FDIC Quarterly

Quarterly Banking Profile: Fourth Quarter 2009

Measuring Progress in U.S. Housing and Mortgage Markets

2010, Volume 4, Number 1

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Quarterly Banking Profile: *Fourth Quarter 2009*

FDIC-insured institutions reported an aggregate profit of $914 million in the fourth quarter of 2009, a $38.7 billion improvement from the $37.8 billion net loss the industry sustained in the fourth quarter of 2008, but still well below historical norms for quarterly profits. More than half of all institutions (50.3 percent) reported year-over-year improvements in their quarterly net income. Almost one-third of all institutions (32.7 percent) reported net losses for the quarter, compared with 34.6 percent a year earlier. For the full year, banks reported net income totaling $12.5 billion—up from $4.5 billion in 2008. *See page 1.*

Insurance Fund Indicators

Estimated insured deposits (based on $250,000 coverage) increased 1.8 percent in the fourth quarter of 2009. The Deposit Insurance Fund reserve ratio fell to -0.39 percent, and 45 FDIC-insured institutions failed during the quarter. *See page 15.*

Temporary Liquidity Guarantee Program

The FDIC Board approved the Temporary Liquidity Guarantee Program (TLGP) in response to major disruptions in credit markets. The TLGP improves access to liquidity for participating institutions by fully guaranteeing non-interest-bearing transaction deposit accounts and by guaranteeing eligible senior unsecured debt. As of December 31, 2009, more than 86 percent of FDIC-insured institutions have opted in to the Transaction Account Guarantee Program, and 7,808 eligible entities have elected the option to participate in the Debt Guarantee Program. Approximately $834 billion in non-interest-bearing transaction accounts was guaranteed as of December 31, 2009, and $309 billion in guaranteed senior unsecured debt, issued by 84 entities, was outstanding at the end of the fourth quarter. *See page 19.*

Measuring Progress in U.S. Housing and Mortgage Markets

U.S. housing and mortgage markets have experienced historic distress over the past three years as evidenced by the significant decline in housing fundamentals. However, some signs of eventual recovery are beginning to emerge. This *chartbook* examines the housing and mortgage markets for tentative signs of recovery and evaluates those hopeful signs against the challenges that remain. *See page 29.*

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Quarterly Banking Profile Fourth Quarter 2009

INSURED INSTITUTION PERFORMANCE

- ***Industry Reports Fourth Quarter Net Income of $914 Million***
- ***Loss Provisions Remain High but Register First Year-Over-Year Decline in More Than Three Years***
- ***Full-Year Net Income Totals $12.5 Billion***
- ***Pace of Deterioration in Asset Quality Indicators Slows***
- ***Loan Balances Fall for a Sixth Consecutive Quarter***

Fourth Quarter Earnings Are Slightly Above Break-Even

The benefits of a recovering economy and stable financial markets in year-over-year comparisons were evident in the performance of insured depository institutions in the fourth quarter. The small profit reported by the industry in the quarter essentially represented break-even performance, but it contrasted sharply with the record quarterly loss posted in the fourth quarter of 2008. Fourth quarter bank net income for the industry was $914 million, compared with a $37.8 billion net loss a year earlier. While much of the year-over-year earnings improvement was concentrated among the largest banks, there was also evidence of a broader improving trend. For the first time in three years, more than half of insured institutions reported year-over-year improvement in net income. The percentage of institutions reporting a net loss for the quarter was lower than a year ago. The average return on assets (ROA) for all four of the asset size groups featured in the *Quarterly Banking Profile* was better than a year ago, although only the largest size group—institutions with more than $10 billion in assets—had a positive average ROA for the quarter.

Revenues Rebound from Fourth Quarter 2008

A number of factors contributed to the year-over-year improvement in quarterly earnings. Noninterest income was $21.7 billion (53.2 percent) higher than in the fourth quarter of 2008, as several categories of noninterest income that were negative a year ago swung back into positive territory. Trading revenues totaled $2.8 billion in the quarter, compared with $9.2 billion in trading losses a year earlier. Servicing income also rebounded strongly, from a $390 million loss a year ago to a gain of $8.0 billion. Loan sales produced $1.3 billion in gains, versus $1.3 billion in losses in the fourth quarter of 2008. Another significant contribution to the improvement in earnings came from a $16.2 billion (14.2 percent) decline in noninterest expense. This decline was the result of an $18.1 billion (77.2 percent) reduction in charges for goodwill impairment and other intangible asset expenses. Quarterly loan-loss provisions posted a year-over-year decline for the first

Chart 1

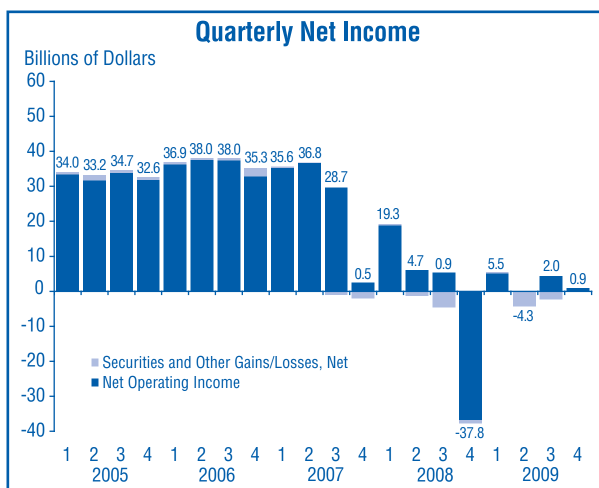
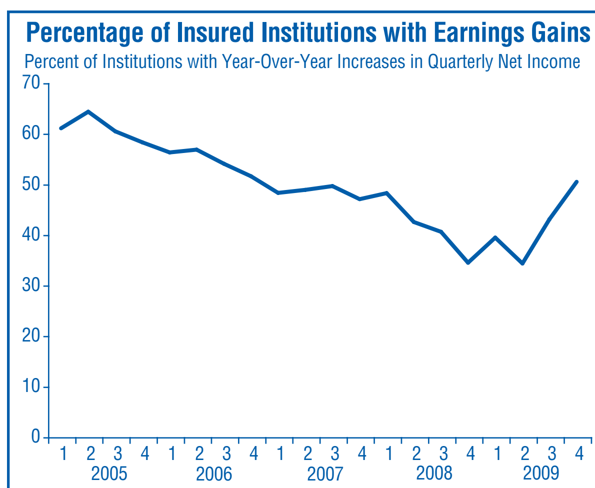


Chart 2



time since the third quarter of 2006, falling by $10.0 billion (14.1 percent). Provisions remained above $60 billion for the fifth consecutive quarter, but the $61.1 billion that institutions set aside in the quarter was the smallest quarterly total since the third quarter of 2008. Realized gains on securities and other assets totaled $158 million, an $8.7 billion improvement over the $8.6 billion in realized losses reported by the industry a year ago. Net interest income was higher than a year ago but only by $1.7 billion (1.8 percent).

Margins Register Improvement

The average net interest margin (NIM) in the fourth quarter was 3.49 percent, slightly lower than the 3.51 percent reported in the third quarter but higher than the 3.33 percent average in the fourth quarter of 2008. The quarter-over-quarter decline was concentrated among larger institutions. More than half of all institutions (55.5 percent) reported higher NIMs compared to third quarter levels. Also, quarterly NIMs at a majority of institutions (53.0 percent) increased from a year ago, with larger institutions reporting the biggest gains. Margin improvements helped offset declines in interest-bearing assets. Earning assets declined by $138.8 billion (1.2 percent) during the fourth quarter and fell by $477.2 billion (4.1 percent) for the full year.

Full-Year Earnings Remain Well below Historical Norms

Full-year 2009 net income was $12.5 billion, up from $4.5 billion in 2008, but well below the $100 billion in net income the industry reported for 2007. Increased noninterest income, higher net interest income, and lower realized losses on securities and other assets outstripped increased noninterest expenses and higher loan loss provisions to produce the increase in earnings. Noninterest income was $52.8 billion (25.4 percent) higher than in 2008, with trading revenue registering a $26.6 billion improvement. Net interest income was $38.1 billion (10.6 percent) higher, as the full-year industry NIM rose for the first time in seven years. The average NIM in 2009 was 3.47 percent, the highest annual average since 2005. Realized losses on securities and other assets fell from $15.4 billion in 2008 to $1.4 billion in 2009. These positive contributions to the rise in full-year earnings were partially offset by a $71.5 billion (40.6 percent) increase in loan loss provisions and a $16.3 billion (4.4 percent) increase in noninterest expense. More than one in four institutions (29.5 percent) reported negative net income for the year, up from 24.8 percent in 2008. This is the highest proportion of unprofitable institutions in any year since at least 1984. The average ROA in 2009 was 0.09 percent, up from 0.03 percent in 2008. As was the case in 2008, full-year industry earnings for 2009 (which consist of calendar-year net income of 8,012 insured institutions filing December 31 financial reports) would have been significantly lower if losses experienced by institutions that failed during the year were reflected in year-end reporting.[1]

[1] During 2009, 119 institutions filed year-to-date financial reports for one or more quarters of the year before their failure. Together, these institutions reported more than $8.2 billion in net losses through the first three quarters of 2009 that are not included in full-year earnings for the industry. These losses *are* reflected in the published quarterly industry earnings totals for the first three quarters of 2009. In addition, under purchase accounting rules, income and expenses that have been booked by acquired institutions are reset to zero as of the date when a change in ownership occurs; previously accrued income and expenses are reflected as adjustments to the assets, equity capital, and reserves of acquired institutions and are not included in the subsequent reporting of year-to-date income and expense.

Chart 3

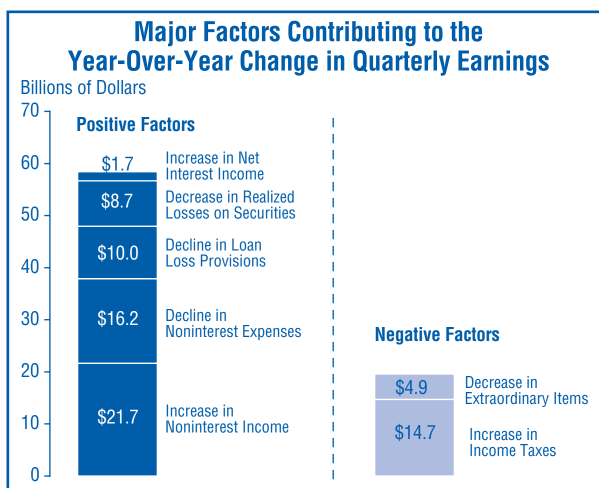
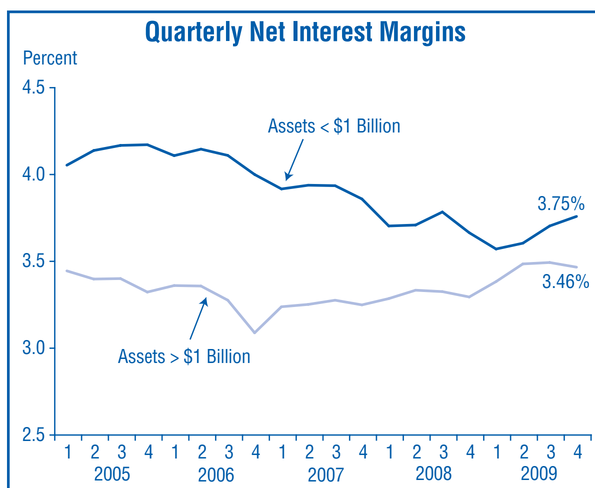


Chart 4



Loan Losses Rise for 12th Consecutive Quarter

Asset quality indicators worsened in the fourth quarter. Net charge-offs (NCOs) totaled $53.0 billion, an increase of $14.4 billion (37.2 percent) over the same period in 2008. The annualized net charge-off rate rose to 2.89 percent, up from 1.95 percent a year earlier and 2.72 percent in the third quarter of 2009. This is the highest quarterly NCO rate reported by the industry in the 26 years for which quarterly NCO data are available. NCOs in all major loan categories increased from a year ago. The largest increases occurred in residential mortgage loans, where NCOs rose by $3.3 billion (47.7 percent); credit cards (up by $2.7 billion, or 41.4 percent); loans to commercial and industrial (C&I) borrowers (up $2.3 billion, or 37.0 percent); home equity loans (up $1.9 billion, or 58.6 percent); and real estate loans secured by nonfarm nonresidential properties (up $1.9 billion, or 130.9 percent). This is the 12th consecutive quarter that NCOs have posted a year-over-year increase.

Growth in Noncurrent Loans Slows

Noncurrent loans and leases continued to rise through the end of the year, with a few notable exceptions. The total amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) increased by $24.3 billion (6.6 percent) in the fourth quarter, to $391.3 billion, or 5.37 percent of all loans and leases at year-end. This is the highest level for the industry's noncurrent rate in the 26 years that all insured institutions have reported noncurrent loan data. The increase in noncurrent loans in the quarter was largely driven by noncurrent residential mortgage loans, which rose by $23.2 billion (14.9 percent). Much of this increase—$19.1 billion—consisted of rebooked GNMA mortgages that have government guarantees. The amount of real estate loans secured by nonfarm nonresidential real estate properties that were noncurrent rose by $4.5 billion (12.2 percent). In contrast, noncurrent C&I loans declined by $3.5 billion (7.7 percent), and noncurrent real estate construction and development (C&D) loans fell by $2.0 billion (2.7 percent). This was the first time in three years that noncurrent C&I loans have declined and the first time in four years that noncurrent C&D loans have fallen.

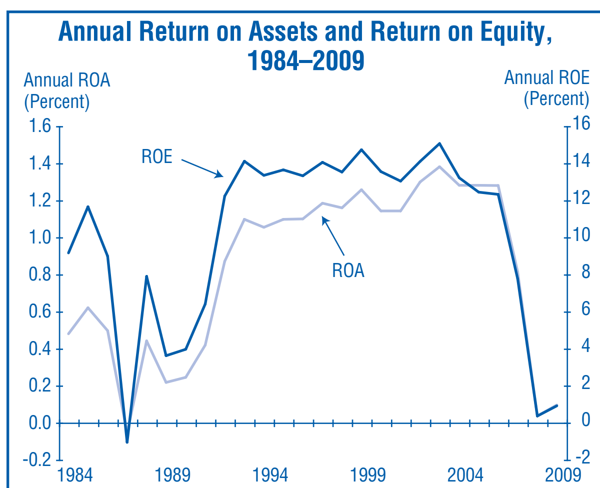
Reserves Exceed 3 Percent of Total Loans

Reserves for loan and lease losses increased by only $7.0 billion (3.2 percent) in the fourth quarter, as institutions added $8.1 billion more in loss provisions to their reserves than they took out in net charge-offs. The average coverage ratio of reserves to noncurrent loans and leases fell from 60.1 percent to 58.1 percent, ending the year at the lowest level since midyear 1991. In contrast, the industry's ratio of reserves to total loans and leases rose from 2.97 percent to 3.12 percent during the quarter, and is now at its highest level since the creation of the FDIC.

Capital Ratios Improve

The industry's capital also registered relatively slow growth in the quarter. Bank equity increased by only $4.1 billion (0.3 percent), the smallest increase in the last four quarters. Leverage capital (as defined for Prompt Corrective Action purposes) increased by $11.9 billion (1.1 percent). Despite the slow growth in capital, the industry's regulatory capital ratios all improved, as industry assets fell.

Chart 5



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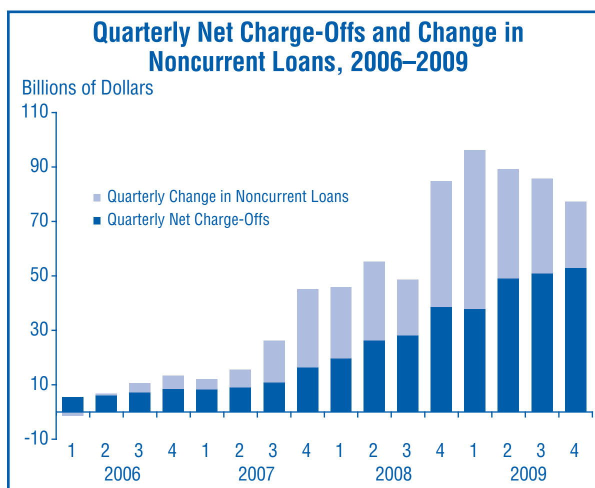


Banks Report Further Declines in Loan Balances

Total assets of insured institutions fell for a fourth consecutive quarter, declining by $137.2 billion (1.0 percent). During the year, total industry assets declined by a net $731.7 billion (5.3 percent), the largest percentage decline in a year since the inception of the FDIC. Total loan and lease balances declined for the sixth quarter in a row, falling by $128.8 billion (1.7 percent). The fourth-quarter decline was led by C&I loan balances, which fell by $54.5 billion (4.3 percent); real estate C&D loans (down $41.5 billion, or 8.4 percent); loans to depository institutions (down $21.2 billion, or 15.9 percent); and residential mortgage loans (down $11.2 billion, or 0.6 percent). Credit card balances increased $29.1 billion during the quarter (7.4 percent), but balances in all other major loan categories declined. Insured institutions continued to add to their securities holdings. Slightly more than half of all insured institutions (52 percent) reported declining loan balances in the fourth quarter. Total securities increased by $103.7 billion (4.3 percent) during the quarter, with mortgage-backed securities rising by $44.8 billion (3.3 percent), and U.S. Treasury securities increasing by $15.9 billion (18.3 percent). During 2009, insured institution securities holdings increased by $465.1 billion (22.9 percent).

Deposit Growth Remains Strong

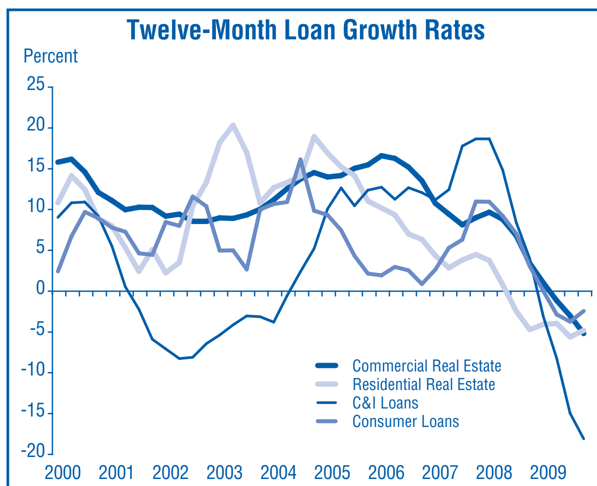
Institutions continued to increase their reliance on deposit funding in the fourth quarter. Even as assets were declining, total deposits increased by $125.7 billion (1.4 percent), as domestic noninterest-bearing deposits rose by 89.8 billion (6.1 percent). Nondeposit liabilities fell by $268.1 billion (10.0 percent) during the quarter, led by a $184.1 billion (23.3 percent) decline in federal funds purchased and securities sold under repurchase agreements. Federal Home Loan Bank advances fell by $42.6 billion (7.4 percent). During the quarter, the percentage of industry assets funded by deposits rose from 68.7 percent to 70.4 percent, the highest level since March 31, 1996.

Industry Consolidation Continues

The number of insured commercial banks and savings institutions reporting financial results declined by 87 during the fourth quarter. Only three new charters were added during the quarter, while 43 institutions were absorbed by mergers and 45 institutions failed. For the full year, the number of reporting institutions fell from 8,305 to 8,012. Only 31 new charters were added in 2009, the smallest annual total since 1942. Mergers absorbed 179 institutions during the year, and 140 insured institutions failed. This is the largest number of bank failures in a year since 1992. The number of institutions on the FDIC's "Problem List" rose to 702 at the end of 2009, from 552 at the end of the third quarter and 252 at the end of 2008. Total assets of "problem" institutions were $402.8 billion at yearend 2009, compared with $345.9 billion at the end of September and $159.0 billion at the end of 2008. Both the number and assets of "problem" institutions are at the highest level since June 30, 1993.

