

FDIC Quarterly

*Quarterly Banking Profile:
Third Quarter 2010*

*Toward a Long-Term Strategy
for Deposit Insurance
Fund Management*

*Highlights from the 2010
Summary of Deposits*



2010, Volume 4, Number 4

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

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2010, Volume 4, Number 4

Quarterly Banking Profile: *Third Quarter 2010*

FDIC-insured institutions reported an aggregate profit of \$14.5 billion in the third quarter of 2010, a \$12.5 billion improvement from the \$2 billion the industry earned in the third quarter of 2009. This is the fifth consecutive quarter that earnings have registered a year-over-year increase. Almost two-thirds of all institutions reported improvements in their quarterly net income from a year ago, but nearly one in five institutions had a net loss for the quarter. The average return on assets (ROA) rose to 0.44 percent, from 0.06 percent a year ago. [See page 1.](#)

Insurance Fund Indicators

Estimated insured deposits (based on \$250,000 coverage) declined by 0.3 percent during the third quarter of 2010. The Deposit Insurance Fund reserve ratio was -0.15 percent on September 30, 2010, up from -0.28 percent on June 30, 2010, and -0.16 percent one year earlier. Forty-one FDIC-insured institutions failed during the quarter. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) revised the statutory authorities governing the FDIC's management of the deposit insurance fund and requires that the FDIC change the deposit insurance assessment base from domestic deposits to average assets less average tangible equity. The FDIC is implementing these changes and related changes to risk-based premium rates through the rulemaking process. [See page 14.](#)

Temporary Liquidity Guarantee Program

As of September 30, 2010, about 74 percent of FDIC-insured institutions have opted in to the Transaction Account Guarantee Program, and 7,489 eligible entities elected the option to participate in the Debt Guarantee Program. Approximately \$107 billion in non-interest-bearing transaction accounts was guaranteed as of September 30, 2010, and \$287 billion in guaranteed senior unsecured debt, issued by 68 entities, was outstanding at the end of the third quarter. [See page 19.](#)

Toward a Long-Term Strategy for Deposit Insurance Fund Management

The FDIC has developed a comprehensive, long-range management plan for the Deposit Insurance Fund. The plan is designed to reduce pro-cyclicality; keep assessment rates moderate, steady, and predictable throughout economic and credit cycles; and maintain a positive fund balance even during a period of large fund losses. This article presents the FDIC analysis that informed the medium- and long-term elements of the plan. Using multiple simulations, this analysis demonstrates that a moderate, long-term average industry assessment rate, combined with an appropriate dividend or assessment rate reduction policy, would have prevented the fund from becoming negative during both the crises of the 1980s and early 1990s and the current crisis. However, the fund's reserve ratio would have had to have exceeded 2 percent before the crises began. [See page 29.](#)

Highlights from the 2010 Summary of Deposits

Each year as of June 30, the FDIC and the Office of Thrift Supervision survey each FDIC-insured institution to collect information on bank and thrift deposits and operating branches and offices. The resulting Summary of Deposits (SOD) is a valuable resource for analyzing deposit and office trends as well as domestic deposit market share. This article highlights findings from the 2010 SOD. [See page 41.](#)

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INSURED INSTITUTION PERFORMANCE

- **Year-Over-Year Earnings Improve for Fifth Consecutive Quarter**
- **Net Income Totals \$14.5 Billion, Up from \$2 Billion a Year Earlier**
- **Lower Loan-Loss Provisions Remain Key to Earnings Gains**
- **Asset Quality Trends Continued to Improve**
- **Industry Assets Increase by \$163 Billion**

Net Income Continues to Improve

Resilient revenues and improving asset quality remained a positive combination for insured institution earnings in the third quarter. Net income for the 7,760 insured commercial banks and savings institutions reporting quarterly financial results totaled \$14.5 billion, a considerable improvement over the \$2 billion reported a year ago. Third quarter net income was below the \$17.7 billion and \$21.4 billion reported in the first and second quarters of this year, respectively, but the shortfall was attributable to a \$10.1 billion quarterly net loss at one large institution that had a \$10.4 billion charge for goodwill impairment. Absent this loss, third quarter earnings would have represented a three-year high. Almost two out of every three institutions (63.3 percent) reported higher net income than a year earlier, and fewer than one in five (18.9 percent) was unprofitable. This is the lowest percentage of unprofitable institutions since second quarter 2008. A year ago, more than 27 percent of all institutions reported negative net income.

Quarterly Provisions Are Lowest Since 2007

Provisions for loan losses totaled \$34.9 billion, the lowest quarterly amount since fourth quarter 2007 and \$28 billion (44.5 percent) less than insured institutions set aside a year earlier. Other contributions to the year-over-year improvement in earnings came from net interest income, which increased by \$8.1 billion (8.1 percent), and realized gains on securities and other assets, which totaled \$3.2 billion in the quarter, a \$7.3 billion improvement over the \$4.1 billion in realized losses reported a year earlier. The improvement in net income was limited by higher noninterest expenses, which were \$14.8 billion (16 percent) more than a year earlier and included the large goodwill impairment charge. Increased income taxes (up \$11.3 billion) also reduced reported earnings, as did lower noninterest income, which was \$4.5 billion (7.2 percent) below the level of a year ago. The year-over-year decline in noninterest income was led by a \$2.9 billion reduction in servicing fee income, a \$2.2 billion decline in service

Chart 1

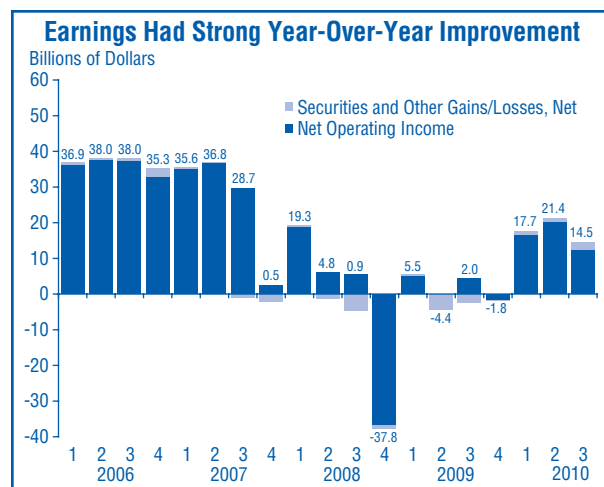
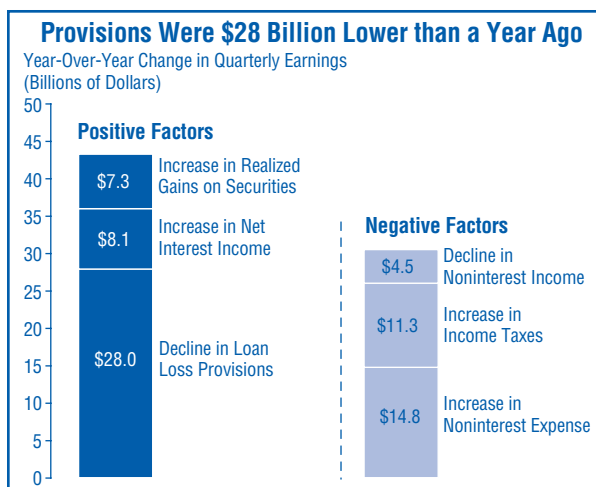


Chart 2



charges on deposit accounts, a \$1.8 billion drop in trading revenue, and a \$1 billion decline in securitization income. Much of the year-over-year increase in net interest income and the declines in servicing and securitization income reflect the effect of new accounting rules on financial reporting that became effective in 2010.¹ Quarterly earnings have improved year-over-year in each of the past five quarters. Loss provisions have declined year-over-year in each of the past four quarters.

Charge-Offs Are Lower in Most Loan Categories

For the second quarter in a row, net charge-offs (NCOs) were lower than in both the previous quarter and the year-earlier quarter. Third quarter NCOs totaled \$42.9 billion, compared to \$49.1 billion in the second quarter and \$50.9 billion in the third quarter of 2009. Prior to the past two quarters of improvement, quarterly NCOs had increased year-over-year for 13 consecutive quarters. NCOs for most major loan categories declined year-over-year in the third quarter. Commercial and industrial (C&I) loan NCOs were \$3.6 billion (41.8 percent) lower than a year earlier, while one-to-four family residential mortgage loan NCOs were \$3.0 billion (31.6 percent) less. Real estate construction and development (C&D) loan NCOs were down by \$2.5 billion (32.4 percent), and NCOs of non-credit card consumer loans were \$2.0 billion

(41.1 percent) lower. Among the loan categories with year-over-year increases in NCOs, credit card NCOs were up by \$4.3 billion (43.3 percent), as a result of the application of FASB 166 and 167, while NCOs of real estate loans secured by nonfarm nonresidential properties were \$1.1 billion (46.2 percent) higher.²

Noncurrent Loan Balances Decline

The amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) fell for a second consecutive quarter. Noncurrent balances declined by \$8.3 billion (2.1 percent) in the third quarter, after an \$18.9 billion (4.6 percent) decline in the second quarter. Before these two quarterly declines, the industry's noncurrent loan balances had risen for 16 consecutive quarters. As was the case with NCOs, noncurrent balances for most major loan categories declined. The largest declines occurred in C&D loans (down \$5.7 billion, or 8.9 percent in the quarter), credit cards (down \$2 billion, or 11.2 percent), one-to-four family residential mortgages (down \$1.7 billion, or 0.9 percent), and C&I loans (down \$1.5 billion, or 4.3 percent). Noncurrent balances increased in multifamily residential real estate loans (up \$1.2 billion, or 13.6 percent) and in nonfarm nonresidential real estate loans (up \$604 million, or 1.3 percent).

¹ See FASB Statements 166 & 177 in *Notes to Users*.

² *Ibid.*

Chart 3

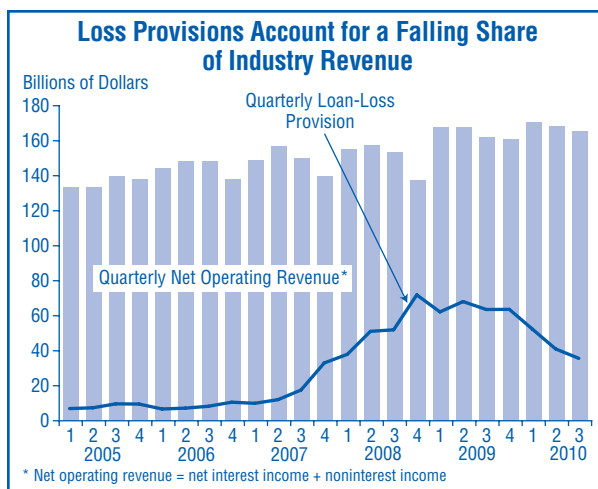
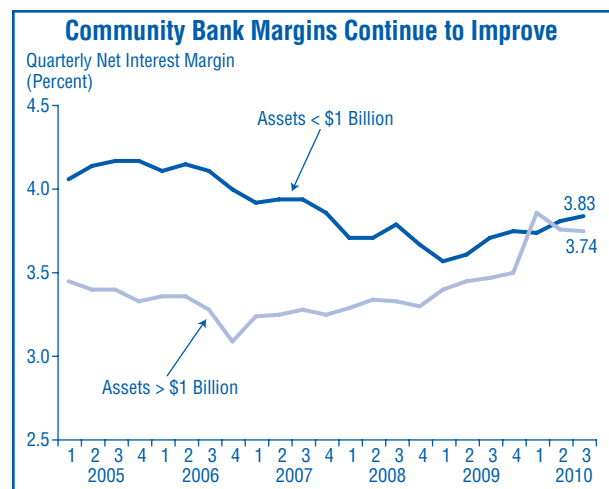


Chart 4



Lower Provisions Lead to a Fall in Reserves

The industry's reserves for loan losses declined for a second consecutive quarter, falling by \$9.6 billion (3.8 percent), as NCOs took \$42.9 billion out of reserves while loss provisions added only \$34.9 billion. Almost 60 percent of insured institutions increased their reserves during the quarter, but the 34.4 percent that reduced their reserves included nine of the ten largest banks, and 54 of the 100 largest. The reductions in reserves contributed to the industry's coverage ratio of reserves to noncurrent loans falling from 65.0 percent to 63.9 percent during the quarter.

Leverage Capital Posts Strong Growth

Equity capital increased by \$18.4 billion (1.2 percent) during the quarter, compared to a \$27.2 billion (1.9 percent) increase in the second quarter. The smaller increase in equity in the third quarter reflected the \$10.4 billion write-down of goodwill. Tier 1 leverage capital, which does not include goodwill, increased by \$24 billion (2.1 percent). This is the largest quarterly increase since first quarter 2009, when the Troubled Asset Relief Program (TARP) contributed to a \$67.6 billion surge in leverage capital. Almost three out of four institutions (74.5 percent) increased both their leverage capital and total risk-based capital during the quarter. Insured institutions paid \$13.3 billion in dividends in the third quarter, compared to \$20.1 billion a year earlier.

Securities Portfolios Drive Growth in Industry Assets

Total assets of insured institutions increased by \$163 billion (1.2 percent) during the quarter. Notwithstanding the increase in reported assets in the first quarter that reflected new financial reporting rules, this is the first real growth in industry assets since fourth quarter 2008. Interest-bearing assets increased by \$154.8 billion (1.4 percent), as investment securities portfolios rose by \$113.7 billion (4.5 percent). Assets held in trading accounts were up by \$86.9 billion (12.8 percent). Reported loan balances declined for the eighth time in the past nine quarters. Total loans and leases fell by \$6.8 billion (0.1 percent), as C&D loans declined by \$28.9 billion (7.6 percent) and credit card balances and other loans to individuals fell by \$16.1 billion (1.2 percent). Loans to depository institutions grew strongly during the quarter, increasing by \$27.8 billion (36.4 percent). C&I loans increased for the first time in eight quarters, rising by \$4.9 billion (0.4 percent). One-to-four family residential mortgages increased for the first time in six quarters, rising by \$5.3 billion (0.3 percent). Unused loan commitments were up by \$34.1 billion (0.6 percent). Indications of credit risk in industry assets continued to fall in the third quarter. The ratio of risk-weighted assets (used in calculating risk-based capital ratios) to total assets declined from 69.1 percent to 68.3 percent during the quarter, as total risk-weighted assets increased by only \$2.8 billion (0.03 percent). This is the lowest level for this ratio since first quarter 1995.

Chart 5

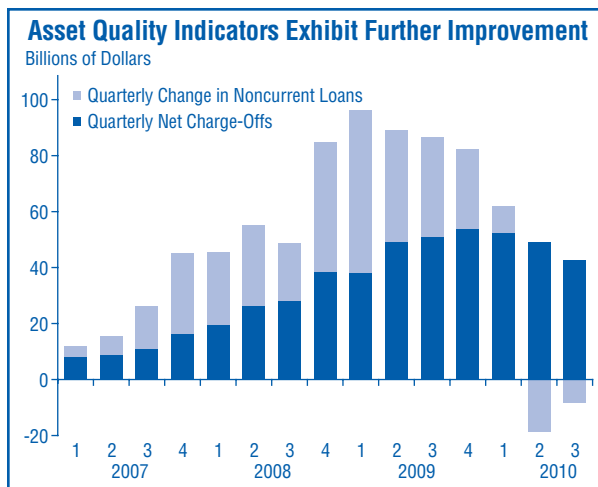
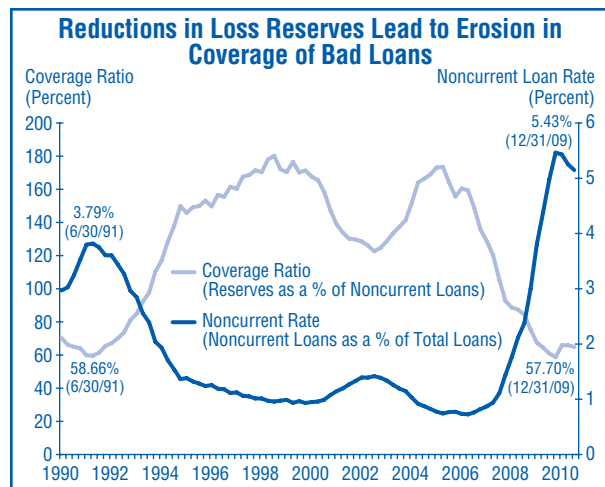


Chart 6



Deposits Increase by 1.5 Percent

Deposits funded 81 percent (\$132.6 billion) of the growth in assets during the quarter. Deposits in foreign offices increased by \$62.3 billion (4.2 percent), while domestic office deposits rose by \$70.3 billion (0.9 percent). Most of the growth in domestic deposits occurred in large denomination noninterest-bearing deposits. Interest-bearing deposits in domestic offices increased by only \$9.5 billion (0.2 percent), while estimated insured deposits fell by \$15.9 billion (0.3 percent). Time deposits fell for the seventh consecutive quarter, declining by \$73.4 billion (3.4 percent). Nondeposit liabilities increased by only \$12 billion (0.5 percent) during the quarter. Federal Home Loan Bank (FHLB) advances declined by \$43 billion (9.7 percent), marking the eighth consecutive quarter that FHLB advances have fallen. During this period, total balances declined by \$509.1 billion (55.8 percent).

The Number of “Problem” Institutions Continues to Rise

The number of insured commercial banks and savings institutions reporting quarterly financial results fell from 7,830 in the second quarter to 7,760 in the third quarter. Five new reporting institutions were added during the quarter, while 30 institutions were absorbed into other charters through mergers. Forty-one institutions failed in the third quarter, bringing the total number of failures for the first nine months of 2010 to 127. The number of insured institutions on the FDIC’s “Problem List” increased from 829 to 860 during the quarter. This is the largest number of “problem” institutions since March 31, 1993, when there were 928. Total assets of “problem” institutions declined for the second quarter in a row, from \$403.2 billion to \$379.2 billion. The number of employees (full-time equivalent) increased for a second consecutive quarter, after falling in each of the previous 12 quarters. The 0.4 percent (8,195) increase lifted the industry’s total employment to 2.04 million, which is still 8.2 percent below the peak of 2.22 million reported in first quarter 2007.

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Chart 7

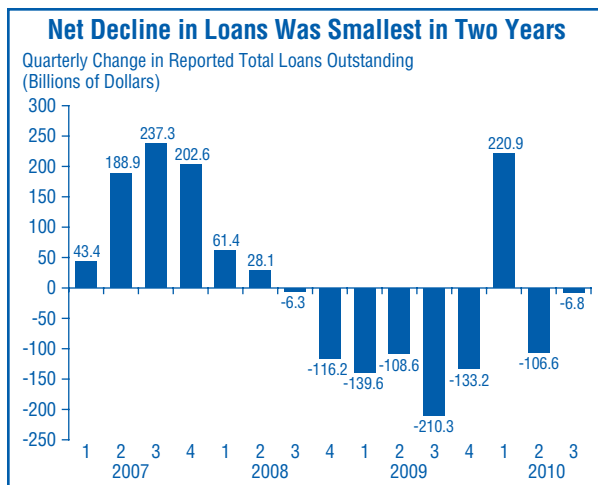


Chart 8

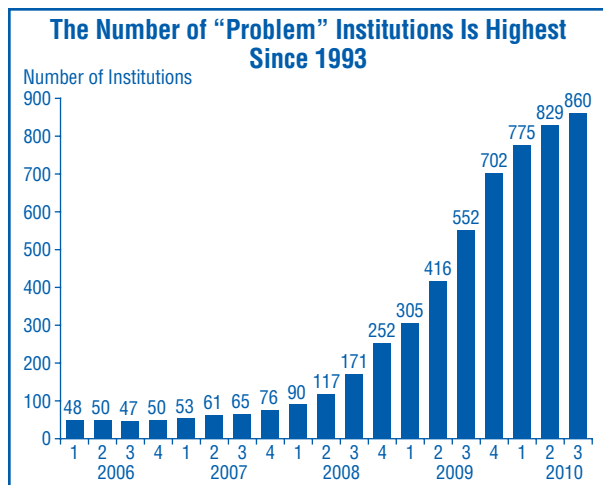


TABLE I-A. Selected Indicators, All FDIC-Insured Institutions*

	2010**	2009**	2009	2008	2007	2006	2005
Return on assets (%).....	0.56	0.09	0.07	0.03	0.81	1.28	1.28
Return on equity (%).....	5.00	0.84	0.70	0.35	7.75	12.30	12.43
Core capital (leverage) ratio (%).....	8.99	8.54	8.63	7.47	7.97	8.22	8.24
Noncurrent assets plus other real estate owned to assets (%).....	3.25	3.08	3.36	1.91	0.95	0.54	0.50
Net charge-offs to loans (%).....	2.59	2.38	2.50	1.29	0.59	0.39	0.49
Asset growth rate (%).....	1.03	-2.40	-5.30	6.19	9.88	9.03	7.64
Net interest margin (%).....	3.78	3.45	3.47	3.16	3.29	3.31	3.47
Net operating income growth (%).....	291.33	-64.54	50.07	-90.71	-27.59	8.52	11.40
Number of institutions reporting.....	7,760	8,099	8,012	8,305	8,534	8,680	8,833
Commercial banks.....	6,622	6,911	6,839	7,086	7,283	7,401	7,526
Savings institutions.....	1,138	1,188	1,173	1,219	1,251	1,279	1,307
Percentage of unprofitable institutions (%).....	20.44	28.74	30.75	24.89	12.09	7.94	6.22
Number of problem institutions.....	860	552	702	252	76	50	52
Assets of problem institutions (in billions).....	\$379	\$346	\$403	\$159	\$22	\$8	\$7
Number of failed institutions.....	127	95	140	25	3	0	0
Number of assisted institutions.....	0	8	8	5	0	0	0

* Excludes insured branches of foreign banks (IBAs).

