FDIC

75 YEARS

2008 ANNUAL REPORT

CONFIDENCE AND STABILITY

FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

Annual

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- ★ insuring deposits;
- ★ examining and supervising financial institutions for safety and soundness and consumer protection; and,
- ★ managing receiverships.

VISION

The FDIC is a recognized leader in promoting sound public policies, addressing risks in the nation's financial system, and carrying out its insurance, supervisory, consumer protection, and receivership management responsibilities.

Report 2008

Values*

The FDIC and its employees have a long and continuing tradition of distinguished public service. Six core values guide FDIC employees as they strive to fulfill the Corporation's mission and vision:

- ★ **Integrity**
  We adhere to the highest ethical and professional standards.
- ★ **Competence**
  We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
- ★ **Teamwork**
  We communicate and collaborate effectively with one another and with other regulatory agencies.
- ★ **Effectiveness**
  We respond quickly and successfully to risks in insured depository institutions and the financial system.
- ★ **Accountability**
  We are accountable to each other and to our stakeholders to operate in a financially responsible and operationally effective manner.
- ★ **Fairness**
  We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity and trust.

*Values have been updated for consistency with the FDIC's 2008-2013 Strategic Plan.

Federal Deposit Insurance Corporation
550 17th Street, NW Washington, DC 20429

Office of the Chairman

June 4, 2009

Dear Sir/Madam,

In accordance with:

- the provisions of section 17(a) of the Federal Deposit Insurance Act,
- the Chief Financial Officers Act of 1990, Public Law 101-576,
- the Government Performance and Results Act of 1993,
- the provisions of Section 5 (as amended) of the Inspector General Act of 1978, and
- the Reports Consolidation Act of 2000,

The Federal Deposit Insurance Corporation (FDIC) is pleased to submit its *2008 Annual Report* (also referred to as the *Performance and Accountability Report*), which includes the audited financial statements of the Deposit Insurance Fund and the Federal Savings and Loan Insurance Corporation Resolution Fund.

In accordance with the Reports Consolidation Act of 2000, the FDIC completed an assessment of the reliability of the performance data contained in this report. No material inadequacies were found and the data are considered to be complete and reliable.

Based on internal management evaluations, and in conjunction with the results of independent financial statement audits, the FDIC can provide reasonable assurance that the objectives of Section 2 (internal controls) and Section 4 (financial management systems) of the Federal Managers' Financial Integrity Act of 1982 have been achieved, and that the FDIC has no material weaknesses. Additionally, the U.S. Government Accountability Office did not identify any significant deficiencies in the FDIC's internal controls for 2008. We are committed to maintaining our effective internal controls corporate-wide in 2009.

Sincerely,

Sheila C. Bair
Chairman

The President of the United States
The President of the United States Senate
The Speaker of the United States House of Representatives

TABLE OF CONTENTS

Insuring Deposits. Examining Institutions. Managing Receiverships. Educating Consumers.

In its unique role as deposit insurer of banks and savings associations, and in cooperation with the other state and federal regulatory agencies, the Federal Deposit Insurance Corporation (FDIC) promotes the safety and soundness of the U.S. financial system and the insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance fund.

The FDIC promotes public understanding and the development of sound public policy by providing timely and accurate financial and economic information and analyses. It minimizes disruptive effects from the failure of financial institutions. It assures fairness in the sale of financial products and the provisions of financial services.

The FDIC's long and continuing tradition of excellence in public service is supported and sustained by a highly skilled and diverse workforce that continuously monitors and responds rapidly and successfully to changes in the financial environment.

At FDIC, we are working together to be the best.

FDIC by the NUMBERS

0 INSURED DEPOSIT DOLLARS LOST

250,000 NEW DEPOSIT LIMIT

1,800,000 *MONEY SMART* CONSUMERS REACHED

75 YEARS OF SERVICE

7 INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS CONFERENCES

25 FAILED BANKS RESOLVED

90,000 NEW BANK ACCOUNTS OPENED THROUGH ALLIANCE FOR ECONOMIC INCLUSION

4 PUBLIC SERVICE ANNOUNCEMENTS WITH SUZE ORMAN

4 SPECIALISTS CERTIFICATION PROGRAMS

FDIC EMPLOYEES **5,034**

18,953 WRITTEN DEPOSIT INSURANCE INQUIRIES

8,305 INSURED DEPOSITORY INSTITUTIONS

1,552,210 ELECTRONIC DEPOSIT INSURANCE ESTIMATOR USER SESSIONS

MESSAGE FROM THE CHAIRMAN
SHEILA C. BAIR

As an agency created during the Great Depression, the FDIC has a unique understanding of the importance of restoring public confidence during periods of stress. Clearly, 2008 was no exception. Problems in the financial markets had shaken the public's confidence in financial institutions. By fall, these problems were affecting most segments of the economy. After resolving just a handful of bank failures for several years, 25 insured institutions failed in 2008, the most since the end of the last banking crisis in 1993. The number of banks on the problem list rose to 252 at the end of last year, a sign that 2009 will be another challenging year for the banking industry as well as the economy.

During 2008, the FDIC took a number of unprecedented steps in concert with other federal agencies to bolster public confidence in our banking system. Difficult choices were necessary during difficult times to restore confidence and stability to the financial markets. The FDIC played a vital role by providing stability to our banking and financial system through our unique responsibilities and perspectives as deposit insurer, regulator, and receiver.

HIGHER DEPOSIT INSURANCE LIMIT

In early October, President Bush signed the Emergency Economic Stabilization Act of 2008 (EESA), temporarily raising the basic limit on deposit insurance from $100,000 to $250,000 per depositor through December 31, 2009. This measure also created the $700 billion Troubled Asset Relief Program (TARP) to help strengthen the financial sector.

The increased deposit insurance coverage provided vital reassurance to depositors and needed liquidity to banks. This helped make sure that otherwise viable institutions did not have to be closed because of runs on uninsured deposits.

We moved quickly to implement the coverage increase. We updated our Web site virtually overnight as well as EDIE — our Electronic Deposit Insurance Estimator — to reflect the changes. Our Call Center handled tens of thousands of phone calls from concerned consumers wanting to know whether their money was safe. I commend our staff for their hard work and quick response.

Sheila C. Bair, Chairman,
Federal Deposit Insurance Corporation

Daniel Rosenbaum/The New York Times/Redux

AFFORDABLE MORTGAGES

The FDIC was also at the forefront of efforts to address the cause of much of our economic distress — unaffordable home mortgages. As the deposit insurer and receiver for failed insured institutions, the FDIC has a special insight into the problems created for homeowners, banks, and our communities by unaffordable mortgages. Throughout the year, the FDIC advocated streamlined and sustainable loan modifications as a critical tool to arrest the growing number of foreclosures that continued to drive down home prices in 2008.

Applying workout procedures for troubled loans is something the FDIC has been doing since the 1980s. Our experience from resolving failing banks has been that performing loans yield greater returns than non-performing loans. We applied this experience at IndyMac Federal Bank. After the FDIC was appointed as conservator in July, we created a successful program to systematically help struggling homeowners modify their mortgages to make them affordable.

Through the end of 2008, more than 33,000 loan modification offers were mailed to IndyMac borrowers. These offers provided affordable payments to borrowers based on a streamlined protocol using a combination of interest rate reductions, term or amortization extensions, and principal forbearance. Through the end of the year, IndyMac had completed the requisite verification of income for more than 8,512 homeowners with thousands more in process. On average, their monthly payments were reduced by more than $480.

Based on our work at IndyMac, we designed a "Loan-Mod-In-A-Box" program guide. It is a prototype for a nationwide affordable loan program that we hope will be used to turn back the tide of foreclosures and keep struggling borrowers in their homes, taking pressure off the housing market where prices are down an average of 25 percent from a mid-2006 peak.

Unfortunately, loan modifications by other servicers failed to keep pace with rising delinquencies. As a result, the FDIC worked to encourage greater efforts to achieve modifications throughout 2008. Loan guarantees can be used as an incentive for servicers to modify loans — a move we have strongly encouraged for some time. Throughout 2008, the FDIC advocated programs to achieve more loan modifications.

TEMPORARY LIQUIDITY GUARANTEE PROGRAM

In mid-October, we launched the Temporary Liquidity Guarantee Program (TLGP). We designed this voluntary program to provide liquidity to the wholesale lending market and to free up funding for banks to make loans to creditworthy businesses and consumers. It has two key features. First, it guarantees certain new, senior unsecured debt issued by banks or thrifts and bank holding companies, as well as most thrift holding companies. Second, it provides a full guarantee of all deposits in noninterest-bearing transaction accounts (primarily payment-processing accounts, such as for business payrolls).

All eligible entities (banks, thrifts, and qualifying holding companies) were automatically enrolled in the program but had an opportunity to opt-out. Eighty-seven percent of insured depository institutions stayed in the transaction account program, while 56 percent of eligible entities remained in the debt guarantee program. At the end of the year, nearly $224 billion in debt had been issued under this program.

Fees for the debt guarantee program range from 50 to 100 basis points on an annualized basis, depending on the term of the debt. Fees for the transaction account program are 10 basis points on covered deposits that are not otherwise insured.

This program required the FDIC to use its statutory authority to take action to mitigate potential systemic risks. The program was implemented after a recommendation from the FDIC Board of Directors and the Board of Governors of the Federal Reserve System and a determination by the Secretary of the Treasury, in consultation with the President. The TLGP is a fee-based program and does not rely upon the taxpayer or the Deposit Insurance Fund (DIF).

In my view, the TLGP was a major factor in the steady progress we saw by the end of the year in reducing risk premiums in the interbank lending market. Given the success of the program, we put in place a limited extension of the TLGP debt guarantee program in early 2009; however, we intend to end new debt issuances under the program by October 31, 2009.

DIF RESTORATION PLAN AND OTHER MILESTONES

In other actions during the year, we adopted a restoration plan for the DIF. The plan increases the rates banks pay for deposit insurance and makes new adjustments to better reflect the risk banks pose to the DIF. The plan was necessary because a sharp increase in loss provisions lowered the reserve ratio below the required statutory level.

We also simplified deposit insurance rules for revocable trust accounts. These reforms to the rules covering so-called "payable-on-death" accounts and more formal revocable trust accounts, as well as for mortgage servicing accounts should result in faster deposit insurance determinations for failed banks, a must for preserving public confidence in the banking system.

On top of these extraordinary measures, the FDIC faced the largest bank failure in American history — Washington Mutual Bank (WaMu) with $300 billion in assets. All of WaMu's deposits and substantially all its liabilities were transferred to an acquirer at no cost to the insurance fund, no loss of depositor funds and with little disruption to customers.

75 YEARS OF THE FDIC

In mid-June, the FDIC celebrated 75 years of service as the world's oldest public deposit insurer. We marked the date with a press conference, national advertisements promoting deposit insurance awareness and launched a series of programs renewing public awareness of bank deposit insurance, which proved very timely as the financial turmoil widened.

We held panel discussions across the country with local experts from industry, community groups and the media to discuss methods for improving financial education for consumers and promote greater awareness of the FDIC. We distributed nationally aired television, radio and print public service announcements reassuring the public about the safety of FDIC insured accounts. We created a public exhibit in our Washington headquarters lobby tracing the FDIC's history and explaining our role in the national economy.

FDIC COMES TOGETHER

Throughout 2008, the staff of the FDIC worked tirelessly to respond to the challenges facing the banking system. It takes every employee, from every corner of the agency, to fulfill our critical mission. I am grateful for their hard work and dedication and I am proud of their efforts to preserve confidence in the banking industry and help stabilize our financial system.

Sincerely,

Sheila C. Bair

Sheila C. Bair

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) *2008 Annual Report* (also referred to as the *Performance and Accountability Report*). The report provides our stakeholders with meaningful financial and program performance information and summarizes our accomplishments. Our priority is to provide timely, reliable and useful information.

The U.S. Government Accountability Office (GAO) issued unqualified audit opinions for the two funds administered by the Corporation: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). This marks the seventeenth consecutive year that we have received unqualified audit opinions, and demonstrates our continued dedication to sound financial management and the reliability of the financial data upon which we make critical decisions. I would like to extend my sincere appreciation to the many individuals whose hard work allowed the FDIC to achieve this milestone.

At the conclusion of 2008 and moving forward into 2009, DIF remains financially sound. However, the financial statements for 2008 reflect the impact of a difficult banking environment, where 25 banks failed in 2008, an amount equal to all the bank failures between 2001 and 2007, and the highest number since 1993 when 41 bank failures occurred.

THE FDIC'S FINANCIAL RESULTS FOR 2008 INCLUDE:

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 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.

In accordance with 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 the GAO and provides reasonable assurance that the related objectives are being met.

During 2009, we will continue to work toward achieving the Corporation's strategic goals and objectives. These include identifying and addressing risks to the insurance funds, continuing work on U.S. government initiatives to strengthen the financial system, and providing Congress, other regulatory agencies, insured depository institutions, and the public with critical and timely information and analysis on the financial condition of both the banking industry and the FDIC-managed funds.

Sincerely,

Steven O. App

This page intentionally left blank.

FDIC 75 YEARS

CONFIDENCE AND STABILITY

FDIC CELEBRATES

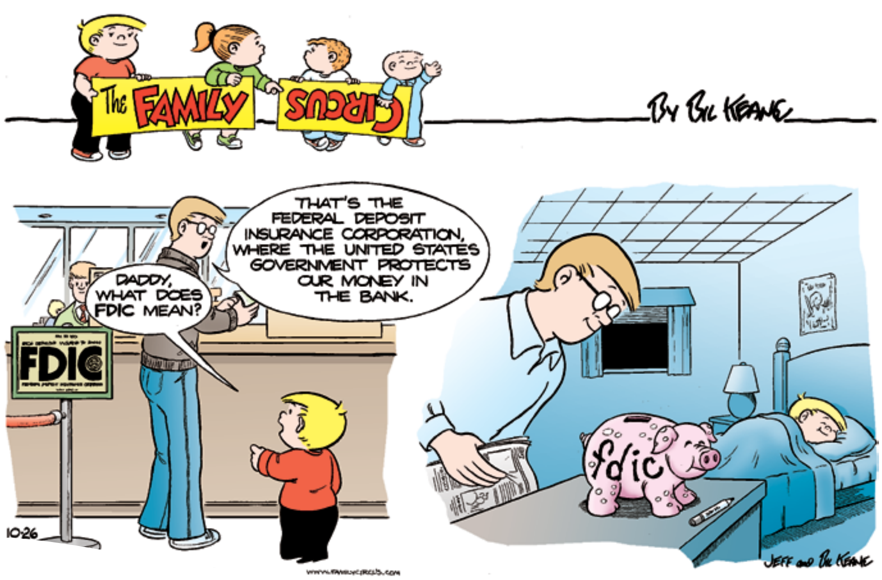
75 YEARS AS A PILLAR OF THE AMERICAN BANKING SYSTEM

FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

WHO IS THE FDIC?

The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure.



The FDIC receives no Congressional appropriations – it is instead funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. With an insurance fund totaling $17.3 billion, the FDIC insures a total of more than $4 trillion of deposits in U.S. banks and thrifts – deposits in virtually every bank and thrift in the country.

Savings, checking and other deposit accounts, when combined, are generally insured to $250,000 per depositor in each bank or thrift the FDIC insures. (On October 3, 2008, FDIC deposit insurance temporarily increased from $100,000 to $250,000 per depositor through December 31, 2009.) Deposits held in different categories of ownership – such as single or joint accounts –

may be separately insured. Also, the FDIC generally provides separate coverage for retirement accounts, such as individual retirement accounts (IRAs) and Keoghs, insured up to $250,000. The FDIC's *Electronic Deposit Insurance Estimator* can help consumers determine whether they have adequate deposit insurance for their accounts.

The FDIC insures deposits only. It does not insure securities, mutual funds or similar types of investments that banks and thrift institutions may offer. (*Insured and Uninsured Investments* distinguishes between what is and is not protected by FDIC insurance.)

In addition to providing deposit insurance, the FDIC directly examines and supervises about 5,098 banks and savings banks, more than half of the institutions in the U.S. banking system. Banks can be chartered either by any individual state or by the federal government. Banks chartered by states also have the choice of whether to join the Federal Reserve System. The FDIC is the primary federal regulator of state-chartered banks that are not members of the Federal Reserve System. The FDIC also serves as the back-up supervisor for the remaining insured banks and thrift institutions.

To protect insured depositors, the FDIC responds immediately when a bank or thrift institution fails. Institutions generally are closed by their chartering authority – the state regulator, the Office of the Comptroller of the Currency, or the Office of Thrift Supervision – which then in turn appoints the FDIC as receiver for the failed institution. The FDIC has several options for resolving institution failures, but the one most used is to sell deposits and loans of the failed institution to another institution. Customers of the failed institution automatically become customers of the assuming institution. Most of the time, the transition is seamless from the customer's point of view.

The FDIC employs about 5,034 people. It is headquartered in Washington, DC, but conducts much of its business in six regional offices and in field offices around the country.

The FDIC is managed by a five-person *Board of Directors*, all of whom are appointed by the President and confirmed by the Senate, with no more than three being from the same political party.

75 YEARS OF QUALITY SERVICE

YEAR	CHAIRMAN
2006-CURRENT	SHEILA C. BAIR *75th Anniversary in 2008*
2005	MARTIN J. GRUENBERG *(Acting)*
2001-04	DONALD E. POWELL
1998-2000	DONNA TANOUE
1997	ANDREW C. HOVE, JR *(Acting)*
1994-96	RICKI HELFER
1992-93	ANDREW C. HOVE, JR *(Acting)*
1991	WILLIAM TAYLOR
1985-91	L. WILLIAM SEIDMAN
1981-84	WILLIAM M. ISAAC *50th Anniversary in 1983*
1978-80	IRVINE H. SPRAGUE
1977	GEORGE A. LEMAISTRE
1976	ROBERT E. BARNETT
1970-75	FRANK WILLE
1964-69	K. A. RANDALL
1963	JOSEPH W. BARR
1960-62	ERLE COCKE, SR.
1957-59	JESSE P. WOLCOTT *25th Anniversary In 1958*
1952-56	H.E. COOK
1945-51	MAPLE T. HARL
1934-44	LEO T. CROWLEY
1933-34	WALTER J. CUMMINGS *Congress created FDIC in 1933*

On June 16, 1933, at the height of the Great Depression and with more than 4,000 bank failures already that year, President Franklin Delano Roosevelt signs the Banking Act of 1933 establishing the Federal Deposit Insurance Corporation as a temporary agency to raise the confidence of the U.S. public in the banking system. ★ FDIC deposit insurance goes into effect on January 1, 1934. The deposit insurance level is $2,500. Only nine banks failed during the first year that the FDIC begins insuring banks. ★ On July 1, 1934, FDIC deposit insurance coverage is increased to $5,000. ★ The Banking Act of 1935 provides for permanent deposit insurance and maintains it at the $5,000 level. ★ In 1950, deposit insurance coverage increases to $10,000. ★ 1962 marks the first full year with no bank failure since the FDIC's creation – a milestone not repeated again until 2005 and 2006. ★ The deposit insurance limit jumps to $15,000 in 1966; to $20,000 in 1969; to $40,000 in 1974; and to $100,000 in 1980. ★ Congress passes the Depository Institutions Deregulation and Monetary Control Act of 1980 – the most sweeping banking reform package enacted since the Banking Act of 1933. ★ Forty-eight insured banks, with $7 billion in assets, failed in 1983. After 50 years, the FDIC still takes in more bank premiums than it loses through failures. ★ In 1984, the FDIC – for the first time – spends more on resolving failures than it receives in premiums, with 80 insured bank failures that year. ★ In 1988, 280 insured institutions failed – the largest number in the history of the FDIC. Over half of the banks are in Texas. ★ President George H. Bush signs the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. This act is the beginning of statutory attempts to re-regulate the banking and saving and loans industries. ★ The Federal Deposit Insurance Corporation Improvement Act of 1991

(FDICIA) gives the FDIC the authority to borrow $30 billion from the Treasury to help replenish the Bank Insurance Fund. It also requires the FDIC to apply risk-based premiums by January 1, 1994, and to close banks in the least-costly manner to the insurance fund. ★ The Riegle-Neal Interstate Banking and Branching Act of 1994 permits bank holding companies to acquire banks in any state, interstate branching among banks, and foreign banks to branch to the same extent as U.S. banks. ★ The Gramm-Leach-Bliley Act of 1999 repeals the last provision of the Glass-Steagall Act of 1933 – which separated commercial and investment banking. ★ June 25, 2004, to February 2, 2007, marks the longest period in the FDIC's history without a single bank failure. ★ On February 8, 2006, President George W. Bush signs the Federal Deposit Insurance Reform Act of 2005 into law, providing for – among other things – an increase in insurance coverage to $250,000 for certain retirement accounts. ★ The FDIC launches its 75th Anniversary celebration on June 16, 2008 – exactly three-quarters of a century after it was created. ★ On October 5, 2008, the FDIC implemented the temporary increase in the Standard Maximum Deposit Insurance Amount from $100,000 to $250,000. This increase is in effect until the end of 2009. ★ On October 13, 2008, the FDIC adopted the Temporary Liquidity Guarantee Program due to disruptions in the credit market, particularly the interbank lending market, which reduced banks' liquidity and impaired their ability to lend. ★ During 2008, 25 FDIC-insured institutions failed. This was the largest number of failures since 1993 when 41 institutions failed. The 2008 total includes IndyMac Bank, FSB, Pasadena, CA, which was the fourth largest failure in the FDIC's history and Washington Mutual Bank, Henderson, NV, which was the largest single failure in FDIC history.

The year 2008 marks the 75th anniversary of the FDIC. For 75 years, deposit insurance has given consumers peace of mind that their insured money is safe. No depositor has ever lost a penny of insured funds at an FDIC-insured institution. FDIC has been and continues to be the pillar of the American Banking System.

To celebrate its 75th anniversary and to demonstrate ongoing commitment to consumers, Chairman Bair launched the *Face Your Finances* road show. The initiative was announced on June 16, 2008, at the anniversary launch in Washington, DC. Chairman Bair traveled to Chicago, San Francisco, Dallas, New York City, and Kansas City, Missouri. In each city, Chairman Bair met with community leaders to discuss deposit insurance, what it means to be an FDIC-insured institution, the costs and benefits of banking services, and the consumer protections resulting from federal regulation of the banking industry. Panel discussions were held, addressing bank services as they relate to building assets and accessing mainstream credit services, including mortgage loans. The discussions were intended to elicit information that can be used in financial literacy initiatives and informational materials.

Additionally, the FDIC has on display at its headquarters location, an exhibit that shows FDIC's history and explores how the FDIC and the banking industry have changed over time. The photographs, charts, cartoons, maps and other images presented will take visitors from inception through the banking and savings and loan crisis to a typical week in the life of the FDIC today. An audio-visual portion of the exhibit offers excerpts from President Franklin D. Roosevelt's first fireside chat addressing the 1933 banking crisis, as well as film clips on the creation of the agency and more. Following are excerpts from the exhibit.

Background and Creation

The first bank failure in U.S. history occurred in 1809, and many more would follow.

For about the next hundred years, the country's recurring financial crises were often accompanied by bank failures. Fourteen states responded by creating bank obligation/deposit insurance systems (none survived beyond 1930). Not until the tremendous dislocation of the Great Depression, though, was federal deposit insurance enacted. Its value became apparent immediately: the number of bank failures declined sharply, and depositor confidence returned.

(Above) This note was issued by the Farmer's Exchange Bank of Gloucester, Rhode Island, in 1808; the following year, Farmer's Exchange became the first bank in the U.S. to fail.

(Right) On August 5, 1931, depositors congregated outside the closed American Union Bank at 37th Street and 8th Avenue in New York City.
Courtesy of Corbis Images


SAFE DEPOSIT
VAULTS
AMERICAN
UNION
BANK
4 % PAID ON
THRIFT ACCOUNTS
AMERICAN

Creation of the FDIC

The Banking Act of 1933 created the FDIC as a temporary agency. Despite Roosevelt's reservations about deposit insurance, popular support for it was so strong that he signed the Act into law. In January 1934, the FDIC began insuring deposits, covering them up to $2,500. The FDIC also became the federal regulator of state non-member banks*, the receiver for failed national banks, and—with state authorization—the receiver for failed state banks.

*State-chartered banks that were not members of the Federal Reserve System.

IN THE BEGINNING

(Top) On June 16, 1933, President Roosevelt signed the act that created the FDIC. He was surrounded by congressional leaders, including Senator Carter Glass and Representative Henry Steagall, both of whom lent their names to the law.

(Right) The first official emblem of the FDIC, and a new symbol of confidence for depositors.

You have accomplished in these few months with complete success a gigantic task which the pessimists said could not possibly be done before Jan. 1. That 97 per cent of the bank depositors of the nation are insured will give renewed faith…

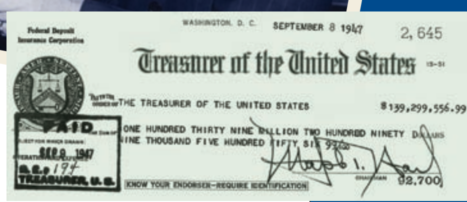
—FDR in a letter to FDIC Chairman Cummings, dated January 1, 1934

7,785

NUMBER OF STATE BANKS EXAMINED UNDER FDIC AUSPICES DURING THE LAST THREE MONTHS OF 1933 TO ENSURE THAT THEY COULD APPLY FOR DEPOSIT INSURANCE.

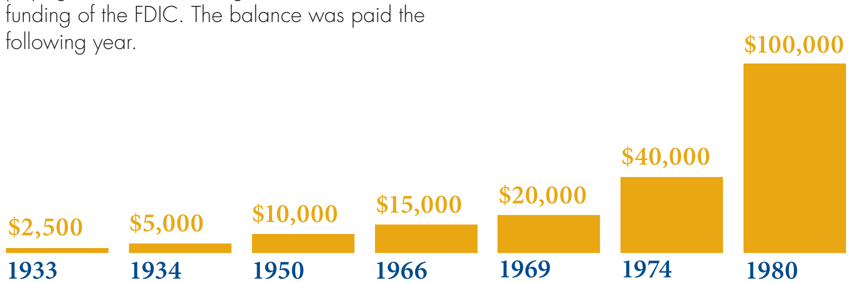
Prosperity and Growth

During the period c.1945-1970, the banking industry was highly regulated, with tight restrictions on interest rates and on products and services. Few banks failed, so the FDIC faced few challenges as a deposit insurer. In fact, by 1950 the insurance fund had become large enough ($1.2 billion) for the FDIC to begin giving rebates to banks on their deposit insurance assessments.



REPAYING THE TREASURY

(Right) In September 1947, FDIC Chairman Maple Harl (right) presented a check for $139 million to a representative of the Treasury Department, repaying almost half of the government's initial funding of the FDIC. The balance was paid the following year.



INCREASED PROTECTION

Congress increased FDIC insurance coverage levels six times between 1934 and 1980.

The Savings and Loan Industry

Savings and loan associations (S&Ls), or thrifts, were depository institutions that made home mortgage loans at relatively low fixed rates. Starting in 1934, they were insured by the Federal Savings and Loan Insurance Corporation (FSLIC). The S&L industry grew rapidly during this period and very few institutions failed.

The Banking Crisis

The banking crisis of the 1980s and 1990s was the greatest challenge the FDIC had ever faced. The crisis had four main causes. Boom-and-bust economic activity occurred in certain regions and economic sectors. Legal restrictions on branching made banks more vulnerable to regional and sectoral recessions. Many banks exhibited weak risk management. And inappropriate government policies, such as less-frequent bank examinations, also played a role.

Consequences of Failure

(Left) Oklahoma's Penn Square Bank speculated heavily in oil and gas lending. The construction of its new headquarters was halted by the bank's failure in 1982.

Image courtesy of the Oklahoma Historical Society

Agriculture

A 1970s boom in farm commodity prices and farm real estate values was followed by a downturn in the early 1980s. Many banks that concentrated in agricultural lending failed.

Energy

Soaring oil prices in the 1970s and early 1980s generated a boom in the Southwest. When energy prices dropped sharply, the region's economy was devastated and many banks failed.

Real Estate

Both the Northeast and California had booming economies in the 1980s. But aggressive real estate lending led to overbuilding and inflated prices. When recessions struck in the early 1990s, banks in both regions failed.

The S&L Crisis

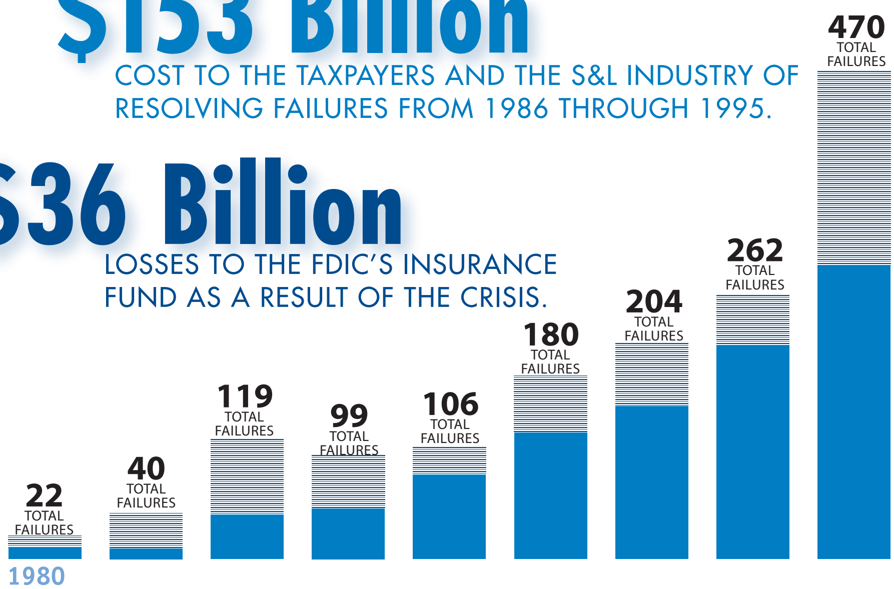
Deregulation let S&Ls enter new fields where they had little expertise. In addition, capital standards were lax and supervision inadequate. Given government policy and the FSLIC's lack of resources, many institutions that should have been closed stayed open. By 1986, the industry was clearly in crisis—672 S&Ls and the FSLIC itself were insolvent.

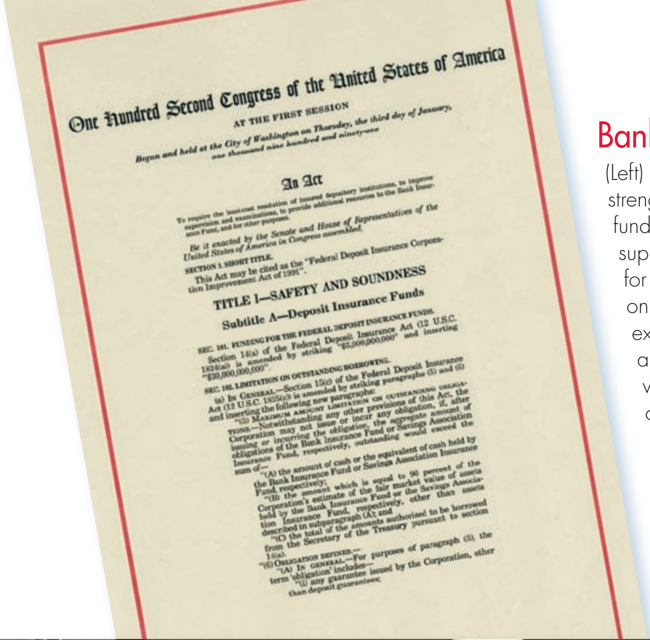
$153 Billion

COST TO THE TAXPAYERS AND THE S&L INDUSTRY OF RESOLVING FAILURES FROM 1986 THROUGH 1995.

$36 Billion

LOSSES TO THE FDIC'S INSURANCE FUND AS A RESULT OF THE CRISIS.




One Hundred Second Congress of the United States of America

AT THE FIRST SESSION

An Act

TITLE I—SAFETY AND SOUNDNESS

Subtitle A—Deposit Insurance Funds

Banking REFORM

(Left) In 1991, a new law strengthened the insurance funds and increased regulatory supervision. Its provisions called for insurance premiums based on risk and annual on-site examinations of most banks and thrifts. Regulators also were required to take "prompt corrective action" against weakening institutions and to close critically undercapitalized institutions at the least cost to the FDIC.

Image courtesy of the National Archives

Crisis and Resolution

From 1980 through 1994, a total of 1,618 banks failed. The FDIC handled these failures without the public losing confidence in the banking system and without the need for taxpayer funding. By the early 1990s, favorable interest rates and economic conditions helped the industry rebound and enter a period of unparalleled growth and profitability.

On August 9, 1989, President George H.W. Bush signed the Financial Institutions Reform, Recovery, and Enforcement Act.

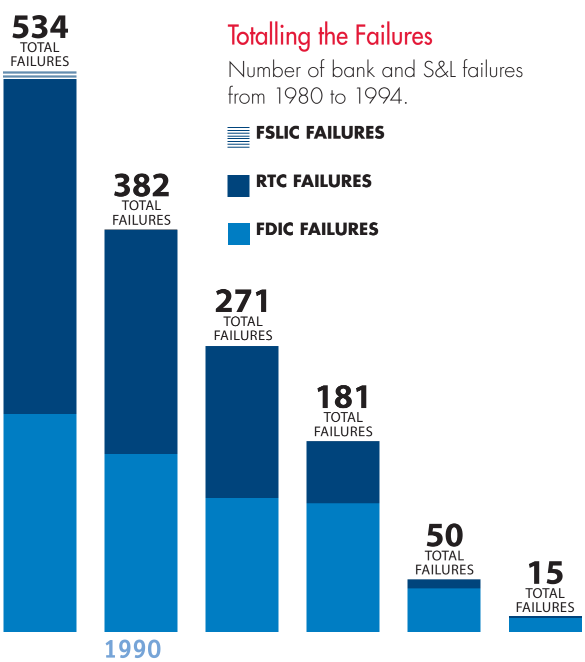
Image courtesy of the George Bush Presidential Library and Museum

S&L Reform

In 1989, a new law reformed the S&L industry, imposing stricter capital requirements and limiting investment and lending activities. The industry's regulatory structure was overhauled. The FSLIC was abolished, and the FDIC became the federal deposit insurer of thrifts. S&Ls received a new federal regulator, the Office of Thrift Supervision, and the Resolution Trust Corporation (RTC) was created to dispose of the assets of failed thrifts.

Resolving the S&L Crisis

The RTC, operating from 1989 to 1995, resolved 747 failed thrifts with assets of about $450 billion, successfully ending the thrift crisis. FDIC personnel and expertise were essential to the creation and operation of the RTC, and the FDIC managed the RTC during its first two years.



Totalling the Failures

Number of bank and S&L failures from 1980 to 1994.

- FSLIC FAILURES
- RTC FAILURES
- FDIC FAILURES

22,586

(Above) Number of FDIC and RTC employees at year-end 1991.

The FDIC Today

Events continue to highlight the importance of the FDIC.

In the decade following the crisis of the 1980s and early 1990s, the business of banking became more profitable but also more complex. The industry consolidation that began in the 1980s accelerated. Big financial institutions got bigger. Simultaneously, however, community banks found ways to thrive and prosper.

The following panels will cover recent FDIC history and describe how we serve the American people today.

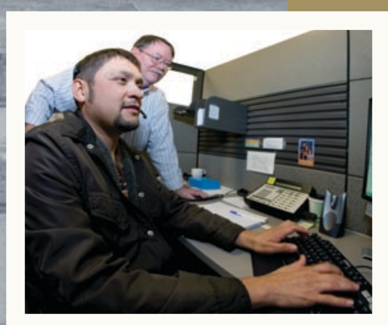
FDIC

A Week in the Life of the FDIC

Identifying risks and promoting stability have been hallmarks of the FDIC's mission for 75 years. But the FDIC's job doesn't end there. Here is a behind-the-scenes look at a typical "Week in the Life of the FDIC."

Managing the Deposit Insurance Fund

The FDIC manages the deposit insurance fund, which is supported by risk-based premiums paid by insured banks and thrifts. On an ongoing basis, FDIC staff work to set appropriate deposit insurance premiums and to structure the deposit insurance fund's portfolio of Treasury securities.



RESPONDING TO QUESTIONS

The FDIC typically responds to more than 5,000 inquiries each week from consumers and financial professionals about deposit insurance coverage. The FDIC's Web site, which contains extensive information on deposit insurance, consumer protection, and banking, is used by the public more than 500,000 times a week.

EXAMINING AND SUPERVISING BANKS

FDIC staff conduct off-site monitoring and on-site examinations to assess risk and promote prudent banking practices. Examinations identify whether banks operate in a safe and sound manner and comply with consumer protection laws. During any given week, the FDIC may be examining more than 200 banks.

Promoting Local Lending

The FDIC encourages banks to make mortgages and other loans in low- and moderate-income neighborhoods. One strategy involves conducting about 10 outreach meetings weekly with bankers and community representatives.

4,532

NUMBER OF FDIC EMPLOYEES AT YEAR-END 2007.

Unusual Holdings

When a bank fails, the FDIC often winds up acquiring some of the institution's assets. Through the years, the FDIC has temporarily owned some highly unusual businesses and properties, typically the result of bad loans or investments made by the failed banks. Take a look at some of our oddest acquisitions.

Dallas Cowboys

The FDIC owned 12 percent of the team during the 1988 and 1989 seasons, after FirstRepublic Corporation of Dallas failed in 1988.

Citrus and Almond Tree Farms

Assets acquired by the FDIC often require significant upkeep. For example, FDIC asset managers had to purchase machinery to protect our citrus crops from freezing weather and bought beehives for pollination of our almond trees.

Taxicabs

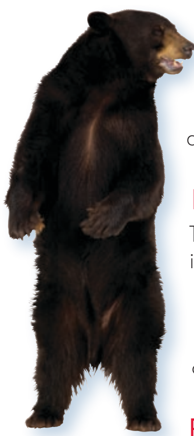
The FDIC owned fleets in California, Arizona, and New York.

Ghosts and Ghouls

The FDIC acquired a house in Salem, Massachusetts, that was reputedly haunted by the ghosts of the men and women who were sent to their deaths more than 300 years ago by the previous landowner, the town sheriff. The property was acquired from the Bank of New England, which failed in 1991.

Abracadabra

The RTC acquired the Mulholland Library of Conjuring and the Allied Arts from the failed First Network Savings in 1990. Magician David Copperfield made it disappear from the RTC's asset portfolio by purchasing it for $2.2 million. The collection included letters written by Harry Houdini and books dating back to the 16th century.



Grizzly 2: The Predator

The FDIC acquired this B-grade horror picture, filmed in 1983 with budding stars Charlie Sheen and George Clooney. The movie is about a grizzly bear that attacks patrons at a rock concert in a national park.

From Oil Tankers to Shrimp Boats

Throughout the years, the FDIC has had interests in oil tankers, shrimp boats, and tuna boats, and consequently experienced many of the pitfalls facing the maritime industry. In one case, an oil tanker ran aground. In another, a shrimp boat was blown onto the main street of Aransas Pass, Texas, by a hurricane.

Race Horses

The FDIC temporarily owned more than 100 race horses and breeding horses, most of which had been collateral for loans made by the failed Penn Square Bank in Oklahoma.

Las Vegas Casinos

In 1993, the FDIC acquired the voting rights to a controlling share of the stock in companies that owned casinos, including the Maxim and the Dunes in Las Vegas.

FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

1

CHAPTER ONE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Year in Review

The year 2008 proved to be an extremely busy time for the FDIC. In addition to the normal course of business, the Corporation had a major role in creating and implementing government initiatives associated with the Temporary Liquidity Guarantee Program (TLGP) and the Troubled Asset Relief Program. Also, additional resources were needed in response to the increased workload resulting from resolving numerous bank failures. The FDIC continued its work on high-profile policy issues and published numerous Notices of Proposed Rulemaking (NPRs) throughout the year, seeking comment from the public. The Corporation also continued to focus on a strong supervisory program. The FDIC continued expansion of financial education programs with the creation of *Money Smart* for young adults. The FDIC also sponsored and co-sponsored major conferences and participated in local and global outreach initiatives.

Highlighted in this section are the Corporation's 2008 accomplishments in each of its three major business lines – Insurance, Supervision and Consumer protection, and Receivership Management – as well as its program support areas.

Insurance

The FDIC insures bank and savings association deposits. As insurer, the FDIC must continually evaluate and effectively manage how changes in the economy, the financial markets and the banking system affect the adequacy and the viability of the Deposit Insurance Fund.

