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Quarterly

Quarterly Banking Profile: Third Quarter 2021

Commercial Real Estate: Resilience, Recovery, and Risks Ahead

Implications of Record Deposit Inflows for Banks During the Pandemic

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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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2021 FDIC**QUARTERLY**

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Quarterly Banking Profile: Third Quarter 2021

FDIC-insured institutions reported aggregate net income of $69.5 billion in third quarter 2021, an increase of $18.4 billion (35.9 percent) from the same quarter a year ago, primarily due to a $19.7 billion decline in provision expense. Two-thirds of all banks (66.5 percent) reported annual improvements in quarterly net income. The share of profitable institutions increased slightly year over year to 95.9 percent. However, net income declined $875.5 million (1.2 percent) from second quarter 2021, driven by an increase in provision expense from second quarter 2021 (up $5.5 billion to negative $5.2 billion). The banking industry reported an aggregate return on average assets ratio of 1.21 percent, up 24 basis points from a year ago but down 3 basis points from second quarter 2021. *See page 1.*

Community Bank Performance

Community banks—which represent 91 percent of insured institutions—reported net income of $8.6 billion in the third quarter, up $1.4 billion (19.6 percent) from third quarter 2020. Nearly two-thirds of all community banks (65.8 percent) reported higher net income from the year-ago quarter. The pretax return on assets ratio increased 14 basis points from the year-ago quarter to 1.56 percent. *See page 15.*

Insurance Fund Indicators

The Deposit Insurance Fund (DIF) balance totaled $121.9 billion at the end of third quarter 2021, an increase of $1.4 billion from the previous quarter. Assessment income of $1.7 billion drove the fund balance increase. Interest earned on investments, negative provisions for insurance losses, and other miscellaneous income also added to the fund balance. Operating expenses and unrealized losses on available-for-sale securities partially offset the increase in the fund balance. The DIF reserve ratio was 1.27 percent on September 30, 2021, unchanged from the previous quarter and 3 basis points lower than the previous year. *See page 23.*

Featured Articles:

Commercial Real Estate: Resilience, Recovery, and Risks Ahead

Commercial real estate (CRE) lending is important to the banking industry, which holds $2.7 trillion in CRE loans. In the pandemic, CRE conditions in several property types came under stress. The pandemic challenged the brick-and-mortar retail, hotel, and office sectors, while multifamily largely held up and the industrial sector benefitted from increased demand. Market conditions improved with economic recovery in 2021, but some of the changes the CRE industry experienced in the pandemic may be long-lasting. The issues facing CRE will be important considerations for a large share of the banking industry. Initially the pandemic threatened to significantly challenge banks' CRE loan quality, but loan delinquency rates remained low through third quarter 2021 against the backdrop of economic rebound, stimulus support, and loan forbearance. This article analyzes conditions across major CRE property types and discusses FDIC-insured institutions' exposure to CRE loans, credit quality, and potential challenges ahead. *See page 31.*

Implications of Record Deposit Inflows for Banks During the Pandemic

In 2020, the pandemic disrupted the global economy, creating stress and uncertainties for consumers and businesses. The U.S. government responded with assistance programs that, combined with increased personal savings, contributed to a record inflow of deposits to banks. The deposit inflows created historically high bank liquidity and many banks shifted their balance sheet composition to shorter-term, lower-yielding and non-yielding assets. The shift in asset composition and a prolonged period of low interest rates caused the net interest margin to decline to its lowest level on record. The loans-to-deposits ratio reached record lows in 2020 and 2021, while the cash-to-deposits ratio rose to 1.6 times the pre-pandemic level and almost three times the previous trough in 2006. Benefits of higher liquidity include reduced dependence on less stable sources of funding and an ability to respond to unforeseen deposit account withdrawals. However, higher liquidity can also challenge bank earnings, depending on loan demand and the shape of the yield curve. *See page 45.*

INSURED INSTITUTION PERFORMANCE

Net Income Continued to Increase Year Over Year

Net Interest Margin Rose Modestly From Last Quarter's Record Low

Quarterly Loan Growth Continued

Asset Quality Continued to Improve

Net Income Continued to Increase Year Over Year, Driven by a Third Consecutive Quarter of Negative Provision Expense

Quarterly net income rose $18.4 billion (35.9 percent) to $69.5 billion from the same period one year ago. The increase was primarily due to a $19.7 billion decline in provision expense (provisions). Net interest income increased over the same period as the decline in interest expense outpaced the decline in interest income. Two-thirds of all banks (66.5 percent) reported annual improvements in quarterly net income, and the share of profitable institutions increased slightly year over year to 95.9 percent. However, net income declined $875.5 million (1.2 percent) from second quarter 2021, driven by an increase in provisions from second quarter 2021 (up $5.5 billion to negative $5.2 billion). The banking industry reported an aggregate return on average assets ratio of 1.21 percent, up 24 basis points from a year ago but down 3 basis points from second quarter 2021.

Net Interest Margin Rose Modestly From Last Quarter's Record Low

The quarterly net interest margin (NIM) improved to 2.56 percent in the third quarter, up 6 basis points from the record low in second quarter but down 12 basis points from one year earlier. The yield on earning assets rose 5 basis points from the record low in second quarter 2021 to 2.73 percent, while the cost of funds declined 1 basis point from the second quarter to a new record low of 0.17 percent.

Quarterly NIM expansion was accompanied by a $5.2 billion (4 percent) increase in net interest income from the prior quarter. The improvement was driven by a $4.6 billion increase in interest income and a $573 million decline in interest expense. Year over year, net interest income increased $5.6 billion driven by a decline in interest expense (down $5.7 billion) that outpaced the decline in interest income (down $55 million). Improvement in net interest income was widespread, as nearly three-quarters of banks (72.1 percent) reported higher net interest income compared with a year ago.

Noninterest Income Continued to Increase

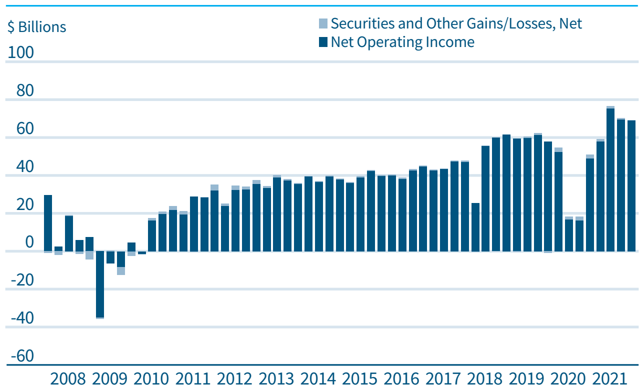
Noninterest income increased (up $3.4 billion, or 4.7 percent) from third quarter 2020 primarily due to higher "all other noninterest income" (up $2.2 billion, or 6.5 percent) and higher investment banking fee income (up $1.8 billion, or 70 percent).[1] Higher interchange fees were the main driver of the increase in all other noninterest income. More than half of all institutions (57.5 percent) reported higher noninterest income compared with the year-ago quarter.

[1] All other noninterest income includes, but is not limited to, bankcard and credit card interchange fees, income and fees from wire transfers, and income and fees from automated teller machines. Among banks who filled out schedule RI-E, interchange fees was the largest driver of the increase in all other noninterest income.

Chart 1

Quarterly Net Income

All FDIC-Insured Institutions

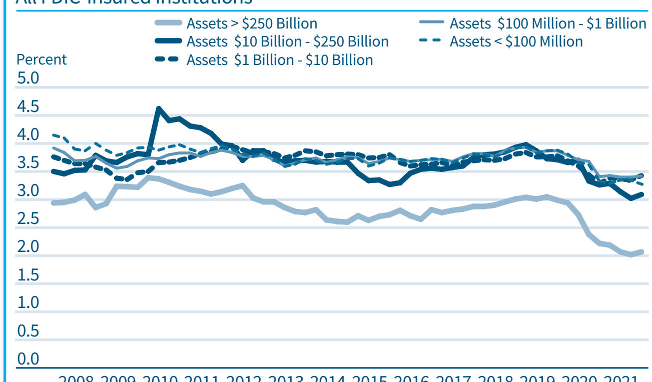


Source: FDIC.
Note: Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

Chart 2

Quarterly Net Interest Margin

All FDIC-Insured Institutions



Source: FDIC.
Note: Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

Noninterest Expense Increased From the Year-Ago Quarter

Noninterest expense rose $4.4 billion (3.5 percent) year over year, led by an increase in "all other noninterest expense" and salary and benefit expense.[2] Higher marketing and data processing expenses drove the increase in all other noninterest expense. Average assets per employee (up $1.1 million) also increased from a year ago to $11.3 million. While nearly three-fourths of all banks (73.6 percent) reported higher noninterest expense compared with the year-ago quarter, noninterest expense as a percentage of average assets declined 11 basis points from third quarter 2020 to 2.23 percent, matching last quarter's record low.

Provision Expense Was Negative for the Third Consecutive Quarter

Provisions have been negative for three consecutive quarters. However, provisions were less negative this quarter, declining from negative $10.8 billion in second quarter 2021 to negative $5.2 billion in third quarter 2021. Provision expense declined $19.7 billion (136.2 percent) from the year-ago quarter to negative $5.2 billion.[3] Fifty-eight percent of all institutions reported lower provisions compared with the year-ago quarter.

The net number of banks that have adopted current expected credit loss (CECL) accounting increased by one from second quarter 2021 to 313.[4] CECL adopters reported aggregate negative provisions of $5.5 billion in third quarter, $5.2 billion less negative than second quarter 2021, and $16.6 billion less negative than one year ago. Provisions for banks that have not adopted CECL accounting totaled $226 million (up from negative $122.4 million a quarter ago and down from $3.4 billion one year ago).

Allowance for Loan and Lease Losses to Total Loans Remained Higher Than the Pre-Pandemic Level

The allowance for loan and lease losses (ALLL) as a percentage of total loans and leases declined 55 basis points to 1.69 percent from the year-ago quarter due to negative provisions, but ALLL remains higher than the level of 1.18 percent reported in fourth quarter 2019. Similarly, ALLL as a percentage of loans 90 days or more past due or in nonaccrual status (coverage ratio) declined 12 percentage points from the year-ago quarter to 180.1 percent but remained well above the financial crisis average of 79.1 percent.[5] All insured institutions except the largest Quarterly Banking Profile (QBP) asset size group (greater than $250 billion) reported higher aggregate coverage ratios compared with second quarter 2021.

[2] All other noninterest expenses include, but are not limited to, automated teller machine and interchange expenses, legal fees, advertising and marketing expenses, consulting expenses, data processing expenses, and FDIC deposit insurance assessments. Among banks who filled out schedule RI-E, higher marketing and data processing expenses drove of the increase in all other noninterest expense.

[3] Provisions for credit losses include both losses for loans and securities for CECL adopters but only loan losses for non-adopters.

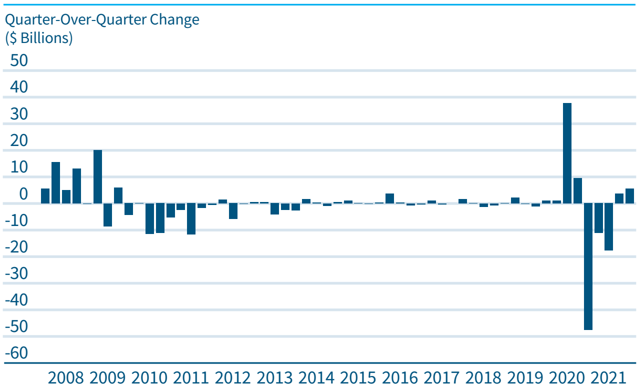
[4] Changes to the number of CECL accounting adopters may result from closures, mergers and acquisitions, or examination or audit findings.

[5] The financial crisis refers to the period between December 2007 and June 2009.

Chart 3

Change in Quarterly Loan-Loss Provisions

All FDIC-Insured Institutions

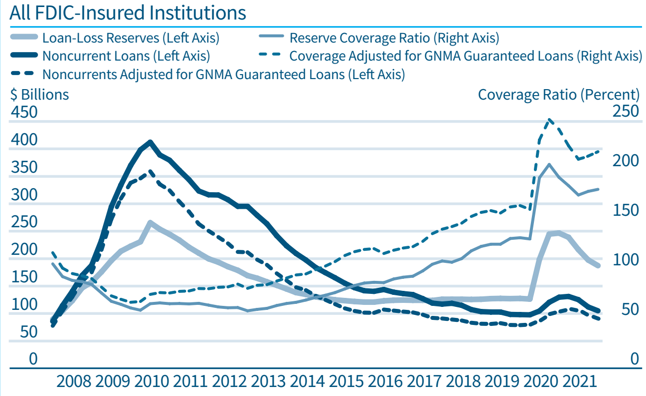


Source: FDIC.
Note: Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

Chart 4

Reserve Coverage Ratio

All FDIC-Insured Institutions



Source: FDIC.
Note: The reserve coverage ratio is the loan-loss reserves to noncurrent loans and leases. Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

Total Assets Increased From the Previous Quarter

Total assets increased $462.6 billion (2 percent) from second quarter 2021 to $23.3 trillion. Securities rose $225 billion (3.9 percent), while cash and balances due from depository institutions rose $126.8 billion (3.6 percent). Growth in mortgage-backed securities (up $101.9 billion, or 3 percent) and U.S. Treasury securities (up $99.3 billion, or 8.5 percent) continued to drive quarterly increases in total securities. Loans and securities with maturities longer than 5 years now make up almost a third (31.3 percent) of total assets, up from 28 percent in fourth quarter 2019.

Loan and Lease Balances Increased From the Previous Quarter and a Year Ago

Total loan and lease balances increased $62.7 billion (0.6 percent) from second quarter 2021. Several portfolios contributed meaningfully to the industry's growth, including 1-4 family residential mortgages (up $41.3 billion, or 1.9 percent), consumer loans (up $39.6 billion, or 2.3 percent), nonfarm nonresidential commercial real estate loans (CRE) (up $24.5 billion, or 1.5 percent), and loans to nondepository institutions (up $24.2 billion, or 3.9 percent).

Annually, total loan and lease balances increased $10 billion (0.1 percent) as growth in loans to nondepository institutions (up $95.9 billion, or 17.5 percent), consumer loans (up $87.1 billion, or 5.1 percent), and nonfarm nonresidential CRE loan balances (up $63.2 billion, or 4.1 percent) helped offset declines in commercial and industrial (C&I) loans (down $301.8 billion, or 11.9 percent). The decline in C&I balances was driven by Paycheck Protection Program loan forgiveness and repayment.

Deposit Growth Accelerated From the Previous Quarter

Deposits grew 2.3 percent ($436 billion) in third quarter, up from 1.5 percent growth ($271.8 billion) reported in second quarter 2021 but below the first quarter 2021 gain that was boosted by federal support programs. Deposits above $250,000 continued to drive the quarterly increase (up $445.2 billion, or 4.5 percent). Interest-bearing deposit growth (up $284.6 billion, or 2.4 percent) outpaced that of noninterest-bearing deposits (up $185.4 billion, or 3.6 percent). More than two-thirds (68.7 percent) of banks reported higher deposit balances compared with the previous quarter.

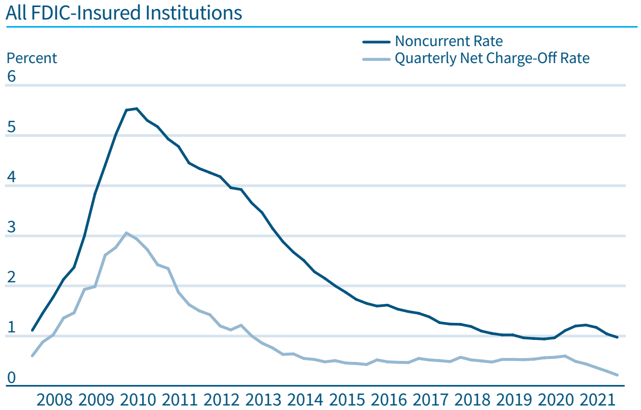
Noncurrent Loan Balances Continued to Decline Quarter Over Quarter

Loans and leases 90 days or more past due or in nonaccrual status (noncurrent loan balances) continued to decline (down $7 billion, or 6.3 percent) from second quarter 2021, supporting a 7 basis point reduction in the noncurrent rate to 0.94 percent. Noncurrent C&I loans declined most among loan categories from the previous quarter (down $2.3 billion, or 12.2 percent), followed by noncurrent 1–4 family residential loans (down $1.8 billion, or 3.7 percent). Fifty-eight percent of all banks reported a reduction in noncurrent loans compared with second quarter 2021.

Chart 5

Noncurrent Loan Rate and Quarterly Net Charge-Off Rate

All FDIC-Insured Institutions



Source: FDIC.
Note: Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

Chart 6

Quarterly Change in Loan Balances

All FDIC-Insured Institutions

Source: FDIC.
Note: FASB Statements 166 and 167 resulted in the consolidation of large amounts of securitized loan balances back onto banks' balance sheets in the first quarter of 2010. Although the total amount consolidated cannot be precisely quantified, the industry would have reported a decline in loan balances for the quarter absent this change in accounting standards. Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

The Net Charge-Off Rate Declined Further to a Record Low

Net charge-offs declined for the fifth consecutive quarter (down $7.4 billion, or 58.4 percent). In third quarter, the net charge-off rate fell 27 basis points to 0.19 percent, a record low since QBP data collection began in 1984. A decline in net charge-offs of credit card loans (down $3.4 billion, or 50.3 percent) and C&I loans (down $2.3 billion, or 72.2 percent) drove three-fourths (77.4 percent) of the reduction in net charge-offs from the year-ago quarter.

Equity Capital Growth Remained Strong

Equity capital rose $33.8 billion (1.5 percent) from second quarter 2021 and the leverage capital ratio increased 3 basis points to 8.86 percent. Retained earnings contributed $14.8 billion to equity formation despite a decline in retained earnings from second quarter (down $19 billion, or 56.2 percent). Banks distributed 78.6 percent of third quarter earnings as dividends, which were up $18.2 billion (49.7 percent) from second quarter 2021. Twenty-nine percent of banks reported higher dividends compared with the year-ago quarter. The number of institutions with capital ratios that did not meet Prompt Corrective Action requirements for the well-capitalized category decreased by one to eight from second quarter 2021.[6]

Three New Banks Opened and No Banks Failed in Third Quarter 2021

The number of FDIC-insured institutions declined from 4,951 in second quarter 2021 to 4,914. During third quarter 2021, three new banks opened, 39 institutions merged with other FDIC-insured institutions, one bank ceased operations, and no banks failed.[7] The number of banks on the FDIC's "Problem Bank List" declined by five from second quarter to 46, the lowest level since QBP data collection began in 1984. Total assets of problem banks increased $4.8 billion (10.5 percent) from second quarter to $50.6 billion.

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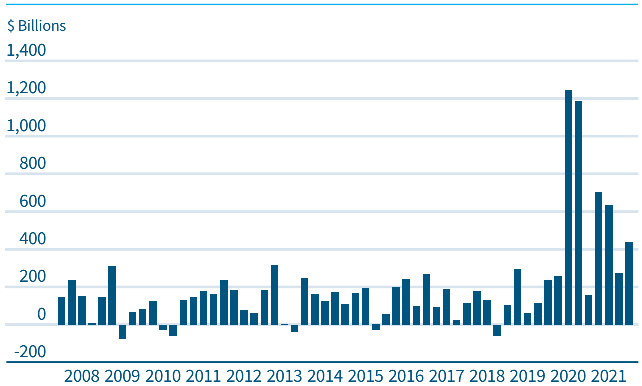
[6] Prompt Corrective Action categories are assigned based on reported capital ratios only and do not include the effects of regulatory downgrades.
[7] The number of insured financial institutions excludes two banks that did not file Call Reports this quarter. One bank is a newly insured trust company; the other bank ceased operations but its charter remains active.

Chart 7

Quarterly Change in Deposits

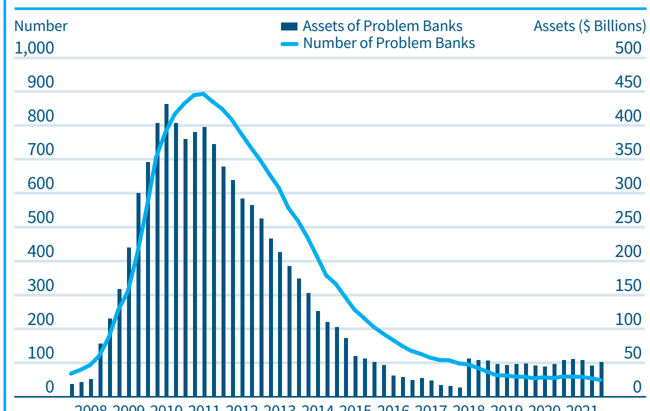
All FDIC-Insured Institutions



Source: FDIC.
Note: Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

Chart 8

Number and Assets of Banks on the "Problem Bank List"



Source: FDIC.
Note: Date labels are centered under the first quarter of each year. Data starts in third quarter 2007.

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

	2021**	2020**	2020	2019	2018	2017	2016
Return on assets (%)	1.28	0.58	0.72	1.29	1.35	0.97	1.04
Return on equity (%)	12.66	5.51	6.85	11.38	11.98	8.60	9.27
Core capital (leverage) ratio (%)	8.86	8.80	8.81	9.66	9.70	9.63	9.48
Noncurrent assets plus other real estate owned to assets (%)	0.46	0.63	0.61	0.55	0.60	0.73	0.86
Net charge-offs to loans (%)	0.27	0.53	0.50	0.52	0.48	0.50	0.47
Asset growth rate (%)	9.57	14.82	17.36	3.92	3.03	3.79	5.09
Net interest margin (%)	2.54	2.88	2.82	3.36	3.40	3.25	3.13
Net operating income growth (%)	158.85	-53.89	-38.78	-3.14	45.45	-3.27	4.43
Number of institutions reporting	4,914	5,033	5,002	5,177	5,406	5,670	5,913
Commercial banks	4,301	4,401	4,375	4,518	4,715	4,918	5,112
Savings institutions	613	632	627	659	691	752	801
Percentage of unprofitable institutions (%)	3.24	4.77	4.68	3.73	3.44	5.61	4.48
Number of problem institutions	46	56	56	51	60	95	123
Assets of problem institutions (in billions)	$51	$54	$56	$46	$48	$14	$28
Number of failed institutions	0	2	4	4	0	8	5

* 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 2021	2nd Quarter 2021	3rd Quarter 2020	%Change 20Q3-21Q3
Number of institutions reporting	4,914	4,951	5,033	-2.4
Total employees (full-time equivalent)	2,056,573	2,058,714	2,071,908	-0.7
CONDITION DATA				
Total assets	$23,251,659	$22,789,018	$21,220,827	9.6
Loans secured by real estate	5,182,410	5,109,205	5,144,713	0.7
1-4 Family residential mortgages	2,221,812	2,180,518	2,240,755	-0.9
Nonfarm nonresidential	1,619,362	1,594,870	1,556,192	4.1
Construction and development	402,056	393,582	386,394	4.1
Home equity lines	270,278	277,871	312,892	-13.6
Commercial & industrial loans	2,243,280	2,335,852	2,545,076	-11.9
Loans to individuals	1,796,993	1,757,415	1,709,912	5.1
Credit cards	805,961	791,990	796,450	1.2
Farm loans	73,102	69,763	76,796	-4.8
Other loans & leases	1,627,506	1,588,915	1,438,032	13.2
Less: Unearned income	2,408	2,987	3,623	-33.5
Total loans & leases	10,920,884	10,858,163	10,910,908	0.1
Less: Reserve for losses*	185,064	195,175	244,267	-24.2
Net loans and leases	10,735,820	10,662,988	10,666,641	0.7
Securities**	5,953,236	5,728,187	4,793,031	24.2
Other real estate owned	3,819	4,149	4,548	-16.0
Goodwill and other intangibles	396,651	393,756	385,497	2.9
All other assets	6,162,132	5,999,938	5,371,110	14.7
Total liabilities and capital	23,251,659	22,789,018	21,220,827	9.6
Deposits	19,166,663	18,730,697	17,118,378	12.0
Domestic office deposits	17,633,886	17,163,933	15,671,764	12.5
Foreign office deposits	1,532,777	1,566,764	1,446,614	6.0
Other borrowed funds	989,701	1,018,754	1,207,522	-18.0
Subordinated debt	66,246	66,798	68,489	-3.3
All other liabilities	687,128	664,561	640,711	7.2
Total equity capital (includes minority interests)	2,341,922	2,308,209	2,185,727	7.2
Bank equity capital	2,339,483	2,305,706	2,183,161	7.2
Loans and leases 30-89 days past due	47,781	45,551	58,711	-18.6
Noncurrent loans and leases	102,745	109,692	127,180	-19.2
Restructured loans and leases	45,356	47,187	49,637	-8.6
Mortgage-backed securities	3,488,704	3,386,816	2,798,839	24.7
Earning assets	21,241,499	20,799,371	19,320,745	9.9
FHLB Advances	190,103	207,582	304,509	-37.6
Unused loan commitments	9,076,319	8,917,077	8,412,087	7.9
Trust assets	19,981,395	19,845,541	17,775,673	12.4
Assets securitized and sold	462,865	463,194	505,520	-8.4
Notional amount of derivatives	187,643,803	186,058,293	181,124,686	3.6

INCOME DATA	First Three Quarters 2021	First Three Quarters 2020	%Change	3rd Quarter 2021	3rd Quarter 2020	%Change 20Q3-21Q3
Total interest income	$419,914	$461,567	-9.0	$143,168	$143,223	0.0
Total interest expense	28,104	65,184	-56.9	8,772	14,470	-39.4
Net interest income	391,810	396,382	-1.2	134,397	128,753	4.4
Provision for credit losses***	-30,411	129,062	-123.6	-5,233	14,460	-136.2
Total noninterest income	228,174	210,032	8.6	76,012	72,602	4.7
Total noninterest expense	377,691	373,934	1.0	128,040	123,656	3.6
Securities gains (losses)	2,465	6,730	-63.4	338	2,479	-86.4
Applicable income taxes	58,998	21,837	170.2	18,391	14,491	26.9
Extraordinary gains, net****	31	-110	N/M	3	-5	N/M
Total net income (includes minority interests)	216,203	88,201	145.1	69,551	51,223	35.8
Bank net income	216,035	88,027	145.4	69,496	51,136	35.9
Net charge-offs	21,682	42,795	-49.3	5,277	12,696	-58.4
Cash dividends	114,872	62,251	84.5	54,649	15,822	245.4
Retained earnings	101,162	25,776	292.5	14,847	35,314	-58.0
Net operating income	214,181	82,744	158.9	69,271	49,299	40.5

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.
** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.
*** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the provision for loan and lease losses.
**** See Notes to Users for explanation.