Author: *Ross Waldrop, Sr. Banking Analyst*
Division of Insurance and Research
(202) 898-3951

Chart 7



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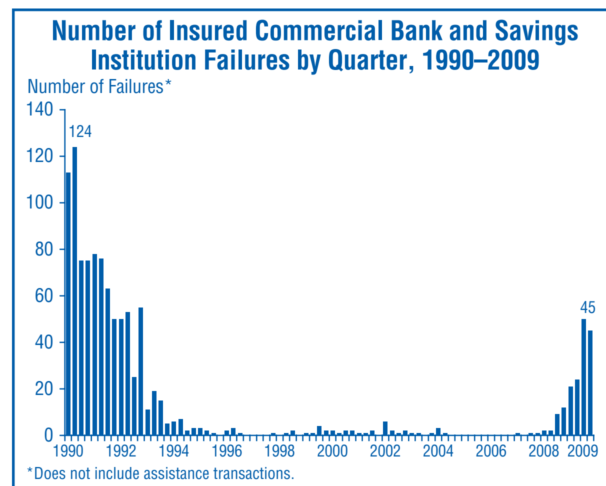


TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2009	2008	2007	2006	2005	2004	2003
Return on assets (%)	0.09	0.03	0.81	1.28	1.28	1.28	1.38
Return on equity (%)	0.90	0.35	7.75	12.30	12.43	13.20	15.05
Core capital (leverage) ratio (%)	8.65	7.47	7.97	8.22	8.25	8.11	7.88
Noncurrent assets plus other real estate owned to assets (%)	3.32	1.91	0.95	0.54	0.50	0.53	0.75
Net charge-offs to loans (%)	2.49	1.29	0.59	0.39	0.49	0.56	0.78
Asset growth rate (%)	-5.29	6.19	9.89	9.04	7.63	11.37	7.58
Net interest margin (%)	3.47	3.16	3.29	3.31	3.47	3.52	3.73
Net operating income growth (%)	77.52	-90.67	-27.58	8.53	11.39	3.99	16.38
Number of institutions reporting	8,012	8,305	8,534	8,680	8,833	8,976	9,181
Commercial banks	6,839	7,086	7,283	7,401	7,526	7,631	7,770
Savings institutions	1,173	1,219	1,251	1,279	1,307	1,345	1,411
Percentage of unprofitable institutions (%)	29.52	24.84	12.08	7.94	6.22	5.97	5.99
Number of problem institutions	702	252	76	50	52	80	116
Assets of problem institutions (in billions)	$403	$159	$22	$8	$7	$28	$30
Number of failed institutions	140	25	3	0	0	4	3
Number of assisted institutions	8	5	0	0	0	0	0

* Excludes insured branches of foreign banks (IBAs).

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

(dollar figures in millions)	4th Quarter 2009	3rd Quarter 2009	4th Quarter 2008	%Change 08Q4-09Q4
Number of institutions reporting	8,012	8,099	8,305	-3.5
Total employees (full-time equivalent)	2,063,101	2,069,470	2,151,758	-4.1
CONDITION DATA				
Total assets	$13,109,456	$13,246,624	$13,841,174	-5.3
Loans secured by real estate	4,462,695	4,527,028	4,705,261	-5.2
1-4 family residential mortgages	1,916,714	1,927,878	2,045,194	-6.3
Nonfarm nonresidential	1,091,386	1,090,000	1,066,230	2.4
Construction and development	451,511	492,995	590,920	-23.6
Home equity lines	661,445	667,473	668,286	-1.0
Commercial & industrial loans	1,220,793	1,275,341	1,493,975	-18.3
Loans to individuals	1,060,327	1,040,203	1,088,889	-2.6
Credit cards	422,095	392,971	444,692	-5.1
Farm loans	59,584	60,024	59,801	-0.4
Other loans & leases	486,540	515,030	528,463	-7.9
Less: Unearned income	3,770	2,613	2,878	31.0
Total loans & leases	7,286,169	7,415,012	7,873,511	-7.5
Less: Reserve for losses	227,480	220,499	173,878	30.8
Net loans and leases	7,058,689	7,194,513	7,699,633	-8.3
Securities	2,500,382	2,396,682	2,035,272	22.9
Other real estate owned	41,357	37,143	26,672	55.1
Goodwill and other intangibles	428,428	424,685	421,607	1.6
All other assets	3,080,600	3,193,601	3,657,990	-15.8
Total liabilities and capital	13,109,456	13,246,624	13,841,174	-5.3
Deposits	9,226,786	9,101,062	9,035,718	2.1
Domestic office deposits	7,696,812	7,553,257	7,496,418	2.7
Foreign office deposits	1,529,974	1,547,805	1,539,300	-0.6
Other borrowed funds	1,781,674	1,997,445	2,569,896	-30.7
Subordinated debt	156,989	161,256	185,464	-15.4
All other liabilities	476,056	524,071	759,005	-37.3
Equity capital	1,467,950	1,462,790	1,291,091	13.7
Loans and leases 30-89 days past due	140,430	142,617	159,340	-11.9
Noncurrent loans and leases	391,310	366,991	233,641	67.5
Restructured loans and leases	57,769	50,711	23,666	144.1
Mortgage-backed securities	1,395,282	1,350,462	1,299,759	7.3
Earning assets	11,269,868	11,408,711	11,747,083	-4.1
FHLB Advances	533,113	575,700	796,379	-33.1
Unused loan commitments	5,968,813	6,125,553	7,151,429	-16.5
Trust assets	18,703,448	18,582,941	17,183,189	8.8
Assets securitized and sold**	1,817,388	1,857,467	1,908,617	-4.8
Notional amount of derivatives**	213,568,137	206,393,163	212,114,632	0.7

INCOME DATA	Full Year 2009	Full Year 2008	%Change	4th Quarter 2009	4th Quarter 2008	%Change 08Q4-09Q4
Total interest income	$541,180	$603,301	-10.3	$130,077	$150,784	-13.7
Total interest expense	145,372	245,576	-40.8	31,373	53,813	-41.7
Net interest income	395,808	357,725	10.7	98,704	96,972	1.8
Provision for loan and lease losses	247,683	176,196	40.6	61,101	71,128	-14.1
Total noninterest income	260,532	207,709	25.4	62,367	40,711	53.2
Total noninterest expense	384,563	368,310	4.4	98,351	114,600	-14.2
Securities gains (losses)	-1,443	-15,438	N/M	158	-8,574	N/M
Applicable income taxes	5,521	6,299	-12.4	551	-14,145	N/M
Extraordinary gains, net	-3,803	5,358	N/M	-177	4,701	N/M
Net income	12,527	4,550	175.3	914	-37,773	N/M
Net charge-offs	186,821	100,357	86.2	52,984	38,625	37.2
Cash dividends	47,162	51,088	-7.7	13,748	8,516	61.4
Retained earnings	-34,635	-46,539	N/M	-12,834	-46,289	N/M
Net operating income	16,960	9,554	77.5	948	-36,917	N/M

** Call Report filers only.

N/M - Not Meaningful.

TABLE III-A. Full Year 2009, All FDIC-Insured Institutions

		Asset Concentration Groups*								
FULL YEAR (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	8,012	23	4	1,564	4,456	767	82	289	771	56
Commercial banks	6,839	19	4	1,559	3,978	203	66	258	707	45
Savings institutions	1,173	4	0	5	478	564	16	31	64	11
Total assets (in billions)	$13,109.5	$521.5	$3,107.1	$181.6	$4,550.5	$809.2	$96.3	$38.0	$116.3	$3,688.8
Commercial banks	11,846.1	498.3	3,107.1	180.9	4,061.8	203.6	51.0	32.8	99.5	3,611.2
Savings institutions	1,263.3	23.3	0.0	0.7	488.7	605.7	45.4	5.2	16.8	77.6
Total deposits (in billions)	9,226.8	270.0	2,024.5	148.6	3,464.2	527.8	78.4	28.4	96.5	2,588.4
Commercial banks	8,333.2	256.2	2,024.5	148.0	3,129.6	99.8	38.9	25.0	83.1	2,528.0
Savings institutions	893.6	13.8	0.0	0.6	334.6	428.0	39.5	3.4	13.4	60.4
Net income (in millions)	12,527	-1,425	2,407	1,459	-16,573	5,196	447	282	919	19,814
Commercial banks	10,752	-2,206	2,407	1,455	-15,691	3,083	326	164	878	20,334
Savings institutions	1,775	781	0	4	-882	2,112	121	118	41	-520
Performance Ratios (%)										
Yield on earning assets	4.75	11.42	3.86	5.64	5.07	4.89	5.82	4.05	5.42	4.12
Cost of funding earning assets	1.28	1.36	0.94	1.72	1.57	1.84	1.60	1.21	1.64	1.00
Net interest margin	3.47	10.06	2.92	3.92	3.50	3.05	4.22	2.84	3.78	3.12
Noninterest income to assets	1.96	5.41	1.91	0.65	1.49	1.14	2.45	7.47	0.89	2.31
Noninterest expense to assets	2.89	5.76	2.59	2.75	3.15	1.84	2.93	8.63	3.01	2.63
Loan and lease loss provision to assets	1.86	8.38	1.48	0.57	1.89	0.97	2.66	0.22	0.39	1.60
Net operating income to assets	0.13	-0.37	0.27	0.80	-0.37	0.68	0.50	0.72	0.81	0.47
Pretax return on assets	0.14	-0.52	0.02	0.95	-0.44	1.07	0.85	1.13	0.97	0.71
Return on assets	0.09	-0.29	0.08	0.83	-0.37	0.65	0.50	0.74	0.81	0.51
Return on equity	0.90	-1.21	0.92	7.48	-3.53	7.38	4.76	4.22	7.23	4.70
Net charge-offs to loans and leases	2.49	9.77	2.97	0.64	2.00	1.21	2.73	0.78	0.53	2.19
Loan and lease loss provision to net charge-offs	132.58	120.45	134.78	135.20	134.68	132.30	123.85	105.17	126.97	137.71
Efficiency ratio	55.53	39.41	58.88	63.99	62.64	46.11	44.96	82.90	68.69	51.68
% of unprofitable institutions	29.52	34.78	75.00	11.25	41.47	21.25	15.85	19.03	11.15	23.21
% of institutions with earnings gains	41.04	30.43	25.00	40.60	38.06	57.89	46.34	36.68	42.80	55.36
Condition Ratios (%)										
Earning assets to total assets	85.97	80.35	84.68	91.01	88.47	92.35	94.63	87.87	91.37	82.69
Loss allowance to:										
Loans and leases	3.12	9.33	4.34	1.50	2.50	1.43	3.00	1.59	1.32	2.89
Noncurrent loans and leases	58.13	277.70	58.58	81.74	53.37	31.55	173.80	83.08	74.29	45.17
Noncurrent assets plus other real estate owned to assets	3.32	2.31	2.75	1.55	3.86	3.12	1.42	0.69	1.34	3.56
Equity capital ratio	11.04	24.58	8.75	10.96	10.53	9.49	11.11	17.74	11.29	11.95
Core capital (leverage) ratio	8.65	19.62	6.98	9.96	8.74	8.95	10.56	15.64	10.68	8.22
Tier 1 risk-based capital ratio	11.68	14.25	11.28	13.55	11.05	18.57	14.26	35.90	17.48	10.77
Total risk-based capital ratio	14.34	16.51	14.35	14.67	13.27	19.55	16.04	36.75	18.62	14.14
Net loans and leases to deposits	76.50	120.53	51.23	78.06	88.06	90.55	93.46	33.34	67.00	73.57
Net loans to total assets	53.84	62.41	33.38	63.84	67.04	59.06	76.02	24.91	55.60	51.62
Domestic deposits to total assets	58.71	46.28	30.96	81.79	74.22	65.14	80.23	74.25	82.97	60.68
Structural Changes										
New charters	31	0	0	1	7	1	0	19	1	2
Institutions absorbed by mergers	179	1	0	24	137	4	0	1	7	5
Failed institutions	140	0	0	4	123	8	0	0	5	0
PRIOR FULL YEARS (The way it was...)										
Number of institutions 2008	8,305	26	5	1,559	4,753	839	91	279	709	44
2006	8,680	26	4	1,634	4,713	817	123	411	895	57
2004	8,976	34	5	1,731	4,423	990	132	466	1,120	75
Total assets (in billions) 2008	$13,841.2	$513.0	$3,410.1	$168.8	$5,461.2	$997.1	$122.2	$34.4	$94.8	$3,039.6
2006	11,861.4	408.4	2,337.2	149.3	4,904.6	1,445.0	109.9	42.2	119.6	2,345.4
2004	10,107.4	383.0	1,881.3	138.7	3,301.4	1,505.0	104.1	52.0	143.3	2,598.4
Return on assets (%) 2008	0.03	1.70	0.25	1.00	-0.13	-0.48	-0.01	1.43	0.82	-0.09
2006	1.28	4.19	1.01	1.23	1.28	0.94	1.75	1.54	1.04	1.26
2004	1.28	4.03	0.76	1.22	1.29	1.17	1.66	1.68	1.10	1.32
Net charge-offs to loans & leases (%) 2008	1.29	5.94	1.43	0.41	1.14	0.86	1.74	0.35	0.35	0.74
2006	0.39	3.48	0.48	0.17	0.22	0.15	1.40	0.42	0.20	0.22
2004	0.56	4.66	0.91	0.22	0.30	0.12	1.57	0.59	0.29	0.25
Noncurrent assets plus OREO to assets (%) 2008	1.91	2.08	1.59	1.17	2.34	2.55	1.31	0.35	1.05	1.35
2006	0.54	1.37	0.40	0.67	0.56	0.56	0.85	0.20	0.56	0.46
2004	0.53	1.50	0.57	0.68	0.51	0.43	0.53	0.31	0.59	0.45
Equity capital ratio (%) 2008	9.33	20.47	7.01	10.99	10.04	7.45	9.85	18.63	11.28	9.11
2006	10.52	22.88	7.75	10.73	11.16	9.91	14.16	21.12	10.97	9.78
2004	10.28	20.54	8.05	10.78	10.10	10.53	11.36	17.47	10.79	10.23

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

TABLE III-A. Full Year 2009, All FDIC-Insured Institutions

		Asset Size Distribution				Geographic Regions*					
FULL YEAR (The way it is...)	All Insured Institutions	Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Number of institutions reporting	8,012	2,845	4,495	565	107	986	1,121	1,647	1,879	1,660	719
Commercial banks	6,839	2,525	3,800	429	85	518	992	1,355	1,780	1,540	654
Savings institutions	1,173	320	695	136	22	468	129	292	99	120	65
Total assets (in billions)	$13,109.5	$158.7	$1,355.8	$1,462.7	$10,132.2	$2,588.3	$3,427.9	$2,934.5	$1,145.8	$785.1	$2,227.9
Commercial banks	11,846.1	141.3	1,112.6	1,120.5	9,471.7	1,895.5	3,303.7	2,803.9	1,094.9	695.7	2,052.4
Savings institutions	1,263.3	17.4	243.2	342.2	660.5	692.9	124.2	130.6	50.8	89.4	175.5
Total deposits (in billions)	9,226.8	132.4	1,106.6	1,107.9	6,880.0	1,749.4	2,464.5	2,020.1	867.7	606.3	1,518.8
Commercial banks	8,333.2	118.9	918.3	850.6	6,445.4	1,272.5	2,373.1	1,922.7	829.2	535.0	1,400.7
Savings institutions	893.6	13.5	188.3	257.3	434.5	476.9	91.4	97.5	38.5	71.3	118.1
Net income (in millions)	12,527	25	-128	-4,206	16,836	-711	56	6,042	8,827	3,075	-4,761
Commercial banks	10,752	77	-163	-3,811	14,649	-1,368	470	6,823	8,824	2,681	-6,679
Savings institutions	1,775	-52	35	-395	2,187	657	-414	-781	3	393	1,917
Performance Ratios (%)											
Yield on earning assets	4.75	5.59	5.54	5.18	4.56	5.17	4.42	4.13	5.55	5.12	5.05
Cost of funding earning assets	1.28	1.75	1.90	1.74	1.11	1.46	1.22	1.12	1.08	1.36	1.42
Net interest margin	3.47	3.84	3.65	3.44	3.45	3.71	3.19	3.01	4.46	3.75	3.63
Noninterest income to assets	1.96	0.99	1.02	1.40	2.17	1.93	1.86	2.11	3.10	1.60	1.49
Noninterest expense to assets	2.89	3.74	3.28	3.09	2.80	2.83	2.73	2.87	3.88	3.32	2.61
Loan and lease loss provision to assets	1.86	0.69	1.08	1.67	2.01	1.91	1.90	1.62	1.89	1.22	2.30
Net operating income to assets	0.13	0.00	-0.02	-0.27	0.20	0.27	-0.07	0.15	0.80	0.35	-0.17
Pretax return on assets	0.14	0.08	0.02	-0.27	0.21	-0.04	0.02	0.29	1.20	0.52	-0.35
Return on assets	0.09	0.02	-0.01	-0.29	0.16	-0.03	0.00	0.20	0.78	0.39	-0.22
Return on equity	0.90	0.13	-0.10	-2.72	1.56	-0.22	0.01	2.40	7.52	3.91	-2.08
Net charge-offs to loans and leases	2.49	0.86	1.19	1.88	2.84	2.75	2.27	2.34	2.39	1.32	3.32
Loan and lease loss provision to net charge-offs	132.58	127.96	131.64	131.02	132.85	128.81	141.15	137.50	117.75	138.08	127.32
Efficiency ratio	55.53	82.01	73.32	63.09	52.29	52.82	55.46	57.48	54.02	63.22	54.69
% of unprofitable institutions	29.52	27.59	29.45	37.17	42.99	27.18	54.50	25.32	19.64	18.31	55.08
% of institutions with earnings gains	41.04	39.96	41.67	42.48	35.51	56.39	29.71	40.74	40.45	43.92	33.24
Condition Ratios (%)											
Earning assets to total assets	85.97	90.72	91.21	90.13	84.59	85.92	83.24	86.77	86.79	90.11	87.27
Loss allowance to:											
Loans and leases	3.12	1.59	1.75	2.18	3.56	3.39	2.98	3.30	2.70	2.04	3.58
Noncurrent loans and leases	58.13	63.31	49.47	48.40	60.34	83.99	48.19	56.61	46.34	54.98	65.95
Noncurrent assets plus other real estate owned to assets	3.32	2.22	3.27	3.59	3.31	2.31	4.04	3.18	4.28	3.03	3.19
Equity capital ratio	11.04	12.02	9.94	10.78	11.21	13.24	11.68	8.61	10.71	10.33	11.13
Core capital (leverage) ratio	8.65	11.60	9.42	9.32	8.40	10.17	7.94	7.07	9.23	9.31	9.55
Tier 1 risk-based capital ratio	11.68	17.40	13.14	12.87	11.25	13.52	10.44	10.08	10.65	12.66	13.99
Total risk-based capital ratio	14.34	18.49	14.34	14.23	14.29	15.86	13.75	13.35	12.81	14.39	15.72
Net loans and leases to deposits	76.50	73.49	81.93	84.87	74.34	77.12	79.68	68.79	84.18	84.07	73.47
Net loans to total assets	53.84	61.29	66.87	64.28	50.48	52.13	57.29	47.36	63.75	64.92	50.09
Domestic deposits to total assets	58.71	83.40	81.56	75.10	52.90	59.54	64.27	53.04	70.69	76.50	44.24
Structural Changes											
New charters	31	25	3	1	2	3	11	7	0	6	4
Institutions absorbed by mergers	179	78	81	11	9	27	25	36	48	29	14
Failed institutions	140	25	88	22	5	6	45	30	15	9	35
PRIOR FULL YEARS (The way it was...)											
Number of institutions 2008	8,305	3,132	4,498	561	114	1,015	1,180	1,705	1,935	1,700	770
2006	8,680	3,632	4,399	530	119	1,092	1,218	1,826	2,018	1,753	773
2004	8,976	4,093	4,286	480	117	1,129	1,219	1,951	2,094	1,834	749
Total assets (in billions) 2008	$13,841.2	$170.9	$1,354.7	$1,489.8	$10,825.8	$2,594.2	$3,745.9	$3,264.3	$1,057.2	$780.9	$2,398.7
2006	11,861.4	189.9	1,290.0	1,397.5	8,984.0	2,215.7	2,911.4	2,746.2	859.8	652.3	2,476.1
2004	10,107.4	211.7	1,199.6	1,318.5	7,377.6	2,856.4	2,177.1	2,387.6	768.2	603.1	1,315.1
Return on assets (%) 2008	0.03	0.25	0.24	-0.30	0.05	0.25	-0.14	0.29	0.57	0.51	-0.63
2006	1.28	0.92	1.16	1.22	1.31	1.27	1.31	1.10	1.76	1.23	1.29
2004	1.28	1.00	1.19	1.45	1.27	1.37	1.34	0.88	1.55	1.26	1.60
Net charge-offs to loans & leases (%) 2008	1.29	0.46	0.67	1.10	1.44	1.44	1.01	1.24	1.60	0.68	1.74
2006	0.39	0.18	0.16	0.20	0.47	0.72	0.19	0.28	0.55	0.21	0.43
2004	0.56	0.28	0.27	0.39	0.65	0.87	0.31	0.41	0.74	0.27	0.60
Noncurrent assets plus OREO to assets (%) 2008	1.91	1.66	2.16	2.45	1.80	1.20	2.02	1.93	2.28	1.80	2.33
2006	0.54	0.73	0.59	0.52	0.53	0.52	0.33	0.57	1.05	0.62	0.56
2004	0.53	0.74	0.56	0.51	0.53	0.58	0.35	0.55	0.81	0.61	0.51
Equity capital ratio (%) 2008	9.33	12.87	10.00	10.65	9.01	11.14	9.56	8.07	9.49	9.95	8.45
2006	10.52	13.01	10.39	10.97	10.42	12.47	10.05	9.07	10.64	10.42	10.92
2004	10.28	11.82	10.19	10.87	10.15	11.20	8.74	9.36	10.62	10.78	12.10

