2023 VOLUME 17 NUMBER 4

FEDERAL DEPOSIT INSURANCE CORPORATION

QUARTERLY

THIRD QUARTER

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FDIC

FDIC QUARTERLY 2023 VOLUME 17, NUMBER 4

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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FDIC QUARTERLY

2023 VOLUME 17, NUMBER 4

QUARTERLY BANKING PROFILE: THIRD QUARTER 2023

Net income for the 4,614 FDIC-insured commercial banks and savings institutions declined $2.4 billion (3.4 percent) from one quarter ago to $68.4 billion in third quarter 2023. Lower noninterest income and higher realized losses on securities drove the decline in net income from the previous quarter. First and second quarter income benefitted from non-recurring accounting gains resulting from the acquisition of the three large bank failures this spring. Excluding these one-time gains, net income would have been roughly flat for the past four quarters at approximately $68 billion. The banking industry reported an average return on assets (ROA) of 1.17 percent in the third quarter, down from 1.21 percent in the previous quarter and 1.21 percent in the year-ago quarter. See page 1.

COMMUNITY BANK PERFORMANCE

Community banks—which represent 90 percent of insured institutions—reported quarterly net income of $6.7 billion in third quarter 2023, a decline of $335.5 million (4.8 percent) from one quarter ago. Higher noninterest expense, lower net interest income, increased provisions, and greater losses on the sale of securities more than offset higher noninterest income. More than half (55.0 percent) of all community banks reported a decline in net income compared with second quarter 2023. The share of unprofitable community banks rose slightly to 6.6 percent. The community bank pretax ROA declined 6 basis points from one quarter ago to 1.21 percent. See page 19.

INSURANCE FUND INDICATORS

The Deposit Insurance Fund (DIF) balance increased by $2.4 billion to $119.3 billion. The rise in the DIF was primarily driven by assessment income of $3.2 billion. Net investment income, which includes interest income and the effect of unrealized and realized gains and losses, added $0.9 billion. These gains were partially offset by provisions for insurance losses of $1.2 billion and operating expenses of $0.5 billion. One insured institution failed during the third quarter at an estimated cost to the Fund of $54.2 million. The DIF reserve ratio was 1.13 percent on September 30, 2023, up 2 basis points from the previous quarter and 10 basis points lower than one year ago. See page 31.

Featured Article

IMPLICATIONS OF HIGH INFLATION FOR BANKING OUTCOMES AND DEPOSIT FLOWS: OBSERVATIONS FROM 2021 TO 2022 AND THE 1970s

Persistently high inflation can affect banks in various ways as monetary policy tightening and macroeconomic changes occur. This article compares lending and bank performance during the stagflation periods of the 1970s and recent high inflation with a focus on the effects on deposits. Robust deposit growth in the 1970s suggests that banks were actively seeking deposits, while in 2021 to 2022, banks generally were flush with deposits as a result of varying pandemic support programs. The differences between the two periods illustrate the importance of considering broader macroeconomic conditions when analyzing the effects of inflation on banks. See page 45.

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INSURED INSTITUTION PERFORMANCE

Net Income Decreased From the Prior Quarter, Driven by Lower Noninterest Income and Higher Realized Losses on Securities

The Net Interest Margin Increased From the Prior Quarter to 3.30 Percent

Unrealized Losses on Securities Increased From the Prior Quarter

Loan Balances Increased From Last Quarter and One Year Ago

Total Deposits Declined for a Sixth Consecutive Quarter

Overall Asset Quality Metrics Remained Favorable Despite Modest Deterioration

NET INCOME DECREASED FROM THE PRIOR QUARTER, DRIVEN BY LOWER NONINTEREST INCOME AND HIGHER REALIZED LOSSES ON SECURITIES

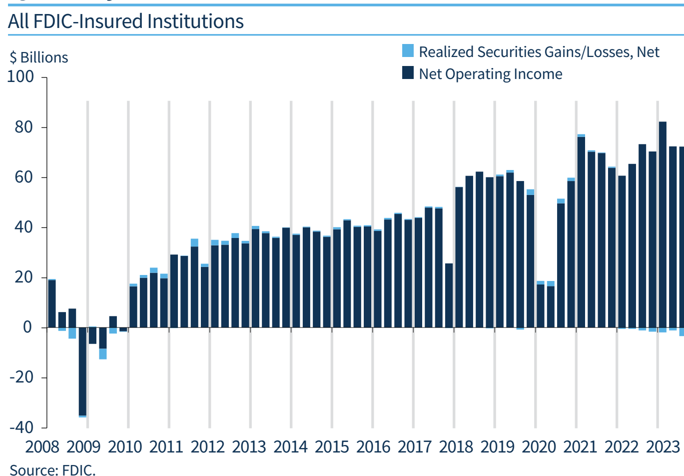
The aggregate net income for the 4,614 FDIC-insured commercial banks and savings institutions totaled $68.4 billion during the three months ended September 30, a decline of $2.4 billion (3.4 percent) from the prior quarter. Lower noninterest income (down $4.1 billion, or 5.2 percent) and higher realized losses on securities (up $3.0 billion) drove the decline in net income. First and second quarter income benefited from non-recurring accounting gains resulting from the acquisition of the three large bank failures this spring. Excluding these one-time gains, net income would have been roughly flat for the past four quarters at about $68 billion. Year-over-year net income declined by $3.3 billion (4.6 percent), as higher provision expense (up $4.9 billion, or 33.2 percent), higher realized losses on securities (up $2.9 billion), and lower noninterest income (down $2.7 billion, or 3.5 percent) more than offset an increase in net interest income (up $6.6 billion, or 3.9 percent).

The banking industry reported an average return on assets of 1.17 percent in the third quarter, down from 1.21 percent in the previous quarter and 1.21 percent in the year-ago quarter.

Chart 1

Quarterly Net Income

All FDIC-Insured Institutions

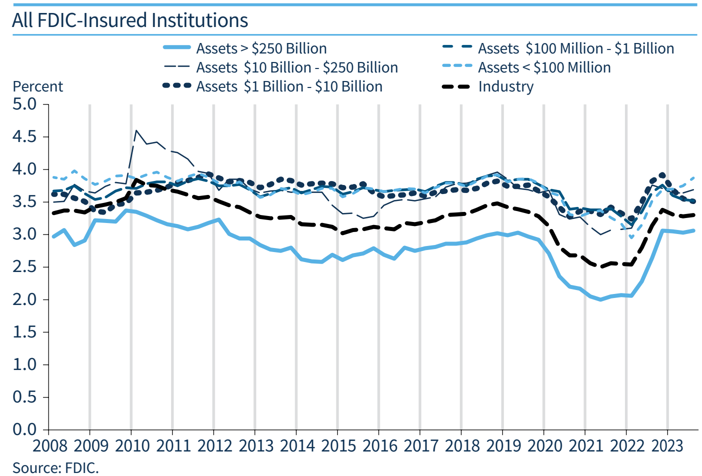


Source: FDIC.

Chart 2

Quarterly Net Interest Margin

All FDIC-Insured Institutions



Source: FDIC.

THE NET INTEREST MARGIN INCREASED FROM THE PRIOR QUARTER TO 3.30 PERCENT

The net interest margin (NIM) for the banking industry increased 3 basis points from the previous quarter to 3.30 percent. While deposit costs increased faster than loan yields over the past quarter, the cost of nondeposit liabilities was stable, resulting in the increased NIM. The banking industry's NIM is 16 basis points higher than the year-ago quarter and is above the pre-pandemic average of 3.25 percent.[1]

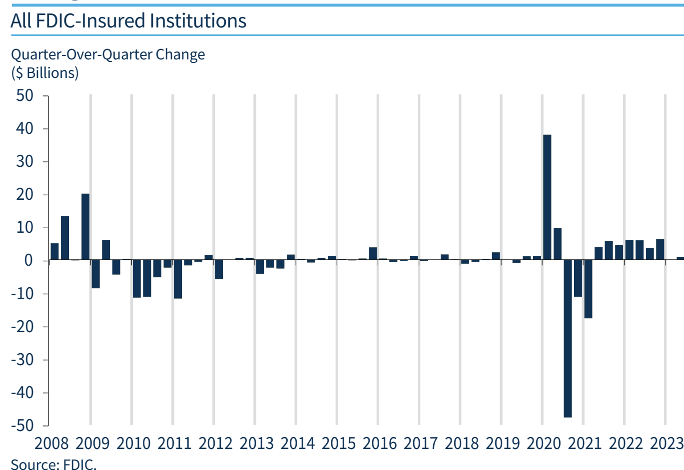
NET OPERATING REVENUE DECLINED QUARTER OVER QUARTER BUT INCREASED YEAR OVER YEAR

Net operating revenue (net interest income plus noninterest income) declined by $3.2 billion (1.3 percent) from the second quarter to $249.3 billion. Noninterest income declined by $4.1 billion (5.2 percent), while net interest income increased by $897.1 million (0.5 percent). The reduction in noninterest income was driven by a $2.7 billion non-recurring accounting gain from the acquisition of a large bank failure last quarter. The quarterly increase in net interest income was from higher interest income (up $15.4 billion, or 5.4 percent) that was partially offset by higher interest expense (up $14.5 billion, or 13.3 percent). Relative to third quarter 2022, net operating revenue rose by $3.9 billion (1.6 percent), as the increase in net interest income (up $6.6 billion, or 3.9 percent) outpaced the decline in noninterest income (down $2.7 billion, or 3.5 percent).

Chart 3

Change in Quarterly Credit Loss Provisions

All FDIC-Insured Institutions

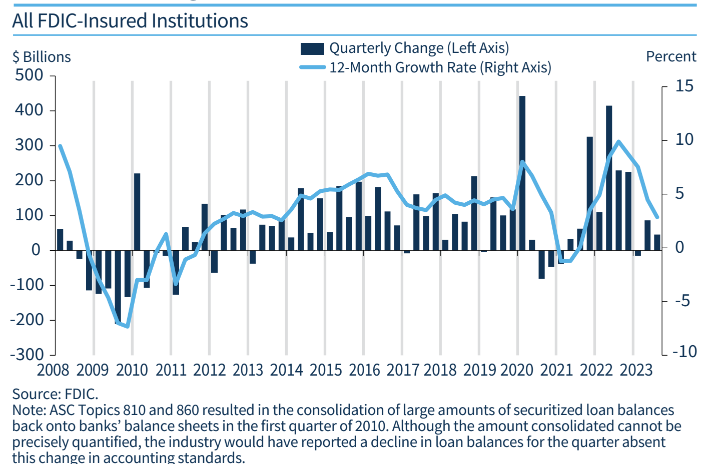


Source: FDIC.

Chart 4

Quarterly Change in Loan Balances

All FDIC-Insured Institutions



Source: FDIC.
Note: ASC Topics 810 and 860 resulted in the consolidation of large amounts of securitized loan balances back onto banks' balance sheets in the first quarter of 2010. Although the 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.

[1] The "pre-pandemic average" refers to the period first quarter 2015 through fourth quarter 2019 and is used consistently throughout this report.

NONINTEREST EXPENSE DECLINED FROM THE PRIOR QUARTER

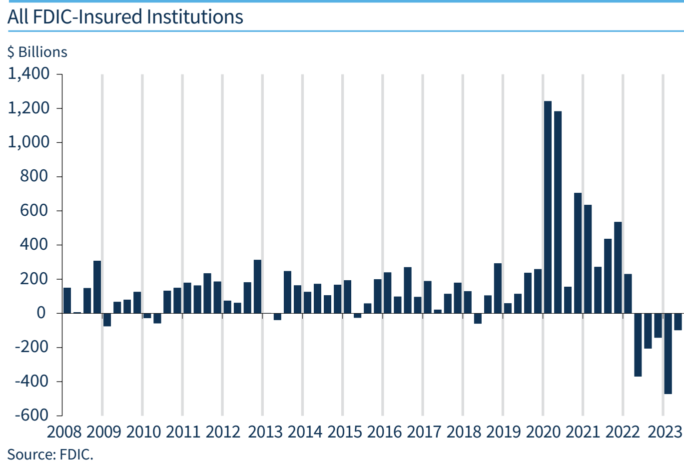
Noninterest expense totaled $140.9 billion during the three months ended September 30, down $987.6 million (0.7 percent) from the prior quarter. A decline in "all other noninterest expense" (down $1.7 billion, or 2.7 percent), including lower write-in items and legal expenses, drove the quarterly decline.[2] However, noninterest expense rose by $2.1 billion (1.5 percent) from a year ago, led by an increase in salary and employee benefits expense (up $2.2 billion, or 3.3 percent).

The efficiency ratio (noninterest expense to net operating revenue) increased 22 basis points from the prior quarter to 55.8 percent, indicating that the banking industry was less efficient in producing revenue. While the efficiency ratio increased for most Quarterly Banking Profile asset size groups, it decreased modestly for banks with assets between $1 billion and $10 billion.

Chart 5

Quarterly Change in Deposits

All FDIC-Insured Institutions

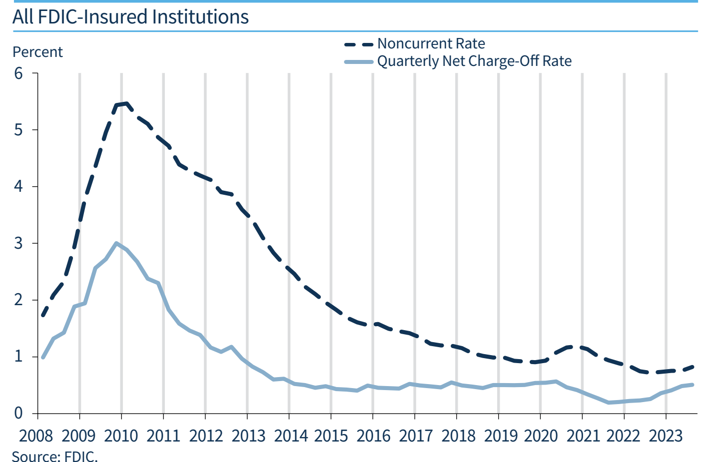


Source: FDIC.

Chart 6

Noncurrent Loan Rate and Quarterly Net Charge-Off Rate

All FDIC-Insured Institutions



Source: FDIC.

[2] "All other noninterest expense" includes material write-in items as well as expenses related to data processing, advertising and marketing, legal fees, intracompany transactions, and consulting and advisory fees.

PROVISION EXPENSE DECLINED MODESTLY FROM THE PRIOR QUARTER

Provisions for credit losses totaled $19.5 billion in third quarter 2023, down $1.9 billion from the previous quarter but up $4.9 billion from a year ago.[3]

The reserve coverage ratio (the ratio of the allowance for credit losses to noncurrent loans) for the banking industry declined to 209.9 percent in third quarter 2023, down from the previous quarter's record-high level of 224.8 percent. The decline in the ratio was due to noncurrent loan balances increasing at a faster pace than the allowance for credit losses.

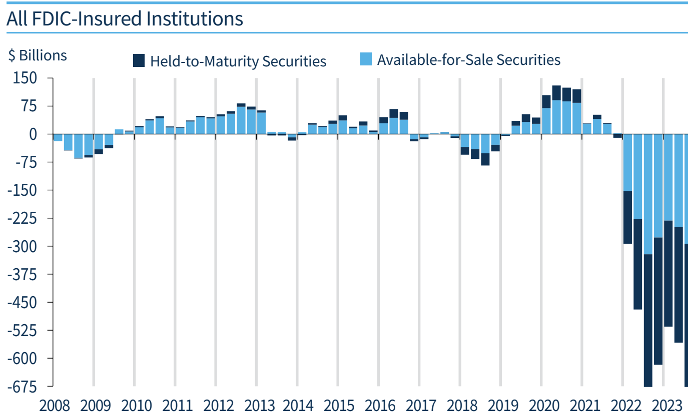
UNREALIZED LOSSES ON SECURITIES INCREASED FROM THE PRIOR QUARTER[4]

Unrealized losses on securities totaled $683.9 billion in third quarter, up $125.5 billion (22.5 percent) from the prior quarter, primarily due to an increase in mortgage rates that reduced the value of mortgage-backed securities. Unrealized losses on held-to-maturity securities totaled $390.5 billion in the third quarter, while unrealized losses on available-for-sale securities totaled $293.5 billion.

Chart 7

Unrealized Gains (Losses) on Investment Securities

All FDIC-Insured Institutions

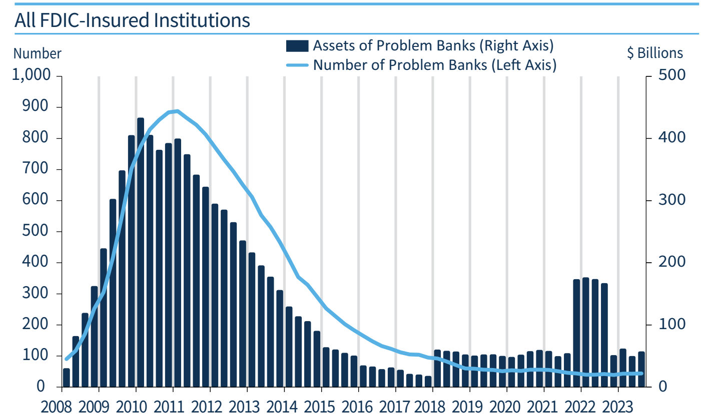


Source: FDIC.
Note: Insured Call Report filers only. Unrealized losses on securities solely reflect the difference between the market value as of quarter end and the book value of non-equity securities.

Chart 8

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

All FDIC-Insured Institutions



Source: FDIC.
Note: The asset values of insured financial institutions on the problem bank list are what were on record as of the last day of the quarter.

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

[4] Unrealized losses on securities reflect the difference between the market value as of quarter end and the book value of non-equity securities. This calculation does not account for any unrealized gains or losses in "accumulated other comprehensive income" because unrealized gains and losses cannot be derived from Call Reports for the industry.

BANKING INDUSTRY ASSETS DECREASED FROM THE PRIOR QUARTER AND ONE YEAR AGO

Total assets declined by $56.2 billion (0.2 percent) from the previous quarter to $23.4 trillion. Securities portfolios led the decline (down $132.5 billion, or 2.4 percent), followed by assets in trading accounts (down $8.5 billion, or 1.0 percent). The decline in securities portfolios was primarily in mortgage-backed securities (down 92.2 billion, or 3.1 percent) and state and municipal securities (down $22.0 billion, or 6.3 percent).

Relative to third quarter 2022, total assets decreased by $221.9 billion (0.9 percent). The increase in total loan and lease balances (up $343.0 billion, or 2.9 percent) was more than offset by a decline in securities portfolios (down $620.1 billion, or 10.5 percent), primarily in mortgage-backed securities (down $330.9 billion, or 10.3 percent) and U.S. Treasury securities (down $209.6 billion, or 14.4 percent).

LOAN BALANCES INCREASED FROM LAST QUARTER AND ONE YEAR AGO

Total loan and lease balances increased by $45.9 billion (0.4 percent) from the previous quarter. An increase in credit card loans (up $25.9 billion, or 2.5 percent) and one-to-four family residential mortgages (up $23.1 billion, or 0.9 percent) drove the quarterly loan growth.

Relative to third quarter 2022, total loan and lease balances increased by $343.0 billion (2.9 percent). The 12-month growth rate for total loan and leases moderated compared to the previous quarter's 4.5 percent increase. Credit card loans (up $118.4 billion, or 12.7 percent), one-to-four family residential loans (up $113.5 billion, or 4.7 percent), and nonfarm nonresidential commercial real estate loans (up $58.4 billion, or 3.3 percent) led the annual increase in loan balances.

TOTAL DEPOSITS DECLINED FOR A SIXTH CONSECUTIVE QUARTER

Total deposits of $18.6 trillion fell by $90.4 billion (0.5 percent) from the previous quarter, on par with the decline reported in the second quarter. This was the sixth consecutive quarter that the industry reported a lower level of total deposits. Deposits declined in both domestic offices (down $39.6 billion, or 0.2 percent) and in foreign offices (down $50.8 billion, or 3.5 percent). Interest-bearing deposits increased, while noninterest-bearing deposits fell. Estimated insured deposits (up $6.9 billion, or 0.1 percent) increased modestly during the quarter.

