institutions (except new institutions) were eliminated effective July 1, 2016, initial rates for small institutions are subject to minimums and maximums based on an institution’s CAMELS composite rating. (Risk categories for large institutions were eliminated in 2011.)

The current assessment rate schedule became effective July 1, 2016. Under the current schedule, initial base assessment rates range from 3 to 30 basis points. An institution’s total base assessment rate may differ from its initial rate due to three possible adjustments: (1) **Unsecured Debt Adjustment:** An institution’s rate may decrease by up to 5 basis points for unsecured debt. The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an institution’s initial base assessment rate (IBAR). Thus, for example, an institution with an IBAR of 3 basis points would have a maximum unsecured debt adjustment of 1.5 basis points and could not have a total base assessment rate lower than 1.5 basis points. (2) **Depository Institution Debt Adjustment:** For institutions that hold long-term unsecured debt issued by another insured depository institution, a 50 basis point charge is applied to the amount of such debt held in excess of 3 percent of an institution’s Tier 1 capital. (3) **Brokered Deposit Adjustment:** Rates for large institutions that are not well capitalized or do not have a composite CAMELS rating of 1 or 2 may increase (not to exceed 10 basis points) if their brokered deposits exceed 10 percent of domestic deposits.

The assessment rate schedule effective July 1, 2016, is shown in the following table:

	Total Base Assessment Rates*			
	Established Small Banks			Large and Highly Complex Institutions**
	CAMELS Composite			
	1 or 2	3	4 or 5	
Initial Base Assessment Rate	3 to 16	6 to 30	16 to 30	3 to 30
Unsecured Debt Adjustment	-5 to 0	-5 to 0	-5 to 0	-5 to 0
Brokered Deposit Adjustment	N/A	N/A	N/A	0 to 10
Total Base Assessment Rate	1.5 to 16	3 to 30	11 to 30	1.5 to 40

* All amounts for all categories are in basis points annually. Total base rates that are not the minimum or maximum rate will vary between these rates. Total base assessment rates do not include the depository institution debt adjustment.

** Effective July 1, 2016, large institutions are also subject to temporary assessment surcharges in order to raise the reserve ratio from 1.15 percent to 1.35 percent. The surcharges amount to 4.5 basis points of a large institution’s assessment base (after making certain adjustments).

Each institution is assigned a risk-based rate for a quarterly assessment period near the end of the quarter following the assessment period. Payment is generally due on the 30th day of the last month of the quarter following the assessment period. Supervisory rating changes are effective for assessment purposes as of the examination transmittal date.

Assets securitized and sold – total outstanding principal balance of assets securitized and sold with servicing retained or other seller-provided credit enhancements.

Capital Purchase Program (CPP) – as announced in October 2008 under the TARP, the Treasury Department purchase of noncumulative perpetual preferred stock and related warrants that is treated as Tier 1 capital for regulatory capital purposes is included in “Total equity capital.” Such warrants to purchase common stock or noncumulative preferred stock issued by publicly-traded banks are reflected as well in “Surplus.” Warrants to purchase common stock or noncumulative preferred stock of not-publicly-traded bank stock are classified in a bank’s balance sheet as “Other liabilities.”

Common equity tier 1 capital ratio – ratio of common equity tier 1 capital to risk-weighted assets. Common equity tier 1 capital includes common stock instruments and related surplus, retained earnings, accumulated other comprehensive income (AOCI), and limited amounts of common equity tier 1 minority interest, minus applicable regulatory adjustments and deductions. Items that are fully deducted from common equity tier 1 capital include goodwill, other intangible assets (excluding mortgage servicing assets) and certain deferred tax assets; items that are subject to limits in common equity tier 1 capital include mortgage servicing assets, eligible deferred tax assets, and certain significant investments.

Construction and development loans – includes loans for all property types under construction, as well as loans for land acquisition and development.

Core capital – common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries, less goodwill and other ineligible intangible assets. The amount of eligible intangibles (including servicing rights) included in core capital is limited in accordance with supervisory capital regulations.

Cost of funding earning assets – total interest expense paid on deposits and other borrowed money as a percentage of average earning assets.

Credit enhancements – techniques whereby a company attempts to reduce the credit risk of its obligations. Credit enhancement may be provided by a third party (external credit enhancement) or by the originator (internal credit enhancement), and more than one type of enhancement may be associated with a given issuance.

Deposit Insurance Fund (DIF) – the Bank (BIF) and Savings Association (SAIF) Insurance Funds were merged in 2006 by the Federal Deposit Insurance Reform Act to form the DIF.

Derivatives notional amount – the notional, or contractual, amounts of derivatives represent the level of involvement in the types of derivatives transactions and are not a quantification of market risk or credit risk. Notional amounts represent the amounts used to calculate contractual cash flows to be exchanged.

Derivatives credit equivalent amount – the fair value of the derivative plus an additional amount for potential future credit exposure based on the notional amount, the remaining maturity and type of the contract.

Derivatives transaction types:

Futures and forward contracts – contracts in which the buyer agrees to purchase and the seller agrees to sell, at a specified future date, a specific quantity of an underlying variable or index at a specified price or yield. These contracts exist for a variety of variables or indices, (traditional agricultural or physical commodities, as well as currencies and interest rates). Futures contracts are standardized and are traded on organized exchanges which set limits on counterparty credit exposure. Forward contracts do not have standardized terms and are traded over the counter.

Option contracts – contracts in which the buyer acquires the right to buy from or sell to another party some specified amount of an underlying variable or index at a stated price (strike price) during a period or on a specified future date, in return for compensation (such as a fee or premium). The seller is obligated to purchase or sell the variable or index at the discretion of the buyer of the contract.

Swaps – obligations between two parties to exchange a series of cash flows at periodic intervals (settlement dates), for a specified period. The cash flows of a swap are either fixed, or determined for each settlement date by multiplying the quantity (notional principal) of the underlying variable or index by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

Derivatives underlying risk exposure – the potential exposure characterized by the level of banks’ concentration in particular underlying instruments, in general. Exposure can result from market risk, credit risk, and operational risk, as well as, interest rate risk.

Domestic deposits to total assets – total domestic office deposits as a percent of total assets on a consolidated basis.

Earning assets – all loans and other investments that earn interest or dividend income.

Efficiency ratio – Noninterest expense less amortization of intangible assets as a percent of net interest income plus noninterest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Estimated insured deposits – in general, insured deposits are total domestic deposits minus estimated uninsured deposits. Beginning March 31, 2008, for institutions that file Call Reports, insured deposits are total assessable deposits minus estimated uninsured deposits. Beginning September 30, 2009, insured deposits include deposits in accounts of \$100,000 to \$250,000 that are covered by a temporary increase in the FDIC’s standard maximum deposit insurance amount (SMDIA). The Dodd-Frank Wall Street Reform and Consumer Protection Act enacted on July 21, 2010, made permanent the standard maximum deposit insurance amount (SMDIA) of \$250,000. Also, the Dodd-Frank Act amended the Federal Deposit Insurance Act to include noninterest-bearing transaction accounts as a new temporary deposit insurance account category. All funds held in noninterest-bearing transaction accounts were fully insured, without limit, from December 31, 2010, through December 31, 2012.

Failed/assisted institutions – an institution fails when regulators take control of the institution, placing the assets and liabilities into a bridge bank, conservatorship, receivership, or another healthy institution. This action may require the FDIC to provide funds to cover losses. An institution is defined as “assisted” when the institution remains open and receives assistance in order to continue operating.

Fair Value – the valuation of various assets and liabilities on the balance sheet—including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option, and foreclosed assets—involves the use of fair values. During periods of market stress, the fair values of some financial instruments and nonfinancial assets may decline.

FHLB advances – all borrowings by FDIC insured institutions from the Federal Home Loan Bank System (FHLB), as reported by Call Report filers, and by TFR filers prior to March 31, 2012.

Goodwill and other intangibles – intangible assets include servicing rights, purchased credit card relationships, and other identifiable intangible assets. Goodwill is the excess of the purchase price over the fair market value of the net assets acquired, less subsequent impairment adjustments. Other intangible assets are recorded at fair value, less subsequent quarterly amortization and impairment adjustments.

Loans secured by real estate – includes home equity loans, junior liens secured by 1-4 family residential properties, and all other loans secured by real estate.

Loans to individuals – includes outstanding credit card balances and other secured and unsecured consumer loans.

Long-term assets (5+ years) – loans and debt securities with remaining maturities or repricing intervals of over five years.

Maximum credit exposure – the maximum contractual credit exposure remaining under recourse arrangements and other seller-provided credit enhancements provided by the reporting bank to securitizations.

Mortgage-backed securities – certificates of participation in pools of residential mortgages and collateralized mortgage obligations issued or guaranteed by government-sponsored or private enterprises. Also, see “Securities,” below.

Net charge-offs – total loans and leases charged off (removed from balance sheet because of uncollectability), less amounts recovered on loans and leases previously charged off.

Net interest margin – the difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments are made for interest income that is tax exempt.

Net loans to total assets – loans and lease financing receivables, net of unearned income, allowance and reserves, as a percent of total assets on a consolidated basis.

Net operating income – income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

Noncurrent assets – the sum of loans, leases, debt securities, and other assets that are 90 days or more past due, or in nonaccrual status.

Noncurrent loans & leases – the sum of loans and leases 90 days or more past due, and loans and leases in nonaccrual status.

Number of institutions reporting – the number of institutions that actually filed a financial report.

New reporters – insured institutions filing quarterly financial reports for the first time.

Other borrowed funds – federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, FHLB advances, other borrowed money, mortgage indebtedness,

obligations under capitalized leases and trading liabilities, less revaluation losses on assets held in trading accounts.

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that file a *Thrift Financial Report* (TFR), the valuation allowance subtracted also includes allowances for other repossessed assets. Also, for TFR filers the components of other real estate owned are reported gross of valuation allowances. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Percent of institutions with earnings gains – the percent of institutions that increased their net income (or decreased their losses) compared to the same period a year earlier.

“Problem” institutions – federal regulators assign a composite rating to each financial institution, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. “Problem” institutions are those institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Depending upon the degree of risk and supervisory concern, they are rated either a “4” or “5.” The number and assets of “problem” institutions are based on FDIC composite ratings. Prior to March 31, 2008, for institutions whose primary federal regulator was the OTS, the OTS composite rating was used.

Recourse – an arrangement in which a bank retains, in form or in substance, any credit risk directly or indirectly associated with an asset it has sold (in accordance with generally accepted accounting principles) that exceeds a pro rata share of the bank’s claim on the asset. If a bank has no claim on an asset it has sold, then the retention of any credit risk is recourse.

Reserves for losses – the allowance for loan and lease losses on a consolidated basis.

Restructured loans and leases – loan and lease financing receivables with terms restructured from the original contract. Excludes restructured loans and leases that are not in compliance with the modified terms.

Retained earnings – net income less cash dividends on common and preferred stock for the reporting period.

Return on assets – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total (consolidated) assets. The basic yardstick of bank profitability.

Return on equity – bank net income (including gains or losses on securities and extraordinary items) as a percentage of average total equity capital.

Risk-weighted assets – assets adjusted for risk-based capital definitions which include on-balance-sheet as well as off-balance-sheet items multiplied by risk-weights that range from zero to 200 percent. A conversion factor is used to assign a balance sheet equivalent amount for selected off-balance-sheet accounts.

Securities – excludes securities held in trading accounts. Banks’ securities portfolios consist of securities designated as “held-to-maturity,” which are reported at amortized cost (book value), and securities designated as “available-for-sale,” reported at fair (market) value.

