

FDIC



Quarterly

*Quarterly Banking Profile:
First Quarter 2021*

*The Historic Relationship Between
Bank Net Interest Margins and
Short-Term Interest Rates*

*Residential Lending During the
Pandemic*

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Quarterly Banking Profile: First Quarter 2021

FDIC-insured institutions reported aggregate net income of \$76.8 billion in first quarter 2021, an increase of \$17.3 billion (29.1 percent) from fourth quarter 2020 and \$58.3 billion (315.3 percent) from a year ago. Aggregate negative provision expense, reflecting improvements in the economy and asset quality, drove the increase in quarterly net income. Three-fourths of all institutions (74.8 percent) reported year-over-year increases in quarterly net income. The share of unprofitable institutions dropped from 7.4 percent a year ago to 3.9 percent. The average return on assets ratio was 1.38 percent for the quarter, up 1 percentage point from a year ago and 28 basis points from fourth quarter 2020. *See page 1.*

Community Bank Performance Community banks—which represent 91 percent of insured institutions—reported year-over-year quarterly net income growth of \$3.7 billion (77.5 percent) in first quarter 2021, despite a narrower net interest margin. Nearly three-quarters of all community banks (74 percent) reported higher net income from the year-ago quarter. The pretax return on assets ratio increased 56 basis points from the year-ago quarter to 1.58 percent as net income growth outpaced the growth in average assets. *See page 15.*

Insurance Fund Indicators The Deposit Insurance Fund (DIF) balance totaled \$119.4 billion at the end of first quarter 2021, an increase of \$1.5 billion from the previous quarter. Assessment income, interest earned on investments, and negative provisions for insurance losses were the largest sources of the increase, offset partially by operating expenses and unrealized losses on available-for-sale securities. The DIF reserve ratio was 1.25 percent on March 31, 2021, down 4 basis points from December 31, 2020, and down 13 basis points from March 31, 2020. *See page 23.*

Featured Articles:

The Historic Relationship Between Bank Net Interest Margins and Short-Term Interest Rates

The years since the Great Recession generally demonstrate that protracted periods of low interest rates tend to compress net interest margin (NIM) at FDIC-insured banks. NIM decreased during the period of historically low interest rates after that recession, increased during the upward interest rate cycle between 2015 and 2019, and decreased again as interest rates fell toward zero with the onset of the COVID-19 pandemic. In most rate cycles since the 1980s, the median NIM, representative of typical banks, has moved in the same direction as changes in the federal funds rate. But this relationship has been much less pronounced for banks with high concentrations of long-term assets. Those banks with a relatively high proportion of long-term assets to total assets report greater insulation from changes in short-term interest rates. This means that their NIM falls less during downward rate cycles but rises less during upward rate cycles. The overall positive relationship between short-term interest rates and NIM and the effect of maturity structure on this relationship generally hold true over time for both community and noncommunity banks. *See page 31.*

Residential Lending During the Pandemic

The housing market rebounded from the COVID-19 pandemic-induced recession faster than other sectors of the economy, helped by historically low interest rates and fiscal support. Still, weaker economic fundamentals led to tightening of mortgage credit and underwriting standards as lenders sought to reduce credit risk from new mortgages. Mortgage credit performance improved after deteriorating at the start of the pandemic, but high rates of delinquent loans reflect lingering financial distress for many borrowers. The coming expiration of federal programs that have aided homeowners raises concern about the possible increased risk of mortgage credit quality deterioration and reduced credit availability. Nevertheless, banks have been resilient and, despite the uncertain outlook, continue to extend residential loans. *See page 43.*

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QUARTERLY BANKING PROFILE First Quarter 2021

INSURED INSTITUTION PERFORMANCE

Quarterly Net Income Rose From a Year Ago Primarily Because of Negative Provisions for Credit Losses

Net Interest Margin Contracted Further, Setting a Record Low

Loan Balances Declined From the Previous Quarter and Year, Driven by a Reduction in Credit Card Balances

Asset Quality Improved

Quarterly Net Income More Than Tripled From the Year-Ago Quarter

Net income totaled \$76.8 billion in first quarter 2021, an increase of \$17.3 billion (29.1 percent) from fourth quarter 2020 and \$58.3 billion (315.3 percent) from a year ago. Aggregate negative provision expense of \$14.5 billion, which declined \$17.7 billion from fourth quarter 2020, drove the improvement in net income from the previous quarter. Three-fourths of all banks (74.8 percent) reported higher quarterly net income compared with the year-ago quarter.¹ The share of unprofitable institutions dropped from 7.4 percent a year ago to 3.9 percent. The banking industry reported an aggregate return on average assets ratio of 1.38 percent, up 1 percentage point from a year ago and 28 basis points from fourth quarter 2020.

Net Interest Margin Contracted Further to a New Record Low

The average net interest margin contracted 57 basis points from a year ago to 2.56 percent, the lowest level on record in the *Quarterly Banking Profile* (QBP). Net interest income declined \$7.6 billion (5.6 percent) from first quarter 2020 as the year-over-year reduction in interest income (down \$29.8 billion, or 17.6 percent) outpaced the decline in interest expense (down \$22.2 billion, or 68.7 percent). Despite the aggregate decline in net interest income, more than three-fifths of all banks (64.4 percent) reported higher net interest income compared with a year ago. The average yield on earning assets declined 1.1 percentage points from the year-ago quarter to 2.76 percent, while the average cost of funding earning assets declined 54 basis points to 0.20 percent, both of which are record lows.

More Than Two-Thirds of Banks Reported Higher Noninterest Income Year Over Year

More than two thirds of all banks (67.9 percent) reported an annual increase in noninterest income. Increased revenue from servicing fees, loan sales, and trading activities lifted noninterest income by \$9.9 billion (14.8 percent) to \$76.8 billion from a year ago. Servicing fee revenue increased \$5.2 billion, net gains on loan sales increased \$4.5 billion, and trading revenue increased \$3.8 billion. A decline in “other noninterest income” of \$4.3 billion (12.1 percent) partially offset the improvement in noninterest income from the year-ago quarter.²

¹ Industry participation counts consist of institutions existing in both reporting periods.

² Other noninterest income includes items such as bank card and credit card interchange fees, income and fees from automated teller machines, and other related items.

Chart 1

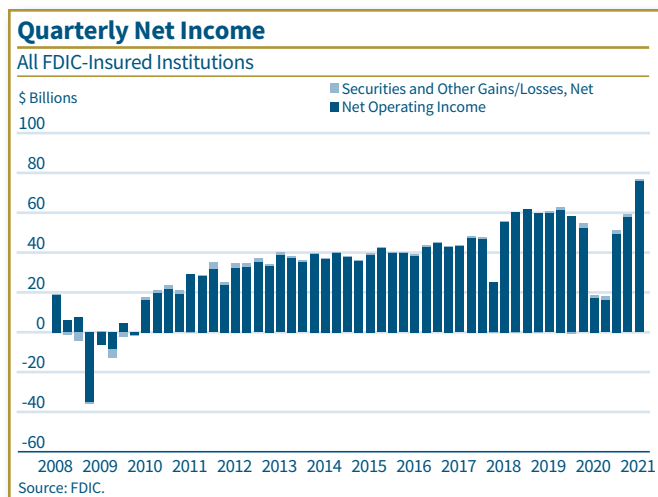
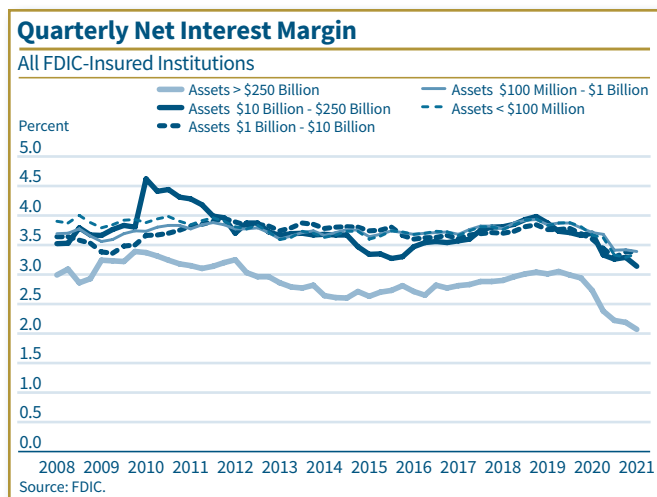


Chart 2



Noninterest Expense Declined From the Year-Ago Quarter

A decline in amortization expense of intangible assets drove a \$4.1 billion (3.2 percent) reduction in total noninterest expense year over year. Amortization expense declined \$8.4 billion (88.8 percent). An increase in salary and employee benefits (up \$6.2 billion, or 10.6 percent) offset the annual reduction in noninterest expense. Average assets per employee rose \$1.1 million from a year ago to \$10.9 million.

Nearly two-thirds of all banks (65.3 percent) reported higher noninterest expense year over year. However, the average efficiency ratio (noninterest expense as a percentage of net interest income plus noninterest income, which indicates the cost of generating bank income) during this period declined 2.7 percentage points to 60.5 percent. Banks in all QBP asset size groups reported improvements in this ratio.

Provisions for Credit Losses Were Negative for the First Time on Record

Provisions for credit losses (provisions) declined \$17.7 billion (552.6 percent) from the previous quarter and \$67.2 billion from the year-ago quarter to negative \$14.5 billion, the lowest level on record. Less than one-fourth of all institutions (24.5 percent) reported higher provisions compared with the year-ago quarter.³ The number of banks that have adopted current expected credit loss (CECL) accounting rose by 41 to 320 from fourth quarter 2020. CECL adopters reported aggregate negative provisions of \$14.9 billion in the first quarter, a reduction of \$16.1 billion from the previous quarter and a reduction of \$63.0 billion from one year ago. Provisions for banks that have not adopted CECL accounting totaled \$391.4 million (a reduction of \$1.7 billion from a quarter ago and \$4.0 billion from one year ago).

The Coverage Ratio Remained Above the Financial Crisis Average

The allowance for loan and lease losses as a percentage of loans that are 90 days or more past due or in nonaccrual status (coverage ratio) declined 9.4 percentage points to 174.2 percent from fourth quarter 2020. This ratio remains above the financial crisis average of 79.1 percent.⁴ Coverage ratios for banks in the largest two QBP asset size groups (“\$10 billion to \$250 billion” and “greater than \$250 billion”) declined the most from fourth quarter 2020.

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

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

Chart 3

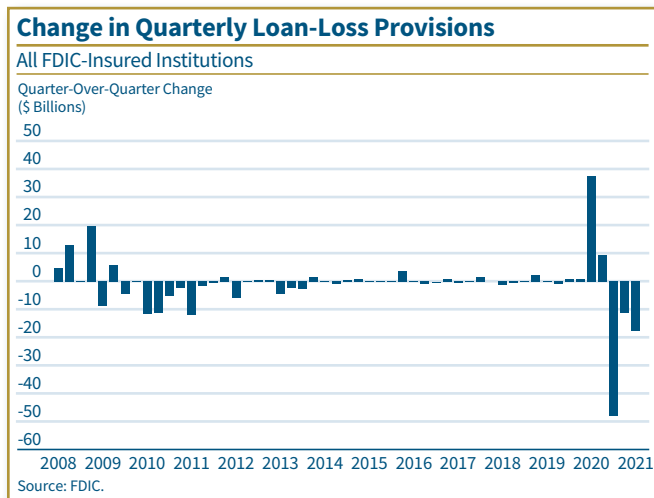
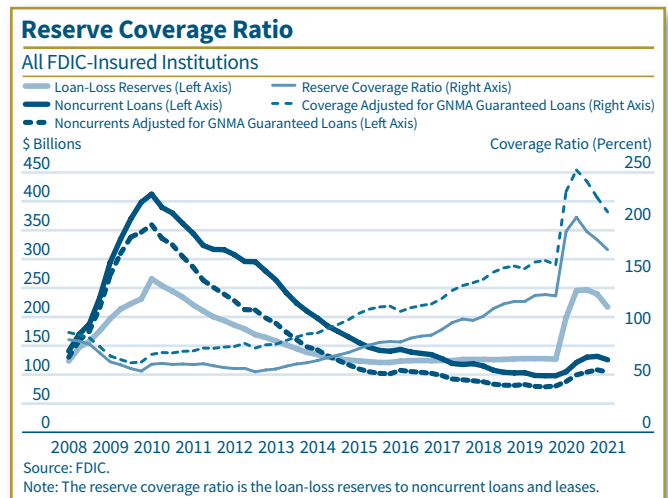


Chart 4



The Noncurrent Rate Declined Modestly From Fourth Quarter 2020

Loans and leases that were 90 days or more past due or in nonaccrual status (noncurrent loans and leases) declined \$5.9 billion (4.6 percent) to \$122.9 billion from fourth quarter 2020. The noncurrent rate for total loans and leases improved 5 basis points to 1.14 percent from the previous quarter. However, the noncurrent rate for construction and development loans increased 7 basis points from the previous quarter to 0.72 percent, and the noncurrent rate for home equity credit lines increased 5 basis points from the previous quarter to 2.17 percent.

Net Charge-Off Volume Declined From the Year-Ago Quarter

During the year ending first quarter 2021, net charge-offs declined \$5.4 billion (36.8 percent), and the net charge-off rate fell 20 basis points to 0.34 percent, slightly above the record low of 0.32 percent. Reductions in charged-off credit card balances (down \$3.3 billion, or 36.4 percent) and charged-off commercial and industrial (C&I) loans (down \$1.2 billion, or 43.5 percent) contributed most to the decline.

Total Assets Increased From the Previous Quarter

Total assets increased \$680.9 billion (3.1 percent) from fourth quarter 2020 to \$22.6 trillion. Cash and balances due from depository institutions expanded \$440.1 billion (13.8 percent), and securities rose a record \$366.9 billion (7.2 percent). Mortgage-backed securities led the quarterly growth, rising \$220.4 billion (7.2 percent), followed by growth in U.S. Treasury securities, which rose \$110.7 billion (11.5 percent). Total loan and lease volume declined by a modest 0.4 percent from the previous quarter. Together, the asset growth and loan volume contraction led to a decline in the net loans and leases to total assets ratio to 47.0 percent, a record low.

Loan Volume Continued to Decline, Driven by a Reduction in Credit Card Balances

Total loan and lease balances contracted \$38.7 billion (0.4 percent) from the previous quarter. A reduction in credit card balances (down \$60.9 billion, or 7.4 percent) drove the quarterly decline in loan volume. Unused credit card commitments declined for a fourth consecutive quarter (down \$364.6 billion, or 9.2 percent). This was the largest percentage reduction in credit card commitments since first quarter 2009. Growth in Paycheck Protection Program loans, guaranteed by the Small Business Administration, grew \$61.2 billion from the previous quarter to \$469.4 billion.

Compared with the year-ago quarter, total loan and lease balances declined \$136.3 billion (1.2 percent). This was the first annual contraction in loan and lease volume reported by the banking industry since third quarter 2011. Reductions in credit card balances (down \$111.9 billion, or 12.8 percent) and C&I loans (down \$93.2 billion, or 3.7 percent) drove the annual decline in loan volume. Despite the aggregate decline in loan volume, more than two-thirds of all banks (71.9 percent) reported year-over-year growth in loan and lease volume.

Chart 5

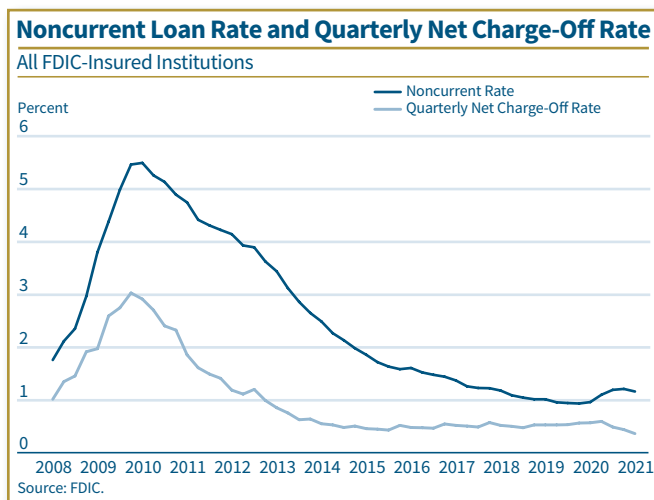
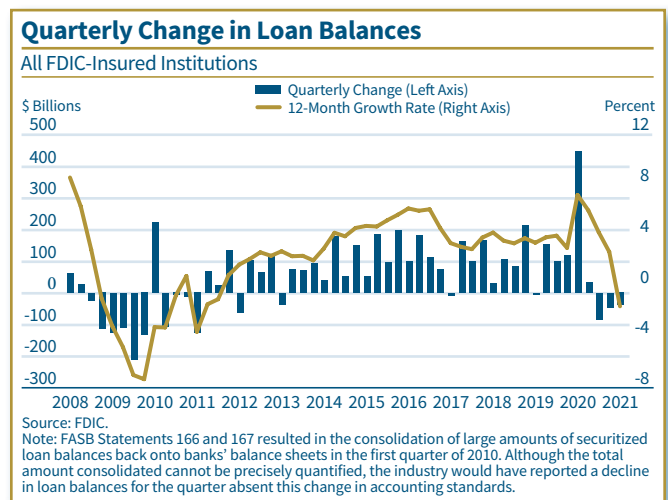


Chart 6



Deposit Growth Remained Strong

Deposits grew \$635.2 billion (3.6 percent) from fourth quarter 2020 to \$18.5 trillion, continuing several quarters of unprecedented deposit growth. Among deposit categories, deposits above \$250,000 (up \$424.8 billion, or 4.7 percent) and noninterest-bearing deposits (up \$371.1 billion, or 8.1 percent) grew most from the previous quarter. Deposits as a percent of total assets reached a record high for the QBP of 81.8 percent in first quarter 2021.

Equity Capital Continued to Grow

Equity capital rose \$26.1 billion (1.2 percent) from fourth quarter 2020, supported by an increase in retained earnings of \$15.3 billion (40.5 percent). Cash dividends totaled \$23.9 billion, up 9.4 percent from the previous quarter. Fewer institutions—six banks with total assets of \$536.5 million—reported capital ratios that did not meet Prompt Corrective Action (PCA) requirements for the well-capitalized category, compared with eight banks that did not meet this requirement in fourth quarter 2020.⁵ The number of banks that are not “well capitalized” for PCA purposes is the lowest on record.

Three New Banks Opened in First Quarter 2021

Three new banks opened and 25 institutions merged in first quarter 2021. No banks failed during the quarter. With these changes, the number of FDIC-insured commercial banks and savings institutions declined from 5,002 to 4,978 in first quarter 2021.⁶ The number of institutions on the FDIC’s “Problem Bank List” declined by one to 55 from fourth quarter 2020. Total assets of problem banks declined \$1.7 billion from the fourth quarter to \$54.2 billion.

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 Division of Insurance and Research

⁵ Prompt corrective action (PCA) categories are assigned based on reported capital ratios only and do not include the effects of regulatory downgrades.
⁶ The total number of insured financial institutions includes 2 banks that did not file Call Reports this quarter because most of their assets were sold to credit unions, but their banking charters remain active.

Chart 7

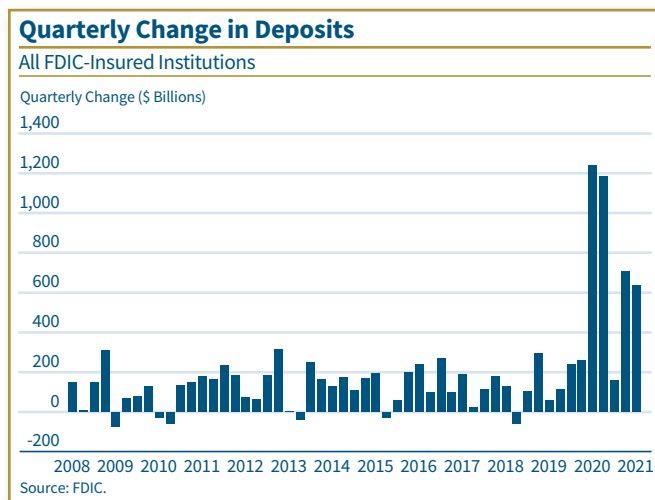


Chart 8

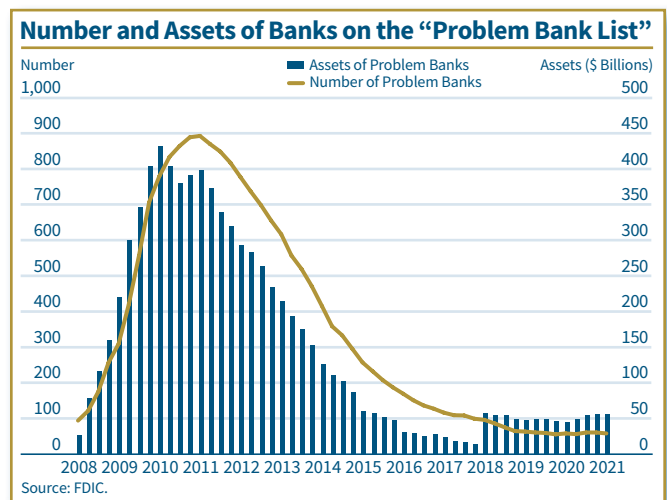


TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2021**	2020**	2020	2019	2018	2017	2016
Return on assets (%)	1.38	0.38	0.72	1.29	1.35	0.97	1.04
Return on equity (%)	13.73	3.50	6.85	11.38	11.98	8.60	9.27
Core capital (leverage) ratio (%)	8.85	9.41	8.81	9.66	9.70	9.63	9.48
Noncurrent assets plus other real estate owned to assets (%)	0.57	0.54	0.61	0.55	0.60	0.73	0.86
Net charge-offs to loans (%)	0.34	0.54	0.50	0.52	0.48	0.50	0.47
Asset growth rate (%)	11.41	11.96	17.37	3.91	3.03	3.79	5.09
Net interest margin (%)	2.56	3.13	2.82	3.36	3.40	3.25	3.13
Net operating income growth (%)	343.81	-71.60	-38.77	-3.14	45.45	-3.27	4.43
Number of institutions reporting	4,978	5,116	5,002	5,177	5,406	5,670	5,913
Commercial banks	4,357	4,464	4,375	4,518	4,715	4,918	5,112
Savings institutions	621	652	627	659	691	752	801
Percentage of unprofitable institutions (%)	3.88	7.39	4.64	3.75	3.44	5.61	4.48
Number of problem institutions	55	54	56	51	60	95	123
Assets of problem institutions (in billions)	\$54	\$45	\$56	\$46	\$48	\$14	\$28
Number of failed institutions	0	1	4	4	0	8	5

* Excludes insured branches of foreign banks (IBAs).

** Through March 31, ratios annualized where appropriate. Asset growth rates are for 12 months ending March 31.

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

(dollar figures in millions)	1st Quarter 2021	4th Quarter 2020	1st Quarter 2020	%Change 20Q1-21Q1		
Number of institutions reporting	4,978	5,002	5,116	-2.7		
Total employees (full-time equivalent)	2,067,213	2,065,606	2,069,356	-0.1		
CONDITION DATA						
Total assets	\$22,564,200	\$21,883,275	\$20,253,734	11.4		
Loans secured by real estate	5,079,208	5,118,278	5,084,049	-0.1		
1-4 Family residential mortgages	2,178,126	2,210,916	2,207,005	-1.3		
Nonfarm nonresidential	1,575,028	1,568,515	1,534,469	2.6		
Construction and development	388,391	386,009	370,042	5.0		
Home equity lines	286,055	300,311	338,273	-15.4		
Commercial & industrial loans	2,457,390	2,440,715	2,550,595	-3.7		
Loans to individuals	1,689,878	1,744,175	1,771,389	-4.6		
Credit cards	761,103	822,028	872,980	-12.8		
Farm loans	68,053	71,781	75,242	-9.6		
Other loans & leases	1,533,496	1,491,872	1,482,242	3.5		
Less: Unearned income	3,094	3,196	2,300	34.5		
Total loans & leases	10,824,931	10,863,625	10,961,218	-1.2		
Less: Reserve for losses*	214,253	236,615	196,406	9.1		
Net loans and leases	10,610,678	10,627,010	10,764,812	-1.4		
Securities**	5,479,337	5,112,405	4,208,512	30.2		
Other real estate owned	4,434	4,627	5,588	-20.6		
Goodwill and other intangibles	392,016	386,755	391,789	0.1		
All other assets	6,077,735	5,752,478	4,883,033	24.5		
Total liabilities and capital	22,564,200	21,883,275	20,253,734	11.4		
Deposits	18,458,784	17,823,563	15,777,037	17.0		
Domestic office deposits	16,935,688	16,289,744	14,305,863	18.4		
Foreign office deposits	1,523,096	1,533,819	1,471,174	3.5		
Other borrowed funds	1,099,727	1,091,994	1,560,167	-29.5		
Subordinated debt	66,470	68,230	69,459	-4.3		
All other liabilities	686,249	672,504	729,182	-5.9		
Total equity capital (includes minority interests)	2,252,971	2,226,984	2,117,887	6.4		
Bank equity capital	2,250,497	2,224,378	2,115,323	6.4		
Loans and leases 30-89 days past due	51,801	63,210	72,387	-28.4		
Noncurrent loans and leases	122,979	128,873	102,391	20.1		
Restructured loans and leases	50,804	49,323	46,841	8.5		
Mortgage-backed securities	3,264,138	3,043,762	2,546,452	28.2		
Earning assets	20,576,308	19,920,261	18,236,418	12.8		
FHLB Advances	231,304	255,985	612,677	-62.2		
Unused loan commitments	8,316,938	8,444,142	8,034,514	3.5		
Trust assets	18,925,437	18,875,483	20,003,202	-5.4		
Assets securitized and sold	460,283	480,364	551,354	-16.5		
Notional amount of derivatives	191,683,719	165,711,590	199,743,579	-4.0		
INCOME DATA						
	Full Year 2020	Full Year 2019	%Change	1st Quarter 2021	1st Quarter 2020	%Change 20Q1-21Q1
Total interest income	\$603,753	\$705,398	-14.4	\$139,745	\$169,537	-17.6
Total interest expense	77,098	158,731	-51.4	10,086	32,240	-68.7
Net interest income	526,655	546,668	-3.7	129,659	137,297	-5.6
Provision for credit losses***	132,252	55,101	140.0	-14,532	52,695	-127.6
Total noninterest income	280,237	264,374	6.0	76,814	66,934	14.8
Total noninterest expense	498,986	466,147	7.0	124,857	128,920	-3.2
Securities gains (losses)	8,144	3,977	104.8	1,395	1,757	-20.6
Applicable income taxes	36,334	60,926	-40.4	20,686	5,812	255.9
Extraordinary gains, net****	-101	164	-161.6	0	-26	100.0
Total net income (includes minority interests)	147,362	233,008	-36.8	76,857	18,535	314.7
Bank net income	147,126	232,772	-36.8	76,787	18,491	315.3
Net charge-offs	54,112	52,164	3.7	9,225	14,606	-36.9
Cash dividends	84,029	182,407	-53.9	23,860	32,678	-27.0
Retained earnings	63,097	50,365	25.3	52,928	-14,187	473.1
Net operating income	140,600	229,633	-38.8	75,724	17,062	343.8

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.

** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.

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

**** See Notes to Users for explanation.

N/M - Not Meaningful

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

FIRST QUARTER (The way it is...)	All Insured Institutions	Asset Concentration Groups*									
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion	
Number of institutions reporting	4,978	11	5	1,124	2,645	270	40	297	509	77	
Commercial banks	4,357	10	5	1,113	2,386	76	24	272	407	64	
Savings institutions	621	1	0	11	259	194	16	25	102	13	
Total assets (in billions)	\$22,564.2	\$493.9	\$5,752.9	\$279.3	\$7,867.4	\$672.6	\$151.7	\$58.2	\$116.2	\$7,171.9	
Commercial banks	21,128.9	408.5	5,752.9	273.9	7,401.2	117.8	144.3	53.9	92.3	6,883.9	
Savings institutions	1,435.3	85.4	0.0	5.4	466.2	554.8	7.3	4.2	23.9	288.0	
Total deposits (in billions)	18,458.8	351.2	4,408.2	237.8	6,554.4	598.6	129.9	47.6	99.8	6,031.3	
Commercial banks	17,261.9	285.9	4,408.2	234.5	6,190.1	101.3	123.7	44.9	80.0	5,793.3	
Savings institutions	1,196.9	65.3	0.0	3.3	364.3	497.4	6.2	2.7	19.8	238.0	
Bank net income (in millions)	76,787	7,077	19,387	991	25,715	1,546	1,020	288	345	20,419	
Commercial banks	72,796	6,230	19,387	945	24,331	401	1,007	108	298	20,088	
Savings institutions	3,992	847	0	46	1,384	1,145	13	180	47	330	
Performance Ratios (annualized, %)											
Yield on earning assets	2.76	10.68	1.99	3.83	3.22	1.86	3.34	2.63	3.46	2.31	
Cost of funding earning assets	0.20	1.06	0.11	0.44	0.24	0.18	0.54	0.26	0.37	0.15	
Net interest margin	2.56	9.63	1.88	3.39	2.99	1.68	2.79	2.37	3.09	2.16	
Noninterest income to assets	1.38	4.64	1.75	0.71	1.05	1.00	1.35	3.97	1.58	1.26	
Noninterest expense to assets	2.25	7.04	2.09	2.24	2.26	1.50	0.97	3.69	3.09	2.10	
Credit loss provision to assets**	-0.26	-0.74	-0.46	0.05	-0.12	-0.02	-0.55	0.07	0.06	-0.26	
Net operating income to assets	1.36	5.73	1.36	1.41	1.31	0.91	2.72	1.92	1.17	1.13	
Pretax return on assets	1.75	7.49	1.79	1.64	1.68	1.20	3.67	2.56	1.39	1.42	
Return on assets	1.38	5.74	1.37	1.45	1.33	0.93	2.73	2.04	1.22	1.15	
Return on equity	13.73	44.38	15.47	12.96	12.05	11.35	30.49	13.39	10.64	11.70	
Net charge-offs to loans and leases	0.34	2.66	0.55	0.01	0.15	0.02	0.27	0.05	0.04	0.30	
Loan and lease loss provision to net charge-offs	-145.25	-35.65	-243.33	619.68	-111.29	-303.12	-157.39	502.13	293.65	-189.10	
Efficiency ratio	59.96	50.69	60.91	57.22	58.86	56.35	23.75	59.42	68.82	64.48	
% of unprofitable institutions	3.88	0.00	0.00	2.85	2.57	9.26	7.50	12.46	5.30	1.30	
% of institutions with earnings gains	74.71	100.00	60.00	66.37	84.91	58.15	92.50	42.76	65.03	79.22	
Condition Ratios (%)											
Earning assets to total assets	91.19	95.03	88.62	93.91	91.61	97.44	97.78	93.37	93.69	91.64	
Loss allowance to:											
Loans and leases	1.98	9.41	2.43	1.48	1.44	0.77	1.50	1.64	1.28	1.85	
Noncurrent loans and leases	174.22	800.27	232.53	150.20	135.65	86.47	438.02	159.52	143.49	136.48	
Noncurrent assets plus other real estate owned to assets	0.57	0.87	0.34	0.65	0.72	0.25	0.25	0.33	0.56	0.60	
Equity capital ratio	9.97	13.25	8.81	10.92	10.88	8.12	8.74	14.66	11.15	9.79	
Core capital (leverage) ratio	8.85	14.20	7.88	10.61	9.43	8.02	9.16	14.40	11.16	8.55	
Common equity tier 1 capital ratio***	14.17	18.87	15.06	14.81	12.72	22.19	20.62	33.48	18.43	14.27	
Tier 1 risk-based capital ratio***	14.27	19.03	15.14	14.81	12.84	22.19	20.73	33.48	18.44	14.35	
Total risk-based capital ratio***	15.75	20.85	16.54	15.95	14.31	22.63	21.19	34.38	19.51	15.96	
Net loans and leases to deposits	57.48	94.43	38.97	68.55	75.87	30.56	83.21	32.06	61.87	50.69	
Net loans to total assets	47.02	67.14	29.86	58.35	63.20	27.20	71.26	26.24	53.11	42.63	
Domestic deposits to total assets	75.06	68.25	53.65	85.12	83.10	88.83	85.64	81.87	85.82	81.73	
Structural Changes											
New reporters	3	0	0	0	1	0	0	2	0	0	
Institutions absorbed by mergers	25	0	0	7	14	1	0	1	1	1	
Failed institutions	0	0	0	0	0	0	0	0	0	0	
PRIOR FIRST QUARTERS (The way it was...)											
Number of institutions	2020	5,116	11	5	1,261	2,706	384	50	214	428	57
	2018	5,606	11	5	1,355	2,936	412	61	274	495	57
	2016	6,122	14	5	1,459	3,045	502	60	336	635	66
Total assets (in billions)	2020	\$20,253.7	\$503.8	\$5,231.1	\$279.1	\$7,548.7	\$388.1	\$154.6	\$37.0	\$78.8	\$6,032.7
	2018	17,530.3	542.0	4,278.6	270.7	6,143.8	353.4	278.1	45.6	85.5	5,532.6
	2016	16,293.3	540.1	4,014.9	275.5	5,741.8	404.6	193.1	60.1	112.5	4,950.8
Return on assets (%)	2020	0.38	0.11	0.44	1.28	0.22	0.15	1.79	2.63	0.93	0.47
	2018	1.28	2.64	1.21	1.30	1.23	1.04	1.42	3.16	1.01	1.25
	2016	0.97	2.72	0.83	1.21	0.90	0.97	1.08	2.36	0.89	0.92
Net charge-offs to loans & leases (%)	2020	0.54	4.32	0.74	0.10	0.26	0.04	0.54	0.27	0.09	0.46
	2018	0.50	4.26	0.55	0.07	0.19	0.04	0.61	0.15	0.15	0.40
	2016	0.46	3.07	0.57	0.10	0.20	0.06	0.68	0.07	0.16	0.42
Noncurrent assets plus OREO to assets (%)	2020	0.54	1.39	0.30	0.94	0.64	1.18	0.41	0.40	0.65	0.50
	2018	0.70	1.25	0.47	0.87	0.69	1.77	0.42	0.55	0.78	0.77
	2016	0.96	0.88	0.69	0.75	0.99	1.84	0.90	0.62	1.10	1.10
Equity capital ratio (%)	2020	10.44	11.51	8.77	11.85	11.63	9.66	9.61	17.77	12.65	10.26
	2018	11.20	16.03	9.81	11.20	11.90	11.27	10.05	15.71	11.56	11.04
	2016	11.25	14.82	9.89	11.57	11.82	11.36	10.02	14.67	11.90	11.28

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

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

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

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

FIRST QUARTER (The way it is...)	All Insured Institutions	Asset Size Distribution					Geographic Regions*						
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco	
Number of institutions reporting	4,978	895	3,119	806	145	13	588	568	1,064	1,285	1,103	370	
Commercial banks	4,357	780	2,768	668	129	12	308	516	918	1,245	1,034	336	
Savings institutions	621	115	351	138	16	1	280	52	146	40	69	34	
Total assets (in billions)	\$22,564.2	\$54.8	\$1,118.0	\$2,133.6	\$6,638.9	\$12,618.9	\$4,112.7	\$4,607.6	\$5,417.3	\$4,209.4	\$1,871.5	\$2,345.7	
Commercial banks	21,128.9	48.0	979.9	1,780.9	6,052.3	12,267.8	3,684.4	4,464.8	5,321.4	4,169.7	1,293.6	2,195.0	
Savings institutions	1,435.3	6.8	138.1	352.7	586.6	351.1	428.3	142.9	95.8	39.8	577.9	150.6	
Total deposits (in billions)	18,458.8	45.9	951.7	1,780.3	5,496.0	10,184.8	3,395.2	3,848.5	4,201.0	3,434.2	1,609.8	1,970.1	
Commercial banks	17,261.9	40.7	839.2	1,492.7	5,032.8	9,856.5	3,055.5	3,729.0	4,131.1	3,401.9	1,096.0	1,848.5	
Savings institutions	1,196.9	5.2	112.6	287.6	463.2	328.4	339.7	119.5	69.9	32.3	513.8	122.6	
Bank net income (in millions)	76,787	144	3,690	7,983	26,186	38,784	12,054	15,323	19,140	14,001	5,493	10,776	
Commercial banks	72,796	130	3,187	6,917	24,363	38,199	10,969	15,070	18,580	13,876	4,569	9,731	
Savings institutions	3,992	14	503	1,066	1,823	585	1,085	253	560	125	924	1,045	
Performance Ratios (annualized, %)													
Yield on earning assets	2.76	3.77	3.78	3.70	3.39	2.16	2.71	2.79	2.30	2.75	2.95	3.69	
Cost of funding earning assets	0.20	0.44	0.41	0.34	0.28	0.11	0.25	0.17	0.12	0.19	0.21	0.34	
Net interest margin	2.56	3.33	3.37	3.36	3.12	2.05	2.46	2.61	2.18	2.55	2.74	3.35	
Noninterest income to assets	1.38	1.61	1.35	1.38	1.29	1.43	1.21	1.19	1.76	1.27	1.02	1.69	
Noninterest expense to assets	2.25	3.45	2.88	2.60	2.36	2.07	2.11	2.19	2.27	2.24	2.19	2.60	
Credit loss provision to assets**	-0.26	0.04	0.09	0.04	-0.23	-0.36	-0.15	-0.30	-0.41	-0.28	-0.05	-0.15	
Net operating income to assets	1.36	1.05	1.31	1.49	1.58	1.23	1.16	1.34	1.44	1.31	1.19	1.83	
Pretax return on assets	1.75	1.20	1.58	1.92	2.07	1.58	1.52	1.68	1.87	1.65	1.46	2.46	
Return on assets	1.38	1.07	1.35	1.53	1.60	1.25	1.19	1.35	1.44	1.34	1.20	1.88	
Return on equity	13.73	7.92	12.27	14.10	14.96	13.12	11.37	12.62	15.28	13.70	12.11	18.27	
Net charge-offs to loans and leases	0.34	0.04	0.04	0.15	0.41	0.39	0.35	0.36	0.28	0.42	0.13	0.43	
Loan and lease loss provision to net charge-offs	-145.25	189.32	401.46	44.04	-81.50	-228.63	-83.04	-161.69	-340.71	-114.04	-67.51	-48.91	
Efficiency ratio	59.96	73.73	63.64	57.14	55.87	62.82	60.61	60.96	60.64	62.05	60.58	53.27	
% of unprofitable institutions	3.88	12.63	2.31	0.74	1.38	0.00	5.10	6.69	4.70	2.02	3.08	4.05	
% of institutions with earnings gains	74.71	57.43	74.99	89.95	90.34	76.92	79.42	75.18	75.09	75.02	69.45	80.00	
Condition Ratios (%)													
Earning assets to total assets	91.19	92.35	93.94	93.21	92.52	89.90	90.66	90.91	90.26	90.38	93.80	94.18	
Loss allowance to:													
Loans and leases	1.98	1.44	1.36	1.45	2.12	2.11	1.83	2.10	1.87	2.19	1.40	2.27	
Noncurrent loans and leases	174.22	128.33	179.14	178.79	163.79	182.78	163.80	197.10	182.88	171.30	67.75	335.25	
Noncurrent assets plus other real estate owned to assets	0.57	0.70	0.55	0.60	0.79	0.45	0.57	0.53	0.46	0.61	1.04	0.44	
Equity capital ratio	9.97	13.20	10.79	10.72	10.62	9.42	10.39	10.58	9.30	9.77	9.74	10.16	
Core capital (leverage) ratio	8.85	13.20	10.77	10.29	9.55	8.05	9.09	8.68	8.30	8.94	8.82	9.90	
Common equity tier 1 capital ratio***	14.17	23.50	16.07	14.67	14.08	14.01	14.08	13.90	14.33	13.76	14.74	14.87	
Tier 1 risk-based capital ratio***	14.27	23.51	16.09	14.69	14.30	14.04	14.16	14.00	14.38	13.85	14.85	15.07	
Total risk-based capital ratio**	15.75	24.57	17.22	15.84	15.71	15.64	15.62	15.41	15.77	15.77	16.01	16.34	
Net loans and leases to deposits	57.48	61.13	71.55	77.06	70.30	45.82	59.41	55.25	53.90	55.98	54.88	70.91	
Net loans to total assets	47.02	51.27	60.91	64.30	58.19	36.98	49.04	46.15	41.80	45.67	47.21	59.55	
Domestic deposits to total assets	75.06	83.87	85.12	83.36	80.83	69.69	77.40	81.10	68.36	65.65	85.98	82.69	
Structural Changes													
New reporters	3	3	0	0	0	0	0	0	1	0	1	1	
Institutions absorbed by mergers	25	8	15	2	0	0	5	3	3	8	4	2	
Failed institutions	0	0	0	0	0	0	0	0	0	0	0	0	
PRIOR FIRST QUARTERS (The way it was...)													
Number of institutions	2020	5,116	1,124	3,168	680	131	13	617	582	1,099	1,317	1,126	375
	2018	5,606	1,393	3,453	628	123	9	684	656	1,208	1,426	1,214	418
	2016	6,122	1,663	3,734	616	100	9	752	753	1,325	1,528	1,299	465
Total assets (in billions)	2020	\$20,253.7	\$66.6	\$1,066.7	\$1,802.6	\$5,770.4	\$11,547.5	\$3,787.4	\$4,128.7	\$4,719.6	\$4,027.1	\$1,547.4	\$2,043.5
	2018	17,530.3	83.2	1,130.2	1,700.5	5,827.3	8,789.1	3,273.9	3,604.2	3,969.6	3,674.5	1,102.9	1,905.3
	2016	16,293.3	97.8	1,179.8	1,723.1	5,013.9	8,278.7	3,084.7	3,417.7	3,624.0	3,543.5	962.2	1,661.2
Return on assets (%)	2020	0.38	0.83	1.09	0.76	-0.16	0.52	0.55	0.04	0.49	0.49	0.77	0.00
	2018	1.28	0.93	1.18	1.27	1.37	1.24	1.15	1.31	1.27	1.17	1.35	1.63
	2016	0.97	0.92	1.03	1.04	1.01	0.92	0.81	0.88	0.93	1.03	1.05	1.32
Net charge-offs to loans & leases (%)	2020	0.54	0.12	0.11	0.22	0.76	0.53	0.51	0.62	0.43	0.53	0.31	0.81
	2018	0.50	0.19	0.08	0.18	0.74	0.46	0.62	0.56	0.24	0.53	0.21	0.74
	2016	0.46	0.12	0.10	0.19	0.62	0.49	0.49	0.54	0.26	0.55	0.30	0.52
Noncurrent assets plus OREO to assets (%)	2020	0.54	0.97	0.74	0.68	0.68	0.43	0.49	0.55	0.47	0.61	0.70	0.52
	2018	0.70	1.02	0.83	0.70	0.68	0.69	0.63	0.79	0.66	0.79	0.82	0.47
	2016	0.96	1.22	1.10	0.93	0.81	1.04	0.77	1.13	0.93	1.15	1.10	0.56
Equity capital ratio (%)	2020	10.44	14.05	11.98	11.69	11.27	9.68	10.71	11.24	9.83	9.75	10.94	10.76
	2018	11.20	13.10	11.24	11.71	12.19	10.43	12.36	12.04	10.37	10.04	11.48	11.45
	2016	11.25	12.86	11.34	11.72	12.04	10.65	12.00	12.35	10.32	10.14	11.10	12.12

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

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

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

TABLE IV-A. Full Year 2020, 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	5,002	11	5	1,163	2,667	291	36	277	485	67	
Commercial banks	4,375	10	5	1,152	2,403	75	24	251	399	56	
Savings institutions	627	1	0	11	264	216	12	26	86	11	
Total assets (in billions)	\$21,883.3	\$492.6	\$5,553.8	\$287.7	\$7,591.1	\$684.0	\$144.8	\$51.5	\$105.7	\$6,972.0	
Commercial banks	20,505.3	407.3	5,553.8	282.6	7,135.6	81.0	138.7	46.7	84.1	6,775.5	
Savings institutions	1,377.9	85.3	0.0	5.2	455.5	603.0	6.0	4.8	21.7	196.5	
Total deposits (in billions)	17,823.6	349.0	4,270.5	242.5	6,251.3	603.1	123.1	41.9	89.9	5,852.1	
Commercial banks	16,684.2	283.2	4,270.5	239.3	5,900.1	67.7	118.0	38.7	72.3	5,694.4	
Savings institutions	1,139.3	65.8	0.0	3.2	351.3	535.4	5.2	3.2	17.6	157.7	
Bank net income (in millions)	147,126	9,710	35,890	3,499	52,700	5,480	2,118	1,244	1,082	35,403	
Commercial banks	136,457	8,281	35,890	3,337	48,936	1,107	2,068	455	953	35,430	
Savings institutions	10,669	1,429	0	162	3,765	4,372	49	789	129	-26	
Performance Ratios (%)											
Yield on earning assets	3.24	11.24	2.51	4.22	3.63	2.10	3.96	2.95	3.87	2.77	
Cost of funding earning assets	0.41	1.51	0.29	0.67	0.47	0.25	0.84	0.38	0.53	0.35	
Net interest margin	2.82	9.73	2.22	3.54	3.16	1.84	3.11	2.57	3.34	2.42	
Noninterest income to assets	1.36	4.36	1.69	0.68	1.07	0.99	0.44	4.70	1.26	1.25	
Noninterest expense to assets	2.43	6.44	2.20	2.40	2.54	1.54	1.05	3.97	3.03	2.25	
Credit loss provision to assets**	0.64	4.75	0.60	0.18	0.51	0.08	0.32	0.09	0.14	0.60	
Net operating income to assets	0.68	1.92	0.66	1.25	0.71	0.91	1.57	2.46	1.07	0.50	
Pretax return on assets	0.89	2.44	0.89	1.46	0.93	1.18	2.13	3.18	1.24	0.64	
Return on assets	0.72	1.92	0.70	1.30	0.74	0.92	1.59	2.59	1.10	0.53	
Return on equity	6.85	16.09	7.59	11.14	6.40	10.53	16.46	16.22	8.98	5.24	
Net charge-offs to loans and leases	0.50	3.73	0.69	0.14	0.25	0.05	0.52	0.19	0.07	0.43	
Loan and lease loss provision to net charge-offs	243.46	162.41	258.82	195.38	292.95	615.10	83.46	157.77	312.10	276.63	
Efficiency ratio	59.84	46.80	59.94	59.74	59.91	55.16	30.28	55.77	69.20	64.43	
% of unprofitable institutions	4.64	27.27	0.00	2.67	4.39	9.97	8.33	8.30	4.74	4.48	
% of institutions with earnings gains	52.96	27.27	20.00	49.96	57.86	45.02	61.11	35.02	49.90	43.28	
Condition Ratios (%)											
Earning assets to total assets	91.03	94.81	88.60	93.39	91.35	97.37	97.56	93.04	93.46	91.44	
Loss allowance to:											
Loans and leases	2.18	9.79	2.90	1.49	1.52	0.83	1.76	1.59	1.28	2.03	
Noncurrent loans and leases	183.60	838.76	254.94	147.92	140.88	69.09	499.26	158.17	149.27	142.29	
Noncurrent assets plus other real estate owned to assets	0.61	0.92	0.38	0.69	0.76	0.30	0.26	0.34	0.56	0.66	
Equity capital ratio	10.16	12.61	8.92	11.37	11.22	8.40	9.21	15.79	11.81	9.90	
Core capital (leverage) ratio	8.81	13.63	7.94	10.66	9.38	7.80	9.86	14.71	11.36	8.45	
Common equity tier 1 capital ratio***	13.85	17.68	14.97	14.45	12.43	21.41	20.91	34.27	19.28	13.90	
Tier 1 risk-based capital ratio***	13.94	17.54	15.04	14.45	12.53	21.41	21.02	34.27	19.29	13.98	
Total risk-based capital ratio***	15.46	19.44	16.43	15.60	14.04	21.84	21.80	35.15	20.36	15.65	
Net loans and leases to deposits	59.62	99.89	40.03	71.85	79.09	27.17	83.01	32.72	63.58	53.21	
Net loans to total assets	48.56	70.78	30.78	60.56	65.13	23.96	70.62	26.64	54.06	44.66	
Domestic deposits to total assets	74.44	67.96	53.14	84.29	82.13	88.01	85.05	81.42	85.02	81.32	
Structural Changes											
New reporters	6	0	0	0	1	0	0	5	0	0	
Institutions absorbed by mergers	168	1	0	27	131	4	0	0	2	3	
Failed institutions	4	0	0	2	2	0	0	0	0	0	
PRIOR FULL YEARS (The way it was...)											
Number of institutions	2019	5,177	12	5	1,291	2,733	393	58	210	428	47
	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
Total assets (in billions)	2019	\$18,645.3	\$530.8	\$4,481.1	\$283.5	\$6,735.8	\$392.7	\$230.7	\$38.3	\$76.3	\$5,876.2
	2017	17,415.4	562.7	4,196.0	282.6	6,026.0	349.2	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
Return on assets (%)	2019	1.29	3.27	1.23	1.33	1.18	1.20	1.21	3.56	1.17	1.27
	2017	0.97	1.52	0.62	1.05	1.02	0.93	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
Net charge-offs to loans & leases (%)	2019	0.52	4.15	0.72	0.18	0.20	0.03	0.82	0.17	0.13	0.39
	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
Noncurrent assets plus OREO to assets (%)	2019	0.55	1.39	0.33	0.81	0.60	1.18	0.48	0.45	0.62	0.52
	2017	0.73	1.25	0.51	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
Equity capital ratio (%)	2019	11.32	12.81	10.20	11.85	12.27	10.94	10.41	18.48	12.79	10.93
	2017	11.22	15.10	9.83	11.18	11.95	11.21	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

