FDIC Quarterly

Quarterly Banking Profile: Third Quarter 2008

Do Record Farmland Prices Portend Another Steep Downturn for Agriculture and Farm Banks?

Highlights from the 2008 Summary of Deposits Data

FDIC 75 YEARS CONFIDENCE AND STABILITY

2008, Volume 2, Number 4

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

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The Federal Deposit Insurance Corporation Celebrates Its 75th Year *See page ii*

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FDIC-insured institutions reported net income of $1.7 billion in the third quarter of 2008, a decline of $27.0 billion (94 percent) from the $28.7 billion that the industry earned in the third quarter of 2007. The primary reason for the drop in industry profits was higher provisions for loan losses. While large losses at a few institutions were chiefly responsible for the size of the earnings decline, more than half of all insured institutions (58.4 percent) reported lower net income in the third quarter, and almost one out of four institutions (24.1 percent) reported a net loss. *See page 1*.

Insurance Fund Indicators

Estimated insured deposits (based on the basic FDIC insurance limit of $100,000) increased by 1.8 percent in the third quarter. The Deposit Insurance Fund reserve ratio fell to 0.76 percent, and nine FDIC-insured institutions failed during the quarter. The FDIC Board adopted a restoration plan on October 7 that would raise the reserve ratio to 1.15 percent within five years. *See page 14.*

Feature Articles:

Do Record Farmland Prices Portend Another Steep Downturn for Agriculture and Farm Banks?

The agricultural crisis of the early 1980s remains a vivid memory for many in the farming community. The massive run-up in farmland prices in the late 1970s, followed by the sharp decline in land prices between 1981 and 1992, significantly contributed to the adverse effects on farmers and their lenders. Today, farmland values are rising at a pace reminiscent of the 1970s, raising concerns that another agricultural crisis may occur if land prices decline. This article briefly discusses some of the reasons for recent farmland price increases and analyzes their potential effect on FDIC-insured institutions. *See page 24.*

Highlights from the 2008 Summary of Deposits Data

Each year, the Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) survey all FDIC-insured institutions to collect information on bank and thrift deposits, and operating branches and offices. The resulting FDIC Summary of Deposits (SOD) is a valuable resource for analyzing deposit market trends and measuring concentrations nationally and at the local level. This article highlights some preliminary conclusions from the 2008 SOD data. *See page 30.*

The Federal Deposit Insurance Corporation Celebrates Its 75th Year

Chairman Bair and the Federal Deposit Insurance Corporation (FDIC) officially launched the agency's 75th anniversary on June 16, 2008. The Corporation is celebrating this milestone with a campaign to promote awareness of deposit insurance and coverage limits, as well as to reinforce its ongoing commitment to consumers through an initiative to enhance financial literacy and improve consumer savings. Please visit our 75th anniversary web site for more information at www.fdic.gov/anniversary.

The FDIC is an independent government agency that has been protecting Americans' savings for 75 years. Created in 1933, the FDIC promotes public trust and confidence in the U.S. banking system by insuring deposits.

The FDIC insures more than $4.5 trillion of deposits in over 8,300 U.S. banks and thrifts—deposits in virtually every bank and thrift in the country. Throughout our 75-year history, no one has ever lost a penny of insured deposits as a result of a bank failure.

In addition to immediately responding to insured depositors when a bank fails, the FDIC monitors and addresses risks to the Deposit Insurance Fund, and directly supervises and examines more than 5,100 institutions that are not members of the Federal Reserve System. The FDIC—with a staff of more than 4,800 employees nationwide—is managed by a five-person Board of Directors, all of whom are appointed by the President and confirmed by the Senate, with no more than three being from the same political party. Sheila C. Bair heads this board as the 19th Chairman of the Federal Deposit Insurance Corporation.

Quarterly Banking Profile Third Quarter 2008

INSURED INSTITUTION PERFORMANCE

- ***Asset-Quality Problems Continue to Depress Earnings***
- ***Net Income of $1.7 Billion Is Second-Lowest Since 1990***
- ***Loan-Loss Rate Rises to 17-Year High***
- ***Net Interest Margins Register Improvement***
- ***Nine Failures Are Highest Quarterly Total in 15 Years***

More Institutions Report Declining Earnings, Quarterly Losses

Troubled assets continued to mount at insured commercial banks and savings institutions in the third quarter of 2008, placing a growing burden on industry earnings. Expenses for credit losses topped $50 billion for a second consecutive quarter, absorbing one-third of the industry's net operating revenue (net interest income plus total noninterest income). Third quarter net income totaled $1.7 billion, a decline of $27.0 billion (94.0 percent) from the third quarter of 2007. The industry's quarterly return on assets (ROA) fell to 0.05 percent, compared to 0.92 percent a year earlier. This is the second-lowest quarterly ROA reported by the industry in the past 18 years. Evidence of a deteriorating operating environment was widespread. A majority of institutions (58.4 percent) reported year-over-year declines in quarterly net income, and an even larger proportion (64.0 percent) had lower quarterly ROAs. The erosion in profitability has thus far been greater for larger institutions. The median ROA at institutions with assets greater than $1 billion has fallen from 1.03 percent to 0.56 percent since the third quarter of 2007, while at community banks (institutions with assets less than $1 billion) the median ROA has declined from 0.97 percent to 0.72 percent. Almost one in every four institutions (24.1 percent) reported a net loss for the quarter, the highest percentage in any quarter since the fourth quarter of 1990, and the highest percentage in a third quarter in the 24 years that all insured institutions have reported quarterly earnings.

Lower Asset Values Add to the Downward Pressure on Earnings

Loan-loss provisions totaled $50.5 billion in the quarter, more than three times the $16.8 billion of a year earlier. Total noninterest income was $905 million (1.5 percent) lower than in the third quarter of 2007. Securitization income declined by $1.9 billion (33.0 percent), as reduced demand in secondary markets limited new securitization activity. Gains on sales of assets other than loans declined by $1.0 billion (78.7 percent) year-over-year, and losses on sales of real estate acquired through foreclosure rose by $518 million (588 percent). Among the few categories of noninterest income that showed

Chart 1

Earnings Weakness Persisted in the Third Quarter

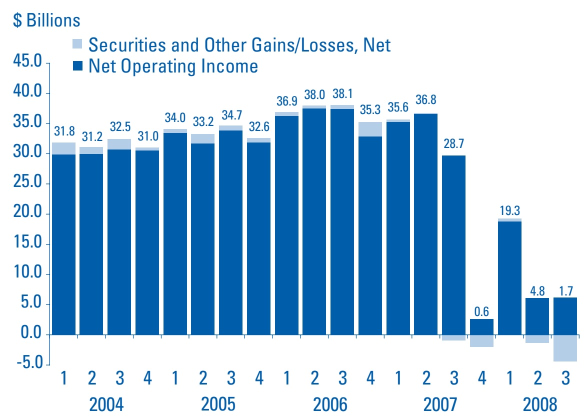
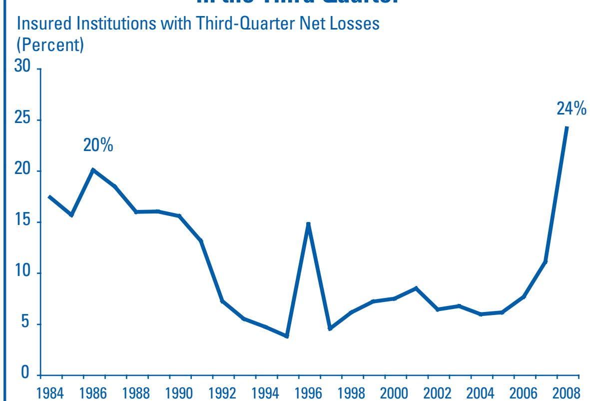


Chart 2

Almost One in Four Institutions Was Unprofitable in the Third Quarter



improvement, loan sales produced net gains of $166 million in the third quarter, compared to $1.2 billion in net losses a year earlier, and trading revenue was up by $2.8 billion (129.2 percent). Sales of securities and other assets yielded net losses of $7.6 billion in the third quarter, compared to gains of $77 million in the third quarter of 2007. Expenses for impairment of goodwill and other intangible asset expenses were $1.8 billion (58.6 percent) higher than a year ago.

Margin Improvement Provides a Boost to Net Interest Income

One of the few relatively bright spots in third quarter results was net interest income, which was $4.4 billion (4.9 percent) higher than a year ago. The average net interest margin (NIM) in the third quarter was 3.37 percent, unchanged from the second quarter but up from 3.35 percent in the third quarter of 2007. Two out of every three institutions reported margin improvement over second-quarter levels, but more than half of all insured institutions (54 percent) reported lower NIMs than in the third quarter of 2007. The year-over-year improvement in the industry's NIM was concentrated among larger institutions. Higher margins helped offset sluggish growth in interest-earning assets. Earning assets increased by only $52.3 billion (0.5 percent) during the quarter, after shrinking by $33.6 billion (0.3 percent) in the second quarter. Over the 12 months ended September 30, the industry's interest-earning assets were up by only 4.2 percent, the lowest 12-month growth rate in more than six years.

Loan Losses Continue to Mount

The industry reported year-over-year growth in net charge-offs for the seventh consecutive quarter. Net charge-offs totaled $27.9 billion in the quarter, an increase of $17.0 billion (156.4 percent) from a year earlier. Two-thirds of the increase in charge-offs consisted of loans secured by real estate. Charge-offs of closed-end first and second lien mortgage loans were $4.6 billion (423 percent) higher than in the third quarter of 2007, while charged-off real estate construction and development (C&D) loans were up by $3.9 billion (744 percent). Charge-offs of home equity lines of credit were $2.1 billion (306 percent) higher. Charge-offs of loans to commercial and industrial (C&I) borrowers increased by $2.3 billion (139 percent), credit card loan charge-offs rose by $1.5 billion (37.4 percent), and charge-offs of other loans to individuals were $1.7 billion (76.4 percent) higher. The quarterly net charge-off rate in the third quarter was 1.42 percent, up from 1.32 percent in the second quarter and 0.57 percent in the third quarter of 2007. This is the highest quarterly net charge-off rate for the industry since 1991. The failure of Washington Mutual on September 25 meant that a significant amount of charge-off activity was not reflected in the reported industry totals for the quarter.[1]

Growth in Reported Noncurrent Loans Remains High

The amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) increased

[1] Under purchase accounting rules that apply to bank mergers, income and expenses that have been booked by an acquired institution are reset to zero as of the date when a change in ownership occurs. Income and expenses that have been incurred prior to that date are reflected in adjustments to the assets, equity capital, and reserves of the acquired institution.

Chart 3

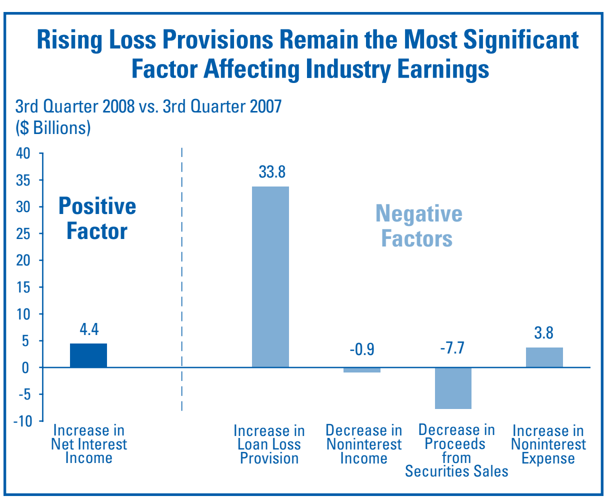
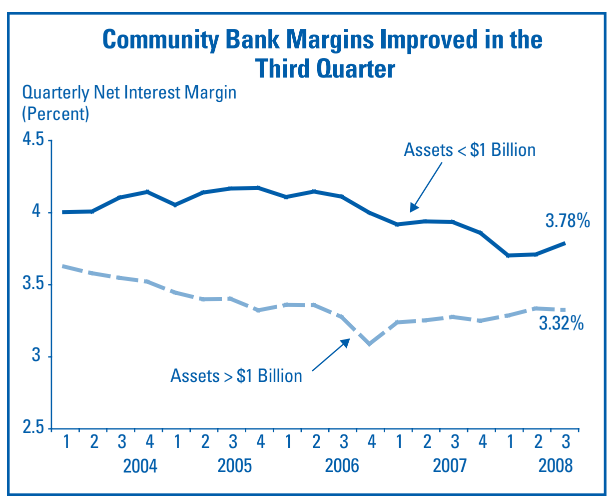


Chart 4



to $184.3 billion at the end of September. This is $21.4 billion (13.1 percent) more than insured institutions reported as of June 30 and is up by $101.2 billion (122 percent) over the past 12 months. The percentage of total loans and leases that were noncurrent rose from 2.04 percent to 2.31 percent during the quarter and is now at the highest level since the third quarter of 1993. The growth in noncurrent loans during the quarter was led by closed-end first and second lien mortgage loans, where noncurrents rose by $9.6 billion (14.3 percent). Noncurrent real estate C&D loans increased by $6.9 billion (18.1 percent), while noncurrent loans secured by nonfarm nonresidential properties rose by $2.2 billion (18.1 percent). Noncurrent C&I loans were up by $1.8 billion (13.7 percent) during the quarter.

Reserve Coverage of Noncurrent Loans Declines

Loan-loss reserves increased by $11.7 billion (8.1 percent) during the quarter, the smallest quarterly growth in reserves since the third quarter of 2007. The industry's ratio of reserves to total loans and leases increased from 1.81 percent to 1.95 percent, its highest level since the first quarter of 1995. However, reserve growth did not keep pace with the growth in noncurrent loans, and the "coverage ratio" of reserves to noncurrent loans fell from 89 cents in reserves for every $1.00 of noncurrent loans to 85 cents. This is the tenth consecutive quarter that the industry's coverage ratio has fallen; it is now at its lowest level since the first quarter of 1993.

Failure-Related Restructuring Contributes to a Decline in Reported Capital

Total equity capital fell by $44.2 billion (3.3 percent) during the third quarter. A $14.6-billion decline in other comprehensive income, driven primarily by unrealized losses on securities held for sale, was a significant factor in the reduction in equity, but most of the decline stemmed from the accounting effect of the failure of Washington Mutual Bank (WaMu).[2] The WaMu failure had a similar effect on the reported industry totals for tier 1 capital and total risk-based capital, which declined by $33.6 billion and $35.3 billion, respectively. Unlike equity capital, these regulatory capital amounts are not affected by changes in unrealized gains or losses on available-for-sale securities. Almost half of all institutions (48.5 percent) reported declines in their leverage capital ratios during the quarter, and slightly more than half (51.2 percent) reported declines in their total risk-based capital ratios. Many institutions reduced their dividends to preserve capital; of the 3,761 institutions that paid dividends in the third quarter of 2007, more than half (57.4 percent) paid lower dividends in the third quarter of 2008, including 20.7 percent that paid no dividends. Third quarter dividends totaled $11.0 billion, a $16.9-billion (60.7-percent) decline from a year ago.

Liquidity Program Provides a Boost to Asset Growth

Total assets of insured institutions increased by $273.2 billion (2.1 percent) in the third quarter, led by growth in balances at Federal Reserve banks (up $146.8 billion, or

[2] Prior to September 25, 2008, Washington Mutual FSB of Park City, Utah, an insured institution with $46 billion in assets and $29 billion in equity capital, was directly owned by Washington Mutual Bank of Henderson, Nevada. Under accounting rules, the subsidiary institution's assets and liabilities were included in the consolidated financial data reported by the parent institution, resulting in double-reporting of some of the subsidiary's financial data. The direct ownership relationship ended with the failure of the parent institution during the third quarter, at which point the subsidiary institution's financial data were no longer double-reported.

Chart 5

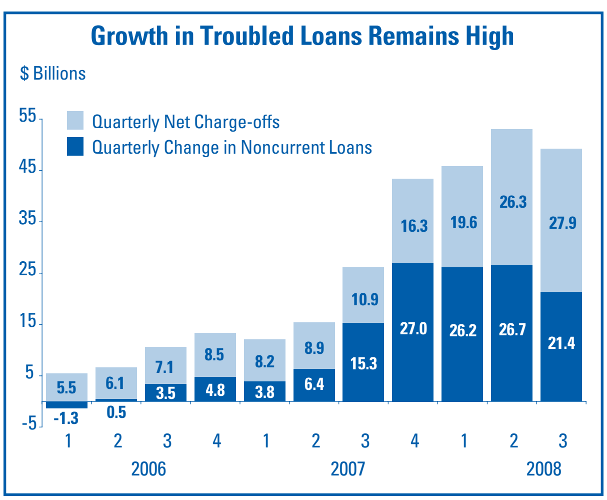
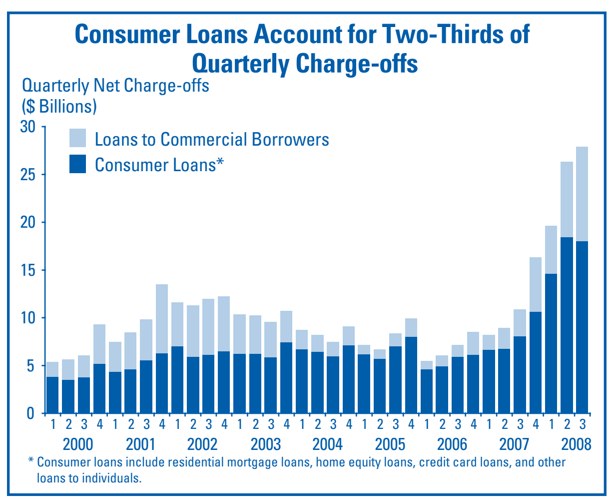


Chart 6



505 percent) and a $74.6-billion increase in asset-backed commercial paper holdings. A number of large banks experienced sizable deposit inflows during the quarter and elected to place a large share of these funds with Federal Reserve banks. The increase in holdings of commercial paper was attributable to the creation of a special lending facility—the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF)—by the Federal Reserve aimed at providing liquidity to money market mutual funds (MMFs) by funding bank purchases of asset-backed commercial paper from the MMFs.[3] Loans in categories experiencing the greatest credit-quality problems shrank in the third quarter. Residential mortgage loans declined by $52.1 billion (2.4 percent), while real estate C&D loans fell by $10.2 billion (1.6 percent). One of the few loan categories showing significant growth was real estate loans secured by nonfarm nonresidential properties, which increased by $24.4 billion (2.4 percent). Unused loan commitments declined by $298.1 billion (3.7 percent) during the quarter. The decline was led by a reduction in unused credit card lines, which fell by $122.8 billion (2.6 percent).

Discount Window Borrowings Fuel a Surge in Nondeposit Liabilities

Nondeposit liabilities increased by $162.5 billion (4.8 percent) in the third quarter, as insured institutions increased their borrowings from the Federal Reserve's Discount Window (which was used to fund the AMLF), as well as their advances from Federal Home Loan Banks. Securities sold under repurchase agreements registered strong growth, rising by $64.2 billion (11.2 percent). Total deposits increased by $154.8 billion (1.8 percent), as noninterest-bearing deposits in domestic offices rose by $175.7 billion (14.4 percent). The growth in deposits was concentrated in a few large banks. Deposits in foreign offices declined by $38 billion (2.5 percent).