Securities gains (losses) – realized gains (losses) on held-to-maturity and available-for-sale securities, before adjustments for income taxes. *Thrift Financial Report* (TFR) filers also include gains (losses) on the sales of assets held for sale. (TFR filers began filing Call Reports effective with the quarter ending March 31, 2012.)

Seller’s interest in institution’s own securitizations – the reporting bank’s ownership interest in loans and other assets that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller’s interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller’s interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Small Business Lending Fund – The Small Business Lending Fund (SBLF) was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing capital to qualified community institutions with assets of less than \$10 billion. The SBLF Program is administered by the U.S. Treasury Department (<http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx>).

Under the SBLF Program, the Treasury Department purchased noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock has been issued by a depository institution, it is reported as “Perpetual preferred stock and related surplus.” For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of Tier 1 capital. Qualifying Subchapter S corporations and mutual institutions issue unsecured subordinated debentures to the Treasury Department through the SBLF. Depository institutions that issued these debentures report them as “Subordinated notes and debentures.” For regulatory capital purposes, the debentures are eligible for inclusion in an institution’s Tier 2 capital in accordance with their primary federal regulator’s capital standards. To participate in the SBLF Program, an institution with outstanding securities issued to the Treasury Department under the Capital Purchase Program (CPP) was required to refinance or repay in full the CPP securities at the time of the SBLF funding. Any outstanding warrants that an institution issued to the Treasury Department under the CPP remain outstanding after the refinancing of the CPP stock through the SBLF Program unless the institution chooses to repurchase them.

Subchapter S corporation – a Subchapter S corporation is treated as a pass-through entity, similar to a partnership, for federal income tax purposes. It is generally not subject to any federal income taxes at the corporate level. This can have the effect of reducing institutions’ reported taxes and increasing their after-tax earnings.

Trust assets – market value, or other reasonably available value of fiduciary and related assets, to include marketable securities, and other financial and physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods. Such fiduciary assets are not included in the assets of the financial institution.

Unearned income & contra accounts – unearned income for *Call Report* filers only.

Unused loan commitments – includes credit card lines, home equity lines, commitments to make loans for construction, loans secured by commercial real estate, and unused commitments to originate or purchase loans. (Excluded are commitments after June 2003 for originated mortgage loans held for sale, which are accounted for as derivatives on the balance sheet.)

Yield on earning assets – total interest, dividend, and fee income earned on loans and investments as a percentage of average earning assets.

CORE PROFITABILITY OF COMMUNITY BANKS: 1985–2015

Abstract

The relatively low profitability reported by community banks since the 2008 financial crisis has sparked concerns about the core profitability of the community banking model. This paper constructs an econometric model using 31 years of data to estimate the impact of macroeconomic shocks on industry average pretax return on assets (ROA). After accounting for macroeconomic factors, the remaining unexplained variation is considered to be the core component of profitability. Core return on assets is found to have been relatively stable between 1985 and 2015. It trended downward over the 1990s, but the effect of the financial crisis on industry composition has led to a reversal and a modest increase in core profitability. More than 80 percent of the post-crisis decline in profitability can be explained by negative macroeconomic shocks.

Community Bank Profitability, 1985 to 2015

Profitability across FDIC-insured institutions fell to record lows during the financial crisis of 2008 and the subsequent recession. In the years since, several measures of performance show the banking industry has rebounded. For example, by year-end 2015, noncurrent loans, loan-loss provisions, and net charge-offs had fallen to pre-crisis levels, and less than 5 percent of all institutions were unprofitable.

In contrast, profitability has stayed 20 to 30 basis points below pre-crisis levels, as measured by the average industry return on assets of 1.03 percent at year-end 2015. Banks continue to feel the strain of an economy marked by slow growth and low interest rates. The industry's net interest margin was just over 3 percent at year-end 2015, even as the share of longer-term assets with maturities over three years grew to just over one-third of total assets. In short, economic growth since the recession has helped the banking industry recover, but the weakness of the recovery has led to lackluster profitability.

Community banks—which accounted for 93 percent of all banks and 13 percent of total industry assets in 2015—have followed the same performance trends as the overall industry.¹ Their noncurrent loans, loan-loss provisions, net charge-offs, and percentage of unprofitable institutions have returned to pre-crisis levels, while profitability has remained below pre-crisis levels. Pretax ROA for community banks was more than a full percentage point higher in 2015 than the lows seen during the crisis but remained 20 to 30 basis points below the annual averages reported in the pre-crisis years.² This is even as the share of longer-term assets with maturities over three years grew to about one-half of total assets at community banks.

What accounts for the relatively low level of profitability among banks in the post-crisis period? Have macroeconomic factors that are external to the banking industry placed downward pressure on profits, or have structural factors within the industry—such as business practices and the regulatory environment—changed the intrinsic profitability of banks? Here we focus on the profitability of community banks and the factors that affect it. We use an econometric model to separate pretax ROA into two parts: one part is attributable to cyclical variations in pretax ROA caused by macroeconomic factors, and the second part is attributable to structural factors that reflect the operational environment of the banking industry and represents the core component of profitability.

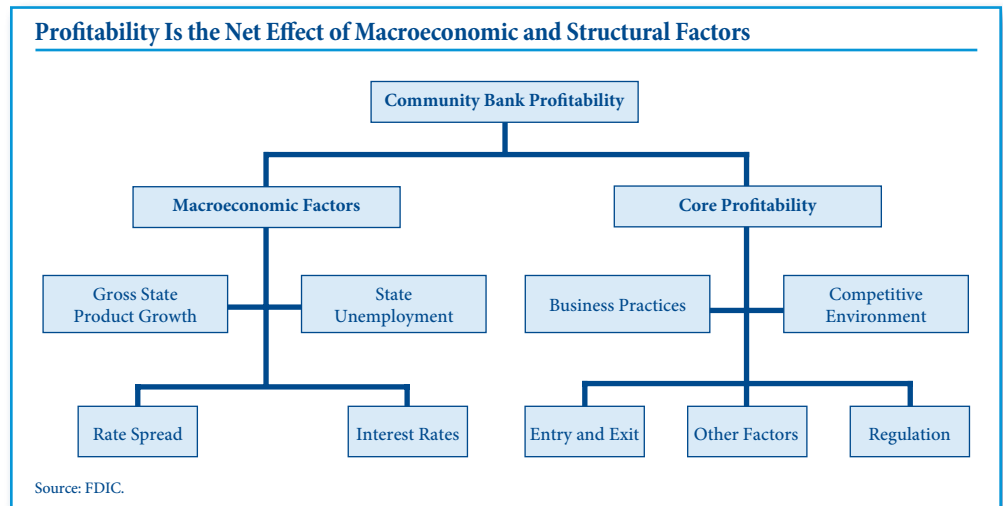
Understanding the impact of macroeconomic factors on bank profitability has been a long-standing challenge. Several papers have investigated the relationship between business-cycle variables and bank profitability, but they do so to estimate the marginal effect of macroeconomic factors on individual bank profits rather than to estimate core profitability.³ This

¹ We use the FDIC (2012) definition of community bank, which is a functional definition rather than a fixed-asset size definition.

² We evaluate pretax ROA for community banks since about one-third of community banks are pass-through Subchapter S corporations, which do not pay federal income taxes.

³ For example, Demirgüç-Kunt and Huizinga (1999), Bikker and Hu (2002), Athanasoglou et al. (2006), and Beckmann (2007) use national GDP to examine the effects of macroeconomic conditions on bank profits. Other studies, such as Albertazzi and Gabacorta (2009), Tregenna (2009), Kanas et al. (2012), and Morris and Regehr (2014), examine the effects of bank-level characteristics and other structural factors on bank profits, including macroeconomic variables as control variables.

Chart 1



paper further differs from past studies by considering macroeconomic variables in terms of growth rates, evaluating profitability across all community banks in aggregate, and controlling for the econometric bias introduced by entry and exit of banks in our sample over time.⁴

Our econometric model estimates the impact of macroeconomic factors on pretax ROA across community banks. The remaining variation in pretax ROA is attributable to structural factors, and we refer to this as core profitability. Core profitability is the intrinsic earning capacity of a bank, after controlling for the impact of macroeconomic factors. It reflects the net impact of the structural factors, which could include, for example, business practices, entry and exit of banks, the competitive environment, and the regulatory environment (see Chart 1). Our econometric model does not estimate the contributions of individual structural factors on profitability separately; instead, it estimates their net effect.

Our results show that community bank profitability from 1985 through 2015 may be divided into three distinct periods: the savings and loan (S&L) crisis years from 1985 to 1990, the economically strong years from 1991 to 2007, and the financial crisis and recovery years from 2008 to 2015. We find that relatively low profitability during the S&L crisis was the result of structural factors within the industry and was largely independent of the macroeconomic environment. Structural changes following the S&L crisis resulted in a sharp increase in profitability. During the second period, profitability was relatively high largely due to the exceptionally strong economy; however, profitability trended down slowly over this period as the strong economy was able to sustain increasingly less efficient institutions.

We find that the sharp decline in profitability during the 2008 financial crisis and subsequent recovery are largely the result of adverse macroeconomic conditions, and that structural factors played only a modest role. After controlling for macroeconomic factors, we find that core profitability has been above its long-run average over much of the post-crisis period, which has been obscured by the strong economic headwinds affecting observed ROA. These findings suggest that the core earnings model of community banks remains sound, despite the challenging post-crisis economy.

⁴Recent work by Adams and Gramlich (2016) takes a similar approach. They estimate the contribution of nonregulatory factors on de novo charters and find that nonregulatory factors explain 75 percent of the recent decline in de novo charters. Other papers on factors affecting bank profitability include DeYoung and Roland (2001) and Boyd and Gertler (1993).

Econometric Approach

Our econometric model uses time series panel analysis to estimate the impact of four macroeconomic factors on community bank pretax ROA: economic growth, unemployment rate, interest rate, and interest-rate spread. The data are in panel form, meaning we follow each bank every year during the sample period. This allows us to control for bank fixed effects, which are characteristics unique to each bank that do not vary over time; however, entry and exit of banks over time will distort or bias our results. We control for this bias using established econometric methods.⁵ Our model also includes one lag for each macroeconomic factor to capture the dynamic effect that macroeconomic conditions in a given year may have on bank performance in subsequent years.⁶

The macroeconomic variables used in the model are measured in deviations from the mean. Consequently, when we interpret our model results, we are measuring the impact of our macroeconomic factors on the average ROA.

Data

We use 31 years of annual Call Report data from 1985 through 2015 for all FDIC-insured community banks. These data consist of 20,335 unique community banks, of which there were 15,957 in 1985 and 5,874 in 2015. There were 4,368 community banks that existed over the entire 31-year period.⁷ This large dataset with many banks over a long period of time gives our model significant statistical power to determine the impact of the macroeconomic factors on profitability. Table 1 lists summary statistics for the data.

Chart 2 shows that the average annual pretax ROA for community banks varied from a high of 1.54 percent in 1993 to a low of 0.01 percent in 2009. Pretax ROA was relatively low from 1985 until 1990, averaging just 0.58 percent. It increased sharply during the early 1990s and was above 1.25 percent from 1992 until 2005. Following its low in 2009, ROA rebounded at the end of our sample period. Chart 2 also shows loan-loss provisions as a percentage of total assets, which move counter cyclically with ROA.