** Through September 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending September 30.

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

(dollar figures in millions)	3rd Quarter 2010	2nd Quarter 2010	3rd Quarter 2009	%Change 09Q3-10Q3		
Number of institutions reporting.....	7,760	7,830	8,099	-4.2		
Total employees (full-time equivalent).....	2,042,030	2,033,835	2,069,470	-1.3		
CONDITION DATA						
Total assets.....	\$13,383,291	\$13,220,319	\$13,246,471	1.0		
Loans secured by real estate.....	4,302,273	4,337,167	4,527,197	-5.0		
1-4 Family residential mortgages.....	1,880,441	1,875,131	1,928,224	-2.5		
Nonfarm nonresidential.....	1,072,833	1,081,602	1,090,087	-1.6		
Construction and development.....	353,827	382,771	493,039	-28.2		
Home equity lines.....	647,947	654,064	667,473	-2.9		
Commercial & industrial loans.....	1,174,655	1,169,737	1,273,927	-7.8		
Loans to individuals.....	1,328,944	1,345,052	1,040,987	27.7		
Credit cards.....	683,911	692,665	392,971	74.0		
Farm loans.....	58,893	58,269	60,019	-1.9		
Other loans & leases.....	526,595	488,635	515,478	2.2		
Less: Unearned income.....	2,125	2,794	2,613	-18.7		
Total loans & leases.....	7,389,234	7,396,065	7,414,995	-0.3		
Less: Reserve for losses.....	241,861	251,419	220,528	9.7		
Net loans and leases.....	7,147,373	7,144,646	7,194,467	-0.7		
Securities.....	2,641,607	2,527,875	2,396,676	10.2		
Other real estate owned.....	53,194	49,536	37,142	43.2		
Goodwill and other intangibles.....	394,096	409,841	424,684	-7.2		
All other assets.....	3,147,021	3,088,421	3,193,502	-1.5		
Total liabilities and capital.....	13,383,291	13,220,319	13,246,471	1.0		
Deposits.....	9,273,623	9,140,981	9,101,076	1.9		
Domestic office deposits.....	7,738,035	7,667,696	7,553,270	2.4		
Foreign office deposits.....	1,535,588	1,473,285	1,547,805	-0.8		
Other borrowed funds.....	1,866,191	1,911,857	1,997,430	-6.6		
Subordinated debt.....	150,823	150,986	161,256	-6.5		
All other liabilities.....	568,094	510,236	524,078	8.4		
Total equity capital (includes minority interests).....	1,524,561	1,506,258	1,462,631	4.2		
Bank equity capital.....	1,505,516	1,487,095	1,443,159	4.3		
Loans and leases 30-89 days past due.....	124,110	124,828	142,807	-13.1		
Noncurrent loans and leases.....	378,342	386,612	367,641	2.9		
Restructured loans and leases.....	80,270	71,968	50,063	60.3		
Mortgage-backed securities.....	1,439,964	1,381,196	1,350,441	6.6		
Earning assets.....	11,546,575	11,391,762	11,408,682	1.2		
FHLB Advances.....	402,425	445,416	575,700	-30.1		
Unused loan commitments.....	6,041,482	6,007,390	6,125,678	-1.4		
Trust assets.....	18,591,198	17,606,465	18,380,940	1.1		
Assets securitized and sold***.....	1,013,180	1,411,792	1,863,994	-45.6		
Notional amount of derivatives***.....	236,386,455	225,433,410	211,694,352	11.7		
INCOME DATA						
	First Three Qtrs 2010	First Three Qtrs 2009	%Change	3rd Quarter 2010	3rd Quarter 2009	%Change 09Q3-10Q3
Total interest income.....	\$405,787	\$412,575	-1.7	\$133,472	\$134,211	-0.6
Total interest expense.....	82,308	115,293	-28.6	26,010	34,807	-25.3
Net interest income.....	323,479	297,282	8.8	107,462	99,405	8.1
Provision for loan and lease losses.....	125,462	188,982	-33.6	34,891	62,855	-44.5
Total noninterest income.....	180,429	199,423	-9.5	58,207	62,715	-7.2
Total noninterest expense.....	299,854	288,255	4.0	107,631	92,818	16.0
Securities gains (losses).....	6,900	-1,589	N/M	3,191	-4,102	N/M
Applicable income taxes.....	29,257	4,876	500.1	11,346	80	N/M
Extraordinary gains, net.....	-510	-3,625	N/M	-330	31	N/M
Total net income (includes minority interests).....	55,726	9,379	494.2	14,661	2,296	538.5
Bank net income.....	55,223	8,712	533.9	14,532	2,039	612.6
Net charge-offs.....	143,164	136,027	5.3	42,863	50,928	-15.8
Cash dividends.....	30,611	33,466	-8.5	13,301	20,094	-33.8
Retained earnings.....	24,612	-24,753	N/M	1,230	-18,055	N/M
Net operating income.....	50,935	13,016	291.3	12,385	4,360	184.0

*** Call Report filers only.

N/M - Not Meaningful.

TABLE III-A. Third Quarter 2010, All FDIC-Insured Institutions

THIRD QUARTER (The way it is...)	All Insured Institutions	Asset Concentration Groups*								
		Credit Card Banks	International Banks	Agricultural Banks	Commercial Lenders	Mortgage Lenders	Consumer Lenders	Other Specialized <\$1 Billion	All Other <\$1 Billion	All Other >\$1 Billion
Number of institutions reporting.....	7,760	22	5	1,583	4,171	723	82	320	790	64
Commercial banks.....	6,622	18	5	1,579	3,719	188	65	292	706	50
Savings institutions.....	1,138	4	0	4	452	535	17	28	84	14
Total assets (in billions).....	\$13,383.3	\$705.0	\$3,278.2	\$194.0	\$4,442.1	\$789.3	\$103.9	\$44.5	\$131.6	\$3,694.7
Commercial banks.....	12,130.3	679.7	3,278.2	193.4	3,968.9	218.3	55.3	39.0	109.2	3,588.4
Savings institutions.....	1,252.9	25.3	0.0	0.5	473.2	571.1	48.6	5.5	22.4	106.3
Total deposits (in billions).....	9,273.6	281.9	2,085.6	159.4	3,362.3	540.0	87.2	34.3	109.1	2,613.7
Commercial banks.....	8,372.9	266.8	2,085.6	159.0	3,036.2	120.9	44.2	30.4	91.1	2,538.7
Savings institutions.....	900.7	15.1	0.0	0.4	326.1	419.1	43.0	3.9	18.0	75.0
Bank net income (in millions).....	14,532	-6,852	5,037	525	4,049	1,400	415	213	292	9,455
Commercial banks.....	12,297	-7,152	5,037	524	3,412	562	256	165	281	9,212
Savings institutions.....	2,235	299	0	1	637	838	159	47	10	243
Performance Ratios (annualized, %)										
Yield on earning assets.....	4.66	12.70	3.33	5.28	4.90	4.48	5.69	3.69	4.97	3.86
Cost of funding earning assets.....	0.91	1.35	0.64	1.28	1.10	1.36	1.22	0.93	1.24	0.65
Net interest margin.....	3.75	11.35	2.69	4.00	3.80	3.12	4.47	2.76	3.74	3.21
Noninterest income to assets.....	1.75	2.63	1.89	0.68	1.39	0.89	2.26	6.54	0.99	2.09
Noninterest expense to assets.....	3.24	10.13	2.83	2.67	3.06	1.99	2.87	7.02	3.07	2.73
Loan and lease loss provision to assets.....	1.05	5.24	0.52	0.46	1.20	0.78	1.16	0.21	0.33	0.64
Net operating income to assets.....	0.37	-3.92	0.61	1.06	0.29	0.64	1.63	1.48	0.83	0.94
Pretax return on assets.....	0.78	-2.87	0.84	1.26	0.57	1.11	2.46	2.22	1.08	1.51
Return on assets.....	0.44	-3.85	0.63	1.09	0.37	0.71	1.63	1.94	0.89	1.02
Return on equity.....	3.88	-23.73	6.88	9.61	3.24	7.06	15.39	11.60	7.86	8.33
Net charge-offs to loans and leases.....	2.32	8.79	1.85	0.56	1.95	1.12	1.96	0.98	0.52	1.64
Loan and lease loss provision to net charge-offs.....	81.40	70.72	80.82	125.26	90.76	116.77	79.37	78.30	115.29	74.96
Efficiency ratio.....	57.14	32.22	67.38	60.83	62.97	51.84	43.85	77.21	69.35	55.40
% of unprofitable institutions.....	18.90	13.64	0.00	7.20	26.76	13.83	4.88	13.75	10.51	4.69
% of institutions with earnings gains.....	63.29	81.82	60.00	61.84	64.25	68.05	70.73	50.00	60.51	67.19
Structural Changes										
New charters.....	5	0	0	0	3	1	0	1	0	0
Institutions absorbed by mergers.....	30	0	0	6	17	1	0	0	3	3
Failed institutions.....	41	0	0	1	36	2	1	0	1	0
PRIOR THIRD QUARTERS (The way it was...)										
Return on assets (%)..... 2009	0.06	0.34	-0.04	0.93	-0.31	0.26	0.20	1.03	0.74	0.60
..... 2007	0.92	4.07	0.69	1.30	0.98	0.31	1.17	2.20	1.07	0.81
..... 2005	1.31	3.16	1.02	1.33	1.39	1.03	1.76	1.78	1.12	1.31
Net charge-offs to loans & leases (%) 2009	2.72	10.67	3.18	0.60	2.13	1.59	2.64	0.80	0.57	2.63
..... 2007	0.57	3.98	0.77	0.26	0.32	0.42	1.04	0.32	0.22	0.42
..... 2005	0.51	4.28	1.19	0.16	0.23	0.10	1.39	0.18	0.20	0.26

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

TABLE III-A. Third Quarter 2010, All FDIC-Insured Institutions

THIRD QUARTER (The way it is...)	All Insured Institutions	Asset Size Distribution				Geographic Regions*					
		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.....	7,760	2,681	4,414	556	109	960	1,041	1,609	1,841	1,637	672
Commercial banks.....	6,622	2,383	3,731	421	87	502	921	1,326	1,743	1,518	612
Savings institutions.....	1,138	298	683	135	22	458	120	283	98	119	60
Total assets (in billions).....	\$13,383.3	\$151.1	\$1,316.0	\$1,400.9	\$10,515.4	\$2,734.6	\$2,957.2	\$2,948.1	\$1,649.6	\$788.6	\$2,305.2
Commercial banks.....	12,130.3	134.7	1,079.5	1,068.6	9,847.6	2,065.5	2,830.6	2,820.4	1,600.9	694.4	2,118.5
Savings institutions.....	1,252.9	16.4	236.5	332.2	667.8	669.2	126.5	127.8	48.7	94.2	186.7
Total deposits (in billions).....	9,273.6	126.5	1,082.6	1,071.6	6,993.0	1,793.8	2,105.2	1,976.5	1,199.8	627.1	1,571.3
Commercial banks.....	8,372.9	113.6	896.3	820.7	6,542.4	1,326.4	2,013.3	1,881.0	1,162.8	550.8	1,438.7
Savings institutions.....	900.7	12.9	186.3	250.9	450.6	467.4	91.9	95.5	37.0	76.3	132.6
Bank net income (in millions).....	14,532	162	1,310	1,003	12,057	-5,198	5,256	4,542	4,114	1,576	4,242
Commercial banks.....	12,297	171	1,134	628	10,364	-6,289	5,238	4,453	4,060	1,356	3,479
Savings institutions.....	2,235	-8	176	375	1,692	1,090	18	89	55	220	763
Performance Ratios (annualized, %)											
Yield on earning assets.....	4.66	5.23	5.16	4.90	4.54	5.33	4.29	3.82	5.74	4.92	4.50
Cost of funding earning assets.....	0.91	1.27	1.35	1.24	0.80	1.07	0.87	0.76	0.81	0.99	0.99
Net interest margin.....	3.75	3.96	3.82	3.66	3.75	4.26	3.41	3.05	4.93	3.94	3.51
Noninterest income to assets.....	1.75	1.30	0.99	1.31	1.91	1.49	1.77	1.92	2.27	1.58	1.52
Noninterest expense to assets.....	3.24	3.87	3.19	2.96	3.27	4.31	2.78	2.98	3.48	3.36	2.66
Loan and lease loss provision to assets.....	1.05	0.56	0.81	1.14	1.07	1.30	0.99	0.78	1.57	0.80	0.88
Net operating income to assets.....	0.37	0.37	0.31	0.22	0.40	-0.86	0.57	0.59	1.02	0.74	0.71
Pretax return on assets.....	0.78	0.54	0.58	0.60	0.83	-0.34	1.05	0.83	1.50	1.03	1.10
Return on assets.....	0.44	0.43	0.40	0.29	0.46	-0.77	0.71	0.63	1.00	0.80	0.75
Return on equity.....	3.88	3.54	3.88	2.57	4.06	-5.95	6.17	6.86	8.63	7.50	6.37
Net charge-offs to loans and leases.....	2.32	0.85	1.11	1.75	2.63	2.98	2.30	1.95	2.69	1.20	2.08
Loan and lease loss provision to net charge-offs..	81.40	106.32	110.12	101.99	77.14	78.92	76.81	82.25	84.86	102.24	82.61
Efficiency ratio.....	57.14	78.61	70.61	61.55	54.82	51.88	58.32	64.62	50.21	64.97	57.37
% of unprofitable institutions.....	18.90	19.58	18.28	21.76	12.84	13.96	38.71	17.09	13.31	12.22	31.25
% of institutions with earnings gains.....	63.29	59.98	64.50	66.55	78.90	70.52	58.69	66.63	63.23	57.18	67.11
Structural Changes											
New charters.....	5	1	1	2	1	1	1	1	0	1	1
Institutions absorbed by mergers.....	30	17	9	3	1	7	3	4	8	6	2
Failed institutions.....	41	8	32	1	0	4	19	6	2	1	9
PRIOR THIRD QUARTERS (The way it was...)											
Return on assets (%)..... 2009	0.06	0.11	-0.10	-0.51	0.17	0.05	-0.18	0.24	0.85	0.52	-0.31
.....2007	0.92	0.78	1.03	1.18	0.87	0.89	0.75	0.90	1.61	1.14	0.88
.....2005	1.31	1.08	1.27	1.34	1.32	1.24	1.35	1.08	1.73	1.18	1.60
Net charge-offs to loans & leases (%)..... 2009	2.72	0.89	1.27	2.15	3.10	3.07	2.70	2.59	2.53	1.41	3.15
.....2007	0.57	0.26	0.24	0.42	0.66	0.92	0.29	0.44	0.74	0.29	0.76
.....2005	0.51	0.16	0.18	0.23	0.64	0.97	0.27	0.29	0.54	0.25	0.59

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

TABLE IV-A. First Three Quarters 2010, All FDIC-Insured Institutions

FIRST THREE QUARTERS (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.....	7,760	22	5	1,583	4,171	723	82	320	790	64
Commercial banks.....	6,622	18	5	1,579	3,719	188	65	292	706	50
Savings institutions.....	1,138	4	0	4	452	535	17	28	84	14
Total assets (in billions).....	\$13,383.3	\$705.0	\$3,278.2	\$194.0	\$4,442.1	\$789.3	\$103.9	\$44.5	\$131.6	\$3,694.7
Commercial banks.....	12,130.3	679.7	3,278.2	193.4	3,968.9	218.3	55.3	39.0	109.2	3,588.4
Savings institutions.....	1,252.9	25.3	0.0	0.5	473.2	571.1	48.6	5.5	22.4	106.3
Total deposits (in billions).....	9,273.6	281.9	2,085.6	159.4	3,362.3	540.0	87.2	34.3	109.1	2,613.7
Commercial banks.....	8,372.9	266.8	2,085.6	159.0	3,036.2	120.9	44.2	30.4	91.1	2,538.7
Savings institutions.....	900.7	15.1	0.0	0.4	326.1	419.1	43.0	3.9	18.0	75.0
Bank net income (in millions).....	55,223	-3,206	18,895	1,484	9,698	4,160	1,070	509	689	21,923
Commercial banks.....	48,995	-4,025	18,895	1,482	8,103	1,923	679	353	778	20,808
Savings institutions.....	6,228	819	0	2	1,595	2,238	391	156	-88	1,115
Performance Ratios (annualized, %)										
Yield on earning assets.....	4.74	14.08	3.41	5.28	4.91	4.46	5.80	3.80	5.01	3.97
Cost of funding earning assets.....	0.96	1.56	0.69	1.34	1.16	1.41	1.29	0.99	1.30	0.68
Net interest margin.....	3.78	12.52	2.71	3.94	3.75	3.05	4.51	2.81	3.71	3.29
Noninterest income to assets.....	1.82	2.94	2.11	0.64	1.36	0.90	2.07	7.06	0.94	2.13
Noninterest expense to assets.....	3.02	6.52	2.82	2.65	3.00	1.92	2.76	7.53	3.21	2.78
Loan and lease loss provision to assets.....	1.26	7.08	0.60	0.44	1.29	0.74	1.33	0.23	0.33	0.95
Net operating income to assets.....	0.51	-0.71	0.73	1.01	0.24	0.69	1.45	1.41	0.66	0.77
Pretax return on assets.....	0.85	0.11	1.07	1.20	0.44	1.11	2.25	1.99	0.83	1.17
Return on assets.....	0.56	-0.64	0.79	1.04	0.29	0.70	1.45	1.57	0.71	0.80
Return on equity.....	5.00	-3.60	8.81	9.27	2.64	7.18	13.73	9.65	6.31	6.51
Net charge-offs to loans and leases.....	2.59	11.88	2.04	0.53	1.88	1.15	2.20	0.81	0.51	1.96
Loan and lease loss provision to net charge-offs.....	87.63	72.91	84.30	129.54	100.22	106.94	79.66	103.60	116.82	92.53
Efficiency ratio.....	55.94	30.58	63.31	61.69	62.84	50.78	43.14	77.95	70.18	55.19
% of unprofitable institutions.....	20.44	13.64	0.00	7.14	29.56	14.94	6.10	12.19	10.38	4.69
% of institutions with earnings gains.....	64.16	86.36	80.00	64.56	64.66	70.26	76.83	50.31	57.85	75.00
Condition Ratios (%)										
Earning assets to total assets.....	86.28	87.55	83.85	91.53	88.29	93.04	94.18	90.05	91.62	83.59
Loss Allowance to:										
Loans and leases.....	3.27	9.21	3.91	1.56	2.54	1.48	2.63	1.86	1.49	2.85
Noncurrent loans and leases.....	63.93	403.00	60.68	80.41	56.02	30.69	199.45	69.24	58.85	42.45
Noncurrent assets plus other real estate owned to assets.....	3.25	1.94	2.36	1.71	3.84	3.24	1.10	1.06	1.95	3.78
Equity capital ratio.....	11.25	15.82	9.06	11.40	11.39	10.11	10.58	17.17	11.41	12.33
Core capital (leverage) ratio.....	8.99	12.02	7.39	10.16	9.45	9.23	10.29	15.44	10.63	8.98
Tier 1 risk-based capital ratio.....	12.68	14.01	12.18	14.11	12.24	19.12	14.18	34.74	17.74	11.97
Total risk-based capital ratio.....	15.30	16.78	15.26	15.25	14.39	20.16	15.34	35.77	18.89	15.19
Net loans and leases to deposits.....	77.07	193.17	50.85	77.23	87.42	85.03	86.09	33.88	65.84	71.24
Net loans to total assets.....	53.41	77.25	32.35	63.46	66.17	58.18	72.23	26.14	54.56	50.40
Domestic deposits to total assets.....	57.82	35.60	30.70	82.17	73.94	68.33	82.88	76.11	82.87	61.40
Structural Changes										
New charters.....	8	0	0	0	5	1	0	1	0	1
Institutions absorbed by mergers.....	124	0	0	18	91	1	0	0	5	9
Failed institutions.....	127	0	0	3	115	4	1	1	2	1
PRIOR FIRST THREE QUARTERS (The way it was...)										
Number of Institutions.....2009	8,099	24	4	1,580	4,540	795	81	284	732	59
.....2007	8,559	28	4	1,634	4,739	780	120	376	821	57
.....2005	8,858	29	4	1,733	4,557	928	125	420	992	70
Total assets (in billions).....2009	\$13,246.5	\$500.5	\$3,183.4	\$177.7	\$5,184.1	\$852.0	\$95.8	\$37.8	\$102.7	\$3,112.5
.....2007	12,706.1	423.5	2,644.0	157.3	5,054.4	1,454.1	95.8	40.1	111.4	2,725.5
.....2005	10,700.7	359.9	1,838.9	143.0	3,667.4	1,677.1	109.2	47.7	128.6	2,729.0
Return on assets (%).....2009	0.09	-0.58	0.00	0.90	-0.22	0.47	0.22	0.64	0.79	0.59
.....2007	1.10	3.81	0.87	1.25	1.09	0.73	1.40	2.37	1.04	1.09
.....2005	1.31	3.19	0.88	1.32	1.36	1.12	1.70	1.73	1.12	1.36
Net charge-offs to loans & leases (%).....2009	2.38	9.93	2.90	0.52	1.77	1.26	2.64	0.81	0.46	2.31
.....2007	0.50	3.90	0.65	0.19	0.28	0.29	0.97	0.30	0.17	0.35
.....2005	0.47	4.27	0.88	0.15	0.22	0.10	1.46	0.29	0.27	0.20
Noncurrent assets plus OREO to assets (%).....2009	3.08	2.09	2.64	1.59	3.71	3.17	1.25	0.60	1.35	2.85
.....2007	0.73	1.34	0.51	0.81	0.81	1.09	0.53	0.26	0.64	0.54
.....2005	0.50	1.36	0.48	0.68	0.48	0.57	0.54	0.25	0.57	0.37
Equity capital ratio (%).....2009	10.89	25.25	8.45	11.32	10.97	9.30	10.87	17.58	11.84	11.26
.....2007	10.44	23.17	7.78	11.32	10.85	9.44	11.89	19.54	11.57	10.55
.....2005	10.25	22.07	8.23	10.86	10.21	10.67	9.58	19.26	10.83	9.66

