FDIC

FEDERAL
DEPOSIT
INSURANCE
CORPORATION

2014 ANNUAL REPORT

THIS PAGE INTENTIONALLY LEFT BLANK.

FDIC

FEDERAL
DEPOSIT
INSURANCE
CORPORATION

2014 ANNUAL REPORT

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

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

March 4, 2015

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 *2014 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 2014. We are committed to maintaining effective internal controls corporate-wide in 2015.

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

Table of Contents

Message from the Chairman 5

Message from the Chief Financial Officer 11

I. Management's Discussion and Analysis 13

The Year in Review 13

Overview 13

Implementation of Key Regulations 13

Insurance 18

Activities Related to Systemically Important Financial Institutions 19

Supervision 24

Receivership Management 38

International Outreach 41

Minority and Women Inclusion 43

Effective Management of Strategic Resources 44

II. Performance Results Summary 49

Summary of 2014 Performance Results by Program 49

Performance Results by Program and Strategic Goal 51

Prior Years' Performance Results 57

III. Financial Highlights 65

Deposit Insurance Fund Performance 65

IV. FDIC Budget and Spending 69

Corporate Operating Budget 69

2014 Budget and Expenditures by Program 70

Investment Spending 71

V. Financial Section 73

Deposit Insurance Fund (DIF) 74

FSLIC Resolution Fund (FRF) 93

Government Accountability Office Auditor's Report 102

Management's Report on Internal Control Over Financial Reporting 109

Management's Response to the Auditor's Report 110

VI. Corporate Management Control 111

Management Report on Final Actions 112

VII. Appendices 113

A. Key Statistics 114

B. More About the FDIC 128

C. Office of Inspector General's Assessment of the Management and Performance Challenges Facing the FDIC 137

D. Acronyms 143

INSURING DEPOSITS • EXAMINING AND SUPERVISING 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 assures 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.

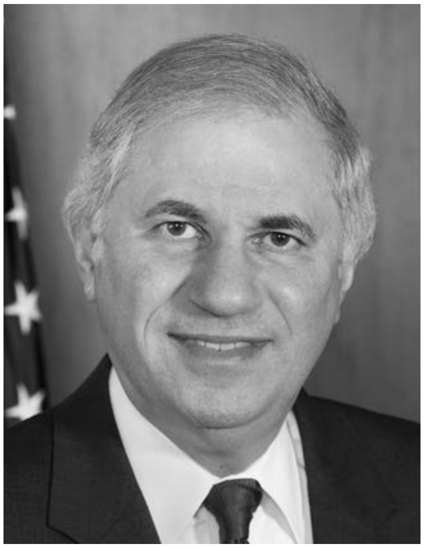
At the FDIC, we are working together to be the best.

FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

Message from the Chairman

For more than 80 years, the FDIC has carried out its mission of maintaining public confidence and stability in the nation's financial system.



The FDIC does this by insuring deposits; supervising and examining financial institutions for safety, soundness, and consumer protection; and managing receiverships when banks fail.

At the end of 2014, the FDIC insured deposits of $6.2 trillion in more than half a billion accounts at over 6,500 institutions. Further, the FDIC supervised 4,138 institutions, conducted 8,160 examinations, and managed nearly 500 active receiverships having total assets of $29.7 billion at year-end 2014.

The U.S. economy and the banking industry saw continued improvement in 2014. After experiencing the most severe financial crisis and economic downturn in the United States since the 1930s, the United States is now well into the recovery. The economy is expanding, although the pace of economic growth has been weaker than the long-term trend and bank profitability remains lower than pre-crisis levels. Still, the industry has been strengthening balance sheets, building capital, and enhancing liquidity.

Stronger balance sheets indicate ample capacity for FDIC-insured institutions to support the economic recovery. Last year, loan balances at banks increased by $416 billion, the largest dollar gain since 2007. Moreover, that growth was broad-based, with nearly all loan categories posting increases, and almost three-quarters of all institutions reporting larger loan balances. Loan growth was strongest at community banks, which posted an 8.6 percent gain in 2014 versus 5.3 percent for the industry overall. The numbers of both failed and problem institutions declined again in 2014, and the Deposit Insurance Fund (DIF) balance, which was almost $21 billion in the red during the financial crisis, was once again positive at nearly $63 billion at year-end.

Rising loan demand and a recent pickup in the pace of economic activity are creating favorable conditions for FDIC-insured institutions. The FDIC is working to wind down the receiverships of failed institutions and to address the emerging supervisory challenges of interest rate risk, credit risk, and cybersecurity threats. This shift is indicative of the move from a post-crisis recovery environment to one of expanding economic growth and financial activity. Following is an overview of the key strategic challenges facing the FDIC.

REBUILDING THE DIF, RESOLVING FAILED BANKS, AND FDIC RESOURCES

Under a long-term plan based on the Dodd-Frank Act requirements to rebuild the DIF, the FDIC has had a steady increase in the year-end fund balance from 2011 through 2014. Recently, lower than estimated losses for past bank failures, together with assessment income, have contributed to the increase in the fund balance to $62.8 billion as of December 31, 2014. The fund is on track to reach a reserve ratio — the ratio of the DIF fund balance to estimated insured deposits — of 1.35 percent by September 2020, as mandated by statute. The reserve ratio was 1.01 percent as of year-end 2014.

Bank failures in 2014 totaled 18, 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 291 at the end of 2014 from a high of 888 in March 2011. Although these trends are positive, we still have a way to go before these numbers return to more normal levels. The FDIC will continue to manage receiverships, examine problem institutions, and implement provisions of the Dodd-Frank Act.

As the banking industry continues to recover, the FDIC will require fewer resources. The agency's authorized workforce for 2014 was 7,200 full-time equivalent positions compared with 8,026 the year before. The 2014 Corporate Operating Budget was $2.4 billion, a decrease of $300 million (11 percent) from 2013.

The FDIC reduced its budget for 2015 from the prior year by 3 percent to $2.32 billion and reduced authorized staffing by approximately 5 percent to 6,875 positions, in anticipation of a further drop in bank failure activity in the years ahead. The three temporary satellite offices that were set up to handle the crisis-related workload have now closed. However, contingent resources are included in the budget to ensure readiness should economic conditions unexpectedly deteriorate.

During 2014, the FDIC continued to successfully use various resolution strategies 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.

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

The FDIC continues to implement its authorities under the Dodd-Frank Act, as well as important new capital and liquidity requirements.

Capital and Liquidity Rules Strengthened

In 2014, the FDIC Board of Directors (FDIC Board), in concert with the other regulators, adopted several important rules that strengthen the capital and liquidity standards for banking organizations. In April 2014, the FDIC Board finalized the Basel III capital rule that strengthens the quality of regulatory capital and increases the level of risk-based capital required under the prompt corrective action (PCA) standards. The FDIC's Basel III rule is substantively identical to rules adopted by the Board of Governors of the Federal Reserve System (FRB) and the Office of the Comptroller of the Currency (OCC). In April, the FDIC Board also approved an interagency, enhanced supplementary leverage ratio requirement for the largest systemically important financial institutions (SIFIs). The new leverage ratio goes beyond international standards agreed to by the Basel Committee on Banking Supervision.

The enhanced supplementary leverage ratio currently applies to eight large organizations designated as Global Systemically Important Banks, or G-SIBs. Insured banks within these G-SIB organizations would need to satisfy a 6 percent supplementary leverage ratio to be considered well capitalized for PCA purposes. The new rule also establishes an enhanced 5 percent supplementary leverage ratio at the holding company level. This should reduce the likelihood of failure, while increasing the ability of these firms to continue lending during periods of economic adversity. The introduction of the enhanced supplementary leverage ratio is one of the most significant step taken thus far to reduce the systemic risk posed by large, complex banking organizations.

In September 2014, the FDIC, the FRB, and the OCC adopted the first-ever quantitative liquidity standard for large banking organizations in the United States, the liquidity coverage ratio (LCR). During the recent financial crisis, many of the largest banks did not have a sufficient amount of high-quality liquid assets, such as cash and U.S. Treasury securities, and could not borrow enough funds from the marketplace to meet their liquidity needs. This new ratio will strengthen the liquidity positions of our largest financial institutions, thereby promoting safety and soundness, and the stability of the financial system.

The LCR applies to bank holding companies (BHCs) and depository institutions with $250 billion or more in total assets or with $10 billion or more in foreign exposures, and to depository institutions with $10 billion or more in assets that are consolidated subsidiaries of these covered banking organizations. Separately, the FRB issued similar rules for BHCs with at least $50 billion in assets. The new rule will not apply to community banks.

RESOLUTION PLANNING FOR SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS AND INTERNATIONAL COORDINATION

Under the framework of the Dodd-Frank Act, bankruptcy is the preferred path in the event of the failure of a SIFI.

To make this objective achievable, Section 165(d) of the Dodd-Frank Act and the implementing joint rules require that all BHCs with total consolidated assets of $50 billion or more, and nonbank financial companies that the Financial Stability Oversight Council (FSOC) designates for FRB supervision, prepare resolution plans, or "living wills," to demonstrate how the company could be resolved in a rapid and orderly manner under the Bankruptcy Code in the event of the company's material financial distress or failure. The living will process is an important new tool to enhance the resolvability of large financial institutions through the bankruptcy process.

Since 2010, the FRB and FDIC have been working to implement this new authority and have taken a number of important steps to do so, including the issuance of a joint rule in 2011 and joint guidance in 2013. In August 2014, the FDIC and FRB issued joint letters to the 11 largest, most complex banking organizations, directing them to make specific substantive changes to facilitate their orderly resolution in bankruptcy. The actions the firms are being directed to take include changes to simplify their legal structures, actions to ensure the continuation of critical services throughout the resolution process, and information system changes to ensure the timely delivery of information in resolution. The agencies in the letters directed a set of changes for the firms to implement that will make a meaningful difference in the ability to resolve these firms in an orderly manner in bankruptcy, as well as reduce the risk they pose to the financial system. Since that time, the agencies have been providing guidance to the banking organizations on the improvements needed to each plan, as those plans must demonstrate that the firms are making significant progress to address all the shortcomings identified in the letters.

In cases in which resolution under the Bankruptcy Code may result in serious adverse effects on financial stability in the United States, the Orderly Liquidation Authority set out in Title II of the Dodd-Frank Act serves as an important backstop. Upon recommendations by a two-thirds vote of the Federal Reserve Board and the FDIC Board and a determination by the Treasury Secretary in consultation with the President, a financial company whose failure is deemed to pose a risk to the financial system may be placed into an FDIC receivership. Under the Act, key findings and recommendations must be made before the Orderly Liquidation Authority can be considered as an option. These include a determination that the financial company is in default or danger of default; that failure of the financial company and its resolution under applicable federal or state law, including bankruptcy, would have serious adverse effects on U.S. financial stability; and that no viable private sector alternative is available to prevent the default of the financial company.

At the end of 2013, the FDIC Board approved publication of a *Federal Register* notice, which provides greater detail on a Single Point of Entry (SPOE) strategy for resolution and discusses the key issues that likely will be faced in the resolution of a SIFI. The notice sought public comment and views as to how the policy objectives set forth in the Dodd-Frank Act could better be achieved and a number of comments were received that will be considered as the FDIC continues its contingency planning.

Advance planning and cross-border coordination for the resolution of globally active SIFIs will be essential to minimize disruptions to global financial markets. Following up on progress made on international coordination in prior years, the FDIC continues to foster its relationships with foreign regulators to establish frameworks for effective cross-border cooperation.

In October, the FDIC hosted the heads of the Treasuries, central banks, and leading financial regulatory bodies in the United States and United Kingdom in an exercise designed to further understanding, communication, and cooperation between U.S. and U.K. authorities in the event of the failure and resolution of a G-SIB. In addition, the FDIC worked with its major foreign counterparts in significant efforts to develop cross-border cooperation for resolving failing global financial firms.

COMMUNITY BANKING INITIATIVE

Community banks are critically important to our economy and banking system. Community banks account for 13.3 percent of the banking assets in the United States, but also account for 45.1 percent of the small loans to businesses and farms made by all banks, making them key partners in supporting local economic development and job creation. Since the FDIC is the primary Federal supervisor of the majority of community banks in the United States, community banking will continue to be an important focus of FDIC supervision, technical assistance, and research.

In late 2012, the FDIC published a comprehensive study on community banking. The study confirmed that the traditional community bank business model – knowing your customer, funding from stable core deposits, and locally focused lending – performed comparatively well during the recent banking crisis. Of the more than 500 banks that failed since 2007, the highest failure rates were among non-community banks and community banks that departed from this traditional model by investing in risky assets funded by non-core deposits.

In 2014, FDIC analysts published new papers dealing with community bank consolidation, the effects of long-term rural depopulation, and the efforts of Minority Depository Institutions (MDIs) to provide essential banking services to customers. The FDIC also added a new community bank section to the FDIC's *Quarterly Banking Profile* (QBP). It includes new data on the structure, activity, and performance of community banks that will be useful in tracking the industry's performance more closely.

Apart from research, the community bank initiative includes a robust technical assistance program for bank directors, officers, and employees. The FDIC's latest innovation is a series of videos that are helping community bankers to understand better their management responsibilities. The video program grew out of requests by community bankers for help in a number of areas – from director responsibilities, to hot button issues in risk management and compliance supervision. Since 2013, the FDIC has produced and released more than 20 videos, available on the FDIC's website.

Finally, the FDIC's Advisory Committee on Community Banking is an ongoing forum for discussing current issues and receiving valuable feedback from the industry. The committee, which met three times during 2014, is composed of 15 community bank CEOs from around the country. It 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.

CYBERSECURITY

The rapidly evolving nature of cybersecurity risks reinforces the need for regulators, financial institutions, and critical technology service providers to have appropriate procedures to effectively respond to cybersecurity risk. The FDIC works with other bank regulators to analyze and respond to emerging cyber threats, bank security breaches, and other harmful or disruptive technology-related incidents. The federal banking agencies are currently reviewing security readiness at banks and technology service providers. We are also evaluating our supervisory policies for potential improvements.

The FDIC has taken a number of actions to raise awareness of cyber risks and to encourage practices to protect against threats at the banks we supervise, particularly community banks. For example, in 2014 the FDIC distributed Cyber Challenge: A Community Bank Cyber Exercise to all FDIC-supervised banks. Cyber Challenge provides operational risk-related scenarios and challenge questions designed to facilitate discussion and allow community bankers to assess their preparedness for and response to cyber-related events.

The FDIC monitors cybersecurity issues on a regular basis through on-site bank examinations, regulatory reports, and intelligence reports. The FDIC also works with other federal agencies, law enforcement and a number of government groups and industry coordinating councils, such as the Finance and Banking Information Infrastructure Committee, and the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security, to facilitate collaboration and information sharing across the financial services sector.

PROTECTING CONSUMERS AND EXPANDING ACCESS TO BANKING SERVICES

Expanding access to mainstream banking services is part of the FDIC's core mission. The FDIC's National Survey of Unbanked and Underbanked Households, conducted every two years with the U.S. Census Bureau, has documented that a large portion of the population in our country does not have a relationship with an insured depository institution or relies on alternative financial service providers to meet some of their financial services needs. The survey, which was last released in October 2014, is widely used by the industry, analysts, government and non-governmental organizations, the media, and many others to better understand who lacks access to mainstream banking services and to gain insights into opportunities to expand participation.

During 2014, the FDIC continued its efforts to protect consumers and expand access to mainstream banking services. For example, the FDIC's Advisory Committee on Economic Inclusion — composed of bankers, community and consumer organizations, and academics — continues to focus on new ways to expand banking services to all consumers. During 2014, several banks offered low-cost transaction accounts that were consistent with the FDIC's model SAFE transaction account template that was developed under guidance from the committee. The committee also worked on developing ways to tap the economic inclusion potential of mobile financial services, expanding financial education programs for young people, and identifying prudent, feasible approaches to providing access to small-dollar credit within mainstream, insured financial institutions.

CONCLUSION

During 2014, the U.S. banking industry continued its recovery from the recent financial crisis. The industry benefited from stronger balance sheets, fewer problem banks and bank closings, increased lending activity, and a larger balance in the DIF. At the same time, it remains important for bankers and supervisors to heed the lessons of the recent crisis by maintaining a steady focus on risk management.

In 2015, the FDIC will continue to work to fulfill its mission of maintaining public confidence and stability in the nation's financial system.

The workforce of the FDIC remains committed to the FDIC's core mission. I am very grateful to the dedicated professionals of the FDIC for their commitment to public service and for the high level at which they carry out their important responsibilities.

Sincerely,

Martin J. Gruenberg

THIS PAGE INTENTIONALLY LEFT BLANK.

Message from the Chief Financial Officer

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) *2014 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 23 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 execution of sound financial management and in providing reliable financial data.

During 2014, the FDIC continued to rebuild the DIF following the most recent banking crisis. Since the end of 2009, when the DIF was negative $20.9 billion, the DIF increased by $83.7 billion to a record $62.8 billion at the end of 2014. This increase is primarily due to $57.9 billion in cumulative assessment revenue and a $23.4 billion cumulative decrease in the provision for insurance losses.

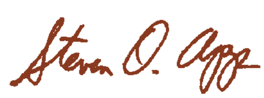
FINANCIAL RESULTS FOR 2014

For 2014, DIF comprehensive income totaled $15.6 billion, an increase of $1.4 billion over the 2013 comprehensive income of $14.2 billion. This increase is primarily due to a negative $8.3 billion in provision for insurance losses in 2014 compared to a negative $5.7 billion in 2013. Assessment revenue was $8.7 billion in 2014 as compared to $9.7 billion in 2013, a decrease of $1.0 billion. Interest on U.S. Treasury obligations totaled $282 million as compared to $103 million in 2013; at the end of 2014, the yield to maturity on the DIF portfolio was 0.70%.

In April 2014, we closed the last of our three temporary offices which were originally opened in 2009 and 2010 to deal with the banking crisis. At the height of the banking crisis, the FDIC full-time equivalent employees peaked at 8,241. At the end of 2014, we had 6,631 employees, a 20% reduction in overall staffing. While we have reduced staffing and project further reductions in 2015, we will maintain a workforce ready to carry out the mission of the FDIC and to handle any future bank failures.

In 2014, there were 18 bank failures, down markedly from the peak of 157 in 2010, and the lowest number since 25 failures occurred at the beginning of the crisis in 2008. As bank failures decline further, we will continue to manage risks, especially as they pertain to our goal of rebuilding the DIF. We will remain focused on sound financial management techniques, and maintain our enterprise-wide risk management and internal control program.

Sincerely,



Steven O. App

FDIC Senior Leaders

Seated (left to right): Vice Chairman Thomas M. Hoenig, Chairman Martin J. Gruenberg, and Director Jeremiah O. Norton. Standing 1st Row (left to right): Suzannah L. Susser, Barbara A. Ryan, Arleas Upton Kea, Craig R. Jarvill, Doreen R. Eberley, and Arthur J. Murton. 2nd Row (left to right): Martin D. Henning, Cottrell L. Webster, Richard J. Osterman, Jr., Stephen A. Quick, and Andrew S. Gray. 3rd Row (left to right): Diane Ellis, Mark E. Pearce, Bret D. Edwards, Russell G. Pittman, Eric J. Spitler, and Steven O. App.

Not pictured: Barbara Hagenbaugh, Kymberly K. Copa, Segundo Pereira, Robert D. Harris, Fred W. Gibson, Barry C. West, Christopher J. Farrow, and C. Richard Miserendino.

I. Management's Discussion and Analysis

The Year in Review

OVERVIEW

During 2014, the FDIC continued to fulfill its mission-critical responsibilities. The FDIC adopted and issued final rules on key regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The FDIC also engaged in several community banking and community development initiatives over the past year. In addition, cybersecurity remained a high priority for the FDIC as it worked to strengthen cybersecurity oversight, help financial institutions mitigate this increasing risk, and respond to cyber threats. The sections below highlight some of our accomplishments during the year.

IMPLEMENTATION OF KEY REGULATIONS

Capital Rulemaking and Guidance

In April 2014, the FDIC adopted as final its 2013 interim final capital rule implementing the Basel III capital standards. The Basel III standards strengthen the quality and required level of regulatory capital and, for advanced approaches banks, introduce a new supplementary leverage requirement. The final rule is largely identical to the final capital rule adopted by the Office of the Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (FRB) in September 2013. Also in April 2014, the FDIC and the other federal banking agencies issued a final rule that strengthens the supplementary leverage capital requirements for the eight largest U.S. bank holding companies (BHCs) and their insured banks. The enhanced leverage requirements in this rule, which are significantly higher than the 3 percent level agreed to by the Basel Committee, should contribute to the stability and resilience of these large institutions and the financial system.

Basel III Final Capital Rule

At its April 2014 meeting, the FDIC Board of Directors (FDIC Board) approved the Basel III interim final rule as a final rule with no substantive changes. The FDIC had issued the July 2013 Basel III rule as an interim final rule in order to consider comments on the enhanced supplementary leverage standards. The Basel III rule became effective January 1, 2015, for banking organizations not subject to the advanced approaches risk-based capital rule. Banking organizations that are subject to the advanced approaches capital requirements have been operating under the new capital rule since January 1, 2014. For all banking organizations, the final rule provides a phase-in period for certain aspects of the rule including the new capital ratios, the capital conservation buffer, and adjustments to and deductions from regulatory capital.

The capital conservation buffer framework provides for gradually increasing limits on capital distributions as a bank's risk-based capital ratios approach regulatory minimums. S-corporation banks have expressed concern that this framework could increase the frequency with which their shareholders face a tax liability without having received dividends. Under the final rule, banks may make a dividend exception request to their primary federal regulator (PFR), and the regulator can approve the request if warranted based on safety and soundness considerations. In July 2014, the FDIC released a Financial Institution Letter (FIL) describing the factors that will be considered for such requests from S-corporation banks. Absent significant safety and soundness concerns about the requesting bank, the FDIC generally would expect to approve exception requests by well-rated S-corporation banks that are limited to the payment of dividends to cover shareholders' taxes on their portion of an S-corporation's earnings.

Regulatory Capital–Proposed Revisions Applicable to Banking Organizations Subject to the Advanced Approaches Risk-Based Capital Rule

In November 2014, the federal banking agencies issued a notice of proposed rulemaking (NPR) regarding certain technical amendments to the advanced approaches risk-based capital rule, to enhance consistency of the U.S. capital rules with international standards for the use of the advanced approaches framework.

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

In April 2014, the federal banking agencies issued a final rule that increases the supplementary leverage requirements for the largest, most systemically important banking organizations and their subsidiary insured depository institutions (IDIs). The new requirements apply to banking organizations with at least $700 billion in total consolidated assets at the top-tier BHC or at least $10 trillion in assets under custody (covered BHCs) and any IDI subsidiary of these bank holding companies (covered IDIs). For covered IDIs, the rule establishes a supplementary leverage ratio of 6 percent as a "well-capitalized" threshold for prompt corrective action (PCA). For covered BHCs, the rule establishes a capital conservation buffer composed of tier 1 capital of 2 percent of total leverage exposure; therefore, these BHCs need to maintain a supplementary leverage ratio of 5 percent to avoid restrictions on capital distributions. These levels are in excess of the Basel III requirement of a 3 percent supplementary leverage ratio, which applies to all advanced approaches banking organizations.

Supplementary Leverage Ratio Final Rule

In September 2014, the FDIC approved an interagency final rule that implements changes to the supplementary leverage ratio calculation that were proposed in April 2014. The supplementary leverage ratio applies to all banking organizations subject to the advanced approaches risk-based capital rules, including the eight entities subject to the enhanced supplementary leverage requirements. The rule aligns the agencies' rules on the calculation of the denominator of the supplementary leverage ratio with international leverage ratio standards. Among other things, the new rule:

- Incorporates in the denominator of the ratio the effective notional amount of credit derivatives and other similar instruments under which credit protection is provided.
- Modifies the calculation of total leverage exposure for derivatives and repo-style transactions.
- Revises the credit conversion factors applied to certain off-balance sheet exposures.

The rule also establishes public disclosure requirements that are effective in March 2015. Supplementary leverage ratio capital requirements incorporating the revised denominator are effective January 1, 2018.

Regulatory Reporting Under the Final Capital Rule

In March 2014, the FDIC and the other federal banking agencies implemented the first stage of revisions to the Consolidated Reports of Condition and Income (Call Report) to align the regulatory capital components and ratios portion of the regulatory capital schedule with the Basel III revised regulatory capital definitions. The agencies also revised the Federal Financial Institutions Examination Council (FFIEC) 101 regulatory capital report for advanced approaches institutions to implement changes to the advanced approaches regulatory capital rules. These regulatory capital reporting changes took effect as of the March 31, 2014, report date for advanced approaches institutions. The Call Report revisions will be applicable to all other institutions as of the March 31, 2015, report date.

In June 2014, the FDIC and the other federal banking agencies issued for comment the second stage of revisions to the Call Report regulatory capital schedule. These revisions would update the risk-weighted assets portion of the schedule to reflect the standardized approach to risk weighting in the Basel III final rules and would take effect as of the March 31, 2015, report date. Following the publication of the proposal, the agencies conducted a banker teleconference to describe the proposed reporting changes and respond to questions. The agencies have modified the report form and instructions in response to comments and technical questions received on the proposal. Final drafts of the revised risk-weighted assets report form and instructions were made available to institutions in January 2015. Subsequently, the agencies also issued the final risk-weighted asset reporting changes for comment and submitted them to the U.S. Office of Management and Budget (OMB) for approval.

In September 2014, the FDIC and the other federal banking agencies issued for comment the proposed FFIEC 102 market risk regulatory report. This new quarterly report would collect key information from the limited number of institutions subject to the Basel III market risk capital rules on how they measure and calculate market risk under these rules. The report would take effect as of the March 31, 2015, report date. After considering technical questions received on the proposal, the agencies finalized the market risk reporting requirements in January 2015, and subsequently issued a final request for comments and submitted the new report to OMB for approval.

Stress Testing Guidance

In March 2014, the FDIC, along with the other federal banking agencies, issued final guidance that outlines high-level principles for implementing Section 165(i)(2) of the Dodd-Frank Act, which requires 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.

Since the publication of the Annual Stress Test rule in October 2012, the FDIC and other federal banking agencies have received feedback from the industry regarding the resource constraints that covered banks face at the beginning and end of the calendar year arising from competing regulatory and reporting deadlines. The FDIC and other banking agencies are aware that conducting stress testing during the last quarter of a calendar year may also make it difficult for covered banks to timely modify strategic and operational plans for the following year that address any issues identified in the company-run stress test results.

For these reasons, in November 2014, the FDIC, in coordination with the FRB and the OCC, issued a final rule that modifies the dates of the stress test cycle and the corresponding reporting and publication deadlines. The shift in testing, reporting, and disclosure dates will take place for the 2016 company-run stress test cycle and each annual cycle thereafter.

Other Rulemaking and Guidance under the Dodd-Frank Act

The Dodd-Frank Act requires various agencies to publicize regulations in a number of areas. The following is a summary of significant activity relating to the Dodd-Frank Act.

Margin and Capital Requirements for Covered Swap Entities

In September 2014, the FDIC Board approved the interagency notice of proposed rulemaking (NPR) for Margin and Capital Requirements for Covered Swap Entities. This proposed rule would implement certain requirements contained in Sections 731 and 764 of the Dodd-Frank Act, which provide that the largest and most active participants in the over-the-counter derivatives market must collect initial margin and variation margin. The NPR is consistent with the international framework on margin requirements published by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions in September 2013.

The proposed rule applies to these large entities supervised by the agencies and designated by the U.S. Commodity Futures Trading Commission (CFTC) or the U.S. Securities and Exchange Commission (SEC) as swap dealers, major swap participants, security-based swap dealers, or security-based major swap participants. The NPR calls these registered firms "covered swap entities" (CSEs). As of December 15, 2014, 15 insured depository institutions had registered with the CFTC as swap dealers, and as of that date, no IDI had registered with the CFTC as a major swap participant. The SEC has not yet imposed a registration requirement for dealers or major participants in swaps that it regulates.

