SUMMARY PROFILE OF MINORITY DEPOSITORY INSTITUTIONS

The FDIC's research study, **Minority Depository Institutions: Structure, Performance, and Social Impact**, published in 2019, found that MDIs play a vital role in providing mortgage credit, small business lending, and other banking services to minority and LMI communities. MDIs are anchor institutions in their communities and play a key role in building a more inclusive financial system. As such, the preservation and promotion of MDIs remains a long-standing priority for the FDIC.

In accordance with the **Statement of Policy Regarding Minority Depository Institutions** (see Attachment 1), the FDIC maintains a list and tracks the insured MDIs it supervises, i.e., state-chartered institutions that are not members of the Federal Reserve System, as well as MDIs that are supervised by the Office of the Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (Federal Reserve).[1] The FDIC takes this broad approach given its role in considering applications for deposit insurance and in resolving institutions in the event an MDI were to fail.

1 The FDIC's published list of FDIC-insured MDIs does not include women-owned or women-managed institutions because they are not included in the statutory definition.

Structure

As of December 31, 2023, FDIC-insured MDIs totaled 148 institutions with combined total assets of almost $350 billion and 35,827 employees (see Attachment 2, List of Minority Depository Institutions). The FDIC supervised 98 of the 148 MDIs as their primary federal regulator. Of these institutions, 96 are state chartered institutions that are not members of the Federal Reserve, one is a state savings and loan association, and one is a state savings bank.

Figure 1: FDIC-Insured MDIs by Federal Regulator as of December 31, 2023

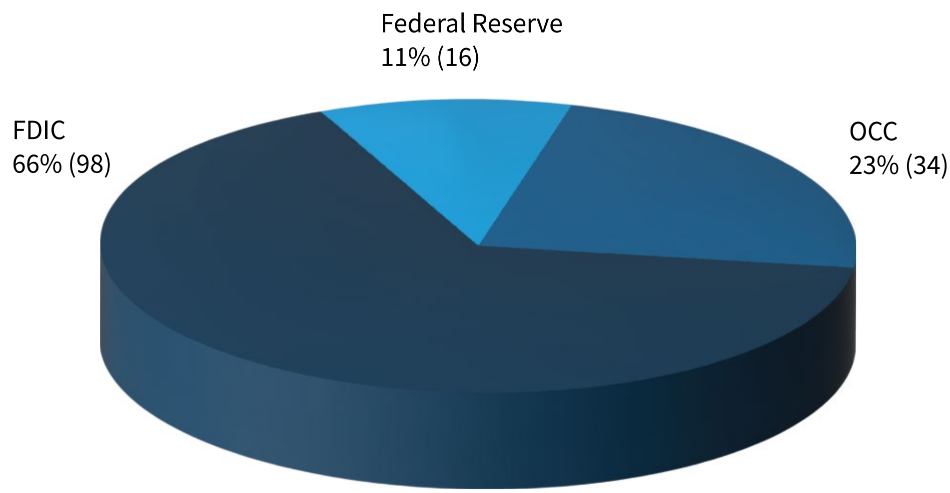


Table 1: Asset Distribution for all FDIC-Insured Institutions as of December 31, 2023

Asset Size	Total MDIs	Approximate Percentage of all FDIC-insured MDIs
Less than $50 million	5	3%
$50 million to $100 million	18	12%
$100 million to $300 million	34	23%
$300 million to $1 billion	51	35%
$1 billion to $10 billion	33	22%
Greater than $10 billion	7	5%
Total	**148**	**100%**

At the start of 2023, there were 147 FDIC-insured MDIs with combined total assets of over $330 billion. During the year, two new de novo MDIs opened their doors, one African American and one Hispanic American institution. In addition, three institutions were designated as MDIs: one African American, one Asian American, and one Multi-racial American. Three Asian American and one Hispanic American MDI were removed from the list during the year due to merger or acquisition with non-MDIs.

FDIC-insured MDIs are located in 34 states and territories. Twenty-two states and territories do not have any MDIs.

