1986 Annual Report

The 1986 Annual Report of the Federal Deposit Insurance Corporation is published by the FDIC.

Office of Corporate Communications, Room 6061-B, 550 17th Street, N.W., Washington, DC 20429.

Alan J. Whitney, Director

Stephen J. Katsanos, Assistant Director

Art Director: Geoffrey L. Wade
Designer: Geri Bonebrake
Photography: David Hathcox

Federal Deposit Insurance Corporation
Washington, D.C.
August 31, 1987

SIRS: In accordance with the provisions of section 17(a) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation is pleased to submit its Annual Report for the calendar year 1986.

Very truly yours,

L. Wm Seidman

L. William Seidman
Chairman

The President of the U.S. Senate

The Speaker of the U.S. House of Representatives

Board of Directors

The Board of Directors of the FDIC: (from left) C. C. Hope, Jr., Director, Robert L. Clarke, Comptroller of the Currency; and FDIC Chairman L. William Seidman.

L. William Seidman

L. William Seidman was elected Chairman of the Federal Deposit Insurance Corporation on October 21, 1985. Prior to his appointment to the FDIC, Mr. Seidman pursued an extensive career in the financial arena in both the private and public sectors. He was Dean of the College of Business of Arizona State University and a director of several organizations including the Phelps Dodge Corporation, Prudential-Bache Funds, United Bancorp of Arizona and The Conference Board. He has served as Co-chair of the White House Conference on Productivity, Vice-Chairman of the Phelps Dodge Corporation, Assistant to the President for Economic Affairs and Managing Partner of Seidman & Seidman, Certified Public Accountants, New York. He also was Chairman and Director of the Federal Reserve Bank of Chicago, Detroit Branch. Mr. Seidman received an A.B. degree from Dartmouth College, and earned an LL.B., from Harvard Law School. He also holds an M.B.A. from the University of Michigan. He is a member of the American Bar Association, the American Institute of Certified Public Accountants and several academic honorary fraternities including Phi Beta Kappa. He is the author of two books and numerous articles on business and tax subjects.

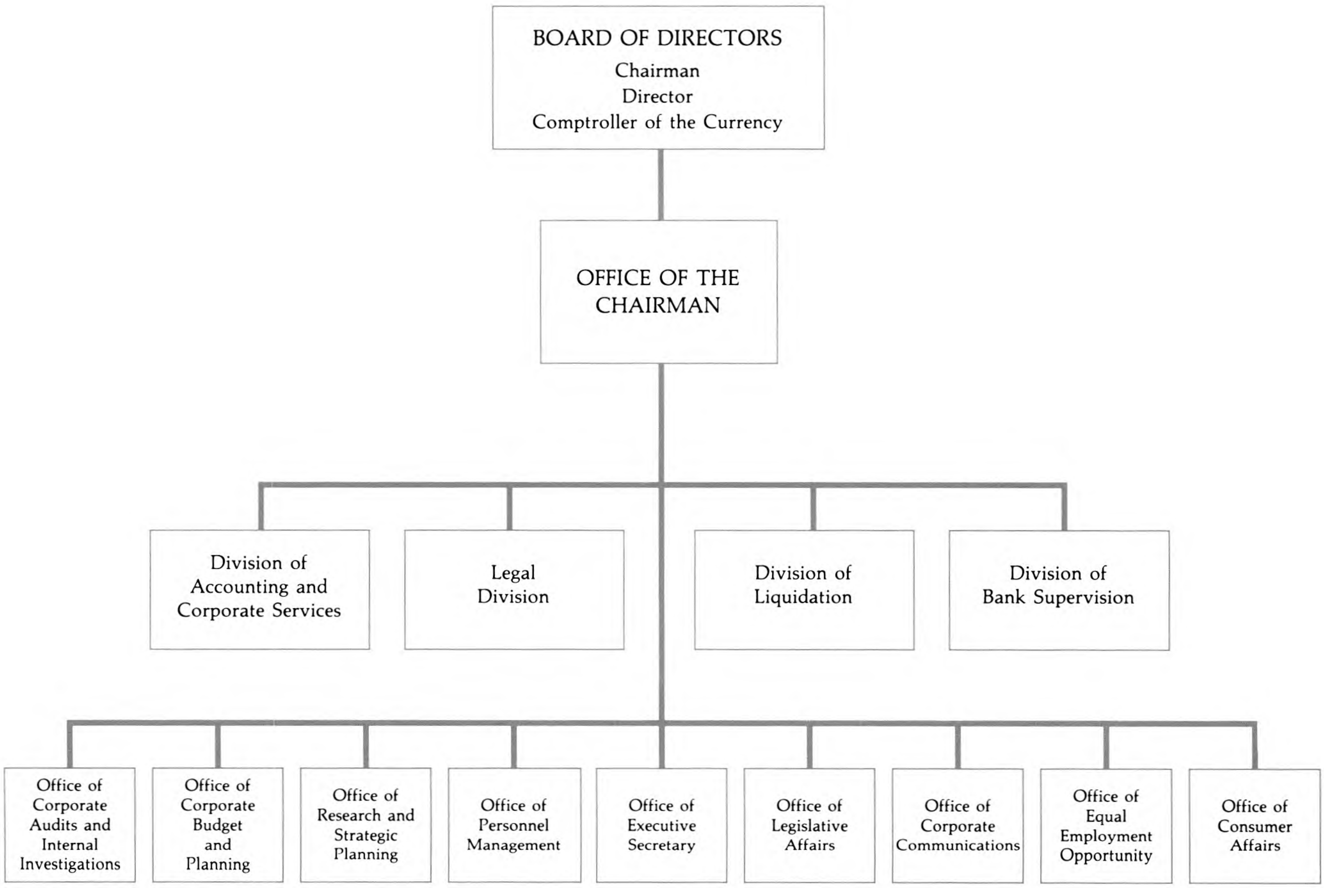
C. C. Hope, Jr.

C. C. Hope, Jr., was named to the Board of Directors of the Federal Deposit Insurance Corporation on March 10, 1986, confirmed by the Senate on March 27 and commissioned by President Reagan on April 7, 1986. Before his appointment to the FDIC, Mr. Hope spent 38 years at First Union National Bank of North Carolina in Charlotte where he retired as Vice Chairman in 1985. Mr. Hope is a former President of the American Bankers Association and has served as Secretary of the North Carolina Department of Commerce. In the field of educaton, Mr. Hope is a trustee and former Chairman of the Board of Wake Forest University and has been Dean of the Southwestern Graduate School of Banking at Southern Methodist University. He has completed graduate work at the Harvard Business School and the Stonier Graduate School of Banking at Rutgers University.

Robert L. Clarke

Robert L. Clarke became the 26th Comptroller of the Currency on December 2, 1985, and simultaneously became a member of the FDIC's Board of Directors. Before his appointment, Mr. Clarke founded and headed the Banking Section at the Houston, Texas, law firm of Bracewell & Patterson. He joined that firm after completing his military service in 1968. The Banking Section prepared corporate applications and securities registrations, counselled management in expansion opportunities and the effects of deregulatory initiatives, and represented institutions in enforcement matters. Mr. Clarke holds a BA in Economics from Rice University and an LL.B., from Harvard Law School. He is a member of the bars of Texas and New Mexico. He has served as a director for two state banks, and has been active in a number of civic, political and professional organizations.

FDIC Organization Chart



FDIC Officials

Deputy to the Chairman	David L. Kunkler
Assistant to the Chairman	David C. Cooke
Director, Division of Bank Supervision	Paul G. Fritts
General Counsel	John C. Murphy
Director, Division of Liquidation	James A. Davis
Director, Division of Accounting and Corporate Services	Stanley J. Poling
Director, Division of Research and Strategic Planning	Stanley C. Silverberg
Deputy to the Appointive Director	Robert V. Shumway
Special Assistant to the Appointive Director	John F. Bovenzi
Deputy to the Director (Comptroller of the Currency)	Dixon L. Mitchell
Executive Secretary	Hoyle L. Robinson
Director, Office of Corporate Communications	Alan J. Whitney
Director, Office of Legislative Affairs	Beth L. Climo
Corporate Budget and Planning Manager	Thomas P. Horton
Director, Office of Consumer Affairs	Janice M. Smith
Director, Office of Corporate Audits and Internal Investigations	Robert D. Hoffman
Director, Office of Personnel Management	Robert A. Dorbad
Director, Office of Equal Employment Opportunity	Mae Culp

REGIONAL DIRECTORS

Division of Bank Supervision

ATLANTA ________ **Edwin Burr**
Marquis 1 Building, Suite 1200, 245 Peachtree Center, N.E., Atlanta, Georgia 30303

BOSTON ________ **Jesse G. Snyder**
60 State Street, 17th Floor, Boston, Massachusetts 02109

CHICAGO ________ **Paul M. Rooney**
30 S. Wacker Drive, Suite 3100, Chicago, Illinois 60606

COLUMBUS ________ **John F. Gayton**
1 Nationwide Plaza, Suite 2600 Columbus, Ohio 43215 — Assistant Regional Director

DALLAS ________ **Kenneth L. Walker**
1910 Pacific Avenue, Suite 1900, Dallas, Texas 75201

KANSAS CITY ________ **Charles E. Thacker**
2345 Grand Avenue, Suite 1400, Kansas City, Missouri 64108

MEMPHIS ________ **Bill C. Houston**
5100 Poplar Avenue, Suite 1900, Memphis, Tennessee 38137

NEW YORK ________ **Edward T. Lutz**
452 5th Avenue, 21st Floor, New York, New York 10018

SAN FRANCISCO ________ **Anthony Scalzi**
25 Ecker Street, Suite 2300, San Francisco, California 94105

Division of Liquidation

ATLANTA ________ **William M. Dudley**
Marquis 1 Building, Suite 1100, 245 Peachtree Center, N.E., Atlanta, Georgia 30303

CHICAGO ________ **Thomas A. Beshara**
30 South Wacker Drive, Floor 32, Chicago, Illinois 60606

DALLAS ________ **G. Michael Newton**
1910 Pacific Avenue, Suite 1600, Dallas, Texas 75201

KANSAS CITY ________ **Carmen J. Sullivan**
2345 Grand Avenue, Floor 12, Kansas City, Missouri 64108

NEW YORK ________ **Michael J. Martinelli**
452 5th Avenue, Floor 21, New York, New York 10018

SAN FRANCISCO ________ **Lamar C. Kelly, Jr.**
25 Ecker Street, Suite 1900, San Francisco, California 94105

Table of Contents

Chairman's Statement

During 1986 the Federal Deposit Insurance Corporation faced the greatest challenge of its 53 year history. The employees of the Corporation responded with new techniques and fresh ideas. Despite a record number of bank failures, and lower interest income due to lower rates, the deposit insurance fund ended the year at an all-time high.

The FDIC insurance fund grew in 1986 from $17.9 billion to $18.2 billion, an increase of $296 million, or 1.65 percent. Revenues totaled $3.3 billion at year-end compared to $3.4 billion in 1985. Administrative operating expenses were approximately $222 million, and the provision for insurance losses totaled $2.8 billion. The combined total of expenses and losses of $3.0 billion was substantially more than 1985's total of $1.95 billion. The fund declined to 1.12 percent of insured deposits in 1986 from 1.19 percent in 1985 as insured deposits increased by about 8.7 percent.

In 1986, assessment income amounted to $1.6 billion (compared to assessment income of $1.4 billion in 1985). However, in addition to the 1986 operating costs and insurance losses of $3 billion, the agency had $1.1 billion in excess insurance losses and operating costs during 1985 which were carried into 1986. Therefore, no assessment credit was allowable for banks in 1986. The current $2.5 billion balance of excess operating costs and insurance losses must be carried forward for purposes of computing 1987's assessment rebate position.

Insurance losses in 1986 resulted from a post-Depression record of 138 bank failures — up from 116 in 1985. The FDIC also provided financial assistance to prevent the failure of seven banks, three more assistance transactions than the year before.

Approximately 41 percent of the commercial bank failures in 1986 were agricultural banks; and agricultural lenders continue to represent a significant portion of FDIC's problem bank list. At year-end, 1,484 of the nation's 14,837 commercial and savings banks were on the agency's list of problem banks, compared to 1,140 a year earlier. We expect continued growth in the number of problem institutions during 1987.

For the first time in 25 years overall bank profitability declined, as net income dropped 1.4 percent from 1985's level. About 20 percent of all FDIC-insured banks lost money last year compared to less than 17 percent in 1985. Banks' loan-loss provisions increased by 23 percent and non-performing assets rose 13 percent, despite loan charge-offs that were 24 percent higher than the year before. There were notable geographic differences in bank performance. Last year, 80 percent of the industry's unprofitable banks were in the western half of the country. By contrast, about 99 percent of the FDIC-insured savings banks located in the northeast reported operating profits during 1986.

We have taken a number of actions designed to improve our supervisory performance. A new examination program will result in more frequent examinations of all FDIC-supervised institutions. In recent years the frequency of examinations has decreased, particularly for those banks given favorable ratings during their last complete examination.

Unfortunately, due to staff reductions and growth in the number of problem institutions, the time between examinations is much too long. Our objective now is to reduce the interval between examinations.

During much of 1986, growth in the problem bank list averaged one bank each day, and the year ended with nearly one problem bank for each FDIC examiner in the field. As a result of this greatly increased workload, the agency intends to add about 600 field examiners to our supervisory force during 1987, a move which over the long term will mean improved "safety" supervision for the banking industry. Until these new examiners are fully trained, however, we will encounter difficulties in examining banks on a timely basis. To help manage this workload, the FDIC is testing the use of public accounting personnel, hired on a per diem basis, to supplement the field examination staff and assist in bank examinations. We are also exploring the possibility of requiring examination of some banks by CPAs.

In addition to expanding on-site examination resources, we are making better use of our off-site monitoring program. Computerized surveillance systems are used to review a bank's Reports of Condition and Income. Such off-site monitoring capability can help identify problem cases, predict failures in advance, and will help in allocating our examination assignments.

To increase productivity and efficiency, every division and office was directed to develop productivity measures and goals. We are committed to finding better ways to use our limited resources to cope with a burgeoning workload. Use of forbearance and open bank assistance — two important tools that help to reduce the costs involved in dealing with troubled banking institutions — increased substantially during the year.

An increased workload required improved performance in our financial accounting, automation and support services areas. Better data processing systems, a new telephone/communications system, and new operational/accounting processes enabled the Division of Accounting and Corporate Services to cope with these demands. Financial operations were greatly improved by gains associated with the new Financial Information System and field implementation of the Liquidation Asset Management System.

The Division of Liquidation (DOL) dealt effectively with the record number of failures as they occurred, shifting personnel throughout the country as needed to make sure depositors remained confident in the FDIC's ability to protect their funds. Despite the tremendous growth in failure cases and the strain on staff resources, DOL also was able improve its collection performance.

The DOL began 1986 with $9.7 billion of distressed assets in its portfolio and, due to the 138 bank failures during the year, assumed responsibility for liquidating additional assets with a book value of $3.5 billion. Despite this tremendous increase, the liquidation staff collected a record $1.8 billion in principal and interest during 1986, ending the year with $10.8 billion of distressed assets in its portfolio. DOL success in limiting growth in the portfolio by vigorously developing new markets and sales approaches enabled us to maintain our cash position.

FDIC efforts to use open bank assistance are helping to minimize the rate of growth in the liquidation portfolio. The FDIC updated its assistance guidelines during 1986 so that bankers and the public would be able to adequately assess the conditions under which assistance will be granted. Assistance must be the least-cost alternative. Open bank assistance has the advantage that local borrowers continue to conduct their business with an operating bank, which means community disruption is minimized. Furthermore, because the FDIC is able to avoid acquiring new assets for liquidation with attendant losses as a liquidator, assistance transactions can translate into substantial savings for the insurance fund.

The FDIC stepped up its efforts in dealing with fraud or abusive insider activity, which continue to be significant factors in bank failures. In 1986, insider abuse and fraud were detected in about 32 percent of the year's failures. Finding fraud and abuse is now one of the primary objectives of bank examinations. The FDIC activated a system of "red flags" that examiners will use in looking for evidence of misbehavior. This system covers internal and management controls, the loan portfolio, the reserve for loan losses and other areas that should be scrutinized for fraud. As part of our new emphasis on fraud prosecution, we have developed a computer system to track criminal referrals and to provide status reports to field offices. In addition, banks must now report suspected crimes to regulators.

In 1986, the FDIC also sought new legislation to assist the Corporation in dealing with failing and closed banks. We asked for an extension and expansion of the emergency interstate acquisition authority that terminated with the 1986 expiration of the Garn-St Germain Depository Institutions Act. We are encountering an increasing number of cases where few (or no) bids to acquire a failed bank are submitted to the FDIC. An expanded opportunity to seek buyers from out-of-state can reduce our costs.

The FDIC also sought authority to operate failed banks to bridge the gap between insolvency and an orderly acquisition by a healthy institution. With the FDIC operating such a "bridge bank," potential buyers would have an opportunity to assess their risks more thoroughly and acquire more of a failed bank's assets. This would minimize disruption to banking services and keep funds flowing to borrowers until a more permanent solution can be arranged.

The FDIC worked for legislation in administrative and supervisory areas. We urged prompt recapitalization of the Federal Savings and Loan Insurance Corporation, not only to protect savings and loan depositors, but also to preserve confidence in all federally insured financial institutions. We asked that it be made clear that our traditional exemption from the apportionment provisions of the Antideficiency Act be continued.

The FDIC sought authority to assess risk-based deposit insurance premiums. With this type of insurance, premiums would more closely reflect each institution's potential for causing insurance losses.

Two important policy statements were announced during the year — disclosure of financial information by banks and the establishment of risk-based capital guidelines.

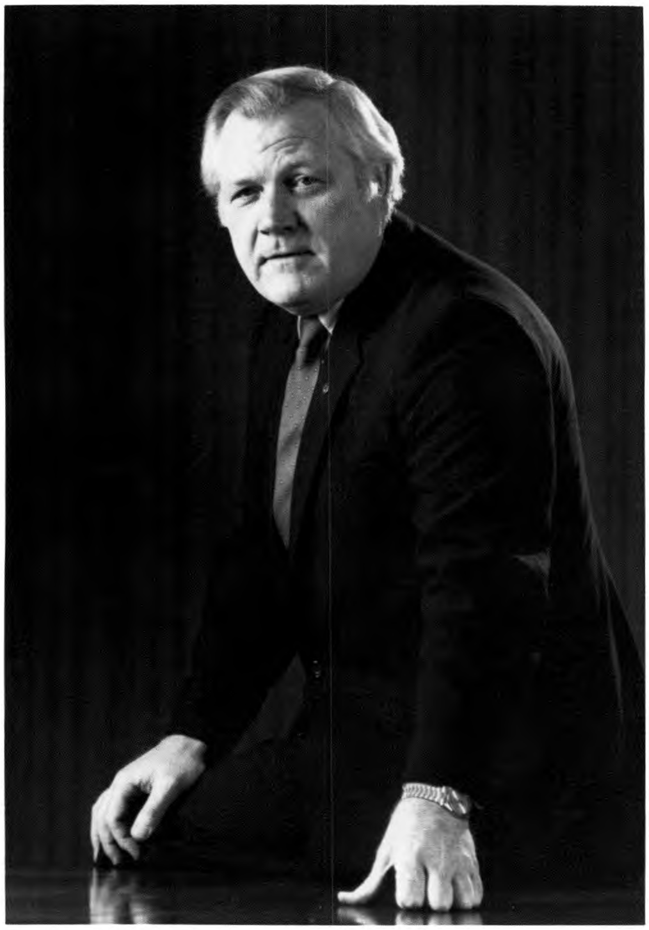
In 1987, the FDIC again expects great challenges, with a record number of bank failures and problem banks. As in 1985 and 1986, the remarkable skills and dedication of the professionals who work for the Corporation will make it possible for the Corporation to fulfill its obligations to depositors and the financial system.

L. Wm Seidman

Operations of the Corporation

Division of Bank Supervision

by
Paul G. Fritts
Director



Unprecedented challenges confronted the Division of Bank Supervision (DBS) during 1986 as problems in the energy, agricultural and real estate sectors of the economy persisted. The number of problem banks increased over 30 percent to 1,484 leaving 10.0 percent of all insured banks as problems by year end. By comparison only 2.5 percent of all insured banks were considered problems at the end of 1982. The number of banks either failing or requiring FDIC financial assistance also rose from 120 in 1985 to 145 this year setting a post-Depression record. This number is even more significant when compared to 1981 when only 10 banks failed.

Problem banks require both frequent and intensive supervision. As a rule of thumb, problem bank examinations exhaust from 2 to 3 times as many examiner hours as do nonproblem banks. Past budget constraints have resulted in DBS having to cope with the increased problems with fewer examiners, who serve as the linchpins of bank supervision. For example, DBS had 1,856 examiners in 1981 but only 1,547 in 1985. We began to accelerate hiring in 1986 with the number of examiners growing to 1,726 at year-end. Despite the shortage of examiners, DBS has met the challenge without loss of public confidence in the integrity of the federal deposit insurance fund. We have accomplished this primarily by focusing our resources on problem situations while stretching to the limit the examination cycle for nonproblem institutions.

During the year a growing number of banks were unable to obtain affordable bankers' blanket bond coverage and director and officer liability insurance. We at the FDIC have been meeting with bankers, trade groups and insurers in order to foster better communications and resolve misunderstandings. Progress was made.

Even greater challenges await us in 1987. First, we project the continuation of a large problem bank portfolio and expect even more failures and assistance transactions than occurred in 1986. Moreover, deregulation of the financial service industry continues. Banks are expanding into a host of nontraditional activities that expose the deposit insurance fund to a variety of risks and that require the development of specialized expertise from our examination force. While we endorse the thrust of deregulation, it does make the supervisor's job more difficult.

DBS will meet the demands of the future through a multipronged approach. A newly revised computerized system will improve our off-site monitoring capabilities. The level of supervision over all insured banks will be intensified, including those in nonproblem status. Our on-site presence will increase through a combination of more visitations and shortening of the examination cycles. A management reporting system is being developed to measure both the cost and productivity of all major DBS activities. Underway is a DBS management study, to be completed early in 1987, that will help us further streamline operations and eliminate duplication of effort between our Washington and regional offices. Examining more banks more often and maintaining close supervision over troubled banks will require many more examiners. Approximately 600 new bank examiners will be hired during 1987 and our commitment to training will continue. In these ways we will meet the challenges posed by a dynamic and changing industry and individual institutions beset with lingering and significant problems.

Examinations

The Corporation's bank examination program is the foundation of a coordinated operation to promote safe and sound banking and to ensure compliance with applicable laws and regulations.

The Corporation conducts four principal types of examinations: 1) for safety and soundness; 2) for compliance with consumer and civil rights laws and regulations; 3) for proper performance of fiduciary responsibilities in trust departments, and 4) for adequacy of internal controls in electronic data processing operations.

Corporation examiners in 1986 conducted 5,390 such examinations compared to 4,885 in 1985.

The Corporation continues to place its examination emphasis on those banks that constitute the greatest risk to the deposit insurance fund. This includes both large banks and problem banks.

