FDIC Quarterly

Quarterly Banking Profile: Fourth Quarter 2018

Merger Adjusting Bank Data: A Primer

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

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2019 FDIC QUARTERLY

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FDIC-insured institutions reported aggregate net income of $59.1 billion in the fourth quarter of 2018, up $33.8 billion (133.4 percent) from a year earlier. The improvement in earnings was attributable to higher net operating revenue and lower income tax expenses. The average return on assets was 1.33 percent for the quarter, up from 0.58 percent in fourth quarter 2017. The percentage of unprofitable banks in the fourth quarter declined to 6.5 percent from 16.6 percent a year ago. *See page 1.*

Community Bank Performance

Community banks—which represent 92 percent of insured institutions—reported net income of $6.8 billion in the fourth quarter, up $2.7 billion (65.1 percent) from a year earlier. Lower income tax expense and higher net interest income contributed most to the improvement in earnings. *See page 15.*

Insurance Fund Indicators

The Deposit Insurance Fund (DIF) balance increased by $2.4 billion during the quarter to $102.6 billion on December 31, driven by assessment income and unrealized gains on available-for-sale securities. The DIF's reserve ratio (the fund balance as a percent of estimated insured deposits) was 1.36 percent on December 31, 2018, unchanged from September 30, 2018, and up from 1.30 percent on December 31, 2017. *See page 23.*

Featured Article:

Merger Adjusting Bank Data: A Primer

Analysis of banking trends often focuses on specific industry subgroups. The analyst tracks the performance or characteristics of an industry subgroup over time, and the results, if compelling, can serve as input to policy decisions. An important component of analyzing industry subgroups is a procedure called merger adjustment. This article describes how and when FDIC analysts use merger adjustment when analyzing the banking industry. It discusses when to merger adjust and when not to merger adjust, and offers guidance for interpreting the results. *See page 31.*

INSURED INSTITUTION PERFORMANCE

Net Income Rises $33.8 Billion Over Fourth Quarter 2017 to $59.1 Billion

Higher Net Operating Revenue and Lower Income Tax Expenses Lift Net Income

Net Interest Income Increases 8.1 Percent From a Year Earlier

Total Loan and Lease Balances Rise 4.4 Percent Over 12 Months

Full-Year 2018 Net Income Grows to $236.7 Billion

The Number of Banks on the "Problem Bank List" Declines to 60

Net Income Rises $33.8 Billion Over Fourth Quarter 2017 to $59.1 Billion

The 5,406 FDIC-insured commercial banks and savings institutions reported quarterly net income of $59.1 billion in the fourth quarter, an increase of $33.8 billion (133.4 percent) from a year earlier.[1] Improvement in quarterly net income was attributable to higher net operating revenue (the sum of net interest income and noninterest income) and lower income tax expenses. Assuming the effective tax rate before the new tax law, quarterly net income would have totaled an estimated $50.3 billion, up $7.9 billion (18.5 percent) from 12 months ago.[2] The average return on assets was 1.33 percent for the quarter, up from 0.58 percent in fourth quarter 2017. The percentage of unprofitable banks in the fourth quarter declined to 6.5 percent from 16.6 percent a year ago.

Full-Year 2018 Net Income Grows to $236.7 Billion

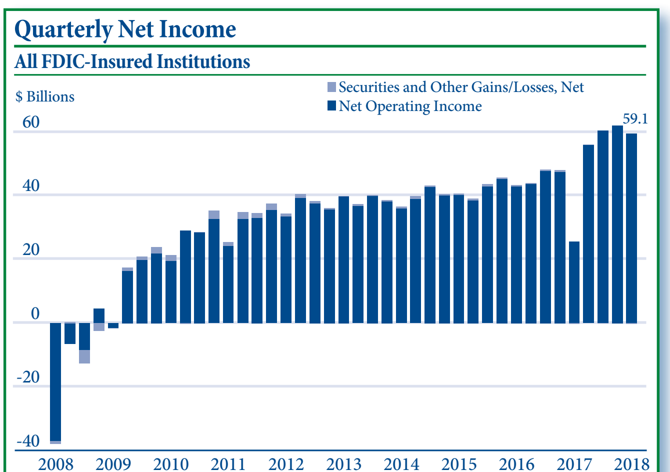
Growth in net operating revenue (up $53.1 billion, or 7 percent), coupled with lower income tax expenses (down $36.9 billion, or 37.7 percent) and loan-loss provisions (down $1.1 billion, or 2.2 percent), lifted full-year 2018 net income to $236.7 billion, an improvement of $72.4 billion (44.1 percent) from 2017. Assuming the effective tax rate before the new tax law, full-year 2018 net income would have totaled an estimated $207.9 billion, compared with $183.1 billion in 2017.[3] The average net interest margin (NIM) rose from 3.25 percent in 2017 to 3.40 percent, as average asset yields (up 43 basis points) exceeded average funding costs (up 28 basis points). The average return on assets for 2018 was 1.35 percent, up from 0.97 percent for 2017.

[1] Three insured institutions had not filed a December 31 Call Report at the time this report was prepared.

[2] This estimate of quarterly net income normalizes fourth quarters 2017 and 2018 by applying the average quarterly tax rate between fourth quarter 2011 and third quarter 2017 to income before taxes and discontinued operations.

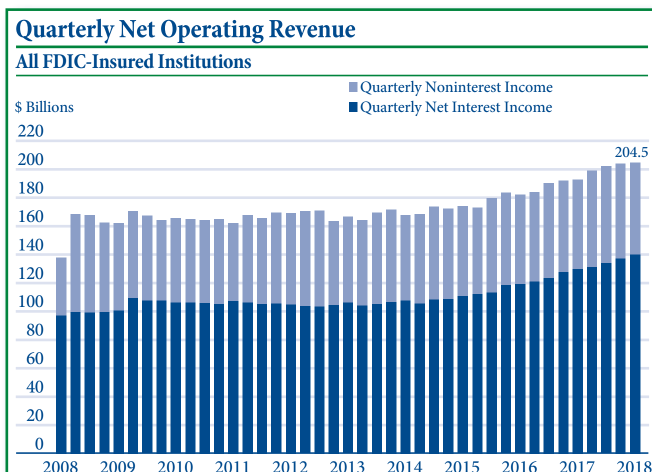
[3] This estimate of full-year net income normalizes 2018 and 2017 by applying the average annual tax rate between 2011 and 2016 to income before taxes and discontinued operations.

Chart 1



Source: FDIC.

Chart 2



Source: FDIC.

Net Interest Income Increases 8.1 Percent From a Year Earlier	Quarterly net interest income rose to $140.2 billion, up $10.5 billion (8.1 percent) from a year earlier, owing to growth in interest-bearing assets and wider net interest margins (NIM). More than four out of five banks (82.6 percent) reported year-over-year increases in net interest income. NIM was 3.48 percent for the quarter, an improvement from the 3.31 percent margin reported a year ago, as average asset yields grew more rapidly than average funding costs. Banks with assets of $10 billion to $250 billion reported the largest annual increases in average asset yields (up 58 basis points) and average funding costs (up 40 basis points).
Loan-Loss Provisions Increase Modestly	Banks set aside $14 billion in loan-loss provisions during the fourth quarter, the highest level since fourth quarter 2012. Loan-loss provisions rose by $397.3 million (2.9 percent) from fourth quarter 2017, with close to 40 percent of all banks reporting increases. Loan-loss provisions as a percent of net operating revenue declined from 8.3 percent at year-end 2017 to 8.2 percent.
Noninterest Income Expands From a Year Earlier	Noninterest income increased $1.6 billion (2.6 percent) from a year earlier, as all other noninterest income grew by $3.5 billion (11.9 percent) and net gains on sales of other assets rose by $393 million (120.3 percent). Despite the overall increase in noninterest income, trading revenue declined by $1.5 billion (25.9 percent) and servicing fees fell by $850.9 million (36.1 percent). Slightly more than half of all banks (53.6 percent) reported increases in noninterest income compared with the year-ago quarter.
Noninterest Expense Increases From Fourth Quarter 2017	Noninterest expense posted a modest increase of $194.9 million (0.2 percent) over the past 12 months. Increases in other noninterest expense (up $2.6 billion, or 5 percent) and salary and employee benefits (up $717 million, or 1.3 percent) were partially offset by a decline in premises and fixed asset expense (down $2.7 billion, or 22.5 percent). The average assets per employee increased from $8.4 million in fourth quarter 2017 to $8.7 million.
Net Charge-Offs Decline 4.6 Percent From a Year Ago	Banks charged off $12.6 billion in uncollectable loans during the quarter, a decline of $605.9 million (4.6 percent) from a year ago. This marks the first time since third quarter 2015 that net charge-offs registered a year-over-year decline. Credit card balances registered the largest annual dollar increase in net-charge offs (up $347.7 million, or 4.4 percent), while commercial and industrial loans had the largest annual dollar decline (down $522.6 million, or 23.4 percent). The average net charge-off rate declined from 0.55 percent in fourth quarter 2017 to 0.50 percent.

Chart 3

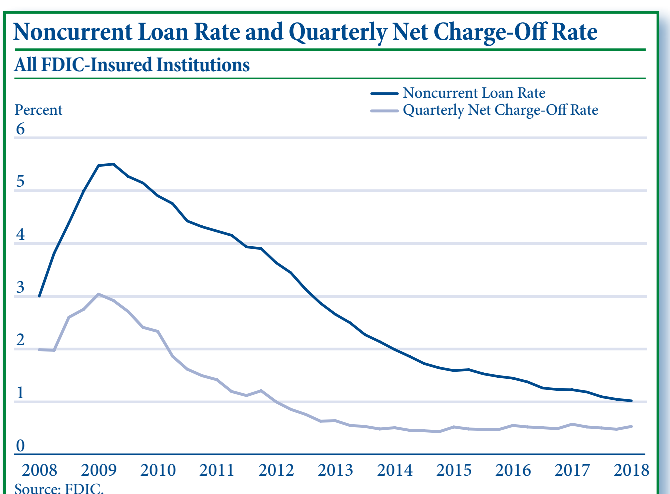
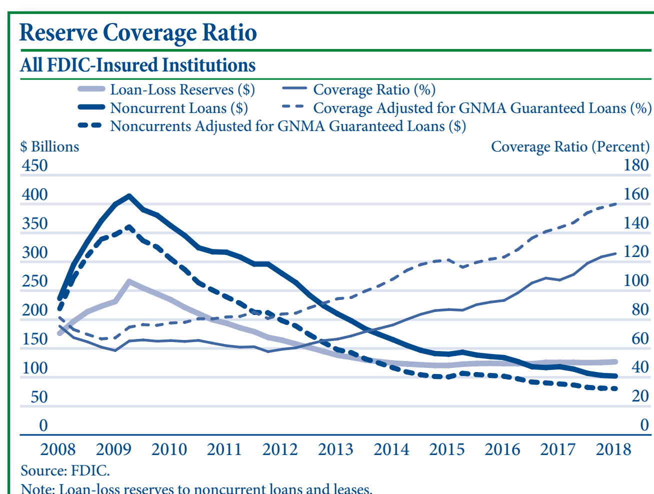
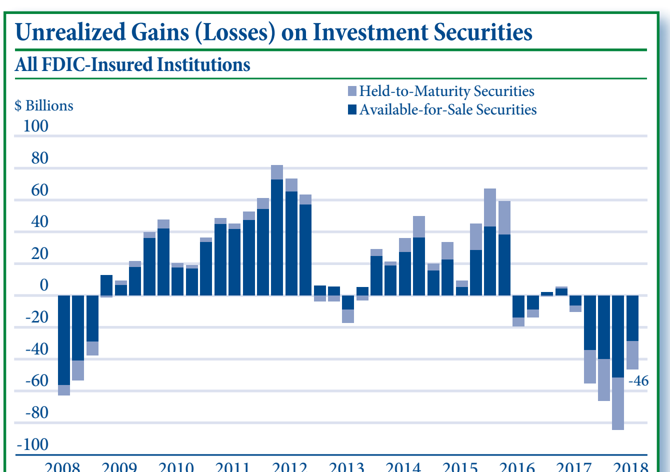


Chart 4



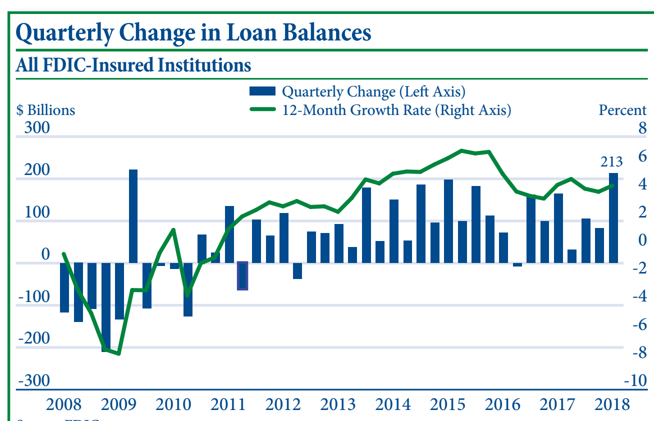
Noncurrent Loan Rate Falls Below 1 Percent	Noncurrent loan balances (90 days or more past due or in nonaccrual status) were $1 billion (1 percent) lower than the previous quarter. More than half of all banks (53.3 percent) reported lower noncurrent loan balances. The quarter-over-quarter decline was reflected in residential mortgages balances, which declined by $2 billion (4.4 percent), and commercial and industrial loan balances, which fell by $554.3 million (3.6 percent). Credit card balances continued to register the largest quarterly dollar increase, growing by $1.6 billion (13.8 percent). The average noncurrent rate was 0.99 percent during the current quarter, down 3 basis points from the previous quarter. This is the first time since second quarter 2007 that the noncurrent rate was below 1 percent.
Loan-Loss Reserves Increase From Third Quarter 2018	Loan-loss reserves totaled $124.7 billion at the end of the fourth quarter, an increase of $1 billion (0.8 percent) from third quarter 2018. The banking industry continued to build reserves, as loan-loss provisions of $14 billion exceeded net charge-offs of $12.6 billion. More than half of all banks (57.8 percent) reported a quarterly increase in loan-loss reserves. Banks that itemize their loan-loss reserves (banks with assets greater than $1 billion and representing 93 percent of total industry assets) reported higher reserves for credit card losses (up $997.4 million, or 2.5 percent) and lower reserves for residential real estate losses (down $556 million, or 4.4 percent). After declining for the past nine consecutive quarters, itemized reserves for losses on commercial loans reported quarterly growth of $409 million (1.3 percent).
Equity Capital Increases From the Third Quarter	Equity capital increased by $25.3 billion (1.3 percent) during the fourth quarter, led by accumulated other comprehensive income. Retained earnings rose by $70.8 billion (10.3 percent) from a year ago. Declared dividends in the fourth quarter totaled $52.7 billion, the highest level ever reported by the banking industry. At year-end 2018, 99.6 percent of all insured institutions, which account for 99.98 percent of total industry assets, met or exceeded the requirements for the well-capitalized category, as defined for Prompt Corrective Action purposes.
Total Assets Increase 1.5 Percent During the Fourth Quarter	Total assets rose by $270.4 billion (1.5 percent) during the fourth quarter. Cash and balances due from depository institutions declined by $144.4 billion (7.9 percent) and total securities holdings grew by $93 billion (2.6 percent). U.S. Treasury securities increased $55.4 billion (11.2 percent) during the quarter, the largest quarterly dollar increase since fourth quarter 2014.

Chart 5



Source: FDIC.

Chart 6



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

Total Loan and Lease Balances Rise 4.4 Percent Over 12 Months

Total loan and lease balances were $213 billion (2.1 percent) higher compared with the previous quarter. All major loan categories registered quarterly increases.[4] Commercial and industrial loans increased by $80.7 billion (3.9 percent), and consumer loans (including credit card balances) rose by $52.2 billion (3.1 percent). During the 12 months ended December 31, total loan and lease balances rose by $431.2 billion (4.4 percent), a slight increase from the 4 percent annual grow rate reported last quarter. All major loan categories reported year-over-year increases, led by commercial and industrial loans, which increased by $156.2 billion (7.8 percent), and consumer loans (including credit card balances), which rose by $64.9 billion (3.9 percent).

Deposits Increase 2.2 Percent From the Previous Quarter

Total deposits increased by $292.6 billion (2.2 percent) from the third quarter, the largest quarterly dollar increase since fourth quarter 2012. Interest-bearing deposits grew by $296.5 billion (3.2 percent), while noninterest-bearing deposits fell by $ 5.4 billion (0.2 percent). Reliance on nondeposit liabilities declined by $47.5 billion (2.3 percent) from the previous quarter, as trade liabilities were reduced by $23.1 billion (8.9 percent) and other liabilities fell by $24.4 billion (6 percent).

The Number of Banks on the "Problem Bank List" Declines to 60

The number of banks on the FDIC's "Problem Bank List" declined from 71 to 60 at year-end 2018, the fewest since first quarter 2007. Total assets of problem banks fell from $53.3 billion to $48.5 billion. During the fourth quarter, two new charters were added, 70 institutions were absorbed by mergers, and there were no bank failures. For full-year 2018, eight new charters were added, 259 institutions were absorbed by mergers, and there were no bank failures.

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[4] Major loan categories include commercial and industrial loans, residential mortgage loans, consumer loans, and nonfarm nonresidential loans. Consumer loans include credit card loans, automobile loans, and all other consumer loans.

Chart 7

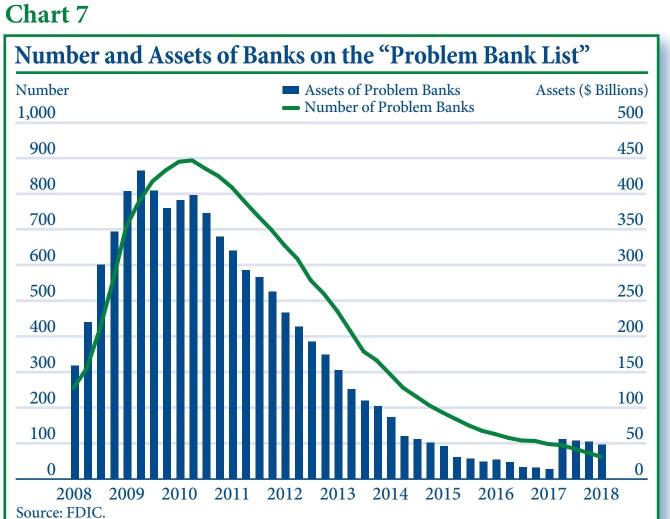


TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2018	2017	2016	2015	2014	2013	2012
Return on assets (%)	1.35	0.97	1.04	1.04	1.01	1.07	1.00
Return on equity (%)	11.98	8.61	9.29	9.29	9.01	9.54	8.90
Core capital (leverage) ratio (%)	9.70	9.63	9.48	9.59	9.44	9.40	9.15
Noncurrent assets plus other real estate owned to assets (%)	0.60	0.72	0.86	0.97	1.20	1.63	2.20
Net charge-offs to loans (%)	0.48	0.50	0.47	0.44	0.49	0.69	1.10
Asset growth rate (%)	3.03	3.79	5.09	2.66	5.59	1.94	4.02
Net interest margin (%)	3.40	3.25	3.13	3.07	3.14	3.26	3.42
Net operating income growth (%)	45.21	-3.25	4.57	7.11	-0.73	12.82	17.76
Number of institutions reporting	5,406	5,670	5,913	6,182	6,509	6,812	7,083
Commercial banks	4,715	4,918	5,112	5,338	5,607	5,847	6,072
Savings institutions	691	752	801	844	902	965	1,011
Percentage of unprofitable institutions (%)	3.24	5.61	4.46	4.80	6.27	8.16	11.00
Number of problem institutions	60	95	123	183	291	467	651
Assets of problem institutions (in billions)	$48	$14	$28	$47	$87	$153	$233
Number of failed institutions	0	8	5	8	18	24	51

* Excludes insured branches of foreign banks (IBAs).

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

(dollar figures in millions)	4th Quarter 2018	3nd Quarter 2018	4th Quarter 2017	%Change 17Q4-18Q4
Number of institutions reporting	5,406	5,477	5,670	-4.7
Total employees (full-time equivalent)	2,067,086	2,070,617	2,076,128	-0.4
CONDITION DATA				
Total assets	$17,943,122	$17,672,762	$17,415,369	3.0
Loans secured by real estate	4,887,725	4,863,231	4,773,674	2.4
1-4 Family residential mortgages	2,119,417	2,112,267	2,063,773	2.7
Nonfarm nonresidential	1,445,522	1,427,072	1,391,187	3.9
Construction and development	349,890	350,886	338,318	3.4
Home equity lines	375,670	381,638	411,151	-8.6
Commercial & industrial loans	2,164,714	2,084,002	2,008,493	7.8
Loans to individuals	1,742,854	1,690,634	1,677,952	3.9
Credit cards	903,492	856,327	865,055	4.4
Farm loans	82,341	82,346	80,852	1.8
Other loans & leases	1,277,052	1,221,409	1,182,375	8.0
Less: Unearned income	2,383	2,330	2,291	4.0
Total loans & leases	10,152,303	9,939,291	9,721,055	4.4
Less: Reserve for losses	124,737	123,728	123,757	0.8
Net loans and leases	10,027,566	9,815,563	9,597,298	4.5
Securities	3,723,058	3,630,099	3,631,821	2.5
Other real estate owned	6,691	7,187	8,457	-20.9
Goodwill and other intangibles	398,737	397,117	383,388	4.0
All other assets	3,787,070	3,822,797	3,794,405	-0.2
Total liabilities and capital	17,943,122	17,672,762	17,415,369	3.0
Deposits	13,866,258	13,573,675	13,399,208	3.5
Domestic office deposits	12,612,933	12,321,839	12,081,457	4.4
Foreign office deposits	1,253,325	1,251,835	1,317,751	-4.9
Other borrowed funds	1,476,120	1,497,299	1,496,033	-1.3
Subordinated debt	68,677	68,844	68,928	-0.4
All other liabilities	509,509	535,705	493,161	3.3
Total equity capital (includes minority interests)	2,022,559	1,997,239	1,958,039	3.3
Bank equity capital	2,019,086	1,993,746	1,953,700	3.3
Loans and leases 30-89 days past due	65,984	63,196	67,583	-2.4
Noncurrent loans and leases	100,245	101,270	116,421	-13.9
Restructured loans and leases	55,752	56,395	60,221	-7.4
Mortgage-backed securities	2,187,121	2,157,644	2,133,349	2.5
Earning assets	16,255,811	15,959,361	15,760,886	3.1
FHLB Advances	571,406	553,364	582,547	-1.9
Unused loan commitments	7,819,743	7,842,642	7,516,182	4.0
Trust assets	19,304,690	20,422,634	20,333,376	-5.1
Assets securitized and sold	604,697	625,982	677,871	-10.8
Notional amount of derivatives	178,089,249	209,754,237	173,484,033	2.7

INCOME DATA	Full Year 2018	Full Year 2017	%Change	4th Quarter 2018	4th Quarter 2017	%Change 17Q4-18Q4
Total interest income	$660,988	$572,277	15.5	$176,892	$150,790	17.3
Total interest expense	119,799	73,254	63.5	36,733	21,137	73.8
Net interest income	541,189	499,023	8.5	140,159	129,653	8.1
Provision for loan and lease losses	49,998	51,134	-2.2	14,027	13,630	2.9
Total noninterest income	266,165	255,251	4.3	64,369	62,736	2.6
Total noninterest expense	459,322	442,546	3.8	118,056	117,862	0.2
Securities gains (losses)	328	2,129	-84.6	-231	24	N/M
Applicable income taxes	61,058	97,954	-37.7	13,045	35,327	-63.1
Extraordinary gains, net*	-267	-87	-206.4	-40	-222	81.8
Total net income (includes minority interests)	237,036	164,682	43.9	59,129	25,373	133.0
Bank net income	236,750	164,346	44.1	59,062	25,303	133.4
Net charge-offs	47,479	46,805	1.4	12,592	13,198	-4.6
Cash dividends	164,704	121,413	35.7	52,742	30,258	74.3
Retained earnings	72,045	42,932	67.8	6,320	-4,955	N/M
Net operating income	237,059	163,257	45.2	59,373	25,524	132.6

* See Notes to Users for explanation.

