FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT 2013

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ANNUAL REPORT 2013

FEDERAL DEPOSIT INSURANCE CORPORATION
550 17th Street NW, Washington, DC 20429 OFFICE OF THE CHAIRMAN

March 14, 2014

Dear Sir,

In accordance with:

- the provisions of section 17(a) of the Federal Deposit Insurance Act,
- the Chief Financial Officers Act of 1990, Public Law 101-576,
- the Government Performance and Results Act of 1993 (as amended) and the GPRA Modernization Act of 2010,
- the provisions of Section 5 (as amended) of the Inspector General Act of 1978, and
- the Reports Consolidation Act of 2000,

the Federal Deposit Insurance Corporation (FDIC) is pleased to submit its 2013 Annual Report (also referred to as the Performance and Accountability Report), which includes the audited financial statements of the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF).

In accordance with the Reports Consolidation Act of 2000, the FDIC assessed the reliability of the performance data contained in this report. No material inadequacies were found, and the data are considered to be complete and reliable.

Based on internal management evaluations, and in conjunction with the results of independent financial statement audits, the FDIC can provide reasonable assurance that the objectives of Section 2 (internal controls) and Section 4 (financial management systems) of the Federal Managers' Financial Integrity Act of 1982 have been achieved, and that the FDIC has no material weaknesses. Additionally, the U.S. Government Accountability Office did not identify any significant deficiencies in the FDIC's internal controls for 2013. We are committed to maintaining effective internal controls corporate-wide in 2014.

Sincerely,

Martin J. Gruenberg

Martin J. Gruenberg
Chairman

The President of the United States
The President of the United States Senate
The Speaker of the United States House of Representatives

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INSURING DEPOSITS • EXAMINING INSTITUTIONS • MANAGING RECEIVERSHIPS • EDUCATING CONSUMERS

In its unique role as deposit insurer of banks and savings associations, and in cooperation with the other state and federal regulatory agencies, the FDIC promotes the safety and soundness of the U.S. financial system and insured depository institutions by identifying, monitoring, and addressing risks to the Deposit Insurance Fund (DIF).

The FDIC promotes public understanding and the development of sound public policy by providing timely and accurate financial and economic information and analyses. It minimizes disruptive effects from the failure of financial institutions and promotes fairness in the sale of financial products and the provision of financial services.

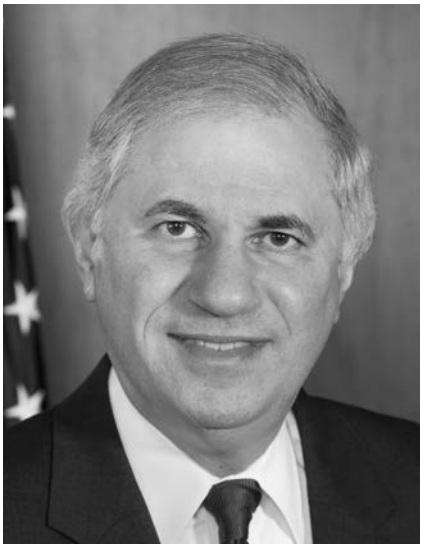
The FDIC's long and continuing tradition of excellence in public service is supported and sustained by a highly skilled and diverse workforce that continuously monitors and responds rapidly and successfully to changes in the financial environment.

At the FDIC, we are working together to be the best.

FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

Message from the Chairman



I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) 2013 Annual Report.

SUMMARY

During 2013, the banking industry continued to experience a process of gradual recovery that has been evident for the past four years since the financial crisis. Fewer institutions reported quarterly losses, lending grew at a modest pace, credit quality continued to improve, the number of problem banks declined, and fewer banks failed.

In addition, we have seen sustained improvement in all the key bank performance indicators: three years of net income growth; improved credit quality; and growth in loan balances. Lower loan-loss provisions, reflecting improved credit quality, drove much of the improvement in earnings over the last few years. Revenue growth has remained flat. Going forward, industry earnings will depend more on increased lending, consistent with sound underwriting.

Internal indicators for the FDIC also continued to move in a positive direction. The numbers of both failed and problem institutions continued to decline in 2013, although they still remain elevated. Meanwhile, the Deposit Insurance Fund (DIF), which had been nearly $21 billion in the red during the financial crisis, stood at over $47 billion at year-end.

While some uncertainties remain, we now seem to be moving from an environment where the key focus had been repairing the damage from the financial crisis and the economic recession, into one where institutions are likely to explore opportunities to expand lending as conditions improve. One key issue lies with rising interest rates, which will provide banks an opportunity to increase margins, but also the challenge of managing interest rate risk. From a supervisory standpoint, interest rate risk will be a key focus of our examiners.

The FDIC is well prepared to carry out our mission of maintaining stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships. At the end of 2013, the FDIC insured $6.0 trillion of deposits in over 600 million accounts at 6,800 institutions.

In addition to carrying out our basic core mission responsibilities, our policy agenda includes the following:

- Carrying forward our major new responsibilities for reviewing and evaluating the resolution plans submitted by the largest bank holding companies and certain other systemically important financial institutions (SIFIs) under Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), continuing to develop a strategy for resolving SIFIs under the new authorities provided the FDIC under Title II of the Dodd-Frank Act, and promoting cross-border cooperation and coordination with respect to an orderly resolution of a globally active SIFI;
- Implementing new capital, liquidity, trading and derivatives rules to reduce systemic risk and improve the resilience of the financial system;
- Continuing the FDIC's Community Banking Initiatives, including further research on the future of community banks and providing technical assistance to community banks such as our recently-released series of training videos on key risk management and consumer compliance issues; and
- Continuing our focus on expanding access to the mainstream banking system for everyone who lives in the United States, including the national household survey of the unbanked and underbanked that the FDIC conducts jointly with the U.S. Census Bureau.

The FDIC also recognizes that information technology and cybersecurity developments pose increasing risk to

the financial services sector. We are actively engaged in efforts to promote the security and resilience of the financial services sector through the newly formed FFIEC Cybersecurity and Critical Infrastructure Working Group and the Financial and Banking Information Infrastructure Committee. The FDIC has also taken steps to ensure its operational readiness and response capabilities through internal exercises and the execution of several cyber-related performance goals.

A great strength of the FDIC continues to be a highly dedicated and motivated workforce. The FDIC's employees understand the agency's mission and how it relates to what they do. For the third year in a row, the FDIC took a top spot in the *Best Places to Work in the Federal Government* based on a survey conducted by the Office of Personnel Management.

STRENGTHENING THE DEPOSIT INSURANCE FUND AND RESOLVING FAILED BANKS

The FDIC has made significant progress in rebuilding the DIF. In 2010 and 2011, the FDIC Board of Directors approved a comprehensive, long-term plan for fund management based on Dodd-Frank Act requirements and on an FDIC historical analysis of DIF losses. We experienced a steady increase in the year-end fund balance from 2011 through this year. The DIF balance rose to $47.2 billion at the end of 2013. Assessment revenue, a decrease in the estimate of losses from banks that have failed, and fewer bank failures were the main drivers of fund growth in 2013. The fund is on track to build up the reserve ratio, the ratio of the DIF to all insured deposits, to the statutorily required level of 1.35 percent by September 2020.

Bank failures in 2013 totaled 24, down dramatically from a peak of 157 in 2010, while the number of banks on the problem bank list (banks rated 4 or 5 on the CAMELS rating scale) fell to 467 from a high of 888 in March 2011. These trends are still significantly higher than historical averages. As a result, although these trends are positive and may be accelerating to some degree, the FDIC must still devote considerable resources to managing receiverships, examining problem institutions, and implementing provisions of the Dodd-Frank Act.

Nonetheless, as the banking industry continues to recover, the FDIC will require fewer resources. The FDIC's authorized workforce for 2013 was 8,026 full-time equivalent positions compared with 8,713 the year before. The 2013 Corporate Operating Budget was $2.7 billion, a decrease of $600 million (18 percent) from 2012.

For 2014, the Board reduced the budget by 11 percent to $2.4 billion and reduced authorized staffing by approximately 10 percent to 7,199 positions, in anticipation of a further drop in bank failure activity in the years ahead. Two temporary satellite offices that were set up to handle the crisis-related workload have now closed. The last of them, in Jacksonville, Florida, will close in 2014. However, contingent resources are included in the budget to ensure readiness should economic conditions unexpectedly deteriorate.

During 2013, the FDIC successfully continued to use resolution strategies instituted in 2008 to protect insured depositors of failed institutions at the least cost to the DIF. The FDIC actively marketed failing institutions and sold a large majority to other financial institutions. These strategies protected insured depositors and preserved banking relationships in many communities, providing depositors and customers with uninterrupted access to essential banking services. [All told, these strategies saved the FDIC over $40 billion since the beginning of the financial crisis.]

IMPLEMENTING THE FDIC'S NEW AUTHORITIES UNDER THE DODD-FRANK ACT AND OTHER FINANCIAL REFORMS

The Dodd-Frank Act included far-reaching changes to make financial regulation more effective in addressing systemic risks and provided significant new authorities to the FDIC and other U.S. regulators to plan for and manage the orderly failure of a SIFI. In particular, Title I of the Act requires all bank holding companies with assets over $50 billion, as well as nonbank financial companies designated as systemic by the Financial Stability Oversight Council, to prepare resolution plans (or "living wills") to demonstrate how they would be resolved in a rapid and orderly manner under the Bankruptcy Code in the event of material financial

distress or failure. Title II of the Act provides the FDIC with back-up authority to place a failing SIFI, including a consolidated bank holding company or a nonbank financial company deemed to pose a risk to the financial system, into an FDIC receivership, should an orderly resolution under the Bankruptcy Code not be possible. In 2013, the FDIC made considerable progress in implementing both of these new authorities. Significant progress has also been made on the implementation of key improvements to supervisory standards included in the Act, as well as those that are the product of international efforts.

With respect to the living will process, it is widely recognized that U.S. SIFIs present a challenge to resolution in bankruptcy or under an FDIC receivership, because they are organized under a holding company structure with potentially thousands of interconnected subsidiaries that span legal and regulatory jurisdictions across international borders and share funding and critical support services. Title I provided new authority intended to make these companies more resolvable under the Bankruptcy Code, in a process jointly overseen by the FDIC and the Board of Governors of the Federal Reserve System.

By the end of 2013, all covered bank holding companies had submitted their initial plans, and the 11 largest, most systemically significant companies had submitted their second round resolution plans by October 1st. The FDIC and Federal Reserve Board developed guidance with specific benchmarks for those companies to address in the second-round submissions. The benchmarks included global cooperation with foreign regulators, multiple insolvencies of subsidiaries, counterparty derivative actions, maintenance of critical operations, funding, and liquidity. The companies were required to provide analysis to support the strategies and assumptions contained in their resolution plans. The FDIC and Federal Reserve Board have been evaluating the plans under the standards provided in the statute.

When bankruptcy is not a viable option and a resolution under the bankruptcy process would pose a systemic risk to the U.S. financial system and economy, the Title II Orderly Liquidation Authority (OLA) of the Dodd-Frank Act provides broad new back-up authorities to place any systemically important financial institution into an FDIC receivership. The FDIC has worked for several years to develop the strategic and operational capability to carry out this new authority.

During 2013, the FDIC released for public comment a Federal Register Notice on the Single Point of Entry (SPOE) strategy, developed by the FDIC to manage an orderly resolution of a SIFI. Under the strategy, the FDIC would take control of the top-tier holding company, allowing the firm's operating subsidiaries, both domestic and foreign, to remain open and operating. The strategy is designed to diminish contagion effects while removing culpable management and imposing losses on shareholders and unsecured creditors without imposing costs on taxpayers. The Federal Register Notice provides a detailed overview of what would be a complex resolution process, describing how it would address key issues of liquidity, capital, restructuring, and governance consistent with purposes and authorities contained in Title II.

The FDIC's Systemic Risk Advisory Committee continued to provide advice and guidance on a wide range of issues regarding the resolution of large SIFIs. The Committee members have a wide range of knowledge and experience, including leading federal regulatory agencies; managing complex firms; administering bankruptcies; and working in the legal system, the accounting field, and academia.

Also during the year, the FDIC continued to engage our major foreign counterparts with whom we would have to collaborate on a cross-border basis in resolving failing global SIFIs. We worked directly with regulators in the United Kingdom, Switzerland, Germany, Japan, and the European Union. As part of our efforts in this area, the FDIC, in conjunction with the prudential regulators in our jurisdictions and internationally, has been working to develop contingency plans for the failure of Global SIFIs (G-SIFIs). Of the 28 G-SIFIs designated by the Financial Stability Board of the G-20 countries, eight are headquartered in the United States.

The FDIC made progress with efforts to develop international capital standards as a member of the Basel Committee on Banking Supervision and implement Dodd-Frank Act reforms to strengthen the safety and soundness of the financial system.

In July 2013, the FDIC approved an interim final rule that implemented the international Basel III capital agreement. The interim final rule adopted, with revisions, the June 2012 proposals related to the Basel III, Standardized, and Advanced Approaches rules. The interim final rule on Basel III strengthens both the quality and quantity of risk-based capital for all banks. The FDIC and the other federal banking agencies carefully considered more than 2,500 comments, the majority of which were from community banking institutions. Most of the key concerns of community banks were addressed through a few significant modifications to the proposed rule. The new capital requirements become effective for most banking organizations on January 1, 2015.

Also in July 2013, the FDIC approved a joint Notice of Proposed Rulemaking that would increase the supplementary leverage capital requirements for the largest, most systemically important banking organizations. The NPR addresses one of the main causes of the financial crisis, the excessive leverage that had built up in the system.

In October 2013, the FDIC and the other federal banking agencies issued a Notice of Proposed Rulemaking to implement the Basel III liquidity coverage ratio (LCR) standard. The LCR requires covered companies to maintain a sufficient amount of high quality liquid assets to cover a short-term stress event and applies to large, internationally active banking organizations and certain of their subsidiaries.

Finally, in December 2013, the FDIC with four other agencies jointly issued final rules to implement Section 619 of the Dodd-Frank Act (often referred to as the "Volcker Rule"). The purpose of the Volcker Rule is to limit the type and amount of speculative risk that can be undertaken by entities that are supported by the public safety net. In order to achieve that goal, the provision places prohibitions and restrictions on the ability of depository institution holding companies, insured depository institutions, and their subsidiaries and affiliates to engage in proprietary trading or investing in, or having relationships with, hedge funds and private equity funds.

COMMUNITY BANKING INITIATIVE

The financial crisis and its aftermath had significant consequences for community banks, which play a crucial role in the U.S. financial system. Community banks account for about 14 percent of the banking assets in the United States, but provide nearly 46 percent of the small loans that FDIC-insured depository institutions make to businesses and farms.

The FDIC is the lead federal supervisor for the majority of community banks, and the insurer of all. The FDIC has a particular responsibility for the safety and soundness of community banks, and for understanding and communicating the role they play in the banking system.

We launched a number of community banking initiatives in 2012, including the first comprehensive study on the role and future of community banks in the United States. Our research efforts continued through 2013. During the year, we published an update of trends in community bank structure and performance through year-end 2012. This updated study showed that, by a number of measures, community banks in 2012 enjoyed their best year since before the financial crisis began. Our research efforts will continue into the coming year as we address topics such as banking industry consolidation, rural depopulation, and Minority Depository Institutions.

As part of our outreach to community bankers, I participated in roundtable discussions with community bankers in each of the FDIC's six supervisory regions during the year. Our supervisory and compliance examiners undertook an Examination and Rulemaking Review with the goal of identifying ways to make the supervisory process more efficient, consistent, and transparent. In response to concerns about pre- and post-examination processes, our supervisory staff developed a web-based tool that generates a pre-examination document and information request tailored to a specific institution's operations and business lines. We are also improving how information is shared electronically between bankers and examiners.

During 2013, the FDIC launched a technical assistance video program designed to provide useful information to bank

directors, officers, and employees on areas of supervisory focus and proposed regulatory changes. Throughout the year, we released technical videos that address the roles and responsibilities of bank board directors, the FDIC's Risk Management and Compliance Examination processes, a virtual version of the FDIC's Directors' College Program that regional offices deliver throughout the year, and a variety of supervisory topics, including interest rate risk, troubled debt restructurings, appraisals and evaluations, the allowance for loan and lease losses, evaluations of municipal securities, and flood insurance. The feedback on the videos has been very positive.

Throughout 2013, FDIC supervisory staff also continued to offer additional on-site technical training opportunities on subjects of interest to community bankers. As part of this ongoing effort, our supervisory staff hosted Director and Banker Colleges in each region. These Colleges are typically conducted jointly with state trade associations and address topics of interest to community bankers. We conducted extensive outreach to community bankers on complex rulemakings, including the Basel III capital rulemaking process.

Finally, we continue to rely on our Advisory Committee on Community Banking as an ongoing forum for discussing critical issues and receiving valuable feedback and input from the industry. The advisory committee met three times during 2013. The Committee, which is composed of 15 community bank CEOs from around the country, is a valuable resource for input on a wide variety of topics, including examination policies and procedures, capital and other supervisory issues, credit and lending practices, deposit insurance assessments and coverage, and regulatory compliance issues.

PROTECTING CONSUMERS AND EXPANDING ACCESS TO BANKING SERVICES

Expanding access to the banking system for all those living in the United States is part of the FDIC's core mission. The FDIC biennial National Survey of Unbanked and Underbanked Households, conducted jointly with the Census Bureau, has documented that a large portion of the population in our country has either no access or limited access to insured institutions. We have undertaken a major effort through a number of initiatives to protect consumers and expand access to mainstream banking services. This continues to be an important priority for the agency.

The FDIC's Advisory Committee on Economic Inclusion — composed of bankers, community and consumer organizations, and academics — has continued to explore strategies to bring the unbanked into the financial mainstream. In 2013, the committee focused on promoting household savings, reaching the underserved through mobile technology, examining financial education strategies for school-aged youth, and providing access to safe and affordable savings and transaction products.

At the local level, the FDIC's Alliance for Economic Inclusion organizes coalitions of financial institutions, community organizations, local government officials, and other partners in communities across the country to bring unbanked and underbanked households into the financial mainstream. The effort includes better access to basic retail financial services, such as checking and savings accounts, affordable remittance products, small-dollar loans, targeted financial education programs, and asset-building programs. These partnerships are currently operating in 16 communities nationwide.

Our efforts in this area are also focused on supervisory guidance designed to promote safe and sound practices and to promote consumer protection. During 2013, the FDIC issued final guidance regarding deposit advance products that are offered or may be offered by FDIC-supervised institutions. The guidance is intended to ensure that banks are aware of the potential credit, reputation, operational and compliance risks associated with deposit advance products. The guidance also recognizes consumers' need for responsible small-dollar credit products and encourages institutions to develop new or innovative programs to effectively meet the need for small-dollar credit that do not exhibit the risks associated with deposit advance products and payday loans.

CONCLUSION

The recovery of the banking industry continued to advance during 2013 with stronger earnings and improved asset quality. The industry is experiencing fewer bank failures and problem institutions, and the FDIC's Deposit Insurance Fund is steadily growing. Despite these improvements, we remain mindful of uncertainties and potential challenges, and are pursuing a number of important policy initiatives. The workforce of the FDIC remains committed to carrying out our core mission responsibility of maintaining stability and public confidence in the nation's financial system. I am very grateful to the dedicated professionals of the FDIC for their commitment to public service and their continued dedication to the mission of the FDIC.

Sincerely,

Martin J. Gruenberg

Message from the Chief Financial Officer

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) 2013 Annual Report (also referred to as the Performance and Accountability Report). The report covers financial and program performance information and summarizes our successes for the year. The FDIC takes pride in providing timely, reliable, and meaningful information to its many stakeholders.

For 22 consecutive years, the U.S. Government Accountability Office (GAO) has issued unmodified (unqualified) audit opinions for the two funds administered by the FDIC: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). We take pride in our responsibility and demonstrate discipline and accountability as stewards of these funds. We remain proactive in executing sound financial management and in providing reliable financial data.

During 2013, the FDIC continued to make significant progress in rebuilding the DIF. Since year-end 2009, the DIF balance increased by $68.1 billion to $47.2 billion as of year-end 2013. This increase in the DIF balance was primarily due to cumulative assessment revenue of $49.2 billion and a decrease in the estimated losses for both actual and anticipated bank failures of $15.1 billion.

FINANCIAL RESULTS FOR 2013

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 the provision for insurance losses and a $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 risk-based 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.

Only 24 banks failed in 2013, the fewest since the beginning of the crisis in 2008 when 25 banks failed. Failures during the crisis peaked at 157 in 2010. Even though the banking crisis has subsided, the FDIC will still emphasize effectively managing risks to the DIF, as we rebuild the Fund in the post-banking crisis environment. Financial operations will continue to be based on sound financial management techniques, which will include a strong enterprise-wide risk management and internal control program.

Sincerely,

Steven O. App

Steven O. App

FDIC Senior Leaders

Seated (left to right): Mark Pearce, Arthur Murton, Richard Osterman, Jr., Doreen Eberley, Barbara Ryan, Chairman Martin Gruenberg, Director Jeremiah Norton, Arleas Upton Kea, and Andrew Gray.
Standing (left to right): Cottrell Webster, Steven App, Russell Pittman, the late D. Michael Collins, Bret Edwards, Eric Spitler, Fred Gibson, Stephen Quick, and Craig Jarvill.

Not pictured: Vice Chairman Thomas Hoenig, Kymberly Copa, E. Melodee Brooks, Diane Ellis, Christopher Farrow, Robert Harris, Martin Henning, and Suzannah Susser.

I. Management's Discussion and Analysis

The Year in Review

OVERVIEW

Although the number of bank failures declined in 2013 compared to the previous year, the FDIC remained fully engaged in its mission-critical responsibilities. In 2013, the FDIC continued to make progress in fulfilling its responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and related rulemakings. Also during 2013, the FDIC made progress with community banking initiatives including releasing numerous technical assistance videos on topics relating to risk management and consumer protection. The sections below highlight some of our accomplishments during the year.

INSURANCE

The FDIC insures bank and savings association deposits. As insurer, the FDIC must continually evaluate and effectively manage how changes in the economy, the financial markets, and the banking system affect the adequacy and the viability of the Deposit Insurance Fund (DIF).

Long-Term Comprehensive Fund Management Plan

In 2010 and 2011, the FDIC developed a comprehensive, long-term management plan designed to reduce the effects of cyclicality and achieve moderate, steady assessment rates throughout economic and credit cycles, while also maintaining a positive fund balance, even during a banking crisis. That plan is combined with the Restoration Plan, originally adopted in 2008 and subsequently revised, which is designed to ensure that the reserve ratio will reach 1.35 percent of estimated insured deposits by September 30, 2020, as required by the Dodd-Frank Act.[1] These plans include a reduction in rates that the FDIC Board adopted to become effective once the reserve ratio reaches 1.15 percent.

To increase the probability that the fund reserve ratio will reach a level sufficient to withstand a future crisis, the FDIC Board has—pursuant to the long-term management plan—set the Designated Reserve Ratio (DRR) for the DIF at 2.0 percent. Using historical fund loss and simulated income data from 1950 to 2010, FDIC analysis showed the reserve ratio would have had to exceed 2.0 percent before the onset of the two crises that occurred since the late 1980s to have maintained both a positive fund balance and stable assessment rates throughout both crises. The analysis assumed a moderate, long-term average industry assessment rate, consistent with the rates set forth in the plan. The FDIC views the 2.0 percent DRR as a long-term goal and the minimum level needed to withstand future crises of the magnitude of past crises. Under provisions of the Federal Deposit Insurance Act (FDI Act) that require the FDIC Board to set the DRR for the DIF annually, the FDIC Board voted in October 2013 to maintain the 2.0 percent DRR for 2014.

[1] The Act also requires that the FDIC offset the effect on institutions with less than $10 billion in assets of increasing the reserve ratio from 1.15 percent to 1.35 percent. The FDIC will promulgate a rulemaking that implements this requirement at a later date to better take into account prevailing industry conditions at the time of the offset.

As part of the long-term management plan, the FDIC also suspended dividends indefinitely when the fund reserve ratio exceeds 1.5 percent. Instead, the plan prescribes progressively lower assessment rates that will become effective when the reserve ratio exceeds 2.0 percent and 2.5 percent. These lower assessment rates serve almost the same function as dividends, but provide more stable and predictable effective assessment rates over time.

State of the Deposit Insurance Fund

Estimated losses to the DIF were $1.2 billion from failures occurring in 2013, and were lower than losses from failures in each of the previous five years. The fund balance continued to grow throughout 2013, with 16 consecutive quarters of positive growth. Assessment revenue, a decrease in the estimate of losses from banks that have failed, and a decline in loss provisions for anticipated bank failures drove the increase in the fund balance during 2013. The fund reserve ratio rose to 0.79 percent of estimated insured deposits at December 31, 2013, from 0.44 percent at the end of 2012.

To ensure that the DIF had sufficient liquidity to handle a high volume of failures during the recent crisis, the Board issued a rule in 2009 that required insured depository institutions to prepay 13 quarters of estimated risk-based assessments.[2] The $45.7 billion in assessments prepaid on December 30, 2009, resolved the FDIC's immediate liquidity needs. As required by the rule, the FDIC refunded in aggregate $5.9 billion in remaining prepaid assessments at the end of June 2013 to 5,625 insured institutions.

Assessment System for Large and Highly Complex Institutions

On October 9, 2012, the FDIC Board approved a final rule to amend the assessment system for large and highly complex institutions. The rule amends definitions adopted in the February 2011 large bank pricing rule used to identify concentrations in higher-risk assets. This rule, which became effective on April 1, 2013, amends the definitions of leveraged loans and subprime loans, which are areas of significant potential risk. The revised definition of leveraged loans, renamed higher-risk C&I (commercial and industrial) loans and securities, focuses on large loans to the riskiest borrowers—those that are highly leveraged as the result of loans to finance a buyout, acquisition, or capital distribution. The revised definition of subprime consumer loans, renamed higher-risk consumer loans, focuses on the most important characteristic—the probability of default. The final rule resulted from concerns raised by the industry about the cost and burden of reporting under the definitions in the February 2011 rule. Nonetheless, the new definitions better reflect the risk that institutions pose to the DIF.

Definition of Deposit at Foreign Branches of U.S. Banks

On September 10, 2013, the FDIC Board of Directors approved a final rule clarifying that funds on deposit in foreign branches of U.S. banks are not FDIC-insured, even though they can be deposits for purposes of the national depositor preference statute. Under the FDI Act, funds deposited in a foreign branch of a U.S. bank are not considered deposits, unless the deposits are also payable at an office of the bank in the United States (a dually payable deposit). A 2012 Consultation Paper by the United Kingdom's Prudential Regulation Authority (PRA) proposed that banks from non-European Economic Area countries that have depositor preference laws be prohibited from accepting deposits at their United Kingdom (U.K.) branches, unless the banks take steps to ensure that U.K. depositors are no worse off than depositors in the bank's home country if the bank fails. The PRA paper mentioned that such efforts could include changing deposit account agreements to make U.K. branch deposits dually payable in the United States, which would put the U.K. branch deposits on the same footing as U.S. deposits under the U.S. depositor preference statute. As a result, the FDIC anticipates that some large U.S. banks will change their deposit agreements to make their U.K. branch deposits payable in both the United Kingdom and the United States to provide depositor preference to U.K. branch deposits. The final rule clarifies that these U.K. branch deposits are not FDIC-insured.

[2] The cash collected from the prepayment did not initially affect the DIF balance (i.e., the DIF's net worth). Rather, each quarter, the DIF recognized as revenue prepaid amounts used to cover each institution's quarterly risk-based assessment.

ACTIVITIES RELATED TO SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS

Risk Monitoring Activities for Systemically Important Financial Institutions

The Dodd-Frank Act expanded the FDIC's responsibilities for overseeing and monitoring the largest, most complex bank holding companies and large, nonbank systemically important financial institutions (SIFIs) designated by the Financial Stability Oversight Council (FSOC) for supervision by the Board of Governors of the Federal Reserve System (FRB). In 2013, the FDIC's complex financial institution program activities included ongoing reviews of all banking organizations with more than $100 billion in assets as well as certain nonbank financial companies. Given the scope of the FDIC's responsibilities under the Dodd-Frank Act, the FDIC developed additional risk assessment tools, processes, and procedures to better identify major risks at SIFIs, to ensure corrective actions when warranted, and to efficiently allocate resources. Additionally, the complex financial institution program prepares the FDIC to resolve insured depository institutions (IDIs) in the event of failure, including the review of IDI-prepared resolution plans.

In the FDIC's back-up supervisory role, as outlined in Sections 8 and 10 of the FDI Act and Sections 23A and 23B of the Federal Reserve Act, the FDIC has expanded resources and developed and implemented policies and procedures to guide back-up supervisory activities. These activities include participating in supervisory activities with other regulatory agencies, performing analyses of industry conditions and trends, and exercising examination and enforcement authorities, when necessary.

In addition, the FDIC continues to work closely with other federal regulators to gain a better understanding of the risk measurement and management practices of SIFIs, and assess the potential risks they pose to financial stability.

Title I Resolution Plans

Title I of the Dodd-Frank Act requires that each bank holding company with total consolidated assets of $50 billion or more, and each nonbank financial company that the FSOC determined should be subject to supervision

Paul Volcker, former Federal Reserve Chairman, offers his perspective on Title I resolution planning at a Systemic Resolution Advisory Committee meeting.

by the FRB, prepare a resolution plan, or "living will," and periodically provide the plan to the FRB and the FDIC. Section 165(d) of the Dodd-Frank Act requires the company's resolution plan to provide for its rapid and orderly resolution under the bankruptcy code in the event of the company's material financial distress or failure. The FDIC and the FRB issued a joint rule to implement the requirements for resolution plans to be filed pursuant to Section 165(d) [the 165(d) Rule].

In addition to the 165(d) Rule, the FDIC issued a separate rule that requires all IDIs with greater than $50 billion in assets to submit resolution plans to the FDIC (IDI Rule). The IDI's resolution plan should enable the FDIC, as receiver, to resolve the IDI using the FDIC's traditional resolution powers under the Federal Deposit Insurance Act (FDI Act), in a manner that ensures that depositors receive access to their insured deposits generally within one business day of the IDI's failure, maximizes the net present value return from the disposition of its assets, and minimizes the amount of any loss realized by creditors.

The 165(d) Rule was effective as of November 30, 2011, and provides for staggered initial submission dates for the

resolution plans of covered companies. Thereafter, unless otherwise agreed to by the FDIC and the FRB, each covered company must submit a plan annually, on or before the anniversary of its initial submission date. Initial submission dates for IDI resolution plans under the IDI Rule, which was effective April 1, 2012, conform to those for covered companies under the 165(d) Rule. Under the 165(d) Rule, the initial submission date is based upon nonbank assets (or for a foreign-based covered company, U.S. nonbank assets) as of November 30, 2011, and is set by the rule as follows:

- July 1, 2012: "First Wave Companies" are covered companies with $250 billion or more in nonbank assets (or U.S. nonbank assets for foreign-based covered companies).
- July 1, 2013: "Second Wave Companies" are covered companies with $100 billion or more in nonbank assets (or U.S. nonbank assets for foreign-based covered companies).
- December 31, 2013: "Third Wave Companies" are all other covered companies which are covered companies with less than $100 billion in nonbank assets (or U.S. nonbank assets for foreign-based covered companies).

Any company that becomes subject to the 165(d) Rule after its effective date (including nonbank financial companies designated by the FSOC), and any IDI that becomes subject to the IDI Rule after its effective date, must submit its initial resolution plan by the next July 1 that is at least 270 days after the date it became subject to the respective rule (or following its designation by FSOC).

Eleven First Wave Companies submitted initial 165(d) plans in July 2012. Based upon review of the initial resolution plans, the FDIC and the FRB developed guidance for the First Wave Companies to permit alternate resolution strategies and to clarify information that should be included in their 2013 resolution plan submissions. This guidance is posted on the FDIC's public Website[3]. In the guidance, the FDIC and the FRB identified an initial set of significant obstacles to achieving a rapid and orderly resolution that each of the First Wave companies should address in its plan, including the actions or steps the company has taken or proposes to take to remediate or otherwise mitigate each obstacle (with a timeline for any proposed actions). The agencies extended the second submission filing date to October 1, 2013, giving the First Wave Companies additional time to develop resolution plans complying with the guidance. Each of the First Wave Companies submitted its second submission plan by the October 1 deadline, and the agencies are currently reviewing the plans.

Four Second Wave Companies submitted initial resolution plans by the July 1, 2013, submission date. The FDIC and the FRB reviewed those plans. One hundred and sixteen Third Wave Companies and twenty-two Third Wave IDIs submitted initial resolution plans by December 31, 2013. The FDIC and the FRB are currently reviewing those plans. Three nonbank SIFIs designated by the FSOC for FRB supervision are expected to submit initial resolution plans in 2014.

Title II Resolution Strategy Development

The preferred approach for the resolution of a large, complex financial company is for the firm to file for reorganization or liquidation under the U.S. Bankruptcy Code, just as any failed nonfinancial company would. In certain circumstances, however, resolution under the bankruptcy code may result in serious adverse effects on financial stability in the United States. In such cases, the Orderly Liquidation Authority (OLA) set out in Title II of the Dodd-Frank Act serves as a potential alternative that could be invoked pursuant to a statutorily prescribed recommendation and determination process, coupled with an expedited judicial review process.

Prior to the recent crisis, the FDIC's receivership authority focused on IDIs. No regulator had the authority to place the bank holding company (BHC) or affiliates of an IDI or any other nonbank financial company into an FDIC receivership to avoid systemic consequences. The OLA addresses those limitations and gives the FDIC the back-up powers necessary to potentially resolve a failing BHC or other SIFI in an orderly manner that imposes accountability on shareholders, creditors, and management of the failed company while mitigating systemic risk and imposing no cost on taxpayers.

[3] http://www.fdic.gov/regulations/reform/domesticguidance.pdf

The FDIC has largely completed the core rulemakings necessary to carry out its responsibilities under Title II of the Dodd-Frank Act. Additionally, the FDIC has been developing a strategic approach, referred to as the "Single Point of Entry (SPOE)", to carry out those orderly liquidation authorities. During 2013, the FDIC reviewed the characteristics of each domestic company and studied previous financial downturns to determine the systemic effects and channels of contagion, and consulted with external practitioners and experts on key resolution components and options. The FDIC discussed the SPOE concept at outreach events with other domestic government agencies, the Systemic Resolution Advisory Committee, industry groups, the academic community, and international financial regulators. In December 2013, the FDIC approved publication of a notice in the *Federal Register* that provides greater detail on the SPOE strategy and discusses the key issues that will be faced in the resolution of a SIFI.[4] Comments are expected in early 2014, and the FDIC will consider those comments as resolution strategies continue to be developed.

Cross-border Efforts

Advance planning and cross-border coordination for the resolution of globally active SIFIs will be essential to minimizing disruptions to global financial markets. Recognizing that global SIFIs create complex international legal and operational concerns, the FDIC continues to reach out to foreign regulators to establish frameworks for effective cross-border cooperation.

As part of the bilateral efforts, the FDIC and the Bank of England, in conjunction with the prudential regulators in our respective jurisdictions, have been developing contingency plans for the failure of a global SIFI that has operations in the U.S. and the U.K. Of the 28 G-SIFIs designated by the Financial Stability Board (FSB) of the G-20 countries, four are headquartered in the U.K., and another eight are headquartered in the U.S. Moreover, approximately 70 percent of the reported foreign activities of the eight U.S. G-SIFIs emanates from the U.K. The FDIC and U.K. authorities released a joint paper on resolution strategies in December 2012, reflecting the close working relationship between the two authorities. This joint paper focuses on the application of "top-down" resolution strategies for a U.S. or a U.K. financial group in a cross-border context and addresses several common considerations to these resolution strategies. In December 2013, the FDIC and the Bank of England, including the Prudential Regulation Authority, in conjunction with the Federal Reserve Board and the Federal Reserve Bank of New York, held a staff-level tabletop exercise exploring cross-border issues and potential mitigating actions that could be taken by regulators in the event of a resolution.

The FDIC also is coordinating with representatives from European authorities to discuss issues of mutual interest, including the resolution of European global SIFIs and ways in which we can harmonize receivership actions. The FDIC and the European Commission (E.C.) have established a joint Working Group composed of senior executives from the FDIC and the E.C. to focus on both resolution and deposit insurance issues. The agreement establishing the Working Group provides for meetings twice a year with other interim interchanges and the exchange of detailees. In 2013, the Working Group convened formally twice, and there has been ongoing collaboration at the staff level, including discussions of the FDIC's experience with resolutions, the SPOE strategy, the E.C.'s proposed European Union (E.U.)-wide Credit Institution and Investment Firm Recovery and Resolution Directive, the E.C.'s proposed amendment to harmonize further deposit guarantee schemes E.U.-wide, and the E.C.'s proposal for a Single Resolution Mechanism that would apply to Euro-area Member States, as well as any others that would opt-in. The FDIC and the E.C. also have exchanged staff members for short periods to enhance staff experience with respective resolution authorities. In 2014, at the request of the E.C., the FDIC is planning to conduct a training seminar on resolutions for E.C. staff.

The FDIC continues to foster its relationships with other jurisdictions that regulate global SIFIs, including

[4] Notice entitled, "Resolution of Systemically Important Financial Institutions: The Single Point of Entry Strategy," 78 *Federal Register* 76614 (December 18, 2013).

Switzerland, Germany, and Japan. In 2013, the FDIC had significant principal and staff-level engagements with these countries to discuss cross-border issues and potential impediments that would affect the resolution of a global SIFI. This work will continue in 2014 with plans to host tabletop exercises with staff from these authorities. The development of joint resolution strategy papers, similar to the one with the U.K., as well as possible exchanges of detailees, has also been discussed.

In a significant demonstration of cross-border cooperation on resolution issues, the FDIC signed a November 2013 joint letter with the Bank of England, the Swiss Financial Market Supervisory Authority, and the German Federal Financial Supervisory Authority, to the International Swaps and Derivatives Association, Inc. (ISDA). This letter encouraged ISDA to develop provisions in derivatives contracts that would provide for the short-term suspension of early termination rights and other remedies in the event of a G-SIFI resolution. The adoption of such changes would allow derivatives contracts to remain in effect throughout the resolution process following the implementation of a number of potential resolution strategies. International coordination and outreach and efforts to address impediments to an orderly resolution of a global SIFI are expected to continue.

Systemic Resolution Advisory Committee

In 2011, the FDIC Board approved the creation of the Systemic Resolution Advisory Committee. The Committee provides important advice to the FDIC regarding systemic resolutions. The Committee advises the FDIC on a variety of issues including:

- The effects on financial stability and economic conditions resulting from the failure of a SIFI.
- The ways in which specific resolution strategies would affect stakeholders and their customers.
- The tools available to the FDIC to wind down the operations of a failed organization.
- The tools needed to assist in cross-border relations with foreign regulators and governments when a systemic company has international operations.

Members of the Committee have a wide range of experience including managing complex firms; administering bankruptcies; and working in the legal system, accounting field, and academia. A meeting of the Systemic Resolution Advisory Committee was held on December 11, 2013. The Committee discussed, among other topics, the bankruptcy process for large financial companies, the FDIC's SPOE strategy, and international coordination in financial company resolutions.

Honored guest Paul Tucker from the Bank of England, seated to the right of Chairman Gruenberg, with several members of the Systemic Resolution Advisory Committee and FDIC Board: (seated, from left) William Donaldson, Vice Chairman Hoenig, Paul Volcker, Chairman Gruenberg, Paul Tucker, and Director Norton; (standing, from left) Simon Johnson, Michael Bradfield, Richard Herring, Anat Admati, John Koskinen, Donald Kohn, Douglas Peterson, and David Wright.

Coordinating Interagency Resolution Planning

In 2013, the FDIC continued to promote interagency information-sharing and cooperative resolution planning by holding quarterly meetings with the other federal regulatory agencies. The FDIC also conducted eight interagency outreach meetings with the financial market utilities (FMUs) that were designated by the FSOC.

Financial Stability Oversight Council

The FSOC was created by the Dodd-Frank Act in July 2010 to promote the financial stability of the United States. It is composed of ten voting members, including the Chairperson of the FDIC, and five non-voting members.

The FSOC's responsibilities include the following:

- Identifying risks to financial stability, responding to emerging threats in the system, and promoting market discipline.
- Designating a nonbank financial company for supervision by the FRB subject to heightened prudential standards.
- Designating FMUs and payment, clearing, or settlement activities that are, or are likely to become, systemically important.
- Facilitating regulatory coordination and information-sharing regarding policy development, rulemaking, supervisory information, and reporting requirements.
- Monitoring domestic and international financial regulatory proposals and advising Congress and making recommendations to enhance the integrity, efficiency, competiveness, and stability of U.S. financial markets.
- Producing annual reports describing, among other things, the Council's activities and potential emerging threats to financial stability.