N/M - Not Meaningful

TABLE III-A. Third Quarter 2021, All FDIC-Insured Institutions

		Asset Concentration Groups*								
THIRD QUARTER (The way it is...)	**All Insured Institutions**	**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	4,914	11	5	1,135	2,483	287	34	342	521	96
Commercial banks	4,301	10	5	1,124	2,241	84	21	310	426	80
Savings institutions	613	1	0	11	242	203	13	32	95	16
Total assets (in billions)	$23,251.7	$476.3	$5,868.2	$295.5	$7,242.1	$758.7	$332.1	$76.3	$129.3	$8,073.3
Commercial banks	21,781.9	394.0	5,868.2	289.1	6,779.5	160.3	324.5	71.1	103.8	7,791.5
Savings institutions	1,469.8	82.3	0.0	6.4	462.5	598.4	7.6	5.2	25.6	281.8
Total deposits (in billions)	19,166.7	338.3	4,615.6	251.1	6,088.0	669.9	280.6	63.5	111.3	6,748.5
Commercial banks	17,933.0	275.8	4,615.6	247.5	5,722.8	138.3	274.0	60.0	90.1	6,508.9
Savings institutions	1,233.7	62.5	0.0	3.6	365.1	531.6	6.6	3.6	21.2	239.6
Bank net income (in millions)	69,496	6,555	15,111	1,029	22,055	1,617	1,511	289	367	20,963
Commercial banks	65,471	5,410	15,111	978	20,766	476	1,493	125	329	20,784
Savings institutions	4,025	1,145	0	51	1,289	1,141	18	163	38	180
Performance Ratios (annualized, %)										
Yield on earning assets	2.73	11.34	1.97	3.79	3.16	1.86	4.10	2.57	3.42	2.31
Cost of funding earning assets	0.17	0.96	0.11	0.35	0.19	0.14	0.61	0.23	0.29	0.11
Net interest margin	2.56	10.38	1.86	3.44	2.96	1.72	3.49	2.34	3.13	2.20
Noninterest income to assets	1.32	5.93	1.48	0.66	0.99	0.79	0.95	3.09	1.30	1.30
Noninterest expense to assets	2.23	8.62	1.96	2.25	2.25	1.36	1.54	3.38	2.89	2.10
Credit loss provision to assets**	-0.09	0.02	-0.12	0.06	-0.07	-0.01	0.29	0.02	0.03	-0.13
Net operating income to assets	1.20	5.49	1.05	1.38	1.22	0.87	1.82	1.51	1.15	1.05
Pretax return on assets	1.53	7.14	1.28	1.59	1.56	1.11	2.41	1.91	1.32	1.35
Return on assets	1.21	5.50	1.04	1.40	1.23	0.87	1.84	1.54	1.15	1.05
Return on equity	11.97	40.66	11.54	12.63	11.26	9.80	19.40	11.16	10.30	10.55
Net charge-offs to loans and leases	0.19	1.54	0.29	0.04	0.09	0.00	0.24	0.08	0.01	0.16
Loan and lease loss provision to net charge-offs	-81.71	0.15	-73.22	256.52	-131.85	-1,049.62	138.37	99.30	716.29	-171.87
Efficiency ratio	60.40	54.23	62.22	57.63	59.77	55.12	36.56	63.62	68.09	63.07
% of unprofitable institutions	4.13	0.00	0.00	3.96	2.46	9.06	2.94	13.45	4.22	2.08
% of institutions with earnings gains	66.56	90.91	80.00	59.21	73.14	56.10	67.65	55.85	62.96	68.75
Structural Changes										
New reporters	3	0	0	0	0	0	0	3	0	0
Institutions absorbed by mergers	39	0	0	11	27	0	0	0	0	1
Failed institutions	0	0	0	0	0	0	0	0	0	0
PRIOR THIRD QUARTERS (The way it was...)										
Return on assets (%) 2020	0.97	3.00	0.96	1.31	1.05	1.05	1.48	2.64	1.16	0.68
2018	1.41	3.09	1.21	1.42	1.31	1.22	1.38	3.82	1.22	1.48
2016	1.10	2.26	0.90	1.29	1.01	1.03	1.02	2.68	0.95	1.21
Net charge-offs to loans & leases (%) 2020	0.46	3.63	0.67	0.13	0.23	0.01	0.85	0.12	0.08	0.39
2018	0.45	3.70	0.44	0.13	0.17	0.01	0.69	0.23	0.14	0.37
2016	0.44	3.11	0.48	0.09	0.22	0.04	0.66	0.16	0.19	0.41

* See Table V-A (page 10) for explanations.
** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses.

TABLE III-A. Third Quarter 2021, All FDIC-Insured Institutions

		Asset Size Distribution					Geographic Regions*					
THIRD QUARTER (The way it is...)	**All Insured Institutions**	**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	4,914	853	3,066	833	149	13	583	561	1,052	1,264	1,088	366
Commercial banks	4,301	747	2,717	693	132	12	303	511	909	1,225	1,019	334
Savings institutions	613	106	349	140	17	1	280	50	143	39	69	32
Total assets (in billions)	$23,251.7	$51.9	$1,111.2	$2,195.4	$6,918.4	$12,974.9	$4,290.4	$4,727.9	$5,607.9	$4,211.3	$1,941.5	$2,472.7
Commercial banks	21,781.9	45.8	974.3	1,837.0	6,329.2	12,595.6	3,852.4	4,588.8	5,514.8	4,168.1	1,336.1	2,321.8
Savings institutions	1,469.8	6.0	136.9	358.3	589.2	379.3	438.0	139.1	93.1	43.2	605.4	151.0
Total deposits (in billions)	19,166.7	43.4	949.1	1,847.2	5,769.5	10,557.6	3,527.7	3,958.9	4,414.4	3,495.2	1,675.8	2,094.7
Commercial banks	17,933.0	38.7	836.9	1,553.9	5,295.1	10,208.4	3,177.1	3,842.3	4,345.1	3,459.8	1,136.3	1,972.4
Savings institutions	1,233.7	4.7	112.2	293.2	474.4	349.2	350.6	116.7	69.3	35.4	539.5	122.3
Bank net income (in millions)	69,496	124	3,743	7,554	24,285	33,790	11,459	14,664	17,135	10,781	5,502	9,956
Commercial banks	65,471	109	3,261	6,663	22,313	33,126	10,464	14,561	16,585	10,673	4,564	8,624
Savings institutions	4,025	15	482	892	1,972	664	994	103	550	108	938	1,333
Performance Ratios (annualized, %)												
Yield on earning assets	2.73	3.60	3.73	3.69	3.30	2.15	2.65	2.78	2.28	2.70	2.89	3.65
Cost of funding earning assets	0.17	0.36	0.33	0.27	0.22	0.10	0.19	0.14	0.12	0.18	0.17	0.26
Net interest margin	2.56	3.24	3.40	3.42	3.07	2.05	2.45	2.64	2.16	2.52	2.73	3.38
Noninterest income to assets	1.32	1.78	1.39	1.22	1.29	1.35	1.30	1.17	1.57	1.09	0.95	1.76
Noninterest expense to assets	2.23	3.61	2.93	2.60	2.40	2.01	2.14	2.14	2.13	2.22	2.16	2.81
Credit loss provision to assets**	-0.09	0.07	0.07	0.07	-0.09	-0.14	0.01	-0.14	-0.15	-0.14	-0.03	0.01
Net operating income to assets	1.20	0.94	1.35	1.38	1.41	1.05	1.07	1.24	1.25	1.02	1.14	1.62
Pretax return on assets	1.53	1.11	1.60	1.76	1.84	1.32	1.38	1.59	1.53	1.31	1.39	2.15
Return on assets	1.21	0.96	1.36	1.39	1.42	1.05	1.08	1.25	1.24	1.03	1.15	1.64
Return on equity	11.97	7.00	12.37	12.75	13.32	11.01	10.37	11.87	12.94	10.50	11.36	15.87
Net charge-offs to loans and leases	0.19	0.04	0.05	0.13	0.23	0.21	0.19	0.21	0.14	0.24	0.09	0.26
Loan and lease loss provision to net charge-offs	-81.71	311.87	240.09	78.95	-68.07	-134.08	-6.23	-124.29	-149.07	-121.05	-79.41	-1.58
Efficiency ratio	60.40	75.54	63.70	58.65	57.38	62.40	60.22	59.33	60.14	65.19	61.09	56.51
% of unprofitable institutions	4.13	14.54	2.25	0.96	1.34	0.00	3.95	6.42	4.37	3.64	3.58	3.55
% of institutions with earnings gains	66.56	50.29	68.20	74.91	78.52	76.92	70.67	72.37	60.65	59.81	71.97	75.41
Structural Changes												
New reporters	3	3	0	0	0	0	0	1	1	0	0	1
Institutions absorbed by mergers	39	7	27	4	1	0	2	5	6	13	8	5
Failed institutions	0	0	0	0	0	0	0	0	0	0	0	0
PRIOR THIRD QUARTERS (The way it was...)												
Return on assets (%) 2020	0.97	0.90	1.26	1.19	1.16	0.80	0.89	0.86	1.15	0.64	1.16	1.35
2018	1.41	1.09	1.28	1.42	1.50	1.36	1.28	1.48	1.29	1.37	1.49	1.74
2016	1.10	0.97	1.13	1.10	1.09	1.09	0.87	1.25	1.00	1.09	1.16	1.40
Net charge-offs to loans & leases (%) 2020	0.46	0.10	0.11	0.18	0.61	0.49	0.43	0.49	0.39	0.51	0.22	0.68
2018	0.45	0.19	0.13	0.19	0.65	0.41	0.55	0.53	0.19	0.48	0.24	0.68
2016	0.44	0.15	0.12	0.23	0.62	0.43	0.50	0.51	0.27	0.47	0.28	0.58

* See Table V-A (page 11) for explanations.
** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses.

TABLE IV-A. First Three Quarters 2021, All FDIC-Insured Institutions

			Asset Concentration Groups*								
FIRST THREE QUARTERS (The way it is...)		All Insured Institutions	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		4,914	11	5	1,135	2,483	287	34	342	521	96
Commercial banks		4,301	10	5	1,124	2,241	84	21	310	426	80
Savings institutions		613	1	0	11	242	203	13	32	95	16
Total assets (in billions)		$23,251.7	$476.3	$5,868.2	$295.5	$7,242.1	$758.7	$332.1	$76.3	$129.3	$8,073.3
Commercial banks		21,781.9	394.0	5,868.2	289.1	6,779.5	160.3	324.5	71.1	103.8	7,791.5
Savings institutions		1,469.8	82.3	0.0	6.4	462.5	598.4	7.6	5.2	25.6	281.8
Total deposits (in billions)		19,166.7	338.3	4,615.6	251.1	6,088.0	669.9	280.6	63.5	111.3	6,748.5
Commercial banks		17,933.0	275.8	4,615.6	247.5	5,722.8	138.3	274.0	60.0	90.1	6,508.9
Savings institutions		1,233.7	62.5	0.0	3.6	365.1	531.6	6.6	3.6	21.2	239.6
Bank net income (in millions)		216,035	20,626	50,285	3,079	67,403	4,726	4,951	923	1,063	62,978
Commercial banks		203,731	17,378	50,285	2,935	63,308	1,362	4,898	418	941	62,206
Savings institutions		12,303	3,248	0	143	4,095	3,364	54	505	122	772
Performance Ratios (annualized, %)											
Yield on earning assets		2.72	10.81	1.97	3.83	3.16	1.84	4.02	2.65	3.46	2.31
Cost of funding earning assets		0.18	1.00	0.11	0.39	0.22	0.15	0.68	0.25	0.32	0.12
Net interest margin		2.54	9.81	1.86	3.44	2.95	1.69	3.34	2.40	3.14	2.19
Noninterest income to assets		1.35	5.41	1.62	0.71	1.00	0.85	1.10	3.13	1.31	1.27
Noninterest expense to assets		2.23	7.88	2.03	2.28	2.21	1.40	1.53	3.35	2.93	2.12
Credit loss provision to assets**		-0.18	-0.55	-0.27	0.06	-0.11	-0.02	0.05	0.03	0.05	-0.20
Net operating income to assets		1.26	5.66	1.17	1.40	1.26	0.86	2.02	1.62	1.12	1.06
Pretax return on assets		1.62	7.40	1.50	1.62	1.62	1.13	2.67	2.08	1.30	1.36
Return on assets		1.28	5.67	1.17	1.43	1.28	0.87	2.04	1.69	1.13	1.07
Return on equity		12.66	42.88	13.08	12.83	11.70	10.09	21.45	12.15	10.09	10.75
Net charge-offs to loans and leases		0.27	2.17	0.41	0.04	0.11	0.01	0.26	0.04	0.02	0.22
Loan and lease loss provision to net charge-offs		-133.00	-32.39	-191.20	235.27	-141.46	-508.17	30.55	229.49	337.45	-197.81
Efficiency ratio		60.44	53.14	61.82	57.63	59.10	56.03	36.15	61.93	68.73	64.36
% of unprofitable institutions		3.24	0.00	0.00	2.03	2.38	8.01	2.94	9.94	3.45	1.04
% of institutions with earnings gains		76.01	100.00	80.00	73.66	84.29	59.93	85.29	48.54	66.03	83.33
Condition Ratios (%)											
Earning assets to total assets		91.35	94.73	89.08	93.71	92.05	97.57	93.52	94.01	93.89	91.36
Loss allowance to:											
Loans and leases		1.69	7.55	1.92	1.48	1.33	0.66	2.03	1.67	1.32	1.45
Noncurrent loans and leases		180.12	911.15	230.96	180.60	143.86	92.49	312.20	192.43	185.04	134.97
Noncurrent assets plus other real estate owned to assets		0.46	0.68	0.28	0.53	0.61	0.21	0.47	0.29	0.43	0.48
Equity capital ratio		10.06	13.45	9.00	11.14	10.89	8.77	9.41	13.88	11.10	9.95
Core capital (leverage) ratio		8.86	14.19	8.08	10.59	9.41	8.68	9.93	13.39	10.83	8.43
Common equity tier 1 capital ratio***		14.17	16.89	15.31	14.90	12.86	24.29	15.90	29.12	18.01	13.83
Tier 1 risk-based capital ratio***		14.27	17.05	15.38	14.91	12.93	24.29	15.93	29.15	18.03	13.96
Total risk-based capital ratio***		15.63	18.81	16.75	16.04	14.21	24.73	16.92	30.08	19.11	15.44
Net loans and leases to deposits		56.01	107.35	38.35	68.36	72.45	32.29	82.45	32.25	60.35	51.65
Net loans to total assets		46.17	76.24	30.16	58.08	60.90	28.51	69.67	26.85	51.96	43.17
Domestic deposits to total assets		75.84	69.15	55.99	84.97	83.89	88.14	84.50	83.26	86.07	81.36
Structural Changes											
New reporters		9	0	0	0	2	0	0	7	0	0
Institutions absorbed by mergers		92	0	0	23	63	1	0	1	2	2
Failed institutions		0	0	0	0	0	0	0	0	0	0
PRIOR FIRST THREE QUARTERS (The way it was...)											
Number of institutions	2020	5,033	11	5	1,182	2,768	303	36	230	430	68
	2018	5,477	12	5	1,366	2,878	408	70	233	453	52
	2016	5,980	13	5	1,461	3,012	478	62	304	585	60
Total assets (in billions)	2020	$21,220.8	$508.6	$5,288.8	$281.0	$7,505.7	$635.9	$132.0	$40.1	$86.8	$6,742.0
	2018	17,672.8	640.0	4,245.9	285.2	6,232.8	352.0	212.8	36.0	78.0	5,590.2
	2016	16,766.6	500.8	4,145.8	273.5	5,678.8	386.7	205.5	54.7	103.3	5,417.6
Return on assets (%)	2020	0.58	1.07	0.57	1.34	0.60	1.07	1.36	2.67	1.10	0.42
	2018	1.35	2.83	1.22	1.35	1.27	1.12	1.46	3.82	1.16	1.39
	2016	1.04	2.30	0.90	1.24	0.99	0.98	1.01	2.57	0.96	1.07
Net charge-offs to loans & leases (%)	2020	0.53	4.06	0.74	0.14	0.25	0.02	0.56	0.24	0.07	0.46
	2018	0.48	3.90	0.50	0.13	0.17	0.01	0.74	0.15	0.13	0.38
	2016	0.45	3.21	0.53	0.11	0.20	0.05	0.65	0.16	0.18	0.42
Noncurrent assets plus OREO to assets (%)	2020	0.63	0.84	0.39	0.83	0.73	0.24	0.33	0.42	0.62	0.70
	2018	0.62	1.13	0.39	0.89	0.65	1.39	0.49	0.46	0.77	0.65
	2016	0.88	1.01	0.62	0.78	0.88	1.78	0.87	0.59	1.00	1.01
Equity capital ratio (%)	2020	10.29	11.51	9.11	11.55	11.25	8.63	9.31	17.08	12.22	10.10
	2018	11.28	15.27	9.98	11.32	11.96	10.99	10.67	16.87	12.05	11.06
	2016	11.21	15.16	9.79	11.61	11.98	11.32	10.00	15.49	12.01	11.10

* See Table V-A (page 10) for explanations.
** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses.
*** Beginning March 2020, does not include institutions that have a Community Bank Leverage Ratio election in effect at the report date.

TABLE IV-A. First Three Quarters 2021, All FDIC-Insured Institutions

		Asset Size Distribution					Geographic Regions*					
FIRST THREE QUARTERS (The way it is...)	**All Insured Institutions**	**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	4,914	853	3,066	833	149	13	583	561	1,052	1,264	1,088	366
Commercial banks	4,301	747	2,717	693	132	12	303	511	909	1,225	1,019	334
Savings institutions	613	106	349	140	17	1	280	50	143	39	69	32
Total assets (in billions)	$23,251.7	$51.9	$1,111.2	$2,195.4	$6,918.4	$12,974.9	$4,290.4	$4,727.9	$5,607.9	$4,211.3	$1,941.5	$2,472.7
Commercial banks	21,781.9	45.8	974.3	1,837.0	6,329.2	12,595.6	3,852.4	4,588.8	5,514.8	4,168.1	1,336.1	2,321.8
Savings institutions	1,469.8	6.0	136.9	358.3	589.2	379.3	438.0	139.1	93.1	43.2	605.4	151.0
Total deposits (in billions)	19,166.7	43.4	949.1	1,847.2	5,769.5	10,557.6	3,527.7	3,958.9	4,414.4	3,495.2	1,675.8	2,094.7
Commercial banks	17,933.0	38.7	836.9	1,553.9	5,295.1	10,208.4	3,177.1	3,842.3	4,345.1	3,459.8	1,136.3	1,972.4
Savings institutions	1,233.7	4.7	112.2	293.2	474.4	349.2	350.6	116.7	69.3	35.4	539.5	122.3
Bank net income (in millions)	216,035	405	10,912	22,579	75,153	106,987	35,359	43,317	53,032	36,714	16,488	31,124
Commercial banks	203,731	360	9,404	19,714	69,088	105,165	32,145	42,823	51,390	36,383	13,693	27,297
Savings institutions	12,303	45	1,507	2,865	6,065	1,822	3,214	495	1,642	332	2,794	3,827
Performance Ratios (annualized, %)												
Yield on earning assets	2.72	3.71	3.76	3.68	3.30	2.14	2.66	2.73	2.28	2.70	2.92	3.65
Cost of funding earning assets	0.18	0.39	0.37	0.31	0.25	0.11	0.22	0.15	0.12	0.18	0.19	0.30
Net interest margin	2.54	3.31	3.39	3.38	3.05	2.03	2.45	2.57	2.16	2.52	2.73	3.35
Noninterest income to assets	1.35	1.69	1.39	1.25	1.29	1.39	1.23	1.17	1.67	1.20	0.97	1.73
Noninterest expense to assets	2.23	3.50	2.93	2.60	2.35	2.04	2.10	2.17	2.20	2.21	2.17	2.72
Credit loss provision to assets**	-0.18	0.06	0.08	0.03	-0.16	-0.25	-0.08	-0.23	-0.26	-0.21	-0.06	-0.11
Net operating income to assets	1.26	1.04	1.33	1.40	1.48	1.12	1.12	1.24	1.31	1.16	1.16	1.73
Pretax return on assets	1.62	1.21	1.59	1.79	1.94	1.43	1.46	1.58	1.67	1.49	1.43	2.30
Return on assets	1.28	1.06	1.35	1.43	1.50	1.13	1.14	1.25	1.30	1.18	1.17	1.76
Return on equity	12.66	7.72	12.29	13.04	14.03	11.84	10.90	11.79	13.72	12.03	11.73	17.05
Net charge-offs to loans and leases	0.27	0.06	0.05	0.14	0.32	0.29	0.26	0.29	0.21	0.33	0.10	0.35
Loan and lease loss provision to net charge-offs	-133.00	201.14	267.16	36.99	-81.52	-213.61	-65.56	-155.37	-279.60	-124.75	-117.92	-49.86
Efficiency ratio	60.44	73.60	63.91	58.85	56.62	62.88	60.22	61.27	60.63	63.15	61.06	55.44
% of unprofitable institutions	3.24	10.79	1.89	0.84	1.34		4.46	6.60	3.33	1.66	2.48	3.55
% of institutions with earnings gains	76.01	59.79	76.09	88.84	94.63	84.62	82.85	77.90	71.48	74.68	75.55	81.15
Condition Ratios (%)												
Earning assets to total assets	91.35	92.42	93.93	93.19	92.86	90.02	90.45	91.16	90.43	90.88	93.85	94.22
Loss allowance to:												
Loans and leases	1.69	1.49	1.39	1.42	1.82	1.71	1.64	1.72	1.57	1.85	1.31	1.95
Noncurrent loans and leases	180.12	139.06	209.08	200.94	174.80	178.08	174.19	193.57	186.29	172.68	79.34	339.28
Noncurrent assets plus other real estate owned to assets	0.46	0.64	0.46	0.50	0.62	0.37	0.47	0.43	0.38	0.50	0.79	0.37
Equity capital ratio	10.06	13.75	11.04	10.93	10.60	9.53	10.45	10.48	9.53	9.77	10.04	10.29
Core capital (leverage) ratio	8.86	13.43	10.76	10.29	9.42	8.13	9.21	8.41	8.46	8.90	8.97	9.84
Common equity tier 1 capital ratio***	14.17	24.04	16.10	14.61	14.03	14.06	14.32	13.64	14.47	13.48	15.21	14.78
Tier 1 risk-based capital ratio***	14.27	24.08	16.13	14.64	14.24	14.09	14.39	13.73	14.53	13.57	15.31	15.01
Total risk-based capital ratio***	15.63	25.14	17.25	15.73	15.48	15.58	15.71	14.92	15.78	15.49	16.38	16.18
Net loans and leases to deposits	56.01	60.78	68.88	73.44	68.24	45.10	57.70	54.57	52.46	54.05	52.36	69.59
Net loans to total assets	46.17	50.84	58.84	61.79	56.91	36.70	47.44	45.70	41.30	44.86	45.20	58.95
Domestic deposits to total assets	75.84	83.64	85.41	84.04	81.54	70.56	77.04	81.34	69.49	67.55	86.28	83.56
Structural Changes												
New reporters	9	9	0	0	0	0	0	3	3	0	1	2
Institutions absorbed by mergers	92	21	61	8	2	0	9	10	16	28	22	7
Failed institutions	0	0	0	0	0	0	0	0	0	0	0	0

PRIOR FIRST THREE QUARTERS (The way it was...)		All Insured Institutions	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	2020	5,033	981	3,135	766	138	13	598	572	1,079	1,300	1,112	372
	2018	5,477	1,335	3,369	635	129	9	671	633	1,180	1,397	1,193	403
	2016	5,980	1,589	3,656	621	104	10	731	731	1,287	1,500	1,280	451
Total assets (in billions)	2020	$21,220.8	$59.0	$1,089.7	$2,019.2	$6,198.1	$11,854.9	$3,887.9	$4,349.6	$5,004.1	$4,093.2	$1,719.5	$2,166.6
	2018	17,672.8	79.2	1,107.7	1,694.4	6,036.1	8,755.5	3,275.4	3,654.9	3,996.3	3,641.5	1,119.5	1,985.3
	2016	16,766.6	94.1	1,171.9	1,741.0	4,983.0	8,776.7	3,158.4	3,478.0	3,785.4	3,644.3	1,001.6	1,698.9
Return on assets (%)	2020	0.58	0.91	1.21	1.04	0.49	0.49	0.53	0.42	0.73	0.35	0.95	0.80
	2018	1.35	1.05	1.25	1.32	1.45	1.31	1.21	1.43	1.29	1.27	1.42	1.71
	2016	1.04	0.95	1.09	1.06	1.08	1.01	0.85	1.03	0.98	1.09	1.10	1.43
Net charge-offs to loans & leases (%)	2020	0.53	0.14	0.11	0.21	0.70	0.54	0.49	0.58	0.43	0.56	0.32	0.74
	2018	0.48	0.17	0.11	0.21	0.69	0.43	0.59	0.54	0.23	0.50	0.22	0.71
	2016	0.45	0.15	0.11	0.21	0.62	0.46	0.48	0.53	0.27	0.51	0.30	0.55
Noncurrent assets plus OREO to assets (%)	2020	0.63	0.86	0.65	0.67	0.81	0.52	0.58	0.52	0.55	0.77	1.04	0.51
	2018	0.62	1.01	0.77	0.68	0.63	0.58	0.61	0.66	0.56	0.71	0.76	0.45
	2016	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 (%)	2020	10.29	13.59	11.32	10.97	10.91	9.74	10.71	10.87	9.78	9.76	10.32	10.52
	2018	11.28	13.48	11.41	11.85	12.21	10.50	12.67	11.95	10.38	10.21	11.68	11.31
	2016	11.21	13.15	11.47	11.80	12.18	10.50	12.03	12.39	10.18	10.08	11.22	12.04

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

** For institutions that have adopted ASU 2016-13, the numerator represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, the numerator represents the provision for loan and lease losses.

*** Beginning March 2020, does not include institutions that have a Community Bank Leverage Ratio election in effect at the report date.

