I am pleased to present the Federal Deposit Insurance Corporation’s (FDIC) 2011 Annual Report (also referred to as the Performance and Accountability Report). The report covers financial and program performance information, and summarizes our successes for the year. The FDIC takes pride in providing timely, reliable, and meaningful information to its many stakeholders.

For the twentieth consecutive year, the U.S. Government Accountability Office (GAO) issued unqualified audit opinions for the two funds administered by the FDIC: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). These unqualified audit opinions validate our efforts to ensure that the financial statements of the funds for which we are stewards are fairly presented. I applaud the hard work and dedication of the FDIC staff.

The year 2011 marked a turning point for the DIF, as the balance increased from negative $7.4 billion at the end of 2010, to positive $11.8 billion at the end of 2011. The turnaround in the DIF was due to the decrease in the number of bank failures, from 157 in 2010 to 92 in 2011. While the decrease in bank failures is a positive trend, 92 bank failures is still more than the total number of bank failures that occurred between 1995 and 2008.

**FINANCIAL RESULTS FOR 2011**

For 2011, the DIF’s comprehensive income totaled $19.2 billion compared to comprehensive income of $13.5 billion during 2010. This $5.7 billion year-over-year increase was primarily due to a $3.6 billion decrease in the provision for insurance losses and $2.6 billion in revenue from DGP fees previously held as systemic risk deferred revenue, partially offset by a year-to-date net change in the fair value of available-for-sale securities of $284 million (U.S. Treasury obligations and trust preferred securities) and a $112 million decrease in assessments earned.

The provision for insurance losses was negative $4.4 billion for 2011, compared to negative $848 million for 2010. The negative provision for 2011 primarily resulted from a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail, and a reduction in the estimated losses for institutions that have failed in prior years.

The DIF’s total liquidity declined by $3.8 billion, or 8 percent, to $42.4 billion during 2011. The decrease was primarily the result of disbursing $11.9 billion to fund both current and prior years’ bank failures during 2011. However, it should be noted that 58 of the 92 current year failures were resolved as cash-conserving shared-loss transactions requiring substantially lower initial resolution payments thus helping to mitigate the decline in DIF’s liquidity balance. Moreover, during 2011, the DIF received $8.9 billion in dividends and other payments from its receiverships, which helped to mitigate the DIF liquidity’s decline.

Under the requirements of the Federal Managers’ Financial Integrity Act of 1982, the FDIC’s management conducted its annual assessment and concluded that the system of internal controls, taken as a whole, complies with internal control standards prescribed by GAO and provides reasonable assurance that the related objectives are being met.

In 2012, our focus will be on maintaining strong corporate management controls, effective cost and risk management, and continued implementation of Dodd-Frank. The FDIC will continue its important role of identifying and addressing risks to the insurance fund, and providing Congress, other regulatory agencies, insured depository institutions, and the public with critical and timely information and analyses on the financial condition of both the banking industry and FDIC-managed funds.

Sincerely,

Steven O. App