OVERALL ASSET QUALITY METRICS REMAINED FAVORABLE DESPITE MODEST DETERIORATION

The share of loans and leases 90 days or more past due or in nonaccrual status increased to 0.82 percent of total loans, up 7 basis points from the previous quarter. This ratio remains well below the industry's 1.28 percent pre-pandemic average noncurrent rate. Higher nonfarm, nonresidential commercial real estate loan balances drove the increase in the noncurrent rate.

Net charge-offs as a ratio to total loans increased 2 basis points from the prior quarter and 25 basis points from a year ago to 0.51 percent. The industry's net charge-off rate was 3 basis points above its pre-pandemic average. Higher credit card charge-off balances drove the annual increase.

CAPITAL RATIOS REMAINED STABLE

Equity capital declined by $8.0 billion (0.4 percent) in third quarter 2023, as a decline in accumulated other comprehensive income (down $35.3 billion) more than offset growth in retained earnings (up $22.5 billion).

The leverage capital ratio increased 16 basis points from a quarter ago to 9.26 percent, and the tier 1 risk-based capital ratio increased 18 basis points to 14.02 percent. The number of institutions with capital ratios that did not meet Prompt Corrective Action requirements for the well-capitalized category declined by four from second quarter 2023 to five.[5]

[5] Prompt Corrective Action categories are assigned based on reported capital ratios only and do not include the effects of regulatory downgrades.

TWO NEW BANKS OPENED AND ONE BANK FAILED IN THIRD QUARTER 2023

The number of FDIC-insured institutions declined from 4,645 in the second quarter to 4,614 in the third quarter. Two banks opened, one bank failed, and 28 institutions merged during the quarter. The number of banks on the FDIC's "Problem Bank List" increased by one from the previous quarter to 44.[6] Total assets of problem institutions increased by $7.5 billion quarter over quarter to $53.5 billion.

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[6] Banks on the FDIC's Problem Bank List have a CAMELS composite rating of "4" or "5" due to financial, operational, or managerial weaknesses, or a combination of such issues. It is common for banks to move on or off this list each quarter.

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

	2023**	2022**	2022	2021	2020	2019	2018
Return on assets (%)	1.25	1.10	1.11	1.23	0.72	1.29	1.35
Return on equity (%)	13.13	11.67	11.82	12.21	6.85	11.38	11.98
Core capital (leverage) ratio (%)	9.26	8.86	8.98	8.73	8.82	9.66	9.70
Noncurrent assets plus other real estate owned to assets (%)	0.45	0.38	0.39	0.44	0.61	0.55	0.60
Net charge-offs to loans (%)	0.47	0.24	0.27	0.25	0.50	0.52	0.48
Asset growth rate (%)	-0.94	1.63	-0.51	8.46	17.29	3.92	3.03
Net interest margin (%)	3.31	2.83	2.95	2.54	2.82	3.36	3.40
Net operating income growth (%)	13.70	-7.55	-3.67	96.90	-38.77	-3.14	45.45
Number of institutions reporting	4,614	4,746	4,706	4,839	5,002	5,177	5,406
Commercial banks	4,049	4,160	4,127	4,232	4,375	4,518	4,715
Savings institutions	565	586	579	607	627	659	691
Percentage of unprofitable institutions (%)	4.77	3.94	3.55	3.10	4.70	3.73	3.46
Number of problem institutions	44	42	39	44	56	51	60
Assets of problem institutions (in billions)***	$54	$164	$47	$170	$56	$46	$48
Number of failed institutions	4	0	0	0	4	4	0

* Excludes insured branches of foreign banks (IBAs).
** Through September 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending September 30.
*** Assets shown are what were on record as of the last day of the quarter.

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

(dollar figures in millions)	3rd Quarter 2023	2nd Quarter 2023	3rd Quarter 2022	%Change 22Q3-23Q3
Number of institutions reporting	4,614	4,645	4,746	-2.8
Total employees (full-time equivalent)	2,098,463	2,115,571	2,115,041	-0.8
CONDITION DATA				
Total assets	$23,408,839	$23,465,010	$23,630,725	-0.9
Loans secured by real estate	5,888,650	5,849,608	5,651,687	4.2
1-4 Family residential mortgages	2,549,169	2,526,070	2,435,713	4.7
Nonfarm nonresidential	1,804,750	1,796,878	1,746,340	3.3
Construction and development	497,085	488,551	447,191	11.2
Home equity lines	269,304	269,118	270,561	-0.5
Commercial & industrial loans	2,487,175	2,517,261	2,502,920	-0.6
Loans to individuals	2,096,282	2,072,143	2,001,115	4.8
Credit cards	1,053,769	1,027,824	935,418	12.7
Farm loans	79,503	75,726	74,556	6.6
Other loans & leases	1,795,302	1,785,728	1,773,033	1.3
Less: Unearned income	2,482	1,949	1,897	30.9
Total loans & leases	12,344,430	12,298,517	12,001,414	2.9
Less: Reserve for losses*	213,124	209,043	185,554	14.9
Net loans and leases	12,131,306	12,089,474	11,815,860	2.7
Securities**	5,303,810	5,436,345	5,923,926	-10.5
Other real estate owned	2,891	2,841	2,731	5.9
Goodwill and other intangibles	436,192	435,980	425,506	2.5
All other assets	5,534,640	5,500,370	5,462,702	1.3
Total liabilities and capital	23,408,839	23,465,010	23,630,725	-0.9
Deposits	18,553,521	18,643,921	19,357,098	-4.2
Domestic office deposits	17,158,289	17,197,921	17,891,441	-4.1
Foreign office deposits	1,395,232	1,446,000	1,465,656	-4.8
Other borrowed funds	1,745,006	1,738,648	1,254,368	39.1
Subordinated debt	57,209	59,450	63,299	-9.6
All other liabilities	807,880	769,782	791,408	2.1
Total equity capital (includes minority interests)	2,245,224	2,253,210	2,164,552	3.7
Bank equity capital	2,242,824	2,250,834	2,162,390	3.7
Loans and leases 30-89 days past due	66,830	62,245	61,308	9.0
Noncurrent loans and leases	101,516	92,988	86,358	17.6
Restructured loans and leases	29,185	21,019	43,434	-32.8
Mortgage-backed securities	2,870,131	2,962,311	3,201,025	-10.3
Earning assets	21,178,573	21,267,972	21,397,661	-1.0
FHLB Advances	602,617	658,626	444,788	35.5
Unused loan commitments	9,830,158	9,815,381	9,499,142	3.5
Trust assets	31,142,480	31,771,351	17,543,935	77.5
Assets securitized and sold	436,928	383,090	402,639	8.5
Notional amount of derivatives	207,440,885	224,647,718	198,385,321	4.6

INCOME DATA	First Three Qtrs 2023	First Three Qtrs 2022	%Change	3rd Quarter 2023	3rd Quarter 2022	%Change 22Q3-23Q3
Total interest income	$840,939	$513,124	63.9	298,619	202,692	47.3
Total interest expense	316,766	56,316	462.5	123,391	34,072	262.2
Net interest income	524,174	456,809	14.8	175,228	168,620	3.9
Provision for credit losses***	61,686	30,940	99.4	19,513	14,655	33.2
Total noninterest income	237,938	230,105	3.4	74,104	76,792	-3.5
Total noninterest expense	423,135	406,488	4.1	140,916	138,845	1.5
Securities gains (losses)	-7,664	-2,209	N/M	-4,255	-1,318	N/M
Applicable income taxes	50,727	51,059	-0.7	16,216	18,856	-14.0
Extraordinary gains, net****	53	-261	N/M	48	-11	N/M
Total net income (includes minority interests)	218,952	195,957	11.7	68,481	71,728	-4.5
Bank net income	218,636	195,774	11.7	68,393	71,663	-4.6
Net charge-offs	42,820	20,631	107.6	15,652	7,672	104.0
Cash dividends	141,004	95,542	47.6	45,878	37,874	21.1
Retained earnings	77,632	100,232	-22.6	22,515	33,789	-33.4
Net operating income	225,135	198,006	13.7	71,816	72,799	-1.4

* 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 2023, All FDIC-Insured Institutions

THIRD QUARTER (The way it is...)		All Insured Institutions	Asset Concentration Groups*								
			Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting		4,614	10	5	1,020	2,523	318	39	233	399	67
Commercial banks		4,049	9	5	1,009	2,287	93	29	212	347	58
Savings institutions		565	1	0	11	236	225	10	21	52	9
Total assets (in billions)		$23,408.8	$490.4	$5,797.7	$294.6	$8,367.8	$613.3	$389.7	$50.1	$92.3	$7,312.9
Commercial banks		22,200.4	385.1	5,797.7	287.1	7,937.6	95.3	383.7	45.8	80.5	7,187.6
Savings institutions		1,208.4	105.3	0.0	7.6	430.2	518.0	6.0	4.3	11.8	125.3
Total deposits (in billions)		18,553.5	374.3	4,355.9	248.5	6,750.5	497.9	317.4	42.1	79.5	5,887.5
Commercial banks		17,580.4	294.7	4,355.9	244.5	6,412.6	73.8	312.2	39.3	69.8	5,777.7
Savings institutions		973.2	79.6	0.0	4.0	337.9	424.1	5.2	2.9	9.7	109.8
Bank net income (in millions)		68,393	3,186	18,640	917	20,203	812	1,013	249	253	23,120
Commercial banks		66,230	2,596	18,640	866	19,393	242	1,007	138	235	23,113
Savings institutions		2,163	590	0	52	810	570	6	111	18	7
Performance Ratios (annualized, %)											
Yield on earning assets		5.63	14.48	5.59	5.15	5.44	3.29	7.17	4.26	4.81	5.42
Cost of funding earning assets		2.33	3.74	2.68	1.74	2.11	1.74	3.56	1.16	1.33	2.23
Net interest margin		3.30	10.74	2.91	3.40	3.33	1.55	3.61	3.11	3.48	3.19
Noninterest income to assets		1.26	6.25	1.66	0.64	0.85	0.77	0.96	4.52	0.99	1.16
Noninterest expense to assets		2.41	8.83	2.33	2.31	2.34	1.42	2.07	4.70	2.92	2.20
Credit loss provision to assets**		0.33	4.28	0.21	0.07	0.20	0.01	0.88	0.08	0.06	0.34
Net operating income to assets		1.23	2.64	1.32	1.27	1.08	0.65	1.05	2.05	1.12	1.27
Pretax return on assets		1.44	3.43	1.65	1.42	1.20	0.66	1.40	2.45	1.24	1.50
Return on assets		1.17	2.64	1.28	1.25	0.97	0.52	1.05	1.97	1.10	1.27
Return on equity		12.18	25.59	13.62	14.16	9.71	7.77	12.47	17.10	12.47	13.16
Net charge-offs to loans and leases		0.51	3.57	0.57	0.05	0.22	0.02	0.93	0.34	0.05	0.60
Loan and lease loss provision to net charge-offs		126.72	142.92	108.09	205.53	138.61	109.48	118.16	90.53	201.59	119.70
Efficiency ratio		55.80	52.97	54.51	60.15	59.42	62.74	47.46	63.31	68.44	53.38
% of unprofitable institutions		6.59	10.00	0.00	3.53	5.23	21.38	15.38	13.73	6.02	7.46
% of institutions with earnings gains		37.04	50.00	40.00	38.14	36.62	28.93	25.64	45.92	38.60	38.81
Structural Changes											
New reporters		2	0	0	0	0	0	0	2	0	0
Institutions absorbed by mergers		28	0	0	6	20	0	0	0	2	0
Failed institutions		1	0	0	1	0	0	0	0	0	0
PRIOR THIRD QUARTERS (The way it was...)											
Return on assets (%)	2022	1.21	3.43	1.05	1.37	1.24	0.98	1.31	2.14	1.12	1.16
	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
Net charge-offs to loans & leases (%)	2022	0.26	2.13	0.31	0.04	0.10	0.01	0.41	0.08	0.03	0.22
	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

* See Table IV-A 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 2023, All FDIC-Insured Institutions

THIRD QUARTER (The way it is...)	All Insured Institutions	Asset Size Distribution					Geographic Regions*					
		Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	4,614	726	2,890	842	142	14	544	523	984	1,181	1,039	343
Commercial banks	4,049	636	2,564	708	128	13	287	480	849	1,145	974	314
Savings institutions	565	90	326	134	14	1	257	43	135	36	65	29
Total assets (in billions)	$23,408.8	$44.3	$1,072.4	$2,334.9	$6,454.1	$13,503.1	$4,504.7	$4,777.8	$5,945.4	$4,152.3	$1,980.7	$2,048.0
Commercial banks	22,200.4	39.3	941.0	2,000.7	6,018.2	13,201.3	4,135.5	4,763.6	5,869.4	4,094.3	1,454.2	1,883.4
Savings institutions	1,208.4	5.1	131.4	334.2	435.9	301.8	369.2	14.2	76.0	58.0	526.5	164.6
Total deposits (in billions)	18,553.5	36.7	910.4	1,918.2	5,189.8	10,498.4	3,583.8	3,831.9	4,516.1	3,343.1	1,635.6	1,643.2
Commercial banks	17,580.4	33.0	805.0	1,654.9	4,842.7	10,244.9	3,290.2	3,820.3	4,462.7	3,294.0	1,200.5	1,512.7
Savings institutions	973.2	3.8	105.4	263.4	347.2	253.5	293.5	11.6	53.5	49.1	435.0	130.5
Bank net income (in millions)	68,393	106	3,150	6,466	16,351	42,320	11,009	14,801	19,992	12,608	4,850	5,133
Commercial banks	66,230	100	2,848	5,908	15,263	42,111	10,469	14,776	19,740	12,511	4,360	4,375
Savings institutions	2,163	6	301	558	1,089	209	541	25	252	97	490	758
Performance Ratios (annualized, %)												
Yield on earning assets	5.63	5.12	5.16	5.54	6.18	5.42	5.84	5.42	5.32	5.72	4.94	6.99
Cost of funding earning assets	2.33	1.25	1.64	2.04	2.49	2.36	2.78	2.05	2.20	2.34	1.98	2.63
Net interest margin	3.30	3.87	3.52	3.51	3.69	3.06	3.06	3.37	3.12	3.38	2.96	4.35
Noninterest income to assets	1.26	1.82	1.19	1.01	1.19	1.35	1.18	1.04	1.50	1.14	0.85	1.95
Noninterest expense to assets	2.41	4.10	2.97	2.60	2.57	2.25	2.31	2.24	2.38	2.35	2.22	3.37
Credit loss provision to assets**	0.33	0.13	0.10	0.24	0.54	0.27	0.34	0.39	0.17	0.31	0.18	0.84
Net operating income to assets	1.23	0.99	1.20	1.15	1.16	1.27	1.01	1.24	1.37	1.24	0.99	1.44
Pretax return on assets	1.44	1.13	1.38	1.39	1.29	1.53	1.24	1.44	1.70	1.51	1.18	1.28
Return on assets	1.17	0.96	1.18	1.11	1.01	1.25	0.98	1.24	1.34	1.21	0.97	1.01
Return on equity	12.18	7.48	12.52	11.42	10.47	13.13	9.71	12.63	14.23	12.74	11.50	10.40
Net charge-offs to loans and leases	0.51	0.19	0.09	0.25	0.60	0.56	0.48	0.62	0.33	0.50	0.26	0.93
Loan and lease loss provision to net charge-offs	126.72	129.95	170.01	133.22	141.01	114.25	137.51	123.47	110.04	125.74	133.49	132.81
Efficiency ratio	55.80	75.71	66.01	60.21	55.39	54.25	56.90	54.48	54.79	55.70	61.22	55.38
% of unprofitable institutions	6.59	12.53	5.92	4.28	4.23	0.00	12.13	8.22	6.00	4.23	5.58	8.16
% of institutions with earnings gains	37.04	46.42	36.54	31.35	31.69	50.00	29.78	44.17	35.37	33.02	43.41	37.03
Structural Changes												
New reporters	2	2	0	0	0	0	1	0	0	0	0	1
Institutions absorbed by mergers	28	9	14	5	0	0	4	5	7	7	5	0
Failed institutions	1	0	1	0	0	0	0	0	0	1	0	0
PRIOR THIRD QUARTERS (The way it was...)												
Return on assets (%) 2022	1.21	0.99	1.31	1.37	1.41	1.07	1.15	1.24	1.19	1.01	1.23	1.63
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
Net charge-offs to loans and leases (%) 2022	0.26	0.04	0.05	0.16	0.33	0.26	0.26	0.30	0.17	0.26	0.10	0.42
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

* See Table IV-A 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 2023, All FDIC-Insured Institutions

FIRST THREE QUARTERS (The way it is…)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	4,614	10	5	1,020	2,523	318	39	233	399	67
Commercial banks	4,049	9	5	1,009	2,287	93	29	212	347	58
Savings institutions	565	1	0	11	236	225	10	21	52	9
Total assets (in billions)	$23,408.8	$490.4	$5,797.7	$294.6	$8,367.8	$613.3	$389.7	$50.1	$92.3	$7,312.9
Commercial banks	22,200.4	385.1	5,797.7	287.1	7,937.6	95.3	383.7	45.8	80.5	7,187.6
Savings institutions	1,208.4	105.3	0.0	7.6	430.2	518.0	6.0	4.3	11.8	125.3
Total deposits (in billions)	18,553.5	374.3	4,355.9	248.5	6,750.5	497.9	317.4	42.1	79.5	5,887.5
Commercial banks	17,580.4	294.7	4,355.9	244.5	6,412.6	73.8	312.2	39.3	69.8	5,777.7
Savings institutions	973.2	79.6	0.0	4.0	337.9	424.1	5.2	2.9	9.7	109.8
Bank net income (in millions)	218,636	9,793	55,853	2,692	74,983	3,044	3,713	449	747	67,361
Commercial banks	211,357	8,137	55,853	2,565	72,287	758	3,696	48	686	67,327
Savings institutions	7,278	1,656	0	127	2,696	2,285	17	401	62	34
Performance Ratios (annualized, %)										
Yield on earning assets	5.31	13.92	5.22	4.84	5.19	3.16	6.84	4.14	4.55	5.09
Cost of funding earning assets	2.00	3.42	2.35	1.42	1.79	1.50	3.18	1.09	1.08	1.90
Net interest margin	3.31	10.51	2.87	3.42	3.40	1.65	3.66	3.04	3.47	3.19
Noninterest income to assets	1.36	6.36	1.75	0.57	1.04	0.72	1.06	4.68	0.92	1.18
Noninterest expense to assets	2.42	9.03	2.32	2.30	2.37	1.42	2.08	4.78	2.85	2.22
Credit loss provision to assets**	0.35	3.78	0.27	0.07	0.23	0.01	0.74	0.21	0.07	0.36
Net operating income to assets	1.29	2.78	1.33	1.25	1.26	0.67	1.29	1.79	1.10	1.24
Pretax return on assets	1.54	3.61	1.65	1.39	1.46	0.81	1.68	1.78	1.23	1.47
Return on assets	1.25	2.77	1.28	1.23	1.21	0.63	1.29	1.11	1.08	1.23
Return on equity	13.13	26.54	13.74	13.94	12.21	10.50	15.63	10.21	12.34	12.82
Net charge-offs to loans and leases	0.47	3.42	0.54	0.05	0.19	0.02	0.87	0.87	0.08	0.57
Loan and lease loss provision to net charge-offs	143.80	132.18	146.71	185.26	180.86	149.38	112.64	100.17	149.79	134.65
Efficiency ratio	54.75	54.50	53.68	60.51	55.93	61.64	46.17	63.57	68.12	53.99
% of unprofitable institutions	4.77	0.00	0.00	2.06	3.65	16.35	17.95	10.73	4.76	5.97
% of institutions with earnings gains	53.12	60.00	40.00	58.92	51.92	39.62	38.46	64.81	53.13	41.79
Condition Ratios (%)										
Earning assets to total assets	90.47	95.58	88.41	93.48	90.80	95.69	94.05	91.05	93.44	90.60
Loss Allowance to:										
Loans and leases	1.73	7.04	1.86	1.31	1.30	0.63	2.07	1.64	1.24	1.78
Noncurrent loans and leases	209.94	471.03	256.03	244.62	181.66	156.90	322.49	212.26	203.28	172.36
Noncurrent assets plus other real estate owned to assets	0.45	1.25	0.27	0.38	0.50	0.15	0.49	0.23	0.37	0.51
Equity capital ratio	9.58	10.25	9.46	8.68	9.91	6.81	8.34	11.04	8.64	9.60
Core capital (leverage) ratio	9.26	10.92	8.52	10.86	9.72	10.31	9.82	15.64	11.57	8.94
Common equity tier 1 capital ratio***	13.96	12.56	16.07	13.73	12.25	27.52	14.36	36.02	17.81	14.21
Tier 1 risk-based capital ratio***	14.02	12.71	16.14	13.73	12.30	27.52	14.38	36.02	17.81	14.26
Total risk-based capital ratio***	15.36	14.65	17.31	14.82	13.61	27.96	15.40	36.90	18.84	15.77
Net loans and leases to deposits	65.39	101.70	46.46	77.03	82.01	42.21	91.34	30.72	64.97	58.34
Net loans and leases to total assets	51.82	77.62	34.91	64.97	66.16	34.27	74.39	25.84	55.96	46.97
Domestic deposits to total assets	73.30	76.32	54.02	84.35	80.58	80.98	81.44	84.12	86.11	78.29
Structural Changes										
New reporters	5	0	0	0	0	0	0	5	0	0
Institutions absorbed by mergers	84	0	0	17	61	0	0	1	4	1
Failed institutions	4	0	0	1	1	0	0	0	0	2
PRIOR FIRST THREE QUARTERS (The way it was…)										
Number of institutions 2022	4,746	11	5	1,064	2,468	306	41	314	460	77
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
Total assets (in billions) 2022	$23,630.7	$552.2	$5,827.1	$297.2	$7,548.8	$758.3	$576.8	$70.5	$110.1	$7,889.8
2020	21,209.4	508.6	5,277.4	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
Return on assets (%) 2022	1.10	4.00	0.93	1.23	1.14	0.88	1.43	1.69	1.00	1.01
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
Net charge-offs to loans & leases (%) 2022	0.24	2.06	0.30	0.03	0.09	0.01	0.32	0.10	0.02	0.20
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
Noncurrent assets plus OREO to assets (%) 2022	0.38	0.99	0.24	0.38	0.46	0.28	0.33	0.20	0.35	0.38
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
Equity capital ratio (%) 2022	9.15	11.55	8.97	8.34	9.51	5.80	8.23	9.48	8.42	9.20
2020	10.29	11.51	9.13	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

