Message from the Chief Financial Officer

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) *2012 Annual Report* (also referred to as the *Performance and Accountability Report*). The report covers financial and program performance information and summarizes our successes for the year. The FDIC takes pride in providing timely, reliable, and meaningful information to its many stakeholders.

For 21 consecutive years, the U.S. Government Accountability Office (GAO) has issued unmodified (unqualified) audit opinions for the two funds administered by the FDIC: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). We take pride in our responsibility and demonstrate discipline and accountability as stewards of these funds. We remain proactive in execution of sound financial management and in providing reliable financial data.

During 2012, the DIF continued to recover from the recent crisis. The DIF balance increased from $11.8 billion at the end of 2011, to $33.0 billion at the end of 2012. The increase in the DIF balance was due in part to the decrease in the number of bank failures, from 92 in 2011 to 51 in 2012. Other factors contributing to the increase include assessment income and net fees transferred from the Temporary Liquidity Guarantee Program (TLGP). The FDIC expects that the rate at which troubled banks fail will continue to decline and the DIF balance will continue to grow.

FINANCIAL RESULTS FOR 2012

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 insured depository institutions (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.

While the number of bank failures over the last two years, 143, was fewer than at the height of the recent banking crisis, with 157 failures in 2010, we will maintain our focus on risks to the insurance fund going forward. In addition, we will continue to employ sound financial management techniques, emphasize the importance of a strong enterprise-wide risk management and internal control program, and continue to implement the changes under the Dodd-Frank Act.

Sincerely,

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