During 2013, the FSOC designated three nonbank financial companies for FRB supervision, including enhanced prudential standards. Also during 2013, the FSOC issued its third annual report. Generally, at each of its meetings, the FSOC discusses various risk issues and, in 2013, the FSOC meetings addressed U.S. fiscal issues, an asset management study prepared by the Office of Financial Research, cyber security, market volatility, market and trading disruptions, money market mutual fund reforms, and fixed income valuations, among other topics.

SUPERVISION AND CONSUMER PROTECTION

Supervision and consumer protection are cornerstones of the FDIC's efforts to ensure the stability of, and public confidence in, the nation's financial system. The FDIC's supervision program promotes the safety and soundness of FDIC-supervised IDIs, protects consumers' rights, and promotes community investment initiatives.

Examination Program

The FDIC's strong bank examination program is the core of its supervisory program. As of December 31, 2013, the FDIC was the primary federal regulator for 4,316 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state nonmember" institutions). Through risk management (safety and soundness), consumer compliance and the Community Reinvestment Act (CRA), and other specialty examinations, the FDIC assesses an institution's operating condition, management practices and policies, and compliance with applicable laws and regulations. The FDIC also educates bankers and consumers on matters of interest and addresses consumer questions and concerns.

As of December 31, 2013, the FDIC conducted 2,284 statutorily required risk management examinations, including a review of Bank Secrecy Act (BSA) compliance, and all required follow-up examinations for FDIC-supervised problem institutions, within prescribed time frames. The FDIC also conducted 1,986 statutorily required CRA/compliance examinations (1,585 joint CRA/compliance examinations, 396 compliance-only examinations, and 5 CRA-only examinations) and 5,057 specialty examinations. As of December 31, 2013, all CRA/compliance examinations were conducted within the time frame established by policy. The following table compares the number of examinations, by type, conducted from 2011 through 2013.

FDIC EXAMINATIONS 2011 – 2013			
	2013	2012	2011
Risk Management (Safety and Soundness):			
State Nonmember Banks	2,077	2,310	2,477
Savings Banks	203	249	227
Savings Associations	0	1	3
National Banks	0	1	1
State Member Banks	4	2	4
Subtotal–Risk Management Examinations	2,284	2,563	2,712
CRA/Compliance Examinations:			
Compliance/Community Reinvestment Act	1,585	1,044	825
Compliance-only	396	611	921
CRA-only	5	10	11
Subtotal–CRA/Compliance Examinations	1,986	1,665	1,757
Specialty Examinations:			
Trust Departments	406	446	466
Information Technology and Operations	2,323	2,642	2,802
Bank Secrecy Act	2,328	2,585	2,734
Subtotal–Specialty Examinations	5,057	5,673	6,002
Total	**9,327**	**9,901**	**10,471**

Risk Management

As of December 31, 2013, there were 467 insured institutions with total assets of $152.7 billion designated as problem institutions for safety and soundness purposes (defined as those institutions having a composite CAMELS[5] rating of "4" or "5"), compared to the 651 problem institutions with total assets of $232.7 billion on December 31, 2012. This constituted a 28 percent decline in the number of problem institutions and a 34 percent decrease in problem institution assets. In 2013, 238 institutions with aggregate assets of $78.7 billion were removed from the list of problem financial institutions, while 54 institutions with aggregate assets of $13.9 billion were added to the list. First National Bank, located in Edinburg, Texas, was the largest failure in 2013, with $3.1 billion in assets. The FDIC is the primary federal regulator for 306 of the 467 problem institutions, with total assets of $93.2 billion.

During 2013, the FDIC issued the following formal and informal corrective actions to address safety and soundness concerns: 51 Consent Orders and 207 Memoranda of Understanding (MOUs). Of these actions, 22 Consent Orders and 27 MOUs were issued, based in whole or in part, on apparent violations of the BSA.

Compliance

As of December 31, 2013, 66 insured state nonmember institutions, about 2 percent of all supervised institutions, with total assets of $64 billion, were problem institutions for compliance, CRA, or both. All existing problem institutions for compliance were rated "4" for compliance purposes. For CRA purposes, the majority are rated "Needs to Improve," and four are rated "Substantial Noncompliance." As of December 31, 2013, all follow-up examinations for problem institutions were performed on schedule.

[5] The CAMELS composite rating represents the adequacy of **C**apital, the quality of **A**ssets, the capability of **M**anagement, the quality and level of **E**arnings, the adequacy of **L**iquidity, and the **S**ensitivity to market risk, and ranges from "1" (strongest) to "5" (weakest).

Overall, banks demonstrated strong consumer compliance programs. The most significant consumer protection issue that emerged from the 2013 compliance examinations involved banks' failure to adequately monitor third-party vendors. For example, we found violations involving unfair or deceptive acts or practices relating to issues such as failure to disclose material information about new products being offered, deceptive marketing and sales practices, and misrepresentations about the costs of products. As a result, the FDIC issued consumer restitution and civil money penalty actions.

During 2013, the FDIC issued the following formal and informal corrective actions to address compliance concerns: 19 Consent Orders and 55 MOUs. In certain cases, the Consent Orders issued by the FDIC contain requirements for institutions to pay restitution in the form of refunds to consumers for different violations of laws. During 2013, over $45 million was refunded to consumers by institutions subject to Consent Orders. These refunds primarily related to unfair or deceptive practices by institutions, as discussed above. Additionally, in 2013, the FDIC issued 54 Civil Money Penalties (CMPs) relating to consumer compliance.

Bank Secrecy Act/Anti-Money Laundering

The FDIC pursued a number of BSA, Anti-Money Laundering (AML), and Counter-Terrorist Financing (CTF) initiatives in 2013.

The FDIC held a symposium for approximately one-third of the agency's 300 BSA/AML subject matter experts. Training topics covered electronic payments, suspicious activity monitoring, third-party payment processor relationships, foreign correspondent banking, money service businesses, and other higher-risk topics. In addition, a teleconference was held to discuss activity observed by the Office of Foreign Assets Control related to foreign correspondent transactions.

The FDIC conducted an International AML and CTF training session in November 2013, in the Dominican Republic, for members of the Association of Supervisors of Banks of the Americas (ASBA). The training focused on AML/CTF controls, the AML examination process, customer due diligence, and suspicious activity monitoring, as well as AML compliance issues related to higher risk institutions, products, services, customers, and geographical locations.

Information Technology, Cyber Fraud, and Financial Crimes

To address the specialized nature of technology-related supervision, cyber risks, and controls in the banking industry, the FDIC routinely conducts information technology (IT) examinations at FDIC-supervised institutions. The FDIC and other banking agencies also conduct IT examinations of major technology service providers (TSPs) that support financial institutions. The result of an IT examination is a rating under the Federal Financial Institutions Examination Council (FFIEC) Uniform Rating System for Information Technology (URSIT).

In 2013, the FDIC conducted 2,323 IT and operations risk examinations at financial institutions and TSPs. Further, as part of its ongoing supervision process, the FDIC monitors significant events, such as data breaches and natural disasters that may affect financial institution operations or customers.

In addition to the FDIC's operations and technology examination program, the FDIC monitors cybersecurity issues in the banking industry on a regular basis through on-site examinations, regulatory reports, and intelligence reports. The FDIC works with groups such as the Financial and Banking Information Infrastructure Committee (FBIIC), the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security (FSSCC), the Financial Services Information Sharing and Analysis Center (FS-ISAC), other regulatory agencies, law enforcement and others to share information regarding emerging issues and coordinate responses.

Throughout 2013, FDIC staff participated in workshops, sponsored by the National Institute of Standards and Technology (NIST), to develop the Cybersecurity Framework required by Executive Order 13636. The goal of the workshops was to create the initial body of standards, guidelines, best practices, tools, and procedures that will be used to populate the first draft of the Cybersecurity

Framework. Also, the FDIC has actively engaged through the FBIIC to participate in interagency discussions associated with various elements of the Executive Order.

Other major accomplishments during 2013 to promote IT security and combat cyber fraud and other financial crimes included the following:

- Held a Financial Crimes Conference for staff that focused on all types of financial fraud, and how the law enforcement community and regulators can effectively respond. The conference was co-sponsored by the U.S. Department of Justice and held in June 2013.
- Coordinated a nationwide video conference about distributed denial of service (DDoS) attacks with the FBI, financial regulatory agencies, large financial institutions, U.S. Treasury Department, and representatives from the largest technology service providers. There were over 300 participants in 35 field offices.
- Published a *Consumer News* article about using technology to manage personal finances in the Spring 2013 edition.
- Published a *Supervisory Insights* article on "The Evolution of Bank Information Technology Examinations" in the Summer 2013 edition.
- Hosted the FFIEC IT Examiners Conference that addressed technology and operational issues facing the federal financial regulatory agencies.
- Assisted financial institutions in identifying and shutting down "phishing" Websites that attempt to fraudulently obtain and use an individual's confidential personal or financial information.
- Issued a Consumer Alert pertaining to emails fraudulently claiming to be from the FDIC.

Minority Depository Institution Activities

The preservation of minority depository institutions (MDIs) remains a high priority for the FDIC. In June 2013, the FDIC hosted the 2013 Interagency Minority Depository Institution and Community Development Financial Institution Bank Conference. Every two years, the FDIC, the Office of the Comptroller of the Currency (OCC), and the FRB host this important interagency conference for FDIC-insured MDIs to help preserve and promote their mission. The 2013 conference explored "Strategies for Success through Collaboration," and encouraged interactive discussion among those who believe MDIs and Community Development Financial Institutions (CDFI) are uniquely positioned to create positive change in their communities. Nearly 120 MDI and CDFI bankers, representing 77 banks, attended.

In December 2012, the FDIC initiated a research-based study on MDIs. The study, conducted in earnest in 2013, sought to better understand the role MDIs play in our financial system and in our communities. It also addressed the types of challenges MDIs face in the post-crisis environment. The study followed a methodology similar to that used in the FDIC's 2012 Community Banking Study, dividing institutions into groups of "community banks" and "non-community banks." The study focused on structural changes in MDIs; their geography; the financial performance of MDIs over time; capital formation; and the broader community impact of these institutions. The FDIC anticipates that the study will be published in early 2014.

The FDIC continued to seek ways to improve communication and interaction with MDIs and to respond to the concerns of minority bankers. Many MDIs took advantage of FDIC technical assistance on nearly 60 bank supervision, compliance, and resolution and receivership topics, including, but not limited to, the following:

- Corporate Governance.
- New Capital Rules.
- Capital Stress Testing.
- New Mortgage Rules.
- Loan Underwriting and Administration.
- Troubled Debt Restructuring.
- Investment Policy and Investment Securities Monitoring.
- Funds Management.
- Interest Rate Risk Modeling/Stress Testing.
- Third-Party Risk.
- Internal Audit Programs.
- Information Technology Risk Assessment, Strategic Planning and Business Continuity Planning.

- Home Mortgage Disclosure Act.
- Community Reinvestment Act.
- Bank Secrecy Act and Anti-Money Laundering.
- Branch Opening and Closing Requirements.
- Mergers/Acquisition.
- Prompt Corrective Action.
- FDIC Loss Share Agreements.

The FDIC continued to offer the benefit of having an examiner or a member of regional office management return to FDIC-supervised MDIs from 90 to 120 days after an examination, to provide technical assistance to management regarding examination recommendations, or to discuss other issues of interest. Several MDIs took advantage of this initiative in 2013. Also, the FDIC regional offices held outreach training efforts and educational programs for MDIs through conference calls and banker roundtables. Topics of discussion for these sessions included both compliance and risk management matters. Additional discussions included the economy, overall banking conditions, Basel III capital rules, new mortgage rules, and other bank examination issues.

Capital Rulemaking and Guidance

In July 2013, the FDIC acted on two important regulatory capital rulemakings. First, the FDIC joined the FRB and OCC in issuing rulemakings that significantly revise and strengthen risk-based capital regulations through implementation of the Basel III international accord (Basel III rulemaking). Second, these agencies also issued an NPR that would strengthen leverage capital requirements for the eight largest U.S. bank holding companies and their insured banks.

Basel III Rulemaking

The Basel III rulemaking adopts with revisions the notices of proposed rulemaking (NPRs) that the banking agencies proposed in June 2012 regarding the Basel Committee on Banking Supervision capital framework, the standardized approach for risk-weighted assets, and the advanced approaches for risk-based capital. The rule strengthens the definition of regulatory capital, increases risk-based capital requirements, and makes selected changes to the calculation of risk-weighted assets. It introduces a capital conservation buffer that, if breached, would trigger limitations on a bank's capital distributions and certain other discretionary payments. The rule also incorporates standards of creditworthiness other than external credit ratings, consistent with the Dodd-Frank Act, and establishes due diligence requirements for securitization exposures.

Banking organizations subject to the advanced approaches risk-based capital rule also must meet a 3 percent supplementary leverage ratio requirement and a countercyclical capital buffer. Additionally, several enhancements to the advanced approaches risk-based capital rule are included in the rule to incorporate aspects of Basel III, as well as requirements introduced by the Basel Committee on Banking Supervision in the "Enhancements to the Basel II Framework" (2009 Enhancements).

The rule significantly changes aspects of the NPRs to address a number of community bank comments. Specifically, unlike the NPR, the rule retains the current risk-weighting approach for residential mortgages. It allows for an opt-out from the regulatory capital recognition of accumulated other comprehensive income (AOCI), except for large banking organizations that are subject to the advanced approaches capital requirements. Finally, the FRB has adopted the grandfathering provisions of Section 171 of the Dodd-Frank Act for trust preferred securities issued by smaller bank holding companies.

The rule becomes effective January 1, 2015, for banking organizations not subject to the advanced approaches risk-based capital rule. For banking organizations that are subject to the advanced approaches capital requirements, the effective date is January 1, 2014. For all banking organizations, the interim final rule includes a phase-in period for certain aspects of the rule including the new capital ratios and adjustments to and deductions from regulatory capital.

Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and their Subsidiary Insured Depository Institutions

In July 2013, the federal banking agencies issued an NPR that would raise the supplementary leverage requirements for the largest, most systemically important banking organizations and their subsidiary insured depository

institutions (IDIs). The new requirements would apply to the largest, most interconnected banking organizations with at least $700 billion in total consolidated assets at the top-tier bank holding company or at least $10 trillion in assets under custody [covered Bank Holding Companies (BHCs)] and any IDI subsidiary of these bank holding companies (covered IDIs). For covered IDIs, the proposed rule would establish a supplementary leverage ratio of 6 percent as a "well-capitalized" threshold for prompt corrective action. For covered BHCs, the proposed rule establishes a capital conservation buffer composed of tier 1 capital of 2 percent of total leverage exposure; therefore, these BHCs would need to maintain a supplementary leverage ratio of 5 percent to avoid restrictions on capital distributions.

The Enhanced Supplementary Leverage Ratio NPR was published in the *Federal Register* on August 20, 2013, and the comment period ended October 21, 2013. The FDIC is reviewing public comments and is working with the other federal banking agencies to develop a final rule.

Regulatory Reporting Under the Interim Final Capital Rule

In August 2013, the FDIC and the other federal banking agencies issued for comment the first stage of proposed revisions to the Consolidated Reports of Condition and Income (Call Report), which would align the regulatory capital components and ratios portion of the regulatory capital schedule with the Basel III revised regulatory capital definitions. The agencies also proposed to make similar changes to the Federal Financial Institutions Examination Council - FFIEC 101 regulatory capital report for advanced approaches institutions and to revise nine risk-weighted assets schedules in this report consistent with the revised advanced approaches regulatory capital rules. These proposed regulatory capital reporting changes would take effect as of the March 31, 2014, report date for advanced approaches banking organizations. The Call Report revisions would be applicable to all other institutions as of March 31, 2015. The second stage of Call Report revisions would update the risk-weighted assets portion of the regulatory capital schedule to reflect the standardized approach to risk weighting in the Basel III final rules effective as of the March 31, 2015, report date. The risk-weighted assets reporting proposal is expected to be published for comment in 2014.

Stress Testing Guidance

In July 2013, the FDIC, along with the other federal banking agencies, issued guidance that outlines high-level principles for implementation of Section 165(i) (2) of the Dodd-Frank Act stress tests for companies with $10 billion to $50 billion in consolidated assets.

The guidance discusses supervisory expectations for the Dodd-Frank Act stress test practices and offers additional details about methodologies that should be employed by these companies. It also underscores the importance of stress testing as an ongoing risk management practice that supports a company's forward-looking assessment of its risks and better equips the company to address a range of macroeconomic and financial outcomes.

The comment period on this joint proposed guidance ended on September 25, 2013, and the final guidance is being developed.

Other Rulemaking and Guidance under the Dodd-Frank Act

The Dodd-Frank Act required various agencies to establish goals for the completion of rules and/or policy guidance on several topics. Although these goals were not included in the FDIC's 2013 Annual Performance Plan, rules and guidance on these various topics were finalized or progressed in 2013. These topics include:

- Proprietary trading and other investment restrictions (often referred to as the "Volcker Rule").
- Credit risk retention requirements for securitizations.
- Appraisal requirements for higher-priced mortgages.
- Examination standards for the classification and appraisal of securities.
- Capital, margin, and other requirements for over-the-counter (OTC) derivatives.
- Mortgage rules.

Volcker Rule

On December 10, 2013, the FDIC, along with the other federal banking agencies, the Commodities Futures Trading Commission (CFTC), and the Securities and Exchange Commission (SEC), approved a joint final rule to implement the provisions of Section 619 of the Dodd-Frank Act, also known as the "Volcker Rule." The Volcker Rule, which added new Section 13 to the BHC Act, generally prohibits any banking entity from engaging in proprietary trading or acquiring or retaining an interest in, sponsoring, or having certain relationships with, a hedge fund or private equity fund, subject to certain exemptions.

Based on comments received after issuance of the final rule, the agencies issued a joint interim final rule with request for comment on January 14, 2014, to permit banking entities to retain interests in and sponsorship of certain collateralized debt obligations backed primarily by trust preferred securities issued by community banks. Under the final rule, these investments would have met the definition of "covered funds" and would have been subject to investment prohibitions. The agencies also released a non-exclusive list of qualified collateralized debt obligations backed primarily by trust preferred securities to help banks determine compliance with the new interim final rule.

The final rule becomes effective April 1, 2014; the interim final rule would take effect on the same date. The FRB extended the conformance period until July 21, 2015. In the final rule, the agencies tailored the compliance program for banking entities engaged in covered activities based on asset size and amounts in trading assets and liabilities, and provided a phase-in of reporting of quantitative measures for covered trading activities. Beginning June 30, 2014, banking entities with $50 billion or more in consolidated trading assets and liabilities will be required to report quantitative measurements. Banking entities with at least $25 billion, but less than $50 billion, in consolidated trading assets and liabilities will become subject to this requirement on April 30, 2016. Those banking entities with at least $10 billion, but less than $25 billion, in consolidated trading assets and liabilities will become subject to the requirement on December 31, 2016. The agencies will review the data collected prior to September 30, 2015, and revise the collection requirement as appropriate. For ease of reference, the FDIC maintains a page on its Website dedicated to information on the Volcker Rule.

Credit Risk Retention for Securitizations

In August 2013, the FDIC, jointly with the OCC, the FRB, the Department of Housing and Urban Development (HUD), the SEC, and the Federal Housing Finance Agency (FHFA), approved an NPR to implement the securitization credit risk retention provisions of Section 941 of the Dodd-Frank Act (Section 941), which added Section 15G to the Securities and Exchange Act of 1934. This was the second NPR to implement that provision. Section 15G generally requires securitizers of asset-backed securities (ABS) to retain not less than 5 percent of the credit risk of assets collateralizing ABS issuances and generally prohibits a securitizer from directly or indirectly hedging or otherwise transferring the credit risk the securitizer is required to retain. Similar to the prior NPR, the current NPR provides the sponsors of ABSs with various options for meeting the risk retention requirements. As required by the Dodd-Frank Act, the proposed rule defines a "qualified residential mortgage" (QRM), that is, a mortgage which is statutorily exempt from risk retention requirements. The NPR would align the definition of QRM with the definition of "qualified mortgage" (QM) as prescribed by the Consumer Financial Protection Bureau (CFPB) in 2013 and asked for comment on an alternative definition. In addition, the proposed rule would: provide an exemption for securitizations solely collateralized by commercial mortgages, commercial real estate loans, or automobile loans, if such loans meet certain underwriting standards; and provide various securitization structure-specific risk retention options. The public comment period ended on October 30, 2013, and comments are under review.

Appraisal Requirements for Higher-Priced Mortgages

In January 2013, the FDIC, jointly with the OCC, FRB, National Credit Union Administration (NCUA), FHFA, and CFPB, issued the final rule that establishes new appraisal requirements for higher-priced mortgage loans. Under the Dodd-Frank Act, mortgage loans are higher-priced if they are secured by a consumer's home and have interest rates above certain thresholds. The final rule became effective on January 18, 2014.

In July 2013, the FDIC, along with the OCC, FRB, NCUA, FHFA, and CFPB, issued a proposed rule that would create exemptions from certain appraisal requirements for a subset of higher-priced mortgage loans. The comment period ended on September 9, 2013. The rule was finalized in December 2013 and is effective January 18, 2014. The final rule provides that the following three types of higher-priced mortgage loans would be exempt from the Dodd-Frank Act appraisal requirements: loans of $25,000 or less; certain "streamlined" refinancings; and certain loans secured by manufactured housing.

Uniform Agreement on the Classification and Appraisal of Securities Held by Financial Institutions

In October 2013, the FDIC issued interagency guidance with the OCC and the FRB that revised examination standards for the adverse classification of securities held in bank investment portfolios. The guidance reiterates the importance of a robust investment analysis process and the agencies' longstanding asset classification definitions. It also addresses Section 939A of the Dodd-Frank Act, which directed the agencies to remove any reference to, or requirement of reliance on, credit ratings in regulations and replace them with appropriate standards of creditworthiness. State nonmember institutions are expected to perform an investment security creditworthiness assessment that does not rely solely on external credit ratings. FDIC examiners will use the statement to determine whether an asset should be adversely classified during supervisory reviews.

Over-The-Counter Derivatives

The U.S. regulators, including the FDIC, in their capacity as members of the Basel Committee on Banking Supervision, negotiated with international regulators to develop international standards that will be used to implement the margin requirements for uncleared OTC derivatives. The international convergence document was published in early September 2013, and U.S. rulemaking activities are continuing.

Mortgage Rules

In January 2013, the CFPB issued, after required consultation with the FDIC and the other financial regulatory agencies, a number of final rules to implement various provisions of the Mortgage Reform and Anti-Predatory Lending Act, i.e., Title XIV of the Dodd-Frank Act. Key areas of the new rules include: (1) determining a consumer's ability to repay and the qualified mortgage safe harbor; (2) loan originator compensation; (3) mortgage loan servicing; (4) new escrow requirements; (5) new requirements and expanded coverage under the Home Ownership and Equity Protection Act (HOEPA); (6) new requirements under the Equal Credit Opportunity Act (ECOA); and (7) implementing Regulation B. In addition, the CFPB issued or proposed several supplemental rules during 2013 to clarify certain aspects of many of the rules. To ensure examiner preparedness and to assist FDIC-supervised institutions in their compliance planning for this significant overhaul of mortgage regulation, throughout 2013, the FDIC worked extensively to develop and issue training materials for its examiners in advance of January 2014, when the rules generally were effective. The FDIC also hosted a series of banker outreach calls, providing overviews of the new rules and answering questions, in collaboration with the CFPB.

On December 13, 2013, the FDIC, along with the OCC, FRB, and NCUA, issued a statement to clarify safety-and-soundness expectations and CRA considerations for regulated institutions engaged in residential mortgage lending in light of the CFPB's Ability-to-Repay and Qualified Mortgage (QM) Standards Rule, which was issued January 10, 2013, and was effective on January 10, 2014. The agencies recognize that many institutions may originate both QM and non-QM residential mortgage loans, based on the institution's business strategy and risk appetite. The agencies will not subject a residential mortgage loan to regulatory criticism based solely on the loan's status as a QM or a non-QM.

Liquidity and Funds Management Rulemaking and Guidance

Liquidity Coverage Ratio

In October 2013, the FDIC, together with the OCC and the FRB, issued an interagency proposed rule to implement the Liquidity Coverage Ratio (LCR). The proposed rule would implement a quantitative liquidity requirement consistent with the LCR established by the Basel Committee

on Banking Supervision. The requirement would apply to large, internationally active banking organizations and their consolidated subsidiary depository institutions with $10 billion or more in total consolidated assets. The proposal requires banks to hold a minimum level of liquid assets to support contingent liquidity events and provides a standard way of expressing a bank's on-balance sheet liquidity position to stakeholders and supervisors. The proposal establishes a transition schedule that is more accelerated than the Basel standard as it would require covered companies to fully meet the minimum LCR by January 1, 2017, two years earlier than Basel requires.

The LCR proposal was published in the *Federal Register* on November 29, 2013, and comments were due by January 31, 2014.

Depositor and Consumer Protection Rulemaking and Guidance

Guidance on Social Media

In December 2013, the FFIEC, on behalf of its members (the FDIC, CFPB, FRB, NCUA, OCC, and State Liaison Committee), issued final supervisory guidance on the applicability of consumer protection and compliance laws, regulations, and policies to activities conducted via social media by banks, savings associations, and credit unions, as well as nonbank entities supervised by the CFPB and state regulators. The final guidance is intended to help financial institutions understand and manage the potential consumer compliance, legal, reputation, and operational risks associated with the use of social media. It provides considerations that financial institutions may find useful in conducting risk assessments and crafting and evaluating policies and procedures regarding social media.

Revisions to Interagency Questions and Answers Regarding Community Reinvestment

In November 2013, the FDIC, FRB, and OCC published revisions to "Interagency Questions and Answers Regarding Community Reinvestment." The Questions and Answers document provides additional guidance to financial institutions and the public on the agencies' CRA regulations. The revisions focus primarily on community development.

Guidance on Reporting Financial Abuse of Older Adults

In September 2013, the FDIC, CFPB, CFTC, Federal Trade Commission (FTC), NCUA, OCC, and SEC issued guidance to clarify that the privacy provisions of the Gramm-Leach-Bliley Act generally permit financial institutions to report suspected elder financial abuse to appropriate authorities. The Act generally requires that a financial institution notify consumers and give them an opportunity to opt out before providing nonpublic personal information to a third party. The guidance clarifies that it is generally acceptable under the law for financial institutions to report suspected elder financial abuse to appropriate local, state, or federal agencies.

Other Rulemaking and Guidance Issued

During 2013, the FDIC issued and participated in the issuance of other rulemaking and guidance in several areas as described below.

Guidance on Deposit Advance Products

In November 2013, the FDIC published supervisory guidance to FDIC-supervised financial institutions that offer or may consider offering deposit advance products. The guidance is intended to ensure that banks are aware of a variety of safety and soundness, compliance, and consumer protection risks posed by deposit advance loans. It supplements the FDIC's existing guidance on payday loans and subprime lending, and encourages banks to respond to customers' small-dollar credit needs.

FDIC Supervisory Approach to Payment Processing Relationships with Merchant Customers That Engage in Higher-Risk Activities

In September 2013, the FDIC issued guidance clarifying its policy and supervisory approach related to facilitating payment processing services directly, or indirectly through a third party, for merchant customers engaged in higher-risk activities. Facilitating payment processing for these types of merchant customers can pose risks to financial institutions; however, those that properly manage these relationships and risks are neither prohibited nor discouraged from providing payment processing services to customers operating in compliance with applicable law.

Modifications to the Statement of Policy for Section 19 of the Federal Deposit Insurance Act

On February 8, 2013, the FDIC modified the Statement of Policy for Section 19 of the Federal Deposit Insurance Act. Section 19 of the Act prohibits, without prior written consent of the FDIC, a person convicted of a criminal offense involving dishonesty, breach of trust, money laundering, or who has entered into a pretrial diversion program, from participating in the affairs of an FDIC-insured institution. The updated Statement of Policy included modifications to the de minimis exceptions regarding the potential fine and the number of days of imprisonment. These modifications to the de minimis criteria are expected to reduce the number of Section 19 applications and regulatory burden, consistent with safety and soundness.

Recordkeeping and Confirmation Requirements for Securities Transactions

On September 4, 2013, the FDIC published an NPR regarding the removal of Part 390, Subpart K (formerly OTS Part 551), which governs recordkeeping and confirmation requirements for securities transactions effected for customers by state savings associations. The FDIC carefully reviewed Part 390, Subpart K, and compared it with Part 344, a substantially identical FDIC regulation governing recordkeeping and confirmation requirements for securities transactions effected for customers by state nonmember banks. Although the two rules are substantively the same, one difference between Part 390, Subpart K and Part 344 concerned the number of securities transactions that could be effected by an IDI without triggering certain reporting and confirmation requirements (Small Transaction Exception). The threshold for Part 390, Subpart K's Small Transaction Exception is an average of 500 or fewer transactions over the prior three calendar year period. The NPR proposed amending Part 344 to increase the threshold for the Small Transaction Exception applicable to all FDIC-supervised institutions effecting securities transactions for customers from an average of 200 transactions to 500 transactions per calendar year over the prior three calendar year period. The FDIC supports the idea that increasing the number of securities transactions to which the Small Transaction Exception would apply will ensure parity for all FDIC-supervised institutions. Increasing the threshold for the Small Transaction Exception also recognizes that the securities activities of FDIC-supervised depository institutions have increased over the three decades since the FDIC established the original scope of the Small Transaction Exception. The comment period for the NPR ended on November 4, 2013, with no comments having been received. Consequently, on December 10, 2013, the FDIC issued a final rule as proposed in the NPR without change; the Final Rule was effective January 21, 2014.

Guidance on Interest Rate Risk Management

In October 2013, the FDIC issued a Financial Institution Letter (FIL) reiterating expectations for institutions to prudently manage their interest rate risk exposure, particularly in a challenging interest rate environment. The guidance reminds institutions that interest rate risk management should be viewed as an ongoing process that requires effective measurement and monitoring, clear communication of modeling results, conformance with policy limits, and appropriate steps to mitigate risk. The guidance states that a number of institutions report a significantly liability-sensitive balance sheet position, which means that in a rising interest rate environment, the potential exists for adverse effects to net income and, in turn, earnings performance. Additionally, for a number of FDIC-supervised institutions, the potential exists for material securities depreciation relative to capital in a rising interest rate environment.

Advisory on Mandatory Clearing Requirements for Over-the-Counter Interest Rate and Credit Default Swap Contracts

On June 7, 2013, the FDIC completed a supervisory advisory on mandatory clearing requirements for over-the-counter interest rate and credit default swap contracts. This guidance was issued as an advisory because the requirements are Commodity Futures Trading Commission regulations that could impact FDIC-supervised institutions.

Qualified and Non-Qualified Mortgage Loans

On December 13, 2013, the FDIC, along with the OCC, FRB, and NCUA, issued a statement to clarify safety-and-soundness expectations and CRA considerations for regulated institutions engaged in residential mortgage lending in light of the CFPB's Ability-to-Repay and Qualified

Mortgage (QM) Standards Rule, which was issued January 10, 2013, and was effective on January 10, 2014. The agencies recognize that many institutions may originate both QM and non-QM residential mortgage loans, based on the institution's business strategy and risk appetite. The agencies will not subject a residential mortgage loan to regulatory criticism based solely on the loan's status as a QM or a non-QM.

Interagency Guidance on Leveraged Lending

On March 26, 2012, the FDIC and the other federal banking agencies proposed revisions to the 2001 interagency guidance on leveraged financing. The proposal's purpose was to update the existing guidance and clarify regulatory expectations in light of significant growth in the leveraged lending market, and incorporate lessons learned from the recent financial crisis. The proposal describes expectations for the sound risk management of leveraged lending activities, including well-defined underwriting standards, effective management information systems, a prudent credit limit and concentration framework, and strong pipeline management policies. In March 2013, the OCC, the FRB, and the FDIC issued final guidance on leveraged lending. This guidance outlined for agency-supervised institutions high-level principles related to safe-and-sound leveraged lending activities, including expectations for the content of credit policies, the need for well-defined underwriting and valuation standards, and the importance of credit analytics and pipeline management. This guidance was effective on March 22, 2013.

Director and Officer Liability Insurance Policies

On October 12, 2013, the FDIC issued an Advisory Statement on Director and Officer Liability Insurance Policies, Exclusions, and Indemnification for Civil Money Penalties. The advisory discusses the importance of thoroughly reviewing and understanding the risks associated with coverage exclusions contained in director and officer liability insurance policies and serves as a reminder that an insured depository institution or depository institution holding company may not purchase an insurance policy that would indemnify institution-affiliated parties (IAPs) for CMPs assessed against them. Even if the IAP agrees to reimburse the depository institution for the cost of such coverage, the purchase of the insurance policy by the depository institution is prohibited.

Interagency Supervisory Guidance on Troubled Debt Restructurings

On October 24, 2013, the FDIC and the other federal financial institution regulatory agencies jointly issued supervisory guidance clarifying certain issues related to the accounting treatment and regulatory classification of commercial and residential real estate loans that have undergone troubled debt restructurings (TDRs). The agencies' guidance reiterates key aspects of previously issued guidance and discusses the definition of a collateral-dependent loan and the classification and charge-off treatment for impaired loans, including TDRs. It also encourages institutions to work constructively with borrowers and reaffirms that the agencies view prudent loan modifications as positive actions when they mitigate credit risk. The guidance explains that when modified loans are determined to be TDRs for accounting purposes, the TDR label does not mean that the loan is automatically required to be in nonaccrual status, or to be adversely classified, for its remaining life.

Income Tax Allocation in a Holding Company Structure

In December 2013, the FDIC and the other federal banking agencies issued for comment a proposed Addendum to the 1998 Interagency Policy Statement on Income Tax Allocation in a Holding Company Structure. Since the beginning of the financial crisis, many disputes have occurred between holding companies in bankruptcy and failed IDIs regarding the ownership of tax refunds generated by the IDIs. Certain court decisions have found that holding companies in bankruptcy own tax refunds created by failed IDIs based on language in their tax-sharing agreements that the courts interpreted as creating a debtor-creditor relationship as opposed to acknowledging an agency relationship. The proposed Addendum seeks to remedy this problem by requiring IDIs to clarify that their tax sharing agreements acknowledge that an agency relationship exists between the holding company and its subsidiary IDI with respect to tax refunds, and provides a sample paragraph to accomplish this goal. The proposed Addendum would also

clarify how certain requirements of Sections 23A and 23B of the Federal Reserve Act apply to tax allocation agreements between IDIs and their affiliates. The comment period closed on January 21, 2014.

Regulatory Relief

During 2013, the FDIC issued six FILs that provide guidance to help financial institutions and facilitate recovery in areas damaged by wildfires and other natural disasters. In these FILs, the FDIC encouraged banks to work constructively with borrowers experiencing financial difficulties as a result of natural disasters, and clarified that prudent extensions or modifications of loan terms in such circumstances can contribute to the health of communities and serve the long-term interests of lending institutions.

On February 19, 2013, FDIC-supervised institutions were informed that they could begin submitting interagency bank merger applications, notices of change in control, and notices of change of director or senior executive officer through FDIC*connect*, a secure transaction-based Website for FDIC-insured institutions.

On July 25, 2013, the FDIC issued, jointly with the other federal banking agencies, a *Statement to Encourage Financial Institutions to Work with Student Loan Borrowers Experiencing Financial Difficulties*. In addition, on October 9, 2013, the FDIC along with other federal regulatory agencies issued a *Statement to Encourage Institutions to Work with Borrowers Affected by Government Shutdown*.

Banker Teleconferences

In 2013, the FDIC hosted a series of banker teleconferences to maintain open lines of communication and update supervised institutions about related rulemakings, guidance, and emerging issues in risk management supervision, and compliance and consumer protection. Participants of the teleconferences included bank directors, officers, staff, and other banking industry professionals.

For the risk management supervision series, four teleconferences were held in 2013. The topics discussed included: (1) the Financial Accounting Standards Board's proposal to change the accounting for credit losses, (2) leveraged lending guidance, (3) the interim final capital rule, and (4) emerging technology issues for banks and servicers.

For the compliance and consumer protection series, five teleconferences were held in 2013. The topics discussed included: (1) the CFPB's final rules on the ability to repay, qualified mortgage standards, escrow requirements, and the loan originator compensation requirements involving the prohibition on mandatory arbitration clauses and single premium credit insurance, (2) the CFPB's final rules on mortgage servicing, (3) the CFPB's final rules on loan originator compensation and changes to the HOEPA, (4) consumer complaints and their role in institutions' compliance management systems; and 5) the FFIEC social media guidance.

Promoting Economic Inclusion

The FDIC is strongly committed to promoting consumer access to a broad array of banking products to meet consumer financial needs. To promote financial access to responsible and sustainable products offered by IDIs, the FDIC:

- Conducts research on the unbanked and underbanked.
- Engages in research and development on models of products meeting the needs of lower-income consumers.
- Supports partnerships to promote consumer access and use of banking services.
- Advances financial education and literacy.
- Facilitates partnerships to support community and small business development.

Advisory Committee on Economic Inclusion

The Advisory Committee on Economic Inclusion (ComE-IN) provides the FDIC with advice and recommendations on important initiatives focused on expanding access to banking services to underserved populations. This may include reviewing basic retail financial services such as check cashing, money orders, remittances, stored value cards, small-dollar loans, savings accounts, and other services that promote individual asset accumulation and financial stability. During 2013, the Committee met in May and October to discuss savings initiatives; Safe Accounts, including bank prepaid cards, and mobile financial services. During the October meeting, staff presented to the Committee a plan for producing a white paper on IDIs' use of mobile financial services (MFS) to better serve the

Chairman Gruenberg emphasizes a point during the May 2013 ComE-IN meeting.

unbanked and underbanked. The presentation outlined three goals for the use of this technology: access to the banking system for the unbanked, sustainability for the underbanked or new entrants to the system, and growth of consumers' ability to deepen banking relationships and fulfill financial goals.

FDIC National Survey of Unbanked and Underbanked Households and Survey of Banks' Efforts to Serve the Unbanked and Underbanked

As part of its ongoing commitment to expanding economic inclusion in the United States, the FDIC works to fill the research and data gap regarding household participation in mainstream banking and the use of nonbank financial services. In addition, Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Reform Act) mandates that the FDIC regularly report on banks' efforts to bring individuals and families into the conventional finance system. In response, the FDIC regularly conducts and reports on surveys of households and banks to inform the efforts of financial institutions, policymakers, regulators, researchers, academics, and others.

During 2013, the FDIC revised the household survey instrument and conducted the third nationwide survey in partnership with the U.S. Census Bureau. The survey focuses on basic checking and savings account ownership, but it also explores households' use of alternative financial services to better understand the extent to which families are meeting their financial needs outside of mainstream financial institutions. Results of the survey will be published in 2014.

The FDIC's planned initiation of work on a new survey of banks about their efforts to serve unbanked and underbanked customers was delayed until 2014. During 2013, the FDIC explored alternative methods for gathering this information from banks, including the possible incorporation of this data collection into a larger survey of banks on the challenges and opportunities they are facing (an outgrowth of the FDIC's Community Banking Initiative).

Partnership to Promote Consumer Access: Alliance for Economic Inclusion

The goal of the FDIC's Alliance for Economic Inclusion (AEI) initiative is to collaborate with financial institutions; community organizations; local, state, and federal agencies; and other partners in select markets, to launch broad-based coalitions to bring unbanked and underbanked consumers and owners of small businesses into the financial mainstream.

During 2013, the FDIC supported 16 AEI programs across the nation. Many AEIs formed committees and work groups to address specific challenges and financial services needs of their communities. These included retail financial series for underserved populations, savings initiatives, affordable remittance products, small-dollar loan programs, targeted financial education programs, and other asset-building programs.

In 2012, the FDIC launched AEI initiatives in two additional markets: the Appalachian region of West Virginia and Northeastern Oklahoma. In 2013, these new efforts expanded focus in two particular areas of need: small business and tribal organizations. The West Virginia AEI, working in collaboration with the Appalachian Regional Commission, collaborates with state-wide and local service providers to support financial access for small business and

microenterprise in the state. The AEI partners hosted three Small Business Resource Summits in Wheeling, Huntington, and Fairmont to provide resources and educational opportunities to the small business community. The Northeast Oklahoma AEI (NEOK AEI) serves a significant Native American community as well as the City of Tulsa, Oklahoma. Oklahoma has a larger Native American population than any state other than California, and about 60 percent of the state's Native Americans lives in the northeastern quadrant. In 2013, the NEOK AEI initiated work to support consumers interested in improving their credit profile and worked with *America Saves* in supporting the first Oklahoma Saves campaign.

The FDIC also provided program guidance and technical assistance in the expansion of 52 *Bank On* programs. *Bank On* initiatives are designed to reduce barriers to banking and increase access to the financial mainstream.

Advancing Financial Education

The FDIC expanded its financial education efforts during 2013 through a strategy that included providing access to timely and high-quality financial education products, sharing best practices, and working through partnerships to reach consumers.