***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 their 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.
** 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 2023, 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	4,614	726	2,890	842	142	14	544	523	984	1,181	1,039	343
Commercial banks	4,049	636	2,564	708	128	13	287	480	849	1,145	974	314
Savings institutions	565	90	326	134	14	1	257	43	135	36	65	29
Total assets (in billions)	$23,408.8	$44.3	$1,072.4	$2,334.9	$6,454.1	$13,503.1	$4,504.7	$4,777.8	$5,945.4	$4,152.3	$1,980.7	$2,048.0
Commercial banks	22,200.4	39.3	941.0	2,000.7	6,018.2	13,201.3	4,135.5	4,763.6	5,869.4	4,094.3	1,454.2	1,883.4
Savings institutions	1,208.4	5.1	131.4	334.2	435.9	301.8	369.2	14.2	76.0	58.0	526.5	164.6
Total deposits (in billions)	18,553.5	36.7	910.4	1,918.2	5,189.8	10,498.4	3,583.8	3,831.9	4,516.1	3,343.1	1,635.6	1,643.2
Commercial banks	17,580.4	33.0	805.0	1,654.9	4,842.7	10,244.9	3,290.2	3,820.3	4,462.7	3,294.0	1,200.5	1,512.7
Savings institutions	973.2	3.8	105.4	263.4	347.2	253.5	293.5	11.6	53.5	49.1	435.0	130.5
Bank net income (in millions)	218,636	334	9,047	20,448	65,780	123,026	36,344	52,902	58,506	36,720	15,126	19,037
Commercial banks	211,357	307	7,983	18,582	62,352	122,132	34,406	52,825	57,655	36,171	13,431	16,868
Savings institutions	7,278	27	1,064	1,865	3,428	894	1,938	77	850	548	1,695	2,169
Performance Ratios (annualized, %)												
Yield on earning assets	5.31	4.75	4.90	5.29	5.83	5.09	5.50	5.11	5.01	5.39	4.68	6.62
Cost of funding earning assets	2.00	0.99	1.35	1.72	2.14	2.04	2.41	1.73	1.89	2.04	1.65	2.32
Net interest margin	3.31	3.76	3.55	3.58	3.69	3.05	3.09	3.38	3.12	3.36	3.03	4.30
Noninterest income to assets	1.36	1.68	1.13	1.01	1.50	1.37	1.21	1.35	1.59	1.14	0.80	2.08
Noninterest expense to assets	2.42	3.88	2.96	2.61	2.62	2.25	2.28	2.27	2.38	2.37	2.23	3.50
Credit loss provision to assets**	0.35	0.09	0.10	0.22	0.51	0.32	0.32	0.42	0.27	0.33	0.14	0.77
Net operating income to assets	1.29	1.02	1.19	1.21	1.43	1.24	1.11	1.49	1.38	1.18	1.02	1.42
Pretax return on assets	1.54	1.18	1.34	1.48	1.70	1.49	1.36	1.69	1.68	1.47	1.22	1.65
Return on assets	1.25	1.01	1.13	1.19	1.37	1.21	1.08	1.48	1.33	1.17	1.01	1.25
Return on equity	13.13	7.90	12.10	12.19	14.21	12.87	10.79	15.18	14.11	12.39	12.27	13.07
Net charge-offs to loans and leases	0.47	0.09	0.08	0.22	0.53	0.54	0.44	0.58	0.33	0.44	0.18	0.89
Loan and lease loss provision to net charge-offs	143.80	172.68	171.76	138.15	147.06	141.65	135.79	139.30	171.88	148.85	156.44	129.23
Efficiency ratio	54.75	74.96	66.26	59.62	52.25	54.22	56.11	51.09	53.77	56.31	61.33	54.93
% of unprofitable institutions	4.77	10.33	4.08	2.38	4.93	0.00	7.54	6.31	5.28	2.62	3.46	7.87
% of institutions with earnings gains	53.12	64.19	53.60	43.11	46.48	50.00	44.85	61.38	51.22	50.80	57.65	53.35
Condition Ratios (%)												
Earning assets to total assets	90.47	92.63	93.55	92.84	91.84	89.16	89.85	90.08	89.41	90.38	92.61	93.96
Loss Allowance to:												
Loans and leases	1.73	1.41	1.28	1.34	1.83	1.82	1.70	1.72	1.56	1.82	1.28	2.35
Noncurrent loans and leases	209.94	167.80	241.89	212.76	224.26	198.29	173.24	220.06	219.91	199.34	155.04	329.49
Noncurrent assets plus other real estate owned to assets	0.45	0.51	0.39	0.47	0.54	0.41	0.54	0.42	0.36	0.47	0.48	0.49
Equity capital ratio	9.58	12.76	9.29	9.67	9.66	9.54	10.08	9.76	9.43	9.51	8.46	9.72
Core capital (leverage) ratio	9.26	14.84	11.34	10.57	9.60	8.68	9.57	8.79	8.94	9.07	10.03	10.22
Common equity tier 1 capital ratio***	13.96	23.61	15.48	13.49	13.27	14.34	13.99	13.08	14.61	13.34	15.08	14.45
Tier 1 risk-based capital ratio***	14.02	23.62	15.51	13.52	13.38	14.37	14.02	13.13	14.66	13.42	15.18	14.50
Total risk-based capital ratio***	15.36	24.66	16.62	14.59	14.74	15.77	15.27	14.37	16.07	15.00	16.31	15.78
Net loans and leases to deposits	65.39	66.46	76.64	84.02	78.21	54.66	66.48	64.45	63.04	60.73	65.50	80.96
Net loans and leases to total assets	51.82	55.07	65.06	69.02	62.89	42.50	52.89	51.69	47.89	48.90	54.09	64.95
Domestic deposits to total assets	73.30	82.87	84.89	82.07	79.14	68.04	75.85	77.75	67.28	66.36	82.56	79.91
Structural Changes												
New reporters	5	5	0	0	0	0	1	0	2	0	0	2
Institutions absorbed by mergers	84	24	40	17	3	0	8	13	26	18	17	2
Failed institutions	4	0	1	0	3	0	1	0	0	1	0	2
PRIOR FIRST THREE QUARTERS (The way it was...)												
Number of institutions 2022	4,746	778	2,981	829	145	13	561	540	1,019	1,212	1,061	353
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
Total assets (in billions) 2022	$23,630.7	$47.3	$1,095.3	$2,251.4	$7,109.1	$13,127.7	$4,530.0	$4,653.1	$5,690.9	$4,171.7	$1,969.8	$2,615.4
2020	21,209.4	59.0	1,089.7	2,019.2	6,198.1	11,843.4	3,887.9	4,349.6	5,004.1	4,081.7	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
Return on assets (%) 2022	1.10	0.88	1.15	1.27	1.34	0.95	1.00	1.12	1.04	0.98	1.10	1.59
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
Net charge-offs to loans & leases (%) 2022	0.24	0.04	0.04	0.13	0.31	0.24	0.23	0.30	0.16	0.24	0.08	0.38
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
Noncurrent assets plus OREO to assets (%) 2022	0.38	0.53	0.35	0.41	0.47	0.33	0.42	0.38	0.33	0.41	0.43	0.35
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
Equity capital ratio (%) 2022	9.15	11.90	8.93	9.40	9.46	8.95	9.63	9.70	8.79	9.17	7.73	9.16
2020	10.29	13.59	11.32	10.97	10.91	9.75	10.71	10.87	9.78	9.78	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

* 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
** 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, 2023	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	0.39	0.29	0.39	0.40	0.29	0.19	0.89	0.71	0.49
Construction and development	0.41	0.22	0.53	0.53	0.36	0.43	0.07	0.77	0.59	0.70
Nonfarm nonresidential	0.21	0.39	0.51	0.28	0.20	0.16	0.31	0.71	0.45	0.21
Multifamily residential real estate	0.11	0.00	0.11	0.15	0.11	0.09	0.04	1.10	0.20	0.09
Home equity loans	0.57	0.00	0.77	0.47	0.59	0.30	0.77	0.81	0.65	0.49
Other 1-4 family residential	0.60	0.40	0.28	0.67	0.76	0.31	0.16	1.13	0.89	0.62
Commercial and industrial loans	0.28	0.76	0.37	0.66	0.25	0.31	0.47	0.40	0.77	0.23
Loans to individuals	1.56	1.69	1.09	0.96	1.17	0.37	2.37	1.46	2.06	1.78
Credit card loans	1.56	1.72	1.16	1.36	1.69	1.48	2.90	0.69	9.41	1.76
Other loans to individuals	1.55	1.40	0.87	0.92	1.13	0.34	2.36	1.49	1.67	1.81
All other loans and leases (including farm)	0.19	0.71	0.25	0.32	0.21	0.10	0.04	0.32	0.55	0.11
Total loans and leases	0.54	1.57	0.46	0.43	0.40	0.29	1.53	0.85	0.82	0.63
Percent of Loans Noncurrent**										
All real estate loans	1.00	0.75	0.98	0.52	0.78	0.43	0.18	0.80	0.56	1.82
Construction and development	0.49	0.00	1.41	0.40	0.37	0.51	0.36	0.61	0.36	0.96
Nonfarm nonresidential	1.04	2.59	1.52	0.54	0.69	0.43	0.17	0.86	0.67	2.90
Multifamily residential real estate	0.29	0.95	0.18	0.50	0.25	0.24	0.00	0.00	0.07	0.67
Home equity loans	1.70	0.00	5.47	0.21	1.05	0.39	0.80	0.47	0.31	2.56
Other 1-4 family residential	1.18	0.58	0.91	0.45	1.20	0.44	0.18	0.79	0.58	1.56
Commercial and industrial loans	0.68	0.70	0.76	0.81	0.76	0.46	0.84	0.83	0.73	0.51
Loans to individuals	1.01	1.61	0.91	0.35	0.54	0.13	0.81	0.63	0.57	1.08
Credit card loans	1.53	1.71	1.12	0.40	1.50	1.12	3.37	0.15	2.82	1.73
Other loans to individuals	0.48	0.51	0.21	0.35	0.48	0.11	0.77	0.65	0.45	0.43
All other loans and leases (including farm)	0.24	0.63	0.26	0.46	0.24	0.02	0.03	0.52	1.16	0.21
Total loans and leases	0.82	1.50	0.73	0.54	0.71	0.40	0.64	0.77	0.61	1.03
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.05	0.01	0.01	0.01	0.04	0.00	0.00	0.18	0.01	0.12
Construction and development	0.02	0.00	0.00	0.00	0.03	0.01	0.10	-0.01	-0.02	0.01
Nonfarm nonresidential	0.17	0.00	0.27	0.02	0.10	0.01	0.04	0.37	0.00	0.51
Multifamily residential real estate	0.02	0.00	0.00	-0.01	0.02	0.00	0.00	0.39	0.00	0.07
Home equity loans	-0.07	0.00	-0.28	0.01	-0.03	-0.06	-0.46	0.35	0.00	-0.11
Other 1-4 family residential	0.00	0.01	-0.01	0.00	0.00	0.00	-0.01	0.13	0.02	0.02
Commercial and industrial loans	0.32	2.22	0.28	0.18	0.34	0.04	0.51	3.89	0.16	0.21
Loans to individuals	2.13	3.62	2.15	0.45	1.13	0.30	1.34	2.10	0.30	2.17
Credit card loans	3.37	3.75	2.66	1.79	4.29	2.76	7.70	1.06	0.13	3.58
Other loans to individuals	0.92	2.14	0.51	0.30	0.91	0.24	1.25	2.15	0.30	0.84
All other loans and leases (including farm)	0.11	2.81	0.09	0.05	0.11	0.05	0.04	1.25	0.54	0.12
Total loans and leases	0.47	3.42	0.54	0.05	0.19	0.02	0.87	0.87	0.08	0.57
Loans Outstanding (in billions)										
All real estate loans	$5,888.7	$6.0	$696.4	$125.0	$3,515.4	$185.6	$62.2	$9.7	$40.2	$1,248.2
Construction and development	497.1	0.1	22.4	9.3	394.5	4.7	0.6	1.0	3.0	61.5
Nonfarm nonresidential	1,804.8	0.5	72.7	32.6	1,398.4	13.5	8.8	3.3	8.6	266.3
Multifamily residential real estate	605.8	0.0	114.0	4.9	404.7	3.7	1.1	0.3	1.3	75.9
Home equity loans	269.3	0.0	20.5	2.0	173.9	8.7	0.6	0.3	1.3	62.0
Other 1-4 family residential	2,549.2	5.3	433.0	29.4	1,082.4	154.1	51.1	4.2	22.6	767.0
Commercial and industrial loans	2,487.2	43.4	361.0	23.3	1,236.4	6.0	39.4	1.6	4.4	771.6
Loans to individuals	2,096.3	358.6	427.7	6.8	366.1	14.5	178.2	1.2	4.6	738.6
Credit card loans	1,053.8	328.7	328.7	0.7	24.1	0.3	2.6	0.0	0.2	368.4
Other loans to individuals	1,042.5	29.9	99.0	6.1	342.0	14.1	175.7	1.1	4.4	370.2
All other loans and leases (including farm)	1,874.8	1.5	577.3	38.9	492.8	5.6	16.2	0.7	3.1	738.8
Total loans and leases (plus unearned income)	12,346.9	409.5	2,062.5	194.0	5,610.6	211.7	296.0	13.2	52.3	3,497.1
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	2,891.0	1.0	318.3	71.1	1,684.9	39.0	11.9	12.6	24.8	727.4
Construction and development	424.6	0.0	14.0	5.2	360.3	12.2	0.9	5.4	9.4	17.2
Nonfarm nonresidential	1,619.5	0.9	160.0	33.4	919.8	9.4	9.0	5.2	7.3	474.5
Multifamily residential real estate	39.3	0.0	0.0	1.3	37.8	0.0	0.0	0.0	0.2	0.0
1-4 family residential	747.2	0.1	140.3	9.2	333.0	17.4	2.0	1.9	7.8	235.6
Farmland	55.1	0.0	0.0	22.0	32.8	0.0	0.0	0.1	0.3	0.0

* See Table IV-A for explanations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

