



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Risk Analysis Center

May 9, 2006

To: FDIC Board of Directors

From: Arthur J. Murton
Director
Division of Insurance and Research

Sandra L. Thompson
Acting Director
Division of Supervision and Consumer Protection

Subject: Semiannual Report: Economic Conditions and Emerging Risks in Banking

Please find attached our semi-annual report entitled “Economic Conditions and Emerging Risks in Banking.”

This report (also referred to as the “Risk Case”) is prepared by staff two times each year, in May and November. The Risk Case is presented to the Board in conjunction with its consideration of the deposit insurance premium matrix for the ensuing six-month period (or the “Rate Case”). The purpose of the Risk Case is to provide a broad context as to economic conditions, banking industry trends, and supervisory perspectives on the condition of the industry.

The report consists of a summary of current conditions in the U.S. economy and banking industry and a discussion of emerging risks in banking. Also included are a brief update on institutions affected by Hurricanes Katrina and Rita and a brief summary of longer-term issues that could shape the outlook for banks in the years ahead.

This report was prepared by analysts from the Division of Insurance and Research (DIR) and the Division of Supervision and Consumer Protection (DSC), working in tandem under the auspices of the FDIC Risk Analysis Center. A previous version of this report was presented to the FDIC National Risk Committee on April 19th.

Staff will make a brief presentation highlighting these trends and then address questions before the Board considers the semi-annual Rate Case.

attachments