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

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

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

TABLE IV-A. Full Year 2020, All FDIC-Insured Institutions

FULL YEAR (The way it is...)	All Insured Institutions	Asset Size Distribution					Geographic Regions*					
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	5,002	946	3,129	776	138	13	593	570	1,069	1,292	1,107	371
Commercial banks	4,375	827	2,769	644	123	12	308	518	922	1,252	1,038	337
Savings institutions	627	119	360	132	15	1	285	52	147	40	69	34
Total assets (in billions)	\$21,883.3	\$57.2	\$1,101.4	\$2,069.8	\$6,358.5	\$12,296.4	\$4,015.1	\$4,485.3	\$5,205.7	\$4,148.6	\$1,792.6	\$2,236.1
Commercial banks	20,505.3	50.1	959.5	1,727.3	5,814.0	11,954.4	3,596.1	4,360.6	5,108.3	4,110.3	1,241.8	2,088.2
Savings institutions	1,377.9	7.0	141.9	342.5	544.5	342.0	418.9	124.7	97.4	38.2	550.9	147.9
Total deposits (in billions)	17,823.6	47.6	926.1	1,703.8	5,226.2	9,919.9	3,304.6	3,718.1	4,041.0	3,366.6	1,529.7	1,863.6
Commercial banks	16,684.2	42.3	812.1	1,428.9	4,798.8	9,602.1	2,977.3	3,617.6	3,971.4	3,335.8	1,038.1	1,744.1
Savings institutions	1,139.3	5.3	114.0	274.9	427.3	317.8	327.4	100.5	69.6	30.7	491.6	119.5
Bank net income (in millions)	147,126	457	12,506	21,310	42,349	70,505	23,601	24,728	41,818	19,610	15,761	21,607
Commercial banks	136,457	421	10,676	18,267	39,150	67,943	20,530	24,987	39,720	19,190	12,558	19,472
Savings institutions	10,669	36	1,830	3,043	3,198	2,562	3,071	-259	2,098	420	3,204	2,135
Performance Ratios (%)												
Yield on earning assets	3.24	4.04	4.12	3.99	3.92	2.65	3.15	3.25	2.79	3.21	3.42	4.25
Cost of funding earning assets	0.41	0.61	0.63	0.58	0.55	0.29	0.50	0.36	0.30	0.41	0.38	0.64
Net interest margin	2.82	3.43	3.49	3.41	3.37	2.36	2.65	2.88	2.49	2.80	3.05	3.61
Noninterest income to assets	1.36	1.41	1.33	1.30	1.32	1.40	1.21	1.21	1.76	1.14	1.10	1.65
Noninterest expense to assets	2.43	3.55	3.01	2.71	2.65	2.20	2.24	2.42	2.37	2.45	2.41	2.86
Credit loss provision to assets**	0.64	0.13	0.23	0.43	0.86	0.61	0.60	0.69	0.55	0.74	0.41	0.84
Net operating income to assets	0.68	0.81	1.17	1.07	0.68	0.58	0.61	0.56	0.84	0.43	0.94	0.99
Pretax return on assets	0.89	0.95	1.40	1.38	0.94	0.74	0.78	0.74	1.10	0.55	1.17	1.38
Return on assets	0.72	0.84	1.21	1.11	0.71	0.61	0.62	0.59	0.87	0.49	0.98	1.03
Return on equity	6.85	6.09	10.44	9.90	6.34	6.19	5.76	5.27	8.75	4.95	9.28	9.59
Net charge-offs to loans and leases	0.50	0.13	0.12	0.22	0.66	0.51	0.48	0.54	0.41	0.53	0.31	0.70
Loan and lease loss provision to net charge-offs	243.46	167.39	284.76	282.30	205.34	275.34	237.34	238.98	280.72	276.08	252.82	180.23
Efficiency ratio	59.84	77.21	65.17	59.75	55.02	62.26	59.44	60.31	59.16	65.51	60.52	52.52
% of unprofitable institutions	4.64	11.42	3.04	1.80	10.87	0.00	6.75	7.89	4.12	2.48	3.97	7.28
% of institutions with earnings gains	52.96	39.43	58.07	54.90	22.46	15.38	46.21	47.02	59.31	56.89	49.86	50.13
Condition Ratios (%)												
Earning assets to total assets	91.03	91.97	93.64	93.06	92.37	89.76	90.93	90.49	90.03	90.25	93.72	93.91
Loss allowance to:												
Loans and leases	2.18	1.43	1.35	1.41	2.35	2.39	2.00	2.30	2.17	2.37	1.46	2.45
Noncurrent loans and leases	183.60	126.49	169.35	164.00	177.76	194.23	173.36	215.27	197.98	168.93	69.97	350.99
Noncurrent assets plus other real estate owned to assets	0.61	0.74	0.60	0.65	0.83	0.50	0.60	0.55	0.52	0.69	1.08	0.48
Equity capital ratio	10.16	13.44	11.27	10.94	10.84	9.57	10.49	10.78	9.59	9.80	10.08	10.44
Core capital (leverage) ratio	8.81	13.04	10.86	10.20	9.47	8.04	9.04	8.60	8.38	8.85	8.66	9.88
Common equity tier 1 capital ratio***	13.85	22.35	15.92	14.21	13.57	13.81	13.78	13.54	14.02	13.70	13.93	14.45
Tier 1 risk-based capital ratio***	13.94	22.35	15.94	14.23	13.77	13.85	13.86	13.63	14.08	13.79	14.04	14.61
Total risk-based capital ratio**	15.46	23.42	17.08	15.38	15.26	15.48	15.37	15.13	15.49	15.67	15.23	15.93
Net loans and leases to deposits	59.62	63.98	74.89	80.98	72.65	47.65	60.49	58.06	55.85	58.07	57.34	74.06
Net loans to total assets	48.56	53.26	62.97	66.66	59.71	38.44	49.79	48.13	43.36	47.13	48.93	61.72
Domestic deposits to total assets	74.44	83.25	84.08	82.20	80.11	69.29	76.48	80.34	68.03	65.32	85.30	82.08
Structural Changes												
New reporters	6	4	2	0	0	0	0	4	0	0	0	2
Institutions absorbed by mergers	168	42	107	17	2	0	35	16	36	35	39	7
Failed institutions	4	1	3	0	0	0	0	2	0	2	0	0
PRIOR FULL YEARS (The way it was...)												
Number of institutions	2019 5,177	1,156	3,225	656	130	10	625	587	1,118	1,330	1,138	379
	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
Total assets (in billions)	2019 \$18,645.3	\$68.6	\$1,087.9	\$1,753.9	\$6,071.6	\$9,663.4	\$3,407.7	\$3,847.5	\$4,235.2	\$3,796.7	\$1,204.6	\$2,153.7
	2017 17,415.4	83.7	1,154.2	1,751.7	5,699.2	8,726.7	3,248.1	3,601.0	3,918.1	3,683.2	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
Return on assets (%)	2019 1.29	1.01	1.29	1.30	1.35	1.26	1.09	1.29	1.34	1.20	1.32	1.66
	2017 0.97	0.83	1.04	1.05	1.04	0.89	0.85	1.00	1.00	0.76	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
Net charge-offs to loans & leases (%)	2019 0.52	0.21	0.14	0.21	0.70	0.51	0.48	0.58	0.42	0.53	0.24	0.78
	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
Noncurrent assets plus OREO to assets (%)	2019 0.55	0.94	0.70	0.57	0.62	0.48	0.51	0.57	0.49	0.61	0.84	0.42
	2017 0.73	1.01	0.83	0.66	0.70	0.74	0.65	0.83	0.67	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
Equity capital ratio (%)	2019 11.32	14.27	12.01	12.03	11.86	10.76	11.83	12.23	10.89	10.24	12.16	11.15
	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

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

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

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

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

March 31, 2021	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	0.50	0.31	0.35	0.57	0.35	0.35	0.12	0.82	0.66	0.94
Construction and development	0.39	0.48	0.35	0.67	0.32	1.01	0.05	0.63	0.48	0.66
Nonfarm nonresidential	0.27	0.00	0.43	0.41	0.23	0.28	0.08	0.60	0.49	0.36
Multifamily residential real estate	0.17	0.00	0.26	0.06	0.13	0.34	0.10	0.12	0.22	0.26
Home equity loans	0.37	0.00	0.35	0.30	0.32	0.36	0.43	0.44	0.43	0.49
Other 1-4 family residential	0.77	0.31	0.38	0.69	0.58	0.33	0.12	1.06	0.79	1.27
Commercial and industrial loans	0.27	0.40	0.45	0.55	0.21	0.22	0.04	0.55	0.56	0.25
Loans to individuals	0.88	0.97	0.74	0.68	0.73	0.31	0.67	1.01	0.83	1.03
Credit card loans	0.87	0.98	0.73	0.88	0.97	0.84	0.74	1.81	0.59	0.85
Other loans to individuals	0.89	0.78	0.78	0.66	0.71	0.29	0.67	0.98	0.83	1.11
All other loans and leases (including farm)	0.32	0.41	0.51	0.96	0.25	0.21	0.01	0.67	0.72	0.20
Total loans and leases	0.48	0.91	0.49	0.65	0.33	0.33	0.47	0.79	0.67	0.66
Percent of Loans Noncurrent**										
All real estate loans	1.61	0.70	1.78	1.01	1.32	0.97	0.29	1.22	0.94	2.45
Construction and development	0.72	1.97	2.31	0.66	0.47	1.10	0.44	1.28	0.36	1.50
Nonfarm nonresidential	0.97	0.00	1.37	0.89	0.87	0.68	0.66	1.20	0.96	1.35
Multifamily residential real estate	0.25	0.00	0.18	0.43	0.22	0.55	0.35	0.21	0.46	0.49
Home equity loans	2.17	0.00	5.45	0.28	1.37	0.59	0.70	0.33	0.46	2.78
Other 1-4 family residential	2.50	0.68	2.14	0.69	2.56	1.03	0.26	1.12	1.01	3.02
Commercial and industrial loans	0.90	0.37	1.28	0.87	0.77	0.86	0.47	0.70	0.88	0.99
Loans to individuals	0.81	1.27	0.75	0.42	0.77	0.12	0.37	0.52	0.48	0.69
Credit card loans	1.15	1.33	0.95	0.39	1.16	0.56	0.61	1.08	0.46	1.14
Other loans to individuals	0.53	0.36	0.26	0.43	0.74	0.11	0.36	0.49	0.48	0.50
All other loans and leases (including farm)	0.32	0.00	0.27	1.08	0.41	0.09	0.05	0.42	0.86	0.26
Total loans and leases	1.14	1.18	1.04	0.98	1.06	0.89	0.34	1.03	0.89	1.36
Percent of Loans Charged-Off (net, YTD)										
All real estate loans	0.01	0.04	-0.05	0.01	0.03	0.00	0.01	-0.07	0.01	0.00
Construction and development	0.02	0.49	0.00	-0.01	0.02	-0.02	0.05	-0.12	0.03	0.07
Nonfarm nonresidential	0.07	0.00	-0.01	0.00	0.09	0.02	0.08	-0.16	0.03	0.03
Multifamily residential real estate	0.01	0.00	0.00	0.00	0.02	0.00	-0.01	-0.01	0.00	0.02
Home equity loans	-0.13	0.00	-0.45	0.00	-0.04	-0.04	0.12	0.01	-0.02	-0.23
Other 1-4 family residential	-0.01	0.03	-0.05	0.01	-0.01	0.00	0.00	-0.02	0.01	-0.01
Commercial and industrial loans	0.26	1.06	0.45	0.03	0.23	0.05	0.01	-0.18	0.10	0.19
Loans to individuals	1.65	2.84	2.28	0.22	0.81	0.44	0.40	0.80	0.16	1.26
Credit card loans	2.92	2.91	2.96	0.97	3.71	2.46	1.55	0.60	1.33	2.79
Other loans to individuals	0.55	1.77	0.43	0.13	0.56	0.37	0.39	0.81	0.15	0.56
All other loans and leases (including farm)	0.10	0.01	0.05	-0.02	0.13	0.04	0.00	0.92	0.04	0.13
Total loans and leases	0.34	2.66	0.55	0.01	0.15	0.02	0.27	0.05	0.04	0.30
Loans Outstanding (in billions)										
All real estate loans	\$5,079.2	\$1.9	\$551.7	\$100.4	\$2,968.7	\$157.7	\$24.8	\$10.8	\$48.5	\$1,214.6
Construction and development	388.4	0.0	18.3	5.8	297.8	4.7	0.3	1.0	3.3	57.3
Nonfarm nonresidential	1,575.0	0.0	57.3	26.2	1,203.1	13.1	1.3	3.5	10.5	260.1
Multifamily residential real estate	481.3	0.0	82.9	3.4	335.9	4.1	0.4	0.3	1.4	52.8
Home equity loans	286.1	0.0	29.2	1.5	162.0	7.2	0.2	0.3	1.6	84.1
Other 1-4 family residential	2,178.1	1.9	309.3	23.2	918.4	127.8	22.6	4.9	28.1	741.9
Commercial and industrial loans	2,457.4	35.2	356.2	25.7	1,317.9	9.7	7.9	2.5	6.9	695.3
Loans to individuals	1,689.9	328.7	346.0	5.5	337.5	9.8	72.4	1.4	4.6	583.8
Credit card loans	761.1	307.4	249.6	0.6	25.6	0.3	0.3	0.1	0.0	177.1
Other loans to individuals	928.8	21.3	96.4	5.0	311.9	9.5	72.1	1.3	4.6	406.7
All other loans and leases (including farm)	1,601.5	0.2	506.8	33.8	424.0	7.2	4.5	0.9	2.5	621.5
Total loans and leases (plus unearned income)	10,828.0	366.1	1,760.8	165.5	5,048.1	184.5	109.7	15.5	62.6	3,115.2
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	4,434.3	8.1	280.5	180.8	2,947.1	49.5	3.2	32.5	86.6	846.1
Construction and development	885.5	0.2	1.0	25.5	765.5	12.6	1.8	12.1	20.4	46.5
Nonfarm nonresidential	2,357.5	7.9	95.0	68.8	1,623.1	9.7	0.4	15.0	34.5	503.0
Multifamily residential real estate	65.5	0.0	0.0	4.6	60.3	0.4	0.0	0.0	0.0	0.2
1-4 family residential	959.1	0.1	139.5	32.6	431.3	26.8	1.0	5.3	28.0	294.5
Farmland	121.9	0.0	0.0	49.4	66.9	0.0	0.0	0.0	3.8	1.8

* 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

March 31, 2021	All Insured Institutions	Asset Size Distribution					Geographic Regions*					
		Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due												
All loans secured by real estate	0.50	0.83	0.46	0.32	0.36	0.74	0.39	0.53	0.48	0.81	0.52	0.22
Construction and development	0.39	0.84	0.53	0.45	0.28	0.45	0.43	0.45	0.35	0.45	0.36	0.28
Nonfarm nonresidential	0.27	0.59	0.32	0.26	0.22	0.35	0.32	0.20	0.29	0.30	0.25	0.24
Multifamily residential real estate	0.17	0.38	0.18	0.15	0.13	0.25	0.16	0.17	0.24	0.25	0.17	0.06
Home equity loans	0.37	0.45	0.38	0.26	0.33	0.44	0.32	0.42	0.36	0.48	0.36	0.23
Other 1-4 family residential	0.77	1.02	0.60	0.43	0.57	1.03	0.54	0.81	0.67	1.31	0.99	0.24
Commercial and industrial loans	0.27	0.92	0.36	0.25	0.22	0.30	0.22	0.26	0.28	0.29	0.35	0.23
Loans to individuals	0.88	1.00	1.03	0.97	0.77	0.96	0.76	1.26	0.60	0.85	0.60	0.90
Credit card loans	0.87	1.09	1.27	2.13	0.89	0.79	0.92	1.00	0.64	0.86	0.41	0.95
Other loans to individuals	0.89	1.00	1.01	0.56	0.67	1.12	0.66	1.47	0.56	0.84	0.66	0.86
All other loans and leases (including farm)	0.32	0.78	0.75	0.38	0.19	0.36	0.14	0.18	0.43	0.49	0.22	0.25
Total loans and leases	0.48	0.85	0.48	0.35	0.38	0.59	0.38	0.54	0.44	0.64	0.46	0.38
Percent of Loans Noncurrent**												
All real estate loans	1.61	1.17	0.79	0.83	1.90	1.96	1.51	1.56	1.60	1.78	2.92	0.56
Construction and development	0.72	0.56	0.59	0.56	0.45	1.48	1.27	0.54	1.09	0.51	0.32	0.48
Nonfarm nonresidential	0.97	1.39	0.81	0.81	0.99	1.20	1.21	0.82	1.07	1.23	0.70	0.70
Multifamily residential real estate	0.25	0.91	0.30	0.25	0.22	0.27	0.24	0.56	0.18	0.34	0.21	0.16
Home equity loans	2.17	0.43	0.65	0.60	1.39	3.38	2.09	1.60	2.67	3.51	1.02	0.92
Other 1-4 family residential	2.50	1.05	0.79	1.13	3.59	2.39	2.28	2.36	2.09	2.36	7.73	0.51
Commercial and industrial loans	0.90	1.08	0.58	0.80	0.84	1.01	0.85	0.82	0.80	1.30	0.80	0.82
Loans to individuals	0.81	0.70	0.57	0.97	0.84	0.78	0.86	0.96	0.48	0.85	0.69	0.92
Credit card loans	1.15	0.78	1.59	2.47	1.25	1.01	1.34	1.30	0.85	1.09	1.12	1.21
Other loans to individuals	0.53	0.70	0.50	0.45	0.51	0.57	0.55	0.70	0.21	0.46	0.56	0.70
All other loans and leases (including farm)	0.32	1.15	0.98	0.38	0.39	0.26	0.20	0.18	0.38	0.42	0.29	0.39
Total loans and leases	1.14	1.12	0.76	0.81	1.29	1.15	1.11	1.07	1.02	1.28	2.07	0.68
Percent of Loans Charged-Off (net, YTD)												
All real estate loans	0.01	0.01	0.00	0.01	0.05	-0.02	0.05	0.00	0.00	0.01	0.01	0.01
Construction and development	0.02	-0.01	-0.02	-0.02	0.04	0.06	0.13	-0.01	0.02	-0.02	0.01	-0.04
Nonfarm nonresidential	0.07	0.00	0.00	0.03	0.14	0.02	0.12	0.05	0.08	0.08	0.04	0.04
Multifamily residential real estate	0.01	0.00	-0.01	0.01	0.02	0.01	0.03	0.04	0.00	0.03	-0.02	-0.01
Home equity loans	-0.13	-0.03	-0.01	-0.01	-0.03	-0.26	-0.06	-0.19	-0.15	-0.19	-0.10	-0.06
Other 1-4 family residential	-0.01	0.01	0.00	0.00	0.00	-0.03	0.00	0.00	-0.03	-0.03	0.00	0.00
Commercial and industrial loans	0.26	0.07	0.06	0.19	0.27	0.29	0.24	0.21	0.30	0.33	0.28	0.20
Loans to individuals	1.65	0.22	0.60	1.67	1.62	1.70	1.75	1.57	1.35	2.27	0.79	1.57
Credit card loans	2.92	3.06	3.83	5.16	2.79	2.92	3.23	2.91	2.76	3.08	1.78	2.78
Other loans to individuals	0.55	0.20	0.38	0.39	0.61	0.53	0.73	0.47	0.22	0.91	0.46	0.63
All other loans and leases (including farm)	0.10	0.06	0.08	0.08	0.16	0.07	0.09	0.14	0.06	0.07	0.03	0.24
Total loans and leases	0.34	0.04	0.04	0.15	0.41	0.39	0.35	0.36	0.28	0.42	0.13	0.43
Loans Outstanding (in billions)												
All real estate loans	\$5,079.2	\$18.9	\$500.3	\$943.9	\$1,869.5	\$1,746.6	\$1,065.0	\$913.1	\$1,002.5	\$875.9	\$557.1	\$665.6
Construction and development	388.4	1.0	45.9	93.6	164.2	83.7	77.3	63.2	64.1	54.4	83.0	46.3
Nonfarm nonresidential	1,575.0	3.9	190.0	406.8	641.9	332.4	363.0	305.2	231.5	208.7	231.6	235.0
Multifamily residential real estate	481.3	0.5	28.7	103.1	214.0	135.1	166.2	45.4	119.4	43.9	26.0	80.3
Home equity loans	286.1	0.4	14.9	34.7	105.0	131.1	63.1	67.5	68.5	44.7	18.2	23.9
Other 1-4 family residential	2,178.1	9.3	172.2	275.4	728.6	992.7	390.4	418.9	494.8	424.8	179.4	269.9
Commercial and industrial loans	2,457.4	4.4	125.2	299.3	911.7	1,116.9	439.4	560.7	549.7	414.4	201.6	291.5
Loans to individuals	1,689.9	1.7	26.0	76.6	726.4	859.1	300.8	393.9	333.1	278.4	64.7	319.0
Credit card loans	761.1	0.0	1.6	19.9	329.7	409.9	119.1	172.7	143.1	173.6	15.5	137.2
Other loans to individuals	928.8	1.7	24.4	56.7	396.8	449.2	181.7	221.2	190.0	104.8	49.2	181.8
All other loans and leases (including farm)	1,601.5	3.6	39.4	73.2	441.1	1,044.3	250.6	304.5	422.5	397.1	73.1	153.6
Total loans and leases (plus unearned income)	10,828.0	28.5	690.9	1,393.1	3,948.7	4,766.8	2,055.8	2,172.2	2,307.8	1,965.9	896.6	1,429.7
Memo: Other Real Estate Owned (in millions)												
All other real estate owned	4,434.3	63.6	925.7	1,410.1	976.6	1,058.3	573.3	1,057.4	737.6	629.5	796.1	640.5
Construction and development	885.5	13.2	364.8	269.3	200.1	38.2	99.4	223.5	103.3	142.7	268.1	48.3
Nonfarm nonresidential	2,357.5	21.8	323.2	941.5	454.6	616.5	216.5	605.1	341.9	302.9	364.8	526.2
Multifamily residential real estate	65.5	5.1	34.5	17.1	8.2	0.7	8.1	21.8	6.2	8.6	13.3	7.4
1-4 family residential	959.1	20.0	148.5	134.7	298.4	357.5	249.1	191.6	242.8	122.7	107.6	45.3
Farmland	121.9	3.6	54.7	47.6	15.4	0.6	0.1	15.3	18.3	32.6	42.2	13.3

* Regions:

New York - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands
 Atlanta - Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia
 Chicago - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
 Kansas City - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
 Dallas - Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, Tennessee, Texas
 San Francisco - Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

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

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

	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020	% Change 20Q1- 21Q1	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	1,387	1,387	1,374	1,381	1,361	1.9	31	673	535	135	13	
Total assets of institutions reporting derivatives	\$20,832,233	\$20,149,152	\$19,490,738	\$19,424,357	\$18,647,664	11.7	\$2,241	\$311,534	\$1,561,281	\$6,338,307	\$12,618,870	
Total deposits of institutions reporting derivatives	17,013,500	16,393,695	15,707,363	15,568,557	14,473,395	17.6	1,858	263,769	1,303,801	5,259,257	10,184,815	
Total derivatives	191,683,719	165,711,590	181,124,600	181,706,545	199,743,579	-4.0	284	25,988	226,847	4,240,579	187,190,021	
Derivative Contracts by Underlying Risk Exposure												
Interest rate	137,476,936	116,058,227	129,835,389	132,102,551	146,069,414	-5.9	283	25,666	218,317	2,287,833	134,944,837	
Foreign exchange*	45,257,498	41,448,704	42,148,550	41,266,839	44,381,157	2.0	0	0	4,360	1,719,734	43,533,403	
Equity	4,004,712	3,774,715	4,022,629	3,574,339	3,661,579	9.4	0	20	26	54,406	3,950,259	
Commodity & other (excluding credit derivatives)	1,582,254	1,394,504	1,536,154	1,506,889	1,643,731	-3.7	0	0	93	90,773	1,491,388	
Credit	3,361,030	3,034,285	3,580,623	3,254,590	3,986,479	-15.7	0	25	3,037	87,833	3,270,134	
Total	191,682,430	165,710,435	181,123,345	181,705,208	199,742,360	-4.0	283	25,711	225,833	4,240,579	187,190,021	
Derivative Contracts by Transaction Type												
Swaps	107,718,346	96,423,475	99,580,043	101,734,113	110,598,852	-2.6	2	2,162	121,376	2,379,600	105,215,206	
Futures & forwards	40,934,044	32,350,205	39,822,413	41,018,444	46,803,966	-12.5	0	4,142	32,305	1,326,592	39,571,004	
Purchased options	18,603,556	16,098,917	17,889,179	16,881,937	18,151,997	2.5	0	268	15,532	201,620	18,386,136	
Written options	18,371,420	15,891,780	17,706,980	16,682,545	17,959,266	2.3	1	4,249	23,201	174,841	18,169,128	
Total	185,627,365	160,764,376	174,998,615	176,317,039	193,514,081	-4.1	3	10,822	192,414	4,082,653	181,341,473	
Fair Value of Derivative Contracts												
Interest rate contracts	69,377	70,648	73,199	60,217	48,270	43.7	0	54	920	11,802	56,601	
Foreign exchange contracts	13,849	-11,466	-7,256	-19,636	-16,009	N/M	0	0	11	1,666	12,172	
Equity contracts	-6,866	-7,165	-700	-1,171	-9,837	N/M	0	3	2	-284	-6,586	
Commodity & other (excluding credit derivatives)	3,967	-452	-1,087	-3,800	9,802	-59.5	0	0	0	237	3,730	
Credit derivatives as guarantor**	16,748	14,331	3,830	-3,347	-24,127	N/M	0	0	13	-74	16,810	
Credit derivatives as beneficiary**	-18,373	-18,166	-7,167	553	26,454	N/M	0	0	-13	-17	-18,343	
Derivative Contracts by Maturity***												
Interest rate contracts	< 1 year	76,501,371	62,456,947	76,385,591	80,158,815	92,838,175	-17.6	0	2,698	26,689	880,039	75,591,946
	1-5 years	44,407,789	39,201,919	39,963,944	41,098,879	43,088,736	3.1	2	657	42,375	802,111	43,562,644
	> 5 years	22,231,036	20,844,428	20,500,301	19,986,413	20,987,249	5.9	0	1,336	77,542	465,330	21,686,828
Foreign exchange and gold contracts	< 1 year	32,130,016	29,434,113	29,396,427	29,049,567	31,570,063	1.8	0	0	3,489	1,567,090	30,559,437
	1-5 years	4,336,231	4,404,492	4,299,182	4,238,687	4,127,647	5.1	0	0	403	107,834	4,227,994
	> 5 years	2,405,347	2,402,103	2,299,468	2,179,498	2,152,437	11.7	0	0	6	21,010	2,384,331
Equity contracts	< 1 year	3,504,313	3,287,136	3,210,066	2,850,740	2,959,453	18.4	0	7	7	25,155	3,479,144
	1-5 years	870,551	770,821	882,054	825,667	779,791	11.6	0	14	5	24,056	846,477
	> 5 years	124,452	138,573	133,921	128,679	124,492	0.0	0	0	5	4,272	120,175
Commodity & other contracts (including credit derivatives, excluding gold contracts)	< 1 year	2,149,899	1,820,961	1,926,264	1,860,285	2,040,847	5.3	0	0	54	45,126	2,104,719
	1-5 years	2,050,971	2,023,406	2,249,588	2,163,848	2,612,164	-21.5	0	1	514	46,048	2,004,408
	> 5 years	435,795	215,486	433,136	227,777	449,878	-3.1	0	23	1,503	8,721	425,549
Risk-Based Capital: Credit Equivalent Amount												
Total current exposure to tier 1 capital (%)	25.6	30.2	29.9	31.9	37.9		0.0	0.1	2.0	5.2	42	
Total potential future exposure to tier 1 capital (%)	34.0	31.0	32.5	29.8	29.9		0.0	0.1	1.0	4.8	57.4	
Total exposure (credit equivalent amount) to tier 1 capital (%)	59.6	61.2	62.4	61.8	67.8		0.0	0.2	3.1	10.1	99.5	
Credit losses on derivatives****												
	6.8	137.3	130.7	124.8	82.7	-91.8	0.0	4.4	-0.6	-1.1	4.0	
HELD FOR TRADING												
Number of institutions reporting derivatives	189	188	186	186	182	3.8	0	20	87	71	11	
Total assets of institutions reporting derivatives	16,190,214	15,890,219	15,384,583	15,394,454	14,841,843	9.1	0	9,795	330,981	3,993,264	11,856,173	
Total deposits of institutions reporting derivatives	13,129,162	12,851,305	12,340,493	12,274,431	11,424,297	14.9	0	8,355	276,096	3,348,098	9,496,613	
Derivative Contracts by Underlying Risk Exposure												
Interest rate	133,858,835	112,807,115	126,595,376	129,035,575	143,093,184	-6.5	0	541	44,600	1,459,030	132,354,663	
Foreign exchange	42,039,817	39,084,210	39,147,645	38,663,882	41,651,419	0.9	0	0	3,944	1,610,485	40,425,388	
Equity	3,976,351	3,746,888	3,997,150	3,549,571	3,639,261	9.3	0	0	3	44,447	3,931,902	
Commodity & other	1,544,723	1,358,385	1,501,890	1,473,915	1,611,455	-4.1	0	0	44	87,729	1,456,950	
Total	181,419,726	156,996,598	171,242,061	172,722,943	189,995,319	-4.5	0	541	48,591	3,201,691	178,168,902	
Trading Revenues: Cash & Derivative Instruments												
Interest rate**	-29	3,625	2,826	4,638	4,940	N/M	0	0	6	-35	0	
Foreign exchange**	6,343	18	1,942	3,841	2,167	192.7	0	0	3	288	6,053	
Equity**	2,388	2,480	750	3,139	-1,040	N/M	0	0	16	-23	2,395	
Commodity & other (including credit derivatives)**	1,772	191	1,380	2,036	612	189.5	0	0	0	157	1,616	
Total trading revenues**	10,474	6,314	6,898	13,653	6,678	56.8	0	0	25	386	10,063	
Share of Revenue												
Trading revenues to gross revenues (%)**	7.4	4.6	4.9	9.2	4.2		0.0	0.0	0.7	1.1	9.9	
Trading revenues to net operating revenues (%)**	21.0	16.8	22.0	300.9	60.0		0.0	0.0	2.2	3.3	27.2	
HELD FOR PURPOSES OTHER THAN TRADING												
Number of institutions reporting derivatives	614	623	620	626	616	-0.3	2	148	326	125	13	
Total assets of institutions reporting derivatives	19,824,856	19,263,989	18,644,510	18,557,513	17,928,826	10.6	113	73,927	1,145,801	5,986,145	12,618,870	
Total deposits of institutions reporting derivatives	16,168,974	15,655,539	15,009,146	14,854,670	13,891,758	16.4	94	61,887	953,696	4,968,483	10,184,815	
Derivative Contracts by Underlying Risk Exposure												
Interest rate	3,572,695	3,192,426	3,162,408	3,009,014	2,934,180	21.8	3	10,260	143,456	828,802	2,590,173	
Foreign exchange	569,053	511,407	534,403	527,340	529,987	7.4	0	0	295	39,156	529,602	
Equity	28,361	27,826	25,479	24,768	22,318	27.1	0	20	24	9,959	18,357	
Commodity & other	37,531	36,119	34,264	32,974	32,277	16.3	0	0	48	3,044	34,439	
Total notional amount	4,207,639	3,767,778	3,756,553	3,594,097	3,518,762	19.6	3	10,280	143,823	880,962	3,172,571	