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

September 30, 2023	All Insured Institutions	Asset Size Distribution					Geographic Regions*					
		Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due												
All loans secured by real estate	0.40	0.92	0.41	0.24	0.47	0.42	0.40	0.41	0.34	0.43	0.61	0.25
Construction and development	0.41	0.50	0.47	0.36	0.36	0.57	0.51	0.33	0.36	0.62	0.34	0.34
Nonfarm nonresidential	0.21	0.74	0.29	0.17	0.20	0.25	0.28	0.21	0.26	0.19	0.17	0.13
Multifamily residential real estate	0.11	0.14	0.29	0.10	0.09	0.10	0.14	0.05	0.11	0.10	0.16	0.04
Home equity loans	0.57	0.46	0.46	0.46	0.62	0.58	0.54	0.49	0.71	0.60	0.61	0.39
Other 1-4 family residential	0.60	1.29	0.54	0.34	0.85	0.51	0.56	0.61	0.39	0.61	1.39	0.42
Commercial and industrial loans	0.28	0.92	0.55	0.40	0.28	0.24	0.17	0.27	0.30	0.27	0.33	0.48
Loans to individuals	1.56	1.70	1.20	1.76	1.50	1.59	1.39	2.13	0.93	1.45	0.91	1.91
Credit card loans	1.56	3.97	4.18	3.73	1.60	1.48	1.85	1.91	1.06	1.34	0.73	1.71
Other loans to individuals	1.55	1.69	1.11	1.34	1.42	1.73	1.01	2.34	0.81	1.71	0.96	2.09
All other loans and leases (including farm)	0.19	0.45	0.26	0.34	0.22	0.16	0.08	0.12	0.26	0.23	0.15	0.24
Total loans and leases	0.54	0.91	0.45	0.36	0.60	0.56	0.48	0.66	0.40	0.51	0.55	0.77
Percent of Loans Noncurrent**												
All real estate loans	1.00	0.80	0.49	0.49	0.92	1.52	1.11	1.02	0.91	1.40	0.92	0.45
Construction and development	0.49	0.49	0.37	0.42	0.33	1.01	0.99	0.32	0.65	0.33	0.19	0.54
Nonfarm nonresidential	1.04	0.89	0.52	0.49	0.79	2.54	1.41	1.19	0.76	2.04	0.44	0.37
Multifamily residential real estate	0.29	0.55	0.21	0.26	0.28	0.34	0.42	0.46	0.17	0.37	0.19	0.15
Home equity loans	1.70	0.58	0.53	0.44	1.08	2.86	1.48	1.28	2.13	3.69	0.73	0.58
Other 1-4 family residential	1.18	0.88	0.49	0.60	1.38	1.33	1.11	1.05	1.09	1.36	2.04	0.59
Commercial and industrial loans	0.68	1.24	0.82	1.10	0.75	0.56	0.95	0.52	0.71	0.51	0.71	0.91
Loans to individuals	1.01	0.72	0.43	1.14	1.00	1.02	1.10	1.17	0.60	1.05	0.68	1.18
Credit card loans	1.53	1.76	1.89	3.88	1.60	1.44	1.83	1.86	0.99	1.32	1.12	1.70
Other loans to individuals	0.48	0.71	0.39	0.56	0.51	0.44	0.51	0.49	0.22	0.44	0.55	0.69
All other loans and leases (including farm)	0.24	0.71	0.60	0.56	0.16	0.24	0.38	0.11	0.30	0.16	0.34	0.22
Total loans and leases	0.82	0.84	0.53	0.63	0.82	0.92	0.98	0.78	0.71	0.91	0.83	0.71
Percent of Loans Charged-Off (net, YTD)												
All real estate loans	0.05	0.00	0.01	0.02	0.06	0.09	0.06	0.10	0.05	0.03	0.02	0.05
Construction and development	0.02	-0.01	0.00	0.00	0.06	0.01	0.04	-0.01	0.01	0.00	0.00	0.14
Nonfarm nonresidential	0.17	-0.01	0.02	0.03	0.15	0.46	0.19	0.32	0.17	0.12	0.05	0.09
Multifamily residential real estate	0.02	0.00	0.00	0.01	0.03	0.03	0.02	0.01	0.06	0.00	0.01	0.00
Home equity loans	-0.07	0.02	0.01	0.00	-0.02	-0.14	-0.03	-0.12	-0.09	-0.08	-0.03	0.02
Other 1-4 family residential	0.00	0.02	0.01	0.00	0.00	0.01	-0.01	0.00	0.02	0.00	0.00	0.01
Commercial and industrial loans	0.32	0.46	0.30	0.31	0.47	0.24	0.21	0.33	0.32	0.16	0.38	0.85
Loans to individuals	2.13	0.47	0.80	2.67	2.08	2.15	2.21	2.24	1.46	2.54	1.03	2.53
Credit card loans	3.37	13.50	4.17	9.01	3.50	3.15	3.96	3.59	2.43	3.18	2.12	3.85
Other loans to individuals	0.92	0.38	0.69	1.31	0.94	0.86	0.84	0.98	0.57	1.12	0.72	1.29
All other loans and leases (including farm)	0.11	0.01	0.15	0.14	0.09	0.12	0.08	0.17	0.09	0.09	0.25	0.06
Total loans and leases	0.47	0.09	0.08	0.22	0.53	0.54	0.44	0.58	0.33	0.44	0.18	0.89
Loans Outstanding (in billions)												
All real estate loans	$5,888.7	$17.0	$555.0	$1,215.3	$2,057.4	$2,044.0	$1,266.9	$1,004.0	$1,335.2	$914.5	$738.1	$630.0
Construction and development	497.1	1.1	57.1	135.2	206.4	97.2	89.6	77.3	85.2	72.2	122.6	50.2
Nonfarm nonresidential	1,804.8	3.5	201.4	507.4	716.2	376.2	407.1	334.1	300.7	225.0	294.0	243.9
Multifamily residential real estate	605.8	0.4	32.9	139.2	240.1	193.3	193.1	54.6	177.4	61.4	38.2	81.1
Home equity loans	269.3	0.3	16.2	39.8	99.7	113.4	73.2	57.3	68.0	28.0	21.5	21.3
Other 1-4 family residential	2,549.2	8.3	194.7	353.8	777.6	1,214.8	498.3	465.8	677.5	446.1	237.6	223.8
Commercial and industrial loans	2,487.2	3.0	83.5	249.9	811.2	1,339.7	422.6	633.5	600.1	434.6	196.2	200.2
Loans to individuals	2,096.3	1.7	27.6	95.7	804.6	1,166.7	396.3	483.4	422.8	309.4	81.5	402.8
Credit card loans	1,053.8	0.0	0.8	16.7	363.1	673.1	177.4	239.9	204.8	216.9	18.1	196.7
Other loans to individuals	1,042.5	1.7	26.8	78.9	441.6	493.6	218.9	243.5	218.0	92.6	63.4	206.1
All other loans and leases (including farm)	1,874.8	3.2	41.0	73.3	462.7	1,294.5	338.3	392.1	534.3	409.9	69.9	130.3
Total loans and leases (plus unearned income)	12,346.9	24.8	707.1	1,634.2	4,135.9	5,844.9	2,424.2	2,513.0	2,892.4	2,068.4	1,085.7	1,363.2
Memo: Other Real Estate Owned (in millions)												
All other real estate owned	2,891.0	17.3	360.6	666.6	730.5	1,116.0	420.8	637.3	576.2	580.4	497.7	178.5
Construction and development	424.6	4.0	116.5	182.2	99.6	22.3	57.0	51.3	30.2	86.9	158.6	40.7
Nonfarm nonresidential	1,619.5	7.1	159.1	371.1	314.6	767.6	146.6	452.5	297.5	413.3	247.7	61.9
Multifamily residential real estate	39.3	0.3	10.9	7.7	17.6	2.8	8.6	1.0	9.0	6.7	13.9	0.1
1-4 family residential	747.2	5.8	56.6	84.3	284.7	315.8	208.6	130.6	232.1	58.9	59.0	58.0
Farmland	55.1	0.1	17.5	20.0	14.0	3.5	0.0	1.3	6.8	10.6	18.5	17.9

* See Table IV-A for explanations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

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

(dollar figures in millions; notional amounts unless otherwise indicated)	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022	% Change 22Q3-23Q3	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	1,185	1,187	1,178	1,141	1,212	-2.2	11	501	529	130	14
Total assets of institutions reporting derivatives	$21,461,378	$21,524,610	$21,778,547	$21,630,187	$21,656,120	-0.9	$685	$262,011	$1,679,418	$6,016,178	$13,503,085
Total deposits of institutions reporting derivatives	16,948,122	17,039,067	17,123,919	17,562,378	17,673,277	-4.1	508	220,087	1,381,216	4,847,894	10,498,418
Total derivatives	207,440,885	224,647,718	220,468,605	192,875,723	198,385,321	4.6	126	10,932	321,123	4,275,686	202,833,017
Derivative Contracts by Underlying Risk Exposure											
Interest rate	145,917,935	164,098,784	160,283,111	139,774,359	141,989,523	2.8	126	10,492	313,804	2,186,287	143,407,226
Foreign exchange*	50,002,364	49,083,326	48,529,675	43,001,986	45,988,455	8.7	0	0	2,986	1,810,931	48,188,447
Equity	5,875,155	5,471,018	5,001,131	4,423,904	4,409,702	33.2	0	29	15	56,770	5,818,342
Commodity & other (excluding credit derivatives)	1,529,544	1,519,658	1,574,689	1,432,977	1,606,776	-4.8	0	0	139	152,723	1,376,681
Credit	4,114,991	4,474,144	5,079,273	4,241,352	4,389,784	-6.3	0	15	3,680	68,975	4,042,321
Total	207,439,989	224,646,930	220,467,879	192,874,578	198,384,240	4.6	126	10,536	320,624	4,275,686	202,833,017
Derivative Contracts by Transaction Type											
Swaps	124,696,693	143,242,667	137,729,743	118,597,662	121,132,626	2.9	0	1,434	153,747	2,639,877	121,901,636
Futures & forwards	34,215,368	33,317,054	34,502,393	28,748,693	31,661,060	8.1	0	912	8,541	1,114,107	33,091,808
Purchased options	20,220,077	20,127,902	20,067,871	19,695,467	19,118,334	5.8	0	834	24,262	186,341	20,008,640
Written options	20,929,560	20,751,678	20,222,587	19,693,855	18,780,453	11.4	0	872	8,863	172,499	20,747,326
Total	200,061,697	217,439,301	212,522,593	186,735,678	190,692,473	4.9	0	4,052	195,413	4,112,823	195,749,409
Fair Value of Derivative Contracts											
Interest rate contracts	72,427	54,260	64,099	72,856	76,860	-5.8	0	74	2,538	-1,134	70,950
Foreign exchange contracts	17,473	9,782	2,918	-14,980	15,025	16.3	0	0	1	930	16,542
Equity contracts	-2,176	-7,184	-5,957	4,403	16,949	N/M	0	-1	0	955	-3,129
Commodity & other (excluding credit derivatives)	4,374	1,819	2,790	8,892	18,933	-76.9	0	0	2	442	3,931
Credit derivatives as guarantor**	11,961	15,417	12,909	5,346	-16,373	N/M	0	2	17	-87	12,028
Credit derivatives as beneficiary**	-10,044	-17,352	-14,434	-4,002	23,163	N/M	0	0	-10	-297	-9,737
Derivative Contracts by Maturity* **											
Interest rate contracts < 1 year	97,313,208	112,943,731	109,261,325	92,694,360	97,477,065	-0.2	0	719	20,682	1,018,970	96,272,836
1-5 years	29,223,353	29,392,050	30,208,347	27,375,717	26,085,681	12.0	0	1,447	89,910	664,296	28,467,701
> 5 years	21,228,573	21,500,230	21,259,200	20,667,400	19,919,888	6.6	0	419	61,917	344,414	20,821,823
Foreign exchange and gold contracts < 1 year	36,129,454	35,713,887	34,845,789	31,270,845	33,098,861	9.2	0	0	1,798	1,683,610	34,444,047
1-5 years	6,295,512	5,264,822	6,287,007	5,995,985	5,519,081	14.1	0	0	312	100,715	6,194,485
> 5 years	3,277,686	3,320,695	3,271,833	3,145,766	2,843,951	15.3	0	0	1	6,510	3,271,175
Equity contracts < 1 year	5,522,090	5,331,649	4,990,234	4,335,420	4,315,354	28.0	0	7	2	22,496	5,499,585
1-5 years	1,435,442	1,142,298	1,150,946	999,329	1,057,822	35.7	0	22	4	30,706	1,404,711
> 5 years	109,540	132,964	106,507	98,766	140,485	-22.0	0	0	0	884	108,657
Commodity & other contracts (including credit derivatives, excluding gold contracts) < 1 year	2,842,842	2,903,697	3,102,480	2,743,038	2,933,679	-3.1	0	0	220	46,940	2,795,683
1-5 years	2,637,051	3,038,310	3,290,726	2,844,783	2,819,537	-6.5	0	6	1,332	71,822	2,563,890
> 5 years	437,927	270,488	487,503	272,418	468,669	-6.6	0	7	1,950	9,364	426,605
Risk-Based Capital: Credit Equivalent Amount											
Total current exposure to tier 1 capital (%)	16.0	14.4	13.0	14.9	21.0		0.0	0.2	3.2	5.7	23.5
Total potential future exposure to tier 1 capital (%)	30.5	31.6	32.0	31.9	32.5		0.0	0.1	0.9	5.4	48.1
Total exposure (credit equivalent amount) to tier 1 capital (%)	46.5	45.9	45.1	46.8	53.4		0.0	0.3	4.1	11.1	71.6
Credit losses on derivatives******	-21.0	-13.0	-13.0	101.0	107.0	-119.6	0.0	0.0	3.0	-1.0	-24.0
HELD FOR TRADING											
Number of institutions reporting derivatives	156	153	157	164	172	-9.3	0	10	79	55	12
Total assets of institutions reporting derivatives	16,244,247	16,286,947	16,514,141	16,454,137	16,475,466	-1.4	0	5,227	357,036	3,046,979	12,835,005
Total deposits of institutions reporting derivatives	12,708,722	12,811,834	12,892,291	13,221,795	13,287,425	-4.4	0	4,336	295,669	2,468,280	9,940,437
Derivative Contracts by Underlying Risk Exposure											
Interest rate	140,720,039	157,949,351	155,617,474	135,502,070	137,554,819	2.3	0	242	45,087	925,361	139,749,349
Foreign exchange	46,289,689	45,798,549	45,123,349	40,604,230	42,216,283	9.6	0	0	2,751	1,671,854	44,615,084
Equity	5,817,413	5,417,476	4,948,378	4,375,929	4,363,822	33.3	0	0	0	45,881	5,771,531
Commodity & other	1,482,346	1,476,394	1,532,080	1,391,961	1,565,817	-5.3	0	0	24	144,277	1,338,045
Total	194,309,487	210,641,770	207,221,281	181,874,190	185,700,740	4.6	0	242	47,862	2,787,372	191,474,010
Trading Revenues: Cash & Derivative Instruments											
Interest rate**	641	3,479	5,728	4,623	-1,179	N/M	0	0	5	-36	672
Foreign exchange**	8,037	5,173	4,438	1,168	8,156	-1.5	0	0	1	197	7,839
Equity**	2,262	3,995	5,335	3,099	3,308	-31.6	0	0	5	381	1,875
Commodity & other (including credit derivatives)**	2,286	1,027	2,086	785	2,453	-6.8	0	0	0	238	2,048
Total trading revenues**	13,227	13,674	17,586	9,675	12,739	3.8	0	0	12	780	12,435
Share of Revenue											
Trading revenues to gross revenues (%)**	5.2	5.6	7.6	4.8	7.1		0.0	0.0	0.2	1.7	6.1
Trading revenues to net operating revenues (%)**	25.7	27.0	33.5	20.8	27.7		0.0	0.0	1.1	9.5	29.5
HELD FOR PURPOSES OTHER THAN TRADING											
Number of institutions reporting derivatives	548	547	547	529	542	1.1	0	104	305	125	14
Total assets of institutions reporting derivatives	20,678,560	20,737,969	20,874,524	20,709,358	20,734,138	-0.3	0	55,498	1,219,527	5,900,450	13,503,085
Total deposits of institutions reporting derivatives	16,294,514	16,387,383	16,457,598	16,788,787	16,885,434	-3.5	0	45,964	997,655	4,752,478	10,498,418
Derivative Contracts by Underlying Risk Exposure											
Interest rate	5,069,801	6,123,143	4,642,802	4,253,101	4,413,003	14.9	0	3,780	147,219	1,260,926	3,657,876
Foreign exchange	577,469	577,582	563,149	519,396	491,890	17.4	0	0	203	45,190	532,076
Equity	57,742	53,542	52,752	47,975	45,880	25.9	0	29	14	10,888	46,810
Commodity & other	47,198	43,264	42,609	41,016	40,959	15.2	0	0	115	8,446	38,636
Total notional amount	5,752,210	6,797,531	5,301,313	4,861,488	4,991,733	15.2	0	3,809	147,551	1,325,451	4,275,399

All line items are reported on a quarterly basis.
* 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 applicable to banks filing the FFIEC 051 form.
N/M - Not Meaningful

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

(dollar figures in millions)	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022	% Change 22Q3-23Q3	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	62	61	62	63	64	-3.1	0	4	10	37	11
Outstanding Principal Balance by Asset Type**											
1-4 family residential loans	$303,098	$251,654	$254,891	$257,043	$270,421	12.1	$0	$3,246	$10,152	$64,529	$225,172
Home equity loans	4	4	4	5	5	-20.0	0	0	0	4	0
Credit card receivables	131	130	118	103	76	72.4	0	0	0	131	0
Auto loans	2,110	1,336	1,237	1,102	541	290.0	0	0	0	1,110	1,000
Other consumer loans	1,370	1,545	1,654	1,782	1,664	-17.7	0	0	0	586	783
Commercial and industrial loans	5,157	4,648	4,703	4,988	4,626	11.5	0	0	0	0	5,157
All other loans, leases, and other assets	112,796	111,473	109,531	110,712	113,555	-0.7	0	0	2,709	11,182	98,905
Total securitized and sold	424,666	370,790	372,138	375,735	390,888	8.6	0	3,246	12,861	77,542	331,018
Maximum Credit Exposure by Asset Type**											
1-4 family residential loans	866	874	648	633	650	33.2	0	0	0	371	495
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	45	12	12	19	19	136.8	0	0	0	0	45
Other consumer loans	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	259	210	207	219	203	27.6	0	0	0	0	259
All other loans, leases, and other assets	2,790	2,767	2,783	2,790	2,975	-6.2	0	0	64	342	2,384
Total credit exposure	3,960	3,863	3,650	3,661	3,847	2.9	0	0	64	713	3,183
Total unused liquidity commitments provided to institution's own securitizations	199	229	251	236	210	-5.2	0	0	0	0	199
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)**											
1-4 family residential loans	3.5	2.7	2.3	2.9	2.5		0.0	2.2	3.4	3.2	3.6
Home equity loans	6.1	6.3	7.1	5.5	3.4		0.0	0.0	0.0	6.1	0.0
Credit card receivables	6.9	6.2	5.1	5.8	3.9		0.0	0.0	0.0	6.9	0.0
Auto loans	4.4	4.5	2.1	1.2	0.4		0.0	0.0	0.0	7.7	0.6
Other consumer loans	2.5	2.2	2.1	2.5	2.5		0.0	0.0	0.0	1.6	3.2
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	0.8	0.5	0.6	0.3	0.3		0.0	0.0	1.4	2.3	0.6
Total loans, leases, and other assets	2.7	2.0	1.7	2.0	1.8		0.0	0.0	0.0	3.6	2.7
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)**											
1-4 family residential loans	1.2	0.8	0.8	0.8	1.0		0.0	1.0	1.3	1.8	1.0
Home equity loans	25.5	27.0	28.6	28.1	27.5		0.0	0.0	0.0	25.5	0.0
Credit card receivables	8.4	6.2	6.8	5.8	2.6		0.0	0.0	0.0	8.4	0.0
Auto loans	0.3	0.3	0.2	0.0	0.0		0.0	0.0	0.0	0.6	0.0
Other consumer loans	1.7	1.5	1.7	1.9	2.1		0.0	0.0	0.0	1.1	2.1
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	0.9	0.9	0.6	0.6	0.9		0.0	0.0	0.6	0.7	0.9
Total loans, leases, and other assets	1.0	0.6	0.5	0.5	0.8		0.0	0.0	0.0	0.9	1.0
Securitized Loans, Leases, and Other Assets Charged-Off (net, YTD, annualized, %)**											
1-4 family residential loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Home equity loans	2.9	1.2	0.1	4.0	2.1		0.0	0.0	0.0	2.9	0.0
Credit card receivables	16.0	10.0	4.2	1.9	0.0		0.0	0.0	0.0	16.0	0.0
Auto loans	0.8	0.4	0.2	0.0	0.0		0.0	0.0	0.0	1.4	0.1
Other consumer loans	1.2	0.8	0.4	0.8	0.6		0.0	0.0	0.0	0.8	1.6
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	0.1		0.0	0.0	0.0	1.4	0.1
Total loans, leases, and other assets	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.2	0.0
Seller's Interests in Institution's Own Securitizations - Carried as Securities or 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
Assets Sold with Recourse and Not Securitized											
Number of institutions reporting asset sales	310	307	307	311	316	-1.9	3	94	139	64	10
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	24,385	20,352	20,297	24,182	27,018	-9.7	20	2,630	9,598	11,058	1,079
All other loans, leases, and other assets	149,386	146,945	144,741	144,016	142,239	5.0	0	40	263	44,340	104,743
Total sold and not securitized	173,770	167,297	165,038	168,198	169,257	2.7	20	2,669	9,861	55,397	105,823
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	6,646	6,487	6,349	8,620	9,015	-26.3	1	263	2,910	2,802	670
All other loans, leases, and other assets	44,053	43,182	41,996	41,742	41,221	6.9	0	40	390	13,801	29,822
Total credit exposure	50,699	49,669	48,344	50,362	50,235	0.9	1	303	3,300	16,603	30,492
Support for Securitization Facilities Sponsored by Other Institutions											
Number of institutions reporting securitization facilities sponsored by others	34	33	34	36	36		0	11	11	5	7
Total credit exposure	17,869	19,524	20,213	20,092	21,922	-18.5	0	0	0	0	17,869
Total unused liquidity commitments	2,415	2,722	3,049	3,165	3,576	-32.5	0	0	0	265	2,150
Other											
Assets serviced for others****	6,452,793	6,238,588	6,226,181	6,329,175	6,178,078	4.4	2,764	221,766	641,448	1,478,001	4,108,814
Asset-backed commercial paper conduits											
Credit exposure to conduits sponsored by institutions and others	5,071	4,920	4,090	4,128	3,803	33.3	0	0	0	27	5,044
Unused liquidity commitments to conduits sponsored by institutions and others	68,303	69,682	59,759	60,714	59,659	14.5	0	0	0	33	68,270
Net servicing income (for the quarter)	3,164	2,391	1,755	1,412	3,224	-1.9	6	110	473	989	1,586
Net securitization income (for the quarter)	57	30	29	38	-11	-618.2	0	0	5	4	49
Total credit exposure to Tier 1 capital (%)*****	3.1	3.2	3.2	3.1	3.3		0.0	0.0	0.1	2.4	4.5

* Does not include banks filing the FFIEC 051 report form, which was introduced in first quarter 2017.
** Beginning in June 2018, for banks that file the FFIEC 041 report form, all other loans include home equity loans, credit card receivables, auto loans, other consumer loans, and commercial and industrial loans.
*** Beginning in June 2018, only includes banks that file the FFIEC 031 report form.
**** 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.