Nine Failures in Third Quarter Include Washington Mutual Bank

The number of insured commercial banks and savings institutions fell to 8,384 in the third quarter, down from 8,451 at midyear. During the quarter, 73 institutions were absorbed in mergers, and 9 institutions failed. This is the largest number of failures in a quarter since the third quarter of 1993, when 16 insured institutions failed. Among the failures was Washington Mutual Bank, an insured savings institution with $307 billion in assets and the largest insured institution to fail in the FDIC's 75-year history. There were 21 new institutions chartered in the third quarter, the smallest number of new charters in a quarter since 17 new charters were added in the first quarter of 2002. Four insured savings institutions, with combined assets of $1.0 billion, converted from mutual ownership to stock ownership in the third quarter. The number of insured institutions on the FDIC's "Problem List" increased from 117 to 171, and the assets of "problem" institutions rose from $78.3 billion to $115.6 billion during the quarter. This is the first time since the middle of 1994 that assets of "problem" institutions have exceeded $100 billion.

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[3] On September 19, the Federal Reserve instituted the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) to restore liquidity to the market for commercial paper, and help money market mutual funds meet redemptions.

Chart 7

Earning Asset Growth Has Slowed Substantially

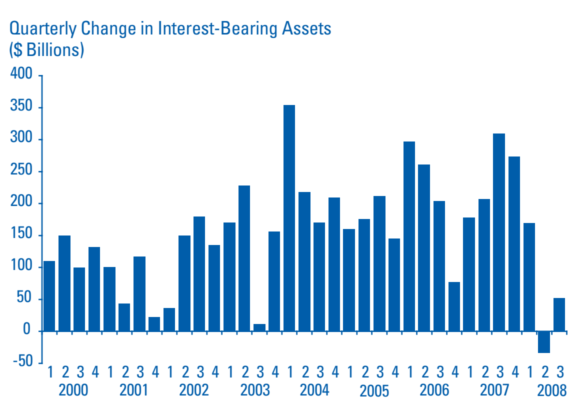
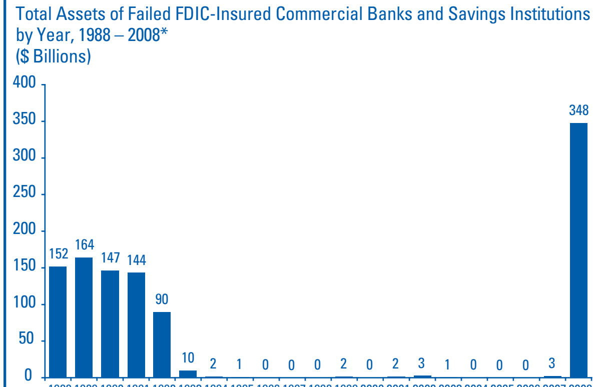


Chart 8

2008 Is a Record Year for Failed Bank Assets



* Through first nine months of 2008.

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

	2008**	2007**	2007	2006	2005	2004	2003
Return on assets (%)	0.33	1.10	0.81	1.28	1.28	1.28	1.38
Return on equity (%)	3.85	10.49	7.75	12.30	12.43	13.20	15.05
Core capital (leverage) ratio (%)	7.81	8.14	7.97	8.22	8.25	8.11	7.88
Noncurrent assets plus other real estate owned to assets (%)	1.54	0.73	0.94	0.54	0.50	0.53	0.75
Net charge-offs to loans (%)	1.18	0.50	0.59	0.39	0.49	0.56	0.78
Asset growth rate (%)	6.83	8.10	9.89	9.04	7.63	11.37	7.58
Net interest margin (%)	3.33	3.31	3.29	3.31	3.47	3.52	3.73
Net operating income growth (%)	-62.87	-9.21	-27.57	8.53	11.43	3.99	16.38
Number of institutions reporting	8,384	8,559	8,534	8,680	8,833	8,976	9,181
Commercial banks	7,146	7,303	7,283	7,401	7,526	7,631	7,770
Savings institutions	1,238	1,256	1,251	1,279	1,307	1,345	1,411
Percentage of unprofitable institutions (%)	21.00	10.33	12.07	7.93	6.22	5.97	5.99
Number of problem institutions	171	65	76	50	52	80	116
Assets of problem institutions (in billions)	$116	$19	$22	$8	$7	$28	$30
Number of failed/assisted institutions	13	2	3	0	0	4	3

* Excludes insured branches of foreign banks (IBAs).
** Through September 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending September 30.

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

(dollar figures in millions)	3rd Quarter 2008	2nd Quarter 2008	3rd Quarter 2007	%Change 07Q3-08Q3
Number of institutions reporting	8,384	8,451	8,559	-2.0
Total employees (full-time equivalent)	2,170,671	2,203,883	2,220,522	-2.2
CONDITION DATA				
Total assets	$13,573,691	$13,300,540	$12,706,161	6.8
Loans secured by real estate	4,750,985	4,794,248	4,701,346	1.1
1-4 Family residential mortgages	2,102,080	2,154,173	2,238,180	-6.1
Nonfarm nonresidential	1,043,393	1,018,988	939,556	11.1
Construction and development	617,055	627,283	616,538	0.1
Home equity lines	652,119	646,903	591,372	10.3
Commercial & industrial loans	1,503,737	1,492,357	1,388,441	8.3
Loans to individuals	1,082,731	1,069,479	1,013,355	6.8
Credit cards	411,627	396,045	384,506	7.1
Farm loans	59,656	58,284	56,166	6.2
Other loans & leases	595,646	584,210	546,851	8.9
Less: Unearned income	2,739	2,513	2,237	22.4
Total loans & leases	7,990,015	7,996,065	7,703,922	3.7
Less: Reserve for losses	156,065	144,383	87,037	79.3
Net loans and leases	7,833,950	7,851,682	7,616,885	2.8
Securities	2,025,534	2,017,391	1,989,103	1.8
Other real estate owned	22,966	18,902	9,818	133.9
Goodwill and other intangibles	484,178	481,438	461,068	5.0
All other assets	3,207,062	2,931,127	2,629,288	22.0
Total liabilities and capital	13,573,691	13,300,540	12,706,161	6.8
Deposits	8,727,485	8,572,643	8,180,226	6.7
Domestic office deposits	7,221,963	7,029,111	6,739,817	7.2
Foreign office deposits	1,505,522	1,543,532	1,440,409	4.5
Other borrowed funds	2,732,570	2,598,234	2,454,148	11.3
Subordinated debt	176,833	185,078	177,469	-0.4
All other liabilities	629,706	593,306	567,141	11.0
Equity capital	1,307,097	1,351,279	1,327,177	-1.5
Loans and leases 30-89 days past due	121,587	110,814	92,558	31.4
Noncurrent loans and leases	184,269	162,895	83,024	121.9
Restructured loans and leases	14,846	14,499	4,123	260.1
Direct and indirect investments in real estate	910	972	1,081	-15.9
Mortgage-backed securities	1,260,945	1,322,210	1,217,755	3.5
Earning assets	11,493,605	11,441,334	11,032,330	4.2
FHLB Advances	911,465	840,543	770,419	18.3
Unused loan commitments	7,860,609	8,158,701	8,301,846	-5.3
Trust assets	19,948,345	21,750,102	21,501,132	-7.2
Assets securitized and sold***	1,906,828	1,750,710	1,663,308	14.6
Notional amount of derivatives***	177,103,186	183,303,064	174,574,544	1.4

INCOME DATA	First Three Qtrs 2008	First Three Qtrs 2007	%Change	3rd Quarter 2008	3rd Quarter 2007	%Change 07Q3-08Q3
Total interest income	$487,019	$542,106	-10.2	$159,097	$188,077	-15.4
Total interest expense	207,949	278,586	-25.4	63,787	97,215	-34.4
Net interest income	279,070	263,520	5.9	95,310	90,862	4.9
Provision for loan and lease losses	124,517	37,208	234.7	50,548	16,785	201.2
Total noninterest income	175,521	187,130	-6.2	58,218	59,123	-1.5
Total noninterest expense	274,323	265,254	3.4	93,920	90,162	4.2
Securities gains (losses)	-8,037	2,325	N/M	-7,592	77	N/M
Applicable income taxes	15,679	48,084	-67.4	717	13,407	-94.7
Extraordinary gains, net	534	-1,917	N/M	975	-995	N/M
Net income	32,569	100,513	-67.6	1,726	28,714	-94.0
Net charge-offs	68,559	27,937	145.4	27,892	10,879	156.4
Cash dividends	42,592	94,397	-54.9	10,979	27,914	-60.7
Retained earnings	-10,023	6,116	N/M	-9,253	800	N/M
Net operating income	37,457	100,869	-62.9	6,135	29,678	-79.3

*** Call Report filers only.

N/M - Not Meaningful

TABLE III-A. Third Quarter 2008, All FDIC-Insured Institutions

THIRD QUARTER (The way it is...)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Number of institutions reporting	8,384	26	4	1,587	4,811	826	101	297	692	40
Commercial banks	7,146	22	4	1,582	4,300	213	81	271	643	30
Savings institutions	1,238	4	0	5	511	613	20	26	49	10
Total assets (in billions)	$13,573.7	$467.9	$3,263.3	$168.0	$6,078.2	$1,058.6	$72.4	$35.9	$94.8	$2,334.6
Commercial banks	12,050.4	448.4	3,263.3	167.5	5,560.7	225.7	34.3	30.3	83.2	2,236.9
Savings institutions	1,523.3	19.5	0.0	0.5	517.5	832.9	38.1	5.6	11.6	97.7
Total deposits (in billions)	8,727.5	167.8	1,989.4	133.5	4,226.5	600.4	59.5	26.4	77.0	1,447.0
Commercial bank	7,778.5	158.8	1,989.4	133.2	3,894.6	88.2	27.5	22.6	68.0	1,396.3
Savings institutions	949.0	8.9	0.0	0.4	331.9	512.2	32.0	3.8	9.0	50.7
Net income (in millions)	1,726	451	3,702	424	-1,677	-3,100	165	12	151	1,599
Commercial banks	8,284	377	3,702	423	25	711	145	-19	164	2,756
Savings institutions	-6,558	74	0	1	-1,703	-3,811	21	31	-13	-1,157
Performance Ratios (annualized,%)										
Yield on earning assets	5.63	12.12	4.84	6.36	5.91	5.84	6.80	4.63	6.07	4.41
Cost of funding earning assets	2.26	2.84	2.15	2.36	2.27	2.85	2.00	1.57	2.19	1.96
Net interest margin	3.37	9.28	2.69	4.00	3.64	2.99	4.80	3.07	3.88	2.45
Noninterest income to assets	1.76	6.73	2.02	0.67	1.44	0.55	1.74	11.00	0.98	1.78
Noninterest expense to assets	2.83	6.91	2.48	2.66	3.03	2.08	3.05	11.78	3.01	2.16
Loan and lease loss provision to assets	1.53	6.78	1.37	0.35	1.38	2.36	1.70	0.16	0.30	0.83
Net operating income to assets	0.19	0.23	0.36	1.12	0.14	-1.10	0.96	0.86	1.00	0.52
Pretax return on assets	0.07	0.63	0.44	1.21	-0.15	-1.18	1.43	0.88	0.79	0.50
Return on assets	0.05	0.39	0.49	1.01	-0.11	-1.17	0.93	0.13	0.64	0.28
Return on equity	0.53	1.84	6.59	9.21	-1.03	-15.07	9.99	0.67	5.70	3.17
Net charge-offs to loans and leases	1.42	6.24	1.44	0.41	1.21	1.03	2.00	0.43	0.34	1.11
Loan and lease loss provision to net charge-offs	181.23	148.52	222.42	125.78	163.75	327.66	100.68	152.18	155.69	165.61
Efficiency ratio	57.98	45.45	58.16	60.69	61.16	61.53	48.69	79.11	65.96	54.01
% of unprofitable institutions	24.08	19.23	0.00	8.63	31.03	24.94	13.86	20.88	12.86	32.50
% of institutions with earnings gains	40.71	23.08	50.00	55.39	32.16	53.27	48.51	42.42	50.87	30.00
Structural Changes										
New Charters	21	0	0	1	5	1	0	14	0	0
Institutions absorbed by mergers	73	0	2	6	57	3	1	0	1	3
Failed Institutions	9	0	0	0	7	2	0	0	0	0
PRIOR THIRD QUARTERS (The way it was...)										
Return on assets (%) 2007	0.92	4.07	0.69	1.30	0.99	0.31	1.17	2.20	1.07	0.81
2005	1.31	3.16	1.02	1.33	1.39	1.03	1.76	1.78	1.12	1.31
2003	1.36	4.25	1.02	1.25	1.28	1.33	1.68	1.47	1.06	1.33
Net charge-offs to loans and leases (%) 2007	0.57	3.98	0.77	0.26	0.32	0.42	1.04	0.32	0.22	0.42
2005	0.51	4.28	1.19	0.16	0.23	0.10	1.39	0.18	0.20	0.26
2003	0.73	4.80	1.40	0.29	0.47	0.19	1.34	2.47	0.37	0.48

* See Table IV-A (page 8) for explanations.

TABLE III-A. Third Quarter 2008, All FDIC-Insured Institutions

		Asset Size Distribution				Geographic Regions*					
THIRD QUARTER (The way it is...)	**All Insured Institutions**	**Less than $100 Million**	**$100 Million to $1 Billion**	**$1 Billion to $10 Billion**	**Greater than $10 Billion**	**New York**	**Atlanta**	**Chicago**	**Kansas City**	**Dallas**	**San Francisco**
Number of institutions reporting	8,384	3,240	4,470	560	114	1,027	1,197	1,721	1,943	1,719	777
Commercial banks	7,146	2,882	3,755	425	84	535	1,056	1,419	1,837	1,592	707
Savings institutions	1,238	358	715	135	30	492	141	302	106	127	70
Total assets (in billions)	$13,573.7	$174.9	$1,338.3	$1,475.0	$10,585.5	$2,689.6	$3,427.8	$3,324.7	$1,009.2	$770.8	$2,351.5
Commercial banks	12,050.4	156.4	1,088.3	1,137.1	9,668.7	1,994.0	3,164.1	3,178.0	964.5	636.0	2,113.7
Savings institutions	1,523.3	18.5	250.1	337.9	916.8	695.6	263.7	146.7	44.7	134.8	237.8
Total deposits (in billions)	8,727.5	141.7	1,053.3	1,047.1	6,485.3	1,652.4	2,235.6	2,105.0	708.7	551.0	1,474.8
Commercial banks	7,778.5	127.6	869.2	812.8	5,968.8	1,197.2	2,076.0	2,001.3	677.9	473.0	1,353.1
Savings institutions	949.0	14.1	184.1	234.3	516.4	455.2	159.7	103.7	30.7	78.0	121.6
Net income (in millions)	1,726	128	43	-1,924	3,479	226	2,307	830	1,322	361	-3,320
Commercial banks	8,284	150	301	-434	8,267	2,093	2,437	1,413	1,340	801	200
Savings institutions	-6,558	-21	-258	-1,490	-4,788	-1,867	-130	-583	-18	-440	-3,520
Performance Ratios (annualized,%)											
Yield on earning assets	5.63	6.28	6.25	5.86	5.49	5.87	5.47	4.89	6.41	6.04	6.09
Cost of funding earning assets	2.26	2.30	2.50	2.30	2.21	2.24	2.41	2.14	1.98	2.19	2.36
Net interest margin	3.37	3.98	3.75	3.56	3.28	3.63	3.07	2.75	4.43	3.86	3.73
Noninterest income to assets	1.76	0.99	1.06	0.62	2.02	1.91	1.85	1.78	2.20	1.35	1.38
Noninterest expense to assets	2.83	3.68	3.29	2.78	2.77	2.93	2.56	2.74	3.83	3.29	2.68
Loan and lease loss provision to assets	1.53	0.46	0.74	1.12	1.70	1.45	1.39	1.39	1.42	1.01	2.19
Net operating income to assets	0.19	0.40	0.34	-0.16	0.21	0.33	0.40	0.07	0.57	0.32	-0.33
Pretax return on assets	0.07	0.37	0.08	-0.56	0.16	0.20	0.31	0.01	0.73	0.31	-0.68
Return on assets	0.05	0.30	0.01	-0.52	0.14	0.03	0.27	0.11	0.53	0.19	-0.56
Return on equity	0.53	2.24	0.13	-4.72	1.42	0.30	2.68	1.20	5.45	1.91	-6.34
Net charge-offs to loans and leases	1.42	0.42	0.69	1.04	1.63	1.49	1.28	1.32	1.60	0.84	1.79
Loan and lease loss provision to net charge-offs	181.23	172.09	149.53	155.34	186.46	176.41	177.60	195.67	130.65	180.81	197.72
Efficiency ratio	57.98	79.15	69.99	65.49	55.29	55.41	55.82	60.42	61.85	64.54	56.74
% of unprofitable institutions	24.08	24.75	23.09	26.61	31.58	31.65	40.27	20.05	14.82	15.76	39.64
% of institutions with earnings gains	40.71	45.19	39.26	30.00	22.81	40.21	22.97	45.67	48.38	46.02	26.77
Structural Changes											
New Charters	21	16	3	1	1	3	6	1	1	5	5
Institutions absorbed by mergers	73	21	47	3	2	10	18	19	15	9	2
Failed Institutions	9	0	4	3	2	0	3	0	1	0	5
PRIOR THIRD QUARTERS (The way it was...)											
Return on assets (%) 2007	0.92	0.79	1.03	1.18	0.87	0.89	0.75	0.90	1.61	1.14	0.88
2005	1.31	1.08	1.27	1.34	1.32	1.24	1.35	1.08	1.73	1.18	1.60
2003	1.36	1.01	1.17	1.34	1.41	1.24	1.40	1.21	1.77	1.34	1.66
Net charge-offs to loans and leases (%) 2007	0.57	0.26	0.24	0.42	0.66	0.92	0.29	0.44	0.74	0.29	0.76
2005	0.51	0.16	0.18	0.23	0.64	0.97	0.27	0.29	0.54	0.25	0.59
2003	0.73	0.30	0.37	0.49	0.87	1.10	0.50	0.65	0.85	0.38	0.60

* See Table IV-A (page 9) for explanations.

