FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT **2015**

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ANNUAL REPORT 2015

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FEDERAL DEPOSIT INSURANCE CORPORATION
550 17th Street NW, Washington, DC 20429

OFFICE OF THE CHAIRMAN

February 18, 2016

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 *2015 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. In addition, the U.S. Government Accountability Office did not identify any significant deficiencies in the FDIC's internal controls for 2015. We are committed to maintaining effective internal controls corporate-wide in 2016.

Sincerely,

Martin J. Gruenberg

Martin J. Gruenberg
Chairman

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

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INSURING DEPOSITS • EXAMINING 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 82 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 September 2015, the FDIC insured deposits of $6.4 trillion in more than half a billion accounts at almost 6,300 institutions, supervised 3,995 institutions, and managed 470 active receiverships having total assets of $23.9 billion.

The U.S. economy and the banking industry continued to improve in 2015. After experiencing the most severe financial crisis and economic downturn 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 continue to support the economic recovery. During the 12 months ended September 30, loan balances at banks increased by $482 billion, the largest 12-month dollar gain since the year ending June 2008. Moreover, that growth was broad-based, with all major loan categories posting increases, and more than three-quarters of all institutions reporting larger loan balances. Loan growth was strongest at community banks, which posted an 8.5 percent gain versus 5.9 percent for the industry overall. Rising loan demand and a recent pickup in the pace of economic activity are creating favorable conditions for FDIC-insured institutions, although the global economic outlook remains uncertain and poses a potential downside risk for the U.S. economy and financial system.

The number of both failed and problem institutions declined again in 2015, and the Deposit Insurance Fund (DIF) balance, which was almost $21 billion in the red during the financial crisis, was $72.6 billion in the black at year-end.

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 restoration plan that reflects Dodd-Frank Act requirements to rebuild the DIF, the FDIC has had a steady increase in the year-end fund balance from 2011 through 2015. Recently, lower than estimated losses for past bank failures, together with assessment income, have contributed to the increase in the fund balance to $72.6 billion as of December 31, 2015. The reserve ratio was 1.09 percent as of September 30, 2015.

The Dodd-Frank Act raised the minimum reserve ratio of the DIF from 1.15 percent to 1.35 percent and requires that the reserve ratio reach that level by September 30, 2020. Further, the Dodd-Frank Act also makes banks with $10 billion or more in total assets responsible for the increase from 1.15 percent to 1.35 percent. Under a rule adopted by the FDIC in 2011, regular assessment rates for all banks will decline when the reserve ratio reaches 1.15 percent. Banks with total assets of less than $10 billion will have substantially lower assessment rates then. To ensure that the reserve ratio reaches 1.35 percent by the statutory deadline, the FDIC proposed a rule in 2015 that would impose on banks with at least $10 billion in assets a surcharge of 4.5 cents per $100 of their assessment base, after making certain adjustments. The FDIC expects the reserve ratio – the ratio of the DIF balance to estimated insured deposits - would likely reach 1.35 percent after approximately two years of payments of the proposed surcharges.

Bank failures in 2015 totaled eight, 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 203 at the end of September 2015 from a high of 888 in March 2011. The United States is now approaching pre-crisis levels for failed banks and problem banks.

As the banking industry continues to recover, the FDIC requires fewer resources. The agency's authorized workforce for 2015 was 6,886 full-time equivalent positions compared with 7,200 the year before. The 2015 Corporate Operating Budget was $2.3 billion, a decrease of 3.0 percent from 2014.

The FDIC reduced its budget for 2016 from the prior year by 4.7 percent to $2.2 billion and reduced authorized staffing by approximately 4.6 percent to 6,569 positions, in anticipation of a further drop in bank failure activity in the years ahead. However, contingent resources are included in the budget to ensure readiness should economic conditions unexpectedly deteriorate.

During 2015, the FDIC successfully used 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 them 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

The FDIC continues to make progress in developing a framework under the Dodd-Frank Act for the orderly failure of a large, complex, systemically important financial institution while avoiding the taxpayer bailouts and the market breakdowns that took place during the recent financial crisis.

Under the Dodd-Frank Act, bankruptcy is the statutory first option for the failure of a Systemically Important Financial Institution (SIFI). The largest bank holding companies, as well as non-bank financial companies designated by the Financial Stability Oversight Council for supervision by the Federal Reserve Board, are required to prepare resolution plans, also referred to as "living wills," under Title I of the Dodd-Frank Act. These living wills must demonstrate that the firm could be resolved under bankruptcy without severe adverse consequences for the financial system or the U.S. economy. As a backstop, for circumstances in which an orderly bankruptcy might not be possible, Title II of the Dodd-Frank Act provides the Orderly Liquidation Authority. This public resolution authority allows the FDIC to manage the orderly failure of the firm.

The Living Wills Process

The FDIC and the Board of Governors of the Federal Reserve System are charged with reviewing and assessing each firm's plan. If a plan does not demonstrate the firm's resolvability, the FDIC and the Federal Reserve may jointly determine that it is not credible or would not facilitate an orderly resolution of the company under the Bankruptcy Code and issue a notice of deficiencies.

In August 2014, the FDIC and the Federal Reserve Board delivered individual letters to the largest financial firms that identified common shortcomings of the plans. These shortcomings included assumptions that the agencies regard as unrealistic or inadequately supported, and 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 firms were directed to address these shortcomings and improve their resolvability including by simplifying and rationalizing their organizations, ensuring the continuity of critical services in resolution, and demonstrating operational capabilities for resolution preparedness. The 2015 plans were submitted on July 1 and were under review by the FDIC and the Federal Reserve at year-end.

The living wills submitted by firms also include public portions. Public and market understanding of the process for improving the resolvability of Global Systemically Important Financial Institutions (G-SIFIs) is important for a number of reasons, including allowing for the development of realistic market expectations about how the resolution of a G-SIFI might proceed. In the past year the agencies provided guidance to the firms requiring that the public portions of the plans include more detailed information in a number of areas. As a result, this year's public plans provide substantially more information.

The Orderly Liquidation Authority

Given the challenges and the uncertainty surrounding any particular failure scenario, Title II of the Dodd-Frank Act provides the Orderly Liquidation Authority, which is effectively a public-sector bankruptcy process for institutions whose resolution under the U.S. Bankruptcy Code would pose systemic concerns.

The Orderly Liquidation Authority is the mechanism for ensuring that policymakers will not be faced with the same poor choices they faced in 2008. Its tools are intended to enable the FDIC to carry out the process of winding down and liquidating the firm, while ensuring that shareholders, creditors, and culpable management are held accountable and taxpayers do not bear losses. In the years since enactment of Dodd-Frank, the FDIC has made significant progress in developing the operational capabilities to carry out a resolution if needed.

Further, since passage of the Dodd-Frank Act, other major jurisdictions have followed the United States in enacting systemic resolution authorities that are comparable to those provided in the Dodd-Frank Act. Pursuant to provisions of the Orderly Liquidation Authority, the FDIC has worked closely with all the major foreign jurisdictions, including the United Kingdom, Germany, France, Switzerland, and Japan, as well as European entities including the new Single Resolution Board and Single Supervisory Mechanism. This cooperation is essential to identifying issues and to addressing obstacles to cross-border resolution.

In 2014, the European Parliament established a Single Resolution Mechanism (SRM) for the resolution of financial institutions in Europe. The FDIC is actively engaging with the new Single Resolution Board, which oversees the SRM, to be of assistance in its set up and to discuss cooperation and resolution planning for G-SIFIs with assets and operations in the United States and the Eurozone. The FDIC and the European Commission have established a joint Working Group to focus on both resolution and deposit insurance issues. In addition, the FDIC participates in the Crisis Management Groups for G-SIFIs with significant assets and operations in the United States. Deepening our cross-border relationships with the key foreign jurisdictions will be an ongoing priority for the FDIC's work on systemic resolution.

Large Bank Deposit Insurance Determinations

In April, the FDIC issued an Advance Notice of Proposed Rulemaking (ANPR) that sought comment on some approaches aimed at improving the way deposit insurance determinations could be done at banks with a large number of deposit accounts—not just banks that are part of SIFIs, but any bank with a large number of deposit accounts. Providing depositors with prompt access to their funds is essential for preserving public confidence and maintaining financial system stability. For the typical bank resolved by the FDIC, insured deposits are available the next business day. The questions and alternatives in the ANPR were aimed at bolstering the FDIC's capability to make equally prompt deposit insurance determinations at banks with a large number of deposit accounts, such as two million accounts.

Interest-Rate Risk and Credit Risk

While there were a number of positive trends in the banking industry, there are signs of growing interest-rate risk and credit risk that warrant attention. In order to mitigate the impact of low rates on net interest margins, banks have been going out further on the yield curve and increasing the mismatch between asset and liability maturities. Lending in higher-risk loan categories has been growing. The recent Shared National Credits review of large syndicated loans noted that "credit risk in the portfolio remains high, despite a relatively favorable economic environment." And loan portfolios in regions that depend on oil and gas revenue are increasingly at risk due to the significant decline in energy prices.

At the same time risk profiles have been rising, banks have not seen corresponding growth in overall revenue.

These signs of growing interest-rate risk and credit risk are important because – as history tells us – it is during this phase of the credit cycle when lending decisions are made that could lead to future losses. Timely attention by banks to address these growing risks will benefit banks and contribute to the sustainability of the current economic expansion. These risks will continue to be a focus of supervisory attention.

REGULATORY REVIEW

The Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA) requires that regulations adopted by the federal banking agencies, including the FDIC, be reviewed by the agencies at least once every 10 years. The current cycle began in late 2014 and will end in 2016 when a final report is sent to Congress. The purpose of this review is to identify outdated or unnecessary regulations and consider how to reduce regulatory burden on insured depository institutions while, at the same time, ensuring that safety and soundness and consumer compliance standards are maintained. The FDIC in 2015 hosted and participated in public outreach meetings nationwide to hear firsthand from bankers and consumer groups.

The regulatory review process is one we take very seriously. A particular interest to the FDIC is the impact of our regulations on community and rural banks. As the EGRPRA process unfolded in 2015, we worked with the other agencies through the Federal Financial Institutions Examination Council (FFIEC) on a multi-step process to review Call Report burden and the real estate appraisal standards. The agencies anticipate taking further actions prior to the issuance of the final report.

COMMUNITY BANKING INITIATIVE

Community banks are critically important to our economy and banking system. Community banks account for 13 percent of the banking assets in the United States, but also account for 44 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 – careful relationship lending, funding from stable core deposits, and local market expertise – 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 2015, FDIC analysts published a new study on the challenges and opportunities facing small, closely held community banks.

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 more than 20 online videos that are helping community bankers to understand better their management responsibilities. During 2015, new videos were released on interest-rate risk, corporate governance, cybersecurity, vendor management, the loan originator compensation rule, and mortgage servicing rules.

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 2015, 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 the banks we supervise, particularly community banks. For example, in 2015 the FDIC distributed to all FDIC-supervised banks three new videos that are part of our Cyber Challenge: a Community Bank Cyber Exercise series; added a cyber-awareness video to the Directors' Resource Center; and hosted a cybersecurity teleconference for the industry. 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, in coordination with other members of the FFIEC, also published a Cybersecurity Assessment Tool to help institutions identify risks and determine their preparedness. The voluntary tool includes a process for measuring cybersecurity preparedness over time.

The FDIC monitors cybersecurity issues on a regular basis through on-site bank examinations and regulatory and intelligence reports. The FDIC also works with other federal agencies, law enforcement and a number of government groups and industry coordinating councils 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 number of households in our country do not have a relationship with an insured depository institution or rely on high cost 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, academics, government, consumer and community organizations, the media, and many others to better understand who lacks access to mainstream banking services in the United

States and to gain insights into opportunities to expand participation.

During 2015, the FDIC continued its efforts to protect consumers and expand access to mainstream banking services. A new national effort, for example, was launched to promote local outreach and awareness of safe accounts. These safe accounts, which are offered by banks with branches in counties where nearly 80 percent of Americans live, provide secure, affordable transaction services. The accounts follow the standards for a Model SAFE account developed by the FDIC's Advisory Committee on Economic Inclusion. The advisory committee, composed of bankers, community and consumer organizations and academics, also began the process of determining how mobile banking technologies could help expand economic inclusion in the banking system and explored opportunities to address the financial services needs of individuals with disabilities.

The FDIC has a longstanding commitment to financial education. In 2015, we added a new *Money Smart for Young People* curriculum series to the recently enhanced Teacher Online Resource Center. This age-appropriate resource involves educators, parents/caregivers, and young people in the learning process, including through the use of Parent/Caregiver Guides that are available in English and Spanish. Since financial education can be enhanced through hands-on learning approaches, we expanded a pilot to 21 participating banks that combine the offer of a savings account with financial education programs for young people. And along with the Financial Literacy and Education Commission and other regulatory agencies, the FDIC issued guidance that encourages banks to offer youth savings programs and answers related frequently asked questions. Entrepreneurs can also benefit from an enhanced *Money Smart for Small Business* curriculum, which is now also available in Spanish.

CONCLUSION

During 2015, 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 2016, 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 agency'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

Martin J. Gruenberg

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the FDIC's 2015 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 24 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 the execution of sound financial management and in providing reliable financial data.

The DIF balance (the net worth of the Fund) rose to a record $72.6 billion as of December 31, 2015, an increase of $9.8 billion over the year-end 2014 balance of $62.8 billion. The Fund balance increase was primarily due to assessment revenue and reductions in estimated losses for current and prior year bank failures.

FINANCIAL AND PROGRAM RESULTS FOR 2015

For 2015, DIF comprehensive income totaled $9.8 billion, a decrease of $5.8 billion over the 2014 comprehensive income of $15.6 billion. This decrease was primarily due to a $6.0 billion difference in the provision for insurance losses -- a negative $2.3 billion in 2015 compared to a negative $8.3 billion in 2014. Assessment revenue was $8.8 billion in 2015 and $8.7 billion in 2014. Interest on U.S. Treasury obligations totaled $423 million as compared to $282 million in 2014; at the end of 2015, the yield to maturity on the DIF portfolio was 0.94 percent.

In 2015, the FDIC continued its efforts to reduce operating costs and prudently manage the funds that it administers. The FDIC Operating Budget for 2015 totaled approximately $2.3 billion, which represented a decrease of $73 million (3 percent) from 2014. Actual 2015 spending totaled approximately $2.1 billion. On December 15, 2015, the FDIC Board of Directors approved a 2016 Corporate Operating Budget totaling $2.2 billion, down $108 million (5 percent) from the 2015 budget. Including 2016, the annual operating budget has declined for six consecutive years, consistent with a steadily declining workload.

The FDIC continues to reduce staffing levels, as conditions in the banking industry improve and the FDIC requires fewer resources. The FDIC's authorized full-time equivalent staffing dropped in 2015 from 7,200 to 6,886, a 4 percent reduction. In 2016, we project further reductions in the overall workforce. However, we will maintain a workforce capable of handling our supervision, insurance, and resolution functions.

In 2015, eight banks failed, down from 18 in 2014. Even though the number of bank failures is relatively low, we will continue to prudently manage the risks to the DIF, including interest rate, fiscal, and global economic risks. 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 and Chairman Martin J. Gruenberg.

Standing 1st Row (left to right): Barbara Hagenbaugh, Segundo Pereira, Doreen R. Eberley, Arleas Upton Kea, and Craig R. Jarvill. 2nd Row (left to right): Barbara A. Ryan, Arthur J. Murton, Stephen A. Quick, Cottrell L. Webster, Mark E. Pearce, and Martin D. Henning. 3rd Row (left to right): Diane Ellis, Steven O. App, Eric J. Spitler, Bret D. Edwards, Russell G. Pittman and Charles Yi.

Not pictured: Kymberly K. Copa, Lawrence Gross, Suzannah L. Susser, Robert D. Harris, Fred W. Gibson, Christopher J. Farrow, and Andy Jiminez.

I.

Management's Discussion and Analysis

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THE YEAR IN REVIEW

OVERVIEW

The FDIC continued to fulfill its mission-critical responsibilities during 2015. The agency adopted and issued final rules on key regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and engaged in several community banking and community development initiatives. Cybersecurity remained a high priority for the FDIC in 2015; the agency worked to strengthen cybersecurity oversight, help financial institutions mitigate increasing risks, and respond to cyber threats. The sections below highlight these and some of our other accomplishments during the year.

Photo credit: ***Courtesy ABA Banking Journal***

An Interview with the FDIC's Chairman Martin J. Gruenberg

American Bankers Association President and CEO Frank Keating asks for the FDIC Chairman's views on the future of community banking, cybersecurity threats, regulatory burden, too-big-to-fail, and more.

IMPLEMENTATION OF KEY REGULATIONS

Capital Rulemaking and Guidance

The revised capital rules, which generally implemented Basel III international capital standards and addressed the removal of references to external credit ratings as standards of creditworthiness, became effective for community banks on January 1, 2015. The FDIC and other federal banking agencies continued efforts to implement the revised capital rules, including finalizing regulatory reporting, making technical corrections to the rule, and issuing guidance throughout 2015. In February 2015, the FDIC adopted another aspect of Basel III regarding certain regulatory reporting under the final capital rule. In June 2015, the FDIC adopted as final its amendments to the advanced approaches risk-based capital rule. The rule addresses certain technical adjustments 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. The agencies also provided capital guidance to banks by issuing a calculation tool that helps certain institutions determine risk-weighted assets and by releasing frequently asked questions (FAQs) on the revised rules. Finally, the agencies issued joint supervisory guidance in November 2015 concerning the capital treatment for certain covered funds under the final rule implementing Section 13 of the Bank Holding Company Act (Volcker Rule).

Regulatory Reporting Under the Final Capital Rule

In February 2015, the FDIC, the Federal Reserve Board (FRB), and the Office of the Comptroller of the Currency (OCC), under the auspices of the Federal Financial Institutions Examination Council (FFIEC), announced changes to regulatory capital reporting on the Consolidated Reports of Condition and Income (Call Report). The changes update the risk-weighted assets portion of the regulatory capital schedule to reflect the standardized approach to risk weighting in the revised capital rules. These regulatory capital reporting changes were effective as of the March 31, 2015 report date for all institutions. As of the same report date, the revisions to the regulatory capital components and ratios portion of the Call Report regulatory capital schedule that were effective as of March 31, 2014, for advanced approaches institutions became applicable to all other institutions.

In February and December 2015, the FDIC and the other banking agencies, under the auspices of the FFIEC, held national teleconferences for depository institutions to help them better understand the revisions to the regulatory capital schedule. More than 2,600 people participated in the February call, and 1,200 took part in the December event.

In March 2015, the FDIC and the other federal banking agencies also implemented the new FFIEC 102 market risk regulatory report. This quarterly report collects 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 was approved by the Office of Management and Budget (OMB) and took effect as of the March 31, 2015, report date.

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

In June 2015, the FDIC Board approved a joint final rule that made technical corrections to the advanced approaches risk-based capital rules and rectified certain missing internal ratings-based requirements that were identified as part of the Regulatory Consistency Assessment Program. The final rule was published in the *Federal Register* on July 15, 2015.

Regulatory Capital Guidance

The FDIC led the development of a calculation tool to help institutions that have securitization exposures calculate their risk-weighted assets under the Simplified Supervisory Formula Approach. The FDIC released the calculator in February 2015, through a Financial Institution Letter (FIL), and the tool is available on the FDIC's website as well as the websites of the other federal banking agencies.

In addition, in April 2015, the federal banking agencies released an initial set of FAQs on the revised capital rules, many of which are focused on community bank issues. The capital FAQs are posted on the FDIC website and are expanded as additional questions are raised.

Capital Deduction Guidance for Non-Legacy Covered Funds Under the Volcker Rule

In November 2015, the FDIC, jointly with the FRB and OCC, issued guidance that clarifies the interaction between the regulatory capital rule and the Volcker Rule with respect to the appropriate capital treatment for investments in certain private equity funds and hedge funds (covered funds). The FDIC issued FIL 50-2015 titled *Supervisory Guidance on the Capital Treatment of Certain Investments in Covered Transactions* to notify FDIC-supervised institutions of the calculations. The Volcker Rule prohibits banking organizations from holding ownership interests in covered funds after the relevant conformance period, unless such ownership interests are covered under certain exceptions/exemptions in the final rule. An exception is permitted for ownership interests arising from sponsoring covered funds totaling less than 3 percent of Tier 1 capital and subject to certain seeding period provisions. Under the rule, investments in covered funds purchased or acquired after December 31, 2013, must be deducted from Tier 1 capital after an initial conformance period that ended on July 21, 2015. The conformance period for legacy covered funds will end in July 2017. The guidance and instructions regarding legacy covered funds will be available at a later time. The November supervisory guidance describes the mechanics for making capital deductions under the Volcker Rule and how these relate to deductions required under the regulatory capital rule for investments in the capital instruments of unconsolidated financial institutions. These mechanics are intended to ensure no "double deductions" from Tier 1 capital.

Other Rulemaking and Guidance Under the Dodd-Frank Act

The Dodd-Frank Act requires various agencies to publish regulations in a number of areas. The following is a summary of significant rulemaking activity relating to the Dodd-Frank Act and other accomplishments during the year.

Minimum Requirements for Appraisal Management Companies

In April 2015, the FDIC, jointly with the OCC, FRB, National Credit Union Administration (NCUA), Consumer Financial Protection Bureau (CFPB), and the Federal Housing Finance Agency (FHFA), issued a final rule to implement the minimum requirements for registration and supervision of appraisal management companies (AMCs) under the Dodd-Frank Act. The final rule establishes the minimum requirements set forth in Section 1473 of the Act (Section 1473) for state registration and supervision of AMCs; outlines the minimum requirements for AMCs that register with a state under Section 1473; requires federally regulated AMCs to meet the minimum requirements of Section 1473 (other than registering with a state); and requires the reporting of certain AMC information to the Appraisal Subcommittee of the FFIEC. The final rule was published in the *Federal Register* on June 9, 2015, and the effective date was August 10, 2015.

The Volcker Rule

The Volcker Rule (Rule) contains restrictions and prohibitions on the ability of banks and their affiliates to engage in proprietary trading and have interests in, or relationships with, a hedge fund or a private equity fund. The Rule was adopted on December 10, 2013, and became effective on April 1, 2014. The Volcker Rule was subject to an extended conformance period that expired on July 21, 2015. In April and December of 2014, the FRB issued Orders announcing that it planned to extend the conformance period for certain covered funds for two additional one-year periods, so that the conformance period for these "legacy" covered funds would end July 21, 2017.

In January 2014, the Volcker Rule agencies [FDIC, OCC, FRB, Commodity Futures Trading Commission (CFTC), and Securities and Exchange Commission (SEC)] adopted a joint interim final rule that permits banking entities subject to the 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 established an interagency working group that meets regularly to discuss issues and the application and enforcement of the Rule. During 2015, the interagency Volcker Rule working group posted 11 joint FAQs on their websites to address certain implementation issues presented by banking entities subject to the Rule. The questions addressed such matters as:

- Chief Executive Officer Certification for Prime Brokerage Transactions
- Compliance for Market Making and the Identification of Covered Funds
- Termination of Market-Making Activity: Treatment of Residual Positions
- Conformance Period
- Seeding Period Treatment of Registered Investment Companies and Foreign Public Funds
- Foreign Public Funds Sponsored by a Banking Entity
- Joint Venture Exclusion for Covered Funds
- Solely Outside the United States Covered Fund Exemption: Marketing Restriction
- Applicability of the Restrictions in Section 13(f) of the Bank Holding Company Act (Super 23A)
- 30-Day Metrics Reporting During the Conformance Period
- Treasury Separate Trading of Registered Interest and Principal Securities (STRIPS)

Margin and Capital Requirements for Covered Swaps Entities

In October 2015, the FDIC approved a final rule to establish margin requirements for swaps that are not cleared through a clearinghouse. The final rule takes into account the risk posed by a swaps dealer's counterparties in establishing the minimum amount of initial and variation margin that the covered swaps entity must exchange with such counterparties.

The final rule was issued jointly with the OCC, the FRB, the Farm Credit Administration (FCA), and the FHFA. The rule will apply to entities supervised by these agencies that register with the CFTC or SEC as a dealer or major participant in swaps. The joint final rule was developed in consultation with the CFTC and the SEC, as required by the Dodd-Frank Act.

The final rule implements certain requirements contained in Sections 731 and 764 of the Dodd-Frank Act, which requires the prudential regulators to establish initial and variation margin requirements for the largest and most active participants in the over-the-counter (OTC) derivatives market. The Dodd-Frank Act required the agencies to impose margin requirements to help ensure the safety and soundness of swaps dealers in light of the risk to the financial system associated with non-cleared swaps activity. The rule is also consistent with the international framework on margin requirements published in September 2013 by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions.

The final rule requires insured depository institutions (IDIs) that are covered swaps entities— the large dealers subject to the rule—to collect and post initial margin on non-cleared swaps entered into with other dealers, and with financial end users that have at least $8 billion, notional, in non-cleared swaps. The final rule also requires covered swaps entities to post and collect daily variation margin for swaps with other swaps entities or with financial end-user counterparties, regardless of the level of swaps exposure if the required amount of variation margin and initial margin exceeds $500,000. For non-cleared swaps with financial affiliates, an IDI swaps dealer would be required to post and collect daily variation margin, but only collect initial margin from the affiliate. The final margin rule will be phased in beginning September 2016 and applies only to new swaps entered into after the applicable compliance dates.

Also in October 2015, the agencies approved an interim final rule, as required by Title III of the Terrorism Risk Insurance Program Reauthorization Act of 2015, so that the margin requirements do not apply to non-cleared swaps that a covered swaps entity enters into with a commercial end user, a small financial institution with total assets of $10 billion or less, or certain cooperatives if the counterparty uses the swaps for hedging purposes. This exemption parallels an exemption from a mandate in the Dodd-Frank Act to clear standardized swaps. The interim final rule is effective April 1, 2016.

Capital requirements under Sections 731 and 764 have been previously incorporated in the agencies' capital rules, with the exception of the FCA.

Liquidity and Funds Management Rulemaking

Net Stable Funding Ratio

The net stable funding ratio (NSFR) is designed to complement the liquidity coverage ratio (LCR), which took effect January 1, 2015. While the LCR focuses on having sufficient liquid asset holdings to weather a short-term severe stress, the goal of the NSFR is to stabilize funding over a longer horizon. Specifically, the NSFR would require the largest banks to maintain a stable funding profile in relation to their on- and off-balance sheet activities, comparing an entity's available stable funding sources over a one-year horizon against asset and off-balance sheet obligations. In October 2014, the BCBS published a final standard to implement the NSFR. Throughout 2015, the FDIC, the OCC, and the FRB devoted substantial resources to develop an interagency notice of proposed rulemaking (NPR) to implement the NSFR rule, with a target of issuing the NPR by year-end 2015. However, the agencies decided in late 2015 to delay issuance of the NPR until 2016 to allow additional analysis.

Financial Sector Assessment Program

The FDIC participated in the International Monetary Fund's (IMF) Financial Sector Assessment Program (FSAP). The goal of FSAP assessments is twofold: (1) to gauge the stability of the financial sector and (2) to assess its potential contribution to growth and development. To assess the stability of the financial sector, FSAP teams examine the soundness and resilience of the banking and other financial sectors; conduct stress tests and analyze linkages among financial institutions, including across borders; rate the quality of bank, insurance, and financial market supervision against accepted international standards; and evaluate the ability of supervisors. In addition, FSAPs examine the quality of the legal framework and of financial infrastructure, such as the payments and settlements system; identify obstacles to the competitiveness and efficiency of the sector; and examine its contribution to economic growth and development. FDIC staff provided expertise and comprehensive feedback to the IMF to support the FSAP as it related to the FDIC's Banking, Insurance, and Resolution business lines. The FDIC worked collaboratively with other U.S. financial institution regulatory authorities throughout this review to provide data. The results of the FSAP review were detailed in a report published on July 7, 2015. The report states that the banking agencies have improved effectiveness since the 2010 FSAP assessment and have achieved a high degree of compliance with international banking standards, although some recommendations for improvement were noted. The FDIC worked with other federal banking regulators to provide a consolidated response to IMF findings.