N/M - Not Meaningful

TABLE III-A. Full Year 2018, All FDIC-Insured Institutions

FULL YEAR (The way it is...)	All Insured Institutions	Asset Concentration Groups* Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	5,406	12	5	1,346	2,866	401	69	226	432	49
Commercial banks	4,715	11	5	1,333	2,572	109	51	203	390	41
Savings institutions	691	1	0	13	294	292	18	23	42	8
Total assets (in billions)	$17,943.1	$651.7	$4,285.8	$286.7	$6,374.0	$346.0	$218.3	$36.4	$76.3	$5,667.9
Commercial banks	16,728.2	559.9	4,285.8	281.3	5,893.7	103.3	113.9	31.9	67.2	5,391.1
Savings institutions	1,214.9	91.8	0.0	5.5	480.2	242.7	104.4	4.5	9.0	276.8
Total deposits (in billions)	13,866.3	388.4	3,117.1	237.9	4,999.6	272.6	179.5	28.9	64.2	4,578.1
Commercial banks	12,898.5	321.6	3,117.1	234.8	4,639.4	84.0	92.4	25.8	57.1	4,326.3
Savings institutions	967.7	66.7	0.0	3.2	360.2	188.6	87.1	3.0	7.1	251.8
Bank net income (in millions)	236,750	18,830	49,514	3,688	77,783	3,847	2,992	1,199	849	78,047
Commercial banks	222,032	16,469	49,514	3,553	73,166	1,578	1,878	685	778	74,410
Savings institutions	14,717	2,361	0	135	4,616	2,269	1,114	514	71	3,637
Performance Ratios (%)										
Yield on earning assets	4.16	12.43	3.32	4.54	4.28	3.64	5.00	2.95	4.21	3.66
Cost of funding earning assets	0.75	1.95	0.77	0.71	0.73	0.70	0.75	0.39	0.53	0.64
Net interest margin	3.40	10.48	2.55	3.83	3.55	2.94	4.26	2.56	3.68	3.02
Noninterest income to assets	1.51	3.69	1.91	0.64	1.09	1.25	1.28	8.26	0.88	1.46
Noninterest expense to assets	2.61	6.29	2.48	2.56	2.60	2.57	2.98	6.34	2.90	2.28
Loan and lease loss provision to assets	0.28	3.38	0.18	0.15	0.15	0.00	0.55	0.08	0.13	0.17
Net operating income to assets	1.35	2.98	1.16	1.33	1.26	1.12	1.42	3.52	1.13	1.40
Pretax return on assets	1.70	3.74	1.50	1.49	1.57	1.49	1.87	3.63	1.27	1.76
Return on assets	1.35	2.96	1.17	1.32	1.26	1.14	1.42	2.95	1.12	1.40
Return on equity	11.98	19.53	11.78	11.74	10.57	10.01	13.63	18.99	9.30	12.65
Net charge-offs to loans and leases	0.48	3.87	0.50	0.15	0.18	0.02	0.76	1.42	0.17	0.37
Loan and lease loss provision to net charge-offs	105.31	109.77	98.77	152.81	120.61	10.07	101.56	18.24	139.33	91.39
Efficiency ratio	56.27	46.36	59.03	60.44	59.55	63.03	54.20	59.64	67.03	53.35
% of unprofitable institutions	3.24	0.00	0.00	2.23	3.07	6.23	5.80	4.87	3.94	0.00
% of institutions with earnings gains	79.65	91.67	100.00	72.29	84.19	73.57	75.36	76.99	78.24	91.84
Condition Ratios (%)										
Earning assets to total assets	90.60	93.55	88.25	93.00	90.94	94.63	97.11	91.67	92.98	90.99
Loss allowance to:										
Loans and leases	1.23	4.32	1.28	1.40	0.99	0.65	1.05	1.62	1.26	1.04
Noncurrent loans and leases	124.43	281.31	137.93	134.21	126.18	31.58	153.67	126.83	125.13	88.29
Noncurrent assets plus other real estate owned to assets	0.60	1.26	0.39	0.82	0.63	1.28	0.49	0.43	0.72	0.62
Equity capital ratio	11.25	15.29	9.88	11.34	11.94	11.08	10.51	16.72	12.35	11.04
Core capital (leverage) ratio	9.70	13.47	8.71	11.20	10.18	10.94	10.83	15.39	12.53	9.21
Common equity tier 1 capital ratio	13.16	13.69	13.49	14.61	12.31	22.02	17.26	35.68	21.14	13.17
Tier 1 risk-based capital ratio	13.24	13.79	13.58	14.62	12.38	22.03	17.50	35.70	21.17	13.24
Total risk-based capital ratio	14.60	15.79	14.99	15.74	13.63	22.83	18.51	36.68	22.29	14.66
Net loans and leases to deposits	72.32	132.02	51.36	81.73	89.57	74.88	84.62	34.27	67.48	61.86
Net loans to total assets	55.89	78.68	37.35	67.81	70.26	59.00	69.58	27.16	56.82	49.96
Domestic deposits to total assets	70.29	58.97	48.33	82.97	78.15	78.48	82.21	79.24	84.20	77.52
Structural Changes										
New reporters	8	0	0	0	0	1	0	7	0	0
Institutions absorbed by mergers	259	1	0	40	202	6	3	0	5	2
Failed institutions	0	0	0	0	0	0	0	0	0	0
PRIOR FULL YEARS (The way it was...)										
Number of institutions 2017	5,670	11	5	1,389	2,944	420	59	272	510	60
2015	6,182	14	4	1,479	3,089	500	65	332	632	67
2013	6,812	16	4	1,532	3,378	588	55	405	772	62
Total assets (in billions) 2017	$17,415.4	$562.7	$4,196.0	$282.6	$6,026.0	$349.3	$270.9	$46.9	$88.8	$5,592.2
2015	15,967.7	549.1	3,774.6	277.6	5,892.1	385.4	187.3	57.5	113.9	4,730.3
2013	14,730.8	590.9	3,700.2	261.6	4,921.1	486.9	162.5	62.8	137.6	4,407.1
Return on assets (%) 2017	0.97	1.52	0.62	1.05	1.02	0.94	1.02	2.61	0.91	1.10
2015	1.04	2.84	0.87	0.96	0.95	0.83	1.04	2.69	0.91	1.12
2013	1.07	3.35	0.86	1.15	0.91	0.98	1.15	1.93	0.85	1.11
Net charge-offs to loans & leases (%) 2017	0.50	3.95	0.56	0.16	0.21	0.04	0.60	0.23	0.15	0.43
2015	0.44	2.79	0.59	0.10	0.20	0.13	0.62	0.20	0.20	0.41
2013	0.69	3.20	0.97	0.14	0.43	0.37	0.80	0.48	0.33	0.49
Noncurrent assets plus OREO to assets (%) 2017	0.72	1.25	0.48	0.77	0.70	1.70	0.36	0.59	0.81	0.82
2015	0.97	0.90	0.71	0.68	0.93	1.92	0.97	0.61	1.19	1.16
2013	1.63	0.93	1.07	0.95	1.65	2.14	1.23	0.84	1.44	2.18
Equity capital ratio (%) 2017	11.22	15.10	9.83	11.18	11.95	11.22	10.00	15.26	11.94	11.09
2015	11.24	14.29	10.13	11.32	11.76	11.36	10.12	15.04	11.80	11.08
2013	11.15	14.73	9.27	10.97	11.79	11.62	9.51	13.50	11.34	11.52

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

TABLE III-A. Full Year 2018, All FDIC-Insured Institutions

		Asset Size Distribution					Geographic Regions*					
FULL YEAR (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	5,406	1,278	3,353	638	128	9	659	626	1,163	1,379	1,182	397
Commercial banks	4,715	1,133	2,941	518	114	9	341	572	999	1,333	1,109	361
Savings institutions	691	145	412	120	14	0	318	54	164	46	73	36
Total assets (in billions)	$17,943.1	$75.8	$1,108.6	$1,734.9	$6,202.4	$8,821.4	$3,362.0	$3,677.0	$4,042.6	$3,670.8	$1,133.1	$2,057.7
Commercial banks	16,728.2	67.4	954.1	1,386.1	5,499.3	8,821.4	2,915.6	3,573.3	3,942.9	3,627.2	994.1	1,675.1
Savings institutions	1,214.9	8.5	154.5	348.8	703.1	0.0	446.4	103.7	99.7	43.5	138.9	382.6
Total deposits (in billions)	13,866.3	63.0	924.2	1,389.1	4,737.8	6,752.3	2,544.4	2,934.2	2,993.7	2,841.7	922.5	1,629.9
Commercial banks	12,898.5	56.6	802.3	1,121.2	4,166.1	6,752.3	2,205.3	2,852.3	2,923.9	2,808.2	812.4	1,296.4
Savings institutions	967.7	6.3	121.9	267.9	571.7	0.0	339.1	82.0	69.8	33.5	110.0	333.4
Bank net income (in millions)	236,750	761	13,321	22,164	87,302	113,201	39,898	52,024	50,108	45,525	15,438	33,756
Commercial banks	222,032	665	11,641	18,552	77,974	113,201	35,915	51,097	48,767	45,080	13,692	27,480
Savings institutions	14,717	96	1,681	3,612	9,328	0	3,983	927	1,341	445	1,746	6,275
Performance Ratios (%)												
Yield on earning assets	4.16	4.40	4.50	4.49	4.73	3.65	4.33	4.23	3.44	4.18	4.51	4.92
Cost of funding earning assets	0.75	0.57	0.67	0.74	0.86	0.69	0.92	0.66	0.66	0.80	0.61	0.81
Net interest margin	3.40	3.83	3.83	3.75	3.87	2.95	3.41	3.57	2.78	3.38	3.89	4.11
Noninterest income to assets	1.51	1.39	1.16	1.14	1.50	1.64	1.38	1.47	1.89	1.28	1.24	1.68
Noninterest expense to assets	2.61	3.63	3.14	2.77	2.70	2.45	2.56	2.56	2.64	2.52	2.97	2.74
Loan and lease loss provision to assets	0.28	0.13	0.14	0.18	0.48	0.19	0.37	0.30	0.12	0.26	0.17	0.55
Net operating income to assets	1.35	1.02	1.25	1.33	1.46	1.29	1.22	1.44	1.27	1.24	1.39	1.74
Pretax return on assets	1.70	1.15	1.43	1.66	1.85	1.64	1.51	1.80	1.60	1.57	1.67	2.25
Return on assets	1.35	1.02	1.23	1.33	1.46	1.29	1.22	1.44	1.26	1.25	1.40	1.74
Return on equity	11.98	7.59	10.80	11.31	11.99	12.32	9.74	11.94	12.14	12.28	12.04	15.33
Net charge-offs to loans and leases	0.48	0.18	0.15	0.19	0.70	0.43	0.59	0.55	0.23	0.50	0.24	0.73
Loan and lease loss provision to net charge-offs	105.31	123.82	131.31	127.73	110.19	93.75	110.96	93.10	103.44	97.85	108.28	123.06
Efficiency ratio	56.27	73.57	66.19	59.53	53.14	56.58	56.91	54.39	60.00	56.90	61.08	49.02
% of unprofitable institutions	3.24	8.06	2.06	0.47	0.00	0.00	3.64	5.27	3.44	2.25	2.62	4.03
% of institutions with earnings gains	79.65	69.72	80.88	89.81	94.53	100.00	87.10	84.66	76.61	75.63	78.85	84.63
Condition Ratios (%)												
Earning assets to total assets	90.60	92.49	93.13	92.36	91.25	89.45	90.01	89.82	89.59	90.64	91.64	94.27
Loss allowance to:												
Loans and leases	1.23	1.38	1.24	1.08	1.34	1.17	1.28	1.20	1.10	1.27	1.04	1.45
Noncurrent loans and leases	124.43	112.62	155.33	139.63	140.03	105.36	135.59	114.08	115.89	106.45	104.97	213.47
Noncurrent assets plus other real estate owned to assets	0.60	0.97	0.73	0.64	0.62	0.57	0.58	0.65	0.54	0.68	0.76	0.44
Equity capital ratio	11.25	13.57	11.50	11.91	12.08	10.49	12.53	12.07	10.35	10.23	11.81	11.01
Core capital (leverage) ratio	9.70	13.66	11.43	10.92	10.37	8.74	10.56	9.56	9.08	9.23	10.41	10.26
Common equity tier 1 capital ratio	13.16	21.67	15.67	14.09	13.03	12.65	13.56	12.87	12.94	12.60	13.29	14.36
Tier 1 risk-based capital ratio	13.24	21.70	15.69	14.11	13.18	12.69	13.62	12.98	12.98	12.69	13.39	14.47
Total risk-based capital ratio	14.60	22.77	16.77	15.08	14.57	14.15	15.04	14.24	14.15	14.57	14.42	15.52
Net loans and leases to deposits	72.32	71.37	82.25	88.57	80.10	62.16	75.29	71.89	68.06	69.03	80.98	77.07
Net loans to total assets	55.89	59.26	68.57	70.92	61.19	47.58	56.98	57.37	50.40	53.44	65.93	61.05
Domestic deposits to total assets	70.29	83.03	83.36	79.83	73.66	64.30	70.04	77.37	64.64	61.64	81.37	78.51
Structural Changes												
New reporters	8	7	1	0	0	0	1	3	0	0	1	3
Institutions absorbed by mergers	259	74	153	31	1	0	38	37	44	58	56	26
Failed institutions	0	0	0	0	0	0	0	0	0	0	0	0
PRIOR FULL YEARS (The way it was...)												
Number of institutions 2017	5,670	1,407	3,513	627	114	9	693	668	1,214	1,438	1,235	422
2015	6,182	1,688	3,792	595	99	8	762	762	1,337	1,543	1,307	471
2013	6,812	2,056	4,090	559	100	7	840	869	1,470	1,659	1,431	543
Total assets (in billions) 2017	$17,415.4	$83.7	$1,154.2	$1,751.7	$5,699.2	$8,726.6	$3,248.1	$3,601.0	$3,918.1	$3,683.1	$1,090.0	$1,875.1
2015	15,967.7	99.2	1,199.9	1,682.4	5,163.6	7,822.6	3,074.1	3,372.6	3,503.7	3,444.0	943.1	1,630.3
2013	14,730.8	119.7	1,246.1	1,468.5	4,821.1	7,075.3	2,927.2	2,998.8	3,376.9	3,222.9	869.9	1,335.1
Return on assets (%) 2017	0.97	0.83	1.04	1.05	1.04	0.89	0.85	1.00	1.00	0.77	1.12	1.36
2015	1.04	0.84	1.07	1.10	1.02	1.05	0.87	1.03	0.96	1.16	1.09	1.31
2013	1.07	0.70	0.91	1.16	1.06	1.08	0.87	0.98	0.95	1.24	1.09	1.55
Net charge-offs to loans & leases (%) 2017	0.50	0.21	0.15	0.22	0.71	0.47	0.58	0.61	0.27	0.51	0.28	0.67
2015	0.44	0.19	0.16	0.21	0.56	0.48	0.48	0.50	0.27	0.52	0.24	0.52
2013	0.69	0.35	0.36	0.41	0.90	0.68	0.92	0.66	0.49	0.87	0.32	0.57
Noncurrent assets plus OREO to assets (%) 2017	0.72	1.01	0.83	0.66	0.70	0.73	0.65	0.83	0.64	0.86	0.81	0.45
2015	0.97	1.25	1.12	0.93	0.75	1.09	0.75	1.15	0.94	1.19	1.04	0.53
2013	1.63	1.75	1.81	1.89	0.99	1.97	1.12	2.23	1.47	1.99	1.58	0.91
Equity capital ratio (%) 2017	11.22	13.01	11.29	11.82	12.13	10.47	12.34	12.06	10.42	9.99	11.49	11.58
2015	11.24	12.55	11.25	11.69	12.02	10.60	11.78	12.22	10.50	10.22	11.04	12.03
2013	11.15	11.68	10.78	11.79	12.32	10.28	12.02	12.19	9.66	10.42	10.87	12.65

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

TABLE IV-A. Fourth Quarter 2018, All FDIC-Insured Institutions

		Asset Concentration Groups*								
FOURTH QUARTER (The way it is...)	**All Insured Institutions**	**Credit Card Banks**	**International Banks**	**Agricultural Banks**	**Commercial Lenders**	**Mortgage Lenders**	**Consumer Lenders**	**Other Specialized <$1 Billion**	**All Other <$1 Billion**	**All Other >$1 Billion**
Number of institutions reporting	5,406	12	5	1,346	2,866	401	69	226	432	49
Commercial banks	4,715	11	5	1,333	2,572	109	51	203	390	41
Savings institutions	691	1	0	13	294	292	18	23	42	8
Total assets (in billions)	$17,943.1	$651.7	$4,285.8	$286.7	$6,374.0	$346.0	$218.3	$36.4	$76.3	$5,667.9
Commercial banks	16,728.2	559.9	4,285.8	281.3	5,893.7	103.3	113.9	31.9	67.2	5,391.1
Savings institutions	1,214.9	91.8	0.0	5.5	480.2	242.7	104.4	4.5	9.0	276.8
Total deposits (in billions)	13,866.3	388.4	3,117.1	237.9	4,999.6	272.6	179.5	28.9	64.2	4,578.1
Commercial banks	12,898.5	321.6	3,117.1	234.8	4,639.4	84.0	92.4	25.8	57.1	4,326.3
Savings institutions	967.7	66.7	0.0	3.2	360.2	188.6	87.1	3.0	7.1	251.8
Bank net income (in millions)	59,062	5,422	10,904	873	19,821	911	710	382	212	19,827
Commercial banks	55,124	4,647	10,904	842	18,716	338	506	192	193	18,786
Savings institutions	3,937	775	0	31	1,105	573	204	190	19	1,040
Performance Ratios (annualized, %)										
Yield on earning assets	4.40	12.96	3.59	4.72	4.50	3.80	5.26	3.34	4.42	3.86
Cost of funding earning assets	0.91	2.18	0.96	0.84	0.88	0.83	0.92	0.49	0.62	0.78
Net interest margin	3.48	10.77	2.62	3.88	3.62	2.97	4.34	2.85	3.80	3.08
Noninterest income to assets	1.45	3.88	1.70	0.64	1.05	1.27	1.15	9.57	0.89	1.43
Noninterest expense to assets	2.65	6.60	2.47	2.66	2.61	2.71	2.99	6.76	3.02	2.34
Loan and lease loss provision to assets	0.32	3.50	0.22	0.19	0.18	0.03	0.61	0.14	0.15	0.19
Net operating income to assets	1.33	3.37	1.02	1.24	1.27	1.06	1.33	4.33	1.13	1.41
Pretax return on assets	1.62	3.79	1.33	1.39	1.53	1.35	1.71	4.92	1.24	1.70
Return on assets	1.33	3.36	1.02	1.23	1.26	1.07	1.32	3.97	1.12	1.41
Return on equity	11.78	21.97	10.30	10.88	10.53	9.49	12.47	24.76	9.12	12.76
Net charge-offs to loans and leases	0.50	3.85	0.49	0.19	0.21	0.06	0.80	0.24	0.22	0.39
Loan and lease loss provision to net charge-offs	111.40	112.44	118.21	137.76	119.64	88.33	107.59	191.32	114.59	97.03
Efficiency ratio	57.09	47.03	61.04	62.24	59.52	65.90	55.05	55.46	68.07	54.44
% of unprofitable institutions	6.55	0.00	0.00	7.88	4.61	12.47	11.59	11.95	6.71	4.08
% of institutions with earnings gains	73.57	91.67	100.00	65.30	78.47	69.83	69.57	68.58	72.45	75.51
Structural Changes										
New reporters	2	0	0	0	0	0	0	2	0	0
Institutions absorbed by mergers	70	0	0	16	51	0	1	0	2	0
Failed institutions	0	0	0	0	0	0	0	0	0	0
PRIOR FOURTH QUARTERS (The way it was...)										
Return on assets (%) 2017	0.58	-0.04	-0.43	0.48	0.90	0.65	0.69	2.86	0.78	1.04
2015	1.02	2.66	0.83	1.12	0.90	0.89	0.81	3.43	2.14	1.12
2013	1.09	3.65	0.92	1.08	0.96	0.96	0.91	2.18	0.76	1.04
Net charge-offs to loans & leases (%) 2017	0.55	4.18	0.56	0.24	0.23	0.06	0.62	0.36	0.18	0.51
2015	0.49	3.01	0.68	0.17	0.24	0.10	0.71	0.32	0.21	0.44
2013	0.61	3.09	0.81	0.20	0.38	0.28	0.88	0.66	0.37	0.40