A CSE would be required to exchange initial margin for non-cleared swaps that it enters into with other swap entities and with financial entities that engage in swap activity above a certain threshold. A CSE would be required to exchange variation margin for uncleared swaps it enters into with another swap entity or with any financial entity. Most community bank swap activities are in amounts too small to be affected by the proposed rule. Also, the proposed rule does not require CSEs to collect margin from commercial end users.

The proposal was published in the *Federal Register* on September 24, 2014, and the comment period ended November 24, 2014. The agencies are reviewing the comments and plan to issue a final rule in early 2015.

Credit Risk Retention for Securitizations

In October 2014, the FDIC, jointly with the OCC, the FRB, the Department of Housing and Urban Development, the SEC, and the Federal Housing Finance Agency (FHFA), approved a final rule to implement the securitization credit risk retention provisions of Section 941 of the Dodd-Frank Act, which added Section 15G to the Securities Exchange Act of 1934. 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. The final rule provides various exemptions from the risk retention requirements, some of which are required by statute. For example, as required by the Dodd-Frank Act, the final rule exempts ABS collateralized solely by "qualified residential mortgages" (QRM) from risk retention requirements. The final rule aligns the definition of QRM with the definition of "qualified mortgage" (QM) as prescribed by the Consumer Financial Protection Bureau (CFPB). This alignment is consistent with the statutory requirement that the QRM definition be no broader than the QM definition and take into consideration underwriting and product features that historical loan performance data indicate result in lower risk of default. In addition, the final rule reduces, in some situations to zero, the risk retention requirements for ABS collateralized by commercial mortgages, commercial real estate (CRE) loans, or automobile loans that meet certain underwriting standards. The final rule also provides various transaction-specific risk retention options for revolving pool securitizations, commercial mortgage-backed securities, open market collateralized loan obligations, government-sponsored enterprises, municipal bond repackagings (known as tender option bonds), and asset-backed commercial paper conduits. The final rule prohibits hedging, transferring, or pledging required risk retention until these restrictions lapse, which varies by asset type.

The final rule was published in the *Federal Register* on December 24, 2014. Compliance with respect to residential mortgage-backed securities is required beginning one year after the date of publication in the *Federal Register*. For all other classes of ABS, compliance with the final rule is required beginning two years after the date of publication in the *Federal Register*.

The Volcker Rule

On December 10, 2013, the FDIC, along with the other federal banking agencies, and the SEC, approved a joint final rule to implement the provisions of Section 619 of the Dodd-Frank Act, also known as the "Volcker Rule." (On that same date, for procedural reasons, the CFTC adopted an identical final rule.) The Volcker Rule, which added 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. The final rule became effective April 1, 2014.

In January 2014, the FDIC, together with the other federal banking agencies, the SEC, and the CFTC, adopted a joint interim final rule that permits banking entities subject to the Volcker Rule to retain investments in certain collateralized debt obligations backed primarily by trust preferred securities.

To help ensure consistent implementation of the Volcker Rule, the agencies have established an interagency Volcker Rule working group that meets regularly to discuss issues and the application and enforcement of the rule.

During 2014, the agencies posted various joint Frequently Asked Questions (FAQs) on their websites to address certain implementation issues presented by banking entities subject to the Volcker Rule. These FAQs have addressed such matters as:

- Annual CEO Attestation
- Conformance Period
- Foreign Public Fund Seeding Vehicles
- Loan Securitization Servicing Assets
- Metrics Reporting and Confidentiality
- Metrics Reporting Date
- Metrics Reporting During the Conformance Period
- Mortgage-Backed Securities of Government-Sponsored Enterprises
- Name-sharing Prohibition
- Trading Desks

Minimum Requirements for Appraisal Management Companies

In April 2014, the FDIC, jointly with the OCC, the FRB, the National Credit Union Administration (NCUA), the CFPB, and the FHFA, approved an NPR to implement the minimum requirements for registration and supervision of appraisal management companies (AMCs) in the Dodd-Frank Act. The proposed rule would establish the minimum requirements in Section 1473 of the Dodd-Frank Act (Section 1473) for registration and supervision of AMCs; establish the minimum requirements for AMCs that register with the State under Section 1473; require federally regulated AMCs to meet the minimum requirements of Section 1473 (other than registering with the State); and require the reporting of certain AMC information to the Appraisal Subcommittee of the FFIEC. The comment period closed in June 2014, and the agencies are reviewing and considering the comments received. The agencies expect to issue a final rule in 2015.

Joint Standards for Assessing Diversity Policies and Practices

The FDIC continued to implement the provisions of Section 342 of the Dodd-Frank Act during 2014. Section 342(b)(2)(C) of the Act requires the Office of Minority and Women Inclusion (OMWI) Director of each covered agency to develop standards for assessing the diversity policies and practices of entities regulated by such agency. To implement that requirement and develop those standards, the FDIC's OMWI continued to work closely in 2014 with the OMWI Directors of the OCC, the NCUA, the FRB, the CFPB, and the SEC. In addition, the FDIC developed standards for increasing the participation of minority- and women-owned businesses (MWOBs) in the agency's programs and contracts and standards to evaluate agency contractors' good faith efforts to include minorities and women in their workforce.

In late 2013, proposed standards were published in the *Federal Register* as a Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies. The proposed standards describe leading diversity practices for the financial services industry in four key areas: (1) organizational commitment to diversity and inclusion; (2) workforce profile and employment practices; (3) procurement and business practices – supplier diversity; and (4) practices to promote transparency of organizational diversity and inclusion.

The comment period was initially scheduled to end on December 24, 2013, but was extended to February 7, 2014, to facilitate public comment on the policy statement and questions posed by the agencies. The FDIC in coordination with the other agencies have reviewed the comments received and are in the final stages of preparing final joint standards, which will likely be issued in 2015.

Liquidity and Funds Management Rulemaking

Liquidity Coverage Ratio

In September 2014, the FDIC, together with the OCC and the FRB, issued a joint final rule to implement the Liquidity Coverage Ratio (LCR). The final rule requires certain banks to hold a minimum level of liquid assets to support contingent liquidity events that could arise within a 30-day liquidity stress horizon. It also provides a standard way of expressing a bank's on-balance sheet liquidity position to stakeholders and supervisors.

The requirement applies to large, internationally active banking organizations and their consolidated subsidiary depository institutions with $10 billion or more in total consolidated assets. Covered companies are required to notify their PFR when the LCR drops below 100 percent and develop a remediation plan if the shortfall persists. The rule establishes a shorter phase-in period than the Basel III standard, as it would require covered companies to fully meet the minimum LCR by January 1, 2017, two years earlier than the Basel III requirements. The FRB is also applying a less stringent LCR requirement to certain smaller depository institution holding companies with $50 billion to $250 billion in total assets.

Net Stable Funding Ratio

In October 2014, the BCBS published a final standard to implement the Net Stable Funding Ratio (NSFR). While the LCR focuses on having sufficient high-quality liquid asset buffers to weather a short-term severe stress, the NSFR considers funding over a longer horizon. The NSFR requires banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities, comparing the amount of an entity's required stable funding to meet asset and off-balance sheet obligations against the available stable funding sources. The FDIC expects that the federal banking agencies will complete an NSFR proposal by year-end 2015.

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 DIF 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 (the ratio of the fund balance to estimated insured deposits) will reach 1.35 percent by September 30, 2020, as required by the Dodd-Frank Act.[1] These plans include a reduction in assessment 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—under the long-term DIF management plan—set the Designated Reserve Ratio (DRR) of the DIF at 2.0 percent. 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 2014 to maintain the 2.0 percent DRR for 2015—the DRR that has been in effect every year since 2011.

As part of the long-term DIF 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 much the same function as dividends, but provide more stable and predictable effective assessment rates over time.

[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 publicize a rulemaking that implements this requirement at a later date to better take into account prevailing industry conditions at the time of the offset.

State of the Deposit Insurance Fund

Estimated losses to the DIF were $0.4 billion from failures occurring in 2014; these losses were lower than losses from failures in each of the previous six years. The fund balance continued to grow through 2014, as it has every quarter starting first quarter 2010, for a total of 20 consecutive quarters. Lower than estimated losses for past bank failures together with assessment revenue contributed to the increase in the fund balance in 2014. The fund reserve ratio rose to 1.01 percent at December 31, 2014, from 0.79 percent at the previous year-end.

Deposit Insurance Assessment System

In November 2014, the FDIC finalized a rule that revises the deposit insurance system to be consistent with changes in the regulatory capital rules that go into effect January 1, 2015, and January 1, 2018. The rule conforms the capital ratios and ratio thresholds in the deposit insurance assessment system to the Basel III rule prompt corrective action capital ratios and thresholds. The rule also conforms the assessment base calculation for custodial banks to the new asset risk weights under the Basel III rule's standardized approach. In addition, for highly complex institutions, the rule requires counterparty exposure for assessment purposes to be measured using the Basel III rule's standardized approach, with a modification for certain cash collateral securing derivative exposures.

ACTIVITIES RELATED TO SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS

Complex Financial Institutions

The FDIC is committed to addressing the unique challenges associated with the supervision, insurance, and potential resolution of large and complex insured institutions. The FDIC's ability to analyze and respond to risks in these institutions is particularly important, as they comprise a significant share of banking industry assets. The FDIC's programs related to complex financial institutions provide for a consistent approach to large bank supervision nationwide, allows for the analysis of financial institution risks on an individual and comparative basis, and enables a quick response to risks identified at large institutions. Given the concentration of risk in these institutions, the FDIC has expanded its activities at the nation's largest and most complex institutions through additional and enhanced on-site and off-site monitoring and supervision.

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 BHCs and large, nonbank systemically important financial institutions (SIFIs) designated by the Financial Stability Oversight Council (FSOC) for supervision by the FRB. In 2014, the FDIC's CFI activities included ongoing risk monitoring of the largest, most complex banking organizations and backup supervision of their IDIs, as well as ongoing risk monitoring of certain nonbank financial companies. The FDIC continues to work closely with other federal regulators to better understand the risk measurement and management practices of SIFIs and assess the potential risks they pose to financial stability.

The FDIC undertakes risk monitoring activities at the company level to understand each company's: structure, business activities, and resolution/recovery capabilities to inform the FDIC's resolution planning staff; business activities and risk profile to gauge both proximity to a resolution event and the speed at which a company's condition could potentially deteriorate to a resolution event; recovery plans; early warning signals and triggers; and the range of remedial actions to be taken should a triggering event occur.

In 2014, the FDIC's off-site monitoring systems for SIFIs were expanded to enhance efforts to analyze structured and unstructured data. The FDIC developed and implemented the Systemic Monitoring System (SMS), which is an off-site monitoring tool for SIFIs that will be used to enhance risk scoping of various activities. This tool will be integrated into the FDIC's SIFI on-site monitoring and resolution planning processes. The SMS synthesizes large amounts of quantitative data from numerous sources (i.e., data that pertain to both proximity-to-default and speed-to-default), evaluates the level and change in metrics that serve as important barometers of overall risk, produces a preliminary risk assessment and comprehensive risk profile report for individual SIFIs, and identifies areas requiring further follow-up to determine the need for additional supervisory activities or accelerated resolution planning efforts. SMS risk assessments will help the FDIC to identify emerging risks in individual firms, prioritize supervisory activities, and inform the development of appropriate supervisory responses and resolution strategies in deteriorating situations. However, the SMS is not a predictive or a statistically based model; rather it is a dynamic tool that assists the FDIC in identifying risk in the largest firms.

Risk monitoring is enhanced by the FDIC's backup supervision activities. 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, exercising examination authorities, and exercising enforcement authorities when necessary. At institutions where the FDIC is not the PFR, staff works closely with other financial institution regulatory authorities to identify emerging risk and assess the overall risk profile of large and complex institutions. The FDIC, the FRB, and the OCC operate under a Memorandum of Understanding (MOU) that establishes guidelines for coordination and cooperation to carry out their respective responsibilities, including the FDIC's role as insurer and supervisor. Under this agreement, the FDIC has assigned dedicated staff to systemically important and large, complex regional banking organizations to enhance risk identification capabilities and facilitate the communication of supervisory information. These individuals work closely with PFR staff in the ongoing monitoring of risk at their assigned institutions.

Additionally, the FDIC allocates examination and analytical resources annually to the FRB's Comprehensive Capital Analysis and Review and Comprehensive Liquidity Analysis and Review programs. Also, in 2014, the FDIC expanded participation with the FRB's Supervisory Assessment of Recovery and Resolution Preparedness program in an effort to assess firms' capabilities related to resolvability planning and preparedness.

Title I Resolution Plans

Title I of the Dodd-Frank Act requires that each BHC with total consolidated assets of $50 billion or more and each nonbank financial company that the FSOC determines should be subject to supervision 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 U.S. Bankruptcy Code in the event of the company's material financial distress or failure. The FDIC and the FRB issued a joint rule, effective November 30, 2011, to implement the requirements for resolution plans filed under Section 165(d) [the 165(d) Rule].

The 165(d) Rule 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. 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 as of the effective date of the 165(d) Rule.
- Any company that becomes subject to the 165(d) Rule after November 30, 2011, (including nonbank financial companies designated by the FSOC), 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 rule (or following its designation by FSOC).

In July 2012, 11 First Wave Companies submitted initial 165(d) plans. 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.[2] The agencies also 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.

In August 2014, the agencies announced the completion of reviews of the October 2013 resolution plans submitted by the First Wave Companies. Based on the review of the 2013 plans, the FDIC Board determined that the plans were not credible and did not facilitate an orderly resolution under the U.S. Bankruptcy Code as required by Section 165(d) of the Dodd-Frank Act. Although this determination was not made jointly by the FDIC and the FRB, the agencies jointly identified and communicated to the firms, certain firm-specific shortcomings with the 2013 resolution plans and agreed that the First Wave Companies must take immediate action to improve their resolvability and reflect those improvements in their 2015 plans. The agencies further agreed that in the event that the First Wave Companies have not, on or before July 1, 2015, submitted plans responsive to the identified shortcomings, the agencies expect to use their authority under Section 165(d) to determine that a resolution plan does not meet the requirements of the Dodd-Frank Act.

In August 2014, the agencies issued joint feedback letters to each of the First Wave Companies. The letters noted some improvements from the original plans submitted by the companies, but detailed specific shortcomings of each firm's plan and the agencies expectations for the 2015 submission.

While the shortcomings of the plans varied across the First Wave Companies, the agencies identified several common features of the plans' shortcomings. These common features included: (1) assumptions that the agencies regard as unrealistic or inadequately supported, such as assumptions about the likely behavior of customers, counterparties, investors, central clearing facilities, and regulators; and (2) the failure to make, or even to identify, the kinds of changes in firm structure and practices that would be necessary to enhance the prospects for orderly resolution.

The agencies will require that the annual plans submitted by these firms in 2015 demonstrate that the firms are making significant progress to address all the shortcomings identified in the letters and are taking actions to improve their resolvability under the U.S. Bankruptcy Code.

In July 2014, the First Wave Companies and two of the Second Wave Companies submitted revised resolution plans, and the three nonbank financial companies designated by the FSOC (referred to as Fourth Wave Companies) submitted their initial resolution plans. The FRB and the FDIC granted requests for extensions to two Second Wave Companies, which submitted their plans to the agencies by October 1, 2014. The FDIC and the FRB are reviewing the plans submitted by the various companies in July and October 2014, with the exception of one plan for which the review has been completed. In November 2014, the FDIC and the FRB announced the completion of their review of this firm's 2014 resolution plan and issued a joint letter to the firm. The agencies noted improvements from the original plan submitted in 2013. The guidance given to the firm for preparation of its 2015 plan submission stated that its 2014 plan provided a basis for a resolution strategy that could facilitate an orderly liquidation under bankruptcy. If fully developed in the future, the firm's plan could reduce the risk that the company's failure would pose to the stability of the U.S. financial system. The agencies also jointly identified specific shortcomings of the 2014 resolution plan that need to be addressed in the 2015 plan. The letter detailed the specific shortcomings and the expectations of the agencies for the 2015 submission.

By December 31, 2013, 116 Third Wave Companies had submitted initial resolution plans. In August 2014, after reviewing the plans, the agencies provided each of the Third Wave Companies the following guidance for their second round submissions based on the relative size and scope of each firm's U.S. operations:

- The more complex firms are required to file a full resolution plan that takes into account and discusses potential obstacles to resolvability identified by the agencies. The obstacles include global issues, financial market utility interconnections, and funding and liquidity.

2 http://www.fdic.gov/regulations/reform/domesticguidance.pdf

- Firms with less complex U.S. operations are permitted to file tailored plans and can use a model template issued by the agencies or follow the guidelines previously released by the agencies.
- Firms with limited U.S. operations may focus their plans on material changes to their initial plans as well as actions taken to strengthen the effectiveness of their initial plans.
- In August 2014, the agencies also released a tailored resolution plan template for the Third Wave Companies' 2014 plans. The optional template, which is intended to facilitate the preparation of tailored resolution plans, focuses on the nonbanking operations of the company and on the interconnections and interdependencies between its nonbanking and banking operations.
- By December 31, 2014, 120 Third Wave Companies submitted plans to the agencies. The FDIC and the FRB are reviewing those plans.

Insured Depository Institution Resolution Plans

The FDIC has a separate rule that requires all IDIs with assets greater than $50 billion to submit resolution plans to the FDIC (IDI Rule). The IDI Rule requires each covered institution to provide a resolution plan that should allow the FDIC as receiver to resolve the institution in an orderly manner that enables prompt access of insured deposits, maximizes the return from the failed institution's assets, and minimizes losses realized by creditors and the DIF. These plans complement those required under the 165(d) Rule.

Based upon its review of IDI plans submitted prior to and during 2014, the FDIC issued guidance in December 2014 for resolution plans required by the IDI Rule. Under the guidance, a covered institution must provide a fully developed discussion and analysis of a range of realistic resolution strategies. To assist institutions in writing their plans, the guidance includes direction regarding the elements that should be discussed in a fully developed resolution strategy and the cost analysis, clarification regarding assumptions made in the plan, and a list of significant obstacles to an orderly and least costly resolution that institutions should address. The guidance applies to the resolution plans of 36 institutions covered by the IDI Rule, as well as any new institution meeting the threshold, commencing with the 2015 resolution plan submissions.

Title II Resolution Strategy Development

Under the Dodd-Frank Act, failed or failing financial companies are expected to file for reorganization or liquidation under the U.S. Bankruptcy Code, just as any failed or failing nonfinancial company would. If resolution under the Bankruptcy Code would result in serious adverse effects to the U.S. financial stability, the Orderly Liquidation Authority (OLA) set out in Title II of the Dodd-Frank Act provides a back-up authority to the bankruptcy process. There are strict parameters on its use, however, and it can only be invoked under a statutorily prescribed recommendation and determination process, coupled with an expedited judicial review process.

Prior to the 2008 financial crisis, the FDIC's receivership role was limited to IDIs. No regulator had the authority to resolve a failing financial company, (*e.g.*, a BHC) or any of the company's non-IDI affiliates or any other nonbank financial company through the FDIC's receivership process, in order to avoid the systemic consequences that could arise from bankruptcy or other insolvency regime filing. 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 without cost to taxpayers.

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 strategies including one approach, referred to as "Single Point of Entry (SPOE)", to carry out its orderly liquidation authorities. In December 2013, the FDIC published a notice in the *Federal Register* that provides greater detail on the SPOE strategy and discusses the key issues that the FDIC could encounter in the resolution of a SIFI.[3] The notice requested public comment and views as to whether the SPOE approach can be effective in supporting

[3] Notice entitled, "Resolution of Systemically Important Financial Institutions: The Single Point of Entry Strategy," 78 Fed. Reg. 76614 (Dec. 18, 2013).

the policy objectives of minimizing moral hazard and promoting market discipline while maintaining the stability of the U.S. financial system as set forth in Title II of the Dodd-Frank Act. In 2014, the FDIC reviewed all submitted comments. Firm-specific resolution strategies continue to be developed and refined.

As part of the FDIC's efforts to develop and refine strategies that could be implemented in a Title II resolution, the FDIC and the Bank of England, in conjunction with the financial institution regulators in the respective jurisdictions, have been developing contingency plans for the failure of a U.S.- or U.K.-based SIFI that has significant operations in the United Kingdom or the United States, respectively. Of the 28 global SIFIs (G-SIFIs) identified by the Financial Stability Board (FSB) of the Group of 20 (G-20) countries, four are headquartered in the United Kingdom and eight are headquartered in the United States. Moreover, more than 80 percent of the reported foreign activities of the eight U.S. G-SIFIs emanates from the United Kingdom. In October 2014, the FDIC was host to the Secretary of the Treasury, the Chair of the Federal Reserve Board of Governors, the Chancellor of the Exchequer, and the Governor of the Bank of England, as well as leading financial regulatory bodies in the United States and United Kingdom for an exercise designed to further promote a working relationship between U.S. and U.K. authorities in the event of the failure and resolution of a G-SIFI. The exercise's high-level discussion furthered understanding among U.S. and U.K. principals regarding resolution strategies for G-SIFIs under the two countries' resolution regimes.

Cross-Border Efforts

Advance planning and cross-border coordination for the resolution of G-SIFIs will be essential to minimizing disruptions to global financial markets. Recognizing that G-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.

During 2014, the FDIC continued to coordinate with representatives from European authorities to discuss issues of mutual interest, including the resolution of European G-SIFIs and harmonization of receivership actions. The FDIC and the European Commission (E.C.) established a joint Working Group composed of FDIC and E.C. senior executives to focus on both resolution and deposit insurance issues. The Working Group meets twice a year with other interim interchanges, including the exchanging of staff members. Discussions were held concerning the FDIC's experience with bank resolutions, systemic resolution strategies, the European Union (E.U.)-wide Credit Institution and Investment Firm Recovery and Resolution Directive, the E.C.'s amendment to harmonize deposit guarantee schemes across the E.U., and the E.C.'s Single Resolution Mechanism. In June 2014, the FDIC conducted a training seminar on resolutions for resolution authorities and E.C. staff.

The FDIC continues to foster its relationships with other jurisdictions that regulate G-SIFIs, including Switzerland, Germany, France, and Japan. In 2014, 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 G-SIFI. This work will continue in 2015 with plans to host tabletop exercises with regulatory staff from these jurisdictions.

Systemic Resolution Advisory Committee

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

- ♦ 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 SRAC have a wide range of experience including managing complex firms; administering bankruptcies; and working in the legal system, accounting

SRAC member and former Chairman of the Federal Reserve Board of Governors Paul Volcker (left) and FDIC Chairman Gruenberg discussing resolution strategy.

field, and academia. A meeting of the SRAC was held in December 2014. The SRAC discussed, among other topics, living wills and bankruptcy, resolution plan transparency, international developments, ISDA protocol, and orderly liquidation updates.

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.
- Identifying and assessing threats that institutions may pose to financial stability and, if appropriate, designating a nonbank financial company for supervision by the FRB subject to heightened prudential standards.
- Designating financial market utilities 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.

In 2014, the FSOC issued its fourth annual report. Generally, at each of its meetings, the FSOC discusses various risk issues. In 2014, the FSOC meetings addressed, among other topics, U.S. fiscal issues, market environment and developments in the Ukraine, an asset management industry conference hosted by the FSOC, short-term wholesale funding markets, money market mutual fund reforms, and nonbank financial company designations.

SUPERVISION

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, 2014, the FDIC was the PFR for 4,138 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System [generally referred to as "state nonmember" (SNM) 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, 2014, the FDIC conducted 2,087 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 1,406 statutorily required

FDIC EXAMINATIONS 2012 – 2014			
	2014	**2013**	**2012**
Risk Management (Safety and Soundness):			
State Nonmember Banks	1,881	2,077	2,310
Savings Banks	206	203	249
Savings Associations	0	0	1
National Banks	0	0	1
State Member Banks	0	4	2
Subtotal–Risk Management Examinations	2,087	2,284	2,563
CRA/Compliance Examinations:			
Compliance/Community Reinvestment Act	1,019	1,201	1,044
Compliance-only	376	371	611
CRA-only	11	4	10
Subtotal–CRA/Compliance Examinations	1,406	1,576	1,665
Specialty Examinations:			
Trust Departments	428	406	446
Information Technology and Operations	2,113	2,323	2,642
Bank Secrecy Act	2,126	2,328	2,585
Subtotal–Specialty Examinations	4,667	5,057	5,673
Total	**8,160**	**8,917**	**9,901**

CRA/compliance examinations (1,019 joint CRA/compliance examinations, 376 compliance-only examinations, and 11 CRA-only examinations), and 4,667 specialty examinations.

The table above compares the number of examinations, by type, conducted from 2012 through 2014.

Risk Management

As of December 31, 2014, 291 insured institutions with total assets of $86.7 billion were designated as problem institutions for safety and soundness purposes (defined as those institutions having a composite CAMELS[4] rating of "4" or "5"), compared to the 467 problem institutions with total assets of $152.7 billion on December 31, 2013. This constituted a 38 percent decline in the number of problem institutions and a 43 percent decrease in problem institution assets. In 2014, 202 institutions with aggregate assets of $64.4 billion were removed from the list of problem financial institutions, while 26 institutions with aggregate assets of $6.3 billion were added to the list. The National Republic Bank of Chicago, located in Chicago, Illinois, was the largest failure in 2014, with $843 million in assets. The FDIC is the PFR for 202 of the 291 problem institutions, with total assets of $58.7 billion.

During 2014, the FDIC issued the following formal and informal corrective actions to address safety and soundness concerns: 41 Consent Orders and 180 MOUs. Of these actions, 20 Consent Orders and 23 MOUs were issued, based in whole or in part, on apparent violations of the BSA.

All risk management exams were conducted in accordance with statutorily-established time frames, and related enforcement actions for newly-identified 4- and 5- rated institutions were issued in accordance with the time frames established by FDIC policy. The FDIC was slightly below its performance standard for timeliness in the issuance of enforcement actions for newly-identified 3-rated institutions.

[4] 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).

Compliance

As of December 31, 2014, 56 insured SNM institutions, about 1 percent of all supervised institutions, with total assets of $61 billion, were problem institutions for compliance, CRA, or both. Most of the existing problem institutions for compliance were rated "4" for compliance purposes, with only one rated "5." For CRA purposes, the majority are rated "Needs to Improve," and only three are rated "Substantial Noncompliance." As of December 31, 2014, all follow-up examinations for problem institutions were performed on schedule.

During 2014, the FDIC conducted all required compliance and CRA examinations and, when violations were identified, completed follow-up visits and implemented appropriate enforcement actions in full accordance with FDIC policy. In completing these activities, the FDIC substantially met its internally-established time standards for the issuance of final examination reports and enforcement actions.

Overall, banks demonstrated strong consumer compliance programs. The most significant consumer protection issue that emerged from the 2014 compliance examinations involved banks' failure to adequately monitor third-party vendors. For example, the FDIC found violations involving unfair or deceptive acts or practices relating to issues such as failure to disclose material information about new product features being offered, deceptive marketing and sales practices, and misrepresentations about the costs of products. As a result, the FDIC issued orders requiring consumer restitution and civil money penalty (CMP) actions.

During 2014, the FDIC issued the following formal and informal corrective actions to address compliance concerns: 14 Consent Orders and 42 MOUs. In certain cases, the Consent Orders contain requirements for institutions to pay restitution in the form of consumer refunds for different violations of laws. During 2014, institutions subject to Consent Orders refunded over $105 million to consumers. These refunds primarily related to unfair or deceptive practices by institutions, as discussed above. Additionally, in 2014, the FDIC issued 24 CMPs relating to consumer compliance, totaling just over $9.5 million in CMPs.

Large and Complex Financial Institutions

The FDIC established the Complex Financial Institutions and Large Bank Supervision Groups (Groups) within its Division of Risk Management Supervision in response to the growing complexity of large banking organizations. These Groups are responsible for supervisory oversight and ongoing monitoring, and support the insurance and resolutions business lines. For SNM banks over $10 billion, the FDIC generally applies a continuous examination program whereby dedicated staff conduct ongoing onsite supervisory examinations and institution monitoring, as previously discussed. At institutions where the FDIC is not the PFR, staff works closely with other financial institution regulatory authorities to identify emerging risk and assess the overall risk profile of large and complex institutions.