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 applicable to banks filing the FFIEC 051 form.

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

							Asset Size Distribution				
	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020	% Change 20Q1- 21Q1	Less Than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	\$10 Billion to \$250 Billion	Greater Than \$250 Billion
(dollar figures in millions)											
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements											
Number of institutions reporting securitization activities	59	57	58	61	63	-6.3	0	6	10	35	8
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	358,230	382,125	406,116	449,854	452,586	-20.8	0	5,331	9,828	101,589	241,483
Home equity loans	7	8	8	9	9	-22.2	0	0	0	7	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Auto loans	392	289	579	980	1,196	-67.2	0	0	0	392	0
Other consumer loans	1,469	1,569	1,669	1,512	1,587	-7.4	0	0	0	773	696
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
All other loans, leases, and other assets	91,085	87,334	88,993	90,064	88,439	3.0	0	0	7,769	5,478	77,838
Total securitized and sold	451,183	471,325	497,365	542,419	543,817	-17.0	0	5,331	17,597	108,239	320,017
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	1,057	1,210	1,403	1,522	1,726	-38.8	0	0	51	582	424
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Auto loans	26	26	38	48	53	-50.9	0	0	0	26	0
Other consumer loans	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
All other loans, leases, and other assets	2,274	2,029	2,010	2,205	1,645	38.2	0	0	63	118	2,094
Total credit exposure	3,357	3,265	3,451	3,775	3,424	-2.0	0	0	114	726	2,518
Total unused liquidity commitments provided to institution's own securitizations	76	71	71	32	29	162.1	0	0	0	0	76
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)											
1-4 family residential loans	2.0	2.7	3.0	5.9	3.7		0.0	1.7	0.5	1.6	2.2
Home equity loans	6.3	5.3	7.2	8.3	19.7		0.0	0.0	0.0	6.3	0.0
Credit card receivables	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Auto loans	1.9	4.2	3.1	2.6	4.5		0.0	0.0	0.0	1.9	0.0
Other consumer loans	2.9	3.1	2.3	3.0	3.7		0.0	0.0	0.0	1.4	4.6
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
All other loans, leases, and other assets	0.5	0.6	1.5	4.7	0.1		0.0	0.0	0.2	1.1	0.5
Total loans, leases, and other assets	1.8	2.5	3.1	6.5	3.4		0.0	0.0	0.0	1.5	1.8
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)											
1-4 family residential loans	2.7	3.0	2.9	4.6	1.0		0.0	1.5	0.8	4.0	2.3
Home equity loans	24.5	28.9	27.8	28.9	29.3		0.0	0.0	0.0	24.5	0.0
Credit card receivables	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Auto loans	0.2	0.6	0.8	0.9	0.8		0.0	0.0	0.0	0.2	0.0
Other consumer loans	2.4	2.4	2.2	3.2	3.6		0.0	0.0	0.0	0.9	4.1
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
All other loans, leases, and other assets	1.8	2.4	2.9	0.4	0.3		0.0	0.0	1.6	0.2	2.0
Total loans, leases, and other assets	2.3	2.5	2.8	4.3	0.8		0.0	0.0	0.0	3.0	2.2
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)											
1-4 family residential loans	0.0	0.1	0.1	0.1	0.0		0.0	0.0	0.0	0.0	0.0
Home equity loans	1.8	11.9	10.2	8.4	6.9		0.0	0.0	0.0	1.8	0.0
Credit card receivables	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Auto loans	0.1	3.6	2.0	1.1	0.5		0.0	0.0	0.0	0.1	0.0
Other consumer loans	0.1	1.0	0.8	0.4	0.1		0.0	0.0	0.0	0.1	0.2
Commercial and industrial loans	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0
All other loans, leases, and other assets	0.1	0.2	0.2	0.1	0.1		0.0	0.0	0.0	0.1	0.1
Total loans, leases, and other assets	0.0	0.1	0.1	0.1	0.0		0.0	0.0	0.0	0.0	0.0
Seller's Interests in Institution's Own Securitizations - Carried as Loans											
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
Seller's Interests in Institution's Own Securitizations - Carried as Securities											
Home equity loans	0	0	0	0	0	0.0	0	0	0	0	0
Credit card receivables	0	0	0	0	0	0.0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0.0	0	0	0	0	0
Assets Sold with Recourse and Not Securitized											
Number of institutions reporting asset sales	340	343	347	345	339	0.3	3	111	151	66	9
Outstanding Principal Balance by Asset Type											
1-4 family residential loans	36,198	35,430	31,869	28,990	27,752	30.4	13	5,859	17,236	11,685	1,405
All other loans, leases, and other assets	135,492	131,293	128,103	126,493	123,427	9.8	0	12	103	36,852	98,526
Totals sold and not securitized	171,690	166,723	159,972	155,483	151,179	13.6	13	5,870	17,339	48,537	99,931
Maximum Credit Exposure by Asset Type											
1-4 family residential loans	13,228	13,630	12,870	10,753	9,675	36.7	1	678	6,080	5,778	691
All other loans, leases, and other assets	39,242	37,880	36,997	36,423	35,313	11.1	0	12	21	11,656	27,554
Total credit exposure	52,470	51,510	49,867	47,176	44,989	16.6	1	690	6,100	17,434	28,245
Support for Securitization Facilities Sponsored by Other Institutions											
Number of institutions reporting securitization facilities sponsored by others	38	37	37	35	36	5.6	1	10	14	8	5
Total credit exposure	23,478	23,986	24,893	26,480	22,894	2.6	0	0	0	1,649	21,829
Total unused liquidity commitments	415	418	412	413	208	99.5	0	0	0	295	120
Other											
Assets serviced for others**	5,624,097	5,781,786	5,804,674	5,912,001	6,185,782	-9.1	2,676	153,507	386,795	1,240,448	3,840,671
Asset-backed commercial paper conduits											
Credit exposure to conduits sponsored by institutions and others	18,417	19,694	17,209	17,348	18,170	1.4	0	0	0	0	18,417
Unused liquidity commitments to conduits sponsored by institutions and others	56,072	56,904	59,373	59,835	56,530	-0.8	0	0	0	1,195	54,877
Net servicing income (for the quarter)	3,436	1,030	1,364	-246	-1,757	-295.6	8	274	425	1,145	1,584
Net securitization income (for the quarter)	106	77	92	39	37	186.5	0	6	7	5	88
Total credit exposure to Tier 1 capital (%)***	3.5	3.6	3.7	3.8	3.6		0.0	0.2	0.4	2.3	5.4

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

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

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

COMMUNITY BANK PERFORMANCE

Community banks are identified based on criteria defined in the FDIC’s 2020 *Community Banking Study*. When comparing community bank performance across quarters, prior-quarter dollar amounts are based on community banks designated as such in the current quarter, adjusted for mergers. In contrast, prior-quarter asset quality ratios are based on community banks designated during the previous quarter.

Community Banks Reported Strong Quarterly Net Income Growth Due to Higher Noninterest Income and Lower Provision Expense

Net Interest Margin Contracted to a Record Low

Loan and Lease Volume Increased 10.8 Percent Year Over Year, Primarily Because of Commercial and Industrial Loan Growth

Asset Quality Remained Stable

Community Banks Reported Strong Quarterly Net Income Growth Year Over Year Due to Higher Noninterest Income and Lower Provision Expense

Community banks reported year-over-year quarterly net income growth of \$3.7 billion (77.5 percent) in first quarter 2021, despite a narrower net interest margin (NIM). Noninterest income of \$6.6 billion increased \$2 billion (45 percent) from first quarter 2020 primarily because of net gains on loan sales (up \$1.3 billion, or 126.4 percent). Provision expense (provisions) decreased \$1.4 billion (78.4 percent) from first quarter 2020 but remained positive at \$390.1 million. In comparison, noncommunity banks had provision expense of negative \$14.9 billion. Nearly three-quarters of the 4,531 FDIC-insured community banks (74 percent) reported higher net income from the year-ago quarter. The pretax return on assets ratio increased 56 basis points from the year-ago quarter to 1.58 percent as net income growth outpaced the growth in average assets.

Net Interest Margin Narrowed Year Over Year

The quarterly NIM narrowed 28 basis points from the year-ago quarter to 3.26 percent despite an increase in net interest income of \$1.8 billion (10.1 percent). Earning asset growth (up \$425.1 billion, or 20.6 percent) outpaced net interest income growth. The decline in average yields on earning assets outpaced the decline in average funding costs. The average yield on earning assets fell 76 basis points to 3.64 percent, and the average funding cost fell 48 basis points to 0.37 percent.

Chart 1

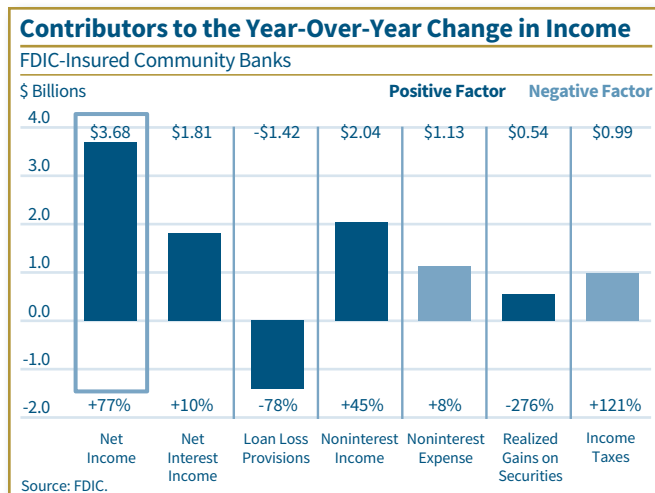
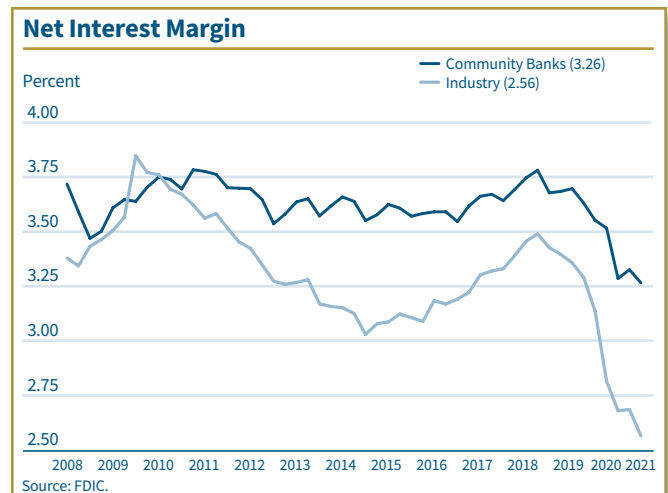


Chart 2



Noninterest Income Increased From First Quarter 2020

Noninterest income increased \$2 billion from a year ago (45 percent), driven by an increase in gains on loan sales (up \$1.3 billion, or 126.4 percent). The increase in net interest income and noninterest income contributed to growth in quarterly net operating revenue, which rose \$3.9 billion (up 17.1 percent) from the year-ago quarter.

Noninterest Expense Increased From the Year-Ago Quarter

An increase in salary and benefit expense of \$838.1 million (9.6 percent) drove the growth in noninterest expense (up \$1.1 billion, or 7.6 percent) year over year. Average assets per employee increased 18.5 percent to \$6.8 million from the year-ago quarter.

Noncurrent Balances Remained Stable Year Over Year, and the Noncurrent Rate Declined

Noncurrent loan balances remained relatively stable from a year ago, increasing \$19.3 million (0.2 percent). The increase in nonfarm nonresidential (NFNR) noncurrent loan balances (up \$650.1 million, or 20.5 percent) slightly outpaced the decline in noncurrent farm and consumer loan balances. Despite the slight increase in noncurrent balances, the noncurrent rate for total loans declined 8 basis points from the year-ago quarter to 0.73 percent on strong year-over-year loan growth.

Community banks reported a \$512 million (3.9 percent) decline in noncurrent balances across most major loan portfolios in first quarter 2021. A decrease in 1–4 family noncurrent balances, down \$222.2 million (6 percent), drove the overall decline. Nearly 70 percent of all community banks reported a reduction in noncurrent balances since the prior quarter. The coverage ratio (allowance for loan and lease losses as a percentage of loans that are 90 days or more past due or in nonaccrual status) increased 30 percentage points to 180 percent year over year, a 14-year high.

Community Banks Reported a Broad-Based Decline in Net Charge-Off Volume

Declines in net charge-off volume across loan portfolios contributed to a reduction in the net charge-off rate for total loans. The net charge-off rate for community banks declined 7 basis points from the year-ago quarter to 0.04 percent, a record low. The net charge-off rate for consumer loans declined the most among major loan categories (down 41 basis points to 0.56 percent).

Total Assets Increased From the Previous Quarter

Total assets increased \$108.7 billion (4.3 percent) from the previous quarter driven by increases in cash and securities. Cash and balances due from depository institutions at community banks grew \$38.4 billion (14.1 percent) quarter over quarter. Securities grew \$44.8 billion (10.1 percent) quarter over quarter, supported by an influx of deposits. Cash and securities now represent 30.2 percent of total assets, the highest level in seven years.

Chart 3

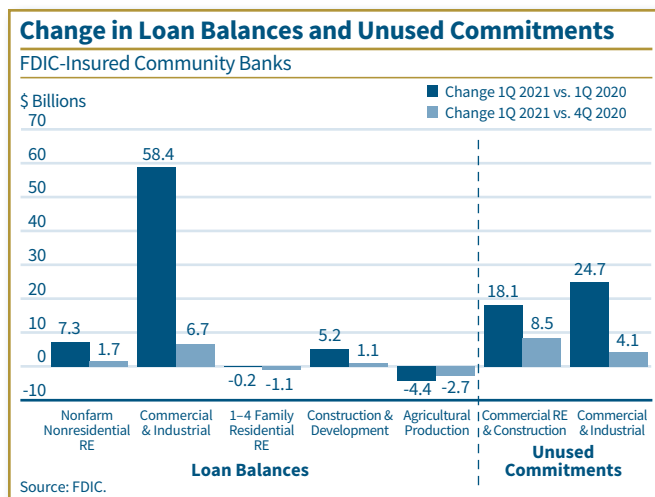
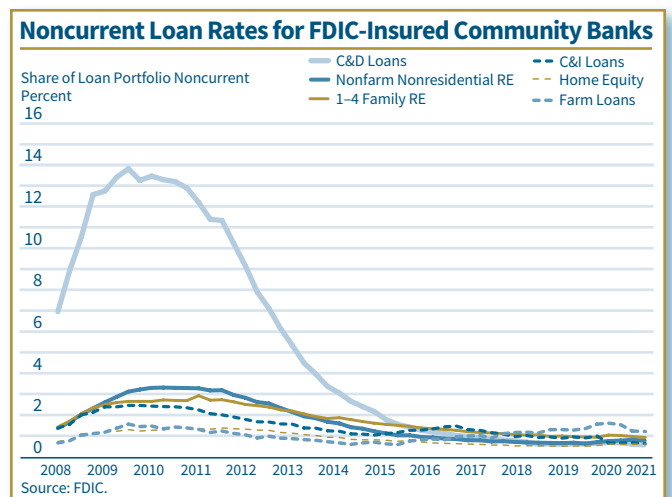


Chart 4



Loan and Lease Volume Grew During Both the Past Year and Quarter

Loan and lease balances grew \$167.3 billion (10.8 percent) between first quarter 2020 and first quarter 2021. Growth in commercial and industrial loans (C&I) (up \$124.2 billion, or 58.4 percent) accounted for nearly three-quarters of the year-over-year increase, reflecting Paycheck Protection Program (PPP) loan growth. Growth in NFNR loans (up \$34.1 billion, or 7.3 percent) also contributed to total loan growth. Farm loans (down \$5.5 billion, or 4.4 percent) and 1–4 family loans (down \$4.9 billion, or 1.1 percent) declined year over year.

Community banks reported an increase in loan volume (1.4 percent) between fourth quarter 2020 and first quarter 2021. The increase in C&I loan balances (up \$21.2 billion, or 6.7 percent) was driven by a \$24.4 billion increase in PPP loan balances. More than two-thirds of community banks (69.8 percent) reported an increase in C&I loans in first quarter 2021 from fourth quarter 2020. Growth in NFNR loans (up \$8.4 billion, or 1.7 percent), multifamily loans (up \$2.4 billion, or 2.2 percent), and construction and development loans (up \$1.3 billion, or 1.1 percent) offset declines in 1–4 family loans (down \$5.6 billion, or 1.3 percent) and farm loans (down \$3.3 billion, or 2.7 percent). An increase in commercial real estate loan commitments (up \$8.3 billion, or 8.5 percent) drove the quarter-over-quarter growth in unfunded loan volume.

Growth in Deposits of More Than \$250,000 Drove the Annual Increase in Total Deposits

Deposits at community banks increased \$429.7 billion (23.7 percent) compared with the year-ago quarter. Nearly all community banks (98 percent) reported an increase in deposit volume during the year. Growth in deposits of more than \$250,000 (up \$283.9 billion, or 38.8 percent) drove the annual increase. Brokered deposit volume declined \$4.6 billion (7.6 percent) from the year-ago quarter. Average funding costs fell 48 basis points to 0.37 percent, a record low for community banks.

Community banks also reported strong deposit growth from fourth quarter 2020 (up \$119.8 billion, or 5.6 percent). Growth was widespread: 92 percent of banks reported an increase in deposit volume in first quarter 2021.

Capital Levels Remained Strong

Equity capital grew \$1.8 billion (0.7 percent) during the quarter, driven by an increase in retained earnings (up \$1.9 billion, or 54.6 percent). However, the leverage capital ratio declined 5 basis points to 10.27 percent as growth in average assets outpaced tier 1 capital formation. The average tier 1 risk-based capital ratio among noncommunity bank leverage ratio (CBLR) filers was 14.62 percent in first quarter 2021, up 17 basis points from the prior quarter. The average CBLR for the 1,845 banks that elected to use the CBLR framework was 11.15 percent.

Two New Community Banks Opened in First Quarter 2021

The number of community banks declined to 4,531, down 29 from the previous quarter.¹ Two new community banks opened, five banks transitioned from community to noncommunity banks, two banks self-liquidated, and twenty-four community banks merged during the quarter.

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¹The number of community bank reporters excludes two banks: one that did not file on time and one that sold most of its assets to a credit union but whose charter remains active.

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

	2021*	2020*	2020	2019	2018	2017	2016
Return on assets (%)	1.30	0.87	1.09	1.20	1.19	0.96	0.99
Return on equity (%)	12.18	7.44	9.73	10.25	10.58	8.65	8.81
Core capital (leverage) ratio (%)	10.27	11.13	10.32	11.15	11.09	10.80	10.69
Noncurrent assets plus other real estate owned to assets (%)	0.54	0.68	0.59	0.65	0.70	0.78	0.94
Net charge-offs to loans (%)	0.04	0.12	0.12	0.13	0.13	0.16	0.16
Asset growth rate (%)	17.54	-0.20	14.16	-1.17	2.22	1.17	2.97
Net interest margin (%)	3.26	3.55	3.39	3.66	3.72	3.62	3.57
Net operating income growth (%)	63.75	-22.00	0.12	-4.04	28.01	0.21	2.42
Number of institutions reporting	4,531	4,681	4,560	4,750	4,980	5,228	5,462
Percentage of unprofitable institutions (%)	3.99	6.90	4.47	3.98	3.63	5.72	4.67

* Through March 31, ratios annualized where appropriate. Asset growth rates are for 12 months ending March 31.

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

(dollar figures in millions)	1st Quarter 2021	4th Quarter 2020	1st Quarter 2020	%Change 20Q1-21Q1		
Number of institutions reporting	4,531	4,560	4,681	-3.2		
Total employees (full-time equivalent)	392,198	392,849	395,453	-0.8		
CONDITION DATA						
Total assets	\$2,647,439	\$2,547,147	\$2,252,299	17.5		
Loans secured by real estate	1,227,731	1,225,675	1,209,967	1.5		
1-4 Family residential mortgages	382,617	388,518	391,145	-2.2		
Nonfarm nonresidential	501,266	494,370	479,581	4.5		
Construction and development	116,533	115,731	114,128	2.1		
Home equity lines	41,020	42,306	45,767	-10.4		
Commercial & industrial loans	336,851	316,632	216,465	55.6		
Loans to individuals	65,048	65,271	65,305	-0.4		
Credit cards	1,881	2,102	1,990	-5.5		
Farm loans	44,689	47,500	50,582	-11.7		
Other loans & leases	47,866	49,143	39,174	22.2		
Less: Unearned income	1,355	1,047	538	151.6		
Total loans & leases	1,720,831	1,703,174	1,580,955	8.8		
Less: Reserve for losses*	22,702	22,526	19,242	18.0		
Net loans and leases	1,698,129	1,680,648	1,561,713	8.7		
Securities**	488,564	444,985	382,664	27.7		
Other real estate owned	1,710	1,859	2,385	-28.3		
Goodwill and other intangibles	18,141	18,009	17,691	2.5		
All other assets	440,895	401,647	287,846	53.2		
Total liabilities and capital	2,647,439	2,547,147	2,252,298	17.5		
Deposits	2,240,098	2,126,482	1,842,769	21.6		
Domestic office deposits	2,237,800	2,124,081	1,840,678	21.6		
Foreign office deposits	2,298	2,401	2,092	9.8		
Brokered deposits	56,560	61,445	61,877	-8.6		
Estimated insured deposits	1,548,363	1,478,449	1,340,232	15.5		
Other borrowed funds	105,236	118,198	124,399	-15.4		
Subordinated debt	343	352	338	1.5		
All other liabilities	23,967	24,657	22,621	5.9		
Total equity capital (includes minority interests)	277,795	277,459	262,170	6.0		
Bank equity capital	277,671	277,339	262,079	5.9		
Loans and leases 30-89 days past due	6,731	7,544	11,495	-41.4		
Noncurrent loans and leases	12,610	13,188	12,845	-1.8		
Restructured loans and leases	7,191	5,596	5,209	38.1		
Mortgage-backed securities	223,343	201,819	185,070	20.7		
Earning assets	2,484,458	2,381,875	2,095,332	18.6		
FHLB Advances	63,853	73,210	100,081	-36.2		
Unused loan commitments	372,222	349,718	316,331	17.7		
Trust assets	300,529	349,448	241,401	24.5		
Assets securitized and sold	23,129	23,237	18,916	22.3		
Notional amount of derivatives	163,013	182,369	149,235	9.2		
INCOME DATA						
	Full Year 2020	Full Year 2019	%Change	1st Quarter 2021	1st Quarter 2020	%Change 20Q1-21Q1
Total interest income	\$88,714	\$92,458	-4.0	\$22,050	\$22,757	-3.1
Total interest expense	13,434	18,897	-28.9	2,262	4,398	-48.6
Net interest income	75,279	73,561	2.3	19,788	18,359	7.8
Provision for credit losses***	7,049	2,910	142.3	390	1,826	-78.6
Total noninterest income	24,333	18,899	28.8	6,580	4,626	42.2
Total noninterest expense	62,598	59,581	5.1	16,079	15,292	5.1
Securities gains (losses)	1,086	783	38.7	345	-178	-294.1
Applicable income taxes	5,097	5,096	0.0	1,814	843	115.1
Extraordinary gains, net****	1	127	N/M	0	1	N/M
Total net income (includes minority interests)	25,957	25,783	0.7	8,430	4,846	73.9
Bank net income	25,903	25,772	0.5	8,417	4,843	73.8
Net charge-offs	2,016	2,021	-0.3	183	459	-60.1
Cash dividends	12,073	13,326	-9.4	3,104	3,156	-1.6
Retained earnings	13,830	12,445	11.1	5,313	1,686	215.1
Net operating income	25,023	24,993	0.1	8,139	4,971	63.7

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.

** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.

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

**** See Notes to Users for explanation.

N/M - Not Meaningful

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

(dollar figures in millions)	1st Quarter 2021	4th Quarter 2020	1st Quarter 2020	%Change 20Q1-21Q1		
Number of institutions reporting	4,531	4,529	4,525	0.1		
Total employees (full-time equivalent)	392,198	391,021	388,439	1.0		
CONDITION DATA						
Total assets	\$2,647,439	\$2,538,696	\$2,213,374	19.6		
Loans secured by real estate	1,227,731	1,221,694	1,184,700	3.6		
1-4 Family residential mortgages	382,617	386,994	383,435	-0.2		
Nonfarm nonresidential	501,266	492,841	467,193	7.3		
Construction and development	116,533	115,246	110,787	5.2		
Home equity lines	41,020	42,194	45,125	-9.1		
Commercial & industrial loans	336,851	315,631	212,616	58.4		
Loans to individuals	65,048	65,061	64,325	1.1		
Credit cards	1,881	1,963	2,028	-7.3		
Farm loans	44,689	47,403	49,762	-10.2		
Other loans & leases	47,866	49,093	42,622	12.3		
Less: Unearned income	1,355	1,037	522	159.5		
Total loans & leases	1,720,831	1,697,845	1,553,503	10.8		
Less: Reserve for losses*	22,702	22,472	19,027	19.3		
Net loans and leases	1,698,129	1,675,373	1,534,476	10.7		
Securities**	488,564	443,760	376,387	29.8		
Other real estate owned	1,710	1,854	2,348	-27.2		
Goodwill and other intangibles	18,141	17,931	17,305	4.8		
All other assets	440,895	399,777	282,858	55.9		
Total liabilities and capital	2,647,439	2,538,695	2,213,374	19.6		
Deposits	2,240,098	2,120,322	1,810,372	23.7		
Domestic office deposits	2,237,800	2,117,922	1,808,280	23.8		
Foreign office deposits	2,298	2,401	2,092	9.8		
Brokered deposits	56,560	60,653	61,192	-7.6		
Estimated insured deposits	1,548,363	1,474,256	1,319,868	17.3		
Other borrowed funds	105,236	117,754	122,677	-14.2		
Subordinated debt	343	352	338	1.5		
All other liabilities	23,967	24,277	22,308	7.4		
Total equity capital (includes minority interests)	277,795	275,990	257,678	7.8		
Bank equity capital	277,671	275,870	257,588	7.8		
Loans and leases 30-89 days past due	6,731	7,505	11,373	-40.8		
Noncurrent loans and leases	12,610	13,122	12,591	0.2		
Restructured loans and leases	7,191	5,575	5,300	35.7		
Mortgage-backed securities	223,343	200,932	180,610	23.7		
Earning assets	2,484,458	2,374,406	2,059,413	20.6		
FHLB Advances	63,853	73,085	98,509	-35.2		
Unused loan commitments	372,222	348,750	311,761	19.4		
Trust assets	300,529	348,691	231,844	29.6		
Assets securitized and sold	23,129	23,237	19,148	20.8		
Notional amount of derivatives	163,013	181,970	146,922	11.0		
INCOME DATA						
	Full Year 2020	Full Year 2019	%Change	1st Quarter 2021	1st Quarter 2020	%Change 20Q1-21Q1
Total interest income	\$88,357	\$89,598	-1.4	\$22,050	\$22,288	-1.1
Total interest expense	13,368	18,270	-26.8	2,262	4,309	-47.5
Net interest income	74,988	71,328	5.1	19,788	17,979	10.1
Provision for credit losses***	7,012	2,797	150.7	390	1,806	-78.4
Total noninterest income	24,233	18,083	34.0	6,580	4,538	45.0
Total noninterest expense	62,335	57,611	8.2	16,079	14,947	7.6
Securities gains (losses)	1,085	756	N/M	345	-196	N/M
Applicable income taxes	5,076	4,903	3.5	1,814	821	120.8
Extraordinary gains, net****	1	150	N/M	0	1	N/M
Total net income (includes minority interests)	25,885	25,007	3.5	8,430	4,747	77.6
Bank net income	25,831	24,991	3.4	8,417	4,742	77.5
Net charge-offs	2,007	1,988	0.9	183	435	-57.9
Cash dividends	12,049	13,004	-7.3	3,104	3,128	-0.8
Retained earnings	13,783	11,987	15.0	5,313	1,614	229.2
Net operating income	24,953	24,216	3.0	8,139	4,886	66.6

* For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.

** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.

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

**** See Notes to Users for explanation.

N/M - Not Meaningful

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

First Quarter 2021 (dollar figures in millions)	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	4,531	499	514	993	1,231	1,013	281
Total employees (full-time equivalent)	392,198	79,805	42,883	82,143	71,112	82,315	33,940
CONDITION DATA							
Total assets	\$2,647,439	\$670,206	\$282,584	\$487,932	\$452,989	\$486,810	\$266,919
Loans secured by real estate	1,227,731	358,428	129,726	217,186	191,994	212,134	118,265
1-4 Family residential mortgages	382,617	131,591	37,827	66,074	55,317	66,398	25,409
Nonfarm nonresidential	501,266	137,010	60,761	85,292	67,877	90,207	60,118
Construction and development	116,533	26,135	14,820	17,894	17,662	29,443	10,578
Home equity lines	41,020	12,193	5,578	8,994	4,545	4,380	5,330
Commercial & industrial loans	336,851	82,555	35,748	61,942	56,644	59,259	40,701
Loans to individuals	65,048	17,518	6,086	12,138	11,281	12,250	5,775
Credit cards	1,881	394	98	202	617	191	378
Farm loans	44,689	543	1,197	7,138	25,680	7,615	2,516
Other loans & leases	47,866	13,992	2,947	11,387	7,130	7,330	5,081
Less: Unearned income	1,355	252	221	147	172	286	276
Total loans & leases	1,720,831	472,783	175,483	309,645	292,557	298,302	172,061
Less: Reserve for losses**	22,702	5,652	2,296	4,078	4,180	4,015	2,481
Net loans and leases	1,698,129	467,131	173,187	305,567	288,377	294,287	169,580
Securities***	488,564	104,692	53,075	97,203	86,903	98,275	48,415
Other real estate owned	1,710	274	290	328	342	395	81
Goodwill and other intangibles	18,141	5,196	1,309	3,615	2,793	2,895	2,332
All other assets	440,895	92,913	54,722	81,219	74,573	90,958	46,511
Total liabilities and capital	2,647,439	670,206	282,584	487,932	452,989	486,810	266,919
Deposits	2,240,098	556,019	242,114	411,286	385,229	418,726	226,724
Domestic office deposits	2,237,800	555,408	242,104	411,286	385,229	418,726	225,047
Foreign office deposits	2,298	611	10	0	0	0	1,676
Brokered deposits	56,560	22,866	3,660	8,868	9,757	7,144	4,265
Estimated insured deposits	1,548,363	381,131	162,087	302,841	283,912	284,015	134,377
Other borrowed funds	105,236	34,334	9,545	21,244	17,316	13,182	9,614
Subordinated debt	343	240	7	34	11	40	11
All other liabilities	23,967	8,506	2,212	3,889	3,125	3,526	2,708
Total equity capital (includes minority interests)	277,795	71,107	28,706	51,478	47,307	51,335	27,862
Bank equity capital	277,671	71,086	28,701	51,402	47,306	51,314	27,861
Loans and leases 30-89 days past due	6,731	1,655	713	998	1,247	1,660	459
Noncurrent loans and leases	12,610	3,921	1,099	2,236	1,950	2,522	882
Restructured loans and leases	7,191	1,742	502	2,161	838	1,563	385
Mortgage-backed securities	223,343	57,993	24,585	40,402	33,811	38,516	28,036
Earning assets	2,484,458	630,856	264,238	457,063	426,102	455,316	250,884
FHLB Advances	63,853	21,753	5,547	14,037	11,201	7,034	4,281
Unused loan commitments	372,222	98,188	33,242	68,462	71,767	59,343	41,221
Trust assets	300,529	67,333	9,148	62,165	107,164	35,093	19,626
Assets securitized and sold	23,129	8,927	112	4,828	4,170	4,865	227
Notional amount of derivatives	163,013	62,036	12,176	28,978	32,582	16,366	10,875
INCOME DATA							
Total interest income	\$22,050	\$5,367	\$2,323	\$3,968	\$3,941	\$4,276	\$2,175
Total interest expense	2,262	648	214	408	433	412	147
Net interest income	19,788	4,719	2,110	3,560	3,508	3,864	2,028
Provision for credit losses****	390	29	41	83	102	118	17
Total noninterest income	6,580	1,256	618	1,728	1,212	1,196	570
Total noninterest expense	16,079	3,794	1,740	3,127	2,770	3,089	1,559
Securities gains (losses)	345	196	31	52	30	30	7
Applicable income taxes	1,814	555	181	383	244	224	226
Extraordinary gains, net*****	0	0	0	0	0	0	0
Total net income (includes minority interests)	8,430	1,792	796	1,747	1,634	1,658	803
Bank net income	8,417	1,791	793	1,744	1,634	1,652	803
Net charge-offs	183	79	8	16	31	30	19
Cash dividends	3,104	650	200	757	660	546	291
Retained earnings	5,313	1,141	593	987	974	1,107	512
Net operating income	8,139	1,636	771	1,699	1,607	1,630	796

* See Table V-A for explanation.

** For institutions that have adopted ASU 2016-13, this item represents the allowance for credit losses on loans and leases held for investment and allocated transfer risk.

*** For institutions that have adopted ASU 2016-13, securities are reported net of allowances for credit losses.

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

***** See Notes to Users for explanation.

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

Performance ratios (annualized, %)	All Community Banks		First Quarter 2021, Geographic Regions*					
	1st Quarter 2021	4th Quarter 2020	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	3.64	3.78	3.48	3.62	3.54	3.79	3.85	3.56
Cost of funding earning assets	0.37	0.45	0.42	0.33	0.36	0.42	0.37	0.24
Net interest margin	3.26	3.32	3.06	3.29	3.18	3.37	3.48	3.32
Noninterest income to assets	1.02	1.11	0.77	0.90	1.44	1.09	1.01	0.88
Noninterest expense to assets	2.48	2.67	2.31	2.53	2.61	2.50	2.60	2.40
Loan and lease loss provision to assets	0.06	0.19	0.02	0.06	0.07	0.09	0.10	0.03
Net operating income to assets	1.26	1.12	1.00	1.12	1.42	1.45	1.37	1.22
Pretax return on assets	1.58	1.41	1.43	1.42	1.78	1.69	1.58	1.58
Return on assets	1.30	1.18	1.09	1.15	1.46	1.47	1.39	1.23
Return on equity	12.18	10.79	10.17	11.09	13.59	13.86	12.94	11.57
Net charge-offs to loans and leases	0.04	0.15	0.07	0.02	0.02	0.04	0.04	0.05
Loan and lease loss provision to net charge-offs	213.32	192.36	36.25	515.10	507.59	331.82	399.89	91.29
Efficiency ratio	60.63	62.92	63.16	63.28	58.76	58.26	60.80	59.79
Net interest income to operating revenue	75.05	73.66	78.98	77.34	67.31	74.32	76.37	78.07
% of unprofitable institutions	3.99	7.81	5.61	6.81	4.83	2.03	3.16	4.63
% of institutions with earnings gains	73.89	56.64	79.16	74.32	74.02	74.65	68.31	80.07

Table V-B. Full Year 2020, FDIC-Insured Community Banks

Performance ratios (%)	All Community Banks		Full Year 2020, Geographic Regions*					
	Full Year 2020	Full Year 2019	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Yield on earning assets	4.00	4.61	3.82	4.04	3.83	4.19	4.24	3.95
Cost of funding earning assets	0.61	0.94	0.70	0.56	0.57	0.66	0.58	0.43
Net interest margin	3.39	3.66	3.12	3.48	3.26	3.54	3.66	3.52
Noninterest income to assets	1.02	0.88	0.78	0.94	1.45	1.14	0.97	0.82
Noninterest expense to assets	2.63	2.76	2.42	2.75	2.72	2.69	2.78	2.52
Loan and lease loss provision to assets	0.30	0.13	0.33	0.33	0.26	0.26	0.28	0.34
Net operating income to assets	1.05	1.16	0.75	0.90	1.25	1.30	1.17	0.99
Pretax return on assets	1.30	1.43	1.00	1.15	1.55	1.54	1.37	1.28
Return on assets	1.09	1.20	0.79	0.94	1.28	1.34	1.21	1.01
Return on equity	9.73	10.25	7.08	8.51	11.37	12.02	10.76	8.90
Net charge-offs to loans and leases	0.12	0.13	0.11	0.10	0.10	0.14	0.16	0.13
Loan and lease loss provision to net charge-offs	349.69	143.95	408.94	502.99	373.40	278.71	263.01	376.38
Efficiency ratio	62.32	64.05	64.82	65.23	59.92	59.97	63.24	60.94
Net interest income to operating revenue	75.57	79.56	79.00	77.41	67.67	74.33	77.80	80.06
% of unprofitable institutions	4.47	3.98	6.75	7.32	4.01	2.42	4.03	7.42
% of institutions with earnings gains	54.01	63.68	48.21	48.75	60.52	56.95	49.61	54.06

* See Table V-A for explanation.

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

March 31, 2021	All Community Banks	Geographic Regions*					
		New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due							
All loans secured by real estate	0.38	0.36	0.41	0.36	0.39	0.49	0.27
Construction and development	0.41	0.32	0.30	0.30	0.49	0.53	0.49
Nonfarm nonresidential	0.29	0.36	0.26	0.27	0.25	0.31	0.22
Multifamily residential real estate	0.19	0.25	0.19	0.16	0.14	0.23	0.02
Home equity loans	0.30	0.33	0.32	0.26	0.27	0.40	0.24
Other 1-4 family residential	0.52	0.41	0.74	0.55	0.44	0.72	0.35
Commercial and industrial loans	0.28	0.21	0.32	0.18	0.28	0.50	0.19
Loans to individuals	0.93	1.00	0.89	0.42	0.60	1.81	0.66
Credit card loans	1.36	1.67	0.79	0.63	1.82	1.10	0.94
Other loans to individuals	0.92	0.98	0.90	0.42	0.53	1.82	0.64
All other loans and leases (including farm)	0.52	0.12	0.32	0.31	0.82	0.62	0.36
Total loans and leases	0.39	0.35	0.41	0.32	0.43	0.56	0.27
Percent of Loans Noncurrent							
All loans secured by real estate	0.78	0.91	0.67	0.80	0.67	0.85	0.52
Construction and development	0.55	0.81	0.49	0.52	0.46	0.46	0.46
Nonfarm nonresidential	0.76	0.94	0.57	0.91	0.69	0.80	0.39
Multifamily residential real estate	0.30	0.34	0.39	0.24	0.33	0.25	0.20
Home equity loans	0.59	0.66	0.45	0.49	0.31	0.42	1.14
Other 1-4 family residential	0.91	1.11	0.89	0.84	0.48	1.04	0.63
Commercial and industrial loans	0.61	0.71	0.49	0.61	0.52	0.78	0.44
Loans to individuals	0.54	0.41	0.46	0.29	0.36	1.27	0.36
Credit card loans	0.98	1.99	0.34	0.34	0.94	0.61	0.68
Other loans to individuals	0.53	0.38	0.47	0.29	0.32	1.28	0.34
All other loans and leases (including farm)	0.68	0.09	0.52	0.49	1.02	0.67	0.86
Total loans and leases	0.73	0.83	0.63	0.72	0.67	0.84	0.51
Percent of Loans Charged-Off (net, YTD)							
All loans secured by real estate	0.01	0.02	-0.02	0.01	0.00	0.01	-0.01
Construction and development	-0.02	0.01	-0.09	0.01	-0.03	0.01	-0.07
Nonfarm nonresidential	0.02	0.04	0.00	0.03	0.01	0.01	0.00
Multifamily residential real estate	0.01	0.01	-0.01	0.00	0.04	-0.01	0.00
Home equity loans	-0.01	0.00	-0.03	-0.02	-0.03	0.02	-0.01
Other 1-4 family residential	0.00	0.01	-0.01	0.00	0.00	0.00	0.00
Commercial and industrial loans	0.06	0.12	0.05	0.03	0.04	0.05	0.07
Loans to individuals	0.56	0.77	0.51	0.16	0.62	0.53	0.74
Credit card loans	4.27	3.14	0.49	1.33	8.70	1.57	2.25
Other loans to individuals	0.44	0.71	0.51	0.14	0.14	0.51	0.63
All other loans and leases (including farm)	0.08	0.04	0.14	0.03	0.08	0.05	0.23
Total loans and leases	0.04	0.07	0.02	0.02	0.04	0.04	0.05
Loans Outstanding (in billions)							
All loans secured by real estate	\$1,227.7	\$358.4	\$129.7	\$217.2	\$192.0	\$212.1	\$118.3
Construction and development	116.5	26.1	14.8	17.9	17.7	29.4	10.6
Nonfarm nonresidential	501.3	137.0	60.8	85.3	67.9	90.2	60.1
Multifamily residential real estate	110.9	49.3	6.4	21.6	12.7	8.2	12.8
Home equity loans	41.0	12.2	5.6	9.0	4.5	4.4	5.3
Other 1-4 family residential	382.6	131.6	37.8	66.1	55.3	66.4	25.4
Commercial and industrial loans	336.9	82.6	35.7	61.9	56.6	59.3	40.7
Loans to individuals	65.0	17.5	6.1	12.1	11.3	12.2	5.8
Credit card loans	1.9	0.4	0.1	0.2	0.6	0.2	0.4
Other loans to individuals	63.2	17.1	6.0	11.9	10.7	12.1	5.4
All other loans and leases (including farm)	92.6	14.5	4.1	18.5	32.8	14.9	7.6
Total loans and leases	1,722.2	473.0	175.7	309.8	292.7	298.6	172.3
Memo: Unfunded Commitments (in millions)							
Total Unfunded Commitments	372,222	98,188	33,242	68,462	71,767	59,343	41,221
Construction and development: 1-4 family residential	32,292	5,967	4,735	4,134	5,009	9,545	2,901
Construction and development: CRE and other	70,987	20,740	7,626	11,279	10,982	13,875	6,484
Commercial and industrial	122,653	32,617	9,429	26,374	21,998	18,164	14,071

* See Table V-A for explanation.

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

INSURANCE FUND INDICATORS

Deposit Insurance Fund Increases by \$1.5 Billion

Insured Deposits Grow by 4.4 Percent in the First Quarter

DIF Reserve Ratio Declines 4 Basis Points to 1.25 Percent

During the first quarter, the Deposit Insurance Fund (DIF) balance increased by \$1.5 billion to \$119.4 billion. Assessment income of \$1.9 billion, interest earned on investments of \$284 million, and negative provisions for insurance losses of \$57 million were the largest sources of the increase. Operating expenses of \$454 million and unrealized losses on available-for-sale securities of \$285 million partially offset the increase in the fund balance. No insured institutions failed in the first quarter.

The deposit insurance assessment base—average consolidated total assets minus average tangible equity—increased by 2.2 percent in the first quarter and by 16.6 percent over 12 months.¹² Total estimated insured deposits increased by 4.4 percent in the first quarter and by 16.4 percent (\$1.3 trillion) year over year. The strong quarterly growth in insured deposits more than offset the quarterly increase in the DIF; as a result, the DIF reserve ratio declined 4 basis points to 1.25 percent at March 31, 2021. The March 31, 2021, reserve ratio was 13 basis points lower than the previous year; the extreme 12-month decline in the reserve ratio was entirely the result of extraordinary insured deposit growth.

The Dodd-Frank Act, enacted on July 21, 2010, contained several provisions to strengthen the DIF. Among other things, it: (1) raised the minimum reserve ratio for the DIF to 1.35 percent (from the former minimum of 1.15 percent); (2) required that the reserve ratio reach 1.35 percent by September 30, 2020. Once the reserve ratio reaches 1.35 percent, the September 30, 2020, deadline in the Dodd-Frank Act will have been met and will no longer apply. If the reserve ratio later falls below 1.35 percent, even if that occurs before September 30, 2020, the FDIC will have a minimum of eight years to return the reserve ratio to 1.35 percent, reducing the likelihood of a large increase in assessment rates. The reserve ratio exceeded the 1.35 percent minimum imposed by the Dodd-Frank Act on September 30, 2018, when the reserve ratio was 1.36 percent. The reserve ratio continued to exceed the 1.35 percent minimum for all subsequent quarters until June 30, 2020, when, due to extraordinary insured deposit growth, the reserve ratio dropped 8 basis points to 1.30 percent. Since the reserve ratio fell below its statutorily required minimum of 1.35 percent on June 30, 2020, the FDIC Board adopted a new Fund Restoration Plan in September 2020.

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

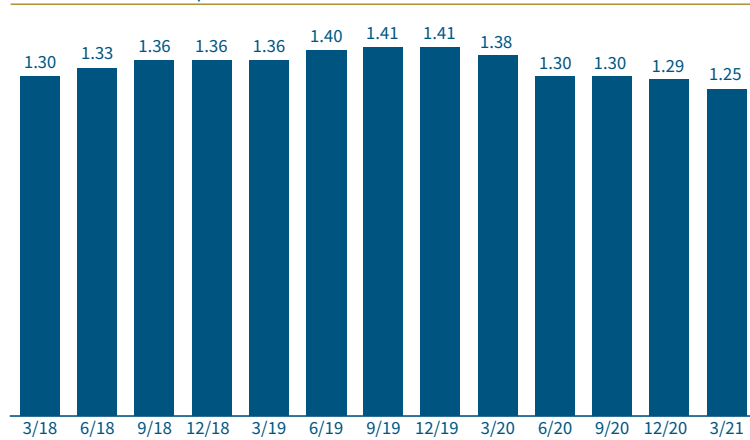
²Figures for estimated insured deposits and the assessment base include insured branches of foreign banks, in addition to insured commercial banks and savings institutions.