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

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

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

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

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

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

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

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

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

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

TABLE IV-A. First Three Quarters 2010, All FDIC-Insured Institutions

FIRST THREE QUARTERS (The way it is...)	All Insured Institutions	Asset Size Distribution				Geographic Regions*					
		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.....	7,760	2,681	4,414	556	109	960	1,041	1,609	1,841	1,637	672
Commercial banks.....	6,622	2,383	3,731	421	87	502	921	1,326	1,743	1,518	612
Savings institutions.....	1,138	298	683	135	22	458	120	283	98	119	60
Total assets (in billions).....	\$13,383.3	\$151.1	\$1,316.0	\$1,400.9	\$10,515.4	\$2,734.6	\$2,957.2	\$2,948.1	\$1,649.6	\$788.6	\$2,305.2
Commercial banks.....	12,130.3	134.7	1,079.5	1,068.6	9,847.6	2,065.5	2,830.6	2,820.4	1,600.9	694.4	2,118.5
Savings institutions.....	1,252.9	16.4	236.5	332.2	667.8	669.2	126.5	127.8	48.7	94.2	186.7
Total deposits (in billions).....	9,273.6	126.5	1,082.6	1,071.6	6,993.0	1,793.8	2,105.2	1,976.5	1,199.8	627.1	1,571.3
Commercial banks.....	8,372.9	113.6	896.3	820.7	6,542.4	1,326.4	2,013.3	1,881.0	1,162.8	550.8	1,438.7
Savings institutions.....	900.7	12.9	186.3	250.9	450.6	467.4	91.9	95.5	37.0	76.3	132.6
Bank net income (in millions).....	55,223	471	3,854	2,878	48,021	3,806	9,811	13,800	9,875	4,367	13,563
Commercial banks.....	48,995	468	3,349	1,775	43,403	924	9,720	13,785	9,684	3,750	11,132
Savings institutions.....	6,228	4	504	1,102	4,618	2,882	91	16	190	617	2,431
Performance Ratios (annualized, %)											
Yield on earning assets.....	4.74	5.25	5.20	4.94	4.64	5.51	4.41	3.83	5.86	4.94	4.55
Cost of funding earning assets.....	0.96	1.34	1.42	1.30	0.85	1.15	0.92	0.81	0.86	1.03	1.05
Net interest margin.....	3.78	3.91	3.78	3.64	3.80	4.36	3.49	3.03	5.00	3.91	3.51
Noninterest income to assets.....	1.82	1.26	0.96	1.26	2.01	1.64	1.73	2.00	2.27	1.55	1.67
Noninterest expense to assets.....	3.02	3.83	3.17	2.90	3.01	3.33	2.78	2.99	3.48	3.33	2.57
Loan and lease loss provision to assets.....	1.26	0.51	0.78	1.17	1.35	1.58	1.30	0.87	1.92	0.84	1.01
Net operating income to assets.....	0.51	0.38	0.33	0.24	0.57	0.15	0.38	0.56	0.80	0.69	0.78
Pretax return on assets.....	0.85	0.52	0.54	0.52	0.94	0.55	0.66	0.85	1.19	0.96	1.18
Return on assets.....	0.56	0.42	0.39	0.28	0.62	0.19	0.44	0.63	0.80	0.74	0.80
Return on equity.....	5.00	3.48	3.86	2.51	5.47	1.47	3.89	7.10	6.88	7.05	6.97
Net charge-offs to loans and leases.....	2.59	0.72	1.00	1.71	3.02	3.75	2.51	2.04	2.99	1.22	2.13
Loan and lease loss provision to net charge-offs.....	87.63	115.42	115.45	106.20	84.35	76.25	91.55	88.35	94.08	105.50	92.24
Efficiency ratio.....	55.94	79.23	70.96	61.68	53.37	49.97	58.40	63.76	50.15	65.12	53.42
% of unprofitable institutions.....	20.44	21.04	20.00	22.30	13.76	14.58	41.59	18.33	14.01	13.38	35.86
% of institutions with earnings gains.....	64.16	60.98	65.27	68.71	74.31	75.83	61.86	62.40	64.75	58.77	66.82
Condition Ratios (%)											
Earning assets to total assets.....	86.28	90.98	91.46	90.23	85.03	86.48	84.11	86.19	87.29	89.96	86.94
Loss Allowance to:											
Loans and leases.....	3.27	1.66	1.85	2.27	3.69	3.63	3.16	3.17	3.65	2.16	3.23
Noncurrent loans and leases.....	63.93	62.13	51.86	49.45	67.13	99.74	49.61	56.87	63.35	55.97	69.29
Noncurrent assets plus other real estate owned to assets.....	3.25	2.42	3.40	3.71	3.18	2.18	4.06	3.06	4.59	3.26	2.73
Equity capital ratio.....	11.25	12.20	10.37	11.23	11.35	12.80	11.56	9.06	11.56	10.77	11.76
Core capital (leverage) ratio.....	8.99	11.57	9.70	9.76	8.76	9.95	8.36	7.47	9.16	9.55	10.33
Tier 1 risk-based capital ratio.....	12.68	17.78	14.01	14.19	12.25	14.28	11.52	10.95	11.22	13.54	15.60
Total risk-based capital ratio.....	15.30	18.89	15.23	15.53	15.23	16.64	14.71	14.19	13.81	15.25	17.28
Net loans and leases to deposits.....	77.07	71.97	79.01	81.41	76.20	80.87	75.94	69.33	91.58	80.04	71.73
Net loans to total assets.....	53.41	60.27	65.00	62.27	50.67	53.05	54.06	46.48	66.61	63.65	48.89
Domestic deposits to total assets.....	57.82	83.74	82.19	75.96	51.98	57.76	62.47	52.98	67.59	79.01	43.87
Structural Changes											
New charters.....	8	1	2	4	1	1	3	1	0	2	1
Institutions absorbed by mergers.....	124	51	56	15	2	14	37	13	30	17	13
Failed institutions.....	127	27	82	17	1	11	44	22	13	6	31
PRIOR FIRST THREE QUARTERS (The way it was...)											
Number of Institutions.....2009	8,099	2,915	4,493	579	112	989	1,140	1,666	1,895	1,672	737
.....2007	8,559	3,513	4,391	539	116	1,046	1,215	1,793	1,990	1,740	775
.....2005	8,858	3,943	4,294	503	118	1,113	1,219	1,890	2,074	1,806	756
Total assets (in billions).....2009	\$13,246.5	\$160.5	\$1,345.7	\$1,497.6	\$10,242.6	\$2,501.3	\$3,449.9	\$3,106.2	\$1,077.7	\$755.5	\$2,355.8
.....2007	12,706.1	186.1	1,296.7	1,408.2	9,815.2	2,382.1	3,195.9	2,796.4	931.5	659.4	2,740.9
.....2005	10,700.7	205.8	1,225.7	1,366.0	7,903.2	2,756.0	2,635.3	2,494.5	784.1	585.0	1,445.8
Return on assets (%).....2009	0.09	0.19	0.05	-0.36	0.15	-0.14	0.08	0.22	0.73	0.37	-0.23
.....2007	1.10	0.84	1.06	1.09	1.12	1.00	1.05	1.01	1.63	1.15	1.16
.....2005	1.31	1.08	1.24	1.34	1.32	1.27	1.38	1.01	1.65	1.25	1.62
Net charge-offs to loans & leases (%) ..2009	2.38	0.78	1.01	1.82	2.74	2.73	2.18	2.15	2.40	1.18	3.10
.....2007	0.50	0.18	0.19	0.35	0.59	0.86	0.25	0.37	0.66	0.23	0.64
.....2005	0.47	0.16	0.18	0.22	0.58	0.81	0.22	0.29	0.54	0.23	0.61
Noncurrent assets plus OREO to assets (%).....2009	3.08	2.13	3.14	3.52	3.02	1.91	3.52	3.19	3.45	2.65	3.51
.....2007	0.73	0.87	0.89	0.83	0.70	0.67	0.54	0.78	1.19	0.78	0.80
.....2005	0.50	0.71	0.54	0.50	0.49	0.46	0.31	0.54	0.80	0.73	0.58
Equity capital ratio (%).....2009	10.89	12.41	10.11	10.75	10.99	12.98	11.57	8.68	10.85	10.42	10.78
.....2007	10.44	13.68	10.57	11.38	10.23	12.43	10.14	9.09	10.13	10.39	10.58
.....2005	10.25	12.26	10.26	10.57	10.14	10.63	9.86	9.18	10.67	9.57	12.12

* 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

September 30, 2010	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	1.97	2.12	2.90	1.17	1.52	1.75	1.14	1.64	1.77	2.54
Construction and development	2.23	0.00	1.88	2.35	2.14	3.99	1.52	2.35	2.40	2.34
Nonfarm nonresidential	1.09	0.00	0.63	0.93	1.11	1.39	1.50	1.18	1.38	1.00
Multifamily residential real estate	1.05	0.00	0.61	1.38	1.23	1.30	0.26	1.64	0.88	0.80
Home equity loans	1.23	3.31	1.72	0.72	0.88	1.08	1.07	0.50	0.79	1.32
Other 1-4 family residential	2.85	2.02	4.48	1.80	2.07	1.79	1.17	1.95	2.09	3.73
Commercial and industrial loans	0.74	2.88	0.48	1.44	0.78	0.92	1.18	1.04	1.52	0.57
Loans to individuals	2.10	2.19	2.38	1.79	1.76	1.42	1.76	1.70	2.17	2.15
Credit card loans	2.17	2.14	2.86	1.37	1.64	2.76	1.13	1.94	1.15	2.50
Other loans to individuals	2.03	3.22	2.20	1.79	1.78	1.07	2.05	1.68	2.19	2.08
All other loans and leases (including farm)	0.45	0.01	0.35	0.46	0.58	0.64	0.37	0.85	0.47	0.49
Total loans and leases	1.68	2.16	1.92	1.07	1.35	1.71	1.56	1.53	1.70	1.94
Percent of Loans Noncurrent**										
All real estate loans	7.28	4.41	10.23	2.38	5.72	5.09	1.42	3.31	2.97	10.25
Construction and development	16.63	0.00	19.73	10.33	16.65	13.21	8.73	12.60	8.37	17.47
Nonfarm nonresidential	4.36	0.00	4.50	2.68	4.15	3.59	4.04	2.93	2.85	5.65
Multifamily residential real estate	4.67	0.00	4.35	3.08	4.48	2.24	3.63	8.42	3.90	6.71
Home equity loans	1.82	2.75	2.00	0.99	1.33	1.54	0.82	0.58	0.68	2.25
Other 1-4 family residential	9.68	5.36	17.06	1.68	5.24	5.38	1.22	2.00	2.62	14.68
Commercial and industrial loans	2.78	2.38	4.99	2.37	2.39	2.59	0.75	2.13	2.16	2.24
Loans to individuals	1.87	2.35	2.31	0.73	1.38	1.10	1.32	0.85	0.75	1.23
Credit card loans	2.35	2.31	2.58	0.73	2.72	3.38	1.10	1.26	0.76	2.59
Other loans to individuals	1.36	3.24	2.21	0.73	1.11	0.50	1.42	0.82	0.75	0.95
All other loans and leases (including farm)	1.31	0.02	1.77	0.85	1.40	0.61	0.45	0.76	0.78	0.95
Total loans and leases	5.12	2.29	6.44	1.94	4.54	4.82	1.31	2.69	2.53	6.71
Percent of Loans Charged-off (net, YTD)										
All real estate loans	1.92	4.92	2.27	0.50	1.94	1.04	1.47	0.76	0.44	2.22
Construction and development	5.28	0.00	2.94	3.07	5.84	4.80	1.61	4.47	2.15	3.93
Nonfarm nonresidential	1.17	0.00	1.22	0.56	1.23	0.73	0.40	0.33	0.35	1.14
Multifamily residential real estate	1.14	0.00	0.97	0.53	1.30	0.88	0.71	1.00	0.91	0.83
Home equity loans	2.73	6.96	2.63	0.66	1.43	3.31	2.11	0.29	0.36	3.93
Other 1-4 family residential	1.55	4.80	2.77	0.33	1.43	0.81	0.93	0.37	0.31	1.69
Commercial and industrial loans	1.83	15.28	1.49	1.20	1.69	1.48	5.31	0.81	0.99	1.06
Loans to individuals	6.42	12.11	3.28	0.58	2.37	3.28	2.20	0.85	0.68	2.96
Credit card loans	10.93	12.07	6.38	2.09	7.68	10.27	4.73	4.37	2.34	9.28
Other loans to individuals	2.05	12.84	2.17	0.54	1.31	1.23	1.10	0.55	0.65	1.57
All other loans and leases (including farm)	0.69	0.01	0.65	0.00	1.15	0.43	2.45	1.30	0.27	0.47
Total loans and leases	2.59	11.88	2.04	0.53	1.88	1.15	2.18	0.81	0.51	1.96
Loans Outstanding (in billions)										
All real estate loans	\$4,302.3	\$0.1	\$521.8	\$73.7	\$2,061.7	\$430.8	\$20.2	\$8.1	\$53.9	\$1,132.0
Construction and development	353.8	0.0	7.8	4.6	252.2	8.1	0.5	0.7	3.4	76.4
Nonfarm nonresidential	1,072.8	0.0	30.6	21.2	784.7	27.9	1.1	2.7	13.7	190.9
Multifamily residential real estate	215.8	0.0	40.3	1.6	131.0	9.6	0.1	0.2	1.3	31.6
Home equity loans	647.9	0.0	129.4	1.6	224.2	28.0	9.0	0.2	2.4	253.2
Other 1-4 family residential	1,880.4	0.1	263.9	19.6	628.0	356.2	9.2	3.9	29.5	570.0
Commercial and industrial loans	1,174.7	30.8	198.1	15.9	564.6	12.1	4.1	1.5	7.0	340.4
Loans to individuals	1,328.9	551.0	188.7	6.5	237.1	20.6	52.7	1.6	7.1	263.6
Credit card loans	683.9	527.0	51.2	0.1	39.9	4.2	16.5	0.1	0.1	44.8
Other loans to individuals	645.0	24.1	137.5	6.3	197.2	16.4	36.2	1.5	7.0	218.8
All other loans and leases (including farm)	585.5	17.9	195.6	29.0	153.4	2.6	0.8	0.6	4.9	180.7
Total loans and leases (plus unearned income)	7,391.4	599.9	1,104.3	125.1	3,016.8	466.1	77.7	11.9	72.9	1,916.7
Memo: Other Real Estate Owned (in millions)										
All other real estate owned	53,194.4	-19.2	4,448.9	849.1	33,348.8	2,975.7	73.7	147.4	706.4	10,663.6
Construction and development	18,447.6	0.0	6.0	303.1	15,829.2	436.7	23.4	84.0	188.7	1,576.4
Nonfarm nonresidential	10,222.0	0.0	203.5	266.9	7,997.6	207.2	12.1	30.6	158.0	1,346.1
Multifamily residential real estate	2,886.6	0.0	914.0	40.6	1,334.4	63.6	3.0	3.9	27.3	499.8
1-4 family residential	14,761.9	0.2	1,337.4	169.8	6,853.8	1,781.9	29.7	27.5	315.8	4,246.0
Farmland	364.5	0.0	0.0	68.6	252.3	8.5	5.5	1.4	16.1	12.0
GNMA properties	6,293.5	0.0	1,772.0	0.1	1,058.8	478.0	0.0	0.0	1.2	2,983.3

* 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

September 30, 2010	All Insured Institutions	Asset Size Distribution				Geographic Regions*					
		Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion	New York	Atlanta	Chicago	Kansas City	Dallas	San Francisco
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate	1.97	1.67	1.48	1.27	2.25	1.52	2.13	1.90	2.52	1.61	2.05
Construction and development	2.23	2.03	2.37	2.08	2.23	2.50	1.90	2.40	2.66	1.91	2.46
Nonfarm nonresidential	1.09	1.35	1.25	1.03	1.02	1.18	1.19	1.14	1.07	1.04	0.77
Multifamily residential real estate	1.05	1.44	1.32	1.11	0.97	1.04	1.14	0.98	1.03	0.84	1.24
Home equity loans	1.23	0.92	0.88	0.81	1.29	0.69	1.45	1.39	1.17	1.06	1.09
Other 1-4 family residential	2.85	2.20	1.67	1.42	3.28	1.83	3.05	2.74	4.10	2.25	3.21
Commercial and industrial loans	0.74	1.76	1.18	0.90	0.66	1.14	0.58	0.73	0.96	0.89	0.40
Loans to individuals	2.10	2.22	1.81	2.05	2.11	2.13	2.22	1.69	2.50	1.36	2.02
Credit card loans	2.17	1.68	2.30	2.25	2.17	2.04	2.35	1.96	2.58	1.03	2.12
Other loans to individuals	2.03	2.23	1.78	1.98	2.05	2.44	2.15	1.62	2.37	1.53	1.95
All other loans and leases (including farm)	0.45	0.48	0.50	0.48	0.44	0.30	0.30	0.59	0.61	0.47	0.38
Total loans and leases	1.68	1.59	1.41	1.25	1.79	1.56	1.76	1.54	2.10	1.41	1.59
Percent of Loans Noncurrent**											
All real estate loans	7.28	3.12	4.06	5.52	8.53	4.86	9.16	8.02	8.69	4.98	6.18
Construction and development	16.63	10.33	13.00	17.17	18.03	18.20	17.47	15.01	17.13	11.42	21.76
Nonfarm nonresidential	4.36	3.44	3.29	4.33	4.95	3.87	4.91	4.47	4.57	3.07	5.01
Multifamily residential real estate	4.67	3.16	3.57	4.51	4.98	2.98	8.25	4.43	3.90	4.96	5.09
Home equity loans	1.82	1.27	1.26	1.44	1.89	1.21	1.87	1.69	2.80	1.16	1.33
Other 1-4 family residential	9.68	2.29	2.76	4.02	11.87	4.81	12.52	13.01	12.77	5.19	6.93
Commercial and industrial loans	2.78	2.69	2.43	2.62	2.85	2.78	2.07	2.60	2.75	1.78	4.35
Loans to individuals	1.87	1.04	0.79	1.25	1.95	2.18	1.49	1.38	2.12	0.68	2.06
Credit card loans	2.35	0.93	1.67	2.06	2.36	2.34	2.39	2.68	2.47	0.92	2.29
Other loans to individuals	1.36	1.04	0.74	0.96	1.45	1.61	1.00	1.04	1.56	0.56	1.92
All other loans and leases (including farm)	1.31	0.93	0.94	1.14	1.35	0.83	0.66	1.34	0.97	1.23	2.74
Total loans and leases	5.12	2.67	3.56	4.59	5.49	3.64	6.36	5.57	5.75	3.86	4.65
Percent of Loans Charged-off (net, YTD)											
All real estate loans	1.92	0.66	0.93	1.70	2.22	1.04	2.63	2.11	1.93	1.23	1.95
Construction and development	5.28	3.19	3.30	5.80	5.89	4.51	6.07	6.36	4.17	3.28	6.53
Nonfarm nonresidential	1.17	0.59	0.60	1.23	1.45	0.87	1.45	1.58	0.77	0.63	1.51
Multifamily residential real estate	1.14	0.85	0.80	1.35	1.16	0.83	1.43	1.23	0.86	1.07	1.38
Home equity loans	2.73	0.83	0.68	1.21	3.00	0.87	3.92	1.98	3.74	1.55	2.41
Other 1-4 family residential	1.55	0.37	0.60	0.85	1.83	0.75	1.92	1.92	1.60	0.92	1.88
Commercial and industrial loans	1.83	1.42	1.48	1.50	1.92	2.97	1.41	1.81	1.83	1.03	1.75
Loans to individuals	6.42	0.80	1.37	2.55	6.88	10.56	4.34	2.69	8.42	1.88	3.51
Credit card loans	10.93	4.04	7.34	7.50	11.04	12.41	10.02	7.91	13.48	3.91	5.84
Other loans to individuals	2.05	0.75	0.98	0.97	2.25	4.50	1.55	1.34	1.84	0.92	2.08
All other loans and leases (including farm)	0.69	0.00	0.55	0.79	0.71	0.43	0.40	1.12	0.68	0.54	0.71
Total loans and leases	2.59	0.72	1.00	1.71	3.02	3.74	2.51	2.04	2.99	1.22	2.13
Loans Outstanding (in billions)											
All real estate loans	\$4,302.3	\$63.6	\$681.5	\$657.6	\$2,899.6	\$827.4	\$1,040.1	\$848.5	\$633.8	\$354.1	\$598.4
Construction and development	353.8	4.9	77.7	77.8	193.4	50.3	111.0	57.0	50.8	52.1	32.6
Nonfarm nonresidential	1,072.8	18.9	263.6	262.9	527.4	222.5	236.7	194.5	149.8	124.9	144.4
Multifamily residential real estate	215.8	1.9	31.6	41.7	140.6	59.8	31.9	64.1	18.9	9.5	31.5
Home equity loans	647.9	2.0	37.7	48.6	559.6	89.2	186.2	173.0	115.0	24.0	60.6
Other 1-4 family residential	1,880.4	27.3	237.0	215.3	1,400.8	399.9	458.5	343.5	274.7	131.5	272.4
Commercial and industrial loans	1,174.7	12.0	109.4	132.7	920.7	181.3	274.8	245.8	169.6	89.4	213.8
Loans to individuals	1,328.9	6.5	40.9	71.1	1,210.5	404.2	223.4	181.8	226.0	45.3	248.2
Credit card loans	683.9	0.1	2.4	18.8	662.6	318.2	78.9	37.8	138.9	15.2	95.0
Other loans to individuals	645.0	6.4	38.4	52.3	547.9	86.0	144.6	144.0	87.1	30.1	153.3
All other loans and leases (including farm)	585.5	10.5	40.2	32.2	502.6	93.0	112.5	139.1	111.1	24.5	105.4
Total loans and leases (plus unearned income)	7,391.4	92.6	871.9	893.5	5,533.3	1,505.8	1,650.8	1,415.2	1,140.5	513.2	1,165.8
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	53,194.4	1,155.0	13,634.0	10,763.5	27,641.9	4,454.9	14,972.8	11,034.2	10,055.8	5,802.4	6,874.3
Construction and development	18,447.6	393.4	6,462.2	5,771.5	5,820.5	1,187.4	5,883.7	2,510.9	3,229.3	2,958.0	2,678.3
Nonfarm nonresidential	10,222.0	349.9	3,509.4	2,370.1	3,992.6	1,040.6	2,253.4	2,301.2	1,917.6	1,321.1	1,388.1
Multifamily residential real estate	2,886.6	36.5	499.7	399.5	1,950.8	257.9	510.1	547.9	456.1	133.9	980.8
1-4 family residential	14,761.9	345.1	2,962.5	2,035.5	9,418.9	1,710.4	4,466.0	2,980.3	2,875.5	1,256.2	1,473.7
Farmland	364.5	28.4	197.0	97.7	41.4	22.0	52.3	65.6	78.5	110.5	35.6
GNMA properties	6,293.5	2.0	4.5	90.3	6,196.7	216.4	1,807.4	2,628.9	1,499.0	22.9	118.9

