PRESS RELEASE

Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

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FDIC-Insured Institutions Earned $7.6 Billion in the First Quarter of 2009
Loan-Loss Provisions Continue to Depress Net Income

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported net income of $7.6 billion in the first quarter of 2009, a decline of $11.7 billion (60.8 percent) from the $19.3 billion that the industry earned in the first quarter of 2008. Higher loan-loss provisions, increased goodwill write-downs, and reduced income from securitization activities all contributed to the year-over-year earnings decline. Three out of five insured institutions reported lower net income in the first quarter and one in five was unprofitable.

"The first quarter results are telling us that the banking industry still faces tremendous challenges, and that going forward, asset quality remains a major concern," said FDIC Chairman Sheila C. Bair. "Banks are making good efforts to deal with the challenges they're facing, but today's report says that we're not out of the woods yet." She added, "As I see it, we're now in the cleanup phase for the banking industry. It will take some more time. But in the end, we'll have a stronger banking industry that's better able to meet the demand for credit as the economy recovers."

Insured institutions set aside $60.9 billion in provisions for loan losses in the first quarter, an increase of $23.7 billion (63.6 percent) over the first quarter of 2008. Expenses for goodwill impairment and other intangible asset expenses totaled $7.2 billion, up from $2.8 billion a year earlier. These negative factors outweighed the positive effects of increased noninterest income (up $7.8 billion or 12.8 percent), higher net interest income (up $4.4 billion or 4.7 percent), and higher realized gains on securities and other assets (up $1.9 billion). Twenty-one FDIC-insured institutions failed during the first quarter, the largest number since the fourth quarter in 1992. The FDIC's

"Problem List" grew during the quarter from 252 to 305 institutions, and total assets of problem institutions increased from $159 billion to $220 billion.

The FDIC also noted that asset-quality indicators continue to decline. Insured institutions charged off $37.8 billion in bad loans in the first quarter, almost twice the $19.6 billion of a year earlier. The amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) rose by $59.2 billion during the quarter, and are $154.3 billion higher than a year ago.

"Troubled loans continue to accumulate, and the costs associated with impaired assets are weighing heavily on the industry's performance," Chairman Bair noted. "Nevertheless, compared to a year ago, we see some positives. Net interest income is higher, and noninterest revenue is up at larger banks, particularly trading revenues. Realized gains on securities and other assets improved, too. But these positive factors were outweighed by higher expenses for bad loans and for goodwill impairment."

Financial results for the first quarter are contained in the FDIC's latest Quarterly Banking Profile, which was released today. Also among the major findings:

Tier 1 capital growth reached a record high. Tier 1 capital rose by almost $70 billion, the largest quarterly increase ever reported by the industry. However, much of the increase occurred at institutions that received capital from the U.S. Treasury Department's Troubled Asset Relief Program (TARP). A number of institutions also reduced their dividends to support capital growth. Dividend payments in the first quarter totaled $7.2 billion, about half the $14.0 billion insured institutions paid in the first quarter of 2008. The FDIC noted that 97 percent of insured institutions were well-capitalized by regulatory standards.

Total assets declined by $302 billion. Downsizing by a few large banks caused total industry assets to fall by $302 billion (2.2 percent) during the first quarter. Two-thirds of all institutions reported asset growth in the quarter, but reductions at eight large banks caused the industry total to decline. Total loans and leases fell by $159.6 billion (2.1 percent), while assets in trading accounts declined by $144.5 billion (14.9 percent).

The FDIC's Deposit Insurance Fund (DIF) reserve ratio fell to 0.27 percent. Growth in insured deposits and a shrinking fund balance caused the Deposit Insurance Fund's reserve ratio to decline from 0.36 percent of insured deposits to 0.27 percent in the first quarter. Insured deposits increased by $82.4 billion (1.7 percent) during the quarter. The DIF balance declined from $17.3 billion at the end of 2008 (amended from the originally reported unaudited balance of $19 billion) to $13.0 billion on March 31, 2009. However, the FDIC Board of Directors approved an amended restoration plan in February that is designed to restore the DIF reserve ratio to 1.15 percent within seven years. The FDIC has already set aside $28 billion in reserve to cover projected losses for the next 12 months. In addition, the FDIC will collect more than $8 billion in premiums during the second quarter, including $5.6 billion from the special assessment the FDIC Board approved on May 22.

"Insured deposits increased 1.7 percent in the quarter -- some $82 billion -- and they are up by nine percent over the last 12 months," Chairman Bair said. "This growth in insured deposits is a vote of confidence from bank customers. They obviously see the value of the FDIC guarantee."

The complete Quarterly Banking Profile is available at http://www2.fdic.gov/qbp/index.asp on the FDIC Web site.

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