The Large Insured Depository Institution (LIDI) Program remains the primary instrument for off-site monitoring of IDIs with $10 billion or more in total assets. The LIDI Program provides a comprehensive process to standardize data capture and reporting through nationwide quantitative and qualitative risk analysis of large and complex institutions. In 2014, the LIDI Program encompassed 106 institutions with total assets of $12.4 trillion. The comprehensive LIDI Program is essential to effective large bank supervision because it captures information on the risks and utilizes that information to best deploy resources to high-risk areas, determine the need for supervisory action, and support insurance assessments and resolution planning.

The Shared National Credit (SNC) Program is an interagency initiative administered jointly by the FDIC, the FRB, and the OCC to ensure consistency in the regulatory review of large, syndicated credits, as well as identify risk in this market, which comprises a large volume of domestic commercial lending. In 2014, outstanding credit commitments identified in the SNC Program totaled $3.4 trillion. The FDIC, the FRB, and the OCC issued a joint release detailing the results of the review in November 2014.

In 2014, the FDIC implemented various initiatives to expand knowledge and expertise related to large bank supervisory matters. For example, a long-term program was established to expand on-the-job training and provide mentoring of select staff regarding examination processes and risk analysis at large banks. The FDIC is also focused on hiring and developing additional staff with quantitative skill sets to facilitate the evaluation of complex modeling used by the largest banks. Additionally, several training initiatives were developed and implemented in 2014 that focused on large bank supervisory risks, structures, vulnerabilities, and processes.

Bank Secrecy Act/Anti-Money Laundering

The FDIC pursued a number of BSA, Anti-Money Laundering (AML), and Counter Financing of Terrorism (CFT) initiatives in 2014.

In January and June 2014, the FDIC conducted International AML/CFT training sessions for 61 government officials from Afghanistan, Algeria, Azerbaijan, Kazakhstan, Mali, Nigeria, Pakistan, and Yemen. Additionally, in March 2014, the FDIC conducted an International AML and CFT training session in Kuala Lumpur, Malaysia, the first such training session held outside of the United States. The training was coordinated with Bank Negara Malaysia and included 59 participants representing financial regulatory agencies from Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam. These training sessions assisted participating jurisdictions in implementing AML/CFT standards and providing law enforcement with financial investigative and other skills necessary to combat money laundering, terrorist financing, and fraud. Specifically, each of the training sessions focused on AML/CFT controls, the AML examination process, customer due diligence, and suspicious activity monitoring. Additionally, in August 2014, the FDIC hosted the Office of Foreign Assets Control (OFAC) for an interagency teleconference to discuss recent changes to existing U.S. economic sanctions programs, as well as OFAC compliance expectations and enforcement case studies.

In December 2014, the FFIEC released the 2014 *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual* (BSA/AML Manual). The revised BSA/AML Manual provides current guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA and safeguard operations from money laundering and terrorist financing. It also reflects regulatory changes and clarifies supervisory expectations that have occurred since the BSA/AML Manual was last updated. The 2014 revisions incorporate feedback from the banking industry and examination staff.

Information Technology, Cyber Fraud, and Financial Crimes

To address the specialized nature of technology- and operations-related supervision, cyber risks, and controls in the banking industry, the FDIC routinely conducts information technology (IT) and operations examinations at FDIC-supervised institutions. The FDIC and other banking agencies also conduct IT and operations examinations of technology service providers (TSPs), which support financial institutions. The result of an IT and operations examination is a rating under the FFIEC Uniform Rating System for Information Technology, which is incorporated into the Management component of the Safety and Soundness rating and the Safety and Soundness Report of Examination.

In 2014, the FDIC conducted 2,113 IT and operations 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 regularly monitors cybersecurity issues in the banking industry through on-site examinations, regulatory reports, and intelligence reports. The FDIC works with groups, such as the Financial and Banking Information Infrastructure Committee, the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security, 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. Further, the FDIC actively participates in the FFIEC's Cybersecurity and Critical Infrastructure Working Group (CCIWG). The CCIWG was formed in 2013 and serves as a forum to address policy related to cybersecurity and critical infrastructure. It enables members to communicate and collaborate on activities to support and strengthen the resilience of the financial services sector and provides input to FFIEC principal members regarding cybersecurity matters.

In 2014, the FDIC continued a multi-year effort begun in 2010 to strengthen IT and cyber-related educational and professional development programs for the examination workforce. As part of this effort, newly commissioned examiners must complete four IT-related courses – an IT examination course as well as courses on payment systems; risk assessment, IT audit and business continuity planning; and information security. Once this course work is completed, these examiners are able to conduct IT examinations at the FDIC's least technologically complex supervised financial institutions and better understand the risks associated with the FDIC's more complex financial institution IT examinations conducted by specialized IT examiners. The FDIC now has nearly 300 commissioned examiners who have completed all four post-commission IT schools and more than 500 who have completed at least one of these schools. An additional facet of this multi-year effort is an on-the-job training program to develop additional examiners with more advanced IT examination skills. In 2014, 18 examiners received advanced certifications in IT, bringing the total of examiners with advanced IT certifications to 116.

The FDIC's major accomplishments during 2014 to promote IT security, assess risk management practices, and combat cyber fraud and other financial crimes included the following:

- Developed and distributed to all FDIC-supervised banks the FDIC's Cyber Challenge simulation exercise to encourage community banks to discuss operational risk issues and the potential impact of information technology disruptions. The exercise contained four videos that depict various operational disruptions and materials to facilitate discussion about how the bank would respond to the disruptions. Lists of reference materials where banks could obtain additional information were also included.
- Published two FDIC *Consumer News* articles: "More About How to Protect Yourself From Data Breaches" and "When People Face Tough Time, Crooks Try to Profit."
- Re-issued, as a FIL, three documents that contain practical ideas for community banks to consider when they engage in technology outsourcing.
- Hosted the FFIEC IT Examiners Conference that addressed technology and operational issues facing the federal financial regulatory agencies.
- Commenced planning a Financial Crimes Conference for staff that will focus on all types of financial fraud, and how the law enforcement community and regulators can effectively respond. The conference is co-sponsored by the U.S. Department of Justice (DOJ) and will be held in June 2015.
- 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.

Major interagency accomplishments as a member of the FFIEC included the following:

- Collaborated on the development of an FFIEC cybersecurity assessment pilot program conducted at more than 500 community banks and TSPs. The pilot program was designed to assess how well community financial institutions manage cybersecurity and their preparedness to mitigate cyber risks. The results of the assessment are instructive and will help FFIEC members make informed decisions about how they prioritize actions to enhance the effectiveness of cybersecurity-related supervisory programs, guidance, and examiner training.
- Published FFIEC statements on Cyber Attacks on ATM and Card Authorization Systems, as well as Distributed Denial of Service (DDoS) Attacks.
- Published an FFIEC Technology Alert on IT vulnerabilities.
- Co-sponsored and conducted an interagency webinar for community banks addressing senior management's role in cybersecurity. Over 5,000 chief executive officers (CEOs) and senior managers participated in the webinar.
- Issued a press release and FFIEC statement providing financial institutions with information on available resources to mitigate potential cyber threats and

recommending that institutions of all sizes participate in cyber-related information sharing forums, such as the FS-ISAC.

Minority Depository Institution Activities

The preservation of minority depository institutions (MDIs) remains a high priority for the FDIC. In July 2014, the FDIC released a study specifically on MDIs entitled, *Minority Depository Institutions: Structure, Performance, and Social Impact*. The study explores the role of MDIs in the U.S. financial system: how the industry has changed over time, how MDIs have performed financially, and how they have served their communities. The report notes that MDIs underperform non-MDIs in terms of standard industry measures of financial performance, but it concludes that MDIs often promote the economic viability of minority and underserved communities. Compared with community banks, the markets served by MDI offices include a higher share of the population living in low- or moderate-income (LMI) census tracts, as well as a higher share of minority populations. In addition, among institutions that reported data under the Home Mortgage Disclosure Act, MDIs originated a larger share of their mortgages to borrowers who live in LMI census tracts and to minority borrowers than did non-MDI community banks. These findings demonstrate the essential role MDIs play in their local communities and their high level of commitment to the populations they serve.

In 2014, the FDIC continued to advocate for MDI and Community Development Financial Institution (CDFI) industry-led strategies for success, building on the results of the 2013 Interagency Minority Depository Institution and CDFI Bank Conference. These strategies include industry-led solutions; MDI and CDFI bankers working together to tell their story; collaborative approaches to partnerships to share costs, raise capital, or pool loans; technical assistance; and innovative use of federal programs. The FDIC has begun working with the OCC and the FRB to plan for the 2015 Interagency Conference for MDI and CDFI Banks and to build upon these strategies.

The FDIC continually pursued ways to improve communication and interaction with MDIs and to respond to the concerns of minority bankers. In addition to active outreach with MDI trade groups, the FDIC annually offers to arrange meetings between regional management and each MDI's board of directors to discuss issues of interest. In addition, the FDIC routinely contacts FDIC-supervised MDIs to offer return visits and technical assistance following the conclusion of each safety and soundness, compliance, CRA, and specialty examination to assist bank management in understanding and implementing examination recommendations. These return visits, normally conducted 90 to 120 days after the examination, are to provide recommendations or feedback for improving operations, not to identify new problems or issues. MDIs also may initiate contact with the FDIC to request technical assistance at any time. In 2014, the FDIC provided 119 individual technical assistance sessions on approximately 80 risk management and compliance topics, including, but not limited to, the following:

- Bank Secrecy Act and Anti-Money Laundering.
- Basel III Capital Rules.
- Branch Opening and Closing Requirements.
- CRE Concentrations.
- Community Reinvestment Act.
- Information Technology.
- Interest Rate Risk.
- Loan Underwriting and Administration.
- New Mortgage Rules/Ability to Repay.
- Sensitivity to Market Risk.
- Third-Party Risk Management.
- Troubled Debt Restructurings.

The FDIC regional offices also held outreach, training, and educational programs for MDIs through conference calls and banker roundtables. In 2014, topics of discussion for these sessions included many of those listed above, as well as the FDIC's Technical Assistance Video Program, Capital Raising, and PCA.

Other Rulemaking and Guidance Issued

During 2014, the FDIC issued and participated in the issuance of other rulemaking and guidance in several areas as described below.

Registration of Municipal Advisors

In January 2014, the FDIC issued a FIL to advise FDIC-supervised financial institutions on the registration requirements for those institutions that meet the definition of "municipal advisor." Section 975 of the Dodd-Frank Act amended Section 15B(a) of the Securities Exchange Act of 1934 to make it unlawful for "municipal advisors," as defined in the Dodd-Frank Act, to provide certain advice to or solicit municipal entities or certain other persons without registering with the SEC. In September 2013, the SEC issued a final rule establishing a permanent registration system for municipal advisors.

Paying Agent Notification Requirements

In February 2014, the FDIC issued a FIL to alert bankers to the SEC's amendment to the Exchange Act Rule 17Ad-17 to implement the requirements of Section 929W of the Dodd-Frank Act. The amendments add a requirement that "paying agents" send a one-time notification to "unresponsive payees" stating that the agent has sent a security holder a check that has not yet been negotiated.

Income Tax Allocation in a Holding Company Structure

In June 2014, the FDIC and the other federal banking agencies issued an addendum to the 1998 Interagency Policy Statement on Income Tax Allocation in a Holding Company Structure. Since the beginning of the 2008 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 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 attributable to income earned, taxes paid, and losses incurred by the IDI, and provides a sample paragraph to accomplish this goal. The addendum also clarifies how certain requirements of Sections 23A and 23B of the Federal Reserve Act apply to tax allocation agreements between IDIs and their affiliates. Those IDIs and their holding companies subject to the 1998 Interagency Policy Statement were expected to implement the addendum no later than October 31, 2014. The FDIC will review compliance with the guidance in upcoming examinations of affected IDIs.

Economic Growth and Regulatory Paperwork Reduction Act

The FDIC, along with the other banking regulatory agencies, launched a cooperative, three-year effort to review all of their regulations. The purpose of the review, which is mandated by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), is to identify and eliminate any regulatory requirements that are outdated or otherwise unnecessary.

For the purpose of this review, the agencies categorized their regulations into 12 separate groups. Over the next two years, groups of regulations will be published for comment, providing industry participants, consumer and community groups, and other interested parties an opportunity to identify regulatory requirements they believe are no longer needed or should be modified. The agencies will then analyze the comments and propose amendments to their regulations where appropriate.

In June 2014, the agencies issued the first three groups of regulations for comment: Applications and Reporting, Powers and Activities, and International Operations. During the 90-day comment period, which ended September 2, 2014, 40 letters were received. Staff is reviewing and analyzing the comments.

One such comment letter resulted in the FDIC's issuance of a FIL in November 2014, which eliminates application requirements for state-chartered banks engaging in activities or investments permissible for a national bank if the bank maintains certain documentation, including that the activity is permissible under relevant state law. The FIL clarifies that this change applies to unincorporated subsidiaries of state-chartered banks operating as a limited liability company (LLC), a limited partnership, or a similar entity wishing to engage in activities permissible for a national bank. In addition, in November 2014, the FDIC issued guidance through a FIL to aid applicants in developing proposals for deposit insurance and to provide transparency to the application process.

As a part of the regulatory burden reduction effort, the agencies hosted a banker outreach meeting in December 2014, in Los Angeles, California, to facilitate awareness of the EGRPRA project and to listen to stakeholder comments and suggestions. FDIC Chairman Martin J. Gruenberg, FRB Governor Lael Brainard, and Comptroller Thomas J. Curry were featured speakers at the meeting. Staff from each of the federal banking agencies, as well as regional representatives of the major industry trade groups and community advocates, attended the meeting. The agencies plan to hold additional roundtable discussions with bankers and interested parties and will publish details about these sessions at http://www.fdic.gov/EGRPRA/index.html and http://egrpra.ffiec.gov as they are finalized.

FDIC Clarifying Supervisory Approach to Institutions Establishing Account Relationships with Third-Party Payment Processors

In July 2014, the FDIC issued guidance clarifying its supervisory approach to institutions establishing account relationships with third-party payment processors (TPPPs). The focus of the FDIC's supervisory approach to institutions establishing account relationships with TPPPs is to ensure that institutions have adequate procedures for conducting due diligence, underwriting, and ongoing monitoring of these relationships. The guidance stressed that insured institutions that properly manage customer relationships are neither prohibited nor discouraged from providing services to any customer operating in compliance with applicable law.

Interagency Guidance on Home Equity Lines of Credit Nearing Their End-of-Draw Period

In July 2014, the FDIC, jointly with the OCC, the FRB, the NCUA, and the Conference of State Bank Supervisors, issued home equity lines of credit (HELOC) guidance, which recognizes that some institutions and borrowers may face challenges as HELOCs near their end-of-draw period. Many borrowers will have the financial capacity to meet their contractual obligations as HELOCs transition from the draw period to an amortizing or balloon payment. However, some borrowers may have difficulty meeting higher payments resulting from principal amortization or an interest rate reset, while others may encounter problems refinancing an existing loan due to changes in financial circumstances, or declines in property values since the HELOC's origination date. The HELOC guidance provides a framework for managing HELOCs nearing their end-of draw period and communicating and prudently working with HELOC borrowers experiencing financial difficulties.

Prudent Management of Agricultural Credits through Economic Cycles

In July 2014, the FDIC issued a FIL reminding institutions engaged in agricultural lending to maintain sound underwriting standards, strong credit administration practices, and effective risk management strategies. The FIL encourages financial institutions to work constructively with borrowers to strengthen the credit and mitigate loss when agricultural borrowers experience financial difficulties.

Regulatory Relief

During 2014, the FDIC issued six FILs that provide guidance to help financial institutions and to facilitate recovery in areas affected by tornadoes, flooding, and other severe storms. 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.

Frequently Asked Questions for Implementing the Interagency Guidance on Leveraged Lending

In November 2014, the FDIC, jointly with the FRB and the OCC, issued Frequently Asked Questions (FAQs) through a FIL to provide clarification on the implementation and interpretation of the leveraged lending guidance issued in March 2013. The guidance is intended to help institutions strengthen risk management frameworks to ensure that leveraged lending activities do not heighten risk in the banking system through the origination and distribution of poorly underwritten and low-quality loans. The responses contained in the FAQs foster industry and examiner understanding and promote consistent application and implementation of the guidance.

Depositor and Consumer Protection Rulemaking and Guidance

Guidance on Increased Maximum Flood Insurance Coverage for "Other Residential Buildings"

The FDIC, the OCC, the FRB, the NCUA, and the Farm Credit Administration (collectively, the agencies) issued an interagency statement in May 2014 regarding the new National Flood Insurance Program (NFIP) maximum limit of flood insurance coverage for non-condominium residential buildings designed for use for five or more families (classified by the NFIP as "Other Residential Buildings"). The guidance discusses agency' expectations and financial institution responsibilities when, as a result of the increase in the maximum limit of building coverage for such properties, a financial institution determines that a building securing a designated loan is covered by flood insurance in an amount less than the amount required under federal flood insurance law.

Guidance on Unfair or Deceptive Credit Practices

In August 2014, the FDIC, the FRB, the CFPB, the NCUA, and the OCC issued guidance regarding certain consumer credit practices. This guidance was prompted by the Dodd-Frank Act's repeal of the authority to issue credit practices rules for banks, savings associations, and federal credit unions. The guidance cautioned institutions not to construe the repeal of rulemaking authority under the Federal Trade Commission Act (FTC Act) to indicate that the unfair or deceptive practices described in these former regulations are permissible. The guidance made clear that the credit practices described in these former regulations remain subject to Section 5 of the FTC Act. As such, depending on the facts and circumstances, if banks engage in the unfair or deceptive practices described in the former credit practices rules, such conduct may violate the prohibition against unfair or deceptive practices in Section 5 of the FTC Act, and Sections 1031 and 1036 of the Dodd-Frank Act.

Proposed Revisions to Interagency Question and Answers on Community Reinvestment

In September 2014, the FRB, the FDIC, and the OCC requested public comments on proposed revisions to the "Interagency Questions and Answers Regarding Community Reinvestment." The Questions and Answers provide additional guidance to financial institutions and the public on agency regulations that implement the CRA. The proposed new and revised guidance address questions raised by bankers, community organizations, and others regarding agency CRA regulations, including access to banking service, innovative or flexible lending practices, qualitative assessment factors, and community development. The new round of CRA Questions and Answers is a follow-up to final revisions to earlier Questions and Answers published in the *Federal Register* in November 2013.

Proposed Rulemaking on Flood Insurance Rule

In October 2014, the FDIC, the FRB, the NCUA, the OCC, and the Farm Credit Administration issued a proposed rule to amend regulations pertaining to loans secured by property located in special flood hazard areas. The proposed rule would implement provisions of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) relating to escrowing flood insurance payments and the exemption of certain detached structures from the mandatory flood insurance purchase requirement. HFIAA amends the escrow provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (the Biggert-Waters Act).

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 2014, the ComE-IN met in April and October to discuss safe banking products, mobile financial services, financial education opportunities for young people, consumer demand for small dollar credit, *Bank On* programs, and the results from the FDIC National Survey of Unbanked and Underbanked Households.

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 bank 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 2014, the FDIC published a report on the 2013 FDIC National Survey of Unbanked and Underbanked Households, based on data collected 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. In addition, the report identified opportunities to better include or retain consumers as bank customers, including opportunities associated with economic transitions such as gaining or losing a job. The report was presented to the ComE-IN members in October. Also, to enhance transparency and utility of the data, the FDIC developed a web-based resource to allow bankers and other members of the public to specify and generate reports that reflect their particular interests.

The FDIC continued planning for new research to learn about bank efforts to serve unbanked and underbanked customers. During 2014, the FDIC advanced work to develop new survey questions and established relationships with external vendors that may be called upon to assist with qualitative research efforts, such as in-depth interviews with a limited number of bankers.

Partnerships to Promote Consumer Access

The FDIC, through work with Alliances for Economic Inclusion, *Bank On* initiatives, and in collaboration with many local and national organizations, supports consumer financial education and access. 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 2014, the FDIC supported 16 AEI programs across the nation. Many AEIs formed committees and working groups to address specific challenges and financial services needs in their communities. These included retail financial services for underserved populations, savings initiatives, affordable remittance products, small-dollar loan programs, targeted financial education programs, and other credit and asset-building programs.

The FDIC continued to work with a wide range of banks and nonprofit organizations in all of the AEI markets. For example, in March 2014, the FDIC, with the Small Business Administration's support, conducted a Small Business Resource Summit and Entrepreneurial Cafe in Fairmont, West Virginia. This event brought together an array of banks, training providers, nonprofit organizations, and state and federal agencies to connect small businesses with the resources they need. In January and June 2014, the Northeast Oklahoma AEI (NEOK AEI) membership conducted credit building events in Tahlequah and Tulsa. At these events, consumers reviewed their credit reports in one-on-one sessions with credit counselors, lenders, and underwriters who assisted them in interpreting, correcting and improving their credit histories. Other events in 2014 that were co-sponsored by the FDIC in four AEI markets included training sessions on the importance of credit scores and the potential for enhancing credit profiles. AEI members collaborated with the Credit Builders Alliance, a nonprofit organization that works to facilitate credit reporting for community development lenders, to train more than 200 representatives of social service organizations, local governments and banks, in greater Los Angeles, California; Milwaukee, Wisconsin; and Wilmington, Delaware, on the role of credit building for low- and moderate-income consumers.

The FDIC also provided information and technical assistance in the development of safe and affordable transaction and savings accounts and other products and services designed to meet the needs of low- and moderate-income consumers. In over 50 markets, the FDIC provided technical assistance to local *Bank On* initiatives and to asset building coalition activities designed to reduce barriers to banking and increase access to the financial mainstream. The FDIC also supported efforts to link consumers to financial education and savings through engagement in activities organized around designated "*Money Smart*" or "Financial Fitness" weeks or months that involved hundreds of consumer outreach events. Moreover, working with the national, local, state, and targeted (youth, military, and minority consumer-focused) *America Saves* campaigns, FDIC community affairs teams continued to link banking companies to active efforts for engaging consumers with setting savings goals at tax time and year round.

Banker Teleconferences

In 2014, 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 compliance and consumer protection. Teleconference participants included bank directors, officers, staff, and other banking industry professionals.

Three teleconferences were held in 2014. The topics discussed included (1) revisions to the "Interagency Questions and Answers Regarding Community Reinvestment, (2) Common Questions and Answers Pertaining to Implementation of the CFPB's Ability-to-Repay and Loan Originator Compensation Final Rules, and (3) an update on flood insurance matters.

Advancing Financial Education

The FDIC expanded its financial education efforts during 2014 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. In particular, the FDIC took steps to more closely align its financial education activities with the *Starting Early for Financial Success* focus of the Financial Literacy and Education Commission.

The FDIC signed a multi-year MOU with the CFPB in April 2014, which leverages each agency's strengths to improve financial education and decision-making skills among American youth from pre-kindergarten through age 20. Early results of the new partnership include tailored financial education resources for teachers, youth, and parents/caregivers.

As part of the new partnership, the FDIC began to develop a new instructor-led *Money Smart* curriculum series for young people, to be used as a resource for teachers. Bankers can also use these tools as they work with schools, non-profit organizations, and other youth-based audiences. The age-appropriate series, targeted for release in early 2015, will consist of four free standard-aligned curriculums that empower teachers with engaging activities to integrate financial education instruction into subjects such as math, English, and social studies. Each curriculum includes a new parent resource guide with information about the topics being covered in class, as well as at-home activities. The curriculum will be made available through the new Teacher Online Resource Center (TORC) website. (https://www.fdic.gov/consumers/education/teachers.html) that was launched in September 2014. The TORC is a central location for teachers to access resources from across the FDIC and CFPB that can support financial literacy instruction.

Also, as part of the new partnership, in August 2014, the FDIC and CFPB launched a campaign to encourage parents and caregivers to help their children build knowledge on financial matters. More than 13,000 visitors accessed the website which provides resources that parents and caregivers can use to talk about money with young people.

In August 2014, the FDIC launched a Youth Savings Pilot Program (Pilot) to identify and highlight promising approaches to offering financial education tied to the opening of safe, low-cost savings accounts for K-12 school-aged children. The FDIC selected nine institutions from a pool of bank applicants. The Pilot's first phase covers existing partnerships between institutions and schools that are in place during the 2014–15 school year. In 2015, the FDIC plans to solicit banks that intend to carry out new programs and partnerships during the 2015–16 school year to participate in the second phase of the Pilot. The Pilot will culminate in a report later in 2015 that will communicate lessons learned about ways banks may work with schools or other organizations to effectively combine financial education with access to a savings account.

The existing suite of *Money Smart* products for consumers was also enhanced with the release of a Spanish language translation of *Money Smart for Older Adults*, in partnership with the CFPB. This stand-alone training module developed by both agencies was initially released in English in 2013 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.

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 150 outreach events to promote the *Money Smart* program. More than 38,000 copies of the *Money Smart* instructor-led curriculum were distributed or downloaded, and more than 49,000 people used the computer-based or podcast curriculum, exemplifying effective results from the outreach sessions.

An example of FDIC outreach with leading organizations to achieve shared objectives is the FDIC's participation in the 2014 *America Saves* Week, which took place from February 24 to March 1. The FDIC hosted six webinars that reached more than 300 financial institutions to discuss opportunities to participate in *America Saves* Week. In addition, the FDIC supported local *America Saves* coalitions in many communities around the country by conducting financial education workshops and providing resources.

Community Development

In 2014, the FDIC provided professional guidance and technical assistance to banks and community organizations through outreach activities and events designed to foster understanding and practical relationships between financial institutions and other community development and economic inclusion stakeholders. As part of this effort, the FDIC conducted over 135 community development events linking bank and community partners with opportunities to address community credit and development needs. A particular emphasis was on low- and moderate-income consumers and small businesses.

The FDIC provided support to strategic partnering between community banks and Community Development Financial Institutions (CDFIs). In May 2014, the FDIC released a guide entitled "Strategies for Community Banks to Develop Partnerships with Community Development Financial Institutions" in an effort to strengthen outreach to encourage partnerships with CDFIs to meet community credit needs.

The FDIC also co-sponsored the 2014 National Interagency Community Reinvestment Conference in Chicago, Illinois. FDIC Chairman Gruenberg, as a plenary speaker, addressed the importance of economic inclusion and community development in his remarks. FDIC staff moderated a number of the sessions covering small business lending, CRA 101 for Community Based Organizations, financial capability, affordable housing, and economic inclusion. More than 900 bankers and community development practitioners attended the biennial conference.

Community Banking Initiatives

Community banks are those institutions that provide traditional, relationship-based banking services in their local communities. They account for about 13.3 percent of the banking assets in the United States but provide nearly 45.1 percent of the small loans that FDIC- IDIs 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.

Efforts under the Community Banking Initiative continued on a number of fronts in 2014. The FDIC continued to conduct targeted research on key community banking issues, and published or presented findings related to the resilience of community banks amid banking industry consolidation, *de novo* institutions and their performance over time, the effects of long-term rural depopulation on community banks, the performance and social impact of Minority Depository Institutions (MDIs), and long-term trends in the physical banking offices operated by FDIC-insured institutions

Another important development during the year was the introduction of a new section in the FDIC *Quarterly Banking Profile* (QBP) that focuses specifically on community banks. This new section of the FDIC's flagship statistical report highlights the structure, activities, and performance of community banks as distinct from the results for larger institutions, and should provide a useful barometer by which smaller institutions can compare their own results. Combined with the FDIC's special reports on community banking topics, this enhancement to the QBP represents an ongoing commitment to an active program of research and analysis on community banking.

In response to concerns about pre- and post-examination processes, the FDIC developed a web-based tool in 2013 that generates a pre-examination document and information request tailored to a specific institution's operations and business lines. In 2014, the regional and Washington offices continued to monitor banker feedback on the enhanced pre-examination process and adjusted the tool based on banker and examiner feedback.