Temporary Liquidity Guarantee Program

On October 13, 2008, the Secretary of the Treasury, in consultation with the President and acting upon the recommendations of the FDIC Board of Directors and the Board of Governors of the Federal Reserve System, made a systemic risk determination under section 13(c)(4)(G) of the Federal Deposit Insurance Act (FDIA). The next day, the FDIC announced and implemented the Temporary Liquidity Guarantee Program. The TLGP consists of two components: an FDIC guarantee of certain newly issued senior unsecured debt (the debt guarantee program) and an FDIC guarantee in full of non-interest bearing transaction accounts (the transaction account program). Coverage under both components of the TLGP was provided without charge to all eligible entities for the first 30 days.

After issuing an interim final rule on October 23, 2008, the FDIC received more than 700 comments. Based on those comments, the FDIC made several significant changes to the final rule, which the FDIC adopted on November 21, 2008.

The final rule provided that, under the debt guarantee program, the FDIC will guarantee in full, through maturity or June 30, 2012, whichever comes earlier, senior unsecured debt issued by a participating entity between October 14, 2008, and June 30, 2009, up to a maximum of 125 percent of the par value of the entity's senior unsecured debt that was outstanding as of the close of business September 30, 2008, and that was scheduled to mature on or before June 30, 2009. Banks, thrifts, bank holding companies, and certain thrift holding companies were eligible to participate. In a change from the original terms of the debt guarantee program, the final rule excluded, effective December 5, 2008, all debt with a term of 30 days or less from the definition of senior unsecured debt. The FDIC began charging institutions participating in the debt guarantee program for debt issued on or after November 13, 2008, a fee based on the amount and term of the debt issued. Fees range from 50 to 100 basis points on an annualized basis, depending on the term of the debt.

The final rule also provided that, under the transaction account program, the FDIC will guarantee in full all domestic noninterest-bearing transaction deposit accounts held at participating banks and thrifts through December 31, 2009, regardless of dollar amount. The guarantee also covers negotiable order of withdrawal accounts (NOW accounts) at participating institutions – provided the institution commits to maintaining interest rates on the account at no more than 0.50 percent – and Interest on Lawyers Trust Accounts (IOLTAs) and functional equivalents. The FDIC will assess participating institutions a 10 basis point annual rate surcharge on covered accounts that are not otherwise insured.

The final rule required all institutions to elect whether or not to participate in one or both of the two components of the TLGP by December 5, 2008. As of December 31, 2008, approximately 56 percent of all eligible entities had opted in to the Debt Guarantee Program and 64 financial entities – 39 insured depository institutions and 25 bank and thrift holding companies and non-bank affiliates – had $224 billion in guaranteed debt outstanding. Approximately 87 percent of FDIC-insured institutions opted in to the Transaction Account Guarantee Program, with insured institutions reporting 522,862 non-interest-bearing transaction accounts over $250,000. These accounts totaled $814 billion, of which $684 billion in deposit accounts was guaranteed under the program.

The TLGP does not rely on the taxpayer or the Deposit Insurance Fund to achieve its goals. Participants in the program must pay assessments for coverage. If fees do not cover costs in the TLGP, the FDIC will impose a special assessment under the systemic risk provisions of the Federal Deposit Insurance Act.

Restoration Plan and Rulemaking on Assessments

Recent and anticipated bank failures significantly increased Deposit Insurance Fund losses, resulting in a decline in the reserve ratio. As of December 31, 2008, the reserve ratio stood at 0.36 percent, down from 0.76 percent at September 30, 1.01 percent at June 30, and 1.19 percent as of March 31. The Federal Deposit Insurance Reform Act of 2005 (the Reform Act) requires that the FDIC's Board of Directors adopt a restoration plan when the Deposit Insurance Fund's reserve ratio falls below 1.15 percent or is expected to within six months.

On October 7, 2008, the FDIC Board adopted a restoration plan to raise the reserve ratio to at least 1.15 percent within five years and a proposed rule that would raise assessment rates beginning January 1, 2009, and make other changes to the assessment system effective April 1, 2009. The other changes were primarily to ensure that riskier institutions will bear a greater share of the proposed increase in assessments. On December 16, 2008, the Board adopted a final rule raising assessment rates for the first quarter of 2009. On February 27, 2009, the Board amended the restoration plan to extend its horizon from five years to seven years due to extraordinary circumstances. It also adopted a final rule setting rates beginning the second quarter of 2009 and making other changes to the risk-based pricing system.

Rates for the First Quarter of 2009

On December 16, 2008, the FDIC adopted a final rule raising risk-based assessment rates uniformly by seven basis points for the first quarter 2009 assessment period. The higher revenue will be reflected in the fund balance as of March 31, 2009. Assessment rates for the first quarter of 2009 will range from 12 to 50 basis points. Institutions in the lowest risk category – Risk Category I – will pay between 12 and 14 basis points.

Changes to Risk-Based Assessments Effective the Second Quarter of 2009

Effective April 1, 2009, the final rule adopted on February 27, 2009, widens the range of rates overall and within Risk Category I. Initial base assessment rates will range between 12 and 45 basis points – 12 to 16 basis points for Risk Category I. The initial base rates for Risk Categories II, III, and IV will be 22, 32 and 45 basis points, respectively. An institution's total base assessment rate may be less than or greater than its initial base rate as a result of additional adjustments (discussed below). For Risk Category I, total base assessment rates may be as low as seven basis points or as high as 24 basis points. A Risk Category IV institution could have a total base assessment rate as high as 77.5 basis points (see chart on page 29).

Large Risk Category I Institutions

Beginning in the second quarter of 2009, the assessment rate for a large institution with a debt rating will depend on (1) long-term debt ratings, (2) the weighted average CAMELS[1] component rating, and (3) the rate determined from the financial ratios method, the method used for smaller banks. Each of the three components will receive a one-third weight. The maximum amount of the rate adjustment for large banks based on additional information about risks will be increased from ½ basis point to one basis point.

The FDIC anticipates that incorporating the financial ratios method into the large bank method assessment rate will result in a more accurate distribution of initial assessment rates and in timelier assessment rate responses to changing risk profiles, while retaining the market and supervisory perspectives that debt and CAMELS ratings provide.

DISTRIBUTION OF INSTITUTIONS AND DOMESTIC DEPOSITS AMONG RISK CATEGORIES

QUARTER ENDING DECEMBER 31, 2008

Dollars in billions

Risk Category	Annual Rate in Basis Points	Number of Institutions	Percent of Total Institutions	Domestic Deposits	Percent of Total Domestic Deposits
I – Minimum	5	1,515	18.2%	$2,826	37.7%
I – Middle	5.01 – 6.00	2,069	24.9%	1,562	20.8%
I – Middle	6.01 – 6.99	1,521	18.3%	783	10.4%
I – Maximum	7	2,131	25.6%	860	11.5%
II	10	807	9.7%	1,338	17.8%
III	28	223	2.7%	101	1.3%
IV	43	48	0.6%	35	0.5%

Note: Institutions are categorized based on supervisory ratings, debt ratings and financial data as of December 31, 2008. Rates do not reflect the application of assessment credits. Percentages may not add to 100 percent due to rounding.

1 The CAMELS component ratings represent either the adequacy of **C**apital, the quality of **A**ssets, the capability of **M**anagement, the quality and level of **E**arnings, the adequacy of **L**iquidity, and the **S**ensitivity to market risk, and ranges from "1" (strongest) to "5" (weakest).

Brokered Deposits

For institutions in Risk Category I, the financial ratios method will include a new financial ratio that may increase the rate of an institution relying significantly on brokered deposits to fund rapid asset growth. This will only apply to institutions with brokered deposits (less reciprocal deposits)[2] of more than 10 percent of domestic deposits and cumulative asset growth of more than 40 percent over the last four years, adjusted for mergers and acquisitions. Like the other financial ratios used to determine rates in Risk Category I, a small change in the value of the new ratio may lead to only a small rate change, and it would not cause an institution's rate to fall outside of the 12-16 basis point initial range. A number of costly institution failures, including some recent failures, had experienced rapid asset growth before failure and had funded this growth through brokered deposits.

For institutions in risk categories II, III, or IV, the FDIC proposes to increase an institution's assessment rate above its initial rate if its ratio of brokered deposits to domestic deposits is greater than 10 percent, regardless of the rate of asset growth. Such an increase would be capped at 10 basis points. As an institution's financial condition weakens, significant reliance on brokered deposits tends to increase its risk profile. Insured institutions – particularly weaker ones – typically pay higher rates of interest on brokered deposits. When an institution becomes noticeably weaker or its capital declines, the market or statutory restrictions may limit its ability to attract, renew or roll over these deposits, which can create significant liquidity challenges. Also, significant reliance on brokered deposits tends to greatly decrease the franchise value of a failed institution.

Secured Liabilities

For institutions in any risk category, assessment rates will rise above initial rates for institutions relying significantly on secured liabilities. Assessment rates will increase for institutions with a ratio of secured liabilities to domestic deposits of greater than 25 percent, with a maximum increase of 50 percent above the rate before such adjustment. Secured liabilities generally include Federal Home Loan Bank advances, repurchase agreements, secured Federal Funds purchased, and other secured borrowings.

The exclusion of secured liabilities can lead to inequity. An institution with secured liabilities in place of another's deposits pays a smaller deposit insurance assessment, even if both pose the same risk of failure and would cause the same losses to the FDIC in the event of failure. Substituting secured liabilities for deposits can also lower an institution's franchise value in the event of a failure, which increases the FDIC's losses, all else equal. Furthermore, substituting secured liabilities for unsecured liabilities (including subordinated debt) raises the FDIC's loss in the event of failure without providing increased assessment revenue.

Unsecured Debt and Tier I Capital

Institutions will receive a lower rate if they have long-term unsecured debt, including senior unsecured and subordinated debt with a remaining maturity of one year or more. For a large institution, the rate reduction would be determined by multiplying the institution's long-term unsecured debt as a percentage of domestic deposits by 40 basis points. The maximum allowable rate reduction would be five basis points. For a small institution (those with less than $10 billion in assets), the unsecured debt adjustment would also include a certain amount of Tier I capital. The percentage of Tier I capital qualifying for inclusion in the unsecured debt adjustment gradually increases for greater amounts of Tier I capital exceeding five percent Tier I leverage ratio threshold.[3]

When an institution fails, holders of unsecured claims, including subordinated debt, receive distributions from the receivership estate only if all secured claims, administrative claims and deposit claims have been paid in full. Consequently, greater amounts of long-term unsecured claims provide a cushion that can reduce the FDIC's loss in the event of a failure.

2 Certain deposits that an insured depository institution receives through a deposit placement network on a reciprocal basis would be excluded from the adjusted brokered deposit ratio in Risk category I. They would not be excluded, however, from the brokered deposit adjustment applicable to risk categories II, III, and IV.

3 For a Tier I leverage ratio between 5 percent and 6 percent, 10 percent of Tier I capital within this range would qualify for the unsecured debt adjustment; for a Tier I leverage ratio between 6 percent and 7 percent, 20 percent of Tier I capital within this range would qualify; for a Tier I leverage ratio between 7 percent and 8 percent, 30 percent of Tier I capital within this range would qualify; and so forth. Thus, all Tier I capital above a 14 percent leverage ratio would qualify for inclusion in the unsecured debt adjustment.

Summary of Base Rate Determination

For second quarter 2009, the minimum and maximum initial base assessment rates, range of possible rate adjustments, and minimum and maximum total base rates are as follows:

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV
Initial Base Assessment Rate	12 – 16	22	32	45
Unsecured Debt Adjustment	-5 – 0	-5 – 0	-5 – 0	-5 – 0
Secured Liability Adjustment	0 – 8	0 – 11	0 – 16	0 – 22.5
Brokered Deposit Adjustment		0 – 10	0 – 10	0 – 10
Total Base Assessment Rate	7 – 24	17 – 43	27 – 58	40 – 77.5

Base Rates and Actual Rates

The rates adopted by the Board are both base rates and actual rates. The FDIC would continue to have the authority to adopt actual rates that were higher or lower than total base assessment rates without the necessity of further notice and comment rulemaking, provided that: (1) the Board could not increase or decrease rates from one quarter to the next by more than three basis points without further notice-and-comment rulemaking; and (2) cumulative increases and decreases could not be more than three basis points higher or lower than the total base rates without further notice-and-comment rulemaking.

Center for Financial Research

The Center for Financial Research (CFR) was founded by the Corporation in 2004 to encourage and support innovative research on topics that are important to the FDIC's role as deposit insurer and bank supervisor. During 2008, the CFR co-sponsored three major research conferences.

The 18th Annual Derivatives Securities and Risk Management Conference, which the FDIC co-sponsored with Cornell University's Johnson Graduate School of Management and the University of Houston's Bauer College of Business, was held in April 2008 at the FDIC's Virginia Square facility. The conference attracted over 100 researchers from around the world. Conference presentations focused on technical and mathematical aspects of risk measurement and securities pricing, and included several presentations on Basel II related topics.

The CFR and *The Journal for Financial Services Research* (JFSR) hosted the eighth Annual Bank Research Conference in September with over 100 attendees. The conference included the presentation of six papers and focused on issues in securitization and credit risk transfer. Experts discussed analyses on a range of topics, including liquidity issues, lessons learned from the collapse of the auction rate municipal bond market, the laying off of credit risk, and the subprime credit crisis of 2007.

The CFR and the Federal Reserve Bank of Cleveland co-sponsored the "Identifying and Resolving Financial Crises" conference in April 2008. Papers were presented and discussed on topics including the theory and evidence on the resolution of financial firms, identifying policies that lead to contagion or correlated risk, and contingency planning for crises.

The CFR hosted its annual Fall Workshop in October, which included two all-day sessions with research paper presentations and discussions. The Workshop was attended by about 85 researchers and policy makers. Twelve CFR working papers were completed and published through November 2008 on topics dealing with deposit insurance, risk measurement, credit contagion, and the global syndicated loan market.

Consumer Research

The FDIC has pursued a research agenda that explores consumer financing products and trends, supports FDIC consumer policy initiatives and supervisory objectives, and proactively uses FDIC research results to identify and address major risks in the consumer protection area. As part of this agenda, the FDIC has prepared a series of articles for the *FDIC Quarterly* on the unbanked, the underserved, and alternative financial services.

During the year, two articles were completed within this series. One article, "Building Assets, Building Relationships: Bank Strategies for Encouraging Lower-Income Households to Save" was published in the fourth quarter 2007 *FDIC Quarterly* (2008 Volume 2, Number 1). This article describes some savings strategies and products that banks have used to build profitable relationships that also benefit lower-income consumers. Another article, "An Introduction to the FDIC's Small-Dollar Loan Pilot Program," was issued electronically on August 10, 2008, and published in the second quarter 2008 *FDIC Quarterly* (2008, Volume 2, Number 3). The article summarizes the key parameters of the pilot, the small-dollar loan program proposals that participating banks described in their applications, and the first quarter 2008 results.

International Outreach

Growing concerns surrounding the weakening global economy made 2008 a significant and active year for the FDIC's international activities. The failure of Northern Rock in the United Kingdom in February 2008 began an upward trend in FDIC consultations with foreign governments considering developing, modernizing, or otherwise strengthening their deposit insurance systems. Efforts included arranging and conducting training sessions, technical assistance missions and foreign visits, leadership roles in international organizations and participating in bilateral consultations with foreign regulators.

With FDIC's Vice Chairman as President of the International Association of Deposit Insurers (IADI) and Chair of the IADI Executive Council, the FDIC had a critical role in fulfilling IADI's mission throughout the year. In October 2008, the FDIC hosted the seventh annual IADI Conference

Participants in the International Association of Deposit Insurers conference.

and Annual General Meeting. The conference themes, *Financial Stability and Economic Inclusion*, provided an excellent platform for over 250 distinguished presenters and guests from 60 countries to discuss the issues facing global banking and the economy and what steps can be taken by deposit insurers to promote financial stability and inclusion around the world. As Chair of the IADI Training and Conference Standing Committee, the FDIC developed and hosted an executive training program designed to promote core principles and best practices of resolutions management for 39 individuals from 25 countries. The Cross Border Resolution Group (CBRG) of the Basel Committee on Bank Supervision (BCBS), co-chaired by the FDIC, continued its work analyzing national legal and policy regimes for crisis management and resolution of cross-border banks, presenting an interim report to the Basel Committee in December. A subgroup of the CBRG, also co-chaired by the FDIC, in collaboration with IADI and European Forum of Deposit Insurers (EFDI) began work this year to develop an internally agreed-upon set of Recommended Core Principles for Effective Deposit Insurance Systems.

As a member of the Association of Supervisors of Banks in the Americas (ASBA) Board of Directors, the FDIC championed the importance of financial education and highlighted the success of its *Money Smart* program as a means of promoting healthy economic and banking growth in the Americas. The FDIC's leadership within ASBA also included providing technical training to ASBA members on supervision of operational risk, bank supervision and resolution. In 2008, the FDIC continued to build its relationship with the EFDI and participated in a joint EFDI/FDIC conference in Dublin on Financial Integration and the Safety Net.

The FDIC entered into a number of Memoranda of Understanding (MOU) this year, three regarding information sharing between bank supervisors of Hong Kong, Mexico and Spain, as well as technical assistance agreements with Colombia's deposit insurer, Fondo De Garantias De Instituciones Financieras (FOGAFIN), and the United Kingdom's (UK) Financial Services Authority (FSA). The MOU with the UK provides for formal information-sharing and contingency planning arrangements in connection with cross-border banking activities in the U.S. and the UK. The FDIC's consultation with the UK has included numerous discussions to share detailed information on the FDIC's experience in resolution management and asset disposition and consultation on key components of proposed legal changes to the resolution regime for banks in the UK. In addition, the FDIC Chairman met with the FSA Chairman, the Deputy to the Exchequer of Her Majesty's Treasury, the Governor of the Bank of England and the CEO of the Financial Services Compensation Scheme (FSCS) to continue the dialogue and exchange of information.

In its continuing commitment to fostering sound banking in China, the FDIC and the People's Bank of China co-sponsored a seminar on rural finance held at the FDIC's Dallas Regional Office. The seminar provided 55 participants from both countries, including rural finance experts in banking, financial regulation, and academia, with an opportunity to share experiences and engage each other in a dialogue on the challenges, best practices, and innovations in rural finance in their countries today. The FDIC also traveled to China to participate in the U.S.-China Bilateral Bank Supervisors meetings, hosted by the China Banking Regulatory Commission (CBRC).

Supervision and Consumer Protection

Supervision and consumer protection are cornerstones of the FDIC's efforts to ensure the stability of and public confidence in the nation's financial system. The FDIC's supervision program promotes the safety and soundness of FDIC-supervised insured depository institutions, protects consumers' rights, and promotes community investment initiatives.

Examination Program

The FDIC's strong bank examination program is the core of its supervisory program. As of December 31, 2008, the Corporation was the primary federal regulator for 5,116 FDIC-insured state-chartered institutions that are not members of the Federal Reserve System (generally referred to as "state non-member" institutions). Through safety and soundness, consumer compliance and Community Reinvestment Act (CRA), and other specialty examinations, the FDIC assesses an institution's operating condition, management practices and policies, and compliance with applicable laws and regulations. The FDIC also educates bankers and consumers on matters of interest and addresses consumer questions and concerns.

During 2008, the Corporation conducted 2,416 statutorily required safety and soundness examinations, including a review of Bank Secrecy Act compliance, and all required follow-up examinations for FDIC-supervised problem institutions within prescribed time frames. The FDIC also conducted 1,826 CRA/compliance examinations (1,509 joint CRA/compliance examinations, 313 compliance-only examinations,[4] and 4 CRA-only examinations) and 3,028 specialty examinations. All CRA/compliance examinations were also conducted within the time frames established by FDIC policy, including required follow-up examinations of problem institutions. The accompanying table compares the number of examinations, by type, conducted in 2006 – 2008.

As of December 31, 2008, there were 252 insured institutions with total assets of $159.4 billion designated as problem institutions for safety and soundness purposes (defined as those institutions having a composite CAMELS[5] rating of "4" or "5"), compared to the 77 problem institutions with total assets of $22.2 billion on December 31, 2007. This constituted a 227 percent year-over-year increase in the number of problem institutions and a 618 percent increase in problem institution assets. In 2008, 67 institutions with aggregate assets of $383.3 billion were removed from the list of problem financial institutions, while 243 institutions with aggregate assets of $532.6 billion were added to the list of problem financial institutions. Washington Mutual, the single largest failure in history, with $307.0 billion in assets, was added to the list and resolved in 2008. The FDIC is the primary federal regulator for 170 of the 252 problem institutions.

FDIC EXAMINATIONS 2006 – 2008

	2008	2007	2006
Safety and Soundness:			
State Non-member Banks	2,225	2,039	2,184
Savings Banks	186	213	201
Savings Associations	1	3	2
National Banks	2	0	0
State Member Banks	2	3	1
Subtotal – Safety and Soundness Examinations	2,416	2,258	2,388
CRA/Compliance Examinations:			
Compliance - Community Reinvestment Act	1,509	1,241	777
Compliance-only	313	528	1,177
CRA-only	4	4	5
Subtotal CRA/Compliance Examinations	1,826	1,773	1,959
Specialty Examinations:			
Trust Departments	451	418	468
Data Processing Facilities	2,577	2,523	2,584
Subtotal-Specialty Examinations	3,028	2,941	3,052
Total	7,270	6,972	7,399

4 Compliance-only examinations are conducted for most institutions at or near the mid-point between joint compliance-CRA examinations under the Community Reinvestment Act of 1977, as amended by the Gramm-Leach-Bliley Act of 1999. CRA examinations of financial institutions with aggregate assets of $250 million or less are subject to a CRA examination no more than once every five years if they receive a CRA rating of "Outstanding" and no more than once every four years if they receive a CRA rating of "Satisfactory" on their most recent examination.

5 The CAMELS composite rating represents the adequacy of **C**apital, the quality of **A**ssets, the capability of **M**anagement, the quality and level of **E**arnings, the adequacy of **L**iquidity, and the **S**ensitivity to market risk, and ranges from "1" (strongest) to "5" (weakest).

During 2008, the Corporation issued the following formal and informal corrective actions to address safety and soundness concerns: 83 Cease and Desist Orders, one Temporary Cease and Desist Order, and 210 Memoranda of Understanding. Of these actions issued, 10 Cease and Desist Orders and 29 Memoranda of Understanding were issued based, in part, on apparent violations of the Bank Secrecy Act.

As of December 31, 2008, 140 FDIC-supervised institutions were assigned a "4" rating for safety and soundness and 30 institutions were assigned a "5" rating.

Of the "4"-rated institutions, 126 were examined in 2008, and formal or informal enforcement actions are in process or have been finalized to address the FDIC's examination findings. Twenty eight "5"-rated institutions were examined and the remaining two were in the process of being examined in 2008 and completed in February 2009.

As of December 31, 2008, 16 FDIC-supervised institutions were assigned a "4" rating for compliance and no institutions were assigned a "5" rating. In total, nine of the "4"-rated institutions were examined in 2008; the remaining seven were examined prior to 2008 and involved either appeals or referrals to other agencies. These 16 institutions are under informal enforcement actions (3) or Cease and Desist Orders (six are final and six are in process), with one in process of appealing the examination. The Corporation has issued or is pursuing enforcement actions to address the examination findings for all 170 of the problem institutions for which it is the primary federal regulator. These actions include 159 Cease and Desist Orders and 11 Memoranda of Understanding.

Troubled Asset Relief Program's Capital Purchase Program

The FDIC has worked with the Treasury Department to process applications for the Troubled Asset Relief Program's (TARP) Capital Purchase Program (CPP). The TARP CPP, funded at $250 billion in 2008, is designed to strengthen the capital of financial institutions and enhance their ability to make credit available to consumers and businesses. (An additional $100 billion was forwarded to the AIG and auto industries.) All U.S. bank holding companies, banks, and thrifts are eligible to participate in the CPP by making an application to their primary federal regulator. The FDIC has processed 1,600 CPP applications from state non-member institutions. It is expected that all TARP CPP capital infusions will be completed by mid 2009.

Joint Examination Teams

The FDIC used joint compliance/risk management examination teams (JETs) to assess risks associated with new, nontraditional and/or high-risk products being offered by FDIC-supervised institutions. The JET approach recognizes that to fully understand the potential risks inherent in certain products and services, the expertise of both compliance and risk management examiners is required. The JET approach has three primary objectives:

- ★ To enhance the effectiveness of the FDIC's supervisory examinations in unique situations;
- ★ To leverage the skills of examiners who have experience with emerging and alternative loan and deposit products; and
- ★ To ensure that similar supervisory issues identified in different areas of the country are addressed consistently.

In 2008, the FDIC used JETs within institutions involved in significant subprime or nontraditional mortgage activities; institutions affiliated with or utilizing third parties to conduct significant consumer lending activities, especially in the credit card area; institutions offering refund anticipation loans (RAL) products; and institutions for which the FDIC has received a high volume of consumer complaints or complaints with serious allegations of improper conduct by banks.

Large Complex Financial Institution Program

The FDIC's Large Complex Financial Institution Program addresses the unique challenges associated with the supervision, insurance and potential resolution of large and complex financial institutions. With the challenges posed by economic and market developments in 2008, large institutions have been significantly affected. The FDIC's ability to analyze and respond to risks in these institutions is of particular importance as they make up a significant share of the banking industry's assets. The focus of the program is to ensure a consistent approach to large-bank supervision and risk analysis on a national basis and to provide a quick response to risks that are identified in large institutions. This is achieved through extensive cooperation with the FDIC regional offices, other FDIC divisions and offices, and the other banking and thrift regulators.

In 2008, the Large Insured Depository Institution (LIDI) Program implemented a comprehensive process to standardize data capture and reporting. Under this program, supervisory staff throughout the nation performs comprehensive quantitative and qualitative risk analysis of institutions with assets over $10 billion, or under this threshold at regional discretion. This information has been instrumental in providing the basis for supervisory actions, supporting insurance assessments and resolution planning.

The LIDI Program continued to assess internal and industry preparedness relative to Basel II capital rules and was actively involved in domestic and international discussions intended to ensure effective implementation of the New Capital Accord. This included participation in numerous supervisory working group meetings with foreign regulatory authorities to address Basel II home-host issues.

Bank Secrecy Act/ Anti-Money Laundering

The FDIC pursued a number of Bank Secrecy Act (BSA), Counter-Financing of Terrorism (CFT) and Anti-Money Laundering (AML) initiatives in 2008.

International AML/CFT Initiatives

The FDIC conducted three training sessions in 2008 for 49 central bank representatives from Jordan, Kuwait, Paraguay, Qatar, Saudi Arabia, Senegal, Thailand, and the West Africa Central Bank. The training focused on AML/CFT controls, the AML examination process, customer due diligence, suspicious activity monitoring and foreign correspondent banking. The sessions also included presentations from the Federal Bureau of Investigation on combating terrorist financing, and the Financial Crimes Enforcement Network (FinCEN) on the role of financial intelligence units in detecting and investigating illegal activities.

In addition to hosting on-site AML/CFT instruction, the FDIC participated in the second annual U.S.-Latin America Private Sector Dialogue in Miami, Florida. The focus of this Treasury Department initiative is to provide a forum for discussing common issues related to money laundering and terrorist financing. The FDIC also participated in a seminar focusing on Islamic Banking hosted by Perbadanan Insurans Deposit Malaysia (PIDM) in Kuala Lumpur, Malaysia. Additionally, the FDIC traveled to Uruguay to provide instruction focused on AML/CFT practices to approximately 40 regulators from the Banco Central del Uruguay. Also presented was an overview of the FDIC's role as a supervisor to approximately 100 bankers and government officials.

Basel AML/CFT

The FDIC also participates on the Basel AML/CFT committee. In 2008, the committee published views on supervisory expectations relating to transparency in payment messages, particularly in anticipation of changes to technical standards for cross-border wire transfers.

Money Services Business Project

As part of the FDIC's Money Services Business (MSB) Project, the FDIC continued to work on establishing information-sharing agreements with state authorities responsible for examining MSBs. The agreements allow for the exchange of information relating to MSB supervision and provide for a formal information-sharing process. The agreements were developed to limit regulatory redundancies by providing relevant supervisory information for MSB customers with banking relationships at FDIC-supervised financial institutions. Additionally, the agreements provide assistance to each agency in promoting opportunities to learn from the other's industry expertise.

Based on challenges faced by the MSB industry in obtaining and maintaining banking services, the FDIC partnered with several state MSB supervisors. Information gained is intended to streamline the BSA/AML examination process for financial institutions serving the MSB industry. To date, agreements have been signed with state representatives from New York, Pennsylvania and Texas.

Minority Depository Institution (MDI) Activities

The FDIC continues to seek avenues for improving communication and interaction with MDIs, and responding to concerns.

In July of 2008, the FDIC issued a Financial Institution Letter (FIL) aimed at enhancing procedures for providing technical assistance to MDIs. Although the FDIC routinely contacts MDIs to offer return visits and technical assistance following the conclusion of each examination, the FIL expanded the guidelines to encourage banks to *initiate* contact to request technical assistance at any time. The guidance specifically delineates that the FDIC can assist in reviewing and offering feedback and recommendations on a variety of matters, including:

- Proposed written policies for major operational areas, such as the lending, investment, and funds management functions;
- Proposed strategic plans;
- Proposed budgets;
- Proposed applications or notices for new branches and/or new activities; and
- Any other operational matters where MDI bank management would like FDIC input.

Also, as suggested by MDIs, the guidance provides that the institutions can contact any region, regardless of its geographic location, to initiate discussions for technical assistance.

During 2008, the FDIC provided technical assistance to 54 MDIs on a broad range of topics, including strategies for addressing BSA deficiencies, strengthening budget processes, and revising and developing policies. The FDIC also held discussions on the de novo application process with prospective organizers of new minority banks.

In partnership with the Puerto Rico Bankers Association, the FDIC hosted a Compliance seminar in San Juan in December 2008. The seminar focused on pertinent compliance-related matters, including the Fair and Accurate Credit Transaction Act implementation, unfair and deceptive practices, and recent changes to the FDIC's examination procedures.

In response to comments provided by MDIs, the FDIC launched a program for enhanced peer group reviews and comparisons, specifically targeted for MDIs. This custom peer report is designed to facilitate comparison of an institution's performance with that of all MDIs that meet the FDIC's definition, as well as all FDIC-insured institutions. The custom peer report contains earnings, capital, asset quality, and liquidity performance measures, which should assist MDIs in comparing performance against similar institutions.

In July of 2008, the FDIC hosted the third annual Interagency Minority Depository Institution National Conference in Chicago, Illinois. The theme of the conference was "Know Your Business, Grow Your Business." The event drew over 250 attendees, representing an increase in participation of 47 percent from the previous year. In addition to presentations by senior officials from all federal banking regulatory authorities, industry experts and regulators, the program covered the state of the economy as it relates to mortgage markets, the current credit environment, and the process of bidding on distressed banks. An MDI bankers' panel discussed strategies for identifying opportunities for success in the current environment. The program also included workshops on commercial real estate trends and best practices, troubled debt restructuring, the development of profitable lines of business, SBA-guaranteed lending programs, and the Community Development Financial Institution Fund certification process. Feedback from the attendees was overwhelmingly positive.

In the third quarter of 2008, the FDIC launched a series of quarterly conference calls with FDIC-supervised MDIs, covering relevant regulatory topics. The initial call was held in September 2008, and covered funding risks associated with banks' dependence on brokered and above-market rate deposits. The second call was held in November 2008, and covered the Temporary Liquidity Guarantee Program and the Treasury Department's Capital Purchase Program. The third was held in December 2008, and covered accounting issues. The new conference call series has been well received by the MDIs, with participation averaging approximately 75 bankers for each event.

Capital Standards

The FDIC continued to be actively involved in domestic and international discussions intended to ensure capital standards adequately support the safe and sound operation of banks. This included participation in a number of supervisory working group meetings with foreign regulatory authorities. On June 26, 2008, the FDIC Board and the Federal Reserve Board of Governors approved the publication of the Basel II Standardized Approach Notice of Proposed Rulemaking (NPR). The NPR was published in the *Federal Register* on July 29, 2008, with comments due October 27, 2008. Because of the priority of dealing with the current market turmoil and an unexpected delay in many banks' plans for implementing the advanced approaches, the agencies deferred finalizing the Standardized Framework NPR. Only one institution began Basel II Parallel Run in 2008. The FDIC will compile and analyze the information as it becomes available through public and supervisory sources.

The FDIC is involved in Basel Committee work teams to develop proposals that would strengthen each of the three pillars of the Basel II framework. The FDIC also is working with another subgroup of the Basel Committee to develop a proposal to strengthen the market risk capital requirements. The FDIC worked with other U.S. financial regulators to complete final guidance on the supervisory review process (Pillar 2) for banks using the advanced approaches of Basel II. The final guidance includes several refinements to the draft guidance that are intended to address weaknesses revealed by the market turmoil. This guidance was published in the *Federal Register* on July 31, 2008.

The FDIC finalized the Goodwill Net of Associated Deferred Tax Liability rule for regulatory capital on December 16, 2008, and jointly issued the Final Rule with the other federal banking agencies. This Final Rule allows goodwill, which must be deducted from Tier I capital, to be reduced by the amount of any associated deferred tax liability. The new rule continues to adhere to the statutory requirement that all of a bank's exposure to goodwill will be deducted from capital. The final rule took effect January 29, 2009. However, a bank may elect to apply this final rule for regulatory capital reporting purposes as of December 31, 2008. The federal banking agencies decided not to extend similar treatment to other intangible assets currently required to be deducted fully from Tier I capital.

Guidance Issued

During 2008, the FDIC issued and participated in the issuance of guidance in several areas as described below:

Commercial Real Estate Guidance

In response to deteriorating trends in construction and development (C&D) lending and other commercial real estate (CRE) sectors, the FDIC issued "Managing Commercial Real Estate Concentrations in a Challenging Environment" on March 17, 2008. The guidance re-emphasizes the importance of strong capital and allowance for loan and lease loss levels and robust credit risk management practices for institutions with concentrated CRE exposures. The guidance further encourages institutions to continue making C&D and CRE credit available in their communities using prudent lending standards.

Liquidity Risk Management

In 2008, disruptions in the credit and capital markets exposed weaknesses in many banks' liquidity risk measurement and management systems. To address these concerns, the FDIC issued guidance highlighting the importance of liquidity risk management at FDIC-supervised institutions. This guidance noted that institutions using wholesale funding, securitizations, brokered deposits and other high-rate funding strategies should measure liquidity risk using pro forma cash flows/scenario analysis and should have contingency funding plans in place that address relevant bank-specific and systemic stress events. The guidance further states that institutions using volatile, credit sensitive, or concentrated funding sources are generally expected to hold capital above regulatory minimum levels to compensate for the elevated levels of liquidity risk present in their operations.

Third-Party Risk

On June 6, 2008, the FDIC issued "Guidance for Managing Third-Party Risk" which identifies sound practices that can help banks avoid significant safety-and-soundness and compliance problems that may be associated with some third-party relationships. This guidance describes potential risks arising from third-party relationships and outlines risk management principles that financial institutions may tailor to suit the complexity and risk potential of their significant third-party relationships. On November 7, 2008, the FDIC issued "Guidance on Payment Processor Relationships" which identifies potential risks and recommended controls associated with relationships with entities that process payments for telemarketers and other merchant clients.

Trust

In 2008, the FDIC completed significant revisions and additions to the FDIC Trust Examination Manual. Most notably, substantial material was added to the sections covering employee benefit plans, the Employee Retirement Income Security Act of 1974, the Gramm-Leach-Bliley Act, and Regulation R exceptions and exemptions for banks from the definition of "broker" in the Securities Exchange Act of 1934.

Government-Sponsored Enterprises

The Federal Housing Finance Agency placed Fannie Mae and Freddie Mac into conservatorship on September 7, 2008. The FDIC believes these government-sponsored enterprises are important to the home mortgage market and, along with the other federal banking agencies, issued a statement on September 7, 2008, indicating that it will work with institutions with significant holdings of Fannie Mae or Freddie Mac common and preferred shares in relation to their capital.

Home Equity Lines of Credit

The FDIC completed an Issues Review of the emerging practice of lenders suspending or terminating home equity lines of credit due to substantially decreased collateral values. Several consumer protection regulations, including Truth in Lending, and fair lending laws bear on this practice. As a result, on June 26, 2008, the FDIC issued "Home Equity Lines of Credit: Consumer Protection and Risk Management Considerations When Changing Credit Limits and Suggested Best Practices" to remind FDIC-supervised financial institutions that if, for risk management purposes, they decide to reduce or suspend home equity lines of credit, certain legal requirements designed to protect consumers must be followed.

Other Real Estate

Continued weakness in the housing market and the rapid rise in foreclosures increased the potential for higher levels of other real estate held by FDIC-supervised institutions. Accordingly, on July 1, 2008, the FDIC issued "Other Real Estate: Guidance on Other Real Estate" to remind bank management of the importance of developing and implementing policies and procedures for acquiring, holding, and disposing of other real estate.

Hope for Homeowners

As a member of the Board of Directors of the HOPE for Homeowners Program, the FDIC joined the Departments of Housing and Urban Development, Treasury and the Federal Reserve in establishing requirements and standards for the Program that are not otherwise specified in the legislation, and prescribing necessary regulations and guidance to implement those requirements and standards.

Regulatory Relief

In 2008, the FDIC issued 12 Financial Institution Letters that provided guidance to help financial institutions and facilitate recovery in areas damaged by severe storms, tornadoes, flooding, and other natural disasters. Areas within Alabama, Arkansas, Florida, Indiana, Iowa, Louisiana, Mississippi, Missouri, Nebraska, Tennessee, Texas, and Wisconsin were affected.

Other Guidance Issued

The FDIC also contributed to the release of guidance on Subprime Mortgage Product Illustrations and on Identity Theft Red Flags regulations and examination procedures, and changes to the Truth in Lending Act and the Home Mortgage Disclosure Act regulations relating to higher-priced mortgages.

Monitoring Potential Risks from New Consumer Products and Developing a Supervisory Response Program

The FDIC is revising the former Underwriting Survey, completed by examiners at the conclusion of each examination to aid in identifying new products and emerging risks. This will provide examiners the opportunity to submit information to a central database at the conclusion of each examination. Policy staff will monitor and analyze this real-time examiner input and use the information to formulate policy guidance to allow supervisory strategies as appropriate.

The FDIC completed an Issues Review of reverse mortgages that outlined the types of products and features, as well as risks, from both a consumer and safety-and-soundness perspective. The results of this review will be used in the ongoing FFIEC Consumer Compliance Task Force project on reverse mortgages. As part of the Issues Review, the FDIC also participated in an examination of a specialized reverse mortgage lender.

Regulatory Reporting Revisions

The FDIC, jointly with the Office of the Comptroller of the Currency and the Federal Reserve Board, implemented revisions to the Consolidated Reports of Condition and Income (Call Report) in first quarter 2008. These revisions included new data related to residential mortgages (such as restructured troubled mortgages, mortgages in foreclosure, and mortgage repurchases and indemnifications) and expanded data on trading assets and liabilities and fair value measurements. In September 2008, the three agencies requested comment on proposed Call Report revisions that would take effect on a phased-in basis in March, June, and December 2009. Certain revisions address areas in which the banking industry has experienced heightened risk as a result of market turmoil and illiquidity and weakening economic and credit conditions. The reporting changes include new data on real estate construction loans with interest reserves, structured financial products such as collateralized debt obligations, commercial mortgage-backed securities, pledged loans, and fiduciary assets and income. Selected institutions would report additional data on recurring fair value measurements, credit derivatives, and over-the-counter derivative exposures. The agencies made limited modifications to the proposed changes in response to comments received. In November 2008, the FDIC and the other banking agencies obtained emergency approval from the U.S. Office of Management and Budget to collect data in the regulatory reports for all insured institutions beginning in December 2008 to support the quarterly assessment process for the FDIC's Transaction Account Guarantee Program.

Promoting Economic Inclusion

The FDIC pursued a number of initiatives in 2008 to facilitate underserved populations using mainstream banking services rather than higher cost, non-bank alternatives and to ensure protection of consumers in the provision of these services.

Alliance for Economic Inclusion

The goal of the FDIC's Alliance for Economic Inclusion (AEI) initiative is to collaborate with financial institutions, community organizations, local, state and federal agencies, and other partners in select markets to launch broad-based coalitions to bring unbanked and underserved consumers into the financial mainstream.

