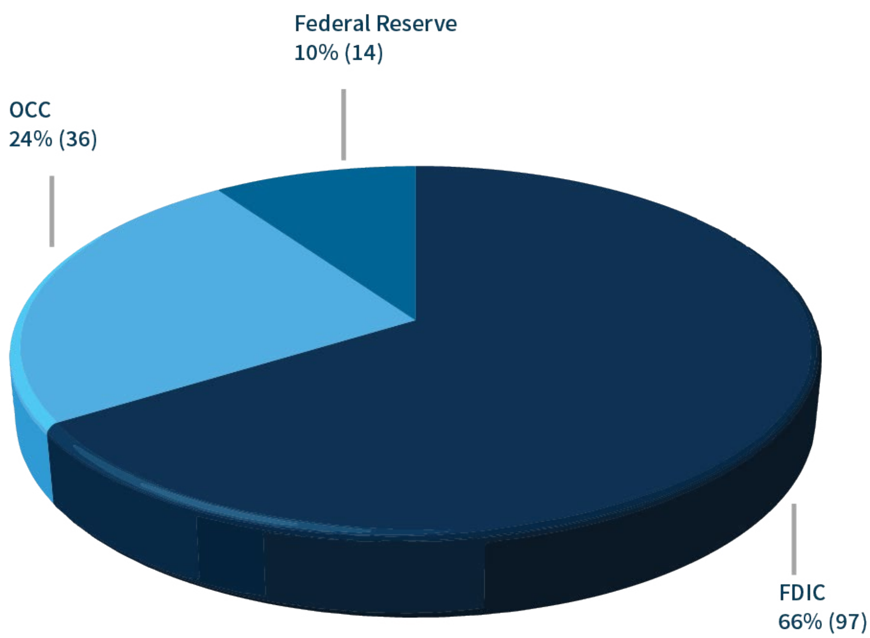
# SUMMARY PROFILE OF MINORITY DEPOSITORY INSTITUTIONS

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.

## Structure

As of December 31, 2022, FDIC-insured MDIs totaled 147 institutions with combined total assets of over $330 billion and 35,576 employees (see Attachment 2, List of Minority Depository Institutions). The FDIC-supervised 97 of the 147 MDIs as their primary federal regulator. Of these institutions, 94 are state chartered institutions that are not members of the Federal Reserve, two are state or federal savings and loan associations, and one is a savings institution.

**Figure 1: FDIC-insured MDIs by Primary Federal Regulator as of 12/31/2022**




Source: FDIC

[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.

At the start of 2022, there were 143 FDIC-insured MDIs with combined total assets of over $326 billion. During the year, two new de novo MDIs opened their doors, one Native American and one Multi-racial institution. In addition, four institutions were designated as MDIs: two African American, one Native American, and one Hispanic American. Two Hispanic American MDIs were removed from the list during the year due to merger or acquisition with non-MDIs.

**Figure 2: FDIC-insured MDIs by Minority Status as of 12/31/2022**

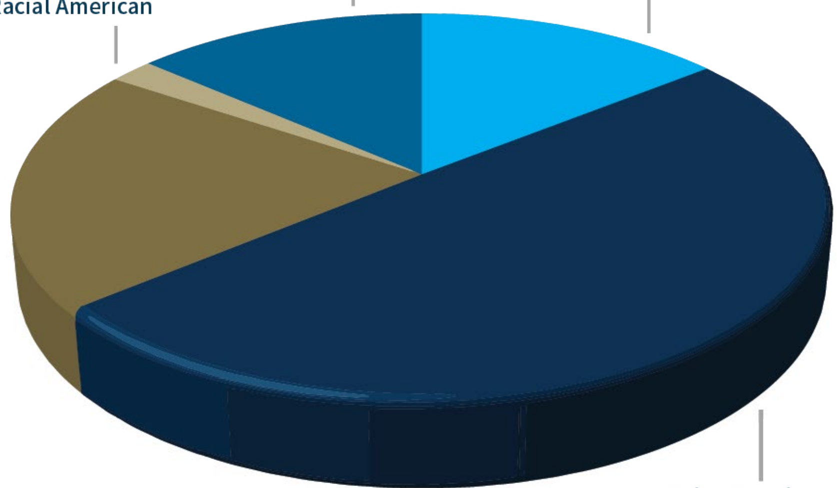
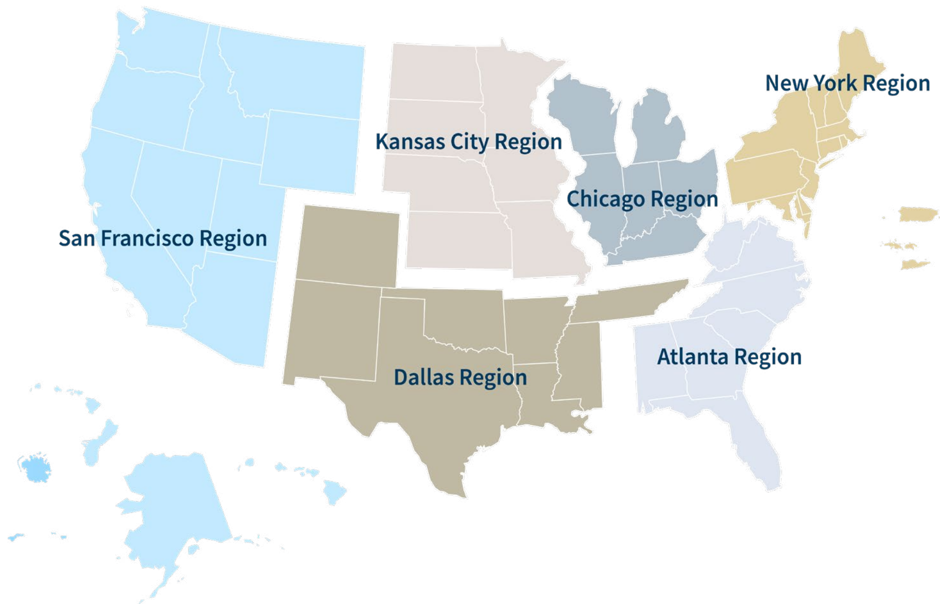



