

# FEDERAL DEPOSIT INSURANCE CORPORATION

## **Selected Fund Financial Indicators**

- BIF Reserve Ratio is 1.33 percent as of June 30, 2001
- SAIF Reserve Ratio is 1.40 percent as of June 30, 2001



# Executive Management Report

Financial Results (unaudited)  
For the nine months ending September 30, 2001

## **Executive Summary**

### **For the Nine Months Ending September 30, 2001**

#### ***Bank Insurance Fund (BIF):***

- Revenue totaled \$1.5 billion for the nine months ending September 30, 2001. The fund earned \$1.4 billion in interest on investments in U.S. Treasury obligations and \$35 million in deposit insurance assessments. In addition, the BIF realized a gain of \$78 million on the sale of \$1.4 billion of U.S. Treasury securities designated as available-for-sale.
- Comprehensive income (net income plus current period unrealized gains/losses on available-for-sale securities) was \$859 million for the nine months ending September 30, 2001, increasing the fund balance to \$31.8 billion.
- Receivables from bank resolutions decreased by \$262 million from year-end 2000 to \$88 million at September 30, 2001. This decrease was due to recoveries of payments made to cover obligations to insured depositors for failed institutions.
- The contingent liability for anticipated failures increased by \$331 million to \$457 million during the third quarter to reflect a higher risk of loss to the BIF from a weakening economy and the worsening financial condition of a small number of BIF-insured institutions.
- Three BIF-insured institutions failed during the first nine months of 2001. Total assets at failure were \$54 million.

#### ***Savings Association Insurance Fund (SAIF):***

- Revenue totaled \$555 million for the nine months ending September 30, 2001. The fund earned \$494 million in interest on U.S. Treasury obligations and \$27 million in deposit insurance assessments. In addition, the SAIF realized a gain of \$28 million on the sale of \$401 million of U.S. Treasury securities designated as available-for-sale.
- Comprehensive income was \$56 million for the nine months ending September 30, 2001, increasing the fund balance to \$10.8 billion.
- On July 27, 2001, the Office of Thrift Supervision (OTS) closed Superior Bank, FSB, Hinsdale, Illinois, and named FDIC receiver of the failed

institution and conservator of a newly chartered, full-service mutual savings bank. Superior Bank, FSB, a nationwide subprime mortgage lender, had total assets of \$2.3 billion and total deposits of \$1.6 billion. The financial condition of Superior Bank rapidly deteriorated, and Bank management was unable to resolve existing problems. The FDIC Board of Directors decided that the least-cost resolution alternative was to organize a new institution under FDIC control to maximize the value of the institution, effect an orderly resolution, and minimize disruption to insured depositors and other customers. At this time, the FDIC estimates the loss to the SAIF for the failure of Superior Bank to be in the range of \$450 million to \$550 million. The September 30, 2001 fund balance reflects the low end of this estimated range of loss. The final cost will be affected by the actual recoveries on the remaining assets and claims less expenses.

Additionally, FDIC extended a \$1.5 billion line of credit to the conservatorship for liquidity purposes. As of September 30, 2001, SAIF disbursed \$797 million to this conservatorship.

#### ***FSLIC Resolution Fund (FRF):*** ***~FRF-FSLIC~***

- The U.S. Department of Treasury (U.S. Treasury) has determined that the FRF is responsible for the payment of judgments and settlements in most supervisory goodwill litigation cases against the U.S. Government.

Future goodwill litigation payments cannot be reasonably estimated at this time. This uncertainty arises, in part, from the existence of significant unresolved issues pending at the appellate or trial court level, as well as the unique circumstances of each case.

Funds to cover goodwill judgments and settlements are provided by an open-ended appropriation as provided by section 110 of the Department of Justice Appropriations Act, 2000. Because of this, any liabilities for goodwill litigation should have no material impact on the financial condition of the FRF-FSLIC.

- In addition to payments for goodwill settlements, the FRF is responsible for reimbursing the U.S.

## Executive Summary For the Nine Months Ending September 30, 2001

### *(Continued)* ~FRF-FSLIC~

Department of Justice for its goodwill litigation expenses.

