V.

FINANCIAL SECTION

Federal Deposit Insurance Corporation

Deposit Insurance Fund Balance Sheet

As of December 31

(Dollars in Thousands)		2022		2021
ASSETS				
Cash and cash equivalents	$	2,599,206	$	5,562,941
Investment in U.S. Treasury securities (Note 3)		122,442,357		114,551,240
Assessments receivable (Note 9)		2,159,249		1,710,549
Interest receivable on investments and other assets, net		688,061		718,428
Receivables from resolutions, net (Note 4)		520,555		885,354
Property and equipment, net (Note 5)		360,141		327,127
Operating lease right-of-use assets (Note 6)		92,406		85,238
Total Assets	**$**	**128,861,975**	**$**	**123,840,877**
LIABILITIES				
Accounts payable and other liabilities	$	269,062	$	256,205
Operating lease liabilities (Note 6)		111,205		90,957
Postretirement benefit liability (Note 13)		231,781		331,599
Contingent liabilities:				
Anticipated failure of insured institutions (Note 7)		31,233		20,876
Litigation losses (Note 7)		800		200
Total Liabilities		**644,081**		**699,837**
Off-balance-sheet exposure (Note 14)				
FUND BALANCE				
Accumulated Net Income		131,176,093		123,372,878
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized (loss) on U.S. Treasury securities, net (Note 3)		(2,985,415)		(149,115)
Unrealized postretirement benefit gain (loss) (Note 13)		27,216		(82,723)
Total Accumulated Other Comprehensive (Loss)		**(2,958,199)**		**(231,838)**
Total Fund Balance		**128,217,894**		**123,141,040**
Total Liabilities and Fund Balance	**$**	**128,861,975**	**$**	**123,840,877**

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

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Income and Fund Balance

For the Years Ended December 31

(Dollars in Thousands)	2022	2021
REVENUE		
Assessments (Note 9)	$ 8,310,816	$ 7,080,232
Interest on U.S. Treasury securities	1,246,302	953,152
Return of unclaimed insured deposits (Note 10)	37,913	103,439
Other revenue	11,635	16,665
Total Revenue	**9,606,666**	**8,153,488**
EXPENSES AND LOSSES		
Operating expenses (Note 11)	1,882,884	1,842,723
Provision for insurance losses (Note 12)	(82,964)	(143,681)
Insurance and other expenses	3,531	6,306
Total Expenses and Losses	**1,803,451**	**1,705,348**
Net Income	**7,803,215**	**6,448,140**
OTHER COMPREHENSIVE INCOME		
Unrealized (loss) on U.S. Treasury securities, net	(2,836,300)	(1,219,064)
Unrealized postretirement benefit gain (Note 13)	109,939	15,199
Total Other Comprehensive (Loss)	**(2,726,361)**	**(1,203,865)**
Comprehensive Income	**5,076,854**	**5,244,275**
Fund Balance - Beginning	**123,141,040**	**117,896,765**
Fund Balance - Ending	**$ 128,217,894**	**$ 123,141,040**

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

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)	2022	2021
OPERATING ACTIVITIES		
Provided by:		
Assessments	$ 7,862,116	$ 7,318,198
Interest on U.S. Treasury securities	3,127,123	3,938,901
Recoveries from financial institution resolutions	470,381	594,356
Return of unclaimed insured deposits	37,913	103,439
Miscellaneous receipts	1,833	2,284
Used by:		
Operating expenses	(1,806,647)	(1,775,301)
Disbursements for financial institution resolutions	(3,568)	(7,515)
Miscellaneous disbursements	(802)	(14,803)
Net Cash Provided by Operating Activities	**9,688,349**	**10,159,559**
INVESTING ACTIVITIES		
Provided by:		
Maturity of U.S. Treasury securities	48,400,000	61,350,000
Used by:		
Purchase of U.S. Treasury securities	(60,978,672)	(69,203,406)
Purchase of property and equipment	(73,412)	(53,739)
Net Cash (Used) in Investing Activities	**(12,652,084)**	**(7,907,145)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,963,735)**	**2,252,414**
Cash and Cash Equivalents - Beginning	**5,562,941**	**3,310,527**
Cash and Cash Equivalents - Ending	**$ 2,599,206**	**$ 5,562,941**

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

DEPOSIT INSURANCE FUND
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. Operations of the Deposit Insurance Fund

OVERVIEW
The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the FDIC's operations are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In accordance with the FDI Act, the FDIC, as administrator of the Deposit Insurance Fund (DIF), insures the deposits of banks and savings associations (insured depository institutions). In cooperation with other federal and state agencies, the FDIC promotes the safety and soundness of insured depository institutions (IDIs) by identifying, monitoring, and addressing risks to the DIF. Federally chartered IDIs are supervised by the Office of the Comptroller of the Currency; state chartered IDIs that are members of the Federal Reserve are supervised by the Federal Reserve and their state supervisors; and state chartered IDIs that are not members of the Federal Reserve are supervised by the FDIC and their state supervisors.

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

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

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

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

OPERATIONS OF THE DIF
The FDIC, as administrator of the DIF, insures the deposits of IDIs and resolves failed IDIs upon appointment of the FDIC as receiver in a manner that will result in the least possible cost to the DIF.

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

A statutory formula, known as the Maximum Obligation Limitation (MOL), limits the amount of obligations the DIF can incur to the sum of its cash, 90 percent of the fair market value of other assets, and the amount authorized to be borrowed from the Treasury. The MOL for the DIF was $227.5 billion and $222.5 billion as of December 31, 2022 and 2021, respectively.

OPERATIONS OF RESOLUTION ENTITIES
The FDIC, as receiver, is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receiverships, conservatorships, and bridge institutions (collectively,

DEPOSIT INSURANCE FUND

resolution entities), and the claims against them, are accounted for separately from the DIF assets and liabilities to ensure that proceeds from these entities are distributed according to applicable laws and regulations. Therefore, income and expenses attributable to resolution entities are accounted for as transactions of those entities. The FDIC, as administrator of the DIF, bills resolution entities for services provided on their behalf.

2. Summary of Significant Accounting Policies

GENERAL

The financial statements include the financial position, results of operations, and cash flows of the DIF and are presented in accordance with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of resolution entities because these entities are legally separate and distinct, and the DIF does not have any ownership or beneficial interests in them. Periodic and final accounting reports of resolution entities are furnished to courts, supervisory authorities, and others upon request.

USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and disclosure of contingent liabilities. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such potential changes in estimates have been disclosed. The more significant estimates include the assessments receivable and associated revenue; the allowance for loss on receivables from resolutions; the postretirement benefit obligation; and the estimated losses for anticipated failures.

CASH EQUIVALENTS

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

INVESTMENT IN U.S. TREASURY SECURITIES

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

The DIF's investments in U.S. Treasury securities are classified as available-for-sale (AFS). Securities designated as AFS are shown at fair value. Unrealized gains and losses are reported as other comprehensive income. Any realized gains and losses are included in the Statement of Income and Fund Balance as components of net income. Income on securities is calculated and recorded daily using the straight-line method (see Note 3).

REVENUE RECOGNITION FOR ASSESSMENTS

Assessment revenue is recognized for the quarterly period of insurance coverage based on an estimate. The estimate is derived from an institution's regular risk-based assessment rate and assessment base for the prior quarter adjusted for certain changes in supervisory examination ratings for larger institutions, modest assessment base growth and average assessment rate adjustment factors. At the subsequent quarter-end, the estimated revenue amounts are adjusted when actual assessments for the covered period are determined for each institution (see Note 9).

CAPITAL ASSETS AND DEPRECIATION

The FDIC buildings are depreciated on a straight-line basis over a 35- to 50-year estimated life. Building improvements are capitalized and depreciated over the estimated useful life of the improvements. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated useful life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Computer equipment is depreciated on a straight-line basis over a three-year estimated useful life (see Note 5).

LEASES

The Balance Sheet presents operating leases in the "Operating lease right-of-use assets" and "Operating lease liabilities" line items. Operating lease liabilities and right-of-use (ROU) assets are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The FDIC has elected to use its risk-free rate at the commencement date in determining the present value of future payments for all classes of underlying assets, unless the rate implicit in the lease is readily determinable.

The operating lease ROU asset also includes lease prepayments and excludes lease incentives received. The lease term includes options to extend or terminate the lease when it is reasonably certain that the FDIC will exercise that option. For the DIF, the FDIC recognizes lease expense on a straight-line basis over the lease term. For lease arrangements that contain both lease and nonlease components, the FDIC has elected to account for them as a single lease component for all classes of underlying assets.

PROVISION FOR INSURANCE LOSSES

The provision for insurance losses primarily represents changes in the allowance for losses on receivables from resolutions and the contingent liability for anticipated failure of insured institutions (see Note 12).

RELATED PARTIES

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

APPLICATION OF RECENT ACCOUNTING STANDARDS

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

RECLASSIFICATION

In 2022, the FDIC reclassified the “Liabilities due to resolutions” line item to the “Accounts payable and other liabilities” line item on the Balance Sheet. Additionally, the FDIC reclassified certain salaries and benefits expenses in Note 11, “Operating Expenses,” from the “Expenses billed to resolution entities and others” line to the “Salaries and benefits” line. For comparative purposes, the FDIC conformed 2021 to the new presentation.

3. Investment in U.S. Treasury Securities

The “Investment in U.S. Treasury securities” line item on the Balance Sheet consisted of the following components by maturity (dollars in thousands).

December 31, 2022 Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	0.67%	$ 62,125,000 [(a)]	$ 62,596,907	$ 0	$ (1,214,092)	$ 61,382,815
After 1 - 5 years	2.81%	64,150,000	62,830,865	16,308	(1,787,631)	61,059,542
Total		**$ 126,275,000**	**$ 125,427,772**	**$ 16,308**	**$ (3,001,723)** [(b)]	**$ 122,442,357**

(a) Includes three securities totaling $3.0 billion, which matured on Saturday, December 31, 2022. Settlements occurred the next business day, January 3, 2023.

(b) These unrealized losses occurred as a result of changes in market interest rates. The FDIC does not intend to sell the securities and is not likely to be required to sell them before their maturity date, thus, the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2022. However, $2.2 billion of the $3.0 billion reported as total unrealized losses occurred over a period of 12 months or longer, with an aggregate related fair value of $62.8 billion applied to the affected securities. The aggregate related fair value of all securities with unrealized losses was $112.9 billion as of December 31, 2022.

December 31, 2021 Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	0.92%	$ 47,400,000	$ 48,252,075	$ 169,305	$ (26,501)	$ 48,394,879
After 1 - 5 years	0.47%	64,775,000	66,448,280	106,617	(398,536)	66,156,361
Total		**$ 112,175,000**	**$ 114,700,355**	**$ 275,922**	**$ (425,037)** [(a)]	**$ 114,551,240**

(a) These unrealized losses occurred as a result of changes in market interest rates. The FDIC does not intend to sell the securities and is not likely to be required to sell them before their maturity date, thus, the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2021. However, $18 million of the $425 million reported as total unrealized losses occurred over a period of 12 months or longer, with a fair value of $1.6 billion applied to the affected security. The aggregate related fair value of all securities with unrealized losses was $86.9 billion as of December 31, 2021.

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4. Receivables from Resolutions, Net

The receivables from resolutions result from DIF payments to cover obligations to insured depositors (subrogated claims), advances to resolution entities for working capital, and administrative expenses paid on behalf of resolution entities. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by resolution entities are the main source of repayment of the DIF's receivables from resolutions. The "Receivables from resolutions, net" line item on the Balance Sheet consisted of the following components (dollars in thousands).

	December 31 2022	December 31 2021
Receivables from resolutions	$ 40,567,779	$ 56,228,805
Allowance for losses	(40,047,224)	(55,343,451)
Total	**$ 520,555**	**$ 885,354**

As of December 31, 2022, the FDIC, as receiver, managed 132 active receiverships; no new receiverships were established in 2022. The resolution entities held assets with a total book value of $943 million as of December 31, 2022 and $1.5 billion as of December 31, 2021. The majority of these assets are cash, investments, and other receivables, totaling $909 million and $1.4 billion, respectively. The remaining assets held by resolution entities are assets in liquidation of $34 million as of December 31, 2022 and $87 million as of December 31, 2021.

Estimated cash recoveries from the management and disposition of assets in liquidation that are used to determine the allowance for losses are based on asset recovery rates from several sources, which may include the following: actual or pending institution-specific asset disposition data, failed institution-specific asset valuation data, aggregate asset valuation data on several recently failed or troubled institutions, sampled asset valuation data, and empirical asset recovery data based on failures since 2007. Methodologies for determining the asset recovery rates incorporate estimating future cash recoveries, net of applicable liquidation cost estimates, and discounting based on market-based risk factors applicable to a given asset's type and quality. The resulting estimated asset recoveries are then used to derive the allowance for loss on the receivables from these resolutions.

