



Safety and Soundness of the Banking Industry

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Banks are highly capitalized and prepared for economic fluctuations

- Banks are well-positioned to handle economic downturns, and if necessary, take steps to put losses behind them.
- Customers' deposits are protected. Deposits are insured by the FDIC for up to \$100,000 per depositor per insured bank and up to \$250,000 for retirement accounts.
- Banking's capital – which serves as a buffer against any losses – is at historic highs. As of March 2008, the industry held \$1.36 trillion in capital plus \$120.9 billion in reserves for a total buffer of \$1.48 trillion.
- Banks have experienced strong growth in loan performance over the past six years, supporting a growing economy.

Bank risk management has improved dramatically

- Banks have increasingly put enterprise-wide risk management processes in place, increased the use of sophisticated risk-management systems and tools, and implemented strong schemes of checks and balances.
- Advances in collecting data and benchmarking performance, identifying key risk indicators, and controlling operational risks have all contributed to sound banking.

Regulation and supervision of bank risk has also improved

- Federal laws adopted since 1991 have significantly strengthened bank regulation.
- The regulators have also fortified examination practices. They adopted a supervision-by-risk approach to get bankers and examiners to focus on the quality of risk management systems and have continued to advance expectations for risk management.
- Auditing and internal control standards have also toughened.

Banks have resources to meet the needs of their communities

- Banks play an integral role in local economies across the nation. With \$8.4 trillion in deposits, banks have plenty of resources to meet the lending needs in their communities. Banks put these monies to work in their communities by providing loans and other financial services.
- Many people are turning to their local bank to help refinance existing mortgages or consolidate other forms of debt. Banks made \$200 billion in new loans in the fourth quarter of 2007, \$80 billion of which were loans secured by real estate, demonstrating that the local bank continues to be the best source of business and personal loans.
- Our diversified industry of more than 8,500 banks with 97,000 locations nationwide stands ready to serve customers. The vast majority of banks have been in existence for decades and plan to serve their customers for many, many more.