DEPOSIT INSURANCE

As insurer of bank and savings association deposits, 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 complements 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) reaches 1.35 percent by September 30, 2020, as required by the Dodd-Frank Act. (As discussed in the *Minimum Reserve Ratio* section below, 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.) These plans include a reduction in assessment rates that the FDIC Board of Directors (FDIC Board) adopted to become effective once the reserve ratio reaches 1.15 percent.

Under the long-term DIF management plan, to increase the probability that the fund reserve ratio will reach a level sufficient to withstand a future crisis, the FDIC Board has 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 2015 to maintain the 2.0 percent DRR for 2016—the ratio that has been in effect every year since 2011.

Also as part of the long-term DIF management plan, the FDIC has 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.

State of the Deposit Insurance Fund

Estimated losses to the DIF from bank failures that occurred in 2015 totaled $829 million. The fund balance continued to grow through 2015, as it has every quarter after the end of 2009, for a total of 24 consecutive quarters. Lower than estimated losses for bank failures together with assessment revenue contributed to the increase in the fund balance in 2015. The fund reserve ratio rose to 1.09 percent at September 30, 2015, from 0.88 percent a year earlier.

Minimum Reserve Ratio

In October 2015, the FDIC approved an NPR that would implement section 334 of the Dodd-Frank Act, which increases the minimum reserve ratio from 1.15 percent to 1.35 percent, requires that the reserve ratio reach that level by September 30, 2020, and mandates that the FDIC "offset the effect of (the increase in the minimum reserve ratio from 1.15 percent to 1.35 percent) on IDIs with total consolidated assets of less than $10 billion."

To implement these requirements, the proposed rule would impose surcharges on the quarterly assessments of IDIs with total consolidated assets of $10 billion or more. The surcharges would begin the calendar quarter after the reserve ratio of the DIF first reaches or exceeds 1.15 percent—the same time that lower regular quarterly deposit insurance assessment (regular assessment) rates take effect under current regulations—or the quarter in which a final rule takes effect, whichever occurs later, and would continue through the quarter that the reserve ratio first reaches or exceeds 1.35 percent. In general, the surcharge would equal an annual rate of 4.5 basis points applied to the institution's regular quarterly deposit insurance assessment base, after making certain adjustments specifically for the surcharge. The FDIC expects that eight quarterly surcharges would be needed for the reserve ratio to reach 1.35 percent.

If, contrary to the FDIC's expectations, the reserve ratio does not reach 1.35 percent by December 31, 2018 (but has reached at least 1.15 percent), the NPR would impose a shortfall assessment on IDIs with total consolidated assets of $10 billion or more on March 31, 2019.

Because the Dodd-Frank Act requires that the FDIC offset the effect of the increase in the reserve ratio from 1.15 percent to 1.35 percent on IDIs with total consolidated assets of less than $10 billion, the NPR would provide assessment credits to these institutions for the portion of their regular assessments that contribute to growth in the reserve ratio between 1.15 percent and 1.35 percent.

Deposit Insurance Assessment System

In June 2015, the FDIC approved an NPR to refine the deposit insurance assessment system for established small banks (generally, those with less than $10 billion in total assets that have been federally insured for at least five years). In January 2016, the FDIC approved a second NPR that would revise parts of the proposal adopted by the FDIC in June 2015. The primary purpose of these NPRs is to improve the risk-based deposit insurance assessment system applicable to established small banks to more accurately reflect risk. The NPRs would incorporate newer data from the recent financial crisis and base assessment rates for all established small banks on a statistical model that estimates a bank's probability of failure within three years. The NPRs propose that the revisions would go into effect the quarter after the reserve ratio of the DIF reaches 1.15 percent (or the first quarter after a final rule is adopted and the rule can take effect, whichever is later). The NPRs would maintain the range of assessment rates that will apply once the DIF reserve ratio reaches 1.15 percent, 2 percent, and 2.5 percent, and would be implemented in a manner such that aggregate assessment revenue collected from established small banks under the NPRs would be approximately the same as would be collected under the current small bank pricing method for calculating assessments after the reserve ratio reaches 1.15 percent.

ACTIVITIES RELATED TO SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS

Complex Financial Institutions Program

The FDIC is committed to addressing the unique challenges associated with the supervision, insurance, and potential resolution of large and complex financial 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 and deposits. The FDIC's programs related to complex financial institutions provide for a consistent approach to large bank supervision nationwide, allow for the identification and analysis of industry-wide and institution-specific risks and emerging issues, and enable a quick response to these risks. 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 as well as close coordination with other federal agencies.

The Dodd-Frank Act expanded the FDIC's responsibilities pertaining to systemically important financial institutions (SIFIs) and non-bank financial companies designated by the Financial Stability Oversight Council (FSOC). With regard to the largest, most complex SIFIs, the FDIC's Complex Financial Institutions (CFI) program activities include ongoing risk monitoring, backup supervision of their related IDIs, and evaluation of required resolution plans. CFI program activities related to FSOC-designated non-bank companies also include ongoing risk monitoring and evaluation of required resolution plans. In addition, the CFI program performs other analyses that support the FDIC's role as an FSOC member.

Risk Monitoring Activities for Systemically Important Financial Institutions

The FDIC monitors risks related to SIFIs at both the individual company level and industry wide to inform supervisory attention and response, policy and guidance considerations, and resolution planning efforts. To do this, the FDIC analyzes each company's risk profile, governance and risk management capabilities, structure and interdependencies, business operation and activities, management information system capabilities, and recovery and resolution capabilities.

The FDIC continues to work closely with other federal regulators to analyze institution-specific and industry-wide conditions and trends, emerging risks and outliers, risk management and the potential risk posed to financial stability by SIFIs and non-bank financial companies. In 2015, FDIC staff participated in 70 examinations with the FRB and OCC, including, but not limited to, engagement in Comprehensive Capital Analysis and Reviews (CCAR)/Dodd-Frank Act Stress Testing (DFAST), Comprehensive Liquidity Analysis and Reviews (CLAR), and the Shared National Credit (SNC) Reviews. Additionally, the FDIC added resources with quantitative modeling expertise, which supported many of the aforementioned efforts and additional activities that included Basel qualification reviews, quantitative model reviews, model validation reviews, and internal training. Also, in 2015, the FDIC participated in the FRB's Supervisory Assessment of Recovery and Resolution Preparedness program in an effort to assess firms' management information system capabilities related to recovery and resolution. Lastly, the FDIC collaborated with the FRB on Dodd-Frank Act Title I resolution plan assessments.

To support risk monitoring that informs supervisory and resolution planning efforts, the FDIC developed systems and reports that make extensive use of structured and unstructured data. SIFI monitoring reports are prepared on a routine and ad-hoc basis and cover a variety of aspects that include risk component, business line and activity, market trends, and product analysis. Additionally, the FDIC has implemented and continues to expand upon various systems, including the Systemic Monitoring System (SMS). The SMS provides an individual risk profile and assessment for each SIFI by evaluating the level and change in metrics that serve as important barometers of overall risk. The SMS supports the identification of emerging risks within individual firms and the prioritization of supervisory and monitoring activities. The SMS also serves as an early warning system of financial vulnerability by gauging a firm's proximity and speed to resolution event. Information from FDIC-prepared reports and systems are used to prioritize activities relating to SIFIs and coordinate and communicate with the FRB and OCC.

The FDIC also conducted semi-annual "Day of Risk" meetings to present, discuss, and prioritize the review of emerging risks. For each major risk, executive management discussed the nature of the risk, exposures of SIFIs, and planned supervisory efforts.

Backup Supervision Activities for IDIs of Systemically Important Financial Institutions

Risk monitoring is enhanced by the FDIC's backup supervision activities. In the FDIC's backup supervisory role, as outlined in Sections 8 and 10 of the FDI Act, the FDIC has expanded resources and developed and implemented policies and procedures to guide backup supervisory activities. These activities include performing analyses of industry conditions and trends, insurance pricing support, participating in supervisory activities with other regulatory agencies, and exercising examination and enforcement authorities when necessary. At institutions where the FDIC is not the primary federal regulator (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.

Title I Resolution Plans

The Dodd-Frank Act requires that certain large banking organizations and nonbank financial companies designated by the FSOC for supervision by the FRB periodically submit resolution plans to the FRB and the FDIC. Each Title I resolution plan, commonly known as a living will, must describe the company's strategy for rapid and orderly resolution in the event of material financial distress or failure of the company. Twelve large and complex banking organizations must file resolution plans in July and the remaining firms file plans in December.

July Filers

The 12 firms filing in July are Bank of America Corporation, Bank of New York Mellon Corporation, Barclays PLC, Citigroup Inc., Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group, Inc., JPMorgan Chase & Co., Morgan Stanley, State Street Corporation, UBS AG, and Wells Fargo & Company.

As a follow-up to the specific feedback the FRB and the FDIC provided to these firms in August 2014, the agencies initiated measures to improve communication with the firms regarding expectations for the July 1, 2015, resolution plan submissions. In fourth quarter 2014, the agencies provided the 12 firms with the opportunity to submit a preview of the key aspects of their planned July 2015 Title I resolution plan submissions.

Almost all firms submitted preview documents to the agencies by year-end 2014, and the agencies provided written feedback on the documents to the firms in February. In addition, the agencies held a joint meeting with the firms on February 25, 2015, to answer questions and communicate industry-wide issues regarding resolution plans. The agencies' staff also met with the firms individually, on several occasions, during the first and second quarters of 2015 to discuss their upcoming submissions. The FDIC and the FRB are now reviewing the 2015 plan submissions from the 12 firms.

December Filers

By December 31, 2014, the December filers had submitted their second resolution plans. In July 2015, after reviewing those plans, the FDIC and the FRB provided the 119 firms with guidance, clarification, and direction for their 2015 submissions based on the relative size and scope of each firm's U.S. operations. Plan requirements were tiered, with less complex firms filing more streamlined plans as follows:

- Twenty-nine of the more complex firms were required to file either full or tailored resolution plans that take into account guidance identified by the agencies.
- Ninety firms with limited U.S. operations were allowed to file plans that focus on material changes to their 2014 resolution plans; actions taken to strengthen the effectiveness of those plans; and, where applicable, actions to ensure any subsidiary insured depository institution is adequately protected from the risk arising from the activities of nonbank affiliates of the firm.

In July 2015, the agencies also released an updated tailored resolution plan template for the December filers' 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, 2015, 122 December filers had submitted plans to the agencies. The FDIC and the FRB are reviewing those plans.

Nonbank Firms

On July 28, 2015, the FRB and the FDIC provided feedback by joint letter to American International Group, Inc. (AIG), General Electric Capital Corporation, Inc. (GECC), and Prudential, Inc., regarding their initial resolution plans and guidance for their year-end 2015 filings. The agencies tailored their feedback to account for each company's unique business, structure, and operations. In addition to the specific guidance given to each company, the letters included some common themes that the firms should address. Those areas included the need for more detailed information on, and analysis of, obstacles to resolvability, including global cooperation, interconnectedness, and adequate funding and liquidity. Further, the agencies instructed the firms to describe in their resolution plans the progress they are making, and the steps remaining, to be more resolvable. Finally, the agencies directed the firms to strengthen the public portions of the firms' 2015 resolution plans.

The three nonbank firms submitted the second version of their annual resolution plans in December 2015. The FRB and the FDIC are currently reviewing those plans.

On March 26, 2015, the agencies permanently adjusted the annual resolution plan filing deadline for nonbank financial companies—AIG, GECC, MetLife, Inc., and Prudential, Inc.—from July 1 to December 31, beginning in 2016. The agencies had temporarily extended the 2015 resolution plan deadlines for the nonbank firms to December 31st. In addition, MetLife was designated as systemically important on December 18, 2014, and will submit its first resolution plan by December 31, 2016.

Insured Depository Institution Resolution Plans

Section 360.10 of the FDIC Rules and Regulations requires all IDIs with assets greater than $50 billion to submit resolution plans to the FDIC (IDI Rule). The IDI Rule requires each IDI meeting the criteria to provide a resolution plan that should allow the FDIC as receiver to resolve the IDI in an orderly manner that enables prompt access of insured deposits, maximizes the return from the failed IDI's assets, and minimizes losses realized by creditors and the DIF.

Based upon a review of IDI plans submitted before and during 2014, the FDIC issued guidance in December 2014 for resolution plans required by the IDI Rule. Under the guidance, a covered IDI must provide a fully developed discussion and analysis of a range of realistic resolution strategies. To assist IDIs 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 IDIs should address. The guidance applies to the resolution plans of 36 IDIs covered by the IDI Rule, as well as any new IDI meeting the threshold, commencing with the 2015 resolution plan submissions. The FDIC is reviewing the 10 IDI resolution plans that were submitted by September 1, 2015, and the 26 remaining IDI resolution plans that were submitted by December 31, 2015. The FDIC is conducting a review focused on the insolvency scenario, strategy and funding, readiness, and corporate governance.

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 file. If resolution under the Bankruptcy Code would result in serious adverse effects to U.S. financial stability, the Orderly Liquidation Authority (OLA) set out in Title II of the Dodd-Frank Act provides a backup 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.

The FDIC has been developing strategies, including an approach referred to as "Single Point of Entry," to carry out its orderly liquidation authorities. Firm-specific resolution strategies for each SIFI continue to be developed and refined. In addition, preliminary work has begun with respect to developing resolution strategies for the nonbank firms and systemically important financial market utilities, particularly central counterparties (CCP).

To evaluate the requirements for carrying out a Title II resolution, and to identify areas of further development, the FDIC conducted an operational exercise in 2015. This exercise included senior FDIC managers and staff representing areas within the organization that would be responsible for executing a resolution under Title II of the Dodd-Frank Act. Participants discussed the primary actions that would occur during the initial appointment of the FDIC as receiver of a SIFI and the stabilization phase immediately following appointment. The exercise validated the current Title II planning efforts and enhanced organizational cooperation and awareness, in addition to identifying areas for further work.

Cross-Border Efforts

Advance planning and cross-border coordination for the resolution of global-SIFIs (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 work with foreign regulators to establish frameworks for effective cross-border cooperation.

During 2015, 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 (EC) continued their engagement through the joint Working Group, which is composed of FDIC and EC senior executives who meet 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 in 2015 concerning cross-border bank resolution and CCP resolution, among other topics. The FDIC also continued its deep cooperation with the Single Resolution Board on technical aspects of resolution, including through staff level exchanges.

The FDIC continued its relationships with other jurisdictions that regulate G-SIFIs, including the United Kingdom (U.K.), Switzerland, Germany, France, and Japan. In 2015, 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 included hosting a delegation from Japan in February to discuss cross-border issues related to resolution in both respective jurisdictions. Similar staff-level engagements took place with the U.K. and Switzerland, such as the U.K.-U.S. Financial Market Infrastructure working group, which meets to discuss resolvability considerations and develop common approaches concerning financial market infrastructures in the United Kingdom and the United States. This work will continue in 2016 with plans to host tabletop exercises with regulatory staff from certain of 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.

SRAC members (from left) Paul Volcker, Simon Johnson, and Anat Admati confer with Chairman Gruenberg during a break between panel discussions at the December 2014 meeting.

Members of the SRAC have a wide range of experience, including managing complex firms; administering bankruptcies; and working in the legal system, accounting field, and academia. The last meeting of the SRAC was held in December 2014. The SRAC discussed, among other topics, resolution plans and bankruptcy, resolution plan transparency, international developments, International Swaps and Derivatives Association protocol, and orderly liquidation updates. In 2015, the charter of the SRAC was renewed. The next meeting is scheduled to be held in 2016.

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 financial 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, competitiveness, 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 2015, the FSOC issued its fifth annual report. Generally, at each of its meetings, the FSOC discusses various risk issues. In 2015, the FSOC meetings addressed, among other topics, U.S. fiscal issues, interest rate risk, credit risk, cybersecurity, 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, 2015, the FDIC was the primary federal regulator (PFR) for 4,008 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.

As of December 31, 2015, the FDIC conducted 1,871 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 1,347 statutorily required CRA/compliance examinations (859 joint CRA/compliance examinations, 478 compliance-only examinations, and 10 CRA-only examinations). In addition, the FDIC performed 4,157 specialty examinations.

The table on page 27 compares the number of examinations, by type, conducted from 2013 through 2015.

Risk Management

All risk management examinations have been conducted in accordance with statutorily established timeframes. As of September 30, 2015, 203 insured institutions with total assets of $51.1 billion were designated as problem institutions for safety and soundness purposes (defined as those institutions having a composite CAMELS[1] rating of 4 or 5), compared to the 329 problem institutions with total assets of $102.3 billion on September 30, 2014. This is a 38 percent decline in the number of problem institutions and a 50 percent decrease in problem institution assets. For the twelve months ending September 30, 2015, 142 institutions with aggregate assets of $51.8 billion were removed from the list of problem financial institutions, while 16 institutions with aggregate assets of $3.0 billion were added to the list. The FDIC is the PFR for 133 of the 203 problem institutions, with total assets of $24.5 billion.

In 2015, the FDIC's Division of Risk Management Supervision initiated 233 formal enforcement actions and 165 informal enforcement actions. Enforcement actions against institutions included, but were not limited to, 28 actions under Section 8(b) of the FDI

[1] 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).

FDIC EXAMINATIONS 2013-2015	2015	2014	2013
Risk Management (Safety and Soundness):			
State Nonmember Banks	1,665	1,881	2,077
Savings Banks	206	206	203
State Member Banks	0	0	4
Savings Association	0	0	0
National Banks	0	0	0
Subtotal–Risk Management Examinations	1,871	2,087	2,284
CRA/Compliance Examinations:			
Compliance/Community Reinvestment Act	859	1,019	1,201
Compliance-only	478	376	371
CRA-only	10	11	4
Subtotal–CRA/Compliance Examinations	1,347	1,406	1,576
Specialty Examinations:			
Trust Departments	365	428	406
Information Technology and Operations	1,886	2,113	2,323
Bank Secrecy Act	1,906	2,126	2,328
Subtotal–Specialty Examinations	4,157	4,667	5,057
Total	**7,375**	**8,160**	**8,917**

Act (27 consent orders and 1 notice of charges), 3 civil money penalty (CMP) actions, and 165 MOUs. Of these enforcement actions against institutions, 17 consent orders, 2 CMPs, and 22 MOUs were based, in whole or in part, on apparent violations of BSA and anti-money laundering (AML) laws and regulations. In addition, enforcement actions were also initiated against individuals. These actions included, but were not limited to, 88 removal and prohibition actions under Section 8(e) of the FDI Act (84 consent orders and 4 notices of intention to remove/prohibit), 4 actions under Section 8(b) of the FDI Act (2 restitution orders and 2 notices of charges), and 24 CMPs (15 orders to pay and 9 notices of assessment).

The FDIC has heightened its focus on forward-looking supervision aimed at ensuring that risks are mitigated before they lead to financial deterioration. In 2015, the FDIC concluded a two-year effort to train risk management supervision staff on forward-looking approaches to supervising institutions.

Compliance

As of December 31, 2015, 51 insured SNM institutions, about 1 percent of all supervised institutions, with total assets of $61 billion, were problem institutions for compliance, CRA, or both. All of the problem institutions for compliance were rated "4" for compliance purposes, with none rated "5." For CRA purposes, the majority were rated "Needs to Improve," and only five were rated "Substantial Noncompliance." As of December 31, 2015, all follow-up examinations for problem institutions were performed on schedule.

During 2015, the FDIC conducted all required compliance and CRA examinations and, when violations were identified, completed follow-up visits and implemented appropriate enforcement actions in 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 2015 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 product features and limitations, deceptive marketing and sales practices, and misrepresentations about the costs of products. As a result, the FDIC issued orders requiring consumer restitution and the payment of civil money penalties (CMPs).

During 2015, the FDIC initiated 35 formal enforcement actions and 28 informal enforcement actions to address compliance concerns (see chart on page 138). This included 10 consent orders (including one that also addressed safety and soundness concerns), 7 restitution orders, 18 CMPs, and 28 MOUs. Restitution orders are formal actions that require institutions to pay restitution in the form of consumer refunds for different violations of law. In 2015, these restitution orders required institutions to refund approximately $99.6 million to consumers, primarily related to unfair and deceptive practices by the institutions. The CMPs totaled just over $12.8 million.

Large and Complex Financial Institutions

The FDIC established the Large Bank Supervision Branch within the Division of Risk Management Supervision in response to the growing complexity of large banking organizations. This branch is responsible for both supervisory oversight and ongoing monitoring, and it supports 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. At institutions where the FDIC is not the PFR, staff works closely with other financial institution regulatory authorities to identify emerging risks 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 2015, the LIDI Program covered 108 institutions with total assets of $12.8 trillion. The comprehensive LIDI Program is essential to effective large bank supervision because it captures information on the risks and uses 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 2015, outstanding credit commitments identified in the SNC Program totaled $3.9 trillion. The FDIC, the FRB, and the OCC issued a joint press release detailing the results of the review in November 2015. The interagency SNC review indicated credit risk in the portfolio remains high, despite a relatively favorable economic environment. The agencies noted a significant increase in leveraged lending volumes and continued loose underwriting, as evidenced by weak capital structures and provisions that limit the lender's ability to manage risk. While some improvement in underwriting practices was evident in the second half of the year, weakness in leveraged lending transactions drove an increase in classified commitments. Also, in 2015 the agencies agreed to change the program timing from an annual review to a semi-annual review. A pilot was conducted in September 2015, and the 2016 reviews will be completed in February and August.

In 2015, the FDIC continued with various initiatives to expand knowledge and expertise related to large bank supervisory matters. For example, a long-term program established in 2014 to expand on-the-job training and provide mentoring of select staff regarding examination processes and risk analysis at large banks continues as a mechanism to develop expertise. 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. In addition, several training initiatives were developed and implemented in 2015 that focused on large bank supervisory risks, structures, vulnerabilities, and processes.

Bank Secrecy Act/Anti-Money Laundering

The FDIC, with support from the FRB, OCC, and NCUA, facilitated the Spanish translation of the *FFIEC BSA/AML Examination Manual* (BSA/AML Manual). The Spanish version of the BSA/AML Manual was made public on the FFIEC InfoBase in October 2015. The 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.

In July 2015, the FDIC hosted an Office of Foreign Assets Control (OFAC) representative who provided training to 30 examiners on recent changes to existing U.S. economic sanctions programs, as well as OFAC compliance expectations and enforcement case studies. The FDIC also participated in the Financial Action Task Force's mutual evaluation of the United States' system for preventing money laundering abuse of the financial system.

Information Technology, Cyber Fraud, and Financial Crimes

To highlight the importance and rapidly evolving nature of cybersecurity and information technology-related risks, a new Operational Risk Branch was created within the Division of Risk Management Supervision. The new branch has responsibility for information technology policy and examinations as well as cybersecurity and critical infrastructure protection initiatives.

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 2015, the FDIC conducted 1,886 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 the Financial and Banking Information Infrastructure Committee, the Financial Services Sector Coordinating Council for Critical Infrastructure Protection, 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 serves as a forum to address policy related to cybersecurity and critical infrastructure, 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.

The FDIC's major accomplishments during 2015 to promote IT security, assess risk management practices, and combat cyber fraud and other financial crimes included the following:

- Provided nationwide cybersecurity awareness training for financial institution management and all risk management examination staff at all six FDIC regional office locations and by teleconference. The training focused on the need for banks to establish a culture of managerial and directorate collaboration to address cybersecurity risks, particularly given the increasing volume and sophistication of cyber attacks.
- Produced a video on cybersecurity awareness as part of the FDIC's Community Banking Initiative. The video provides useful information to bank directors, officers, and employees on cybersecurity.
- Hosted a nationwide teleconference to discuss the FDIC's regulatory expectations regarding cybersecurity preparedness. During the teleconference, industry participants submitted and asked questions. The call was held in October 2015 in support of National Cybersecurity Awareness Month.
- Added three new scenarios to the FDIC's Cyber Challenge simulation exercise. The exercise encourages community banks to discuss operational risk issues and the potential impact of information technology disruptions. The exercise now contains seven 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 can obtain additional information are also included.
- Published three FDIC *Consumer News* articles: "Computer Security Tips for Bank Customers: A Basic Checklist," "Mobile Banking and Payments: New Uses for Phones...and Even Watches," and "Beware of Thieves Who Target Loan and Credit Card Shoppers."
- Conducted training for all FDIC IT Examiners that addressed technology and operational issues facing the federal financial regulatory agencies.
- Assisted financial institutions in identifying and shutting down "phishing" websites that attempt to fraudulently obtain and use an individual's confidential personal or financial information.
- Hired 30 additional IT Examination Analysts to enhance the technical expertise of the IT supervisory workforce in areas of forensic analysis, network systems, payment systems, applications development, and business continuity planning/disaster recovery.

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

- Published a Cybersecurity Assessment Tool to help financial institutions identify risks and determine their cybersecurity preparedness. The Assessment Tool provides a repeatable and measurable process for financial institutions to measure their cybersecurity preparedness over time.
- Collaborated with the FRB and OCC to develop a Cybersecurity Evaluation Tool to be used during TSP examinations.
- Published FFIEC statements on Cyber Attacks Compromising Credentials and Destructive Malware.
- Issued an appendix to the Business Continuity Planning (BCP) booklet of the *FFIEC Information Technology Examination Handbook* entitled "Strengthening the Resilience of Outsourced Technology Services." The booklet is part of the IT Examination Handbook series. The appendix highlights and strengthens the BCP Booklet in four specific areas: Third-Party Management, Third-Party Capacity, Testing with Technology Service Providers, and Cyber Resilience.
- Revised the Management booklet of the *FFIEC IT Examination Handbook* to incorporate cybersecurity and cyber resiliency concepts as part of information security.
- Improved information sharing on identified technology risks among the IT examination workforces of the FFIEC member agencies through discussions at the March 2015 annual Supervisory Strategy meeting.

Minority Depository Institution Activities

The preservation of minority depository institutions (MDIs) remains a high priority for the FDIC.

In 2015, the FDIC continued to advocate for MDI and Community Development Financial Institution (CDFI) industry-led strategies for success. The institutions were encouraged to build on the results of the 2013 Interagency MDI and CDFI Bank Conference and the FDIC's 2014 study on MDIs entitled *Minority Depository Institutions: Structure, Performance and Social Impact*. 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.

In June 2015, the FDIC sponsored a roundtable in Salt Lake City, Utah, with three trade groups representing nearly 100 MDIs and CDFIs and approximately 20 representatives of potential bank partners to discuss CRA partnerships. The FDIC provided an overview of five CRA community development activities related to minority and women-owned financial institutions. The trade groups outlined the community development needs of their members that might be opportunities for the banks to invest in or develop partnerships. The banks had the opportunity to engage in dialog with the MDI representatives. The trade groups and the banks will continue to build upon these initial discussions following the roundtable.

The FDIC co-sponsored with the OCC and the FRB the 2015 Interagency MDI and CDFI Bank Conference, held in July. Nearly 110 bankers from 72 banks attended the *Celebrate 150 Years of Minority Depository Institutions: Changes, Challenges and Opportunities* conference. The conference featured an interactive panel with FDIC Chairman Martin J. Gruenberg, Federal Reserve Board Governor Lael Brainard, and Comptroller of the Currency Thomas J. Curry. The conference encouraged interactive discussion among those who believe MDIs and CDFIs are uniquely positioned to create positive change in their communities. In addition, senior officials from federal agencies provided updates on programs and policies that can help MDIs and CDFIs achieve goals.

The FDIC also continues to pursue 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 MDIs to offer return visits and technical assistance following the conclusion of FDIC safety and soundness, compliance, CRA, and specialty examinations 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 issues. MDIs also may initiate contact with the FDIC to request technical assistance at any time. In 2015, the FDIC provided 101 individual technical assistance sessions on approximately 50 risk management and compliance topics, including the following:

- Accounting
- Bank Secrecy Act and Anti-Money Laundering
- Basel III Capital Rules
- Brokered Deposits/Waivers
- Capital Planning
- Commercial Real Estate Concentrations
- Community Reinvestment Act
- Funding and Liquidity
- Global Cash Flow
- High Volatility Commercial Real Estate
- Information Technology Risk Management and Security
- Interest Rate Risk
- Loan Underwriting and Administration

- Qualified Mortgage Rules
- Strategic Planning
- Third-Party Risk Management

The FDIC regional offices also held outreach, training, and educational programs for MDIs through conference calls and banker roundtables. In 2015, topics of discussion for these sessions included many of those listed above, as well as cybersecurity, vendor management, and the FDIC's Community Banking Initiative, including the Technical Assistance Videos.