N/M- Not Meaningful

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COMMUNITY BANK PERFORMANCE

Community banks are identified based on criteria defined in the FDIC's 2012 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 Fell From a Quarter Ago and One Year Ago
The Net Interest Margin Decreased for the Third Straight Quarter
Unrealized Losses on Securities Increased From the Prior Quarter
Loan Growth Remained Positive and Was Broad-Based Across Loan Categories
Total Deposits Increased Quarter Over Quarter
Asset Quality Metrics Remained Favorable Overall

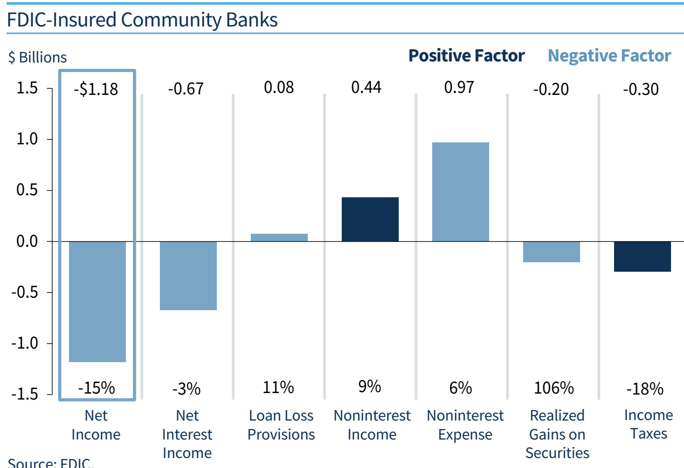
NET INCOME DECREASED FROM THE PRIOR QUARTER AND ONE YEAR AGO

Net income for the 4,166 community banks declined $335.5 million (4.8 percent) in third quarter 2023 from a quarter ago to $6.7 billion. Higher noninterest expense, lower net interest income, increased provisions, and greater losses on the sale of securities more than exceeded an increase in noninterest income. More than half (55.0 percent) of all community banks reported a decline in net income from second quarter 2023. The share of unprofitable community banks was 6.6 percent, up from 5.0 percent in the prior quarter. The pretax return on assets ratio fell 6 basis points from one quarter ago and 30 basis points from one year ago to 1.21 percent. Net income decreased $1.2 billion (15 percent) from third quarter 2022, driven primarily by higher noninterest expense and lower net interest income.

Chart 1

Contributors to the Year-Over-Year Change in Income

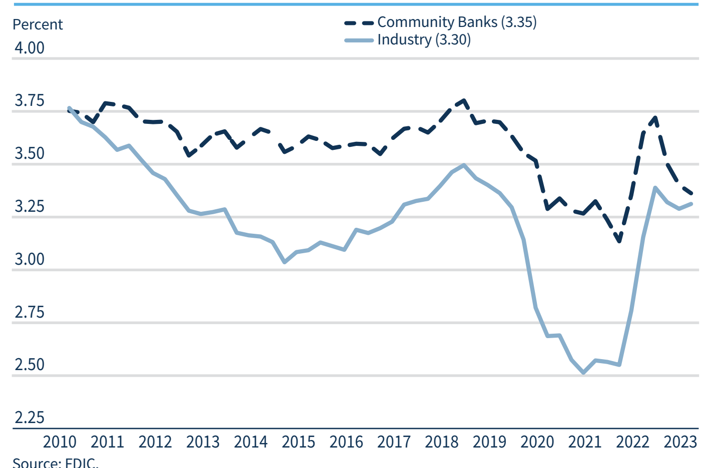
FDIC-Insured Community Banks



Source: FDIC.

Chart 2

Net Interest Margin



Source: FDIC.

THE NET INTEREST MARGIN DECLINED FOR A THIRD STRAIGHT QUARTER

The community bank net interest margin (NIM) decreased 4 basis points in third quarter 2023 from a quarter ago to 3.35 percent, as the cost of deposits increased more than the yield on total loans. Higher deposit costs also contributed to a quarterly NIM decline of 10 basis points in second quarter 2023 and 22 basis points in first quarter 2023. While the yield on earning assets rose 21 basis points quarter over quarter and 110 basis points year over year, the cost of funds increased 25 basis points quarter over quarter and 138 basis points year over year. The NIM was down 28 basis points from the year-ago quarter.

NET OPERATING REVENUE EDGED UP IN THIRD QUARTER DUE TO HIGHER NONINTEREST INCOME

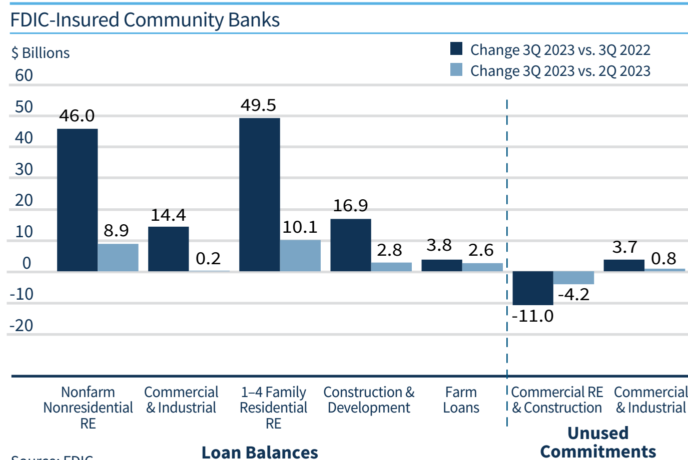
Community bank net operating revenue (net interest income plus noninterest income) increased $181.2 million (0.7 percent) quarter over quarter, as higher noninterest income offset lower net interest income. Noninterest income rose $250.2 million (5.1 percent) from the prior quarter predominately due to higher service charges on deposit accounts, net servicing fees, and "all other noninterest income."[1] Interest expense increased in third quarter—mainly from domestic time deposits—by a greater amount than interest income, causing a $69.0 million (0.3 percent) decline in net interest income. More than 52 percent of community banks reported lower net interest income in third quarter 2023.

Net operating revenue declined $237.9 million (0.9 percent) year over year, as a $435.5 million increase in noninterest income was more than offset by a $673.4 million decrease in net interest income. Although interest income rose across all loan types, net interest income was down from a year ago due to higher interest expense. Higher "all other noninterest income" drove the annual increase in noninterest income.

Chart 3

Change in Loan Balances and Unused Commitments

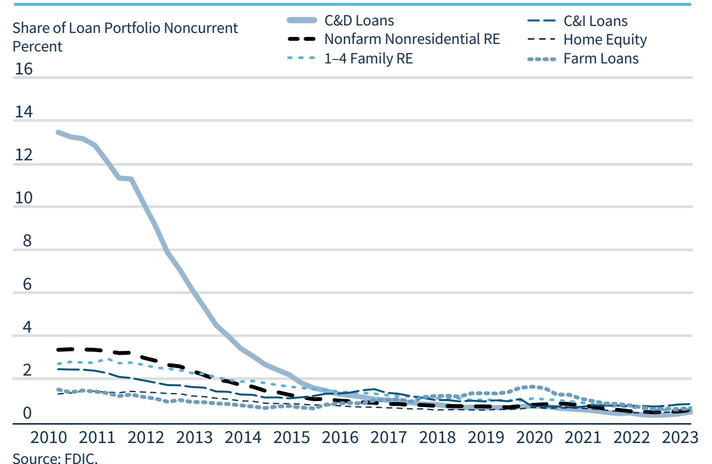
FDIC-Insured Community Banks



Source: FDIC.

Chart 4

Noncurrent Loan Rates for FDIC-Insured Community Banks



Source: FDIC.

[1] "All other noninterest income" includes material write-in items as well as income related to wire transfers and ATM fees, bank card and credit card interchange fees, safe deposit box rent, printing and sale of checks, earnings on/increase in value of cash surrender value of life insurance, and other noninterest sources.

NONINTEREST EXPENSE INCREASED QUARTER OVER QUARTER AND YEAR OVER YEAR

Noninterest expense increased $200.7 million (1.2 percent) from a quarter ago and $971.3 million (6.2 percent) from a year ago to $16.7 billion. Higher salaries and benefits expense and "all other noninterest expense" led the quarterly and yearly increases in noninterest expense.[2] The efficiency ratio (noninterest expense as a share of net operating revenue) rose 6 basis points from a quarter ago to 63.9 percent, indicating that community banks were slightly less efficient at generating revenue.

PROVISION EXPENSE ROSE FROM THE PRIOR QUARTER AND ONE YEAR AGO

Quarterly provision expense of $808.5 million was up $61.6 million (8.2 percent) from a quarter ago and $77.4 million (10.6 percent) from a year ago. The reserve coverage ratio (the ratio of the allowance for credit losses to noncurrent loans) decreased 20.9 percentage points from a quarter ago and 26.2 percentage points from a year ago to 238.5 percent, driven by higher noncurrent loan balances. Nevertheless, the community bank reserve coverage ratio was 31.5 percentage points above the reserve coverage ratio at noncommunity banks.

UNREALIZED LOSSES ON SECURITIES INCREASED FROM THE PRIOR QUARTER[3]

Unrealized losses on securities totaled $76.5 billion in third quarter 2023, up $12.8 billion (20.2 percent) from the prior quarter and $3.6 billion (4.9 percent) from the prior year. Unrealized losses on held-to-maturity securities ($13.4 billion) and available-for-sale securities ($63.1 billion) both increased quarter over quarter and year over year. Nearly all community banks (97.0 percent) reported unrealized losses on securities.

TOTAL ASSETS WERE UP FROM A YEAR AGO AND QUARTER AGO EVEN THOUGH SECURITIES FELL

Total assets at community banks rose $20.8 billion (0.8 percent) quarter over quarter and $113.6 billion (4.4 percent) year over year. Quarterly growth in total loans and leases was $31.8 billion (1.7 percent) in third quarter 2023, slightly below the $47.1 billion (2.6 percent) increase in second quarter 2023. Total loans and leases grew $165.0 billion (9.8 percent) from a year ago. Securities balances fell $20.3 billion (3.6 percent) quarter over quarter and $46.7 billion (8.0 percent) year over year. Cash and balances due from depository institutions fell $13.1 billion (7.6 percent) year over year despite a quarterly rise of $4.9 billion (3.2 percent).

[2] "All other noninterest expense" includes material write-in items as well as expense related to data processing, advertising, and marketing, legal fees, and consulting and advisory fees.

[3] Unrealized losses on securities reflect the difference between the market value as of quarter-end and the book value of non-equity securities.

LOAN GROWTH WAS POSITIVE ACROSS ALL MAJOR LOAN CATEGORIES

Loan and lease balances were up from one quarter ago across all major portfolios. Increases in 1–4 family residential real estate loans ($11.1 billion, or 2.3 percent) and nonfarm, nonresidential commercial real estate (CRE) loans ($8.9 billion, or 1.6 percent) led the quarter-over-quarter growth in lending. The majority of community banks (77.1 percent) reported quarterly growth in total loan balances.

Loan and lease balances also increased from one year ago across all major portfolios, and 88.5 percent of community banks reported annual growth in total loan balances. Increases in 1–4 family residential real estate loans ($53.7 billion, or 12.1 percent) and nonfarm, nonresidential CRE loans ($46.0 billion, or 8.8 percent) led the year-over-year growth in lending.

DEPOSITS INCREASED FROM THE PREVIOUS QUARTER

Community banks reported an increase in total deposits of 1.0 percent ($23.2 billion) during third quarter 2023, compared to a decline of 0.1 percent ($1.5 billion) reported in second quarter 2023. Slightly more than half of all community banks (53.3 percent) reported an increase in deposit balances from the prior quarter. Growth occurred in both insured ($17.4 billion) and uninsured deposit account balances ($7.5 billion) at approximately the same rate as total deposits. In the third quarter, growth in interest-bearing deposit balances ($33.2 billion, or 2.0 percent) was somewhat offset by a decline in noninterest-bearing deposits ($10.2 billion, or 1.8 percent). Total deposits increased 1.2 percent ($27.1 billion) from one year ago.

Wholesale funds decreased in the quarter reflecting lower Federal Home Loan Bank borrowings ($7.8 billion, down 6.7 percent) and lower levels of brokered deposits ($3.2 billion, down 2.8 percent). The share of wholesale funds to total assets was 18.7 percent in third quarter, down from 18.9 percent in second quarter 2023.

THE NONCURRENT LOAN RATE INCREASED SLIGHTLY FROM THE PRIOR QUARTER

The share of loans and leases 90 days or more past due or in nonaccrual status increased 4 basis points from second quarter 2023 to 0.51 percent. Less than half of community banks (40.5 percent) reported quarter-over-quarter increases in noncurrent loan balances. Noncurrent loan balances for all major loan portfolios increased from one quarter ago.

THE NET CHARGE-OFF RATE INCREASED BUT REMAINED RELATIVELY LOW

The community bank net charge-off rate increased 2 basis points from one quarter ago and 4 basis points from one year ago to 0.11 percent. This ratio remained low compared to the average rate of the past decade. In addition, about 45 percent of the annual increase in net charge-off volume occurred in consumer loans, a relatively small loan portfolio at community banks (4.0 percent of total loan balances). The net charge-off rate for consumer loans increased 49 basis points from one year ago to 1.33 percent.

CAPITAL RATIOS REMAINED STABLE

The tier one risk-based capital ratio for community banks that did not file the community bank leverage ratio (CBLR) was 13.76 percent, up 2 basis points from the prior quarter, as reductions in risk-weighted assets outpaced tier 1 capital declines. The average CBLR for the 1,641 community banks that elected to use the CBLR framework was 12.13 percent, up 7 basis points from second quarter 2023. The leverage capital ratio for community banks increased 3 basis points to 10.70 percent from a quarter ago.

ONE COMMUNITY BANK OPENED AND NONE FAILED IN THIRD QUARTER 2023

The number of community banks declined to 4,166 in the third quarter, down 30 from the previous quarter. One community bank opened and none failed. Several banks transitioned from community to noncommunity banks or vice versa, and 23 merged out of existence during the quarter.

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

	2023*	2022*	2022	2021	2020	2019	2018
Return on assets (%)	1.06	1.13	1.15	1.26	1.09	1.20	1.19
Return on equity (%)	11.30	11.70	11.98	11.70	9.72	10.24	10.51
Core capital (leverage) ratio (%)	10.70	10.42	10.50	10.16	10.32	11.14	11.13
Noncurrent assets plus other real estate owned to assets (%)	0.38	0.34	0.33	0.40	0.60	0.65	0.71
Net charge-offs to loans (%)	0.09	0.05	0.07	0.07	0.12	0.13	0.12
Asset growth rate (%)	-0.81	-1.36	-1.81	8.86	12.15	2.55	0.23
Net interest margin (%)	3.41	3.36	3.45	3.28	3.39	3.66	3.73
Net operating income growth (%)	-7.17	-7.18	-4.09	29.70	-2.07	0.13	25.30
Number of institutions reporting	4,166	4,303	4,257	4,386	4,556	4,750	4,978
Percentage of unprofitable institutions (%)	4.78	4.09	3.62	3.26	4.54	3.96	3.66

* 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 2023	2nd Quarter 2023	3rd Quarter 2022	% Change 22Q3-23Q3
Number of institutions reporting	4,166	4,196	4,303	-3.2
Total employees (full-time equivalent)	368,149	372,244	379,800	-3.1
CONDITION DATA				
Total assets	$2,682,218	$2,704,674	$2,704,008	-0.8
Loans secured by real estate	1,445,778	1,426,247	1,376,961	5.0
1-4 Family residential mortgages	449,984	440,376	415,273	8.4
Nonfarm nonresidential	568,060	566,450	559,175	1.6
Construction and development	155,487	152,165	145,460	6.9
Home equity lines	45,878	44,313	42,892	7.0
Commercial & industrial loans	234,904	239,260	237,048	-0.9
Loans to individuals	73,810	87,248	78,768	-6.3
Credit cards	2,883	2,882	2,550	13.0
Farm loans	49,853	47,345	47,138	5.8
Other loans & leases	45,100	49,234	47,275	-4.6
Less: Unearned income	846	756	709	19.3
Total loans & leases	1,848,599	1,848,578	1,786,481	3.5
Less: Reserve for losses*	22,664	22,611	21,934	3.3
Net loans and leases	1,825,935	1,825,967	1,764,547	3.5
Securities**	538,512	562,383	604,522	-10.9
Other real estate owned	746	787	862	-13.4
Goodwill and other intangibles	18,712	17,869	18,288	2.3
All other assets	298,312	297,667	315,790	-5.5
Total liabilities and capital	2,682,218	2,704,674	2,704,008	-0.8
Deposits	2,245,043	2,256,281	2,331,388	-3.7
Domestic office deposits	2,242,281	2,255,486	2,330,847	-3.8
Foreign office deposits	2,761	795	541	410.9
Brokered deposits	109,379	112,556	66,460	64.6
Estimated insured deposits	1,580,600	1,592,413	1,562,590	1.2
Other borrowed funds	157,561	164,025	103,703	51.9
Subordinated debt	179	315	326	-45.2
All other liabilities	29,723	27,196	24,372	22.0
Total equity capital (includes minority interests)	249,712	256,856	244,220	2.2
Bank equity capital	249,610	256,751	244,087	2.3
Loans and leases 30-89 days past due	7,052	6,209	5,837	20.8
Noncurrent loans and leases	9,503	8,717	8,287	14.7
Restructured loans and leases	2,594	2,585	4,120	-37.0
Mortgage-backed securities	218,715	228,751	246,542	-11.3
Earning assets	2,503,651	2,529,351	2,528,980	-1.0
FHLB Advances	108,417	116,186	78,459	38.2
Unused loan commitments	410,602	416,038	433,954	-5.4
Trust assets	313,739	344,594	352,806	-11.1
Assets securitized and sold	23,583	26,144	24,586	-4.1
Notional amount of derivatives	225,170	122,905	105,130	114.2

INCOME DATA	First Three Qtrs 2023	First Three Qtrs 2022	% Change	3rd Quarter 2023	3rd Quarter 2022	% Change 22Q3-23Q3
Total interest income	$91,432	$69,032	32.4	$32,372	$25,736	25.8
Total interest expense	28,346	6,075	366.6	11,487	2,885	298.2
Net interest income	63,086	62,957	0.2	20,885	22,851	-8.6
Provision for credit losses***	2,239	1,647	35.9	808	778	3.9
Total noninterest income	14,620	15,877	-7.9	5,164	5,103	1.2
Total noninterest expense	49,442	48,921	1.1	16,740	16,762	-0.1
Securities gains (losses)	-653	-811	-19.5	-393	-239	64.0
Applicable income taxes	4,309	4,837	-10.9	1,387	1,785	-22.3
Extraordinary gains, net****	5	-4	N/M	0	-5	N/M
Total net income (includes minority interests)	21,068	22,613	-6.8	6,720	8,384	-19.8
Bank net income	21,063	22,602	-6.8	6,719	8,380	-19.8
Net charge-offs	1,252	623	101.1	519	314	65.3
Cash dividends	8,746	8,759	-0.1	2,516	2,750	-8.5
Retained earnings	12,317	13,843	-11.0	4,203	5,630	-25.3
Net operating income	21,617	23,286	-7.2	7,040	8,592	-18.1

* 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 2023	2nd Quarter 2023	3rd Quarter 2022	% Change 22Q3-23Q3
Number of institutions reporting	4,166	4,165	4,160	0.1
Total employees (full-time equivalent)	368,149	370,423	366,150	0.5
CONDITION DATA				
Total assets	$2,682,218	$2,661,430	$2,568,664	4.4
Loans secured by real estate	1,445,778	1,418,211	1,307,621	10.6
1-4 Family residential mortgages	449,984	439,899	400,495	12.4
Nonfarm nonresidential	568,060	559,196	522,034	8.8
Construction and development	155,487	152,682	138,584	12.2
Home equity lines	45,878	44,817	41,651	10.1
Commercial & industrial loans	234,904	234,725	220,510	6.5
Loans to individuals	73,810	73,020	68,664	7.5
Credit cards	2,883	2,815	2,507	15.0
Farm loans	49,853	47,232	46,095	8.2
Other loans & leases	45,100	44,392	41,435	8.8
Less: Unearned income	846	769	680	24.4
Total loans & leases	1,848,599	1,816,810	1,683,646	9.8
Less: Reserve for losses*	22,664	22,391	20,872	8.6
Net loans and leases	1,825,935	1,794,419	1,662,774	9.8
Securities**	538,512	558,797	585,258	-8.0
Other real estate owned	746	785	817	-8.7
Goodwill and other intangibles	18,712	18,600	17,909	4.5
All other assets	298,312	288,827	301,906	-1.2
Total liabilities and capital	2,682,218	2,661,430	2,568,664	4.4
Deposits	2,245,043	2,221,803	2,217,945	1.2
Domestic office deposits	2,242,281	2,219,276	2,215,650	1.2
Foreign office deposits	2,761	2,527	2,295	20.3
Brokered deposits	109,379	101,861	60,226	81.6
Estimated insured deposits	1,580,600	1,563,169	1,498,863	5.5
Other borrowed funds	157,561	159,738	95,475	65.0
Subordinated debt	179	176	181	-1.3
All other liabilities	29,723	26,837	23,227	28.0
Total equity capital (includes minority interests)	249,712	252,876	231,836	7.7
Bank equity capital	249,610	252,771	231,714	7.7
Loans and leases 30-89 days past due	7,052	6,189	5,241	34.6
Noncurrent loans and leases	9,503	8,428	7,903	20.3
Restructured loans and leases	2,594	2,569	3,957	-34.4
Mortgage-backed securities	218,715	227,416	237,472	-7.9
Earning assets	2,503,651	2,486,787	2,400,831	4.3
FHLB Advances	108,417	112,719	71,030	52.6
Unused loan commitments	410,602	413,366	415,952	-1.3
Trust assets	313,739	354,133	291,158	7.8
Assets securitized and sold	23,583	25,245	24,086	-2.1
Notional amount of derivatives	225,170	116,476	91,968	144.8