- Recent Goodwill Litigation Actions:
  - On July 24, 2001, the United States Court of Appeals for the Federal Circuit issued its opinion in the appeal of the case Landmark Land Co. v. United States. The court affirmed the award of \$21.5 million in favor of the Landmark Land Co., and vacated the part of the decision awarding \$17.7 million to the FDIC as successor to the rights of the thrift and the thrift receivership (FDIC). The case was remanded to the trial court to dismiss the FDIC because the court determined that the amount claimed by the FDIC was insufficient to pay off claims other than those of the United States and that therefore the case lacked a true controversy as required under the constitution for federal court jurisdiction.
  - On July 24, 2001, the United States Court of Appeals for the Federal Circuit issued its opinion in the appeal of the case Glass v. United States. The court reversed the summary judgment in favor of the Glass plaintiffs and vacated the \$3.97 million judgment in their favor finding they were not third party beneficiaries of an implied contract. The court vacated the judgment for \$2.1 million in favor of the FDIC as successor to the rights of the thrift and the thrift receivership (FDIC) because the court determined that the amount claimed by the FDIC was insufficient to pay off claims other than those of the United States and that therefore the case lacked a true controversy as required under the constitution for federal court jurisdiction. The case was remanded to the trial court to determine any remaining claims of the Glass plaintiffs and to dismiss the FDIC.

In both of the above cases, on September 7, 2001, the plaintiff FDIC, as successor to the rights of the thrift and the thrift receivership (FDIC), and the private plaintiff filed petitions for rehearing (a request for a review by the original panel) and rehearing en banc (a request for a review by the full court) with the Federal Circuit. The Department of Justice did not file for rehearing.

On September 24, 2001, the Federal Circuit invited the Department of Justice to respond by October 15, 2001 to the petitions for rehearing and rehearing en banc filed by the FDIC and private plaintiffs in the Glass case.

- Assets in liquidation totaled \$14 million as of September 30, 2001.

### *~FRF-RTC~*

- The RTC Completion Act (Act) requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the Act but not needed by the RTC. The Act made available approximately \$18 billion worth of additional funding, of which \$4.556 billion was used. In addition, the FDIC must transfer to the Resolution Funding Corporation (REFCORP) the net proceeds from the sale of FRF-RTC assets (once all liabilities of the FRF-RTC have been provided for) to pay the interest on REFCORP bonds. Any such payments benefit the U.S. Treasury, which would otherwise be obligated to pay the interest on the bonds.

With the last payment of \$271 million on March 3, 2000, the FRF-RTC has fully repaid the \$4.556 billion to the U.S. Treasury. Beginning in April 2000, the FRF-RTC has made six payments totaling \$2.656 billion to REFCORP. The last payment to REFCORP of \$300 million was made on July 11, 2001. The FRF-RTC cash balance is \$734 million at September 30, 2001.

- Assets in liquidation totaled \$234 million as of September 30, 2001.

# **INSURANCE FUNDS**

## **Bank Insurance Fund (BIF)**

## **Savings Association Insurance Fund (SAIF)**

The BIF and SAIF are separate insurance funds responsible for protecting insured depositors in operating banks and thrift institutions from loss due to failure of the institution. Since 1989, an active institution's insurance fund membership and primary federal regulator have been generally determined by the institution's charter type. Deposits of BIF-member institutions are generally insured by the BIF; BIF members are predominantly commercial and savings banks supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve. Deposits of SAIF-member institutions are generally insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision.

### **FINANCIAL HIGHLIGHTS**

<i>Dollars in Millions</i>	BIF (Unaudited)		SAIF (Unaudited)	
	09/30/01	09/30/00	09/30/01	09/30/00
Revenue	\$ 1,538	\$ 1,422	\$ 555	\$ 493
Operating Expenses	568	555	74	79
Insurance Losses/Expenses	323	(134)	513	44
Unrealized Gain on AFS (1) Securities, Net (Current Period)	212	140	88	55
Comprehensive Income	859	1,141	56	425
Fund Balance	\$ 31,834	\$ 30,555	\$ 10,815	\$ 10,706
September 2001/2000 Reserve Ratio (2)	1.33%	1.34%	1.40%	1.44%
September 2001/2000 Fund Balance	\$ 31,681	\$ 29,780	\$ 10,792	\$ 10,538
Estimated Insured Deposits	\$ 2,383,235 (a)	\$ 2,222,825 (b)	\$ 772,896 (a)	\$ 730,774 (b)
Total Insured Institutions	8,448 (a)	8,752 (b)	1,317 (a)	1,368 (b)
Number of Failures, YTD	3	3	1	1
Total Corporate Outlays, YTD	\$50	\$106	\$797	\$29
Total Estimated Corporate Losses, YTD	\$5	\$19	\$450	\$3
Total Assets at Failure (Current Year)	\$54	\$148	\$2,300	\$30
Assets in Liquidation (3)	\$156	\$790	\$189	\$9