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. This review started in 2014 and continued throughout 2015. 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.

To facilitate the review, the agencies categorized their regulations into 12 separate groups. Over the course of two years, the groups of regulations are being 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 are analyzing the comments received and considering amendments to their regulations where appropriate.

On May 14, 2015, the public comment period closed for the regulations in the categories of Banking Operations, Capital, and the Community Reinvestment Act; approximately 23 comment letters were received.

On September 3, 2015, the comment period closed for rules relating to Consumer Protection; Directors, Officers and Employees; and Anti-Money Laundering. Approximately 16 comment letters were received.

On December 23, 2015, the agencies published the fourth *Federal Register* notice requesting comment on regulations regarding Securities, Safety and Soundness, and Rules of Procedure as well as all regulations the agencies have recently finalized, including those rules that the agencies have yet to fully implement. The comment period closes on March 22, 2016.

As a part of the regulatory burden reduction effort, the agencies hosted five nationwide outreach meetings during 2015 to facilitate awareness of the EGRPRA project and to listen to stakeholder comments and suggestions. Each meeting featured three banker panels covering the 12 categories of regulations and a consumer/community group panel. The outreach meetings were held at the Federal Reserve Banks in Dallas, Texas; Boston, Massachusetts; Kansas City, Missouri; and Chicago, Illinois; and at the FDIC in Arlington, Virginia. More than 1,030 individuals participated in the meetings in-person, by telephone, or via webcast. The Kansas City meeting focused on rural bank issues.

Several themes have emerged through the EGRPRA process that could affect community banks. One consistent item has been the discussion of whether laws and regulations based on long-standing thresholds should be changed.

In addition, due in part to feedback received as part of the EGRPRA review, the FDIC and the other FFIEC member entities are undertaking a community bank Call Report burden-reduction initiative. The objective of this initiative, which comprises actions in five areas, is to streamline and simplify regulatory reporting requirements for community banks. As an initial step, the banking agencies, under the auspices of the FFIEC, published proposed Call Report revisions, including a first set of proposed burden-reducing changes, on September 18, 2015. The agencies are evaluating the comments on the proposal and would begin to implement the revisions in the third quarter of 2016. As a second action, the banking agencies have accelerated the start of a statutorily mandated review of the existing Call

Report data items, which otherwise would have commenced in 2017. Third, the FFIEC member entities are considering the feasibility and merits of creating a less burdensome version of the Call Report for small institutions. A fourth action for the FFIEC member entities is to better understand, through industry, the aspects of community banks' Call Report preparation processes that are significant sources of reporting burden. This outreach effort included on-site visits to nine community banks during third quarter 2015 to learn about their reporting processes. Finally, the FFIEC and the agencies will offer periodic banker training by teleconferences and webinars to explain upcoming reporting changes and provide guidance on Call Report requirements that bankers find challenging.

Under Section 316(b) of the Dodd-Frank Act, rules transferred from the Office of Thrift Supervision (OTS) to the FDIC and other successor agencies remain in effect "until modified, terminated, set aside, or superseded in accordance with applicable law" by the relevant successor agency, by a court of competent jurisdiction, or by operation of law. When the FDIC republished the transferred OTS regulations as new FDIC regulations applicable to state savings associations, the FDIC stated in the *Federal Register* notice that its staff would evaluate the transferred OTS rules and might later recommend incorporating the transferred OTS regulations into other FDIC rules, amending them, or rescinding them. This process began in 2013 and continues, involving publication in the *Federal Register* of a series of NPRs and rulemakings. In 2015, the FDIC removed ten transferred OTS rules while making technical amendments to related FDIC rules for applicability to state savings associations. In addition, the FDIC repealed two transferred OTS rules that did not have corresponding FDIC rules and were deemed unnecessary to retain. The rules repealed were Possession by Conservators and Receivers for Federal and State Savings Associations, and Electronic Operations.

Other Rulemaking and Guidance Issued

During 2015, the FDIC issued and participated in the issuance of other rulemaking and guidance in several areas as described below.

Brokered Deposit Guidance

In January 2015, the FDIC issued FIL-2-2015 titled *Guidance on Identifying, Accepting, and Reporting Brokered Deposits* due to numerous questions regarding brokered deposit determinations. This FIL provided a series of FAQs regarding identifying, accepting, and reporting brokered deposits. The FAQs are based on Section 29 of the FDI Act and Section 337.6 of the FDIC Rules and Regulations, as well as on advisory opinions and the *Study on Core Deposits and Brokered Deposits*, which the FDIC issued in July 2011. The FDIC issued the FAQs in a plain language summary of previously issued guidance that is conveniently located in one place. In response to follow-up inquiries, the FDIC hosted an industry call on April 22, 2015, to further discuss the FIL and FAQs. Further, on November 13, 2015, the FDIC issued an update to the FAQs document in response to additional inquiries and requested public comments on those FAQs. The comment period on the updated document closed on December 28, 2015.

Statement on Providing Banking Services

In January 2015, the FDIC issued the *Statement on Providing Banking Services* (FIL-5-2015) to encourage institutions to take a risk-based approach in assessing individual customer relationships rather than declining to provide banking services to entire categories of customers, without regard to the risks presented by an individual customer or the financial institution's ability to manage the risk.

Guidance on Private Student Loans with Graduated Repayment Terms at Loan Origination

In February 2015, the FDIC, jointly with the FRB, CFPB, NCUA, and the OCC and in conjunction with the State Liaison Committee (SLC), issued student loan guidance, which provides principles that financial institutions should consider in their policies and procedures for originating private student loans with graduated repayment terms. The guidance recognizes that students leaving a higher education program may prefer more flexibility with their payments as they transition into the labor market. It also reminds financial institutions that originate private student loans with graduated repayment terms to prudently underwrite the loans and provide disclosures that clearly communicate the timing and the amount of payments to facilitate a borrower's understanding of the loan's terms and features.

Filing Requirements and Processing Procedures for Changes in Control

In October 2015, the FDIC approved a final rule that amends Part 303 of the FDIC Rules and Regulations for filing requirements and processing procedures for notices filed under the Change in Bank Control Act (Notices). The final rule consolidated into one subpart the requirements and procedures for Notices filed with respect to state nonmember banks and state savings associations and eliminated Part 391, subpart E. The final rule also adopted certain practices of related regulations of the OCC and the FRB. The final rule clarifies the FDIC's requirements and procedures based on its experience interpreting and implementing the existing regulation and is part of the FDIC's continuing review of its regulations under EGRPRA.

Rescission of the Temporary Liquidity Guarantee Program

In October 2015, the FDIC rescinded Part 370 of the FDIC Rules and Regulations, which implemented the Temporary Liquidity Guarantee Program (TLGP). The TLGP was composed of two distinct components, the Debt Guarantee Program (DGP) and the Transaction Account Guarantee Program (TAGP). The DGP provided a temporary FDIC guarantee for all newly issued senior unsecured debt issued by participating entities up to prescribed limits, and the TAGP provided for the extension of unlimited deposit insurance for noninterest-bearing transaction accounts. Both programs had previously expired.

Clarifying Approach to Banks Offering Products and Services, such as Deposit Accounts and Extensions of Credit, to Nonbank Payday Lenders

In November 2015, the FDIC issued FIL-52-2015 clarifying its approach to banks offering products and services to nonbank payday lenders. The FIL reissued and updated FIL-14-2005, *Payday Lending Programs: Revised Examination Guidance*, and its attachment, *Revised Guidelines for Payday Lending*. The guidance was revised to make clear that it applies only to banks making payday loans. It does not apply to banks offering products and services, such as deposit accounts and extensions of credit, to nonbank payday lenders.

In addition, the aforementioned FILs reiterate the FDIC's longstanding policy that financial institutions that properly manage customer relationships and effectively mitigate risks are neither prohibited nor discouraged from providing services to any category of customer accounts or individual customer operating in compliance with applicable state and federal law.

Advisory on Effective Risk Management Practices for Purchased Loans and Purchased Loan Participations

In November 2015, the FDIC issued FIL-49-2015 to update and replace the FDIC *Advisory on Effective Credit Risk Management Practices for Purchased Loan Participations* (FIL-38-2012, issued in September 2012). The updated Advisory reminds FDIC-supervised institutions of the importance of underwriting and administering purchased loans and loan participations in the same diligent manner as if they were being directly originated by the purchasing institution. It also outlines areas that should be considered before purchasing a loan or participation or entering into a third-party arrangement to purchase or participate in loans. More specifically, FDIC-supervised institutions should: (1) ensure that loan policies address the purchases; (2) understand the terms and limitations of agreements; (3) perform appropriate due diligence; and (4) obtain necessary board or committee approvals. Finally, the Advisory reminds institutions that third-party arrangements to facilitate loan and loan participation purchases should be managed by an effective third-party risk management process. The Advisory is based on existing guidance, including Guidance for Managing Third-Party Risk and Interagency Guidelines Establishing Standards for Safety and Soundness (Appendix A to Part 364 of the FDIC Rules and Regulations).

Statement on Prudent Risk Management for Commercial Real Estate Lending

In December 2015, the FDIC, FRB, and OCC jointly issued a statement to remind financial institutions of existing regulatory guidance on prudent risk management practices for commercial real estate (CRE) lending activity through economic cycles.

The guidance reminds financial institutions that they should maintain underwriting discipline and exercise prudent risk management practices that identify, manage, monitor, and control the risks arising from their CRE lending activity.

Regulatory Relief

During 2015, the FDIC issued ten FILs that provide guidance to help financial institutions and to facilitate recovery in areas affected by tornadoes, flooding, wild fires, landslides, mudslides, and other severe events. In these FILs, the FDIC encouraged banks to work constructively with borrowers experiencing financial difficulties as a result of natural disasters. The FILs also 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.

Depositor and Consumer Protection Rulemaking and Guidance

Joint Final Rule on Loans in Areas Having Special Flood Hazards

In June 2015, the FDIC issued a final rule, jointly with the OCC, FRB, NCUA, and FCA, amending the FDIC's flood insurance regulation and implementing certain provisions in the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014. Specifically, the final rule addressed detached structures, force placement of flood insurance, escrowing flood insurance premiums and fees, and notice of special flood hazards.

Interagency Examination Procedures for the Truth in Lending Act (Regulation Z) and Real Estate Settlement Procedures Act (Regulation X) Mortgage Rules

In June 2015, the FDIC released revised interagency examination procedures for the new Truth in Lending Act (TILA) - Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure Rule (TRID Rule), as well as amendments to other provisions of TILA Regulation Z and RESPA Regulation X. The procedures were developed in coordination with member agencies of the FFIEC. The examination procedures should help financial institutions better understand the areas on which the FDIC will focus as part of the examination process.

Financial Institution Letter Regarding Military Lending Act Final Rule

In September 2015, the FDIC issued FIL-37-2015 to notify FDIC-supervised institutions that the Department of Defense (DOD) promulgated a final rule amending the implementing regulations of the Military Lending Act of 2006 (MLA). The final rule expands specific protections provided to service members and their families under the MLA and addresses a wider range of credit products than the DOD's previous regulation. FDIC-supervised institutions and other creditors must comply with the rule for new covered transactions beginning October 3, 2016. For credit extended in a new credit card account under an open-end consumer credit plan, compliance is required beginning October 3, 2017.

Guidance on Supervisory Expectations for Financial Institutions Implementing the Truth in Lending Act (Regulation Z) and Real Estate Settlement Procedures Act (Regulation X) Integrated Disclosure Rule

In October 2015, the FDIC issued FIL-43-2015 providing guidance on initial supervisory expectations in connection with examinations of financial institutions for compliance with the TRID Rule, which became effective on October 3, 2015. During initial examinations for compliance with the TRID Rule, FDIC examiners will evaluate an institution's compliance management system and overall efforts to come into compliance, recognizing the scope and scale of changes necessary for each supervised institution to achieve effective compliance. The FDIC's supervisory approach regarding the TRID Rule is similar to the approach the FDIC took in initial examinations for compliance with the Ability-to-Repay/Qualified Mortgage rules that became effective in January 2014.

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 mainstream banking services to underserved populations. This may include reviewing basic retail financial services such as low-cost, safe transaction accounts, affordable small-dollar loans, savings accounts, and other services that promote individual asset accumulation and financial stability. During 2015, the ComE-IN met in May and October to discuss approaches to expanding access to Safe accounts, the economic inclusion potential of mobile financial services, financial education opportunities for young people, qualitative research into economic inclusion strategies for individuals with disabilities, and *Money Smart for Small Business*.

Progress was noted on several fronts by the Economic Inclusion Committee. FDIC Chairman Martin J. Gruenberg presided over the meeting.

FDIC National Survey of Unbanked and Underbanked Households and Related Research

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 underserved populations and 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 2015, the FDIC revised, tested, and administered the 2015 FDIC *National Survey of Unbanked and Underbanked Households*, in partnership with the U.S. Census Bureau. The survey focuses on basic checking and savings account ownership, but it also explores household 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 survey incorporated questions designed to assess the typical monthly financial services consumption patterns and to better understand household use of bank and nonbank consumer credit instruments. A full report is expected in 2016.

In 2015, the FDIC also launched two qualitative research projects to further develop insights in this area. In the first, the FDIC conducted consumer research to better understand the economic inclusion potential of mobile financial services. Initial findings confirmed and provided more detailed insights into the opportunity of mobile financial services to improve the sustainability of banking relationships. In the second, the FDIC initiated interviews with bankers and other stakeholders to better understand the programs, products, and strategies that banks are finding useful for attracting and retaining unbanked households as customers.

Partnerships for Access to Mainstream Banking

The FDIC supports broadening consumer access to mainstream banking through work with the Alliances for Economic Inclusion (AEI), *Bank On* initiatives, local and state government, and in collaboration with federal partners and many local and national organizations. The FDIC also collaborates with other financial regulatory agencies to provide information and technical assistance on community development.

Local collaborations are many and diverse. The FDIC sponsored or co-sponsored more than 98 events during 2015 that provided opportunities for partners to collaborate on increasing access to bank accounts and credit services, opportunities to build savings and improve credit histories, and initiatives to significantly strengthen financial capability of community service providers who directly serve low- and moderate-income consumers.

During 2015, the FDIC helped convene financial institutions, community organizations, local, state, and federal agencies, and other partners to support coalitions that bring unbanked and underbanked consumers and owners of small businesses into the financial mainstream through the FDIC's 14 area AEIs. AEI committees and working groups addressed specific challenges and financial services needs in their communities including education on the specific needs of unbanked and underbanked consumers, credit building training and seminars for community service providers and asset building organizations, workshops for financial coaches and counselors, promotion of savings opportunities for low- and moderate-income people and communities, outreach to bring larger numbers of people to expanded tax preparation assistance sites, and education for business owners to help them become bankable.

The FDIC also provided information and technical assistance in the development of safe and affordable transaction and savings accounts. In over 30 markets, the FDIC provided technical assistance to local *Bank On* initiatives and asset building coalition activities designed to reduce barriers to banking and increase access to the financial mainstream. For example, the FDIC collaborated with the Cities for Financial Empowerment Fund to support its national efforts to work with local government and other partners to increase the access of low- or moderate-income (LMI) consumers to safe and affordable financial products and services. In October 2015, FDIC Chairman Martin J. Gruenberg addressed the national launch of *Bank On*'s national account standards in San Francisco to advance strategies to expand access to products that are consistent with the FDIC's Safe Account model.

The FDIC also supported efforts to link consumers to financial education and savings through activities organized for designated *Money Smart* or “financial fitness” weeks or months, involving hundreds of consumer outreach events. Moreover, working with the national, local, state, and targeted (youth, military, and minority consumer-focused) *America Saves* campaigns, the FDIC continued to link banking companies to active efforts for engaging consumers with setting savings goals at tax time and year round.

Advancing Financial Education

Financial education helps consumers understand and use bank products effectively and sustain a banking relationship over time. The FDIC continued to be a leader in developing high-quality, free financial education resources and pursuing collaborations to use those tools to educate the public. The FDIC’s work during 2015 dealt primarily with young people, consistent with the Financial Literacy and Education Commission’s focus on *Starting Early for Financial Success.*

In April 2015, the FDIC and the CFPB launched new educational tools for parents, students, and teachers. The new *Money Smart for Young People* series consists of four new age-appropriate curricula that are aligned with key academic standards. Unlike previous *Money Smart* products, these new tools involve educators, parents/caregivers, and young people in the learning process.

Chairman Gruenberg unveils the Money Smart for Young People education curriculum at a Jump$tart® Coalition meeting.

Strategic collaborations continue to be a critical component of the FDIC’s financial education efforts. The FDIC emphasizes the importance of pairing education with access to appropriate banking products and services through outreach. Working through coalitions, the FDIC participated as a speaker or exhibitor at 28 conferences and events that reached an estimated 10,000 people. As part of a small pilot project, the FDIC also provided training to 60 teachers in three jurisdictions on *Money Smart for Young People* as part of an initiative to better understand how the curriculum can be used and supported.

During 2015, the FDIC launched the second phase of the Youth Savings Pilot Program, aimed at identifying and highlighting promising approaches to offering financial education tied to the opening of safe, low-cost savings accounts for school-aged children. In the second phase, the FDIC selected 12 banks to join with the 9 banks selected in 2014 for the first phase. The FDIC facilitated discussions and knowledge sharing among the Pilot participants to talk about program design and structure, such as approaches to program evaluation, offering incentives, and opening accounts. The FDIC also responded to a range of inquiries from banks on technical issues to support their youth savings initiatives. The Pilot will culminate with a report in the fall of 2016 that will communicate lessons learned and offer promising practices for banks to work with schools or other organizations to combine financial education with access to savings accounts.

To support these types of collaborations, the FDIC, the FRB, the NCUA, the OCC, and the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) issued *Interagency Guidance to Encourage Financial Institution Youth Savings Programs and Address Related Frequently Asked Questions* in February 2015. The guidance is intended to encourage financial institutions to develop and implement programs to expand the financial capability of youth and build opportunities for financial inclusion for more families. It also addresses frequently asked questions that may arise as financial institutions collaborate with schools, local and state governments, nonprofit organizations, or corporate entities to facilitate youth savings and financial education programs.

While youth materials were the strategic focus during 2015, the FDIC also enhanced *Money Smart* program products for other audiences. For example, the instructor-led *Money Smart* materials for adults were updated to reflect the new mortgage disclosure rules. In addition, three new modules were added to the *Money Smart for Small Business* curriculum, using feedback from the small business technical assistance organizations that are also *Money Smart* Alliance members. The three new modules, developed jointly with the Small Business Administration (SBA), were added to help aspiring entrepreneurs learn about business ownership, gain a realistic perspective on costs of starting a business, and understand the purpose of cash flow management. In addition, the entire small business curriculum was made available in Spanish during 2015.

The FDIC continues to strengthen collaboration with the SBA and other small business resources beyond training. In 2015, each of the six FDIC regional Community Affairs teams sponsored 25 regional events for banks and the SBA and its SBA Resource Partner Network (SCORE, Small Business Development Centers and Women's Business Centers, and Veteran's Business Outreach Centers) to convene and discuss collaborations or provide technical assistance to small business leaders.

Community Development

In 2015, the FDIC provided technical assistance to banks and community organizations through 111 outreach events designed to foster understanding and practical relationships between financial institutions and other community development resources and stakeholders and to improve knowledge about the CRA.

The FDIC's work particularly emphasized sharing information to support bank efforts to provide prudent access to responsible mortgage credit in underserved markets and improve the banking connections of small businesses. In addition, the FDIC sponsored sessions with interagency partners covering basic and advanced CRA training for banks. The agencies also offered CRA basics for community-based organizations as well as seminars on establishing effective bank-community collaborations for community development.

During 2015, the FDIC, other federal regulators, and federal and state housing agencies hosted two housing roundtable discussions and two housing workshops to offer technical assistance to help expand access to mortgage credit for LMI households. During these events, banks and program managers shared experiences with federal mortgage guarantee and secondary market programs and state and local down payment assistance and counseling programs. They offered details of their work so that audiences could gain a better understanding of how to address challenges and identify opportunities for expanding participation in these programs.

Community Banking Initiatives

Community banks provide traditional, relationship-based banking services in their local communities. These banks accounted for 13 percent of banking industry assets; however, this measure vastly understates the importance of these institutions to the U.S. economy and local communities across the nation. For example, community banks hold 44 percent of the industry's small loans to farms and businesses, making them the lifeline to entrepreneurs and small enterprises of all types. Community banks also hold the majority of bank deposits in U.S. rural counties and micropolitan counties with populations up to 50,000. In fact, as of June 2015, community banks held more than 75 percent of deposits in more than 1,200 U.S. counties. In over 600 of these counties, the *only* banking offices available to consumers were those operated by community banks.

The FDIC is the lead federal supervisor for the majority of community banks and the insurer of all IDIs. 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. Accordingly, the FDIC in 2012 launched a Community Banking Initiative focused on publishing new research on issues of importance to community banks and providing resources that will be useful to their efforts to manage risks, enhance the expertise of their staff, and better understand changes in the regulatory environment.

The FDIC continues to pursue an ambitious research agenda on community banks. Since the 2012 publication of the *FDIC Community Banking Study*, FDIC researchers have published ten additional studies on topics ranging from small business financing to the factors that have driven industry consolidation over the past 30 years. During 2015, the FDIC published studies on recent trends in branch banking; the challenges and opportunities facing small, closely held community banks; and an updated model of economies of scale at community banks. The Community Bank Performance section of the *FDIC Quarterly Banking Profile* (QBP), first introduced in 2014, continues to provide a detailed statistical picture of the community banking sector that can be accessed by analysts, other regulators, and bankers themselves. The most recent report shows that net income at community banks continued to grow at double-digit annual rates in 2015, while total loans and leases at these institutions grew at a rate that was substantially faster than the industry as a whole.

Community Banking Research Highlights from 2015

In 2015, FDIC economists published important research analyzing branch banking and the management and closely held ownership among community banks.

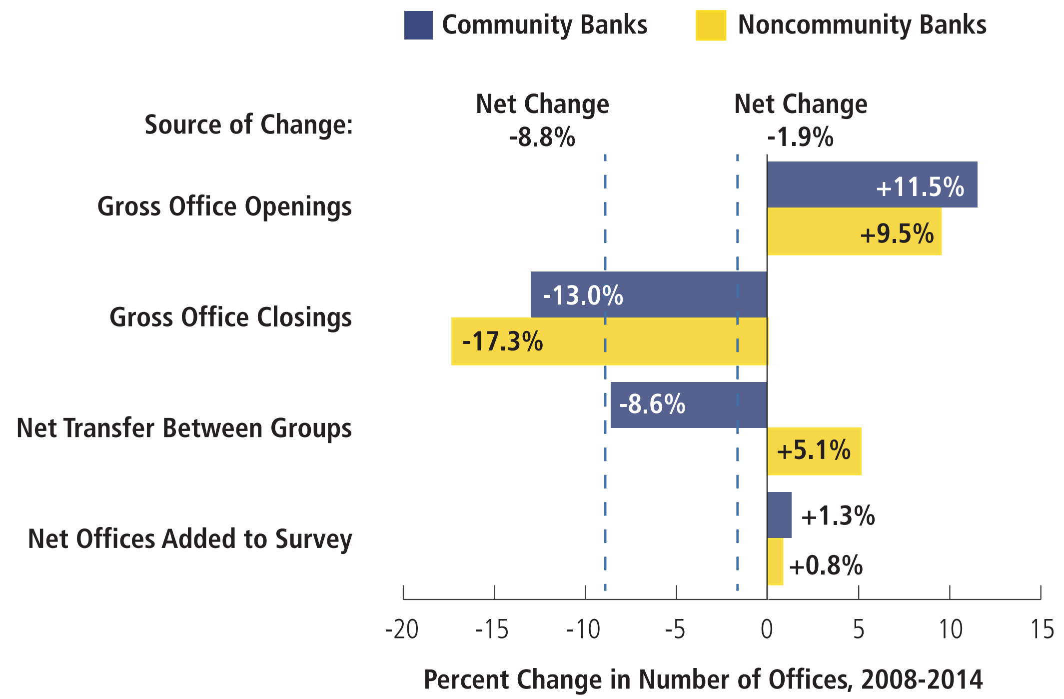
Branch Banking

During the historic period of charter consolidation in U.S. banking since 1985, the number of banks and thrifts has declined by almost two-thirds. Yet, FDIC-insured institutions continue to operate about 93,000 banking offices—only 6 percent fewer than the all-time high reached in 2009. Even after the waves of new banking technologies introduced in recent decades, the density of U.S. banking offices per capita stands higher today than at any time before 1977. This relative stability in brick-and-mortar offices suggests that they remain useful in providing banking services even in the era of mobile banking. This is especially the case for community banks, which were shown to open new banking offices more frequently and to close existing banking offices less frequently than larger noncommunity banks (see chart on page 41). Even as technology marches forward, branch offices appear to remain an integral channel through which banks serve their customers and earn their trust.

Closely Held Ownership

Small, closely held banks are often thought to experience certain disadvantages compared to their larger competitors. They seldom have ready access to the capital markets, and may find it hard to recruit management talent from outside the bank. Yet a new FDIC study shows that small, closely held community banks have consistently outperformed widely held institutions in recent years in terms of return on assets (see chart on page 42) and operational efficiency. What is the secret of their success? In a sample of nearly 1,400 community banks in three supervisory regions, nearly 75 percent were deemed by FDIC examiners to be "closely held" by an ownership group that was almost always based on family or community ties, or both. In almost 60 percent of these institutions, the key officer that managed the bank was either part of or affiliated with the ownership group. Moreover, this set of institutions—where ownership and management overlap—has reported the highest financial performance since 2009, suggesting that bank profitability may improve if ownership and management share the same goals. The real challenge for small, closely held banks may be to find equally qualified successors to manage the institution over the long run.

COMMUNITY BANKS HAVE TENDED TO OPEN MORE NEW OFFICES AND CLOSE FEWER EXISTING OFFICES THAN NONCOMMUNITY BANKS



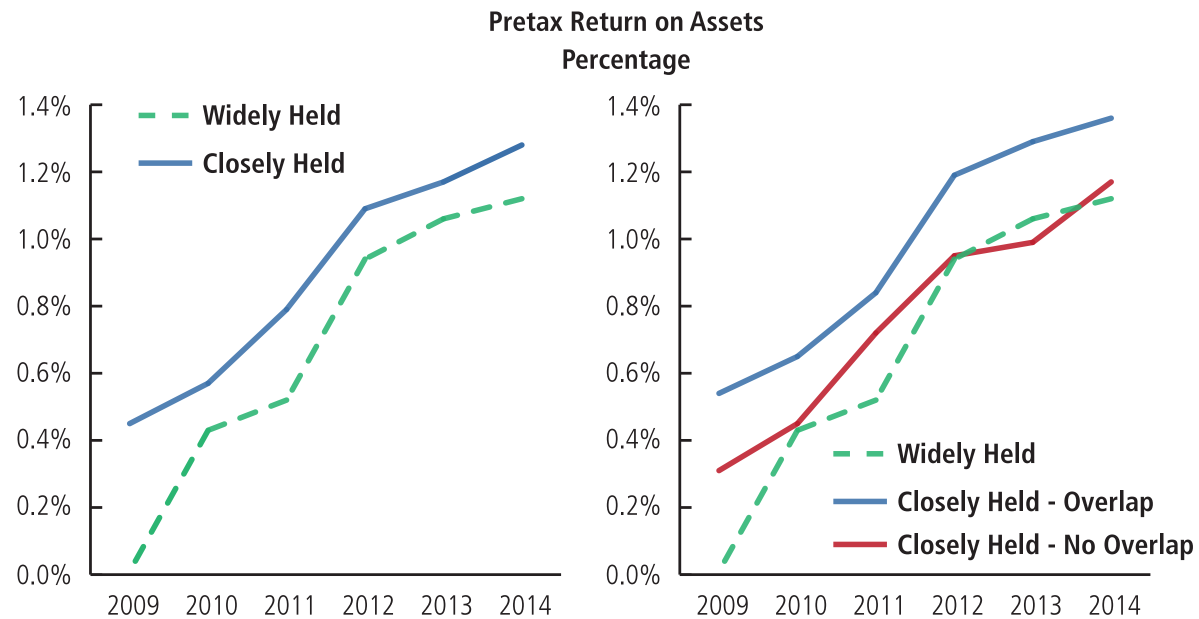
Source: Breitenstein, Eric C. and John M. McGee, "Brick-and-Mortar Banking Remains Prevalent in an Increasingly Virtual World," *FDIC Quarterly*, Vol. 9, No. 1, 2015. FDIC calculations based on Summary of Deposits (SOD) data.