EXAMINATIONS — Division of Bank Supervision (DBS)

	1986	1985
Safety and soundness		
State nonmember banks	2,795	2,436
Savings banks	171	186
National banks	172	271
State member banks	56	47
Total	3,194	2,940
Compliance and civil rights	1,436	1,251
Trust departments	333	272
Data processing facilities	427	422
Grand Total	5,390	4,885

Problem Banks

As the federal insurer of bank deposits, the FDIC problem list includes national, state member, FDIC insured federal savings banks, and insured state nonmember banks and thrifts. The problem list is based on the Uniform Financial Institutions Rating System that rates banks on a scale of one through five in ascending order of supervisory concern. Those institutions accorded either a "4" or "5" under the rating system are considered to be "problem banks."

At year-end 1986, the FDIC list of problem banks was at an all-time high, a reflection of its dramatic growth over the past several years.

FDIC PROBLEM BANKS

	1982	1983	1984	1985	1986
Total Insured Banks	14,767	14,759	14,825	14,906	14,837
Problem Banks	369	642	848	1,140	1,484
% Increase in Number of Problem Banks	65.5%	74.0%	32.1%	34.4%	30.2%
% of Total Insured Banks	2.5%	4.4%	5.7%	7.6%	10.0%

Banks of supervisory concern usually result from the historically common factors of poor loan quality and/or mismanagement. However, the sharp growth of problem banks in 1986 is primarily attributable to continuing problems in the agricultural and energy sectors with some related spillover into real estate and business markets in certain areas of the country.

We should not lose sight of the extent to which banks are rehabilitated and removed from the problem bank list. While many banks with severe problems eventually do fail, a large number, usually with close supervisory guidance, are able to resolve their problems and restore their condition to a point where they no longer warrant more than normal concern, as shown by the following chart.

CHANGES IN FDIC PROBLEM BANK LIST

	1982	1983	1984	1985	1986
Deletions	125	149	296	312	494
(Includes Failed Banks or FDIC Assisted Banks)	(42)	(48)	(79)	(120)	(145)
Additions	271	422	502	604	838
Net Increase	146	273	206	292	344

Capital Forbearance

In March 1986 the FDIC adopted, jointly with the other federal bank regulators, a policy of capital forbearance for banks with agricultural and energy lending concentrations. This policy recognizes that a major function of capital is to absorb unanticipated losses and help an organization weather a period of adversity. Therefore, well-managed banks suffering because of a concentration of loans to these two troubled sectors are permitted to operate with capital levels below regulatory standards if it appears that the banks have adequate plans to restore capital.

Off-site Monitoring Systems

A major overhaul of our commercial bank monitoring system resulted in discontinuation of a system which had been used for several years and creation of the Extended Monitoring System (EMS). The EMS is a computerized system designed to aid examiners and analysts in identifying and evaluating banks of supervisory concern, to provide background information for use during on-site examinations, and to provide management with an efficient and flexible tool for use in scheduling and prioritizing institutions for on-site review.

Consumer Protection

The DBS Office of Consumer Programs (OCP) is responsible for the Corporation's consumer and civil rights protection efforts. The primary mission of OCP is to respond to consumer complaints and inquiries. These complaints and inquiries are handled primarily in the FDIC regional offices, each of which has a Consumer Affairs and Civil Rights Review Examiner. At the end of 1986 the FDIC Board of Directors created a new independent Office of Consumer Affairs. This action reflects our new emphasis on the importance of consumer issues in banking.

During 1986, 2,824 complaints and 23,695 inquiries were received by the FDIC nationwide. Total complaints increased by 47.9 percent and total inquiries increased by 17.0 percent over the levels reported in 1985.

Banks are examined for compliance with consumer protection statutes on a graduated schedule, with those banks in need of special supervisory attention receiving more frequent examinations. In implementing the requirements of the Truth in Lending Act the FDIC obtained $524,200 in reimbursements to 4,980 customers from 67 insured nonmember banks in 1986.

Automated Examinations

Dramatically increased automation is improving the efficiency of the FDIC's examination program. By early 1987, all examination reports will be submitted on computer diskettes. With microcomputers, the field staff is now able to produce a high quality product that may only require final printing in the regional office. The volume of paper has been reduced and the time needed for gathering data has been shortened. At the end of 1986, 533 microcomputers had been distributed to the field staff, up from 34 at the end of 1984. Plans call for the acquisition of an additional 500 computers in 1987 and distribution of new standardized examination software that promises faster operational speed and more efficiency.

Fiduciary Oversight

The FDIC's supervisory responsibilities include bank trust department and securities activity examination, regulation and applications review. During 1986, consent was given to 50 banks to begin exercising trust powers. Final statistics for year-end 1985 (the most recent figures available) indicate that the Corporation supervised 1,998 active trust departments. FDIC-supervised banks had investment discretion of over $101 billion in trust assets, and responsibility for an additional $236 billion in non-managed assets. The Corporation supervised the securities activities of 280 banks that each had more than $1 million in total assets and 500 or more shareholders. In addition, 298 banks were registered as securities transfer agents at year-end 1986, and the Corporation conducted about 50 examinations of their activities.

Training

The complex supervisory approach for banks called for in a deregulated banking environment requires not only a greater number of examiners but also better training. During 1986, 336 trainee bank examiners were hired, increasing the Division's field examiner staff to 1,726. About 600 new examiners will be hired in 1987, which after attrition will increase the examiner staff to about 2,100.

DBS operates a Training Center in Rosslyn, Virginia. In 1986, training classes were held for 2,475 FDIC examiners, 420 state examiners, and 46 personnel from other FDIC divisions, other federal agencies and several other countries. This includes approximately 500 who received training in microcomputer use at a Leesburg, Virginia, location. Versions of three schools also were conducted for 136 state examiners in field locations and, for the first time in 1986, update seminars for 118 FDIC personnel were introduced at the regional level. In all, FDIC examiners attended 2,475 internal training sessions in 1986. This is projected to increase to 3,250 in 1987. In addition, FDIC examiners and state examiners, under FDIC sponsorship, attended 668 Federal Financial Institutions Examination Council (FFIEC) courses supported by the Training Center. Finally, many examiners attended a variety of courses and seminars sponsored by external organizations.

Over 600 persons from examiners to the Chairman were called upon to participate as instructors at FDIC schools in 1986. Another 57 FDIC persons conducted classes in FFIEC courses. This "staff" of instructors was augmented by speakers from banking, academia, and related business fields.

Applications

Proposed new, and operating noninsured, state-chartered banks and U.S. branches of foreign banks desiring federal deposit insurance must apply to the FDIC. Banks supervised by the FDIC must apply to establish new branches or facilities or to relocate existing offices or facilities. The FDIC also reviews merger, consolidation or purchase and assumption transactions if the resulting bank would be subject to FDIC supervision, or any merger-type transaction involving any FDIC-insured bank and a noninsured institution. The FDIC also has authority over changes in control of state nonmember banks and, under certain circumstances, over who may serve as a director, officer, or employee of an insured bank.

The following table shows the FDIC's actions on selected types of applications as compared to the previous year:

FDIC APPLICATIONS

	1986	1985
Deposit Insurance	195	231
Approved	190	226
Denied	5	5
New Branches	804	758
Approved	801	756
Branches	676	584
Limited Branches	70	85
Remote Services Facilities	55	87
Denied	3	2
Mergers	244	208
Approved	244	207
Denied	0	1
Requests for Consent to Serve	72	61
Approved	70	53
Denied	2	8
Notices of Changes in Control	121	159
Letters of Intent Not to Disapprove	118	153
Disapproved	3	5

The volume of applications for deposit insurance declined in 1986 but was high by historical standards. The unusual volume in 1985 was precipitated by events in Ohio and Maryland that caused institutions insured by private deposit insurance funds to seek federal deposit insurance. The trend toward federal deposit insurance is expected to continue. Merger-type applications continued at a rapid pace in 1986 with transactions involving FDIC-insured institutions and non-FDIC insured institutions comprising 39 percent of the total applications.

To reduce processing time for routine applications, the Board of Directors has delegated significant authority to the Board of Review and DBS. In 1986, 91 percent of the total actions were taken pursuant to delegated authority.

Criminal Activity and Insider Abuse

In April 1986, the Corporation adopted a new rule requiring insured nonmember banks to report criminal violations to federal law enforcement authorities and to the FDIC. The rule assures that the specific information needed by investigators and prosecutors for effective law enforcement is provided in an orderly and timely fashion.

Personal contacts between law enforcement officials and bank examiners were strengthened and reinforced during 1986 through joint training sessions and forums established in several regional cities. The Bank Fraud Enforcement Working Group, established by the Attorney General and the federal bank supervisory agencies in December 1984, has improved communication and coordination, developed a uniform criminal referral form to ensure prompt reporting of suspected crimes, established a training program, and implemented a tracking system for major bank fraud cases. A comprehensive data base covering criminal referrals has also been developed.

The Division is developing a comprehensive list of "red flags" to aid bank examiners and auditors in detecting and preventing fraudulent transactions. This supervisory tool alerts the examiner or auditor to the warning signs of fraud, provides information on the potential problems underlying the warning signs and suggests investigative alternatives.

Money laundering became a federal crime on October 27, 1986, when the Anti-Drug Abuse Act of 1986 became law. The Bank Secrecy Act was amended to prohibit the structuring of transactions to avoid the currency reporting requirements and regulations were established requiring banks to maintain procedures to assure compliance with the Department of Treasury's currency reporting regulations.

International Banking

The FDIC grants deposit insurance coverage to domestic branches of foreign banks. One such application was approved during the year. In 1986, the Uniform Report of Examination for Branches and Agencies of Foreign Banking Organizations was revised. At year end, the number of insured foreign branches was 52 and the number of foreign banks with one or more insured U.S. offices was 23.

The FDIC is one of the permanent representatives of the United States at the International Committee on Banking Supervision and Regulation, a committee of bank supervisors from the major developed countries. Last year the committee primarily dealt with capital adequacy, risk-related capital, exchange of supervisory information, and off-balance sheet risk. During 1986, on more than 50 occasions, the FDIC received visitors and official delegations representing over 25 foreign countries seeking an understanding of U.S. bank regulation, FDIC policies, procedures and methods of assessing risk.

Risk-Based Capital

Standards for evaluating bank capital adequacy on a risk-adjusted basis were proposed by the FDIC, the Federal Reserve Board, and the Office of the Comptroller of the Currency and were under active consideration at year end. The standards are based on the principle that the amount of a bank's capital should be related to its overall risk profile. Risk-based capital standards assign a bank's assets and certain off-balance sheet items to broad risk categories that are weighted according to relative risk. Incorporating off-balance sheet risks into the proposed capital calculation reduces the disincentives to holding low-risk assets, and moves U.S. bank capital standards in the direction of greater convergence with many foreign countries.

Open Bank Assistance Transactions

The Board of Directors of the Federal Deposit Insurance Corporation has authority to provide assistance, under certain circumstances, to prevent the closing of an insured bank. A revised statement of the FDIC's policy for considering open bank assistance was adopted in December. In 1986, the FDIC provided open bank financial assistance to commercial banks in seven instances, as contrasted to four instances in 1985.

Commercial Bank Failures

At 138, the number of FDIC-insured bank failures in 1986 again set a post-Depression record, exceeding the previous record of 116 set in 1985. Approximately 58 percent of the 1986 failures involved state nonmember banks with average deposits of less than $41 million. Total deposits in failed banks in 1986 aggregated to approximately $6 billion, as compared to $8 billion in 1985 and $2.9 billion in 1984. States with the highest number of failures in 1986 were Texas (26), Oklahoma (16), Kansas (14), and Iowa (10). High failure rates in these states are largely attributed to continued severe problems being experienced in the agriculture, energy and real estate industries.

While economic factors were major contributors to bank failures, weak management, poor lending practices, insider abuse and fraud continued to play a significant role. Some 32 percent of bank failures in 1986 involved insider abuse or fraud to at least some degree.

Fifty-nine of the 1986 commercial bank failures involved agricultural banks, contrasted to 62 agricultural bank failures in 1985 and 25 in 1984. These were banks in which agriculture-related loans accounted for 25 percent or more of their loan portfolio.

Purchase and assumption transactions ("P&A") were effected in 98 of the 138 bank failures in 1986. In these cases, a healthy institution assumed the deposits and other liabilities and purchased a portion of the assets of the failed bank, averting the necessity to pay off insured depositors. In 97 of these cases, premiums totaling in excess of $113 million were paid by the assuming banks, which resulted in direct savings to the FDIC in excess of $100 million. A "negative premium" of $72 million was incurred in the First National Bank and Trust Company of Oklahoma City ("P&A") transaction. In return, the FDIC received an issue of limited participating preferred stock, with dividends based on future operating results of the bank. Justification for the cost to the FDIC was based on a determination that continued operation of the bank was essential to the community in which it was located.

"P&A" transactions included three acquisitions by out-of-state bidders. Of these, 2 were arranged under authority of provisions of the Garn-St Germain Depository Institutions Act of 1982 prior to its expiration. The remaining transaction was accomplished under provisions permissible under state law.

Various states have enacted interstate banking provisions that, at a minimum, permit interstate acquisitions in certain emergency situations. This trend continued in 1986. Some of the state statutes discriminate in favor of in-state bidders and establish cumbersome procedures but, for the most part, they are considered useful in facilitating the disposition of insured banks that have failed or that are in danger of failing.

In 19 failed bank situations, the FDIC arranged insured deposit transfers in which insured deposits were made available to their owners by transferring the accounts to either an existing healthy institution or to a newly formed bank. This method is used when a failed bank has substantial contingencies and/or an acceptable purchase and assumption transaction for all deposits cannot be arranged. The FDIC received $4,014,000 of premiums from the acquiring banks in these transactions.

The FDIC directly paid depositors their insured claims in 21 bank failures because neither a purchase and assumption transaction nor an insured deposit transfer could be arranged.

In 11 instances involving insured deposit transfers or direct payoff of insured depositors, the FDIC made advance payment to uninsured depositors and other creditors averaging 50 percent of uninsured claims.

Savings Banks

The number of problem savings banks (including federally-chartered savings banks insured by the FDIC) declined from 48 in December 1984, to 42 in December 1985, and to 27 in December 1986. During 1986, these institutions operated in a relatively low interest rate environment which gave them the opportunity to restructure their balance sheets and earn money.

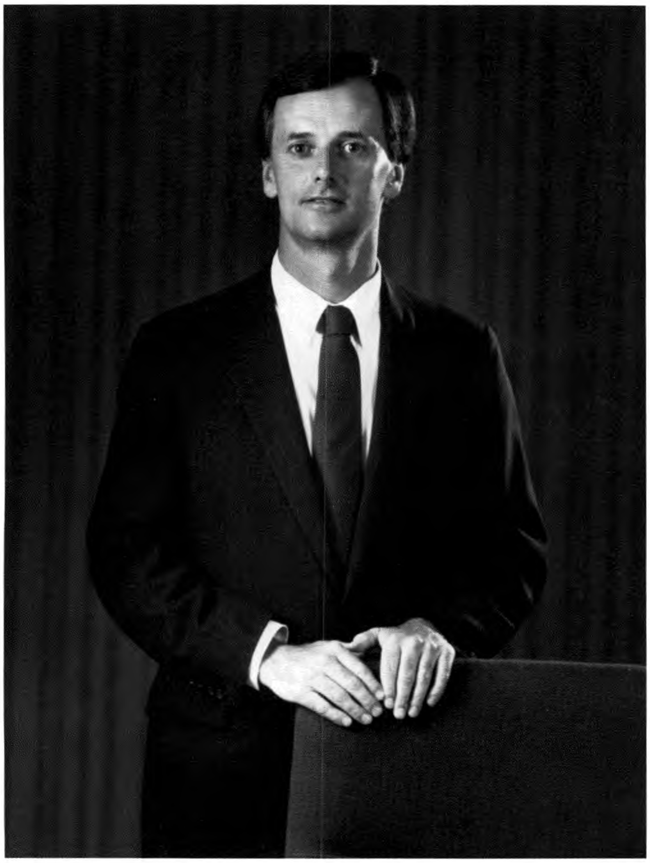
As a result of improved conditions in the industry during 1986, 25 of the 364 FDIC-insured mutuals in existence as of December 1985 converted to the stock form of ownership. The total number of FDIC insured savings banks increased during 1986 from 364 to 475 due largely to the conversion of privately-insured mutuals in Massachusetts to FDIC insurance status.

The net worth certificate program, authorized by the Garn-St Germain Depository Institutions Act of 1982, has helped provide time for a number of troubled savings banks to restructure their portfolios and return to profitability. Depository institutions eligible for the program were those that had suffered earnings and capital losses primarily from mortgage lending activities that predated enactment of the Act. The net worth certificate program was extended twice by the Congress, but expired on October 13, 1986.

Net worth certificates represent an exchange of promissory notes between the FDIC and an insured bank. The FDIC's promise to pay is available to meet the demands of depositors and other creditors if the bank is liquidated. As of December 31, 1986, the FDIC's net worth certificate program included 12 institutions with aggregate certificates outstanding of $526 million, down from 21 institutions with net worth certificates outstanding of $705 million at the end of 1985.

Legal Division

by
John C. Murphy
General Counsel



As a legal service organization, the Legal Division's workload normally mirrors that of its principal clients. The Directors of the Divisions of Bank Supervision and Liquidation have described elsewhere in this report the burgeoning workloads and the many challenges their Divisions faced in 1986. There was no exception for our Division, either in terms of workload or challenges during 1986. As one of my colleagues aptly put it, 1986 was a "year of mosts" — the most bank failures, the most open bank assistance transactions, the most cases in litigation and the most requests for legal assistance at any time in the Corporation's history.

The test of a client service organization, I think, is in the results it obtains for its clients. By that measure, the Legal Division fared well in 1986. Working closely with our clients, we were able to make significant contributions to both the supervisory and the liquidation programs. Within the Division, these results were achieved through the efforts of a talented and dedicated staff. Too often, a description of a legal organization highlights a major case or a significant transaction and focuses on a few individuals. Unlike most legal organizations, our portfolio of litigation and transactions is unique, not only because of the specialized legal issues but also because of the number and types of cases. Dealing with these matters truly requires a team effort, both with our clients and within the Division. Teamwork and dedication were the hallmarks of the Division's employees during 1986.

Unlike most law firms, the Legal Division is not located in one or a few cities. Our clients operate in a decentralized manner at offices around the country. To meet their needs for legal services, we too have decentralized. That process began in 1984 and continued through 1986. As the year ended, the Division had a staff of 744, including 327 attorneys, located at the FDIC's headquarters in Washington and at nine regional offices and more than 20 consolidated offices nationwide. This represents a dramatic change from the beginning of the decade, when more than 80 percent of the Division's employees were located in Washington.

I have described below a number of specific projects that the Division undertook in conjunction with, or on behalf of, its clients. These items include a number of important cases and projects we completed in 1986. From my perspective, however, some of the more important developments for the Division did not involve specific projects. Instead, they represented advances in the way we organize and conduct our operations that, hopefully, will pay dividends for the Division and the Corporation in the future. These developments fall into three general areas: (i) management and control of legal costs, (ii) staffing and (iii) administrative structure and operating procedures.

Major Developments

Legal Costs

The first major area of activity was the management and control of legal costs, including outside legal costs, in the face of a caseload of about 28,000 active cases at year-end 1986. The great majority of this litigation arises out of the FDIC's receivership and liquidation activities. When an insured bank fails, the FDIC as receiver essentially "steps into the shoes" of the failed bank. The FDIC becomes the representative of all the failed bank's creditors (including uninsured depositors) and shareholders.

As receiver, the FDIC in effect inherits any existing litigation brought by or against the bank. Nearly one-third of our active caseload during the year involved bankruptcy proceedings. Depending upon such factors as the size and condition of the bank at the time of its closing, the number of matters in litigation can range from only a few lawsuits to a hundred or more. Particularly where claims of fraud or misconduct are raised by persons who conducted business with the bank, the size of claims and litigation against the bank can be substantial.

Efforts to manage and control legal costs were pursued on several fronts. We continued to handle additional litigation in-house where it was cost-effective to do so. At some offices, such as the consolidated offices in Knoxville, Tennessee, Costa Mesa, California, and Portland, Oregon, more than 50 percent of the active cases are handled solely by FDIC attorneys. Nationwide, nearly one-half of the litigated matters are handled by FDIC attorneys solely or as part of a joint effort with outside counsel.

The Legal Division works closely with the Division of Liquidation (DOL) to assure that, if litigation occurs, it is cost-effective. To monitor our caseload and provide information for decisions about litigation, we began implementation of the Case Management System (CMS). Although CMS was originally intended as a means to monitor the efforts of outside counsel, the large number of cases being handled by FDIC attorneys prompted an expansion of the system. As 1986 ended, we were continuing to complete the data for the initial cases in the system, but were already seeing the benefits of CMS as a management tool. A related effort involves providing legal analysis and information to enable the DOL to reach sound business judgments on assets in litigation. In this area, the Legal Division requires all counsel, whether inside or outside, to estimate at the outset of a case the likelihood of success on the merits, the time to completion and the costs of litigation. With larger or more complex cases, case planning and budgeting efforts are more detailed. Although these tools are necessarily imprecise, properly utilized they improve litigation case management.

A potentially cost-effective means of facilitating negotiated settlements is alternative dispute resolution (ADR). While ADR can involve a number of formal or informal techniques, approaches such as mediation or mini-trials may result in a faster, less expensive resolution of disputes than does litigation. During 1986, the FDIC used ADR to resolve its pending case against the outside accounting firm for the failed Penn Square Bank, National Association in Oklahoma City, Oklahoma. Based upon that and other experiences, the FDIC will consider ADR where appropriate in other cases.

The time and effort devoted to legal research has become a costly element of legal representation. To avoid duplication of research efforts and to obtain the benefits of previous research done for the FDIC, in 1986 the Division re-established its brief bank. The results of major research projects are placed in the brief bank and are available to attorneys representing the FDIC.

Finally, as 1986 came to a close, an ongoing project in the Division was preparation of a new Guide for Legal Representation, to be provided to all outside counsel. The guide is intended to communicate the FDIC's operating policies and procedures, so that our outside counsel will be more effective on our behalf.

Staffing

Staffing increases were a second major development for the Division in 1986, due to the significant growth in workload. A corollary of additional staffing is training. A number of training courses were developed specifically for the Division's needs, including a basic orientation course for attorneys, substantive training for staff members at all levels, management training for new managers and various cross-training programs with our clients. Although certain of our training efforts were curtailed due to the Corporation's voluntary compliance with the Gramm-Rudman-Hollings Act, continuation of training programs will be important in 1987.

Operating Procedures

Another major area of effort in 1986 related to the development of administrative structures and operating procedures. While these subjects are neither dramatic nor exciting, they are necessary in order to operate in a decentralized, multi-office environment. For example, the Division's new Procedural Manual and more structured visitation program should enhance nationwide uniformity. These new procedural systems and the organization and computerization of the Division's precedent files will yield significant benefits in the coming years.