Table 1

Summary Statistics Reveal Significant Variance Within Factors		
	Mean (Percent)	Std. Dev.
Return on Assets	0.99	2.18
Unemployment	5.84	1.83
Gross State Product Growth	5.15	3.08
Spread	1.48	0.96
Interest Rate	6.11	2.25

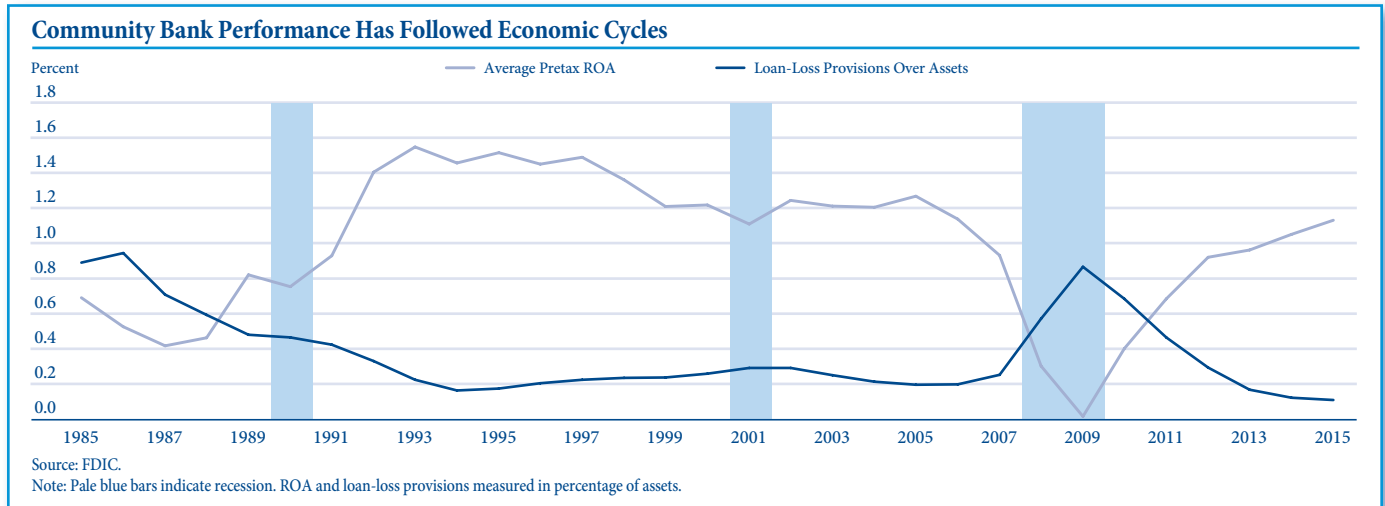
Sources: FDIC, Bureau of Labor Statistics, Bureau of Economic Analysis, and Federal Reserve Board (Haver Analytics).

⁵ Specifically, we use a standard Heckman selection-type model using bank-level variables to first predict the likelihood of a bank entering or exiting the panel, and then include the inverse Mills ratio from the first stage as an explanatory variable in a second-stage regression. A common alternative approach to account for entry and exit is to include only banks that exist over the full sample period; however, this would cut three-fourths of the community banks from our sample, which would likely bias our estimation results in other ways, particularly if the factors affecting entry and exit are correlated with the factors affecting bank profitability.

⁶ Since each macroeconomic factor is correlated with its own prior value, a single lag term per factor captures the dynamic impact of macroeconomic conditions in all preceding periods on the current period's ROA. The addition of multiple lags confirms that no switching effect exists—for example, a crisis doesn't lower the following year's ROA but then raise the third or fourth year's ROA. Rather, a crisis depresses each subsequent year's ROA, though the effect diminishes as time passes. See Achen (2001) for further discussion.

⁷ This includes institutions insured by the Federal Savings and Loan Insurance Corporation prior to 1990.

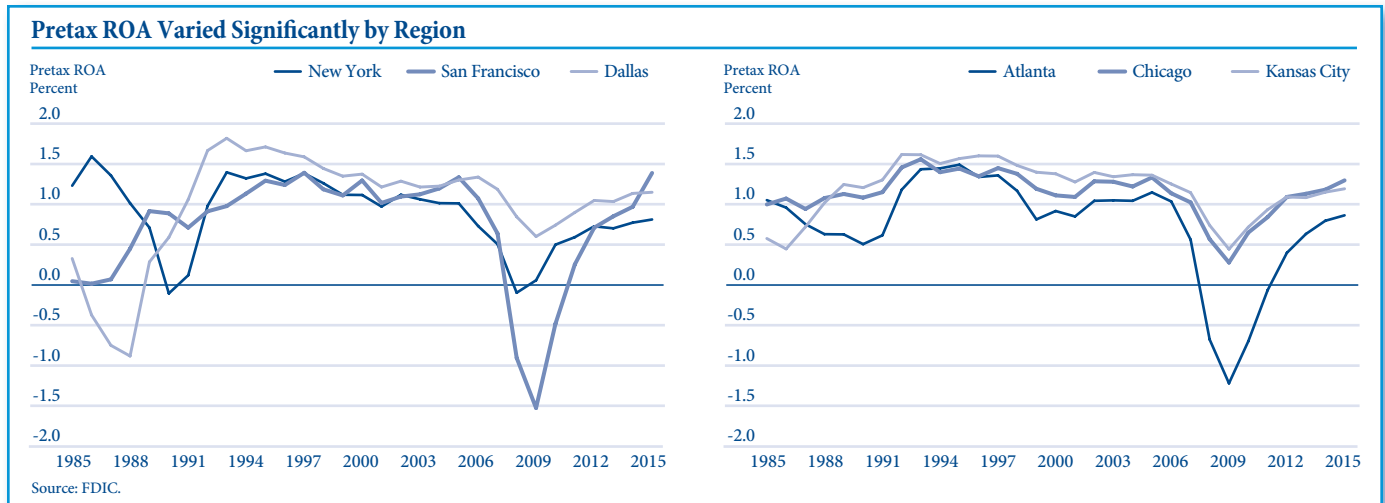
Chart 2



Because community banks are heavily influenced by local economic conditions, ROA varies significantly by region across the country. For example, Chart 3 shows that community banks in the Dallas region saw their average pretax ROA approach –1 percent in the late 1980s, while average pretax ROA for community banks in the New York region rose above 1.5 percent. In contrast, banks in the Dallas region weathered the recent financial crisis relatively well. Relative to other regions, their average pretax ROA dipped only slightly to 0.6 percent, whereas at the same time the average pretax ROA of community banks in the San Francisco region fell sharply to below –1.5 percent.

To capture regional variation in macroeconomic factors facing community banks, we use nominal gross state product (GSP) and state-level unemployment rates. GSP data are from the Bureau of Economic Analysis, and state-level unemployment rates are from the Bureau of Labor Statistics. We also include the interest rate, as measured by the return on a ten-year Treasury note, and the interest-rate spread, as measured by the difference in return on the ten-year and one-year Treasury notes. By including both the interest rate and the rate spread, we capture the effects of the level and slope of the yield curve as they change over time. Interest-rate data are from the Federal Reserve Board, as reported through Haver Analytics.

Chart 3



Estimating the Impact of Macroeconomic Factors on Pretax Return on Assets

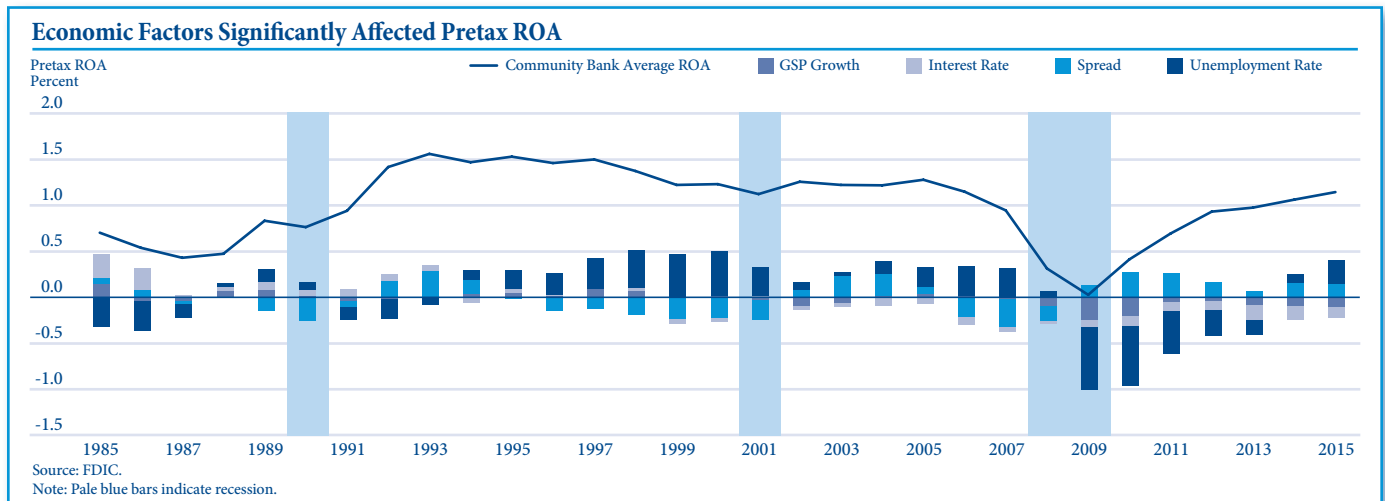
Our model estimates find that the four macroeconomic factors—economic growth, unemployment rate, interest rate, and interest-rate spread—together explain a significant part of the variation in pretax ROA across community banks over time. On average, macroeconomic factors accounted for more than half (57 percent) of the total variation in ROA; however, this varied significantly over time. Structural industry factors explain nearly all of the observed deviation from the period average core ROA in the late 1980s, as macroeconomic factors played a negligible role in determining ROA for community banks during the S&L crisis. During the stronger, more economically stable years of the 1990s and early 2000s, macroeconomic factors explain 76 percent of the variation in ROA. Finally, since the financial crisis in 2008, macroeconomic factors explain 80 percent of the variation in community bank ROA during the exceptionally weak, post-crisis economic expansion.

Chart 4 shows the contributions of the four macroeconomic factors to pretax ROA over time. Together the macroeconomic factors raised pretax ROA by 2 basis points from 1985 to 1990; changes in structural factors were the primary forces affecting community bank ROA during the S&L crisis. Macroeconomic factors increased pretax ROA by 15 basis points from 1991 to 2007, peaking at 33 basis points in 1998. In 2009, macroeconomic factors had a large negative impact, reducing pretax ROA by 87 basis points during the financial crisis and severe economic recession. The drag from macroeconomic factors gradually declined as the post-recession recovery progressed. In 2014, macroeconomic factors began to lift pretax ROA, and by 2015 they increased pretax community bank ROA by 18 basis points.

The unemployment rate is the dominant macroeconomic factor affecting community bank ROA across the sample period and in most years. This is not surprising given that community banking is focused on relationship lending and a strong local job market boosts demand for loans, while a weak job market may raise delinquency rates. From 1994 to 2008, low unemployment boosted community bank ROA by an average of 25 basis points annually; however, the sharp increase in unemployment during the financial crisis was associated with a large decline in community bank profitability, reducing pretax ROA by 68 basis points in 2009 and 64 basis points in 2010. The subsequent decline in unemployment first lessened the drag on community bank profitability and eventually contributed to profitability in 2014 and 2015.

Gross state product growth is the least influential of the four macroeconomic factors. This likely stems from the fact that unemployment, interest rates, and interest-rate spreads affect community bank profitability directly, while economic growth affects banks indirectly and often through the other macroeconomic factors.