Apart from research, the Community Bank Initiative includes a robust technical assistance program for bank directors, officers, and employees. The technical assistance program includes Directors' College events held across the country, industry teleconferences, and a video program.

In 2015, the FDIC hosted 47 Directors' College events. These events were typically conducted jointly with state trade associations and addressed issues such as corporate governance, regulatory capital, community banking, concentrations management, consumer protection, the Bank Secrecy Act, and interest rate risk, among others. In addition, the FDIC hosted five industry teleconferences on a range of topics of interest to community bankers, including brokered deposits, cybersecurity awareness, the implementation of CFPB's mortgage rules, the interagency rule on loans in areas with special flood hazards, and youth savings programs. The FDIC also participated in two FFIEC industry teleconferences regarding regulatory capital reporting changes. In addition, the FDIC offered four deposit insurance coverage seminars for bank officers and employees in 2015. These free seminars, which were offered nationwide, particularly benefitted smaller institutions that have limited training resources. The FDIC also released three deposit insurance seminar training videos on the FDIC's website and YouTube channel.

Among other FDIC technical assistance initiatives is the *Directors' Resource Center*, a special section of the FDIC's website that provides 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 offers in-depth, technical training for bankers to view at their

CLOSELY HELD COMMUNITY BANKS WHERE OWNERSHIP AND MANAGERIAL CONTROL OVERLAP HAVE CONSISTENTLY REPORTED HIGHER PROFITABILITY



Source: Anderlik, John, M., Richard A. Brown, and Kathryn L. Fritzdixon. "Financial Performance and Management Structure of Small, Closely Held Banks," *FDIC Quarterly*, Vol. 10, No. 1, 2016.

Closely held community banks are owned by an identifiable primary owner or ownership group. Closely held banks where there is overlap are run by a key officer that is part of or affiliated with that ownership group.

convenience. During 2015, the FDIC released three technical assistance videos on cybersecurity awareness, the Loan Originator Compensation Rule, and the Servicing Rule. In addition, the FDIC expanded an existing resource—the FDIC's Cyber Challenge: A Community Bank Cyber Exercise—to include three additional exercises. In 2015, the FDIC surveyed almost 800 financial institutions to obtain feedback on the Technical Assistance Video Program. The survey requested comments on the program as a whole and on individual videos within the program and asked for suggestions for the program, including topics for new videos. The FDIC is evaluating the feedback received.

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 2015, 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.

The FDIC continues to promote open communication with industry members during these meetings, including feedback on the pre-examination planning process. The FDIC's electronic pre-examination planning package, launched in 2013, has enabled examiners to tailor examination information requests to the particular characteristics and risk profile of the institution, thereby reducing the amount of the information requested. The FDIC continues to monitor industry feedback on this process from outreach events and through the Post

Examination Survey, and communicate best practices to examination staff regarding information requests and use of the information received.

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 the agency 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 2015, the FDIC handled 18,118 written and telephone complaints and inquiries. Of this total, 9,042 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 2015, the five most frequently identified consumer product complaints and inquiries about FDIC-supervised institutions concerned credit cards (22 percent), consumer loans (15 percent), checking accounts (13 percent), residential real estate loans (11 percent), and prepaid cards (6 percent). Credit card complaints and inquiries most frequently described issues with billing disputes and error resolution, while the issues most commonly cited in correspondence about consumer loans were concerns with the reporting of erroneous information. Complaints and inquiries on checking accounts related to discrepancies or transaction errors on the account. The largest share of correspondence about residential real estate loans cited loan modifications and foreclosures as the main concern. Lastly, consumers most often identified issues with the release of funds in relation to prepaid cards.

The FDIC also investigated 89 complaints alleging discrimination during 2015. The number of discrimination complaints investigated has fluctuated over the past several years but averaged approximately 117 complaints per year between 2008 and 2015. Over this period, nearly 37 percent of the complaints investigated alleged discrimination based on the race, color, national origin, or ethnicity of the applicant or borrower; 22 percent related to discrimination allegations based on age; 8 percent involved the sex of the borrower or applicant; and roughly 5 percent concerned marital status.

Consumer refunds generally involve the financial institution offering a voluntary credit to the consumer's account, often as a direct result of complaint investigations and identification of a banking error or violation of law. In 2015, consumers received more than $636,792 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 2015. For example, the FDIC conducted four telephone seminars for bankers on deposit insurance coverage, reaching an estimated 4,449 bankers participating at approximately 1,271 bank sites throughout the country. The FDIC also created deposit insurance training videos that are available on the FDIC's website and YouTube channel.

During 2015, the FDIC received and answered approximately 90,429 telephone deposit insurance-related inquiries from consumers and bankers. The FDIC Call Center addressed 38,662 of these inquiries, and deposit insurance coverage subject-matter experts handled the other 51,767. In addition to telephone inquiries about deposit insurance coverage, the FDIC received 1,859 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 roles as deposit insurer and bank supervisor. Research from CFR staff was accepted during the year for publication in leading banking, finance, and economics journals, and was presented at banking and finance seminars at major conferences, regulatory institutions, and universities. CFR researchers also produced a number of new working papers in 2015.

In addition, the CFR organized and sponsored the 15th Annual Bank Research Conference jointly with the Journal for Financial Services Research. More than 120 participants attended the conference, which was held in September 2015 and included more than 15 presentations on topics related to bank capital, liquidity, lending, dividend policy, systemic risk, and macroprudential regulation.

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. From 2008 through 2013, loss sharing was offered by the FDIC in connection with P&A transactions. In a loss-share transaction, the FDIC as receiver agrees to share losses on certain assets with the acquirer, absorbing a significant portion (typically 80 percent) of future losses on assets that have been designated as "shared-loss assets" for a specific period of time (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. As the markets improve and function more normally with capital and liquidity returning, acquirers become more comfortable with bidding without the loss sharing protection.

The FDIC continues to monitor 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 2015, there were 215 receiverships with active shared-loss agreements with $31.5 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.

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 asset sale and/or management agreements and structured transactions.

Financial Institution Failures

During 2015, eight institutions failed, including one large institution (greater than $5 billion in total assets), compared to 18 failures in 2014. The large failure in 2015 was unique because the majority of the institution's assets and liabilities were sold to multiple buyers through an alliance partnership arrangement. The FDIC executed one P&A agreement with a lead buyer who then simultaneously sold portions of what they acquired to their alliance members. Asset buyers were also given an opportunity to bid on the institution's assets prior to the institution failing.

In all FDIC transactions, the FDIC successfully contacted all known qualified and interested bidders to market these institutions and also made insured funds available to all depositors within one business day of the failure. No losses were incurred on insured deposits, and no appropriated funds were required to pay insured deposits.

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

FAILURE ACTIVITY 2013–2015
Dollars in Billions

	2015	2014	2013
Total Institutions	8	18	24
Total Assets of Failed Institutions*	$6.7	$2.9	$6.0
Total Deposits of Failed Institutions*	$4.9	$2.7	$5.1
Estimated Loss to the DIF	$0.8	$0.4	$1.3

*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 $1.7 billion 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 $2.9 billion (37.4 percent) in 2015. 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	12/31/15	12/31/14
Securities	$393	$470
Consumer Loans	22	36
Commercial Loans	62	123
Real Estate Mortgages	173	697
Other Assets/Judgments	398	957
Owned Assets	113	120
Net Investments in Subsidiaries	122	123
Structured and Securitized Assets	3,524	5,150
Total	**$4,807**	**$7,676**

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 2015, the number of receiverships under management decreased by 7.3 percent, due to receiverships being terminated. The following chart shows overall receivership activity for the FDIC in 2015.

RECEIVERSHIP ACTIVITY

Active Receiverships as of 12/31/14	481
New Receiverships	8
Receiverships Terminated	43
Active Receiverships as of 12/31/15	446

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 2015, the FDIC paid dividends of $5.7 million to depositors whose accounts exceeded the insurance limit.

Professional Liability and Financial Crimes Recoveries

The FDIC works to identify potential claims against directors, officers, securities underwriters and issuers, fidelity bond insurance carriers, appraisers, attorneys, accountants, mortgage loan brokers, title insurance companies, and other professionals who may have caused losses to 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 2015, the FDIC recovered $450.3 million from professional liability claims and settlements. The FDIC also authorized lawsuits related to two failed institutions against 26 individuals for director and officer liability, and authorized nine other lawsuits for fidelity bond, liability insurance, attorney malpractice, appraiser malpractice, and securities law violations for residential mortgage-backed securities. As of December 31, 2015, the FDIC's caseload included 50 professional liability lawsuits (down from 102 at year-end 2014), 87 residential mortgage malpractice and fraud lawsuits (up from 75), and 264 open investigations (down from 511). The FDIC seeks to complete professional liability investigations and make decisions expeditiously on whether to pursue potential professional liability claims. During 2015, it completed investigations and made decisions on over 80 percent of the investigations related to failures that reached the 18-month point after the institution's failure date, exceeding its annual performance target.

As part of the sentencing process for those convicted of criminal wrongdoing against an institution that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working with the U.S. Department of Justice, collected $7.8 million from criminal restitution and forfeiture orders through the end of December 31, 2015. Also as of that same date, there were 3,831 active restitution and forfeiture orders (down from 3,954 at year-end 2014). This includes 126 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 2015, the FDIC continued to play a leading role in supporting and promoting the global development of effective deposit insurance, bank supervision, and 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 BCBS, the Financial Services Volunteer Corps (FSVC), the Financial Stability Board (FSB), the International Association of Deposit Insurers (IADI), the International Monetary Fund (IMF), and the World Bank. FDIC staff also: facilitated training for several hundred participants from counterpart agencies around the world; participated in technical assistance missions to several countries; and conducted secondment programs to further the international community's understanding and implementation of best practices in deposit insurance, bank supervision, and failure resolutions.

International Association of Deposit Insurers

The IADI contributes to global financial stability by promoting international cooperation in the field of deposit insurance; providing guidance for establishing new, and enhancing existing, deposit insurance systems; and encouraging wide international contact among deposit insurers and other interested parties. IADI is now recognized as the standard-setting body for deposit insurance by major international financial institutions, including the FSB, the BCBS, the IMF, the World Bank, and the European Community. Since its founding in 2002, IADI has grown from 26 members to 80 deposit insurers from 77 jurisdictions. FDIC Chairman Martin J. Gruenberg served as the President of IADI and Chair of its Executive Council from November 2007 to October 2012. In October 2015, FDIC Vice Chairman Thomas M. Hoenig was elected to a two-year term to serve as President of IADI and Chair of its Executive Council.

IADI and the BCBS jointly issued the *Core Principles for Effective Deposit Insurance Systems* in 2009 and completed the accompanying *Compliance Assessment Methodology for the Core Principles* in 2010 (together, the *Core Principles*). The FSB later included the *Core Principles* as part of its Compendium of Key Standards for Sound Financial Systems. During the fall of 2014, IADI's Executive Council and the FSB approved a revised set of *Core Principles* that replaced the original (2009) version.

Subsequently, an IADI drafting team, led by FDIC staff, began revising the *Handbook for the Assessment of Compliance with the Core Principles* (*Handbook*). The *Handbook* is being designed as a "how-to" guide, which will provide additional guidance on assessing a jurisdiction's compliance with the *Core Principles* and will include lessons learned from collaboration with IMF and World Bank Financial Sector Assessment Program (FSAP) review teams, IADI Core Principles Regional Workshops, and IADI Self-Assessment Technical Assistance Program (SATAP) reviews.

The IMF and World Bank use the *Core Principles* in the context of the 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. IADI, under FDIC leadership of the Training and Conference Committee, has trained more than 300 staff members from over 74 jurisdictions in conducting self-assessments for compliance with the *Core Principles*. In collaboration with the Deposit Insurance Fund of Kosovo, the FDIC led a Regional Workshop in Pristina, Kosovo, during May 2015 on Assessment of Compliance with the Revised Core Principles. In June 2015, the FDIC led a team of experts on an IADI SATAP review of the Korea Deposit Insurance Corporation in Seoul, Korea.

FDIC executives and subject-matter experts partnered with IADI in helping to develop and deliver several international programs in 2015. In September 2015, for example, Vice Chairman Thomas M. Hoenig joined global bank resolution and deposit insurance leaders at a conference hosted jointly by IADI and the Financial Stability Institute Conference. The conference, which was held at the Bank for International Settlements in Basel, Switzerland, explored key issues related to resolution and crisis management. The FDIC also led the organizing committee for IADI's Biennial Research Conference held in June 2015, in Basel, Switzerland. Vice Chairman Hoenig presented at the conference, along with several FDIC subject-matter experts. Finally, in addition to the Vice Chairman's new role as IADI President and Chair of its Executive Council, FDIC staff provides strategic guidance and leadership to multiple IADI standing committees, subcommittees, and working groups.

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 actively engaging with the Board, chairing ASBA's Training and Technical Committee, and providing leadership in many of the Association's research and guidance working groups.

In 2015, senior FDIC staff chaired 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. ASBA's training program reaches more than 600 members annually, with FDIC support, both as chair and training provider. In support of ASBA's training program, the FDIC led a technical assistance training mission in Guatemala City, Guatemala, titled *Banking Crisis and Resolutions* in 2015. During the year, the FDIC also partnered with the U.S. Treasury Department and ASBA to promote stronger cooperation and information sharing between deposit insurers and bank supervisors in Latin America and the Caribbean.

Basel Committee on Banking Supervision

The FDIC supported the development of sound regulatory policy through effective participation in the BCBS and its relevant groups, subgroups, and task forces. Major work areas for the BCBS include those conducted by the:

- Policy Development Group (PDG) and its:
  - Coherence and Calibration Task Force
  - Working Group on Capital
  - Trading Book Group
  - Leverage Ratio Group

– Working Group on Liquidity
– Risk Measurement Group
– Ratings and Securitization Work Stream
– Task Force on Standardized Approaches
– Task Force on Interest Rate Risk in the Banking Book
– Task Force on Scope of Regulatory Consolidation
– Research Task Force
– Quantitative Impact Study Working Group

- Supervision and Implementation Group and its:
  – Working Group on Operational Risk
  – Standards Implementation Group – Banking Book
  – Standards Implementation Group – Trading Book
  – Task Force on Supervisory Colleges
  – Task Force on Pillar 2
- Macroprudential Supervision Group
- Accounting Experts Group and its:
  – Audit Subgroup
- Anti-Money Laundering Expert Group
- Task Force on Simplicity and Comparability
- Task Force on Sovereign Exposures
- Working Group on Margining Requirements
- OTC Derivatives Regulators' Forum
- OTC Derivatives Supervisor Group
- OTC Derivatives Assessment Team
- Joint Central Counterparties Task Force
- Task Force on Securitization Markets

International Derivatives Work

For many years, the FDIC has been actively engaged in cooperation with market, prudential, and financial stability authorities in policy development and regulatory activities in the derivatives markets. The FDIC also participates in the work of Derivatives Regulators' Forum and the OTC Derivatives Supervisors Group.

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 2015. 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 counterparts in significant areas such as bank supervision and regulatory developments post crisis, the legal framework and operations for bank resolutions, and optimal funding strategies for deposit insurers.

FDIC management and staff hosted study tours for 214 people representing 31 jurisdictions during the year. In addition, the FDIC's Corporate University provided training in bank supervision and information technology to 173 foreign delegates from 20 jurisdictions. In 2015, the FDIC also launched a new training program for foreign regulatory officials, *FDIC 101: An Introduction to Deposit Insurance, Bank Supervision, and Resolutions (FDIC 101)*, designed to provide a structured and comprehensive view of how the FDIC executes its key business functions. *FDIC 101* incorporates technical expertise from across the Corporation into a semi-annual, five-day intensive course.

The FDIC contributes to global and domestic bank supervision, deposit insurance, and resolution 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. The FDIC also continued long-established programs for staffing multiple details with the U.S. Treasury Department's Office of International Banking and Securities Markets and with the FSVC to work on a variety of technical assistance programs. The FSVC's long-term assignments included on-site project work on lending to small-to-medium-sized enterprises and anti-money laundering in Indonesia, Angola, Tanzania, Jordan, and Egypt.

The FDIC also completed short-term technical assistance missions to Egypt to promote access to credit, and to Poland to assist with the deposit insurer's organizational development. The FDIC partnered with the World Bank to provide technical assistance to the Nigeria Deposit Insurance Corporation and the Zimbabwe Deposit Protection Corporation on the development of quantitative models to estimate appropriate target fund ratios for their deposit insurance funds. The FDIC also partnered with the World Bank to provide technical assistance to Mexico's bank supervisor, Comisión Nacional Bancaria y de Valores, on off-site risk-based supervision.

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 2015, 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

The FDIC continued to advance policy making priorities and strengthen its relationships with key jurisdictions worldwide through its participation in interagency dialogues in 2015.

In January 2015, FDIC executives traveled to Beijing to participate in the 11th U.S.-China Joint Economic Committee Meeting to discuss with their Chinese counterparts issues related to deposit insurance and the U.S. bank resolution regime. FDIC representatives, alongside representatives from the other U.S. financial regulatory authorities, also participated in the annual U.S.-India Financial Regulatory Dialogue in January to discuss issues related to bank resolution and financial inclusion. In April 2015, representatives from the FDIC, FRB, and OCC met with delegates from the China Banking Regulatory Commission (CBRC) for the eighth annual CBRC-U.S. Supervisors' Bilateral Conference to discuss supervisory issues of mutual interest.

In May 2015, the FDIC joined other U.S., Canadian, and Mexican financial sector regulators in Ottawa for the 20th meeting of the North American Free Trade Agreement (NAFTA) Financial Services Committee (FSC). The participants discussed financial sector regulation, key policy issues, current cross-border financial sector issues, and recent developments in financial service regulations. The FDIC led the discussion on cross-border resolution, which included a discussion of resolution planning, resolution plans, and cross-border coordination efforts.

The 7th U.S.-China Strategic and Economic Dialogue was held in Washington D.C. in June 2015. FDIC Chairman Martin J. Gruenberg participated, alongside other leaders from U.S. and Chinese government agencies, giving remarks during the session on financial sector reform. Chairman Gruenberg commended China on the adoption of a deposit insurance system and emphasized the importance of strong bilateral cooperation and robust resolution regimes for global financial stability.

MINORITY AND WOMEN INCLUSION

The FDIC relies on contractors to help meet its mission. In 2015, the FDIC awarded 346 (29.9 percent) contracts to minority- and women-owned businesses (MWOBs) out of a total of 1,159 issued. The FDIC awarded contracts with a combined value of $858.4 million in 2015, of which, $211.6 million, or 24.7 percent, were awarded to MWOBs, compared to 34.9 percent for all of 2014. The FDIC paid $142.5 million of its total contract payments (28.1 percent) to MWOBs, under 591 active contracts. Referrals to minority- and women-owned law firms (MWOLFs) accounted for 40 percent of all legal referrals in 2015, with total payments of $12 million going to MWOLFs, 12 percent of all payments to outside counsel, compared to 13 percent for all of 2014.

Representatives of the eight OMWI agencies gather at the first interagency OMWI technical assistance event.

In 2015, the FDIC participated in a combined total of 34 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 and MWOLFs, 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 August 2015, the FDIC, along with seven other agencies, co-hosted "Collaborating for Success," a technical assistance event, in conjunction with the Northern Virginia Procurement Technical Assistance Program (PTAP). The purpose of the event was to network with MWOBs that are interested in federal contracting activities, and to provide meaningful information to help them build and grow their federal contracting opportunities. This event supports one of the key provisions of Section 342 of the Dodd-Frank Act requiring the Office of Minority and Women Inclusion (OMWI) agencies to increase and ensure the fair participation of MWOBs, and ensure MWOBs receive technical assistance and guidance about the procurement process within those agencies. This was the first Interagency Procurement Technical Assistance Event, with joint participation of eight OMWI agencies. A total of 344 vendors attended.

During 2015, OMWI and the Division of Resolutions and Receiverships (DRR) collaborated to present two FDIC-sponsored asset purchaser workshops that were marketed extensively to minority- and women-owned investors and companies interested in learning about DRR's sales processes. DRR speakers with strong backgrounds in their respective programs provided details on the various tools used by DRR to market assets and presented information to attendees on how to participate in the transactions and bid on assets offered for sale.

Following the Doral Bank failure in Puerto Rico in February 2015 and highlighting interdivisional collaboration, the Division of Depositor and Consumer Protection (DCP) joined with DRR and OMWI to sponsor workshops for both investors and homeowners. More than 160 people attended these events, which included presentations by: DRR, OMWI, and DCP staff; Puerto Rico's Commissioner Blanco-Latorre from the Office of the Commissioner of Financial Institutions; and representatives from both the Department of Housing and Urban Development and the Commonwealth of Puerto Rico Housing Finance Authority.

Another asset purchaser workshop held in Atlanta, Georgia, was attended by 42 prospective investors. This event included a special focus on Owned Real Estate (ORE) investment opportunities to support a DRR auction of real estate properties scheduled two weeks after the outreach workshop. A segment regarding contracting services was also part of the event.

In August, through OMWI's logistical support and funding, DRR participated in a Mortgage Housing Fair in Puerto Rico. The Housing Fair was organized by a small group of business professionals from the banking and insurance community on the island, and drew an audience of over one thousand attendees. Representatives from DRR educated participants on the process of purchasing ORE properties from the FDIC, provided a general overview on deposit insurance, and publicized the scheduled ORE auction in October. The FDIC team also included members from RMS Examinations (Puerto Rico). Over the course of the event, the FDIC directly engaged over 500 attendees, and indirectly informed many more through 30-minute presentations on the main stage each day. Presentations focused on deposit insurance and how to buy ORE from the FDIC. Information regarding the Minority and Women Outreach Program can be found on the FDIC's website at www.fdic.gov/mwop.

In addition, the FDIC worked to further implement Section 342(b)(2)(C) of the Dodd-Frank Act in 2015, which requires the 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 continued to work closely with the OMWI Directors of the OCC, the NCUA, the FRB, the CFPB, and the SEC. On June 10, 2015, the Final Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies became effective.

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. Following are the FDIC's major accomplishments in improving operational efficiency and effectiveness during 2015.

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 2015, the FDIC workforce planning initiatives emphasized the need to plan for employees to fulfill current and future capabilities 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 2015, the FDIC continued to develop and implement the Workforce Development Initiative, an integrated strategy to address workforce challenges and opportunities. The effort is focused on four broad objectives: (1) attract and develop talented employees across the agency; (2) enhance the capabilities of employees through training and diverse work experiences; (3) encourage employees to engage in active career development planning and seek leadership roles in the FDIC; and (4) build on and strengthen the FDIC's operations to support these efforts.

In 2015, the FDIC continued to develop the infrastructure, governance, programs, and processes to help meet its long-term workforce and leadership needs. The FDIC is committed to building and expanding its talent pipeline to ensure succession challenges are met. To that end, the agency conducted a cross-divisional succession planning review and talent strategy development process. Senior FDIC leaders convened to discuss emerging talent needs and strategies to address them, including efforts to develop the pipeline of the FDIC's aspiring leadership pool. Several programs were launched in 2015 focused on enhancing leadership capabilities, including the Leadership Mentoring and Onboarding Programs, expanded external educational opportunities through Harvard's Kennedy School of Government, and enriched management training.

The FDIC continued to focus on ensuring the availability of a workforce equipped to meet today's responsibilities, while simultaneously preparing for future capability needs. The FDIC established a Career Paths initiative, targeted at nonsupervisory employees at all levels, to promote the acquisition of cross-organizational skills and knowledge. Additional support is provided to employees seeking professional development opportunities through expanded career management services. Following up on a pilot program launched in 2014, the FDIC evaluated its first-year experience with an effort to increase FDIC employees' exposure to large bank operations across the agency. Based on initial feedback, the pilot program will be expanded to add six detail opportunities to the ten offered in 2014 to support the growth of the FDIC's capabilities related to the oversight of SIFIs required under the Dodd-Frank Act.

The FDIC's strategic workforce planning initiatives require a long-term and sustained focus to identify future workforce and leadership needs, assess current capabilities, support aspiration to management and leadership roles, and develop and source the talent to meet emerging workforce needs. 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), the 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, which celebrated its 10th anniversary in 2015, is an essential part of the FDIC's ability to provide continual cross-divisional staff mobility. Since the CEP's inception in 2005, 1,516 individuals have joined the FDIC through this multi-discipline program and more than 700 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.

Employee Learning and Development

The FDIC is committed to the learning and development of its employees throughout their careers to enrich technical proficiency and leadership capacity, supporting career progression and succession management. In 2015, the FDIC focused on developing and implementing comprehensive curricula for its business lines to incorporate lessons learned from the financial crises and preparing 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. 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 2015, 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 posed by the analytical models used by the FDIC in identifying and managing risk. During 2015, the FDIC enhanced policies and controls to govern internal decision support models. The comprehensive, corporate-wide model validation program will ensure that FDIC models are sound through routine testing and evaluation carried out according to tailored model validation programs.
- 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 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 2015, 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.

Photo credit: Aaron Clamage/Clamagephoto.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.

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 enhance communication, provide additional opportunities for employee input and engagement, and improve employee empowerment.

Information Technology Management

The FDIC recognizes that 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.

Information Technology – Innovative Mission Support

In 2015, the FDIC developed and implemented innovative software that enabled our examination stakeholders at the FDIC, FRB, and state banking agencies to better address current and future business challenges. The new Examination Tools Suite (ETS) provides the Corporation with cost and time savings in administration and deployment efforts; ETS also reduces maintenance expenses by centralizing functionality and reducing the overall number of systems supporting the program. ETS introduces wireless on-site networks that enhance the security and accuracy of shared examination data while reducing data redundancy. ETS addresses the risk of technological obsolescence by using technology consistent with the FDIC's current Enterprise Architecture standards and industry best practices.

The Claims Administration System (CAS) is a system that FDIC personnel use to identify depositors' insured and uninsured funds in failing and failed financial institutions. For every failing institution, CAS is used before the failure to estimate the amount of uninsured deposits for the least-cost test. When an insured deposit transaction is the least-cost resolution, CAS is used to determine the amount of the depositors' funds that are insured and that can be transferred to the acquiring institution or paid out directly to the depositor. For all failures, CAS is the system of record for the deposits of the failed institution. During 2015, the FDIC enhanced CAS capabilities in order to "future-proof" the FDIC's ability to efficiently and effectively manage the increased data requirements for SIFIs that the agency may need to address during the resolution process as required by Dodd-Frank Act regulations.

During 2015, the FDIC strengthened access controls of one of its primary systems for exchanging information with financial institutions, examiners, and other regulators by implementing Multi-Factor Authentication (MFA). MFA is a method to authenticate users by requiring the presentation of two or all of the three following authentication factors: (1) a knowledge factor (something the user knows, such as a password); (2) a possession factor (something the user has, such as a token); or (3) an inherence factor (something the user is, such as a fingerprint). To improve remote access security for these FDIC customers, approximately 18,000 external users were provided MFA technology during the year.

Keeping the FDIC Secure – Cybersecurity (Internal)

Like all citizens in our increasingly connected world, the FDIC continues to face serious, wide-ranging threats to our operations, data, and reputation. During 2015, the FDIC continued to improve and evolve a strong and proactive IT security program to effectively mitigate these risks in our cybersecurity landscape.

Phishing and other email scams continue to rise at a steady rate. The FDIC will likely see continued and heightened levels of malicious attacks through email. To strengthen email-related cybersecurity, the FDIC implemented improved data loss prevention controls and products that protect not only the FDIC's reputation and data assets but also provide protection to the public by helping to ensure only the legitimate use of FDIC credentials.

Finally, the FDIC enhanced its capabilities for quantifying risks posed by IT-related cybersecurity events. To provide management with up-to-date metrics and reporting mechanisms for monitoring their risk and the remediation of that risk, the FDIC implemented changes to its monitoring system to display the numeric Common Vulnerability Scoring System[2] (CVSS) scores for all open findings. These scores provide management with a clear numerical representation of their finding's risk level so that they can better prioritize agency resources for remediating those risks.

[2] The CVSS provides an open framework for communicating the characteristics and impacts of IT vulnerabilities.

