Letter to Stakeholders

4th quarter 2007

FDIC

This edition of our *Letter to Stakeholders* highlights the FDIC's activities and year-end financial statistics for 2007. As we begin the new year, the FDIC – along with fellow regulators and the banking industry – continues the urgent search for workable solutions to the serious subprime mortgage market problem that our country faces. The FDIC supports a systematic and streamlined loan modification process that will help the scores of subprime borrowers who are current on their loans, but who cannot refinance or afford the higher payments when interest rates reset, in order to avert foreclosure and stay in their homes. For more information about the FDIC, please visit our Web site at www.fdic.gov.

Sheila C. Bair
Chairman

Our Priorities

Depositor Protection

- FDIC-insured commercial banks and savings institutions reported net income of $28.7 billion in the third quarter of 2007, a decline of $9.4 billion (24.7 percent) from the third quarter of 2006. The year-over-year decline is primarily attributable to increases in provisions for loan losses and a decline in non-interest income.
- Estimated insured deposits increased by $9.7 billion in the third quarter of 2007. The Deposit Insurance Fund (DIF) balance increased by $527 million to $51.8 billion. The ratio of the DIF to estimated insured deposits increased by one basis point, ending the third quarter of 2007 at 1.22 percent.
- The DIF earned assessment income of $170 million in the third quarter of 2007. The FDIC estimates that assessment income earned will increase to $239 million in the fourth quarter of 2007.
- The FDIC was appointed receiver of Miami Valley Bank, Lakeview, Ohio on October 4, 2007. Miami Valley was the third FDIC-insured institution to fail in 2007.

Mission Support

- The FDIC issued a proposed rule to improve the process for making an accurate determination of insured deposits at larger institutions in the event of a failure. The measure will enhance the FDIC's ability to make funds available to insured depositors in the unlikely event that a large financial institution is closed.
- The FDIC, along with the other banking regulators, approved the final rule implementing the Advanced Approaches of the Basel II Capital Accord. The new rules require some large banks to calculate capital requirements using their own internal model-driven estimates – a significant change in regulatory practice.
- Based upon a detailed review of the overall examination program, the FDIC announced the abolition of the MERIT examination guidance and eliminated the term "Refocus" in discussions of compliance examinations. Examiners will determine the scope of examinations based on the risk profile of each specific institution.
- The FDIC and the Korea Deposit Insurance Corporation (KDIC) signed a Memorandum of Understanding (MOU) which provides the framework for KDIC employees to gain an overview of FDIC's operations. The MOU is a continuation of the FDIC's efforts to forge international working relationships with deposit insurers around the globe.
- The FDIC's Advisory Committee on Economic Inclusion met to discuss money services businesses and the opportunities and challenges for banks and consumers.
- In the current issue of ***FDIC Quarterly,*** the FDIC outlines the analytical case for a systematic and streamlined loan modification process and common misconceptions about this approach.

Resource Management

- The FDIC Board of Directors approved a $1.14 billion Corporate Operating Budget for 2008, an increase of approximately 3.1% from 2007. The Board also approved an increase in authorized staffing, primarily for additional bank examiner positions, from 4,716 in 2007 to 4,810 for 2008.
- An outside consultant completed a comprehensive FDIC employee survey. The FDIC will focus on addressing identified issues as a major 2008 corporate priority.
- FDIC Vice Chairman Martin Gruenberg was elected by the International Association of Deposit Insurers to serve as President of the Association and Chairman of its Executive Council.

Our Key Indices *Most Current Data*▼

Insurance

Updated Quarterly ($ billions)	Q3 02	Q3 03	Q3 04	Q3 05	Q3 06	Q3 07
# Insured Inst.	9,433	9,252	9,038	8,870	8,755	8,571
$ Insured Inst.	$ 8,284	$ 8,953	$ 9,887	$ 10,713	$ 11,771	$ 12,727
Insured Deposits	$ 3,344	$ 3,414	$ 3,559	$ 3,831	$ 4,098	$ 4,241
Fund Balances	$ 43.0	$ 45.6	$ 47.0	$ 48.4	$ 50.0	$ 51.8
Reserve Ratios	% 1.29	% 1.34	% 1.32	% 1.26	% 1.22	% 1.22
# Problem Inst.	146	116	95	68	47	65
$ Problem Inst.	$ 42.1	$ 30.3	$ 25.1	$ 20.9	$ 4.0	$ 18.5

Supervision

YTD	12/31/2006	12/31/2007
Total Number of FDIC Supervised Institutions	5,229	5,257
Bank Examinations:		
Safety and Soundness	2,388	2,258
Compliance and CRA	1,959	1,773
Insurance and Other Applications Approved	3,168	3,006
Formal and Informal Enforcement Actions	445	367

Receiverships

Deposit Insurance Fund

YTD ($ millions)	Q3 06	Q3 07	% Change	Q4 06	Q4 07	% Change
Total Receiverships	26	25	-4%	25	22	-14%
Assets in Liquidation	$ 345	$ 2,085	504%	$ 317	$ 875	176%
Collections	$ 74	$ 56	-24%	$ 146	$ 1,207	727%
Dividends Paid	$ 116	$ 252	117%	$ 154	$ 1,647	969%

Income

Deposit Insurance Fund

YTD ($ millions)	Q3 06	Q3 07	% Change	Q4 06	Q4 07	% Change
Assessment Income	$ 22	$ 404	1736%	$ 32	$ 643	1909%
Interest	$ 1,765	$ 1,955	11%	$ 2,241	$ 2,540	13%
Comprehensive Income	$ 1,395	$ 1,589	14%	$ 1,568	$ 2,248	43%

Resources

	Budget/Expenditures				On Board Staff	
($ millions)	Total	Ongoing Operations	Recvrship Funding	Major Invstment Funding	Q4 2007	Target Y/E 2007
Annual Budget	$ 1,122	$ 1,032	$ 75	$ 15	4,532	4,725
YTD Expended	$ 1,013	$ 982	$ 19	$ 12		

▼Financial data is unaudited

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