Chart 4



The interest rate generally had a relatively small impact on community bank profitability over the sample period; however, it had its largest positive impact of 25 basis points in 1985 and was one of the largest contributors to profitability in the first two years of the sample when interest rates were at their highest. The interest rate had its largest negative impact on profitability during post-crisis years, when central banks maintained a zero-interest-rate policy. The impact of low interest rates became progressively more adverse to community bank profitability through 2013, when it reduced ROA by 17 basis points. By 2015, the impact began to weaken as the extension of loan maturities coincided with an improvement in the macroeconomic environment.

The impact of the interest-rate spread on community bank profitability generally is directly related to the size of the spread and generally moved independently of the other three macroeconomic variables. The spread had a small positive impact in the first two years, a negative impact when the yield curve inverted prior to the 1990 to 1991 recession, and a large positive impact when the yield curve steepened sharply in the first half of the 1990s. The spread again had a negative impact in the mid-1990s through the recession of 2001, when the yield curve flattened before inverting in 2000. From 1995 through 1998, the spread was the only macroeconomic factor that had a negative impact on profitability. The pattern repeated itself following the 2001 recession, with a steep yield curve boosting community bank profits before gradually flattening and finally inverting just before the 2008 financial crisis.

It is interesting that the spread still had a relatively large positive impact on profitability in 2014 and 2015 as the yield curve flattened. This likely reflects a search for yield, as community banks raised the percentage of loans that mature in over three years from about 40 percent in 2012 to about 50 percent in 2014.

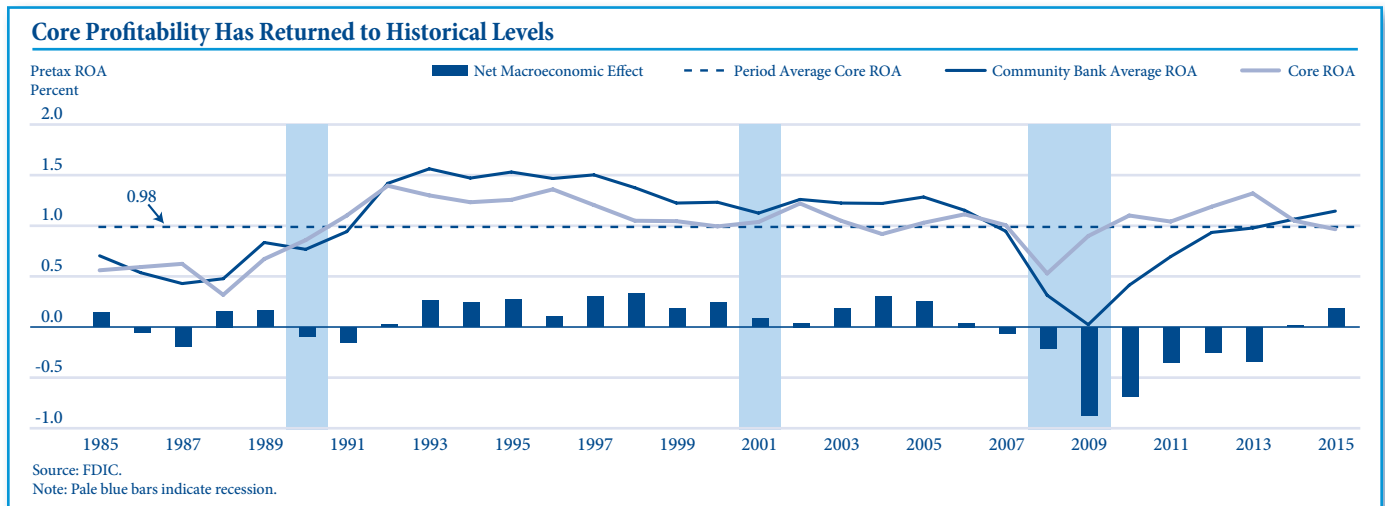
Trends in Core Profitability

One explanation put forward for the decline in profitability among banks is the impact of new regulations put into place following the financial crisis. Among these are a range of regulations mandated by the Dodd-Frank Act of 2010 and the Basel III capital standards introduced in 2013; however, regulation is just one among many noneconomic factors that may contribute to structural change in community bank profitability. Other structural factors may include the rise of nonbank lending, competition from larger banks, and changes in loan portfolios and other business practices. Given that macroeconomic factors explain 80 percent of the post-crisis variation in ROA, the net effect of structural factors combined explains the remaining 20 percent of post-crisis ROA variation.

Core profitability is the intrinsic earning capacity of a bank, after controlling for the impact of macroeconomic factors. It is a measure of the impact of structural factors on pretax ROA. Our econometric model estimates the impact of macroeconomic factors on ROA, and then the remaining variation in ROA is attributed to structural factors. Chart 5 shows that core ROA averaged 0.98 percent from 1985 through 2015. Core ROA and observed ROA generally evolve together, but core ROA is more stable with less variability around the average. Note that the difference between core ROA and observed ROA each year is the net effect of the model's macroeconomic factors.

Core profitability among community banks was at its lowest during the S&L crisis of the late 1980s. It improved through the early 1990s, possibly as the competitive environment evolved following the failure of more than 1,700 banks and savings and loans, which eliminated many less-profitable institutions. After peaking in 1992, core profitability declined gradually over the following decade as a strong economy helped boost earnings, but enabled less profitable banks to operate. Bank responses to the recession of 2001 abated the downward trend in core profitability for two years, after which core ROA resumed its downward trend. Core profitability reached its lowest level since the S&L crisis during the financial crisis in 2008, falling to 0.51 percent. The subsequent failure of 440 banks in 2009 through 2012, which eliminated many underperforming banks, combined with other structural changes to the competitive environment, reversed the long-term downward trend and resulted in a marked upturn in core profitability.

Chart 5



Core profitability has been relatively strong throughout the post-crisis period, remaining at or above its historical average. The sharp decline in observed ROA during the financial crisis and subsequent recession is largely attributable to the severity of the downturn in macroeconomic factors, primarily the unemployment rate. At their extreme, macroeconomic factors reduced community bank profitability by 87 basis points in 2009. From 2010 onward, the slow pace of macroeconomic recovery and the persistence of historically low interest rates continued to be a drag on profitability, although by less in each successive year. By 2014, macroeconomic factors were no longer a headwind to ROA and were essentially profit-neutral.

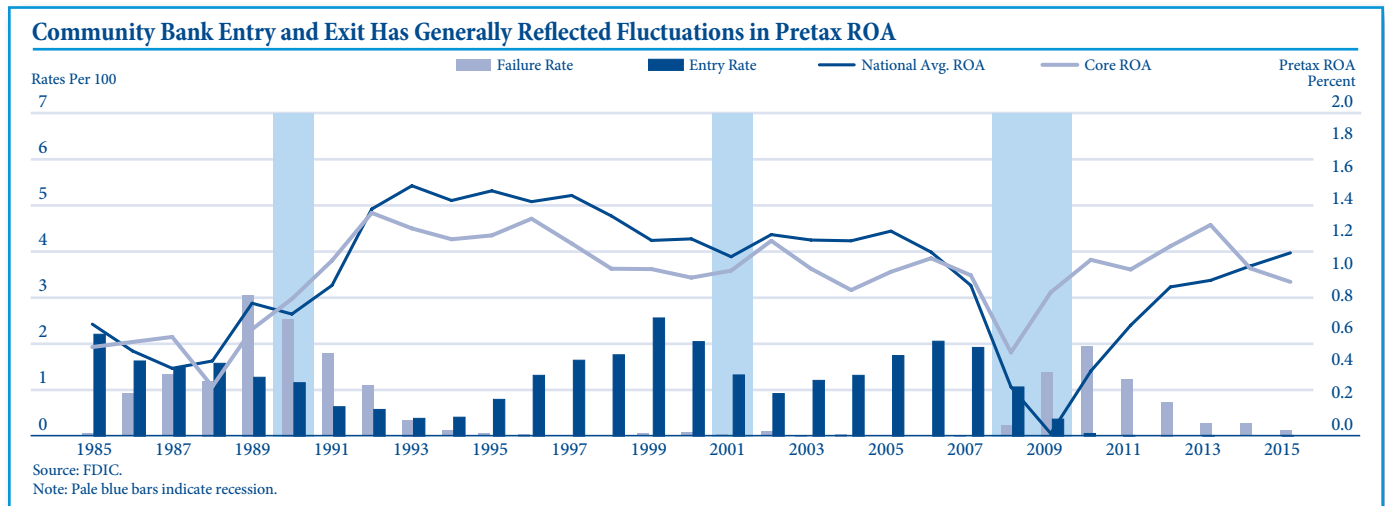
The Potential Effect of Entry and Exit on Core Profitability Trends

The number of community banks has fallen steadily from a high of 15,957 in 1985 to 5,874 at the end of our sample in 2015. One structural factor that is measureable and offers a potential explanation of trends observed in core profitability is entry and exit of community banks, which affects core ROA by changing the composition of community banks over time.⁸ New entries may increase competitive pressures on existing community banks and may lower overall core earning potential. Conversely, the failure or merger of less-productive banks may cause both observed ROA and core ROA to rise, as underperformers are removed from the sample.

Chart 6 shows that bank entry and exit correlate closely with overall trends in ROA: A rise in failures corresponds to an increase in core ROA (and observed ROA), whereas higher entry and fewer failures correspond to a decline in core ROA. The rate of de novo entry follows a clear cyclical pattern—rising in expansions and falling in recessions—while the rate at which banks exit follows the opposite pattern. The period since the financial crisis in 2008 and subsequent recession is exceptional in that de novo charters have not increased as the economy has expanded.

⁸ The compositional effect from entry and exit is independent of any econometric bias introduced by entry and exit. Banks exiting the sample results in a measurement bias if the same unobserved factors that influence profitability also affect failure rates. We use a standard econometric technique to identify and correct for this bias: an F-test shows that the coefficient on the inverse Mills ratio—the attrition bias correction factor—is statistically significant, confirming the presence of attrition bias. Analysis suggests that if banks had not outgrown the sample in the boom years, average ROA would have been up to 12 basis points higher in some years. Conversely, if banks had not failed out of the sample during the recent crisis, in some years average ROA would have been 11 basis points lower.

Chart 6



During the S&L crisis period from 1985 to 1990, when entry rates were falling and failure rates were growing, core ROA rose at an average rate of 4 basis points per year. During the economically strong period from 1991 to 2007, when many banks entered and few banks failed, core ROA fell at an average rate of 1.8 basis points per year. Finally, during the financial crisis, recession, and subsequent economic recovery, the high rate of failures and lack of de novos corresponded to a strong upward trend in core ROA of 5.5 basis points per year.

The correlation between bank entry and exit and community bank core profitability is strong; however, this is not to suggest that compositional effects from entry and exit explain all of the variation in core profitability. Changes in other structural factors such as business practices, competitive environment, and regulation would also play a role; however, unlike entry and exit, other structural factors are difficult to measure reliably.

What Can We Conclude About Core Profitability Among Community Banks?

Understanding the evolution of core profitability among community banks requires an econometric approach that distinguishes the impact of macroeconomic factors from structural factors on observed profitability. Our model estimates the impact of the macroeconomic factors on pretax ROA, and then the remaining variation in pretax ROA that is attributable to structural factors. We refer to the impact of structural factors on pretax ROA as core profitability.