II. Performance Results Summary

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SUMMARY OF 2015 PERFORMANCE RESULTS BY PROGRAM

The FDIC successfully achieved 39 of the 40 annual performance targets established in its 2015 Annual Performance Plan. One target was not achieved: the issuance of a Notice of Proposed Rulemaking (NPR) on the implementation of the Net Stable Funding Ratio, which continues to be developed on an interagency basis. There were no instances in which 2015 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 (DIF) 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 an NPR to the FDIC Board of Directors in June that would refine the deposit insurance assessment system for established small banks to incorporate newer data from the recent financial crisis and revise the methodology to directly estimate the probability of failure within three years. • Presented an NPR to the FDIC Board of Directors in October that would implement provisions of the Dodd-Frank Act to raise the minimum reserve ratio of the DIF to 1.35 percent by September 30, 2020, and offset the effect of the increase in the minimum reserve ratio from 1.15 percent to 1.35 percent on IDIs with total consolidated assets of less than $10 billion. • 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 DIF. • 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 336,703 user sessions in 2015.

Program Area	Performance Results
Supervision and Consumer Protection	• A total of 521 institutions were assigned a composite CAMELS rating of 2 and had Matters Requiring Board Attention (MRBAs) identified in the examination reports. To ensure that MRBAs are being appropriately addressed at these institutions, the FDIC timely reviews progress reports and follows up with bank management as needed. More specifically, within six months of issuing the examination reports, the FDIC conducted appropriate follow up and review of these MRBAs at 501 (96.2 percent) of these institutions. Follow up and review of the MRBAs at the remaining 20 institutions (3.8 percent) occurred more than six months after issuing the examination reports primarily due to delayed responses from some banks as well as the need for additional information in order to complete a full review. • Participated on the examinations of selected financial institutions, for which the FDIC is not the primary federal regulator, to assess risk to the DIF. • 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. • Published an edition of *Supervisory Insights* that included information on strategic planning in an evolving earnings environment, new requirements related to investments in securitizations as a result of the Dodd-Frank Act, and recently released regulations and supervisory guidance.
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.

PERFORMANCE RESULTS BY PROGRAM AND STRATEGIC GOAL

2015 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. 45.
			Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	ACHIEVED. SEE PG. 45.
		Insured depositor losses resulting from a financial institution failure.	Depositors do not incur any losses on insured deposits.	ACHIEVED. SEE PG. 45.
			No appropriated funds are required to pay insured depositors.	ACHIEVED. SEE PG. 45.
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 PGS. 59-60.
			Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.	ACHIEVED. SEE PGS. 39-40, 47-52.
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, 2015, and December 31, 2015.	ACHIEVED. SEE PG. 59.
			Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors as necessary.	ACHIEVED. SEE PG. 59.
		Demonstrated progress in achieving the goals of the Restoration Plan.	Provide progress reports to the FDIC Board of Directors by June 30, 2015, and December 31, 2015.	ACHIEVED. SEE PG. 59.

2015 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.	Activities to expand and strengthen engagement with foreign jurisdictions and advance the FDIC's global leadership and participation.	Maintain open dialogue with counterparts in strategically important jurisdictions, international financial organizations and institutions, and partner U.S. agencies; and actively participate in bilateral interagency regulatory dialogues.	ACHIEVED. SEE PGS. 49-50.
			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. 47-48.
			Maintain open dialogue with the Association of Supervisors of Banks of the Americas (ASBA) to develop and foster relationships with bank supervisors in the region by providing assistance when necessary.	ACHIEVED. SEE PG. 48.
			Engage with authorities responsible for resolutions and resolutions planning in priority foreign jurisdictions and contribute to the resolution-related agenda of the Financial Stability Board (FSB) through active participation in the FSB's Resolution Steering Group (ReSG).	ACHIEVED. SEE PG. 47.
		Provision of technical assistance to foreign counterparts.	Support visits, study tours, secondments, and longer-term technical assistance and training programs for representatives for foreign jurisdictions to strengthen their deposit insurance organizations, central banks, bank supervisors, and resolution authorities.	ACHIEVED. SEE PGS. 49-50.

2015 INSURANCE PROGRAM RESULTS (continued)

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
5	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. 45.**
6	Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.	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. 44.**
		Initiatives to increase public awareness of deposit insurance coverage changes.	Conduct at least 4 telephone or in-person seminars for bankers on deposit insurance coverage.	**ACHIEVED.** **SEE PG. 44.**
			Complete and post on the FDIC website videos for bankers and consumers on deposit insurance coverage.	**ACHIEVED.** **SEE PG. 44.**

2015 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 PGS. 26-27.
		Follow-up actions on identified problems.	For at least 90 percent of institutions that are assigned a composite CAMELS rating of 2 and for which the examination report identifies "Matters Requiring Board Attention" (MRBAs), review progress reports and follow up with the institution within six months of the issuance of the examination report to ensure that all MRBAs are being addressed.	ACHIEVED. SEE PG. 60.
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 PGS. 26-27.
3	More closely align regulatory capital standards with risk and ensure that capital is maintained at prudential levels.	U.S. implementation of internationally agreed regulatory standards.	Publish by December 31, 2015, an interagency Notice of Proposed Rulemaking on implementation of the Basel III Net Stable Funding Ratio.	NOT ACHIEVED. SEE PG. 18.
4	Implement strategies to promote enhanced information security, cybersecurity, and business continuity within the banking industry.	Enhancements to IT supervision program.	Enhance the technical expertise of the IT supervisory workforce.	ACHIEVED. SEE PGS. 29-30.
			Working with FFIEC counterparts, update and strengthen IT guidance to the industry on cybersecurity preparedness.	ACHIEVED. SEE PG. 30.
			Working with the FFIEC counterparts, update and strengthen IT examination work programs for institutions and technology service providers (TSPs) to evaluate cybersecurity preparedness and cyber resiliency.	ACHIEVED. SEE PG. 30.
			Improve information sharing on identified technology risks among the IT examination workforces of FFIEC member agencies.	ACHIEVED. SEE PG. 30.

2015 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 consumer 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 all required examinations within the time frames established by FDIC policy.	**ACHIEVED. SEE PG. 27.**
		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 PGS. 26-28.**
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. 43.**
3	Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.	Completion of planned initiatives.	Revise, test, and administer the 2015 *FDIC National Survey of Unbanked and Underbanked Households.*	**ACHIEVED. SEE PGS. 36-37.**
			Support the Advisory Committee on Economic Inclusion in expanding the availability and awareness of low-cost transaction accounts, consistent with the FDIC's SAFE account template.	**ACHIEVED. SEE PG. 36.**
			In partnership with the Consumer Financial Protection Bureau, enhance financial capability among school-age children through (1) development and delivery of tailored financial education materials; (2) resources and outreach targeted to youth, parents, and teachers; and (3) implementation of a pilot youth savings program.	**ACHIEVED. SEE PGS. 38-39.**

2015 SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (continued)

Strategic Goal: Large and complex financial institutions are resolvable in an orderly manner under bankruptcy.

#	Annual Performance Goal	INDICATOR	TARGET	RESULTS
1	Identify and address risks in large, complex financial institutions.	Risk monitoring of large, complex financial institutions, bank holding companies and designated nonbanking firms.	Conduct ongoing risk analysis and monitoring of large, complex financial institutions to understand and assess their structure, business activities, risk profiles, and resolution and recovery plans.	**ACHIEVED. SEE PGS. 21-24.**
		Completion of statutory and regulatory requirements under Title I of DFA.	Complete, in collaboration with the FRB and in accordance with statutory and regulatory time frames, a review of resolution plans submitted by individual financial companies subject to the requirements of section 165 (d) of DFA and Part 360.10 of the FDIC Rules and Regulations.	**ACHIEVED. SEE PGS. 22-23.**

2015 RECEIVERSHIP MANAGEMENT PROGRAM RESULTS

Strategic Goal: Resolutions are orderly and receiverships are managed effectively.

#	Annual Performance Goal	INDICATOR	TARGET	RESULTS
1	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 failure date (for structured sales).	ACHIEVED. SEE PGS. 45-46.
2	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. 60.
3	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. 47.
4	Ensure the FDIC's operational readiness to resolve a large, complex financial institution using the orderly liquidation authority in Title II of the DFA.	Establishment of resolution plans and strategies.	Update and refine firm-specific resolutions plans and strategies and develop operational procedures for the administration of a Title II receivership.	ACHIEVED. SEE PG. 24.
		Meetings of the Systemic Resolution Advisory Committee (SRAC).	Prepare for an early 2016 meeting of the Systemic Resolution Advisory Committee to obtain feedback on resolving SIFIs.	ACHIEVED. SEE PG. 25.
		Enhanced cross-border coordination and cooperation in resolution planning.	Continue to deepen and strengthen bilateral working relationships with key foreign jurisdictions.	ACHIEVED. SEE PGS. 24-25.

PRIOR YEARS' PERFORMANCE RESULTS

Refer to the respective full Annual Report of prior years, located on FDIC's website 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	**2014**	**2013**	**2012**
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.
• Undertake industry outreach activities 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, 2014, and December 31, 2014.	ACHIEVED.		
• Provide updated fund balance projections to the FDIC Board of Directors by June 30, 2013, and December 31, 2013.		ACHIEVED.	
• Provide updated fund balance projections to the FDIC Board of Directors by June 30, 2012, and December 31, 2012.			ACHIEVED.

INSURANCE PROGRAM RESULTS (continued)

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

Annual Performance Goals and Targets	2014	2013	2012
• Provide progress reports to the FDIC Board of Directors by June 30, 2014, and December 31, 2014.	ACHIEVED.		
• Provide progress reports to the FDIC Board of Directors by June 30, 2013, and December 31, 2013.		ACHIEVED.	
• Provide progress reports to the FDIC Board of Directors by June 30, 2012, and December 31, 2012.			ACHIEVED.
• Recommend changes to deposit insurance assessment rates to the FDIC Board of Directors as necessary.	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.
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.		ACHIEVED.	
• Conduct at least 12 telephone or in-person seminars for bankers on deposit insurance coverage.	ACHIEVED.		ACHIEVED.
6. Expand and strengthen the FDIC's participation and leadership role 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.
• Conduct workshops and assessments of deposit insurance systems based on the methodology for assessment of compliance with the Basel Committee on Bank Supervision (BCBS) and the International Association of Depositor Insurers (IADI) *Core Principles for Effective Deposit Insurance Systems.*		ACHIEVED.	
• 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.	
• 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.		
• Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolutions, and deposit insurance practices.			ACHIEVED.

INSURANCE PROGRAM RESULTS (continued)

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

Annual Performance Goals and Targets	2014	2013	2012
• 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 Americas' efforts to promote sound banking principles throughout the Western Hemisphere.			**ACHIEVED.**
7. Expand and strengthen the FDIC's participation and leadership role in supporting robust and effective deposit insurance programs, resolution strategies, and banking systems worldwide.			
• Maintain open dialogue with counterparts in strategically important countries as well as international financial institutions and partner U.S. agencies.	**ACHIEVED.**		
• 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 Principals),* developing and conducting training on priority topics identified by IADI members, and actively participating in IADI's Executive Council and Standing Committees.	**ACHIEVED.**		
• 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.**		
• Engage with authorities responsible for resolutions and resolutions planning in priority foreign jurisdictions.	**ACHIEVED.**		
• 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.**		
• Actively participate in bilateral interagency regulatory dialogues.	**ACHIEVED.**		

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS

Strategic Goal: FDIC-supervised institutions are safe and sound.

Annual Performance Goals and Targets	2014	2013	2012
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.			
• Conduct all required risk management examinations within the time frames prescribed by statute and FDIC policy.			ACHIEVED.
2. 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.			
• Conduct all required risk management examinations within the time frames prescribed by statute and FDIC policy.	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.	SUBSTANTIALLY ACHIEVED.[3]	
3. 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.
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.

[3] 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	2014	2013	2012
5. More closely align regulatory capital standards with risk and ensure that capital is maintained at prudential levels.			
• 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.		
• Publish a final Basel Liquidity Coverage Rule, in collaboration with other regulators by December 31, 2014.	ACHIEVED.		
• Publish a final rule implementing the Basel III capital accord in collaboration with other regulators, by December 31, 2014.	ACHIEVED.		
• Finalize, in collaboration with other regulators, an enhanced U.S. supplementary leverage ratio standard by December 31, 2014.	ACHIEVED.		
• 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.	
• 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 Dodd-Frank Act (DFA) requirements.			ACHIEVED.
6. Identify and address risks in financial institutions designated as systemically important.			
• Conduct ongoing risk analysis and monitoring of SIFIs to understand their structure, business activities and risk profiles, and their resolution and recovery capabilities.	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.	
• 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.		

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS (continued)

Strategic Goal: FDIC-supervised institutions are safe and sound.

Annual Performance Goals and Targets	2014	2013	2012
• Hold at least one meeting of the Systemic Resolution Advisory Committee to obtain feedback on resolving systemically important financial companies.	ACHIEVED.	ACHIEVED.	
• 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 swaps 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 over-the-counter 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 Board of Governors of the Federal Reserve System (FRB), policies and procedures for collecting, processing, and reviewing for completeness and sufficiency holding company and insured 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.
7. Implement strategies to promote enhanced cybersecurity within the banking industry.			
• 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.		

SUPERVISION AND CONSUMER PROTECTION PROGRAM RESULTS

Strategic Goal: Consumers' rights are protected and FDIC-supervised institutions invest in their communities.

Annual Performance Goals and Targets	2014	2013	2012
1. Conduct on-site CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions.			
• Conduct 100 percent of required examinations within the time frames established by FDIC policy.			ACHIEVED.
2. 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.			
• Conduct 100 percent of required examinations within the time frames established by FDIC policy.	SUBSTANTIALLY ACHIEVED.	ACHIEVED.	
• 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.	
• 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.		
3. 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.
4. Establish an effective working relationship with the new Consumer Financial Protection Bureau (CFPB).			
• Complete the transfer of consumer complaint processing responsibilities within the purview of the CFPB within approved time frames.			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	2014	2013	2012
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. Promote economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.			
• Publish the results of the 2013 FDIC *National Survey of Unbanked and Underbanked Households* (conducted jointly with the U.S. Census Bureau).	ACHIEVED.		
• 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.	
• 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.		
• Facilitate opportunities for banks and community stakeholders to address issues concerning access to financial services, community development, and financial education.	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.	
• Complete and publish results of the second biennial *National Survey of Unbanked and Underbanked Households and Banks' Efforts to Serve the Unbanked and Underbanked.*			ACHIEVED.
• Plan and hold meetings of the Advisory Committee on Economic Inclusion to gain feedback and advice on FDIC efforts to promote inclusion.			ACHIEVED.
• Coordinate 25 CRA community forums nationwide to facilitate community development opportunities for financial institutions.			ACHIEVED.

RECEIVERSHIP MANAGEMENT PROGRAM RESULTS

Strategic Goal: Resolutions are orderly and receiverships are managed effectively.

Annual Performance Goals and Targets	2014	2013	2012
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 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.	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, to ensure full compliance with the terms and conditions of the agreements.			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.

III.
Financial Highlights

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In its role as deposit insurer of financial institutions, the FDIC promotes the safety and soundness of IDIs. The following financial highlights address the performance of the Deposit Insurance Fund.

DEPOSIT INSURANCE FUND PERFORMANCE

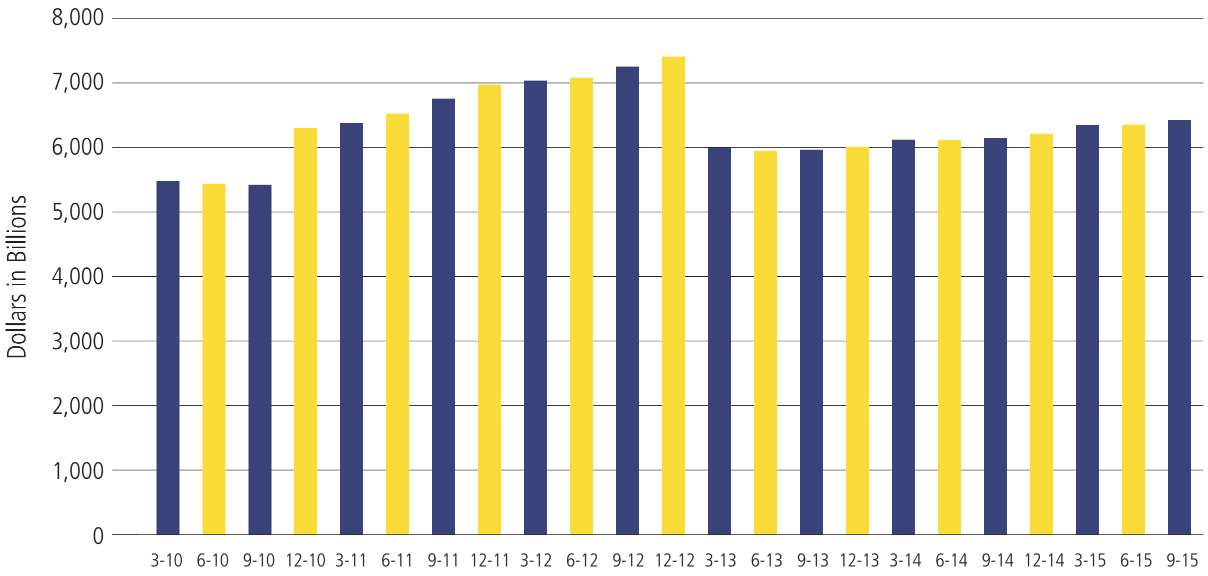
The DIF balance ended the year at $72.6 billion, an increase of $9.8 billion from $62.8 billion at year-end 2014. The DIF's comprehensive income totaled $9.8 billion for 2015 compared to comprehensive income of $15.6 billion during 2014. This $5.8 billion year-over-year decrease was primarily due to a $6.0 billion lower negative provision for insurance losses, partially offset by a $191 million increase in assessment revenue and a $141 million increase in interest revenue.

The provision for insurance losses was negative $2.3 billion for 2015, compared to negative $8.3 billion for 2014. The negative provision for 2015 primarily resulted from a decrease of $2.2 billion in the estimated losses for institutions that failed in current and prior years, which was primarily attributable to (1) unanticipated recoveries of $1.0 billion in litigation settlements, professional liability claims, and tax refunds by the receiverships; (2) a $1.4 billion decrease in the receiverships' shared-loss liability; (3) an adjustment of $501 million for lower-than-anticipated loss estimates at time of failure for all current year failures; and (4) a $715 million increase in receivership legal and representation and warranty liabilities and projected future receivership expenses. For the receiverships' shared-loss liability, in 2015, covered asset balances decreased by $23.1 billion as a result of loan amortizations and pay-downs, as well as the expiration of 113 commercial shared-loss agreements and the early termination of 66 shared-loss agreements. Actual losses on this portion of covered assets were less than estimated at year-end 2014. The composition of the remaining covered asset portfolio primarily consists of performing single family assets, which have historically experienced significantly lower losses than commercial assets.

Assessment revenue was $8.8 billion for 2015, as compared to $8.7 billion for 2014. The combination of declining assessment rates and increasing assessment base resulted in the modest increase in assessment revenue of $191 million.

The DIF's interest revenue on U.S. Treasury investments for 2015 was $423 million compared to interest revenue of $282 million in 2014. This $141 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 $63.4 billion at year-end 2015, an increase of $11.7 billion from the year-end 2014 balance of $51.7 billion that was primarily due to assessment collections of $8.7 billion and recoveries from resolutions of $6.3 billion, less resolution disbursements of $2.3 billion and operating expenses paid of $1.6 billion.

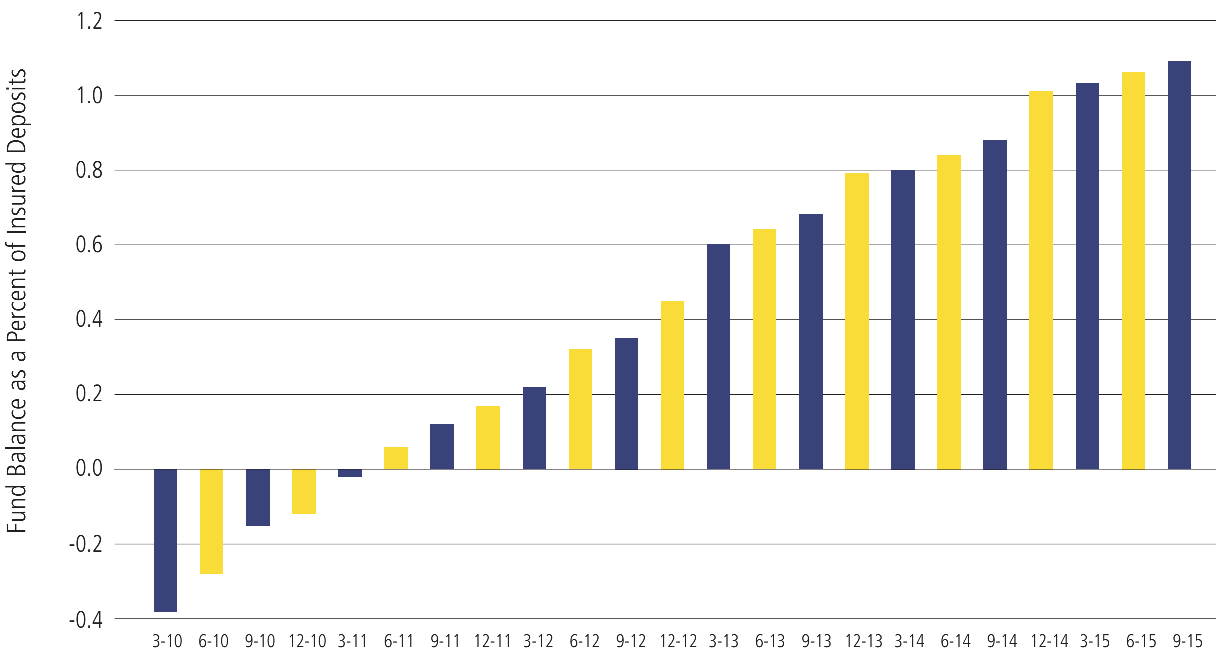
ESTIMATED DIF INSURED DEPOSITS



SOURCE: Commercial Bank Call and Thrift Financial Reports

Note: Beginning in fourth quarter 2010 through fourth quarter 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		
	2015	2014	2013
Financial Results			
Revenue	$9,304	$8,965	$10,459
Operating Expenses	1,687	1,664	1,609
Insurance and Other Expenses (includes provision for losses)	(2,240)	(8,299)	(5,655)
Net Income	9,857	15,600	14,505
Comprehensive Income	9,820	15,589	14,233
Insurance Fund Balance	$72,600	$62,780	$47,191
Fund as a Percentage of Insured Deposits (reserve ratio)	1.09%[3]	1.01%	0.79%
Selected Statistics			
Total DIF-Member Institutions[1]	6,270[3]	6,509	6,812
Problem Institutions	203[3]	291	467
Total Assets of Problem Institutions	$51,068[3]	$86,712	$152,687
Institution Failures	8	18	24
Total Assets of Failed Institutions in Year[2]	$6,706	$2,914	$6,044
Number of Active Failed Institution Receiverships	446	481	479

[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.

[3] As of September 30, 2015.

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IV.
FDIC Budget and Spending

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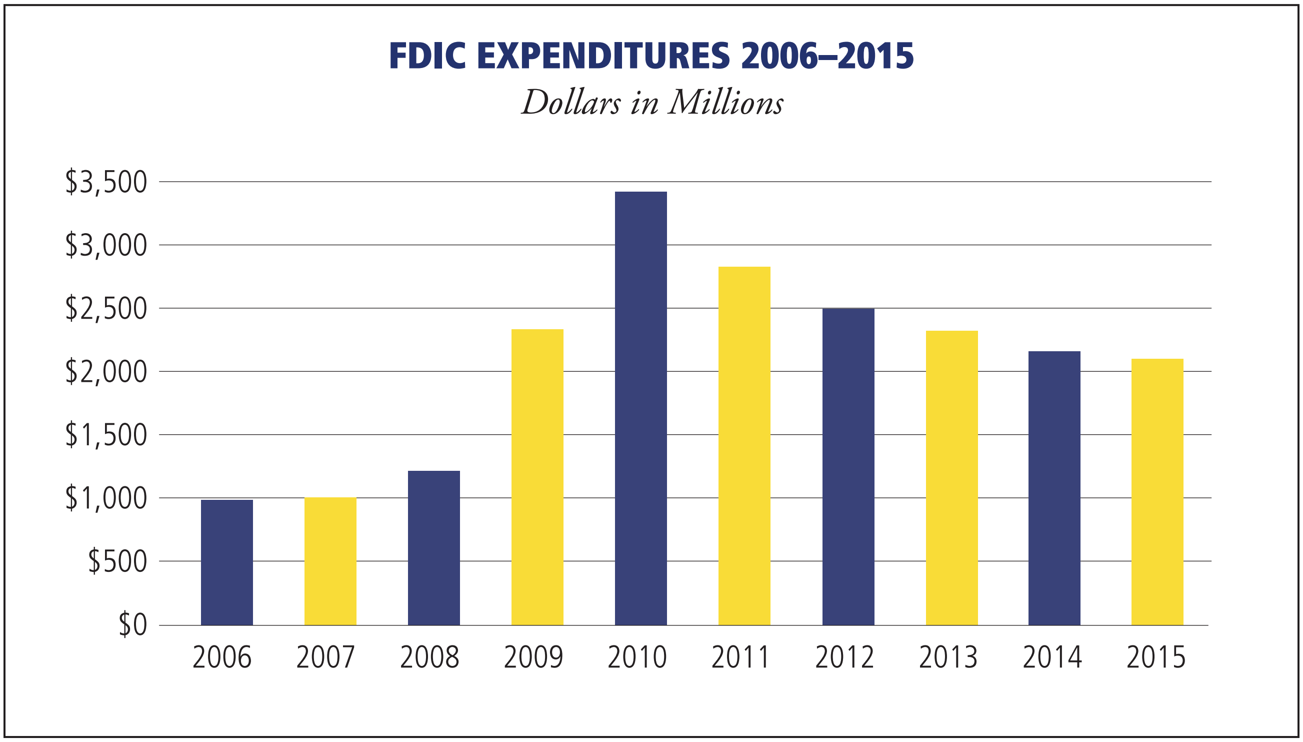
CORPORATE OPERATING BUDGET

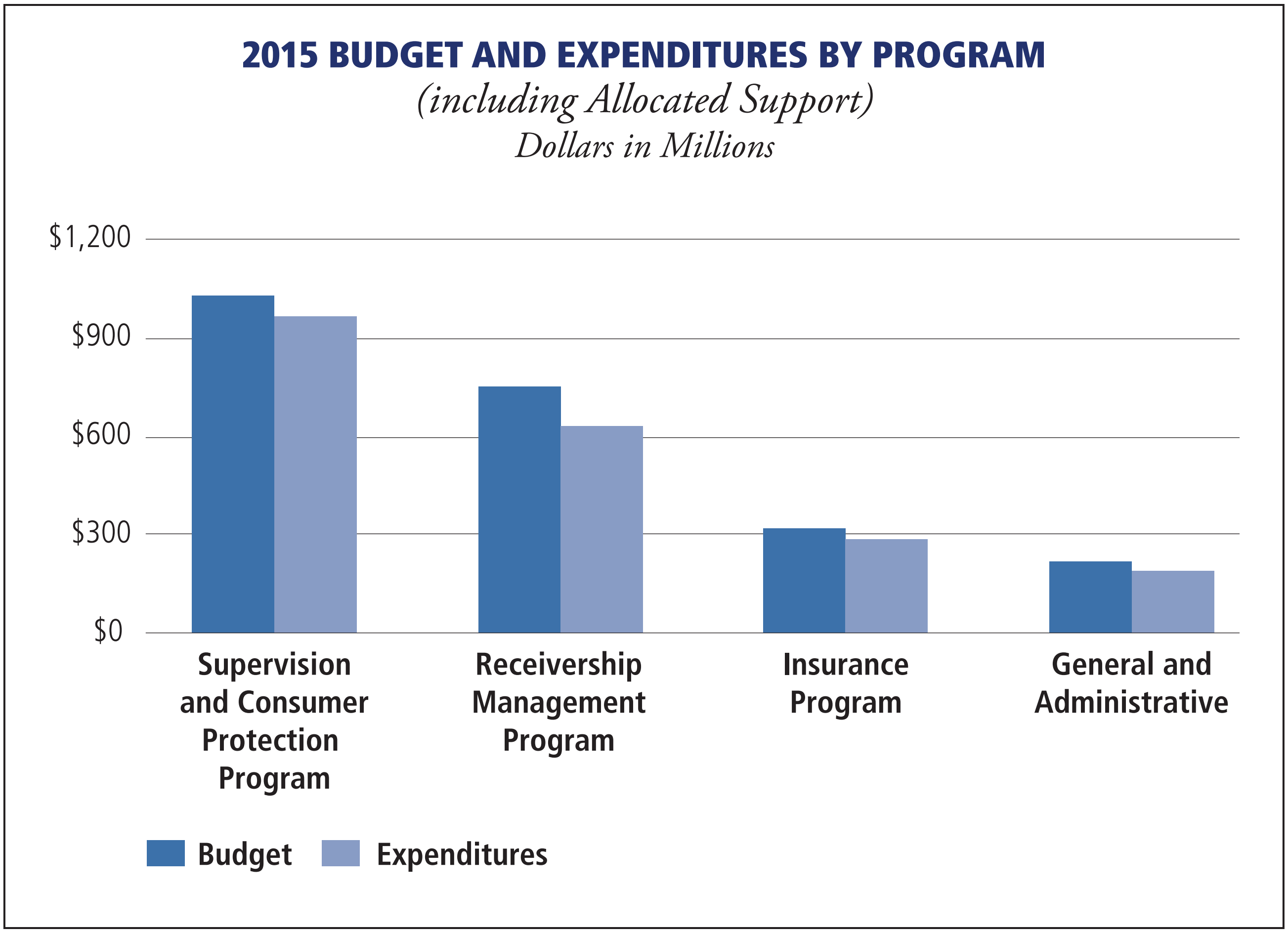
The FDIC segregates its corporate operating budget and expenses into two discrete components: ongoing operations and receivership funding. The receivership funding component represents expenses resulting from financial institution failures and is, therefore, largely driven by external forces, while the ongoing operations component accounts for all other operating expenses and tends to be more controllable and estimable. Corporate Operating expenses totaled $2.1 billion in 2015, including $1.7 billion in ongoing operations and $0.4 billion in receivership funding. This represented approximately 93 percent of the approved budget for ongoing operations and 78 percent of the approved budget for receivership funding for the year.[4]

The Board of Directors approved a 2016 Corporate Operating Budget of approximately $2.2 billion, consisting of $1.8 billion for ongoing operations and $0.4 billion for receivership funding. The level of the approved ongoing operations budget for 2016 is approximately $17 million (0.9 percent) higher than the 2015 ongoing operations budget, while the approved receivership funding budget is roughly $125 million (23.8 percent) lower than the 2015 receivership funding budget.