Against the background of these major efforts, I would like to review some of the specific issues that the Division handled on behalf of our two major clients.

Support of DBS

The Legal Division supports the Division of Bank Supervision (DBS) through the initiation of enforcement proceedings, participation in the preparation of regulations for action by the Board of Directors, review of proposed banking-related legislation, negotiating and drafting assistance agreements to avoid the closing of FDIC-insured banks, representing the FDIC in litigation arising from its supervisory role and providing legal opinions on banking issues.

Enforcement

Enforcement actions in 1986 continued at a heavy pace. A majority of the enforcement actions initiated during 1986 were settled by consent agreement. Sixteen enforcement proceedings went to administrative hearings in 1986. The Board of Directors issued 10 final decisions by year end.

Cease-and-Desist Orders and Actions to Correct Specific Unsafe or Unsound Practices or Violations of Law or Regulations: 1986, 1985, 1984, 1983

	1986	1985	1984	1983
Cease-and-desist orders outstanding at beginning of year—total	361	293	249	106
Section 8(b)	355	284	244	105
Section 8(c)	6	9	5	1
Cease-and-desist orders issued during year—total	135	186	138	223
Section 8(b)	127	180	125	188
Section 8(c)	8	6	13	35
Cease-and-desist orders terminated—total	152	111	89	80
Section 8(b)	145	108	84	49
Section 8(c)	7	3	5	31
Cease-and-desist orders in force at end of year—total	336	360	293	249
Section 8(b)	334	355	284	244
Section 8(c)	2	5	9	5

The most frequently employed administrative enforcement tools to correct improper banking practices are cease-and-desist proceedings authorized under sections 8(b) and 8(c) of the Federal Deposit Insurance Act. The FDIC may also assess civil money penalties under sections 7(a)(1), 7(j)(15), and 18(j)(3) of the Act, and terminate deposit insurance under sections 8(a) and 8(p) of the Act. In 1986, the FDIC issued 135 cease-and-desist orders compared to 186 in 1985. Civil money penalties were assessed against 82 officers and directors in 1986 in 14 actions. Under section 8(e) of the Act the FDIC has authority to remove an officer, director or other participant in the affairs of an FDIC-insured bank for violation of a law, rule, regulation or final cease-and-desist order, or for engaging in unsafe and unsound banking practices or breaching his or her fiduciary duty. In 1986 14 8(e) proceedings were initiated, compared to 37 in 1985. Finally, the FDIC may terminate a bank's deposit insurance under section 8(a) of the Federal Deposit Insurance Act when it is determined that a bank is in an unsafe or unsound financial condition. In 1986, 59 8(a) proceedings were initiated, compared to 75 in 1985.

Legislation

Banking legislation in 1986 included three limited extensions of the emergency assistance and extraordinary acquisition powers and the Net Worth Certificate programs under the Garn-St Germain Depository Institutions Act of 1982. In addition, the Money Lending Control Act was enacted.

Other major banking proposals, including deposit insurance reform legislation and expansion of the emergency powers contained in the Garn-St Germain Act, were not enacted. Also, the Garn-St Germain Act emergency powers were allowed to expire without further extension.

Regulation

The FDIC's Board of Directors adopted eight final rules in 1986. One proposed rule was issued for public comment, and two proposed rules were withdrawn.

Part 329 (Interest on Deposits) was totally revised effective April 1, 1986, to reflect the deregulation of interest rates occasioned by the expiration of the Depository Institutions Deregulation Committee (DIDC), which was established in 1980 to preside over the gradual deregulation of deposit interest rate ceilings. The FDIC staff worked closely with the staffs of the Board of Governors of the Federal Reserve System and the Federal Home Loan Bank Board in the development and adoption of this rule, with the result that the three agencies' regulations are essentially identical.

Effective April 30, 1986, the FDIC amended its regulations to provide greater public disclosure relating to change in bank control notices. One amendment permits disclosure, upon request, of the acceptance of a Notice of Acquisition of Control by the FDIC. Another amendment requires the acquiring parties to publish, in the business section of a newspaper having general circulation in the community where the institution's home office is located, an announcement of their intent to acquire control of a particular institution.

Another significant regulatory initiative was the adoption, effective June 4, 1986, of a new Part 353, Reports of Apparent Crimes Affecting Insured Nonmember Banks. Under the new regulation, insured nonmember banks are required to report to the appropriate investigatory and prosecuting authorities, on a prescribed form, criminal violations of the United States Code that involve or affect such banks. Robberies, burglaries and non-employee larcenies, which are already subject to other reporting requirements, are exempt from this rule. The report form requirement is intended to assure that the information needed by investigators and prosecutors for effective law enforcement is provided in an orderly and timely fashion. By receiving a copy of the reports, the FDIC will be better able to monitor and to act to reduce losses to insured nonmember banks from criminal activity.

Other final regulatory actions taken during 1986 included amendments to Part 308 (Rules of Practice and Procedure), a new regulation, Part 352 (Nondiscrimination on the Basis of Handicap), and amendments to Part 330 (Clarification and Definition of Deposit Insurance Coverage), Part 303 (Modification of Cease-and-Desist Orders and Acceptance of Written Agreements), and Part 304 (Forms, Instructions and Reports). One proposed rule to amend Part 337 (Unsafe and Unsound Banking Practices) was issued for comment.

Open Bank Litigation

There have been a number of significant developments in litigation involving deposit insurance and open banks brought by and against the Corporation. In March, the Eleventh Circuit Court of Appeals rendered its decision affirming the Board of Directors' decision and orders to cease and desist and remove officers and directors in *Sunshine State Bank, et. al. v. FDIC*. In June, the court also denied Sunshine's petition for rehearing and hearing *en banc*. In addition, the FDIC has been successful in obtaining Court enforcement of several outstanding cease and desist orders.

Finally, in *U.S. v. Lemaire* the FDIC joined with the Office of the Comptroller of the Currency to obtain a temporary restraining order and preliminary injunction to enforce Section 91 of the National Bank Act, to prevent a judgment creditor from prematurely executing upon a $69 million state trial court judgment against MBank Abilene, N.A. before all appeals had been exhausted.

Support of DOL

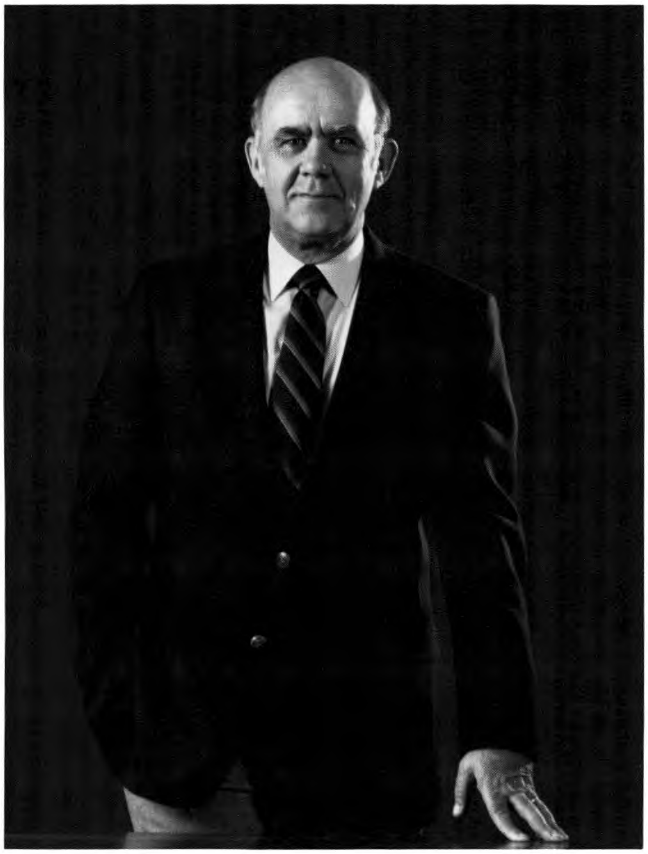
Closed Bank Litigation

From time to time claims for insurance coverage arise out of bank failures, with resulting litigation involving the FDIC. A significant development in this arena was the Supreme Court's ruling in favor of the FDIC in the *Philadelphia Gear* case, which arose out of the closing of Penn Square Bank, National Association in Oklahoma. The case involved an unfunded stand-by letter of credit which the plaintiff asserted was an insured deposit. The plaintiff prevailed in both the District Court and the Court of Appeals, but the Supreme Court reversed, holding that the unfunded letter of credit was not a deposit and hence not insured.

Another significant deposit insurance case was the so-called "yellow certificates" case which arose out of the closing of Golden Pacific National Bank in New York. That case involved $17 million worth of unbooked liabilities of the bank, some (but not all) of which were asserted to be insured deposits. The FDIC sought judicial resolution as a means of expediting these questions. On September 11, 1986, the United States District Court for the Southern District of New York held that 290 of the 363 Golden Pacific Yellow Certificates outstanding constituted insured deposits. The remaining 73 have not been submitted for payment. Hence, no decision has been reached on the latter claims.

Division of Liquidation

by
James A. Davis
Director

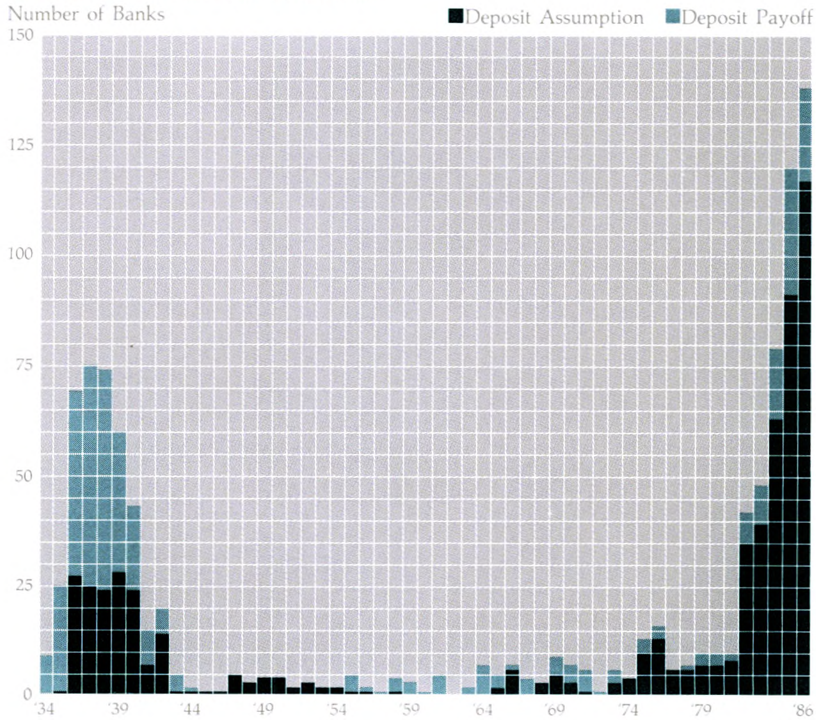


During 1986 the Division of Liquidation (DOL) was called upon to cope with the greatest number of bank closings since the FDIC began operation in 1934. Of these, 98 were handled by deposit assumptions and 21 were deposit pay-offs. Nineteen failures were resolved by transferring insured deposits to operating banks. The Division provided insurance protection to depositors of failed banks for deposits of $6 billion during 1986 and acquired $3.5 billion in assets from failed banks. During the course of the year, the Division's collection activities resulted in a gross cash inflow back to the receiverships and the FDIC of about $2.5 billion. The 138 closings of 1986 came on the heels of a record number of 116 bank failures in 1985, up from 78 in 1984. This increase in the number of closings is in clear contrast to an average of about ten closings per year through most of the post-war period. (See chart on page 16.) While growth in most private businesses is considered beneficial, in the liquidation business it is a reflection of the troubled times facing certain sectors of the economy. And when growth is uncontrolled, as it is in this case, it presents unique management challenges. I believe the Division of Liquidation of the FDIC is meeting these challenges successfully.

In 1986 the Division was able to both handle a record number of bank closings and also achieve a record dollar amount of collections from the assets under its control. To a large extent these successes can be attributed to the individuals who have so loyally and tirelessly served the FDIC. Once again, locally-hired employees were critical to our success. When a bank fails, the FDIC hires employees of the failed bank, retirees, and other individuals in the local area who have worked in the financial sector. These individuals assist us in liquidating assets until the majority of the failed bank's assets are sold. During 1986, the FDIC hired an additional 1,000 local employees, increasing our year-end total local workforce to approximately 3,700. In addition, DOL expanded its permanent workforce by adding new field liquidators and regional office staff, bringing the total from about 675 at the beginning of the year to approximately 830 at the end of 1986. In addition to the dedicated efforts of DOL employees, the Division has been actively supported by employees of the FDIC's Legal Division and the Division of Accounting and Corporate Services. Without their assistance, we would not have been able to perform as well as we did. In addition to its own employees, the FDIC employs numerous outside contractors. These include appraisers, property managers, consultants, and a host of other contractors who have provided us with valuable services that aided us in achieving collections on the assets under our control.

With the increased growth in the liquidation activities of the FDIC, we have put in place management initiatives aimed at gaining increased operating efficiencies as well as an improved level of internal controls. Both of these efforts bore fruit in 1986. The ratio of total expenses associated with liquidation activities to cash collected declined 10 percent during the course of 1986 from $0.21 for each dollar collected during the first quarter to $0.19 for the fourth quarter. In 1984 DOL introduced an Internal Visitation Program, conducted by Division employees, aimed at providing site managers with an evaluation of their operation as well as suggestions for improvement. These visitations review all facets of Division procedures, both Credit and Operations. This program has yielded returns in operating efficiencies as well as improved audit findings, especially with respect to internal controls. These improvements, as well as the soundness of our operating procedures, have been independently verified by the FDIC's Office of Corporate Audits and Internal Investigations. The U.S. General Accounting Office also independently reviews our operations and policies and has not issued any negative reports.

Insured Bank Failures, 1934-1986



In addition to its mission of recovering funds on the assets we acquire from failed banks, the Division also is responsible for seeing that the public has access to its insured deposits as soon as possible after a bank fails. In the typical case, when an assuming bank is found, deposits are available almost immediately. However, if the FDIC has to pay depositors directly, the time period is stretched and may take three to four days. As the result of new automated systems and procedural changes, the Division developed and implemented the capability to begin paying depositors at small failed banks (those with less than 15,000 accounts) within two days.

Field Organization

During the past several years, DOL has implemented several organizational changes that have enabled us to deal with the rapidly changing environment we face. Primary among these has been the decentralization of decision-making from Washington to the field. In 1983 the original five regional offices located in Atlanta, Chicago, Dallas, New York, and San Francisco were opened. A sixth regional office was opened in Kansas City in 1985. These regional offices, operating with significant delegated authority, are responsible for supervising the liquidation activity within their regions. In addition to the regional offices, several large consolidated liquidation sites have been opened in each region. These sites, each with several hundred employees, are responsible for liquidating the assets out of a number of failed banks within the general geographic area of the consolidated office. With the establishment of regional offices and consolidated sites, the Division has been able to decentralize decision-making and delegate considerably more authority to the field. As a result, decisions are made in a more timely and cost-effective manner. Only about 2.5 percent of all credit actions taken by the Division during 1986 had to be approved in the Washington Office.

In response to changes in regional economies and the resulting increase in bank failures in certain states, we have realigned the states that are assigned to various regions. Iowa and Minnesota were transferred from the Kansas City Region to Chicago; Louisiana was transferred from Dallas to Atlanta; New Mexico was transferred to San Francisco. These changes will better enable the respective regions to continue to handle bank closings efficiently while also spreading the workload among the regions.

Asset Management

In dealing with an ever increasing number of bank closings and the attendant rapid increase in assets, the Division strived to achieve improved asset management and increased cost effectiveness. In meeting these goals greater reliance has been placed on the use of automation. The Liquidation Asset Management Information System (LAMIS) continued to be under development during 1986 and several offices have had their assets converted to this system. With LAMIS we will have an integrated set of automated systems that will provide support for our collection and loan servicing activities and provide management reporting capabilities.

In addition, the Division of Accounting and Corporate Services has developed an Asset Marketing System that greatly enhances the Division's investor profile and portfolio pricing capabilities. This system enables us to maintain an automated investor profile which contains information about approximately 1,500 potential purchasers of loan packages. We will be able to monitor purchases, bids and other related information as well as have the capability to assemble portfolios, identify prospective purchasers and, in an automated environment, produce marketing information. The system also will provide the capability for pricing a loan portfolio on either a dollar or yield basis.

Asset Marketing

In dealing with our increased volume of assets, the Division aggressively moved forward with its asset marketing programs. During 1986, the asset marketing staff closed 196 sales comprising approximately 129,000 loans with an aggregate book value of $342 million. These packages ran the gamut from good quality performing mortgage loans to those that were totally nonperforming and had been charged off by the failed bank. Our sales ranged in size from very small agricultural loan portfolios of less than ten loans to 90,000 accounts out of the insurance premium funding department of a failed bank. Through the use of asset marketing we have been able to increase our collections and at the same time transfer assets back to the private sector in a cost-effective manner.

Clearly one of the areas hardest hit with economic problems has been the agricultural sector, which in turn has given rise to 59 bank failures in 1986.

To deal with the assets we acquire from these failures, as well as the trauma to a small community that results from the failure of its bank, the FDIC has undertaken several initiatives. The Division has introduced an Agriculture Credit Manual. It addresses those policies that are unique to farm credits and provides a body of information about agriculture for our field personnel. This manual was revised and updated in 1986 to further enhance the responsiveness of our field personnel to the needs of farm communities. The Division has continued to hold town meetings in agricultural communities to better communicate to the public our policies as well as to provide a greater understanding of what will happen as a result of bank failure. These meetings are attended by representatives of Farmers Home Administration, the FDIC, the assuming bank and elected officials.

Agricultural Initiatives

The FDIC in conjunction with the Farmers Home Administration (FmHA), undertook two programs to benefit farmers. The two agencies entered into an agreement that enabled FmHA to provide support to farmers impacted by a bank closing.

Under this program, FmHA provided teams of personnel to evaluate loans in failed banks shortly after the closing and to provide letters of intent to guarantee loans for the 1986 crops. This program enabled some farmers to more readily obtain financing for their new crops than otherwise would have been available. The FDIC, for its part, provided records to FmHA as well as agreed to subordinate our lien positions to new lending needed for the 1986 crop. In addition to this program, FmHA and the FDIC have initiated a pilot program in Nebraska. FmHA would provide guarantees on packages of agricultural loans that FDIC would sell at a discount to banks and other lending institutions. Under this program, FmHA reviews the portfolio and indicates the dollar amount of guarantee it is willing to provide. These loans are then offered for sale with the highest qualified bidder purchasing the loan and thereby taking over the creditor relationship with the farmer. Based on the success of this program, it may be expanded nationwide in 1987.

In September 1985 the Division took over from DBS responsibility for the investigation of potential bond claims, directors' and officers' liability claims, accountants' liability claims and any other claims in need of investigation. These investigations are conducted by staff under the supervision of each of the regional offices. The findings are distilled and provided to the Legal Division which utilizes this information in filing claims and any subsequent litigation. The investigative units, during 1986, pursued approximately 104 bond claims, 275 directors' and officers' liability claims, and 33 accountants' liability claims having an aggregate potential recovery value in excess of $480 million.

Other initiatives have revolved around the introduction of new Credit and Operations Manuals for the Division. These manuals have helped clarify policies and served as useful training tools for new employees. A new Core Training Program was introduced in 1986 and is being offered in each of the FDIC's regions. This program represents a significant advance over our previous training efforts.

DOL has been overseeing the liquidation activities involving assets of Continental Illinois National Bank and First National Bank and Trust Company of Oklahoma City. As part of the assistance transaction with Continental and the purchase and assumption transaction with First Interstate of Oklahoma City (which assumed First National's deposits), the banks act as agents for the FDIC in liquidating assets we acquire as part of these transactions. The DOL has oversight responsibilities with regard to the actions taken by both agent banks and maintains staff on premises at both locations. These oversight teams review, ex post, the action of the agents to assure the FDIC that the assets are being liquidated so as to maximize recoveries.

In addition to its liquidation activities, staff of the Division have been involved in meetings with agricultural and other groups interested in the FDIC's policies and initiatives. Senior Division management provided testimony to congressional and state legislative committees. We also, at the request of the Governor of the State of Maryland, provided technical advice to the Maryland Deposit Insurance Fund regarding its liquidation activities on behalf of the receivership of Old Court Savings and Loan Association. The Chicago Regional Office assisted the Museum of Science and Industry in Chicago in assembling items for an exhibit on petroleum.

This has been a challenging year. The Division was faced with many trying and difficult situations but thanks to the dedicated efforts and the long hours put in by staff, at all levels, we have been successful in efficiently carrying out our mission of assuring that the depositors of failed banks have maximized recoveries from liquidations and receiverships under our control.

Division of Accounting and Corporate Services

by
Stanley J. Poling
Director

As the number of bank closings placed heavier demands on the FDIC in 1986, the Division of Accounting and Corporate Services (DACS) responded by increasing its financial, accounting, automation, and corporate support services.

We experienced an unparalleled demand in 1986 for corporate services such as procurement and maintenance of Corporation property, facilities and supplies, contracting, office automation, voice communication systems, building and personnel security, mail handling, transportation, library and publications, graphic design, and printing.

We accelerated and expanded our building and facilities management program to provide work space for new employees and equipment. Systems and procedures for the procurement, management and distribution of supplies, and contractual services were improved to meet demand. In addition to the growth in the Corporation's staff and responsibilities, the rapid changes in technology over the past few years have required major changes in communication and office automation programs. The objective of such changes is to plan and install systems that will respond to the Corporation's evolving needs over the next five to ten years.

The AT&T System 85 voice/data communications system was installed in the Washington offices in early 1986. We are now extending the System 85 to the regional offices, testing the system's data transmission capabilities, and exploring the potential for future integration of all FDIC voice/data applications into one communications system network.

We continued to test new word processing applications and equipment to provide corporate-wide word processing (WP) support to operating divisions through our WP center and WP acquisition program. In addition, we conducted extensive tests this year of a minicomputer system and analyzed regional and field applications to identify those appropriate for processing on minicomputer systems. Our goal is to determine the appropriate mix of microcomputer, minicomputer, and WP systems for our field offices and to assist regional offices and consolidated liquidation sites in standardizing and sharing programs and applications for such systems.

We were extensively involved in completing the consolidation of DBS regional offices and also in the creation of DOL area offices in six major cities, thus completing a plan approved in 1984 that totally realigned field operations. Housing field operations for DACS and the Legal Division in the same location was a logical follow-up to ensure that DBS and DOL received timely support for their activities. The centralization of resources also was designed to improve communications among divisions and enhance their ability to deal with examination and liquidation activities.

Regional offices were completed in 1986 in Atlanta, New York, Chicago, Dallas, Kansas City, and San Francisco. We provided site selection, lease and/or purchase negotiations, design and construction services, and furnishings for all offices.

A considerable portion of our efforts in 1986 were directed to planning the long-term space requirements of the FDIC's Washington area operations. We anticipate our plans for the headquarters operations will be approved by Board action early in 1987.

