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.)

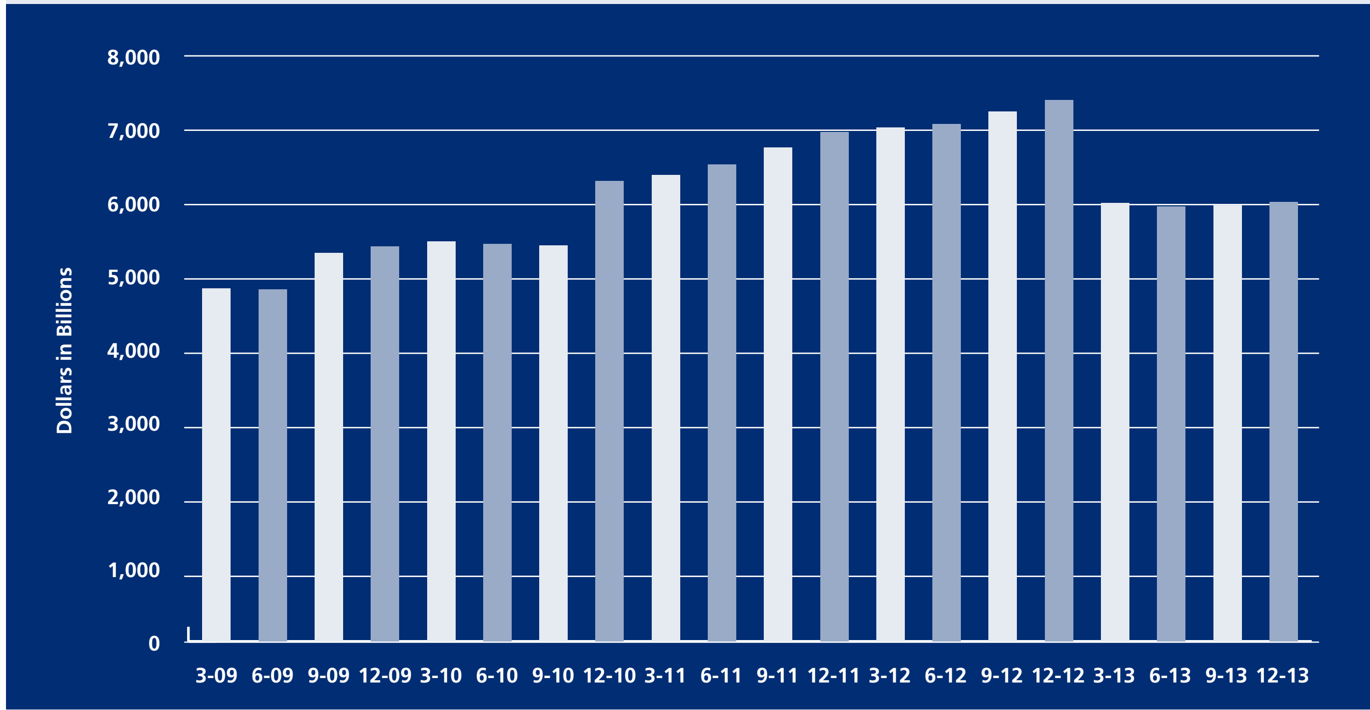
For 2013, the DIF's comprehensive income totaled $14.2 billion compared to comprehensive income of $21.1 billion during 2012. This $6.9 billion year-over-year decrease was primarily due to a $6.0 billion decrease in other revenue (which is attributable to the 2012 transfer of fees from TLGP) and a $2.7 billion decrease in assessments; partially offset by a $1.5 billion decrease in provision for insurance losses and $156 million net increase from the sale of Citigroup trust preferred securities (TruPS).

Assessment revenue was $9.7 billion for 2013. The decrease of $2.7 billion, from $12.4 billion in 2012, was primarily due to lower assessment rates, resulting from continued improvements in banks' CAMELS ratings and financial condition. In addition, in 2013, the DIF refunded $5.9 billion in prepaid assessments to the 5,625 insured depository institutions that had remaining balances. This final payment marked the end of the prepaid assessment program, which began with the collection of $45.7 billion in prepaid assessments on December 30, 2009.

The provision for insurance losses was negative $5.7 billion for 2013, compared to negative $4.2 billion for 2012. The negative provision for 2013 primarily resulted from a reduction of $1.0 billion in the contingent liability for anticipated failures due to the improvement in the financial condition of troubled institutions and a decrease of $4.8 billion in the estimated losses for institutions that failed in prior years.

During 2013, to facilitate a sale of the TruPS, the FDIC exchanged the Citigroup TruPS for $2.420 billion (principal amount) of Citigroup subordinated notes. The exchange resulted in an increase of $156 million to the DIF's 2013 comprehensive income. Subsequently, the subordinated notes were sold to the institutional fixed income market for the principal amount of $2.420 billion.

