



## Safety and Soundness of the Banking Industry

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Contact: John Hall, ABA Public Relations (202) 663-5473 or [jhall@aba.com](mailto:jhall@aba.com)

### **Banks are well capitalized and prepared for economic fluctuations.**

- Banks are well-positioned to handle economic downturns, and, if necessary, take steps to put losses behind them.
- The most important thing for insured depositors to know is that their money is safe, protected and accessible.
- Customers' deposits are protected. In the entire history of the FDIC, no depositor has ever lost a penny of insured deposits. Even better, the FDIC coverage is now \$250,000 per depositor per insured bank.
- The banking industry's capital – which serves as a “rainy day fund” in case of losses – is near historic highs. As of the third quarter of 2016, the industry held more than \$1.87 trillion in capital plus billions in reserves set aside for possible loan losses for a total buffer of nearly \$2 trillion, according to the FDIC.<sup>1</sup>
- The vast majority of banks (99 percent) are “well capitalized” – the highest rating available.<sup>1</sup>

### **Banks have resources to meet the needs of their communities.**

- With \$12 trillion in deposits, banks have plenty of resources to meet the lending needs in their communities. Banks put this money to work in their communities by providing loans and other financial services.
- Banks are actively looking for good loans to make to credit-worthy borrowers.
- Against the backdrop of a sluggish economy, it is only reasonable and prudent that all businesses – including banks – exercise caution in taking on new financial obligations. Consumers and businesses are being more cautious in taking on new debt and using less of their credit lines.
- Our diversified industry of 5,980 banks with 91,861 locations nationwide stands ready to serve customers. The vast majority of banks have been in existence for decades and plan to serve their customers for many, many more.

### **Bank risk management has improved dramatically.**

- Banks have put enterprise-wide risk management processes in place, increased the use of sophisticated risk-management procedures and implemented strong systems of checks and balances.
- Advances in collecting data and benchmarking performance, identifying key risk indicators and controlling operational risks have all contributed to sound banking.

### **Industry health has improved along with supervision of bank risk.**

- The FDIC problem bank list is much smaller. The FDIC works hard to nurse banks off this list, so it's important that the list be kept confidential. The vast majority of banks on this list come back to healthy status – continuing to make loans in their local communities (See Texas Ratio Issue Summary).

Source:

<sup>1</sup>Quarterly Banking Profile, FDIC (Q3 2016). Retrieved from <http://www2.fdic.gov/qbp/>