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

TABLE IV-A. Fourth Quarter 2018, All FDIC-Insured Institutions

		Asset Size Distribution					Geographic Regions*					
FOURTH QUARTER (The way it is...)	**All Insured Institutions**	**Less Than $100 Million**	**$100 Million to $1 Billion**	**$1 Billion to $10 Billion**	**$10 Billion to $250 Billion**	**Greater Than $250 Billion**	**New York**	**Atlanta**	**Chicago**	**Kansas City**	**Dallas**	**San Francisco**
Number of institutions reporting	5,406	1,278	3,353	638	128	9	659	626	1,163	1,379	1,182	397
Commercial banks	4,715	1,133	2,941	518	114	9	341	572	999	1,333	1,109	361
Savings institutions	691	145	412	120	14	0	318	54	164	46	73	36
Total assets (in billions)	$17,943.1	$75.8	$1,108.6	$1,734.9	$6,202.4	$8,821.4	$3,362.0	$3,677.0	$4,042.6	$3,670.8	$1,133.1	$2,057.7
Commercial banks	16,728.2	67.4	954.1	1,386.1	5,499.3	8,821.4	2,915.6	3,573.3	3,942.9	3,627.2	994.1	1,675.1
Savings institutions	1,214.9	8.5	154.5	348.8	703.1	0.0	446.4	103.7	99.7	43.5	138.9	382.6
Total deposits (in billions)	13,866.3	63.0	924.2	1,389.1	4,737.8	6,752.3	2,544.4	2,934.2	2,993.7	2,841.7	922.5	1,629.9
Commercial banks	12,898.5	56.6	802.3	1,121.2	4,166.1	6,752.3	2,205.3	2,852.3	2,923.9	2,808.2	812.4	1,296.4
Savings institutions	967.7	6.3	121.9	267.9	571.7	0.0	339.1	82.0	69.8	33.5	110.0	333.4
Bank net income (in millions)	59,062	166	3,438	5,586	22,863	27,010	10,325	13,315	11,980	10,604	3,756	9,082
Commercial banks	55,124	148	2,953	4,726	20,288	27,010	9,361	13,091	11,566	10,493	3,444	7,169
Savings institutions	3,937	18	484	860	2,574	0	964	224	413	111	312	1,913
Performance Ratios (annualized, %)												
Yield on earning assets	4.40	4.60	4.71	4.70	4.99	3.87	4.60	4.43	3.67	4.42	4.74	5.15
Cost of funding earning assets	0.91	0.67	0.79	0.88	1.03	0.86	1.12	0.80	0.82	0.96	0.76	0.96
Net interest margin	3.48	3.93	3.92	3.82	3.96	3.02	3.48	3.63	2.85	3.46	3.98	4.19
Noninterest income to assets	1.45	1.35	1.18	1.08	1.49	1.53	1.40	1.43	1.75	1.13	1.16	1.69
Noninterest expense to assets	2.65	3.81	3.22	2.83	2.74	2.48	2.64	2.60	2.63	2.58	3.01	2.77
Loan and lease loss provision to assets	0.32	0.15	0.16	0.17	0.52	0.22	0.40	0.34	0.16	0.27	0.21	0.57
Net operating income to assets	1.33	0.89	1.27	1.32	1.51	1.23	1.25	1.46	1.20	1.16	1.37	1.81
Pretax return on assets	1.62	1.01	1.43	1.59	1.82	1.52	1.48	1.74	1.50	1.42	1.55	2.28
Return on assets	1.33	0.88	1.25	1.30	1.50	1.23	1.25	1.45	1.19	1.16	1.34	1.80
Return on equity	11.78	6.51	10.90	10.96	12.31	11.72	9.88	12.10	11.51	11.36	11.38	16.11
Net charge-offs to loans and leases	0.50	0.24	0.18	0.21	0.73	0.44	0.58	0.58	0.24	0.51	0.30	0.78
Loan and lease loss provision to net charge-offs	111.40	104.64	124.68	110.90	114.69	105.53	117.84	103.04	132.26	98.87	108.04	117.68
Efficiency ratio	57.09	76.33	66.37	60.89	53.06	58.13	57.61	54.93	60.69	59.35	61.87	48.81
% of unprofitable institutions	6.55	15.81	4.21	1.72	0.00	0.00	5.16	7.83	6.36	7.11	6.77	4.79
% of institutions with earnings gains	73.57	62.52	75.51	82.76	85.94	88.89	84.83	78.59	71.71	66.86	71.40	82.12
Structural Changes												
New reporters	2	2	0	0	0	0	1	1	0	0	0	0
Institutions absorbed by mergers	70	22	43	5	0	0	11	11	13	16	11	8
Failed institutions	0	0	0	0	0	0	0	0	0	0	0	0
PRIOR FOURTH QUARTERS (The way it was...)												
Return on assets (%) 2017	0.58	0.59	0.85	0.73	0.78	0.40	0.59	0.69	0.83	-0.13	0.89	1.10
2015	1.02	0.75	1.19	1.03	0.99	1.02	0.77	1.02	1.02	1.09	0.97	1.43
2013	1.09	0.58	0.88	1.06	1.17	1.08	1.04	0.86	1.06	1.20	0.99	1.55
Net charge-offs to loans & leases (%) 2017	0.55	0.29	0.23	0.29	0.76	0.51	0.64	0.69	0.26	0.56	0.33	0.75
2015	0.49	0.31	0.22	0.30	0.59	0.54	0.53	0.54	0.28	0.59	0.35	0.62
2013	0.61	0.44	0.41	0.37	0.83	0.55	0.80	0.59	0.46	0.73	0.31	0.57

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

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

December 31, 2018	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	0.61	1.02	0.73	0.70	0.44	0.81	0.54	1.48	1.25	0.88
Construction and development	0.35	12.26	0.08	0.53	0.31	0.82	0.53	0.80	1.04	0.49
Nonfarm nonresidential	0.25	0.00	0.28	0.55	0.24	0.33	0.68	1.17	0.75	0.22
Multifamily residential real estate	0.11	0.00	0.04	0.29	0.09	0.40	0.00	0.98	0.58	0.26
Home equity loans	0.66	0.00	1.18	0.36	0.52	0.48	0.44	0.66	1.12	0.72
Other 1-4 family residential	1.00	0.21	1.00	1.16	0.82	0.90	0.53	1.95	1.54	1.25
Commercial and industrial loans	0.28	0.99	0.21	0.88	0.27	0.79	0.24	1.05	1.12	0.25
Loans to individuals	1.54	1.59	1.14	1.30	1.54	1.19	0.86	1.55	1.83	1.89
Credit card loans	1.39	1.60	1.13	1.49	1.37	0.82	0.81	2.60	2.36	1.22
Other loans to individuals	1.70	1.37	1.14	1.28	1.56	1.22	0.87	1.38	1.81	2.30
All other loans and leases (including farm)	0.26	0.68	0.20	0.68	0.20	0.97	0.22	0.61	0.62	0.28
Total loans and leases	0.65	1.53	0.55	0.73	0.47	0.83	0.75	1.39	1.25	0.79
Percent of Loans Noncurrent**										
All real estate loans	1.32	2.12	1.70	1.02	0.82	2.20	1.41	1.48	1.07	2.22
Construction and development	0.44	0.15	1.08	0.47	0.43	0.31	0.79	0.65	0.96	0.31
Nonfarm nonresidential	0.57	50.24	0.70	0.85	0.54	0.41	1.29	1.29	1.17	0.63
Multifamily residential real estate	0.15	0.00	0.07	0.45	0.14	1.11	0.80	1.98	0.82	0.19
Home equity loans	2.24	0.00	3.91	0.39	1.19	1.03	1.79	1.48	0.45	3.53
Other 1-4 family residential	2.06	0.62	2.15	0.84	1.38	2.59	1.40	1.69	1.11	2.90
Commercial and industrial loans	0.68	0.68	0.64	1.31	0.80	1.07	0.42	1.03	0.96	0.49
Loans to individuals	1.03	1.61	0.94	0.50	0.90	0.45	0.50	0.67	0.72	0.74
Credit card loans	1.44	1.66	1.20	0.55	1.23	0.49	1.27	1.85	0.98	1.20
Other loans to individuals	0.59	0.59	0.32	0.50	0.87	0.45	0.31	0.47	0.71	0.45
All other loans and leases (including farm)	0.22	0.38	0.08	1.06	0.32	0.94	0.17	0.78	0.67	0.19
Total loans and leases	0.99	1.54	0.93	1.04	0.78	2.07	0.68	1.28	1.00	1.17
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.01	0.09	-0.04	0.04	0.02	-0.01	-0.02	1.03	0.06	0.00
Construction and development	-0.02	0.02	0.01	-0.02	-0.02	-0.03	-0.05	0.01	0.15	-0.04
Nonfarm nonresidential	0.03	0.00	0.00	0.05	0.03	-0.02	0.06	0.29	0.04	0.02
Multifamily residential real estate	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	0.01	0.03	-0.01
Home equity loans	0.03	53.58	0.04	-0.13	0.05	-0.34	-0.09	1.57	0.06	0.02
Other 1-4 family residential	0.00	0.02	-0.07	0.04	0.02	0.01	-0.02	1.64	0.06	0.00
Commercial and industrial loans	0.28	2.27	0.21	0.35	0.29	0.06	0.63	0.09	0.53	0.17
Loans to individuals	2.35	4.04	2.60	0.65	1.10	1.10	1.02	4.09	0.72	1.80
Credit card loans	3.75	4.11	3.44	2.93	4.05	2.54	2.75	10.92	1.79	3.24
Other loans to individuals	0.89	2.50	0.77	0.44	0.83	0.98	0.59	3.38	0.68	0.95
All other loans and leases (including farm)	0.12	0.78	0.04	0.27	0.15	0.26	0.06	0.96	0.23	0.15
Total loans and leases	0.48	3.87	0.50	0.15	0.18	0.02	0.76	1.42	0.17	0.37
Loans Outstanding (in billions)										
All real estate loans	$4,887.7	$0.9	$578.2	$122.8	$2,771.2	$186.0	$32.5	$6.9	$33.0	$1,156.2
Construction and development	349.9	0.1	16.6	7.3	266.1	5.4	0.6	0.6	2.1	51.1
Nonfarm nonresidential	1,445.5	0.0	55.1	33.8	1,077.1	16.6	2.3	2.3	7.4	250.9
Multifamily residential real estate	430.4	0.0	79.8	4.1	296.3	4.6	0.3	0.2	0.9	44.3
Home equity loans	375.7	0.0	45.5	2.4	195.9	10.3	3.6	0.2	1.2	116.5
Other 1-4 family residential	2,119.4	0.8	333.6	28.8	887.0	148.1	25.7	3.2	18.3	673.9
Commercial and industrial loans	2,164.7	44.2	356.7	23.0	1,035.8	5.1	6.9	1.3	4.0	687.7
Loans to individuals	1,742.9	489.9	284.3	6.6	361.5	4.6	110.5	1.4	4.2	480.0
Credit card loans	903.5	467.6	199.1	0.6	31.0	0.3	21.7	0.2	0.1	182.9
Other loans to individuals	839.4	22.4	85.1	6.0	330.5	4.3	88.8	1.2	4.0	297.1
All other loans and leases (including farm)	1,359.4	0.9	403.2	44.8	355.7	10.0	3.7	0.5	2.8	537.8
Total loans and leases (plus unearned income)	10,154.7	535.9	1,622.4	197.2	4,524.3	205.6	153.6	10.1	43.9	2,861.7
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	6,690.6	0.2	439.4	289.4	4,343.7	172.3	25.8	29.3	108.3	1,282.2
Construction and development	1,757.1	0.0	5.2	63.7	1,492.4	41.4	4.7	9.5	18.5	121.6
Nonfarm nonresidential	1,987.0	0.0	55.0	94.7	1,468.1	18.6	4.9	11.5	40.0	294.3
Multifamily residential real estate	80.3	0.0	0.0	7.8	70.0	0.6	0.1	0.0	0.6	1.2
1-4 family residential	2,646.8	0.2	349.2	50.9	1,210.4	105.9	16.0	7.7	43.5	862.9
Farmland	188.5	0.0	0.0	72.4	102.8	5.8	0.0	0.6	5.7	1.2

* Asset Concentration Group Definitions (Groups are hierarchical and mutually exclusive):
Credit-card Lenders - Institutions whose credit-card loans plus securitized receivables exceed 50 percent of total assets plus securitized receivables.
International Banks - Banks with assets greater than $10 billion and more than 25 percent of total assets in foreign offices.
Agricultural Banks - Banks whose agricultural production loans plus real estate loans secured by farmland exceed 25 percent of the total loans and leases.
Commercial Lenders - Institutions whose commercial and industrial loans, plus real estate construction and development loans, plus loans secured by commercial real estate properties exceed 25 percent of total assets.
Mortgage Lenders - Institutions whose residential mortgage loans, plus mortgage-backed securities, exceed 50 percent of total assets.
Consumer Lenders - Institutions whose residential mortgage loans, plus credit-card loans, plus other loans to individuals, exceed 50 percent of total assets.
Other Specialized < $1 Billion - Institutions with assets less than $1 billion, whose loans and leases are less than 40 percent of total assets.
All Other < $1 billion - Institutions with assets less than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.
All Other > $1 billion - Institutions with assets greater than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

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

December 31, 2018	All Insured Institutions	Asset Size Distribution: Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	$10 Billion to $250 Billion	Greater Than $250 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due												
All loans secured by real estate	0.61	1.26	0.63	0.36	0.53	0.81	0.49	0.70	0.65	0.81	0.65	0.28
Construction and development	0.35	0.80	0.49	0.30	0.37	0.22	0.43	0.39	0.30	0.25	0.31	0.40
Nonfarm nonresidential	0.25	0.96	0.39	0.25	0.21	0.20	0.29	0.19	0.30	0.20	0.32	0.17
Multifamily residential real estate	0.11	1.06	0.21	0.10	0.08	0.11	0.09	0.22	0.10	0.17	0.17	0.04
Home equity loans	0.66	0.78	0.54	0.42	0.55	0.83	0.52	0.71	0.80	0.72	0.55	0.33
Other 1-4 family residential	1.00	1.70	0.99	0.60	0.93	1.17	0.83	1.13	0.95	1.32	1.37	0.40
Commercial and industrial loans	0.28	1.24	0.65	0.41	0.25	0.23	0.25	0.27	0.23	0.26	0.40	0.37
Loans to individuals	1.54	1.96	1.63	1.43	1.45	1.65	1.23	2.18	1.08	1.40	0.99	1.66
Credit card loans	1.39	3.99	2.38	2.98	1.52	1.17	1.22	1.60	1.17	1.21	0.79	1.79
Other loans to individuals	1.70	1.93	1.58	1.11	1.37	2.15	1.24	2.78	1.04	1.73	1.08	1.55
All other loans and leases (including farm)	0.26	0.62	0.56	0.34	0.17	0.27	0.33	0.27	0.25	0.20	0.27	0.26
Total loans and leases	0.65	1.21	0.67	0.43	0.64	0.71	0.58	0.83	0.54	0.67	0.60	0.64
Percent of Loans Noncurrent**												
All real estate loans	1.32	1.19	0.78	0.70	1.09	2.10	1.11	1.53	1.48	1.92	1.09	0.42
Construction and development	0.44	0.82	0.76	0.49	0.27	0.47	0.51	0.48	0.66	0.36	0.35	0.26
Nonfarm nonresidential	0.57	1.29	0.71	0.62	0.47	0.60	0.64	0.54	0.70	0.55	0.62	0.36
Multifamily residential real estate	0.15	0.40	0.34	0.14	0.15	0.11	0.15	0.30	0.14	0.13	0.19	0.06
Home equity loans	2.24	0.51	0.51	0.58	1.18	3.72	2.33	2.55	2.15	2.92	1.03	0.53
Other 1-4 family residential	2.06	1.25	0.86	1.02	1.93	2.76	1.75	2.26	2.06	3.00	2.25	0.51
Commercial and industrial loans	0.68	1.75	0.94	1.15	0.74	0.51	0.72	0.52	0.59	0.68	0.99	0.94
Loans to individuals	1.03	0.96	0.70	0.94	1.21	0.85	1.07	1.26	0.56	1.00	0.87	1.11
Credit card loans	1.44	2.29	1.75	3.01	1.59	1.19	1.35	1.52	1.15	1.27	1.24	1.86
Other loans to individuals	0.59	0.94	0.63	0.53	0.70	0.48	0.62	0.98	0.29	0.52	0.70	0.40
All other loans and leases (including farm)	0.22	1.07	0.77	0.41	0.30	0.13	0.25	0.19	0.14	0.27	0.34	0.30
Total loans and leases	0.99	1.22	0.80	0.77	0.95	1.11	0.94	1.05	0.95	1.19	1.00	0.68
Percent of Loans Charged-Off (net, YTD)												
All real estate loans	0.01	0.05	0.05	0.02	0.03	-0.02	0.04	0.02	-0.01	0.00	0.03	0.00
Construction and development	-0.02	-0.02	0.02	0.00	-0.04	-0.04	-0.02	0.01	-0.02	-0.03	0.03	-0.15
Nonfarm nonresidential	0.03	0.05	0.04	0.03	0.05	0.00	0.05	0.04	0.04	0.01	0.04	0.01
Multifamily residential real estate	0.00	-0.06	-0.01	-0.01	0.00	0.00	0.00	0.00	-0.01	0.00	0.01	-0.01
Home equity loans	0.03	0.03	0.07	0.02	0.02	0.04	0.10	0.03	0.02	0.00	-0.01	-0.03
Other 1-4 family residential	0.00	0.06	0.07	0.03	0.02	-0.04	0.04	0.01	-0.04	0.00	0.02	0.01
Commercial and industrial loans	0.28	0.57	0.35	0.39	0.39	0.18	0.29	0.27	0.23	0.20	0.41	0.48
Loans to individuals	2.35	0.79	1.33	1.99	2.61	2.13	2.57	2.35	1.45	2.71	1.43	2.57
Credit card loans	3.75	11.90	7.26	7.60	3.96	3.34	3.51	3.83	3.54	3.56	2.62	4.53
Other loans to individuals	0.89	0.64	0.92	0.85	0.86	0.92	1.10	0.85	0.57	1.29	0.90	0.77
All other loans and leases (including farm)	0.12	0.24	0.26	0.19	0.10	0.12	0.13	0.14	0.10	0.14	0.16	0.11
Total loans and leases	0.48	0.18	0.15	0.19	0.70	0.43	0.59	0.55	0.23	0.50	0.24	0.73
Loans Outstanding (in billions)												
All real estate loans	$4,887.7	$31.2	$591.9	$917.4	$1,707.8	$1,639.5	$1,010.4	$911.5	$1,008.1	$867.0	$483.2	$607.6
Construction and development	349.9	1.8	56.3	87.1	137.3	67.2	66.3	58.0	58.5	51.6	74.8	40.7
Nonfarm nonresidential	1,445.5	7.4	224.3	371.7	555.9	286.2	332.4	282.5	219.9	196.3	203.1	211.3
Multifamily residential real estate	430.4	0.8	32.7	102.7	171.8	122.4	152.9	43.6	110.5	37.0	21.6	64.8
Home equity loans	375.7	0.7	22.0	41.8	139.1	172.1	76.3	92.6	92.7	65.7	20.7	27.6
Other 1-4 family residential	2,119.4	14.4	204.4	289.9	685.2	925.4	377.6	420.2	502.1	424.4	144.3	250.7
Commercial and industrial loans	2,164.7	5.2	97.2	193.1	829.8	1,039.4	339.4	518.3	488.0	429.7	150.0	239.3
Loans to individuals	1,742.9	2.9	31.7	68.5	891.1	748.8	385.2	420.9	234.4	317.6	67.1	317.6
Credit card loans	903.5	0.0	2.0	11.4	504.7	385.3	235.5	214.4	73.6	203.9	20.7	155.4
Other loans to individuals	839.4	2.8	29.6	57.0	386.3	363.5	149.7	206.5	160.8	113.8	46.4	162.2
All other loans and leases (including farm)	1,359.4	6.2	49.2	65.2	418.9	819.8	206.0	284.7	329.8	373.4	55.0	110.6
Total loans and leases (plus unearned income)	10,154.7	45.6	770.0	1,244.1	3,847.5	4,247.5	1,941.0	2,135.3	2,060.3	1,987.8	755.2	1,275.1
Memo: Other Real Estate Owned (in millions)												
All other real estate owned	6,690.6	175.6	1,884.0	1,441.4	1,681.5	1,508.2	1,228.3	1,510.2	1,280.0	1,188.4	1,121.5	362.3
Construction and development	1,757.1	42.6	806.3	477.0	330.2	100.9	218.9	482.8	216.1	291.1	421.6	126.6
Nonfarm nonresidential	1,987.0	48.9	612.1	534.6	472.3	319.1	351.1	430.7	370.9	323.9	415.9	94.6
Multifamily residential real estate	80.3	4.3	43.6	23.9	3.4	5.0	16.3	20.9	14.3	15.6	8.2	5.0
1-4 family residential	2,646.8	55.1	340.5	340.9	859.1	1,051.2	630.1	564.5	656.8	436.1	235.1	124.2
Farmland	188.5	24.7	81.5	64.9	16.4	1.0	11.9	11.3	20.9	91.7	40.8	11.9

*** Regions:**
New York - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands
Atlanta - Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia
Chicago - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
Kansas City - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
Dallas - Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas
San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

