Letter to Stakeholders

1st quarter 2008

FDIC

This edition of our *Letter to Stakeholders* highlights the FDIC's activities and accomplishments during the first quarter of 2008. Despite the difficulties stemming from the decline in housing prices, mortgage sector problems, and a slowdown in the economy, the Deposit Insurance Fund (DIF) remains financially strong with 99 percent of FDIC-insured institutions well-capitalized at year-end 2007. We are focusing our attention on maintaining the safety and soundness of the institutions we insure and are prepared to move promptly to handle any bank failures that may occur. For more information about the FDIC, please visit our Web site at www.fdic.gov.

Sheila C. Bair

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Chairman

Our Priorities

Depositor Protection

- The FDIC received its sixteenth consecutive set of unqualified audit opinions on the financial statements for the DIF and the FSLIC Resolution Fund. The Government Accountability Office also reported no material weaknesses or significant deficiencies with respect to the Corporation's financial reporting or controls over financial systems.
- The DIF earned assessment income of $643 million in 2007. The FDIC estimates assessment income earned of $448 million in the first quarter of 2008. The FDIC Board of Directors voted to keep the assessment rates charged to insured financial institutions unchanged for 2008.
- During the first quarter of 2008, DIF's contingent liability for anticipated failures increased by $459 million to $583 million at quarter end. This increase, due to the continued deterioration in the banking industry's financial conditions, is reflected in the DIF's Provision for Insurance Losses.
- The FDIC released a new comprehensive resource - *FDIC Guide to Calculating Deposit Insurance Coverage on Revocable and Irrevocable Trusts* – which includes a standard set of questions and answers to assist users in analyzing insurance coverage for different types of trusts.
- The FDIC issued a Financial Institution Letter – *Managing Commercial Real Estate Concentrations in a Challenging Environment*. The Letter re-emphasizes the importance of strong capital and loan loss allowance levels, and robust credit risk management practices for state nonmember institutions with significant concentrations of commercial real estate and construction development loans.
- The FDIC plans to increase staffing in the Division of Resolutions and Receiverships by up to 60 percent to handle a likely increase in bank failures and to prepare for expected retirements in the division's workforce. The newly hired employees would include both permanent and temporary appointments.

Mission Support

- The FDIC is strongly encouraging state nonmember institution mortgage servicers to report their loan modification and foreclosure prevention efforts through the HOPE NOW Alliance, and to support the efforts of the State Foreclosure Prevention Working Group.
- In response to changing economic conditions, the FDIC increased the frequency of its special examination activities, including targeted reviews of selected issues conducted between regularly scheduled examinations, and activities conducted in cooperation with other federal banking agencies. The FDIC has also continued to increase the number of field examiners (including the hiring of both retired annuitants and mid-career professionals) to accommodate increasing workload.
- The FDIC selected 31 banks to participate in a two-year pilot project to help the agency identify best practices in affordable small-dollar loan programs that can be replicated by other financial institutions. Participating financial institutions that offer these products in a safe and sound manner may receive favorable consideration under the Community Reinvestment Act.
- The FDIC's Advisory Committee on Economic Inclusion convened to discuss asset building opportunities for individuals and banks, focusing on how banks can profitably help consumers save and approaches the FDIC can use to encourage banks to adopt innovative asset building programs.
- In the current issue of ***FDIC Quarterly,*** the FDIC examines the challenges that lower-income households face in increasing their personal savings, incentives banks have for encouraging these households to build assets, and strategies for banks to broaden their relationships with low-income customers.

Our Key Indices Most Current Data•

Insurance

Updated Quarterly ($ billions)	Q4 2002	Q4 2003	Q4 2004	Q4 2005	Q4 2006	Q4 2007
# Insured Inst.	9,372	9,196	8,988	8,846	8,692	8,544
$ Insured Inst.	$ 8,446	$ 9,087	$ 10,115	$ 10,888	$ 11,877	$ 13,055
Insured Deposits	$ 3,384	$ 3,453	$ 3,622	$ 3,891	$ 4,154	$ 4,293
Fund Balances	$ 43.8	$ 46.0	$ 47.5	$ 48.6	$ 50.2	$ 52.4
Reserve Ratios	% 1.29	% 1.33	% 1.31	% 1.25	% 1.21	% 1.22
# Problem Inst.	136	116	80	52	50	76
$ Problem Inst.	$ 38.9	$ 29.9	$ 28.3	$ 6.6	$ 8.3	$ 22.2

Supervision

YTD	3/31/2007	3/31/2008
Total Number of FDIC Supervised Institutions	5,223	5,192
Bank Examinations:		
Safety and Soundness	592	623
Compliance and CRA	462	430
Insurance and Other Applications Approved	721	661
Formal and Informal Enforcement Actions	90	93

Receiverships

Deposit Insurance Fund

YTD ($ millions)	Q4 2006	Q4 2007	% Change	Q1 2007	Q1 2008	% Change
Total Receiverships	25	22	-12%	24	23	-4%
Assets in Liquidation	$ 317	$ 875	176%	$ 331	$ 821	148%
Collections	$ 146	$ 1,207	727%	$ 27	$ 48	78%
Dividends Paid	$ 154	$ 1,647	969%	$ 126	$ 58	-54%

Income

Deposit Insurance Fund

YTD ($ millions)	Q4 2006	Q4 2007	% Change	Q1 2007	Q1 2008	% Change
Assessment Income	$ 32	$ 643	1909%	$ 94	$ 448	377%
Interest	$ 2,241	$ 2,540	13%	$ 567	$ 618	9%
Comprehensive Income	$ 1,568	$ 2,248	43%	$ 580	$ 430	-26%
Provision for Insurance Losses	$ - 52	$ 95	283%	$ - 73	$ 525	819%

Resources

	Budget/Expenditures				On Board Staff	
($ millions)	Total	Ongoing Operations	Recvrship Funding	Major Invstment Funding	Q1 2008	Target Y/E 2008
Annual Budget	$ 1,159	$ 1,066	$ 75	$ 18	4,512	4,821
YTD Expended	$ 250	$ 235	$ 10	$ 5		

•Financial data is unaudited

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