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

September 30, 2021	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	0.40	0.28	0.31	0.36	0.31	0.27	0.36	0.59	0.55	0.60
Construction and development	0.29	0.20	0.27	0.34	0.31	0.86	0.40	0.34	0.41	0.14
Nonfarm nonresidential	0.19	0.00	0.19	0.30	0.17	0.16	0.02	0.39	0.33	0.24
Multifamily residential real estate	0.22	2.08	0.11	0.02	0.29	0.12	0.00	0.05	0.26	0.06
Home equity loans	0.38	0.00	0.41	0.44	0.32	0.22	0.59	0.34	0.43	0.48
Other 1-4 family residential	0.61	0.27	0.39	0.60	0.53	0.27	0.41	0.85	0.67	0.84
Commercial and industrial loans	0.29	0.38	0.49	0.55	0.23	0.28	0.19	0.99	0.48	0.26
Loans to individuals	0.93	1.02	0.74	0.74	0.64	0.27	1.32	0.99	0.88	1.05
Credit card loans	0.84	1.03	0.62	0.77	1.12	0.83	0.58	2.02	0.84	0.79
Other loans to individuals	1.01	0.89	1.04	0.74	0.61	0.26	1.33	0.94	0.88	1.17
All other loans and leases (including farm)	0.24	0.23	0.34	0.32	0.28	0.02	0.06	0.42	0.40	0.15
Total loans and leases	0.44	0.95	0.44	0.39	0.31	0.26	0.94	0.66	0.56	0.51
Percent of Loans Noncurrent**										
All real estate loans	1.36	0.76	1.52	0.80	1.11	0.79	0.32	0.93	0.75	1.97
Construction and development	0.55	1.05	1.91	0.42	0.39	0.76	0.20	0.84	0.41	0.86
Nonfarm nonresidential	0.80	0.00	0.94	0.68	0.74	0.50	0.26	0.86	0.95	1.05
Multifamily residential real estate	0.30	0.00	0.35	0.31	0.26	0.65	0.20	0.43	0.22	0.37
Home equity loans	2.08	0.00	5.50	0.25	1.22	0.50	4.63	0.35	0.50	2.62
Other 1-4 family residential	2.09	0.76	1.78	0.62	2.22	0.83	0.26	0.93	0.72	2.52
Commercial and industrial loans	0.75	0.25	0.98	1.08	0.76	0.77	0.83	0.72	0.73	0.63
Loans to individuals	0.60	0.89	0.52	0.35	0.40	0.07	0.75	0.58	0.35	0.56
Credit card loans	0.78	0.93	0.62	0.32	0.91	0.42	0.40	0.79	0.52	0.72
Other loans to individuals	0.46	0.34	0.27	0.35	0.36	0.06	0.75	0.57	0.35	0.48
All other loans and leases (including farm)	0.26	0.03	0.21	0.80	0.36	0.07	0.10	0.69	0.75	0.23
Total loans and leases	0.94	0.83	0.83	0.82	0.92	0.71	0.65	0.87	0.71	1.07
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.00	0.03	-0.06	0.02	0.03	-0.01	-0.01	-0.07	0.00	-0.01
Construction and development	0.02	0.72	0.00	0.08	0.02	0.03	-0.17	-0.08	-0.06	0.03
Nonfarm nonresidential	0.06	0.00	0.04	0.03	0.07	0.00	0.01	-0.18	0.02	0.02
Multifamily residential real estate	0.02	0.00	0.00	0.02	0.02	0.14	0.02	0.18	0.00	0.01
Home equity loans	-0.19	0.00	-0.58	0.02	-0.08	-0.05	-0.25	-0.12	0.01	-0.24
Other 1-4 family residential	-0.02	0.02	-0.06	0.01	-0.02	-0.01	-0.01	0.00	0.00	-0.01
Commercial and industrial loans	0.21	0.80	0.29	0.11	0.21	0.00	0.14	-0.08	0.07	0.16
Loans to individuals	1.28	2.33	1.77	0.22	0.57	0.25	0.38	0.69	0.15	0.95
Credit card loans	2.38	2.40	2.32	0.76	3.07	2.20	1.11	0.29	0.81	2.38
Other loans to individuals	0.35	1.22	0.31	0.16	0.40	0.19	0.38	0.71	0.15	0.29
All other loans and leases (including farm)	0.09	0.32	0.06	0.04	0.10	0.06	0.12	1.10	0.07	0.11
Total loans and leases	0.27	2.17	0.41	0.04	0.11	0.01	0.26	0.04	0.02	0.22
Loans Outstanding (in billions)										
All real estate loans	$5,182.4	$2.2	$567.3	$109.6	$2,772.3	$188.1	$48.8	$15.4	$53.4	$1,425.4
Construction and development	402.1	0.1	18.1	7.3	290.4	5.4	0.5	1.5	4.0	75.0
Nonfarm nonresidential	1,619.4	0.0	61.2	29.2	1,164.2	15.1	6.0	5.5	12.4	325.8
Multifamily residential real estate	496.2	0.0	84.1	3.9	322.9	4.9	0.7	0.6	1.7	77.5
Home equity loans	270.3	0.0	26.0	1.7	142.0	7.0	0.7	0.4	1.8	90.5
Other 1-4 family residential	2,221.8	2.1	323.3	24.9	803.9	154.8	40.9	6.4	29.7	835.8
Commercial and industrial loans	2,243.3	38.9	344.7	22.2	1,056.5	7.9	30.1	2.8	6.1	734.1
Loans to individuals	1,797.0	351.1	365.1	6.1	277.2	12.6	148.7	1.5	5.6	629.1
Credit card loans	806.0	328.8	262.4	0.7	17.2	0.3	0.4	0.1	0.0	196.1
Other loans to individuals	991.0	22.3	102.8	5.5	259.9	12.2	148.3	1.5	5.6	432.9
All other loans and leases (including farm)	1,700.6	0.6	527.5	36.3	366.3	9.2	8.5	1.1	3.0	748.0
Total loans and leases (plus unearned income)	10,923.3	392.8	1,804.6	174.2	4,472.3	217.8	236.2	20.8	68.1	3,536.5
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	3,819.5	6.2	236.2	146.6	2,335.5	46.0	9.1	38.9	71.1	929.8
Construction and development	707.7	0.2	1.0	20.2	589.1	8.6	1.7	12.1	21.5	53.3
Nonfarm nonresidential	2,155.7	5.9	87.0	64.5	1,367.1	16.0	0.2	20.2	25.3	569.6
Multifamily residential real estate	50.0	0.0	0.0	1.4	48.1	0.2	0.1	0.0	0.0	0.2
1-4 family residential	793.5	0.1	119.2	22.8	294.0	20.4	7.0	4.7	22.4	302.8
Farmland	82.9	0.0	0.0	37.7	37.2	0.8	0.0	1.9	2.1	3.2

* 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, 2021	All Insured Institutions	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	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	0.40	0.78	0.35	0.20	0.36	0.56	0.38	0.41	0.36	0.59	0.40	0.21
Construction and development	0.29	0.52	0.36	0.23	0.36	0.16	0.36	0.22	0.17	0.26	0.28	0.45
Nonfarm nonresidential	0.19	0.68	0.25	0.14	0.19	0.22	0.21	0.20	0.18	0.18	0.17	0.18
Multifamily residential real estate	0.22	0.11	0.15	0.11	0.35	0.10	0.46	0.06	0.12	0.05	0.12	0.08
Home equity loans	0.38	0.19	0.33	0.25	0.34	0.46	0.30	0.45	0.39	0.51	0.34	0.19
Other 1-4 family residential	0.61	1.04	0.49	0.30	0.51	0.79	0.50	0.64	0.53	1.00	0.78	0.23
Commercial and industrial loans	0.29	0.89	0.46	0.34	0.22	0.31	0.20	0.32	0.31	0.30	0.33	0.27
Loans to individuals	0.93	1.09	1.46	1.08	0.83	0.99	0.76	1.34	0.65	0.84	0.70	1.01
Credit card loans	0.84	1.31	1.69	2.43	0.92	0.69	0.92	1.01	0.57	0.74	0.46	0.99
Other loans to individuals	1.01	1.09	1.44	0.62	0.76	1.27	0.66	1.60	0.70	1.03	0.78	1.03
All other loans and leases (including farm)	0.24	0.31	0.31	0.19	0.22	0.25	0.14	0.13	0.37	0.28	0.19	0.19
Total loans and leases	0.44	0.75	0.41	0.27	0.40	0.51	0.37	0.53	0.40	0.50	0.39	0.41
Percent of Loans Noncurrent**												
All real estate loans	1.36	1.04	0.66	0.68	1.51	1.80	1.32	1.34	1.36	1.64	2.21	0.47
Construction and development	0.55	0.58	0.46	0.48	0.36	1.07	1.13	0.34	0.91	0.25	0.21	0.35
Nonfarm nonresidential	0.80	1.15	0.66	0.64	0.86	0.98	1.20	0.61	0.88	0.95	0.53	0.53
Multifamily residential real estate	0.30	0.64	0.28	0.29	0.27	0.36	0.37	0.57	0.31	0.15	0.17	0.11
Home equity loans	2.08	0.64	0.62	0.52	1.20	3.46	1.91	1.62	2.58	3.62	0.89	0.81
Other 1-4 family residential	2.09	0.98	0.68	0.92	2.70	2.21	1.75	2.07	1.75	2.37	5.79	0.50
Commercial and industrial loans	0.75	1.27	0.70	0.91	0.74	0.72	0.69	0.70	0.63	0.96	0.81	0.78
Loans to individuals	0.60	0.67	0.48	0.76	0.62	0.58	0.65	0.72	0.34	0.62	0.48	0.69
Credit card loans	0.78	0.91	1.24	2.03	0.86	0.65	0.96	0.86	0.54	0.72	0.84	0.83
Other loans to individuals	0.46	0.66	0.43	0.31	0.41	0.52	0.45	0.62	0.19	0.45	0.37	0.58
All other loans and leases (including farm)	0.26	1.18	0.76	0.30	0.37	0.20	0.16	0.16	0.27	0.31	0.24	0.49
Total loans and leases	0.94	1.07	0.66	0.71	1.04	0.96	0.94	0.89	0.84	1.07	1.65	0.57
Percent of Loans Charged-Off (net, YTD)												
All real estate loans	0.00	0.02	0.01	0.02	0.03	-0.04	0.03	0.00	-0.02	-0.02	0.01	0.02
Construction and development	0.02	0.02	0.00	0.00	0.04	0.01	0.07	0.01	0.04	-0.01	0.00	-0.01
Nonfarm nonresidential	0.06	0.03	0.01	0.05	0.10	0.02	0.09	0.05	0.06	0.03	0.04	0.06
Multifamily residential real estate	0.02	0.00	0.00	0.01	0.03	0.01	0.03	0.04	0.00	0.03	0.00	0.00
Home equity loans	-0.19	-0.02	0.00	-0.02	-0.08	-0.33	-0.10	-0.19	-0.22	-0.32	-0.19	-0.07
Other 1-4 family residential	-0.02	0.01	0.00	-0.01	-0.01	-0.04	-0.01	-0.01	-0.04	-0.03	-0.01	0.00
Commercial and industrial loans	0.21	0.12	0.10	0.16	0.25	0.20	0.17	0.24	0.22	0.22	0.20	0.19
Loans to individuals	1.28	0.24	0.54	1.57	1.26	1.29	1.34	1.16	1.02	1.88	0.64	1.25
Credit card loans	2.38	2.61	3.31	4.71	2.29	2.34	2.66	2.31	2.14	2.57	1.59	2.35
Other loans to individuals	0.35	0.22	0.35	0.43	0.39	0.31	0.46	0.24	0.15	0.69	0.34	0.41
All other loans and leases (including farm)	0.09	0.08	0.11	0.07	0.11	0.08	0.07	0.12	0.06	0.08	0.06	0.17
Total loans and leases	0.27	0.06	0.05	0.14	0.32	0.29	0.26	0.29	0.21	0.33	0.10	0.35
Loans Outstanding (in billions)												
All real estate loans	$5,182.4	$18.1	$502.5	$984.2	$1,935.3	$1,742.3	$1,077.0	$918.3	$1,041.8	$847.5	$579.2	$718.7
Construction and development	402.1	1.1	48.8	99.8	168.1	84.3	79.3	65.7	65.8	56.0	86.7	48.7
Nonfarm nonresidential	1,619.4	3.8	190.3	429.9	658.5	336.9	365.5	312.1	246.5	209.9	240.2	245.3
Multifamily residential real estate	496.2	0.4	28.5	108.2	221.3	137.8	168.9	44.3	124.5	44.9	26.7	86.9
Home equity loans	270.3	0.4	14.5	33.9	102.2	119.4	62.2	62.4	66.2	37.6	17.7	24.2
Other 1-4 family residential	2,221.8	8.7	171.5	280.5	768.7	992.4	396.0	420.3	514.3	399.9	188.1	303.2
Commercial and industrial loans	2,243.3	3.4	94.0	240.4	825.3	1,080.2	400.9	524.6	505.0	389.2	169.2	254.4
Loans to individuals	1,797.0	1.7	27.2	81.2	776.0	910.9	320.4	424.6	359.6	280.4	67.6	344.4
Credit card loans	806.0	0.0	1.8	21.0	350.6	432.6	125.6	184.5	153.9	179.2	15.8	147.0
Other loans to individuals	991.0	1.7	25.4	60.2	425.4	478.3	194.8	240.1	205.8	101.2	51.8	197.4
All other loans and leases (including farm)	1,700.6	3.6	39.7	71.0	475.0	1,111.3	272.1	331.0	446.6	407.9	73.7	169.4
Total loans and leases (plus unearned income)	10,923.3	26.8	663.4	1,376.8	4,011.7	4,844.7	2,070.3	2,198.5	2,353.1	1,925.0	889.6	1,486.9
Memo: Other Real Estate Owned (in millions)												
All other real estate owned	3,819.5	47.0	697.6	1,239.6	869.6	965.7	495.0	917.1	670.9	477.2	678.1	581.1
Construction and development	707.7	7.8	279.1	221.6	171.6	27.5	78.5	171.3	74.5	111.9	227.1	44.5
Nonfarm nonresidential	2,155.7	16.9	244.3	863.4	417.3	613.6	173.7	581.8	351.7	231.7	339.4	477.4
Multifamily residential real estate	50.0	6.2	26.9	9.5	6.7	0.9	9.0	12.2	2.2	7.1	12.8	6.7
1-4 family residential	793.5	13.0	101.2	112.9	271.7	294.6	233.5	140.4	207.5	90.4	79.1	42.5
Farmland	82.9	3.0	46.0	31.6	2.3	0.0	0.4	11.5	9.4	32.1	19.7	9.9

* **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

(dollar figures in millions; notional amounts unless otherwise indicated)		3rd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	% Change 20Q3-21Q3	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		1,358	1,374	1,389	1,388	1,374	-1.2	29	640	538	138	13
Total assets of institutions reporting derivatives		$21,479,312	$21,045,088	$20,833,034	$20,149,443	$19,491,662	10.2	$2,054	$305,247	$1,577,426	$6,619,714	$12,974,871
Total deposits of institutions reporting derivatives		17,677,878	17,274,185	17,014,112	16,393,959	15,709,088	12.5	1,667	259,077	1,328,031	5,531,499	10,557,605
Total derivatives		187,643,803	186,058,293	191,684,281	165,711,793	181,124,686	3.6	356	21,235	203,332	4,512,831	182,906,048
Derivative Contracts by Underlying Risk Exposure												
Interest rate		131,804,111	133,334,814	137,477,498	116,058,430	129,835,475	1.5	356	20,864	194,878	2,673,427	128,914,586
Foreign exchange*		45,631,510	43,728,636	45,257,498	41,448,704	42,148,550	8.3	0	0	3,827	1,619,178	44,008,505
Equity		4,649,081	4,254,960	4,004,712	3,774,715	4,022,629	15.6	0	21	57	67,971	4,581,032
Commodity & other (excluding credit derivatives)		1,703,480	1,631,946	1,582,254	1,394,504	1,536,154	10.9	0	0	41	100,900	1,602,540
Credit		3,854,151	3,106,414	3,361,030	3,034,285	3,580,623	7.6	0	27	3,383	51,355	3,799,386
Total		187,642,333	186,056,770	191,682,992	165,710,638	181,123,431	3.6	356	20,912	202,186	4,512,831	182,906,048
Derivative Contracts by Transaction Type												
Swaps		111,081,251	106,971,001	107,719,719	96,423,495	99,580,043	11.5	2	2,279	121,665	2,382,062	108,575,244
Futures & forwards		35,311,292	37,583,984	40,934,399	32,350,455	39,822,587	-11.3	0	4,059	20,891	1,688,788	33,597,555
Purchased options		17,182,098	17,945,500	18,603,556	16,098,917	17,889,179	-4.0	0	262	15,007	150,652	17,016,177
Written options		17,050,718	17,894,265	18,371,380	15,891,741	17,706,928	-3.7	1	3,869	16,616	148,262	16,881,971
Total		180,625,360	180,394,750	185,629,054	160,764,608	174,998,738	3.2	3	10,468	174,179	4,369,764	176,070,946
Fair Value of Derivative Contracts												
Interest rate contracts		63,671	63,859	69,365	70,648	73,198	-13.0	0	29	353	9,382	53,906
Foreign exchange contracts		11,247	10,331	13,849	-11,466	-7,256	N/M	0	0	8	1,063	10,177
Equity contracts		-10,450	-13,321	-6,866	-7,165	-700	N/M	0	6	2	105	-10,563
Commodity & other (excluding credit derivatives)		15,125	6,125	3,967	-452	-1,087	N/M	0	0	0	559	14,567
Credit derivatives as guarantor**		22,626	16,825	16,748	14,331	3,830	490.8	0	0	14	-98	22,710
Credit derivatives as beneficiary**		-25,233	-21,074	-18,373	-18,166	-7,167	N/M	0	0	-13	-180	-25,041
Derivative Contracts by Maturity* **												
Interest rate contracts	< 1 year	73,183,709	71,259,031	76,501,727	62,457,197	76,385,765	-4.2	0	2,679	19,270	1,241,439	71,920,322
	1-5 years	41,533,578	45,947,274	44,407,789	39,201,919	39,963,944	3.9	0	875	42,902	805,176	40,684,625
	> 5 years	22,926,832	22,279,945	22,231,036	20,844,428	20,500,301	11.8	0	1,314	76,885	473,000	22,375,634
Foreign exchange and gold contracts	< 1 year	31,560,013	30,839,509	32,130,016	29,434,113	29,396,427	7.4	0	0	3,084	1,461,606	30,095,323
	1-5 years	4,723,452	4,557,853	4,336,231	4,404,492	4,299,182	9.9	0	0	313	102,642	4,620,497
	> 5 years	2,576,222	2,502,654	2,405,347	2,402,103	2,299,468	12.0	0	0	13	12,710	2,563,499
Equity contracts	< 1 year	4,079,641	3,806,830	3,504,313	3,287,136	3,210,066	27.1	0	7	4	33,452	4,046,178
	1-5 years	1,135,840	957,152	870,551	770,821	882,054	28.8	0	14	21	30,496	1,105,309
	> 5 years	159,126	153,371	124,452	138,573	133,921	18.8	0	0	5	2,407	156,714
Commodity & other contracts (including credit derivatives, excluding gold contracts)	< 1 year	2,417,770	2,234,059	2,149,899	1,820,961	1,926,264	25.5	0	0	65	31,131	2,386,574
	1-5 years	2,478,994	2,137,329	2,050,971	2,023,406	2,249,588	10.2	0	12	845	45,435	2,432,701
	> 5 years	519,222	215,849	435,795	215,486	433,136	19.9	0	13	1,483	8,980	508,747
Risk-Based Capital: Credit Equivalent Amount												
Total current exposure to tier 1 capital (%)		24.9	24.8	25.6	30.2	29.9		0.0	0.1	1.7	5.2	40.9
Total potential future exposure to tier 1 capital (%)		37.3	34.9	34.0	31.0	32.5		0.0	0.1	1.0	4.9	63.1
Total exposure (credit equivalent amount) to tier 1 capital (%)		62.3	59.7	59.6	61.2	62.4		0.0	0.2	2.7	10.1	103.9
Credit losses on derivatives******		21.0	21.0	7.0	137.0	131.0	-84.0	0.0	6.0	0.0	7.0	9
HELD FOR TRADING												
Number of institutions reporting derivatives		188	190	188	187	185	1.6	0	19	89	69	11
Total assets of institutions reporting derivatives		16,663,554	16,326,459	16,185,378	15,885,372	15,380,670	8.3	0	9,802	351,962	4,119,359	12,182,431
Total deposits of institutions reporting derivatives		13,628,595	13,321,986	13,125,102	12,847,286	12,338,386	10.5	0	8,418	295,461	3,475,832	9,848,883
Derivative Contracts by Underlying Risk Exposure												
Interest rate		127,448,311	129,126,796	133,860,018	112,807,097	126,595,325	0.7	0	543	43,684	1,422,095	125,981,989
Foreign exchange		41,961,260	40,661,753	42,039,817	39,084,210	39,147,645	7.2	0	0	3,566	1,489,145	40,468,549
Equity		4,620,993	4,225,427	3,976,351	3,746,888	3,997,150	15.6	0	0	36	58,302	4,562,655
Commodity & other		1,665,050	1,594,653	1,544,723	1,358,385	1,501,890	10.9	0	0	18	96,980	1,568,051
Total		175,695,613	175,608,628	181,420,909	156,996,580	171,242,010	2.6	0	543	47,304	3,066,522	172,581,244
Trading Revenues: Cash & Derivative Instruments												
Interest rate**		-323	3,373	-29	3,625	2,826	N/M	0	0	4	201	-528
Foreign exchange**		3,998	1,546	6,343	18	1,942	105.9	0	0	3	128	3,868
Equity**		1,729	2,384	2,388	2,480	750	130.5	0	0	16	-12	1,725
Commodity & other (including credit derivatives)**		1,415	767	1,772	191	1,380	2.5	0	0	0	17	1,398
Total trading revenues**		6,819	8,070	10,474	6,314	6,898	-1.1	0	0	23	335	6,462
Share of Revenue												
Trading revenues to gross revenues (%)**		4.8	5.9	7.5	4.6	4.9		0.0	0.0	0.6	1.0	6.3
Trading revenues to net operating revenues (%)**		15.4	18.1	21.0	16.8	22.0		0.0	0.0	2.1	3.1	19.9
HELD FOR PURPOSES OTHER THAN TRADING												
Number of institutions reporting derivatives		607	609	615	623	620	-2.1	2	141	322	129	13
Total assets of institutions reporting derivatives		20,529,349	20,003,429	19,838,053	19,263,989	18,645,437	10.1	110	72,623	1,149,490	6,332,256	12,974,871
Total deposits of institutions reporting derivatives		16,878,746	16,400,333	16,180,006	15,655,539	15,010,871	12.4	89	61,187	961,916	5,297,949	10,557,605
Derivative Contracts by Underlying Risk Exposure												
Interest rate		4,320,508	4,170,881	3,573,201	3,192,677	3,162,582	36.6	3	9,904	126,672	1,251,333	2,932,597
Foreign exchange		542,719	548,414	569,053	511,407	534,403	1.6	0	0	159	38,320	504,240
Equity		28,088	29,534	28,361	27,826	25,479	10.2	0	21	22	9,669	18,377
Commodity & other		38,431	37,294	37,531	36,119	34,264	12.2	0	0	23	3,920	34,488
Total notional amount		4,929,747	4,786,122	4,208,145	3,768,028	3,756,727	31.2	3	9,925	126,875	1,303,241	3,489,702

All line items are reported on a quarterly basis. N/M - Not Meaningful

* Includes 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.

** Does not include banks filing the FFIEC 051 report form, which was introduced in first quarter 2017.

*** Derivative contracts subject to the risk-based capital requirements for derivatives.

**** Credit losses on derivatives is applicable to all banks filing the FFIEC 031 report form and banks filing the FFIEC 041 report form that have $300 million or more in total assets, but is not applicaable to banks filing the FFIEC 051 form.

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

(dollar figures in millions)	3rd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	% Change 20Q3-21Q3	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
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements											
Number of institutions reporting securitization activities	63	60	59	57	58	8.6	1	7	11	35	9
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	$344,786	$356,054	$358,230	$382,125	$406,116	-15.1	$0	$5,588	$12,288	$101,714	$225,196
Home equity loans	6	7	7	8	8	-25.0	0	0	0	6	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Auto loans	209	316	392	289	579	-63.9	0	0	0	209	0
Other consumer loans	1,313	1,388	1,469	1,569	1,669	-21.3	0	0	0	664	648
Commercial and industrial loans	6,285	0	0	0	0	0.0	0	0	0	0	6,285
All other loans, leases, and other assets	99,498	95,055	91,085	87,334	88,993	11.8	2	0	7,318	5,352	86,826
Total securitized and sold	452,097	452,820	451,183	471,325	497,365	-9.1	2	5,588	19,606	107,945	318,955
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	1,016	964	1,057	1,210	1,403	-27.6	0	0	51	517	448
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
Auto loans	2	26	26	26	38	-94.7	0	0	0	2	0
Other consumer loans	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	257	0	0	0	0	0.0	0	0	0	0	257
All other loans, leases, and other assets	2,414	2,301	2,274	2,029	2,010	20.1	0	0	63	113	2,238
Total credit exposure	3,689	3,291	3,357	3,265	3,451	6.9	0	0	114	632	2,943
Total unused liquidity commitments provided to institution's own securitizations	255	67	76	71	71	259.2	0	0	0	0	255
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)											
1-4 family residential loans	1.9	1.9	2.0	2.7	3.0		0.0	0.7	0.2	1.3	2.3
Home equity loans	7.5	1.9	6.3	5.3	7.2		0.0	0.0	0.0	7.5	0.0
Credit card receivables	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Auto loans	1.4	2.0	1.9	4.2	3.1		0.0	0.0	0.0	1.4	0.0
Other consumer loans	2.5	2.4	2.9	3.1	2.3		0.0	0.0	0.0	1.3	3.7
Commercial and industrial loans	0.0	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	0.6	0.5	0.6	1.5		0.0	0.0	0.1	1.5	0.4
Total loans, leases, and other assets	1.6	1.7	1.8	2.5	3.1		0.0	0.0	0.0	0.9	1.8
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)											
1-4 family residential loans	2.2	2.4	2.7	3.0	2.9		0.0	2.0	0.2	3.2	1.8
Home equity loans	26.3	27.3	24.5	28.9	27.8		0.0	0.0	0.0	26.3	0.0
Credit card receivables	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Auto loans	0.1	0.2	0.2	0.6	0.8		0.0	0.0	0.0	0.1	0.0
Other consumer loans	2.3	2.2	2.4	2.4	2.2		0.0	0.0	0.0	1.1	3.5
Commercial and industrial loans	0.0	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	1.5	1.9	1.8	2.4	2.9		0.0	0.0	2.0	0.3	1.5
Total loans, leases, and other assets	1.8	2.1	2.3	2.5	2.8		0.0	0.0	0.0	2.5	1.7
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)											
1-4 family residential loans	0.0	0.0	0.0	0.1	0.1		0.0	0.0	0.0	0.0	0.0
Home equity loans	3.0	1.7	1.8	11.9	10.2		0.0	0.0	0.0	3.0	0.0
Credit card receivables	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Auto loans	0.0	0.0	0.1	3.6	2.0		0.0	0.0	0.0	0.0	0.0
Other consumer loans	0.3	0.2	0.1	1.0	0.8		0.0	0.0	0.0	0.2	0.5
Commercial and industrial loans	0.0	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	0.2	0.1	0.1	0.2	0.2		0.0	0.0	0.0	0.5	0.1
Total loans, leases, and other assets	0.0	0.0	0.0	0.1	0.1		0.0	0.0	0.0	0.0	0.1
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	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
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	342	345	340	343	347	-1.4	4	110	150	69	9
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	33,775	37,950	36,084	35,364	31,869	6.0	69	5,812	14,972	11,691	1,231
All other loans, leases, and other assets	137,571	135,583	135,492	131,293	128,103	7.4	0	12	48	37,916	99,594
Total sold and not securitized	171,346	173,533	171,577	166,657	159,972	7.1	69	5,824	15,020	49,607	100,825
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	12,469	14,644	13,149	13,564	12,870	-3.1	2	734	5,976	5,140	617
All other loans, leases, and other assets	40,025	39,279	39,242	37,880	36,997	8.2	0	12	25	11,979	28,008
Total credit exposure	52,494	53,923	52,391	51,444	49,867	5.3	2	746	6,002	17,119	28,625
Support for Securitization Facilities Sponsored by Other Institutions											
Number of institutions reporting securitization facilities sponsored by others	37	37	38	37	37	0.0	0	10	13	8	6
Total credit exposure	22,380	22,536	23,478	23,986	24,893	-10.1	0	0	0	1,539	20,841
Total unused liquidity commitments	432	408	415	418	412	4.9	0	0	0	295	137
Other											
Assets serviced for others**	5,809,448	5,704,565	5,624,357	5,781,994	5,804,674	0.1	2,858	163,224	380,044	1,325,655	3,937,667
Asset-backed commercial paper conduits											
Credit exposure to conduits sponsored by institutions and others	20,788	20,683	18,417	19,694	17,209	20.8	0	0	0	0	20,788
Unused liquidity commitments to conduits sponsored by institutions and others	55,177	54,035	56,072	56,904	59,373	-7.1	0	0	0	315	54,862
Net servicing income (for the quarter)	1,755	204	3,435	1,029	1,364	28.7	6	278	237	562	672
Net securitization income (for the quarter)	110	142	106	77	92	19.6	0	5	2	54	49
Total credit exposure to Tier 1 capital (%)***	3.4	3.4	3.5	3.6	3.7		0.0	0.1	0.3	2.3	5.1

* Does not include banks filing the FFIEC 051 report form, which was introduced in first quarter 2017.
** 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 2020 *Community Banking Study.* When comparing community bank performance across quarters, prior-quarter dollar amounts are based on community banks designated as such in the current quarter, adjusted for mergers. In contrast, prior-quarter ratios are based on community banks designated during the previous quarter.