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 that provides in-depth, technical training for bankers to view at their convenience. A new video released during 2014 focused on the new mortgage rules that became effective in 2013. The video is targeted to bank compliance officers to facilitate bank implementation of and compliance with the CFPB's ability-to-repay/qualified mortgage regulations. In addition, the FDIC's Cyber Challenge: A Community Bank Cyber Exercise was added to the Technical Assistance Video Program in 2014.

Throughout 2014, the FDIC continued to offer additional technical training opportunities on subjects of interest to community bankers. As part of this ongoing effort, the FDIC hosted Director Colleges in each region. These Colleges are typically conducted jointly with state trade associations and address topics of interest to community bankers. The FDIC hosted a banker call-in on new mortgage rules and participated in an FFIEC call-in regarding Call Report changes. The FDIC also offered a series of Deposit Insurance Coverage seminars for bank officers and employees. These free seminars, which were offered nationwide, particularly benefited smaller institutions that have limited training resources. Further, the FDIC conducted a series of roundtables with community bankers in each of its six regions. Community bank outreach and training initiatives will continue in 2015.

Additionally, in June 2014, the FDIC mailed an information packet to the chief executive officers (CEOs) of all FDIC-supervised banks. In addition to an introductory letter to the CEOs, the packet contained brochures highlighting the content of key resources and programs; a copy of the Cyber Challenge, a technical assistance product designed to assist with the assessment of operational readiness capabilities; and other information of interest to community bankers.

The FDIC's Advisory Committee on Community Banking is an ongoing forum for discussing critical issues and receiving valuable feedback and input from the industry. The advisory committee met three times during 2014. The Committee, which is composed of 15 senior leaders of community banks 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.

Finally, the FDIC and the OCC co-hosted a Joint Agency Mutual Forum (Forum) on July 24, 2014, which was the first conference conducted for all mutual banking institutions, regardless of charter type. Mutually-related institutions represent about 9 percent of all FDIC-insured institutions and are among the oldest form of depository institution. Attended by approximately 125 mutual bankers, the Forum provided an opportunity for the participants to learn about current trends and engage in a dialogue on the opportunities and challenges facing mutual institutions. In June 2014, the FDIC created a new website dedicated to mutual institutions, with helpful resources, guidance, and the first ever published comprehensive listing of mutual banks and institutions owned by mutual holding companies.

Consumer Complaints and Inquiries

The FDIC helps 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, U.S. Mail, email, and online through the FDIC's website. In 2014, the FDIC handled 17,559 written and telephone complaints and inquiries. Of this total, 9,358 related to FDIC-supervised institutions. The FDIC responded to nearly 98 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 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.

In 2014, the five most frequently identified consumer product complaints and inquiries about FDIC-supervised institutions concerned credit cards (18 percent), checking accounts (14 percent), residential real estate loans (12 percent), consumer loans (13 percent), and prepaid cards (8 percent). Credit card complaints and inquiries most frequently described issues with collection practices, while the issues most commonly cited in correspondence about checking accounts related to bank overdraft fees and service charges. The largest share of complaints and inquiries about residential real estate loans related to loan modifications and foreclosures. Consumers most often identified concerns with collection practices regarding consumer loans, and a large number of complaints also involved issues related to prepaid cards.

The FDIC also investigated 76 complaints alleging discrimination during 2014. The number of discrimination complaints investigated has fluctuated over the past several years but averaged approximately 121 complaints per year between 2008 and 2014. Over this period, 36 percent of the complaints investigated alleged discrimination based on the race, color, national origin, or ethnicity of the applicant or borrower; 23 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. In 2014, consumers received more than $801,000 in refunds from financial institutions as a result of the assistance provided by the FDIC's Consumer Affairs Program.

Public Awareness of 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 during 2014. For example, the FDIC conducted 12 telephone seminars for bankers on deposit insurance coverage, reaching an estimated 20,108 bankers participating at approximately 5,745 bank locations throughout the country. In 2014, the FDIC also completed a comprehensive update of its deposit insurance coverage publications and educational tools for consumers and bankers. This included a complete revision of the FDIC's website including brochures, resource guides, and videos. In addition, new outreach materials were developed to assist depositors, including infographic diagrams for revocable and irrevocable trust deposits.

As of December 31, 2014, the FDIC received and answered approximately 88,315 telephone deposit insurance-related inquiries from consumers and bankers. The FDIC Call Center addressed 40,522 of these inquiries, and deposit insurance coverage subject-matter experts handled the other 47,793. In addition to telephone inquiries about deposit insurance coverage, the FDIC received 1,879 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 FDIC's Center for Financial Research (CFR) encourages and supports innovative research on topics that are important to the FDIC's role as deposit insurer and bank supervisor. During 2014, the FDIC's CFR co-sponsored two major conferences. Approximately 60 regulatory staff attended an Interagency Risk Quantification Forum, co-sponsored by the FDIC, the OCC, and the Federal Reserve Bank of Philadelphia, which addressed topics including securitization and creditor recovery, loss given default, and the identification of systemic risk in the banking industry.

The CFR also organized and sponsored the 14th Annual Bank Research Conference jointly with the Journal for Financial Services Research (JFSR), in October 2014. More than 120 participants attended the conference that included more than 20 presentations on topics related to global banking, financial stability, and the financial crisis.

RECEIVERSHIP MANAGEMENT

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 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. The FDIC uses two basic resolution methods: purchase and assumption transactions and deposit payoffs.

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 FDIC 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, absorbing 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 assets in the banking sector can produce a better net recovery than the FDIC's immediate liquidation of these assets.

The FDIC monitors compliance with shared-loss agreements by validating the appropriateness of loss-share claims; reviewing efforts to maximize recoveries; ensuring consistent application of policies and procedures across both shared-loss and legacy portfolios; and confirming that the acquirer has sufficient internal controls, including adequate staff, reporting, and recordkeeping systems. At year-end 2014, there were 281 shared-loss agreements with $54.6 billion in total covered assets.

Deposit payoffs are only executed if all bids received for a P&A transaction are 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. A variation of the deposit payoff is the establishment of a New Depository Institution (NDI), as authorized by the FDI Act. An NDI is a new national bank or federal savings association with limited life and powers that assumes the insured deposits of a failed bank or savings association, allowing customers of the failed bank or savings association a brief period of time to move their deposit account(s) to other insured institutions. Though infrequently used, an NDI allows for a failed bank or savings association 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, uninsured depositors, 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, and structured transactions.

Financial Institution Failures

During 2014, there were 18 institution failures, compared to 24 failures in 2013. 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. 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 2012–2014
Dollars in Billions

	2014	2013	2012
Total Institutions	18	24	51
Total Assets of Failed Institutions[1]	$2.9	$6.0	$11.6
Total Deposits of Failed Institutions[1]	$2.7	$5.1	$11.0
Estimated Loss to the DIF	$0.4	$1.3	$2.7

[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.

Asset Management and Sales

As part of its resolution process, the FDIC tries 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.

Cash sales of assets for the year totaled $772 million in book value. In addition to structured and cash sales, the FDIC also uses securitizations to dispose of bank assets.

As a result of the FDIC's marketing and collection efforts, the book value of assets in inventory decreased by $3.6 billion (32 percent) in 2014. 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	12/31/14	12/31/13
Securities	$470	$893
Consumer Loans	36	69
Commercial Loans	123	274
Real Estate Mortgages	697	954
Other Assets/Judgments	957	1,145
Owned Assets	120	365
Net Investments in Subsidiaries	123	117
Structured and Securitized Assets	5,150	7,487
Total	**$7,676**	**$11,304**

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 2014, the number of receiverships under management increased by .2 percent, as a result of new failures. The following chart shows overall receivership activity for the FDIC in 2014.

RECEIVERSHIP ACTIVITY

Active Receiverships as of 12/31/13[1]	480
New Receiverships	18
Receiverships Terminated	17
Active Receiverships as of 12/31/14	481

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

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 2014, the FDIC paid dividends of $6 million to depositors whose accounts exceeded the insurance limit.

Professional Liability and Financial Crimes Recoveries

The 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 is expected to be cost-effective to pursue, the FDIC initiates legal action against the appropriate parties. During 2014, the FDIC recovered more than $1.1 billion from professional liability claims and settlements. The FDIC also authorized lawsuits related to 17 failed institutions against 123 individuals for director and officer liability, and authorized five other lawsuits for fidelity bond, liability insurance, attorney malpractice, appraiser malpractice, and securities law violations for residential mortgage-backed securities. As of the end of 2014, 75 residential mortgage malpractice and fraud lawsuits were pending. Also, the FDIC's caseload included 102 professional liability lawsuits (down from 119 at year-end 2013) and 511 open investigations (down from 796 at year-end 2013).

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 DOJ, collected $6.4 million from criminal restitution and forfeiture orders through the end of 2014. At that time, there were 3,954 active restitution and forfeiture orders (down from 4,073 at year-end 2013). This includes 130 orders held by the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund, (i.e., orders arising out of failed financial institutions that were in receivership or conservatorship by the FSLIC or the Resolution Trust Corporation).

INTERNATIONAL OUTREACH

In 2014, the FDIC continued to play a leading role in supporting and promoting the global development of effective deposit insurance, bank supervision, and effective resolution regimes as integral components of the financial safety net. The FDIC worked with several standard-setting, regulatory, supervisory, and multi-lateral organizations such as the Association of Supervisors of Banks of the Americas (ASBA), the Basel Committee on Banking Supervision (BCBS), the Financial Services Volunteer Corps (FSVC), the International Association of Deposit Insurers (IADI), the International Monetary Fund (IMF), and the World Bank. FDIC staff also facilitated the training of several hundred bank supervisors and regulators, technical assistance missions around the world, and secondment programs to further the international community's understanding and implementation of best practices in bank supervision and regulation.

International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI) contributes to global financial stability by promoting international cooperation in the field of deposit insurance and providing guidance for establishing new, and enhancing existing, deposit insurance systems, and by encouraging wide international contact among deposit insurers and other interested parties. It is recognized as the standard-setting body for deposit insurance by major international financial institutions, including the FSB, the G-20, the BCBS, the E.C., the IMF, and the World Bank. Since its founding in 2002, IADI has grown from 26 founding members to 79 deposit insurers from 76 jurisdictions. FDIC Chairman Gruenberg served as the President of IADI and Chair of its Executive Council from November 2007 to October 2012. FDIC Vice Chairman Thomas Hoenig currently serves on IADI's Executive Council.

In 2009, IADI and the BCBS jointly issued the *Core Principles for Effective Deposit Insurance Systems* and completed the accompanying *Compliance Assessment Methodology for the Core Principles* in 2010 (together, the *Core Principles*). The FSB included the *Core Principles* in its Compendium of Key Standards for Sound Financial Systems. The IMF and World Bank use the *Core Principles* in the context of the Financial Sector Assessment Program (FSAP) reviews, to assess the effectiveness of jurisdictions' deposit insurance systems and practices. This represents an important milestone in the growing global acceptance of the role of effective deposit insurance systems in maintaining financial stability. To-date, IADI has trained more than 280 staff members from over 70 jurisdictions in conducting self-assessments for compliance with the *Core Principles*.

In 2014, a Joint Working Group, comprising key representatives from the FDIC, the Canada Deposit Insurance Corporation, the BCBS, the European Forum of Deposit Insurers, the IMF, the World Bank, the E.C., and the FSB, revised the *Core Principles* and presented the revision to the IADI Executive Council, which approved it in October 2014. Subsequently, IADI submitted the updated *Core Principles* to the FSB for inclusion in its Periodic Report to the Plenary, and acceptance by the IMF and World Bank is expected in the near term. Complementing FDIC efforts with IADI and the *Core Principles*, the FDIC in partnership with the Financial Stability Institute (FSI), developed an online tutorial to assist jurisdictions in completing self-assessments of compliance with the *Core Principles* in preparation for the IMF/World Bank FSAP review.

FDIC executives and subject-matter experts partnered with IADI to make significant contributions to the development and delivery of several key international programs in 2014. Vice Chairman Hoenig and division executives joined global bank resolution and deposit insurance leaders in exploring key issues related to the use of bail-in as a resolution tool in Warsaw, Poland. The FDIC partnered with FSI to develop a seminar on bank resolution and crisis management hosted by the Bank for International Settlements in Basel, Switzerland. In collaboration with the Kenya School of Monetary Studies, the FDIC led a workshop in Nairobi, Kenya, in May 2014 for jurisdictions interested in establishing new deposit insurance systems. The FDIC helped modernize IADI's information technology infrastructure and its research capabilities and supported IADI in many leadership capacities. In addition to the Vice Chairman's role on the Executive Council, an FDIC executive chairs the IADI Training and Conference Committee (TCC), which is responsible for setting IADI's training strategy, advancing the *Core Principles* capacity building programs, and forging effective partnerships with multilateral agencies that contribute to IADI's training capabilities. One of the TCC's marquee programs is its Executive Training Seminars. In July 2014, the FDIC led a seminar on Deposit Insurance Funding for 70 participants from 35 jurisdictions.

Association of Supervisors of Banks of the Americas

The FDIC has been a member of ASBA since its founding in 1999 and supports ASBA's mission of promoting sound bank supervision and regulation throughout the Western Hemisphere. ASBA represents bank supervisors from 36 jurisdictions. The FDIC strives to lead the development of strong supervisory policies in this hemisphere through active engagement with the Association's Board, chairing the ASBA's Training and Technical Committee, and by providing leadership in many of the Association's research and guidance working groups.

Senior FDIC staff chair the ASBA Training and Technical Committee, which is responsible for designing and implementing ASBA's training strategy that advances the adoption of sound bank supervision policies and practices among members. In support of ASBA's Continental Training Program, the FDIC led two technical assistance training missions in 2014, including Supervision of Operational Risk in San Salvador, El Salvador, and Financial Institution Analysis in Tegucigalpa, Honduras. The FDIC continued to provide subject-matter experts as instructors and speakers to support ASBA-sponsored training programs, seminars, and conferences.

Basel Committee on Banking Supervision

The FDIC supported the development of sound regulatory policy through effective participation in the BCBS and its relevant subgroups. FDIC senior managers represented the FDIC in quarterly meetings of the BCBS and its Policy Development Group. Throughout the year, the FDIC was active in a number of BCBS subgroups that developed proposals for international minimum standards for capital adequacy, resolution regimes, liquidity and funding, and trading and derivatives activities for internationally active banks. These groups include the Task Force on Simplicity and Comparability, the Leverage Ratio Group, the Accounting Experts Group, the Working Group on Liquidity, the Working Group on Margining Requirements, the Cross-Border Bank Resolution Group, and the Standards Implementation Group, among others. FDIC staff contributed to active work streams and quantitative impact studies for BCBS subgroups, providing substantial support and in some instances leading the work.

International Capacity Building

The FDIC's international efforts supporting the development of effective deposit insurance systems, bank supervisory practices, and bank resolution regimes continued to grow in 2014. FDIC staff contributed to international capacity building by providing study tours, secondments, and technical assistance to foreign counterparts. These engagements resulted in an enhanced dialogue between the FDIC and foreign bank supervisors, deposit insurers, and lawmakers on significant areas such as bank supervision and regulatory development post crisis, depositor preference and resolution functions of the deposit insurance system, and optimal funding strategies for deposit insurers.

FDIC management and staff hosted study tours for 288 individuals, representing 26 jurisdictions during the year. Additionally, the FDIC's Corporate University provided training in bank supervision and information technology to 294 foreign delegates from 20 jurisdictions. In support of the FDIC's long-term partnership with the U.S. Department of State, the FDIC hosted training sessions for 111 individuals from 15 jurisdictions on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) in 2014. These training sessions assisted participating jurisdictions in implementing AML/CFT standards, and in providing law enforcement with financial investigative skills, as well as a suite of skills necessary to combat money laundering, terrorist financing, and fraud.

The FDIC contributes to global and domestic initiatives by providing staff to support long-term projects and technical assistance missions led by the IMF, U.S. Treasury Department, the FSVC, and the World Bank. In 2014, senior FDIC staff served on long-term assignments at the U.S. Treasury Department's Office of International Bank and Securities Markets. The FDIC led six technical assistance missions sponsored by the U.S. Treasury and the FSVC. In collaboration with the U.S. Treasury Office of Technical Assistance, the FDIC advised the Banque de la République du Burundi on the development of a risk-based supervision program. In partnership with the FSVC, the FDIC participated in several technical assistance missions including assisting the Albania Deposit Insurance Agency in developing an automated system to verify deposit insurance premiums and payouts, providing expertise on the topic of savings mobilization in the financial sector to the East African Community Financial Services Providers' Council in Tanzania, and providing senior Bank of Uganda examiners with an opportunity to strengthen its supervision framework by observing an FDIC risk-management examination. The FDIC partnered with the World Bank to provide technical assistance to the Nigerian Deposit Insurance Corporation on developing a targeted fund ratio for their deposit insurance fund. The FDIC also provided technical assistance and consultation to the Central Bank of Curaçao on the disposition of larger troubled banks and strengthening its bank supervision framework.

The FDIC expands and strengthens international engagement by providing secondment opportunities to foreign officials to engage in long-term consultation with FDIC subject-matter experts in areas related to bank supervision, deposit insurance, and resolutions. In 2014, two officials from the Deposit Insurance Corporation of Japan and the Korea Deposit Insurance Corporation concluded their secondments to the FDIC, and two new secondees from these agencies joined the FDIC, each for one-year assignments.

Key International Engagements

In 2014, the FDIC took important steps to strengthen its relationships with key jurisdictions worldwide. In February, FDIC executives attended the U.S.-India Financial Regulatory Dialogue, hosted by the Securities and Exchange Bureau of India (SEBI) in Mumbai. U.S. representatives from the Treasury Department, FRB, SEC, Commodity Futures Exchange Commission, and the Federal Insurance Office met with the Indian Ministry of Finance, Reserve Bank of India, the Forward Markets Commission, and the Insurance Regulatory and Development Authority to discuss banking sector developments, commodity market and capital market issues, insurance and pension regulation, and financial regulatory reform in each country. The FDIC discussed the U.S. bank resolution regime and new resolution powers for nonbank resolutions. The Reserve Bank of India, in turn, explained its proposed banking reform legislation that would dissolve the current Deposit Insurance and Credit Guarantee Corporation and create a new resolution corporation responsible for the resolution of bank and nonbank financial institutions in India.

In July 2014, Secretary of the Treasury Jacob Lew and Secretary of State John Kerry led a delegation of senior U.S. officials to Beijing, China, to participate in the 6th U.S.-China Strategic and Economic Dialogue. Secretary Lew and Vice Premier Wang Yang led the Economic Track discussion. The FDIC was represented at the meetings, alongside a high-level delegation of Cabinet members, ministers, agency heads, and senior officials from both countries. Among key outcomes, such as commitments by China to liberalize its exchange rate regime, reduce barriers to trade, and further open its markets, China also committed to accelerate the establishment of a deposit insurance system and improve the resolution mechanism for financial institutions through issuing regulations on bank resolution.

MINORITY AND WOMEN INCLUSION

The FDIC relies on contractors to help meet its mission. In 2014, the FDIC awarded 288 (26.9 percent) contracts to minority- and women-owned businesses (MWOBs) out of a total of 1,072 issued. The FDIC awarded contracts with a combined value of $686.8 million in 2014, of which, $239.9 million, or 34.9 percent, were awarded to MWOBs, compared to 34.7 percent for all of 2013. The FDIC paid $128.2 million of its total contract payments (26.1 percent) to MWOBs, under 1,934 active contracts. Referrals to minority- and women-owned law firms (MWOLFs) accounted for 16 percent of all legal referrals in 2014, with total payments of $15.3 million going to MWOLFs, (13 percent of all payments to outside counsel) compared to 13 percent for all of 2013.

In 2014, the FDIC participated in a combined total of 21 business expos, one-on-one matchmaking sessions, and panel presentations. At these events, FDIC staff provided information and responded to inquiries regarding FDIC business opportunities for minorities and women. 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 forecasts of possible upcoming solicitations. Also, vendors were encouraged to register through the FDIC's Contractor Resource List (a principal database for vendors interested in doing business with the FDIC). In 2014, a total of 332 MWOBs were added to the FDIC Contractor Resource List.

On December 2, 2014, the FDIC hosted a Technical Assistance Day. This event provided a venue for various business owners, including MWOBs and MWOLFs, to become better acquainted with the FDIC's contracting process, receive technical assistance on effective proposal writing, and learn about the types of technical assistance offered by the Procurement Technical Assistance Center and Minority Business Development Agency. The event also included a panel composed of Office of Minority and Women Inclusion (OMWI) Directors from the U.S. Treasury Department, the OCC, the SEC, the FHFA, the CFPB, and the FDIC, who addressed their respective programs and opportunities. Eighty-six business representatives attended.

In addition, the FDIC conducted a series of outreach events to raise awareness and provide information on how to purchase other real estate (ORE) through the FDIC's Owned Assets Marketplace and Auctions Program. The events also facilitated interaction between smaller investors and asset managers, which includes minority- and women-owned (MWO) firms.

Additionally, the FDIC conducted outreach targeting prospective asset purchasers and investors, including MWO investors, in Chicago and New York City in advance of an auction that occurred later in 2014. Information regarding the Owned Assets Marketplace and Auctions Program can be found on the FDIC's website at www.fdic.gov/mwop.

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 2014 follow.

Human Capital Management

The FDIC's human capital management programs are designed to attract, train and develop, reward, and retain a highly skilled, diverse, and results-oriented workforce. In 2014, FDIC workforce planning initiatives emphasized the need to plan for employees to fulfill current and future requirements and leadership needs. This focus ensures that the FDIC has a workforce positioned to meet today's core responsibilities while preparing to fulfill its mission in the years ahead.

Strategic Workforce Planning and Readiness

During 2014, the FDIC continued to develop and began implementation of the Workforce Development initiative. This effort began with an assessment of the current talent pipeline for senior leadership positions. Based on the findings, the FDIC elected to broaden the scope of the initiative beyond succession planning to include the development of strategies designed to address comprehensive workforce development challenges and opportunities. The initiative is focused on four broad objectives: attract and develop talented employees across the agency, enhance the capabilities of employees through training and diverse work experiences, encourage employees to engage in active career development planning and seek leadership roles in the FDIC, and build on and strengthen the FDIC's operations to best support these efforts.

In 2014, the FDIC embarked on planning and developing the infrastructure, governance, programs, and processes to help meet its long-term workforce needs. The FDIC is committed to building and maintaining its talent pipeline to ensure succession challenges are fully addressed. It will take several cycles of identifying future workforce and leadership needs; assessing current workforce capabilities; supporting aspiration to leadership and management roles; and developing and sourcing the talent to meet emerging workforce needs. As such, the FDIC's Workforce Development initiative is a dynamic process rather than a one-time, static event.

Simultaneously, the FDIC continued to focus on ensuring the availability of a workforce prepared to address today's responsibilities, especially related to the oversight of SIFIs required under the Dodd-Frank Act. As an outgrowth of strategic workforce planning, the FDIC established a new employee development program to expand the number of FDIC employees who have broad, cross-divisional experience with the largest and most complex FDIC-insured banks and BHCs. The program provides experience in supervision, risk analysis and monitoring, risk-based pricing and deposit insurance fund management, and resolution planning and resolvability. Twelve employees were selected for this rotational program in 2014.

Workforce planning efforts also addressed the need to continue winding down bank closure activities, based on the decrease in the number of financial institution failures and institutions in at-risk categories. In 2014, the FDIC continued to evaluate its staffing needs in a post-crisis environment and released some of the temporary staff as their term appointments expired. The FDIC has extended appointments only for the most critical temporary positions, where workload continues to exist, to address post-closure activity, which typically extends for five to seven years after a bank fails. The bank resolution workload is expected to slow considerably over the next few years.

The quality and commitment of FDIC employees have allowed the agency to respond effectively in times of crisis, while continuing to deliver on its core mission responsibilities. Through further development of its human capital strategies, the FDIC will work to ensure that the future FDIC workforce is as prepared, capable, and dedicated as the one it has today.

Corporate Employee Program

The FDIC's Corporate Employee Program (CEP) sponsors the development of newly hired financial institution specialists (FISs) in entry-level positions. The CEP encompasses major FDIC divisions where FISs are trained to become part of a highly effective workforce. During the first-year rotation within the program, FISs gain experience and knowledge in the core business of the FDIC, including the Division of Depositor and Consumer Protection (DCP), Division of Risk Management Supervision (RMS), the Division of Resolutions and Receiverships (DRR), and the Division of Insurance (DIR). At the conclusion of the 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 CEP 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, 1,391 individuals have joined the FDIC through this multi-discipline program and approximately 628 have become commissioned examiners after successfully completing the program's requirements.

The FDIC continues to sponsor the Financial Management Scholars Program (FMSP), an additional hiring source for the CEP. Participants in the FMSP complete an internship with the FDIC the summer following the conclusion of their junior year. As a result, the FDIC is able to recruit and hire highly talented and well-qualified students into the CEP ahead of other prospective employers. The program serves as an additional venue to recruit talent. For 2015, 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 is committed to the learning and development of its employees throughout their career to enrich technical proficiency and leadership capacity, supporting career progression and succession management. In 2014, the FDIC focused on developing and implementing comprehensive curricula for its business lines to incorporate lessons learned from the financial crises 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 comprehensive 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 align with key leadership competencies. The FDIC is expanding the use of strategic simulations to support corporate readiness and preparedness. In addition to a broad array of internally developed and administered courses, the FDIC also provides its employees with funds and/or time to participate in external training to support their career development.

Corporate Risk Management

During 2014, the Office of Corporate Risk Management (OCRM) worked with divisions and offices to advance common agency-wide processes for identifying, managing, and mitigating risks to the FDIC. OCRM assisted the Enterprise Risk Committee, Executive Management Committee, External Risk Forum, and Management Risk Roundtable in reviewing risks across the agency. OCRM monitors material risks and mitigation activities, including the following:

- Risks to the agency's ability to conduct its mission essential functions under all threats and conditions, as described in its Continuity of Operations Plan and Business Continuity Plan.
- Risks to the financial system posed by the extended current low level of interest rates.
- Risks to the deposit insurance system arising from new products and services with characteristics very different from traditional loan and deposit products.
- Risks posed by the analytical models used by the FDIC in identifying and managing risk.
- Risks associated with governance and development of large-scale IT projects.
- Risks posed to the agency and to the financial services industry by concerted attempts to penetrate, compromise, and disrupt the information systems that are essential to their 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

Photo credit: Sam Kittner/Kittner.com

Director of the Division of Administration Arleas Upton Kea and Deputy to the Chairman and Chief Operating Officer Barbara A. Ryan accept the award from Max Stier, President and CEO of Partnership for Public Service.

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 2014, the FDIC received an award from the Partnership for Public Service for being 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 plays an important role in helping the FDIC engage employees. 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 agency. In addition to the WE program, the FDIC-National Treasury Employees Union 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 recognizes secure information technology (IT) solutions are a critical and transformative resource for the successful accomplishment of the agency's business objectives. The FDIC relies on the efficient, innovative, and secure business capabilities that IT provides to ensure and enhance mission achievement.

Cybersecurity (internal)

Information resources are subject to serious threats that can have wide-ranging adverse impacts on the FDIC's operations, reputation, and ultimately the ability to accomplish its mission. The continually changing landscape of threats poses significant security challenges for the FDIC, the public, and the nation. Several serious widespread vulnerabilities, including the Heartbleed, Shellshock, and POODLE vulnerabilities, were of specific concern for the FDIC in 2014. The FDIC recognizes that protections against today's numerous and sophisticated array of cyber threats requires constant vigilance and rapidly evolving security solutions.

As threats continued to intensify from cyber criminals, hacktivists, and foreign governments, multiple defenses were necessary to address each of the different motivations, intents, and capabilities of attacks. The increasing threat of cyber-attacks required the FDIC to implement improved strategies for ensuring the security of the FDIC's data (including private, personal data) and IT infrastructure. In addition, the FDIC developed new cybersecurity capabilities for detecting incidents earlier and incorporated the capabilities together in a comprehensive framework to minimize the impact on operations and critical infrastructure, resulting in reduced risk.