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

5. Property and Equipment, Net

Depreciation expense was $39 million and $44 million for 2022 and 2021, respectively. The "Property and equipment, net" line item on the Balance Sheet consisted of the following components (dollars in thousands).

	December 31 2022	December 31 2021
Land	$ 37,352	$ 37,352
Buildings (including building and leasehold improvements)	385,151	349,066
Application software (includes work-in-process)	111,172	101,362
Furniture, fixtures, & equipment	33,108	45,221
Accumulated depreciation	(206,642)	(205,874)
Total	**$ 360,141**	**$ 327,127**

6. Leases

The FDIC has operating leases for office space, a data center, and certain equipment. The lease agreements generally contain escalation clauses resulting in adjustments, usually on an annual basis. Many leases contain one or more options to extend, with renewal terms that can extend the lease term from one to five years, and some leases may include options to terminate. The following table provides relevant information regarding FDIC operating leases for the years ended December 31, 2022 and 2021 (dollars in thousands).

	December 31 2022	December 31 2021
Operating lease cost	$ 39,782	$ 39,466
Cash paid for amounts included in the measurement of operating leases	$ 36,099	48,400
ROU assets obtained in exchange for new operating lease liabilities	$ 40,046	1,656
Weighted Average		
Remaining lease term (in years)	5.15	2.75
Discount rate	2.05%	1.24%

The following table provides a maturity analysis of the FDIC's operating lease liabilities as of December 31, 2022 (dollars in thousands).

	December 31 2022
2023	$ 35,132
2024	30,320
2025	13,174
2026	8,380
2027	6,569
2028/Thereafter	26,052
Total future minimum lease payments	**$ 119,627**
Less: Imputed interest	(8,422)
Total operating lease liabilities	**$ 111,205**

As of December 31, 2022, the FDIC has additional operating leases with future payments totaling $5 million for office space, which commence after December 31, 2022, and are not included in the amounts presented above.

7. Contingent Liabilities

ANTICIPATED FAILURE OF INSURED INSTITUTIONS

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

The banking industry's financial condition and performance remained stable in 2022 amidst economic uncertainty. During 2022, no institutions failed. According to the third quarter 2022 financial data submitted by DIF-insured institutions, the banking industry reported net income for the first nine months of $196 billion, a decrease of 9.4 percent from the same period a year ago. The decrease in net income was the result of a return to positive provision expenses and higher noninterest expenses which offset gains in net interest income as described below.

Provisions for credit losses for the first nine months of 2022 were a positive $30.9 billion, versus the negative $30.4 billion reported for the same time period a year ago. This change reflects loan growth as well as new economic uncertainties. Despite these uncertainties, credit quality metrics continued to improve. The total noncurrent loan rate was 0.72 percent as of September 30, 2022, down 22 basis points from the same quarter in 2021 and well below the most recent high of 5.46 percent in March 31, 2010. Noninterest expenses for the first nine months of 2022 were up $28.7 billion from the same time period a year ago driven by higher advertising and marketing expenses, consulting and advisory expenses, and data processing expenses.

Although net income declined, the rising interest-rate environment has improved bank margins. During third quarter 2022, the average quarterly net interest margin (NIM) for the banking industry rose 35 basis points to 3.14 percent, with the average yield on earning assets rising 73 basis points. Growth in interest income outpaced growth in interest expense, pushing net interest income for the first nine months of 2022 up $64.8 billion from the same period a year ago.

Due to the decline in net income and growth in higher-risk assets, risk-based capital ratios declined in third quarter 2022 from the same quarter in 2021. Total risk-based capital declined 77 basis points to 14.84 percent. Despite this decrease, the level remains above pre-pandemic levels.

The contingent liability increased as of December 31, 2022, compared to December 31, 2021. The DIF recorded contingent liabilities totaling $31 million and $21 million as of December 31, 2022 and 2021, respectively. The increase reflects deterioration in financial conditions at a small number of troubled institutions.

In addition to the recorded contingent liabilities, the FDIC has identified risks in the financial services industry that could result in additional losses to the DIF, should potentially vulnerable insured institutions ultimately fail. As a result of

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these risks, the FDIC believes that it is reasonably possible that the DIF could incur additional estimated losses of approximately $273 million as of December 31, 2022, compared to $68 million at year-end 2021. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

Inflation, rising interest rates, and geopolitical uncertainties will continue to challenge bank profitability, credit quality, and loan growth. The FDIC continues to evaluate ongoing risks to affected institutions in light of existing economic and financial conditions, and the extent to which such risks may put stress on the resources of the insurance fund.

LITIGATION LOSSES

The DIF records an estimated loss for unresolved legal cases to the extent that those losses are considered probable and reasonably estimable. The FDIC recorded probable litigation losses of $800 thousand and $200 thousand for the DIF as of December 31, 2022 and 2021, respectively. In addition, the FDIC has identified no reasonably possible losses from unresolved cases as of December 31, 2022 and $1 million as of December 31, 2021.

8. Purchase and Assumption Indemnification

In connection with purchase and assumption agreements for resolutions, the FDIC, in its receivership capacity, generally indemnifies the purchaser of a failed institution's assets and liabilities in the event a third party asserts a claim against the purchaser unrelated to the explicit assets purchased or liabilities assumed at the time of failure. The FDIC, in its corporate capacity, is a secondary guarantor if a receivership is unable to pay. These indemnifications generally extend for a term of six years after the date of institution failure. The FDIC is unable to estimate the maximum potential liability for these types of guarantees as the agreements do not specify a maximum amount and any payments are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. During 2022 and 2021, the FDIC, in its corporate capacity, made no indemnification payments under such agreements, and no amount has been accrued in the accompanying financial statements with respect to these indemnification guarantees.

9. Assessments

The FDIC deposit insurance assessment system is mandated by section 7 of the FDI Act and governed by part 327 of title 12 of the Code of Federal Regulations (12 CFR Part 327). The risk-based system requires the payment of quarterly assessments by all IDIs.

In response to the Dodd-Frank Act, the FDIC implemented several changes to the assessment system and developed a comprehensive, long-term fund management plan. The long-term fund management plan is designed to restore and maintain a positive fund balance for the DIF even during a banking crisis and achieve moderate, steady assessment rates throughout any economic cycle. The DIF reserve ratio, which is the ratio of the DIF balance to estimated insured deposits, is a key measure of fund adequacy. Summarized below are key longer-term provisions of the plan.