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

(dollar figures in millions; notional amounts unless otherwise indicated)	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th Quarter 2017	% Change 17Q4-18Q4	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	1,311	1,347	1,362	1,361	1,367	-4.1	34	724	424	120	9
Total assets of institutions reporting derivatives	$16,296,689	$16,058,057	$15,950,442	$15,950,129	$15,815,207	3.0	$2,427	$319,519	$1,296,780	$5,856,581	$8,821,382
Total deposits of institutions reporting derivatives	12,555,823	12,291,564	12,206,863	12,264,978	12,133,179	3.5	2,019	264,388	1,032,334	4,504,801	6,752,281
Total derivatives	178,089,249	209,754,237	209,828,279	205,986,576	173,484,033	2.7	124	20,871	129,525	50,356,371	127,582,358
Derivative Contracts by Underlying Risk Exposure											
Interest rate	128,174,999	156,781,051	157,435,136	155,478,401	130,423,142	-1.7	122	20,733	123,392	41,511,649	86,519,102
Foreign exchange*	40,948,207	43,473,496	43,279,998	41,064,224	34,422,180	19.0	0	1	4,504	8,286,031	32,657,671
Equity	3,374,363	3,644,559	3,420,624	3,466,899	3,079,607	9.6	0	0	160	144,522	3,229,681
Commodity & other (excluding credit derivatives)	1,314,571	1,510,680	1,510,765	1,631,020	1,372,891	-4.2	0	0	28	86,828	1,227,715
Credit	4,276,947	4,341,695	4,178,619	4,345,494	4,186,122	2.2	0	5	1,412	327,341	3,948,188
Total	178,089,087	209,751,481	209,825,142	205,986,038	173,483,942	2.7	122	20,739	129,496	50,356,371	127,582,358
Derivative Contracts by Transaction Type											
Swaps	97,923,336	104,786,177	107,958,507	105,094,254	94,523,939	3.6	18	8,355	85,125	26,384,850	71,444,988
Futures & forwards	36,143,798	47,051,282	46,023,905	45,497,597	34,407,162	5.0	9	1,686	24,176	10,389,411	25,728,516
Purchased options	18,707,980	25,031,774	23,883,350	23,840,759	19,163,376	-2.4	1	509	10,129	6,296,477	12,400,865
Written options	19,300,817	25,769,185	25,142,041	24,973,515	19,677,317	-1.9	3	1,452	8,369	6,676,396	12,614,597
Total	172,075,932	202,638,418	203,007,802	199,406,126	167,771,793	2.6	31	12,003	127,800	49,747,134	122,188,965
Fair Value of Derivative Contracts											
Interest rate contracts	47,241	53,589	49,616	51,495	49,031	-3.7	0	88	771	4,705	41,677
Foreign exchange contracts	11,282	25,827	23,843	27,846	10,372	8.8	0	0	9	2,015	9,258
Equity contracts	6,407	1,975	5,003	6,582	-7,514	N/M	0	0	1	-144	6,551
Commodity & other (excluding credit derivatives)	-1,873	2,948	1,181	-867	-829	N/M	0	0	0	357	-2,230
Credit derivatives as guarantor**	6,606	26,237	23,965	33,701	33,170	-80.1	0	0	0	-740	7,347
Credit derivatives as beneficiary**	-6,765	-26,912	-24,348	-34,976	-34,547	N/M	0	0	0	527	-7,291
Derivative Contracts by Maturity* **											
Interest rate contracts < 1 year	71,493,383	93,168,891	91,960,389	95,441,266	72,590,571	-1.5	26	3,948	24,584	19,559,340	51,905,486
1-5 years	36,682,642	42,735,090	42,279,244	40,334,591	36,154,566	1.5	10	4,202	33,695	8,785,733	27,859,002
> 5 years	23,245,983	24,228,362	24,373,830	23,687,654	23,565,880	-1.4	15	7,748	53,620	6,749,683	16,434,917
Foreign exchange and gold contracts < 1 year	28,891,823	29,674,897	31,341,537	29,696,500	24,379,652	18.5	0	1	2,637	5,717,756	23,171,429
1-5 years	4,218,682	4,928,405	4,906,415	5,021,957	4,805,216	-12.2	0	0	961	781,270	3,436,451
> 5 years	2,095,962	2,470,383	2,472,893	2,630,013	2,525,329	-17.0	0	0	110	589,988	1,505,864
Equity contracts < 1 year	2,448,707	2,825,222	2,679,109	2,747,190	2,295,686	6.7	0	0	28	58,264	2,390,415
1-5 years	863,793	963,096	867,817	843,259	732,909	17.9	0	0	48	48,514	815,231
> 5 years	139,158	135,954	123,737	139,432	113,150	23.0	0	0	2	8,961	130,196
Commodity & other contracts (including credit derivatives, excluding gold contracts) < 1 year	1,745,343	1,896,551	1,994,605	2,314,371	2,172,996	-19.7	0	5	38	69,705	1,675,595
1-5 years	3,105,739	3,017,006	3,019,612	2,862,714	2,814,096	10.4	0	5	414	199,356	2,905,963
> 5 years	298,068	537,194	309,072	527,870	312,753	-4.7	0	22	512	36,498	261,036
Risk-Based Capital: Credit Equivalent Amount											
Total current exposure to tier 1 capital (%)	22.7	23.9	24.5	24.8	23.3		0.1	0.5	1.1	13.1	35.1
Total potential future exposure to tier 1 capital (%)	36.0	40.9	39.5	41.8	38.6		0.1	0.4	0.8	17.9	57.9
Total exposure (credit equivalent amount) to tier 1 capital (%)	58.8	64.8	64.0	66.6	61.9		0.2	0.9	1.9	31.0	93.1
Credit losses on derivatives******	12.0	12.0	3.0	-1.0	11.0	9.1	0.0	0.0	2.0	-1.0	11.0
HELD FOR TRADING											
Number of institutions reporting derivatives	192	197	197	199	201	-4.5	2	29	88	65	8
Total assets of institutions reporting derivatives	12,768,651	12,611,908	12,484,266	12,578,335	12,481,545	2.3	171	14,752	304,578	3,930,437	8,518,713
Total deposits of institutions reporting derivatives	9,799,163	9,613,503	9,518,156	9,638,443	9,555,469	2.6	148	12,214	241,382	3,052,735	6,492,683
Derivative Contracts by Underlying Risk Exposure											
Interest rate	126,215,235	154,523,852	155,241,947	153,262,676	128,177,117	-1.5	2	645	34,870	40,951,704	85,228,014
Foreign exchange	38,768,802	40,241,704	40,144,539	38,353,254	32,402,215	19.6	0	0	3,564	7,974,672	30,790,566
Equity	3,359,405	3,628,434	3,402,588	3,450,109	3,063,576	9.7	0	0	10	134,238	3,225,157
Commodity & other	1,285,123	1,481,650	1,481,752	1,602,648	1,343,837	-4.4	0	0	3	58,861	1,226,259
Total	169,628,565	199,875,639	200,270,826	196,668,687	164,986,745	2.8	2	645	38,447	49,119,475	120,469,996
Trading Revenues: Cash & Derivative Instruments											
Interest rate**	2,306	1,998	587	2,316	2,225	3.6	0	0	2	415	1,890
Foreign exchange**	2,105	3,130	4,569	2,860	1,813	16.1	0	0	5	800	1,300
Equity**	-43	1,444	1,727	1,624	1,648	-102.6	0	0	3	-131	85
Commodity & other (including credit derivatives)**	-202	487	501	882	145	N/M	0	0	0	-334	132
Total trading revenues**	4,166	7,059	7,385	7,683	5,831	-28.6	0	0	10	749	3,407
Share of Revenue											
Trading revenues to gross revenues (%)**	2.6	4.5	4.8	5.2	4.1		0.0	0.0	0.2	1.6	3.2
Trading revenues to net operating revenues (%)**	10.5	16.7	17.8	20.0	36.0		0.0	0.0	1.1	6.1	12.9
HELD FOR PURPOSES OTHER THAN TRADING											
Number of institutions reporting derivatives	735	750	759	758	783	-6.1	9	217	386	114	9
Total assets of institutions reporting derivatives	15,816,482	15,574,878	15,481,221	15,475,559	15,370,173	2.9	680	108,788	1,217,875	5,667,758	8,821,382
Total deposits of institutions reporting derivatives	12,172,698	11,903,873	11,829,384	11,881,099	11,775,231	3.4	575	90,564	969,664	4,359,614	6,752,281
Derivative Contracts by Underlying Risk Exposure											
Interest rate	1,950,705	2,249,555	2,184,811	2,206,558	2,239,391	-12.9	29	11,356	88,286	559,945	1,291,089
Foreign exchange	452,256	468,068	505,117	485,719	500,573	-9.7	0	1	892	29,463	421,900
Equity	14,959	16,125	18,036	16,790	16,031	-6.7	0	0	150	10,284	4,524
Commodity & other	29,448	29,030	29,012	28,371	29,054	1.4	0	0	24	27,967	1,457
Total notional amount	2,447,367	2,762,779	2,736,976	2,737,439	2,785,049	-12.1	29	11,357	89,352	627,659	1,718,969

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

* Includes spot foreign exchange contracts. All other references to foreign exchange contracts in which notional values or fair values are reported exclude spot foreign exchange contracts.

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

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

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

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

(dollar figures in millions)	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th Quarter 2017	% Change 17Q4-18Q4	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	64	64	64	65	67	-4.5	0	6	17	34	7
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	$520,047	$542,310	$560,132	$571,205	$590,211	-11.9	$0	$1,400	$13,468	$90,974	$414,205
Home equity loans	14	15	16	18	20	-30.0	0	0	0	14	0
Credit card receivables	22	24	26	4,781	4,553	-99.5	0	0	0	0	22
Auto loans	3,710	4,415	4,647	8,221	9,770	-62.0	0	0	0	3,710	0
Other consumer loans	1,738	1,806	1,887	2,914	3,052	-43.1	0	0	0	766	972
Commercial and industrial loans	453	360	271	381	380	19.2	0	0	0	0	453
All other loans, leases, and other assets	71,416	68,646	67,948	62,410	60,869	17.3	0	9	10,123	3,133	58,151
Total securitized and sold	543,560	562,500	581,566	649,931	668,855	-18.7	0	0	0	69,758	473,803
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	1,102	1,228	1,327	1,527	1,716	-35.8	0	0	48	800	254
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	392	353	-100.0	0	0	0	0	0
Auto loans	104	114	125	164	147	-29.3	0	0	0	104	0
Other consumer loans	86	85	82	88	86	0.0	0	0	0	0	86
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
All other loans, leases, and other assets	1,208	1,112	1,266	1,194	1,131	6.8	0	0	166	30	1,011
Total credit exposure	2,221	2,301	2,565	3,365	3,431	-35.3	0	0	0	870	1,351
Total unused liquidity commitments provided to institution's own securitizations	213	226	144	143	215	-0.9	0	0	0	34	179
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)											
1-4 family residential loans	3.6	3.9	3.5	3.2	4.7		0.0	3.3	0.9	2.8	3.8
Home equity loans	8.0	8.9	8.4	9.5	9.7		0.0	0.0	0.0	8.0	0
Credit card receivables	0.0	0.0	0.0	0.3	0.3		0.0	0.0	0.0	0.0	0
Auto loans	2.6	1.9	1.8	1.6	2.1		0.0	0.0	0.0	2.6	0
Other consumer loans	4.2	4.5	4.7	4.5	4.7		0.0	0.0	0.0	2.8	5.3
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0
All other loans, leases, and other assets	0.2	0.2	0.3	0.3	0.5		0.0	0.0	0.6	0.8	0.1
Total loans, leases, and other assets	3.3	3.6	3.2	2.9	4.2		0.0	0.0	0.0	2.5	3.4
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)											
1-4 family residential loans	1.1	1.1	1.2	1.4	1.6		0.0	1.4	0.8	1.2	1.1
Home equity loans	39.0	40.2	42.6	44.1	45.7		0.0	0.0	0.0	39.0	0
Credit card receivables	0.0	0.0	0.0	0.2	0.2		0.0	0.0	0.0	0.0	0
Auto loans	0.5	0.4	0.4	0.3	0.4		0.0	0.0	0.0	0.5	0
Other consumer loans	4.3	4.3	6.0	4.3	4.6		0.0	0.0	0.0	2.0	6.1
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0
All other loans, leases, and other assets	0.5	0.6	0.7	1.2	1.2		0.0	0.0	1.3	0.2	0.4
Total loans, leases, and other assets	1.0	1.0	1.2	1.4	1.5		0.0	0.0	0.0	0.8	1
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)											
1-4 family residential loans	0.1	0.0	-0.1	-0.1	0.2		0.0	0.0	0.0	0.0	0.1
Home equity loans	18.2	13.9	11.4	4.9	11.7		0.0	0.0	0.0	18.2	0
Credit card receivables	9.1	4.2	3.8	0.3	1.2		0.0	0.0	0.0	0.0	9.1
Auto loans	1.4	1.0	0.6	0.4	1.2		0.0	0.0	0.0	1.4	0
Other consumer loans	1.0	0.8	0.6	0.3	1.5		0.0	0.0	0.0	0.8	1.2
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0
All other loans, leases, and other assets	1.1	0.4	0.3	0.0	1.7		0.0	0.0	0.3	0.4	1.3
Total loans, leases, and other assets	0.2	0.1	0.0	-0.1	0.4		0.0	0.0	0.0	0.1	0.2
Seller's Interests in Institution's Own Securitizations – Carried as Loans											
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	1,730	2,460	-100.0	0	0	0	0	0
Commercial and industrial loans	427	361	306	426	463	-7.8	0	0	0	0	427
Seller's Interests in Institution's Own Securitizations – Carried as Securities											
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
Assets Sold with Recourse and Not Securitized											
Number of institutions reporting asset sales	470	476	474	463	509	-7.7	13	191	202	56	8
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	26,279	25,814	24,721	24,532	180,694	-85.5	133	5,007	12,470	6,848	1,821
All other loans, leases, and other assets	116,464	112,296	109,138	106,242	105,171	10.7	0	20	175	38,134	78,135
Total sold and not securitized	142,743	138,110	133,859	130,775	285,865	-50.1	133	5,028	12,645	44,982	79,956
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	7,658	7,929	7,626	7,987	162,172	-95.3	8	523	3,712	2,610	804
All other loans, leases, and other assets	32,793	31,286	30,545	29,602	29,273	12.0	0	20	44	11,072	21,656
Total credit exposure	40,450	39,215	38,171	37,589	191,445	-78.9	8	544	3,756	13,682	22,460
Support for Securitization Facilities Sponsored by Other Institutions											
Number of institutions reporting securitization facilities sponsored by others	0	0	0	0	0	0.0	0	0	0	0	0
Total credit exposure	23,013	24,792	26,570	29,676	32,237	-28.6	0	0	0	1,389	21,624
Total unused liquidity commitments	604	1,313	1,031	1,148	1,259	-52.0	0	0	0	295	309
Other											
Assets serviced for others**	6,060,797	5,984,061	5,918,788	6,034,597	5,996,478	1.1	4,175	156,474	302,651	1,531,179	4,066,318
Asset-backed commercial paper conduits											
Credit exposure to conduits sponsored by institutions and others	17,366	16,898	16,069	15,554	16,909	2.7	0	0	0	0	17,366
Unused liquidity commitments to conduits sponsored by institutions and others	31,491	30,447	30,593	29,497	26,928	16.9	0	0	0	2,537	28,954
Net servicing income (for the quarter)	1,504	2,740	2,812	3,655	2,355	-36.1	7	221	151	825	300
Net securitization income (for the quarter)	65	64	-49	151	131	-50.4	0	1	2	3	59
Total credit exposure to Tier 1 capital (%)***	3.50	3.60	3.70	4.30	13.90		0.00	0.00	0.00	2.30	6.10

* Does not include banks filing the FFIEC 051 report form, which was introduced in first quarter 2017.
** The amount of financial assets serviced for others, other than closed-end 1-4 family residential mortgages, is reported when these assets are greater than $10 million.
*** Total credit exposure includes the sum of the three line items titled "Total credit exposure" reported above.

TABLE VIII-A. Trust Services (All FDIC-Insured Institutions)

(dollar figures in millions)	All Insured Institutions Dec 31 2018	Dec 31 2017	Dec 31 2016	Dec 31 2015	% Change 2017-2018	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
Number of institutions reporting	5,406	5,670	5,913	6,182	-4.7	1,278	3,353	638	128	9
Number of institutions with fiduciary powers	1,685	1,745	1,808	1,857	-3.4	196	1,043	347	90	9
Commercial banks	1,561	1,617	1,674	1,721	-3.5	181	985	302	84	9
Savings institutions	124	128	134	136	-3.1	15	58	45	6	0
Number of institutions exercising fiduciary powers	1,260	1,292	1,345	1,379	-2.5	123	766	281	81	9
Commercial banks	1,162	1,189	1,235	1,271	-2.3	109	720	249	75	9
Savings institutions	98	103	110	108	-4.9	14	46	32	6	0
Number of institutions reporting fiduciary activity	1,196	1,224	1,268	1,298	-2.3	116	718	274	79	9
Commercial banks	1,103	1,127	1,166	1,197	-2.1	102	676	243	73	9
Savings institutions	93	97	102	101	-4.1	14	42	31	6	0
Fiduciary and related assets - managed assets										
Personal trust and agency accounts	630,187	684,836	633,050	632,459	-8.0	17,026	51,153	71,258	255,961	234,788
Noninterest-bearing deposits	8,918	9,124	9,628	10,627	-2.3	18	787	310	470	7,332
Interest-bearing deposits	76,273	70,383	74,420	79,039	8.4	187	3,982	7,788	15,489	48,827
U.S. Treasury and U.S. Government agency obligations	124,665	109,513	105,921	84,517	13.8	2,054	4,836	18,052	46,863	52,858
State, county and municipal obligations	234,996	220,542	201,762	196,308	6.6	5,422	11,671	18,637	91,746	107,520
Money market mutual funds	123,035	99,955	102,669	106,900	23.1	2,802	10,022	13,474	47,165	49,572
Other short-term obligations	135,186	151,815	149,248	162,047	-11.0	61	78	1,051	93,021	40,975
Other notes and bonds	287,074	270,784	243,491	171,842	6.0	9,429	6,907	12,985	184,634	73,118
Common and preferred stocks	2,969,887	3,324,681	2,906,250	2,669,473	-10.7	45,925	168,305	164,829	1,723,904	866,924
Real estate mortgages	2,087	1,884	2,069	1,994	10.8	321	177	432	727	430
Real estate	49,713	47,896	49,073	50,935	3.8	1,019	7,011	6,791	14,792	20,099
Miscellaneous assets	107,446	121,726	114,175	117,442	-11.7	1,575	7,374	13,198	46,733	38,565
Employee benefit and retirement-related trust and agency accounts:										
Employee benefit - defined contribution	395,295	429,241	397,432	342,688	-7.9	1,374	6,318	13,777	323,584	50,242
Employee benefit - defined benefit	508,367	585,263	646,896	551,396	-13.1	2,904	3,862	13,274	434,152	54,174
Other employee benefit and retirement-related accounts	339,942	373,447	312,538	290,760	-9.0	4,959	52,257	24,955	135,698	122,074
Corporate trust and agency accounts	16,091	19,896	19,809	19,444	-19.1	0	778	6,990	3,978	4,344
Investment management and investment advisory agency accounts	1,837,545	1,935,353	1,619,342	1,444,009	-5.1	40,152	95,534	112,078	947,375	642,406
Other fiduciary accounts	391,851	400,267	329,641	370,369	-2.1	2,399	11,246	15,215	164,797	198,194
Total managed fiduciary accounts:										
Assets	4,119,279	4,428,303	3,958,707	3,651,125	-7.0	68,814	221,149	257,548	2,265,546	1,306,222
Number of accounts	1,853,804	1,839,481	1,755,682	1,690,474	0.8	132,409	390,660	310,619	523,194	496,922
Fiduciary and related assets - nonmanaged assets										
Personal trust and agency accounts	301,478	279,563	259,844	275,280	7.8	7,053	20,930	27,208	154,274	92,013
Employee benefit and retirement-related trust and agency accounts:										
Employee benefit - defined contribution	2,152,841	2,331,971	2,111,453	2,035,579	-7.7	116,895	40,927	43,355	1,382,421	569,242
Employee benefit - defined benefit	4,432,203	4,659,295	4,187,669	4,169,033	-4.9	13,370	24,264	11,788	3,458,037	924,744
Other employee benefit and retirement-related accounts	1,489,431	1,627,818	1,304,246	1,303,116	-8.5	16,411	18,936	16,726	1,205,157	232,201
Corporate trust and agency accounts	3,338,048	3,350,526	2,593,482	2,657,963	-0.4	12	6,740	301,756	280,662	2,748,878
Other fiduciary accounts	3,471,409	3,655,900	3,249,875	3,035,011	-5.0	6,998	39,115	30,710	1,758,919	1,635,666
Total nonmanaged fiduciary accounts:										
Assets	15,185,410	15,905,073	13,706,569	13,475,981	-4.5	160,738	150,913	431,544	8,239,470	6,202,745
Number of accounts	3,911,491	3,849,691	3,930,084	3,807,875	1.6	1,065,384	342,806	182,371	1,664,437	656,493
Custody and safekeeping accounts:										
Assets	96,313,038	97,546,110	85,353,590	81,322,476	-1.3	323,129	893,906	903,115	31,687,411	62,505,478
Number of accounts	11,689,806	9,270,960	8,567,321	8,289,877	26.1	3,165,993	4,940,179	91,942	2,147,843	1,343,849
Fiduciary and related services income										
Personal trust and agency accounts	4,749	4,661	4,513	4,706	1.9	144	239	511	1,910	1,945
Retirement-related trust and agency accounts:										
Employee benefit - defined contribution	1,372	1,337	1,230	1,200	2.6	22	52	179	638	481
Employee benefit - defined benefit	1,503	1,508	1,415	1,390	-0.3	10	19	30	1,009	434
Other employee benefit and retirement-related accounts	2,117	1,911	1,654	1,519	10.8	57	516	259	739	545
Corporate trust and agency accounts	1,727	1,720	1,684	1,469	0.4	0	14	306	406	1,001
Investment management agency accounts	9,162	8,510	7,769	7,451	7.7	224	734	865	3,294	4,045
Other fiduciary accounts	823	811	764	684	1.5	4	3	7	403	405
Custody and safekeeping accounts	14,919	14,403	13,372	13,358	3.6	16	603	268	5,595	8,436
Other fiduciary and related services income	983	916	841	978	7.3	16	89	121	284	473
Total gross fiduciary and related services income	37,525	35,871	33,405	32,889	4.6	495	2,378	2,605	14,280	17,766
Less: Expenses	35,126	33,144	30,649	30,776	6.0	341	1,813	2,005	15,104	15,863
Less: Net losses from fiduciary and related services	290	283	208	367	2.5	0	3	3	92	193
Plus: Intracompany income credits for fiduciary and related services	9,306	7,539	5,787	4,962	23.4	2	6	340	4,739	4,218
Net fiduciary and related services income	11,179	9,825	8,170	6,573	13.8	154	457	850	3,789	5,929
Collective investment funds and common trust funds (market value)										
Domestic equity funds	615,673	718,199	636,516	558,173	-14.3	5,874	219	15,871	458,276	135,432
International/global equity funds	202,917	230,397	186,627	188,974	-11.9	1,686	5,709	3,611	136,355	55,555
Stock/bond blend funds	148,831	141,328	142,755	137,835	5.3	2,292	248	6,053	84,971	55,266
Taxable bond funds	125,119	148,520	149,992	146,148	-15.8	763	1,632	2,375	3,387	116,962
Municipal bond funds	2,004	3,001	3,291	3,924	-33.2	0	0	42	939	1,023
Short-term investments/money market funds	143,955	154,093	161,565	145,387	-6.6	3,239	0	0	82,261	58,455
Specialty/other funds	58,833	56,774	56,067	52,694	3.6	0	282	5,819	2,303	50,430
Total collective investment funds	1,302,766	1,452,312	1,336,812	1,233,135	-10.3	13,911	9,139	35,150	771,443	473,123

COMMUNITY BANK PERFORMANCE

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

Net Income Climbs $2.7 Billion From a Year Earlier on Lower Income Taxes and Higher Net Interest Income

Loan and Lease Balances Grow 6.5 Percent Year Over Year

Net Interest Margin Expands to 3.78 Percent From a Year Earlier

Asset Quality Improves as Noncurrent and Net Charge-Off Rates Decline

Community Banks Report $6.8 Billion in Net Income During Fourth Quarter

Results from 4,979 FDIC-insured community banks reflected an increase in fourth quarter net income of $2.7 billion (65.1 percent) from a year earlier to $6.8 billion. Lower income tax expense and higher net interest income contributed most to the improvement in earnings. Normalizing net income from fourth quarter 2017 and fourth quarter 2018 using the average tax rate for community banks before the 2017 tax law change, quarterly net income would have been $6.1 billion, 11.2 percent higher than the $5.4 billion reported in fourth quarter 2017.[1] Community banks earned a pretax return on assets (ROA) of 1.40 percent, up 10 basis points from the year-ago quarter and 25 basis points below that of noncommunity banks.

Full-Year Net Income Climbs $5.9 Billion

Net income totaled $26.1 billion during 2018, up $5.9 billion (29.4 percent) compared with 2017. Only 3.41 percent of community banks were unprofitable in 2018, the lowest percentage of unprofitable community banks on record. A reduction in income tax expense of $2.9 billion (37.1 percent) contributed most to the improvement in earnings. Normalizing net income from 2017 and 2018 using the average tax rate for community banks before the new tax law, net income would have been $24.1 billion—10.7 percent higher than 2017.[2] The annual pretax ROA increased to 1.35 percent, up 7 basis points from a year earlier. An increase in net interest income of $5.8 billion (8.3 percent) offset an increase in noninterest expense of $3 billion (5.3 percent) year over year. An uptick in salary and benefit expenses of $1.9 billion (5.9 percent) drove the increase in noninterest expense. However, the ratio of noninterest expenses to average assets of 2.75 percent is at its lowest level since 1989.

[1] This estimate of quarterly net income adjusts fourth quarters 2017 and 2018 by applying the average quarterly tax rate at community banks between fourth quarter 2011 and third quarter 2017 to income before taxes and discontinued operations.

[2] This estimate of full-year net income adjusts 2017 and 2018 by applying the average annual tax rate between 2011 and 2016 to income before taxes and discontinued operations.