INCOME DATA	First Three Qtrs 2023	First Three Qtrs 2022	% Change	3rd Quarter 2023	3rd Quarter 2022	% Change 22Q3-23Q3
Total interest income	$91,432	$65,016	40.6	$32,372	$24,186	33.8
Total interest expense	28,346	5,629	403.6	11,487	2,628	337.1
Net interest income	63,086	59,387	6.2	20,885	21,558	-3.1
Provision for credit losses***	2,239	1,493	49.9	808	731	10.6
Total noninterest income	14,620	14,775	-1.0	5,164	4,729	9.2
Total noninterest expense	49,442	46,198	7.0	16,740	15,769	6.2
Securities gains (losses)	-653	-692	-5.7	-393	-190	106.3
Applicable income taxes	4,309	4,533	-4.9	1,387	1,684	-17.6
Extraordinary gains, net****	5	-4	N/M	0	-5	N/M
Total net income (includes minority interests)	21,068	21,241	-0.8	6,720	7,907	-15.0
Bank net income	21,063	21,231	-0.8	6,719	7,903	-15.0
Net charge-offs	1,252	556	125.3	519	285	82.1
Cash dividends	8,746	8,418	3.9	2,516	2,602	-3.3
Retained earnings	12,317	12,812	-3.9	4,203	5,301	-20.7
Net operating income	21,617	21,817	-0.9	7,040	8,075	-12.8

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

Third Quarter 2023 (dollar figures in millions)	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	4,166	449	470	909	1,137	946	255
Total employees (full-time equivalent)	368,149	70,471	37,689	76,408	71,356	81,015	31,210
CONDITION DATA							
Total assets	$2,682,218	$618,383	$260,798	$507,506	$508,112	$522,652	$264,765
Loans secured by real estate	1,445,778	378,381	140,750	264,966	255,197	268,001	138,482
1-4 Family residential mortgages	449,984	143,486	43,512	78,364	73,622	79,134	31,865
Nonfarm nonresidential	568,060	137,648	62,321	102,104	87,856	111,107	67,024
Construction and development	155,487	27,344	17,082	25,071	28,501	45,378	12,110
Home equity lines	45,878	11,109	5,577	11,195	5,974	5,675	6,348
Commercial & industrial loans	234,904	44,818	20,229	50,329	52,573	47,063	19,892
Loans to individuals	73,810	16,399	7,664	14,065	14,071	13,389	8,221
Credit cards	2,883	411	117	194	1,028	244	889
Farm loans	49,853	488	1,519	7,994	28,847	8,202	2,802
Other loans & leases	45,100	10,440	2,308	13,184	7,999	7,523	3,647
Less: Unearned income	846	213	88	75	141	195	134
Total loans & leases	1,848,599	450,313	172,383	350,464	358,546	343,982	172,911
Less: Reserve for losses**	22,664	4,576	2,150	4,300	4,622	4,503	2,514
Net loans and leases	1,825,935	445,737	170,233	346,164	353,924	339,479	170,398
Securities***	538,512	104,306	54,136	105,082	102,798	114,594	57,597
Other real estate owned	746	149	95	127	177	161	38
Goodwill and other intangibles	18,712	4,554	670	4,348	3,519	3,520	2,102
All other assets	298,312	63,637	35,665	51,786	47,695	64,897	34,631
Total liabilities and capital	2,682,218	618,383	260,798	507,506	508,112	522,652	264,765
Deposits	2,245,043	502,504	227,024	424,604	422,018	448,394	220,498
Domestic office deposits	2,242,281	501,680	227,024	424,604	422,018	448,394	218,561
Foreign office deposits	2,761	824	0	0	0	0	1,937
Brokered deposits	109,379	30,281	8,149	23,537	22,335	16,327	8,750
Estimated insured deposits	1,580,600	354,290	157,335	311,457	315,656	302,199	139,663
Other borrowed funds	157,561	45,855	8,517	32,150	35,802	21,350	13,887
Subordinated debt	179	9	0	16	4	139	10
All other liabilities	29,723	9,054	2,512	4,831	5,000	4,514	3,813
Total equity capital (includes minority interests)	249,712	60,961	22,745	45,905	45,289	48,256	26,557
Bank equity capital	249,610	60,957	22,747	45,813	45,288	48,248	26,557
Loans and leases 30-89 days past due	7,052	1,529	605	1,269	1,292	1,802	555
Noncurrent loans and leases	9,503	2,596	636	1,771	1,542	2,123	835
Restructured loans and leases	2,594	569	223	713	490	449	149
Mortgage-backed securities	218,715	54,240	21,383	38,848	33,280	41,288	29,675
Earning assets	2,503,651	576,663	244,229	472,858	475,183	487,754	246,964
FHLB Advances	108,417	34,703	5,976	23,928	24,829	11,650	7,331
Unused loan commitments	410,602	87,259	34,934	83,832	88,489	72,698	43,390
Trust assets	313,739	62,780	9,911	63,483	125,037	32,295	20,231
Assets securitized and sold	23,583	10,153	31	3,782	6,088	2,963	565
Notional amount of derivatives	225,170	50,104	8,383	117,110	26,921	8,922	13,730
INCOME DATA							
Total interest income	$32,372	$7,125	$3,222	$6,074	$6,100	$6,670	$3,180
Total interest expense	11,487	2,855	1,020	2,160	2,311	2,189	953
Net interest income	20,885	4,270	2,203	3,914	3,789	4,481	2,228
Provision for credit losses****	808	168	71	107	169	175	119
Total noninterest income	5,164	1,022	465	1,078	986	1,153	461
Total noninterest expense	16,740	3,676	1,694	3,111	3,115	3,467	1,678
Securities gains (losses)	-393	-96	-25	-29	-221	-18	-4
Applicable income taxes	1,387	314	169	325	147	230	202
Extraordinary gains, net*****	0	0	0	0	0	0	0
Total net income (includes minority interests)	6,720	1,038	708	1,421	1,123	1,746	685
Bank net income	6,719	1,038	709	1,420	1,123	1,745	685
Net charge-offs	519	110	53	60	90	112	94
Cash dividends	2,516	430	215	566	465	625	215
Retained earnings	4,203	608	494	854	657	1,120	470
Net operating income	7,040	1,116	729	1,447	1,299	1,762	688

* See Table IV-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 2023, FDIC-Insured Community Banks

Performance ratios (annualized, %)	All Community Banks		Third Quarter 2023, Geographic Regions*					
	3rd Quarter 2023	2nd Quarter 2023	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	5.19	4.98	4.97	5.29	5.17	5.15	5.48	5.18
Cost of funding earning assets	1.84	1.59	1.99	1.68	1.84	1.95	1.80	1.55
Net interest margin	3.35	3.39	2.98	3.62	3.33	3.20	3.68	3.63
Noninterest income to assets	0.77	0.75	0.66	0.72	0.85	0.78	0.89	0.70
Noninterest expense to assets	2.51	2.52	2.39	2.61	2.47	2.46	2.66	2.55
Loan and lease loss provision to assets	0.12	0.12	0.11	0.11	0.08	0.13	0.13	0.18
Net operating income to assets	1.05	1.07	0.73	1.12	1.15	1.03	1.35	1.05
Pretax return on assets	1.21	1.28	0.88	1.35	1.38	1.00	1.52	1.35
Return on assets	1.01	1.06	0.68	1.09	1.13	0.89	1.34	1.04
Return on equity	10.71	11.14	6.79	12.39	12.30	9.83	14.39	10.32
Net charge-offs to loans and leases	0.11	0.09	0.10	0.12	0.07	0.10	0.13	0.22
Loan and lease loss provision to net charge-offs	155.57	186.96	160.70	131.73	166.03	184.38	154.46	129.93
Efficiency ratio	63.85	63.79	69.15	63.36	61.57	64.82	61.13	62.15
Net interest income to operating revenue	80.17	80.89	80.69	82.58	78.41	79.35	79.53	82.86
% of unprofitable institutions	6.63	5.20	13.14	8.72	6.27	4.22	5.50	7.45
% of institutions with earnings gains	36.87	52.24	27.39	44.04	34.43	32.54	45.14	37.65

*See Table IV-A for explanation.

Table V-B. First Three Quarters 2023, FDIC-Insured Community Banks

Performance ratios (%)	All Community Banks		First Three Quarters 2023, Geographic Regions*					
	First Three Qtrs 2023	First Three Qtrs 2022	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	4.94	3.69	4.74	5.06	4.89	4.88	5.21	4.94
Cost of funding earning assets	1.53	0.32	1.68	1.36	1.52	1.63	1.48	1.27
Net interest margin	3.41	3.36	3.06	3.70	3.36	3.26	3.73	3.67
Noninterest income to assets	0.74	0.80	0.65	0.68	0.86	0.77	0.77	0.66
Noninterest expense to assets	2.49	2.45	2.38	2.60	2.46	2.46	2.62	2.53
Loan and lease loss provision to assets	0.11	0.08	0.09	0.12	0.09	0.11	0.12	0.18
Net operating income to assets	1.09	1.17	0.80	1.16	1.18	1.09	1.33	1.06
Pretax return on assets	1.28	1.38	1.01	1.41	1.39	1.18	1.49	1.35
Return on assets	1.06	1.13	0.78	1.15	1.14	1.03	1.32	1.05
Return on equity	11.30	11.70	7.82	13.06	12.41	11.39	14.21	10.48
Net charge-offs to loans and leases	0.09	0.05	0.08	0.09	0.05	0.09	0.10	0.19
Loan and lease loss provision to net charge-offs	173.89	259.09	149.23	189.43	236.80	181.11	178.18	147.02
Efficiency ratio	63.26	61.70	67.72	62.52	61.20	63.91	61.28	61.80
Net interest income to operating revenue	81.19	79.86	81.50	83.65	78.58	79.86	81.90	83.86
% of unprofitable institutions	4.78	4.09	7.80	6.60	5.39	2.73	3.59	7.45
% of institutions with earnings gains	53.48	46.87	42.76	62.77	50.94	50.84	59.30	54.51

*See Table IV-A for explanation.

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

September 30, 2023	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	0.32	0.27	0.28	0.36	0.31	0.42	0.23
Construction and development	0.40	0.21	0.18	0.46	0.60	0.43	0.41
Nonfarm nonresidential	0.23	0.25	0.15	0.29	0.20	0.26	0.19
Multifamily residential real estate	0.14	0.09	0.14	0.16	0.10	0.39	0.12
Home equity loans	0.43	0.50	0.47	0.37	0.42	0.51	0.33
Other 1-4 family residential	0.44	0.34	0.49	0.51	0.42	0.64	0.26
Commercial and industrial loans	0.42	0.33	0.55	0.32	0.45	0.52	0.44
Loans to individuals	1.65	2.11	1.14	0.76	1.25	2.71	1.67
Credit card loans	3.78	2.36	1.58	1.31	5.99	1.64	3.31
Other loans to individuals	1.56	2.10	1.14	0.75	0.88	2.73	1.47
All other loans and leases (including farm)	0.27	0.22	0.40	0.19	0.26	0.38	0.29
Total loans and leases	0.38	0.34	0.35	0.36	0.36	0.52	0.32
Percent of Loans Noncurrent							
All loans secured by real estate	0.47	0.55	0.33	0.50	0.40	0.51	0.38
Construction and development	0.40	0.66	0.15	0.33	0.45	0.26	0.69
Nonfarm nonresidential	0.48	0.61	0.32	0.59	0.41	0.53	0.23
Multifamily residential real estate	0.25	0.29	0.34	0.27	0.25	0.18	0.12
Home equity loans	0.47	0.55	0.23	0.33	0.37	0.34	0.99
Other 1-4 family residential	0.49	0.56	0.38	0.53	0.35	0.57	0.43
Commercial and industrial loans	0.77	0.89	0.66	0.64	0.61	0.99	0.86
Loans to individuals	0.58	0.47	0.36	0.25	0.46	1.24	0.70
Credit card loans	2.22	1.63	0.47	0.37	2.35	1.64	3.12
Other loans to individuals	0.51	0.45	0.35	0.25	0.32	1.23	0.41
All other loans and leases (including farm)	0.51	0.26	0.39	0.39	0.39	0.82	1.34
Total loans and leases	0.51	0.58	0.37	0.51	0.43	0.62	0.48
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.01	0.02	0.00	0.02	0.01	0.02	0.00
Construction and development	0.00	0.00	-0.02	-0.01	0.00	0.00	0.00
Nonfarm nonresidential	0.03	0.05	0.00	0.03	0.01	0.04	0.00
Multifamily residential real estate	0.01	0.01	0.00	0.03	0.00	0.02	0.00
Home equity loans	0.01	-0.01	-0.01	0.00	0.00	0.01	0.08
Other 1-4 family residential	0.00	0.00	0.00	0.01	0.00	0.01	-0.01
Commercial and industrial loans	0.22	0.27	0.34	0.12	0.15	0.24	0.31
Loans to individuals	1.24	0.99	1.03	0.34	1.52	1.28	2.91
Credit card loans	8.88	4.45	1.91	1.32	15.26	1.50	8.03
Other loans to individuals	0.93	0.91	1.02	0.33	0.41	1.28	2.36
All other loans and leases (including farm)	0.12	0.13	0.50	0.14	0.02	0.13	0.37
Total loans and leases	0.09	0.08	0.09	0.05	0.09	0.10	0.19
Loans Outstanding (in billions)							
All real estate loans	$1,445.8	$378.4	$140.8	$265.0	$255.2	$268.0	$138.5
Construction and development	155.5	27.3	17.1	25.1	28.5	45.4	12.1
Nonfarm nonresidential	568.1	137.6	62.3	102.1	87.9	111.1	67.0
Multifamily residential real estate	139.4	56.6	7.5	28.7	19.3	10.1	17.2
Home equity loans	45.9	11.1	5.6	11.2	6.0	5.7	6.3
Other 1-4 family residential	450.0	143.5	43.5	78.4	73.6	79.1	31.9
Commercial and industrial loans	234.9	44.8	20.2	50.3	52.6	47.1	19.9
Loans to individuals	73.8	16.4	7.7	14.1	14.1	13.4	8.2
Credit card loans	2.9	0.4	0.1	0.2	1.0	0.2	0.9
Other loans to individuals	70.9	16.0	7.5	13.9	13.0	13.1	7.3
All other loans and leases (including farm)	95.0	10.9	3.8	21.2	36.8	15.7	6.4
Total loans and leases (plus unearned income)	1,849.4	450.5	172.5	350.5	358.7	344.2	173.0
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	410,602	87,259	34,934	83,832	88,489	72,698	43,390
Construction and development: 1-4 family residential	34,442	5,766	4,691	4,625	5,541	10,980	2,840
Construction and development: CRE and other	93,658	20,466	8,606	18,580	16,982	21,437	7,586
Commercial and industrial	126,832	29,918	9,369	28,041	25,643	20,502	13,359

* See Table IV-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 $2.4 Billion

DIF Reserve Ratio Rises 2 Basis Points, Ends Third Quarter at 1.13 Percent

One Institution Failed During the Third Quarter

During the third quarter, the Deposit Insurance Fund (DIF) balance increased by $2.4 billion to $119.3 billion. The rise in the DIF was primarily driven by assessment income of $3.2 billion. Net investment income, which includes interest income and the effect of unrealized and realized gains and losses, added $0.9 billion. These gains were partially offset by provisions for insurance losses of $1.2 billion and operating expenses of $0.5 billion. One insured institution failed during the third quarter at an estimated cost to the Fund of $54.2 million.

The deposit insurance assessment base—average consolidated total assets minus average tangible equity—decreased by 0.6 percent in the third quarter and fell by 1.5 percent over the last 12 months.[1,2]

Total estimated insured deposits increased by 0.1 percent in the third quarter. Year-over-year insured deposit growth was 4.1 percent. The DIF reserve ratio (the fund balance as a percent of insured deposits) was 1.13 percent on September 30, 2023, up 2 basis points from the previous quarter and 10 basis points lower than one year ago.

The FDIC adopted a DIF Restoration Plan on September 15, 2020, that would return the reserve ratio to the statutory minimum of 1.35 percent by September 2028, as required by law. Based on FDIC projections, the reserve ratio remains on track to reach 1.35 percent by the statutory deadline. The FDIC will continue to monitor factors affecting the reserve ratio, including, but not limited to, insured deposit growth and potential losses due to bank failures and related reserves, as required under the current Restoration Plan.

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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.