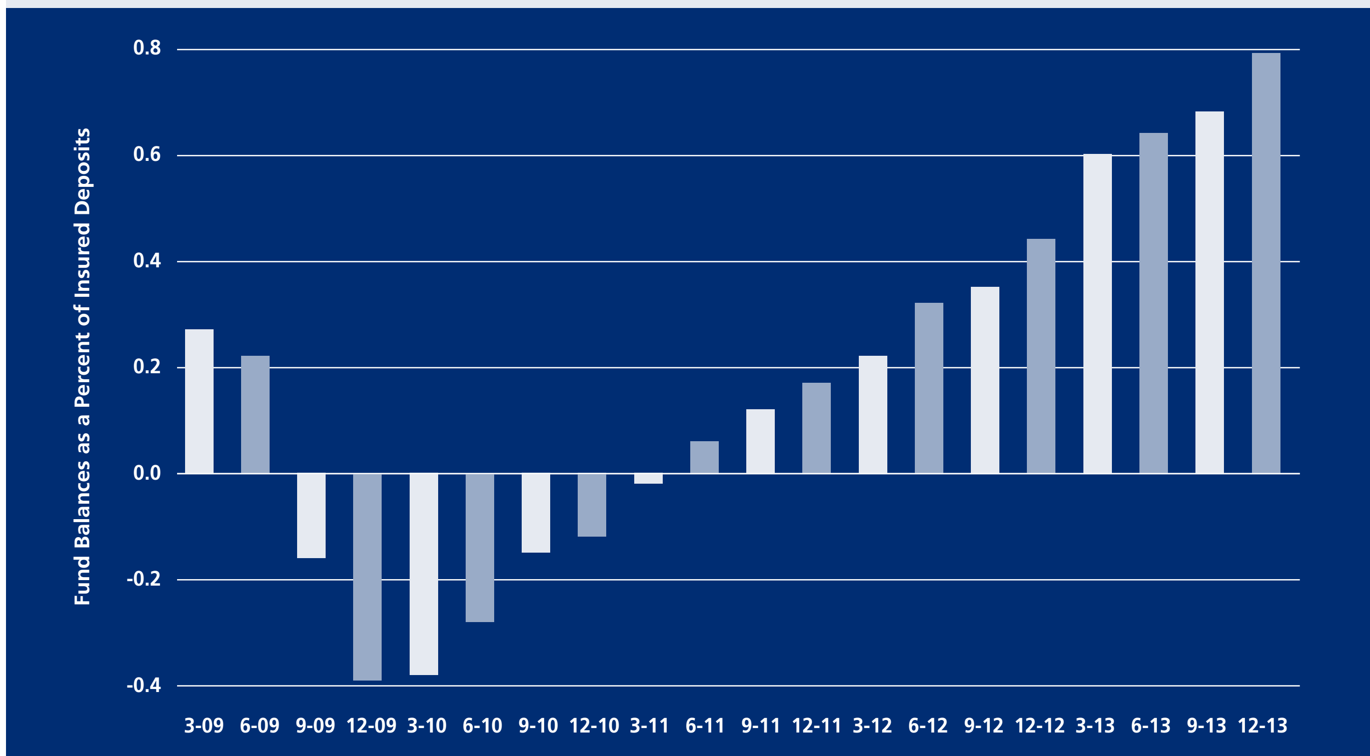
ESTIMATED DIF INSURED DEPOSITS



SOURCE: Commercial Bank Call and Thrift Financial Reports

Note: Beginning in the fourth quarter of 2010 through the fourth quarter of 2012, 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		
	2013	2012	2011
Financial Results			
Revenue	$10,459	$18,522	$16,342
Operating Expenses	1,609	1,778	1,625
Insurance and Other Expenses (includes provision for loss)	(5,655)	(4,377)	(4,541)
Net Income	14,505	21,121	19,257
Comprehensive Income	14,233	21,131	19,179
Insurance Fund Balance	$47,191	$32,958	$11,827
Fund as a Percentage of Insured Deposits (reserve ratio)	0.79 %	0.44 %	0.17 %
Selected Statistics			
Total DIF-Member Institutions[1]	6,812	7,183	7,357
Problem Institutions	467	651	813
Total Assets of Problem Institutions	$152,687	$232,701	$319,432
Institution Failures	24	51	92
Total Assets of Failed Institutions in Year[2]	$6,044	$11,617	$34,923
Number of Active Failed Institution Receiverships	479	463	426

[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 or TFR 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 $2.3 billion in 2013, including $1.6 billion in ongoing operations and $0.7 billion in receivership funding. This represented approximately 91 percent of the approved budget for ongoing operations and 75 percent of the approved budget for receivership funding for the year.[6]

The Board of Directors approved a 2014 Corporate Operating Budget of approximately $2.4 billion, consisting of $1.8 billion for ongoing operations and $0.6 billion for receivership funding. The level of approved ongoing operations budget for 2014 is approximately $9 million (0.5 percent) higher than the 2013 ongoing operations budget, while the approved receivership funding budget is roughly $300 million (33 percent) lower than the 2013 receivership funding budget.

As in prior years, the 2014 budget was formulated primarily on the basis of an analysis of projected workload for each of the FDIC'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 2014 receivership funding budget allows for resources for contractor support as well as

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

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 2004-2013 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 $280 million during this period, peaking at $108 million in 2004. Spending for investment projects in 2013 totaled approximately $19 million. For 2014, investment spending is estimated at $23 million.