The FDIC expanded its AEI efforts during 2008 to increase measurable results in the areas of new bank accounts, small-dollar loan products, remittance products, and delivery of financial education to more underserved consumers. During 2008, over 200 banks and organizations joined AEI nationwide, bringing the total number of AEI members to 924. More than 56,000 new bank accounts were opened during 2008, bringing the total number of bank accounts opened through the AEI to 90,000. During 2008 approximately 43,000 consumers received financial education through the AEI, bringing the total number of consumers educated to 73,000. Also, 53 banks were in the process of offering or developing small-dollar loans as part of the AEI and 34 banks were offering remittance products at the end of 2008.

The FDIC launched the tenth AEI initiative in Rochester, New York, on May 15. The launch was held in partnership with the New York State Banking Superintendent, Mayor of Rochester, and other partners. As a result of the FDIC's leadership and initial success with AEI in its ten primary markets, the FDIC was asked to provide technical assistance to several other cities that are launching city-wide campaigns to increase access by the underserved to mainstream financial services.

Two major national AEI partnerships were also signed during 2008. The first, with the National Association of Affordable Housing Lenders (NAAHL), expanded the two organizations' collaboration in furtherance of economic inclusion. The second, with the United Way of America, strengthened mutual efforts to serve the underserved through the United Way of America's Financial Stability Partnership.

During 2008, the FDIC included a component of its foreclosure prevention efforts within the AEI. The FDIC sponsored or co-sponsored more than 164 local outreach and training events, many in partnership with NeighborWorks® America and its affiliates. These sessions were designed to educate at-risk homeowners about the availability of foreclosure prevention counseling services and other resources. A new Web page was also launched to provide resources, tools and technical assistance to consumers and others at risk of foreclosure or involved in foreclosure prevention efforts.

Forum on Mortgage Lending for Low- and Moderate-Income (LMI) Households

On July 8, 2008, the FDIC held a "Forum on Mortgage LMI Households." The purpose of the forum was to explore a framework for LMI mortgage lending in the future, in light of current problems in the mortgage market. The forum examined ways to encourage profitable, responsible, and sustainable mortgage lending to lower-income households and strategies to rejuvenate the secondary market for these loans. Speakers at the forum included Treasury Secretary Henry M. Paulson, Federal Reserve Chairman Ben S. Bernanke, and JPMorgan Chase Chairman and CEO James Dimon.

On September 4, 2008, the FDIC issued a Financial Institution Letter (FIL) for bankers and other mortgage professionals to highlight best practices discussed at the forum. These best practices focused on the following:

- ★ Back-to-basics underwriting
- ★ Ensuring that incentives and compensation for all parties to mortgage transactions are aligned with the long-term outcome of the transactions
- ★ Improving mortgage transaction transparency and due diligence
- ★ Expanding existing reasonable LMI mortgage products and encouraging innovations
- ★ Fostering public/private partnerships

FDIC Advisory Committee on Economic Inclusion

The FDIC's Advisory Committee on Economic Inclusion was established in 2006 and provides the FDIC with advice and recommendations on initiatives focused on expanding access to banking services by underserved populations. This may include reviewing basic retail financial services such as check cashing, money orders, remittances, stored value cards, short-term loans, savings accounts, and other services that promote asset accumulation and financial stability. Committee members represent a cross-section of interests from the banking industry, state regulatory authorities, government, academia, consumer or public advocacy organizations and community-based groups.

The Advisory Committee met twice during 2008. In March 2008, the meeting topic was "Asset-Building Opportunities for Individuals and Banks." The meeting focused on policy approaches, supervisory and regulatory strategies, and product innovations to enhance household saving, particularly for LMI households. The Advisory Committee also met after the LMI forum in July 2008, to discuss the forum in general, and best practices raised at the forum in particular that were later issued in a FIL as discussed above. At that meeting, the Chairman also announced the formation of an FDIC working group to explore the feasibility of prize-linked savings programs. Among other things, this group is exploring whether the operational, marketing, and distribution networks of state lottery systems can be leveraged to encourage saving.

Affordable Small-Dollar Loan Guidelines and Pilot Program

Many consumers, even those who have bank accounts, turn to high-cost payday or other non-bank lenders to quickly obtain small loans to cover unforeseen circumstances. To help insured institutions better serve an underserved and potentially profitable market while enabling consumers to transition away from reliance on high-cost debt, the FDIC launched a two-year small-dollar loan pilot project in February 2008. The pilot is designed to review affordable and responsible small-dollar loan programs offered by insured financial institutions and assist the banking industry by identifying and disseminating information on replicable business models and best practices for small-dollar loans, including ways to offer small-dollar loan customers other mainstream banking services.

The FDIC selected an initial group of 31 banks of varied sizes and diverse locations and settings for participation in the study. Banks in the pilot meet the FDIC's Small-Dollar Loan guidelines, and several have already reported using the small-dollar product as a cornerstone for profitable relationships. After three quarters of data collection, participating banks have also demonstrated innovative strategies in areas such as underwriting, advertising and linking automatic savings features that could prove to be replicable for other banks. These early results provide some indication that banks can profitably provide affordable alternatives to high-cost, short-term credit. The FDIC will continue to explore profitability and other noteworthy features of participating bank programs as the pilot progresses.

FDIC Study of Bank Overdraft Programs

In 2008, the FDIC completed a Study of Bank Overdraft Programs, a two-part study that gathered empirical data on the types, characteristics, and use of overdraft programs operated by FDIC-supervised banks. The study was undertaken in response to the growth in automated overdraft programs, defined as programs in which the bank honors a customer's overdraft obligations using standardized procedures to determine whether the non-sufficient fund (NSF) transaction qualifies for overdraft coverage. Data and information for the FDIC's study were gathered through a survey collection representative of 1,171 FDIC-supervised institutions, and a separate data request of customer account and transaction-level data from a smaller set of 39 institutions.

The survey instrument was designed to obtain the following types of information related to overdraft programs: characteristics, features, and fees of overdraft programs; transaction processing policies; marketing and disclosure practices; internal controls and monitoring practices; the role of vendors and third parties in overdraft program implementation; and NSF-related fee income and growth. The customer account and transaction-level data collection was designed to gather information on the provision of overdraft services on customer accounts, the occurrence of NSF activity covered under automated overdraft programs, and the characteristics of customer accounts that tend to incur the highest volume of overdraft fees. A final report was released in February 2009. The FDIC believes that objective information on these programs will help policy-makers make better-informed policy decisions and will help the public better understand the features and costs related to automated overdraft programs.

National Survey of Banks' Efforts to Serve the Unbanked and Underbanked

In 2008, the FDIC conducted the first of a series of national surveys on banks' efforts to serve the unbanked and underbanked. For the purposes of this survey effort, unbanked individuals and families are those who rarely, if ever, held a checking account, savings account, or other type of transaction or check cashing account at an insured depository institution in the conventional finance system. Underbanked individuals and families are those who have an account with an insured depository institution but also rely on non-bank alternative financial service providers for transaction services or high-cost credit products. The survey was conducted in response to a mandate under section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Reform Act) which calls for the FDIC to conduct ongoing surveys on efforts by insured depository institutions to bring unbanked individuals and families into the conventional finance system. This initial survey effort had three objectives:

- ★ Identify and quantify the extent to which insured depositories undertake outreach efforts, serve, and meet the banking needs of the unbanked and underbanked;
- ★ Identify challenges affecting the ability of insured depository institutions to serve the unbanked and underbanked, including but not limited to cultural, language, identification issues, and spatial/location issues; and
- ★ Identify innovative efforts depositories use to serve the unbanked and underbanked, including community storefronts, small-dollar loans, basic banking accounts, remittances, and other low-cost products and services used by the unbanked and underbanked.

The study involved a survey of insured depository institutions and development of a limited number of case studies. The survey was administered to a sample that was representative of all FDIC-insured commercial banks and savings institutions having standard retail banking operations. In-depth case studies were conducted of 16 surveyed institutions that were identified as offering innovative approaches to serving unbanked and underbanked individuals. The report was transmitted to Congress in early 2009.

Household Survey of the Unbanked and Underbanked

In January 2009, the U.S. Bureau of the Census conducted, on behalf of the FDIC, the first National Household Survey of the Unbanked and Underbanked. The survey was conducted as a supplement to Census' Current Population Survey. In addition to collecting accurate estimates of the number of unbanked and underbanked households in the U.S., the survey was designed to provide insights into their demographic characteristics and reasons why the households are unbanked and/or underbanked. This effort is being undertaken in response to the Reform Act, which calls for the FDIC to provide an estimate of the size of the U.S. unbanked market and to identify issues that cause individuals and families to be unbanked. The FDIC plans to release survey results during 2009.

Information Technology, Cyber Fraud and Financial Crimes

The President's Identity Theft Task Force, of which the FDIC is a member, submitted its follow-up report to the President in September 2008. The report documents the efforts of the Task Force to implement the 2007 Strategic Plan's 31 recommendations concerning strengthening data protection, improving consumer authentication, assisting identity theft victims, and investigating, prosecuting, and punishing identity thieves.

Other major accomplishments during 2008 in combating identity theft included the following:

- ★ Assisted financial institutions in identifying and shutting down approximately 1,223 "phishing" Web sites. The term "phishing" – as in fishing for confidential information – refers to a scam that encompasses fraudulently obtaining and using an individual's personal or financial information.
- ★ Utilized a brand protection service provider in taking down instances of abuse of the FDIC name or logo. In 2008, 14 active sites were closed (sites claiming to be FDIC or FDIC authorized).
- ★ Issued 219 Special Alerts to FDIC-supervised institutions of reported cases of counterfeit or fraudulent bank checks.
- ★ Issued, in conjunction with the other Federal Financial Institution Examination Council (FFIEC) agencies, examination procedures for "Identity Theft Red Flags, Address Discrepancies, and Change of Address Regulations." These procedures are designed to assist financial institutions in complying with these new regulations and to provide examiners with a consistent methodology for assessing compliance. Examiners began reviewing bank compliance with the new regulations on the mandatory compliance date of November 1, 2008.

The FDIC conducts information technology examinations at each safety and soundness examination to ensure that institutions have implemented adequate risk management practices for the confidentiality, integrity, and availability of the institution's sensitive, material, and critical information assets using the FFIEC Uniform Rating System for Information Technology (URSIT). The FDIC also participates in interagency examinations of significant technology service providers. In 2008, the FDIC conducted 2,577 information technology (IT) examinations at financial institutions and technology service providers. The FDIC also monitors significant events such as data breaches and natural disasters that may impact financial institution operations or customers.

The FDIC updated its risk-focused IT examination procedures for FDIC-supervised financial institutions. The procedures include an updated IT Officer's Questionnaire which newly highlights risk issues related to vendor management.

The FDIC and other FFIEC regulatory agencies completed guidance concerning the risks associated with financial institutions' use of remote deposit capture technology. The guidance, which discusses various risk mitigation techniques that institutions should use, was issued in January 2009.

The FDIC, in conjunction with the other FFIEC agencies issued guidance to financial institutions to enhance business continuity planning. On February 6, 2008, the FDIC, with the other FFIEC agencies, issued "Interagency Statement on Pandemic Planning" identifying actions that financial institutions should consider to minimize the adverse effects of a pandemic event. The Business Continuity Planning booklet, part of the FFIEC IT Examination Handbook series, was updated in March 2008 to address emerging threats such as pandemic planning and lessons learned from Hurricanes Katrina and Rita as well as additional testing guidelines. The guidance provides an enterprise-wide approach to a financial institution's business continuity planning. The FDIC also participated in and hosted the Roundtable on Pandemic Planning sponsored by the FFIEC and the American Bankers Association with approximately 170 participants.

Consumer Complaints and Inquiries

The FDIC investigates consumer complaints concerning FDIC-supervised institutions and answers inquiries from the public about consumer protection laws and banking practices. As of December 31, 2008, the FDIC had received 14,169 written complaints, of which 6,267 involved complaints against state non-member institutions. The FDIC responded to over 96 percent of these complaints within timeliness standards established by corporate policy. The FDIC also responded to 3,588 written inquiries, of which 502 involved state non-member institutions. In addition, the FDIC responded to 4,789 written inquiries, of which 595 involved state non-member institutions. The FDIC also responded to 7,536 telephone calls from the public and members of the banking community in which 4,211 were regarding state non-member institutions.

Deposit Insurance Education

An important part of the FDIC's deposit insurance mission is ensuring that bankers and consumers have access to accurate information about the FDIC's rules for deposit insurance coverage. The FDIC has an extensive deposit insurance education program consisting of seminars for bankers, electronic tools for estimating deposit insurance coverage, and written and electronic information targeted for both bankers and consumers. The FDIC also responds to thousands of telephone and written inquiries each year from consumers and bankers regarding FDIC deposit insurance coverage.

Directing the Electronic Deposit Insurance Estimator and Public Service Announcements (PSA) campaign (l to r): Kathy Nagle, Tibby Ford and Andrew Gray showcase material, including television PSAs.

Economic conditions in 2008 helped to spur a significant interest by bank customers in learning more about FDIC deposit insurance coverage. To meet the increased public demand for deposit insurance information, the FDIC implemented two major initiatives to help raise public awareness of the benefits and limitations of FDIC deposit insurance coverage:

- ★ On June 16, 2008, in connection with the observation of the FDIC's 75th anniversary, the FDIC embarked on a campaign to raise public awareness regarding FDIC deposit insurance coverage. As part of this effort, the FDIC facilitated a series of ads in selected national newspapers and magazines encouraging consumers to learn more about their FDIC insurance coverage. In addition, the FDIC sent all insured institutions a *Portfolio of Deposit Insurance Coverage Resources for Bankers*, containing copies of several education tools and publications on deposit insurance coverage; these products are designed to help bank employees who answer depositor questions about FDIC coverage.
- ★ In September 2008, the FDIC launched a second major initiative to raise public awareness of the benefits and limitations of federal deposit insurance. The goal of this campaign, which involves a series of public service announcements for television, radio and print media, is to encourage bank customers to visit **myFDICinsurance.gov**, where they can use "EDIE the Estimator." "EDIE the Estimator" is an online deposit insurance calculator that has been available to the public for a number of years but was simplified and made more accessible as part of this campaign. The public service announcements feature personal finance expert Suze Orman, who donated her time to this initiative. This campaign has been highly successful and prompted the FDIC to launch a Spanish language campaign, which also includes an updated deposit insurance calculator, in late 2008.

In addition to these significant public outreach initiatives, the FDIC continued its efforts to educate bankers who work with depositors about the rules and requirements for FDIC insurance coverage. In the summer of 2008, the FDIC conducted a series of 12 nationwide telephone seminars for bankers on deposit insurance coverage; these seminars were very well received, with an estimated 66,000 bankers participating at approximately 22,000 bank locations throughout the country. The FDIC also continued to work with industry trade groups to provide training for bank employees.

Deposit Insurance Coverage Inquiries

During 2008, the FDIC received 18,953 written deposit insurance inquiries from consumers and bankers. Of these inquiries, 99 percent received responses from the FDIC within the timeframes required by policy. This activity represents a 360 percent increase over 2007, where the FDIC received 4,125 written deposit insurance inquiries.

In addition to written deposit insurance inquiries, the FDIC received and responded to 81,979 telephone inquiries from consumer and bankers during 2008. In contrast, the FDIC replied to 15,899 deposit insurance telephone inquiries for the entire year in 2007. The 2008 activity represents a 416 percent increase over 2007.

Financial Education and Community Development

In 2001, the FDIC – recognizing the need for enhanced financial education across the country – inaugurated its award-winning *Money Smart* curriculum, which is now available in six languages, large print and Braille versions for individuals with visual impairments and a computer-based instruction version. Since its inception, over 1.8 million individuals (including approximately 235,000 in 2008) had participated in *Money Smart* classes and self-paced computer-based instruction. Approximately 300,000 of these participants subsequently established new banking relationships.

The FDIC extended the *Money Smart* program to the age 12-21 audience with the creation of a complementary program, "*Money Smart* for Young Adults." All eight modules of the new curriculum are aligned with state educational standards, as well as Jump$tart national financial literacy standards and the National Council on Economics Education national economics standards. Through year-end 2008, the FDIC had received orders for more than 20,000 copies of the new curriculum since its launch on April 14, 2008. Over 40 outreach activities have taken place to specifically promote the curriculum, ranging from presentations and resource tables at events targeted at teachers, outreach activities to school district curriculum directors, and train-the-trainer sessions. Two new nationwide partnerships were also signed to facilitate the delivery of the new curriculum, one with Operation Hope and the other with Campfire USA, in addition to 33 local/regional partnerships. Additionally, the FDIC developed a portable audio format version of *Money Smart* that will be ready for launch near mid 2009.

During 2008, the FDIC also undertook over 400 community development, technical assistance and outreach activities and events. These activities were designed to promote awareness of investment opportunities to financial institutions, access to capital within communities, knowledge-sharing among the public and private sector, and wealth-building opportunities for families. Representatives throughout the financial industry and their stakeholders collaborated with the FDIC on a broad range of initiatives structured to meet local and regional needs for financial products and services, credit, asset-building, affordable housing, small business and micro-enterprise development and financial education.

In particular, the FDIC engaged in a number of activities as part of an effort to raise consumer awareness of the importance of personal savings and responsible financial management. A new Web page was launched to provide technical assistance and other resources to financial institutions, community-based organizations, and others to encourage the promotion of savings. The FDIC also undertook several speaking opportunities specifically on asset-building and the importance of personal savings. Additionally, the FDIC participated in 19 local savings campaigns during the 2008 *America Saves* week to encourage consumers to build wealth. FDIC's involvement included providing technical assistance and training, participating in the launch of a new *Saves* initiative, and facilitating participants in the *Saves* initiatives in several markets receiving copies of *Money Smart*.

Resolutions and Receiverships

The FDIC has the unique mission of protecting depositors of insured banks and savings associations. No depositor has ever experienced a loss on the insured amount of his or her deposit in an FDIC-insured institution due to a failure. Once an institution is closed by its chartering authority – the state for state-chartered institutions, the Office of the Comptroller of the Currency (OCC) for national banks and the Office of Thrift Supervision (OTS) for federal savings associations – and the FDIC is appointed receiver, it is responsible for resolving the failed bank or savings association.

The FDIC has at its disposal and employs a variety of business practices to resolve a failed institution. These business practices typically fall under work associated with the resolution process or the receivership process. Depending on the characteristics of the institution, the FDIC may recommend several of these practices to ensure prompt and smooth payment of deposit insurance to insured depositors, to minimize impact on the Deposit Insurance Fund, and to speed dividend payments to creditors of the failed institution.

The resolution process involves valuing a failing institution, marketing it, soliciting and accepting bids for the sale of the institution, determining which bid is least costly to the insurance fund, and working with the acquiring institution through the closing process.

In order to minimize disruption to the local community, the resolution process must be performed quickly and as smoothly as possible. There are two basic resolution methods: purchase and assumption transactions and deposit payoffs. A third resolution option, open bank assistance transactions, generally can only be used in the event the bank's failure would result in systemic risk.

The purchase and assumption transaction (P&A) is the most common resolution method used for failing institutions. In a P&A, a healthy institution assumes certain liabilities of the failed institution and purchases certain assets of the failed institution. Since each failing bank situation is different, P&A transactions are structured to create the highest value for the failed institution. Depending on the P&A transaction, the acquirer may either acquire all or only the insured portion of the deposits.

Deposit payoffs are only executed if a bid for a P&A transaction is not the least costly to the fund or if no bids are received, in which case the FDIC in its corporate capacity as deposit insurer, makes sure that the customers of the failed institution receive the full amount of their insured deposits.

The receivership process involves performing the closing functions at the failed institution, liquidating any remaining failed institution assets, and distributing any proceeds of the liquidation to the FDIC and other creditors of the receivership. In its role as receiver, the FDIC has used a wide variety of strategies and tools to manage and sell retained assets. These include but are not limited to asset sale and/or management agreements, partnership agreements, and securitizations.

Financial Institution Failures

Due to the economic environment, the FDIC experienced a significant increase in the number and size of institution failures as compared to previous years. For the institutions that failed in 2008, the FDIC successfully contacted all known qualified and interested bidders to market these institutions. Additionally, the FDIC marketed approximately 90 percent of the marketable assets of these institutions at the time of failure and made insured funds available to all depositors within one business day of the failure. There were no losses on insured deposits and no appropriated funds were required to pay insured deposits.

The chart below provides a comparison of failure activity over the last three years.

FAILURE ACTIVITY 2006 – 2008

Dollars in billions

	2008	2007	2006
Total Institutions	25	3	0
Total Assets of failed Institutions*	$371.9	$2.6	$0
Total Deposits of failed Institutions*	$234.3	$2.4	$0
Estimated loss to the DIF	$17.9	$0.2	$0

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

During 2008, 25 financial institutions failed. They are discussed below.

Douglass National Bank, Kansas City, Missouri, was closed by the Office of the Comptroller of the Currency (OCC) on January 25, 2008. At the time of closure, Douglass National had $52.8 million in total assets and $50.2 million in total deposits. Liberty Bank and Trust Company, New Orleans, Louisiana, assumed all deposits of Douglass National and purchased $50.0 million in assets. The estimated loss to the DIF is approximately $6.5 million.

Hume Bank, Hume, Missouri, was closed by the Commissioner of Missouri's Division of Finance on March 7, 2008. At the time of closure, Hume Bank had $18.7 million in total assets and $13.6 million in total deposits. Security Bank, Rich Hill, Missouri, assumed the insured deposits of Hume Bank and purchased $3.4 million in assets. The estimated loss to the DIF is approximately $4.0 million.

ANB Financial, National Association, Bentonville, Arkansas, was closed by the OCC on May 9, 2008. At the time of closure, ANB Financial had approximately $1.9 billion in total assets and $1.8 billion in total deposits. Pulaski Bank and Trust Company, Little Rock, Arkansas, assumed the insured deposits of ANB Financial and purchased

$228.5 million in assets. The estimated loss to the DIF is approximately $819.4 million.

First Integrity, National Association, Staples, Minnesota, was closed by the OCC on May 30, 2008. At the time of closure, First Integrity had $52.9 million in total assets and $50.2 million in total deposits. First International Bank and Trust, Watford City, North Dakota, assumed all deposits of First Integrity and purchased $34.9 million in assets. The estimated loss to the DIF is approximately $10.1 million.

IndyMac Bank, F.S.B., Pasadena, California, was closed by the Office of Thrift Supervision (OTS) on July 11, 2008, and the FDIC was named conservator. As conservator, the FDIC operated IndyMac Bank as IndyMac Federal Bank, F.S.B. All the insured deposits and substantially all the assets of IndyMac Bank were transferred to IndyMac Federal. At the time of closure, IndyMac Bank had

IndyMac Federal CEO John Bovenzi at a press conference promoting "Home Preservation Day."

total assets of $30.7 billion and total deposits of $18.9 billion. The estimated loss to the DIF is approximately $10.7 billion.

First National Bank of Nevada, Reno, Nevada, and **First Heritage Bank, N.A.**, Newport Beach, California, were closed by the OCC on July 25, 2008. At the time of closure, First National of Nevada had $3.4 billion in total assets and $3.0 billion in total deposits. First Heritage Bank had $255.4 million in total assets and $256.7 million in total deposits. Mutual of Omaha Bank, Omaha, Nebraska, assumed all the deposits of both institutions and purchased $246.0 million in assets. The estimated loss to the DIF for these two institutions is approximately $739.2 million.

First Priority Bank, Bradenton, Florida, was closed by the Commissioner of the Florida Office of Financial Regulation on August 1, 2008. At the time of closure, First Priority had $258.6 million in total assets and $226.7 million in total deposits. SunTrust Bank, Atlanta, Georgia, assumed the insured deposits of First Priority and purchased $47.2 million in assets. The estimated loss to the DIF is approximately $81.1 million.

The Columbian Bank and Trust Company, Topeka, Kansas, was closed by the Kansas Bank Commissioner on August 22, 2008. At the time of closure, The Columbian Bank and Trust Company had $735.1 million in total assets and $620.3 million in total deposits. Citizens Bank and Trust, Chillicothe, Missouri, assumed the insured deposits of The Columbian Bank and Trust Company and purchased $53.4 million in assets. The estimated loss to the DIF is approximately $232.1 million.

Integrity Bank, Alpharetta, Georgia, was closed by the Georgia Department of Banking and Finance on August 29, 2008. At the time of closure, Integrity Bank had $1.1 billion in total assets and $962.4 million in total deposits. Regions Bank, Birmingham, Alabama, assumed all the deposits of Integrity Bank and purchased $58 million in assets. The estimated loss to the DIF is approximately $210.8 million.

Silver State Bank, Henderson, Nevada, was closed by the Nevada Financial Institutions Division on September 5, 2008. At the time of closure, Silver State Bank had $1.9 billion in total assets and $1.7 billion in total deposits. Nevada State Bank, Las Vegas, Nevada, assumed the insured deposits of Silver State Bank and purchased $66.7 million in assets. The estimated loss to the DIF is approximately $553.1 million.

Ameribank, Inc., Northfork, West Virginia, was closed by the OTS on September 19, 2008. At the time of closure, Ameribank, Inc. had $103.9 million in total assets and $100.9 million in total deposits. Pioneer Community Bank, Inc., Iaeger, West

Virginia, assumed all the deposits for five branches located in West Virginia. The Citizens Savings Bank, Martins Ferry, Ohio, assumed all deposits of the three branches in Ohio. The acquiring institutions purchased $18.7 million in assets. The estimated loss to the DIF is approximately $33.4 million.

Washington Mutual Bank, the largest failure in history, was closed by the OTS on September 25, 2008. At the time of closure, Washington Mutual Bank had $307.0 billion in total assets and $188.3 billion in total deposits. JPMorgan Chase acquired the banking operations of Washington Mutual Bank in a facilitated transaction that fully protected all depositors and caused no loss to the DIF.

Main Street Bank, Northville, Michigan, was closed by the Michigan Office of Financial and Insurance Regulation on October 10, 2008. At the time of closure, Main Street Bank had $112.4 million in total assets and $98.9 million in total deposits. Monroe Bank & Trust, Monroe, Michigan, assumed all the deposits of Main Street Bank and purchased $15.0 million in assets. The estimated loss to the DIF is approximately $32.0 million.

Meridian Bank, Eldred, Illinois, was closed by the Illinois Department of Financial Professional Regulation-Division of Banking on October 10, 2008. At the time of closure, Meridian Bank had $38.2 million in total assets and $36.1 million in total deposits. National Bank, Hillsboro, Illinois, assumed all the deposits of Meridian Bank and purchased $7.2 million in assets. The estimated loss to the DIF is approximately $14.5 million.

Alpha Bank and Trust, Alpharetta, Georgia, was closed by the Georgia Department of Banking and Finance on October 24, 2008. At the time of closure, Alpha Bank had $351.4 million in total assets and $344.2 million in total deposits. Stearns Bank, National Association, St. Cloud, Minnesota, assumed the insured deposits of Alpha Bank and purchased $16.8 million in assets. The estimated loss to the DIF is approximately $159.9 million.

Freedom Bank, Bradenton, Florida, was closed by the Commissioner of the Florida Office of Financial Regulation on October 31, 2008. As of October 31, 2008, Freedom Bank had $270.8 million in total assets and $256.8 million in total deposits. Fifth Third Bank, Grand Rapids, Michigan, assumed all the deposits of Freedom Bank and purchased $36 million in assets. The estimated loss to the DIF is approximately $92.9 million.

Security Pacific Bank, Los Angeles, California, was closed by the Commissioner of the California Department of Financial Institutions on November 7, 2008. At the time of closure, Security Pacific had $528.0 million in total assets and $456.5 million in total deposits. Pacific Western Bank, Los Angeles, California, assumed all the deposits of Security Pacific and purchased $36 million in assets. The estimated loss to the DIF is approximately $175.5 million.

Franklin Bank, S.S.B., Houston, Texas, was closed by the Texas Department of Savings and Mortgage Lending on November 7, 2008. At the time of closure, Franklin Bank had $5.1 billion in total assets and $3.7 billion in total deposits. Prosperity Bank, El Campo, Texas, assumed all the deposits of Franklin Bank and purchased $724.3 million in assets. The estimated loss to the DIF is approximately $1.4 billion.

The Community Bank, Loganville, Georgia, was closed by the Georgia Department of Banking and Finance on November 21, 2008. At the time of closure, The Community Bank had $634.9 million in total assets and $603.7 million in total deposits. Bank of Essex, Tappahannock, Virginia, assumed all the deposits of The Community Bank and purchased $87.5 million in assets. The estimated loss to the DIF is approximately $247.3 million.

Downey Savings and Loan Association, F.A., Newport Beach, California, was closed by the OTS on November 21, 2008. At the time of closure, Downey Savings and Loan had $12.8 billion in total assets and $9.6 billion in total deposits. U.S. Bank, National Association, Minneapolis, MN, assumed all the deposits and purchased $12.3 billion in assets. The estimated loss to the DIF is approximately $1.4 billion.

PFF Bank & Trust, Pomona, California, was closed by the OTS on November 21, 2008. At the time of closure, PFF Bank had $3.7 billion in total assets and $2.4 billion in total deposits. U.S. Bank, National Association, Minneapolis, MN, assumed all the deposits and purchased $3.5 billion in assets. The estimated loss to the DIF is approximately $729.6 million.

First Georgia Community Bank, Jackson, Georgia, was closed by the Georgia Department of Banking and Finance on December 5, 2008. At the time of closure, First Georgia Community Bank had $256.3 million in total assets and $215.3 million in total deposits. United Bank, Zebulon, Georgia, assumed all the deposits of First Georgia Community Bank and purchased $37.3 million in assets. The estimated loss to the DIF is approximately $52.0 million.

Sanderson State Bank, Sanderson, Texas, was closed by the Texas Department of Banking on December 12, 2008. At the time of closure, Sanderson State Bank had $38.2 million in total assets and $32.0 million in total deposits. Pecos County State Bank, Fort Stockton, Texas assumed all deposits and purchased $13.0 million in assets. The estimated loss to the DIF is approximately $9.6 million.

Haven Trust Bank, Duluth, Georgia, was closed by the Georgia Department of Banking and Finance on December 12, 2008. At the time of closure, Haven Trust had $559.6 million in total assets and $498.7 million in total deposits. Branch Banking & Trust (BB&T), Winston-Salem, NC, assumed all deposits and purchased $69.0 million in assets. The estimated loss to the DIF is approximately $208.0 million.

Asset Management and Sales

As part of its resolution process, the FDIC makes every effort to sell as many assets as possible to an assuming institution and is generally successful. Assets that do remain in the receivership are evaluated and those that are determined to be marketable are marketed to be sold within 90 days of an institution's failure.

In 2008, the book value of assets under management increased from $907.0 million to $15.1 billion.

The following chart shows beginning and ending balances of assets by asset type.

ASSETS IN INVENTORY BY ASSET TYPE
(Dollars in millions)

Asset Type	Assets in Inventory 1/1/08	Assets in Inventory 12/31/08
Securities	$54	$467
Consumer Loans	29	204
Commercial Loans	18	2,985
Real Estate Mortgages	226	9,808
Other Assets/Judgments	530	703
Owned Assets	20	832
Net Investments in Subsidiaries	30	108
Total	**$907**	**$15,107**

Receivership Management Activities

The FDIC, as receiver, manages the failed banks and their subsidiaries with the goal of expeditiously winding up their affairs. The oversight and prompt termination of receiverships help to preserve value for the uninsured depositors and other creditors by reducing overhead and other holding costs. Once the assets of a failed institution have been sold and the final distribution of any proceeds is made, the FDIC terminates the receivership estate. The FDIC terminated all 11 institutions for which all impediments were resolved within prescribed timeframes. In 2008, the number of receiverships under management increased by 40 percent due to the increase in failure activity.

The following chart shows overall receivership activity for the FDIC in 2008.

RECEIVERSHIP ACTIVITY	
Active Receiverships as of 1/1/08	35
New Receiverships	25
Receiverships Inactivated	11
Active Receiverships as of 12/31/08	49

Protecting Insured Depositors

With the increase in failure activity in 2008, the FDIC's focus on protecting deposits in institutions that fail was of critical importance. Confidence in the banking system hinges on deposit insurance and no depositor experienced a loss on their insured deposit in 2008.

The FDIC's ability to attract healthy institutions to assume deposits and purchase assets of failed banks and savings associations at the time of failure minimizes the disruption to customers and allows some assets to be returned to the private sector immediately. Assets remaining after resolution are liquidated by the FDIC in an orderly manner and the proceeds are used to pay creditors, including depositors whose accounts exceeded the insurance limit. During 2008, the FDIC paid dividends of $302 million to depositors whose accounts exceeded the insured limit(s). Effective October 3, 2008, through December 31, 2009, the standard maximum deposit insurance amount increased from $100,000 to $250,000.

Professional Liability Recoveries

The FDIC staff works to identify potential claims against directors, officers, accountants, appraisers, attorneys and other professionals who may have contributed to the failure of an insured financial institution. Once a claim is deemed meritorious and cost effective to pursue, the FDIC initiates legal action against the appropriate parties. During the year, the FDIC recovered approximately $31 million from these professional liability claims/settlements. In addition, as part of the sentencing process for those convicted of criminal wrongdoing against institutions that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working in conjunction with the U.S. Department of Justice, collected more than $1.3 million in criminal restitutions during the year. At the end of 2008, the FDIC's caseload was comprised of 77 professional liability lawsuits (down from 84 at year-end 2007) and 248 open investigations (up from 34). At year-end, there were 638 active restitutions and forfeiture orders (down from 687). This includes 261 Resolution Trust Corporation orders that the FDIC inherited on January 1, 1996.

Effective Management of Strategic Resources

The FDIC recognizes that it must effectively manage its human, financial, and technological resources in order to successfully carry out its mission and meet the performance goals and targets set forth in its annual performance plan. The Corporation must align these strategic resources with its mission and goals and deploy them where they are most needed in order to enhance its operational effectiveness and minimize potential financial risks to the Deposit Insurance Fund. Major accomplishments in improving the Corporation's operational efficiency and effectiveness during 2008 follow.

Human Capital Management

The FDIC's human capital management programs are designed to attract, develop, reward and retain a highly skilled, cross-trained, diverse and results-oriented workforce. In 2008, the FDIC continued to implement workforce planning and development initiatives that emphasized hiring the additional skill sets needed to address the increased number of financial institution failures and institutions in at-risk categories. The Corporation also deployed a number of strategies to more fully engage all employees in advancing the FDIC's mission.

Succession Management

Baseline leadership competencies and gaps were identified in 2006 and 2007 through review of an Office of Personnel Management (OPM) competency assessment tool. To address the identified gaps and ensure that there are corporate managers who are prepared to advance to executive level positions as they become vacant, the Corporation implemented a pilot Corporate Executive Development Program at the beginning of 2008. The program provides for 18 months of intensive classroom and on-the-job training to high-potential supervisors and senior technical specialists.

Additionally, in 2008, the FDIC began drafting a knowledge management strategic plan focused on the full spectrum of knowledge management techniques for leadership's review and consideration.

Strategic Workforce Planning and Readiness

Over the past few years, the FDIC has been preparing for an increase in retirements among its aging workforce through increasing its entry-level hiring into the Corporate Employee Program (CEP). The CEP is a multi-year program designed to cross-train new employees in several of the FDIC's major business lines. As of the end of 2008, 166 employees (530 since program inception) entered the multi-year, multi-disciplined program. The CEP provides a foundation across the full spectrum of the Corporation's business lines, allowing for greater flexibility to respond to changes in the financial services industry and in meeting the Corporation's staffing needs. In 2008, the program successfully provided the FDIC those flexibilities, as program participants were called upon to assist with increased bank examination activities, bank closing activities and deposit insurance claims efforts. In support of the Corporation's focus on consumer protection, the FDIC continued delivery of the Advanced Compliance Examination School (ACES) for commissioned compliance examiners, to address current and complex consumer compliance issues.

Also during 2008, the Corporation instituted an "over-hire" initiative to double encumber a number of critical positions. This program allows the FDIC to train replacements for a smooth transition before the incumbent retires. To address its more immediate staffing needs, the FDIC reemployed retired FDIC examiners, attorneys, and resolutions and receiverships specialists; hired employees of failed institutions in temporary positions; recruited mid-career examiners who had developed their skills in other agencies; recruited temporary loan review specialists from the private sector; and redeployed current FDIC employees with the requisite skills from other parts of the Corporation.

Employee Engagement

The FDIC continually evaluates its human capital programs and strategies to ensure that the Corporation remains an employer of choice and all of its employees are fully engaged and aligned with the mission. The FDIC's annual employee survey incorporates and expands on the Federal Human Capital Survey mandated by Congress. The 2007 survey found that while FDIC employees enjoy their work, believe in the mission of the Corporation and its importance, and are satisfied with their pay, benefits, training and work environment, they perceived problems with internal communications, leadership, trust and employee empowerment.

To address these concerns, Chairman Bair announced a corporate culture change initiative to be driven by committees of employees, managers, and employee representatives. The initiative includes an overall steering committee that provides direction and three teams that are focusing on leadership, communications and employee empowerment. The council and teams are using input from employees and managers to determine where the problems lie and how to resolve them. In addition, the Chairman has held quarterly call-in question and answer sessions for

Chairman Bair discusses the Culture Change Initiative at an October 7th meeting (next to her are Acting COO Art Murton and Chief of Staff Jesse Villarreal).

all employees and maintains an anonymous e-mail box for questions of concern to employees. The 2008 employee survey results will be used to mark progress and further refine the goals of the culture change initiative.

The Corporation has also negotiated interim changes in its pay-for-performance (PFP) program with the National Treasury Employees Union for the 2008 performance period and is continuing to negotiate and develop PFP and performance management programs for 2009 and beyond.

Employee Learning and Growth

To further enhance readiness and flexibility, the FDIC led the development of strategic readiness simulation events that allowed the FDIC's senior leadership the opportunity to test and refine policy and decision tools related to large and complex institution failures. These exercises proved valuable and timely as the FDIC faced and addressed real financial industry stresses during the year. Significant technical and just-in-time training was provided in areas such as financial loan review, legal functions, and contract oversight.

Information Technology Management

Information technology (IT) resources are one of the most valuable assets available to the FDIC in fulfilling its corporate mission. The FDIC continued to improve its IT administration and management practices in 2008.

The FDIC greatly enhanced its ability to effectively manage IT projects, programs, and portfolios by implementing the Enterprise Project Management Project Server (EPMPS) system. EPMPS stores and maintains IT project plans and associated project data in a central repository and has established a foundation for improving project and resource management practice. EPMPS provides a division-wide view of all portfolio project plans down to the task level, providing transparency and accountability to assist in identifying and isolating problem areas and resource bottlenecks.

Enterprise Architecture

During 2008, the IT program continued to build on the foundation that had been laid for a target enterprise architecture, which is both economical and supports effective portfolio management as well as security and privacy programs. The overall vision of the FDIC's enterprise architecture is to "provide an efficient, agile, flexible and cost-effective environment that optimally supports the corporate strategic goals and objectives for all of FDIC and its customers." In 2008, the logical design of the modernized infrastructure was completed and guidelines were developed to provide for a consistent look and feel for new applications.

Am I Insured? Web Site

In July 2008, the FDIC created an "Am I Insured?" Web application in response to the IndyMac bank closing. The "Am I Insured?" external Web site allowed customers of IndyMac, the first of several closed banks, to quickly check on whether or not their account with IndyMac was fully insured. This application simply informs the customers whether or not they are fully insured and provides a contact number to call for further information. No personal or sensitive data are stored or retrieved as a function of this new application and subsequent banks that closed after IndyMac have also had information added to allow customers to check on their accounts.

Internet Program

The FDIC's public Web site, **www.fdic.gov**, is a key communication delivery method for the FDIC. Each of the three major business lines - insurance, supervision, and receivership management are supported by the Internet program. In 2008, the Brookings Institution ranked FDIC.gov 16th among government web sites. This was by far the most active year for FDIC.gov – 57 percent more user sessions than 2007 and 86 percent more than 2006. Internet traffic to FDIC.gov increased significantly since the IndyMac closing. The third quarter was the busiest in the web site's history with over 377 million total hits.

FDIC's Web presence has evolved during 2008. The "FDICchannel" was created on "Youtube" and hosts 16 videos. Youtube is the leading video sharing web site. Video topics range from deposit insurance to 75th anniversary events. The FDICchannel has received more than 58,000 views and potentially provides outreach to younger consumers. The 75th anniversary site and MyFDICinsurance.gov were launched in 2008. In addition, the FDIC implemented FDICSeguro.gov to provide a Spanish language alternative to the deposit insurance information provided on MyFDICinsurance.gov. E-mail subscriptions to various FDIC.gov products have increased 81 percent during 2008. At year-end, the FDIC had over 440,000 subscriptions to its products, including Financial Institution Letters, Special Alerts and Supervisory Insights.