Net Income Continued to Increase Year Over Year

Net Interest Margin Rose Modestly

Loan and Lease Balances Declined From the Previous Year and Quarter, Primarily Due to Payoff and Forgiveness of Paycheck Protection Program Loans

Asset Quality Continued to Improve

Community Banks Reported Net Income Growth From One Year Ago

Quarterly net income for the 4,450 FDIC-insured community banks increased to $8.6 billion in the third quarter, up $1.4 billion (19.6 percent) from third quarter 2020. The annual increase in net income was due to an increase in net interest income and a decline in provision expense (provisions). Declines in noninterest income and securities gains along with increases in noninterest expense and income tax expense partially offset these improvements. Nearly two-thirds of community banks (65.8 percent) reported higher net income from the year-ago quarter. The pretax return on assets ratio increased 14 basis points from the year-ago quarter to 1.56 percent.

Quarterly Net Interest Margin Rose From the Previous Quarter and One Year Ago

The quarterly net interest margin (NIM) rose to 3.31 percent in the third quarter, up 6 basis points from second quarter 2021, as growth in net interest income outpaced growth in earning assets. The cost of funds declined 3 basis points from the second quarter to a new record low of 0.29 percent, while the yield on earning assets rose 3 basis points from second quarter's record low to 3.60 percent. NIM increased 3 basis points from the previous year, as a 23 basis point decline in cost of funds outpaced a 20 basis point decline in yield on earning assets. This was the first annual expansion in NIM since first quarter 2019. The annual declines in both the cost of funds and yield on earning assets were the smallest reported since first quarter 2020.

Quarterly NIM expansion was accompanied by a $2.2 billion (11.7 percent) increase in net interest income from third quarter 2020. The increase in net interest income was due to both lower interest expense (down $1.2 billion, or 38.9 percent) and higher interest income (up $1.0 billion, or 4.7 percent) compared to one year ago. The decline in interest expense was driven by a decline in expense on domestic deposits of $1.0 billion (39.5 percent). The increase in interest income was primarily due to an increase in commercial and industrial (C&I) loan income of $723.8 million (20.7 percent), reflecting increased deferred fee income from the payoff and forgiveness of Paycheck Protection Program (PPP) loans. Nearly three-fourths of community banks (72.2 percent) reported higher net interest income compared with third quarter 2020.

Chart 1

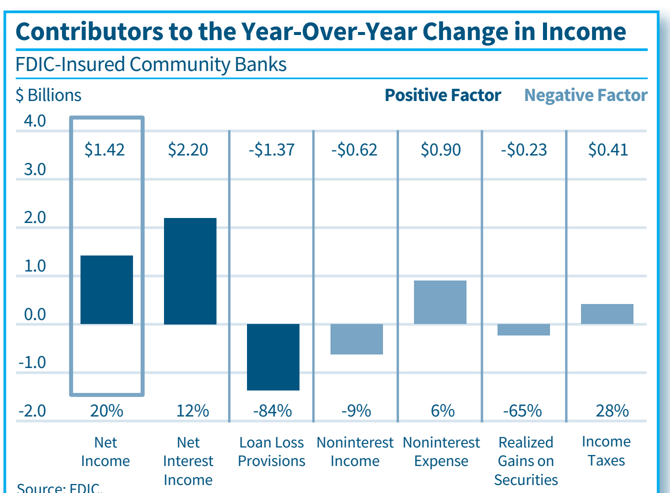
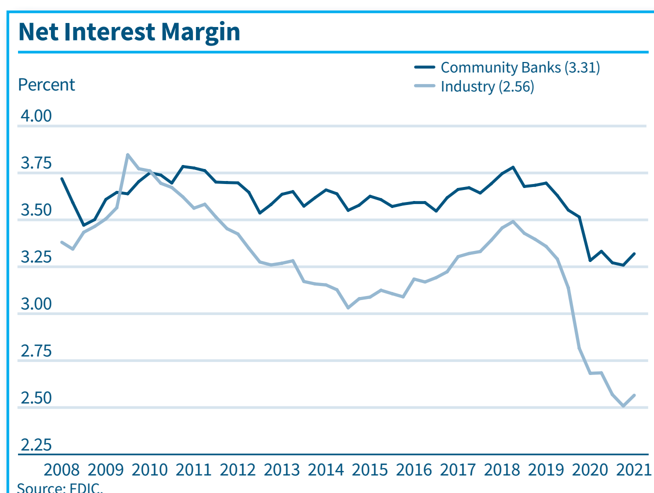


Chart 2



Noninterest Income Decreased From Third Quarter 2020

Noninterest income fell $616.3 million (9.0 percent) from one year ago primarily because of a decline in net gains on loan sales revenue. Higher "all other noninterest income" and service charges on deposit accounts partially offset this decline.[1] Net gains on loan sales revenue declined $1.2 billion (41.5 percent) from the year-ago quarter, while all other noninterest income rose $343.3 million (15.2 percent) and revenue from service charges on deposit accounts increased $100.3 million (14.5 percent).

Noninterest Expense Increased From the Year-Ago Quarter

An increase in "all other noninterest expense" of $469.3 million (10.4 percent) and salary and benefits expense of $402.2 million (4.3 percent) drove a $900.1 million (5.7 percent) increase in noninterest expense year over year.[2] Average assets per employee increased 10.4 percent to $7.0 million from the year-ago quarter. While nearly three-fourths of community banks (74.1 percent) reported higher noninterest expense compared with the year-ago quarter, noninterest expense as a percentage of average assets declined 12 basis points from third quarter 2020 to 2.45 percent.

Provision Expense Increased Quarter Over Quarter

Provisions declined $1.4 billion (83.5 percent) from the year-ago quarter but increased $219.2 million (427.9 percent) from second quarter to $270.4 million. Nearly one-fifth of community banks (17.5 percent) reported higher provisions compared with the year-ago quarter, while one-fourth (25.5 percent) reported higher provisions compared with second quarter 2021.[3]

Eighty-five community banks had adopted current expected credit loss (CECL) accounting as of third quarter. Community bank CECL adopters reported negative provisions of $70.4 million in third quarter, an increase of $133.5 million from the previous quarter and a reduction of $419.6 million from one year ago. Provisions for community banks that had not adopted CECL accounting totaled $340.8 million, an increase of $85.7 million from one quarter ago and a reduction of $953.4 million from one year ago.

Allowance for Loan and Lease Losses to Total Loans Remained Higher Than the Pre-Pandemic Level

The allowance for loan and lease losses (ALLL) as a percentage of total loans and leases increased 5 basis points from the year-ago quarter to 1.32 percent. ALLL as a percentage of loans 90 days or more past due or in nonaccrual status (coverage ratio) increased 44.1 percentage points from the year-ago quarter to 203.5 percent, a record high, due to declining noncurrent loan balances. This ratio is well above the 147.9 percent reported prior to the pandemic in fourth quarter 2019.[4] The coverage ratio for community banks is 26.2 percentage points above the coverage ratio for noncommunity banks.

[1] All other noninterest income includes, but is not limited to, bankcard and credit card interchange fees, income and fees from wire transfers, and income and fees from automated teller machines.

[2] All other noninterest expense includes, but is not limited to, automated teller machine and interchange expenses, legal fees, advertising and marketing expenses, consulting expenses, data processing expenses, and FDIC deposit insurance assessments.

[3] Provisions for credit losses include both losses for loans and securities for CECL adopters but only loan losses for non-adopters.

[4] The financial crisis refers to the period between December 2007 and June 2009.

Chart 3

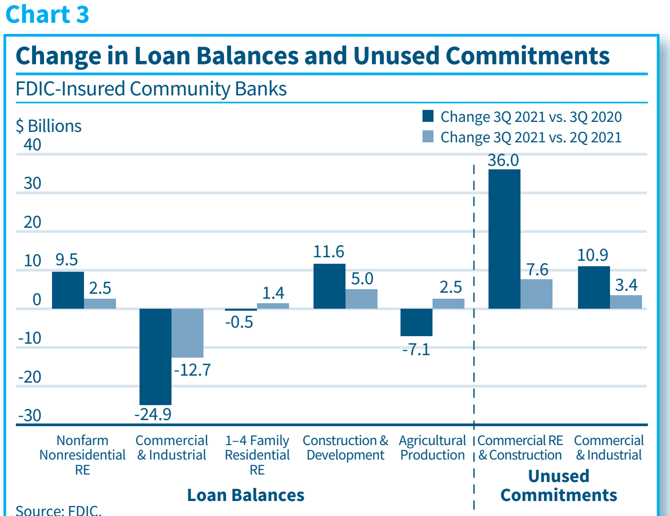
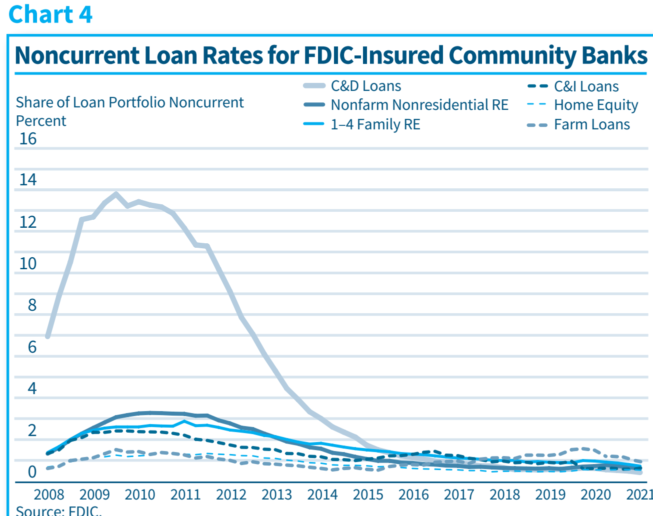


Chart 4



Total Assets Increased From the Previous Quarter

Total assets increased $55.8 billion (2.1 percent) from the previous quarter, driven by increased securities holdings. Securities grew $36.3 billion (6.8 percent) quarter over quarter. The quarterly increase of $21.9 billion (7 percent) in cash and balances due from depository institutions also contributed to total asset growth. Securities and cash and balances due from depository institutions represent almost one-third (33.0 percent) of total assets, higher than the 24 percent reported in fourth quarter 2019.

Loan and Lease Balances Declined From the Previous Quarter and a Year Ago

Community bank loan and lease balances declined $4.2 billion (0.2 percent) between second and third quarter 2021. A decrease in C&I loan balances of $38.3 billion (12.7 percent) drove the decline, reflecting the payoff and forgiveness of PPP loan balances (down $45.6 billion). More than 80 percent of community banks (84.3 percent) reported a decrease in C&I loans from second quarter 2021. Growth in nonfarm nonresidential commercial real estate (CRE) loan balances of $12.7 billion (2.5 percent) and construction and development (C&D) loan balances of $6 billion (5 percent) offset some of the decline in C&I loans. An increase in unused CRE loan commitments of $8.8 billion (7.6 percent) drove the quarter-over-quarter growth in unused commitments of $14.6 billion (3.8 percent).

Total loans and leases declined $19.2 billion (1.1 percent) during the year ending third quarter 2021. C&I loan balances declined $87.3 billion (24.9 percent), due in part to a decline in PPP loan balances of $99.8 billion (64.7 percent). Growth in nonfarm nonresidential CRE loan balances of $45.8 billion (9.5 percent), C&D loan balances of $13.1 billion (11.6 percent), and multifamily loan balances of $11 billion (10.1 percent) offset a portion of this decline.

Deposit Growth Was Widespread in Third Quarter

Community banks reported deposit growth of 2.6 percent ($58.9 billion) during the third quarter, up from 2.1 percent ($46 billion) in second quarter 2021. Nearly seven out of ten community banks (68.4 percent) reported an increase in deposit balances. Growth in deposits of more than $250,000 accounted for most of the deposit growth (up $57.8 billion, or 5.5 percent), while growth in deposits under $250,000 was positive but nominal (up $1.7 billion, or 0.1 percent). Growth in domestic deposit balances was split evenly between noninterest-bearing deposits (up $29.5 billion, or 4.8 percent) and interest-bearing deposits (up $29.4 billion, or 1.8 percent).

The Noncurrent Rate Continued to Decline in Third Quarter

Loans and leases 90 days or more past due or in nonaccrual status (noncurrent loans and leases) declined $847 million (7.1 percent) to $11.1 billion from second quarter 2021. The noncurrent balances of all major loan categories declined from one year ago. More than half of community banks (57.6 percent) reported reductions in noncurrent loan balances. The quarterly dollar decline was primarily attributable to a $307.4 million (8.3 percent) decrease in nonfarm nonresidential CRE noncurrent balances and a $241.6 million decrease (7.6 percent) in 1–4 family residential noncurrent balances. The noncurrent rate for total loans and leases dropped 4 basis points from second quarter to 0.65 percent.

Net Charge-Offs Declined Across All Major Loan Categories From One Year Ago

Net charge-offs totaled $275.2 million in the third quarter, a decline of $238.3 million (46.4 percent) from a year ago. Net charge-offs declined in all major loan categories from one year ago. The largest contributors to the year-over-year decrease in net charge-offs were the C&I loan portfolio, which declined $128.4 million (60.2 percent), and the nonfarm nonresidential CRE portfolio, which declined $46.5 million (42.9 percent). The net charge-off rate for community banks declined 4 basis points from the year-ago quarter to 0.06 percent.

Equity Capital Growth Remained Strong

Equity capital grew $6.4 billion (2.2 percent) in third quarter and the leverage capital ratio rose 11 basis points to 10.25 percent. The average tier 1 risk-based capital ratio among community banks that did not file the community bank leverage ratio (CBLR) was 14.61 percent in third quarter 2021, down 9 basis points from the prior quarter, as growth in risk-weighted assets outpaced tier 1 capital formation. The average CBLR for the 1,737 banks that elected to use the CBLR framework was 11.3 percent.

One New Community Bank Opened and No Community Banks Failed in Third Quarter 2021

The number of community banks declined to 4,450, down 40 from the previous quarter. One new community bank opened, ten banks transitioned from community to noncommunity banks, five banks transitioned from noncommunity to community banks, one community bank ceased operations, and 35 community banks merged during the quarter.[5]

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[5] The number of community bank reporters excludes one bank that ceased operations and did not file a Call Report this quarter but continues to have an active banking charter.

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

	2021*	2020*	2020	2019	2018	2017	2016
Return on assets (%)	1.28	1.07	1.09	1.19	1.19	0.96	0.99
Return on equity (%)	11.93	9.44	9.72	10.24	10.57	8.65	8.81
Core capital (leverage) ratio (%)	10.25	10.40	10.32	11.15	11.09	10.80	10.69
Noncurrent assets plus other real estate owned to assets (%)	0.46	0.64	0.60	0.65	0.70	0.78	0.94
Net charge-offs to loans (%)	0.06	0.11	0.12	0.13	0.13	0.16	0.16
Asset growth rate (%)	10.91	10.96	14.06	-1.26	2.20	1.12	3.05
Net interest margin (%)	3.29	3.43	3.39	3.66	3.72	3.62	3.57
Net operating income growth (%)	39.11	-6.62	-0.02	-4.15	27.90	0.19	2.46
Number of institutions reporting	4,450	4,587	4,557	4,748	4,979	5,227	5,461
Percentage of unprofitable institutions (%)	3.30	4.62	4.52	3.96	3.64	5.72	4.67

* 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 2021	2nd Quarter 2021	3rd Quarter 2020	%Change 20Q3-21Q3
Number of institutions reporting	4,450	4,490	4,587	-3.0
Total employees (full-time equivalent)	390,771	392,145	388,807	0.5
CONDITION DATA				
Total assets	$2,737,541	$2,671,947	$2,468,308	10.9
Loans secured by real estate	1,275,722	1,240,850	1,206,103	5.8
1-4 Family residential mortgages	384,803	378,984	390,307	-1.4
Nonfarm nonresidential	526,763	511,702	479,600	9.8
Construction and development	126,065	120,008	113,708	10.9
Home equity lines	40,753	40,654	42,767	-4.7
Commercial & industrial loans	263,770	300,512	344,182	-23.4
Loans to individuals	65,271	66,777	63,734	2.4
Credit cards	2,024	1,970	2,021	0.1
Farm loans	46,772	45,729	51,061	-8.4
Other loans & leases	52,522	47,033	44,854	17.1
Less: Unearned income	1,001	1,318	1,283	-22.0
Total loans & leases	1,703,055	1,699,583	1,708,651	-0.3
Less: Reserve for losses*	22,513	22,327	21,758	3.5
Net loans and leases	1,680,542	1,677,256	1,686,892	-0.4
Securities**	570,084	531,289	408,126	39.7
Other real estate owned	1,367	1,559	2,080	-34.2
Goodwill and other intangibles	20,346	18,078	17,758	14.6
All other assets	465,202	443,766	353,452	31.6
Total liabilities and capital	2,737,541	2,671,947	2,468,308	10.9
Deposits	2,334,128	2,269,413	2,041,050	14.4
Domestic office deposits	2,331,710	2,266,700	2,038,691	14.4
Foreign office deposits	2,419	2,712	2,359	2.5
Brokered deposits	51,598	52,652	60,576	-14.8
Estimated insured deposits	1,571,016	1,545,846	1,438,682	9.2
Other borrowed funds	84,259	94,416	131,482	-35.9
Subordinated debt	283	338	241	17.2
All other liabilities	24,636	23,800	24,969	-1.3
Total equity capital (includes minority interests)	294,235	283,981	270,566	8.7
Bank equity capital	294,109	283,856	270,456	8.7
Loans and leases 30-89 days past due	5,334	5,298	6,661	-19.9
Noncurrent loans and leases	11,065	11,674	13,650	-18.9
Restructured loans and leases	4,988	5,109	5,474	-8.9
Mortgage-backed securities	260,168	241,257	188,954	37.7
Earning assets	2,568,776	2,508,139	2,308,797	11.3
FHLB Advances	55,360	57,668	83,042	-33.3
Unused loan commitments	393,803	384,670	335,658	17.3
Trust assets	320,703	342,175	262,884	22.0
Assets securitized and sold	24,359	24,145	21,601	12.8
Notional amount of derivatives	142,533	145,303	202,063	-29.5

INCOME DATA	First Three Quarters 2021	First Three Quarters 2020	%Change	3rd Quarter 2021	3rd Quarter 2020	%Change 20Q3-21Q3
Total interest income	$67,113	$66,038	1.6	$22,873	$21,757	5.1
Total interest expense	6,079	10,658	-43.0	1,845	3,009	-38.7
Net interest income	61,034	55,381	10.2	21,028	18,748	12.2
Provision for credit losses***	723	5,746	-87.4	270	1,620	-83.3
Total noninterest income	18,802	17,437	7.8	6,223	6,982	-10.9
Total noninterest expense	48,734	45,676	6.7	16,559	15,726	5.3
Securities gains (losses)	672	671	0.2	123	342	-64.0
Applicable income taxes	5,598	3,597	55.6	1,902	1,493	27.4
Extraordinary gains, net****	2	1	N/M	1	0	N/M
Total net income (includes minority interests)	25,454	18,470	37.8	8,644	7,234	19.5
Bank net income	25,418	18,434	37.9	8,631	7,214	19.6
Net charge-offs	725	1,335	-45.7	275	427	-35.6
Cash dividends	9,475	8,025	18.1	3,318	2,528	31.3
Retained earnings	15,943	10,409	53.2	5,312	4,686	13.4
Net operating income	24,890	17,893	39.1	8,538	6,954	22.8

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.
** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.
*** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the provision for loan and lease losses.
**** See Notes to Users 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 2021	2nd Quarter 2021	3rd Quarter 2020	%Change 20Q3-21Q3
Number of institutions reporting	4,450	4,449	4,443	0.2
Total employees (full-time equivalent)	390,771	392,455	385,440	1.4
CONDITION DATA				
Total assets	$2,737,541	$2,681,770	$2,480,752	10.4
Loans secured by real estate	1,275,722	1,246,926	1,207,688	5.6
1-4 Family residential mortgages	384,803	379,320	386,722	-0.5
Nonfarm nonresidential	526,763	514,054	480,995	9.5
Construction and development	126,065	120,036	112,954	11.6
Home equity lines	40,753	40,612	42,493	-4.1
Commercial & industrial loans	263,770	302,104	351,028	-24.9
Loans to individuals	65,271	63,532	61,824	5.6
Credit cards	2,024	1,970	1,882	7.5
Farm loans	46,772	45,633	50,367	-7.1
Other loans & leases	52,522	50,407	52,651	-0.2
Less: Unearned income	1,001	1,313	1,268	-21.1
Total loans & leases	1,703,055	1,707,289	1,722,290	-1.1
Less: Reserve for losses*	22,513	22,561	22,039	2.2
Net loans and leases	1,680,542	1,684,728	1,700,251	-1.2
Securities**	570,084	533,804	407,550	39.9
Other real estate owned	1,367	1,555	2,054	-33.4
Goodwill and other intangibles	20,346	20,052	19,474	4.5
All other assets	465,202	441,631	351,423	32.4
Total liabilities and capital	2,737,541	2,681,770	2,480,752	10.4
Deposits	2,334,128	2,275,225	2,045,912	14.1
Domestic office deposits	2,331,710	2,272,844	2,043,553	14.1
Foreign office deposits	2,419	2,381	2,359	2.5
Brokered deposits	51,598	51,773	63,348	-18.5
Estimated insured deposits	1,571,016	1,551,649	1,442,238	8.9
Other borrowed funds	84,259	94,135	136,232	-38.2
Subordinated debt	283	334	520	-45.6
All other liabilities	24,636	24,204	25,320	-2.7
Total equity capital (includes minority interests)	294,235	287,871	272,768	7.9
Bank equity capital	294,109	287,746	272,658	7.9
Loans and leases 30-89 days past due	5,334	5,332	6,688	-20.2
Noncurrent loans and leases	11,065	11,912	13,719	-19.3
Restructured loans and leases	4,988	5,125	5,471	-8.8
Mortgage-backed securities	260,168	241,315	187,864	38.5
Earning assets	2,568,776	2,514,913	2,318,408	10.8
FHLB Advances	55,360	57,643	83,830	-34.0
Unused loan commitments	393,803	379,207	331,834	18.7
Trust assets	320,703	341,622	261,828	22.5
Assets securitized and sold	24,359	24,145	21,446	13.6
Notional amount of derivatives	142,533	145,774	202,901	-29.8

INCOME DATA	First Three Quarters 2021	First Three Quarters 2020	%Change	3rd Quarter 2021	3rd Quarter 2020	%Change 20Q3-21Q3
Total interest income	$67,113	$66,191	1.4	$22,873	$21,851	4.7
Total interest expense	6,079	10,693	-43.1	1,845	3,019	-38.9
Net interest income	61,034	55,498	10.0	21,028	18,832	11.7
Provision for credit losses***	723	5,985	-87.9	270	1,643	-83.5
Total noninterest income	18,802	17,157	9.6	6,223	6,840	-9.0
Total noninterest expense	48,734	45,411	7.3	16,559	15,659	5.7
Securities gains (losses)	672	690	N/M	123	352	N/M
Applicable income taxes	5,598	3,560	57.2	1,902	1,487	27.9
Extraordinary gains, net****	2	1	N/M	1	0	N/M
Total net income (includes minority interests)	25,454	18,391	38.4	8,644	7,235	19.5
Bank net income	25,418	18,355	38.5	8,631	7,214	19.6
Net charge-offs	725	1,463	-50.5	275	514	-46.4
Cash dividends	9,475	8,179	15.8	3,318	2,547	30.3
Retained earnings	15,943	10,176	56.7	5,312	4,667	13.8
Net operating income	24,890	17,797	39.9	8,538	6,948	22.9

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.
** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.
*** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the provision for loan and lease losses.
**** See Notes to Users for explanation.

