PRESS RELEASE

Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

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FDIC Approves 2009 Operating Budget, Releases Third Quarter 2008 Results for the Deposit Insurance Fund

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) at an open board meeting today approved a $2.24 billion operating budget for next year. The Board also released financial reports for its Deposit Insurance Fund for the third quarter 2008.

The 2009 budget represents an increase of more than $1 billion from 2008. The cyclical nature of resolution activity requires the allocation of significant resources during heightened periods of activity. The increase in spending is largely attributable to continuing work associated with recent bank failures and the provision of contingency funding for the possible continuation of an elevated number of bank failures in 2009. Thus far, there have been 25 bank failures in 2008, compared to only 3 in 2007, and none from June 2004 through February 2007. This was the longest period in the agency's history without having to resolve a failed bank.

"The budget for 2009 provides the resources that are needed for the FDIC to continue to meet its mission, as it has done for the past 75 years. It is a prudent and measured response given the current banking environment," said FDIC Chairman Sheila C. Bair. "The American people rely on the FDIC to maintain the stability the banking system and to protect their deposits."

The Board also approved an authorized 2009 FDIC staffing level of 6,269, an increase of 1,459 positions from the staffing level authorized at the beginning of 2008. The additional staff, most of which is temporary, will be hired primarily to perform bank examinations and other bank supervisory activities and to address bank failures, including the management and sale of assets retained by the FDIC when a failed bank is sold. The staffing numbers include the recently announced 600 employees that will work out of the west coast consolidated satellite office, located in Irvine, California, and 520 employees in the Division of Supervision and Consumer Protection.

The FDIC also announced that in the third quarter, the Deposit Insurance Fund (DIF) decreased by 23.5 percent ($10.6 billion) to $34.6 billion (unaudited). The reduction in the DIF was primarily due to an $11.9 billion increase in loss provisions for bank failures, which represents the estimated losses for FDIC-insured institutions that are likely to fail over the next 12 months. Accrued assessment income increased the fund by $881 million. Interest earned, combined with realized and unrealized gains (losses) on securities, added $653 million to the insurance fund.

Operating and other expenses, net of other revenue, reduced the fund by $233 million. DIF's cash and investments declined for the year-to-date period by $17.4 billion to $33.4 billion, the decline is mainly attributed to cash outlays of $22.3 billion for the 13 resolutions occurring in the first nine months of 2008, offset by $1.3 billion in assessment collections, $2.1 billion in interest received on U.S. Treasury securities, and a $1.8 billion increase in realized and unrealized gain on available-for-sale (AFS) securities.

For the nine months ending September 30, 2008, Corporate Operating and Investment Budget related expenditures ran below budget by 4 percent ($32 million) and 14 percent ($3 million), respectively. The variance with respect to the Corporate Operating Budget expenditures was primarily the result of lower spending for contractual services in the Ongoing Operations component of the budget through the third quarter.