Assessments and Financial Operations

Assessments in 1986 amounted to $1.6 billion, the largest amount ever collected, from approximately 14,800 banks. As a result of auditing 42 of the largest (in terms of domestic deposits) 300 banks, we collected an additional $8.0 million. Within the next several years, we hope to increase the number of banks audited each year. We also plan to expand the range of banks audited to include the largest 500 banks, which hold approximately 65 percent of all domestic deposits and over 80 percent of all deposits in insured institutions.

Financial operations were profoundly impacted by systems gains this year, primarily in the new integrated Financial Information System. We also began preparing for the new payroll system contracted out to the U.S. Department of Agriculture National Finance Center, which will begin processsing the FDIC payroll in April of 1987.

The increase in bank closings raised the Corporation payroll from 7,125 to 8,817 employees during 1986, and financial transactions processed continue to balloon in number. In support of the consolidation of our field offices, the relocation of 700 employees was accomplished. As part of our ongoing programs, we administered travel voucher audit seminars and participated in special seminars for new field liquidators.

Corporate Accounting

We continued to provide the accounting framework for classifying, recording, and reporting the financial transactions of the Corporation. While acting in our corporate and liquidating agent capacities, we ensured the control and protection of corporate assets and the deposit insurance fund.

During the past eight years, the record number of bank failures, growth in reporting requirements, and requests for financial assistance have increased both the volume and complexity of our accounting and financial operations. To meet our growing responsibilities in a professional and cost-effective manner, we have initiated or taken the following steps to implement several new programs, some of which involve a cooperative effort with other divisions:

—Establishment of a new automated Financial Information System (FIS), which has enhanced our ability to control and report both the corporate and liquidation accounting and financial activities.

—The decentralization of liquidation accounting functions (previously performed at the Washington headquarters) to the regional offices and consolidated sites.

—The development of new accounting procedures manuals covering activities conducted in both Washington and the field units.

—The identification of new areas or functions requiring greater attention, and the implementation of appropriate activities to improve operations (e.g., training and development programs for Washington and field personnel to promote standardization and uniformity throughout the country; the use of automation in the field to provide better controls; and the expansion of the tax manager's office to address increased tax responsibilities in the field).

Bank Financial Reporting

The collection and verification of Call Report information submitted by banks continued to be a high priority activity. To assist bank personnel in the preparation of the Report of Condition and the Report of Income forms, we conducted seminars for representatives of approximately 3,000 banks. Nationwide Call Report training was also administered for an estimated 1,300 FDIC, Office of the Comptroller of the Currency, Federal Reserve System, and state bank examiners.

In cooperation with DBS, we launched a program to identify banks that repeatedly file inaccurate Call Reports. As part of this effort to improve the quality of information received, we are reviewing the need to fine banks for inaccurate reporting. To speed the information gathering process, we are also exploring the feasibility of using outside vendors to collect Call data electronically.

Disclosure of industry structure and performance data remained a high priority activity, too. By moving routine disclosure functions to the DACS section collecting the information, we improved our ability to respond to requests for public information such as Uniform Bank Performance Reports and Call Report files. The Corporation also endorsed a proposal advanced by the Federal Financial Institutions Examination Council (FFIEC) that would involve the transfer to an outside vendor of the responsibility for processing the 1986 Trust Assets files and producing the corresponding publication. If adopted, such a transfer could reduce the time required to compile and publish Trust Asset statistics.

Budget

The continued growth of Corporation responsibilities at a time when deficit reduction measures are restricting expenditures required a fundamental restructuring of the FDIC budget process. The main thrust of the changes called for enlarging the scope and accuracy of the budget by quarter as well as by year. In addition to providing better controls, budgeting by quarter also enables the Corporation to respond more easily to information requests from the Office of Management and Budget, General Accounting Office, Congressional Budget Office, and the Department of Treasury, which (unlike the FDIC) budget by fiscal rather than calendar year.

Aside from the internal operations budget, FDIC is now forecasting total Corporate cash flows for future years, including the full impact of projected bank failures.

Computer Technology

To meet the Corporation's growing computer services needs, we acquired new and more sophisticated technology in 1986. We completed the first of a two-part system upgrade by installing an Amdahl 5880 central processing unit (CPU). This unit will be replaced early in 1987 with the more advanced 5890 CPU. The addition of the new CPU and disk space doubled our storage capacity, which helped us to meet a 33 percent rise in computer usage. At the end of 1986, we also added a new extended architecture operating system to our configuration, allowing further expansion of our computer memory.

Our teleprocessing network expanded in 1986 to include DOL consolidated offices, and we initiated steps to redesign the data network to cope with increased volume from regional and consolidated offices. Also, we adopted a new schedule for our computer center, which now operates 24 hours a day, Monday through Friday, and 16 hours on Saturday.

Interest continued to grow in the use of microcomputers as a management tool. Training courses were developed for 70 Washington Office and field executives in microcomputer applications and system software. We continue to study high-speed methods of transferring data between microcomputers and the mainframe computer; evaluation results will be available in early 1987. Throughout the year, we served as a clearinghouse for microcomputer hardware and software testing, acquisition, and training.

System Development and Maintenance

System development activities were primarily devoted to supporting liquidation and financial services. The Liquidation Asset Management Information System (LAMIS) will be used by liquidators and accountants throughout the country to manage assets acquired by the Corporation at bank closings. In addition to daily asset administration, LAMIS has been designed to provide corporation-wide management reporting and decision support capability. During 1986, LAMIS began operation as a production system in the New York Regional Office, and conversion to the system began at consolidated sites in New York, Denver, and Des Moines.

Also being developed for DOL, the Secondary Marketing Asset Pricing System (SMAPS) has the capability to give secondary marketing specialists access to the entire liquidation data base, whether the assets are being serviced by LAMIS or another service. In addition, an investor profile data base is being established for SMAPS, which will show and measure investor interest. Begun in 1986, SMAPS will be complete in the second quarter of 1987.

In early 1986, the Financial Information System (FIS) began controlling all the Corporation's public payments, maintaining budgets and general ledgers, and producing financial reports. The corporate general ledger and approximately 500 individual bank ledgers were maintained through FIS in 1986.

Other systems completed in 1986 include the Capital Asset Quality Earnings Liquidity (CAEL) Subsystem and the Legal Case Management System. The CAEL Subsystem of the Extended Monitoring System monitors inconsistencies between a commercial bank's Call-derived financial ratings and those received at its most recent examination. The on-line Legal Case Management System enables Washington Office and regional Legal Division staff to monitor about 36,000 legal cases initiated by or instituted against the Corporation.

Major effort was also devoted to three new systems that will become operational in 1987: the Application Tracking System, the DBS Training Center System, and the Enforcement Action System.

Developed to capture and maintain bank/branch application information, the Application Tracking System will permit data entry in Washington and DBS regional offices and reporting capability for a wide variety of users. The DBS Training Center System will maintain such data as course information, class rosters, and lodging reservations for classes held at the DBS Training Center and in other parts of the country. The Enforcement Action System will track and provide a historical record of enforcement actions from initiation to completion.

Maintenance of many previously created computer systems continued throughout the year. For one of our most voluminous maintenance commitments, the UBPR, we renegotiated the contract. As a result, the Corporation will receive a larger reimbursement from other FFIEC agencies receiving editions of the UBPR.

Division of Research and Strategic Planning

by
Stanley C. Silverberg
Director

The Division of Research and Strategic Planning (DRSP) provides staff support to the Board of Directors and to other FDIC divisions and offices, primarily on economic and financial matters. DRSP studies are used in the legislative, regulatory and administrative activities of the Corporation and focus principally on current and emerging issues, monitoring of economic and financial developments and analysis of policy alternatives.

DRSP has had a significant involvement in many of the major policy and operational issues faced by the FDIC. This Division is represented on an internal committee that is concerned with contingency planning for large, problem-bank situations. In this connection, DRSP staff participate in structuring and negotiating the assisted acquisition of large failing banks. Additionally, DRSP staff has provided assistance in pricing and evaluating several proposed acquisitions of troubled savings banks and in renegotiations of existing agreements. It had a significant role in pursuing alternative approaches to returning Continental Illinois Corporation to private ownership.

DRSP staff has participated in drafting congressional testimony and speeches delivered by the Chairman and other senior officials. The Division took the lead in drafting testimony in several areas, including deposit insurance reform. The Division also played a major role in the development of FDIC policy on direct assistance to failing banks and other aspects of handling bank failures.

Research Activities

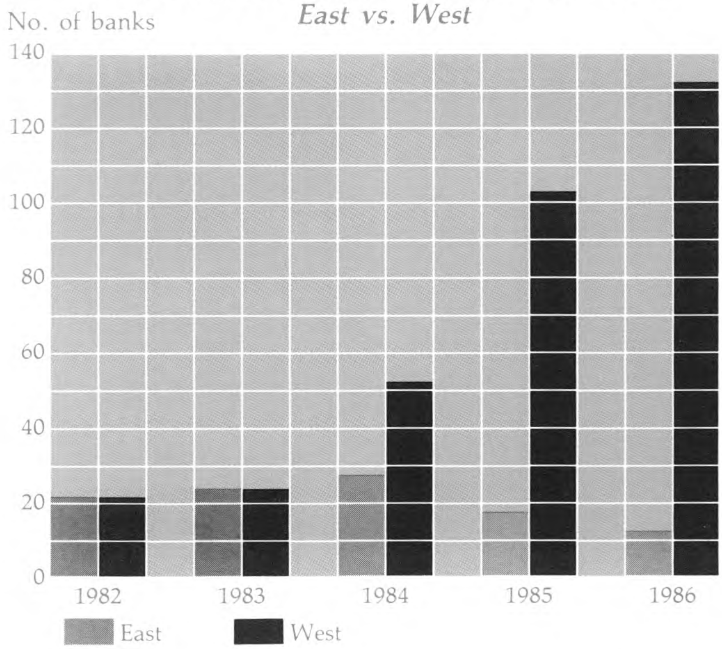
The Division studies a variety of issues that relate directly and indirectly to FDIC activities. Matters relating to the causes of bank failures always have been important to the FDIC. Because the increase in bank failures has been so closely related to weaknesses in specific industries and concentrated in selected parts of the country, several research projects in 1986 focused on performance and prospects for oil and gas, agricultural problems and real estate problems. In addition, a close look at the economies of several of the most vulnerable states, particularly Texas and Oklahoma, was undertaken.

In response to a request from the Senate Committee on Banking, Housing and Urban Affairs, Division staff analyzed the effect of the farm crisis on financial institutions primarily engaged in agricultural lending and possible legislative remedies related to the farm-debt problem. The study also examined the impact of the farm-debt problem on commercial banks and provided some estimates of the number of agricultural bank failures in different loan-loss scenarios. The policy implications suggested by the study's findings subsequently were reflected in both the bank-reporting changes announced by the FDIC in 1986 and the capital forbearance program initiated by the FDIC.

Sectoral weaknesses, deregulation and a generally more competitive environment have contributed to some deterioration in bank performance in recent years. Division studies have closely tracked bank earnings and the causes of earnings deterioration, particularly among small banks. Studies undertaken in 1986 suggest that sectoral weaknesses appear to explain a large share of the earnings deterioration at most small banks, although competitive factors appear to explain a larger share of the weakness of banks chartered in recent years. Weaknesses have been more pronounced in banks in the western half of the nation, as profitability has been impaired by growing asset-quality problems. The recent high levels of problem and failed banks have been almost wholly attributable to western banks.

FDIC-Insured Bank Failures, 1982 – 1986

East vs. West



Because of the importance attached to the development of a workable risk-related deposit insurance premium system, research efforts in this area continue. One DRSP study in 1986 discussed the issues involved in developing and implementing a system of risk-related premiums for deposit insurance and presented and explained the FDIC's proposal. A second study surveyed the issues and the literature concerning risk-related deposit insurance. The Corporation's proposal is still very much in the discussion stage and, as such, is open to further revision.

During 1986, DRSP staff kept abreast of developments related to another important regulatory initiative — the supplemental adjusted-capital proposal released for public comment early in the year. The first of several studies summarized the proposal and presented preliminary estimates of the new adjusted-capital measure. Another study provided an overview of the growing phenomenon represented by off-balance sheet activities, noting that a clear determination of the risk of off-balance sheet activities cannot be made because of limited data on these activities. Changes in reporting requirements would be needed to address this problem.

Economic developments affecting banks were examined in other DRSP studies. One study evaluated the potential impact of the Tax Reform Act of 1986 on the banking industry, particularly the elimination of the reserve method of accounting for loan losses. A second analyzed the extent, causes and significance of the growth of debt in the United States, a subject which recently has attracted considerable attention.

Several DRSP studies in 1986 dealt with structural changes in the banking industry. Bank geographic expansion authority was the subject of one in-depth study. The changing role of banks and other private financial institutions was explored in a separate study, which found that the banking industry's direct role in domestic financial markets has declined substantially. Potential changes in the banking environment stemming from efforts to liberalize bank powers are currently being studied along with the myriad issues raised by the Glass-Steagall Act.

Research Publications

Many of the Division's analyses are reported in publications that are distributed widely both within and outside the FDIC. The *Regulatory Review,* a bimonthly publication of the Division, contains reports on regulatory, legislative, and marketplace issues and developments of significance to depository institutions and their regulators. Each edition has two parts. The first consists of in-depth analyses or reports on one or two major issues or developments. The second is a regular feature — Legislative and Other Developments — covering the following areas: interstate banking, new products and powers, supervision and regulation, and significant topical developments.

The *Banking and Economic Review,* which is a bimonthly publication of the Division, contains articles on a broad range of topics. Analyses of conditions and trends within the banking industry, as well as articles on emerging banking issues, are regular features. In addition, analyses of industrial performance, and regional economic and financial developments that affect the banking industry appear as appropriate.

During 1986, the Division gained major new responsibilities in the area of publications and disclosure. The Division has assumed responsibility for establishing the content requirements for the FDIC's two annual statistical publications, the *Statistics on Banking* and the *Summary of Deposits Data Books*. Concomitant with this responsibility is the development of statistics characterizing the banking industry that are used by the FDIC to respond to public information requests. The Division is providing additional statistical analysis support to Corporation projects, as well as developing statistical profiles of national, regional and state banking sectors for staff use and to enable ready response to information requests from outside the FDIC.

A new quarterly statistical release, the *Quarterly Banking Profile,* will be available beginning in 1987. It will provide aggregate condition and income data for all FDIC-insured commercial banks as well as a brief discussion and graphics highlighting significant developments and trends in the banking industry. The condition and income data presentation will provide aggregate dollar amounts for balance sheet and income statements for the most recent quarter, the previous quarter and for the year earlier quarter. Those items that best reflect the fundamentals of the industry will be presented in a fashion that is easy to read and that facilitates the identification of trends. Commercial banks will be separated according to asset size and geographic region. The industry profile will reflect the analytical ratios most commonly employed to describe banks. The FDIC's objective in producing this publication is to provide aggregate industry data on a more frequent and timely basis with an eye towards enhancing the general understanding of developments within the industry.

Additional products are under consideration. The FDIC recognizes the public's growing interest in the Corporation's role and operations, and DRSP will be working with other offices within the FDIC as well as with concerned parties outside the Corporation to evaluate disclosure needs and develop new products.

In 1986 in-depth analyses and reports on the following topics appeared in the Division's publications:

Bank Regulatory Issues

Preliminary Estimates of Proposed Supplemental-Adjusted-Capital Measures

A Summary of Comments on the Proposed Supplemental-Adjusted-Capital Measure

Off-Balance-Sheet Activity: A Growing Concern

Developing a Proposal for Risk-Related Deposit Insurance

A Survey of the Issues and the Literature Concerning Risk-Related Deposit Insurance

A Case for Depositor Preference

Sectoral Conditions

The Outlook for Oil and Natural Gas Prices

Agricultural Conditions and the Prospects for Farm Banks

Economic Conditions in Louisiana, Oklahoma, and Texas

The Role of Federal Regulation in the Natural Gas Industry

Macroeconomic and Other Developments

The Growth and Significance of Debt in the U.S.

Tax Reform and its Effects on the Banking Industry

Banks and Tax-Exempt Securities in the New Tax Environment.

Bank Structure

The Changing Role of Banks and Other Private Financial Institutions

Commercial Banks: An Endangered Species?

Bank Geographic Expansion Authority

Interstate Banking — An Update

Bank Performance

Problem Loans at Insured Commercial Banks

Commercial Bank Performance in 1985

Declining Profitability at Small Commercial Banks: A Temporary Development or a Secular Trend?

Interest Rate Deregulation and Its Impact on the Cost of Funds at Commercial Banks

International Banking and Finance

Banks' Changing Role in International Finance

Activities of U.S. Banking Organizations Abroad

The U.S. Trade Imbalance: Recent Developments

Corporate Support Offices

Standing Committees

The bylaws of the Federal Deposit Insurance Corporation give the Board of Directors authority to establish standing or special committees and delegate certain authority to those committees. These committees are comprised of senior FDIC officials and in some cases are chaired by one member of the Board of Directors.

During 1986 the Management Group served as the forum for discussion of emerging policy, budget and regulatory issues. The heads of the FDIC's major operating units, including key offices, are members of the Management Group. It is chaired by FDIC Chairman L. William Seidman.

The Board of Review makes recommendations to the Board of Directors or exercises delegated authority concerning regulatory and supervisory matters such as insurance applications and merger actions, administrative enforcement proceedings and requests from banks for regulatory exemptions. During 1986 the Board of Review was chaired by Director (Appointive) C.C. Hope, Jr. Its membership included the heads of the Divisions, the deputies to the two FDIC Directors and the Assistant to the Deputy to the Chairman.

The Budget and Management Committee provides oversight with respect to budgeting, staffing and corporate automation. It is chaired by the Director (Appointive) and its members include the deputies to the three members of the Board of Directors, the directors of the Divisions, and the director of the Office of Corporate Audits and Internal Investigations.

The Liquidation Committee reviews the Corporation's liquidation activities and, under delegated authority, acts upon recommendations relating to the disposition of major assets and other receivership activities.

It also makes recommendations to the Board of Directors concerning liquidation and receivership activities if final decisionmaking authority has been reserved by the Board of Directors. The Liquidation Committee was chaired by Director Hope during 1986. Its members included the Assistant to the Deputy to the Chairman, the deputies to the two FDIC Directors and the directors of the Divisions.

The Audit Committee oversees the internal audit program executed by the Office of Corporate Audits and Internal Investigations (OCAII). It advises the Chairman's Office with respect to FDIC audit activities and recommends changes to internal control systems based on the conclusions of audit reports prepared OCAII. The Audit Committee is chaired by the Assistant to the Deputy to the Chairman. Its members are the deputies to the two directors.

Office of the Executive Secretary

The primary function of the Office of the Executive Secretary (OES) is to act as corporate secretary for the FDIC by giving public notice of all meetings of the Board of Directors, recording all votes and the minutes of all meetings, and safely keeping corporate records. The Office maintains a comprehensive index to all official actions taken by the Board of Directors and by committees and officers of the FDIC exercising authority delegated by the Board of Directors. This index has been automated since 1984, and will eventually reference all minutes of the Board and delegated authority actions since the Corporation's establishment.

OES has been directly impacted by the FDIC's expanded activity. In 1986, the Office performed secretarial functions for 119 Board meetings and 152 committee meetings.

Extensive use of the FDIC's administrative enforcement authority also has increased the OES's responsibilities. The OES staff reviews the relevant legal documents, prepares transmittal correspondence, establishes and maintains docket files and responds to inquiries from bank and FDIC counsel regarding the status of cases. In 1986, 229 enforcement proceedings were formalized. Because of the increase in the number of administrative enforcement actions, the OES participated in a corporation-wide effort in 1986 to establish a computer tracking system for these cases. The system is expected to be in operation during 1987.

The Executive Secretary's office also coordinates compliance with the Freedom of Information Act (FOIA) and Right to Financial Privacy Act. The increase in supervisory and liquidation activities has produced a corresponding increase in FOIA requests. In 1986, the FDIC received 800 FOIA requests. In order to keep up with its growing workload, OES is establishing a computer tracking system for these requests that will begin operating early next year.

The Office also performs all editorial work on the FDIC's loose-leaf reporting service on banking laws and FDIC rules and regulations. In order to provide prompt and accurate updates, OES has been reviewing the possibility of providing the service on-line to FDIC employees and to insured banks.

The Executive Secretary serves as the FDIC's Ethics Counselor and, as such, is responsible for management of the Corporation's ethics program. The Ethics Office reviews financial disclosure reports and confidential statements of employment and financial interests filed by FDIC employees. The Ethics Office also develops training programs on standards of conduct and ethics matters.

The nature of the ethics program has changed drastically since 1984. In the period from 1981 to 1986, the number of employees required to file personal financial statements increased by 233 percent, or from 1,507 to 5,020. To meet this increased workload, the ethics program has been partially decentralized, with some 84 Deputy Ethics Counselors being appointed in the regional and Washington offices to assist in the review of financial statements. In addition, an automatic logging system tracks all employees required to file confidential reports to ensure the timely submission of statements.

Finally, OES coordinates the Corporation's compliance with the Paperwork Reduction Act of 1980. In 1986, the FDIC achieved a net reduction of 22,065 hours of reporting burden on banks in connection with submitting information to the FDIC. This reduction met the target of 22,000 hours set by the Office of Management and Budget. During the year, approximately 15 percent of insured commercial banks submitted computer-generated Call Reports, with an estimated savings in time of four hours per bank per quarter. The FDIC is studying the possibility of electronic transmission of Call Reports and other technological advances to reduce the reporting burden on banks.

Office of Corporate Communications

The Office of Corporate Communications is responsible for responding to requests for information from the public and the news media concerning the FDIC's operations and the status of the insurance fund. The record number of bank failures and problem banks during 1986 caused an upsurge in every area of the work of the Corporate Communications Office. The Office responded daily to hundreds of telephone and written queries from the media, depositors and other regulators. Questions concerned specific bank failures, FDIC policies and procedures, banking statutes, the Corporation's financial condition, legislation and litigation.

In an effort to enhance the FDIC's community outreach program, the Office began offering FDIC field officials training in media relations techniques. The Office also provided staff support to the Division of Liquidation, arranging and conducting press conferences or briefings at certain failed banks. In addition, the Office worked with the Public Broadcasting Service to produce a documentary film on the FDIC's handling of a failed bank. It also permitted local media representatives to observe the "behind-the-scenes" activities prior to a bank closing and the ensuing liquidation activities.

The Office also coordinated numerous press conferences, interviews and briefings between representatives of the national news media and top FDIC officials. These meetings helped improve the media's understanding of the FDIC's operations and provided a clearer measure for the FDIC of media interest in bank legislation, regulation and supervision.

The Office also assisted in the preparation of speeches and congressional testimony for the FDIC Chairman and other top officials.