The Information Security and Privacy Staff protects the FDIC's networks and systems from threats and attacks.

THIS PAGE INTENTIONALLY LEFT BLANK.

II. Performance Results Summary

SUMMARY OF 2014 PERFORMANCE RESULTS BY PROGRAM

The FDIC successfully achieved 36 of the 38 annual performance targets established in its 2014 Annual Performance Plan. There were no instances in which 2014 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. ♦ Presented a notice of proposed rulemaking to the FDIC Board of Directors in July and a final rule in November that: conforms capital ratios and thresholds for deposit insurance assessment purposes to the PCA capital ratios and thresholds in the Basel III rule; conforms the assessment base deduction for custodial banks to the asset risk weights in the Basel III rule's standardized approach; and requires that highly complex institutions measure their counterparty exposure for assessment purposes consistent with the standardized approach in the Basel III rule. ♦ 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 360,376 user sessions in 2014.

Program Area	Performance Results
Supervision and Consumer Protection	♦ Participated on 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. ♦ Implemented the strategy outlined in the work plan approved by the Advisory Committee on Economic Inclusion to support the expanded availability of Safe accounts and the responsible use of technology to expand banking services to the underbanked.
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 86 percent of all investigated claim areas that were within 18 months of the institution's failure date.

PERFORMANCE RESULTS BY PROGRAM AND STRATEGIC GOAL

2014 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 insured 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. 39.**
			Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	**Achieved. See pg. 39.**
		Insured depositor losses resulting from a financial institution failure.	Depositors do not incur any losses on insured deposits.	**Achieved. See pg. 39.**
			No appropriated funds are required to pay insured depositors.	**Achieved. See pg. 39.**
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. 49.**
			Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.	**Achieved. See pg. 34.**
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, 2014, and December 31, 2014.	**Achieved. See pg. 49.**
			Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors as necessary.	**Achieved. See pg. 49.**
		Demonstrated progress in achieving the goals of the Restoration Plan.	Provide progress reports to the FDIC Board of Directors by June 30, 2014, and December 31, 2014.	**Achieved. See pp. 49.**

2014 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 and effective deposit insurance programs, resolution strategies, and banking systems worldwide.	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 pg. 41.**
			Maintain a leadership position in the International Association of Deposit Insurers (IADI) by conducting workshops and performing assessments of deposit insurance systems based on the methodology for assessment of compliance with the IADI *Core Principles* for Effective Deposit Insurance Systems (*Core Principles*), developing and conducting training on priority topics identified by IADI members, and actively participating in IADI's Executive Council and Standing Committees.	**Achieved. See pgs. 41-42.**
			Engage with authorities responsible for resolutions and resolutions planning in priority foreign jurisdictions.	**Achieved. See pg. 41.**
			Contribute to the resolution-related agenda of the Financial Stability Board (FSB) through active participation in the FSB's Resolution Steering Group and its working groups.	**Achieved. See pg. 41.**
			Actively participate in bilateral interagency regulatory dialogues.	**Achieved. See pg. 43.**
		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, bank supervisors, and resolution authorities.	**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. 38.**
		Initiatives to increase public awareness of deposit insurance coverage changes.	Conduct at least 12 telephone or in-person seminars for bankers on deposit insurance coverage.	**Achieved. See pg. 38.**

2014 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. 24.**
		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.	**Substantially Achieved. See pg. 25.**
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. 24.**
3	More closely align regulatory capital standards with risk and ensure that capital is maintained at prudential levels.	Issuance of final Basel III reporting instructions.	Finalize Basel III reporting instructions in time to ensure that institutions that are using the advanced approaches can implement Basel III in the first quarter of 2014 and that all IDIs can implement the standardized approach in the first quarter of 2015.	**Achieved. See pgs. 14-15.**
		Issuance of a final Basel Liquidity Coverage Ratio rule.	Publish a final Basel Liquidity Coverage Rule, in collaboration with other regulators by December 31, 2014.	**Achieved. See pg. 18.**
		Issuance of a final rule implementing the Basel III capital accord.	Publish a final rule implementing the Basel III capital accord in collaboration with other regulators, by December 31, 2014.	**Achieved. See pgs. 13-14.**
		Issuance of an enhanced U.S. supplementary leverage ratio standard.	Finalize, in collaboration with other regulators, an enhanced U.S. supplementary leverage ratio standard by December 31, 2014.	**Achieved. See pg. 14.**

2014 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (continued)				
Strategic Goal: *FDIC-insured institutions are safe and sound.*				
#	**Annual Performance Goal**	**Indicator**	**Target**	**Results**
4	Identify and address risks in financial institutions designated as systemically important.	Risk monitoring of systemically important banks, bank holding companies, and designated non-banking firms.	Conduct ongoing risk analysis and monitoring of SIFIs to understand their structure, business activities and risk profiles, and their resolution and recovery capabilities.	**Achieved. See pgs. 19-20.**
		Completion of statutory and regulatory requirements under Title I of the Dodd-Frank Act.	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 resolution plans submitted by financial companies subject to the requirements of Section 165 (d) of the Dodd-Frank Act.	**Achieved. See pgs. 20-21.**
		Meetings of the Systemic Resolution Advisory Committee.	Hold at least one meeting of the Systemic Resolution Advisory Committee to obtain feedback on resolving SIFIs.	**Achieved. See pg. 24.**
5	Implement strategies to promote enhanced cybersecurity within the banking industry.	Implementation of an enhanced information technology (IT) supervision program.	In coordination with the FFIEC, implement recommendations to enhance the FDIC's supervision of the IT risks at insured depository institutions and their technology service providers.	**Achieved. See pgs. 27-28.**

2014 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
1	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.	Conduct 100 percent of required examinations within the time frames established by FDIC policy.	**Substantially Achieved. See pg. 26.**
		Implementation of corrective programs.	Conduct visits and/or follow-up examinations in accordance with established FDIC policies to ensure that the requirements of any required corrective program have been implemented and are effectively addressing identified violations.	**Achieved. See pg. 26.**
2	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. 37.**
3	Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/ community affairs initiatives.	Completion of planned initiatives.	Publish the results of the 2013 FDIC National Survey of Unbanked and Underbanked Households (conducted jointly with the U.S. Census Bureau).	**Achieved. See pg. 33.**
			Implement the strategy outlined in the work plan approved by the Advisory Committee on Economic Inclusion to support the expanded availability of SAFE accounts and the responsible use of technology, to expand banking services to the underbanked.	**Achieved. See pg. 33.**
			Facilitate opportunities for banks and community stakeholders to address issues concerning access to financial services, community development, and financial education.	**Achieved. See pgs. 35-36.**

2014 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. 39.**
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. 39.**
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. 50.**
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. 50.**

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	2013	2012	2011
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 balance projections to the FDIC Board of Directors by June 30, 2013, 2012, and 2011, and December 31, 2013, 2012, and 2011.	Achieved.	Achieved.	Achieved.
♦ Provide progress reports to the FDIC Board of Directors by June 30, 2013, 2012 and 2011, and December 31, 2013, 2012 and 2011.	Achieved.	Achieved.	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.	Achieved.

INSURANCE PROGRAM RESULTS			
Strategic Goal: *Insured depositors are protected from loss without recourse to taxpayer funding.*			
Annual Performance Goals and Targets	**2013**	**2012**	**2011**
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.			
♦ Respond within two weeks to 95 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.	Achieved.	Achieved.	Achieved.
♦ Conduct at least 15 telephone or in-person seminars for bankers on deposit insurance coverage during 2013 and at least 12 seminars each year during 2012 and 2011.	Achieved.	Achieved.	Achieved.
6. 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.	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.
♦ Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolutions, and deposit insurance practices.		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.
♦ Conduct workshops and assessments of deposit insurance systems based on the methodology for assessment of compliance with Basel Committee on Bank Supervision (BCBS) and the International Association of Depositor Insurers (IADI) *Core Principles for Effective Deposit Insurance Systems.*	Achieved.		
♦ 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.		

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS			
Strategic Goal: *FDIC-supervised institutions are safe and sound.*			
Annual Performance Goals and Targets	**2013**	**2012**	**2011**
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. Beginning in 2013, when problems are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected.			
♦ Conduct all required risk management examinations within the time frames prescribed by statute and FDIC policy.	Achieved.	Achieved.	Achieved.
♦ 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.	Substantially 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. 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.
5. 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.	
♦ 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.

* Erroneously reported as "Achieved" in the 2013 Annual Report.

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (continued)			
Strategic Goal: FDIC-supervised institutions are safe and sound.			
Annual Performance Goals and Targets	**2013**	**2012**	**2011**
♦ 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.**
♦ Complete by June 30, 2013, the review of comments and impact analysis of June 2012 proposed interagency changes to regulatory capital rules.	**Achieved.**		
♦ Issue by December 31, 2013, final regulatory capital rules.	**Achieved.**		
6. 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.**	
♦ 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.**

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (continued)			
Strategic Goal: *FDIC-supervised institutions are safe and sound.*			
Annual Performance Goals and Targets	**2013**	**2012**	**2011**
♦ 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.**
♦ 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 1 of DFA.	**Achieved.**		
♦ Hold at least one meeting of the Systemic Resolution Advisory Committee to obtain feedback on resolving systemically important financial companies.	**Achieved.**		
7. 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	**2013**	**2012**	**2011**
1. Conduct on-site CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions. Beginning in 2013, when problems are identified, promptly implement appropriate corrective programs, and follow up to ensure that identified problems are corrected.			
♦ Conduct 100 percent of required examinations within the time frames established by FDIC policy.	Achieved.		Achieved.
♦ 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.		
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.	
♦ 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	**2013**	**2012**	**2011**
♦ 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.**
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.**	
♦ Conduct the third biennial FDIC *National Survey of Unbanked and Underbanked Households* (conducted jointly with the U.S. Census Bureau).	**Achieved.**		
♦ Initiate work on the Survey of Banks' Efforts to Serve the Unbanked and Underbanked.	**Deferred.**		
♦ 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.**		

RECEIVERSHIP MANAGEMENT PROGRAM RESULTS			
Strategic Goal: *Resolutions are orderly and receiverships are managed effectively.*			
Annual Performance Goals and Targets	**2013**	**2012**	**2011**
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.
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.

III. 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.

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 2014, the DIF's comprehensive income totaled $15.6 billion compared to comprehensive income of $14.2 billion during 2013. This $1.4 billion year-over-year increase was primarily due to a $2.6 billion decrease in provision for insurance losses, partially offset by a $1.0 billion decrease in assessment revenue.

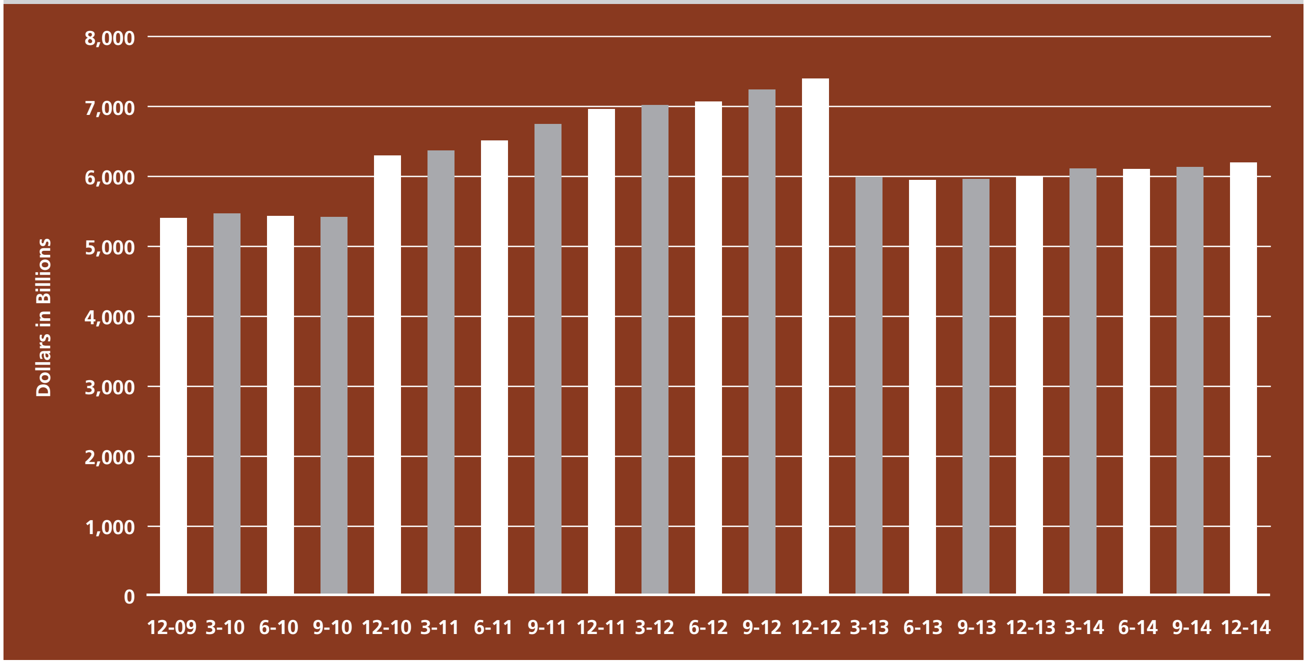
Assessment revenue was $8.7 billion for 2014. The decrease of $1.0 billion, from $9.7 billion in 2013, was primarily due to lower risk-based assessment rates resulting from continued improvements in banks' CAMELS ratings and financial condition.

The provision for insurance losses was negative $8.3 billion for 2014, compared to negative $5.7 billion for 2013. The negative provision for 2014 primarily resulted from a decrease of $9.1 billion in the estimated losses for institutions that failed in current and prior years, partially offset by an increase of $850 million in the contingent liability for anticipated failures due to the deterioration in the financial condition of certain troubled institutions.

The $9.1 billion reduction in the estimated losses from failures was primarily attributable to (1) unanticipated recoveries of $1.8 billion in litigation settlements, professional liability claims, and tax refunds by the receiverships and (2) a $6.7 billion decrease in the receiverships' shared-loss liability that resulted from decreases in covered asset balances, lower future loss rate estimates, and unanticipated recoveries on shared-loss agreement losses. Covered asset balances decreased by $23.6 billion during 2014 with lower than anticipated losses. These lower than anticipated losses were due to loan amortizations and pay-downs, resulting from the improvement in the condition of real estate markets where shared-loss assets are concentrated, and the expiration of 83 commercial asset shared-loss coverage agreements in 2014, thereby ending the loss claim period. The reduction in future loss rate estimates resulted from the general improvement in the real estate markets and the composition of the remaining covered asset portfolios, which primarily consist of performing single family assets. These assets have historically experienced significantly lower losses than commercial assets. Finally, unanticipated recoveries of approximately $958 million on previous shared-loss claims, which are not estimated due to their uncertainty, were received by the receiverships during 2014.

The DIF's interest revenue on U.S. Treasury investments for 2014 was $282 million compared to interest revenue of $103 million in 2013. This $179 million year-over-year increase reflects not only a larger investment portfolio balance, but also new, higher-yielding investments. The DIF's cash and U.S. Treasury investment portfolio balance was $51.7 billion at year-end 2014, an increase of $9.7 billion from the year-end 2013 balance of $42.0 billion that was primarily due to assessment collections of $8.9 billion and recoveries from resolutions of $4.1 billion, less disbursements for resolutions of $1.9 billion and cash operating expenses of $1.6 billion.

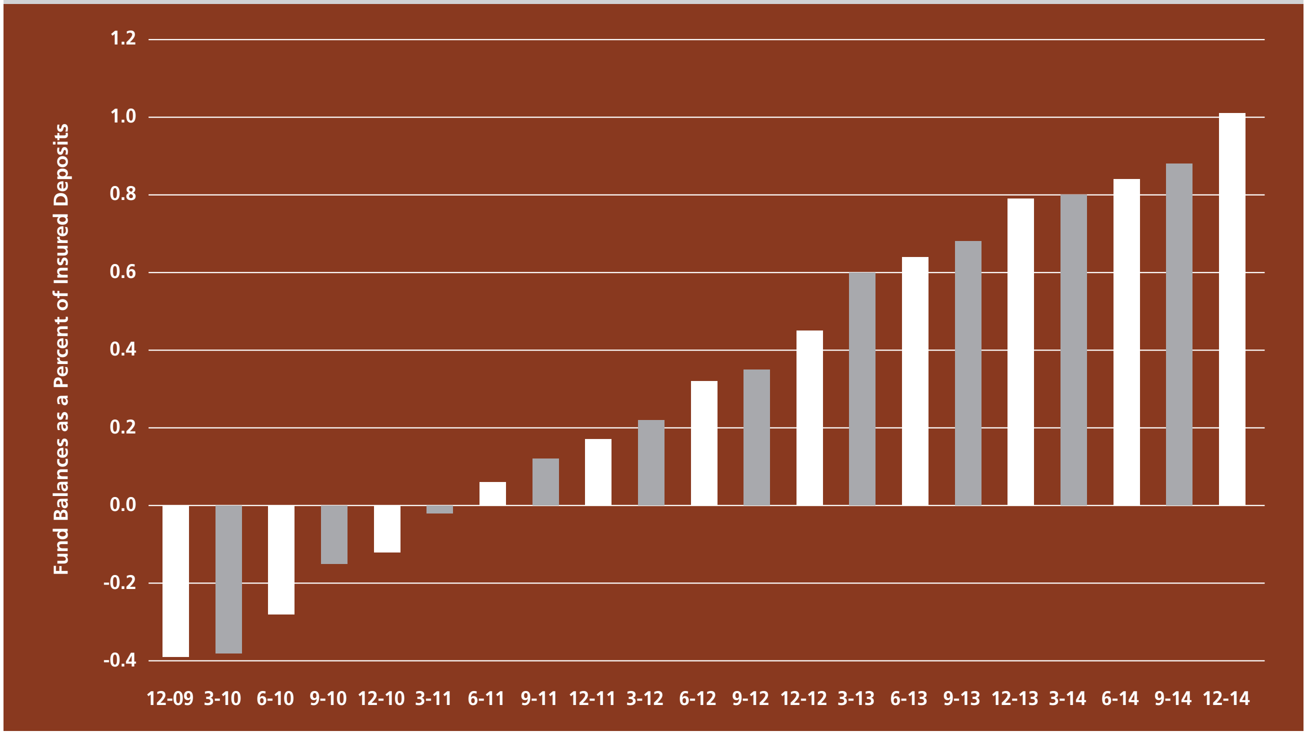
ESTIMATED DIF INSURED DEPOSITS



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		
	2014	2013	2012
Financial Results			
Revenue	$8,965	$10,459	$18,522
Operating Expenses	1,664	1,609	1,778
Insurance and Other Expenses (includes provision for loss)	(8,299)	(5,655)	(4,377)
Net Income	15,600	14,505	21,121
Comprehensive Income	15,589	14,233	21,131
Insurance Fund Balance	$62,780	$47,191	$32,958
Fund as a Percentage of Insured Deposits (reserve ratio)	1.01%	0.79%	0.45%
Selected Statistics			
Total DIF-Member Institutions[1]	6,509	6,812	7,083
Problem Institutions	291	467	651
Total Assets of Problem Institutions	$86,712	$152,687	$232,701
Institution Failures	18	24	51
Total Assets of Failed Institutions in Year[2]	$2,914	$6,044	$11,617
Number of Active Failed Institution Receiverships	481	479	463

[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 filed by the institution prior to failure.

THIS PAGE INTENTIONALLY LEFT BLANK.

IV. FDIC Budget and Spending

CORPORATE OPERATING BUDGET

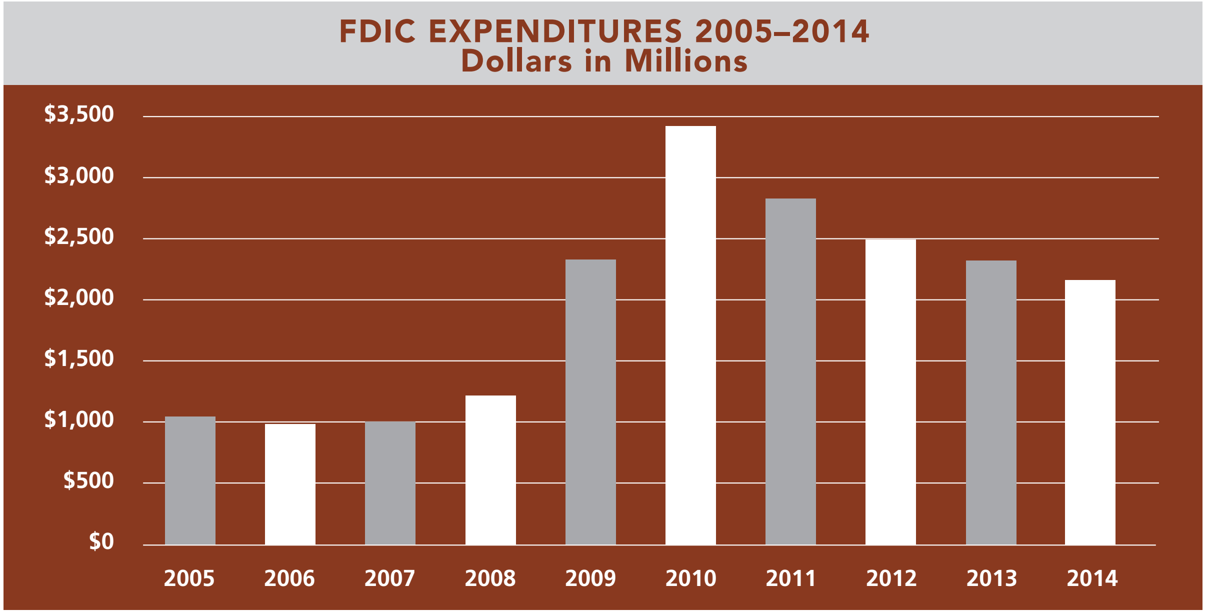
The FDIC segregates its corporate operating budget and expenses into two discrete components: ongoing operations and receivership funding. The receivership funding component represents expenses resulting from financial institution failures and is, therefore, largely driven by external forces, while the ongoing operations component accounts for all other operating expenses and tends to be more controllable and estimable. Over the past decade, the FDIC's expenditures have varied in response to workload. From 2008-2010, expenditures rose substantially, largely due to increasing resolution and receivership activity and the oversight of more problem institutions. Since 2010 these activities and their associated expenditures have been gradually declining.

Corporate operating expenses totaled $2.1 billion in 2014, including $1.6 billion in ongoing operations and $0.5 billion in receivership funding. This represented approximately 91 percent of the approved budget for ongoing operations and 86 percent of the approved budget for receivership funding for the year.[5]

In December 2014, the Board of Directors approved a 2015 Corporate Operating Budget of approximately $2.3 billion, consisting of $1.8 billion for ongoing operations and $0.5 billion for receivership funding. The ongoing operations budget for 2015 is approximately $2 million (0.1 percent) higher than it was for 2014, while the receivership funding budget is $75 million (13 percent) lower than it was for 2014.

As in prior years, the 2015 budget was formulated primarily on the basis of an analysis of projected workload for each of the Corporation's three major business lines and its major program support functions. The most significant factor contributing to the decrease in the Corporate Operating Budget is the improving health of the industry and the resulting reduction in failure-related workload. Although savings in this area are being realized, the 2015 receivership funding budget allows for resources for contractor support as well as non-permanent staffing for DRR, the Legal Division, and other organizations, should workload in these areas require an immediate response.

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

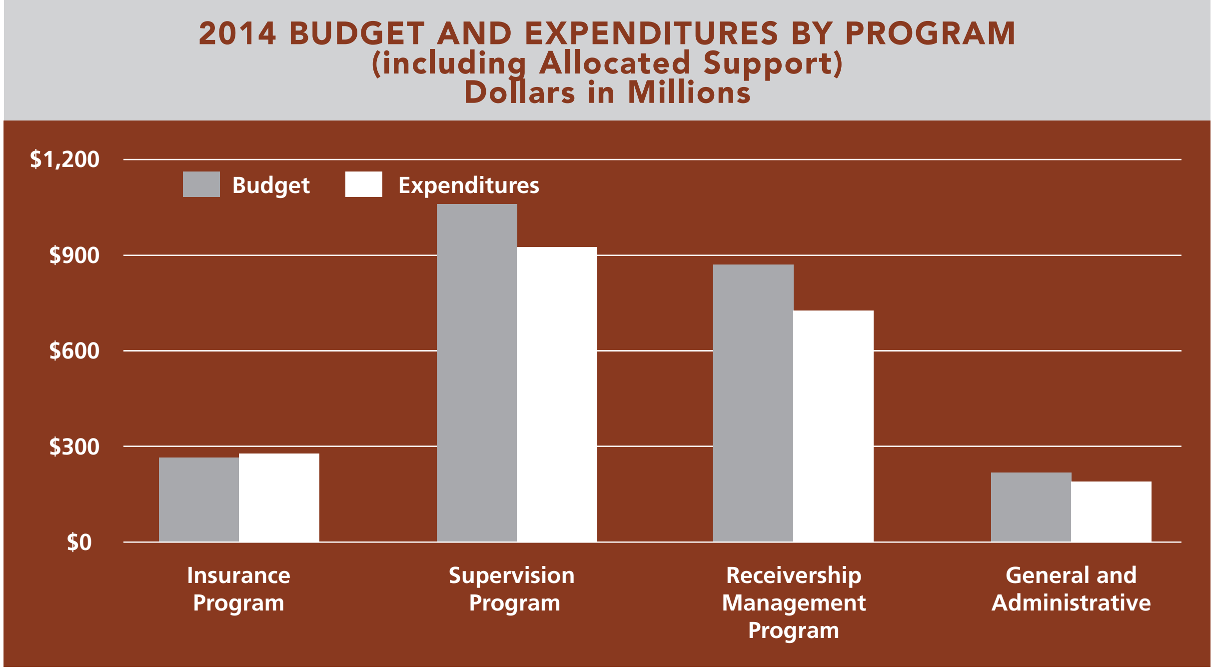


2014 BUDGET AND EXPENDITURES BY PROGRAM

(Excluding Investments)

The FDIC operating budget for 2014 totaled $2.4 billion. Budget amounts were allocated as follows: $264 million, or 11 percent, to the Insurance program; $1.1 billion, or 44 percent, to the Supervision program; $864 million, or 36 percent, to the Receivership Management program; and $216 million, or 9 percent, to Corporate General and Administrative expenditures.

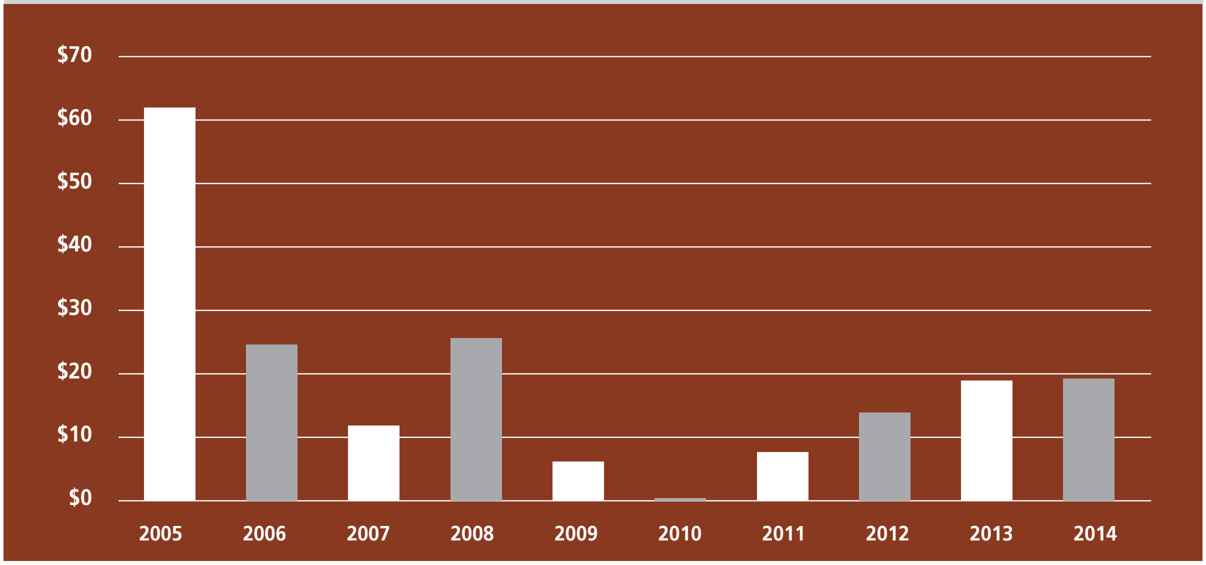
Actual expenditures for the year totaled $2.1 billion. Actual expenditures amounts were allocated as follows: $273 million, or 13 percent, to the Insurance program; $924 million, or 44 percent, to the Supervision program; and $714 million, or 34 percent, to the Receivership Management program; and $189 million, or 9 percent, to Corporate General and Administrative expenditures.