(1) Available-for-Sale (AFS)

(2) The Reserve Ratio is equal to the second quarter Fund Balance divided by the second quarter Estimated Insured Deposits. The statutorily established Designated Reserve Ratio is 1.25%.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

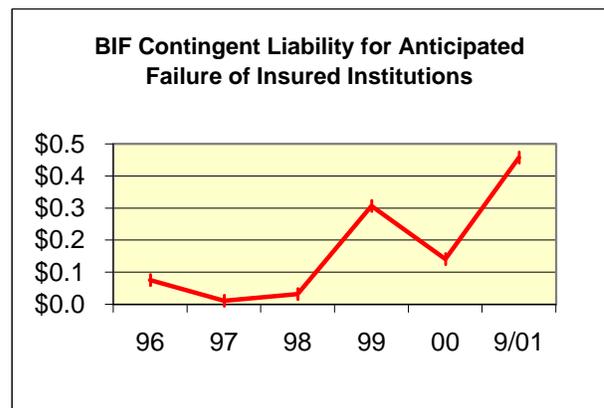
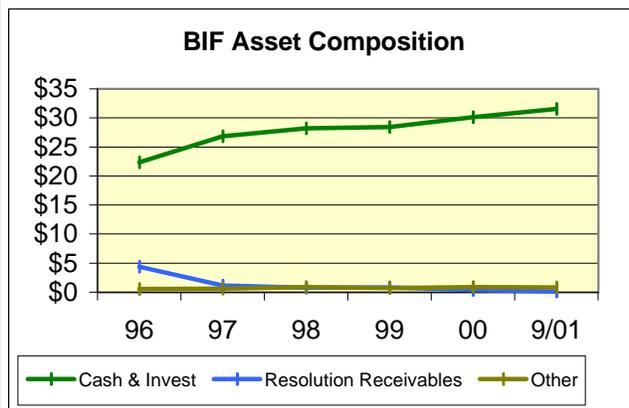
(a) Source: Second Quarter 2001 FDIC Quarterly Banking Profile. BIF figure includes 18 U.S. branches of foreign banks.

(b) Source: Second Quarter 2000 FDIC Quarterly Banking Profile. BIF figure includes 23 U.S. branches of foreign banks.

## Bank Insurance Fund Statements of Financial Position September 2001

Dollars in Millions	(Unaudited) September 30	
	2001	2000
<b>Assets</b>		
Cash and cash equivalents	\$ 121	\$ 200
Investment in U.S. Treasury obligations, net	31,416	29,496
Interest receivable on investments and other assets, net	524	539
Receivables from bank resolutions, net	88	380
Assets acquired by the Corporation, net	8	16
Property and buildings, net	167	160
Software development and other capitalized assets, net	127	114
<b>Total Assets</b>	<b>\$ 32,451</b>	<b>\$ 30,905</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 117	\$ 189
<b>Contingent Liabilities for:</b>		
Anticipated failure of insured institutions	457	147
Assistance agreements	3	1
Litigation losses	37	10
Asset securitization guarantees	3	3
<b>Total Liabilities</b>	<b>617</b>	<b>350</b>
<b>Fund Balance</b>		
Accumulated net income	31,402	30,496
Unrealized gain on available-for-sale securities, net	432	59
<b>Total Fund Balance</b>	<b>31,834</b>	<b>30,555</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 32,451</b>	<b>\$ 30,905</b>