The existing suite of *Money Smart* products for consumers was enhanced with the release of *Money Smart for Older Adults* in partnership with the CFPB. This stand-alone training module developed by both agencies provides information to raise awareness among older adults (age 62 and older) and their caregivers on how to prevent, identify, and respond to elder financial exploitation, plan for a secure financial future, and make informed financial decisions. The instructor-led module offers practical information that can be implemented immediately. *Money Smart for Older Adults* is designed to be delivered by representatives of

A group of dedicated individuals within both the FDIC and the CFPB joined forces to deliver a new product designed to help older Americans make informed financial decisions and avoid exploitation. Members of the FDIC team, shown here from left, are Cassandra Duhaney, Debra Stabile, Irma Matias, Lekeshia Frasure, Luke Reynolds, Ron Jauregui, James Williams, Evelyn Manley, and Glenn Gimble.

financial institutions, adult protective service agencies, senior advocacy organizations, law enforcement, and others that serve this population. Between its release on June 12, 2013, and December 31, 2013, more than 15,000 copies were released.

Through training and technical assistance, the FDIC emphasizes the importance of pairing education with access to appropriate banking products and services. The FDIC conducted more than 173 outreach events to promote the *Money Smart* program, including 68 train-the-trainer workshops with approximately 1,200 participants. More than 35,000 *Money Smart* instructor-led curriculum copies were distributed, and more than 50,000 people used the computer-based curriculum, exemplifying effective results from the outreach sessions. The FDIC also entered into 23 new collaborative agreements with financial institutions and nonprofit organizations, to facilitate the use of the *Money Smart* program.

A series of webinars for bankers on community development and economic inclusion topics were piloted during 2013. Five webinars were conducted during 2013 and each averaged more than 400 participants.

Leading Community Development

In 2013, the FDIC provided professional guidance and technical assistance to banks and community organizations in outreach activities and events designed to foster an understanding and connection between financial institutions and other community stakeholders. As such, the FDIC conducted 49 community development forums linking bank and community partners to facilitate opportunities for banks and community stakeholders to address community credit and development needs, including interagency resource forums with the OCC and the Federal Reserve Banks and other stakeholders in the recovery efforts of communities in the Northeast impacted by Superstorm Sandy. The FDIC also conducted 50 CRA roundtables that provided market-specific training for bankers and 32 workshops for nonprofit stakeholders on CRA, effectively engaging with financial institutions to promote community development.

Community Banking Initiatives

The FDIC is the lead federal regulator for the majority of community banks, and the insurer of all. As such, the FDIC has an ongoing responsibility to better understand the challenges facing community banks, and to share that knowledge with bankers and the general public. Community banks play a crucial role in the American financial system. These institutions account for about 14 percent of the banking assets in our nation, but they provide nearly 46 percent of all the small loans that FDIC-insured depository institutions make to businesses and farms. They also hold the majority of industry deposits in banking offices located in rural counties and micropolitan counties with populations up to 50,000.

In 2012, the FDIC issued a comprehensive study of the evolution of community banking in the United States over the past 25 years, and commenced a review of its examination, rulemaking, and guidance processes with a goal of identifying ways to make the supervisory process more efficient, consistent, and transparent. Our 2012 activities under this initiative included a national conference on the Future of Community Banking and a series of roundtables with community bankers in each of the FDIC's six regions.

These efforts under the Community Banking Initiative continued on a number of fronts in 2013. First, the results of the 2012 *FDIC Community Banking Study* were presented to a range of industry and academic audiences, furthering our dialogue with key stakeholder groups as to the trends that are shaping this key sector of our financial system. Using our research definition of the community bank, we published updated community bank reference data on fdic.gov to reflect year-end 2012 data. Employing these data, our researchers found that community banks experienced a significant decline in problem loans, loan loss provisions, and failures during 2012, while they expanded their loan portfolios and were more profitable than in any year since 2007.

FDIC researchers applied the analytical framework developed for our Community Banking Study to the case of MDIs. While MDIs represent a fairly small share of banking industry charters and assets, they were found to be highly

effective in reaching the minority and low- and moderate-income communities that they have been chartered to serve. Preliminary research results were presented in June at the 2013 Interagency Minority Depository Institution and CDFI Bank Conference, and a written report is forthcoming.

Ongoing research topics include the effects of rural depopulation on community banks and the contribution of community banks to small business lending. In October 2013, FDIC researchers presented a paper entitled "Do Community Banks Increase New Firms' Access to Credit?" at the "Community Banking in the 21st Century," conference co-sponsored by the FRB and the Conference of State Bank Supervisors (CSBS). These and other research initiatives will continue in 2014.

The FDIC also has continued and enhanced its examination and rulemaking review. Based on feedback received at community banker roundtables and our ongoing review of the FDIC's bank examination process, the FDIC implemented enhancements to our supervisory and rulemaking processes in 2013. The FDIC developed a Web-based tool to tailor information requests for risk management examinations to the characteristics of the institution being examined. As a result, information requests have generally been shorter than previous examination request lists. In addition, more business transactions have been made available through FDIC*connect*, a secure, transactions-based Website, which ensures better access for bankers and supervisory staff.

The FDIC also has enhanced its efforts to actively communicate with the institutions it supervises. The FDIC developed an information package to be sent to the institution prior to the start of the pre-examination phase of compliance examinations to improve communication with the field manager and to offer resources that are available to the institution at any time throughout the examination process. The FDIC has also developed a brochure for community bankers entitled "Technical Assistance for Managing Consumer Compliance Responsibilities," highlighting ways in which examiners can provide assistance to community banks.

The *Directors' Resource Center*, a special section of the FDIC's Website, is dedicated to providing useful information to bank directors, officers, and employees on areas of supervisory focus and regulatory changes. One key element of this resource center is a Technical Assistance Video Program. Three series of videos were released during 2013. The first series is the new director education videos; these videos cover director responsibilities and fiduciary duties as well as the FDIC examination process. The second series is a virtual version of the FDIC's Directors' College Program; these videos address interest rate risk, third-party risk, the CRA, the BSA, corporate governance, and information technology. The third series of videos provides more in-depth technical training on a variety of issues, including interest rate risk, appraisals and evaluations, flood insurance, the evaluation of municipal securities, fair lending, the allowance for loan and lease losses, and troubled debt restructurings.

FDIC staff look at video monitors of the set during filming of the bank director videos. From left: Lou Bervid, Rob Moss, Vince Moore, and Arnie Kunkler.

The FDIC's Website also has a section dedicated to the Regulatory Capital Interim Final Rule. This section contains links to the rule, pertinent FILs, instructions for regulatory reporting, and other items. The FDIC conducted comprehensive outreach to community banks to inform them about the new requirements. Several resources targeted to community institutions include an educational video, an interagency community bank guide, and an expanded guide for FDIC- supervised institutions. The FDIC also responds to questions submitted to regulatorycapital@fdic.gov, a dedicated mailbox for questions on the new rule. Additionally, to supplement the online informational resources, staff hosted outreach sessions in each regional office to discuss the new requirements and address bankers' questions and concerns. On August 15, 2013, staff held a national conference call that had wide participation from bankers as well as FDIC supervisory and examination team members, with nearly 1,700 lines used for the call. In November 2013, the FDIC, with the other federal banking agencies, released an estimation tool to help community bankers evaluate the potential effects on their capital ratios from the revised capital approaches.

In addition, the FDIC's Advisory Committee on Community Banking continued to provide timely information and input to the FDIC on a variety of community bank policy and operational issues throughout 2013. The Committee held three meetings in 2013 and provided input on a number of key issues and initiatives, including the FDIC's community bank study and report, community bank outreach and technical assistance, proposed improvements to the FDIC's regulatory and supervisory processes, mobile banking issues, payment system developments and implications, information technology examination issues, vendor management issues, troubled debt restructuring guidance, the Uniform Agreement on Classification and Appraisal of Securities, bank cybersecurity issues, the *Money Smart* for Small Businesses Program, flood insurance issues, the interagency social media guidance, as well as the potential effects of various regulatory and legislative developments on community banks.

Looking forward, the FDIC will continue to make community bank issues a high priority by following up on the Community Banking Study; pursuing additional research relating to the continued viability of community banks; and continuing our review of examination and rulemaking processes with the goal of identifying additional ways to make the supervisory process more efficient, consistent, and transparent, consistent with safe and sound banking practices. The FDIC will also be commencing a comprehensive review of all of its regulations, as required by the Economic Growth and Regulatory Paperwork Reduction Act, to identify any regulations that are outdated, unnecessary or unduly burdensome, with a focus on community banking issues.

Consumer Complaints and Inquiries

The FDIC assists consumers by receiving, investigating, and responding to consumer complaints about FDIC-supervised institutions and answering inquiries about banking laws and regulations, FDIC operations, and other related topics. In addition, the FDIC provides analytical reports and information on complaint data for internal and external use and conducts outreach activities to educate consumers.

The FDIC recognizes that consumer complaints and inquiries play an important role in the development of strong public and supervisory policy. Assessing and resolving these matters helps to identify trends or problems affecting consumer rights, understand the public perception of consumer protection issues, formulate policy that aids consumers, and foster confidence in the banking system by educating consumers about the protection they receive under certain consumer protection laws and regulations.

Consumer Complaints by Product and Issue

The FDIC receives complaints and inquiries by telephone, fax, mail, email, and online through the FDIC's Website. Between January 1, 2013, and December 31, 2013, the FDIC handled 16,887 written and telephone complaints and inquiries. Of this total, 8,271 related to FDIC-supervised institutions. The FDIC responded to over 97 percent of these complaints within time frames established by corporate policy, and acknowledged 100 percent of all consumer complaints and inquiries within 14 days. As part of the complaint and inquiry handling process, the FDIC works collaboratively with the other federal financial regulatory agencies to ensure that complaints and inquiries are forwarded to the appropriate agencies for response.

The FDIC carefully analyzes the products and issues involved in complaints about FDIC-supervised institutions. The number of complaints received about a specific bank product and issue can serve as a red flag to prompt further review of practices that may raise consumer protection or supervisory concerns.

Between January 1, 2013, and December 31, 2013, the five most frequently identified consumer product complaints about FDIC-supervised institutions concerned checking accounts (18 percent), unsecured credit cards (15 percent), residential real estate loans (14 percent), bank operations (9 percent), and business and commercial loans (7 percent). The issues most commonly cited in checking account complaints related to banks' overdraft fees and service charges. Unsecured credit card complaints most frequently described billing disputes and error resolution. The largest share of complaints about residential real estate loans related to loan modifications, while business and commercial loan complaints usually involved repossession and foreclosure. Many complaints regarding bank operations raised issues about bank management and staff.

The FDIC investigated 80 complaints alleging discrimination between January 1, 2013, and December 31, 2013. The number of discrimination complaints investigated has fluctuated over the past several years but averaged approximately 104 complaints per year between 2007 and 2013. Over this period, 37 percent of these complaints investigated alleged discrimination based on the race, color, national origin, or ethnicity of the applicant or borrower. Twenty-five percent related to discrimination allegations based on age, 8 percent involved the sex of the borrower or applicant, and 3 percent concerned a handicap or disability.

Consumer refunds generally involve the financial institution offering a voluntary credit to the consumer's account that is often a direct result of complaint investigations and identification of a banking error or violation of law. Between January 1, 2013, and December 31, 2013, consumers received a total of nearly $5.6 million in refunds from financial institutions as a result of the FDIC's consumer response program.

Public Awareness of Deposit Insurance Coverage

The FDIC provides a significant amount of education for consumers and the banking industry on the rules for deposit insurance coverage. An important part of the FDIC's deposit insurance mission is to ensure that bankers and consumers have access to accurate information about the FDIC's rules for deposit insurance coverage. The FDIC has an extensive deposit insurance education program consisting of seminars for bankers, electronic tools for estimating deposit insurance coverage, and written and electronic information targeted to both bankers and consumers.

The FDIC continued its efforts to educate bankers and consumers about the rules and requirements for FDIC insurance coverage. As of December 31, 2013, the FDIC conducted 15 telephone seminars for bankers on deposit insurance coverage, reaching an estimated 28,000 bankers participating at approximately 8,000 bank locations throughout the country. The FDIC also updated its deposit insurance coverage publications and educational tools for consumers and bankers, including brochures, resource guides, videos, and the Electronic Deposit Insurance Estimator (EDIE).

As of December 31, 2013, the FDIC received and answered approximately 94,677 telephone deposit insurance-related inquiries from consumers and bankers. The FDIC Call Center addressed 44,541 of these inquiries, and deposit insurance coverage subject-matter experts handled the other 50,136. In addition to telephone inquiries about deposit insurance coverage, the FDIC received 2,499 written inquiries from consumers and bankers. Of these inquiries, 99 percent received responses within two weeks, as required by corporate policy.

Center for Financial Research

The Center for Financial Research (CFR) was founded by the FDIC in 2004 to encourage and support innovative research on topics that are important to the FDIC's role as deposit insurer and bank supervisor. During 2013, the CFR co-sponsored two major research conferences.

The CFR organized and sponsored the 23rd Annual Derivatives Securities and Risk Management Conference jointly with Cornell University's Johnson Graduate School

of Management and the University of Houston's Bauer College of Business. The conference was held in March 2013 at the FDIC's Seidman Center and attracted over 100 researchers from around the world. Conference presentations included credit default swap markets, term structure and credit risk, credit and contagion risk, and commodity markets.

The CFR also organized and sponsored the 13th Annual Bank Research Conference jointly with the *Journal for Financial Services Research* (JFSR), in October 2013. The conference was attended by more than 120 participants and included over 20 presentations on topics related to global banking, financial stability, and the financial crisis.

RESOLUTIONS AND RECEIVERSHIPS

The FDIC has the unique mission of protecting depositors of insured banks and savings associations. No depositor has ever experienced a loss on the insured amount of his or her deposits in an FDIC-insured institution due to a failure. Upon closure of an institution, typically by its chartering authority—the state for state-chartered institutions and the Office of the Comptroller of the Currency (OCC) for national banks and federal savings associations—the FDIC is appointed receiver and is responsible for resolving the failed institution.

The FDIC uses a variety of business practices to resolve a failed institution. These practices are typically associated with either the resolution process or the receivership process. Depending on the characteristics of the institution, the FDIC may recommend several of these methods to ensure the prompt and smooth payment of deposit insurance to insured depositors, to minimize the impact on the DIF, and to speed dividend payments to uninsured depositors and other creditors of the failed institution.

The resolution process involves evaluating and marketing a failing institution, soliciting and accepting bids for the sale of the institution, determining which bid is least costly to the DIF, and working with the acquiring institution through the closing process.

To minimize disruption to the local community, the resolution process must be performed as quickly and smoothly as possible. There are three basic resolution methods used by the FDIC: purchase and assumption transactions, deposit payoffs, and Deposit Insurance National Bank (DINB) assumptions.

The purchase and assumption (P&A) transaction is the most commonly used resolution method. In a P&A transaction, a healthy institution purchases certain assets and assumes certain liabilities of the failed institution. A variety of P&A transactions can be used. Since each failing bank situation is different, P&A transactions provide flexibility to structure deals that result in the highest value for the failed institution. For each possible P&A transaction, the acquirer may either acquire all or only the insured portion of the deposits. Loss sharing may be offered by the receiver in connection with a P&A transaction. In a loss-share transaction, the FDIC as receiver agrees to share losses on certain assets with the acquirer. The FDIC usually agrees to absorb a significant portion (for example, 80 percent) of future losses on assets that have been designated as "shared loss assets" for a specific period of time (for example, five to ten years). The economic rationale for these transactions is that keeping shared loss assets in the banking sector can produce a better net recovery than the FDIC's immediate liquidation of these assets.

Deposit payoffs are only executed if a bid for a P&A transaction is more costly to the DIF than liquidation or if no bids are received, in which case the FDIC, in its corporate capacity, makes sure that the customers of the failed institution receive the full amount of their insured deposits.

The Federal Deposit Insurance Act authorizes the FDIC to establish a DINB to assume the insured deposits of a failed bank. A DINB is a new national bank with limited life and powers that allows failed-bank customers a brief period of time to move their deposit account(s) to other insured institutions. Though infrequently used, a DINB allows for a failed bank to be liquidated in an orderly fashion, minimizing disruption to local communities and financial markets.

The receivership process involves performing the closing functions at the failed institution, liquidating any remaining failed institution assets, and distributing any proceeds of the liquidation to the FDIC and other creditors of the receivership. In its role as receiver, the FDIC has used a wide variety of strategies and tools to manage and sell

retained assets. These include, but are not limited to, asset sale and/or management agreements, structured transactions, and securitizations.

Financial Institution Failures

During 2013, there were 24 institution failures, compared to 51 failures in 2012. For the institutions that failed, the FDIC successfully contacted all known qualified and interested bidders to market these institutions. The FDIC also made insured funds available to all depositors within one business day of the failure if it occurred on a Friday, and within two business days if the failure occurred on any other day of the week. There were no losses on insured deposits, and no appropriated funds were required to pay insured deposits.

The following chart provides a comparison of failure activity over the last three years.

FAILURE ACTIVITY 2011–2013
Dollars in Billions

	2013	2012	2011
Total Institutions	24	51	92
Total Assets of Failed Institutions[1]	$6.0	$11.6	$34.9
Total Deposits of Failed Institutions[1]	$5.1	$11.0	$31.1
Estimated Loss to the DIF[2]	$1.2	$2.8	$7.6

[1] Total assets and total deposits data are based on the last Call Report or Thrift Financial Report (TFR) filed by the institution prior to failure.

[2] Estimated DIF losses from 2011 and 2012 failures are updated as of December 31, 2013.

Asset Management and Sales

As part of its resolution process, the FDIC makes every effort to sell as many assets as possible to an assuming institution. Assets that are retained by the receivership are evaluated. For 95 percent of the failed institutions, at least 90 percent of the book value of marketable assets is marketed for sale within 90 days of an institution's failure for cash sales and within 120 days for structured sales.

Structured sales for 2013 totaled $199 million in unpaid principal balances from commercial real estate and acquisition, development, and construction assets acquired from various receiverships. Cash sales of assets for the year totaled $260 million in book value. In addition to structured and cash sales, the FDIC also uses securitizations to dispose of bank assets. In 2013, securitization sales totaled $954 million.

As a result of our marketing and collection efforts, the book value of assets in inventory decreased by $5.7 billion (34 percent) in 2013. The following chart shows the beginning and ending balances of these assets by asset type.

ASSETS IN INVENTORY BY ASSET TYPE
Dollars in Millions

Asset Type	12/31/13	12/31/12
Securities	$893	$1,179
Consumer Loans	69	99
Commercial Loans	274	604
Real Estate Mortgages	954	1,265
Other Assets/Judgments	1,145	1,134
Owned Assets	365	417
Net Investments in Subsidiaries	117	179
Structured and Securitized Assets	7,487	12,120
Total	**$11,304**	**$16,997**

Receivership Management Activities

The FDIC, as receiver, manages failed banks and their subsidiaries with the goal of expeditiously winding up their affairs. The oversight and prompt termination of receiverships help to preserve value for the uninsured depositors and other creditors by reducing overhead and other holding costs. Once the assets of a failed institution have been sold and the final distribution of any proceeds is made, the FDIC terminates the receivership. In 2013, the number of receiverships under management increased by 3 percent, as a result of new failures. The following chart shows overall receivership activity for the FDIC in 2013.

RECEIVERSHIP ACTIVITY

Active Receiverships as of 12/31/12[1]	466
New Receiverships	24
Receiverships Terminated	10
Active Receiverships as of 12/31/13[1]	480

[1] Includes one FSLIC Resolution Fund receivership at year-end 2013.

Minority and Women Outreach

The FDIC relies on contractors to help meet its mission. During 2013, the FDIC has awarded 995 contracts. Of these, 282 contracts (28 percent) were awarded to minority- and women-owned businesses (MWOBs). The total value of contracts awarded in 2013 was $573 million, of which $199 million (35 percent) was awarded to MWOBs, compared to 30 percent for all of 2012. In 2013, the FDIC paid $141 million of its total contract payments (25 percent) to MWOBs. Engagements of minority and women-owned law firms (MWOLFs) were 18 percent of all legal engagements for 2013, with total payments of $13 million going to MWOLFs (13 percent) of all payments to outside counsel, compared to 13 percent for all of 2012.

In 2013, the FDIC participated in a combined total of 25 business expos, one-on-one matchmaking sessions, and panel presentations. Dissemination of information and responses to inquiries regarding FDIC business opportunities for minorities and women took place at these sessions. In addition to targeting MWOBs, these efforts also targeted veteran-owned and small disadvantaged businesses. Vendors were provided with the FDIC's general contracting procedures, prime contractors' contact information, and possible upcoming solicitations. Vendors were also encouraged to register with the FDIC's Contractors Resource List (a principal database for vendors interested in doing business with the FDIC).

The FDIC participated in trade events where information was provided to MWOLFs about opportunities for legal representation and how to enter into co-counsel arrangements with majority law firms. In addition to attending nine bar association conferences during 2013, the FDIC presented a training workshop for MWOLFs entitled "Anatomy of a Bank Closing" to provide firms with ideas for marketing their services to FDIC in-house attorneys following the resolution of a financial institution. This workshop was presented at events sponsored by the National Association of Minority and Women Owned Law Firms (NAMWOLF) affinity group. These events were well-attended and received with great enthusiasm. The FDIC continues to explore new opportunities to partner with NAMWOLF.

The FDIC also conducted a series of outreach events to raise awareness, and provide information on how to purchase Owned Real Estate (ORE) through the FDIC's Owned Assets Marketplace and Auctions program. These events also facilitated interaction between smaller investors and asset managers, which includes minority and women-owned (MWO) firms. These included three informational sessions with 95 participants, and several workshops/webinars targeting small investors and MWO investors in the southeast.

In 2013, the FDIC's Office of Minority and Women Inclusion (OMWI) participated with other Dodd-Frank Act agency OMWIs in drafting an interagency policy statement for assessing the diversity policies and practices of entities regulated by their agencies. The proposed statement was posted for comments in the *Federal Register* on October 25, 2013. The comment period was extended 45 days and ended on February 7, 2014. The FDIC will continue efforts in 2014 to fully implement Section 342 of the Dodd-Frank Act.

In 2014, the FDIC will continue to encourage and foster diversity and inclusion of minorities and women in its business, procurement activities and outside counsel engagements, and MWO investors, as well as promote strong commitment to diversity inclusion within its workforce and with all financial institutions and law firms that do business with the FDIC.

Protecting Insured Depositors

The FDIC's ability to attract healthy institutions to assume deposits and purchase assets of failed banks and savings associations at the time of failure minimizes the disruption to customers and allows assets to be returned to the private sector immediately. Assets remaining after resolution are liquidated by the FDIC in an orderly manner, and the proceeds are used to pay creditors, including depositors whose accounts exceeded the insurance limit. During 2013, the FDIC paid dividends of $7 million to depositors whose accounts exceeded the insurance limit.

Professional Liability and Financial Crimes Recoveries

FDIC staff works to identify potential claims against directors, officers, fidelity bond insurance carriers, appraisers, attorneys, accountants, mortgage loan brokers,

title insurance companies, securities underwriters, securities issuers, and other professionals who may have contributed to the failure of an IDI. Once a claim is determined to be meritorious and cost-effective to pursue, the FDIC initiates legal action against the appropriate parties. During 2013, the FDIC recovered more than $674 million from professional liability claims and settlements. The FDIC also authorized lawsuits related to 42 failed institutions against 316 individuals for director and officer liability and authorized 10 other lawsuits for fidelity bond, liability insurance, attorney malpractice, appraiser malpractice, and securities law violations for residential mortgage-backed securities. Eighty-three residential mortgage malpractice and fraud lawsuits were pending as of year-end 2013. Also, by year-end 2013, the FDIC's caseload included 119 professional liability lawsuits (up from 95 at year-end 2012) and 796 open investigations (down from 1,343 at year-end 2012).

In addition, as part of the sentencing process for those convicted of criminal wrongdoing against institutions that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working with the U.S. Department of Justice, collected $8.4 million from criminal restitution and forfeiture orders through year-end 2013. As of year-end 2013, there were 4,073 active restitution and forfeiture orders (down from 4,860 at year-end 2012). This includes 126 orders held by the FSLIC Resolution Fund orders, (i.e., orders arising out of failed financial institutions that were in receivership or conservatorship by the Federal Savings and Loan Insurance Corporation or the Resolution Trust Corporation).

International Outreach

Throughout 2013, the FDIC played a leading role among international standard-setting, regulatory, supervisory, and multi-lateral organizations by supporting the global development of effective deposit insurance and bank supervision systems, maintaining public confidence and financial stability, and promoting effective resolution regimes as integral components of the financial safety net. Among the key institutions the FDIC collaborated with were the Association of Supervisors of Banks of the Americas (ASBA), the Basel Committee on Banking Supervision (BCBS), the European Forum of Deposit Insurers, the Financial Stability Board (FSB), the Financial Stability Institute (FSI), the International Association of Deposit Insurers (IADI), the International Monetary Fund (IMF), and the World Bank.

Key to the international collaboration was the ongoing dialogue among FDIC Chairman Martin J. Gruenberg, other senior FDIC leaders, and a number of policymakers and senior financial regulators from the United Kingdom (U.K.) about the implementation of the Dodd-Frank Act, Basel III, and how changes in U.S., U.K., and European Union (EU) financial regulations affect global information sharing, crisis management, and recovery and resolution activities. In light of the large number of cross-border operations of large, complex financial institutions, the primary areas of discussion and collaboration were the FDIC's OLA under Title II of the Dodd-Frank Act, and the importance of cross-border coordination in the event a SIFI begins to experience financial distress. In addition, FDIC leadership was engaged in numerous consultations with EU policymakers on creating a Banking Union in Europe to encompass bank supervision, resolution, and deposit insurance.

During 2013, the FDIC participated in both Governors and Heads of Supervision and BCBS meetings. The FDIC supported work streams, task forces, and policy development group meetings to participate in BCBS work on a variety of topics. The FDIC assisted in several quantitative analyses conducted by the BCBS, including those with respect to the leverage ratio and liquidity standards. Additionally, the FDIC participated in BCBS initiatives related to topics including comparability and simplicity within the Basel Accord, standards implementation, accounting, external audits, review of the trading book, capital planning, liquidity standards, and credit ratings
and securitizations.

International Association of Deposit Insurers (IADI)

Since its founding in 2002, IADI has grown from 26 founding members to 71 deposit insurers from 69 jurisdictions. IADI contributes to the security of individual depositors and global financial stability and is recognized as the standard-setting body for deposit insurance by all the major public international financial institutions, including the FSB, the

Group of 20 (G-20), the BCBS, the IMF, and the World Bank. Chairman Gruenberg served as the President of IADI and the Chair of its Executive Council from November 2007 to October 2012. FDIC Vice Chairman Thomas Hoenig currently serves on IADI's Executive Council.

Under the FDIC's leadership, IADI has made significant progress in advancing the 2009 IADI and BCBS *Core Principles for Effective Deposit Insurance Systems* (*Core Principles*). In February 2011, the FSB approved the *Core Principles* and the *Core Principles Assessment Methodology* for inclusion in its Compendium of Key Standards for Sound Financial Systems. During 2013, an IADI Steering Committee led by the FDIC and the Canada Deposit Insurance Corporation was established to review and update the *Core Principles*. The Steering Committee plans to submit a revised document to the FSB in July 2014. To-date, IADI has trained over 250 staff members from over 70 jurisdictions in conducting self-assessments for compliance with the *Core Principles*.

The *Core Principles* are officially recognized by both the IMF and World Bank and are now accepted for use in their Financial Sector Assessment Program (FSAP). This represents an important milestone in the acceptance of the role of effective systems of deposit insurance in maintaining financial stability. The FDIC has also worked with senior officials at the World Bank and IMF, and formalized IADI collaboration and support of the deposit insurance review portion of the FSAP reviews. This support includes the provision of FDIC member-experts for IMF/World Bank FSAP Review Teams and the on-going training of additional IADI experts for subsequent FSAP missions. *Core Principles* regional workshops, training sessions, self-assessment reviews and Steering Committee meetings were held in Istanbul, Turkey; Manila, Philippines; Basel, Switzerland; Warsaw, Poland; Buenos Aires, Argentina; and Mumbai, India during 2013. In addition, the FDIC hosted the IADI executive training seminar, "Claims Management: Reimbursement to Insured Depositors" July 16-18, 2013, at the Seidman Center in Arlington, Virginia. Fifty-three people from 31 jurisdictions participated in the seminar.

The FDIC continued its global role in supporting the development of effective deposit insurance and banking supervision systems through the provision of training, consultations, and briefings to foreign bank supervisors, deposit insurance authorities, international financial institutions, partner U.S. agencies, and other governmental officials. Many of these consultations were multi-day study tours that enabled delegations to receive in-depth advice on a wide range of deposit insurance issues. Officials from the European Commission, the Ukraine Deposit Guarantee Fund, the Malaysian Deposit Insurance Corporation, the Philippine Deposit Insurance Corporation, the Bank of Thailand, and the Central Bank of Kenya benefited from these extended consultations.

Association of Supervisors of Banks of the Americas (ASBA)

The FDIC has been a member of ASBA since its founding in 1999 and supports ASBA's mission of promoting sound banking supervision and regulation throughout the Western Hemisphere. In recognition of the FDIC's enduring leadership in ASBA, the General Assembly elected FDIC Director of Risk Management Supervision Sandra Thompson to serve a two-year term as Vice Chairman of ASBA in November 2011, a position she held until her departure from the FDIC in early 2013. In this capacity, Director Thompson presided over meetings of the Training and Technical Cooperation Committee, the General Assembly, and the ASBA board.

To assist ASBA in promoting capacity- and leadership-building in the Americas, the FDIC currently chairs the Association's Training and Technical Cooperation Committee, and led two ASBA technical assistance training missions in 2013, including Financial Institution Analysis in Panama City, Panama, and Anti-Money Laundering in Santo Domingo, Dominican Republic. The FDIC continued to provide subject-matter experts as instructors and speakers to support ASBA-sponsored training programs, seminars, and conferences.

In support of building institutional leadership, the FDIC hosted its second Secondment Program in the spring of 2013, designed to demonstrate how the FDIC has successfully implemented best international bank supervisory practices into its Risk Management and Supervision programs. Three ASBA members, representing bank supervisory agencies from the National Commission of Banks and Insurances of Honduras; the Bank of Jamaica; and the Superintendent of Banking, Insurance, and Private

Pension Funds Administrators of Peru, participated in this intensive eight-week study tour at the various policy and operational levels within the FDIC at headquarters, a regional office, and a field office.

In addition, to promote and influence sound bank supervision policy, and the adoption of international best practices, the FDIC actively participates in Research and Guidance Working Groups sponsored by ASBA, including those on Corporate Governance, Enterprise Risk Management, and Anti-Money Laundering and Combating the Financing of Terrorism.

Foreign Visitors Program

The FDIC's international efforts supporting the development of effective deposit insurance systems, bank supervisory practices, and bank resolution regimes continued to grow in 2013. FDIC management and staff met with 533 individuals, representing over 39 jurisdictions during the year.

Discussions with European authorities were an important focus of the FDIC's international efforts this year. Senior management and subject-matter experts provided advice and consultation on a number of major European initiatives, including the Single Supervisory mechanism, the proposed bank recovery and resolution directive, and the directive on deposit guarantee schemes.

Questions about the FDIC's expanded authorities under the Dodd-Frank Act continued to be a common area of intense interest, with particular focus on how the FDIC would resolve a SIFI with cross-border operations. Other major topics discussed include the FDIC's management of the DIF, offsite monitoring methodologies, and corporate training programs.

During 2013, the FDIC provided subject-matter experts to participate in seven FSI seminars around the world. The topics included resolution planning, liquidity risk, stress testing, bank resolution, SIFI resolution, and supervising SIFIs. Additionally, 204 individuals representing over 16 jurisdictions attended training programs offered through the FDIC's Corporate University.

The FDIC made major strides in strengthening its relationships with Chinese authorities in 2013. The 5th U.S.-China Strategic and Economic Dialogue was held in Washington, D.C. in July. U.S. Treasury Secretary Jacob Lew and Chinese Vice Premier Wang Qishan led the Economic Track discussions. FDIC Chairman Martin Gruenberg participated in the meetings alongside a high-level delegation of Cabinet members, ministers, agency heads, and senior officials from both countries. Chairman Gruenberg discussed the importance of a well-developed deposit insurance framework and bank resolution regime for financial stability. In October 2013, Chairman Gruenberg visited China to meet with Chinese officials to discuss effective deposit insurance and bank resolution systems, and how the FDIC expects to resolve U.S. SIFIs under the OLA of the Dodd-Frank Act. While there, Chairman Gruenberg signed an MOU with the People's Bank of China (PBOC) designed to extend their effective international working relationship in the areas of deposit insurance and resolution. The purpose of the MOU is to develop and expand the interaction between the FDIC and the PBOC and to demonstrate a shared commitment to cooperation among banking agencies. The MOU also seeks to enhance cooperation in analyzing cross-border financial institution recovery and resolution issues, and planning for potential recovery and resolution scenarios, including appropriate simulations, contingency planning, and other work designed to improve preparations to manage troubled institutions with operations in the United States and the People's Republic of China. In November 2013, a senior government delegation which included representatives from the Chinese State Council, visited the FDIC for a series of discussions with FDIC management, subject-matter experts, and academics about the operations of the FDIC, the benefits of an effective deposit insurance system and bank resolution regime, and advice on China's plans to implement a deposit insurance system.

Financial Services Volunteer Corps (FSVC)

The FDIC placed two staff members on long-term assignments with the FSVC during 2013 as part of a continuing written agreement between the two organizations. FDIC personnel provided a variety of consulting and training services focused on risk management supervision in Angola, Egypt, and Tanzania. SME credit analysis, credit risk ratings, corporate governance best practices, risk management organization and policy, and financial education teaching aids were among the projects completed for the benefit of central

banks, training institutes, financial business associations, and commercial banking organizations. Over the past several years, the FDIC has assisted the FSVC with a wide variety of programs and projects funded in large part by the U.S. Agency for International Development to help strengthen regulatory frameworks and banking systems in developing countries.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

The FDIC recognizes that it must effectively manage its human, financial, and technological resources to successfully carry out its mission and meet the performance goals and targets set forth in its annual performance plan. The FDIC must align these strategic resources with its mission and goals and deploy them where they are most needed to enhance its operational effectiveness and minimize potential financial risks to the DIF. Major accomplishments in improving the FDIC's operational efficiency and effectiveness during 2013 follow.

Human Capital Management

The FDIC's human capital management programs are designed to recruit, develop, reward, and retain a highly skilled, cross-trained, diverse, and results-oriented workforce. In 2013, FDIC workforce planning initiatives shifted emphasis to restructuring the portion of the workforce that will address the requirements of Dodd-Frank, especially as it relates to the oversight of SIFIs. Workforce planning also more acutely addressed the need to start winding down bank closure activities, based on the decrease in the number of financial institution failures and institutions in at-risk categories.

Strategic Workforce Planning and Readiness

In August 2010, the FDIC established its Office of Complex Financial Institutions (OCFI) in response to the requirements of the Dodd-Frank Act to supervise and be prepared to resolve SIFIs. In 2011 and 2012, the FDIC recruited complex financial institution specialists who had developed their skills in other public and private sector organizations to staff the risk management supervision section of the OCFI and redeployed current FDIC employees with the requisite skills from other parts of the agency. In 2013, the FDIC reorganized these staff from the supervision section of OCFI into the Division of Risk Management Supervision (RMS), where the vast majority of bank supervisory expertise resides. This allows the FDIC to integrate all financial institution risk supervision into one organization that can deploy and train staff as needed for both SIFIs and smaller banks. It also allows OCFI to concentrate on policy and rule development as we continue to implement Dodd-Frank.

In 2013, the FDIC also addressed workforce planning at several levels within the agency. Given the number of senior executives in key leadership positions who are, or in the next few years will become, eligible to retire from the federal government, in 2013 the FDIC embarked on a succession planning effort focused on the Division and Office Director level. The FDIC is defining the attributes, skills, and experience needed in each of these positions, drafting a plan for developing these attributes and skills in executive managers at the next lower levels, and identifying potential candidates at those levels.

In addition, as the number of financial institution failures continued to decline in 2013, the FDIC's workforce planning efforts turned to determining the staffing needs of the agency during "normal" times and beginning to release some of the temporary staff as their term appointments expire. Although post-closure activity often continues for five to seven years after a bank fails, that activity should slow considerably over the next few years. The FDIC is in the process of extending term appointments only for the most critical staff still needed to monitor and process those actions. The FDIC is also filling vacancies for permanent staff, principally from among the ranks of these experienced term employees.

Finally, in 2013, the FDIC also refined its processes for implementing its "Pathways Programs" as a source of entry-level employees to maintain a fully-trained staff. By utilizing the intern program and the recent graduates program, as well as the normal hiring process, the FDIC has been able to recruit a well-educated and highly skilled workforce that can successfully complete the rigorous three- to four-year training program that leads to a commission as a bank examiner or resolutions specialist. By maintaining a steady pipeline of new examiner trainees, the FDIC intends to keep its future workforce in a steady state of readiness.

The FDIC utilizes the Corporate Employee Program (CEP) to sponsor the development of newly hired Financial Institution Specialists (FISs) for entry-level positions. The Program encompasses major FDIC divisions where newly hired FISs are trained to become a highly effective workforce. During their first year rotation within the Program, FISs gain experience and knowledge in the Division of Depositor and Consumer Protection (DCP), the Division of Risk Management Supervision (RMS), the Division of Resolutions and Receiverships (DRR), and the Division of Insurance and Research (DIR). At the conclusion of this rotation period, FISs are placed within RMS, DCP, or DRR, where they continue their career path to become commissioned examiners or resolutions and receiverships specialists.

The Corporate Employee Program is an essential part of the FDIC's ability to provide continual cross-divisional staff mobility. As a result, the FDIC is capable of responding rapidly to shifting priorities and changes in workload while achieving its corporate mission. Since the CEP's inception in 2005, 1,254 individuals have joined the FDIC through this multi-discipline program and approximately 540 have become commissioned examiners after successfully completing the program's requirements.

The FDIC also continues to sponsor the Financial Management Scholars Program (FMSP) that was launched in May 2011 as an additional hiring source for CEP. Participants in the FMSP are summer interns who have completed their junior year of college. The level of FMSP participants increased significantly in 2012 and 2013. This program allows the FDIC to recruit and hire highly talented and well-qualified students into the CEP earlier than the agency has been able to in the past, and serves as an additional venue to recruit talent. For 2014, the FDIC will continue to augment its workforce by fully utilizing the capacity of the CEP, including the FMSP.

Employee Learning and Development

The FDIC provides its employees with a broad array of learning and development opportunities throughout their career to grow both in technical proficiency and leadership capacity, supporting career progression and succession management. In 2013, the FDIC focused on developing and implementing comprehensive curricula for its business lines to incorporate lessons learned from the financial crisis and prepare employees to meet new challenges. Such training, which includes both classroom and online instruction for maximum flexibility, is a critical part of workforce and succession planning as more experienced employees become eligible for retirement.

The FDIC also offers a holistic leadership development program that combines core courses, electives, and other enrichment opportunities to develop employees at all levels. From new employees to new managers, the FDIC provides employees with targeted leadership development opportunities that are aligned with key leadership competencies. The FDIC is also expanding the use of strategic simulations within its leadership development program to support corporate readiness and preparedness.

In addition to extensive internally developed and administered courses, the FDIC also offers its employees with funds and/or time to participate in external offerings in support of their career development. The FDIC offers learning and development opportunities in support of the FDIC mission for employees at all levels and stages of their career. In 2013, FDIC employees completed approximately 39,000 sessions in the classroom and online, through internal and external courses.

Continuity of Operations

In accordance with guidance in Executive Order 12656, Assignment of Emergency Preparedness Responsibilities; National Security Presidential Directive-51/Homeland Security Presidential Directive-20, National Continuity Policy; and other pertinent Federal Executive Branch continuity guidance, in 2013, the FDIC implemented a new Continuity of Operations Plan that addresses two central priorities:

- Reduce the potential for loss of life and safeguard the FDIC workforce.
- Minimize and mitigate disruptions to FDIC operations to enable continuous performance of essential FDIC functions.

The FDIC's Continuity of Operations Plan meets these central priorities by:

- Ensuring continuity facilities are prepared to carry out essential actions.
- Facilitating succession to key positions by enunciating clear policies and procedures.
- Identifying, safeguarding, and ensuring the availability of all essential records that support FDIC essential functions.
- Protecting facilities, equipment, essential records, and other assets.
- Facilitating a timely and orderly transition from emergency operations to ordinary operations and resumption of full service to the public.
- Ensuring and validating readiness through an effective continuity test, training, and exercise program.

As a result of these efforts, the FDIC has the enhanced ability to maintain a comprehensive and effective continuity capability to support the preservation of our form of government under the Constitution and the continuing performance of Nation Essential Functions under all conditions.