Over our sample period from 1985 through 2015, our model finds that core profitability rose sharply from a low in the late 1980s during the S&L crisis to a high in the early 1990s, trended down slowly through the mid-2000s before falling sharply to a low during the financial crisis in 2008, and then returned to pre-crisis levels during the weak economic recovery in the years following the financial crisis. The model finds that macroeconomic factors are largely responsible for actual profitability being so low during and after the financial crisis, and that core profitability generally has been at or above its long-run level since 2009. These findings suggest that the fundamental earnings model of community banks remains sound, despite the challenging post-crisis economic environment.

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**Appendix:
Econometric Model and
Regression Results**

$$ROA_{it} = \beta_0 + \beta_1 Unemployment_{k,t} + \beta_2 Unemployment_{k,t-1} + \beta_3 GSP\ Growth_{k,t} + \beta_4 GSP\ Growth_{k,t-1} + \beta_5 Spread_t + \beta_6 Spread_{t-1} + \beta_7 Interest\ Rate_t + \beta_8 Interest\ Rate_{t-1} + \beta_9 Attrition\ Correction_{i,t} + \gamma_i + \varepsilon_{i,t}$$

where *i* indicates bank, *t* indicates year, and *k* indicates state. The attrition correction term is the inverse Mills ratio, which econometrically accounts for bias introduced by entry and exit of banks in the sample.⁹ Bank fixed effects are given by γ_i . All variables are measured as deviations from the mean.¹⁰

The econometric model estimates core profitability by identifying the degree to which macroeconomic factors affect observed ROA. The model does not include direct measures of core profitability, as they are not directly observed in the data. Rather, core profitability is inferred as the component of ROA that is not explained by macroeconomic factors. Attrition is corrected for using a standard Heckman correction. Table A1 presents results from the regression model.

For further support of the econometrical approach, see Wooldridge (2010) and Petersen (2009).

Table A1

Macroeconomic Variables Have a Significant Impact on Industry Profits	
	Pretax Return on Assets
Unemployment	-0.2461*** (0.0066)
GSP Growth	0.0229*** (0.0015)
Spread	0.0666*** (0.0061)
Interest Rate	-0.0309*** (0.0044)
Unemployment, t-1	0.0173*** (0.0062)
GSP Growth, t-1	0.0241*** (0.0014)
Spread, t-1	0.1347*** (0.0051)
Interest Rate, t-1	0.064*** (0.004)
Attrition Correction	-20.9338*** (1.8218)
Constant	0.9679*** (0.002)
Bank Fixed Effects	Yes
Observations	304,948
Unique Banks	19,872
Within R-Squared	0.0595
Between R-Squared	0.1821

Source: FDIC.
Note: Standard errors are clustered at the bank level and are reported in parentheses.
*** p < 0.01

⁹The method behind the calculation of the inverse Mills ratio is available from the author upon request.

¹⁰ Measuring variables as deviations from the mean has no effect on estimated coefficients or standard deviations. It affects only the constant term β_0 such that it is easier to interpret, since it measures deviations from the average. See Vella (1998).

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MUTUAL INSTITUTIONS: OWNED BY THE COMMUNITIES THEY SERVE

Introduction

Mutual savings banks and mutual savings and loan associations (S&Ls) form a unique part of the banking industry, in that they are owned by their depositors rather than by shareholders.¹ An institution can be mutually owned at the level of the banking charter or at the level of the holding company, in structures known as mutual holding companies (MHCs). In the latter case, depositors own the holding company, which in turn owns a majority of the stock issued by a subsidiary bank.²

Unlike stock institutions that may increase equity capital by issuing new shares, mutual institutions generally augment their net worth through retained earnings. While reliance on retained earnings provides for a steady source of capital for profitable institutions, it also fosters conservative lending, as a mutual cannot raise equity capital externally through stock issuance to finance its growth or to offset larger-than-expected loan losses. Adopting a mutual holding company structure gives some flexibility in raising capital, as the subsidiary of a mutual holding company may issue some of its stock to the public.

U.S. mutual savings institutions have their origins in two main forms: mutual savings banks and mutual savings and loan associations. Although these institutional types began somewhat distinct from one another in the early 19th century, they became structurally and functionally similar in the 20th century.³ Consequently, this paper follows the convention of referring to both types of institutions simply as mutuals.⁴

Three features of mutuals distinguish them from the broader banking industry. First, nearly all mutuals are community banks. During each of the past 30 years, 98 percent or more of mutuals fit the FDIC's research definition of a community bank.⁵ Second, mutuals are geographically concentrated in the Northeast and Mid-Atlantic states, but also retain a strong presence in the Midwest and a few Southern states. These geographic concentrations continued to reflect the importance of this institutional form as the economies of these regions were developing in the 19th and early 20th centuries. Third, the vast majority of mutuals—78 percent in 2015—specialize in mortgage lending.

The mutual universe has shrunk somewhat over time, both in absolute terms and as a percentage of the banking industry (see Charts 1 and 2). There were 398 mutuals at year-end 2015, representing 6.4 percent of the 6,182 FDIC-insured banks and thrifts. These mutuals held \$142 billion in total assets, equal to 0.9 percent of industry assets. Including stock subsidiaries of MHCs, there were 537 mutuals, representing 8.7 percent of all banks and thrifts. Adding the assets of MHC subsidiaries brings the total assets of mutuals at year-end 2015 to \$251 billion, or 1.6 percent of industry assets.

Although mutuals made up a smaller portion of the banking industry in 2015 than they did in 1984, they continue to play an important role of providing mortgage credit in their communities. They use a business model that has proved to be successful over time. As this paper will demonstrate, the mutual business model turned out to be highly resilient to the hardships posed by the recent financial crisis, which was triggered in large part by credit problems in mortgage lending.

¹ Credit unions are also mutual; however, this article focuses on mutual savings banks and S&Ls.

² Public regulatory data can be used to identify institutions that are owned by their depositors outright going back to 1984. However, depositor ownership of a mutual holding company is difficult to trace through time. Thus, the analysis presented in this paper focuses on mutual charters.

³ See Teck (1968) on the unique origins of mutual savings banks and mutual S&Ls, and their evolution into structurally and functionally similar institutions.

⁴ When necessary to clarify historical distinctions, explicit reference will be made to savings banks or S&Ls.

⁵ See Chapter 1 of FDIC (2012).

Chart 1

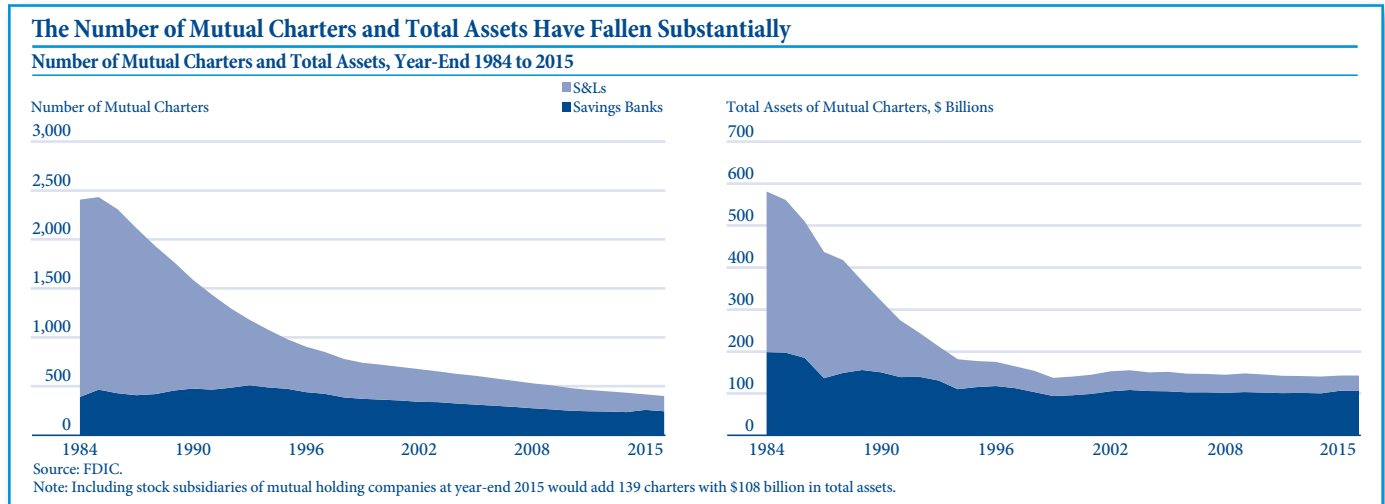
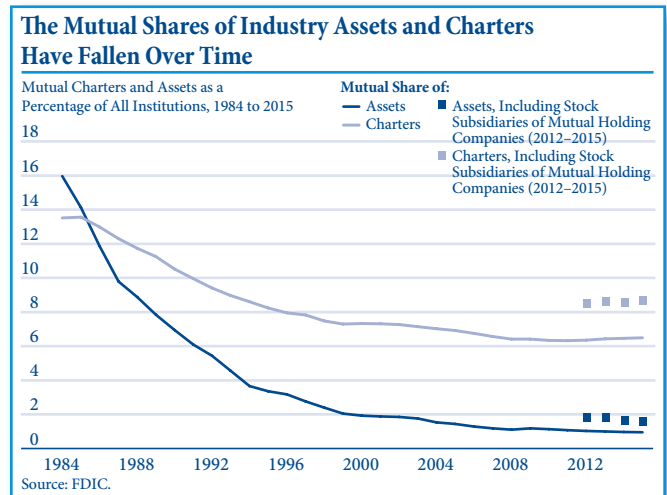


Chart 2



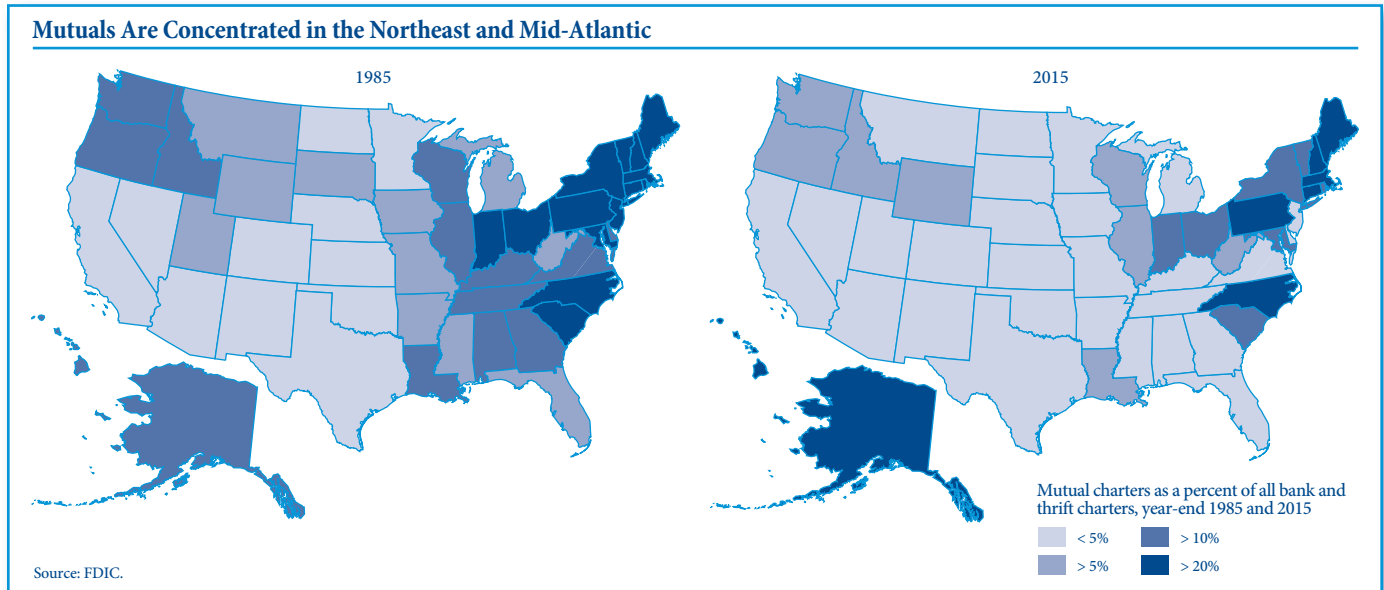
Regional Concentration of Mutuals

Although mutuals eventually spread to every state, they trace their origins to the Northeastern and Mid-Atlantic parts of the country, where they are still concentrated (see Map). There are two reasons mutuals are concentrated in these areas. One reason is that in the early 19th century these regions saw the rise of an urban working class looking for a safe way to save. Commercial banks of the time primarily financed business activity; they did not offer savings accounts into which wage earners could make small, regular deposits.⁶ Mutuals formed, in part, to meet the demand for small-denomination savings accounts—indeed, mutuals were sometimes named after coins, such as the dime, signaling they would take deposits as small as one dime.