Chart 1

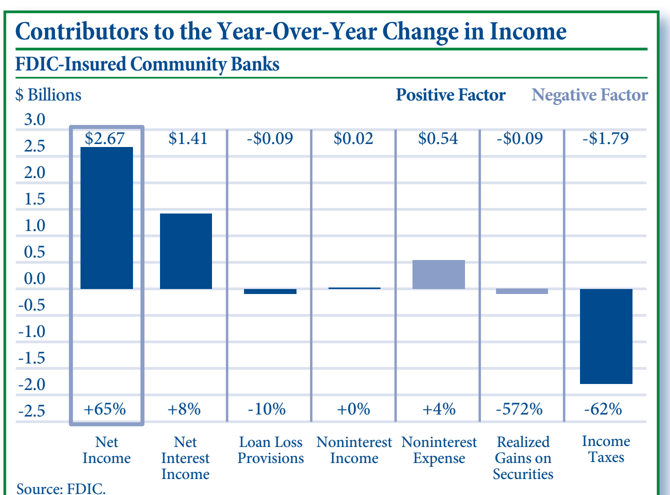
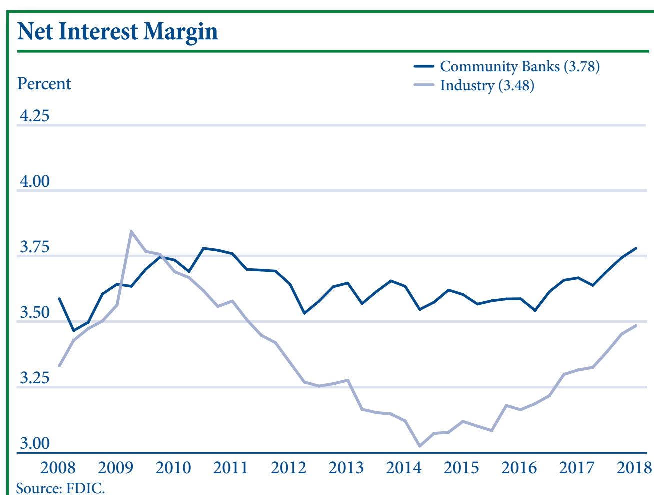


Chart 2



Community Banks Increase Net Operating Revenue by 6.2 Percent

Net operating revenue rose $1.4 billion (6.2 percent) from a year ago primarily because of an increase in net interest income of $1.4 billion (7.7 percent). An increase in other real estate loan income (up $1.3 billion or 14.6 percent) contributed most to the increase in net interest income.[3] Noninterest income of $4.7 billion included an increase in other noninterest income of $130.1 million (6.7 percent), which helped offset a 17.4 percent decline in income from loan sales. More than half of community banks (54 percent) reported higher noninterest income compared with fourth quarter 2017. An increase in earning asset yields outpaced an increase in average funding costs, supporting a 12 basis point expansion of the average net interest margin (NIM) to 3.78 percent. This ratio was 34 basis points above that of noncommunity banks.

Noninterest Expense Rises as Salary Expense Meets Increase in Average Assets

Noninterest expense of $15.6 billion was $540.2 million (3.6 percent) higher than the year-ago quarter. In contrast, noncommunity banks achieved a slight reduction in noninterest expense (0.27 percent) during the same period. Payroll expenses of $8.9 billion (up 4.7 percent) rose in tandem with the number of full-time employees (up 0.8 percent) and the increase in quarterly average total assets per employee (up 3.9 percent). More than two-thirds of community banks (67.2 percent) reported higher noninterest expense compared with one year ago.

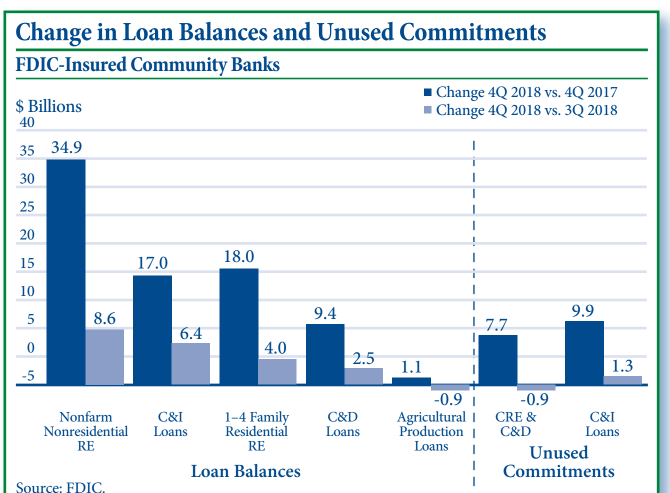
Loans and Leases Increase 1.5 Percent During Fourth Quarter 2018

Community banks raised loan and lease volume $24.2 billion (up 1.5 percent) during the fourth quarter. Increases in nonfarm nonresidential loans of $8.6 billion (1.8 percent), commercial and industrial (C&I) loans of $6.4 billion (3 percent), 1–4 family residential real estate loans of $4 billion (1 percent), and construction and development (C&D) loans of $2.6 billion (2.3 percent) accounted for almost 90 percent of quarterly loan growth. Unfunded commitments increased $2.8 billion (0.9 percent) during the quarter. Quarterly loan growth lifted the percentage of net loans and leases to total assets to 70.7 percent—the highest ratio on record.

Annual loan and lease growth totaled $98.5 billion (up 6.5 percent) and brought year-end loan and lease volume to $1.6 trillion. Increases in nonfarm nonresidential loans of $34.9 billion (7.8 percent), 1–4 family residential real estate loans of $18.3 billion (4.3 percent), C&I loans of $16.9 billion (8.3 percent), C&D loans of $9.4 billion (9 percent), and multifamily loans of $9.2 billion (8.2 percent) contributed most to annual loan growth. Community banks made commitments to fund an additional $24.6 billion (up 8.6 percent) in loans during 2018. C&I loan commitments increased $9.9 billion (10.7 percent), which exceeded growth in commitments for C&D loans of $7.4 billion (8.7 percent).

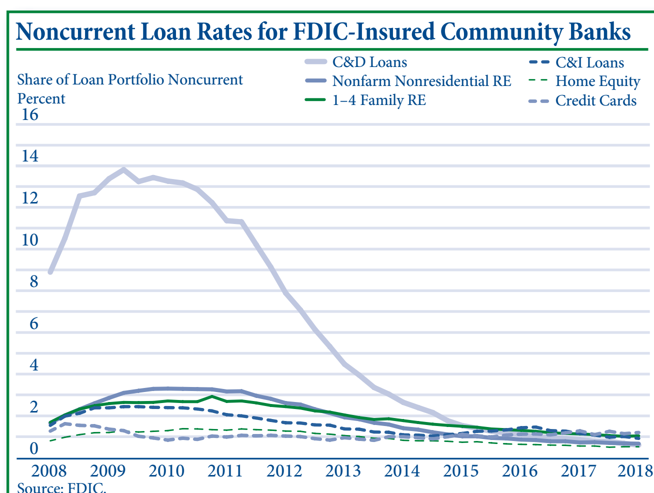
[3] Other real estate loan income includes income from construction and development, farmland, multifamily, and nonfarm nonresidential loans.

Chart 3



Source: FDIC.

Chart 4



Source: FDIC.

Small Loans to Businesses Grow 3.1 Percent Compared With a Year Ago

Community banks extended an additional $9 billion in small loans to businesses during 2018, lifting the total to $299.3 billion—3.1 percent higher than the year earlier. C&I loan growth of 4.5 percent and nonfarm nonresidential loan growth of 2.8 percent contributed most to the growth in small loans to businesses. Community banks hold 42.1 percent of the industry's small loans to businesses.

Noncurrent Rate Remains Low

The rate of noncurrent loans declined 2 basis points during the quarter and 8 basis points from a year ago to 0.78 percent—the lowest it has been since 2007. The noncurrent rate for all major loan categories except 1–4 family residential loans declined during the quarter. The noncurrent rate for 1–4 family residential loans increased 1 basis point to 1.03 percent. The noncurrent rate for C&D loans (down 9 basis points to 0.59 percent) and for C&I loans (down 8 basis points to 0.91 percent) decreased the most among major loan categories.[4] The 1.03 percent noncurrent rate for 1–4 family loans is the highest among major loan categories. The noncurrent rate for multifamily loans, which account for 7.5 percent of total loans, is at its lowest level since fourth quarter 1993. The noncurrent rate for farm loans of 1.11 percent increased 23 basis points since the year-ago quarter, continuing a year-over-year climb that began in fourth quarter 2016.

Net Charge-Off Rate Declines 8 Basis Points From a Year Earlier

The net charge-off rate for total loans declined 8 basis points to 0.14 percent compared with fourth quarter 2017. This rate was 43 basis points below that of noncommunity banks. The net charge-off rate declined for all major loan categories since the year-ago quarter. The net charge-off rate for C&I loans registered the greatest annual improvement (down 29 basis points to 0.36 percent year over year) despite a 9 basis point increase during the fourth quarter. The net charge-off rate for farm loans, which make up 7.9 percent of total loans and leases, increased 2 basis points since the year-ago quarter and 8 basis points during the quarter to 0.15 percent.

Risk-Based Capital Ratios Show Slight Decline

Total equity capital increased $6.7 billion (2.7 percent) during the fourth quarter. The total equity capital ratio increased by 17 basis points to 11.41 percent, while the leverage capital ratio increased 4 basis points to 11.09 percent. The total risk-based capital ratio declined 3 basis points to 15.76 percent, and the tier 1 risk-based capital ratio declined 3 basis points to 14.72 percent.

Total Deposits Increase 1.7 Percent During the Quarter

Total Deposits increased $30.2 billion to $1.9 trillion during the fourth quarter. This growth included an increase in domestic interest-bearing deposits of $26.1 billion (1.8 percent) and an increase in domestic noninterest-bearing deposits of $4 billion (1 percent).

One New Bank Opened in Fourth Quarter 2018

The number of FDIC-insured community banks declined by 65 to 4,979 during the quarter, including 64 mergers and consolidations. Five community banks voluntarily liquidated and four became noncommunity banks. Five noncommunity banks transitioned to community banks. One new community bank charter was opened during the quarter. No community banks failed.

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[4] Major loan categories include C&D, nonfarm nonresidential, C&I, and 1–4 family residential.

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

	2018	2017	2016	2015	2014	2013	2012
Return on assets (%)	1.19	0.96	0.99	0.99	0.93	0.90	0.83
Return on equity (%)	10.60	8.65	8.81	8.85	8.45	8.27	7.68
Core capital (leverage) ratio (%)	11.09	10.80	10.69	10.67	10.57	10.43	10.18
Noncurrent assets plus other real estate owned to assets (%)	0.69	0.78	0.94	1.07	1.34	1.73	2.27
Net charge-offs to loans (%)	0.12	0.16	0.16	0.15	0.21	0.32	0.58
Asset growth rate (%)	2.30	1.17	2.97	2.71	2.21	0.39	2.25
Net interest margin (%)	3.72	3.62	3.57	3.57	3.61	3.59	3.67
Net operating income growth (%)	28.35	0.14	2.42	9.54	4.81	14.64	56.17
Number of institutions reporting	4,979	5,228	5,461	5,735	6,037	6,307	6,542
Percentage of unprofitable institutions (%)	3.41	5.74	4.65	5.02	6.44	8.40	11.14

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

(dollar figures in millions)	4th Quarter 2018	3rd Quarter 2018	4th Quarter 2017	%Change 17Q4-18Q4
Number of institutions reporting	4,979	5,044	5,228	-4.8
Total employees (full-time equivalent)	412,579	411,511	417,393	-1.2
CONDITION DATA				
Total assets	$2,259,279	$2,222,307	$2,208,517	2.3
Loans secured by real estate	1,238,885	1,221,888	1,198,837	3.3
1-4 Family residential mortgages	399,812	396,222	396,219	0.9
Nonfarm nonresidential	481,742	474,099	459,353	4.9
Construction and development	113,127	110,530	107,075	5.7
Home equity lines	48,270	48,665	50,038	-3.5
Commercial & industrial loans	221,437	210,573	205,711	7.6
Loans to individuals	63,627	63,184	61,988	2.6
Credit cards	1,908	1,801	2,039	-6.4
Farm loans	52,756	53,722	51,664	2.1
Other loans & leases	40,153	39,749	38,918	3.2
Less: Unearned income	651	656	706	-7.8
Total loans & leases	1,616,206	1,588,461	1,556,411	3.8
Less: Reserve for losses	18,431	18,271	18,123	1.7
Net loans and leases	1,597,775	1,570,190	1,538,289	3.9
Securities	396,519	396,654	409,786	-3.2
Other real estate owned	3,051	3,267	3,921	-22.2
Goodwill and other intangibles	17,497	15,600	13,700	27.7
All other assets	244,438	236,596	242,821	0.7
Total liabilities and capital	2,259,279	2,222,307	2,208,517	2.3
Deposits	1,854,566	1,823,189	1,809,803	2.5
Domestic office deposits	1,853,858	1,822,598	1,809,313	2.5
Foreign office deposits	708	591	490	44.7
Brokered deposits	77,561	73,120	91,087	-14.8
Estimated insured deposits	1,344,000	1,331,166	1,331,270	1.0
Other borrowed funds	128,889	131,605	136,156	-5.3
Subordinated debt	791	624	864	-8.5
All other liabilities	17,060	16,997	15,951	7.0
Total equity capital (includes minority interests)	257,973	249,892	245,744	5.0
Bank equity capital	257,894	249,783	245,621	5.0
Loans and leases 30-89 days past due	8,650	7,778	8,376	3.3
Noncurrent loans and leases	12,589	12,747	13,321	-5.5
Restructured loans and leases	6,390	6,496	7,032	-9.1
Mortgage-backed securities	174,441	174,560	174,409	0.0
Earning assets	2,104,202	2,073,075	2,058,450	2.2
FHLB Advances	105,149	109,266	111,892	-6.0
Unused loan commitments	310,580	306,319	292,389	6.2
Trust assets	303,344	296,616	347,351	-12.7
Assets securitized and sold	13,060	14,891	24,076	-45.8
Notional amount of derivatives	74,753	75,823	67,382	10.9

INCOME DATA	Full Year 2018	Full Year 2017	%Change	4th Quarter 2018	4th Quarter 2017	%Change 17Q4-18Q4
Total interest income	$90,343	$82,472	9.5	$24,063	$21,557	11.6
Total interest expense	14,545	10,348	40.6	4,385	2,859	53.4
Net interest income	75,798	72,123	5.1	19,678	18,698	5.2
Provision for loan and lease losses	2,901	3,157	-8.1	766	869	-11.8
Total noninterest income	18,367	18,796	-2.3	4,655	4,812	-3.3
Total noninterest expense	60,227	59,319	1.5	15,637	15,529	0.7
Securities gains (losses)	40	353	-88.8	-77	25	N/M
Applicable income taxes	4,960	8,199	-39.5	1,083	3,063	-64.6
Extraordinary gains, net*	3	2	N/M	0	-2	N/M
Total net income (includes minority interests)	26,120	20,599	26.8	6,769	4,071	66.3
Bank net income	26,109	20,576	26.9	6,768	4,066	66.4
Net charge-offs	1,916	2,408	-20.4	570	842	-32.3
Cash dividends	11,471	10,016	14.5	3,572	3,037	17.6
Retained earnings	14,638	10,560	38.6	3,196	1,030	210.4
Net operating income	26,091	20,328	28.3	6,839	4,050	68.9

* 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)	4th Quarter 2018	3rd Quarter 2018	4th Quarter 2017	%Change 17Q4-18Q4
Number of institutions reporting	4,979	4,978	4,973	0.1
Total employees (full-time equivalent)	412,579	412,264	409,187	0.8
CONDITION DATA				
Total assets	$2,259,279	$2,223,723	$2,154,822	4.8
Loans secured by real estate	1,238,885	1,220,687	1,163,101	6.5
1-4 Family residential mortgages	399,812	395,854	381,853	4.7
Nonfarm nonresidential	481,742	473,187	446,881	7.8
Construction and development	113,127	110,603	103,751	9.0
Home equity lines	48,270	48,062	47,951	0.7
Commercial & industrial loans	221,437	215,045	204,486	8.3
Loans to individuals	63,627	63,377	60,289	5.5
Credit cards	1,908	1,858	1,917	-0.5
Farm loans	52,756	53,626	51,699	2.0
Other loans & leases	40,153	39,975	38,791	3.5
Less: Unearned income	651	664	682	-4.5
Total loans & leases	1,616,206	1,592,045	1,517,686	6.5
Less: Reserve for losses	18,431	18,327	17,781	3.7
Net loans and leases	1,597,775	1,573,718	1,499,905	6.5
Securities	396,519	393,707	399,835	-0.8
Other real estate owned	3,051	3,253	3,817	-20.1
Goodwill and other intangibles	17,497	16,880	14,845	17.9
All other assets	244,438	236,165	236,420	3.4
Total liabilities and capital	2,259,279	2,223,723	2,154,822	4.8
Deposits	1,854,566	1,824,344	1,768,343	4.9
Domestic office deposits	1,853,858	1,823,751	1,767,831	4.9
Foreign office deposits	708	592	512	38.2
Brokered deposits	77,561	76,114	89,996	-13.8
Estimated insured deposits	1,344,000	1,329,936	1,300,565	3.3
Other borrowed funds	128,889	129,950	128,149	0.6
Subordinated debt	791	797	771	2.6
All other liabilities	17,060	17,343	15,807	7.9
Total equity capital (includes minority interests)	257,973	251,290	241,752	6.7
Bank equity capital	257,894	251,179	241,644	6.7
Loans and leases 30-89 days past due	8,650	7,798	8,267	4.6
Noncurrent loans and leases	12,589	12,871	13,186	-4.5
Restructured loans and leases	6,390	6,453	6,867	-7.0
Mortgage-backed securities	174,441	172,299	169,951	2.6
Earning assets	2,104,202	2,072,485	2,006,245	4.9
FHLB Advances	105,149	107,054	103,642	1.5
Unused loan commitments	310,580	307,824	286,014	8.6
Trust assets	303,344	282,870	307,030	-1.2
Assets securitized and sold	13,060	14,891	18,999	-31.3
Notional amount of derivatives	74,753	76,418	65,559	14.0

INCOME DATA	Full Year 2018	Full Year 2017	%Change	4th Quarter 2018	4th Quarter 2017	%Change 17Q4-18Q4
Total interest income	$90,343	$79,875	13.1	$24,063	$21,016	14.5
Total interest expense	14,545	9,871	47.3	4,385	2,747	59.6
Net interest income	75,798	70,004	8.3	19,678	18,269	7.7
Provision for loan and lease losses	2,901	3,085	-6.0	766	855	-10.4
Total noninterest income	18,367	18,031	1.9	4,655	4,638	0.4
Total noninterest expense	60,227	57,217	5.3	15,637	15,096	3.6
Securities gains (losses)	40	340	-88.4	-77	16	N/M
Applicable income taxes	4,960	7,883	-37.1	1,083	2,868	-62.2
Extraordinary gains, net*	3	2	N/M	0	-2	N/M
Total net income (includes minority interests)	26,120	20,192	29.4	6,769	4,102	65.0
Bank net income	26,109	20,178	29.4	6,768	4,098	65.1
Net charge-offs	1,916	2,330	-17.8	570	822	-30.7
Cash dividends	11,471	9,702	18.2	3,572	2,874	24.3
Retained earnings	14,638	10,475	39.7	3,196	1,224	161.0
Net operating income	26,091	19,932	30.9	6,839	4,087	67.3

* 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

Fourth Quarter 2018 (dollar figures in millions)		Geographic Regions*					
	All Community Banks	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	4,979	571	575	1,094	1,325	1,103	311
Total employees (full-time equivalent)	412,579	85,663	46,852	86,721	71,552	88,892	32,899
CONDITION DATA							
Total assets	$2,259,279	$626,187	$232,592	$410,281	$369,497	$415,988	$204,734
Loans secured by real estate	1,238,885	392,296	128,254	213,810	181,774	209,124	113,628
1-4 Family residential mortgages	399,812	142,274	40,051	70,717	54,008	64,860	27,902
Nonfarm nonresidential	481,742	141,730	56,388	80,811	61,568	87,402	53,842
Construction and development	113,127	25,883	14,363	16,604	16,224	29,828	10,225
Home equity lines	48,270	16,009	6,523	10,280	5,430	5,009	5,019
Commercial & industrial loans	221,437	54,852	20,046	47,003	38,027	42,511	18,997
Loans to individuals	63,627	16,196	6,450	12,518	10,922	12,582	4,959
Credit cards	1,908	422	154	290	587	236	220
Farm loans	52,756	640	1,339	8,859	29,683	9,406	2,829
Other loans & leases	40,153	11,673	3,493	7,787	6,813	6,572	3,816
Less: Unearned income	651	178	98	48	103	125	99
Total loans & leases	1,616,206	475,478	159,483	289,929	267,116	280,070	144,130
Less: Reserve for losses	18,431	4,645	1,788	3,319	3,473	3,408	1,798
Net loans and leases	1,597,775	470,833	157,695	286,610	263,643	276,662	142,332
Securities	396,519	95,974	43,114	74,552	64,853	83,617	34,407
Other real estate owned	3,051	551	617	565	511	647	159
Goodwill and other intangibles	17,497	5,130	1,380	4,216	2,342	2,993	1,437
All other assets	244,438	53,699	29,786	44,338	38,148	52,068	26,399
Total liabilities and capital	2,259,279	626,187	232,592	410,281	369,497	415,988	204,734
Deposits	1,854,566	494,597	194,751	336,960	305,977	351,756	170,524
Domestic office deposits	1,853,858	494,041	194,750	336,863	305,977	351,756	170,470
Foreign office deposits	708	556	1	97	0	0	54
Brokered deposits	77,561	25,531	5,103	14,159	14,077	9,966	8,724
Estimated insured deposits	1,344,000	345,482	141,764	260,045	235,487	248,468	112,753
Other borrowed funds	128,889	53,385	9,989	22,469	20,206	14,219	8,622
Subordinated debt	791	499	15	209	10	42	15
All other liabilities	17,060	5,880	1,592	3,231	2,215	2,434	1,709
Total equity capital (includes minority interests)	257,973	71,826	26,245	47,412	41,089	47,536	23,864
Bank equity capital	257,894	71,792	26,241	47,393	41,088	47,516	23,864
Loans and leases 30-89 days past due	8,650	2,114	1,106	1,612	1,397	1,994	427
Noncurrent loans and leases	12,589	3,932	1,239	2,405	1,905	2,422	686
Restructured loans and leases	6,390	2,112	660	1,444	930	837	406
Mortgage-backed securities	174,441	54,035	19,348	29,513	22,411	32,131	17,004
Earning assets	2,104,202	587,620	215,518	379,733	344,060	385,236	192,035
FHLB Advances	105,149	47,513	8,305	16,572	15,331	11,174	6,255
Unused loan commitments	310,580	84,011	28,223	58,623	55,130	53,624	30,969
Trust assets	303,344	73,534	11,992	69,688	93,121	44,970	10,039
Assets securitized and sold	13,060	7,499	72	1,523	2,650	903	413
Notional amount of derivatives	74,753	35,022	6,066	16,527	9,581	5,225	2,331
INCOME DATA							
Total interest income	$24,063	$6,383	$2,523	$4,261	$3,960	$4,638	$2,299
Total interest expense	4,385	1,436	415	737	736	737	325
Net interest income	19,678	4,947	2,108	3,524	3,224	3,901	1,974
Provision for loan and lease losses	766	181	78	120	149	176	61
Total noninterest income	4,655	1,003	434	1,254	754	872	337
Total noninterest expense	15,637	3,806	1,753	3,035	2,545	3,108	1,389
Securities gains (losses)	-77	-14	-17	-11	-8	-17	-9
Applicable income taxes	1,083	327	66	254	152	124	160
Extraordinary gains, net**	0	-1	0	0	0	0	0
Total net income (includes minority interests)	6,769	1,620	628	1,357	1,123	1,348	693
Bank net income	6,768	1,619	628	1,357	1,123	1,349	693
Net charge-offs	570	112	63	109	115	138	33
Cash dividends	3,572	444	305	894	726	872	331
Retained earnings	3,196	1,174	323	463	398	477	361
Net operating income	6,839	1,633	642	1,368	1,131	1,364	701

* See Table V-A for explanation.
** See Notes to Users for explanation.