Table I-C. Insurance Fund Balances and Selected Indicators

	Deposit Insurance Fund*													
	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	
<i>(dollar figures in millions)</i>														
Beginning Fund Balance	\$117,897	\$116,434	\$114,651	\$113,206	\$110,347	\$108,940	\$107,446	\$104,870	\$102,609	\$100,204	\$97,588	\$95,072	\$92,747	
Changes in Fund Balance:														
Assessments earned	1,862	1,884	2,047	1,790	1,372	1,272	1,111	1,187	1,369	1,351	2,728	2,598	2,850	
Interest earned on investment securities	284	330	392	454	507	531	544	535	507	481	433	381	338	
Realized gain on sale of investments	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operating expenses	454	470	451	465	460	460	443	459	434	453	434	445	433	
Provision for insurance losses	-57	-48	-74	-47	12	-88	-192	-610	-396	-236	-121	-141	-65	
All other income, net of expenses	1	9	5	2	2	21	4	9	2	2	2	3	1	
Unrealized gain/(loss) on available-for-sale securities**	-285	-338	-284	-383	1,450	-45	86	694	421	788	-234	-162	-496	
Total fund balance change	1,465	1,463	1,783	1,445	2,859	1,407	1,494	2,576	2,261	2,405	2,616	2,516	2,325	
Ending Fund Balance	119,362	117,897	116,434	114,651	113,206	110,347	108,940	107,446	104,870	102,609	100,204	97,588	95,072	
Percent change from four quarters earlier	5.44	6.84	6.88	6.71	7.95	7.54	8.72	10.10	10.31	10.63	10.72	11.42	11.95	
Reserve Ratio (%)	1.25	1.29	1.30	1.30	1.38	1.41	1.41	1.40	1.36	1.36	1.36	1.33	1.30	
Estimated Insured Deposits	9,518,588	9,119,789	8,925,969	8,835,355	8,178,036	7,824,633	7,740,925	7,691,767	7,695,885	7,522,441	7,375,867	7,353,996	7,333,159	
Percent change from four quarters earlier	16.39	16.55	15.31	14.87	6.27	4.02	4.95	4.59	4.95	5.14	3.90	4.35	3.59	
Domestic Deposits	16,980,214	16,339,030	15,714,977	15,562,010	14,350,253	13,262,206	13,020,253	12,788,773	12,725,363	12,659,406	12,367,954	12,280,904	12,305,817	
Percent change from four quarters earlier	18.33	23.20	20.70	21.68	12.77	4.76	5.27	4.14	3.41	4.37	3.36	3.83	3.79	
Assessment Base***	19,214,847	18,805,738	18,464,902	18,153,332	16,483,625	16,156,678	15,904,512	15,684,071	15,561,859	15,452,229	15,229,530	15,113,666	15,068,512	
Percent change from four quarters earlier	16.57	16.40	16.10	15.74	5.92	4.56	4.43	3.77	3.27	3.01	2.67	2.79	3.06	
Number of Institutions Reporting	4,987	5,011	5,042	5,075	5,125	5,186	5,267	5,312	5,371	5,415	5,486	5,551	5,615	

DIF Reserve Ratios

Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits (\$ Millions)

	DIF Balance	DIF-Insured Deposits
3/18	\$95,072	\$7,333,159
6/18	97,588	7,353,996
9/18	100,204	7,375,867
12/18	102,609	7,522,441
3/19	104,870	7,695,885
6/19	107,446	7,691,767
9/19	108,940	7,740,925
12/19	110,347	7,824,633
3/20	113,206	8,178,036
6/20	114,651	8,835,355
9/20	116,434	8,925,969
12/20	117,897	9,119,789
3/21	119,362	9,518,588

Table II-C. Problem Institutions and Failed Institutions

<i>(dollar figures in millions)</i>	2021****	2020****	2020	2019	2018	2017	2016	2015
Problem Institutions								
Number of institutions	55	54	56	51	60	95	123	183
Total assets	\$54,182	\$44,519	\$55,830	\$46,190	\$48,481	\$13,939	\$27,624	\$46,780
Failed Institutions								
Number of institutions	0	1	4	4	0	8	5	8
Total assets*****	\$0	\$101	\$455	\$209	\$0	\$5,082	\$277	\$6,706

* Quarterly financial statement results are unaudited.
 ** Includes unrealized postretirement benefit gain (loss).
 *** Average consolidated total assets minus tangible equity, with adjustments for banker's banks and custodial banks.
 **** Through March 31.
 ***** Total assets are based on final Call Reports submitted by failed institutions.

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

<i>(dollar figures in millions)</i> March 31, 2021	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	4,357	\$21,128,887	\$15,738,798	\$8,547,896
FDIC-Supervised	2,899	3,609,231	2,990,121	1,831,637
OCC-Supervised	767	14,250,210	10,301,542	5,541,589
Federal Reserve-Supervised	691	3,269,447	2,447,135	1,174,669
FDIC-Insured Savings Institutions	621	1,435,313	1,196,890	934,289
OCC-Supervised	275	625,178	498,729	412,123
FDIC-Supervised	310	395,339	313,210	238,718
Federal Reserve-Supervised	36	414,795	384,951	283,447
Total Commercial Banks and Savings Institutions	4,978	22,564,200	16,935,688	9,482,185
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	9	96,181	44,526	36,403
Total FDIC-Insured Institutions	4,987	22,660,381	16,980,214	9,518,588

* Excludes \$1.5 trillion in foreign office deposits, which are not FDIC insured.

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

Quarter Ending December 31, 2020 *(dollar figures in billions)*

Annual Rate in Basis Points*	Number of Institutions	Percent of Total Institutions	Amount of Assessment Base	Percent of Total Assessment Base
1.50 - 3.00	2,888	57.63	\$3,753.3	19.96
3.01 - 6.00	1,436	28.66	12,543.9	66.70
6.01 - 10.00	564	11.26	2,337.9	12.43
10.01 - 15.00	53	1.06	143.8	0.76
15.01 - 20.00	69	1.38	26.6	0.14
20.01 - 25.00	1	0.02	0.2	0.00
> 25.00	0	0.00	0.0	0.0

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

Notes to Users

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

Tables I-A through VIII-A.

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

Tables I-B through VI-B.

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

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

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

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

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

The fourth step includes organizations that operate within a limited geographic scope. This limitation of scope is used as a proxy measure for a bank's relationship approach to banking. Banks that operate within a limited market area have more ease in managing relationships at a personal level. Under this step, four criteria are applied to each banking organization. They include both a minimum and maximum number of total banking offices, a maximum level of deposits for any one office, and location-based criteria. The limits on the number of and deposits per office are adjusted upward quarterly. For banking offices, banks must have more than one office, and the maximum number of offices is 40 in 1985

and reached 87 in 2016. The maximum level of deposits for any one office is \$1.25 billion in deposits in 1985 and reached \$6.97 billion in deposits in 2016. The remaining geographic limitations are also based on maximums for the number of states (fixed at 3) and large metropolitan areas (fixed at 2) in which the organization maintains offices. Branch office data are based on the most recent data from the annual June 30 *Summary of Deposits Survey* that are available at the time of publication.

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

Summary of FDIC Research Definition of Community Banking Organizations

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

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

Exclude: Any organization with:

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

Include: All remaining banking organizations with:

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

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/financial-institution-letters/2021/fil21025.html>

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

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

DEFINITIONS (in alphabetical order)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Common equity Tier 1 capital ratio – ratio of common equity Tier 1 capital to risk-weighted assets. Common equity Tier 1 capital includes common stock instruments and related surplus, retained earnings, accumulated other comprehensive income (AOCI), and

limited amounts of common equity Tier 1 minority interest, minus applicable regulatory adjustments and deductions. Items that are fully deducted from common equity Tier 1 capital include goodwill, other intangible assets (excluding mortgage servicing assets) and certain deferred tax assets; items that are subject to limits in common equity Tier 1 capital include mortgage servicing assets, eligible deferred tax assets, and certain significant investments. Beginning March 2020, this ratio does not include institutions that have a Community Bank Leverage Ratio election in effect at the report date.

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

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

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

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

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

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

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

Derivatives transaction types:

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

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

Swaps – obligations between two parties to exchange a series of cash flows at periodic intervals (settlement dates), for a

specified period. The cash flows of a swap are either fixed, or determined for each settlement date by multiplying the quantity (notional principal) of the underlying variable or index by specified reference rates or prices. Except for currency swaps, the notional principal is used to calculate each payment but is not exchanged.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Securities – excludes securities held in trading accounts. Banks’ securities portfolios consist of securities designated as “held-to-maturity” (reported at amortized cost (book value)), securities designated as “available-for-sale” (reported at fair (market) value), and equity securities with readily determinable fair values not held for trading.

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

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

assets attributable to investors, i.e., in the form of securities issued to investors.

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

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

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

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

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

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

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

THE HISTORIC RELATIONSHIP BETWEEN BANK NET INTEREST MARGINS AND SHORT-TERM INTEREST RATES

Overview

Developments since the Great Recession generally support the idea that protracted periods of low interest rates tend to compress net interest margin (NIM) at FDIC-insured institutions (banks). NIM decreased during the period of historically low interest rates after that recession, increased during the upward interest rate cycle (rate cycle) between 2015 and 2019, and decreased again as interest rates fell toward zero with the onset of the COVID-19 pandemic. While recent rate movements have been associated with a change in NIM, the direction of the relationship can differ across banks depending on a variety of factors. This article explores the historical relationship between interest rates and NIM at banks, discusses how NIM responded to interest rate changes in previous rate cycles, and then considers which types of banks may have a NIM that is more sensitive to changes in the effective federal funds rate (federal funds rate). The analysis shows that in most rate cycles since the 1980s, the NIM of typical community banks (median NIM) has moved in the same direction as changes in the federal funds rate, but that this relationship has been much less pronounced for banks with high concentrations of long-term assets.

The Effect of Short-Term Interest Rates on NIM Is Theoretically Ambiguous and Influenced by Many Banking and Economic Conditions

It is often assumed that higher short-term market interest rates result in higher net interest income, which translates into higher NIM and greater profitability in the banking industry more generally.¹ This reasoning led to broader concerns about bank profitability when a prolonged period of low interest rates began in 2008.²

But the directional effect of rising short-term market interest rates on NIM is theoretically ambiguous because a bank's cost of funds may increase either faster or slower than its yield on earning assets. When interest rates rise, banks may have to pay higher interest rates on some portion of their deposits or other liabilities to attract or keep funding; some portion of the bank's assets, meanwhile, will continue to yield their contractual interest rates and therefore not reprice upward.

Many factors can influence the comparative changes in bank asset yields and funding costs. In addition to the maturity distribution and repricing distribution of bank assets, which figure heavily in this article's analysis, the contractual and effective maturities of liabilities play an important role. Certain banks may have a high number of longer-term loans with a floating rate that reprice quickly as short-term interest rates increase, such as credit cards, other types of consumer loans, and commercial loans. Even longer-term assets without a

What Is Net Interest Margin?

Net interest margin (NIM) is a key profitability ratio that measures the difference between the interest income generated by bank lending and investment and the interest expense incurred from bank borrowing activities, normalized by average earning assets. The ratio is comparable over time and across banks of different sizes.

This measure is so popular that banks report it, bank examiners assess it for individual banks, and the FDIC calculates it for the industry every quarter in the *Quarterly Banking Profile*. For a vast majority of banks, net interest income is the primary source of income, and for such banks NIM is a primary component of profitability.

Several components of the Reports of Condition and Income (Call Reports) feed into the yield on earning assets: income on loans, leases, balances due from depository institutions, securities, trading assets, federal funds sold, and other interest income. Similarly, several components of the Call Report feed into the cost of funds: expense on deposits, federal funds purchased, trading liabilities, subordinated notes, and other interest expense.

¹For academic discussion on the subject see: Diana Hancock, "Bank Profitability, Interest Rates, and Monetary Policy," *Journal of Money, Credit, and Banking* 17, no. 2 (May 1985), or Paul A. Samuelson, "The Effect of Interest Rate Increases on the Banking System," *American Economic Review* 35, no. 1 (March 1945). For discussion in the popular press, see: John Carney, "When the Fed Lifts Off, This Is What to Watch at Banks," *Wall Street Journal*, September 29, 2015, and Avi Salzman, "Banks Will Benefit From Rising Rates. Other Sectors, Not So Much," *Barron's*, October 12, 2018.

²The interest rate is just one factor that affects bank profitability. For a discussion of some of the other determinants of bank profitability, see Jared Fronk, "Core Profitability of Community Banks: 1985–2015," *FDIC Quarterly* 10, no. 4 (November 2016).

floating rate can reprice during times of lower interest rates, in particular 30-year residential mortgage loans which can be prepaid without penalty to get a lower interest rate for the borrower. The same is true of the composition of their deposits. For example, some banks may be able to delay increasing their deposit interest rates when market interest rates increase and reduce deposit interest rates relatively promptly when market interest rates decrease. All of these factors, unique to each specific bank's portfolio of loans and deposits, will have an effect on NIM over the course of a rate cycle.

Broad economic factors can affect NIM as well. For instance, in a time of economic contraction (out of which stem some of the rate cycles in this analysis) the Federal Reserve may lower the federal funds rate. Simultaneously, many banks may report an increase in nonaccrual loans, which would likely hurt their NIM in a way that is not predictable by maturity structure, but by loan quality. Similarly, economic expansions influence NIM in unique ways. Often, upward rate environments are caused by good economic times, when banks tend to lend more, and the resulting increase in the composition of loans relative to investments tends to increase asset yields. At the same time, expanding lending requires increasing bank funding. This could require increasing the cost of funding to attract new deposits or using other more expensive funding sources. These potentially countervailing effects add to the ambiguity of whether NIM increases or decreases when interest rates rise.

Finally, effects of interest rates on NIM reflect not just changes to the federal funds rate but changes in interest rates across the yield curve. Thus, for example, the yield a bank will earn on a new mortgage loan depends on the prevailing interest rates on mortgages, not on the federal funds rate. Changes in NIM will vary by bank depending on the composition of assets and liabilities by yield, cost, and maturity, and on the specific changes in the yield curve.

Because it is not immediately clear how rising interest rates will affect NIM, previous research examined the actual effects over time. Two studies found that NIM moves in the opposite direction as the federal funds rate, in contrast to conventional wisdom. Staff studies from the Federal Reserve Bank of St. Louis and the Federal Reserve Bank of Richmond published in 2016 found that over shorter periods the banking industry's weighted average NIM often moves in the opposite direction of interest rates.³ The studies computed the weighted average NIM of all FDIC-insured banks and the weighted average cost of funds and yield on assets and concluded that NIM typically increased during falling rate cycles and decreased during rising rate cycles. The studies posited that the results are driven by the sensitivity of funding costs to changes in interest rates.

Previous work has also considered the historically low interest rates that prevailed in the decade after the onset of the Great Recession in 2008.⁴ Over that period, interest rates, including the federal funds rate, and bank funding costs were historically low. But NIM was low as well. A contributing factor to low NIM during this period was the extended length of the historically low rates; maturing assets were replaced by new assets with lower interest rates. This steadily drove the yield on earning assets lower. As this research was conducted before liftoff from the zero lower bound in 2015, it bears revisiting now that an additional interest rate cycle has completed.

Considering that the theoretical predictions of how interest rates affect NIM are unclear, this article explores the topic in all rate cycles since 1984 by examining the change in the median bank NIM during rising and falling rate cycles. It looks at this change for the median community bank and the median noncommunity bank over each rate cycle, and for banks with relatively short-term asset portfolios and with relatively long-term asset portfolios. For simplicity, the analysis of interest rates focuses solely on changes in the federal funds rate. Importantly, the analysis focuses on median changes in NIM rather

³ David Wheelock, "Are Banks More Profitable When Interest Rates Are High or Low?" Federal Reserve Bank of St. Louis Economy Blog, May 16, 2016; and Huberto M. Ennis, Helen Fessenden, and John R. Walter, "Do Net Interest Margins and Interest Rates Move Together?" Federal Reserve Bank of Richmond Economic Brief no. 16-05, May 2016.

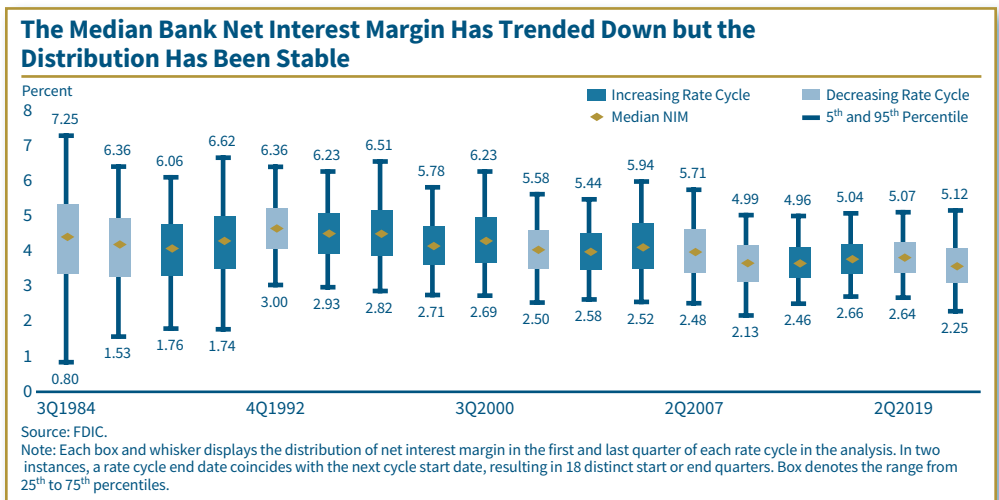
⁴ Francisco B. Covas, Marcelo Rezende, and Cindy M. Vojtech, "Why Are Net Interest Margins of Large Banks So Compressed?" FEDS Notes, Federal Reserve Board of Governors, October 5, 2015.

than weighted average changes. The NIM changes reported in this article are thus more reflective of typical small banks than of the large banks that dominate weighted average calculations. In line with conventional wisdom, the analysis demonstrates that at the median—in other words, for the typical community bank—NIM has tended to increase when short-term interest rates increase, and decrease when short-term interest rates decrease. The analysis also confirms the importance of the maturity distribution of bank assets in determining how NIM responds to interest-rate changes, including how differences in asset maturities help explain differences in NIM between the responses of community banks versus the responses of noncommunity banks. The analysis thus sheds some light on the broader discussion of bank profitability and may help banks understand the challenging interest rate environment.

The Spread Between the Banks With the Highest and Lowest NIM Has Been Relatively Stable Since the Early 1990s

Both the NIM of the median bank and the distribution of NIM for the entire industry have trended down during each rate cycle since the 1980s. Chart 1 shows the NIM for the 5th and 95th percentile of banks at the beginning and end of each rate cycle; while the distribution has decreased slowly over time, it does not display any major jumps. The spread between NIM at the 25th and 75th percentile, illustrated by the boxes, appears more stable over time, a trend comparable to the trend for NIM of the median bank. This suggests that examining trends based on the median NIM instead of the average NIM is also a good method for capturing industry trends. This approach also adds to the understanding of trends affecting the vast majority of small banks, as much previous analysis has been based on the industry-weighted average NIM, which is influenced by the largest banks.⁵

Chart 1



NIM Has Varied With Interest Rates Over Time, but Both Have Trended Downward

Since the 1980s, interest rates have declined notably and bank NIM has trended downward. The median quarterly NIM for both community and noncommunity banks and the federal funds rate since 1984 are displayed in Chart 2.⁶ The Federal Reserve adjusts the federal funds rate in response to real economic conditions as part of conducting monetary policy, but the rate still displays a clear downward trend over time. The corresponding decline in NIM has been even more pronounced for noncommunity banks than for community banks,

⁵ As of first quarter 2021, FDIC-insured banks had a median asset size of \$294.4 million. FDIC-insured community banks had a median asset size of \$266.2 million and noncommunity banks had a median asset size of \$3.8 billion.

⁶ This article analyzes quarterly net interest margins using the calculation that the *Quarterly Banking Profile* uses: annualized quarterly net interest income, interest income minus interest expense, divided by two-period average earning assets. For simplicity, when discussing the banking industry NIM, the article is referring to the median industry quarterly NIM. Likewise, when discussing community and noncommunity bank NIM, the article is referring to the median community and noncommunity bank quarterly NIM. Community banks are identified using criteria in Appendix A of the *FDIC Community Banking Study*, December 2020, <https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf>.

which may have occurred for a variety of reasons. Noncommunity banks often have more sources of noninterest income, which mitigates the adverse impact of this trend for these banks. This overall downward trend in industry NIM has caused recent concerns about profitability challenges for community banks, and how community banks may be responding by changing asset and liability structures or by adopting other strategies to maintain NIM that could pose additional risk.

Chart 2

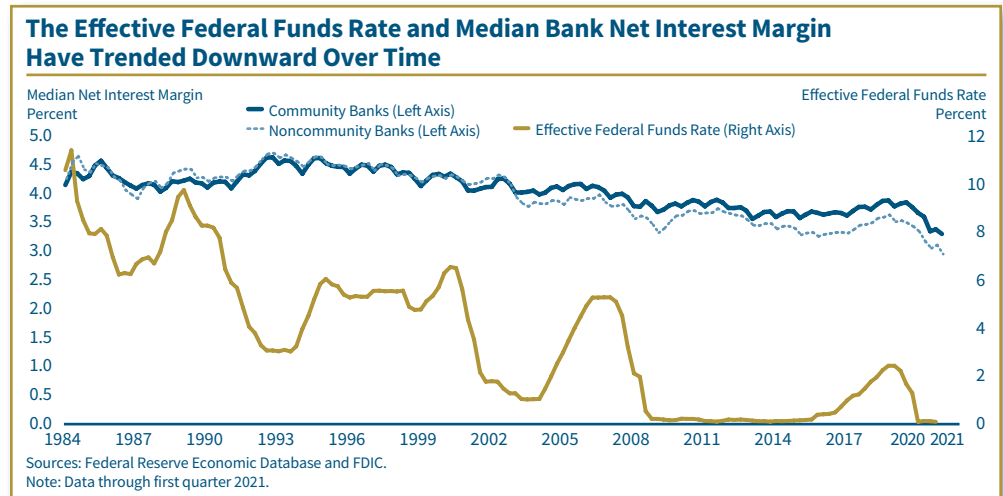


Chart 2 shows that while interest rates and NIM both have generally drifted downward over time, the relationship between them is less clear. In some periods, NIM continued to decline during an upward rate cycle. This makes sense in light of the above discussion about how a change in interest rates may not necessarily result in a corresponding change in NIM. Decomposing median NIM into two components, the median yield on earning assets and median cost of funds, tells a similar story. The trends of both components for both community banks and noncommunity banks move in a similar pattern over time. One key difference is that the percentage point declines in the yield on earning assets and in the cost of funds have been more pronounced than the overall decline in median NIM. But since both components have trended downward roughly the same level, this change is netted out of median NIM to create the decline shown in Chart 2.

The rest of this study breaks the historical changes in the federal funds rate—the gold line in Chart 2—into upward and downward rate cycles. In determining the exact cycle starts and endpoints in this analysis, downward cycles are dated from the peak of a rate cycle to the beginning of the trough and do not include flat periods of interest rates, similar to work conducted by the Federal Reserve Bank of Richmond.⁷ Upward rate cycles are dated from the end of the trough to the peak.⁸

⁷Ennis et al. May 2016.

⁸To limit our analysis to the immediate effects of the upward or downward adjustment in interest rates, some months in which interest rates were held constant—typically following downward cycles—are excluded from analysis. We determined five separate upward rate cycles for analysis: first quarter 1987 to second quarter 1989, fourth quarter 1993 to second quarter 1995, first quarter 1999 to 3rd quarter 2000, first quarter 2004 to third quarter 2006, and fourth quarter 2015 to first quarter 2019. We determined five separate downward rate cycles for analysis: third quarter 1984 to third quarter 1986, second quarter 1989 to fourth quarter 1992, third quarter 2000 to fourth quarter 2003, second quarter 2007 to first quarter 2009, and second quarter 2019 to second quarter 2020.

THE HISTORIC RELATIONSHIP BETWEEN BANK NET INTEREST MARGINS AND SHORT-TERM INTEREST RATES

Median NIM for the Banking Industry as a Whole Has Generally Increased in Upward Rate Cycles and Decreased in Downward Rate Cycles

Interest rates and median NIM have generally moved in the same direction in both downward and upward rate cycles since the 1980s (Table 1). In nearly every upward rate cycle, median NIM expanded between 12 and 22 basis points, with one exception in the early 1990s. Similarly, in all but one downward rate cycle, NIM contracted between 22 and 32 basis points. The average length of downward and upward rate cycles was the same (ten quarters). During downward rate cycles, however, the magnitude of the reductions in both NIM and the federal funds rate tended to exceed the increases in NIM and the federal funds rate that occurred in the upward rate cycles. One striking finding is that the change in NIM was fairly consistent in size throughout rate cycles, even though the total change in the federal funds rate was much smaller in later cycles.

Table 1

Change in Median Industry Net Interest Margin Over Upward and Downward Rate Cycles					
Upward Rate Cycles (Percentage Points)	1Q 1987 to 2Q 1989	4Q 1993 to 2Q 1995	1Q 1999 to 3Q 2000	1Q 2004 to 3Q 2006	4Q 2015 to 1Q 2019
Change in Effective Federal Funds Rate	3.51	3.03	1.79	4.24	2.04
Change in Median					
Yield on Earning Assets	-0.19	0.74	0.70	2.71	0.16
Cost of Funds	-0.40	0.75	0.55	2.58	0.05
Net Interest Margin	0.22	-0.01	0.15	0.13	0.12
Downward Rate Cycles (Percentage Points)	3Q 1984 to 3Q 1986	2Q 1989 to 4Q 1992	3Q 2000 to 4Q 2003	2Q 2007 to 1Q 2009	2Q 2019 to 2Q 2020
Change in Effective Federal Funds Rate	-5.18	-6.69	-5.52	-5.07	-0.85
Change in Median					
Yield on Earning Assets	-3.08	-1.71	-3.07	-0.77	-0.44
Cost of Funds	-2.86	-2.07	-2.81	-0.45	-0.20
Net Interest Margin	-0.22	0.36	-0.25	-0.32	-0.25

Sources: Federal Reserve Economic Database and FDIC.

Note: Change measured in percentage points. For the first and last quarter of each cycle, the bank with the median NIM is found, and the corresponding yield on earning assets and cost of funds for that bank are selected. Then the change is calculated.

This Relationship Holds for Both Community and Noncommunity Banks

Generally, upward rate cycles have corresponded with an expansion of NIM for both community and noncommunity banks. Table 2 shows changes for the median bank between the starting quarter and ending quarter of each rate cycle.⁹ Community banks reported an increase or no change in NIM in each of the five upward rate cycles, consistent with the conventional wisdom that increasing interest rates increase NIM. In each of these five periods, both the yield on earning assets and cost of funds increased, but the yield on earning assets increased more, resulting in the increase in NIM. Noncommunity banks reported a similar trend, with NIM increasing in four out of five upward rate cycles. Like community banks, in each of these upward rate cycles both their yield on earning assets and their cost of funds increased, most often resulting in NIM expansion. These results demonstrate that banks may be able to exert market power as interest rates begin to rise to hold their cost of funds down at the beginning of upward cycles, as was observed in the most recent upward cycle, again affecting NIM.

⁹ For the first and last quarter of each cycle, the bank with the median NIM is found, and the corresponding yield on earning assets and cost of funds for that bank is selected. Then the change is calculated.

