

II. Financial Highlights

In its role as deposit insurer of financial institutions, the FDIC promotes the safety and soundness of insured depository institutions (IDIs). The following financial highlights address the performance of the deposit insurance funds, and discuss the corporate operating budget and investment spending.

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 graphs on FDIC-Insured Deposits and Insurance Fund Reserve Ratios on the following page.)

For 2012, the DIF's comprehensive income totaled \$21.1 billion compared to comprehensive income of \$19.2

billion during 2011. This \$1.9 billion year-over-year increase was primarily due to a \$3.3 billion increase in revenue from excess Debt Guarantee Program (DGP) fees previously held as systemic risk deferred revenue, partially offset by a \$1.1 billion decrease in assessments and a \$191 million increase in the provision for insurance losses.

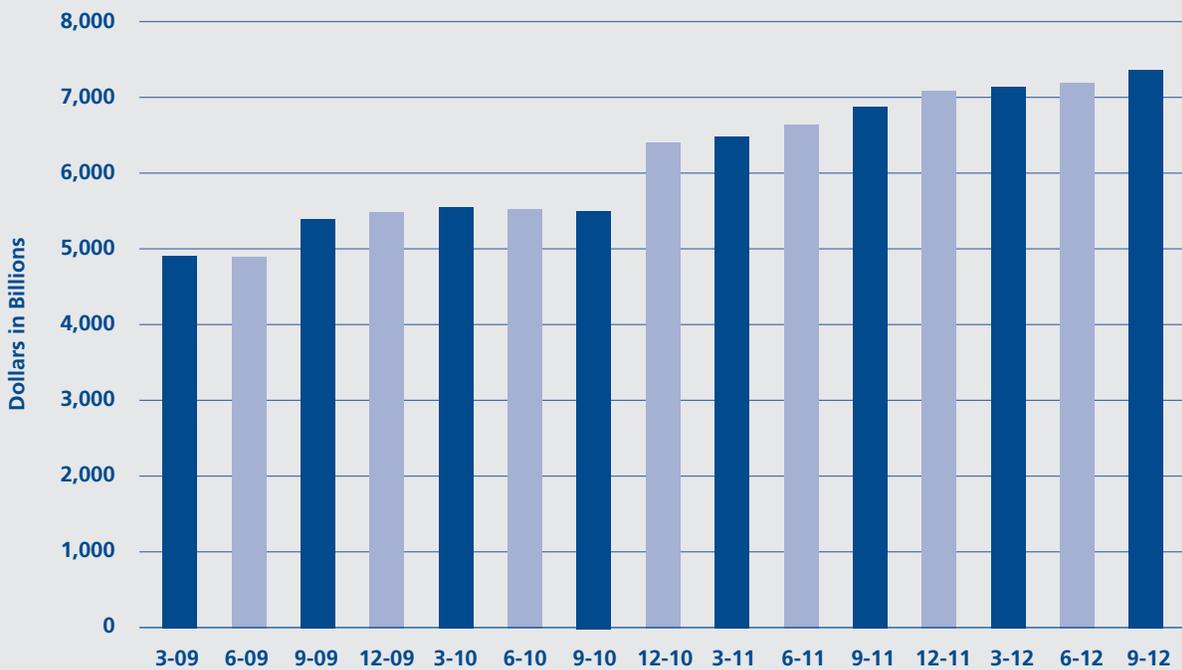
As the TLGP expired at year-end, the DIF recognized revenue of \$5.9 billion in 2012, representing the remaining deferred revenue not absorbed by the TLGP for losses. Through the end of the debt issuance period, the FDIC collected \$10.4 billion in fees and surcharges under the DGP. In addition, the FDIC collected Transaction Account Guarantee Program (TAG) fees of \$1.2 billion for unlimited coverage for noninterest-bearing transaction accounts held by IDIs on all deposit amounts exceeding the fully insured limit of \$250,000. Since inception of the program, the TLGP incurred estimated

losses of \$153 million and \$2.1 billion on DGP and TAG Program claims, respectively. Over the duration of the TLGP, \$8.5 billion in TLGP assets were transferred to the DIF. In addition, during 2009, surcharges of \$872 million were collected and deposited into the DIF.

Assessment revenue was \$12.4 billion for 2012. The decrease of \$1.1 billion, from \$13.5 billion in 2011, was primarily due to lower average assessment rates in 2012, resulting from improvement in the financial condition of the banking industry.

The provision for insurance losses was negative \$4.2 billion for 2012, compared to negative \$4.4 billion for 2011. The negative provision for 2012 primarily resulted from a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail, and a reduction in the estimated losses for institutions that have failed in the current and prior years.