- The FDIC Board of Directors designates a reserve ratio for the DIF and publishes the designated reserve ratio (DRR) before the beginning of each calendar year, as required by the FDI Act. Accordingly, in October 2022, the FDIC published a notice maintaining the DRR at 2 percent for 2023. The DRR is an integral part of the FDIC's comprehensive, long-term management plan for the DIF and is viewed as a long-range, minimum goal for the reserve ratio.

- The FDIC suspended dividends indefinitely, and, in lieu of dividends, prescribes progressively lower assessment rates when the reserve ratio exceeds 2 percent and 2.5 percent.

The Dodd-Frank Act increased the minimum reserve ratio for the DIF to 1.35 percent, up from the previous statutory minimum of 1.15 percent. If the reserve ratio falls below 1.35 percent, or the FDIC projects that it will within six months, the FDIC generally must implement a Restoration Plan that will return the DIF to 1.35 percent within eight years. In September 2020, the FDIC established a Restoration Plan, maintaining the assessment rate schedules in place at the time, when the reserve ratio fell below 1.35 percent, to 1.30 percent as of June 30, 2020, due to extraordinary insured deposit growth in the first and second quarters of 2020. However, based on the June 2022 Semiannual Restoration Plan Update to the Board, the reserve ratio was at risk of not reaching the statutory minimum of 1.35 percent by the statutory deadline of September 30, 2028, absent an increase in assessment rates. As a result, in June 2022, the FDIC Board adopted an Amended Restoration Plan that would increase assessment rates so that the DIF reserve ratio would reach at least 1.35 percent by the required deadline.

In October 2022, the FDIC Board issued a final rule related to increasing assessment rates. Under the rule, the FDIC will increase the initial base deposit insurance assessment rates for all IDIs by 2 basis points, beginning with the first quarterly assessment period of 2023. The increase in the assessment rates will remain in effect unless and until the reserve ratio meets or exceeds 2 percent in order to support progress towards the 2 percent DRR.

ASSESSMENT REVENUE

Annual assessment rates averaged approximately 4.0 cents and 3.6 cents per $100 of the assessment base in 2022 and 2021, respectively. The assessment base is generally defined as average consolidated total assets minus average tangible equity (measured as Tier 1 capital) of an IDI during the assessment period.

The "Assessments receivable" line item on the Balance Sheet of $2.2 billion and $1.7 billion represents the estimated premiums due from IDIs for the fourth quarter of 2022 and 2021, respectively. The actual deposit insurance assessments for the fourth quarter of 2022 will be billed and collected at the end of the first quarter of 2023. The DIF recognized $8.3 billion and $7.1 billion as assessment revenue from institutions during 2022 and 2021, respectively.

PENDING LITIGATION FOR UNDERPAID ASSESSMENTS

On January 9, 2017, the FDIC filed suit in the United States District Court for the District of Columbia (and amended this complaint on April 7, 2017), alleging that Bank of America, N.A. (BoA) underpaid its insurance assessments for multiple quarters based on the underreporting of counterparty exposures. In total, the FDIC alleges that BoA underpaid insurance assessments by $1.12 billion, including interest for the quarters ending March 2012 through December 2014. The FDIC invoiced BoA for $542 million and $583 million representing claims in the initial suit and the amended complaint, respectively. BoA has failed to pay these past due amounts. Pending resolution of this matter, BoA has fully pledged security with a third-party custodian pursuant to a security agreement with the FDIC. As of December 31, 2022, the total amount of unpaid assessments (including accrued interest) was $1.20 billion. For the years ending December 31, 2022 and 2021, the impact of this litigation is not reflected in the financial statements of the DIF.

RESERVE RATIO

As of September 30, 2022 and December 31, 2021, the DIF reserve ratio was 1.26 percent.

10. Return of Unclaimed Insured Deposits

The Unclaimed Deposits Amendments Act of 1993 (UDAA), Public Law 103-44, amended the FDI Act effective June 28, 1993 (codified as 12 U.S.C. § 1822 (e)). In accordance with the UDAA, the FDIC delivers to the appropriate states insured bank deposits not claimed within 18 months of the date when the FDIC initiates payment of insured deposits as a part of a bank failure, unless the appropriate state declines to accept custody. After receipt, states have custody of the deposits for 10 years, during which time a state treats deposits as unclaimed property. At the end of the 10 years, states are required to transfer any remaining unclaimed deposits to the FDIC and those deposits become the FDIC's property. As of December 31, 2022 and 2021, states have returned $38 million and $103 million, respectively, of unclaimed insured deposits to the FDIC, which the DIF recognized as revenue.

11. Operating Expenses

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

	December 31 2022	December 31 2021
Salaries and benefits	$ 1,343,042	$ 1,320,194
Outside services	269,741	267,279
Travel	20,528	9,548
Buildings and leased space	75,649	84,496
Software/Hardware maintenance	119,780	107,265
Depreciation of property and equipment	38,858	43,764
Other	22,993	24,569
Subtotal	**1,890,591**	**1,857,115**
Less: Expenses billed to resolution entities and others	(7,707)	(14,392)
Total	**$ 1,882,884**	**$ 1,842,723**

DEPOSIT INSURANCE FUND

12. Provision for Insurance Losses

The "Provision for insurance losses" line item on the Statement of Income and Fund Balance is impacted by the Balance Sheet line item activity depicted in the table below. The table primarily analyzes the changes in estimated losses for actual and anticipated failures (dollars in millions).

December 31, 2022				Contingent Liabilities for:	
	Provision for Insurance Losses	Receivables from Resolutions	Allowance for Losses	Anticipated Failures	Litigation Losses
Balance at January 1, 2022	**$ 0**	**$ 56,228**	**$ (55,343)**	**$ (21)**	**$ 0**
Change in contingent liability for anticipated failures, net [1]	10			(10)	
Adjustments to estimated losses for prior year failures	(87)		87		
Disbursements for prior year failures		10			
Recoveries from resolutions		(459)			
Write-offs for inactivated receiverships	(3)	(13,719)	13,722		
Other	(3)	(1,492)	1,487		(1)
Balance at December 31, 2022	**$ (83)**	**$ 40,568**	**$ (40,047)**	**$ (31)**	**$ (1)**

[1]Represents institutions that were added or removed from the contingent liability, as well as the change in the contingent liability for institutions that remained in the liability year-over-year.