Corporate Risk Management

During 2013, the Office of Corporate Risk Management (OCRM) worked with Divisions and Offices to develop common agency-wide processes for identifying, managing, and mitigating risks to the FDIC. The Office supported both the Enterprise Risk Committee and the Executive Management Committee in reviewing material risks across the FDIC, including:

- Risks to the financial system posed by the current very low level of interest rates, and from the potential disruptions which could arise from sudden and sharp increases in rates.
- Risks to the deposit insurance system arising from new products and services with characteristics very different from traditional time and demand deposits.
- Risks posed by the analytical models used by both the financial services industry and the FDIC in identifying and managing risk.
- Internal operational risks associated with both large-scale IT system development efforts and smaller-scale IT applications developed by individual Divisions and Offices.
- Coordination risks arising from new organizational units created to manage the range of new functions assigned to the FDIC by the Dodd-Frank Act.
- Risks posed to the FDIC and to the financial services industry by concerted attempts to penetrate, compromise, and disrupt the information systems that are essential to effective operation.

Employee Engagement

The FDIC continually evaluates its human capital programs and strategies to ensure that it remains an employer of choice and that all of its employees are fully engaged and aligned with the mission. The FDIC uses the Federal Employee Viewpoint Survey mandated by Congress to solicit information from employees and takes an agency-wide approach to address key issues identified in the survey. In December 2013, the FDIC received an award from the Partnership for Public Service for being

Chairman Martin J. Gruenberg and Arleas Upton Kea, Director of the Division of Administration, accepts the award from Max Stier, President and CEO of the Partnership for Public Service.

ranked number one among mid-sized federal agencies on the *Best Places to Work in the Federal Government®* list. Effective leadership is the primary factor driving employee satisfaction and commitment in the federal workplace, according to a report by the Partnership for Public Service.

The FDIC's Workplace Excellence (WE) Program played an important role in helping the FDIC achieve this ranking. The WE Program is composed of a national-level WE Steering Committee and Division/Office WE Councils that are focused on maintaining, enhancing, and institutionalizing a positive workplace environment throughout the FDIC. In addition to the WE Program, the FDIC-NTEU Labor-Management Forum serves as a mechanism for the union and employees to have pre-decisional input on workplace matters. The WE Program and Labor Management Forum enhances communication, provides additional opportunities for employee input and engagement, and improves employee empowerment.

Information Technology Management

The FDIC continues to heavily leverage Information Technology (IT) to achieve its mission and has improved both the structure of IT leadership and the protection of sensitive digital information from cyber threats in 2013.

IT Leadership Structural Changes

Because the importance of digital information to FDIC operations continues to grow, an assessment of IT leadership structure was completed, and corresponding improvements were implemented. First, the assessment concluded that the requirements of the Chief Information Officer (CIO) role have grown to require a full-time incumbent in addition to a full time incumbent in the role of IT division director. The new CIO role, which reports directly to the Chairman, was separated from the IT division director role and is responsible for strategic alignment of IT resources to securely produce objectively measurable business value. The IT division director, in turn, reports to the CIO and manages IT operations and development. Second, the assessment concluded that the information security and privacy functions continue to grow in importance and warranted separation under the CIO from the IT division. Both of these changes will help to elevate and integrate IT and information security management commensurate with their increasing importance in achieving the FDIC's mission.

Sensitive Digital Information Protection

The FDIC continued to enhance its security posture under a new cross-divisional leadership team to combat the increased number and sophistication of security threats. Several specific projects were completed during the year including an independent assessment of the FDIC's IT security, employee training improvements, and the introduction of simulation exercises to routinely identify potential enhancements to the FDIC security profile.

An independent assessment of the FDIC's IT security was completed and improvements were initiated in response to the assessment's findings. The assessment confirmed the overall high quality of the FDIC's security mechanisms but also identified refinements that could be efficiently implemented, ranging from improvements to access controls to enhancements of incident monitoring tools. Several of the recommendations have already been implemented and the remainder will be completed in 2014.

The new cross-divisional leadership team has also overseen improvements to employee security training during the year. Specifically, better monitoring of employee completion of general security training was implemented and exercises to help employees identify fraudulent emails were increased. Also, educational presentations to the leadership team were completed throughout the year to raise awareness and understanding of types of threats and preventative measures, both at the FDIC and at financial institutions.

Simulation exercises contributed significantly to identifying areas to improve in current policy and procedure relative to varying threat scenarios. For example, in November simulations of a successful fraud perpetration on the FDIC data center were completed that helped identify needed changes to incident response procedures. These changes are now being implemented. Additional simulations are planned for 2014 and on an ongoing basis to continually evaluate the efficacy of FDIC security and privacy procedures.

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.)

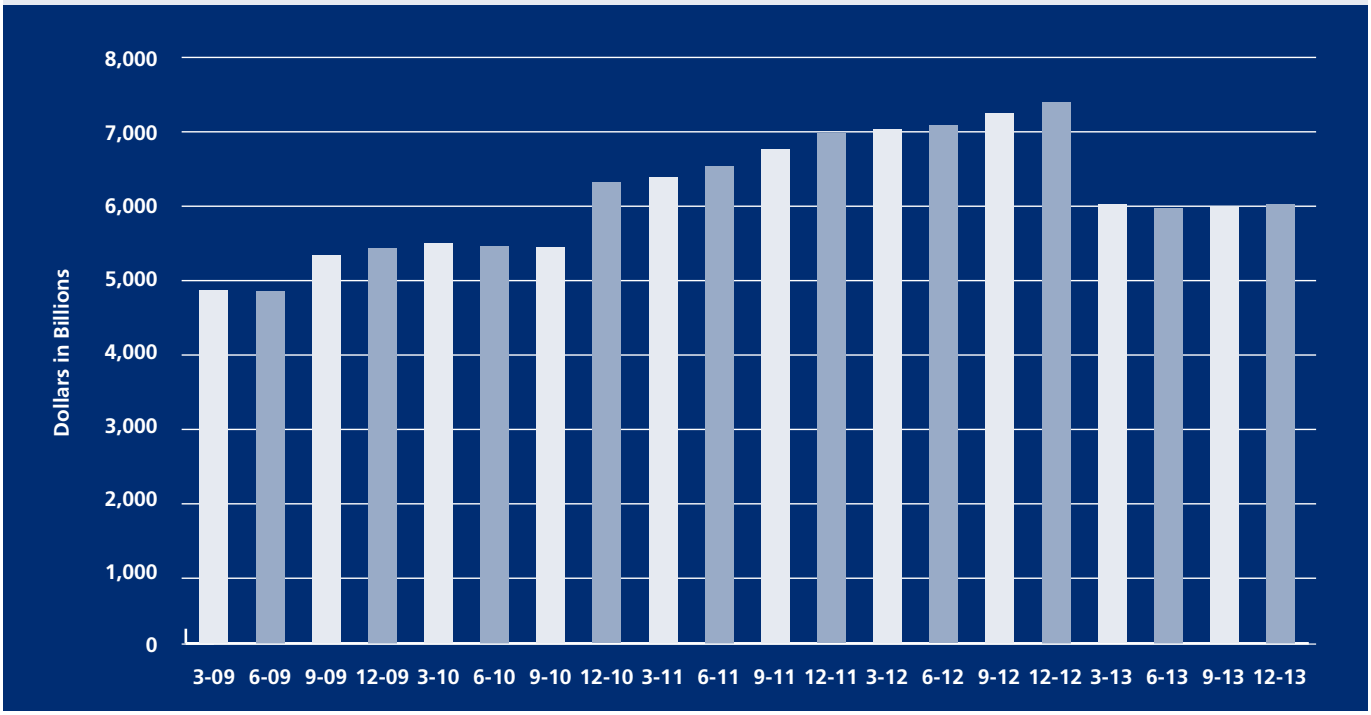
For 2013, the DIF's comprehensive income totaled $14.2 billion compared to comprehensive income of $21.1 billion during 2012. This $6.9 billion year-over-year decrease was primarily due to a $6.0 billion decrease in other revenue (which is attributable to the 2012 transfer of fees from TLGP) and a $2.7 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.

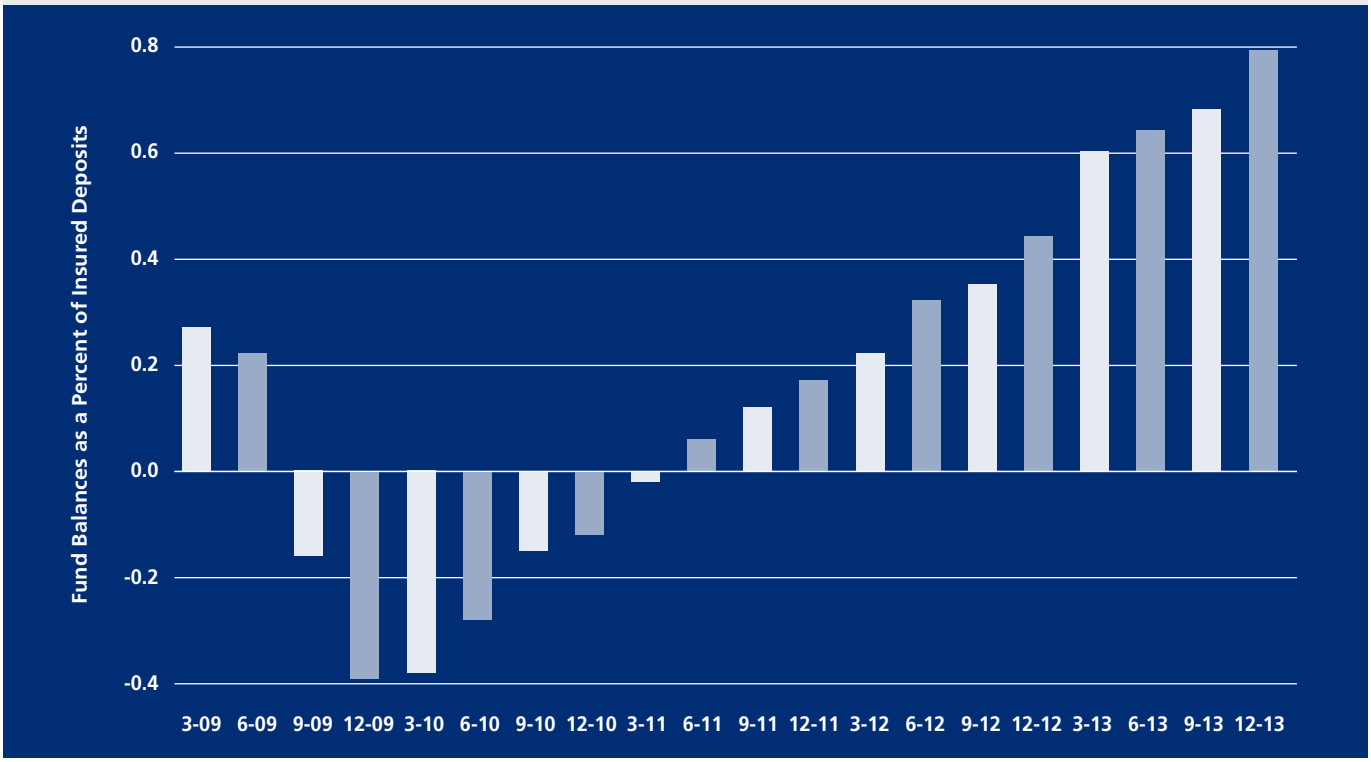
ESTIMATED DIF INSURED DEPOSITS



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

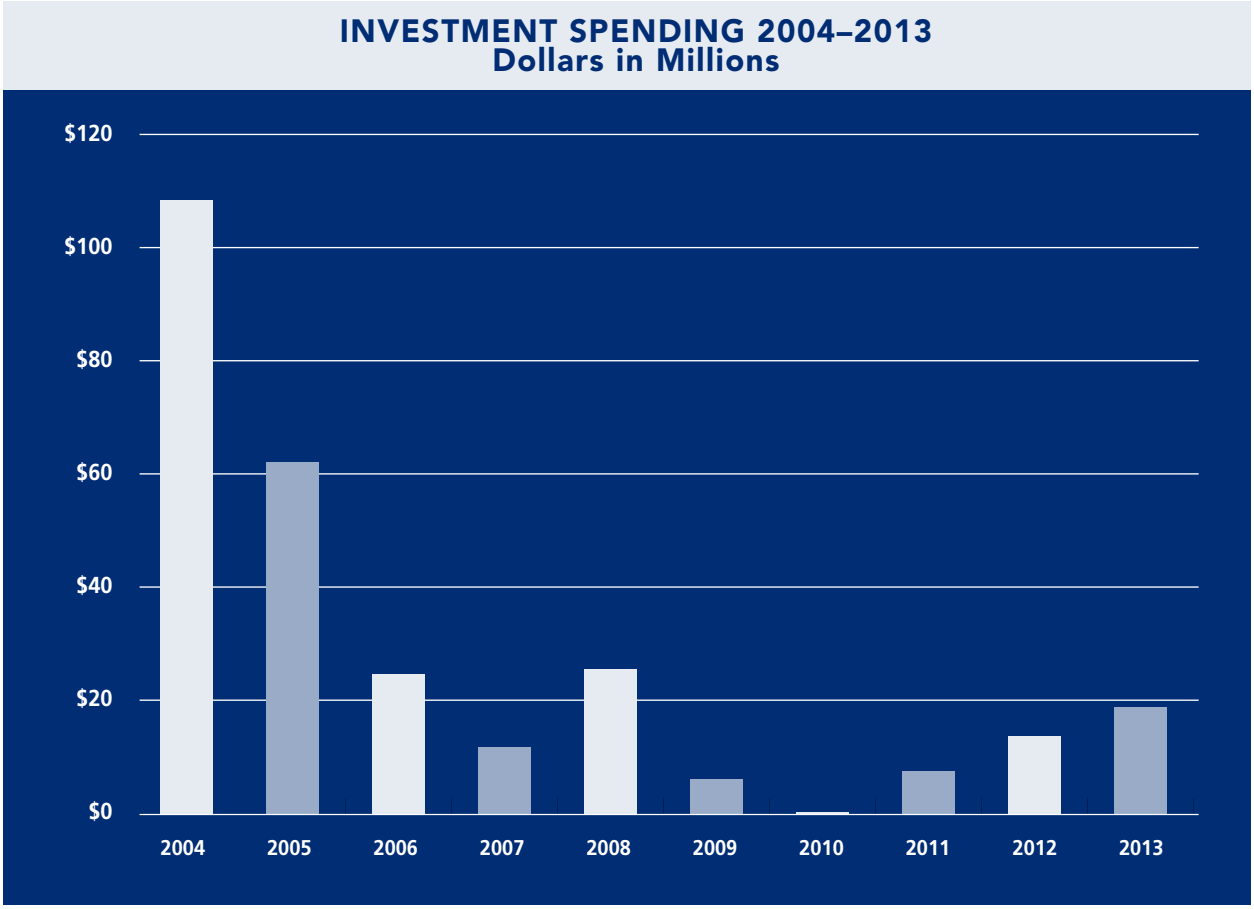
[6] The numbers in this paragraph will not agree with the DIF and FRF financial statements due to differences in how items are classified.

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.



III. Performance Results Summary

SUMMARY OF 2013 PERFORMANCE RESULTS BY PROGRAM

The FDIC successfully achieved 30 of the 31 annual performance targets established in its 2013 Annual Performance Plan. One target regarding the survey of the unbanked and underbanked was deferred. There were no instances in which 2013 performance had a material adverse effect on the successful achievement of the FDIC's mission or its strategic goals and objectives regarding its major program responsibilities.

Additional key accomplishments are noted below.

Program Area	Performance Results
Insurance	♦ Updated the FDIC Board of Directors on loss, income, and reserve ratio projections for the Deposit Insurance Fund at the April and October meetings. ♦ Briefed the FDIC Board of Directors in April and October on progress in meeting the goals of the Restoration Plan. Based upon current fund projections, no changes to assessment rate schedules were necessary. ♦ Completed reviews of the recent accuracy of the contingent loss reserves. ♦ Researched and analyzed emerging risks and trends in the banking sector, financial markets, and the overall economy to identify issues affecting the banking industry and the Deposit Insurance Fund. ♦ Provided policy research and analysis to FDIC leadership in support of the implementation of financial industry regulation, as well as support for testimony and speeches. ♦ Published economic and banking information and analyses through the FDIC Quarterly, *FDIC Quarterly Banking Profile (QBP)*, *FDIC State Profiles*, and the Center for Financial Research *Working Papers*. ♦ Operated the Electronic Deposit Insurance Estimator (EDIE), which had 458,635 user sessions in 2013.

Program Area	Performance Results
Supervision and Consumer Protection	♦ Participated in the examinations of selected financial institutions, for which the FDIC is not the primary federal regulator, to assess risk to the DIF and carry out back-up authorities. ♦ Developed processes for reviewing Section 165(d) and IDI plan submissions for Third Wave Companies. ♦ Released a template for annual stress test reporting and documentation for large institutions. ♦ Worked with other federal banking regulators and the Basel Committee on Banking Supervision to develop proposals to strengthen capital and liquidity requirements. ♦ Held an Advisory Committee on Community Banking Meeting focused on IT and cybersecurity issues affecting community banks, including IT examinations and the evolving payment system. ♦ Developed a community bank cybersecurity exercise.
Receivership Management	♦ Terminated at least 75 percent of new receiverships that are not subject to loss-share agreements, structured sales, or other legal impediments within three years of the date of failure. ♦ Made final decisions for 87 percent of all investigated claim areas that were within 18 months of the institution's failure date.

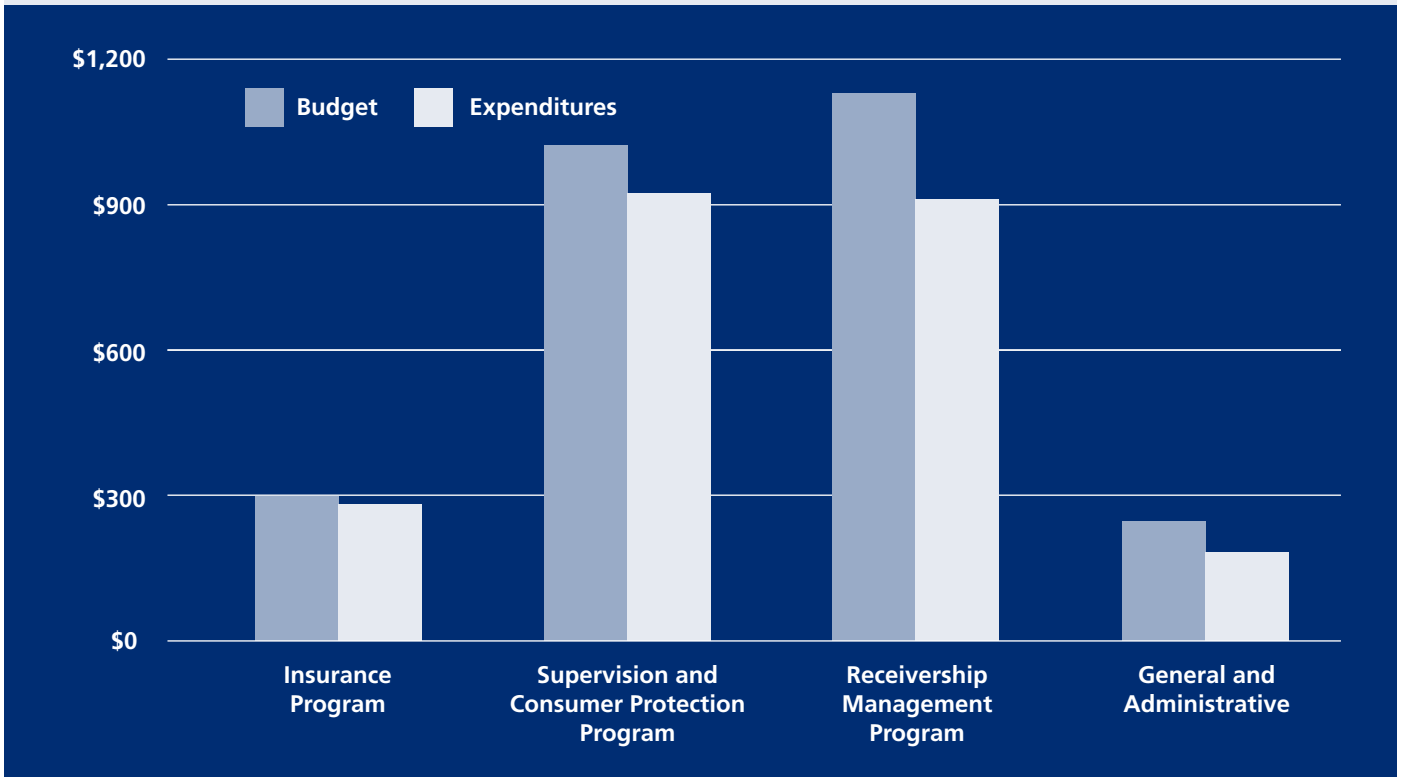
2013 BUDGET AND EXPENDITURES BY PROGRAM

(Excluding Investments)

The FDIC budget for 2013 totaled $2.7 billion. Budget amounts were allocated as follows: $240 million, or 9 percent, to Corporate General and Administrative expenditures; $286 million, or 11 percent, to the Insurance program; $1.0 billion, or 38 percent, to the Supervision and Consumer Protection program; and $1.1 billion, or 42 percent, to the Receivership Management program.

Actual expenditures for the year totaled $2.3 billion. Actual expenditures amounts were allocated as follows: $182 million, or 8 percent, to Corporate General and Administrative expenditures; $276 million, or 12 percent, to the Insurance program; $919 million, or 40 percent, to the Supervision and Consumer Protection program; and $910 million, or 40 percent, to the Receivership Management program.

2013 BUDGET AND EXPENDITURES (including Allocated Support) Dollars in Millions



PERFORMANCE RESULTS BY PROGRAM AND STRATEGIC GOAL

2013 INSURANCE PROGRAM RESULTS				
Strategic Goal: *Insured depositors are protected from loss without recourse to taxpayer funding.*				
#	Annual Performance Goal	Indicator	Target	Results
1	Respond promptly to all financial institution closings and related emerging issues.	Number of business days after an institution failure that depositors have access to insured funds.	Depositors have access to insured funds within one business day if the failure occurs on a Friday.	**Achieved. See pg. 38.**
			Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	**Achieved. See pg. 38.**
		Insured depositor losses resulting from a financial institution failure.	Depositors do not incur any losses on insured deposits.	**Achieved. See pg. 38.**
			No appropriated funds are required to pay insured depositors.	**Achieved. See pg. 38.**
2	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis.	Scope and timeliness of information dissemination on identified or potential issues and risks.	Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports, and other means.	**Achieved. See pg. 51.**
			Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.	**Achieved. See pg. 51.**
3	Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2020.	Updated fund balance projections and recommended changes to assessment rates.	Provide updated fund balance projections to the FDIC Board of Directors by June 30, 2013, and December 31, 2013.	**Achieved. See pg. 51.**
			Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors as necessary.	**Achieved. See pg. 51.**
		Demonstrated progress in achieving the goals of the Restoration Plan.	Provide progress reports to the FDIC Board of Directors by June 30, 2013, and December 31, 2013.	**Achieved. See pg. 51.**

2013 INSURANCE PROGRAM RESULTS (continued)				
Strategic Goal: *Insured depositors are protected from loss without recourse to taxpayer funding.*				
#	Annual Performance Goal	Indicator	Target	Results
4	Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance and banking systems.	Initiatives to advance the FDIC's global leadership and participation.	Maintain open dialogue with counterparts in strategically important countries as well as international financial institutions and partner U.S. agencies.	**Achieved. See pgs. 40-42.**
			Conduct workshops and assessments of deposit insurance systems based on the methodology for assessment of compliance with the Basel Committee on Bank Supervision (BCBS) and the International Association of Depositor Insurers (IADI) *Core Principles* for Effective Deposit Insurance Systems.	**Achieved. See pgs. 40-41.**
		Provision of technical assistance to foreign counterparts.	Support visits, study tours, and longer-term technical assistance and training programs for foreign jurisdictions to strengthen their deposit insurance organizations, central banks, and bank supervisors.	**Achieved. See pg. 42.**
5	Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.	Timeliness of responses to deposit insurance coverage inquiries.	Respond within two weeks to 95 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.	**Achieved. See pg. 36.**
		Initiatives to increase public awareness of deposit insurance coverage changes.	Conduct at least 15 telephone or in-person seminars for bankers on deposit insurance coverage.	**Achieved. See pg. 36.**

2013 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS

Strategic Goal: *FDIC-insured institutions are safe and sound.*

#	Annual Performance Goal	Indicator	Target	Results
1	Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. When problems are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected.	Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy.	Conduct all required risk management examinations within the time frames prescribed by statute and FDIC policy.	**Achieved** **See pg. 19.**
		Implement appropriate corrective program where violations are identified.	Implement formal or informal enforcement actions within 60 days for at least 90 percent of all institutions that are newly downgraded to a composite Uniform Financial Institutions Rating of 3, 4, or 5.	**Achieved** **See pg. 20.**
2	Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes.	Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy.	Conduct all Bank Secrecy Act examinations within the time frames prescribed by statute and FDIC policy.	**Achieved.** **See pg. 19.**
3	More closely align regulatory capital standards with risk and ensure that capital is maintained at prudential levels.	Completion of review of comments and impact analyses of changes to regulatory capital rules.	Complete by June 30, 2013, the review of comments and impact analysis of June 2012 proposed interagency changes to regulatory capital rules.	**Achieved.** **See pgs. 23-24.**
		Issuance by the federal banking agencies of final regulatory capital rules to implement internationally agreed upon enhancements to regulatory capital standards and remove references to credit ratings consistent with DFA.	Issue by December 31, 2013, final regulatory capital rules.	**Achieved.** **See pgs. 23-24.**
4	Identify and address risks in financial institutions designated as systemically important.	Timely completion of statutory and regulatory requirements under Title I of DFA.	Complete, in collaboration with the Federal Reserve Board and in accordance with statutory and regulatory time frames, all required actions associated with the review of Section 165(d) resolution plans submitted under Title I of DFA.	**Achieved.** **See pgs. 15-16.**
		Input from Systemic Resolution Advisory Committee.	Hold at least one meeting of the Systemic Resolution Advisory Committee to obtain feedback on resolving systemically important financial companies.	**Achieved.** **See pg. 18.**

2013 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (continued)				
Strategic Goal: *Consumers' rights are protected and FDIC-supervised institutions invest in their communities.*				
#	**Annual Performance Goal**	**Indicator**	**Target**	**Results**
5	Conduct on-site CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions. When violations are identified, promptly implement appropriate corrective programs and follow up to ensure that identified problems are corrected.	Percentage of examinations conducted in accordance with the time frames prescribed by FDIC policy. Implementation of corrective programs.	Conduct 100 percent of required examinations within the time frames established by FDIC policy. Conduct visits and/or follow-up examinations in accordance with established FDIC policies and ensure that the requirements of any required corrective program have been implemented and are effectively addressing identified violations.	**Achieved.** **See pg. 19.** **Achieved.** **See pgs. 20-21.**
6	Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.	Timely responses to written consumer complaints and inquiries.	Respond to 95 percent of written consumer complaints and inquiries within time frames established by policy, with all complaints and inquiries receiving at least an initial acknowledgement within two weeks.	**Achieved.** **See pg. 35.**
7	Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.	Completion of planned initiatives.	Conduct the third biennial FDIC *National Survey of Unbanked and Underbanked Households* (conducted jointly with the U.S. Census Bureau). Initiate work on the Survey of Banks' Efforts to Serve the Unbanked and Underbanked. Implement the strategy outlined in the work plan approved by the Advisory Committee on Economic Inclusion to support the responsible use of technology to expand banking services to the unbanked.	**Achieved.** **See pg. 31.** **Deferred.** **See pg. 31.** **Achieved.** **See pgs. 30-31.**

2013 RECEIVERSHIP MANAGEMENT PROGRAM RESULTS				
Strategic Goal: *Resolutions are orderly and receiverships are managed effectively.*				
#	Annual Performance Goal	Indicator	Target	Results
1	Market failing institutions to all known qualified and interested potential bidders.	Scope of qualified and interested bidders solicited.	Contact all known qualified and interested bidders.	**Achieved. See pg. 38.**
2	Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.	Percentage of the assets marketed for each failed institution.	For at least 95 percent of insured institution failures, market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date (for cash sales) or 120 days of the failure date (for structured sales).	**Achieved. See pg. 38.**
3	Manage the receivership estate and its subsidiaries toward an orderly termination.	Timely termination of new receiverships.	Terminate at least 75 percent of new receiverships that are not subject to loss-share agreements, structured sales, or other legal impediments, within three years of the date of failure.	**Achieved. See pg. 52.**
4	Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions, and decide as promptly as possible, to close or pursue each claim, considering the size and complexity of the institution.	Percentage of investigated claim areas for which a decision has been made to close or pursue the claim.	For 80 percent of all claim areas, make a decision to close or pursue professional liability claims within 18 months of the failure of an insured depository institution.	**Achieved. See pg. 52.**

PRIOR YEARS' PERFORMANCE RESULTS

Refer to the respective full Annual Report of prior years for more information on performance results for those years. Minor wording changes may have been made to reflect current goals and targets. (Shaded areas indicate no such target existed for that respective year.)

INSURANCE PROGRAM RESULTS			
Strategic Goal: *Insured depositors are protected from loss without recourse to taxpayer funding.*			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
1. Respond promptly to all financial institution closings and related emerging issues.			
♦ Depositors have access to insured funds within one business day if the failure occurs on a Friday.	**Achieved.**	**Achieved.**	**Achieved.**
♦ Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	**Achieved.**	**Achieved.**	**Achieved.**
♦ Depositors do not incur any losses on insured deposits.	**Achieved.**	**Achieved.**	**Achieved.**
♦ No appropriated funds are required to pay insured depositors.	**Achieved.**	**Achieved.**	**Achieved.**
2. Deepen the FDIC's understanding of the future of community banking.			
♦ Conduct a nationwide conference on the future of community banking during the first quarter of 2012.	**Achieved.**		
♦ Publish by December 31, 2012, a research study on the future of community banks, focusing on their evolution, characteristics, performance, challenges, and role in supporting local communities.	**Achieved.**		
3. Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis.			
♦ Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports, and other means.	**Achieved.**	**Achieved.**	**Achieved.**
♦ Industry outreach activities are undertaken to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.	**Achieved.**	**Achieved.**	**Achieved.**
4. Adjust assessment rates, as necessary, to achieve a DIF reserve ratio of at least 1.35 percent of estimated insured deposits by September 30, 2020.			
♦ Provide updated fund projections to the FDIC Board of Directors by June 30, 2012, and December 31, 2012.	**Achieved.**		
♦ Provide updated fund projections to the FDIC Board of Directors by June 30, 2011, and December 31, 2011.		**Achieved.**	
♦ Provide progress reports to the FDIC Board of Directors by June 30, 2012, and December 31, 2012.	**Achieved.**		
♦ Provide to the Chairman by September 1, 2012, an analysis, with recommendations where appropriate, of refinements to the deposit insurance pricing methodology for banks with assets under $10 billion.	**Achieved.**		
♦ Recommend changes to deposit insurance assessment rates for the DIF to the FDIC Board as necessary.	**Achieved.**	**Achieved.**	
♦ Provide updates to the FDIC Board by June 30, 2011, and December 31, 2011.		**Achieved.**	

INSURANCE PROGRAM RESULTS (continued)			
Strategic Goal: *Insured depositors are protected from loss without recourse to taxpayer funding.*			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
5. Set assessment rates to restore the insurance fund reserve ratio to the statutory minimum of at least 1.15 percent of estimated insured deposits by year-end 2016, in accordance with the Amended Restoration Plan.			
♦ Provide updated fund projections to the FDIC Board of Directors by June 30, 2010, and December 31, 2010.			**Achieved.**
♦ Recommend deposit insurance assessment rates for the DIF to the FDIC Board as necessary.			**Achieved.**
♦ Provide updates to the FDIC Board by June 30, 2010, and December 31, 2010.			**Achieved.**
6. Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.			
♦ Respond within two weeks to 95 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.	**Achieved.**	**Achieved.**	
♦ Conduct at least 12 telephone or in-person seminars for bankers on deposit insurance coverage.	**Achieved.**	**Achieved.**	
7. Expand and strengthen the FDIC's participation and leadership role in providing technical guidance, training, consulting services, and information to international governmental banking and deposit insurance organizations; and in supporting robust international deposit insurance and banking systems.			
♦ Maintain open dialogue with counterparts in strategically important countries as well as international financial institutions and partner U.S. agencies.	**Achieved.**		
♦ Target capacity building based on the assessment methodology of the BCBS and *IADI Core Principles for an Effective Deposit Insurance System.*	**Achieved.**		
♦ Lead and support the Association of Supervisors of Banks of the America's efforts to promote sound banking principles throughout the Western Hemisphere.	**Achieved.**		
♦ Undertake outreach activities to inform and train foreign bank regulators and deposit insurers.		**Achieved.**	**Achieved.**
♦ Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolutions, and deposit insurance practices.	**Achieved.**	**Achieved.**	**Achieved.**
♦ Develop methodology and lead the International Association of Deposit Insurers training on the methodology for assessing compliance with implementation of the *Core Principles for Effective Deposit Insurance Systems.*		**Achieved.**	**Achieved.**

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS			
Strategic Goal: *FDIC-supervised institutions are safe and sound.*			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
1. Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.			
♦ One hundred percent of required risk management examinations are conducted on schedule.			**Achieved.**
♦ Conduct all required risk management examinations within the time frames prescribed by statute and FDIC policy.	**Achieved.**	**Achieved.**	
2. For all institutions that are assigned a composite Uniform Financial Institutions Rating of 3, 4, or 5, conduct on-site visits within six months after implementation of a corrective program. Ensure during these visits and subsequent examinations that the institution is fulfilling the requirements of the corrective program that has been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination.			
♦ Conduct 100 percent of required on-site visits within six months after implementation of a corrective program.	**Achieved.**	**Achieved.**	
3. Complete the transfer of personnel and supervisory responsibility for state-chartered thrifts from the Office of Thrift Supervision to the FDIC in accordance with approved plans and statutory requirements.			
♦ Complete the transfer of supervisory responsibility for state-chartered thrifts by July 21, 2011.		**Achieved.**	
♦ Identify the OTS employees to be transferred and complete the transfer of those employees to the FDIC no later than 90 days after July 21, 2011.		**Achieved.**	
4. Take prompt and effective supervisory action to address unresolved problems identified during the FDIC examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of 3, 4, or 5 (problem institution). Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.			
♦ One hundred percent of required on-site visits are conducted within six months of completion of the prior examination to confirm that the institution is fulfilling the requirements of the corrective program.			**Achieved.**
♦ One hundred percent of follow-up examinations are conducted within 12 months of completion of the prior examination to confirm that identified problems have been corrected.			**Achieved.**
5. Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering, and other financial crimes.			
♦ Conduct all Bank Secrecy Act examinations within the time frames prescribed by statute and FDIC policy.	**Achieved.**	**Achieved.**	**Achieved**
6. More closely align regulatory capital standards with risks and ensure that capital is maintained at prudential levels.			
♦ Complete by December 31, 2012, final rules addressing alternative standards of creditworthiness for credit ratings in the risk-based capital rules.	**Not Achieved.**		
♦ Complete by December 31, 2012, a final rule for the Basel III capital standards.	**Not Achieved.**		

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (Continued)			
Strategic Goal: *FDIC-supervised institutions are safe and sound.*			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
♦ Complete by July 31, 2012, a final rule on the Market Risk Amendment, including finalizing alternatives to the use of credit ratings in accordance with DFA requirements.	**Achieved.**		
♦ Complete by June 30, 2011, the final rule addressing capital floors for banking organizations.		**Achieved.**	
♦ Complete by September 30, 2011, the Basel III Notice of Proposed Rulemaking (NPR) for the new definition of capital, the July 2009 enhancements to resecuritizations risk weights, and securitization disclosures.		**Deferred.**	
♦ Complete by September 30, 2011, the Basel NPR for the new leverage ratio.		**Deferred.**	
♦ Complete by September 30, 2011, the Basel NPR for the new liquidity requirements.		**Deferred.**	
♦ Complete by December 31, 2011, the final rule on the Market Risk Amendment (includes finalizing alternatives to the use of credit ratings in accordance with DFA requirements).		**Deferred.**	
♦ Complete by September 30, 2011, the NPR for the Standardized Framework.		**Deferred.**	
7. More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.			
♦ Complete by December 31, 2010, the rulemaking for implementing the Standardized Approach for an appropriate subset of U.S. banks.			**Deferred.**
♦ Complete by December 31, 2010, the rulemaking for amending the floors for banks that calculate their risk-based capital requirements under the Advanced Approaches Capital rule to ensure capital requirements meet safety-and-soundness objectives.			**Not Achieved.**
♦ Complete by December 31, 2010, the rulemaking for implementing revisions to the Market Risk Amendment of 1996.			**Deferred.**
♦ Complete by December 31, 2010, the rulemaking for implementing revisions to regulatory capital charges for resecuritizations and asset-backed commercial paper liquidity facilities.			**Deferred.**
8. Identify and address risks in financial institutions designated as systemically important.			
♦ Take all steps necessary to facilitate timely issuance of implementing regulations and related policy guidance on proprietary trading and other investment restrictions (also known as the Volcker Rule).	**Achieved.**		
♦ Take all steps necessary to facilitate timely issuance of implementing regulations and related policy guidance on restrictions on federal assistance to swap entities.	**Achieved.**		
♦ Take all steps necessary to facilitate timely issuance of implementing regulations and related policy guidance on capital and margin and other requirements for OTC derivatives.	**Achieved.**		
♦ Take all steps necessary to facilitate timely issuance of implementing regulations and related policy guidance on credit risk retention requirements for securitizations.	**Achieved.**		

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (Continued)			
Strategic Goal: *FDIC-supervised institutions are safe and sound.*			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
♦ Take all steps necessary to facilitate timely issuance of implementing regulations and related policy guidance on enhanced compensation structure and incentive compensation requirements.	**Achieved.**		
♦ Monitor risk within and across large, complex firms to assess the potential need for, and obtain the information that would be required to carry out, if necessary, an FDIC resolution of the institution.	**Achieved.**		
♦ Establish by June 30, 2012, with the FRB, policies and procedures for collecting, processing, and reviewing for completeness and sufficiency holding company and insure depository institution (IDI) resolution plans submitted under Section 165(d) of DFA.	**Achieved.**		
♦ Complete, with the FRB and in accordance with prescribed time frames, the review of holding company and IDI resolution plans submitted under Section 165(d) of DFA.	**Achieved.**		
♦ Establish an ongoing FDIC monitoring program for all covered financial institutions.		**Achieved.**	
♦ Complete rulemaking to establish (with the Board of Governors of the Federal Reserve System) criteria for resolution plans to be submitted by systemically important institutions.		**Achieved.**	
9. Facilitate more effective regulatory compliance so as to reduce regulatory burden on the banking industry, where appropriate, while maintaining the independence and integrity of the FDIC's risk management and consumer compliance supervisory programs.			
♦ Issue by March 31, 2011, a revised corporate directive on the issuance of Financial Institution Letters (FILs) that includes a requirement that all FILs contain an informative section as to their applicability to smaller institutions (total assets under $1 billion).		**Achieved.**	
♦ Complete by June 30, 2011, a review of all recurring questionnaires and information requests to the industry and submit a report to FDIC management with recommendations on improving efficiency and ease of use, including a scheduled plan for implementing these revisions. Carry out approved recommendations in accordance with the plan.		**Achieved.**	

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (Continued)			
Strategic Goal: Consumers' rights are protected and FDIC-supervised institutions invest in their communities.			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
1. Conduct on-site CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institution.			
♦ Conduct 100 percent of required examinations within the time frames established by FDIC policy.		**Achieved.**	
♦ One hundred percent of required examinations are conducted on schedule.			**Achieved.**
2. Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that received an overall 3, 4, or 5 rating for compliance with consumer protection and fair lending laws. Ensure that each institution is fulfilling the requirements of any corrective program that has been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination.			
♦ Conduct follow-up examinations or on-site visits for any unfavorably rated (3, 4, or 5) institution within 12 months of completion of the prior examination.	**Achieved.**		
♦ One hundred percent of follow-up examinations or visitations are conducted within 12 months from the date of a formal enforcement action to confirm compliance with the prescribed enforcement action.			**Achieved.**
♦ For all institutions that are assigned a compliance rating of 3, 4, or 5, conduct follow-up examinations or on-site visits within 12 months to ensure that each institution is fulfilling the requirements of any corrective programs that have been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination.		**Achieved.**	
3. Complete the transfer of personnel and supervisory responsibility for compliance examinations of FDIC supervised institutions with more than $10 billion in assets and their affiliates from the FDIC to the new Consumer Financial Protection Bureau (CFPB) in accordance with statutory requirements.			
♦ Complete by July 21, 2011, the transfer of supervisory responsibility from the FDIC to the CFPB.		**Achieved.**	
♦ Identify the FDIC employees to be transferred to the CFPB and transfer them in accordance with established time frames.		**Achieved.**	
4. Establish an effective working relationship with the new Consumer Financial Protection Bureau (CFPB).			
♦ Complete the transfer of consumer compliant processing responsibilities within the purview of the CFPB within approved time frames.	**Achieved.**		
5. Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.			
♦ Respond to 95 percent of written consumer complaints and inquiries within time frames established by policy, with all complaints and inquiries receiving at least an initial acknowledgment within two weeks.	**Achieved.**	**Achieved.**	**Achieved.**
6. Establish, in consultation with the FDIC's Advisory Committee on Economic Inclusion and other regulatory agencies, national objectives and methods for reducing the number of unbanked and underbanked individuals.			
♦ Launch the FDIC Model Safe Accounts Pilot, begin data collection on the accounts from banks, and start reporting on results of the pilot.		**Achieved.**	

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (Continued)			
Strategic Goal: *Consumers' rights are protected and FDIC-supervised institutions invest in their communities.*			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
♦ Continue to promote the results of the FDIC Small-Dollar Loan Pilot and research opportunities for bringing small-dollar lending programs to scale, including exploring a test of employer-based lending using the federal workforce.		**Achieved.**	
♦ Engage in efforts to support safe mortgage lending in low- and moderate-income communities.		**Achieved.**	
♦ Facilitate completion of final recommendation on the initiatives identified in the Advisory Committee's strategic plan.			**Achieved.**
♦ Implement, or establish plans to implement, Advisory Committee recommendations approved by the FDIC for further action, including new research, demonstration and pilot projects, and new and revised supervisory and public policies.			**Achieved.**
7. Promote economic inclusion and access to responsible financial services through supervisory, reach, policy, and consumer/community affairs initiatives.			
♦ Complete and publish results of the second biennial *National Survey of Unbanked and Underbanked Households and Banks' Efforts to Serve the Unbanked and Underbanked.*	**Achieved.**		
♦ Plan and hold meetings of the Advisory Committee on Economic Inclusion to gain feedback and advice on FDIC efforts to promote inclusion.	**Achieved.**		
♦ Coordinate 25 CRA community forums nationwide to facilitate community development opportunities for financial institutions.	**Achieved.**		

RECEIVERSHIP MANAGEMENT PROGRAM RESULTS			
Strategic Goal: *Resolutions are orderly and receiverships are managed effectively.*			
Annual Performance Goals and Targets	**2012**	**2011**	**2010**
1. Market failing institutions to all known qualified and interested potential bidders.			
♦ Contact all known qualified and interested bidders.	**Achieved.**	**Achieved.**	**Achieved.**
2. Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.			
♦ For at least 95 percent of insured institution failures, market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date (for cash sales) or 120 days of the failure date (for structured sales).	**Achieved.**	**Achieved.**	**Achieved.**
♦ Implement enhanced reporting capabilities from the Automated Procurement System.			**Achieved.**
♦ Ensure that all newly designated oversight managers and technical monitors receive training in advance of performing contract administration responsibilities.			**Achieved.**
♦ Optimize the effectiveness of oversight managers and technical monitors by restructuring work assignments, providing enhanced technical support, and improving supervision.			**Achieved.**
3. Manage the receivership estate and its subsidiaries toward an orderly termination.			
♦ Terminate within three years of the date of failure, at least 75 percent of new receiverships that are not subject to loss-share agreements, structured sales, or other legal impediments.	**Achieved.**	**Achieved.**	**Achieved.**
4. Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions, and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.			
♦ For 80 percent of all claim areas, a decision is made to close or pursue professional liability claims within 18 months of the failure date of an insured depository institution.	**Achieved.**	**Achieved.**	**Achieved.**
5. Complete reviews of all loss-share and Limited Liability Corporation (LLC) agreements to ensure full compliance with the terms and conditions of the agreements.			
♦ Complete reviews of 100 percent of the loss-share and LLC agreements active as of December 31, 2011, and December 31, 2010, to ensure full compliance with the terms and conditions of the agreements.	**Achieved.**	**Achieved.**	
♦ Review the final report and implement an action plan to address the report's finding and recommendations for 80 percent of the loss-share reviews and 70 percent of the LLC reviews.	**Achieved.**		
♦ Review the final report and implement an action plan to address the report's finding and recommendations for 75 percent of the loss-share reviews and 50 percent of the LLC reviews, including all reviews of agreements totaling more than $1.0 billion (gross book value).		**Achieved.**	

IV. Financial Section

DEPOSIT INSURANCE FUND (DIF)

FEDERAL DEPOSIT INSURANCE CORPORATION
DEPOSIT INSURANCE FUND BALANCE SHEET AT DECEMBER 31
Dollars in Thousands

	2013	2012
Assets		
Cash and cash equivalents	$3,543,270	$3,100,361
Investment in U.S. Treasury obligations (Note 3)	38,510,500	34,868,688
Trust preferred securities (Note 10)	0	2,263,983
Assessments receivable, net (Note 8)	2,227,735	1,006,852
Interest receivable on investments and other assets, net	511,428	433,592
Receivables from resolutions, net (Note 4)	16,344,991	23,119,554
Property and equipment, net (Note 5)	377,223	392,880
Total Assets	**$61,515,147**	**$65,185,910**
Liabilities		
Accounts payable and other liabilities	$300,575	$349,620
Unearned revenue - prepaid assessments (Note 8)	0	1,576,417
Refunds of prepaid assessments (Note 8)	0	5,675,199
Liabilities due to resolutions (Note 6)	12,625,982	21,173,785
Postretirement benefit liability (Note 13)	193,591	224,225
Contingent liabilities for:		
Anticipated failure of insured institutions (Note 7)	1,198,960	3,220,697
Litigation losses (Note 7)	5,200	8,200
Total Liabilities	**14,324,308**	**32,228,143**
Commitments and off-balance-sheet exposure (Note 14)		
Fund Balance		
Accumulated Net Income	47,186,974	32,682,237
Accumulated Other Comprehensive Income		
Unrealized gain on U.S. Treasury investments, net (Note 3)	20,215	33,819
Unrealized postretirement benefit loss (Note 13)	(16,350)	(60,448)
Unrealized gain on trust preferred securities (Note 10)	0	302,159
Total Accumulated Other Comprehensive Income	**3,865**	**275,530**
Total Fund Balance	**47,190,839**	**32,957,767**
Total Liabilities and Fund Balance	**$61,515,147**	**$65,185,910**

The accompanying notes are an integral part of these financial statements.

