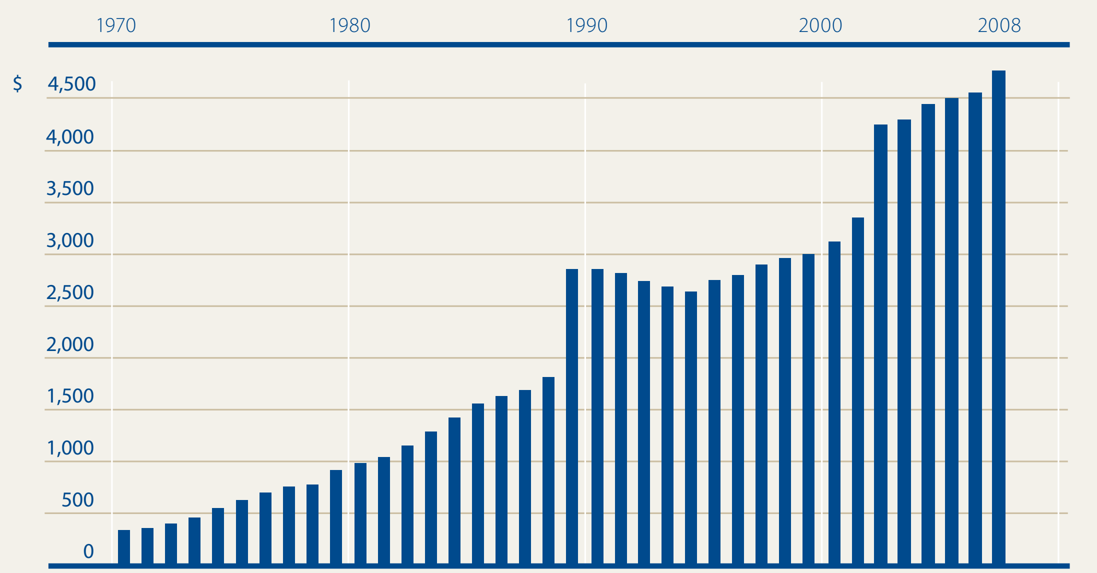
CHAPTER TWO
FINANCIAL HIGHLIGHTS

Deposit Insurance Fund Performance

The FDIC administers the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF), which fulfills the obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The following summarizes the condition of the DIF. (See the accompanying tables on FDIC-DIF Insured Deposits and Deposit Insurance Fund Reserve Ratios on the following page.)

The DIF's comprehensive loss totaled $35.1 billion for 2008 compared to comprehensive income of $2.2 billion for the previous year. As a result, the DIF balance declined from $52.4 billion to $17.3 billion as of December 31, 2008. The year-over-year decrease of $37.3 billion in comprehensive income

FDIC-DIF INSURED DEPOSITS (ESTIMATED 1970-2008)
(Dollars in billions)



From 1989 through 2005, amounts represent the sum of separate Bank Insurance Fund and Savings Association Insurance Fund amounts.
Source: Commercial Bank Call and Thrift Financial Reports

was primarily due to a $41.7 billion increase in the provision for insurance losses offset in part by a $2.3 billion increase in assessment revenue; a $1.8 billion increase in the unrealized gain on available-for-sale securities; and a $775 million increase in the realized gain on the sale of securities.

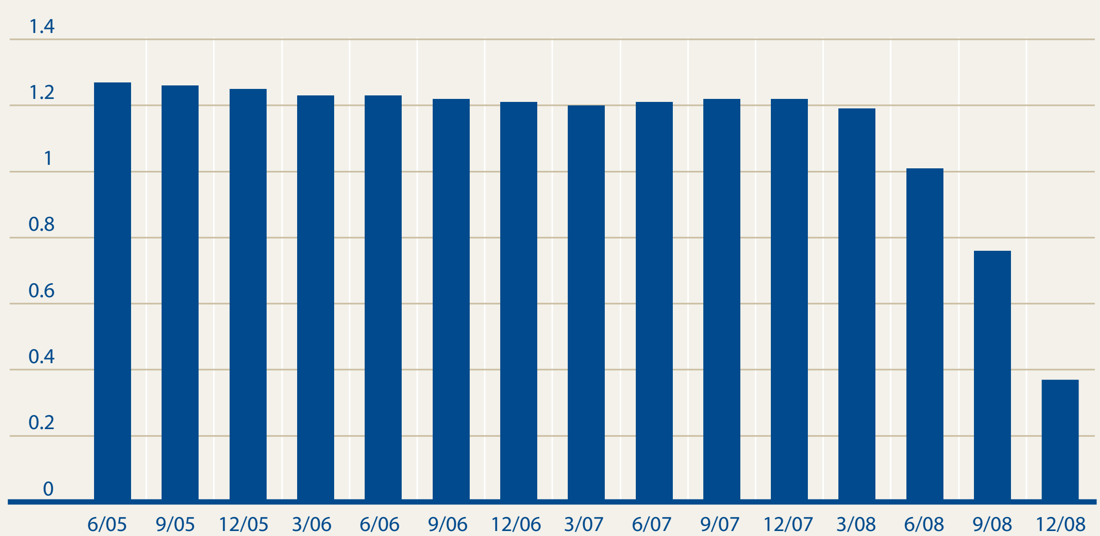
The provision for insurance losses was $41.8 billion in 2008. The total provision consists mainly of the provision for future failures ($23.9 billion) and the losses estimated at failure for the 25 resolutions occurring during 2008 ($17.9 billion), the largest of which was the $10.7 billion estimated loss for the IndyMac resolution.