Table IV-B. Fourth Quarter 2018, FDIC-Insured Community Banks

	All Community Banks		Fourth Quarter 2018, Geographic Regions*					
Performance ratios (annualized, %)	4th Quarter 2018	3rd Quarter 2018	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	4.62	4.49	4.39	4.73	4.53	4.65	4.86	4.84
Cost of funding earning assets	0.84	0.75	0.99	0.78	0.78	0.86	0.77	0.68
Net interest margin	3.78	3.74	3.40	3.95	3.75	3.79	4.09	4.15
Noninterest income to assets	0.83	0.84	0.65	0.75	1.23	0.83	0.85	0.67
Noninterest expense to assets	2.80	2.73	2.45	3.04	2.99	2.79	3.02	2.74
Loan and lease loss provision to assets	0.14	0.11	0.12	0.14	0.12	0.16	0.17	0.12
Net operating income to assets	1.22	1.24	1.05	1.11	1.35	1.24	1.32	1.38
Pretax return on assets	1.40	1.48	1.25	1.20	1.59	1.40	1.43	1.68
Return on assets	1.21	1.24	1.04	1.09	1.34	1.23	1.31	1.37
Return on equity	10.66	11.05	9.15	9.73	11.62	11.07	11.57	11.79
Net charge-offs to loans and leases	0.14	0.10	0.10	0.16	0.15	0.17	0.20	0.09
Loan and lease loss provision to net charge-offs	134.49	152.03	161.39	123.83	110.64	130.05	127.65	186.69
Efficiency ratio	63.89	62.71	63.64	68.39	63.12	63.56	64.81	59.80
Net interest income to operating revenue	80.87	80.53	83.15	82.92	73.75	81.05	81.73	85.40
% of unprofitable institutions	6.91	3.79	5.43	8.35	6.49	7.40	7.07	5.79
% of institutions with earnings gains	73.11	71.57	84.76	77.74	71.21	66.72	71.80	81.67

Table V-B. Full Year 2018, FDIC-Insured Community Banks

	All Community Banks		Full Year 2018, Geographic Regions*					
Performance ratios (%)	Full Year 2018	Full Year 2017	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	4.43	4.14	4.23	4.53	4.34	4.46	4.65	4.63
Cost of funding earning assets	0.71	0.52	0.85	0.65	0.66	0.73	0.64	0.58
Net interest margin	3.72	3.62	3.38	3.87	3.68	3.73	4.00	4.05
Noninterest income to assets	0.84	0.88	0.64	0.78	1.21	0.83	0.88	0.69
Noninterest expense to assets	2.75	2.77	2.45	2.99	2.96	2.70	2.95	2.71
Loan and lease loss provision to assets	0.13	0.15	0.14	0.12	0.11	0.15	0.15	0.12
Net operating income to assets	1.19	0.95	0.98	1.07	1.29	1.28	1.34	1.32
Pretax return on assets	1.42	1.35	1.25	1.27	1.55	1.46	1.49	1.65
Return on assets	1.19	0.96	0.99	1.07	1.29	1.28	1.33	1.32
Return on equity	10.60	8.65	8.76	9.66	11.27	11.57	11.90	11.51
Net charge-offs to loans and leases	0.12	0.16	0.13	0.11	0.10	0.12	0.16	0.09
Loan and lease loss provision to net charge-offs	151.41	131.12	138.74	151.29	150.74	164.99	144.41	204.98
Efficiency ratio	63.61	64.86	63.78	67.87	63.63	62.31	63.87	60.13
Net interest income to operating revenue	80.50	79.33	83.15	82.05	73.88	80.72	80.79	84.61
% of unprofitable institutions	3.41	5.74	4.03	5.57	3.47	2.34	2.72	5.14
% of institutions with earnings gains	78.93	55.16	86.34	83.83	75.69	75.17	78.88	83.92

* See Table V-A for explanation.

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

December 31, 2018	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	0.50	0.42	0.64	0.58	0.49	0.65	0.21
Construction and development	0.39	0.43	0.34	0.43	0.40	0.43	0.18
Nonfarm nonresidential	0.30	0.28	0.33	0.35	0.29	0.39	0.14
Multifamily residential real estate	0.14	0.11	0.25	0.21	0.21	0.13	0.02
Home equity loans	0.48	0.53	0.60	0.44	0.29	0.58	0.36
Other 1-4 family residential	0.86	0.68	1.26	1.01	0.73	1.16	0.39
Commercial and industrial loans	0.48	0.29	0.76	0.41	0.53	0.61	0.50
Loans to individuals	1.49	1.64	1.73	0.94	1.07	2.27	1.02
Credit card loans	2.43	2.50	1.40	0.95	3.76	1.54	2.39
Other loans to individuals	1.46	1.61	1.73	0.94	0.92	2.29	0.96
All other loans and leases (including farm)	0.46	0.24	0.33	0.33	0.53	0.57	0.60
Total loans and leases	0.54	0.44	0.69	0.56	0.52	0.71	0.30
Percent of Loans Noncurrent**							
All loans secured by real estate	0.77	0.83	0.78	0.89	0.67	0.79	0.40
Construction and development	0.59	0.63	0.72	0.66	0.65	0.44	0.53
Nonfarm nonresidential	0.66	0.73	0.63	0.72	0.63	0.76	0.28
Multifamily residential real estate	0.19	0.18	0.22	0.29	0.14	0.30	0.06
Home equity loans	0.51	0.59	0.52	0.51	0.28	0.48	0.50
Other 1-4 family residential	1.03	1.23	1.01	1.20	0.61	0.99	0.61
Commercial and industrial loans	0.91	1.07	0.75	0.71	0.94	1.05	0.80
Loans to individuals	0.68	0.46	0.72	0.35	0.43	1.56	0.44
Credit card loans	1.19	1.23	0.84	0.53	1.79	0.57	1.31
Other loans to individuals	0.66	0.44	0.71	0.34	0.36	1.58	0.40
All other loans and leases (including farm)	0.70	0.29	0.87	0.74	0.76	0.76	0.82
Total loans and leases	0.78	0.83	0.78	0.83	0.71	0.86	0.48
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.03	0.04	0.04	0.04	0.03	0.03	-0.02
Construction and development	0.00	0.03	0.08	-0.03	-0.02	0.03	-0.16
Nonfarm nonresidential	0.04	0.04	0.03	0.06	0.06	0.03	0.00
Multifamily residential real estate	-0.01	0.00	-0.09	-0.03	0.00	0.03	0.00
Home equity loans	0.02	0.04	0.04	0.03	-0.02	0.05	-0.04
Other 1-4 family residential	0.04	0.05	0.04	0.04	0.03	0.03	-0.02
Commercial and industrial loans	0.38	0.58	0.29	0.27	0.24	0.46	0.25
Loans to individuals	0.95	0.89	0.97	0.46	1.08	1.09	1.67
Credit card loans	6.50	4.17	2.10	1.55	14.89	1.71	3.42
Other loans to individuals	0.77	0.79	0.95	0.43	0.29	1.07	1.59
All other loans and leases (including farm)	0.21	0.13	0.21	0.23	0.18	0.25	0.31
Total loans and leases	0.12	0.13	0.11	0.10	0.12	0.16	0.09
Loans Outstanding (in billions)							
All loans secured by real estate	$1,238.9	$392.3	$128.3	$213.8	$181.8	$209.1	$113.6
Construction and development	113.1	25.9	14.4	16.6	16.2	29.8	10.2
Nonfarm nonresidential	481.7	141.7	56.4	80.8	61.6	87.4	53.8
Multifamily residential real estate	120.5	63.9	6.5	17.9	11.0	8.1	13.0
Home equity loans	48.3	16.0	6.5	10.3	5.4	5.0	5.0
Other 1-4 family residential	399.8	142.3	40.1	70.7	54.0	64.9	27.9
Commercial and industrial loans	221.4	54.9	20.0	47.0	38.0	42.5	19.0
Loans to individuals	63.6	16.2	6.4	12.5	10.9	12.6	5.0
Credit card loans	1.9	0.4	0.2	0.3	0.6	0.2	0.2
Other loans to individuals	61.7	15.8	6.3	12.2	10.3	12.3	4.7
All other loans and leases (including farm)	92.9	12.3	4.8	16.6	36.5	16.0	6.6
Total loans and leases	1,616.9	475.7	159.6	290.0	267.2	280.2	144.2
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	310,580	84,011	28,223	58,623	55,130	53,624	30,969
Construction and development: 1-4 family residential	25,913	5,456	3,506	3,151	3,325	7,464	3,012
Construction and development: CRE and other	65,595	20,125	6,871	10,996	8,907	13,154	5,542
Commercial and industrial	102,378	27,343	7,458	22,825	17,183	17,504	10,065

* See Table V-A for explanation.

** 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

Insured Deposits Grow by 2.0 Percent

DIF Reserve Ratio Is Unchanged at 1.36 Percent

During the fourth quarter, the Deposit Insurance Fund (DIF) balance increased by $2.4 billion to $102.6 billion. Assessment income of $1.4 billion and unrealized gains on available-for-sale securities of $756 million were the largest sources of the increase. Interest earned on investments of $481 million, a negative provision for insurance losses of $236 million, and unrealized gains on postretirement benefits of $32 million also added to the fund. Operating expenses of $453 million reduced the fund. No institutions failed in 2018.

The deposit insurance assessment base—average consolidated total assets minus average tangible equity—increased by 1.5 percent in the fourth quarter and by 3.0 percent over 12 months.[1,2] Total estimated insured deposits increased by 2.0 percent in the quarter and 5.1 percent year over year.

The strong growth in insured deposits offset the increase in the fund balance, resulting in a DIF reserve ratio of 1.36 percent on December 31, 2018. The reserve ratio was unchanged from September 30, 2018, and increased by 6 basis points during 2018.

Small banks will receive credits to offset the portion of their assessments that help to raise the reserve ratio from 1.15 percent to 1.35 percent. Total credits to be issued among credit accruing institutions are estimated to be $764.7 million. Following each quarter that the reserve ratio is at or above 1.38 percent, the FDIC will automatically apply a small bank's credits to reduce its regular assessment up to the entire amount of the assessment.

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[1] There are additional adjustments to the assessment base for banker's banks and custodial banks.

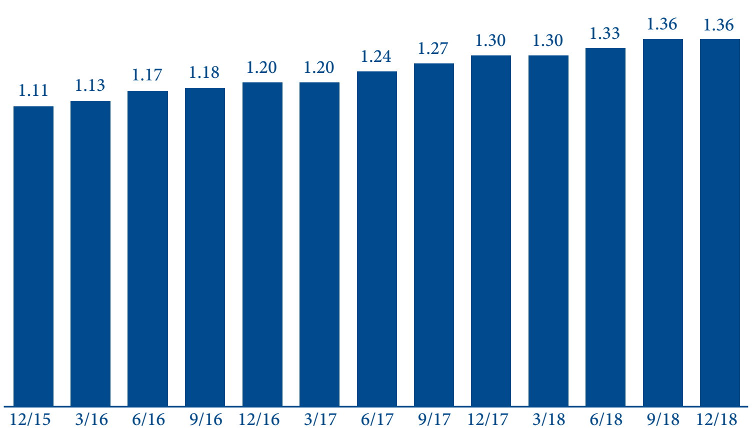
[2] Figures for estimated insured deposits and the assessment base include insured branches of foreign banks, in addition to insured commercial banks and savings institutions.

Table I-C. Insurance Fund Balances and Selected Indicators

	Deposit Insurance Fund*												
(dollar figures in millions)	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017	1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016	4th Quarter 2015
Beginning Fund Balance	$100,204	$97,588	$95,072	$92,747	$90,506	$87,588	$84,928	$83,162	$80,704	$77,910	$75,120	$72,600	$70,115
Changes in Fund Balance:													
Assessments earned	1,351	2,728	2,598	2,850	2,656	2,568	2,634	2,737	2,688	2,643	2,328	2,328	2,160
Interest earned on investment securities	481	433	381	338	305	274	251	227	189	171	164	147	128
Realized gain on sale of investments	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating expenses	453	434	445	433	443	404	450	442	437	422	441	415	447
Provision for insurance losses	-236	-121	-141	-65	-203	-512	-233	765	-332	-566	-627	-43	-930
All other income, net of expenses	2	2	3	1	3	1	4	2	3	3	2	5	12
Unrealized gain/(loss) on available-for-sale securities**	788	-234	-162	-496	-481	-33	-12	7	-317	-167	110	412	-298
Total fund balance change	2,405	2,616	2,516	2,325	2,242	2,918	2,660	1,766	2,457	2,794	2,790	2,520	2,485
Ending Fund Balance	102,609	100,204	97,588	95,072	92,747	90,506	87,588	84,928	83,162	80,704	77,910	75,120	72,600
Percent change from four quarters earlier	10.63	10.72	11.42	11.95	11.53	12.14	12.42	13.06	14.55	15.10	15.27	15.05	15.64
Reserve Ratio (%)	1.36	1.36	1.33	1.30	1.30	1.27	1.24	1.20	1.20	1.18	1.17	1.13	1.11
Estimated Insured Deposits	7,522,753	7,377,348	7,355,417	7,335,611	7,158,286	7,102,057	7,050,287	7,081,910	6,917,928	6,817,984	6,674,980	6,662,907	6,519,449
Percent change from four quarters earlier	5.09	3.88	4.33	3.58	3.47	4.17	5.62	6.29	6.11	6.42	5.39	5.19	5.23
Domestic Deposits	12,659,453	12,368,000	12,280,938	12,305,836	12,129,503	11,966,478	11,827,933	11,856,691	11,693,371	11,506,877	11,242,960	11,156,523	10,952,922
Percent change from four quarters earlier	4.37	3.36	3.83	3.79	3.73	3.99	5.20	6.28	6.76	7.56	5.74	5.06	5.21
Assessment Base***	15,448,329	15,226,833	15,111,345	15,067,584	15,000,564	14,833,521	14,702,320	14,620,247	14,562,532	14,382,384	14,191,382	13,994,033	13,832,910
Percent change from four quarters earlier	2.98	2.65	2.78	3.06	3.01	3.14	3.60	4.47	5.27	5.27	4.43	3.40	3.65
Number of Institutions Reporting	5,415	5,486	5,551	5,616	5,679	5,747	5,796	5,865	5,922	5,989	6,067	6,131	6,191

DIF Reserve Ratios

Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits ($ Millions)

	DIF Balance	DIF-Insured Deposits
12/15	$72,600	$6,519,449
3/16	75,120	6,662,907
6/16	77,910	6,674,980
9/16	80,704	6,817,984
12/16	83,162	6,917,928
3/17	84,928	7,081,910
6/17	87,588	7,050,287
9/17	90,506	7,102,057
12/17	92,747	7,158,286
3/18	95,072	7,335,611
6/18	97,588	7,355,417
9/18	100,204	7,377,348
12/18	102,609	7,522,753

Table II-C. Problem Institutions and Failed Institutions

(dollar figures in millions)	2018	2017	2016	2015	2014	2013	2012
Problem Institutions							
Number of institutions	60	95	123	183	291	467	651
Total assets	$48,489	$13,939	$27,624	$46,780	$86,712	$152,687	$232,701
Failed Institutions							
Number of institutions	0	8	5	8	18	24	51
Total assets****	$0	$5,082	$277	$6,706	$2,914	$6,044	$11,617

* Quarterly financial statement results are unaudited.
** Includes unrealized postretirement benefit gain (loss).
*** Average consolidated total assets minus tangible equity, with adjustments for banker's banks and custodial banks.
**** Total assets are based on final Call Reports submitted by failed institutions.

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

(dollar figures in millions) December 31, 2018	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	4,715	$16,728,219	$11,645,216	$6,704,238
FDIC-Supervised	3,140	2,589,311	2,061,033	1,405,657
OCC-Supervised	819	11,318,969	7,612,608	4,232,931
Federal Reserve-Supervised	756	2,819,939	1,971,575	1,065,651
FDIC-Insured Savings Institutions	691	1,214,904	967,717	778,636
OCC-Supervised	310	768,695	630,187	519,788
FDIC-Supervised	343	415,198	312,958	239,078
Federal Reserve-Supervised	38	31,010	24,573	19,769
Total Commercial Banks and Savings Institutions	5,406	17,943,122	12,612,933	7,482,874
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	91,376	46,520	39,879
Total FDIC-Insured Institutions	5,415	18,034,498	12,659,453	7,522,753

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

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

Quarter Ending September 30, 2018 *(dollar figures in billions)*

Annual Rate in Basis Points*	Number of Institutions	Percent of Total Institutions	Amount of Assessment Base**	Percent of Total Assessment Base
1.50 - 3.00	3,400	61.98	$5,554.4	36.48
3.01 - 6.00	1,428	26.03	8,801.3	57.80
6.01 - 10.00	524	9.55	709.4	4.66
10.01 - 15.00	51	0.93	131.7	0.87
15.01 - 20.00	70	1.28	15.3	0.10
20.01 - 25.00	7	0.13	1.9	0.01
> 25.00	6	0.11	12.8	0.08

* Assessment rates do not incorporate temporary surcharges on large banks.
** Beginning in the second quarter of 2011, the assessment base was changed to average consolidated total assets minus tangible equity, as required by the Dodd-Frank Act.

Notes to Users

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

Tables I-A through VIII-A.

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

Tables I-B through VI-B.

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

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

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

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

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

The fourth step includes organizations that operate within a limited geographic scope. This limitation of scope is used as a proxy measure for a bank's relationship approach to banking. Banks that operate within a limited market area have more ease in managing relationships at a personal level. Under this step, four criteria are applied to each banking organization. They include both a minimum and maximum number of total banking offices, a maximum level of deposits for any one office, and location-based criteria. The limits on the number of and deposits per office are adjusted upward quarterly. For banking offices, banks must have more than one office, and the maximum number of offices is 40 in 1985 and reached 87 in 2016. The maximum level of deposits for any one office is $1.25 billion in deposits in 1985 and reached $6.97 billion in deposits in 2016. The remaining geographic limitations are also based on maximums for the number of states (fixed at 3) and large metropolitan areas (fixed at 2) in which the organization maintains offices. Branch office data are based on the most recent data from the annual June 30 *Summary of Deposits Survey* that are available at the time of publication.

Finally, the definition establishes an asset-size limit, also adjusted upward quarterly and below which the limits on banking activities and geographic scope are waived. The asset-size limit is $250 million in 1985 and reached $1.39 billion in 2016. This final step acknowledges the fact that most of those small banks that are not excluded as specialty banks meet the requirements for banking activities and geographic limits in any event.

Summary of FDIC Research Definition of Community Banking Organizations

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

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

Exclude: Any organization with:

— No loans or no core deposits

— Foreign Assets ≥ 10% of total assets

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

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

Include: All remaining banking organizations with:

— Total assets < indexed size threshold[2]

— Total assets ≥ indexed size threshold, where:

- Loan to assets > 33%
- Core deposits to assets > 50%
- More than 1 office but no more than the indexed maximum number of offices.[3]
- Number of large MSAs with offices ≤ 2
- Number of states with offices ≤ 3
- No single office with deposits > indexed maximum branch deposit size.[4]

Tables I-C through IV-C.

A separate set of tables (Tables I-C through IV-C) provides comparative quarterly data related to the Deposit Insurance Fund (DIF), problem institutions, failed institutions, estimated FDIC-insured deposits, as well as assessment rate information. Depository insti-

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

[2] Asset size threshold indexed to equal $250 million in 1985 and $1.39 billion in 2016.

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

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

tutions 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/news/financial/2019/fil19002.html

https://www.fdic.gov/news/news/financial/2019/fil19002.pdf

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

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

DEFINITIONS (in alphabetical order)

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

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

Assessment base – effective April 1, 2011, the deposit insurance assessment base changed to "average consolidated total assets minus average tangible equity" with an additional adjustment to the assessment base for banker's banks and custodial banks, as permitted under Dodd-Frank. Previously the assessment base was "assessable deposits" and consisted of deposits in banks' domestic offices with certain adjustments.

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

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

The current assessment rate schedule became effective July 1, 2016. Under the current schedule, initial base assessment rates range from 3 to 30 basis points. An institution's total base assessment rate

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

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

Total Base Assessment Rates*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivatives transaction types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other borrowed funds – federal funds purchased, securities sold with agreements to repurchase, demand notes issued to the U.S. Treasury, FHLB advances, other borrowed money, mortgage indebtedness, obligations under capitalized leases and trading liabilities, less revaluation losses on assets held in trading accounts.

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that 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 (http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx).

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

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

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

Unearned income 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.

MERGER ADJUSTING BANK DATA: A PRIMER

Analysis of banking trends often focuses on specific industry subgroups. The analyst tracks the performance or characteristics of an industry subgroup over time, and the results, if compelling, can serve as input to policy decisions. When conducting such research and considering its results, it is important to remember that different ways of analyzing the same bank data can produce seemingly different conclusions. This article focuses on the merger adjustment analysis technique.

Researchers face challenges when attempting to analyze the characteristics of groups of institutions over time.[1] Membership in a particular group can change as new institutions form and older institutions merge, fail, or close. Institutions may also change their characteristics over time in ways that cause them to move from one group to another.

The process that FDIC analysts use to account for mergers is called *merger adjusting*.[2] This article describes how and when FDIC analysts use merger adjustment when analyzing change in the banking industry and includes merger adjusting of the number of bank offices, balance sheet data, and income statement data. It discusses when to merger adjust and when not to merger adjust, and offers caveats for interpreting results. The appendix includes citations to publicly available data needed to perform merger adjustments.

How and When to Perform Merger Adjustment

Merger adjustment is often appropriate when analyzing a subset, or group, of the industry over time. Consider the regular reporting in the FDIC's *Quarterly Banking Profile* (QBP) of year-over-year loan growth at all community banks.[3] The group of community banks today is not necessarily made up of the same institutions that constituted the group a year earlier; institutions merge, fail, or close, or they can change and no longer meet the criteria to be a community bank. Also, new community banks are chartered, and sometimes noncommunity banks become community banks. Given these ongoing structural changes, how should analysts measure year-over-year loan growth at community banks?

The QBP calculation of year-over-year loan growth measures what is called the "organic growth" of loans held by currently operating community banks—the portion of growth that is independent of the effects of mergers. For example, if two institutions each had $100 million in loans one year ago, and they merged, and the combined institution ended the year with $200 million in loans, then the organic growth, or merger-adjusted growth, is zero. Although the acquiring institution doubled its loan portfolio, for the two institutions as a group there was no net increase in loans.

Merger-adjusted calculation of year-over-year loan growth involves identifying the community banks as of the most recent quarter, identifying institutions that those community banks acquired over the period being analyzed, and adding the assets and liabilities of the acquired institutions to the acquiring institutions in previous periods. The analysis treats acquired and acquiring institutions as if the merger had already occurred by the beginning of the period being analyzed.[4]

[1] For example, see S. A. Rhoades and A. J. Yeats, "Growth, Consolidation, and Mergers in Banking," *Journal of Finance* 29, no. 5, December 1974: 1397-1405. Also, see George J. Stigler, "The Statistics of Monopoly and Merger," *Journal of Political Economy* 64, no. 1, February 1956: 33-40.

[2] In this article, "merger" refers to any absorption of one institution by another where the absorbed institution no longer maintains a separate existence, whether or not both institutions are owned by the same holding company, as well as whether or not the absorption involves a failed institution.

[3] Community banks are defined according to the FDIC's research definition. See Chapter 1 of *FDIC Community Banking Study* (2012). In general, the FDIC considers as community banks both larger institutions that are not specialty banks (that are not, for example, bankers' banks, credit card banks, or industrial loan companies) and that rely primarily on core deposits to fund local lending and operate within a limited geographic area, as well as smaller institutions that are not specialty banks.