TABLE IV-A. First Three Quarters 2008, All FDIC-Insured Institutions

		Asset Concentration Groups*								
FIRST THREE QUARTERS **(The way it is...)**	**All Insured Institutions**	**Credit Card Banks**	**International Banks**	**Agricultural Banks**	**Commercial Lenders**	**Mortgage Lenders**	**Consumer Lenders**	**Other Specialized <$1 Billion**	**All Other <$1 Billion**	**All Other >$1 Billion**
Number of institutions reporting	8,384	26	4	1,587	4,811	826	101	297	692	40
Commercial banks	7,146	22	4	1,582	4,300	213	81	271	643	30
Savings institutions	1,238	4	0	5	511	613	20	26	49	10
Total assets (in billions)	$13,573.7	$467.9	$3,263.3	$168.0	$6,078.2	$1,058.6	$72.4	$35.9	$94.8	$2,334.6
Commercial banks	12,050.4	448.4	3,263.3	167.5	5,560.7	225.7	34.3	30.3	83.2	2,236.9
Savings institutions	1,523.3	19.5	0.0	0.5	517.5	832.9	38.1	5.6	11.6	97.7
Total deposits (in billions)	8,727.5	167.8	1,989.4	133.5	4,226.5	600.4	59.5	26.4	77.0	1,447.0
Commercial banks	7,778.5	158.8	1,989.4	133.2	3,894.6	88.2	27.5	22.6	68.0	1,396.3
Savings institutions	949.0	8.9	0.0	0.4	331.9	512.2	32.0	3.8	9.0	50.7
Net income (in millions)	32,569	8,309	6,912	1,395	10,596	-2,295	530	413	625	6,083
Commercial banks	38,123	7,908	6,912	1,392	11,587	1,938	317	272	624	7,172
Savings institutions	-5,555	401	0	3	-991	-4,233	213	141	0	-1,089
Performance Ratios (annualized,%)										
Yield on earning assets	5.81	11.99	5.27	6.48	6.06	5.34	6.94	4.71	6.16	4.80
Cost of funding earning assets	2.48	3.05	2.48	2.57	2.47	2.75	2.24	1.73	2.39	2.29
Net interest margin	3.33	8.94	2.80	3.91	3.59	2.59	4.71	2.97	3.77	2.51
Noninterest income to assets	1.80	8.69	1.72	0.67	1.52	0.62	1.97	11.30	0.96	1.76
Noninterest expense to assets	2.81	6.75	2.58	2.62	2.96	1.74	3.09	10.98	2.97	2.26
Loan and lease loss provision to assets	1.27	5.78	1.13	0.25	1.19	1.50	1.95	0.13	0.23	0.80
Net operating income to assets	0.38	2.10	0.29	1.15	0.32	-0.28	0.90	1.79	0.99	0.53
Pretax return on assets	0.49	3.76	0.32	1.34	0.38	-0.22	1.51	2.53	1.09	0.55
Return on assets	0.33	2.43	0.31	1.13	0.24	-0.29	1.00	1.56	0.89	0.36
Return on equity	3.35	11.14	4.16	10.15	2.18	-3.72	10.90	7.72	7.87	4.00
Net charge-offs to loans and leases	1.18	5.64	1.28	0.28	0.97	0.74	1.81	0.43	0.29	0.88
Loan and lease loss provision to net charge-offs	181.62	138.96	204.12	135.53	176.61	290.78	127.77	123.77	144.23	196.58
Efficiency ratio	57.70	39.47	63.39	61.25	60.02	56.89	48.08	76.27	67.03	56.63
% of unprofitable institutions	21.00	7.69	25.00	5.29	27.85	23.37	11.88	18.18	9.39	25.00
% of institutions with earnings gains	40.73	34.62	50.00	55.64	32.45	47.82	49.50	44.78	52.75	42.50
Condition Ratios (%)										
Earning assets to total assets	84.68	79.29	79.91	91.62	86.90	91.60	93.18	88.43	91.55	82.38
Loss Allowance to:										
Loans and leases	1.95	5.84	2.36	1.28	1.70	1.65	1.97	1.33	1.22	1.48
Noncurrent loans and leases	84.69	248.14	104.00	91.62	70.75	57.38	211.15	146.05	96.94	83.19
Noncurrent assets plus other real estate owned to assets	1.54	1.73	1.09	1.15	1.92	2.30	0.82	0.28	0.92	0.85
Equity capital ratio	9.63	20.86	7.13	11.07	10.67	7.99	9.15	19.55	11.20	8.61
Core capital (leverage) ratio	7.81	13.82	6.79	10.18	8.03	7.79	8.97	17.64	10.97	6.84
Tier 1 risk-based capital ratio	9.79	13.09	8.30	13.49	9.42	14.03	10.44	38.13	17.83	9.71
Total risk-based capital ratio	12.54	15.60	12.18	14.55	11.90	15.01	12.51	39.03	18.92	12.63
Net loans and leases to deposits	89.76	193.28	68.53	84.31	98.98	120.74	100.08	31.52	68.91	69.44
Net loans to total assets	57.71	69.30	41.78	67.02	68.82	68.49	82.22	23.15	55.96	43.04
Domestic deposits to total assets	53.21	33.01	31.03	79.49	66.04	56.66	81.12	69.92	81.14	49.14
Structural Changes										
New Charters	83	0	0	2	22	2	0	57	0	0
Institutions absorbed by mergers	214	0	2	24	159	12	2	1	8	6
Failed Institutions	13	0	0	1	10	2	0	0	0	0
PRIOR FIRST THREE QUARTERS **(The way it was...)**										
Number of institutions 2007	8,559	28	4	1,634	4,739	780	120	376	821	57
2005	8,858	29	4	1,733	4,557	928	125	420	992	70
2003	9,236	36	6	1,821	4,167	1,024	166	522	1,391	103
Total assets (in billions) 2007	$12,706.2	$423.5	$2,644.0	$157.3	$5,054.4	$1,454.1	$95.8	$40.1	$111.4	$2,725.5
2005	10,700.7	359.9	1,838.9	143.0	3,667.4	1,677.1	109.2	47.7	128.6	2,729.0
2003	8,943.1	308.8	1,427.9	129.5	3,095.8	1,588.5	191.9	62.2	192.1	1,946.3
Return on assets (%) 2007	1.10	3.81	0.87	1.25	1.09	0.73	1.40	2.37	1.04	1.09
2005	1.31	3.19	0.88	1.32	1.36	1.12	1.70	1.73	1.12	1.36
2003	1.38	3.93	1.05	1.25	1.30	1.44	1.54	1.36	1.09	1.31
Net charge-offs to loans & leases (%) 2007	0.50	3.90	0.65	0.19	0.28	0.29	0.97	0.30	0.17	0.35
2005	0.47	4.27	0.88	0.15	0.22	0.10	1.46	0.29	0.27	0.20
2003	0.78	5.12	1.41	0.24	0.52	0.19	1.42	1.44	0.31	0.56
Noncurrent assets plus OREO to assets (%) 2007	0.73	1.34	0.51	0.81	0.81	1.09	0.53	0.26	0.64	0.54
2005	0.50	1.36	0.48	0.68	0.48	0.57	0.54	0.25	0.57	0.37
2003	0.77	1.34	0.98	0.95	0.79	0.64	0.88	0.36	0.74	0.61
Equity capital ratio (%) 2007	10.45	23.17	7.78	11.32	10.86	9.44	11.89	19.54	11.58	10.55
2005	10.25	22.07	8.23	10.86	10.21	10.67	9.58	19.26	10.83	9.66
2003	9.13	17.03	7.27	10.81	9.42	8.79	7.49	15.92	10.57	8.75

***Asset Concentration Group Definitions (Groups are hierarchical and mutually exclusive):**

Credit-card Lenders - Institutions whose credit-card loans plus securitized receivables exceed 50 percent of total assets plus securitized receivables.

International Banks - Banks with assets greater than $10 billion and more than 25 percent of total assets in foreign offices.

Agricultural Banks - Banks whose agricultural production loans plus real estate loans secured by farmland exceed 25 percent of their total loans and leases.

Commercial Lenders - Institutions whose commercial and industrial loans, plus real estate construction and development loans, plus loans secured by commercial real estate properties exceed 25 percent of total assets.

Mortgage Lenders - Institutions whose residential mortgage loans, plus mortgage-backed securities, exceed 50 percent of total assets.

Consumer Lenders - Institutions whose residential mortgage loans, plus credit-card loans, plus other loans to individuals, exceed 50 percent of total assets.

Other Specialized < $1 Billion - Institutions with assets less than $1 billion, whose loans and leases are less than 40 percent of total assets.

All Other < $1 billion - Institutions with assets less than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.

All Other > $1 billion - Institutions with assets greater than $1 billion that do not meet any of the definitions above, they have significant lending activity with no identified asset concentrations.

TABLE IV-A. First Three Quarters 2008, All FDIC-Insured Institutions

FIRST THREE QUARTERS (The way it is...)	All Insured Institutions	Asset Size Distribution: Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	Geographic Regions*: New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	8,384	3,240	4,470	560	114	1,027	1,197	1,721	1,943	1,719	777
Commercial banks	7,146	2,882	3,755	425	84	535	1,056	1,419	1,837	1,592	707
Savings institutions	1,238	358	715	135	30	492	141	302	106	127	70
Total assets (in billions)	$13,573.7	$174.9	$1,338.3	$1,475.0	$10,585.5	$2,689.6	$3,427.8	$3,324.7	$1,009.2	$770.8	$2,351.5
Commercial banks	12,050.4	156.4	1,088.3	1,137.1	9,668.7	1,994.0	3,164.1	3,178.0	964.5	636.0	2,113.7
Savings institutions	1,523.3	18.5	250.1	337.9	916.8	695.6	263.7	146.7	44.7	134.8	237.8
Total deposits (in billions)	8,727.5	141.7	1,053.3	1,047.1	6,485.3	1,652.4	2,235.6	2,105.0	708.7	551.0	1,474.8
Commercial banks	7,778.5	127.6	869.2	812.8	5,968.8	1,197.2	2,076.0	2,001.3	677.9	473.0	1,353.1
Savings institutions	949.0	14.1	184.1	234.3	516.4	455.2	159.7	103.7	30.7	78.0	121.6
Net income (in millions)	32,569	616	4,395	2,335	25,222	11,278	7,931	7,061	6,889	3,188	-3,779
Commercial banks	38,123	644	4,178	3,265	30,037	11,463	8,269	7,454	6,913	3,588	437
Savings institutions	-5,555	-28	217	-930	-4,815	-185	-338	-392	-25	-399	-4,216
Performance Ratios (annualized,%)											
Yield on earning assets	5.81	6.36	6.40	6.14	5.67	6.08	5.47	5.18	6.53	6.18	6.40
Cost of funding earning assets	2.48	2.48	2.70	2.57	2.44	2.53	2.51	2.41	2.22	2.42	2.61
Net interest margin	3.33	3.89	3.70	3.57	3.23	3.55	2.96	2.77	4.32	3.76	3.79
Noninterest income to assets	1.80	1.04	1.10	1.22	1.98	2.10	1.64	1.92	2.86	1.42	1.22
Noninterest expense to assets	2.81	3.63	3.22	2.97	2.72	2.90	2.46	2.69	3.83	3.22	2.81
Loan and lease loss provision to assets	1.27	0.34	0.55	0.92	1.44	1.16	1.19	1.20	1.40	0.80	1.71
Net operating income to assets	0.38	0.50	0.55	0.32	0.37	0.68	0.37	0.26	0.92	0.57	-0.04
Pretax return on assets	0.49	0.61	0.61	0.40	0.49	0.96	0.43	0.45	1.38	0.77	-0.30
Return on assets	0.33	0.48	0.45	0.21	0.33	0.60	0.31	0.31	0.94	0.57	-0.21
Return on equity	3.35	3.58	4.30	1.90	3.45	5.09	3.04	3.47	9.54	5.75	-2.37
Net charge-offs to loans and leases	1.18	0.30	0.49	0.85	1.37	1.31	0.98	1.14	1.36	0.65	1.48
Loan and lease loss provision to net charge-offs	181.62	177.88	158.47	157.47	185.64	157.79	197.51	196.39	151.17	185.24	186.59
Efficiency ratio	57.70	78.65	69.81	61.13	55.38	53.80	57.23	58.74	56.57	64.37	60.20
% of unprofitable institutions	21.00	22.90	19.42	21.43	27.19	28.14	36.42	17.55	11.73	12.97	36.42
% of institutions with earnings gains	40.73	44.26	39.51	33.57	23.68	40.21	23.14	43.93	48.43	47.59	27.03
Condition Ratios (%)											
Earning assets to total assets	84.68	91.85	91.73	90.21	82.89	82.90	84.35	84.70	86.30	89.89	84.73
Loss Allowance to:											
Loans and leases	1.95	1.32	1.28	1.54	2.15	1.93	1.76	2.01	1.88	1.47	2.39
Noncurrent loans and leases	84.69	79.21	64.59	62.19	91.76	114.98	73.64	79.44	77.46	71.69	92.95
Noncurrent assets plus other real estate owned to assets	1.54	1.40	1.81	2.04	1.43	0.98	1.67	1.56	1.90	1.63	1.75
Equity capital ratio	9.63	13.15	10.19	10.89	9.33	10.92	10.15	8.56	9.67	9.87	8.80
Core capital (leverage) ratio	7.81	12.99	9.79	9.24	7.23	8.71	6.93	7.76	8.02	8.83	7.78
Tier 1 risk-based capital ratio	9.79	18.68	12.95	11.62	8.98	11.81	8.92	8.82	9.44	11.24	10.12
Total risk-based capital ratio	12.54	19.73	14.07	13.00	12.16	13.87	11.88	11.86	12.12	12.99	13.18
Net loans and leases to deposits	89.76	78.75	89.59	98.12	88.68	86.34	91.80	83.35	95.17	92.04	96.21
Net loans to total assets	57.71	63.81	70.52	69.66	54.33	53.04	59.87	52.77	66.83	65.79	60.34
Domestic deposits to total assets	53.21	81.03	78.58	70.23	47.17	53.05	58.13	50.11	64.26	70.71	40.11
Structural Changes											
New Charters	83	77	4	1	1	18	28	1	4	14	18
Institutions absorbed by mergers	214	78	109	22	5	28	53	44	44	37	8
Failed Institutions	13	3	4	4	2	0	3	0	4	1	5
PRIOR FIRST THREE QUARTERS (The way it was...)											
Number of institutions 2007	8,559	3,513	4,391	539	116	1,046	1,215	1,793	1,990	1,740	775
2005	8,858	3,943	4,294	503	118	1,113	1,219	1,890	2,074	1,806	756
2003	9,236	4,464	4,190	469	113	1,188	1,231	2,027	2,141	1,878	771
Total assets (in billions) 2007	$12,706.2	$186.1	$1,296.7	$1,408.2	$9,815.2	$2,382.1	$3,195.9	$2,796.4	$931.5	$659.4	$2,740.9
2005	10,700.7	205.8	1,225.7	1,365.9	7,903.2	2,755.9	2,635.3	2,494.5	784.1	585.0	1,445.8
2003	8,943.1	229.1	1,159.8	1,289.6	6,264.7	3,039.0	1,858.6	1,653.8	445.3	592.6	1,353.9
Return on assets (%) 2007	1.10	0.84	1.06	1.09	1.12	1.00	1.05	1.01	1.63	1.15	1.16
2005	1.31	1.08	1.24	1.34	1.32	1.27	1.38	1.01	1.65	1.25	1.62
2003	1.38	0.97	1.20	1.35	1.43	1.25	1.38	1.31	1.62	1.39	1.65
Net charge-offs to loans & leases (%) 2007	0.50	0.18	0.19	0.35	0.59	0.86	0.25	0.37	0.66	0.23	0.64
2005	0.47	0.16	0.18	0.22	0.58	0.81	0.22	0.29	0.54	0.23	0.61
2003	0.78	0.26	0.32	0.52	0.95	1.17	0.56	0.66	0.97	0.38	0.64
Noncurrent assets plus OREO to assets (%) 2007	0.73	0.87	0.89	0.83	0.69	0.66	0.54	0.78	1.19	0.78	0.80
2005	0.50	0.71	0.54	0.50	0.49	0.46	0.31	0.54	0.80	0.73	0.58
2003	0.77	0.91	0.73	0.64	0.81	0.84	0.60	0.96	0.74	0.78	0.64
Equity capital ratio (%) 2007	10.45	13.68	10.57	11.38	10.23	12.43	10.14	9.09	10.13	10.39	10.58
2005	10.25	12.26	10.26	10.57	10.14	10.63	9.86	9.18	10.67	9.57	12.12
2003	9.13	11.44	10.03	10.48	8.60	8.96	8.83	8.64	10.79	9.64	9.74

