2 Financial Highlights

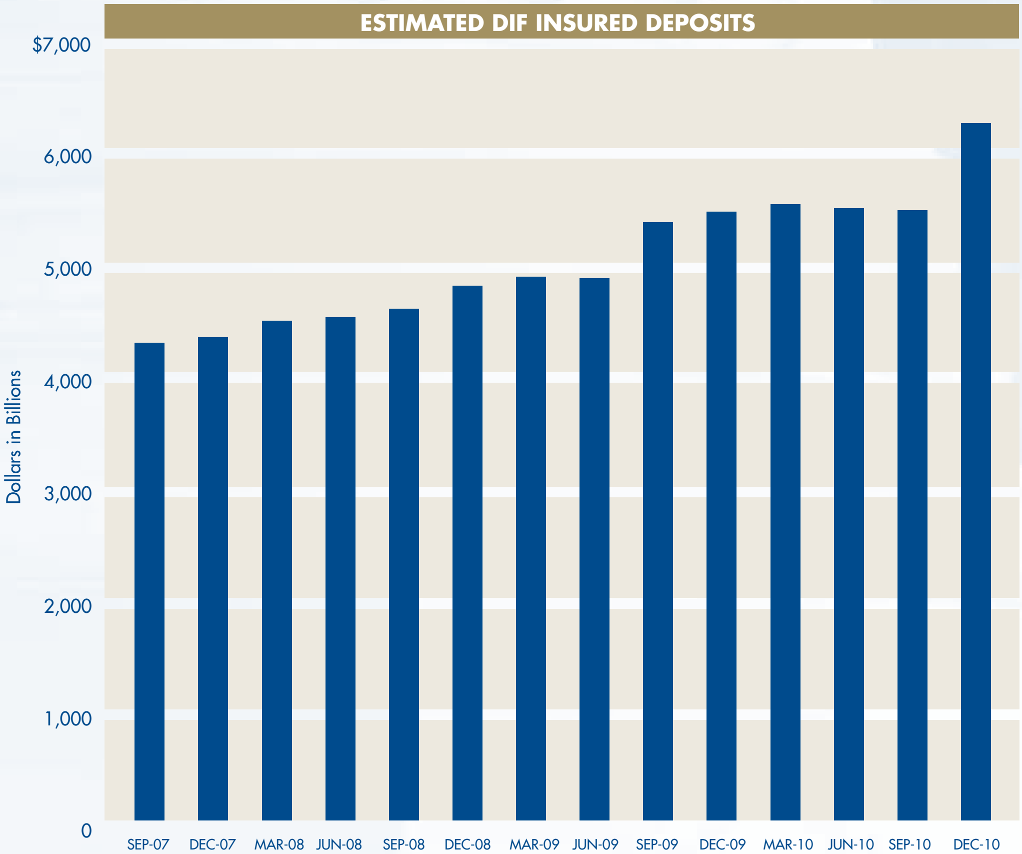
Deposit Insurance Fund Performance

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 2010, the DIF's comprehensive income was $13.5 billion compared to a comprehensive loss of $38.1 billion during 2009. This year-over-year change of $51.6 billion was primarily due to a $58.6 billion decline in the provision for insurance losses, partially offset by a $4.1 billion decrease in assessments earned (largely attributable to the 2009 special assessment).