* 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

	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	3rd Quarter 2009	% Change 09Q3- 10Q3	Asset Size Distribution			
							Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion
(dollar figures in millions; notional amounts unless otherwise indicated)										
ALL DERIVATIVE HOLDERS										
Number of institutions reporting derivatives.....	1,209	1,159	1,149	1,130	1,175	2.9	96	743	290	80
Total assets of institutions reporting derivatives.....	\$10,899,038	\$10,670,936	\$10,766,563	\$10,568,136	\$10,546,525	3.3	\$6,761	\$309,670	\$838,111	\$9,744,496
Total deposits of institutions reporting derivatives.....	7,402,523	7,248,693	7,281,901	7,341,245	7,183,905	3.0	5,616	251,106	646,921	6,498,879
Total derivatives.....	236,386,455	225,433,410	218,715,076	215,449,089	211,694,352	11.7	430	24,351	81,121	236,280,552
Derivative Contracts by Underlying Risk Exposure										
Interest rate.....	196,549,856	188,613,951	182,641,572	181,454,530	177,897,013	10.5	423	24,078	76,180	196,449,175
Foreign exchange*.....	22,531,799	20,245,402	19,202,392	17,299,787	17,709,555	27.2	0	35	3,704	22,528,060
Equity.....	1,679,107	1,615,041	1,570,952	1,685,227	2,180,499	-23.0	8	133	658	1,678,308
Commodity & other (excluding credit derivatives).....	1,153,316	1,082,812	941,687	978,922	926,295	24.5	0	77	161	1,153,078
Credit.....	14,472,378	13,876,204	14,358,473	14,030,623	12,980,990	11.5	0	28	418	14,471,932
Total.....	236,386,455	225,433,410	218,715,076	215,449,089	211,694,352	11.7	430	24,351	81,121	236,280,552
Derivative Contracts by Transaction Type										
Swaps.....	146,953,921	141,420,345	136,333,735	139,137,539	137,212,838	7.1	37	9,464	46,535	146,897,885
Futures & forwards.....	39,643,725	36,793,803	34,747,302	29,651,811	27,306,403	45.2	174	6,735	18,003	39,618,813
Purchased options.....	16,911,273	15,402,898	15,759,284	15,986,712	16,236,605	4.2	14	693	3,223	16,907,344
Written options.....	16,697,413	15,901,536	15,910,905	15,897,600	15,845,169	5.4	206	7,431	12,484	16,677,293
Total.....	220,206,332	209,518,582	202,751,226	200,673,663	196,601,015	12.0	430	24,323	80,245	220,101,334
Fair Value of Derivative Contracts										
Interest rate contracts.....	107,170	98,101	94,739	97,185	123,707	-13.4	6	28	221	106,916
Foreign exchange contracts.....	-7,464	-4,874	1,329	9,511	-5,171	N/M	0	0	-5	-7,458
Equity contracts.....	-1,784	305	-856	1,236	-253	N/M	0	4	3	-1,790
Commodity & other (excluding credit derivatives).....	-721	-574	1,064	1,661	3,641	N/M	0	6	2	-729
Credit derivatives as guarantor.....	-131,313	-222,426	-121,494	-161,114	-235,401	N/M	0	0	1	-131,314
Credit derivatives as beneficiary.....	150,796	242,561	141,388	189,531	268,165	-43.8	0	0	-4	150,801
Derivative Contracts by Maturity**										
Interest rate contracts.....										
< 1 year.....	90,918,669	89,000,748	84,010,744	81,236,281	78,357,119	16.0	132	7,505	16,869	90,894,164
1-5 years.....	35,138,749	33,347,773	33,334,968	33,970,247	34,321,414	2.4	20	6,458	23,418	35,108,853
> 5 years.....	24,550,165	23,099,484	24,121,171	28,373,563	26,851,340	-8.6	36	2,300	17,743	24,530,085
Foreign exchange contracts.....										
< 1 year.....	13,362,678	11,959,581	11,092,119	10,416,223	9,674,124	38.1	0	30	2,349	13,360,299
1-5 years.....	2,582,310	2,356,096	2,440,019	2,448,723	2,405,751	7.3	0	4	54	2,582,252
> 5 years.....	1,431,627	1,306,940	1,329,332	1,345,678	1,325,661	8.0	0	0	84	1,431,543
Equity contracts.....										
< 1 year.....	352,002	326,742	320,739	312,066	358,462	-1.8	2	22	123	351,855
1-5 years.....	217,566	205,283	220,441	227,854	301,995	-28.0	1	49	243	217,273
> 5 years.....	86,705	80,586	83,990	81,647	81,869	5.9	0	3	0	86,702
Commodity & other contracts.....										
< 1 year.....	311,897	324,203	287,660	261,429	237,860	31.1	0	38	77	311,781
1-5 years.....	241,288	210,319	177,250	223,654	233,829	3.2	0	17	42	241,229
> 5 years.....	33,836	30,459	31,220	34,250	43,612	-22.4	0	0	0	33,836
Risk-Based Capital: Credit Equivalent Amount										
Total current exposure to tier 1 capital (%).....	48.4	44.9	41.2	45.9	57.3		0.2	0.7	1.6	54.6
Total potential future exposure to tier 1 capital (%).....	82.8	82.9	88.9	83.3	83.6		0.1	0.1	0.5	93.7
Total exposure (credit equivalent amount to tier 1 capital (%)).....	131.1	127.7	130.2	129.2	140.9		0.3	0.8	2.1	148.2
Credit losses on derivatives***	544.0	259.0	100.0	767.0	605.0	-10.1	0.0	1.0	62.0	482.0
HELD FOR TRADING										
Number of institutions reporting derivatives.....	200	189	195	197	207	-3.4	11	76	56	57
Total assets of institutions reporting derivatives.....	9,001,838	8,882,950	8,949,285	8,873,916	8,911,543	1.0	775	32,396	222,924	8,745,743
Total deposits of institutions reporting derivatives.....	6,139,839	6,078,628	6,095,318	6,145,572	6,014,547	2.1	626	26,120	172,274	5,940,821
Derivative Contracts by Underlying Risk Exposure										
Interest rate.....	194,576,807	186,774,376	180,761,592	179,606,768	175,892,604	10.6	34	1,455	21,592	194,553,725
Foreign exchange.....	20,699,946	18,072,001	17,462,757	16,439,507	15,510,936	33.5	0	0	2,576	20,697,370
Equity.....	1,672,913	1,608,817	1,563,707	1,677,767	2,173,864	-23.0	0	1	233	1,672,679
Commodity & other.....	1,145,723	1,077,566	934,851	974,849	924,183	24.0	0	0	75	1,145,647
Total.....	218,095,389	207,532,761	200,722,908	198,698,891	194,501,586	12.1	34	1,456	24,477	218,069,421
Trading Revenues: Cash & Derivative Instruments										
Interest rate.....	4,209	144	304	707	3,547	18.7	0	0	36	4,173
Foreign exchange.....	-1,066	4,299	3,906	671	354	N/M	0	0	6	-1,072
Equity.....	371	378	965	144	153	142.5	0	0	1	369
Commodity & other (including credit derivatives).....	637	1,815	3,004	417	1,648	-61.3	0	0	0	637
Total trading revenues.....	4,151	6,636	8,178	1,940	5,702	-27.2	0	0	44	4,108
Share of Revenue										
Trading revenues to gross revenues (%).....	3.5	5.4	6.6	1.6	4.7		0.0	0.0	1.6	3.5
Trading revenues to net operating revenues (%).....	27.2	45.8	74.1	108.0	88.1		0.0	0.0	-117.5	26.9
HELD FOR PURPOSES OTHER THAN TRADING										
Number of institutions reporting derivatives.....	1,087	1,046	1,033	1,009	1,048	3.7	86	669	256	76
Total assets of institutions reporting derivatives.....	10,545,569	10,282,422	10,344,801	10,211,947	10,199,832	3.4	6,081	279,922	727,029	9,532,538
Total deposits of institutions reporting derivatives.....	7,198,934	7,015,333	7,035,433	7,098,433	6,955,097	3.5	5,064	226,948	558,595	6,408,326
Derivative Contracts by Underlying Risk Exposure										
Interest rate.....	1,973,049	1,839,575	1,879,980	1,847,762	2,004,409	-1.6	389	22,623	54,588	1,895,450
Foreign exchange.....	124,108	134,777	134,258	115,478	86,272	43.9	0	35	669	123,404
Equity.....	6,193	6,224	7,245	7,459	6,635	-6.7	7	132	425	5,629
Commodity & other.....	7,593	5,246	6,835	4,073	2,112	259.5	0	77	86	7,430
Total notional amount.....	2,110,943	1,985,821	2,028,318	1,974,772	2,099,429	0.5	396	22,867	55,768	2,031,913

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)

	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	3rd Quarter 2009	% Change 09Q3- 10Q3	Asset Size Distribution			
							Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion
(dollar figures in millions)										
Assets Securitized and Sold with Servicing Retained or with Recourse or Other Seller-Provided Credit Enhancements										
Number of institutions reporting securitization activities	138	128	126	141	142	-2.8	21	68	20	29
Outstanding Principal Balance by Asset Type										
1-4 family residential loans.....	\$776,028	\$1,180,361	\$1,194,082	\$1,208,975	\$1,225,978	-36.7	\$319	\$462	\$2,287	\$772,960
Home equity loans.....	0	0	15	5,947	6,205	-100.0	0	0	0	0
Credit card receivables.....	14,320	15,452	16,133	363,486	391,417	-96.3	0	796	0	13,524
Auto loans.....	326	486	600	7182	8,277	-96.1	0	0	54	272
Other consumer loans.....	4,333	5,021	5,610	24,692	25,335	-82.9	0	0	0	4,333
Commercial and industrial loans.....	7,972	3,796	4,127	7,649	8,436	-5.5	1	8	664	7,300
All other loans, leases, and other assets*	210,199	206,675	192,853	198,835	198,346	6.0	5	48	118	210,029
Total securitized and sold.....	1,013,180	1,411,792	1,413,420	1,816,767	1,863,994	-45.6	324	1,314	3,123	1,008,418
Maximum Credit Exposure by Asset Type										
1-4 family residential loans.....	4,834	4,953	5,166	5,868	6,203	-22.1	2	22	0	4,810
Home equity loans.....	0	0	14	1,023	1,006	-100.0	0	0	0	0
Credit card receivables.....	574	664	730	134,193	136,043	-99.6	0	139	0	435
Auto loans.....	6	6	6	637	745	-99.2	0	0	6	0
Other consumer loans.....	207	245	237	1,410	1,434	-85.6	0	0	0	207
Commercial and industrial loans.....	102	94	95	225	274	-62.8	0	0	86	16
All other loans, leases, and other assets.....	1,142	248	257	287	333	242.9	0	4	0	1,137
Total credit exposure.....	6,864	6,210	6,506	143,643	146,038	-95.3	2	165	91	6,606
Total unused liquidity commitments provided to institution's own securitizations... ..	211	166	162	387	398	-47.0	1	0	1	209
Securitized Loans, Leases, and Other Assets 30-89 Days Past Due (%)										
1-4 family residential loans.....	6.0	3.7	3.9	4.4	4.6		3.2	0.1	2.7	6.0
Home equity loans.....	0.0	0.0	0.0	1.3	1.3		0.0	0.0	0.0	0.0
Credit card receivables.....	1.2	1.5	1.5	2.7	2.9		0.0	2.6	0.0	1.1
Auto loans.....	1.4	1.2	1.2	2.3	2.4		0.0	0.0	1.2	1.5
Other consumer loans.....	3.4	3.7	3.3	3.9	3.6		0.0	0.0	0.0	3.4
Commercial and industrial loans.....	0.1	0.2	0.3	2.3	2.9		0.0	21.5	1.3	0.0
All other loans, leases, and other assets.....	1.5	2.6	2.2	3.5	1.2		0.0	0.0	0.1	1.5
Total loans, leases, and other assets.....	5.0	3.5	3.6	4.0	3.9		3.2	1.7	2.3	5.0
Securitized Loans, Leases, and Other Assets 90 Days or More Past Due (%)										
1-4 family residential loans.....	11.5	7.8	8.5	7.9	7.5		1.5	0.1	4.0	11.6
Home equity loans.....	0.0	0.0	0.0	2.0	1.8		0.0	0.0	0.0	0.0
Credit card receivables.....	0.5	0.7	0.8	3.0	2.6		0.0	3.2	0.0	0.4
Auto loans.....	0.3	0.2	0.3	0.2	0.3		0.0	0.0	0.1	0.4
Other consumer loans.....	2.9	2.7	2.7	3.6	3.6		0.0	0.0	0.0	2.9
Commercial and industrial loans.....	0.1	0.1	0.1	1.0	1.2		0.0	0.0	0.7	0.0
All other loans, leases, and other assets.....	9.8	8.5	7.5	4.3	3.6		8.9	0.0	0.8	9.9
Total loans, leases, and other assets.....	10.9	7.8	8.3	6.4	5.9		1.6	1.9	3.1	10.9
Securitized Loans, Leases, and Other Assets Charged-off (net, YTD, annualized, %)										
1-4 family residential loans.....	0.9	0.4	0.2	1.0	0.7		0.0	0.0	0.0	0.9
Home equity loans.....	0.0	0.0	0.0	1.8	1.4		0.0	0.0	0.0	0.0
Credit card receivables.....	6.2	4.2	2.2	10.2	7.6		0.0	8.8	0.0	6.1
Auto loans.....	0.9	0.4	0.3	2.5	1.9		0.0	0.0	0.1	1.1
Other consumer loans.....	1.4	0.9	0.4	1.0	0.8		0.0	0.0	0.0	1.4
Commercial and industrial loans.....	0.0	0.0	0.0	13.9	10.0		0.0	0.0	0.1	0.0
All other loans, leases, and other assets.....	0.2	0.0	0.0	0.1	0.0		0.0	0.0	0.0	0.2
Total loans, leases, and other assets.....	0.9	0.4	0.2	2.8	2.1		0.0	5.3	0.0	0.8
Seller's Interests in Institution's Own Securitizations - Carried as Loans										
Home equity loans.....	0	0	0	316	396	-100.0	0	0	0	0
Credit card receivables.....	6,073	5,088	4,831	62,235	73,401	-91.7	0	62	0	6,011
Commercial and industrial loans.....	2	3	4	894	930	-99.8	0	2	0	0
Seller's Interests in Institution's Own Securitizations - Carried as Securities										
Home equity loans.....	0	0	0	1	2	-100.0	0	0	0	0
Credit card receivables.....	0	0	0	789	788	-100.0	0	0	0	0
Commercial and industrial loans.....	0	0	0	0	0	0.0	0	0	0	0
Assets Sold with Recourse and Not Securitized										
Number of institutions reporting asset sales.....	847	834	819	826	821	3.2	167	520	117	43
Outstanding Principal Balance by Asset Type										
1-4 family residential loans.....	61,015	62,233	62,198	66,978	68,000	-10.3	1,152	10,497	4,646	44,720
Home equity, credit card receivables, auto, and other consumer loans	41	41	40	908	1,024	-96.0	0	9	17	15
Commercial and industrial loans.....	445	537	669	2,654	2,844	-84.4	1	48	20	377
All other loans, leases, and other assets.....	52,953	52,435	48,635	48,736	47,971	10.4	7	83	322	52,540
Total sold and not securitized.....	114,454	115,246	111,542	119,277	119,840	-4.5	1,159	10,636	5,005	97,653
Maximum Credit Exposure by Asset Type										
1-4 family residential loans.....	14,994	14,193	13,702	16,534	15,419	-2.8	118	1,717	2,878	10,282
Home equity, credit card receivables, auto, and other consumer loans	20	21	21	100	104	-80.8	0	6	3	11
Commercial and industrial loans.....	77	77	62	1,934	2,003	-96.2	1	37	20	19
All other loans, leases, and other assets.....	12,901	12,749	10,429	10,391	10,136	27.3	3	55	12	12,831
Total credit exposure.....	27,992	27,039	24,214	28,959	27,662	1.2	122	1,816	2,912	23,143
Support for Securitization Facilities Sponsored by Other Institutions										
Number of institutions reporting securitization facilities sponsored by others	151	129	79	58	60	151.7	27	72	38	14
Total credit exposure.....	28,219	9,262	6,445	4,297	4,872	479.2	25	255	156	27,784
Total unused liquidity commitments.....	504	418	846	545	327	54.1	0	0	0	504
Other										
Assets serviced for others**.....	5,891,806	5,956,287	5,995,633	6,011,088	5,978,455	-1.4	4,279	82,782	97,514	5,707,232
Asset-backed commercial paper conduits										
Credit exposure to conduits sponsored by institutions and others.....	11,649	7,299	7,253	15,953	17,649	-34.0	5	0	53	11,591
Unused liquidity commitments to conduits sponsored by institutions and others.....	82,137	83,062	87,156	170,373	182,740	-55.1	0	0	1,373	80,764
Net servicing income (for the quarter).....	3,084	3,587	5,164	6,874	5,995	-48.6	34	107	136	2,807
Net securitization income (for the quarter).....	164	156	13	1,615	1,163	-85.9	1	7	4	153
Total credit exposure to Tier 1 capital (%)***.....	5.40	3.70	3.30	15.90	16.20		0.90	1.80	2.40	6.50

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

** The amount of financial assets serviced for others, other than closed-end 1-4 family residential mortgages, is reported when these assets are greater than \$10 million.

*** Total credit exposure includes the sum of the three line items titled "Total credit exposure" reported above.

INSURANCE FUND INDICATORS

- ***DIF Reserve Ratio Rises 13 Basis Points to -0.15 Percent***
- ***Insured Deposit Growth Flat in Third Quarter***
- ***41 Institutions Fail during Third Quarter***
- ***New Restoration Plan Removes Scheduled Assessment Rate Increase for 2011***
- ***Changes Proposed for Deposit Insurance Fund Management and Risk-Based Assessments***

Total assets of the nation's 7,760 FDIC-insured commercial banks and savings institutions increased by \$163.0 billion (1.2 percent) during third quarter 2010. Eighty-one percent of the quarter's asset growth was funded by deposits, as noninterest-bearing deposits increased by 4.3 percent (\$69.1 billion) and interest-bearing deposits increased by 0.8 percent (\$63.5 billion). Domestic office deposits of banks and thrifts increased by 0.9 percent (\$70.3 billion), and foreign office deposits increased by 4.2 percent (\$62.3 billion).

Estimated insured deposits at all FDIC-insured institutions decreased by 0.3 percent during the third quarter but are 2.0 percent higher than four quarters earlier. For institutions existing at the start and end of the third quarter, insured deposits increased during the quarter at 4,285 institutions (55 percent), decreased at 3,438 institutions (44 percent), and remained unchanged at 32 institutions.

The Deposit Insurance Fund (DIF) balance increased by \$7.2 billion during the third quarter to -\$8.0 billion (unaudited), the third consecutive quarterly increase following seven quarters of decline. Assessment income of \$3.6 billion and a \$3.8 billion negative provision for insurance losses were the primary contributors to the improvement in the DIF balance. Interest earnings, combined with unrealized gains on available-for-sale securities and other net revenue, boosted the balance by another \$0.3 billion. Operating expenses reduced the balance by \$0.4 billion.

The DIF's reserve ratio was -0.15 percent on September 30, 2010, up from -0.28 percent at June 30, 2010, and up from -0.16 percent one year earlier. Forty-one FDIC-insured institutions with combined assets of \$13.9 billion failed during third quarter 2010, at an estimated cost of \$2.3 billion. For the first three quarters of 2010, 127 insured institutions with combined assets of \$83.3 billion failed, at a currently estimated cost to the DIF of \$19.4 billion.

Changes to Deposit Insurance Fund Management

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), enacted in July 2010, revised the statutory authorities governing the FDIC's management of the DIF. Specifically, Dodd-Frank: (1) raised the minimum designated reserve ratio (DRR), which the FDIC must set each year, to 1.35 percent from 1.15 percent; (2) removed the 1.5 percent upper limit on the DRR, thereby effectively eliminating the cap on the size of the fund; (3) required that the DIF reserve ratio reach 1.35 percent by September 30, 2020 (rather than 1.15 percent by the end of 2016, as formerly required); (4) required that, in setting assessments, the FDIC offset the effect of raising the minimum DRR from 1.15 percent to 1.35 percent on insured depository institutions with total consolidated assets of less than \$10 billion; (5) eliminated the requirement that the FDIC pay dividends when the reserve ratio is between 1.35 percent and 1.5 percent; and (6) continued the FDIC's authority to declare dividends when the reserve ratio is at least 1.5 percent, but granted the FDIC sole discretion in determining whether to suspend or limit dividends.¹

In October 2010, the FDIC adopted a new Restoration Plan to ensure that the reserve ratio reaches 1.35 percent by September 30, 2020. Because of lower expected losses over the next five years and the additional time provided by Dodd-Frank to meet the minimum (albeit higher) DRR, the Restoration Plan eliminated the uniform 3 basis point increase in assessment rates scheduled to go into effect on January 1, 2011.

Also in October, the FDIC approved the publication of a proposed rule with several features that would improve insurance fund management using the authority provided under Dodd-Frank. First, the FDIC

¹ Pub. L. No. 111-203, §§332 and 334, 124 Stat. 1376, 1539 (to be codified at 12 U.S.C. § 1817).

proposed increasing the designated reserve ratio to 2 percent of estimated insured deposits. The FDIC would view this target as a long-term minimum goal for the fund. An analysis conducted by FDIC staff found that a 2 percent target would significantly improve the chances that the FDIC could maintain stable, moderate insurance assessment rates through economic or banking cycles while also maintaining a positive DIF balance even during a serious economic or banking downturn. The FDIC also proposed suspending dividends permanently when the reserve ratio reaches 1.5 percent. In lieu of paying dividends, the FDIC proposed future premium rate reductions, first when the reserve ratio exceeds 1.15 percent and again when the ratio exceeds 2.0 percent and 2.5 percent. The FDIC expects to finalize a rule on the designated reserve ratio this year and on the remaining features in first quarter 2011.

Change in the Assessment Base

Dodd-Frank requires the FDIC to amend its regulations to define the assessment base as average consolidated total assets minus average tangible equity, rather than total domestic deposits (which, with minor adjustments, it has been since 1935). Dodd-Frank allows the FDIC to modify the assessment base for banker's banks² and

"custodial banks."³ On November 9, 2010, the FDIC approved a proposed rule that would implement these changes. The FDIC expects to finalize this rulemaking in first quarter 2011. The change in the assessment base would take effect in second quarter 2011.

The proposed rule would require all insured depository institutions to report their average consolidated total assets on a daily basis. The proposal would define average tangible equity as the average of month-end Tier 1 capital within a quarter. Institutions with less than \$1 billion in average consolidated total assets could, however, choose to report end-of-quarter Tier 1 capital. Tier 1 capital, which excludes many intangible assets, avoids an increase in regulatory burden that a new definition of capital could cause and also provides a clearly understood capital buffer for the DIF in the event of an institution's failure.

The following table compares the distribution by institution asset size of the current and estimated proposed assessment bases, using data as of September 30, 2010. The new assessment base will require some changes in reporting that will not take effect until the second quarter of next year, as explained in the footnotes to the table. The table therefore provides only an estimate of what the proposed assessment base would be if it were in effect as of September 30, 2010.

Distribution of the Assessment Base for FDIC-Insured Commercial Banks and Savings Institutions

by Asset Size (\$ Billions)*

Data as of September 30, 2010

Asset Size	Number of Institutions	Percent of Total Institutions	Current Assessment Base ^{**}	Percent of Current Base	Estimated Proposed Assessment Base ^{***}	Percent of Estimated Proposed Base
Less than \$1 Billion	7,095	91.4%	1,209	15.7%	1,319	10.9%
\$1 - \$10 Billion	556	7.2%	1,066	13.8%	1,262	10.4%
\$10 - \$50 Billion	72	0.9%	880	11.4%	1,219	10.1%
\$50 - \$100 Billion	18	0.2%	758	9.8%	1,082	9.0%
Over \$100 Billion	19	0.2%	3,811	49.3%	7,196	59.6%
Total	7,760	100.0%	7,724	100.0%	12,077	100.0%

* Excludes 10 insured U.S. branches of foreign banks.

** The current assessment base is derived from domestic deposits.

*** The estimates are derived from average quarterly assets as reported on the Call Report or TFR for September 30, 2010. Some institutions currently report their quarterly average assets as an average of weekly amounts; the proposal requires all insured institutions to calculate their assessment base from quarterly average assets based on average daily amounts. The estimates also rely on quarter-end Tier 1 capital as reported for September 30. However, the proposal will require institutions with assets greater than \$1 billion to calculate their assessment base using average month-end Tier 1 capital within the quarter; this average is not yet reported. In addition, the estimated amounts do not account for the proposed adjustments permitted under Dodd-Frank for banker's banks or "custodial banks," which will also require new reporting.

² Dodd-Frank defines a "banker's bank" as set forth in 12 U.S.C. 24. Under the proposal, the FDIC would exclude from a banker's bank's assessment base the sum of its average daily balances due from Federal Reserve Banks (reserve balances) plus its average daily federal funds sold, limited to the sum of the bank's average daily deposit liabilities from its member banks plus its average daily federal funds purchased. The proposal would make a banker's bank that was chartered to provide services only to its parent holding company or entities that are directly or indirectly controlled by its parent holding company ineligible for the exclusion.

³ For the custodial bank adjustment, Dodd-Frank directed the FDIC to define a custodial bank based on factors including the percentage of total revenues generated by custodial businesses and the level of assets under custody. The proposal therefore would define a custodial bank as an institution whose previous calendar year-end custody and safekeeping assets were at least \$50 billion or an institution that derived more than 50 percent of its revenue from custody and safekeeping activities during the previous calendar year. A custodial bank's assessment base would exclude the bank's daily average amount of safe, highly liquid, short-term assets, not to exceed the daily average value of those deposits held in a custody and safekeeping account.

Dodd-Frank also required that, for at least five years, the FDIC must make available to the public the reserve ratio and the DRR using both estimated insured deposits and the new assessment base. As explained in the footnotes to the table above, the new assessment base will require some changes in reporting, so only an estimate is available at this time. As of September 30, 2010, the FDIC estimates that the reserve ratio would have been -0.07 percent using the new assessment base (compared to -0.15 percent using estimated insured deposits) and that the proposed 2 percent DRR using estimated insured deposits would have been 0.9 percent using the estimated new assessment base.

Changes in Assessment Rates

The changes to the assessment base required by Dodd-Frank necessitate certain changes to assessment rates. Because the new assessment base will be larger than the current base, the assessment base proposal includes proposed new rates that would result in collecting approximately the same amount of assessment revenue as under the current rate schedule using the existing (domestic deposit) base.

In addition, the current risk-based premium rules include adjustments to rates for types of funding that either pose heightened risk to the DIF or that help to offset risk to the DIF. To conform to the new assessment base definition, the assessment base proposal would recalibrate the rate adjustments for unsecured debt and brokered deposits and eliminate the secured liability adjustment. The FDIC also proposes to increase the assessment rate of an institution that holds unsecured debt issued by another insured depository institution (for which the issuing institution receives a rate reduction). The issuance of unsecured debt by an insured depository institution lessens the potential loss to the DIF in the event of the institution's failure. However, when the debt is held by another insured depository institution, the overall risk to the DIF is not reduced.

At the same time that the FDIC issued its proposed rule on the assessment base, it also approved for publication a proposed rule amending the risk-based pricing rules for large insured depository institutions. The objectives of the proposal are to better account for risk at the time a large institution assumes the risk, to better differentiate risk among large institutions when conditions are

good, and to improve the way the pricing rules account for the losses that the FDIC may incur if such an institution fails.