*** 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

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

		Asset Concentration Groups*								
September 30, 2008	**All Insured Institutions**	**Credit Card Banks**	**International Banks**	**Agricultural Banks**	**Commercial Lenders**	**Mortgage Lenders**	**Consumer Lenders**	**Other Specialized <$1 Billion**	**All Other <$1 Billion**	**All Other >$1 Billion**
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	1.78	3.23	2.55	1.28	1.53	2.02	1.13	1.04	1.68	1.96
Construction and development	2.34	0.00	1.72	2.72	2.39	4.46	1.34	1.05	1.75	0.91
Nonfarm nonresidential	0.78	0.00	0.57	1.23	0.78	0.79	1.25	0.71	1.38	0.67
Multifamily residential real estate	0.76	0.00	0.28	1.70	0.91	0.88	10.49	0.27	1.24	0.40
Home equity loans	1.17	3.48	1.36	0.86	0.90	1.57	0.90	0.33	0.64	1.45
Other 1-4 family residential	2.45	1.38	3.71	1.75	2.12	2.07	1.25	1.34	1.99	2.76
Commercial and industrial loans	0.69	3.63	0.32	1.60	0.72	0.76	1.50	1.11	1.61	0.50
Loans to individuals	2.22	2.66	2.06	2.03	2.24	1.34	1.87	1.63	2.29	1.72
Credit card loans	2.50	2.52	2.55	1.49	2.37	2.70	1.38	2.01	2.58	2.73
Other loans to individual	2.04	3.60	1.82	2.06	2.23	1.00	2.04	1.60	2.28	1.50
All other loans and leases (including farm)	0.40	0.11	0.23	0.50	0.63	0.48	0.13	1.10	0.76	0.25
Total loans and leases	1.52	2.60	1.63	1.19	1.36	1.95	1.56	1.16	1.68	1.40
Percent of Loans Noncurrent**										
All real estate loans	3.12	2.22	3.54	1.69	3.19	3.04	0.90	0.97	1.35	2.74
Construction and development	7.30	0.00	3.81	6.91	7.34	11.25	4.15	2.16	3.12	6.43
Nonfarm nonresidential	1.36	0.00	0.56	1.68	1.39	1.42	1.30	0.95	1.53	1.30
Multifamily residential real estate	1.47	0.00	0.56	1.19	1.80	1.15	3.36	2.40	2.13	1.04
Home equity loans	1.19	2.42	1.37	0.40	0.96	1.16	0.53	0.58	0.48	1.63
Other 1-4 family residential	3.64	0.62	5.36	1.19	3.58	3.09	1.04	0.82	1.17	3.22
Commercial and industrial loans	1.01	3.10	0.55	1.75	1.09	0.83	0.71	1.54	1.58	0.95
Loans to individuals	1.50	2.44	1.85	0.76	0.93	0.70	1.00	0.49	0.75	0.67
Credit card loans	2.35	2.36	2.55	1.47	2.07	2.44	1.26	1.05	1.26	2.50
Other loans to individuals	0.98	2.98	1.51	0.71	0.76	0.27	0.92	0.43	0.73	0.28
All other loans and leases (including farm)	0.71	0.03	1.35	0.64	0.48	0.40	0.10	0.29	0.73	0.21
Total loans and leases	2.31	2.35	2.27	1.40	2.40	2.88	0.93	0.91	1.25	1.78
Percent of Loans Charged-off (net, YTD)										
All real estate loans	0.91	3.15	1.49	0.22	0.87	0.71	0.61	0.17	0.13	0.96
Construction and development	2.04	0.00	0.95	1.29	2.04	4.15	0.15	0.38	0.36	1.63
Nonfarm nonresidential	0.16	0.00	0.03	0.18	0.17	0.13	0.14	0.12	0.10	0.14
Multifamily residential real estate	0.26	0.00	0.02	0.51	0.31	0.28	0.11	0.04	0.12	0.10
Home equity loans	1.55	3.38	1.62	0.22	1.30	1.77	0.89	0.08	0.24	2.09
Other 1-4 family residential	0.86	1.34	1.93	0.12	0.79	0.52	0.40	0.19	0.13	0.74
Commercial and industrial loans	0.86	7.91	0.39	0.58	0.84	0.32	4.24	0.05	0.42	0.48
Loans to individuals	3.29	5.79	3.03	0.75	2.31	1.87	2.33	1.19	0.86	1.76
Credit card loan	5.24	5.56	4.06	4.53	5.42	6.35	3.47	6.13	3.81	5.69
Other loans to individuals	2.11	7.29	2.56	0.50	1.83	0.74	1.95	0.31	0.75	0.91
All other loans and leases (including farm)	0.34	0.01	0.12	0.00	0.55	0.78	0.22	1.11	0.50	0.37
Total loans and leases	1.18	5.64	1.28	0.28	0.97	0.74	1.81	0.43	0.29	0.88
Loans Outstanding (in billions)										
All real estate loans	$4,751.0	$1.8	$638.0	$64.6	$2,753.1	$686.1	$21.0	$5.0	$37.3	$544.0
Construction and development	617.1	0.0	14.2	6.1	537.3	18.8	0.5	0.4	2.7	37.1
Nonfarm nonresidential	1,043.4	0.0	33.8	18.0	873.0	30.9	1.1	1.5	8.8	76.3
Multifamily residential real estate	205.2	0.0	40.6	1.2	137.1	13.2	0.1	0.1	0.7	12.1
Home equity loans	652.1	1.6	143.2	1.2	316.7	56.4	10.1	0.1	1.4	121.3
Other 1-4 family residential	2,102.1	0.2	353.6	17.0	841.3	565.9	9.1	2.7	21.0	291.4
Commercial and industrial loans	1,503.7	35.3	300.5	15.8	895.9	16.5	3.3	1.2	5.5	229.7
Loans to individuals	1,082.7	284.8	242.4	6.8	353.6	29.1	35.2	1.5	6.9	122.6
Credit card loans	411.6	247.3	80.7	0.4	46.9	5.8	8.8	0.1	0.2	21.4
Other loans to individuals	671.1	37.5	161.7	6.3	306.7	23.3	26.4	1.4	6.6	101.2
All other loans and leases (including farm)	655.3	22.5	216.1	26.9	254.5	5.5	1.4	0.7	4.1	123.6
Total loans and leases	7,992.8	344.4	1,397.1	114.1	4,257.1	737.2	60.9	8.4	53.7	1,019.9
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	22,966.4	-20.3	3,610.9	337.0	14,494.8	3,167.0	24.1	20.5	202.3	1,130.1
Construction and development	6,630.9	0.0	5.0	132.6	5,937.5	412.0	3.4	3.7	41.4	95.2
Nonfarm nonresidential	2,406.9	0.2	40.0	93.6	2,007.1	49.1	5.3	6.4	55.8	149.5
Multifamily residential real estate	734.6	0.0	19.0	15.2	590.5	40.3	0.0	0.3	23.5	45.9
1-4 family residential	11,500.8	2.8	2,934.9	70.7	4,927.5	2,630.8	14.9	9.8	76.4	833.0
Farmland	77.1	0.0	0.0	24.4	46.4	0.4	0.6	0.7	4.5	0.0
GNMA properties	1,474.4	0.0	430.0	0.4	979.1	57.6	0.0	0.0	0.8	6.5

* See Table IV-A (page 8) for explanations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

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

		Asset Size Distribution				Geographic Regions*					
September 30, 2008	All Insured Institutions	Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30–89 Days Past Due											
All loans secured by real estate	1.78	1.58	1.39	1.29	2.00	1.17	1.90	1.96	1.33	1.54	2.32
Construction and development	2.34	2.13	2.40	2.28	2.36	1.89	1.84	3.01	2.55	1.80	3.36
Nonfarm nonresidential	0.78	1.20	0.98	0.74	0.67	0.92	0.66	0.99	0.72	0.68	0.63
Multifamily residential real estate	0.76	1.04	1.16	0.99	0.59	0.54	0.93	0.85	0.64	0.87	0.80
Home equity loans	1.17	0.79	0.81	0.80	1.22	0.66	1.47	1.10	1.01	0.69	1.25
Other 1-4 family residential	2.45	2.03	1.46	1.43	2.77	1.29	2.70	2.74	1.77	2.64	3.21
Commercial and industrial loans	0.69	1.55	1.18	0.92	0.59	1.09	0.47	0.69	0.93	0.64	0.58
Loans to individuals	2.22	2.46	1.94	2.06	2.24	2.50	2.30	1.97	2.79	1.62	1.88
Credit card loans	2.50	2.06	2.56	2.45	2.50	2.56	2.77	2.45	2.48	1.33	2.43
Other loans to individuals	2.04	2.47	1.90	1.87	2.06	2.39	2.24	1.77	3.04	1.69	1.56
All other loans and leases (including farm)	0.40	0.50	0.51	0.59	0.38	0.43	0.23	0.53	0.55	0.60	0.31
Total loans and leases	1.52	1.52	1.35	1.27	1.59	1.37	1.54	1.56	1.38	1.32	1.74
Percent of Loans Noncurrent**											
All real estate loans	3.12	1.88	2.24	3.01	3.38	1.79	3.31	3.65	3.52	2.63	3.52
Construction and development	7.30	5.07	6.26	7.96	7.49	5.86	7.14	8.74	5.73	4.89	10.18
Nonfarm nonresidential	1.36	1.78	1.35	1.32	1.37	1.61	1.31	1.84	1.18	0.99	0.88
Multifamily residential real estate	1.47	1.93	1.73	2.47	1.05	0.76	2.16	1.92	1.34	2.60	0.88
Home equity loans	1.19	0.72	0.71	0.83	1.25	0.71	1.45	1.23	1.19	0.43	0.97
Other 1-4 family residential	3.64	1.39	1.36	2.17	4.25	1.52	3.72	4.58	7.00	3.23	4.07
Commercial and industrial loans	1.01	1.81	1.38	1.09	0.95	1.35	0.89	1.04	1.15	1.02	0.82
Loans to individuals	1.50	0.96	0.69	1.05	1.58	2.03	0.87	1.04	1.61	0.59	1.85
Credit card loans	2.35	1.23	1.53	2.13	2.37	2.51	2.29	1.79	2.07	1.16	2.63
Other loans to individuals	0.98	0.96	0.62	0.53	1.05	1.21	0.67	0.73	1.21	0.45	1.39
All other loans and leases (including farm)	0.71	0.61	0.57	0.57	0.73	0.50	0.20	0.65	0.37	0.63	1.95
Total loans and leases	2.31	1.67	1.98	2.47	2.34	1.68	2.39	2.53	2.42	2.05	2.57
Percent of Loans Charged-off (net, YTD)											
All real estate loans	0.91	0.22	0.40	0.69	1.10	0.31	0.96	1.30	0.84	0.59	1.17
Construction and development	2.04	0.73	1.35	2.05	2.39	1.01	1.91	2.81	1.47	1.32	3.13
Nonfarm nonresidential	0.16	0.16	0.13	0.13	0.20	0.19	0.15	0.29	0.13	0.11	0.05
Multifamily residential real estate	0.26	0.29	0.24	0.39	0.21	0.09	0.40	0.47	0.13	0.38	0.18
Home equity loans	1.55	0.31	0.34	0.61	1.72	0.66	1.91	1.24	1.97	0.71	1.87
Other 1-4 family residential	0.86	0.15	0.20	0.44	1.03	0.23	0.75	1.52	0.57	0.51	1.28
Commercial and industrial loans	0.86	0.63	0.69	0.79	0.89	1.47	0.67	0.55	1.37	0.63	0.90
Loans to individuals	3.29	0.70	1.32	2.63	3.46	4.49	2.09	2.20	4.03	1.31	3.64
Credit card loans	5.24	2.47	7.51	5.08	5.23	5.38	5.74	4.54	5.99	3.25	5.02
Other loans to individuals	2.11	0.68	0.84	1.51	2.29	3.01	1.60	1.37	2.44	0.85	2.82
All other loans and leases (including farm)	0.34	0.11	0.36	0.65	0.32	0.22	0.49	0.35	0.33	0.42	0.24
Total loans and leases	1.18	0.30	0.49	0.85	1.37	1.31	0.98	1.14	1.36	0.65	1.48
Loans Outstanding (in billions)											
All real estate loans	$4,751.0	$77.0	$743.9	$763.1	$3,167.0	$843.8	$1,341.4	$1,046.0	$373.6	$347.1	$799.0
Construction and development	617.1	9.6	139.5	160.6	307.4	68.7	200.0	124.2	51.9	87.7	84.6
Nonfarm nonresidential	1,043.4	22.9	260.2	258.9	501.4	200.4	268.3	207.9	101.1	114.5	151.1
Multifamily residential real estate	205.2	1.9	30.1	45.2	128.0	52.9	34.0	62.2	10.4	8.2	37.4
Home equity loans	652.1	2.7	37.2	48.7	563.5	67.6	212.3	203.9	79.3	23.9	65.1
Other 1-4 family residential	2,102.1	31.0	247.4	234.5	1,589.2	449.3	607.5	429.7	110.8	101.7	403.0
Commercial and industrial loans	1,503.7	15.9	126.1	164.1	1,197.6	211.2	386.0	372.4	140.6	105.2	288.3
Loans to individuals	1,082.7	8.3	47.2	79.2	947.9	290.0	200.2	197.7	100.7	40.3	253.8
Credit card loans	411.6	0.1	3.3	25.8	382.4	181.6	24.7	58.4	46.3	7.8	92.9
Other loans to individuals	671.1	8.2	43.9	53.4	565.6	108.4	175.4	139.4	54.4	32.5	161.0
All other loans and leases (including farm)	655.3	11.9	39.2	37.8	566.5	110.1	162.2	174.4	72.5	22.4	113.7
Total loans and leases	7,992.8	113.1	956.4	1,044.2	5,879.0	1,455.1	2,089.8	1,790.6	687.4	514.9	1,454.9
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	22,966.4	555.3	5,297.2	4,150.7	12,963.2	1,613.8	6,859.9	6,384.8	2,514.4	1,995.9	3,597.6
Construction and development	6,630.9	146.8	2,737.6	2,035.8	1,710.7	442.5	2,339.3	1,097.8	757.2	824.5	1,169.7
Nonfarm nonresidential	2,406.9	159.0	963.5	526.1	758.3	232.3	661.5	660.6	350.0	370.4	132.1
Multifamily residential real estate	734.6	18.3	192.5	253.1	270.7	60.8	187.4	276.7	67.6	54.8	87.4
1-4 family residential	11,500.8	215.4	1,365.2	1,309.2	8,611.0	841.1	3,616.5	3,620.7	732.3	672.3	2,017.8
Farmland	77.1	15.2	39.2	11.3	11.3	10.7	11.4	9.7	11.5	31.7	2.2
GNMA properties	1,474.4	1.1	0.9	16.0	1,456.4	17.7	55.8	720.4	597.5	42.4	40.6

* See Table IV-A (page 8) for explanations.
** Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.

TABLE VI-A. Derivatives, All FDIC-Insured Commercial Banks and State-Chartered Savings Banks

(dollar figures in millions; notional amounts unless otherwise indicated)	3rd Quarter 2008	2nd Quarter 2008	1st Quarter 2008	4th Quarter 2007	3rd Quarter 2007	%Change 07Q3-08Q3	Asset Size Distribution: Less Than $100 Million	$100 Million To $1 Billion	$1 Billion To $10 Billion	Greater Than $10 Billion
ALL DERIVATIVE HOLDERS										
Number of institutions reporting derivatives	1,066	1,065	1,099	1,045	1,026	3.9	81	640	266	79
Total assets of institutions reporting derivatives	$10,713,332	$10,102,137	$10,194,206	$9,827,098	$9,459,618	13.3	$5,802	$278,136	$853,648	$9,575,746
Total deposits of institutions reporting derivatives	6,795,048	6,449,005	6,471,046	6,324,979	6,030,658	12.7	4,570	216,179	609,402	5,964,897
Total derivatives	177,103,186	183,303,064	181,599,670	166,117,135	174,574,544	1.4	167	17,389	81,009	177,004,621
Derivative Contracts by Underlying Risk Exposure										
Interest rate	137,205,229	144,933,428	141,879,217	129,490,988	138,720,387	-1.1	150	16,813	69,307	137,118,960
Foreign exchange*	19,729,818	19,418,964	19,738,204	17,174,167	16,696,571	18.2	5	34	10,092	19,719,686
Equity	2,785,996	2,344,339	2,410,959	2,522,430	2,745,807	1.5	12	157	1,029	2,784,798
Commodity & other (excluding credit derivatives)	1,233,751	1,137,524	1,129,869	1,066,704	1,015,444	21.5	0	194	339	1,233,218
Credit	16,148,392	15,468,809	16,441,421	15,862,846	15,396,335	4.9	0	191	242	16,147,960
Total	177,103,186	183,303,064	181,599,670	166,117,135	174,574,544	1.4	167	17,389	81,009	177,004,621
Derivative Contracts by Transaction Type										
Swaps	108,289,172	114,178,240	112,564,785	103,102,442	111,396,480	-2.8	14	10,386	50,269	108,228,502
Futures & forwards	24,483,661	23,582,769	22,361,892	18,866,619	17,126,206	43.0	67	2,162	16,024	24,465,407
Purchased options	13,485,926	14,501,116	14,285,549	13,770,867	14,547,038	-7.3	10	2,081	7,082	13,476,753
Written options	13,450,076	14,414,797	14,705,284	13,954,396	15,022,184	-10.5	71	2,546	7,010	13,440,449
Total	159,708,834	166,676,922	163,917,510	149,694,325	158,091,908	1.0	162	17,176	80,385	159,611,111
Fair Value of Derivative Contracts										
Interest rate contracts	27,297	75,935	62,573	20,075	30,716	-11.1	1	15	660	26,622
Foreign exchange contracts	15,054	32,017	9,670	7,980	3,119	382.7	0	0	1	15,054
Equity contracts	3,742	-3,878	-2,426	9,485	-20,872	N/M	0	2	21	3,719
Commodity & other (excluding credit derivatives)	3,175	5,063	3,346	1,785	1,664	90.8	0	100	1	3,075
Credit derivatives as guarantor	-566,034	-398,893	-474,045	-212,447	-104,120	443.6	0	0	-26	-566,008
Credit derivatives as beneficiary	603,935	428,844	501,034	222,426	110,905	444.6	0	1	-1	603,934
Derivative Contracts by Maturity**										
Interest rate contracts < 1 year	40,399,684	44,995,175	42,621,752	39,085,340	48,918,972	-17.4	63	2,509	15,701	40,381,411
1-5 years	37,760,921	39,521,394	39,752,478	37,222,363	36,311,048	4.0	12	8,156	25,065	37,727,688
> 5 years	28,784,955	29,704,342	30,105,716	27,724,625	27,877,687	3.3	0	3,397	21,292	28,760,266
Foreign exchange contracts < 1 year	12,664,219	12,345,486	12,524,601	11,591,807	10,094,603	25.5	0	10	7,502	12,656,707
1-5 years	1,787,926	1,929,554	1,924,840	1,604,898	1,831,220	-2.4	0	3	26	1,787,897
> 5 years	676,656	734,305	714,707	618,960	718,390	-5.8	0	0	10	676,646
Equity contracts < 1 year	508,748	504,258	509,709	473,413	464,820	9.5	1	41	126	508,580
1-5 years	332,908	207,513	287,805	297,459	330,227	0.8	4	42	422	332,439
> 5 years	81,967	76,283	39,960	70,485	70,134	16.9	0	0	19	81,948
Commodity & other contracts < 1 year	294,036	315,202	369,747	284,837	267,197	10.0	0	0	263	293,773
1-5 years	288,860	267,344	277,956	333,631	304,544	-5.1	0	65	22	288,773
> 5 years	88,822	28,367	33,492	28,282	31,483	182.1	0	0	0	88,822
Risk-Based Capital: Credit Equivalent Amount										
Total current exposure to tier 1 capital (%)	60.4	57.7	67.2	45.4	38.0		0.1	0.4	1.8	69.5
Total potential future exposure to tier 1 capital (%)	122.5	118.5	122.7	110.1	114.7		0.1	0.4	0.8	141.3
Total exposure (credit equivalent amount) to tier 1 capital (%)	182.9	176.2	189.9	155.5	152.7		0.2	0.8	2.5	210.8
Credit losses on derivatives***	227.0	135.0	15.0	156.0	125.0	81.6	0.0	1.0	0.0	226.0
HELD FOR TRADING										
Number of institutions reporting derivatives	182	181	170	166	158	15.2	8	58	62	54
Total assets of institutions reporting derivatives	9,226,469	8,596,550	8,622,322	8,306,873	7,976,927	15.7	531	27,332	288,951	8,909,655
Total deposits of institutions reporting derivatives	5,850,572	5,501,876	5,465,449	5,354,982	5,081,807	15.1	386	21,361	207,048	5,621,777
Derivative Contracts by Underlying Risk Exposure										
Interest rate	134,667,695	142,264,570	139,169,279	127,128,959	136,071,674	-1.0	7	773	28,482	134,638,433
Foreign exchange	18,396,293	18,166,799	18,413,342	16,483,116	15,489,462	18.8	0	0	9,400	18,386,893
Equity	2,773,712	2,333,148	2,402,414	2,515,192	2,729,758	1.6	0	3	303	2,773,406
Commodity & other	1,230,649	1,134,781	1,128,387	1,065,818	1,014,757	21.3	0	0	228	1,230,421
Total	157,068,350	163,899,297	161,113,422	147,193,085	155,305,652	1.1	7	777	38,413	157,029,153
Trading Revenues: Cash & Derivative Instruments										
Interest rate	950	1,503	1,724	-2,531	1,624	-41.5	0	-1	9	942
Foreign exchange	3,090	2,096	2,084	1,880	1,936	59.6	0	0	17	3,073
Equity	-923	185	-18	217	-98	841.8	0	0	0	-923
Commodity & other (including credit derivatives)	3,305	-1,944	-2,791	-10,145	-803	N/M	0	0	1	3,304
Total trading revenues	6,422	1,839	998	-10,579	2,659	141.5	0	-1	27	6,396
Share of Revenue										
Trading revenues to gross revenues (%)	4.6	1.3	0.7	-7.7	1.8		0.0	-0.2	0.6	4.8
Trading revenues to net operating revenues (%)	66.3	24.8	9.7	-278.0	14.9		0.0	-1.5	9.9	68.3
HELD FOR PURPOSES OTHER THAN TRADING										
Number of institutions reporting derivatives	968	973	1,011	965	951	1.8	72	585	238	73
Total assets of institutions reporting derivatives	10,394,145	9,804,368	9,912,089	9,660,650	9,299,269	11.8	5,214	251,908	747,924	9,389,099
Total deposits of institutions reporting derivatives	6,587,322	6,254,425	6,286,953	6,210,106	5,922,180	11.2	4,139	195,425	532,895	5,854,862
Derivative Contracts by Underlying Risk Exposure										
Interest rate	2,537,534	2,668,858	2,709,938	2,362,029	2,648,713	-4.2	143	16,039	40,825	2,480,527
Foreign exchange	87,565	94,832	84,124	131,087	120,808	-27.5	0	12	311	87,243
Equity	12,284	11,191	8,545	7,238	16,048	-23.5	12	154	725	11,392
Commodity & other	3,101	2,743	1,482	886	687	351.4	0	194	111	2,797
Total notional amount	2,640,484	2,777,625	2,804,088	2,501,240	2,786,256	-5.2	155	16,400	41,972	2,581,958

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

*Include 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.