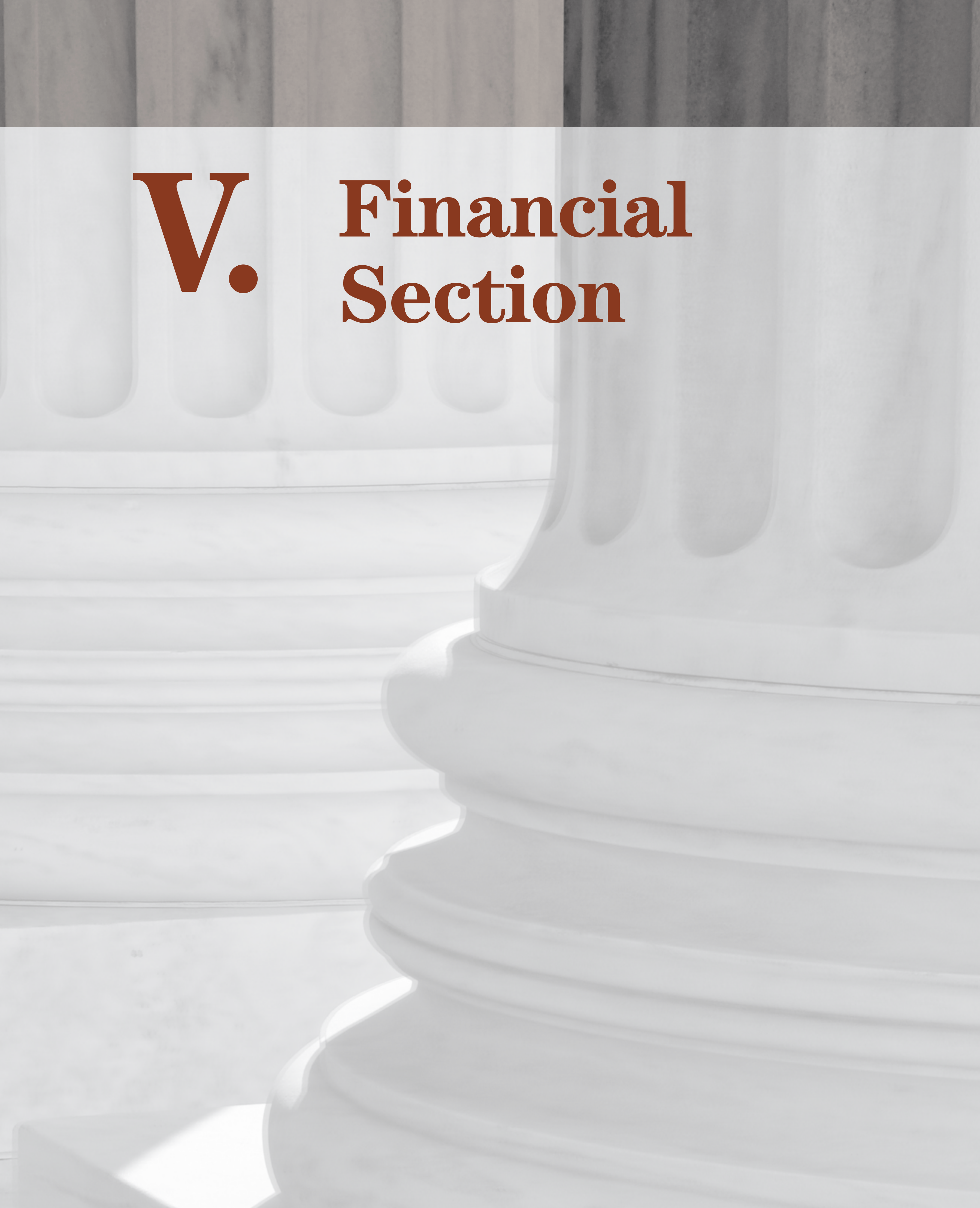
INVESTMENT SPENDING

The FDIC instituted a separate Investment Budget in 2003 to provide enhanced governance of major multi-year development efforts. There is 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 Corporation's enterprise architecture. The project approval and monitoring processes also enable the FDIC to be aware of risks to the major capital investment projects and facilitate appropriate, timely intervention to address these risks throughout the development process. An investment portfolio performance review is provided to the FDIC's Board of Directors on a quarterly basis. From 2005-2014, investment spending totaled $191 million and is estimated at $30 million for 2015.

INVESTMENT SPENDING 2005 - 2014
Dollars in Millions



THIS PAGE INTENTIONALLY LEFT BLANK.



V. Financial Section

DEPOSIT INSURANCE FUND (DIF)

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

	2014	2013
Assets		
Cash and cash equivalents	$1,914,520	$3,543,270
Investment in U.S. Treasury obligations (Note 3)	49,805,846	38,510,500
Assessments receivable, net (Note 8)	2,003,424	2,227,735
Interest receivable on investments and other assets, net	651,894	511,428
Receivables from resolutions, net (Note 4)	18,181,498	16,344,991
Property and equipment, net (Note 5)	372,419	377,223
Total Assets	**$72,929,601**	**$61,515,147**
Liabilities		
Accounts payable and other liabilities	$291,006	$300,575
Liabilities due to resolutions (Note 6)	7,799,279	12,625,982
Postretirement benefit liability (Note 13)	243,419	193,591
Contingent liabilities for:		
Anticipated failure of insured institutions (Note 7)	1,814,770	1,198,960
Litigation losses (Note 7)	950	5,200
Total Liabilities	**10,149,424**	**14,324,308**
Commitments and off-balance-sheet exposure (Note 14)		
Fund Balance		
Accumulated Net Income	62,786,786	47,186,974
Accumulated Other Comprehensive Income		
Unrealized gain on U.S. Treasury investments, net (Note 3)	51,142	20,215
Unrealized postretirement benefit loss (Note 13)	(57,751)	(16,350)
Total Accumulated Other Comprehensive (Loss) Income	**(6,609)**	**3,865**
Total Fund Balance	**62,780,177**	**47,190,839**
Total Liabilities and Fund Balance	**$72,929,601**	**$61,515,147**

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

	2014	2013
Revenue		
Assessments (Note 8)	$8,656,082	$9,734,173
Interest on U.S. Treasury obligations	281,924	103,363
Other revenue (Note 9)	27,059	163,154
Gain on sale of trust preferred securities (Note 10)	0	458,176
Total Revenue	**8,965,065**	**10,458,866**
Expenses and Losses		
Operating expenses (Note 11)	1,664,344	1,608,717
Provision for insurance losses (Note 12)	(8,305,577)	(5,659,388)
Insurance and other expenses	6,486	4,799
Total Expenses and Losses	**(6,634,747)**	**(4,045,872)**
Net Income	**15,599,812**	**14,504,738**
Other Comprehensive Income		
Unrealized gain (loss) on U.S. Treasury investments, net	30,927	(13,604)
Unrealized postretirement benefit (loss) gain (Note 13)	(41,401)	44,097
Unrealized loss on trust preferred securities (Note 10)	0	(302,159)
Total Other Comprehensive Loss	**(10,474)**	**(271,666)**
Comprehensive Income	**15,589,338**	**14,233,072**
Fund Balance - Beginning	**47,190,839**	**32,957,767**
Fund Balance - Ending	**$62,780,177**	**$47,190,839**

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

	2014	2013
Operating Activities		
Provided by:		
Assessments	$8,873,123	$7,111,902
Interest on U.S. Treasury obligations	1,450,939	1,080,157
Dividends and interest on trust preferred securities	0	154,393
Recoveries from financial institution resolutions	4,099,804	5,696,453
Miscellaneous receipts	78,558	79,773
Used by:		
Operating expenses	(1,586,858)	(1,558,229)
Disbursements for financial institution resolutions	(1,860,014)	(3,857,214)
Refunds of prepaid assessments (Note 8)	0	(5,850,135)
Miscellaneous disbursements	(15,385)	(17,228)
Net Cash Provided by Operating Activities	**11,040,167**	**2,839,872**
Investing Activities		
Provided by:		
Maturity of U.S. Treasury obligations	17,158,275	27,704,523
Sale of trust preferred securities (Note 10)	0	2,420,000
Used by:		
Purchase of property and equipment	(55,295)	(57,390)
Purchase of U.S. Treasury obligations	(29,771,897)	(32,464,096)
Net Cash (Used) by Investing Activities	**(12,668,917)**	**(2,396,963)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,628,750)**	**442,909**
Cash and Cash Equivalents - Beginning	**3,543,270**	**3,100,361**
Cash and Cash Equivalents - Ending	**$1,914,520**	**$3,543,270**

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

Notes to the Financial Statements

DEPOSIT INSURANCE FUND
December 31, 2014 and 2013

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 FDIC's operations are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In accordance with 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 (IDIs) 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 to being the administrator of the DIF, the FDIC is the administrator of the FSLIC Resolution Fund (FRF). The FRF is a resolution fund responsible for the sale of the remaining assets and the satisfaction of the liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation. The FDIC maintains the DIF and the FRF separately to support their respective functions.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the FDIC also manages 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 covered financial company is a failing financial company (for example, 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 IDIs or solvent depository institution holding companies (including affiliates) upon the systemic risk 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 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.

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 $162.0 billion and $146.0 billion as of December 31, 2014 and 2013, 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 according to applicable laws and regulations. Therefore, income and expenses attributable to resolution entities are accounted for as transactions of those entities. The FDIC bills resolution entities for services provided on their behalf.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These financial statements include 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). 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 FDI Act requires that the DIF funds 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 daily 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. Computer equipment is depreciated on a straight-line basis over a three-year estimated useful life.

REPORTING ON VARIABLE INTEREST ENTITIES

The 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. As the guarantor of note obligations for several structured transactions, the FDIC, in its corporate capacity, holds an interest in many 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 affect 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 that 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 conclusion of these analyses was that the FDIC, in its corporate capacity, has not engaged in any activity that would cause the FDIC to be characterized as a primary beneficiary to any VIE with which it was involved as of December 31, 2014 and 2013. Therefore, consolidation is not required for the 2014 and 2013 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 FDIC if payments are made on guarantee claims. Ongoing analyses will be required to monitor consolidation implications under ASC 810.

The FDIC's involvement with VIEs 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.

DISCLOSURE ABOUT RECENT RELEVANT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU will require an entity to recognize revenue based on the amount it expects to be entitled for the transfer of promised goods or services. For the DIF, the new standard is effective for annual periods beginning after December 15, 2017. The FDIC does not expect this new ASU to have a material impact on the DIF.

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

3. INVESTMENT IN U.S. TREASURY OBLIGATIONS

Investments in U.S. Treasury obligations, totaled $49.8 billion as of December 31, 2014, and $38.5 billion as of December 31, 2013. As of December 31, 2014 and 2013, the DIF held $2.5 billion and $4.6 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).

INVESTMENT IN U.S. TREASURY OBLIGATIONS AT DECEMBER 31, 2014 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	0.28%	$12,450,000	$12,861,127	$2,291	$(4,516)	$12,858,902
After 1 year through 5 years	0.91%	33,901,209	34,393,283	86,212	(5,759)	34,473,736
U.S. Treasury Inflation-Protected Securities						
Within 1 year	-1.03%	1,500,000	1,759,237	0	(17,120)	1,742,117
After 1 year through 5 years	-0.43%	700,000	741,057	0	(9,966)	731,091
Total		**$48,551,209**	**$49,754,704**	**$88,503**	**$(37,361)[2]**	**$49,805,846**

[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, issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2014.

[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, 2014. The aggregate related fair value of securities with unrealized losses was $19.0 billion as of December 31, 2014.

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, 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. The aggregate related fair value of securities with unrealized losses was $9.0 billion as of December 31, 2013.

4. RECEIVABLES FROM RESOLUTIONS, NET

RECEIVABLES FROM RESOLUTIONS, NET AT DECEMBER 31 Dollars in Thousands		
	2014	2013
Receivables from closed banks	$98,360,904	$106,291,226
Allowance for losses	(80,179,406)	(89,946,235)
Total	**$18,181,498**	**$16,344,991**

The receivables from resolutions result from DIF payments 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, 2014, the FDIC had 481 active receiverships, including 18 established in 2014. The DIF resolution entities held assets with a book value of $29.7 billion as of December 31, 2014, and $38.4 billion as of December 31, 2013 (including $22.0 billion and $27.1 billion, respectively, of cash, investments, receivables due from the DIF, and other receivables). Ninety-nine percent of the current asset book value of $29.7 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 since 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 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 2014, the shared-loss cost estimates were updated for all 281 active SLAs. 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 updated shared-loss cost projections on the remaining agreements were based on a random sample of institutions selected for new third-party loss estimations, and valuation results from the sampled institutions were aggregated and extrapolated to the non-sampled institutions by asset type and performance status.

Also reflected in the allowance for loss calculation are end-of-agreement SLA "true-up" recoveries. True-up recoveries are projected to be received at expiration in accordance with the terms of the SLA, if actual losses at expiration are lower than originally estimated.

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, which may 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 $216.5 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. The FDIC uses SLAs to keep assets in the private sector and to minimize disruptions to loan customers.

Losses on the covered assets of failed institutions are shared between the acquirer and the FDIC, in its receivership capacity, when losses occur through the sale, foreclosure, loan modification, or charge-off of loans under the terms of the SLA. The majority of the agreements cover commercial and single-family loans over a five- to ten-year shared-loss period, respectively, with the receiver covering 80 percent of the losses incurred by the acquirer and the acquiring institution 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. Recoveries by the acquirer on covered commercial and single-family SLA losses are also shared over an eight- to ten-year period, respectively. Note that future recoveries on SLA losses are not factored into the DIF allowance for loss calculation because the amount and timing of such receipts are not determinable.

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).

Receiverships with SLAs made cumulative shared-loss payments totaling $28.2 billion, (comprised of $31.8 billion in losses, net of $3.6 billion of recoveries) as of year-end 2014 and $26.4 billion (comprised of $29.1 billion in losses, net of $2.7 billion of recoveries) as of year-end 2013. Estimates of additional payments, net of true-up recoveries, by DIF receiverships over the duration of the SLAs were $3.9 billion on total remaining covered assets of $54.6 billion at December 31, 2014, and $12.3 billion on total remaining covered assets of $78.2 billion as of December 31, 2013.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the DIF to concentrations of credit risk are receivables from resolutions. The repayment of these receivables 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 ($7.7 billion) and current shared-loss covered assets ($54.6 billion), which together total $62.3 billion, are concentrated in commercial loans ($22.0 billion), residential loans ($31.0 billion), and structured transaction-related assets as described in Note 7 ($5.2 billion). Most of the assets originated from failed institutions located in California ($20.5 billion), Florida ($7.2 billion), Puerto Rico ($7.2 billion), Alabama ($4.6 billion), Illinois ($3.8 billion), and Georgia ($3.6 billion).

5. PROPERTY AND EQUIPMENT, NET

PROPERTY AND EQUIPMENT, NET AT DECEMBER 31
Dollars in Thousands

	2014	2013
Land	$37,352	$37,352
Buildings (including building and leasehold improvements)	326,067	314,775
Application software (includes work-in-process)	142,907	149,115
Furniture, fixtures, and equipment	104,761	142,621
Accumulated depreciation	(238,668)	(266,640)
Total	**$372,419**	**$377,223**

The depreciation expense was $60 million and $73 million for 2014 and 2013, respectively.

6. LIABILITIES DUE TO RESOLUTIONS

As of December 31, 2014 and 2013, the DIF recorded liabilities totaling $7.8 billion and $12.6 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 sending cash directly to the receivership to fund shared-loss and other expenses or by offsetting receivables from resolutions when the receivership declares a dividend.

In addition, as of December 31, 2014 and 2013, the DIF recorded liabilities of $12 million and $29 million, respectively, in unpaid deposit claims related to multiple receiverships, which are offset by receivables included in the "Receivables from resolutions, net" line item on the Balance Sheet. 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's financial condition and performance continued to improve in 2014. According to the quarterly financial data submitted by DIF-insured institutions, the industry reported total net income of $116.0 billion for the first nine months of 2014, an increase of 1.1 percent over the comparable period one year ago. The industry's capital levels also continued to improve, and noncurrent loans declined, as the industry's ratio of noncurrent loans-to-total loans fell to its lowest level since the second quarter of 2008.

Losses to the DIF from failures that occurred in 2014 were lower than the contingent liability at the end of 2013, as the aggregate number and size of institution failures in 2014 were less than anticipated. However, the contingent liability increased from $1.2 billion at December 31, 2013 to $1.8 billion at December 31, 2014, as the effect of an increase in the failure rates for certain institutions contributing to the contingent liability more than offset the removal of the liability for institutions that failed in 2014.

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 $1.7 billion as of December 31, 2014, as compared to $3.0 billion as of year-end 2013. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

During 2014, 18 institutions failed with combined assets of $2.9 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 revenue 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 $950 thousand and $5 million for the DIF as of December 31, 2014 and 2013, respectively. In addition, the FDIC has determined that there are no reasonably possible losses from unresolved cases at year-end 2014, compared to $125 thousand at year-end 2013.

OTHER CONTINGENCIES

IndyMac Federal Bank Representation and Indemnification Contingent Liability

On March 19, 2009, the FDIC as receiver for 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 "Acquirers"). The Sellers made certain representations customarily made by commercial parties in similar transactions. 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.

Under the sales agreements, the Acquirers have rights to assert claims to recover losses incurred as a result of third-party claims and breaches of representations. Assets sold subject to representation and warranty indemnification total $171.6 billion. The IndyMac receivership has paid cumulative claims totaling $21 million through December 31, 2014, and $15 million through December 31, 2013. Additional quantified claims asserted and under review have been accrued in the amount of $6 million and $7 million as of December 31, 2014 and 2013, respectively. The FDIC is evaluating the likelihood of additional losses for alleged breaches as follows:

- Potential losses could be incurred for failures by the servicer to initiate foreclosure within a prescribed timeframe with respect to certain government guaranteed loans, resulting in the refusal of the guarantor to pay interest otherwise payable to the investors on such loans. Review and evaluation is in process for approximately $32 million as of December 31, 2014 and 2013, in reasonably possible losses.
- The Acquirers' rights to assert additional claims as a result of certain third-party claims and breaches of representations expired on March 19, 2011 and March 19, 2014. As of the expiration date of these notice periods, 199 thousand claims relating to potential breaches were received. As of December 31, 2014, 40 thousand claims remain and preserve the Acquirer's right to claim losses over the life of the loan. These remaining claims require review to determine whether a breach exists and, if so, if a cure will result in a loss. As a result, potential losses cannot be estimated.
- The Acquirers' rights to assert claims to recover losses incurred as a result of breaches of loan seller representations extend to March 19, 2019 for the Fannie Mae and Ginnie Mae reverse mortgage servicing portfolios (unpaid principal balance of $14.2 billion at December 31, 2014, compared to $15.2 billion at December 31, 2013). The likelihood of loss is reasonably possible. However, while claims filed prior to this date reserve the right to recover losses over the life of the loan, this exposure is currently not estimable.
- Fannie Mae has demanded repurchase of 585 loans with current principal balances of $93 million. These claims are under review to determine their validity. In addition, during 2014, the IMFB receivership agreed to repurchase 264 loans totaling $44 million in principal balance; however, a contingent liability has not been established as the amount and timing of any resulting losses is currently not determinable. An agreement among the sellers, the FDIC and Fannie Mae provides for the deferral of repurchases claimed by Fannie Mae, and that the parties will negotiate in good faith to attempt to resolve all outstanding and projected liabilities to Fannie Mae sometime before March 19, 2015.

In addition to the alleged breaches discussed above, the FDIC believes it is likely that additional losses will be incurred. However quantifying the contingent liability associated with the liabilities to investors and indemnification for breaches of sale agreement representations is subject to a number of uncertainties, including market conditions, the occurrence of borrower defaults and resulting foreclosures and losses. Because of these and other uncertainties that surround the liability associated with the quantification of possible losses, the FDIC has determined that, while additional losses are probable, the amount is not currently 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 2014 and 2013, 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.

The LLCs issued notes to the receiverships to partially fund the purchased assets. In many instances, the FDIC, in its corporate capacity, guaranteed notes issued by the LLCs. This guarantee covers the timely payment of principal and interest due on the notes. In exchange for the guarantee, the DIF receives a guarantee fee from the LLCs. If the FDIC is required to perform under the guarantee, it acquires an interest in the cash flows of the LLC equal to the amount of guarantee payments made plus accrued interest. Equity holders receive cash flows from the LLCs once all expenses have been paid, the guaranteed notes have been satisfied, and the FDIC has been reimbursed for any guarantee payments.

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.

Since 2009, private investors 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 held the remaining 50- to 60-percent equity interest in the LLCs and, in most cases, the guaranteed notes. At December 31, 2014, only one guaranteed note with an outstanding balance of $10 million remained, which matures in 2020. At December 31, 2013, there were two guaranteed notes with outstanding balances totaling $99 million.

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 senior and/or subordinated debt instruments and 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 and the receiverships hold the subordinated debt instruments and owner trust or residual certificates. In exchange for a fee, 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. 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. The subordinated note holders and owner trust or residual certificates holders receive cash flows from the entity only after all expenses have been paid, the guaranteed notes have been satisfied, and the FDIC has been reimbursed for any guarantee payments.

All Structured Transactions with FDIC Guaranteed Debt

Through December 31, 2014, 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. Since March 2013, there have been no new guarantee transactions. As of December 31, 2014 and 2013, the DIF collected guarantee fees totaling $250 million and $231 million, respectively, and recorded a receivable for additional guarantee fees of $42 million and $66 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. As of December 31, 2014 and 2013, the amount of deferred revenue recorded was $42 million and $66 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 3.3 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 $29 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 estimated 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, 2014 and 2013, the maximum loss exposure was $10 million and $99 million for LLCs and $2.1 billion and $2.8 billion for trusts, respectively, representing the sum of all outstanding debt guaranteed by the FDIC.

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 that 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 that 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 2014, the FDIC adopted a final rule maintaining the DRR at 2 percent for 2015. 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 6.8 cents per $100 of the assessment base and 7.8 cents per $100 of the assessment base for 2014 and 2013, 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 $2.0 billion and $2.2 billion represents the estimated premiums due from IDIs for the fourth quarter of 2014 and 2013, respectively. The actual deposit insurance assessments for the fourth quarter of 2014 will be billed and collected at the end of the first quarter of 2015. During 2014 and 2013, $8.7 billion and $9.7 billion, respectively, were recognized as assessment revenue from institutions.

RESERVE RATIO

As of September 30, 2014 and December 31, 2013, the DIF reserve ratio was 0.89 percent and 0.79 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. As of December 31, 2014 and 2013, approximately $793 million and $792 million, respectively, was collected and remitted to the FICO.

9. OTHER REVENUE

OTHER REVENUE
FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2014	2013
Dividends and interest on Citigroup trust preferred securities (Note 10)	$0	$124,726
Guarantee fees for structured transactions (Note 7)	19,662	33,051
Other	7,397	5,377
Total	**$27,059**	**$163,154**

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. On December 23, 2009, Citigroup terminated this guarantee agreement, citing improvements in its financial condition. The FDIC did not incur any losses as a result of the guarantee and retained $2.225 billion (liquidation amount) of the $3.025 billion in trust preferred securities (TruPS) received 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.

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 2013 ($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, resulting in the recognition of $1.6 million for one day of accrued interest on the subordinated notes, which is included in the 2013 "Other revenue" line item on the Statement of Income and Fund Balance (see Note 9). Also included in the 2013 "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 $1.7 billion and $1.6 billion for 2014 and 2013, respectively. The chart below lists the major components of operating expenses.

OPERATING EXPENSES FOR THE YEARS ENDED DECEMBER 31
Dollars in Thousands

	2014	2013
Salaries and benefits	$1,252,167	$1,292,551
Outside services	263,649	326,040
Travel	93,720	96,056
Buildings and leased space	96,596	91,469
Software/Hardware maintenance	58,844	56,297
Depreciation of property and equipment	59,634	72,828
Other	28,999	29,505
Subtotal	**1,853,609**	**1,964,746**
Less: Services billed to resolution entities	(189,265)	(356,029)
Total	**$1,664,344**	**$1,608,717**

12. PROVISION FOR INSURANCE LOSSES

The provision for insurance losses was a negative $8.3 billion for 2014, compared to negative $5.7 billion for 2013. The negative provision for 2014 primarily resulted from a decrease of $9.1 billion in the estimated losses for institutions that failed in current and prior years, partially offset by an increase of $850 million in the contingent liability for anticipated failures due to the deterioration in the financial condition of certain troubled institutions.

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 (SLAs) are used to derive the loss allowance on the receivables from resolutions. The $9.1 billion reduction in the estimated losses from failures was primarily attributable to two components. The first component was unanticipated recoveries of $1.8 billion in litigation settlements, professional liability claims, and tax refunds by the receiverships. These are not recognized until the cash is received since significant uncertainties surround their recovery.

The second component of the reduction in the estimated losses from failures was a $6.7 billion decrease in the receiverships' shared-loss liability that resulted from decreases in covered asset balances, lower future loss rate estimates, and unanticipated recoveries on SLA losses. Covered asset balances decreased by $23.6 billion during 2014 with lower than anticipated losses. These lower than anticipated losses were due to loan amortizations and pay-downs, resulting from the improvement in the condition of real estate markets where shared-loss assets are concentrated, and the expiration of 83 commercial asset shared-loss coverage agreements in 2014, thereby ending the loss claim period. The reduction in future loss rate estimates resulted from the improvement in the real estate markets and the composition of the remaining covered asset portfolios, which primarily consist of performing single family assets. These assets have historically experienced significantly lower losses than commercial assets. Finally, unanticipated recoveries of approximately $958 million on previous shared-loss claims, which are not estimated due to their uncertainty, were received by the receiverships during 2014.

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. The U.S. Office of Personnel Management (OPM) reports on and accounts for these amounts.

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

	2014	2013
Civil Service Retirement System	$4,698	$5,430
Federal Employees Retirement System (Basic Benefit)	99,954	99,553
FDIC Savings Plan	37,304	37,816
Federal Thrift Savings Plan	35,144	35,686
Total	**$177,100**	**$178,485**

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. OPM administers and accounts for the FEHB. 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 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, 2014 and 2013, the liability was $243 million and $194 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 $58 million and $16 million at December 31, 2014 and 2013, 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 2014 and 2013 were $14 million and $18 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/gains and prior service costs for 2014 and 2013 of negative $41 million and $44 million, respectively, are reported as other comprehensive income in the "Unrealized postretirement benefit (loss) gain" 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 4.0 percent, the rate of compensation increase of 3.8 percent, and the dental coverage trend rate of 4.9 percent. The discount rate of 4.0 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 $203 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 $56 million and $52 million for 2014 and 2013, respectively.

LEASED SPACE COMMITMENTS
Dollars in Thousands

2015	2016	2017	2018	2019	2020/ Thereafter
$46,502	$45,842	$41,387	$30,900	$26,433	$12,291

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 September 30, 2014 and December 31, 2013, estimated insured deposits for the DIF were $6.1 trillion and $6.0 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, 2014 and 2013.

