

MEMO

TO: Board of Directors

THROUGH: Matthew P. Reed
General Counsel

FROM: Melanie D. Coates
Assistant General Counsel
Professional Liability and Financial Crimes Section

DATE: February 25, 2026

RE: Professional Liability Annual Report for 2025

The Professional Liability and Financial Crimes Section (PLFCS) of the Legal Division of the Federal Deposit Insurance Corporation (FDIC) submits this report on the results of the professional liability program for 2025. The primary purpose of the professional liability program is to recover funds for FDIC receiverships by pursuing claims against directors, officers, and professionals who caused losses to insured financial institutions that failed and were placed into FDIC receivership. On behalf of the FDIC in its receivership capacity, PLFCS, the Investigations Department of the Division of Resolutions and Receiverships (DRR), and for certain large institutions, the Division of Complex Institution Supervision and Resolution (CISR), investigate potential professional liability claims arising from every financial institution failure but pursue claims only if they are both meritorious and expected to be cost-effective. The professional liability program also assists DRR and the Legal Division's financial crimes program in obtaining criminal restitution from defendants convicted of banking crimes and, where appropriate, refers cases to the Legal Division's Enforcement Section for administrative enforcement action.

Professional liability program expenses are primarily receivership funding expenses incurred by PLFCS and DRR to conduct professional liability investigations and litigation. Program recoveries result from settlements reached and judgments obtained in the current reporting period as well as collections from structured settlements reached in earlier reporting periods. Typically, program expenses are incurred years before associated recoveries are received because staff spends substantial time and money to investigate and develop claims before settlements or judgments are obtained. Program expenses also include costs for investigations that do not ultimately identify meritorious and cost-effective claims and, as a result, produce no recoveries. Investigation expenses for a failed institution include these sunk costs while recoveries from more cost-effective claims from the same institution may not be obtained until years later. Given this characteristic lag between the incurrence of program expenses and the receipt of associated recoveries, the cost-effectiveness of the program is best assessed by relating recoveries to expenses over many years rather than in any single reporting period.

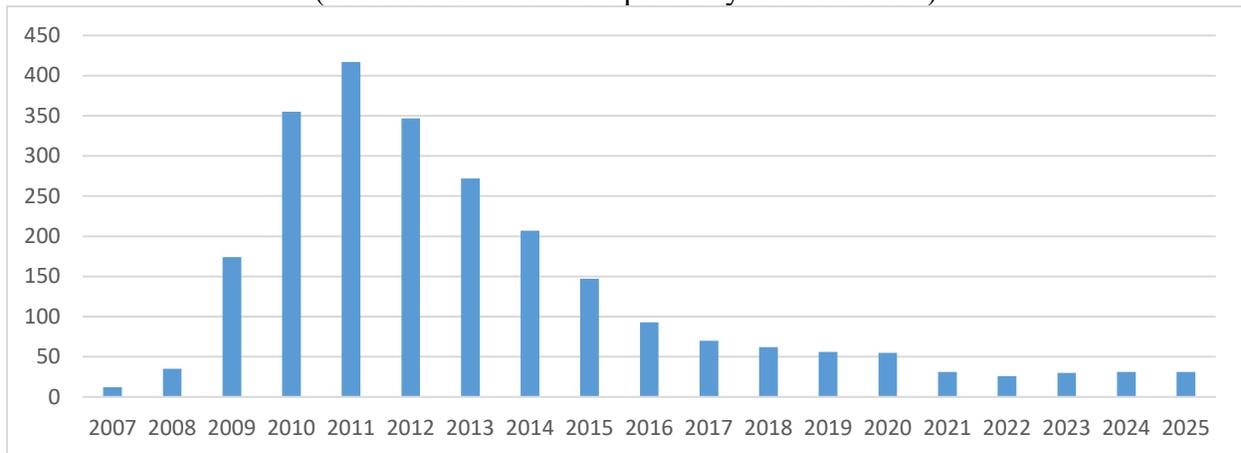
PLFCS Workload at Year-End

During 2025, two FDIC-insured financial institutions failed. The first failure was Pulaski Savings Bank, Chicago, Illinois, which failed on January 17, with \$49.5 million in assets,

followed by The Santa Anna National Bank, Santa Anna, Texas, which failed on June 27, with \$76.9 million in assets.