The proposal would eliminate risk categories for large institutions. As required by Dodd-Frank, the proposed rule would no longer use long-term debt issuer ratings to calculate assessment rates for large institutions. The FDIC would combine CAMELS ratings and certain financial measures into two scorecards—one for most large institutions and another for the remaining very large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions). In general, a highly complex institution would be an institution (other than a credit card bank) with more than \$50 billion in total assets that is controlled by a parent or intermediate parent company with more than \$500 billion in total assets or a processing bank or trust company with at least \$10 billion in total assets. Like the assessment base proposal, the proposed rule for large bank pricing would take effect in second quarter 2011.

The following table shows the initial base assessment rates, range of possible rate adjustments, and minimum and maximum total base rates proposed to take effect in second quarter 2011.

Proposed Initial and Total Base Assessment Rates*

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	5–9	14	23	35	5–35
Unsecured debt adjustment**	-4.5–0	-5–0	-5–0	-5–0	-5–0
Brokered deposit adjustment	—	0–10	0–10	0–10	0–10
Total base assessment rate	2.5–9	9–24	18–33	30–45	2.5–45

* Total base assessment rates do not include the proposed depository institution debt adjustment. As under current rules, the FDIC would be able to adjust rates uniformly by up to 3 basis points above or below the base assessment rates without seeking public notice and comment.

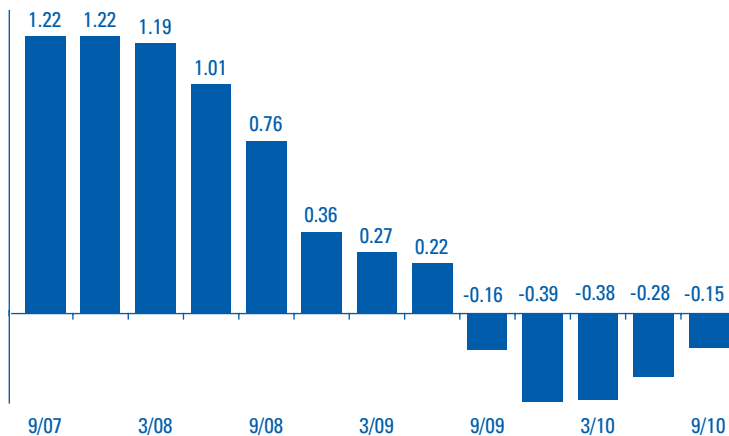
** The unsecured debt adjustment could not exceed the lesser of 5 basis points or 50 percent of an institution's initial base assessment rate (IBAR); thus for example, an institution with an IBAR of 5 basis points would have a maximum unsecured debt adjustment 2.5 basis points and could not have a total base assessment rate lower than 2.5 basis points.

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Table I-B. Insurance Fund Balances and Selected Indicators

	Deposit Insurance Fund*												
	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	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
<i>(dollar figures in millions)</i>													
Beginning Fund Balance	-\$15,247	-\$20,717	-\$20,862	-\$8,243	\$10,368	\$13,007	\$17,276	\$34,588	\$45,217	\$52,843	\$52,413	\$51,754	\$51,227
Changes in Fund Balance:													
Assessments earned.....	3,592	3,242	3,278	3,042	2,965	9,095	2,615	996	881	640	448	239	170
Interest earned on investment securities.....	40	64	62	76	176	240	212	277	526	651	618	585	640
Realized Gain on Sale of Investments.....	0	0	0	0	732	521	136	302	473	0	0	0	0
Operating expenses.....	414	382	345	379	328	298	266	290	249	256	238	262	243
Provision for insurance losses.....	-3,763	-2,552	3,021	17,766	21,694	11,615	6,637	19,163	11,930	10,221	525	39	132
All other income, net of expenses.....	94	55	22	2,721	308	375	2	15	16	1	0	-2	24
Unrealized gain/(loss) on available-for-sale securities.....	163	-61	149	-313	-770	-957	-331	551	-346	1,559	127	138	68
Total fund balance change	7,238	5,470	145	-12,619	-18,611	-2,639	-4,269	-17,312	-10,629	-7,626	430	659	527
Ending Fund Balance	-8,009	-15,247	-20,717	-20,862	-8,243	10,368	13,007	17,276	34,588	45,217	52,843	52,413	51,754
Percent change from four quarters earlier.....	NM	NM	NM	NM	NM	-77.07	-75.39	-67.04	-33.17	-11.73	4.13	4.48	3.52
Reserve Ratio (%)	-0.15	-0.28	-0.38	-0.39	-0.16	0.22	0.27	0.36	0.76	1.01	1.19	1.22	1.22
Estimated Insured Deposits**	5,423,482	5,438,508	5,473,098	5,406,672	5,316,023	4,817,782	4,831,728	4,750,780	4,545,194	4,468,086	4,438,255	4,292,211	4,242,607
Percent change from four quarters earlier.....	2.02	12.88	13.27	13.81	16.96	7.83	8.87	10.68	7.13	5.50	4.55	3.33	3.48
Domestic Deposits	7,753,335	7,681,265	7,702,422	7,705,329	7,561,309	7,561,998	7,546,999	7,505,409	7,230,328	7,036,267	7,076,719	6,921,678	6,747,998
Percent change from four quarters earlier.....	2.54	1.58	2.06	2.66	4.58	7.47	6.65	8.43	7.15	5.04	5.58	4.24	4.07
Number of institutions reporting	7,770	7,840	7,944	8,022	8,109	8,205	8,257	8,315	8,394	8,462	8,505	8,545	8,570

DIF Reserve Ratios
Percent of Insured Deposits



Deposit Insurance Fund Balance and Insured Deposits
(\$ Millions)

	DIF Balance	DIF-Insured Deposits
9/07	\$51,754	\$4,242,607
12/07	52,413	4,292,211
3/08	52,843	4,438,255
6/08	45,217	4,468,086
9/08	34,588	4,545,194
12/08	17,276	4,750,780
3/09	13,007	4,831,728
6/09	10,368	4,817,782
9/09	-8,243	5,316,023
12/09	-20,862	5,406,672
3/10	-20,717	5,473,098
6/10	-15,247	5,438,508
9/10	-8,009	5,423,482

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

<i>(dollar figures in millions)</i>	2010****	2009****	2009	2008	2007	2006	2005
Problem Institutions							
Number of institutions.....	860	552	702	252	76	50	52
Total assets.....	\$379,230	\$345,931	\$402,782	\$159,405	\$22,189	\$8,265	\$6,607
Failed Institutions							
Number of institutions.....	127	95	140	25	3	0	0
Total assets.....	\$83,282	\$104,665	\$169,709	\$371,945	\$2,615	\$0	\$0
Assisted Institutions***							
Number of institutions.....	0	8	8	5	0	0	0
Total assets.....	\$0	\$1,917,482	\$1,917,482	\$1,306,042	\$0	\$0	\$0

* Quarterly financial statement results are unaudited.

NM - Not meaningful

** Beginning in the third quarter of 2009, estimated insured deposits reflected the temporary coverage increase to \$250,000, which was made permanent by the Dodd Frank Act in 2010.

*** 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.

**** Through September 30.

Table III-B. Estimated FDIC-Insured Deposits by Type of Institution*(dollar figures in millions)*

September 30, 2010	Number of Institutions	Total Assets	Domestic Deposits*	Est. Insured Deposits
Commercial Banks and Savings Institutions				
FDIC-Insured Commercial Banks	6,622	\$12,130,344	\$6,837,464	\$4,613,124
FDIC-Supervised	4,381	1,947,075	1,474,340	1,168,071
OCC-Supervised.....	1,415	8,464,632	4,355,932	2,797,825
Federal Reserve-Supervised.....	826	1,718,637	1,007,191	647,228
FDIC-Insured Savings Institutions	1,138	1,252,946	900,571	797,360
OTS-Supervised Savings Institutions.....	740	929,047	662,421	590,973
FDIC-Supervised State Savings Banks.....	398	323,899	238,150	206,387
Total Commercial Banks and Savings Institutions	7,760	13,383,291	7,738,035	5,410,484
Other FDIC-Insured Institutions				
U.S. Branches of Foreign Banks	10	28,704	15,300	12,998
Total FDIC-Insured Institutions.....	7,770	13,411,994	7,753,335	5,423,482

* Excludes \$1.5 trillion in foreign office deposits, which are uninsured.

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

Quarter Ending June 30, 2010

(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	1,746	22.27	\$543	7.07
	12.01–14.00	1,560	19.90	1,655	21.54
	14.01–15.99	1,890	24.11	2,053	26.73
	16.00–24.00	387	4.94	422	5.49
Risk Category II	17.00–22.00	1,140	14.54	1,963	25.55
	22.01–43.00	268	3.42	722	9.40
Risk Category III	27.00–32.00	488	6.22	160	2.08
	32.01–58.00	166	2.12	89	1.16
Risk Category IV	40.00–45.00	128	1.63	47	0.61
	45.01–77.50	67	0.85	29	0.37

Note: Institutions are categorized based on supervisory ratings, debt ratings and financial data as of June 30, 2010.

TEMPORARY LIQUIDITY GUARANTEE PROGRAM

- **Debt Guarantee Program Ended October 31, 2009**
- **Transaction Account Guarantee Program Extended to December 31, 2010**
- **\$107 Billion Guaranteed in Transaction Accounts over \$250,000**
- **\$287 Billion Outstanding in Debt Guarantee Program**

FDIC Responds to Market Disruptions with TLGP

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

All insured depository institutions were eligible to participate in the TAGP. Institutions eligible to participate in the DGP were 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 Guarantee Programs

Although financial markets improved significantly in the first half of 2009, portions of the industry were still affected by the recent economic turmoil. 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 the DGP and TAGP.

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 second quarter 2009.² The Board adopted a final rule on October 20, 2009, that allowed the DGP to expire on October 31, 2009.³

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/regulations/laws/federal/2009/09finalAD37Oct23.pdf>.

A final rule extending the TAGP six months, to June 30, 2010, was adopted on August 26, 2009. Entities participating in the TAGP had the opportunity to opt out of the extended program. Depository institutions that remained in the extended program were subject to increased fees that were adjusted to reflect the institution's risk.⁴

On June 22, 2010, the FDIC adopted a final rule extending the TAGP for another six months, through December 31, 2010. The final rule is almost identical to an interim rule adopted on April 13. Under the rule, the FDIC could extend the program for an additional 12 months without further rulemaking.⁵

Noninterest-Bearing Transaction Accounts Fully Insured under Dodd-Frank Reform Bill

According to an amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act, noninterest-bearing transaction accounts at all FDIC-insured institutions will be fully insured for two years. This amendment takes effect on December 31, 2010. Coverage of noninterest-bearing transaction accounts is separate from the regular insurance limit of \$250,000. Assessments for noninterest-bearing transaction accounts will be included in the regular assessments for insured institutions.⁶

Program Funded by Industry Fees and Assessments

The TLGP does not rely on taxpayer funding or the Deposit Insurance Fund. Both the TAGP and the DGP are paid for by direct user fees. Institutions participating in the TAGP through year-end 2009 were assessed an annual fee of 10 basis points. Fees for qualifying noninterest-bearing transaction accounts guaranteed between January 1, 2010, and June 30, 2010, were based on the

⁴ See <http://www.fdic.gov/news/board/aug26no3.pdf>. The final rule requires that interest rates on qualifying NOW accounts offered by banks participating in the program be reduced to 0.25 percent from 0.50 percent. The rule also requires TAG assessment reporting to be based on average daily balances but makes no changes to the assessment rates for participating institutions.

⁵ See <http://www.fdic.gov/news/news/press/2010/pr10139.html>.

⁶ See <http://www.fdic.gov/regulations/reform/summary.html>.

participating entity's risk category assignment under the FDIC's risk-based premium system. Annualized fees are 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 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 March 31, 2010, fees totaling \$10.4 billion had been assessed under the DGP.

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

About 74 percent of FDIC-insured institutions opted in to the TAGP extension through December 31, 2010. More than half of all eligible entities elected to opt in to the DGP. Lists of institutions that opted out of the guarantee programs are posted at <http://www.fdic.gov/regulations/resources/TLGP/optout.html>.

\$107 Billion in Transaction Accounts over \$250,000 Guaranteed

According to third quarter 2010 Call and Thrift Financial Reports, insured institutions reported 190,817 noninterest-bearing transaction accounts over

\$250,000, fewer than one-third the number of accounts reported at year-end 2009. These deposit accounts totaled \$155 billion, of which \$107 billion was guaranteed under the TAGP. More than 5,100 FDIC-insured institutions reported noninterest-bearing transaction accounts over \$250,000 in value.

\$287 Billion in FDIC-Guaranteed Debt Was Outstanding at September 30, 2010

Sixty-eight financial entities—40 insured depository institutions and 28 bank and thrift holding companies and nonbank affiliates—had \$287 billion in guaranteed debt outstanding at the end of third quarter 2010. 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 84 percent of FDIC-guaranteed debt outstanding at September 30, 2010.

Debt outstanding at September 30, 2010, had longer terms at issuance, compared to debt outstanding at year-end 2008. Less than 1 percent of debt outstanding matures in one year or less, compared to 52 percent at year-end 2008; and 85 percent matures more than two years after issuance, compared to 39 percent at December 31, 2008. Among types of debt instruments, 92 percent was in medium-term notes, compared to 44 percent at year-end. The share of outstanding debt in commercial paper fell to less than 0.01 percent from 43 percent at year-end 2008.

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Table I-C. Participation in Temporary Liquidity Guarantee Program

September 30, 2010	Total Eligible Entities	Number Opting In	Percent Opting In
Transaction Account Guarantee Program Extension to December 31, 2010			
Depository Institutions with Assets <= \$10 Billion	7,659	5,696	74.4%
Depository Institutions with Assets > \$10 Billion	110	35	31.8%
Total Depository Institutions*	7,769	5,731	73.8%
Debt Guarantee Program			
Depository Institutions with Assets <= \$10 Billion	7,659	4,029	52.6%
Depository Institutions with Assets > \$10 Billion	110	97	88.2%
Total Depository Institutions*	7,769	4,126	53.1%
Bank and Thrift Holding Companies and Non-Insured Affiliates	5,992	3,363	56.1%
All Entities	13,761	7,489	54.4%

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

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

September 30, 2010 (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		Total Entities	Total Initial Cap
	Number	Debt Amount as of 9/30/2008	Initial Cap	Number	2% Liabilities as of 9/30/2008		
Depository Institutions with Assets <= \$10 Billion*	110	\$3,416	\$4,270	3,919	\$29,285	4,029	\$33,555
Depository Institutions with Assets > \$10 Billion*	39	269,228	336,535	58	23,578	97	360,113
Bank and Thrift Holding Companies, Noninsured Affiliates	81	397,714	497,143	3,282	N/A	3,363	497,143
Total	230	670,358	837,948	7,259	52,863	7,489	890,811

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

N/A - Not applicable

Table III-C. Transaction Account Guarantee Program

(dollar figures in millions)	Sep. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sep. 30, 2010	% Change 10Q2-10Q3
Number of Noninterest-Bearing Transaction Accounts over \$250,000	646,955	687,430	308,843	320,029	190,817	-40.4%
Amount in Noninterest-Bearing Transaction Accounts over \$250,000	\$927,511	\$1,008,508	\$355,395	\$344,576	\$155,269	-54.9%
Amount Guaranteed	\$765,772	\$836,651	\$278,184	\$264,569	\$107,565	-59.3%

Table IV-C. Debt Outstanding in Guarantee Program

September 30, 2010 (dollar figures in millions)	Number	Debt Outstanding	Cap* for Group	Debt Outstanding Share of Cap
Insured Depository Institutions				
Assets <= \$10 Billion	27	\$1,586	\$1,665	95.3%
Assets > \$10 Billion	13	44,826	112,817	39.7%
Bank and Thrift Holding Companies, Noninsured Affiliates	28	240,395	387,479	62.0%
All Issuers	68	286,808	501,961	57.1%

* 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/tlqp2c.html> for more information.

Table V-C. Fees Assessed Under TLGP

(dollar figures in millions)	Debt Guarantee Program			Transaction Account Guarantee Program*
	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
First Quarter 2010**	14		14	207
Second Quarter 2010				115
Third Quarter 2010				111
Total	\$9,491	\$872	\$10,363	\$961

* Pro-rated payment in arrears.

** A review of data systems led us to recognize a nominal fee amount that had been dropped in error from previously reported amounts.

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

September 30, 2010 (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	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
91-180 days	0	0	0	0	0	0	0	0.0%
181-364 days	0	0	0	9	0	0	9	0.0%
1-2 years	0	0	43,376	2	0	771	44,148	15.4%
Over 2-3 years	0	0	80,447	0	3,352	6,003	89,801	31.3%
Over 3 years	1	0	139,981	4	3,713	9,151	152,849	53.3%
Total	1	0	263,803	14	7,064	15,925	286,808	
Share of Total	0.0%	0.0%	92.0%	0.0%	2.5%	5.6%		

Notes to Users

This publication contains financial data and other information for depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). These notes are an integral part of this publication and provide information regarding the comparability of source data and reporting differences over time.

Tables I-A through VIII-A.

The information presented in Tables I-A through V-A of the *FDIC Quarterly Banking Profile* is aggregated for all FDIC-insured institutions, both commercial banks and savings institutions. Tables VI-A (Derivatives) and VII-A (Servicing, Securitization, and Asset Sales Activities) aggregate information only for insured commercial banks and state-chartered savings banks that file quarterly Call Reports. Table VIII-A (Trust Services) aggregates Trust asset and income information collected annually from all FDIC-insured institutions. Some tables are arrayed by groups of FDIC-insured institutions based on predominant types of asset concentration, while other tables aggregate institutions by asset size and geographic region. Quarterly and full-year data are provided for selected indicators, including aggregate condition and income data, performance ratios, condition ratios, and structural changes, as well as past due, noncurrent, and charge-off information for loans outstanding and other assets.

Tables I-B through IV-B.

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

DATA SOURCES

The financial information appearing in this publication is obtained primarily from the Federal Financial Institutions Examination Council (FFIEC) *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) data base.

COMPUTATION METHODOLOGY

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

All asset and liability figures used in calculating performance ratios represent average amounts for the period (beginning-of-period amount plus end-of-period amount plus any interim

periods, divided by the total number of periods). For "pooling-of-interest" mergers, the assets of the acquired institution(s) are included in average assets since the year-to-date income includes the results of all merged institutions. No adjustments are made for "purchase accounting" mergers. Growth rates represent the percentage change over a 12-month period in totals for institutions in the base period to totals for institutions in the current period.

All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state. In addition, institutions may relocate across state lines or change their charters, resulting in an inter-regional or inter-industry migration, e.g., institutions can move their home offices between regions, and savings institutions can convert to commercial banks or commercial banks may convert to savings institutions.

ACCOUNTING CHANGES

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.

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.

Troubled Debt Restructurings – Many institutions are restructuring or modifying the terms of loans to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractu-

al interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables–Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, “Accounting by Debtors and Creditors for Troubled Debt Restructurings,” as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor’s financial difficulties grants a concession to the debtor that it would not otherwise consider.

In the Call Report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, it must be reported in the appropriate loan category, as well as identified as a performing TDR loan, if it is in compliance with its modified terms. If a TDR is not in compliance with its modified terms, it is reported as a past due and nonaccrual loan in the appropriate loan category, as well as distinguished from other past due and nonaccrual loans. To be considered in compliance with its modified terms, a loan that is a TDR must not be in nonaccrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms. A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables–Overall (formerly FASB Statement No. 114, “Accounting by Creditors for Impairment of a Loan,” as amended), and the Call Report Glossary entry for “Loan Impairment.”

Accounting for Loan Participations – Amended ASC Topic 860 (formerly FAS 166) 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 amended ASC Topic 860 (discussed above), including advances under lines of credit that are transferred on or after the effective date of amended ASC Topic 860 even if the line of credit agreements were entered into before this effective date. Therefore, banks with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 (January 1, 2010, for calendar year banks) are not affected by this new accounting standard. Therefore, loan participations transferred before the effective date of amended ASC Topic 860 that were properly accounted for as sales under former FASB Statement No. 140 will continue to be reported as having been sold.

Under amended ASC Topic 860, if a transfer of a portion of an entire financial asset meets the definition of a “participating interest,” then the transferor (normally the lead lender) must evaluate whether the transfer meets all of the conditions in this accounting standard to qualify for sale accounting.

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 in ASC Topic 320, Investments-Debt and Equity Securities–Overall; ASC Subtopic 325-20, Investments-Other–Cost Method Investments; and ASC Subtopic 325-40, Investments-Other–Beneficial Interests in Securitized

Financial Assets (formerly 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 ASC Topic 320, if an institution intends to sell a debt security or it is more likely than not that it 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 at the balance sheet date must be recognized in earnings. In these cases, the fair value of the debt security would become its new amortized cost basis. In addition, under ASC Topic 320, 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.

ASC Topic 805 (formerly 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.

ASC Topic 820 (formerly FASB Statement No. 157 Fair Value Measurements issued in September 2006) and ASC Topic 825 (formerly 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.

ASC Topic 715 (formerly 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.

ASC Topic 860 (formerly 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.

ASC Topic 815 (formerly 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 – ASC Topic 310 (formerly 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, ASC Topic 860 (formerly 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.

ASC Topics 860 & 810 (formerly FASB Statements 166 & 167) – 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 revised 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,” changing the requirements for derecognizing financial assets, and requiring additional disclosures. FAS 167 revised 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. 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.

ASC Topic 740 (formerly 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.

ASC Topic 718 (formerly 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>

ASC Topic 815 (formerly 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>

Accounting Standards Codification – In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification™* and the *Hierarchy of Generally Accepted Accounting Principles* (FAS 168), to establish the FASB Codification as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). The FASB Codification reorganizes existing U.S. accounting and reporting standards issued by the FASB and other related private-sector standard setters, and all guidance contained in the FASB Codification carries an equal level of authority. All previously existing accounting standards documents are superseded as described in FAS 168. All other accounting literature not included in the FASB Codification is nonauthoritative. The FASB Codification can be accessed at <http://asc.fasb.org/>. The FASB Codification is effective for interim and annual periods ending after September 15, 2009. This an FFIEC reference guide at http://www.ffiec.gov/pdf/ffiec_forms/CodificationIntroduction_201006.pdf.

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, prepaid deposit insurance assessments, 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 percent of total assets on a consolidated basis.

Earning assets – all loans and other investments that earn interest or dividend income.

Efficiency ratio – Noninterest expense less amortization of intangible assets as a percent of net interest income plus non-interest 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 percent of total assets on a consolidated basis.

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

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

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

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

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

Return on equity – bank 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.

Capital Category	Supervisory Group		
	A	B	C
1. Well Capitalized	I 12–16 bps	II 22 bps	III 32 bps
2. Adequately Capitalized	II 22 bps		
3. Undercapitalized	III 32 bps		IV 45 bps

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 one 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 was collected September 30, 2009, at the same time that the risk-based assessment for the second quarter of 2009 was 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 – In November 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 non-interest-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. On April 13, 2010 the FDIC Board adopted an interim rule extending the TAG program for six months through December 31, 2010, with a possibility of an additional 12-month extension, through December 31, 2011.

Debt Guarantee Program (DGP) provides a full guarantee of senior unsecured debt¹ 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.