N/M - Not Meaningful

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

Third Quarter 2021 (dollar figures in millions)	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	4,450	493	506	975	1,206	998	272
Total employees (full-time equivalent)	390,771	80,314	42,843	80,014	70,846	83,436	33,318
CONDITION DATA							
Total assets	$2,737,541	$704,667	$292,203	$490,223	$459,888	$514,184	$276,377
Loans secured by real estate	1,275,722	376,039	133,684	218,863	199,927	225,699	121,510
1-4 Family residential mortgages	384,803	134,037	37,466	64,347	55,862	67,031	26,061
Nonfarm nonresidential	526,763	144,497	63,918	87,270	71,153	98,084	61,841
Construction and development	126,065	27,117	15,910	18,851	19,829	33,399	10,958
Home equity lines	40,753	11,909	5,438	9,051	4,609	4,499	5,246
Commercial & industrial loans	263,770	67,020	26,655	48,208	45,033	49,563	27,290
Loans to individuals	65,271	15,611	6,540	12,193	11,935	12,812	6,180
Credit cards	2,024	374	102	185	782	207	374
Farm loans	46,772	547	1,403	7,670	26,142	8,352	2,657
Other loans & leases	52,522	17,032	2,997	12,416	6,861	8,102	5,113
Less: Unearned income	1,001	175	176	99	123	230	196
Total loans & leases	1,703,055	476,073	171,103	299,252	289,776	304,298	162,554
Less: Reserve for losses**	22,513	5,587	2,236	3,994	4,195	4,145	2,356
Net loans and leases	1,680,542	470,485	168,866	295,258	285,581	300,154	160,197
Securities***	570,084	124,142	62,548	110,690	100,198	114,517	57,990
Other real estate owned	1,367	222	236	267	278	302	62
Goodwill and other intangibles	20,346	6,956	1,283	3,635	2,837	3,342	2,293
All other assets	465,202	102,862	59,270	80,373	70,993	95,869	55,835
Total liabilities and capital	2,737,541	704,667	292,203	490,223	459,888	514,184	276,377
Deposits	2,334,128	594,152	253,214	414,738	391,545	443,304	237,177
Domestic office deposits	2,331,710	593,510	253,204	414,738	391,545	443,304	235,410
Foreign office deposits	2,419	642	10	0	0	0	1,767
Brokered deposits	51,598	20,654	3,033	8,447	9,154	6,441	3,870
Estimated insured deposits	1,571,016	396,935	164,037	298,442	283,940	291,842	135,819
Other borrowed funds	84,259	22,962	6,738	19,218	16,081	11,831	7,429
Subordinated debt	283	193	7	25	6	40	11
All other liabilities	24,636	9,198	2,085	3,586	3,186	3,730	2,851
Total equity capital (includes minority interests)	294,235	78,163	30,159	52,655	49,070	55,279	28,910
Bank equity capital	294,109	78,144	30,155	52,575	49,069	55,257	28,909
Loans and leases 30-89 days past due	5,334	1,404	568	812	861	1,363	327
Noncurrent loans and leases	11,065	3,573	916	1,976	1,624	2,213	764
Restructured loans and leases	4,988	1,708	406	1,091	788	623	372
Mortgage-backed securities	260,168	67,851	29,020	44,495	37,838	46,556	34,408
Earning assets	2,568,776	661,115	273,941	459,929	432,243	481,755	259,794
FHLB Advances	55,360	16,287	4,657	13,264	10,672	7,210	3,270
Unused loan commitments	393,803	99,480	35,577	71,281	74,608	69,334	43,522
Trust assets	320,703	71,829	9,223	68,732	112,387	38,067	20,465
Assets securitized and sold	24,359	10,013	112	4,607	4,270	4,955	401
Notional amount of derivatives	142,533	58,968	11,329	22,289	25,562	14,862	9,523
INCOME DATA							
Total interest income	$22,873	$5,726	$2,377	$3,999	$3,997	$4,538	$2,236
Total interest expense	1,845	506	173	329	367	351	120
Net interest income	21,028	5,221	2,204	3,670	3,630	4,187	2,117
Provision for credit losses****	270	19	28	39	74	98	13
Total noninterest income	6,223	1,222	620	1,514	1,075	1,291	502
Total noninterest expense	16,559	3,934	1,803	3,093	2,853	3,267	1,608
Securities gains (losses)	123	37	17	15	20	33	2
Applicable income taxes	1,902	596	189	372	248	261	236
Extraordinary gains, net*****	1	0	0	0	0	0	0
Total net income (includes minority interests)	8,644	1,929	820	1,695	1,550	1,886	764
Bank net income	8,631	1,928	819	1,692	1,550	1,878	764
Net charge-offs	275	119	33	31	23	59	10
Cash dividends	3,318	757	190	712	605	695	359
Retained earnings	5,312	1,171	629	980	945	1,183	404
Net operating income	8,538	1,899	806	1,682	1,532	1,856	762

* See Table V-A for explanation.
** For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.
*** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.
**** For institutions that have adopted ASU 2016-13, this item represents provisions for credit losses on a consolidated basis; for institutions that have not adopted ASU 2016-13, this item represents the provision for loan and lease losses.
***** See Notes to Users for explanation.

Table IV-B. Third Quarter 2021, FDIC-Insured Community Banks

Performance ratios (annualized, %)	All Community Banks		Third Quarter 2021, Geographic Regions*					
	3rd Quarter 2021	2nd Quarter 2021	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	3.60	3.58	3.49	3.53	3.52	3.73	3.81	3.52
Cost of funding earning assets	0.29	0.32	0.31	0.26	0.29	0.34	0.29	0.19
Net interest margin	3.31	3.25	3.19	3.27	3.23	3.39	3.52	3.33
Noninterest income to assets	0.92	0.91	0.70	0.86	1.25	0.94	1.02	0.74
Noninterest expense to assets	2.45	2.45	2.25	2.51	2.55	2.50	2.57	2.38
Loan and lease loss provision to assets	0.04	0.01	0.01	0.04	0.03	0.06	0.08	0.02
Net operating income to assets	1.26	1.23	1.09	1.12	1.39	1.34	1.46	1.13
Pretax return on assets	1.56	1.54	1.44	1.40	1.70	1.58	1.68	1.48
Return on assets	1.28	1.26	1.10	1.14	1.40	1.36	1.48	1.13
Return on equity	11.88	11.92	9.96	11.03	13.01	12.77	13.77	10.75
Net charge-offs to loans and leases	0.06	0.05	0.10	0.08	0.04	0.03	0.08	0.02
Loan and lease loss provision to net charge-offs	98.25	21.87	16.09	84.49	127.84	317.36	166.08	124.32
Efficiency ratio	60.40	61.42	60.69	63.37	59.31	60.24	59.34	61.17
Net interest income to operating revenue	77.16	76.94	81.04	78.05	70.79	77.15	76.43	80.84
% of unprofitable institutions	4.31	4.21	4.46	6.72	4.31	3.81	3.71	4.04
% of institutions with earnings gains	65.98	64.81	69.98	71.74	59.79	59.78	72.04	75.37

Table V-B. First Three Quarters 2021, FDIC-Insured Community Banks

Performance ratios (%)	All Community Banks		First Three Quarters 2021, Geographic Regions*					
	First Three Quarters 2021	First Three Quarters 2020	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	3.62	4.09	3.48	3.57	3.52	3.77	3.83	3.52
Cost of funding earning assets	0.33	0.66	0.35	0.29	0.33	0.38	0.33	0.21
Net interest margin	3.29	3.43	3.13	3.28	3.19	3.40	3.50	3.31
Noninterest income to assets	0.95	1.01	0.73	0.88	1.32	1.00	0.97	0.80
Noninterest expense to assets	2.46	2.64	2.27	2.53	2.58	2.50	2.58	2.39
Loan and lease loss provision to assets	0.04	0.33	0.00	0.04	0.04	0.07	0.08	-0.01
Net operating income to assets	1.26	1.04	1.06	1.12	1.39	1.40	1.39	1.18
Pretax return on assets	1.57	1.27	1.47	1.40	1.71	1.64	1.60	1.54
Return on assets	1.28	1.07	1.12	1.14	1.40	1.42	1.41	1.19
Return on equity	11.93	9.44	10.11	11.00	13.09	13.33	13.04	11.21
Net charge-offs to loans and leases	0.06	0.11	0.08	0.05	0.03	0.05	0.07	0.04
Loan and lease loss provision to net charge-offs	99.71	430.50	-2.46	143.43	237.38	202.25	199.08	-51.83
Efficiency ratio	60.67	62.17	61.52	63.59	59.39	59.33	60.52	60.84
Net interest income to operating revenue	76.45	76.05	80.01	77.68	69.41	76.22	77.11	79.58
% of unprofitable institutions	3.30	4.62	5.07	6.52	3.18	1.74	2.61	4.04
% of institutions with earnings gains	75.26	50.53	82.56	77.27	70.36	74.54	75.15	79.41

* See Table V-A for explanation.

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

September 30, 2021	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	0.27	0.26	0.27	0.28	0.25	0.35	0.14
Construction and development	0.27	0.32	0.22	0.29	0.28	0.26	0.23
Nonfarm nonresidential	0.18	0.19	0.15	0.18	0.18	0.23	0.11
Multifamily residential real estate	0.15	0.24	0.06	0.10	0.09	0.11	0.04
Home equity loans	0.30	0.33	0.38	0.25	0.22	0.38	0.21
Other 1-4 family residential	0.40	0.31	0.51	0.48	0.36	0.56	0.21
Commercial and industrial loans	0.36	0.35	0.47	0.23	0.35	0.46	0.37
Loans to individuals	1.19	1.23	1.13	0.51	0.98	2.28	0.70
Credit card loans	1.74	1.73	0.91	0.50	2.57	1.29	1.08
Other loans to individuals	1.18	1.22	1.13	0.51	0.87	2.30	0.67
All other loans and leases (including farm)	0.21	0.07	0.15	0.15	0.25	0.39	0.16
Total loans and leases	0.31	0.29	0.33	0.27	0.30	0.45	0.20
Percent of Loans Noncurrent							
All loans secured by real estate	0.66	0.79	0.53	0.70	0.54	0.69	0.43
Construction and development	0.46	0.79	0.26	0.52	0.38	0.30	0.44
Nonfarm nonresidential	0.65	0.80	0.47	0.78	0.54	0.68	0.35
Multifamily residential real estate	0.32	0.46	0.17	0.22	0.18	0.19	0.17
Home equity loans	0.55	0.68	0.39	0.40	0.30	0.34	1.07
Other 1-4 family residential	0.76	0.91	0.73	0.77	0.43	0.87	0.49
Commercial and industrial loans	0.72	0.79	0.62	0.69	0.59	0.88	0.64
Loans to individuals	0.45	0.38	0.39	0.26	0.29	0.99	0.26
Credit card loans	0.71	0.94	0.56	0.20	0.94	0.47	0.44
Other loans to individuals	0.44	0.37	0.39	0.26	0.25	1.00	0.25
All other loans and leases (including farm)	0.50	0.06	0.40	0.36	0.77	0.53	0.72
Total loans and leases	0.65	0.75	0.53	0.66	0.56	0.73	0.47
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.02	0.05	0.00	0.01	0.02	0.01	-0.01
Construction and development	0.01	0.08	-0.06	0.00	0.00	0.02	-0.06
Nonfarm nonresidential	0.04	0.08	0.03	0.03	0.04	0.01	0.00
Multifamily residential real estate	0.02	0.03	0.00	0.00	0.09	0.01	0.00
Home equity loans	-0.01	-0.01	-0.03	-0.01	-0.02	0.04	0.00
Other 1-4 family residential	0.01	0.03	-0.01	-0.01	0.00	0.01	-0.01
Commercial and industrial loans	0.11	0.13	0.12	0.07	0.06	0.18	0.05
Loans to individuals	0.48	0.72	0.42	0.15	0.53	0.45	0.57
Credit card loans	3.69	3.76	0.85	1.08	6.78	1.24	1.53
Other loans to individuals	0.38	0.64	0.42	0.13	0.14	0.44	0.51
All other loans and leases (including farm)	0.08	0.04	0.21	0.07	0.06	0.09	0.26
Total loans and leases	0.06	0.08	0.05	0.03	0.05	0.07	0.04
Loans Outstanding (in billions)							
All loans secured by real estate	$1,275.7	$376.0	$133.7	$218.9	$199.9	$225.7	$121.5
Construction and development	126.1	27.1	15.9	18.9	19.8	33.4	11.0
Nonfarm nonresidential	526.8	144.5	63.9	87.3	71.2	98.1	61.8
Multifamily residential real estate	120.2	56.2	6.5	21.6	13.7	8.8	13.4
Home equity loans	40.8	11.9	5.4	9.1	4.6	4.5	5.2
Other 1-4 family residential	384.8	134.0	37.5	64.3	55.9	67.0	26.1
Commercial and industrial loans	263.8	67.0	26.7	48.2	45.0	49.6	27.3
Loans to individuals	65.3	15.6	6.5	12.2	11.9	12.8	6.2
Credit card loans	2.0	0.4	0.1	0.2	0.8	0.2	0.4
Other loans to individuals	63.2	15.2	6.4	12.0	11.2	12.6	5.8
All other loans and leases (including farm)	99.3	17.6	4.4	20.1	33.0	16.5	7.8
Total loans and leases	1,704.1	476.2	171.3	299.4	289.9	304.5	162.8
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	393,803	99,480	35,577	71,281	74,608	69,334	43,522
Construction and development: 1-4 family residential	37,770	6,815	5,619	4,227	5,793	11,837	3,480
Construction and development: CRE and other	85,433	24,653	8,474	13,753	12,691	18,267	7,595
Commercial and industrial	125,139	32,594	9,942	25,791	22,140	20,364	14,309

* See Table V-A for explanation.
Note: 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

Deposit Insurance Fund Increases by $1.4 Billion

Insured Deposits Grow by 0.9 Percent

DIF Reserve Ratio Is Unchanged at 1.27 Percent

During the third quarter, the Deposit Insurance Fund (DIF) balance increased by $1.4 billion to $121.9 billion. Assessment income of $1.7 billion drove the fund balance increase. Interest earned on investments of $221 million, negative provisions for insurance losses of $53 million, and other miscellaneous income of $65 million also added to the fund balance. Operating expenses of $448 million and unrealized losses on available-for-sale securities of $165 million partially offset the increase in the fund balance. No insured institutions failed in the third quarter.

The deposit insurance assessment base—average consolidated total assets minus average tangible equity—rose by 1.7 percent in the third quarter and 8.4 percent over 12 months.[1,2] Total estimated insured deposits increased by 0.9 percent in the third quarter of 2021 and by 7.3 percent year over year. The DIF's reserve ratio (the fund balance as a percent of insured deposits) was 1.27 percent on September 30, 2021, unchanged from the previous quarter and 3 basis points lower than the previous year. The 12-month decline in the reserve ratio was entirely the result of extraordinary insured deposit growth, mostly during first quarter 2021.

The Federal Deposit Insurance Act (the FDI Act) requires a minimum reserve ratio for the DIF of 1.35 percent. If the reserve ratio falls below 1.35 percent, the FDIC has a minimum of eight years to return the reserve ratio to 1.35 percent, reducing the likelihood of a large increase in assessment rates. During the first half of 2020, due to extraordinary insured deposit growth, the reserve ratio dropped 8 basis points to 1.30 percent as of June 30, 2020. Since the reserve ratio fell below its statutorily required minimum of 1.35 percent on June 30, 2020, the FDIC Board adopted a Fund Restoration Plan in September 2020.[3]

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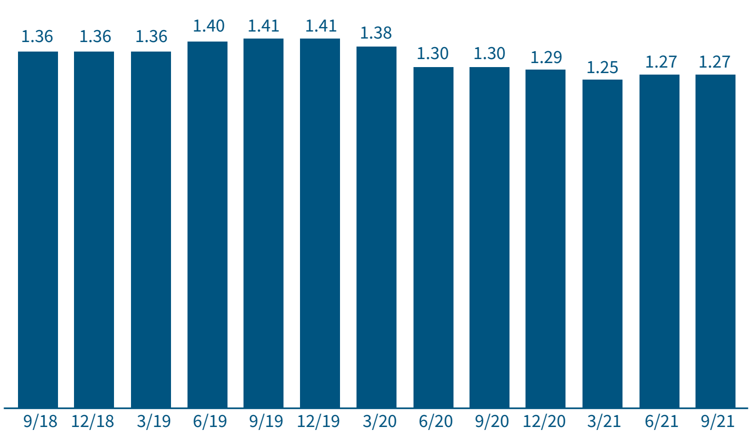
[1] There are additional adjustments to the assessment base for banker's banks and custodial banks.
[2] Figures for estimated insured deposits and the assessment base include insured branches of foreign banks, in addition to insured commercial banks and savings institutions.
[3] See https://www.fdic.gov/news/board-matters/2020/2020-09-15-notice-dis-a-fr.pdf.

Table I-C. Insurance Fund Balances and Selected Indicators

	Deposit Insurance Fund*												
(dollar figures in millions)	3rd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018
Beginning Fund Balance	$120,547	$119,362	$117,897	$116,434	$114,651	$113,206	$110,347	$108,940	$107,446	$104,870	$102,609	$100,204	$97,588
Changes in Fund Balance:													
Assessments earned	1,662	1,589	1,862	1,884	2,047	1,790	1,372	1,272	1,111	1,187	1,369	1,351	2,728
Interest earned on investment securities	221	251	284	330	392	454	507	531	544	535	507	481	433
Realized gain on sale of investments	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating expenses	448	466	454	470	451	465	460	460	443	459	434	453	434
Provision for insurance losses	-53	-42	-57	-48	-74	-47	12	-88	-192	-610	-396	-236	-121
All other income, net of expenses	65	2	1	9	5	2	2	21	4	9	2	2	2
Unrealized gain/(loss) on available-for-sale securities**	-165	-233	-285	-338	-284	-383	1,450	-45	86	694	421	788	-234
Total fund balance change	1,388	1,185	1,465	1,463	1,783	1,445	2,859	1,407	1,494	2,576	2,261	2,405	2,616
Ending Fund Balance	121,935	120,547	119,362	117,897	116,434	114,651	113,206	110,347	108,940	107,446	104,870	102,609	100,204
Percent change from four quarters earlier	4.72	5.14	5.44	6.84	6.88	6.71	7.95	7.54	8.72	10.10	10.31	10.63	10.72
Reserve Ratio (%)	1.27	1.27	1.25	1.29	1.30	1.30	1.38	1.41	1.41	1.40	1.36	1.36	1.36
Estimated Insured Deposits	9,577,101	9,490,249	9,513,955	9,123,046	8,927,668	8,841,566	8,181,859	7,828,160	7,744,543	7,695,116	7,699,009	7,525,204	7,378,900
Percent change from four quarters earlier	7.27	7.34	16.28	16.54	15.28	14.90	6.27	4.03	4.96	4.59	4.94	5.14	3.89
Domestic Deposits	17,676,713	17,203,253	16,980,327	16,339,032	15,716,702	15,563,637	14,351,881	13,262,843	13,020,253	12,788,773	12,725,363	12,659,406	12,367,954
Percent change from four quarters earlier	12.47	10.53	18.31	23.19	20.71	21.70	12.78	4.77	5.27	4.14	3.41	4.37	3.36
Assessment Base* **	20,017,170	19,687,718	19,214,924	18,806,094	18,465,171	18,153,259	16,484,341	16,157,322	15,904,903	15,684,001	15,561,782	15,452,139	15,229,424
Percent change from four quarters earlier	8.41	8.45	16.56	16.39	16.10	15.74	5.93	4.56	4.44	3.77	3.27	3.01	2.67
Number of Institutions Reporting	4,923	4,960	4,987	5,011	5,042	5,075	5,125	5,186	5,267	5,312	5,371	5,415	5,486

DIF Reserve Ratios

Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits ($ Millions)

	DIF Balance	DIF-Insured Deposits
9/18	$100,204	$7,378,900
12/18	102,609	7,525,204
3/19	104,870	7,699,009
6/19	107,446	7,695,116
9/19	108,940	7,744,543
12/19	110,347	7,828,160
3/20	113,206	8,181,859
6/20	114,651	8,841,566
9/20	116,434	8,927,668
12/20	117,897	9,123,046
3/21	119,362	9,513,955
6/21	120,547	9,490,249
9/21	121,935	9,577,101

Table II-C. Problem Institutions and Failed Institutions

(dollar figures in millions)	2021****	2020****	2020	2019	2018	2017	2016	2015
Problem Institutions								
Number of institutions	46	56	56	51	60	95	123	183
Total assets	$50,588	$53,884	$55,830	$46,190	$48,481	$13,939	$27,624	$46,780
Failed Institutions								
Number of institutions	0	2	4	4	0	8	5	8
Total assets*****	$0	$253	$455	$209	$0	$5,082	$277	$6,706

* Quarterly financial statement results are unaudited.
** Includes unrealized postretirement benefit gain (loss).
*** 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

(dollar figures in millions) September 30, 2021	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	4,301	$21,781,913	$16,400,571	$8,600,841
FDIC-Supervised	2,864	3,803,324	3,176,529	1,869,480
OCC-Supervised	750	14,464,684	10,590,408	5,514,211
Federal Reserve-Supervised	687	3,513,905	2,633,634	1,217,150
FDIC-Insured Savings Institutions	613	1,469,746	1,233,315	942,565
OCC-Supervised	269	617,649	499,614	406,346
FDIC-Supervised	307	403,507	322,689	241,268
Federal Reserve-Supervised	37	448,590	411,012	294,950
Total Commercial Banks and Savings Institutions	4,914	23,251,659	17,633,886	9,543,405
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	87,265	42,827	33,696
Total FDIC-Insured Institutions	4,923	23,338,924	17,676,713	9,577,101

* Excludes $1.5 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, 2021 *(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
1.50 - 3.00	2,915	58.8	$10,721.4	54.46
3.01 - 6.00	1,454	29.3	8,194.4	41.62
6.01 - 10.00	500	10.1	687.8	3.49
10.01 - 15.00	30	0.6	56.3	0.29
15.01 - 20.00	56	1.1	27.4	0.14
20.01 - 25.00	4	0.1	0.3	0.00
> 25.00	1	0.0	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: https://www.fdic.gov/resources/community-banking/cbi-study.html.

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 adjusted upward quarterly. For banking offices, banks must have more than one office, and the maximum number of offices is 40 in 1985 and reached 87 in 2016. The maximum level of deposits for any one office is $1.25 billion in deposits in 1985 and reached $6.97 billion in deposits in 2016. 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 quarterly and below which the limits on banking activities and geographic scope are waived. The asset-size limit is $250 million in 1985 and reached $1.39 billion in 2016. 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 ≥ 10% of total assets

— More than 50% of assets in certain specialty banks, including:

- credit card specialists
- consumer nonbank banks[1]
- industrial loan companies
- trust companies
- bankers' banks

Include: All remaining banking organizations with:

— Total assets < indexed size threshold[2]

— Total assets ≥ 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 ≤ 2
- Number of states with offices ≤ 3
- No single office with deposits > indexed maximum branch deposit size.[4]

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 institutions, estimated FDIC-

[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 $1.39 billion in 2016.

[3] Maximum number of offices indexed to equal 40 in 1985 and 87 in 2016.

[4] Maximum branch deposit size indexed to equal $1.25 billion in 1985 and $6.97 billion in 2016.

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* (TFR) 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, which is 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. When community bank growth rates are adjusted for mergers, prior period balances used in the calculations represent totals for the current group of community bank reporters, plus prior period amounts for any institutions that were subsequently merged into current community banks.

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; 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

Financial accounting pronouncements by the Financial Accounting Standards Board (FASB) can result in changes in an individual bank's accounting policies and in the Call Reports they submit. Such accounting changes can affect the aggregate amounts presented in the QBP for the current period and the period-to-period comparability of such financial data.

The current quarter's Financial Institution Letter (FIL) and related Call Report supplemental instructions can provide additional explanation to the QBP reader beyond any material accounting changes discussed in the QBP analysis.

https://www.fdic.gov/news/financial-institution-letters/2021/fil21068.html

https://www.fdic.gov/regulations/resources/call/call.html

Further information on changes in financial statement presentation, income recognition and disclosure is available from the FASB. http://www.fasb.org/jsp/FASB/Page/LandingPage&cid=1175805317350.

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 deposits 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. Beginning March 2020, this ratio does not include institutions that have a Community Bank Leverage Ratio election in effect at the report date.

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 filed 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" (reported at amortized cost (book value)), securities designated as "available-for-sale" (reported at fair (market) value), and equity securities with readily determinable fair values not held for trading.

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 (https://home.treasury.gov/policy-issues/small-business-programs/small-business-lending-fund).

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 and 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.

COMMERCIAL REAL ESTATE: RESILIENCE, RECOVERY, AND RISKS AHEAD

Overview

Commercial real estate (CRE) lending is important to the banking industry.[1] FDIC-insured institutions collectively hold $2.7 trillion in CRE loans, more than 50 percent of the broader financial industry's CRE loans. FDIC-insured institutions' CRE loan portfolios have experienced the ups and downs of economic cycles, including significant credit quality stress during the Great Recession and challenges posed by the COVID-19 pandemic.

The pandemic initially strained several types of CRE properties. Hotels sat empty as travel came to a near standstill. Foot traffic at retail properties all but ceased. Many office employees transitioned to remote work, and office occupancy dropped significantly. In contrast, the multifamily sector largely held up, as the degree to which tenants paid rent on time declined only slightly as the pandemic took hold. More positively, as delivery of goods from online shopping increased, industrial property demand strengthened.

While CRE market conditions improved with economic recovery in 2021, some parts of the CRE industry may experience lasting changes. The retail sector already had been facing long-term growth in online shopping, suggesting less need for brick-and-mortar retail, and the pandemic hastened this trend. In the office sector, the pandemic spurred businesses to re-evaluate use of office space as they explored remote work capabilities. Reflecting this dynamic, forecasts suggest office vacancy rates will rise and rent growth will be weak in 2022. Meanwhile businesses' use of technology to manage properties, or PropTech, is expected to increasingly become part of the office landscape.

The issues facing CRE after the pandemic will be important considerations for a large share of the banking industry. Almost all FDIC-insured institutions are involved in CRE lending and many have large CRE loan portfolios. Banks have increased CRE loan exposure over the past decade, and while construction lending has grown only modestly, many banks have increased multifamily lending. The pandemic initially looked like it would significantly challenge banks' CRE loan quality, but loan delinquency rates remained low through third quarter 2021 against the backdrop of economic rebound, stimulus support, and loan forbearance.

This paper is organized into two sections. The first section analyzes the five major CRE property types—multifamily, industrial, lodging, retail, and office—and the conditions evident in each since the onset of the pandemic. We identify those property types that have emerged in relatively good shape (multifamily and industrial), those that are still challenged in one or more subcategories (lodging and retail), and the one whose future may be most uncertain (office). In the second section, we discuss FDIC-insured institution exposure to CRE loans, credit quality, and potential challenges ahead.