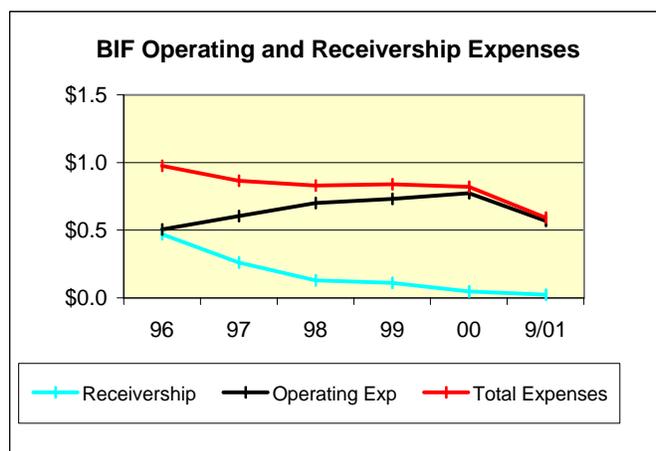
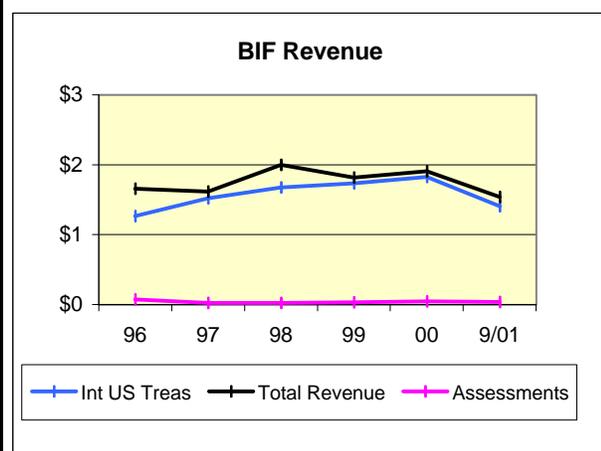
Chart Data: Dollars in Billions



## Bank Insurance Fund Statements of Income and Fund Balance September 2001

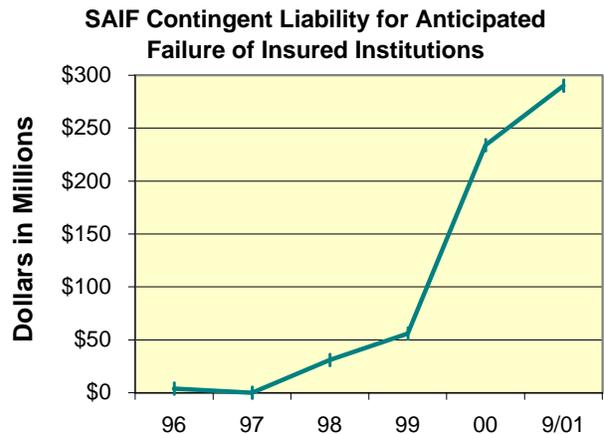
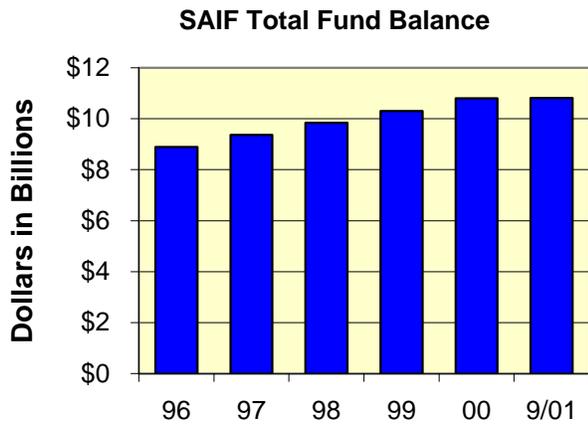
*Dollars in Millions*