December 31, 2021				Contingent Liabilities for:	
	Provision for Insurance Losses	Receivables from Resolutions	Allowance for Losses	Anticipated Failures	Litigation Losses
Balance at January 1, 2021	**$ 0**	**$ 61,341**	**$ (59,974)**	**$ (79)**	**$ 0**
Change in contingent liability for anticipated failures, net [1]	(58)			58	
Adjustments to estimated losses for prior year failures	(85)		85		
Disbursements for prior year failures		12			
Recoveries from resolutions		(574)			
Write-offs for inactivated receiverships	(1)	(4,424)	4,425		
Other	0	(127)	121		
Balance at December 31, 2021	**$ (144)**	**$ 56,228**	**$ (55,343)**	**$ (21)**	**$ 0**

[1]Represents institutions that were added or removed from the contingent liability, as well as the change in the contingent liability for institutions that remained in the liability year-over-year.

13. Employee Benefits

PENSION BENEFITS AND SAVINGS PLANS

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

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

	December 31 2022	December 31 2021
Civil Service Retirement System	$ 286	$ 912
Federal Employees Retirement System (Basic Benefit)	159,473	151,797
Federal Thrift Savings Plan	39,851	39,266
FDIC Savings Plan	40,259	39,978
Total	**$ 239,869**	**$ 231,953**

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

	December 31 2022	December 31 2021
Accumulated postretirement benefit obligation recognized in *Postretirement benefit liability*	$ 231,781	$ 331,599
Cumulative net actuarial gain (loss) recognized in accumulated other comprehensive income: *Unrealized postretirement benefit gain (loss)*	$ 27,216	$ (82,723)
Amounts recognized in other comprehensive income: *Unrealized postretirement benefit gain*		
Actuarial gain	$ 109,939	$ 15,199
Prior service credit	0	0
Total	$ 109,939	$ 15,199
Net periodic benefit costs recognized in *Operating expenses*		
Service cost	$ 6,208	$ 6,365
Interest cost	8,122	7,128
Net amortization out of other comprehensive income	3,521	4,712
Total	$ 17,851	$ 18,205

The year-over-year decrease in the accumulated postretirement benefit obligation of $100 million is primarily attributable to an increase in the discount rate used to present value expected benefit payments. The discount rate increased from 2.82 percent to 5.27 percent at year-end 2022 to reflect changes in the economic environment.

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

	December 31 2022	December 31 2021
Employer contributions	$ 7,731	$ 7,384
Plan participants' contributions	$ 1,197	$ 1,148
Benefits paid	$ (8,928)	$ (8,532)

The expected contributions for the year ending December 31, 2023, are $11 million. Expected future benefit payments for each of the next 10 years are presented in the following table (dollars in thousands).

2023	2024	2025	2026	2027	2028-2032
$9,627	$10,203	$10,726	$11,282	$11,782	$64,834

DEPOSIT INSURANCE FUND

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

	December 31 2022	December 31 2021
Discount rate for future benefits (benefit obligation)	5.27%	2.82%
Rate of compensation increase	7.79%	2.22%
Discount rate (benefit cost)	2.82%	2.65%
Dental health care cost-trend rate		
Assumed for next year	3.50%	3.50%
Ultimate	3.50%	3.50%
Year rate will reach ultimate	2023	2022

14. Off-Balance-Sheet Exposure

DEPOSIT INSURANCE

Estimates of insured deposits are derived primarily from quarterly financial data submitted by IDIs to the FDIC and represent the accounting loss that would be realized if all IDIs were to fail and the acquired assets provided no recoveries. As of September 30, 2022 and December 31, 2021, estimated insured deposits for the DIF were $9.9 trillion and $9.7 trillion, respectively.

15. Fair Value of Financial Instruments

As of December 31, 2022 and 2021, financial assets recognized and measured at fair value on a recurring basis include cash equivalents (see Note 2) of $2.6 billion and $4 billion, respectively, and the investment in U.S. Treasury securities (see Note 3) of $122.4 billion and $114.6 billion, respectively. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets. Other financial assets and liabilities, measured at amortized cost, are the receivables from resolutions, assessments receivable, interest receivable on investments, other short-term receivables, and accounts payable and other liabilities.

16. Information Relating to the Statement of Cash Flows

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

	December 31 2022	December 31 2021
Operating Activities		
Net Income:	**$ 7,803,215**	**$ 6,448,140**
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of U.S. Treasury securities	1,851,255	2,547,445
Depreciation on property and equipment	38,858	43,764
Retirement of property and equipment	1,540	3,929
Provision for insurance losses	(82,964)	(143,681)
Unrealized gain on postretirement benefits	109,939	15,199
Change in Assets and Liabilities:		
(Increase) Decrease in assessments receivable, net	(448,700)	237,967
Decrease in interest receivable and other assets	30,667	441,041
Decrease in receivables from resolutions	458,420	566,646
(Increase) Decrease in operating lease right-of-use assets	(7,168)	27,215
Increase in accounts payable and other liabilities	12,857	4,774
Increase (Decrease) in operating lease liabilities	20,248	(28,502)
(Decrease) in postretirement benefit liability	(99,818)	(4,378)
Net Cash Provided by Operating Activities	**$ 9,688,349**	**$ 10,159,559**

17. Subsequent Events

Subsequent events have been evaluated through February 9, 2023, the date the financial statements are available to be issued. Based on management's evaluation, there were no subsequent events requiring disclosure.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Balance Sheet

As of December 31

(Dollars in Thousands)		2022		2021
ASSETS				
Cash and cash equivalents	$	922,224	$	907,625
Other assets, net		161		201
Total Assets	**$**	**922,385**	**$**	**907,826**
LIABILITIES				
Accounts payable and other liabilities	$	6	$	8
Total Liabilities		**6**		**8**
RESOLUTION EQUITY (NOTE 5)				
Contributed capital		125,469,317		125,469,317
Accumulated deficit		(124,546,938)		(124,561,499)
Total Resolution Equity		**922,379**		**907,818**
Total Liabilities and Resolution Equity	**$**	**922,385**	**$**	**907,826**

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

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Income and Accumulated Deficit

For the Years Ended December 31

(Dollars in Thousands)		2022		2021
REVENUE				
Interest on U.S. Treasury securities	$	14,524	$	374
Other revenue		352		214
Total Revenue		**14,876**		**588**
EXPENSES AND LOSSES				
Operating expenses		250		227
Losses related to thrift resolutions		65		(27)
Total Expenses and Losses		**315**		**200**
Net Income		**14,561**		**388**
Accumulated Deficit - Beginning		**(124,561,499)**		**(124,561,887)**
Accumulated Deficit - Ending	**$**	**(124,546,938)**	**$**	**(124,561,499)**

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

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)	2022	2021
OPERATING ACTIVITIES		
Provided by:		
Interest on U.S. Treasury securities	$ 14,524	$ 374
Recoveries from thrift resolutions	351	670
Used by:		
Operating expenses	(276)	(254)
Net Cash Provided by Operating Activities	**14,599**	**790**
Net Increase in Cash and Cash Equivalents	**14,599**	**790**
Cash and Cash Equivalents - Beginning	**907,625**	**906,835**
Cash and Cash Equivalents - Ending	**$ 922,224**	**$ 907,625**

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

FSLIC RESOLUTION FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. Operations/Dissolution of the FSLIC Resolution Fund

OVERVIEW

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the FDIC's operations are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In accordance with the FDI Act, the FDIC, as administrator of the Deposit Insurance Fund (DIF), insures the deposits of banks and savings associations (insured depository institutions). In cooperation with other federal and state agencies, the FDIC promotes the safety and soundness of insured depository institutions by identifying, monitoring, and addressing risks to the DIF.