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

*** The reporting of credit losses on derivatives is applicable to all banks filing the FFIEC 031 report form and to those banks filing the FFIEC 041 report form that have $300 million or more in total assets.

TABLE VII-A. Servicing, Securitization, and Asset Sales Activities (All FDIC-Insured Commercial Banks and State-Chartered Savings Banks)

(dollar figures in millions)	3rd Quarter 2008	2nd Quarter 2008	1st Quarter 2008	4th Quarter 2007	3rd Quarter 2007	%Change 07Q3-08Q3	Asset Size Distribution: Less Than $100 Million	$100 Million To $1 Billion	$1 Billion To $10 Billion	Greater Than $10 Billion
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements										
Number of institutions reporting securitization activities	133	135	134	127	125	6.4	15	57	24	37
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	$1,217,806	$1,087,331	$1,068,703	$1,056,363	$1,033,487	17.8	$64	$452	$1,856	$1,215,435
Home equity loans	6,880	7,822	8,341	9,353	9,894	-30.5	0	0	210	6,670
Credit card receivables	417,832	409,883	402,171	390,035	379,662	10.1	0	3,308	11,953	402,570
Auto loans	13,742	6,224	7,495	8,285	9,755	40.9	0	0	218	13,524
Other consumer loans	28,090	28,870	27,787	28,542	29,386	-4.4	0	0	0	28,090
Commercial and industrial loans	11,080	12,491	12,555	14,469	16,183	-31.5	0	4	4,892	6,184
All other loans, leases, and other assets*	211,398	198,089	197,091	193,875	184,941	14.3	43	48	296	211,010
Total securitized and sold	1,906,828	1,750,710	1,724,143	1,700,921	1,663,308	14.6	107	3,812	19,425	1,883,483
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	7,515	7,121	7,019	6,913	6,874	9.3	3	74	11	7,426
Home equity loans	1,347	1,527	1,752	2,000	2,336	-42.3	0	0	6	1,341
Credit card receivables	24,039	23,129	21,412	19,629	19,120	25.7	0	370	1,038	22,630
Auto loans	447	352	405	380	426	4.9	0	0	13	434
Other consumer loans	1,428	1,417	1,406	1,379	2,114	-32.5	0	0	0	1,428
Commercial and industrial loans	170	311	276	603	720	-76.4	1	27	73	69
All other loans, leases, and other assets	954	2,161	3,228	3,733	4,578	-79.2	12	255	9	679
Total credit exposure	35,901	36,017	35,499	34,636	36,169	-0.7	16	727	1,151	34,008
Total unused liquidity commitments provided to institution's own securitizations	1,273	1,902	2,944	4,686	5,095	-75.0	0	0	0	1,273
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)										
1-4 family residential loans	3.8	2.8	2.5	2.8	2.9		0.7	0.0	1.3	3.8
Home equity loans	1.3	0.6	0.7	0.8	0.7		0.0	0.0	2.3	1.3
Credit card receivables	2.5	2.1	2.2	2.2	2.1		0.0	1.5	1.7	2.5
Auto loans	2.1	2.2	1.9	2.4	1.9		0.0	0.0	1.1	2.1
Other consumer loans	3.2	2.7	2.5	3.1	2.8		0.0	0.0	0.0	3.2
Commercial and industrial loans	1.6	1.3	1.2	1.0	0.9		0.0	0.0	3.4	0.2
All other loans, leases, and other assets	0.2	0.3	0.1	0.1	0.1		0.0	0.0	0.0	0.2
Total loans, leases, and other assets	3.0	2.3	2.2	2.4	2.4		0.4	1.3	2.1	3.1
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)										
1-4 family residential loans	3.2	2.0	2.0	1.6	1.3		1.2	0.0	0.7	3.2
Home equity loans	0.7	0.7	0.7	0.5	0.4		0.0	0.0	1.2	0.7
Credit card receivables	2.1	2.1	2.1	1.9	1.7		0.0	1.2	1.4	2.2
Auto loans	0.2	0.3	0.3	0.4	0.2		0.0	0.0	0.1	0.2
Other consumer loans	2.9	2.4	2.3	2.4	2.1		0.0	0.0	0.0	2.9
Commercial and industrial loans	1.5	1.3	1.1	0.9	0.7		0.0	0.0	3.0	0.2
All other loans, leases, and other assets	0.2	0.2	0.2	0.1	0.1		0.0	0.0	0.0	0.2
Total loans, leases, and other assets	2.6	1.8	1.8	1.5	1.3		0.7	1.0	1.7	2.6
Securitized Loans, Leases, and Other Assets Charged-Off (net, YTD, annualized, %)										
1-4 family residential loans	0.3	0.1	0.0	0.1	0.0		0.0	0.0	0.1	0.3
Home equity loans	0.4	0.2	0.1	0.2	0.1		0.0	0.0	1.1	0.3
Credit card receivables	4.4	2.8	1.4	4.4	3.3		0.0	2.9	3.0	4.4
Auto loans	1.3	0.9	0.4	1.3	0.8		0.0	0.0	0.3	1.3
Other consumer loans	0.6	0.4	0.2	1.3	1.1		0.0	0.0	0.0	0.6
Commercial and industrial loans	3.6	1.9	0.8	2.0	1.2		0.0	0.0	7.9	0.2
All other loans, leases, and other assets	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.1	0.0
Total loans, leases, and other assets	1.2	0.7	0.4	1.1	0.8		0.0	2.5	3.8	1.2
Seller's Interests in Institution's Own Securitizations—Carried as Loans										
Home equity loans	166	435	282	347	494	-66.4	0	0	0	166
Credit card receivables	98,826	82,604	73,418	86,748	77,451	27.6	0	223	4,230	94,373
Commercial and industrial loans	636	3,506	3,263	7,671	6,018	-89.4	0	0	594	42
Seller's Interests in Institution's Own Securitizations—Carried as Securities										
Home equity loans	6	7	9	9	10	-40.0	0	0	0	6
Credit card receivables	623	403	377	436	374	66.6	0	7	617	0
Commercial and industrial loans	15	1	1	2	6	150.0	0	0	0	15
Assets Sold with Recourse and Not Securitized										
Number of institutions reporting asset sales	784	771	759	759	747	5.0	150	479	109	46
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	68,676	65,952	60,386	57,612	57,400	19.6	1,037	8,629	3,431	55,580
Home equity, credit card receivables, auto, and other consumer loans	1,606	1,718	1,886	637	775	107.2	1	30	62	1,513
Commercial and industrial loans	7,314	4,794	4,579	4,728	5,053	44.7	0	174	14	7,125
All other loans, leases, and other assets	41,501	28,358	26,105	24,082	21,509	92.9	0	79	457	40,966
Total sold and not securitized	119,097	100,822	92,956	87,059	84,737	40.5	1,038	8,912	3,963	105,183
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	15,702	14,674	14,070	14,780	15,885	-1.2	130	1,436	1,958	12,179
Home equity, credit card receivables, auto, and other consumer loans	198	171	165	604	742	-73.3	1	11	60	126
Commercial and industrial loans	6,180	3,614	3,335	3,393	3,422	80.6	0	155	14	6,011
All other loans, leases, and other assets	11,517	7,508	7,180	6,968	6,299	82.8	0	13	99	11,405
Total credit exposure	33,597	25,967	24,750	25,745	26,348	27.5	131	1,615	2,131	29,721
Support for Securitization Facilities Sponsored by Other Institutions										
Number of institutions reporting securitization facilities sponsored by others	50	48	49	49	50	0.0	24	18	3	5
Total credit exposure	18,464	12,668	6,825	2,843	1,478	1149.3	9	72	48	18,335
Total unused liquidity commitments	3,531	5,492	6,778	10,314	8,242	-57.2	0	0	0	3,531
Other										
Assets serviced for others**	5,528,813	3,921,890	3,813,285	3,798,682	3,648,511	51.5	3,587	66,084	107,977	5,351,164
Asset-backed commercial paper conduits										
Credit exposure to conduits sponsored by institutions and others	20,830	21,083	22,332	22,226	22,592	-7.8	2	1	236	20,591
Unused liquidity commitments to conduits sponsored by institutions and others	293,183	320,507	345,968	372,709	365,850	-19.9	0	27	0	293,156
Net servicing income (for the quarter)	4,110	7,280	3,532	2,718	3,635	13.1	7	183	225	3,695
Net securitization income (for the quarter)	3,892	3,836	5,137	5,008	5,812	-33.0	0	60	213	3,619
Total credit exposure to Tier 1 capital (%)***	9.00	7.30	6.60	6.40	6.50		0.70	1.90	2.50	11.80

*Line item titled "All other loans and all leases" for quarters prior to March 31, 2006.
**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.

INSURANCE FUND INDICATORS

- ***Insured Deposits Grow by 1.8 Percent, Up from the Prior Quarter's 0.6 Percent Growth Rate***
- ***DIF Reserve Ratio Declines 25 Basis Points to 0.76 Percent***
- ***Nine Institutions Failed During the Third Quarter***
- ***Changes Proposed for Risk-Based Assessments***

Total assets of the nation's 8,384 FDIC-insured commercial banks and savings institutions increased by $273.2 billion (2.1 percent) during the third quarter of 2008. Fifty-seven percent of the quarter's asset growth was funded by deposits, as noninterest-bearing deposits increased by 13.7 percent ($176.8 billion), while interest-bearing deposits decreased by 0.3 percent ($21.9 billion). Domestic office deposits of banks and thrifts increased by 2.7 percent ($192.9 billion), and foreign office deposits decreased by 2.5 percent ($38.0 billion).

Estimated insured deposits rose by 1.8 percent ($78.6 billion) in the third quarter of 2008, and by 7.1 percent over the past four quarters. The third-quarter increase was up from the previous quarter's 0.6 percent growth rate. For institutions existing as of June 30, 2008, and September 30, 2008, insured deposits increased during the third quarter at 4,820 institutions (58 percent), decreased at 3,508 institutions (42 percent), and remained unchanged at 35 institutions.

The Deposit Insurance Fund (DIF) decreased by 23.5 percent ($10.6 billion) during the third quarter to $34,588 million (unaudited). Accrued assessment income increased the fund by $881 million. Interest earned, combined with realized and unrealized gains (losses) on securities, added $653 million to the insurance fund. Operating and other expenses, net of other revenue, reduced the fund by $233 million. The reduction in the DIF was primarily due to an $11.9 billion increase in loss provisions for bank failures. The DIF's reserve ratio equaled 0.76 percent on September 30, 2008, down from 1.01 percent at June 30, 2008, and 1.22 percent one year ago. The September figure is the lowest reserve ratio for the combined bank and thrift insurance fund since June 30, 1994, when the reserve ratio was 0.74 percent. Nine FDIC-insured institutions with combined assets of $346 billion failed during the third quarter of 2008, the largest number of quarterly failures since the third quarter of 1993 when 16 insured institutions failed.

The failure of Washington Mutual Bank on September 25, 2008, which reported assets of $307 billion on its last quarterly financial report, was the largest single failure in the FDIC's history. For 2008 through September 30, thirteen insured institutions with combined assets of $348 billion failed, at an estimated current cost to the DIF of $11.0 billion.

Restoration Plan

Recent bank failures significantly increased the Deposit Insurance Fund's losses, resulting in a decline in the reserve ratio. As of September 30, 2008, the reserve ratio stood at 0.76 percent, down from 1.01 percent at June 30 and 1.19 percent at March 31. The Federal Deposit Insurance Reform Act of 2005 (the Reform Act) requires that the FDIC's Board of Directors adopt a restoration plan when the Deposit Insurance Fund reserve ratio falls below 1.15 percent or is expected to within six months. Absent extraordinary circumstances, the restoration plan must provide that the reserve ratio increase to at least 1.15 percent no later than five years after the plan's establishment. The FDIC Board adopted a restoration plan on October 7.

As part of the restoration plan, and in conjunction with it, the FDIC Board also authorized publication of a notice of proposed rule making (NPR) that would raise assessment rates and make other changes to the assessment system. The other changes are primarily to ensure that riskier institutions will bear a greater share of the proposed increase in assessments.

Rates for the First Quarter of 2009

The FDIC proposed raising the current assessment rates uniformly by 7 basis points for the first quarter 2009 assessment period. Assessment rates for the first quarter of 2009 would range from 12 to 50 basis points. Institutions in the lowest risk category—Risk Category I—would pay between 12 and 14 basis points.

Changes to Risk-Based Assessments Effective the Second Quarter of 2009

Range of assessment rates

Currently, risk-based assessment rates range between 5 and 43 basis points—5 to 7 basis points for Risk Category I. Effective April 1, 2009, the proposal would widen the range of rates overall and within Risk Category I. Initial base assessment rates would range between 10 and 45 basis points—10 to 14 basis points for Risk Category I. The initial base rates for risk categories II, III, and IV would be 20, 30, and 45 basis points, respectively. An institution's total base assessment rate may be less than or greater than its initial base rate as a result of additional proposed risk adjustments (discussed below).

Large Risk Category I institutions

Under the current rules, the pricing method for most large institutions (generally, those with more than $10 billion in assets) in Risk Category I relies on average CAMELS component ratings and long-term debt issuer ratings from credit agencies. Under the proposal, effective April 1, 2009, the assessment rate for a large institution would depend on (1) long-term debt ratings, (2) the weighted average CAMELS component rating, and (3) the rate determined from the financial ratios method, the method used for smaller banks. Each of the three components would receive a one-third weight.

Brokered deposits

For institutions in Risk Category I, the financial ratios method would include a new financial ratio that may increase the rate of an institution relying significantly on brokered deposits to fund rapid asset growth. This would only apply to institutions with brokered deposits of more than 10 percent of domestic deposits and cumulative asset growth of more than 20 percent over the last four years, adjusted for mergers and acquisitions. Like the other financial ratios used to determine rates in Risk Category I, a small change in the value of the new ratio may lead to only a small rate change, and it would not cause an institution's rate to fall outside of the 10-14 basis point initial range.

For institutions in risk categories II, III, or IV, the FDIC proposes to increase an institution's assessment rate above its initial rate if its ratio of brokered deposits to domestic deposits is greater than 10 percent, regardless of the rate of asset growth. Such an increase would be capped at 10 basis points.

Secured liabilities

For institutions in any risk category, assessment rates would rise above initial rates for institutions relying significantly on secured liabilities. Assessment rates would increase for institutions with a ratio of secured liabilities to domestic deposits of greater than 15 percent, with a maximum increase of 50 percent above the rate before such adjustment.

Secured liabilities generally include repurchase agreements, Federal Home Loan Bank advances, secured Federal Funds purchased, and other secured borrowings.

Unsecured debt and Tier I capital

Institutions would receive a lower rate if they have long-term unsecured debt, including senior unsecured and subordinated debt with a remaining maturity of one year or more.

For a large institution, the rate reduction would be determined by multiplying the institution's long-term unsecured debt as a percentage of domestic deposits by 20 basis points. The maximum allowable rate reduction would be 2 basis points.

For a small institution, this adjustment would treat a certain amount of Tier 1 capital similarly to unsecured debt. The amount of qualifying Tier 1 capital would be the sum of one-half of the amount between 10 percent and 15 percent of adjusted average assets and the full amount of Tier 1 capital exceeding 15 percent of adjusted average assets.

Summary of base rate determination

The minimum and maximum initial base assessment rates, range of possible rate adjustments, and minimum and maximum total base rates are as follows:

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV
Initial base assessment rate	10 – 14	20	30	45
Unsecured debt adjustment	-2 – 0	-2 – 0	-2 – 0	-2 – 0
Secured liability adjustment	0 – 7	0 – 10	0 – 15	0 – 22.5
Brokered deposit adjustment		0 – 10	0 – 10	0 – 10
Total base assessment rate	8 – 21	18 – 40	28 – 55	43 – 77.5

Base rates and actual rates

The NPR recommended that actual rates equal the proposed base rates. The FDIC would continue to have the authority to adopt actual rates that were higher or lower than total base assessment rates without the necessity of further notice-and-comment rulemaking, provided that: (1) the Board could not increase or decrease rates from one quarter to the next by more than 3 basis points without further notice-and-comment rulemaking; and (2) cumulative increases and decreases could not be more than 3 basis points higher or lower than the total base rates without further notice-and-comment rulemaking.