Figure 2: FDIC-Insured MDIs by Minority Status as of December 31, 2023

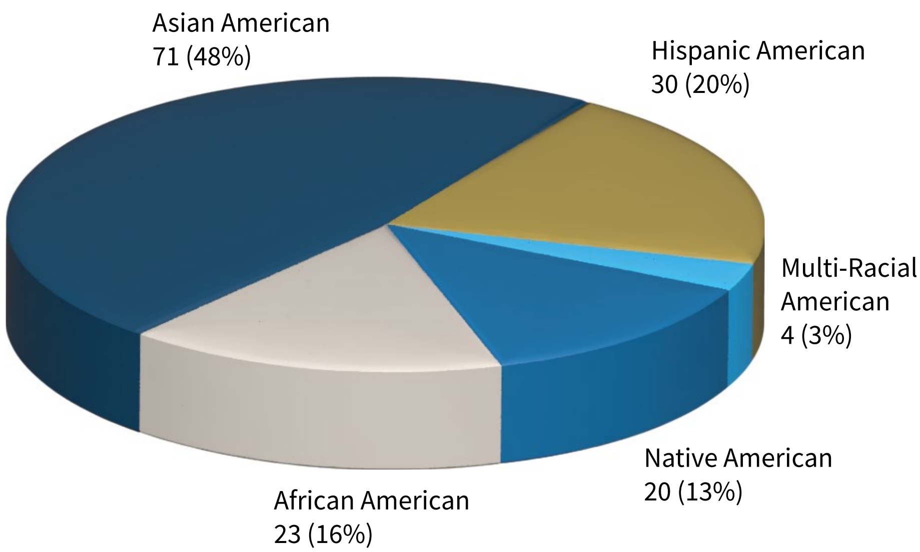
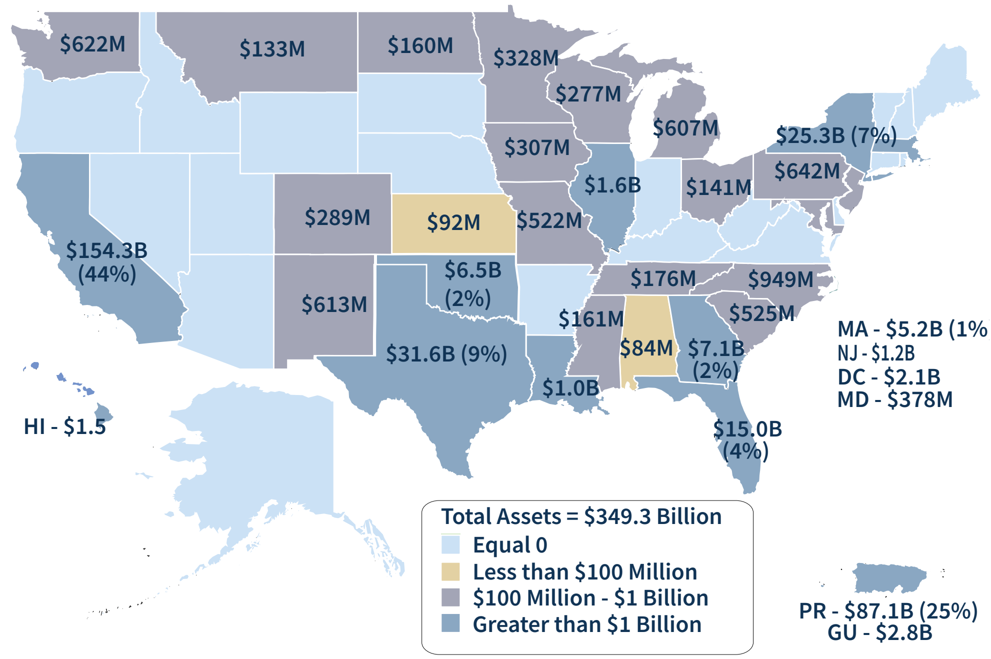
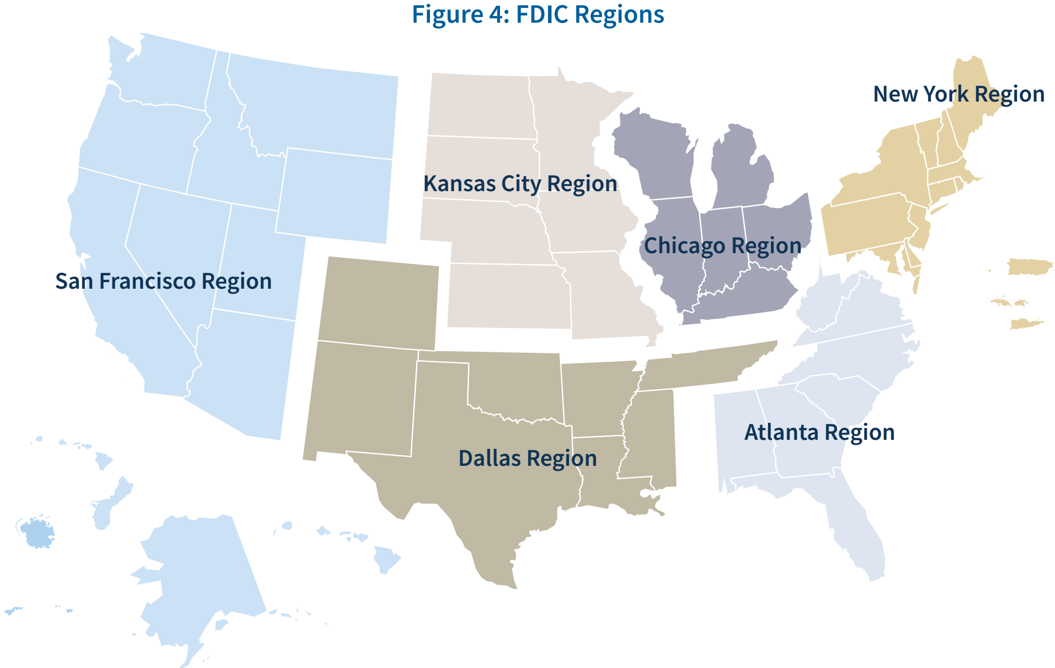