As in prior years, the 2016 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 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 subsequent reduction in failure-related workload. Although savings in this area are being realized, the 2016 receivership funding budget provides resources for contractor support as well as nonpermanent staffing for DRR, the Legal Division, and other organizations, should workload in these areas require an immediate response.



[4] The numbers in this paragraph will not agree with the DIF and FRF financial statements because of differences in how items are classified.



2015 BUDGET AND EXPENDITURES BY PROGRAM

(Excluding Investments)

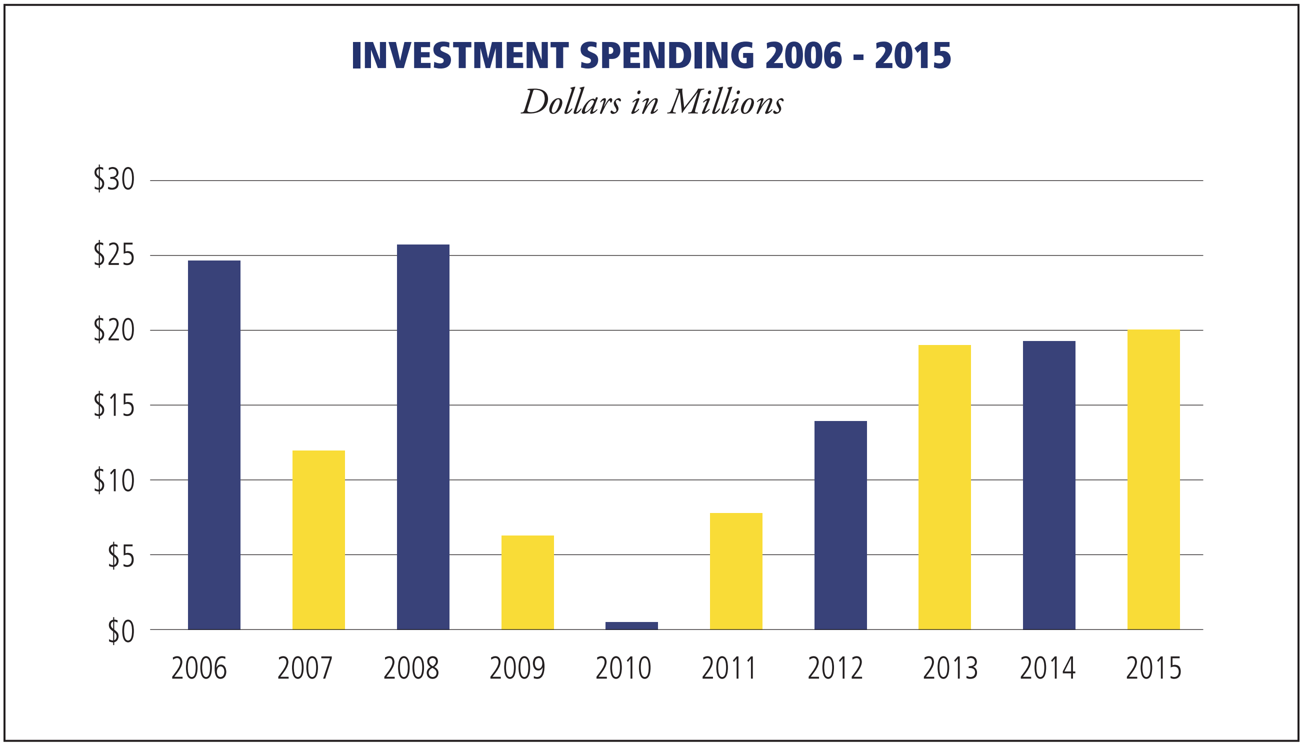
The FDIC budget for 2015 totaled $2.3 billion. Budget amounts were allocated as follows: $1.023 billion or 44.1 percent, to the Supervision and Consumer Protection program; $749 million, or 32.3 percent, to the Receivership Management program; $322 million, or 13.9 percent, to the Insurance program; and $225 million, or 9.7 percent, to Corporate General and Administrative expenditures.

Actual expenditures for the year totaled $2.1 billion. Actual expenditures amounts were allocated as follows: $964 million, or 46.3 percent, to the Supervision and Consumer Protection program; $629 million, or 30.2 percent, to the Receivership Management program; $297 million, or 14.3 percent, to the Insurance program; and $194 million, or 9.3 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. It has a disciplined process for reviewing proposed new investment projects and managing the construction and implementation of approved projects. Proposed IT projects are carefully reviewed to ensure that they are consistent with the 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 2006–2015 investment spending totaled $149 million, and is estimated at $9 million for 2016.



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V.
Financial Section

DEPOSIT INSURANCE FUND (DIF)

FEDERAL DEPOSIT INSURANCE CORPORATION DEPOSIT INSURANCE FUND BALANCE SHEET AT DECEMBER 31 Dollars in Thousands	2015	2014
Assets		
Cash and cash equivalents	$876,344	$1,914,520
Investment in U.S. Treasury obligations (Note 3)	62,496,959	49,805,846
Assessments receivable, net (Note 9)	2,172,472	2,003,424
Interest receivable on investments and other assets, net	417,871	651,894
Receivables from resolutions, net (Note 4)	11,578,079	18,181,498
Property and equipment, net (Note 5)	378,250	372,419
Total Assets	**$77,919,975**	**$72,929,601**
Liabilities		
Accounts payable and other liabilities	$272,571	$291,006
Liabilities due to resolutions (Note 6)	4,419,195	7,799,279
Postretirement benefit liability (Note 12)	233,000	243,419
Contingent liabilities:		
Anticipated failure of insured institutions (Note 7)	394,588	1,814,770
Litigation losses (Note 7)	386	950
Total Liabilities	**5,319,740**	**10,149,424**
Commitments and off-balance-sheet exposure (Note 13)		
Fund Balance		
Accumulated Net Income	72,643,474	62,786,786
Accumulated Other Comprehensive Income		
Unrealized (loss) gain on U.S. Treasury investments, net (Note 3)	(9,191)	51,142
Unrealized postretirement benefit loss (Note 12)	(34,048)	(57,751)
Total Accumulated Other Comprehensive Income (Loss)	**(43,239)**	**(6,609)**
Total Fund Balance	**72,600,235**	**62,780,177**
Total Liabilities and Fund Balance	**$77,919,975**	**$72,929,601**

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	2015	2014
Revenue		
Assessments (Note 9)	$8,846,843	$8,656,082
Interest on U.S. Treasury obligations	422,782	281,924
Other revenue	33,913	27,059
Total Revenue	**9,303,538**	**8,965,065**
Expenses and Losses		
Operating expenses (Note 10)	1,687,234	1,664,344
Provision for insurance losses (Note 11)	(2,251,320)	(8,305,577)
Insurance and other expenses	10,936	6,486
Total Expenses and Losses	**(553,150)**	**(6,634,747)**
Net Income	**9,856,688**	**15,599,812**
Other Comprehensive Income		
Unrealized (loss) gain on U.S. Treasury investments, net	(60,333)	30,927
Unrealized postretirement benefit gain (loss) (Note 12)	23,703	(41,401)
Total Other Comprehensive Income (Loss)	**(36,630)**	**(10,474)**
Comprehensive Income	**9,820,058**	**15,589,338**
Fund Balance - Beginning	**62,780,177**	**47,190,839**
Fund Balance - Ending	**$72,600,235**	**$62,780,177**

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	2015	2014
Operating Activities		
Provided by:		
Assessments	$8,677,795	$8,873,123
Interest on U.S. Treasury obligations	2,064,836	1,450,939
Recoveries from financial institution resolutions	6,329,454	4,099,804
Miscellaneous receipts	147,001	78,558
Used by:		
Operating expenses	(1,631,297)	(1,586,858)
Disbursements for financial institution resolutions	(2,282,721)	(1,860,014)
Miscellaneous disbursements	(107,478)	(15,385)
Net Cash Provided by Operating Activities	**13,197,590**	**11,040,167**
Investing Activities		
Provided by:		
Maturity of U.S. Treasury obligations	19,590,780	17,158,275
Used by:		
Purchase of U.S. Treasury obligations	(33,766,067)	(29,771,897)
Purchase of property and equipment	(60,479)	(55,295)
Net Cash (Used) by Investing Activities	**(14,235,766)**	**(12,668,917)**
Net (Decrease) in Cash and Cash Equivalents	**(1,038,176)**	**(1,628,750)**
Cash and Cash Equivalents - Beginning	**1,914,520**	**3,543,270**
Cash and Cash Equivalents - Ending	**$876,344**	**$1,914,520**

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

NOTES TO THE FINANCIAL STATEMENTS

DEPOSIT INSURANCE FUND
December 31, 2015 and 2014

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 $171.0 billion and $162.0 billion as of December 31, 2015 and 2014, 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

The 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

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and disclosure of contingent liabilities. 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 (which considers the impact of shared-loss agreements); the guarantee obligations for structured transactions; the postretirement benefit obligation; and the estimated losses for anticipated failures 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 (see Note 3).

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 9).

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 (see Note 5).

PROVISION FOR INSURANCE LOSSES

The provision for insurance losses primarily represents changes in the allowance for losses on receivables from closed banks and the contingent liability for anticipated failures of insured institutions (see Note 11).

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 the Financial Accounting Standards Board (FASB) 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 FASB ASC Topic 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 VIE 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, 2015 and 2014. Therefore, consolidation is not required for the 2015 and 2014 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 FASB ASC Topic 810.

The FDIC's involvement with VIEs is fully described in Note 8 under FDIC Guaranteed Debt of Structured Transactions.

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 February 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-02, *Amendments to the Consolidation Analysis*. Effective for periods beginning after December 15, 2016, the ASU amends an entity's consolidation analysis for determining whether it should consolidate a legal entity. The FDIC, in its corporate capacity, has determined that the ASU does not impact its consolidation analysis of structured transactions.

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The guidance clarifies circumstances under which a cloud computing arrangement would be considered a license of internal-use software or a service contract. The ASU, which is effective for the DIF beginning on January 1, 2016, is not expected to have a material effect on the DIF's financial condition or results of operations.

In May 2014, the FASB issued 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. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date,* deferring the original effective date of the new revenue standard by one year. For the DIF, the deferral results in the new revenue standard being effective for annual periods beginning after December 15, 2018. The FDIC does not expect the new ASU to have a material effect 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

The "Investment in U.S. Treasury obligations" line item on the Balance Sheet consisted of the following components by maturity (in thousands).

December 31, 2015

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	0.54%	$21,495,000	$21,816,062	$2,518	$(17,526)	$21,801,054
After 1 year through 5 years	1.19%	39,881,209	39,951,893	55,159	(43,912)	39,963,140
Subtotal		$61,376,209	$61,767,955	$57,677	$(61,438)	$61,764,194
U.S. Treasury Inflation-Protected Securities						
Within 1 year	-0.80%	$300,000	$324,100	$0	$(2,101)	$321,999
After 1 year through 5 years	-0.14%	400,000	414,095	0	(3,329)	410,766
Subtotal		$700,000	$738,195	$0	$(5,430)	$732,765
Total		**$62,076,209**	**$62,506,150**	**$57,677**	**$(66,868)[2]**	**$62,496,959**

[1] The Treasury Inflation-Protected Securities (TIPS) are indexed to increases or decreases in the Consumer Price Index for All Urban Consumers (CPI-U). 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 1.8 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2015.

[2] These unrealized losses occurred over a period of less than a year as a result of temporary changes in market interest rates. 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, 2015. The aggregate related fair value of securities with unrealized losses was $38.7 billion as of December 31, 2015.

December 31, 2014

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
Subtotal		$46,351,209	$47,254,410	$88,503	$(10,275)	$47,332,638
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
Subtotal		$2,200,000	$2,500,294	$0	$(27,086)	$2,473,208
Total		**$48,551,209**	**$ 49,754,704**	**$88,503**	**$(37,361)[2]**	**$49,805,846**

[1] The Treasury Inflation-Protected Securities (TIPS) are indexed to increases or decreases in the Consumer Price Index for All Urban Consumers (CPI-U). For TIPs, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIPS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.0 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2014.

[2] These unrealized losses occurred over a period of less than a year as a result of temporary changes in market interest rates. 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.

4. RECEIVABLES FROM RESOLUTIONS, NET

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 8) are the main source of repayment of the DIF's receivables from resolutions. The "Receivables from resolutions, net" line item on the Balance Sheet consisted of the following components (in thousands).

	December 31 2015	December 31 2014
Receivables from closed banks	$88,858,877	$98,360,904
Allowance for losses	(77,280,798)	(80,179,406)
Total	**$11,578,079**	**$18,181,498**

As of December 31, 2015, the FDIC had 446 active receiverships, including eight established in 2015. The DIF resolution entities held assets with a book value of $20.8 billion as of December 31, 2015, and $29.7 billion as of December 31, 2014 (including $16.0 billion and $22.0 billion, respectively, of cash, investments, receivables due from the DIF, and other receivables). Ninety-nine percent of the current asset book value of $20.8 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 residential and commercial loan 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 2015, the shared-loss cost estimates were updated for all 215 receiverships with active SLAs. The updated shared-loss cost projections for the larger residential shared-loss 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 residential shared-loss agreements were based on a stratified 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.

In 2015, the FDIC eliminated the use of third-party valuations for the remaining commercial covered assets. Instead, loss rates were based on the FDIC's historical loss experience that also factors in the time period based on the life of the agreement. In addition, for all shared-loss agreements, the rate used for discounting the cash flows was changed in 2015 to the Treasury spot rate curve instead of the 3-year Constant Maturity Treasury rate. These changes were made to address the shift to a predominantly single-family asset mix and did not have a material impact on the shared-loss liability.

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 through 2013, 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 assumed all of the deposits and purchased essentially all of the assets of a failed institution. The majority of the commercial and residential loan assets were purchased under an SLA, where the FDIC agreed to share in future losses and recoveries experienced by the acquirer on those assets covered under the agreement.

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).

Shared-loss transactions are summarized as follows (in thousands).

	December 31 2015	December 31 2014
Payments for shared-loss agreements to date	$33,475,276	$31,790,385
Recoveries from shared-loss agreements to date	(4,468,296)	(3,620,038)
Net shared-loss payments made to date	**$29,006,980**	**$28,170,347**
Projected shared-loss payments, net of "true-up" recoveries	$1,560,124	$3,942,689
Total remaining shared-loss covered assets	$31,478,451	$54,589,505

The $23.1 billion reduction in the remaining shared-loss covered assets from 2014 to 2015 is primarily due to the liquidation of covered assets from active SLAs, expiration of loss coverage for 113 commercial loan SLAs, and early termination of 66 SLAs during 2015.

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 ($4.8 billion) and current shared-loss covered assets ($31.5 billion), which together total $36.3 billion, are concentrated in commercial loans ($5.8 billion), residential loans ($25.7 billion), and structured transaction-related assets ($3.5 billion) as described in Note 8. Most of the assets originated from failed institutions located in California ($13.8 billion), Puerto Rico ($5.2 billion), Florida ($4.2 billion), Ohio ($2.8 billion), Texas ($1.9 billion), and Alabama ($1.7 billion).

5. PROPERTY AND EQUIPMENT, NET

Depreciation expense was $52 million and $60 million for 2015 and 2014, respectively. The "Property and equipment, net" line item on the Balance Sheet consisted of the following components (in thousands).

	December 31 2015	December 31 2014
Land	$37,352	$37,352
Buildings (including building and leasehold improvements)	342,267	326,067
Application software (includes work-in-process)	132,280	142,907
Furniture, fixtures, and equipment	73,432	104,761
Accumulated depreciation	(207,081)	(238,668)
Total	**$378,250**	**$372,419**

6. LIABILITIES DUE TO RESOLUTIONS

As of December 31, 2015 and 2014, the DIF recorded liabilities totaling $4.4 billion and $7.8 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. Eighty-seven 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 a receivership to fund shared-loss and other expenses or by offsetting receivables from resolutions when a receivership declares a dividend.

7. CONTINGENT LIABILITIES

ANTICIPATED FAILURE OF INSURED INSTITUTIONS

The DIF records a contingent liability and a loss provision for DIF-insured institutions that are likely to fail when the liability is probable and reasonably estimable, absent some favorable event such as obtaining additional capital or merging. 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 2015. According to the quarterly financial data submitted by DIF-insured institutions, the industry reported total net income of $123.4 billion for the first nine months of 2015, an increase of 6.2 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 year-end 2007.

Losses to the DIF from failures that occurred in 2015 were lower than the contingent liability at the end of 2014, as the aggregate number and cost of institution failures were less than anticipated. The removal of the liability from institutions that failed in 2015, as well as favorable trends in bank supervisory downgrade and failure rates, all contributed to a decline in the contingent liability from $1.8 billion at December 31, 2014 to $395 million at December 31, 2015.

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 $800 million as of December 31, 2015, as compared to $1.7 billion as of year-end 2014. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

During 2015, eight institutions failed with combined assets of $5.7 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, credit 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 $386 thousand and $950 thousand for the DIF as of December 31, 2015 and 2014, respectively. In addition, the FDIC has determined that there are $555 thousand of reasonably possible losses from unresolved cases as of December 31, 2015, compared to none at year-end 2014.

8. 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, to OneWest Bank (following a merger is now known as CIT Bank) and its affiliates (collectively, Acquirers). The Sellers made certain representations customarily made by commercial parties in similar transactions. Under the sale agreements, the Acquirers have rights to assert claims to recover losses incurred as a result of third-party claims and breaches of representations. The FDIC, in its corporate capacity, guaranteed the Sellers' indemnification obligations under the sale agreements. Until all indemnification claims are asserted, quantified and paid, losses could continue to be incurred by the receivership and in turn, the DIF.

The unpaid principal balances of loans in the servicing portfolios sold subject to representation and warranty indemnification totaled $171.6 billion at the time of sale. The IndyMac receivership has paid cumulative claims totaling $21 million through December 31, 2015 and 2014. Quantified claims asserted and under review have been accrued in the amount of $1 million and $6 million as of December 31, 2015 and 2014, respectively.

Fannie Mae has demanded the repurchase of $87 million of conventional and reverse mortgage loans. However, the Sellers do not anticipate repurchasing any mortgage loans from Fannie Mae. Instead, the Sellers and the Acquirers are negotiating the terms of a financial settlement for the Fannie Mae portfolio. It is anticipated this settlement would resolve indemnification obligations of the Sellers to the Acquirers and Fannie Mae. As a result, it is probable the Sellers will incur losses. The impact of this receivership estimated loss is reflected in the "Receivables from resolutions, net" line item on the Balance Sheet.

The FDIC is evaluating the likelihood of additional losses that may arise as a result of indemnification claims based upon breaches or third party claims. As the Acquirers or Government Sponsored Entities (GSEs) – Fannie Mae, Freddie Mac and Ginnie Mae incur or expect to incur losses, they will assert claims. These claims will be reviewed to determine whether there is a basis for indemnification or reimbursement and, if so, whether any Acquirer may have liability for any portion of the claimed loss as a result of its acts or omissions. While many loans are subject to notices of alleged breaches and a number of third party claims have been asserted, not all breach allegations or third party claims will result in a loss and certain losses may be allocable to the Acquirers. As a result, potential losses, and the Sellers' share of such losses, cannot be estimated. However, it is probable that future losses will be incurred given the following:

- The Acquirers' ability to submit breach notices was subject to contractual bar dates that have passed. In addition, their entitlement to reimbursement for certain third party claims is dependent upon those claims having been submitted prior to other contractual dates, some of which have also passed. However, the Acquirers retain the right to assert indemnification claims for losses over the life of those loans for which breach notices were timely submitted.
- The Acquirers' retain the right to seek reimbursement for losses incurred as a result of claims alleging breaches of loan seller representations asserted by Fannie Mae or Ginnie Mae on or prior to March 19, 2019, for their reverse mortgage servicing portfolios (unpaid principal balance of $12.9 billion at December 31, 2015, compared to $14.2 billion at December 31, 2014).
- The GSEs have the right to assert certain claims directly against the Sellers for the mortgage servicing portfolios without regard to any contractual claims bar date.
- Potential losses could be incurred for failures by the Sellers to initiate and pursue foreclosure within prescribed timeframes for certain government guaranteed loans, resulting in the refusal of the guarantor to pay interest owed to the investors. Fannie Mae has asserted a claim for $64 million of interest curtailments with respect to reverse loans. Any amounts paid to Fannie Mae will be allocated between the Sellers and the Acquirers. A review of the causes of this claimed loss as well as an allocation of this loss between the Sellers and the Acquirers is in the initial stages.

For all these reasons, the FDIC believes it is likely that additional losses will be incurred. However, quantifying the contingent liability associated with the liabilities to investors and the Acquirers is subject to a number of uncertainties, including market conditions, the occurrence of borrower defaults and resulting foreclosures and losses, and the allocation of liability between the Sellers and the Acquirers. Because of the uncertainties 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 2015 and 2014, 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 limited liability companies (LLCs), securitizations, and structured sale of guaranteed notes (SSGNs).

Under the LLC structure, the FDIC, in its receivership capacity, contributed a pool of assets to a newly formed LLC and offered for sale, through a competitive bid process, some of the equity in the LLC. Since 2009, private investors purchased a 40- to 50-percent ownership interest in the LLC structures for $1.6 billion in cash. The LLCs issued notes of $4.4 billion to the receiverships to partially fund the purchase of the assets; these notes were guaranteed by the FDIC, in its corporate capacity. As of December 31, 2015, no guaranteed LLC notes remain. The $10 million outstanding guaranteed LLC note balance as of December 31, 2014 was fully paid during 2015.

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 certificate 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, 2015, 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, 2015 and 2014, the DIF collected guarantee fees totaling $265 million and $250 million, respectively, and recorded a receivable for additional guarantee fees of $26 million and $42 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 on the Balance Sheet, and recognized as revenue primarily on a straight-line basis over the term of the notes. As of December 31, 2015 and 2014, the amount of deferred revenue recorded was $26 million and $42 million, respectively. The DIF records no other structured transaction-related assets or liabilities on its balance sheet.

The estimated loss to the DIF from the guarantees is derived from an analysis of the net present value (using a discount rate of 3.7 percent) of the expected guarantee payments by the FDIC, reimbursements to the FDIC for guarantee payments, and guarantee fee collections. As of December 31, 2015, it is reasonably possible that the DIF could be required to make guarantee payments totaling $25 million for an SSGN transaction beginning in November 2019 through note maturity in December 2020, compared to $29 million estimated as of December 31, 2014. 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 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 for structured transactions that it was not previously contractually required to provide.

As of December 31, 2015 and 2014, the maximum loss exposure was zero and $10 million for LLCs and $1.6 billion and $2.1 billion for trusts, respectively, representing the sum of all outstanding debt guaranteed by the FDIC.

9. ASSESSMENTS

The FDIC deposit insurance assessment system is mandated by section 7 of the FDI Act and governed by part 327 of title 12 of the Code of Federal Regulations. The risk-based system requires the payment of quarterly 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 reforms of the assessment system 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, in lieu of the previous target of 1.15 percent by the end of 2016. The FDIC updates, at least semiannually, its loss and income projections for the fund and, if needed, increases or decreases assessment rates, following notice-and-comment rulemaking, if required.
- The FDIC Board of Directors designates a reserve ratio for the DIF and publishes the designated reserve ratio (DRR) before the beginning of each calendar year, as required by the FDI Act. Accordingly, in October 2015, the FDIC adopted a final rule maintaining the DRR at 2 percent for 2016. 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.
- 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.

When the reserve ratio reaches 1.15 percent, lower regular assessment rates for all IDIs will go into effect. Additionally, upon reaching 1.15 percent, the Dodd-Frank Act requires that the FDIC offset the effect of increasing the minimum reserve ratio from 1.15 percent to 1.35 percent on IDIs with less than $10 billion in total consolidated assets. To implement the requirement, the FDIC issued a proposed rulemaking on October 22, 2015, to add a surcharge to the regular quarterly assessments of IDIs with $10 billion or more in assets. Under the proposed rule:

- The surcharge would generally equal an annual rate of 4.5 basis points applied to the assessment base (with certain adjustments), begin in the quarter after the reserve ratio first reaches or exceeds 1.15 percent, and continue for an estimated eight quarters.
- The FDIC would provide assessment credits to IDIs with total assets of less than $10 billion for

the portion of their assessments that contributed to the growth in the reserve ratio between 1.15 percent and 1.35 percent to ensure that the effect of reaching 1.35 percent is fully borne by the larger institutions. Assessment credits would be available as an offset to an institution's future regular assessment premiums.

- The FDIC would impose a shortfall assessment on the larger institutions in order to achieve the minimum reserve ratio of 1.35 percent by the September 30, 2020 statutory deadline, in the event the reserve ratio is greater than 1.15 percent but has not reached 1.35 percent by the end of 2018.

ASSESSMENT REVENUE

Annual assessment rates averaged approximately 6.6 cents per $100 of the assessment base for 2015 and 2014, 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.

The "Assessments receivable, net" line item on the Balance Sheet of $2.2 billion and $2.0 billion represents the estimated premiums due from IDIs for the fourth quarter of 2015 and 2014, respectively. The actual deposit insurance assessments for the fourth quarter of 2015 will be billed and collected at the end of the first quarter of 2016. During 2015 and 2014, $8.8 billion and $8.7 billion, respectively, were recognized as assessment revenue from institutions.

RESERVE RATIO

As of September 30, 2015 and December 31, 2014, the DIF reserve ratio was 1.09 percent and 1.01 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, 2015 and 2014, approximately $798 million and $793 million, respectively, was collected and remitted to the FICO.

