

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,

A handwritten signature in blue ink that reads "Steven O. App". The signature is written in a cursive style with a large initial 'S' and 'A'.

Steven O. App