IV.

BUDGET AND SPENDING

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FDIC OPERATING BUDGET

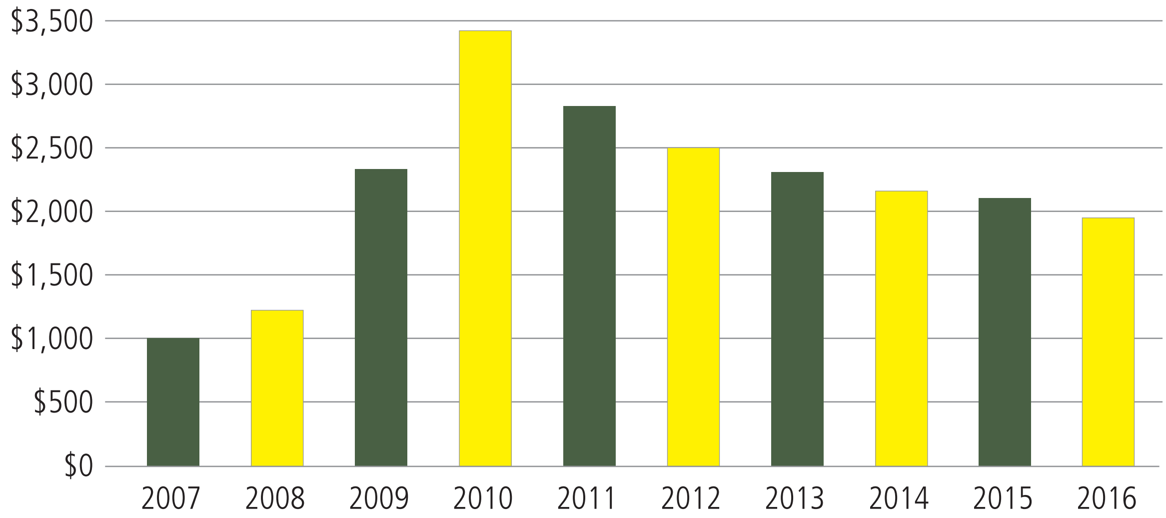
The FDIC segregates its operating budget and expenses into two discrete components: ongoing operations and receivership funding. The receivership funding component represents expenses resulting from financial institution failures and is, therefore, largely driven by external forces, while the ongoing operations component accounts for all other operating expenses and tends to be more controllable and estimable. FDIC operating expenses totaled $1.9 billion in 2016, including $1.7 billion in ongoing operations and $260 million in receivership funding. This represented approximately 93 percent of the approved budget for ongoing operations and 65 percent of the approved budget for receivership funding for the year.[3]

The approved 2017 FDIC Operating Budget of approximately $2.2 billion is segregated into three components, consisting of $1.8 billion for ongoing operations, $300 million for receivership funding, and $37 million for the Office of Inspector General (OIG). The level of approved ongoing operations budget for 2017 is approximately $45 million (3 percent) higher than the 2016 ongoing operations budget excluding the OIG, while the approved receivership funding budget is $100 million (25 percent) lower than the 2016 receivership funding budget.

As in prior years, the 2017 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 program support functions. The most significant factor contributing to the decrease in the FDIC 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 2017 receivership funding budget provides resources for contractor support as well as non-permanent staffing for DRR, the Legal Division, and other organizations should workload in these areas require an immediate response.