	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending September 30:	
	2001	2000	2001	2000
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 1,405	\$ 1,359	\$ 451	\$ 460
Assessments	35	36	14	12
Realized gain on sale of U.S. Treasury obligations	78	0	0	0
Interest on advances and subrogated claims	0	5	0	2
Revenue from assets acquired by Corporation	7	10	2	2
Other revenue	13	12	6	5
<b>Total Revenue</b>	<b>1,538</b>	<b>1,422</b>	<b>473</b>	<b>481</b>
<b>Expenses and Losses</b>				
Operating expenses	568	555	193	191
<b>Insurance Losses/Expenses:</b>				
Provision for insurance losses	311	(153)	340	(423)
Expenses for assets acquired by the Corporation	10	13	3	4
Interest and other insurance expenses	2	6	1	1
<b>Total Expenses and Losses</b>	<b>891</b>	<b>421</b>	<b>537</b>	<b>(227)</b>
<b>Net Income/(Loss)</b>	<b>647</b>	<b>1,001</b>	<b>(64)</b>	<b>708</b>
Unrealized gain on available-for-sale securities, net (current period)	212	140	217	67
<b>Comprehensive Income</b>	<b>859</b>	<b>1,141</b>	<b>153</b>	<b>775</b>
<b>Fund Balance - Beginning</b>	<b>30,975</b>	<b>29,414</b>	<b>31,681</b>	<b>29,780</b>
<b>Fund Balance - Ending</b>	<b>\$ 31,834</b>	<b>\$ 30,555</b>	<b>\$ 31,834</b>	<b>\$ 30,555</b>

*Chart Data: Dollars in Billions*

## Savings Association Insurance Fund Statements of Financial Position September 2001

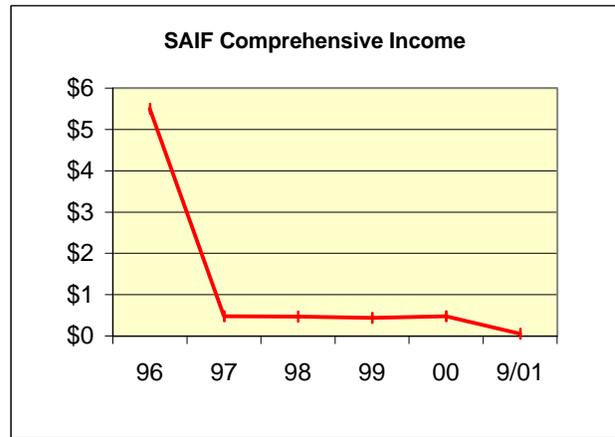
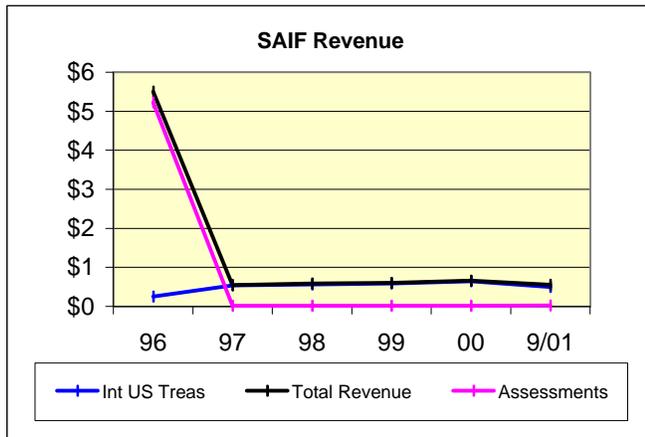
<i>Dollars in Millions</i>	(Unaudited) September 30	
	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Cash and cash equivalents - unrestricted	\$ 175	\$ 152
Cash and other assets - restricted for SAIF-member exit fees	296	280
Investment in U.S. Treasury obligations, net	10,472	10,444
Interest receivable on investments and other assets, net	160	176
Receivables from thrift resolutions, net	1,829	30
<b>Total Assets</b>	<b>\$ 12,932</b>	<b>\$ 11,082</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 11	\$ 7
Liabilities from thrift resolutions	1,514	0
Contingent Liabilities for:		
Anticipated failure of insured institutions	290	89
Litigation losses	6	0
SAIF-member exit fees and investment proceeds held in escrow	296	280
<b>Total Liabilities</b>	<b>2,117</b>	<b>376</b>
<b>Fund Balance</b>		
Accumulated net income	10,645	10,683
Unrealized gain/(loss) on available-for-sale securities, net	170	23
<b>Total Fund Balance</b>	<b>10,815</b>	<b>10,706</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 12,932</b>	<b>\$ 11,082</b>