As of year-end 2025, the professional liability workload included 57 institutions in PLFCS’s portfolio¹ (26 of which were in its portfolio solely for collection purposes²), 8 pending professional liability lawsuits (including 1 arbitration), open investigations in 20 claim areas out of 8 institutions, and 51 collection matters.³ The following graph shows PLFCS’s open professional liability investigations and lawsuits from the beginning of the last major financial crisis in 2007 through 2025.⁴

Institutions With Open Investigations or Lawsuits at Year-End
(Excludes Institutions Open Only for Collection)



Recoveries and Expenses

Overall, from 1986 when PLFCS started tracking recoveries and expenses through the end of 2025, the professional liability program recovered \$10.7 billion and incurred total expenses of \$2.6 billion, reflecting an overall recoveries-to-expenses ratio of 4.1 to 1. The year-to-year detail of these recoveries to expenses is reflected in the historical chart at the end of this report.

¹ All institutions in PLFCS’s inventory are failed institutions, but an individual institution is considered “open” for professional liability program purposes while PLFCS is working on any professional liability matter relating to that failed institution. An “open investigation” is an investigation that has not yet been settled or otherwise resolved.

² Collection matters are those for which recoveries are obtained as a result of structured settlements, or claims submitted in bankruptcy proceedings, probate estates, or class action lawsuits, or when staff is seeking collection on an unpaid settlement or judgment.

³ For each institution that fails, PLFCS opens 11 different types of investigations, although most are soon closed once it becomes clear that no viable claims exist. The 11 categories of investigations are: (1) director and officer, (2) mortgage malpractice and fraud, (3) bond, (4) accountant, (5) attorney, (6) appraiser, (7) securities, (8) financial instruments, (9) insurance/issuer, (10) digital assets/technology, and (11) other professional claims.

⁴ All filed lawsuits are identified and settlement agreements are posted on the FDIC’s public website at: www.fdic.gov/resolutions/professional-liability-program.

During 2025 only, PLFCS and DRR recovered \$106,246,350 and incurred \$54,472,925 in expenses for professional liability program activity. Of the total 2025 expenses, the Legal Division incurred \$49,540,404 (90.95 percent), DRR incurred \$4,897,951 (8.99 percent), CISR incurred \$11,230 (0.02 percent), and other divisions incurred \$23,340 (0.04 percent).⁵ The ratio of total recoveries to total expenses for 2025 is 1.95 to 1. Recoveries from 2025 were obtained from the following types of claims:

Claim Type	Recoveries—2025	
Financial Instruments		
LIBOR	\$94,750,008	(89.2%)
Other	\$50	(0.0%)
Director & Officer (D&O) Liability	\$4,375,000	(4.1%)
Mortgage Malpractice & Fraud (MMF)	\$3,689,000	(3.5%)
Bond	\$2,022,317	(1.9%)
Attorney Malpractice	\$1,219,764	(1.1%)
Other	\$190,211	(0.2%)
TOTAL	\$106,246,350	(100%)

The \$94.75 million in LIBOR recoveries resulted from four settlements of LIBOR suppression claims out of 20 failed banks. The largest of these was a \$50 million settlement that resolved claims against Barclays Bank plc, Bank of Scotland plc, Coöperatieve Rabobank UA, Lloyds Bank plc, NatWest Group plc, UBS AG, and the British Bankers’ Association that the FDIC brought in federal court in New York in 2014 and in London in 2017.