FDIC EXPENDITURES 2007–2016

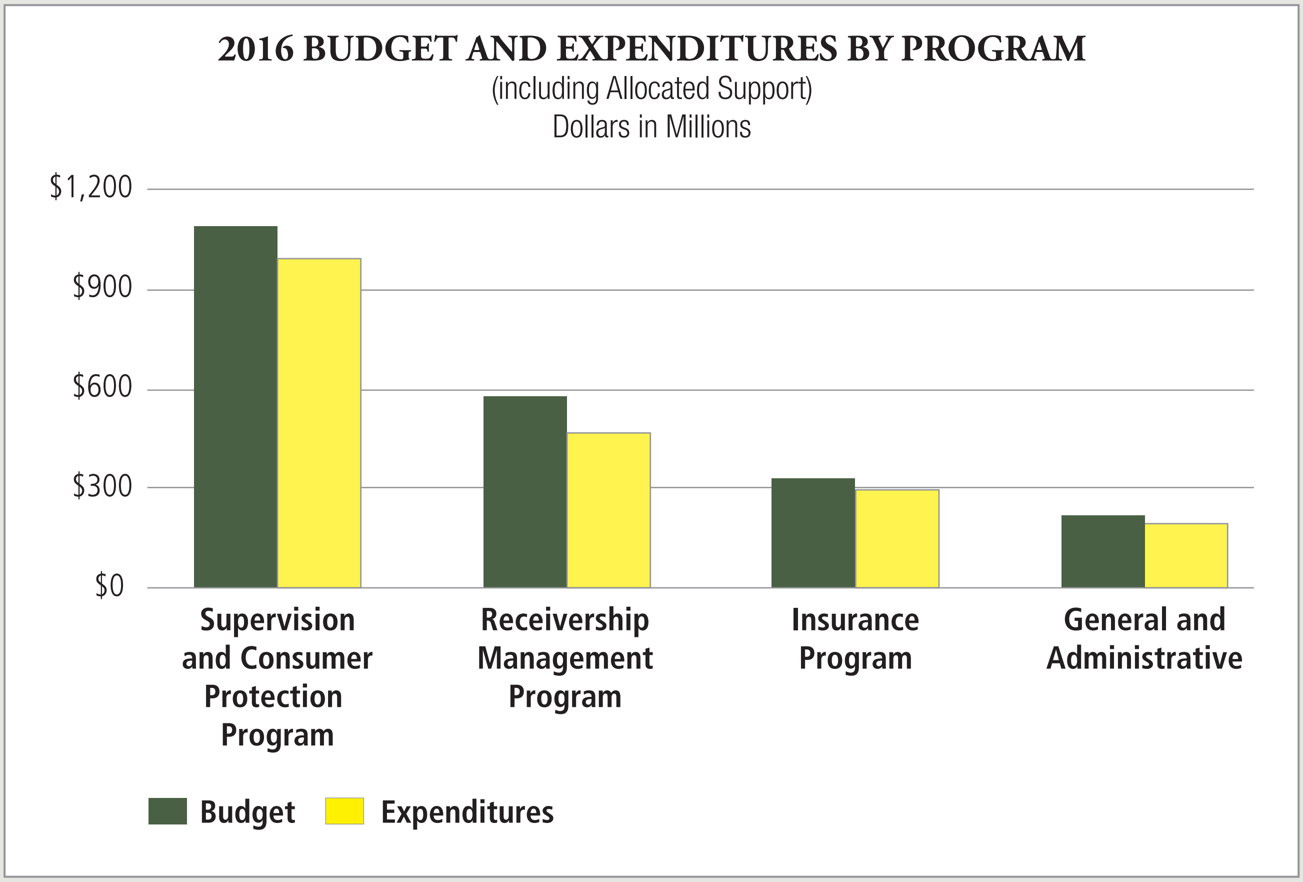
Dollars in Millions



[3] The numbers in this paragraph will not agree with the DIF and FRF financial statements because of differences in how items are classified.

The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2016 aggregate budget (for corporate, receivership, and investment spending) was $2.2 billion, while actual expenditures for the year were under $2.0 billion, about $0.1 billion less than 2015 expenditures.

Over the past decade the FDIC's expenditures have varied in response to workload. During the last several years, expenditures have fallen, largely due to decreasing resolution and receivership activity. To a lesser extent decreased expenses have resulted from supervision-related costs associated with the oversight of fewer troubled institutions.