Toward a Long-Term Strategy for Deposit Insurance Fund Management

Introduction

In response to the recent financial crisis and passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), the Federal Deposit Insurance Corporation (FDIC) has developed a comprehensive, long-range management plan for the Deposit Insurance Fund (DIF).¹ The plan is designed to reduce pro-cyclicality; keep assessment rates moderate, steady, and predictable throughout economic and credit cycles; and maintain a positive fund balance even during a period of large fund losses. It achieves these goals by setting an appropriate target fund size and a strategy for assessment rates and dividends. The plan covers the near term, governed by the statutory requirement that the fund reserve ratio reach 1.35 percent by 2020; the medium term, when the reserve ratio has recovered to precrisis levels; and the long term, when the reserve ratio is large enough that the fund would be able to withstand a period of fund losses similar in magnitude to that of the late 1980s and early 1990s or the current crisis.²

This article presents the FDIC analysis that informed the medium- and long-term elements of the plan. The first section describes historical changes in DIF balances, reserve ratios, and assessment rates. The second section uses historical fund loss and simulated income data from 1950 to the present to determine how high the reserve ratio would have had to have been before this period's two banking crises to have maintained both a positive fund balance and stable assessment rates throughout. The analysis demonstrates that a moderate, long-term average industry assessment rate, combined with an appropriate dividend or assessment rate reduction policy, would have prevented the fund

from becoming negative during the crises. However, the fund's reserve ratio would have had to have exceeded 2 percent before the crises began.

A Brief History of the Deposit Insurance Fund

An examination of historical trends in the deposit insurance fund since 1935 helps illustrate the reasons for the FDIC's development of a new long-term policy for managing the fund. Twice since 1991, the fund's resources have been insufficient to handle the costs associated with large numbers of bank failures without a dramatic increase in assessment rates.³ During both crises, and indeed ever since 1950, assessment rates have been pro-cyclical; that is, insured institutions have paid lower premiums during prosperous times and high premiums during times of industry distress, when they were least able to afford them. Assessment rates since the late 1980s have been volatile, rather than steady and predictable. As context for the analysis that follows, this section will review changes in the fund balance, the reserve ratio, the effective assessment rate, and the ratio of industry earnings to total assessments from 1935 to 2010.⁴

The banking industry remained highly regulated and few banks failed during the FDIC's first four decades, allowing the fund balance to increase steadily from 1935 through the mid-1980s (see Chart 1).⁵ By 1946 the fund had reached \$1 billion, and by the early 1970s it had climbed to about \$5 billion. Although losses from

¹ See Notice of Proposed Rulemaking on Assessment Dividends, Assessment Rates and Designated Reserve Ratio, *Federal Register* 75 (October 27, 2010), 66272, <http://www.fdic.gov/regulations/laws/federal/2010/10proposeoct27.pdf>; and FDIC Restoration Plan, *Federal Register* 75 (October 27, 2010), 66293, <http://www.fdic.gov/regulations/laws/federal/2010/10noticeoct27.pdf>.

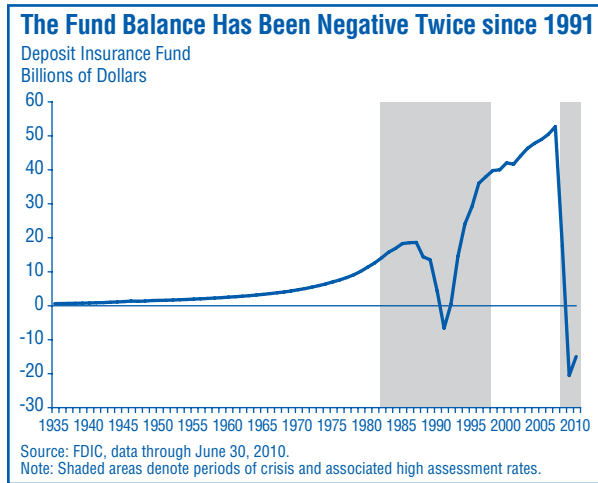
² *Ibid.* The FDIC proposes to set the designated reserve ratio (DRR) at 2 percent; maintain current assessment rates until the reserve ratio reaches 1.15 percent; and, in lieu of dividends, adopt progressively lower assessment rates when the reserve ratio reaches 1.15 percent, 2 percent, and 2.5 percent.

³ For 1935 to 1988, the term "fund" refers to the FDIC's deposit insurance fund; from 1989 to 2005, the term combines the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF); from 2006 onward, the term refers to the DIF. (From 1989 to 2005, the FDIC managed two deposit insurance funds—the FDIC's deposit insurance fund, which was renamed the BIF, and the SAIF, which was created to insure thrift institutions following the savings and loan crisis. The BIF and the SAIF were merged in 2006 to form the DIF.)

⁴ Although the FDIC began operations in 1934, it did so under a temporary insurance plan that used insured deposits (rather than adjusted total domestic deposits) as an assessment base until the passage of the Banking Act of 1935. For consistency, all historical data presented begin with year-end 1935.

⁵ About 400 mostly small banks failed during the late 1930s and early 1940s, but very few failed until the 1980s.

Chart 1



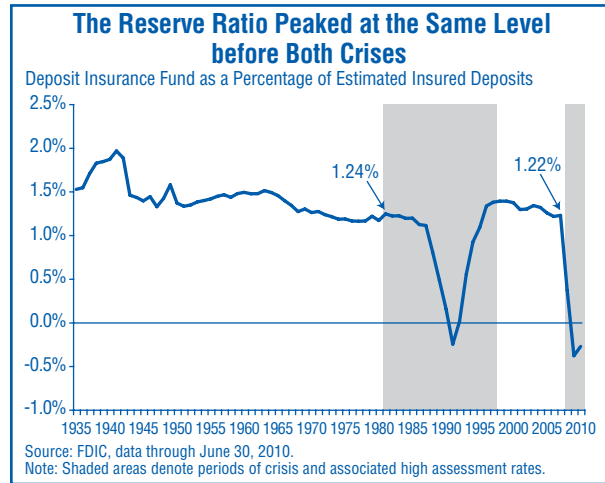
failures increased somewhat in the 1970s, the fund had grown to almost \$10 billion just before the banking crisis of the 1980s and early 1990s. The fund balance actually rose during the first half of the crisis, peaking at slightly more than \$18 billion in 1987. Increasing losses from hundreds of bank failures finally caused the fund balance to decline rapidly, to negative \$6.9 billion in 1991.⁶ The fund rebounded swiftly, however, and the combination of dwindling failures and high assessment rates pushed it to a new high of almost \$24 billion in 1994. A one-time special assessment in 1996 further bolstered the fund's resources.⁷ Extremely low losses for the next decade allowed the fund to grow unimpeded, despite relatively low average assessment rates, and at year-end 2007—on the eve of the current crisis—it had risen to more than \$52 billion. The current crisis, however, and the resulting large losses from 2008 onward, pushed the fund balance to a record low of negative \$20.9 billion at year-end 2009. As of June 30, 2010, the fund had recovered somewhat but was still a negative \$15.3 billion.

The reserve ratio, which compares the fund to estimated insured deposits, is both a measure of the FDIC's exposure and of fund adequacy (see Chart 2). The ratio stood at just under 2 percent as the nation entered World War II. An increase in insured deposits because of record savings rates during the war pushed down the

⁶ More than 1,600 FDIC-insured institutions failed between 1980 and 1994.

⁷ In 1996, to capitalize the SAIF, a special assessment mandated by the Deposit Insurance Funds Act of 1996 (DIFA) was levied on SAIF-insured deposits. See FDIC, *History of the Eighties: Lessons for the Future: An Examination of the Banking Crises of the 1980s and Early 1990s* (1997), 132–35.

Chart 2



ratio, as did the increase in the FDIC's insurance coverage level from \$5,000 to \$10,000 in 1950. From 1950 to 1980, the average ratio was 1.33 percent. Growth in insured deposits, particularly after 1966 (resulting partly from a series of increases in the coverage level from \$10,000 to \$100,000), contributed to a gradual decrease in the ratio, which by 1980 had dropped to 1.16 percent.⁸ As losses from failures mounted, the reserve ratio dipped below zero, reaching negative 0.25 percent in 1991. Starting in 1989 and continuing through 2005, the governing statute mandated a hard-target designated reserve ratio (DRR) of 1.25 percent as a measure of fund adequacy.⁹ The reserve ratio reached this level by 1996 following rapid recovery in the fund balance during the 1990s. During the next decade, the reserve ratio declined gradually because fund income was limited by the assessment rate policy mandated by the Deposit Insurance Funds Act of 1996 (DIFA) (see discussion below). The reserve ratio fell to 1.22 percent in 2007. The heavy losses associated with the current crisis pushed the ratio to an all-time low of negative 0.39 percent in 2009. These historical shifts in the fund's condition reflect changes in FDIC income and expenses. Two of the most important policies affecting

⁸ Congress increased the deposit insurance coverage level five times from 1950 to 1980: to \$10,000 in 1950, to \$15,000 in 1966, to \$20,000 in 1969, to \$40,000 in 1974, and to \$100,000 in 1980.

⁹ The hard target was statutorily imposed by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). See FDIC, *History of the Eighties*, 101. Under FIRREA the FDIC could, if circumstances warranted, set the DRR as high as 1.5 percent, but this provision was removed by the FDIC Assessment Rate Act of 1990. In 2006, after the passage of the Deposit Insurance Reform Act of 2005 (DIRA), the fund no longer had a hard-target DRR, but instead the DRR was allowed to range from 1.15 percent to 1.50 percent. The recent passage of Dodd-Frank established a minimum DRR of 1.35 percent.

income were those on assessment rates and those on assessment credits and dividends.

Both the assessment rate charged and whether (and how much) assessment income is refunded or credited to insured institutions have affected the FDIC's fund management significantly. From 1935 until 1950, the FDIC by law charged a flat assessment rate of 8.33 basis points against an assessment base of total adjusted domestic deposits—in other words, insured institutions paid 8.33 cents for every \$100 of deposits they held (see Chart 3).¹⁰

The banking industry began calling for decreases in this rate almost immediately, and such calls became more frequent as the fund balance increased and failures declined. In 1936, banks reportedly sought assessment rate cuts because the FDIC appeared to be accumulating reserves too quickly. In 1940, a prominent banker proposed lowering the rate to 6.25 basis points, saying that the fund was large enough (at year-end 1940, it stood at \$496 million) to deal with demands “even of crisis proportions.” By 1946, the New Jersey Bankers Association called for assessments to be ended altogether so long as the fund exceeded \$1 billion. The FDIC resisted any decrease, first by citing the uncertainty of the industry's post-Depression condition, then by emphasizing the dangers of converting to a postwar economy, and finally by arguing that such change could be contemplated only after the FDIC succeeded in repaying its initial capital (approximately \$289 million) and achieved a fund balance of \$1 billion.¹¹

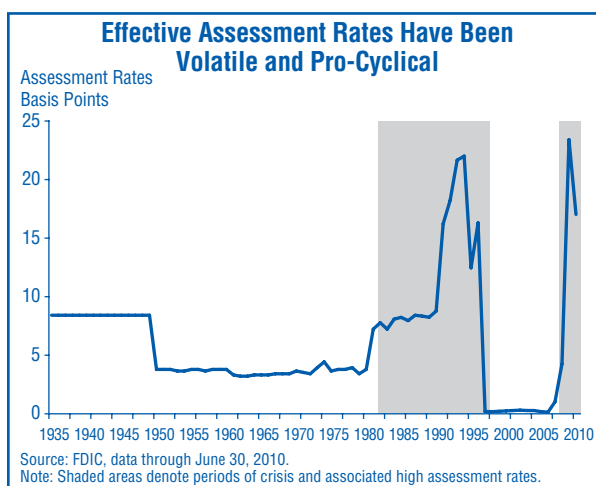
With this last condition met, Congress and the FDIC agreed to an adjustment in rates. However, the FDIC recommended against a permanent change because it had neither faced a serious economic downturn nor determined an exact level of fund adequacy.¹² Therefore, the Federal Deposit Insurance Act of 1950 (FDI Act) instead provided a 60 percent credit to insured institutions after FDIC expenses when assessment

¹⁰ The initial rate was based on the FDIC's analysis of losses in suspended commercial banks from 1865 to 1934. See FDIC, *Annual Report of the Federal Deposit Insurance Corporation for the Year Ending December 31, 1934* (1935), 73–113.

¹¹ See “Capital Expects Banks to Demand FDIC Rate Cut,” *Wall Street Journal*, August 4, 1936; “Banker Proposes FDIC Cut Its Rate,” *New York Times*, May 23, 1940; and “Bankers Ask End to FDIC Charges,” *New York Times*, May 12, 1946. The fund first reached \$1 billion in 1946, and the FDIC repaid its initial capital by 1948. The FDIC also paid the interest foregone on the initial capital during 1950 and 1951.

¹² FDIC, *Annual Report for the Year Ended December 31, 1950* (1951), 5.

Chart 3



income exceeded expenses.¹³ The effective assessment rate was then approximately halved; however, since the nominal rate remained unchanged, the credit could decrease if FDIC expenses rose. This policy was inherently pro-cyclical; it resulted in the FDIC's collecting lower assessments when failure levels were low and higher assessments when failures increased. Congress slightly increased the assessment credit to 66.66 percent in 1960, but lowered it to 60 percent in 1980 when the credit was linked to the reserve ratio.¹⁴ As losses from failures mounted during the early 1980s, credits grew gradually smaller until they ceased altogether in 1985, and the effective assessment rate returned to approximately 8.33 basis points.¹⁵

¹³ Expenses included operating costs, additions to loss reserves, and insurance losses sustained plus losses from preceding years in excess of reserves.

¹⁴ For the change in 1960, see Public Law No. 86–171. Provisions of this statute simplified the assessment process but resulted in many banks paying somewhat higher assessments. The FDIC therefore supported the small increase in the credit. Under the provisions of the Depository Institutions Deregulation and Monetary Control Act of 1980, if the reserve ratio was less than 1.10 percent the FDIC had to decrease the assessment credit to an amount that would restore the reserve ratio to at least 1.10 percent (although in so doing, the FDIC could not retain more than 50 percent of net assessment income). If the reserve ratio exceeded 1.25 percent, the FDIC could increase the assessment credit, but only in such a way that the reserve ratio remained at least 1.25 percent. If the reserve ratio exceeded 1.40 percent, the FDIC had to increase the assessment credit so that the reserve ratio did not exceed 1.40 percent.

¹⁵ Although no institution received credits after 1984, statute provided for the possibility of credits until 1994. Later statutes changed the terminology over time (to “refunds” in 1996 and to “dividends” in 2005), but the purpose of these provisions was always the return, when deemed appropriate, of some portion of assessments paid by insured institutions.

In response to the deepening banking crisis in the late 1980s, assessment rates rose considerably during the early 1990s. Both Congress and the FDIC sought to replenish the Bank Insurance Fund (BIF) and capitalize the Savings Association Insurance Fund (SAIF) through a series of rate increases, and by July 1991, the nominal assessment rate for each fund was 23 basis points.¹⁶ Institutions were charged these high rates at the height of the crisis, when they could least afford them. The swift recovery from the crisis meant that elevated rates lasted only through 1996. It was during this period of high rates that the risk-related premiums mandated by the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) were introduced (in 1993) so that the FDIC could appropriately price for risk-taking.¹⁷

The Deposit Insurance Funds Act of 1996 (DIFA) included a one-time special assessment on SAIF-assessable deposits to fully capitalize the SAIF and expanded the Financing Company's (FICO) assessment authority

to all FDIC-insured institutions.¹⁸ In addition, DIFA barred the FDIC from charging well-capitalized, highly rated institutions for deposit insurance once the DRR of 1.25 percent was achieved. This provision, backed by segments of the banking industry, led to pro-cyclical consequences that lasted a decade.¹⁹ Because the banking industry recovered much more quickly than anticipated, more than 90 percent of the industry rapidly fell into the well-capitalized, highly rated category and paid no deposit insurance assessments at all from 1996 to 2006. The effective assessment rate therefore approached zero for about ten years.²⁰ By giving the FDIC authority to require all insured institutions to pay at least a minimum assessment, the Deposit Insurance Reform Act of 2005 (DIRA) corrected the moral hazard inherent to this system. However, the low premium income from 1996 to 2006 limited both the fund's growth and its ability to withstand the current crisis, just as the credit policy in effect from 1950 to 1984 had resulted in the FDIC's having fewer resources during the prior crisis. To meet the costs of the current crisis, effective assessment rates had to increase significantly beginning in 2008.

In general, the FDIC has charged the lowest assessment rates during prosperous periods and the highest rates during and in the wake of crisis periods. These policies affected the degree to which insured institutions were burdened by assessment rates over time (see Chart 4). From 1987 to 1992, assessments were on average 22 percent of industry net income. During 2009, assessments (including the one-time special assessment) were more than 140 percent of industry net income.²¹

¹⁶ In 1989, FIRREA set BIF rates at 12 basis points for 1990 and 15 basis points for 1991 and thereafter. SAIF rates were set at 20.8 basis points for 1990; 23 basis points for 1991 through 1993; 18 basis points for 1994 through 1997; and 15 basis points for 1998 and thereafter. The FDIC was given the authority to impose higher rates if appropriate to restore the fund to the DRR within a reasonable period, but rates could not exceed 32.5 basis points or be raised by more than 7.5 basis points in a year (SAIF rates, however, were fixed through 1994). See FIRREA, §208. The FDIC Assessment Rate Act of 1990 set the BIF rate at 15 basis points (or a higher rate at the FDIC's discretion—FIRREA's rate limits were removed) to enable the fund to reach the DRR within a reasonable period. However, the new law maintained the SAIF rates set by FIRREA through 1997 as minimum rates that could be increased at the FDIC's discretion. See Title 2 of the Omnibus Budget Reconciliation Act of 1990, §2002. SAIF rates were therefore 23 basis points for all of 1991. By statute, BIF rates would have been 15 basis points in 1991, but the FDIC twice used its statutory authority to raise them—first to 19.5 basis points in 1990 (for 1991) and then to 23 basis points at midyear 1991 (effective July 1, 1991). See FDIC, *1990 Annual Report* (1991), 17, and *1991 Annual Report* (1992), 13. In the short term, the FDIC's reasons for raising rates included projected decreases in the reserve ratio and the need to pay interest on an anticipated \$10 billion in borrowing for working capital from the Federal Financing Bank. In the longer term, the increases were seen as necessary for the recapitalization of the BIF. See *Federal Register* 56 (May 7, 1991), 21064.

¹⁷ FDICIA required that the FDIC change the flat-rate assessment system to one based on an institution's risk to the deposit insurance fund, taking into account a variety of risk measurements, the likelihood of loss to the fund, and the fund's revenue needs. FDICIA also required that the design of the required risk-based premium system incorporate average effective assessment rates at least at the level they had been at on July 15, 1991 (if the fund either had outstanding borrowings or was below the DRR). See FDICIA, §302.

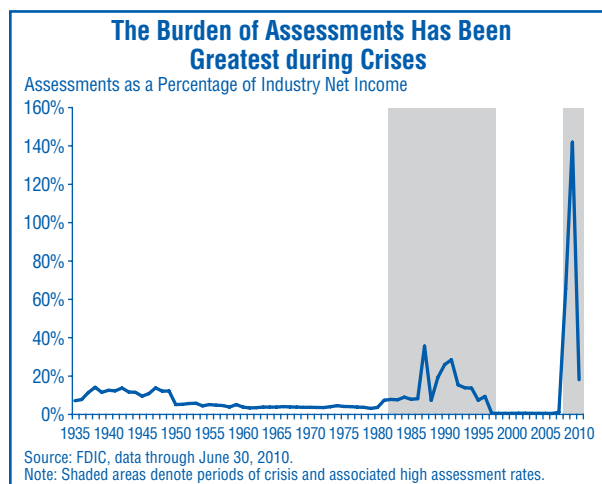
¹⁸ The FICO was created by the Competitive Equality Banking Act in 1987 as a vehicle to recapitalize the FSLIC. The expansion of FICO assessments to BIF-insured institutions was contentious during the legislative debate. See *History of the Eighties*, 133–35.

¹⁹ For example, the American Bankers Association notes that it promoted the provision. See http://www.aba.com/Industry+Issues/FDIC_RBP.htm (accessed November 15, 2010). See Public Law 104–208, §2708.

²⁰ The annual industry-wide effective assessment rate in 1996 was high because of the imposition of the one-time SAIF special assessment mandated by DIFA; without the special assessment, the effective rate was approximately 2.4 basis points. In 2007 and 2008 (particularly in 2007), effective assessment rates were decreased by the effect of a one-time assessment credit provided for in DIRA.

²¹ In 2009, the FDIC imposed a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009.

Chart 4



Changes under Dodd-Frank

The additional flexibility provided by Dodd-Frank was integral to the FDIC's comprehensive fund management plan and to the approach taken in the simulated fund analysis presented in this article. It is therefore helpful to briefly summarize the important changes made by the law that affect the FDIC's ability to manage the fund.

Dodd-Frank raised the minimum DRR, which the FDIC must set each year, from 1.15 percent to 1.35 percent and removed the upper limit on the DRR and therefore on the size of the fund.²² It also required that the fund reserve ratio reach 1.35 percent by September 30, 2020, instead of 1.15 percent by the end of 2016.²³ The statute also significantly changed dividend policy: the FDIC is no longer required to provide dividends from the fund when the reserve ratio is between 1.35 percent and 1.5 percent. Moreover, although the law continues the FDIC's authority to declare dividends when the reserve ratio at the end of a calendar year is at least 1.5 percent, it grants the FDIC sole discretion to suspend or limit the declaration or payment of dividends.²⁴

²² See footnote 9.

²³ Dodd-Frank requires that the FDIC offset the effect on small institutions (those with less than \$10 billion in assets) of the statutory requirement that the fund reserve ratio increase from 1.15 percent to 1.35 percent by September 30, 2020. This will entail imposing additional assessments on large institutions (those with at least \$10 billion in assets). The FDIC plans to determine the mechanism and manner of the offset through rulemaking expected to begin in 2011.

²⁴ See Public Law No. 111-203, §§332 and 334.

Analysis of Loss, Income, and Reserve Ratios

The FDIC sought to develop a long-term fund management strategy to reduce pro-cyclicality; keep assessment rates moderate, steady, and predictable throughout economic and credit cycles; and maintain a positive fund balance even during a banking crisis. To explore the potential policy options, the FDIC analyzed the trade-offs between assessment rates and policies that either award dividends or reduce assessment rates by creating a simulated deposit insurance fund covering the years 1950 to 2010.

The simulated fund uses FDIC historical data on the assessment base (total adjusted domestic deposits) and FDIC losses. Fund income is modeled by combining assessment base data with an investment portfolio of Treasury securities based on FDIC historical experience. The simulated fund's portfolio of securities changes in response to the FDIC's provision for losses, reflecting higher and lower anticipated losses over time.²⁵

The analysis varied assessment rates and dividends to determine what would have happened to the simulated fund's balance and reserve ratio from 1950 to 2010. Below are the results of four of these options in detail. Each achieves the goal of maintaining a positive fund balance throughout the 60-year period. The first two options are on opposite ends of the policy spectrum. The first assumes that the FDIC grants no dividends, while the second assumes that the FDIC dividends the maximum allowable under the law. The third and fourth options compare limited dividend and assessment rate reduction policies that successfully meet the FDIC's objectives for sound fund management.

Four Policy Options

To determine the appropriate level of dividends and assessment rates, our analysis first tried to answer a straightforward question: What constant average nominal assessment rate during the entire 60-year period would have maintained a positive fund balance during both crisis periods, assuming a policy that provided no dividends?²⁶ The result is a moderate rate of 7.44 basis points, which would have allowed the fund's reserve ratio to reach 2.48 percent (in 1981) before the crisis of the 1980s and early 1990s, and 2.03 percent (in 2006) before the current crisis (see Charts 5 and 6). Failure to reach these reserve ratios would have resulted in a negative

²⁵ See the appendix for a detailed discussion of the methodology and assumptions used in the simulations.