[4] Typically, FDIC analysts merger adjust data between two periods—for example an earlier quarter and the current quarter—by considering the current quarter's insured institutions as constituting the group about which information is desired. So, analysts drop from the earlier quarter any institutions not also present in the current quarter if they have closed without an acquirer, were acquired by a nonbank such as a credit union, or relinquished FDIC insurance during the interval between the earlier quarter and the current quarter. New institutions that formed during the interval, and which report in the current quarter but did not report in the earlier quarter, are kept in the data. One can think of newly formed institutions as reporting values of zero for their assets and liabilities in the earlier quarter.

Why Merger Adjust?

Data are merger adjusted so that year-over-year growth calculations are made on data from only one group of institutions, and to reduce calculation distortions caused by mergers. When one bank purchases another, it acquires the assets and liabilities of the purchased bank. It would be confusing to report a change in the amount of the acquiring bank's total assets without accounting for the merger.

Suppose a researcher wishes to compare the number of offices operated by the four largest banks, measured by total assets, in 2018 with the number of offices operated by the same four banks in 1998. A simple comparison of these two numbers will tell us that the number of offices operated by these four banks has greatly increased. The simple comparison will not tell us whether the increase was the result of new offices being opened, or the result of acquisitions of the offices of other banks.

Another situation in which merger adjusting makes a crucial difference is when comparing industry size groups over time. Suppose a researcher is interested in determining total deposits of institutions with less than $1 billion each in assets over the past 20 years. For any given asset-size threshold, fewer and fewer banks will fall under that threshold as time goes on simply because of inflation. Banks that are under the threshold at the beginning of the period may grow or be acquired by larger institutions. So, over time there could be fewer banks, and potentially fewer deposits, under the $1 billion asset size threshold. A merger-adjusted analysis would be appropriate if the researcher is interested in determining the growth of deposits at the current group of institutions in this size range, rather than tracking the total deposits of all institutions in the group over time.

Three Examples of Merger Adjustment

These examples will show the methods, advantages, and drawbacks of merger adjustment. Readers will note references to the types of information needed to merger adjust banking data. The appendix contains instructions on where to find and how to use this publicly available information.

Example One: Tracking the Number of Offices of Large Institutions

In this example, we will consider how many offices today's four largest FDIC-insured institutions have operated since 1994. The chart on page 33 shows the number of offices operated since 1994 by the four largest FDIC-insured institutions, measured by total assets, as of June 30, 2018. The chart on page 33 shows both a merger-adjusted series, represented by light blue bars, and an unadjusted series, represented by dark blue bars.

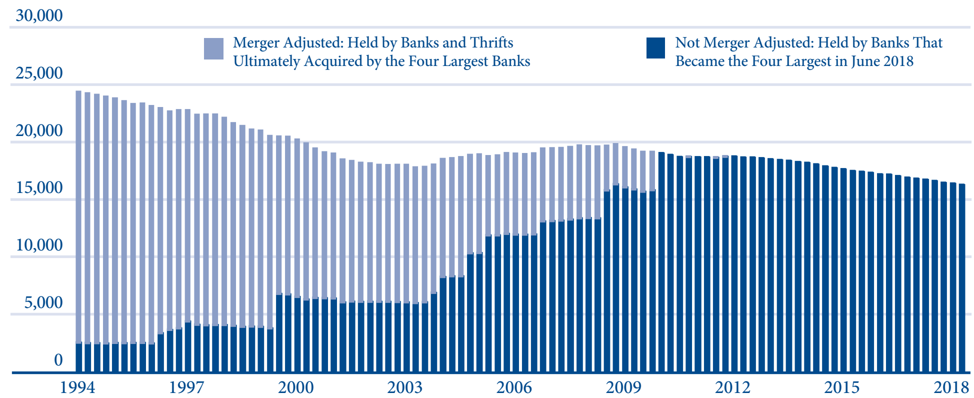
The adjusted series is made by adding the number of offices of the four largest banks to the number of offices of all banks they acquired in every quarter during the analysis period.[5] Suppose that Bank A, one of today's four largest banks, acquired two other banks between 1994 and today: Bank B in 2001 and Bank C in 2007. To merger adjust the office count for Bank A, analysts would add to the offices of Bank A those of Bank B between 1994 and 2001, and those of Bank C between 1994 and 2007. In other words, the analyst treats the offices of Bank B and Bank C as belonging to Bank A as of the period when the analysis begins.[6]

[5] The exception is institutions newly chartered during or after 1994 that were acquired by one of the four largest banks. The office count of a newly chartered and later acquired institution is added to that of whichever of the four largest banks acquired it as of the new institution's first Call Report filing.

[6] To elaborate, suppose Bank A had ten offices in 1994, while Bank B had five offices and Bank C had one office. Suppose also that Bank B opened a sixth office in 1999. The unadjusted office counts of the three banks over time are as follows: Bank A, ten offices between 1994 and 2000, sixteen offices between 2001 and 2006, and seventeen offices between 2007 and today. Bank B had five offices between 1994 and 1998, and six offices between 1999 and 2000. Bank C had one office between 1994 and 2006. Adjusting for mergers, Bank A has 16 offices between 1994 and 1998, and 17 offices between 1999 and today. Bank A's merger-adjusted office growth rate between 1994 and today was 6.25 percent, compared with an unadjusted rate of 70 percent.

Number of Offices Held by Banks That Became the Four Largest by June 2018

March 31, 1994, to June 30, 2018



Source: FDIC.

The unadjusted series shows that the number of offices of the four institutions has increased. But have the banks opened new offices? Or were the offices acquired from other banks? The adjusted series shows that the total number of offices operated by the four largest banks, and by all the banks they ultimately acquired at some point during the period, has declined since 1994. A more thorough analysis could determine how much of the decline is attributable to office closures by the four largest banks, and how much is attributable to office closures made by the acquired banks before they were acquired.

By analyzing the effects of mergers in this way, analysts get a different view of how acquisitions affected the number of offices, as well as of the net effect of branching and acquisitions of the four largest banks on the total number of U.S. banking offices.

Both series in the chart above convey useful information. The unadjusted series depicts how today's four largest banks grew their office networks as they became the largest banks. The adjusted series depicts that the number of offices operated by the four largest banks and the banks they acquired has declined, and suggests the need for further analysis of which banks closed offices and why.[7] Neither series alone presents a full picture, especially not without an accompanying discussion of underlying data and assumptions.

Example Two: Adjusting Balance Sheet Data

Community banks play an important role in small business lending, so a researcher may want to determine whether small business lending is growing at community banks. Finding a correct answer could require the researcher to merger adjust the balance sheet items that reflect small business lending.[8] This example describes how balance sheet items are merger adjusted in the FDIC's QBP.

[7] FDIC analysts examined trends in offices between 2012 and 2017. They found that the aggregate decline in total offices over this period was driven by larger institutions reducing the number of offices they operate. Among institutions that closed offices on net between 2012 and 2017, average total assets were approximately $12.4 billion in 2017, compared with approximately $1.7 billion among institutions that opened offices, and approximately $630 million among institutions that neither opened nor closed offices on net. Other factors correlated with closing offices between 2012 and 2017 include reporting high per-office premises expenses in 2012, and having offices located in counties with high rates of population loss. See Nathan L. Hinton, Derek K. Thieme, and Angela N. Woodhead, "Factors Shaping Recent Trends in Banking Office Structure for Community and Noncommunity Banks," FDIC *Quarterly*, vol. 11 (4), 2018. https://www.fdic.gov/bank/analytical/quarterly/2017-vol11-4/fdic-v11n4-3q2017-article1.pdf.

[8] The specific data items on the Call Report capture *small loans* to businesses and farms, which include commercial and industrial loans and loans secured by nonfarm nonresidential properties, with original balances of $1 million or less, as well as loans to finance agricultural production, and loans secured by farmland, with original balances of $500,000 or less. We may reasonably suppose that loan size will increase as the size of a business receiving the loan increases, so *small* loans to businesses are more likely to be small business loans compared with large loans to businesses. However, the Call Report data items likely understate the true amount of small business loans originated by banks, especially among banks with less than $10 billion in assets. See *2018 FDIC Small Business Lending Survey*, FDIC pp. 9–19. https://www.fdic.gov/bank/historical/sbls/full-survey.pdf.

Merger adjusting would not be necessary if the question was: What is the share of small business loans on the balance sheets of community banks, compared with noncommunity banks, operating at any given time over the period between 1994 and 2018?

The subject of the question above is not a specific group of banks at a particular point in time; rather, it is any community bank operating from 1994 to 2018. Also, if one views the question as how the changing structure of the industry affects where loans are housed on bank balance sheets by type of institution, it would not be appropriate to remove the effects of mergers from the data.

However, what if the question was: How much did the community banks that existed on June 30, 2018, grow their loans over the year ending on that date? The subject of this question is community banks as of June 30, 2018, and should be answered by describing actual, or "organic," loan growth, not loan growth that occurs when one bank buys another. Given the nature of the question, the researcher should merger adjust the balance sheet data from a year ago.

To merger adjust the balance sheet data, the researcher identifies all institutions acquired between June 30, 2017, and June 30, 2018, and combines the June 30, 2017, balance sheets of the acquired institutions with the balance sheets of their acquirers. Any institution that closed without an acquirer, was acquired by a nonbank such as a credit union, or relinquished FDIC insurance between June 30, 2017, and June 30, 2018, would be dropped from the June 30, 2017, dataset. Finally, the community bank designations as of June 30, 2018, would be used for both the June 30, 2018, dataset and the June 30, 2017, dataset to aggregate the results for community and noncommunity banks. In addition to accounting for structural change over the intervening year, merger adjusting allocates loan balances as of June 30, 2017, according to an institution's June 30, 2018, community bank designation (Tables 1 and 2).[9]

As shown in Tables 1 and 2, following the steps described above yields merger-adjusted growth rates of small business loans between June 30, 2017, and June 30, 2018, of 3.1 percent at community banks, compared with 1.4 percent at noncommunity banks. Without adjusting for mergers, growth over the past year at community banks was 0.3 percent, and growth at noncommunity banks was 3.4 percent.

Table 1

Merger Adjustment of Small Business Loans at Community Banks

		June 30, 2017	June 30, 2018	Growth
Step	**Unadjusted Loan Balances (Thousands)**	**$296,787,281**	**$297,665,043**	**0.3%**
1	Subtract the loans of community banks that became noncommunity banks during the year	-$4,916,746		
2	Add the loans of noncommunity banks that became community banks during the year	+$3,844,040		
3	Subtract the loans of community banks acquired by noncommunity banks	-$7,159,659		
4	Add the loans of noncommunity banks acquired by community banks	+$226,678		
5	Subtract the loans of community banks that closed but were not acquired by another FDIC-insured institution	-$118,350		
	Merger-Adjusted Loan Balances (Thousands)	**$288,663,244**	**$297,665,043**	**3.1%**

Source: FDIC.

[9] Because Call Report and Community Bank data are subject to revisions, readers who perform their own merger adjustment on small business loan data, following the guide in the appendix, may calculate figures that do not match those in Table 1 or Table 2.

The results of the loan growth comparison flip depending on the methodology used. Not merger adjusting, in this and similar examples, would emphasize the effects of acquisitions on which institutions are holding loans, whereas merger adjustment measures the actual or "organic" growth of loan portfolios at open institutions.

Tables 1 and 2 show how merger adjustment accounts for structural change and for changes in the community bank designations at institutions. With the exception of institutions that close without an acquirer, are acquired by a nonbank, or relinquish FDIC insurance, line items subtracted from Table 1 are added to Table 2, and vice versa.

As Tables 1 and 2 show, no changes are made to the data for the most recent period when merger adjusting. However, some banks that were community banks in the previous period are treated in the analysis as noncommunity banks in the previous period, if they became noncommunity banks or were acquired by noncommunity banks during the period being analyzed. Similarly, if noncommunity banks became, or were acquired by, community banks during the interval, then they are treated as community banks in the previous period. Over this specific period—June 30, 2017, to June 30, 2018—eight institutions closed but were not acquired by other FDIC-insured institutions, and all of those that had small business loans were community banks. Those eight institutions are dropped from the June 30, 2017, dataset. The effect of dropping those institutions from the previous period's dataset on the analysis is trivial in this case: their combined small business loans represented less than 0.05 percent of all small business loans at community banks. Nearly all FDIC-insured institutions that close are acquired by another FDIC-insured institution, so this effect is not likely to substantially change the results of merger-adjusted analysis of the banking industry.

Neither the unadjusted nor the adjusted calculation is wrong. However, the calculation that is not adjusted for mergers shows growth rates between two different groups of banks—community banks on June 30, 2017, and community banks on June 30, 2018—without accounting for structural change or changes in community bank designations over the year.

Table 2

Merger Adjustment of Small Business Loans at Noncommunity Banks

		June 30, 2017	June 30, 2018	Growth
Step	**Unadjusted Loan Balances (Thousands)**	**$397,980,014**	**$411,584,879**	**3.4%**
1	Add the loans of community banks that became noncommunity banks during the year	+$4,916,746		
2	Subtract the loans of noncommunity banks that became community banks during the year	-$3,844,040		
3	Add the loans of community banks acquired by noncommunity banks	+$7,159,659		
4	Subtract the loans of noncommunity banks acquired by community banks	-$226,678		
5	Subtract the loans of noncommunity banks that closed but were not acquired by another FDIC-insured institution	-$0		
	Merger-Adjusted Loan Balances (Thousands)	**$405,985,701**	**$411,584,879**	**1.4%**

Source: FDIC.

Example Three: Adjusting Income Statement Data

Income statement data—information on the earnings and expenses of institutions—present special challenges. First, while balance sheet items measure assets and liabilities at a point in time, income statement items measure earnings and expenditure flows and are reported on a year-to-date basis. For example, net income reported on bank Call Reports as of June 30, 2017, represents the first two quarters of net income in 2017. It would not be appropriate to compare it with net income reported as of September 30, 2017, which represents nine months of net income. This makes it important for researchers to determine whether the income statement variable they are using has been altered from the reported year-to-date value to show an annualized or quarterly figure.[10]

Another challenge is that earnings results for a single quarter tend to be more volatile than earnings for a full year. So, when looking at earnings trends over time, it sometimes can be important to consider whether one-time events led to particularly good or bad results in a particular quarter.

Finally, analysis of earnings trends is complicated by the fact that there are two general types of merger accounting methods: pooling-of-interests and acquisition.[11] The Financial Accounting Standards Board voted to end the use of the pooling-of-interests method in 2001. However, an analyst should be familiar with this method because it may still be used when accounting for mergers between entities under common control, such as those within the same bank holding company.[12] In the pooling-of-interests method, the reported assets, liabilities, and income of the two entities that merged are simply added together, as if they had always operated as a single entity.

In contrast, the acquisition method of accounting is used in the majority of bank mergers. It requires that the assets of the acquired institution be recorded at fair value.[13] Income that the acquired institution earned before the acquisition is not reported as income of the acquirer, even if it was earned during the same calendar year. Rather, the acquiring institution reports income generated from the acquired institution beginning on the date of the merger.

To illustrate the difference between the treatment of earnings when a merger is accounted for under acquisition accounting compared with pooling of interests, consider two hypothetical institutions that each earn net income of $25 per quarter at all times. Net income at each of these institutions is $100 per year, for a total of $200 per year. Suppose that one institution acquires the other on July 1, 2018. If this merger were accounted for like a pooling-of-interests merger (this would be permissible only if both institutions were part of the same holding company), then the acquirer's year-end 2018 Call Report would show $200 in full-year net income, since the two institutions' income amounts would be added together as if they had been a single entity for all of 2018.

[10] Users of the FDIC's Statistics on Depository Institutions (SDI) comparison tool can choose year-to-date or quarterly calculations of income and expense items. However, income and expense items from the bulk download of quarterly SDI data for all FDIC-insured institutions are only year-to-date.

[11] Another merger accounting method, called pushdown, exists as well. Pushdown mergers represent a subset of acquisition mergers. An entity acquired through a pushdown merger continues to exist separately from its acquirer. However, its assets and liabilities will be restated at fair value (generally, fair value is the current market value) rather than book value (the price at which they were acquired minus depreciation, amortization and any impairment charges) and the difference between fair value and the price paid for the assets and liabilities will be recorded as goodwill for the acquirer. Most assets and liabilities would have been reported at book value by the acquired entity in its previous Call Report filings, so pushdown mergers change the reported values of some balance sheet items for the acquired institution and the acquirer. However, there is no way to tell what the values of those items would have been had the merger not occurred. There is no need to perform merger adjustment in a pushdown merger, because the acquired entity continues to exist.

[12] See "Transactions between entities under common control," under the "Business Combinations" entry, in the glossary of *Instructions for Preparation of Consolidated Reports of Condition and Income for a Bank With Domestic Offices Only and Total Assets Less Than $1 billion*, September 2018, Page A-16, https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_201809_i.pdf.

[13] Fair value and book value are defined in footnote 11. In a pooling-of-interests merger, the acquiring entity assumes the assets and liabilities of the acquired entity at book value, while in acquisition mergers the assets and liabilities are assumed at fair value. In both pooling-of-interests and acquisition mergers, the acquired entity ceases to exist.

Since the two institutions earned a combined $200 in 2017, and the acquiring institution reports income of $200 in 2018, merger-adjusted income growth as measured using the approaches described thus far would be zero, the conceptually correct answer in this idealized example. This example illustrates that in an actual merger in which pooling-of-interests accounting is applied, income statement items may be merger adjusted the same way as the balance sheet items in Example Two: the earnings and expenses of the acquiring and acquired institution are simply added together in its income statement.

If, however, the merger was accounted for using the acquisition method, the acquiring institution would report full year 2018 net income of $150: $100 from its own operations and $50 from the acquired bank's operations. The $50 earned by the acquired institution during the first half of 2018 is not added to the income earned by the acquiring institution.

If a merger adjustment is performed using the approaches described thus far, 2017's combined income of $200 would be compared with this year's reported income of $150, showing that income contracted 25 percent—an incorrect answer for this example. In general, during periods when most banks are reporting positive earnings, the balance sheet approach to merger adjustment will tend to understate income growth, since some of the earnings of banks acquired using acquisition accounting will not be reported in the current period but did appear in the base period.

Conversely, if the income of banks acquired using acquisition accounting is not included in the base period for the growth computation, income growth will tend to be overstated. In this example, the acquiring bank's reported net income has increased 50 percent, from $100 in 2017 to $150 in 2018. This 50 percent growth figure, while correct for the acquiring bank, is not the correct merger-adjusted income growth of zero for the two banks taken together.

This hypothetical example illustrates why special treatment is needed when calculating the merger-adjusted growth of income and expense items of banks involved in acquisition accounting mergers. As of fourth quarter 2018, the FDIC's merger-adjusted income and expense growth calculation includes a portion of the acquired bank's earnings or expenses in the base period, with the portion depending on the acquisition date.[14]

The approach can be illustrated using the two hypothetical banks discussed above. Recall from that example that one bank acquires the other in an acquisition accounting merger, with an effective date of July 1, 2018. Before the merger, each bank earned $25 in net income each quarter. The $50 in net income earned by the acquired bank during the first two quarters of 2018 is not added to the net income of the acquiring bank, following the rules of acquisition accounting. Thus, the acquiring bank reports a full-year 2018 net income of $150.

FDIC analysts merger adjust income statement items for the Community Bank Performance Section of the QBP by including a fraction of the acquired bank's income in the base period equal to the fraction of the current reporting period during which the acquirer owns the acquired assets. The fraction, or *discount factor*, is calculated as the number of days during which the acquired bank has been owned by the acquirer during the year, divided by the number of days that have elapsed since the beginning of the year, as of the end of the current reporting period. In this case, the end of the current reporting period—December 31, 2018—covers all of 2018. The merger is supposed to have occurred midway through the year, so the discount factor is 0.5.[15]

[14] This is a refinement of an earlier approach.

[15] If the current reporting period was instead the third quarter of 2018, then the discount factor would be 92/273, or approximately one-third. As of the end of third quarter 2018, the acquired bank has been owned by the acquirer for 92 days, and 273 days of 2018 have elapsed. As another example, if the merger had occurred in November 2017, the acquiring bank would have owned the acquired assets for all of 2018 and the discount factor would equal 1.

As it applies to the example, the approach would involve multiplying the 2017 net income of the acquired bank by the discount factor of 0.5. The result is added to the 2017 net income of the acquiring bank. The 2017 net income of each bank is $100, so $50 is added to the $100 earned in 2017 by the acquiring bank, to bring the acquiring bank's merger-adjusted 2017 net income to $150. Since the acquiring bank reports $150 in net income for 2018, merger-adjusted growth is zero, the correct answer for this example. Put in simple terms, at year-end 2018, the acquiring bank is reporting full-year earnings on its own assets and half a year's earnings on the acquired assets, so a consistent base-year comparison should include its own 2017 earnings plus half the 2017 earnings of the acquired bank.[16]

This hypothetical example makes clear that the method of merger-adjusting income statement items to calculate growth rates matters greatly at the level of individual banks involved in mergers. Income growth rates for large groups of banks will also differ depending on how acquisition accounting mergers are handled by the merger adjustment method, but the differences in growth rates across different merger adjustment methods will be much smaller when the group of banks analyzed is large, since only a small portion of the banks in a large group will have been involved in an acquisition accounting merger over a one-year period.

The acquisition accounting adjustment is only one of the steps needed to calculate the merger-adjusted income growth of a group of banks. The remaining steps closely parallel the merger adjustment of balance sheet items shown in Tables 1 and 2. Tables 3 and 4 show the steps involved in calculating merger-adjusted net income growth at community and noncommunity banks between June 30, 2017, and June 30, 2018.

Table 3

Merger Adjustment of Year-to-Date Net Income at Community Banks

		June 30, 2017	June 30, 2018	Growth
Step	**Unadjusted Net Income (Thousands)**	**$11,159,904**	**$12,453,289**	**11.6%**
1	Subtract the net income (or add the net loss) of community banks that became noncommunity banks during the year	-$401,008		
2	Add the net income (or subtract the net loss) of noncommunity banks that became community banks during the year	+$161,453		
3	Subtract the net income (or add the net loss) of community banks acquired by noncommunity banks in any type of merger	-$361,772		
4	Add the net income (or subtract the net loss) of noncommunity banks purchased in pooling-of-interests acquisitions by community banks	+$0		
5	Add the net income (or subtract the net loss) of noncommunity banks purchased in acquisition mergers by community banks, after discounting the net income or loss as described in the text	+$2,037		
6	Subtract the net income (or add the net loss) of community banks purchased in acquisition mergers by other community banks, after discounting the net income or loss as described in the text	-$20,036		
7	Subtract the net income (or add the net loss) of community banks that closed but were not acquired by another FDIC-insured institution	+$10,291		
	Merger-Adjusted Net Income (Thousands)	**$10,550,869**	**$12,453,289**	**18.0%**

Source: FDIC.

[16] This illustration of discounting a prior period's income or expense variable applies to items reported on a year-to-date basis. If an analyst wanted to merger adjust a quarterly income or expense variable, then the discount factor applied to the variable in the base period should equal the share of the current reporting quarter that the acquirer has owned the acquired institution. For example, if Bank A acquired Bank B exactly halfway through fourth quarter 2018, and an analyst wished to merger adjust Bank A's quarterly net income reported in fourth quarter 2017, then Bank B's quarterly net income from fourth quarter 2017 would be multiplied by 0.5, the share of fourth quarter 2018 during which Bank A owned Bank B. If an analyst wanted to merger adjust Bank A's quarterly net income reported in third quarter 2018, the same discount factor could be applied to Bank B's quarterly net income from third quarter 2018.