Figure 3: FDIC-Insured MDI Assets by State as of December 31, 2023



FDIC-supervised banks are divided into six geographical regions for supervisory oversight. Of all FDIC-supervised MDIs, the San Francisco region includes the most MDIs with 31, followed by the Dallas region with 26 MDIs, the New York region with 14 MDIs, the Atlanta region with 15 MDIs, and the Chicago and Kansas City regions with 8 and 4 MDIs, respectively.

Figure 4: FDIC Regions



A further breakdown discloses that FDIC-supervised MDIs are located in 28 states and territories across the country with the heaviest concentrations in California with 25 FDIC-supervised MDIs and Texas with 15 FDIC-supervised MDIs. A total of 14 states and territories only have one FDIC-supervised MDI. Twenty states do not have any MDIs.

Figure 5: FDIC-Insured MDIs by State as of December 31, 2023

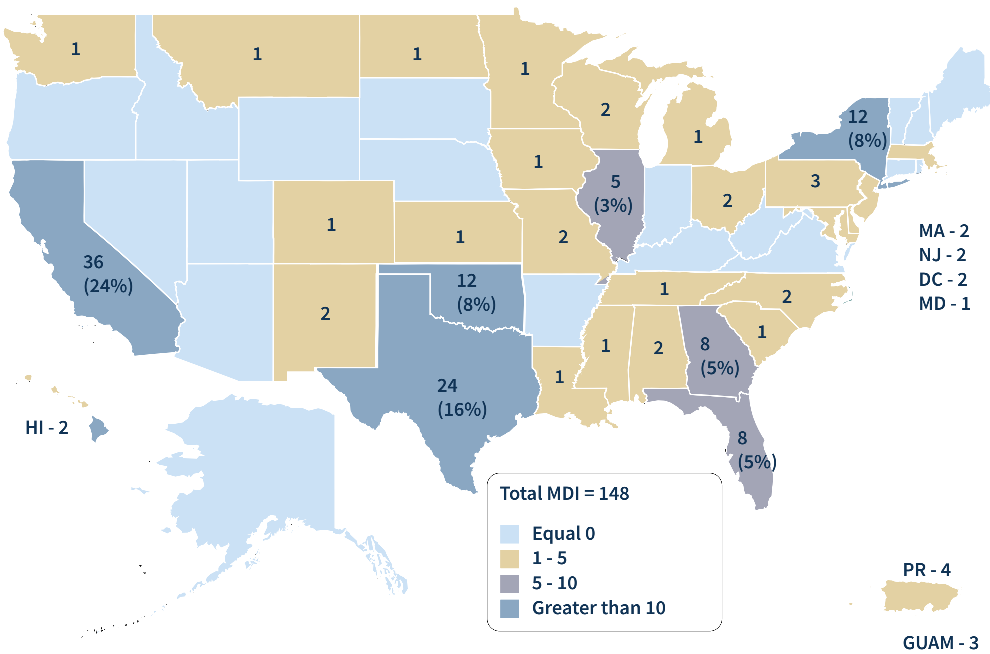


Table 2: Asset Distribution for FDIC-Supervised institutions as of December 31, 2023

Asset Size	Total MDIs	Approximate Percentage of all FDIC-supervised MDIs
Less than $50 million	5	5%
$50 million to $100 million	11	11%
$100 million to $300 million	24	24%
$300 million to $1 billion	29	30%
$1 billion to $10 billion	25	26%
Greater than $10 billion	4	4%
Total	**98**	**100%**

The majority of all FDIC-supervised MDIs (94 MDIs or 96 percent) are banks with total assets of less than $10 billion.

Financial Performance

As of December 31, 2023, the banking industry as a whole reported modest declines in net income; however, the overall financial performance of FDIC-insured MDIs remains sound. Some performance ratios have declined since year-end 2022 due to various factors including rising market interest rates, the FDIC's special assessment at a few large firms, and increasing loan growth and deposit expense. Net income has declined slightly since 2022. MDI full-year 2023 net income was $4.4 billion, a $400 million decrease (8.33 percent) compared to full-year 2022. The primary driver in the decrease was the increase in noninterest expense coupled with a decrease in net interest income. The pretax return on assets (pretax ROA) ratio decreased to 1.67 percent in 2023 compared to 1.88 percent at year-end 2022. This ratio remains 45 basis points higher than the community bank pretax ROA ratio of 1.22 percent.

The decline in net income in MDIs, and the banking industry as a whole, was due in large part to non-recurring, noninterest expenses recognized by large banks during the fourth quarter. The largest contributor to the decline was the expense related to a special assessment to recover the estimated loss to the Deposit Insurance Fund attributable to the protection of uninsured depositors following the failure of two banks during spring 2023. Six MDIs were subject to the FDIC's special assessment totaling $20.5 million for fourth quarter 2023, which also accounted for an estimated 84.3 percent of the increase in noninterest expense during the quarter.