Securing the FDIC

The FDIC continued to enhance and expand its Privacy Program in 2008 with an emphasis on protecting personally identifiable information (PII) from unauthorized collection, use, access, and disclosure. Additionally, efforts to strengthen controls over FDIC's information systems and web sites were continued to ensure that PII was adequately safeguarded and that users of FDIC applications were provided with adequate notice, choice, and access. The FDIC Privacy Program also executed a successful *Privacy Awareness Week* that increased employee awareness of privacy responsibilities and issues, such as preventing identity theft and limiting the use and disclosure of PII whenever possible. Also, the FDIC Privacy Program coordinated and implemented FDIC's first Corporate-wide Privacy Clean-Up Day, which resulted in FDIC Field Offices and Headquarters discarding a combined total of approximately 6½ tons of paper. The FDIC Privacy Program also conducted several physical Privacy Assessments/ Inspections of FDIC Regional and Area Offices which resulted in the issuance of detailed reports to management, identifying issues related to the security and protection of privacy information in public office spaces. Of special note this year, the OIG rated the agency's privacy impact assessment process "excellent" in its 2008 FISMA Report on FDIC's Information Security.

The FDIC's Chief Information Security Officer received the 2008 Association for Federal Information Resources Management (AFFIRM) Outstanding Federal Executive Award for Leadership in Security and Privacy. AFFIRM recognizes outstanding leadership and management in Government. The FDIC is the first recipient of this new award, which recognizes the increasing importance of information security and privacy.

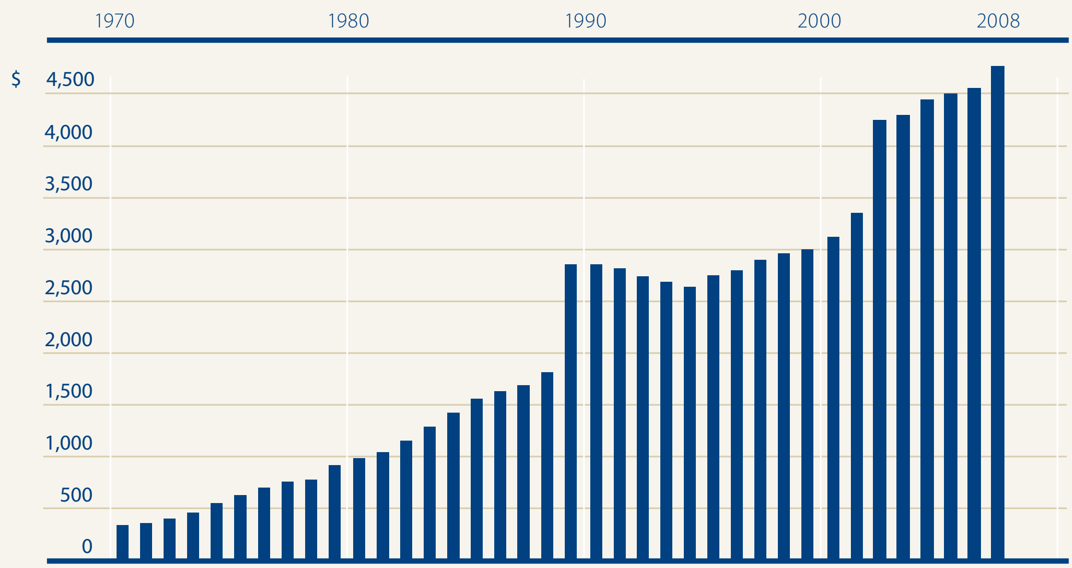
CHAPTER TWO
FINANCIAL HIGHLIGHTS

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.

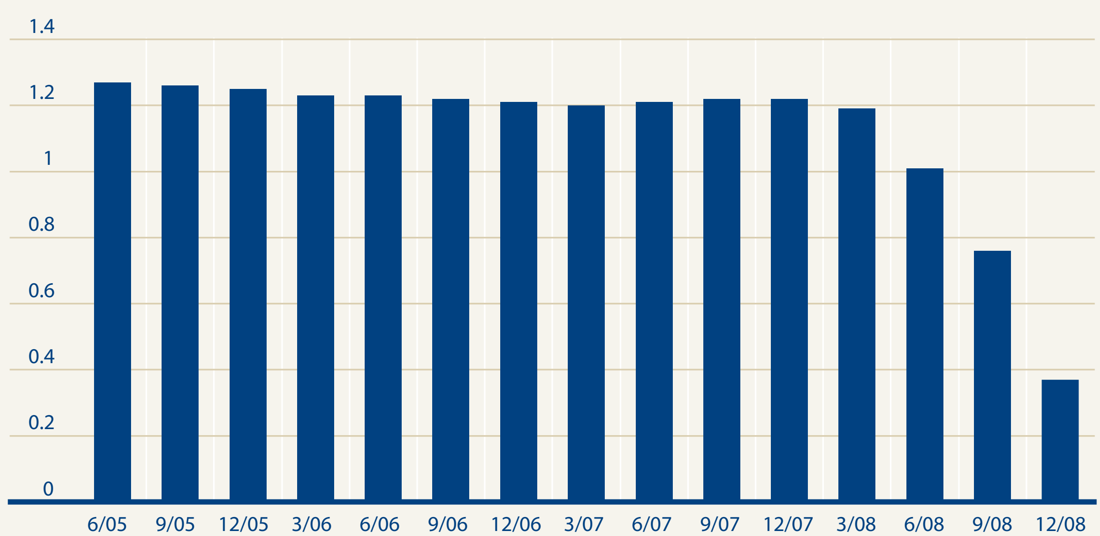
The provision for insurance losses was $41.8 billion in 2008. The total provision consists mainly of the provision for future failures ($23.9 billion) and the losses estimated at failure for the 25 resolutions occurring during 2008 ($17.9 billion), the largest of which was the $10.7 billion estimated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

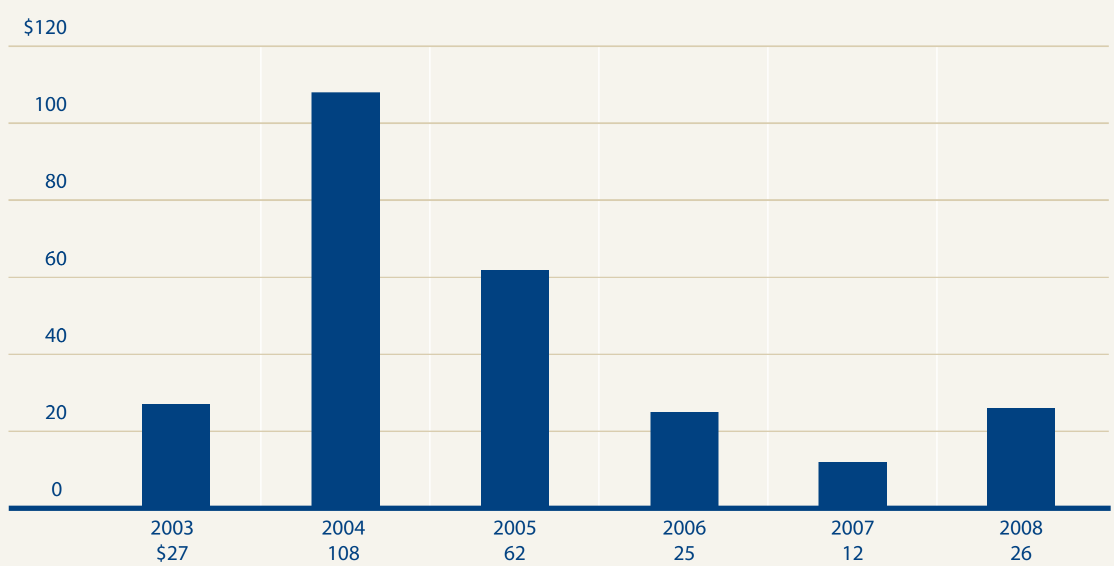
As in prior years, the 2009 budget was formulated primarily on the basis of an analysis of projected workload for each of the Corporation's three major business lines and its major program support functions. The most significant factor contributing to the proposed increase in the ongoing operations component 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



3

CHAPTER THREE
PERFORMANCE RESULTS SUMMARY

Summary of 2008 Performance Results by Program

The FDIC successfully achieved 48 of the 50 annual performance targets established in its 2008 Annual Performance Plan. One performance target was not achieved. It involved maintaining the insurance fund reserve ratio at a certain level. One performance target was not applicable. It related to on-site examinations or off-site analyses on supervised banks intending to operate under Basel II but capital regulations were not implemented yet. There were no instances in which 2008 performance had a material adverse effect on successful achievement of the FDIC's mission or its strategic goals and objectives regarding its major program responsibilities.

Key accomplishments by program are highlighted in the table below:

Program Area	Performance Results
Insurance	• Adopted a Restoration Plan in October 2008 to restore the DIF reserve ratio to 1.15 percent within five years as required by the Federal Deposit Insurance Reform Act of 2005. • Issued an interim rule establishing the Temporary Liquidity Guarantee Program (TLGP) to avoid or mitigate serious adverse effects on economic conditions and financial stability. • Completed substantial modifications to the agency's information systems in order to implement statutory and regulatory changes to risk-based premiums and to track insurance assessment credit use and availability for each insured institution. • Issued a Notice of Proposed Rulemaking (NPR) on Assessments proposing improvements to the risk-based pricing regulations that were adopted to implement deposit insurance reform legislation. • Proposed improvements included adding various financial ratios to the Large Bank method used to determine premium rates for large institutions and adjusting all institutions' premium rates for unsecured debt and for significant reliance on brokered deposits or secured liabilities. • Completed reviews of the recent accuracy of the contingent loss reserves.

Program Area	Performance Results *(continued)*
Insurance (continued)	• Developed a final rule to implement the dividend requirements of the Reform Act. • Researched and analyzed emerging risks and trends in the banking sector, financial markets, and the overall economy to identify issues affecting the banking industry and the deposit insurance fund. • Formed a consumer research section to analyze consumer-related issues, including but not limited to fair lending, credit access for consumers and small businesses, financial services, and home mortgage finance. • Completed risk assessments for all large insured depository institutions and followed up on all identified concerns through off-site review and analysis. • Conducted numerous outreach activities to bankers, trade groups, community groups, other regulators, and foreign visitors addressing economic and banking risk analysis. • Developed a proactive risk identification process to provide earlier identification of trends, practices, or products that may pose high risk to insured institutions. • Published economic and banking information and analyses through the *FDIC Quarterly*, *FDIC Quarterly Banking Profile (QBP)*, and the Center for Financial Research *Working Papers*. • Championed the importance of financial education and highlighted the success of its *Money Smart* program as a means of promoting healthy economic and banking growth in the Americas. • Provided technical assistance to the central banks, bank supervisors and deposit insurers of six countries in 2008. A highlight of this year's programs was an invitation by the government of El Salvador to have the FDIC help launch El Salvador's national campaign on financial education. • Hosted 66 individual visits with a total of 497 foreign visitors from over 32 countries. Foreign visitors were increasingly interested in discussing U.S. banking conditions, the FDIC's role in the current crisis, and measures that have been taken in response to the crisis. Lastly, 162 foreign students from 17 countries received training in examinations, financial institutions analysis, loan analysis, examination management, information technology examination, and anti-money laundering and counter-terrorism financing.

Program Area	Performance Results *(continued)*
Supervision and Consumer Protection	• Conducted 2,416 safety and soundness examinations, including required follow-up examinations of problem institutions, within prescribed time frames. • Conducted 1,826 compliance and Community Reinvestment Act examinations, including required follow-up examinations of problem institutions, within prescribed time frames. • Conducted 2,551 Bank Secrecy Act examinations, including required follow-up examinations and visitations. • Conducted 2,577 IT examinations of financial institutions and technology service providers. • Published Notice of Proposed Rulemaking for Basel II Standardized Approach and final guidance on the supervisory review process (Pillar 2) for banks using the advances approaches of Basel II. Staff continued other analytical and preparatory activities related to the implementation of these new capital regulations. • No FDIC-supervised institutions currently intend to operate under Basel II. • Among other releases, issued five Financial Institution Letters (FILs) providing guidance on (1) managing commercial real estate concentrations; (2) liquidity risk management; (3) managing third-party risk; (4) the importance of developing and implementing policies and procedures for acquiring, holding, and disposing of other real estate; and (5) reminding institutions that if, for risk management purposes, they decide to reduce or suspend home equity lines of credit, they must comply with certain legal requirements. In addition, 12 Disaster Guidance FILs were issued. • Reviewed outstanding Bank Secrecy Act/Anti-Money Laundering (BSA/AML) guidance and issued industry notification regarding the importance of an effective independent review of the BSA/AML compliance program. Concurrently, and as a complement to the industry notification, issued examiner guidance to clarify the BSA/AML examination planning and transaction testing processes. Also, issued examiner guidance relative to work paper documentation expectations. • Completed a review of the effectiveness of the 2007 instructions issued regarding the handling of repeat violations during the internal review and control audits. • Conducted over 400 outreach and technical assistance events for bankers and community groups to promote awareness of community investment opportunities, access to capital, knowledge-sharing between the public and private sectors, and wealth-building opportunities for families. • Continued to disseminate the award-winning *Money Smart* financial education curriculum in multiple languages, adding 202 *Money Smart* Alliance members; contacting over 500 schools, school systems and related entities regarding the availability of the curriculum; and reaching approximately 120,200 individuals through train-the-trainer sessions and the self-paced computer-based instruction.
Receivership Management	• Successfully closed 25 failed institutions and ensured customers had access to insured deposits within one business day. • Adopted a final rule requiring the largest insured depository institutions to adopt mechanisms that would, in the event of the institution's failure: (1) provide the FDIC with standard deposit account and other customer information; and (2) allow the placement and release of holds on liability accounts, including deposits. This functionality is required to be in place no later than February 18, 2010. • Reached the 18-month mark in 2008 for one institution that failed in 2007. A decision was made to close 80 percent of the claims for all claims areas.

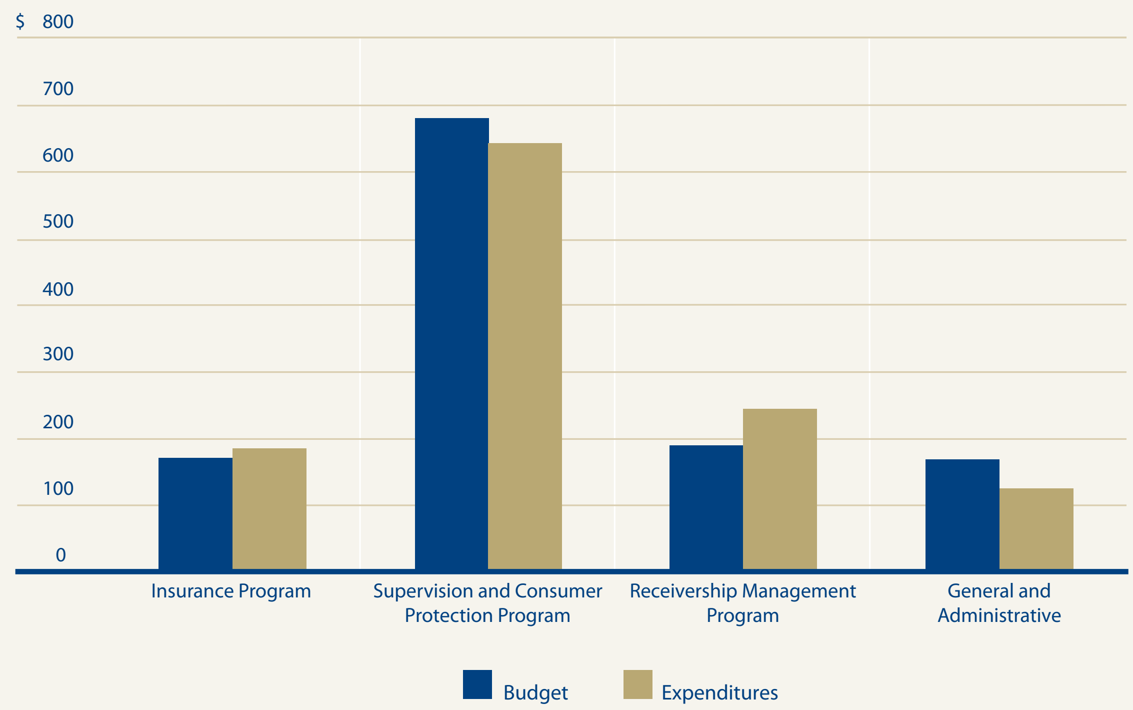
2008 Budget and Expenditures by Program

(Excluding Investments)

The FDIC budget for 2008 totaled $1.217 billion. Excluding $170 million for Corporate General and Administrative expenditures, budget amounts were allocated to corporate programs and related goals as follows: $173 million, or 14.2 percent, to the Insurance program; $683 million, or 56.1 percent, to the Supervision and Consumer Protection program; and $191 million, or 15.7 percent, to the Receivership Management program.

Actual expenditures for the year totaled $1.205 billion. Excluding $129 million for Corporate General and Administrative expenditures, actual expenditures were allocated to programs as follows: $186 million, or 15.4 percent, to the Insurance program; $644 million, or 53.4 percent, to the Supervision and Consumer Protection program; and $246 million, or 20.4 percent, to the Receivership Management program.

2008 BUDGET AND EXPENDITURES (SUPPORT ALLOCATED)
Dollars in millions



Performance Results by Program and Strategic Goal

2008 INSURANCE PROGRAM RESULTS

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

#	Annual Performance Goal	Indicator	Target	Results
1	Respond promptly to all financial institution closings and emerging issues.	Number of business days after an institution failure that depositors have access to insured funds either through transfer of deposits to the successor insured depository institution or depositor payout.	Depositors have access to insured funds within one business day if the failure occurs on a Friday.	Achieved. See pg. 45.
			Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	Achieved. See pg. 45.
		Insured depositor losses resulting from a financial institution failure.	There are no depositor losses on insured deposits.	Achieved. See pg. 45.
			No appropriated funds are required to pay insured depositors.	Achieved. See pg. 45.
		Enhancement of FDIC capabilities to make a deposit insurance determination for a large-bank failure.	Complete rulemaking on Large-Bank Deposit Insurance Determination Modernization.	Achieved. See pg. 59.

2008 INSURANCE PROGRAM RESULTS *(continued)*

#	Annual Performance Goal	Indicator	Target	Results
2	Identify and address risks to the Deposit Insurance Fund (DIF).	Insurance risks posed by insured depository institutions.	Assess the insurance risks in all insured depository institutions and adopt appropriate strategies.	Achieved. See pg. 58.
		Concerns referred for examination or other action.	Identify and follow up on all material issues raised through off-site review and analysis.	Achieved. See pg. 58.
		Emerging risks to the DIF.	Identify and analyze existing and emerging areas of risk, including non-traditional and subprime mortgage lending, declines in housing market values, mortgage-related derivatives/collateralized debt obligations (CDOs), hedge fund ownership of insured institutions, commercial real estate lending, international risk, and other financial innovations.	Achieved. See pgs. 36-37, 58.
			Address potential risks from cross-border banking instability through coordinated review of critical issues and, where appropriate, negotiate agreements with key authorities.	Achieved. See pg. 31.
3	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders.	Scope and timeliness of information dissemination on identified or potential issues and risks.	Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports and other means.	Achieved. See pg. 58.
			Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns and other available FDIC resources.	Achieved. See pg. 58.

2008 INSURANCE PROGRAM RESULTS *(continued)*

#	Annual Performance Goal	Indicator	Target	Results
4	Maintain and improve the deposit insurance system.	Implementation of deposit insurance reform.	Review the effectiveness of the new pricing regulations that were adopted to implement the reform legislation.	Achieved. See pg. 57.
			Enhance the additional risk measures used to adjust assessment rates for large institutions.	Achieved. See pg. 27.
			Develop a final rule on a permanent dividend system.	Achieved. See pg. 58.
		Loss reserves.	Ensure the effectiveness of the reserving methodology by applying sophisticated analytical techniques to review variances between projected losses and actual losses, and by adjusting the methodology accordingly.	Achieved. See pg. 57.
		Fund adequacy.	Set assessment rates to maintain the insurance fund reserve ratio between 1.15 and 1.50 percent of estimated insured deposits.	Not Achieved. See pg. 26.
5	Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.	Timeliness of responses to insurance coverage inquiries.	Respond to 90 percent of inquiries from consumers and bankers about FDIC deposit insurance coverage within time frames established by policy.	Achieved. See pg. 43.
		Educational initiatives and outreach events for consumers and bankers.	Conduct at least three sets of Deposit Insurance Seminar Series for bankers.	Achieved. See pg. 43.
			Assess the feasibility of (and, if feasible, define the require-ments for) a consolidated Electronic Deposit Insurance Estimator (EDIE) application for bankers and consumers (to be developed in 2009).	Achieved. See pg. 43.
			Conduct outreach events and activities to support a deposit insurance education program that features FDIC 75th anniversary theme.	Achieved. See pg. 43.

2008 INSURANCE PROGRAM RESULTS *(continued)*

#	Annual Performance Goal	Indicator	Target	Results
6	Expand and strengthen the FDIC's participaton and leadership role in providing technical guidance, training, consulting services and information to international governmental banking and deposit insurance organizations.	Scope of information sharing and assistance available to international governmental bank regulatory and deposit insurance entities.	Undertake outreach activities to inform and train foreign bank regulators and deposit insurers.	Achieved. See pg. 58.
			Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolution and deposit insurance practices.	Achieved. See pgs. 30-31.

2008 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS

Strategic Goal: FDIC-supervised institutions are safe and sound.

#	Annual Performance Goal	Indicator	Target	Results
1	Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.	Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy.	One hundred percent of required risk management examinations are conducted on schedule.	Achieved. See pg. 32.
2	Take prompt and effective supervisory action to address problems identified during the FDIC examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of "4" or "5" (problem institution). Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.	Percentage of follow-up examinations of problem institutions conducted within required time frames.	One hundred percent of follow-up examinations are conducted within 12 months of completion of the prior examination.	Achieved. See pg. 32.
3	Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.	Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy.	One hundred percent of required Bank Secrecy Act examinations are conducted on schedule.	Achieved. See pg. 32.
4	More closely align regulatory capital with risk in large or multinational banks while maintaining capital at prudential levels.	Preliminary results of Basel II Parallel Run.	Conduct analyses of early results of the new capital regime as information becomes available.	Achieved. See pg. 36.
		Changes to Basel II Capital Framework.	Develop options for refining Basel II that are responsive to lessons learned from the 2007-2008 market turmoil.	Achieved. See pg. 36.

2008 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS *(continued)*

#	Annual Performance Goal	Indicator	Target	Results
5	More closely align regulatory capital with risk in banks not subject to Basel II capital rules while maintaining capital at prudential levels.	Development of a revised capital framework proposal for institutions not subject to Basel II.	Finalize a regulatory capital framework based on the Basel II "Standardized Approach" as an option for U.S. banks not required to use the new advanced approaches.	Achieved See pg. 36.
6	Ensure that FDIC-supervised institutions that plan to operate under the new Basel II Capital Accord are well positioned to respond to new capital requirements.	Percentage of on-site examinations or off-site analyses performed.	Performed on-site examinations or off-site analyses of all FDIC-supervised banks that have indicated a possible intention to operate under Basel II to ensure that they are effectively working toward meeting required qualification standards.	Not Applicable. See pg. 59.
7	Reduce regulatory burden on the banking industry while maintaining appropriate consumer protection and safety and soundness safeguards.	Completion of analysis of regulatory burden associated with the BSA/AML examination process.	Complete and evaluate options for refining the current risk-focused approach used in the conduct of BSA/AML examinations to reduce the burden they impose on FDIC-supervised institutions.	Achieved. See pg. 34.
Strategic Goal: Consumers' rights are protected and FDIC-supervised institutions invest in their communities.				
8	Conduct CRA and compliance examinations in accordance with the FDIC's examination frequency policy.	Percentage of examinations conducted in accordance with required time frames.	One hundred percent of required examinations are conducted within time frames established by FDIC policy.	Achieved. See pg. 32.
9	Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive a "4" or "5" rating for compliance with consumer protection and fair lending laws.	Percentage of follow-up examinations or related activities conducted within required time frames.	One hundred percent of follow-up examinations or related activities are conducted within 12 months from the date of a formal enforcement action to confirm that the institution is in compliance with the enforcement action.	Achieved. See pg. 32.
10	Determine the need for changes in current FDIC practices for following up on significant violations of consumer compliance laws and regulations identified during examinations of banks for compliance with consumer protection and fair lending laws.	Implementation review of new practices instituted in 2007.	Complete a review of the effectiveness of the 2007 instructions issued on the handling of repeat instances of significant violations identified during compliance examinations.	Achieved. See pg. 59.

2008 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS *(continued)*

#	Annual Performance Goal	Indicator	Target	Results
11	Scrutinize evolving consumer products, analyze their current or potential impact on consumers and identify potentially harmful or illegal practices. Promptly institute a supervisory response program across FDIC-supervised institutions when such practices are identified.	Establishment of supervisory response programs to address potential risks posed by new consumer products.	Revise the FDIC's system for identifying, reviewing and addressing potentially harmful or illegal practices associated with evolving consumer products.	Achieved. See pg. 38.
			Develop and implement new supervisory response programs across all FDIC-supervised institutions to address potential risks posed by new consumer products.	Achieved. See pg. 38.
12	Effectively investigate and respond to consumer complaints about FDIC-supervised financial institutions.	Timely responses to written complaints and inquiries.	Responses are provided to 90 percent of written complaints and inquiries within time frames established by policy.	Achieved. See pg. 43.
13	Provide effective outreach related to CRA, fair lending, and community development.	Number of outreach activities conducted, including technical assistance activities.	Conduct 125 technical assistance (examination support) efforts or banker/community outreach activities related to CRA, fair lending, and community development.	Achieved. See pg. 59.
		Expanded access to high quality financial education through the *Money Smart* curriculum.	Release a "Young Adult" version of the *Money Smart* curriculum.	Achieved. See pgs. 43-44.
			Distribute at least 10,000 copies of the "Young Adult" version of *Money Smart*.	Achieved. See pg. 43.
		Scope and timeliness of dissemination of the results of the unbanked survey.	Analysis of survey results is disseminated within six months of completion of the survey through regular publications, ad hoc reports and other means.	Achieved. See pgs. 40-41.
		Support for expanded foreclosure prevention efforts for consumers at risk of foreclosure (in partnership with NeighborWorks® America and other organizations).	Provide technical assistance, support and consumer outreach activities in all six FDIC regions to at least eight local NeighborWorks® America affiliates or local coalitions that are providing foreclosure mitigation counseling in high need areas.	Achieved. See pg. 39.

2008 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS *(continued)*

#	Annual Performance Goal	Indicator	Target	Results
14	Continue to expand the FDIC's national leadership role in development and implementation of programs and strategies to encourage and promote broader economic inclusion within the nation's banking system.	Results of pilot small-dollar lending program conducted by participating financial institutions.	Analyze quarterly data submitted by participating institutions to identify early trends and potential best practices.	Achieved. See pg. 40.
		Degree of success achieved in bringing the unbanked/underserved into the financial mainstream through the Alliance for Economic Inclusion.	Open 27,000 new bank accounts.	Achieved. See pg. 38.
			Initiate new small-dollar loan products in 32 financial institutions.	Achieved. See pg. 38.
			Initiate remittance products in 32 financial institutions.	Achieved. See pg. 38.
			Reach 18,000 consumers through financial education initiatives.	Achieved. See pg. 38.

2008 RECEIVERSHIP MANAGEMENT PROGRAM RESULTS

Strategic Goal: Recovery to creditors of receiverships is achieved.

#	Annual Performance Goal	Indicator	Target	Results
1	Market failing institutions to all known qualified and interested potential bidders.	Scope of qualified and interested bidders solicited.	Contact all known qualified and interested bidders.	Achieved. See pg. 45.
2	Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.	Percentage of failed institution's assets marketed.	Ninety percent of the book value of a failed institution's marketable assets are marketed within 90 days of failure.	Achieved. See pg. 45.
3	Manage the receivership estate and its subsidiaries toward an orderly termination.	Timely termination of new receiverships.	Terminate all receiverships within 90 days of the resolution of all impediments.	Achieved. See pg. 48.
4	Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.	Percentage of investigated claim areas for which a decision has been made to close or pursue the claim.	For 80 percent of all claim areas, a decision is made to close or pursue claims within 18 months of the failure date.	Achieved. See pg. 59.

Prior Years' Performance Results

Refer to the respective full Annual Report of prior years for more information on performance results for those years. (Shaded area indicates no such target existed for that respective year.)

INSURANCE PROGRAM RESULTS

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

Annual Performance Goals and Targets	2007	2006	2005
1. Respond promptly to all financial institution closings and emerging issues.			
• Provide access to insured funds in one business day if the failure occurs on a Friday.	Achieved.	Not Applicable. No Failures.	Not Applicable. No Failures.
• Provide access to insured funds in two business days if the failure occurs on any other day of the week.	Achieved.	Not Applicable. No Failures.	Not Applicable. No Failures.
• Review comments received in response to the Advance Notice of Proposed Rulemaking on Large-Bank Deposit Insurance Determination Modernization.	Achieved.	Achieved.	
2. Identify and address risks to the Deposit Insurance Fund.			
• Assess the insurance risks in 100 percent of insured depository institutions and adopt appropriate strategies.	Achieved.	Achieved.	Achieved.
• Identify and follow up on 100 percent of material issues raised through off-site review and analysis.	Achieved.	Achieved.	
• Identify and review the emerging areas of risk, including mortgage lending, hedge funds, commercial real estate lending, derivatives, money laundering, illicit financial transactions and the international operations of insured depository institutions.	Achieved.		
• Address potential risks from cross-border banking instability through coordinated review of critical issues and, where appropriate, agreements with key authorities.	Achieved.		
• Identify and follow up on 100 percent of referrals.			Achieved.
3. Maintain sufficient and reliable information on insured depository institutions.			
• Implement a modernized Call Reporting process during the second Call Reporting period in 2005.			Not Achieved.

INSURANCE PROGRAM RESULTS *(continued)*

Annual Performance Goals and Targets	2007	2006	2005
4. Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders.			
• Results of research and analyses are disseminated in a timely manner through regular publications, ad hoc reports and other means.	Achieved.	Achieved.	Achieved.
• Industry outreach activities are undertaken to inform bankers and other stakeholders about current trends, concerns and other available FDIC resources.	Achieved.	Achieved.	Achieved.
5. Maintain and improve the deposit insurance system.			
• Implement the new deposit insurance pricing system.	Achieved.		
• Complete and issue guidance on the pricing of deposit insurance for large banks.	Achieved.		
• Publish an ANPR seeking comment on a permanent dividend system.	Achieved.		
• Develop and implement an assessment credit and dividends system and a new deposit insurance pricing system.		Achieved.	
• Implement deposit insurance reform legislation in accordance with statutorily prescribed time frames.		Achieved.	Not Applicable. Legislation enacted Feb. 8, 2006.
• Provide information and analysis to Congressional committees in support of deposit insurance reform legislation.			Achieved.
• Obtain legislative support for a proposed assessment credit and rebate system and a new deposit insurance pricing system.			Achieved.
• Enhance the effectiveness of the reserving methodology by applying sophisticated analytical techniques to review variances between projected losses and actual losses, and by adjusting the methodology accordingly.	Achieved.	Achieved.	Achieved.
• Set assessment rates to maintain the insurance fund reserve ratio between 1.15 and 1.50 percent of estimated insured deposits.	Achieved.	Achieved.	
• Set assessment rates to maintain the insurance funds at the designated reserve ratio (DRR), or return them to the DRR if they fall below it, as required by statute.			Achieved.
• When deposit insurance reform legislation is enacted, promulgate rules and regulations establishing criteria for replenishing the Deposit Insurance Fund when it falls below the low end of the range.			Not Applicable. Legislation enacted Feb. 8, 2006.
• Enhance the working prototype of the integrated fund model for financial risk management.			Achieved.

INSURANCE PROGRAM RESULTS *(continued)*

Annual Performance Goals and Targets	2007	2006	2005
6. Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.			
• Publish a comprehensive and authoritative resource guide for bankers, attorneys, financial advisors and similar professionals on the FDIC's rules and requirements for deposit insurance coverage of revocable and irrevocable trust accounts.	Achieved.		
• Conduct a series of national teleconferences for insured financial institutions to address current questions and issues relating to FDIC insurance coverage of deposit accounts.	Achieved.		
• Update *Insuring Your Deposits* (basic deposit insurance brochure for consumers), *Your Insured Deposit* (comprehensive deposit insurance brochure), and EDIE (Electronic Deposit Insurance Estimator) on the FDIC Web site to reflect changes resulting from enactment of deposit insurance legislation.		Achieved.	
• Update the consumer version of EDIE (Electronic Deposit Insurance Estimator) located on the FDIC's Web site.			Achieved.
• Develop and make available to the public an updated Spanish language version of EDIE reflecting deposit insurance reform.		Achieved.	
• Develop and make available to the public a Spanish language version of the FDIC's 30-minute video on deposit insurance coverage.		Achieved.	
• Respond to 90 percent of inquiries from consumers and bankers about FDIC deposit insurance coverage within time frames established by policy.	Achieved.	Achieved.	
• Respond to 90 percent of written inquiries within time frames established by policy.		Achieved.	
7. Expand and strengthen the FDIC's leadership role in providing technical guidance, training, consulting services and information to international governmental banking and deposit insurance organizations.			
• Undertake global outreach activities to inform and train foreign bank regulators and deposit insurers.	Achieved.		
• Foster strong relationships with international banking regulators and associations that promote sound banking policies in order to provide leadership and guidance in global banking supervision and regulations, failure resolution and deposit insurance.	Achieved.		

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS

Strategic Goal: FDIC-supervised institutions are safe and sound.

Annual Performance Goals and Targets	2007	2006	2005
1. Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.			
• One hundred percent of required risk management examinations (including reviews of information technology (IT) and Bank Secrecy Act (BSA) compliance) are conducted on schedule.	Achieved.	Achieved.	Achieved.
2. Take prompt and effective supervisory action to address issues identified during the FDIC examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of "4" or "5" (problem institution). Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.			
• One hundred percent of follow-up examinations are conducted within 12 months of completion of the prior examination.	Achieved.	Achieved.	Achieved.
3. Increase regulatory knowledge to keep abreast of current issues related to money laundering and terrorist financing.			
• An additional 10 percent (at least 10 percent for year 2006) of BSA/AML subject-matter experts nationwide are certified under the Association of Certified Anti-Money Laundering Specialists certification program.	Achieved.	Achieved.	
4. Increase industry and regulatory awareness of emerging/high-risk areas.			
• The number of trained BSA/AML subject-matter experts increased to 300.			Achieved.
• Advanced training is completed for all BSA/AML subject-matter experts.			Achieved.
• At least one outreach session per region.			Achieved.
5. More closely align regulatory capital with risk in large or multinational banks while maintaining capital at prudential levels.			
• Further develop the Basel II framework to ensure that it does not result in a substantial reduction in risk-based capital requirements or significant competitive inequities among different classes of banks. Consider alternative approaches for implementing the Basel Capital Accord.	Achieved.		
• Participate in the continuing analysis of the projected results of the new capital regime.	Achieved.		
• Promote international cooperation on the adoption of supplemental capital measures in countries that will be operating under Basel II.	Achieved.		
• Publish a Notice of Proposed Rulemaking (NPR).		Achieved.	
• Participate in the continuing analysis of the projected results of the new capital regime.		Achieved.	

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS *(continued)*

Annual Performance Goals and Targets	2007	2006	2005
• Notice of Proposed Rulemaking (NPR) and associated examination guidance for implementing the new Basel Capital Accord are published for comment.			Achieved.
• Quantitative Impact Study 4 is completed.			Achieved.
6. More closely align regulatory capital with risk in banks not subject to Basel II capital rules while maintaining capital at prudential levels.			
• Complete rulemaking on Basel IA.	Not Applicable.		
• Develop a Notice of Proposed Rulemaking (NPR) for public issuance.		Achieved.	
7. Ensure that FDIC-supervised institutions that plan to operate under the new Basel II Capital Accord are well positioned to respond to the new capital requirements.			
• On-site examinations or off-site analyses are performed for all FDIC-supervised banks that intend to operate under Basel II to ensure that they are effectively working toward meeting required qualification standards.	Achieved.	Achieved.	Achieved.
8. Reduce regulatory burden on the banking industry while maintaining appropriate consumer protection and safety and soundness safeguards.			
• Applicable provisions of the Financial Services Regulatory Relief Act of 2006 (FSRRA) are implemented in accordance with statutory requirements.	Partially Achieved.		
• Support is provided to the Government Accountability Office (GAO), as requested, for studies required under FSRRA.	Achieved.		
• State AML assessments of MSBs are incorporated into FDIC risk management examinations in states where MSB AML regulatory programs are consistent with FDIC risk management standards.	Partially Achieved.		
Strategic Goal: Consumers' rights are protected and FDIC-supervised institutions invest in their communities.			
1. Conduct CRA and compliance examinations in accordance with the FDIC's examination frequency policy.			
• One hundred percent of required examinations are conducted within time frames established by FDIC policy.	Achieved.	Achieved.	Achieved.
2. Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that received a "4" or "5" rating for compliance with consumer protection and fair lending laws.			
• One hundred percent of follow-up examinations or related activities are conducted within 12 months from the date of a formal enforcement action to confirm that the institution is in compliance with the enforcement action.	Achieved.	Achieved.	Achieved.

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS *(continued)*

Annual Performance Goals and Targets	2007	2006	2005
3. Determine the need for changes in current FDIC practices for following up on actions on significant violations of consumer compliance laws and regulations identified during examinations of banks for compliance with consumer protection and fair lending laws.			
• An analysis is completed for all institutions on the prevalence and scope of repeat instances of significant violations from the previous compliance examination.	Achieved.		
• A determination is made regarding the need for changes to current FDIC and FFIEC guidance on follow-up supervisory action on significant violations identified during compliance examinations based on the substance and level of risk posed to consumers by these repeat violations.	Achieved.		
4. Provide effective outreach and technical assistance on topics related to the CRA, fair lending, and community development.			
• 200,000 additional individuals are taught using the *Money Smart* curriculum.	Achieved.	Achieved.	Achieved.
• 120 school systems and government entities are contacted to make them aware of the availability of *Money Smart* as a tool to teach financial education to high school students.	Achieved.		
• A review of existing risk management and compliance/CRA examination guidelines and practices is completed to ensure that they encourage and support the efforts of insured financial institutions to foster economic inclusion, consistent with safe and sound banking practices.	Achieved.		
• A pilot project is conducted with banks near military installations to provide small-dollar loan alternatives to high-cost payday lending.	Not Achieved.		
• Strategies are developed and implemented to encourage FDIC-supervised institutions to offer small-denomination loan programs.	Achieved.		
• Research is conducted and findings disseminated on programs and strategies to encourage and promote broader economic inclusion within the nation's banking system.	Achieved.		
• 125 technical assistance (examination support) efforts or banker/community outreach activities are conducted related to CRA, fair lending, or community development.	Achieved.	Achieved.	Achieved.
• 200 additional members are added to the *Money Smart* Alliance.			Achieved.
• 20,000 additional copies of the *Money Smart* curricula are distributed.			Achieved.
5. Effectively meet the statutory mandate to investigate and respond to consumer complaints about FDIC-supervised financial institutions.			
• Responses are provided to 90 percent of written complaints within time frames established by policy.	Achieved.	Achieved.	Achieved.

RECEIVERSHIP MANAGEMENT PROGRAM RESULTS

Strategic Goal: Recovery to creditors of receivership is achieved.

Annual Performance Goals and Targets	2007	2006	2005
1. Market failing institutions to all known qualified and interested potential bidders.			
• Contact all known qualified and interested bidders.	Achieved.	Not Applicable. No Failures.	Not Applicable. No Failures.
2. Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.			
• Ninety percent of the book value of a failed institution's marketable assets are marketed within 90 days of failure.	Achieved.	Not Applicable. No Failures.	Not Applicable. No Failures.
3. Manage the receivership estate and its subsidiaries toward an orderly termination.			
• Terminate all receiverships within 90 days of the resolution of all impediments.	Achieved.	Achieved.	
• Inactivate 75 percent of receiverships managed through the Receivership Oversight Program within three years of the failure date.			Not Achieved.
4. Conduct investigations into all potential professional liability claim areas in all failed insured depository institutions and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.			
• For 80 percent of all claim areas, a decision is made to close or pursue claims within 18 months of the failure date.	Not Applicable. No claims within the 18-month period.	Not Applicable. No Failures.	Achieved.

Program Evaluation

Program evaluations are designed to improve the operational effectiveness of the FDIC's programs and ensure that objectives are met. These evaluations are often led by the Office of Enterprise Risk Management and are generally interdivisional, collaborative efforts involving management and staff from the affected program(s).