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

TABLE IV-A. Fourth Quarter 2009, All FDIC-Insured Institutions

FOURTH 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	8,012	23	4	1,564	4,456	767	82	289	771	56
Commercial banks	6,839	19	4	1,559	3,978	203	66	258	707	45
Savings institutions	1,173	4	0	5	478	564	16	31	64	11
Total assets (in billions)	$13,109.5	$521.5	$3,107.1	$181.6	$4,550.5	$809.2	$96.3	$38.0	$116.3	$3,688.8
Commercial banks	11,846.1	498.3	3,107.1	180.9	4,061.8	203.6	51.0	32.8	99.5	3,611.2
Savings institutions	1,263.3	23.3	0.0	0.7	488.7	605.7	45.4	5.2	16.8	77.6
Total deposits (in billions)	9,226.8	270.0	2,024.5	148.6	3,464.2	527.8	78.4	28.4	96.5	2,588.4
Commercial banks	8,333.2	256.2	2,024.5	148.0	3,129.6	99.8	38.9	25.0	83.1	2,528.0
Savings institutions	893.6	13.8	0.0	0.6	334.6	428.0	39.5	3.4	13.4	60.4
Net income (in millions)	914	697	2,307	261	-6,940	1,349	223	119	221	2,677
Commercial banks	278	583	2,307	261	-6,549	539	216	75	199	2,646
Savings institutions	636	114	0	0	-391	809	7	44	22	31
Performance Ratios (annualized, %)										
Yield on earning assets	4.60	10.94	3.63	5.54	5.00	4.73	5.65	3.84	5.29	3.95
Cost of funding earning assets	1.11	1.30	0.81	1.54	1.36	1.65	1.42	1.06	1.47	0.85
Net interest margin	3.49	9.64	2.82	4.00	3.64	3.07	4.23	2.78	3.82	3.11
Noninterest income to assets	1.90	5.53	1.63	0.64	1.43	1.47	2.55	8.10	0.91	2.31
Noninterest expense to assets	2.99	5.77	2.53	2.86	3.28	1.93	2.92	8.61	3.08	2.84
Loan and lease loss provision to assets	1.86	6.84	1.25	0.83	2.11	1.05	2.20	0.29	0.52	1.66
Net operating income to assets	0.03	0.54	0.28	0.57	-0.58	0.83	0.93	1.18	0.73	0.24
Pretax return on assets	0.04	0.68	0.25	0.62	-0.76	1.10	1.41	1.71	0.87	0.43
Return on assets	0.03	0.55	0.29	0.58	-0.61	0.67	0.93	1.25	0.77	0.29
Return on equity	0.25	2.19	3.41	5.23	-5.77	7.15	8.41	7.02	6.73	2.44
Net charge-offs to loans and leases	2.89	9.50	3.18	1.01	2.50	1.23	2.63	0.77	0.80	2.80
Loan and lease loss provision to net charge-offs	115.32	105.27	111.63	124.89	122.02	143.31	106.56	148.00	114.00	111.29
Efficiency ratio	57.75	40.16	62.17	65.60	63.93	44.12	44.22	80.47	69.36	56.00
% of unprofitable institutions	32.68	26.09	25.00	20.14	41.83	23.34	24.39	30.80	17.12	21.43
% of institutions with earnings gains	50.34	69.57	75.00	50.26	50.54	55.15	53.66	38.06	47.21	62.50
Structural Changes										
New charters	3	0	0	0	1	0	0	2	0	0
Institutions absorbed by mergers	43	0	0	9	28	2	0	0	2	2
Failed institutions	45	0	0	1	40	3	0	0	1	0
PRIOR FOURTH QUARTERS (The way it was...)										
Return on assets (%) 2008	-1.10	-0.21	-0.04	0.67	-1.83	-1.80	-1.68	0.62	0.58	-1.07
2006	1.20	3.43	0.96	1.06	1.20	0.91	1.54	2.17	1.00	1.21
2004	1.25	3.72	0.77	1.04	1.25	1.21	1.50	1.74	0.99	1.25
Net charge-offs to loans & leases (%) 2008	1.95	6.96	1.85	0.74	1.89	1.80	2.14	0.52	0.56	1.16
2006	0.47	3.88	0.36	0.30	0.35	0.19	1.62	0.32	0.28	0.29
2004	0.60	4.64	1.10	0.31	0.35	0.15	1.44	0.54	0.36	0.24

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

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

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

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

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

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

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

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

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

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

TABLE IV-A. Fourth Quarter 2009, All FDIC-Insured Institutions

FOURTH QUARTER (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	8,012	2,845	4,495	565	107	986	1,121	1,647	1,879	1,660	719
Commercial banks	6,839	2,525	3,800	429	85	518	992	1,355	1,780	1,540	654
Savings institutions	1,173	320	695	136	22	468	129	292	99	120	65
Total assets (in billions)	$13,109.5	$158.7	$1,355.8	$1,462.7	$10,132.2	$2,588.3	$3,427.9	$2,934.5	$1,145.8	$785.1	$2,227.9
Commercial banks	11,846.1	141.3	1,112.6	1,120.5	9,471.7	1,895.5	3,303.7	2,803.9	1,094.9	695.7	2,052.4
Savings institutions	1,263.3	17.4	243.2	342.2	660.5	692.9	124.2	130.6	50.8	89.4	175.5
Total deposits (in billions)	9,226.8	132.4	1,106.6	1,107.9	6,880.0	1,749.4	2,464.5	2,020.1	867.7	606.3	1,518.8
Commercial banks	8,333.2	118.9	918.3	850.6	6,445.4	1,272.5	2,373.1	1,922.7	829.2	535.0	1,400.7
Savings institutions	893.6	13.5	188.3	257.3	434.5	476.9	91.4	97.5	38.5	71.3	118.1
Net income (in millions)	914	-103	-1,088	-1,020	3,125	1,676	-3,269	963	2,384	647	-1,486
Commercial banks	278	-83	-1,123	-979	2,464	1,693	-3,182	1,046	2,336	530	-2,145
Savings institutions	636	-20	35	-41	662	-17	-87	-83	47	117	659
Performance Ratios (annualized, %)											
Yield on earning assets	4.60	5.48	5.41	5.03	4.41	5.05	4.34	4.01	5.38	5.04	4.71
Cost of funding earning assets	1.11	1.56	1.68	1.52	0.96	1.28	1.06	0.96	0.94	1.18	1.24
Net interest margin	3.49	3.92	3.73	3.51	3.45	3.76	3.28	3.04	4.44	3.86	3.47
Noninterest income to assets	1.90	0.99	1.03	1.46	2.09	2.04	1.71	1.81	3.31	1.62	1.51
Noninterest expense to assets	2.99	3.93	3.40	3.11	2.91	2.96	3.03	2.71	4.08	3.37	2.65
Loan and lease loss provision to assets	1.86	0.87	1.42	1.76	1.95	1.83	1.98	1.75	1.83	1.35	2.04
Net operating income to assets	0.03	-0.27	-0.33	-0.19	0.11	0.29	-0.43	0.07	0.85	0.35	-0.15
Pretax return on assets	0.04	-0.24	-0.36	-0.34	0.16	0.42	-0.52	0.09	1.26	0.39	-0.33
Return on assets	0.03	-0.26	-0.32	-0.28	0.12	0.26	-0.38	0.13	0.84	0.33	-0.27
Return on equity	0.25	-2.15	-3.21	-2.59	1.10	1.98	-3.25	1.52	7.73	3.20	-2.42
Net charge-offs to loans and leases	2.89	1.15	1.76	2.35	3.22	2.93	2.73	2.94	2.68	1.55	3.81
Loan and lease loss provision to net charge-offs	115.32	121.45	117.62	113.12	115.35	116.64	122.50	121.11	103.06	130.93	102.33
Efficiency ratio	57.75	85.03	73.75	61.66	54.97	53.16	61.10	58.86	54.86	64.85	56.97
% of unprofitable institutions	32.68	34.02	31.32	35.04	41.12	24.85	54.24	31.03	26.18	23.86	50.90
% of institutions with earnings gains	50.34	48.01	50.81	57.17	56.07	60.24	43.35	47.91	52.47	50.66	46.87
Structural Changes											
New charters	3	1	2	0	0	0	1	2	0	0	0
Institutions absorbed by mergers	43	20	19	0	4	3	4	9	14	8	5
Failed institutions	45	10	24	9	2	0	16	10	5	4	10
PRIOR FOURTH QUARTERS (The way it was...)											
Return on assets (%) 2008	-1.10	-0.46	-0.41	-1.76	-1.10	-0.76	-1.65	-0.26	-0.45	0.00	-2.39
2006	1.20	0.68	1.08	1.10	1.24	1.26	1.21	1.19	1.82	1.10	0.94
2004	1.25	0.89	1.14	1.35	1.25	1.37	1.19	0.85	1.66	1.18	1.59
Net charge-offs to loans & leases (%) 2008	1.95	0.85	1.20	1.83	2.11	1.87	1.63	1.89	2.31	0.98	2.79
2006	0.47	0.31	0.26	0.26	0.55	0.94	0.26	0.38	0.70	0.25	0.40
2004	0.60	0.39	0.34	0.45	0.69	0.88	0.33	0.59	0.70	0.34	0.59

*** 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

December 31, 2009	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <$1 Billion	All Other <$1 Billion	All Other >$1 Billion
Percent of Loans 30-89 Days Past Due										
All loans secured by real estate	2.22	3.76	3.28	1.24	1.80	2.11	1.32	1.64	1.99	2.61
Construction and development	2.61	0.00	3.88	1.61	2.62	3.47	2.93	1.81	2.01	2.43
Nonfarm nonresidential	1.24	0.00	0.83	1.11	1.27	1.28	1.39	0.98	1.49	1.16
Multifamily residential real estate	1.20	0.00	0.74	0.78	1.40	1.27	0.97	1.47	1.36	0.95
Home equity loans	1.32	3.16	1.85	0.56	0.90	1.34	0.95	1.08	0.93	1.42
Other 1-4 family residential	3.18	4.15	4.96	2.04	2.49	2.22	1.69	2.18	2.42	3.78
Commercial and industrial loans	0.95	4.52	0.52	1.56	1.02	0.99	1.52	1.13	1.69	0.75
Loans to individuals	2.52	2.98	2.33	2.18	2.06	1.89	2.19	1.84	2.45	2.66
Credit card loans	2.82	2.87	3.27	3.45	2.19	3.01	1.37	1.98	2.73	2.90
Other loans to individuals	2.33	3.88	1.97	2.12	2.04	1.53	2.47	1.82	2.45	2.61
All other loans and leases (including farm)	0.56	0.01	0.29	0.70	0.82	0.35	0.34	0.82	0.69	0.64
Total loans and leases	1.93	2.83	2.19	1.21	1.62	2.07	1.89	1.55	1.92	2.11
Percent of Loans Noncurrent**										
All real estate loans	7.10	5.44	10.65	2.22	5.83	4.78	2.29	2.39	2.03	9.28
Construction and development	15.95	0.00	18.39	9.83	16.14	15.88	10.59	4.25	5.82	15.73
Nonfarm nonresidential	3.82	0.00	4.17	2.52	3.53	3.34	2.80	2.42	2.27	5.28
Multifamily residential real estate	4.44	0.00	4.00	2.69	3.93	3.26	0.01	2.44	1.46	7.95
Home equity loans	1.83	4.65	2.04	0.59	1.10	2.18	1.25	0.79	0.82	2.35
Other 1-4 family residential	9.31	5.95	17.69	1.64	5.49	4.88	3.03	2.32	1.69	12.91
Commercial and industrial loans	3.44	4.55	6.30	2.35	2.63	1.94	0.90	1.33	1.73	3.23
Loans to individuals	2.20	3.61	2.53	0.98	1.34	1.34	1.60	0.91	0.82	1.39
Credit card loans	3.46	3.54	4.00	4.27	2.98	3.78	1.58	1.28	1.08	3.29
Other loans to individuals	1.37	4.24	1.96	0.81	1.03	0.57	1.60	0.87	0.81	0.95
All other loans and leases (including farm)	1.65	0.02	2.83	0.74	1.63	0.47	0.16	0.64	0.69	1.13
Total loans and leases	5.37	3.36	7.39	1.83	4.69	4.54	1.71	1.91	1.77	6.40
Percent of Loans Charged-off (net, YTD)										
All real estate loans	2.02	2.52	2.99	0.53	1.90	1.08	2.04	0.49	0.38	2.26
Construction and development	5.40	0.00	3.66	3.12	5.76	4.70	4.39	1.35	1.67	4.50
Nonfarm nonresidential	0.77	0.00	1.37	0.64	0.83	0.79	0.61	0.20	0.35	0.51
Multifamily residential real estate	1.11	0.00	1.04	0.41	1.32	1.01	0.06	1.44	0.20	0.45
Home equity loans	2.90	0.00	3.28	0.60	1.52	3.82	2.19	0.37	0.43	3.81
Other 1-4 family residential	1.72	3.19	3.66	0.33	1.21	0.80	1.88	0.53	0.27	1.95
Commercial and industrial loans	2.36	15.47	2.55	1.44	2.20	1.59	5.43	0.90	1.06	1.53
Loans to individuals	5.37	10.14	4.73	1.15	2.69	3.87	2.77	1.71	1.00	3.62
Credit card loans	9.10	9.47	8.26	10.39	7.72	10.46	5.29	8.97	3.64	9.73
Other loans to individuals	2.97	15.10	3.28	0.64	1.81	1.67	1.99	0.49	0.93	2.24
All other loans and leases (including farm)	1.24	0.01	1.44	0.00	1.52	1.17	1.31	0.79	0.58	1.15
Total loans and leases	2.49	9.77	2.96	0.64	2.00	1.21	2.71	0.78	0.53	2.19
Loans Outstanding (in billions)										
All real estate loans	$4,462.7	$0.1	$550.3	$68.8	$2,156.2	$450.0	$20.0	$6.3	$47.2	$1,163.7
Construction and development	451.5	0.0	9.6	4.5	337.3	8.2	0.5	0.5	3.0	87.9
Nonfarm nonresidential	1,091.4	0.0	31.9	19.8	802.6	25.8	0.8	2.0	11.5	197.0
Multifamily residential real estate	211.4	0.0	41.2	1.5	127.4	11.0	0.1	0.2	0.9	29.2
Home equity loans	661.4	0.0	136.3	1.5	225.2	28.2	10.1	0.2	2.0	258.0
Other 1-4 family residential	1,916.7	0.1	282.3	18.2	620.3	376.1	8.4	3.1	26.4	581.8
Commercial and industrial loans	1,220.8	28.7	201.4	15.3	585.8	10.6	4.4	1.3	6.5	366.7
Loans to individuals	1,060.3	297.4	183.5	6.5	224.1	21.6	50.5	1.5	7.4	267.9
Credit card loans	422.1	266.4	51.1	0.3	35.5	5.2	12.8	0.1	0.2	50.4
Other loans to individuals	638.2	31.0	132.4	6.2	188.6	16.4	37.6	1.3	7.2	217.5
All other loans and leases (including farm)	546.1	32.7	150.9	27.1	163.7	2.7	1.3	0.6	4.5	162.8
Total loans and leases (plus unearned income)	7,289.9	359.0	1,086.1	117.7	3,129.8	484.9	76.2	9.6	65.6	1,961.1
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	41,357.1	-35.9	2,970.0	641.3	28,498.2	3,175.3	65.9	71.1	389.9	5,581.4
Construction and development	16,999.7	0.0	754.0	228.3	14,426.7	398.9	11.2	24.0	94.0	1,062.5
Nonfarm nonresidential	7,054.9	0.0	148.0	194.4	5,761.4	145.1	4.5	21.8	108.5	671.1
Multifamily residential real estate	1,747.0	0.0	69.0	26.9	1,210.8	42.7	0.9	1.4	21.1	374.3
1-4 family residential	12,625.6	0.3	1,231.0	142.1	6,259.3	2,259.1	48.1	21.1	158.2	2,506.4
Farmland	233.2	0.0	0.0	49.2	163.0	1.9	1.2	2.8	8.0	7.0
GNMA properties	2,561.3	0.0	596.0	0.3	670.8	334.1	0.0	0.0	0.0	960.1