10. OPERATING EXPENSES

The "Operating expenses" line item on the Statement of Income and Fund Balance consisted of the following components (in thousands).

	December 31 2015	December 31 2014
Salaries and benefits	$1,248,146	$1,252,167
Outside services	280,050	263,649
Travel	97,819	93,720
Buildings and leased space	90,945	96,596
Software/Hardware maintenance	62,604	58,844
Depreciation of property and equipment	52,233	59,634
Other	28,314	28,999
Subtotal	**1,860,111**	**1,853,609**
Less: Expenses billed to resolution entities	(172,877)	(189,265)
Total	**$1,687,234**	**$1,664,344**

11. PROVISION FOR INSURANCE LOSSES

The provision for insurance losses was a negative $2.3 billion for 2015, compared to negative $8.3 billion for 2014. The negative provision for 2015 primarily resulted from a decrease of $2.2 billion in the estimated losses for institutions that failed in current and prior years.

As described in Note 4, the estimated recoveries from assets held by receiverships and estimated payments related to assets sold by receiverships to acquiring institutions under shared-loss agreements (SLAs) are used to derive the loss allowance on the receivables from resolutions. The $2.2 billion decrease in the estimated losses from failures was primarily attributable to four components. The first component was unanticipated recoveries of $1.0 billion in litigation settlements, professional liability claims, and tax refunds by the receiverships. These are typically 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 $1.4 billion decrease in the receiverships' shared-loss liability. In 2015, covered asset balances decreased by $23.1 billion as a result of loan amortizations and pay-downs, as well as the expiration of 113 commercial shared-loss agreements and the early termination of 66 shared-loss agreements. Actual losses on this portion of covered assets were less than estimated at year-end 2014. The composition of the remaining covered asset portfolio primarily consists of performing single family assets, which have historically experienced significantly lower losses than commercial assets.

The remaining components consisted of an increase in the estimated losses from failures of $715 million that resulted from an increase in receivership legal and representation and warranty liabilities and projected future receivership expenses, as well as an adjustment of $501 million for lower-than-anticipated loss estimates at time of failure for all current year failures. The net effect of these two components was an increase of $214 million to estimated losses from failures.

12. EMPLOYEE BENEFITS

PENSION BENEFITS AND SAVINGS PLANS

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

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. Eligible FDIC employees may also participate in an FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions up to 5 percent. The expenses for these plans are presented in the table below (in thousands).

	December 31 2015	December 31 2014
Civil Service Retirement System	$3,949	$4,698
Federal Employees Retirement System (Basic Benefit)	108,056	99,954
Federal Thrift Savings Plan	35,140	35,144
FDIC Savings Plan	39,767	37,304
Total	**$186,912**	**$177,100**

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

Postretirement benefit obligation, gain and loss, and expense information included in the Balance Sheet and Statement of Income and Fund Balance are summarized as follows (in thousands).

	December 31 2015	December 31 2014
Accumulated postretirement benefit obligation recognized in *Postretirement benefit liability*	**$233,000**	**$243,419**
Amounts recognized in accumulated other comprehensive income: *Unrealized postretirement benefit loss*		
Cumulative net actuarial loss	$(31,938)	$(55,131)
Prior service cost	(2,110)	(2,620)
Total	**$(34,048)**	**$(57,751)**
Amounts recognized in other comprehensive income: *Unrealized postretirement benefit gain (loss)*		
Actuarial gain (loss)	$23,193	$(41,527)
Prior service credit	510	126
Total	**$23,703**	**$(41,401)**
Net amortization out of other comprehensive income included in net periodic benefit cost	**$3,842**	**$126**

Expected amortization of accumulated other comprehensive income into net periodic benefit cost is summarized as follows (in thousands).

December 31, 2016	
Prior service costs	$575
Net actuarial loss	992
Total	**$1,567**

The annual postretirement contributions and benefits paid are included in the table below (in thousands).

	December 31 2015	December 31 2014
Employer contributions	$6,064	$5,579
Plan participants' contributions	$728	$655
Benefits paid	$(6,792)	$(6,234)

The expected contributions for the period ending December 31, 2016, are $7.1 million. Expected future benefit payments for each of the next 10 years are presented in the following table (in thousands).

2016	2017	2018	2019	2020	2021-2025
$6,388	$6,954	$7,488	$8,006	$8,563	$51,276

Assumptions used to determine the amount of the accumulated postretirement benefit obligation and the net periodic benefit costs are summarized as follows (in thousands).

	December 31 2015	December 31 2014
Discount rate for future benefits (benefit obligation)	4.29%	4.00%
Rate of compensation increase	3.70%	3.80%
Discount rate (benefit cost)	4.00%	4.75%
Dental health care cost-trend rate		
Assumed for next year	4.70%	4.90%
Ultimate	4.50%	4.50%
Year rate will reach ultimate	2017	2016

13. COMMITMENTS AND OFF-BALANCE-SHEET EXPOSURE

COMMITMENTS:

Leased Space

The DIF leased space expense totaled $47 million and $56 million for 2015 and 2014, respectively. The FDIC's lease commitments total $206 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. Future minimum lease commitments are as follows (in thousands).

2016	2017	2018	2019	2020	2021/ Thereafter
$50,097	$45,510	$32,196	$27,558	$14,151	$36,245

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, 2015 and December 31, 2014, estimated insured deposits for the DIF were $6.4 trillion and $6.2 trillion, respectively.

14. 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 DIF's financial assets measured at fair value consisted of the following components (in thousands).

December 31, 2015

	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]	$ 861,712			$ 861,712
Available-for-Sale Debt Securities				
Investment in U.S. Treasury Obligations[2]	62,496,959			62,496,959
Total Assets	**$63,358,671**	**$0**	**$0**	**$63,358,671**

[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.

December 31, 2014

	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.

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 assessments receivable, interest receivable on investments, 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 the 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.

15. INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

The following table presents a reconciliation of net income to net cash from operating activities (in thousands).

	December 31 2015	December 31 2014
Operating Activities		
Net Income:	**$9,856,688**	**$15,599,812**
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of U.S. Treasury obligations	1,411,376	1,387,067
Treasury Inflation-Protected Securities inflation adjustment	12,465	(37,865)
Depreciation on property and equipment	52,233	59,634
Loss on retirement of property and equipment	2,415	465
Provision for insurance losses	(2,251,320)	(8,305,577)
Unrealized gain (loss) on postretirement benefits	23,703	(41,401)
Change in Assets and Liabilities:		
(Increase) Decrease in assessments receivable, net	(169,048)	224,311
Decrease (Increase) in interest receivable and other assets	242,128	(137,462)
Decrease in receivables from resolutions	7,425,888	7,077,627
(Decrease) in accounts payable and other liabilities	(18,435)	(9,569)
(Decrease) Increase in postretirement benefit liability	(10,419)	49,828
(Decrease) in liabilities due to resolutions	(3,380,084)	(4,826,703)
Net Cash Provided by Operating Activities	**$13,197,590**	**$11,040,167**

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 4, 2016, the date the financial statements are available to be issued, and management determined that there are no items to disclose.

FSLIC RESOLUTION FUND (FRF)

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

	2015	2014
Assets		
Cash and cash equivalents	$871,037	$870,943
Receivables from U.S. Treasury for goodwill litigation (Note 3)	0	356,455
Other assets, net	760	904
Total Assets	**$871,797**	**$1,228,302**
Liabilities		
Accounts payable and other liabilities	$624	$370
Contingent liabilities for goodwill litigation (Note 3)	0	356,455
Total Liabilities	**624**	**356,825**
Resolution Equity (Note 4)		
Contributed capital	125,489,317	125,332,156
Accumulated deficit	(124,618,144)	(124,460,679)
Total Resolution Equity	**871,173**	**871,477**
Total Liabilities and Resolution Equity	**$871,797**	**$1,228,302**

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		
	2015	**2014**
Revenue		
Interest on U.S. Treasury obligations	$298	$229
Other revenue	2,309	948
Total Revenue	**2,607**	**1,177**
Expenses and Losses		
Operating expenses	3,064	2,326
Provision for losses	(260)	(792)
Goodwill litigation expenses (Note 3)	157,161	0
Other expenses	107	171
Total Expenses and Losses	**160,072**	**1,705**
Net Loss	**(157,465)**	**(528)**
Accumulated Deficit - Beginning	**(124,460,679)**	**(124,460,151)**
Accumulated Deficit - Ending	**$(124,618,144)**	**$(124,460,679)**

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	2015	2014
Operating Activities		
Provided by:		
Interest on U.S. Treasury obligations	$298	$229
Recoveries from financial institution resolutions	2,555	1,886
Miscellaneous receipts	24	197
Used by:		
Operating expenses	(2,783)	(2,981)
Payments for goodwill litigation (Note 3)	(513,616)	0
Net Cash (Used) by Operating Activities	**(513,522)**	**(669)**
Financing Activities		
Provided by:		
U.S. Treasury payments for goodwill litigation (Note 3)	513,616	0
Net Cash Provided by Financing Activities	**513,616**	**0**
Net Increase (Decrease) in Cash and Cash Equivalents	**94**	**(669)**
Cash and Cash Equivalents - Beginning	**870,943**	**871,612**
Cash and Cash Equivalents - Ending	**$871,037**	**$870,943**

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

NOTES TO THE FINANCIAL STATEMENTS

FSLIC RESOLUTION FUND
December 31, 2015 and 2014

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 unresolved issues are:

- criminal restitution orders (generally have from 1 to 17 years remaining to enforce);
- 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 of some judgments);

- liquidation/disposition of residual assets purchased by the FRF from terminated receiverships;
- three remaining issues related to assistance agreements entered into by the former FSLIC (FRF could continue to receive or refund overpayments of tax benefits sharing in future years);
- goodwill litigation (reimbursement of a potential tax liability; see Note 3); and
- affordable housing disposition program monitoring (the last agreement expires no later than 2045; see Note 3).

The FRF could realize recoveries from tax benefits sharing, criminal restitution orders, and professional liability claims. However, any potential 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 the 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

The 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 beneficial interest in them.

The FRF is a limited-life entity, however, it does not meet the requirements for presenting financial statements using the liquidation basis of accounting. According to Accounting Standards Codification Topic 205, *Presentation of Financial Statements*, 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.

USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and disclosure of contingent liabilities. 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 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

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

3. CONTINGENT LIABILITIES

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 will have a corresponding receivable from the U.S. Treasury and therefore have no net impact on the financial condition of the FRF.

In December 2015, the FRF paid $513.6 million to resolve the remaining active goodwill case using appropriations received from the U.S. Treasury. During 2015, the United States Court of Federal Claims awarded the plaintiff additional mitigation damages and estimated tax liabilities. These awards were in addition to the previous award of $356.4 million, for which the FRF had recorded a contingent liability and offsetting receivable as of December 31, 2014. For another case fully adjudicated in 2012, an estimated loss of $8 million for the court-ordered reimbursement of potential tax liabilities to the plaintiff is 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. The 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. The FRF-FSLIC did not provide any additional funding to the DOJ in either 2015 or 2014 because the unused funds from prior fiscal years were sufficient to cover estimated 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 $100 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, 2015 and 2014, no contingent 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 from 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, 2015, the maximum exposure on this indemnification is the current unpaid principal balance of the remaining 45 multi-family loans totaling $3.7 million. Based on a contingent liability assessment of this portfolio as of September 30, 2015, the majority of the loans are at least 81 percent amortized, and all are scheduled to mature within one to five years. Since all of the loans are performing and no losses have occurred since 2001, future payments on this indemnification are not expected. No contingent liability for this indemnification has been recorded as of December 31, 2015 and 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 entered into two litigations against property owners and paid $23 thousand in legal expenses, which was fully 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 LURA, or 2045 (whichever occurs first). As of December 31, 2015 and 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.

Contributed capital, accumulated deficit, and resolution equity consisted of the following components by each pool (in thousands).

December 31, 2015

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$43,707,819	$81,624,337	$125,332,156
Add: U.S.Treasury payment in excess of prior year receivable	157,161	0	157,161
Contributed capital - ending	**43,864,980**	**81,624,337**	**125,489,317**
Accumulated deficit	(43,036,684)	(81,581,460)	(124,618,144)
Total Resolution Equity	**$828,296**	**$42,877**	**$871,173**

December 31, 2014

	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 Resolution Equity	**$828,229**	**$43,248**	**$871,477**

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.

The FRF-FSLIC received $513.6 million in U.S. Treasury payments for goodwill litigation in 2015, of which $356.4 million was accrued as a receivable at year-end 2014. The $157.2 million difference increased contributed capital in 2015. Through December 31, 2015, the FRF received a total of $2.3 billion in goodwill appropriations, the effect of which increased contributed capital.

Through December 31, 2015, 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 reduced 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. Since the dissolution dates, the FRF-FSLIC accumulated deficit increased by $13.3 billion, whereas the FRF-RTC accumulated deficit decreased by $6.3 billion.

5. DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2015 and 2014, the FRF's financial assets measured at fair value on a recurring basis are cash equivalents of $828 million and $827 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 the 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 between 21 to 26 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

The following table presents a reconciliation of net loss to net cash from operating activities (in thousands)

	December 31 2015	December 31 2014
Operating Activities		
Net Loss:	**$(157,465)**	**$(528)**
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Provision for losses	(260)	(792)
Change in Assets and Liabilities:		
Decrease in other assets	404	1,071
Increase (Decrease) in accounts payable and other liabilities	254	(420)
(Decrease) in contingent liabilities for goodwill litigation	(356,455)	0
Net Cash (Used) by Operating Activities	**$(513,522)**	**$(669)**

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 4, 2016, the date the financial statements are available to be issued, and management determined that there are no items to disclose.

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

Independent Auditor's Report

To the Board of Directors
The Federal Deposit Insurance Corporation

In our audits of the 2015 and 2014 financial statements of the Deposit Insurance Fund (DIF) and of the Federal Savings and Loan Insurance Corporation (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, 2015, and 2014, 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, 2015; and
- with respect to the DIF and to the FRF, no reportable noncompliance for 2015 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; (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 2015.

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,[2] and the Government Corporation Control Act,[3] 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, 2015, and 2014; 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, 2015, and 2014; 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, 2015, 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, 2015, based on its evaluation, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix I.

[2] Act of Sept. 21, 1950, Pub. L. No. 797, § 2[17], 64 Stat. 873, 890, *classified as amended at* 12 U.S.C. § 1827.

[3] 31 U.S.C. § 9105.

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.[4]

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 provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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, 2015, and 2014, 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, 2015, and 2014, and the results of its operations and its cash flows for the years then

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

	ended, in accordance with U.S. generally accepted accounting principles.
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, 2015, 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, 2015, based on criteria established under FMFIA. During our 2015 audit, we identified deficiencies in FDIC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.[5] 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 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.

[5] 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.

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 2015 that would be reportable, with respect to the DIF and to the FRF, 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.

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 stated that it was pleased to receive unmodified opinions on the DIF's and the FRF's financial statements, and noted that we reported that FDIC had effective internal control over financial reporting and that there was no reportable noncompliance with tested provisions of applicable laws, regulations, contracts, and grant agreements.

FDIC also stated that it has worked to improve its internal control environment and will continue to focus on this area in the upcoming year, recognizing the important role a strong internal control program plays in achieving an agency's mission. Further, FDIC stated that dedication to sound financial management has been and will remain its top priority. The complete text of FDIC's response is reprinted in appendix II.

James R. Dalkin
Director
Financial Management and Assurance

February 4, 2016

Appendix I

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

FDIC
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 provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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, 2015, 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, 2015, 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 4, 2016

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 4, 2016

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 2015 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' 2015 and 2014 Financial Statements, GAO-16-300. We are pleased that the Federal Deposit Insurance Corporation (FDIC) has received unmodified (unqualified) opinions for the twenty-fourth 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 worked to improve the internal control environment and will continue to focus 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 our 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 2016 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

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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 Division of Finance 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, and other providers of external/audit scrutiny.

The FDIC has received unmodified/unqualified opinions on its financial statement audits for 24 consecutive years, and these and other positive results reflect the effectiveness of the overall management control program.

In 2015, efforts were focused on human resources, process mapping, continuation of activities associated with the Dodd-Frank Act, and contract oversight. Considerable energy was devoted to ensuring that the FDIC's processes and systems of control have kept pace with the workload, and that the foundation of controls throughout the FDIC remained strong.

During 2016, among other things, program evaluation activities will focus on failed bank data; the Identity, Credential and Access Control Program; systems development associated with the Capital Investment Review Committee; the Workforce Development Initiative; and systems security. Continued emphasis and management scrutiny also will be applied to the accuracy and integrity of transactions and oversight of systems development efforts in general.

MANAGEMENT REPORT ON FINAL ACTIONS

As required under amended Section 5 of the Inspector General Act of 1978, the FDIC must report information on final action taken by management on certain audit reports. The tables on the following pages provide information on final action taken by management on audit reports for the federal fiscal year period October 1, 2014, through September 30, 2015.

TABLE 1:
MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS FOR FISCAL YEAR 2015

Dollars in Thousands

(There were no audit reports in this category.)

TABLE 2:
MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE FOR FISCAL YEAR 2015

Dollars in Thousands

	Audit Reports	Number of Reports	Funds Put To Better Use
A.	Management decisions – final action not taken at beginning of period	0	$0
B.	Management decisions made during the period	1	$4,586
C.	**Total reports pending final action during the period (A and B)**	**1**	**$4,586**
D	Final action taken during the period:		
	1. Value of recommendations implemented (completed)	0	$0
	2. Value of recommendations that management concluded should not or could not be implemented or completed	0	$0
	3. Total of 1 and 2	**0**	**$0**
E.	Audit reports needing final action at the end of the period	1	$4,586

TABLE 3: AUDIT REPORTS WITHOUT FINAL ACTIONS BUT WITH MANAGEMENT DECISIONS OVER ONE YEAR OLD FOR FISCAL YEAR 2015

Report No. and Issue Date	OIG Audit Finding	Management Action	Disallowed Costs
AUD-14-002 11/21/2013	The Director, Division of Administration (DOA), should coordinate with the Division of Information Technology (DIT) and FDIC division and office officials, as appropriate, to address potential gaps that may exist between the 12-hour time frame required to restore mission essential functions following an emergency and the 72-hour recovery time objective for restoring mission-critical applications.	In addition to other steps that it has already taken, DOA, in partnership with the Office of Corporate Risk Management and DIT, has convened a working group to advance a risk management framework that will enhance the FDIC's business continuity plans. The framework will define a method for addressing potential gaps that may exist between the 12-hour requirement to restore mission essential functions and the 72-hour recovery time objective for restoring mission-critical applications. A set of options and recommendations will be presented to executive management to either accept identified risks or authorize resources to close identified gaps. Due Date: 12/31/2016	$0
EVAL-14-002 07/25/2014	The FDIC, FRB, and OCC should consider the need to (1) increase their level of written enforcement action coordination to meet the requirements of Federal Register policy statement 62 Fed. Reg. 7782, or (2) revise the policy statement to reflect the regulators' current level of coordination.	The Legal Division and the Division of Risk Management Supervision will revise the memo and devise a new policy statement. Due Date: 4/30/2016	$0

VII.
Appendices

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A. KEY STATISTICS

FDIC ACTIONS ON FINANCIAL INSTITUTIONS APPLICATIONS 2013–2015	2015	2014	2013
Deposit Insurance	**5**	**2**	**10**
Approved[1]	5	2	10
Denied	0	0	0
New Branches	**548**	**520**	**499**
Approved	548	520	499
Denied	0	0	0
Mergers	**270**	**251**	**256**
Approved	270	251	256
Denied	0	0	0
Requests for Consent to Serve[2]	**240**	**327**	**474**
Approved	239	327	474
Section 19	7	7	4
Section 32	232	320	470
Denied	1	0	0
Section 19	0	0	0
Section 32	1	0	0
Notices of Change in Control	**20**	**15**	**22**
Letters of Intent Not to Disapprove	20	15	22
Disapproved	0	0	0
Brokered Deposit Waivers	**20**	**46**	**81**
Approved	20	46	81
Denied	0	0	0
Savings Association Activities	**1**	**4**	**8**
Approved	1	4	8
Denied	0	0	0
State Bank Activities/Investments[3]	**10**	**14**	**10**
Approved	10	14	10
Denied	0	0	0
Conversion of Mutual Institutions	**4**	**4**	**7**
Non-Objection	4	4	7
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] Section 24 of the FDI Act, in general, prohibits 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 2013–2015

	2015	2014	2013
Total Number of Actions Initiated by the FDIC	**268**	**320**	**414**
Termination of Insurance	**11**	**3**	**11**
Involuntary Termination	**0**	**0**	**0**
Sec. 8a For Violations, Unsafe/Unsound Practices or Conditions	0	0	0
Voluntary Termination	**11**	**3**	**11**
Sec. 8a By Order Upon Request	0	0	0
Sec. 8p No Deposits	6	3	7
Sec. 8q Deposits Assumed	5	0	4
Sec. 8b Cease-and-Desist Actions	**48**	**57**	**83**
Notices of Charges Issued	3	1	2
Orders to Pay Restitution	9	7	11
Consent Orders	36	48	70
Personal Cease and Desist Orders	0	1	0
Sec. 8e Removal/Prohibition of Director or Officer	**88**	**101**	**113**
Notices of Intention to Remove/Prohibit	4	4	14
Consent Orders	84	97	99
Sec. 8g Suspension/Removal When Charged With Crime	**0**	**2**	**0**
Civil Money Penalties Issued	**45**	**66**	**94**
Sec. 7a Call Report Penalties	0	0	0
Sec. 8i Civil Money Penalties	36	62	81
Sec. 8i Civil Money Penalty Notices of Assessment	9	4	13
Sec. 10c Orders of Investigation	**19**	**16**	**16**
Sec. 19 Waiver Orders	**51**	**69**	**88**
Approved Section 19 Waiver Orders	51	68	86
Denied Section 19 Waiver Orders	0	1	2
Sec. 32 Notices Disapproving Officer/Director's Request for Review	**0**	**0**	**0**
Truth-in-Lending Act Reimbursement Actions	**64**	**69**	**98**
Denials of Requests for Relief	0	0	0
Grants of Relief	0	0	0
Banks Making Reimbursement*	64	69	98
Suspicious Activity Reports (Open and closed institutions)*	**189,505**	**164,777**	**123,134**
Other Actions Not Listed	**6**	**6**	**9**

* 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 SEPTEMBER 30, 2015[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
2015	$250,000	$10,695,512	$6,420,010	60.0	$70,115.2	0.66	1.09
2014	250,000	10,408,065	6,211,168	59.7	62,780.2	0.60	1.01
2013	250,000	9,825,399	6,010,853	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

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH SEPTEMBER 30, 2015[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
1986	100,000	2,162,687	1,636,915	75.7	18,253.3	0.84	1.12
1985	100,000	1,975,030	1,510,496	76.5	17,956.9	0.91	1.19
1984	100,000	1,805,334	1,393,421	77.2	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
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

ESTIMATED INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, DECEMBER 31, 1934, THROUGH SEPTEMBER 30, 2015[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
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.6	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
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] For 2015, figures are as of September 30; all other prior years are as of December 31. 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 2015, figures are for DIF. Amounts for 1989-2015 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, 2015

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	**$219,955.3**	**$155,013.6**	**$11,392.9**	**$76,334.6**		**$147,597.3**	**$110,042.2**	**$28,094.6**	**$9,460.5**	**$139.5**	**$72,497.5**
2015	9,303.5	8,846.8	0.0	456.7	0.0656%	(553.2)	(2,251.3)	1,687.2	10.9	0	9,856.7
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
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

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2015 (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)
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
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

INCOME AND EXPENSES, DEPOSIT INSURANCE FUND, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, THROUGH DECEMBER 31, 2015 (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)
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). The effective assessment rate for 2015 is based on year-to-date assessment income through September 30, 2015, divided by a three quarter average of the quarterly assessment base; the quotient is annualized.

[2] These expenses, which are presented as operating expenses in the Statement of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and do not include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Resolutions, net" line on the Balance Sheet. The narrative and graph presented on page 85 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 2015

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								
First National Bank of Crestview Crestview, FL	N	4,701	$73,804	$73,199	$73,338	$5,971	01/16/15	First NBC Bank New Orleans, LA
Highland Community Bank Chicago, IL	NM	2,807	$54,727	$53,453	$49,333	$5,573	01/23/15	United Fidelity Bank, FSB Evansville, IN
Capitol City Bank and Trust Company Atlanta, GA	NM	14,296	$272,311	$262,652	$269,980	$101,770	02/13/15	First-Citizens Bank and Trust Company Raleigh, NC
Doral Bank San Juan, PR	NM	207,722	$5,898,515	$4,097,734	$3,776,774	$669,343	02/27/15	Banco Popular de Puerto Rico Hato Rey, PR
Edgebrook Bank Chicago, IL	NM	1,614	$90,034	$90,007	$90,434	$16,782	05/08/15	Republic Bank of Chicago Oak Brook, IL
Premier Bank Denver, CO	SM	1,215	$26,760	$25,480	$25,665	$4,394	07/10/15	United Fidelity Bank, FSB Evansville, IN
The Bank of Georgia Peachtree City, GA	NM	13,204	$286,102	$264,234	$266,869	$23,155	10/02/15	Fidelity Bank Atlanta, GA
Hometown National Bank Longview, WA	N	297	$3,785	$3,705	$3,910	$1,614	10/02/15	Twin City Bank Longview, WA

[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, 2015. 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 - 2015

Dollars in Thousands

Bank and Thrift Failures[1]

Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Funding[4]	Recoveries[5]	Estimated Additional Recoveries	Final and Estimated Losses[6]
	2,610	**$941,284,493**	**$708,282,924**	**$574,389,053**	**$408,846,768**	**$56,802,281**	**$108,740,004**
2015	8	6,706,038	4,870,464	4,556,304	560,000	3,167,702	828,602
2014	18	2,913,503	2,691,485	2,677,550	320,142	1,949,750	407,658
2013	24	6,044,051	5,132,246	4,812,554	168,935	3,328,535	1,315,084
2012	51	11,617,348	11,009,630	10,141,109	1,633,237	5,926,222	2,581,650
2011	92	34,922,997	31,071,862	29,829,649	2,782,790	20,169,924	6,764,024
2010[7]	157	92,084,988	78,290,185	80,238,225	54,190,861	9,317,868	16,729,496
2009[7]	140	169,709,160	137,835,121	133,847,404	92,526,431	12,777,858	28,543,115
2008[7]	25	371,945,480	234,321,715	205,453,181	184,246,546	2,781,758	18,424,877
2007	3	2,614,928	2,424,187	1,920,444	1,451,701	302,160	166,583
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	4	170,099	156,733	139,121	134,978	226	3,917
2003	3	947,317	901,978	883,772	812,933	8,192	62,647
2002	11	2,872,720	2,512,834	520,543	1,711,173	(1,540,947)	350,317
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	1,307,876	711,758	5,801	590,317
1998	3	290,238	260,675	292,839	58,248	11,541	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	14,541,477	10,866,760	704	3,674,013
1991	124	64,556,512	52,972,034	21,500,010	15,496,730	4,998	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 - 2015

Dollars in Thousands

Assistance Transactions[1]

Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Funding[4]	Recoveries[5]	Estimated Additional Recoveries	Final and Estimated Losses[6]
	154	**$3,317,099,253**	**$1,442,173,417**	**$11,630,356**	**$6,199,875**	**$0**	**$5,430,481**
2015	0	0	0	0	0	0	0
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[8]	8	1,917,482,183	1,090,318,282	0	0	0	0
2008[8]	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

RECOVERIES AND LOSSES BY THE DEPOSIT INSURANCE FUND ON DISBURSEMENTS FOR THE PROTECTION OF DEPOSITORS, 1934 - 2015 (continued)

Dollars in Thousands

Assistance Transactions[1]							
Year[2]	Number of Banks/ Thrifts	Total Assets[3]	Total Deposits[3]	Funding[4]	Recoveries[5]	Estimated Additional Recoveries	Final and Estimated Losses[6]
1983	4	3,611,549	3,011,406	764,690	427,007	0	337,683
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 2015, figures are for the DIF.