The Corporation's 2008 Annual Performance Plan contained several objectives aimed at ensuring that the FDIC would continue to address key corporate issues, including the upgrade of the FDIC's New Financial Environment (NFE), privacy, shared folders access and security, and asset management. The following are the results of the Corporation's program evaluation activities for 2008.

The FDIC is in the process of both upgrading NFE , its state-of-the-art financial management system, and changing the system platform on which it sits. The upgrade of the PeopleSoft products to release 9.0 and the change from the IBM mainframe structure with DB2 database to an individual application server structure with the Oracle database will allow the FDIC certain advances within the financial management and reporting arena. With the newer version of the PeopleSoft products, the FDIC will see increased business functionality and extended software support. Additionally, the change in platform will bring less system downtime, increased data scalability and a more sustainable environment for future enhancements and upgrades. The NFE software upgrade and platform change are expected to be completed by mid-2009.

In 2008, FDIC developed an Operational Review Program for the post-closing asset management function. Guidance was also developed for asset managers on participation loans and home equity lines of credit. This guidance ensures consistency in post-closing activities.

During 2008, the FDIC organized operations and support for major initiatives of the Temporary Liquidity Guarantee Program. The results of these initiatives were meant to strengthen market stability, improve the strength of financial institutions and enhance market liquidity. Going forward, efforts of the FDIC will be geared toward further defining operations and controls, management reporting and administration of this new program.

The shared folders access and security initiative, started in 2008, is a corporate-wide effort to reduce the inventory of electronic folders and improve security management of the remaining folders necessary for the Corporation's ongoing work. This effort will continue in 2009.

The Corporation enhanced its methodology in 2008 to compare IT development projects objectively for those projects spending operating funds. This methodology identified preliminary business value, benefits expected from the project, and risk recognition. The Chief Information Office Council (CIO Council) used this methodology successfully for its 2009 selection process. Use of this common methodology at the CIO Council level in conjunction with what is done at the Capital Investment Review Committee level enhances the Corporation's capital planning and investment management maturity and enables the Corporation to more strategically select its IT investments.

In 2008, the FDIC, being concerned about the safety of FDIC-managed receivership and subsidiary funds, researched alternatives for its banking and investment needs for receivership-related matters. After careful review, the FDIC obtained banking services from the Federal Home Loan Bank of New York, which is able to handle critical accounts and services needed by the FDIC.

During 2008, two Post Project Reviews (PPRs) were conducted to improve the Corporation's future systems development efforts by reviewing recently implemented projects. Among the several significant reviews completed in 2008 were reviews of the Central Data Repository (CDR) and the Corporate Human Resources Information System (CHRIS) Time and Attendance project. Most significant is that the lessons learned and best practices identified in conducting the PPRs were rolled back into front end processes and requirements for future projects.

Program evaluation activities in 2009 will focus on key corporate issues, including continuing work on the Temporary Liquidity Guarantee Program and issues relating to contract management oversight and staff analysis.

This page intentionally left blank.

4

CHAPTER FOUR

FINANCIAL STATEMENTS AND NOTES

Deposit Insurance Fund (DIF)

DEPOSIT INSURANCE FUND BALANCE SHEET AT DECEMBER 31

Dollars in Thousands

	2008	2007
Assets		
Cash and cash equivalents – unrestricted	$1,011,430	$4,244,547
Cash and cash equivalents – restricted – systemic risk (Note 14)	2,377,387	0
Investment in U.S. Treasury obligations, net: (Note 3)		
Held-to-maturity securities	0	38,015,174
Available-for-sale securities	27,859,080	8,572,800
Assessments receivable, net (Note 8)	1,018,486	244,581
Receivable – systemic risk (Note 14)	1,138,132	0
Interest receivable on investments and other assets, net	405,453	768,292
Receivables from resolutions, net (Note 4)	15,765,465	808,072
Property and equipment, net (Note 5)	368,761	351,861
Total Assets	**$49,944,194**	**$53,005,327**
Liabilities		
Accounts payable and other liabilities	$185,079	$151,857
Liabilities due to resolutions (Note 6)	4,671,980	0
Guarantee obligations – systemic risk (Note 14)	2,077,880	0
Postretirement benefit liability (Note 11)	114,124	116,158
Contingent liabilities for: (Note 7)		
Anticipated failure of insured institutions	23,981,204	124,276
Systemic risk (Note 14)	1,437,638	0
Litigation losses	200,000	200,000
Total Liabilities	**32,667,905**	**592,291**
Commitments and off-balance-sheet exposure (Note 12)		
Fund Balance		
Accumulated net income	15,001,272	52,034,503
Unrealized gain on available-for-sale securities, net (Note 3)	2,250,052	358,908
Unrealized postretirement benefit gain (Note 11)	24,965	19,625
Total Fund Balance	**17,276,289**	**52,413,036**
Total Liabilities and Fund Balance	**$49,944,194**	**$53,005,327**

The accompanying notes are an integral part of these financial statements.

DEPOSIT INSURANCE FUND STATEMENT OF INCOME AND FUND BALANCE FOR THE YEARS ENDED DECEMBER 31

Dollars in Thousands

	2008	2007
Revenue		
Interest on U.S. Treasury obligations	$2,072,317	$2,540,061
Assessments (Note 8)	2,964,518	642,928
Systemic risk revenue (Note 14)	1,463,537	0
Realized gain on sale of securities	774,935	0
Other revenue	31,017	13,244
Total Revenue	**7,306,324**	**3,196,233**
Expenses and Losses		
Operating expenses (Note 9)	1,033,490	992,570
Systemic risk expenses (Note 14)	1,463,537	0
Provision for insurance losses (Note 10)	41,838,835	95,016
Insurance and other expenses	3,693	3,370
Total Expenses and Losses	**44,339,555**	**1,090,956**
Net (Loss) Income	**(37,033,231)**	**2,105,277**
Unrealized gain on available-for-sale securities, net (Note 3)	1,891,144	125,086
Unrealized postretirement benefit gain (Note 11)	5,340	17,366
Comprehensive (Loss) Income	**(35,136,747)**	**2,247,729**
Fund Balance – Beginning	**52,413,036**	**50,165,307**
Fund Balance – Ending	**$17,276,289**	**$52,413,036**

The accompanying notes are an integral part of these financial statements.

DEPOSIT INSURANCE FUND STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

Dollars in Thousands

	2008	2007
Operating Activities		
Net (Loss) Income:	$(37,033,231)	$2,105,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of U.S. Treasury obligations	457,289	571,267
Treasury inflation-protected securities (TIPS) inflation adjustment	(271,623)	(313,836)
Gain on sale of U.S. Treasury obligations	(774,935)	0
Depreciation on property and equipment	55,434	63,115
Loss on retirement of property and equipment	447	153
Provision for insurance losses	41,838,835	95,016
Unrealized gain on postretirement benefits	5,340	17,366
Systemic risk expenses	(2,352)	0
Change In Operating Assets and Liabilities:		
(Increase) in assessments receivable, net	(773,905)	(244,581)
Decrease/(Increase) in interest receivable and other assets	402,225	(20,442)
(Increase) in receivables from resolutions	(28,283,491)	(350,309)
(Increase) in receivable – systemic risk	(21,285)	0
(Decrease) in accounts payable and other liabilities	(34,667)	(39,580)
(Decrease) in postretirement benefit liability	(2,034)	(13,748)
Increase in guarantee obligations – systemic risk	2,377,387	0
Net Cash (Used by) Provided by Operating Activities	**(22,060,566)**	**1,869,698**
Investing Activities		
Provided by:		
Maturity of U.S. Treasury obligations, held-to-maturity	3,304,350	6,401,000
Maturity of U.S. Treasury obligations, available-for-sale	3,930,226	1,225,000
Sale of U.S. Treasury obligations	13,974,732	0
Used by:		
Purchase of property and equipment	(4,472)	(1,607)
Purchase of U.S. Treasury obligations, held-to-maturity	0	(7,706,117)
Purchase of U.S. Treasury obligations, available-for-sale	0	(497,422)
Net Cash Provided by (Used by) Investing Activities	**21,204,836**	**(579,146)**
Net (Decrease)/Increase in Cash and Cash Equivalents	**(855,730)**	**1,290,552**
Cash and Cash Equivalents - Beginning	**4,244,547**	**2,953,995**
Unrestricted Cash and Cash Equivalents – Ending	*1,011,430*	*4,244,547*
Restricted Cash and Cash Equivalents –Ending	*2,377,387*	*0*
Cash and Cash Equivalents - Ending	**$3,388,817**	**$4,244,547**

The accompanying notes are an integral part of these financial statements.

1. Legislation and Operations of the Deposit Insurance Fund

Overview

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended, (12 U.S.C. 1811, *et seq.*) In carrying out the purposes of the FDI Act, as amended, the FDIC insures the deposits of banks and savings associations (insured depository institutions), and in cooperation with other federal and state agencies promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance fund. An active institution's primary federal supervisor is generally determined by the institution's charter type. Commercial and savings banks are supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board, while thrifts are supervised by the Office of Thrift Supervision.

The FDIC is the administrator of the Deposit Insurance Fund (DIF). The DIF is responsible for protecting insured bank and thrift depositors from loss due to institution failures. The FDIC is required by 12 U.S.C. 1823(c) to resolve troubled institutions in a manner that will result in the least possible cost to the deposit insurance fund unless a systemic risk determination is made that compliance with the least-cost test would have serious adverse effects on economic conditions or financial stability and any action or assistance taken under the systemic risk determination would avoid or mitigate such adverse effects. The systemic risk provision requires the FDIC to recover any related losses to the DIF through one or more emergency special assessments from all insured depository institutions. See Note 14 for a detailed explanation of 2008 systemic risk transactions.

The FDIC is also the administrator of the FSLIC Resolution Fund (FRF). The FRF is a resolution fund responsible for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the Resolution Trust Corporation. The DIF and the FRF are maintained separately to carry out their respective mandates.

Recent Legislation

The Emergency Economic Stabilization Act of 2008 (EESA), legislation to help stabilize the financial markets, was enacted on October 3, 2008, and significantly affects the FDIC. The legislation requires that the FDIC participate, through a consultation role, in the establishment of the troubled asset relief program (known as TARP) and provides that the FDIC is eligible to act as an asset manager for residential mortgage loans and residential mortgage-backed securities on a reimbursable basis.

In addition, the legislation identifies the FDIC as a Federal property manager with respect to mortgage loans and mortgage-backed securities held by any bridge depository institution pursuant to section 11(n) of the FDI Act. As a Federal property manager, the FDIC is responsible for implementing a plan that maximizes assistance for homeowners and encourages servicers to take advantage of programs to minimize foreclosures for the affected assets.

The legislation also directly affects the FDIC as deposit insurer by providing for 1) a temporary increase in FDIC deposit insurance coverage from $100,000 to $250,000 from the date of enactment of the legislation through December 31, 2009 and 2) a temporary removal of limitations on borrowing in sections 14(a) and 15(c) of the FDI Act for purposes of carrying out the increase in the maximum deposit insurance amount for the duration of the increased coverage. EESA expressly provides that the temporary deposit insurance increase is not to be taken into account by the FDIC in setting assessments under section 7(b) of the FDI Act. (See Note 15, Subsequent Events – Legislative Update.)

The Federal Deposit Insurance Reform Act of 2005 (Title II, Subtitle B of Public Law 109-171, 120 Stat. 9) and the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Public Law 109-173, 119 Stat. 3601) were enacted in February 2006. Pursuant to this legislation (collectively, the Reform Act), the Bank Insurance Fund and the Savings Association Insurance Fund were merged into the DIF, and the FDIC permanently increased coverage for certain retirement accounts to

$250,000. Additionally, the Reform Act: 1) provides the FDIC with greater discretion to charge insurance assessments and to impose more sensitive risk-based pricing; 2) annually permits the designated reserve ratio (DRR) to vary between 1.15 and 1.50 percent of estimated insured deposits; 3) generally requires the declaration and payment of dividends from the DIF if the reserve ratio of the DIF equals or exceeds 1.35 percent of estimated insured deposits at the end of a calendar year; 4) grants a one-time assessment credit for each eligible insured depository institution or its successor based on an institution's proportionate share of the aggregate assessment base of all eligible institutions at December 31, 1996; and 5) allows the FDIC to increase all deposit insurance coverage, under certain circumstances, to reflect inflation every five years beginning January 1, 2011. See Note 8 for additional discussion on the reforms related to assessments. (See Note 15, Subsequent Events – Legislative Update.)

Operations of the DIF

The primary purpose of the DIF is to: 1) insure the deposits and protect the depositors of DIF-insured institutions and 2) resolve DIF-insured failed institutions upon appointment of FDIC as receiver in a manner that will result in the least possible cost to the DIF.

The DIF is primarily funded from: 1) interest earned on investments in U.S. Treasury obligations and 2) deposit insurance assessments. Additional funding sources, if necessary, are borrowings from the U.S. Treasury, Federal Financing Bank (FFB), Federal Home Loan Banks, and insured depository institutions. The FDIC has borrowing authority from the U.S. Treasury up to $30 billion and a Note Purchase Agreement with the FFB not to exceed $100 billion to enhance DIF's ability to fund deposit insurance obligations. (See Note 15, Subsequent Events – Legislative Update.)

A statutory formula, known as the Maximum Obligation Limitation (MOL), limits the amount of obligations the DIF can incur to the sum of its cash, 90 percent of the fair market value of other assets, and the amount authorized to be borrowed from the U.S. Treasury. The MOL for the DIF was $69.0 billion and $83.6 billion as of December 31, 2008 and 2007, respectively. The EESA of 2008 provides that, in connection with the new, temporary increase in the basic deposit insurance coverage limit from $100,000 to $250,000, the FDIC may borrow from the U.S. Treasury to carry out the increase in the maximum deposit insurance amount without regard to the MOL or the $30 billion limit.

Receivership and Conservatorship Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership and conservatorship entities, and the claims against them, are accounted for separately from DIF assets and liabilities to ensure that receivership and conservatorship proceeds are distributed in accordance with applicable laws and regulations. Accordingly, income and expenses attributable to receiverships and conservatorships are accounted for as transactions of those entities. Both are billed by the FDIC for services provided on their behalf.

2. Summary of Significant Accounting Policies

General

These financial statements pertain to the financial position, results of operations, and cash flows of the DIF and are presented in conformity with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed banks and thrifts for which the FDIC acts as receiver or conservator. Periodic and final accountability reports of the FDIC's activities as receiver or conservator are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed. The more significant estimates include the assessments receivable and associated revenue, the allowance for loss on receivables from resolutions, the estimated losses for anticipated failures, systemic risk and litigation, and the postretirement benefit obligation.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments consisting primarily of U.S. Treasury Overnight Certificates.

Investment in U.S. Treasury Obligations

DIF funds are required to be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States; the Secretary of the U.S. Treasury must approve all such investments in excess of $100,000. The Secretary has granted approval to invest DIF funds only in U.S. Treasury obligations that are purchased or sold exclusively through the Bureau of the Public Debt's Government Account Series (GAS) program.

DIF's investments in U.S. Treasury obligations are classified as available-for-sale. Securities designated as available-for-sale are shown at market value, which approximates fair value. Unrealized gains and losses are reported as other comprehensive income. Realized gains and losses are included in the Statement of Income and Fund Balance as components of Net Income. Income on securities is calculated and recorded on a daily basis using the effective interest method.

Prior to 2008, DIF's investments in U.S. Treasury obligations were classified as either held-to-maturity or available-for-sale based on the FDIC's assessment of funding needs. Securities designated as held-to-maturity were shown at amortized cost. Amortized cost is the face value of securities plus the unamortized premium or less the unamortized discount. Amortizations were computed on a daily basis from the date of acquisition to the date of maturity, except for callable U.S. Treasury securities, which were amortized to the first call date.

See Note 3 for an explanation of the transfer of DIF's held-to-maturity securities to the available-for-sale category.

Revenue Recognition for Assessments

The FDIC collects deposit insurance premiums from each insured depository institution at the end of the quarter following the period of insurance coverage. As a result, assessment revenue for the insured period is recognized based on an estimate. The estimate is derived from an institution's risk-based assessment rate and assessment base for the prior quarter; adjusted for the current quarter's available assessment credits, any changes in supervisory examination and debt issuer ratings for larger institutions, and a modest deposit insurance growth factor.

The estimated revenue amounts are adjusted when actual premiums are collected at quarter end. Total assessment income recognized for the year includes estimated revenue for the October-December assessment period. See Note 8 for additional information on assessments.

Capital Assets and Depreciation

The FDIC buildings are depreciated on a straight-line basis over a 35 to 50 year estimated life. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Personal computer equipment is depreciated on a straight-line basis over a three-year estimated life.

Disclosure about Recent Accounting Pronouncements

Effective as of January 1, 2008, DIF adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, on a prospective basis. The Statement defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on the inputs to valuation techniques used to measure fair value, and expands financial statement disclosures about fair value measurements.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. In measuring fair value, the Standard requires the use of fair value valuation techniques consistent with the market, income, and/or cost approach. The Statement establishes a three-level hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Assets and liabilities are classified within this hierarchy in their entirety based on the lowest level of any input that is significant to the fair value measurement. See Note 13 for specifics regarding fair value measurements.

In February 2007, the Financial Accounting Standards Board issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS No. 159 creates a fair value option allowing, but not requiring, an entity to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities with changes in fair value recognized in earnings as they occur. The Statement requires entities to separately display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the balance sheet. As of December 31, 2008, the FDIC has currently chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with GAAP.

Related Parties

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

3. Investment in U.S. Treasury Obligations, Net

As of December 31, 2008 and 2007, investments in U.S. Treasury obligations, net, were $27.9 billion and $46.6 billion, respectively. As of December 31, 2008, the DIF held $2.7 billion of Treasury inflation-protected securities (TIPS). These securities are indexed to increases or decreases in the Consumer Price Index for All Urban Consumers (CPI-U). Additionally, the fair value of callable U.S. Treasury bonds held at December 31, 2008 is $3.0 billion. Callable U.S. Treasury bonds may be called five years prior to the respective bonds' stated maturity on their semi-annual coupon payment dates upon 120 days notice.

In June 2008, the Corporation transferred all of DIF's held-to-maturity investments to the available-for-sale category. Management determined that it no longer had the positive intent and ability to hold its investment in securities classified as held-to-maturity for an indefinite period of time because of significant actual and potential resolution-related outlays for DIF-insured institutions. The securities transferred had a total amortized cost of $34.5 billion, fair value of $36.1 billion, and unrealized gains of $1.6 billion, which were recorded as other comprehensive income at the time of transfer.

For the year ended December 31, 2008, available-for-sale securities were sold for total proceeds of $14.1 billion. The gross realized gains on these sales totaled $775 million. To determine gross realized gains, the cost of securities sold is based on specific identification. Net unrealized holding gains on available-for-sale securities of $1.9 billion are included in other comprehensive income.

U.S. TREASURY OBLIGATIONS AT DECEMBER 31, 2008

Dollars in Thousands

Maturity[a]	Yield at Purchase[b]	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses[c]	Fair Value
Available-for-Sale						
U.S. Treasury notes and bonds						
Within 1 year	4.25%	$6,192,000	$6,350,921	$130,365	$0	$6,481,286
After 1 year through 5 years	4.72%	9,503,000	9,451,649	1,030,931	0	10,482,580
After 5 years through 10 years	4.79%	6,130,000	7,090,289	1,142,753	0	8,233,042
U.S. Treasury inflation-protected securities						
Within 1 year	3.82%	726,550	726,561	0	(5,627)	720,934
After 1 year through 5 years	3.14%	1,973,057	1,989,608	0	(48,370)	1,941,238
Total Investment in U.S. Treasury Obligations, Net						
Total		**$24,524,607**	**$25,609,028**	**$2,304,049**	**$(53,997)**	**$27,859,080**

(a) For purposes of this table, all callable securities are assumed to mature on their first call dates. Their yields at purchase are reported as their yield to first call date.

(b) For TIPS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIPS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.2 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2008.

(c) The unrealized losses on the U.S. Treasury inflation-protected securities (TIPS) is attributable to the two month delay in adjusting TIPS' principal for changes in the November and December Consumer Price Index for all Urban Consumers. As the losses occurred over a period less than a year and the December 31, 2008 unrealized losses converted to unrealized gains by February 28, 2009, the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2008.

U.S. TREASURY OBLIGATIONS AT DECEMBER 31, 2007

Dollars in Thousands

Maturity[(a)]	Yield at Purchase[(b)]	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses[(c)]	Market Value
Held-to-Maturity						
U.S. Treasury notes and bonds						
Within 1 year	4.49%	$5,600,000	$5,651,699	$30,313	$(469)	$5,681,543
After 1 year through 5 years	4.50%	12,920,000	13,310,856	416,031	0	13,726,887
After 5 years through 10 years	4.81%	11,550,000	12,856,888	764,723	0	13,621,611
After 10 years	5.02%	3,500,000	4,626,945	286,889	0	4,913,834
U.S. Treasury inflation-protected securities						
Within 1 year	3.86%	258,638	258,620	349	0	258,969
After 1 year through 5 years	3.16%	1,288,950	1,310,166	52,927	0	1,363,093
Total		**$35,117,588**	**$38,015,174**	**$1,551,232**	**$(469)**	**$39,565,937**
Available-for-Sale						
U.S. Treasury notes and bonds						
After 1 year through 5 years	4.79%	$500,000	$498,260	$10,100	$ 0	$508,360
U.S. Treasury inflation-protected securities						
Within 1 year	3.92%	1,700,545	1,700,397	2,325	0	1,702,722
After 1 year through 5 years	3.75%	6,004,277	6,015,235	346,483	0	6,361,718
Total		**$8,204,822**	**$8,213,892**	**$358,908**	**$ 0**	**$8,572,800**
Total Investment in U.S. Treasury Obligations, Net						
Total		**$43,322,410**	**$46,229,066**	**$1,910,140**	**$(469)**	**$48,138,737**

(a) For purposes of this table, all callable securities are assumed to mature on their first call dates. Their yields at purchase are reported as their yield to first call date.

(b) For TIPS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIPS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.2 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2007.

(c) All unrealized losses occurred as a result of changes in market interest rates. FDIC had the ability and intent to hold the related securities until maturity. As a result, all unrealized losses are considered temporary. However, all of the $469 thousand reported as total unrealized losses is recognized as unrealized losses occuring over a period of 12 months or longer with a market value of $1.1 billion applied to the affected securities.

As of December 31, 2008 and 2007, the unamortized premium, net of the unamortized discount, was $1.1 billion and $2.9 billion, respectively.

4. Receivables From Resolutions, Net

RECEIVABLES FROM RESOLUTIONS, NET AT DECEMBER 31
Dollars in Thousands

	2008	2007
Receivables from closed banks	$27,389,467	$4,991,003
Receivables from operating banks	9,406,278	0
Allowances for losses	(21,030,280)	(4,182,931)
Total	**$15,765,465**	**$808,072**

The receivables from resolutions include payments made by the DIF to cover obligations to insured depositors, advances to receiverships and conservatorships for working capital, and administrative expenses paid on behalf of receiverships and conservatorships. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by DIF receiverships and conservatorships are the main source of repayment of the DIF's receivables from resolutions. As of December 31, 2008, there were 41 active receiverships, including 25 from institution failures that occurred in the current year, and one active conservatorship resulting from the IndyMac Bank resolution.

As of December 31, 2008 and 2007, DIF receiverships and conservatorships held assets with a book value of $45.8 billion and $1.2 billion, respectively (including cash, investments, and miscellaneous receivables of $5.1 billion and $363 million, respectively). The large increase in DIF receivership and conservatorship assets is due to the 2008 failures. These comprised $40.2 billion or 99% of the current $40.7 billion in assets in liquidation book values. Due to the sudden increase of receivership and conservatorship assets since May 2008, the FDIC modified its process of computing the allowance for loss.

For those receiverships established prior to May 2008, the estimated cash recoveries from the management and disposition of assets that are used to derive the allowance for losses were based on a sampling of receivership assets in liquidation. Sampled assets were generally valued by estimating future cash recoveries, net of applicable liquidation cost estimates, and then discounted using current market-based risk factors applicable to a given asset's type and quality. Resultant recovery estimates were extrapolated to the non-sampled assets in order to derive the allowance for loss on the receivable.

Estimated cash recoveries on those receiverships and conservatorships established since May 2008 are based on asset recovery rates derived from several sources including: actual or pending institution-specific asset liquidation data; failed institution-specific asset valuation data; aggregate asset valuation data on several recently failed or troubled institutions; and empirical asset recovery data based on failures as far back as 1990. The resulting estimated cash recoveries are then used to derive the allowance for loss on the receivables from these resolutions. Ninety-nine percent of total receivership assets in liquidation were valued by this methodology.

Estimated asset recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic and market conditions. Recent economic uncertainties could cause the DIF's actual recoveries to vary significantly from current estimates.

Financial instruments that potentially subject the DIF to concentrations of credit risk are receivables from resolutions. The main source of repayment of DIF's receivables from resolutions are assets held by DIF receiverships. Excluding the assets of the IndyMac Bank resolution (see below), the majority of the $15.0 billion in assets in liquidation are concentrated in commercial loans ($2.8 billion), commercial real estate ($6.2 billion), and residential loans ($2.6 billion), which were primarily retained from institutions that failed in 2008. Eighty-six percent of the assets in these three asset types were retained from failed banks located in Nevada ($4.0 billion), Texas ($2.9 billion), Georgia ($2.2 billion), and Arkansas ($.9 billion). The assets of the IndyMac Federal Bank, FSB conservatorship are excluded from this analysis since the FDIC signed a letter of intent at year-end 2008 to sell the banking operations of IndyMac Federal Bank to a thrift holding company (see below).

IndyMac Federal Bank

On July 11, 2008, IndyMac Bank, FSB, Pasadena, CA was closed by the Office of Thrift Supervision, with the FDIC named receiver. IndyMac Bank was the third largest insolvency in FDIC history with $28.0 billion in total assets at failure. The FDIC transferred the insured deposits and substantially all the assets of the failed bank to IndyMac Federal Bank, FSB, a newly-chartered federal institution that the FDIC operated as a conservator to maximize the value of the institution for a future sale.

Through December 31, 2008, the DIF disbursed $5.8 billion to fund the obligations to insured depositors of IndyMac Bank and $9.4 billion to the conservatorship to fund its operations under a $12 billion line of credit. These amounts are included in the chart above in the receivables from closed banks and operating banks, respectively. Additionally, DIF recorded a $10.7 billion allowance for loss against these receivables.

On December 31, 2008, the FDIC signed a letter of intent to sell the banking operations of IndyMac Federal Bank to a thrift holding company controlled by IMB Management Holdings LP, a limited partnership, for $13.9 billion. On March 19, 2009, the FDIC completed the sale of IndyMac Federal Bank, FSB, to One West Bank, FSB (One West), a newly formed Pasadena, California-based federal savings bank organized by IMB HoldCo LLC. One West purchased all deposits and approximately $20.7 billion in assets at a discount of $4.7 billion. The FDIC retained the remaining assets for later disposition.

The sale includes a provision wherein the IndyMac receiver will share losses on a $13 billion portfolio of whole mortgage loans with the buyer fully assuming the first 20 percent of losses after which the receiver will share 80 percent for the next 10 percent of losses and 95 percent thereafter, with the buyer responsible for the remainder. The shared loss agreement will expire on the earlier of: 1) 10 years, 2) the date the buyer liquidates the portfolio, or 3) when the remaining outstanding balance reaches 10 percent of the closing date balances. The liability for loss sharing is accounted for by the IndyMac receiver and is considered in the determination of the DIF's allowance for loss of $10.7 billion against the corporate receivable from this resolution. The FDIC will also retain an 80 percent interest of cash flows in a separate $2.4 billion portfolio of mostly construction loans.

In addition, the FDIC offered representations and warranties on loan sales from the conservatorship. The total amount of loans sold subject to representations and warranties was $3.2 billion. No contingent liabilities associated with these representations and warranties were recorded at December 31, 2008. However, future losses could be incurred through the expiration date of the contracts offering the representations and warranties, some as late as 2048. Furthermore, because of the uncertainties surrounding the timing of when claims may be asserted, the FDIC is unable to reasonably estimate a range of loss to the DIF from outstanding contracts with unasserted representation and warranty claims. The FDIC believes it is possible that additional losses may be incurred by the DIF from the universe of outstanding contracts with unasserted representation and warranty claims.

5. Property and Equipment, Net

PROPERTY AND EQUIPMENT, NET AT DECEMBER 31
Dollars in Thousands

	2008	2007
Land	$37,352	$37,352
Buildings (including leasehold improvements)	281,401	276,626
Application software (includes work-in-process)	173,872	145,693
Furniture, fixtures, and equipment	84,574	71,138
Accumulated depreciation	(208,438)	(178,948)
Total	**$368,761**	**$351,861**

The depreciation expense was $55 million and $63 million for December 31, 2008 and 2007, respectively.

6. Liabilities Due to Resolutions

As of December 31, 2008, DIF recorded liabilities totaling $4.7 billion to three receiverships (IndyMac Bank, Downey Savings & Loan, and PFF Bank & Trust) representing the value of assets transferred from the receiverships to the acquirer/conservator for use in funding the deposits assumed by the acquirer/conservator.

7. Contingent Liabilities for:

Anticipated Failure of Insured Institutions

The DIF records a contingent liability and a loss provision for DIF-insured institutions that are likely to fail within one year of the reporting date, absent some favorable event such as obtaining additional capital or merging, when the liability becomes probable and reasonably estimable.

The contingent liability is derived by applying expected failure rates and loss rates to institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels. In addition, institution-specific analysis is performed on those institutions where failure is imminent absent institution management resolution of existing problems, or where additional information is available that may affect the estimate of losses. Due to the rapid deterioration in industry conditions, the FDIC modified the process of establishing the loss reserve by identifying vulnerable institutions deemed likely to have failure risks similar to those on the problem bank list based on certain financial ratios and other risk measures. The FDIC also increased loss rates for institutions included in the reserve to reflect the results of recent valuations of loan portfolios of imminent failures and current year resolutions. As of December 31, 2008 and 2007, the contingent liabilities for anticipated failure of insured institutions were $24.0 billion and $124.3 million, respectively.

In addition to these recorded contingent liabilities, the FDIC has identified risk in the financial services industry that could result in an additional loss to the DIF should potentially vulnerable insured institutions ultimately fail. As a result of these risks, the FDIC believes that it is reasonably possible that the DIF could incur additional estimated losses up to approximately $25.1 billion. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

During 2008, financial market disruptions evolved into a crisis that challenged the soundness and profitability of some FDIC-insured institutions. Declining housing and equity prices, financial market turmoil, and deteriorating economic conditions exerted significant stress on banking industry performance and threatened the viability of some institutions, particularly those that had significant exposure to higher risk residential mortgages or residential construction loans. In 2008, 25 banks with combined assets of about $361 billion failed. It is uncertain how long and how deep this downturn will be. Supervisory and market data suggest that the banking industry will continue to experience elevated levels of stress over the coming year. The FDIC continues to evaluate the ongoing risks to affected institutions in light of the deterioration in economic and financial conditions, and the effect of such risks will continue to put stress on the resources of the insurance fund.

Litigation Losses

The DIF records an estimated loss for unresolved legal cases to the extent that those losses are considered probable and reasonably estimable. The FDIC recorded a probable litigation loss of $200 million and has determined that there are no reasonably possible losses from unresolved cases.

Other Contingencies

Representations and Warranties

As part of the FDIC's efforts to maximize the return from the sale of assets from bank and thrift resolutions, representations and warranties, and guarantees were offered on certain loan sales. In general, the guarantees, representations, and warranties on loans sold relate to the completeness and accuracy of loan documentation, the quality of the underwriting standards used, the accuracy of the delinquency status when sold, and the conformity of the loans with characteristics of the pool in which they were sold. With the exception of the IndyMac resolution described in Note 4, there were no loans sold subject to representations and warranties, and guarantees during 2008. As of December 31, 2008, the total amount of loans sold subject to unexpired representations and warranties, and guarantees was $8.1 billion. There were no contingent liabilities from any of the outstanding claims asserted in connection with representations and warranties at December 31, 2008 and 2007, respectively.

In addition, future losses could be incurred until the contracts offering the representations and warranties, and guarantees have expired, some as late as 2032. Consequently, the FDIC believes it is possible that additional losses may be incurred by the DIF from the universe of outstanding contracts with unasserted representation and warranty claims. However, because of the uncertainties surrounding the timing of when claims may be asserted, the FDIC is unable to reasonably estimate a range of loss to the DIF from outstanding contracts with unasserted representation and warranty claims.

Purchase and Assumption Indemnification

In connection with Purchase and Assumption agreements for resolutions in 2008 and 2007, FDIC in its receivership capacity generally indemnifies the purchaser of a failed institution's assets and liabilities in the event a third party asserts a claim against the purchaser unrelated to the explicit assets purchased or liabilities assumed at the time of failure. The FDIC in its Corporate capacity is a secondary guarantor if and when a receiver is unable to pay. These indemnifications generally extend for a term of six years after the date of institution failure. The FDIC is unable to estimate the maximum potential liability for these types of guarantees as the agreements do not specify a maximum amount and any payments are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. During 2008 and 2007, the FDIC in its Corporate capacity has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification guarantees (see Note 15).

8. Assessments

Effective January 1, 2007, the Reform Act requires payment of assessments by all insured depository institutions and continues to require a risk-based assessment system. The Act allows the FDIC discretion in defining risk and, by regulation, the FDIC has established several assessment risk categories based upon supervisory and capital evaluations. Other significant changes mandated by the Reform Act and the implementing regulations included:

- ★ granting a one-time assessment credit of approximately $4.7 billion to certain eligible insured depository institutions (or their successors) based on the assessment base of the institution as of December 31, 1996, as compared to the combined aggregate assessment base of all eligible institutions;
- ★ establishing a range for the DRR from 1.15 to 1.50 percent of estimated insured deposits. The FDIC is required to annually publish the DRR and has set the DRR at 1.25 percent for 2009. As of December 31, 2008, the DIF reserve ratio was 0.36 percent of estimated insured deposits;
- ★ requiring the FDIC to adopt a DIF restoration plan to return the reserve ratio to 1.15 percent generally within five years, if the reserve ratio falls below 1.15 percent or is expected to fall below 1.15 percent within six months. On October 7, 2008, the FDIC established a Restoration Plan for the DIF (see Note 15);
- ★ requiring the FDIC to annually determine if a dividend should be paid, based on the statutory requirement generally to declare dividends if the reserve ratio exceeds 1.35 percent at the end of a calendar year. The Reform Act permits dividends for one-half of the amount required to maintain the reserve ratio at 1.35 percent when the reserve ratio is between 1.35 and 1.50 percent and all amounts required to maintain the reserve ratio at 1.50 percent when the reserve ratio exceeds 1.50 percent. On December 2, 2008, the FDIC issued a final rule specifying that the FDIC Board will declare any dividend on or before May 10th of the year following the calendar year-end trigger, subject to statutory factors limiting or suspending the dividend. Dividends declared will be offset against the June 30th assessment payment and any remaining dividend amount will result in a payment to the depository institution.

The assessment rate averaged approximately 4.18 cents and .93 cents per $100 of assessable deposits for 2008 and 2007, respectively. At December 31, 2008, the "Assessments Receivable, net" line item of $1.02 billion represents the estimated gross premiums due from insured depository institutions for the fourth quarter of the year, net of $144 million in estimated one-time assessment credits. The actual deposit insurance assessments for the fourth quarter was billed and collected at the end of the first quarter of 2009. During 2008 and 2007, $2.96 billion and $643 million, respectively, were recognized as assessment income from institutions.

DIF ASSESSMENTS REVENUE FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2008	2007
Gross assessments	$4,410,455	$3,730,886
Less: One-time assessment credits applied	(1,445,937)	(3,087,958)
Assessment Revenue	**$2,964,518**	**$642,928**

Of the $4.7 billion in one-time assessment credits granted, $200 million (4.3 percent) remained as of December 31, 2008. The use of assessment credits is limited to no more than 90 percent of the gross assessments for assessment periods that provide deposit insurance coverage through 2010. Credits are restricted for institutions that are not adequately capitalized or exhibit financial, operational or compliance weaknesses. The credits can only be used to offset future deposit insurance assessments and, therefore, do not represent a liability to the DIF. They are transferable among institutions, do not expire, and cannot be used to offset Financing Corporation (FICO) payments.

Assessments continue to be levied on institutions for payments of the interest on obligations issued by the FICO. The FICO was established as a mixed-ownership government corporation to function solely as a financing vehicle for the FSLIC. The annual FICO interest obligation of approximately $790 million is paid on a pro rata basis using the same rate for banks and thrifts. The FICO assessment has no financial impact on the DIF and is separate from deposit insurance assessments. The FDIC, as administrator of the DIF, acts solely as a collection agent for the FICO. During 2008 and 2007, $785 million each year was collected and remitted to the FICO.

9. Operating Expenses

Operating expenses were $1 billion for 2008, compared to $993 million for 2007. The chart below lists the major components of operating expenses.

OPERATING EXPENSES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2008	2007
Salaries and benefits	$702,040	$640,294
Outside services	159,170	137,812
Travel	67,592	55,281
Buildings and leased space	53,630	61,377
Software/Hardware maintenance	29,312	28,542
Depreciation of property and equipment	55,434	63,115
Other	32,198	23,640
Services billed to receiverships	(59,608)	(17,491)
Services billed to conservatorships	(6,278)	0
Total	**$1,033,490**	**$992,570**

10. Provision for Insurance Losses

Provision for insurance losses was $41.8 billion for 2008 and $95 million for 2007. The following chart lists the major components of the provision for insurance losses.

PROVISION FOR INSURANCE LOSSES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2008	2007
Valuation Adjustments		
Closed banks and thrifts	$17,974,530	$81,229
Other assets	7,377	286
Total Valuation Adjustments	$17,981,907	$81,515
Contingent Liabilities Adjustments		
Anticipated failure of insured institutions	23,856,928	13,501
Total Contingent Liabilities Adjustments	23,856,928	13,501
Total	**$41,838,835**	**$95,016**

11. Employee Benefits

Pension Benefits and Savings Plans

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although the DIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The DIF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management (OPM).

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions up to five percent. Under the Federal Thrift Savings Plan (TSP), FDIC provides FERS employees with an automatic contribution of 1 percent of pay and an additional matching contribution up to 4 percent of pay. CSRS employees also can contribute to the TSP. However, CSRS employees do not receive agency matching contributions.

PENSION BENEFITS AND SAVINGS PLANS EXPENSES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2008	2007
Civil Service Retirement System	$6,204	$6,698
Federal Employees Retirement System (Basic Benefit)	44,073	40,850
FDIC Savings Plan	21,786	21,008
Federal Thrift Savings Plan	16,659	15,938
Severance Pay	0	59
Total	**$88,722**	**$84,553**

Postretirement Benefits Other Than Pensions

The DIF has no postretirement health insurance liability, since all eligible retirees are covered by the Federal Employees Health Benefit (FEHB) program. FEHB is administered and accounted for by the OPM. In addition, OPM pays the employer share of the retiree's health insurance premiums.

The FDIC provides certain life and dental insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for life and dental insurance coverage are those who have qualified due to: 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. The life insurance program provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans. For the dental coverage, retirees are responsible for a portion of the dental premium.

The FDIC has elected not to fund the postretirement life and dental benefit liabilities. As a result, the DIF recognized the underfunded status (difference between the accumulated postretirement benefit obligation and the plan assets at fair value) as a liability. Since there are no plan assets, the plan's benefit liability is equal to the accumulated postretirement benefit obligation. At December 31, 2008 and 2007, the liability was $114.1 million and $116.2 million, respectively, which is recognized in the "Postretirement benefit liability" line item on the Balance Sheet. The cumulative actuarial gains/losses (changes in assumptions and plan experience) and prior service costs/credits (changes to plan provisions that increase or decrease benefits) were $25.0 million and $19.6 million at December 31, 2008 and 2007, respectively. These amounts are reported as accumulated other comprehensive income in the "Unrealized postretirement benefit gain" line item on the Balance Sheet.

The DIF's expenses for postretirement benefits for 2008 and 2007 were $7.7 million and $7.2 million, respectively, which are included in the current and prior year's operating expenses on the Statement of Income and Fund Balance. The changes in the actuarial gains/losses and prior service costs/credits for 2008 and 2007 of $5.3 million and $17.4 million, respectively, are reported as other comprehensive income in the "Unrealized postretirement benefit gain" line item. Key actuarial assumptions used in the accounting for the plan include the discount rate of 6.5 percent, the rate of compensation increase of 4.10 percent, and the dental coverage trend rate of 7.0 percent. The discount rate of 6.5 percent is based upon rates of return on high-quality fixed income investments whose cash flows match the timing and amount of expected benefit payments.