DEPOSIT INSURANCE FUND (DIF)

FEDERAL DEPOSIT INSURANCE CORPORATION
DEPOSIT INSURANCE FUND STATEMENT OF INCOME AND FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Revenue		
Assessments (Note 8)	$9,734,173	$12,397,022
Interest on U.S. Treasury obligations	103,363	159,214
Systemic risk revenue	0	(161,135)
Other revenue (Note 9)	163,154	6,127,211
Gain on sale of trust preferred securities (Note 10)	458,176	0
Total Revenue	**10,458,866**	**18,522,312**
Expenses and Losses		
Operating expenses (Note 11)	1,608,717	1,777,513
Systemic risk expenses	0	(161,135)
Provision for insurance losses (Note 12)	(5,659,388)	(4,222,595)
Insurance and other expenses	4,799	7,282
Total Expenses and Losses	**(4,045,872)**	**(2,598,935)**
Net Income	**14,504,738**	**21,121,247**
Other Comprehensive Income		
Unrealized loss on U.S. Treasury investments, net	(13,604)	(13,878)
Unrealized postretirement benefit gain (loss) (Note 13)	44,097	(26,886)
Unrealized (loss) gain on trust preferred securities (Note 10)	(302,159)	50,752
Total Other Comprehensive (Loss) Income	**(271,666)**	**9,988**
Comprehensive Income	**14,233,072**	**21,131,235**
Fund Balance - Beginning	**32,957,767**	**11,826,532**
Fund Balance - Ending	**$47,190,839**	**$32,957,767**

The accompanying notes are an integral part of these financial statements.

DEPOSIT INSURANCE FUND (DIF)

FEDERAL DEPOSIT INSURANCE CORPORATION
DEPOSIT INSURANCE FUND STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Operating Activities		
Provided by:		
Assessments	$7,111,902	$1,525,414
Interest on U.S. Treasury obligations	1,080,157	1,088,697
Dividends and interest on trust preferred securities	154,393	360,754
Recoveries from financial institution resolutions	5,696,453	4,937,738
Miscellaneous receipts	79,773	69,285
Used by:		
Operating expenses	(1,558,229)	(1,703,278)
Disbursements for financial institution resolutions	(3,857,214)	(8,998,978)
Refunds of prepaid assessments (Note 8)	(5,850,135)	0
Temporary Liquidity Guarantee Program debt obligations	0	(117,708)
Dividends and interest on trust preferred securities transferred to U.S. Treasury	0	(182,754)
Miscellaneous disbursements	(17,228)	(15,030)
Net Cash Provided (Used) by Operating Activities	**2,839,872**	**(3,035,860)**
Investing Activities		
Provided by:		
Maturity of U.S. Treasury obligations	27,704,523	32,132,623
Sale of U.S. Treasury obligations (Note 3)	0	2,554,781
Sale of trust preferred securities (Note 10)	2,420,000	0
Used by:		
Purchase of property and equipment	(57,390)	(67,344)
Purchase of U.S. Treasury obligations	(32,464,096)	(33,388,751)
Net Cash (Used) Provided by Investing Activities	**(2,396,963)**	**1,231,309**
Net Increase (Decrease) in Cash and Cash Equivalents	**442,909**	**(1,804,551)**
Cash and Cash Equivalents - Beginning	**3,100,361**	**4,904,912**
Cash and Cash Equivalents - Ending	**$3,543,270**	**$3,100,361**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

DEPOSIT INSURANCE FUND
December 31, 2013 and 2012

1. OPERATIONS OF THE DEPOSIT INSURANCE FUND

OVERVIEW

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In carrying out the purposes of the FDI Act, the FDIC, as administrator of the Deposit Insurance Fund (DIF), insures the deposits of banks and savings associations (insured depository institutions) from loss due to institution failures. In cooperation with other federal and state agencies, the FDIC promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the DIF. Commercial banks, savings banks and savings associations (known as "thrifts") are supervised by either the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board.

The FDIC is also the administrator of the FSLIC Resolution Fund (FRF). The FRF is a resolution fund responsible for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation. The DIF and the FRF are maintained separately by the FDIC to support their respective functions.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the FDIC is the manager of the Orderly Liquidation Fund (OLF). Established as a separate fund in the U.S. Treasury (Treasury), the OLF is inactive and unfunded until the FDIC is appointed as receiver for a covered financial company (a failing financial company, such as a bank holding company or nonbank financial company for which a systemic risk determination has been made as set forth in section 203 of the Dodd-Frank Act).

The Dodd-Frank Act (Public Law 111-203) granted the FDIC authority to establish a widely available program to guarantee obligations of solvent insured depository institutions (IDIs) or solvent depository institution holding companies (including affiliates) upon the systemic determination of a liquidity event during times of severe economic distress. The program would not be funded by the DIF but rather by fees and assessments paid by all participants in the program. If fees are insufficient to cover losses or expenses, the FDIC must impose a special assessment on participants as necessary to cover the shortfall. Any excess funds at the end of the liquidity event program would be deposited in the General Fund of the Treasury.

The Dodd-Frank Act limits the FDIC's systemic risk determination authority under section 13 of the FDI Act to IDIs for which the FDIC has been appointed receiver. Prior to this change, the authority permitted open bank assistance and the creation of the Temporary Liquidity Guarantee Program (TLGP) that expired on December 31, 2012 (see Note 9).

The Dodd-Frank Act also created the Financial Stability Oversight Council (FSOC) of which the Chairman of the FDIC is a member and expanded the FDIC's responsibilities to include supervisory review of resolution plans (known as living wills) and backup examination authority for systemically important bank holding companies and nonbank financial companies. The living wills provide for an entity's rapid and orderly resolution in the event of material financial distress or failure.

OPERATIONS OF THE DIF

The primary purposes of the DIF are to 1) insure the deposits and protect the depositors of IDIs and 2) resolve failed IDIs upon appointment of the FDIC as receiver in a

manner that will result in the least possible cost to the DIF (unless a systemic risk determination is made).

The DIF is primarily funded from deposit insurance assessments. Other available funding sources, if necessary, are borrowings from the Treasury, the Federal Financing Bank (FFB), Federal Home Loan Banks, and IDIs. The FDIC has borrowing authority of $100 billion from the Treasury and a Note Purchase Agreement with the FFB, not to exceed $100 billion, to enhance the DIF's ability to fund deposit insurance.

A statutory formula, known as the Maximum Obligation Limitation (MOL), limits the amount of obligations the DIF can incur to the sum of its cash, 90 percent of the fair market value of other assets, and the amount authorized to be borrowed from the Treasury. The MOL for the DIF was $146.0 billion and $132.9 billion as of December 31, 2013 and 2012, respectively.

OPERATIONS OF RESOLUTION ENTITIES

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receiverships, pass-through conservatorships, and bridge institutions (collectively, resolution entities), and the claims against them, are accounted for separately from the DIF assets and liabilities to ensure that proceeds from these entities are distributed in accordance with applicable laws and regulations. Accordingly, income and expenses attributable to resolution entities are accounted for as transactions of those entities. Resolution entities are billed by the FDIC for services provided on their behalf.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These financial statements pertain to the financial position, results of operations, and cash flows of the DIF and are presented in accordance with U.S. generally accepted accounting principles (GAAP). As permitted by the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the FDIC prepares financial statements in accordance with standards promulgated by the Financial Accounting Standards Board (FASB). These statements do not include reporting for assets and liabilities of resolution entities because these entities are legally separate and distinct, and the DIF does not have any ownership or beneficial interests in them. Periodic and final accounting reports of resolution entities are furnished to courts, supervisory authorities, and others upon request.

USE OF ESTIMATES

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such potential changes in estimates have been disclosed. The more significant estimates include the assessments receivable and associated revenue; the allowance for loss on receivables from resolutions (including shared-loss agreements); guarantee obligations for structured transactions; the postretirement benefit obligation; and the estimated losses for anticipated failures, litigation, and representations and indemnifications.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments consisting primarily of U.S. Treasury Overnight Certificates.

INVESTMENT IN U.S. TREASURY OBLIGATIONS

The DIF funds are required to be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. The Secretary of the Treasury must approve all such investments in excess of $100,000 and has granted the FDIC approval to invest the DIF funds only in U.S. Treasury obligations that are purchased or sold exclusively through the Bureau of the Fiscal Service's Government Account Series program.

The DIF's investments in U.S. Treasury obligations are classified as available-for-sale. Securities designated as available-for-sale are shown at fair value. Unrealized gains and losses are reported as other comprehensive income. Realized gains and losses are included in the Statement of

Income and Fund Balance as components of net income. Income on securities is calculated and recorded on a daily basis using the effective interest or straight-line method depending on the maturity of the security.

REVENUE RECOGNITION FOR ASSESSMENTS

Assessment revenue is recognized for the quarterly period of insurance coverage based on an estimate. The estimate is derived from an institution's risk-based assessment rate and assessment base for the prior quarter adjusted for the current quarter's available assessment credits, certain changes in supervisory examination ratings for larger institutions, as well as modest assessment base growth and average assessment rate adjustment factors. At the subsequent quarter-end, the estimated revenue amounts are adjusted when actual assessments for the covered period are determined for each institution (see Note 8).

CAPITAL ASSETS AND DEPRECIATION

The FDIC buildings are depreciated on a straight-line basis over a 35- to 50-year estimated life. Building improvements are capitalized and depreciated over the estimated useful life of the improvements. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated useful life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Personal computer equipment is depreciated on a straight-line basis over a three-year estimated useful life.

REPORTING ON VARIABLE INTEREST ENTITIES

FDIC receiverships engaged in structured transactions, some of which resulted in the issuance of note obligations that were guaranteed by the FDIC in its corporate capacity (see Note 7, Contingent Liabilities for: FDIC Guaranteed Debt of Structured Transactions). As the guarantor of note obligations for several structured transactions, the FDIC in its corporate capacity is the holder of a variable interest in a number of variable interest entities (VIEs). The FDIC conducts a qualitative assessment of its relationship with each VIE as required by Accounting Standards Codification (ASC) Topic 810, *Consolidation*. These assessments are conducted to determine if the FDIC in its corporate capacity has 1) power to direct the activities that most significantly impact the economic performance of the VIE and 2) an obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. When a variable interest holder has met both of these characteristics, the enterprise is considered the primary beneficiary and must consolidate the VIE. In accordance with the provisions of ASC 810, an assessment of the terms of the legal agreement for each VIE was conducted to determine whether any of the terms had been activated or modified in a manner which would cause the FDIC in its corporate capacity to be characterized as a primary beneficiary. In making that determination, consideration was given to which, if any, activities were significant to each VIE. Often, the right to service collateral, to liquidate collateral, or to unilaterally dissolve the limited liability company (LLC) or trust was determined to be the most significant activity. In other cases, it was determined that the structured transactions did not include such significant activities and that the design of the entity was the best indicator of which party was the primary beneficiary. The results of each analysis identified a party other than the FDIC in its corporate capacity as the primary beneficiary.

The conclusion of these analyses was that the FDIC in its corporate capacity has not engaged in any activity that would cause the FDIC in its corporate capacity to be characterized as a primary beneficiary to any VIE with which it was involved as of December 31, 2013 and 2012. Therefore, consolidation is not required for the 2013 and 2012 DIF financial statements. In the future, the FDIC in its corporate capacity may become the primary beneficiary upon the activation of provisional contract rights that extend to the Corporation if payments are made on guarantee claims. Ongoing analyses will be required in order to monitor consolidation implications under ASC 810.

The FDIC's involvement with VIEs, in its corporate capacity, is fully described in Note 7.

RELATED PARTIES

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

PRESENTATION OF STATEMENT OF CASH FLOWS

To enhance cash flow information for operating activities of the DIF, in 2013, the FDIC changed the method of presenting the DIF's Statement of Cash Flows from the indirect method to the direct method, which is preferable and is encouraged by the Financial Accounting Standards Board. Accordingly, the DIF's 2012 Statement of Cash Flows has been conformed to this method of presentation for comparative purposes. For 2013 and 2012, the reconciliation of net income to net cash from operating activities is presented in Note 16.

DISCLOSURE ABOUT RECENT RELEVANT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements have been deemed not applicable or material to the financial statements as presented.

3. INVESTMENT IN U.S. TREASURY OBLIGATIONS

As of December 31, 2013 and 2012, investments in U.S. Treasury obligations, were $38.5 billion and $34.9 billion, respectively. As of December 31, 2013 and 2012, the DIF held $4.6 billion and $5.3 billion, respectively, of Treasury Inflation-Protected Securities (TIPS), which are indexed to increases or decreases in the Consumer Price Index for All Urban Consumers (CPI-U).

In 2012, the FDIC sold securities designated as available-for-sale for total proceeds of $2.6 billion. The gross realized gains and losses on these sales were $878 thousand and $241 thousand, respectively, which resulted in a total net gain of $637 thousand. The cost of these securities sold was determined based on specific identification. Since these securities were purchased on behalf of the TLGP, the realized gain was recognized in the "Systemic risk revenue" line item on the Statement of Income and Fund Balance (see Note 9).

TOTAL INVESTMENT IN U.S. TREASURY OBLIGATIONS AT DECEMBER 31, 2013
Dollars in Thousands

Maturity	Yield at Purchase[1]	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	0.23%	$14,300,000	$14,552,418	$4,167	$(31)	$14,556,554
After 1 year through 5 years	0.70%	18,351,209	19,382,202	24,408	(14,013)	19,392,597
U.S. Treasury Inflation-Protected Securities						
Within 1 year	-0.86%	2,150,000	2,464,330	1,050	(1,130)	2,464,250
After 1 year through 5 years	-0.99%	1,800,000	2,091,335	5,788	(24)	2,097,099
Total		**$36,601,209**	**$38,490,285**	**$35,413**	**$(15,198)[2]**	**$38,510,500**

[1] For TIPS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIPS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.0 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2013.

[2] The unrealized losses occurred as a result of temporary changes in market interest rates. These unrealized losses occurred over a period of less than a year. The FDIC does not intend to sell the securities and is not likely to be required to sell them before their maturity date, thus, the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2013.

TOTAL INVESTMENT IN U.S. TREASURY OBLIGATIONS AT DECEMBER 31, 2012
Dollars in Thousands

Maturity	Yield at Purchase[1]	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	0.34%	$24,800,000	$25,228,393	$19,871	$0	$25,248,264
After 1 year through 5 years	0.32%	4,050,000	4,341,814	4,569	0	4,346,383
U.S. Treasury Inflation-Protected Securities						
Within 1 year	-0.86%	1,650,000	1,813,291	0	(9,788)[2]	1,803,503
After 1 year through 5 years	-0.87%	2,900,000	3,451,371	19,167	0	3,470,538
Total		**$33,400,000**	**$34,834,869**	**$43,607**	**$(9,788)**	**$34,868,688**

[1] For TIPS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIPS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.0 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2012.

[2] The unrealized losses occurred as a result of temporary changes in market interest rates. These unrealized losses occurred over a period of less than a year. The FDIC does not intend to sell the TIPS and is not likely to be required to sell them before their maturity in 2013, thus, the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2012.

4. RECEIVABLES FROM RESOLUTIONS, NET

RECEIVABLES FROM RESOLUTIONS, NET AT DECEMBER 31
Dollars in Thousands

	2013	2012
Receivables from closed banks	$106,291,226	$116,940,999
Allowance for losses	(89,946,235)	(93,821,445)
Total	$16,344,991	$23,119,554

The receivables from resolutions result from payments made by the DIF to cover obligations to insured depositors (subrogated claims), advances to resolution entities for working capital, and administrative expenses paid on behalf of resolution entities. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Estimated future payments on losses incurred on assets sold to an acquiring institution under a shared-loss agreement (SLA) are factored into the computation of the expected repayment. Assets held by DIF resolution entities (including structured transaction-related assets; see Note 7) are the main source of repayment of the DIF's receivables from resolutions.

As of December 31, 2013, there were 479 active receiverships, including 24 established in 2013. As of December 31, 2013 and 2012, DIF resolution entities held assets with a book value of $38.4 billion and $53.5 billion, respectively (including $27.1 billion and $36.5 billion, respectively, of cash, investments, receivables due from the DIF, and other receivables). Ninety-nine percent of the current asset book value of $38.4 billion is held by resolution entities established since the beginning of 2008.

Estimated cash recoveries from the management and disposition of assets that are used to determine the allowance for losses are based on asset recovery rates from several sources including actual or pending institution-specific asset disposition data, failed institution-specific asset valuation data, aggregate asset valuation data on several recently failed or troubled institutions, sampled asset valuation data, and empirical asset recovery data based on failures as far back as 1990. Methodologies for determining the asset recovery rates incorporate estimating future cash recoveries, net of applicable liquidation cost estimates, and discounting based on market-based risk factors applicable to a given asset's type and quality. The resulting estimated cash recoveries are then used to derive the allowance for loss on the receivables from these resolutions.

For failed institutions resolved using a whole bank purchase and assumption transaction with an accompanying SLA, the projected future shared-loss payments and recoveries on the covered assets sold to the acquiring institution under the agreement are considered in determining the allowance for loss on the receivables from these resolutions. The shared-loss cost projections are based on the covered assets' intrinsic value which is determined using financial models that consider the quality, condition and type of covered assets, current and future market conditions, risk factors and estimated asset holding periods. For year-end 2013 financial reporting, the shared-loss cost estimates were updated for the majority (98% or 285) of the 290 active SLAs; the remaining 5 were based on recent loss estimates. The updated shared-loss cost projections for the larger agreements were primarily based on new third-party valuations estimating the cumulative loss of covered assets. The remaining agreements were stratified by either receivership age or geographic location. A random sample of institutions within each stratum was selected for new third-party loss estimations, and valuation results from the sample institutions were aggregated and extrapolated to institutions within the like stratum based on asset type and performance status.

Note that estimated asset recoveries are regularly evaluated during the year, but remain subject to uncertainties because of potential changes in economic and market conditions. Continuing economic uncertainties could cause the DIF's actual recoveries to vary significantly from current estimates.

WHOLE BANK PURCHASE AND ASSUMPTION TRANSACTIONS WITH SHARED-LOSS AGREEMENTS

Since the beginning of 2008, the FDIC resolved 304 failures using whole bank purchase and assumption resolution transactions with accompanying SLAs on total assets of $216.6 billion purchased by the financial institution acquirers. The acquirer typically assumes all of the

deposits and purchases essentially all of the assets of a failed institution. The majority of the commercial and residential loan assets are purchased under an SLA, where the FDIC agrees to share in future losses and recoveries experienced by the acquirer on those assets covered under the agreement. SLAs are used by the FDIC to keep assets in the private sector and to minimize disruptions to loan customers.

Losses on the covered assets are shared between the acquirer and the FDIC in its receivership capacity of the failed institution when losses occur through the sale, foreclosure, loan modification, or write-down of loans in accordance with the terms of the SLA. The majority of the agreements cover a five- to 10-year period with the receiver covering 80 percent of the losses incurred by the acquirer and the acquiring bank covering 20 percent. Prior to March 26, 2010, most SLAs included a threshold amount, above which the receiver covered 95 percent of the losses incurred by the acquirer. As mentioned above, the estimated shared-loss liability is accounted for by the receiver and is included in the calculation of the DIF's allowance for loss against the corporate receivable from the resolution. As shared-loss claims are asserted and proven, DIF receiverships satisfy these shared-loss payments using available liquidation funds and/or by drawing on amounts due from the DIF for funding the deposits assumed by the acquirer (see Note 6).

As of December 31, 2013, 300 receiverships have made shared-loss payments totaling $26.4 billion. At December 31, 2013 and 2012, estimates of additional payments by DIF receiverships over the duration of the SLAs were $12.3 billion and $18.1 billion, respectively, on total remaining covered assets of $78.2 billion and $103.7 billion, respectively.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the DIF to concentrations of credit risk are receivables from resolutions. The repayment of the DIF's receivables from resolutions is primarily influenced by recoveries on assets held by DIF receiverships and payments on the covered assets under SLAs. The majority of the remaining assets in liquidation ($11.2 billion) and current shared-loss covered assets ($78.2 billion) which total $89.4 billion are concentrated in commercial loans ($40.1 billion), residential loans ($37.4 billion), securities ($2.8 billion), and structured transaction-related assets as described in Note 7 ($7.5 billion). Most of the assets originated from failed institutions located in California ($27.1 billion), Florida ($10.2 billion), Puerto Rico ($8.7 billion), Alabama ($6.8 billion), Illinois ($6.6 billion) and Georgia ($6.3 billion).

5. PROPERTY AND EQUIPMENT, NET

PROPERTY AND EQUIPMENT, NET AT DECEMBER 31
Dollars in Thousands

	2013	2012
Land	$37,352	$37,352
Buildings (including building and leasehold improvements)	314,775	313,221
Application software (includes work-in-process)	149,115	135,059
Furniture, fixtures, and equipment	142,621	152,280
Accumulated depreciation	(266,640)	(245,032)
Total	**$377,223**	**$392,880**

The depreciation expense was $73 million and $76 million for 2013 and 2012, respectively.

6. LIABILITIES DUE TO RESOLUTIONS

As of December 31, 2013 and 2012, the DIF recorded liabilities totaling $12.6 billion and $21.1 billion, respectively, to resolution entities representing the agreed-upon value of assets transferred from the receiverships, at the time of failure, to the acquirers/bridge institutions for use in funding the deposits assumed by the acquirers/bridge institutions. Ninety-one percent of these liabilities are due to failures resolved under whole-bank purchase and assumption transactions, most with an accompanying SLA. The DIF satisfies these liabilities either by directly sending cash to the receivership to fund shared-loss and other expenses or by offsetting receivables from resolutions when the receivership declares a dividend.

In addition, the DIF recorded liabilities of $29 million and $56 million in unpaid deposit claims related to multiple receiverships, which are offset by receivables included in the "Receivables from resolutions, net" line item of the Balance Sheet as of December 31, 2013 and 2012, respectively. The DIF pays these liabilities when the claims are approved.

7. CONTINGENT LIABILITIES FOR:

ANTICIPATED FAILURE OF INSURED INSTITUTIONS

The DIF records a contingent liability and a loss provision for DIF-insured institutions that are likely to fail, absent some favorable event such as obtaining additional capital or merging, when the liability is probable and reasonably estimable. The contingent liability is derived by applying expected failure rates and loss rates to the institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels.

The banking industry continued to improve in 2013 at a gradual, steady pace. According to the quarterly financial data submitted by DIF-insured institutions, the industry reported total net income of $154.7 billion for full-year 2013, an increase of 9.6 percent over 2012. The downward trend in loan loss provisions that has coincided with the ongoing improvement in asset quality was responsible for most of the improvement in earnings.

Losses to the DIF from failures that occurred in 2013 were lower than the contingent liability at the end of 2012, as the aggregate number and size of institution failures in 2013 were less than anticipated. The removal from the contingent liability of institutions that did fail in 2013, as well as projected favorable trends in bank supervisory downgrade and failure rates, all contributed to a decline by $2.0 billion to $1.2 billion in the contingent liability for anticipated failures of insured institutions at December 31, 2013.

In addition to the recorded contingent liabilities, the FDIC has identified risks in the financial services industry that could result in additional losses to the DIF, should potentially vulnerable insured institutions ultimately fail. As a result of these risks, the FDIC believes that it is reasonably possible that the DIF could incur additional estimated losses of approximately $3.0 billion as of year-end 2013 as compared to $6.3 billion as of year-end 2012. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

During 2013, 24 institutions failed with combined assets of $5.8 billion at the date of failure. Recent trends in supervisory ratings and market data suggest that the financial performance and condition of the banking industry should continue to improve over the coming year. However, exposure to interest rate risk, reliance on short-term sources of funding, and limited opportunities for earnings growth will continue to stress the industry. Additionally, key risks continue to weigh on the economic outlook as well, including the impact of rising interest rates as they return to more normal levels; fiscal challenges at federal, state, and local levels; and global economic risks. The FDIC continues to evaluate ongoing risks to affected institutions in light of existing economic and financial conditions, and the extent to which such risks may put stress on the resources of the insurance fund.

LITIGATION LOSSES

The DIF records an estimated loss for unresolved legal cases to the extent that those losses are considered probable and reasonably estimable. The FDIC recorded probable litigation losses of $5 million and $8 million for the DIF as of December 31, 2013 and 2012, respectively, and has determined that losses from unresolved cases totaling $125 thousand are reasonably possible for year-end 2013.

OTHER CONTINGENCIES

IndyMac Federal Bank Representation and Indemnification Contingent Liability

On March 19, 2009, the FDIC as receiver of IndyMac Federal Bank (IMFB) and certain subsidiaries (collectively, sellers) sold substantially all of the assets, which included mortgage loans and servicing rights, of IMFB and its respective subsidiaries to OneWest Bank and its affiliates. The sellers made certain representations customarily made by commercial parties regarding the assets and agreed to indemnify the acquirers for losses incurred as a result of breaches of such representations, losses incurred as a result of the failure to obtain contractual counterparty consents to the sale, and third party claims arising from pre-sale acts and omissions of the sellers or the failed bank. The FDIC, in its corporate capacity, guaranteed the receivership's indemnification obligations under the sale agreements. Until the periods for asserting claims under these arrangements have expired and all indemnification claims are quantified and paid, losses could continue to be incurred by the receivership and, in turn, the DIF.

The acquirers' rights to assert claims to recover losses incurred as a result of breaches of loan seller representations extend out to March 19, 2014 for the Fannie Mae, Freddie Mac, and Ginnie Mae mortgage servicing portfolios (unpaid principal balance of $367 million at December 31, 2013 compared to $34.3 billion at December 31, 2012) and to March 19, 2019 for the Fannie Mae and Ginnie Mae reverse mortgage servicing portfolios (unpaid principal balance of $15.2 billion at December 31, 2013 compared to $16.2 billion at December 31, 2012).

On March 19, 2011, the acquirers' rights to assert claims to recover losses incurred as a result of other third party claims and breaches of servicer representations expired. As of the expiration date of this claim period, notices relating to potential defects were received, but they require review to determine whether a valid defect exists and, if so, the identification and resolution of possible cure actions. It is highly unlikely that all of these potential defects will result in losses. Therefore, while additional potential losses relating to servicing representations may be incurred, those losses cannot currently be quantified.

The IndyMac receivership has paid cumulative claims totaling $15 million through December 31, 2013 and $14 million through December 31, 2012. Additional claims asserted, but under review, were accrued in the amount of $7 million and $1 million as of December 31, 2013 and December 31, 2012, respectively. Review and evaluation is in process for approximately $32 million in reasonably possible liabilities with respect to alleged breaches of representations and warranties as of December 31, 2013 and 2012. Potential losses relating to origination and servicing representations, which also cannot currently be quantified, may also be incurred under other agreements with investors.

As a result of existing origination and servicing representation provisions, the IndyMac receivership and the wholly-owned subsidiary Financial Freedom Senior Funding Corporation have repurchased loans with an aggregate principal balance of $308 million and $100 million respectively. Estimated losses of up to $48 million could be incurred on these portfolios. Because these loans have been repurchased and are now considered receivership or receivership subsidiary assets, the resulting estimated losses are reflected in the "Receivables from resolutions, net" line item on the Balance Sheet.

The FDIC believes it is likely that additional losses will be incurred; however, quantifying the contingent liability associated with the representations and the indemnification obligations is subject to a number of uncertainties, including 1) borrower prepayment speeds, 2) the occurrence of borrower defaults and resulting foreclosures and losses, 3) the assertion by third party investors of claims with respect to loans serviced for them, 4) the existence and timing of discovery of breaches and the assertion of claims for indemnification for losses by the acquirer, 5) the compliance by the acquirer with certain loss mitigation and other conditions to indemnification, 6) third party sources of loss recovery (such as title companies and insurers), 7) the ability of the acquirer to refute claims from investors without incurring reimbursable losses, and 8) the cost to cure breaches and respond to third party claims. Because of these and other uncertainties that surround the liability associated with indemnifications and the quantification of possible losses, the FDIC has determined that, while additional losses are probable, the amount is not estimable.

Purchase and Assumption Indemnification

In connection with purchase and assumption agreements for resolutions, the FDIC in its receivership capacity generally indemnifies the purchaser of a failed institution's assets and liabilities in the event a third party asserts a claim against the purchaser unrelated to the explicit assets purchased or liabilities assumed at the time of failure. The FDIC in its corporate capacity is a secondary guarantor if a receivership is unable to pay. These indemnifications generally extend for a term of six years after the date of institution failure. The FDIC is unable to estimate the maximum potential liability for these types of guarantees as the agreements do not specify a maximum amount and any payments are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. During 2013 and 2012, the FDIC in its corporate capacity made no indemnification payments under such agreements, and no amount has been accrued in the accompanying financial statements with respect to these indemnification guarantees.

FDIC Guaranteed Debt of Structured Transactions

The FDIC as receiver uses three types of structured transactions to dispose of certain performing and non-performing residential mortgage loans, commercial loans, construction loans, and mortgage-backed securities held by the receiverships. The three types of structured transactions are 1) limited liability companies (LLCs), 2) securitizations, and 3) structured sale of guaranteed notes (SSGNs).

LLCs

Under the LLC structure, the FDIC in its receivership capacity contributes a pool of assets to a newly-formed LLC and offers for sale, through a competitive bid process, some of the equity in the LLC. The day-to-day management of the LLC transfers to the highest bidder along with the purchased equity interest. In many instances, the FDIC in its corporate capacity guarantees notes issued by the LLCs. In exchange for a guarantee, the DIF receives a guarantee fee in either 1) a lump-sum, up-front payment based on the estimated duration of the note or 2) a monthly payment based on a fixed percentage multiplied by the outstanding note balance. The terms of these guarantee agreements generally stipulate that all cash flows received from the entity's collateral be used to pay, in the following order, 1) operational expenses of the entity, 2) the FDIC's contractual guarantee fee, 3) the guaranteed notes (or, if applicable, fund the related defeasance account for payoff of the notes at maturity), and 4) the equity investors. If the FDIC is required to perform under these guarantees, it acquires an interest in the cash flows of the LLC equal to the amount of guarantee payments made plus accrued interest thereon. Once all expenses have been paid, the guaranteed notes have been satisfied, and the FDIC has been reimbursed for any guarantee payments, the equity holders receive any remaining cash flows.

Since 2009, private investors have purchased a 40- to 50-percent ownership interest in the LLC structures for $1.6 billion in cash and the LLCs issued notes of $4.4 billion to the receiverships to partially fund the purchase of the assets. The receiverships hold the remaining 50- to 60-percent equity interest in the LLCs and, in most cases, the guaranteed notes. The FDIC in its corporate capacity guarantees the timely payment of principal and interest due on the notes. The terms of the note guarantees extend until the earlier of 1) payment in full of the notes or 2) two years following the maturity date of the notes. The note with the longest term matures in 2020. In the event of note payment default, the FDIC as guarantor is entitled to exercise or cause the exercise of certain rights and remedies including: 1) accelerating the payment of the unpaid principal amount of the notes; 2) selling the assets held as collateral; or 3) foreclosing on the equity interests of the debtor.

Securitizations and SSGNs

Securitizations and SSGNs (collectively, "trusts") are transactions in which certain assets or securities from failed institutions are pooled and transferred into a trust structure. The trusts issue 1) senior and/or subordinated debt instruments and 2) owner trust or residual certificates collateralized by the underlying mortgage-backed securities or loans.

Since 2010, private investors purchased the senior notes issued by the trusts for $6.2 billion in cash. The receiverships hold 100 percent of the subordinated debt instruments and owner trust or residual certificates. The FDIC in its corporate capacity guarantees the timely payment of principal and interest due on the senior notes, the latest maturity of which is 2050. In exchange for the guarantee, the DIF receives a monthly payment based on a fixed percentage multiplied by the outstanding note balance. These guarantee agreements generally stipulate that all cash flows received from the entity's collateral be used to pay, in the following order, 1) operational expenses of the entity, 2) the FDIC's contractual guarantee fee, 3) interest on the guaranteed notes, 4) principal of the guaranteed notes, and 5) the holders of the subordinated notes and owner trust or residual certificates. If the FDIC is required to perform under its guarantees, it acquires an interest in the cash flows of the trust equal to the amount of guarantee payments made plus accrued interest thereon. Once all expenses have been paid, the guaranteed notes have been satisfied, and the FDIC has been reimbursed for any guarantee payments, the subordinated note holders and owner trust or residual certificates holders receive the remaining cash flows.

All Structured Transactions with FDIC Guaranteed Debt

Through December 31, 2013, the receiverships have transferred a portfolio of loans with an unpaid principal balance of $16.4 billion and mortgage-backed securities with a book value of $8.8 billion to 14 LLCs and 11 trusts. The LLCs and trusts subsequently issued notes guaranteed by the FDIC in an original principal amount of $10.6 billion. As of December 31, 2013 and 2012, the DIF collected guarantee fees totaling $231 million and $218 million, respectively, and recorded a receivable for additional guarantee fees of $66 million and $95 million, respectively, included in the "Interest receivable on investments and other assets, net" line item on the Balance Sheet. All guarantee fees are recorded as deferred revenue, included in the "Accounts payable and other liabilities" line item, and recognized as revenue primarily on a straight-line basis over the term of the notes. At December 31, 2013 and 2012, the amount of deferred revenue recorded was $66 million and $101 million, respectively. The DIF records no other structured-transaction-related assets or liabilities on its balance sheet.

The estimated loss to the DIF from the guarantees is derived from an analysis of the net present value (using a discount rate of 3.7 percent) of the expected guarantee payments by the FDIC, reimbursements to the FDIC for guarantee payments, and guarantee fee collections. It is reasonably possible that the DIF could be required to make a guarantee payment of approximately $27 million for an SSGN transaction at note maturity in 2020. Any guarantee payment made would be fully reimbursed from the proceeds of the liquidation of the SSGN's underlying collateral. For all of the remaining transactions, the cash flows from the LLC or trust assets provide sufficient coverage to fully pay the debts. To date, the FDIC in its corporate capacity has not provided, and does not intend to provide, any form of financial or other type of support to a trust or LLC that it was not previously contractually required to provide.

As of December 31, 2013 and 2012, the maximum loss exposure was $99 million and $2.2 billion for LLCs and $2.8 billion and $3.2 billion for trusts, respectively, representing the sum of all outstanding debt guaranteed by the FDIC in its corporate capacity. Some transactions have established defeasance accounts to pay off the notes at maturity. As of December 31, 2013 and 2012, a total of $78 million and $1.6 billion, respectively, has been deposited into these accounts.

8. ASSESSMENTS

The framework for the FDIC deposit insurance assessment system is mandated by section 7 of the FDI Act and the provisions for implementation are contained in part 327 of title 12 of the Code of Federal Regulations. The FDI Act requires a risk-based assessment system and payment of assessments by all IDIs.

In response to the Dodd-Frank Act, the FDIC implemented several changes to the assessment system and developed a comprehensive, long-term fund management plan. The plan is designed to restore and maintain a positive fund balance for the DIF even during a banking crisis and achieve moderate, steady assessment rates throughout any economic cycle. Summarized below are actions taken to implement assessment system changes and provisions of the comprehensive plan.