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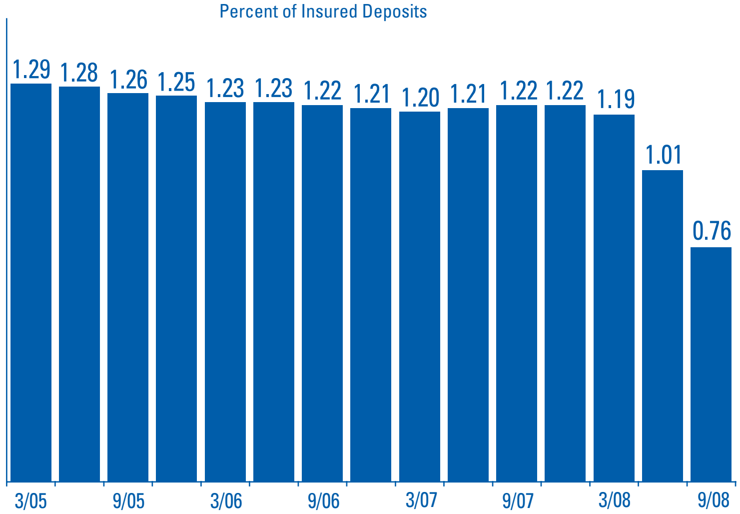
Table I-B. Insurance Fund Balances and Selected Indicators

(dollar figures in millions)	Deposit Insurance Fund 3rd Quarter 2008	2nd Quarter 2008	1st Quarter 2008	4th Quarter 2007	3rd Quarter 2007	2nd Quarter 2007	1st Quarter 2007	4th Quarter 2006	3rd Quarter 2006	2nd Quarter 2006	1st Quarter 2006
Beginning Fund Balance*	$45,217	$52,843	$52,413	$51,754	$51,227	$50,745	$50,165	$49,992	$49,564	$49,193	$48,597
Changes in Fund Balance:											
Assessments earned	881	640	448	239	170	140	94	10	10	7	5
Interest earned on investment securities	526	651	618	585	640	748	567	476	622	665	478
Realized gains on sale of investments	473	0	0	0	0	0	0	0	0	0	0
Operating expenses	249	256	238	262	243	248	239	248	237	242	224
Provision for insurance losses	11,930	10,221	525	39	132	-3	-73	49	-50	-6	-45
All other income, net of expenses**	16	1	0	-2	24	1	4	5	1	12	349
Unrealized gain/(loss) on available-for-sale securities	-346	1,559	127	138	68	-162	81	-21	-18	-77	-57
Total fund balance change	-10,629	-7,626	430	659	527	482	580	173	428	371	596
Ending Fund Balance*	34,588	45,217	52,843	52,413	51,754	51,227	50,745	50,165	49,992	49,564	49,193
Percent change from four quarters earlier	-33.17	-11.73	4.13	4.48	3.52	3.36	3.15	3.23	3.35	3.21	3.31
Reserve Ratio (%)	0.76	1.01	1.19	1.22	1.22	1.21	1.20	1.21	1.22	1.23	1.23
Estimated Insured Deposits***	4,543,752	4,465,139	4,437,034	4,291,700	4,242,607	4,235,044	4,245,267	4,153,786	4,100,013	4,404,353	4,001,906
Percent change from four quarters earlier	7.10	5.43	4.52	3.32	3.48	4.82	6.08	6.76	7.02	7.52	8.50
Domestic Deposits****	7,230,058	7,036,217	7,076,691	6,921,656	6,747,998	6,698,886	6,702,598	6,640,105	6,484,372	6,446,868	6,340,783
Percent change from four quarters earlier	7.14	5.04	5.58	4.24	4.07	3.91	5.71	6.59	6.76	8.68	8.70
Number of institutions reporting	8,394	8,462	8,505	8,545	8,570	8,625	8,661	8,692	8,755	8,790	8,803

DIF Reserve Ratios*

Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits*

($ Millions)

	DIF Balance	DIF-Insured Deposits
3/05	47,617	3,688,562
6/05	48,023	3,757,728
9/05	48,373	3,830,950
12/05	48,597	3,890,941
3/06	49,193	4,001,906
6/06	49,564	4,040,353
9/06	49,992	4,100,013
12/06	50,165	4,153,786
3/07	50,745	4,245,267
6/07	51,227	4,235,044
9/07	51,754	4,242,607
12/07	52,413	4,291,700
3/08	52,843	4,437,034
6/08	45,217	4,465,139
9/08	34,588	4,543,752

Table II-B. Problem Institutions and Failed/Assisted Institutions

(dollar figures in millions)	2008*****	2007*****	2007	2006	2005	2004	2003
Problem Institutions							
Number of institutions	171	65	76	50	52	80	116
Total assets	$115,639	$18,515	$22,189	$8,265	$6,607	$28,250	$29,917
Failed/Assisted Institutions							
Number of institutions	13	2	3	0	0	4	3
Total assets	$347,569	$2,490	$2,615	$0	$0	$170	$947

* Prior to 2006, amounts represent sum of separate BIF and SAIF amounts.

** First Quarter 2006 includes previously escrowed revenue from SAIF-member exit fees.

*** The Emergency Economic Stabilization Act of 2008 directs the FDIC not to consider the temporary coverage increase to $250,000 in setting assessments. Therefore, we do not include the additional insured deposits in calculating the fund reserve ratio, which guides our assessment planning. If Congress were to decide to leave the $250,000 coverage level in place indefinitely, however, it would be necessary to account for the increase in insured deposits to determine the appropriate level of the fund.

**** Domestic deposits differ from Table II-A due to inclusion of insured branches of foreign banks.

***** Through September 30.

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

(dollar figures in millions)

September 30, 2008	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	7,146	$12,050,414	$6,273,276	$3,777,203
FDIC-Supervised	4,715	1,911,907	1,397,631	1,000,214
OCC-Supervised	1,556	8,334,895	3,882,905	2,257,327
Federal Reserve-Supervised	875	1,803,611	992,740	519,662
FDIC-Insured Savings Institutions	1,238	1,523,277	948,687	761,547
OTS-Supervised Savings Institutions	819	1,217,637	740,193	595,575
FDIC-Supervised State Savings Banks	419	305,640	208,494	165,972
Total Commercial Banks and Savings Institutions	8,384	13,573,691	7,221,963	4,538,750
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	10	39,459	8,095	5,002
Total FDIC-Insured Institutions	8,394	13,613,150	7,230,058	4,543,752

* Excludes $1.51 trillion in foreign office deposits, which are uninsured.

Table IV-B. Distribution of Institutions and Domestic Deposits Among Risk Categories

Quarter Ending June 30, 2008

(dollar figures in billions)

Risk Category	Annual Rate in Basis Points	Number of Institutions	Percent of Total Institutions	Domestic Deposits	Percent of Total Assessment Base
I - Minimum	5	2,038	24.1	2,684	38.2
I - Middle	5.01- 6.00	2,633	31.1	2,192	31.2
I - Middle	6.01- 6.99	1,587	18.8	702	10.0
I - Maximum	7	1,478	17.5	504	7.2
II	10	590	7.0	897	12.7
III	28	122	1.4	27	0.4
IV	43	14	0.2	29	0.4

Note: Institutions are categorized based on supervisory ratings, debt ratings and financial data as of June 30, 2008.
Rates do not reflect the application of assessment credits. See notes to users for further information on risk categories and rates.

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 V-A of the *FDIC Quarterly Banking Profile* is aggregated for all FDIC-insured institutions, both commercial banks and savings institutions. Tables VI-A (Derivatives) and VII-A (Servicing, Securitization, and Asset Sales Activities) aggregate information only for insured commercial banks and state-chartered savings banks that file quarterly Call Reports. Table VIII-A (Trust Services) aggregates Trust asset and income information collected annually from all FDIC-insured 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 IV-B.

A separate set of tables (Tables I-B through IV-B) provides comparative quarterly data related to the Deposit Insurance Fund (DIF), problem institutions, failed/assisted institutions, estimated FDIC-insured deposits, as well as assessment rate information. Depository institutions that are not insured by the FDIC through the DIF are not included in the *FDIC Quarterly Banking Profile*. U.S. branches of institutions headquartered in foreign countries and non-deposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charters.

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *Call Reports* and the OTS *Thrift Financial Reports* submitted by all FDIC-insured depository institutions. This information is stored on and retrieved from the FDIC's Research Information System (RIS) data base.

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*.

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.

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, e.g., institutions can move their home offices between regions, and savings institutions can convert to commercial banks or commercial banks may convert to savings institutions.

ACCOUNTING CHANGES

FASB Statement No. 157 *Fair Value Measurements* issued in September 2006 and FASB Statement No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* issued in February 2007—both are effective in 2008 with early adoption permitted in 2007. FAS 157 clarifies fair value and establishes a framework for developing fair value estimates for the fair value measurements that are already required or permitted under other standards. Fair value continues to be used for derivatives, trading securities, and available-for-sale securities. Changes in fair value go through earnings for the derivatives and trading securities. Changes in the fair value of available-for-sale securities are reported in other comprehensive income. Available-for-sale securities and held-to-maturity debt securities are written down to fair value through earnings if impairment is other than temporary and mortgage loans held for sale are reported at the lower of cost or fair value. Loans held for investment are also subject to impairment but are written down based on the present value of discounted cash flows. FAS 159 allows banks to elect a fair value option when assets are recognized on the balance sheet and to report certain financial assets and liabilities at fair value with subsequent changes in fair value included in earnings. Existing eligible items can be fair-valued as early as January 2007 under FAS 159, if a bank adopts FAS 157.

FASB Statement No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*—issued in September 2006 requires a bank to recognize in 2007, and subsequently, the funded status of its postretirement plans on its balance sheet. An overfunded plan is recognized as an asset and an underfunded plan is recognized as a liability. An adjustment is made to equity as accumulated other comprehensive income (AOCI) upon application of FAS 158, and AOCI is adjusted in subsequent periods as net periodic benefit costs are recognized in earnings.

FASB Statement No. 156 *Accounting for Servicing of Financial Assets*—issued in March 2006 and effective in 2007, requires all separately recognized servicing assets and liabilities to be initially measured at fair value and allows a bank the option to subsequently adjust that value by periodic revaluation and recognition of earnings or by periodic amortization to earnings.

FASB Statement No. 155 *Accounting for Certain Hybrid Financial Instruments*—issued in February 2006, requires bifurcation of certain derivatives embedded in interests in securitized financial assets and permits fair value measurement (i.e., a fair value option) for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133). In addition, FAS 155 clarifies which interest-only and principal-only strips are not subject to FAS 133.

Purchased Impaired Loans and Debt Securities—Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. The SOP applies to loans and debt securities acquired in fiscal years beginning after December 15, 2004. In general, this Statement of Position applies to "purchased impaired loans and debt securities" (i.e., loans and debt securities that a bank has purchased, including those acquired in a purchase business combination, when it is probable, at the purchase date, that the bank will be unable to collect all contractually required payments receivable). Banks must follow Statement of Position 03-3 for Call Report purposes. The SOP does not apply to the loans that a bank has originated, prohibits "carrying over" or creation of valuation allowances in the initial accounting, and any subsequent valuation allowances reflect only those losses incurred by the investor after acquisition.

GNMA Buy-back Option—If an issuer of GNMA securities has the option to buy back the loans that collateralize the GNMA securities, when certain delinquency criteria are met, FASB Statement No. 140 requires that loans with this buy-back option must be brought back on the issuer's books as assets. The rebooking of GNMA loans is required regardless of whether the issuer intends to exercise the buy-back option. The banking agencies clarified in May 2005 that all GNMA loans that are rebooked because of delinquency should be reported as past due according to their contractual terms.

FASB Interpretation No. 46—The FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, in January 2003 and revised it in December 2003. Generally, banks with variable interests in variable interest entities created after December 31, 2003, must consolidate them. The timing of consolidation varies with certain situations with application as late as 2005. The assets and liabilities of a consolidated variable interest entity are reported on a line-by-line basis according to the asset and liability categories shown on the bank's balance sheet, as well as related income items. Most small banks are unlikely to have any "variable interests" in variable interest entities.

FASB Interpretation No. 48 on Uncertain Tax Positions—FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), was issued in June 2006 as an interpretation of FASB Statement No. 109, *Accounting for Income Taxes.* Under FIN 48, the term "tax position" refers to "a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities." FIN 48 further states that a "tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets." As originally issued, FIN 48 was effective for fiscal years beginning after December 15, 2006. Banks must adopt FIN 48 for Call Report purposes in accordance with the interpretation's effective date except as follows. On January 23, 2008, the FASB decided to defer the effective date of FIN 48 for eligible nonpublic enterprises and to require those enterprises to adopt FIN 48 for annual periods beginning after December 15, 2007.

FASB Statement No. 123 (Revised 2004) and Share-Based Payments—requires all entities to recognize compensation expense in an amount equal to the fair value of share-based payments (e.g., stock options and restricted stock, granted to employees). As of January 2006 all banks must adopt FAS 123(R). The compensation cost is typically recognized over the vesting period with a corresponding credit to equity. The recording of the compensation cost also gives rise to a deferred tax asset.

FASB Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities*—All banks must recognize derivatives as either assets or liabilities on the balance sheet, measured at fair value. A derivative may be specifically designated as a "fair value hedge," a "cash flow hedge," or a hedge of a foreign currency exposure. The accounting for changes in the value of a derivative (gains and losses) depends on the intended use of the derivative, its resulting designation, and the effectiveness of the hedge. Derivatives held for purposes other than trading are reported as "other assets" (positive fair values) or "other liabilities" (negative fair values). For a fair value hedge, the gain or loss is recognized in earnings and "effectively" offsets loss or gain on the hedged item attributable to the risk being hedged. Any ineffectiveness of the hedge could result in a net gain or loss on the income statement. Accumulated net gains (losses) on cash flow hedges are recorded on the balance sheet as "accumulated other comprehensive income" and the periodic change in the accumulated net gains (losses) for cash flow hedges is reflected directly in equity as the value of the derivative changes. FASB Statement No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities provides guidance on the circumstances in which a loan commitment must be accounted for as a derivative. Under Statement No. 149, loan commitments that relate to the origination of mortgage loans that will be held for sale, commonly referred to as interest rate lock commitments, must be accounted for as derivatives on the balance sheet by the issuer of the commitment.

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, 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—assessable deposits consist of DIF deposits (deposits insured by the FDIC Deposit Insurance Fund) in banks' domestic offices with certain adjustments.

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

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.

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 some insurance funds in order to continue operating.

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.

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 uncollectibility), 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.

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 file 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.

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

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

Risk-based capital groups—definition:

(Percent)	Total Risk-Based Capital *		Tier 1 Risk-Based Capital *		Tier 1 Leverage		Tangible Equity
Well-Capitalized	≥10	*and*	≥6	*and*	≥5		–
Adequately capitalized	≥8	*and*	≥4	*and*	≥4		–
Undercapitalized	≥6	*and*	≥3	*and*	≥3		–
Significantly undercapitalized	<6	*or*	<3	*or*	<3	*and*	>2
Critically undercapitalized	–		–		–		≤2

*As a percentage of risk-weighted assets.

Risk Categories and Assessment Rate Schedule—The current risk categories and assessment rate schedule became effective January 1, 2007. Capital ratios and supervisory ratings distinguish one risk category from another. The following table shows the relationship of risk categories (I, II, III, IV) to capital and supervisory groups as well as the assessment rates (in basis points) for each risk category. Supervisory Group A generally includes institutions with CAMELS composite ratings of 1 or 2; Supervisory Group B generally includes institutions with a CAMELS composite rating of 3; and Supervisory Group C generally includes institutions with CAMELS composite ratings of 4 or 5. For purposes of risk-based assessment capital groups, undercapitalized includes institutions that are significantly or critically undercapitalized.

<table>
<tr><th rowspan="2">Capital Group</th><th colspan="3">Supervisory Group</th></tr>
<tr><th>A</th><th>B</th><th>C</th></tr>
<tr><td>1. Well Capitalized</td><td>I
5–7 bps</td><td rowspan="2">II
10 bps</td><td rowspan="2">III
28 bps</td></tr>
<tr><td>2. Adequately Capitalized</td><td></td></tr>
<tr><td>3. Undercapitalized</td><td colspan="2">III
28 bps</td><td>IV
43 bps</td></tr>
</table>

Assessment rates are 3 basis points above the base rate schedule. The FDIC may adjust rates up or down by 3 basis points from the base rate schedule without notice and comment, provided that any single adjustment from one quarter to the next cannot move rates more than 3 basis points.

For most institutions in Risk Category I, the assessment rate assigned will be based on a combination of financial ratios and CAMELS component ratings.

For large institutions in Risk Category I (generally those with at least $10 billion in assets) that have long-term debt issuer ratings, assessment rates will be determined by weighting CAMELS component ratings 50 percent and long-term debt issuer ratings 50 percent. For all large Risk Category I institutions, additional risk factors will be considered to determine whether assessment rates should be adjusted.

This additional information includes market data, financial performance measures, considerations of the ability of an institution to withstand financial stress, and loss severity indicators. Any adjustment will be limited to no more than ½ basis point.

Beginning in 2007, each institution is assigned a risk-based rate for a quarterly assessment period near the end of the quarter following the assessment period. Payment will generally be due on the 30th day of the last month of the quarter following the assessment period. Supervisory rating changes will be effective for assessment purposes as of the examination transmittal date. For institutions with long-term debt issuer ratings, changes in ratings will be effective for assessment purposes as of the date the change was announced.

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," which are reported at amortized cost (book value), and securities designated as "available-for-sale," reported at fair (market) value.

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.

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.

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 & 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.)

Volatile liabilities—the sum of large-denomination time deposits, foreign-office deposits, federal funds purchased, securities sold under agreements to repurchase, and other borrowings.

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

Do Record Farmland Prices Portend Another Steep Downturn for Agriculture and Farm Banks?

The agricultural crisis of the early 1980s remains a vivid memory for many in the farming community. Hundreds of farm banks failed during that period, and thousands of families lost their farms. Several factors came together to create the crisis; however, the massive run-up in farmland prices in the late 1970s, followed by the sharp decline in land prices between 1981 and 1992, significantly contributed to the adverse effects on farmers and their lenders. Today, farmland values are rising at a pace reminiscent of the 1970s, raising concerns that another agricultural crisis may occur if land prices decline. This article briefly discusses some of the reasons for the recent farmland price increases and analyzes their potential effect on FDIC-insured institutions.

Farmland Booms Preceded Hardships for Farmers and Their Lenders

Two significant boom-bust cycles in farmland prices occurred in the 20th century: one in the first two decades of the century and the other in the 1970s. In the first instance, strong population growth, improvement in railroads and shipping that allowed the opening of export markets, and increased productivity through the rapid adoption of tractor power all contributed to rising farm incomes.[1] By 1920, crop prices had more than doubled in only five years, and high farmland prices followed.[2]

Farmland values were similarly inflated by skyrocketing farm income in the 1970s. Strong export demand—due in part to rising incomes and growing populations in importing countries, and a weak U.S. dollar—fueled rapid increases in farm incomes during this period.[3] In addition, negative real interest rates caused by high inflation spurred massive borrowing for farmland purchases.

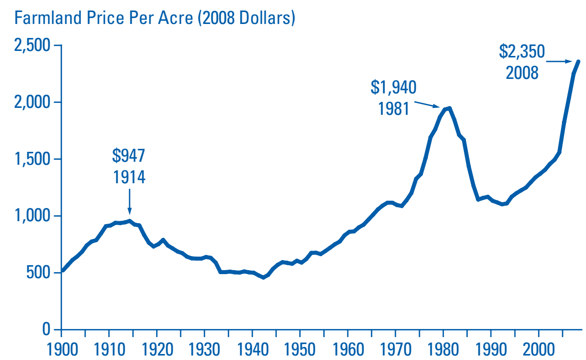
In both instances, strong export demand and growing income levels convinced farmers they were experiencing a new era in agriculture that would continue indefinitely. However, the unprecedented demand for U.S. farm commodities proved only temporary. In the 1920s, the end of World War I precipitated the decline in export demand, while in the 1970s, falling demand was due to greater global competition and a stronger dollar.[4] In addition, more restrictive monetary policy reduced the annual inflation rate from more than 13 percent in 1980 to less than 2 percent in 1986, further dampening farmland prices.[5] The distress led to thousands of farm bankruptcies, hundreds of farm bank failures, and a sustained decline in farmland prices.[6]

Farmland Values Have Escalated Sharply, Reaching New Peaks

Farmland values have risen dramatically across the United States during the past several years. Between 1993 and 2003, inflation-adjusted farmland prices were quite stable, increasing by 3.0 percent per year (see Chart 1). Since 2004, however, prices have jumped by

Chart 1

In 2008 Dollars, Present Farmland Prices Exceed the Two Price Booms of the 20th Century



Source: USDA National Agricultural Statistics Service.

[1] R. Douglas Hurt, *American Agriculture—A Brief History,* rev. ed. (West Lafayette, IN: Purdue University Press, 2002), p. 221.

[2] Willard Cochrane, *The Development of Agriculture—A Historical Perspective* (Minneapolis: University of Minnesota Press, 1993), p. 100.

[3] John Anderlik and Jeff Walser, "Agricultural Sector Under Stress: The 1980s and Today," *FDIC Regional Outlook*, third quarter (1999), p. 18.