12. Commitments and Off-Balance-Sheet Exposure

Commitments:

Leased Space

The FDIC's lease commitments total $130 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The DIF recognized leased space expense of $21 million and $22 million for the years ended December 31, 2008 and 2007, respectively.

LEASED SPACE COMMITMENTS
Dollars in Thousands

2009	2010	2011	2012	2013	2014/ Thereafter
$24,608	$52,251	$21,750	$14,975	$9,195	$7,037

Off-Balance-Sheet Exposure:

Deposit Insurance

As of December 31, 2008, the estimated insured deposits for DIF were $4.8 trillion. This estimate is derived primarily from quarterly financial data submitted by insured depository institutions to the FDIC. This estimate represents the accounting loss that would be realized if all insured depository institutions were to fail and the acquired assets provided no recoveries.

13. Disclosures About the Fair Value of Financial Instruments

Financial assets recognized and measured at fair value on a recurring basis at each reporting date include cash equivalents (Note 2) and the investment in U.S. Treasury obligations (Note 3). The following table presents the DIF's financial assets measured at fair value as of December 31, 2008.

ASSETS MEASURED AT FAIR VALUE AT DECEMBER 31, 2008

Dollars in Thousands

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Assets at Fair Value**
Assets				
Cash equivalents (Special U.S. Treasuries)[1]	$1,011,430	$0	$0	$1,011,430
Investment in U.S. Treasury Obligations (Available-for- Sale)[2]	27,859,080	0	0	27,859,080
Total Assets	**$28,870,510**	**$0**	**$0**	**$28,870,510**

(1) Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Bureau of Public Debt.

(2) The investment in U.S. Treasury obligations is measured based on prevailing market yields for federal government entities.

Some of the DIF's financial assets and liabilities are not recognized at fair value but are recorded at amounts that approximate fair value due to their short maturities and/or comparability with current interest rates. Such items include interest receivable on investments, assessment receivables, other short-term receivables, and accounts payable and other liabilities.

The net receivables from resolutions primarily include the DIF's subrogated claim arising from payments to insured depositors. The receivership and conservatorship assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the DIF's allowance for loss against the net receivables from resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of receivership and conservatorship assets (see Note 4), such valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate a fair value.

The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of receivership and conservatorship payments to the DIF on the subrogated claim does not necessarily correspond with the timing of collections on receivership and conservatorship assets. Therefore, the effect of discounting used by receiverships and conservatorships should not necessarily be viewed as producing an estimate of fair value for the net receivables from resolutions.

There is no readily available market for assets and liabilities associated with systemic risk transactions (see Note 14).

14. Systemic Risk Transactions

The FDIC resolves troubled institutions in the least costly manner to the DIF as required by 12 U.S.C. 1823 (c) unless a systemic risk determination is made that compliance with the least-cost test would have serious adverse effects on economic conditions or financial stability and any action or assistance taken under the systemic risk determination would avoid or mitigate such adverse effects. A systemic risk determination can only be invoked by the Secretary of the U.S. Treasury, in consultation with the President, and upon the written recommendation of two-thirds of the FDIC Board of Directors and two-thirds of the Board of Governors of the Federal Reserve System.

Any loss incurred by the DIF as a result of actions taken or assistance provided pursuant to a systemic risk determination must be recovered from all insured depository institutions through one or more emergency special assessments. The special assessment will be based on the amount of each insured depository institution's average total assets during the assessment period, minus the sum of the amount of the institution's average total tangible equity and the amount of the institution's average total subordinated debt.

Pursuant to a systemic risk determination invoked during 2008, the FDIC established the Temporary Liquidity Guarantee Program (TLGP) for insured depository institutions and certain holding companies. The FDIC received consideration in exchange for guarantees issued under the TLGP.

The DIF has recognized a liability for the non-contingent fair value of the obligation the FDIC has undertaken to stand ready to perform over the term of the guarantees in accordance with FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45)*. Pursuant to FIN 45, at inception, the fair value of the non-contingent obligation is measured at the amount of consideration received in exchange for issuing the guarantee. This liability is reported as "Guarantee obligations-systemic risk" and any related asset received as consideration is designated for systemic risk on the balance sheet. As guarantee expenses are incurred (including contingent liabilities), the DIF will reduce the recorded non-contingent liability and recognize an offsetting amount as revenue. Revenue recognition will also occur during the term of the guarantee if a supportable and documented analysis has determined that the consideration and any related interest/dividend income received exceeds the projected systemic risk losses. Any remaining consideration at the end of the term of the guarantee will be recognized as income to the DIF.

Temporary Liquidity Guarantee Program

The FDIC established the TLGP on October 14, 2008 in an effort to counter the system-wide crisis in the nation's financial sector. The TLGP consists of two components: (1) the Debt Guarantee Program, and (2) the Transaction Account Guarantee Program. Eligible entities were permitted to irrevocably opt out of the TLGP entirely or either component no later than December 5, 2008. The final rule for the program was published in the Federal Register on November 26, 2008 and codified in part 370 of title 12 of the Code of Federal Regulations (12 CFR Part 370).

Debt Guarantee Program

The Debt Guarantee Program (DGP) guarantees newly-issued senior unsecured debt up to prescribed limits issued by insured depository institutions and certain holding companies between October 14, 2008 and June 30, 2009, with the guarantee expiring on or before June 30, 2012. (See Note 15, "Subsequent Events – TGLP" for extensions and other modification of the DGP.) Generally with specified exceptions, the maximum amount of outstanding debt guaranteed under the debt guarantee program is limited to 125 percent of the par value of an entity's senior unsecured debt on September 30, 2008 or, if applicable, two percent of its consolidated total liabilities as of September 30, 2008.

Fees for participation in the DGP depend on the maturity of debt issued. The cost of the guarantee to insured depository institutions is 50 basis points for debt with maturities of 180 days or less, 75 basis points for debt with maturities of 181 days to 364 days, and 100 basis points for debt with maturities 365 days or greater. Other eligible entities are required to pay an additional 10 basis points if, as of September 30, 2008, the combined assets of all insured depository institutions affiliated with such entity represent less than 50 percent of consolidated holding company assets.

The FDIC's payment obligation under the DGP will be triggered by a payment default. In the event of default, the FDIC will continue to make scheduled principal and interest payments under the terms of the debt instrument through its maturity. The debtholder or representative must assign to the FDIC the right to receive any and all distributions on the guaranteed debt from any insolvency proceeding, including the proceeds of any receivership or bankruptcy estate, to the extent of payments made under the guarantee.

Debt guarantee fees collected during 2008 of $2.2 billion are included in the "Cash and cash equivalents – restricted – systemic risk" line item and recognized as "Guarantee obligations-systemic risk" on the Balance Sheet. As of December 31, 2008, the total amount of guaranteed debt outstanding is $224 billion. If all eligible entities issued debt up to the program's allowable limit, the maximum exposure would be $940 billion. At this time, the program has been operating for a relatively short time and no losses have yet been incurred. The FDIC continuously evaluates the financial condition and prospects of eligible entities through its supervisory process. The program is adjusted as appropriate based on each institution's profile.

Upon notification to the FDIC no later than December 5, 2008, a participating entity could elect to issue senior unsecured non-guaranteed debt with maturities beyond June 30, 2012, at any time, in any amount, and without regard to the guarantee limit. This election required a nonrefundable fee equal to 37.5 basis points applied to the outstanding amount of the entity's eligible senior unsecured debt as of September 30, 2008 with a maturity date on or before June 30, 2009. As of December 31, 2008, the FDIC collected nonrefundable fees of $195 million and reflected a receivable of $974 million in the "Receivable – systemic risk" line item. The nonrefundable fees are designated for TLGP expected losses and payments.

Transaction Account Guarantee Program

The Transaction Account Guarantee Program (TAG) provides unlimited coverage for non-interest bearing transaction accounts held by insured depository institutions until December 31, 2009. Beginning November 13, 2008, each participating entity will pay an annualized 10 basis point TAG fee on all deposit amounts exceeding the fully insured limit (generally $250,000). The TAG fees will be collected along with a participating entity's quarterly deposit insurance payment and will be earmarked for TLGP expected losses and payments.

Upon the failure of a participating insured depository institution, the FDIC will pay the guaranteed claims of depositors for funds in a non-interest bearing transaction account as soon as possible in accordance with regulations governing the payment

SYSTEMIC RISK ACTIVITY AT DECEMBER 31, 2008

Dollars in Thousands

	Cash and cash equivalents - Restricted - Systemic Risk	Receivable - Systemic Risk	Guarantee obligations - Systemic Risk	Contingent Liability - Systemic Risk	Systemic Risk - Revenue/ Expenses
Debt guarantee fees collected	$ 2,229,875		$ (2,229,875)		
Non-guaranteed debt fees collected	194,695		(194,695)		
Debt guarantee fees receivable		53,336	(53,336)		
Receivable for fees on senior unsecured non-guaranteed debt		973,534	(973,534)		
Receivable for TAG fees		89,977	(89,977)		
Receivable for non-interest bearing transaction accounts of failures in 2008	(44,831)	44,831			
Estimated losses for non-interest bearing transaction accounts of failures in 2008		(23,546)	23,546		23,546
Contingent liability for non-interest bearing transaction accounts for anticipated failures			1,437,638	(1,437,638)	1,437,638
Reimbursement to DIF for TLGP operating expenses incurred	(2,352)		2,352		2,352
Totals	**$ 2,377,387**	**$ 1,138,132**	**$ (2,077,881)**[a]	**$ (1,437,638)**	**$ 1,463,536**[a]

a) *The total does not equal the line item due to rounding.*

of insured deposits. Upon payment of such claims, the FDIC will be subrogated to the claims of depositors against the failed entity.

At December 31, 2008, the "Receivable – systemic risk" line item includes $90 million of estimated TAG fees due from insured depository institutions. This receivable was collected at the end of the first quarter of 2009. At December 31, 2008, the TLGP contingent liability associated with non-interest bearing transaction accounts for the anticipated failure of insured institutions participating in the TAG is $1.4 billion. During 2008, the DIF recorded estimated losses of $23.5 million for non-interest bearing transaction accounts of the 2008 failures. Both amounts are recorded as "Systemic risk expenses" and a corresponding amount of guarantee fees was recognized as "Systemic risk revenue."

As of December 31, 2008, the maximum estimated exposure under the TAG is $680 billion.

15. Subsequent Events

Amendment to FDIC Restoration Plan

Due to the extraordinary circumstances of the current enormous strains on banks and the financial system as well as the likelihood of a prolonged and severe economic recession, a *Notice of FDIC Amended Restoration Plan* was issued on March 4, 2009, amending its Restoration Plan initially adopted on October 7, 2008 (see Note 8 for additional discussion on establishing a DIF restoration plan). The period of the Plan is extended to seven years (December 31, 2015) and the FDIC is adopting assessment rates that will reflect this extended period accordingly. At least semiannually the FDIC will adjust assessment rates, if needed to ensure that the fund reserve ratio reaches 1.15 percent within the seven-year period.

Risk-Based Assessments

On February 27, 2009, the Board approved for issuance a final rule on Assessments amending the risk-based assessment system to: 1) make it fairer and more sensitive to risk, 2) improve the way the risk-based assessment system differentiates risk among insured institutions, 3) increase deposit insurance assessment rates (initial base assessment rates at 12 to 45 basis points) to raise assessment revenue to help meet the requirements of the Restoration Plan, and 4) make technical and other changes to the rules governing the risk-based assessment system.

Emergency Special Assessment

On March 3, 2009, an interim rule was issued that imposes an emergency special assessment equal to 20 basis points of an institution's assessment base on June 30, 2009, with collection on September 30, 2009, in order to raise assessment revenue to help meet the requirements of the Restoration Plan. FDIC projects that the combination of regular quarterly assessments and the 20 basis points special assessment will prevent the fund reserve ratio from falling to a level that would adversely affect public confidence or to a level close to zero or negative. However, the FDIC and the Congress simultaneously pursued an increase in FDIC's borrowing authority with the U.S. Treasury (currently $30 billion), which could allow the FDIC to substantially reduce the special assessment below the proposed rate of 20 basis points (see Legislative Update below).

FDIC recognizes that there is considerable uncertainty about its projections for losses and insured deposit growth, and, therefore, of future fund reserve ratios. To further ensure that the fund reserve ratio does not decline to a level that could undermine public confidence in federal deposit insurance, the interim rule would also permit the Board to impose an emergency special assessment of up to 10 basis points on all insured depository institutions whenever, after June 30, 2009, the reserve ratio of the DIF is estimated to fall to a level that the Board believes would adversely affect public confidence or to a level which shall be close to zero or negative. The earliest possible date for such a special assessment is September 30, 2009, with collection on December 31, 2009.

Systemic Risk Transactions

Assistance to Citigroup

On January 15, 2009, the U.S. Treasury, the FDIC and the Federal Reserve executed a final agreement to provide guarantees, liquidity access, and capital to Citigroup. Under the agreement, the U.S. Treasury will invest $20 billion in Citigroup from the Troubled Asset Relief Program. In addition, the Treasury and the FDIC will provide protection against the possibility of unusually large losses on an asset pool of loans and securities backed by residential and commercial real estate and other such assets that would remain on the balance sheet of Citigroup.

The asset pool amount that is included in the loss-share agreement is $300.8 billion. Citigroup is solely responsible for the first $39.5 billion of losses incurred on the covered asset pool. Asset pool losses exceeding $39.5 billion will be split with 10 percent to Citigroup and 90 percent to the Treasury up to the first $5 billion, and 10 percent to Citigroup and 90 percent to the FDIC for the next $10 billion. If losses exceed the maximum amounts provided by Treasury and the FDIC, Citigroup can request borrowing from the Federal Reserve Bank of New York for 90 percent of the remaining values of the pool of assets through a non-recourse loan. The term of the loss-share guarantee is 10 years for residential assets and 5 years for non-residential assets.

In consideration for its portion of the loss-share guarantee, the FDIC received 3,025 shares of Citigroup's designated cumulative perpetual preferred stock (Series G), with a liquidation preference of $1,000,000 per share, for a total of $3.025 billion. Quarterly dividends are payable to the FDIC at a rate of 8 percent annually.

Assistance to Bank of America

On January 16, 2009, the U.S. Treasury, the FDIC and the Federal Reserve reached agreement in principle to provide guarantees, liquidity access, and capital to Bank of America. It was announced that the U.S. Treasury would purchase $20 billion in Bank of America preferred stock under the Troubled Asset Relief Program. In addition, the Treasury and the FDIC would provide protection against the possibility of unusually large losses on an asset pool of approximately $118 billion of loans and securities backed by residential and commercial real estate and other such assets that would remain on the balance sheet of Bank of America. For additional losses not covered by Treasury or the FDIC, Bank of America could receive funding through a non-recourse loan from the Federal Reserve Bank of New York.

Bank of America will be solely responsible for the first $10 billion of losses incurred on the covered asset pool. Asset pool losses exceeding $10 billion will be split with 10 percent to Bank of America and 90 percent to the Treasury and FDIC. The Treasury and the FDIC will cover their share of losses pro rata in proportions of 75 percent for Treasury and 25 percent for the FDIC. The FDIC exposure to loss is capped at $2.5 billion and the Treasury exposure is capped at $7.5 billion. If losses exceed the maximum amounts provided by the FDIC and the Treasury, Bank of America can request borrowing from the Federal Reserve Bank of New York for 90 percent of additional loss amounts incurred on the pool of assets. The term of the loss-share guarantee is 10 years for residential assets and 5 years for non-residential assets.

In consideration for its portion of the loss-share guarantee, the FDIC will receive a projected liquidation preference amount of $1 billion in Bank of America preferred stock and warrants. The preferred stock will have an 8 percent dividend rate.

Temporary Liquidity Guarantee Program

Mandatory Convertible Debt

On February 27, 2009, the FDIC issued an interim rule with request for comments to modify the debt guarantee component of the TLGP to include certain issuances of mandatory convertible debt (MCD). (See Note 14 for further details on the TLGP.) Currently, the TLGP regulation, at Section 370.2(e)(5) of Title 12 of the Code of Federal Regulations, precludes a FDIC guarantee for any "convertible debt." The amendment provides for the FDIC to guarantee newly issued senior unsecured debt with a feature that mandates conversion of the debt into common shares of the issuing entity at a specified date no later than the expiration date of the FDIC's guarantee. The MCD must be newly issued on or after February 27, 2009, and must provide for the mandatory conversion of the debt instrument into common shares of the issuing entity on a specified date that is on or before June 30, 2012. The amount of the guarantee fee for the FDIC's guarantee of MCD is based on the time period from issuance of the MCD until its mandatory conversion date.

Amendment of the TLGP to Extend the Debt Guarantee Program (DGP) and to Impose Surcharges on Assessments for Certain Debt Issued on or after April 1, 2009

An *Interim Rule with request for comments*, issued on March 23, 2009, amends the TLGP by providing a limited four-month extension of the DGP for insured depository institutions participating in the DGP as well as other participating entities (bank and certain savings and loan holding companies and certain FDIC-approved affiliates). The interim rule permits entities that participate in the extended DGP to issue FDIC-guaranteed debt from June 30, 2009 through October 31, 2009 and extends the FDIC guarantee, set to expire no later than June 30, 2012 under the existing program, to no later than December 31, 2012 for debt issued on or after April 1, 2009.

The interim rule also imposes surcharges on assessments for certain FDIC-guaranteed debt issued on or after April 1, 2009. The limited extension, coupled with the surcharge provisions, is intended to facilitate an orderly transition period for participating institutions to return to the non-guaranteed debt market and to reduce the potential for market disruption when the TLGP ends.

Legacy Loans Program

On March 23, 2009, the FDIC and the U.S. Treasury announced the creation of the Legacy Loans Program (LLP) as part of the Public-Private Investment Program (a program to address the challenge of legacy (distressed or troubled) assets). Legacy assets are comprised of real estate loans held directly on the books of insured banks and thrifts. The assets have created uncertainty on the balance sheets of insured banks and thrifts, compromising their ability to raise capital and their willingness to increase lending.

To cleanse insured banks and thrifts balance sheets of troubled legacy loans and reduce the overhang of uncertainty associated with these assets, the LLP attempts to attract private capital to purchase eligible legacy loans from participating insured banks and thrifts through the provision of FDIC debt guarantees and Treasury equity co-investment. Thus, the program is intended to boost private demand for distressed assets that are currently held by insured banks and thrifts and facilitate market-priced sales of troubled assets.

The FDIC will provide oversight for the formation, funding, and operation of a number of Public-Private Investment Funds (PPIFs) that will purchase assets from insured banks and thrifts. The Treasury and private investors will invest equity capital in Legacy Loans PPIFs and the FDIC will provide a guarantee for debt financing issued by the PPIFs to fund asset purchases. The FDIC's guarantee will be collateralized by the purchased assets and the FDIC will receive a fee in return for its guarantee. On March 26, 2009, the FDIC requested comments from interested parties on the critical aspects of the proposed LLP.

Supervisory Capital Assessment Program

As part of U.S. Treasury's Capital Assistance Program, the federal bank regulatory agencies have conducted forward-looking economic assessments of the 19 largest U.S. bank holding companies (assets greater than $100 billion). These assessments are known as the Supervisory Capital Assessment Program (SCAP). The agencies worked with the institutions to estimate the range of possible future losses and the resources to absorb such losses over a two-year period.

On May 7, 2009, a detailed summary of the results of the SCAP was released in which the supervisory agencies identified the potential losses, resources available to absorb losses, and resulting capital buffer needed for the 19 participating bank holding companies. Any institution needing to augment its capital buffer will have until June 8, 2009 to develop a detailed capital plan and until November 9, 2009 to implement that capital plan.

Financial Stability Plan

In an effort to address the foreclosure problems, the Administration developed the Homeowner Affordability and Stability Plan (HASP) as part of the President's broad strategy to move the economy back on track. The three key elements of the plan are: 1) allowing 4 million to 5 million homeowners with little equity in their homes to refinance into less expensive mortgages; 2) a $75 billion program to keep 3 million to 4 million homeowners out of foreclosure; and 3) a doubling of the government's commitment to Fannie Mae and Freddie Mac to $400 billion.

Legislative Update

Helping Families Save Their Homes Act of 2009, was enacted on May 20, 2009. This legislation provides for: extending the FDIC's deposit insurance coverage at $250,000 until 2013, extending the generally applicable time limit from 5 years to 8 years for an FDIC Restoration Plan to rebuild the reserve ratio of the DIF, permanently increasing the FDIC's authority to borrow from the U.S. Treasury from $30 billion to $100 billion, and if necessary, up to $500 billion through 2010, and allowing FDIC to charge systemic risk special assessments by rulemaking on both insured depository institutions and depository institution holding companies (see Note 1).

Purchase and Assumption Indemnification

In late March 2009, the FDIC was named in a lawsuit in its corporate and receivership capacities and could be subject to potential losses of approximately $4 billion as a result of an indemnification clause in a purchase and assumption agreement associated with the resolution of Washington Mutual Bank on September 25, 2008. The Washington Mutual Receiver currently has approximately $1.9 billion and the remaining exposure of $2.1 billion would be borne by the DIF. As of December 31, 2008, the DIF has not recorded a provision for this matter as the ultimate outcome of this litigation cannot presently be determined (see Note 7).

2009 Failures Through May 20, 2009

Through May 20, 2009, 33 insured institutions failed with total losses to the DIF estimated to be $4.5 billion. These estimated losses were included in the December 31, 2008, contingent liability for anticipated failures.

FSLIC Resolution Fund (FRF)

FSLIC RESOLUTION FUND BALANCE SHEET AT DECEMBER 31

Dollars in Thousands

	2008	2007
Assets		
Cash and cash equivalents	$3,467,227	$3,617,133
Receivables from thrift resolutions and other assets, net (Note 3)	34,952	34,812
Receivables from U.S. Treasury for goodwill judgments (Note 4)	142,305	35,350
Total Assets	**$3,644,484**	**$3,687,295**
Liabilities		
Accounts payable and other liabilities	$8,066	$4,276
Contingent liabilities for litigation losses and other (Note 4)	142,305	35,350
Total Liabilities	**150,371**	**39,626**
Resolution Equity (Note 5)		
Contributed capital	127,442,179	127,417,582
Accumulated deficit	(123,948,066)	(123,769,913)
Total Resolution Equity	**3,494,113**	**3,647,669**
Total Liabilities and Resolution Equity	**$3,644,484**	**$3,687,295**

The accompanying notes are an integral part of these financial statements.

FSLIC RESOLUTION FUND STATEMENT OF INCOME AND ACCUMULATED DEFICIT FOR THE YEARS ENDED DECEMBER 31

Dollars in Thousands

	2008	2007
Revenue		
Interest on U.S. Treasury obligations	$56,128	$156,034
Other revenue	7,040	31,558
Total Revenue	**63,168**	**187,592**
Expenses and Losses		
Operating expenses	3,188	3,364
Provision for losses	(891)	(10,135)
Goodwill/Guarini litigation expenses (Note 4)	254,247	195,939
Recovery of tax benefits	(26,846)	(68,217)
Other expenses	11,623	2,757
Total Expenses and Losses	**241,321**	**123,708**
Net (Loss)/Income	**(178,153)**	**63,884**
Accumulated Deficit - Beginning	**(123,769,913)**	**(123,833,797)**
Accumulated Deficit - Ending	**$(123,948,066)**	**$(123,769,913)**

The accompanying notes are an integral part of these financial statements.

FSLIC RESOLUTION FUND STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2008	2007
Operating Activities		
Net (Loss)/Income	$(178,153)	$63,884
Adjustments to reconcile net (loss)/income to net cash used by operating activities:		
Provision for losses	(891)	(10,135)
Change in Operating Assets and Liabilities		
Decrease in receivables from thrift resolutions and other assets	751	12,053
Increase/(Decrease) in accounts payable and other liabilities	3,791	(1,221)
Increase/(Decrease) in contingent liabilities for litigation losses and other	106,954	(243,977)
Net Cash Used by Operating Activities	**(67,548)**	**(179,396)**
Financing Activities		
Provided by:		
U.S. Treasury payments for goodwill litigation (Note 4)	142,642	405,063
Used by:		
Payments to Resolution Funding Corporation (Note 5)	(225,000)	(225,000)
Net Cash (Used)/Provided by Financing Activities	**(82,358)**	**180,063**
Net (Decrease)/Increase in Cash and Cash Equivalents	**(149,906)**	**667**
Cash and Cash Equivalents - Beginning	**3,617,133**	**3,616,466**
Cash and Cash Equivalents - Ending	**$3,467,227**	**$3,617,133**

The accompanying notes are an integral part of these financial statements.

1. Legislative History and Operations/ Dissolution of the FSLIC Resolution Fund

Legislative History

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended, (12 U.S.C. 1811, *et seq*). In carrying out the purposes of the FDI Act, as amended, the FDIC insures the deposits of banks and savings associations, and in cooperation with other federal and state agencies promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance fund established in the FDI Act, as amended. In addition, FDIC is charged with responsibility for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the Resolution Trust Corporation (RTC).

The U.S. Congress created the FSLIC through the enactment of the National Housing Act of 1934. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FSLIC Resolution Fund (FRF), and transferred the assets and liabilities of the FSLIC to the FRF-except those assets and liabilities transferred to the RTC-effective on August 9, 1989. Further, the FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions.

The RTC Completion Act of 1993 (RTC Completion Act) terminated the RTC as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Today, the FRF consists of two distinct pools of assets and liabilities: one composed of the assets and liabilities of the FSLIC transferred to the FRF upon the dissolution of the FSLIC (FRF-FSLIC), and the other composed of the RTC assets and liabilities (FRF-RTC). The assets of one pool are not available to satisfy obligations of the other.

The FDIC is the administrator of the FRF and the Deposit Insurance Fund. These funds are maintained separately to carry out their respective mandates.

Operations/Dissolution of the FRF

The FRF will continue operations until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Any funds remaining in the FRF-FSLIC will be paid to the U.S. Treasury. Any remaining funds of the FRF-RTC will be distributed to the REFCORP to pay the interest on the REFCORP bonds. In addition, the FRF-FSLIC has available until expended $602.2 million in appropriations to facilitate, if required, efforts to wind up the resolution activity of the FRF-FSLIC.

The FDIC has conducted an extensive review and cataloging of FRF's remaining assets and liabilities and is continuing to explore approaches for concluding FRF's activities. Some of the issues and items that remain open in FRF are: 1) criminal restitution orders (generally have from 4 to 9 years remaining to enforce); 2) collections of settlements and judgments obtained against officers and directors and other professionals responsible for causing or contributing to thrift losses (generally have up to 11 years remaining to enforce); 3) numerous assistance agreements entered into by the former FSLIC (FRF could continue to receive tax-sharing benefits through year 2013); 4) goodwill litigation (no final date for resolution has been established; see Note 4); and 5) affordable housing program monitoring (requirements can exceed 25 years). The FRF could potentially realize substantial recoveries from the tax-sharing benefits of up to $320 million; however, any associated recoveries are not reflected in FRF's financial statements given the significant uncertainties surrounding the ultimate outcome.

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from FRF assets and liabilities to ensure that receivership proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Receiverships are billed by the FDIC for services provided on their behalf.

2. Summary of Significant Accounting Policies

General

These financial statements pertain to the financial position, results of operations, and cash flows of the FRF and are presented in conformity with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed thrift institutions for which the FDIC acts as receiver. Periodic and final accountability reports of the FDIC's activities as receiver are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed. The more significant estimates include allowance for losses on receivables from thrift resolutions and the estimated losses for litigation.

Provision for Losses

The provision for losses represents the change in the valuation of the receivables from thrift resolutions and other assets.

Disclosure about Recent Accounting Pronouncements

1) The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, in September 2006. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements.

2) In February 2007, the Financial Accounting Standards Board issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115.* SFAS No. 159 creates a fair value option allowing, but not requiring, an entity to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities with changes in fair value recognized in earnings as they occur. Management has chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with GAAP.

Related Parties

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

3. Receivables From Thrift Resolutions and Other Assets, Net

Receivables From Thrift Resolutions

The receivables from thrift resolutions include payments made by the FRF to cover obligations to insured depositors, advances to receiverships for working capital, and administrative expenses paid on behalf of receiverships. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by the FDIC in its receivership capacity for the former RTC are a significant source of repayment of the FRF's receivables from thrift resolutions. As of December 31, 2008, 8 of the 850 FRF receiverships remain active primarily due to unresolved litigation, including goodwill matters.

As of December 31, 2008 and 2007, FRF receiverships held assets with a book value of $20 million and $22 million, respectively (including cash, investments, and miscellaneous receivables of $17 million and $18 million at December 31, 2008 and 2007, respectively). The estimated cash recoveries from the management and disposition of these assets are used to derive the allowance for losses. The FRF receivership assets are valued by discounting projected cash flows, net of liquidation costs using current market-based risk factors applicable to a given asset's type and quality. These estimated asset recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic and market conditions. Such uncertainties could cause the FRF's actual recoveries to vary from current estimates.

Other Assets

Other assets primarily include credit enhancement reserves valued at $21.2 million and $20.2 million as of December 31, 2008 and 2007, respectively. The credit enhancement reserves resulted from swap transactions where the former RTC received mortgage-backed securities in exchange for single-family mortgage loans. The RTC supplied credit enhancement reserves for the mortgage loans in the form of cash collateral to cover future credit losses over the remaining life of the loans. These reserves may cover future credit losses through 2020.

RECEIVABLES FROM THRIFT RESOLUTIONS AND OTHER ASSETS, NET AT DECEMBER 31
Dollars in Thousands

	2008	2007
Receivables from closed thrifts	$5,725,450	$8,367,078
Allowance for losses	(5,717,740)	(8,359,347)
Receivables from Thrift Resolutions, Net	**7,710**	**7,731**
Other assets	27,242	27,081
Total	**$34,952**	**$34,812**

4. Contingent Liabilities for:

Litigation Losses

The FRF records an estimated loss for unresolved legal cases to the extent those losses are considered probable and reasonably estimable. As of December 31, 2008 and 2007, respectively, $142.3 million and $35.4 million were recorded as probable losses. Additionally, at December 31, 2008, the FDIC has determined that there are no losses from unresolved legal cases considered to be reasonably possible.

In December 2008, FDIC concluded a 13 ½ year old legal case (FDIC v. Hurwitz) arising from the December 30, 1988 failure of United Savings Association of Texas. In August 2005, the District Court ordered sanctions against the FDIC in the amount of $72 million. However, in August 2008, the Fifth Circuit Court of Appeals reversed $57 million of the sanctions, but remanded the remaining $15 million to the District Court to determine what portion should be paid. Subsequently, in November 2008, an agreement was reached between the parties, whereas the FDIC would pay $10 million to settle the case. On December 17, 2008, the settlement agreement was fully executed and the settlement funds were paid. The $10 million payment is recognized in the "Other expenses" line item.

Additional Contingency

Goodwill Litigation

In *United States v. Winstar Corp.*, 518 U.S. 839 (1996), the Supreme Court held that when it became impossible following the enactment of FIRREA in 1989 for the federal government to perform certain agreements to count goodwill toward regulatory capital, the plaintiffs were entitled to recover damages from the United States. Approximately 13 remaining cases are pending against the United States based on alleged breaches of these agreements.

On July 22, 1998, the Department of Justice's (DOJ's) Office of Legal Counsel (OLC) concluded that the FRF is legally available to satisfy all judgments and settlements in the goodwill litigation involving supervisory action or assistance agreements. OLC determined that nonperformance of these agreements was a contingent liability that was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC. On July 23, 1998, the U.S. Treasury determined, based on OLC's opinion, that the FRF is the appropriate source of funds for payments of any such judgments and settlements. The FDIC General Counsel concluded that, as liabilities transferred on August 9, 1989, these contingent liabilities for future nonperformance of prior agreements with respect to supervisory goodwill were transferred to the FRF-FSLIC, which is that portion of the FRF encompassing the obligations of the former FSLIC. The FRF-RTC, which encompasses the obligations of the former RTC and was created upon the termination of the RTC on December 31, 1995, is not available to pay any settlements or judgments arising out of the goodwill litigation.

The goodwill lawsuits are against the United States and as such are defended by the DOJ. On December 16, 2008, the DOJ again informed the FDIC that it is "unable at this time to provide a reasonable estimate of the likely aggregate contingent liability resulting from the *Winstar*-related cases." This uncertainty arises, in part, from the existence of significant unresolved issues pending at the appellate or trial court level, as well as the unique circumstances of each case.

The FDIC believes that it is probable that additional amounts, possibly substantial, may be paid from the FRF-FSLIC as a result of judgments and settlements in the goodwill litigation. Based on representations from the DOJ, the FDIC is unable to estimate a range of loss to the FRF-FSLIC from the goodwill litigation. However, the FRF can draw from an appropriation provided by Section 110 of the Department of Justice Appropriations Act, 2000 (Public Law 106-113, Appendix A, Title I, 113 Stat. 1501A-3, 1501A-20) such sums as may be necessary for the payment of judgments and compromise settlements in the goodwill litigation. This appropriation is to remain available until expended. Because an appropriation is available to pay such judgments and settlements, any liability for goodwill litigation should have a corresponding receivable from the U.S. Treasury and therefore have no net impact on the financial condition of the FRF-FSLIC.

The FRF paid $142.6 million as a result of judgments and settlements in four goodwill cases for the year ended December 31, 2008, compared to $405.1 million for six goodwill cases for the year ended December 31, 2007. As described above, the FRF received appropriations from the U.S. Treasury to fund these payments. At December 31, 2008, the FRF accrued a $142.3 million contingent liability and offsetting receivable from the U.S. Treasury for judgments in three additional cases that were fully adjudicated as of year end.

In addition, the FRF-FSLIC pays the goodwill litigation expenses incurred by DOJ based on a Memorandum of Understanding (MOU) dated October 2, 1998, between the FDIC and DOJ. Under the terms of the MOU, the FRF-FSLIC paid $4.3 million and $11.4 million to DOJ for fiscal years (FY) 2009 and 2008, respectively. As in prior years, DOJ carried over and applied all unused funds toward current FY charges. At September 30, 2008, DOJ had an additional $5.3 million in unused FY 2008 funds that were applied against FY 2009 charges of $9.6 million.

Guarini Litigation

Paralleling the goodwill cases are similar cases alleging that the government breached agreements regarding tax benefits associated with certain FSLIC-assisted acquisitions. These agreements allegedly contained the promise of tax deductions for losses incurred on the sale of certain thrift assets purchased by plaintiffs from the FSLIC, even though the FSLIC provided the plaintiffs with tax-exempt reimbursement. A provision in the Omnibus Budget Reconciliation Act of 1993 (popularly referred to as the "Guarini legislation") eliminated the tax deductions for these losses.

The last of the original eight Guarini cases concluded in 2007 with a settlement of $23 million being paid. Additionally, a case settled in 2006 further obligates the FRF-FSLIC as a guarantor for all tax liabilities in the event the settlement amount is determined by tax authorities to be taxable. The maximum potential exposure under this guarantee is approximately $81 million. However, the FDIC believes that it is very unlikely the settlement will be subject to taxation. More definitive information may be available during late 2009 or early 2010, after the IRS completes its Large Case Program audit on the institution's 2006 returns. Therefore, the FRF is not expected to fund any payment under this guarantee and no liability has been recorded.

Representations and Warranties

As part of the RTC's efforts to maximize the return from the sale of assets from thrift resolutions, representations and warranties, and guarantees were offered on certain loan sales. The majority of loans subject to these agreements have been paid off, refinanced, or the period for filing claims has expired. The FDIC's estimate of maximum potential exposure to the FRF is $18.7 million. No claims in connection with representations and warranties have been asserted since 1998 on the remaining open agreements. Because of the age of the remaining portfolio and lack of claim activity, the FDIC does not expect new claims to be asserted in the future. Consequently, the financial statements at December 31, 2008 and 2007, do not include a liability for these agreements.

5. Resolution Equity

As stated in the Legislative History section of Note 1, the FRF is comprised of two distinct pools: the FRF-FSLIC and the FRF-RTC. The FRF-FSLIC consists of the assets and liabilities of the former FSLIC. The FRF-RTC consists of the assets and liabilities of the former RTC. Pursuant to legal restrictions, the two pools are maintained separately and the assets of one pool are not available to satisfy obligations of the other.

The following table shows the contributed capital, accumulated deficit, and resulting resolution equity for each pool.

RESOLUTION EQUITY AT DECEMBER 31, 2008
Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$45,443,245	$81,974,337	$127,417,582
Add: U.S. Treasury payments/receivable for goodwill litigation	249,597	0	249,597
Less: REFCORP payments	0	(225,000)	(225,000)
Contributed capital - ending	**45,692,842**	**81,749,337**	**127,442,179**
Accumulated deficit	(42,367,645)	(81,580,421)	(123,948,066)
Total	**$3,325,197**	**$168,916**	**$3,494,113**

Contributed Capital

The FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively, to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the Financing Corporation (a mixed-ownership government corporation established to function solely as a financing vehicle for the FSLIC) and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates. Through December 31, 2008, the FRF-RTC has returned $4.556 billion to the U.S. Treasury and made payments of $5.022 billion to the REFCORP. These actions serve to reduce contributed capital.

FRF-FSLIC received $142.6 million in U.S. Treasury payments for goodwill litigation in 2008. Furthermore, $142.3 million and $35.4 million were accrued for as receivables at year-end 2008 and 2007, respectively. The effect of this activity was an increase in contributed capital of $249.6 million in 2008.

Accumulated Deficit

The accumulated deficit represents the cumulative excess of expenses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.8 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. The FRF-FSLIC accumulated deficit has increased by $12.5 billion, whereas the FRF-RTC accumulated deficit has decreased by $6.3 billion, since their dissolution dates.

6. Employee Benefits

Pension Benefits

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although the FRF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The FRF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management. The FRF's pension-related expenses were $169 thousand and $252 thousand for 2008 and 2007, respectively.

Postretirement Benefits Other Than Pensions

The FRF no longer records a liability for the postretirement benefits of life and dental insurance (a long-term liability), due to the expected dissolution of the FRF. The liability is recorded by the DIF. However, the FRF does continue to pay its proportionate share of the yearly claim expenses associated with these benefits.

7. Disclosures About the Fair Value of Financial Instruments

The financial asset recognized and measured at fair value on a recurring basis at each reporting date is cash equivalents. The following table presents the FRF's financial asset measured at fair value as of December 31, 2008.

Some of the FRF's financial assets and liabilities are not recognized at fair value but are recorded at amounts that approximate fair value due to their short maturities and/or comparability with current interest rates. Such items include other short-term receivables and accounts payable and other liabilities.

The net receivable from thrift resolutions is influenced by the underlying valuation of receivership assets. This corporate receivable is unique and the estimate presented is not necessarily indicative of the amount that could be realized in a sale to the private sector. Such a sale would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. Consequently, it is not practicable to estimate its fair value.

Other assets primarily consist of credit enhancement reserves, which are valued by performing projected cash flow analyses using market-based assumptions (see Note 3).

ASSETS MEASURED AT FAIR VALUE AT DECEMBER 31, 2008
Dollars in Thousands

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Assets				
Cash equivalents (Special U.S. Treasuries)[1]	$ 3,467,227	$ 0	$ 0	$ 3,467,227

(1) Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Bureau of Public Debt.

GOVERNMENT ACCOUNTABILITY OFFICE'S AUDIT OPINION

G A O
Accountability ★ Integrity ★ Reliability

United States Government Accountability Office
Washington, D.C. 20548

To the Board of Directors
The Federal Deposit Insurance Corporation

In accordance with Section 17 of the Federal Deposit Insurance Act, as amended, we are responsible for conducting audits of the financial statements of the two funds administered by the Federal Deposit Insurance Corporation (FDIC). In our audits of the Deposit Insurance Fund's (DIF) and the FSLIC Resolution Fund's (FRF) financial statements for 2008 and 2007, we found

- the financial statements as of and for the years ended December 31, 2008, and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- FDIC had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations for each fund as of December 31, 2008; and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions; (2) our audit objectives, scope, and methodology; and (3) agency comments and our evaluation.

Opinion on DIF's Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, DIF's assets, liabilities, and fund balance as of December 31, 2008, and 2007, and its income and fund balance and its cash flows for the years then ended.