The Corporate Communications Office revised several FDIC publications during 1986, including: "Symbol of Confidence", a booklet that provides general information on the FDIC and what it does; "When a Bank Fails", a question and answer pamphlet published in three different languages that covers how the FDIC deals with depositors and other customers when an insured bank fails; and the 1985 edition of the FDIC Annual Report. The Office also worked on revising and updating the FDIC's statistical publications portfolio.

The Office is a point of contact with banks, and it issued 34 bank letters during 1986 explaining FDIC regulations or requesting comments on proposed regulations. General economic conditions, especially in the agricultural and energy sectors, generated a need for closer communication with the industry. To accomplish this, the Corporate Communications Office coordinated meetings between top FDIC officials and bankers for discussion of common concerns and solutions to problems.

Office of Legislative Affairs

The Office of Legislative Affairs (OLA) serves as the FDIC's congressional liaison, advises the Board of Directors on legislative issues, coordinates the drafting of proposed legislation, prepares testimony and responds to congressional inquiries on legislative and other matters.

OLA attempted to secure passage of a number of banking and bank supervisory bills during 1986. The legislation covered a wide range of provisions including:

—extension and expansion of the FDIC's emergency interstate acquisition authority for failed and failing banks;

—authority for the FDIC to operate a so-called "bridge bank" while finding a buyer for a failing bank;

—exemption of the FDIC from the apportionment provisions of the Antideficiency Act;

—permission for healthy banks that acquire failed institutions to establish branches on a limited basis;

—preservation of the bad debt reserve deduction for banks and bank holding companies with over $500 million in assets;

—assessment of insurance premiums on member banks based upon the risk they pose to the insurance fund;

—recapitalization of the Federal Savings and Loan Insurance Corporation;

—compensation of federal examiners at a rate equivalent to private sector pay.

In the course of this legislative mission in 1986, OLA responded to over 2,000 pieces of correspondence from or referred by Congress, the White House and the Office of Management and Budget. Efficiency in this area increased as a result of the use of a computer to track and retrieve correspondence. In order to encourage passage of important banking legislation in the upcoming year, OLA has coordinated with top FDIC officials to develop the Corporation's legislative agenda for 1987.

Office of Corporate Budget and Planning

Office of Corporate Budget and Planning The Office of Corporate Budget and Planning (OCBP) is responsible for providing leadership and overall direction to the Corporaton's budget and planning process. On budget matters, it acts as the liaison between the Board of Directors and the divisions and offices.

The continued growth in supervisory and liquidaton activity has elevated the need for coordination of budgetary decisions. The OCBP assists the divisions and offices in matching strategic objectives with available resources and priorities established by the Board of Directors.

OCBP has developed a formal process for gathering information on goals and assumptions used by the divisions and offices in the development of their budget proposals. OCBP assists in the development of projections such as the number and size of bank insolvencies during the upcoming year and manpower needs to satisfy new statutory or regulatory programs.

A capital expenditure analysis program will be developed by OCBP during 1987 which will standardize the approach for reviewing capital expenditures. The OCBP intends to apply a functional approach to budget analysis which is expected to facilitate the assessment of specific program costs, improve expenditure controls and help management coordinate expenditures.

OCBP also intends to continue its effort to improve the measurement of productivity gains in all areas of corporate activity. These productivity measures are being used as part of the evaluation and review of each program budget, thus complementing the assessment of workload constraints, capital acquisition and utilization, and goals and objectives.

Office of Corporate Audits and Internal Investigations

The Office of Corporate Audits and Internal Investigations (OCAII) conducts audits and investigations of all activities within the Corporation.

As professional internal auditors, OCAII personnel conduct audits and perform all duties in a manner that is consistent with the ethics of the profession. Audits are performed in accordance with generally accepted governmental auditing standards described in the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions."

OCAII operations serve to safeguard the assets of the Corporation, perform a managerial control function for the Board of Directors, eliminate waste, fraud, inefficiency and excessive costs, recommend improvement of fiscal and operational controls, and provide information in the form of audit reports to the Board and management. In addition, the Office coordinates its work with the U.S. General Accounting Office (GAO) and provides consultation to GAO in the conduct of GAO's oversight activities.

During 1986, OCAII issued 157 audit reports that presented recommendations to improve controls over operations, enhance the efficiency and effectiveness of activities, and protect the integrity and accuracy of FDIC and liquidation records. Just two years ago, the Office issued 51 audit reports. This dramatic increase in the number of audits is due mainly to the growth in bank closings and the associated audit requirements regarding the liquidation activities resulting from these closings.

The OCAII investigative staff completed 18 investigations during 1986. These investigations covered a wide range of activities and contributed significantly to the efforts of the FDIC to combat fraud, waste and abuse, promote employees' integrity and provide a positive environment in which Corporation activities can be conducted.

Results of activities of the Office were measurable in a number of ways. The audit work performed during 1986 has resulted in potential savings of approximately $5,300,000 for the FDIC. These savings relate mainly to the FDIC's liquidation functions and include various items such as refunds, recoveries and improved operations. Audit staff efficiency continued to improve through the increased use of microcomputers and the development of more sophisticated data processing skills and techniques. A regional audit office was established in Dallas in response to the growing number of bank failures in that FDIC region.

In 1987, the Office plans to conduct over 200 audits, investigations and special projects. As in 1986, the major emphasis will be related to the FDIC's liquidation function. The establishment of additional field offices is scheduled during the year in response to the audit requirements associated with the liquidation activities at the various regional and consolidated offices. Finally, OCAII plans to increase audit coverage of other Corporate functions such as the Legal Division and the Division of Bank Supervision.

Office of Personnel Management

The Corporation's Office of Personnel Management (OPM) is responsible for the hiring, advancement and recognition of FDIC employees. These programs include: recruitment and placement; development and administration of employee benefit programs; labor-management relations; advising management and employees on matters pertaining to employee conduct and performance; administering the Employee Assistance Program; position management, classification and training.

Recruitment and Placement

In 1986, there was an increase in the Corporation's needs nationwide for entry-level professional and administrative staff. OPM responded by significantly expanding its recruitment efforts in order to locate and hire the best candidates for these positions.

OPM's Bank Examining Unit (BEU) processed over 3,900 Bank Examiner (Trainee) applications for employment. From these, the Division of Bank Supervision (DBS) made over 300 selections to meet bank examination demands. To improve servicing of DBS positions nationwide, the BEU automated its applications processing operation.

Hiring for the Division of Liquidation (DOL) also increased significantly because of the increase in the number of bank failures during 1986. During the first three quarters of 1986 there was a 12 percent increase in new appointments over the same period in 1985. In addition, there was a 98 percent success rate in the conversion of regional office liquidation graded employees to competitive appointments. Significant outreach recruitment efforts were undertaken for hiring in Bank Liquidation Specialist (Trainee) positions, which attracted over 700 candidates.

Additionally, an agreement was initiated with the U.S. Department of Agriculture's National Finance Center to process the Corporation's payroll and personnel data. This new state-of-the-art automated system offers considerable flexibility in the handling of payroll and personnel actions. It is expected that this new automated system, once fully operational in 1987, will produce significant monetary savings for the Corporation.

Number of Officials and Employees of the Federal Deposit Insurance Corporation, December 31, 1986 and 1985

	TOTAL		Washington Office		Regional & Field Offices	
	1986	1985	1986	1985	1986	1985
TOTAL	8817	7125	1102	830	7715	6295
Executive Offices	55	67	55	67	0	0
Legal Division	729	487	132	111	597	376
Division of Research & Strategic Planning	27	26	27	26	0	0
Division of Liquidation*	4586*	3318	44	37	4542	3281
Division of Bank Supervision	2299	2123	160	169	2139	1954
Division of Accounting & Corporate Services	969	973	532	289	437	684
Office of Corporate Audits	55	54	55	54	0	0
Office of Equal Employment Opportunity	13	7	13	7	0	0
Office of Personnel Management	84	70	84	70	0	0

*Division of Liquidation totals include temporary employees, most of whom were employed by failed banks and assigned to field liquidations.

Employee Development

OPM develops, coordinates, and provides training for employees at all levels to enhance job performance and efficiency. Training and developmental activities have continually increased in volume and scope with the overall rise in the work force. Training authorizations during 1986 totalled roughly 2,000, not including technical training provided by DBS and DOL. Anticipated on-site training courses provided by OPM are expected to increase five-fold in the upcoming year.

Position Management

OPM has continued to work closely with management, providing assistance regarding organizational structure as well as the definition of specific position responsibilities. This effort is part of OPM's ongoing program to ensure the accuracy of the FDIC's position management, classification and pay system.

During 1986, OPM provided extensive position management and classification support to DOL concerning the reorganization of the headquarter's office, the development of position descriptions for headquarters and field sites, and the administration of the Liquidation Graded Pay Plan. This has included the presentation of regional training seminars highlighting the recent major updating of the Liquidation Graded Personnel Manual.

With the consolidation of DBS regional operations, OPM worked closely with Division management regarding the realignment and restructuring of regional and field office positions.

Substantial growth within the Legal Division generated a variety of position management and classification issues. These included the establishment of a regional administrative support function, implementation of a headquarter's automation program and nationwide case management tracking system, and the administration of a sizeable legal liquidation-graded field office work force.

In concert with the National Finance Center's payroll and personnel system, work was begun during 1986 on implementing a Corporation-wide automated position management system.

Employee Relations Branch

OPM develops and administers policies and procedures for labor relations activities, grievances, disciplinary and adverse actions, incentive awards, leave and worker's compensation. Additionally, the Employee Relations Branch develops, recommends and implements policies for all employee benefit programs.

OPM continues to provide individual counselling and guidance to employees on their respective problems in the benefits area. An on-going working relationship is also maintained with managers in dealing with problem employee situations. The amount of activity in this area increased dramatically in 1986 due to the overall increase in employment. This has required establishing a more intimate working relationship with the divisions, as well as with the Legal Division staff in defending actions that are challenged or appealed.

Office of Equal Employment Opportunity

The Office of Equal Employment Opportunity (OEEO) is responsible for management of the FDIC's affirmative action programs for women, minorities, handicapped, and disabled veterans, and for the administration of discrimination complaint procedures. The growth of the Corporation's work force has resulted in an increase in pre-complaint counselling and discrimination complaint investigations. There were 90 incidents of pre-complaint counselling in 1986 compared with 56 in 1985. Total discrimination complaint investigations during the year amounted to 25 compared with 16 in the previous year.

OEEO updated or developed the following circulars and pamphlets in 1986 and made them available to FDIC employees:

—Commitment to the Corporation's Equal Employment Opportunity Program

—Individual Discrimination Complaints

—Corporation Policy Statement on Sexual Harassment

—Class Discrimination Complaints

—Applicability of the Corporation's Incentive Award Policy to Equal Employment Opportunity

—Maintenance of Minority Group Statistics

—Guide for Handicapped Individuals and Disabled Veterans Programs

—Discrimination Complaints

—Recognizing and Handling Sexual Harassment in the Work Place—A Guide for FDIC Employees

—Prevention of Sexual Harassment in the Work Place—A Guide for Supervisors and Managers

—Career Enhancement Guide for Secretarial and Support Staff

During 1986, OEEO acquired a computer and printer in order to improve accuracy of the Human Resource Information System, which contains data on minority representation and grade levels in the work force. This technology was used in the automation and retrieval of reports, the preparation of affirmative action plans, complaint tracking, and budget activities.

The OEEO also encouraged employees to participate in a number of awareness and special interest programs such as National Afro-American History Month, National Professional Secretaries Week, Hispanic Heritage Week, and Native American/Alaskan Native Heritage Week. OEEO also assisted the Federal Home Loan Bank Board's Small Savers Child Care Center by developing and sending a child care interest survey to all FDIC Washington Office employees. Five FDIC employees are using the Bank Board's center.

To increase awareness of the FDIC's mission and employment opportunities, OEEO participated in workshops at conferences, universities and high schools. It also maintained working relationships with many national and local minority and handicap organizations. Copies of current vacancy announcements were sent on a regular basis to special emphasis organizations.

OEEO helped the FDIC provide reasonable accommodations for the handicapped during the year by overseeing efforts to make all headquarters and some field office buildings accessible. It also purchased a wheelchair, made a "TTY" available for the deaf, and facilitated the installation of two telephone amplification units for hearing impaired employees.

The Office took a number of actions to increase diversity in the work force during the year. The Community Outreach Program was expanded geographically and additional positions were allotted. This program provides student assistant positions to high school students. Six students were hired for this six-month, work/study program. In addition, the Office entered into an agreement with the United South and Eastern Tribes, Inc., of Nashville, Tennessee, to employ Native Americans under the Job Training Partnership Act, a federal grant program. Two individuals were hired under this program in 1986. Finally, the Office worked with programs to employ the handicapped and disabled veterans.

Statements of Financial Position

Assets *(in thousands)*	December 31, 1986	1985
Cash	$ 42,477	$ 23,186
Investment in U.S. Treasury obligations (Note 2)	16,602,959	15,841,869
Accrued interest receivable on investments and other assets	503,557	499,229
Certificates, notes and other receivables from insured banks (Note 3)	662,090	590,254
Net receivables from assistance to insured banks (Note 4)	1,854,691	2,712,842
Net receivables from failures of insured banks (Note 5)	2,690,842	2,358,554
Property and buildings (Note 6)	51,010	47,164
Total Assets	$22,407,626	$22,073,098

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

Liabilities and the Deposit Insurance Fund (in thousands)

	December 31, 1986	December 31, 1985
Accounts payable, accrued liabilities and other	$ 266,708	$ 80,649
Liabilities incurred in assistance to insured banks (Note 7)	3,034,108	3,442,752
Liabilities incurred from failures of insured banks (Note 8)	847,242	578,367
Estimated losses from Corporation litigation (Note 9)	6,251	14,340
Total Liabilities	4,154,309	4,116,108
Deposit Insurance Fund	18,253,317	17,956,990
Total Liabilities and the Deposit Insurance Fund	$22,407,626	$22,073,098

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

Statements of Income and the Deposit Insurance Fund

(in thousands)	For the year ended December 31, 1986	1985
Income:		
Gross assessments earned	$ 1,587,375	$ 1,434,578
Provision for assessment credits	70,473	1,081
Net assessments earned	1,516,902	1,433,497
Interest on U.S. Treasury obligations	1,634,415	1,599,745
Other income	149,744	352,203
Total Income	3,301,061	3,385,445
Expenses and Losses:		
Administrative operating expenses	180,267	179,209
Merger assistance losses and expenses (Note 10)	(86,043)	199,377
Provision for insurance losses (Notes 3, 4, 5, and 11)	2,868,660	1,568,992
Nonrecoverable insurance expenses (Note 12)	41,850	10,356
Total Expenses and Losses	3,004,734	1,957,934
Net Income	296,327	1,427,511
Deposit Insurance Fund—January 1	17,956,990	16,529,479
Deposit Insurance Fund—December 31	$18,253,317	$17,956,990

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

Statements of Changes in Financial Position

(in thousands)	For the year ended December 31, 1986	1985
Financial resources were provided from:		
Operations:		
Net Income	$ 296,327	$1,427,511
Add (deduct) items not involving cash in the period:		
Amortization of U.S. Treasury obligations	125,640	57,575
Depreciation on buildings	1,285	1,115
Income maintenance agreement adjustments	(83,700)	(109,517)
Amortization of merger assistance agreements	22,108	39,128
Provision for insurance losses	2,868,660	1,568,992
Resources provided from operations	**3,230,320**	**2,984,804**
Other resources provided from:		
Maturity of U.S. Treasury obligations	3,196,626	3,798,500
Collections on certificates, notes and other receivables	98,217	259,641
Collections on receivables from assistance to an insured bank	668,323	549,295
Collections on receivables from failures of insured banks	1,799,101	924,353
Liabilities incurred in assistance to insured banks	0	128,027
Liabilities incurred from failures of insured banks	753,270	91,999
Other decreases (increases)	39,896	(125,118)
Total financial resources provided	**$9,785,753**	**$8,611,501**
Financial resources were applied to:		
Purchase of U.S. Treasury obligations	$4,083,356	$5,261,658
Acquisition of certificates, notes and other receivables	144,365	251,527
Increased receivables from assistance to insured banks	200,966	146,708
Increased receivables from failures of insured banks	4,491,035	2,089,501
Additions to property and buildings	5,131	6,578
Payments on liabilities incurred in assistance to insured banks	408,644	533,617
Payments on liabilities incurred from failures of insured banks	430,968	302,884
Disbursements for Corporate Litigation	1,997	0
Increase (decrease) in cash	19,291	19,028
Total financial resources applied	**$9,785,753**	**$8,611,501**

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

Notes to Financial Statements

December 31, 1986 and 1985

1. Summary of Significant Accounting Policies:

General. These statements do not include accountability for assets and liabilities of closed insured banks for which the Corporation acts as receiver or liquidating agent. Periodic and final accountability reports of its activities as receiver or liquidating agent are furnished by the Corporation to courts, supervisory authorities, and others as required.

U.S. Treasury Obligations. Securities are shown at amortized cost which is the purchase price of securities less the amortized premium or plus the accreted discount. Such amortizations and accretions are computed on a daily basis from the date of acquisition to the date of maturity. Interest is also calculated on a daily basis and recorded monthly using the constant-yield method.

Deposit Insurance Assessments. The Corporation assesses insured banks at the rate of 1/12 of one percent per year on the bank's average deposit liability less certain exclusions and deductions. Assessments are due in advance for each six-month period and credited to income each month. Based on operational results, the Depository Institutions Deregulation and Monetary Control Act of 1980 authorizes up to 60 percent of the net assessment income to be transferred in the form of an assessment credit to insured banks each July 1 of the following calendar year. Additionally, the Act authorizes the FDIC Board of Directors to make adjustments to this percentage within certain limits in order to maintain the Deposit Insurance Fund between 1.25 and 1.40 percent of estimated insured deposits. If this ratio falls below 1.10 percent, the FDIC is mandated to reduce the percentage of net assessment income credited to a limit of 50 percent. If this ratio exceeds 1.40 percent, the FDIC is mandated to increase the percentage of net assessment income credited by such an amount as it determines will result in maintaining that ratio at not more than 1.40 percent.

Allowance for Loss. The Corporation records as a receivable the funds advanced to the FDIC Receiver for assisting and closing insured banks, and establishes an estimated allowance for loss shortly after the insured bank is assisted or closed. The allowance for loss represents the difference between the funds advanced and the expected repayment, based on the estimated cash recoveries from the assets of the assisted or failed bank, net of all liquidation costs. The Corporation does not state the estimated contingent liability for future bank failures because such estimates are impossible to make. The Corporation's liability for eventual net losses from assisting or closing banks depends upon factors which can not be assessed until after the bank is actually assisted or closed. The Corporation's entire Deposit Insurance Fund and borrowing authority are available for any assistance or closing activity.

Depreciation. The Washington Office Buildings are depreciated on a straight-line basis over a 50-year estimated life. The San Francisco Condominium Offices are depreciated on a straight-line basis over a 35-year estimated life. The cost of furniture, fixtures, and equipment is expensed at time of acquisition.

Income Maintenance Agreements. The Corporation records its liability under an income maintenance agreement at the present value of each estimated cash outlay at the time the agreement is accepted. Estimated cash outlays are anticipated future payments the Corporation will provide to offset the difference between the annualized cost of funds and the annualized return on the declining volume of earning assets acquired in a merger transaction, plus an amount to cover overhead costs. The charge is recorded to insurance loss. The present value of the liability is then accreted daily and recorded monthly over the term of the agreement. Any differences between the estimated and actual cash outlays are recorded as payment adjustments. The present value of remaining estimated cash outlays is also reviewed and adjusted each year when interest rate changes occurring in the marketplace appear material or permanent in nature. The originally recorded loss, plus or minus any payment and present value adjustments, will then be prorated between insured banks and the Deposit Insurance Fund as provided in Section 7(d) of the Federal Deposit Insurance Act.

Reclassifications. Reclassifications have been made in the 1985 Financial Statements to conform to the presentation used in 1986.

2. U.S. Treasury Obligations:

All cash received by the Corporation which is not used to defray operating expenses or for outlays related to assistance to banks and liquidation activities is invested in U.S. Treasury securities. The Corporation's investment portfolio consists of the following (in thousands):

		December 31, 1986		December 31, 1985	
Maturity	Description	Book Value	Market Value	Book Value	Market Value
One Day	Special Treasury Certificates	$ 2,049,700	$ 2,049,700	$ 1,682,000	$ 1,682,000
Less than 1 year	U.S.T. Bills, Notes and Bonds	3,283,654	3,370,283	3,215,419	3,253,159
1-3 years	U.S.T. Notes and Bonds	6,162,104	6,610,032	6,738,907	7,045,385
3-10 years	U.S.T. Notes and Bonds	5,107,501	5,409,786	4,205,543	4,473,698
		$16,602,959	$17,439,801	$15,841,869	$16,454,242

3. Certificates, Notes and Other Receivables from Insured Banks:

The Corporation's outstanding principal balances on certificates, notes and other receivables from insured banks are as follows (in thousands):

	December 31	
	1986	1985
Certificates:		
Net worth certificates	$129,809	$219,847
Allowance for losses	(74,503)	(136,996)
	55,306	82,851
Notes receivable to:		
Assist operating banks	27,000	27,000
Facilitate deposit assumptions	88,136	90,755
Facilitate merger agreements	401,648	389,648
	516,784	507,403
Other receivables:		
Special assistance	131,805	8,500
Allowance for losses	(41,805)	(8,500)
	90,000	0
	$662,090	$590,254

The net worth certificate program was established at the FDIC by authorization of the Garn-St Germain Depository Institutions Act of 1982. Under this program, the Corporation would purchase a qualified institution's net worth certificate and, in a non-cash exchange, the Corporation would issue its non-negotiable promissory note of equal value. The total assistance outstanding to qualified institutions as of December 31, 1986 and 1985 is $526,094,000 and $705,446,000 respectively. As of

December 31, 1986 and 1985, the financial statements excluded $396,284,000 and $485,599,000 respectively of net worth certificates, for which no losses are expected because of the non-cash exchange nature of the transactions. The authority to issue new net worth certificates expired October 15, 1986.

4. Net Receivables from Assistance to an Insured Bank:

On July 26, 1984, the FDIC, the Federal Reserve Board, the Comptroller of the Currency and a group of major U.S. banks agreed to provide a "permanent assistance program" to the Continental Illinois National Bank and Trust Company of Chicago ("CINB") and its parent, Continental Illinois Corporation. This program, which became effective on September 26, 1984, after Continental Illinois Corporation shareholder approval, replaced a temporary, emergency assistance package among the same parties that had been in effect since May 1984. Major elements of the new package included a financial assistance plan to remove problem loans from CINB and infuse new capital resources into CINB, the continuation of on-going lines of credit from the Federal Reserve Board and a group of major U.S. banks to alleviate liquidity pressures and the installation of a new management team. Additionally, the FDIC agreed to commit more capital or other forms of assistance if the permanent assistance program proves to be insufficient for any reason.

The key aspects of the permanent assistance program applicable to the FDIC are embodied in an Implementation Agreement and an Assistance Agreement between the FDIC and CINB, Continental Illinois Corporation, and Continental Illinois Holding Corporation, a new holding company formed to own all Continental Illinois Corporation stock as of the effective date for the purpose of implementing the FDIC Option. Discussed below are the major aspects of the FDIC's participation in the permanent assistance program and their effect on the FDIC financial statements.