Assessment revenue was $3.0 billion for 2008 compared with $643 million for 2007. This increase of $2.3 billion was mostly due to the reduction in the amount of one-time assessment credits available for use. In 2008, $1.4 billion in one-time credits offset $4.4 billion in gross assessment premiums; whereas in the previous year, $3.1 billion in one-time credits were applied against $3.7 billion in gross assessment premiums.

Corporate Operating Budget

The FDIC segregates its corporate operating budget and expenses into two discrete components — ongoing operations and receivership funding. The receivership funding component represents expenses resulting from financial institution failures and is, therefore, largely driven by external forces, while the ongoing operations component accounts for all other operating expenses and tends to be more controllable and estimable. Corporate Operating Expenses totaled $1.205 billion in 2008, including $1.055 billion in ongoing operations and $150 million for receivership funding. This represented approximately 99 percent of the approved budget for ongoing operations and 100 percent of the approved budget for receivership funding for the year. The numbers above will not tie to the DIF and FRF Financials due to differences on how certain items, such as capital expenditures and depreciation, are classified.

DEPOSIT INSURANCE FUND RESERVE RATIOS
(Fund Balances as a Percent of Estimated Insured Deposits)



Prior to 2006, amounts represent the sum of separate Bank Insurance Fund and Savings Association Insurance Fund amounts.

SELECTED STATISTICS – DEPOSIT INSURANCE FUND
(Dollars in millions)

	For the years ended December 31		
	2008	2007	2006
Financial Results			
Revenue	$7,306	$3,196	$2,644
Operating Expenses	1,033	993	951
Insurance and Other Expenses (includes provision for loss)	43,306	98	(46)
Net (Loss) Income	(37,033)	2,105	1,739
Comprehensive (Loss) Income	(35,137)	2,248	1,569
Insurance Fund Balance	$17,276	$52,413	$50,165
Fund as a Percentage of Insured Deposits (reserve ratio)	0.36%	1.22%	1.21%
Selected Statistics			
Total DIF-Member Institutions*	8,305	8,534	8,680
Problem Institutions	252	77	50
Total Assets of Problem Institutions	$159,405	$22,189	$8,265
Institution Failures	25	3	0
Total Assets of Failed Institutions in Year♦	$371,945	$2,615	$0
Number of Active Failed Institution Receiverships	41	22	25

* Commercial banks and savings institutions. Does not include U.S. branches of foreign banks.

♦ Total Assets data are based upon the last Call Report filed by the institution prior to failure.

Given the recent challenges facing the industry, as evidenced in the overall CAMELS deterioration and an up-tick in financial institution failure activity, the FDIC is determined to ensure that it is adequately prepared to effectively fulfill its mission in 2009. Consequently, in December 2008, the Board of Directors approved a 2009 Corporate Operating Budget of approximately $2.24 billion, consisting of $1.24 billion for ongoing operations and $1.0 billion for receivership funding. The level of approved ongoing operations budget is approximately $189 million (17.9 percent) higher than actual 2008 ongoing operations expenses, while the approved receivership funding budget is $850 million (564.6 percent) higher than the $150 million of actual 2008 receivership funding expenses.

As in prior years, the 2009 budget was formulated primarily on the basis of an analysis of projected workload for each of the Corporation's three major business lines and its major program support functions. The most significant factor contributing to the proposed increase in the ongoing operations component is the projected increase in the Corporation's supervisory workload in 2009 and the planned staffing increases to address that workload. The 2009 ongoing operations budget also includes increased funds for additional resolutions staff, travel, office space, and equipment for these additional staff. Under this budget, the Corporation will focus largely on its core mission responsibilities in 2009 and will not devote significant resources to non-core discretionary activities. In addition, the 2009 receivership funding budget allows for substantially increased resources for contractor support as well as non-permanent increases in authorized staffing for resolutions and receiverships, legal, and other organizations should workload requirements in these areas require an immediate response.

Investment Spending

The FDIC instituted a separate Investment Budget in 2003. It has a disciplined process for reviewing proposed new investment projects and managing the construction and implementation of approved projects. All of the projects in the current investment portfolio are major IT system initiatives. Proposed IT projects are carefully reviewed to ensure that they are consistent with the Corporation's enterprise architecture. The project approval and monitoring processes also enable the FDIC to be aware of risks to the major capital investment projects and facilitate appropriate, timely intervention to address these risks throughout the development process. An investment portfolio performance review is provided to the FDIC's Board of Directors quarterly.

The Corporation undertook significant capital investments during the 2003-2008 period, the largest of which was the expansion of its Virginia Square office facility. All others involved the development and implementation of major IT systems. Investment spending totaled $260 million during this period, peaking at $108 million in 2004. Spending for investment projects in 2008 totaled approximately $26 million. In 2009, investment spending is estimated to total $4 million.

INVESTMENT SPENDING 2003 – 2008
Dollars in millions