## Savings Association Insurance Fund Statements of Income and Fund Balance September 2001

<i>Dollars in Millions</i>	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending September 30:	
	2001	2000	2001	2000
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 494	\$ 479	\$ 156	\$ 164
Assessments	27	14	9	5
Realized gain on sale of U.S. Treasury obligations	28	0	12	0
Revenue from assets acquired by the Corporation	2	0	0	0
Other revenue	4	0	4	0
<b>Total Revenue</b>	<b>555</b>	<b>493</b>	<b>181</b>	<b>169</b>
<b>Expenses and Losses</b>				
Operating expenses	74	79	25	27
Provision for insurance losses	509	35	199	(8)
Other expenses	4	9	4	9
<b>Total Expenses and Losses</b>	<b>587</b>	<b>123</b>	<b>228</b>	<b>28</b>
<b>Net Income</b>				
Unrealized gain on available-for-sale securities, net (current period)	(32)	370	(47)	141
	88	55	70	27
<b>Comprehensive Income</b>	<b>56</b>	<b>425</b>	<b>23</b>	<b>168</b>
<b>Fund Balance - Beginning</b>	<b>10,759</b>	<b>10,281</b>	<b>10,792</b>	<b>10,538</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,815</b>	<b>\$ 10,706</b>	<b>\$ 10,815</b>	<b>\$ 10,706</b>

*Chart Data: Dollars in Billions*



# ***RESOLUTION FUND***

## ***FSLIC Resolution Fund (FRF)***

The FRF is a FDIC-managed resolution fund that was originally created to wind up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). It is also responsible for liquidating the assets and liabilities that were transferred from the former Resolution Trust Corporation (RTC) in 1996. Statutorily, the FRF is reported as one fund; for management reporting and operational purposes, the FRF is split into its FSLIC and RTC components and accounted for separately. The assets of one component are not available to satisfy the obligations of the other.

The FRF will continue to operate until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied.

### ***FRF-FSLIC***

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FRF, and transferred the assets and liabilities of the FSLIC to the FRF or RTC, effective August 9, 1989. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury.

### ***FRF-RTC***

The RTC was created to manage and resolve all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed on January 1, 1989, or later. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995, and the RTC was terminated as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury or the Resolution Funding Corporation, as appropriate.

## FSLIC Resolution Fund Statements of Cash Flows and Selected Statistics September 2001

*Dollars in Millions*

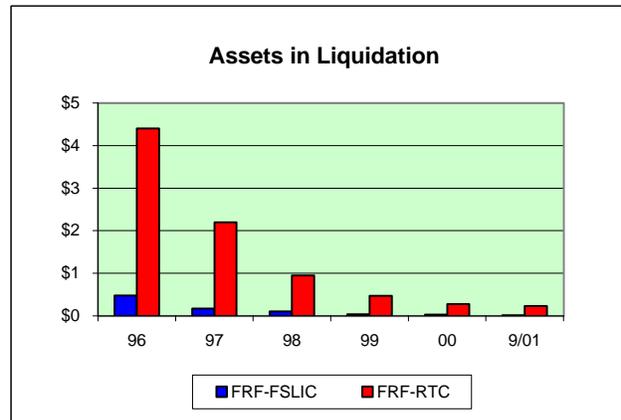
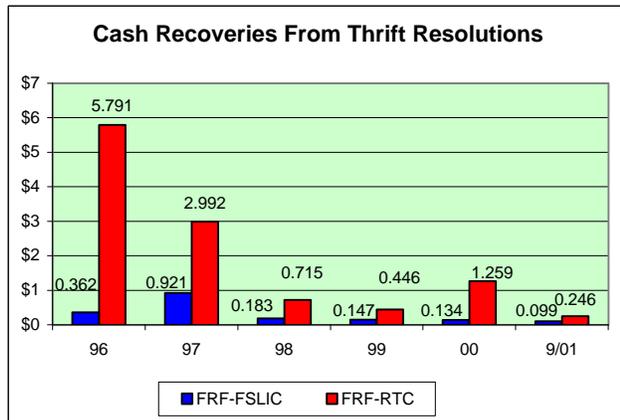
	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF - CONSOLIDATED (Unaudited) Year-to-Date:	
	2001	2000	2001	2000	2001	2000
<b>Cash Flows</b>						
<b>Cash Flows From Operating Activities:</b>						
Cash Provided From Operating Activities	\$196	\$242	\$310	\$1,276	\$506	\$1,518
Cash Used for Operating Activities	(4)	(24)	(78)	(171)	(82)	(195)
Net Cash Provided by Operating Activities	192	218	232	1,105	424	1,323
<b>Cash Flows From Investing Activities:</b>						
Investment in Securitization Related Assets						
Acquired from Receiverships, AFS (1)	0	0	655	588	655	588
<b>Cash Flows From Financing Activities:</b>						
U.S. Treasury Payments for Goodwill Settlements	0	0	0	0	0	0
Return of U.S. Treasury Payments (2)	0	0	0	(391)	0	(391)
Payments to Resolution Funding Corporation (2)	0	0	(1,207)	(1,049)	(1,207)	(1,049)
<b>Net Increase/(Decrease) in Cash</b>	<b>\$192</b>	<b>\$218</b>	<b>(\$320)</b>	<b>\$253</b>	<b>(\$128)</b>	<b>\$471</b>
<b>Selected Statistics</b>						
Resolution Equity (2)	\$2,588	\$2,455	\$2,226	\$3,194	\$4,814	\$5,649
Number of Active Receiverships	1	6	148	181	149	187
Number of Other Liquidating Entities	15	22	15	16	30	38
Assets in Liquidation (3)	\$14	\$31	\$234	\$323	\$248	\$354