**Table 1: Asset Distribution for all FDIC-Insured institutions (as of December 31, 2022)**

| Asset Size | Total MDIs | Approximate Percentage of all FDIC-insured MDIs |
|---|---|---|
| Less than $50 million | 5 | 3% |
| $50 million to $100 million | 17 | 12% |
| $100 million to $300 million | 35 | 24% |
| $300 million to $1 billion | 52 | 35% |
| $1 billion to $10 billion | 32 | 22% |
| Greater than $10 billion | 6 | 4% |
| Total | 147 | 100% |

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 25 MDIs, the New York region with 15 MDIs, the Atlanta region with 16 MDIs, and the Chicago and Kansas City regions with 7 and 3 MDIs respectively.

**Figure 3: FDIC Regions**




A further breakdown discloses that FDIC-supervised MDIs are located in 27 states and territories across the country with the heaviest concentrations in California with 25 MDIs and Texas with 15 MDIs. A total of 14 states and territories only have one MDI.

**Table 2: Asset Distribution for FDIC-Supervised institutions (as of December 31, 2022)**

| 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 | 23 | 24% |
| $300 million to $1 billion | 30 | 31% |
| $1 billion to $10 billion | 25 | 26% |
| Greater than $10 billion | 3 | 3% |
| Total | 97 | 100% |

The majority of FDIC-supervised MDIs (94 MDIs or 97 percent) are banks with total assets of $10 billion or less.

## Performance

As of December 31, 2022, the overall financial performance of FDIC-insured MDIs remains sound. Key performance ratios have improved since year-end 2021 due to various factors including rising market interest rates and an increase in loan demand. Net income has improved since 2021. MDI full-year 2022 net income was $4.8 billion, a $400 million increase (9.09 percent) compared to full-year 2021. The primary driver in the increase in net income was the increase in net interest income, which resulted from rising market interest rates during the year. Net interest income improved $1.8 billion (19.32 percent) due to a $2.6 billion increase in interest income. A major contributor to the increase in interest income were the increases in loan income (up $1.7 billion or 18.9 percent), mostly the result of higher average yields (up 43 basis points year-over-year to 5.11 percent) and bolstered by loan volume growth of $24.0 billion (12.0 percent).

While net income improved, increased provision expense and noninterest expense, as well as lower noninterest income partially offset the income growth. Provision expenses in 2022 totaled $376 million compared to negative $287 million in 2021. 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. The aggregate allowance for credit losses represented 1.4 percent of total loans as of year-end 2022 compared to 1.5 percent in 2021. Noninterest expense increased $571 million (10.9 percent) from one year earlier, primarily due to a rise in salaries and employee benefits expense (up $293.8 million) and other expenses (up $239.5 million).

Despite the increase in noninterest expense, the MDI efficiency ratio (noninterest expense as a percentage of net interest income plus noninterest income) decreased from 53.91 percent to 51.4 percent due to a greater rise in net interest income. The MDI efficiency ratio continued to compare favorably to the community bank efficiency ratio of 61.36 percent. This means that MDIs spent about 51 cents to bring in a dollar of revenue, while community banks overall spent over 61 cents to bring in a dollar of revenue. Noninterest income decreased $143 million from one year earlier, largely the result of lower net gains on loan sales, reduced servicing fees, and lower net gains on the sale of other assets.