2016 BUDGET AND EXPENDITURES BY PROGRAM

(Excluding Investments)

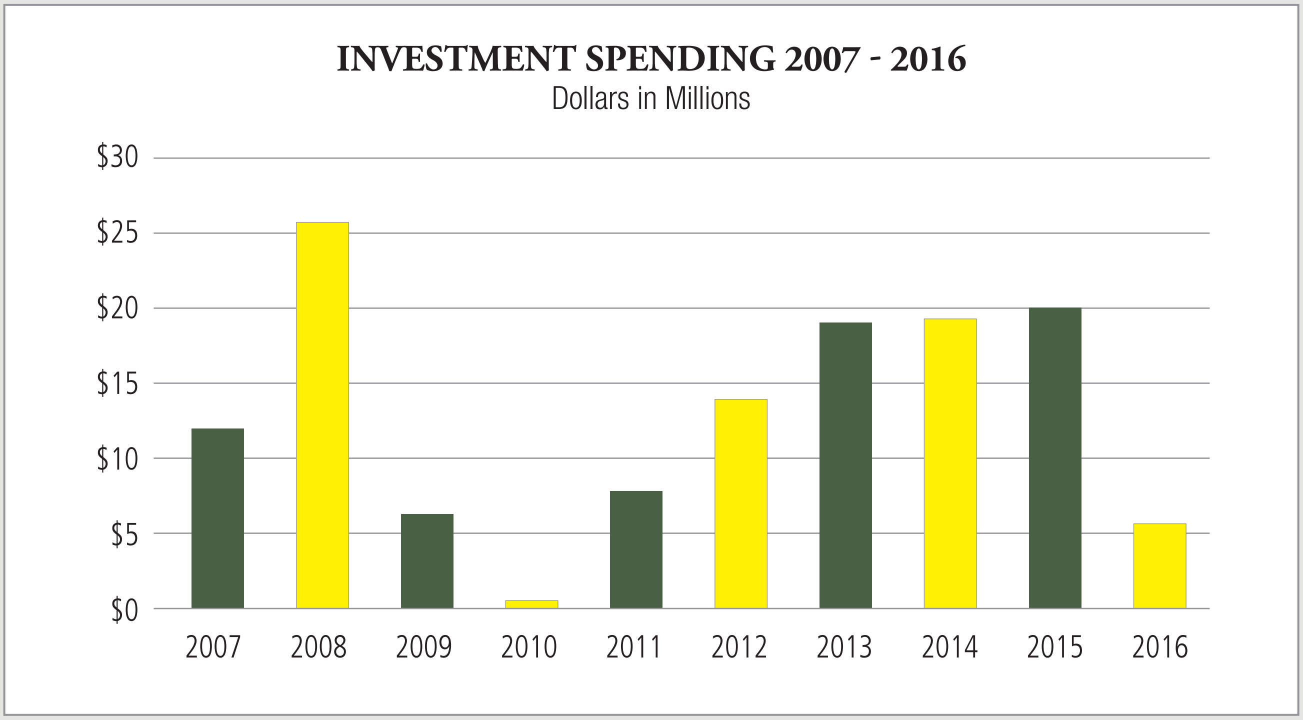
The FDIC budget for 2016 totaled $2.2 billion. Budget amounts were allocated as follows: $1.1 billion or 49 percent, to the Supervision and Consumer Protection program; $575 million or 26 percent, to the Receivership Management program; $331 million, or 15 percent, to the Insurance program; and $221 million, or 10 percent, to Corporate General and Administrative expenditures.

Actual expenditures for the year totaled $1.9 billion. Actual expenditures amounts were allocated as follows: $995 million, or 51 percent, to the Supervision and Consumer Protection program; $468 million, or 24 percent, to the Receivership Management program; $292 million, or 15 percent, to the Insurance program; and $195 million, or 10 percent, to Corporate General and Administrative expenditures.

INVESTMENT SPENDING

The FDIC instituted a separate Investment Budget in 2003 to provide enhanced governance of major multi-year development efforts. The FDIC 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 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 on a quarterly basis.

From 2007-2016 investment spending totaled $130 million, and is estimated at $11 million for 2017.



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