(1) Available-for-Sale (AFS)

(2) As of September 30, 2001, FRF-RTC paid \$4.556 billion to the U.S. Treasury and \$2.656 billion to the Resolution Funding Corporation.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

*Chart Data: Dollars in Billions*



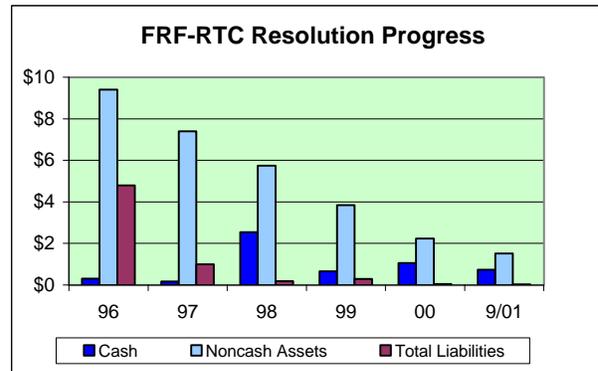
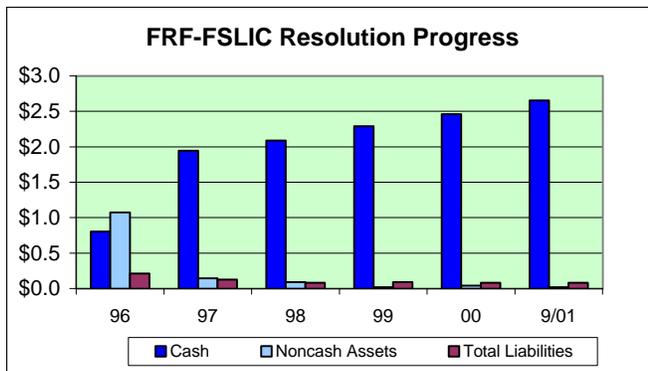
## FSLIC Resolution Fund Statements of Financial Position September 2001