The total special assessment amount for the six MDIs is $163.7 million.[2] Further, noninterest expenses also increased with the increase in provision expenses. Provision expenses increase the amount set aside by institutions to protect against future credit losses and reflect continued loan growth and economic uncertainty that may affect future credit quality. Provision expenses in 2023 totaled $696 million compared to $380 million in 2022. The aggregate allowance for credit losses represented 1.44 percent of total loans at year-end 2023, comparable to year-end 2022. Noninterest expense increased $662 million (9.4 percent) from one year earlier, primarily due to a rise in other noninterest expenses (up $399.3 million or 14.6 percent) and salaries and employee benefits expense (up $211.6 million or 6.1 percent).

2 The special assessment will be shown as an additional charge on the regular quarterly deposit insurance invoice beginning with the first quarterly assessment period of 2024 (i.e. January 1 through March 31, 2024) with a payment date of June 28, 2024. Refer to FDIC's Final Rule on Special Assessment Pursuant to Systemic Risk Determination, 12 CFR Part 327, for additional information.

The overall profitability of MDIs experienced a marginal decline with the decrease in pretax ROA. Less than half of MDIs (41.2 percent) reported year-over-year earnings growth for the full year in 2023, compared with 61.0 percent reporting such growth in 2022. The percentage of MDIs that reported a net loss for the year increased to 16.2 percent, higher than the community bank rate of 11.0 percent. The percentage of profitable MDIs remained relatively stable over the year at 87.84 percent. The percentage of unprofitable MDIs decreased to 12.16 percent and remains higher than the percentage of both community banks and all banks that are unprofitable, at 5.24 percent and 5.21 percent, respectively. Unprofitable institutions are generally smaller, and many are located either in urban areas that experienced significant economic distress during periods of financial crisis and the pandemic or smaller rural markets with economic challenges exacerbated by the pandemic. Unprofitable MDIs also include de novo, newly chartered institutions that are generally unprofitable during the first three years of operation.