The second reason is that many mutuals formed to pool funds in order to finance loans for home purchase or construction, and the trends underlying increasing demand for home loans first appeared in cities located in Northeastern and Mid-Atlantic states. Demand for home loans was driven by rising population, and also by the rise of an urban working class. A growing population of wage earners willing to pool savings to finance homeownership

⁶ See Welfling (1968), 3–15, and Teck (1968), 9–11 and 18–22.

Map



provided an opportunity for financial intermediaries to serve the local community. Demand for home loans followed migration as people moved west, and there were mutuals in every state by the late 19th century.

The concentration of mutuals in the Northeast and Mid-Atlantic has declined since 1985, as the number of mutual charters in these states has declined at faster rates than those of other federally insured charters (see Map).

The Primacy of Home Financing to the Mutual Business Model

As mentioned above, mutuals have a long history of financing homeownership. In fact, early mutuals formed solely for this purpose were more like clubs than banks: Members might meet regularly at a local bar or general store to conduct business, and would pay regular dues until enough funds had been collected to disburse a loan. Members would then bid to receive the loan. In addition, the organization would review the property value and assess the repayment likelihood of the winning bidder. The first loan disbursed by the first S&L—the Oxford Provident Building Association—was in the amount of \$375 to a man named Comly Rich, to buy a house in 1832. Unfortunately, he fell behind on the loan, forcing the institution to seize his property and auction it off.⁷



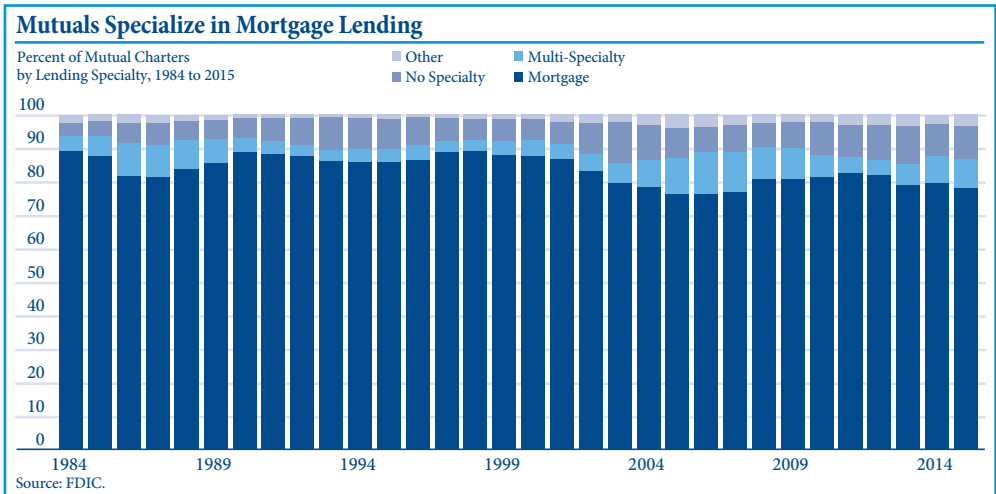
Comly Rich House, Philadelphia (1977)

Given their history, it should be no surprise that 78 percent of mutuals were mortgage-lending specialists at year-end 2015, as defined in Chapter 5 of the *FDIC Community Banking Study* (see Chart 3).⁸ For comparison, only 16 percent of all banks and thrifts were mortgage-lending specialists.

⁷ Teck (1968), 24, and Kendall (1962), 4. The house Mr. Rich purchased still stands at 4276 Orchard Street, Philadelphia. Photograph by the National Park Service Historic American Buildings Survey.

⁸ Mortgage-lending specialists have at least one-third of their assets devoted to loans, and have more than 30 percent of their assets made up of loans secured by 1-to-4 family residential property. For more detail, see Chapter 5 of FDIC (2012).

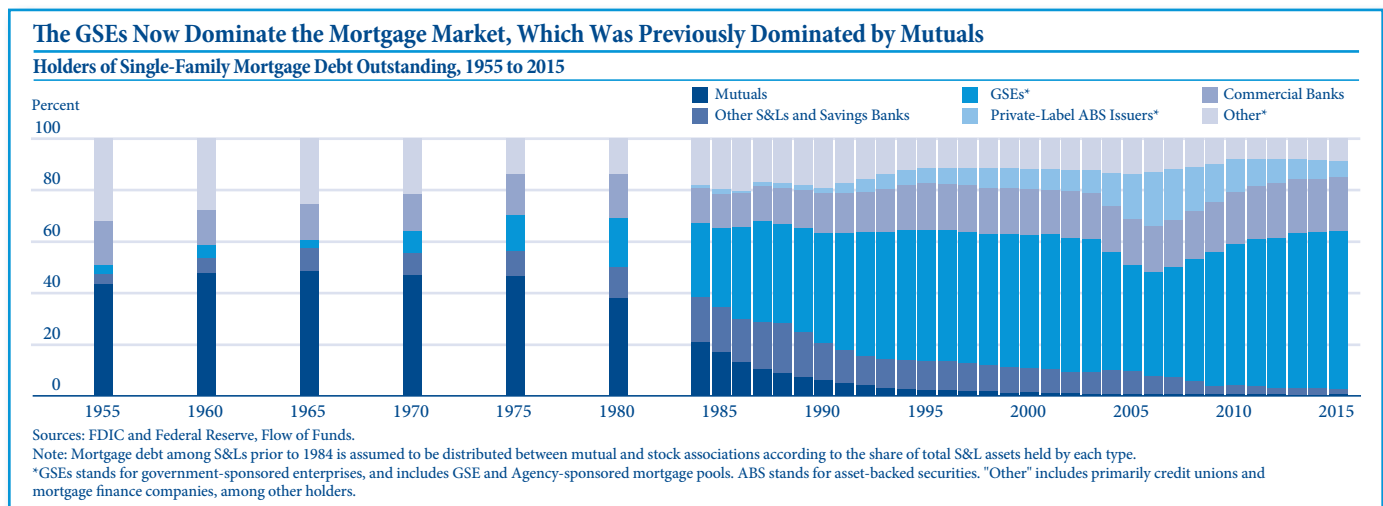
Chart 3



Not only are mutuals strongly devoted to mortgage lending today, they were the backbone of U.S. mortgage finance throughout much of the 20th century. In their heyday, mutuals financed roughly half of all single-family mortgages and, in many years, were the largest single source of financing in the mortgage market (see Chart 4). Among the reasons for the long-term prevalence of mutuals in the U.S. mortgage market was the preferential tax treatment that mutuals enjoyed compared to other mortgage lenders, such as commercial banks.⁹ However, the importance of mutuals to the broader mortgage market declined precipitously after 1980, even as the vast majority of mutuals remained mortgage-lending specialists. Mutuals held less than 1 percent of total U.S. mortgage debt outstanding as of year-end 2015.

As the importance of mutuals to the mortgage market declined, their numbers and total assets fell (see Chart 1). Moreover, the share of mutuals among all institutions in terms of assets fell drastically in the 1980s and early 1990s (see Chart 2). About 16 percent of banking industry assets were at mutual institutions at year-end 1984, compared with just under 4 percent at year-end 1994. Assets at mutuals fell from \$581 billion to \$181 billion, and the number of mutual charters fell from more than 2,400 to 1,076 over the same time period.

Chart 4



⁹FDIC (1997), 219–220. The value of this preferential tax treatment declined over time, and the preference was ended in 1996. However, an additional incentive for mutuals to hold residential mortgages is provided by the Qualified Thrift Lender test, introduced in 1987. Institutions that meet the test—generally, by holding a certain percentage of their assets in single-family mortgages and related investments—are exempt from certain restrictions on activities, branching, and dividend payments.

This decline represented a fall from 13 percent of all banking charters to 9 percent. Two factors played large roles in the fall in the number and total assets of mutuals, and in their declining importance in the mortgage market: the S&L and mutual savings bank crises, and the rise of securitization.

Mutuals Rocked by Crises

The business of home mortgage lending was fairly stable from the introduction of federal deposit insurance and supervision in the 1930s, through the early 1970s. The conservative underwriting practices that prevailed at that time helped to limit the credit risk borne by mutual mortgage lenders. However, the maturity mismatch between the long-term mortgages they carried and the shorter-term deposits used to fund them exposed most mutuals to interest-rate risk. Moreover, the income that mutuals received from payments on fixed-rate mortgages declined in real terms as inflation rose in the late 1970s. Annual inflation increased from 4.9 percent in 1976 to 14.8 percent in 1980.¹⁰ In October 1979, the Federal Reserve changed its monetary policy to arrest inflation, which led to large and immediate increases in short-term interest rates. The three-month T-bill rate rose from 4.34 percent in 1976 to 14.24 percent in 1980.

As short-term interest rates rose, mutuals experienced disintermediation amid competition from nonbank financial institutions that were not bound by the interest-rate ceilings imposed by Regulation Q.¹¹ Depositors withdrew their money from mutuals and placed it in newly emergent money market mutual funds, or in other accounts offering higher returns.¹² Net worth built over decades of prudent lending and deposit gathering quickly eroded. On a market-value basis, many mutuals were soon insolvent. Insolvency led to mergers, failures, and conversions of mutuals to stock form. Moreover, insolvent mutuals—driven by the need to recapitalize—were more likely than solvent institutions to convert to stock form.¹³

The events mentioned above marked the beginnings of what would become the S&L crisis of the 1980s and 1990s. There was also a smaller crisis among mutual savings banks.¹⁴ A combination of factors served to greatly magnify the damage to S&Ls, and more than 1,000 S&Ls, with total assets of \$519 billion, failed between 1986 and 1995.¹⁵ By comparison, 58 FDIC-insured savings banks, with total assets of \$61 billion, failed between 1986 and 1994.¹⁶ At the time, the S&L crisis was the greatest U.S. financial crisis since the Great Depression.

Securitization Rises in Importance

Another factor that served to diminish the role of mutuals in housing finance was the increasing importance of securitization, backed by the rise of government-sponsored enterprises (GSEs), which supplanted mutuals as the primary source of home mortgage credit (see Chart 4).¹⁷ Financial institutions used the GSEs to securitize the mortgages that they originated, thereby enhancing the liquidity of their portfolio and reducing their interest-rate risk.¹⁸ In addition, mortgage-backed securities had lower regulatory capital charges than residential mortgages held on the balance sheet, which further encouraged financial institutions to securitize their mortgages.¹⁹

¹⁰ Inflation as measured by the Consumer Price Index.