In addition to being the administrator of the DIF, the FDIC is the administrator of the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). As such, the FDIC is responsible for the sale of remaining assets and satisfaction of liabilities associated with the former FSLIC and the former Resolution Trust Corporation (RTC). The FDIC maintains the DIF and the FRF separately to support their respective functions.

The FSLIC was created through the enactment of the National Housing Act of 1934. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC and created the FRF. At that time, the assets and liabilities of the FSLIC were transferred to the FRF – except those assets and liabilities transferred to the newly created RTC – effective on August 9, 1989. Further, the FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions by authorizing REFCORP to issue debt obligations. The REFCORP issued debt obligations in the form of long-term bonds ranging in maturity from 2019 to 2030.

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

OPERATIONS/DISSOLUTION OF THE FRF

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

The FDIC has extensively reviewed and cataloged the FRF's remaining assets and liabilities. Some of the unresolved issues are:

- criminal restitution orders (generally have from 1 to 17 years remaining to enforce);
- collections of judgments obtained against officers and directors and other professionals responsible for causing or contributing to thrift losses (generally have up to 10 years remaining to enforce, unless the judgments are renewed or are covered by the Federal Debt Collections Procedures Act, which will result in significantly longer periods for collection of some judgments);
- liquidation/disposition of residual assets purchased by the FRF from terminated receiverships; and
- Affordable Housing Disposition Program monitoring (the last agreement expires no later than 2045; see Note 4).

The FRF could realize recoveries from criminal restitution orders and professional liability claims. However, any potential recoveries are not reflected in the FRF's financial statements, given the significant uncertainties surrounding the ultimate outcome.

On April 1, 2014, the FDIC concluded its role as receiver, on behalf of the FRF, when the last active receivership was terminated. In total, 850 receiverships were liquidated by the FRF and the RTC. To facilitate receivership terminations, the FRF, in its corporate capacity, acquired the remaining receivership assets that could not be liquidated during the life of the receiverships due to restrictive clauses and other impediments. These assets are included in the "Other assets, net" line item on the Balance Sheet.

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

2. Summary of Significant Accounting Policies

GENERAL

The financial statements include the financial position, results of operations, and cash flows of the FRF and are presented in accordance with U.S. generally accepted accounting principles (GAAP). During the years of receivership activity, these statements did not include reporting for assets and liabilities of receivership entities because these entities were legally separate and distinct, and the FRF did not have any ownership or beneficial interest in them.

The FRF is a limited-life entity, however, it does not meet the requirements for presenting financial statements using the liquidation basis of accounting. According to Accounting Standards Codification Topic 205, *Presentation of Financial Statements*, a limited-life entity should apply the liquidation basis of accounting only if a change in the entity's governing plan has occurred since its inception. By statute, the FRF is a limited-life entity whose dissolution will occur upon the satisfaction of all liabilities and the disposition of all assets. No changes to this statutory plan have occurred since inception of the FRF.

USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and disclosure of contingent liabilities. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such potential changes in estimates have been disclosed. The estimate for the Affordable Housing Disposition Program indemnifications is considered significant (see Note 4).

CASH EQUIVALENTS

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

RELATED PARTIES

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

APPLICATION OF RECENT ACCOUNTING STANDARDS

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

3. Goodwill Litigation

In *United States v. Winstar Corp*., 518 U.S. 839 (1996), the Supreme Court held that when it became impossible following the enactment of FIRREA in 1989 for the federal government to perform certain agreements to count goodwill toward regulatory capital, the plaintiffs were entitled to recover damages from the United States. The contingent liability associated with the nonperformance of these agreements was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC.

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

All known goodwill cases have been litigated, including the last remaining goodwill case that was resolved in 2015. However, a determination regarding the continued need for the appropriation will be made as the FRF winds up its operations.

4. Affordable Housing Disposition Program

Required by FIRREA under section 501, the Affordable Housing Disposition Program (AHDP) was established in 1989 to ensure the preservation of affordable housing for low-

FSLIC RESOLUTION FUND

income households. The FDIC, in its capacity as administrator of the FRF-RTC, assumed responsibility for monitoring property owner compliance with land use restriction agreements (LURAs). To enforce the property owners' LURA obligation, the RTC, prior to its dissolution, entered into Memoranda of Understanding with 34 monitoring agencies to oversee these LURAs. As of December 31, 2022, 21 monitoring agencies oversee these LURAs. The FDIC, through the FRF, has agreed to indemnify the monitoring agencies for all losses related to LURA legal enforcement proceedings.

From 2006 through 2018, two lawsuits against property owners resulted in $23 thousand in legal expenses, which were fully reimbursed due to successful litigation. In 2019, new litigation against two property owners has thus far resulted in legal expenses of $12 thousand. In 2022, one of the litigation cases was settled and the FDIC was reimbursed $7 thousand. The maximum potential exposure to the FRF cannot be estimated as it is contingent upon future legal proceedings. However, loss mitigation factors include: (1) the indemnification may become void if the FDIC is not immediately informed upon receiving notice of any legal proceedings and (2) the FDIC is entitled to reimbursement of any legal expenses incurred for successful litigation against a property owner. AHDP guarantees will continue until the termination of the last LURA, or 2045 (whichever occurs first). As of December 31, 2022 and 2021, no contingent liability for this indemnification has been recorded.

5. Resolution Equity

As stated in the Overview section of Note 1, the FRF is composed of two distinct pools: the FRF-FSLIC and the FRF-RTC. The FRF-FSLIC consists of the assets and liabilities of the former FSLIC. The FRF-RTC consists of the assets and liabilities of the former RTC. Pursuant to legal restrictions, the two pools are maintained separately and the assets of one pool are not available to satisfy obligations of the other. Contributed capital, accumulated deficit, and resolution equity consisted of the following components by each pool (dollars in thousands).