The assets against which the FDIC is to recover its assistance to CINB are as follows (in thousands):

	December 31	
	1986	1985
Loans and related assets	$2,322,793	$2,126,894
Promissory note	459,994	927,948
Preferred stock investment	804,698	1,000,000
Allowance for losses	(1,732,794)	(1,342,000)
	$1,854,691	$2,712,842

Loans and related assets were selected by CINB with the restrictions that such loans were nonperforming, classified or otherwise of poor quality (i.e., "troubled loans"). Certain foreign loans were excluded from selection. On September 26, 1984, after consummation of the permanent assistance program, CINB transferred $2.0 billion of troubled loans to the FDIC. The unpaid legal principal value of these loans was approximately $3.7 billion.

Also, on September 26, 1984, the FDIC received a promissory note from CINB for $1.5 billion. At CINB's option, the promissory note can be paid anytime within three years by transfer of additional troubled loans (subject to the above restrictions) at CINB's book value as of the date of transfer. Until such time as the promissory note is paid, interest will be charged. Through December 31, 1986, CINB transferred $1,040,006,000 of additional troubled loans to the FDIC as partial repayment on the original promissory note. As a result, the outstanding principal balance of the Note as of December 31, 1986, is $459,994,000.

These assets were, in part, funded by the assumption of $3.5 billion of indebtedness to the Federal Reserve Bank of Chicago (FRB) on behalf of CINB. These borrowings will bear interest at specified rates established by the FRB and the U.S. Treasury. The FDIC will repay these borrowings by making quarterly remittances of its collections, less expenses, on the troubled loans. If there is a shortfall at September 26, 1989, the FDIC will make up such deficiency with its own funds.

The Implementation Agreement provides for the FDIC to be reimbursed each quarter for its expenses related to administering the transferred loan portfolio and for interest paid on the indebtedness to the FRB which it assumed. Thus, such costs are recorded as assets. The FDIC and CINB have entered into a service agreement whereby CINB will administer the transferred loan portfolio on behalf of the FDIC. The FDIC is also permitted to establish a special reserve account from troubled loan collections. The balance in this account, if any, reverts to the FDIC in those quarters when loan collections have been insufficient to cover interest owing on the indebtedness which it assumed. For financial accounting purposes, cash collections received on the transferred loan portfolio (plus certain other amounts) are applied quarterly in accordance with the Implementation Agreement terms, as follows: 1) to the administrative expenses paid by the FDIC; 2) to the interest owing on the assumed indebtedness; 3) to fund the special reserve account such that this account plus accrued interest thereon is at least $75 million; and 4) to principal owing under the FRB Agreement. The FDIC is entitled to receive interest on the cumulative deficiencies between cash collections and the costs incurred in administering the troubled loans and the interest on the assumed debt. Further, CINB has assigned to the FDIC all its existing and future claims against any party which may be related to any loss incurred in connection with any transferred loan.

Total cash flow consists of the above collections of principal and interest on the transferred loan portfolio, interest payments on the CINB promissory note and interest earned on daily collections. For the year ending December 31, 1986, the FDIC received net cash flow totaling $498,880,000. Cash flow was applied to administrative costs and to interest expense of $23,795,000 and $204,466,000, respectively, and to payment of principal owing under the FDIC-FRB agreement amounting to $270,619,000.

Ultimate collection results on the transferred loan portfolio are subject to significant uncertainties because of the financially troubled nature of the borrowers and the effects of general economic conditions on their industries. As of December 31, 1986, the Corporation estimated an allowance for loss amounting to $1,732,794,000. This allowance represents the difference between the amount FDIC will pay the FRB and the collections on the loan portfolio after expenses.

The FDIC holds an option to acquire up to 40.3 million shares of Continental Illinois Corporation common stock. The shares subject to the option are owned by Continental Illinois Holding Corporation, which is owned by the former stockholders of Continental Illinois Corporation. The option cannot be exercised prior to the fifth anniversary of the commencement date, September 26, 1989. Further, the option is excercisable only if the FDIC suffers a loss (disregarding any profit or loss from the FDIC's interest in Continental Illinois Corporation preferred or common stock) on the transferred loan portfolio, including unrecovered administrative costs and interest expense. If the FDIC suffers a loss, the FDIC will be entitled to retain any remaining transferred loans and to exercise the FDIC Option for one share of Continental Illinois Corporation common stock for every $20 of loss, at the exercise price of $0.00001 per share of common stock. Because of uncertainty, FDIC has not recorded a value for the FDIC Option. If the FDIC does not suffer any loss under the permanent assistance program, all remaining loans and other assets acquired will be returned to CINB and the option would not be exercisable.

The FDIC also purchased $1 billion of two non-voting, Continental Illinois Corporation, preferred stock issues. The proceeds of these issues were transferred to CINB in the form of a capital contribution. The Junior Perpetual Convertible Preference Stock, in the amount of $720 million, is convertible into 160 million shares of Continental Illinois Corporation common stock upon sale or transfer by the FDIC. Dividends are to be received on this preferred stock only to the extent that dividends are paid on the Continental Illinois Corporation common stock and are equivalent to that which would be paid on 160 million shares of common stock. The Adjustable Rate Preferred Stock, Class A, in the amount of $280 million, is a cumulative issue that is callable at the option of Continental Illinois Corporation. The issuer also has the option to pay dividends on this issue in the form of additional shares of this issue or cash until the third anniversary of their original issue date.

In December, 1986, the FDIC sold 10.5 million shares of Junior Perpetual Convertible Preference Stock (52.5 million shares of common stock) to an underwriting syndicate for proceeds of $259,350,000. During 1986 the Corporation received $2,150,000 in cash dividends on the Junior Perpetual Convertible Preference Stock and $27,481,000 in cash dividends on the Adjustable Rate Preferred Stock, Class A.

5. Net Receivables from Failures of Insured Banks:

Net receivables from failures of insured banks are as follows (in thousands):

	December 31 1986	December 31 1985
Depositors' claims paid	$1,829,709	$1,069,553
Depositors' claims unpaid	24,269	11,136
Assumption Transactions in a fiduciary capacity	5,637,058	3,836,002
Assets purchased in a corporate capacity	568,308	450,719
	8,059,344	5,367,410
Allowance for losses	(5,368,502)	(3,008,856)
	$2,690,842	**$2,358,554**

An analysis of the changes in the allowance for losses by account groups is as follows (in thousands):

	Depositors' claims paid	Assumption transactions in a: Fiduciary capacity	Assumption transactions in a: Corporate capacity	Total
1986				
Balance, January 1	$465,887	$2,154,103	$388,866	$3,008,856
Provision for insurance losses	509,261	1,851,150	(765)	2,359,646
Write-off at termination	0	0	0	0
Balance, December 31	**$975,148**	**$4,005,253**	**$388,101**	**$5,368,502**
1985				
Balance, January 1	$158,057	$1,537,398	$364,681	$2,060,136
Provision for insurance losses	307,830	617,213	24,185	949,228
Write-off at termination	0	(508)	0	(508)
Balance, December 31	**$465,887**	**$2,154,103**	**$388,866**	**$3,008,856**

6. Property and Buildings:

Property and buildings consist of (in thousands):

	December 31 1986	December 31 1985
Land	$ 4,680	$ 4,014
Office buildings	54,068	49,603
Accumulated depreciation	(7,738)	(6,453)
	$51,010	**$47,164**

The Corporation's 1776 F Street property is subject to notes payable totaling $6,314,000 and $9,491,000 at December 31, 1986 and 1985, respectively.

7. Liabilities Incurred in Assistance to Insured Banks:

The Corporation's outstanding principal balances on liabilities incurred in assistance to insured banks are as follows (in thousands):

	December 31 1986	December 31 1985
Federal indebtedness	$2,904,299	$3,222,905
Promissory (exchange) notes	129,809	219,847
	$3,034,108	$3,442,752

Maturities of long-term debt for each of the next five years and thereafter:

1987	1988	1989	1990	1991	1992/Thereafter
$ 0	$ 0	$2,937,609	$31,974	$33,281	$31,244

8. Liabilities Incurred from Failures of Insured Banks:

The Corporation's outstanding principal balances on liabilities incurred from failures of insured banks are as follows (in thousands):

	December 31 1986	December 31 1985
Federal indebtedness	$ 0	$306,083
Notes payable	822,973	157,196
Income maintenance agreements	0	103,952
Depositors' claims unpaid	24,269	11,136
	$847,242	$578,367

Maturities of long-term debt for each of the next five years and thereafter:

1987	1988	1989	1990	1991	1992/Thereafter
$692,251	$5,592	$6,128	$6,722	$7,586	$104,694

Depositors' claims unpaid ($24,269) are current in nature and are not considered long-term debt.

9. Estimated Losses From Corporation Litigation:

The Corporation is involved in both its receivership and corporate capacity in numerous law suits. The merits of each case and the expected outcome have been evaluated by the Corporation's General Counsel, and, where appropriate, a contingent loss has been established. This estimated loss was $242 million in 1986. Of that amount, a $236 million legal reserve was included in the allowance for loss relating to assets acquired from assistance to an insured bank and from failed banks. The remaining $6 million is included on the financial statements as estimated losses from corporation litigation.

10. Merger Assistance Losses and Expenses:

The Corporation's merger assistance losses and expenses represent (1) the original income maintenance agreement losses recorded at present value and any adjustments resulting from interest rate changes occuring in the marketplace and (2) outright assistance to merged insured banks. These amounts were $(86) million and $199 million in 1986 and 1985 respectively.

11. Provision for Insurance Losses:

An analysis of the provision for insurance losses is as follows (in thousands):

	December 31 1986	1985
Provision for insurance losses		
Net worth certificates		
Current year provision	$ 0	$ 0
Prior year adjustments	(62,493)	(45,985)
	(62,493)	(45,985)
Special assistance		
Current year provision	191,805	8,500
Prior year adjustments	0	0
Termination adjustments	(5,000)	0
	186,805	8,500
Net receivables from assistance to an insured bank		
Current year provision	0	642,000
Prior year adjustments	390,794	0
	390,794	642,000
Net receivables from failures of insured banks		
Current year provision	1,854,632	433,394
Prior year adjustments	505,014	515,834
Termination adjustments	0	909
	2,359,646	950,137
Corporation litigations		
Current year provision	470	14,340
Prior year adjustments	(2,559)	0
Termination adjustments	(4,003)	0
	(6,092)	14,340
	$2,868,660	$1,568,992

12. Nonrecoverable Insurance Expenses:

The Corporation's nonrecoverable insurance expenses primarily represent costs associated with (1) preparing and executing the activity in payoff cases and (2) administering and liquidating the assets purchased in a corporate capacity.

13. Assessment Credits Due Insured Banks:

Contingent upon a legislatively specified ratio of the Corporation's Deposit Insurance Fund to estimated insured bank deposits, the Corporation credits a legislatively authorized percentage (currently 60 percent) of its net assessment income to insured banks. This credit is distributed, pro-rata, to each insured bank as a reduction of the following year's assessment. Net assessment income is determined by gross assessments less administrative operating expenses and expenses and losses related to insurance operations. Certain income, expense, and credit amounts do not correspond to amounts reported on the financial statements because of adjustments to prior years' assessment credits not affecting the 1986 and 1985 assessment credit computational amounts.

The Garn-St Germain Depository Institutions Act of 1982 amended Section 7(d)(1) of the Federal Deposit Insurance Act and authorized the Corporation to include certain lending costs in the computation of the net assessment income. The lending costs are the amounts by which the amount of interest earned on each loan made by the Corporation under Section 13 of the Federal Deposit Insurance Act after January 1, 1982, is less than the amount of interest the Corporation would have earned for the calendar year if interest had been paid on the loans at a rate equal to the average current value of funds to the U.S. Treasury for the calendar year.

The computation of net assessment income credits for calendar year 1986 and 1985 are as follows (in thousands):

Net Assessment Income Credit Computation—Calendar Year 1986

Computation:		
Gross assessment income—C.Y. 1986		$1,578,200
Less: Carry-over of net expenses and losses from C.Y. 1985	$1,113,954	
Administrative operating expenses	180,267	
Merger assistance losses and expenses less amortization and accretion	(99,746)	
Provision for insurance losses	2,867,960	
Nonrecoverable insurance expenses	36,783	
Lending costs	3,061	4,102,279
Excess of losses and expenses over gross assessment income		2,524,079
Assessment credit adjustment—prior years		65,280
Net excess of losses and expenses over gross assessment income—C.Y. 1986		$2,589,359

Net Assessment Income Credit Computation— Calendar Year 1985

Computation:		
Gross assessment income—C.Y. 1985		$1,432,381
Less: Carry-over of net expenses and losses from C.Y. 1984	$ 599,601	
Administrative operating expenses	179,209	
Merger assistance losses and expenses less amortization and accretion	194,700	
Provision for insurance losses	1,568,385	
Nonrecoverable insurance expenses	4,956	
Lending costs	145	2,546,996
Excess of losses and expenses over gross assessment income		1,114,615
Assessment credit adjustment—prior years		(661)
Net excess of losses and expenses over gross assessment income—C.Y. 1985		$1,113,954

14. Lease Commitments:

Rent for office premises charged to administrative operating and liquidation overhead expenses were $27,914,000 (1986) and $22,605,000 (1985). Minimum rentals for each of the next five years and for subsequent years thereafter are as follows (in thousands):

1987	1988	1989	1990	1991	1992/Thereafter
$26,278	$17,693	$12,031	$10,737	$10,480	$46,319

Most office premise lease agreements provide for increase in basic rentals resulting from increased property taxes and maintenance expense.

15. Pension Plan and Accrued Annual Leave:

All of the Corporation's permanent employees are covered by the Civil Service Retirement System. Total Corporation (employer) matching contributions to the Civil Service Retirement System for all permanent employees were approximately $9,662,000 and $8,356,000 for the calendar years ending December 31, 1986 and 1985, respectively.

Although the Corporation funds a portion of pension benefits under the Civil Service Retirement System relating to its permanent employees and makes the necessary payroll withholdings from them, the Corporation does not account for the assets of the Civil Service Retirement System nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to its permanent employees. These amounts are reported by the Office of Personnel Management (OPM) for the Retirement System and are not allocated to the individual employers. The OPM also accounts for all health and life insurance programs for retired Corporation permanent employees.

The Corporation's liability to employees for accrued annual leave is approximately $10,445,000 and $8,571,000 at December 31, 1986 and 1985, respectively.

16. Commitments and Contingencies:

The Corporation insures total deposits of about $1.6 trillion in over 14,000 insured commercial banks. The Corporation does not estimate the contingent liability for either the potential assistance to insured banks that the regulatory process has identified as distressed or other insured banks that are financially weak but have not yet been identified by the regulatory process. Rather, as described in Note 1, *Allowance for Loss,* the Corporation does establish an allowance for loss when assistance is granted or a bank is closed. The allowance for loss on the financial statements includes all banks which were assisted or failed through 1986. The Corporation believes that it is impossible to estimate a contingent liability with any reasonable certainty. The Corporation's entire Deposit Insurance Fund and borrowing authority are available for any assistance or closing activity.

GAO United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114831

To the Board of Directors
Federal Deposit Insurance Corporation

We have examined the statements of financial position of the Federal Deposit Insurance Corporation as of December 31, 1986 and 1985, and the related statements of income and the deposit insurance fund, and of the changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In addition to this report on our examination of the Corporation's 1986 and 1985 financial statements, we are also reporting on our study and evaluation of internal accounting controls and compliance with laws and regulations.

Over the last 5 years, the financial condition of certain sectors of the economy, particularly the energy and agricultural sectors, has adversely affected the banking industry's performance. The number of FDIC-insured bank failures and problem banks has increased substantially and the Corporation expects this trend to continue in 1987. Although the failures and problem banks represent a small percentage of total FDIC-insured banks, the industry's problems have required the Corporation to substantially increase its expenditures for regulatory action. Between 1982 and 1985, the Corporation's net income exceeded $1 billion each year, but in 1986, it declined to less than $300 million. Further, although the Corporation's deposit insurance fund has increased from $13.7 billion at the end of 1982 to $18.3 billion at the end of 1986, the Corporation's ratio of the insurance fund to insured deposits has declined from about 1.2 percent to about 1.1 percent. As discussed in note 1 to the financial statements, if the ratio falls below 1.1 percent, the Depository Institutions Deregulation and Monetary Control Act of 1980 mandates that the Corporation reduce the percentage of net assessment income distributed to insured banks. The Corporation has stated that if the current trend in bank failures continues and the insurance fund remains at its current level, the ratio of the insurance fund to insured deposits could further decline in 1987.

In our opinion, the financial statements referred to above present fairly the financial position of the Federal Deposit Insurance Corporation as of December 31, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

May 29, 1987

Statistics

Banks Closed Because of Financial Difficulties: FDIC Income, Disbursements and Losses

The following tables are included in the 1986 FDIC Annual Report:

—Table 122, Number and Deposits of Banks Closed Because of Financial Difficulties, 1934-1986;

—Table 123, Insured Banks Requiring Disbursements by the Federal Deposit Insurance Corporation During 1986;

—Table 125, Recoveries and Losses by the Federal Deposit Insurance Corporation on Principal Disbursements for Protection of Depositors, 1934-1986;

—Table 127, Income and Expenses, Federal Deposit Insurance Corporation, by year, from beginning of operations, September 11, 1933, to December 31, 1986;

—Table 129, Insured Deposits and the Deposit Insurance Fund, 1934-1986.

Deposit Insurance Disbursements

Disbursements by the Federal Deposit Insurance Corporation to protect depositors are made when the insured deposits of banks in financial difficulties are paid off, or when the deposits of a failing bank are assumed by another insured bank with the financial aid of the FDIC. In deposit payoff cases, the disbursement is the amount paid by the FDIC on insured deposits. In the deposit transfer, an alternative to a direct deposit payoff, the FDIC transfers the failed bank's insured and secured deposits to another bank in the community while uninsured depositors must share with the FDIC and other general creditors of the bank in any proceeds realized from liquidation of the failed bank's assets. In certain deposit payoffs, the FDIC may determine that an advance of funds to uninsured depositors and other creditors of a failed bank is warranted. In deposit assumption cases, the principal disbursement is the amount loaned to failing banks, or the price paid for assets purchased from them. Additional disbursements are made in those cases as advances for protection of assets in process of liquidation and for liquidation expenses. In deposit assumption cases, the Corporation also may purchase assets or guarantee an insured bank against loss by reason of its assuming the liabilities and purchasing the assets of an open or closed insured bank. Under its section 13(c) authority, the FDIC made a disbursement or approved other forms of assistance in 1986 for seven operating banks.

Noninsured Bank Failures

Statistics in this report on failures of noninsured banks are compiled from information obtained from state banking departments, field supervisory officials, and other sources. The FDIC received no official reports of noninsured bank closings due to financial difficulties in 1986. For detailed data regarding noninsured banks that were suspended in the years 1934-1962, see the FDIC Annual Report for 1963, pages 27-41. For 1963-1986, see Table 122 of this Report, and previous Reports for respective years.

Sources of Data

Insured banks: books of specific banks at date of closing, and books of the FDIC, December 31, 1986.

Table 122. NUMBER AND DEPOSITS OF BANKS CLOSED BECAUSE OF FINANCIAL DIFFICULTIES, 1934-1986

Year	Number					Deposits (in thousands of dollars)					Assets[4] (in Thousands Dollars)
	Total	Non-Insured[1]	Insured: Total	Insured: Without disbursements by FDIC[2]	Insured: With disbursements by FDIC[3]	Total	Non-Insured[1]	Insured: Total	Insured: Without disbursements by FDIC[2]	Insured: With disbursements by FDIC[3]	
Total	**1,149**	**136**	**1,013**	**8**	**1,005**	**42,998,525**	**143,501**	**42,855,024**	**41,147**	**42,813,877**	**51,999,628**
1934	61	52	9	...	9	37,333	35,365	1,968	...	1,968	2,661
1935	32	6	26	1	25	13,988	583	13,405	85	13,320	17,242
1936	72	3	69	...	69	28,100	592	27,508	...	27,508	31,941
1937	84	7	77	2	75	34,205	528	33,677	328	33,349	40,370
1938	81	7	74	...	74	60,722	1,038	59,684	...	59,684	69,513
1939	72	12	60	...	60	160,211	2,439	157,722	...	157,772	181,514
1940	48	5	43	...	43	142,788	358	142,430	...	142,430	161,898
1941	17	2	15	...	15	29,796	79	29,717	...	29,717	34,804
1942	23	3	20	...	20	19,540	355	19,185	...	19,185	22,254
1943	5	...	5	...	5	12,525	...	12,525	...	12,525	14,058
1944	2	...	2	...	2	1,915	...	1,915	...	1,915	2,098
1945	1	...	1	...	1	5,695	...	5,695	...	5,695	6,392
1946	2	1	1	...	1	494	147	347	...	347	351
1947	6	1	5	...	5	7,207	167	7,040	...	7,040	6,798
1948	3	...	3	...	3	10,674	...	10,674	...	10,674	10,360
1949	9	4	5	1	4	9,217	2,552	6,665	1,190	5,475	4,886
1950	5	1	4	...	4	5,555	42	5,513	...	5,513	4,005
1951	5	3	2	...	2	6,464	3,056	3,408	...	3,408	3,050
1952	4	1	3	...	3	3,313	143	3,170	...	3,170	2,388
1953	5	1	4	2	2	45,101	390	44,711	26,449	18,262	18,811
1954	4	2	2	...	2	2,948	1,950	998	...	998	1,138
1955	5	...	5	...	5	11,953	...	11,953	...	11,953	11,985
1956	3	1	2	...	2	11,690	360	11,330	...	11,330	12,914
1957	3	1	2	1	1	12,502	1,255	11,247	10,084	1,163	1,253
1958	9	5	4	...	4	10,413	2,173	8,240	...	8,240	8,905
1959	3	...	3	...	3	2,593	...	2,593	...	2,593	2,858
1960	2	1	1	...	1	7,965	1,035	6,930	...	6,930	7,506
1961	9	4	5	...	5	10,611	1,675	8,936	...	8,936	9,820
1962	3	2	1	1	...	4,231	1,220	3,011	3,011	...	...[5]
1963	2	...	2	...	2	23,444	...	23,444	...	23,444	26,179
1964	8	1	7	...	7	23,867	429	23,438	...	23,438	25,849
1965	9	4	5	...	5	45,256	1,395	43,861	...	43,861	58,750
1966	8	1	7	...	7	106,171	2,648	103,523	...	103,523	120,647
1967	4	...	4	...	4	10,878	...	10,878	...	10,878	11,993
1968	3	...	3	...	3	22,524	...	22,524	...	22,524	25,154
1969	9	...	9	...	9	40,134	...	40,134	...	40,134	43,572
1970	8	1	7	...	7	55,229	423	54,806	...	54,806	62,147
1971	6	...	6	...	6	132,058	...	132,058	...	132,058	196,520
1972	3	2	1	...	1	99,784	79,304	20,480	...	20,480	22,054
1973	6	...	6	...	6	971,296	...	971,296	...	971,296	1,309,675
1974	4	...	4	...	4	1,575,832	...	1,575,832	...	1,575,832	3,822,596
1975	14	1	13	...	13	340,574	1,000	339,574	...	339,574	419,950
1976	17	1	16	...	16	865,659	800	864,859	...	864,859	1,039,293
1977	6	...	6	...	6	205,208	...	205,208	...	205,208	232,612
1978	7	...	7	...	7	854,154	...	854,154	...	854,154	994,035
1979	10	...	10	...	10	110,696	...	110,696	...	110,696	132,988
1980	10	...	10	...	10	216,300	...	216,300	...	216,300	236,164
1981	10	...	10	...	10	3,826,022	...	3,826,022	...	3,826,022	4,859,060
1982	42	...	42	...	42	9,908,379	...	9,908,379	...	9,908,379	11,632,415
1983	48	...	48	...	48	5,441,608	...	5,441,608	...	5,441,608	7,026,923
1984	79	...	79	...	79	2,883,162	...	2,883,162	...	2,883,162	3,276,411
1985[6]	120	...	120	...	120	8,059,441	...	8,059,441	...	8,059,441	8,741,268
1986[7]	138	...	138	...	138	6,471,100	...	6,471,100	...	6,471,100	6,991,600

[1]For information regarding each of these banks, see table 22 in the 1963 *Annual Report* (1963 and prior years), and explanatory notes to tables regarding banks closed because of financial difficulties in subsequent annual reports. One noninsured bank placed in receivership in 1934, with no deposits at time of closing, is omitted (see table 22 note 9). Deposits are unavailable for seven banks.