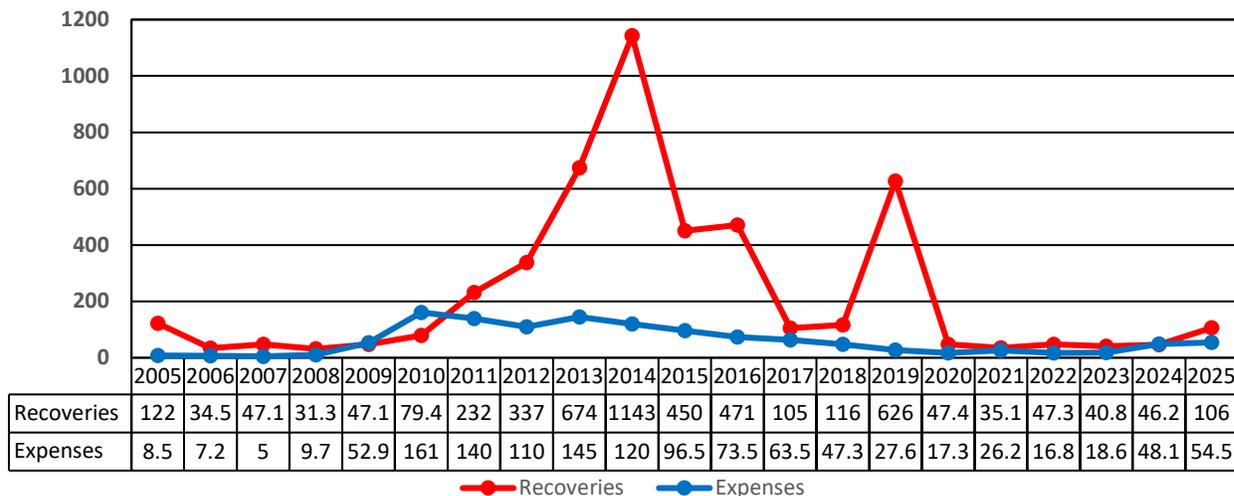
The \$4.38 million in D&O recoveries resulted from settlements of claims out of two receiverships, the larger of which was a \$3.25 million settlement of claims against the estate of the former Chairman of the Board and Chief Executive Officer of The National Republic Bank of Chicago (NRB), Chicago, Illinois, for unjust enrichment and breach of fiduciary duty in connection with the issuance of improper dividends. NRB failed on October 24, 2014, with \$954.4 million in assets.

The \$3.69 million in MMF recoveries resulted primarily from settlements of the FDIC’s contractual indemnification claims against nine third party mortgage originators (TPOs) that had brokered defective loans to Washington Mutual Bank (WaMu), Henderson, Nevada. WaMu then sold the defective loans to residential mortgage-backed securities (RMBS) trusts. In 2009, the RMBS trustee for these trusts sued the FDIC for losses on thousands of defective loans that WaMu had sold to the trusts, including losses from the TPO-brokered loans. In 2017, the FDIC settled the RMBS trustee’s claims and later sued the TPOs for indemnification. WaMu failed on September 25, 2008, with \$307 billion in assets.

The following chart compares recoveries and expenses over the past 20 years.

⁵ Staff retains outside counsel to assist with larger complex matters or when internal resources are insufficient to conduct matters in-house. Of the Legal Division expenses paid in 2025, \$42,956,537 was paid to outside counsel and other third parties and \$6,583,867 was for other expenses (primarily in-house PLFCS salaries and travel expenses associated with the professional liability program).

FDIC Professional Liability Recoveries and Expenses 2005-2025 (\$millions)



Authorized and Pending Lawsuits

During 2025, delegated authority authorized one lawsuit against Great American Alliance Insurance Company, the financial institution bond carrier of Heartland Tri-State Bank, based on a breach of contract claim, which was settled pre-suit for \$1.845 million. As of year-end, seven professional liability lawsuits and one arbitration were pending. These comprise one D&O liability case, one LIBOR case, one RMBS case, one accounting malpractice case (which is the one matter in arbitration), one bond case, one miscellaneous lawsuit, and two class action securities lawsuits in which the FDIC intervened to seek dismissal of the pending cases.

Significant Developments During 2025

During 2025, the FDIC continued to litigate two LIBOR suppression cases on behalf of 20 receiverships—one in the U.S. District Court for the Southern District of New York in a multidistrict litigation (MDL) and one in the High Court of Justice in London, England (London case). As discussed above, the FDIC entered into settlements totaling \$94.75 million in 2025. With the 2025 settlements, the London case was fully resolved and dismissed. In September 2025, the MDL court granted the defendants’ motions for summary judgment and to exclude expert testimony offered by the FDIC and other plaintiffs. The FDIC’s appeal of those decisions is pending before the U.S. Court of Appeals for the Second Circuit (Second Circuit).