²⁶ All assessment rates represent an industry-wide average.

Chart 5

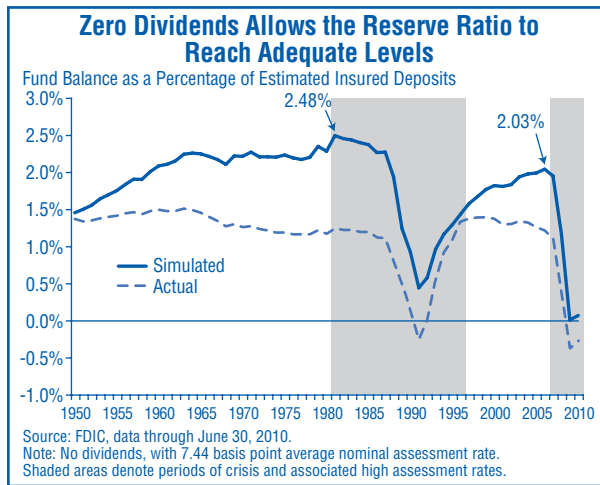
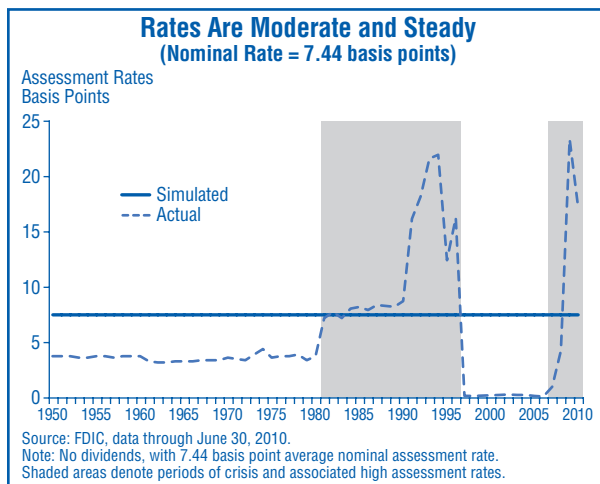


Chart 6



balance. Assessment rate volatility was by design completely eliminated. This policy is in many ways successful, but it eliminates the possibility of dividends or rate reductions and potentially allows the fund to grow without limit. Although the fund must have sufficient resources to handle a period of large fund losses, the fund need not grow larger than necessary to do so.

Moreover, during most years since 1950, federal statutes have provided for either a credit or dividend policy (although since 1985 no recurring credits or dividends have been awarded). Having first examined the consequences of granting no dividends, the analysis sought to evaluate the consequences had the full amount of dividends possible under current law been granted from 1950 to 2010. As amended by Dodd-Frank, the FDI Act provides that the FDIC dividend 100 percent of the

amount in the fund in excess of the amount required to maintain the reserve ratio at 1.5 percent, but gives the FDIC sole discretion to suspend or limit these dividends. Granting the maximum allowable dividends would have resulted in substantial premium volatility and pro-cyclical average effective assessment rates (see Charts 7 and 8).²⁷ Indeed, granting full dividends requires a constant average nominal assessment rate of 21.96 basis points to maintain a positive fund balance during both periods of crisis. Such a rate is historically very high and corresponds most closely to the rates charged to recapitalize the fund after a crisis. In some years, the effective assessment rate would have been negative in order to maintain the reserve ratio at 1.5 percent.

Chart 7

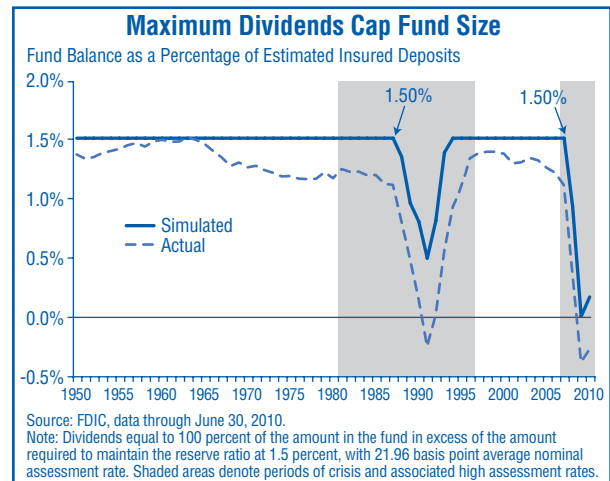
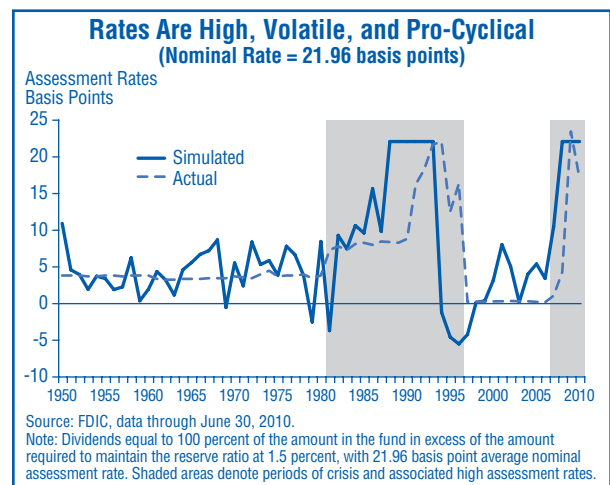


Chart 8



²⁷ Average effective assessment rates are calculated by subtracting dividends paid from assessments received.

Given the limitations of awarding either no dividends or the maximum allowable dividends, the analysis examined a third and fourth option. Option three limited dividends, while option four reduced assessment rates in lieu of dividends; both were consistent with the broad set of goals for fund management. The analysis showed that these options would achieve the FDIC's goals of maintaining both a positive fund balance and moderate, steady assessment rates throughout economic and credit cycles.

The third option awards dividends as a percentage of the amount in the fund in excess of the amount required to maintain the reserve ratio at a specified level. The analysis has already shown that granting maximum allowable dividends would have required a high constant average nominal assessment rate. However, granting limited dividends when the reserve ratio reaches 2 percent and somewhat greater dividends if the reserve ratio reaches 2.5 percent permits a significantly lower constant average nominal assessment rate from 1950 to 2010 to keep the fund balance positive.²⁸ Increasing dividends when the reserve ratio exceeds 2.5 percent would prevent the fund from growing larger than necessary to remain positive during periods of high losses.

This option results in a moderate constant nominal assessment rate of 8.45 basis points across the entire 60-year period (see Charts 9 and 10). The reserve ratios necessary to maintain a positive fund balance are 2.24 percent before the crisis of the 1980s and early 1990s, and 1.98 percent before the current crisis. These ratios are, of course, significantly higher than the level of the DRR historically but should be sufficient to withstand a future period of large fund losses similar to those the FDIC has experienced during the past 30 years. Procyclicality is limited, but this option generates moderate premium volatility.

The last option achieves the FDIC's fund management goals of maintaining both a positive fund balance and

²⁸ Specifically, under this option, dividends would be equal to 25 percent of the amount in the fund in excess of the amount required to maintain the reserve ratio at 2 percent and 50 percent of the amount in the fund in excess of the amount required to maintain the reserve ratio at 2.5 percent. The nearer a dividend comes to 100 percent of an institution's assessment, however, the more it introduces moral hazard and reduces or eliminates the FDIC's ability to control and price for risk-taking. To avoid the possibility that an insured institution could receive a dividend that approaches 100 percent of its assessment, this option limits dividends such that no institution can receive a dividend greater than 50 percent of its annual assessment.

Chart 9

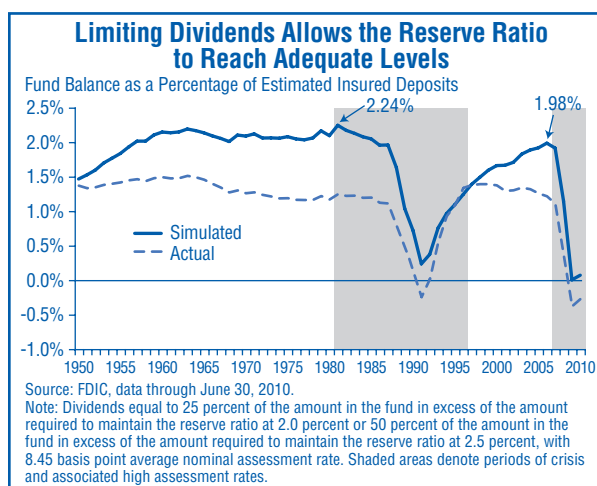
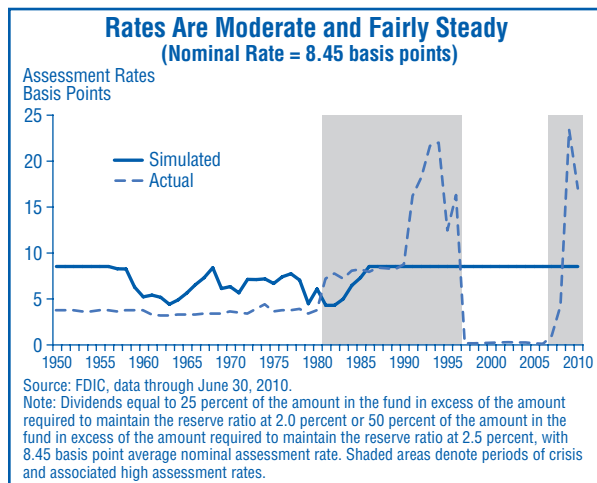


Chart 10



moderate, steady assessment rates throughout economic and credit cycles by reducing the average assessment rates in lieu of dividends.²⁹ Rates are reduced by 25 percent when the reserve ratio reaches 2 percent and by 50 percent when the reserve ratio reaches 2.5 percent. Again, an increased rate reduction would prevent the fund from growing larger than necessary to remain positive during periods of high losses.

This option results in a moderate constant nominal assessment rate of 8.47 basis points during the entire 60-year period (except when reduced as a result of the

²⁹ This method is not without precedent. Under FDICIA (§302(e)(3)), the use of assessment credits was eliminated in 1994 and replaced with assessment rate reductions. As the fund reserve ratio was under the DRR, no rate reductions took place before DIFA replaced rate reductions with refunds in 1996.

Chart 11

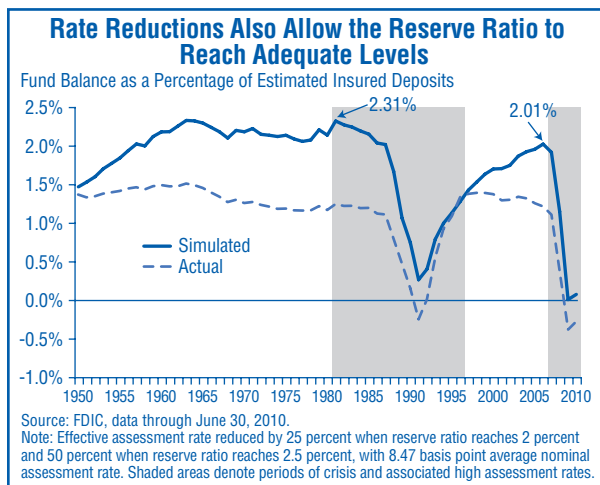
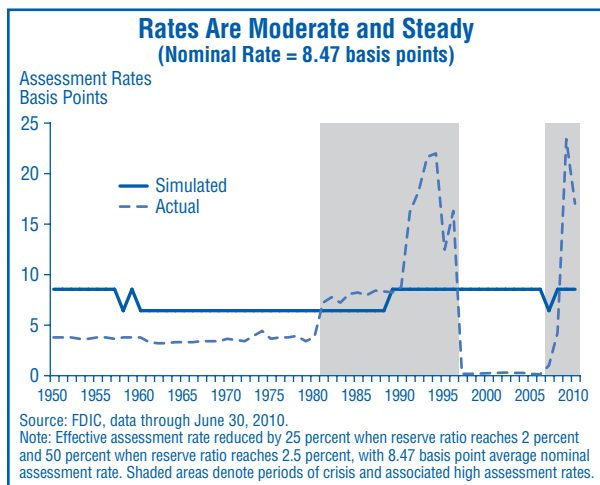


Chart 12



fund exceeding the 2 percent threshold), almost identical to the rate required under the third option, which limited dividends (see Charts 11 and 12). The reserve ratios necessary to maintain a positive fund balance are 2.31 percent before the crisis of the 1980s and early 1990s, and 2.01 percent before the current crisis—similar to the ratios required under the third option. Premium volatility and pro-cyclicality are both successfully minimized, but premium volatility is significantly lower than under the third option.³⁰ Interestingly, both the third and fourth options generate nominal assess-

³⁰ Additional comparative examples of simulations using varying levels of assessment rate reduction and reserve ratios at which rates are first reduced are presented in the appendix.

ment rates almost identical to the rate the FDIC supported in 1935.³¹

Since 1935, the assessment base calculation has been derived from total domestic deposits. Dodd-Frank, however, has significantly altered this calculation to one derived from average consolidated total assets minus average tangible equity. For purposes of comparison, the analysis for the fourth option was repeated, but with the assumption that the new assessment base had been in place from 1950 to 2010. This analysis allows for an approximation of the long-term moderate rate required using the new assessment base.³²

This simulation results in peak reserve ratios similar to those using the current base (see Chart 13). The simulated fund successfully limits both rate volatility and pro-cyclicality. The one significant change—due to the alteration in the composition of the assessment base—is that the constant nominal assessment rate required to maintain a positive fund balance from 1950 to 2010 drops from 8.47 to 5.29 basis points (see Chart 14). The rate is lower because for much of the period the assessment base calculated using the new definition is significantly larger than under the old definition.

A final concern is whether the fund will recover quickly enough after a period of high fund losses. This is of particular importance given the current statutory requirement that once the fund drops below a reserve ratio of 1.35 percent (or is expected to), the FDIC must adopt a restoration plan that provides that the reserve ratio will return to 1.35 percent within eight years (although the period can be extended under extraordinary circumstances). The speed with which the reserve ratio returns to 1.35 percent can be explored by looking at the behavior of the simulated fund using the fourth option during and after the high losses of the 1980s and

³¹ In 1935, FDIC officials believed that the 8.33 basis point rate would likely be insufficient to build up the deposit insurance fund but endorsed it (and indeed the 8.33 basis point rate was a legislative compromise—the House bill included a higher rate) because it would allow banks to build up capital. See *Banking Act of 1935: Hearings on H.R. 5357, February 21, Before the House Committee on Banking and Currency, 74th Cong., 48 (1935)* (statement of Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation).

³² The Dodd-Frank Act provides that the assessment base be changed to average total consolidated assets minus average tangible equity. See Public Law No. 111–203, §331. For this simulation, from 1990 to 2010, the assessment base equals year-end total industry assets minus Tier 1 capital. For earlier years (before the Tier 1 capital measure existed) it equals year-end total industry assets minus total equity.

Chart 13

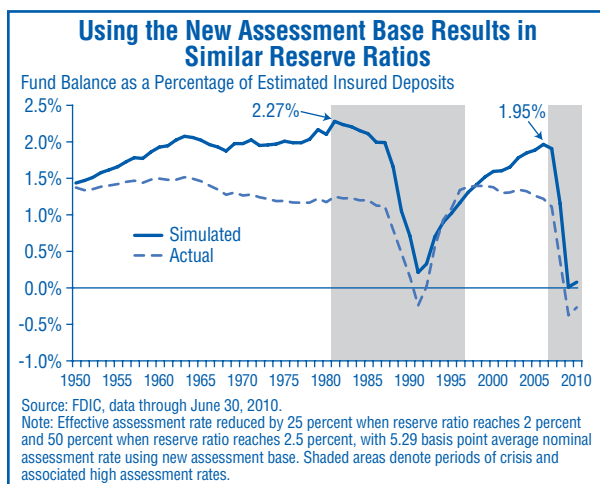
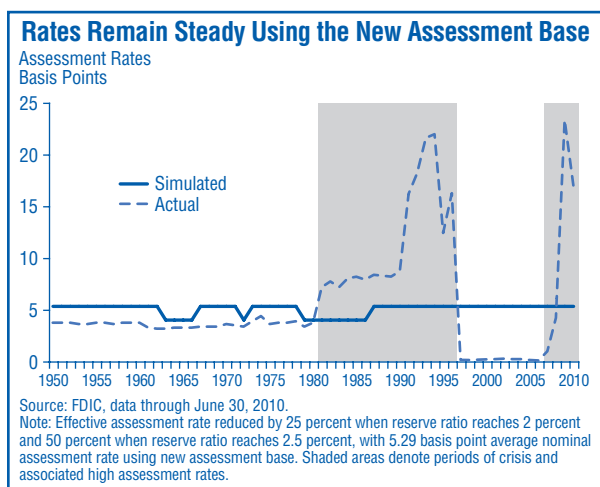


Chart 14



early 1990s. The simulation that charges 8.47 basis points (using an assessment base of adjusted total domestic deposits) first drops below a reserve ratio of 1.35 percent in 1989 and recovers to that level in eight years (in 1997). The simulation that charges 5.29 basis

points (using an estimated assessment base of total assets minus tangible equity) also first drops below 1.35 percent in 1989, but takes one additional year to return to that level (in 1998). Both versions of the simulation demonstrate that the constant nominal rate charged would fit the statutory requirements for the restoration of the fund from a period of losses similar to that during the 1980s and early 1990s.

Conclusion

The simulated fund analysis has clear implications. Historically, a reserve ratio of more than 2 percent would have been necessary for the fund to withstand crisis periods while maintaining a positive balance. Limiting the simulated fund's growth, either by capping the reserve ratio at levels previously thought to be appropriate or by granting dividends or rate reductions at those levels, led to high nominal assessment rates that were both highly pro-cyclical and volatile. However, either suspending dividends until the reserve ratio reaches 2 percent and then awarding only limited dividends or, in lieu of dividends, lowering assessment rates when the reserve ratio reaches 2 percent, allows the fund to reach a level sufficient to withstand crises of the magnitude already experienced with rates that are significantly less pro-cyclical. A policy that lowers rates in lieu of dividends results in rates that are less volatile.

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The authors wish to thank Diane Ellis, Paul Kupiec, Marc Steckel, Jack Reidhill, Munsell St. Clair, Christine Blair, David Lee, and Ahmad Sarsour, all from the FDIC's Division of Insurance and Research, for their advice and assistance in developing the simulation analysis and for their helpful comments on this article.

Appendix

This appendix provides supplementary details on the method used to generate fund simulations in the FDIC's analysis. It also presents additional comparative examples of simulations using a variety of assessment rate policies that combine different constant nominal assessment rates with different levels of assessment rate reduction awarded at different reserve ratio thresholds.

Methodology and Assumptions

Data

Except as specifically noted in the text, the simulated fund's assessment base and fund expenses are actual FDIC historical data.³³ For the years 1950 to 1988, data are from the FDIC insurance fund; from 1989 to 2005, data combine the BIF and the SAIF; from 2006 onward, DIF data are used. FDIC historical data are altered in only one respect: because all depositors in failed banks during the current crisis were covered up to \$250,000, the FDIC deposit insurance coverage level for 2007 is assumed to be \$250,000 even though the coverage limit in effect at the time was \$100,000. (The Dodd-Frank Act extended the \$250,000 coverage limit retroactively to depositors in any insured depository institutions for which the FDIC was appointed receiver or conservator on or after January 1, 2008.) Historical interest rate data are from the Board of Governors of the Federal Reserve System.

Treatment of Historical Assessment Credits, Special Assessments, and FSLIC/RTC Costs

The simulated fund implements neither the assessment credit policies in effect from 1950 to 1984 nor the one-time assessment credit provided under DIRA. In addition, the simulated fund's income includes neither the one-time special assessment to recapitalize the SAIF in 1996 nor the one-time special assessment imposed in 2009. The simulated fund does not include as expenses the costs of the savings and loan crisis, which were borne by the Federal Savings and Loan Corporation (FSLIC) and Resolution Trust Corporation (RTC) for savings and loan failures during the 1980s and early 1990s. The inclusion of these costs would require a much higher reserve ratio to keep the fund balance positive during the late 1980s and early 1990s.

³³ The assessment base used in this analysis is adjusted total domestic deposits. The Dodd-Frank Act provides that the assessment base be changed to average total consolidated assets minus average tangible equity.

Investment Strategy

No consistent historical data are available describing the FDIC's investment portfolio over time. Moreover, as a simulated fund diverges from the actual fund, the FDIC's actual investment choices become increasingly irrelevant to the simulated fund's likely choices. After reviewing available FDIC data, the method chosen for the analysis was a modeled investment portfolio with the following investment strategy and set of rules for the simulated fund. The fund assumes a "default" portfolio mix of Treasury securities to be maintained under most conditions: 35 percent in six-month securities; 25 percent in one-year securities; 25 percent in three-year securities; and 15 percent in five-year securities. This portfolio mix remains fixed unless the FDIC's provision for losses increases for two consecutive years. In that event, all income (proceeds from maturing securities, as well as net assessment and interest income) is invested in six-month Treasury securities. The simulated fund therefore has an increasingly shorter-term bias as anticipated losses from failures rise. When the fund's income exceeds expenses for two years, the fund's investments return to the 35-25-25-15 mix.

Assessment Rate, Dividend, and Reserve Ratio Variables

Constant nominal industry average assessment rates in the analysis range from 7.44 to 25.88 basis points. The analysis examines two sets of options: percentage reductions in assessment rates and dividends as a percentage of the amount in the fund over a specified reserve ratio. Rate reductions and dividend amounts range from zero to 100 percent. Reserve ratios at which assessment reductions or dividends are first awarded range from 1.5 percent to 2.5 percent.

Additional Comparative Examples

This section provides further detail and examples of the trade-offs the FDIC examined in seeking an appropriate long-term fund management policy that takes into account the goals of maintaining both a positive fund balance and moderate, steady assessment rates throughout economic and credit cycles.³⁴ The examples below

³⁴ Specifically, the analysis sought to implement an assessment rate policy (a constant nominal rate in combination with assessment rate reductions) that would result in the fund falling to zero in 2009 (the fund's trough during the current crisis). Using assessment rates greater than those identified would cause the simulated fund to grow higher during periods of benign economic conditions and give the fund a capital buffer above zero in 2009.

vary assessment rate reductions and the reserve ratio at which reductions are first awarded.

Maintaining Relatively Low Assessment Rates

Table A.1 shows the constant nominal assessment rates that need to be applied to keep the fund from becoming negative during both crises using various levels of assessment rate reduction and reserve ratios at which rates are first reduced.

In general, policies with low reserve ratios at which assessment rate reductions are first awarded and high rate reductions require relatively high nominal assessment rates, and so fail to keep assessment rates relatively low and steady. Policy options with high reserve ratios at which assessment rate reductions are awarded and low rate reductions require the lowest nominal assessment rates.

Reducing Pro-cyclical Assessments

In its analysis, the FDIC sought policies that reduced pro-cyclical assessments, which are lower during prosperous times but higher when both insured institutions and the fund are stressed by significant losses. Table A.2 compares average effective assessment rates during crisis years with average effective assessment rates during noncrisis years as a measure of how pro-cyclical effective assessment rates are throughout time.³⁵

Again, policies that reduce rates at lower reserve ratios and by higher amounts are less desirable and produce greater pro-cyclicality. As a point of reference, the average assessment rates of the actual fund (which has historically had to implement pro-cyclical assessment policies during times of crisis to cover losses and rebuild the fund) more than quadrupled during crisis periods. An appropriate assessment reduction policy should seek relatively small changes in effective assessment rates across both crisis and noncrisis periods.