ASSETS MEASURED AT FAIR VALUE AT DECEMBER 31, 2014
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]	$1,900,105			$1,900,105
Available-for-Sale Debt Securities				
Investment in U.S. Treasury Obligations[2]	49,805,846			49,805,846
Total Assets	**$51,705,951**	**$0**	**$0**	**$51,705,951**

[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, 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.

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, and 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.

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	2014	2013
Operating Activities		
Net Income:	**$15,599,812**	**$14,504,738**
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of U.S. Treasury obligations	1,387,067	1,139,456
Treasury Inflation-Protected Securities inflation adjustment	(37,865)	(35,300)
Gain on sale of trust preferred securities	0	(458,176)
Depreciation on property and equipment	59,634	72,829
Loss on retirement of property and equipment	465	220
Provision for insurance losses	(8,305,577)	(5,659,388)
Unrealized (loss) gain on postretirement benefits	(41,401)	44,097
Change in Assets and Liabilities:		
Decrease (Increase) in assessments receivable, net	224,311	(1,220,883)
(Increase) in interest receivable and other assets	(137,462)	(75,014)
Decrease in receivables from resolutions	7,077,627	10,406,392
(Decrease) in accounts payable and other liabilities	(9,569)	(49,045)
Increase (Decrease) in postretirement benefit liability	49,828	(30,635)
(Decrease) in liabilities due to resolutions	(4,826,703)	(8,547,803)
(Decrease) in unearned revenue - prepaid assessments	0	(1,576,417)
(Decrease) in refunds of prepaid assessments	0	(5,675,199)
Net Cash Provided by Operating Activities	**$11,040,167**	**$2,839,872**

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 5, 2015, the date the financial statements are available to be issued.

2015 FAILURES THROUGH FEBRUARY 5, 2015

Through February 5, 2015, two insured institutions failed in 2015 with total losses to the DIF estimated to be $10 million.

FSLIC RESOLUTION FUND (FRF)

FEDERAL DEPOSIT INSURANCE CORPORATION FSLIC RESOLUTION FUND BALANCE SHEET AT DECEMBER 31 Dollars in Thousands	2014	2013
Assets		
Cash and cash equivalents	$870,943	$871,612
Receivables from U.S. Treasury for goodwill litigation (Note 3)	356,455	356,455
Other assets, net	904	1,183
Total Assets	**$1,228,302**	**$1,229,250**
Liabilities		
Accounts payable and other liabilities	$370	$790
Contingent liabilities for goodwill litigation (Note 3)	356,455	356,455
Total Liabilities	**356,825**	**357,245**
Resolution Equity (Note 4)		
Contributed capital	125,332,156	125,332,156
Accumulated deficit	(124,460,679)	(124,460,151)
Total Resolution Equity	**871,477**	**872,005**
Total Liabilities and Resolution Equity	**$1,228,302**	**$1,229,250**

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

	2014	2013
Revenue		
Interest on U.S. Treasury obligations	$229	$1,196
Other revenue	948	1,953
Total Revenue	1,177	3,149
Expenses and Losses		
Operating expenses	2,326	2,350
Provision for losses	(792)	(1,255)
Goodwill litigation expenses (Note 3)	0	500
Other expenses	171	2,070
Total Expenses and Losses	1,705	3,665
Net Loss	(528)	(516)
Accumulated Deficit - Beginning	(124,460,151)	(124,459,635)
Accumulated Deficit - Ending	**$(124,460,679)**	**$(124,460,151)**

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

	2014	2013
Operating Activities		
Provided by:		
Interest on U.S. Treasury obligations	$229	$1,196
Recoveries from financial institution resolutions	1,886	5,148
Recovery of tax benefits	0	130
Miscellaneous receipts	197	52
Used by:		
Operating expenses	(2,981)	(3,921)
Payments for goodwill litigation (Note 3)	0	(500)
Net Cash (Used) Provided by Operating Activities	**(669)**	**2,105**
Financing Activities		
Provided by:		
U.S. Treasury payments for goodwill litigation (Note 3)	0	500
Used by:		
Return of U.S. Treasury funds (Note 4)	0	(2,600,000)
Payment to Resolution Funding Corporation (Note 4)	0	(125,000)
Net Cash (Used) by Financing Activities	**0**	**(2,724,500)**
Net (Decrease) in Cash and Cash Equivalents	**(669)**	**(2,722,395)**
Cash and Cash Equivalents - Beginning	**871,612**	**3,594,007**
Cash and Cash Equivalents - Ending	**$870,943**	**$871,612**

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

Notes to the Financial Statements

FSLIC RESOLUTION FUND
December 31, 2014 and 2013

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 FDIC's operations are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In accordance with 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 (IDIs) by identifying, monitoring, and addressing risks to the DIF.

In addition to being the administrator of the DIF, the FDIC is the administrator of the FSLIC Resolution Fund (FRF). As such, the FDIC 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 FDIC maintains the DIF and the FRF separately to support their respective functions.

The FSLIC was created 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 and created the FRF. At that time, the assets and liabilities of the FSLIC were transferred 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 extensively reviewed and cataloged the FRF's remaining assets and liabilities. Some of the issues and items that remain open in the 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) liquidation/disposition of residual assets purchased by the FRF from terminated receiverships; (4) three remaining assistance agreements entered into by the former FSLIC (FRF could continue to receive or refund overpayments of tax benefits sharing in future years); (5) goodwill litigation (no final date for resolution has been established; see Note 3); and (6) affordable housing disposition program monitoring (last agreement expires no later than 2045; see Note 3). 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 the FRF's financial statements, given the significant uncertainties surrounding the ultimate outcome.

On April 1, 2014, the FDIC concluded its role as receiver of FRF receiverships when the last active receivership was terminated. In total, 850 receiverships were liquidated by the FRF and the RTC. To facilitate receivership terminations, the FRF, in its corporate capacity, acquired any remaining receivership assets. These assets are included in the "Other Assets, net" line item on the Balance Sheet.

During the years of receivership activity, the assets held by receivership entities, and the claims against them, were accounted for separately from the FRF's assets and liabilities to ensure that receivership proceeds were distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships were accounted for as transactions of those receiverships. The FDIC billed receiverships for services provided on their behalf.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These financial statements include 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). During the years of receivership activity, these statements did not include reporting for assets and liabilities of receivership entities because these entities were legally separate and distinct, and the FRF did not have any ownership or benefical interest in them.

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 estimated losses related to 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.

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 requirements became effective for annual reporting periods beginning after December 15, 2013.

The FDIC has determined that the FRF does not meet the requirements for presenting financial statements using the liquidation basis of accounting. According to the standard, a limited-life entity should apply the liquidation basis of accounting only if a change in the entity's governing plan has occurred since its inception. By statute, the FRF is a limited-life entity whose dissolution will occur upon the satisfaction of all liabilities and the disposition of all assets. No changes to this statutory plan have occurred since inception of the FRF.

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

3. 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. The contingent liability associated with the nonperformance of these agreements was transferred to the FRF on August 9, 1989, upon the dissolution of the 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 to the plaintiffs in one goodwill case in 2013, representing a reimbursement for a tax liability of the plaintiffs as a result of the settlement they received in 2012. The FRF received appropriations from the U.S. Treasury to fund this payment.

As of December 31, 2014 and 2013, one case remains 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, 2014 and 2013. 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. Additionally, for a case that was fully adjudicated in 2012, an estimated loss of $8 million, which represents estimated tax liabilities, is also reasonably possible.

In addition, the FRF-FSLIC pays the goodwill litigation expenses incurred by the Department of Justice (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 2014, 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 2015 expenses.

OTHER CONTINGENCIES

Paralleling the goodwill cases were similar cases alleging that the government breached agreements regarding tax benefits associated with certain FSLIC-assisted acquisitions. All eight of those 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 entity's federal income tax return for the 2006 taxable year has been amended and remains subject to examination by the Internal Revenue Service (IRS). To date, there has been no assertion by the IRS of taxation for an issue covered by the guarantee. As of December 31, 2014, no liability has been recorded, and the FRF does not expect to fund any payment under this guarantee.

FANNIE MAE GUARANTEE

On May 21, 2012, the FDIC, in its capacity as administrator 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. Based on the most current data available, as of September 30, 2014, the maximum exposure on this indemnification is the current unpaid principal balance of the remaining 58 multi-family loans totaling $5.8 million. Based on a contingent liability assessment of this portfolio as of September 30, 2014, the majority of the loans are at least 76 percent amortized, and all are scheduled to mature within one to six years. Since all of the loans are performing and no losses have occurred since 2001, future payments on this indemnification are not expected. As a result, no contingent liability for this indemnification has been recorded as of December 31, 2014.

AFFORDABLE HOUSING DISPOSITION PROGRAM

Required by FIRREA under section 501, the Affordable Housing Disposition Program (AHDP) was established in 1989 to ensure the preservation of affordable housing for low-income households. The FDIC, in its capacity as administrator of the FRF-RTC, assumed responsibility for monitoring property owner compliance with land use restriction agreements (LURAs). To enforce the property owners' LURA obligation, the RTC, prior to its dissolution, entered into Memoranda of Understanding with 28 monitoring agencies to oversee these LURAs. The FDIC, through the FRF, has agreed to indemnify the monitoring agencies for all losses related to LURA legal enforcement proceedings. Since 2006, the FDIC has entered into two litigations against property owners and has paid $23 thousand in legal expenses, of which $13 thousand has been reimbursed due to successful litigation. The maximum potential exposure to the FRF cannot be estimated as it is contingent upon future legal proceedings. However, loss mitigation factors include: (1) the indemnification may become void if the FDIC is not immediately informed upon receiving notice of any legal proceedings and (2) the FDIC is entitled to reimbursement of any legal expenses incurred for successful litigation against a property owner. AHDP guarantees will continue until the termination of the last of the LURAs, or 2045 (whichever occurs first). As of December 31, 2014, no contingent liability for this indemnification has been recorded.

4. RESOLUTION EQUITY

As stated in the Overview section of Note 1, the FRF is composed 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, 2014
Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$43,707,819	$81,624,337	$125,332,156
Contributed capital - ending	**43,707,819**	**81,624,337**	**125,332,156**
Accumulated deficit	(42,879,590)	(81,581,089)	(124,460,679)
Total	**$828,229**	**$43,248**	**$871,477**

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**

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 in U.S. Treasury payments for goodwill litigation in 2013. In addition, $356 million was accrued for as receivables as of December 31, 2014 and 2013. Through December 31, 2014, 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, 2014, the FRF-RTC had 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.

5. DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2014 and 2013, the FRF's financial assets measured at fair value on a recurring basis are cash equivalents of $827 million and $826 million, 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 receivables from U.S. Treasury for goodwill litigation and accounts payable and other liabilities.

Assets purchased by the FRF from terminated receiverships (see Note 1) and included in the "Other Assets, net" line item on the Balance Sheet are primarily valued using projected cash flow analyses; however, these valuations do not represent an estimate of fair value. These assets (ranging in age up to 25 years), could not be liquidated during the life of the receiverships due to restrictive clauses and other impediments. Because these impediments remain, there is no market for these assets. Consequently, it is not practicable to provide an estimate of fair value.

6. 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		
	2014	**2013**
Operating Activities		
Net Loss:	$(528)	$(516)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Provision for insurance losses	(792)	(1,255)
Change in Assets and Liabilities:		
Decrease in other assets	1,071	5,528
(Decrease) in accounts payable and other liabilities	(420)	(1,652)
Net Cash (Used) Provided by Operating Activities	**$(669)**	**$2,105**

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 5, 2015, the date the financial statements are available to be issued, and management determined that there are no items to disclose.

GOVERNMENT ACCOUNTABILITY OFFICE AUDITOR'S REPORT

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 2014 and 2013 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, 2014, and 2013, 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, 2014; and
- no reportable noncompliance for 2014 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 from its inception in 2010 through 2014.

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, 2014, and 2013; 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, 2014, and 2013; 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, 2014, 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, 2014, based on its evaluation, included in the accompanying Management's 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 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, 2014, and 2013, 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, 2014, and 2013, 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.

GOVERNMENT ACCOUNTABILITY OFFICE AUDITOR'S REPORT (continued)

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 2014. During 2014, 18 insured institutions with combined assets of $2.9 billion failed. The losses to the DIF from failures that occurred in 2014 were lower than the amount accrued at the end of 2013, as the aggregate number and size of institution failures in 2014—and their estimated cost to the DIF—were less than anticipated. However, the DIF's contingent liability for anticipated failures increased from $1.2 billion at December 31, 2013, to $1.8 billion at December 31, 2014 due to the increase in the exposure to loss from certain troubled institutions. As discussed in note 17 to the DIF's financial statements, through February 5, 2015, 2 institutions have failed thus far during 2015.

The financial condition of the DIF also improved in 2014. As of December 31, 2014, the DIF had a fund balance of $62.8 billion, compared to a fund balance of $47.2 billion at December 31, 2013. The DIF's ratio of reserves to estimated insured deposits as of September 30, 2014, was 0.89 percent, compared to 0.79 percent at December 31, 2013. This improvement was primarily attributable to revenue earned in 2014 and, as noted above, lower losses from failed institutions than estimated at December 31, 2013, 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, 2014, 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, 2014, based on criteria established under FMFIA.

During our 2014 audit, we identified deficiencies in FDIC's internal control over financial reporting that we do not consider to be material 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 of 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 of 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 2014 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 noted that it 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 also stated that it 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. The complete text of FDIC's response is reprinted in appendix II.

James R. Dalkin
Director
Financial Management and Assurance

February 5, 2015

Appendix I

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Office of the Chairman

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, 2014, 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, 2014, FDIC's internal control over financial reporting relevant to the DIF and the FRF was effective.

Martin J. Gruenberg

Martin J. Gruenberg
Chairman

Steven O. App

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

February 5, 2015

Appendix II

MANAGEMENT'S RESPONSE TO THE AUDITOR'S REPORT

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

Deputy to the Chairman and CFO

February 5, 2015

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 2014 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' 2014 and 2013 Financial Statements, GAO-15-289. We are pleased that the Federal Deposit Insurance Corporation (FDIC) has received unmodified (unqualified) opinions for the twenty-third 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. 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 another productive and successful relationship during the 2015 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Steven O. App

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

VI. 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 23 consecutive years, and these and other positive results reflect the effectiveness of the overall management control program.

The year 2014 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.

In 2015, among other things, program evaluation activities will focus on human resources, process mapping, the continuation of activities associated with the Dodd-Frank Act, and contract oversight. 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. For the federal fiscal year period October 1, 2013, through September 30, 2014, there were no audit reports in the following categories:

- Management Report on Final Action on Audits with Disallowed Costs; and
- Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use.

The table below provides information on final action taken by management on audit reports for the same fiscal year.

AUDIT REPORTS WITHOUT FINAL ACTIONS BUT WITH MANAGEMENT DECISIONS OVER ONE YEAR OLD FOR FISCAL YEAR 2014 MANAGEMENT ACTION IN PROCESS

Report No. and Issue Date	OIG Audit Finding	Management Action	Disallowed Costs
EVAL-13-003 08/19/2013	The Director of the Division of Administration should implement a formal sustainability program to encompass the FDIC's goals, processes, policies and procedures, and overall energy management efforts. The program should be documented and include written provisions for ensuring compliance with the various legislative requirements pertaining to energy efficiency.	The FDIC's sustainability program for the Virginia Square buildings was expanded to include all headquarters facilities and the San Francisco Regional Office. The program was documented and incorporates the various legislative requirements on energy efficiency identified in the report. Completed: 12/31/2014	$0
AUD-13-007 09/11/2013	The Acting Chief Information Officer should coordinate with the Division of Resolutions and Receiverships (DRR) and the Division of Risk Management Supervision (RMS) to ensure that existing applications developed under the divisions' direction comply with FDIC security policies pertaining to sensitivity assessments, privacy reviews, security plans, access control reviews, and separation of duties.	The Division of Information Technology will review DRR and RMS' business-developed applications for noncompliance with FDIC security policies pertaining to sensitivity assessments, privacy reviews, security plans, access control reviews, and separation of duties. If an application is found to be noncompliant with FDIC security policies, noncompliant issues will be cataloged and communicated to the divisions. Necessary remedial actions will be identified during the review along with specific owners and due dates commensurate with the severity of the flaw(s). Due Date: 04/15/2015	$0

VII. Appendices

A. KEY STATISTICS

FDIC ACTIONS ON FINANCIAL INSTITUTIONS APPLICATIONS 2012–2014	2014	2013	2012
Deposit Insurance	**2**	**10**	**6**
Approved[1]	2	10	6
Denied	0	0	0
New Branches	**520**	**499**	**570**
Approved	520	499	570
Denied	0	0	0
Mergers	**251**	**256**	**238**
Approved	251	256	238
Denied	0	0	0
Requests for Consent to Serve[2]	**327**	**474**	**674**
Approved	327	474	671
Section 19	7	4	10
Section 32	320	470	661
Denied	0	0	3
Section 19	0	0	1
Section 32	0	0	2
Notices of Change in Control	**15**	**22**	**26**
Letters of Intent Not to Disapprove	15	22	26
Disapproved	0	0	0
Brokered Deposit Waivers	**46**	**81**	**97**
Approved	46	81	95
Denied	0	0	2
Savings Association Activities[3]	**4**	**8**	**21**
Approved	4	8	21
Denied	0	0	0
State Bank Activities/Investments[4]	**14**	**10**	**7**
Approved	14	10	7
Denied	0	0	0
Conversion of Mutual Institutions	**4**	**7**	**8**
Non-Objection	4	7	8
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.

COMBINED RISK AND CONSUMER ENFORCEMENT ACTIONS 2012–2014			
	2014	**2013**	**2012**
Total Number of Actions Initiated by the FDIC	**320**	**414**	**557**
Termination of Insurance			
Involuntary Termination	**0**	**0**	**0**
Sec. 8a For Violations, Unsafe/Unsound Practices or Conditions	0	0	0
Voluntary Termination	**3**	**11**	**7**
Sec. 8a By Order Upon Request	0	0	0
Sec. 8p No Deposits	3	7	3
Sec. 8q Deposits Assumed	0	4	4
Sec. 8b Cease-and-Desist Actions	**57**	**83**	**129**
Notices of Charges Issued	1	2	0
Orders to Pay Restitution	7	11	9
Consent Orders	48	70	120
Personal Cease and Desist Orders	1	0	0
Sec. 8e Removal/Prohibition of Director or Officer	**101**	**113**	**116**
Notices of Intention to Remove/Prohibit	4	14	8
Consent Orders	97	99	108
Sec. 8g Suspension/Removal When Charged With Crime	**2**	**0**	**0**
Civil Money Penalties Issued	**66**	**94**	**170**
Sec. 7a Call Report Penalties	0	0	1
Sec. 8i Civil Money Penalties	62	81	164
Sec. 8i Civil Money Penalty Notices of Assessment	4	13	5
Sec. 10c Orders of Investigation	**16**	**16**	**16**
Sec. 19 Waiver Orders	**69**	**88**	**119**
Approved Section 19 Waiver Orders	68	86	119
Denied Section 19 Waiver Orders	1	2	0
Sec. 32 Notices Disapproving Officer/Director's Request for Review	**0**	**0**	**0**
Truth-in-Lending Act Reimbursement Actions	**69**	**98**	**126**
Denials of Requests for Relief	0	0	0
Grants of Relief	0	0	0
Banks Making Reimbursement[1]	69	98	126
Suspicious Activity Reports (open and closed institutions)[1]	**164,777**	**123,134**	**139,102**
Other Actions Not Listed	**6**	**9**	**0**

[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, 2014[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 Domestic Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
2014	$250,000	$10,408,068	$6,203,524	59.6	$62,780.2	0.60	1.01
2013	250,000	9,825,398	6,010,854	61.2	47,190.8	0.48	0.79
2012	250,000	9,474,585	7,405,043	78.2	32,957.8	0.35	0.45
2011	250,000	8,782,134	6,973,468	79.4	11,826.5	0.13	0.17
2010	250,000	7,887,733	6,301,528	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

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2014[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
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
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

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH DECEMBER 31, 2014[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
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
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 the sum of the BIF and Savings Association Insurance Fund (SAIF) amounts; for 2006 to 2014, figures are for DIF. Amounts for 1989 - 2014 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, 2014
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	**$210,651.8**	**$146,166.8**	**$11,392.9**	**$75,877.9**		**$148,150.5**	**$112,293.5**	**$26,407.4**	**$9,449.6**	**$139.5**	**$62,640.8**
2014	8,965.1	8,656.1	0.0	309.0	0.0664%	(6,634.7)	(8,305.5)	1,664.3	6.5	0	15,599.8
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, 2014 (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
1946	130.7	107.0	0.0	23.7	0.0833	10.0	0.1	9.9	0.0	0	120.7

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2014 (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)
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. 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. 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).

[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 pages 69-70 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. (1992)

[4] Includes a $106 million net loss on government securities. (1976)

[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.

FDIC INSURED INSTITUTIONS CLOSED DURING 2014
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								
The Bank of Union El Reno, OK	NM	7,262	$317,172	$315,843	$313,049	$103,089	01/24/14	BancFirst Oklahoma City, OK
Slavie Federal Savings Bank Bel Air, MD	SA	4,202	$140,063	$111,142	$113,264	$6,608	05/30/14	Bay Bank, FSB Lutherville, MD
Valley Bank Ft. Lauderdale, FL	NM	1,676	$81,843	$66,541	$65,857	$7,722	06/20/14	Landmark Bank, NA Ft. Lauderdale, FL
Valley Bank Moline, IL	NM	25,104	$456,442	$359,953	$371,088	$51,444	06/20/14	Great Southern Bank Reeds Spring, MO
The Freedom State Bank Freedom, OK	NM	1,262	$22,816	$20,855	$20,253	$5,781	06/27/14	Alva State Bank and Trust Company Alva, OK
NBRS Financial Rising Sun, MD	SM	11,930	$155,353	$151,559	$145,048	$24,289	10/17/14	Howard Bank Ellicott City, MD
National Republic Bank of Chicago Chicago, IL	N	5,666	$843,118	$809,638	$796,600	$111,641	10/24/14	State Bank of Texas Dallas, TX
Whole Bank Purchase and Assumption - All Deposits								
DuPage National Bank West Chicago, IL	N	3,609	$53,524	$51,878	$54,223	$2,242	01/17/14	Republic Bank of Chicago Oak Brook, IL
Syringa Bank Boise, ID	NM	7,334	$153,361	$145,813	$142,461	$4,757	01/31/14	Sunwest Bank Irvine, CA
Millennium Bank, National Association Sterling, VA	N	3,038	$130,305	$121,704	$124,004	$10,107	02/28/14	WashingtonFirst Bank Reston, VA
Vantage Point Bank Horsham, PA	NM	1,722	$63,453	$62,472	$60,536	$11,099	02/28/14	First Choice Bank Mercerville, NJ
Allendale County Bank Fairfax, SC	NM	3,061	$49,498	$49,356	$49,992	$18,104	04/25/14	Palmetto State Bank Hampton, SC
AztecAmerica Bank Berwyn, IL	NM	1,008	$66,309	$65,031	$65,569	$17,999	05/16/14	Republic Bank of Chicago Oak Brook, IL
Columbia Savings Bank Cincinnati, OH	SB	1,782	$36,484	$29,538	$25,877	$5,255	05/23/14	United Fidelity Bank, FSB Evansville, IN

FDIC INSURED INSTITUTIONS CLOSED DURING 2014 (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
Eastside Commerical Bank Conyers, GA	NM	3,599	$173,946	$166,875	$160,301	$33,911	07/18/14	Community and Southern Bank Atlanta, GA
GreenChoice Bank, FSB Chicago, IL	SA	2,988	$70,286	$68,722	$67,826	$14,222	07/25/14	Providence Bank, LLC South Holland, IL
Frontier Bank, FSB Palm Desert, CA	SA	3,518	$80,736	$76,344	$75,321	$4,709	11/07/14	Bank of Southern California, N.A. San Diego, CA
Northern Star Bank Mankato, MN	NM	1,157	$18,794	$18,221	$17,860	$5,947	12/19/14	BankVista Sartell, MN

[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 December 31, 2014. 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 - 2014
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
Total	**2,602**	**$934,578,455**	**$703,412,460**	**$576,987,772**	**$403,272,546**	**$64,093,522**	**$109,508,794**
2014	18	2,913,503	2,691,485	2,669,129	31,298	2,198,905	438,926
2013	24	6,044,051	5,132,246	5,010,841	48,542	3,627,828	1,334,471
2012	51	11,617,348	11,009,630	11,017,896	1,514,509	6,827,536	2,675,851
2011	92	34,922,997	31,071,862	30,675,465	2,598,550	20,888,383	7,075,622
2010[4]	157	92,084,988	78,290,185	82,239,795	52,108,227	12,650,307	17,481,261
2009[4]	140	169,709,160	137,835,121	135,976,290	90,569,874	16,301,294	29,105,122
2008[4]	25	371,945,480	234,321,715	205,519,425	184,056,434	3,156,855	18,306,136
2007	3	2,614,928	2,424,187	1,919,899	1,384,368	373,730	161,801
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	4	170,099	156,733	139,006	134,978	111	3,917
2003	3	947,317	901,978	883,772	812,933	8,192	62,647
2002	11	2,872,720	2,512,834	1,567,637	1,705,792	(552,072)	413,917
2001	4	1,821,760	1,661,214	21,131	1,138,677	(1,410,011)	292,465
2000	7	410,160	342,584	297,313	265,175	0	32,138
1999	8	1,592,189	1,320,573	1,307,724	711,758	5,649	590,317
1998	3	290,238	260,675	292,731	58,248	11,433	223,050
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	14,541,386	10,866,760	613	3,674,013
1991	124	64,556,512	52,972,034	21,499,781	15,496,730	4,769	5,998,282
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 - 2014 (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
Total	**154**	**$3,317,099,253**	**$1,442,173,417**	**$11,630,356**	**$6,199,875**	**$0**	**$5,430,481**
2014	0	0	0	0	0	0	0
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 - 2014 (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 2014, 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 December 31, 2014, for TAG accounts in 2010, 2009, and 2008 are $406 million, $1,197 million, and $13 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.

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**	**$318,328,770**	**$75,977,846**	**$81,581,089**
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	5,708,253	267,595	65,212
1992	59	44,196,946	34,773,224	3,286,908	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	16,062,685	19,257,578
1989[4]	318	134,519,630	113,168,009	47,085,027	48,649,542

[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.

B. 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 served as Vice Chairman and Member of the FDIC Board of Directors from August 22, 2005, until his confirmation as Chairman. He served 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.

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 approximately 1,700 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.