On March 21, in a case out of Signature Bank (Signature), New York, New York, the U.S. District Court for the Eastern District of New York granted a motion by the FDIC as Receiver for Signature, as intervenor, to dismiss a securities class action lawsuit that lead plaintiff Sjunde AP-Fonden (AP7), a Swedish pension fund, filed against Signature’s former directors and officers and against KPMG, Signature’s auditor. AP7, a former shareholder of Signature, alleged that the directors and officers and KPMG violated federal securities laws by misstating Signature’s financial health, which inflated Signature’s stock price and ultimately led to its collapse. The district court held that AP7 lacks standing to bring the lawsuit because the FDIC owns AP7’s claims by operation of the “succession clause” of 12 U.S.C. § 1821(d)(2)(A). The court reasoned that the FDIC succeeds to a claim if the claim asserts the rights of any stockholder, member, accountholder, depositor, officer, or director of the failed bank and the rights asserted are “with respect to the institution and the assets of the institution.” The court

found that the FDIC owns AP7's claims against the directors and officers and KPMG because they satisfy both conditions. On March 27, AP7 appealed the decision to the Second Circuit. The Second Circuit heard oral argument on October 21 but has yet to issue its decision.

In a similar case, on June 9, the U.S. District Court for the Northern District of California granted a motion by the FDIC as Receiver for First Republic Bank (First Republic), San Francisco, California, as intervenor, to dismiss a securities class action lawsuit that shareholders of First Republic filed against the bank's former directors and officers and its outside auditor. The court held that because the claims related to First Republic's acts and omissions, under 12 U.S.C. §§ 1821(d)(6) and (d)(13)(D), the plaintiffs were required to exhaust the mandatory administrative claims process prior to filing their lawsuit. Because the plaintiffs failed to do so, the court lacked subject matter jurisdiction over the claims. Plaintiffs appealed to the U.S. Court of Appeals for the Ninth Circuit on July 9 and filed their opening brief on October 3.

Conclusion

During 2025, the FDIC's professional liability program continued to operate cost-effectively, recovering \$106,246,350, and expending \$54,472,925. Overall, from 1986 through the end of 2025, the program remains cost-effective with total recoveries of \$10.7 billion and total expenses of \$2.6 billion.

FDIC PROFESSIONAL LIABILITY RECOVERIES AND EXPENSES (\$ MILLIONS)

