Conditions of the Banking Industry
Third Quarter 2016

Profitability
- The industry reported a quarterly net income of $45.6 billion in the third quarter of 2016, an increase of 12.9 percent relative to a year earlier, driven by expanding loan portfolios and increased net interest income.
- Over 60 percent of all FDIC-insured institutions reported improved earnings year-over-year. Just 4.6 percent were unprofitable, 60 basis points lower than in the previous year.
- The aggregate interest margin was 3.18 percent, up 10 basis points from the previous quarter, though 54 percent of banks reported lower net interest margins from the previous year.
- The average quarterly return on assets was 1.10 percent, a 7 basis point increase from a year ago.

Loans & Loan-Loss Provisions
- Total loans and leases increased $112 billion (1.2 percent) from the previous quarter. The increase was led by residential mortgages and commercial real estate loans.
- Loan-loss provisions fell to $11.4 billion (3.4 percent) during the quarter, but rose 34 percent from a year ago. Thirty nine percent of banks reported increases in loss provisions.

Asset Quality
- Net charge-offs totaled $10.1 billion, an increase of 17 percent from a year ago. This was the fourth consecutive year-over-year increase in quarterly charge-offs. Commercial and industrial charge-offs increased sharply, rising $946 million (82.7 percent), while credit card charge-offs rose $658 million (13.4 percent).
- The number of institutions on the FDIC’s “Problem List” declined from 147 to 132.

Industry Capital
- Equity capital increased by $16.3 billion (0.9 percent) from the second quarter of 2016, reflecting an increase in retained earnings. Banks also declared $30.5 billion in quarterly dividends, up 18.5 percent from the previous year. More than 99 percent of banks met or exceeded regulatory capital requirements.