Press Releases

FDIC-Insured Institutions Report Earnings of $914 Million in the Fourth Quarter of 2009

Full-Year Net Income Totaled $12.5 Billion

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

"Consistent with a recovering economy, we saw signs of improvement in industry performance," said FDIC Chairman Sheila C. Bair. "But as we have said before, recovery in the banking industry tends to lag behind the economy, as the industry works through its problem assets."

Several factors contributed to the year-over-year improvement in quarterly earnings. Noninterest income was $21.7 billion (53.2 percent) higher in the fourth quarter than a year earlier and noninterest expense declined by $16.2 billion (14.2 percent). Realized losses on securities and other assets were $8.7 billion lower and net interest income was $1.7 billion (1.8 percent) higher. Provisions for loan losses totaled $61.1 billion in the quarter, a decline of $10.0 billion (14.1 percent) from the fourth quarter of 2008. This is the first time since the third quarter of 2006 that quarterly loss provisions have been below year-earlier levels.

The FDIC noted that indicators of asset quality continued to deteriorate during the fourth quarter, although the pace of deterioration slowed for a third consecutive quarter. Insured banks and thrifts charged off $53.0 billion in uncollectible loans during the quarter, up from $38.6 billion a year earlier, and noncurrent loans and leases increased by $24.3 billion during the fourth quarter. At the end of 2009, noncurrent loans and leases totaled $391.3 billion, or 5.37 percent of the industry's total loans and leases.

Total loans and leases declined by $128.8 billion (1.7 percent) during the quarter. This is the sixth consecutive quarter in which the industry's loan balances declined. Loans to commercial and industrial (C&I) borrowers declined by $54.5 billion (4.3 percent) and real estate construction and development loans declined by $41.5 billion (8.4 percent).

Referring to more stringent lending standards and lower real estate values, Chairman Bair said, "Resolving these credit market dislocations will take time. We encourage institutions to lend using a balanced approach as outlined in the recent interagency policy statements. Institutions should neither over-rely on models to identify and manage concentration risk nor automatically refuse credit to sound borrowers because of those borrowers' particular industry or geographic location."

Total assets of insured institutions declined by $137.2 billion (1.0 percent). Banks' investments in mortgage-backed securities increased by $44.8 billion (3.3 percent) and U.S. Treasury securities rose by $15.9 billion (18.3 percent).

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

Full-year revenues were higher than in 2008. Noninterest income, which had fallen in each of the two previous years, was $52.8 billion (25.4 percent) higher than in 2008, while net interest income was $38.1 billion (10.6 percent) higher. These improvements were partially offset by a $71.5 billion (40.6 percent) rise in loan loss provisions in 2009. Fewer than half of all institutions (41 percent) reported increased net income in 2009, and 29.5 percent of all insured institutions posted net losses for the year.

As expected, the number and total assets of institutions on the FDIC's "Problem List" continued to rise. At the end of December, there were 702 insured institutions on the "Problem List," up from 552 on September 30. In addition, the total assets of "problem" institutions increased during the quarter from $345.9 billion to $402.8 billion. Forty-five institutions failed during the fourth quarter, bringing the total number of failures for the year to 140, the highest annual total since 1992.

The FDIC's liquid resources – cash and marketable securities -- increased to $66 billion at year-end from $23 billion at the end of September. To provide the funds needed to resolve failed institutions in 2010 and beyond without immediately reducing the industry's earnings and capital, the FDIC Board approved a measure on November 12th that required most insured institutions to prepay about three years worth of deposit insurance premiums – almost $46 billion – at the end of 2009.

The Deposit Insurance Fund (DIF) balance – the net worth of the fund – decreased by $12.7 billion during the fourth quarter. The fund balance of negative $20.9 billion (unaudited) as of December 31 reflects a $44 billion contingent loss reserve that has been set aside to cover estimated losses. Just as banks reserve for loan losses, the FDIC has to set aside reserves for anticipated losses to the DIF from insured institution failures. Combining the fund balance with this contingent loss reserve shows total DIF reserves of $23.1 billion.

Total insured deposits increased by 13.5 percent ($641.3 billion) during 2009, which reflects the temporary increase in the standard maximum FDIC deposit insurance amount from $100,000 to $250,000.

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

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