# 2. FINANCIAL HIGHLIGHTS

## DEPOSIT INSURANCE FUND PERFORMANCE

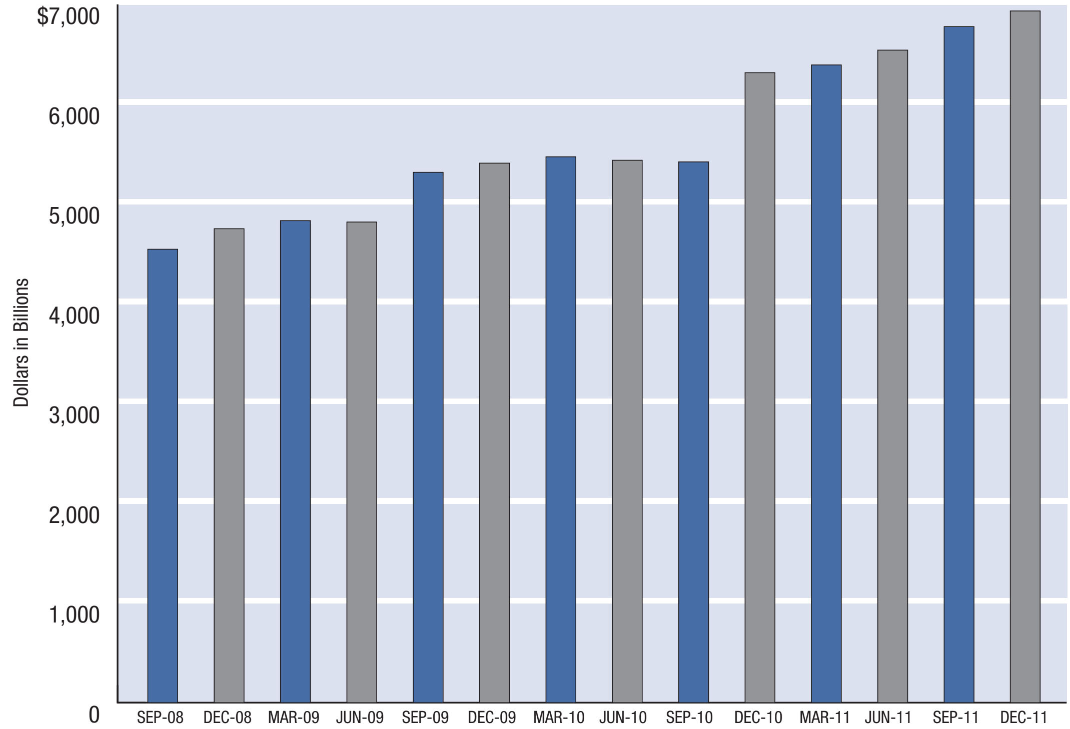
The FDIC administers the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF), which fulfills the obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The following summarizes the condition of the DIF. (See the accompanying graphs on FDIC-Insured Deposits and Insurance Fund Reserve Ratios on the following page.)

For 2011, the DIF's comprehensive income totaled $19.2 billion compared to comprehensive income of $13.5 billion during 2010. This $5.7 billion year-over-year increase was primarily due to a $3.6 billion decrease in the provision for insurance losses and $2.6 billion in revenue from DGP fees previously held as systemic risk deferred revenue, partially offset by a year-to-date net change in the fair value of available-for-sale securities of $284 million (U.S. Treasury obligations and trust preferred securities) and a $112 million decrease in assessments earned.

The provision for insurance losses was negative $4.4 billion for 2011, compared to negative $848 million for 2010. The negative provision for 2011 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 prior years.

The DIF's total liquidity declined by $3.8 billion, or 8 percent, to $42.4 billion during 2011. The decrease was primarily the result of disbursing $11.9 billion to fund both current and prior years' bank failures during 2011. However, it should be noted that 58 of the 92 current year failures were resolved as cash-conserving shared-loss transactions requiring substantially lower initial resolution payments thus helping to mitigate the decline in DIF's liquidity balance. Moreover, during 2011, the DIF received $8.9 billion in dividends and other payments from its receiverships, which helped to mitigate the DIF liquidity's decline.

