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.

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[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