As discussed in note 7 to DIF's financial statements, FDIC's insured financial institutions faced increased challenges in 2008. Financial market disruptions evolved into a crisis that impacted the condition of the industry as a whole and the soundness of some FDIC-insured institutions. Declining housing and equity prices, financial market turmoil, and deteriorating economic conditions exerted significant stress on banking industry performance, contributing to the failure of some institutions and threatening the viability of others, particularly those having significant exposure to high risk residential mortgages or residential construction loans. In 2008, 25 insured institutions with combined assets of about $361 billion failed, costing the DIF an estimated $18 billion. Further, at year-end, the DIF recognized losses totaling an estimated $24 billion associated with insured institutions the banking regulators have determined are likely to fail. Supervisory and market data suggest that the banking industry will continue to experience elevated levels of stress over the coming year. In addition to the losses reflected on the DIF's financial statements as of December 31, 2008, FDIC has identified additional risk that could result in further estimated losses to the DIF of $25.1 billion should potentially vulnerable insured institutions ultimately fail. FDIC continues to evaluate the ongoing risks to affected institutions in light of the deterioration in economic and financial conditions, and the effect of such risks on the DIF. Actual losses, if any, will largely depend on future economic and market conditions and could differ materially from FDIC's estimates. As discussed in note 15 to DIF's financial statements, through May 20, 2009, 33 institutions have failed during 2009 at an estimated cost to the DIF of $4.5 billion.

At December 31, 2008, the DIF's fund balance was $17.3 billion, and its ratio of reserves to estimated insured deposits was 0.36 percent. In accordance with the Federal Deposit Insurance Reform Act of 2005, FDIC adopted a restoration plan in October 2008 calling for an increase in the assessment rates charged to insured institutions to replenish the fund's reserves to the minimum ratio of 1.15 percent of insured deposits within a 5-year period. In March 2009, the FDIC amended the restoration plan to extend to 7 years the period to replenish the DIF's reserves to the statutory minimum ratio, and announced its intent to charge an emergency special assessment to raise assessment revenue to help meet the requirements of the restoration plan.[2] In addition to assessment revenue, the DIF has other resources available to carry out its insurance responsibilities. At December 31, 2008, the DIF had $27.9 billion in investments in U.S. Treasury obligations that provide a ready source of funds to carry out its insurance activities. In addition, as discussed in note 1 to DIF's financial statements, FDIC has a note agreement with the Federal Financing Bank enabling it to borrow up to $100 billion, and, until recently, it had authority to borrow up to $30 billion from the U.S. Treasury. However, the actual amount that can be borrowed from these entities is limited by a statutory formula. Application of this formula, based on the DIF's December 31, 2008 financial statements, effectively limits the amount DIF can borrow from these sources to $69 billion. Recently enacted legislation increased its borrowing authority with

[2]Congress recently extended the restoration plan period to eight years. Pub. L. No. 111-22, div. A, title II, §204 (b) (May 20, 2009).

the U.S. Treasury to up to $100 billion, and provides for additional authority to temporarily increase this amount to up to $500 billion if such amounts are deemed necessary for DIF to carry out its insurance responsibilities.[3]

The deteriorating economic and market conditions in 2008 resulted in the federal government taking extraordinary measures to avoid further adverse effects on economic conditions and financial stability. The Department of the Treasury, in consultation with the President and upon recommendation of the boards of the FDIC and the Federal Reserve, invoked a provision of the Federal Deposit Insurance Corporation Improvement Act of 1991—the "systemic risk" provision—during 2008 to counter identified systemwide crises in the nation's financial sector. As discussed in note 14 to DIF's financial statements, following a systemic risk determination in October 2008, FDIC established the Temporary Liquidity Guarantee Program, consisting of a (1) Debt Guarantee Program, under which FDIC would guarantee newly issued senior unsecured debt up to prescribed limits issued by insured institutions and certain holding companies, and (2) Transaction Account Guarantee Program, under which FDIC would provide unlimited coverage for non-interest bearing transaction accounts held by insured institutions. FDIC charges fees to participants that are to be used to cover any losses under both guarantee programs. As of December 31, 2008, the amount of debt guaranteed by FDIC under the Debt Guarantee Program was $224 billion, while FDIC's maximum exposure under the Transaction Account Guarantee Program was $680 billion. Consequently, the total exposure under the Temporary Liquidity Guarantee Program was $904 billion as of December 31, 2008. Another systemic risk determination, made in November 2008 and finalized in January 2009, involved FDIC, in conjunction with the U.S. Treasury and the Federal Reserve, providing guarantees against potential losses on a portfolio of Citigroup's assets in exchange for 3,025 shares of preferred stock with a liquidation preference value of $1 million per share. Under the agreement, FDIC's maximum exposure under the guarantee is $10 billion. Subsequent to 2008, FDIC, in conjunction with the U.S. Treasury and the Federal Reserve, reached agreement to provide guarantees against potential losses on a portfolio of Bank of America's assets in exchange for a projected liquidation preference amount of $1 billion in preferred stock and warrants. Under the tentative agreement, FDIC's maximum exposure under the guarantee would be $2.5 billion.

[3]Pub. L. No. 111-22, div. A, title II, §204 (c) (May 20, 2009).

On March 23, 2009, the Treasury announced the Public-Private Investment Program, under which it will make targeted investments in multiple Public-Private Investment Funds (PPIF) that will purchase qualifying real-estate assets from participating financial institutions. Under this program, the objective of which is to remove troubled real-estate loans and securities backed by loan portfolios from the balance sheets of financial institutions to stimulate the flow of credit, the PPIFs will purchase and manage pools of such assets, using a combination of private sector and Treasury-investment equity to purchase the assets. As discussed in note 15 to DIF's financial statements, under the Legacy Loans component of this program, FDIC will provide a guarantee of the PPIF's debt financing to purchase the loans, in exchange for a debt guarantee fee. The FDIC guarantee will be collateralized by the PPIF loan pools. The total exposure to FDIC, and to the DIF, under this proposed program is unknown at this time.

Opinion on FRF's Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, FRF's assets, liabilities, and resolution equity as of December 31, 2008, and 2007, and its income and accumulated deficit and its cash flows for the years then ended.

Opinion on Internal Control

FDIC management maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of December 31, 2008, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements for each fund would be prevented or detected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA).

We did identify certain control deficiencies during our 2008 audits. However, we do not consider these control deficiencies to be significant deficiencies.[4] We will be reporting separately to FDIC management on these matters.

Compliance with Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our audits was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

FDIC management is responsible for (1) preparing the annual financial statements in conformity with U.S. generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met and evaluating the effectiveness of internal control over financial reporting; and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, and (2) management maintained, in all material respects, effective internal control, the objectives of which are the following:

- financial reporting—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- compliance with laws and regulations—transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

[4]A significant deficiency is a control deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We are also responsible for (1) expressing an opinion on FDIC's internal control over financial reporting based on our audit and (2) testing compliance with selected provisions of laws and regulations that could have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations;
- assessed the risk that a material misstatement exists;
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control based on the assessed risk;
- considered FDIC's process for evaluating and reporting on internal control based on criteria established by FMFIA;
- tested compliance with certain laws and regulations, including selected provisions of the Federal Deposit Insurance Act, as amended, and the Federal Deposit Insurance Reform Act of 2005; and
- performed such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinions.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, internal control may not prevent, or detect and correct, misstatements. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to FDIC. We limited our tests of compliance to those laws and regulations that we judged could have a direct and material effect on the financial statements for the year ended December 31, 2008. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards.

FDIC Comments and Our Evaluation

In commenting on a draft of this report, FDIC's Chief Financial Officer (CFO) reported the agency was pleased to receive unqualified opinions on the DIF and FRF financial statements and that we reported it had effective control over financial reporting and compliance with laws and regulations for each fund. FDIC's CFO also stated that as FDIC commits additional resources to further the recovery of the financial markets and economy, the agency will continue to ensure that effective financial management remains a priority. Furthermore, the CFO added that FDIC recognizes the significance that internal control plays in an agency achieving its mission and goals, and therefore, will seek continual improvement in its internal control environment.

The complete text of FDIC's comments is reprinted in appendix I.

Steven J. Sebastian
Director
Financial Management and Assurance

May 20, 2009

FDIC

Appendix I

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Deputy to the Chairman and Chief Financial Officer

May 20, 2009

Mr. Gene L. Dodaro
Acting Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: FDIC Management Response on the GAO 2008 Financial Statements Audit Report

Dear Mr. Dodaro:

Thank you for the opportunity to comment on the U.S. Government Accountability Office's (GAO) draft report titled, **Financial Audit: Federal Deposit Insurance Corporation Funds' 2008 and 2007 Financial Statements, GAO-09-535**. We are pleased that the Federal Deposit Insurance Corporation (FDIC) received an unqualified opinion for the seventeenth consecutive year on the financial statements of its funds: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). The unqualified opinion demonstrates our continued dedication to sound financial management.

The GAO reported that the funds' financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP); FDIC had effective control over financial reporting and compliance with laws and regulations for each fund; and there was no reportable noncompliance with the laws and regulations that were tested. In addition, the GAO reported that there were no material weaknesses or significant deficiencies identified during the 2008 audits.

During 2008, new audit standards were issued that require management to provide a written assertion about the effectiveness of its internal control over financial reporting. In complying with this requirement, the FDIC prepared **Management's Report on Internal Control over Financial Reporting** (see attachment). The report acknowledges management's responsibility for establishing and maintaining internal control over financial reporting and provides FDIC's conclusion regarding the effectiveness of its internal control.

This past year has been unusually challenging with greater emphasis and focus being concentrated on stabilizing the financial industry and promoting economic recovery. However, as FDIC commits additional resources to further the recovery of the financial markets and economy, we will continue to ensure that effective financial management remains a priority. Also, FDIC recognizes the significance that internal control plays in an agency achieving its mission and goals, and therefore, will seek continual improvement in its internal control environment.

As always, we appreciate the professionalism and dedication of the GAO staff during the audit. We look forward to continuing our productive and successful relationship during the 2009 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Steven O. App

Steven O. App
Deputy to the Chairman and
Chief Financial Officer

Management's Report on Internal Control over Financial Reporting

The Federal Deposit Insurance Corporation's (FDIC) internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles (GAAP), and compliance with applicable laws and regulations. FDIC's internal control over financial reporting and compliance reasonably assure that (1) transactions are properly recorded, processed and summarized to permit the preparation of financial statements in accordance with GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with the laws and regulations that could have a direct and material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of FDIC's internal control over financial reporting as of December 31, 2008, through its enterprise risk management program that seeks to comply with the spirit of the following standards, among others: Federal Managers' Financial Integrity Act (FMFIA); Chief Financial Officers Act (CFO Act); Government Performance and Results Act (GPRA); Federal Information Security Management Act (FISMA); and OMB Circular A-123. In addition, other standards that FDIC considers are the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control - Integrated Framework* and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*. Based on that assessment, management concluded that, as of December 31, 2008, FDIC's internal control over financial reporting is effective based on the criteria established in FMFIA.

Federal Deposit Insurance Corporation
May 20, 2009

Overview of the Industry

The 8,305 FDIC-insured commercial banks and savings institutions that reported financial results at the end of 2008 had total net income of $10.2 billion, a decline of $89.8 billion (89.8 percent) from the $100 billion that the industry earned in 2007. This is the smallest annual net income total for the industry since 1989. The primary cause of the decline in earnings was increased provisions for loan losses, which were $105.2 billion (152 percent) higher than in 2007. Insured institutions set aside $174.4 billion for losses in 2008, up from $69.2 billion a year earlier. Loss provisions absorbed 30.9 percent of the industry's net operating revenue (net interest income plus total noninterest income) in 2008, compared to only 11.8 percent in 2007. Almost three out of every four insured institutions (73.9 percent) reported increased loss provisions in 2008.

Failures and merger transactions had a significant effect on the industry's income and expense totals for 2008. Sizable losses incurred by a number of large institutions that failed or were acquired before the end of 2008 were not carried forward to full-year results. If these losses had been included in the industry's results for the year, the industry would have reported a net loss in 2008.

The average return on assets (ROA) for 2008 was 0.08 percent, considerably below the 0.81 percent average of a year earlier. More than two-thirds of all institutions (68 percent) reported year-over-year ROA declines. Only 37 percent of institutions reported higher net income, and 23.6 percent reported net losses for the year. During 2007, only 12.1 percent were unprofitable.

In addition to the higher expenses for loan-loss provisions, industry earnings in 2008 were held down by reduced noninterest income, which was $25.6 billion (11 percent) lower than in 2007. The largest contributors to the decline in noninterest income were a negative $5.8-billion swing in trading revenues, from a positive $4.1 billion in 2007 to a negative $1.8 billion in 2008, and a $5.8-billion (27.4-percent) decline in securitization income. Most of the decline in trading revenue and securitization occurred at a few large institutions. A majority of insured institutions (59 percent) reported increased noninterest income in 2008.

Net income was also negatively affected by realized losses on securities and other assets, which totaled $15.0 billion, compared to net losses of $1.4 billion a year ago. Finally, expenses for goodwill impairment and other intangible asset charges were $12.6 billion (67.8 percent) greater than a year earlier.

One of the few positive trends in industry earnings was net interest income, which increased by $5 billion (1.4 percent). The average net interest margin (NIM) in 2008 was 3.18 percent, below the 3.29 percent average of a year earlier; this is the lowest full-year NIM for the industry since 1984. A majority of institutions – 57.4 percent – reported lower NIMs in 2008. The improvement in net interest income was attributable to a 4.1-percent increase in the industry's interest-bearing assets during 2008.

Asset quality indicators worsened in 2008. The amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) increased by $120.1 billion (108.5 percent); at the end of the year, the percent of the industry's total loans and leases that were noncurrent stood at 2.93 percent, the highest level since 1992. Noncurrent 1-4 family residential mortgage loans increased by $48.4 billion in 2008, while noncurrent real estate construction and development loans rose by $30.2 billion. Noncurrent levels increased in all other major loan categories as well.

Net charge-offs of loans and leases totaled $99.5 billion, more than double the $44.1 billion that insured institutions charged off during 2007. Residential real estate loans and construction and development loans led the rise in charge-offs. Net charge-offs of home equity lines of credit were $6.9 billion higher than in 2007, while charge-offs of other loans secured by 1-4 family residential properties increased by $12 billion. Net charge-offs of real estate construction and development loans were up by $13.7 billion. While loans secured by real estate led the rise in charge-off activity, all of the other major loan categories had higher charge-offs as well. The net charge-off rate for the industry in 2008 was 1.28 percent, the highest annual rate since 1991.

Asset growth slowed in 2008. Total assets of insured institutions increased by $813.2 billion (6.2 percent), led by a $499.3-billion increase in balances due from Federal Reserve banks. The total amount of loan and lease balances declined by $31.3 billion in 2008, the first time since 1993 that reported balances have had a 12-month decline. Closed-end real estate loans secured by 1-4 family residential properties declined by $196.6 billion (8.8 percent) during the 12-month period, while real estate construction and development loans fell by $39.3 billion (6.2 percent). Most other loan categories posted moderate increases. Only 57.1 percent of the increase in industry assets ($464.0 billion) consisted of interest-earning assets.

Total deposits increased by $620.3 billion (7.4 percent), with interest-bearing deposits in domestic offices rising by $351.9 billion (6.2 percent), and domestic noninterest-bearing deposits growing by $231.6 billion (19.4 percent). Deposits in foreign offices increased by $36.7 billion (2.4 percent) during this period. Nondeposit liabilities were up by $244.1 billion (7.5 percent).

The number of insured commercial banks and savings institutions on the FDIC's "Problem List" rose from 76 institutions with $22 billion in assets to 252 institutions with $159 billion in assets in 2008. This is the largest number of "problem" institutions since the middle of 1995, and the largest amount of assets since the end of 1993. At the end of 2008, more than 97 percent of all FDIC-insured institutions, representing more than 98 percent of all insured institution assets, met or exceeded the highest federal regulatory capital standards.

This page intentionally left blank.

5

CHAPTER FIVE

MANAGEMENT CONTROL

Enterprise Risk Management

The Office of Enterprise Risk Management, under the auspices of the Chief Financial Officer organization, is responsible for corporate oversight of internal control and enterprise risk management (ERM). This includes ensuring that the FDIC's operations and programs are effective and efficient and that internal controls are sufficient to minimize exposure to waste and mismanagement. The FDIC recognizes the importance of a strong risk management and internal control program and has adopted a more proactive and enterprise-wide approach to managing risk. This approach focuses on the identification and mitigation of risk consistently and effectively throughout the Corporation, with emphasis on those areas/issues most directly related to the FDIC's overall mission. As an independent government corporation, the FDIC has different requirements than appropriated federal government agencies; nevertheless, its ERM program seeks to comply with the spirit of the following standards, among others:

- Federal Managers' Financial Integrity Act (FMFIA);
- Chief Financial Officers Act (CFO Act);
- Government Performance and Results Act (GPRA);
- Federal Information Security Management Act (FISMA); and
- OMB Circular A-123.

The CFO Act extends to the FDIC the FMFIA requirements for establishing, evaluating and reporting on internal controls. The FMFIA requires agencies to annually provide a statement of assurance regarding the effectiveness of management, administrative and accounting controls, and financial management systems.

The FDIC has developed and implemented management, administrative and financial systems controls that reasonably ensure that:

- Programs are efficiently and effectively carried out in accordance with applicable laws and management policies;
- Programs and resources are safeguarded against waste, fraud and mismanagement;
- Obligations and costs comply with applicable laws; and
- Reliable, complete, and timely data are maintained for decision-making and reporting purposes.

The FDIC's control standards incorporate the *Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government*. Good internal control systems are essential for ensuring the proper conduct of FDIC business and the accomplishment of management objectives by serving as checks and balances against undesirable actions or outcomes.

As part of the Corporation's continued commitment to establish and maintain effective and efficient internal controls, FDIC management routinely conducts reviews of internal control systems. The results of these reviews, as well as consideration of the results of audits, evaluations and reviews conducted by the GAO, the Office of Inspector General (OIG) and other outside entities, are used as a basis for the FDIC's reporting on the condition of the Corporation's internal control activities.

Material Weaknesses

Material weaknesses are control shortcomings in operations or systems that, among other things, severely impair or threaten the organization's ability to accomplish its mission or to prepare timely, accurate financial statements or reports. Such shortcomings are of sufficient magnitude that the Corporation is obliged to report them to external stakeholders.

To determine the existence of material weaknesses, the FDIC has assessed the results of management evaluations and external audits of the Corporation's risk management and internal control systems conducted in 2008, as well as management actions taken to address issues identified in these audits and evaluations. Based on this assessment and application of other criteria, the FDIC concludes that no material weaknesses existed within the Corporation's operations for 2008. This is the eleventh consecutive year that the FDIC has not had a material weakness; however, FDIC management will continue to focus on high priority areas, including the Temporary Liquidity Guarantee Program, IT systems security, resolution of bank failures, and privacy, among others. The FDIC will also address all control issues raised by GAO related to its 2008 financial statement audits.

Management Report on Final Actions

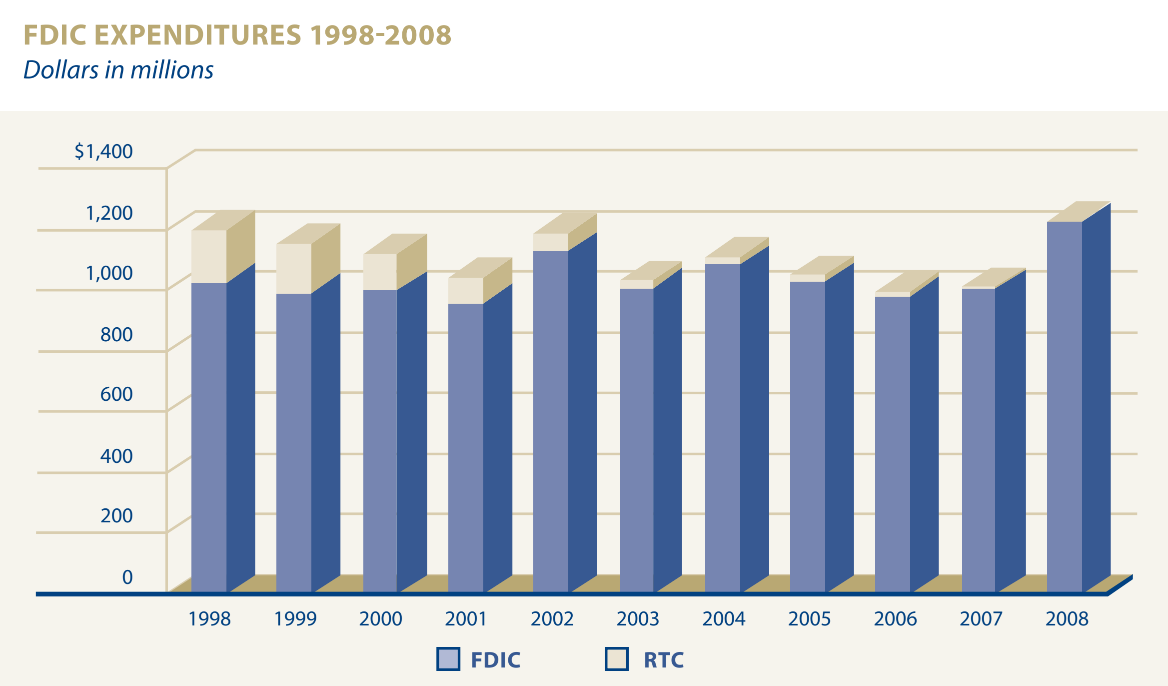
As required under amended Section 5 of the Inspector General Act of 1978, the FDIC must report information on final action taken by management on certain audit reports. For the federal fiscal year period October 1, 2007, through September 30, 2008, there were no audit reports in the following categories:

1. Management Report on Final Action on Audits with Disallowed Costs;
2. Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use; and
3. Audit Reports without Final Actions but with Management Decisions over One Year Old.

6

CHAPTER SIX
APPENDICES

A. Key Statistics



The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2008 aggregate budget (for corporate, receivership and investment spending) was $1.25 billion, while actual expenditures for the year were $1.23 billion, about $217 million more than 2007 expenditures.

Over the past ten years, the FDIC's expenditures have varied in response to workload. During the past decade, expenditures generally declined due to decreasing resolution and receivership activity. Total expenditures increased in 2002 and 2008 due to an increase in receivership-related expenses.

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2008[1]

		Dollars in Millions					
		Deposits in Insured Institutions				Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits[3]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
2008	$100,000	$7,505,360	$4,756,809	63.4	$17,276.3	0.23	0.36
2007	100,000	6,921,686	4,292,163	62.0	52,413.0	0.76	1.22
2006	100,000	6,640,105	4,153,786	62.6	50,165.3	0.76	1.21
2005	100,000	6,229,764	3,890,941	62.5	48,596.6	0.78	1.25
2004	100,000	5,724,621	3,622,059	63.3	47,506.8	0.83	1.31
2003	100,000	5,223,922	3,452,497	66.1	46,022.3	0.88	1.33
2002	100,000	4,916,078	3,383,598	68.8	43,797.0	0.89	1.29
2001	100,000	4,564,064	3,215,581	70.5	41,373.8	0.91	1.29
2000	100,000	4,211,895	3,055,108	72.5	41,733.8	0.99	1.37
1999	100,000	3,885,826	2,869,208	73.8	39,694.9	1.02	1.38
1998	100,000	3,817,150	2,850,452	74.7	39,452.1	1.03	1.38
1997	100,000	3,602,189	2,746,477	76.2	37,660.8	1.05	1.37
1996	100,000	3,454,556	2,690,439	77.9	35,742.8	1.03	1.33
1995	100,000	3,318,595	2,663,873	80.3	28,811.5	0.87	1.08
1994	100,000	3,184,410	2,588,619	81.3	23,784.5	0.75	0.92
1993	100,000	3,220,302	2,602,781	80.8	14,277.3	0.44	0.55
1992	100,000	3,275,530	2,677,709	81.7	178.4	0.01	0.01
1991	100,000	3,331,312	2,733,387	82.1	(6,934.0)	(0.21)	(0.25)
1990	100,000	3,415,464	2,784,838	81.5	4,062.7	0.12	0.15
1989	100,000	3,412,503	2,755,471	80.7	13,209.5	0.39	0.48
1988	100,000	2,337,080	1,756,771	75.2	14,061.1	0.60	0.80
1987	100,000	2,198,648	1,657,291	75.4	18,301.8	0.83	1.10
1986	100,000	2,162,687	1,636,915	75.7	18,253.3	0.84	1.12
1985	100,000	1,975,030	1,510,496	76.5	17,956.9	0.91	1.19
1984	100,000	1,805,334	1,393,421	77.2	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2008[1] *(continued)*

		Dollars in MIllions					
		Deposits in Insured Institutions				Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits[3]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.4	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.4	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2008[1] *(continued)*

		Dollars in Millions					
		Deposits in Insured Institutions				Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits[3]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.6	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934	5,000	40,060	18,075	45.1	291.7	0.73	1.61

1 *Prior to 1989, figures are for BIF only and exclude insured branches of foreign banks. For 1989 to 2005, figures represent sum of BIF and SAIF amounts; for 2006 to 2008, figures are for DIF. Amounts from 1989 - 2008 include insured branches of foreign banks.*

2 *Coverage for certain retirement accounts increased to $250,000 in 2006. Coverage limits do not reflect temporary increases authorized by the Emergency Economic Stabilization Act of 2008. Initial coverage limit was $2,500 from January 1 to June 30, 1934.*

3 *Prior to year-end 1991, insured deposits were estimated using percentages determined from June Call and Thrift Financial reports.*

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2008

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Provision for Losses	Admin. and Oper. Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income (Loss)
Total	**$117,690.2**	**$70,403.2**	**$11,243.0**	**$59,118.8**		**$103,555.5**	**$78,030.6**	**$16,867.8**	**$8,663.1**	**$139.5**	**$14,274.2**
2008	7,306.3	4,410.4	1,445.9	4,341.8	0.0418%	44,339.5	41,838.8	1,033.5	1,467.2	0	(37,033.2)
2007	3,196.2	3,730.9	3,088.0	2,553.3	0.0093%	1,090.9	95.0	992.6	3.3	0	2,105.3
2006	2,643.5	31.9	0.0	2,611.6	0.0005%	904.3	(52.1)	950.6	5.8	0	1,739.2
2005	2,420.5	60.9	0.0	2,359.6	0.0010%	809.3	(160.2)	965.7	3.8	0	1,611.2
2004	2,240.3	104.2	0.0	2,136.1	0.0019%	607.6	(353.4)	941.3	19.7	0	1,632.7
2003	2,173.6	94.8	0.0	2,078.8	0.0019%	(67.7)	(1,010.5)	935.5	7.3	0	2,241.3
2002	1,795.9	107.8	0.0	2,276.9	0.0023%	719.6	(243.0)	945.1	17.5	0	1,076.3
2001	2,730.1	83.2	0.0	2,646.9	0.0019%	3,123.4	2,199.3	887.9	36.2	0	(393.3)
2000	2,570.1	64.3	0.0	2,505.8	0.0016%	945.2	28.0	883.9	33.3	0	1,624.9
1999	2,416.7	48.4	0.0	2,368.3	0.0013%	2,047.0	1,199.7	823.4	23.9	0	369.7
1998	2,584.6	37.0	0.0	2,547.6	0.0010%	817.5	(5.7)	782.6	40.6	0	1,767.1
1997	2,165.5	38.6	0.0	2,126.9	0.0011%	247.3	(505.7)	677.2	75.8	0	1,918.2
1996	7,156.8	5,294.2	0.0	1,862.6	0.1622%	353.6	(417.2)	568.3	202.5	0	6,803.2
1995	5,229.2	3,877.0	0.0	1,352.2	0.1238%	202.2	(354.2)	510.6	45.8	0	5,027.0
1994	7,682.1	6,722.7	0.0	959.4	0.2192%	(1,825.1)	(2,459.4)	443.2	191.1	0	9,507.2
1993	7,354.5	6,682.0	0.0	672.5	0.2157%	(6,744.4)	(7,660.4)	418.5	497.5	0	14,098.9
1992	6,479.3	5,758.6	0.0	720.7	0.1815%	(596.8)	(2,274.7)	614.8[3]	1,063.1	35.4	7,111.5
1991	5,886.5	5,254.0	0.0	632.5	0.1613%	16,925.3	15,496.2	326.1	1,103.0	42.4	(10,996.4)
1990	3,855.3	2,872.3	0.0	983.0	0.0868%	13,059.3	12,133.1	275.6	650.6	56.1	(9,147.9)
1989	3,496.6	1,885.0	0.0	1,611.6	0.0816%	4,352.2	3,811.3	219.9	321.0	5.6	(850.0)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0825%	7,588.4	6,298.3	223.9	1,066.2	0	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	0	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0787%	2,963.7	2,827.7	180.3	(44.3)	0	296.4
1985	3,385.5	1,433.5	0.0	1,952.0	0.0815%	1,957.9	1,569.0	179.2	209.7	0	1,427.6
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	0	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	0	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	0	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	0	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	0	1,226.8

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2008 *(continued)*

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assess-ment Income	Assess-ment Credits	Invest-ment and Other Sources	Effective Assess-ment Rate[1]	Total	Provision for Losses	Admin. and Oper. Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolu-tion Fund	Net Income (Loss)
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	0	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	0	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	0	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4[4]	3.9	0	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	0	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	0	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	0	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	59.7	10.1	49.6	6.0[5]	0	407.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	0	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	0	147.3
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	0	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	0	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	0	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	0	77.0

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2008 *(continued)*

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assess-ment Income	Assess-ment Credits	Invest-ment and Other Sources	Effective Assess-ment Rate[1]	Total	Provision for Losses	Admin. and Oper. Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolu-tion Fund	Net Income (Loss)
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[6]	0.0	0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	0.0	0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	0.0	0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	0.0	0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	0.0	0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	0.0	0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	0.0	0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	0.0	0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	0.0	0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	0.0	0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	0.0	0	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	0.0	0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	0.0	0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	0.0	0	9.5
1933-34	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	0	(3.0)

1 *Figures represent only BIF insured institutions prior to 1990, BIF and SAIF insured institutions from 1990 through 2005, and DIF insured institutions beginning in 2006. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. The effective assessment rate is calculated from annual assessment income (net of assessment credits) excluding transfers to the Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and the FSLIC Resolution Fund, divided by the four quarter average assessment base. The effective rates from 1950 through 1984 varied from the statutory rate of 0.0833 percent due to assessment credits provided in those years. The statutory rate increased to 0.12 percent in 1990 and to a minimum of 0.15 percent in 1991. The effective rates in 1991 and 1992 varied because the FDIC exercised new authority to increase assessments above the statutory minimum rate when needed. Beginning in 1993, the effective rate was based on a risk-related premium system under which institutions paid assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25 percent. As a result, BIF assessment rates were reduced to a range of 0.04 percent to 0.31 percent of assessable deposits, effective June 1995, and assessments totaling $1.5 billion were refunded in September 1995. Assessment rates for BIF were lowered again to a range of 0 to 0.27 percent of assessable deposits, effective the start of 1996. In 1996, the SAIF collected a one-time special assessment of $4.5 billion. Subsequently, assessment rates for SAIF were lowered to the same range as BIF, effective October 1996. This range of rates remained unchanged for both funds through 2006. As part of the implementation of the Federal Deposit Insurance Reform Act of 2005, assessment rates were increased to a range of 0.05 percent to 0.43 percent of assessable deposits effective at the start of 2007, but many institutions received a one-time assessment credit ($4.7 billion in total) to offset the new assessments.*

2 *These expenses, which are presented as operating expenses in the Statements of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and do not include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Bank Resolutions, net" line on the Balance Sheets. The narrative and graph presented in the "Corporate Planning and Budget" section of this report (next page) show the aggregate (corporate and receivership) expenditures of the FDIC.*

3 *Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.*

4 *Includes $105.6 million net loss on government securities.*

5 *This amount represents interest and other insurance expenses from 1933 to 1972.*

6 *Includes the aggregate amount of $80.6 million of interest paid on capital stock between 1933 and 1948.*

NUMBER, ASSETS, DEPOSITS, LOSSES, AND LOSS TO FUNDS OF INSURED THRIFTS TAKEN OVER OR CLOSED BECAUSE OF FINANCIAL DIFFICULTIES, 1989 THROUGH 1995[1]

Dollars in Thousands

Year	Total	Assets	Deposits	Estimated Receivership Loss[2]	Loss to Funds[3]
Total	747	$393,986,274	$317,499,876	$75,315,668	$81,580,421
1995	2	423,819	414,692	28,192	27,750
1994	2	136,815	127,508	11,472	14,599
1993	9	6,147,962	4,881,461	267,595	65,212
1992	59	44,196,946	34,773,224	3,234,947	3,780,184
1991	144	78,898,704	65,173,122	8,624,447	9,122,686
1990	213	129,662,398	98,963,960	16,063,923	19,258,817
1989[4]	318	134,519,630	113,165,909	47,085,092	49,311,173

1 *Beginning in 1989 through July 1, 1995, all thrift closings were the responsibility of the Resolution Trust Corporation (RTC). Since the RTC was terminated on December 31, 1995, and all assets and liabilities transferred to the FSLIC Resolution Fund (FRF), all the results of the thrift closing activity from 1989 through 1995 are now reflected on FRF's books. Year is the year of failure, not the year of resolution.*

2 *The estimated losses represent the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF and unpaid advances to receiverships from the FRF.*

3 *The Loss to Funds represents the total resolution cost of the failed thrifts in the FRF-RTC fund, which includes corporate revenue and expense items such as interest expense on Federal Financing Bank debt, interest expense on escrowed funds, and interest revenue on advances to receiverships, in addition to the estimated losses for receiverships.*

4 *Total for 1989 excludes nine failures of the former FSLIC.*

FDIC- INSURED INSTITUTIONS CLOSED DURING 2008

Dollars in Thousands

Name and Location	Bank Class	No. of Deposit Accounts	Total Assets[2]	Total Deposits[2]	FDIC Disburse-ments[3]	Estimated Loss[1]	Date of Closing or Acquisition	Receiver/Assuming Bank and Location
Purchase and Assumption – Insured Deposits								
Hume Bank, Hume, MO	NM	1,330	$18,682	$13,566	$13,794	$4,324	03/07/08	Security Bank, Rich Hill, MO
ANB Financial Bentonville, AR	N	20,904	$1,895,545	$1,815,691	$1,745,038	$819,436	05/09/08	Pulaski Bank and Trust Company, Little Rock, AR
IndyMac Bank, FSB, Pasadena, CA	SA	281,930	$30,698,512	$18,941,727	$15,314,602	$10,724,595	07/11/08	Federal Deposit Insurance Corporation
First Priority Bank, Bradenton, FL	NM	6,326	$258,610	$226,698	$201,988	$81,196	08/01/08	SunTrust Bank, Atlanta, GA
The Columbian Bank and Trust Company, Topeka, KS	NM	10,273	$735,071	$620,354	$586,285	$232,127	08/22/08	Citizens Bank, and Trust, Chillicothe, MO
Silver State Bank, Henderson, NV	NM	20,014	$1,957,120	$1,733,091	$1,460,245	$553,095	09/05/08	Nevada State Bank, Las Vegas, NV
Alpha Bank & Trust, Alpharetta, GA	NM	7,589	$354,090	$344,231	$331,163	$159,914	10/24/08	Sterns Bank, National Association, St. Cloud, MN
First Georgia Community Bank, Jackson, GA	SM	9,051	$256,371	$215,287	$187,065	$52,015	12/05/08	United Bank, Zebulon, GA
Sanderson State Bank, Sanderson, TX	NM	855	$38,217	$32,012	$27,225	$9,646	12/12/08	The Pecos County State Bank, Fort Stockton, TX
Haven Trust Bank, Duluth, GA	NM	10,041	$559,551	$489,692	$506,700	$207,957	12/12/08	Branch Bankings & Trust, Winston-Salem, NC
Whole Bank Purchase and Assumption – All Deposits								
Douglass National Bank, Kansas City, MO	N	4,904	$52,824	$50,250	$10,400	$6,544	01/25/08	Liberty Bank and Trust Company, New Orleans, LA
First Integrity Bank, Staples, MN	N	5,372	$52,916	$50,178	$49,710	$10,108	05/30/08	First International Bank and Trust, Watford City, ND
Washington Mutual Bank, Henderson, NV	SA	20,933,279	$307,021,614	$188,260,793	$0	$0	09/25/08	JPMorgan Chase
Downey Savings & Loan Assoc., Newport Beach, CA	SA	605,841	$12,779,371	$9,653,169	$0	$1,374,607	11/21/08	U.S. Bank, National Association, Minneapolis, MN
PFF Bank & Trust, Pomona, CA	SA	143,421	$3,715,433	$2,393,845	$0	$729,561	11/21/08	U.S. Bank, National Association, Minneapolis, MN

FDIC-INSURED INSTITUTIONS CLOSED DURING 2008 *(continued)*

Dollars in Thousands

Name and Location	Bank Class	No. of Deposit Accounts	Total Assets[2]	Total Deposits[2]	FDIC Disburse-ments[3]	Estimated Loss[1]	Date of Closing or Acquisition	Receiver/Assuming Bank and Location
Purchase and Assumption – All Deposits								
First National Bank of Nevada, Reno, NV	N	81,758	$3,411,145	$3,038,053	$2,806,600	$706,119	07/25/08	Mutual of Omaha Bank, Omaha, NE
First Heritage Bank, Newport Beach, CA	N	4,572	$255,376	$234,812	$256,700	$33,125	07/25/08	Mutual of Omaha Bank, Omaha, NE
Integrity Bank, Alpharetta, GA	NM	22,767	$1,107,514	$962,456	$933,932	$210,779	08/29/08	Regions Bank, Birmingham, AL
Ameribank, Inc., Northfork, WV	SA	13,052	$103,965	$100,901	$90,789	$33,413	09/19/08	Pioneer Community Bank, Inc., Iaeger, WV
								The Citizens Savings Bank, Martins Ferry, OH
Meridian Bank, Eldred, IL	NM	4,252	$38,223	$36,090	$36,100	$14,482	10/10/08	National Bank, Hillsboro, IL
Main Street Bank, Northville, MI	NM	2,395	$112,368	$98,934	$85,686	$32,058	10/10/08	Monroe Bank & Trust, Monroe, MI
Freedom Bank, Bradenton, FL	NM	6,698	$270,842	$256,793	$256,618	$92,853	10/31/08	Fifth Third Bank, Grand Rapids, MI
Security Pacific Bank, Los Angeles, CA	NM	5,417	$527,959	$456,472	$478,800	$175,478	11/07/08	Pacific Western Bank, Los Angeles, CA
Franklin Bank, SSB, Houston, TX	SB	111,394	$5,089,260	$3,692,887	$4,288,427	$1,361,570	11/07/08	Prosperity Bank, El Campo, TX
The Community Bank, Loganville, GA	NM	13,391	$634,901	$603,733	$619,550	$247,275	11/21/08	Bank of Essex, Tappahannock, VA

Codes for Bank Class:
- NM = State-chartered bank that is not a member of the Federal Reserve System
- N = National Bank
- SB = Savings Bank
- SM = State-chartered bank that is a member of the Federal Reserve System
- SA = Savings Association

1 *Estimated losses are as of 12/31/08. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries.*

2 *Total Assets and Total Deposits data are based upon the last Call Report filed by the institution prior to failure.*

3 *Represents corporate cash disbursements.*

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934-2008

BANK AND THRIFT FAILURES[3]

Dollars in Thousands

Year[1]	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
	2,120	**$617,286,408**	**$437,381,931**	**$299,321,807**	**$241,801,868**	**$6,507,981**	**$51,011,958**
2008	25	371,945,480	234,321,715	194,052,076	170,329,549	5,850,250	17,872,277
2007	3	2,614,928	2,424,187	1,909,549	1,315,770	399,758	194,021
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	4	170,099	156,733	138,895	134,978	0	3,917
2003	3	947,317	901,978	883,772	812,933	8,189	62,650
2002	11	2,872,720	2,512,834	2,068,519	1,628,771	70,338	369,410
2001	4	1,821,760	1,661,214	1,605,147	1,113,270	159,823	332,054
2000	7	410,160	342,584	297,313	265,175	0	32,138
1999	8	1,592,189	1,320,573	1,307,045	685,154	6,641	615,250
1998	3	290,238	260,675	286,678	52,248	9,134	225,296
1997	1	27,923	27,511	25,546	20,520	0	5,026
1996	6	232,634	230,390	201,533	140,918	0	60,615
1995	6	802,124	776,387	609,043	524,571	0	84,472
1994	13	1,463,874	1,397,018	1,224,769	1,045,718	0	179,051
1993	41	3,828,939	3,509,341	3,841,658	3,209,012	0	632,646
1992	120	45,357,237	39,921,310	14,173,886	10,499,873	0	3,674,013
1991	124	64,556,512	52,972,034	21,190,376	15,194,417	3,848	5,992,111
1990	168	16,923,462	15,124,454	10,812,484	8,041,033	0	2,771,451
1989	206	28,930,572	24,152,468	11,443,281	5,247,995	0	6,195,286
1988	200	38,402,475	26,524,014	10,432,655	5,055,157	0	5,377,498
1987	184	6,928,889	6,599,180	4,876,994	3,014,502	0	1,862,492
1986	138	7,356,544	6,638,903	4,632,121	2,949,583	0	1,682,538
1985	116	3,090,897	2,889,801	2,154,955	1,506,776	0	648,179
1984	78	2,962,179	2,665,797	2,165,036	1,641,157	0	523,879
1983	44	3,580,132	2,832,184	3,042,392	1,973,037	0	1,069,355
1982	32	1,213,316	1,056,483	545,612	419,825	0	125,787
1981	7	108,749	100,154	114,944	105,956	0	8,988
1980	10	239,316	219,890	152,355	121,675	0	30,680
1934 - 1979	558	8,615,743	5,842,119	5,133,173	4,752,295	0	380,878

RECOVERIES AND LOSSES BY THE DEPOSIT INSURANCE FUND ON DISBURSEMENTS FOR THE PROTECTION OF DEPOSITORS, 1934-2008 *(continued)*

ASSISTANCE TRANSACTIONS

Dollars in Thousands

Year[1]	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
	146	**$1,399,617,070**	**$351,855,135**	**$11,630,356**	**$6,199,875**	**$0**	**$5,430,481**
2008[2]	5	1,306,041,994	280,806,966	0	0	0	0
2007	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1995	0	0	0	0	0	0	0
1994	0	0	0	0	0	0	0
1993	0	0	0	0	0	0	0
1992	2	33,831	33,117	1,486	1,236	0	250
1991	3	78,524	75,720	6,117	3,093	0	3,024
1990	1	14,206	14,628	4,935	2,597	0	2,338
1989	1	4,438	6,396	2,548	252	0	2,296
1988	80	15,493,939	11,793,702	1,730,351	189,709	0	1,540,642
1987	19	2,478,124	2,275,642	160,877	713	0	160,164
1986	7	712,558	585,248	158,848	65,669	0	93,179
1985	4	5,886,381	5,580,359	765,732	406,676	0	359,056
1984	2	40,470,332	29,088,247	5,531,179	4,414,904	0	1,116,275
1983	4	3,611,549	3,011,406	764,690	427,007	0	337,683
1982	10	10,509,286	9,118,382	1,729,538	686,754	0	1,042,784
1981	3	4,838,612	3,914,268	774,055	1,265	0	772,790
1980	1	7,953,042	5,001,755	0	0	0	0
1934 - 1979	4	1,490,254	549,299	0	0	0	0

1 For 1990 through 2005, amounts represent the sum of BIF and SAIF failures (excluding those handled by the RTC); prior to 1990, figures are only for BIF. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. For 2006 to 2008, figures are for DIF. Assets and deposit data are based on the last call or TFR Report filed before failure.