- The FDIC adopted a Restoration Plan to ensure that the ratio of the DIF fund balance to estimated insured deposits (reserve ratio) reaches 1.35 percent by September 30, 2020. The FDIC will update, at least semiannually, its loss and income projections for the fund and, if needed, increase or decrease assessment rates, following notice-and-comment rulemaking, if required.
- The FDIC adopted a final rule which suspends dividends indefinitely, and, in lieu of dividends, adopts lower assessment rate schedules when the reserve ratio reaches 1.15 percent, 2 percent, and 2.5 percent.
- The FDIC adopted a final rule which amends and clarifies some definitions of higher-risk assets as used in deposit insurance pricing for large and highly complex IDIs by 1) revising the definitions of certain higher-risk assets, specifically leveraged loans and subprime consumer loans, 2) clarifying when an asset must be identified as higher risk, and 3) clarifying the way securitizations are identified as higher risk. The final rule became effective on April 1, 2013.
- The Federal Deposit Insurance Act (FDI Act) requires that the FDIC Board of Directors designate a reserve ratio for the DIF and publish the designated reserve ratio (DRR)

before the beginning of each calendar year. Accordingly, in October 2013, the FDIC adopted a final rule maintaining the DRR at 2 percent for 2014. The DRR is an integral part of the FDIC's comprehensive, long-term management plan for the DIF and is viewed as a long-range, minimum target for the reserve ratio.

ASSESSMENT REVENUE

Annual assessment rates averaged approximately 7.8 cents per $100 and 10.1 cents per $100 of the assessment base for 2013 and 2012, respectively. The assessment base is generally defined as the average consolidated total assets minus the average tangible equity (measured as Tier 1 capital) of the IDI during the assessment period.

In December 2009, a majority of IDIs prepaid $45.7 billion of estimated quarterly risk-based assessments to address the DIF's liquidity need to pay for projected failures and to ensure that the deposit insurance system remained industry-funded. For each interim quarter, an institution's risk-based deposit insurance assessment was offset by the available amount of prepaid assessments. The final offset of prepaid assessments occurred for the period ending March 31, 2013, and in June 2013, as required by regulation, the DIF refunded $5.9 billion of unused prepaid assessments to IDIs.

The "Assessments receivable, net" line item on the Balance Sheet of $2.2 billion and $1.0 billion as of December 31, 2013 and 2012, respectively, represents the estimated premiums due from IDIs for the fourth quarter of 2013 and 2012, respectively. The actual deposit insurance assessments for the fourth quarter of 2013 will be billed and collected at the end of the first quarter of 2014. During 2013 and 2012, $9.7 billion and $12.4 billion, respectively, were recognized as assessment revenue from institutions.

RESERVE RATIO

As of December 31, 2013 and 2012, the DIF reserve ratio was 0.79 percent and 0.44 percent, respectively, of estimated insured deposits.

ASSESSMENTS RELATED TO FICO

Assessments continue to be levied on institutions for payments of the interest on obligations issued by the Financing Corporation (FICO). The FICO was established as a mixed-ownership government corporation to function solely as a financing vehicle for the former FSLIC. The annual FICO interest obligation of approximately $790 million is paid on a pro rata basis using the same rate for banks and thrifts. The FICO assessment has no financial impact on the DIF and is separate from deposit insurance assessments. The FDIC, as administrator of the DIF, acts solely as a collection agent for the FICO. During 2013 and 2012, approximately $792 million and $797 million, respectively, was collected and remitted to the FICO.

9. OTHER REVENUE

OTHER REVENUE
FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Temporary Liquidity Guarantee Program revenue	$0	$5,885,330
Dividends and interest on Citigroup trust preferred securities (Note 10)	124,726	177,831
Guarantee fees for structured transactions (Note 7)	33,051	57,206
Other	5,377	6,844
Total	**$163,154**	**$6,127,211**

TEMPORARY LIQUIDITY GUARANTEE PROGRAM (TLGP) REVENUE

Pursuant to a systemic risk determination in October 2008, the FDIC established the TLGP. In exchange for guarantees issued under the TLGP, the DIF received fees that were set aside, as deferred revenue, for potential TLGP losses. As losses occurred, the DIF recognized the losses as systemic risk expenses and offset the losses by recognizing an equivalent portion of the deferred revenue as systemic risk revenue.

In accordance with FDIC policy, the DIF recognized revenue when guarantee fees held were determined to be in excess of amounts needed to cover potential losses, and, for all remaining TLGP assets held as deferred revenue, upon expiration of the TLGP on December 31, 2012. The DIF recognized revenue of $5.9 billion in 2012.

10. GAIN ON SALE OF TRUST PREFERRED SECURITIES

Pursuant to a systemic risk determination, the Treasury, the FDIC, and the Federal Reserve Bank of New York executed terms of a guarantee agreement on January 15, 2009 with Citigroup to provide loss protection on a pool of approximately $301.0 billion of assets that remained on the balance sheet of Citigroup. In consideration for its portion of the shared-loss guarantee at inception, the FDIC received $3.025 billion of Citigroup's preferred stock. All shares of the preferred stock were subsequently converted to Citigroup Capital XXXIII trust preferred securities (TruPS) with a liquidation amount of $1,000 per security and a distribution rate of 8 percent per annum payable quarterly.

On December 23, 2009, Citigroup terminated the guarantee agreement, citing improvements in its financial condition. The FDIC incurred no losses as a result of the guarantee and retained $2.225 billion (liquidation amount) of the $3.025 billion in TruPS as consideration for the period of guarantee coverage. The DIF recorded the TruPS at their fair value and recognized revenue of $1.962 billion upon termination of the agreement. In lieu of the FDIC returning the remaining $800 million (liquidation amount) of TruPS to Citigroup, the Treasury agreed to return $800 million in TruPS on behalf of the FDIC from its portion of Citigroup TruPS holdings received as a result of the shared-loss agreement. The FDIC held $800 million of TruPS as security for guaranteed debt instruments issued by Citigroup and its affiliates under the TLGP. Pursuant to the agreement between the Treasury and the FDIC, the FDIC transferred the $800 million in TruPS (plus related dividends and interest of $183 million) to the Treasury on December 28, 2012, upon maturity of Citigroup's last outstanding debt instruments.

To facilitate a sale of the retained TruPS, the FDIC exchanged the TruPS on September 9, 2013 for $2.420 billion (principal amount) of Citigroup marketable subordinated notes. The exchange resulted in a realized gain to the DIF of $458 million reported in the "Gain on sale of trust preferred securities" line item on the Statement of Income and Fund Balance. FDIC reclassified the $458 million out of accumulated other comprehensive income to "Gain on sale of trust preferred securities", representing the sum of unrealized gains recorded as of December 31, 2012 ($302 million) and holding gains arising during the current period ($156 million). The resulting net effect on the DIF Statement of Income and Fund Balance was a $156 million increase to the 2013 comprehensive income.

On September 10, 2013, the subordinated notes were sold to the institutional fixed income market for the principal amount of $2.420 billion. The FDIC received $1.6 million for one day of accrued interest on the subordinated notes, which is included in the "Other revenue" line item on the Statement of Income and Fund Balance (see Note 9). Also included in the "Other revenue" line item is $123.1 million for dividends and interest earned on the TruPS in 2013 prior to their disposition (see Note 9).

11. OPERATING EXPENSES

Operating expenses were $1.6 billion and $1.8 billion for December 31, 2013 and 2012, respectively. The chart below lists the major components of operating expenses.

OPERATING EXPENSES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Salaries and benefits	$1,292,551	$1,300,697
Outside services	326,040	337,379
Travel	96,056	106,897
Buildings and leased space	91,469	91,631
Software/Hardware maintenance	56,297	63,108
Depreciation of property and equipment	72,828	76,365
Other	29,505	21,137
Subtotal	**1,964,746**	**1,997,214**
Less: Services billed to resolution entities	(356,029)	(219,701)
Total	**$1,608,717**	**$1,777,513**

12. PROVISION FOR INSURANCE LOSSES

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.

As described in Note 4, the estimated recoveries from assets held by receiverships and estimated payments related to assets sold by receiverships to acquiring institutions under shared-loss agreements are used to derive the loss allowance on the receivables from resolutions. Consequently, the $4.8 billion reduction in the estimated losses from failures was primarily attributable to three components. The first component of this change was a $2.8 billion decrease in the receiverships' shared-loss liability that resulted from lower loss estimates in the underlying commercial and residential loans due to improvements in regional economies. The second factor was unanticipated recoveries of $1.3 billion in professional liability claims, litigation settlements and tax refunds by the receiverships, which are not recognized until the cash is received since there are significant uncertainties surrounding their recovery. Lastly, the remainder is primarily due to asset recoveries that exceeded projections and higher valuations on receivership assets.

13. EMPLOYEE BENEFITS

PENSION BENEFITS AND SAVINGS PLANS

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although the DIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The DIF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management (OPM).

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions up to 5 percent. Under the Federal Thrift Savings Plan (TSP), the FDIC provides FERS employees with an automatic contribution of 1 percent of pay and an additional matching contribution up to 4 percent of pay. CSRS employees also can contribute to the TSP, but they do not receive agency matching contributions.

PENSION BENEFITS AND SAVINGS PLANS EXPENSES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Civil Service Retirement System	$5,430	$5,960
Federal Employees Retirement System (Basic Benefit)	99,553	97,517
FDIC Savings Plan	37,816	37,700
Federal Thrift Savings Plan	35,686	34,555
Total	**$178,485**	**$175,732**

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The DIF has no postretirement health insurance liability since all eligible retirees are covered by the Federal Employees Health Benefits (FEHB) program. The FEHB is administered and accounted for by the OPM. In addition, OPM pays the employer share of the retiree's health insurance premiums.

The FDIC provides certain life and dental insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for life and dental insurance coverage are those who have qualified due to 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. The life insurance program provides basic coverage at no cost to retirees and allows converting optional coverage to direct-pay plans. For the dental coverage, retirees are responsible for a portion of the dental premium.

The FDIC has elected not to fund the postretirement life and dental benefit liabilities. As a result, the DIF recognized the underfunded status (the difference between the accumulated postretirement benefit obligation and the plan assets at fair value) as a liability. Since there are no plan assets, the plan's benefit liability is equal to the accumulated

postretirement benefit obligation. At December 31, 2013 and 2012, the liability was $194 million and $224 million, respectively, which is recognized in the "Postretirement benefit liability" line item on the Balance Sheet. The cumulative actuarial losses (changes in assumptions and plan experience) and prior service costs (changes to plan provisions that increase benefits) were $16 million and $60 million at December 31, 2013 and 2012, respectively. These amounts are reported as accumulated other comprehensive income in the "Unrealized postretirement benefit loss" line item on the Balance Sheet.

The DIF's expenses for postretirement benefits for 2013 and 2012 were $18 million and $14 million, respectively, which are included in the current and prior year's operating expenses on the Statement of Income and Fund Balance. The changes in the actuarial losses and prior service costs for 2013 and 2012 of $44 million and negative $27 million, respectively, are reported as other comprehensive income in the "Unrealized postretirement benefit gain (loss)" line item on the Statement of Income and Fund Balance. Key actuarial assumptions used in the accounting for the plan include the discount rate of 4.75 percent, the rate of compensation increase of 4.0 percent, and the dental coverage trend rate of 4.5 percent. The discount rate of 4.75 percent is based upon rates of return on high-quality fixed income investments whose cash flows match the timing and amount of expected benefit payments.

14. COMMITMENTS AND OFF-BALANCE-SHEET EXPOSURE

COMMITMENTS:

Leased Space

The FDIC's lease commitments total $193 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The DIF recognized leased space expense of $52 million and $54 million for 2013 and 2012, respectively.

LEASED SPACE COMMITMENTS
Dollars in Thousands

2014	2015	2016	2017	2018	2019/ Thereafter
$48,013	$39,879	$36,208	$31,586	$20,123	$17,687

OFF-BALANCE-SHEET EXPOSURE:

Deposit Insurance

Estimates of insured deposits are derived primarily from quarterly financial data submitted by IDIs to the FDIC and represent the accounting loss that would be realized if all IDIs were to fail and the acquired assets provided no recoveries. As of December 31, 2013 and 2012, estimated insured deposits for the DIF were $6.0 trillion and $7.4 trillion, respectively.

15. DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets recognized and measured at fair value on a recurring basis at each reporting date include cash equivalents (see Note 2) and the investment in U.S. Treasury obligations (see Note 3). The following tables present the DIF's financial assets measured at fair value as of December 31, 2013 and 2012.

ASSETS MEASURED AT FAIR VALUE AT DECEMBER 31, 2013
Dollars in Thousands

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Assets				
Cash equivalents[1]	$3,534,305			$3,534,305
Available-for-Sale Debt Securities				
Investment in U.S. Treasury Obligations[2]	38,510,500			38,510,500
Total Assets	**$42,044,805**	**$0**	**$0**	**$42,044,805**

[1] Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the Bureau of the Fiscal Service.

[2] The investment in U.S. Treasury obligations is measured based on prevailing market yields for federal government entities.

ASSETS MEASURED AT FAIR VALUE AT DECEMBER 31, 2012
Dollars in Thousands

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets at Fair Value
Assets				
Cash equivalents[1]	$3,091,778			$3,091,778
Available-for-Sale Debt Securities				
Investment in U.S. Treasury Obligations[2]	34,868,688			34,868,688
Trust preferred securities		$2,263,983		2,263,983
Total Assets	**$37,960,466**	**$2,263,983**	**$0**	**$40,224,449**

[1] Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the Bureau of the Fiscal Service.

[2] The investment in U.S. Treasury obligations is measured based on prevailing market yields for federal government entities.

Some of the DIF's financial assets and liabilities are not recognized at fair value but are recorded at amounts that approximate fair value due to their short maturities and/or comparability with current interest rates. Such items include interest receivable on investments, assessments receivable, other short-term receivables, refunds of prepaid assessments, accounts payable, and other liabilities.

The net receivables from resolutions primarily include the DIF's subrogated claim arising from obligations to insured depositors. The resolution entity assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the DIF's allowance for loss against the receivables from resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of resolution entity assets (see Note 4), such valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate a fair value.

The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of resolution entity payments to the DIF on the subrogated claim does not necessarily correspond with the timing of collections on resolution entity assets. Therefore, the effect of discounting used by resolution entities should not necessarily be viewed as producing an estimate of fair value for the net receivables from resolutions.

At December 31, 2012, the fair value of the TruPS in the amount of $2.264 billion was classified as a Level 2 measurement based on an FDIC-developed model using observable market data for traded Citigroup securities to determine the expected present value of future cash flows. Key inputs included market yields on U.S. dollar interest rate swaps and discount rates for default, call, and liquidity risks that were derived from traded Citigroup securities and modeled pricing relationships.

16. INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Operating Activities		
Net Income:	**$14,504,738**	**$21,121,247**
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization of U.S. Treasury obligations	1,139,456	854,195
Treasury Inflation-Protected Securities inflation adjustment	(35,300)	(98,050)
Gain on sale of trust preferred securities	(458,176)	0
Depreciation on property and equipment	72,829	76,365
Loss on retirement of property and equipment	220	14
Provision for insurance losses	(5,659,388)	(4,222,595)
Unrealized gain (loss) on postretirement benefits	44,097	(26,886)
Change in Assets and Liabilities:		
(Increase) in assessments receivable, net	(1,220,883)	(724,605)
(Increase) Decrease in interest receivable and other assets	(75,014)	51,181
Decrease in receivables from resolutions	10,406,392	6,371,418
Decrease in receivables - systemic risk	0	1,948,151
(Decrease) in accounts payable and other liabilities	(49,045)	(24,543)
(Decrease) Increase in postretirement benefit liability	(30,635)	36,258
(Decrease) in contingent liabilities - systemic risk	0	(2,216)
(Decrease) in liabilities due to resolutions	(8,547,803)	(11,616,727)
(Decrease) in Debt Guarantee Program liabilities - systemic risk	0	(117,027)
(Decrease) in unearned revenue - prepaid assessments	(1,576,417)	(15,823,411)
(Decrease) in deferred revenue - systemic risk	0	(6,513,828)
(Decrease) Increase in refunds of prepaid assessments	(5,675,199)	5,675,199
Net Cash Provided (Used) by Operating Activities	**$2,839,872**	**$(3,035,860)**

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 6, 2014, the date the financial statements are available to be issued.

2014 FAILURES THROUGH MARCH 6, 2014

Through March 6, 2014, five insured institutions failed in 2014 with total losses to the DIF estimated to be $92 million.

FSLIC RESOLUTION FUND (FRF)

FEDERAL DEPOSIT INSURANCE CORPORATION FSLIC RESOLUTION FUND BALANCE SHEET AT DECEMBER 31 Dollars in Thousands		
	2013	**2012**
Assets		
Cash and cash equivalents (Note 1)	$871,612	$3,594,007
Receivables from thrift resolutions and other assets, net (Note 3)	1,183	5,456
Receivables from U.S. Treasury for goodwill litigation (Note 4)	356,455	356,455
Total Assets	**$1,229,250**	**$3,955,918**
Liabilities		
Accounts payable and other liabilities	$790	$2,442
Contingent liabilities for goodwill litigation (Note 4)	356,455	356,455
Total Liabilities	**357,245**	**358,897**
Resolution Equity (Note 5)		
Contributed capital	125,332,156	128,056,656
Accumulated deficit	(124,460,151)	(124,459,635)
Total Resolution Equity	**872,005**	**3,597,021**
Total Liabilities and Resolution Equity	**$1,229,250**	**$3,955,918**

The accompanying notes are an integral part of these financial statements.

FSLIC RESOLUTION FUND (FRF)

FEDERAL DEPOSIT INSURANCE CORPORATION
FSLIC RESOLUTION FUND STATEMENT OF INCOME AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Revenue		
Interest on U.S. Treasury obligations	$1,196	$2,458
Other revenue	1,953	2,549
Total Revenue	**3,149**	**5,007**
Expenses and Losses		
Operating expenses	2,350	4,165
Provision for losses	(1,255)	(1,408)
Goodwill litigation expenses (Note 4)	500	181,000
Other expenses	2,070	258
Total Expenses and Losses	**3,665**	**184,015**
Net Loss	**(516)**	**(179,008)**
Accumulated Deficit - Beginning	**(124,459,635)**	**(124,280,627)**
Accumulated Deficit - Ending	**$(124,460,151)**	**$(124,459,635)**

The accompanying notes are an integral part of these financial statements.

FSLIC RESOLUTION FUND (FRF)

FEDERAL DEPOSIT INSURANCE CORPORATION
FSLIC RESOLUTION FUND STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Operating Activities		
Provided by:		
Interest on U.S. Treasury obligations	$1,196	$2,458
Recoveries from financial institution resolutions	5,148	19,074
Recovery of tax benefits	130	44,445
Miscellaneous receipts	52	365
Used by:		
Operating expenses	(3,921)	(5,718)
Payments for goodwill litigation (Note 4)	(500)	(181,000)
Miscellaneous disbursements	0	(27)
Net Cash Provided (Used) by Operating Activities	**2,105**	**(120,403)**
Financing Activities		
Provided by:		
U.S. Treasury payments for goodwill litigation (Note 4)	500	181,000
Used by:		
Return of U.S. Treasury funds (Note 5)	(2,600,000)	0
Payment to Resolution Funding Corporation (Note 5)	(125,000)	0
Net Cash (Used) Provided by Financing Activities	**(2,724,500)**	**181,000**
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,722,395)**	**60,597**
Cash and Cash Equivalents - Beginning	**3,594,007**	**3,533,410**
Cash and Cash Equivalents - Ending	**$871,612**	**$3,594,007**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

FSLIC RESOLUTION FUND
December 31, 2013 and 2012

1. OPERATIONS/DISSOLUTION OF THE FSLIC RESOLUTION FUND

OVERVIEW

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In carrying out the purposes of the FDI Act, the FDIC, as administrator of the Deposit Insurance Fund (DIF), insures the deposits of banks and savings associations (insured depository institutions). In cooperation with other federal and state agencies, the FDIC promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the DIF. Commercial banks, savings banks and savings associations (known as "thrifts") are supervised by either the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board. In addition, the FDIC, through administration of the FSLIC Resolution Fund (FRF), is responsible for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The DIF and the FRF are maintained separately by the FDIC to support their respective functions.

The U.S. Congress created the FSLIC through the enactment of the National Housing Act of 1934. 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—except those assets and liabilities transferred to the newly created RTC—effective on August 9, 1989. Further, the FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions.

The RTC Completion Act of 1993 terminated the RTC as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Today, the FRF consists of two distinct pools of assets and liabilities: one composed of the assets and liabilities of the FSLIC transferred to the FRF upon the dissolution of the FSLIC (FRF-FSLIC), and the other composed of the RTC assets and liabilities (FRF-RTC). The assets of one pool are not available to satisfy obligations of the other.

OPERATIONS/DISSOLUTION OF THE FRF

The FRF will continue operations until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Any funds remaining in the FRF-FSLIC will be paid to the U.S. Treasury. Any remaining funds of the FRF-RTC will be distributed to the REFCORP to pay the interest on the REFCORP bonds. In addition, the FRF-FSLIC has available until expended $602 million in appropriations to facilitate, if required, efforts to wind up the resolution activity of the FRF-FSLIC.

The FDIC has conducted an extensive review and cataloging of FRF's remaining assets and liabilities. Some of the issues and items that remain open in FRF are 1) criminal restitution orders (generally have from 1 to 17 years remaining to enforce); 2) collections of settlements and judgments obtained against officers and directors and other professionals responsible for causing or contributing to thrift losses (generally have up to 7 years remaining to enforce, unless the judgments are renewed or are covered by the Federal Debt Collections Procedures Act, which will result in significantly longer periods for collection for some judgments); 3) a few assistance agreements entered into by the former FSLIC (FRF could continue to receive or refund overpayments of tax benefits sharing in future years); 4) goodwill litigation (no final date for resolution has been established; see Note 4); and 5) affordable housing program monitoring (requirements can exceed 25 years). The FRF could potentially realize recoveries from tax benefits

sharing, criminal restitution orders, and professional liability claims; however, any associated recoveries are not reflected in FRF's financial statements given the significant uncertainties surrounding the ultimate outcome.

After evaluating FRF's remaining assets and liabilities in 2013, the FDIC returned $2.6 billion to the U.S. Treasury on behalf of FRF-FSLIC and paid $125 million to REFCORP on behalf of FRF-RTC (see Note 5). More transfers are expected to continue as remaining assets wind down and liabilities are satisfied.

RECEIVERSHIP OPERATIONS

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from FRF assets and liabilities to ensure that receivership proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Receiverships are billed by the FDIC for services provided on their behalf.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These financial statements pertain to the financial position, results of operations, and cash flows of the FRF and are presented in accordance with U.S. generally accepted accounting principles (GAAP). As permitted by the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the FDIC prepares financial statements in accordance with standards promulgated by the Financial Accounting Standards Board (FASB). These statements do not include reporting for assets and liabilities of receivership entities because these entities are legally separate and distinct, and the FRF does not have any ownership or beneficial interests in them. Periodic and final accounting reports of receivership entities are furnished to courts, supervisory authorities, and others upon request.

USE OF ESTIMATES

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed. The more significant estimates include the valuation of other assets and the estimated losses for litigation.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments consisting primarily of U.S. Treasury Overnight Certificates.

PROVISION FOR LOSSES

The provision for losses represents the change in the estimation of the allowance for losses related to the receivables from thrift resolutions and other assets.

RELATED PARTIES

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

PRESENTATION OF STATEMENT OF CASH FLOWS

To enhance cash flow information for operating activities of the FRF, in 2013, the FDIC changed the method of presenting the FRF's Statement of Cash Flows from the indirect method to the direct method, which is preferable and is encouraged by the Financial Accounting Standards Board. Accordingly, the FRF's 2012 Statement of Cash Flows has been conformed to this method of presentation for comparative purposes. For 2013 and 2012, the reconciliation of net income to net cash from operating activities is presented in Note 7.

DISCLOSURE ABOUT RECENT RELEVANT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Update No. 2013-07, *Presentation of Financial Statements - Liquidation Basis of Accounting*, modifies Accounting Standards Codification Topic 205, *Presentation of Financial Statements*, to require an entity to prepare its financial statements using the liquidation

basis of accounting when liquidation is imminent. The amendments are effective during annual reporting periods beginning after December 15, 2013. As the remaining issues of the FRF continue to wind down (see Note 1), the FDIC will evaluate the applicability of this standard to the FRF. At this time, the FDIC has no approved liquidation plan for the final dissolution of the FRF.

Other recent accounting pronouncements have been deemed not applicable or material to the financial statements as presented.

3. RECEIVABLES FROM THRIFT RESOLUTIONS AND OTHER ASSETS, NET

RECEIVABLES FROM THRIFT RESOLUTIONS

The receivables from thrift resolutions include payments made by the FRF to cover obligations to insured depositors, advances to receiverships for working capital, and administrative expenses paid on behalf of receiverships. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by the FDIC in its receivership capacity for the former RTC are a significant source of repayment of the FRF's receivables from thrift resolutions. As of December 31, 2013, only one of the 850 FRF receiverships remains active and is expected to terminate in 2014.

The FRF receiverships held assets with a book value of $2 million and $13 million as of December 31, 2013 and 2012, respectively (which primarily consist of cash held for non-FRF, third party creditors).

OTHER ASSETS

Other assets primarily consist of assets that were acquired from terminated receiverships.

RECEIVABLES FROM THRIFT RESOLUTIONS AND OTHER ASSETS, NET AT DECEMBER 31
Dollars in Thousands

	2013	2012
Receivables from closed thrifts	$35	$869,917
Allowance for losses	0	(867,208)
Receivables from Thrift Resolutions, Net	**35**	**2,709**
Other assets, net	1,148	2,747
Total	**$1,183**	**$5,456**

4. CONTINGENT LIABILITIES FOR:

GOODWILL LITIGATION

In *United States v. Winstar Corp.*, 518 U.S. 839 (1996), the Supreme Court held that when it became impossible following the enactment of FIRREA in 1989 for the federal government to perform certain agreements to count goodwill toward regulatory capital, the plaintiffs were entitled to recover damages from the United States.

On July 22, 1998, the Department of Justice's (DOJ's) Office of Legal Counsel (OLC) concluded that the FRF is legally available to satisfy all judgments and settlements in the goodwill litigation involving supervisory action or assistance agreements. OLC determined that nonperformance of these agreements was a contingent liability that was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC. On July 23, 1998, the U.S. Treasury determined, based on OLC's opinion, that the FRF is the appropriate source of funds for payments of any such judgments and settlements. The FDIC General Counsel concluded that, as liabilities transferred on August 9, 1989, these contingent liabilities for future nonperformance of prior agreements with respect to supervisory goodwill were transferred to the FRF-FSLIC, which is that portion of the FRF encompassing the obligations of the former FSLIC.

The FRF can draw from an appropriation provided by Section 110 of the Department of Justice Appropriations Act, 2000 (Public Law 106-113, Appendix A, Title I, 113 Stat. 1501A-3, 1501A-20) such sums as may be necessary for the payment of judgments and compromise settlements in the

goodwill litigation. This appropriation is to remain available until expended. Because an appropriation is available to pay such judgments and settlements, any estimated liability for goodwill litigation should have a corresponding receivable from the U.S. Treasury and therefore have no net impact on the financial condition of the FRF.

The FRF paid $500 thousand and $181 million to the plaintiffs in one goodwill case in 2013 and 2012, respectively. The $500 thousand represents a reimbursement for a tax liability of the plaintiffs as a result of the $181 million settlement received in 2012. The FRF received appropriations from the U.S. Treasury to fund these payments.

As of December 31, 2013, one case is active and pending against the United States based on alleged breaches of the agreements stated above. For this case, a contingent liability and an offsetting receivable of $356 million was recorded as of December 31, 2013 and 2012. This case is currently before the lower court pending remand following appeal. It is reasonably possible that for this case the FRF could incur additional estimated losses of $63 million, representing additional damages contended by the plaintiff. For a case that was fully adjudicated, an estimated loss of $8 million, which represents estimated tax liabilities, is also reasonably possible.

For the second of the two cases active at year-end 2012, the United States' Motion for Costs was denied by the trial court and the United States did not seek further review of this denial. This case is now concluded.

In addition, the FRF-FSLIC pays the goodwill litigation expenses incurred by the DOJ, the entity that defends these lawsuits against the United States, based on a Memorandum of Understanding (MOU) dated October 2, 1998, between the FDIC and the DOJ. FRF-FSLIC pays in advance the estimated goodwill litigation expenses. Any unused funds are carried over and applied toward the next fiscal year (FY) charges. In 2013, FRF-FSLIC did not provide any additional funding to the DOJ because the unused funds from prior fiscal years were sufficient to cover estimated FY 2014 expenses.

GUARINI LITIGATION

Paralleling the goodwill cases were similar cases alleging that the government breached agreements regarding tax benefits associated with certain FSLIC-assisted acquisitions. These agreements allegedly contained the promise of tax deductions for losses incurred on the sale of certain thrift assets purchased by plaintiffs from the FSLIC, even though the FSLIC provided the plaintiffs with tax-exempt reimbursement. A provision in the Omnibus Budget Reconciliation Act of 1993 (popularly referred to as the "Guarini legislation") eliminated the tax deductions for these losses.

All eight of the original Guarini cases have been settled. However, a case settled in 2006 further obligates the FRF-FSLIC as a guarantor for all tax liabilities in the event the settlement amount is determined by tax authorities to be taxable. The maximum potential exposure under this guarantee is approximately $81 million. However, the FDIC believes that it is very unlikely the settlement will be subject to taxation. The Internal Revenue Service concluded an examination of the affected entity's 2006 return without an assertion of taxation for an issue covered by the guarantee. The 2006 return was subsequently amended, and the amended return is under further administrative review. As of December 31, 2013, no liability has been recorded. The FRF does not expect to fund any payment under this guarantee.

GUARANTEES

On May 21, 2012, the FDIC, in its capacity as manager of the FRF, entered into an agreement with Fannie Mae for the release of $13 million of credit enhancement reserves to the FRF in exchange for indemnifying Fannie Mae for all future losses incurred on 76 multi-family mortgage loans. The former RTC supplied Fannie Mae with the credit enhancement reserves in the form of cash collateral to cover future losses on these mortgage loans through 2020. The maximum exposure on this indemnification is the current unpaid principal balance of the remaining 60 multi-family loans totaling $7 million. Based on a contingent liability assessment of this portfolio, the majority of the loans are at least 65% amortized, and all are scheduled to

mature within two to seven years. Since all of the loans are currently in performing status and no losses have occurred since 2001, future payments on this indemnification are not expected. As a result, the FRF has not recorded a contingent liability for this indemnification as of December 31, 2013.

5. RESOLUTION EQUITY

As stated in the Overview section of Note 1, the FRF is comprised of two distinct pools: the FRF-FSLIC and the FRF-RTC. The FRF-FSLIC consists of the assets and liabilities of the former FSLIC. The FRF-RTC consists of the assets and liabilities of the former RTC. Pursuant to legal restrictions, the two pools are maintained separately and the assets of one pool are not available to satisfy obligations of the other.

The following table shows the contributed capital, accumulated deficit, and resulting resolution equity for each pool.

RESOLUTION EQUITY AT DECEMBER 31, 2013
Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$46,307,319	$81,749,337	$128,056,656
Less: Payment to REFCORP	0	(125,000)	(125,000)
Less: Return of U.S. Treasury funds	(2,600,000)	0	(2,600,000)
Add: U.S. Treasury payment for goodwill litigation	500	0	500
Contributed capital - ending	**43,707,819**	**81,624,337**	**125,332,156**
Accumulated deficit	(42,879,951)	(81,580,200)	(124,460,151)
Total	**$827,868**	**$44,137**	**$872,005**

RESOLUTION EQUITY AT DECEMBER 31, 2012
Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$46,126,319	$81,749,337	$127,875,656
Add: U.S. Treasury payment for goodwill litigation	181,000	0	181,000
Contributed capital - ending	**46,307,319**	**81,749,337**	**128,056,656**
Accumulated deficit	(42,882,341)	(81,577,294)	(124,459,635)
Total	**$3,424,978**	**$172,043**	**$3,597,021**

CONTRIBUTED CAPITAL

The FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively, to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the Financing Corporation (a mixed-ownership government corporation established to function solely as a financing vehicle for the FSLIC) and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates.

FRF-FSLIC received $500 thousand and $181 million in U.S. Treasury payments for goodwill litigation in 2013 and 2012, respectively. Furthermore, $356 million was accrued for as receivables as of December 31, 2013 and 2012, respectively. Through December 31, 2013, the FRF has received or established a receivable for a total of $2.2 billion of goodwill appropriations, the effect of which increases contributed capital.

Through December 31, 2013, the FRF-RTC has returned $4.6 billion to the U.S. Treasury and made payments of $5.1 billion to the REFCORP. The most recent payment to the REFCORP was in July of 2013 for $125 million. In addition, the FDIC returned $2.6 billion to the U.S. Treasury on behalf of the FRF-FSLIC in 2013. These actions serve to reduce contributed capital.

ACCUMULATED DEFICIT

The accumulated deficit represents the cumulative excess of expenses and losses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.8 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. The FRF-FSLIC accumulated deficit has increased by $13.1 billion, whereas the FRF-RTC accumulated deficit has decreased by $6.3 billion, since their dissolution dates.

6. DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2013 and 2012, the FRF's financial assets measured at fair value on a recurring basis are cash equivalents of $826 million and $3.4 billion, respectively. Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the Bureau of the Fiscal Service. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets.

Some of the FRF's financial assets and liabilities are not recognized at fair value but are recorded at amounts that approximate fair value due to their short maturities and/or comparability with current interest rates. Such items include other short-term receivables and accounts payable and other liabilities.

7. INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING ACTIVITIES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2013	2012
Operating Activities		
Net Loss:	$(516)	$(179,008)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Provision for insurance losses	(1,255)	(1,408)
Change in Assets and Liabilities:		
Decrease in receivables from resolutions and other assets	5,528	61,115
(Decrease) in accounts payable and other liabilities	(1,652)	(1,102)
Net Cash Provided (Used) by Operating Activities	**$2,105**	**$(120,403)**

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 6, 2014, the date the financial statements are available to be issued, and management determined that there are no items to disclose.

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Board of Directors
The Federal Deposit Insurance Corporation

In our audits of the 2013 and 2012 financial statements of the Deposit Insurance Fund (DIF) and of the FSLIC Resolution Fund (FRF), both of which are administered by the Federal Deposit Insurance Corporation (FDIC),[1] we found

- the financial statements of the DIF and of the FRF as of and for the years ended December 31, 2013, and 2012, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2013; and
- no reportable noncompliance for 2013 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, including an emphasis of matter related to improvements in the banking industry's and the DIF's financial condition; (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

[1]A third fund managed by FDIC, the Orderly Liquidation Fund, established by Section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, 1506 (July 21, 2010), is unfunded and did not have any transactions during 2013 or 2012.

GOVERNMENT ACCOUNTABILITY OFFICE AUDITOR'S REPORT (continued)

Report on the Financial Statements and on Internal Control over Financial Reporting

In accordance with Section 17 of the Federal Deposit Insurance Act, as amended, and the Government Corporation Control Act, we have audited the financial statements of the DIF and of the FRF, both of which are administered by FDIC. The financial statements for the DIF comprise the balance sheets as of December 31, 2013, and 2012; the related statements of income and fund balance and cash flows for the years then ended; and the related notes to the financial statements. The financial statements for the FRF comprise the balance sheets as of December 31, 2013, and 2012; the related statements of income and accumulated deficit and cash flows for the years then ended; and the related notes to the financial statements. We also have audited FDIC's internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2013, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA).

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

FDIC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (3) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and (4) providing its assertion about the effectiveness of internal control over financial reporting as of December 31, 2013, based on its evaluation, included in the accompanying Management Report on Internal Control over Financial Reporting in appendix I.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements and opinions on FDIC's internal control over financial reporting relevant to the DIF and to the FRF based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective

internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk, and testing relevant internal control over financial reporting. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not

GOVERNMENT ACCOUNTABILITY OFFICE AUDITOR'S REPORT (continued)

identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.[2]

Definitions and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions on Financial Statements

In our opinion:

- The DIF's financial statements present fairly, in all material respects, the DIF's financial position as of December 31, 2013, and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.
- The FRF's financial statements present fairly, in all material respects, the FRF's financial position as of December 31, 2013, and 2012, and the results of its operations and its cash flows for the years then

[2]A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Improvement in the Banking Industry's and the DIF's Financial Condition

As discussed in note 7 to the DIF's financial statements, the banking industry continued to improve in 2013. During 2013, 24 insured institutions with combined assets of $5.8 billion failed. The losses to the DIF from failures that occurred in 2013 were lower than the amount accrued at the end of 2012, as the aggregate number and size of institution failures in 2013—and their estimated cost to the DIF—were less than anticipated. The DIF's contingent liability for anticipated failures declined from $3.2 billion at December 31, 2012, to $1.2 billion at December 31, 2013. As discussed in note 17 to the DIF's financial statements, through March 6, 2014, 5 institutions have failed thus far during 2014.

As of December 31, 2013, the DIF had a fund balance of $47.2 billion, compared to a fund balance of $33 billion at December 31, 2012. The DIF's ratio of reserves to estimated insured deposits as of December 31, 2013, was 0.79 percent, compared to 0.44 percent at December 31, 2012. This improvement was primarily attributable to revenue earned in 2013 and, as noted above, lower losses from failed institutions than estimated at December 31, 2012, and lower estimated losses for institutions that failed in prior years. FDIC's long-range plan is to maintain the reserve ratio at a minimum 2 percent.

Our opinion on the DIF's financial statements is not modified with respect to this matter.

Opinions on Internal Control over Financial Reporting

In our opinion:

- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF as of December 31, 2013, based on criteria established under FMFIA.
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the FRF as of December 31, 2013, based on criteria established under FMFIA.

During our 2013 audit, we identified deficiencies in FDIC's internal control over financial reporting that we do not consider to be material

GOVERNMENT ACCOUNTABILITY OFFICE AUDITOR'S REPORT (continued)

weaknesses or significant deficiencies.[3] Nonetheless, these deficiencies warrant FDIC management's attention. We have communicated these matters to FDIC management and, where appropriate, will report on them separately.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the financial statements of the DIF and the FRF, both of which are administered by the FDIC, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FDIC management is responsible for complying with applicable laws, regulations, contracts, and grant agreements.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements of the DIF and the FRF, and perform certain other limited procedures. Accordingly, we did not test FDIC's compliance with all applicable laws, regulations, contracts, and grant agreements.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for 2013 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

[3] A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, FDIC's Chief Financial Officer (CFO) noted that the agency was pleased that we provided unmodified opinions on the DIF's and the FRF's financial statements and that we reported that FDIC had effective internal control over financial reporting and complied with tested provisions of applicable laws, regulations, contracts, and grant agreements.

FDIC's CFO also stated that FDIC will continue to take steps to strengthen and improve its internal control environment, and that FDIC will continue its dedication to establishing sound financial management as a top priority in helping achieve the agency's mission.

James R. Dalkin
Director
Financial Management and Assurance

March 6, 2014

Appendix I

MANAGEMENT'S RESPONSE

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Deputy to the Chairman and CFO

March 6, 2014

Mr. James Dalkin
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: FDIC Management Response to the GAO 2013 Financial Statements Audit Report

Dear Mr. Dalkin:

Thank you for the opportunity to review and comment on the U.S. Government Accountability Office's **(GAO's) draft report titled, Financial Audit: Federal Deposit Insurance Corporation Funds' 2013 and 2012 Financial Statements, GAO-14-303**. We are pleased that the Federal Deposit Insurance Corporation (FDIC) has received unmodified (unqualified) opinions for the twenty-second consecutive year on the financial statements of its funds: the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF). Also, GAO reported that the FDIC had effective internal control over financial reporting, and that there was no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that were tested.

During the audit year, the FDIC management and staff continued to take steps to strengthen and improve the internal control environment and will continue to concentrate on this area in the coming audit year. FDIC recognizes the important role a strong internal control program plays in an agency achieving its mission. Our dedication to sound financial management has been and will remain a top priority.

In complying with audit standards that require management to provide a written assertion about the effectiveness of its internal control over financial reporting, the FDIC has prepared **Management's Report on Internal Control Over Financial Reporting** (see attachment). The report acknowledges management's responsibility for establishing and maintaining internal control over financial reporting and provides the FDIC's conclusion regarding the effectiveness of its internal control.