* 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*					
December 31, 2009	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	2.22	1.92	1.76	1.45	2.52	1.79	2.54	2.30	1.97	1.96	2.34
Construction and development	2.61	2.27	2.52	2.21	2.84	3.35	2.34	2.83	2.26	2.21	3.04
Nonfarm nonresidential	1.24	1.60	1.48	1.01	1.21	1.29	1.38	1.30	0.92	1.20	1.06
Multifamily residential real estate	1.20	1.53	1.44	1.21	1.14	1.07	1.38	1.24	0.87	1.65	1.15
Home equity loans	1.32	1.05	0.94	0.86	1.38	0.78	1.48	1.41	1.28	0.95	1.36
Other 1-4 family residential	3.18	2.50	2.06	1.85	3.60	2.12	3.71	3.48	3.12	2.85	3.50
Commercial and industrial loans	0.95	1.85	1.39	1.03	0.87	1.45	0.84	0.91	1.23	0.93	0.58
Loans to individuals	2.52	2.67	2.35	2.33	2.55	2.93	2.52	2.02	3.32	1.82	2.21
Credit card loans	2.82	2.56	2.68	2.41	2.84	2.99	2.76	2.61	3.22	1.21	2.59
Other loans to individuals	2.33	2.67	2.33	2.31	2.32	2.79	2.45	1.86	3.40	2.04	1.97
All other loans and leases (including farm)	0.56	0.71	0.64	0.74	0.53	0.68	0.30	0.79	0.83	0.57	0.27
Total loans and leases	1.93	1.83	1.70	1.43	2.06	1.92	2.10	1.89	1.87	1.71	1.82
Percent of Loans Noncurrent**											
All real estate loans	7.10	2.92	4.02	5.43	8.35	4.72	8.39	7.93	8.41	4.73	6.87
Construction and development	15.95	9.43	12.48	16.35	17.40	17.79	15.91	16.12	14.13	9.74	23.32
Nonfarm nonresidential	3.82	3.05	2.87	3.30	4.62	3.62	4.62	4.05	3.33	2.39	3.86
Multifamily residential real estate	4.44	2.84	3.43	3.87	4.88	2.73	8.31	4.11	2.50	3.92	4.38
Home equity loans	1.83	1.14	1.13	1.30	1.93	0.81	2.24	1.87	2.44	1.31	0.99
Other 1-4 family residential	9.31	2.14	2.69	4.11	11.41	4.39	10.80	12.44	14.33	5.46	8.15
Commercial and industrial loans	3.44	2.57	2.30	2.43	3.75	3.41	3.17	3.34	2.57	1.59	5.30
Loans to individuals	2.20	1.15	0.96	1.47	2.32	3.22	1.45	1.59	2.40	0.84	2.32
Credit card loans	3.46	1.75	2.20	2.40	3.51	3.86	3.07	3.49	3.38	1.31	3.10
Other loans to individuals	1.37	1.14	0.86	1.23	1.42	1.93	1.00	1.07	1.63	0.68	1.82
All other loans and leases (including farm)	1.65	0.68	1.06	1.08	1.78	1.40	0.90	1.97	0.85	1.04	3.58
Total loans and leases	5.37	2.51	3.53	4.50	5.90	4.03	6.19	5.84	5.82	3.70	5.42
Percent of Loans Charged-off (net, YTD)											
All real estate loans	2.02	0.72	1.06	1.77	2.33	0.94	2.34	2.29	1.74	1.29	2.97
Construction and development	5.40	3.41	3.61	6.36	5.77	3.55	5.26	6.70	4.35	3.31	9.49
Nonfarm nonresidential	0.77	0.55	0.55	0.79	0.89	0.66	0.67	1.21	0.62	0.47	0.94
Multifamily residential real estate	1.11	0.52	0.82	1.24	1.14	0.69	1.37	1.33	0.56	1.10	1.32
Home equity loans	2.90	0.67	0.75	1.00	3.21	0.92	3.74	2.20	3.80	1.51	3.80
Other 1-4 family residential	1.72	0.38	0.63	0.73	2.08	0.70	1.83	2.14	1.09	0.98	3.18
Commercial and industrial loans	2.36	1.70	1.74	2.17	2.46	3.29	1.67	2.12	2.61	1.29	3.26
Loans to individuals	5.37	1.30	2.03	2.83	5.76	8.36	3.57	3.41	6.79	1.89	5.06
Credit card loans	9.10	10.33	9.49	7.97	9.14	9.80	8.94	8.99	10.74	4.30	7.47
Other loans to individuals	2.97	1.00	1.44	1.53	3.28	5.80	2.02	1.80	3.51	1.19	3.52
All other loans and leases (including farm)	1.24	0.00	0.80	1.09	1.31	0.77	1.16	1.79	0.55	0.98	1.70
Total loans and leases	2.49	0.86	1.19	1.88	2.84	2.75	2.27	2.34	2.39	1.32	3.32
Loans Outstanding (in billions)											
All real estate loans	$4,462.7	$68.2	$721.9	$704.9	$2,967.8	$837.7	$1,308.3	$883.8	$447.4	$363.5	$622.1
Construction and development	451.5	6.1	99.9	107.6	237.8	62.4	163.2	75.5	40.1	63.3	47.0
Nonfarm nonresidential	1,091.4	20.7	272.2	271.7	526.8	219.1	287.7	197.4	114.1	123.5	149.6
Multifamily residential real estate	211.4	1.9	32.3	41.7	135.5	56.5	38.6	61.2	13.3	9.1	32.7
Home equity loans	661.4	2.3	39.6	49.7	569.9	85.7	230.6	180.8	79.2	24.7	60.4
Other 1-4 family residential	1,916.7	28.5	244.8	221.5	1,421.8	408.6	569.5	351.7	178.7	131.0	277.3
Commercial and industrial loans	1,220.8	13.0	117.6	144.1	946.1	185.4	337.9	259.9	125.4	93.1	219.1
Loans to individuals	1,060.3	7.0	44.3	75.2	933.8	291.0	239.5	172.7	87.6	41.4	228.1
Credit card loans	422.1	0.1	3.2	15.7	403.1	194.4	52.9	36.8	38.4	11.1	88.4
Other loans to individuals	638.2	6.9	41.0	59.5	530.8	96.6	186.6	135.9	49.1	30.3	139.7
All other loans and leases (including farm)	546.1	10.7	39.3	38.1	458.0	82.9	138.7	120.7	90.4	22.6	90.8
Total loans and leases (plus unearned income)	7,289.9	98.9	923.1	962.2	5,305.7	1,396.9	2,024.4	1,437.2	750.7	520.6	1,160.1
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	41,357.1	1,043.4	11,544.2	9,003.2	19,766.3	3,342.3	13,023.1	8,834.9	5,254.7	4,490.3	6,411.8
Construction and development	16,999.7	363.0	5,856.7	5,039.6	5,740.4	978.0	5,764.1	2,367.3	1,943.2	2,232.1	3,715.1
Nonfarm nonresidential	7,054.9	300.0	2,573.8	1,678.2	2,502.9	687.0	1,920.1	1,574.5	991.5	1,001.5	880.3
Multifamily residential real estate	1,747.0	31.8	393.5	376.3	945.4	287.2	643.9	358.2	120.8	142.7	194.0
1-4 family residential	12,625.6	324.1	2,593.9	1,743.8	7,963.8	1,225.6	4,461.1	3,291.9	1,193.1	1,009.0	1,445.1
Farmland	233.2	24.4	128.9	59.4	20.4	10.9	35.7	30.5	46.5	88.1	21.5
GNMA properties	2,561.3	0.1	8.4	109.3	2,443.4	149.8	198.3	1,208.4	962.6	16.9	25.4

* See Table IV-A (page 9) 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)	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	% Change 08Q4-09Q4	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	1,124	1,175	1,214	1,170	1,102	2.0	86	663	295	80
Total assets of institutions reporting derivatives	$10,574,596	$10,546,637	$10,593,301	$10,671,458	$10,973,667	-3.6	$6,132	$286,687	$881,408	$9,400,368
Total deposits of institutions reporting derivatives	7,343,274	7,183,905	7,097,229	6,983,343	7,091,683	3.5	5,074	230,951	666,615	6,440,634
Total derivatives	213,568,137	206,393,163	206,256,673	204,766,718	212,114,632	0.7	230	17,690	64,380	213,485,836
Derivative Contracts by Underlying Risk Exposure										
Interest rate	179,570,190	172,576,826	173,242,567	170,780,626	175,894,771	2.1	217	17,153	59,927	179,492,894
Foreign exchange*	17,297,924	17,721,486	16,646,714	16,272,958	16,922,815	2.2	0	36	2,989	17,294,899
Equity	1,685,227	2,182,431	2,041,640	2,174,368	2,206,793	-23.6	13	154	1,189	1,683,870
Commodity & other (excluding credit derivatives)	978,928	926,295	909,250	938,063	1,061,132	-7.7	0	126	229	978,573
Credit	14,035,868	12,986,125	13,416,503	14,600,703	16,029,122	-12.4	0	221	46	14,035,600
Total	213,568,137	206,393,163	206,256,673	204,766,718	212,114,632	0.7	230	17,690	64,380	213,485,836
Derivative Contracts by Transaction Type										
Swaps	142,021,982	135,921,435	135,630,316	133,888,914	143,110,842	-0.8	29	9,889	40,787	141,971,276
Futures & forwards	26,495,495	24,879,334	25,849,103	24,715,231	22,528,731	17.6	91	3,293	7,955	26,484,156
Purchased options	15,156,782	15,427,835	15,020,268	15,053,703	14,824,429	2.2	14	791	8,324	15,147,653
Written options	15,113,201	15,066,076	14,859,851	15,106,838	14,922,603	1.3	96	3,492	6,721	15,102,893
Total	198,787,460	191,294,681	191,359,538	188,764,686	195,386,605	1.7	230	17,465	63,787	198,705,978
Fair Value of Derivative Contracts										
Interest rate contracts	97,757	123,738	126,047	138,567	131,483	-25.7	1	9	155	97,592
Foreign exchange contracts	9,671	-5,037	-10,568	-10,459	-16,942	N/M	0	0	-6	9,678
Equity contracts	1,236	-253	670	3,103	2,871	-56.9	0	4	5	1,227
Commodity & other (excluding credit derivatives)	1,623	3,615	1,156	4,158	3,848	-57.8	0	8	2	1,613
Credit derivatives as guarantor	-160,980	-234,357	-474,635	-959,080	-975,755	N/M	0	0	2	-160,982
Credit derivatives as beneficiary	188,641	266,208	523,242	1,031,185	1,046,813	-82.0	0	2	-2	188,641
Derivative Contracts by Maturity**										
Interest rate contracts < 1 year	80,979,677	74,555,204	72,452,309	68,436,001	58,618,112	38.1	60	3,515	11,921	80,964,180
1-5 years	33,638,254	33,977,577	35,928,119	37,299,179	47,456,432	-29.1	13	7,255	18,543	33,612,443
> 5 years	26,146,311	26,620,986	28,371,872	30,000,656	36,868,247	-29.1	18	2,550	21,559	26,122,184
Foreign exchange contracts < 1 year	10,416,223	9,674,124	9,490,043	9,234,171	10,561,395	-1.4	0	30	1,609	10,414,584
1-5 years	2,448,723	2,405,751	2,293,453	2,162,670	2,168,136	12.9	0	2	26	2,448,694
> 5 years	1,343,778	1,325,262	1,193,852	1,056,327	1,079,943	24.4	0	0	0	1,343,778
Equity contracts < 1 year	312,066	358,462	343,418	348,777	409,029	-23.7	3	35	135	311,893
1-5 years	227,712	301,995	291,182	286,171	256,252	-11.1	4	68	221	227,420
> 5 years	81,789	82,835	75,716	82,844	72,337	13.1	0	0	146	81,643
Commodity & other contracts < 1 year	261,429	237,860	252,705	279,748	264,916	-1.3	0	90	135	261,203
1-5 years	223,654	233,829	211,329	206,173	261,768	-14.6	0	17	27	223,610
> 5 years	34,250	43,612	45,443	41,546	45,031	-23.9	0	0	0	34,250
Risk-Based Capital: Credit Equivalent Amount										
Total current exposure to tier 1 capital (%)	45.8	57.3	66.7	86.2	107.5		0.1	0.4	1.5	51.8
Total potential future exposure to tier 1 capital (%)	83.1	83.6	80.6	89.2	103.2		0.1	0.3	0.6	94.2
Total exposure (credit equivalent amount) to tier 1 capital (%)	128.9	140.9	147.3	175.3	210.6		0.2	0.7	2.0	146.1
Credit losses on derivatives***	767.0	605.0	385.0	217.0	1,072.0	-28.5	0.0	12.0	6.0	749.0
HELD FOR TRADING										
Number of institutions reporting derivatives	197	208	204	199	181	8.8	8	68	65	56
Total assets of institutions reporting derivatives	8,878,113	8,914,612	8,912,016	9,016,146	9,412,380	-5.7	632	29,703	272,057	8,575,720
Total deposits of institutions reporting derivatives	6,148,469	6,016,985	5,990,076	5,886,779	6,085,115	1.0	503	23,719	203,287	5,920,960
Derivative Contracts by Underlying Risk Exposure										
Interest rate	177,716,898	170,554,652	170,915,171	168,601,486	173,827,586	2.2	42	867	16,875	177,699,113
Foreign exchange	16,437,639	15,516,932	15,058,290	14,765,603	16,147,796	1.8	0	0	2,062	16,435,576
Equity	1,677,767	2,175,796	2,034,228	2,162,149	2,195,068	-23.6	0	0	250	1,677,517
Commodity & other	974,855	924,183	906,325	935,634	1,058,678	-7.9	0	6	118	974,731
Total	196,807,158	189,171,562	188,914,015	186,464,873	193,229,128	1.9	42	874	19,305	196,786,937
Trading Revenues: Cash & Derivative Instruments										
Interest rate	-1,209	5,436	900	9,265	-5,298	N/M	0	0	-31	-1,178
Foreign exchange	2,560	-1,535	2,132	2,436	3,388	-24.4	0	0	8	2,552
Equity	144	153	-92	854	-1,061	N/M	0	0	0	144
Commodity & other (including credit derivatives)	417	1,648	2,320	-2,358	-6,265	N/M	0	0	0	417
Total trading revenues	1,913	5,702	5,260	10,197	-9,236	N/M	0	0	-22	1,935
Share of Revenue										
Trading revenues to gross revenues (%)	1.6	4.7	4.0	7.6	-8.2		0.0	0.0	-0.6	1.7
Trading revenues to net operating revenues (%)	76.8	88.2	96.4	138.1	43.7		0.0	0.0	8.1	69.2
HELD FOR PURPOSES OTHER THAN TRADING										
Number of institutions reporting derivatives	1,004	1,047	1,086	1,048	998	0.6	78	596	255	75
Total assets of institutions reporting derivatives	10,214,960	10,196,875	10,216,763	10,304,129	10,462,976	-2.4	5,500	258,996	747,821	9,202,643
Total deposits of institutions reporting derivatives	7,098,074	6,952,660	6,847,472	6,730,432	6,820,742	4.1	4,571	208,642	564,703	6,320,158
Derivative Contracts by Underlying Risk Exposure										
Interest rate	1,853,292	2,022,175	2,327,396	2,179,139	2,067,185	-10.3	174	16,285	43,052	1,793,780
Foreign exchange	115,478	92,197	107,791	106,027	76,113	51.7	0	33	380	115,065
Equity	7,459	6,635	7,412	12,219	11,725	-36.4	13	154	939	6,353
Commodity & other	4,073	2,112	2,924	2,429	2,454	66.0	0	120	110	3,843
Total notional amount	1,980,302	2,123,119	2,445,523	2,299,813	2,157,477	-8.2	188	16,592	44,482	1,919,041

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)	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	% Change 08Q4-09Q4	Asset Size Distribution: Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion
Assets Sold and Securitized with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements										
Number of institutions reporting securitization activities	146	146	141	132	132	10.6	19	63	26	38
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	$1,209,527	$1,225,710	$1,222,197	$1,230,735	$1,256,021	-3.7	$251	$896	$2,376	$1,206,004
Home equity loans	5,947	6,205	6,594	6,595	6,692	-11.1	0	0	0	5,947
Credit card receivables	363,486	391,417	397,918	399,113	398,261	-8.7	0	3,731	6,354	353,401
Auto loans	7,182	8,277	10,266	11,862	12,040	-40.3	0	0	91	7,091
Other consumer loans	24,692	25,335	26,006	26,692	27,427	-10.0	0	0	0	24,692
Commercial and industrial loans	7,649	8,436	9,019	8,317	9,705	-21.2	0	12	2,226	5,411
All other loans, leases, and other assets*	198,905	192,088	193,377	197,693	198,471	0.2	56	48	140	198,660
Total securitized and sold	1,817,388	1,857,467	1,865,377	1,881,009	1,908,617	-4.8	308	4,688	11,187	1,801,206
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	5,781	6,115	6,058	6,279	6,892	-16.1	4	8	58	5,712
Home equity loans	1,023	1,006	1,063	1,120	1,247	-18.0	0	0	0	1,023
Credit card receivables	134,193	136,043	129,373	39,100	23,228	477.7	0	553	1,705	131,935
Auto loans	637	745	722	912	707	-9.9	0	0	7	631
Other consumer loans	1,410	1,434	1,399	1,429	1,532	-8.0	0	0	0	1,410
Commercial and industrial loans	225	274	184	367	137	64.2	0	0	94	131
All other loans, leases, and other assets	287	333	299	301	612	-53.1	1	4	0	283
Total credit exposure	143,556	145,950	139,100	49,509	34,355	317.9	5	564	1,864	141,124
Total unused liquidity commitments provided to institution's own securitizations	387	358	378	397	830	-53.4	1	0	0	385
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)										
1-4 family residential loans	4.4	4.6	4.3	4.1	4.4		3.0	0.2	2.0	4.5
Home equity loans	1.3	1.3	0.8	1.1	1.4		0.0	0.0	0.0	1.3
Credit card receivables	2.7	2.9	2.6	3.0	2.9		0.0	1.7	3.1	2.7
Auto loans	2.3	2.4	2.2	1.9	2.5		0.0	0.0	1.1	2.3
Other consumer loans	3.9	3.6	2.9	3.1	3.9		0.0	0.0	0.0	3.9
Commercial and industrial loans	2.3	2.9	2.6	3.1	2.6		0.0	0.0	6.3	0.6
All other loans, leases, and other assets	3.5	1.2	1.9	0.6	0.6		0.0	0.0	0.4	3.5
Total loans, leases, and other assets	4.0	3.9	3.7	3.5	3.7		2.5	1.4	3.4	4.0
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)										
1-4 family residential loans	7.9	7.5	6.6	5.7	4.5		2.0	0.6	2.3	7.9
Home equity loans	2.0	1.8	0.9	1.4	1.2		0.0	0.0	0.0	2.0
Credit card receivables	3.0	2.6	2.9	3.0	2.5		0.0	1.5	2.9	3.0
Auto loans	0.2	0.3	0.2	0.2	0.3		0.0	0.0	0.1	0.2
Other consumer loans	3.6	3.6	3.3	3.5	3.7		0.0	0.0	0.0	3.6
Commercial and industrial loans	1.0	1.2	1.3	3.1	2.1		0.0	0.0	1.8	0.7
All other loans, leases, and other assets	4.3	3.7	1.6	1.1	0.4		0.7	0.0	0.3	4.3
Total loans, leases, and other assets	6.4	5.9	5.2	4.6	3.6		1.8	1.3	2.5	6.4
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)										
1-4 family residential loans	1.0	0.7	0.5	0.2	0.3		0.0	0.0	0.0	1.0
Home equity loans	1.8	1.4	0.9	0.6	0.1		0.0	0.0	0.0	1.8
Credit card receivables	10.2	7.6	4.8	2.1	6.4		0.0	5.8	7.9	10.3
Auto loans	2.5	1.9	1.1	0.7	0.8		0.0	0.0	0.3	2.5
Other consumer loans	1.0	0.7	0.5	0.2	0.8		0.0	0.0	0.0	1.0
Commercial and industrial loans	13.9	10.0	6.9	2.6	5.9		0.0	0.0	42.1	2.3
All other loans, leases, and other assets	0.1	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.1
Total loans, leases, and other assets	2.8	2.1	1.4	0.6	1.6		0.0	4.6	12.8	2.7
Seller's Interests in Institution's Own Securitizations - Carried as Loans										
Home equity loans	316	396	134	165	124	154.8	0	0	0	316
Credit card receivables	62,235	73,401	68,128	77,212	113,017	-44.9	0	235	308	61,692
Commercial and industrial loans	894	930	451	450	436	105.0	0	2	727	164
Seller's Interests in Institution's Own Securitizations - Carried as Securities										
Home equity loans	1	2	4	5	5	-80.0	0	0	0	1
Credit card receivables	789	788	594	556	584	35.1	0	272	0	518
Commercial and industrial loans	0	0	0	0	16	-100.0	0	0	0	0
Assets Sold with Recourse and Not Securitized										
Number of institutions reporting asset sales	824	819	825	819	798	3.3	163	501	115	45
Outstanding Principal Balance by Asset Type										
1-4 family residential loans	67,009	67,431	69,938	70,061	70,713	-5.2	1,137	9,435	4,398	52,039
Home equity, credit card receivables, auto, and other consumer loans	908	1,024	1,159	1,348	1,477	-38.5	0	22	4	881
Commercial and industrial loans	2,640	2,844	3,195	6,028	6,698	-60.6	1	55	33	2,552
All other loans, leases, and other assets	48,657	47,971	47,560	46,438	46,254	5.2	3	98	51	48,505
Total sold and not securitized	119,215	119,270	121,852	123,875	125,141	-4.7	1,141	9,611	4,487	103,977
Maximum Credit Exposure by Asset Type										
1-4 family residential loans	16,558	14,849	15,270	15,421	15,313	8.1	112	1,379	2,676	12,391
Home equity, credit card receivables, auto, and other consumer loans	100	104	112	183	189	-47.1	0	7	2	91
Commercial and industrial loans	1,920	2,003	2,224	4,995	5,617	-65.8	1	44	33	1,842
All other loans, leases, and other assets	10,381	10,136	10,011	9,790	9,528	9.0	3	68	7	10,303
Total credit exposure	28,958	27,093	27,617	30,389	30,647	-5.5	116	1,498	2,717	24,628
Support for Securitization Facilities Sponsored by Other Institutions										
Number of institutions reporting securitization facilities sponsored by others	59	60	60	56	51	15.7	20	30	5	4
Total credit exposure	4,299	4,872	3,812	2,134	3,319	29.5	11	110	23	4,156
Total unused liquidity commitments	545	327	475	936	1,416	-61.5	0	0	0	545
Other										
Assets serviced for others**	5,982,602	5,976,951	5,880,171	5,684,180	5,615,186	6.5	4,093	78,971	98,164	5,801,375
Asset-backed commercial paper conduits										
Credit exposure to conduits sponsored by institutions and others	15,967	17,658	20,210	22,981	23,064	-30.8	5	0	390	15,573
Unused liquidity commitments to conduits sponsored by institutions and others	170,373	182,740	210,026	273,542	297,908	-42.8	0	0	0	170,373
Net servicing income (for the quarter)	8,022	5,995	10,845	5,946	-390	-2,156.9	7	200	209	7,605
Net securitization income (for the quarter)	1,613	1,163	-142	2,124	2,393	-32.6	0	62	106	1,445
Total credit exposure to Tier 1 capital (%)***	15.9	16.2	15.7	7.7	6.8		0.70	1.70	3.40	20.40