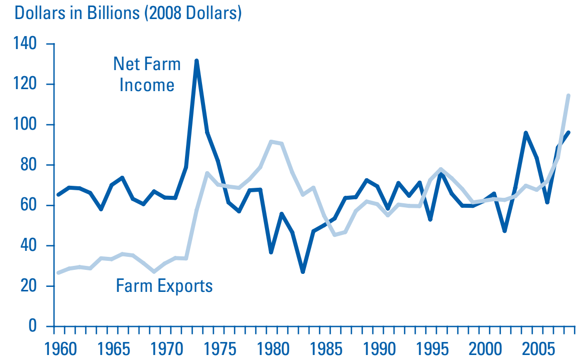
[4] Hurt, p. 221. U.S. farm exports fell by more than half between 1980 and 1986. Anderlik and Walser, p. 22.

[5] Anderlik and Walser, p. 21. After increasing 80 percent in inflation-adjusted terms from 1971 to 1981, farmland values rapidly declined to near their pre-1970s level.

[6] Anderlik and Walser, p. 18. There were 297 farm bank failures between 1977 and 1993.

Chart 2

Recent Farm Income and Exports Are the Highest since the 1970s



Source: USDA Economic Research Service.

an average of 11 percent annually.[7] At $2,350 per acre, average farmland values are more than 20 percent higher than their historic peak of $1,940 recorded in 1981.

While it would be difficult to quantify the causes of higher farmland prices on a local level, several factors are driving them on a regional and national scale. Foremost among these is strong farm income, primarily in corn-, soybean-, and wheat-producing regions. Other contributing factors include the spillover effects of the national housing boom, especially on the coasts, and a low interest-rate environment.

Farmers have experienced strong farm income in three of the past four years (see Chart 2). In 2008, forecasted net farm income is $95.7 billion, second only to the record $131.3 billion (after adjusting for inflation) set in 1973. Export demand for all U.S. agricultural products during the past four years has also been strong, with 2008 exports forecast to be the highest on record.[8]

While strong export demand is bolstering commodity prices, significant domestic demand for corn-based ethanol is pushing corn and soybean prices even higher. The corn ethanol industry, which was virtually dormant for more than two decades following the energy crisis of the 1970s, has mushroomed since 2000. Record-breaking oil prices and federal legislation supportive of the industry have contributed to the growth of ethanol as a lower-cost fuel alternative. The proportion of the U.S. corn crop used by the ethanol industry grew from 11 percent in the 2002 crop year to nearly 33 percent in 2008.[9] The result has been extremely high corn prices, which have spilled over into higher soybean prices as farmers have converted millions of acres of soybean plantings into corn. Consequently, land prices in the nation's largest corn- and soybean-producing states have increased rapidly (see Table 1).

The housing boom during the first half of this decade has also contributed to rising farmland values, especially on the coasts (see Table 1). Earlier this decade, developers bought or acquired options for tens of thousands of acres of farmland for the incipient housing boom, providing a significant nonagricultural source of demand for farmland. **Florida**, for example, where housing development was very strong, ranked first among the states in farmland price growth from 2004 to 2007, averaging 30.5 percent annually.[10]

Further, the recent escalation in farmland values occurred during a period of low long-term mortgage rates. In this environment, financing became much cheaper, resulting in lower capitalization rates and higher property values. In addition, this period saw the global devaluation of the U.S. dollar that increased global demand for U.S. agricultural exports.[11]

Several Factors Could Derail the Recent Run-Up in Farmland Values

The two U.S. farmland price booms of the 20th century grew on expectations that strong farm income and exports would continue indefinitely, which raises the question, Will the drivers of today's high farmland values prove more enduring? The basic assumption behind growing or high farmland values is that farm income will also grow or remain high; these expectations are then capitalized into farmland values. If agricultural export demand remains strong, keeping crop

[7] All farmland prices discussed in this article have been inflation-adjusted to the equivalent in 2008 dollars.

[8] U.S. Department of Agriculture (USDA) Economic Research Service, Net Farm Income Forecast, http://www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm; Farm Income: Data Files Net Value Added (With Net Farm Income), 1910–2007, http://www.ers.usda.gov/Data/FarmIncome/FinfidmuXls.htm; and Value of U.S. Agricultural Trade by Fiscal Year, http://www.ers.usda.gov/Data/FATUS/DATA/XMS1935fy.xls.

[9] USDA World Agricultural Outlook Board, *World Agricultural Demand and Supply Estimates,* December 10, 2004, p. 10, and October 10, 2008, p. 10.

[10] USDA National Agricultural Statistical Service, *Farmland Value and Cash Rents Reports,* various.

[11] Craig Elwell, *Weak Dollar, Strong Dollar: Causes and Consequences,* Congressional Research Service Report, June 13, 2005, pp. 13 and 17; Nora Brooks and Ernest Carter, *Outlook for U.S. Agricultural Trade,* Economic Research Service, USDA, August 28, 2008, p. 2.

Table 1

Sharp Increases in Real Farmland Values Continue in Corn-Producing States							
	Average Annual Growth Rate (Percent)				Average Annual Growth Rate (Percent)		
Top 5 Corn Producers	10-year 1993–2003	3-year 2004–2007	1-year 2007–2008	Selected Coastal States	10-year 1993–2003	3-year 2004–2007	1-year 2007–2008
Iowa	2.7	12.1	13.3	California	2.5	12.9	4.3
Illinois	2.1	14.8	11.2	Florida	1.1	30.5	(3.3)
Indiana	3.8	9.6	7.1	Georgia	4.3	20.4	(3.7)
Minnesota	3.3	12.1	7.4				
Nebraska	1.7	10.7	14.3	United States	3.0	13.1	4.8

Source: USDA National Agricultural Statistics Service.

prices high, and prices for inputs (such as seed, fertilizer, and fuel) stay within a reasonable range, then the current values for farmland can be supported.[12] However, if farm incomes return to historical levels, either through declining demand or because of higher farm operating costs, then farmland values may be pressured downward to reflect lower capitalized returns to the land. Concerns about a global recession could cause U.S. farm exports, which are currently 70 percent above the most recent ten-year average, to return to more normal levels.[13] As mentioned earlier, falling export demand was a contributing factor in both of the U.S. farmland busts of the past century.

Threats to the fragile corn ethanol industry also may derail the optimistic price future for corn and ultimately affect land values. In the near term, high oil price volatility and declining ethanol prices resulting from rapid escalation in ethanol production have squeezed industry profit margins.[14] As a result, a number of corn ethanol plants have closed, while plans for construction and expansion projects have been abandoned or delayed.[15] In the long term, political and technological risks could also negatively affect the corn ethanol industry. Already, there is growing opposition to U.S. government support of a 45-cent-per-gallon subsidy for blending corn ethanol into gasoline and a 54-cent-per-gallon tariff against cheaper, Brazilian sugar-based ethanol.[16] Moreover, the development of advanced biofuels, such as cellulosic ethanol, could displace much of the corn ethanol industry, though it is uncertain when this technology will be commercially viable. However, a growing number of experimental production plants have begun operation or are under construction.

The recent retreat in the residential real estate market coupled with tighter credit conditions may also weigh on farmland values. The dramatic slowdown in residential construction has caused demand for raw development land to evaporate, putting downward pressure on farmland values in areas that had rapid housing price growth. For example, as shown in Table 1, the real annual farmland price growth rate in **California**, Florida, and **Georgia** ranged from -3.7 percent to 4.3 percent in 2008, well below the 2004 to 2007 growth rates. Further, liquidity and credit quality problems in the financial sector have caused tightening of lending standards overall, and therefore the extent to which credit availability was driving farmland prices higher likely has stalled or reversed.

Farm Banks Have Declined in Number and Market Share, but Have Higher Risk Profiles Than Before the Early 1980s Agricultural Crisis

Given the similarities between the recent escalation in farmland prices and the land price booms of the 20th century, it is worthwhile to examine the current condition of farm banks. Specifically, how are these banks positioned at this point in the agricultural cycle compared with the late 1970s?

A significant difference is that today, there are fewer farm banks nationally than there were in the 1970s. In addition, today's farm banks hold a much smaller share of agricultural loans, as agricultural lending has become more diffused throughout the banking system during

[12] Jason Henderson, "Will Farmland Values Keep Booming?" Federal Reserve Bank of Kansas City, *Economic Review,* second quarter (2008), pp. 88 and 92.

[13] Value of U.S. Agricultural Trade by Fiscal Year, http://www.ers.usda.gov/Data/FATUS/DATA/XMS1935fy.xls.

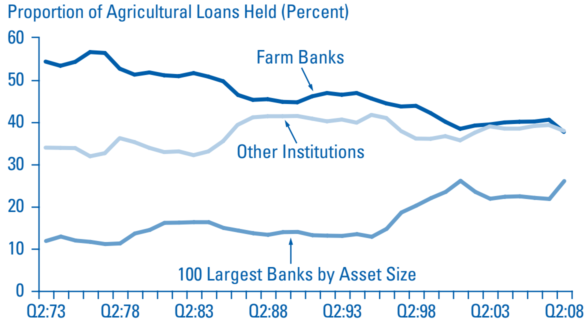
[14] Jacqui Fatka, "Biofuel Capacity Outpaces Demand," *Feedstuffs* 80, no. 45 (2008), p 3.

[15] Chris Blank, "Biofuels Plants Hit Economic Road Block," *Associated Press State and Local Wire,* October 9, 2008.

[16] "U.S. Congress Extends Ethanol Subsidy and Tariff," *Chemical News & Intelligence,* May 15, 2008; "A Renewed Push for Ethanol, Without the Corn," *New York Times,* April 17, 2007.

Chart 3

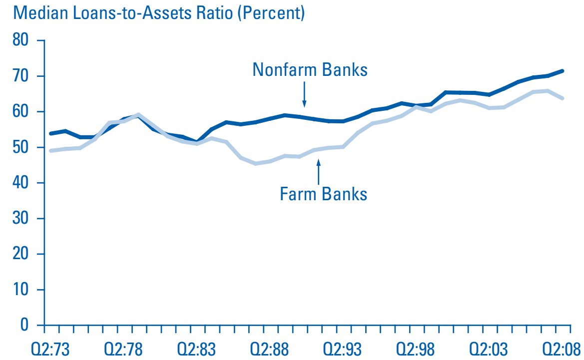
Farm Banks Hold a Shrinking Share of the Bank Industry's Agricultural Loans



Source: FDIC, commercial banks.
Note: Rabobank, National Association, a large farm bank, is included in both the farm bank and 100 largest banks data series.

Chart 4

Banks Have Invested Greater Shares of Assets in Loans over Time



Source: FDIC, commercial banks.

the past three decades. At the outset of the 1980s agricultural crisis, 4,515 banks, nearly one-third of all U.S. commercial banks, specialized in agricultural lending.[17] These banks represented more than half of the industry's farm operating and real estate loans (see Chart 3). Farm banks now represent only 22 percent of all commercial banks in the United States and account for just 38 percent of all agricultural loans. Also, large banks have an increased share of the nation's agricultural loans, and traditional farm banks have expanded into nonagricultural loans. While 99 of the 100 largest commercial banks are not farm banks, they hold 26 percent of the banking industry's agricultural loans. These institutions have diversified loan portfolios, and agricultural loans represent a relatively small proportion of their capital. Because of their diversified holdings, large banks are not as vulnerable to agricultural downturns.

Despite the diffusion of agricultural risk across banks of various types and sizes, 1,579 farm banks were operating nationally as of June 30, 2008. These banks were primarily headquartered in the wheat-, corn- and soybean-growing areas in the middle of the country. Overall, these banks are relatively healthy thanks to strong farm incomes during the past several years. Indeed, as of mid-year 2008, farm banks reported historically low farm loan delinquencies, nearly nonexistent farm loan net charge-offs, and high levels of capital and reserves. However, the one negative aspect of farm bank performance is earnings, particularly net interest margin (NIM) performance. In 2007, the median annual NIM for farm banks fell below 4 percent for the first time since 1977.

Despite their relatively healthy condition, farm banks have increased their risk profile considerably since the 1980s. Among the reasons for the increased risk are elevated loans-to-assets (LTA) ratios, increased exposure to several types of nonagricultural loans, and lower balance sheet liquidity.

The most striking structural change in farm bank lending in the past 20 years is in the ratio of loans to assets. LTA ratios among farm banks are much higher today than they were in 1980 (see Chart 4). Farm banks now hold a median 64 percent of total assets in loans, up from 55 percent in 1980. This trend is not unique to farm banks, but instead reflects a similar trend in the broader banking industry, as banks have countered declining NIMs by increasing the concentration of loans on their balance sheets.[18]

What makes this trend worrisome is that according to research in the FDIC study *History of the Eighties—Lessons for the Future,* LTA ratios were much more highly correlated with bank failures than equity levels, growth rates, or earnings performance.[19] Even though

[17] For purposes of this article, a farm bank is a commercial bank with a volume of farm loans, including loans secured by farmland, exceeding 25 percent of its total loan portfolio.

[18] Richard D. Cofer, Jr., and John Anderlik, "Declining Net Interest Margins and Rising Loan-to-Asset Ratios—A Disturbing Paradox," *FDIC Regional Outlook,* fourth quarter (2000).

[19] FDIC, *History of the Eighties—Lessons for the Future* (Washington, 1997), p. 281. Researchers examined eight bank performance variables, including loan volume, asset and loan growth, and various earnings measures, and found that a bank's loans-to-assets ratio was the best predictor of failure. When ranked according to their loans-to-assets ratio, the top one-fifth of farm banks was five times more likely to fail than other farm banks.

their capital levels are considerably higher, many farm banks now have more loans in relation to capital than they did in 1980. In addition, because overall farm loan portfolios have grown little in relation to asset levels, higher LTA levels indicate growth in nonagricultural loan portfolios. In fact, farm banks have greatly increased holdings of construction and development (C&D) loans and residential real estate loans since 1980. The downturn in the housing market and the weakening economy have caused deterioration in these credit portfolios. Since June 2006, just as the housing market downturn began in earnest, farm loan portfolio delinquencies have declined while the median delinquency ratio for nonfarm loans has increased to 2.7 percent from 2.2 percent. Nearly 25 percent of farm banks reported nonagricultural loan delinquencies of 5 percent or more as of June 30, 2008.

Finally, farm banks today exhibit lower balance sheet liquidity than they did in 1980. The median farm bank holds liquid assets of 33 percent of total assets, down from 42 percent in 1980. As a result of lower asset-based liquidity sources, bankers are relying increasingly on other funding sources, including Federal Home Loan Bank advances, correspondent borrowing lines, and brokered and wholesale deposits.

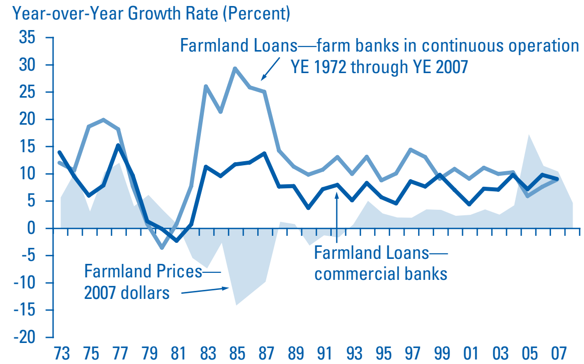
How Susceptible Are Farm Banks to a Downturn in Farmland Prices?

There is little consensus among agricultural economists as to the sustainability of high farm incomes and farmland prices. However, it is safe to predict that any significant, overall decline in farmland values is likely to be preceded by a decline in net farm income. This combination would cause farmers to have less income with which to pay their loans and lower collateral values securing these loans. This would be true in any environment, but would likely be magnified given the current boom in net farm income and farmland prices.

However, there is one dramatic difference in farm loan underwriting compared with the late 1970s. It does *not* appear that collateral-based lending—relying on farmland values rather than farm cash flow to determine loan repayment ability—is nearly as widespread as it was leading up to the last agricultural crisis. Many banks that failed during the 1980s relied too heavily on collateral-based lending, which put farm loans at risk when land prices declined. Subsequently, both bankers and regulators have recognized the prudence of cash-flow-based lending. In outreach meetings with the FDIC and other federal regulators, farm bankers have consistently

Chart 5

Farmland Loan Growth Remains Well below 1970s Levels



Sources: FDIC, commercial banks. USDA.

said that they have held the line on lending on farmland and required solid cash flow numbers. Thus, according to these lenders, many of the highest-priced farmland sales have been cash sales or have otherwise not involved bank financing. A look at recent farmland loan growth suggests that farm bankers have been careful to avoid overlending for farm real estate; although farmland values have been escalating rapidly since 2003, farmland loan growth at farm banks actually declined during that time (see Chart 5).

Still, farm banks have increased their risk profiles, primarily by increasing nonagricultural loan portfolios. This has left them more susceptible to nonagricultural risks, such as the macroeconomic weaknesses that have affected residential, C&D, and consumer loan portfolios.

Moreover, some farm banks have significantly higher risk profiles. As of June 30, 2008, 190 farm banks (about 12 percent of the total) held loan portfolios in excess of 80 percent of their assets, compared with just 14 farm banks in June 1980. Not only do these banks exhibit higher credit risk tolerance, but they also have other high-risk characteristics. As Table 2 shows, these banks hold less capital and smaller loan loss reserves to balance greater risk taking. Indeed, these banks hold one dollar of capital for every eight dollars of loans, while the typical farm bank holds one dollar of capital for every five dollars of loans. In addition, high-LTA farm banks operate with far less balance sheet liquidity than the typical farm bank. Farm banks with high LTA ratios also have a greater share of loans concentrated in C&D lending than the typical farm bank and have nearly three times as much capital exposure. Agricultural loan delinquencies at these banks remain very low, in line

Table 2

Farm Banks with High Loans-to-Assets Ratios Exhibit Other Higher-Risk Profiles as Well		
	Farm Banks with High LTA Ratios[a]	All Farm Banks
As percentage of total assets	Median Values (Percent)[b]	
Capital and loan loss reserves	10.2	11.2
Total loans	84.2	63.5
All agricultural loans	34.4	25.4
Farmland-secured loans	15.4	11.3
Construction & development (C&D) loans	2.2	0.9
Commercial business loans	12.0	8.1
Liquid assets	11.6	32.6
As percentage of total capital and reserves		
Total loans	831.7	562.3
All agricultural loans	336.3	227.7
C&D loans	20.4	7.8
Loan delinquency ratios		
Agricultural loans	0.5	0.3
All other loans	2.8	2.7
C&D loans	5.6	2.5
Commercial business loans	1.8	1.5
Annualized growth rates 2004 to 2008		
Total assets	7.5	4.4
All agricultural loans	10.1	5.6
Farmland-secured loans	10.5	6.1

Source: FDIC, all farm banks.

[a] Farm banks with loans-to-assets (LTA) ratios exceeding 80 percent.

[b] Reported C&D loan delinquency ratios are 75th percentile values, not medians. Both groups report median values of 0.0 percent.

with the industry; however, their C&D loan delinquencies are more than double the industry average.

Conclusion

While it is not clear whether today's high farmland values represent the first act of a boom-bust cycle or a new era in farming, bankers must continually assess risk in relation to economic events. History has shown that rapid spikes in farm income and farmland values are followed by significant declines. Recent economic evidence may portend a retreat from record farm incomes and farmland values. The national housing downturn already has led to a decline in real farmland prices in coastal states, and increasing risks in the corn ethanol industry could deflate farmland prices in the nation's crop-producing states.