Table 4

Merger Adjustment of Year-to-Date Net Income at Noncommunity Banks				
		June 30, 2017	June 30, 2018	Growth
Step	**Unadjusted Net Income (Thousands)**	**$80,782,163**	**$103,606,302**	**28.3%**
1	Add the net income (or subtract the net loss) of community banks that became noncommunity banks during the year	+$401,008		
2	Subtract the net income (or add the net loss) of noncommunity banks that became community banks during the year	-$161,453		
3	Subtract the net income (or add the net loss) of noncommunity banks acquired by community banks in any type of merger	-$14,299		
4	Add the net income (or subtract the net loss) of community banks purchased in pooling-of-interests acquisitions by noncommunity banks	+$22,035		
5	Add the net income (or subtract the net loss) of community banks purchased in acquisition mergers by noncommunity banks, after discounting the net income or loss as described in the text	+$291,461		
6	Subtract the net income (or add the net loss) of noncommunity banks purchased in acquisition mergers by other noncommunity banks, after discounting the net income or loss as described in the text	-$16,050		
7	Subtract the net income (or add the net loss) of noncommunity banks that closed but were not acquired by another FDIC-insured institution	-$58,289		
	Merger-Adjusted Net Income (Thousands)	**$81,246,576**	**$103,606,302**	**27.5%**

Source: FDIC.

Four Caveats Regarding Merger Adjustment

Merger adjusting bank data accounts for the fact that banks' balance sheets and income statements often change significantly as the result of a merger. However, assets and liabilities can move from one institution to another for other reasons. For example, an acquiring institution may assume some of the assets and liabilities of the institution it acquires, while other assets and liabilities could be purchased by other banks. When a bank fails, for instance, some of its assets and liabilities may be acquired by an institution other than the institution that buys the failed bank. Also, banks may purchase assets or offices from other open and operating banks. In those ways the assets and liabilities, as well as the income and expenses that those assets and liabilities generate, move between banks that did not merge. The FDIC does not collect data about these types of transactions, so merger adjustment does not control for their effects.

A second caveat is that merger adjustment is typically done over a short interval, up to approximately five years. It is less common to merger adjust historical data covering periods longer than five years because any merger adjustment introduces a phenomenon called *survivor bias*.

Survivor bias is the tendency for weaker institutions that fail or are acquired by stronger institutions to be excluded from performance analyses because they no longer exist. Since merger adjustment typically considers a set of institutions as of a recent date and studies their performance over time, it analyzes the performance only of institutions that did not fail or merge over a particular period. Survivor bias increases as the length of the period under consideration grows. A way to reduce survivor bias is discussed below, followed by a discussion of how to interpret merger-adjusted data that span a long time interval.

One way to reduce survivor bias is to include asset values from institutions that closed without an acquirer, were acquired by nonbanks, or relinquished FDIC insurance. For example, when merger adjusting small business loan data, the balances at such institutions could have been assigned a community bank designation as of June 30, 2017, since in that example all small business loans of institutions that closed and were not acquired by another FDIC-insured institution belonged to community banks as of that date. The assets and liabilities of those institutions would be assigned values of zero as of June 30, 2018 since those institutions ceased to exist over the course of the next year. Then, the growth rates calculated between June 30, 2017, and June 30, 2018, for community and noncommunity banks may be lower than the growth rates calculated based on dropping these institutions from the data.[17]

While including balances from institutions that close without an acquirer, are acquired by nonbanks, or relinquish FDIC insurance helps reduce survivor bias, the effect is likely to be small. The largest component of survivor bias cannot be completely eliminated: financial performance of acquired institutions may be weaker than that of institutions that are not acquired over any given period.[18]

A third caveat relates to how one interprets the results of merger adjustment. By adding the loans, deposits, or offices reported in past periods by unaffiliated institutions in a merger adjustment, we are conducting a counterfactual analysis in the sense that the combined institutions in those past periods exist only hypothetically. For example, in the chart on page 33, the merger-adjusted series speaks to the cohort of today's four largest institutions together with all the institutions they acquired since 1993, but specifically does not suggest that today's four largest institutions had nearly 25,000 banking offices in 1994. The researcher and the user of the research need to keep in mind that the analysis is simply a useful tool for addressing questions involving the performance of a group of institutions over time, where correcting for the effects of mergers is important. Care should be taken when presenting merger-adjusted data covering a long interval of time, so that readers do not draw the conclusion that a particular institution, or set of institutions, existed and generated that data.

Finally, merger adjusting income statement items when acquisition accounting is used presents researchers with a problem: how to adjust in a way that avoids understating or overstating growth. If income statement items of banks acquired using acquisition accounting are included in the base period, then income growth may be underestimated. If these items are excluded from the base period, income growth may be overestimated. Including a portion of the acquired banks' income in the base period, as described in this article, is a way to address the conceptual issues involved in measuring income growth for banks involved in acquisition accounting mergers.

[17] To return to Example Two, a total of $118,350,000 in small business loans belonged to community banks as of June 30, 2017, and were dropped from the merger-adjusted total because the institutions closed without an acquirer, were acquired by a nonbank, or relinquished FDIC insurance. Adding that amount back to the merger-adjusted total and recalculating yields growth of 3.08 percent in small business loans at community banks between June 30, 2017, and June 30, 2018, compared with 3.12 percent computed using the approach in Example Two.

[18] FDIC analysts compared acquired community banks with their non-acquired peers from 2010 through 2016 and found that the pretax return on assets at acquired community banks was 30 basis points lower than that at non-acquired community banks over the four-quarter period ending one year before the acquisition. Asset quality, however, was found to be better at acquired community banks. See Eric C. Breitenstein and Nathan L. Hinton, "Community Bank Mergers Since the Financial Crisis: How Acquired Community Banks Compared With Their Peers," FDIC *Quarterly* 11 no. 4, 2018, https://www.fdic.gov/bank/analytical/quarterly/2017-vol11-4/fdic-v11n4-3q2017-article2.pdf. It is possible that these results reflect the unique economic environment that followed the financial crisis and Great Recession.

Conclusion

Merger adjustment takes into account the structural change that has occurred over a particular period. The balance sheet, income statement, or nonfinancial items of institutions that are acquired during the period are added to the acquirer's balance sheet, income statement, or nonfinancial data. This way the items appear on the acquirer's books at the beginning of the period over which the analysis is being conducted.

FDIC analysts frequently use merger adjustment as a tool to standardize comparisons over time. For example, merger adjustment is used when reporting the year-over-year performance of community banks in the *Quarterly Banking Profile*. Merger adjustment can also be used to provide context to questions about nonfinancial data in which merger activity is important, as shown in Example One.

Whether data should be merger adjusted depends on the question the researcher is trying to answer. Questions about the performance of today's institutions over a previous period, such as their loan or income growth over the previous year, should be answered with merger adjusted data so that only one group's performance is evaluated.

Four caveats associated with merger adjustment are important to keep in mind. First, merger adjustment does not perfectly control for the movement of assets and liabilities between institutions in different industry subgroups since institutions may acquire the assets and liabilities of other institutions in the normal course of business, even though no merger occurs. Second, merger adjustment introduces survivor bias since it measures the performance of the currently open institutions in a group, which tend to be better performers than institutions that left the group through acquisitions or otherwise ceased operations. Third, when data covering many years of observations are merger adjusted, it is important to remember that the institutions have been combined in past periods for analysis purposes but were not combined as legal entities. Finally, merger adjustment of income statement items requires special care.

Keeping those caveats in mind, merger adjustment is a valuable tool that can shed light on important questions in the analysis of banking trends. Examples covered in this article include how the branching and acquisition activity of large banks may have contributed to changes in their number of banking offices over time, and how to measure the growth of small business loans and net income at community banks given ongoing merger activity. For these questions, and questions of a similar form that involve tracking specific groups of banks over time, merger adjustment is a staple of accurate financial industry analysis.

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Appendix: Merger Adjustment Steps and Data Needed

This appendix provides information on how to access the necessary data and merger adjust balance sheet items, using Example 2 presented in the article as a guide.[19]

The Three Steps in a Merger Adjustment

1. The data to be adjusted must have a variable that uniquely identifies institutions. FDIC analysts typically use CERT, which is an institution's FDIC insurance certificate number.
2. Because the merger accounting method and merger date matter when adjusting income statement items, it may be necessary to determine what type of merger accounting was used and when the merger occurred. This appendix describes the merger adjustment of balance sheet items, so it is not necessary to pay attention to the merger accounting method. However, the merger accounting method is provided by the MERGMETH variable on the Community Banking Structure Reference Data file, described below.
3. To merger adjust the data to reflect industry structure as of the most recent quarter of data published in the *Quarterly Banking Profile*, replace the value of CERT representing the acquired institution with the value of CERT representing the acquired institution's current owner from the Community Banking Structure Reference Data file for all periods in the analysis that come before the acquisition. Acquired institutions are listed by their CERT values in the Community Banking Structure Reference Data file. The value of CERT which represents an acquired institution's current owner is displayed in the ULTIMATE_CERT variable in the Community Banking Structure Reference Data file. To complete the adjustment, sum the data by CERT once the acquired institution's value has been replaced.

Downloading the Community Banking Structure Reference Data

The Community Banking Structure Reference Data include a list of every FDIC-insured institution that started or stopped filing a Call Report or Thrift Financial Report since first quarter 1984. This list is provided by the variable CERT, which identifies an institution by its unique FDIC insurance certificate number. A researcher may use CERT on this file to join it with other FDIC data that the researcher wishes to merger adjust and that also includes the variable CERT.

For those institutions that stopped filing because they were acquired by another FDIC-insured institution, the FDIC certificate number of the institution that currently owns the acquired institution is given by the variable ULTIMATE_CERT.

The Community Banking Structure Reference Data file is available here: https://www.fdic.gov/regulations/resources/cbi/data/community-banking-structure-reference-data.zip.

The Notes to Users page describes the data file layout and each of the variables. It is available here: https://www.fdic.gov/regulations/resources/cbi/data/public-ref-readme.html.

Those interested in performing their own merger adjustments should review the Notes to Users page. A brief summary of the data file and variables necessary is below.

[19] This appendix describes how to merger-adjust only balance sheet items, and only from a historical quarter to the most recent quarter, as identified by the latest quarter for which the *Quarterly Banking Profile* has been published. Readers who wish to adjust from one historical quarter to a later historical quarter should replace references to "ULTIMATE_CERT," below, with "PROXIMATE_CERT." PROXIMATE_CERT identifies the initial acquiring institution. Determine whether the initial acquiring institution has itself been acquired by checking the values of PROXIMATE_CERT against the values of CERT in the Community Bank Structure Reference Data File that have values of RPT_STOP_CALLYM before the later historical quarter. For example, if CERT A has a PROXIMATE_CERT of B, and B has a PROXIMATE_CERT of C, and C has a PROXIMATE_CERT of D, then replace the values of PROXIMATE_CERT for A and B with D. Continue in this fashion until there are no remaining values of PROXIMATE_CERT that were themselves acquired before the later historical quarter. This ensures that each PROXIMATE_CERT will have a valid community bank designation as of the later historical quarter.

A Short Guide to the Community Banking Structure Reference Data File

A row is generated in this file each time an institution starts or stops filing a Call Report. Thus, if an institution filed its first Call Report in Q4-2000 and filed its last in Q3-2010, then it will appear in the file twice. One record is filled with "start" information, the other with "stop" information. To see only rows of institutions that stopped reporting, filter for non-missing values of RPT_STOP_TYPE. This summary description focuses only on institutions that stopped reporting.

Once the data have been filtered to show only rows with non-missing values of RPT_STOP_TYPE, then users will see rows of institutions that stopped filing Call Reports identified by CERT, along with variables that indicate the calendar year and quarter during which the institution stopped reporting (RPT_STOP_CALLYM), the reason why the institution stopped reporting (RPT_STOP_TYPE), the current owner of the institution, if any, (ULTIMATE_CERT), and the merger accounting method used, if applicable (MERGMETH).

The period during which an institution stopped reporting is expressed as the concatenation of the year and a two-digit representation of the quarter. Q1 is represented by 03, Q2 is represented by 06, and so on. For example, an institution that stopped reporting during Q3-2017 would have a value of 201709 for RPT_STOP_CALLYM.

The reason an institution stopped reporting is represented by an integer ranging from one to five. One represents failure, two represents a merger of institutions within the same holding company, three represents a merger between unaffiliated institutions, four represents a voluntary closing, and five represents all other liquidations, closings, and the voluntary termination of FDIC insurance.

If an institution was acquired, MERGMETH records the type of merger accounting used in an integer ranging from one to three. One represents pooling-of-interests accounting, two represents acquisition accounting, and three represents acquisition accounting for the purchase of a failed institution. If MERGMETH is missing or zero, then the institution that stopped reporting was not acquired by any other FDIC-insured institution. For example, an institution may fail without being acquired, voluntarily liquidate its assets, or be acquired by a nonbank, although the latter two events are relatively uncommon.

Downloading Bulk Financial and Demographic Data

The FDIC makes available a variety of financial and demographic data on insured institutions through the Statistics on Depository Institutions (SDI) web page: https://www5.fdic.gov/sdi/download_large_list_outside.asp.

To calculate annual growth in an item between December 31, 2017, and December 31, 2018, a researcher would download the zipped files named All_Reports_20171231 and All_Reports_20181231.

The SDI Glossary provides variable definitions, which may be downloaded from: https://www5.fdic.gov/sdi/SDIAllDefinitions_CSV.zip.

Working With the Data

To calculate annual merger-adjusted growth in small business loans at community banks, a researcher needs four items:

1. Each institution's community bank designation as of December 31, 2018
2. Small business loans outstanding at each institution as of December 31, 2018
3. Small business loans outstanding at each institution as of December 31, 2017
4. A list of institutions acquired between December 31, 2017, and December 31, 2018, that identifies the owner of the acquired institution as of December 31, 2018

Items one and two can be found in the zipped file named All_Reports_20181231. Within this file is a spreadsheet named All_Reports_20181231_Small Business Loans, which has the variables needed to identify the amounts and number of small business loans outstanding, and the community bank designation, of each FDIC-insured institution on December 31, 2018.[20]

Item three is available from a similarly named spreadsheet that can be found in the zipped file named All_Reports_20171231.

Finally, item four is available from the Community Banking Structure Reference Data file.

While it is possible to manually merger-adjust the data, it is easier and faster to use data manipulation software. The sample code below was written for use in SAS.

Import the Data

Extract each file from the PKZIP Archive before proceeding. To ensure that numeric variables from the downloaded files are stored as numeric variables in the SAS datasets, save each file as an Excel Workbook (with the extension .XLSX), or use Excel or other spreadsheet software to change the format of each numeric variable used in the analysis to "Number" as described in the footnote.[21]

Merger Adjusting in SAS:

```
/*
The sample program below was written in SAS version 9.4,running on
Windows 7. It may require modification to run on earlier SAS versions
or on different operating systems.

Once the location of the XLSX files are specified as described, this
program may be pasted into a SAS Program Editor window and run after
ensuring that the file names have pasted correctly, including any
dashes contained therein, removing any line brakes in file names and
variable labels, and replacing all the quotation marks. More steps
may be necessary depending on how your version of SAS renders the
text and symbols from the PDF version of the program.

More advanced users can consolidate some of the steps below.

Import each of the following XLSX files into SAS datasets:

     All_Reports_20181231_Small Business Loans
     All_Reports_20171231_Small Business Loans
     community-banking-structure-reference-data

Replace the text "REPLACE WITH FILE PATH" with the appropriate file
path. For example, C:\LOCAL DATA\<filename>
*/
```

[20] The variables identifying the amounts outstanding of the four types of small business loans are LNCI4 (commercial and industrial loans), LNRENR4 (commercial real estate loans), LNAG4 (agricultural production loans), and LNREAG4 (farmland loans). The variable CB equals 1 if an institution meets the FDIC's definition of community bank that quarter, and 0 otherwise. The FDIC refreshes the entire historical community bank designation list every quarter to account for data resubmissions, corrections, and updates. When performing an analysis that relies on community bank designations that are more than five years old, a researcher should use the historical designations from the spreadsheets available under the heading Current Community Banking Reference Data on the FDIC Community Banking Study Reference Data web page, under the subheading Historical Community Banking Reference Data. These spreadsheets are available at https://www.fdic.gov/regulations/resources/cbi/data.html. Questions may be sent to CommunityBanking@FDIC.gov.

[21] In Excel, for example, to ensure that CERT is stored as a number, open the downloaded file, select all the rows below CERT, right-click using the mouse while the cursor is over the selected rows, left-click on "Format Cells," select "Number" from the Category list, and set the number of decimal places to zero. Apply this format to every observation of each numeric variable used in the analysis.

```
PROC IMPORT REPLACE
     OUT = SMLLNS1712
     DATAFILE = "REPLACE WITH FILE PATH\All_Reports_20171231_Small
Business Loans.xlsx"
     DBMS = xlsx;
RUN;

PROC IMPORT REPLACE
     OUT = SMLLNS1812
     DATAFILE = "REPLACE WITH FILE PATH\All_Reports_20181231_Small
Business Loans.xlsx"
     DBMS = XLSX;
RUN;

PROC IMPORT REPLACE
     OUT = STRUC
     DATAFILE = "REPLACE WITH FILE PATH\community-banking-structure-
reference-data.xlsx"
     DBMS = XLSX;
RUN;

/*
The files SMLLNS1712 and SMLLNS1812 have variables which detail
the amount outstanding, and number of, each of the four types of
small business loan: agricultural production loans, farmland loans,
commercial real estate loans, and commercial and industrial loans.

First, sum these four variables (LNREAG4, LNAG4, LNRENR4, LNCI4)
to get an institution's total amount outstanding of small business
loans.

Second, drop the variable CB from the file SMLLNS1712. The file
SMLLNS1812 has the most recent community bank flag, which we will use
to group small loan balances reported by institutions on the file
SMLLNS1712.

Finally, both files contain information reported by insured branches
of foreign banks. These institutions can be identified by their value
of BKCLASS, which is "OI." FDIC analysts typically exclude these
institutions, or report them separately. Below, these institutions
are dropped from the analysis.
*/

DATA LNS1712; /*Save the work in a new file.*/
     SET SMLLNS1712;

     WHERE BKCLASS ^= "OI"; /*Exclude insured branches of foreign
banks*/

     SMLLNS = SUM(LNAG4,LNREAG4,LNRENR4,LNCI4); /*New variable with
all  small loans*/

     DROP CB;
RUN;
```

```
DATA LNS1812; /*Save the work in a new file.*/
     SET SMLLNS1812;

     WHERE BKCLASS ^= "OI"; /*Exclude insured branches of foreign
banks*/


     SMLLNS = SUM(LNAG4,LNREAG4,LNRENR4,LNCI4); /*New variable with
all  small loans*/

RUN;

/*
The STRUC file has records for every institution that started or
stopped filing a Call Report or Thrift Financial Report since
Q1-1984.

Create a new file with records of institutions that stopped reporting
during 2018.
*/

DATA STRUC2; /*Save the work in a new file.*/
     SET STRUC;

     WHERE 201712 < RPT_STOP_CALLYM <= 201812;

RUN;

/*
Create a new file by joining the variable CERT on the file STRUC2 to
the same variable on the file LNS1712. Take the variables ULTIMATE_
CERT and RPT_STOP_TYPE from STRUC2 and add them to the new file.

Every institution identified by CERT on the file LNS1712 that
closed during 2018 will have a value of RPT_STOP_TYPE, and, if an
acquisition occurred, a value of ULTIMATE_CERT identifying the
current owner.
*/

PROC SQL;

     CREATE TABLE LNS1712B /*Save work in a new file*/
     AS
     SELECT A.*,
               B.RPT_STOP_TYPE,
               B.ULTIMATE_CERT
     FROM LNS1712 AS A
          LEFT JOIN
               STRUC2 AS B
          ON A.CERT = B.CERT;

QUIT;
```

```
/*
Now, when RPT_STOP_TYPE is not missing, replace CERT on the file
LNS1712B with ULTIMATE_CERT. Otherwise, leave CERT unchanged.

This is the first step in the merger adjustment.

The second step is to sum the values of SMLLNS by the variable CERT
that has just been adjusted.
*/

/*Merger adjustment Step 1:*/
DATA LNS1712C; /*Save work in a new file*/
     SET LNS1712B;

     /*The line below swaps out the CERT of a closed bank
     with the CERT of its current owner, if any.
     */
     IF RPT_STOP_TYPE ^= . THEN CERT = ULTIMATE_CERT;
RUN;

/*Merger adjustment Step 2:
Now that CERT has been adjusted, acquiring banks appear in LNS1712C
multiple times (once for their own reporting, and again for each
bank they acquired). Banks that closed without an acquirer have
values of CERT that are either zero or missing.

Sum the values of SMLLNS by CERT to complete the merger adjustment.
*/

PROC SUMMARY NWAY MISSING DATA = LNS1712C;
WHERE CERT NOT IN (. 0); /*Drop cases in which an institution closed
without an acquirer*/
     CLASS CERT;
     VAR SMLLNS;
     OUTPUT OUT = LNS1712D /*Save work in new file*/
     SUM=;
RUN;

/*
Now join the community bank designations as of December 31, 2018,
from the file LNS1812, using the variable CERT.
*/

PROC SQL;
     CREATE TABLE LNS1712E /*Save work in new file*/
     AS
     SELECT A.*,B.CB
     FROM LNS1712D AS A
               LEFT JOIN
                    LNS1812 AS B
               ON A.CERT = B.CERT;
QUIT;
```

```
/*
The final step is to calculate the aggregate amount outstanding of
small business loans, by community or noncommunity bank, in each
period, and to calculate change over the year.
*/

/*
Aggregate small business loans outstanding at December 31, 2017 held
by community and noncommunity banks.
*/

PROC SUMMARY NWAY DATA = LNS1712E;
     CLASS CB;
     VAR SMLLNS;
     OUTPUT OUT = LNS1712F /*Save work in new file*/
     SUM=;
RUN;

/*
Aggregate small business loans outstanding at December 31, 2018 held
by community and noncommunity banks
*/

PROC SUMMARY NWAY DATA = LNS1812;
     CLASS CB;
     VAR SMLLNS;
     OUTPUT OUT = LNS1812B /*Save work in new file*/
     SUM=;
RUN;
```

```
/*
The aggregate calculations may be combined into a single file by
joining LNS1712F and LNS1812B using the community bank flag. The
annual percentage change can also be calculated.
*/

PROC SQL;
    CREATE TABLE CHANGE
    AS
    SELECT A.CB,
             A.SMLLNS AS SMLLNS1712 FORMAT = DOLLAR16.
                 LABEL = "Merger adjusted Small Business Loans
                 Q4-2017",
             B.SMLLNS AS SMLLNS1812 FORMAT = DOLLAR16.
                 LABEL = "Small Business Loans Q4-2018",
             (B.SMLLNS / A.SMLLNS) - 1 AS PCT_CHANGE FORMAT PERCENT8.1
                 LABEL = "Annual Merger adjusted Percentage Change
                 in Small Business Loans"
    FROM LNS1712F AS A
             LEFT JOIN
         LNS1812B AS B
    ON A.CB = B.CB;
QUIT;
```