* 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.

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

	All Insured Institutions					Asset Size Distribution			
(dollar figures in millions)	Dec 31 2009	Dec 31 2008	Dec 31 2007	Dec 31 2006	% Change 2008-2009	Less Than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater Than $10 Billion
Number of institutions reporting	8,012	8,305	8,534	8,680	-3.5	2,845	4,495	565	107
Number of institutions with fiduciary powers	2,245	2,320	2,410	2,463	-3.2	442	1,387	339	77
Commercial banks	2,065	2,126	2,216	2,268	-2.9	422	1,291	285	67
Savings institutions	180	194	194	195	-7.2	20	96	54	10
Number of institutions exercising fiduciary powers	1,678	1,723	1,785	1,826	-2.6	278	1,042	289	69
Commercial banks	1,537	1,571	1,633	1,672	-2.2	259	973	245	60
Savings institutions	141	152	152	154	-7.2	19	69	44	9
Number of institutions reporting fiduciary activity	1,594	1,634	1,695	1,739	-2.4	259	988	280	67
Commercial banks	1,457	1,488	1,552	1,593	-2.1	240	921	238	58
Savings institutions	137	146	143	146	-6.2	19	67	42	9
Fiduciary and related assets - managed assets									
Personal trust and agency accounts	635,547	616,859	800,662	764,628	3.0	8,223	84,707	88,260	454,357
Noninterest-bearing deposits[1]	4,707	16	-53	-4	N/M	48	729	562	3,368
Interest-bearing deposits[1]	29,322	11,909	11,549	9,371	N/M	378	7,894	5,698	15,353
U.S. Treasury and U.S. government agency obligations[1]	128,740	26,766	31,633	32,875	N/M	2,048	22,938	23,075	80,680
State, county and municipal obligations[1]	201,677	65,285	67,110	70,887	N/M	2,332	18,295	34,817	146,233
Money market mutual funds[1]	171,360	56,926	51,260	38,136	N/M	3,046	22,913	20,378	125,023
Other short-term obligations[1]	232,290	9,656	21,935	9,566	N/M	71	97	2,592	229,529
Other notes and bonds[1]	413,981	23,346	25,486	26,896	N/M	1,568	13,763	12,361	386,289
Common and preferred stocks[1]	2,079,583	348,400	522,943	514,972	N/M	33,730	261,670	147,218	1,636,965
Real estate mortgages[1]	2,278	1,565	1,529	1,604	N/M	33	314	488	1,444
Real estate[1]	54,169	36,045	33,942	31,927	N/M	647	17,027	5,268	31,227
Miscellaneous assets[1]	120,224	37,114	33,305	27,941	N/M	546	41,637	11,025	67,015
Employee benefit and retirement-related trust and agency accounts:[2]									
Employee benefit - defined contribution[2]	370,403	284,338	328,898	307,185	30.3	8,220	110,188	11,892	240,104
Employee benefit - defined benefit[2]	688,865	699,212	1,060,288	1,153,825	-1.5	3,266	71,051	17,583	596,964
Other benefit and retirement-related accounts[2]	188,420	330,102	414,627	309,451	-42.9	7,823	12,055	14,452	154,090
Corporate trust and agency accounts[2]	18,571	27,834	25,165	31,457	-33.3	26	671	8,314	9,560
Investment management and investment advisory agency accounts[2]	1,310,073	1,228,778	1,544,249	1,505,171	6.6	29,549	120,690	110,231	1,049,603
Other fiduciary accounts[2]	233,040	165,055	235,544	320,331	41.2	1,575	7,945	13,418	210,102
Total managed fiduciary accounts:									
Assets	3,444,919	3,352,177	4,409,432	4,392,047	2.8	58,681	407,307	264,150	2,714,781
Number of accounts	1,380,299	1,443,070	1,524,905	2,998,698	-4.3	86,264	198,104	271,495	824,436
Fiduciary and related assets - nonmanaged assets									
Personal trust and agency accounts	243,707	307,018	355,356	309,320	-20.6	3,410	18,985	27,316	193,996
Employee benefit and retirement-related trust and agency accounts:									
Employee benefit - defined contribution	1,854,341	1,465,165	1,822,997	1,779,455	26.6	5,927	622,909	115,754	1,109,751
Employee benefit - defined benefit	4,592,334	3,983,182	5,333,411	4,542,941	15.3	12,653	30,870	60,245	4,488,566
Other employee benefit and retirement-related accounts	1,297,470	1,592,694	2,098,523	2,121,766	-18.5	7,305	644,210	8,858	637,097
Corporate trust and agency accounts	3,919,971	3,887,768	4,428,539	2,961,810	0.8	5,953	12,239	578,841	3,322,939
Other fiduciary accounts	3,350,706	2,595,184	3,360,231	3,170,657	28.1	3,156	16,713	7,587	3,295,686
Total nonmanaged fiduciary accounts:									
Assets	15,258,529	13,831,012	17,399,057	14,885,949	10.3	38,443	1,347,766	800,180	13,072,139
Number of accounts	14,677,106	21,365,089	16,446,693	16,049,769	-31.3	934,154	9,512,564	283,237	3,947,151
Custody and safekeeping accounts:									
Assets	57,308,353	50,499,369	58,167,543	48,360,083	13.5	211,040	584,505	702,057	55,810,751
Number of accounts	9,834,392	10,676,205	11,327,070	11,207,747	-7.9	595,641	7,238,213	321,845	1,678,693
Fiduciary and related services income									
Personal trust and agency accounts	4,580	4,896	5,766	5,147	-6.5	61	359	546	3,614
Retirement-related trust and agency accounts:									
Employee benefit - defined contribution	1,164	1,095	1,183	1,305	6.3	32	249	184	698
Employee benefit - defined benefit	1,495	1,997	1,803	1,949	-25.1	24	173	48	1,250
Other retirement accounts	986	1,005	1,036	871	-1.9	65	74	100	747
Corporate trust and agency accounts	2,080	2,529	2,439	2,054	-17.8	1	20	369	1,690
Investment management agency accounts	4,128	4,450	4,155	3,683	-7.2	135	475	543	2,975
Other fiduciary accounts	1,824	2,162	2,154	1,440	-15.6	5	27	12	1,780
Custody and safekeeping accounts	6,921	8,337	8,165	8,011	-17.0	138	146	421	6,215
Other fiduciary and related services income	2,310	3,272	2,424	1,855	-29.4	8	92	88	2,122
Total gross fiduciary and related services income	25,683	30,021	29,284	26,142	-14.4	476	1,734	2,350	21,123
Less: Expenses	19,228	20,564	20,590	19,096	-6.5	251	1,420	1,960	15,597
Less: Net losses from fiduciary and related services	576	944	364	152	-39.0	0	4	20	553
Plus: Intracompany income credits for fiduciary and related services	2,770	3,497	4,549	2,897	-20.8	0	32	312	2,425
Net fiduciary and related services income	8,452	11,731	12,715	9,963	-28.0	219	224	643	7,365
Collective investment funds and common trust funds (market value)									
Domestic equity funds	349,855	279,766	448,230	449,079	25.1	6,383	40,867	9,495	293,110
International/global equity funds	120,442	108,265	206,551	171,114	11.2	1,492	10,468	2,300	106,182
Stock/bond blend funds	90,213	126,981	215,849	217,734	-29.0	486	7,955	1,911	79,862
Taxable bond funds	186,228	210,926	214,159	185,398	-11.7	3,870	47,429	3,725	131,203
Municipal bond funds	51,787	7,029	8,328	8,695	636.8	46	40,752	355	10,632
Short-term investments/money market funds	272,915	310,500	395,025	352,341	-12.1	1,213	7,904	772	263,026
Specialty/other funds	94,600	94,706	121,628	96,902	-0.1	6,008	32,990	3,236	52,367
Total collective investment funds	1,166,039	1,138,173	1,609,768	1,481,262	2.4	19,498	188,365	21,794	936,382

[1] After 2008, includes personal trust and agency accounts, investment management agency accounts, employee benefit accounts, retirement-related accounts, and all other managed asset accounts

[2] After 2008, included in managed assets, above.

INSURANCE FUND INDICATORS

- ***Insured Deposits Grow by 1.8 Percent***
- ***DIF Reserve Ratio Declines 23 Basis Points to –0.39 Percent***
- ***Forty-five Institutions Failed During Fourth Quarter***
- ***Banks Prepay 13 Quarters of Insurance Assessments***

Total assets of the nation's 8,012 FDIC-insured commercial banks and savings institutions decreased by $137.2 billion (1.0 percent) during the fourth quarter of 2009. Total deposits increased by $125.7 billion (1.4 percent), domestic deposits increased by $143.6 billion (1.9 percent), and foreign office deposits decreased by $17.8 billion (1.2 percent). Domestic savings deposits and interest-bearing checking accounts increased by $194.1 billion (5.4 percent). Domestic noninterest-bearing deposits increased by $89.8 billion (6.1 percent), and domestic time deposits decreased by $140.4 billion (5.6 percent). Over the past 12 months, the share of assets funded by domestic deposits rose from 54.2 percent to 58.7 percent, and the share funded by foreign office deposits increased from 11.1 percent to 11.7 percent. During the same period, Federal Home Loan Bank (FHLB) advances as a percentage of total assets declined from 5.8 percent to 4.1 percent, the smallest percentage on record (2001 to present).

Since the second quarter of 2009, the portion of brokered deposits exceeding 10 percent of an institution's domestic deposits has been included in the formula used to price an institution's deposit insurance.[1] Brokered deposits decreased by $16.9 billion (2.7 percent) during the fourth quarter and decreased by $146.8 billion (19.2 percent) during the previous 12 months. Reciprocal brokered deposits decreased by $2.8 billion (7.7 percent) to $33.6 billion during the three months ending December 31, 2009.

Beginning September 30, 2009, insured deposit estimates are based on the temporary $250,000 coverage limit.[2] Estimated insured deposits (including U.S. branches of foreign banks) increased by $95.3 billion (1.8 percent) during the fourth quarter of 2009. For the year, estimated insured deposits increased by 13.5 percent ($641.3 billion), reflecting new data collected on the temporary increase in the standard maximum FDIC deposit insurance amount from $100,000 to $250,000. For institutions reporting as of September 30, 2009, and December 31, 2009, insured deposits increased during the fourth quarter at 5,435 institutions (68 percent), decreased at 2,546 institutions (32 percent), and remained unchanged at 28 institutions.

The Deposit Insurance Fund (DIF) decreased by $12.6 billion during the fourth quarter to a negative $20.9 billion (unaudited) primarily because of $17.8 billion in additional provisions for bank failures. Also, unrealized losses on available-for-sale securities combined with operating expenses reduced the fund by $692 million. Accrued assessment income added $3.1 billion to the fund during the quarter, and interest earned combined with termination fees on loss share guarantees and surcharges from the Temporary Liquidity Guarantee Program added $2.8 billion. For the year, the fund balance shrank by $38.1 billion, compared to a $35.1 billion decrease in 2008.

The DIF's reserve ratio was negative 0.39 percent on December 31, 2009, down from negative 0.16 percent on September 30, 2009, and 0.36 percent a year ago.

[1] For an institution in Risk Category I, the initial base assessment rate is adjusted using the adjusted brokered deposit ratio. This ratio will exceed zero if an institution's brokered deposits are greater than 10 percent of its domestic deposits and its total assets are more than 40 percent greater than they were four years previously. Certain reciprocal brokered deposits are excluded from the calculation of the adjusted brokered deposit ratio. For an institution in any other risk category, the initial base assessment rate is increased if the institution's ratio of brokered deposits to domestic deposits is greater than 10 percent. Reciprocal brokered deposits are included in the amount of brokered deposits for purposes of computing this ratio.

[2] On May 20, 2009, the President signed the Helping Families Save Their Homes Act of 2009, which extended the temporary deposit insurance coverage limit increase to $250,000 for deposits other than retirement accounts (from the permanent limit of $100,000) through the end of 2013. The legislation also eliminated the provision in the Emergency Economic Stabilization Act of 2008 that prevented the FDIC from considering this temporary increase in deposit insurance coverage for purposes of setting deposit insurance assessments. Beginning September 30, 2009, insured deposit estimates are based on the $250,000 coverage limit.

The December 31, 2009, reserve ratio is the lowest reserve ratio for a combined bank and thrift insurance fund on record.

Forty-five insured institutions with combined assets of $65.0 billion failed during the fourth quarter of 2009, at an estimated cost of $10.2 billion. For all of 2009, 140 FDIC-insured institutions with assets of $169.7 billion failed, at an estimated cost to the DIF of $35.6 billion. This was the largest number of failures since 1990, when 168 institutions with combined assets of $16.9 billion failed (excluding thrifts resolved by the Resolution Trust Corporation).

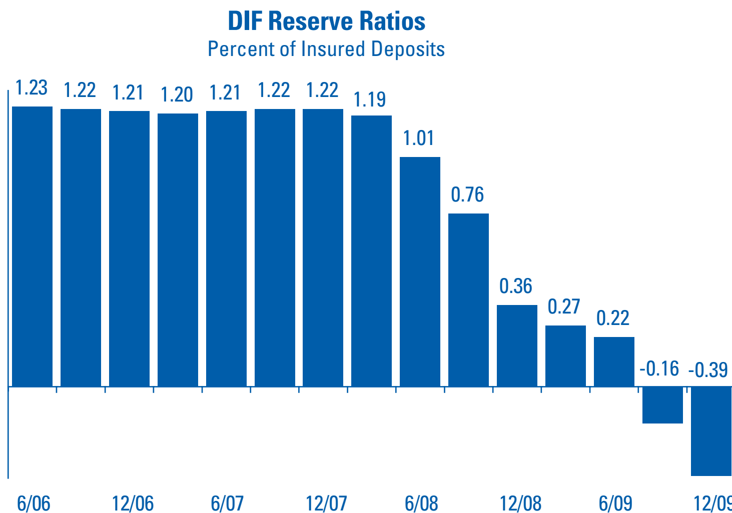
Prepaid Assessments

On September 29, 2009, the FDIC Board adopted an Amended Restoration Plan to allow the DIF to return to a reserve ratio of 1.15 percent within eight years, as mandated by statute. At the same time, the Board adopted higher annual risk-based assessment rates effective January 1, 2011. While the Amended Restoration Plan and higher assessment rates address the need to return the DIF reserve ratio to 1.15 percent, the FDIC must also consider its need for cash to pay for projected failures. In June 2008, before the number of bank and thrift failures began to rise significantly, total assets held by the DIF were approximately $56 billion and consisted almost entirely of cash and marketable securities (i.e., liquid assets). As the crisis has unfolded, liquid assets of the DIF have been to protect depositors of failed institutions and were exchanged for less liquid claims against assets of failed institutions. As of September 30, 2009, although total assets had increased to almost $63 billion, cash and marketable securities had fallen to approximately $23 billion. The pace of resolutions continues to put downward pressure on cash balances. While most of the less liquid assets in the DIF have value that will eventually be converted to cash when sold, the FDIC's immediate need is for more liquid assets to fund near-term failures. If the FDIC took no action under its existing authority to increase its liquidity, staff projected that the FDIC's liquidity needs would exceed liquid assets on hand beginning in the first quarter of 2010. To provide the FDIC with the funds needed to carry on with the task of resolving failed institutions in 2010 and beyond, but without accelerating the effect of assessments on the industry's earnings and capital, the FDIC approved a measure to require insured institutions to prepay 13 quarters worth of deposit insurance premiums. These prepayments—about $46 billion—were collected on December 30, 2009. Cash and marketable securities stood at $66 billion on December 31, 2009.