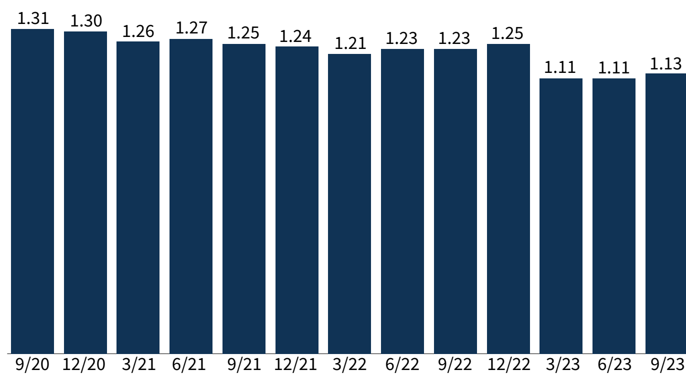
Table I-C. Insurance Fund Balances and Selected Indicators*

	Deposit Insurance Fund**												
(dollar figures in millions)	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023	4th Quarter 2022	3rd Quarter 2022	2nd Quarter 2022	1st Quarter 2022	4th Quarter 2021	3rd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020
Beginning Fund Balance	$116,968	$116,071	$128,218	$125,457	$124,458	$123,039	$123,141	$121,935	$120,547	$119,362	$117,897	$116,434	$114,651
Changes in Fund Balance:													
Assessments earned	3,225	3,127	3,306	2,142	2,145	2,086	1,938	1,967	1,662	1,589	1,862	1,884	2,047
Interest earned on investment securities	828	673	661	498	332	225	191	197	221	251	284	330	392
Realized gain on sale of investments	-272	96	-1,666	0	0	0	0	0	0	0	0	0	0
Operating expenses	517	497	508	515	456	460	453	475	448	466	454	470	451
Provision for insurance losses	1,237	2,033	16,402	-48	-49	-86	100	8	-53	-42	-57	-48	-74
All other income, net of expenses	4	3	12	114	6	29	8	61	65	2	1	9	5
Unrealized gain/(loss) on available-for-sale securities***	340	-472	2,450	474	-1,077	-547	-1,686	-536	-165	-233	-285	-338	-284
Total fund balance change	2,371	897	-12,147	2,761	999	1,419	-102	1,206	1,388	1,185	1,465	1,463	1,783
Ending Fund Balance	119,339	116,968	116,071	128,218	125,457	124,458	123,039	123,141	121,935	120,547	119,362	117,897	116,434
Percent change from four quarters earlier	-4.88	-6.02	-5.66	4.12	2.89	3.24	3.08	4.45	4.72	5.14	5.44	6.84	6.88
Reserve Ratio (%)	1.13	1.11	1.11	1.25	1.23	1.23	1.21	1.24	1.25	1.27	1.26	1.30	1.31
Estimated Insured Deposits	10,592,562	10,584,047	10,496,488	10,265,997	10,175,818	10,107,936	10,168,562	9,923,221	9,756,766	9,482,542	9,507,232	9,103,253	8,900,869
Percent change from four quarters earlier	4.10	4.71	3.22	3.45	4.29	6.60	6.96	9.01	9.62	7.56	16.50	16.56	15.15
Percent of Total Deposit Liabilites After Exclusions	59.81	59.70	58.90	56.30	55.27	54.49	53.87	53.09	53.77	53.64	54.52	54.24	55.01
Estimated Uninsured Deposits	7,118,197	7,144,438	7,325,362	7,969,404	8,235,821	8,442,076	8,706,176	8,768,085	8,390,253	8,195,454	7,929,267	7,681,044	7,280,443
Percent change from four quarters earlier	-13.57	-15.37	-15.86	-9.11	-1.84	3.01	9.80	14.15	15.24	14.00	19.83	30.77	27.68
Percent of Total Deposit Liabilites After Exclusions	40.19	40.30	41.10	43.70	44.73	45.51	46.13	46.91	46.23	46.36	45.48	45.76	44.99
Total Deposit Liabilities After Exclusions****	17,710,759	17,728,485	17,821,850	18,235,401	18,411,639	18,550,012	18,874,738	18,691,306	18,147,019	17,677,996	17,436,499	16,784,297	16,181,312
Percent change from four quarters earlier	-3.81	-4.43	-5.58	-2.44	1.46	4.93	8.25	11.36	12.15	10.45	17.99	22.66	20.47
Assessment Base*****	20,715,464	20,847,033	20,729,563	21,012,846	21,027,434	21,059,827	20,942,706	20,683,058	20,128,423	19,776,250	19,310,349	18,904,749	18,570,323
Percent change from four quarters earlier	-1.48	-1.01	-1.02	1.59	4.47	6.49	8.45	9.41	8.39	8.29	16.43	16.20	15.90
Number of Institutions Reporting	4,623	4,654	4,681	4,715	4,755	4,780	4,805	4,848	4,923	4,959	4,987	5,011	5,042

Table II-C. Problem Institutions and Failed Institutions

(dollar figures in millions)	2023******	2022******	2022	2021	2020	2019	2018	2017
Problem Institutions								
Number of institutions	44	42	39	44	56	51	60	95
Total assets*******	$53,514	$163,809	$47,463	$170,172	$55,830	$46,190	$48,481	$13,939
Failed Institutions								
Number of institutions	4	0	0	0	4	4	0	8
Total assets********	$532,168	$0	$0	$0	$455	$209	$0	$5,082

* Includes insured branches of foreign banks (IBAs) and any revisions to prior quarter data.
** Quarterly financial statement results are unaudited.
*** Includes unrealized postretirement benefit gain (loss).
**** Does not equal total deposits and domestic office deposits in the tables above due to adjustments to align with the determination of deposit insurance coverage in the event of a bank failure.
***** Average consolidated total assets minus tangible equity, with adjustments for banker's banks and custodial banks.
****** Through September 30.
******* Assets shown are what were on record as of the last day of the quarter.
******** Total assets are based on final Call Reports submitted by failed institutions.



Deposit Insurance Fund Balance and Insured Deposits ($ Millions)

	DIF Balance	DIF-Insured Deposits
9/20	$116,434	$8,900,869
12/20	117,897	9,103,253
3/21	119,362	9,507,232
6/21	120,547	9,482,542
9/21	121,935	9,756,766
12/21	123,141	9,923,221
3/22	123,039	10,168,562
6/22	124,458	10,107,936
9/22	125,457	10,175,818
12/22	128,218	10,265,997
3/23	116,071	10,496,488
6/23	116,968	10,584,047
9/23	119,339	10,592,562

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

(dollar figures in millions) September 30, 2023	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	4,049	$22,200,418	$16,185,439	$9,735,461
FDIC-Supervised	2,670	3,863,040	3,091,063	2,112,328
OCC-Supervised	710	14,887,014	10,558,747	6,192,739
Federal Reserve-Supervised	669	3,450,364	2,535,629	1,430,394
FDIC-Insured Savings Institutions	565	1,208,421	972,849	809,368
OCC-Supervised	246	518,400	410,005	348,599
FDIC-Supervised	282	307,261	243,418	183,791
Federal Reserve-Supervised	37	382,760	319,426	276,977
Total Commercial Banks and Savings Institutions	4,614	23,408,839	17,158,289	10,544,829
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	94,897	55,491	47,734
Total FDIC-Insured Institutions	4,623	23,503,736	17,213,780	10,592,562

* Excludes $1.4 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, 2023 (dollar figures in billions)

Annual Rate in Basis Points	Number of Institutions	Percent of Total Institutions	Amount of Assessment Base	Percent of Total Assessment Base
2.50 - 5.00	2,858	61.4	$6,459.8	30.99
5.01 - 8.00	1,222	26.3	12,424.0	59.60
8.01 - 12.00	459	9.9	1,657.0	7.95
12.01 - 17.00	57	1.2	178.0	0.85
>17.00	58	1.2	128.2	0.62

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 104 in 2023. The maximum level of deposits for any one office is $1.25 billion in deposits in 1985 and reached $10.28 billion in deposits in 2023. 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 $2.06 billion in 2023. 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

— Assets held in foreign branches ≥ 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-insured deposits, as well as

[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 $2.06 billion in 2023.
[3] Maximum number of offices indexed to equal 40 in 1985 and 104 in 2023.
[4] Maximum branch deposit size indexed to equal $1.25 billion in 1985 and $10.28 billion in 2023.

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/2023/fil23054.html

https://www.fdic.gov/resources/bankers/call-reports/index.html

Further information on changes in financial statement presentation, income recognition and disclosure is available from the FASB.

https://www.fasb.org/page/index?pageId=standards/index.html

DEFINITIONS (IN ALPHABETICAL ORDER)

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

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

Assessment base – Effective April 1, 2011, the deposit insurance assessment base changed to "average consolidated total assets minus average tangible equity" with an additional adjustment to the assessment base for banker's banks and custodial banks. Previously, the assessment base consisted of deposit liabilities after exclusions.

Assessment rate schedule – Initial base assessment rates for small institutions (except new 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.

Initial rates for small institutions are subject to minimums and maximums based on an institution's CAMELS composite rating.

The current assessment rate schedule became effective January 1, 2023. Under the current schedule, initial base assessment rates range from 5 to 32 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 5 basis points would have a maximum

unsecured debt adjustment of 2.5 basis points and could not have a total base assessment rate lower than 2.5 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 January 1, 2023, is shown in the following table:

Total Base Assessment Rates*

	Established Small Banks CAMELS Composite			Large and Highly Complex Institutions
	1 or 2	3	4 or 5	
Initial Base Assessment Rate	5 to 18	8 to 32	18 to 32	5 to 32
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	2.5 to 18	4 to 32	13 to 32	2.5 to 42

* 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.

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.

Deposits liabilities after exclusions – amount equal to gross total deposit liabilities meeting the statutory definition of a deposit in Section 3(l) of the Federal Deposit Insurance Act, before deducting allowable exclusions. Deposit liabilities after exclusions may differ from amounts reported for total deposits or total domestic deposits due to adjustments made to align with the determination of deposit insurance coverage in the event of a bank failure, including reporting based on an unconsolidated single FDIC certificate number basis.

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 deposit liabilities after exclusions minus estimated uninsured deposits. Beginning September 30, 2009, insured deposits reflect an increase in the FDIC's standard maximum deposit insurance amount from $100,000 to $250,000. From December 31, 2010, through December 31, 2012, insured deposits also include all funds held in noninterest-bearing transaction accounts, without limit.

Estimated uninsured deposits – In general, institutions with $1 billion or more in total assets report estimated uninsured deposits in domestic offices of the bank and in insured branches in Puerto Rico and U.S. territories and possessions, including related interest accrued and unpaid. For institutions that do not report estimated uninsured deposits, the FDIC calculates this amount as the amount of deposit and retirement accounts with balances greater than the standard maximum deposit insurance amount (SMDIA), currently $250,000, minus the portion that is insured. The amount that is insured is estimated by multiplying the number of accounts with balances greater than the SMDIA, as reported on the Call Report, by the SMDIA. For example, under the current SMDIA, if an institution reports a number and amount of deposit and retirement accounts with balances greater than $250,000 of 1,000 and $500 million, respectively, estimated uninsured deposits as calculated by the FDIC would equal $250 million ($500,000,000 – 1,000 * $250,000).

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.

Liquidity ratio – liquid assets to total assets. Liquid assets include cash, federal funds sold, securities purchased under agreements to resell, and securities (including unrealized gains/losses on securities) less pledged securities.

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.

IMPLICATIONS OF HIGH INFLATION FOR BANKING OUTCOMES AND DEPOSIT FLOWS: OBSERVATIONS FROM 2021 TO 2022 AND THE 1970s

INTRODUCTION

This article examines how persistently high inflation affects banks by comparing the inflationary cycle that began in 2021 with that of the 1970s. The 1970s included two periods of stagflation—high inflation and sluggish or negative economic growth and high unemployment. The 1970s may shed light on the current period of high inflation and offer insights into conditions banks may face over the coming years if inflation persists. Inflation can affect banks in various ways as central banks generally respond with monetary policy tightening and higher interest rates and the economy generally slows in response to these changes. This article compares lending and bank performance during two inflationary periods with a focus on the effects on deposits. Robust deposit growth in the 1970s suggests that banks were actively seeking deposits, competing both against each other and against other short-term investments. In 2021 to 2022, banks generally were flush with deposits as a result of varying pandemic support programs, and generally were slow to raise rates to compete to keep deposits. The differences between the two periods illustrate the importance of considering broader macroeconomic conditions when analyzing the effects of inflation on banks.

THE CURRENT HIGH INFLATION PERIOD

In 2022, inflation reached its highest level since the early 1980s (Chart 1). The United States had not experienced sustained high inflation since the stagflation period of the 1970s and early 1980s. This recent period of high inflation to some degree reflected a period of adjustment associated with the COVID-19 pandemic and its aftermath. Inflation fell close to zero in second quarter 2020 as pandemic-related restrictions and job losses led to lower demand for most goods and services. As the economy reopened in 2020, inflation rose back toward the Federal Reserve's long-run 2 percent target. Inflation rose above the 2 percent target in 2021 and 2022 and peaked at 9.1 percent in June 2022, the highest level since 1981.

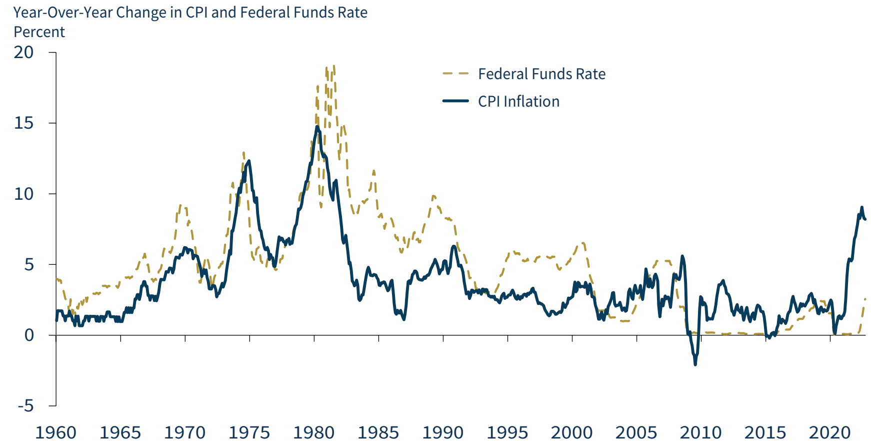
Several factors contributed to rising inflation in 2021 and 2022. Manufacturing disruptions and transportation delays limited supply and raised the costs of producing and shipping goods, and labor shortages raised costs for many businesses. Russia's invasion of Ukraine disrupted food and energy markets, pushing up prices. An increased preference for goods rather than services pushed up goods demand at the same time that supply fell.[1] Pandemic support programs bolstered household incomes through 2021 and allowed households to continue to spend through disruptions, which bolstered consumer demand and pushed up prices.

In 2021, the Federal Open Market Committee (FOMC) stated that inflation was transitory and the FOMC did not tighten monetary policy to reduce it.[2] But in 2022, as inflation continued to increase, the FOMC raised interest rates by 425 basis points in less than a year, the fastest monetary policy tightening since 1981. In response, inflation fell from June 2022 through December 2022 but remained above the Federal Reserve's 2 percent target.

[1] See Francesco Ferrante, Sebastian Graves, and Matteo Iacoviello, "The Inflationary Effects of Sectoral Reallocation," International Finance Discussion Papers 1369, Board of Governors of the Federal Reserve System, (2023), https://www.federalreserve.gov/econres/ifdp/files/ifdp1369.pdf.

[2] See, for example, Federal Reserve, press release, April 28, 2021, https://www.federalreserve.gov/monetarypolicy/files/monetary20210428a1.pdf; Federal Reserve, press release, June 16, 2021, https://www.federalreserve.gov/monetarypolicy/files/monetary20210616a1.pdf; and Federal Reserve, press release, November 3, 2021, https://www.federalreserve.gov/monetarypolicy/files/monetary20211103a1.pdf.

Chart 1
Inflation Rose to the Highest Level Since the 1980s in 2022



Source: Bureau of Labor Statistics (Haver Analytics).
Note: Data are monthly through December 2022.

INFLATION IN THE 1970s AND 1980s

In the 1970s, the United States experienced two periods of stagflation: high inflation and sluggish or negative economic growth and high unemployment. Compared with the 2021 inflation period, inflation in the 1970s was longer lasting and was defined by two large spikes. Chart 2 compares consumer price index (CPI) inflation in the 1970s and in the 2020s, starting from the first month of each rising inflation period. The 1970s period began in January 1973 and the 2020s period began in January 2021.

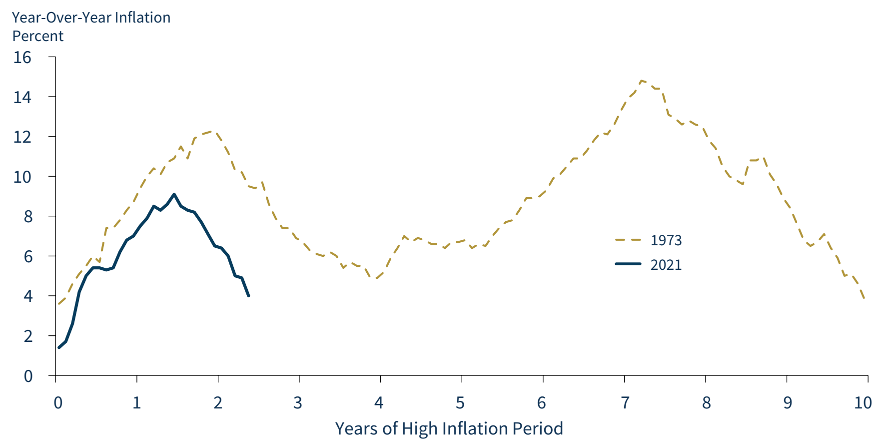
In response to high inflation and low job growth in the 1970s, economist Arthur Okun proposed a new measure called the misery index—the sum of the inflation rate and the unemployment rate. There were two periods of stagflation in the 1970s when the misery index was above 16 percent: from 1974 to 1975 and from 1979 to 1982. Inflation spiked in both of these periods and remained elevated between them. In contrast, the misery index was only 12.7 percent when it peaked in June 2022 during the most recent high-inflation period.[3]

[3] The misery index spiked to 15.0 percent in April 2020 at the height of pandemic-related unemployment, but declined with unemployment and was 8.1 percent by October 2020.

Several factors contributed to high inflation during the 1970s. The Arab oil embargo of 1973 more than tripled oil prices, and crop failures and depleted inventories pushed up food prices. Social spending programs enacted in the late 1960s as part of the "Great Society" also continued to boost civilian demand, while the Vietnam War increased military spending. Inflation remained elevated for much of the 1970s and was expected to continue to rise. In 1979, the Iranian Revolution led to the second oil crisis, again raising oil prices and pushing other prices higher.[4]

Chart 2

Inflation Peaked Lower and Came Down Faster in 2021



Source: Bureau of Labor Statistics (Haver Analytics).
Note: The chart shows year-over-year CPI inflation starting from the first month of a high-inflation period. The 1973 line starts in January 1973, and the 2021 line starts in January 2021.

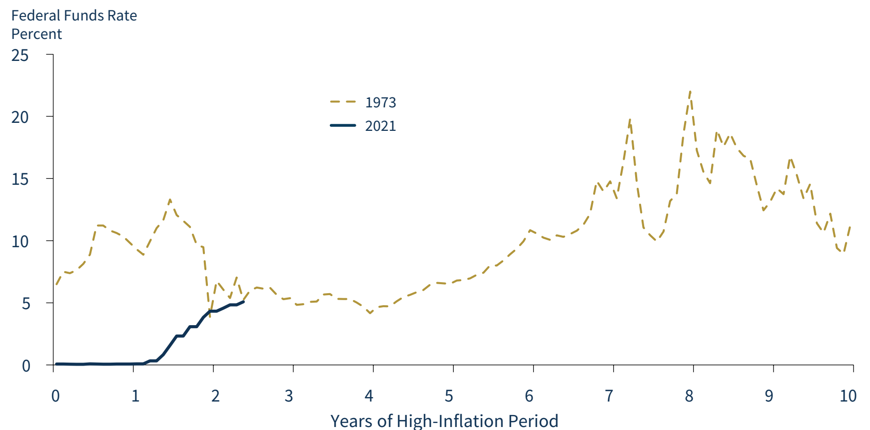
[4] For a contemporaneous discussion of inflation in the 1970s, see Robert E. Hall, Inflation: Causes and Effects, (University of Chicago Press, 1982), https://www.nber.org/books-and-chapters/inflation-causes-and-effects. For a more recent discussion, see Alan S. Blinder and Jeremy B. Rudd, "The Supply-Shock Explanation of the Great Stagflation Revisited," National Bureau of Economic Research, February 2010, https://www.nber.org/system/files/chapters/c9160/revisions/c9160.rev2.pdf.

In response to high inflation, the Federal Reserve quickly raised interest rates in 1973 and then quickly lowered them. Chart 3 shows the federal funds rate in the two high-inflation periods. While inflation rose equally fast during both periods, interest rates rose earlier in the 1970s. The federal funds rate peaked in June 1974 and started to decline even before inflation did, and returned to its 1972 level by mid-1975. Rates then slowly rose from 1975 through 1979 as inflation rose. In 1979, Paul Volcker became Chairman of the Federal Reserve and the FOMC raised the federal funds rate significantly in an effort to bring down inflation and reduce inflation expectations. The Federal Reserve kept the federal funds rate higher for longer than expected, signaling its commitment to reducing inflation.

In contrast, in the 2021 inflation period, the FOMC did not begin to raise rates until about a year after inflation began to rise, but raised rates more sharply than the initial rate increases of the 1970s. If current inflation were to remain persistently high or to increase again, interest rates may rise and become more volatile, similar to the experience of the 1970s. Bank management of interest rate risk would become more challenging in such an environment. The recent bout of inflation, however, has been modest compared to that of the 1970s, as shown in Chart 2.

Chart 3

The Federal Funds Rate Started to Increase Later in the 2021 High-Inflation Period Than in the 1970s



Source: Federal Reserve Board (Haver Analytics).
Note: The chart shows the federal funds rate starting from the first month of a high inflation period. The 1973 line starts in January 1973, and the 2021 line starts in January 2021.

EFFECTS OF HIGH INFLATION ON LOAN GROWTH, LOAN PERFORMANCE, AND BANK PROFITABILITY

Inflation and the monetary policy response to inflation can affect banks through several channels, some of which support favorable banking outcomes while others weaken them. One effect of inflation is higher nominal growth of aggregate values like GDP and loans, even if real growth slows. At some point, monetary policy tightens to contain inflation and interest rates rise, slowing the economy. The table on page 51 summarizes, at a conceptual level, some of the possible effects of inflation or higher interest rates on loan demand, loan performance, and bank profitability.