I. CRE Market Conditions

The Multifamily and Industrial Property Sectors Have Weathered the Pandemic Relatively Well

Despite initial concerns about the prognosis for CRE, the multifamily and industrial sectors have recovered from the initial shock of the pandemic. By some measures, these sectors have exceeded pre-pandemic performance.

Multifamily

Heading into the pandemic, the multifamily sector's balance of supply and demand was healthy, despite a large amount of new construction in recent years. In the six years leading up to the pandemic, the multifamily construction industry built a record amount of properties. From 2014 to 2019, almost 2 million multifamily units were built in the United States, more than double that of 2008 to 2013.[2] The number of units built, referred to as completions, also was high when measured against the size of the existing U.S. multifamily

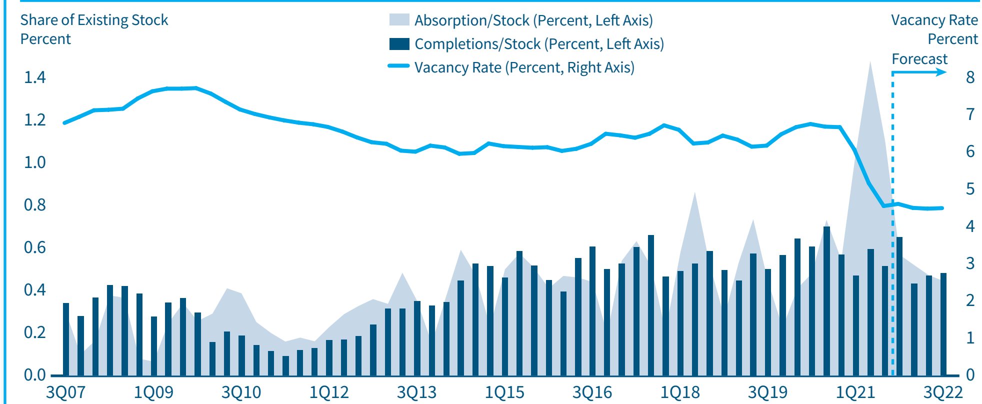
[1] The term "banking industry" refers to FDIC-insured institutions.

[2] CoStar, third quarter 2021 data.

market; the number of completions averaged 0.51 percent of total stock from 2014 to 2019, compared with only 0.25 percent in the previous six years. High levels of construction can lead to a rise in vacancy rates, but increased demand for multifamily-type living in the mid-2010s absorbed the large amount of construction. As a result, the U.S. multifamily vacancy rate was low and flat—it hovered near 6 percent from 2014 to 2019 (Chart 1).

Chart 1

Strong Demand Kept Multifamily Vacancy Rates Low for Much of the Past Decade



Source: CoStar.
Note: Data are quarterly figures with forecast data as of third quarter 2021.

When the pandemic hit, some stress emerged in the multifamily sector, but little stress has lasted. The multifamily vacancy rate increased slightly early in the pandemic but since has declined to 4.5 percent as of third quarter 2021, the lowest rate in more than 20 years. Demand for multifamily rental units improved significantly in 2021—the ratio of absorption of multifamily units to the amount of total stock has almost tripled from the pandemic low in 2020. Rent growth dropped from 2.4 percent in fourth quarter 2019 to 0.2 percent in third quarter 2020, its low during the pandemic. But by third quarter 2021, multifamily property rent growth had surpassed its average pre-pandemic level and was the highest among the major property types. Finally, renters' payment performance weakened only modestly during the pandemic, despite labor market weakness. According to the Multifamily Housing Council, the share of rent payments due that were ultimately paid in a given month slipped only 1 percentage point nationally to 95 percent on average between March 2020 and September 2021.[3]

The multifamily sector's resilience likely reflects several factors. First, the health risk of living in close quarters may have driven people who shared houses and apartments to seek independent living. Second, prices of single-family homes have risen dramatically in 2021, which may have led home seekers to rent instead of buy a home. Finally, stimulus payments and aid for renters may have mitigated weakening in rental payment performance; several studies found that about 30 percent of renters reported reliance on government support to pay rent at some point during the pandemic.[4]

While the multifamily property sector has been resilient, pressure may be ahead for part of the sector. Some properties' cash flows could be strained by delayed rent payments as relief programs and forbearance efforts wane. And, as the pace of construction is expected to remain brisk, demand will need to be strong to keep vacancy rates stable.

[3] National Multifamily Housing Council Rent Payment Tracker, October 2021.

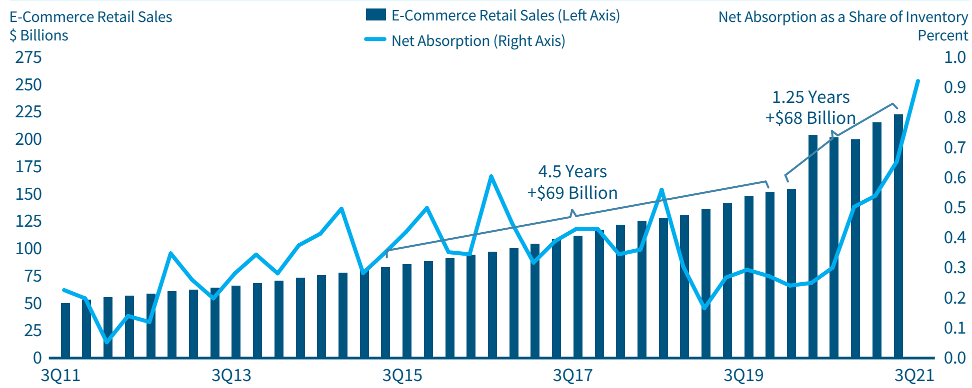
[4] Whitney Airgood-Obrycki, Ben Demers, Solomon Greene, Chris Herbert, Alexander Hermann, David Luberoff, and Sophia Wedeen, "Renters' Responses to Financial Stress During the Pandemic," Joint Center for Housing Studies of Harvard University, April 2021, https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_renter_responses_covid_airgood-obrycki_etal_2021.pdf.

Industrial

Demand for industrial space increased significantly during the pandemic. In the almost two years from first quarter 2020 through third quarter 2021, 582 million square feet of industrial space was rented (absorbed). This amount is well above the 366 million square feet rented in the almost two years leading up to the pandemic. As a percentage of the total amount of industrial space in the United States, the amount of space absorbed increased from 0.2 percent in first quarter 2020 to 0.9 percent in third quarter 2021, the highest percentage on record.[5] The rise in demand reflected, in part, an increase in e-commerce since the start of the pandemic. E-commerce sales grew by $68 billion from the start of the pandemic in first quarter 2020 through second quarter 2021. This growth is equal to the increase in e-commerce sales in the four and a half years leading up to the pandemic (Chart 2).[6]

Chart 2

Demand for Industrial Properties Increased Amid a Rise in E-Commerce Sales



Sources: U.S. Census Bureau (Federal Reserve Bank of St. Louis), CoStar.
Note: E-commerce retail sales are seasonally adjusted quarterly figures through second quarter 2021. Net absorption are quarterly figures through third quarter 2021.

This increase in e-commerce boosted demand for industrial space because e-commerce is logistics-intensive and requires warehouse space at transportation hubs and close to "last-mile" population centers.[7] Users of industrial space include not just e-commerce providers but also manufacturers, brick-and-mortar retailers, and third-party logistics firms. Tenants nationwide have leased a record amount of industrial space to meet customer demand. Amazon remains the most active tenant, both in the number of leases and in total space, but third-party logistics firms like DHL and FedEx have been active as well. Traditional food and beverage manufacturers and retailers round out the broad sample of industrial tenants that contributed to the record leasing pace in early 2021.[8]

The rise in e-commerce and increased need for industrial space helped absorb a large amount of construction that has occurred in the industrial sector for much of the past decade. Prompted by increased demand shortly after the Great Recession, construction of industrial properties has been rising since 2014. From first quarter 2014 to first quarter 2020, deliveries of new industrial space as a share of total space increased more than fivefold. Demand has been strong in 2021, but the large amount of industrial property supply in recent years bears watching.

[5] Data available from first quarter 2001.

[6] U.S. Census Bureau (Federal Reserve Bank of St. Louis).

[7] Transportation management firm Cerasis defines last-mile logistics as the final step of the delivery process from a distribution center or facility to the end user.

[8] CoStar, Industrial National Report, July 1, 2021.

Lodging and Retail Sectors Have Improved, but Some Subsectors Still Face Headwinds

The pandemic immediately and severely affected the lodging and retail sectors. Hotel visits dropped as travel all but ceased. Retail stores were empty as shoppers stayed home. These two sectors have since recovered but continue to face headwinds in important subsectors.

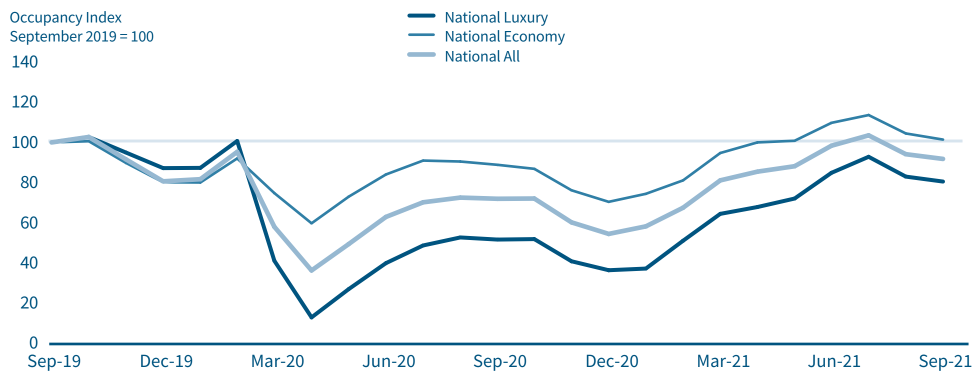
Lodging

The lodging sector was among the most severely affected sectors early in the pandemic. The U.S. hotel occupancy rate dropped sharply from more than 60 percent pre-pandemic to less than 25 percent in April 2020.[9] In luxury hotels, the occupancy rate dropped to single digits. The severe decline in hotel occupancy sharply reduced hotel revenues. Hotel revenues fell by 80 percent in April 2020 compared with the previous year. As travel began to increase in late 2020, overall occupancy rates rebounded from 2020 lows and returned to pre-pandemic levels by mid-2021. Hotel revenues have partially recovered, but through third quarter 2021 have yet to stabilize at pre-pandemic levels.

Differentiation in the lodging sector is driving performance. The luxury hotel sector was hit hardest, and while it has largely recovered, occupancy remains below its pre-pandemic level (Chart 3).[10] The luxury hotel sector continues to suffer from the slower return of corporate travel. According to CoStar, mid-week occupancy, a measure of corporate travel activity, was low as of mid-2021 at approximately 50 percent.[11] The resumption of corporate travel to pre-pandemic levels is uncertain, as companies reevaluate their travel needs in the context of widely available teleconferencing technology.

Chart 3

After Falling Early in the Pandemic, U.S. Hotel Occupancy Nears Pre-Pandemic Levels, While Luxury Occupancy Lags



Source: CoStar.
Note: Data are monthly figures.

In contrast, the economy hotel sector recovered more quickly, which reflected the return of leisure travel. Increased vaccinations and pent-up savings and vacation time supported a rise in leisure travel demand. The weekend occupancy rate, which reflects leisure travel, rebounded by mid-2021 to consistently above 70 percent.[12]

While leisure travel is important, accounting for the largest share of the hotel industry's room nights, group and corporate travel account for roughly two-thirds of hotel revenues.[13] Therefore, the return of corporate travel is important for a more complete recovery of the lodging sector.

[9] CoStar.

[10] Ibid.

[11] CoStar, Hospitality National Report, July 2, 2021.

[12] Ibid.

[13] Bank of America, Lodging Primer, September 11, 2018.

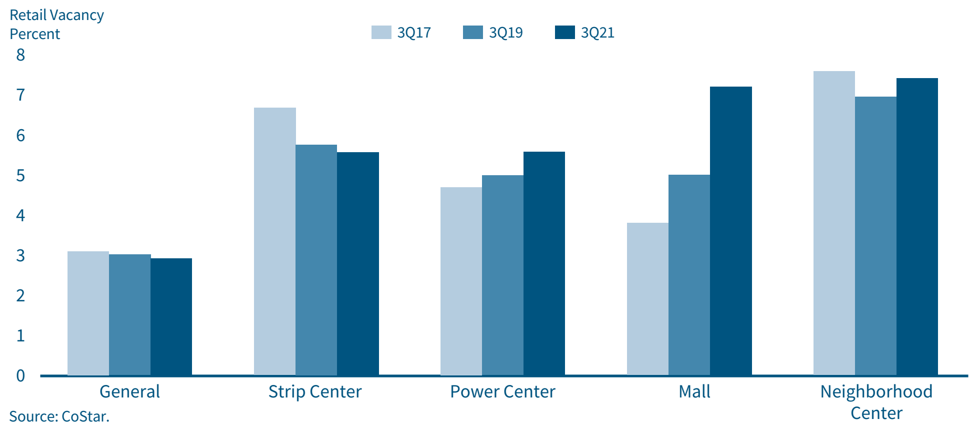
Retail

Trends in the retail segment reflect changes under way in the sector before the pandemic. The sector had already been struggling with elevated store closures and competition from online shopping.

The retail sector comprises several subtypes such as malls, strip centers, and general retail.[14] Mall space has suffered the quickest rise in vacancy since the onset of the pandemic. Many mall anchor tenants, such as traditional department stores, were struggling before the pandemic, and the complete closure of malls for several months dealt a blow to struggling inline stores as well.[15] Elimination of all foot traffic at the nation's malls contributed to a doubling of the vacancy rate from a near cycle low of 3.8 percent in third quarter 2017 to 7.2 percent in third quarter 2021 (Chart 4). Much of that increase occurred since the onset of the pandemic.

Chart 4

Vacancy at U.S. Malls Increased More Than Other Types of Retail



Source: CoStar.
Note: Data are quarterly figures.

Rising vacancy in some malls may indicate the degree to which property valuations may contract. Between February 2020 and September 2021, mall property valuations dropped 18 percent.[16] And a recent report showed that at least 49 U.S. malls have re-appraised at values 65 percent lower than pre-pandemic levels.[17] Landlords are experimenting with new uses for unproductive mall space, including various forms of experiential retail such as fitness centers, movie theaters, and climbing gyms. More dramatic transformations include medical office, education, industrial, and even multifamily use. Despite the rapid increase in vacancy, malls were not the most-vacant retail subtype as of third quarter 2021.

Another common suburban and rural retail subtype known as a "neighborhood center" ended third quarter 2021 with an average vacancy rate of 7.4 percent, the highest among subtypes.[18] Neighborhood centers typically are anchored by a grocery store and have several smaller stores. While grocery stores held up relatively well through the pandemic, smaller ancillary stores were hard-hit by competition from e-commerce and the sharp

[14] According to CoStar, there are five major subtypes of retail properties: general, strip center, power center, mall, and neighborhood center.

[15] Commercial real estate consulting company VTS describes inline stores as what most people would consider smaller stores that fill in the space between the larger stores in malls and open-air centers. These stores compensate for the discounted rents provided to anchors and typically pay more per square foot. Inline stores range between 1,500 and 5,000 square feet.

[16] Green Street Advisors Commercial Property Price Index.

[17] Bank of America Securities, "CMBS Commentary: Appraising the Situation," November 1, 2021.

[18] Neighborhood centers have 30,000 to 100,000 square feet of space and are typically anchored by grocery stores. Inline stores surrounding the grocer may include apparel, sporting goods, electronics, and other personal goods and service stores.

drop in foot traffic as the pandemic took hold. Taken together, malls and neighborhood centers account for a third of all retail space.

General retail, which typically includes freestanding and independent, nonchain retailers, accounts for the largest amount of retail space in the United States. It also is the fastest growing retail subtype; most of the retail space added in the United States over the past five years has been general retail. Despite adding more space than other types of retail, demand for general retail has kept pace with supply. As a result, the general retail vacancy rate has been approximately 3 percent for the past five years, less than all other types of retail space.

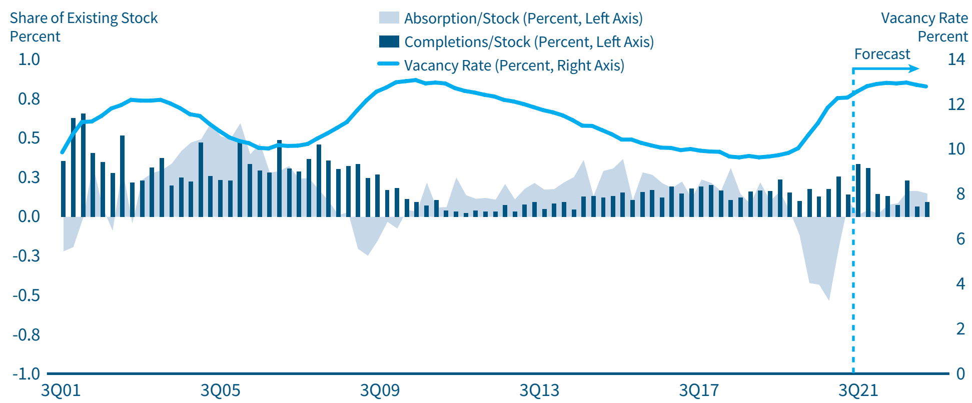
Since the U.S. economy is consumption-centered, retail will continue to occupy an important place in the CRE industry. Different types of retail will continue to adjust to evolving consumer preferences, and vacancy rates, demand, and rent growth likely will reflect those preferences.

The Office Sector May Face the Most Significant Challenges

The pandemic has reduced demand for office space, possibly for the long run. Net office absorption in second quarter 2020 was negative for the first time in a decade; this means that the amount of commercial office space that was vacated or supplied by new construction exceeded that which was leased, or absorbed, by commercial tenants. At its worst during the pandemic, negative net absorption reached 0.5 percent of total inventory, twice the worst percentage recorded during the Great Recession.[19] The drop in demand for office space as the pandemic emerged contributed to a significant increase in office vacancy. The office vacancy rate increased in almost two-thirds of U.S. office markets, and in each of the nation's ten largest markets, since the start of the pandemic. As a result, the U.S. office vacancy rate increased from 9.7 percent in fourth quarter 2019 to 12.3 percent in third quarter 2021, an eight-year high (Chart 5).

Chart 5

Demand for Office Space Dropped Significantly at the Onset of the COVID-19 Pandemic



Source: CoStar.
Note: Data are quarterly figures through third quarter 2023 with forecasted data as of third quarter 2021.

Large Office Markets

The nation's large office markets have suffered more than smaller markets since the pandemic began. The average vacancy rate in the nation's gateway markets (large, typically coastal markets that attract significant foreign investment) increased from 9.4 percent in fourth quarter 2019 to 13.0 percent in third quarter 2021.[20] In contrast, the average vacancy

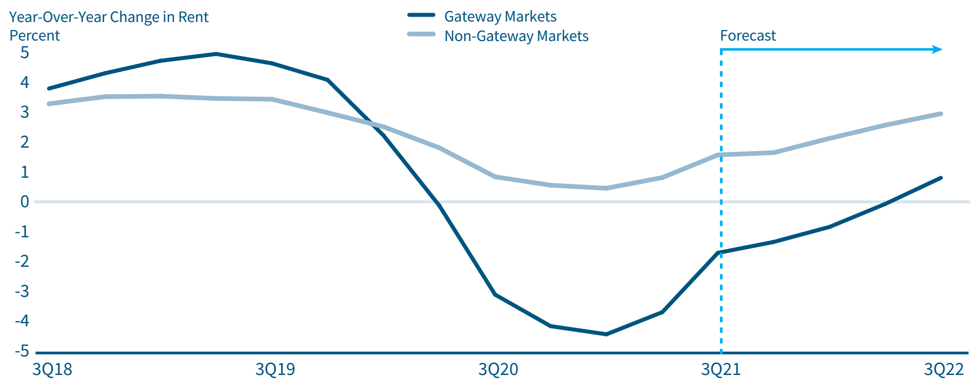
[19] CoStar, third quarter 2021 data.
[20] CoStar. FDIC calculations of vacancy rates for gateway and non-gateway markets are simple averages and will not tie to the aggregate national vacancy rates cited above.

rate in the rest of U.S. markets increased only modestly from 5.6 percent to 6.3 percent over the same period.

Gateway office markets also suffered an outsized decline in rental rates. Rent growth in the nation's gateway markets had exceeded or at least equaled the U.S. average in the two years leading up to the pandemic. But as the pandemic took hold in 2020, office rent growth decelerated across the nation, and rents dropped in the gateway markets, reflecting avoidance of densely populated cities (Chart 6). Rent growth is expected to be low across U.S. markets and remain negative in gateway markets into 2022.

Chart 6

Rents in Gateway Office Markets Dropped More Than Others in the COVID-19 Pandemic



Source: CoStar.
Note: Data are quarterly figures with forecast data as of third quarter 2021. Gateway markets include New York, Washington, DC, Boston, Chicago, Los Angeles, and San Francisco.

The drop in demand also has led to an increase in sublease availability across many markets. Sublease availability occurs when tenants offer excess space for lease to a third party, typically at a discount. During the pandemic, space available through sublease increased, especially in large, densely populated markets such as San Francisco (Chart 7). Offering space for sublease became more common as the pandemic progressed into early 2021, reflecting in part tenants' uncertainty about returning to the office. The amount of space offered for sublease began to ease in second quarter 2021 but remains above pre-pandemic levels in some cities, which suggests vacancy issues in some office markets will continue.

Chart 7

The Amount of Office Space Available for Sublease in Several Large Cities Increased as the COVID-19 Pandemic Took Hold

Source: CoStar.
Note: Data are quarterly figures.

Remote Work, Return-to-Office, and Changing Office Layouts

Many companies re-evaluated their office space needs and expanded remote work during the pandemic. Office usage dropped significantly, and the number of employees that regularly occupied office buildings declined. According to one company that monitors office building access in several large markets, less than 15 percent of the workforce was going into the office in April 2020, with some markets dropping below 5 percent.[21] Foot traffic in office buildings has since improved with more than one-third of workers returning to offices as of October 2021, but uncertainty around new variants of the virus has many companies delaying their return-to-office plans to 2022.[22]

Several surveys and reports reveal that a large share of companies have or plan to adopt a hybrid return-to-office model—a mix of office and remote work—rather than a full return to the office. According to PwC, more than two-thirds of company executives surveyed plan to implement a hybrid model.[23] As companies execute new work plans, an increase in remote work may eventually translate into less demand for office space.

Companies also are planning to change how they use office space. Some companies are redesigning space to account for fewer employees working in the office each day. Changes include more shared workstations, fewer permanent desks and offices, and more flexible space. This redesign could further dampen demand for office space, but could be partially offset by the need to implement social distancing among workers. Additionally, increased interest in flexible space also could boost demand for space provided by co-working companies, which struggled at the onset of the pandemic.[24]

Flexibility and changes in the sector also include how various forms of PropTech will be implemented in CRE. PropTech is a term used to define technologically innovative products and business models for the CRE market (Inset Box).

What Is PropTech?

PropTech, short for property technology, is a term used to define technologically innovative products and business models for the CRE market, similar to the way FinTech describes the use of technology in finance. PropTech is the use of digital innovation to address the needs of the property industry. Below are a few examples of PropTech.

Technology	Description
"Smart" Buildings	Equipping buildings with internet-enabled technology and sensors that can connect and exchange data with each other via an internet connection. Internet-enabled devices can gather maintenance data, power usage statistics, and information about the movement of people in a building. The information can be studied using building management software to improve building efficiency.
Construction Technology	Improving the speed, environmental efficiency, cost savings, and safety of building construction through modeling, planning, and automation.
Appraisal	Completing appraisals faster using property valuation technology based on multiple data sources.
Virtual Experiences	Increasing the number of potential buyers by providing virtual visualizations to tour available space. This technology was implemented quickly by many brokers at the onset of the pandemic.
Power Efficiency	Building and retrofitting buildings with upgrades that reduce energy use or change the types of energy used in construction and operation.

Note: PropTech examples are sourced from multiple analyst reports and articles. This is not an exhaustive list of technologies nor endorsement of specific products or technology.

[21] Kastle Systems LLC, Back to Work Barometer, October 2021.

[22] Morgan Stanley Research, WFH Tracker, October 2021.

[23] PwC, US Pulse Survey, August 2021. The US Pulse Survey is conducted periodically to track the sentiments and priorities of business executives. PwC surveyed 752 U.S. company executives in August 2021 about company workforce location plans.

[24] Co-working companies sign long-term office leases and sublease that space at a premium over current market rates. Co-working tenants are attracted to the flexibility of short-term obligations and the ability to avoid costs to build out office space. Popular co-working companies include WeWork and Regus.

While there have been encouraging signs, such as an increase in office lease activity since mid-2021, hybrid return-to-office policies and reconfigured office space likely will contribute to changes in the office sector. Technological innovations helped make the transition to remote work possible, and the transition has landlords and tenants considering a new equilibrium level of demand for office space. Some degree of remote work likely will become a permanent part of the office culture.

The Decline in CRE Property Values During the Pandemic Has Been Modest Compared With the Great Recession

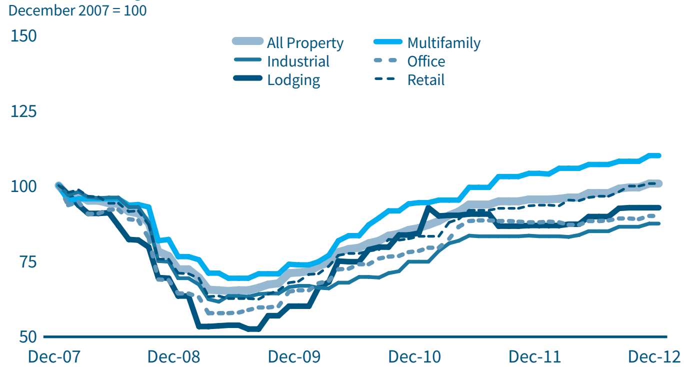
Economic stress hurt CRE values in the Great Recession and the pandemic, but price performance in each of the two recessions was different. A more modest drop in CRE prices in the pandemic compared with the Great Recession reflects the different natures of each crisis. The Great Recession followed a global crisis in financial intermediation and manifested in a boom and bust cycle in real estate conditions in much of the United States. The pandemic recession was caused by a global health crisis and manifested in economic shutdown and contraction, with more significant stress felt in some industries and CRE property types than in others.