Author: *Kevin Brown, Sr. Financial Analyst*
Division of Insurance and Research
(202) 898-6817

Table I-B. Insurance Fund Balances and Selected Indicators

	Deposit Insurance Fund												
(dollar figures in millions)	**4th Quarter 2009***	**3rd Quarter 2009***	**2nd Quarter 2009***	**1st Quarter 2009***	**4th Quarter 2008**	**3rd Quarter 2008**	**2nd Quarter 2008**	**1st Quarter 2008**	**4th Quarter 2007**	**3rd Quarter 2007**	**2nd Quarter 2007**	**1st Quarter 2007**	**4th Quarter 2006**
Beginning Fund Balance	-$8,243	$10,368	$13,007	$17,276	$34,588	$45,217	$52,843	$52,413	$51,754	$51,227	$50,745	$50,165	$49,992
Changes in Fund Balance:													
Assessments earned	3,078	2,965	9,095	2,615	996	881	640	448	239	170	140	94	10
Interest earned on investment securities	76	176	240	212	277	526	651	618	585	640	748	567	476
Realized gain on sale of investments	0	732	521	136	302	473	0	0	0	0	0	0	0
Operating expenses	379	328	298	266	290	249	256	238	262	243	248	239	248
Provision for insurance losses	17,777	21,694	11,615	6,637	19,163	11,930	10,221	525	39	132	-3	-73	49
All other income, net of expenses	2,708	308	375	2	15	16	1	0	-2	24	1	4	5
Unrealized gain/(loss) on available-for-sale securities	-313	-770	-957	-331	551	-346	1,559	127	138	68	-162	81	-21
Total fund balance change	-12,607	-18,611	-2,639	-4,269	-17,312	-10,629	-7,626	430	659	527	482	580	173
Ending Fund Balance	-20,850	-8,243	10,368	13,007	17,276	34,588	45,217	52,843	52,413	51,754	51,227	50,745	50,165
Percent change from four quarters earlier	NM	NM	-77.07	-75.39	-67.04	-33.17	-11.73	4.13	4.48	3.52	3.36	3.15	3.23
Reserve Ratio (%)	-0.39	-0.16	0.22	0.27	0.36	0.76	1.01	1.19	1.22	1.22	1.21	1.20	1.21
Estimated Insured Deposits**	5,391,876	5,296,533	4,817,577	4,831,090	4,750,608	4,545,098	4,467,570	4,437,870	4,292,221	4,242,607	4,235,044	4,245,266	4,153,786
Percent change from four quarters earlier	13.50	16.53	7.83	8.86	10.68	7.13	5.49	4.54	3.33	3.48	4.82	6.08	6.76
Domestic Deposits	7,705,342	7,561,295	7,561,998	7,546,999	7,505,409	7,230,329	7,036,249	7,076,719	6,921,687	6,747,998	6,698,886	6,702,598	6,640,105
Percent change from four quarters earlier	2.66	4.58	7.47	6.65	8.43	7.15	5.04	5.58	4.24	4.07	3.91	5.71	6.59
Number of institutions reporting	8,022	8,109	8,205	8,257	8,315	8,394	8,462	8,505	8,545	8,570	8,625	8,661	8,692



Deposit Insurance Fund Balance and Insured Deposits
($ Millions)

	DIF Balance	DIF-Insured Deposits
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	4,245,266
6/07	51,227	4,235,044
9/07	51,754	4,242,607
12/07	52,413	4,292,221
3/08	52,843	4,437,870
6/08	45,217	4,467,570
9/08	34,588	4,545,098
12/08	17,276	4,750,608
3/09	13,007	4,831,090
6/09	10,368	4,817,577
9/09	-8,243	5,296,533
12/09	-20,850	5,391,876

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

(dollar figures in millions)	2009	2008	2007	2006	2005	2004
Problem Institutions						
Number of institutions	702	252	76	50	52	80
Total assets	$402,782	$159,405	$22,189	$8,265	$6,607	$28,250
Failed Institutions						
Number of institutions	140	25	3	0	0	4
Total assets	$169,709	$371,945	$2,615	$0	$0	$170
Assisted Institutions***						
Number of institutions	8	5	0	0	0	0
Total assets	$1,917,482	$1,306,042	0	0	0	0

* For 2009, preliminary unaudited fund data, which are subject to change.

NM - Not meaningful

** 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, from fourth quarter 2008 through the second quarter of 2009. The Helping Families Save Their Home Act of 2009 eliminated the prohibition against the FDIC's taking the temporary increase into account when setting assessments. Beginning in the third quarter of 2009 estimates of insured deposits include the temporary coverage increase to $250,000.

*** Assisted institutions represent five institutions under a single holding company that received assistance in 2008, and eight institutions under a different single holding company that received assistance in 2009.

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

(dollar figures in millions)

December 31, 2009	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	6,839	$11,846,114	$6,803,277	$4,591,474
FDIC-Supervised	4,533	1,956,527	1,477,671	1,174,250
OCC-Supervised	1,462	8,199,604	4,321,479	2,775,296
Federal Reserve-Supervised	844	1,689,983	1,004,127	641,928
FDIC-Insured Savings Institutions	1,173	1,263,342	893,535	793,108
OTS-Supervised Savings Institutions	765	942,659	659,869	589,571
FDIC-Supervised State Savings Banks	408	320,683	233,666	203,538
Total Commercial Banks and Savings Institutions	8,012	13,109,456	7,696,812	5,384,582
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	10	24,759	8,530	7,293
Total FDIC-Insured Institutions	8,022	13,134,215	7,705,342	5,391,876

* Excludes $1.53 trillion in foreign office deposits, which are uninsured.

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

Quarter Ending September 30, 2009

(dollar figures in billions)

	Annual Rate in Basis Points*	Number of Institutions	Percent of Total Institutions	Domestic Deposits	Percent of Total Domestic Deposits
Risk Category I	7.00-12.00	1,917	23.64	937	12.39
	12.01- 14.00	1,693	20.88	1,436	19.00
	14.01- 15.99	2,469	30.45	2,322	30.71
	16.00-24.00	300	3.70	240	3.17
Risk Category II	17.00-22.00	786	9.69	1,925	25.46
	22.01-43.00	330	4.07	412	5.45
Risk Category III	27.00-32.00	274	3.38	78	1.03
	32.01-58.00	187	2.31	116	1.54
Risk Category IV	40.00-45.00	94	1.16	40	0.53
	45.01-77.50	58	0.72	55	0.72

Note: Institutions are categorized based on supervisory ratings, debt ratings, and financial data as of September 30, 2009. Rates do not reflect the application of assessment credits. See notes to users for further information on risk categories and rates.
* Assessment rates with a given risk category vary for several reasons; see 12 CFR Part 327
http://www.fdic.gov/deposit/insurance/initiative/09FinalAD35.pdf

TEMPORARY LIQUIDITY GUARANTEE PROGRAM

- ***Debt Guarantee Program Ended October 31, 2009***
- ***Emergency Facility Available until April 30, 2010, on Limited Basis***
- ***Transaction Account Guarantee Program Extended to June 30, 2010***
- ***$309 Billion in Debt Outstanding in Program***

FDIC Responds to Market Disruptions with TLGP

The FDIC Board approved the Temporary Liquidity Guarantee Program (TLGP)[1] on October 13, 2008, as major disruptions in credit markets blocked access to liquidity for financial institutions. The TLGP improved access to liquidity through two programs: by fully guaranteeing noninterest-bearing transaction deposit accounts above $250,000, regardless of dollar amount, and by guaranteeing eligible senior unsecured debt issued by eligible institutions.

All insured depository institutions were eligible to participate in the Transaction Account Guarantee Program (TAGP). Institutions eligible for participation in the Debt Guarantee Program (DGP) included insured depository institutions, U.S. bank holding companies, certain U.S. savings and loan holding companies, and other affiliates of insured depository institutions that the FDIC designated as eligible entities.

FDIC Extends Transaction Account and Debt Guarantee Programs

Although there was significant improvement in financial markets in the first half of 2009, portions of the industry were still affected by the recent economic turmoil. In order to facilitate the orderly phase-out of the TLGP, and to continue access to FDIC guarantees where they were needed, the FDIC Board extended both components of the program.

On March 17, 2009, the Board of Directors of the FDIC voted to extend the deadline for issuance of guaranteed debt from June 30, 2009, to October 31, 2009, and extended the expiration date of the guarantee to the earlier of maturity of the debt or December 31, 2012, from June 30, 2012. The FDIC imposed a surcharge on debt issued with a maturity of one year or more beginning in the second quarter of 2009.[2]

A final rule extending the Transaction Account Guarantee component of the TLGP six months, to June 30, 2010, was adopted on August 26, 2009. Entities participating in the Transaction Account Guarantee program had the opportunity to opt out of the extended program. Depository institutions that remain in the extended program will be subject to increased fees that are adjusted to reflect the institution's risk.[3]

The Board adopted a final rule on October 20, 2009, that allowed the DGP to expire on October 31, 2009.[4] The final rule also established a limited, six-month guarantee facility upon expiration of the DGP. This emergency guarantee facility will be available on a case-by-case basis to entities participating in the DGP, upon application to the FDIC and with the approval of the Chairman after consultation with the Board.

Program Funded by Industry Fees and Assessments

The TLGP does not rely on taxpayer funding or the Deposit Insurance Fund. Both components of the program are paid for by direct user fees. Institutions participating in the TAGP provided customers full coverage on noninterest-bearing transaction accounts for an annual fee of 10 basis points through year-end 2009. Fees for qualifying noninterest-bearing transaction accounts guaranteed between January 1, 2010, and June 30, 2010, will be based on the participating entity's risk category assignment under the FDIC's risk-based premium system. Annualized fees will be 15, 20, or 25 basis points, depending on an institution's risk category.

Fees for participation in the DGP were based on the maturity of debt issued and ranged from 50 to 100 basis points (annualized). A surcharge was imposed on debt issued with a maturity of one year or greater after April 1, 2009. For debt that was not issued under the extension, that is, debt issued on or before June 30, 2009, and maturing on or before June 30, 2012, surcharges were 10 basis points (annualized) on debt issued by insured

[1] The FDIC invoked the systemic risk exception pursuant to section 141 of the Federal Deposit Improvement Act of 1991, 12 U.S.C 1823(c)(4) on October 13, 2008. For further information on the TLGP, see http://www.fdic.gov/regulations/resources/TLGP/index.html.
[2] See http://www.fdic.gov/news/board/Mar1709rule.pdf.
[3] See http://www.fdic.gov/news/board/aug26no3.pdf.
[4] See http://www.fdic.gov/regulations/laws/federal/2009/09finalAD37Oct23.pdf.

depository institutions and 20 basis points (annualized) on debt issued by other participating entities. For debt issued under the extension, that is, debt issued after June 30, 2009, or debt that matures after June 30, 2012, surcharges were 25 basis points (annualized) on debt issued by insured depository institutions and 50 basis points (annualized) on debt issued by other participating entities. As of December 31, 2009, a total of $10.3 billion in fees had been assessed under the DGP.

A Majority of Eligible Entities Have Chosen to Participate in the TLGP

More than 86 percent of FDIC-insured institutions opted in to the original TAGP, and more than half of all eligible entities elected to opt in to the DGP. Over 6,000 depository institutions remain in the extended TAGP, while just over 500 elected to opt out of the program after year-end 2009. Lists of institutions that opted out of the guarantee programs are posted at http://www.fdic.gov/regulations/resources/TLGP/optout.html.

$834 Billion in Transaction Accounts over $250,000 Guaranteed

According to fourth quarter 2009 Call and Thrift Financial Reports, insured institutions reported 685,465 noninterest-bearing transaction accounts over $250,000, an increase of 5.6 percent compared to third quarter 2009. These deposit accounts totaled $1.0 trillion, of which $834 billion was guaranteed under the TAGP. More than 5,800 FDIC-insured institutions reported noninterest-bearing transaction accounts over $250,000 in value.

Debt Outstanding Represents 54 Percent of Total Cap on Issuers' Guaranteed Debt

The amount of FDIC-guaranteed debt that could be issued by each eligible entity, or its "cap," was based on the amount of its senior unsecured debt outstanding as of September 30, 2008, that matured on or before June 30, 2009. Eligible entities could issue debt up to 125 percent of that outstanding amount. The cap for FDIC-insured institutions that had no outstanding short-term senior unsecured debt other than Fed funds was set at 2 percent of liabilities as of September 30, 2008. Total debt outstanding at quarter-end represented 54 percent of issuing entities' total cap.

$309 Billion in FDIC-Guaranteed Debt Was Outstanding at December 31, 2009

Eighty-four financial entities—54 insured depository institutions and 30 bank and thrift holding companies and nonbank affiliates—had $309 billion in guaranteed debt outstanding at the end of the fourth quarter. Some banking groups issued FDIC-guaranteed debt at both the subsidiary and holding company level, but most guaranteed debt was issued by holding companies or nonbank affiliates of depository institutions. Bank and thrift holding companies and nonbank affiliates issued 80 percent of FDIC-guaranteed debt outstanding at December 31, 2009.

Debt outstanding at December 31, 2009, had longer terms at issuance, compared to debt outstanding at year-end 2008. Less than 1 percent of debt outstanding matures in 180 days or less, compared to 49 percent at year-end 2008; and 78 percent matures more than two years after issuance, compared to 39 percent at December 31, 2008. Among types of debt instruments, 91 percent was in medium-term notes, compared to 44 percent at year-end. The share of outstanding debt in commercial paper fell to under 0.1 percent from 43 percent at year-end.

Author: *Katherine Wyatt*
Chief, Financial Analysis Section
Division of Insurance and Research
(202) 898-6755

Table I-C. Participation in Temporary Liquidity Guarantee Program

December 31, 2009	Total Eligible Entities	Number Opting In	Percent Opting In
Transaction Account Guarantee Program			
Depository Institutions with Assets <= $10 Billion	7,914	6,811	86.1%
Depository Institutions with Assets > $10 Billion	107	99	92.5%
Total Depository Institutions*	8,021	6,910	86.1%
Debt Guarantee Program			
Depository Institutions with Assets <= $10 Billion	7,914	4,220	53.3%
Depository Institutions with Assets > $10 Billion	107	98	91.6%
Total Depository Institutions*	8,021	4,318	53.8%
Bank and Thrift Holding Companies and Non-Insured Affiliates	6,210	3,490	56.2%
All Entities	14,231	7,808	54.9%

* Depository institutions include insured branches of foreign banks (IBAs).

Table II-C. Cap on FDIC-Guaranteed Debt for Opt-In Entities

December 31, 2009 (dollar figures in millions)	Opt-In Entities with Senior Unsecured Debt Outstanding at 9/30/2008			Opt-In Depository Institutions with no Senior Unsecured Debt at 9/30/2008			
	Number	Debt Amount as of 9/30/2008	Initial Cap	Number	2% Liabilities as of 9/30/2008	Total Entities	Total Initial Cap
Depository Institutions with Assets <= $10 Billion*	114	$3,508	$4,386	4,106	$31,850	4,220	$36,236
Depository Institutions with Assets > $10 Billion*	41	293,517	366,896	57	24,247	98	391,143
Bank and Thrift Holding Companies, Noninsured Affiliates	83	397,727	497,158	3,407	N/A	3,490	497,158
Total	238	694,752	868,440	7,570	56,097	7,808	924,537

* Depository institutions include insured branches of foreign banks (IBAs).

N/A - Not applicable

Table III-C. Transaction Account Guarantee Program

(dollar figures in millions)	Dec. 31, 2008	Mar. 31, 2009	June 30, 2009	Sep. 30, 2009	Dec. 31, 2009	% Change 09Q3-09Q4
Number of Noninterest-Bearing Transaction Accounts over $250,000	527,249	586,519	681,166	649,015	685,465	5.6%
Amount in Noninterest-Bearing Transaction Accounts over $250,000	$854,302	$855,614	$904,552	$926,379	$1,005,631	8.6%
Amount Guaranteed	$722,489	$708,985	$734,261	$764,126	$834,265	9.2%

Table IV-C. Debt Outstanding in Guarantee Program

December 31, 2009 (dollar figures in millions)	Number	Debt Outstanding	Cap[1] for Group	Debt Outstanding Share of Cap
Insured Depository Institutions				
Assets <= $10 Billion	35	1,639	2,891	56.7%
Assets > $10 Billion	19	59,537	187,085	31.8%
Bank and Thrift Holding Companies, Noninsured Affiliates	30	248,207	387,493	64.1%
All Issuers	84	309,383	577,469	53.6%

[1] The amount of FDIC-guaranteed debt that can be issued by each eligible entity, or its "cap," is based on the amount of senior unsecured debt outstanding as of September 30, 2008. The cap for a depository institution with no senior unsecured debt outstanding at September 30, 2008, is set at 2 percent of total liabilities. See http://www2.fdic.gov/qbp/2008dec/tlgp2c.html for more information.

Table V-C. Fees Assessed Under TLGP

(dollar figures in millions)	Debt Guarantee Program			Transaction Account Guarantee Program*
	Total Fees Assessed	Surcharges	Total Fee Amount	Fees Collected
Fourth Quarter 2008	$3,437		$3,437	
First Quarter 2009	3,433		3,433	90
Second Quarter 2009	1,413	385	1,797	179
Third Quarter 2009	691	280	971	182
Fourth Quarter 2009	503	207	709	188
Total	$9,476	$872	$10,348	$639

* Prorated payment in arrears

Table VI-C. Term at Issuance of Debt Instruments Outstanding

December 31, 2009 (dollar figures in millions)	Commercial Paper	Interbank Eurodollar Deposits	Medium Term Notes	Other Interbank Deposits	Other Senior Unsecured Debt	Other Term Note	All Debt	*Share by Term*
Term at Issuance								
90 days or less	$0	$1	$0	$10	$0	$0	$11	*0.0%*
91-180 days	0	0	0	477	0	20	496	*0.2%*
181-364 days	107	0	2,300	536	1	309	3,254	*1.1%*
1-2 years	0	2	58,167	22	0	4,775	62,966	*20.4%*
Over 2-3 years	0	0	80,447	0	3,352	6,005	89,803	*29.0%*
Over 3 years	1	0	139,985	4	3,713	9,151	152,853	*49.4%*
Total	108	3	280,898	1,049	7,065	20,260	309,383	
Share of Total	*0.0%*	*0.0%*	*90.8%*	*0.3%*	*2.3%*	*6.5%*		

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, and 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 nondeposit trust companies are not included unless otherwise indicated. Efforts are made to obtain financial reports for all active institutions. However, in some cases, final financial reports are not available for institutions that have closed or converted their charters.

DATA SOURCES

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

COMPUTATION METHODOLOGY

Parent institutions are required to file consolidated reports, while their subsidiary financial institutions are still required to file separate reports. Data from subsidiary institution reports are included in the *Quarterly Banking Profile* tables, which can lead to double-counting. No adjustments are made for any double-counting of subsidiary data. Additionally, certain adjustments are made to the OTS *Thrift Financial Reports* to provide closer conformance with the reporting and accounting requirements of the FFIEC *Call Reports*.

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

Extended Net Operating Loss Carryback Period

The Worker, Homeownership, and Business Assistance Act of 2009, which was enacted on November 6, 2009, permits banks and other businesses, excluding those banking organizations that received capital from the U.S. Treasury under the Troubled Asset Relief Program, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any one tax year ending after December 31, 2007, and beginning before January 1, 2010. For calendar year banks, this extended carryback period applies to either the 2008 or 2009 tax year. The amount of the net operating loss that can be carried back to the fifth carryback year is limited to 50 percent of the available taxable income for that fifth year, but this limit does not apply to other carryback years.

Under generally accepted accounting principles, banks may not record the effects of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the fourth quarter of 2009. Therefore, banks should recognize the effects of this fourth quarter 2009 tax law change on their current and deferred tax assets and liabilities, including valuation allowances for deferred tax assets, in their Call Reports for December 31, 2009. Banks should not amend their Call Reports for prior quarters for the effects of the extended net operating loss carryback period.

Other-Than-Temporary Impairment

When the fair value of an investment in a debt or equity security is less than its cost basis, the impairment is either temporary or other-than-temporary. To determine whether the impairment is other than temporary, an institution must apply other pertinent guidance such as paragraph 16 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*; FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*; FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*; paragraph 6 of

Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*; Emerging Issues Task Force (EITF) Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*; and FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*.