December 31, 2022	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital	$ 43,864,980	$ 81,604,337	$ 125,469,317
Accumulated deficit	(42,968,050)	(81,578,888)	(124,546,938)
Total Resolution Equity	**$ 896,930**	**$ 25,449**	**$ 922,379**

December 31, 2021	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital	$ 43,864,980	$ 81,604,337	$ 125,469,317
Accumulated deficit	(42,982,564)	(81,578,935)	(124,561,499)
Total Resolution Equity	**$ 882,416**	**$ 25,402**	**$ 907,818**

CONTRIBUTED CAPITAL

The FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively, to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the Financing Corporation (a mixed-ownership government corporation established to function solely as a financing vehicle for the FSLIC) and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates. Through December 31, 2022, the FRF-FSLIC received a total of $2.3 billion in goodwill appropriations, the effect of which increased contributed capital.

Through December 31, 2022, the FRF-RTC had returned $4.6 billion to the U.S. Treasury and made payments of $5.2 billion to the REFCORP. The most recent payment to the REFCORP was in July of 2020 for $20 million. In addition, the FDIC returned $2.6 billion to the U.S. Treasury on behalf of the FRF-FSLIC in 2013. These actions reduced contributed capital.

ACCUMULATED DEFICIT

The accumulated deficit represents the cumulative excess of expenses and losses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.8 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. Since the dissolution dates, the FRF-FSLIC accumulated deficit increased by $13.2 billion, whereas the FRF-RTC accumulated deficit decreased by $6.3 billion.

6. Fair Value of Financial Instruments

At December 31, 2022 and 2021, the FRF's financial assets measured at fair value on a recurring basis are cash equivalents (see Note 2) of $897 million and $882 million, respectively. Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Treasury's Bureau of the Fiscal Service. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets.

7. Information Relating to the Statement of Cash Flows

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

	December 31 2022	December 31 2021
Operating Activities		
Net Income:	$ 14,561	$ 388
Change in Assets and Liabilities:		
Decrease in other assets, net	40	411
(Decrease) in accounts payable and other liabilities	(2)	(9)
Net Cash Provided by Operating Activities	**$ 14,599**	**$ 790**

8. Subsequent Events

Subsequent events have been evaluated through February 9, 2023, the date the financial statements are available to be issued. Based on management's evaluation, there were no subsequent events requiring disclosure.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Board of Directors of the Federal Deposit Insurance Corporation

In our audits of the 2022 and 2021 financial statements of the Deposit Insurance Fund (DIF) and of the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF), both of which the Federal Deposit Insurance Corporation (FDIC) administers,[1] we found

- the financial statements of the DIF and of the FRF as of and for the years ended December 31, 2022, and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- although internal controls could be improved, FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2022; and
- with respect to the DIF and to the FRF, no reportable noncompliance for 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting and other information included with the financial statements;[2] (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

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

Opinions on the Financial Statements

In accordance with Section 17 of the Federal Deposit Insurance Act, as amended,[3] and the Government Corporation Control Act,[4] we have audited the financial statements of the DIF and of the FRF, both of which FDIC administers. The financial statements of the DIF comprise the balance sheets as of December 31, 2022, and 2021; the related statements of income and fund balance and of cash flows for the years then ended; and the related notes to the financial statements. The financial statements of the FRF comprise the balance sheets as of December 31, 2022, and 2021; the related statements of income and accumulated deficit and of

[1]A third fund managed by FDIC, the Orderly Liquidation Fund, established by Section 210(n) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, 1506 (2010), is unfunded and did not have any transactions from its inception in 2010 through 2022.

[2]Other information consists of information included with the financial statements, other than the auditor's report.

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

[4]31 U.S.C. §§ 9101-9110.

cash flows for the years then ended; and the related notes to the financial statements. In our opinion,

- the DIF's financial statements present fairly, in all material respects, the DIF's financial position as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles, and

- the FRF's financial statements present fairly, in all material respects, the FRF's financial position as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Opinions on Internal Control over Financial Reporting

We also have audited FDIC's internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2022, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In our opinion, although certain internal controls could be improved,

- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF as of December 31, 2022, based on criteria established under FMFIA, and
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the FRF as of December 31, 2022, based on criteria established under FMFIA.

As discussed below in more detail, our 2022 audit continued to identify deficiencies in FDIC's controls over contract documentation and payment review processes that collectively represent a significant deficiency in FDIC's internal control over financial reporting.[5] We considered this significant deficiency in determining the nature, timing, and extent of our audit procedures on the DIF's and the FRF's 2022 financial statements.

Although the significant deficiency in internal control did not affect our opinions on the 2022 and 2021 financial statements of the DIF and of the FRF, misstatements may occur in unaudited financial information reported internally and externally by FDIC because of this significant deficiency.

In addition to the significant deficiency in internal control over contract documentation and payment review processes, we also identified other deficiencies in FDIC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.

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[5]A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

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

Significant Deficiency in Internal Control over Contract Documentation and Payment Review Processes

During our 2022 audit, we continued to identify deficiencies in contract documentation and payment review processes that collectively represent a significant deficiency in FDIC's internal control over financial reporting. Specifically, as in prior years,[6] FDIC did not consistently implement controls over contract documentation and payment review processes.

FDIC oversight managers are responsible for verifying that contractors deliver purchased goods or services and perform their work according to contract terms and delivery schedules. Oversight managers also monitor the expenditures of funds in relation to contract dollar ceilings and approve invoices for payment. FDIC contracting officers, acting within the scope of their authority to contract on behalf of FDIC, are responsible for entering into, administering, and terminating contracts; making related decisions; managing and maintaining contract documentation; and executing contract modifications.

We identified deficiencies in FDIC's implementation of these internal controls that increased the risks that improper payments could occur and operating expenses and accounts payable could be misstated. For example:

- We found two instances where an oversight manager approved a contractor invoice that did not agree to the terms of the contract pricing schedule, resulting in an improper payment and a misallocated payment.

- We found one instance where an oversight manager approved a miscalculated contract payment adjustment, resulting in a potential improper payment.

- We found three instances where contract documentation was not properly maintained in FDIC's Contract Electronic File (CEFile) and documents were not signed by a contracting officer, as required by FDIC's *Acquisition Policy Manual*. Further, these documents were stored on and inadvertently deleted from a contracting officer's computer hard drive, and backup copies of the documents were not maintained.