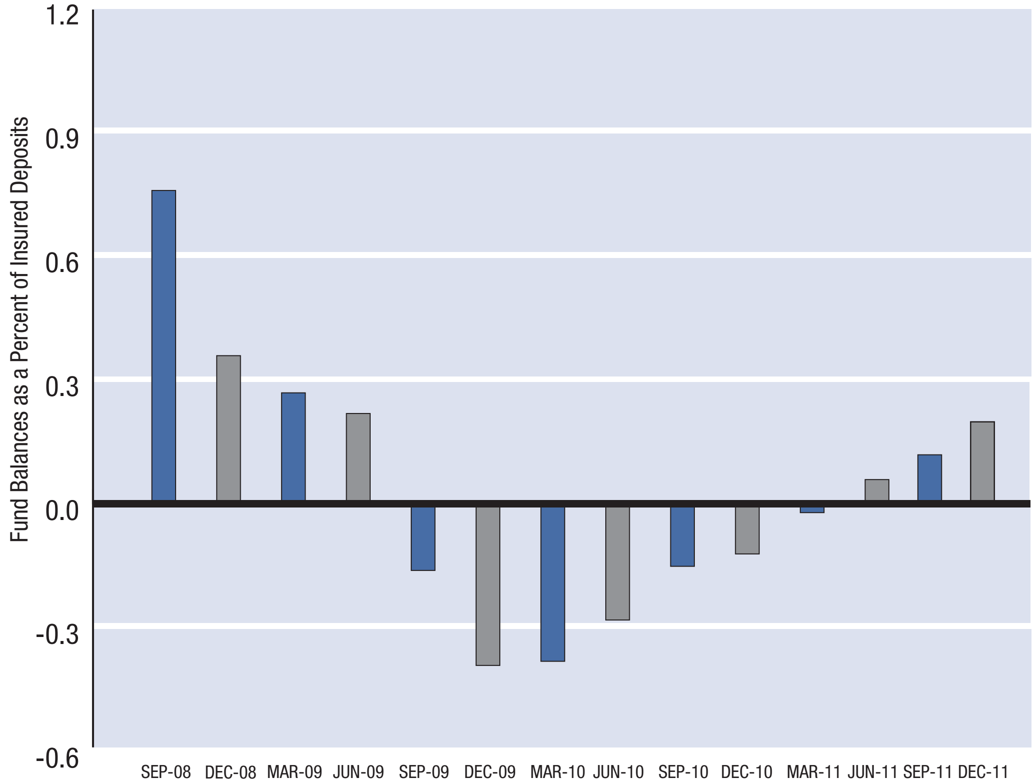
## Estimated DIF Insured Deposits




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 | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **Financial Results** | | | |
| Revenue | $16,342 | $13,380 | $24,706 |
| Operating Expenses | 1,625 | 1,593 | 1,271 |
| Insurance and Other Expenses (includes provision for loss) | (4,541) | (1,518) | 59,438 |
| Net Income (Loss) | 19,257 | 13,305 | (36,003) |
| Comprehensive Income (Loss) | 19,179 | 13,510 | (38,138) |
| Insurance Fund Balance | $11,827 | $(7,352) | $(20,862) |
| Fund as a Percentage of Insured Deposits (reserve ratio) | 0.17 % | (0.12) % | (0.39) % |
| **Selected Statistics** | | | |
| Total DIF-Member Institutions[1] | 7,357 | 7,657 | 8,012 |
| Problem Institutions | 813 | 884 | 702 |
| Total Assets of Problem Institutions | $319,432 | $390,017 | $402,782 |
| Institution Failures | 92 | 157 | 140 |
| Total Assets of Failed Institutions in Year[2] | $34,923 | $92,085 | $169,709 |
| Number of Active Failed Institution Receiverships | 426 | 336 | 179 |

[1] Commercial banks and savings institutions. Does not include U.S. insured branches of foreign banks.

[2] Total Assets 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 $2.82 billion in 2011, including $1.55 billion in ongoing operations and $1.27 billion in receivership funding. This represented approximately 93 percent of the approved budget for ongoing operations and 58 percent of the approved budget for receivership funding for the year. (The numbers above in this paragraph will not agree with the DIF and FRF financial statements due to differences in how items are classified.)

The Board of Directors approved a 2012 Corporate Operating Budget of approximately $3.28 billion, consisting of $1.78 billion for ongoing operations and $1.50 billion for receivership funding. The level of 2012 ongoing operations budget is approximately $106 million (6.3 percent) higher than the 2011 ongoing operations budget, while the 2012 receivership funding budget is roughly $702 million (31.9 percent) lower than the 2011 receivership funding budget. Although savings in this area are being realized, the 2012 receivership funding budget allows for 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.

## 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 undertook significant capital investments during the 2003–2011 period, the largest of which was the expansion of its Virginia Square office facility. Other projects involved the development and implementation of major IT systems. Investment spending totaled $274 million during this period, peaking at $108 million in 2004. Spending for investment projects in 2011 totaled approximately $8 million. In 2012, investment spending is estimated at $12 million.

### Investment Spending 2003–2011
**Dollars in Millions**