Under FSP FAS 115-2 and FAS 124-2 issued on April 9, 2009, if the present value of cash flows expected to be collected on a debt security is less than its amortized cost basis, a credit loss exists. In this situation, if an institution does not intend to sell the security and it is not more likely than not that the institution will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, an other-than-temporary impairment has occurred. The amount of the total other-than-temporary impairment related to the credit loss must be recognized in earnings, but the amount of the total impairment related to other factors must be recognized in other comprehensive income, net of applicable taxes. Although the debt security would be written down to its fair value, its new amortized cost basis is the previous amortized cost basis less the other-than-temporary impairment recognized in earnings. In addition, if an institution intends to sell a debt security whose fair value is less than its amortized costs basis or it is more likely than not that the institution will be required to sell the debt security before recovery of its amortized cost basis, an other-than-temporary impairment has occurred and the entire difference between the security's amortized cost basis and its fair value must be recognized in earnings.

For any debt security held at the beginning of the interim period in which FSP FAS 115-2 and FAS 124-2 is adopted for which an other-than-temporary impairment loss has been previously recognized, if an institution does not intend to sell such a debt security and it is not more likely than not that the institution will be required to sell the debt security before recovery of its amortized cost basis, the institution should recognize the cumulative effect of initially applying the FSP as an adjustment to the interim period's opening balance of retained earnings, net of applicable taxes, with a corresponding adjustment to accumulated other comprehensive income. The cumulative effect on retained earnings must be calculated by comparing the present value of the cash flows expected to be collected on the debt security with the security's amortized cost basis as of the beginning of the interim period of adoption.

FSP FAS 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009. Early adoption of this FSP is permitted for periods ending after March 15, 2009, if certain conditions are met. Institutions are expected to adopt FSP FAS 115-2 and 124-2 for regulatory reporting purposes in accordance with the FSP's effective date.

Extended Net Operating Loss Carryback Period for Small Businesses

The American Recovery and Reinvestment Act of 2009, which was enacted on February 17, 2009, permits qualifying small businesses, including FDIC-insured institutions, to elect a net operating loss carryback period of three, four, or five years instead of the usual carryback period of two years for any tax year ending in 2008 or, at the small business's election, any tax year beginning in 2008. Under generally accepted accounting principles, institutions may not record the effect of this tax change in their balance sheets and income statements for financial and regulatory reporting purposes until the period in which the law was enacted, i.e., the first quarter of 2009.

Business Combinations and Noncontrolling (Minority) Interests

In December 2007, the FASB issued Statement No. 141 (Revised), *Business Combinations* (FAS 141(R)), and Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (FAS 160). Under FAS 141(R), all business combinations, including combinations of mutual entities, are to be accounted for by applying the acquisition method. FAS 160 defines a noncontrolling interest, also called a minority interest, as the portion of equity in an institution's subsidiary not attributable, directly or indirectly, to the parent institution. FAS 160 requires an institution to clearly present in its consolidated financial statements the equity ownership in and results of its subsidiaries that are attributable to the noncontrolling ownership interests in these subsidiaries. FAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Similarly, FAS 160 is effective for fiscal years beginning on or after December 15, 2008. Thus, for institutions with calendar year fiscal years, these two accounting standards take effect in 2009. Beginning in March 2009, Institution equity capital and Noncontrolling interests are separately reported in arriving at Total equity capital and Net income.

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 defines 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. FASB FSP 157-4, issued in April 2009, provides additional guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased. The FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009.

Fair value continues to be used for derivatives, trading securities, and available-for-sale securities. Changes in fair value go through earnings for trading securities and most derivatives. 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 if impairment is other than temporary and loans held for sale are reported at the lower of cost or fair value.

FAS 159 allows institutions to report certain financial assets and liabilities at fair value with subsequent changes in fair value included in earnings. In general, an institution may elect the fair value option for an eligible financial asset or

liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment.

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.

[Note: In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets (FAS 166), and Statement No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167), which change the way entities account for securitizations and special purpose entities. FAS 166 revises FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* by eliminating the concept of a "qualifying special-purpose entity," creating the concept of a "participating interest" (which is discussed more fully in the following section), changing the requirements for derecognizing financial assets, and requiring additional disclosures. FAS 167 revises FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities,* by changing how a bank or other company determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights, i.e., a "variable interest entity" (VIE), should be consolidated. Under FAS 167, a bank must perform a qualitative assessment to determine whether its variable interest or interests give it a controlling financial interest in a VIE. If a bank's variable interest or interests provide it with the power to direct the most significant activities of the VIE, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the bank is the primary beneficiary of, and therefore must consolidate, the VIE.

Both FAS 166 and FAS 167 take effect as of the beginning of each bank's first annual reporting period that begins after November 15, 2009, for interim periods therein, and for interim and annual reporting periods thereafter (i.e., as of January 1, 2010, for banks with a calendar year fiscal year). Earlier application is prohibited. Banks are expected to adopt FAS 166 and FAS 167 for Call Report purposes in accordance with the effective date of these two standards. Also, FAS 166 has modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of FAS 166, which is discussed above. Therefore, banks with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with FAS 166. In general, loan participations transferred before the effective date of FAS 166 (January 1, 2010, for calendar year banks) are not affected by this new accounting standard, and pre-FAS 166 participations that were properly accounted for as sales under FASB Statement No. 140 will continue to be reported as having been sold.]

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." FIN 48 was originally issued 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 December 31, 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, 2008. A nonpublic enterprise under certain conditions is eligible for deferral, even if it opted to issue interim or quarterly financial information in 2007 under earlier guidance that reflected the adoption of FIN 48.

FASB Statement No. 123 (Revised 2004) and Share-Based Payments – refer to previously published Quarterly Banking Profile notes: http://www2.fdic.gov/qbp/2008dec/qbpnot.html

FASB Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities* – refer to previously published Quarterly Banking Profile notes: http://www2.fdic.gov/qbp/2008dec/qbpnot.html

DEFINITIONS (in alphabetical order)

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

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

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 percentage 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 percentage of net interest income plus noninterest income. This ratio measures the proportion of net operating revenues that are absorbed by overhead expenses, so that a lower value indicates greater efficiency.

Estimated insured deposits – In general, insured deposits are total domestic deposits minus estimated uninsured deposits. Beginning March 31, 2008, for institutions that file Call reports, insured deposits are total assessable deposits minus estimated uninsured deposits. Beginning September 30, 2009, insured deposits include deposits in accounts of $100,000 to $250,000 that are covered by a temporary increase in the FDIC's standard maximum deposit insurance amount (SMDIA).

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

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

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

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 percentage of total assets on a consolidated basis.

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

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

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

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

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

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

Other real estate owned – primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances. For institutions that 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 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 initial base assessment rates (in basis points), effective April 1, 2009, 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 Category</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
12–16 bps</td><td rowspan="2">II
22 bps</td><td rowspan="2">III
32 bps</td></tr>
<tr><td>2. Adequately Capitalized</td><td>II
22 bps</td></tr>
<tr><td>3. Undercapitalized</td><td colspan="2">III
32 bps</td><td>IV
45 bps</td></tr>
</table>

Effective April 1, 2009, the initial base assessment rates are 12 to 45 basis points. An institution's total assessment rate may be less than or greater than its initial base assessment rate as a result of additional risk adjustments.

The base assessment rates for most institutions in Risk Category I are based on a combination of financial ratios and CAMELS component ratings (the financial ratios method).

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 are determined by equally weighting the institution's CAMELS component ratings, long-term debt issuer ratings, and the financial ratios method assessment rate. For all large Risk Category I institutions, additional risk factors are 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 is limited to no more than 1 basis point.

Effective April 1, 2009, the FDIC introduced three possible adjustments to an institution's initial base assessment rate: (1) a decrease of up to 5 basis points for long-term unsecured debt and, for small institutions, a portion of Tier 1 capital; (2) an increase not to exceed 50 percent of an institution's assessment rate before the increase for secured liabilities in excess of 25 percent of domestic deposits; and (3) for non-Risk Category I institutions, an increase not to exceed 10 basis points for brokered deposits in excess of 10 percent of domestic deposits. After applying all possible adjustments, minimum and maximum total base assessment rates for each risk category are as follows:

Total Base Assessment Rates*

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV
Initial base assessment rate	12–16	22	32	45
Unsecured debt adjustment	-5–0	-5–0	-5–0	-5–0
Secured liability adjustment	0–8	0–11	0–16	0–22.5
Brokered deposit adjustment	–	0–10	0–10	0–10
Total base assessment rate	7–24.0	17–43.0	27–58.0	40–77.5

*All amounts for all risk categories are in basis points annually. Total base rates that are not the minimum or maximum rate will vary between these rates.

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 is generally due on the 30th day of the last month of the quarter following the assessment period. Supervisory rating changes are effective for assessment purposes as of the examination transmittal date. For institutions with long-term debt issuer ratings, changes in ratings are effective for assessment purposes as of the date the change was announced.

Special Assessment – On May 22, 2009, the FDIC Board approved a final rule that imposed a 5 basis point special assessment as of June 30, 2009. The special assessment was levied on each insured depository institution's assets minus its Tier 1 capital as reported in its report of condition as of June 30, 2009. The special assessment will be collected September 30, 2009, at the same time that the risk-based assessment for the second quarter of 2009 is collected. The special assessment for any institution was capped at 10 basis points of the institution's assessment base for the second quarter of 2009 risk-based assessment.

Prepaid Deposit Insurance Assessments – On November 12, 2009, the FDIC Board of Directors adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for

all of 2010, 2011, and 2012, on December 30, 2009. Each institution's regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also is payable on December 30, 2009.

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.

Temporary Liquidity Guarantee Program (TLGP) – was approved by the FDIC Board on October 13, 2008. The TLGP was designed to help relieve the crisis in the credit markets by giving banks access to liquidity during a time of global financial distress. Participation in the TLGP is voluntary. The TLGP has two components:

Transaction Account Guarantee Program (TAGP) provides a full guarantee of noninterest-bearing deposit transaction accounts above $250,000, at depository institutions that elected to participate in the program. On August 26, 2009, the FDIC Board voted to extend the TAGP six months beyond its original expiration date to June 30, 2010.

Debt Guarantee Program (DGP) provides a full guarantee of senior unsecured debt[1] issued by eligible institutions after October 14, 2008. Initially, debt issued before June 30, 2009, and maturing on or before June 30, 2012, could be guaranteed. On March 17, 2009, the deadline for issuance under the program was extended to October 31, 2009, and the expiration of the guarantee was set at the earlier of maturity of the debt or December 31, 2012. Institutions eligible for participation in the debt guarantee program include insured depository institutions, U.S. bank holding companies, certain U.S. savings and loan holding companies, and other affiliates of an insured depository institution that the FDIC designates as eligible entities. The FDIC Board adopted a final rule on October 20, 2009, that established a limited six-month emergency guarantee facility upon expiration of the DGP.

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.

[1] Senior unsecured debt generally includes term federal funds purchased, promissory notes, commercial paper, unsubordinated unsecured notes, certificates of deposit (CDs) standing to the credit of a bank, and U.S. dollar denominated bank deposits owed to an insured depository institution.

Feature Article:

Measuring Progress in U.S. Housing and Mortgage Markets

U.S. housing and mortgage markets have experienced historic distress over the past three years. Housing starts dropped from more than 2 million units in 2005 to only 553,000 in 2009, while foreclosures soared from 780,000 to about 3 million during the same period. However, the signs of eventual recovery are beginning to emerge. Home price declines have boosted affordability, which in turn helped to push existing home sales in the fourth quarter of 2009 to their highest level in almost three years. Meanwhile, a number of government initiatives, from mortgage modification programs to outright purchases of mortgage-backed securities (MBS), have been put in place to help stabilize these highly distressed markets.

After more than three years of mostly unremitting bad news from the housing and mortgage sectors, analysts are now trying to evaluate the tentative signs of stabilization that emerged in late 2009. For example, home prices, by some measures, rose slightly on average for six consecutive months through November. Does this signal the "all clear" for homeowners and mortgage lenders? The answer is certainly "no." At the same time, the combination of more affordable home prices, reduced inventory, and a leveling-off of home prices does suggest that a new equilibrium in the housing sector might not be that far off.

What worries analysts is that the mortgage delinquencies, foreclosures, and distressed sales that have driven home prices sharply lower since 2006 will outlast the policy support that has been slowing foreclosures, lowering mortgage rates, and encouraging first-time homebuyers to enter the market. This *chartbook* examines U.S. housing and mortgage markets for tentative signs of recovery and evaluates those hopeful signs against the challenges that remain.

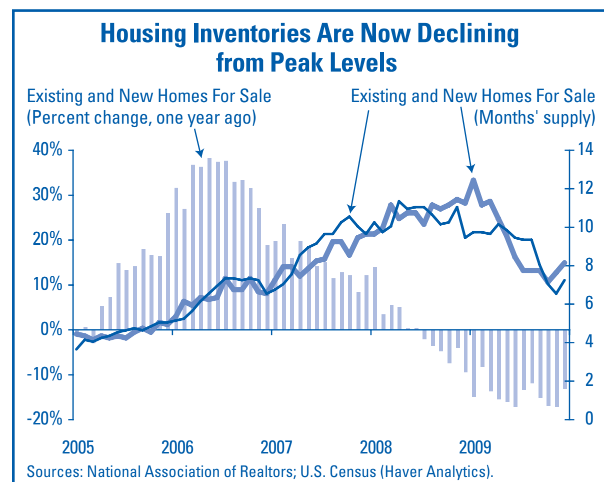
Housing: Signs of Recovery

After more than three years of decline, the beleaguered U.S. housing market has shown some apparent signs of stabilizing in recent months. Inventories are down, existing home sales are up, and residential construction activity has stopped falling, at least for the time being. In relative terms, these trends represent a welcome departure from the continuous deterioration of market conditions that began in 2006.

Sales, Construction, and Inventories

- The inventory of unsold new homes in December was 13 percent lower than one year ago (see Chart 1).

Chart 1



Sources: National Association of Realtors; U.S. Census (Haver Analytics).

- The months' supply of existing homes on the market has fallen to the lowest levels since late 2006, while the supply of new homes on the market has also dropped from an all-time high of 12.4 months in January 2009.

- Home sales increased during 2009 in markets across the South, West, Northeast, and Midwest (see Chart 2).

- Existing home sales nationwide are near their highest level in more than two years.

- Although permit issuance and new residential construction generally remain weak across the nation, the rate of decline is slowing, possibly indicating a bottom in the market (see Chart 3).

- Housing construction made its second consecutive positive contribution to gross domestic product growth in fourth quarter 2009, after more than three years of decline.

- Residential real estate investment rose again in fourth quarter 2009, increasing at nearly an 8 percent annual rate, albeit from an already depressed level.

Continued Progress Hinges on Prices

Just as falling home prices came to represent the fundamental source of uncertainty in mortgage markets after 2006, so too will a sustainable recovery in housing markets depend on the stabilization and slow recovery of home prices. This is why indications of a leveling-off in home prices at more affordable levels during the second half of 2009 represent a hopeful sign that housing activity and mortgage credit distress may soon stabilize or even improve.

- The S&P/Case-Shiller 10-city home price index registered a sixth consecutive monthly increase in November, with a 0.24 percent gain, following more than two years of declining prices (see Chart 4).

- The year-over-year change in the home price index, while still negative, has progressively moved closer to zero for the ninth month in a row, reaching −4.5 percent in November.

Chart 2

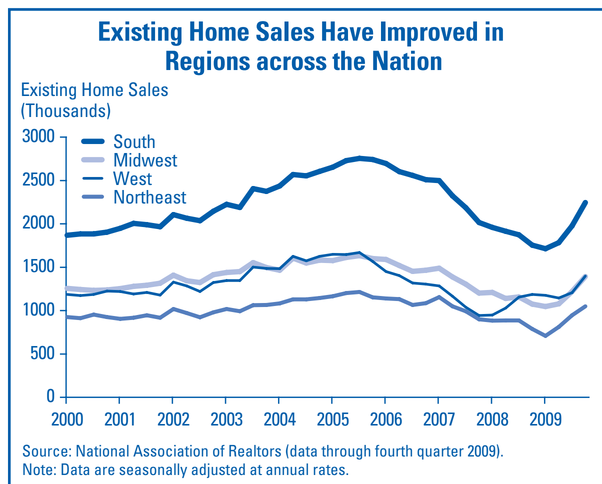


Chart 3

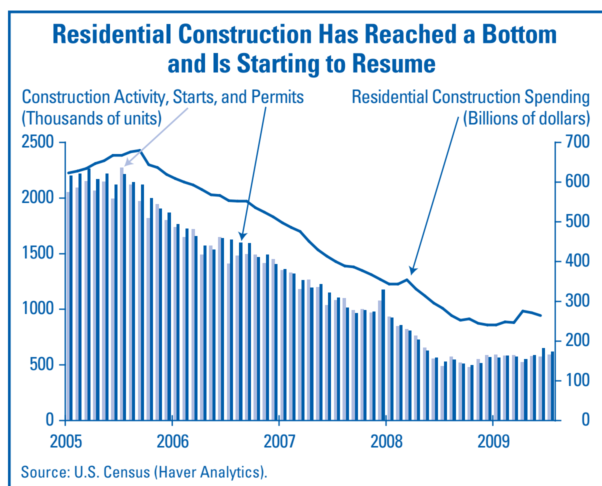
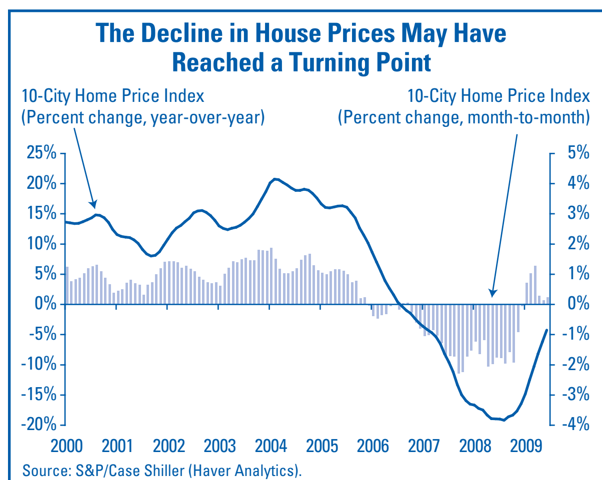


Chart 4



- Year-over-year declines in home prices have eased in several of the hardest hit housing markets, such as Las Vegas, Phoenix, Miami, and Detroit (see Chart 5).

- Recent price trends may be either a sign of sustained recovery ahead or a temporary lull that will give way to further price declines once government stabilization programs begin to expire in early to mid-2010.

- Home price declines and low interest rates have contributed to dramatically improved housing affordability during the past two years.

- The National Association of Realtors' Housing Affordability Index stood at 163.8 in December 2009 (see Chart 6). This means that a family earning the median income had about 164 percent of the income needed to qualify to purchase the median-priced home using a standard mortgage.

- The December reading is well above the long-term average for the index and indicates that housing remains near its most affordable level in decades.

- The improvement in housing affordability since late 2007 extends to all 50 states (see Chart 7).

- Affordability has particularly improved in some of the higher-priced coastal markets. In California, a family earning the median income can now qualify to purchase a home worth 115 percent of the median price, up from a level of just 60 percent in 2007.