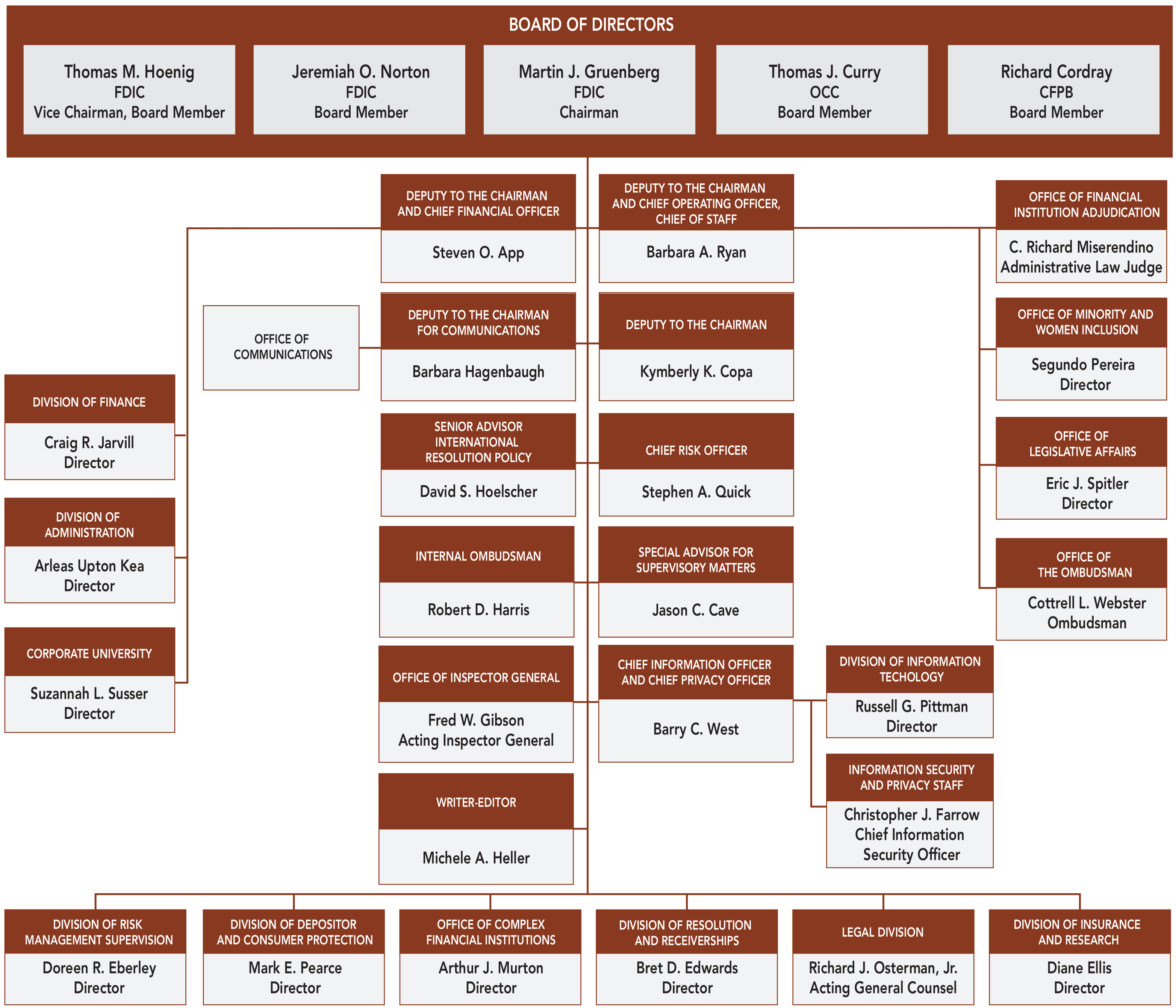
Prior to joining the Bureau, Mr. Cordray served on the front lines of consumer protection as Ohio's Attorney General. Mr. Cordray recovered more than $2 billion for Ohio's retirees, investors, and business owners, and took major steps to help protect its consumers from fraudulent foreclosures and financial 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.

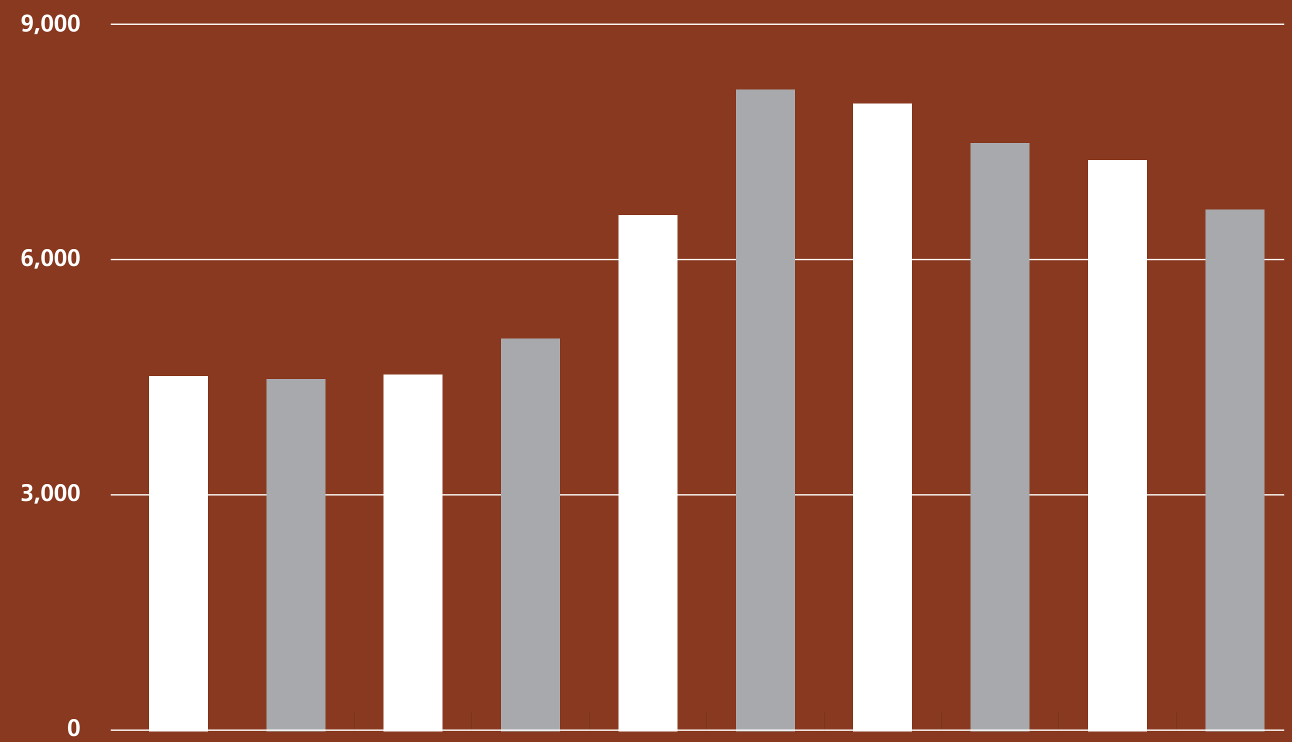
Earlier in his career, Mr. Cordray was an adjunct professor at the Ohio State University College of Law, served as a State Representative for the 33rd Ohio House District, was the first Solicitor General in Ohio's history, and was a sole practitioner and Counsel to Kirkland & Ellis. Mr. Cordray has argued 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 2005-2014



2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
4,514	4,476	4,532	4,988	6,557	8,150	7,973	7,476	7,254	6,631

FDIC Year–End Staffing

Note: 2008-2014 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 – 2014[1]

	Total		Washington		Regional/Field	
Division or Office:	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Division of Risk Management Supervision	2,704	2,814	205	207	2,500	2,608
Division of Depositor and Consumer Protection	853	858	128	126	725	732
Division of Resolutions and Receiverships	884	1,284	159	166	725	1,118
Legal Division	601	678	375	388	226	290
Division of Administration	372	396	245	247	127	149
Division of Information Technology	324	340	254	264	70	76
Corporate University	205	195	196	184	9	11
Division of Insurance and Research[2]	196	187	154	143	42	44
Division of Finance	170	176	168	174	2	2
Office of Inspector General	115	117	73	75	42	42
Office of Complex Financial Institutions	68	74	59	62	9	12
Information Security and Privacy Staff	33	29	33	29	0	0
Executive Offices[2]	23	20	23	20	0	0
Executive Support Offices[3]	85	88	76	78	9	10
Total	**6,631**	**7,254**	**2,147**	**2,161**	**4,485**	**5,093**

[1] The FDIC reports staffing totals using a full-time equivalent (FTE) 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] Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, and Chief Information Officer.

[3] Includes the Offices of Legislative Affairs, Communications, Ombudsman, 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 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, which is 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

Michael J. Dean, Regional Director
10 Tenth Street, NE
Suite 800
Atlanta, Georgia 30309
(678) 916-2200

Alabama
Florida
Georgia
North Carolina
South Carolina
Virginia
West Virginia

Dallas Regional Office

Kristie K. Elmquist, Regional Director
1601 Bryan Street
Dallas, Texas 75201
(214) 754-0098

Colorado
New Mexico
Oklahoma
Texas

Kansas City Regional Office

James D. LaPierre, Regional Director
1100 Walnut Street
Suite 2100
Kansas City, Missouri 64106
(816) 234-8000

Iowa
Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

Chicago Regional Office

M. Anthony Lowe, Regional Director
300 South Riverside Plaza
Suite 1700
Chicago, Illinois 60606
(312) 382-6000

Illinois
Indiana
Kentucky
Michigan
Ohio
Wisconsin

Memphis Area Office

Kristie K. Elmquist, Director
6060 Primacy Parkway
Suite 300
Memphis, Tennessee 38119
(901) 685-1603

Arkansas
Louisiana
Mississippi
Tennessee

New York Regional Office

John F. Vogel, Regional Director
350 Fifth Avenue
Suite 1200
New York, New York 10118
(917) 320-2500

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

Boston Area Office

John F. Vogel, Director
15 Braintree Hill Office Park
Suite 100
Braintree, Massachusetts 02184
(781) 794-5500

Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

San Francisco Regional Office

Stan Ivie, Regional Director
25 Jessie Street at Ecker Square
Suite 2300
San Francisco, California 94105
(415) 546-0160

Alaska
American Samoa
Arizona
California
Federated States of Micronesia
Guam
Hawaii
Idaho
Montana
Nevada
Oregon
Utah
Washington
Wyoming

C. 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 Corporation for inclusion in the FDIC's Annual Performance and Accountability Report. In doing so, the OIG keeps 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 critical areas listed below that will continue to occupy much of the Corporation's attention and require its sustained focus for the foreseeable future.

Carrying Out Dodd-Frank Act 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 progress toward implementing its systemic resolution authorities under the Dodd-Frank Act, in large part due to the efforts of an active cross-divisional working group composed of senior FDIC officials, but challenges remain. These challenges involve the FDIC's ability to fulfill its insurance, supervisory, receivership management, and resolution responsibilities as it meets the requirements of the Dodd-Frank Act. These responsibilities are cross-cutting and are carried out by staff throughout the Corporation's headquarters and regional divisions and offices, including in the Office of Complex Financial Institutions, an office established in response to the Dodd-Frank Act. That office is taking steps to realign organizational responsibilities for Title I and Title II tasks in the interest of ensuring the most efficient and complementary efforts of staff involved in both.

As discussed more fully below, in the coming year, those involved in Dodd-Frank Act activities will continue to evaluate the resolution plans submitted by the largest bank holding companies and other SIFIs under Title I; develop strategies for resolving SIFIs under Title II; work to promote cross-border cooperation for the orderly resolution of a global SIFI; and coordinate with the other regulators to develop policy to implement the provisions of the Dodd-Frank Act.

In the interest of operational readiness to resolve a SIFI, the Corporation will need to determine optimum staffing, needed expertise, and effective organizational structures to handle current and future responsibilities. In that regard, it will also need to leverage subject-matter expertise currently existing in the FDIC's various divisions and ensure effective and efficient communication, coordination, and information sharing as those responsible carry out their respective roles.

Maintaining Strong Information Technology Security and Governance Practices

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 nonmember 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 to address current and emerging risks in the information technology (IT) and information security environments. Among these changes, the FDIC established the IT/Cyber Security Oversight Group to provide a senior-level forum for assessing cyber security threats and developments affecting the FDIC and the banking industry. Subsequently, the FDIC Chairman separated the roles and responsibilities of the Chief Information Officer (CIO) and Director of the Division of Information Technology (DIT). Both positions had previously been held by the same individual. The CIO now reports directly to the FDIC Chairman and 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 DIT, 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.

Throughout 2014, the benefits of the new IT governance structure began to be realized. During 2015, a challenging priority for the FDIC will be to continue to adapt to these organizational changes and maintain effective communication and collaboration among all parties involved in ensuring a robust, secure IT operating environment that meets the day-to-day and longer-term needs of the FDIC employees who depend on it. The Corporation will also need to ensure that its business continuity and disaster recovery plans are effective in addressing the impacts of natural disasters or other events that disrupt its business processes and activities. A permanent CIO came on board in December 2014 and will continue to carry out needed information security initiatives. Among those are strategies to ensure the security of the FDIC's systems and infrastructure and efforts to support communications with other federal agencies if a widespread emergency occurred.

Maintaining Effective Supervisory Activities and Preserving Community Banking

The FDIC's supervision program promotes the safety and soundness of FDIC-supervised insured depository institutions. The FDIC is the primary federal regulator for 4,138 FDIC-insured, state-chartered institutions that are not members of the Board of Governors of the Federal Reserve System (FRB). As such, the FDIC is the lead federal regulator for the majority of community banks. As the FDIC operates 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, engage in imprudent concentrations, or 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. Such risks need to be managed and addressed early on during the "good times" before a period of downturn. FDIC examiners need to identify problems, bring them to the attention of bank management, follow up on problems, recommend enforcement actions as needed, and be alert to such risks as Bank Secrecy Act and anti-money laundering issues. With respect to important international concerns, the FDIC also needs to support development of sound global regulatory policy through participation on the Basel Committee on Banking Supervision and related sub-groups, and to address such matters as the Basel III capital accord and Basel liquidity standards.

Importantly, with respect to the FDIC's involvement with the Dodd-Frank Act, the Division of Risk Management Supervision's (RMS) Complex Financial Institutions Group is responsible for the monitoring function for SIFIs. This group is primarily responsible for monitoring risk within and across large, complex financial companies for back-up supervisory and resolution readiness purposes. In that connection, RMS is also playing a key role in reviewing and providing feedback on resolution plans submitted by companies covered by Title I of the Dodd-Frank Act, as part of a shared responsibility with the FRB.

Of critical importance with respect to the FDIC's supervisory role, and in light of technological changes, increased use of technology service providers (TSP), new delivery channels, and cyber threats, the FDIC's IT examination program needs to be proactive. Also, bankers and Boards of Directors need to ensure a strong control environment and sound risk management and governance practices in their institutions. Controls need to be designed not only to protect sensitive customer information, but also to guard against intrusions that can compromise the integrity and availability of operations, information and transaction processing systems, and data. Given the complexities of the range of cyber threats, the FDIC needs to ensure its examination workforce has the needed expertise to effectively carry out its IT examination responsibilities.

Of special note, in partnership with the Federal Financial Institutions Examination Council, the FDIC has developed a framework for conducting IT examinations that covers a broad spectrum of technology, operational, and information security risks to both institutions and TSPs. Importantly, one TSP can service hundreds or even thousands of financial institutions, so that the impact of security incidents in one TSP can have devastating ripple effects on those institutions. In the coming months, the Corporation needs to continue efforts, along with the other regulators, to address these risks and use all available supervisory and legal authorities to ensure the continued safety and soundness of financial institutions and affiliated third-party entities. It also needs to ensure effective information-sharing about security incidents with regulatory parties and other federal groups established to combat cyber threats in an increasingly interconnected world.

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. Local communities and small businesses rely heavily on community banks for credit and other essential financial services. These banks foster economic growth and help to ensure that the financial resources of the local community are put to work on its behalf. Consolidations and other far-reaching changes in the U.S. financial sector in recent decades have made community banks a smaller part of the U.S. financial system. To ensure the continued strength of the community banks, the Corporation will need to sustain initiatives such as ongoing research, technical assistance to the banks by way of training videos on key risk management and consumer compliance matters, and continuous dialogue with community banking groups.

Maintaining a strong examination program, conducting vigilant supervisory activities for both small and large banks, applying lessons learned, and being attuned to harmful cyber threats in financial institutions and TSPs will be critical to ensuring stability and continued confidence in the financial system going forward.

Carrying Out Current and Future Resolution and Receivership Responsibilities

Through purchase and assumption agreements with acquiring institutions, the Corporation has entered into shared-loss agreements (SLAs). Since loss sharing began during the most recent crisis in November 2008, the FDIC resolved 304 failures with accompanying SLAs; the initial covered asset balance was $216.5 billion. As of December 31, 2014, 281 receiverships still have active SLAs, with a current covered asset balance of $54.6 billion.

Under these agreements, the FDIC agrees to absorb a portion of the loss—generally 80 to 95 percent—which may be experienced by the acquiring institution with regard to those assets, for a period of up to 10 years. As another resolution strategy, the FDIC entered into 35 structured sales transactions involving 43,315 assets with a total unpaid principal balance of $26.2 billion. Under these arrangements, the FDIC retains a participation interest in future net positive cash flows derived from third-party management of these assets.

Other post-closing asset management activities continue to require FDIC attention. FDIC receiverships manage assets from failed institutions, mostly those that are not purchased by acquiring institutions through purchase and assumption agreements or involved in structured sales. As of December 31, 2014, the Division of Resolutions and Receiverships (DRR) was managing 481 active receiverships with assets in liquidation totaling about $7.7 billion. As receiver, the FDIC seeks to expeditiously wind up the affairs of the receiverships. Once the assets of a failed institution have been sold and the final distribution of any proceeds is made, the FDIC terminates the receivership.

As recovery from the crisis continues, some of these risk-sharing agreements will be winding down and certain currently active receiverships will be terminated. Given the substantial dollar value and risks associated with the risk sharing activities and other receivership operations, the FDIC needs to ensure continuous monitoring and effective oversight to protect the FDIC's financial interests.

The FDIC increased its permanent resolution and receivership staffing and significantly increased its reliance on contractor and term employees to fulfill the critical resolution and receivership responsibilities associated with the ongoing FDIC interest in the assets of failed financial institutions. Now, and as discussed later in this document, as the number of financial institution failures continues to decline, the Corporation is reshaping its workforce and adjusting its budget and resources accordingly. Between January 2012 and April 2014, the FDIC closed three of the temporary offices it had established to handle the high volume of bank failures. As a result, authorized staffing for DRR, in particular, fell from a peak of 2,460 in 2010 to 1,463 proposed for 2013, which reflected a reduction of 393 positions from 2012 and 997 positions over three years. Proposed DRR authorized staff for 2014 was 916. Authorized staffing for 2015 is 756. Of note, DRR will continue to substantially reduce its nonpermanent staff each year, based on declining workload.

In the face of these staff reductions and the corresponding loss of specialized experience and expertise, however, the Corporation must also continue to review the resolution plans of large bank holding companies and designated nonbank holding companies to ensure their resolvability under the Bankruptcy Code, if necessary, and in cases where their failure would threaten financial stability, administer their orderly liquidation. Carrying out such activities could pose significant challenges to those in DRR who have historically carried out receivership and resolution activities. For example, the Complex Financial Institutions branch of DRR works to identify and mitigate risks in large insured depository institutions, bank holding companies, and nonbank SIFIs. One of DRR's challenges in these areas will be to enhance the FDIC's capability to successfully administer deposit insurance claims determinations for large or complex resolutions. It will also need to ensure operational readiness for related accounting and investigations work streams.

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 Deposit Insurance Fund (DIF) balances, the FDIC collects risk-based insurance premiums from insured institutions and invests the 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. During the fourth quarter of 2014, the DIF balance increased by $8.5 billion, from $54.3 billion at September 30, 2014, to an all-time high of $62.8 billion. The most recent quarterly increase was primarily due to $2.0 billion of assessment revenue and a negative $6.8 billion provision for insurance losses, partially offset by $408 million of operating expenses.

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 providing the insurance coverage that depositors have come to rely upon. In that regard, the FDIC will need to continue to regularly disseminate data and analysis on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders.

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. As part of its efforts, the FDIC needs to continue its collaboration with other agencies in helping to ensure financial stability and protect the DIF. One important means of doing so is through participation on the Financial Stability Oversight Council (FSOC), created under the Dodd-Frank Act. This Council was established to provide comprehensive monitoring of stability in the U.S. financial system by identifying and responding to emerging risks to U.S. financial stability and by promoting market discipline. The FDIC Chairman is a member of FSOC, which has the authority to designate for enhanced prudential supervision by the Federal Reserve System any financial firm whose material financial distress could pose a threat to U.S. financial stability. The FDIC's active involvement on FSOC will be important as the Council members join forces to confront the many potential threats to the nation's financial system and to the FDIC in its role as insurer.

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. These activities require collaboration with other regulatory agencies. The FDIC also coordinates with the Consumer Financial Protection Board, created under the Dodd-Frank Act, on consumer issues of mutual interest and monitors rulemakings related to mortgage lending and other types of consumer financial services and products. The FDIC will need to continue to assess the impact of such rulemakings on supervised institutions, communicate key changes to stakeholders, and train examination staff accordingly.

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. The Corporation will be continuing its *Money Smart* program and planning for its biennial survey conducted jointly with the U.S. 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, will continue to explore 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 the other financial regulators and CFPB on regulatory matters involving financial products and services, and pursue and measure the success of economic inclusion initiatives to the benefit of the American public.

Implementing Workforce Changes and Budget Reductions

As referenced earlier, as the number of financial institution failures continues to decline, the FDIC has been reshaping its workforce and adjusting its budget and human resources as it seeks a balanced approach to managing costs while achieving mission responsibilities. Over the past several years of recovery, the FDIC closed all three of the temporary offices charged with managing many receivership and asset sales activities on the East and West Coasts and in the Midwest.

During the 2015 planning and budget process, the Corporation reassessed its current and projected workload along with trends within the banking industry and the broader economy. Based on that review, the FDIC expects a continuation of steady improvements in the global economy, a small number of insured institution failures, gradual reductions in post-failure receivership management workload, and significant further reductions in the number of 3-, 4-, and 5-rated institutions. While the FDIC will continue to need some temporary and term employees over the next several years to complete the residual workload from the financial crisis, industry trends confirm that the need for nonpermanent employees over the next several years will steadily decrease.

Given those circumstances, the FDIC Board of Directors approved a $2.32 billion Corporate Operating Budget for 2015, 3 percent lower than the 2014 budget. In conjunction with its approval of the 2015 budget, the Board also approved an authorized 2015 staffing level of 6,875 positions, down from 7,200 currently authorized, a net reduction of 325 positions. This is the fifth consecutive reduction in the FDIC's annual operating budget.

As conditions improve throughout the industry and the economy, the FDIC will continue its efforts to achieve the appropriate level of resources. At the same time, however, it needs to remain mindful of ever-present risks and other uncertainties in the economy that may prompt the need for additional resources and new skill sets and expertise that may be challenging to obtain.

In that regard, the FDIC is continuing to work toward integrated workforce development processes as it seeks to bring on the best people to meet the FDIC's changing needs and priorities, and do so in a timely manner. The FDIC has long promoted diversity and inclusion initiatives in the workplace. Section 342 of the Dodd-Frank Act reiterates the importance of standards for assessing diversity policies and practices and developing procedures to ensure the fair inclusion and utilization of women and minorities in the FDIC's contractor workforce. The Dodd-Frank Act also points to the Office of Minority and Women Inclusion as being instrumental in diversity and inclusion initiatives within the FDIC's working environment. This office will be challenged as it works to ensure it has the proper staff, expertise, and organizational structure to successfully carry out its advisory responsibilities to ensure diversity and inclusion.

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 goals and initiatives, Workplace Excellence Program, and workforce development efforts are positive steps in that direction and should continue to create a working environment that warrants the FDIC's recognition as a Best Place to Work.

Ensuring Effective Enterprise Risk Management Practices

Enterprise risk management is a critical 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. As evidenced in the challenges discussed above, certain difficult issues may fall within the purview of a single division or office, while others are cross-cutting within the FDIC or involve coordination with the other financial regulators and external parties. The Corporation needs to adopt controls, mechanisms, and risk models that can address a wide range of concerns—from specific, everyday risks such as those posed by personnel security practices and records management activities, for example, to the far broader concerns of the ramifications of an unwanted and harmful cyber-attack or the failure of a large bank or SIFI.

The Corporation's stakeholders—including the Congress, American people, media, and others— expect effective governance, sound risk management practices, and vigilant regulatory oversight of the financial services industry to avoid future crises. Leaders and individuals at every working level throughout the FDIC need to understand current and emerging risks to the FDIC mission and be prepared to take necessary steps to mitigate those risks as changes occur and challenging scenarios that can undermine the FDIC's short- and long-term success present themselves.

D. ACRONYMS

ABS	Asset-backed securities
AEI	Alliance for Economic Inclusion
AHDP	Affordable Housing Disposition Program
AMC	Appraisal management company
AML	Anti-Money Laundering
ASBA	Association of Supervisors of Banks of the Americas
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BCBS	Basel Committee on Banking Supervision
BHC	Bank holding company
BSA	Bank Secrecy Act
CAMELS	**C**apital adequacy; **A**sset quality; **M**anagement quality; **E**arnings; **L**iquidity; **S**ensitivity to market risks
CCIWG	Cybersecurity and Critical Infrastructure Working Group
CDFI	Community Development Financial Institution
CEO	Chief Executive Officer
CEP	Corporate Employee Program
CFO Act	Chief Financial Officers' Act
CFPB	Consumer Financial Protection Bureau
CFR	Center for Financial Research
CFT	Counter Financing of Terrorism
CFTC	Commodity Futures Trading Commission
CIO	Chief Information Officer
CISO	Chief Information Security Officer
CMP	Civil Money Penalty
ComE-IN	Advisory Committee on Economic Inclusion
CPI-U	Consumer Price Index for All Urban Consumers
CRA	Community Reinvestment Act
CRE	Commercial real estate
CSE	Covered swap entity
CSRS	Civil Service Retirement System
DDoS	Distributed denial of service
DFA	Dodd-Frank Act
DIF	Deposit Insurance Fund
DRR	Designated Reserve Ratio
EDIE	Electronic Deposit Insurance Estimator
EGRPRA	Economic Growth and Regulatory Paperwork Reduction Act of 1996
FAQ	Frequently Asked Questions
FDI Act	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FFIEC	Federal Financial Institutions Examination Council
FFMIA	Federal Financial Management Improvement Act
FHFA	Federal Housing Finance Agency
FICO	Financial Corporation
FIL	Financial Institution Letter
FIS	Financial Institution Specialist
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMSP	Financial Management Scholars Program
FRB	Board of Governors of the Federal Reserve System
FRF	FSLIC Resolution Fund
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSI	Financial Stability Institute
FS-ISAC	Financial Services Information Sharing and Analysis Center
FSLIC	Federal Savings and Loan Insurance Corporation
FSOC	Financial Stability Oversight Council
FSVC	Financial Services Volunteer Corps
FTC	Federal Trade Commission
GAAP	Generally accepted accounting principles
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
G-SIBs	Global Systemically Important Banks
G-SIFIs	Global SIFIs
HELOC	Home Equity Line of Credit
HFIAA	Homeowner Flood Insurance Affordability Act of 2014
IADI	International Association of Deposit Insurers
IDI	Insured depository institution
IMF	International Monetary Fund
IMFB	IndyMac Federal Bank
ISDA	International Swaps and Derivatives Association, Inc.
IT	Information technology
JFSR	Journal for Financial Services Research

LCR	Liquidity coverage ratio
LIDI	Large Insured Depository Institution
LLC	Limited Liability Company
LMI	Low- or moderate-income
LURA	Land use restriction agreements
MDI	Minority depository institutions
MOL	Maximum Obligation Limitation
MOU	Memoranda of Understanding
MWOB	Minority- and women-owned business
NCUA	National Credit Union Administration
NFIP	National Flood Insurance Program
NPR	Notice of proposed rulemaking
NSFR	Net Stable Funding Ratio
NTEU	National Treasury Employees Union
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OLA	Orderly Liquidation Authority
OLF	Orderly Liquidation Fund
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
OTC	Over-the-counter
PCA	Prompt corrective action
PFR	Primary federal regulator
QBP	Quarterly Banking Profile
QM	Qualified mortgage
QRM	Qualified residential mortgage
RTC	Resolution Trust Corporation
SEC	Securities and Exchange Commission
SIFI	Systemically important financial institution
SLA	Shared-loss agreement
SMS	Systemic Monitoring System
SNC	Shared National Credit
SNM	State Nonmember
SPOE	Single Point of Entry
SRAC	Systemic Resolution Advisory Committee
SSGN	Structured sale of guaranteed note
TARP	Troubled Asset Relief Program
TCC	Training and Conference Committee
TIPS	Treasury Inflation-Protected Securities
TORC	Teacher Online Resource Center
TPPP	Third-party payment processor
TruPS	Trust preferred securities
TSP	Federal Thrift Savings Plan
TSP (IT-related)	Technology service providers
VIE	Variable interest entity
WE	Workplace Excellence

2014 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
- Latoja S. Anderson
- Financial Reporting Section
- Division and Offices' Points-of-Contact

FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

FEDERAL DEPOSIT INSURANCE CORPORATION
550 17th Street, N.W.
Washington, DC 20429-9990
WWW.FDIC.GOV

FDIC-003-2015