*Dollars in Millions*

	FRF - FSLIC (Unaudited) September 30		FRF - RTC (Unaudited) September 30		FRF - CONSOLIDATED (Unaudited) September 30	
	2001	2000	2001	2000	2001	2000
<b>Assets</b>						
Cash and cash equivalents	\$ 2,652	\$ 2,511	\$ 734	\$ 908	\$ 3,386	\$ 3,419
Receivables from thrift resolutions, net	10	11	190	298	200	309
Investment in securitization related assets acquired from receiverships	0	0	1,303	2,204	1,303	2,204
Assets acquired by the Corporation, net	6	8	24	37	30	45
Other assets, net	0	0	1	5	1	5
<b>Total Assets</b>	<b>\$ 2,668</b>	<b>\$ 2,530</b>	<b>\$ 2,252</b>	<b>\$ 3,452</b>	<b>\$ 4,920</b>	<b>\$ 5,982</b>
<b>Liabilities and Resolution Equity</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 6	\$ 6	\$ 19	\$ 29	\$ 25	\$ 35
Liabilities from thrift resolutions	73	69	5	229	78	298
Contingent liabilities for litigation losses	1	0	2	0	3	0
<b>Total Liabilities</b>	<b>80</b>	<b>75</b>	<b>26</b>	<b>258</b>	<b>106</b>	<b>333</b>
<b>Resolution Equity</b>						
Contributed capital (1)	44,157	44,157	84,121	85,732	128,278	129,889
Accumulated deficit	(41,569)	(41,702)	(82,279)	(82,946)	(123,848)	(124,648)
Unrealized gain on available-for-sale securities, net	0	0	384	408	384	408
Accumulated deficit, net	(41,569)	(41,702)	(81,895)	(82,538)	(123,464)	(124,240)
<b>Total Resolution Equity</b>	<b>2,588</b>	<b>2,455</b>	<b>2,226</b>	<b>3,194</b>	<b>4,814</b>	<b>5,649</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 2,668</b>	<b>\$ 2,530</b>	<b>\$ 2,252</b>	<b>\$ 3,452</b>	<b>\$ 4,920</b>	<b>\$ 5,982</b>

(1) As of September 30, 2001, Contributed Capital decreased \$7.2 billion due to the FRF-RTC payments to the U.S. Treasury and the Resolution Funding Corporation.

*Chart Data: Dollars in Billions*



## FSLIC Resolution Fund Statements of Income and Accumulated Deficit September 2001

*Dollars in Millions*

	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF - CONSOLIDATED (Unaudited) Year-to-Date:	
	2001	2000	2001	2000	2001	2000
<b>Revenue</b>						
Interest on securitization related assets acquired from receiverships	\$ 0	\$ 0	\$ 26	\$ 62	\$ 26	\$ 62
Interest on U.S. Treasury obligations	85	106	0	0	85	106
Interest on advances and subrogated claims	0	0	19	67	19	67
Revenue from assets acquired by the Corporation	2	3	20	21	22	24
Realized gain on investment in securitization related assets acquired from receiverships	0	0	234	91	234	91
Limited partnership equity interests and other revenue	0	0	0	2	0	2
<b>Total Revenue</b>	<b>87</b>	<b>109</b>	<b>299</b>	<b>243</b>	<b>386</b>	<b>352</b>
<b>Expenses and Losses</b>						
Operating expenses	5	3	48	56	53	59
Realized loss on investment in securitization related assets acquired from receiverships	0	0	15	39	15	39
Provision for losses	(87)	(127)	(16)	8	(103)	(119)
Expenses for goodwill settlements and litigation	(6)	(3)	0	0	(6)	(3)
Expenses for assets acquired by the Corporation	2	5	2	9	4	14
Interest expense on notes payable and other expenses	4	8	0	3	4	11
<b>Total Expenses and Losses</b>	<b>(82)</b>	<b>(114)</b>	<b>49</b>	<b>115</b>	<b>(33)</b>	<b>1</b>
<b>Net Income</b>	<b>169</b>	<b>223</b>	<b>250</b>	<b>128</b>	<b>419</b>	<b>351</b>
Unrealized gain/(loss) on available-for-sale securities, net (current period)	0	0	(71)	28	(71)	28
<b>Comprehensive Income</b>	<b>169</b>	<b>223</b>	<b>179</b>	<b>156</b>	<b>348</b>	<b>379</b>
<b>Accumulated Deficit - Beginning</b>	<b>(41,738)</b>	<b>(41,925)</b>	<b>(82,074)</b>	<b>(82,694)</b>	<b>(123,812)</b>	<b>(124,619)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (41,569)</b>	<b>\$ (41,702)</b>	<b>\$ (81,895)</b>	<b>\$ (82,538)</b>	<b>\$ (123,464)</b>	<b>\$ (124,240)</b>

*Chart Data: Dollars in Billions*