Table 2

Change in Median Community and Noncommunity Bank Net Interest Margin Over Upward Rate Cycles					
Upward Rate Cycles (Percentage Points)	1Q 1987 to 2Q 1989	4Q 1993 to 2Q 1995	1Q 1999 to 3Q 2000	1Q 2004 to 3Q 2006	4Q 2015 to 1Q 2019
Change in Effective Federal Funds Rate	3.51	3.03	1.79	4.24	2.04
Change in Median					
Noncommunity Bank					
Yield on Earning Assets	1.25	0.26	0.75	1.41	0.71
Cost of Funds	0.74	0.32	0.66	1.26	0.45
Net Interest Margin	0.51	-0.07	0.09	0.15	0.25
Community Bank					
Yield on Earning Assets	1.97	0.88	0.20	1.47	0.97
Cost of Funds	1.80	0.88	0.04	1.34	0.86
Net Interest Margin	0.17	0.00	0.15	0.13	0.11

Sources: Federal Reserve Economic Database and FDIC.

Note: Change measured in percentage points. For the first and last quarter of each cycle, the bank with the median NIM in each group is found, and the corresponding yield on earning assets and cost of funds for that bank are selected. Then the change is calculated.

Conversely, downward rate cycles most often resulted in a compression of median NIM for both community and noncommunity banks. Table 3 shows that during four out of the five downward rate cycles between 1984 and 2020, community banks reported a decline in median NIM. While both the yield on earning assets and cost of funds fell during each cycle, the yield on earning assets almost always fell by more, and as a result median NIM declined in all downward cycles except that between second quarter 1989 and fourth quarter 1992. Noncommunity banks reported a decrease in median NIM in the same four out of five downward rate cycles. Like community banks, in each downward rate cycle both the yield on earning assets and cost of funds fell for noncommunity banks, but the yield on earning assets almost always fell by more. The two most recent downward cycles have encountered the zero lower bound, resulting in liabilities being unable to reprice as low as they otherwise would in a typical downward cycle, thereby further compressing NIM. Even so, because interest rates have started from relatively lower rates, the percentage change in the federal funds rate is in line with the percentage changes in previous downward cycles. Table 3 shows that the effects on NIM in downward cycles that reach the zero lower bound are similar to previous downward cycles.

Table 3

Change in Median Community and Noncommunity Bank Net Interest Margin Over Downward Rate Cycles					
Downward Rate Cycles (Percentage Points)	3Q 1984 to 3Q 1986	2Q 1989 to 4Q 1992	3Q 2000 to 4Q 2003	2Q 2007 to 1Q 2009	2Q 2019 to 2Q 2020
Change in Effective Federal Funds Rate	-5.18	-6.69	-5.52	-5.07	-0.85
Change in Median					
Noncommunity Bank					
Yield on Earning Assets	-3.14	-2.20	-2.96	-2.34	-1.02
Cost of Funds	-2.55	-2.48	-2.52	-1.87	-0.66
Net Interest Margin	-0.59	0.28	-0.43	-0.47	-0.36
Community Bank					
Yield on Earning Assets	-0.94	-3.20	-2.81	-0.95	-0.26
Cost of Funds	-0.79	-3.58	-2.58	-0.65	-0.04
Net Interest Margin	-0.15	0.37	-0.23	-0.30	-0.23

Sources: Federal Reserve Economic Database and FDIC.

Note: Change measured in percentage points. For the first and last quarter of each cycle, the bank with the median NIM in each group is found, and the corresponding yield on earning assets and cost of funds for that bank are selected. Then the change is calculated.

While Community and Noncommunity Banks Reported the Same Directional Change in Median NIM in Nearly Every Rate Cycle, the Magnitude of Change Was Different

The change in community bank median NIM was almost always smaller in magnitude than that of noncommunity banks regardless of interest rate direction. For instance, in the most recent downward rate cycle from second quarter 2019 to second quarter 2020, noncommunity banks reported a 36 basis point decline in median NIM, while community banks reported a decline of only 23 basis points (Table 3). Similarly, in the most recent upward rate cycle from fourth quarter 2015 to first quarter 2019, noncommunity banks reported a 25 basis point increase in median NIM, while community banks reported an increase of 11 basis points (Table 2). Community banks reported a smaller absolute change in median NIM than noncommunity banks in eight out of ten rate cycles. The difference was especially pronounced during downward rate cycles: the reduction in median NIM was markedly greater for noncommunity banks than for community banks in four of the five downward cycles (Table 2).

It is worth noting that in downward rate cycles, while both community and noncommunity banks reported declining yields and costs, noncommunity bank yields and costs responded with a substantially greater basis point decline in three of the five cycles. Interestingly, during upward rate cycles, community banks tended to report a larger change in both components, but the components changed more proportionally, resulting in median community bank NIMs that have been more insulated from changes in interest rates in both directions.

Dividing the data into community and noncommunity banks allows a better understanding of the differing experiences of many of the banks that the FDIC supervises and insures. As discussed below, the differing responses of community and noncommunity bank NIM to changes in interest rates are likely driven to an important extent by the differing asset maturity structures of the two types of banks.

The Maturity and Repricing Structure of Bank Assets Is an Important Factor in How NIM Responds to Rate Changes

The maturity structures of bank balance sheets—the relative volumes, maturities, and rates of assets and liabilities—naturally play a central role in determining how NIM will respond to a change in prevailing interest rates. Regulators and banking institutions themselves dedicate much time to understanding these relationships at individual banks through asset-liability management and complex interest rate risk models. Given the difficulties associated with analyzing the effective maturity of deposits, however, the analysis in this paper focuses on how asset maturities have affected the response of NIM to changes in market interest rates.

Long-term assets are defined in this analysis as assets that mature or reprice in three years or more. Banks with a higher share of long-term assets to total assets should report smaller NIM compression than their counterparts during downward rate cycles, as they reprice their deposits and lower their cost of funds, but have a larger proportion of assets that do not immediately reprice downward, propping up their yield on earning assets. Conversely, those banks should report less NIM expansion during upward rate cycles, as they will reprice their deposits upward (albeit as slowly as possible) and increase their cost of funds, but have a larger proportion of assets that do not reprice upward in their favor, suppressing their yield on earning assets. In response to these pressures, banks may seek higher returns by taking on more credit risk or issuing longer maturities, which often increases their income at the expense of additional risk to improve their margins. While either taking on more credit risk or increasing maturities can increase net interest income, changing the structure of their balance sheet may affect how their NIM responds to interest rate changes.

Table 4 breaks down the industry into quartiles of the proportion of long-term assets to total assets at the beginning of each rate cycle. Banks with the highest share of long-term assets to total assets (those in the fourth quartile) nearly always reported the least NIM expansion during upward rate cycles and the least NIM compression during downward rate

cycles.¹⁰ In fact, in the upward rate cycle between first quarter 2004 and third quarter 2006, banks with the highest proportion of long-term assets actually reported a *decline* in NIM. Similarly, during the downward rate cycle between second quarter 2007 and first quarter 2009, those banks in the highest quartile reported NIM expansion.

The only rate cycle in which the change in NIM was not strongly related to the proportion of long-term assets to total assets was the most-recent downward rate cycle of second quarter 2019 to second quarter 2020. In that cycle, banks with the highest share of long-term assets reported a slightly larger decline in NIM than those in the third quartile. There are many reasons this may have occurred, since many factors other than a bank's share of long-term assets influence NIM. It could be that the banks in the fourth quartile saw larger prepayment volumes than other banks. In this analysis, the designation of a bank's quartile was held fixed as of the quarter before the rate cycle. Therefore, a bank in the highest quartile would remain in that quartile despite prepayment activity shortening its maturity profile. As a result, if banks in the highest quartile of long-term assets to total assets experienced the most prepayment activity, they may have seen yield on earning assets fall faster than would be expected given their relatively longer maturities at the beginning of the period. Many banks in the fourth quartile held a comparatively high share of mortgage loans and are more likely to be classified as mortgage specialists, and therefore may have experienced a relatively high share of the refinancing activity that occurred as mortgage rates fell. The percentage of single-family mortgage originations that were refinancings doubled from 34 percent to 68 percent over the course of the most-recent downward rate cycle, and such an increase in refinancing activity could affect the composition of their balance sheet and hence NIM.

Table 4

Change in Median Net Interest Margin Over Upward and Downward Rate Cycles by Share of Long-Term Assets			
Upward Rate Cycles (Percentage Points)	1Q 1999 to 3Q 2000	1Q 2004 to 3Q 2006	4Q 2015 to 1Q 2019
Change in Effective Federal Funds Rate	1.79	4.24	2.04
Change in Median NIM by Share of Long-Term Assets			
First Quartile	0.36	0.50	0.20
Second Quartile	0.19	0.21	0.11
Third Quartile	0.11	0.05	0.09
Fourth Quartile	0.04	-0.18	0.04
Downward Rate Cycles (Percentage Points)	3Q 2000 to 4Q 2003	2Q 2007 to 1Q 2009	2Q 2019 to 2Q 2020
Change in Effective Federal Funds Rate	-5.52	-5.07	-0.21
Change in Median NIM by Share of Long-Term Assets			
First Quartile	-0.58	-0.80	-0.36
Second Quartile	-0.29	-0.40	-0.27
Third Quartile	-0.21	-0.22	-0.22
Fourth Quartile	-0.09	0.09	-0.24

Sources: Federal Reserve Economic Database and FDIC.

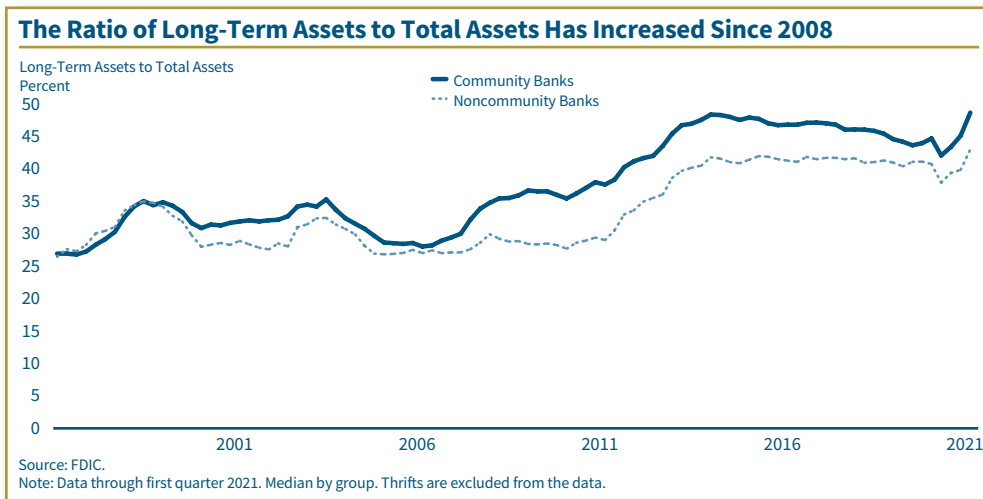
Note: Change measured in percentage points. Maturity is determined by the proportion of assets with a remaining maturity or next repricing frequency of three years or more ("long-term assets") to total assets. Maturity buckets are calculated based on industry quartiles in the quarter before each cycle. Each bank is placed into a maturity bucket based on the proportion of long-term assets as of the quarter prior to each cycle. Each bank's bucket is held constant throughout the cycle. For the first and last quarter of each cycle, the median NIM of each bucket is found and the change is calculated. Reports of Condition and Income (Call Report) filers began reporting asset maturity breakdowns in 1997. Thrifts are excluded from this analysis because they did not begin reporting maturity and repricing data until their adoption of the Call Report in first quarter 2011.

¹⁰Maturity buckets are calculated based on industry quartiles in the quarter before each cycle. Each bank is placed into a maturity bucket based on its proportion of long-term assets as of the quarter before each cycle. Each bank's bucket is held constant throughout the cycle. For the first and last quarter of each cycle, the median NIM of banks in each bucket is found and the change between those two NIMs is calculated. Therefore, "banks" in this portion of the analysis are defined by the bank with the median NIM within a quartile of long-term assets to total assets. Reports of Condition and Income (Call Reports) first included asset maturity breakdowns in 1997. Thrifts are excluded from this analysis, as they did not begin reporting maturity and repricing data until their adoption of the Call Report in first quarter 2011.

Community and Noncommunity Banks Have Increased Their Share of Long-Term Assets Since the Great Recession

While community and noncommunity banks use different business models and strategies that influence how NIM will change when interest rates change, one trend apparent for both types of banks in recent years is an increase in the share of long-term assets to total assets. Community banks traditionally hold a higher share of long-term assets to total assets, but both community banks and noncommunity banks have increased their shares in the aftermath of the Great Recession (Chart 3). As of first quarter 2021, community banks reported that 49 percent of their total assets repriced in three or more years, while noncommunity banks reported that 43 percent of their total assets repriced in three or more years.

Chart 3



The effect long-term asset holdings has on NIM becomes clearer when examining banks grouped into quartiles based on their share of long-term assets to total assets. Both community and noncommunity banks in the fourth quartile of long-term assets to total assets reported the least NIM expansion during each upward rate cycle (Table 5). During downward rate cycles, the results were slightly mixed: community banks in the fourth quartile consistently reported the least NIM contraction, while noncommunity banks in either the third or fourth quartile reported the least NIM contraction.

The Effect of Heightened Long-Term Assets to Total Assets Shares Can Be Seen in Recent Rate Cycles

During the low-for-long interest rate environment of 2008 to 2015, many banks pursued a strategy of investing in longer-maturity assets in an attempt to bolster their yield on earning assets. This drove the share of long-term assets to total assets at community and noncommunity banks to the highest levels in available data. While this strategy helped bolster NIM at these banks when rates were low, it hurt them during the upward rate cycle that followed. As seen in Table 5, the relative interest-rate insensitivity of their assets was met with increasing costs of funding, and community banks and noncommunity banks with the highest share of long-term assets to total assets reported the least NIM expansion (3 basis points) as a result.

During the downward rate cycle of second quarter 2019 to second quarter 2020, however, banks with the highest share of long-term assets reported slightly less NIM compression than other banks, though the relationship was not as strong. Community banks in the highest quartile of long-term assets to total assets reported a decline in NIM that was 12 basis points less than in community banks in the lowest quartile of long-term assets, and a decline similar to that of community banks in the middle two quartiles. Noncommunity banks in the highest quartile of long-term assets to total assets reported a decline in NIM that was 27 basis points less than in noncommunity banks in the lowest quartile of long-term assets.

Table 5

Change in Median Community and Noncommunity Bank Net Interest Margin Over Upward and Downward Rate Cycles by Share of Long-Term Assets			
Upward Rate Cycles (Percentage Points)	1Q 1999 to 3Q 2000	1Q 2004 to 3Q 2006	4Q 2015 to 1Q 2019
Change in Effective Federal Funds Rate	1.79	4.24	2.04
Change in Median NIM by Share of Long-Term Assets			
Noncommunity Banks			
First Quartile	0.38	0.55	0.46
Second Quartile	0.23	0.20	0.13
Third Quartile	0.04	0.04	0.15
Fourth Quartile	-0.11	-0.17	0.07
Community Banks			
First Quartile	0.36	0.50	0.19
Second Quartile	0.18	0.23	0.12
Third Quartile	0.12	0.05	0.08
Fourth Quartile	0.05	-0.17	0.03
Downward Rate Cycles (Percentage Points)	3Q 2000 to 4Q 2003	2Q 2007 to 1Q 2009	2Q 2019 to 2Q 2020
Change in Effective Federal Funds Rate	-5.52	-5.07	-0.21
Change in Median NIM by Share of Long-Term Assets			
Noncommunity Banks			
First Quartile	-1.16	-1.18	-0.55
Second Quartile	-0.38	-0.45	-0.39
Third Quartile	-0.19	-0.44	-0.12
Fourth Quartile	-0.23	0.20	-0.28
Community Banks			
First Quartile	-0.54	-0.78	-0.35
Second Quartile	-0.29	-0.39	-0.24
Third Quartile	-0.21	-0.19	-0.24
Fourth Quartile	-0.08	0.08	-0.23

Sources: Federal Reserve Economic Database and FDIC.

Note: Change measured in percentage points. Maturity is determined by the proportion of assets with a remaining maturity or next repricing frequency of three years or more ("long-term assets") to total assets. Maturity buckets are calculated based on industry quartiles in the quarter before each cycle. Each bank is placed into a maturity bucket based on the proportion of long-term assets as of the quarter prior to each cycle. Each bank's bucket is held constant throughout the cycle. For the first and last quarter of each cycle, the median NIM of each bucket is found and the change is calculated. Report of Condition and Income (Call Report) filers began reporting asset maturity breakdowns in 1997. Thrifts are excluded from this analysis because they did not begin reporting maturity and repricing data until their adoption of the Call Report in first quarter 2011.

Since the End of the Most Recent Downward Rate Cycle, Industry NIM Has Fallen to a Record Low

The Federal Reserve lowered the target federal funds rate three times in the second half of 2019 and two more times in March 2020, bringing the lower bound of the target rate to zero. While the effective rate ended its downward cycle in second quarter 2020, which is the end of the downward rate cycle in this analysis, this low interest rate and other impacts of the COVID-19 pandemic have had a severe adverse impact on NIMs in the months since. Fiscal and monetary stimulus to combat the economic impact of the pandemic resulted in bank balance sheets flooded with deposits. The banking industry reported annual deposit growth of \$3.3 trillion (22.6 percent) in 2020. However, with weak loan demand and tightening credit standards, banks placed much of that liquidity into low-yielding cash and balances due from depository institutions (up 91.2 percent year over year) instead of into higher-yielding loans, whose 3.3 percent growth was driven in large part by low-yielding Paycheck Protection Program loans.¹¹ The combined effect of balance sheet composition changes and lower prevailing market rates resulted in third quarter 2020 in the largest year-over-year basis point decline in NIM and the lowest level of industry NIM on record, where it remained in first quarter 2021.

Summary

The directional response of NIM to changes in prevailing interest rates is theoretically ambiguous. Analyzing the changes in median NIM for the industry, community banks, and noncommunity banks over upward and downward rate cycles since the early 1980s clarifies the potential effects of short-term interest rate changes on NIM. In line with conventional wisdom, at the median, NIM has tended to increase when short-term interest rates increase and decline when short-term interest rates decline.

While many factors influence NIM, one that is particularly important is the maturity structure of bank assets. Those banks with a relatively high proportion of long-term assets to total assets report greater insulation from changes in short-term interest rates. This means that their NIM falls less during downward rate cycles but rises less during upward rate cycles. This positive relationship between short-term interest rates and NIM and the effect of maturity structure on this relationship generally hold true over time for both community and noncommunity banks.

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¹¹ Federal Reserve Senior Loan Officer Opinion Survey on Bank Lending Practices, October 2020, <https://www.federalreserve.gov/data/sloos/sloos-202010.htm>. For more information on the Paycheck Protection Program see: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program#:~:text=The%20Paycheck%20Protection%20Program%20is,an%20interest%20rate%20of%201%25.>

RESIDENTIAL LENDING DURING THE PANDEMIC

Overview

In 2020, a global health crisis caused a deep recession in the United States. Despite the economic downturn, housing market fundamentals have remained resilient and banks were well positioned to support growth in the mortgage market. The housing market benefited from historically low interest rates and fiscal support to businesses and consumers, which helped borrowers stay current on their mortgages and supported new home sales. Mortgage lenders continued to extend mortgages even as they tightened underwriting standards to protect against increased default risk from adverse economic and financial conditions during the pandemic. Mortgage credit quality deteriorated but has since improved. The outlook for mortgage credit and the housing market depends on the outlook for interest rates and economic conditions. Higher interest rates may slow the mortgage market and demand for mortgage loans. Programs that have aided homeowners, such as forbearance and government stimulus, are scheduled to expire in 2021, increasing the risk for deterioration in credit quality of mortgages, higher mortgage delinquencies, and reduced credit availability.¹

FDIC-insured institutions (banks) held \$2.5 trillion in residential mortgage loans as of first quarter 2021, of which \$2.1 trillion were first-lien mortgages. Banks held an additional \$3.3 trillion in mortgage-backed securities. Banks also serviced \$2.9 trillion of mortgage loans originated by other institutions. These volumes, while less than during the financial crisis of 2008 and 2009, suggest that banks continue to have meaningful exposure to the housing market. This article discusses residential lending and underwriting trends in the mortgage market, in light of the changed environment presented by the pandemic, and bank residential lending activity during this time.

Economic Backdrop

The housing market remained resilient during the pandemic as many other sectors of the economy were distressed.

The housing credit cycle was in a long benign and mature stage in 2019 before transitioning to a stressed one in 2020 as economic conditions deteriorated. Despite weak economic fundamentals in 2020, housing credit was helped by a strong recovery in the housing market. Home sales strengthened in 2020 and were above their pre-pandemic levels as of first quarter 2021, even as the labor market and other areas of the economy had slower recoveries (Chart 1). Home prices resumed their upward trend after a short pause in the spring of 2020, when pandemic restrictions began, due to low interest rates and the low inventory of homes for sale (Chart 2). Stay-at-home restrictions and remote work opportunities intensified homebuyers' interest in larger or different living space and drove demand for home purchases. In December 2020, home prices were 11.5 percent higher than the year before, a year-over-year increase that outpaced the robust gains recorded during the 2000s housing boom. While the recent housing market resembles the housing boom from 2004 to 2005 with low interest rates, the growth in home prices during the previous boom was also driven by loose credit and widespread speculation. Such factors did not fuel the 2020 home price gains, as discussed in the next section.

¹ Board of Governors of the Federal Reserve System Federal Open Market Committee, "Summary of Economic Projections," March 17, 2021, <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20210317.htm>.

Chart 1

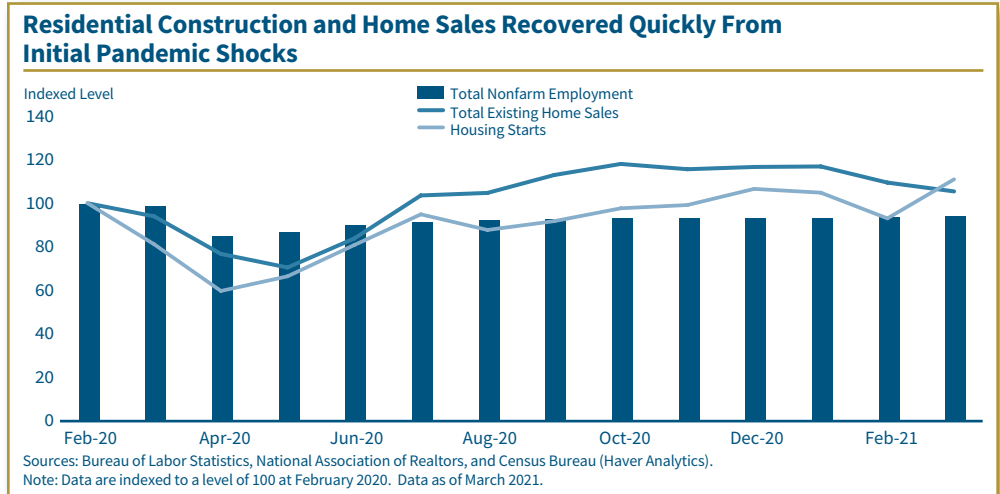
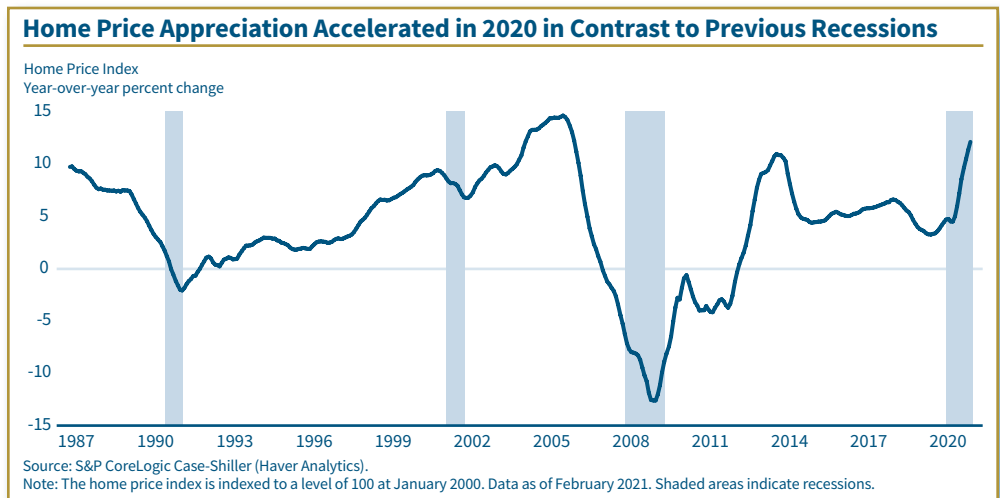


Chart 2



In contrast to the housing market’s resilience, the rest of the economy was in distress throughout the year, as the economy contracted 3.5 percent in 2020 with a steep decline during the first half of the year and the unemployment rate reached a post-World War II high of 14.8 percent. These factors introduced credit risk to banks for the mortgages they held. Still, amid this backdrop, banking conditions remained sound.

Underwriting Trends

Underwriting standards tightened in 2020 in response to weaker economic fundamentals.