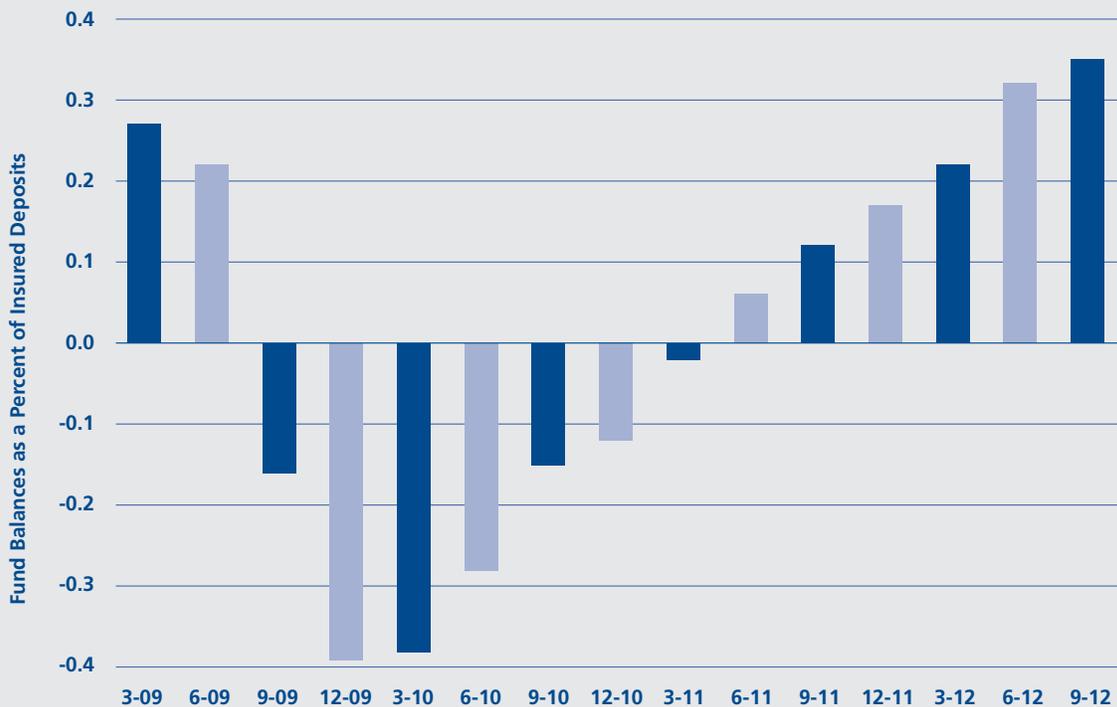
ESTIMATED DIF INSURED DEPOSITS



SOURCE: Commercial Bank Call and Thrift Financial Reports

Note: Beginning in the fourth quarter of 2010, estimated insured deposits include the entire balance of noninterest-bearing transaction accounts.

DEPOSIT INSURANCE FUND RESERVE RATIOS



DEPOSIT INSURANCE FUND SELECTED STATISTICS

Dollars in Millions

	For the years ended December 31					
	2012		2011		2010	
Financial Results						
Revenue	\$18,522		\$16,342		\$13,380	
Operating Expenses	1,778		1,625		1,593	
Insurance and Other Expenses (includes provision for loss)	(4,377)		(4,541)		(1,518)	
Net Income (Loss)	21,121		19,257		13,305	
Comprehensive Income (Loss)	21,131		19,179		13,510	
Insurance Fund Balance	\$32,958		\$11,827		\$(7,352)	
Fund as a Percentage of Insured Deposits (reserve ratio)	0.35	%*	0.17	%	(0.12)	%
Selected Statistics						
Total DIF-Member Institutions ¹	7,181*		7,357		7,657	
Problem Institutions	651		813		884	
Total Assets of Problem Institutions	\$232,701		\$319,432		\$390,017	
Institution Failures	51		92		157	
Total Assets of Failed Institutions in Year ²	\$11,617		\$34,923		\$92,085	
Number of Active Failed Institution Receiverships	463		426		336	

* Figures are as of September 30, 2012.

¹ Includes commercial banks and savings institutions, but does not include U.S. insured branches of foreign banks.

² Total asset data are based upon the last Call Report filed by the institution prior to failure.

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 \$2.5 billion in 2012, including \$1.6 billion in ongoing operations and \$0.9 billion in receivership funding.

This represented approximately 92 percent of the approved budget for ongoing operations and 57 percent of the approved budget for receivership funding for the year.³

The FDIC Board of Directors approved a 2013 Corporate Operating Budget of approximately \$2.7 billion, consisting of \$1.8 billion for ongoing operations and \$0.9 billion for receivership funding. The level of approved ongoing operations budget for 2013 is approximately \$2.0 million (0.1 percent) higher than the actual 2012 ongoing operations budget, while the approved receivership funding budget is roughly \$600 million (40 percent) lower than the 2012 receivership funding budget.

As in prior years, the 2013 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 decrease in the Corporate Operating Budget is the improving health of the industry and the resultant reduction in failure related workload. Although savings in this area are being realized, the 2013 receivership funding budget allows for resources for contractor support as well as nonpermanent staffing for the Division of Resolutions and Receiverships, the Legal Division, and other organizations, should workload in these areas require an immediate response.

³ The numbers in this paragraph will not agree with the DIF and FRF financial statements due to differences in how items are classified.

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. Proposed IT projects are carefully reviewed to ensure that they are consistent with the FDIC'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 FDIC made significant capital investments during the 2003–2012

period, the largest of which was the expansion of its Virginia Square office facility. Most other projects involved the development and implementation of major IT systems. Investment spending totaled \$288 million during this period, peaking at \$108 million in 2004. Spending for investment projects in 2012 totaled approximately \$14 million. For 2013, investment spending is estimated at \$28 million.

INVESTMENT SPENDING 2003–2012
Dollars in Millions