¹¹ The Banking Act of 1933 (the Glass-Steagall Act) authorized the Federal Reserve to set interest-rate ceilings on savings deposits at commercial banks, which it created in Regulation Q: Title 12, part 217 of the U.S. Code of Federal Regulations. These ceilings were extended to S&Ls and savings banks in 1966.

¹² FDIC (2005), 4–6, and FDIC (1997), 220–222.

¹³ Kroszner and Strahan (1996), 1294–1295.

¹⁴ For detailed accounts of the S&L and mutual savings bank crises, see White (1991), and Chapters 4 and 6 of FDIC (1997). For a summary of factors that contributed to the S&L crisis, see Curry and Shibut (2000), 27, and works cited therein.

¹⁵ Curry and Shibut (2000), 27.

¹⁶ FDIC (1997), 234.

¹⁷ Barth, et al. (2009), 350, Table A.12.

¹⁸ FDIC (2010).

¹⁹ *Ibid.*

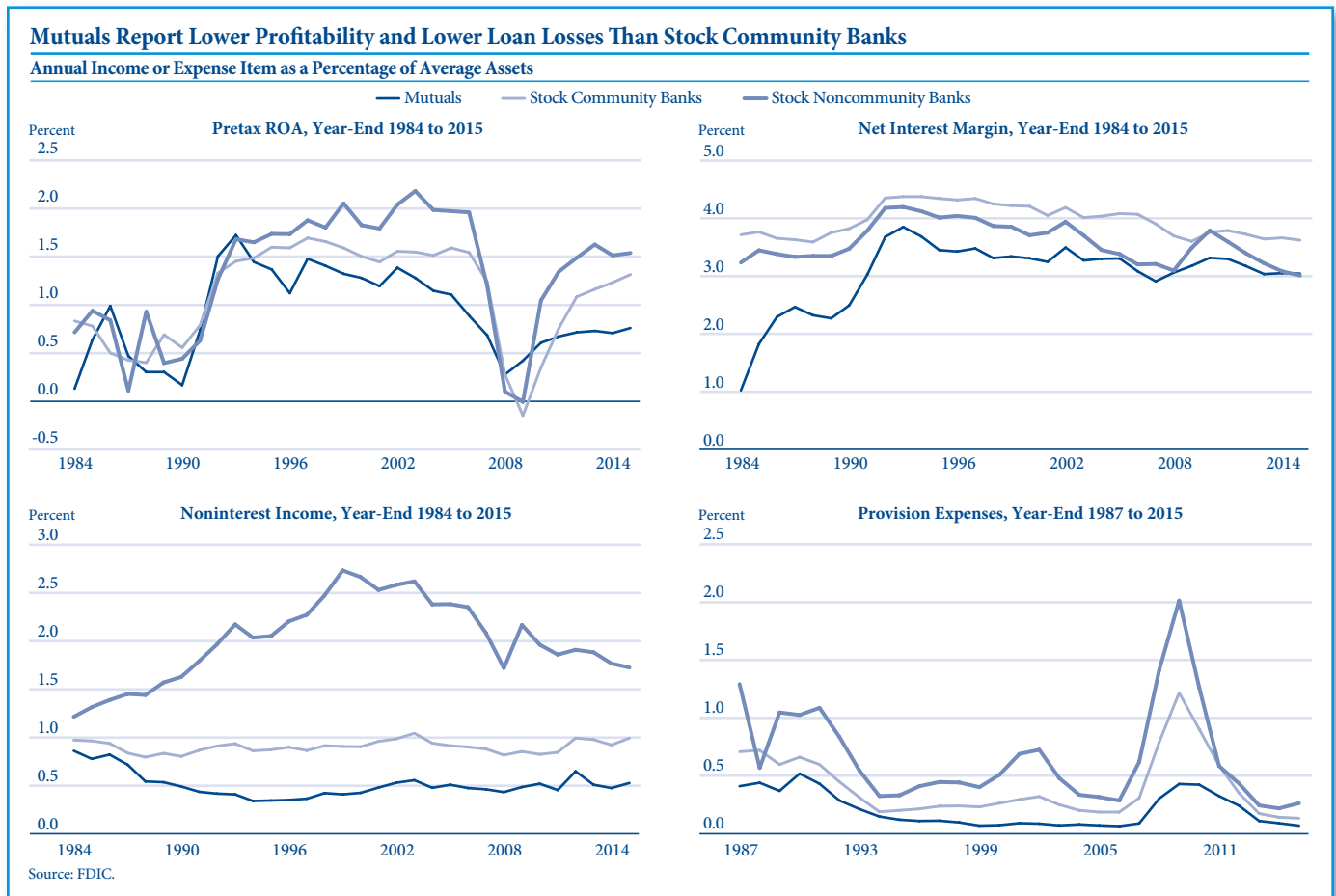
Most mortgage securitization was initially carried out by the GSEs, particularly the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).²⁰ By the mid-1990s, most residential mortgage debt was financed by the GSEs.²¹ Private issuers of mortgage-backed securities then took substantial market share away from the GSEs. Private issuers grew from less than \$50 billion in volume in 1995, 15 percent of the total, to more than \$1 trillion annually in 2005 and 2006, greater than 55 percent of the total each year. But with the unprecedented losses on these securities during the financial crisis of 2007 to 2009, private-label securitization precipitously declined.²²

As the S&L crisis crested and then subsided, and as securitization became more important to housing finance, the mutuals that stayed in operation kept their focus on their core business of portfolio mortgage lending. Following the S&L crisis, earnings, asset quality, and capital ratios improved. The fundamentals of the mutual industry were strong, and mutuals earned steady, if not spectacular, returns on assets (ROA) from careful lending.

Comparative Financial Performance of Mutuals

Over the long term, mutuals tend to earn lower pretax ROA and lower noninterest income than stock institutions. They also typically report lower net interest margins, which are offset to an extent by lower expenses for loan-loss provisions and overhead (see Chart 5). Between 1984 and 2015, federally insured mutuals earned an average annual pretax ROA

Chart 5



²⁰ Inside Mortgage Finance (2006), 11.

²¹ Federal Reserve Board (2015), Table L, 218.

²² Inside Mortgage Finance (2013), 4.

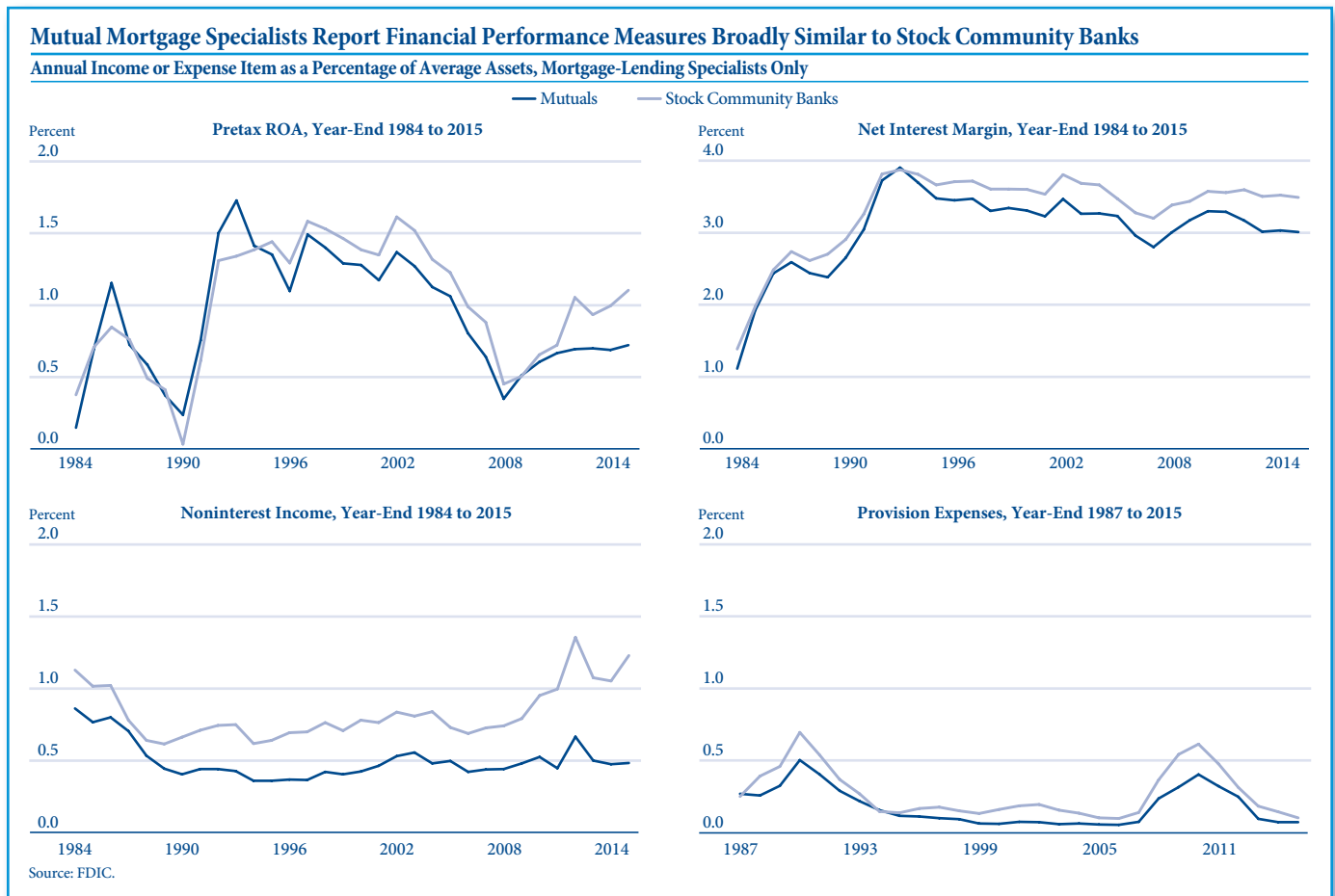
of 0.89 percent, compared with 1.09 percent at stock community banks and 1.32 percent at stock noncommunity banks. As the upper-left quadrant in Chart 5 shows, all three types of institutions performed poorly in the 1980s but recovered in the 1990s. But even as the 1990s and most of the 2000s turned out to generally be a period of strong ROA, the performance of mutuals started to fall behind the other institutional types in the early 2000s.

Although mutuals do not generally report an ROA as high as that of other institutions, they consistently report lower provision expenses, reflecting a different risk-return trade-off. Mutuals had average annual provision expenses of 0.20 percent between 1987 and 2015, which was nearly one-half the average at stock community banks and less than one-third the average at stock noncommunity banks.

Performance differences between mutuals and other institutions can be explained in large part by three factors: their geographic concentration, which largely ties them to the economic fortunes of a particular region (see Map); their more conservative business model, reflecting a choice to forgo high returns in purchase of greater stability; and their focus on mortgage lending.

When we compare mutual mortgage-lending specialists with stock community bank mortgage-lending specialists, we find they report generally similar financial results, with a few differences. Mutual mortgage-lending specialists report lower overhead costs, slightly lower provision expenses, and only slightly lower pretax ROA (primarily because of lower margins and lower noninterest income, as shown in Chart 6). When we compare

Chart 6



Mutual Holding Company Subsidiaries

Stock institutions owned by mutual holding companies (MHCs) make up another segment of the mutual industry. In 1987, Congress passed the Competitive Equality Banking Act, which gave mutuals flexibility to raise capital and keep their mutuality by forming an MHC.^a The MHC is owned by depositors, and in turn owns the majority of the capital stock outstanding of its subsidiary stock institution.^b

Identifying a particular MHC, along with its relationships to other holding companies and underlying charters, is a complex process that cannot be extended far back in time. Thus, we identified stock subsidiaries of MHCs only between 2012 and 2015. We found that MHC subsidiaries have more in common with mutual charters than with other charter types.