Chart 5

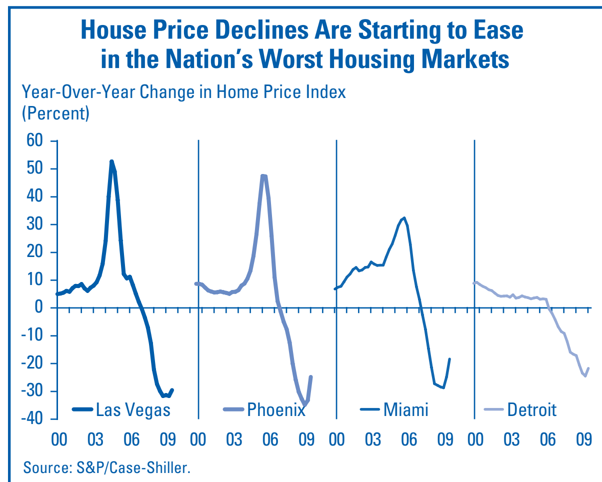


Chart 6

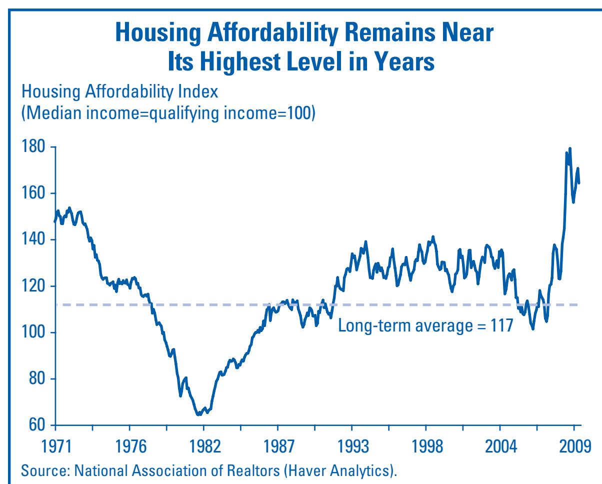
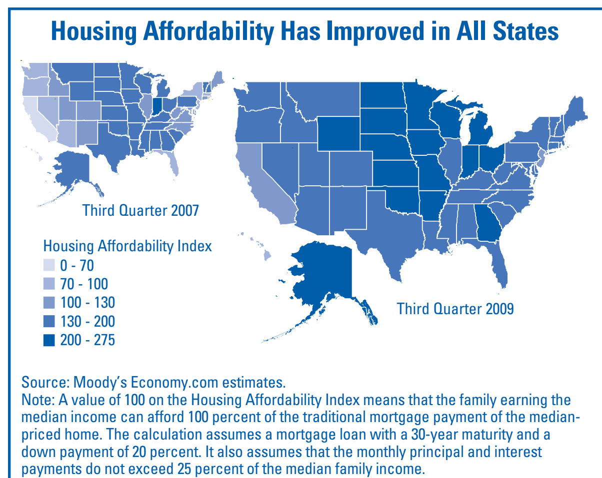


Chart 7



Foreclosures Cloud an Uncertain Future

Among the biggest challenges to a recovery in the housing market is the near-record high level of foreclosures and the excess inventory and distressed home sales those foreclosures could impose on the market. The more than tripling of the annual number of U.S. foreclosures since 2006 has destabilized the housing market and placed additional downward pressure on home prices in what became a self-reinforcing cycle. If both foreclosures and unemployment continue to increase, the housing market could retrench in coming months and the tentative recovery in housing fundamentals could falter.

Foreclosures

- Delinquencies and foreclosures have now spread into prime space. In fourth quarter 2009, the past-due rate for prime loans was near a record high 6.7 percent. Prime fixed-rate loans accounted for 35 percent of the foreclosure starts during the quarter (see Chart 8).[1]

- The poor performance of prime fixed-rate loans will likely get worse because those loans represented an increasing share of loans 90 days or more past-due but not yet in foreclosure.

- About 32 percent of home sales nationwide in December were distressed or foreclosure related.[2]

- An estimated 2.82 million homes entered foreclosure during 2009, a marked increase from the estimated 2.28 million foreclosures in 2008 (see Chart 9).[3]

- The abundance of foreclosure resales has contributed to continued home price depreciation.

- In California, nearly 5.6 percent of all mortgages were in foreclosure in fourth quarter 2009.[4]

- Although foreclosure resales in California are declining, they remain an important consideration for both home buyers and sellers, accounting for 40 percent of existing home sales in fourth quarter 2009 (see Chart 10).

Chart 8

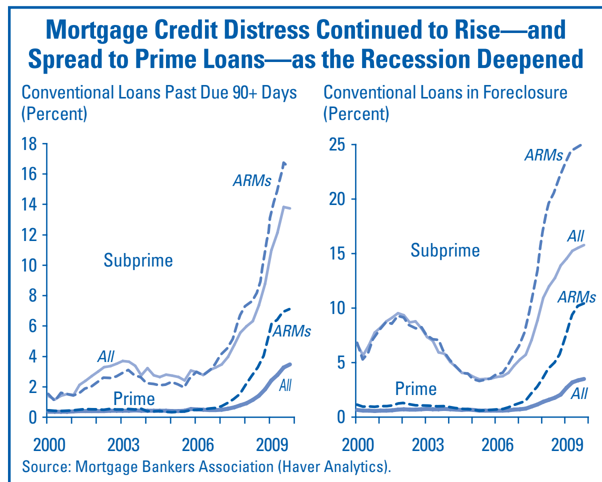


Chart 9

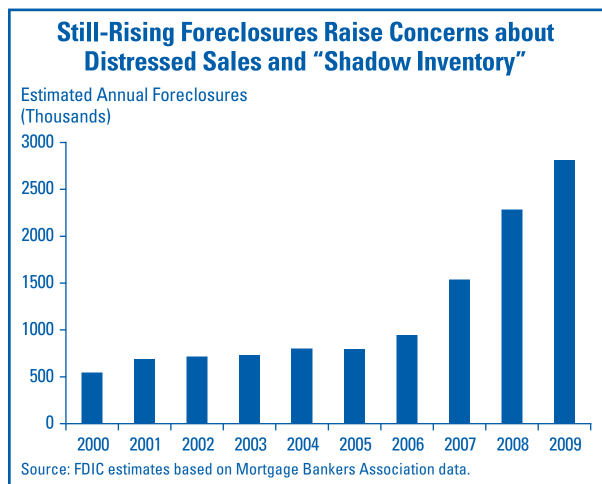
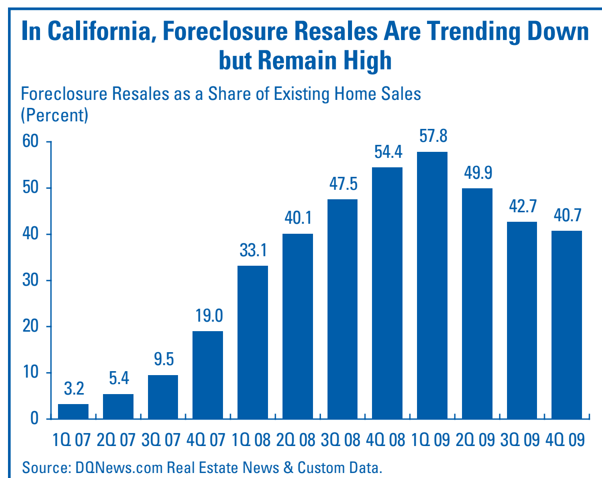


Chart 10



[1] Mortgage Bankers Association, National Delinquency Survey, Fourth Quarter 2009.
[2] National Association of Realtors, news release, January 25, 2010.
[3] FDIC estimates based on data from the Mortgage Bankers Association's National Delinquency Survey for fourth quarter 2009.
[4] Mortgage Bankers Association.

Shadow Inventory

- The risk posed by still-rising foreclosures is that they will increase the pending supply, or *shadow inventory*, of homes not yet on the market. Shadow inventory is generally made up of current foreclosures and homes owned by delinquent borrowers that are likely to transition into the foreclosure pipeline.

- Shadow inventory, which is estimated to be 1.7 million units as of third quarter 2009, may increase the already high proportion of distressed or foreclosed home resales.[5]

Credit Availability: Continued Strains

While the national housing market is showing some signs of recovery, credit markets for residential mortgages continue to be stressed. Tightened credit standards, declining consumer net worth, rising delinquency and foreclosure rates, the lack of private MBS issuance, and the collapse of the subprime market have limited funding channels and lending opportunities. Government programs and agencies have filled the void largely through policy initiatives and implicit or explicit guarantees.

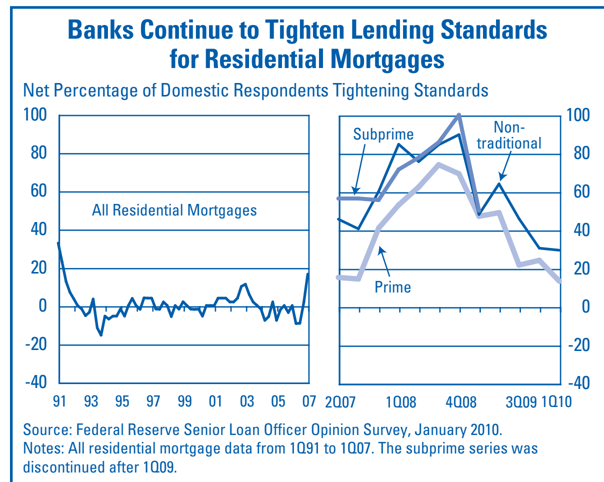
Tightened Credit Standards

Poor mortgage loan performance has prompted tighter underwriting standards.

- Residential credit quality has deteriorated. The noncurrent ratio for one-to-four single-family mortgages increased to a record high 9.9 percent in fourth quarter 2009, nearly double the level of one year ago.

- Banks have tightened credit standards on residential mortgage loans. The Federal Reserve's January survey indicated that banks tightened lending standards, on net, for both prime and nontraditional mortgages (see Chart 11).

Chart 11



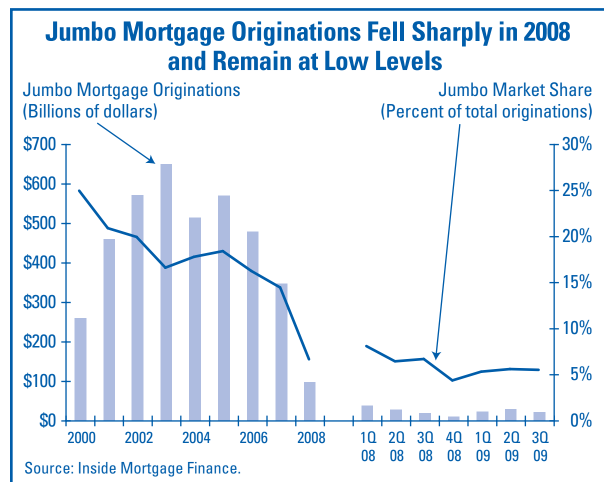
Shift in the Composition of Mortgage Funding

The most significant result of deteriorating credit quality and tightened lending standards has been the collapse of the private MBS market and a shift toward conforming mortgage originations.

- Through third quarter 2009, 67 percent of new mortgage originations were conforming mortgages that could be readily sold in the agency MBS market, compared with 33 percent in 2006.[6]

- The pace of jumbo mortgage lending increased during the first nine months of 2009, although it remained far below the level reached at the peak of the market (see Chart 12).

Chart 12



[5] First American CoreLogic, Media Alert, December 17, 2009.

[6] Inside Mortgage Finance, November 27, 2009.

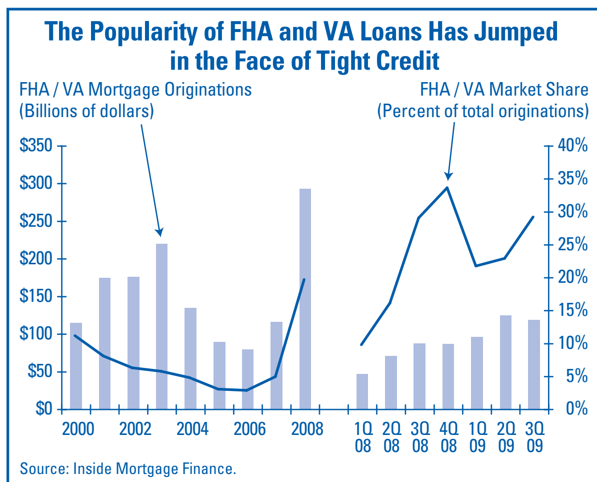
- The volume of jumbo mortgage originations for 2009 now appears on track to match 2008 levels.

- The change in mortgage production has created a fundamental shift in the composition of mortgage funding.

- The government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac and the government mortgage insurance program Ginnie Mae together account for more than 95 percent of total MBS issuance since 2008.[7]

- Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) guaranteed mortgage loan originations accounted for almost one-quarter (24 percent) of mortgage originations through third quarter 2009, up from a low of 2.7 percent in 2006 (see Chart 13).[8]

Chart 13



Source: Inside Mortgage Finance.

- FHA-insured mortgages will remain a strong force in the mortgage market, but the rate of increase may slow as the result of the recently announced tightening of standards.

- The GSEs' higher conforming loan limits and the FHA's higher mortgage limit are helping to support housing markets by increasing the availability of mortgages for homes in higher-priced areas.

[7] Inside MBS & ABS, December 18, 2009.

[8] Inside Mortgage Finance, November 27, 2009.

Government Adds Liquidity to the Market

Throughout 2009, the government added liquidity to the flagging mortgage credit markets as the Federal Reserve and the U.S. Treasury became primary purchasers of agency MBS.

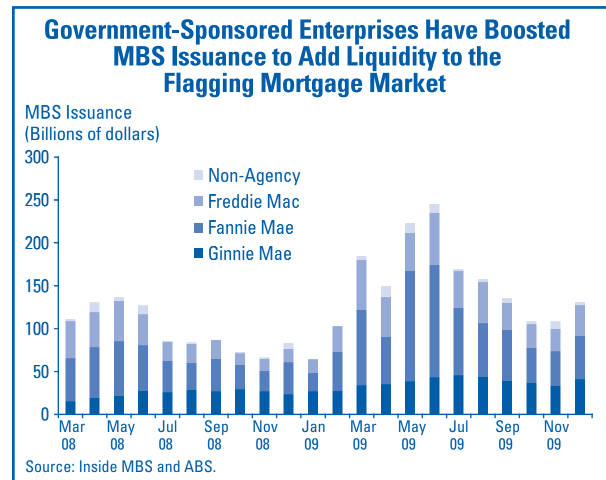
- The Federal Reserve's net purchases of agency securitizations during 2009 totaled $1.11 trillion, representing 65 percent of the total $1.71 trillion in agency MBS issued during 2009.[9]

- The government is likely to remain a major investor in the flagging mortgage market for now with its commitment to purchase a total of $1.25 trillion in agency MBS by the end of first quarter 2010.

- Together, the Federal Reserve and Treasury hold an estimated 12 percent of total agency MBS outstanding.[10]

- The GSEs have spurred issuance of MBS by adding liquidity to a constrained mortgage market. The $1.71 trillion dollars of agency MBS issued during 2009 represents nearly a 47 percent increase from 2008 (see Chart 14).[11]

Chart 14



Source: Inside MBS and ABS.

- Ginnie Mae MBS issuance during 2009 was 66 percent higher than in 2008.[12]

[9] Federal Reserve Bank of New York; Inside MBS & ABS, January 22, 2010.

[10] Inside MBS & ABS, September 25, 2009.

[11] Inside MBS & ABS, January 22, 2010.

[12] Ibid.

- In contrast, non-agency issuance during 2009 was almost flat, at only 3.5 percent above the 2008 level. Non-agency market share in 2009 was just 3.4 percent of total MBS issuance.[13]

Mortgage Originations Increased in 2009

Mortgage originations were strong throughout the middle of the decade before declining substantially with the onset of the subprime mortgage crisis.

- Mortgage market turmoil since 2007 has necessitated tighter credit standards and a realignment of funding sources, resulting in a greater government role in providing liquidity to the market.

- Mortgage originations peaked in 2003 at almost $4 trillion. By 2008, mortgage originations had fallen to $1.5 trillion for the year, the lowest level since 2000 (see Chart 15).[14]

- The Federal Reserve's purchases of agency MBS in 2009 helped to reduce mortgage rates to historically low levels and generate a refinancing boom (see Chart 16).

- Refinance originations surged to 76 percent of originations in the first half of 2009. Refinancing activity slowed around mid-year as mortgage rates increased, but it picked up again in the second half of 2009 as rates fell.[15]

- The Mortgage Bankers Association expects that total mortgage production in 2009 rose by about 40 percent to $2.1 trillion, largely on the strength of refinancing originations.[16]

- Total originations are expected to decline by 40 percent in 2010 to $1.3 trillion, as the drop in refinancing originations in 2010 will far outweigh the expected 5 percent increase in purchase originations.

- A key question going forward is the extent to which mortgage rates may rise in 2010 as some government support programs expire.

[13] Ibid.
[14] Inside Mortgage Finance, November 27, 2009.
[15] Ibid.
[16] Mortgage Bankers Association, Mortgage Finance Forecast, January 12, 2010.

Chart 15

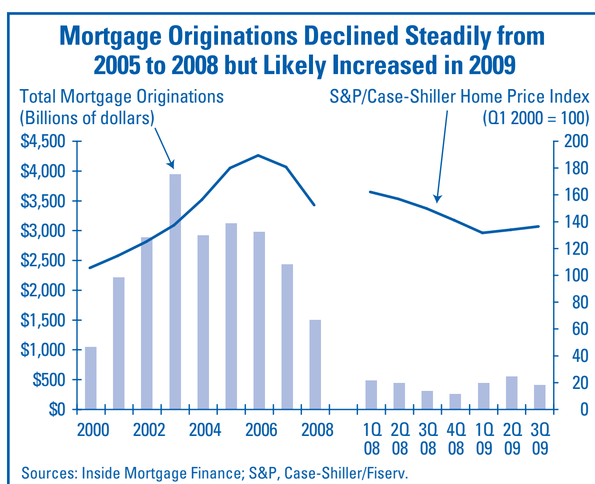
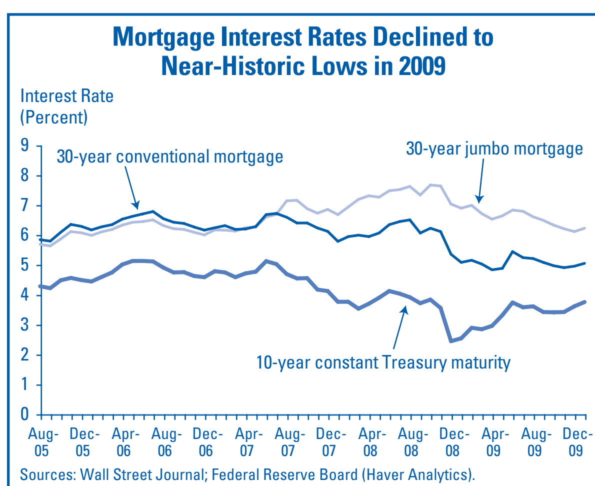


Chart 16



Conclusion

The U.S. housing market showed tangible signs of improvement in 2009 as home price indices stabilized, inventories declined, and housing affordability reached historic high levels. Improvements in these fundamentals are still tentative, however, and are at risk of faltering after the withdrawal of the exceptional government support that helped to stabilize the housing and mortgage markets in 2009. Even if the signs of recovery continue, residential construction, home prices, and lending activity may remain subdued for years. But after more than three years of historic turmoil, a return to stable and self-sustaining housing and mortgage markets would bring welcome relief to lenders, homeowners, and the U.S. economy as a whole.

Authors: *Cynthia Angell, Financial Economist*
Robert M. Miller, Economic Analyst

Federal Deposit Insurance Corporation
Washington, DC 20429-9990

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