The MDI sector increased its total loans by $15.9 billion (7.1 percent) from one year earlier. Commercial real estate (CRE) loan categories accounted for $7.5 billion of total loan growth, mostly from nonfarm nonresidential CRE loans ($4.6 billion) and multifamily CRE loans ($1.7 billion). Growth in 1–4 family residential loans accounted for an additional $4.9 billion. The MDI sector loan growth rate for the quarter (increasing 2.3 percent) and the year-over-year growth rate (increasing 7.1 percent) compares favorably to that of all community banks, increasing 1.8 percent and 7.8 percent, respectively. Paycheck Protection Program (PPP) loan balances fell to $107.2 million in fourth quarter 2023 from $279.0 million in fourth quarter 2022. The PPP loan balance for fourth quarter 2023 was 0.04 percent of the total MDI loan balance.

Asset quality metrics were generally favorable overall, although deterioration is evident in CRE and consumer loan portfolios. Total noncurrent loan balances decreased $102 million (5.1 percent) since year-end 2022. The decline is primarily driven by decreases in noncurrent 1-4 family residential loans (down $196.0 million or 18.4 percent). However, the decline in noncurrent loan balances was partially offset by increases in noncurrent CRE loans (up $65.1 million or 14.4 percent), driven by increases in noncurrent nonfarm nonresidential loans (up $43.7 million or 12.1 percent). Further, noncurrent consumer loans increased $16.1 million (13.3 percent), and noncurrent Commercial & Industrial (C&I) loans increased $14.7 million (5.7 percent) since year-end 2022. The level of noncurrent loan balances has been highly impacted by the weak demand in office space reducing net operating income, as well as higher interest rates affecting the credit quality and refinancing ability of office and other types of CRE loans. Further, consumer loan delinquency has been impacted by economic conditions.

The MDI noncurrent rate was 0.78 percent is roughly the same as third quarter 2023, but higher than the community bank noncurrent rate of 0.54 percent. Net charge-off balances and the net charge-off rate increased. Net charge-off balances increased $57.8 million (67.3 percent) from fourth quarter 2022, and the rate increased 9 basis points to 0.24 percent. The MDI net charge-off rate was higher than the community bank net charge-off rate of 0.18 percent reported for fourth quarter 2023. Higher consumer net charge-off balances of $36 million (up 62.7 percent) and C&I loan net charge-off balances of $22.0 million (up 297.0 percent) drove the increase. The coverage ratio (allowance for credit losses to noncurrent loans and leases) increased to 183.2 percent, up from 162.8 percent a year earlier. A decline in noncurrent loans from the previous year (down $101.9 million or 5.1 percent) and an increase in the allowance for credit losses (up $218.8 million or 6.8 percent) caused the year-over-year rise. The MDI coverage ratio remained below the community bank coverage ratio of 227.8 percent.

The capital levels of MDIs continue to improve due to retained earnings and investments from private organizations. Total equity capital increased $3.7 billion (11.4 percent) from the previous year to $35.9 billion and increased $2.0 billion (6.0 percent) from third quarter 2023. Growth in retained earnings was the main contributor to the year-over-year increase in equity capital of $2.1 billion (11.2 percent). In addition, many organizations continue to support the efforts of mission driven banks through capital investments. Further, unrealized losses on available-for-sale securities decreased $1.8 billion in fourth quarter 2023 and decreased $1.1 billion over the year. The majority of MDIs (88.5 percent) reported an increase in equity capital from a year earlier.

The overall performance of the MDI sector continues to reflect many of the economic headwinds facing the banking industry as a whole. While the MDI sector's overall performance has remained sound over the past year, ongoing economic and geopolitical uncertainty, continuing inflationary pressures, volatility in market interest rates, and emerging risks in some bank loan portfolios pose significant downside risks to the banking industry overall and for MDIs.