[2]For information regarding these cases, see table 23 of the *Annual Report* for 1963.

[3]For information regarding each bank, see the *Annual Report* for 1958, pp. 48-83 and pp. 98-127, and tables regarding deposit insurance disbursements in subsequent annual reports. Deposits are adjusted as of December 31, 1982.

[4]Insured banks only.

[5]Not available.

[6]Includes data for one bank granted financial assistance although no disbursement was required until January, 1986.

[7]Excludes data for banks granted financial assistance under Section 13(c)(1) of the Federal Deposit Insurance Act to prevent failure. Data for these banks are included in table 123.

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Deposit Payoffs							
The Peoples National Bank and Trust Company* Albia, Iowa	N	11,700	50,000	46,200	43,818	February 6, 1986	Federal Deposit Insurance Corporation
Executive Center Bank, N. A. Dallas, Texas	N	900	9,400	9,100	7,589	February 14, 1986	Federal Deposit Insurance Corporation
Elk City State Bank* Elk City, Oklahoma	SM	2,800	20,600	21,000	18,710	February 21, 1986	Federal Deposit Insurance Corporation
The Citizens Bank of Winigan, Missouri Winigan, Missouri	NM	1,300	6,200	5,900	5,976	March 7, 1986	Federal Deposit Insurance Corporation
The Peoples Bank of Mercer Mercer, Missouri	NM	2,300	9,100	9,300	8,855	April 10, 1986	Federal Deposit Insurance Corporation
The First National Bank of Carter* Carter, Oklahoma	N	1,300	7,300	6,500	6,674	May 1, 1986	Federal Deposit Insurance Corporation
Sunshine State Bank South Miami, Florida	NM	5,900	110,500	97,000	91,162	May 23, 1986	Federal Deposit Insurance Corporation
The Citizens State Bank of McCracken McCracken, Kansas	NM	1,500	10,900	10,200	9,516	June 5, 1986	Federal Deposit Insurance Corporation
Security Bank of Glenrock Glenrock, Wyoming	SM	1,800	6,000	5,800	5,637	June 6, 1986	Federal Deposit Insurance Corporation
Petrobank, N. A.* Houston, Texas	N	2,000	38,100	36,800	33,639	June 12, 1986	Federal Deposit Insurance Corporation
The First National Bank of Chanute Chanute, Kansas	N	9,700	45,300	44,900	42,724	June 19, 1986	Federal Deposit Insurance Corporation
National Bank of Texas* Austin, Texas	N	2,900	32,600	30,600	28,554	July 2, 1986	Federal Deposit Insurance Corporation
The Bank of Kiowa* Kiowa, Kansas	NM	1,900	11,300	10,900	7,651	July 17, 1986	Federal Deposit Insurance Corporation
Permian Bank* Odessa, Texas	NM	7,000	38,800	33,800	33,176	July 18, 1986	Federal Deposit Insurance Corporation
First National Bank in Cordell Cordell, Oklahoma	N	2,600	22,800	22,600	21,824	July 31, 1986	Federal Deposit Insurance Corporation
Medicine Bow State Bank Medicine Bow, Wyoming	SM	900	4,600	4,000	4,229	August 8, 1986	Federal Deposit Insurance Corporation
First National Bank in Rifle* Rifle, Colorado	N	4,000	18,900	17,100	16,637	August 21, 1986	Federal Deposit Insurance Corporation
Buena Vista Bank & Trust Company* Buena Vista, Colorado	NM	4,200	32,000	29,700	29,972	August 28, 1986	Federal Deposit Insurance Corporation
American National Bank of Eastridge Casper, Wyoming	N	1,200	4,100	3,700	3,535	August 28, 1986	Federal Deposit Insurance Corporation
Valley State Bank Baggs, Wyoming	SM	1,900	4,200	4,000	3,605	October 17, 1986	Federal Deposit Insurance Corporation
The First National Bank and Trust Company of Enid Enid, Oklahoma	N	18,000	92,400	91,200	85,465	November 6, 1986	Federal Deposit Insurance Corporation

*Dividend advanced by FDIC

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Deposit Transfers to Operating Banks							
American Bank of Casper Casper, Wyoming	NM	4,300	18,800	15,000	20,172	January 17, 1986	Hilltop National Bank, Casper, Wyoming
Valencia Bank Placentia, California	NM	10,600	96,700	94,000	92,075	February 7, 1986	Barclays Bank of California, San Francisco, California
Farmers and Merchants State Bank of Lamberton Lamberton, Minnesota	NM	3,500	16,200	15,200	15,284	March 14, 1986	American Bank of Mankato, Mankato, Minnesota
Farmers and Merchants Bank of Huntsville Huntsville, Missouri	NM	4,700	18,800	18,200	13,805	March 28, 1986	City Bank and Trust Company, Moberly, Missouri
Union County Bank Maynardsville, Tennessee	NM	6,900	32,200	30,100	24,389	April 22, 1986	Commercial Bank of Claiborne County, Harrogate, Tennessee
Saddleback National Bank* Laguna Hills, California	N	1,100	13,700	12,900	13,221	May 15, 1986	Landmark Bank, La Habra, California
The First National Bank and Trust Company of Norman Norman, Oklahoma	N	12,800	70,000	68,900	66,339	May 29, 1986	The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma
The American Bank Alma, Wisconsin	NM	8,100	38,400	34,800	32,498	June 20, 1986	Bank of Alma, a newly-chartered subsidiary of La Farge Bancorp Inc., La Farge, Wisconsin
Union Deposit Bank Union, Kentucky	NM	2,200	6,000	6,500	8,761	June 26, 1986	The Central Trust Company, Boone County, Kentucky, a new state-chartered member bank
The Bank of Park County Bailey, Colorado	NM	2,100	5,400	4,800	4,671	July 25, 1986	Bank of Mountain Valley, N. A., Conifer, Colorado, a newly-chartered subsidiary of Mountain Parks Financial Corporation, Minneapolis, Minnesota.
The First National Bank and Trust Company of El Reno El Reno, Oklahoma	N	8,200	45,900	43,400	35,064	August 7, 1986	The American National Bank of Lawton, Lawton, Oklahoma
Citizens National Bank and Trust Company Oklahoma City, Oklahoma	N	19,800	165,900	157,700	140,451	August 14, 1986	The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma
Century National Bank Houston, Texas	N	2,400	14,800	13,700	12,686	October 2, 1986	Sterling Bank-Willowbrook, a newly-chartered subsidiary of Sterling Bancshares, Inc., Houston, Texas
Independent National Bank* Covina, California	N	8,000	29,200	27,800	27,194	October 9, 1986	Chino Valley Bank, Chino, California
Sedgwick County Bank Julesburg, Colorado	SM	900	3,700	3,700	2,908	November 5, 1986	The First National Bank of Julesburg, Julesburg, Colorado
First National Bank of Temple Temple, Oklahoma	N	1,500	6,900	6,600	5,760	November 14, 1986	Union National Bank of Oklahoma, Temple, Oklahoma, a newly-chartered subsidiary of The Union of Arkansas Corporation, Little Rock, Arkansas
Cordell National Bank Cordell, Oklahoma	N	5,800	77,000	71,300	59,885	December 5, 1986	City National Bank, Weatherford, Oklahoma
Lago Vista National Bank* Lago Vista, Texas	N	1,900	11,300	10,600	10,056	December 18, 1986	Greater Texas Bank Leander, Leander, Texas
First Bank & Trust Company Booker, Texas	NM	7,500	88,500	78,400	71,358	December 18, 1986	First National Bank of Perryton, Perryton, Texas

*Dividend advanced by FDIC

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disbursements ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Deposit Assumptions							
The First National Bank of White City White City, Kansas	N	2,000	9,800	9,100	6,206	January 9, 1986	The Bank of White City, White City, Kansas, a newly-chartered subsidiary of Herington Bancshares, Inc., Herington, Kansas
First State Bank Cache, Oklahoma	NM	3,900	19,600	17,900	12,549	January 9, 1986	The American National Bank of Lawton, Lawton, Oklahoma, a subsidiary of American National Bankcorp, Inc., Lawton, Oklahoma
Bank of Dixie Lake Providence, Louisiana	NM	1,200	38,300	36,200	22,189	January 10, 1986	The Louisiana Delta Bank, a newly-chartered subsidiary of Central Louisiana Capital Corporation, Ferriday, Louisiana
First Progressive Bank Metairie, Louisiana	NM	8,200	37,700	37,200	23,054	January 17, 1986	First Industrial Bank & Trust Company, Metairie, Louisiana, a newly-chartered subsidiary of First National Corporation, Covington, Louisiana
Utah Firstbank Salt Lake City, Utah	SM	5,300	36,700	33,400	20,303	January 24, 1986	Citibank (Utah), Salt Lake City, Utah, a newly-chartered state bank subsidiary of Citicorp, New York, New York
Pioneer State Bank Salt Lake City, Utah	SM	4,000	9,300	8,400	2,877	January 24, 1986	Zions First National Bank, Salt Lake City, Utah
Johnson County Bank Tecumseh, Nebraska	SM	4,900	19,700	18,300	12,382	February 7, 1986	State Bank of Elk Creek, Elk Creek, Nebraska
First National Bank of Tipton Tipton, Iowa	N	5,400	17,700	17,500	4,973	February 14, 1986	Citizens Savings Bank, Anamosa, Iowa
Park Bank of Florida St. Petersburg, Florida	NM	38,500	592,900	543,900	210,731	February 14, 1986	The Chase Bank of Florida, N. A., a newly-chartered subsidiary of Chase Manhattan Corporation, New York, New York
First National Bank of Douglas Douglas, Wyoming	N	4,000	13,600	12,900	8,337	February 21, 1986	First Wyoming Bank, Douglas, Wyoming
The First National Bank of Gorman Gorman, Texas	N	2,700	13,700	12,700	8,602	February 27, 1986	Citizens State Bank, a newly-chartered subsidiary of Mid-Texas Bancshares, Inc., Fort Worth, Texas
The First National Bank of Tekamah Tekamah, Nebraska	N	4,100	19,500	18,400	7,911	March 6, 1986	Nebraska National Bank, Omaha, Nebraska
The City National Bank of Plainview Plainview, Texas	N	8,400	46,500	48,900	16,845	March 6, 1986	First National Bank of Plainview, Plainview, Texas
Williams Savings Bank Williams, Iowa	NM	2,100	11,400	10,700	3,042	March 20, 1986	Iowa Falls State Bank, Iowa Falls, Iowa
First State Bank White Cloud, Kansas	NM	1,000	5,500	5,100	2,648	March 27, 1986	Silver Lake Bank, Silver Lake, Kansas
First State Bank Memphis, Texas	NM	2,500	16,600	15,300	9,141	March 27, 1986	Memphis State Bank, a newly-chartered subsidiary of North Central Texas Bancshares, Inc., Iowa Park, Texas
Stockholm State Bank Stockholm, South Dakota	NM	1,800	6,800	6,300	2,224	March 27, 1986	Community State Bank of Stockholm, Stockholm, South Dakota, a newly-chartered state bank
Family Bank Ogden, Utah	NM	5,600	23,300	20,000	6,958	March 28, 1986	Commercial Security Bank, Ogden, Utah
Eddy County National Bank Carlsbad, New Mexico	N	3,100	28,400	23,100	15,085	April 3, 1986	United New Mexico Bank at Carlsbad, Carlsbad, New Mexico

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Industrial National Bank of East Chicago East Chicago, Indiana	N	1,900	8,800	8,000	2,954	April 3, 1986	Mercantile National Bank of Indiana, Hammond, Indiana
The National Bank Dyersville, Iowa	N	9,100	42,100	38,200	25,917	April 10, 1986	American Trust & Savings Bank, Dubuque, Iowa
The First National Bank of Ruston Ruston, Louisiana	N	10,000	30,900	29,800	4,335	April 10, 1986	Security First National Bank, Alexandria, Louisiana
Center National Bank Los Angeles, California	N	2,500	38,400	36,700	22,091	April 11, 1986	Independence Bank, Los Angeles, California
Florida Center Bank Orlando, Florida	NM	4,400	75,700	69,400	35,994	April 18, 1986	American National Bank of Florida, Jacksonville, Florida
First National Bank of Irving Irving, Texas	N	7,500	34,700	33,500	13,542	April 24, 1986	City National Bank of Irving, Irving, Texas
The First National Bank of Bandera Bandera, Texas	N	2,600	14,600	14,100	4,810	April 24, 1986	Bandera Bank, Bandera, Texas, a newly-chartered subsidiary of Bandera Bancshares, Inc., Dallas, Texas
Bank of Nortonville Nortonville, Kansas	NM	2,200	6,800	6,400	4,656	May 1, 1986	Kendall State Bank, Valley Falls, Kansas
The Bedford National Bank Bedford, Iowa	N	3,500	17,900	16,500	6,782	May 1, 1986	American National Bank, Bedford, Iowa
Bank of Commerce and Trust Company Tulsa, Oklahoma	NM	12,300	173,400	126,000	143,849	May 8, 1986	The First National Bank and Trust Company of Tulsa, Tulsa, Oklahoma
Rainsville Bank Rainsville, Alabama	NM	4,500	16,600	15,600	2,436	May 9, 1986	Jacobs Bank, Scottsboro, Alabama
First Bank and Trust of Idaho Malad City, Idaho	NM	12,300	59,100	54,700	35,798	May 9, 1986	The Idaho First National Bank, Boise, Idaho
The Citizens State Bank of St. Francis St. Francis, Kansas	NM	2,900	24,200	22,000	14,425	May 15, 1986	St. Francis State Bank and Trust Company, a newly-chartered subsidiary of G. S. Bancshares, Inc., Goodland, Kansas
First State Bank & Trust Company Edinburg, Texas	NM	11,700	134,100	118,800	48,906	May 23, 1986	NBC Bank-Edinburg, Edinburg, Texas
Centennial State Bank of Colorado Englewood, Colorado	NM	5,300	19,100	18,900	5,461	May 23, 1986	First Interstate Bank of Centennial, N. A., Englewood, California
Roseland State Bank Roseland, Nebraska	NM	2,300	11,600	10,100	4,163	May 28, 1986	Hastings State Bank, Hastings, Nebraska
The Lone Rock Bank, N. A. Lone Rock, Iowa	N	1,000	7,300	7,100	6,222	May 29, 1986	Swea City State Bank, Swea City, Iowa
Banco de Ahorro, FSB Mayaguez, Puerto Rico	NM	7,300	31,700	28,200	8,486	May 30, 1986	Banco Popular de Puerto Rico, San Juan, Puerto Rico
Bank of Columbia Falls Columbia Falls, Montana	NM	5,400	42,800	40,500	24,791	May 30, 1986	First Citizens Bank, N. A., Columbia Falls, Montana, a newly-chartered subsidiary of Citizens Development Company, Billings, Montana
Bossier Bank and Trust Company Bossier City, Louisiana	NM	31,800	204,400	199,700	134,913	June 13, 1986	The First National Bank of Shreveport, Shreveport, Louisiana
The Bank of Commerce Shreveport, Louisiana	NM	9,400	70,300	69,000	43,162	June 13, 1986	Peoples Bank & Trust Company, Natchitoches, Louisiana

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
First National Bank of Borger Borger, Texas	N	9,000	79,200	68,100	27,896	June 19, 1986	First National Bank of Borger, a newly-chartered national bank subsidiary of First Borger Bancshares, Inc., Lubbock, Texas
Continental National Bank of Kentucky Louisville, Kentucky	N	5,100	9,800	9,700	1,031	June 26, 1986	River City Bank, Inc., a newly-chartered subsidiary of First Breckenridge Bancshares, Inc., Irvington, Kentucky
The Home State Bank Rochester, Texas	NM	1,600	8,800	8,500	6,199	June 27, 1986	Home State Bank, Rochester, Texas, a newly-chartered subsidiary of Rochester Financial Corporation, Rochester, Texas
Commercial State Bank Pocahontas, Iowa	NM	7,700	50,400	42,500	38,040	June 27, 1986	Citizens State Bank, Pocahontas, Iowa, a newly-chartered subsidiary of Carroll County Bancshares, Inc., Carroll, Iowa
Orange Coast Thrift and Loan Association Los Alamitos, California	NM	1,100	11,400	11,000	10,252	June 27, 1986	Capitol Thrift and Loan Association, Napa, California
Farmers State Bank of Clarissa Clarissa, Minnesota	NM	4,400	16,400	15,900	12,174	July 11, 1986	First State Bank, Rush City, Minnesota
The First National Bank and Trust Company of Oklahoma City Oklahoma City, Oklahoma	N	33,000	1,600,000	1,500,000	708,516	July 14, 1986	First Interstate Bank of Oklahoma City, N. A., Oklahoma, City, Oklahoma, a newly-chartered subsidiary of First Interstate Bancorp, Los Angeles, California
Fillmore County Bank Geneva, Nebraska	NM	2,300	12,400	11,500	5,119	July 17, 1986	York State Bank and Trust Company, York, Nebraska
Callao Community Bank Callao, Missouri	NM	1,700	5,300	5,100	1,413	July 17, 1986	Lafayette County Bank of Lexington/ Wellington, Lexington, Missouri
The First National Bank of Sheridan Sheridan, Wyoming	N	11,400	65,900	59,800	24,124	July 17, 1986	First Wyoming Bank-Sheridan, Sheridan, Wyoming, a newly-chartered subsidiary of First Wyoming Bancorporation, Cheyenne, Wyoming
New Mexico National Bank Albuquerque, New Mexico	N	11,000	158,000	146,300	71,148	July 17, 1986	First Interstate Bank of Albuquerque, Albuquerque, New Mexico
Farmers' Bank Trimble, Tennessee	NM	4,300	21,600	18,500	23,257	July 18, 1986	First Tennessee Bank, N. A., Memphis, Tennessee
The First National Bank of Prairie City Prairie City, Iowa	N	4,900	18,900	18,300	8,840	July 24, 1986	Security Bank, Marshalltown, Iowa
McCune State Bank McCune, Kansas	NM	2,100	8,300	7,800	5,409	July 24, 1986	City National Bank of Pittsburg, Pittsburg, Kansas
Mountain Valley Bank Conifer, Colorado	SM	3,700	7,700	7,700	1,880	July 25, 1986	Bank of Mountain Valley, N. A., Conifer, Colorado, a newly-chartered subsidiary of Mountain Parks Financial Corporation, Minneapolis, Minnesota
Eden State Bank Eden, Texas	NM	2,300	13,000	12,400	6,335	July 31, 1986	The Eden State Bank, a newly-chartered subsidiary of Eden Financial Corporation, San Angelo, Texas
Citizens State Bank Iowa Falls, Iowa	SM	10,000	51,900	50,900	19,575	July 31, 1986	Green Belt Bank & Trust, a newly-chartered subsidiary of Green Belt Bancorporation, Iowa Falls, Iowa
The Gering National Bank and Trust Company Gering, Nebraska	N	13,200	68,700	67,000	37,814	July 31, 1986	Scottsbluff National Bank & Trust Company, Scottsbluff, Nebraska

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
The Easton State Bank Easton, Kansas	NM	3,600	16,800	15,900	6,425	August 7, 1986	Fort National Bank, Easton, Kansas, a newly-chartered subsidiary of Exchange Bankshares Corporation, Atchison, Kansas
Graettinger State Bank Graettinger, Iowa	NM	2,600	11,800	11,400	2,739	August 7, 1986	Swea City State Bank, Swea City, Iowa
First Citizens Bank Dallas, Texas	NM	15,300	93,800	88,900	32,752	August 7, 1986	Grand Bank Northeast, a newly-chartered subsidiary of Grand Bancshares, Inc., Dallas, Texas
The State Exchange Bank Yates Center, Kansas	NM	4,800	26,900	24,800	13,654	August 14, 1986	The Girard National Bank, Girard, Kansas
Mendon State Bank Mendon, Illinois	NM	3,900	20,500	18,800	8,871	August 20, 1986	First Midwest Bank/Quincy, N. A., Quincy, Illinois
The United Bank Minneapolis, Kansas	NM	4,100	23,200	21,600	6,434	August 21, 1986	The Bennington State Bank, Bennington, Kansas
Danbury Bank Danbury, Texas	NM	1,700	9,600	9,100	4,368	August 21, 1986	Danbury State Bank, a newly-chartered subsidiary of P.J.D. Bancshares, Inc., Louise, Texas
Albany State Bank Albany, Missouri	NM	900	4,600	4,700	3,661	August 28, 1986	United Missouri Bank of St. Joseph, St. Joseph, Missouri
Fairview State Bank Fairview, Oklahoma	SM	4,000	24,200	22,700	13,161	September 4, 1986	Community National Bank of Okarche, Okarche, Oklahoma
Western Bank Midland, Texas	NM	13,300	72,800	68,000	67,885	September 4, 1986	United Bank, N. A., Midland, Texas
Central Bank and Trust of Tulsa Tulsa, Oklahoma	NM	10,800	76,500	54,500	39,102	September 10, 1986	The F&M Bank and Trust Company, Tulsa, Oklahoma
Texas Independence Bank Pasadena, Texas	NM	4,500	12,000	11,800	4,103	September 18, 1986	The Texas Independence Bank, Pasadena, Texas, a newly-chartered subsidiary of Citizens Bankers, Inc., Baytown, Texas
Texas Bank & Trust Lubbock, Texas	NM	7,500	36,100	30,800	13,703	September 19, 1986	RepublicBank Lubbock, N. A., Lubbock, Texas
The Home State Bank La Crosse, Kansas	NM	3,400	13,700	12,400	8,628	September 25, 1986	Farmers Bank and Trust, N. A., Albert, Kansas
Heritage National Bank Richardson, Texas	N	3,500	33,900	30,100	24,037	September 25, 1986	Brookhollow National Bancshares, Inc., Dallas, Texas
American Bank and Trust Company Lafayette, Louisiana	NM	24,000	188,700	151,200	72,188	September 26, 1986	Whitney National Bank of New Orleans, New Orleans, Louisiana
Missouri Farmers Bank Mound City, Missouri	NM	5,000	22,800	23,300	13,216	October 2, 1986	United Missouri Bank of St. Joseph, St. Joseph, Missouri
Frontier National Bank Vista, California	N	2,500	9,800	9,800	3,917	October 2, 1986	Rancho Vista National Bank, Vista, California
Columbia Community Bank Hermiston, Oregon	NM	2,500	4,500	4,200	1,520	October 3, 1986	Inland Empire Bank, Hermiston, Oregon
Bank of Gering Gering, Nebraska	NM	3,800	20,900	20,400	10,091	October 23, 1986	First State Bank, Scottsbluff, Nebraska

