PRESS RELEASE

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

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Insured Banks and Thrifts Lost $26.2 Billion in the Fourth Quarter
Domestic Deposits Increased by 3.8 Percent

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported a net loss of $26.2 billion in the fourth quarter of 2008, a decline of $27.8 billion from the $575 million that the industry earned in the fourth quarter of 2007 and the first quarterly loss since 1990. Rising loan-loss provisions, losses from trading activities and goodwill write-downs all contributed to the quarterly net loss as banks continue to repair their balance sheets in order to return to profitability in future periods.

More than two-thirds of all insured institutions were profitable in the fourth quarter, but their earnings were outweighed by large losses at a number of big banks. Total deposits increased by $307.9 billion (3.5 percent), the largest percentage increase in 10 years, with deposits in domestic offices registering a $274.1 billion (3.8 percent) increase. And at year-end, nearly 98 percent of all insured institutions, representing almost 99 percent of industry assets, met or exceeded the highest regulatory capital standards.

"Public confidence in the banking system and deposit insurance is demonstrated by the increase in domestic deposits during the fourth quarter," FDIC Chairman Sheila Bair said. "Clearly, people see an FDIC-insured account as a safe haven for their money in difficult times."

For all of 2008, insured institutions earned $16.1 billion, a decline of 83.9 percent from 2007 and the lowest annual total since 1990. Twelve FDIC-insured institutions failed during the fourth quarter and one banking organization received assistance. During the year, a total of 25 insured institutions failed. The FDIC's "Problem List" grew during the quarter from 171 to 252 institutions, the largest number since the middle of 1995. Total assets of problem institutions increased from $115.6 billion to $159 billion.

In its latest release, the FDIC cited deteriorating asset quality as the primary reason for the drop in industry profits. Loan-loss provisions totaled $69.3 billion in the fourth quarter, a 115.7 percent increase from the same quarter in 2007. In addition, the industry reported $15.8 billion in expenses for write-downs of goodwill (which do not affect regulatory capital levels), $9.2 billion in trading losses and $8.1 billion in realized losses on securities and other assets.

The FDIC provided data on industry use of the Temporary Liquidity Guarantee Program (TLGP), which was established in mid-October to address credit market disruptions and improve access to liquidity for insured financial institutions and their holding companies. The TLGP, which is entirely funded by industry fees that totaled $3.4 billion as of year-end, has two components. One provides a 100 percent guarantee of all deposits in noninterest-bearing transaction accounts, such as business payroll accounts, at participating institutions. The other provides a guarantee to newly issued senior unsecured debt at participating institutions. At the end of December, more than half a million deposit accounts received over $680 billion in additional FDIC coverage through the transaction account guarantee, and $224 billion in FDIC-guaranteed debt was outstanding.

"The debt guarantee program has been effective in reducing borrowing spreads and improving access to short- and intermediate-term funding for banking organizations," Chairman Bair noted. "In recent weeks, banks have been able to issue debt without guarantees and other corporate borrowers have issued debt more frequently and in larger amounts. These are positive signs."

Financial results for the fourth quarter and full year are contained in the FDIC's latest Quarterly Banking Profile, which was released today. Among the major findings:

Provisions for loan losses continued to weigh on earnings. Rising levels of charge-offs and noncurrent loans have required insured institutions to step up their efforts to increase their reserves for loan losses. The $69.3 billion in provisions that the industry added to reserves in the fourth quarter represented over half (50.2 percent) of its net operating revenue (net interest income plus total noninterest income), the highest proportion in any quarter in more than 21 years.

The rising trend in troubled loans persisted in the fourth quarter. Insured institutions charged off $37.9 billion of troubled loans, more than twice the $16.3 billion that was charged-off in the fourth quarter of 2007. The annualized net charge-off rate of 1.91 percent equaled the previous quarterly high set in the fourth quarter of 1989. The amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) increased by $44.1 billion (23.7 percent) during the fourth quarter. At the end of 2008, a total of 2.93 percent of all loans and leases were noncurrent, the highest level for the industry since the end of 1992.

The FDIC's Deposit Insurance Fund reserve ratio fell. A higher level of losses for actual and anticipated failures caused the insurance fund balance to decline during the fourth quarter by $16 billion, to $19 billion (unaudited) at December 31. In addition to having $19 billion available in the fund, $22 billion has been set aside for estimated losses on failures anticipated in 2009. The fund reserve ratio declined from 0.76 percent at September 30 to 0.40 percent at year end. The FDIC Board will meet tomorrow to set deposit insurance assessment rates beginning in the second quarter of 2009 and to consider adopting enhancements to the risk-based premium system.

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