

II. Financial Highlights

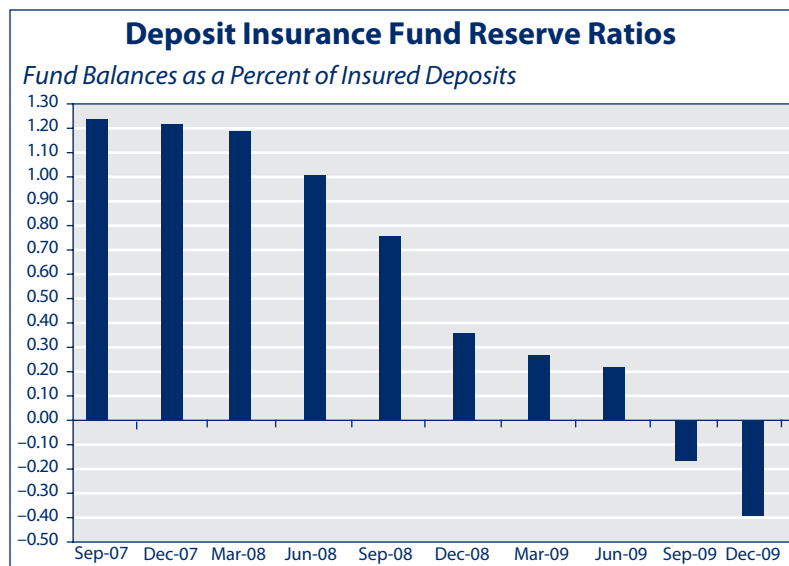
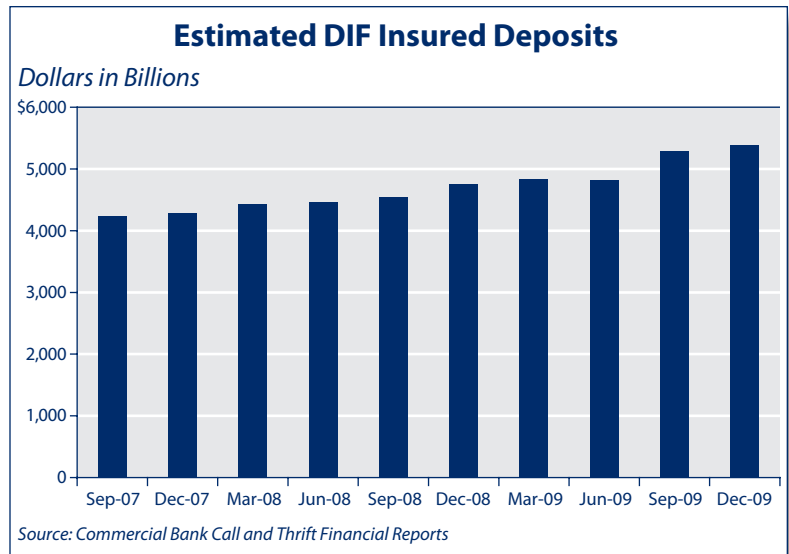
Deposit Insurance Fund Performance

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.)

The DIF's comprehensive loss totaled \$38.1 billion for 2009 compared to a comprehensive loss of \$35.1 billion for the previous year. As a result, the DIF balance declined from \$17.3 billion to negative \$20.9 billion as of December 31, 2009. The year-over-year increase of \$3.0 billion in comprehensive loss was primarily due to a \$15.9 billion increase in the provision for insurance losses, a \$4.0 billion increase in the unrealized loss on U.S. Treasury (UST) investments, and a \$1.4 billion decrease in the interest earned on UST obligations, partially offset by a \$14.8 billion increase in assessment revenue and a \$3.1 billion increase in other revenue (primarily from guarantee termination fees and debt guarantee surcharges).

The provision for insurance losses was \$57.7 billion in 2009. The total provision consists primarily of the provision for future failures (\$20.0 billion) and the losses estimated at failure for the 140 resolutions occurring during 2009 (\$35.6 billion).

Assessment revenue was \$17.7 billion for 2009. This is a \$14.8 billion increase from 2008, and is due to the collection of a \$5.5 billion special assessment in September 2009 and significantly higher regular assessment revenue.



Deposit Insurance Fund Selected Statistics

Dollars in Millions

	For the years ended December 31		
	2009	2008	2007
Financial Results			
Revenue	\$24,706	\$7,306	\$3,196
Operating Expenses	1,271	1,033	993
Insurance and Other Expenses (includes provision for loss)	59,438	43,306	98
Net (Loss) Income	(36,003)	(37,033)	2,105
Comprehensive (Loss) Income	(38,138)	(35,137)	2,248
Insurance Fund Balance	(\$20,862)	\$17,276	\$52,413
Fund as a Percentage of Insured Deposits (reserve ratio)	(0.39)%	0.36%	1.22%
Selected Statistics			
Total DIF-Member Institutions*	8,012	8,305	8,534
Problem Institutions	702	252	76
Total Assets of Problem Institutions	\$402,782	\$159,405	\$22,189
Institution Failures	140	25	3
Total Assets of Failed Institutions in Year**	\$169,709	\$371,945	\$2,615
Number of Active Failed Institution Receiverships	179	41	22
<small>*Commercial banks and savings institutions. Does not include U.S. insured branches of foreign banks. **Total Assets data are based upon the last Call Report filed by the institution prior to failure.</small>			

Major factors contributing to the increase in regular assessment revenue included changes to the risk-based assessment regulations, ratings downgrades of many institutions (which pushed them into higher assessment rate categories), the decline of the one-time assessment credit, and a larger assessment base.