During the Great Recession, CRE prices dropped significantly. According to Green Street Advisors, prices for a compilation of all CRE property types, otherwise known as the all-property index, dropped 28 percent within one year of the start of the recession and 35 percent within two years.[25] The ultimate fall in prices ranged from 31 percent in multifamily to 48 percent in lodging (Chart 8). The decline in CRE values accompanied significant financial market dislocation and credit quality stress in the banking industry, and took five years to recover.

Chart 8

Price Declines in the Great Recession Were Steep...

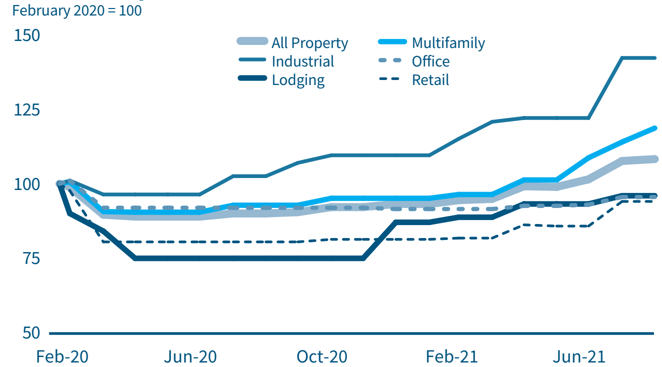
Indexed Price Change From the Onset of the Great Recession
December 2007 = 100



Source: Green Street Advisors.
Note: Data are monthly figures through December 2012.

...But Were Less Dramatic During the COVID-19 Pandemic

Indexed Price Change From the Onset of the Pandemic
February 2020 = 100



Source: Green Street Advisors.
Note: Data are monthly figures through September 2021.

In the pandemic, CRE prices initially dropped by approximately 10 percent. However, there was no second leg down and many prices were flat for several months as transactions declined sharply. CRE prices have since recovered with prices for some property types now well above pre-pandemic levels. Industrial and multifamily property prices, after falling during the pandemic, have rebounded, with industrial property prices 42 percent above the pre-pandemic level and multifamily posting an 18 percent increase. Property prices in the retail, office, and lodging sectors have recovered more modestly. Property prices are still 6 percent below pre-pandemic levels in retail, 5 percent in office, and 4 percent in lodging.

[25] Green Street Commercial Property Price Index.

CRE prices have recovered with improvement in COVID-19 cases, business re-openings, and economic recovery. Investors have begun to show willingness to pay higher prices for some of these properties as fundamentals are stronger than expected and borrowing costs are relatively low. Financial market dislocation and credit quality stress have been much more muted than in the Great Recession, but rapid price appreciation in some CRE property sectors warrants monitoring.

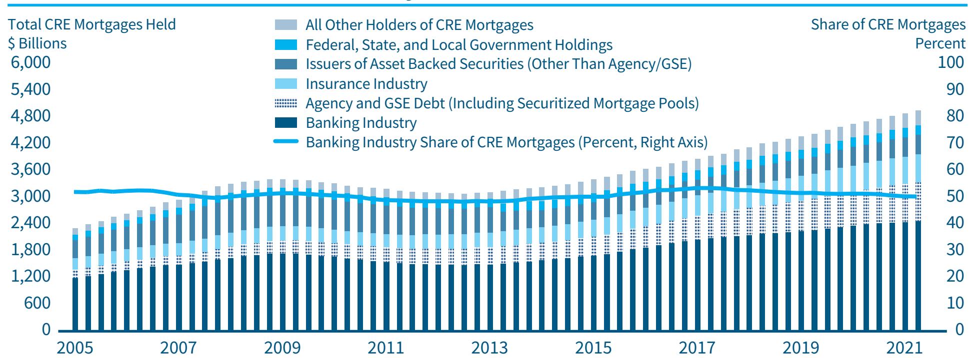
II. CRE Lending and Credit Conditions

Banks Remain a Leading Source of CRE Lending

As important providers of CRE financing, FDIC-insured institutions are among those lenders interested in CRE market dynamics in the years ahead. Banks are the largest participant in the commercial mortgage lending market, holding more than half of the nearly $5 trillion in commercial mortgages outstanding as of second quarter 2021.[26] Entities such as insurance companies, government-sponsored enterprises (GSE), and other issuers of commercial mortgage-backed securities (CMBS) also are active in CRE financing. However, FDIC-insured institutions' market share has remained significant at near 50 percent for more than a decade (Chart 9).

Chart 9

Banks Hold More CRE Loans Than All Other Market Participants Combined and Their Market Share Has Held Steady for More Than a Decade



Source: Federal Reserve Board, Financial Accounts of the United States, Levels of Financial Assets and Liabilities, by Sector and by Financial Instrument, Multifamily Residential Mortgages and Commercial Mortgages, September 23, 2021 release.
Note: Data are quarterly figures through second quarter 2021.

While the ten largest FDIC-insured institutions hold nearly one-quarter of the banking industry's CRE loans, participation in CRE lending is widespread among banks. More than 98 percent of FDIC-insured institutions hold CRE loans, and CRE is the largest loan category at more than 40 percent of insured institutions.

CRE lending is particularly prevalent among community banks. As noted in the FDIC's December 2020 Community Banking Study, community banks play an outsized role in CRE lending relative to their overall market share.[27] As of third quarter 2021, community banks held less than 12 percent of the banking industry's assets but accounted for 29 percent of CRE loans.

Besides exposure through loans, the banking industry is exposed to CRE via holdings of CMBS. As of third quarter 2021, banks held more than $550 billion in CMBS, most of which was U.S. government agency-issued or GSE-issued CMBS. Although not as prevalent as CRE loan exposure, more than 40 percent of banks hold some level of CMBS.

[26] Federal Reserve Board, Financial Accounts of the United States, Levels of Financial Assets and Liabilities, by Sector and by Financial Instrument, Multifamily Residential Mortgages and Commercial Mortgages, September 23, 2021, https://www.federalreserve.gov/apps/fof/FOFTables.aspx.

[27] FDIC, *Community Banking Study*, December 2020, https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf.

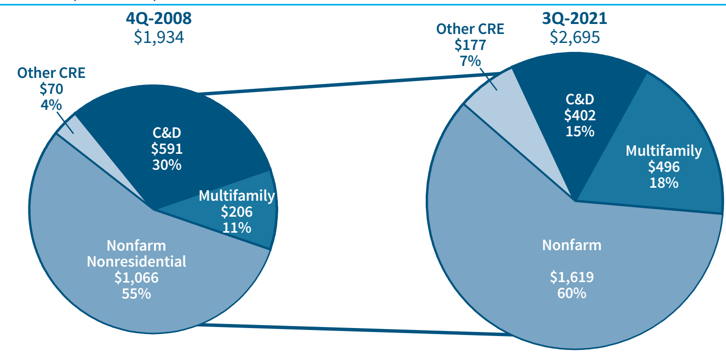
The Composition of CRE Loan Portfolios Has Shifted Since the Previous Real Estate Cycle

The mix of CRE loans held by the banking industry as the Great Recession took hold in the United States in 2008 differed from that heading into the pandemic. In 2008, construction and development (C&D) loans were a large part of the mix reflecting, in part, significant bank involvement in residential construction projects. C&D lending was particularly active in the Pacific, Mountain, and South Atlantic U.S. Census Divisions of the nation amid rapid residential construction activity.[28] At that time, the volume of multifamily property loans was modest. But following more than a decade of growth amid rising interest in multifamily living, the dollar volume of multifamily property loans outstanding more than doubled, and multifamily loans as a share of total CRE loans increased (Chart 10).

Chart 10

Since the Previous Cycle's Peak Reached in 2008, Bank CRE Lending Focus Has Shifted Away From C&D and Into Other Categories

Composition of CRE ($ Billions)



Source: CoStar.
Note: Other CRE includes loans to finance commercial real estate that are not secured by real estate. Due to rounding, the loan dollar balances do not add up to total CRE loans.

Despite Substantial Loan Growth, CRE Concentrations Remain Below Levels Reached in the Previous Cycle

Although the total amount of CRE loans has grown, individual banks' holdings of CRE loans relative to their capital levels, referred to as concentrations of CRE loans, have remained below the peaks reached in the Great Recession.[29] High concentrations of CRE loans are often a subject of interest to analysts, regulators, and economists, reflecting the significant stress experienced by highly concentrated banks during the Great Recession and other economic cycles.[30]

CRE loan concentrations rose steadily from 2013 to 2018, consistent with a recovering economy, rising CRE prices, and increasing demand for multifamily property loans. However, concentrations have eased in recent years because growth in capital and reserves has outpaced CRE loan growth. The median ratio of CRE loans to capital and allowances of 181 percent in third quarter 2021 is well below the peak of 214 percent reached in fourth quarter 2008. Further, the share of banks with elevated levels of CRE loan exposure has declined. Less than one-quarter of banks hold elevated CRE concentrations as of third quarter 2021, compared with 35 percent of banks at year-end 2008.[31]

[28] U.S. Census Bureau, "Census Regions and Divisions of the United States," www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf.

[29] "CRE concentration" in this article is shorthand for the volume of a bank's CRE loans expressed as a percentage of its tier 1 capital and allowances. It is an analytical measurement and is not intended to denote examination concerns.

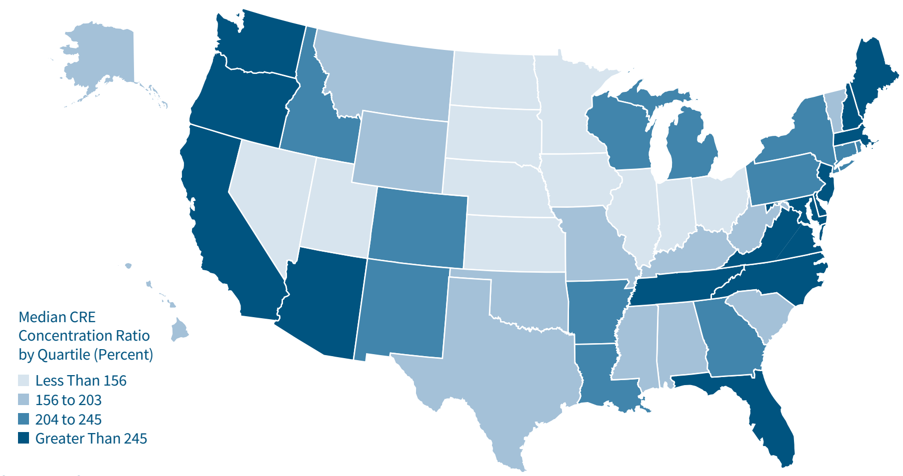
[30] FDIC, *Crisis and Response: An FDIC History, 2008–2013*, https://www.fdic.gov/bank/historical/crisis/crisis-complete.pdf.

[31] For this analysis, a bank is considered to have an elevated CRE concentration if its ratio of CRE loans to tier 1 capital and allowances is above 300 percent. This terminology is used only as means of identifying banks with a significant CRE lending focus rather than to denote examination concerns.

Nevertheless, pockets of high exposure exist, most notably in the Pacific, Middle Atlantic, and South Atlantic U.S. Census Bureau Divisions of the nation (map).[32] The states with the highest median CRE loan concentration levels include California, Arizona, Washington, New Jersey, and Florida.

Map

CRE Concentrations Are Highest Along the Coasts



Source: FDIC.
Note: The CRE concentration ratio measures banks' CRE loans as a percentage of tier 1 capital and allowances. Data as of September 30, 2021.

CRE concentrations reflect many factors, including local loan demand, bank-specific lending expertise, and board-approved risk appetites. Another key factor is the geographic proximity to commercial properties. So it is understandable that CRE lending is most prevalent among banks headquartered in metro areas, where large amounts of CRE properties are located.

Multifamily lending has become a driver for CRE loan growth among many banks, particularly in the Pacific, New England, and Middle Atlantic U.S. Census Bureau Divisions of the nation.[33] For example, median multifamily loan concentrations have more than doubled in the past decade among banks headquartered in California, Massachusetts, New Jersey, and New York. Multifamily loan concentrations in these states are among the highest in the nation, reflecting, in part, the above-average prevalence of multifamily living in these states.[34] Increasing concentrations of multifamily loans could influence loan portfolio performance going forward as multifamily loans have historically experienced lower delinquency and loss rates than C&D loans.

CRE Credit Quality Was Resilient in the Pandemic, Reflecting Stimulus, Forbearance, and Economic Recovery

CRE credit conditions remained relatively stable despite a sharp downturn in the U.S. economy in 2020. The total dollar amount of delinquent CRE loans held by FDIC-insured institutions increased in 2020 but has steadily improved since then. The CRE delinquency rate among banks increased from 0.64 percent in fourth quarter 2019 to a pandemic peak of 1.11 percent in December 2020, and has since improved to 0.87 percent in third quarter 2021

[32] U.S. Census Bureau, "Census Regions and Divisions of the United States," www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf.

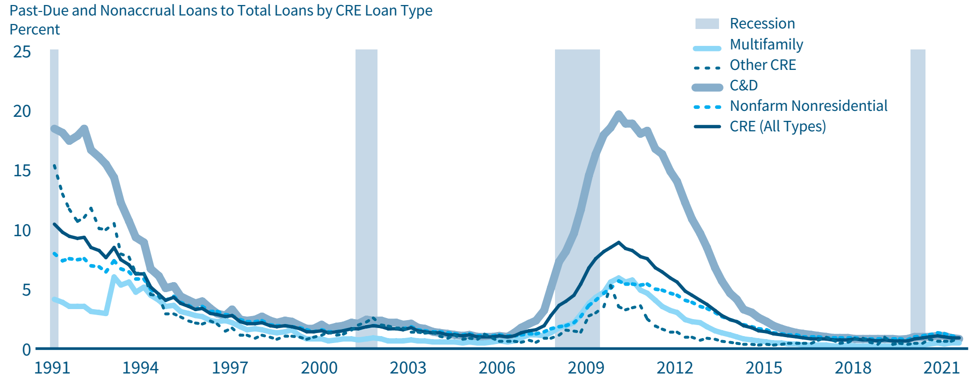
[33] Ibid.

[34] 2018 American Community Survey, One-Year Estimates, U.S. Census Bureau, https://www.census.gov/programs-surveys/acs/technical-documentation/table-and-geography-changes/2018/1-year.html. The four states mentioned in the text have a higher percentage of total housing with five or more housing units than the national percentage.

(Chart 11). Additionally, net loan loss rates have been negligible among CRE loans and are comparable to pre-pandemic levels.

Chart 11

CRE Delinquency Rates Remain Historically Low



Source: FDIC.
Note: Data are quarterly figures through third quarter 2021. Other CRE loans include loans to finance commercial properties that are not secured by real estate.

The resilience of CRE credit quality among FDIC-insured institutions reflects several factors. First, government stimulus, including economic relief programs, grants, and tax breaks, helped borrowers maintain loan payments.[35] For example, increased unemployment benefits helped apartment tenants pay rent. And, funds allocated under the Restaurant Revitalization Fund and the Small Business Administration's Paycheck Protection Program were specifically designed to help businesses affected by the pandemic to pay operational expenses, including rent.

Second, banks offered forbearance plans to borrowers to provide temporary relief in certain instances. Bank-offered forbearance plans included short-term loan modifications such as payment deferrals, fee waivers, extension of repayment terms, or other delays in payment to borrowers hurt by the pandemic.[36]

Finally, broader economic circumstances lessened the pandemic's effect on CRE. For instance, historically low interest rates played a role in limiting property value declines and kept interest payments on loans down. Also, the speed of economic rebound helped job growth and consumer spending return, which helped businesses recover. Other factors helped parts of CRE as well—the sharp rise in home prices may have spurred some would-be buyers to rent apartments, and the boom in e-commerce drove demand for industrial space.

But there have been signs of credit stress in CRE outside of bank-reported delinquencies. CMBS delinquency rates among hotel and retail properties hit double digits in 2020, surpassing peak delinquency rates in the previous cycle. CMBS delinquency rates have improved in 2021 but remain above pre-pandemic levels. CMBS backed by industrial, multifamily, and office properties had only limited increases in delinquency rates, which helped moderate the effect on overall CMBS performance.

[35] Relief programs for individuals include Economic Impact Payments, federal unemployment compensation, and emergency rental assistance. Tax breaks for individuals include the Child Tax Credit. Relief programs for businesses include the Emergency Capital Investment Program, the Paycheck Protection Program, the Small Business Lending Fund, the Community Development Financial Institutions Fund, and others. Tax breaks for business include Payroll Tax Deferral, the Employee Retention Credit, and the Paid Leave Credit. The Restaurant Revitalization Fund and the Shuttered Venues Grant are other examples of funds or grants provided to businesses affected by the pandemic. More information on economic relief is available at https://home.treasury.gov/policy-issues/coronavirus.

[36] FDIC, "Revised Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus," Financial Institution Letter 36-2020, April 7, 2020, https://www.fdic.gov/news/financial-institution-letters/2020/fil20036.html.

Challenges Facing the CRE Industry and the Lending Landscape

CRE has been resilient amid the pandemic, but challenges remain. First, loan performance could weaken as stimulus benefits sunset and loan modifications wind down. Stimulus programs such as the Paycheck Protection Program and supplemental unemployment benefits have ended, and many loans have exited loan modification agreements or will soon.

Second, banks are facing low loan yields. Loan yields have declined in recent years amid the drop in interest rates and reached a record low in third quarter 2021.[37] Low loan yields contribute to margin compression and may complicate risk/reward lending decisions, as banks seek to deploy the record levels of deposits that flowed into banks since the start of the pandemic.

Third, lending decisions likely will need to navigate uncertain CRE conditions for some time. Rising office vacancy rates and elevated sublease activity indicate waning demand, but the full effects of changing dynamics in the sector are still developing. Office property demand may take time to stabilize as tenants navigate remote work decisions and adjust how much space they need. A slow return to densely populated urban office centers could reduce the desirability of nearby multifamily and retail space that caters to those office employees. Similarly, the extent to which business travel returns could have lasting effects on certain hotel properties.

Last, pandemic-related stress continues to hamper economic conditions. Labor market weakness and inflation concerns may continue to pressure borrowers' ability to repay loans. The threat of new COVID variants and the pressure of combating a pandemic may continue for some time. These and other potential threats remain, but CRE so far has weathered some of the most severe economic conditions in recent history and has been resilient.

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[37] Loan interest income is aggregated among all nonresidential real estate loans, so yields calculated include agricultural real estate loans.

IMPLICATIONS OF RECORD DEPOSIT INFLOWS FOR BANKS DURING THE PANDEMIC

Overview

In 2020, the COVID-19 pandemic disrupted the global economy, creating stress and uncertainties for consumers and businesses. The U.S. government responded with assistance programs that, combined with increased personal savings, contributed to a record inflow of deposits to the banking industry. The deposit inflows in 2020, especially in each of the first two quarters, created historically high levels of bank liquidity. Economic uncertainty and high levels of liquidity prompted many banks to shift their balance sheet composition to shorter-term, lower-yielding assets. The loans-to-deposits ratio reached record lows in 2020 and 2021, while the cash-to-deposits ratio rose to 1.6 times the pre-pandemic level and almost three times the previous trough, which occurred in 2006, ahead of the Great Recession.[1]

This article explores the benefits and challenges that community and noncommunity banks face when liquidity is abundant.[2] Benefits of higher liquidity include less dependence on less stable sources of funding and an ability to respond effectively to unforeseen deposit account withdrawals. However, higher liquidity can also challenge bank earnings, depending on loan demand and the shape of the yield curve. Given the economic uncertainty associated with the pandemic, record deposit inflows, and tepid loan demand, banks deployed unusually high proportions of deposits into cash and securities. The shift in the composition of assets and a prolonged period of low interest rates have caused the industry net interest margin (NIM) to decline to its lowest level on record.[3]

The Pandemic Led to a Record Level of Deposits and Abundant Liquidity

Uncertainty about financial markets had repercussions on the U.S. economy in 2020. Consumer spending declined and personal savings increased. Deposits from businesses increased from programs such as the Paycheck Protection Program (PPP). Banks reported an influx of $3.3 trillion in total deposits in 2020, including more than $1 trillion in deposits in each of the first two quarters. Before this, the largest increase in deposits during a quarter had been $313.1 billion in fourth quarter 2012. Cash and securities also climbed to the highest level on record in 2020. The rapid growth in deposits was broad-based, with almost one-fourth of all banks reporting an increase of at least 25 percent in 2020.

Lack of liquidity played a role in the failure of many banks during the Great Recession. Almost 500 banks failed from 2008 through 2013. As described in the FDIC's study of the crisis, "In 2008, concerns about the value of mortgage-related assets were the main cause of the liquidity crisis experienced by many large financial institutions. For smaller banks, the effects of a declining housing market and the accompanying recession were gradual at first, but in 2009 and 2010 the number of failed and problem banks increased exponentially."[4] Concentrations of noncore funding, such as brokered deposits, created problems for many banks. Even with unprecedented liquidity support from the Federal Reserve and the FDIC's Temporary Liquidity Guarantee Program (TLGP), banks in

[1] This article compares the unprecedented conditions of 2020 to those of the Great Recession, which began in fourth quarter 2007. See National Bureau of Economic Research, "U.S. Business Cycle Expansions and Contractions," https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions, July 19, 2021.

[2] The analysis covers year-end periods between 2000 and 2020 and includes third quarter 2021. All changes reflect a 12-month time period. Data are as of September 15, 2021. Data presented on community banks and noncommunity banks are merger-adjusted on an annual period-by-period basis. Any references to ratios are not merger-adjusted. All charts include third quarter 2021 data points. This article uses the definition of "community bank" in the Notes to Users in the FDIC *Quarterly Banking Profile*. That definition uses criteria outlined in the *2020 FDIC Community Banking Study* to identify community banks. The 2020 *FDIC Community Banking Study* is available at https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf.

[3] The net interest margin is a weighted average for all filers of Consolidated Reports of Condition and Income (Call Reports).

[4] FDIC, *Crisis and Response: An FDIC History, 2008–2013*, 2017, https://www.fdic.gov/bank/historical/crisis/crisis-complete.pdf.

aggregate experienced a 5 percent decline in cash and a 43 percent decline in federal funds sold from 2008 to 2009. However, liquid assets of banks in aggregate fell by a modest 2 percent. The liquidity ratio, which measures liquid assets to total assets, reached a low of 16.87 percent in 2007 but rebounded in 2008 and continued on an upward trend.[5]

Due to the economic uncertainties driven by the onset of the pandemic, bank regulators grew concerned about the potential liquidity problems. As it transpired, however, fiscal and monetary policies minimized the impact of the pandemic on banks and the real economy. These policies contributed to the largest one-year increase in deposits and the largest one-year increase in cash in 13 years. Over the same period, federal funds sold rose more than 39 percent. These factors resulted in a 49 percent rise in liquid assets and a 7.54 percentage point increase in the liquidity ratio to 35.46 percent from 2019 to 2020.

The extraordinary growth in deposits during the first half of 2020 was driven by pandemic policy actions that supported individuals and businesses, and by precautionary savings behavior of individuals, businesses, and financial market participants. As the pandemic spread throughout the United States, individual states and major metropolitan areas implemented widespread stay-at-home orders and business closures that severely reduced economic activity and forced many businesses to furlough employees. The abrupt disruption to the economy and the weakening outlook resulted in heightened financial market stress. As a result of this stress, corporations conserved cash and drew down their lines of credit. In addition, individuals changed their spending behavior as a result of the lockdowns and conserved cash in response to weak labor market prospects. All of these factors contributed to higher deposits.

Fiscal support programs contributed to unprecedented deposit growth for both individuals and businesses in 2020 and 2021. Deposit growth typically has been modest during recessions, even with fiscal policy support. In contrast to previous recessions, the fiscal response to the COVID-19 pandemic, which consisted primarily of direct payments to households and businesses, was larger, more immediate, and more frequent than programs in the past. The U.S. government approved more than $5 trillion in fiscal support between March 2020 and March 2021, or 22.7 percent of first quarter 2021 U.S. gross domestic product (GDP).[6] This far exceeded the Great Recession fiscal support passed between first quarter 2008 and first quarter 2009, which was 11.7 percent of U.S. GDP.[7] Of the $5 trillion appropriated, more than $3.7 trillion was disbursed as of June 14, 2021, under three major pieces of legislation (Table 1).[8] A large share of fiscal support directly targeted consumers, particularly Economic Impact Payments and expanded unemployment benefits. The PPP supported small businesses and payrolls for their employees. These programs boosted personal income. Personal income was $35.5 trillion for the seven quarters ending third

[5] The liquidity ratio measures the percentage of marketable assets available to cover deposits and other borrowings. For purposes of this analysis, the liquidity ratio is defined as liquid assets to total assets. Liquid assets are defined as cash, federal funds sold, and securities including unrealized gains on held-to-maturity securities less pledged securities [LIQUIDITY RATIO = (LIQUID ASSETS/ASSET)] where [LIQUID ASSETS = SUM(CHBAL + FREPO + SC + SCHF) − SUM(SCPLEDGE + SCHA)]. See https://www7.fdic.gov/DICT/app/templates/Index.html#!/Main for RIS variable definitions.

[6] The CARES Act, Public Law 116-136, March 27, 2020; The Consolidated Appropriations Act of 2021, Public Law 116-260, December 27, 2020; and The American Rescue Plan Act of 2021, Public Law 117-2, March 11, 2021. Bureau of Economic Analysis, "Gross Domestic Product, 1st Quarter 2021 (Second Estimate); Corporate Profits, 1st Quarter 2021 (Preliminary Estimate)," news release BEA 21-22, May 27, 2021, https://www.bea.gov/news/2021/gross-domestic-product-1st-quarter-2021-second-estimate-corporate-profits-1st-quarter.

[7] Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014," February 2015, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49958-ARRA.pdf; Congressional Budget Office, "Congressional Budget Office Cost Estimate—Economic Stimulus Act of 2008," February 2008, cbo.gov/sites/default/files/110th-congress-2007-2008/costestimate/hr5140pgo0.pdf; and Congressional Budget Office, "Troubled Asset Relief Program," April 2009, https://www.bea.gov/news/2009/gross-domestic-product-1st-quarter-2009-final-and-corporate-profits; and Bureau of Economic Analysis, "Gross Domestic Product, 1st Quarter 2009 (final) and Corporate Profits," news release bea.gov/news/2009/gross-domestic-product-1st-quarter-2009-final-and-corporate-profits.