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

[4] Funding represents the amounts provided by the DIF to receiverships for subrogated claims, advances for working capital, and administrative expenses paid on their behalf. Beginning in 2008, the DIF resolves failures using whole-bank purchase and assumption transactions, most with an accompanying shared-loss agreement (SLA). The DIF satifies any resulting liabilities by offsetting receivables from resolutions when receiverships declare a dividend and/or sending cash directly to receiverships to fund an SLA and other expenses.

[5] Recoveries represent cash received and dividends (cash and non-cash) declared by receiverships.

[6] Final losses represent actual losses for unreimbursed subrogated claims of inactivated receiverships. Estimated losses represent the difference between the amount paid by the DIF to cover obligations to insured depositors and the estimated recoveries from the liquidation of receivership assets.

[7] Includes amounts related to transaction account coverage under the Transaction Account Guarantee Program (TAG). The estimated losses as of December 31, 2015, for TAG accounts in 2010, 2009, and 2008 are $388 million, $1.186 million, and $13 million, respectively.

[8] Includes institutions where assistance was provided under a systemic risk determination.

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	Total	Assets	Deposits	Estimated Receivership Loss[2]	Loss to Fund[3]
Total	**748**	**$393,986,574**	**$318,328,770**	**$75,977,846**	**$81,581,460**
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	48,649,913

[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 the FRF's books. Year is the year of failure, not the year of resolution.

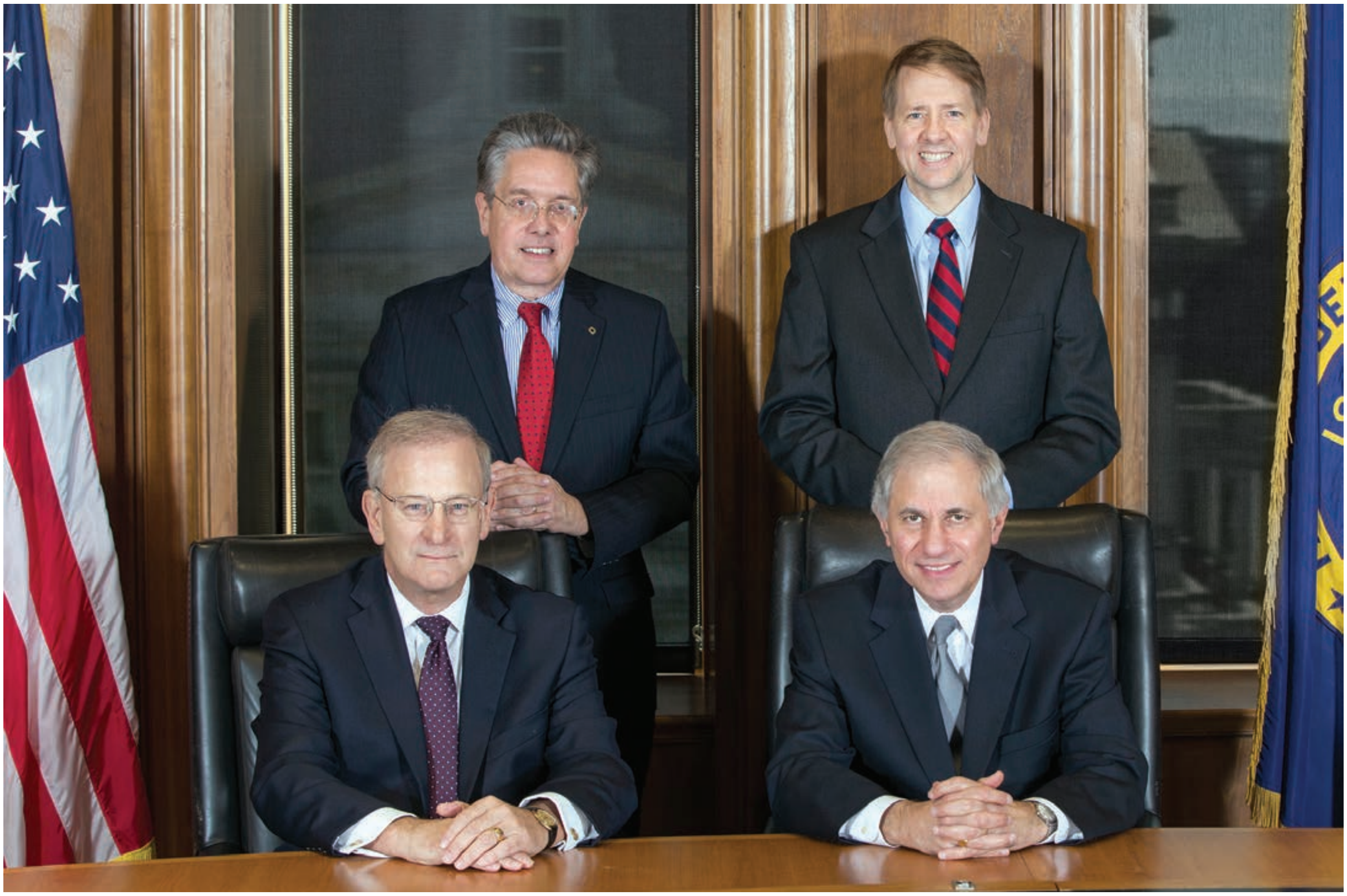
[2] The Estimated Receivership Loss represents the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF and unpaid advances to receiverships from the FRF.

[3] The Loss to Fund represents the total resolution cost of the failed thrifts in the FRF-RTC fund. In addition to the estimated losses for receiverships, the loss 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.

[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 and Martin J. Gruenberg.
Standing (left to right): Thomas J. Curry and 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.

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 is a Director of NeighborWorks® America and also a member of the Federal Financial Institutions Examination Council (FFIEC) where he served as Chairman for a two-year term from April 2013 until April 2015.

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.

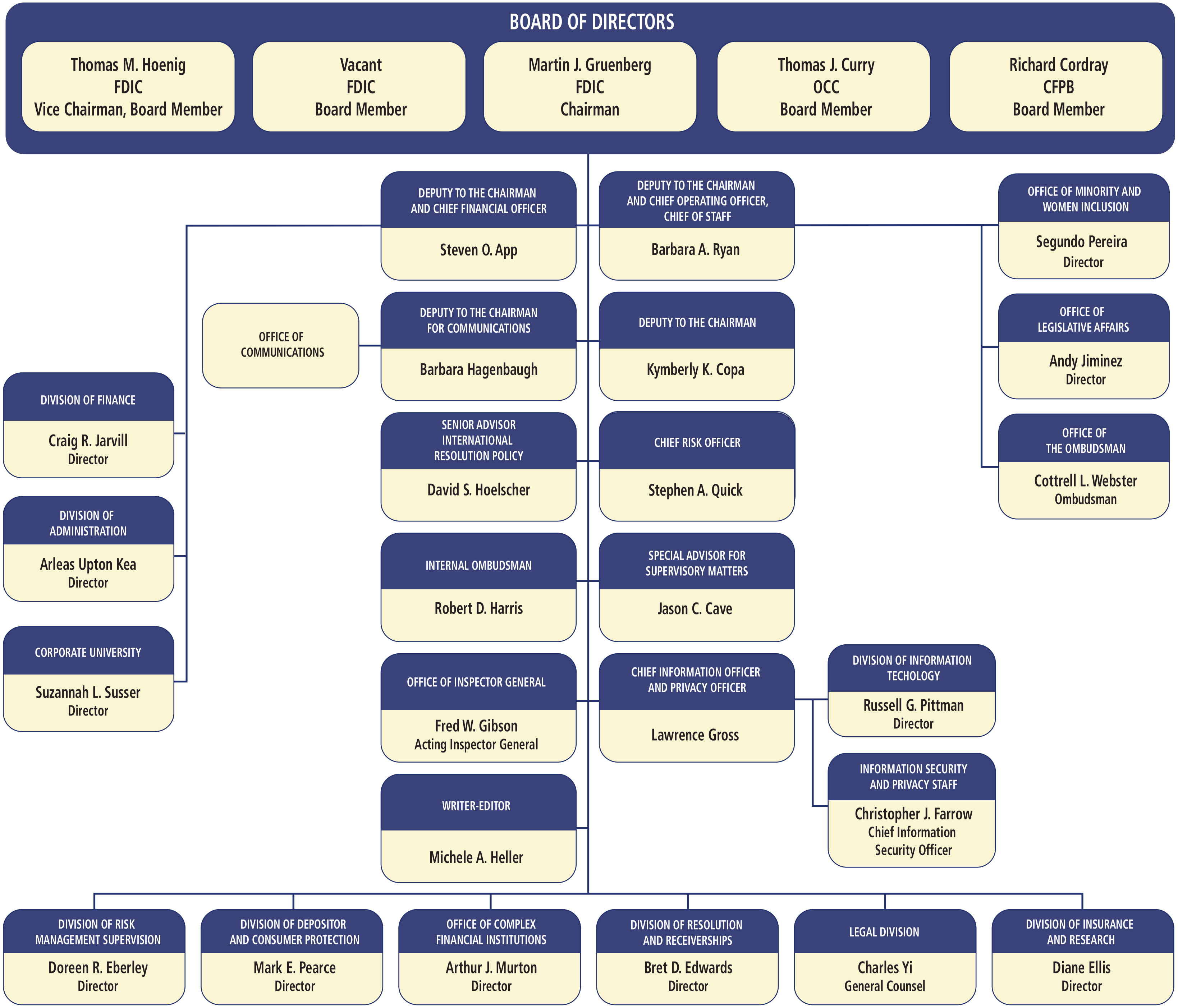
Earlier in his career, Mr. Cordray was an adjunct professor at the Ohio State University College of Law, served as a State Representative for the 33rd Ohio House District, was the first Solicitor General in Ohio's history, and was a sole practitioner and Counsel to Kirkland & Ellis. Mr. Cordray has argued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

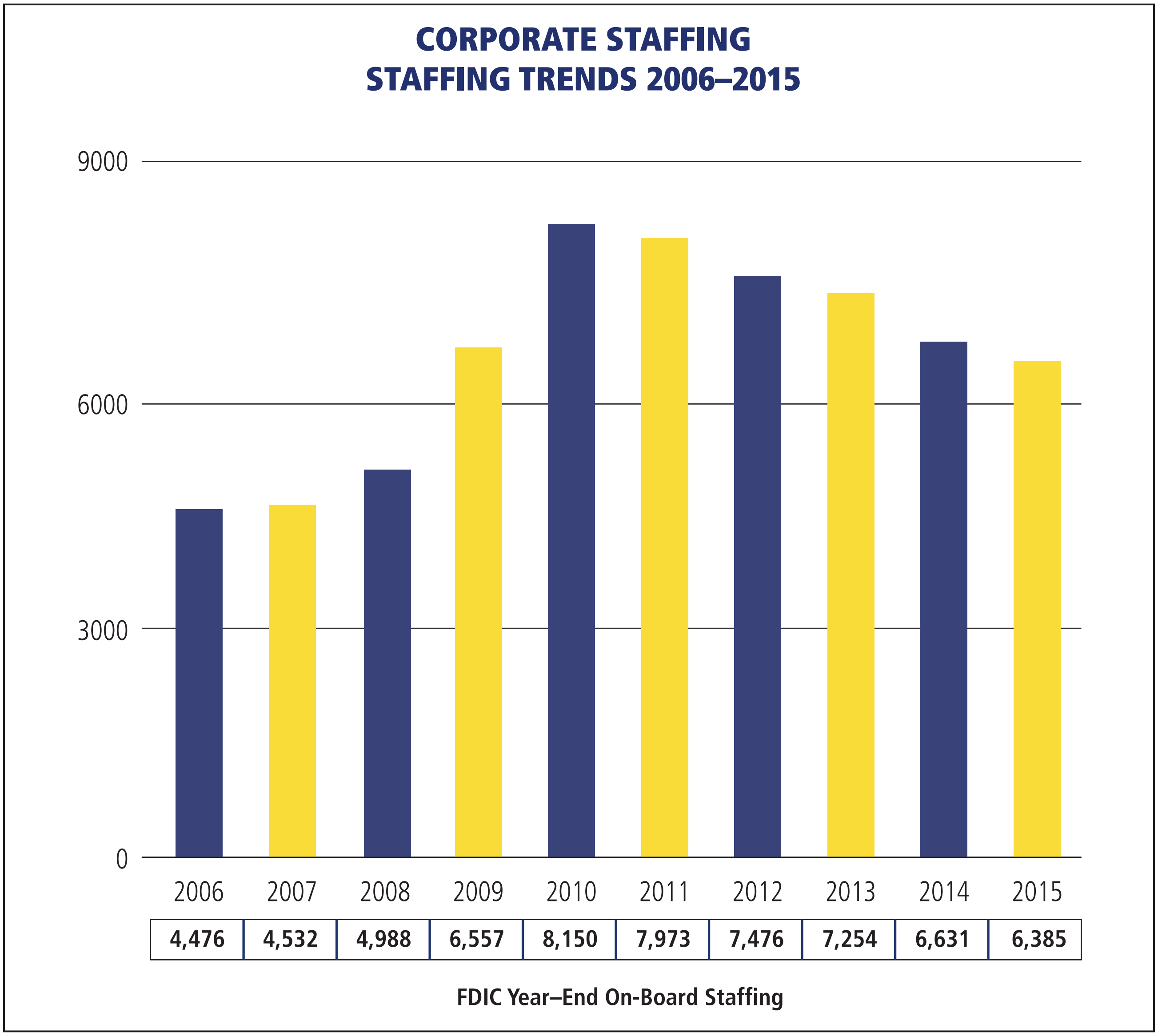
Mr. Cordray lives in Grove City, Ohio, with his wife Peggy—a Professor at Capital University Law School in Columbus—and twin children Danny and Holly.

Jeremiah O. Norton

Jeremiah O. Norton resigned from the FDIC Board of Directors as of June 5, 2015. Mr. Norton had been a Board member since April 16, 2012.

FDIC ORGANIZATION CHART/OFFICIALS





Note: 2008–2015 staffing totals reflect year-end full time equivalent staff. Before 2008, staffing totals reflect total employees on-board.

NUMBER OF EMPLOYEES BY DIVISION/OFFICE 2014 – 2015[1]						
	Total		Washington		Regional/Field	
Division or Office:	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Division of Risk Management Supervision	2,683	2,704	208	205	2,475	2,500
Division of Depositor and Consumer Protection	841	853	122	128	719	725
Division of Resolutions and Receiverships	719	884	149	159	570	725
Legal Division	564	601	356	375	208	226
Division of Administration	367	372	251	245	116	127
Division of Information Technology	319	324	252	254	67	70
Corporate University	194	205	187	196	7	9
Division of Insurance and Research	205	196	163	154	42	42
Division of Finance	171	170	169	168	2	2
Information Security and Privacy Staff	36	33	36	33	0	0
Office of Inspector General	119	115	74	73	46	42
Office of Complex Financial Institutions	62	68	52	59	10	9
Executive Offices[2]	22	23	22	23	0	0
Executive Support Offices [3]	84	85	76	76	8	9
Total	**6,385**	**6,631**	**2,115**	**2,147**	**4,270**	**4,485**

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

[2] 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 bank 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://catalog.fdic.gov

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.

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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, we keep in mind the FDIC's overall program and operational responsibilities; financial industry, economic, and technological conditions and trends; areas of congressional interest and concern; relevant laws and regulations; the Chairman's priorities and corresponding corporate goals; and ongoing activities to address the issues involved. The OIG believes that the FDIC faces challenges in the critical areas listed below, a number of which carry over from last year. These challenges 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 (SIFI). 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 fulfilling 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 (OCFI), an office established in response to the Dodd-Frank Act. That office has taken 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. Staff members from the FDIC's Division of Risk Management Supervision, Division of Resolutions and Receiverships (DRR), and Legal Division join OCFI in collaborative efforts and play key roles in implementing Titles I and II.

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 in developing policy to implement the provisions of the Act.

In a related vein, the FDIC will carry out risk assessments to identify supervisory, resolution, and insurance pricing-related risks in all insured depository institutions (IDIs) with more than $10 billion in assets, including those for which the FDIC is not the PFR, in addition to systemically important bank holding companies and nonbank financial companies subject to Title I of the Dodd-Frank Act.

Maintaining Strong Information Technology Security and Governance Practices

Essential to achieving the FDIC's mission of maintaining stability and public confidence in the nation's financial system is safeguarding 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 at the FDIC include errors and fraudulent or malevolent acts by employees or contractors working within the organization who may, for example, exfiltrate sensitive data from the workplace—so called "insider threats." 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 program that implements strategies to enhance cybersecurity within both the FDIC and the banking industry.

Going forward, a challenging priority for the FDIC will be to maintain effective communication and collaboration among all parties involved in ensuring a robust, secure information technology (IT) operating environment that meets the day-to-day and longer-term needs of the FDIC employees who depend on it. In that regard, as we pointed out in recent work under the Federal Information Security Modernization Act of 2014, the Corporation will need to ensure that the skills, training, oversight, and resource allocations pertaining to division and office information security managers enable them to successfully carry out their responsibilities. The FDIC has also relied heavily on its infrastructure services contract to support IT operations and implement security controls. If not properly managed, problems that affect the FDIC's IT operations could ensue. In addition, given the substantial financial investment in FDIC systems and related human resources, the Corporation needs to consider the cost-effectiveness and measurable business value outcomes in its decisions to fund major IT projects to ensure effective stewardship of millions of dollars in IT investments.

The Corporation will also need to ensure that its continuity of operations and disaster recovery plans are effective in addressing the negative impacts of natural disasters or other catastrophic events that disrupt its business processes and activities and other government activities. In this regard, in 2014, the FDIC placed into operation a Sensitive Compartmented Information Facility (SCIF) to meet continuity of operations requirements for a Level 2 agency. The SCIF was constructed to standards of Intelligence Community Directive 705, Sensitive Compartmented Information Facilities. The FDIC reported that the SCIF received physical security accreditation in August 2014 and that equipment was purchased to enable communications testing and assessments planned in the future. Such a facility can help ensure the security of the FDIC's systems and infrastructure and facilitate communications with other federal agencies if a widespread emergency occurs.

Maintaining Effective Supervision and Preserving Community Banking

The FDIC's supervision program promotes the safety and soundness of FDIC-supervised IDIs. The FDIC is the PFR for 4,037 FDIC-insured, state-chartered institutions that are not members of the Board of Governors of the Federal Reserve System. As such, the FDIC is the lead federal regulator for the majority of community banks. We have pointed out in our past work that a key lesson from the crisis is the need for earlier regulatory response when risks are building. Even now, for example, as they operate in a post-crisis environment, 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 bank management's attention, follow up on problems, bring enforcement actions as needed, and be alert to such risks as Bank Secrecy Act and anti-money-laundering issues. In doing so, the Corporation needs to execute its supervisory authority in a fair, consistent manner. 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 Bank Supervision and other related sub-groups.

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 and bankers and Boards of Directors need to ensure a strong control environment and sound risk management and governance practices in their institutions. Importantly, with respect to TSPs, 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. Controls need to be designed not only to protect sensitive customer information at banks and TSPs, 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.

The FDIC has tried over the past year to enhance the Corporation's IT supervision program for FDIC-supervised institutions and TSPs to focus on information security, cybersecurity, and business continuity. 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 FDIC Chairman continues to emphasize 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. The FDIC has sought to identify and implement changes to improve the efficiency and effectiveness of the community bank risk management and compliance examination processes, while still maintaining supervisory standards. To ensure the continued strength of the community banks, the Corporation will also 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, being attuned to harmful cyber threats in financial institutions and technology service providers, and preserving community banking will be critical to ensuring stability and continued confidence in the financial system going forward.

Carrying Out Current and Future Resolution and Receivership Responsibilities

One of the FDIC's most important roles is acting as the receiver or liquidating agent for failed FDIC-insured institutions. The FDIC's responsibilities include planning and efficiently handling the resolutions of failing FDIC-insured institutions and providing prompt, responsive, and efficient administration of failing and failed financial institutions in order to maintain confidence and stability in our financial system.

As part of the resolution process, the FDIC values a failing federally insured depository institution, markets it, solicits and accepts bids for the sale of the institution, considers the least costly resolution method, determines which bid to accept, and works with the acquiring institution through the closing process. The receivership process involves performing the closing function at the failed bank; liquidating any remaining assets; and distributing any proceeds to the FDIC, the bank customers, general creditors, and those with approved claims.

The FDIC places great emphasis on promptly marketing and selling the assets of failed institutions and terminating the receivership quickly. Although the number of institution failures has fallen dramatically since the crisis, these activities still pose challenges to the Corporation. As of December 31, 2015, DRR was managing 446 active receiverships with assets in liquidation totaling about $4.8 billion.

In addition, through purchase and assumption agreements with acquiring institutions, the Corporation has entered into shared-loss agreements (SLA). Since loss sharing began during the most recent crisis in November 2008, the Corporation has resolved 304 failures with accompanying SLAs. 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 ten years. The initial asset balance of the covered assets in these SLAs was $216.5 billion. As of December 31, 2015, 215 receiverships still had active SLAs, with a covered asset balance at that time of $31.5 billion.

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 receiverships retain a participation interest in future net positive cash flows derived from third-party management of these assets. As of December 31, 2015, the unpaid principal balance in 34 active arrangements was $3.3 billion. The FDIC will continue to evaluate termination offers from limited liability company (LLC) managing members in deciding whether to pursue dissolution of the LLCs if in the best economic interest of the receiverships.

As time passes and recovery from the crisis continues, these risk sharing agreements will continue to wind down and certain 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.

Given improving conditions in the economy and financial system, the Corporation has reshaped its workforce and adjusted its budget and resources accordingly. Notably, in the case of the FDIC's resolutions and receiverships workforce, authorized staffing fell from a peak of 2,460 in 2010 to authorized staffing of 756 for 2015. DRR will continue to substantially reduce its nonpermanent staff each year, based on declining workload.

These staff reductions bring with them a loss of specialized experience and expertise. As discussed in connection with the Dodd-Frank Act responsibilities, the Corporation must 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 remaining staff in DRR who could be called upon to lead critical resolution activities.

Ensuring the Continued Strength of the Deposit 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 deposit insurance funds. In response to the Dodd-Frank Act and in the interest of protecting and insuring depositors, the Corporation has designed a long-term DIF management plan. This plan complements the Restoration Plan, which is designed to ensure that the DIF reserve ratio will reach 1.35 percent by September 30, 2020. As of September 30, 2015, the reserve ratio had reached 1.09 percent.

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. As of December 31, 2015, the DIF balance was $72.6 billion, an increase of $9.8 billion over the year-end 2014 balance of $62.8 billion.

While the fund is considerably stronger than it has been, the FDIC must continue to monitor the emerging risks that can threaten fund solvency in the interest of continuing to provide the insurance coverage that depositors have come to rely upon. 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 collaborating with others involved 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, 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 will also be challenged to contribute to global financial stability by continuing its engagement with strategically important foreign jurisdictions and playing a leadership role in international organizations that support robust, effective deposit insurance systems, resolution programs, and bank supervision practices around the globe.

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 PFR to determine the institutions' compliance with laws and regulations governing consumer protection, fair lending, and community investment. These activities require regular collaboration with other regulatory agencies. In particular, the FDIC coordinates with the Consumer Financial Protection Bureau, created under the Dodd-Frank Act, on consumer issues of mutual interest and to meet statutory requirements for consultation relating to rulemakings in 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. One of the challenges articulated by the FDIC Chairman is to continue to increase access to financial services for the unbanked and underbanked in the United States. The Corporation will continue to develop and implement targeted strategies to expand access to mainstream financial institutions by populations that are disproportionately likely to be unbanked or underbanked. Input from the FDIC's 2015 *National Survey of Unbanked and Underbanked Households* will inform those strategies. In addition, the FDIC's Advisory Committee on Economic Inclusion, composed of bankers, community and consumer organizations, and academics, will continue to explore ways of bringing 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.

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

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 there will be a steadily decreasing need for nonpermanent employees over the next several years.

Given those circumstances, the FDIC Board of Directors approved a $2.32 billion Corporate Operating Budget for 2015, 3.0 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 6,886 positions, down from 7,200 previously authorized, a net reduction of 314 positions. This was 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. The need for these new skill sets comes at a time when the Corporation is focusing on succession management, in light of a substantial number of FDIC staff who are retiring. 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 its changing needs and priorities, and do so in a timely manner. Most recently, the Corporation has emphasized its Workforce Development Initiative as a means of fulfilling the FDIC's future leadership and workforce capability needs.

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 working environment. This office needs to ensure that it has the proper staff, expertise, and organizational structure to successfully carry out its advisory responsibilities to ensure diversity and inclusion throughout the Corporation.

The FDIC needs to sustain its emphasis on fostering employee engagement and morale on the part of all staff in headquarters, regions, and field locations. Its diversity and inclusion goals and initiatives, Workplace Excellence Program, and Workforce Development Initiative are positive steps in that direction and should continue to help create a workplace that promotes diversity and equal opportunity.

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 key business processes and 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, and others involve coordination with the other financial regulators and other external parties. The Corporation needs to maintain effective 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 systemically important financial institution.

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. The Corporation needs to maintain the trust and confidence that it has instilled over the years. The FDIC Board of Directors, senior management, 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

AEI	Alliance for Economic Inclusion
AMC	Appraisal management company
AML	Anti-Money Laundering
ANPR	Advanced Notice of Proposed Rulemaking
ASBA	Association of Supervisors of Banks of the Americas
BCBS	Basel Committee on Banking Supervision
BCP	Business Continuity Planning
BSA	Bank Secrecy Act
Call Report	Consolidated Reports of Condition and Income
CAMELS rating scale	Capital adequacy; Asset quality; Management quality; Earnings; Liquidity; Sensitivity to market risks
CAS	Claims Administration System
CCIWG	Cybersecurity and Critical Infrastructure Working Group
CCP	Central counterparties
CDFI	Community Development Financial Institution
CEO	Chief Executive Officer
CEP	Corporate Employee Program
CFI	Complex Financial Institution
CFO Act	Chief Financial Officers' Act
CFPB	Consumer Financial Protection Bureau
CFR	Center for Financial Research
CFTC	Commodity Futures Trading Commission
CMP	Civil Money Penalty
ComE-IN	Advisory Committee on Economic Inclusion
CRA	Community Reinvestment Act
CRE	Commercial real estate
CVSS	Common Vulnerability Scoring System
DFA	Dodd-Frank Act
DGP	Debt guarantee program
DIF	Deposit Insurance Fund
DRR	Designated Reserve Ratio
EC	European Commission
EDIE	Electronic Deposit Insurance Estimator
EGRPRA	Economic Growth and Regulatory Paperwork Reduction Act of 1996
ETS	Examination Tools Suite
FAQ	Frequently Asked Questions
FDI ACT	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FFMIA	Federal Financial Management Improvement Act
FHFA	Federal Housing Finance Agency
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
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
GAAP	Generally accepted accounting principles
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
G-SIFIs	Global Systemically Important Financial Institutions
IADI	International Association of Deposit Insurers
IDI	Insured depository institution
IMF	International Monetary Fund
IMFB	IndyMac Federal Bank
IT	Information technology
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
MFA	Multi-Factor Authentication

MOL	Maximum Obligation Limitation
MOU	Memoranda of Understanding
MRBA	Matters Requiring Board Attention
MWOB	Minority- and women-owned business
MWOLF	Minority- and women-owned law firms
NCUA	National Credit Union Administration
NPR	Notice of proposed rulemaking
NSFR	Net Stable Funding Ratio
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
OTS	Office of Thrift Supervision
P&A	Purchase and assumption
PFR	Primary federal regulator
QBP	Quarterly Banking Profile
ReSG	FSB's Resolution Steering Group
RESPA	Real Estate Settlement Procedures Act
RTC	Resolution Trust Corporation
SBA	Small Business Administration
SCIF	Sensitive Compartment Information Facility
SEC	Securities and Exchange Commission
SIFI	Systemically Important Financial Institution
SRM	Single Resolution Mechanism
SLA	Shared-loss agreement
SMS	Systemic Monitoring System
SNC Program	Shared National Credit Program
SNM	State Nonmember
SRAC	Systemic Resolution Advisory Committee
SRB	Single Resolution Board
SRM	Single Resolution Mechanism
SSGN	Structured sale of guaranteed note
TLGP	Temporary Liquidity Guarantee Program
TSP	Federal Thrift Savings Plan
TSP (IT-related)	Technology service providers
VIE	Variable interest entity
WE	Workplace Excellence

NOTES

2015
Federal Deposit Insurance Corporation

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