Although the number of farm banks has declined, along with their share of the agricultural lending market, these lenders still account for one-fifth of the nation's commercial banks and hold sizeable agricultural loan portfolios. These institutions are susceptible not only to swings in farm incomes and farmland values, but increasingly to nonagricultural factors as well. The not-so-distant experience of the early 1980s agricultural crisis stands as a reminder of the need for vigilance, especially during times of agricultural prosperity.

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The authors would like to thank John M. Anderlik, Assistant Director, Regional Operations, Division of Insurance and Research, for his contributions to this article.

Feature Article:

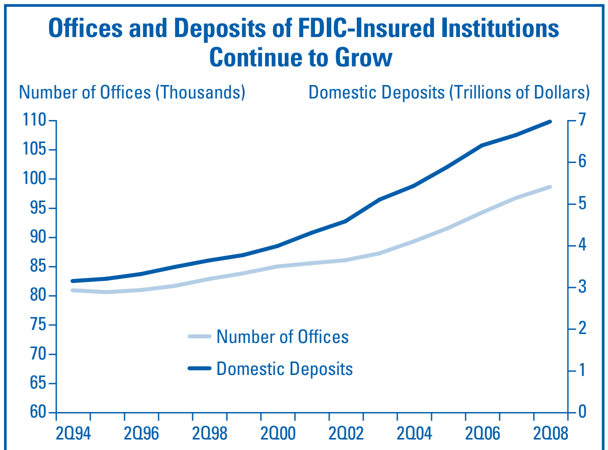
Highlights from the 2008 Summary of Deposits Data

Each year, as of June 30, the Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) survey all FDIC-insured institutions to collect information on bank and thrift deposits, and operating branches and offices. The resulting Summary of Deposits (SOD) is a valuable resource for analyzing deposit market trends and measuring concentrations nationally and at the local level. This article highlights some preliminary conclusions from the 2008 SOD data.[1]

Deposit Growth Remains Strong, While Office Growth Slows Slightly

Commercial banks and thrifts continue to expand their branching networks and deposits. The number of FDIC-insured institution offices increased 2.0 percent during the year ending June 30, 2008, slightly below the year-ago rate of 2.7 percent. Similar to prior periods, deposit growth exceeded growth in the number of offices. The volume of deposits increased by 4.8 percent, compared to a 3.9 percent increase a year ago (see Chart 1).[2]

Chart 1

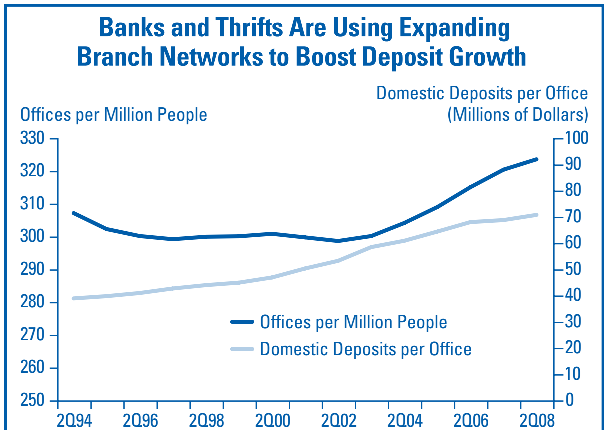


Source: FDIC Summary of Deposits and OTS Branch Office Survey.

Deposit and Office Growth Continue to Outpace U.S. Population Growth

To better understand the industry's level of expansion, it is useful to look at various measures of deposit and office growth in relation to demographic trends. For example, trends in deposit growth and population can be compared to the number of bank offices. As shown in Chart 2, banks continue to expand their retail presence at a faster pace than population growth at the national level. Both the number of offices per million people and the volume of deposits per office continue to increase. However, the pace of this growth is slowing. Indeed, the annual growth in both domestic deposits per office and offices per million people were below their respective five-year averages.

Chart 2



Sources: FDIC Summary of Deposits and OTS Branch Office Survey. Population estimates from Moody's Economy.com.

[1] This analysis reflects updates in the Summary of Deposits data as of November 21, 2008. All FDIC-insured institutions that operate branch offices beyond their home office must submit responses to SOD surveys to the FDIC or the OTS. ATMs are not considered offices for the purposes of the survey. Call Report information on unit banks (banks with a single headquarters office) have been combined with branch office data to form the SOD database, which can be accessed at www.fdic.gov. For office information related to savings institutions regulated by the OTS, the SOD can be used for current and historical branch data. The SOD is the sole source of OTS branch information derived from the annually collected OTS Branch Office Survey. Subsequent to June 30, 2008, significant business combinations among some of the nation's largest banking organizations were announced. These institutions are Bank of America, Countrywide Financial Corporation, and Merrill Lynch and Company; JPMorgan Chase and Company and Washington Mutual Corporation; PNC Financial Services Group and National City Corporation; and Wells Fargo & Company and Wachovia Corporation.

[2] Offices included are those in the 50 states and the District of Columbia, but not those in U.S. territories. The SOD data include domestic deposits only, which are referred to in this report as deposits.

Metropolitan Areas Have Attracted Greater Deposit and Office Growth Than Less Populated Areas During the Past Five Years

Metropolitan areas hold the largest share of bank offices and bank deposits.[3] About 77 percent of offices, holding 89 percent of domestic deposits, were located in metropolitan areas during the year ending June 30 (see Table 1).

The rate of deposit growth was highest in metropolitan areas during the year. The one-year growth rate in deposits among offices in metropolitan areas was 5.1 percent, more than double the growth rate of deposits in micropolitan areas.[4] This pattern of deposit growth is in line with the long-term trend. The five-year compound growth rate of domestic deposits in offices located in metropolitan areas was slightly more than twice that of micropolitan areas and almost twice the rate of growth in other areas.[5]

Similar trends are also found in the rate of increase in the number of bank offices. The five-year compound growth rate in the number of offices in metropolitan areas was almost twice that of micropolitan areas and more than ten times that of other areas. This trend continued during the past year.

Office Growth Is Related to State Demographic Trends

States with the most rapid office growth during the past five years are not necessarily the ones where deposit growth is also robust. Generally, the pace of office growth is strongest in the southeastern and southwestern regions of the country and along the West Coast, whereas deposit growth varies more widely (see Map 1 and Map 2). Other studies have shown that demographic factors, such as population, employment, and per capita income growth, are associated with the growth in deposits and number of offices.[6] However, state law and specific local market conditions also drive these changes.

Table 1

Office Growth Has Been Faster in the Nation's Largest Cities

	Other Areas		Micropolitan Areas		Metropolitan Areas	
	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)
June 2003	9,729	254	11,559	410	65,252	4,424
June 2007	9,812	295	12,104	467	73,803	5,874
June 2008	9,840	307	12,269	476	75,418	6,173
1-Year Growth Rate	0.3%	3.9%	1.3%	2.1%	2.2%	5.1%
5-Year Compound Growth Rate	0.2%	3.9%	1.2%	3.0%	2.1%	6.9%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.

Note: Metropolitan statistical areas have urban clusters of greater than 50,000 inhabitants. Each micropolitan statistical area has an urban cluster of between 10,000 and 50,000 inhabitants. Other areas have less than 10,000 inhabitants. See U.S. Census Bureau definitions for greater detail.

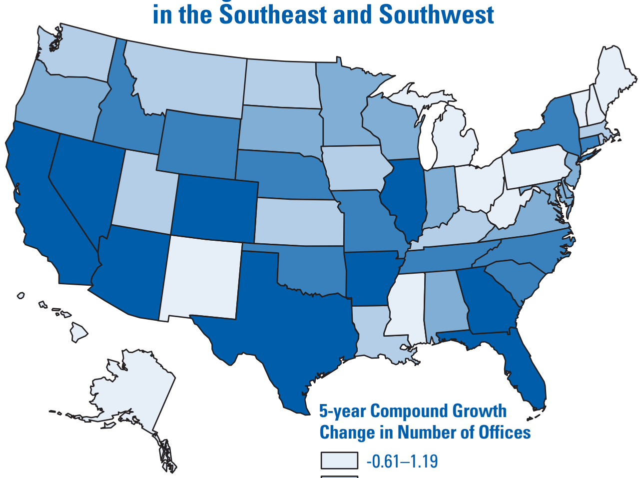
[3] Metropolitan statistical areas are characterized by urban clusters of greater than 50,000 inhabitants.

[4] Each micropolitan statistical area has an urban cluster of between 10,000 and 50,000 inhabitants.

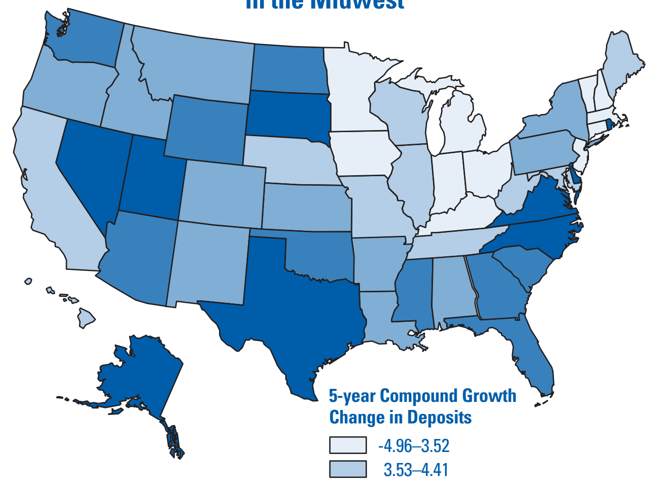
[5] Other areas have populations of 10,000 or fewer inhabitants.

[6] See Ron Spieker, "Bank Branch Growth Has Been Steady—Will It Continue?" (Future of Banking Study, Federal Deposit Insurance Corporation, August 2004), www.fdic.gov/bank/analytical/future/fob_08.pdf.

Map 1



Map 2



The Largest Banks and Thrifts Reported Higher Deposit and Office Growth Than Smaller Banking Organizations

Large bank and thrift organizations (those with $10 billion or more in total assets as of June 30, 2008) hold a substantial share of domestic deposits (67 percent) and offices (48 percent). This category of banks also reported higher compound growth rates in domestic deposits over the past five years, although the pace of deposit growth eased in the 2008 period.

The pace of office expansion among large institutions has slowed during the past year (see Table 2). In contrast with the five-year trend, the rate of office growth for banks characterized as small and mid-sized matched or exceeded the growth rate for large institutions. The stronger long-term growth rates for offices and deposits among institutions in the largest size category are likely related to ongoing industry consolidation. However, growth occurs not only from expansion of existing branch networks and collection of additional deposits through those networks, but also from mergers and from the migration of institutions

Table 2

Institutions Categorized as "Large" Reported Higher Deposit Growth

	Small Organizations		Mid-size Organizations		Large Organizations	
	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)	Number of Offices	Domestic Deposits (Billions of Dollars)
June 2003	32,050	1,075	17,405	895	37,679	3,112
June 2007	31,593	1,165	18,773	1,033	46,247	4,432
June 2008	32,039	1,188	19,590	1,074	46,888	4,688
1-Year Growth Rate	1.4%	2.0%	4.4%	3.9%	1.4%	5.8%
5-Year Compound Growth Rate	0.0%	2.6%	2.4%	3.7%	4.5%	8.5%

Source: FDIC Summary of Deposits and OTS Branch Office Survey. Excludes institutions in U.S. territories.

Note: Small = organizations with consolidated deposits less than $1 billion. Mid-size = organizations with consolidated deposits of $1 billion to $10 billion. Large = organizations with consolidated deposits greater than $10 billion.

between categories. It is difficult to disaggregate the independent contributions of each of these factors.

Retail Offices Continue to Grow More Rapidly Than Other Office Types

Brick-and-mortar offices continue to make up the overwhelming majority (90 percent) of banking offices. However, retail offices, such as those found in supermarkets, represent the fastest-growing office type. The once-popular drive-through facilities continued to decline in number during the year, in line with the long-term trend (see Table 3).

The Number of Banking Organizations with Operations in Multiple States Remains Relatively Stable

The number of FDIC-insured commercial banks and savings institutions declined from 8,614 to 8,451 during the year. Merger and acquisition activity is affected by general economic conditions, trends in equity markets, and national and state laws, such as the nationwide concentration limits mandated by the Riegle-Neal Act (see Table 4). Although no banking organization, even the largest or most geographically diverse, operates in all 50 states and the District of Columbia, institutions continue to expand their operations across the country.[7] As of June 30, 2007, the banking organization with the

Table 3

The Number of Retail Banking Offices Has Risen Sharply during the Past Five Years

	Brick-and-Mortar Offices	Retail Offices	Drive-Through Facilities	Other Office Types	Total
June 2003	65,264	3,944	2,933	532	72,673
June 2007	73,973	4,742	2,511	612	81,838
June 2008	75,718	4,991	2,366	608	83,683
1-Year Growth Rate	2.4%	5.3%	-5.8%	-0.7%	2.2%
5-Year Compound-Growth Rate	3.0%	4.8%	-4.2%	2.7%	2.9%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.

Note: Commercial banks only. Retail banking offices are full-service offices located in a retail facility, such as a supermarket or department store.

Table 4

Banks Are Inching Closer to a 50-State Franchise

Company	Number of States with Deposit Offices	Reported Number of Deposit Offices	Domestic Deposits (Billions of Dollars)
Wells Fargo & Company*	40	6,669	716.7
Bank Of America Corporation*	35	6,179	787.8
JPMorgan Chase & Co.*	24	5,276	685.5
U.S. Bancorp	24	2,592	127.8
BNP Paribas	20	723	43.3
First Citizens Bancshares, Inc.	17	393	13.1
Dickinson Financial Corporation	17	212	4.5
Northern Trust Corporation	17	94	19.1
Capitol Bancorp Ltd.	17	73	4.2
Regions Financial Corporation	16	1,923	86.2
Citigroup Inc.	15	1,050	265.8
Keycorp	15	991	61.0

* Pro forma reflecting mergers and/or acquisitions announced subsequent to June 30, 2008.

Source: FDIC Summary of Deposits and OTS Branch Office Survey for the 50 states and the District of Columbia.

Note: See SOD instructions for definition of deposit offices.

[7] Based on pro forma results of mergers and acquisitions between large, geographically diversified banking organizations announced subsequent to June 30, 2008.

Table 5

Two of the Largest Metro Areas Are Characterized as "Highly Concentrated" Markets
(Top 25 metropolitan areas by population as of June 30, 2008)

Metropolitan Area	Herfindahl-Hirschman Index	Population Estimate (Millions)	5-Year Compound Growth Rate in Offices (Percent)	5-Year Compound Growth Rate in Deposits (Percent)
Cincinnati-Middletown, OH-KY-IN	2,179	2.1	2.1	2.7
Pittsburgh, PA	1,872	2.4	0.2	4.7
Minneapolis-St. Paul-Bloomington, MN-WI	1,742	3.2	3.2	4.4
Dallas-Fort Worth-Arlington, TX	1,698	6.3	7.6	18.9
San Francisco-Oakland-Fremont, CA	1,546	4.2	1.6	3.7
Detroit-Warren-Livonia, MI	1,508	4.5	2.2	2.9
Phoenix-Mesa-Scottsdale, AZ	1,458	4.3	8.3	7.3
Seattle-Tacoma-Bellevue, WA	1,367	3.4	1.4	6.6
Atlanta-Sandy Springs-Marietta, GA	1,306	5.4	3.9	9.1
Portland-Vancouver-Beaverton, OR-WA	1,227	2.2	2.5	6.2
Houston-Sugar Land-Baytown, TX	1,182	5.8	7.5	4.8
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,177	18.9	3.2	4.9
Tampa-St. Petersburg-Clearwater, FL	1,168	2.7	3.9	8.4
Sacramento–Arden-Arcade–Roseville, CA	1,049	2.1	5.9	6.3
Baltimore-Towson, MD	1,046	2.7	1.5	4.8
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1,032	5.8	1.8	10.8
Boston-Cambridge-Quincy, MA-NH	1,021	4.5	1.2	1.4
San Diego-Carlsbad-San Marcos, CA	1,010	3.0	3.7	4.7
Washington-Arlington-Alexandria, DC-VA-MD-WV	961	5.4	3.3	8.4
Riverside-San Bernardino-Ontario, CA	927	4.2	5.5	6.5
Miami-Fort Lauderdale-Pompano Beach, FL	809	5.4	3.0	5.6
Denver-Aurora, CO	778	2.5	4.2	6.0
Los Angeles-Long Beach-Santa Ana, CA	752	12.9	3.0	5.1
St. Louis, MO-IL Metropolitan Statistical Area	692	2.8	3.3	2.8
Chicago-Naperville-Joliet, IL-IN-WI	595	9.6	5.6	4.2

Source: FDIC Summary of Deposits, OTS Branch Office Survey, and Moody's Economy.com.

Note: The Herfindahl-Hirschman Index (HHI), a commonly accepted measure of market concentration, is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. Markets in which the HHI is between 1,000 and 1,800 points are considered to be "moderately concentrated," and those in which the HHI is greater than 1,800 points are considered to be "highly concentrated." For more information, please refer to the joint U.S. Department of Justice and Federal Trade Commission Web site at http://www.usdoj.gov/atr/public/testimony/hhi.htm. Population estimates for 2008 are from Moody's Economy.com.

widest geographic footprint reported deposit offices in 31 states. If Wells Fargo & Company consummates mergers and acquisitions announced subsequent to June 30, 2008, it could have deposit offices in as many as 40 states.

Two of the Nation's 25 Largest Metropolitan Areas Are Now "Highly Concentrated"

Consolidation and growth of branch networks have led to increased market concentration in many metropolitan areas. Market concentration is an important competitive factor considered by bank regulatory agencies and the Department of Justice in the analysis of proposed mergers and acquisitions. The Herfindahl-Hirschman Index (HHI) is a commonly used measure of market concentration.[8] As of June 30, 2008, 16 of the 25 largest metropolitan areas had an HHI in the "moderately concentrated" range with a score between 1,000 and 1,800; two metropolitan areas scored in the "highly concentrated" range with a score of more than 1,800 (see Table 5). Only 14 metropolitan areas reported an HHI in excess of 1,000 as of June 30, 2007, with no markets in the "highly concentrated range." Nineteen of the 25 largest metropolitan areas saw an

[8] Under the Department of Justice (DOJ) guidelines, markets with an HHI of less than 1,000 are considered "unconcentrated," those with an HHI between 1,000 and 1,800 are considered "moderately concentrated," and those with an HHI greater than 1,800 are considered "highly concentrated." For more details, see the joint Federal Trade Commission (FTC) and DOJ Web site on "Horizontal Merger Guidelines" at www.usdoj.gov/atr/public/guidelines/horiz_book/hmg1.html.

increase in their HHI during the past year, with an average increase of 98 points.

Summary of Deposits Data Were Publicly Released on October 8, 2008

The 2008 SOD data are available to the public through the FDIC's Web site at www2.fdic.gov/sod/index.asp. Available SOD data include information on the deposits and branching activities of individual FDIC-insured institutions, market share information, and various summary charts and tables.

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The author would like to thank Jeffrey Ayres, Senior Financial Analyst, Division of Insurance and Research, FDIC, for his contributions to this article.

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