Although the DIF ended the year with a negative \$20.9 billion fund balance, the DIF's liquidity was significantly enhanced by prepaid assessment inflows of \$45.7 billion. Cash and marketable securities stood at \$66.0 billion at year-end, including \$6.4 billion in cash and

marketable securities related to the Temporary Liquidity Guarantee Program (TLGP). Hence, the DIF is well positioned to fund resolution activity in 2010 and beyond. The prepaid assessments, while increasing DIF cash upon receipt, did not initially affect the fund balance, since the funds collected were initially recorded as an offsetting liability; they are subsequently recognized quarterly as revenue when earned.

Corporate Operating Budget

The FDIC segregates its corporate operating budget and expenses into two discrete com-

ponents: 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 \$2.33 billion in 2009, including \$1.24 billion in ongoing operations and \$1.10 billion for receivership funding (numbers do not sum due to rounding). This represented approximately 98 percent of the approved budget for ongoing operations and 84 percent of the approved budget for receivership funding for the year. (The numbers above will not agree with the DIF and FRF financial statements due to differences in how items are classified.)

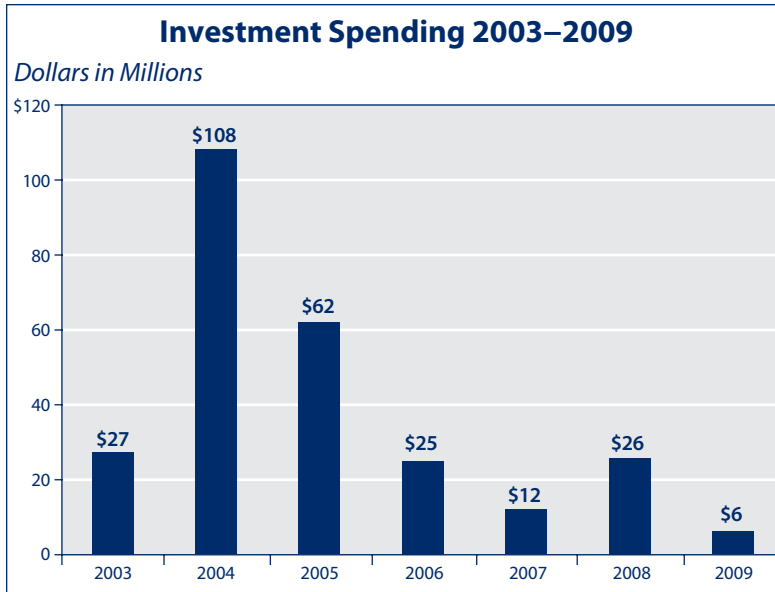
Given the recent challenges facing the industry, as evidenced in the overall CAMELS deterioration and an up-tick in financial institution failure activity, the FDIC is determined to ensure that it is adequately prepared to effectively fulfill its mission in 2010. Consequently, in December 2009, the Board of Directors approved a 2010 Corporate Operating Budget of approximately \$3.99 billion, consisting of \$1.49 billion for ongoing operations and \$2.50 billion for receivership funding. The level of approved ongoing operations budget is approximately \$254 million (20.5 percent) higher than actual 2009 ongoing operations expenses, while the approved receivership funding budget is \$1.40 billion (127.8 percent) higher than the \$1.10 billion of actual 2009 receivership funding expenses.

As in prior years, the 2010 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 proposed increase in the ongoing operations component is the projected increase in the Corporation's supervisory workload in 2010 and the planned staffing increases in the Division of Supervision and Consumer Protection (DSC) to address that workload. The 2010 ongoing operations budget also includes increased funds for additional resolutions staff, travel, office space, and equipment for these additional staff. Under this budget, the Corporation will focus largely on its core mission responsibilities in 2010 and will not devote significant resources to new discretionary activities. In addition, the 2010 receivership funding budget allows for substantially increased resources for contractor support as well as non-permanent increases in authorized staffing for the Division of Resolutions and Receiverships, the Legal Division, and other organizations should workload requirements 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. All of the projects in the current investment portfolio are major IT system initiatives. 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 quarterly.

The Corporation undertook significant capital investments during the 2003–2009 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 \$266 million during this period, peaking at \$108 million in 2004. Spending for investment projects in 2009 totaled approximately \$6.1 million. In 2010, investment spending is estimated to total \$1.1 million.