Despite the relative strength in the housing market, the economic deterioration and uncertain outlook in 2020 led mortgage lenders to tighten standards to ensure a borrower’s ability to repay. Lenders implemented stricter employment verification and asset and income documentation and reduced the age of required documents before closing, sometimes requiring employment confirmation on the day of closing.² Nevertheless, mortgage lending was robust throughout 2020 on strong demand for new homes and refinancing existing

² Federal Home Loan Mortgage Corporation, “Selling Guidance Related to COVID-19,” Bulletin 2020-8, March 31, 2020, <https://guide.freddiemac.com/app/guide/bulletin/2020-8>; Inside Mortgage Finance, “Underwriting Tightened in View of Market Uncertainty,” April 3, 2020; and HousingWire, “Mortgage Lenders Are Tightening Standards as Coronavirus Crisis Worsens,” April 3, 2020, <https://www.housingwire.com/articles/mortgage-lenders-are-tightening-standards-as-coronavirus-crisis-worsens/>.

mortgages to lower interest rates. The volume of new first-lien mortgage originations, primarily refinancings, reached a record high in nominal terms of \$4.04 trillion in 2020.³ Of this amount, banks originated \$869 billion loans or 21.5 percent. While the level of mortgage originations in 2020 outpaced the previous record of \$3.73 trillion in 2003, also during a refinance boom, it was below previous peaks when measured per household and adjusted for inflation. The composition of the mortgage market has changed in the intervening years. In 2005–2006, private label securitizations comprised about a 40 percent share of origination volume, while securitizations by the government sponsored enterprises (the GSEs, with specific underwriting criteria) and the Federal Housing Administration and Veterans Administration (FHA/VA, or the agencies) had an estimated 33 percent share, and the share of bank portfolio loans was about 25 percent. By 2020, GSE and agency securitizations had a dominant 77.6 percent share of the mortgage originations market, the bank portfolio share had declined to 21.5 percent, and private label securitizations had all but disappeared to a 0.9 percent share.⁴

As the industry tightened standards, banks also focused on more prudent residential lending by tightening underwriting standards in response to uncertainty about the economy. The Federal Reserve Senior Loan Officer Opinion Survey on Bank Lending Practices reported sharply tighter credit standards on new mortgage originations after the onset of the pandemic (Chart 3).⁵ By second quarter 2020, a net share of 61 percent of surveyed banks reported tightened standards on residential loans, up sharply from 9.2 percent that reported tightened standards in first quarter 2020. Banks left standards largely unchanged in fourth quarter, as a net share of just 0.3 percent of banks tightened standards for residential real estate loans. By first quarter 2021, according to the survey, banks reported they had started to ease lending standards.

The initial spike in bank reports of tighter standards reflected the pandemic's immediate impact on the economy and employment. Banks halted tightening as support programs were quickly implemented. In contrast, during the financial crisis, banks tightened underwriting standards for the new mortgage loans they made, but did so seemingly in steps over a period of several years as the crisis worsened. While banks tightened standards on mortgages they held, they continued to extend conforming mortgage loans that were sold to the GSEs, adhering to underwriting standards set by the GSEs.

Chart 3

Bank Underwriting Standards Tightened After the Initial Pandemic Shock



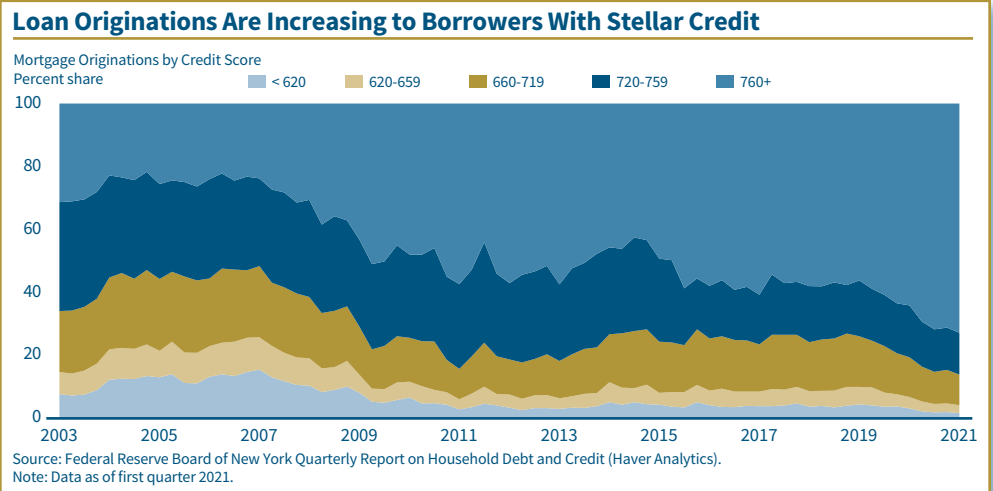
³Urban Institute, “Housing Finance at a Glance: A Monthly Chartbook,” April 2021:8.

⁴Ibid.

⁵Board of Governors of the Federal Reserve System, “Senior Loan Officer Opinion Survey on Bank Lending Practices,” January 2021, <https://www.federalreserve.gov/data/sloos/sloos-202101.htm>.

Mortgage lending for both banks and nonbanks was concentrated among borrowers with excellent credit. Of all home mortgages originated in first quarter 2021, 73 percent went to borrowers with a credit score above 760 (Chart 4).⁶ This share was even higher than the 71.9 percent pandemic peak reached in third quarter 2020 and was a record high for the period since 2003. Borrowers with credit scores under 620 accounted for just 1.4 percent of originations in first quarter 2021, a record low and well under the 15.2 percent reported in first quarter 2007, just before the financial crisis.

Chart 4



Banks historically maintain stricter mortgage credit standards than do nonbanks. After the financial crisis and through the start of the pandemic, median FICO scores for bank originators remained in the 740 to 755 range and median FICO scores for nonbank originators remained in the 710 to 730 range. In spring 2020, median credit scores for both bank and nonbank originators began to increase and the difference began to narrow. By April 2021, the bank originator median FICO score was 772 and the nonbank originator median FICO score followed closely at 758. Some of the increase in FICO scores is attributed to increased refinance activity, which is skewed toward higher FICO scores, according to the Urban Institute (UI).⁷

Mortgage Credit Availability

The supply of mortgage credit has tightened, while large banks' mortgage lending presence has declined.

As lenders tightened documentation standards and were less likely to originate new mortgages, overall mortgage credit supply tightened beginning in March 2020. Mortgage credit availability declined sharply during the early months of the pandemic, according to the Mortgage Bankers Association Mortgage Credit Availability Index (MCAI), a summary measure that combines several factors related to borrower eligibility and underwriting criteria. The index level was near 180 during most of 2019 and early 2020.⁸ By September, the index was 118.6, the lowest level since April 2014. Mortgage credit availability has edged up since then, but remained low in March 2021 at 125.4, 18 percent lower than one year earlier.

The UI's Housing Credit Availability Index (HCAI) showed a similar reduction in credit availability as the pandemic triggered a tightening of credit. The HCAI, which measures the probability of default of first-lien owner-occupied home purchases as a reflection of lender approaches to issuing credit, declined from 5.3 percent in first quarter 2020 to just under

⁶ Federal Reserve Bank of New York, "Quarterly Report on Household Debt and Credit (Q1 2021)," <https://www.newyorkfed.org/microeconomics/hhdc.html>.

⁷ Urban Institute, April 2021.

⁸ The MCAI is indexed to a level of 100 at first quarter 2012.

5.0 percent in third quarter 2020, the lowest figure since the inception of the index in first quarter 1999.⁹ In fourth quarter, the index edged up to 5.1 percent. A lower HCAI signals lenders' greater intolerance for default risk, which manifests as tighter lending standards and greater difficulty for borrowers to get a loan. Even if the current index level were to double, it would still fall well below the pre-financial crisis standard of 12.5 percent from 2001 to 2003, when there was greater borrower and product risk.¹⁰

At the same time that the MCAI and HCAI indexes indicate tighter mortgage credit availability overall, the pace of residential lending by banks slowed appreciably during the pandemic. The volume of 1–4 family residential lending in the banking industry was up only slightly between fourth quarter 2019 and fourth quarter 2020 and was down between third quarter 2020 and fourth quarter 2020. It was down for fourth quarter 2020 and the year among community banks. More broadly, there is some evidence of a reduction in residential mortgage lending activity since the 2008–2009 crisis among a subset of community banks with relatively smaller residential mortgage programs, and more evidence of a reduction by larger noncommunity banks.¹¹ Among large lenders, nonbanks now originate a majority of residential loans, accounting for 68.1 percent of mortgage originations by the top 100 lenders in 2020, up from 58.9 percent in 2019.¹²

Mortgage Credit Performance

Mortgage credit performance has recovered somewhat from sharp declines at the start of the pandemic, but high rates of delinquent loans point to lingering financial distress for many borrowers.

The rapid onset of the pandemic and the immediate toll on employment and the economy caused national mortgage delinquency rates to rise sharply in 2020 (Chart 5). Prior to 2020, delinquency rates had steadily declined since the financial crisis to 3.77 percent in fourth quarter 2019, just before the pandemic, according to the Mortgage Bankers Association National Delinquency Survey. The survey covers loans representing about 88 percent of all first-lien residential mortgage loans outstanding nationwide, including mortgages held by both banks and the GSEs. The fourth quarter 2019 rate was the lowest level of national delinquency in the survey's almost 50 years of reporting and was also well below the 4.41 percent delinquency rate in first quarter 2006, near the peak of the pre-crisis housing boom. Mortgage delinquencies rose in early 2020, reflecting pandemic-related financial distress faced by borrowers. The total past-due rate reached its highest level since 2011. Soon thereafter, however, mortgage delinquency rates started to decline almost as quickly, as federal support in the form of stimulus payments, enhanced unemployment compensation benefits, and forbearance and moratorium measures provided temporary relief. The national delinquency rate for all mortgage loans decreased from its recent peak of 8.22 percent in second quarter 2020 to 6.38 percent in first quarter 2021. A decrease in 30-day and 60-day delinquencies drove the decline. The 90+ day delinquency rate receded slightly in fourth quarter but then increased again in first quarter 2021, reflecting the more entrenched distress of those with longer-term delinquencies.

The swift improvement in delinquency rates contrasts with the experience during the financial crisis. The slow rollout of assistance to borrowers left many distressed homeowners vulnerable to foreclosures, which were severe and exacerbated the housing market distress during that crisis. The total past-due rate breached 5 percent in second quarter 2007 after hovering for decades in the 4 percent to 5 percent range. The delinquency rate doubled by 2010 and did not fall below 5 percent until five years later.

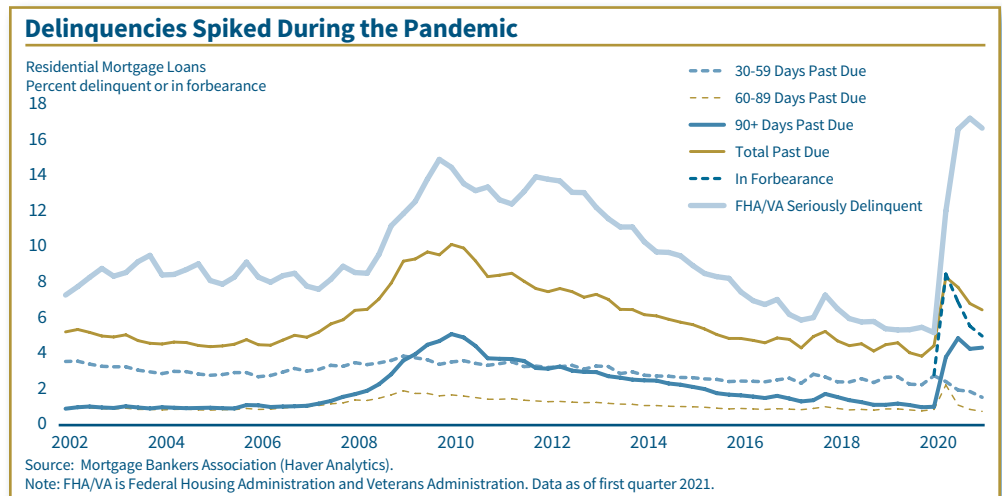
⁹ Urban Institute, Housing Credit Availability Index, Q4 2020, May 7, 2021, <https://www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-credit-availability-index>.

¹⁰ Ibid.

¹¹ Kayla Shoemaker, "Trends in Mortgage Origination and Servicing: Nonbanks in the Post-Crisis Period," *FDIC Quarterly* 13 no. 4 (2019), <https://www.fdic.gov/bank/analytical/quarterly/2019-vol13-4/fdic-v13n4-3q2019-article3.pdf>; Kathryn Fritzdixon, "Bank and Nonbank Lending Over the Past 70 Years," *FDIC Quarterly* 13 no. 4 (2019), <https://www.fdic.gov/bank/analytical/quarterly/2019-vol13-4/fdic-v13n4-3q2019-article1.pdf>; and *FDIC Community Banking Study (2020)*, Chapter 5, <https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf>.

¹² John Bancroft, "Nonbanks Hit New Mortgage Lending Milestone in 4Q20," *Inside Mortgage Finance*, March 11, 2021.

Chart 5



While most mortgage delinquency rates began to decline during 2020, seriously delinquent FHA and VA loans were at record highs in fourth quarter 2020, almost 12 percentage points higher than a year earlier, before the pandemic.¹³ Although the rate edged down in first quarter 2021, the near record-high delinquency rate indicates the continuing distress of these borrowers, who are disproportionately either first-time buyers or borrowers with lower credit scores and lower down payments and who may already be financially stretched.¹⁴ Ginnie Mae securitizes over 90 percent of FHA and VA loan originations. Although banks comprise only about 6 percent of Ginnie Mae originations, delinquent Ginnie Mae securitized loans have an impact on bank credit measures, as discussed below in the section on bank credit conditions.¹⁵

Many homeowners who were facing financial strain have been able to avoid delinquency by requesting mortgage forbearance, while others entered forbearance in anticipation of potential financial strain but continued to make payments. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, mortgage servicers or lenders must provide a forbearance plan to any homeowner with a federally backed mortgage that requests one. Borrowers with loans not backed by the federal government (i.e., non-agency mortgages) are not included under the CARES Act. Forbearance programs may be available on these loans but are not required, although financial regulators have encouraged financial institutions to work with borrowers.

Of the borrowers who exited forbearance from June 1, 2020, through March 14, 2021, 27.1 percent had continued to make their monthly payments during their forbearance period. However, a large share of borrowers is exiting forbearance and remaining delinquent, without becoming current on missed payments or without having a loss mitigation plan in place. In March 2021, these borrowers represented almost 23 percent of borrowers in forbearance, more than double the percentage in the financial crisis.¹⁶

Banks not only have exposure to the housing market through direct mortgage lending, but also face exposure through the mortgages they service. The credit performance trends in the overall mortgage industry suggest that bank mortgage servicers may be vulnerable to missed payments in the future by borrowers of federally backed mortgages who, after exiting forbearance for federally backed mortgages, are unable to make timely payments on

¹³ Seriously delinquent loans include those that are 90 days or more past due and those that are in foreclosure.

¹⁴ Shoemaker, 2019: 51–69.

¹⁵ Urban Institute, April 2021.

¹⁶ Mortgage Bankers Association, “Share of Monthly Forbearance Exits by Reason,” presentation at National Association of Business Economists Policy Conference, March 23, 2021.

their loans. In addition, banks may be vulnerable to borrowers of bank mortgage loans who remain financially squeezed after support from enhanced employment benefits or stimulus checks end. Both scenarios raise the possibility of future stress on bank portfolios.

Bank Credit Performance

Asset quality of bank loans began deteriorating in mid-2020. While conditions improved by year-end 2020, the outlook is uncertain.

As total mortgage delinquencies increased, bank residential portfolios deteriorated. In 2020, banks increased allowances for loan and lease losses to help absorb estimated credit losses. Residential mortgage allowances for mortgage credit losses increased from \$9.8 billion in fourth quarter 2019 to \$18.9 billion in second quarter 2020. Noncurrent balances in the residential loan portfolio increased \$10 billion (22 percent) from second quarter to third quarter 2020.¹⁷ Although this was by far the largest quarterly increase since the financial crisis, the volume gain was well below the crisis-high \$27 billion quarterly increase in fourth quarter 2009. The noncurrent loan balance reached a pandemic peak of \$55.7 billion in third quarter 2020, and then declined to \$55.2 billion in fourth quarter 2020 and \$53.6 billion in first quarter 2021. The noncurrent loan balance is higher than in recent years, but noncurrent loan balances after the financial crisis were more than three times larger.

Noncurrent loan rates exhibit a similar pattern. After declining for eight years, the 1–4 family mortgage noncurrent loan rate increased from 1.77 percent in fourth quarter 2019 to 2.54 percent in fourth quarter 2020. While it remained high at 2.50 percent in first quarter 2021, it was well below the financial crisis high of 10.81 percent reported in first quarter 2010. Mortgage delinquency rates for the market overall followed a similar pattern (Chart 5). Banks reported lower mortgage delinquency rates than the overall mortgage market because bank delinquencies do not count loans in forbearance.

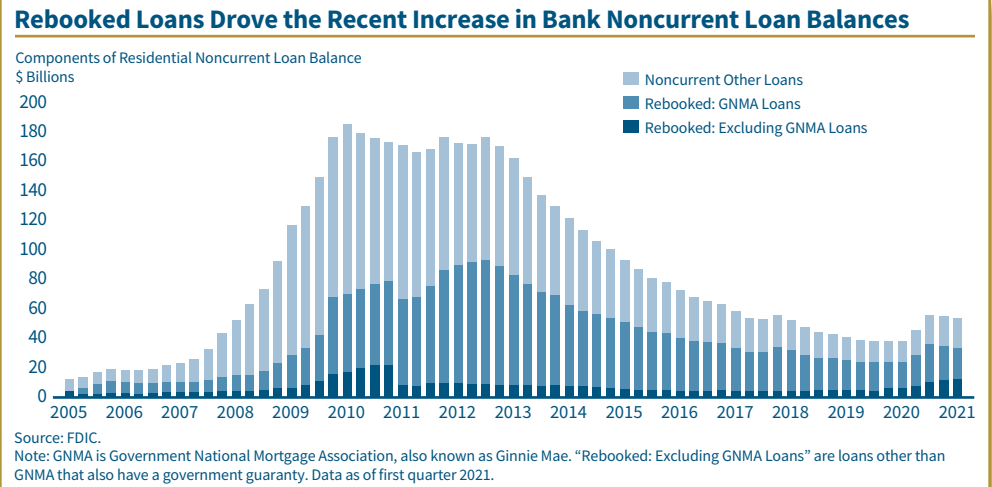
The large increase in bank noncurrent loan balances during 2020 was due not only to deterioration in credit quality, but also to increased rebooking of Ginnie Mae loans primarily among the industry's largest banks, those with at least \$100 billion in total assets (Chart 6). When a Ginnie Mae loan becomes delinquent for 90 days or is in forbearance, the loan is typically brought back on a bank's books. While Ginnie Mae loans are guaranteed by the U.S. government, banks remain responsible for maintaining timely payments to investors in servicing these loans.

The rebooking of loans is not new, and the share of rebooked loans among bank total noncurrent 1–4 family mortgage loans reached more than 50 percent in the aftermath of the financial crisis. However, Ginnie Mae rebookings had been on a downward trend for seven years before the pandemic and reached a low of 45 percent of bank total noncurrent 1–4 family mortgage loans in first quarter 2020. By second quarter 2020, rebooked Ginnie Mae loans had climbed to 47 percent of noncurrent 1–4 family mortgage loans. By first quarter 2021, some borrowers exited forbearance or resumed loan payments, and as a result, the volume of rebooked noncurrent Ginnie Mae loans declined to 40 percent of noncurrent 1–4 family mortgage loans.

Rebooked Ginnie Mae loans made up the bulk of residential mortgage noncurrent volume during 2020. Excluding rebooked Ginnie Mae loans, the noncurrent rate for bank 1–4 family mortgage loans increased during 2020, from 0.9 percent in fourth quarter 2019 to 1.5 percent in fourth quarter 2020 and remained at 1.5 percent in first quarter 2021. These figures are well below the first quarter banking industry noncurrent rate of 2.50 percent that includes rebooked Ginnie Mae loans, but does not include mortgage loans in forbearance. The inherent forbearance risk and the elevated serious delinquency rate of Ginnie Mae loans introduce credit quality concerns as the pandemic-induced financial stress for borrowers persists.

¹⁷ Noncurrent balance is the sum of 1–4 family residential loans secured by 1–4 family residential properties that are 90 days or more past due and 1–4 family residential loans secured by 1–4 family residential properties that are in nonaccrual status. Noncurrent is a narrower category than delinquency and can refer to loans whose installments are past due by 30 to 90 days or more. Total delinquency refers to all loans that are 30+ days past due.

Chart 6



The decline of most delinquency rates from the peak in second quarter 2020 reflects temporary relief provided by pandemic-support measures. Banks' noncurrent rate for 1–4 family loans remained high, however, driven by the large share of loans that are 90 days or more past due that reflect missed payments earlier in the pandemic. Unprecedented support during the pandemic-induced economic crisis from stimulus and protective measures helped many homeowners and borrowers to avoid delinquency or loss of their homes. Federal support in the form of forbearance helped homeowners of federally backed mortgages, held by GSEs, while other forms of support to consumers such as unemployment insurance and stimulus checks helped borrowers of mortgages held by banks. Several federal programs that helped struggling consumers were extended or expanded as the recession progressed in 2020. Most recently, the Federal Housing Finance Agency halted foreclosures and evictions through June 30, 2021, and extended forbearance and payment deferrals for up to 18 months.¹⁸ In March, Congress passed the American Rescue Plan Act of 2021 to provide an additional \$1.9 trillion of fiscal stimulus, including direct payments to households, extended unemployment benefits, and more funding for businesses and for the U.S. Small Business Administration Paycheck Protection Program (PPP).

Despite improvements and extensions of support, credit quality concerns remain. Eventually, the fiscal support that has been available to borrowers will end. As many borrowers continue to face challenges from lingering economic weakness, their diminished income and weakened financial situations may put debt repayments at risk.

Bank Residential Mortgage Lending

While the outlook is uncertain, banks continue to make residential loans.

Despite the stresses associated with the pandemic, the banking system continued to extend credit. Unlike in 2008, when a financial crisis resulted in an economic crisis and the banking system entered a long period of balance sheet repair, the banking system was much stronger in 2020 and better able to withstand economic distress. Banks have been in a position to help support the economy by extending credit and by working with distressed borrowers.

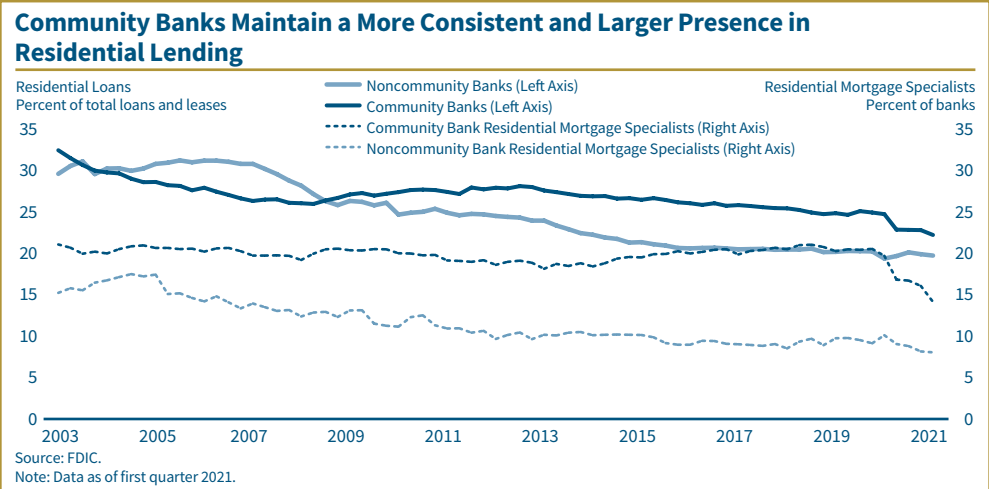
Community banks in particular have maintained strength in residential lending. Community banks have declined in number over the years, from over 8,000 before 2005 to 4,531 in first quarter 2021, but they have maintained a consistent and supportive presence in residential lending. Residential real estate loans held by community banks have averaged 26 percent of total loans and leases for more than a decade (Chart 7). This contrasts with

¹⁸ Federal Housing Finance Agency, "FHFA Extends COVID-19 Forbearance Period and Foreclosure and REO Eviction Moratoriums," news release, February 25, 2021, <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Extends-COVID-19-Forbearance-Period-and-Foreclosure-and-REO-Eviction-Moratoriums.aspx>.

noncommunity banks, whose residential loans as a share of their total loans and leases has declined by about a third from 30.8 percent in 2005 to 19.7 percent in first quarter 2021.

Further, a higher percentage of community banks specialize in 1–4 family residential mortgage lending than noncommunity banks.¹⁹ In first quarter 2021, 14.1 percent of community banks specialized in residential mortgage lending, well above the 8.1 percent share of residential mortgage specialists among noncommunity banks.²⁰ The spread between the percentage of community banks and noncommunity banks that are residential mortgage lending specialists has widened since the financial crisis. As indicated in Chart 7, the percentage of noncommunity bank mortgage specialists has declined steadily, while community bank mortgage specialists comprised a steady 20 percent share of community banks for most of the period since 2003.

Chart 7



Conclusion

The housing market has rebounded from deep and immediate declines at the start of the pandemic and has weathered the pandemic-driven economic distress so far. The combined effects of policy actions, fiscal stimulus, and foreclosure and eviction moratoria eased the financial stress of households and borrowers. Despite these support measures, uncertainty about the economy led to tightening of mortgage credit and underwriting standards, as lenders sought to reduce credit risk from new mortgages. Although national mortgage delinquency rate increases have subsided somewhat and banks have built loan loss reserves, mortgage credit quality concerns remain, reflecting the still-high unemployment and the near record-high levels of seriously delinquent FHA and VA loans, particularly among borrowers in vulnerable industries or who are already financially pressed. Overall, banks have been resilient through the recent period of economic distress and have been able to support the mortgage market. However, the housing market outlook, while improving, continues to be sensitive to economic developments and remains uncertain.

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¹⁹The 2020 FDIC Community Banking Study defines a residential mortgage specialist as a bank that holds residential mortgage loans greater than 30 percent of total assets. See <https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf>.

²⁰In 2020, community bank lending in the Paycheck Protection Program outpaced new 1–4 family loan growth. As a result, the share of banks that meet the threshold to be considered a residential mortgage lending specialist declined.