	Recoveries*	In-House PLFCS Expenses	DRR Expenses	Outside Counsel Expenses	Total Expenses**	Ratio of Recoveries to Outside Counsel Expenses	Ratio of Recoveries to Total Expenses
2025	\$106.2	\$6.6	\$4.9	\$43.0	\$54.5	2.5:1	1.95:1
2024	\$46.0	\$6.0	\$4.2	\$37.9	\$48.1	1.2 to 1	.96 to 1
2023	\$40.8	\$5.0	\$2.6	\$11.0	\$18.6	3.7 to 1	2.2 to 1
2022	\$47.3	\$5.1	\$1.4	\$10.3	\$16.8	4.6 to 1	2.8 to 1
2021	\$35.1	\$4.9	\$1.6	\$19.7	\$26.2	1.8 to 1	1.3 to 1
2020	\$47.4	\$5.1	\$1.7	\$10.5	\$17.3	4.5 to 1	2.7 to 1
2019	\$626.4	\$6.8	\$1.9	\$18.9	\$27.6	33.1 to 1	22.7 to 1
2018	\$116.3	\$9.4	\$2.1	\$35.8	\$47.3	3.3 to 1	2.5 to 1
2017	\$105.4	\$8.8	\$6.4	\$48.4	\$63.5	2.2 to 1	1.7 to 1
2016	\$470.9	\$9.2	\$5.5	\$58.8	\$73.5	8.0 to 1	6.4 to 1
2015	\$450.3	\$12.1	\$11.2	\$73.1	\$96.5	6.2 to 1	4.7 to 1
2014	\$1,142.7	\$13.3	\$16.3	\$90.1	\$119.8	12.7 to 1	9.5 to 1
2013	\$674.2	\$13.5	\$36.8	\$94.2	\$144.6	7.2 to 1	4.7 to 1
2012	\$337.3	\$12.6	\$29.3	\$68.1	\$110.1	5.0 to 1	3.1 to 1
2011	\$231.9	\$12.0	\$62.3	\$64.7	\$139.5	3.6 to 1	1.7 to 1
2010	\$79.4	\$10.1	\$102.5	\$47.2	\$160.8	1.7 to 1	0.5 to 1
2009	\$47.1	\$5.2	\$35.9	\$11.3	\$52.9	4.2 to 1	0.9 to 1
2008	\$31.3	\$2.0	\$5.3	\$2.4	\$9.7	13.0 to 1	3.2 to 1
2007	\$47.1	\$2.0	\$.7	\$2.3	\$5.0	20.5 to 1	9.4 to 1
2006	\$34.5	\$2.6	\$.9	\$3.7	\$7.2	9.3 to 1	4.8 to 1
2005	\$122.2	\$3.4	\$1.1	\$3.9	\$8.5	31.3 to 1	14.4 to 1
2004	\$79.0	\$4.0	\$3.1	\$9.0	\$16.2	8.8 to 1	4.9 to 1
2003	\$59.9	\$3.5	\$3.0	\$13.7	\$20.2	4.4 to 1	3.0 to 1
2002	\$49.1	\$3.2	\$2.8	\$13.1	\$19.1	3.8 to 1	2.6 to 1
2001	\$128.6	\$3.4	\$2.1	\$10.5	\$16.0	12.3 to 1	8.0 to 1
2000	\$54.4	\$4.0	\$2.7	\$14.0	\$20.7	3.9 to 1	2.6 to 1
1999	\$84.2	\$5.8	\$3.2	\$17.4	\$26.4	4.8 to 1	3.2 to 1
1998	\$186.5	\$5.8	\$4.2	\$21.9	\$31.9	8.5 to 1	5.8 to 1
1997	\$156.8	\$7.8	\$2.3	\$29.1	\$39.2	5.4 to 1	4.0 to 1
1996	\$195.9	\$15.8	\$4.0	\$48.1	\$67.9	4.1 to 1	2.9 to 1
1995	\$563.9	\$14.0	\$5.3	\$98.1	\$117.4	5.7 to 1	4.8 to 1
1994	\$909.9	\$17.7	\$11.2	\$135.5	\$164.4	6.7 to 1	5.5 to 1
1993	\$1,231.2	\$18.4	\$17.9	\$187.3	\$223.6	6.6 to 1	5.5 to 1
1992	\$972.6	\$15.7	\$16.6	\$179.3	\$211.6	5.4 to 1	4.6 to 1
1991	\$425.2	\$11.7	\$7.7	\$183.7	\$203.1	2.3 to 1	2.1 to 1
1990	\$374.3	\$6.1	\$5.2	\$94.8	\$106.1	4.0 to 1	3.5 to 1

FDIC PROFESSIONAL LIABILITY RECOVERIES AND EXPENSES (\$ MILLIONS)

	Recoveries*	In-House PLFCS Expenses	DRR Expenses	Outside Counsel Expenses	Total Expenses**	Ratio of Recoveries to Outside Counsel Expenses	Ratio of Recoveries to Total Expenses
1989	\$152.1	\$4.5	\$4.5	\$32.0	\$41.0	4.8 to 1	3.7 to 1
1988	\$90.0	\$1.4	\$3.7	\$20.8	\$25.9	4.3 to 1	3.5 to 1
1987	\$71.5	\$1.1	\$4.3	\$15.2	\$20.6	4.7 to 1	3.5 to 1
1986	\$83.3	\$1.0	\$3.0	\$10.9	\$14.9	7.6 to 1	5.6 to 1
Total	\$10,708.2	\$300.6	\$441.4	\$1,889.7	\$2,634.2	5.7 to 1	4.1 to 1

* Recoveries comprise all FDIC, RTC, and FSLIC recoveries, including RTC and FDIC Drexel-Milken recoveries of \$1.143 billion.

** Expenses include Drexel-Milken expenses of \$106.1 million. The following categories of expenses are unavailable: all FSLIC fees and expenses for 1986-1988; FSLIC in-house (legal and investigation) expenses for 1989; and RTC in-house expenses (1989-1995), and certain electronic data costs. DRR investigation expenses (shown in column 3) for all years before 1998 are staff compensation only (and exclude other direct costs). In-house expenses for all years shown exclude overhead.