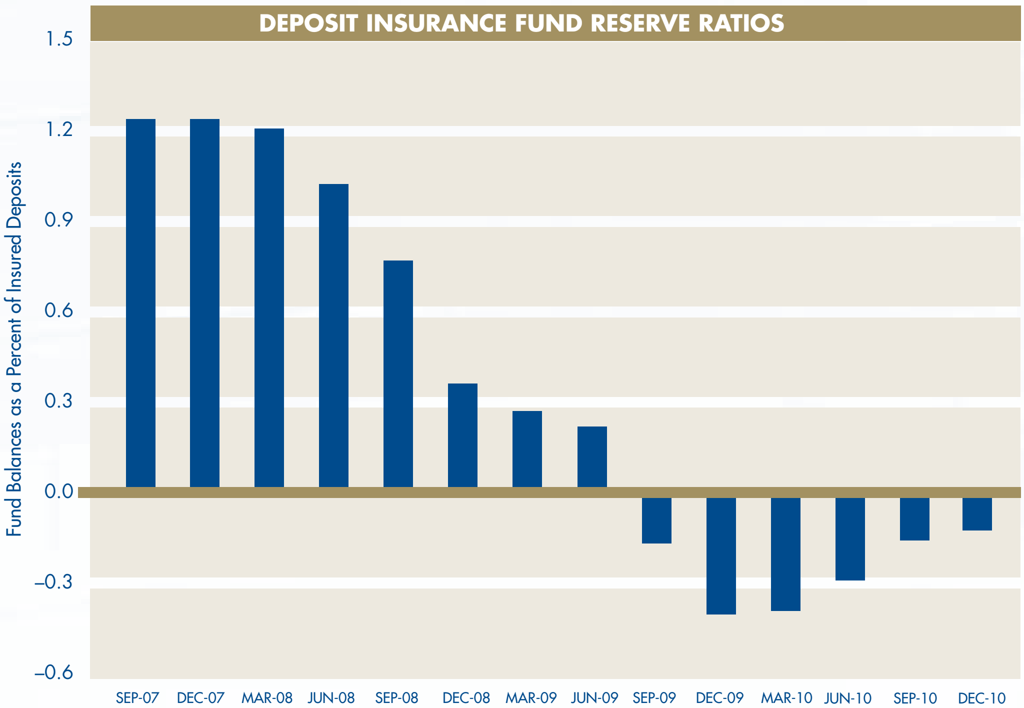
The provision for insurance losses was negative $848 million for 2010, compared to positive $57.7 billion for 2009. The 2009 provision reflected the significant losses estimated to be incurred by the DIF from the 2009 and future failures. In contrast, the 2010 negative provision is primarily impacted by a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail and adjustments to the estimated losses for banks that have failed.

The DIF's total liquidity declined by $19.9 billion, or 30 percent, to $46.2 billion during 2010. The decrease was primarily the result of disbursing $28.8 billion to fund 157 bank failures during 2010, although it should be noted that 130 of these failures were resolved as cash-conserving loss-share transactions (in which the acquirers purchased substantially all of the failed institutions' assets and the FDIC and the acquirers entered into loss-share agreements) requiring lower initial resolution funding. Moreover, during 2010, the DIF received $13.6 billion in dividends and other payments from its receiverships, which helped to mitigate the DIF liquidity's decline.



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 Selected Statistics

	For the years ended December 31		
Dollars in Millions			
	2010	2009	2008
Financial Results			
Revenue	$13,380	$24,706	$7,306
Operating Expenses	1,593	1,271	1,033
Insurance and Other Expenses (includes provision for loss)	(1,518)	59,438	43,306
Net Income (Loss)	13,305	(36,003)	(37,033)
Comprehensive Income (Loss)	13,510	(38,138)	(35,137)
Fund Balance	$(7,352)	$(20,862)	$17,276
Reserve Ratio	(0.12) %	(0.39) %	0.36 %
Selected Statistics			
Total DIF-Member Institutions[1]	7,657	8,012	8,305
Problem Institutions	884	702	252
Total Assets of Problem Institutions	$390,017	$402,782	$159,405
Institution Failures	157	140	25
Total Assets of Failed Institutions in Year[2]	$92,085	$169,709	$371,945
Number of Active Failed Institution Receiverships	336	179	41

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

[2] 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 $3.4 billion in 2010, including $1.4 billion in ongoing operations and $2.0 billion in receivership funding. This represented approximately 96 percent of the approved budget for ongoing operations and 80 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 2011 Corporate Operating Budget of approximately $3.9 billion, consisting of $1.7 billion for ongoing operations and $2.2 billion for receivership funding. The level of approved ongoing operations budget is approximately $251 million (18 percent) higher than actual 2010 ongoing operations expenses, while the approved receivership funding budget is roughly $205 million (10 percent) higher than actual 2010 receivership funding expenses.

As in prior years, the 2011 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 factors contributing to the proposed increase in the ongoing operations component of the budget are further staffing increases for the Corporation's risk management and consumer protection supervisory programs in 2011; the implementation of a larger permanent staffing platform in the Division of Resolutions and Receiverships (DRR) to ensure the Corporation's future readiness to resolve failed banks; and the addition of a number of new positions to fulfill the Corporation's new responsibilities under the Dodd-Frank Act. In addition, the 2011 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. 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 2003-2010 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 $266.4 million during this period, peaking at $108.2 million in 2004. Spending for investment projects in 2010 totaled approximately $0.4 million. In 2011, investment spending is estimated at $7 million.