The overall profitability of MDIs remained stable despite a decline in the percentage of profitable MDIs. The pretax return on assets (PROA) ratio remained stable at 1.89 percent in 2022 compared to 1.86 percent at year-end 2021, as growth in net income outpaced growth in total average assets. This ratio is 49 basis points higher than the community bank PROA ratio of 1.40 percent. Fifty-seven percent of MDIs reported year-over-year earnings growth for the full year in 2022, compared with 86.2 percent reporting such growth in 2021. Year-over-year earnings growth is partially attributable to the increase in the yield on earning assets of 4.15 percent for full year 2022 compared to 3.50 percent for 2021. Further, the net interest margin widened from 3.25 percent to 3.66 percent, as net interest income rose at a faster pace than earning assets (up $2.4 billion or 0.8 percent).

The percentage of profitable MDIs declined slightly over the year from 92 percent in 2021 to 89 percent of all MDIs in 2022. The percentage of unprofitable MDIs increased to 10.88 percent and remains higher than the percentage of both community banks and all banks that are unprofitable, at 3.45 percent and 3.40 percent, respectively. Unprofitable institutions are generally smaller, and many are located either in urban areas that experienced significant economic distress during the 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.

Loan growth has been robust during the past year, driven by pent-up demand from both consumers and businesses as well as higher inflation. MDIs experienced substantial loan growth during the year that was primarily concentrated in one lending segment:: commercial real estate (CRE) loans accounted for $13.3 billion of the $24.0 billion in total loan growth. This growth was primarily comprised of nonfarm nonresidential loans ($8.1 billion) and multifamily loans ($3.4 billion). Growth in 1-4 family residential loans accounted for an additional $7.0 billion. Paycheck Protection Program (PPP) loan balances fell to $290.5 million in fourth quarter 2022 from $3.2 billion in fourth quarter 2021. The PPP loan balance for year-end 2022 was 0.1 percent of the total MDI loan balance. Excluding PPP loans, loan growth from year-end 2021 to year-end 2022 would have been 13.7 percent, which was below the loan growth rate for community banks—net of PPP—of 16.2 percent.

As loan volume continued to grow during the year, loan portfolio performance continued to improve as the level of noncurrent loans decreased ($464.3 million or 19.4 percent) during the year. The MDI noncurrent rate was 0.86 percent, down 33 basis points from year-end 2021, but it remained higher than the community bank noncurrent rate of 0.44 percent. The net charge-off balances and the net charge-off rate increased. Net charge-off balances increased $49.6 million (139.8 percent) from year-end 2021, and the rate increased eight basis points from year-end 2021 to 0.15 percent. Higher net charge-offs on total consumer loans (up $35.9 million, or 167.0 percent) and non-owner occupied nonfarm nonresidential CRE loans (up $28.1 million from a net recovery a year previous) drove the increase. Lower net charge-offs on 1-4 family residential loans (down $19.7 million to a net recovery during the quarter) offset part of the increase in other portfolios. MDIs' ability to absorb expected credit losses improved. The coverage ratio (allowance for loan and lease losses to noncurrent loans and leases) increased to 167.1 percent, up from 125.3 percent a year ago. The decline in noncurrent loans and increase in provision expense caused the year-over-year rise in the coverage ratio. The MDI coverage ratio remains well below the community bank coverage ratio of 274.3 percent.

All MDIs were considered well capitalized at the end of 2022, even though capital levels declined for a number of MDIs during the year. Capital levels remain adequate to support operations and absorb losses. Total equity capital decreased $1.3 billion (3.9 percent) from the previous year to $32.2 billion but increased $1.4 billion (4.4 percent) from third quarter 2022. Unrealized losses on available-for-sale securities, which grew $5.5 billion, were the main contributor to the year-over-year decline. Unrealized losses improved from third quarter 2022, contributing to the quarter-over-quarter rise in equity capital. Despite the annual equity capital decline, more than half of MDIs (59.9 percent) reported an increase in equity capital from a year earlier.

Within the MDI sector, the financial performance of a small subset of institutions has been uneven. Generally, smaller MDIs and those serving low- and moderate-income communities, including both urban and rural markets, continue to face significant challenges, in part reflecting the continuing economic challenges faced by many of the communities they serve.

Further, the economic strain caused by the pandemic disproportionately affected these communities. During 2022, financial performance has shown improvement due to the impact of rising interest rate and loan growth on net income.  However, the banking industry continues to face significant downside risks from the effects of inflation, rising market interest rates, and continued geopolitical uncertainty.