- We found two additional instances in which contract documentation was stored on employees' computer hard drives, increasing the risk of loss of contract documentation that could lead to inappropriate procurement decisions and improper payments. Due to validation requirements while transitioning procurement systems, FDIC instructed employees to store contract documentation on employees' individual computer hard drives during the 3-month transition period.

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[6]GAO, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2021 and 2020 Financial Statements*, GAO-22-104601 (Washington, D.C.: Feb. 17, 2022).

According to GAO's *Standards for Internal Control in the Federal Government*,[7] agency management is responsible for establishing and maintaining effective internal control to serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Further, GAO's *Framework for Assessing the Acquisition Function for Federal Agencies*,[8] states that when financial data are not useful, relevant, timely, or reliable, the acquisition function is at risk of inefficient or wasteful business practices. Without adequate contract documentation and payment review processes, FDIC cannot reasonably assure that internal controls over contract payments are operating effectively, which increases the risks of improper payments and misstatements in the financial statements.

While these deficiencies do not individually or collectively constitute a material weakness, FDIC's deficiencies related to contract documentation and payment review processes are important enough to merit the attention of those charged with governance of FDIC. Thus, these deficiencies continue to represent a significant deficiency in FDIC's internal control over financial reporting as of December 31, 2022. Management commitment and attention will be essential to continue addressing these deficiencies and improving FDIC's controls over contract documentation and payment review processes.

As in the prior year,[9] we plan to report additional details concerning this significant deficiency separately to FDIC management, along with recommendations for corrective actions.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of FDIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

FDIC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in FDIC's annual report, and ensuring the consistency of that information with the audited financial statements; (3) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (4) assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and (5) its assessment about the effectiveness of

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[7]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

[8]GAO, *Framework for Assessing the Acquisition Function at Federal Agencies*, GAO-05-218G (Washington, D.C.: September 2005).

[9]GAO, *Management Report: Improvements Needed in FDIC's Internal Control over Contract Documentation and Payment-Review Processes*, GAO-22-105824 (Washington, D.C.: May 19, 2022).

internal control over financial reporting as of December 31, 2022, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix I.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DIF's and the FRF's ability to continue as going concerns for a reasonable period of time.

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements or an audit of internal control over financial reporting conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered FDIC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DIF's and the FRF's ability to continue as going concerns for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

<u>Definition and Inherent Limitations of Internal Control over Financial Reporting</u>

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

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

<u>Other Information</u>

FDIC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. Management is responsible for the other information included in FDIC's annual report. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the DIF's and the FRF's financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In connection with our audits of the financial statements of the DIF and of the FRF, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for 2022 that would be reportable, with respect to the DIF and to the FRF, under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements of the DIF and of the FRF, and perform certain other limited procedures. Accordingly, we did not test compliance with all applicable laws, regulations, contracts, and grant agreements. We caution that noncompliance may occur and not be detected by these tests.

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

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

Agency Comments

In commenting on a draft of this report, FDIC stated that it was pleased to receive unmodified opinions for the 31st consecutive year on the DIF's and the FRF's financial statements. In regard to the significant deficiency in internal control over contract documentation and payment review processes, FDIC stated that while it took significant measures during 2022 to resolve the significant deficiency, controls were inconsistently applied. Further, FDIC stated that it would be performing additional risk-based control activities and enhancing monitoring capabilities related to this area. FDIC reiterated its commitment to sound financial management and assurance that this remains a top priority. The complete text of FDIC's response is reprinted in appendix II.

M. Hannah Padilla

M. Hannah Padilla
Director
Financial Management and Assurance

February 9, 2023

APPENDIX I

FDIC

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

Office of the Chairman

Management's Report on Internal Control over Financial Reporting

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

FDIC management is responsible for establishing and maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. FDIC management evaluated the effectiveness of the FDIC's internal control over financial reporting relevant to the DIF and the FRF as of December 31, 2022, based on the criteria established under 31 U.S.C. 3512(c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)). FDIC management performed this evaluation through its corporate risk management program that seeks to comply with the spirit of the following laws, standards, and guidance from the Office of Management and Budget (OMB) among others: FMFIA; Chief Financial Officers Act (CFO Act); Government Performance and Results Act (GPRA); Federal Information Security Modernization Act (FISMA); and OMB Circular A-123. In addition, other standards that the FDIC considers are the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control – Integrated Framework* and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government.*

Based on the above evaluation, management concludes that, as of December 31, 2022, FDIC's internal control over financial reporting relevant to the DIF and the FRF was effective.

Martin J. Gruenberg

Martin J. Gruenberg
Chairman

BRET EDWARDS Digitally signed by BRET EDWARDS

Bret D. Edwards
Deputy to the Chairman
and Chief Financial Officer

February 9, 2023

APPENDIX II

FDIC

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

Deputy to the Chairman and CFO

February 9, 2023

Ms. M. Hannah Padilla
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Re: FDIC Management Response to the 2022 and 2021 Financial Statements Audit Report

Dear Ms. Padilla:

Thank you for the opportunity to review and comment on the U.S. Government Accountability Office's (GAO's) draft report titled, Financial Audit: Federal Deposit Insurance Corporation Funds' 2022 and 2021 Financial Statements, GAO-23-105570. We are pleased that the Federal Deposit Insurance Corporation (FDIC) has received unmodified opinions for the thirty-first consecutive year on the financial statements of its funds: the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF). GAO also reported that although internal controls can be improved, the FDIC maintained, in all material respects, effective internal control over financial reporting, and that there was no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that were tested. However, GAO did report that more work was needed to address FDIC's significant deficiency in internal control over contract documentation and contract payment review processes.

While the FDIC has taken significant measures over the 2022 audit year to resolve the issues concerning contract documentation and contract payment review processes, the controls were inconsistently applied and thus did not resolve the significant deficiency. As those measures continue to mature in 2023, FDIC will be performing additional risk-based control activities and enhancing monitoring capabilities including: creating targeted training and procedures for reviewing and approving contractor invoices; implementing oversight to ensure contracting policies and procedures are followed and contract documentation is complete and accurate; and, implementing an independent quality review process. I also want to reiterate our commitment to sound financial management and assure you this remains a top priority.

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

We want to thank the GAO staff for their professionalism and dedication during the audit and look forward to continuing our positive and productive relationship during the 2023 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

BRET EDWARDS Digitally signed by BRET EDWARDS

Bret D. Edwards
Deputy to the Chairman
and Chief Financial Officer