For example, both mutual charters and MHC subsidiaries are more likely to be community banks than are all other financial institutions. Both are concentrated in the North-

east and Mid-Atlantic states. Both are predominantly mortgage lenders, and their financial performance is similar.

There are three key differences between mutual charters and subsidiaries of MHCs. First, MHC subsidiaries are typically much larger than mutual charters, and, second, they devote more of their assets to loans—in particular, commercial real estate loans (see Table A2). Third, MHC subsidiaries have somewhat greater noninterest income and expenses than mutual charters.

In summary, MHCs are a different way of expressing mutuality in a savings bank or S&L, and the ability to distinguish MHC subsidiaries adds to our understanding of the mutual industry. At least since 2012, and along several important dimensions—location, business line, likelihood of being a community bank, and financial performance—MHC subsidiaries bear a closer resemblance to mutual charters than to other stock institutions. See Tables A1 and A2, and Chart A1, in the Appendix for greater detail.

^a Competitive Equality Banking Act of 1987, Pub. L. No. 100–86, 101 Stat. 552 (1987), <https://www.gpo.gov/fdsys/pkg/STATUTE-101/pdf/STATUTE-101-Pg552.pdf>.

^b Some insurance companies are mutual because they are owned by their policyholders. For this study, banking subsidiaries owned by mutual insurance companies are not grouped with other MHC subsidiaries.

the performance of mortgage-lending specialists headquartered in a Northeastern or Mid-Atlantic state, we find that mutuals report results similar to stock community bank mortgage-lending specialists. Average annual pretax ROA at mutual mortgage-lending specialists headquartered in a Northeastern or Mid-Atlantic state was 1.01 percent between 1984 and 2015, while it was 1.02 percent for stock community banks headquartered in the same region and in the same business line.

That mutuals report lower profitability, and lower loan-loss provisions, suggests that mutuals have chosen a more conservative business model. This choice would prove beneficial in the mid-2000s as the banking industry approached its worst crisis period since the Great Depression.

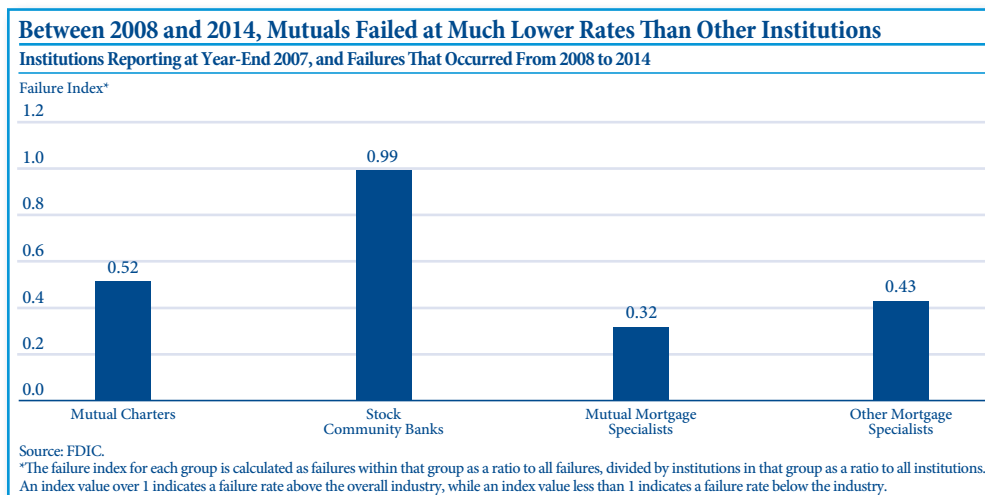
How Mutuals Fared During the Global Financial Crisis

The global financial crisis of 2007 to 2009 had its origins in subprime and other nontraditional mortgage loans that were funded by issuers of private-label asset-backed securities, some large financial firms, and, to a lesser extent, the GSEs.²³ By comparison, mutuals originated loans and kept them in their own portfolios, maintaining the focus on making high-quality loans in their communities. Thus, mutuals as a whole and mutuals that were mortgage-lending specialists failed far less often than did other institutions during the crisis (see Chart 7).

Mutuals did not seem to join in risky mortgage lending that occurred in the run-up to the housing bust. The returns of mutuals fell in the years before the financial crisis, and the amount of their 1-to-4 family mortgage loans outstanding stayed relatively flat. Between year-end 2003 and year-end 2007, mortgage loans outstanding at mutuals expanded 3.6 percent. In the same period, however, total U.S. mortgage debt outstanding grew by 54.9 percent. Among mortgage-lending specialists, pretax ROA for both stock community banks and mutuals declined markedly during the housing bubble years. This disparity in

²³ Financial Crisis Inquiry Commission (2011), 102–125.

Chart 7



growth rates between mutuals and other mortgage lenders reflected, in part, a more conservative approach to underwriting on the part of mutual institutions.

After home prices fell and the economy entered recession, it was clear that mutuals had made higher-quality loans. Mutuals failed far less often than other institutions and reported better asset quality throughout the crisis. One way to express the relative prevalence of failures among mutuals is by constructing a *failure index* for mutuals, based on the number of mutuals at year-end 2007 and the number that failed between 2008 and 2014. A failure index for mutuals is calculated by dividing the share of mutual failures occurring between 2008 and 2014 by their share among all institutions at year-end 2007. Failure index values lower than 1 indicate that mutuals failed less often relative to other institutions. The failure index for all mutuals was 0.52, and the failure index for mutual mortgage-lending specialists was 0.32, indicating that they failed at far lower rates than other institutions between 2008 and 2014 (see Chart 7).²⁴ Mutuals were an unexpected source of stability within the banking system, considering the global financial crisis began, in part, with credit problems in the U.S. mortgage market.

One reason that mutuals fared comparatively well was that they had built up their capital by retaining more of their earnings. Going into the crisis, they were much better capitalized than other institutions. Mutuals did not receive assistance from the U.S. Treasury’s Troubled Asset Relief Program (TARP)—although they were eligible—and only one mutual institution received capital from the Small Business Lending Fund that came after TARP.²⁵

The Relevance of Mutuals Today

Today, mutuals make up a small fraction of FDIC-insured institutions and hold a thin slice of total banking industry assets. However, they stay focused on their core business of single-family mortgage lending. At year-end 2015, mutuals devoted 44 percent of their assets to mortgage loans, compared with 19 percent of assets at stock community banks and 14 percent of assets at stock noncommunity banks. Amid a housing market weakened by defaults and foreclosures, mutuals stand strong: They fail rarely, they continue a tradition as

²⁴ A failure index measures the frequency of failures in a group of institutions relative to that group’s prevalence among all institutions. The failure index is expressed as:

$$\text{Failure Index} = \frac{\frac{\text{Failures in group}}{\text{All failures}}}{\frac{\text{Banks in group}}{\text{All banks}}}$$

²⁵ Some mutuals participated in the FDIC’s Temporary Liquidity Guarantee Program.

mortgage-lending specialists, and they have higher-quality assets. Mutuals have chosen to assume less risk, in return for enhanced stability and lower returns.

However, mutuals continue to decline in number, and their share of the mortgage market is small. These trends are unlikely to change, for two reasons. First, nonbanks play an increasingly important role in the origination of mortgages.²⁶ Among the top 50 mortgage lenders, nonbanks accounted for more than half of originations in third quarter 2016, the first time that threshold has been crossed.²⁷ Second, the mortgage business has become one of scale: in 1989, the top five mortgage originators made 10.3 percent of all new mortgage loans by volume. However, in 2015, the top five originators made up 29.4 percent of the market.²⁸

Surely, a desire to promote thrift and homeownership is still alive in our communities. One traditional attraction of mutuals is that they return profits to their customers and communities that would otherwise be returned to shareholders. Mutuals today continue the tradition of operating for the benefit of their depositors, borrowers, and surrounding communities. Although many commercial institutions—particularly those under the community bank umbrella—also support their communities, organizing as a mutual is a powerful business model for serving local customers. Lending to borrowers about whom the lenders knew very little was one factor in the recent financial crisis. The mutual business model, based on prudent mortgage lending to members of the community, proved to be more durable.

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²⁶ Nonbanks typically sell the mortgages they originate. Since the crisis, the share of all mortgages outstanding held at federally insured banks and thrifts has held steady, while the share held by nonbanks has substantially decreased.

²⁷ Inside Mortgage Finance Publications, Inside Mortgage Finance 2016, no. 41 (October 27, 2016), 1.

²⁸ Inside Mortgage Finance (1997), 72, and (2016), 9.

Appendix

Table A1

Mutual Charters Report Lower Noninterest Income and Expenses Compared With Stock Subsidiaries of Mutual Holding Companies (MHC)					
Measure	Charter	Percentage of Average Assets, by Year			
		2012	2013	2014	2015
Pretax ROA	Mutual Charter	0.71	0.72	0.70	0.75
	Subsidiary of MHC	0.70	0.82	0.77	0.82
Net Interest Margin	Mutual Charter	3.16	3.02	3.04	3.03
	Subsidiary of MHC	3.17	3.08	3.05	3.07
Noninterest Income	Mutual Charter	0.64	0.50	0.47	0.52
	Subsidiary of MHC	0.70	0.73	0.74	0.75
Noninterest Expenses	Mutual Charter	2.69	2.58	2.59	2.60
	Subsidiary of MHC	2.66	2.67	2.75	2.78
Provision Expenses	Mutual Charter	0.23	0.10	0.08	0.06
	Subsidiary of MHC	0.35	0.18	0.10	0.05

Source: FDIC.

Table A2

Stock Subsidiaries of Mutual Holding Companies Devote a Greater Share of Assets to Commercial Real Estate Loans Than Mutual Charters				
Loan or Asset Category	Mutual Charters		Subsidiaries of Mutual Holding Companies	
	\$ Billions	Percentage of Assets	\$ Billions	Percentage of Assets
Mortgage Loans ^a	63	44	47	44
Consumer Loans	3	2	2	2
Commercial Real Estate Loans ^b	25	18	25	23
Construction and Development Loans	4	3	3	3
Commercial and Industrial Loans	4	3	6	5
Agricultural Loans ^c	1	0.4	0	0.4
Other Loans and Leases	0	0.3	1	1
Less: Loan Loss Reserve and Unearned Income	1	0.6	1	1
Net Loans and Leases	95	67	82	75
Securities	31	22	16	15
Other Assets	17	12	11	10
Total Assets	142	100	108	100

Source: FDIC.

Notes: All figures are as of December 31, 2015. Amounts and percentages may not total due to rounding.

^a Mortgage loans include home equity lines of credit, junior liens, and other loans secured by residential real estate.

^b Commercial real estate loans include construction and development loans, loans secured by multifamily properties, and loans secured by nonfarm nonresidential real estate.

^c Agricultural loans include production loans and loans secured by farm real estate.

Chart A1

The Recent Financial Performance of Mutual Charters Has Closely Resembled That of Stock Subsidiaries of Mutual Holding Companies

Annual Income or Expense Item as a Percentage of Average Assets, Year-End 2012 to 2015



Source: FDIC.

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