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Stillwater Community Bank Stillwater, Oklahoma	NM	3,500	18,800	18,600	4,915	October 23, 1986	The Bank, N. A., McAlester, Oklahoma
Security National Bank Anchorage , Alaska	N	2,600	40,000	38,800	21,744	October 23, 1986	Ranier Bank Alaska, N. A., Anchorage, Alaska
Republic Bank Blanchard, Louisiana	NM	11,200	40,500	39,300	14,182	October 31, 1986	American Bank & Trust Company in Monroe, Monroe, Louisiana
The Citizens State Bank Donna, Texas	NM	7,800	27,800	27,600	18,134	November 6, 1986	Raymondville State Bank, Raymondville, Texas
The Home Bank Savannah, Missouri	NM	11,000	41,300	40,700	19,476	November 6, 1986	United Missouri Bank of St. Joseph, St. Joseph, Missouri
First Stock Yards Bank St. Joseph, Missouri	NM	8,100	32,700	32,100	17,404	November 6, 1986	The Bank of St. Joseph, St. Joseph, Missouri
Metropolitan Bank & Trust Company Baton Rouge, Louisiana	NM	6,700	67,400	65,400	28,320	November 7, 1986	The Whitney National Bank of New Orleans, New Orleans, Louisiana
Chokio State Bank Chokio, Minnesota	NM	2,400	11,600	11,000	7,500	November 7, 1986	First Bank of Chokio, Chokio, Minnesota, a newly-chartered subsidiary of Barron Bancshares, Inc., Chokio, Minnesota
The Hoxie State Bank Hoxie, Kansas	NM	5,400	35,600	32,100	14,018	November 13, 1986	Prairie Bank, Hoxie, Kansas, a newly-chartered subsidiary of Prairie Bancshares, Inc., Oakley, Kansas
The Bank of Northern California San Jose, California	NM	600	15,200	14,100	11,326	November 14, 1986	Pacific Valley Bank, San Jose, California
Texana National Bank of College Station College Station, Texas	N	1,400	11,900	11,100	3,530	November 20, 1986	First State Bank in Caldwell, Caldwell, Texas
Norman Bank of Commerce Norman, Oklahoma	NM	10,000	40,000	38,800	25,260	November 20, 1986	First Interstate Bank of Oklahoma, N. A., Oklahoma City, Oklahoma
First National Bank Willows, California	N	13,500	65,000	61,300	7,134	November 20, 1986	First Interstate Central Bank, Willows, California, a newly-chartered subsidiary of First Interstate Bancorp, Los Angeles, California
Hays State Bank Hays, Kansas	NM	4,600	34,800	31,200	18,840	December 4, 1986	Farmers State Bank and Trust Company, Hays, Kansas
Panhandle Bank and Trust Company Borger, Texas	NM	10,400	106,600	96,000	29,372	December 4, 1986	Amarillo National Bank, Amarillo, Texas
First National Bank of Stewartville Stewartville, Minnesota	N	4,700	18,300	17,900	10,686	December 4, 1986	Marquette Bank Rochester, Rochester, Minnesota
The Citizens Bank of Windsor Windsor, Missouri	NM	5,500	21,000	23,300	12,002	December 9, 1986	United Missouri Bank of Warrensburg, Warrensburg, Missouri
Landmark National Bank Denver, Colorado	N	1,600	10,700	9,100	3,731	December 18, 1986	OMNIBANK Leetsdale, Denver, Colorado, a newly-chartered subsidiary of OMNIBANCORP, Denver, Colorado
Lakeland State Bank Pequot Lakes, Minnesota	NM	13,800	46,500	46,500	12,259	December 19, 1986	The Northern National Bank, Bemidji, Minnesota
Farmers State Bank Lueders, Texas	NM	1,600	9,100	8,400	3,033	December 19, 1986	Farmers and Merchants National Bank of Merkel, Merkel, Texas

Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1986

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets ($000's)	Total Deposits ($000's)	FDIC Disburse-ments ($000's)	Date of Closing, Deposit Assumption, Merger, or Assistance	Receiver, Assuming Bank, Transferee Bank, or Merging Bank and Location
Assistance Transactions							
The Talmage State Bank Talmage, Kansas	NM	2,000	9,600	8,900	1,700	April 16, 1986	Financial Assistance to an Open Bank, under Section 13(c)(1) of the FDI Act, to prevent failure.
State Bank of Westphalia** Westphalia, Kansas	NM	1,500	4,300	4,100	0	August 15, 1986	Kansas State Bank, Garnett, Kansas
Mid Valley Bank** Omak, Washington	NM	13,500	40,200	38,200	0	August 30, 1986	First Bank System, Inc., Minneapolis, Minnesota
Bank of Oklahoma, Oklahoma City, N. A. Oklahoma City, Oklahoma	N	16,800	468,200	349,900	130,000	November 24, 1986	Bank of Oklahoma, Tulsa, N. A., Tulsa, Oklahoma
Bank of Commerce Morristown, Tennessee	NM	20,500	67,300	65,600	13,000	November 26, 1986	Financial Assistance to an Open Bank, under Section 13(c)(1) of the FDI Act, to prevent failure.
Bank of Kansas City Kansas City, Missouri	NM	13,800	118,800	108,200	15,977	December 29, 1986	Merchants Bank, Kansas City, Missouri
Citizens Bank & Trust Company Arcadia, Louisiana	NM	2,300	10,400	10,700	377	December 31, 1986	The First National Bank, Bienville Parish, Louisiana

**FDIC's financial assistance consists of a guaranty against potential loan losses. No disbursements were made in 1986.

Table 125. RECOVERIES AND LOSSES BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ON DISBURSEMENTS FOR PROTECTION OF DEPOSITORS, 1934-1986 (Amounts in thousands of dollars)

Liquidation status and year of deposit payoff or deposit assumption	All cases					Deposit payoff cases					Deposit assumption cases[5]					Assistance Transactions[6]				
	No. of banks	Disbursements	Recoveries to Dec. 31, 1986	Estimated additional recoveries	Losses[1]	No. of banks	Disbursements[2]	Recoveries to Dec. 31, 1986	Estimated additional recoveries	Losses[1]	No. of banks	Disbursements[3]	Recoveries to Dec. 31, 1986	Estimated additional recoveries	Losses[1]	No. of banks	Disbursements[3]	Recoveries to Dec. 31, 1986	Estimated additional recoveries	Losses[1]
Total	**1,013**	**25,713,510**	**12,175,308**	**4,777,021**	**8,761,180**	**413**	**3,259,386**	**1,350,376**	**981,144**	**927,865**	**572**	**13,896,620**	**7,821,241**	**2,039,622**	**4,035,757**	**28**	**8,557,504**	**3,003,691**	**1,756,255**	**3,797,558**
Year[4] ..																				
1934	9	941	734	...	207	9	941	734	...	207	...	...	...	...	...					
1935	25	9,108	6,423	...	2,685	24	6,026	4,274	...	1,752	1	3,082	2,149	...	933					
1936	69	15,206	12,873	...	2,333	42	7,735	6,397	...	1,338	27	7,471	6,476	...	995					
1937	75	20,204	16,532	...	3,672	50	12,365	9,718	...	2,647	25	7,839	6,814	...	1,025					
1938	74	34,394	31,969	...	2,425	50	9,092	7,908	...	1,184	24	25,302	24,061	...	1,241					
1939	60	81,828	74,676	...	7,152	32	26,196	20,399	...	5,797	28	55,632	54,277	...	1,355					
1940	43	87,899	84,103	...	3,796	19	4,895	4,313	...	582	24	83,004	79,790	...	3,214					
1941	15	25,061	24,470	...	591	8	12,278	12,065	...	213	7	12,783	12,405	...	378					
1942	20	11,684	10,996	...	688	6	1,612	1,320	...	292	14	10,072	9,676	...	396					
1943	5	7,230	7,107	...	123	4	5,500	5,377	...	123	1	1,730	1,730	...	...					
1944	2	1,532	1,492	...	40	1	404	364	...	40	1	1,128	1,128	...	...					
1945	1	1,845	1,845	...	...	...	...	...	...	...	1	1,845	1,845	...	...					
1946	1	274	274	...	...	...	...	...	...	...	1	274	274	...	...					
1947	5	2,038	1,979	...	59	...	...	...	...	...	5	2,038	1,979	...	59					
1948	3	3,150	2,509	...	641	...	...	...	...	...	3	3,150	2,509	...	641					
1949	4	2,685	2,316	...	369	...	...	...	...	...	4	2,685	2,316	...	369					
1950	4	4,404	3,019	...	1,385	...	...	...	...	...	4	4,404	3,019	...	1,385					
1951	2	1,986	1,986	...	...	...	...	...	...	...	2	1,986	1,986	...	...					
1952	3	1,525	733	...	792	...	...	...	...	...	3	1,525	733	...	792					
1953	2	5,359	5,359	...	...	...	...	...	...	...	2	5,359	5,359	...	...					
1954	2	1,029	771	...	258	...	...	...	...	...	2	1,029	771	...	258					
1955	5	7,315	7,085	...	230	4	4,438	4,208	...	230	1	2,877	2,877	...	...					
1956	2	3,499	3,286	...	213	1	2,795	2,582	...	213	1	704	704	...	...					
1957	1	1,031	1,031	...	...	1	1,031	1,031	...	...	...	...	...	...	...					
1958	4	3,051	3,023	...	28	3	2,796	2,768	...	28	1	255	255	...	...					
1959	3	1,835	1,738	...	97	3	1,835	1,738	...	97	...	...	...	...	...					
1960	1	4,765	4,765	...	...	1	4,765	4,765	...	...	...	...	...	...	...					
1961	5	6,201	4,699	...	1,502	5	6,201	4,699	...	1,502	...	...	...	...	...					
1963	2	19,172	18,886	...	286	2	19,172	18,886	...	286	...	...	...	...	...					
1964	7	13,712	12,172	...	1,540	7	13,712	12,171	...	1,541	...	...	...	...	...					
1965	5	11,479	7,438	167	3,874	3	10,908	7,013	167	3,728	2	571	425	...	146					
1966	7	10,020	9,541	234	245	1	735	735	...	...	6	9,285	8,806	234	245					
1967	4	8,097	7,087	...	1,010	4	8,097	7,087	...	1,010	...	...	...	...	...					
1968	3	6,476	6,464	...	12	...	...	...	...	...	3	6,476	6,464	...	12					
1969	9	42,072	41,910	79	83	4	7,596	7,513	...	83	5	34,476	34,397	79	...					
1970	7	51,918	50,919	7	272	4	29,265	28,993	...	272	3	21,933	21,926	7	...					
1971	6	171,454	171,248	13	193	5	53,779	53,574	12	193	1	117,675	117,674	1	...					
1972	1	16,255	13,874	572	1,808	1	16,255	13,874	572	1,808	...	...	...	...	...					
1973	6	435,038	365,846	1,764	67,428	3	16,771	16,771	0	...	3	418,267	349,075	1,764	67,428					
1974	4	2,402,190	2,258,316	143,261	613	...	...	...	...	...	4	2,402,190	2,258,316	143,261	613					
1975	13	330,549	289,297	23,297	17,956	3	25,992	25,676	225	92	10	304,557	263,621	23,072	17,864					
1976	16	597,877	559,908	37,815	154	3	11,462	9,660	1,795	7	13	586,415	550,248	36,020	147					
1977	6	25,960	20,104	3,446	2,410	...	...	...	...	...	6	25,960	20,104	3,446	2,410					
1978	7	540,822	492,152	36,791	11,879	1	818	613	3	202	6	540,004	491,539	36,788	11,677					
1979	10	88,892	72,398	6,129	10,364	3	9,951	8,853	355	742	7	78,941	63,545	5,774	9,622					
1980	10	149,500	109,351	9,305	30,845	3	13,868	10,348	916	2,605	7	135,632	99,003	8,389	28,240					
1981	10	997,731	354,251	58,409	585,070	2	35,735	26,475	6,864	2,395	5	78,013	28,930	45,802	3,281	3	883,983	298,846	5,743	579,394
1982	42	2,120,138	474,418	429,584	1,216,137	7	277,458	183,880	47,903	45,676	26	400,713	259,038	114,431	27,244	9	1,441,967	31,500	267,250	1,143,217
1983	48	3,358,375	1,365,036	364,524	1,628,815	9	147,822	80,166	39,156	28,500	36	3,151,061	1,284,870	325,368	1,540,823	3	59,492	...	...	59,492
1984[7]	80	7,526,272	3,731,060	1,425,637	2,369,574	16	770,576	475,687	174,438	120,450	62	1,248,370	609,854	129,512	509,004	2	5,507,326	2,645,519	1,121,687	1,740,120
1985	120	2,484,542	773,832	814,334	896,376	29	512,984	160,762	211,290	140,932	87	1,467,814	585,304	359,846	522,664	4	503,744	27,766	243,198	232,780
1986	145	3,958,610	652,008	1,421,653	1,884,949	40	1,165,525	106,979	497,448	561,098	98	2,632,093	544,969	805,828	1,281,296	7	160,992	60	118,377	42,555

1. Included estimated losses in active cases. Not adjusted for interest or allowable return, which was collected in some cases in which the disbursement was fully recovered.
2. Includes estimated additional disbursements in active cases.
3. Excludes excess collections turned over to banks as additional purchase price at termination of liquidation.
4. No case in 1962 required disbursements.
5. Deposit Assumption Cases include $347.6 million of disbursements for advances to protect assets and liquidation expenses which had been excluded in prior years.
6. "Assistance transactions" include:
   a) Banks merged with financial assistance from FDIC to prevent probable failure through 1986.
   b) $3,591.7 million of recorded liabilities at book value payable over future years.
7. Includes CINB Assistance Agreement which had been previously excluded.

Table 127. INCOME AND EXPENSES, FEDERAL DEPOSIT INSURANCE CORPORATION, BY YEAR, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933 TO DECEMBER 1986 (in millions)

Year	Income				Expenses and losses				
	Total	Assessment Income	Assessment Credits	Investment and other sources[1]	Total	Deposit insurance losses and expenses	Interest on capital stock[2]	Administrative and operating expenses	Net Income added to deposit insurance fund[3]
Total	**29,680.3**	**19,775.9**	**6,709.1**	**16,613.5**	**11,427.0**	**9,184.3**	**80.6**	**2,162.1**	**18,253.3**
1986	3,301.1	1,516.9	...	1,784.2	3,004.7	2,824.4	...	180.3	296.4
1985	3,385.4	1,433.4	...	1,952.0	1,957.9	1,778.7	...	179.2	1,427.5
1984[6]	3,099.5	1,321.5	...	1,778.0	1,999.2	1,848.0	...	151.2	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	969.9	834.2	...	135.7	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	999.8	869.9	...	129.9	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	848.1	720.9	...	127.2	1,226.6
1980	1,310.4	951.9	521.1	879.6	83.6	(34.6)	...	118.2	1,226.8
1979	1,090.4	881.0	524.6	734.0	93.7	(13.1)	...	106.8	996.7
1978	952.1	810.1	443.1	585.1	148.9[4]	45.6	...	103.3	803.2
1977	837.8	731.3	411.9	518.4	113.6	24.3	...	89.3	724.2
1976	764.9	676.1	379.6	468.4	212.3[4]	31.9	...	180.4[5]	552.6
1975	689.3	641.3	362.4	410.4	97.5	29.8	...	67.7	591.8
1974	668.1	587.4	285.4	366.1	159.2	100.0	...	59.2	508.9
1973	561.0	529.4	283.4	315.0	108.2	53.8	...	54.4	452.8
1972	467.0	468.8	280.3	278.5	59.7	10.1	...	49.6	407.3
1971	415.3	417.2	241.4	239.5	60.3	13.4	...	46.9	355.0
1970	382.7	369.3	210.0	223.4	46.0	3.8	...	42.2	336.7
1969	335.8	364.2	220.2	191.8	34.5	1.0	...	33.5	301.3
1968	295.0	334.5	202.1	162.6	29.1	0.1	...	29.0	265.9
1967	263.0	303.1	182.4	142.3	27.3	2.9	...	24.4	235.7
1966	241.0	284.3	172.6	129.3	19.9	0.1	...	19.8	221.1
1965	214.6	260.5	158.3	112.4	22.9	5.2	...	17.7	191.7
1964	197.1	238.2	145.2	104.1	18.4	2.9	...	15.5	178.7
1963	181.9	220.6	136.4	97.7	15.1	0.7	...	14.4	166.8
1962	161.1	203.4	126.9	84.6	13.8	0.1	...	13.7	147.3
1961	147.3	188.9	115.5	73.9	14.8	1.6	...	13.2	132.5
1960	144.6	180.4	100.8	65.0	12.5	0.1	...	12.4	132.1
1959	136.5	178.2	99.6	57.9	12.1	0.2	...	11.9	124.4
1958	126.8	166.8	93.0	53.0	11.6	...	...	11.6	115.2
1957	117.3	159.3	90.2	48.2	9.7	0.1	...	9.6	107.6
1956	111.9	155.5	87.3	43.7	9.4	0.3	...	9.1	102.5
1955	105.7	151.5	85.4	39.6	9.0	0.3	...	8.7	96.7
1954	99.7	144.2	81.8	37.3	7.8	0.1	...	7.7	91.9
1953	94.2	138.7	78.5	34.0	7.3	0.1	...	7.2	86.9
1952	88.6	131.0	73.7	31.3	7.8	0.8	...	7.0	80.8
1951	83.5	124.3	70.0	29.2	6.6	...	...	6.6	76.9
1950	84.8	122.9	68.7	30.6	7.8	1.4	...	6.4	77.0
1949	151.1	122.7	...	28.4	6.4	0.3	...	6.1	144.7
1948	145.6	119.3	...	26.3	7.0	0.7	0.6	5.7	138.6
1947	157.5	114.4	...	43.1	9.9	0.1	4.8	5.0	147.6
1946	130.7	107.0	...	23.7	10.0	0.1	5.8	4.1	120.7
1945	121.0	93.7	...	27.3	9.4	0.1	5.8	3.5	111.6
1944	99.3	80.9	...	18.4	9.3	0.1	5.8	3.4	90.0
1943	86.6	70.0	...	16.6	9.8	0.2	5.8	3.8	76.8
1942	69.1	56.5	...	12.6	10.1	0.5	5.8	3.8	59.0
1941	62.0	51.4	...	10.6	10.1	0.6	5.8	3.7	51.9
1940	55.9	46.2	...	9.7	12.9	3.5	5.8	3.6	43.0
1939	51.2	40.7	...	10.5	16.4	7.2	5.8	3.4	34.8
1938	47.7	38.3	...	9.4	11.3	2.5	5.8	3.0	36.4
1937	48.2	38.8	...	9.4	12.2	3.7	5.8	2.7	36.0
1936	43.8	35.6	...	8.2	10.9	2.6	5.8	2.5	32.9
1935	20.8	11.5	...	9.3	11.3	2.8	5.8	2.7	9.5
1933-34	7.0	(4)	...	7.0	10.0	0.2	5.6	4.2[5]	-3.0

[1]Includes $649.7 million of interest and allowable return received on funds advanced to receivership and deposit assumption cases and $504.0 million of interest on capital notes and advanced to facilitate deposit assumption transactions and assistance to open banks.

[2]Paid in 1950 and 1951, but allocated among years to which it applied. Initial capital of $289 million was retired by payments to the U.S. Treasury in 1947 and 1948.

[3]Assessments collected from members of the temporary insurance funds which became insured under the permanent plan were credited to their accounts at the termination of the temporary funds and were applied toward payment of subsequent assessments becoming due under the permanent insurance funding, resulting in no income to the Corporation from assessments during the existence of the temporary insurance funds.

[4]Includes net loss on sales of U.S. Governement securities of $105.6 million in 1976 and $3.6 million in 1978.

[5]Net after deducting the portion of expenses and losses charged to banks withdrawing from the temporary insurance funds on June 30, 1934.

[6]Revised due to restatement of December 31, 1984 financial statements.

Table 129. INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, 1934-1986 (in millions)

Year (December 31)	Insurance Coverage	Deposits in insured banks[1]		Percentage of insured deposits	Deposit insurance fund	Ratio of deposit insurance fund to—	
		Total	Insured			Total Deposits	Insured deposits
1986	**100,000**	**2,167,596**	**1,634,302**	**75.4**	**18,253.3**	**.84**	**1.12**
1985	100,000	1,974,512	1,503,393	76.1	17,956.9	.91	1.19
1984	100,000	1,806,520	1,389,874	76.9	16,529.4	.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	.80	1.21
1978	40,000[6]	1,145,835	760,706	66.4	8,796.0	.77	1.16
1977	40,000[5]	1,050,435	692,533	65.9	7,992.8	.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	.73	1.18
1973	20,000	766,509	465,600	60.7	5.615.3	.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	.78	1.33
1966	15,000	401,096	234,150	58.4	3,252,0	.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	.82	1.48
1963	10,000	313,304[2]	177,381	56.6	2,667.9	.85	1.50
1962	10,000	297,548[3]	170,210	57.2	2,502.0	.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	.85	1.48
1959	10,000	247,589	142,131	57.4	2.089.8	.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	.72	.133
1950	10,000	167,818	91,359	54.4	1,243.9	.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	.69	1.88
1941	5,000	71,209	28,249	39.7	553,5	.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	.68	1.52
1934	5,000[4]	40,060	18,075	45.1	291.7	.73	1.61

[1]Deposits in foreign branches are omitted from totals because they are not insured. Insured deposits are estimated by applying to deposits at the regular Call dates the percentages as determined from the June Call Report submitted by insured banks.

[2]December 20, 1963.

[3]December 28, 1962.

[4]Initial coverage was $2,500 from January 1 to June 30, 1934.

[5]$100,000 for time and savings deposits of in-state governmental units provided in 1974.

[6]$100,000 for Individual Retirement accounts and Keogh accounts provided in 1978.

Index