Letter to Stakeholders

3rd quarter 2008

FDIC

This edition of our **Letter to Stakeholders** highlights the FDIC's activities and accomplishments during the third quarter of 2008. Despite the continuing downturn in the housing market, the on-going turmoil in the nation's financial sector and the resulting liquidity crisis, the vast majority of FDIC-insured institutions remain well capitalized. The FDIC, along with the Treasury and the Federal Reserve, has taken unprecedented steps to bolster public confidence in our financial institutions and in the U.S. economy. For more information about the FDIC, please visit our Web site at www.fdic.gov.

Sheila C. Bair
Chairman

Our Priorities

Depositor Protection

- On October 3, 2008, President George W. Bush signed the Emergency Economic Stabilization Act of 2008, which temporarily increases the basic FDIC deposit insurance coverage limits from $100,000 to $250,000 per depositor through December 31, 2009.
- On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program to strengthen confidence and increase liquidity in the banking system. The new program will, for participating entities, guarantee newly issued senior unsecured debt of eligible institutions and will provide full deposit insurance coverage for non-interest bearing transaction accounts in FDIC-insured institutions, regardless of the dollar amount.
- On October 7th, the FDIC Board voted to adopt a restoration plan and issued a notice of proposed rulemaking that would increase the rates banks pay for deposit insurance, while making adjustments designed to ensure that riskier institutions bear a greater share of the proposed increase in assessment rates.
- FDIC-insured commercial banks and savings institutions reported net income of $1.7 billion in the third quarter of 2008, a decline of $27.0 billion (94.0 percent) from the $28.7 billion the industry earned in the third quarter of 2007.
- The Deposit Insurance Fund balance decreased by 23.5 percent ($10.6 billion) to $34.6 billion during the third quarter of 2008, a decrease of 33.2 percent compared to a year ago. This decrease is primarily the result of an $11 billion increase in estimated losses for future failures recorded in the third quarter.
- As of September 30th, the reserve ratio was 0.76 percent, down from the 1.01 percent as of June 30th.

Mission Support

- On August 20th, IndyMac Federal Bank, F.S.B. launched a new program to systematically modify troubled mortgages. The program is designed to achieve affordable and sustainable mortgage payments for borrowers and increase the value of distressed mortgages by rehabilitating them into performing loans.
- On September 22nd, the FDIC launched a national campaign designed to help consumers learn about the benefits and limitations of deposit insurance. The campaign's public service announcements feature personal finance expert Suze Orman. The public is encouraged to visit www.myFDICinsurance.gov - where consumers can use **EDIE the Estimator**, an online tool that provides customized information about their insured accounts.

Our Key Indices Most Current Data▼

Insurance

Updated Quarterly ($ billions)	Q3 2003	Q3 2004	Q3 2005	Q3 2006	Q3 2007	Q3 2008
# Insured Inst.	9,251	9,037	8,871	8,755	8,570	8,394
$ Insured Inst.	$ 8,953	$ 9,887	$ 10,713	$ 11,771	$ 12,726	$ 13,613
Insured Deposits	$ 3,414	$ 3,559	$ 3,831	$ 4,100	$ 4,243	$ 4,544
Fund Balances	$ 45.6	$ 47.0	$ 48.4	$ 50.0	$ 51.8	$ 34.6
Reserve Ratios	% 1.34	% 1.32	% 1.26	% 1.22	% 1.22	% 0.76
# Problem Inst.	116	95	68	47	65	171
$ Problem Inst.	$ 30.3	$ 25.1	$ 20.9	$ 4.0	$ 18.5	$ 115.6

Supervision

YTD	9/30/2007	9/30/2008
Total Number of FDIC Supervised Institutions	5,210	5,148
Bank Examinations:		
Safety and Soundness	1,706	1,827
Compliance and CRA	1,347	1,331
Insurance and Other Applications Approved	2,304	1,998
Formal and Informal Enforcement Actions	300	349

Receiverships

Deposit Insurance Fund

YTD ($ millions)	Q2 2007	Q2 2008	% Change	Q3 2007	Q3 2008	% Change
Total Receiverships	24	22	-8%	25	30	20%
Assets in Liquidation	$ 321	$ 2,343	630%	$ 2,085	$ 9,481	355%
Collections	$ 47	$ 221	370%	$ 56	$ 432	671%
Dividends Paid	$ 252	$ 232	-8%	$ 252	$ 844	235%

Income

Deposit Insurance Fund

YTD ($ millions)	Q2 2007	Q2 2008	% Change	Q3 2007	Q3 2008	% Change
Assessment Income	$ 234	$ 1,088	365%	$ 404	$ 1,969	387%
Interest	$ 1,315	$ 1,269	-3%	$ 1,955	$ 1,795	-8%
Comprehensive Income	$ 1,062	$ (7,196)	-778%	$ 1,589	$ (17,825)	-1222%
Provision for Insurance Losses	$ (76)	$ 10,746	N/M	$ 57	$ 22,676	N/M

Resources

	Budget / Expenditures				On Board Staff	
($ millions)	Total	Ongoing Operations	Recvrship Funding	Major Invstment Funding	Q3 2008	Target Y/E 2008
Annual Budget	$ 1,247	$ 1,067	$ 150	$ 30	4,827	5,621
YTD Expended	$ 854	$ 759	$ 74	$ 21		

▼ Financial data is unaudited
N/M – Not Meaningful

Design: FDIC/DOA/CSB/Graphic Design Unit