We want to thank the GAO staff for their professionalism and dedication during the audit and look forward to a productive and successful relationship during the 2014 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Steven O. App
Deputy to the Chairman
and Chief Financial Officer

Attachment

Management's Report on Internal Control Over Financial Reporting

The Federal Deposit Insurance Corporation's (FDIC's) internal control over financial reporting relevant to the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF) is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with the applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

FDIC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. FDIC management evaluated the effectiveness of the FDIC's internal control over financial reporting relevant to the DIF and the FRF as of December 31, 2013, based on the criteria established under 31 U.S.C. 3512(c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA). FDIC management performed this evaluation through its corporate risk management program that seeks to comply with the spirit of the following laws, standards, and guidance from the Office of Management and Budget (OMB) among others: FMFIA; Chief Financial Officers Act (CFO Act); Government Performance and Results Act (GPRA); Federal Information Security Management Act (FISMA); and OMB Circular A-123. In addition, other standards that the FDIC considers are the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control – Integrated Framework* and the U.S. Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government.*

Based on the above evaluation, management concludes that, as of December 31, 2013, FDIC's internal control over financial reporting relevant to the DIF and the FRF was effective.

Federal Deposit Insurance Corporation
March 6, 2014

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V. Corporate Management Control

The FDIC uses several means to maintain comprehensive internal controls, ensure the overall effectiveness and efficiency of operations, and otherwise comply as necessary with the following federal standards, among others:

- Chief Financial Officers' Act (CFO Act)
- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Government Performance and Results Act (GPRA)
- Federal Information Security Management Act (FISMA)
- OMB Circular A-123
- GAO's Standards for Internal Control in the Federal Government

As a foundation for these efforts, the DOF Corporate Management Control Branch oversees a corporate-wide program of relevant activities by establishing policies and working with management in each division and office in the FDIC. The FDIC has made a concerted effort to ensure that financial, reputational, and operational risks have been identified and that corresponding control needs are being incorporated into day-to-day operations. The program also requires that comprehensive procedures be documented, employees be thoroughly trained, and supervisors be held accountable for performance and results. Compliance monitoring is carried out through periodic management reviews and by the distribution of various activity reports to all levels of management. Conscientious attention is also paid to the implementation of audit recommendations made by the FDIC Office of the Inspector General, the GAO, the Treasury Department's Special Inspector General for the TARP program, and other providers of external/audit scrutiny. The FDIC has received unmodified/unqualified opinions on its financial statement audits for 22 consecutive years, and these and other positive results reflect the effectiveness of the overall management control program.

The year 2013 was a continuation of our efforts over the past few years. Considerable energy was devoted to ensuring that the FDIC's processes and systems of control have kept pace with the workload, and that the FDIC's foundation of controls throughout the FDIC remained strong. Enhanced metrics, process mapping, and monitoring activities were put in action, particularly regarding the continuing effort to reduce hiring timeframes.

In 2014, among other things, program evaluation activities will focus on human resources, process mapping, the continuation of activities associated with the Dodd-Frank Act, and closing of the Jacksonville temporary satellite office. Continued emphasis and management scrutiny also will be applied to the accuracy and integrity of transactions, the expansion of performance metrics, and oversight of systems development efforts in general.

MANAGEMENT REPORT ON FINAL ACTIONS

As required under amended Section 5 of the Inspector General Act of 1978, the FDIC must report information on final action taken by management on certain audit reports. The tables on the following pages provide information on final action taken by management on audit reports for the federal fiscal year period October 1, 2012, through September 30, 2013.

TABLE 1:
MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS FOR FISCAL YEAR 2013
Dollars in Thousands

	Audit Reports	Number of Reports	Disallowed Costs
A.	Management decisions – final action not taken at beginning of period	2	$3,794
B.	Management decisions made during the period	1	$741
C.	**Total reports pending final action during the period (A and B)**	3	**$4,535**
D.	Final action taken during the period:		
	1. Recoveries:		
	(a) Collections & offsets	1	$741
	(b) Other	0	$0
	2. Write-offs	1	$34
	3. Total of 1 & 2	2	**$774**
E.	Audit reports needing final action at the end of the period*	1	$3,760

*Total may not foot due to rounding.

TABLE 2:
MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE FOR FISCAL YEAR 2013
Dollars in Thousands

	Audit Reports	Number of Reports	Funds Put To Better Use
A.	Management decisions – final action not taken at beginning of period	0	$0
B.	Management decisions made during the period	0	$0
C.	**Total reports pending final action during the period (A and B)**	**0**	**$0**
D.	Final action taken during the period:		
	1. Value of recommendations implemented (completed)	0	$0
	2. Value of recommendations that management concluded should not or could not be implemented or completed	0	$0
	3. Total of 1 and 2	0	$0
E.	Audit reports needing final action at the end of the period	0	$0

TABLE 3: AUDIT REPORTS WITHOUT FINAL ACTIONS BUT WITH MANAGEMENT DECISIONS OVER ONE YEAR OLD FOR FISCAL YEAR 2013 MANAGEMENT ACTION IN PROCESS			
Report No. and Issue Date	**OIG Audit Finding**	**Management Action**	**Disallowed Costs**
AUD-12-009 04/05/2012	The OIG recommended that the FDIC should review the manner in which management fees are calculated under structured asset sale agreements and determine whether it is in the FDIC's best interest for management fees to be paid on nonaccrual and capitalized interest. Based on the results of this review, revisit prior management fees billed by ST Residential, LLC, to ensure they were allowable and clarify the terms of future structured asset sale agreements to more clearly define the manner in which management fees are calculated.	The FDIC will review Corus Construction Venture's (CCV) monthly reports in determining principal balances and the calculation of management fees. If the FDIC's review determines improper management fee amounts, the FDIC will disallow the amounts and request reimbursement; send CCV notification that clarifies how management fees are to be calculated going forward; and ensure that future asset sale agreements include a clear description of how management fees are calculated. Completed: 11/04/2013	$0
	The FDIC should disallow $6,258,151 in servicing expenses that were deducted from the collections of funds received from the liquidation of assets during the period covered by the audit. (Questioned Costs of $3,754,891, which is 60 percent of $6,258,151.)	The FDIC engaged a Compliance Monitoring Contractor (CMC) to conduct a comprehensive review of servicing expenses (as part of its quarterly compliance review) to determine the amount to be disallowed. Upon completion of the CMC review, the FDIC will request a reimbursement of the disallowed amounts. Completed: 11/04/2013	$3,754,891
	The FDIC should request that ST Residential discontinue the practice of deducting expenses from the collection of funds received from the liquidation of assets pertaining to the Managing Member's Servicing Obligation and Overhead expenses.	The FDIC will issue written notification to ST Residential to discontinue the practice of deducting expenses from the collection of funds for servicing obligation and overhead expenses and to comply with the transaction documents. Completed: 11/04/2013	
	The FDIC should request that FDIC's CMC(s) assess whether unallowable expenses pertaining to services provided by real estate development firms and travel, meals, and entertainment were deducted from the collection of funds received from the liquidation of assets subsequent to September 30, 2010. If such expenses had been deducted, they should be disallowed.	The FDIC engaged a CMC to conduct a comprehensive review of servicing expenses to determine the amount to be disallowed. Upon completion of the CMC review, the FDIC will request a reimbursement for all disallowed amounts. Completed: 11/04/2013	
	The FDIC should disallow $8,929 in management fees paid to the Managing Member. (Questioned Costs of $5,357, which is 60 percent of $8,929.)	The specific request is that ST Residential reimburse CCV the disallowed amount of $8,929. The FDIC will receive 60 percent of the amount reimbursed to CCV. Completed: 11/04/2013	$5,357

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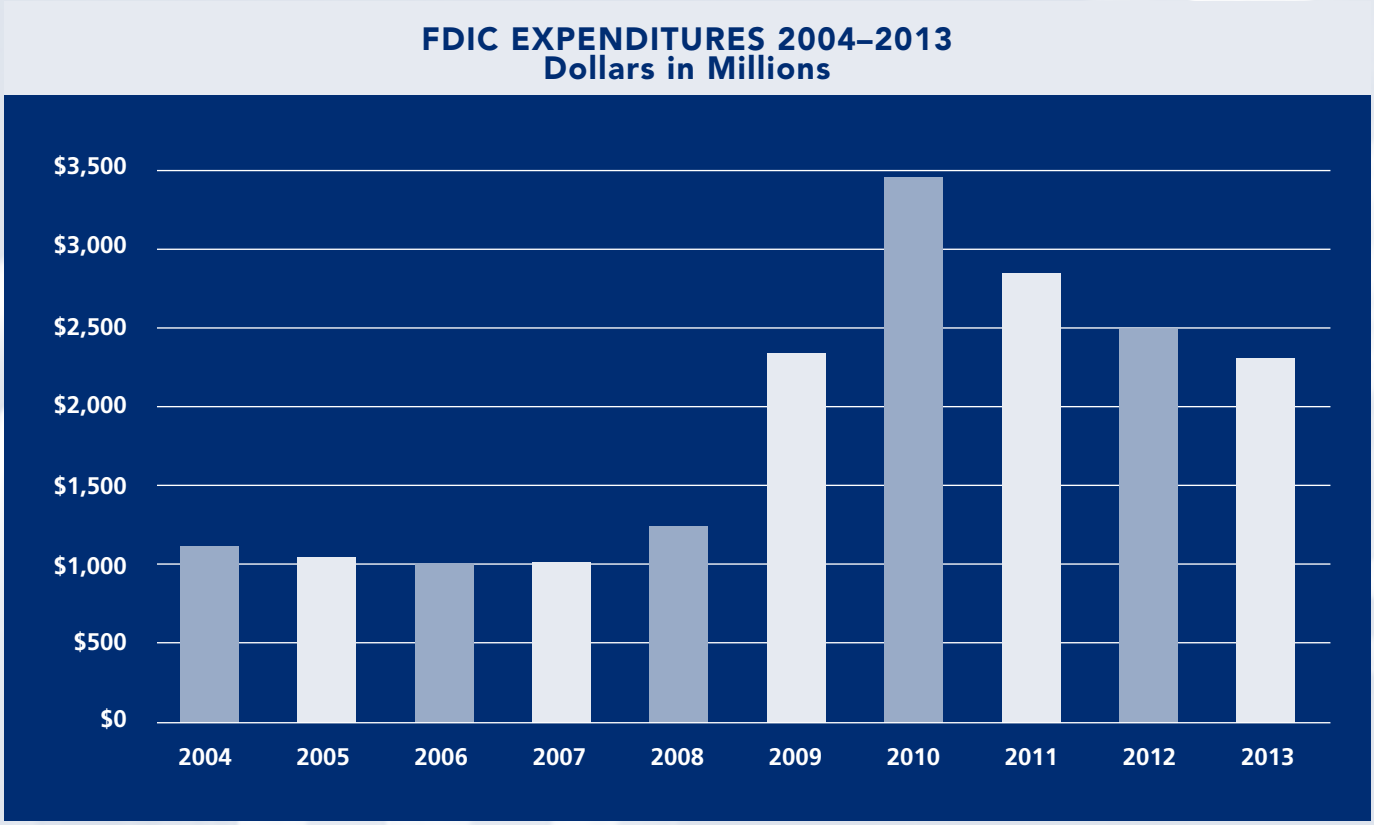
VI. Appendices

A. KEY STATISTICS



The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2013 aggregate budget (for corporate, receivership, and investment spending) was $2.7 billion, while actual expenditures for the year were $2.3 billion, about $0.2 billion less than 2012 expenditures.

Over the past decade the FDIC's expenditures have varied in response to workload. Earlier in the decade, expenditures rose, largely due to increasing resolution and receivership activity. To a lesser extent increased expenses resulted from supervision-related costs associated with the oversight of more troubled institutions. More recently, these increases have been subsiding.

FDIC ACTIONS ON FINANCIAL INSTITUTIONS APPLICATIONS 2011–2013			
	2013	2012	2011
Deposit Insurance	10	6	10
Approved[1]	10	6	10
Denied	0	0	0
New Branches	499	570	442
Approved	499	570	442
Denied	0	0	0
Mergers	256	238	206
Approved	256	238	206
Denied	0	0	0
Requests for Consent to Serve[2]	474	674	876
Approved	474	671	875
Section 19	4	10	24
Section 32	470	661	851
Denied	0	3	1
Section 19	0	1	0
Section 32	0	2	1
Notices of Change in Control	22	26	21
Letters of Intent Not to Disapprove	22	26	21
Disapproved	0	0	0
Brokered Deposit Waivers	81	97	84
Approved	81	95	83
Denied	0	2	1
Savings Association Activities[3]	8	21	30
Approved	8	21	30
Denied	0	0	0
State Bank Activities/Investments[4]	10	7	9
Approved	10	7	9
Denied	0	0	0
Conversion of Mutual Institutions	7	8	6
Non-Objection	7	8	6
Objection	0	0	0

[1] Includes deposit insurance application filed on behalf of (1) newly organized institutions, (2) existing uninsured financial services companies seeking establishment as an insured institution, and (3) interim institutions established to facilitate merger or conversion transactions, and applications to facilitate the establishment of thrift holding companies.

[2] Under Section 19 of the Federal Deposit Insurance (FDI) Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state nonmember bank that is not in compliance with capital requirements or is otherwise in troubled condition.

[3] Amendments to Part 303 of the FDIC Rules and Regulations changed FDIC oversight responsibility in October 1998. In 1998, Part 303 changed the Delegations of Authority to act upon applications.

[4] Section 24 of the FDI Act, in general, precludes a federally insured state bank from engaging in an activity not permissible for a national bank and requires notices to be filed with the FDIC.

COMPLIANCE, ENFORCEMENT, AND OTHER RELATED LEGAL ACTIONS 2011–2013			
	2013	2012	2011
Total Number of Actions Initiated by the FDIC	**414**	**557**	**557**
Termination of Insurance			
Involuntary Termination			
Sec. 8a For Violations, Unsafe/Unsound Practices or Conditions	0	0	0
Voluntary Termination			
Sec. 8a By Order Upon Request	0	0	0
Sec. 8p No Deposits	7	3	7
Sec. 8q Deposits Assumed	4	4	2
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued	2	0	7
Orders to Pay Restitution	11	9	N/A
Consent Orders	70	120	183
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	14	8	11
Consent Orders	99	108	100
Sec. 8g Suspension/Removal When Charged With Crime	0	0	1
Civil Money Penalties Issued			
Sec. 7a Call Report Penalties	0	1	0
Sec. 8i Civil Money Penalties	81	164	193
Sec. 8i Civil Money Penalty Notices of Assessment	13	5	5
Sec. 10c Orders of Investigation	16	16	29
Sec. 19 Waiver Orders			
Approved Section 19 Waiver Orders	86	119	10
Denied Section 19 Waiver Orders	2	0	1
Sec. 32 Notices Disapproving Officer/Director's Request for Review	0	0	0
Truth-in-Lending Act Reimbursement Actions			
Denials of Requests for Relief	0	0	0
Grants of Relief	0	0	0
Banks Making Reimbursement[1]	98	126	84
Suspicious Activity Reports (open and closed institutions)[1]	123,134	139,102	125,460
Other Actions Not Listed	9	0	8

[1] These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2013[1]
Dollars in Millions (except Insurance Coverage)

		Deposits in Insured Institutions[2]				Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
2013	$250,000	$9,825,300	$6,011,310	61.2	$47,190.8	0.48	0.79
2012	250,000	9,474,582	7,406,522	78.2	32,957.8	0.35	0.44
2011	250,000	8,782,134	6,974,690	79.4	11,826.5	0.13	0.17
2010	250,000	7,887,733	6,302,329	79.9	(7,352.2)	(0.09)	(0.12)
2009	250,000	7,705,353	5,407,773	70.2	(20,861.8)	(0.27)	(0.39)
2008	100,000	7,505,408	4,750,783	63.3	17,276.3	0.23	0.36
2007	100,000	6,921,678	4,292,211	62.0	52,413.0	0.76	1.22
2006	100,000	6,640,097	4,153,808	62.6	50,165.3	0.76	1.21
2005	100,000	6,229,823	3,891,000	62.5	48,596.6	0.78	1.25
2004	100,000	5,724,775	3,622,213	63.3	47,506.8	0.83	1.31
2003	100,000	5,224,030	3,452,606	66.1	46,022.3	0.88	1.33
2002	100,000	4,916,200	3,383,720	68.8	43,797.0	0.89	1.29
2001	100,000	4,565,068	3,216,585	70.5	41,373.8	0.91	1.29
2000	100,000	4,211,895	3,055,108	72.5	41,733.8	0.99	1.37
1999	100,000	3,885,826	2,869,208	73.8	39,694.9	1.02	1.38
1998	100,000	3,817,150	2,850,452	74.7	39,452.1	1.03	1.38
1997	100,000	3,602,189	2,746,477	76.2	37,660.8	1.05	1.37
1996	100,000	3,454,556	2,690,439	77.9	35,742.8	1.03	1.33
1995	100,000	3,318,595	2,663,873	80.3	28,811.5	0.87	1.08
1994	100,000	3,184,410	2,588,619	81.3	23,784.5	0.75	0.92
1993	100,000	3,220,302	2,602,781	80.8	14,277.3	0.44	0.55
1992	100,000	3,275,530	2,677,709	81.7	178.4	0.01	0.01
1991	100,000	3,331,312	2,733,387	82.1	(6,934.0)	(0.21)	(0.25)
1990	100,000	3,415,464	2,784,838	81.5	4,062.7	0.12	0.15
1989	100,000	3,412,503	2,755,471	80.7	13,209.5	0.39	0.48
1988	100,000	2,337,080	1,756,771	75.2	14,061.1	0.60	0.80
1987	100,000	2,198,648	1,657,291	75.4	18,301.8	0.83	1.10
1986	100,000	2,162,687	1,636,915	75.7	18,253.3	0.84	1.12
1985	100,000	1,975,030	1,510,496	76.5	17,956.9	0.91	1.19
1984	100,000	1,805,334	1,393,421	77.2	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2013[1] (continued)
Dollars in Millions (except Insurance Coverage)

		Deposits in Insured Institutions[2]				Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.4	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.4	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.6	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2013[1] (continued)
Dollars in Millions (except Insurance Coverage)

		Deposits in Insured Institutions[2]				Insurance Fund as a Percentage of	
Year	Insurance Coverage[2]	Total Domestic Deposits	Est. Insured Deposits	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934	5,000	40,060	18,075	45.1	291.7	0.73	1.61

[1]Prior to 1989, figures are for the Bank Insurance Fund (BIF) only and exclude insured branches of foreign banks. For 1989 to 2005, figures represent sum of the BIF and Savings Association Insurance Fund (SAIF) amounts; for 2006 to 2013, figures are for DIF. Amounts for 1989-2013 include insured branches of foreign banks. Prior to year-end 1991, insured deposits were estimated using percentages determined from June Call and Thrift Financial Reports.

[2]The year-end 2008 coverage limit and estimated insured deposits do not reflect the temporary increase to $250,000 then in effect under the Emergency Economic Stabilization Act of 2008. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) made this coverage limit permanent. The year-end 2009 coverage limit and estimated insured deposits reflect the $250,000 coverage limit. The Dodd-Frank Act also temporarily provided unlimited coverage for non-interest bearing transaction accounts for two years beginning December 31, 2010. Coverage for certain retirement accounts increased to $250,000 in 2006. Initial coverage limit was $2,500 from January 1 to June 30, 1934.

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2013
Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
Total	$201,686.7	$137,510.7	$11,392.9	$75,568.9		$154,785.2	$120,599.0	$24,743.1	$9,443.1	$139.5	$47,041.0
2013	10,458.9	9,734.2	0.0	724.7	0.0776%	(4,045.9)	(5,659.4)	1,608.7	4.8	0	14,504.8
2012	18,522.3	12,397.2	0.2	6,125.3	0.1012	(2,599.0)	(4,222.6)	1,777.5	(153.9)	0	21,121.3
2011	16,342.0	13,499.5	0.9	2,843.4	0.1115	(2,915.4)	(4,413.6)	1,625.4	(127.2)	0	19,257.4
2010	13,379.9	13,611.2	0.8	(230.5)	0.1772	75.0	(847.8)	1,592.6	(669.8)	0	13,304.9
2009	24,706.4	17,865.4	148.0	6,989.0	0.2330	60,709.0	57,711.8	1,271.1	1,726.1	0	(36,002.6)
2008	7,306.3	4,410.4	1,445.9	4,341.8	0.0418	44,339.5	41,838.8	1,033.5	1,467.2	0	(37,033.2)
2007	3,196.2	3,730.9	3,088.0	2,553.3	0.0093	1,090.9	95.0	992.6	3.3	0	2,105.3
2006	2,643.5	31.9	0.0	2,611.6	0.0005	904.3	(52.1)	950.6	5.8	0	1,739.2
2005	2,420.5	60.9	0.0	2,359.6	0.0010	809.3	(160.2)	965.7	3.8	0	1,611.2
2004	2,240.3	104.2	0.0	2,136.1	0.0019	607.6	(353.4)	941.3	19.7	0	1,632.7
2003	2,173.6	94.8	0.0	2,078.8	0.0019	(67.7)	(1,010.5)	935.5	7.3	0	2,241.3
2002	2,384.7	107.8	0.0	2,276.9	0.0023	719.6	(243.0)	945.1	17.5	0	1,665.1
2001	2,730.1	83.2	0.0	2,646.9	0.0019	3,123.4	2,199.3	887.9	36.2	0	(393.3)
2000	2,570.1	64.3	0.0	2,505.8	0.0016	945.2	28.0	883.9	33.3	0	1,624.9
1999	2,416.7	48.4	0.0	2,368.3	0.0013	2,047.0	1,199.7	823.4	23.9	0	369.7
1998	2,584.6	37.0	0.0	2,547.6	0.0010	817.5	(5.7)	782.6	40.6	0	1,767.1
1997	2,165.5	38.6	0.0	2,126.9	0.0011	247.3	(505.7)	677.2	75.8	0	1,918.2
1996	7,156.8	5,294.2	0.0	1,862.6	0.1622	353.6	(417.2)	568.3	202.5	0	6,803.2
1995	5,229.2	3,877.0	0.0	1,352.2	0.1238	202.2	(354.2)	510.6	45.8	0	5,027.0
1994	7,682.1	6,722.7	0.0	959.4	0.2192	(1,825.1)	(2,459.4)	443.2	191.1	0	9,507.2
1993	7,354.5	6,682.0	0.0	672.5	0.2157	(6,744.4)	(7,660.4)	418.5	497.5	0	14,098.9
1992	6,479.3	5,758.6	0.0	720.7	0.1815	(596.8)	(2,274.7)	614.8[3]	1,063.1	35.4	7,111.5
1991	5,886.5	5,254.0	0.0	632.5	0.1613	16,925.3	15,496.2	326.1	1,103.0	42.4	(10,996.4)
1990	3,855.3	2,872.3	0.0	983.0	0.0868	13,059.3	12,133.1	275.6	650.6	56.1	(9,147.9)
1989	3,494.8	1,885.0	0.0	1,609.8	0.0816	4,352.2	3,811.3	219.9	321.0	5.6	(851.8)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0825	7,588.4	6,298.3	223.9	1,066.2	0	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833	3,270.9	2,996.9	204.9	69.1	0	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0787	2,963.7	2,827.7	180.3	(44.3)	0	296.4
1985	3,385.5	1,433.5	0.0	1,952.0	0.0815	1,957.9	1,569.0	179.2	209.7	0	1,427.6
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800	1,999.2	1,633.4	151.2	214.6	0	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714	969.9	675.1	135.7	159.1	0	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769	999.8	126.4	129.9	743.5	0	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714	848.1	320.4	127.2	400.5	0	1,226.6

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2013 (continued)
Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1980	1,310.4	951.9	521.1	879.6	0.0370	83.6	(38.1)	118.2	3.5	0	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333	93.7	(17.2)	106.8	4.1	0	996.7
1978	952.1	810.1	443.1	585.1	0.0385	148.9	36.5	103.3	9.1	0	803.2
1977	837.8	731.3	411.9	518.4	0.0370	113.6	20.8	89.3	3.5	0	724.2
1976	764.9	676.1	379.6	468.4	0.0370	212.3	28.0	180.4[4]	3.9	0	552.6
1975	689.3	641.3	362.4	410.4	0.0357	97.5	27.6	67.7	2.2	0	591.8
1974	668.1	587.4	285.4	366.1	0.0435	159.2	97.9	59.2	2.1	0	508.9
1973	561.0	529.4	283.4	315.0	0.0385	108.2	52.5	54.4	1.3	0	452.8
1972	467.0	468.8	280.3	278.5	0.0333	65.7	10.1	49.6	6.0[5]	0	401.3
1971	415.3	417.2	241.4	239.5	0.0345	60.3	13.4	46.9	0.0	0	355.0
1970	382.7	369.3	210.0	223.4	0.0357	46.0	3.8	42.2	0.0	0	336.7
1969	335.8	364.2	220.2	191.8	0.0333	34.5	1.0	33.5	0.0	0	301.3
1968	295.0	334.5	202.1	162.6	0.0333	29.1	0.1	29.0	0.0	0	265.9
1967	263.0	303.1	182.4	142.3	0.0333	27.3	2.9	24.4	0.0	0	235.7
1966	241.0	284.3	172.6	129.3	0.0323	19.9	0.1	19.8	0.0	0	221.1
1965	214.6	260.5	158.3	112.4	0.0323	22.9	5.2	17.7	0.0	0	191.7
1964	197.1	238.2	145.2	104.1	0.0323	18.4	2.9	15.5	0.0	0	178.7
1963	181.9	220.6	136.4	97.7	0.0313	15.1	0.7	14.4	0.0	0	166.8
1962	161.1	203.4	126.9	84.6	0.0313	13.8	0.1	13.7	0.0	0	147.3
1961	147.3	188.9	115.5	73.9	0.0323	14.8	1.6	13.2	0.0	0	132.5
1960	144.6	180.4	100.8	65.0	0.0370	12.5	0.1	12.4	0.0	0	132.1
1959	136.5	178.2	99.6	57.9	0.0370	12.1	0.2	11.9	0.0	0	124.4
1958	126.8	166.8	93.0	53.0	0.0370	11.6	0.0	11.6	0.0	0	115.2
1957	117.3	159.3	90.2	48.2	0.0357	9.7	0.1	9.6	0.0	0	107.6
1956	111.9	155.5	87.3	43.7	0.0370	9.4	0.3	9.1	0.0	0	102.5
1955	105.8	151.5	85.4	39.7	0.0370	9.0	0.3	8.7	0.0	0	96.8
1954	99.7	144.2	81.8	37.3	0.0357	7.8	0.1	7.7	0.0	0	91.9
1953	94.2	138.7	78.5	34.0	0.0357	7.3	0.1	7.2	0.0	0	86.9
1952	88.6	131.0	73.7	31.3	0.0370	7.8	0.8	7.0	0.0	0	80.8
1951	83.5	124.3	70.0	29.2	0.0370	6.6	0.0	6.6	0.0	0	76.9
1950	84.8	122.9	68.7	30.6	0.0370	7.8	1.4	6.4	0.0	0	77.0
1949	151.1	122.7	0.0	28.4	0.0833	6.4	0.3	6.1	0.0	0	144.7
1948	145.6	119.3	0.0	26.3	0.0833	7.0	0.7	6.3[6]	0.0	0	138.6
1947	157.5	114.4	0.0	43.1	0.0833	9.9	0.1	9.8	0.0	0	147.6

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2013 (continued)
Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other	Effective Assessment Rate[1]	Total	Provision for Ins. Losses	Admin. and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1946	130.7	107.0	0.0	23.7	0.0833	10.0	0.1	9.9	0.0	0	120.7
1945	121.0	93.7	0.0	27.3	0.0833	9.4	0.1	9.3	0.0	0	111.6
1944	99.3	80.9	0.0	18.4	0.0833	9.3	0.1	9.2	0.0	0	90.0
1943	86.6	70.0	0.0	16.6	0.0833	9.8	0.2	9.6	0.0	0	76.8
1942	69.1	56.5	0.0	12.6	0.0833	10.1	0.5	9.6	0.0	0	59.0
1941	62.0	51.4	0.0	10.6	0.0833	10.1	0.6	9.5	0.0	0	51.9
1940	55.9	46.2	0.0	9.7	0.0833	12.9	3.5	9.4	0.0	0	43.0
1939	51.2	40.7	0.0	10.5	0.0833	16.4	7.2	9.2	0.0	0	34.8
1938	47.7	38.3	0.0	9.4	0.0833	11.3	2.5	8.8	0.0	0	36.4
1937	48.2	38.8	0.0	9.4	0.0833	12.2	3.7	8.5	0.0	0	36.0
1936	43.8	35.6	0.0	8.2	0.0833	10.9	2.6	8.3	0.0	0	32.9
1935	20.8	11.5	0.0	9.3	0.0833	11.3	2.8	8.5	0.0	0	9.5
1933-34	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	0	(3.0)

[1] Figures represent only BIF-insured institutions prior to 1990, BIF- and SAIF-insured institutions from 1990 through 2005, and DIF-insured institutions beginning in 2006. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. The effective assessment rate is calculated from annual assessment income (net of assessment credits), excluding transfers to the Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and FSLIC Resolution Fund, divided by the four quarter average assessment base. The effective rates from 1950 through 1984 varied from the statutory rate of 0.0833 percent due to assessment credits provided in those years. The statutory rate increased to 0.12 percent in 1990 and to a minimum of 0.15 percent in 1991. The effective rates in 1991 and 1992 varied because the FDIC exercised new authority to increase assessments above the statutory minimum rate when needed. Beginning in 1993, the effective rate was based on a risk-related premium system under which institutions paid assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25 percent. As a result, BIF assessment rates were reduced to a range of 0.04 percent to 0.31 percent of assessable deposits, effective June 1995, and assessments totaling $1.5 billion were refunded in September 1995. Assessment rates for the BIF were lowered again to a range of 0 to 0.27 percent of assessable deposits, effective the start of 1996. In 1996, the SAIF collected a one-time special assessment of $4.5 billion. Subsequently, assessment rates for the SAIF were lowered to the same range as the BIF, effective October 1996. This range of rates remained unchanged for both funds through 2006. As part of the implementation of the Federal Deposit Insurance Reform Act of 2005, assessment rates were increased to a range of 0.05 percent to 0.43 percent of assessable deposits effective at the start of 2007, but many institutions received a one-time assessment credit ($4.7 billion in total) to offset the new assessments. For the first quarter of 2009, assessment rates were increased to a range of 0.12 to 0.50 percent of assessable deposits. From the second quarter of 2009 through the first quarter of 2011, initial assessment rates ranged between 0.12 and 0.45 percent of assessable deposits. Initial rates are subject to further adjustments. Beginning in the second quarter of 2011, the assessment base changed to average total consolidated assets less average tangible equity (with certain adjustments for banker's banks and custodial banks), as required by the Dodd-Frank Act. The FDIC implemented a new assessment rate schedule at the same time to conform to the larger assessment base. Initial assessment rates were lowered to a range of 0.05 to 0.35 percent of the new base. The annualized assessment rates averaged approximately 17.6 cents per $100 of assessable deposits for the first quarter of 2011 and 11.1 cents per $100 of the new base for the last three quarters of 2011 (which is the figure shown in the table). The effective assessment rate for 2012 and 2013 is based on full year accrued assessment income divided by a four-quarter average of the new assessment base. On June 30, 2009, a special assessment was imposed on all insured banks and thrifts, which amounted in aggregate to approximately $5.4 billion. For 8,106 institutions, with $9.3 trillion in assets, the special assessment was 5 basis points of each institution's assets minus tier one capital; 89 other institutions, with assets of $4.0 trillion, had their special assessment capped at 10 basis points of their second quarter assessment base.

[2] These expenses, which are presented as operating expenses in the Statement of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and do not include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Resolutions, net" line on the Balance Sheet. The narrative and graph presented on page 113 of this report shows the aggregate (corporate and receivership) expenditures of the FDIC.

[3] Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.

[4] Includes a $106 million net loss on government securities.

[5] This amount represents interest and other insurance expenses from 1933 to 1972.

[6] Includes the aggregate amount of $81 million of interest paid on capital stock between 1933 and 1948.

NUMBER, ASSETS, DEPOSITS, LOSSES, AND LOSS TO FUNDS OF INSURED THRIFTS TAKEN OVER OR CLOSED BECAUSE OF FINANCIAL DIFFICULTIES, 1989 THROUGH 1995[1]
Dollars in Thousands

Year	Number of Thrifts	Assets	Deposits	Estimated Receivership Loss[2]	Loss to Funds[3]
Total	748	$393,986,574	$317,501,978	$75,977,713	$81,580,200
1995	2	423,819	414,692	28,192	27,750
1994	2	136,815	127,508	11,472	14,599
1993	10	6,147,962	4,881,461	267,595	65,212
1992	59	44,196,946	34,773,224	3,286,907	3,832,145
1991	144	78,898,904	65,173,122	9,235,967	9,734,263
1990	213	129,662,498	98,963,962	16,062,552	19,257,446
1989[4]	318	134,519,630	113,168,009	47,085,028	48,648,785

[1]Beginning in 1989 through July 1, 1995, all thrift closings were the responsibility of the Resolution Trust Corporation (RTC). Since the RTC was terminated on December 31, 1995, and all assets and liabilities transferred to the FSLIC Resolution Fund (FRF), all the results of the thrift closing activity from 1989 through 1995 are now reflected on FRF's books. Year is the year of failure, not the year of resolution.

[2]The estimated losses represent the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF and unpaid advances to receiverships from the FRF.

[3]The Loss to Funds represents the total resolution cost of the failed thrifts in the FRF-RTC fund, which includes corporate revenue and expense items such as interest expense on Federal Financing Bank debt, interest expense on escrowed funds, and interest revenue on advances to receiverships, in addition to the estimated losses for receiverships.

[4]Total for 1989 excludes nine failures of the former FSLIC.

FDIC- INSURED INSTITUTIONS CLOSED DURING 2013
Dollars in Thousands

Codes for Bank Class:

NM = State-chartered bank that is not a member of the Federal Reserve System
N = National Bank
SB = Savings Bank
SI = Stock and Mutual Savings Bank
SM = State-chartered bank that is a member of the Federal Reserve System
SA = Savings Association

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets[1]	Total Deposits[1]	Insured Deposit Funding and Other Disbursements	Estimated Loss to the DIF[2]	Date of Closing or Acquisition	Receiver/Assuming Bank and Location
Purchase and Assumption - All Deposits								
Sunrise Bank Valdosta, GA	NM	2,469	$60,793	$57,775	$60,695	$16,119	05/10/13	Synovus Bank Columbus, GA
Community South Bank Parsons, TN	NM	18,041	$386,908	$377,672	$367,166	$72,494	08/23/13	CB&S Bank, Inc. Russellville, AL
Whole Bank Purchase and Assumption - All Deposits								
Westside Community Bank University Place, WA	NM	3,258	$91,935	$91,879	$94,131	$26,534	01/11/13	Sunwest Bank Irvine, CA
1st Regents Bank Andover, MN	NM	1,376	$49,626	$49,147	$48,853	$16,466	01/18/13	First Minnesota Bank Minnetoka, MN
Covenant Bank Chicago, IL	NM	3,673	$58,422	$54,202	$55,140	$21,756	02/15/13	Liberty Bank and Trust Company New Orleans, LA
Frontier Bank LaGrange, GA	NM	13,271	$258,840	$224,108	$215,689	$58,265	03/08/13	HeritageBank of the South Albany, GA
Gold Canyon Bank Gold Canyon, AZ	SM	1,370	$42,125	$41,728	$43,172	$11,080	04/05/13	First Scottsdale Bank, National Association Scottsdale, AZ
Chipola Community Bank Marianna, FL	NM	1,567	$37,471	$37,067	$37,490	$10,348	04/19/13	First Federal Bank of Florida Lake City, FL
First Federal Bank Lexington, KY	SA	5,017	$92,982	$87,196	$89,003	$10,477	04/19/13	Your Community Bank New Albany, IN
Heritage Bank of North Florida Orange Park, FL	NM	2,692	$103,960	$106,348	$105,923	$26,495	04/19/13	FirstAtlantic Bank Jacksonville, FL
Douglas County Bank Douglasville, GA	NM	15,310	$317,288	$315,326	$308,912	$91,392	04/26/13	Hamilton State Bank Hoschton, GA

FDIC- INSURED INSTITUTIONS CLOSED DURING 2013 (continued)
Dollars in Thousands

Codes for Bank Class:

NM = State-chartered bank that is not a member of the Federal Reserve System
N = National Bank
SB = Savings Bank
SI = Stock and Mutual Savings Bank
SM = State-chartered bank that is a member of the Federal Reserve System
SA = Savings Association

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets[1]	Total Deposits[1]	Insured Deposit Funding and Other Disbursements	Estimated Loss to the DIF[2]	Date of Closing or Acquisition	Receiver/Assuming Bank and Location
Parkway Bank Lenoir, NC	NM	6,035	$109,642	$104,709	$108,519	$18,623	04/26/13	CertusBank, National Association Easley, SC
Pisgah Community Bank Asheville, NC	NM	587	$21,880	$21,246	$22,975	$9,708	05/10/13	Capital Bank, National Association Rockville, MD
Central Arizona Bank Scottsdale, AZ	NM	1,006	$31,550	$30,822	$28,922	$8,645	05/14/13	Western State Bank Devils Lake, ND
Banks of Wisconsin d/b/a Bank of Kenosha Kenosha, WI	NM	7,008	$134,024	$127,590	$127,946	$19,763	05/31/13	North Shore Bank, FSB Brookfield, WI
1st Commerce Bank North Las Vegas, NV	NM	242	$20,152	$19,579	$21,891	$9,880	06/06/13	Plaza Bank Irvine, CA
Mountain National Bank Sevierville, TN	N	16,725	$437,282	$373,366	$376,858	$27,106	06/07/13	First Tennessee Bank, National Association Memphis, TN
First Community Bank of Southwest Florida Fort Myers, FL	NM	9,715	$247,315	$243,618	$239,309	$27,077	08/02/13	C1 Bank Saint Petersburg, FL
Bank of Wausau Wausau, WI	NM	1,465	$43,564	$40,663	$44,292	$13,500	08/09/13	Nicolet National Bank Green Bay, WI
Sunrise Bank of Arizona Phoenix, AZ	NM	5,430	$202,179	$196,924	$188,521	$17,049	08/23/13	First Fidelity Bank, National Association Oklahoma City, OK
First National Bank Edinburg, TX	N	89,508	$3,085,764	$2,338,335	$2,225,494	$637,523	09/13/13	PlainsCapital Bank Dallas, TX
Bank of Jackson County Graceville, FL	NM	2,491	$24,724	$24,591	$25,405	$5,074	10/30/13	First Federal Bank of Florida Lake City, FL

FDIC- INSURED INSTITUTIONS CLOSED DURING 2013 (continued)
Dollars in Thousands

Codes for Bank Class:

NM = State-chartered bank that is not a member of the Federal Reserve System
N = National Bank
SB = Savings Bank
SI = Stock and Mutual Savings Bank
SM = State-chartered bank that is a member of the Federal Reserve System
SA = Savings Association

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets[1]	Total Deposits[1]	Insured Deposit Funding and Other Disbursements	Estimated Loss to the DIF[2]	Date of Closing or Acquisition	Receiver/Assuming Bank and Location
Texas Community Bank, National Association The Woodlands, TX	N	2,160	$159,257	$142,640	$118,657	$10,765	12/13/13	Spirit of Texas Bank, SSB College Station, TX
Insured Deposit Payoff								
The Community's Bank Bridgeport, CT	NM	1,049	$26,368	$25,715	$38,002	$7,800	9/13/13	Federal Deposit Insurance Corporation

[1] Total Assets and Total Deposits data are based upon the last Call Report filed by the institution prior to failure.

[2] Estimated losses are as of 12/31/13. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries. Represents the estimated loss to the DIF from deposit insurance obligations.