Table A.1

Nominal Assessment Rates Needed to Maintain Positive Fund Balance					
Percentage Reduction in Rates	Reserve Ratio at Which Rates Are First Reduced				
	1.50	1.75	2.00	2.25	2.50
100	25.88	14.94	9.23	8.03	7.53
75	17.84	14.15	8.90	7.98	7.49
50	12.32	11.70	8.73	7.99	7.46
25	9.22	9.04	8.47	7.75	7.43
10	8.03	7.97	7.78	7.54	7.41

Source: FDIC.

Table A.2

Assessment Rate Multiplier from Noncrisis to Crisis Years					
Percentage Reduction in Rates	Reserve Ratio at Which Rates Are First Reduced				
	1.50	1.75	2.00	2.25	2.50
100	4.9	2.4	1.2	1.0	0.9
75	2.6	2.1	1.1	1.0	1.0
50	1.4	1.3	1.1	1.0	1.0
25	1.1	1.1	1.0	0.9	1.0
10	1.0	1.0	1.0	1.0	1.0

Source: FDIC.

³⁵ Crisis years are defined as 1981 to 1996 (although in terms of bank failures this crisis ended by 1994, the industry had to pay high premiums for an additional two years in order to recapitalize the fund) and 2008 to 2010, while all other years in the sample are noncrisis years: 1950 to 1980 and 1997 to 2007.

Highlights from the 2010 Summary of Deposits

Each year as of June 30, the Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) survey each FDIC-insured institution to collect information on bank and thrift deposits and operating branches and offices. The resulting Summary of Deposits (SOD) is a valuable resource for analyzing deposit and office trends as well as domestic deposit market share.

SOD data were publicly released on October 7, 2010, and are available through the FDIC's Web site at <http://www2.fdic.gov/sod/index.asp>. Available SOD data include information on the deposits and branching activities of individual FDIC-insured institutions, market share information, and various summary charts and tables. This article highlights findings from the 2010 SOD, focusing on national trends in domestic deposits and banking offices, and presents some information by state, metropolitan area, and institution.¹

The Number of Offices Declined and Deposit Growth Slowed

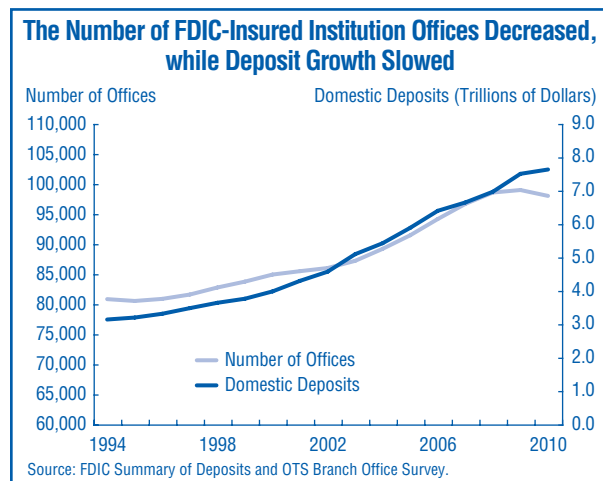
The number of FDIC-insured institution offices fell by 1.0 percent to 97,950 during the year ending June 30, 2010, a net decrease of 993 offices and the first decline since 1995.² Meanwhile, commercial banks and thrifts reported weak deposit growth during the year. The volume of deposits at FDIC-insured institutions increased only 1.7 percent, the lowest growth rate in 15 years and well below the 7.7 percent rate reported a year ago (see Chart 1).³

¹ This analysis reflects updates in SOD data as of October 7, 2010. All FDIC-insured institutions that operate branch offices beyond their home office and that are required to file a financial report with one of the Federal Financial Institutions Examination Council agencies must submit responses to SOD surveys to the FDIC or the OTS. Automated teller machines are not considered offices for the purposes of the survey. Call Report information on unit banks (banks with a single headquarters office) has been combined with branch office data to form the SOD database.

² SOD data prior to 1994 are not available electronically and therefore are not shown in this article.

³ Offices include those in the 50 states and the District of Columbia but not those in U.S. territories. The SOD data include domestic deposits only, referred to in this report as "deposits."

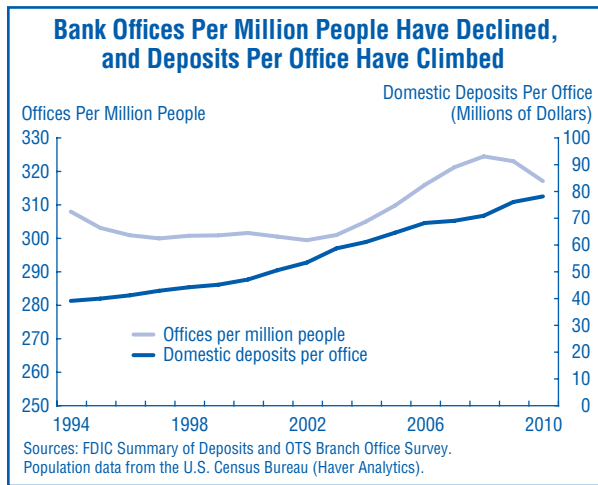
Chart 1



The decrease in the number of offices comes at a time when bank failures and problem banks are at their highest levels since the banking crisis of the 1980s and early 1990s. The number of FDIC-insured institutions declined by 365 during the year ending June 30, 2010, compared with a decline of 256 the prior year. Failures and mergers each accounted for roughly half of the decrease.

Branch network contraction may also reflect the industry's continued efforts to reduce expenses in light of the recent recession and protracted recovery. From first quarter 2002 through fourth quarter 2007—roughly the period of the previous expansion—the average noninterest expense to average asset ratio was 3.12 percent, compared with 2.95 percent during the recent recessionary period from first quarter 2008 through second quarter 2009. Since then, the average noninterest expense to average asset ratio has trended slightly lower, to 2.91 percent, indicating that banks and thrifts continue to monitor overhead costs closely. The effects of office contraction and industry cost reduction efforts have particularly affected staffing. The number of employees at FDIC-insured institutions declined 8.1 percent to 2 million between first quarter 2008 and June 30, 2010.

Chart 2



Given the contraction in the number of offices, the ratio of offices per million people decreased 1.8 percent from 2009 to 2010, the second consecutive decrease in this ratio (see Chart 2). The number of offices per million people as of June 30, 2010—317—almost equaled the June 30, 2006, level of 316. The decrease in the number of bank and thrift offices boosted the amount of domestic deposits per office this year, although the rate of growth was below that of prior years, given overall lower deposit growth. Domestic deposits per office increased 2.7 percent in 2010, less than half the 7.3 percent reported in 2009 and also below the five-year compound annual growth rate (CAGR) of 3.9 percent.⁴

Table 1

Micropolitan Areas Reported the Highest One-Year Deposit Growth Rate						
	Metropolitan Areas		Micropolitan Areas		Other Areas	
	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)	Number of Offices	Domestic Deposits (\$ billions)
June 2005	69,157	5,178	11,792	431	9,730	267
June 2009	75,950	6,681	12,160	493	9,831	318
June 2010	75,349	6,793	12,147	507	9,746	321
1-Year Growth Rate	-0.8%	1.7%	-0.1%	2.7%	-0.9%	1.0%
5-Year Compound Growth Rate	1.7%	5.6%	0.6%	3.3%	0.0%	3.7%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.
 Notes: Deposit-taking offices only. Metropolitan statistical areas have urban clusters of greater than 50,000 or more inhabitants. Each micropolitan statistical area has an urban cluster of between 10,000 and 50,000 inhabitants. Other areas have less population. See U.S. Census Bureau definitions for greater detail.

⁴ The CAGR is the *n*th root of the percentage change, where *n* is the number of years in the period.

Small Cities and Towns Reported the Fastest Deposit Growth

Deposits and offices continue to be concentrated in metropolitan areas. As of June 30, 2010, about 77 percent of offices and 89 percent of domestic deposits were located in metropolitan areas, a level unchanged from 2009 (see Table 1).⁵ However, this is the first year since 1995 that the number of offices in metropolitan areas decreased and the number of offices decreased simultaneously in all three community size categories: metropolitan, micropolitan, and “other” areas.⁶

Micropolitan areas—smaller cities and towns—had both the highest deposit growth rate and the lowest percentage of office contraction during the year. Office contraction rates for metropolitan areas and “other” less populated areas were both less than 1.0 percent; however, metropolitan areas had a higher rate of deposit growth. Metropolitan areas had higher five-year CAGRs for both deposit and office growth than either micropolitan or “other” areas.

“Other” Office Types Grew Fastest during the Past Year

Traditional brick-and-mortar offices make up 90 percent of all commercial banking offices; however, the SOD surveys all banking offices, including retail (e.g., offices in supermarkets or other stores), drive-

⁵ Metropolitan statistical areas have urban clusters of greater than 50,000 inhabitants.

⁶ Micropolitan statistical areas have urban clusters of between 10,000 and 50,000 inhabitants. “Other” areas have populations of 10,000 or fewer inhabitants.

Table 2

Other Banking Offices Increased at the Fastest Rate					
	Brick and Mortar Offices	Retail Offices	Drive-Through Facilities	Other Office Types	Total
June 2005	68,769	4,576	2,762	592	76,699
June 2009	78,163	5,337	2,329	655	86,484
June 2010	77,991	5,259	2,480	760	86,490
1-Year Growth Rate	-0.2%	-1.5%	6.5%	16.0%	0.0%
5-Year Compounded Growth Rate	2.5%	2.8%	-2.1%	5.1%	2.4%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.
Note: Deposit-taking offices of commercial banks only.

through offices, and “other” office types. The “other” category, which comprises primarily mobile or seasonal offices and those that provide back-office support for Internet deposit operations, posted the highest growth rate during the past year, followed by drive-through facilities (see Table 2).⁷ This is the second consecutive year that the “other” office category posted the highest growth rate.

Large Organizations Reported the Strongest Deposit Growth

Large organizations (those with more than \$10 billion in total deposits) continue to report the largest share of banking offices and domestic deposits among insured banks and thrifts. Large organizations grew deposits during the year ending June 30, 2010 (see Table 3). Deposits at midsized organizations (those with between

\$1 billion and \$10 billion in total deposits) and at small organizations (those with less than \$1 billion in total deposits) decreased. Reflective of overall deposit growth, the 2010 deposit growth rate for organizations in each of the three size groups was significantly below its corresponding five-year CAGR.

Office growth for organizations in each of the three size groups was also below its corresponding five-year CAGR during the year. Large organizations posted the only increase (2.5 percent) in the number of offices. The number of offices operated by both midsized and small organizations declined.

Industry office and deposit growth is affected not only by the organic growth of individual institutions and the growth achieved through mergers and acquisitions, but also by the number of institutions that fail. Small and

Table 3

	Large Organizations			Midsized Organizations			Small Organizations		
	Number of Institutions	Number of Offices	Domestic Deposits (\$ billions)	Number of Institutions	Number of Offices	Domestic Deposits (\$ billions)	Number of Institutions	Number of Offices	Domestic Deposits (\$ billions)
June 2005	68	39,019	3,552	376	17,011	1,071	8,382	34,636	1,247
June 2009	69	44,773	4,864	462	19,678	1,274	7,628	33,480	1,347
June 2010	69	45,890	5,075	447	18,982	1,203	7,283	32,360	1,329
1-Year Growth Rate	0.0%	2.5%	4.3%	-3.2%	-3.5%	-5.6%	-4.5%	-3.3%	-1.4%
5-Year Compounded Growth Rate	0.3%	3.3%	7.4%	3.5%	2.2%	2.4%	-2.8%	-1.4%	1.3%

Source: FDIC Summary of Deposits and OTS Branch Office Survey.
Notes: Deposit-taking offices only. Small organizations are those with consolidated deposits less than \$1 billion. Midsized organizations are those with consolidated deposits of \$1 billion to \$10 billion. Large organizations are those with consolidated deposits greater than \$10 billion.

⁷ Office type information is not provided for OTS-supervised institutions.

Table 4

More Banking Organizations Are Operating in 15 or More States				
Company	Number of States with Deposit Offices	Reported Number of Deposit Offices	Domestic Deposits (\$ billions)	Share of Total Domestic Deposits (%)
Wells Fargo & Company	40	6,586	750.4	9.8%
Bank of America Corporation	36	6,041	916.1	11.9%
U.S. Bancorp	26	3,056	169.2	2.2%
JPMorgan Chase & Co.	24	5,227	652.7	8.5%
Beal Bank SSB	21	33	2.6	0.0%
BNP Paribas	20	716	45.0	0.6%
First Citizens Bancshares, Inc.	17	442	17.8	0.2%
Woodforest Financial Group, Inc.	17	736	2.9	0.0%
Northern Trust Corporation	17	88	23.3	0.3%
Dickinson Financial Corporation	17	207	5.0	0.1%
PNC Financial Services Group	16	2,572	177.3	2.3%
Capitol Bancorp Ltd.	16	69	4.2	0.1%
Regions Financial Corporation	16	1,774	95.8	1.2%
KeyCorp	15	1,027	61.8	0.8%
Citigroup Inc.	15	1,023	307.3	4.0%

Sources: FDIC Summary of Deposits and OTS Branch Office Survey.
Note: Deposit-taking offices only.

midsized institutions have been more likely to fail or be acquired, depressing growth for these size categories while boosting growth rates for large institutions, which are more likely to be net acquirers of failed and merged institutions. For example, of the 184 institutions that were acquired through merger transactions in the year ending June 30, 2010, 165 were small organizations and 13 were midsized. Of the 181 institutions that failed last year, 145 were small organizations and 34 were midsized.

The Number of Banking Organizations with Operations in Multiple States Increased

Although no banking organization, even the largest or most geographically diverse, operates in all 50 states and the District of Columbia, the number that operate in at least 15 states increased from 14 to 15 during the year (see Table 4). As of June 30, 2010, only one banking organization—Bank of America Corporation—reported holding more than 10 percent of aggregate domestic deposits. As banking organizations grow

larger, they may encounter nationwide deposit concentration limits.⁸

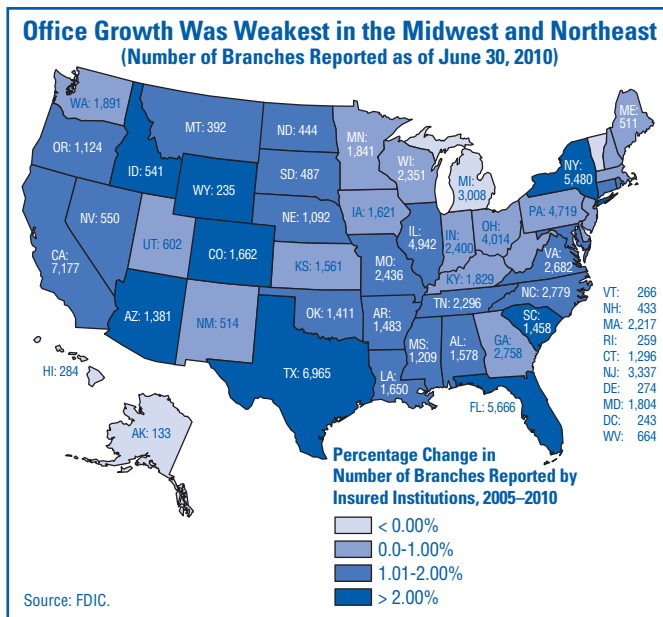
States with the Highest Population Growth Rates Generally Reported Higher Office Growth Rates

Studies have shown that office growth is related to demographic factors such as population, employment, and per capita income growth.⁹ In general, states with a faster growing population have experienced greater

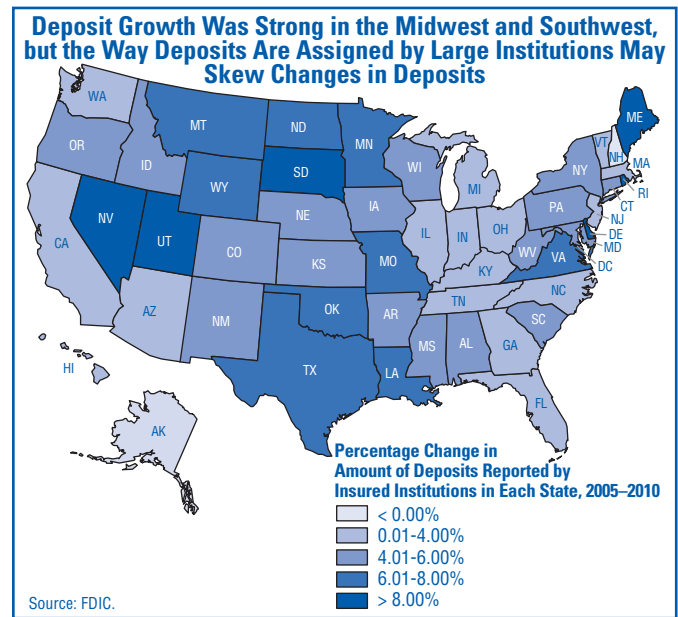
⁸ Concentration limits are set forth in the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as codified by the FDIC in Section 44 of the Federal Deposit Insurance Act. The Act states in part that bank regulatory agencies cannot approve an interstate merger transaction if the resulting bank (including all insured depository institutions that are affiliates of the resulting bank), upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States, with certain exceptions. The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 (Dodd-Frank) creates an additional cap based on the total liabilities of banking and thrift organizations and nonbank firms identified as posing systemic risk. Dodd-Frank prohibits mergers or acquisitions by such firms if the total consolidated liabilities of the resulting company would exceed 10 percent of the aggregate total consolidated liabilities of such firms.

⁹ See Ron Spieker, "Bank Branch Growth Has Been Steady—Will It Continue?" *FDIC Future of Banking Study*, August 2004, http://www.fdic.gov/bank/analytical/future/fob_08.pdf.

Map 1



Map 2



office growth over the past five years.¹⁰ For example, six of the ten states with the fastest population growth also ranked among the top ten states for office growth during the past five years. However, the relationship was not as strong among states with slow population growth. Of the ten states with the slowest population growth, only four ranked among the bottom ten for office growth.

Deposit volumes are not as strongly correlated with population growth and are driven by other factors, such as state law. Institutions also may follow different procedures when assigning deposits to branches, such as the proximity to the account holder’s address, the office where the deposit account is most active, the office where the account originated, or the office assignment used when determining employee compensation. The factors affecting office and deposit growth have contributed to divergent office and deposit growth rates across the nation (see Maps 1 and 2).

¹⁰ The five-year compound growth rate in the number of offices by state has a correlation coefficient of 0.51 to the five-year compound growth rate in population by state. In contrast, the five-year compound growth rate in the amount of deposits by state has a correlation coefficient of 0.32 to the five-year compound growth rate in population by state. The correlation coefficient is a statistic that measures the degree to which two or more data series move together.

Three-Fourths of the Nation’s 25 Largest Markets Are “Highly Concentrated” or “Moderately Concentrated”

By law, bank regulatory agencies and the Department of Justice must consider market concentration in their analysis of proposed mergers and acquisitions. The Herfindahl-Hirschman Index (HHI) is a commonly used measure of market concentration.¹¹ The HHI measures increases in market concentration as banking organizations increase their deposit market share in a particular trade area. As of June 30, 2010, 4 of the 25 largest metropolitan areas had an HHI in the “highly concentrated” range, and another 15 metropolitan areas had an HHI in the “moderately concentrated” range (see Table 5).

Individual trends in market concentration in the nation’s 25 largest metropolitan areas were mixed in 2010. The number of metropolitan areas with HHI scores in the “highly concentrated” or “moderately concentrated” range decreased by a net of one when

¹¹ Under the Department of Justice (DOJ) guidelines, markets with an HHI of less than 1,000 are considered “unconcentrated,” those with an HHI between 1,000 and 1,800 are considered “moderately concentrated,” and those with an HHI greater than 1,800 are considered “highly concentrated.” For more details, see the joint Federal Trade Commission and DOJ Web site on “Horizontal Merger Guidelines” at http://www.usdoj.gov/atr/public/guidelines/horiz_book/hmg1.html.

Table 5

Four of the Largest Metro Areas Are Characterized as “Highly Concentrated” Markets According to the Department of Justice’s Herfindahl-Hirschman Index Measurement (Top 25 metropolitan areas by population as of June 30, 2010)				
Metropolitan Area	Herfindahl-Hirschman Index	Population Estimate (millions)	5-Year Compounded Growth Rate in Offices	5-Year Compounded Growth Rate in Deposits
Pittsburgh, PA	2,466	2.4	0.2	5.9
San Francisco-Oakland-Fremont, CA	2,323	4.4	1.3	6.1
Minneapolis-St. Paul-Bloomington, MN-WI	2,259	3.3	1.2	10.0
Cincinnati-Middletown, OH-KY-IN	2,028	2.2	0.7	8.9
Phoenix-Mesa-Scottsdale, AZ	1,674	4.4	4.6	3.9
Houston-Sugar Land-Baytown, TX	1,551	6.0	4.1	6.6
Dallas-Fort Worth-Arlington, TX	1,513	6.6	3.7	6.2
Sacramento--Arden-Arcade--Roseville, CA	1,306	2.2	2.3	2.4
Portland-Vancouver-Beaverton, OR-WA	1,293	2.3	1.7	5.7
Baltimore-Towson, MD	1,281	2.7	0.4	5.7
Detroit-Warren-Livonia, MI	1,281	4.4	-0.1	2.3
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,276	19.2	2.1	3.9
San Diego-Carlsbad-San Marcos, CA	1,270	3.1	1.7	2.8
Atlanta-Sandy Springs-Marietta, GA	1,248	5.6	0.8	3.2
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1,224	6.0	0.3	11.4
Seattle-Tacoma-Bellevue, WA	1,151	3.5	0.9	3.6
Riverside-San Bernardino-Ontario, CA	1,116	4.2	3.4	0.8
Boston-Cambridge-Quincy, MA-NH	1,071	4.6	1.0	3.8
Denver-Aurora, CO	1,016	2.6	3.1	6.1
Los Angeles-Long Beach-Santa Ana, CA	962	13.0	1.7	3.2
Washington-Arlington-Alexandria, DC-VA-MD-WV	959	5.5	2.9	4.9
Tampa-St. Petersburg-Clearwater, FL	958	2.8	1.4	5.6
Miami-Fort Lauderdale-Pompano Beach, FL	719	5.5	1.7	2.6
Chicago-Naperville-Joliet, IL-IN-WI	635	9.7	1.5	3.4
St. Louis, MO-IL	632	2.9	2.9	8.2

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

compared with last year’s HHI scores.¹² However, HHI scores for 15 of the 25 largest metropolitan areas increased during the year ending June 30, 2010, up from ten during the prior year.

Within particular markets, some large institutions continue to exert significant local market power. In 11 of the nation’s 25 largest metropolitan areas, one institution reports a market share of at least one-fourth of domestic deposits. Overall, the three banking organizations with the largest branch networks have 18 percent

¹² Both the Tampa and Washington, DC, metropolitan areas reported HHI scores below 1,000 in 2010; the Boston metropolitan area’s HHI score increased to above 1,000.

of the nation’s deposit offices but hold 30 percent of domestic deposits.

Conclusion

The number of banking offices decreased for the first time in 15 years, and deposit growth slowed during the year ending June 30, 2010. The number of offices declined in communities of all sizes as a result of institution failures and merger and acquisition activity as well as the industry’s continued efforts to reduce overhead in response to lingering challenges in the operating environment. Large institutions reported higher-than-average deposit growth and slightly positive office growth, and hold significant levels of deposits

in a number of markets across the country. Going forward, expectations for future office growth are modest as the industry continues to work through high levels of problem assets and related earnings weaknesses (see accompanying *Quarterly Banking Profile*).

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The author would like to thank Tom Leonard and Benjamin Tikvina of the Division of Insurance and Research for their contributions to this article.



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