[8] Committee for a Responsible Federal Budget, June 14, 2021.

quarter 2021, up from $31.8 trillion during the previous seven quarters (second quarter 2018 through fourth quarter 2019). Income excluding compensation of employees increased $2.5 trillion over the same period, primarily driven by increased government social benefits to individuals.[9]

Table 1

Total Funds Distributed Under Major Fiscal Support Programs Since March 2020 ($ Billions)

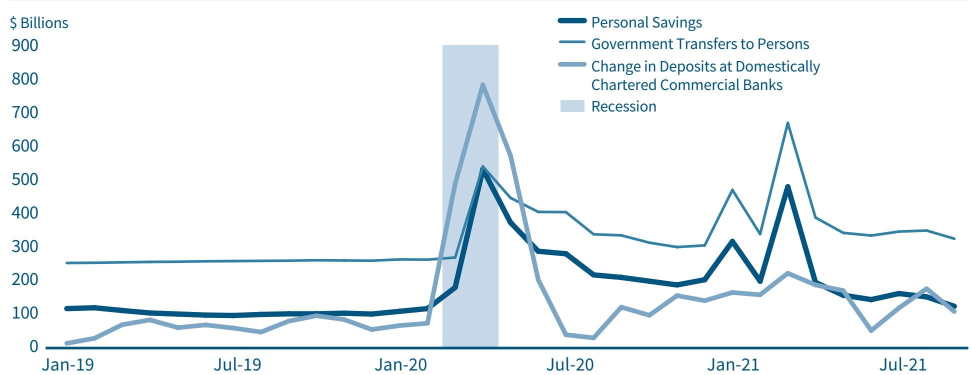
	CARES Act (March 2020)	Response and Relief Act (December 2020)	American Rescue Plan (March 2021)	Total
Economic Impact Payments	274.0	141.0	395.0	810.0
Income Support	473.0	132.0	199.0	804.0
State and Local Funding	191.0	82.6	359.0	632.6
Paycheck Protection Program	330.0	284.0	7.3	621.3
Tax Policy	324.0	9.6	70.6	404.2
Other Spending	125.0	53.0	77.6	255.6
Health Spending	147.0	51.4	52.4	250.8
Other Loan and Grant Programs	111.0	33.0	50.7	194.7
Total	1,975.0	786.6	1,211.6	3,973.2

Source: Committee for a Responsible Federal Budget.
Note: Data as of October 8, 2021.

During the pandemic, the monthly personal savings rate varied with fiscal support payments (Chart 1).[10] The savings rate spiked to 34 percent in April 2020, up from the pre-pandemic average rate of 7.5 percent, and declined through much of the year, ending at 14 percent in December 2020.[11] As many individuals received additional government payments, personal savings rose again to 27 percent in March 2021. The savings rate declined through third quarter 2021 to 8 percent in September 2021.

Chart 1

Deposits Increased With Each Round of Stimulus and Subsequent Rise in Government Transfers to Persons



Sources: Federal Reserve Board, Bureau of Economic Analysis (Haver).
Note: All series presented at a monthly frequency.

[9] Bureau of Economic Analysis, "National Income and Product Accounts," Table 2.1.

[10] The Bureau of Economic Analysis calculates personal savings by subtracting taxes and outlays from personal income. The personal savings rate is personal savings divided by disposable personal income.

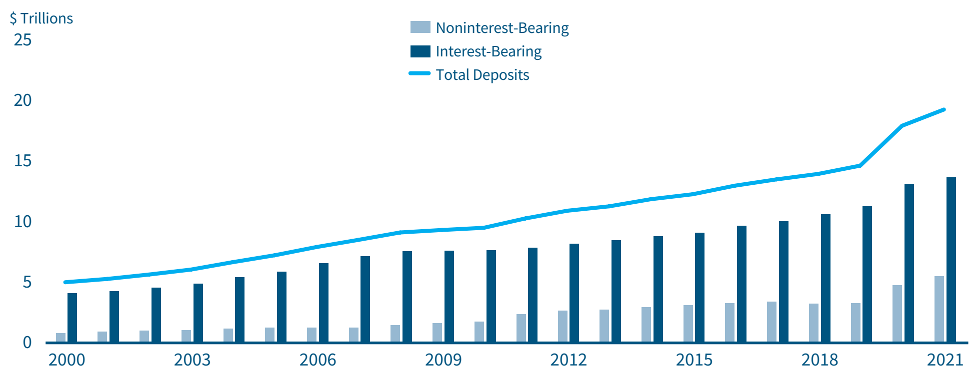
[11] Bureau of Economic Analysis, "National Income and Product Accounts," Table 2.6.

Expansionary monetary policy also likely contributed to deposit growth. Beginning in March 2020, the Federal Reserve announced a series of monetary policy actions, including large-scale asset purchases and emergency lending facilities.[12] These programs contributed to an increase in deposits, as market participants sold financial assets to the Federal Reserve. The specific impact of monetary policy on deposit growth is unclear, however, as market participants likely reinvested a portion of the funds in other financial assets and held some in bank deposits.

While the specific impact of monetary policy on deposit growth might be unclear, it is evident that low interest rates did not deter households and businesses from placing funds in banks. Deposits at FDIC-insured commercial banks and savings institutions increased $3.3 billion (22.6 percent) in 2020. Both interest-bearing and noninterest-bearing accounts reported record annual dollar increases in 2020: interest-bearing accounts increased $1.8 trillion (16.1 percent) and noninterest-bearing accounts increased $1.5 trillion (45 percent) (Chart 2).[13] The growth in both deposit categories would suggest that customers were less concerned about near-zero interest rates, and more intent on placing their funds in insured depository institutions. In comparison with the Great Recession, during which certain programs were created to restore stability and strengthen liquidity in the banking industry, the proactive government actions during the 2020 economic downturn resulted in large amounts of liquidity in the banking industry.

Chart 2

Both Interest-Bearing Accounts and Noninterest-Bearing Accounts Had Record Annual Dollar Increases in 2020



Source: FDIC.
Note: Includes both domestic and foreign deposits. 2021 depicts third quarter data. All other years depict fourth quarter data.

Economic uncertainty and a lack of loan demand from households and businesses contributed to a shift in the deployment of deposits from loans to cash. Lower loan demand resulted in fewer opportunities to fund loans with the surge of deposits. As a result, banks invested a high level of deposits in bank accounts at other financial institutions (known as "due from accounts") and in securities. Tepid loan demand combined with strong deposit growth resulted in substantial shifts in balance sheet composition (Table 2). The loans-to-deposits ratio decreased from a 20-year high in 2000 to a 20-year low in 2020. Conversely, the cash-to-deposits ratio increased from a low in 2006 to a high in 2020. The ratio of

[12] Federal Reserve, "Federal Reserve Announces Extensive New Measures to Support the Economy," press release, March 23, 2020, federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm.

[13] Deposits can be categorized as interest-bearing and noninterest-bearing accounts. Interest-bearing accounts are accounts in which an individual can deposit money and earn interest, while noninterest-bearing accounts are transaction accounts in which money can quickly be accessed but does not earn interest. For the purpose of this analysis, interest-bearing accounts and noninterest-bearing accounts include deposits in domestic and foreign offices.

securities-to-deposits increased for noncommunity banks but decreased for community banks. The shift from higher-yielding assets (loans) to lower-yielding assets (securities) and non-yielding assets (cash) was a main factor that reduced interest income on earning assets, resulting in NIM compression.[14]

Table 2

Average Cash to Deposits Increased While Average Loans to Deposits Declined During the Pandemic (Percent)

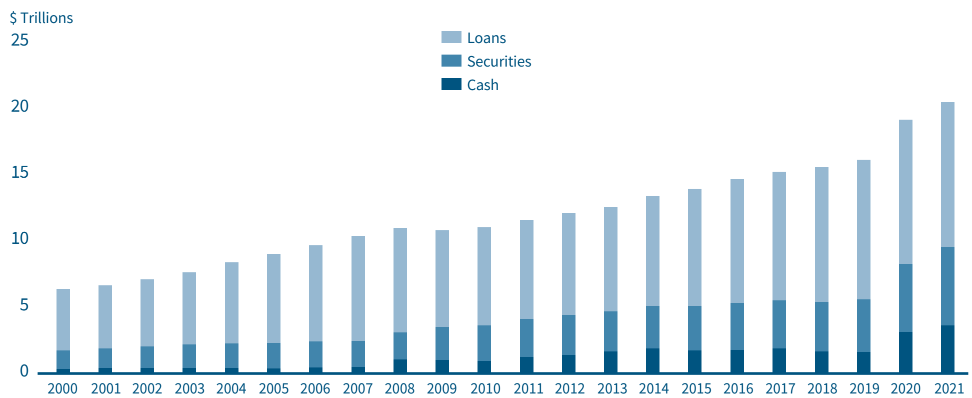
		2000–2007	2008–2011	2012–2019	2020	2021
Noncommunity Banks	Loans-to-Deposits	95.01	78.77	70.17	58.37	54.76
	Cash-to-Deposits	7.47	12.49	14.83	18.57	19.68
	Securities-to-Deposits	27.12	26.74	27.75	29.73	31.98
Community Banks	Loans-to-Deposits	83.99	82.72	82.58	80.07	72.96
	Cash-to-Deposits	5.09	7.69	8.24	12.88	14.34
	Securities-to-Deposits	27.88	25.20	24.45	20.93	24.42

Source: FDIC.
Note: 2020 depicts fourth quarter data while 2021 depicts third quarter data. All other timeframes are averages over the time period.

Liquid assets and the liquidity ratio spiked in 2020 and 2021, mainly attributable to the influx of deposits that were converted to cash and securities (Charts 3 and 4). Liquid assets grew at a similar rate between noncommunity banks and community banks. Noncommunity banks have exhibited higher and more rapidly growing liquidity ratios than community banks since 2006 (Chart 5). During the Great Recession in 2008, the liquidity ratio was 6.55 percentage points higher for noncommunity banks (21.29 percent) than for community banks (14.74 percent). In 2020, the difference reached a high of 14.82 percentage points, as the liquidity ratio reached a record high of 37.18 percent for noncommunity banks at that time. Of the liquid asset components, securities were the main driver of the higher divergence in the liquidity ratio.

Chart 3

Deposits Funded Cash and Securities at a Higher Rate in 2020 and 2021

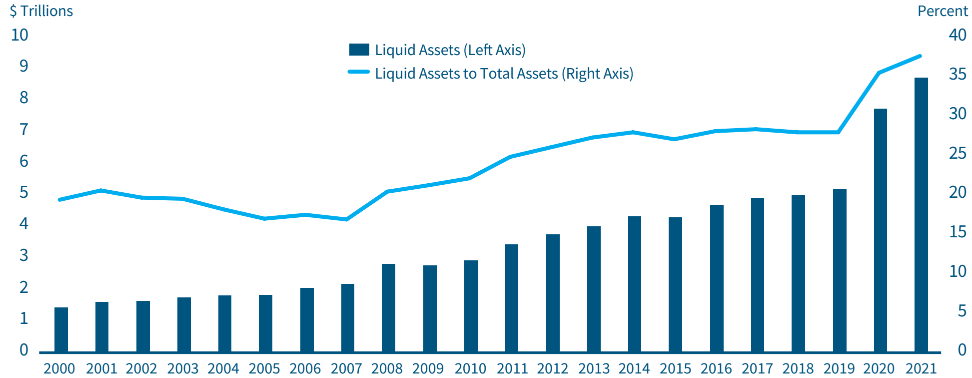


Source: FDIC.
Note: 2021 depicts third quarter data. All other years depict fourth quarter data.

[14] Another contributor to NIM compression was an influx of earning assets, due to temporary PPP balances.

Chart 4

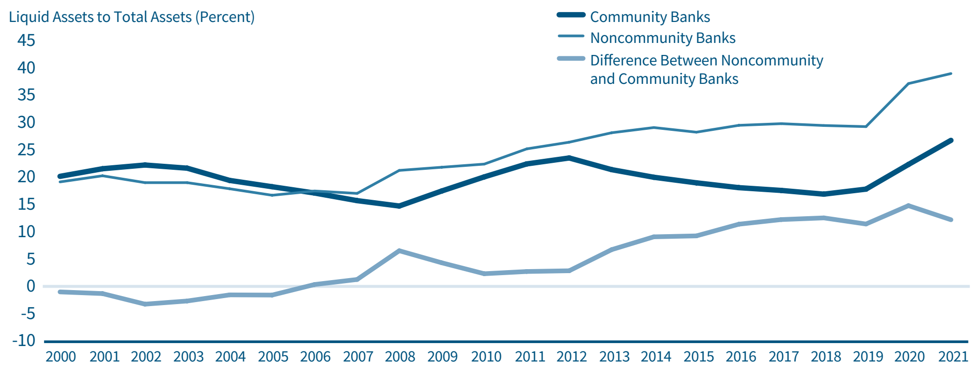
Liquid Assets and the Liquid Assets to Total Assets Ratio Spiked in 2020 and 2021



Source: FDIC.
Note: 2021 depicts third quarter data. All other years depict fourth quarter data. Liquid assets are defined as cash, federal funds sold, and securities, including unrealized gains on held-to-maturity securities, less pledged securities.

Chart 5

Liquid Assets to Total Assets Has Increased at a Faster Rate for Noncommunity Banks Than Community Banks Since 2006



Source: FDIC.
Note: 2021 depicts third quarter data. All other years depict fourth quarter data.

Benefits of Abundant Liquidity in the Banking Industry

Dependency on wholesale funding declined to an all-time low following strong deposit growth in 2020.[15] In the early 2000s and leading up to the Great Recession, the banking industry steadily increased its dependency on wholesale funding. Wholesale funding-to-total assets at year-end 2007 stood at 27.64 percent, with most of the growth derived from the reliance on borrowings from Federal Home Loan Banks (FHLBs), other borrowed funds (excluding FHLBs), and brokered deposits.[16] During the post-Great Recession period, dependency on wholesale funding progressively declined for the banking industry. Leading up to 2020, the dependency continued to decline, and by year-end 2020 wholesale funding-to-total assets reached an all-time low of 15.51 percent for the banking industry (Chart 6).

The benefit of having a lower exposure to wholesale funding is less reliance on a potentially unstable source of funds, which may be rapidly withdrawn or transferred. With an abundance of liquidity in the banking sector, dependency on certain components

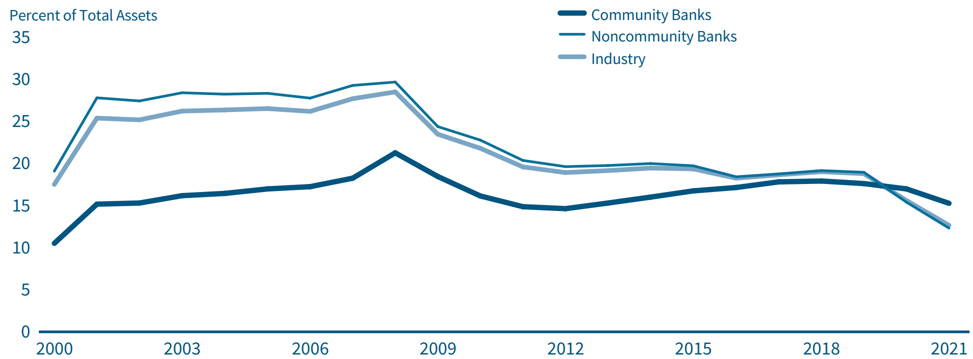
[15] Wholesale funding includes federal funds purchased and securities sold under agreement to repurchase; Federal Home Loan Bank borrowings; brokered, municipal and state, and foreign deposits; and other borrowings. Listing services were not included in order to compare across periods. For the period 2018 to 2020, reciprocal deposits were included to permit comparison with 2007 brokered deposits, as many reciprocal deposits were no longer reported as brokered deposits.

[16] The analysis covers balance sheet levels between year-end 2001 and year-end 2007.

of wholesale funding in 2020 declined from a year earlier. The largest decline in 2020 occurred in borrowings from the FHLBs, which fell $226.5 billion (46.9 percent), and other borrowed funds (excluding FHLBs), which fell $116.5 billion (19.8 percent). Leading up to the Great Recession, FHLB borrowing was one of three major sources of wholesale funding, representing 6.21 percent of total assets at year-end 2007. Borrowings from FHLBs totaled $808.9 billion in 2007, and by 2020 totaled only $256 billion, or 1.17 percent of total assets.

Chart 6

Dependency on Wholesale Funding Declined in 2020



Source: FDIC.
Note: Wholesale funding includes federal funds purchased and securities sold under agreement to repurchase; Federal Home Loan Bank borrowings; brokered, municipal and state, and foreign deposits; and other borrowings. Listing services were not included. For period 2018 to 2021, reciprocal deposits were consolidated with brokered deposits. 2021 depicts third quarter data. All other years depict fourth quarter data.

Leading up to the Great Recession, dependency on wholesale funding increased among both noncommunity and community banks. Noncommunity banks reported growth similar to that of the industry, as the wholesale funding-to-total assets ratio increased to 29.19 percent at year-end 2007. Wholesale funding growth at community banks increased and reached 18.17 percent of assets at year-end 2007. However, after a steady decline from 2009 to 2012, community banks increased their reliance on wholesale funding, particularly in brokered deposits and FHLB borrowings, and wholesale funds reached 17.72 percent of assets at year-end 2017. As deposits grew, the dependency on these two items fell and the wholesale funding-to-total assets ratio steadily declined to 16.88 percent by year-end 2020.[17]

Sufficient liquidity levels provide buffers to effectively respond to unforeseen deposit account withdrawals and provide credit during the economic recovery. Strong liquidity levels, especially highly liquid assets such as cash, should position the banking industry to respond to potential deposit account withdrawals as the economic recovery progresses. Additionally, ample liquidity levels should allow banks to serve the credit needs of households and businesses as the recovery progresses.

Challenges of Abundant Liquidity in the Banking Industry

A large share of the deposits that flowed into banks during the pandemic were deployed in non-yielding and low-yielding assets which pushed down asset yields and caused the banking industry's NIM to decline to record low levels.[18] Earning assets in the banking industry grew at a record rate from 2019 to 2020. However, loan growth was relatively slow in 2020 and the main contributor to earning assets growth was short-term securities. This caused a decline in total interest income relative to pre-pandemic levels and reduced the industry's yield on earning assets. Total interest income declined 17.4 percent between 2019 and 2020 even though earning assets grew 17.8 percent during the year. As a result, the yield on earning assets declined 125 basis points to 2.92 percent as of fourth quarter 2020, the lowest level on

[17] Statutorily mandated regulatory changes finalized in 2019 caused many reciprocal deposits formerly reported as brokered to no longer be reported as brokered. This change reduced to some degree the reported dependency on brokered deposits.

[18] Record low dates back to first quarter 1984 when *Quarterly Banking Profile* data were first collected.

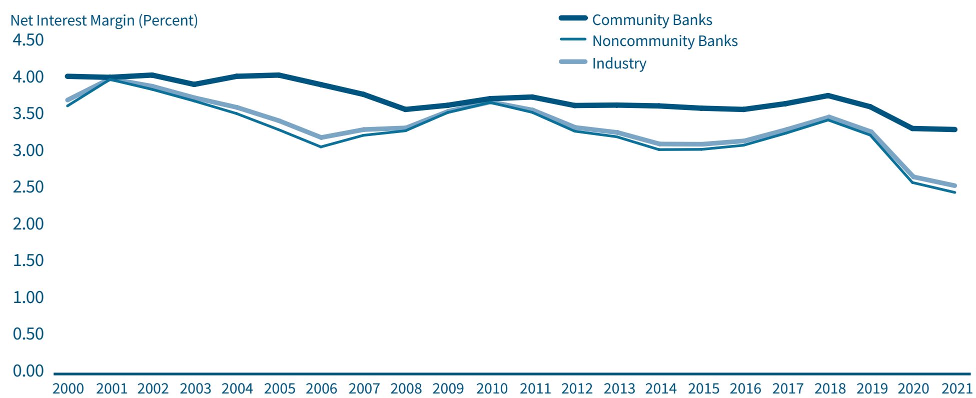
record at that time.[19] NIM compressed 61 basis points over the same period, to 2.68 percent, also the lowest on record at that time.[20]

In the future, banks with low levels of liquid assets may have to increase deposit rates to retain deposits as loan demand increases or interest rates rise, which may cause further NIM compression. On the other hand, institutions that have an abundance of liquid assets may feel less pressure to increase deposit rates to compete under the same circumstances.

NIM compressed to record lows for both noncommunity banks and community banks in 2020 and the first half of 2021. Total interest income declined disproportionately in 2020 between noncommunity and community banks, as noncommunity banks tend to hold more short-term assets and have operated with NIM lower than community banks (Chart 7). For noncommunity banks, total interest income declined 19.6 percent, while community banks' total interest income declined only 2.8 percent from 2019 to 2020. The yield on earning assets reached all-time lows of 2.81 percent for noncommunity banks and 3.78 percent for community banks. The cost of funding earning assets also fell to all-time lows of 0.22 percent for noncommunity banks and 0.45 percent for community banks, so the possibility for further downward movement is limited. Lower asset yields at noncommunity banks reflect differences in the asset composition, as previously discussed, as well as the maturity distribution of the assets compared with community banks. Assets maturing or repricing in more than three years are a smaller share of total assets for noncommunity banks than for community banks (Charts 8 and 9).[21] Since 2014, the largest loan category for noncommunity banks has been commercial and industrial loans, which tend to reprice in less than three years, while community banks tend to hold higher levels of long-term loans such as commercial real estate mortgages and 1–4 family mortgages.[22] Due to this difference in maturity distributions, in a declining interest-rate environment noncommunity bank loans and securities will tend to reprice downward faster than those of community banks, with resulting downward pressure on their NIMs. Conversely, noncommunity bank NIMs will tend to increase faster than those of community banks when rates rise, as seen in 2015 to 2018.

Chart 7

Community Banks Have Larger Net Interest Margins Than Noncommunity Banks



Source: FDIC.
Note: 2021 depicts third quarter data. All other years depict fourth quarter data.

[19] The yield on earning assets reached another record low of 2.68 percent in second quarter 2021, but increased 5 basis points from second quarter 2021 to third quarter 2021.

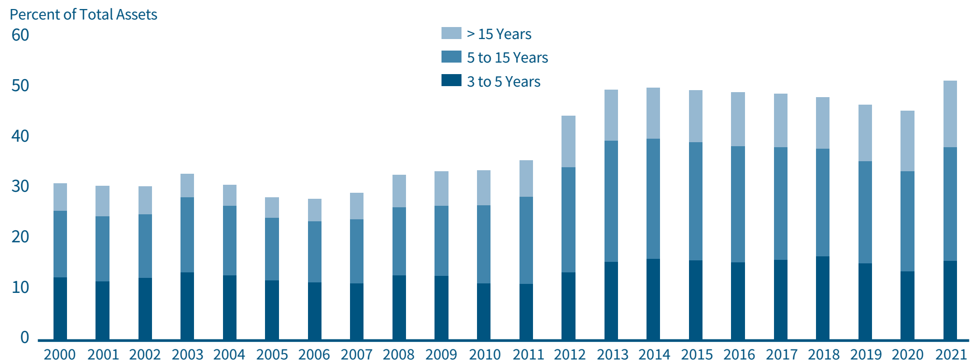
[20] NIM continued to decline and reached another record low of 2.50 percent in second quarter 2021, but increased 6 basis points from second quarter 2021 to third quarter 2021.

[21] FDIC, "Remarks by FDIC Chairman Jelena McWilliams and Division of Insurance and Research Director Diane Ellis on the First Quarter 2020 Quarterly Banking Profile," press release, June 16, 2020, fdic.gov/news/speeches/2020/spjun1620.html.

[22] The various loan compositions are calculated as a percentage of total loans and leases.

Chart 8

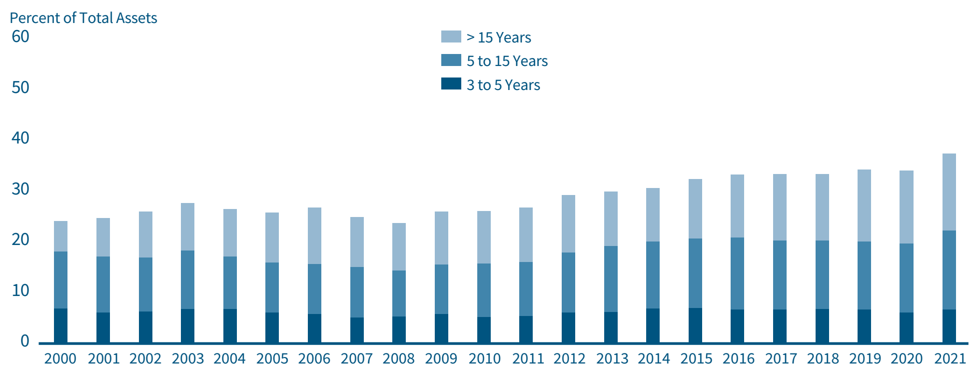
Loans and Securities Maturing in More Than Three Years Remain Around 50 Percent of Total Assets for Community Banks



Source: FDIC.
Note: 2021 depicts third quarter data. All other years depict fourth quarter data.

Chart 9

Loans and Securities Maturing in More Than Three Years Reached a 20-Year High but Remain Below 40 Percent of Total Assets for Noncommunity Banks



Source: FDIC.
Note: 2021 depicts third quarter data. All other years depict fourth quarter data.

Record deposit growth reduced capital ratios for the banking industry. Net income in fourth quarter 2020 increased from a year ago, mainly from lower provision expenses for credit losses and higher noninterest income. These higher earnings helped grow equity capital over the year. Despite an increase in equity capital (up 5.4 percent from 2019), the equity-to-total assets ratio declined because deposit growth resulted in total assets increasing at a rate more than three times greater than equity (17.4 percent). The decline in capital ratios as a result of the growth in assets caused banks to adjust their balance sheets in order to maintain adequate capital ratio requirements. The aggregate equity-to-total assets ratio for the U.S. banking industry was 11.32 percent in 2019 and declined 116 basis points to 10.16 by year-end 2020, a year-end level not seen since 2008. Banks' aggregate leverage ratio also declined by 85 basis points from 2019 to 8.81 percent in 2020.[23] Risk-based capital ratios, however, improved due to the higher level of low or zero-risk weighted assets. The total risk-based capital ratio rose 84 basis points from 2019 to 15.46 percent in 2020.

[23] Excluding PPP loans from industry's total assets at year-end 2020, the equity-to-total assets ratio would have been 10.36 percent.

Looking Ahead

Elevated levels of liquidity, especially in cash and securities, create many benefits and challenges for banks. It can be beneficial for banks to have abundant liquidity to decrease reliance on wholesale funds, to provide credit for households and businesses, and to provide a buffer in case depositors withdraw funds. However, abundant liquidity levels combined with weak loan demand may cause lower earnings and lower overall asset yields resulting in NIM compression and lower capital levels. In the low interest rate environment, banks have been adding longer-term assets to their balance sheets in order to maintain or increase NIM. However, as interest rates begin to normalize, a higher share of longer-term assets may result in a longer-lasting negative effect on earnings pressure. Coming out of the pandemic, as loan demand is restored and deposits are presumably withdrawn, monitoring both the level and the composition of liquidity in the banking industry will remain important.

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