RECOVERIES AND LOSSES BY THE DEPOSIT INSURANCE FUND ON DISBURSEMENTS FOR THE PROTECTION OF DEPOSITORS, 1934 - 2013
Dollars in Thousands

	Bank and Thrift Failures[1]						
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Insured Deposit Funding and Other Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
	2,584	**$931,664,951**	**$700,668,975**	**$577,938,885**	**$399,685,827**	**$59,761,118**	**$118,491,940**
2013	24	6,044,051	5,132,246	4,992,965	0	3,819,026	1,173,939
2012	51	11,617,348	11,009,630	11,074,800	1,201,587	7,069,516	2,803,697
2011	92	34,922,997	31,071,862	31,782,065	2,617,454	21,479,949	7,571,752
2010[4]	157	92,084,987	78,290,185	82,240,983	51,181,613	10,097,143	20,962,227
2009[4]	140	169,709,160	137,783,121	136,331,221	88,529,446	14,462,095	33,339,680
2008[4]	25	371,945,480	234,321,715	205,495,557	183,834,032	2,229,312	19,432,213
2007	3	2,614,928	2,424,187	1,918,810	1,369,413	380,982	168,415
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	4	170,099	156,733	138,971	134,978	76	3,917
2003	3	947,317	901,978	883,772	812,933	8,192	62,647
2002	11	2,872,720	2,512,834	2,127,249	1,704,030	7,655	415,564
2001	4	1,821,760	1,661,214	1,605,612	1,128,577	184,384	292,651
2000	7	410,160	342,584	297,313	265,175	0	32,138
1999	8	1,592,189	1,320,573	1,307,442	711,758	5,674	590,010
1998	3	290,238	260,675	292,691	58,248	11,752	222,691
1997	1	27,923	27,511	25,546	20,520	0	5,026
1996	6	232,634	230,390	201,533	140,918	0	60,615
1995	6	802,124	776,387	609,043	524,571	0	84,472
1994	13	1,463,874	1,397,018	1,224,769	1,045,718	0	179,051
1993	41	3,828,939	3,509,341	3,841,658	3,209,012	0	632,646
1992	120	45,357,237	39,921,310	14,541,316	10,866,760	543	3,674,013
1991	124	64,556,512	52,972,034	21,499,567	15,500,130	4,819	5,994,618
1990	168	16,923,462	15,124,454	10,812,484	8,040,995	0	2,771,489
1989	206	28,930,572	24,152,468	11,443,281	5,247,995	0	6,195,286
1988	200	38,402,475	26,524,014	10,432,655	5,055,158	0	5,377,497
1987	184	6,928,889	6,599,180	4,876,994	3,014,502	0	1,862,492
1986	138	7,356,544	6,638,903	4,632,121	2,949,583	0	1,682,538
1985	116	3,090,897	2,889,801	2,154,955	1,506,776	0	648,179
1984	78	2,962,179	2,665,797	2,165,036	1,641,157	0	523,879
1983	44	3,580,132	2,832,184	3,042,392	1,973,037	0	1,069,355
1982	32	1,213,316	1,056,483	545,612	419,825	0	125,787
1981	7	108,749	100,154	114,944	105,956	0	8,988
1980	10	239,316	219,890	152,355	121,675	0	30,680
1934 - 1979	558	8,615,743	5,842,119	5,133,173	4,752,295	0	380,878

RECOVERIES AND LOSSES BY THE DEPOSIT INSURANCE FUND ON DISBURSEMENTS FOR THE PROTECTION OF DEPOSITORS, 1934 - 2013 (continued)
Dollars in Thousands

				Assistance Transactions			
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Insured Deposit Funding and Other Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
	154	**$3,317,099,253**	**$1,442,173,417**	**$11,630,356**	**$6,199,875**	**$0**	**$5,430,481**
2013	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0
2009[5]	8	1,917,482,183	1,090,318,282	0	0	0	0
2008[5]	5	1,306,041,994	280,806,966	0	0	0	0
2007	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1995	0	0	0	0	0	0	0
1994	0	0	0	0	0	0	0
1993	0	0	0	0	0	0	0
1992	2	33,831	33,117	1,486	1,236	0	250
1991	3	78,524	75,720	6,117	3,093	0	3,024
1990	1	14,206	14,628	4,935	2,597	0	2,338
1989	1	4,438	6,396	2,548	252	0	2,296
1988	80	15,493,939	11,793,702	1,730,351	189,709	0	1,540,642
1987	19	2,478,124	2,275,642	160,877	713	0	160,164
1986	7	712,558	585,248	158,848	65,669	0	93,179
1985	4	5,886,381	5,580,359	765,732	406,676	0	359,056
1984	2	40,470,332	29,088,247	5,531,179	4,414,904	0	1,116,275
1983	4	3,611,549	3,011,406	764,690	427,007	0	337,683

RECOVERIES AND LOSSES BY THE DEPOSIT INSURANCE FUND ON DISBURSEMENTS FOR THE PROTECTION OF DEPOSITORS, 1934 - 2013 (continued)
Dollars in Thousands

				Assistance Transactions			
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Insured Deposit Funding and Other Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
1982	10	10,509,286	9,118,382	1,729,538	686,754	0	1,042,784
1981	3	4,838,612	3,914,268	774,055	1,265	0	772,790
1980	1	7,953,042	5,001,755	0	0	0	0
1934 - 1979	4	1,490,254	549,299	0	0	0	0

[1] Institutions for which the FDIC is appointed receiver, including deposit payoff, insured deposit transfer, and deposit assumption cases.

[2] For 1990 through 2005, amounts represent the sum of BIF and SAIF failures (excluding those handled by the RTC); prior to 1990, figures are only for the BIF. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. For 2006 to 2013, figures are for the DIF.

[3] Assets and deposit data are based on the last Call Report or TFR filed before failure.

[4] Includes amounts related to transaction account coverage under the Transaction Account Guarantee Program (TAG). The estimated losses as of 12/31/13 for TAG accounts in 2010, 2009, and 2008 are $490 million, $1,408 million, and $15 million, respectively.

[5] Includes institutions where assistance was provided under a systemic risk determination. Any costs that exceed the amounts estimated under the least cost resolution requirement would be recovered through a special assessment on all FDIC-insured institutions.

B. OVERVIEW OF THE INDUSTRY

The 6,812 FDIC-insured commercial banks and savings institutions that filed financial results for full year 2013 reported net income of $154.7 billion, an increase of 9.6 percent compared to 2012. This is the fourth consecutive year that industry earnings have registered a year-over-year increase. The improvement in earnings was primarily attributable to lower expenses for loan-loss provisions, reduced noninterest expenses, and increased noninterest income. More than half of all institutions—54.2 percent—reported year-over-year increases in net income, and the percentage of institutions with negative net income for the year fell to 7.8 percent, down from 11 percent a year earlier.

The average return on assets (ROA) was 1.07 percent, up from 1.00 percent in 2012. This is the highest annual ROA for the industry since 2006. However, fewer than half of insured institutions—45.3 percent—had higher ROAs in 2013 than in 2012. Insured institutions set aside $32.1 billion in provisions for loan and lease losses during 2013, a decline of $25.7 billion (44.4 percent) compared to 2012. This is the smallest annual loss provision since 2006. The industry's total noninterest expenses fell by $4.5 billion (1.1 percent), as itemized litigation expenses declined by $4.5 billion. Noninterest income rose by $3.2 billion (1.3 percent), as trading revenue was $4.3 billion (23.7 percent) higher, servicing fee income was up by $3.9 billion (27.5 percent), and income from trust activities rose by $2.2 billion (7.7 percent). Noninterest income from changes in the fair values of financial instruments accounted for under a fair value option was $6.5 billion lower than in 2012. Realized gains on securities were $5.2 billion (53.7 percent) lower, as higher interest rates in 2013 reduced the market values of banks' securities portfolios.

A challenging interest-rate environment contributed to a decline in the industry's net interest income in 2013. Net interest income registered a third consecutive annual decline, falling by $3.7 billion (0.9 percent), as interest income declined more rapidly than interest expense. Total interest income was $16 billion (3.3 percent) lower than in 2012, even though average interest-earning asset balances were $487.3 billion (4 percent) higher, as older, higher-yield assets matured and were replaced by lower-yielding current investments. The average net interest margin fell from 3.42 percent in 2012 to 3.26 percent, the lowest annual average since 2008.

Indicators of asset quality continued to improve in 2013. In the twelve months ended December 31, total noncurrent loans and leases—those that were 90 days or more past due or in nonaccrual status—declined by $69.7 billion (25.2 percent). Loans secured by real estate properties accounted for the largest share of the reduction in noncurrent loans ($64.9 billion). Noncurrent 1-4 family residential real estate loans fell by $44.5 billion (23.2 percent), noncurrent nonfarm nonresidential real estate loans declined by $9.5 billion (31.1 percent), and noncurrent real estate construction loans fell by $8.6 billion (50.6 percent). Noncurrent balances in all other major loan categories declined, led by loans to commercial and industrial (C&I) borrowers (down $3.3 billion, or 24.8 percent).

Net charge-offs of loans and leases (NCOs) totaled $53.2 billion in 2013, a decline of $29 billion (35.3 percent) compared to 2012. Real estate loans secured by 1-4 family residential properties registered the largest year-over-year decline, with NCOs falling by $15.9 billion (51.7 percent). Net charge-offs of credit card loans were $3.2 billion (12.5 percent) lower, while net charge-offs of nonfarm nonresidential real estate loans declined by $3 billion (51.4 percent), and NCOs of real estate construction and development loans were $2.8 billion (73 percent) lower than in 2012. NCOs in all other major loan categories also posted significant declines. At the end of 2013, there were 467 institutions on the FDIC's "Problem List," down from 651 "problem" institutions a year earlier.

Asset growth remained modest in 2013. During the 12 months ended December 31, total assets of insured institutions increased by $272.1 billion (1.9 percent). Loans and leases accounted for more than half of the increase in total assets, rising by $197.3 billion (2.6 percent). C&I loans increased by $101.5 billion (6.8 percent), nonfarm nonresidential real estate loans rose by $36.1 billion (3.4 percent), and auto loans increased by $33.2 billion

(10.4 percent). In contrast, home equity lines of credit fell by $44 billion (7.9 percent), and other real estate loans secured by 1-4 family residential properties declined by $63.5 billion (3.4 percent).

Growth in deposits outpaced the increase in total assets. In the 12 months ended December 31, total deposits of insured institutions increased by $374.7 billion (3.5 percent). Deposits in domestic offices rose by $343.9 billion, (3.6 percent), while foreign office deposits increased by $30.7 billion (2.2 percent). Much of the increase in domestic deposits occurred in balances in large-denomination accounts. Deposits in accounts with denominations greater than $250,000 increased by $269.4 billion, (5.9 percent). Nondeposit liabilities declined by $128.2 billion (6.4 percent), while equity capital rose by $29.8 billion (1.8 percent).

C. MORE ABOUT THE FDIC

FDIC BOARD OF DIRECTORS

Seated (left to right): Thomas M. Hoenig, Martin J. Gruenberg, Jeremiah O. Norton
Standing (left to right): Thomas J. Curry, Richard Cordray

Martin J. Gruenberg

Martin J. Gruenberg is the 20th Chairman of the FDIC, receiving Senate confirmation on November 15, 2012, for a five-year term. Mr. Gruenberg has served on the FDIC Board of Directors since August 22, 2005, including as Acting Chairman from July 9, 2011, to November 15, 2012, and also from November 16, 2005, to June 26, 2006.

Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D-MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. Mr. Gruenberg advised the Senator on issues of domestic and international financial regulation, monetary policy, and trade. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992. Major legislation in which Mr. Gruenberg played an active role during his service on the Committee includes the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA); the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA); the Gramm-Leach-Bliley Act; and the Sarbanes-Oxley Act of 2002.

Mr. Gruenberg served as Chairman of the Executive Council and President of the International Association of Deposit Insurers (IADI) from November 2007 to November 2012.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Woodrow Wilson School of Public and International Affairs.

Thomas M. Hoenig

Thomas M. Hoenig was confirmed by the Senate as Vice Chairman of the FDIC on November 15, 2012. He joined the FDIC on April 16, 2012, as a member of the Board of Directors of the FDIC for a six-year term. He is also a member of the Executive Board of the International Association of Deposit Insurers.

Prior to serving on the FDIC Board, Mr. Hoenig was the President of the Federal Reserve Bank of Kansas City and a member of the Federal Reserve System's Federal Open Market Committee from 1991 to 2011.

Mr. Hoenig was with the Federal Reserve for 38 years, beginning as an economist, and then as a senior officer in banking supervision during the U.S. banking crisis of the 1980s. In 1986, he led the Kansas City Federal Reserve Bank's Division of Bank Supervision and Structure, directing the oversight of more than 1,000 banks and bank holding companies with assets ranging from less than $100 million to $20 billion. He became President of the Kansas City Federal Reserve Bank on October 1, 1991.

Mr. Hoenig is a native of Fort Madison, Iowa, and received a doctorate in economics from Iowa State University.

Jeremiah O. Norton

Jeremiah O. Norton was sworn in on April 16, 2012, as a member of the FDIC Board of Directors for the remainder of a term expiring July 15, 2013.

Prior to joining the FDIC's Board, Mr. Norton was an Executive Director at J.P. Morgan Securities LLC, in New York, New York.

Mr. Norton was in government for a number of years before joining the FDIC Board, most recently as the Deputy Assistant Secretary for Financial Institutions Policy at the U.S. Treasury Department. Mr. Norton also was a Legislative Assistant and professional staff member for U.S. Representative Edward R. Royce.

Mr. Norton received a J.D. from the Georgetown University Law Center and an A.B. in economics from Duke University.

Thomas J. Curry

Thomas J. Curry was sworn in as the 30th Comptroller of the Currency on April 9, 2012.

The Comptroller of the Currency is the administrator of national banks and federal savings associations, and chief officer of the Office of the Comptroller of the Currency (OCC). The OCC supervises more than 2,000 national banks and federal savings associations and about 50 federal branches and agencies of foreign banks in the United States. These institutions comprise nearly two-thirds of the assets of the commercial banking system. The Comptroller also is a Director of NeighborWorks® America.

On April 1, 2013, Mr. Curry was named Chairman of the Federal Financial Institutions Examination Council (FFIEC) for a two-year term. Comptroller Curry is the 21st FFIEC Chairman.

Prior to becoming Comptroller of the Currency, Mr. Curry served as a Director of the FDIC Board since January 2004, and as the Chairman of the NeighborWorks® America Board of Directors.

Prior to joining the FDIC's Board of Directors, Mr. Curry served five Massachusetts Governors as the Commonwealth's Commissioner of Banks from 1990 to 1991 and from 1995 to 2003. He served as Acting Commissioner from February 1994 to June 1995. He previously served as First Deputy Commissioner and Assistant General Counsel within the Massachusetts Division of Banks. He entered state government in 1982 as an attorney with the Massachusetts' Secretary of State's Office.

Mr. Curry served as the Chairman of the Conference of State Bank Supervisors from 2000 to 2001, and served two terms on the State Liaison Committee of the Federal Financial Institutions Examination Council, including a term as Committee Chairman.

He is a graduate of Manhattan College (summa cum laude), where he was elected to Phi Beta Kappa. He received his law degree from the New England School of Law.

Richard Cordray

Richard Cordray serves as the first Director of the Consumer Financial Protection Bureau. He previously led the Bureau's Enforcement Division.

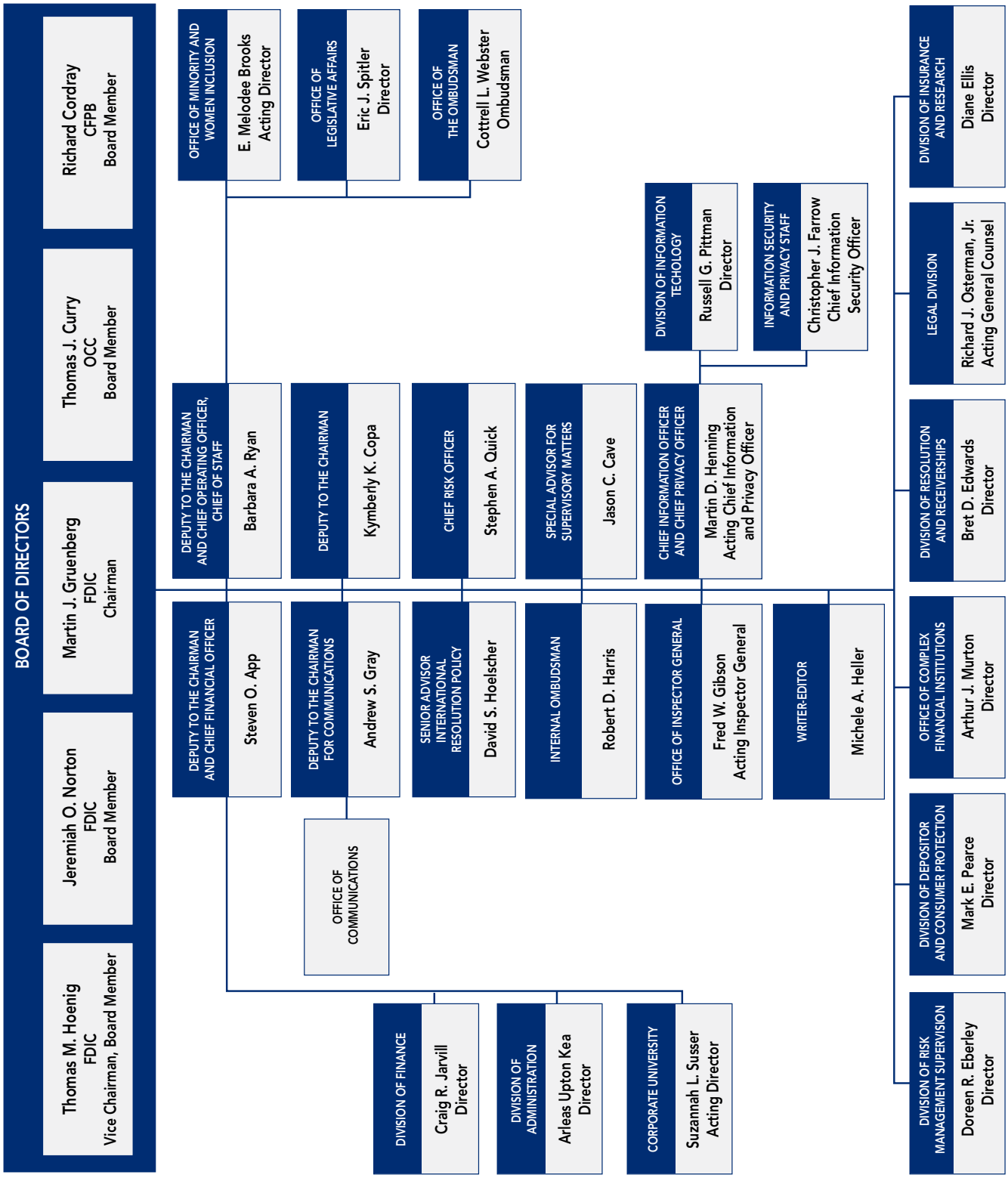
Prior to joining the Bureau, Mr. Cordray served on the front lines of consumer protection as Ohio's Attorney General. Mr. Cordray recovered more than $2 billion for Ohio's retirees, investors, and business owners, and took major steps to help protect its consumers from fraudulent foreclosures and financial predators. In 2010, his office responded to a record number of consumer complaints, but Mr. Cordray went further and opened that process for the first time to small businesses and nonprofit organizations to ensure protections for even more Ohioans. To recognize his work on behalf of consumers as Attorney General, the Better Business Bureau presented Mr. Cordray with an award for promoting an ethical marketplace.

Mr. Cordray also served as Ohio Treasurer and Franklin County Treasurer, two elected positions in which he led state and county banking, investment, debt, and financing activities. As Ohio Treasurer, he resurrected a defunct economic development program that provides low-interest loan assistance to small businesses to create jobs, re-launched the original concept as GrowNOW, and pumped hundreds of millions of dollars into access for credit to small businesses. Mr. Cordray simultaneously created a Bankers Advisory Council to share ideas about the program with community bankers across Ohio.

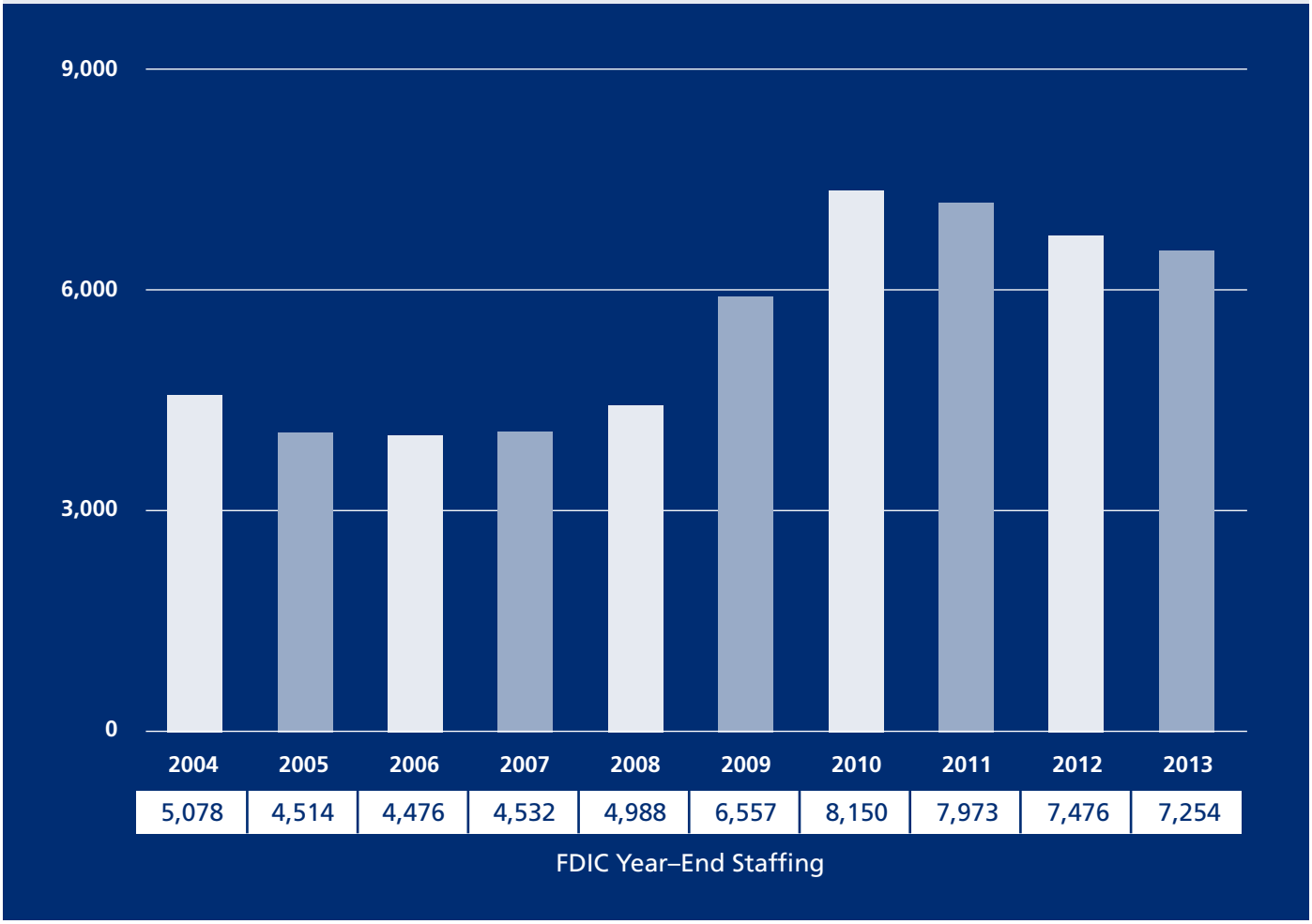
Earlier in his career, Mr. Cordray was an adjunct professor at the Ohio State University College of Law, served as a State Representative for the 33rd Ohio House District, was the first Solicitor General in Ohio's history, and was a sole practitioner and Counsel to Kirkland & Ellis. Mr. Cordray has argued seven cases before the United States Supreme Court, by special appointment of both the Clinton and Bush Justice Departments. He is a graduate of Michigan State University, Oxford University, and the University of Chicago Law School. Mr. Cordray was Editor-in-Chief of the University of Chicago Law Review and later clerked for U.S. Supreme Court Justices Byron White and Anthony Kennedy.

Mr. Cordray lives in Grove City, Ohio, with his wife Peggy—a Professor at Capital University Law School in Columbus—and twin children Danny and Holly.

FDIC ORGANIZATION CHART/OFFICIALS



CORPORATE STAFFING
STAFFING TRENDS 2004-2013



Note: 2008-2013 staffing totals reflect year-end full time equivalent staff. Prior to 2008, staffing totals reflect total employees on-board.

NUMBER OF EMPLOYEES BY DIVISION/OFFICE 2013 AND 2012 (YEAR-END)[1]

	Total		Washington		Regional/Field	
Division or Office:	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Division of Risk Management Supervision[2]	2,814	2,763	207	169	2,608	2,593
Division of Depositor and Consumer Protection	858	848	126	119	732	729
Division of Resolutions and Receiverships	1,284	1,428	166	165	1,118	1,263
Legal Division	678	716	388	384	290	332
Division of Administration	396	403	247	248	149	156
Division of Information Technology[3]	340	358	264	280	76	78
Corporate University	195	194	184	176	11	18
Division of Insurance and Research[3]	187	195	143	145	44	51
Division of Finance	176	176	174	174	2	2
Office of Inspector General	117	126	75	81	42	46
Office of Complex Financial Institutions[2]	74	148	62	87	12	61
Executive Offices[4]	20	20	20	20	0	0
Executive Support Offices[3,5]	117	102	107	89	10	13
Total	**7,254**	**7,476**	**2,161**	**2,135**	**5,093**	**5,341**

[1] The FDIC reports staffing totals using a full-time equivalent methodology, which is based on an employee's scheduled work hours. Division/Office staffing has been rounded to the nearest whole FTE. Totals may not foot due to rounding.

[2] In March 2013, 99 positions were moved from the Office of Complex Financial Institutions to the Division of Risk Management Supervision.

[3] In September 2013, the Office of the International Agency was merged into the Division of Insurance and Research and the Office of the Information Security Privacy Staff (ISPS) was split from the Division of Information Technology.

[4] Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Chief Information Officer, and External Affairs.

[5] Includes the Offices of the Legislative Affairs, Communications, Ombudsman, Information Security and Privacy Staff, Minority and Women Inclusion, and Corporate Risk Management.

SOURCES OF INFORMATION

FDIC Website

www.fdic.gov

A wide range of banking, consumer, and financial information is available on the FDIC's Website. This includes the FDIC's Electronic Deposit Insurance Estimator (EDIE), which estimates an individual's deposit insurance coverage; the Institution Directory, which contains financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports, which are banks' reports of condition and income; and *Money Smart*, a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches, and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC Call Center

Phone: 877-275-3342 (877-ASK-FDIC)
703-562-2222

Hearing Impaired: 800-925-4618
703-562-2289

The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public, and FDIC employees. The Call Center directly, or in concert with other FDIC subject-matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also refers callers to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 8:00 p.m., Eastern Time, Monday – Friday, and 9:00 a.m. to 5:00 p.m., Saturday – Sunday. Recorded information about deposit insurance and other topics is available 24 hours a day at the same telephone number.

As a customer service, the FDIC Call Center has many bilingual Spanish agents on staff and has access to a translation service able to assist with over 40 different languages.

Public Information Center

3501 Fairfax Drive
Room E-1021
Arlington, VA 22226

Phone: 877-275-3342 (877-ASK-FDIC),
703-562-2200

Fax: 703-562-2296

FDIC Online Catalog: https://vcart.velocitypayment.com/fdic/

E-mail: publicinfo@fdic.gov

Publications such as FDIC Quarterly and Consumer News, and a variety of deposit insurance and consumer pamphlets are available at www.fdic.gov or may be ordered in hard copy through the FDIC online catalog. Other information, press releases, speeches and congressional testimony, directives to financial institutions, policy manuals, and FDIC documents are available on request through the Public Information Center. Hours of operation are 9:00 a.m. to 4:00 p.m., Eastern Time, Monday – Friday.

Office of the Ombudsman

3501 Fairfax Drive
Room E-2022
Arlington, VA 22226

Phone: 877-275-3342 (877-ASK-FDIC)

Fax: 703-562-6057

E-mail: ombudsman@fdic.gov

The Office of the Ombudsman (OO) is an independent, neutral, and confidential resource and liaison for the banking industry and the general public. The OO responds to inquiries about the FDIC in a fair, impartial, and timely manner. It researches questions and fields complaints from bankers and bank customers. OO representatives are present at all bank closings to provide accurate information to bank customers, the media, bank employees, and the general public. The OO also recommends ways to improve FDIC operations, regulations, and customer service.

REGIONAL AND AREA OFFICES

Atlanta Regional Office

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(678) 916-2200

Alabama
Florida
Georgia
North Carolina
South Carolina
Virginia
West Virginia

Chicago Regional Office

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(312) 382-6000

Illinois
Indiana
Kentucky
Michigan
Ohio
Wisconsin

Dallas Regional Office

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Dallas, Texas 75201
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Colorado
New Mexico
Oklahoma
Texas

Memphis Area Office

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Suite 300
Memphis, Tennessee 38119
(901) 685-1603

Arkansas
Louisiana
Mississippi
Tennessee

Kansas City Regional Office

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Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

New York Regional Office

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(917) 320-2500

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District of Columbia
Maryland
New Jersey
New York
Pennsylvania
Puerto Rico
Virgin Islands

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Connecticut
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Massachusetts
New Hampshire
Rhode Island
Vermont

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San Francisco, California 94105
(415) 546-0160

Alaska
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California
Guam
Hawaii
Idaho
Montana
Nevada
Oregon
Utah
Washington
Wyoming

D. OFFICE OF INSPECTOR GENERAL'S ASSESSMENT OF THE MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE FDIC

Under the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) identifies the management and performance challenges facing the FDIC and provides its assessment to the FDIC for inclusion in the FDIC's annual performance and accountability report. In doing so, we keep in mind the FDIC's overall program and operational responsibilities; financial industry, economic, and technological conditions and trends; areas of congressional interest and concern; relevant laws and regulations; the Chairman's priorities and corresponding corporate goals; and ongoing activities to address the issues involved. The OIG believes that the FDIC faces challenges in the areas listed below, as it continues to operate in a post-crisis environment.

Carrying Out Systemic Resolution Responsibilities

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) created a comprehensive new regulatory and resolution framework designed to avoid the severe consequences of financial instability. Title I of the Dodd-Frank Act provides tools for regulators to impose enhanced supervision and prudential standards on systemically important financial institutions (SIFIs). Title II provides the FDIC with a new orderly liquidation authority for SIFIs, subject to a systemic risk determination by statutorily-designated regulators.

The FDIC has made significant progress over the past three years toward implementing its systemic resolution authorities under the Dodd-Frank Act. Among other things, the FDIC has issued a joint regulation and met established time frames for completing reviews of resolution plans submitted by covered financial companies, entered into agreements with certain foreign regulatory authorities to promote cross-border cooperation, and developed a single-point-of-entry resolution strategy as a preferred approach for the orderly liquidation of covered financial companies under certain circumstances.

While these accomplishments are notable, challenges remain in establishing a robust corporate-wide capability for this critical responsibility. In the coming months, the FDIC will be working to enhance its strategic planning efforts, strengthen coordination among the various FDIC divisions involved in the resolution activities, and build out the Office of Complex Financial Institutions' infrastructure to support systemic resolution activities.

Strengthening IT Security and Governance

Key to achieving the FDIC's mission of maintaining stability and public confidence in the nation's financial system is safeguarding the sensitive information, including personally identifiable information that the FDIC collects and manages in its role as federal deposit insurer and regulator of state non-member financial institutions. Further, as an employer, an acquirer of services, and a receiver for failed institutions, the FDIC obtains considerable amounts of sensitive information from its employees, contractors, and failed institutions. Increasingly sophisticated security risks and global connectivity have resulted in both internal and external risks to that sensitive information. Internal risks include errors and fraudulent or malevolent acts by employees or contractors working within the organization. External threats include a growing number of cyber-based attacks that can come from a variety of sources, such as hackers, criminals, foreign nations, terrorists, and other adversarial groups. Such threats underscore the importance of a strong, enterprise-wide information security program.

During 2013, the FDIC Chairman announced significant changes to the FDIC's information security governance structure. These changes were intended to address current and emerging risks in the IT and information security environments. Among these changes, in April, the FDIC established the IT/Cyber Security Oversight Group to provide a senior-level forum for assessing cybersecurity threats and developments impacting the FDIC and the banking industry. In July 2013, the Chairman separated the roles and responsibilities of the Chief Information Officer (CIO) and Director, Division of Information Technology. Both positions had previously been held by the same individual. The position of CIO now reports directly to the FDIC Chairman. The CIO has broad strategic responsibility of IT governance, investments, program management, and information security. The CIO also serves as the FDIC's Chief Privacy Officer. Finally, the Chief Information Security Officer (CISO) and related staff, who had formerly

reported to the Director of the Division of Information Technology, now report to the CIO. The purpose of this realignment was to ensure that the CISO has the ability to provide an independent perspective on security matters to the CIO and that the CIO has the authority and primary responsibility to implement an agency-wide information security program.

During 2014, a challenging priority for the FDIC will be to continue to adapt to these organizational changes as the new roles and responsibilities become ingrained in a changing environment and to ensure effective communication and collaboration among all parties involved in ensuring a robust and secure IT operating environment.

Maintaining Effective Supervision and Preserving Community Banking

The FDIC's supervision program promotes the safety and soundness of FDIC-supervised IDIs. The FDIC is the primary federal regulator for 4,316 FDIC-insured, state-chartered institutions that are not members of the Federal Reserve Board. As such, the FDIC is the lead federal regulator for the majority of community banks. As the FDIC continues to operate in a post-crisis environment, it must continue to apply lessons learned over the past years of turmoil. One key lesson is the need for earlier regulatory response when risks are building. For example, banks may be tempted to take additional risks or to loosen underwriting standards. Some banks are also introducing new products or lines of business or seeking new sources for non-interest income, all of which can lead to interest rate risk, credit risk, operational risk, and reputational risk. Additionally, with technological changes, increased use of technology service providers, new delivery channels, and cyber-threats, the FDIC's IT examination program needs to be proactive and bankers need to ensure a strong control environment and sound governance practices in their institutions. If the FDIC determines that an institution's condition is less than satisfactory, it may take a variety of supervisory actions, including informal and formal enforcement actions against the institution or its directors and officers and others associated with the institution, to address identified deficiencies and, in some cases, ultimately ban individuals from banking.

The Chairman has made it clear that one of the FDIC's most important priorities is the future of community banks and the critical role they play in the financial system and the U.S. economy as a whole. The FDIC undertook a comprehensive review of the U.S. community banking sector covering 27 years of data. Additionally, the FDIC has reviewed its examination, rulemaking, and guidance processes with a goal of identifying ways to make the supervisory process more efficient, consistent, and transparent—while maintaining safe and sound banking practices. Supplementing these activities were roundtable discussions with community bankers from around the country, and ongoing discussions with the FDIC's Advisory Committee on Community Banking. In response to concerns raised, the FDIC implemented a number of enhancements to its supervisory and rulemaking processes. For example, it restructured the pre-exam process. It is taking steps to improve communication with banks under its supervision by using Web-based tools. Finally, it has instituted a number of outreach and technical assistance initiatives for community bankers, which it expects to continue.

A strong examination program, vigilant supervisory activities, effective enforcement actions and lessons learned in light of the recent crisis will be critical to the future of community banks. These actions will also ensure stability and continued confidence in the financial system going forward.

Carrying Out Ongoing Resolution and Receivership Workload

In the recent financial crisis, the FDIC made extensive use of loss-share agreements (LSA) to facilitate the prompt transfer of failed bank assets to private management. In a loss share transaction, the FDIC as receiver agrees to share losses on certain assets with the acquirer. Under a typical LSA structure, the FDIC would assume 80 percent of future losses on troubled assets, with the acquiring institution assuming the remaining 20 percent. This partial indemnification against loss would induce risk-averse acquirers to take on these troubled assets under private management, and thus keep them out of a government-controlled receivership. It also provided an incentive for the acquirer to maximize net recoveries on those assets,

– consistent with the fiduciary responsibility of the FDIC. Almost 65 percent of the bank failures since the beginning of 2008 through 2012 were resolved through whole-bank purchase and assumption transactions with LSAs.

As another resolution strategy, the FDIC employed structured transactions to minimize the FDIC's holding and asset management expenses for the assets by transferring the management responsibility to private-sector asset management experts. As receiver, the FDIC had completed 34 structured transactions through August 2013 involving 42,900 assets with a total unpaid principal balance of $26 billion. To ensure the FDIC receives the highest return on the assets and the managing members treat failed bank borrowers fairly, the FDIC must continue to monitor the managing member's compliance with the transaction agreements by reviewing regular reports, measuring actual performance against performance projections in the consolidated business plans, conducting regular site visitations, and thoroughly investigating borrower or guarantor complaints with regard to the servicing and dispositions of their loans by the managing members.

As the crisis continues to diminish, some of these agreements will be winding down. We have recommended that the FDIC develop a strategy for mitigating the impact of impending portfolio sales and LSA terminations on the Deposit Insurance Fund (DIF) and that it ensure that procedures, processes, and resources are sufficient to address the volume of terminations and potential requests for asset sales. Given the dollar value and risks associated with the structured transactions, the FDIC needs to ensure continuous monitoring and effective oversight in the interest of receiving a high return on assets.

Ensuring the Continued Strength of the Insurance Fund

Insuring deposits remains at the heart of the FDIC's commitment to maintain stability and public confidence in the nation's financial system. To maintain sufficient DIF balances, the FDIC collects risk-based insurance premiums from insured institutions and invests deposit insurance funds.

In the aftermath of the financial crisis, FDIC-insured institutions continue to make gradual but steady progress. Continuing to replenish the DIF in a post-crisis environment is a critical activity for the FDIC. The DIF balance had dropped below negative $20 billion during the worst time of the crisis. At year-end 2013, the balance was $47.2 billion, reflecting 16 consecutive quarters of positive growth. Assessment revenue and a decline in loss provisions for anticipated bank failures have been the impetus for the increase in the fund balance.

While the fund is considerably stronger than it has been, the FDIC must continue to monitor the emerging risks that can threaten fund solvency in the interest of continuing to provide the insurance coverage that depositors have come to rely upon. Given the volatility of the global markets and financial systems, new risks can emerge without warning and threaten the safety and soundness of U.S. financial institutions and the viability of the DIF. The FDIC must be prepared for such a possibility.

Promoting Consumer Protections and Economic Inclusion

The FDIC carries out its consumer protection role by providing consumers with access to information about their rights and disclosures that are required by federal laws and regulations. Importantly, it also examines the banks where the FDIC is the primary federal regulator to determine the institutions' compliance with laws and regulations governing consumer protection, fair lending, and community investment. The FDIC also coordinates with the Consumer Financial Protection Board (CFPB), created under the Dodd-Frank Act, on consumer issues of mutual interest.

The FDIC continues to work with the Congress and others to ensure that the banking system remains sound and that the broader financial system is positioned to meet the credit needs of consumers and the economy, especially the needs of creditworthy households that may experience distress. A challenging priority articulated by the Chairman is to continue to increase access to financial services for the unbanked and underbanked in the United States. Efforts in this regard include the FDIC's biennial survey conducted jointly with the Census Bureau to assess the overall population's access to insured institutions. Additionally, the FDIC's Advisory Committee on Economic Inclusion, composed of bankers, community and consumer organizations, and academics, explores strategies to

bring the unbanked into the financial mainstream. The FDIC's Alliance for Economic Inclusion initiative seeks to collaborate with financial institutions; community organizations; local, state, and federal agencies; and other partners to form broad-based coalitions to bring unbanked and underbanked consumers and small businesses into the financial mainstream.

Successful activities in pursuit of this priority will continue to require effort on the part of the FDIC going forward. The FDIC will need to sustain ongoing efforts to carry out required compliance and community reinvestment examinations, coordinate with CFPB on regulatory matters involving financial products and services, and pursue economic inclusion initiatives to the benefit of the American public.

Implementing Workforce Changes and Budget Reductions

As the number of financial institution failures continues to decline, the FDIC is reshaping its workforce and adjusting its budget and human resources as it seeks a balanced approach to managing costs while achieving mission responsibilities. The FDIC closed two temporary offices charged with managing receivership activities and asset sales: the West Coast Office and the Midwest Office in January 2012, and September 2012, respectively. It plans to close the East Coast Office in April 2014.

The Board of Directors approved a $2.4 billion Corporate Operating Budget for 2014, 11 percent lower than the 2013 budget. In conjunction with its approval of the 2014 budget, the Board also approved an authorized 2014 staffing level of 7,199 positions, down from 8,053 currently authorized, a net reduction of 854 positions. This is the third consecutive reduction in the FDIC's annual operating budget, and the 2014 budget is the lowest annual budget since 2008.

As conditions improve throughout the industry and the economy, the FDIC and staff are adjusting to a new work environment and workplace. For all employees, in light of a post-crisis, transitioning workplace, the FDIC will seek to sustain its emphasis on fostering employee engagement and morale. Its diversity and inclusion initiatives, along with its new Workplace Excellence Program are positive steps in that direction and should continue to yield positive results.

Ensuring Effective Enterprise Risk Management

A key component of corporate governance at the FDIC is the Board of Directors. The Board will likely face challenges in leading the organization, accomplishing the Chairman's priority initiatives, and coordinating with the other regulatory agencies on issues of mutual concern and shared responsibility. Enterprise risk management is a related aspect of governance at the FDIC. Notwithstanding a stronger economy and financial services industry, the FDIC's enterprise risk management framework and related activities need to be attuned to emerging risks, both internal and external to the FDIC that can threaten corporate success. Individuals at every working level throughout the FDIC need to understand current and emerging risks and be ready to take necessary steps to mitigate those risks as changes occur and challenging scenarios present themselves.

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2013

Federal Deposit Insurance Corporation

This Annual Report was produced by talented and dedicated staff. To these individuals, we would like to offer our sincere thanks and appreciation. Special recognition is given to the following for their contributions:

- Jannie F. Eaddy
- Brian D. Aaron
- Barbara A. Glasby
- Financial Reporting Section
- Division and Offices' Points-of-Contact

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FDIC-003-2014