Banks generally increase loan interest rates as market interest rates rise. Higher interest rates may reduce loan demand by increasing the cost of a loan. Loan demand may fall to the extent that higher interest rates slow economic growth. On the other hand, rising prices may increase the size of loans needed, at least partially offsetting some of the downward pressure on loan demand from rising interest rates and slowing economic growth.

The effects of inflation on loan volumes were different in the 1970s than in the 2020s, in line with broader macroeconomic conditions. In the early 1970s, loan growth rose after the end of the 1969–1970 recession along with nominal GDP growth, with year-over-year loan growth peaking at 19 percent in second quarter 1973. As inflation continued to rise, the FOMC raised interest rates and the economy entered a recession. Year-over-year loan growth fell through the first stagflation period to a low of 2 percent in third quarter 1975. Similarly, loan growth accelerated after the 1973–1975 recession but slowed significantly in 1980 as the FOMC quickly raised interest rates and the economy entered another recession. Loan growth increased during the 2020 pandemic-related recession as businesses drew down lines of credit to have cash on hand and the Paycheck Protection Program boosted commercial and industrial loans.[5] Because of this boost, loans fell in 2021 from a year earlier as inflation started to increase, but recovered strongly in 2022 even as interest rates increased quickly.

[5] U.S. Department of the Treasury, Paycheck Protection Program, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-small-businesses/paycheck-protection-program, and Margaret Hanrahan and Angela Hinton, "The Importance of Community Banks in Paycheck Protection Program Lending," FDIC Quarterly 14 no. 4 (2020), https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2020-vol14-4/article1.pdf.

Table 1

High Inflation and High Interest Rates Affect Banks in Multiple Ways

	Channels of Effect		Experience	
	Increase	**Decrease**	**1970s**	**2020s**
Loan Demand	Higher prices cause households and businesses to require larger loans for the same purchase or project If inflation comes from economic growth, loan demand will be high	Higher interest rates lower loan demand	Loan growth was strong throughout the 1970s but slowed in 1974 through 1975 and in 1979 through 1981	Loan growth slowed in 2021 but increased in 2022
Loan Repayments	Inflation lowers the real amount people owe on an existing loan, making repayment easier	Higher prices can strap budgets, leaving less money to repay loans Higher interest rates make repayment harder	Net charge-off rates trended up in the 1970s and worsened in the 1980s	Pandemic support programs lowered net charge-off rates
Bank Profitability	Higher interest rates generate higher interest income from new or floating-rate loans	Funding costs increase with interest rates If loan demand falls, interest income may fall	Return on assets (ROA) declined and worsened in the Federal Reserve Chairman Paul Volcker period	ROA rose from 2020 lows in 2021

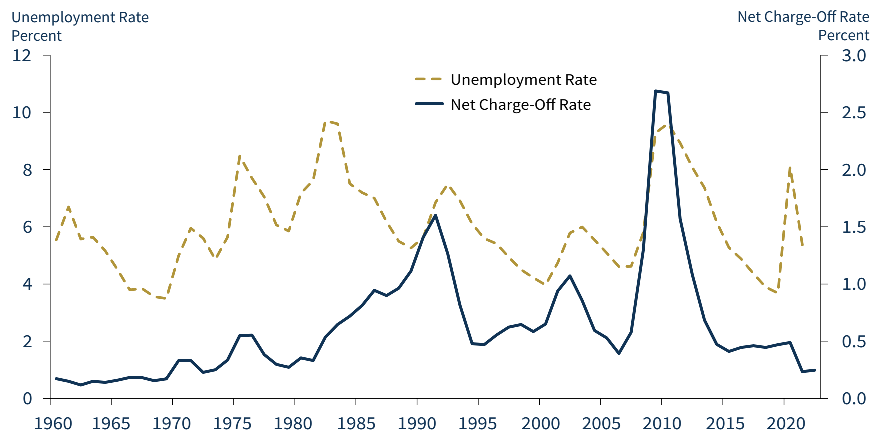
Source: FDIC.

High inflation and interest rates may have conflicting effects on loan performance. Inflation causes the real value of existing loans to fall. If high inflation is accompanied by rising wages or rising profits, then making payments on existing loans may become easier. On the other hand, high inflation—if it outpaces wage growth—can mean lower household disposable income to meet loan obligations, causing higher rates of loan delinquency. In addition, floating interest rates can worsen loan performance as monthly payments increase with interest rates.

General economic conditions matter in determining which effect dominated in the two periods. As shown in Chart 4, the 1970s were characterized by high unemployment rates, which may have impeded households' ability to stay current on loans. With the increase in the unemployment rate that occurred during the first stagflation period of 1974 to 1975, the net charge-off rate on loans rose from 1974 to 1976. The net charge-off rate rose again in 1979 and 1980 as inflation rose during the second stagflation period, but it rose more quickly through the 1980s from high interest rates to fight inflation, a recession, and the Savings and Loan Crisis (Chart 4). The more recent period of inflation, in contrast, has been characterized by historically low unemployment rates and very low net charge-off rates. Wages accelerated in both periods, but at the peak of inflation, real wage growth was negative in both periods. Loan performance improved in 2021 compared to pre-2020 levels as pandemic fiscal support and the quick recovery from the pandemic bolstered income and loan repayments. The net charge-off rate rose slightly in 2022 but remained relatively low.

Chart 4

Net Charge-Offs Tend to Rise With the Unemployment Rate

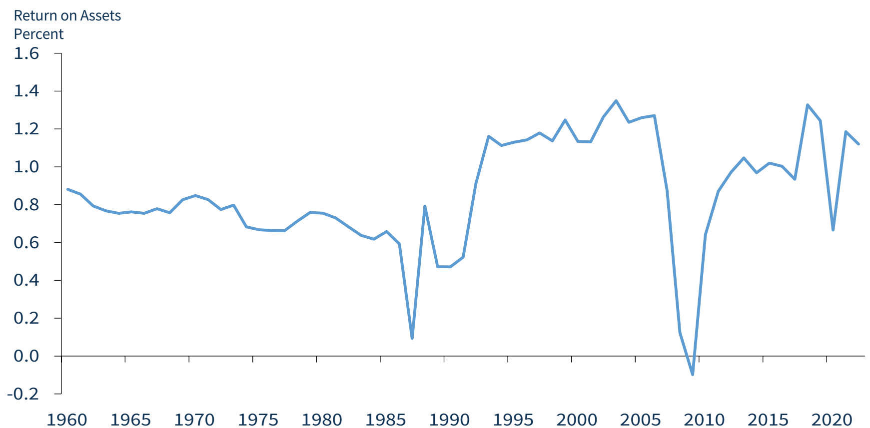


Sources: FDIC and Bureau of Labor Statistics (Haver Analytics).
Note: Data are annual through 2022.

The net results of the effects on bank profitability described above are a priori ambiguous. As noted in the table on page 51, downward pressure on loan demand and upward pressure on funding costs from monetary tightening in response to inflation tend to reduce bank income and profitability. On the other hand, higher interest rates earned on new loans may offset any decreases in loan growth and loan performance.

Bank profitability measured by return on assets trended downward in the 1970s (Chart 5). This includes the two stagflation periods, as slow economic growth and high unemployment weighed on loan performance: industry return on assets declined 14 percent in 1974 and fell consistently from 1980 through 1984. The declines in return on assets during the two stagflation periods, however, were relatively small, potentially reflecting that the positive effect of higher interest rates on net income helped mitigate the total decline. In contrast, in 2021 and 2022 the unemployment rate remained at historic lows, loan growth was strong through much of 2022, and the return on assets increased.

Chart 5
Bank Performance Fell in 2020 but Recovered in 2021



Source: FDIC.
Note: Data are annual through 2022.

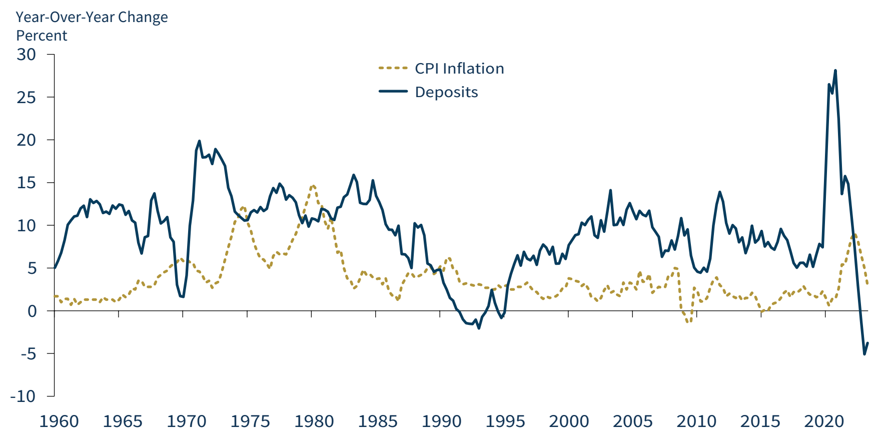
EFFECTS ON DEPOSITS

This section examines deposit behavior at banks in more detail because deposits are an important funding source for banks. Deposit growth and inflation interact in multiple ways. In economic theory, growth in the supply of money, including deposits, is an important driver of inflation. Conversely, inflation and the increases in interest rates that result from Federal Reserve tightening in response can have feedback effects on deposit growth. High inflation periods may strain household budgets as the same purchases cost more, resulting in lower savings and a drawdown in deposits. If banks raise deposit rates more slowly than market rates, households and businesses may invest their bank deposits in higher-yielding alternatives, contributing to deposit outflows from their bank.[6]

Before the high inflation period in 2021–2022, banks had unusually high levels of deposits. Banks experienced large inflows of deposits in 2020 and early 2021 due to the pandemic and pandemic-related policy measures and programs, and deposit growth continued through mid-2022 (Chart 6).[7] At the start of the pandemic, many businesses with lines of credit drew down their lines to have cash on hand, also pushing up business deposits. Pandemic fiscal support, like stimulus checks and enhanced unemployment benefits, increased household deposits. With these developments, bank account balances as of December 31, 2020, were 23 percent higher than a year earlier, well above the previous peak increase in 1972.

Chart 6

Deposits Are Weakly Correlated With CPI Inflation



Sources: Federal Reserve Board Z.1 and Bureau of Labor Statistics (Haver Analytics).
Note: Data are quarterly through first quarter 2023.

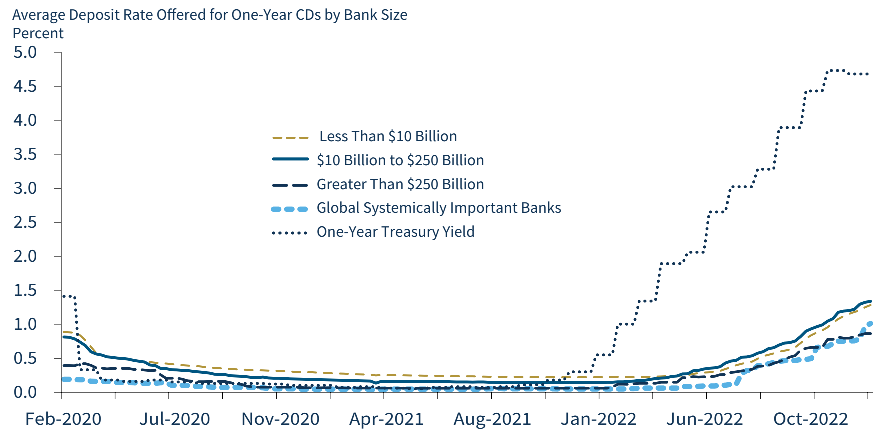
[6] Deposits may leave the depositor's bank but remain in the banking system if the withdrawn funds ultimately give rise to new deposits in other U.S. banks.

[7] The deposit data come from Table L.111 of the Federal Reserve's Z.1 release: U.S. Chartered Depositories. The variables used are checkable deposits and currency and time and savings deposits.

These deposits have been slow to normalize even as the economy recovered from the pandemic recession and the need for precautionary savings lessened. As inflation and interest rates rose in first half 2022, deposits continued to rise. Strong nominal wage growth and positive economic conditions supported deposit growth. Because of the high level of deposits, banks were slower than usual to raise deposit rates (Chart 7). As market interest rates continued to rise, deposits declined in second half 2022. Many banks reported a decline in deposits as some depositors began to seek higher-yielding alternatives. Despite the decline, total deposits remained about 35 percent above their fourth quarter 2019 level at year-end 2022.

Chart 7

One-Year Certificate of Deposit Rates Rose in 2022 but Remained Well Below the Comparable Treasury Rate



Sources: S&P Capital IQ and Federal Reserve Board.
Note: Lines show the average deposit rate offered on household accounts, weighted by domestic deposits. Data are weekly through December 2022.

In contrast, banks in the 1970s were generally seeking deposits, as evidenced by the robust growth of deposits through the 1970s shown in Chart 6. But they were limited in the amount they could raise deposit rates in response to changes in market interest rates. Regulation Q placed caps on the rates that banks could pay on deposits, and by the 1970s, deposit rates rose to the regulatory caps.[8]

As market interest rates rose, banks increased their deposit rates to the cap to compete with each other and other investment alternatives for short-term investments like commercial paper and money market funds.[9] These comparable market rates were generally above the caps on deposit rates. As market interest rates rose well above the rate banks were allowed to pay in the 1970s, interest rate caps were raised several times to allow banks to continue to compete for deposits.

Each time the interest rate cap on deposits was raised, almost all banks raised their rates to the cap.[10] For example, in July 1973, when inflation was rising but in line with then-prevailing trends and the federal funds rate had started to rise, 64 percent of banks reported paying the deposit rate cap on savings deposits. By October 1974, when the CPI inflation rate peaked and the federal funds rate was already declining, 84 percent of banks reported paying the maximum rate allowed on savings deposits. The percentage paying the cap remained above 80 percent through April 1978, when data collection ended. This pattern is true for other deposit rates. In July 1973, 80 percent of banks reported paying the cap on the surveyed category of one-year to two-and-a-half-year certificates of deposit; that share rose to 97 percent of banks in October 1974 and remained above 90 percent through April 1978.

[8] Regulation Q was a Federal Reserve regulation that prohibited banks from paying interest on demand deposits and limited the interest paid on other deposits. The interest rate ceilings were gradually raised during the 1960s through the 1980s, and the regulation was fully repealed by the Dodd-Frank Act. For history through the mid-1980s, see R. Alton Gilbert, "Requiem for Regulation Q: What It Did and Why It Passed Away," Federal Reserve Bank of Saint Louis, February 1986, https://files.stlouisfed.org/files/htdocs/publications/review/86/02/Requiem_Feb1986.pdf.

[9] Not all deposit categories had caps in 1970. Some certificates of deposit over $100,000—about $800,000 in 2023 dollars—were exempted from the caps in June 1970.

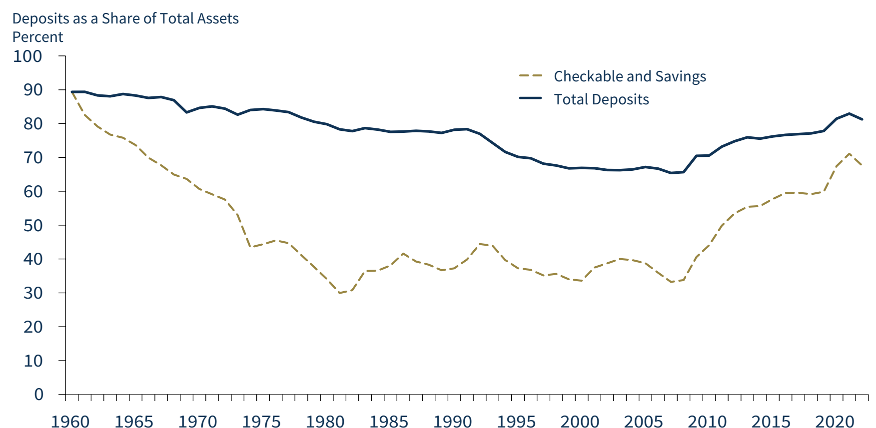
[10] Timothy Q. Cook, "Regulation Q and the Behavior of Savings and Small Time Deposits at Commercial Banks and the Thrift Institutions," Federal Reserve Bank of Richmond Economic Review, November/December 1978, https://www.richmondfed.org/-/media/RichmondFedOrg/publications/research/economic_review/1978/pdf/er640602.pdf.

With the high interest rates of the 1970s and the constraints imposed by Regulation Q, bank reliance on deposits decreased (Chart 8).[11] In the 1970s, deposits—especially demand deposits, which were not allowed to pay interest—paid far less than other comparable investments as market interest rates rose. In response, some depositors moved their money into higher-yielding financial instruments and decreased their deposit holdings. This search for yield is widely agreed to explain the sharp growth in money market fund assets that began in the late 1970s, as assets in these funds increased from $10.8 billion at year-end 1978 to $186.3 billion at year-end 1981.[12]

Deposit changes during the 1970s included a reduction in bank reliance on checking and savings deposits for funding (Chart 8).[13] Checking and savings accounts are generally considered a stable source of funding for banks. Reliance on deposits declined from 1960 through the Great Recession, and the reliance on checking and savings deposits fell more quickly. Checking and savings deposits as a share of bank assets had been trending down since the 1940s and fell almost 10 percentage points in 1974, the fastest decline since data collection began in 1934.[14] The decline in the checking and savings deposit share of assets accelerated in 1981 as the federal funds rate rose.

Chart 8

Bank Reliance on Checking and Savings Deposits Fell in the 1970s and Rose in 2020 and 2021



Source: FDIC Annual Historical Bank Data.
Note: Data are annual through 2022.

[11] Banks increased their use of Federal Home Loan Bank advances and commercial paper to fund their balance sheets during this period.
[12] The money market funds increased their investments in commercial paper during the 1970s, and companies placed some of the money they raised from selling commercial paper back into banks. Additionally, their investments in time deposits would also flow back into banks as deposits.
[13] For this chart, we use the FDIC's Annual Historical Bank Data rather than the Federal Reserve's Z.1 release because we can distinguish savings deposits in the FDIC's data, while savings deposits and time deposits are combined in the Z.1 release.
[14] These data come from the FDIC's Annual Historical Bank Data, domestic demand deposits, domestic savings deposits, and total deposits. The longer-term decline in reliance on checking and savings deposits was partially caused by the increased demand for interest on deposits.

In contrast, total deposits and checking and savings deposits spiked in 2020 and 2021 and only began falling slightly in fourth quarter 2022 from a year earlier. Bank reliance on deposits also increased in 2020 and 2021 as deposits remained a cheap funding source, particularly as market interest rates began to rise.

In both the 1970s and the 2020s, bank deposit interest rates tended to lag increases in market interest rates. Deposit rates lower than market interest rates affected deposit flows into banks. Unique features of each historical period likely contributed to the slow adjustment of deposit interest rates: Regulation Q in the 1970s, and more recently the glut of deposits in the aftermath of the pandemic. Recent trends suggest that banks continue to face upward pressure on funding costs.[15]

CONCLUSIONS

High inflation affects banking conditions through direct effects on loan performance, interest income, and deposit flows and indirect effects through broader macroeconomic conditions. With relatively few periods of high inflation in recent history, the experience of the 1970s may provide insights into how inflation may affect banking conditions during the high interest rate period that started in 2021. If inflation persists or increases, then a continuation of relatively high market interest rates would be expected to increase competition for deposits as banks raise deposit rates. Interest rate tightening in response to the high inflation of the 1970s also contributed to recessions, which can directly affect borrowers' ability to pay and the demand for loans. Similarly, in the current tightening cycle, the possibility of an economic slowdown or recession exists that could adversely affect bank profitability separately from inflation. Finally, if inflation rates remain high or volatile, the experience of the 1970s suggests that interest rates would also be high and volatile, increasing the challenges of interest rate risk management for banks.

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[15] For a detailed discussion of recent banking trends related to the interest rate environment, including an analysis of deposit betas, see Nafij Ahmed, Dorothy G. Miranda, and Krishna Patel, "Banking Sector Performance During Two Periods of Sharply Higher Interest Rates: 2022 and 2004 Interest Rate Increase Cycles," FDIC Quarterly 17 no. 3 (2023), https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2023-vol17-3/article1.pdf.