2 Includes institutions where assistance was provided under a systemic risk determination. Any costs that exceed the amounts estimated under the least cost resolution requirement would be recovered through a special assessment on all FDIC-insured institutions.

3 Institutions closed by the FDIC, including deposit payoff, insured deposit transfer, and deposit assumption cases.

FDIC ACTIONS ON FINANCIAL INSTITUTIONS APPLICATIONS 2006 – 2008

	2008	2007	2006
Deposit Insurance	123	215	142
Approved	123	215	142
Denied	0	0	0
New Branches	1,012	1,480	1,257
Approved	1,012	1,480	1,257
Denied	0	0	0
Mergers	275	306	229
Approved	275	306	229
Denied	0	0	0
Requests for Consent to Serve[1]	283	177	138
Approved	283	177	138
Section 19	8	24	11
Section 32	275	153	127
Denied	0	0	0
Section 19	0	0	0
Section 32	0	0	0
Notices of Change in Control	28	17	3
Letters of Intent Not to Disapprove	28	15	2
Disapproved	0	2	1
Broker Deposit Waivers	38	22	26
Approved	38	22	26
Denied	0	0	0
Savings Association Activities[2]	45	54	33
Approved	45	54	33
Denied	0	0	0
State Bank Activities/Investments[3]	11	21	14
Approved	11	21	14
Denied	0	0	0
Conversion of Mutual Institutions	10	10	9
Non-Objection	10	10	9
Objection	0	0	0

1 Under Section 19 of the Federal Deposit Insurance (FDI) Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state non-member bank that is not in compliance with capital requirements or is otherwise in troubled condition.

2 Amendments to Part 303 of the FDIC Rules and Regulations changed FDIC oversight responsibility in October 1998. In 1998, Part 303 changed the Delegations of Authority to act upon applications.

3 Section 24 of the FDI Act, in general, precludes a federally-insured state bank from engaging in an activity not permissible for a national bank and requires notices to be filed with the FDIC.

COMPLIANCE, ENFORCEMENT AND OTHER RELATED LEGAL ACTIONS 2006-2008

	2008	2007	2006
Total Number of Actions Initiated by the FDIC	273	205	244
Termination of Insurance			
Involuntary Termination			
Sec. 8a For Violations, Unsafe/Unsound Practices or Conditions	0	0	0
Voluntary Termination			
Sec. 8a By Order Upon Request	1	0	1
Sec. 8p No Deposits	2	2	2
Sec. 8q Deposits Assumed	1	4	3
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued*	21	3	0
Consent Orders	97	48	29
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	4	1	3
Consent Orders	62	40	89
Sec. 8g Suspension/Removal When Charged With Crime	0	0	0
Civil Money Penalties Issued			
Sec. 7a Call Report Penalties	0	0	0
Sec. 8i Civil Money Penalties	98	96	93
Sec. 10c Orders of Investigation	2	7	17
Sec. 19 Denials of Service After Criminal Conviction	0	0	0
Sec. 32 Notices Disapproving Officer/Director's Request for Review	0	0	0
Truth-in-Lending Act Reimbursement Actions			
Denials of Requests for Relief	1	0	0
Grants of Relief	0	0	2
Banks Making Reimbursement*	94	91	110
Suspicious Activity Reports (Open and closed institutions)*	133,153	137,548	119,384
Other Actions Not Listed**	5	7	5

* These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

** Other Actions Not Listed includes two Section 19 Waiver grants and three Other Formal Actions.

B. More About the FDIC

FDIC Board of Directors

Martin J. Gruenberg, Sheila C. Bair, Chairman (seated), John C. Dugan, Thomas J. Curry, and John M. Reich (standing, left to right)

Sheila C. Bair

Sheila C. Bair was sworn in as the 19th Chairman of the Federal Deposit Insurance Corporation (FDIC) on June 26, 2006. She was appointed Chairman for a five-year term, and as a member of the FDIC Board of Directors through July 2013.

Chairman Bair has an extensive background in banking and finance in a career that has taken her from Capitol Hill, to academia, to the highest levels of government. Before joining the FDIC in 2006, she was the Dean's Professor of Financial Regulatory Policy for the Isenberg School of Management at the University of Massachusetts-Amherst since 2002. While there, she also served on the FDIC's Advisory Committee on Banking Policy.

Other career experience includes serving as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury (2001 to 2002), Senior Vice President for Government Relations of the New York Stock Exchange (1995 to 2000), a Commissioner and Acting Chairman of the Commodity Futures Trading Commission (1991 to 1995), and Research Director, Deputy Counsel and Counsel to Senate Majority Leader Robert Dole (1981 to 1988).

As FDIC Chairman, Ms. Bair has presided over a tumultuous period in the nation's financial sector. Her innovations have transformed the agency with programs that provide temporary liquidity guarantees, increases in deposit insurance limits, and systematic loan modifications to troubled borrowers. Ms. Bair's work at the FDIC has also focused on consumer protection and economic inclusion. She has championed the creation of an Advisory Committee on Economic Inclusion, seminal research on small-dollar loan programs, and the formation of broad-based alliances in nine regional markets to bring underserved populations into the financial mainstream.

Since becoming FDIC Chairman, Ms. Bair has received a number of prestigious honors. Among them, in 2009 she was named one of Time Magazine's "Time 100" most influential people; awarded the John F. Kennedy Profile in Courage Award; and received the Hubert H. Humphrey Civil Rights Award. In 2008, Chairman Bair topped The Wall Street Journal's annual 50 "Women to Watch List." That same year, Forbes Magazine named Ms. Bair as the second most powerful woman in the world after Germany's Chancellor Angela Merkel.

Chairman Bair has also received several honors for her published work on financial issues, including her educational writings on money and finance for children, and for professional achievement. Among the honors she has received are: Distinguished Achievement Award, Association of Education Publishers (2005); Personal Service Feature of the Year, and Author of the Month Awards, *Highlights Magazine for Children* (2002, 2003 and 2004); and The Treasury Medal (2002). Her first children's book – *Rock, Brock and the Savings Shock*, was published in 2006 and her second, *Isabel's Car Wash*, in 2008.

Chairman Bair received a bachelor's degree from Kansas University and a J.D. from Kansas University School of Law. She is married to Scott P. Cooper and has two children.

Martin J. Gruenberg

Martin J. Gruenberg was sworn in as Vice Chairman of the FDIC Board of Directors on August 22, 2005. Upon the resignation of Chairman Donald Powell, he served as Acting Chairman from November 15, 2005, to June 26, 2006. On November 2, 2007, Mr. Gruenberg was named Chairman of the Executive Council and President of the International Association of Deposit Insurers (IADI).

Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D-MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. Mr. Gruenberg advised the Senator on issues of domestic and international financial regulation, monetary policy and trade. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992. Major legislation in which Mr. Gruenberg played an active role during his service on the Committee includes the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), the Gramm-Leach-Bliley Act, and the Sarbanes-Oxley Act of 2002.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Woodrow Wilson School of Public and International Affairs.

Thomas J. Curry

Thomas J. Curry took office on January 12, 2004, as a member of the Board of Directors of the Federal Deposit Insurance Corporation for a six-year term. Mr. Curry serves as Chairman of the FDIC's Assessment Appeals Committee and Case Review Committee.

Mr. Curry also serves as the Chairman of the NeighborWorks® America Board of Directors. NeighborWorks® America is a national nonprofit organization chartered by Congress to provide financial support, technical assistance, and training for community-based neighborhood revitalization efforts.

Further, Mr. Curry serves on the Board of Directors of the HOPE for Homeowners Program. The HOPE for Homeowners Program is a temporary Federal Housing Administration mortgage insurance program created by the Housing and Economic Recovery Act of 2008.

Prior to joining the FDIC's Board of Directors, Mr. Curry served five Massachusetts Governors as the Commonwealth's Commissioner of Banks from 1990 to 1991 and from 1995 to 2003. He served as Acting Commissioner from February 1994 to June 1995. He previously served as First Deputy Commissioner and Assistant General Counsel within the Massachusetts Division of Banks. He entered state government in 1982 as an attorney with the Massachusetts Secretary of State's Office.

Director Curry served as the Chairman of the Conference of State Bank Supervisors from 2000 to 2001. He served two terms on the State Liaison Committee of the Federal Financial Institutions Examination Council, including a term as Committee chairman.

He is a graduate of Manhattan College (summa cum laude), where he was elected to Phi Beta Kappa. He received his law degree from the New England School of Law.

John C. Dugan

John C. Dugan was sworn in as the 29th Comptroller of the Currency on August 4, 2005. In addition to serving as a director of the FDIC, Comptroller Dugan also serves as chairman of the Joint Forum, a group of senior financial sector regulators from the United States, Canada, Europe, Japan, and Australia, and as a director of the Federal Financial Institutions Examination Council and NeighborWorks® America.

Prior to his appointment as Comptroller, Mr. Dugan was a partner at the law firm of Covington & Burling, where he chaired the firm's Financial Institutions Group. He specialized in banking and financial institution regulation. He also served as outside counsel to the ABA Securities Association.

He served at the Department of Treasury from 1989 to 1993 and was appointed assistant secretary for domestic finance in 1992. In 1991, he oversaw a comprehensive study of the banking industry that formed the basis for the financial modernization legislation proposed by the administration of the first President Bush. From 1985 to 1989, Mr. Dugan was minority counsel and minority general counsel for the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

Among his professional and volunteer activities before becoming Comptroller, he served as a director of Minbanc, a charitable organization whose mission is to enhance professional and educational opportunities for minorities in the banking industry. He was also a member of the American Bar Association's committee on banking law, the Federal Bar Association's section of financial institutions and the economy, and the District of Columbia Bar Association's section of corporations, finance, and securities laws.

A graduate of the University of Michigan in 1977 with an A.B. in English literature, Mr. Dugan also earned his J.D. from Harvard Law School in 1981.

John M. Reich

John M. Reich was sworn in August 9, 2005, as Director of the Office of Thrift Supervision (OTS). The President nominated Mr. Reich to be OTS Director on June 7, 2005, and the Senate confirmed his nomination on July 29, 2005. In this capacity, Mr. Reich also served as a member of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) until his retirement on February 27, 2009.

Prior to joining OTS, Mr. Reich served as Vice Chairman of the Board of Directors of the FDIC since November 2002. He has been a member of the FDIC Board since January 2001. He also served as Acting Chairman of the FDIC from July to August 2001.

Prior to coming to Washington, DC, Mr. Reich spent 23 years as a community banker in Illinois and Florida, including ten years as President and CEO of the National Bank of Sarasota, in Sarasota, Florida.

Mr. Reich also served 12 years on the staff of U.S. Senator Connie Mack (R-FL), before joining the FDIC. From 1998 through 2000, he was Senator Mack's Chief of Staff, directing and overseeing all of the Senator's offices and committee activities, including those at the Senate Banking Committee.

Mr. Reich's community service includes serving as Chairman of the Board of Trustees of a public hospital facility in Ft. Myers, FL, and Chairman of the Board of Directors of the Sarasota Family YMCA. He has also served as a Board member for a number of civic organizations, and was active for many years in youth baseball programs.

Mr. Reich holds a B.S. degree from Southern Illinois University and an M.B.A. from the University of South Florida. He is also a graduate of Louisiana State University's School of Banking of the South.

FDIC Organization Chart/Officials

as of December 31, 2008

Board of Directors
Sheila C. Bair
Martin J. Gruenberg
Thomas J. Curry
John C. Dugan
John M. Reich

Office of the Chairman
Sheila C. Bair
Chairman

Vice Chairman
Martin J. Gruenberg

Office of Inspector General
Jon T. Rymer
Inspector General

Chief Information Officer and Chief Privacy Officer
Michael E. Bartell

Chief of Staff
Jesse O. Villarreal, Jr.

Office of Public Affairs
Andrew Gray
Director

Deputy to the Chairman and Chief Financial Officer
Steven O. App

Deputy to the Chairman and Chief Operating Officer
John F. Bovenzi

Deputy to the Chairman
Jason C. Cave

General Counsel
John V. Thomas
Acting General Counsel

Division of Finance
Bret D. Edwards
Director

Office of Enterprise Risk Management
James H. Angel, Jr.
Director

Division of Supervision and Consumer Protection
Sandra L. Thompson
Director

Division of Insurance and Research
Arthur J. Murton
Director

Division of Information Technology
Michael E. Bartell
Director

Division of Resolutions and Receiverships
Mitchell L. Glassman
Director

Office of Diversity and Economic Opportunity
D. Michael Collins
Director

Division of Administration
Arleas Upton Kea
Director

Office of the Ombudsman
Cottrell L. Webster
Ombudsman

Corporate University
Thom H. Terwilliger
Chief Learning Officer

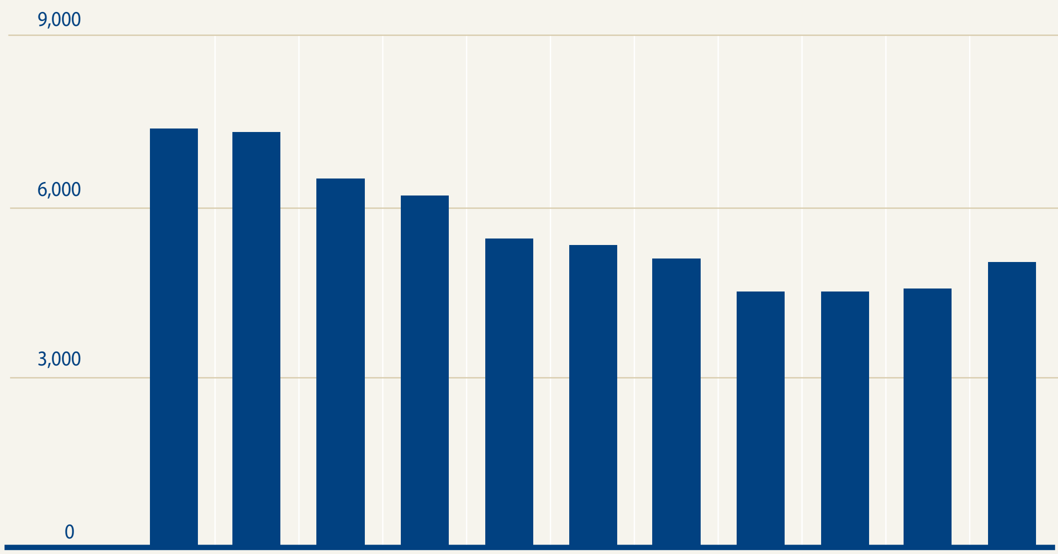
Office of International Affairs
Fred S. Carns
Director

Office of Legislative Affairs
Eric J. Spitler
Director

Legal Division
John V. Thomas
Acting General Counsel

Corporate Staffing

STAFFING TRENDS 1998-2008



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
FDIC Staff	**7,359**	**7,266**	**6,452**	**6,167**	**5,430**	**5,311**	**5,078**	**4,514**	**4,476**	**4,532**	**4,988**

** 2008 staffing totals reflect year-end full time equivalents, prior year totals reflect year-end on-board head counts.*

NUMBER OF EMPLOYEES OF THE FDIC BY DIVISION/OFFICE 2007-2008 (YEAR-END)

	TOTAL			WASHINGTON			REGIONAL/FIELD		
	2008 FTEs[2]	2008 Staffing	2007 Staffing	2008 FTEs[2]	2008 Staffing	2007 Staffing	2008 FTEs[2]	2008 Staffing	2007 Staffing
Division of Supervision and Consumer Protection	2,733	2,770	2,557	207	207	183	2,526	2,563	2,374
Legal Division	472	475	398	275	276	252	197	199	146
Division of Resolutions and Receiverships	391	391	218	60	60	56	331	331	162
Division of Administration	316	317	310	209	210	208	107	107	102
Division of Information Technology	283	284	276	221	222	213	62	62	63
Corporate University	240	240	214	47	47	52	193	193	162
Division of Insurance and Research	182	184	177	145	147	145	36	37	32
Division of Finance	159	160	167	148	149	155	11	11	12
Office of Inspector General	111	111	114	81	81	81	30	30	33
Executive Offices[1]	48	48	46	48	48	46	0	0	0
Office of Diversity and Economic Opportunity	31	31	31	31	31	31	0	0	0
Office of Enterprise Risk Management	12	12	12	12	12	12	0	0	0
Office of the Ombudsman	11	11	12	8	8	12	3	3	0
Total	**4,988**	**5,034**	**4,532**	**1,493**	**1,498**	**1,446**	**3,496**	**3,536**	**3,086**

[1] Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Legislative Affairs, Public Affairs and International Affairs.

[2] FTEs are based on the work schedules of on-board employees at year-end. Totals may not foot due to rounding.

Sources of Information

Home Page on the Internet

www.fdic.gov

A wide range of banking, consumer and financial information is available on the FDIC's Internet home page. This includes the FDIC's Electronic Deposit Insurance Estimator (EDIE), which estimates an individual's deposit insurance coverage; the Institution Directory – financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports – banks' reports of condition and income; and *Money Smart*, a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC Call Center

Phone: 877-275-3342 (877-ASK FDIC)
703-562-2222
Hearing Impaired: 800-925-4618

The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public and FDIC employees. The Call Center directly, or in concert with other FDIC subject-matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also makes referrals to other federal and state agencies as needed. Hours of operation are 7:00 a.m. to 8:00 p.m., Eastern Time Monday – Friday; 8:00 a.m. to 8:00 p.m., Saturday - Sunday. Information is also available in Spanish. Recorded information about deposit insurance and other topics is available 24 hours a day at the same telephone number.

Public Information Center

3501 Fairfax Drive
Room E-1005
Arlington, VA 22226

Phone: 877-275-3342 (877-ASK FDIC), or
703-562-2200
Fax: 703-562-2296
E-mail: publicinfo@fdic.gov

FDIC publications, press releases, speeches and congressional testimony, directives to financial institutions, policy manuals and other documents are available on request or by subscription through the Public Information Center. These documents include the *Quarterly Banking Profile*, *FDIC Consumer News* and a variety of deposit insurance and consumer pamphlets.

Office of the Ombudsman

3501 Fairfax Drive
Room E-2022
Arlington, VA 22226

Phone: 877-275-3342 (877-ASK FDIC)
Fax: 703-562-6057
E-mail: ombudsman@fdic.gov

The Office of the Ombudsman (OO) is an independent, neutral and confidential resource and liaison for the banking industry and the general public. The OO responds to inquiries about the FDIC in a fair, impartial and timely manner. It researches questions and complaints primarily from bankers. The OO also recommends ways to improve FDIC operations, regulations and customer service.

Regional and Area Offices

ATLANTA REGIONAL OFFICE

10 Tenth Street, NE
Suite 800
Atlanta, GA 30309

678-916-2200

- ★ *Alabama*
- ★ *Florida*
- ★ *Georgia*
- ★ *North Carolina*
- ★ *South Carolina*
- ★ *Virginia*
- ★ *West Virginia*

KANSAS CITY REGIONAL OFFICE

2345 Grand Boulevard
Suite 1200
Kansas City, MO 64108

816-234-8000

- ★ *Iowa*
- ★ *Kansas*
- ★ *Minnesota*
- ★ *Missouri*
- ★ *Nebraska*
- ★ *North Dakota*
- ★ *South Dakota*

DALLAS REGIONAL OFFICE

1601 Bryan Street
Dallas, TX 75201

214-754-0098

- ★ *Colorado*
- ★ *New Mexico*
- ★ *Oklahoma*
- ★ *Texas*

MEMPHIS AREA OFFICE

5100 Poplar Avenue
Suite 1900
Memphis, TN 38137

901-685-1603

- ★ *Arkansas*
- ★ *Louisiana*
- ★ *Mississippi*
- ★ *Tennessee*

SAN FRANCISCO REGIONAL OFFICE

25 Jesse Street at Ecker Square
Suite 2300
San Francisco, CA 94105

415-546-0160

- ★ *Alaska*
- ★ *Arizona*
- ★ *California*
- ★ *Guam*
- ★ *Hawaii*
- ★ *Idaho*
- ★ *Montana*
- ★ *Nevada*
- ★ *Oregon*
- ★ *Utah*
- ★ *Washington*
- ★ *Wyoming*

Regional and Area Offices *(continued)*

CHICAGO REGIONAL OFFICE

500 West Monroe Street
Suite 3500
Chicago, IL 60661

312-382-6000

- ★ *Illinois*
- ★ *Indiana*
- ★ *Kentucky*
- ★ *Michigan*
- ★ *Ohio*
- ★ *Wisconsin*

NEW YORK REGIONAL OFFICE

20 Exchange Place
4th Floor
New York, NY 10005

917-320-2500

- ★ *Delaware*
- ★ *District of Columbia*
- ★ *Maryland*
- ★ *New Jersey*
- ★ *New York*
- ★ *Pennsylvania*
- ★ *Puerto Rico*
- ★ *Virgin Islands*

BOSTON AREA OFFICE

15 Braintree Hill Office Park
Suite 100
Braintree, MS 02184

781-794-5500

- ★ *Connecticut*
- ★ *Maine*
- ★ *Massachusetts*
- ★ *New Hampshire*
- ★ *Rhode Island*
- ★ *Vermont*

C. Office of Inspector General's Assessment of the Management and Performance Challenges Facing the FDIC

2009 Management and Performance Challenges

Unprecedented events and turmoil in the economy and financial services industry have impacted every facet of the FDIC's mission and operations. In looking at the current environment and anticipating to the extent possible what the future holds, the Office of Inspector General (OIG) believes the FDIC faces challenges in the areas listed below. We would also point out that the Administration and the Congress continue to broadly consider a number of new programs to restore stability in the financial system and strengthen the economy. If the FDIC were to be made responsible for any or certain aspects of such programs, it could also be faced with a set of corresponding new challenges. While the Corporation's most pressing priority may be on efforts to restore and maintain public confidence and stability, as outlined below, challenges will persist in the other areas described as the Corporation carries out its mounting resolution and receivership workload, meets its deposit insurance responsibilities, continues its supervision of financial institutions, protects consumers, and manages its internal workforce and other corporate resources in the months ahead. The Corporation will face daunting challenges as it carries out its longstanding mission, responds to new demands, and plays a key part in shaping the future of bank regulation.

Restoring and Maintaining Public Confidence and Stability in the Financial System

The FDIC is participating with other regulators, the Congress, banks, and other stakeholders in multiple new and changing initiatives, each with its unique challenges and risks, to address current crises. The initiatives have been formed in response to crisis conditions, are very large in scale, and the FDIC's corresponding governance and supervisory controls, in many cases, are still under development. Among the initiatives are the following:

- Temporarily increasing basic deposit insurance coverage limits from $100,000 to $250,000 per depositor through December 31, 2009. There is also a possibility of making this increase permanent to help restore public confidence and stability.
- Implementing the Temporary Liquidity Guarantee Program. Designed to free up funding for banks to make loans to creditworthy businesses and borrowers, this program is entirely funded by industry fees that totaled $3.4 billion as of year-end. This program (1) guarantees senior unsecured debt of insured depository institutions and most depository institution holding companies and (2) guarantees noninterest bearing transaction deposit accounts in excess of deposit insurance limits. The guarantees can go out as many as 3 years under the current program, and we understand that the Corporation has proposed the guarantees be extended to 10 years if they are collateralized by new loans. At the end of December 2008, $224 billion in FDIC-guaranteed debt was outstanding, and more than half a million deposit accounts received over $680 billion in additional FDIC coverage through the transaction account guarantee.
- Engaging in loan modification programs at IndyMac Federal Bank, for example, intended to achieve affordable and sustainable mortgage payments for borrowers and increase the value of distressed mortgages by rehabilitating them into performing loans. In the case of IndyMac, as of the end of 2008, the FDIC had sent approximately 30,000 proposals to borrowers and about 8,500 had accepted. Other institutions have agreed to implement loan modification programs as part of their financial stability agreements with the FDIC and other financial regulatory agencies.
- Processing applications for those FDIC-supervised institutions applying to the Department of the Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program (CPP). This program authorizes the Treasury to purchase up to $250 billion of senior preferred shares from qualifying insured depository institutions. As of January 15, 2009, the FDIC had received over 1,600 applications requesting nearly $34 billion in TARP funding.

- Participating with the other federal bank regulatory agencies in conducting stress testing and a capital program to ensure that the largest institutions have sufficient capital to perform their role in the financial system on an on-going basis and can support economic recovery, even in more severe economic environments.
- Participating in the government's plan to remove toxic assets from banks by creating investment partnerships with private investors.

With so many new initiatives now set in motion to restore confidence and stability, multiple and sometimes interrelated new risks will present themselves, and demands will likely be placed on FDIC systems, processes, policies, and human resources to successfully manage and carry out the initiatives and achieve intended results. In that connection, the FDIC needs to ensure that institutions themselves carefully track the use of funds made available through federal programs and provide appropriate information on the use of such funds to the FDIC, the Congress, and the public. Such efforts will require vigilant oversight and effective controls to ensure transparency, accountability, and successful outcomes. The Treasury Secretary's February 10, 2009, announcement of the Administration's Financial Stability Plan also suggests that, in the months ahead, the FDIC may be further involved in new activities to restart the flow of credit, strengthen the financial system, and provide aid for homeowners and small businesses.

Additionally, continuous coordination and cooperation with the other federal regulators and parties throughout the banking and financial services industries will be critical in the months ahead. Given recent attention on the financial regulatory system in the United States and its ability to keep pace with major developments and risks in financial markets and products, the FDIC, along with other regulators, will likely be subject to increased scrutiny and possible corresponding regulatory reform proposals that may have a substantial impact on the regulatory entities.

Resolving Failed Institutions

A key aspect of the FDIC mission is to plan and efficiently handle the resolutions of failing FDIC-insured institutions and to provide prompt, responsive, and efficient administration of failing and failed financial institutions in order to maintain confidence and stability in our financial system. The resolution process involves valuing a failing federally insured depository institution, marketing it, soliciting and accepting bids for the sale of the institution, considering the least costly resolution method, determining which bid to accept, and working with the acquiring institution through the closing process. The receivership process involves performing the closing function at the failed bank; liquidating any remaining assets; and distributing any proceeds to the FDIC, the bank customers, general creditors, and those with approved claims. Challenges include the following:

- Twenty-five financial institutions failed during 2008, with total assets at failure of $371.9 billion and total estimated losses to the Deposit Insurance Fund of approximately $17.9 billion.
- Large, complex failures and facilitated transactions, such as IndyMac Bank, F.S.B. (estimated $10.7 billion loss to the insurance fund) and Washington Mutual Bank ($307 billion in assets) are challenging to resolve.
- The FDIC's problem institution list grew—from 171 to 252 during the fourth quarter of 2008—and total assets of problem institutions increased from $115.6 billion to $159 billion, indicating a probability of more failures to come and an increased asset disposition workload.
- A reliable, accurate claims determination system is essential to resolving failures in the most cost-effective and least disruptive manner, and the Corporation is in the process of developing such a system.
- The Corporation needs to ensure that receivership and resolution processes, negotiations, and decisions made related to the future status of the failed or failing institutions are marked by fairness, transparency, and integrity.

- The FDIC is retaining large volumes of assets as part of purchase and assumption agreements with institutions that are assuming the insured deposits of failed institutions. The FDIC will be responsible for disposing of the assets over an extended period of time. The Division of Resolutions and Receiverships' assets in inventory totaled about $15 billion as of the end of 2008.
- Some FDIC-facilitated resolution and asset disposition agreements include loss-share provisions that involve pools of assets worth billions of dollars and extend up to 10 years. Citigroup, for example, involves $306 billion in loans and securities protected by loss-share provisions.

Ensuring the Viability of the Deposit Insurance Fund (DIF)

Federal deposit insurance remains at the core of the FDIC's commitment to maintain stability and public confidence in the Nation's financial system. A priority for the FDIC is to ensure that the DIF remains viable to protect insured depositors in the event of an institution's failure. To maintain sufficient DIF balances, the FDIC collects risk-based insurance premiums from insured institutions and invests deposit insurance funds. A number of important factors have affected and will continue to affect the solvency of the fund, as follows:

- A higher level of losses for actual and anticipated failures caused the DIF balance to decrease during the fourth quarter 2008 by $16 billion to $19 billion (unaudited) as of December 31, 2008.
- Communication and coordination with other federal regulators is vital to the FDIC as deposit insurer in its efforts to protect and administer the DIF.
- Off-site monitoring systems and processes must be effective and efficient to mitigate risks to the funds to the fullest extent possible.
- The FDIC relies to varying degrees on call report data for monitoring the financial institutions it insures, assessing premiums for insurance, determining guarantees it provides for deposits and debt, and processing institution applications under the TARP's CPP. The Corporation needs to ensure the reliability and accuracy of call report data reflecting an institution's financial condition in the interest of making good decisions associated with risk at institutions and preventing potential losses to the DIF.
- In February 2009, the FDIC Board took action to ensure the continued strength of the DIF by imposing a one-time emergency special assessment on institutions of 20 basis points—or 20 cents on every $100 of domestic deposits, to be paid on September 30, 2009. The Chairman subsequently considered lowering the assessment to 10 basis points, while seeking to expand the Corporation's line of credit with the Treasury Department from its current $30 billion. The Congress is considering a permanent increase to $100 billion, and authority for the FDIC to request a temporary increase up to $500 billion with required approval from the Federal Reserve, the Treasury Department, and the President. The Board also set assessment rates that generally increase the amount that institutions pay each quarter for insurance and made adjustments that improve how the assessment system differentiates for risk. The FDIC will need to carefully manage these changes to the assessment process.
- The Corporation adopted a restoration plan in October 2008 to increase the reserve ratio to the 1.15 percent threshold within 5 years. The ratio declined from 0.76 percent at September 30, 2008 to 0.40 percent at year-end. In February 2009, the Board invoked the "extenuating circumstances" provision in the Federal Deposit Insurance Act and voted to extend the restoration plan horizon to 7 years.
- The Corporation will be continuing to play a leadership role in its work with global partners on such matters as Basel II to ensure strong regulatory capital standards to protect the international financial system from problems that might arise when a major bank or series of banks fail.

Ensuring Institution Safety and Soundness Through an Effective Examination and Supervision Program

The Corporation's bank supervision program promotes the safety and soundness of FDIC-supervised insured depository institutions. As of December 31, 2008, the FDIC was the primary federal regulator for 5,116 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state non-member" institutions). The Department of the Treasury (the Office of the Comptroller of the Currency and the Office of Thrift Supervision) or the Federal Reserve

Board supervise other banks and thrifts, depending on the institution's charter.

The examination of the banks that it regulates is a core FDIC supervisory function. The Corporation also has back-up examination authority to protect the interests of the Deposit Insurance Fund for about 3,200 national banks, state-chartered banks that are members of the Federal Reserve System, and savings associations. In the current environment, efforts to continue to ensure safety and soundness and carry out the examination function will be challenging in a number of ways.

- ★ The Corporation needs to ensure it has sufficient resources to keep pace with its rigorous examination schedule and the needed expertise to address complex transactions and new financial instruments that may affect an institution's safety and soundness.
- ★ In light of the many and varied new programs that financial institutions may engage in, the FDIC's examination workforce will be reviewing and commenting on a number of new issues when they assign examination ratings—both in terms of risk management and compliance examinations. For example, they will need to analyze banks' compliance with TARP CPP securities purchase agreements, use of TARP funding, and use of capital subscriptions to promote lending to creditworthy borrowers and encourage foreclosure prevention efforts.
- ★ The FDIC's follow-up processes must be effective to ensure institutions are promptly complying with any supervisory enforcement actions resulting from the FDIC's risk-management examination process.
- ★ The FDIC must seek to minimize the extent to which the institutions it supervises are involved in or victims of financial crimes and other abuse. The rapid changes in the banking industry, increase in electronic and on-line banking, growing sophistication of fraud schemes, and the mere complexity of financial transactions and financial instruments all create potential risks at FDIC-insured institutions and their service providers. These risks could negatively impact the FDIC and the integrity of the U.S. financial system and contribute to institution failures if existing checks and balances falter or are intentionally bypassed. FDIC examiners need to be alert to the possibility of fraudulent activity in financial institutions, and make good use of reports, information, and other resources available to them to help detect such fraud.

Protecting and Educating Consumers and Ensuring an Effective Compliance Program

The FDIC's efforts to ensure that banks serve their communities and treat consumers fairly continue to be a priority. The FDIC carries out its role by educating consumers, providing them with access to information about their rights and disclosures that are required by federal laws and regulations, and examining the banks where the FDIC is the primary federal regulator to determine the institutions' compliance with laws and regulations governing consumer protection, fair lending, and community investment. It has challenging initiatives underway in these areas.

- ★ The FDIC's compliance program, including examinations, visitations, and follow-up supervisory attention on violations and other program deficiencies, is critical to ensuring that consumers and businesses obtain the benefits and protections afforded them by law.
- ★ The FDIC will continue to conduct Community Reinvestment Act (CRA) examinations in accordance with the CRA, a 1977 law intended to encourage insured banks and thrifts to help meet the credit needs of the communities in which they are chartered to do business, including low- and moderate-income neighborhoods, consistent with safe and sound operations.
- ★ As part of the FDIC's 75th anniversary year, the Corporation conducted a nationwide financial education program to promote the importance of personal savings and responsible financial management and launched a nationwide campaign to help consumers learn about the benefits and limitations of deposit insurance. It will continue such endeavors to disseminate updated information to all consumers, including the unbanked and underbanked, going forward. To protect consumer privacy, the FDIC also conducts periodic examinations to verify that institutions comply with laws designed to protect personal information. The FDIC evaluates the adequacy of financial institutions' programs for securing customer data and may pursue informal or formal supervisory action if it finds a deficiency.

Effectively Managing the FDIC Workforce and Other Corporate Resources

The FDIC must effectively manage and utilize a number of critical strategic resources in order to carry out its mission successfully, particularly its human, financial, information technology, and physical resources. The FDIC will face challenges as it carries out activities to promote sound governance and effective stewardship of its core business processes and resources.

- The FDIC continues work to ensure it has a sufficient, engaged, skilled, flexible workforce to handle its increased and changing workload. The Board approved an authorized FDIC staffing level of 6,269, reflecting an increase of 1,459 positions from the staffing level authorized at the beginning of 2008. These staff—mostly temporary—will perform bank examinations and other supervisory activities to address bank failures, including managing and selling assets retained by the FDIC when a failed bank is sold. The Board also approved opening a temporary West Coast Satellite Office for resolving failed financial institutions and managing the resulting receiverships. Rapidly hiring and training so many new staff along with expanded contracting activity will place heavy demands on the Corporation's human resources staff and operations.
- The FDIC's numerous enterprise risk management activities need to consistently identify, analyze, and mitigate operational risks on an integrated, corporate-wide basis. Such risks need to be communicated throughout the Corporation and the relationship between internal and external risks and related risk mitigation activities should be understood by all involved.
- With a new Administration and anticipated retirements in the executive ranks of the FDIC, Board make-up and composition of the FDIC's senior leadership team could be altered at a tumultuous time when significant policy, operational, and other issues warrant the high-level focus and attention of the Board members and reliance on the institutional and historical knowledge of senior FDIC management.
- The Deposit Insurance Fund totaled $19 billion at the end of the fourth quarter 2008, compared to $52 billion at year-end 2007. FDIC investment policies and controls must ensure that these funds be invested in accordance with applicable requirements and sound investment strategies.
- The Board approved a $2.24 billion 2009 Corporate Operating Budget, approximately $1.03 billion higher than for 2008. The FDIC's operating expenses are largely paid from the insurance fund, and consistent with sound corporate governance principles, the Corporation must continuously seek to be efficient and cost-conscious.
- Ensuring the integrity, availability, and appropriate confidentiality of bank data, personally identifiable information, and other sensitive information in an environment of increasingly sophisticated security threats and global connectivity can pose challenges. Protecting the information that the FDIC possesses in its supervisory, resolution, and receivership capacities requires a strong records management program, a correspondingly effective enterprise-wide information security program, and continued attention to ensuring physical security for all FDIC resources.
- The FDIC awarded approximately $500 million in contracts during 2008 as of September 30. Effective and efficient processes and related controls for identifying needed goods and services, acquiring them, and monitoring contractors after the contract award must be in place and operate well.
- With increased resolution and receivership workload, the level of FDIC contracting for activities such as property management and marketing, loan servicing, due diligence, subsidiary management, financial advisory services, and legal services will increase significantly, and effective controls must be in place and operational. According to the Division of Resolutions and Receiverships, as of October 1, 2008, it had awarded $225.9 million in contracts during 2008, compared to $37.9 million in 2007.

The FDIC OIG is committed to its mission of assisting and augmenting the FDIC's contribution to stability and public confidence in the nation's financial system. Now more than ever, we have a crucial role to play to help ensure economy, efficiency, effectiveness, integrity, and transparency of programs and associated activities, and to protect against fraud, waste, and abuse that can undermine the FDIC's success. Our management and performance challenges evaluation is based primarily on the FDIC operating environment as of the end of 2008, unless otherwise noted. We will continue to communicate and coordinate closely with the Corporation, the Congress, and other financial regulatory OIGs as we address these issues and challenges. Results of OIG work will be posted at **www.fdicig.gov**.

This page intentionally left blank.

2008

Federal Deposit Insurance Corporation

This **Annual Report** was produced by talented and dedicated staff. To these individuals, we would like to offer our sincere thanks and appreciation. Special recognition is given to the following individuals for their contributions.

- Jannie F. Eaddy
- Pearline Crosland
- Barbara Glasby
- Mia Jordan
- Robert Nolan
- Sam Collicchio
- Patricia Hughes

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

Federal Deposit Insurance Corporation

550 17th Street, NW

Washington, DC 20429-9990

FDIC ★ 003 ★ 2009