



Letter to Stakeholders

4th quarter
2008



This edition of our **Letter to Stakeholders** highlights the FDIC's activities during the fourth quarter of 2008. The future of banking will depend a great deal on how bankers and their regulators embrace our role in maintaining the public's trust, and by how we respond to the current challenges. We must work together to re-assert the banking industry's central role as the engine of economic growth and prosperity. 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

- On December 16th, the FDIC Board voted to adopt a final rule increasing risk-based assessment rates uniformly by 7 basis points (7 cents for every \$100 of deposits), on an annual basis, for the first quarter of 2009. Under the final rule, risk-based rates would range between 12 and 50 basis points (annualized) for the first quarter 2009 assessment.
- On November 21st, the FDIC Board approved a final rule to strengthen the agency's Temporary Liquidity Guarantee Program. A major change from the interim rule is that the debt guarantee will be triggered by payment default rather than bankruptcy or receivership. As of December 31, 2008, the FDIC had collected \$2.4 billion in fees based on the reporting of the FDIC-guaranteed debt issued of which \$224 billion was outstanding.
- The Deposit Insurance Fund balance (unaudited) decreased by 45 percent (\$15.7 billion) to \$18.9 billion during the fourth quarter of 2008. This decrease is primarily the result of an \$11 billion increase in estimated losses for future failures recorded in the fourth quarter.
- Twelve banks failed in the fourth quarter of 2008, bringing the total failures in 2008 to 25. These 25 institutions had total assets at failure of \$361.3 billion with estimated losses totaling \$17.9 billion.

Mission Support

- On November 12th, the FDIC and the other federal banking and thrift regulatory agencies jointly issued the *Interagency Statement on Meeting the Needs of Creditworthy Borrowers*. The statement encourages financial institutions to support the lending needs of creditworthy borrowers, strengthen capital, engage in loss-mitigation strategies and foreclosure-prevention strategies with mortgage borrowers and assess the incentive implications of compensation policies.
- On October 29th and 30th, the International Association of Deposit Insurers (IADI) held its 7th Annual Conference and General Meeting at FDIC's Seidman Center in Arlington, Virginia. The international conference welcomed over 250 attendees from 60 nations and was hosted by Vice Chairman Martin J. Gruenberg who is currently serving as IADI President and Chairman of the IADI Executive Council.

Resource Management

- On December 16th, the FDIC Board approved a \$2.24 billion operating budget for 2009, an increase of \$1.03 billion from 2008. The increase in spending is largely attributed to continuing work associated with recent bank failures and the provision of contingency funding for the possible continuation of an elevated number of bank failures in 2009.
- The FDIC Board approved an authorized 2009 FDIC staffing level of 6,269, an increase of 1,459 positions from the staffing level authorized at the beginning of 2008. The additional staff, most of whom will be temporary, will primarily perform bank examinations, engage in other bank supervisory activities and address bank failures.

Our Key Indices Most Current Data

Insurance						
Updated Quarterly (\$ billions)	Q4 2003	Q4 2004	Q4 2005	Q4 2006	Q4 2007	Q4 2008
# Insured Inst.	9,195	8,989	8,846	8,692	8,545	8,315
\$ Insured Inst.	\$ 9,086	\$ 10,117	\$ 10,894	\$ 11,881	\$ 13,051	\$ 13,906
Insured Deposits	\$ 3,452	\$ 3,622	\$ 3,891	\$ 4,154	\$ 4,292	\$ 4,760
Fund Balances	\$ 46	\$ 48	\$ 49	\$ 50	\$ 52	\$ 19
Reserve Ratios	% 1.33	% 1.31	% 1.25	% 1.21	% 1.22	% 0.40
# Problem Inst.	116	80	52	50	76	252
\$ Problem Inst.	\$ 29.9	\$ 28.3	\$ 6.6	\$ 8.3	\$ 22.2	\$ 159.4

Supervision		
YTD	12/31/2007	12/31/2008
Total Number of FDIC Supervised Institutions	5,257	5,116
Bank Examinations:		
Safety and Soundness	2,258	2,416
Compliance and CRA	1,773	1,826
Insurance and Other Applications Approved	3,006	2,596
Formal and Informal Enforcement Actions	367	550

Receiverships						
Deposit Insurance Fund						
YTD (\$ millions)	Q3 2007	Q3 2008	% Change	Q4 2007	Q4 2008	% Change
Total Receiverships	25	30	20%	22	41	86%
Assets in Liquidation	\$ 2,085	\$ 9,481	355%	\$ 875	\$ 15,073	1623%
Collections	\$ 56	\$ 432	671%	\$ 1,207	\$ 1,858	54%
Dividends Paid	\$ 252	\$ 844	235%	\$ 1,647	\$ 1,553	-6%

Income						
Deposit Insurance Fund						
YTD (\$ millions)	Q3 2007	Q3 2008	% Change	Q4 2007	Q4 2008	% Change
Assessment Income	\$ 404	\$ 1,969	387%	\$ 643	\$ 2,965	361%
Interest	\$ 1,955	\$ 1,795	-8%	\$ 2,540	\$ 2,072	-18%
Comprehensive Income/(Loss)	\$ 1,589	\$ (17,825)	-1222%	\$ 2,248	\$ (33,524)	-1591%
Provision for Insurance Losses	\$ 57	\$ 22,676	N/M	\$ 95	\$ 40,226	N/M

Resources						
(\$ millions)	2008 Budget / Expenditures				On Board Staff	
	Total	Ongoing Operations	Recvrshp Funding	Major Investmt Funding	Q4 2008 (FTEs)	Target Y/E 2008
Annual Budget	\$ 1,246	\$ 1,067	\$ 150	\$ 29	4,988	5,721
YTD Expended	\$ 1,231	\$ 1,055	\$ 150	\$ 26		

Financial data is unaudited
N/M – Not Meaningful